

Fiscal Year 2012



Adopted

Operating Budget

CITY *of* PALO ALTO



CITY OF PALO ALTO
Fiscal Year 2012
Adopted Operating Budget

CITY COUNCIL

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Yiaway Yeh, *Vice Mayor*

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James Keene
City Manager

Pamela Antil
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Director of Administrative Services/Chief Financial Officer

David Ramberg
Assistant Director of Administrative Services

Joe Saccio
Assistant Director of Administrative Services

Greg Scharff
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 services.

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.



CITY OF PALO ALTO

FY 2012

BUDGET ACKNOWLEDGEMENTS

Department Budget Coordinators

Administrative Services Department

Nancy Nagel

City Attorney's Office

Stacy Lavelle

City Auditor's Office

Ian Hagerman

City Clerk's Office

Beth Minor

City Manager's Office

Greg Hermann, Richard Hackmann

Community Services Department

Lam Do

Fire Department

Jeany Clattenburg

Human Resources Department

Elizabeth Egli

Library Department

Susan Bodenlos

Planning & Community Environment Department

Mary Figone

Police Department

Pete Hazarian

Public Works Department

Sharon Macway

Utilities Department

Dave Yuan

Budget Document Producers

Budget Staff

Amy Javelosa-Rio

Sherry Nikzat

Christine Paras

Gail Wilcox

Dale Wong

Technical Advisor

Myrna McCaleb

Special Contributors

Rob Braulik

Melissa Cavallo

Libby Dame

Tarun Narayan

Dave Yuan

Budget Awards



**The Government Finance Officers Association
of the United States and Canada**

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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 

Date **October 16, 2009**



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
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PRESENTED TO

**City of Palo Alto
California**

For the Biennium Beginning

July 1, 2009

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President

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Executive Director

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MESSAGE

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Transmittal Letter

May 2, 2011
Honorable City
Council
Palo Alto,
California

Attention:
Finance Committee

Dear Mayor and Council Members:

Introduction

I submit for your consideration the Fiscal Year (FY) 2012 Proposed Budget. Palo Alto is fortunate to have a diverse and mature economic base, which is anchored by Stanford University and internationally recognized companies, and plays an integral part in the Silicon Valley economy. Palo Alto is home to a bustling downtown and a robust business community, with over 91,000 jobs and 4,000 businesses, and has been spared the high unemployment rates experienced in the rest of California and the nation. We are a community with a high quality of life, high income levels and home values, one of the finest school districts in the state, and low crime rates. Our residents are engaged and active, providing thousands of hours of volunteer time and expertise in partnership with the City. Palo Alto's wealth of talent and creative ideas is integral to the strength of our community and will help us weather the current economic and fiscal challenges and allow the city to continue to be a great place to live and work.

We are currently in a time of extraordinary flux, requiring ongoing structural changes. Some of our challenges were brought on by the recent economic downturn and others by unprecedented increases in costs, particularly health care and pension costs. There are signs that the economy is recovering as transient occupancy and sales tax revenues are stabilizing and starting to increase. However, the impacts on the City of what has been termed the "Great Recession" will be felt for many years. Many believe the economy has entered a "new normal" where former levels of revenue cannot be expected to return. It is with this understanding that I present to you a one-year budget for FY 2012. Under normal circumstances, I would be presenting a two-year budget. However, given the level of uncertainty created by the economic crisis, and our pending public safety labor negotiations which will have a major bearing on the

Transmittal Letter

City's finances, developing a budget for FY 2013 is not practical, and likely would be subject to significant change. Thus, we have decided to focus our attention on FY 2012 only.

Although Palo Alto has fared better than many communities in California, the recession has lowered baseline revenues available to fund General Fund programs and services. As an example, sales tax revenues in this year (FY 2011) will be lower than revenues produced five years ago (FY 2006). This, combined with soaring employee benefit costs, has required the City Council to make difficult decisions to produce a balanced budget over the past few years. The City Council has focused its budget reduction strategies on permanent, on-going (structural) solutions as much as possible. In FY 2011, the City Council instituted long-term structural cost controls to address a budget gap of \$7.3 million. This followed a \$16.2 million budget gap the City Council balanced in FY 2010 and an \$8 million budget gap closed in FY 2009. A total of \$14.3 million in structural changes have been made during the last two fiscal years.

In addition to the structural reductions mentioned above, we have reduced staffing by eliminating the equivalent of 77 full-time General Fund positions since FY 2008. Sixty of those full-time positions were eliminated in the past two years. This is close to 10 percent of our General Fund workforce.

The FY 2012 General Fund Budget is \$146 million, an increase of 2.7 percent from FY 2011. The total City Budget including enterprise and other funds is \$463 million or a 3.2 percent increase. This is due primarily to increases in pension and health care costs.

In response to Council Priorities, the Budget does include \$1 million in new funding for the Office of Emergency Services. It also includes \$0.6 million for the Development Center to fund needed staff and to underwrite undergoing process improvements. This expenditure is offset by an increase in revenue due to a higher volume of construction and corresponding increases in projected permit center fees.

The Budget includes a number of departmental reductions such as restructuring the Public Works Department for cost savings, but the Budget I present to you is balanced by counting on achieving significant timely concessions from our Public Safety unions, which have yet to make any structural cost savings contributions to the City's fiscal difficulties.

Transmittal Letter

If we are unsuccessful in this regard, by mid-year we will need to return to Council with staff and departmental reductions in the Police and Fire Departments. This presents us with a sizable challenge but I am optimistic that we can work together to achieve these savings through concessions and other service efficiencies.

Employee Concessions

The City's primary function is to provide services to our community, which requires people. The largest portion of our General Fund dollars goes to pay the salaries and benefits of our employees. Approximately 64 percent of General Fund expenditures are tied to personnel costs, and 56 percent of these costs are in the public safety area. A critical component of the City's ability to maintain quality services for the community, in the face of declining revenues and growing personnel costs, has been working with labor groups over the last several years to achieve wage and benefit concessions. These concessions include:

- Creating a second tier to our retirement structure (2 percent at 60) for all new non-public safety employees hired on or after July 17, 2010.
- Implementing a 90-10 medical cost sharing plan that began April 1, 2011 for non-public safety employees.
- Implementing cost-of-living freezes in FY 2010 and 2011 for non-public safety employees. Proposing cost-of-living freezes in 2012.
- Eliminating the variable management compensation plan for the Management and Professional group starting with the compensation for FY 2009.
- Implementing a 20-year vesting period for Management and Fire employees hired on or after January 1, 2004, SEIU employees hired on or after January 1, 2005, and Police employees hired on or after January 1, 2006 to qualify for lifelong City-paid health coverage.

I am committed to approaching the City's wage and benefit issues with the principle of fairness and consistency to all of our employees. It is important that all of our bargaining groups share in concessions and contributions to the City's immediate and long term fiscal demands. Our Fire contract expired at the end of FY 2010, and negotiations that began one year ago are currently at an impasse. Our Police contract will expire at the end of FY 2011, and negotiations will take place during FY 2012, if not before. Concessions from the Public Safety labor unions are essential to balancing the FY 2012 budget and to reducing the budget gaps projected in the Long Range Financial Forecast.

Transmittal Letter

The aforementioned concessions and staffing reductions have been tough decisions that are not taken lightly. Like the City, our employees face rising household costs and diminished asset values. Furthermore, the impact of the position eliminations is that our employees are stretched thin, and our ability to take on new projects has been reduced. We have also experienced a significant amount of staff turnover as a result of the compensation adjustments. To address this situation, we are in the process of realigning and recalibrating our organization to match available staff and financial resources. This includes looking at alternate ways to provide services, including contracting out functions, potential partnering with neighboring communities to provide various programs, evaluating delivery of services through a regional model versus local model such as regional dispatch, and much more. We also plan to leverage innovative uses of information technology to make us a more effective and efficient organization.

Long Range Financial Forecast

In March 2011, staff prepared an update to the City's General Fund Long Range Financial Forecast (LRFF) for a ten-year period, from 2011 to 2021. The LRFF predicts slow growth in all revenue categories due to the slow pace of the economic recovery. On the expense side, pension costs and medical benefit obligations continue their rapid incline. The CalPERS retirement system was hit hard by the stock market losses in 2008, and additional funding has been required to improve its funded status. As a result, CalPERS rates have risen from 2 percent to more than 10 percent of General Fund expenditures in the last decade. We have also seen double digit growth in healthcare costs and our retiree healthcare unfunded liability is \$105 million and rising. The City's actuary will be updating the value of the retiree medical healthcare liability as of June 30, 2011, with results expected in the fall of 2011. The LRFF update predicts that the General Fund will face persistent deficits for the next 10-year period, with a 10-year cumulative deficit of \$98.4 million. That figure, however, does not include a solution to the General Fund infrastructure backlog or any potential impacts of the State of California's budget difficulties. I will be working with the City Council in the coming year to develop short-term and long-term strategies to eliminate these deficits and develop a sustainable model for funding the City's ongoing infrastructure requirements.

Infrastructure Backlog

We continue to make strides to bolster the physical foundation of our community. The City's ability to dedicate resources to infrastructure is due, in part, to one-time funding sources that support specialized efforts. As an example, Palo Alto voters approved Measure N in 2008, which will fund a

Transmittal Letter

comprehensive investment in library facilities starting in 2011. We have obtained American Recovery and Reinvestment Act (ARRA) funding for street and road rehabilitation projects, among other things. In spite of this, the City faces a significant and rising gap in infrastructure investment needs and available funding of potentially \$500 million over the next 20-year period. The long-term health of the City requires that these needs be addressed, as they play an important part in the economic vitality and quality of life in the community. Given this, the City Council formed the 17-member Infrastructure Blue Ribbon Commission (IBRC). The IBRC is tasked with identifying and prioritizing the City's unmet and deferred infrastructure needs as well as proposing funding mechanisms that could reduce or eliminate the mounting infrastructure backlog. The financing measures could include public/private partnerships, new revenue sources, and various bond structures. The final report to Council is anticipated in December this year, just before mid-year of the FY 2012 Budget.

Council Priorities

The FY 2012 budget advances Council priorities within the constraints of available resources. An approximate amount of resources spent toward each priority is as follows: City Finances (\$2.4 million), Emergency Preparedness (\$0.6 million), Environmental Sustainability (\$0.4 million), Land Use and Transportation Planning (\$1.3 million, including \$0.6 million for Development Center improvements), and Youth Well-Being (\$0.2 million).

The priority of City Finances is the foundation of the City Council's Top Five Priorities. A solid financial base enables the Council to deliver on its priorities. The solution to creating sustainable finances will be multi-dimensional and involve improvements in operational effectiveness and efficiency, a reset of our labor agreements, new or enhanced revenues, and greater community partnerships. The budget before you reflects a number of short- and long-term actions that will address the City Finance priority and prepare the City to provide services to future generations.

The Proposed Budget contains a number of long-lasting changes to key City legacy costs-- pension and health care costs. More work remains to be done to develop and execute new labor agreements with our employee groups that will be sustainable over the long-term. Departmental budgets have been reduced by \$1 million. The overall impact on service levels resulting from these reductions will be modest and is unlikely to be noticed by most residents. Finally, during this budget year, we will be addressing high priority infrastructure projects,

Transmittal Letter

while we work hard to develop a sustainable business model for eliminating a major backlog of infrastructure projects.

Emergency Preparedness functions throughout the City will be reorganized in FY 2012 in order to improve emergency operations readiness, enhance communications, and deepen community connections. In addition, during this budget year, the City will work with community groups to plan and conduct a community Emergency Preparedness exercise. Staff will be presenting recommendations parallel to this Proposed Budget that, if approved by Council, can be incorporated in the FY 2012 Adopted Budget.

Environmental Sustainability is a core value of the City. This Budget funds initiatives to reduce the City's greenhouse gas emissions footprint over the long-term, and preserve and protect the City's urban forest. The Electric Fund will continue to roll-out the installation of LED streetlights in the City to produce energy savings. The City will also explore developing a more formal collaboration with Stanford to leverage knowledge, resources and talent to build a more sustainable community.

The Land Use and Transportation Planning priority will focus on improving the delivery of services and increasing customer satisfaction at the City's Development Center. The City will support Caltrain's efforts to develop a long-term financial plan and conduct a Rail Corridor Study to provide a vision for land use and transportation along the Caltrain rights-of-way. Review of the Stanford Medical Center development project is moving forward with a resolution planned for possible approval before the start of the fiscal year.

The City will continue to play a direct role in providing programs, services and facilities to foster Youth Well-Being. Examples include the afterschool programs at the Palo Alto Teen Center, Children's Theatre, Junior Museum and Zoo, and the Arts Center. An exciting illustration of community collaboration can be seen in the project to build the Magical Bridge Playground at Mitchell Park. Palo Alto will provide support to the Friends of Palo Alto Parks as they raise funds to build Palo Alto's first playground accessible to people of all abilities and ages during FY 2012. The City will also continue to coordinate the Community Collaboration for Youth Well-Being initiative and provide support to the Project Safety Net Community Task Force.

Transmittal Letter

Enterprise Funds and Rate Changes

The Palo Alto Utilities continue to provide value and reliable service for our residents and businesses. Of note is the Utilities' continuous effort to upgrade our infrastructure, proactively repairing and replacing utility poles, electrical substations, gas and water mains, and the plant system necessary to maintain a reliable flow of services to customers. For example, the budget includes \$3.8 million for the crossbore safety program, which will identify and repair any potential intersecting of a gas line and sewer line.

The FY 2012 Proposed Budget includes rate changes for the Water, Wastewater Collection and Storm Drainage funds. These rate changes will increase the overall average residential utility bill by 3.7 percent or \$12.07 per month. No increases are planned for Electric or Gas rates.

A Water Fund rate increase is driven by increases in water commodity costs which, in turn, are driven by expensive capital improvements to the Hetch Hetchy delivery system from which the City receives much of its water supply. In addition, cost of service adjustments are being made to more accurately align revenues collected from each customer class with the cost attributable to serving that class. The Water rate for the average residential customer will increase by 11.4 percent or approximately \$8.23 per month.

The Wastewater Collection Fund rate is also changed to more accurately align revenues collected from each customer class with the cost attributable to serving that class. The Wastewater Collection rate for the average residential customer will increase by 13.3 percent, or approximately \$3.26 per month.

Storm Drainage rates are adjusted annually based on the Consumer Price Index (CPI). The Storm Drainage fee will increase by 1.5 percent to reflect the annual CPI change.

In September 2010, the City Council approved Refuse rate increases of 6 percent for residential customers and 9 percent for commercial customers. These increases will expire in September 2011. The FY 2012 Proposed Budget reflects the expiration of these rate increases. Staff will return during FY 2012 with a plan (that may include additional rate increases) to address the Refuse Fund operating gap.

Conclusion

Although the City continues to operate in a difficult financial climate, we have much to look forward to. These are demanding times requiring us to develop sustainable expenditure plans that meet the needs of the present without compromising the ability to provide quality services and facilities to future

Transmittal Letter

generations. We are rising to the challenge. We have balanced our General Fund budget, assuming compensation concession from Public Safety employees, without significant detriment to the service levels our residents expect. We have maintained a strong conservative fiscal posture that has earned Palo Alto the highest possible bond rating. We are at the forefront of repurposing our organization and tapping into the reservoir of talent in the community. And we have a talented and dedicated workforce that is stepping up to meet the demands and continue to support a high quality of life in Palo Alto.

It is important to remember this balanced budget is predicated on salary and benefit savings from public safety. High unfunded pension and health care costs face the City in the years following this budget and our infrastructure backlog continues to grow.

Acknowledgements

Appreciation is expressed to the entire City staff team involved in preparing the FY 2012 Proposed Budget. Lalo Perez, Director of Administrative Services; David Ramberg, Assistant Director of Administrative Services; Joe Saccio, Deputy Director of Administrative Services; Tarun Narayan, Senior Financial Analyst in Administrative Services; and Rob Braulik, Deputy Director Plans and Operations. Special acknowledgement goes to the Budget Team and their countless hours of analysis and creative thought. They include Christine Paras, Acting Budget Manager, and staff: Amy Javelosa-Rio, Dale Wong, and Sherry Nikzat. The team received contributions from Gail Wilcox, Melissa Cavallo, Nancy Nagel and Libby Dame. Staff throughout the City, in particular Department Budget Coordinators (see acknowledgement page for names) and Department Directors, are recognized for their hard work in developing this budget and for identifying cost savings and budget reduction opportunities.

Respectfully Submitted,



James Keene
City Manager

Transmittal Letter

General Fund Proposed Budget Balancing Recommendations

City of Palo Alto General Fund Proposed Budget Balancing Recommendations Fiscal Year 2012	
Proposed Strategy	Estimated Net Savings (in thousands)
Reduce administrative support	\$52
Reduce contractor expense, office supplies, and software expense	94
Savings resulting from department restructuring	94
Eliminate contract for parking garage security	160
Reduction in Family Resource program and Art Center staffing	99
Reduction in Lucie Stern, Art Center, and Nature Interpretive hourly staff	18
Water conservation efforts in the Foothills turf area, Boronda Lake grass land, and Interpretive Center lawn	25
Ongoing reduction in vehicle fleet usage	100
Contribution from Friends of the Library for portable lease	12
Reorganization of Public Works Department	339
Total Budget Balancing Recommendations	\$993

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TABLE OF CONTENTS

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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
13	General Fund Revenues
15	General Fund Expenditures
17	City Council's Top Five Priorities
22	General Fund Service Level Changes
24	General Fund Summary
27	General Fund — Revenues by Type
28	General Fund — Major Revenues
29	General Fund — Expenditures by Category
30	General Fund — Operating Expenditures
31	General Fund FTE and Staff Costs
32	Long Range Financial Forecast
33	FY 2012 Projected Operating Fund Balances
34	Total Citywide Revenues by Category
35	Total Citywide Expenditures by Category
36	Citywide Average Salary & Benefits
37	Citywide Pension Expense
38	Citywide Health Care Expenses
41	City Attorney
51	City Auditor
57	City Clerk
69	City Council
73	City Manager
85	Administrative Services

MESSAGE

TABLE OF CONTENTS

INTRODUCTION

GENERAL FUND

Table of Contents



PAGE	ITEM DESCRIPTION
99	Community Services
121	Fire
135	Human Resources
147	Library
161	Planning and Community Environment
175	Police
193	Public Works
ENTERPRISE FUNDS	
207	Enterprise Funds Overview
212	FY 2012 Enterprise Fund Summary
213	Enterprise Fund Reserves
215	Enterprise Revenues by Fund
216	Enterprise Expenditures by Category
217	Average Residential Monthly Utility Bill
221	Electric Fund
243	Fiber Optics Fund
251	Gas Fund
265	Wastewater Collection Fund
275	Water Fund
289	Refuse Fund
301	Storm Drainage Fund
311	Wastewater Treatment Fund
OTHER FUNDS	
Special Revenue Funds	
321	Special Revenue Overview
323	FY 2012 Special Revenue by Fund
324	Consolidated Special Revenue Funds
325	Community Development Block Grant
327	Debt Service Overview
329	Debt Service Funds
Internal Service Funds	
333	Internal Service Funds Overview
334	FY 2012 Internal Service Funds
335	Internal Service Funds Unrestricted Assets
337	Vehicle Replacement Fund

Table of Contents



PAGE	ITEM DESCRIPTION
343	Information Technology Department
350	Printing and Mailing Fund
352	General Benefits Fund
354	Workers' Compensation Fund
355	Liability Insurance Fund
356	Retiree Health Benefit Fund
359	Summary of Position Changes
363	Table of Organization
385	Palo Alto: The City
386	Reserve Policies
388	Demographic Statistics
389	Budget Amendment Ordinance
392	Estimated Appropriations Limitation
395	Glossary
397	Americans with Disabilities Act

STAFFING

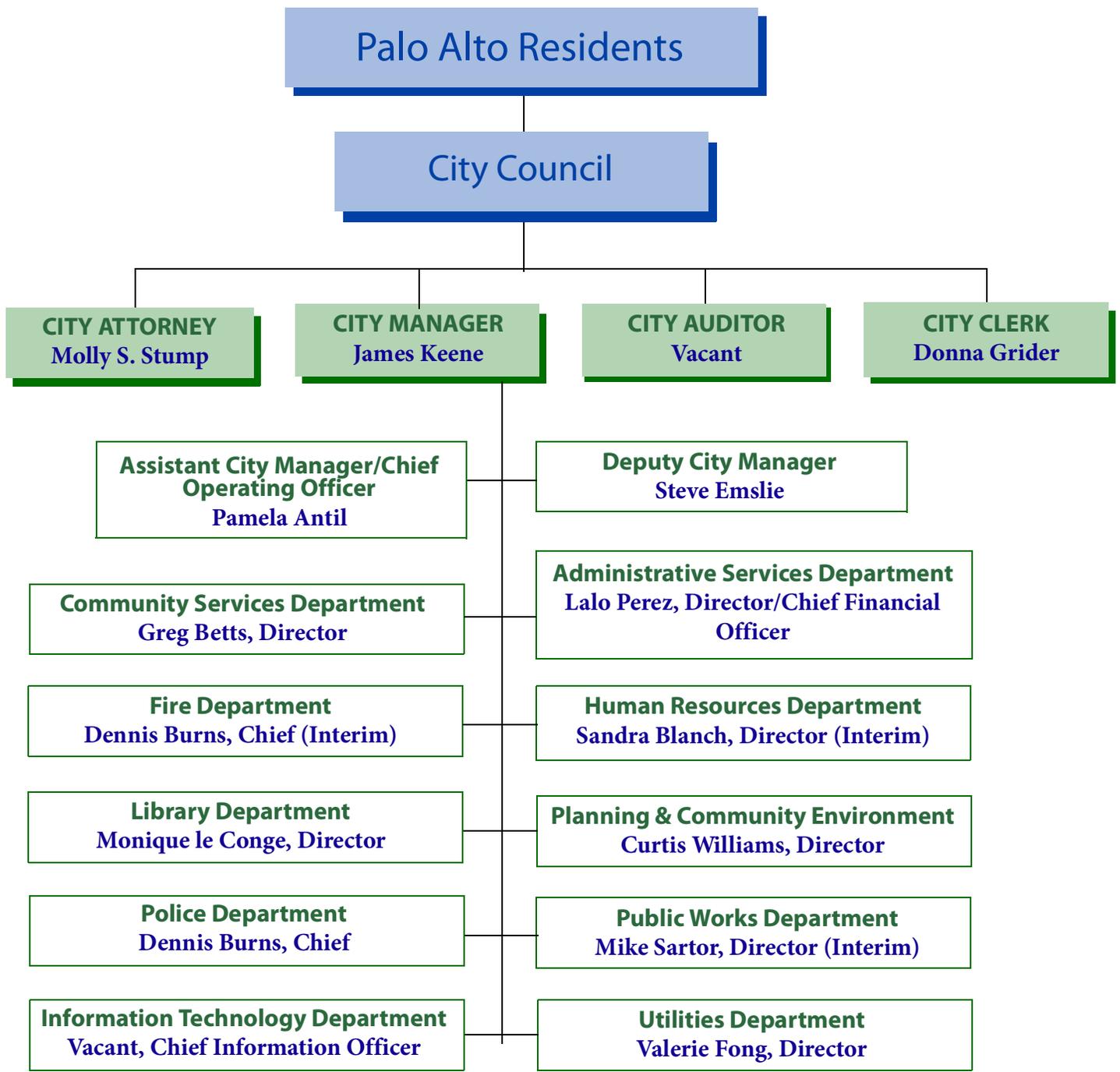
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INTRODUCTION

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City of Palo Alto Organization Chart



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The Budget Process and Document

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 FIVE 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 Five City Council priorities for Fiscal Year 2012:

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

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 Five 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.

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.

The Budget Process and Document

December /January: Departments may reallocate staffing and non-salary resources for the upcoming year 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.

February: 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.

March: Recommendations on base budget requests are made by Budget Division staff to the Director of Administrative Services, both in terms of conformance to budget guidelines as well as their individual merits. Internal budget hearings are held to discuss the Budget Division's 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.

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 formally presented by the City Manager to the City Council. Proposed changes to the Municipal Fee Schedule are finalized and reviewed by the Office of the City Attorney.

May/June: the City Manager 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

City of Palo Alto BUDGET HEARINGS With City Council and Finance Committee For 2012 Budget			
DATE	DESCRIPTION	TIME/LOCATION	DEPARTMENTS ATTENDING
Monday, May 2	City Council City Manager Proposed Budget	7pm Council Chambers	Presentation and Transmittal of FY2012 Proposed Budget - Referral to Finance Committee
Tuesday, May 3	Finance Committee Special Meeting Budget Review Kick-Off	7pm Council Chambers	Transmittal of 2011 General Fund budget – Council Appointed Officers, Council, Human Resources, ASD, ASD Internal Service Funds, Library
Thursday, May 5	Finance Committee Special Meeting	7pm Council Chambers	Police, Fire
Thursday, May 12	Finance Committee Special Meeting	7pm Council Chambers	CSD, Planning
Tuesday, May 17	Finance Committee	7pm Council Chambers	Utilities and Utilities CIP, General Fund CIP
Tuesday, May 24	Finance Committee Special Meeting	7pm Council Chambers	Public Works – General Fund Enterprise Funds (Storm Drain, Refuse, Wastewater Treatment), Internal Service Fund and related CIP
Wednesday, May 25	Finance Committee Special Meeting	7pm Council Conf Rm	Municipal Fee Schedule Contracts Greater than \$85k, Wrap-Up
Monday, June 13	City Council	7pm Council Chambers	Budget Review and Public Hearing
Monday, June 20	City Council Special Meeting – Budget Adoption	7pm Council Chambers	BUDGET ADOPTION

The Budget Process and Document

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 agenda report and require approval 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 appropriating associated expenditures in the year in which the revenue is 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 sections on the General Fund, Enterprise Funds, Internal Service Funds, Debt Service Funds, and Special Revenue Funds.

Funds: Local government budgets are made up of funds that 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

The Budget Process and Document

- Financial Summaries - revenues and expenditures by functional area and expense category
- Council Priority Implementation - specifically cites activities related to City Council's top five priorities
- 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 Fiscal Year 2010, the FY 2011 Adopted Budget, the FY 2011 Adjusted Budget, and the FY 2012 Adopted Budget. The main focus of this discussion along with the dollar amounts in the "Budget Change" column is to compare the FY 2011 Adjusted Budget with the FY 2012 Adopted Budget. This describes the changes from the prior year's numbers and is the recommended method of showing budgetary changes 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, within the Planning and Community Environment Department budget, funding dedicated to the Building Division and other divisions is shown.

Basis of Accounting and Budgeting: All governmental fund-type annual budgets are presented on a basis consistent with the general purpose financial statements prepared in accordance with generally accepted accounting principles. The City's Fiscal Year 2010 Comprehensive Annual Financial Report (CAFR) was prepared in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34 and provides government-wide financial statements in addition to the fund financial statements. The accounting and financial reporting treatment applied to fund financial statements is determined by the measurement focus of the individual fund.

The Budget Process and Document

The City's Governmental Fund (General Fund, Special Revenue Fund, and Capital Project Fund) and Proprietary Fund Budgets (Enterprise Funds) 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 administration 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 20 percent of expense.

The Infrastructure Reserve (IR) is located in the General Capital Projects Fund. Annual interest of approximately \$1 million accrues to this fund. The budgeted General Fund transfer for Fiscal Year 2012 is \$10.5 million for infrastructure projects.

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

The Budget Process and Document

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 central duplicating and printing/ mailing services, while the General Benefits Fund, Workers' Compensation Fund, and Retiree Medical Fund account for the administration of employee benefits, the City's self-insured workers' compensation, payroll, and retiree healthcare benefits. The General Liability Fund administers the City's general liability programs. The Technology Fund performs activities such as personal computer desktop, software application, and technology infrastructure replacement and maintenance.

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GENERAL FUND

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General Fund Revenues

The City's "2011-2021 Long Range Financial Forecast" (LRFF) was presented to the Finance Committee (FC) in February 2011 (FC Report ID # 1315). The LRFF, with its ten-year revenue and expense forecast, is the foundation on which a proposed budget is built. A slow economic growth is anticipated - a stabilizing economy and rising corporate profits are offset by high unemployment and tepid consumer spending. Each revenue remittance is scrutinized carefully to determine trends and so that projections can be updated. Therefore, some revenue figures have changed since the original LRFF was published.

General Fund revenues are expected to climb slowly after the Great Recession decline. The chart on page 29 depicts major historical and projected General Fund revenue streams for twenty-two years. General Fund revenues "bottomed out" in FY 2011; weak consumer confidence, cautious business spending, and credit restrictions could dampen revenue recovery. In FY 2012, \$146.5 million total revenue is budgeted in the General Fund, a \$5.0 million (3.5 percent) increase from FY 2011 adjusted budget. The following sections discuss the City's major revenue sources and their projected levels for FY 2012.

SALES TAX

Sales tax is projected at \$20.3 million in this budget which is \$0.6 million above the LRFF projection. After three years of almost consecutive quarterly declines in performance, the City realized gains in the 2010 third and fourth quarter, respectively, of 12.8 percent and a 2.6 percent. Key local sales tax generators such as apparel and department stores, furniture and appliance, restaurants, food markets, office equipment, and business services show increased activity. Auto sales, however, continue to be in the doldrums.

PROPERTY TAX

Unlike other jurisdictions in the Bay Area, Palo Alto property values have remained relatively stable. Palo Alto foreclosures in 2009 and 2010 numbered ten and eight compared to Santa Clara County totals of 5,006 and 2,279, respectively. Typically lagging the more economically sensitive revenue sources, property taxes have reached a plateau in FY 2011. In FY 2012, the assessment roll will have a positive adjustment of 0.75 percent based on the California CPI; in FY 2011 the adjustment was negative 0.26 percent. Projected General Fund property tax revenue for FY 2012 is \$26.0 million or 2.8 percent above the adjusted FY 2011 budget and \$0.2 million above the LRFF projection. City property tax forecast assumptions are in line with those of the Palo Alto Unified School District.

Recent Cornish and Carey Commercial data on office and research and development (R & D) vacancy rates are positive and bode well both for property and documentary transfer tax revenues. Over the period from Calendar Year 2009 Quarter 2 through Calendar Year 2011 Quarter 3, vacancy rates have dropped from 13.6 percent to 7.7 percent for office space and from 8.3 percent to 3.7 percent for R & D.

TRANSIENT OCCUPANCY TAX (TOT)

TOT is a tax levied on short-term (30 days or less) room rental. This tax source has rebounded significantly in FY 2011 after declines over the prior two years. In FY 2012, the revenues are forecasted at \$8.2 million or 10.9 percent above the FY 2011 adjusted budget and 6.5 percent above the LRFF projection. Through February 2011, FY 2010 occupancy and room rates have averaged 72.6 percent and \$152.15, respectively. In FY 2010, they were 61.6 percent and \$142.81, respectively. These trends have led staff to forecast higher revenues in FY 2012.

UTILITY USERS TAX (UUT)

UUT revenues are projected to remain flat in FY 2012 compared to the FY 2011 adjusted budget. The FY 2012 budget projects a total of \$10.9 million in UUT revenue, comprised of \$8.0 million in Utilities and \$2.9 million in telephone taxes. Since there are no planned rate increases for electric and gas operations and telephone revenues are anticipated to decline, utility driven UUT revenues are expected to remain flat in FY 2012.

General Fund Revenues

DOCUMENTARY TRANSFER TAX

Documentary Transfer tax revenues are projected to be \$4.3 million or 6.7 percent above the adjusted FY 2011 budget. Transaction volume and receipts have risen in FY 2011. Through April 2011, revenue results have been running 16.2 percent above the prior year and staff is hopeful that this tax source will turn in a strong performance for the remainder of this fiscal year.

CHARGES FOR SERVICES

This revenue category is mainly comprised of external reimbursements and fee-based payments for services provided by General Fund departments. These include, for example, Stanford University's payment for fire protection services (\$8.7 million), paramedic fees (\$2.0 million), and plan checking fees (\$2.0 million). As compared to the FY 2011 adjusted budget, this category is projected to increase by \$0.9 million due to increases in the Stanford fire contract (\$0.6 million) and increases in plan checking fees (\$0.3 million).

PERMITS AND LICENSES

Increased revenue in this category reflects a stabilizing and gradually improving economy. Strengthened by higher confidence in the local real estate market, the FY 2012 Permits and Licenses revenue is \$5.8 million, a \$0.7 million increase compared to the FY 2011 adjusted budget. The bulk of the revenue increase is due to fees generated at the Development Center for private development and construction activity.

RETURN ON INVESTMENT

The Federal Open Market Committee (FOMC) has continued to maintain its loose monetary policy to boost the economy. With interest rates at "rock bottom" levels, there is no change in the investment income of \$1.3 million projected in the LRFF. This represents a decline of 1.5 percent over the FY 2011 adjusted budget.

RENTAL INCOME

Primarily comprised of rent charged to Enterprise Funds for use of City land, this revenue category is increasing \$0.1 million in FY 2012 as compared to the FY 2011 adjusted budget, due to annual rental rate adjustments.

CHARGES TO OTHER FUNDS

This revenue category is the reimbursement received by the General Fund for the provision of administrative and other services to Enterprise and Internal Service Funds. The General Fund charges these funds for legal, human resources, finance, and general administration services. This revenue is decreasing \$0.2 million in FY 2012 compared to the FY 2011 adjusted budget, due to departmental expenditure reductions that have been recommended in response to declining revenues.

OPERATING TRANSFERS-IN

The largest component of this revenue category is the \$17.6 million equity transfer from the enterprise funds. The equity transfer represents the return on the initial investment the City made when the Utility Department was created more than 100 years ago. A recommendation to change the methodology for calculating the equity transfer was presented to the Finance Committee on March 31, 2009 (CMR: 190:09) and was presented again on May 26, 2009 (CMR: 260:09). The change in methodology was adopted by the City Council on June 15, 2009 as part of the budget adoption. The transfer for FY 2012 represents a \$1.1 million increase from FY 2011.

OTHER REVENUE

This revenue category is mainly comprised of Animal Services revenue from neighboring cities; the Palo Alto Unified School District's (PAUSD) share of maintenance for athletic fields; and other one-time revenue sources such as grants. This revenue is decreasing \$0.2 million in FY 2012 compared to the FY 2011 adjusted budget due to one-time grant revenues received in FY 2011.

General Fund Expenditures

In FY 2012, \$146.4 million total expense is budgeted in the General Fund, an increase of approximately \$4.4 million, or 3 percent, compared to the FY 2011 adjusted budget.

The FY 2012 Adopted Budget addresses the budget gap of \$3.07 million which had appeared in the FY 2012 Proposed Budget. In response to requests for proposed reductions, \$1 million in ongoing structural reductions were submitted by departments. To advance Council priorities, department budgets were increased by \$1 million and are offset by an additional \$1.8 million in improved revenues.

SALARY AND BENEFITS

The FY 2012 Adopted Budget includes no funding for City employee salary increases. The City's negotiations with the International Association of Fire Fighters (IAFF) have reached an impasse and parties are preparing for arbitration. Contracts with the Palo Alto Peace Officers Association and the Service Employees International Union expire June 30, 2011. The Fire Chiefs Association negotiations are underway. Negotiations with these groups will focus on the expectation that additional cost savings measures will be agreed upon to address the underlying structural deficit driven, in large part, by escalating employee benefit costs.

The City's budgeted costs for employee pension and health benefits will increase significantly in FY 2012. Overall benefit costs will increase approximately \$5.5 million, or 26 percent, compared to the FY 2011 adopted budget. The \$5.5 million increase is principally related to a \$4.2 million increase in pension costs and a \$1.3 million increase in healthcare costs. In FY 2012, for every \$1,000 of salary paid, the City will pay (on average) an additional \$630 for employee benefits, the vast majority of which is in the form of pension or healthcare benefits.

In addition to the above, the City's budgeted costs for retiree healthcare will increase in the General Fund by \$1.1 million, or 19 percent compared to the 2011 adjusted budget due to a change in methodology for allocating the retiree medical actuarial required contribution.

The General Fund portion of the increased cost for employee benefits in FY 2012 is approximately \$4.3 million. Additional information about the increased benefit costs can be found in the overview section for General Benefits and Retiree Health.

ELIMINATED OR REDUCED POSITIONS

The net reduction in the FY 2012 budget is 2.6 Full-Time Equivalent (FTE). Additional FTEs were added to the Administrative Services Department, 0.10 FTE, and the City Manager's Office, 0.50 FTE, to existing positions. The Fire Department is adding 1.0 FTE Emergency Services Director. A total of 0.3 FTE is reallocated to the General Fund from the Enterprise Funds and Other Funds. The adopted budget eliminates six positions totaling 4.5 FTE. The following is a list of eliminated positions or reductions of FTE:

Eliminated Positions

- Claims Investigator (City Attorney's Office) - 0.60 FTE
- Coordinator Recreation Programs (CSD) - 0.50 FTE
- Superintendent PW Operations (Public Works) - 0.60 FTE
- Manager Facilities Maintenance (Public Works) - 0.80 FTE
- Administrative Associate I (Public Works) - 1.0 FTE
- Project Manager (Public Works) - 1.0 FTE

For additional detail, please refer to the Staffing section of this document.

General Fund Expenditures

NON-DEPARTMENTAL EXPENSES

Non-departmental appropriations include expenses that are not directly related to the operation of a particular department, such as payments to the Palo Alto Unified School District (PAUSD) as part of the lease and covenant not to develop the Cubberley Community Center. The FY 2012 payment for this lease, which expires at the end of 2014, is approximately \$7 million.

Non-departmental expenditures also reflect anticipated salary savings for FY 2012 of \$1 million, a decrease of \$500,000 compared to the FY 2011 adopted budget.

CONTINGENCY ACCOUNTS

Contingency accounts are budgeted appropriations that are eventually transferred to the City Council, City Manager, City Attorney or other departments to pay for unanticipated expenses. The FY 2012 Adopted Budget includes \$625,000 in these accounts, which remains unchanged from the 2011 adopted budget.

OPERATING TRANSFERS OUT

General Fund money is transferred to the Capital Projects and Debt Service Funds on an annual basis. For FY 2012, \$10.9 million is projected to be transferred to the Capital Projects Fund. This represents a \$1.2 million, or 12 percent, increase compared to the FY 2011 Adjusted Budget. This increase accounts for planned growth in the General Fund's contribution for General Fund infrastructure needs. The transfer to the Debt Service Fund is \$0.8 million, a \$0.3 million decrease compared to the FY 2011 Adjusted Budget.

RESERVES

The City's general reserve is referred to as the "Budget Stabilization Reserve" or BSR. By policy, the City maintains a reserve level of 15-20 percent of the General Fund operating budget, with a targeted goal of 18.5 percent. City Council approval is required prior to setting reserves lower than 15 percent. The City Manager is authorized, at his/ her discretion, to transfer any amount in excess of 18.5 percent to the Capital Projects Infrastructure Reserve. The FY 2012 Adopted Budget yields a \$27 million BSR balance.

LONG RANGE FINANCIAL FORECAST

The Long Range Financial Forecast (LRFF) plays a critical role in the development of the Adopted Budget. The 2011 - 2021 LRFF presented to the Finance Committee in February 2011 reflects the impact that the slow economic recovery, substantial increases in employee pension and healthcare costs, and other factors have on the City's budget.

CITYWIDE OPERATING FUND BALANCE STATEMENT

An organization-wide operating fund statement is included in the financial summaries that follow this portion of the budget. Internal Service Fund activities (e.g. employee benefits, technology costs, vehicle replacement costs, etc) are not listed separately since those expenses are allocated and reflected in the departmental budgets that receive those services and/or are allocated those costs.

City Council's Top Five Priorities

A list of activities that further the Council's Top Five Priorities is included in departmental budgets. Provided below is a summary of the activities, services and programs that are part of the FY 2012 Adopted Budget. Along with these items are estimates of the budget dollars needed to deliver the service or perform the activity. Since the budget is structured around department missions, the costs related to the delivery of Council priority-related services are estimated. This summary is meant to depict the commitment of resources where estimates are available.

Additional department activities for which dollar estimates are not easily obtained can be found in the individual department sections. A summary of CIP expenses related to the Council's Top Five Priorities can be found in the FY 2012 Adopted CIP document.

CITY FINANCES: \$2,401,610

Administrative Services Department - \$924,385

Execute new budget and fiscal measures to ensure the long-term financial stability of the City.

Support labor negotiations and facilitate changes to labor agreements that will be sustainable over the long-term.

Participate in the Infrastructure Blue Ribbon Committee analysis of infrastructure funding requirements and financing measure recommendations.

City Attorney's Office - \$128,480

Provide legal advice relating to new or enhanced approaches to increasing revenues, expense reduction programs, labor negotiations, and the execution of new labor agreements.

City Manager's Office - \$100,800

Complete and execute an economic development strategic plan to enhance the City's economic base.

Continue business outreach efforts, participate in business retention efforts, and participate in local and regional economic development efforts.

Fire Department - \$19,100

Research and evaluate Fire Study recommendations regarding opportunities for regionalization and consolidation of Fire functions with other jurisdictions to reduce cost.

Complete negotiations of new labor agreements.

Human Resources Department - \$258,508

Complete labor negotiations with major bargaining groups and execute new labor agreements that will be sustainable over the long-term.

Public Works Department - \$954,626

Complete Refuse Study and execute plans to balance and stabilize the Refuse Fund.

Complete the Infrastructure Blue Ribbon Committee analysis of long-term infrastructure needs and financing measures and report to the City Council.

City Council's Top Five Priorities

Other City Department Contributions:

Police Department - \$15,711

EMERGENCY PREPAREDNESS: \$625,678

City Attorney's Office - \$47,333

Evaluate legal issues related to emergency preparedness, provide legal advice regarding reimbursement for State, Federal, or local disasters, and develop plans to ensure legal functions continue in the case of an emergency.

Participate in the analysis of alternatives for a secondary electrical transmission source.

Fire Department - \$110,350

Lead the effort to restructure the Office of Emergency Services, coordinating complex activities across all City departments and with the community to ensure a unified response to emergencies.

Work with staff and community members to conduct an emergency preparedness exercise.

Implement recommendations resulting from the Foothills Fire Management Plan to reduce the risk of fire danger and ensure the safety of the residents in the Foothills.

Establish a medical reserve corporation program, recruiting medical professionals and other volunteers interested in supporting disaster medical response.

Human Resources - \$228,445

Participate in the restructuring the Office of Emergency Services with a focus on four key readiness areas: preparedness, mitigation, response and recovery.

Support efforts to conduct an emergency preparedness exercise.

Police - \$146,700

Participate in restructuring the Office of Emergency Services with a focus on four key readiness areas: preparedness, mitigation, response and recovery. Develop methods and strategies to enhance citizen volunteer support.

Work with community groups to plan and host a full-scale emergency preparedness exercise to enable the City to better prepare for an actual event.

Utility Department - \$89,000

Evaluate the feasibility of installing a secondary electrical transmission source in a separate geographical area of the City to prevent power interruptions and prepare a report to the City Council on viable alternatives.

Other City Department Contributions:

Community Services Department - \$3,850

City Council's Top Five Priorities

ENVIRONMENTAL SUSTAINABILITY: \$405,512

City Attorney's Office - \$26,920

Evaluate the legality of funding options for energy efficiency projects, draft contracts for renewable energy, and assist with the analysis of sustainable development conditions at the Stanford Medical Center. Provide legal advice regarding green building ordinances and reporting of greenhouse gas emissions.

City Manager's Office - \$28,500

Establish formal collaborative relationship with Stanford regarding sustainability initiatives.

Explore methods to integrate Palo Alto Green into the City's sustainability program.

Planning and Community Environment Department - \$59,762

Complete an Urban Forest Master Plan to help the City preserve and renew its urban forest.

Support efforts to install electric vehicle charging stations throughout the City.

Public Works Department - \$78,205

Evaluate alternatives for handling the City's organic residuals (yard trimmings, food scraps and wastewater solids), including the evaluation of new composting digesters, to reduce greenhouse gas emissions.

Utility Department - \$208,000

Evaluate opportunities to facilitate the installation of electric vehicle charging stations throughout the City.

Other Department Contributions:

Community Service Department - \$1,925

Fire Department - \$2,200

LAND USE & TRANSPORTATION PLANNING: \$1,297,828

City Attorney's Office - \$56,582

Provide legal advice related to the Comprehensive Plan revision, the Stanford University Medical Center project, and the California High-Speed Rail activities.

City Manager's Office - \$222,152

Continue High Speed Rail monitoring and collaborative work with Peninsula cities, regional agencies.

Facilitate action plan to ensure short and long-term Caltrain operations viability.

Planning and Community Environment Department - \$968,279

Redesign the City's Development Center business processes to improve service delivery and increase customer satisfaction.

Complete a draft Rail Corridor Study providing a vision for land use, transportation, and design along the Caltrain rights-of-way and facilitate actions that support the long-term financial stability of Caltrain.

City Council's Top Five Priorities

Complete the Stanford University Medical Center rehabilitation and expansion project development agreement.

Complete an update of the City's Comprehensive Plan including a Housing Element Update and two Area Concept Plans. Actively participate in the preparation of a regional Sustainable Communities Strategy (SB375) and the accompanying Regional Housing Needs Allocation. Make sure regional efforts are in sync with the Comprehensive Plan amendment and other citywide planning and transportation efforts.

Prepare an update to the Pedestrian and Bicycle Master Plan to guide the City's priorities for bicycle and pedestrian transportation projects and programs in the community.

Public Works Department - \$21,739

Participate in the implementation of measureable improvements at the Development Center to improve customer service.

Complete the Stanford University Medical Center rehabilitation and expansion project.

Fire Department - \$18,900

Participate in the implementation of measureable improvements at the Development Center to improve customer service.

Other Department Contributions:

Administrative Services Department - \$10,176

YOUTH WELL-BEING: \$230,945

Community Services Department - \$33,599

Implement Project Safety Net plans for overall youth and teen well-being in Palo Alto.

Monitor fundraising efforts for the construction of the Magical Bridge playground, Palo Alto's first universally accessible playground.

Police Department - \$84,300

Support efforts to implement Project Safety Net goals and plans.

Fire Department - \$110,500

Provide programs and services for youth in Palo Alto so they may thrive. Examples include the annual Bike Safety Program at the Palo Alto Unified School District, the annual Safety Week Poster contest for elementary school-aged students, and the annual Explorers Program for high school-aged students.

Establish a teen Community Emergency Response Team (CERT) program at Gunn High School.

Conduct fire station tours and demonstrations for children of various ages.

Other Department Contributions:

City Attorney's Office - \$2,546

City Council's Top Five Priorities

SUMMARY

Overall, the Fiscal Year 2012 Adopted Budget includes committed estimated resources related to Council's Top Five Priorities as follows:

- City Finances: \$2.4 million
- Emergency Preparedness: \$0.6 million
- Environmental Sustainability: \$0.4 million
- Land Use and Transportation Planning: \$1.3 million
- Youth Well-Being: \$0.2 million
- TOTAL: \$4.9 million

General Fund Service Level Changes

Below is a summary of service level changes within individual departments:

City Attorney (\$0.1 million ongoing reduction)

The budget reflects the reclassification 1.0 FTE Senior Legal Secretary to Claims Investigator and eliminates 0.4 FTE Claims Investigator, which nets to an overall department reduction of 0.6 FTE. The duties of the Senior Legal Secretary will be moved to the Claims Investigator. In addition, funding for the law clerk program is eliminated and, going forward, will be staffed with volunteers.

City Council (\$30,000 ongoing increase)

The City Council budget includes \$30,000 to hire a consultant to assist with Council Appointed Official performance evaluations.

City Manager's Office (\$0.27 million ongoing increase)

The City Manager's Office budget includes additional funding to increase an hourly Management Specialist position from 0.25 FTE to 1.0 FTE. This increase in FTE is needed to more effectively address the department's workload. Reclass of 0.5 FTE Administrative Associate I to Administrative Associate III and addition of 0.5 FTE Administrative Associate III will add support for key personnel and increase capacity for responding to public requests.

Economic Development is moved into the City Manager's Office from Planning and Community Environment (PCE), resulting in an increase to the City Manager's budget, a decrease to the PCE budget, and no net effect on the General Fund.

Administrative Services (\$17,711 ongoing increase)

The Administrative Services Department reflects a decrease in temporary help, overtime and consultant services due, in part, to the completion of the business registry project.

The budget also reflects the restructuring of the department as follows:

- Reclass 0.8 Deputy Director, ASD to Assistant Director, ASD; reallocate 0.1 FTE from Enterprise Funds
- Increase 0.1 FTE Senior Financial Analyst
- Eliminate 1.0 FTE Budget Manager; add 1.0 FTE Chief Budget Officer
- Reclass 1.0 FTE Sr. Financial Analyst to Budget Officer
- Eliminate 1.0 FTE Graphic Design; add 1.0 FTE Administrative Associate III

These changes will allow the department to provide a high level of oversight for the City's finances, operations and management and increase capabilities to provide long range projections and analyses.

Community Services (\$0.1 million ongoing reduction)

The Community Services Department (CSD) Budget eliminates three positions. In the Family Resources Program, 0.5 FTE Coordinator Recreation Program is eliminated and will result in delayed updates to the program's website and response to public inquiries. In the Art Center, two Program Assistant I positions are temporarily reduced due to renovation work at the center. Reduction in work hours of the Program Assistant I positions results in delayed customer service and facility booking; administrative tasks will be reassigned to fellow staff. Once the Art Center renovations are complete, work hours for the Program Assistant I positions will be restored. Elimination and reduction in full-time CSD staff results in \$0.1 million in ongoing reductions.



General Fund Service Level Changes

The Department is also reducing its temporary staff at Lucie Stern, the Art Center, and the Nature Interpretive Center. Ongoing reductions of \$18,000 are included in the budget and result in longer in-person lines and hold times over the phone.

The Department budgeted an additional \$15,000 for maintenance of public art.

Fire Department (\$0.5 million ongoing increase)

The Office of Emergency Services (OES) was integrated into the Fire Department. The goal of the OES is to optimize the City's emergency preparedness and improve Citywide emergency response capabilities. The OES will be led by the Emergency Services Director and will be supported by an existing OES Coordinator position. Ongoing cost for the program total \$0.5 million which funds the new Emergency Services Director position and other program costs.

Library (\$0.1 million ongoing increase)

The Library Department includes \$54,000 for temporary salaries due to the reopening of the Downtown Library.

Planning and Community Environment (\$0.16 million ongoing increase)

The Planning and Community Environment (PCE) Department budget reflects the move of the Planning Arborist to Public Works and the reduction of a Chief Planning Officer. These reductions are partially offset by the reallocation of 0.5 FTE Admin Associate I from the City Manager's Office and the addition of an Assistant Director position.

Economic Development is moved from the Planning and Community Environment Department to the City Manager's Office, resulting in a reduction to the PCE budget, an increase in the City Manager's budget, and no net change to the General Fund.

Contract services are increased in support of the Development Center's Blueprint Process. Consultants will provide support for:

- Project management
- Enhancing front counter customer services
- Plan Check Services
- Building Inspection Services

Additionally, the budget includes funding for an historic consultant for the Professorville area project.

A projected increase of \$0.7 million in permit and plan check fee revenues will offset increases in expenditures.

Public Works (\$0.34 million ongoing increase)

The budget reflects savings from a reorganization undertaken as a result of numerous staff vacancies as well as the impending closure of the landfill. The efficiencies gained as a result of the reorganization (six divisions were consolidated into three) allowed the department to eliminate 1.0 FTE Facilities Manager, 1.0 FTE Public Works Superintendent, 1.0 FTE Project Manager, and 1.0 FTE Administrative Associate while maintaining existing service levels.

General Fund Summary

FUND SUMMARY

(\$000)	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Revenues					
Sales Tax	17,991	18,218	19,507	20,246	739
Property Tax	25,982	25,907	25,323	26,052	729
Transient Occupancy Tax	6,858	7,021	7,400	8,204	804
Documentary Transfer Tax	3,707	3,613	4,002	4,269	267
Utility Users Tax	11,296	11,429	10,824	10,859	35
Other Taxes and Fines	1,634	2,330	2,137	2,330	193
Charges for Services	19,513	20,008	20,924	21,841	917
Permits and Licenses	4,799	4,593	5,101	5,778	677
Return on Investment	2,624	1,646	1,337	1,318	(19)
Rental Income	14,397	13,716	13,776	13,914	137
From other agencies	333	155	222	155	(67)
Charges to Other Funds	11,017	10,622	10,678	10,505	(173)
Other Revenue	2,360	1,490	1,585	1,428	(158)
TOTAL REVENUES	\$122,513	\$120,748	\$122,816	\$126,899	\$4,083
Operating Transfers-In	22,011	18,684	18,678	19,606	928
TOTAL SOURCE OF FUNDS	\$144,524	\$139,433	\$141,493	\$146,504	\$5,011

General Fund Summary

FUND SUMMARY

(\$000)	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Expenses					
City Attorney	2,583	2,369	2,390	2,355	(35)
City Auditor	958	982	989	1,006	16
City Clerk	1,455	1,093	1,335	1,479	144
City Council	287	142	143	319	176
City Manager	2,282	2,178	2,407	2,512	105
Administrative Services	7,873	6,293	6,468	6,514	47
Community Services	20,490	20,032	20,147	20,711	564
Fire	27,733	27,007	27,813	29,780	1,967
Human Resources	2,707	2,817	2,849	2,919	70
Library	6,388	6,609	6,675	6,944	269
Planning and Community Environment	9,350	9,320	9,980	10,021	41
Police	28,841	30,579	30,941	31,918	977
Public Works	12,529	13,084	13,127	13,007	(120)
Non-Departmental	8,745	5,970	5,490	5,038	(451)
TOTAL EXPENSES	\$132,219	\$128,475	\$130,753	\$134,523	\$3,770
Operating Transfers Out	4,737	1,122	1,422	860	(562)
Transfer to Infrastructure	9,900	9,802	9,802	10,978	1,175
TOTAL USE OF FUNDS	\$146,857	\$139,399	\$141,977	\$146,360	\$4,383
NET SURPLUS (DEFICIT)	\$(2,333)	\$33	\$(484)	\$144	\$628

EXPENDITURES BY CATEGORY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Salaries and Benefits	93,979,629	88,545,459	90,158,774	92,070,036	1,911,262
Contract Services	9,115,612	10,180,114	11,011,954	11,296,566	284,612
Supplies and Materials	2,875,040	3,241,892	3,288,578	3,205,892	(82,686)
General Expense	9,343,262	10,021,636	9,918,010	10,897,509	979,499
Rents and Leases	699,385	735,706	713,756	830,869	117,113
Facilities and Equipment Purchases	1,739,653	452,119	442,098	459,805	17,707
Allocated Charges	14,466,638	15,298,268	15,220,167	15,762,343	542,176
Operating Transfers Out	4,737,252	1,121,819	1,421,819	859,504	(562,315)
Transfer to Infrastructure	9,900,212	9,802,334	9,802,334	10,977,510	1,175,176
TOTAL EXPENDITURES	\$146,856,683	\$139,399,347	\$141,977,490	\$146,360,034	\$4,382,544

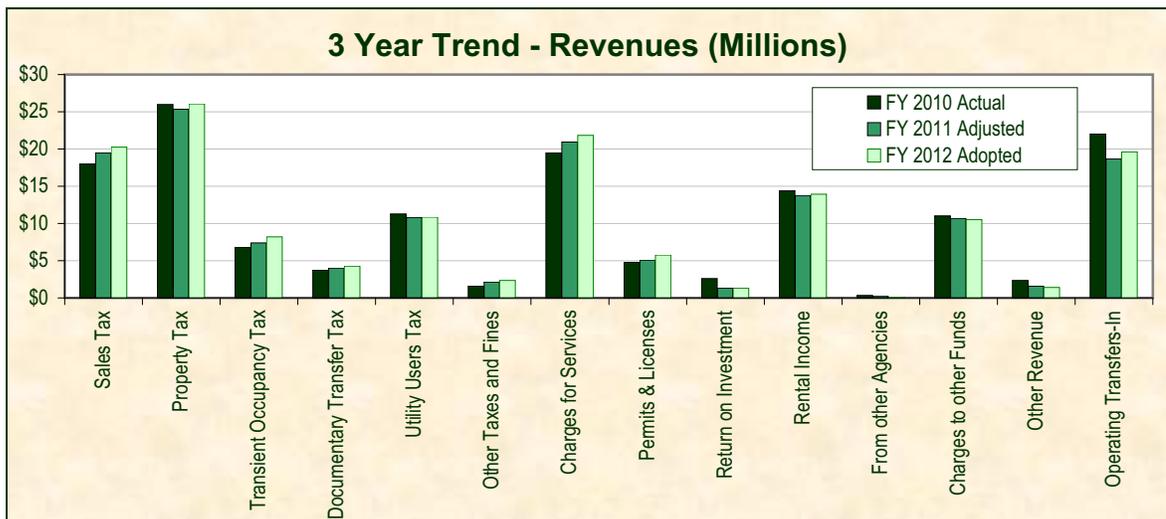
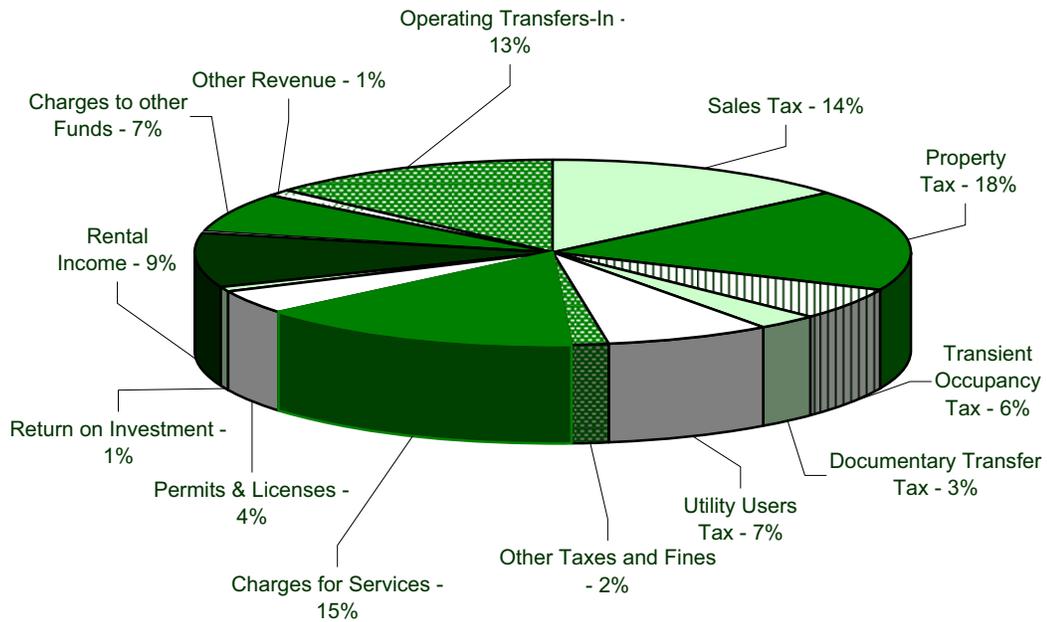
General Fund Summary

RESERVES

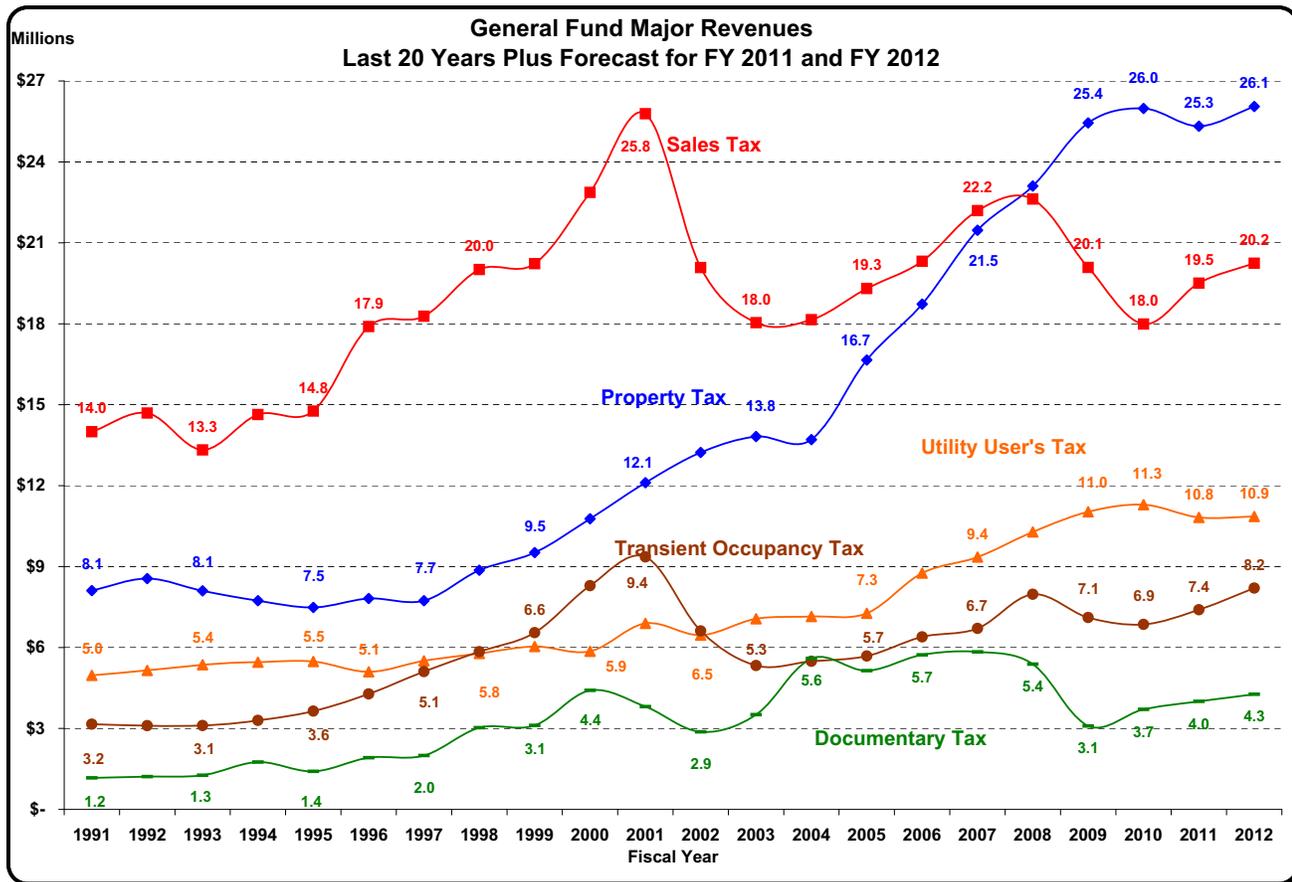
(\$000)	FY 2010 Actuals	FY 2011 Adopted Changes	FY 2011 BAO's	Projected 06/30/11	FY 2012 Projected Changes	Projected 06/30/12
Reserves						
<i>Budget Stabilization Reserve (BSR) Activity:</i>						
BSR	27,396	33	(516)	26,913	144	27,057
<i>Other Reserve Activity:</i>						
Encumbrance & Reappropriation	3,778			3,778		3,778
Inventory of Materials & Supplies	3,661			3,661		3,661
Notes Receivable, Prepaid Items, & Interfund Advances	2,920			2,920		2,920
TOTAL RESERVES	\$37,755	\$33	\$(516)	\$37,272	\$144	\$37,416

General Fund — Revenues by Type

\$146.5 Million / Adopted FY 2012

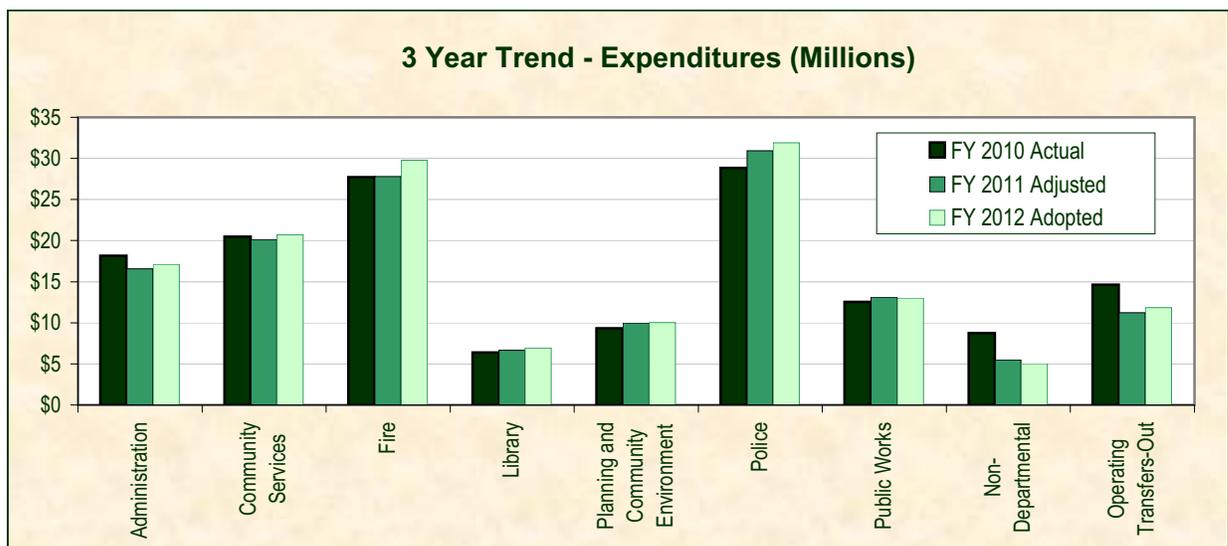
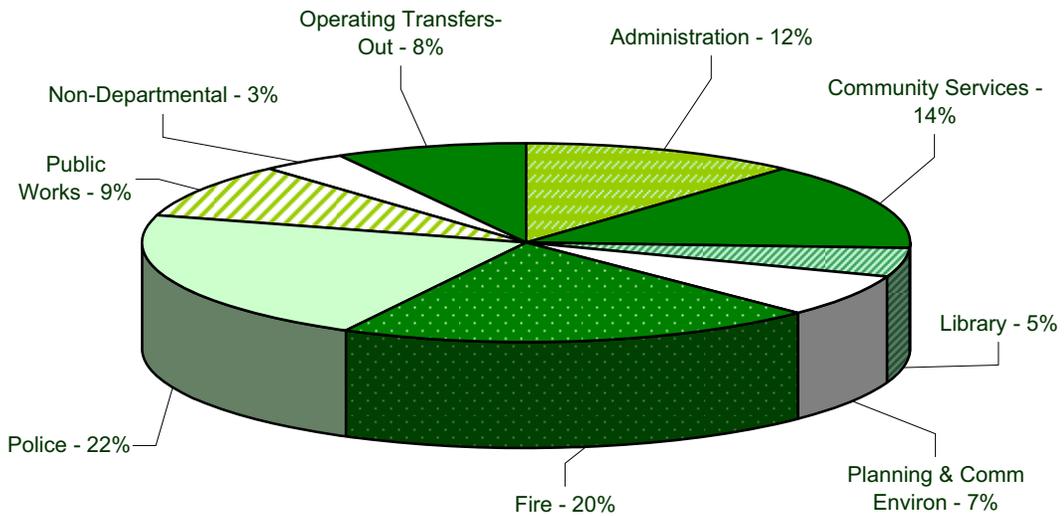


General Fund — Major Revenues

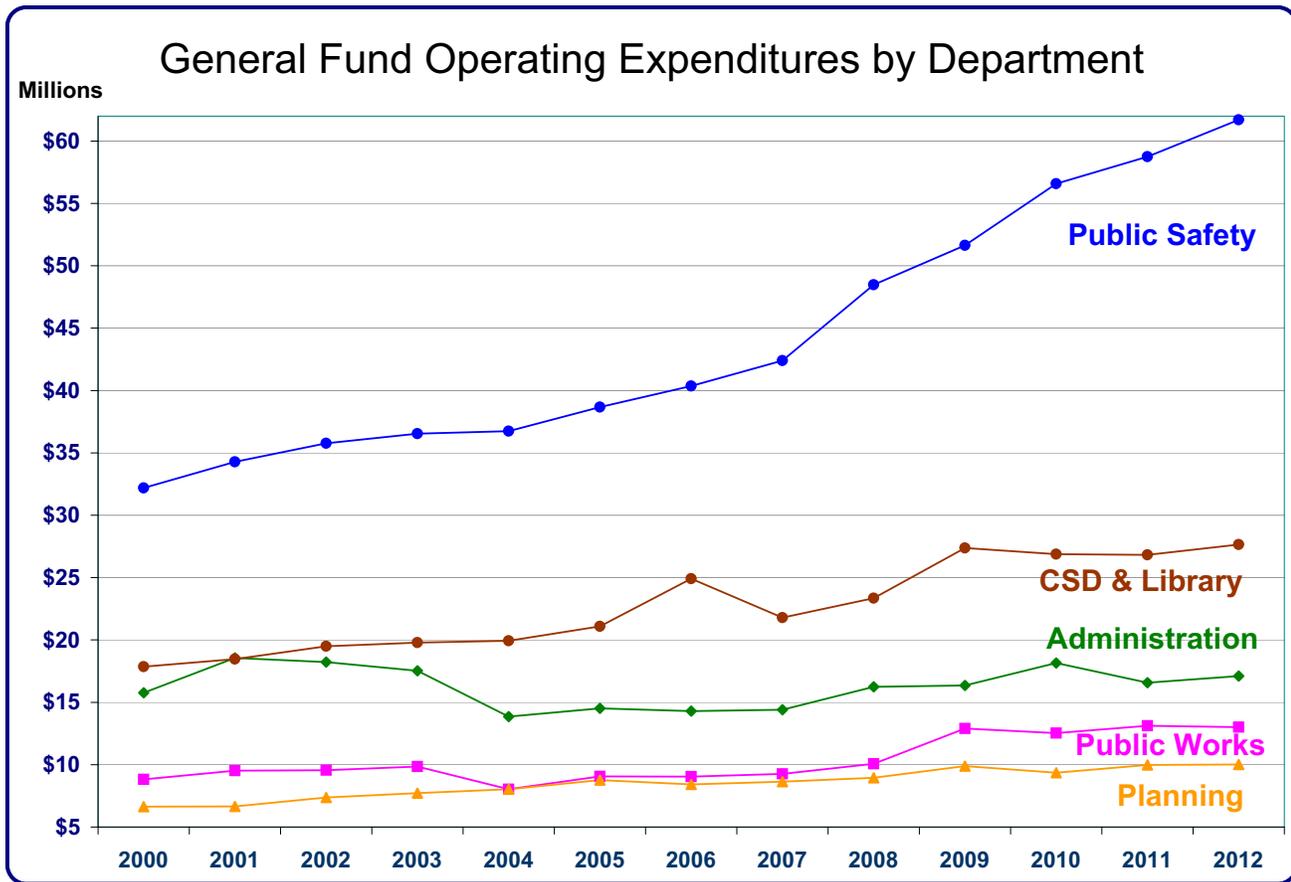


General Fund — Expenditures by Category

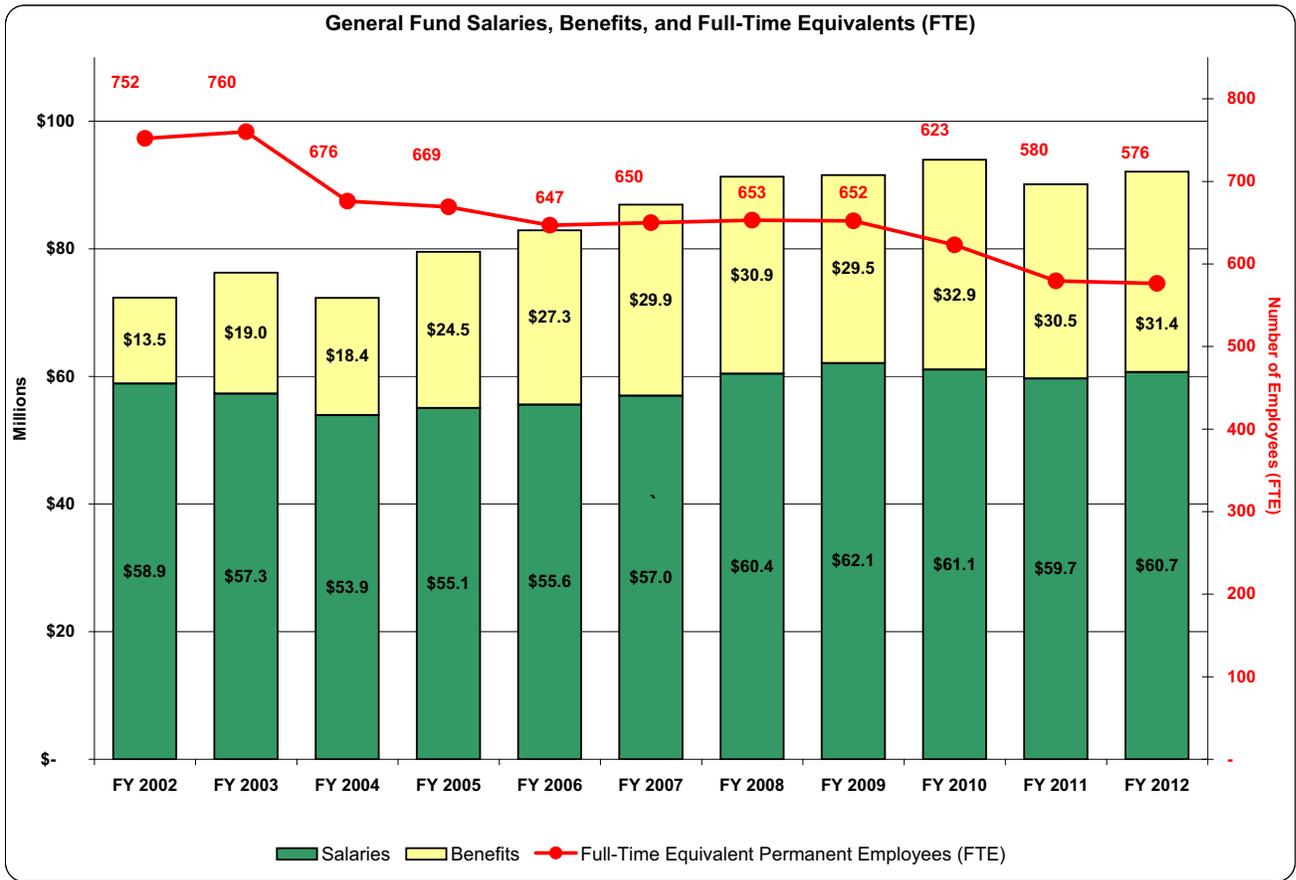
\$146.4 Million / Adopted FY 2012



General Fund — Operating Expenditures



General Fund FTE and Staff Costs



Long Range Financial Forecast

(\$000)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenues												
Sales Taxes	17,991	19,507	19,646	20,320	21,085	21,888	22,750	23,649	24,594	25,295	25,940	26,638
Property Taxes	25,982	25,323	25,830	26,699	27,665	28,734	29,914	31,177	32,581	34,114	35,227	36,186
Transient Occupancy Tax	6,858	7,400	7,704	7,946	8,196	8,470	8,771	9,091	9,432	9,701	9,968	10,237
Utility User Tax	11,296	10,824	10,859	11,069	11,329	11,654	11,708	11,976	12,252	12,528	12,796	13,054
Documentary Transfer Tax	3,707	4,000	4,219	4,377	4,546	4,723	4,908	5,103	5,310	5,504	5,694	5,948
Other Taxes, Fines & Penalties	2,047	2,139	2,384	2,455	2,529	2,605	2,683	2,763	2,846	2,932	3,020	3,110
Subtotal: Taxes	\$67,881	\$69,193	\$70,642	\$72,866	\$75,350	\$78,074	\$80,734	\$83,760	\$87,016	\$90,074	\$92,644	\$95,173
Charges for Services	19,593	20,924	21,420	22,063	22,724	23,406	24,108	24,832	25,577	26,344	27,134	27,948
Permits and Licenses	4,720	5,102	4,739	4,882	5,028	5,179	5,334	5,494	5,659	5,829	6,004	6,184
Return on Investment	2,624	1,337	1,317	1,314	1,331	1,354	1,380	1,412	1,459	1,489	1,516	1,540
Rental Income	14,397	13,776	13,991	12,150	12,515	12,890	13,277	13,675	14,086	14,508	14,943	15,392
From other agencies	333	221	158	163	168	173	178	183	189	194	200	206
Charges to Other Funds	11,027	10,681	10,745	11,067	11,399	11,741	12,093	12,456	12,829	13,214	13,611	14,019
Other revenues	2,360	1,584	1,544	1,590	1,638	1,687	1,738	1,790	1,844	1,899	1,956	2,015
TOTAL REVENUES	\$122,936	\$122,818	\$124,555	\$126,094	\$130,152	\$134,505	\$138,843	\$143,602	\$148,658	\$153,551	\$158,008	\$162,477
Transfers from Other Funds	22,011	18,677	19,453	20,232	21,041	21,882	22,758	23,668	24,615	25,599	26,623	27,688
TOTAL SOURCE OF FUNDS	\$144,947	\$141,495	\$144,008	\$146,326	\$151,193	\$156,387	\$161,600	\$167,270	\$173,273	\$179,150	\$184,631	\$190,165
Expenditures												
Salaries & Benefits	93,980	90,159	94,254	98,934	103,527	107,637	112,391	117,319	122,485	127,818	133,527	139,436
Contract Services	8,899	11,012	10,382	10,833	11,116	11,449	11,792	12,146	12,510	12,885	13,272	13,670
Supplies & Materials	2,867	3,289	3,541	4,112	4,235	4,362	4,493	4,628	4,767	4,910	5,057	5,209
General Expense	9,341	9,918	10,172	10,375	10,686	11,007	11,337	11,677	12,027	12,388	12,760	13,143
Rents and Leases	627	641	774	789	813	837	862	888	915	942	970	999
Facilities and Equipment	1,734	442	459	468	482	496	511	526	542	558	575	592
Allocated Charges	14,540	15,293	15,102	15,404	14,646	15,085	15,538	16,004	16,484	16,979	17,488	18,013
TOTAL EXPENDITURES	\$131,988	\$130,754	\$134,684	\$140,915	\$145,505	\$150,873	\$156,924	\$163,188	\$169,730	\$176,480	\$183,649	\$191,062
Transfers to Other Funds												
Operating Transfers Out	4,737	1,422	1,167	1,214	1,263	1,314	1,367	1,422	1,479	1,538	1,600	1,664
Transfer to Infrastructure	9,900	9,802	10,438	10,852	11,294	11,747	12,217	12,706	13,214	13,743	14,293	14,865
Debt Service	1,082	1,082	1,086	1,080	929	752	749	649	763	763	763	763
Other	39	87	42	42	44	45	47	49	51	51	51	51
TOTAL USE OF FUNDS	\$146,625	\$141,978	\$146,289	\$152,981	\$158,062	\$163,934	\$170,508	\$177,316	\$184,423	\$191,761	\$199,542	\$207,591
Drawdown on BSR for BAO												
NET SURPLUS/(DEFICIT)	\$(1,767)	\$(483)	\$(2,281)	\$(6,655)	\$(6,869)	\$(7,547)	\$(8,908)	\$(10,046)	\$(11,150)	\$(12,611)	\$(14,911)	\$(17,426)

*Updated as of March 31, 2011

FY 2012 Projected Operating Fund Balances

(\$000)	Projected Ending Balance 06/30/11	Estimated Revenues	Net Fund Transfers	Estimated Expenditures	Projected Ending Balance 06/30/12
GENERAL FUND	\$26,913	\$126,899	\$7,768	\$134,523	\$27,057
CAPITAL FUND	\$2,087	\$20,078	\$16,150	\$33,937	\$4,378
DEBT SERVICE					
Golf Course Debt	698	30	527	557	698
Civic Center Debt	353	0	72	421	4
Parking 2002 COPS (Taxable) Debt	238	0	232	232	238
Library Bonds	2,020	3,495	0	3,268	2,247
Subtotal	\$3,309	\$3,525	\$831	\$4,478	\$3,187
ENTERPRISE					
Electric Fund	111,971	125,207	(11,886)	120,121	105,171
Fiber Optics Fund	10,406	3,659	(9)	2,062	11,994
Gas Fund	15,215	44,832	(6,176)	43,342	10,529
Wastewater Collection Fund	6,850	15,868	(88)	17,070	5,560
Water Fund	19,496	33,196	(104)	36,474	16,114
Refuse Fund	(4,627)	28,199	(74)	31,819	(8,321)
Storm Drain Fund	245	5,815	(18)	5,705	337
Wastewater Treatment Fund	3,401	21,081	(105)	18,813	5,564
Subtotal	\$162,957	\$277,857	\$(18,460)	\$275,406	\$146,948
INTERNAL SERVICE					
General Benefits Fund	200	*	0	*	200
Retiree Health Benefit Fund	25,504	*	40	*	25,544
Workers' Compensation Fund	100	*	0	*	100
Liability Insurance Fund	100	*	0	*	100
Printing and Mailing Fund	(12)	*	17	*	5
Technology Fund	2,238	*	(638)	*	1,600
Vehicle Replacement and Maintenance Fund	5,124	*	2,375	*	7,499
Subtotal	\$33,254	\$0	\$1,794	\$0	\$35,048
SPECIAL REVENUE					
Community Development Fund	5,614	816	(47)	0	6,383
Street Improvement Fund	956	1,779	(2,442)	0	293
Federal and State Revenue Funds	4,667	957	(5)	1,203	4,416
Housing In-Lieu and BMR Fund	6,629	3,896	0	6,390	4,135
Special Districts Fund	841	1,351	(1,439)	127	626
Traffic Mitigation & Parking In-Lieu Fund	5,048	595	0	0	5,643
Public Benefits Fund	0	23	0	28	(5)
Downtown Business Improvement District	34	162	0	160	36
Subtotal	\$23,789	\$9,577	\$(3,933)	\$7,908	\$21,525
TOTAL OPERATING FUNDS	\$252,309	\$437,936	\$4,150	\$456,252	\$238,143

* allocation to/from other funds

Total Citywide Revenues by Category

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Net Sales	234,050,142	242,485,190	244,366,190	240,484,659	(3,881,531)
Sales Taxes	17,991,204	18,218,000	19,507,000	20,246,000	739,000
Property Taxes	25,995,895	29,558,539	28,974,539	29,707,069	732,530
Transient Occupancy Tax	6,858,197	7,021,000	7,400,000	8,204,000	804,000
Documentary Transfer Tax	3,707,279	3,613,000	4,002,000	4,269,000	267,000
Utility Users Tax	11,295,661	11,429,000	10,824,000	10,859,000	35,000
Other Taxes and Fines	2,081,975	2,337,578	2,173,378	2,379,700	206,322
Charges for Services	20,761,665	21,413,523	22,329,223	23,847,454	1,518,231
Permits and Licenses	6,055,456	5,712,781	6,262,873	7,055,706	792,833
Return on Investments	15,464,621	11,047,050	10,738,050	10,627,200	(110,850)
Rental Income	14,653,344	13,725,264	13,845,264	13,982,711	137,447
From Other Agencies	4,319,337	2,555,223	4,009,537	3,186,863	(822,674)
Charges to Other Funds	26,391,597	26,674,678	27,080,735	26,542,571	(538,164)
Other Revenue	76,011,744	20,860,480	22,948,882	39,095,064	16,146,182
TOTAL REVENUES	\$465,638,117	\$416,651,306	\$424,461,671	\$440,486,997	\$16,025,326

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

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Utility Purchases and Charges	119,301,220	133,013,189	131,416,011	125,970,223	(5,445,788)
Salaries and Benefits	130,260,365	126,446,651	128,482,529	130,943,227	2,460,698
Contract Services	20,351,950	25,984,142	26,783,753	30,397,403	3,613,650
Supplies and Materials	6,205,059	7,568,518	7,453,154	6,862,045	(591,109)
Facilities and Equipment Purchases	1,952,311	992,420	1,097,999	987,431	(110,568)
General Expense	14,729,476	21,863,420	21,731,138	23,815,692	2,084,554
Rents and Leases	11,714,400	11,562,645	11,674,896	12,539,760	864,864
Allocated Charges	37,456,815	42,002,250	42,253,954	42,065,857	(188,097)
Debt Service	12,898,068	18,065,206	18,065,206	20,250,495	2,185,289
Capital Improvement Program	55,168,660	58,799,022	61,747,931	68,527,736	6,779,805
Net Transfers	(2,321,465)	(547,199)	(517,622)	(1,606,296)	(1,088,674)
TOTAL EXPENDITURES	\$407,716,859	\$445,750,264	\$450,188,949	\$460,753,573	\$10,564,624
To/(From) Reserves	57,921,258	(29,098,958)	(25,727,278)	(20,266,576)	5,460,702

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.

Citywide Average Salary & Benefits

AVERAGE SALARY & BENEFITS PER EMPLOYEE — BY UNIT

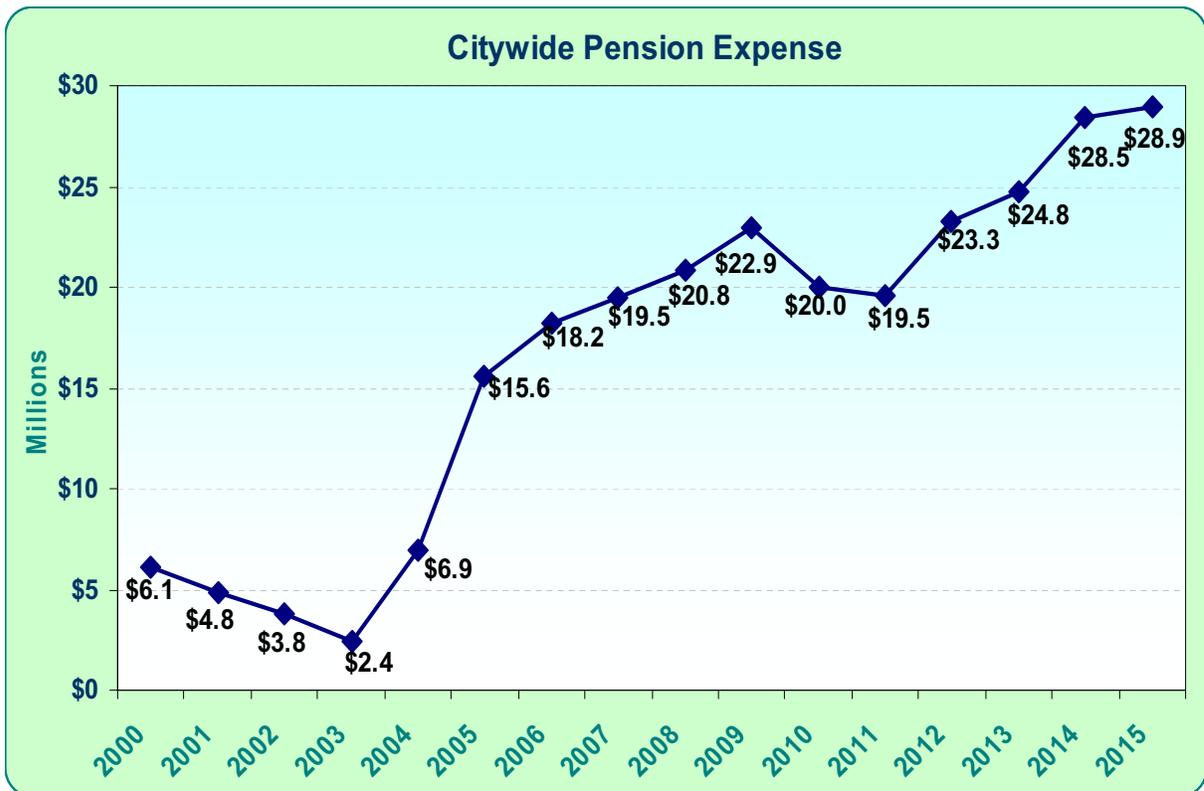
CATEGORY	Management/ Professional	Fire Chiefs Association	IAFF	PAPOA	Police Mgmt Group	SEIU	TOTAL	(C) Benefits Percentage
FTE	233.35	4.00	108.00	82.00	7.00	582.25	1,016.60	
% Of City	23%	0%	11%	8%	1%	57%	100%	
Salary	\$111,457	\$138,206	\$102,823	\$104,304	\$143,972	\$70,145	\$88,068,893	
In-Lieu Holiday	n/a	n/a	\$5,631	\$5,712	n/a	\$3,785	\$3,280,528	
Incentive Pay	\$0	\$0	\$638	\$3,359	\$0	\$347	\$546,167	
Overtime (A)	n/a	n/a	\$20,973	\$8,958	n/a	\$4,221	\$5,457,088	
Variable Mgmt Comp	\$0	\$6,402	\$0	\$0	\$0	\$0	\$25,606	0.0%
Management Leave	\$4,264	\$0	n/a	n/a	\$5,537	n/a	\$1,033,872	1.1%
PERS Employer	\$22,588	\$40,787	\$34,183	\$34,025	\$43,371	\$14,468	\$20,643,309	22.5%
PERS Employee	\$6,022	\$12,183	see note (B)	\$10,163	\$12,957	\$1,495	\$3,248,415	3.5%
Medicare	\$1,622	\$2,004	\$1,573	\$1,595	\$2,088	\$1,064	\$1,321,337	1.4%
Medical	\$13,154	\$15,362	\$14,584	\$13,874	\$13,180	\$13,059	\$13,539,583	14.7%
Dental/Vision	\$1,935	\$1,935	\$1,935	\$1,935	\$1,935	\$1,935	\$1,967,350	2.1%
Retiree Medical Liability	\$10,066	\$10,066	\$10,066	\$10,066	\$10,066	\$10,066	\$10,233,200	11.1%
Workers' Comp	\$1,330	\$0	\$10,163	\$12,661	\$0	\$1,395	\$3,258,409	3.5%
LIFE/LTD/SUI/EAP	\$486	\$486	\$486	\$486	\$486	\$486	\$466,776	0.5%
Non-salary Benefits	\$4,884	\$4,884	\$1,884	\$1,884	\$4,884	\$884	\$2,066,046	2.2%
Average Salary & Benefits	\$177,808	\$232,315	\$204,939	\$209,022	\$238,476	\$123,350	\$155,156,578	62.9%

(A) Average employee eligible for benefit

(B) Beginning January 1, 2010, IAFF received a 9.989% salary increase and PERS employee contribution cost was transferred from the city to the employee.

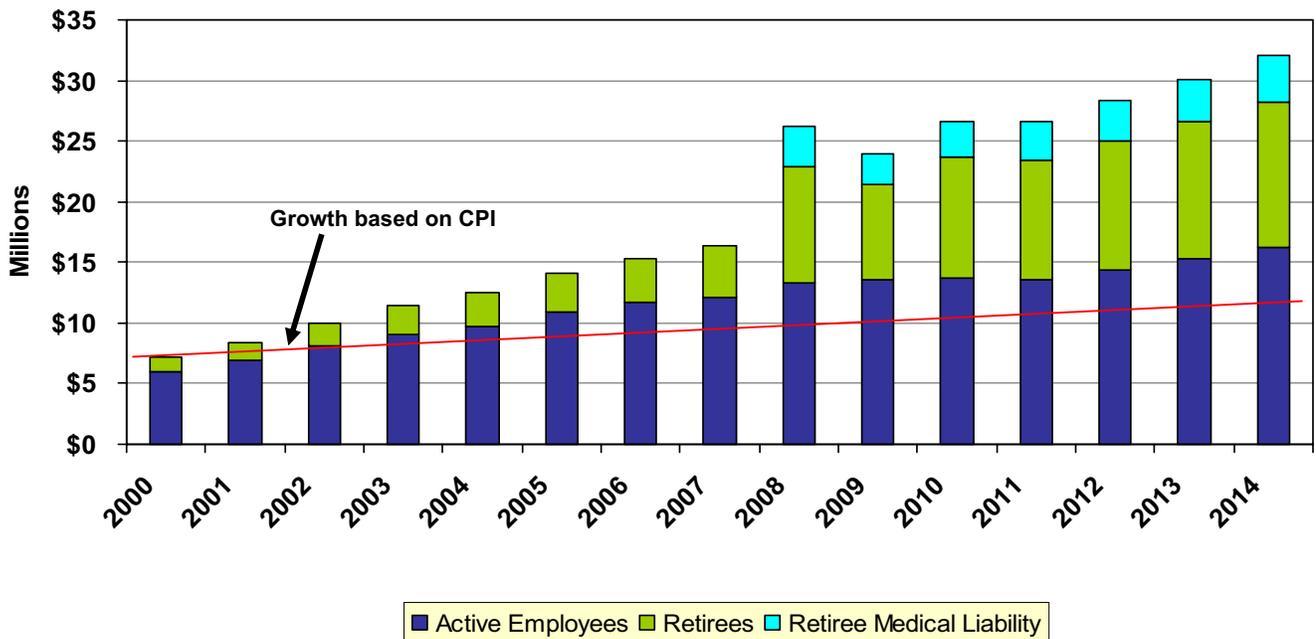
(C) Benefits percentage does not include overtime salary.

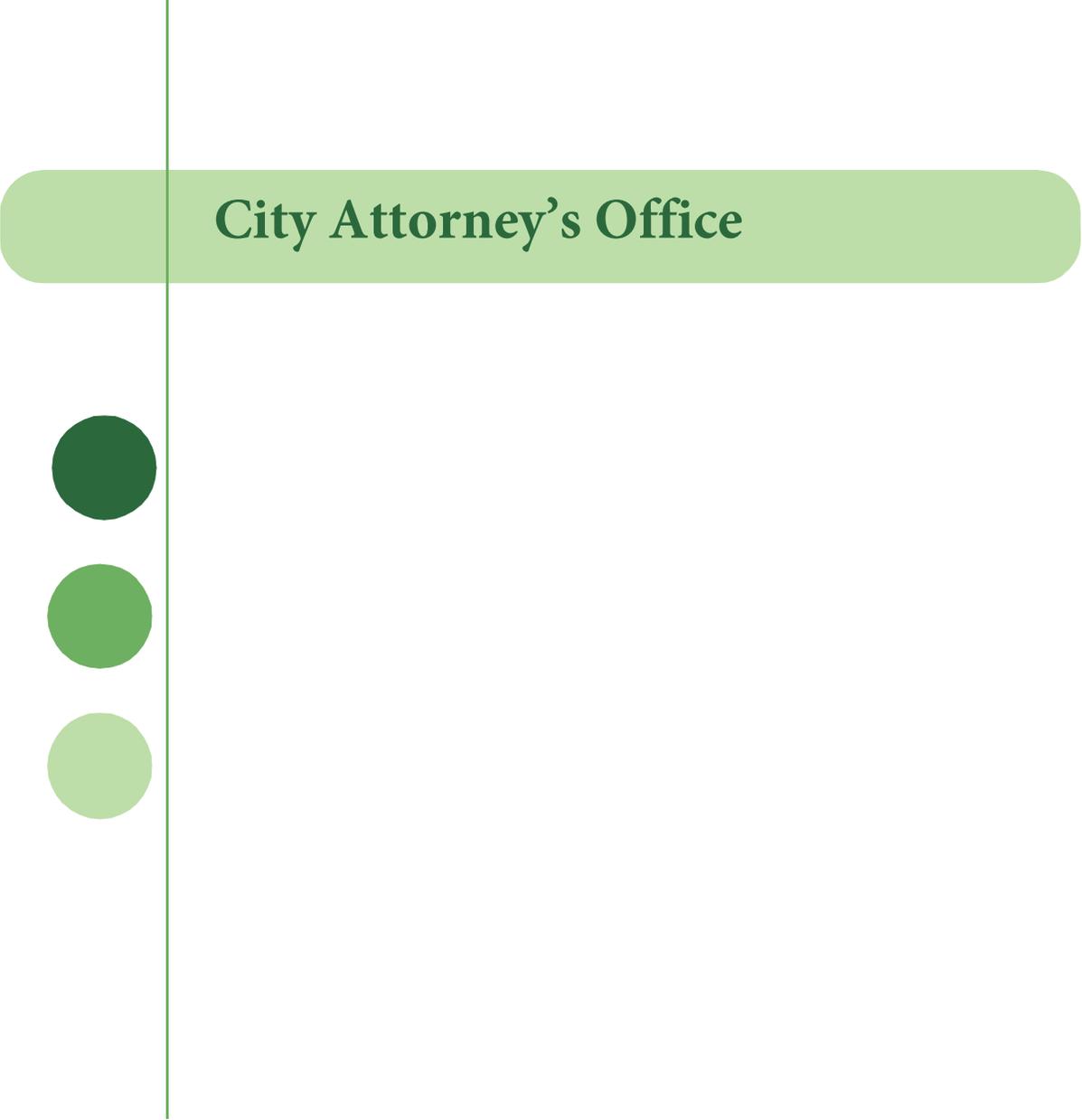
Citywide Pension Expense



Citywide Health Care Expenses

Citywide Health Care Expenses

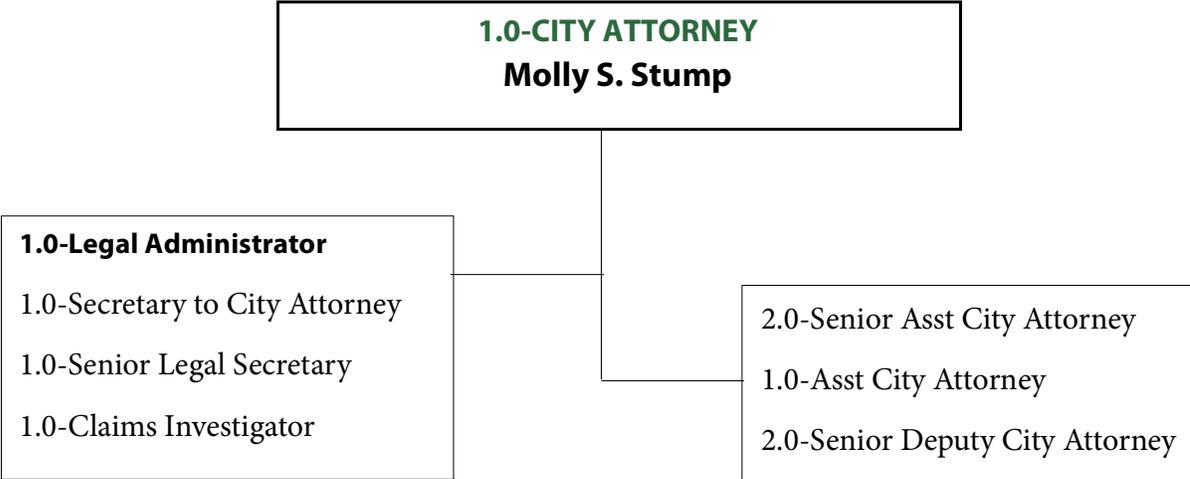
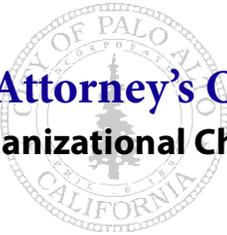


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City Attorney's Office



City Attorney's Office Organizational Chart



FY 2012 Position Totals - All Funds: 10.0 Full-time

OVERVIEW

In FY 2012, the City Attorney's Office will strive to maintain the high level of customer service it has achieved through the reorganization that has occurred over the past six years. The two primary goals of the office are (1) to provide quality legal advice in a timely and cost-effective fashion, and (2) to assist in solving the challenging problems facing the City by providing a range of legal options whenever possible. We will continue focusing on these goals in 2012, with specific emphasis on keeping Council Members informed of City legal requirements and developing a variety of approaches that are effective both legally and practically to help staff and the Council meet important City objectives and policy directions.

On an ongoing basis, the Office will strive to keep the City Council informed of significant legal occurrences and provide updates on legal developments and new laws that affect the City. To improve City Attorney staff's skill in providing effective legal advice and options, the Office will continue to emphasize cross training and encourage continuing education.

In furtherance of the Council's specific priorities for FY 2012, the City Attorney's Office plans to provide support in a variety of ways, including but not limited to the following:

Environmental Sustainability: The Office will provide legal guidance on the Regional Treatment Plant, Long Range Facilities Plan and Energy/Compost Feasibility Study. The Office will provide legal analysis for reporting greenhouse gas emissions for the City and Utility Department projects and provide contract negotiation and CEQA analysis for the City's Recycled Water Project. The Office will draft contracts for renewable energy and draft appropriate documentation for Utilities Department's Energy Efficiency programs. We will evaluate the legality of funding options for energy efficiency retrofit projects and assist with the analysis of sustainable development conditions at the Stanford Medical Center.

Land Use & Transportation: The City Attorney's Office will continue to provide legal advice regarding the California High-Speed Rail Authority and other rail and transit issues. The Office will assist staff, the Planning & Transportation Commission, and the City Council on on-going issues related to the Comprehensive Plan revision. The Office will work on the Business Plan for the Palo Alto Airport and issues related to a potential early termination of the lease with the County. We will continue to provide advice to the City Council and staff on legal issues related to the Stanford University Medical Center.

Emergency Preparedness: The Office will maintain its ongoing support to staff efforts in this arena by continuing participation in Emergency Preparedness Steering Committee and Working Group meetings, and providing legal advice supporting projects of those groups and any recommendations for changes or restructuring in this area. We will also focus on ensuring that the legal functions continue in case of an emergency and that a high level of legal advice is available during an emergency to ensure ultimate reimbursement for State, Federal or Local disasters.

City Finances: The Office will provide legal advice relating to new or enhanced approaches to increasing revenues. We will continue to provide extensive legal advice regarding labor negotiations. The Office will also analyze any new expense reduction programs to determine legality and the risk of potential offsetting liabilities that reductions may trigger. The City Attorney's Office will continue to focus on reducing its share of department expenditures and will formulate approaches for full cost recovery for legal services provided for the benefit of third parties.

City Attorney

Community Collaborative for Youth Health and Wellbeing: The City Attorney's Office will provide any assistance required to support this priority, including work with the District Attorney to develop police policies for Police Department interaction with juvenile victims and suspects. The Office will draft contracts for the Art Center Construction project. We will also work with Comcast to ensure the continued viability of the I-Net for the benefit of our Palo Alto Unified School District partners, and continue to review and negotiate contracts with numerous non-profits to provide a high level of service to our youth.

COUNCIL PRIORITY IMPLEMENTATION

In FY 2012, the City Attorney's Office will implement the City Council's Top 5 Priorities as follows:

City Finances

- Assist staff liaisons to Infrastructure Blue Ribbon Commission
- Ensure City's fee structure is compliant with Proposition 26 and Council policy for cost recovery
- Provide legal advice on Utilities rates, reserves, cost allocations, rents and equity transfers
- Assist with development of Infrastructure finance methods and new revenue sources
- Provide legal advice on Refuse Cost of Service Study
- Provide legal advice on labor and employment issues associated with City budget and finance

Land Use & Transportation

- Provide legal advice and guidance on issues related to High Speed Rail including those involving the Peninsula Cities Consortium and CEQA
- Advise staff, the Planning and Transportation Commission and City Council on legal issues related to the update of the Comprehensive Plan
- Assist with development of a Business Plan for the Palo Alto Airport in anticipation of early termination of current ground lease with County of Santa Clara
- Provide legal advice to City Council and staff on Stanford University Medical Center project

Environmental Sustainability

- Provide legal advice on reporting greenhouse gas emissions for City and Utilities Dept. projects
- Draft and review contracts for the purchase of renewable energy
- Draft and review contracts, resolutions and financing documents for Utilities Department energy efficiency programs
- Provide legal advice, including CEQA analysis and contract negotiation, for the City's Recycled Water Project
- Provide legal advice regarding the City's Master Water Supply contract with SFPUC through BAWSCA, and potential sale of a portion of the City's water supply guarantee
- Provide legal advice on early closure of the landfill and restoration to parkland
- Provide legal advice related to green building ordinance and implementation of new California Green Building code

Emergency Preparedness

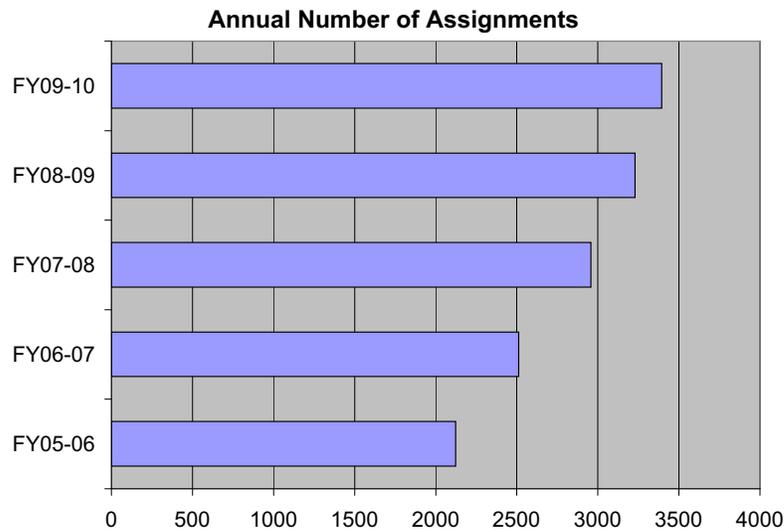
- Assist in workplace violence prevention training
- Provide legal advice, review and support for emergency preparedness teams and related disaster/emergency preparedness projects

Community Collaborative for Youth Health and Wellbeing

- Support Project Safety Net
- Work with the District Attorney to develop policies for Police Department interaction with juvenile crime victims and suspects
- Assist with negotiation of management services agreement with Comcast for I-Net benefits on behalf of Palo Alto Unified School District
- Draft lease for childcare facilities

DEPARTMENT SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Administration	167,726	209,110	209,375	220,181	10,806
Consultation and Advisory	1,864,790	1,554,614	1,657,575	1,544,338	(113,237)
Litigation and Dispute Resolution	431,446	476,897	399,106	463,606	64,500
Official and Administration Duties	119,017	128,075	124,257	127,230	2,973
TOTAL EXPENDITURES	\$2,582,979	\$2,368,696	\$2,390,313	\$2,355,355	\$(34,958)
TOTAL REVENUES	\$1,214,906	\$1,389,877	\$1,389,877	\$996,358	\$(393,519)
INTERNAL REVENUES	1,120,377	1,318,877	1,318,877	960,358	(358,519)
EXTERNAL REVENUES	94,529	71,000	71,000	36,000	(35,000)



City Attorney

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,992,689	1,847,343	1,845,421	1,838,611
Contract Services	469,488	364,759	389,259	340,301
Supplies and Materials	27,347	26,500	26,500	26,500
Facilities and Equipment Purchases	2,232	1,000	1,000	1,000
General Expense	14,290	28,680	28,680	42,642
Rents and Leases	2,172	2,000	2,000	2,000
Allocated Charges	74,761	98,414	97,453	104,301
TOTAL EXPENDITURES	\$2,582,979	\$2,368,696	\$2,390,313	\$2,355,355
TOTAL REVENUES	\$1,214,906	\$1,389,877	\$1,389,877	\$996,358
Total Full Time Positions	10.60	9.60	9.60	9.00
Total Temporary Positions	0.95	0.54	0.54	0.00

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of work requests processed (SEA)	3,393	2,970	3,070
2. Number of claims opened and handled (SEA)	144	150	150
3. Number of code enforcement matters referred to City Attorney	5	7	7
Efficiency:			
1. Ratio of work requests per attorney	565	496	512
2. Percent of claims investigations commenced within 7 days of receipt of claim by department	96%	96%	96%
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	97%	97%	97%
2. Percent of claims resolved within 9 months	96%	97%	97%

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES			
Decrease miscellaneous revenue	(35,000)		(35,000)
Decrease allocated revenue - internal	(358,519)		(358,519)
TOTAL REVENUE CHANGES	\$(393,519)	\$0	\$(393,519)

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
EXPENDITURE CHANGES			
Salary and Benefits			
Reclass 1.0 FTE Senior Legal Secretary to 1.0 FTE Claims Investigator	7,149		7,149
Eliminate Temp Law Clerk program	(28,160)		(28,160)
Eliminate 0.6 FTE Claims Investigator	(74,644)		(74,644)
Anticipated staffing changes	27,784		27,784
Personnel Benefit Costs Increase (Note 2)	59,143		59,143
Total Salary and Benefits Changes	\$(8,728)	\$0	\$(8,728)
Adjustments (Note 1)		1,918	1,918
NET SALARY AND BENEFITS CHANGES	\$(8,728)	\$1,918	\$(6,810)
Non-Salary			
Decrease outside counsel support in litigation and legal document preparation	(10,000)		(10,000)
Decrease Instruction and Training	(496)		(496)
Increase Allocated Charges	5,888		5,888
Total Non-Salary Changes	\$(4,608)	\$0	\$(4,608)
TOTAL EXPENDITURE CHANGES	\$(13,336)	\$1,918	\$(11,418)
Adjustments (Note 1)		(23,540)	(23,540)
NET EXPENDITURE CHANGES	\$(13,336)	\$(21,622)	\$(34,958)

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time appropriation changes from the prior year that did not carry forward from the Fiscal Year 2011 budget.

Note 2: Personnel benefit costs have increased mainly due to increases in pension plan contributions and a change in methodology for allocating the retiree medical actuarial required contribution.

SERVICE LEVEL CHANGES

Eliminating the 0.6 FTE Claims Investigator position and reclassifying a 1.0 FTE Senior Legal Secretary to a 1.0 FTE Claims Investigator will result in a transfer of some administrative responsibilities to the Claims Investigator position and will provide flexibility for increased claims handling support. This position reclass may at times result in a delay in administrative support to departments.

City Attorney

CONSULTATION AND ADVISORY

To provide legal advice to the City Council, boards, commissions, and City officers and employees acting in their official capacities.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,606,742	1,446,448	1,439,909	1,436,172
Contract Services	220,953	64,666	174,166	61,888
Supplies and Materials	27,347	26,500	26,500	26,500
General Expense	6,589	15,000	15,000	17,778
Rents and Leases	2,172	2,000	2,000	2,000
Allocated Charges	987	0	0	0
TOTAL EXPENDITURES	\$1,864,790	\$1,554,614	\$1,657,575	\$1,544,338
TOTAL REVENUES	\$0	\$0	\$0	\$0
Total Full Time Positions	8.31	7.33	7.33	6.54
Total Temporary Positions	0.95	0.54	0.54	0.00

LITIGATION AND DISPUTE RESOLUTION

To provide civil and administrative representation on pending litigation, disputes and claims for the City, City Council, boards, commissions, and City officers and employees acting in their official capacities.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	192,887	193,904	196,113	185,613
Contract Services	238,559	282,313	202,313	277,313
General Expense	0	680	680	680
TOTAL EXPENDITURES	\$431,446	\$476,897	\$399,106	\$463,606
TOTAL REVENUES	\$47,119	\$0	\$0	\$0
Total Full Time Positions	1.26	1.26	1.26	1.45
Total Temporary Positions	0.00	0.00	0.00	0.00

City Attorney

OFFICIAL AND ADMINISTRATION DUTIES

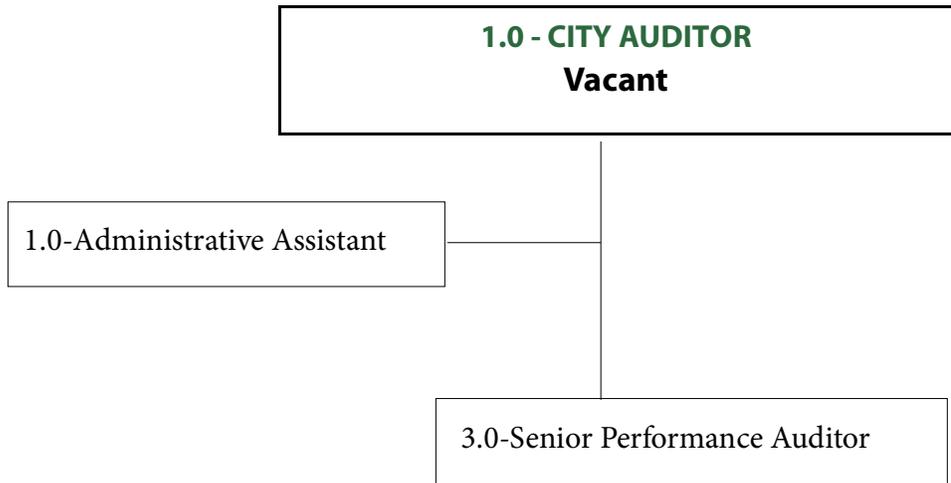
To fulfill the independent official and administrative duties of the Office of the City Attorney on behalf of the City.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	103,381	100,095	101,277	104,746
Contract Services	9,248	16,680	11,680	0
General Expense	6,328	11,300	11,300	22,484
Allocated Charges	60	0	0	0
TOTAL EXPENDITURES	\$119,017	\$128,075	\$124,257	\$127,230
TOTAL REVENUES	\$48,660	\$71,000	\$71,000	\$36,000
Total Full Time Positions	0.51	0.49	0.49	0.49
Total Temporary Positions	0.00	0.00	0.00	0.00

City Auditor's Office

City Auditor's Office Organizational Chart



FY 2012 Position Totals:

**5.00 Full-time
0.32 Hourly**

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.

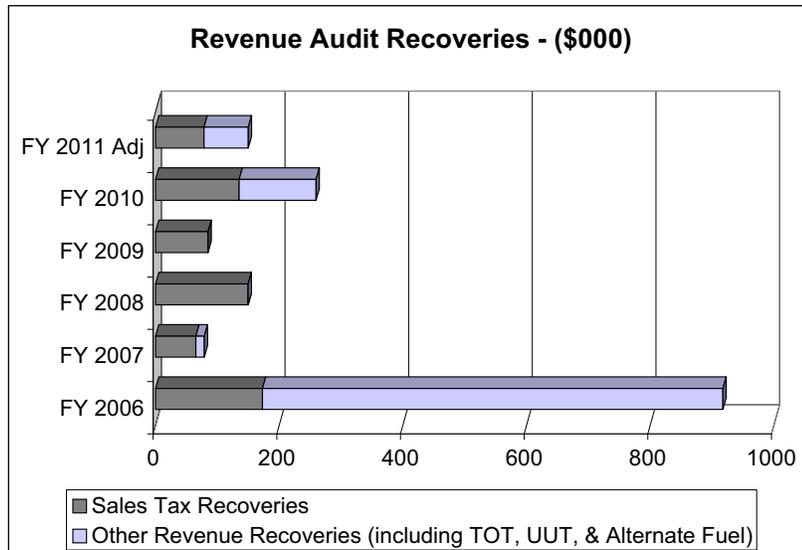
Each fiscal year, the Auditor's Office presents an annual audit work plan for City Council approval. The Office will continue to report quarterly to the City Council on the status of audit projects and annually on the status of open audit recommendations.

The Office contracts with an independent certified public accountant for the City's annual external financial audit. The Office also conducts and coordinates revenue monitoring in areas such as sales and use tax, property tax, transient occupancy tax (TOT) and utility user's tax (UUT). In FY 2011, per the recommendation of the Finance Committee, 1.0 FTE was approved to add a Senior Performance Auditor. This position is funded by the Enterprise Funds to provide continuous and on-going audits of the Enterprise Fund activities.

DEPARTMENT SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Audit Services	964,543	981,951	989,448	1,005,564	16,116
TOTAL EXPENDITURES	\$964,543	\$981,951	\$989,448	\$1,005,564	\$16,116
TOTAL REVENUES	\$751,932	\$950,416	\$950,416	\$746,444	\$(203,972)
INTERNAL REVENUES	628,564	800,416	800,416	596,444	(203,972)
EXTERNAL REVENUES	123,368	150,000	150,000	150,000	0

City Auditor



INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	708,016	691,225	674,144	728,449
Contract Services	212,522	239,256	264,256	218,500
Supplies and Materials	5,544	7,850	7,850	5,850
General Expense	932	1,150	1,150	8,150
Allocated Charges	31,312	42,470	42,048	44,615
Operating Transfers Out	6,217	0	0	0
TOTAL EXPENDITURES	\$964,543	\$981,951	\$989,448	\$1,005,564
TOTAL REVENUES	\$751,932	\$950,416	\$950,416	\$746,444
Total Full Time Positions	4.00	4.00	4.00	4.00
Total Temporary Positions	0.32	0.78	0.78	0.32

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of audit reports	17	17	16
2. Revenue audit recoveries (SEA)	217,681	150,000	150,000
3. Number of audit recommendations (SEA)	28	25	25

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Efficiency:			
1. Ratio of audit reports per auditor	5.0	4.0	4.0
2. Percent of workplan completed	67%	60%	60%
Effectiveness:			
1. Percent of revenue audit cost recovered	323%	200%	200%
2. Percent of open audit recommendations implemented	45%	60%	60%

RESOURCE LEVEL CHANGES

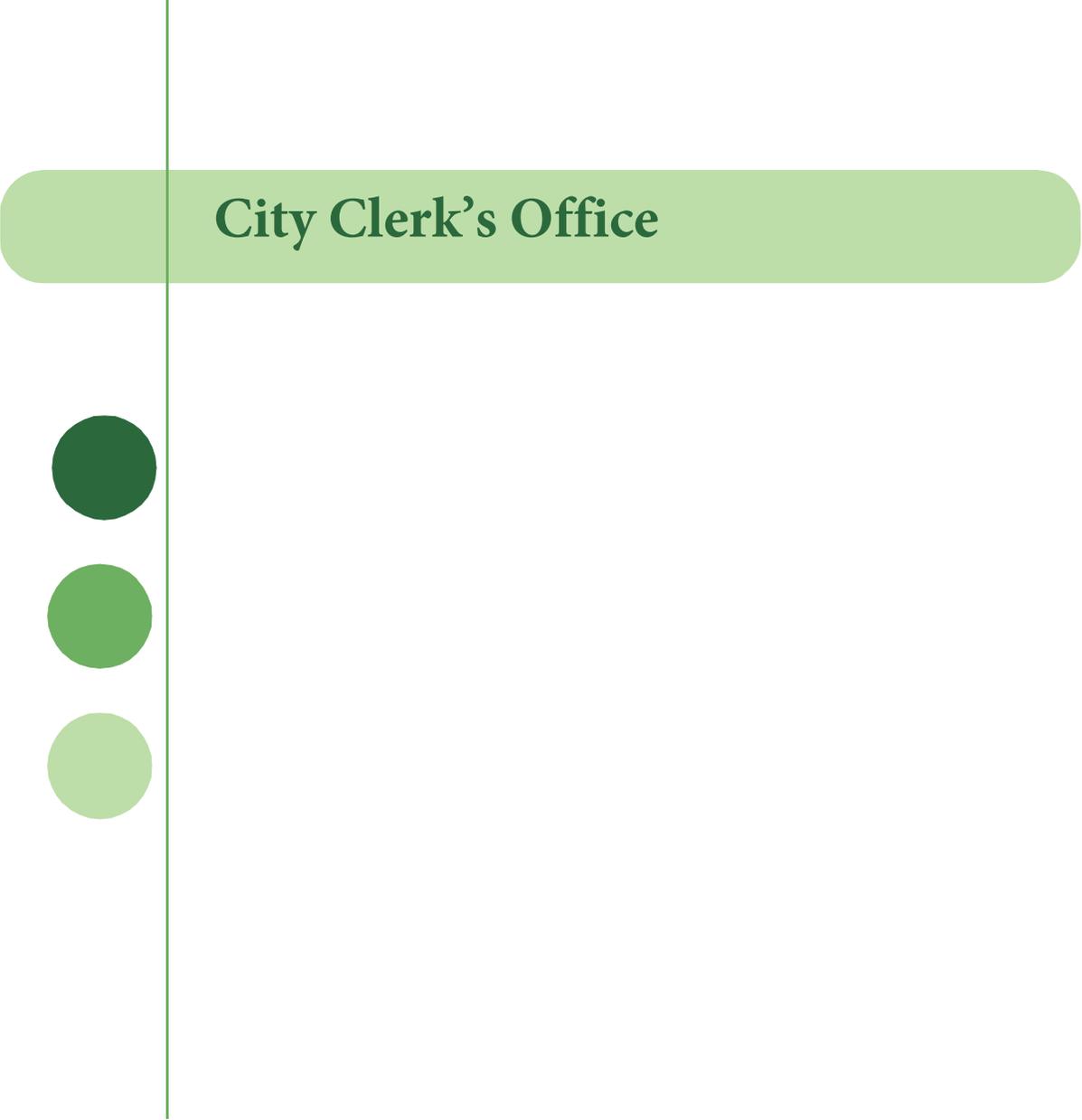
	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES			
Decrease allocated revenue-internal	(168,972)		(168,972)
Decrease operating transfer for utility audit reimbursement	(35,000)		(35,000)
TOTAL REVENUE CHANGES	\$(203,972)	\$0	\$(203,972)
EXPENDITURE CHANGES			
Salary and Benefits			
Personnel Benefit Cost Increase (Note 2)	37,224		37,224
Total Salary and Benefits Changes	\$37,224	\$0	\$37,224
Adjustments (Note 1)		17,081	17,081
NET SALARY AND BENEFITS CHANGES	\$37,224	\$17,081	\$54,305
Non-Salary			
Decrease audit contract expenses	(24,256)		(24,256)
Decrease office supplies	(2,000)		(2,000)
Increase citizen survey costs	3,500		3,500
Increase two person peer review	5,000		5,000
Increase allocated costs	2,144		2,144
Increase instruction and training	2,000		2,000
Total Non-Salary Changes	\$(13,612)	\$0	\$(13,612)
TOTAL EXPENDITURE CHANGES	\$23,612	\$17,081	\$40,693
Adjustments (Note 1)		(24,577)	(24,577)
NET EXPENDITURE CHANGES	\$23,612	\$(7,496)	\$16,116

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time appropriation changes from the prior year that did not carry forward from the FY 2011 budget.

Note 2: Personnel benefit costs have increased mainly due to increases in pension plan contributions and a change in methodology for allocating the retiree medical actuarial required contribution.

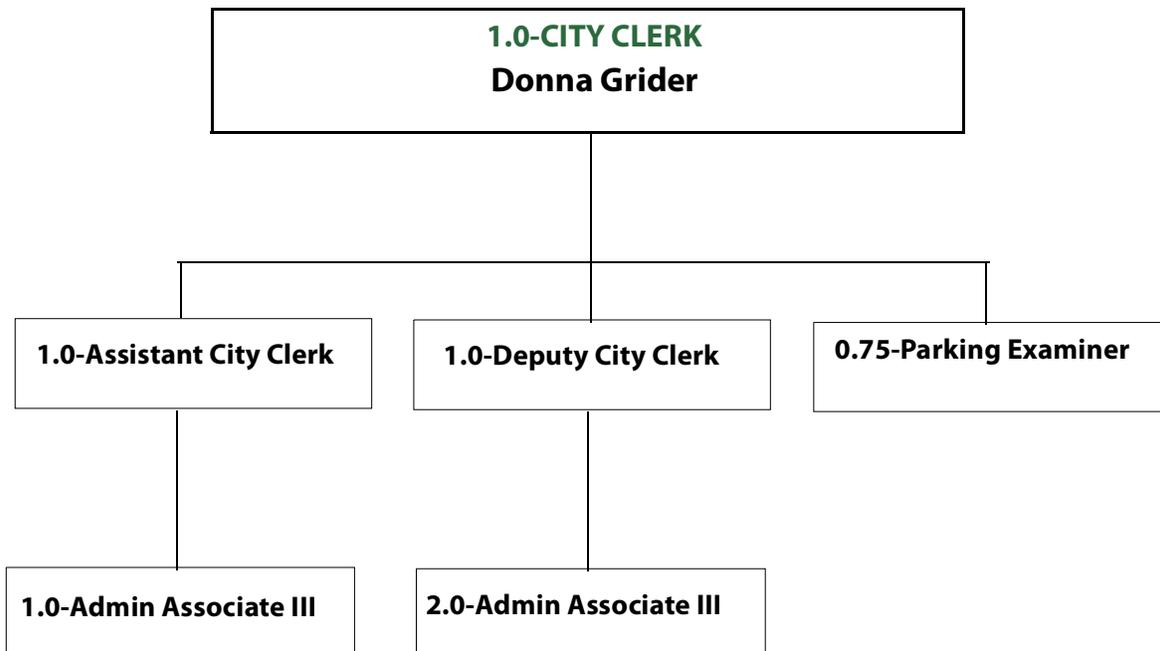
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City Clerk's Office



City Clerk's Office Organizational Chart



FY 2012 Position Totals - All Funds:

**6.75 Full-time
0.48 Hourly**

To help administer the laws and services that directly affect the daily lives of our citizens by administering elections, records management, and is responsible for the legislative process of all City Council meetings. The City Clerk's Office plays a vital role in our democracy.

OVERVIEW

In FY 2012, 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 and Standing Committee 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 available on the City's website regarding the Clerk's Office and the City Council.

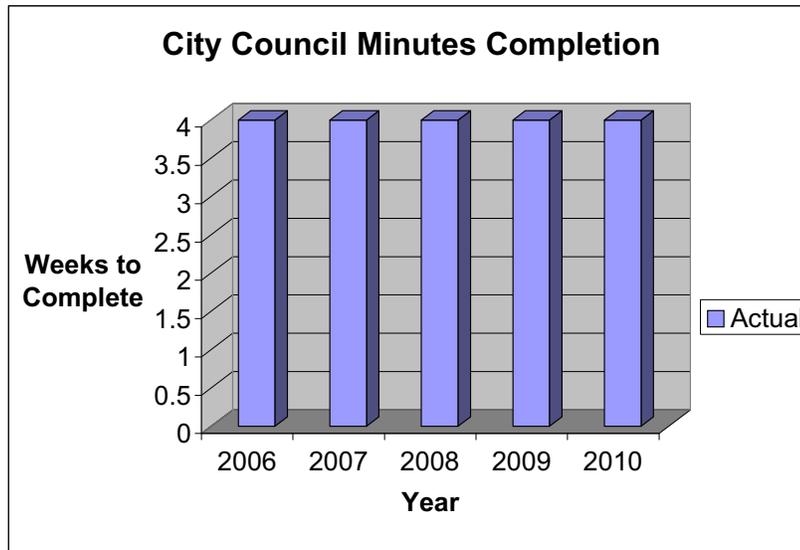
COUNCIL PRIORITY IMPLEMENTATION

The City Clerk's Office is not directly involved in the City Council's Top 5 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

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Administration	112,193	157,886	157,786	164,196	6,410
Public Information	99,359	95,950	97,099	101,332	4,233
Council Support Services	525,139	509,591	541,341	548,959	7,618
Election/Conflict of Interest	486,317	108,062	315,034	433,250	118,216
Legislative Records Management	88,085	92,305	93,291	96,824	3,533
Administrative Citations	143,580	129,375	130,562	134,585	4,023
TOTAL EXPENDITURES	\$1,454,673	\$1,093,169	\$1,335,113	\$1,479,146	\$144,033
TOTAL REVENUES	\$539,028	\$427,286	\$427,286	\$522,221	\$94,935
INTERNAL REVENUES	537,206	422,336	422,336	517,271	94,935
EXTERNAL REVENUES	1,822	4,950	4,950	4,950	0

City Clerk



INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	907,257	879,996	889,888	924,352
Contract Services	64,088	67,571	132,571	83,320
Supplies and Materials	10,318	6,535	6,535	6,535
General Expense	405,644	43,439	211,219	365,689
Allocated Charges	67,366	95,628	94,900	99,250
TOTAL EXPENDITURES	\$1,454,673	\$1,093,169	\$1,335,113	\$1,479,146
TOTAL REVENUES	\$539,028	\$427,286	\$427,286	\$522,221
Total Full Time Positions	6.75	6.75	6.75	6.75
Total Temporary Positions	0.48	0.48	0.48	0.48

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of formal public records requests	120	230	240
2. Number of City Council minutes finalized (SEA)	70	110	110
Efficiency:			
1. Number of City Council agendas posted with City Manager Reports to the website five days prior to council meeting	72	110	110
2. Average time to address formal public records requests	10 days	5 days	5 days

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
3. Average time to post City Council agenda	4 days	5 days	5 days
4. Average time to finalize City Council minutes (SEA)	4 weeks	4 weeks	4 weeks
Effectiveness:			
1. Percent of City Council agendas posted	100%	100%	100%
2. Percent of formal public records requests addressed within 10 days	99%	99%	99%

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES			
Increase allocated revenues-internal	94,935		94,935
TOTAL REVENUE CHANGES	\$94,935	\$0	\$94,935
EXPENDITURE CHANGES			
Salary and Benefits			
Personnel Benefit Costs Increase (Note 2)	44,359		44,359
Total Salary and Benefits Changes	\$44,359	\$0	\$44,359
Adjustments (Note 1)		(9,895)	(9,895)
NET SALARY AND BENEFIT CHANGES	\$44,359	\$(9,895)	\$34,464
Non-Salary			
Decrease contracting for minutes transcription	(10,000)		(10,000)
Decrease recruitment ad costs	(7,000)		(7,000)
Increase election expense	320,000		320,000
Increase agenda publication	35,000		35,000
Increase allocated charges (indirects and secondaries)	3,621		3,621
Total Non-Salary	\$341,621	\$0	\$341,621
TOTAL EXPENDITURE CHANGES	\$385,980	\$	\$385,980
Adjustments (Note 1)		(232,052)	(232,052)
NET EXPENDITURE CHANGES	\$385,980	\$(241,947)	\$144,033

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time appropriation changes from the prior year that did not carry forward from the Fiscal Year 2011 budget.

Note 2: Personnel benefit costs have increased mainly due to increases in pension plan contributions and a change in methodology for allocating the retiree medical actuarial required contribution.

COMPREHENSIVE PLAN OVERVIEW

The City Clerk's Budget for Fiscal Years 2011 and 2012 includes the following resources directed toward implementing the programs and policies of the Comprehensive Plan:

GOVERNANCE

The City Clerk's Office provides the following information to the public on the City's website: City Clerk Reports, City Council agendas and minutes, Board and Commission information, the Municipal Code, the City Roster, the State of the City Address, and the City's meeting schedules.

PUBLIC INFORMATION

To foster awareness and civic involvement in Palo Alto by bringing the community and government closer in partnership.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	99,359	95,950	97,099	101,332
TOTAL EXPENDITURES	\$99,359	\$95,950	\$97,099	\$101,332
TOTAL REVENUES	\$178	\$0	\$0	\$0
Total Full Time Positions	0.90	0.90	0.90	0.90
Total Temporary Positions	0.00	0.00	0.00	0.00

City Clerk

COUNCIL SUPPORT SERVICES

To support the administrative needs of the Council: to ensure timely delivery of Council meeting materials by staff delivery, linking the agendas and documents to the City Website, pushing out the Agenda packet through Drop Box for IPADS and computers. Additionally this includes preparation of minutes, and to administer the Boards and Commissions' recruitment outreach.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	414,541	412,980	417,730	434,349
Contract Services	46,724	54,280	81,280	72,279
General Expense	41,548	40,331	40,331	40,331
Allocated Charges	22,326	2,000	2,000	2,000
TOTAL EXPENDITURES	\$525,139	\$509,591	\$541,341	\$548,959
TOTAL REVENUES	\$0	\$0	\$0	\$0
Total Full Time Positions	3.30	3.30	3.30	3.30
Total Temporary Positions	0.00	0.00	0.00	0.00

ELECTION/CONFLICT OF INTEREST

To administer municipal and special elections and the conflict of interest code ensuring impartiality in the processes.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	107,206	103,464	104,656	108,652
Contract Services	15,245	2,000	40,000	2,000
General Expense	363,866	2,598	170,378	322,598
TOTAL EXPENDITURES	\$486,317	\$108,062	\$315,034	\$433,250
TOTAL REVENUES	\$373	\$0	\$0	\$0
Total Full Time Positions	0.70	0.70	0.70	0.70
Total Temporary Positions	0.00	0.00	0.00	0.00

City Clerk

LEGISLATIVE RECORDS MANAGEMENT

To manage City and legislative records as required by State Law, City Charter, or City Ordinance in accordance with approved retention and destruction schedule.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	86,523	83,695	84,681	88,214
Contract Services	1,562	8,610	8,610	8,610
TOTAL EXPENDITURES	\$88,085	\$92,305	\$93,291	\$96,824
TOTAL REVENUES	\$0	\$0	\$0	\$0
Total Full Time Positions	0.75	0.75	0.75	0.75
Total Temporary Positions	0.00	0.00	0.00	0.00

ADMINISTRATIVE CITATIONS

To provide a community venue for the unbiased adjudication of Municipal Code violations.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	143,233	128,775	129,962	133,985
Supplies and Materials	347	600	600	600
TOTAL EXPENDITURES	\$143,580	\$129,375	\$130,562	\$134,585
TOTAL REVENUES	\$0	\$1,000	\$1,000	\$1,000
Total Full Time Positions	0.75	0.75	0.75	0.75
Total Temporary Positions	0.48	0.48	0.48	0.48

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City Council

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OVERVIEW

In FY 2012, 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 5 Priorities which are:

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

The 2012 City Council Budget is primarily comprised of City Council salaries, benefits, and general expense.

DEPARTMENT SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
City Council Operations	287,390	141,783	142,947	318,818	175,871
TOTAL EXPENDITURES	\$287,390	\$141,783	\$142,947	\$318,818	\$175,871
TOTAL REVENUES	\$100,653	\$154,638	\$154,638	\$49,319	\$(105,319)
INTERNAL REVENUES	100,653	154,638	154,638	49,319	(105,319)

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	193,155	71,145	72,309	218,180
Contract Services	63,583	37,000	37,000	67,000
Supplies and Materials	2,051	2,930	2,930	2,930
General Expense	27,915	30,455	30,455	30,455
Allocated Charges	686	253	253	253
TOTAL EXPENDITURES	\$287,390	\$141,783	\$142,947	\$318,818
TOTAL REVENUES	\$100,653	\$154,638	\$154,638	\$49,319
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

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES			
Decrease allocated revenues-internal	(105,319)		(105,319)
NET REVENUE CHANGES	\$(105,319)	\$0	\$(105,319)

City Council

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
EXPENDITURE CHANGES			
Salary and Benefits			
Increase benefit allocation (Notes 2, 3)	147,035		147,035
Total Salary and Benefits Changes	\$147,035	\$0	\$147,035
Adjustments (Note 1)		(1,164)	(1,164)
NET SALARY AND BENEFITS CHANGES	\$147,035	\$(1,164)	\$145,871
Non-Salary			
Increase contract services	30,000		30,000
Total Non-Salary Changes	\$30,000	\$0	\$30,000
TOTAL EXPENDITURE CHANGES	\$177,035	\$0	\$175,871
NET EXPENDITURE CHANGES	\$177,035	\$(1,164)	\$175,871

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time appropriation changes from the prior year that did not carry forward from the Fiscal Year 2011 budget.

Note 2: Personnel benefit costs have increased mainly due to increases in pension plan contributions and a change in methodology for allocating the retiree medical actuarial required contribution.

Note 3: The budgeting method has been revised to reflect actual City Council benefit costs.



City Manager's Office





City Manager's Office Organizational Chart

1.0-CITY MANAGER
James Keene

1.0-Executive Asst to the City Manager
1.0-Administrative Associate III

1.0-ASSISTANT CITY MANAGER/CHIEF OPERATING OFFICER
1.0-Administrative Assistant
1.0-Administrative Associate I
(0.50 FTE Allocation to Planning and Community Environment)

1.0-DEPUTY CITY MANAGER
(0.5 FTE allocation to Planning and Community Environment)

ECONOMIC DEVELOPMENT
1.0-Manager Economic Development & Redevelopment

1.0-Communications Manager
1.0-Assistant to the City Manager (*Sustainability*)
(0.55 FTE allocation - 0.10 to Public Works, and 0.35 to Utilities)
1.0-Assistant to the City Manager
1.0-Management Analyst
(0.5 FTE allocation to Information Technology)

FY 2012 Position Totals - All Funds: **12.0 Full-time** *(10.0 FTE General Fund only)*
1.00 Hourly



City Manager

To lead the City in providing exemplary service and creating partnerships with citizens in an ever changing environment, in response to City Council priorities.

OVERVIEW

In FY 2012, Economic Development moves to the City Manager's Office from the Planning and Community Environment Department.

The City Manager's Office will oversee efforts to implement the City Council's Top 5 Priorities: City Finances, Land Use and Transportation Planning, Environmental Sustainability, Emergency Preparedness, and Community Collaboration for Youth Well-Being.

City Finances: City Finance strategies form the foundation for many of the City Council identified priorities. A stable financial picture ensures the City's ability to deliver on all five City Council Priorities. Sound City Finances are integral to Palo Alto's quality of life.

A key principle of the City's Finance objectives is to provide for the City's finances in the near and long-term. For example, while in the normal course of business the City negotiates labor agreements on a periodic basis, the City plans to make meaningful long-lasting changes to key City legacy costs (e.g., pension and health care). In addition, the City is working toward developing a sustainable business model for funding ongoing infrastructure needs while also eliminating a major backlog of projects in the City. These efforts will take time, and yet this investment is well worth the effort. This work will result in improving the overall high quality of life Palo Alto citizens have come to rely upon and expect from their City government.

Land Use and Transportation Planning: Land use and planning strategies are closely aligned with other Council priorities. Land use and transportation are key indicators of quality of life in Palo Alto. The overarching principle of the City's Land Use and Transportation objectives is to provide for "sustainable" development and services: growth, rehabilitation and services that are sustainable in economic and fiscal terms, as well as in environmental respects. The City desires to develop in ways that promote efficient delivery of services, assure high quality development and design, protect and broaden the City's tax and revenue base, preserve and enhance key environmental attributes, minimize energy and water use, and promote transportation alternatives such as walking, bicycling, and transit.

Environmental Sustainability: Environmental Sustainability is a core value and ongoing priority for the City. The City has been a leader in this area and continues to make strides to be a leader on the Peninsula, in the Bay Area metropolitan region and in North America. The City is a Certified Green Business, has adopted a Climate Protection Plan (CPP), a Sustainability Policy, has many sustainability programs including the award-winning PaloAltoGreen Program and continues to make strides in reducing Greenhouse Gas emissions. One of the most recent examples was the implementation of a pilot program which installed LED streetlights in the City.

Emergency Preparedness: The City of Palo Alto, like any community in the Bay Area, is susceptible to a variety of natural hazards including earthquakes, floods, and wild land fires as well as man-made disasters such as plane crashes, terrorism and other catastrophes. The City is committed to protecting life, property and the environment through a number of activities including preplanning, training, rapid emergency response and public safety education for the benefit of the community.

City Manager

Community Collaboration for Youth Well-Being: The City of Palo Alto plays two important roles with regard to Community Collaboration for Youth Well-Being. First, the City plays a role of convener and coordinator, bringing the community together in order to effectively harness the tremendous community talent, expertise and goodwill that surround youth and teens. A meaningful example of the City's role as convener and coordinator is seen in the Project Safety Net (PSN) Community Task Force. PSN is focused on developing and implementing a comprehensive community-based mental health plan for overall youth and teen well-being in Palo Alto. A focus in 2012 is to support PSN and the specific goals defined in the PSN Plan (www.PSNPaloAlto.org), which include gatekeeper training, Developmental Assets initiative, peer-to-peer engagement, teen education on drug and alcohol abuse, Track Watch, youth forum, and celebrating youth-friendly businesses.

Secondly, the City plays a direct role in providing programs, services and facilities for youth and teens so they may thrive. This is done in collaboration with the City Libraries and with support of Friends groups and Foundations. Examples include the variety of afterschool programs at the Palo Alto Teen Center, Children's Theatre, Junior Museum and Zoo, Art Center and Rinconada Pool. The City's capacity to provide programs, services and facilities for youth well being is dependent on community collaboration through the substantial support of Friends groups and Foundations. Supporting youth and teen programs and services, along with the respective Friends groups and Foundations, will be a priority for 2012. An exciting example of community collaboration may be seen in Mitchell Park, which will be Palo Alto's first playground accessible to people of all abilities and ages.

COUNCIL PRIORITY IMPLEMENTATION

In FY 2012, the City Manager's Office will support and oversee implementation of the City Council's Top 5 Priorities as follows:

City Finances

- Develop and execute new human resource contracts that help the City manage its labor costs at a sustainable level over the long-term
- Execute an economic development program that supports and creates new municipal revenue streams to support vital City services and positions the City for the 21st century innovation economy
- Outline a comprehensive initiative to fund ongoing infrastructure maintenance and fund the large existing backlog of projects. A quality infrastructure base is vital to community quality of life and to the City's ability to attract and sustain a robust business base to support City services.
- Explore available potential revenues along with expenditure reductions to enable a long-term sustainable fiscal ecosystem that maintains and enhances City service delivery and community quality of life. The solution to the City's finances must be multi-dimensional and incorporate new or enhanced revenues, reset of our long-term labor costs, and review of the methods by which we deliver services.

Land Use and Transportation Planning

- Complete strategies and plans at the Development Center to improve accountability and customer service
- Complete draft Rail Corridor Study, outlining measures to provide for community land use, transportation and corridor urban design
- Complete Stanford University Medical Center (SUMC) facilities and replacement project
- Substantially complete update of City Comprehensive Plan Amendment/Housing Element Update and 2

Area Concept Plans

- Continue monitoring of High Speed Rail (HSR) activities and collaborative work with Peninsula cities and regional agencies, and work on a short and long-term action plan to sustain Caltrain
- Actively participate in preparation of regional Sustainable Communities Strategy (SB375), Regional Housing Needs Allocation (RHNA)
- Prepare Pedestrian and Bicycle Plan Master Plan update

Environmental Sustainability

- Continue to look at utility plant operations for methods and strategies to increase the ability to reduce the City's greenhouse gas emissions (GHG). This year a major focus will be to look at the financial practicality of new composting digesters or their alternatives to reduce GHG's.
- Explore the possibility of installing electric vehicle charging stations at various locations in the City to facilitate and encourage use of electric vehicles and other innovative green technologies. Fleet operations and gas vehicles are a major contributor to GHG emissions.
- Explore developing a more formal collaborative relationship with Stanford University, utilizing synergies between both entities to leverage their combined sustainability efforts. Stanford has a robust Sustainability program and is a leader in research and development of green technologies and practices.
- Continue to provide and improve sustainability programs and plans for residents and businesses within the City of Palo Alto. This initiative will also include a focused effort to leverage the City's and community's combined knowledge, resources, and talent to build a more sustainable community.
- Prepare an Urban Forest Master Plan. Palo Alto is a city with a considerable existing urban forest canopy. This canopy provides rich environmental and quality of life benefits to the community. A master plan will guide the City in managing and enhancing this significant asset and help the City meet its sustainability goals.

Emergency Preparedness

- Conduct one major community emergency preparedness exercise. Staff will work with community groups to plan and host a full-scale exercise which will include multiple neighborhood groups and City departments. This exercise will be consistent with accepted national exercise guidelines.
- Complete a feasibility analysis and report investigating alternatives for installing a secondary electrical transmission source to the City. The new transmission source would be established in a separate geographical area to provide backup in the case of a power outage.
- Implement recommendations of Foothills fire management plan to address treatment and mitigation measures to ensure the viability of evacuation routes and protect life and property.
- Implement Office of Emergency Services (OES) restructuring founded on the consultant's report and focus on four key readiness areas: preparedness, mitigation, response and recovery.
- Improve emergency operations readiness per the City emergency operations plan. The City will work to better coordinate all facilities and personnel in the organization and their ability to respond in a coordinated and cohesive fashion.

Community Collaboration for Youth Well-Being

- Coordinate the Project Safety Net (PSN) Community Task Force and guide the implementation of the PSN Plan
- With Palo Alto Unified School District, create an effective and sustainable structure for the Project Safety

City Manager

Net Community Task Force

- Incorporate the Developmental Assets into the planning, implementation and evaluation of City programs and services for youth and teens
- Engage youth and teens in community decision making
- Celebrate and recognize youth and teens along with community members who make an outstanding contribution to supporting youth
- Support the Friends of the Palo Alto Parks' goal of building Palo Alto's first universally accessible playground

DEPARTMENT SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Admin and City Management	1,918,498	1,810,342	2,036,235	1,904,774	(131,461)
Public Communication	170,088	202,521	204,469	191,107	(13,362)
Sustainability	195,618	167,077	167,867	170,955	3,088
Economic Development	0	0	0	246,754	246,754
TOTAL EXPENDITURES	\$2,284,204	\$2,179,940	\$2,408,571	\$2,513,590	\$105,019
TOTAL REVENUES	\$492,517	\$406,532	\$406,532	\$522,551	\$116,019
INTERNAL REVENUES	484,493	406,532	406,532	522,551	116,019
EXTERNAL REVENUES	8,024	0	0	0	0

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,733,673	1,785,665	1,957,670	2,098,519
Contract Services	389,652	231,685	280,685	239,685
Supplies and Materials	14,314	11,613	17,361	13,551
Facilities and Equipment Purchases	0	300	300	0
General Expense	58,772	46,081	48,833	51,891
Rents and Leases	64	500	500	150
Allocated Charges	85,690	102,057	101,183	107,755
Operating Transfers Out	2,039	2,039	2,039	2,039
TOTAL EXPENDITURES	\$2,284,204	\$2,179,940	\$2,408,571	\$2,513,590
TOTAL REVENUES	\$492,517	\$406,532	\$406,532	\$522,551
Total Full Time Positions	10.00	9.00	9.00	10.05
Total Temporary Positions	1.03	0.94	0.94	1.00

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of City Manager reports (CMRs) issued (SEA)	372	372	372
Effectiveness:			
1. Percent rating public information services as good or excellent (SEA)	76%	76%	76%

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES			
Increase allocated revenue - internal	116,019	0	116,019
TOTAL REVENUE CHANGES	\$116,019	\$0	\$116,019
EXPENDITURE CHANGES			
Salary and Benefits			
Add 0.5 FTE Administrative Associate III	51,193		51,193
Reallocate 0.5 FTE Administrative Associate I to Planning and Community Environment	(43,958)		(43,958)
Reclass 0.5 FTE Administrative Associate I to Administrative Associate III	5,574		5,574
Increase FTE for Management Specialist position	38,516		38,516
Move Economic Development from Planning and Community Environment	220,464		220,464
Personnel Benefits Costs Increase (Note 2)	41,063		41,063
Total Salary and Benefits Changes	\$312,852	\$0	\$312,852
Adjustments (Note 1)		(172,006)	(172,006)
NET SALARY AND BENEFITS CHANGES	\$312,852	\$(172,006)	\$140,846
Non-Salary			
Decrease supplies and general expense	(12,066)		(12,066)
Move Economic Development from Planning and Community Environment	26,290		26,290
Allocated Charge increase	6,575		6,575
Total Non-Salary	\$20,799	\$0	\$20,799
TOTAL EXPENDITURE CHANGES	\$333,651	\$0	\$161,645
Adjustments (Note 1)		(56,626)	(56,626)
NET EXPENDITURE CHANGES	\$333,651	\$(228,632)	\$105,019

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time appropriation changes from the prior year that did not carry forward from the Fiscal Year 2011 budget.

City Manager

Note 2: Personnel benefit costs have increased mainly due to increases in pension plan contributions and a change in methodology for allocating the retiree medical actuarial required contribution.

SERVICE LEVEL CHANGES

Economic Development is moved from Planning and Community Environment to the City Manager's Office.

Reclassification of 0.5 FTE Administrative Associate I to Administrative Associate III will add support for key personnel and capacity for addressing and responding to public requests.

0.5 FTE Administrative Associate III and 0.75 FTE Management Specialist support are added to address workload requirements.

COMPREHENSIVE PLAN OVERVIEW

As summarized below, the Fiscal Year 2012 Budget highlights a range of goals and activities that support the implementation of the Comprehensive Plan:

TRANSPORTATION

The Manager's Office will oversee development of various traffic demand management strategies, such as the citywide shuttle, school corridor commute issues, and transportation infrastructure. (T-43)

NATURAL ENVIRONMENT

The City Manager's Office will continue to coordinate departmental efforts on sustainability (various Comprehensive Plan programs), oversee the City's participation in the San Francisquito Creek Joint Powers Authority, and its development of proposals to mitigate flooding. (N-9)

COMMUNITY FACILITIES AND SERVICES

The City Manager's Office will oversee implementation of the City's Infrastructure Management Plan. (C-19, C-20)

The Manager's Office will oversee joint planning for City, school, and community services projects including library and extended shuttle services. (Programs C-2, C-3, C-4, C-5)

GOVERNANCE

The City Manager's Office will continue to provide public outreach in the form of community meetings, newsletters, web-based communications, and other methods, as well as facilitate internal communication through meetings, print, and electronic communication. (Policy G-3 and Program G-4)

ADMIN AND CITY MANAGEMENT

To provide administrative direction to all operating departments in order to maintain conformance with the Palo Alto Charter and Municipal Code. To facilitate communications and collaborative problem solving among residents, businesses, and other agencies.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,433,813	1,522,986	1,690,953	1,614,362
Contract Services	329,262	140,990	189,990	135,290
Supplies and Materials	12,001	7,093	14,141	10,801
Facilities and Equipment Purchases	0	300	300	0
General Expense	55,734	34,377	37,129	34,377
Rents and Leases	64	500	500	150
Allocated Charges	85,585	102,057	101,183	107,755
Operating Transfers Out	2,039	2,039	2,039	2,039
TOTAL EXPENDITURES	\$1,918,498	\$1,810,342	\$2,036,235	\$1,904,774
TOTAL REVENUES	\$487,817	\$406,532	\$406,532	\$522,551
Total Full Time Positions	7.95	7.50	7.50	7.60
Total Temporary Positions	1.03	0.94	0.94	1.00

City Manager

PUBLIC COMMUNICATION

To provide ongoing, informative communications to the City's employees, residents, businesses and other agencies about City programs, Council priorities, and key issues facing the City.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	168,493	169,352	171,300	161,238
Contract Services	1,270	26,445	26,445	24,445
Supplies and Materials	0	2,020	2,020	1,220
General Expense	325	4,704	4,704	4,204
TOTAL EXPENDITURES	\$170,088	\$202,521	\$204,469	\$191,107
TOTAL REVENUES	\$4,700	\$0	\$0	\$0
Total Full Time Positions	1.05	1.00	1.00	0.90
Total Temporary Positions	0.00	0.00	0.00	0.00

SUSTAINABILITY

To promote a culture of environmental stewardship through leadership and coordination of the City's environmental efforts and initiatives, and strategically plan for increased sustainability through various policies and programs.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	131,367	93,327	95,417	102,455
Contract Services	59,120	64,250	64,250	61,750
Supplies and Materials	2,313	2,500	1,200	1,250
General Expense	2,713	7,000	7,000	5,500
Allocated Charges	105	0	0	0
TOTAL EXPENDITURES	\$195,618	\$167,077	\$167,867	\$170,955
TOTAL REVENUES	\$0	\$0	\$0	\$0
Total Full Time Positions	1.00	0.50	0.50	0.50
Total Temporary Positions	0.00	0.00	0.00	0.00

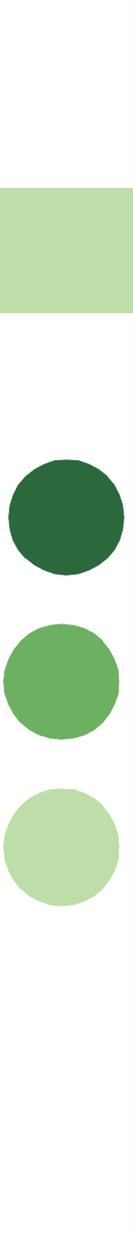
City Manager

ECONOMIC DEVELOPMENT

To provide information and data, on the local economy and business community, that will assist the City Council in decision-making; identify initiatives that will increase City revenues and economic health; and facilitate communication and working relationships in the business community.

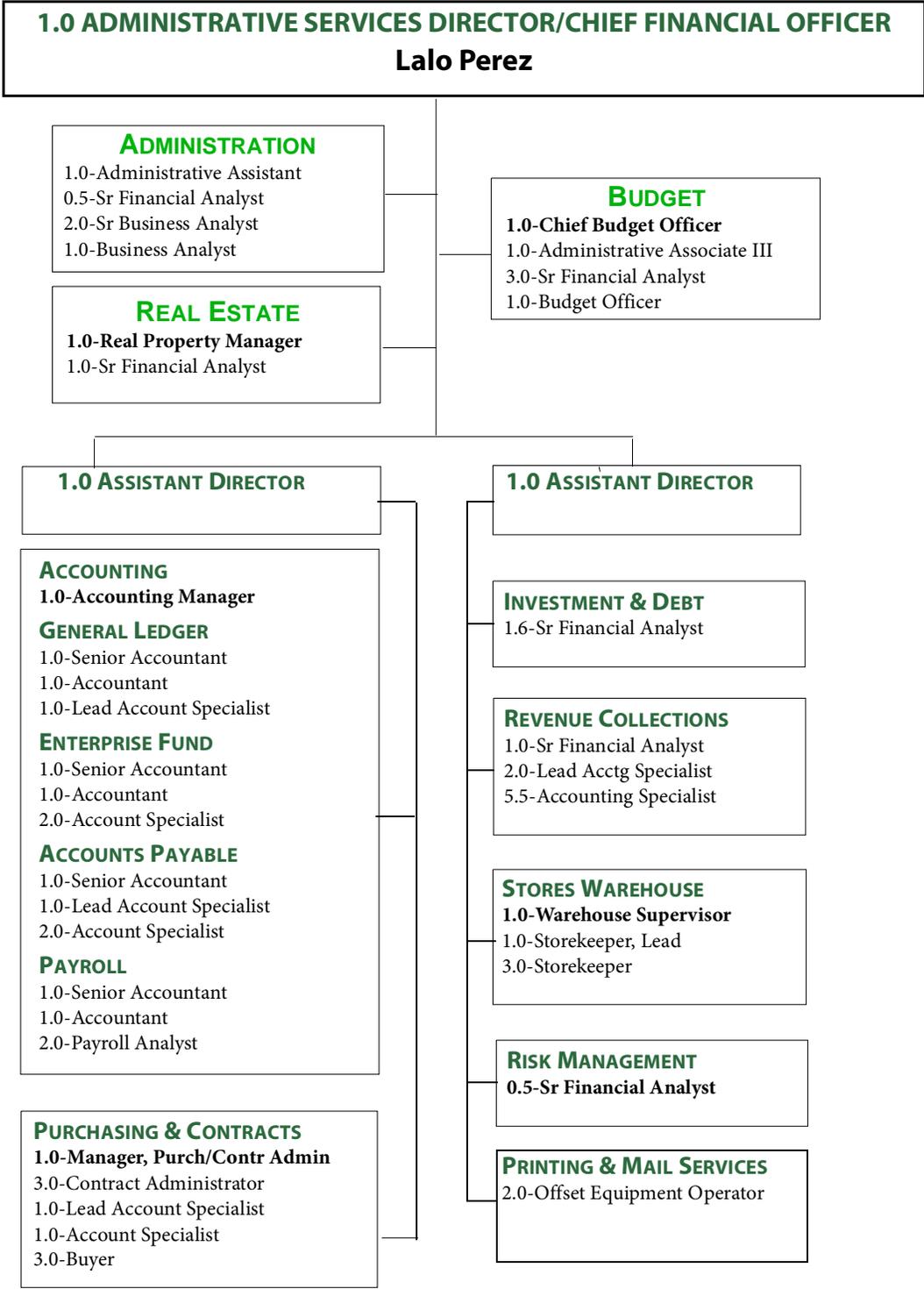
INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	0	0	0	220,464
Contract Services	0	0	0	18,200
Supplies and Materials	0	0	0	280
General Expense	0	0	0	7,810
TOTAL EXPENDITURES	\$0	\$0	\$0	\$246,754
TOTAL REVENUES	\$0	\$0	\$0	\$0
Total Full Time Positions	0.00	0.00	0.00	1.05
Total Temporary Positions	0.00	0.00	0.00	0.00

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Administrative Services Department

Administrative Services Department Organizational Chart



FY 2012 Position Totals - All Funds: 58.10 Full-time
 2.46 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

The Department has consisted of three major functions: finance, information technology and real estate. Beginning in FY 2012, Information Technology will be established as its own department, headed by the Chief Information Officer. With this change, Administrative Services will focus on finance and real estate.

For Fiscal Year 2012 a description of the major services ASD will provide is detailed below.

Financial Analysis

ASD staff will continue to provide analytical, organizational, and administrative support to a wide array of projects. These include, for example: monitoring major tax revenues and expenditures to ensure a balanced General Fund Budget; exploring the possibility of an early transition of the Palo Alto Airport from County to City control; supporting discussions on the expansion of Stanford University's hospital project; supporting the Infrastructure Blue Ribbon Commission, and analyzing funding sources for infrastructure improvements; supporting upcoming labor negotiations with Service Employees International Union (SEIU), Palo Alto Police Officers' Association (PAPOA), and Fire; participating in the City's Energy Risk Management Program; and preparing updates to the City's Long Range Financial Forecast. Finally, in coordination with the City Manager's Office, ASD will assist in closing pending budget gaps by identifying and analyzing solutions to ensure a balanced budget.

Resource Management

ASD is responsible for recording, monitoring, and protecting City assets. For example, the budgeting function allows for the planning and control of City revenues and expenditures. Accounting staff record and report on the use of City resources while treasury personnel collect and invest net revenues. In short, ASD collects, monitors, invests, protects, and projects City revenue streams. These essential duties underpin the use of funds for City services and programs.

Financial Reporting

Staff will continue to provide essential financial management reports. These include periodic revenue and expenditure comparisons to budget, midyear budget adjustment recommendations, capital expenditure reports, and the Comprehensive Annual Financial Report (CAFR). A major report is the Long Range Financial Forecast, mentioned above, which alerts Council, the public and City management to potential financial issues. ASD risk management staff provides the Utilities Advisory Commission and Council with independent quarterly reports on the credit worthiness of wholesale energy counterparties and utility financial risks. Staff continues to improve delivery of financial reporting through green practices such as limiting printed copies of the CAFRs and reducing the mailing of pay check stubs via alternative online notification. Lastly, staff supports library bond oversight, monitoring and reporting on conformity of expenditures with bond requirements.

Business Process Re-engineering

The Department will concentrate resources on improved security measures for SAP, including credit card authorization systems and, possibly, an automated accounts receivable system.

Infrastructure Management Plan

In concert with the Public Works Department, ASD will continue to support efforts to rehabilitate the City's

Administrative Services

infrastructure. Maintaining and enhancing funding for the replacement and reconditioning of the City's existing infrastructure is a high priority for the City. The current level of funding at approximately \$10 million per year is inadequate to deal with the General Fund's infrastructure backlog and future maintenance and replacement needs. With a declining Infrastructure Reserve, identifying resources is both necessary and challenging. Work with the Infrastructure Blue Ribbon Commission will continue to be a primary focus. ASD also supports the Commission's Finance Subcommittee and co-Chairs, thereby staffing one to two meetings per week.

Property Management and Acquisition

Real Estate staff continues to provide property lease management, easement acquisition and vacation services, in addition to providing support for a wide array of unique projects, including working with Foothill College to explore options for a long term lease or sale of the City-owned 8-acre site at the Cubberley Community Center; the Palo Alto History Museum's lease of the Roth Building; the sale and transfer of development rights for the College Terrace Library, Roth building and Sea Scout building; working with the VTA on the Highway 101 Auxiliary Lane Project; and the potential use of portions of the Municipal Service Center space for a car dealership.

Purchasing and Contract Administration

The Division will continue to support the purchasing and contracting needs of all City Departments, while also supporting City Finances by providing bottom-line value. For year-to-date FY 2011, the Purchasing Division achieved \$11,661,000 dollars in direct cost savings through the management of the solicitation and contract award process. Accordingly, the Division will continue to centrally manage the Purchasing and Contracting Process and take a leadership role in streamlining procurement activities. The Division will also continue to support Emergency Preparedness in providing procurement assistance to ensure that goods and services needed during an emergency are available for City Operations. Finally, the Purchasing Team will continue to be an integral part of the Environmental Sustainability Priority. This will occur through emphasizing sustainability in City purchasing decisions and in facilitating the bid and award process of Green Products and Services.

Cable Franchising

ASD personnel are responsible for cable 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 agreement compliance; monitor complaints from customers; manage public, education, and government (PEG) channel resources; and collect and distribute franchise fees. The JPA has an agreement with the Media Center for the operation and management of its seven PEG channels and facilities. This agreement will expire on June 30, 2011; ASD will negotiate a new agreement prior to the expiration date. In addition, ASD administers an Institutional Network (I-Net) of fiber optic cable connecting 70 schools, libraries, public buildings, and community centers in the JPA service area with the capability of delivering data, video, and voice communications. Comcast's I-Net obligations expired in July 2010. ASD staff continues to negotiate with Comcast for the continued provision of I-Net services.

PROGRAM UPDATE

The Administrative Services Department has accomplished the following during Fiscal Year 2011:

- Presented to Council a 2010 Midyear budget that closed a \$6.2 million budget gap
- Updated the 2010-2020 Long Range Financial Forecast (LRFF) and presented the 2011-2021 LRFF to the Finance Committee and Council. The LRFF identifies General Fund revenue and expenditure trends so

Administrative Services

that appropriate budget adjustments can be made. At the Finance Committee's request, staff provided an additional update to the 2010-2020 Forecast in October 2010, adding several alternate scenarios for comparison. After presenting the 2011-2021 Forecast to the Finance Committee in February, staff made several modifications to the Forecast before presenting it to Council in March. This year's Forecast pointed to continued, long-term structural deficits which must be addressed in the FY 2012 and future budgets.

- Participated in the continuing evaluation of the Stanford Hospital Expansion
- Worked with City Auditor's Office in its Cash Handling Audit, and began implementing its recommendations
- Supported and participated in cross-union discussions of health care cost-sharing options, analyzing all cost savings proposals put forth by group members
- Assisted in labor negotiations and discussions with SEIU, Police and the Management group
- Implemented SAP support packages of particular importance to Human Resources and Payroll functions.
- Implemented an outsourcing of Utility payment processing to Wells Fargo Bank, eliminating the need for a .5 FTE Hourly position and the purchase of equipment costing over \$100,000.
- Completed a total cost of ownership benchmark review of SAP - analyzing what the system has cost the City and comparing that to the cost to other agencies

Many of the projects and analyses cited above are ongoing and will continue into Fiscal Year 2012 and beyond. For example, ASD will:

- Continue to support implementation of the upgrade to the SAP financial system
- Present to the Finance Committee updates on the Palo Alto Airport Business Plan in order to revisit the option to take over the airport from the County prior to 2017
- Continue to explore efficiencies and revenue generating options to close future budget gaps
- Complete the MyCalPERS web site upgrade, increasing self-service functionality

COUNCIL PRIORITY IMPLEMENTATION

For Fiscal Year 2012, the Administrative Services Department will support implementation of 3 of the City Council's Top 5 Priorities as follows:

City Finances

- Monitor revenue sources and make recommendations for necessary adjustments to expenditure levels in order to maintain a balanced General Fund budget. Provide contracting support for the Infrastructure Management Plan through a comprehensive contract planning and execution process
- Promote expansion of the City's revenue base through negotiations with Stanford on development projects, and with auto dealers to retain them within the City

Emergency Preparedness

- Provide purchasing and contracting support to ensure that goods and services required during an emergency are available to support operations

Environmental Sustainability

- Implement green procurement practices following the City's adopted sustainability purchasing policy
- Extend the use of direct deposit and online notification in lieu of mailed checks and paystubs

Administrative Services

DEPARTMENT SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Administration	566,738	853,266	850,170	889,189	39,019
Accounting	1,669,861	1,594,610	1,612,149	1,695,847	83,698
Purchasing	1,249,672	1,110,972	1,120,141	1,076,467	(43,674)
Real Estate	1,953,633	580,597	711,250	599,711	(111,539)
Treasury	1,553,331	1,379,277	1,390,390	1,416,517	26,127
Budget	879,325	773,828	783,547	836,622	53,075
TOTAL EXPENDITURES	\$7,872,560	\$6,292,550	\$6,467,647	\$6,514,353	\$46,706
TOTAL REVENUES	\$3,259,657	\$2,812,373	\$2,812,373	\$3,252,840	\$440,467
INTERNAL REVENUES	3,210,859	2,800,073	2,800,073	3,240,540	440,467
EXTERNAL REVENUES	48,798	12,300	12,300	12,300	0

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	5,786,499	5,096,319	5,151,483	5,318,499
Contract Services	100,898	277,556	282,111	239,710
Supplies and Materials	33,478	57,694	52,909	51,964
Facilities and Equipment Purchases	1,417,708	3,100	3,100	3,100
General Expense	157,850	186,263	311,493	194,789
Rents and Leases	11,153	11,153	11,153	11,153
Allocated Charges	364,974	660,465	655,398	695,138
TOTAL EXPENDITURES	\$7,872,560	\$6,292,550	\$6,467,647	\$6,514,353
TOTAL REVENUES	\$3,259,657	\$2,812,373	\$2,812,373	\$3,252,840
Total Full Time Positions	41.95	37.49	37.49	37.69
Total Temporary Positions	2.25	2.67	2.67	1.38

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of accounts payable checks issued (SEA)	12,609	14,500	13,000
2. Number of purchasing documents processed (SEA)	2,314	2,575	2,350
3. Number of real property acquisitions and conveyances (fees, easements, BMR, permits, leases and document transfer tax)	185	200	200
4. Cash and investments (in millions), excluding bond proceeds (SEA)	\$345.5	\$342.0	\$353.0
Efficiency:			
1. Average cost to issue an accounts payable check (estimated)	\$27	\$27	25
2. Average cost to process a purchase order/contract (estimated)	\$227	\$229	\$229

Administrative Services

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
3. Average cost to complete each real property acquisition and conveyance (estimated)	\$1,260	\$1,260	\$1,260
Effectiveness:			
1. Percent of invoices paid within 30 days (estimated) (SEA)	78%	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	45	45	60
4. Rate of return on investments compared to the annual average yield on a three-year Treasury note	+2.46%	+2.14%	+2.40%

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES			
Increase allocated revenues-internal	440,467		440,467
TOTAL REVENUE CHANGES	\$440,467	\$0	\$440,467
EXPENDITURE CHANGES			
Salary and Benefits			
Drop 1 FTE Budget Manager, add 1 FTE Chief Budget Officer	19,413		19,413
Reclass 1 FTE Senior Financial Analyst to 1 FTE Budget Officer	13,094		13,094
Reclass .80 FTE Deputy Director, Administrative Services to .80 FTE Assistant Director, Administrative Services; reallocate .10 FTE from Enterprise Funds	24,415		24,415
Add 0.1 FTE Senior Financial Analyst	12,271		12,271
Drop 1 FTE Graphic Designer, add 1 FTE Administrative Associate III	(11,526)		(11,526)
Reduce temporary salaries	(37,949)		(37,949)
Reduce overtime	(2,007)		(2,007)
Personnel Benefit Costs Increase (Note 2)	204,467		204,467
Total Salary and Benefits Changes	\$222,178	\$0	\$222,178
Adjustments (Note 1)		(55,162)	(55,162)
NET SALARY AND BENEFITS CHANGES	\$222,178	\$(55,162)	\$167,016

Administrative Services

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
Non-Salary			
Decrease bank charges	(10,000)		(10,000)
Decrease business registry contract services	(39,000)		(39,000)
Increase memberships for ICMA Leadership	10,000		10,000
Allocated charge increase	38,623		38,623
Total Non-Salary	\$(377)	\$0	\$(377)
TOTAL EXPENDITURE CHANGES	\$(377)	\$0	\$166,639
Adjustments (Note 1)		(119,933)	(119,933)
NET EXPENDITURE CHANGES	\$221,801	\$(175,095)	\$46,706

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time appropriation changes from the prior year that did not carry forward from the FY 2011 budget.

Note 2: Personnel benefit costs have increased mainly due to increases in pension plan contributions and a change in methodology for allocating the retiree medical actuarial required contribution.

SERVICE LEVEL CHANGES

The following changes will maximize the effectiveness of the Administrative Services Department:

- Dropping a Graphic Design position and adding an Administrative Associate III will increase clerical support for the department.
- Dropping a Budget Manager position and adding a Chief Budget Officer position will provide a high level of oversight to the City's finances, operations, and management.
- Reclassifying one Senior Analyst position to Budget Officer will provide appropriate and adequate support to the Chief Budget Officer.
- Increasing 0.1 FTE Senior Financial Analyst will increase the Department's capabilities for providing long range projections, various analyses, and support the City's cable franchise operations.
- Reclassification of a Deputy Director of Administrative Services to Assistant Director of Administrative Services properly aligns the job classification with the duties currently needed and performed.

COMPREHENSIVE PLAN OVERVIEW

Fiscal Year 2012 Administrative Services Department Budget includes the following resources directed toward implementing the program and policies of the Comprehensive Plan:

COMMUNITY FACILITIES AND SERVICES

In concert with the Public Works Department, ASD supports efforts to rehabilitate the City's Infrastructure. The current level of funding at approximately \$10 million per year is inadequate to deal with the General Fund's infrastructure needs. Work with the Infrastructure Blue Ribbon Commission will continue to be a primary focus.

Administrative Services

BUSINESS AND ECONOMICS

ASD staff monitors the local economy closely to determine trends that affect City revenues. It is active in supporting the maintenance and attraction of key revenue generating business that generate resources to provide City services. For example, ASD participated in the formation of the development agreement with the Stanford hospital that was recently approved by the City Council.

GOVERNANCE

The Department will provide leadership in establishing a liaison system between the City and the community through the use of electronic media to inform residents of current issues, to conveniently connect citizens to City services, and to facilitate resident feedback to the City Council and staff. (G-4)

Administrative Services

ACCOUNTING

To process and record the financial transactions of the City in an accurate and timely manner, and to develop and maintain financial systems that provide pertinent information to all users.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,628,653	1,549,505	1,567,044	1,645,742
Contract Services	8,181	13,005	18,735	21,308
Supplies and Materials	14,171	28,200	22,470	22,470
Facilities and Equipment Purchases	0	1,000	1,000	1,000
General Expense	1,319	2,900	2,900	5,327
Allocated Charges	17,537	0	0	0
TOTAL EXPENDITURES	\$1,669,861	\$1,594,610	\$1,612,149	\$1,695,847
TOTAL REVENUES	\$1,774	\$0	\$0	\$0
Total Full Time Positions	12.61	12.48	12.48	12.58
Total Temporary Positions	0.37	0.21	0.21	0.21

Administrative Services

PURCHASING

To provide the City of Palo Alto with goods and services in an efficient, cost-effective, and timely manner.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,202,714	1,052,342	1,061,511	1,017,837
Contract Services	2,066	4,910	4,680	2,800
Supplies and Materials	6,643	7,313	7,313	7,313
Facilities and Equipment Purchases	1,803	1,000	1,000	1,000
General Expense	4,838	6,102	6,332	8,212
Allocated Charges	31,608	39,305	39,305	39,305
TOTAL EXPENDITURES	\$1,249,672	\$1,110,972	\$1,120,141	\$1,076,467
TOTAL REVENUES	\$23,906	\$6,000	\$6,000	\$6,000
Total Full Time Positions	9.18	7.04	7.04	7.04
Total Temporary Positions	0.48	0.48	0.48	0.63

Administrative Services

REAL ESTATE

To manage and efficiently utilize City properties to maximize monetary and non-monetary benefits to the City and community.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	448,126	460,400	466,053	479,514
Contract Services	44,373	46,598	46,598	45,560
Supplies and Materials	94	606	606	606
Facilities and Equipment Purchases	1,415,905	0	0	0
General Expense	33,354	61,840	186,840	62,878
Rents and Leases	11,153	11,153	11,153	11,153
Allocated Charges	628	0	0	0
TOTAL EXPENDITURES	\$1,953,633	\$580,597	\$711,250	\$599,711
TOTAL REVENUES	\$(4,930)	\$3,400	\$3,400	\$3,400
Total Full Time Positions	3.02	2.44	2.44	2.44
Total Temporary Positions	0.00	0.46	0.46	0.46

Administrative Services

TREASURY

To manage the City's money and debt issuance, including placement and safeguarding of investments, billing, cash receipting, collections, and deposits

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,364,969	1,118,708	1,129,821	1,205,998
Contract Services	50,567	138,443	138,443	97,542
Supplies and Materials	11,274	17,825	17,825	17,825
Facilities and Equipment Purchases	0	600	600	600
General Expense	112,192	103,701	103,701	94,552
Allocated Charges	14,329	0	0	0
TOTAL EXPENDITURES	\$1,553,331	\$1,379,277	\$1,390,390	\$1,416,517
TOTAL REVENUES	\$27,888	\$2,900	\$2,900	\$2,900
Total Full Time Positions	10.49	9.92	9.92	10.02
Total Temporary Positions	1.40	1.52	1.52	0.08

Administrative Services

BUDGET

To prepare financial and policy analyses, to prepare timely, accurate financial reports, and to provide management and Council with accurate financial information and forecasting to support sound resource allocation decisions.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	849,154	751,128	760,847	813,922
Contract Services	17,431	18,500	18,500	18,000
Supplies and Materials	0	1,600	1,600	1,600
Facilities and Equipment Purchases	0	500	500	500
General Expense	1,085	2,100	2,100	2,600
Allocated Charges	11,655	0	0	0
TOTAL EXPENDITURES	\$879,325	\$773,828	\$783,547	\$836,622
TOTAL REVENUES	\$160	\$0	\$0	\$0
Total Full Time Positions	5.32	4.68	4.68	4.68
Total Temporary Positions	0.00	0.00	0.00	0.00



Community Services Department



Community Services

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

OVERVIEW

In Fiscal Year 2012, the Community Services Department (CSD) will continue to provide the Palo Alto community with services and programs both directly and through partnerships with community organizations.

Arts and Sciences

The Arts and Sciences Division provides visual and performing arts, music and dance, and science programs to adults and youth, including a focus on family programs.

The division administers and manages the Art Center, Children's Theatre, Community Theatre, Junior Museum and Zoo, interpretive programs, the Public Art Commission, Civic Center lobby exhibitions, and also the Cubberley Artist Studios which provides affordably priced studio space to local artists who also donate works to Palo Alto's Art in Public Places program.

The Art Center now is "On the Road" as the facility is under a year-long renovation project. The Palo Alto Art Center Foundation (PAACF) in partnership with the City has led a capital building campaign for expansion of the facility including a dedicated children's wing and enhanced exhibition and visitor spaces. During construction the Art Center will be "On the Road" offering classes and exhibits remotely throughout the City. With the addition of an Art Truck, staff will be offering unique visitor experiences by bringing exhibits to local schools and parks. This will be inclusive of the Project LOOK! program.

The Palo Alto Children's Theatre continues its progress in implementing an arts-based education program. Enrollment in classes continues to increase and several shows are tied in with the reading curriculum of local schools. The theatre also promotes performing arts in local elementary and middle schools with show productions both in the schools and at the theatre. With such efforts, the audience at shows has increased as well.

The Junior Museum and Zoo remains a place for children to explore, create, discover, and play. With science exhibits and over 50 species of animals, children are able to engage their curiosity of science and nature. A new exhibit, "Bzzzzz", allows kids to explore the beauty of bugs and their fascinating life stories by observing living spiders and insects, studying a pinned specimen collection, and exploring hands-on exhibits.

The division continues to address budget challenges by operating with a reduction of one and a half full time equivalents in various positions. This is achieved through a combination of reduced staff hours and not filling vacancies in Fiscal Year 2012.

Open Space, Parks and Golf

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

Community Services

Projects continue to be implemented to rebuild aging infrastructure by improving tread and drainage problems on trails in the foothills and restoring the height and width of a Baylands emergency access levee. Staff 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 develop designs for the Magical Bridge playground, a universal access playground planned for Mitchell Park. Fundraising for the playground will be led by the Friends of the Palo Alto Parks.

Staff uses non-toxic methods such as timed mowing and sheet mulching to control non-native weeds and mechanical trapping of nuisance rodents. Staff also continues to work with Acterra and Save The Bay in propagating thousands of native plants in on-site nurseries which are used in creek and habitat restoration projects.

Parks Services is collaborating with neighborhood associations, friend groups, and tree enthusiasts on multiple infrastructure park projects scheduled for the Mitchell Park Community Center and Library, El Camino Park, and median landscaping. These projects include landscape improvements for a newly constructed library and community center including a green roof, construction of a synthetic turf sports field at El Camino Park in conjunction with the installation of an emergency well system by our Utilities Department, and median landscaping on San Antonio Road. Park Services continues to maintain Palo Alto Unified School District middle and elementary school athletic fields.

As part of a reorganization, Golf operations merged with Open Space and Parks in Fiscal Year 2011. Golf Services oversees maintenance of our 18-hole championship length golf course. The 55-year-old, 176-acre facility is preparing to undergo some physical changes in the near future as we work with the San Francisquito Creek Joint Powers Authority, US Fish and Wildlife Service, and the Palo Alto Baylands Preserve staff to incorporate the San Francisquito Creek Flood Protection and Ecosystem Restoration Project. This involves a proposed removal or relocation of a levee that currently separates San Francisquito Creek from the Faber Tract and Golf Course. These changes will lead to modifications of several golf holes.

The division is addressing budget reductions while maintaining service levels through implementation of alternative service providers. Rinconada Park, Mitchell Park, the Lawn Bowl, Municipal Golf Course, Lucie Stern Community Center, and Art Center are now maintained by contractors. This is in addition to smaller parks where maintenance was already previously contracted out. With these named parks and facilities maintained on a contract basis, the division operates with more than ten fewer staff members than in Fiscal Year 2010. However, to ensure safety and quality standards are met the division regularly inspects contracted maintenance.

Recreation and Cubberley Community Center

Recreation Services and Cubberley Community Center have merged to form one division in Fiscal Year 2011.

The Cubberley Community Center is a 35-acre facility that hosts community artists, dance groups, childcare centers, Foothill College, and many nonprofit organizations such as Cardiac Therapy and Adolescent Counseling Services. The thriving center continues to provide a full array of community facilities including fields, tennis courts, a track, gymnasiums, a theater and classrooms, all of which are available for public rental.

Recreation Services provides 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. With budget challenges, staff continues to work diligently to recover additional program costs through fees, partnerships, grants, and donations.

Community Services

Recreation Services continues to focus efforts on youth and teen programming as it relates to the Youth Master Plan. The division pursues collaborative programming efforts with other nonprofit agencies serving youth to better target quality services for this age group. Coordinating a multi-agency task force called Project Safety Net, working on teen suicide prevention and the social and emotional health of youth and teens, remains a focus. During this year and in conjunction with the Palo Alto Unified School District, the division will develop a strategic plan for the Project Safety Net Community Task Force. The strategic planning effort will be funded by Santa Clara County in hopes that our experience in suicide prevention may be of help to other communities. Strategies such as gatekeeper programs, community education, teen resiliency programs and adoption of the '41 Developmental Assets' are all part of a set of strategies designed to improve our community "safety net" for teens.

The division emphasizes customer service through professionalism and knowledgeable staff, 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.

The construction of a new Mitchell Park Community Center and Library is well on its way and presents an exciting new facility for residents and will continue to be a focus for staff as this project develops. The design of the new center is an example of civic engagement contributions towards the form and functionality of the new center. Teens, parents, library and community center users, City staff, and elected officials have provided input throughout the design process. This year staff and residents will be engaged in the selection of furnishings for the center and begin planning programs and services offered once construction of the facility is completed. The center is scheduled to open in the summer of 2012.

In the mean time, programming has moved to the Cubberley Community Center, including "The Drop" teen center. This temporary teen center is close to sports playing fields and tennis courts, and the indoor space includes two spacious rooms for activities and games. The teen center is open every afternoon when school is in session.

Office of Human Services

The Office of Human Services continues to provide assistance to people in need by coordinating \$1.1 million in grants to nonprofit organizations through the Human Services Resource Allocation Process (HSRAP) and by providing comprehensive information about resources for the entire community through the Family Resources Program. Approximately 500 calls annually are received by Family Resources which also coordinates an annual Family Ambassador Program where 25 community members participate in 25 hours of training over four months to learn about the variety of family resources available in our community so they can support their family, friends and neighbors in times of need, and spread the word about the wide array of programs available.

Staff work with a number of community groups to identify community needs that may be addressed through Human Services. These groups include the Human Relations Commission, the Child Care Advisory Committee, and the Extended School Child Care Directors Group.

PROGRAM UPDATE

In Fiscal Year 2011, the Community Services Department implemented the following programs:

- Children's Theatre introduced the world premiere of *Metamorphosis: Junior Year*. The theatre worked closely with author Betsy Franco as she adapted her book into a stage play.
- The bat house at the Junior Museum & Zoo was remodeled to engage and educate guests in the habitat of African bats.

Community Services

- Recreation continued to focus on youth development with programming for toddlers through teens, including the adoption of 41 Developmental Assets.
- Human Services completed training the 11th annual team of ambassadors to refer nonprofit services in the community.
- The Junior Museum and Zoo exhibited "Clean, Green, Energy Machines" which focused on environmental education and energy conservation.
- A capital improvement of Greer Park was completed including irrigation and playing field turf renovations and a 1.5 acre addition for passive recreation. The project was managed by both Parks and Recreation.
- A capital improvement of a former locker room and shower facility at Cubberley Community Center was converted to multi-use Gym Activity Room.
- More than \$3 million was invested in City Parks and Open Space throughout the City.

COUNCIL PRIORITY IMPLEMENTATION

In Fiscal Year 2012, the Community Services Department will support the implementation of the City Council's Top Priorities as follows:

City Finances

- With continued budget challenges facing the City in Fiscal Year 2012, the Community Services Department is increasing fees for classes, camps and activities in an effort to move towards higher levels of cost recovery. The department is also working towards expanding cost recovery beyond classes and camps in areas such as community gardens and facility rentals. In addition, the department continues to implement alternative service delivery by contracting out several areas such as park maintenance, custodial services, and golf course maintenance to lower costs while maintaining quality service.
- Community Services staff actively seek private and grant funding for the replacement and renovation of aging infrastructure, the enhancement of park, community and art center facilities, and program support.

Emergency Preparedness

- The Cubberley Community Center is a planned emergency response center. The facility will be made ready as a shelter at times when needed to respond to any disaster or emergency.
- Open Space rangers have worked closely with the Fire Department on the implementation of the Foothills Wildland Fire Management Plan. Rangers are trained in fire fighting and emergency response to provide security and safety for park visitors and open space natural resources. Staff may also be deployed to assist police personnel in responding to non-critical calls for service.

Youth Well-Being

- The City's Community Services Department with its many partners have taken an active role in organizing a multidisciplinary group of individuals and agencies to develop an effective Teen Suicide Prevention Plan focused on education, prevention and intervention. Work continues in 2011 and 2012 to further develop an integrated system of community strategies to provide a "safety net" for youth and teens through the Project Safety Net Community Task Force.
- The City's Recreation staff and PAUSD continue to collaborate in providing after-school sports for the three middle schools. This middle school athletic program is a "no cut" program where every middle school student who enrolls has an opportunity to play. Sports offered include flag football, volleyball, cross-country, basketball, track and field, golf and wrestling.

Community Services

- Community Services staff continues to work closely with youth leadership groups such as the Teen Arts Council, 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.

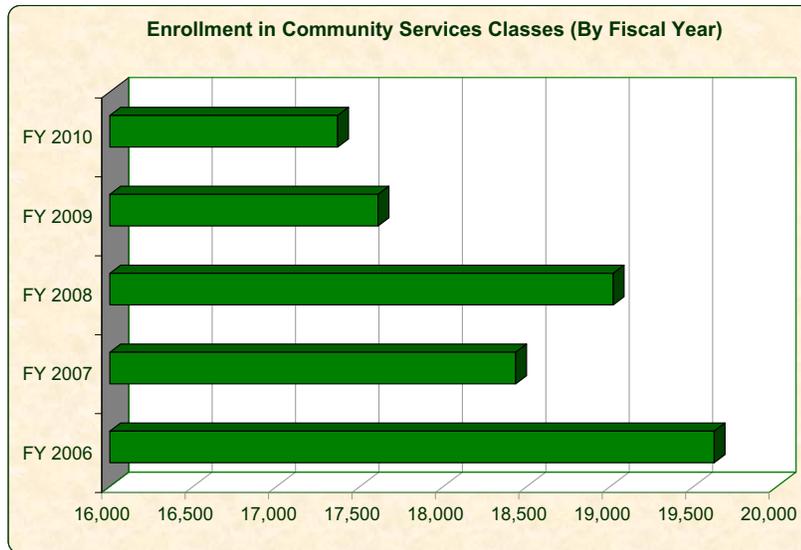
Environmental Sustainability

- The Art Center, working with the Palo Alto Art Center Foundation, included "green" building considerations in their renovation plans to expand the Art Center which is being constructed in 2011 and 2012.
- The Open Space, Parks, and Golf Division continues to actively support partnerships with a variety of environmental organizations, recreation clubs, sports groups, Acterra, Save The Bay, and Friends of the Palo Alto Parks in order to provide special interest classes, augment City services, and enhance facilities and programs offered to the public. Parks staff works with neighborhood associations to "adopt-a-park" and encourage volunteers to plant colorful flower beds in their local parks. The division also continues to further limit the use of pesticides in parks. Staff works closely with neighbors and interested parties in the design of infrastructure improvements.

DEPARTMENT SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Administration and Human Services	4,210,588	4,214,629	4,226,424	4,371,273	144,849
Arts and Sciences	4,606,451	4,255,481	4,345,740	4,416,769	71,029
Open Space, Parks and Golf	5,839,351	5,997,186	6,001,092	6,293,806	292,714
Recreation and Cubberley	5,840,939	5,571,403	5,581,163	5,636,404	55,241
TOTAL EXPENDITURES	\$20,497,329	\$20,038,699	\$20,154,419	\$20,718,252	\$563,833
TOTAL REVENUES	\$7,250,927	\$7,512,698	\$7,529,840	\$7,352,257	\$(177,583)
INTERNAL REVENUES	120,373	99,600	51,659	51,659	0
EXTERNAL REVENUES	7,130,554	7,413,098	7,478,181	7,300,598	(177,583)

Community Services



INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	11,510,905	9,879,245	9,951,376	10,576,066
Contract Services	2,980,908	3,718,204	3,762,596	3,994,427
Supplies and Materials	614,137	789,140	803,140	699,232
Facilities and Equipment Purchases	46,420	78,700	78,700	72,700
General Expense	1,268,839	1,376,774	1,373,016	1,386,556
Rents and Leases	16,759	23,766	23,816	24,466
Allocated Charges	4,052,371	4,165,880	4,154,785	3,957,815
Operating Transfers Out	6,990	6,990	6,990	6,990
TOTAL EXPENDITURES	\$20,497,329	\$20,038,699	\$20,154,419	\$20,718,252
TOTAL REVENUES	\$7,250,927	\$7,512,698	\$7,529,840	\$7,352,257
Total Full Time Positions	94.25	74.50	74.50	74.00
Total Temporary Positions	52.14	49.32	49.32	48.71

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of Community Services classes and camps taught (SEA)	1,072	1,018	967
2. Number of classes and camps sessions cancelled	390	371	352
Efficiency:			
1. Percentage of registrations online (SEA)	55%	57%	60%
2. Number of classes and camps refunds processed	1,058	1,005	955

Community Services

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Effectiveness:			
1. Percent rating the range/variety of classes good or excellent in citizen survey (SEA)	82%	85%	87%
2. Percentage of refunds processed by credit cards	93%	94%	95%

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES			
Open Space, Parks and Golf			
Reduce golf course revenue	(70,000)		(70,000)
Recreation and Cubberley			
Increase revenue for middle school athletics and recreation camps	70,000		70,000
Reduce class program fees based on historical trend	(47,500)		(47,500)
Reduce Foothill College parking fees at Cubberley	(65,000)		(65,000)
TOTAL REVENUE CHANGES	\$(112,500)	\$0	\$(112,500)
Adjustments (Note1)		(65,083)	(65,083)
NET REVENUE CHANGES	\$(112,500)	\$(65,083)	\$(177,583)
EXPENDITURE CHANGES			
Salary and Benefits			
Arts and Sciences			
Reduction of 0.50 FTE Program Assistant 1		(48,460)	(48,460)
Recreation and Cubberley			
Elimination of 0.24 Hourly FTE at Lucie Stern	(8,795)		(8,795)
Addition of 0.35 Hourly FTE for Middle School Athletics - offset by revenues	13,000		13,000
Addition of 0.67 Hourly FTE for Day Camps - offset by revenues	25,000		25,000
Elimination of 0.5 FTE Coordinator, Recreation Programs (Family Resources Program)	(50,711)		(50,711)
Elimination of 0.24 Hourly FTE at Cubberley	(8,795)		(8,795)
Total Salary and Benefits Changes	\$(30,301)	\$(48,460)	\$(78,761)
Increase in Personnel Benefit Costs (Note 2)	703,451		703,451
Total Net Salary and Benefits Changes	\$673,150	\$(48,460)	\$624,690
Non-Salary			
Administration			
Increase in bank service charges	23,000		23,000
Arts and Sciences			
New appropriation for the maintenance of public art	50,000		50,000

Community Services

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
Open Space, Parks and Golf			
Reduction in water consumption for Foothills Park turf due to anticipated savings	(25,000)		(25,000)
Reduction in allocated charges from Vehicle Fund (Note 3)	(137,449)		(137,449)
Recreation and Cubberley			
Increase materials and supplies for the Middle School Athletics program - offset by revenues	7,000		7,000
Total Non-Salary Changes	\$(82,449)	\$0	\$(82,449)
TOTAL EXPENDITURE CHANGES	\$590,701	\$(48,460)	\$542,241
Adjustments (Note 1)		56,113	56,113
Decrease in allocated charges	(34,521)		(34,521)
NET EXPENDITURE CHANGES	\$556,180	\$7,653	\$563,833

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time revenues and appropriation changes from the prior year that did not carry forward from the FY 2011 budget.

Note 2: Personnel benefit costs have increased mainly due to increases in pension plan contributions and a change in methodology for allocating the retiree medical actuarial required contribution.

Note 3: Allocated charges from Vehicle Fund are decreasing mainly due to reduction in the number of fleet maintained in City Parks and Golf Course due to the contracting out of the maintenance of these facilities.

SERVICE LEVEL CHANGES

In Fiscal Year 2012, the following are planned to be implemented:

- With the year long renovation and expansion of the Art Center, the programs are now "On the Road". Art staff has relocated to various locations at Cubberley and Lucie Stern Community Centers while classes and camps are offered at alternative locations such as the Media Center and Museum of American Heritage. Exhibitions, Project LOOK!, and Family Days are offered off site with the use of an art truck funded by a grant received through the Palo Alto Art Center Foundation.

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

- Maintenance services at Mitchell and Rinconada Parks, Lawn Bowling Green, and Palo Alto Municipal Golf Course remain contracted out as a cost saving measure.
- The department will reduce staff hours and delay filling vacancies in various program areas as a cost saving measure. Various positions are impacted totaling two and a half full time equivalents.
- At the Palo Alto Municipal Golf Course, staff will explore decreasing the percentage of potable water usage and increasing the percentage of recycled water due to increases in water rates. Should the option be implemented, staff will monitor the health of the turf for changes resulting from the change in fresh and recycled water mix.

COMPREHENSIVE PLAN OVERVIEW

In FY 2012, the Community Services Department will implement elements of the Comprehensive Plan as follows:

LAND USE AND COMMUNITY DESIGN

Arts and Sciences Division will continue to explore, recommend, and commission opportunities for art in community centers and public places throughout the city. (Policies L-15, L-16, L-18, L-19, L-21, L-28, L-47, L-61, L-62, L-64, L-69, L-70, L-72)

The Public Art Commission will work with the Parks Division to initiate parks art projects. Parks operations will complete a variety of infrastructure projects to strengthen and enhance the identity of community "Entry Points" (gateways) and other City-maintained areas with appropriate art and landscaping. (Policies L-72, L-73)

TRANSPORTATION

Parks operations will use infrastructure median capital projects and other landscape projects to establish clear gateways. (Program T-42)

Open Space operations will continue to conduct systematic brush clearing and the repair of trail tread on 95 percent of open space trails and staff will provide regular maintenance of off-road bicycle and pedestrian paths. (Program T-29) Staff will continue to implement the Arastradero Preserve Trail Master Plan by abandoning and restoring inappropriately sloped or sited trails. This will reduce environmental impacts along sensitive riparian corridors. (Program T-29)

HOUSING

The Office of Human Services is a member of the City Manager's Housing Task Force. This task force participates in regional, statewide, and national meetings on housing and human services. Additional resources, collaborations, and outside funding will be increased to address community needs. (Policies H-2, H-12, Programs H-23, H-24, H-25, H-30, H-32)

NATURAL ENVIRONMENT

Parks operations will implement the Natural Environment element of the Comprehensive Plan with the following programs: Preservation and protection of heritage trees and native oaks in urban park settings (Policy N-17); irrigation system improvements to maximize conservation and make efficient use of water resources (Policy N-21); Best Management Practices programs related to technologies, operating methods and other measures that control, prevent and reduce pollution (Policies N-28, N-30); implementing "Spare the Air" methodologies within maintenance operations (Goal N-5); and by participating in the San Francisquito Creek resource management and planning. (Programs N-9, N-13)

Both Parks and Golf operations will continue their tree planting programs (Program N-17) and will continue to pursue resources for tree planting (Program N-18); continue maintenance programs to minimize the use of toxic and hazardous materials (Policy N-30); and use recyclable goods for park furnishings and other equipment replacement (Policy N-36). Parks and Golf operations will continue to protect the community from excessive noise impacts (Policies N-40, N-42, N-43, Program N-59).

Community Services

Open Space will work with specialized contractors to control invasive, non-native plants in open space areas using environmentally safe integrated pest management practices (Policy N-30). Using plants propagated at the Save The Bay and Acterra native plant nurseries staff and volunteers will continue to restore degraded habitat (Goal N-1).

Golf operations will continue environmentally sound maintenance programs to preserve and protect the bay, marshlands, and other natural water and wetland areas. (Policy N-8)

COMMUNITY FACILITIES AND SERVICES

Arts and Sciences will continue to work as a public/private partnership with the Palo Alto Art Center Foundation for the purposes of renovating and expanding the Art Center (Program C-19), and providing art education programs and outreach between Palo Alto and East Palo Alto, working through the PAUSD and Ravenswood School Districts. The Art Center will continue to mount exhibitions and education programs that are accessible to the community on all levels. The Children's Theatre will continue to work cooperatively with the PAUSD and other agencies to design and provide educational programs, classes, and outreach programs appealing to a broad range of ages and educational backgrounds. (Policy C-17)

Arts and Sciences will work with PAUSD to determine ways that schools can be made more available to the community for weekend and evening use. (Program C-4)

The Department will deliver City services in a manner that creates and reinforces positive relationships among City employees, residents, businesses, and other stakeholders. (Policy C-9)

The Department will continue to support provision, funding, and promotion of services and programs for adults, children, and youth. (Policy C-12)

The Department will encourage the continuation and development of after-school, weekend, and evening programs for children, youth, and teens. (Program C-18)

Arts and Sciences will explore ways to expand the space available in the community for art exhibits, classes, and other cultural activities, and plan renovation and expansion of the Art Center to provide space for more classes and exhibits. (Policy C-23)

Arts and Sciences will develop improvement plans for the maintenance, restoration and enhancement of community facilities, and keep these facilities as viable community assets. (Program C-19)

Parks operations will address accessibility issues through playground and infrastructure renovations (Program C-19). In addition Parks operations will continue its collaborative relationship with PAUSD in cooperative cost sharing for athletic field maintenance. (Policies C-1, C-4)

Golf operations will continue the quality and affordability of youth and senior services (Goal C-3); continue to implement a customer service evaluation system (related to strategies for improving customer service) (Policy C-10); continue staff training in customer service oriented management techniques (Program C-11).

The Office of Human Services will continue supporting the provision of school-age child care services and the allocation of child care subsidy funds to low-income families. Human Services continues to support the Child Care Advisory Committee and its implementation of the Child Care Master Plan. (Programs C-13, C-14, Goal C-3, Policies C-11, C-13)

The Office of Human Services, in collaboration with non-profit service providers, continue to play a principal role with the Opportunity Center to serve low-income and homeless people and families. (Policies C-7, C-1)

Community Services

Recreation will continue implementation of the Youth Master Plan goals and action steps. (Programs C-1, C-18, Policy C-7) Recreation staff will continue to provide programs for families with an emphasis upon programs geared toward preschool, elementary, middle school youth and teens. (Program C-18) The Youth and Teen program will continue to work with at-risk youth and implement programs incorporating mentoring and coaching opportunities combined with a variety of recreational activities. (Program C-1)

The Cubberley Community Center will continue to develop public/private partnerships to improve the interiors of meeting rooms, dance studios, and gymnasiums, and will continue to maintain landscaping. (Program C-19)

The Junior Museum and Zoo will work in close partnership with the Friends of the Junior Museum to develop architectural plans for a replacement of the Junior Museum that will enhance the provision of educational classes and programs, provide better animal care facilities, and improve the safety and efficiency of the Museum and Zoo. (Program C-19)

BUSINESS AND ECONOMICS

Arts and Sciences will continue to explore, recommend, and commission opportunities for art in public places with particular emphasis on Palo Alto business districts, parks, and City projects. (Program B-3)

Arts and Sciences will encourage the use of public/private partnerships as a means of redeveloping and revitalizing programs and facilities. (Policy B-11)

Arts and Sciences will continue to encourage the private sector to participate in partnerships with nonprofit or public agencies to provide community benefits and services that would not otherwise be made available. (Policy B-12)

Golf operations will promote an attractive, vibrant golf course, and support public/private partnerships for revitalizing golf business operations. (Policy B-11)

Parks operations will improve street corridor landscaping to enhance business district vitality and economic viability (Policy B-19), and will improve El Camino Real landscaping to strengthen the commercial viability and improved environment for pedestrians. (Policy B-25)

Cubberley Community Center will continue to promote increased daytime use of the Center by the business community for workshops, seminars, corporate meetings, and training sessions in order to maximize use of the facilities and increase revenues.

GOVERNANCE

Arts and Sciences will encourage citizen volunteers, including youth and seniors, to provide community services. Where feasible, allocate City staff time and resources to projects initiated by volunteers that could not otherwise be accomplished. (Policy G-10)

Arts and Sciences will continue and expand programs to enhance opportunities for volunteer assistance. (Program G-11)

Arts and Sciences will continue to provide support to the Public Art Commission, and Cubberley Artists Studios (Policy G-2). Arts and Sciences will work with the Friends of the Children's Theatre, the Palo Alto Art Center Foundation, and the Friends of the Junior Museum and Zoo to develop fund-raising alternatives in support of the programs and services offered.

Community Services

The Office of Human Services will continue to staff the City of Palo Alto's Human Relations Commission and provide support to its Ad-Hoc committees. (Programs G-11, G-12)

Golf operations will continue the resident reservation system and use of advisory bodies to assist staff on policy and operational issues. (Policy G-2)

Parks operations will continue its involvement in community meetings to address design issues related to playgrounds, landscaping and traffic calming projects, and will support the activities of the Parks and Recreation Commission. (Policies G-2, G-5, Program G-3)

The Department will continue to supplement City resources and enhance services through the recruitment and use of volunteers. (Program G-11)

Community Services

ARTS AND SCIENCES

To instill passion for the arts and sciences in all its forms.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	3,426,334	3,194,652	3,225,020	3,287,351
Contract Services	570,390	460,319	517,587	510,069
Supplies and Materials	205,782	255,631	254,631	255,631
Facilities and Equipment Purchases	39,178	37,221	37,221	37,221
General Expense	10,385	82,337	85,910	82,587
Rents and Leases	7,264	11,666	11,716	11,666
Allocated Charges	347,118	213,655	213,655	232,244
TOTAL EXPENDITURES	\$4,606,451	\$4,255,481	\$4,345,740	\$4,416,769
TOTAL REVENUES	\$1,436,883	\$1,778,218	\$1,838,063	\$1,778,218
Total Full Time Positions	25.00	23.75	23.75	23.75
Total Temporary Positions	14.49	12.98	12.98	13.16

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of exhibitions at Art Center	3	3	2
2. Number of Children's Theatre class, camp, and workshop registrants (SEA)	1,436	1,400	1,400
Efficiency:			
1. Attendance at Project LOOK! tours and family days (SEA)	8,618	7,500	5,300
2. Youth participants in theatre performances and programs (SEA)	555	600	650
Effectiveness:			
1. Total Art Center attendance (SEA)- The Art Center is "On the Road" in FY 2012 due to the facility's renovation.	60,375	62,822	42,600
2. Attendance at youth theatre performances (SEA)	24,983	21,000	21,000

Community Services

OPEN SPACE, PARKS AND GOLF

To protect and interpret the resources and wildlife entrusted to Palo Alto for the enjoyment of future generations.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	3,198,981	2,975,123	2,992,791	3,343,782
Contract Services	786,083	1,039,933	1,023,961	1,025,055
Supplies and Materials	151,081	218,130	218,130	219,130
Facilities and Equipment Purchases	6,852	19,365	19,365	18,365
General Expense	35,107	56,740	58,950	61,618
Rents and Leases	9,495	11,800	11,800	11,800
Allocated Charges	1,644,762	1,669,105	1,669,105	1,607,066
Operating Transfers Out	6,990	6,990	6,990	6,990
TOTAL EXPENDITURES	\$5,839,351	\$5,997,186	\$6,001,092	\$6,293,806
TOTAL REVENUES	\$429,097	\$424,141	\$429,379	\$424,141
Total Full Time Positions	31.10	26.10	26.10	26.65
Total Temporary Positions	4.78	4.06	4.06	4.06

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of visitors at Foothills Park (SEA)	149,298	140,000	140,000
2. Volunteer hours for restorative/resource management projects (SEA)	16,655	14,500	14,500
3. Number of rounds of golf (SEA)	69,791	65,000	67,000
Efficiency:			
1. Number of Rangers (SEA)	7	7	7
2. Number of native plants planted in restoration projects (SEA)	11,303	14,000	14,000
3. Golf Course Operating Expenditure (in millions) (SEA)	\$2.3	\$2.3	\$2.3
Effectiveness:			
1. Percent rating availability of paths or walking trails good or excellent in citizen survey (SEA)	75%	80%	80%
2. Percent rating preservation of natural areas good or excellent in citizen survey (SEA)	78%	82%	82%
3. Percent rating golf course customer service good or excellent in customer survey	87%	90%	90%

Community Services

RECREATION AND CUBBERLEY

To enrich people's lives to create a sense of personal growth, physical challenge and fun.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	3,243,372	2,263,214	2,272,974	2,324,583
Contract Services	1,380,733	1,918,589	1,903,589	2,242,489
Supplies and Materials	239,911	262,654	277,654	174,401
Facilities and Equipment Purchases	390	21,614	21,614	16,614
General Expense	78,513	82,922	82,922	79,372
Rents and Leases	0	300	300	1,000
Allocated Charges	898,020	1,022,110	1,022,110	797,945
TOTAL EXPENDITURES	\$5,840,939	\$5,571,403	\$5,581,163	\$5,636,404
TOTAL REVENUES	\$5,364,902	\$5,207,398	\$5,207,398	\$5,159,898
Total Full Time Positions	22.60	13.60	13.60	11.90
Total Temporary Positions	28.65	28.02	28.02	27.48

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Enrollment in recreation classes (SEA)	12,880	13,000	13,500
2. Number of Cubberley facility rental bookings	1,398	1,350	1,425
Efficiency:			
1. Percentage of enrollment who are residents (SEA)	86%	87%	88%
2. Number of Cubberley facility hours rented (SEA)	35,268	33,000	33,000
Effectiveness:			
1. Percent rating recreation programs/classes good or excellent in citizen survey (SEA)	82%	85%	90%
2. Total revenue from Cubberley facility rental bookings	\$927,865	\$927,152	\$927,152

Community Services

COMMUNITY SERVICES DEPARTMENT BUDGET BY PROGRAM AREA FISCAL YEAR FY 2012

Division	Program	Revenue	Expense
CSD ADMINISTRATION & HUMAN SERVICES		\$	\$2,859,695
	CSD Administration		1,467,671
	Human Services		1,392,024
ARTS & SCIENCES DIVISION		\$1,778,218	\$4,416,765
	Arts & Sciences Administration		192,340
	Art Center		1,153,958
		446,240 Program Fees	
		37,990 Facility Rentals	
		5,144 Supply Sales	
	Sub-total	489,374	
	Art in Public Places and Art Commission		159,280
	Arts Facility Operations		249,694
	Children's Theatre		1,166,236
		108,074 Ticket Sales	
		222,026 Program Fees	
	Sub-total	330,100	
	Community Theatre		206,536
		165,100 Program Fees	
		102,000 Patron Use Fees	
		3,000 Inter Dept Contribution	
	Sub-total	270,100	
	Jr. Museum & Zoo		1,203,066
		543,944 Program Fees	
		50,000 Outside Agencies	
	Sub-total	593,944	
	Interpretive	94,700	85,656
OPEN SPACE, PARKS, & GOLF DIVISION		\$3,439,331	\$9,081,008
	Open Space		1,841,991
		1,000 Citations	
		13,500 Reservations	
		10,175 Program Fees	
		1,350 Facility Rentals	

Community Services

COMMUNITY SERVICES DEPARTMENT BUDGET BY PROGRAM AREA FISCAL YEAR FY 2012

Division	Program	Revenue	Expense
		7,000 Inter Dept Reimbursement	
	Sub-total	33,025	
Parks			4,451,813
		24,000 Santa Clara County	
		23,900 Community Garden	
		301,557 PAUSD Field Maintenance	
		41,659 Inter Dept Reimbursement	
	Sub-total	391,116	
Golf Course **			2,787,204
		2,857,850 Golf Fees	
		125,120 Property Leases	
		32,220 Interest Income	
	Sub-total	3,015,190	
RECREATION SERVICES DIVISION		\$4,604,428	\$5,056,608
	Recreation Services Administration		280,596
	Rec. Classes, Camps, and Activities		2,155,729
		1,785,328 Program Fees	
		1,500 Donations	
	Sub-total	1,786,828	
	Facilities	372,300 Facility Rentals	1,018,450
	Special Events	7,800 Entry Fees	90,259
	Cubberley Center *		1,511,573
		1,510,348 Property Leases	
		927,152 Facility Rentals	
	Sub-total	2,437,500	
GRAND TOTAL		\$9,821,977	\$21,414,076

* Property and Facility Rental revenue for Cubberley Community Center is shown, but recognized in Fund 103, Utility User Tax

** Golf Course revenue and expenses are inclusive of Interest, Debt Service, and Cost Plan

Community Services

HUMAN SERVICE CONTRACTS	Adopted Budget FY 2011	Agency Requests FY 2012	Adopted Budget FY 2012		
			Ongoing	One-Time	Total
EXPENDITURE CATEGORY					
Sole Source Contractors					
Avenidas - Senior Services (1)	406,287	450,000	402,224		402,224
PACCC - Child Care Subsidy and Outreach (1)	411,607	444,820	407,491		407,491
Second Harvest Food Bank - Operation Brown Bag (1)	7,128	-	0		0
Sole Source Contractors Subtotal	825,022	894,820	809,715		809,715
HUMAN SERVICES RESOURCE ALLOCATION PROCESS					
Two-Year Contractors					
Abilities United (2)	40,045	56,000	37,642		37,642
Adolescent Counseling Services	88,445	110,000	87,561		87,561
Community Health Awareness Council	9,500	10,000	8,930		8,930
Community Technology Alliance	12,065	15,000	5,432		5,432
Downtown Streets Team	35,815	55,000	33,666		33,666
Inn Vision	-	50,000	8,920		8,920
La Comida - Senior Nutrition	32,300	34,000	30,362		30,362
MayView Health Center - Health Care Food Bank for low-income	17,100	25,000	16,074		16,074
Momentum for Mental Health (3)	25,650	25,650	24,111		24,111
Peninsula Health Care Connection	-	63,000	25,000		25,000
Senior Adult Legal Assistance	8,550	9,000	8,037		8,037
Youth Community Service	15,960	16,000	15,002		15,002
Catholic Charities	-	151,678	-		-
Family and Children Services	-	46,000	-		-
Kara	-	65,000	-		-
NOVA Youth Foundation	-	40,000	-		-
United Way Silicon Valley	-	13,500	-		-
Two-Year Contractors Subtotal	285,430	784,828	300,737		300,737
TOTAL	\$1,110,452	\$1,679,648	\$1,110,452	\$0	\$1,110,452

(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

Community Services

GOLF COURSE FINANCIAL SUMMARY

	FY 2009 Actuals	FY 2010 Actuals	FY 2011 Projected	FY 2012 Adopted Budget
Revenues				
Tournament fees	\$2,651	\$1,921	\$2,337	\$3,600
Green Fees	2,073,809	1,958,234	1,879,905	1,924,250
Monthly play cards	161,544	135,848	150,231	170,000
Driving range	365,908	399,773	325,465	390,000
Cart/club rentals	313,224	339,090	296,860	370,000
Proshop lease	29,482	27,389	32,000	32,000
Restaurant lease	43,811	52,680	67,200	67,200
Restaurant Utilities	19,440	28,080	25,920	25,920
Interest Income - Debt Service	32,855	32,200	32,200	32,200
Sale of Golf Course equipment*	-	-	35,230	-
Total Revenue	\$3,042,724	\$2,975,215	\$2,847,348	\$3,015,170
Expenditures				
Operating Expenses				
Salaries	518,627	483,188	180,646	81,808
Benefits	410,728	238,408	90,323	57,395
Miscellaneous				
Supplies and Materials	144,037	119,458	75,108	36,600
General Expense	1,618	554	559	1,438
Rents and Leases	0	-	100	1,000
Facilities and Equipment Purchases	1,117	390	100	-
Allocated Charges	580,458	420,719	560,232	360,257
Subtotal	1,656,585	1,262,717	907,068	538,498
Contract Services				
Golf Maintenance	0	-	500,000	825,000
Miscellaneous	45,879	37,620	29,708	24,030
Range fees	152,745	142,267	123,677	157,700
Cart rentals	127,835	121,630	118,744	148,000
Club rentals	6,197	5,424	5,253	6,800
Fixed management fees	376,989	350,898	353,333	353,333
Credit card fees	33,000	38,000	38,000	38,000
Subtotal	742,645	695,839	1,168,715	1,552,863
Total Operating Expenses	\$2,399,230	\$1,958,556	\$2,075,783	\$2,091,361
Income From Operations	\$643,494	\$1,016,659	\$771,565	\$923,809
Debt Expenses				
Debt Service	555,686	560,674	559,539	559,539
Loan payment to General Fund for CIP Projects PG-08001 and PG-07700	94,849	47,684	94,849	94,849
Subtotal	650,535	608,358	654,388	654,388
Cost Plan Charges	318,969	332,155	41,455	41,455
Net Income (Loss)	\$(326,010)	\$76,146	\$75,722	\$227,966
Golf Rounds	72,170	68,500	65,760	68,000

*The maintenance of the Golf Course was contracted out to ValleyCrest in October 2010. Golf course equipment and certain vehicles were purchased by ValleyCrest. The proceeds on the sale of equipment in the amount of \$35,230 is reflected as revenue in the Golf Course Financial Summary, while the proceeds in the sale of vehicles in the amount of \$125,000 is reflected in the Vehicle Replacement Fund.

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Fire Department

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 FY 2012, the Fire Department will continue to provide high levels of quality service to the City of Palo Alto and its citizens. The Fire Department will begin addressing the needs and recommendations outlined in the January 2011 Fire Services Utilization and Resources Study. The recommendations include but are not limited to: updating data collection and analysis methods, evaluating response time performance, improving the effectiveness of fire prevention and public education programs, maintaining and enhancing the current fire-based EMS first response system, establishing specific training goals for each shift, and assessing to share resources and training opportunities with surrounding agencies.

The Fire Department will continue to provide mandated confined space training and conduct confined space entry and rescue training exercises. The Fire Department will maintain its educational/safety commitment to Public Works and Utilities by providing fire extinguisher training, respiratory mask fit testing and CPR and First Aid certification training. The Department will continue to participate in regional educational events with other Santa Clara County fire departments, such as the Joint Fire Academy, Live Fire training, Hazardous Materials, Truck Academy, Wildland and Strike Team deployment training and exercises, and will explore new opportunities for sharing resources and instruction.

The City has completed a comprehensive Emergency Preparedness Study that provided a report with recommendations to improve the City's emergency/disaster readiness. As a result, the City has increased OES funding by an additional \$800K to reorganize and relocate some Emergency Preparedness functions to the City Manager's Office. The newly created position of OES Manager, who reports directly to the City Manager, will supervise the OES Coordinator and an Administrative Associate. OES staff will oversee all aspects of the City's Emergency Preparedness program. Fire personnel 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 CERT Program.

In FY2012, a HAZUS Study, Hazard Mitigation Plan and an inclusive OES Operating Cost Review will be completed, as recommended in the FY2011 Emergency Preparedness Study. OES plans implementation of two new programs. Teen CERT is a national program designed to prepare high school students to provide professional, knowledgeable assistance in the event of a disaster. The Medical Reserve Corp (MRC) will enhance disaster response for the City of Palo Alto by focusing on the medical aspects and health activities related to disaster planning and response. Other OES efforts for FY2012 and beyond include updating the City's Emergency Operations Plan, implementing the Foothills Fire Management Plan and actively seeking grant funding for program improvement.

The Fire Department will continue to actively recruit and test for entry level firefighters to assure hiring of the best qualified candidates into the City's diverse workforce. The option of sending current Firefighters to Paramedic certification training will be explored to address loss of Paramedic personnel through attrition.

In FY 2012, the Department will continue to operate the Basic Life Support (BLS) ambulance with non-firefighter limited hourly employees. The BLS ambulance is available to transport lower level calls (downgrades), allowing our Paramedic ambulances to be available for more critical patients requiring a higher level of intervention. The BLS ambulance also provides inter-facility transports and is available for special events. The program continues to experience growth in service fee revenue as transport service requests increase.

Fire

The Fire Department has changed the location of the 12-hour medic ambulance to better serve high demand districts. A full EMS study will be completed in 2012 to assist in thoroughly evaluating options to optimize EMS operations and services. The addition of one Battalion Chief to manage the EMS operation will be considered. The Department believes active participation in research is valuable and integral to improving quality of service to citizens, and in 2012 will be participating in a 12 - Lead Transmission Study with Stanford Hospital to determine the value of receiving field EKG's with the intent of decreasing false STEMI (heart attack) alerts from the field.

The Fire Prevention Bureau will continue its focus on efficiency by providing ongoing cross-training, re-evaluating inspection priorities, and implementing automated data management systems. Efforts to improve GIS mapping and development of newer methods to gather and use information for the improvement of emergency response capabilities will be prioritized as implementation of outside consultant recommendations proceeds.

The department will continue to prioritize increasing public safety through proactive inspections and improved verification of compliance with Certificate of Occupancy requirements. In addition, efforts to improve fire protection system performance will be made through verification of compliance with the state-mandated maintenance testing and fire-extinguishing system upgrade requirements. A full analysis of the Fire Prevention program is anticipated in FY 2012.

The Fire Prevention Bureau is placing firefighters and company officers on temporary assignments that prioritize the improvements in public safety and cost recovery described above. These activities provide an added benefit as staff return to engine company duties with increased fire prevention knowledge, skills, and abilities. As a result, higher quality fire inspections throughout the Fire Department are anticipated. A more active Fire Prevention role for all Fire Department personnel was an area of emphasis in the recently completed Fire Staffing and Resource Study.

Emphasis will continue to be placed on mandated inspections. Previously enhanced plan check target dates will likely require modifications, due to workload redistribution as a result of the loss of a position in the Fire Prevention Bureau in FY 2011. Fire plan check contract employees will be on-going.

PROGRAM UPDATE

The Fire Department has accomplished the following program implementations:

- **Mobile Data Computers** - The Department has completed the implementation of Mobile Data Computers in each response vehicle. The computers are linked to the CAD system and City GIS maps. The computer gives a responding unit current incident data and allows responders to view incident status within the city. The units are linked with GPS based automatic vehicle locators (AVL) which assists in dispatching the closest available unit or resource to a given incident. AVL will aid in reducing response times and help prevent accidents between incoming units.
- **Emergency Medical Services** - The BLS Ambulance Program has continued to provide an improved level of availability for medical downgrade calls in the Palo Alto/ Stanford communities. The support it provides to the ALS program results in increased opportunities for ALS ambulance transports and additional revenue. Non-emergency patients are transported to receiving facilities in a more efficient and timely manner.
- **During FY 2011, indirect contact was made with every elementary school student (grades K - 5) through the Fire Safety Poster contest. This highly successful program will continue, with Palo Alto firefighters encouraging student participation.**

COUNCIL PRIORITY IMPLEMENTATION

City Finances

Comprehensive service, resource and utilization studies have been completed or are in process for Fire, OES and EMS. These studies will primarily evaluate the effectiveness of and present recommendations to improve each division. The Fire department will evaluate the recommendations with the additional intent of developing strategies to minimize fiscal impacts to the City's overall budget.

Emergency Preparedness

The Office of Emergency Services (OES) will continue to offer Community Emergency Response Training (CERT) 8 times a year to approximately 100 individuals. It will provide legally mandated training (ICS 100 and 200) 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.

The Fire Department will research and evaluate opportunities for the necessary funding to implement the Palo Medical Reserve Corp (MRC), which will enhance disaster response for the City of Palo Alto by enrolling local doctors, nurses and health care professionals to assist with medical aspects and health activities related to disaster planning and response in the City of Palo Alto and surrounding communities.

The Fire Department will plan a prescription burn at Foothills Park in accordance with the Foothills Fire Management Plan mitigation efforts. This will be conducted with county-wide agencies and CAL FIRE and will be a training exercise to get fire personnel certified and qualified in wildland fire operations and command positions.

Environmental Sustainability

The Fire Department will continue to selectively review Environmental Impact Reports and look for other alternatives to provide guidance to developers and City planning staff for potential impacts of soil and/or groundwater contamination at sites under development.

The Fire Department's hazardous materials inspection staff will continue to inspect occupancies and review required facility reports to ensure compliance with federal, state, and local hazardous materials requirements. The goal of inspecting each high-hazard hazardous materials facility annually will continue. Other facilities inspections, which will have a three-year cycle, began in FY 2011 and will continue in subsequent years.

New construction and closures of hazardous materials facilities are no longer reviewed or inspected by the hazardous materials inspectors. Applicants are required to provide, at their expense, a third-party technical report including plan review, inspection and post-closure report review.

To maintain 100% recovery of anticipated cost for the hazardous materials program, school district properties and Enterprise fund facilities are being charged permit fees for storage, use and handling of hazardous materials

Any new Fire Department engines, paramedic ambulances, trucks and rescue vehicles will be equipped with California enhanced diesel emissions systems, reducing emissions beyond those of current deployed vehicles as well as incorporating current best practices for environmental protections and efficiencies.

The Fire Department's Greenhouse Gas reduction plan resulted in a greater than 5 percent reduction in carbon dioxide emissions from the 2005 baseline to the end of 2009. The Department is on schedule to achieve a 15 percent reduction in carbon dioxide emissions by the year 2020. The Department will make every reasonable effort to promote and achieve energy efficiency in departmental operations moving forward.

Fire

Land Use and Transportation Planning

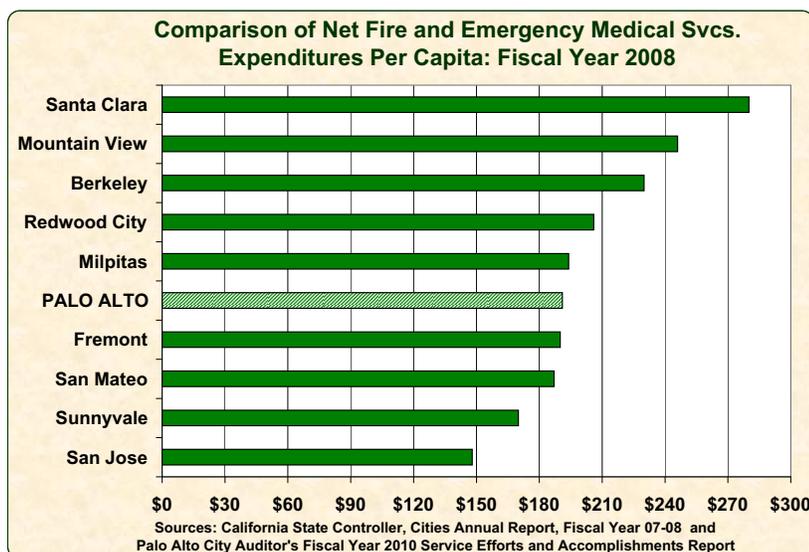
The Fire Department will continue to consider the effects of street modifications and traffic calming on emergency vehicle response times.

Community Collaboration for Youth Well-Being

The Fire department will introduce a new Teen CERT program designed to prepare high school students to provide professional, knowledgeable assistance to classmates, their families and school in the event of a disaster. Gunn High School is scheduled to receive training in 2012. This is a national program that is cost neutral. The Department will continue to sponsor programs for bicycle education in public schools, school classroom visits by fire crews, station tours from pre-school and primary grades. The Department will continue to sponsor the Fire/Medical Explorer Post which is made up of high school students in the surrounding area and introduces them to the fields of medicine and firefighting. The Explorers also provide First Aid service for many local events, such as the Moonlight Run, Chili Cook-Off and others.

DEPARTMENT SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Fire Administration	2,297,576	1,432,718	1,568,647	1,507,651	(60,996)
Emergency Response	19,262,604	19,486,314	19,960,296	20,925,859	965,563
Environmental Safety Management	2,527,355	2,556,360	2,645,301	3,611,339	966,038
Training and Personnel	2,618,911	2,560,393	2,652,889	2,737,834	84,945
Records and Information Management	1,026,381	971,702	985,600	997,122	11,522
TOTAL EXPENDITURES	\$27,732,827	\$27,007,487	\$27,812,733	\$29,779,805	\$1,967,072
TOTAL REVENUES	\$10,625,600	\$10,920,063	\$11,385,063	\$12,150,562	\$765,499
INTERNAL REVENUES	314,670	337,913	337,913	337,913	0
EXTERNAL REVENUES	10,310,930	10,582,150	11,047,150	11,812,649	765,499



INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	23,426,152	23,294,330	23,963,499	25,387,142
Contract Services	339,485	465,719	646,569	749,811
Supplies and Materials	304,651	378,845	354,095	448,365
Facilities and Equipment Purchases	200,288	244,447	239,247	267,767
General Expense	21,580	41,065	42,666	168,323
Rents and Leases	0	0	0	100,000
Allocated Charges	3,440,671	2,583,081	2,566,657	2,658,397
TOTAL EXPENDITURES	\$27,732,827	\$27,007,487	\$27,812,733	\$29,779,805
TOTAL REVENUES	\$10,625,600	\$10,920,063	\$11,385,063	\$12,150,562
Total Full Time Positions	122.69	120.74	120.74	121.74
Total Temporary Positions	3.82	4.40	4.40	5.55

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of fire inspections for fire safety (SEA)	1526	1,000	1,000
2. Total responses to emergency calls (SEA)	7468	7,500	7,500
3. Number of training opportunities through CERT classes	80	75	75
4. Number of bike safety classes conducted	36	38	38
5. Number of fire safety, bike safety, and disaster preparedness presentation (SEA)	219	250	200
6. Number of fire calls (actual fires) (SEA)	182	240	240
7. Number of medical/rescue calls (SEA)	4432	4,500	4,500
8. Number of hazardous conditions calls	151	165	75
9. Total number of hazardous materials inspections (SEA)	118	250	150
Efficiency:			
1. Average emergency response time for all calls (SEA)	6:38	6:00	6:00
2. Number of CERT volunteers recruited and trained	60	180	180
3. Number of residents provided with fire safety, bike safety and disaster preparedness training	3032	10,500	10,500
4. Percent of ordinary hazard facilities inspected annually for fire safety	25%	25%	25%
5. Number of 3rd and 5th graders trained in bicycle safety	1702	1,600	1,600
6. Average response time for fire calls (minutes) (SEA)	7:05	6:00	6:00
7. Average response time for medical/rescue calls (minutes) (SEA)	5:29	6:00	6:00
8. Percent of annual hazardous materials inspections (Underground Storage Tank Program discontinued)	23%	60%	60%

Fire

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Effectiveness:			
1. Percent rating fire services good or excellent (SEA)	93%	90%	90%
2. Percent of residents rating fire prevention and education good or excellent (SEA)	79%	85%	85%
3. Percent of PANDA volunteers who completed training	97%	98%	98%
4. Percent response to fire emergencies within 8 minutes (SEA)	87%	90%	90%
5. Percent response to emergency medical requests for service within 8 minutes (urban area response versus foothills response) (SEA)	93%	90%	90%

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES			
Increase Stanford Fire Services Revenue	998,499		998,499
Increase Plan Checking Fee	232,000		232,000
TOTAL REVENUE CHANGES	\$1,230,499	\$0	\$1,230,499
Adjustments (Note 1)		(465,000)	(465,000)
NET REVENUE CHANGES	\$1,230,499	\$(465,000)	\$765,499
EXPENDITURE CHANGES			
Salary and Benefits			
Backfill Frozen OES Coordinator position (0.48 Hourly FTE)		49,795	49,795
Backfill vacant Deputy Fire Chief - EMT position (0.45 Hourly FTE)		77,688	77,688
New OES Director Position	233,325		233,325
Increase in Overtime Salaries	1,247,400		1,247,400
Increase Disability/Workers' Compensation Charges	97,844		97,844
Personnel Benefit Increase (Note 2)	386,765		386,765
Total Salary and Benefits Changes	\$1,965,334	\$127,483	\$2,092,817
Salary and Benefits Changes (Note 3)	(610,000)		(610,000)
Adjustments (Note 1)		(59,174)	(59,174)
Total Net Salary and Benefits Changes	\$1,355,334	\$68,309	\$1,423,643
Non-Salary			
Increase Fees for State Emergency Medical Technician Certification	4,000		4,000
Increase OES Program and Operation Expense	265,000		265,000
Increase OES Study Expense	335,000		335,000
Increase Direct (Utility) Charges	1,589		1,589
Increase Allocated Charges	73,916		73,916
Total Non-Salary Changes	\$679,505	\$0	\$679,505
Adjustments (Note 1)		(136,076)	(136,076)
Total Non-Salary Changes	\$679,505	\$(136,076)	\$543,429
NET EXPENDITURE CHANGES	\$2,034,839	\$(67,767)	\$1,967,072

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time appropriation changes from the prior year that did not carry forward from the Fiscal Year 2011 budget.

Note 2: Personnel benefit costs have increased mainly due to increases in pension plan contributions and a change in methodology for allocating the retiree medical actuarial required contribution.

Note 3: Overtime budget for the Fire Department has been around \$1 million. This level has not kept pace with historical overtime activity and with contractual salary increases over the past several years. Trend and seasonal data analyzed for FY 2007 through FY 2010 showed that the Fire Department needs (annually) an additional \$1.25 million to align the budget with actual costs. This budget increase was phased in over FY 2011 and FY 2012.

COMPREHENSIVE PLAN OVERVIEW

The FY 2012 Fire Department Budget includes the following resources directed toward implementing the programs and policies of the Comprehensive Plan:

TRANSPORTATION

The Fire Department continues to consider the effects of street modifications on emergency vehicles response time (Program T-34). Slightly increased response times have been noted and are attributed to traffic calming devices. The Fire Department encourages and conducts extensive educational programs for the safe use of bicycles, mopeds, and motorcycles, including which includes bicycle education programs in our public schools. (Program T-46)

NATURAL ENVIRONMENT

The Fire Department will continue to implement the Natural Environment element of the Comprehensive Plan through its hazardous materials programs. The Department will provide current environmental, hazardous materials, and fire safety information to the public (Program N-31, N-44, N-46 and N-78) and to local industry. (Program N-47) The Fire Department continues to meet with neighborhood associations, businesses, and other City departments providing disaster preparedness education. (Program N-82)

GOVERNANCE

The Fire Department continues to meet and work with neighborhood and civic organizations on emergency preparedness and security programs. (Program G-10)

Fire

EMERGENCY RESPONSE

To respond to emergency situations in a coordinated and timely manner, and to maintain personnel and equipment in a state of readiness to handle emergency operations.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	17,413,536	17,493,522	17,985,403	18,895,592
Contract Services	278,496	350,089	352,839	311,901
Supplies and Materials	232,318	273,259	246,009	273,259
Facilities and Equipment Purchases	136,615	143,068	143,068	159,018
General Expense	16,910	23,957	30,558	82,095
Allocated Charges	1,184,729	1,202,419	1,202,419	1,203,994
TOTAL EXPENDITURES	\$19,262,604	\$19,486,314	\$19,960,296	\$20,925,859
TOTAL REVENUES	\$2,350,039	\$2,278,579	\$2,278,579	\$2,278,579
Total Full Time Positions	90.95	91.66	91.66	91.66
Total Temporary Positions	3.13	3.11	3.11	3.57

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of fire calls (actual fires) (SEA)	182	240	240
2. Number of medical/rescue calls (SEA)	4432	4,500	4,500
3. Number of hazardous conditions calls (SEA)	151	165	75
4. Total responses to emergency calls (SEA)	7468	7,500	7,500
Efficiency:			
1. Average response time for fire calls (minutes) (SEA)	7:05	6:00	6:00
2. Average response time for medical/rescue calls (minutes) (SEA)	5:29	6:00	6:00
3. Average emergency response time for all calls	6:38	6:00	6:00
Effectiveness:			
1. Percent response to fire emergencies within 8 minutes (SEA)	87%	90%	90%
2. Percent response to emergency medical requests for service within 8 minutes (urban area response versus Foothills response) (SEA)	93%	90%	90%
3. Percent rating fire services good or excellent (SEA)	93%	90%	90%
4. Number of false alarm calls (SEA)	1013	1020	1020
5. Number of other calls (SEA) - dispatch cancel en route, good intent call	1246	1300	1300
6. Number of service calls (SEA)	444	450	450

ENVIRONMENTAL SAFETY MANAGEMENT

To provide public safety and environmental protection through proactive code development; and to provide preventative measures through education, engineering, and code enforcement.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	2,427,943	2,377,845	2,446,486	2,864,534
Contract Services	15,142	53,153	70,953	397,975
Supplies and Materials	7,983	16,009	18,509	85,529
Facilities and Equipment Purchases	46,594	60,175	60,175	67,545
General Expense	2,717	8,272	8,272	54,850
Rents and Leases	0	0	0	100,000
Allocated Charges	26,976	40,906	40,906	40,906
TOTAL EXPENDITURES	\$2,527,355	\$2,556,360	\$2,645,301	\$3,611,339
TOTAL REVENUES	\$1,239,338	\$1,191,588	\$1,291,588	\$1,423,588
Total Full Time Positions	12.51	11.48	11.48	12.48
Total Temporary Positions	0.56	1.29	1.29	1.98

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of ordinary hazard facilities inspected for fire safety (SEA)	1,526	1,000	1,000
2. Total number of hazardous materials inspections (SEA)	126	150	150
3. Number of plan reviews (SEA-Plan Reviews-includes all projects other than the counter)	851	850	850
4. Number of fire safety, bike safety, and disaster preparedness presentations (SEA)	219	250	250
5. Number of bike safety classes conducted	36	38	38
Efficiency:			
1. Percent of annual hazardous materials inspections and underground storage tank facilities inspections (SEA)	23%	60%	60%
2. Number of residents provided with fire safety, bike safety, and disaster preparedness training	3,032	10,500	10,500
3. Number of students (K-5th) trained in bicycle safety	1702	1,600	1,600
Effectiveness:			
1. Percent of residents rating fire prevention and education good or excellent (SEA Survey)	83%	85%	85%

TRAINING AND PERSONNEL

To promote professionalism and diversity through comprehensive recruitment, hiring, training and career development; to recruit, hire, promote, and develop the highest quality work force.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	2,506,882	2,422,431	2,514,927	2,599,872
Contract Services	43,431	45,425	45,425	24,925
Supplies and Materials	52,380	66,091	66,091	66,091
Facilities and Equipment Purchases	14,595	24,404	24,404	24,404
General Expense	769	2,042	2,042	22,542
Allocated Charges	854	0	0	0
TOTAL EXPENDITURES	\$2,618,911	\$2,560,393	\$2,652,889	\$2,737,834
TOTAL REVENUES	\$0	\$0	\$0	\$0
Total Full Time Positions	12.98	12.30	12.30	12.30
Total Temporary Positions	0.13	0.00	0.00	0.00

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of training classes and field exercises conducted annually pertaining to permitted confined space entry as required by OSHA Title 8 mandates	37	15	15
2. Number of training opportunities through CERT classes	80	75	75
3. Number of City personnel trained in Emergency Operations Center (EOC) positions	83	100	100
4. Number of training hours per firefighter per month	18	20	20
Efficiency:			
1. Number of PANDA volunteers recruited and trained	60	180	180
2. Percent of City personnel trained in Emergency Operations Center (EOC) positions	8%	12%	12%
3. Percent of fire personnel completing mandated training	91%	90%	90%
Effectiveness:			
1. Percent of personnel completing confined space entry classes and field exercises as required by OSHA Title 8 mandates	98%	95%	95%
2. Percent of PANDA volunteers completing training	97%	98%	98%

RECORDS AND INFORMATION MANAGEMENT

To develop and maintain essential Fire Department records and information in accordance with applicable State and local laws and to provide the public with appropriate and timely access to information.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,005,463	929,955	946,053	955,375
Contract Services	730	6,650	6,650	6,650
Supplies and Materials	10,760	22,251	22,251	22,251
Facilities and Equipment Purchases	9	12,846	10,646	12,846
Allocated Charges	9,419	0	0	0
TOTAL EXPENDITURES	\$1,026,381	\$971,702	\$985,600	\$997,122
TOTAL REVENUES	\$127	\$0	\$0	\$0
Total Full Time Positions	5.80	5.05	5.05	5.05
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of incident reports	7578	7,500	7,500
2. Number of patient care reports	3000	2,500	2,500
3. Number of public records requests	172	100	100
Efficiency:			
1. Percent of incident reports completed	99%	99%	99%
2. Number of patient care reports invoiced within 14 days	3000	2,500	2,500
3. Number of public information requests processed within 10 days	172	100	100
Effectiveness:			
1. Percent of incident reports completed within 30 days	99%	98%	98%
2. Percent of gross collections of ambulance transports	52%	50%	50%
3. Percent of public information requests processed within 10 days	100%	98%	98%

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Human Resources Department

HUMAN RESOURCES DEPARTMENT

ORGANIZATIONAL CHART



HUMAN RESOURCES DIRECTOR
Sandra Blanch (Interim)

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

BENEFITS/COMPENSATION
1.0-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

RISK MANAGEMENT/SAFETY
1.0-Administrator-HR
1.0-HR Assistant

EMPLOYEE/LABOR RELATIONS
2.0-Administrator-HR
2.0-HR Assistant

FY 2012 Position Totals:

16.00 Full-time

0.34 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 services for the City of Palo Alto, including recruitment, new employee orientation, training, staff 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 and organizational development. 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.

Goals for FY 2012 include:

- Negotiate and implement labor agreements with Service Employees' International Union (SEIU), Service Employees' International Union (SEIU) Hourly Unit, International Association of Fire Fighters (IAFF), Fire Chief's Association (FCA), Palo Alto Police Manager's Association (PAPMA), and Palo Alto Police Officer's Association (PAPOA)
- Finalize the compensation and classification study for the Management and Professional group
- Update the Management and Professional group and Limited Hourly compensation plans
- Continue to partner with other City departments to improve City operations
- Work with Information Technology (IT) to offer benefits enrollment on-line when available from California Public Employees' Retirement System (CalPERS)
- Develop a strategic plan to improve Human Resources business processes and the use of the Human Resources Information System (HRIS)
- Develop orientation program for newly hired/promoted managers
- Develop & test on-line requisition process using NEOGOV
- Continue phased update of the Merit System rules and regulations and other Human Resources policies and procedures

PROGRAM UPDATE

During FY 2011, the Human Resource Department performed the following:

Recruitment

- Continued to evaluate restructuring opportunities prior to authorizing recruitments
- Began the implementation of a workforce management software, NEOGOV, to streamline the recruitment process
- Enhanced the pre-employment background process
- Explored the use of social networking sites for appropriate recruitments including LinkedIn and Facebook

Employee/Organizational Development & HR Systems

- Enhanced staff class registration system to include training history accessible by supervisors
- Provided on-site customized training to City Staff on safety topics, ethics, and policies and procedures

Human Resources

- Expanded technical classes taught by staff including National Incident Management System (NIMS), SAP, and Forklift Certification
- Facilitated training for new Staff Report & Agenda software

Employee and Labor Relations

- Negotiated contract with Service Employees' International Union (SEIU) which resulted in the adoption of proposed terms
- Negotiated contract with Service Employees' International (SEIU) Union Hourly Unit
- Continued negotiations with the International Association of Fire Fighters (IAFF) and with newly formed Palo Alto Police Manager's Association (PAPMA)
- Analyzed and responded to petition from the Palo Alto Utility Workers Employee Association
- Petition from the Utility Management and Professional Association of Palo Alto (UMPAPA) proceeded to arbitration; pending Spring/Summer 2011 decision
- Continued phased update of the Merit Systems Rules and Regulations

Benefits and Compensation

- Implemented employee medical contribution for Service Employees' International Union (SEIU)
- Conducted benefits fair and financial/retirement presentations
- Completed benefits analysis component for the Management/ Professional Classification Study to benchmark total compensation
- Distributed proposed total compensation data for the Management/Professional Classification Study to Executive Leadership Team (ELT) for review and aligned non-benchmarked classifications

Risk Management/Safety/Workers' Compensation

- Successfully resolved the Cal/OSHA appeal involving safety related incident
- Administered the mandatory Department of Transportation drug and alcohol testing as required, resulting in ninety random and follow-up drug and alcohol tests

COUNCIL PRIORITY IMPLEMENTATION

In FY 2012, the Human Resources Department will address the City Council's Top Priorities as follows:

City Finances

- Human Resources will focus on effective labor negotiations, seeking changes that will address increasing employee pension and health costs

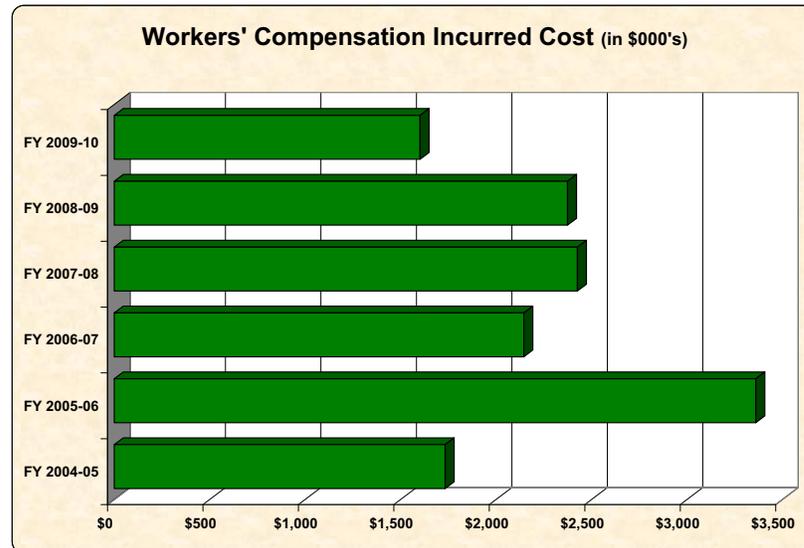
Emergency Preparedness

- Participate in any emergency preparedness event exercise
- Assist in the development and execution of a reorganization plan based on Fire operations study

Human Resources

DEPARTMENT SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Administration/Employee-Org Development and HR Systems	771,036	759,466	751,768	860,982	109,214
Employee/Labor Relations	610,089	800,427	796,757	784,673	(12,084)
Benefits/Compensation	453,873	344,899	377,496	437,304	59,808
Recruitment	462,523	465,363	475,353	462,211	(13,142)
Risk Mgmt/Safety/Worker's Compensation	409,028	447,261	447,442	373,808	(73,634)
TOTAL EXPENDITURES	\$2,706,549	\$2,817,416	\$2,848,816	\$2,918,978	\$70,162
TOTAL REVENUES	\$1,390,055	\$1,175,502	\$1,175,502	\$1,406,027	\$230,525
INTERNAL REVENUES	1,390,055	1,175,502	1,175,502	1,406,027	230,525



Human Resources

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	2,324,466	2,366,884	2,389,534	2,456,855
Contract Services	167,971	167,071	186,239	167,070
Supplies and Materials	15,344	21,280	21,280	19,280
Facilities and Equipment Purchases	1,720	3,989	1,989	5,000
General Expense	30,272	27,924	20,947	32,924
Rents and Leases	43,000	43,000	43,000	43,000
Allocated Charges	123,776	187,268	185,827	194,849
TOTAL EXPENDITURES	\$2,706,549	\$2,817,416	\$2,848,816	\$2,918,978
TOTAL REVENUES	\$1,390,055	\$1,175,502	\$1,175,502	\$1,406,027
Total Full Time Positions	16.00	16.00	16.00	16.00
Total Temporary Positions	0.34	0.34	0.34	0.34

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of training hours	3,429	3,000	2,600
2. Number of new hires processed	126	145	120
3. Number of grievances filed	21	15	20
4. Number of labor agreements negotiated	2	3	6
5. Number of Workers' Compensation Claims	112	115	120
Efficiency:			
1. Number of employees who completed a training course	575	490	450
2. Number of sick leave hours utilized by new hires	655	300	300
3. Number of grievances to arbitration	1	1	0
4. Number of unfair labor practices upheld by Public Employment Relations Board	0	0	0
5. Average cost per Workers' Compensation claim	\$8,925	\$8,700	\$8,500
Effectiveness:			
1. Percent of classes offered and delivered	95%	94%	95%
2. Percentage of first year turnover (SEA)	6%	7%	5%
3. Cost of settlement payout related to grievances	\$1,200	\$1,326	0
4. Number of labor agreements implemented within 90 days of Council authorization	2	3	6
5. Number of Workers' Compensation claims closed	146	145	142

Human Resources

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES			
Increase Cost Plan Charges	230,525		230,525
TOTAL REVENUE CHANGES	\$230,525	\$0	\$230,525
EXPENDITURE CHANGES			
Salary and Benefits			
Personnel Benefit Costs Increase (Note 2)	100,157		100,157
Total Salary and Benefits Changes	\$100,157	\$0	\$100,157
Adjustments (Note 1)		(32,836)	(32,836)
NET SALARY AND BENEFITS CHANGES	\$100,157	\$(32,836)	\$67,321
Non-Salary			
Reduce Contract Agency Personnel expense		(8,115)	(8,115)
Reduce Program and Consultants expense		(3,000)	(3,000)
Reduce Office Equipment expense		(3,989)	(3,989)
Reduce Relocation expense		(2,000)	(2,000)
Allocated charge increase	7,581		7,581
Total Non-Salary	\$7,581	\$(17,104)	\$(9,523)
Adjustments (Note 1)		12,364	12,364
NET NON-SALARY CHANGES	\$7,581	\$(4,740)	\$2,841
NET EXPENDITURE CHANGES	\$107,738	\$(37,576)	\$70,162

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time appropriation changes from the prior year that did not carry forward from the Fiscal Year 2011 budget.

Note 2: Personnel benefit costs have increased mainly due to increases in pension plan contributions and a change in methodology for allocating the retiree medical actuarial required contribution.

Human Resources

COMPREHENSIVE PLAN OVERVIEW

The FY 2012 budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

COMMUNITY FACILITIES AND SERVICES

The review of quality customer service is included in the current performance appraisal systems. Staff will emphasize this factor in ongoing appraisal training. (Program C-9)

There currently is no formal Service Award Program. During this fiscal year, staff will research and recommend suitable employee recognition. (Program C-10)

The current training budget provides for mandatory/safety related training. Budget for customer service oriented training is not available. (Program C-11)

GOVERNANCE

Funding is not available for customer service training. (Program G-19)

Human Resources

EMPLOYEE/LABOR RELATIONS

To provide a professional level of service to employees related to performance and the work environment; to negotiate, implement, and maintain labor agreements and collaborative labor relations; and to manage competitive compensation and an up-to-date classification system in a manner consistent with departmental and organizational goals.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	514,159	702,626	710,468	688,173
Contract Services	73,964	96,701	85,189	96,500
Supplies and Materials	2,553	0	0	0
Facilities and Equipment Purchases	342	0	0	0
General Expense	16,345	1,100	1,100	0
Allocated Charges	2,726	0	0	0
TOTAL EXPENDITURES	\$610,089	\$800,427	\$796,757	\$784,673
TOTAL REVENUES	\$0	\$0	\$0	\$0
Total Full Time Positions	2.85	4.40	4.40	4.10
Total Temporary Positions	0.05	0.05	0.05	0.05

Human Resources

BENEFITS/COMPENSATION

To coordinate the recruitment, selection, and training of City employees, utilizing processes compatible with departmental and organizational objectives and consistent with City policies and state and federal laws.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	400,521	324,199	327,416	416,604
Contract Services	51,654	20,700	50,080	20,700
General Expense	1,698	0	0	0
TOTAL EXPENDITURES	\$453,873	\$344,899	\$377,496	\$437,304
TOTAL REVENUES	\$0	\$0	\$0	\$0
Total Full Time Positions	2.70	2.15	2.15	2.75
Total Temporary Positions	0.29	0.29	0.29	0.29

Human Resources

RISK MGMT/SAFETY/WORKER'S COMPENSATION

To enhance workplace safety and limit liability by reducing injuries and other losses to the City; and to provide cost effective employee benefit plans that support the organization's goals and departments' core missions.

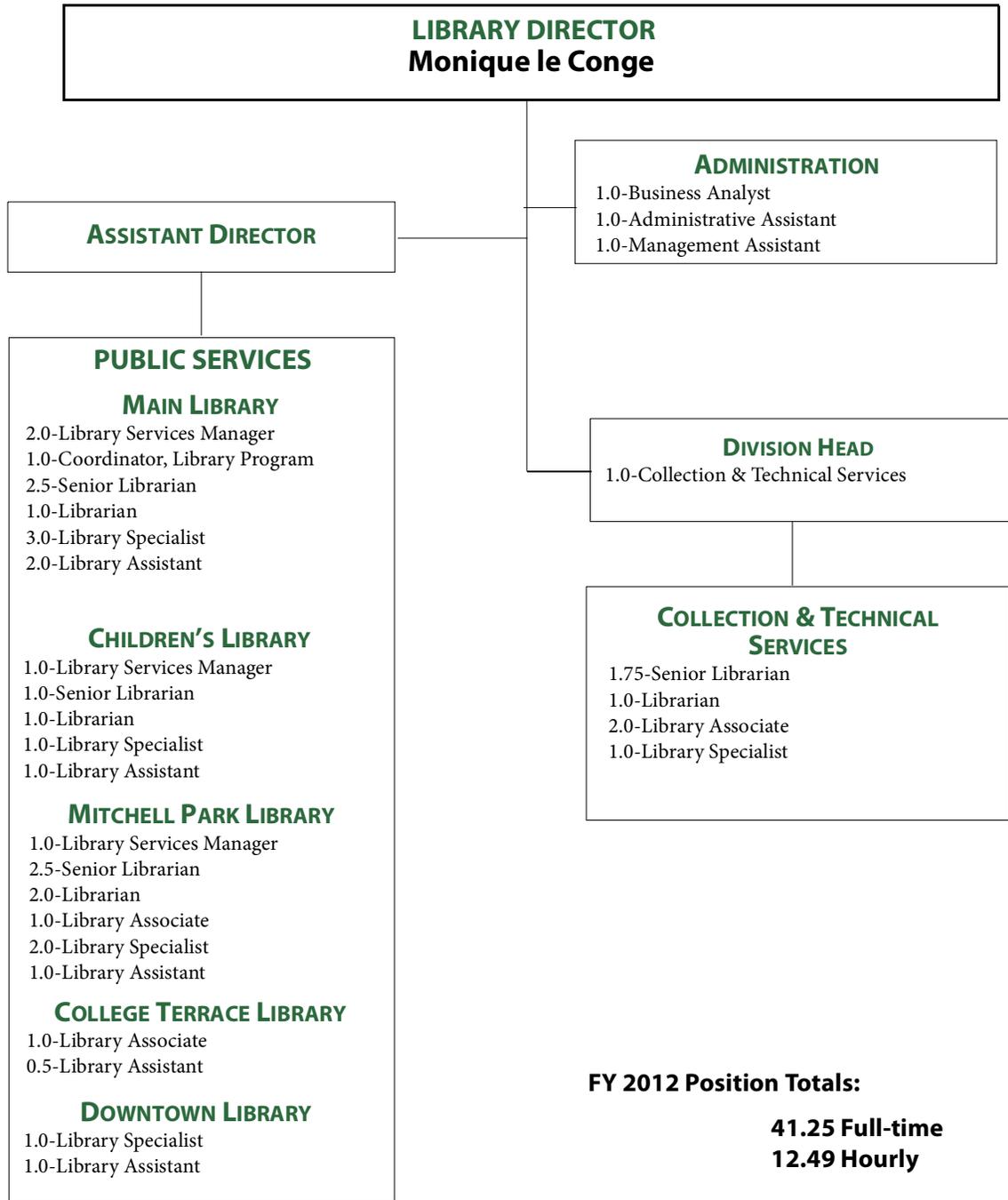
INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	382,602	436,141	437,522	364,908
Contract Services	12,741	7,920	6,720	7,920
Supplies and Materials	6,074	980	980	980
General Expense	4,856	0	0	0
Allocated Charges	2,755	2,220	2,220	0
TOTAL EXPENDITURES	\$409,028	\$447,261	\$447,442	\$373,808
TOTAL REVENUES	\$0	\$0	\$0	\$0
Total Full Time Positions	3.05	3.05	3.05	2.40
Total Temporary Positions	0.00	0.00	0.00	0.00

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Library Department

Library Department Organizational Chart



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

OVERVIEW

Work on the Measure N building projects was a major focus in FY 2011 and will continue to remain a central activity through FY 2012.

Downtown Library will reopen in early FY 2012 after a yearlong renovation with an expanded and refreshed collection with funding support from the Friends of the Library. Downtown Library will also have enhanced and expanded technology capabilities including electronic whiteboards, an overhead projector, and additional public computers, loaner laptops, wireless access points and civic broadcasting capabilities.

Construction of Mitchell Park Library will continue through FY 2012. Library staff will work with the project team to finalize the selection of furnishings and equipment for the new facility. At the same time, Library staff will also support the final design development of the plans for the Temporary Main Library and the renovation of Main Library, which is scheduled to close when Mitchell Park Library reopens in Summer 2012.

In FY 2012 the Department will continue to implement its radio frequency identification (RFID) project for inventory control of the library collection. Placing RFID tags in the entire library collection will be completed in FY 2012 to coincide with the reopening of Mitchell Park Library, which will also open with the first automated materials handling (AMH) system to be installed at the three busiest branches. RFID-based technology and AMH systems will reduce staff time spent on routine tasks associated with the check-in of returned library materials.

In FY 2012 staff will begin work on another major recommendation of the 2009-13 Technology Plan which is to replace the Library's Integrated Library System (ILS), a system that tracks acquisition, cataloging and circulation. Staff will begin to survey the market and conduct preliminary research, and write a request for proposal for a replacement ILS to be implemented in FY 2013. Staff will investigate cost-effective ways to add enhancements to the web catalog through third party products as funds and staff resources allow.

In FY 2012, the Library will continue to provide volunteer-supported programming, such as bilingual storytimes in Spanish, Hindi, and Chinese, developed in FY 2011 in response to requests from the community. As building projects progress and libraries reopen with dedicated programming spaces, programs and services will continue to increase to meet community needs. With financial support from the Friends of Palo Alto Library, a primary focus for programming will target children, teens, parents, and families. Collaboration between the Library, other City departments, and community organizations will be expanded in response to City Council's Priority on Community Collaboration for Youth Well Being. Programming for adults and seniors will also increase, as the Department explores ways to provide intergenerational programming.

In FY 2012 the Department's budget for library collections will be funded at the same level as in FY 2011, which is an 18% reduction from FY 2010 levels. The development of the collection will continue to follow trends in publishing and popular demand. The digitized collections will be expanded. The Library extends access to information beyond its own collection by participating in LINK+, a cooperative borrowing program that enables customers to borrow books from more than 50 academic and public libraries. In FY 2012 staffing in the Collection & Technical Services Division will be reduced and reallocated to the Public Services Division as Technical Services processes are reduced.

PROGRAM UPDATE

Facilities

- The historic College Terrace Library reopened in November 2010 following a major infrastructure renovation. Improvements included seismic bracing, air conditioning, a new roof, improved lighting and accessibility, and new paint and carpet. The yearlong project was funded by the City's infrastructure reserve. The Friends of Palo Alto Library provided funding for some new interior furnishing and collection improvements.
- Downtown Library closed for construction in April 2010 for a yearlong renovation. Plans for the bond-funded project were finalized by project teams of Library staff and other City staff with Group 4 Architecture and incorporated input from the community. Downtown Library will reopen in July 2011.
- A groundbreaking ceremony was held in June 2010 for the new bond-funded Mitchell Park Library & Community Center, and construction began in September. Recommendations for interior and exterior finishes, including signage and flooring, were developed and finalized based on input from community members. The new facility is scheduled to open in Summer 2012.
- The Cubberley Community Center Auditorium opened to the public in June 2010 as a temporary library facility in south Palo Alto during the two-year closure of the Mitchell Park Library.
- Building plans were finalized for the bond-funded renovation of the Main Library. Recommendations for the use of library spaces and shelving capacity were developed and refined after receiving input from the Library Advisory Commission and the community. Yearlong construction of the Main Library will commence in Winter 2012.
- City Council approved establishing a small temporary Main Library facility at the Art Center Auditorium during the upcoming renovation of the Main Library.
- The Palo Alto Library Foundation began a multi-million dollar campaign to fund furniture, equipment and technology purchases that cannot be made with the proceeds of the Measure N bond. In September 2010, the Foundation presented the City with a gift to fully fund all required furniture and technology needs at the Downtown Library.

Library Collections

- In FY 2010 with funding support from the Friends of the Library, electronic resources were expanded to include a second database package, additional general interest e-books, many with iPod compatibility and usable by MAC users, and an additional financial database.
- In FY 2010 the book and media collections were enhanced through joint funding by the City and the Friends of the Library. Due to budget cuts in FY 2011 this funding was reduced. The funding level for FY 2012 remains similar to that of FY 2011.
- The Chinese and Russian language collections were increased.
- In FY 2010 periodical subscriptions were reduced by 20% due to budget reductions. In response to changing use patterns and the need to recover storage space for collections and other items while libraries undergo construction, the majority of the archived periodical collection at the Main Library was permanently removed from the collection in FY 2010.
- The College Terrace Library was reopened with a refreshed collection that was supported by the Friends of the Palo Alto Library.
- Watt meters provided by the Utilities Department were added to the collection. The easy-to-use meters allow the user to measure the electricity consumed by each household appliance, both when in use and idle.

Technology

- Library staff worked with Group 4 Architecture and other City staff to review and finalize plans for technology enhancements for the bond-funded Downtown Library and Mitchell Park Library renovation projects. Technology enhancements for the public at these facilities will include electronic whiteboards (smartboards), overhead projectors, additional public computers, loaner laptops, wireless access points, civic broadcast capabilities, and self-checkout stations.
- Staff selected a vendor to provide radio frequency identification (RFID) tags for inventory control as well as conversion stations, readers and other equipment needed to tag the Library's collection. The Downtown collection was tagged prior to the library reopening. The vendor will also provide security gates for Downtown, Mitchell Park and Main libraries when they reopen following renovation.
- Staff selected a vendor to install automated material handling systems at the three busiest branches. System capabilities and design were finalized for each location.
- Staff evaluated the cost and benefit of the two-year pilot project in the LINK+ system and made a recommendation to City Council to continue participation in the program. The Council funded the project for another two years to end in March 2013.
- The Library launched its new mobile catalog. Mobile device users can now search the catalog, place holds, check their accounts, renew items, and browse library event listings. The mobile catalog works with Android, BlackBerry, iPad, iPhone, iPod Touch and any mobile phone with a web browser.
- The Library contracted with a Collection Agency in order to improve its recovery rate of outstanding fines, fees and overdue materials. The Library purchased the Debt Collect Module for its Integrated Library System (ILS) in order to integrate customer account information from the ILS with the Collection Agency's software.

Programs

- For the second year in a row, the Library was rated one of America's Star Libraries by the Library Journal Index of Public Library Service. The rating system was based on how customers use public libraries: visits to the library, items checked out, attendance at library programs, and public internet computer use.
- The Library participated in "Snapshot: One Day in the Life of California Libraries," an event developed by the California Library Association to demonstrate the importance of academic, public, school, special libraries and library systems to their communities.
- The Library, in partnership with Stanford University, successfully developed and presented a grant-funded series of programs entitled "Feed Your Head: Nourish Your Boomer Brain at the Library."
- The Library hosted a "Technology Petting Zoo," a program that introduced the public to over 20 new technology devices by allowing participants to test the devices hands-on and see how they work.
- For the fifth consecutive year, the Library offered, with financial support from the Friends of Palo Alto Library, a community-wide reading program featuring a series of events. The programs attracted hundreds of participants who read the book and attended cultural events including a presentation by the book's author.
- With funding support from the Friends of Palo Alto Library, the Library presented two Author Series of programs for adults: A Spring Series featuring four noted Bay Area authors and a Fall Series featuring two noted Bay Area authors.
- The Library developed and presented a well-attended practical series of five programs for adults entitled "Help for Job Seekers" in which librarians demonstrated how to use social network sites, online library resources and government internet sites to successfully research and apply for jobs.

Library

- Two years in a row, the Library presented a series of programs for parents and teens on how to successfully apply to college.
- The Library developed and presented a program for parents entitled "How to Help Your Child Succeed in School Using Library Tools," in which librarians demonstrated resources for elementary, middle and high school students available through the Library's web site that can be used at home for assignments and projects.
- Two years in a row, the Library developed and offered a teen writing workshop presented by a well-known local author of books for children and teens
- Two years in a row, the Library developed and presented a program entitled "Summer Employment & Volunteer Workshop for Teens" featuring speakers from other City departments.
- The Library presented its Third Annual Writing Contest for children in grades 2-5, and its Second Annual Writing Contest for teens in grades 6-12.
- For the second year, the Library collaborated with the Community Services Department to plan and present a Day of the Dead Celebration.
- For the second year, the Library created a promotional DVD for distribution to schools in order to promote its summer reading program.
- The Library began presenting bilingual storytimes in Spanish, Hindi, and Chinese.

COUNCIL PRIORITY IMPLEMENTATION

In Fiscal Year 2012, the Library Department will support the implementation of the City Council's priorities as follows:

City Finances

- Continue partnerships with the Library Foundation and Friends of the Library to raise funds in support of library programs, services, and facilities beyond the limits of public funds
- Seek new partnerships and grant opportunities in support of service priorities and innovations
- Continue use of collection agency services to reduce the number of uncollected library accounts

Emergency Preparedness

- Participate in the City's plans to ensure appropriate disaster response to occupants of public facilities

Environmental Sustainability

- Continue to work with the Friends of the Library in support of their book sales which support the reuse and recycling of items removed from library collections
- Continue to establish and meet departmental goals for reducing greenhouse gas emissions
- Ensure that new library buildings are energy-efficient and achieve, at the minimum, LEED-certification wherever possible

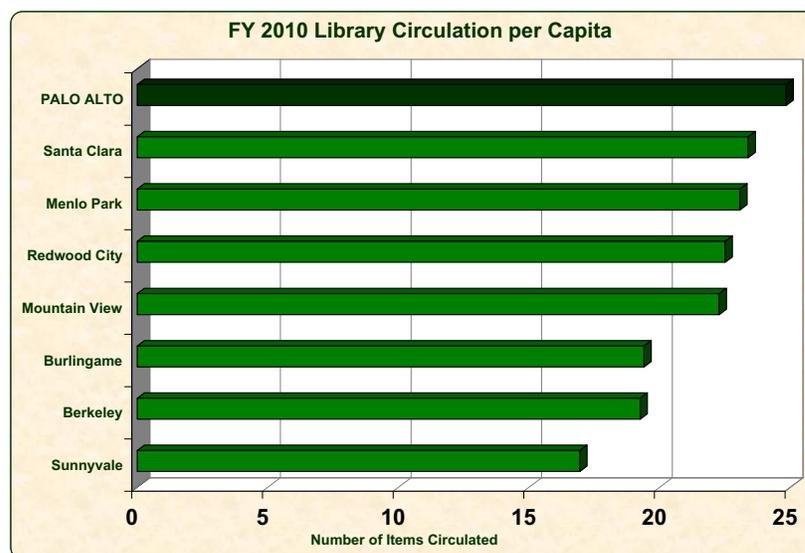
Community Collaboration for Youth Well Being

- Collaborate with other City departments and PAUSD to provide programs that meet the needs of youth in the community
- Develop programs that enhance selected elements of the Developmental Assets model of healthy development for youth, particularly those identified as High Expectations, Creative Activities, Reading for Pleasure, and Self-Esteem

- Participate in Project Safety Net to help the City develop and implement a community-based mental health plan for overall youth well-being in Palo Alto
- Involve teenagers in the development of library services and programs as members of the Library's Teen Advisory Board
- Engage teenagers in the design and use of the new Mitchell Park Library's Teen Room

DEPARTMENT SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Library Services Administration	633,625	1,090,062	1,087,174	1,145,594	58,420
Collection and Technical Services	1,761,682	1,596,056	1,622,650	1,676,519	53,869
Public Services	3,992,448	3,923,164	3,964,814	4,121,701	156,887
TOTAL EXPENDITURES	\$6,387,755	\$6,609,282	\$6,674,638	\$6,943,814	\$269,176
TOTAL REVENUES	\$330,424	\$271,128	\$293,501	\$242,250	\$(51,251)
EXTERNAL REVENUES	330,424	271,128	293,501	242,250	(51,251)



Library

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	4,973,736	4,864,339	4,887,069	5,155,507
Contract Services	114,288	132,890	159,790	138,440
Supplies and Materials	752,764	605,916	621,489	611,606
Facilities and Equipment Purchases	2,404	24,137	29,837	16,192
General Expense	28,914	21,325	22,525	29,530
Rents and Leases	30,090	27,115	25,115	3,500
Allocated Charges	485,559	933,560	928,813	989,039
TOTAL EXPENDITURES	\$6,387,755	\$6,609,282	\$6,674,638	\$6,943,814
TOTAL REVENUES	\$330,424	\$271,128	\$293,501	\$242,250
Total Full Time Positions	42.25	41.25	41.25	41.25
Total Temporary Positions	11.70	10.41	10.41	12.49

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Percent of citizens who have used libraries or their services more than 12 times during last year (SEA)	31%	30%	32%
Efficiency:			
1. Percent of Palo Alto residents who are cardholders (SEA)	60%	61%	62%
Effectiveness:			
1. Percent of citizens rating quality of public library services good or excellent (SEA)	82%	80%	85%

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES			
Remove revenue from Friends of the Palo Alto Library (FOPAL) (Note 4)	(26,000)		(26,000)
New revenue from FOPAL (Note 4)	2,500		2,500
Decrease revenues to reflect historical trend	(5,378)		(5,378)
TOTAL REVENUE CHANGES	\$(28,878)	\$0	\$(28,878)
Adjustments (Note1)		(22,373)	(22,373)
NET REVENUE CHANGES	\$(28,878)	\$(22,373)	\$(51,251)

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
EXPENDITURE CHANGES			
Salary and Benefits			
Freeze 1.0 FTE Librarian (Note 5)		(97,269)	(97,269)
Add 0.5 FTE Hourly Librarian (Note 5)		32,510	32,510
Add 3.10 FTE Hourly for the Downtown Library (Note 6)	142,181		142,181
Eliminate 0.54 FTE Hourly due to efficiency identified in streamlining process at the Collection and Technical Services Division and elimination of inter-library loan services	(26,053)		(26,053)
Increase hourly salaries to reflect current salary rate	6,383		6,383
Eliminate overtime for Library Managers	(4,000)		(4,000)
Increase in personnel benefit costs (Note 2)	189,686		189,686
Total Salary and Benefits Changes	\$308,197	\$(64,759)	\$243,438
Adjustments (Note1)		25,000	25,000
Total Net Salary and Benefits Changes	\$308,197	\$(39,759)	\$268,438
Non-Salary			
Discontinue portable lease (Note 4)	(23,615)		(23,615)
Increase contract services for Link+ program		10,000	10,000
Increase materials and supplies for staff program funded by FOPAL (Note 4)	2,500		2,500
Reduce contract services for binding damaged books	(1,000)		(1,000)
Increase in allocated charges (Note 3)	60,225		60,225
Total Non-Salary Changes	\$38,110	\$10,000	\$48,110
TOTAL EXPENDITURE CHANGES	\$346,307	\$(29,759)	\$316,548
Adjustments (Note1)		(47,372)	(47,372)
NET EXPENDITURE CHANGES	\$346,307	\$(77,131)	\$269,176

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time revenues and appropriation changes from the prior year that did not carry forward from the FY 2011 budget.

Note 2: Personnel benefit costs have increased mainly due to increases in pension plan contributions and a change in methodology for allocating the retiree medical actuarial required contributions.

Note 3: Allocated charges are increasing mainly due to Information Technology costs.

Note 4: In previous years, the Library Department leased a portable building for the Friends of the Palo Alto Library (FOPAL) for book sale. The Library Department arranged to have FOPAL lease it directly. Accordingly, the revenue and contract services of \$26,000 and \$23,615, respectively are removed from the base budget. In addition, FOPAL pledged \$2,500 to reimburse the Library for program supplies and materials.

Library

Note 5: The 1.0 FTE Librarian identified is designated for the Main Library. While the Main Library will undergo a year long renovation in FY 2013, a temporary library will be provided with minimal services. The Librarian position will be staffed by a 0.5 FTE hourly employee until Main Library reopens in FY 2014 and the position is reinstated.

Note 6: The Downtown Library will reopen in FY 2012, and the budget for the hourly salaries is reinstated.

SERVICE LEVEL CHANGES

Service Level Increases

- Staffing that was eliminated in FY 2010 due to reduced service hours during building renovation will be reinstated with the reopening of the Downtown Library in July 2011
- The LINK+ cooperative book lending service among member libraries will be continued through March 2013. This program is provided through joint funding from the Friends of the Library and the City
- The number of items added to the collection will increase due to the successful fundraising campaign by the Palo Alto Library Foundation for the Measure N building projects

Service Level Decreases

- A frozen librarian position will result in reduced reference services
- The inter-library loan service will no longer be offered

COMPREHENSIVE PLAN OVERVIEW

In FY 2012, the Library Department will implement elements of the Comprehensive Plan as follows:

LAND USE AND COMMUNITY DESIGN

Provide the public with access to the renovated Downtown Library's new community and meeting rooms. (Policy L-15)

TRANSPORTATION

Continue to implement increased access to electronic resources and information and to library services through enhancements to its website and online catalog and by expanding the collection of e-books and databases. (Program T-10)

COMMUNITY FACILITIES AND SERVICES

Continue cooperative partnerships with the Palo Alto School District to provide quality library service to the youth in the community. (Programs C-1, C-5)

Conduct periodic customer evaluations of library programs and services. (Program C-10)

Continue to provide quality programs for children and teens. (Policy C-17)

Collaborate with the Public Works and Community Service departments to complete the design of the library bond measure facilities. (Policies C-22, C-27)

Collaborate with the Public Works Department to complete the renovation of the Downtown Library. (Policy C-24)

Continue to include customer service as a performance review criteria for public services staff. (Program C-9)

GOVERNANCE

Continue to provide staff assistance to the City's Library Advisory Commission and provide support for its goals. (Policy G-2)

Expand the use of electronic newsletters to keep the community informed about library events and services. (Policy G-3)

Support the activities of the Library Bond Stakeholders Committee through the design process for the new Mitchell Park Library and Community Center and the renovated Downtown and Main libraries. (Policy G-6)

Continue to provide opportunities for volunteer assistance to supplement library resources and enhance services. (Program G-11)

Provide opportunities in the library facilities and through the Library's website to inform the community about the activities of the Friends of the Palo Alto Library and the Palo Alto Library Foundation. (Program C-12)

Library

COLLECTION AND TECHNICAL SERVICES

To acquire and develop quality collections, manage databases, and provide technology that enhances the community's access to library resources.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	985,310	990,530	1,001,451	1,072,493
Contract Services	48,754	41,500	41,600	39,700
Supplies and Materials	727,136	560,926	576,499	560,926
Facilities and Equipment Purchases	314	1,000	1,000	1,000
General Expense	168	2,100	2,100	2,400
TOTAL EXPENDITURES	\$1,761,682	\$1,596,056	\$1,622,650	\$1,676,519
TOTAL REVENUES	\$67,093	\$0	\$0	\$0
Total Full Time Positions	9.14	8.64	8.64	8.39
Total Temporary Positions	2.01	2.03	2.03	2.28

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of new titles/number of new volumes added to the collection	19,052/ 34,569	15,773/ 30,773	23,320/ 44,820
Efficiency:			
1. Number of titles/number of items in the collection per capita	2.90 / 4.56	2.94 / 4.61	3.02 / 4.74
Effectiveness:			
1. Percent rating variety of library materials good or excellent (SEA)	75%	77%	80%

PUBLIC SERVICES

To provide access to library materials, information, and learning opportunities through services and programs.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	3,909,299	3,799,917	3,835,867	4,005,351
Contract Services	47,777	53,900	53,900	53,250
Supplies and Materials	23,727	42,260	42,260	45,450
Facilities and Equipment Purchases	2,024	19,137	24,837	8,000
General Expense	2,820	4,450	4,450	6,150
Rents and Leases	6,479	3,500	3,500	3,500
Allocated Charges	322	0	0	0
TOTAL EXPENDITURES	\$3,992,448	\$3,923,164	\$3,964,814	\$4,121,701
TOTAL REVENUES	\$201,712	\$207,250	\$207,250	\$216,150
Total Full Time Positions	32.71	32.16	32.16	32.41
Total Temporary Positions	9.56	8.38	8.38	10.21

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of items circulated (SEA)	1,624,785	1,422,762	1,589,900
2. Number of hours open annually (SEA)	9,904	8,858	10,878
3. Number of library programs (SEA)	485	390	468
Efficiency:			
1. Percent of first-time circulations checked out at self-service stations	90%	91%	91%
2. Number of hours of operation per FTE	184	171	201
3. Number of people attending programs (SEA)	35,455	29,259	31,600
Effectiveness:			
1. Number of items circulated per capita (SEA)	24.8	21.5	23.8
2. Number of library visits per hour	85.9	93.8	80.2
3. Number of attendees per program	73.1	75.0	67.5

PROGRAM COST DETAIL

Details of Fiscal Year 2012 budget by library location are as follows:

- Main Library - \$1,413,792
- Children's Library - \$767,854
- Mitchell Park Library - \$1,399,585
- College Terrace Library - \$229,375
- Downtown Library - \$311,095

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Planning and Community Environment





Planning and Community Environment Department Organizational Chart

1.0 PLANNING & COMMUNITY ENVIRONMENT DIRECTOR
Curtis Williams

ADMINISTRATION
1.0-Administrator
1.0-Administrative Assistant

1.0 ASSISTANT DIRECTOR, VACANT

PLANNING & TRANSPORTATION
1.0- Admin Associate III
0.5- Admin Associate I

CURRENT PLANNING
1.0-Planning Mgr
1.0- Admin Associate II
2.0-Senior Planner
3.0-Planner
1.0 Planner (*Sustainability Coordinator*)
1.0-Associate Planner

ADVANCE PLANNING
1.0-Planning Manager
2.0- Admin Associate II
1.0-Senior Planner (*Housing*)
2.0-Senior Planner
1.0-Planner (*CDBG*)
1.0-Planner (*Historic*)
1.0-Planner

TRANSPORTATION
1.0-Chief Transportation Official
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
2.0-Code Enforcement Officer
1.0- Admin Associate II

PLAN CHECK/COUNTER SERVICES
1.0-Asst Building Official
2.0-Plan Check Engineer
2.0-Building Technician
1.0- Admin Associate I

INSPECTION SERVICES
1.0-Inspection Services Supervisor
1.0-Building Inspector Specialist
4.0-Building Inspector

FY 2012 Position Totals - All Funds:

45.00 Full-time
2.88 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 (PCE) work program for FY 2012 will be focused on significant development proposals and major planning efforts.

Economic Development will move to the City Manager's Office in FY2012.

Advance Planning/Comprehensive Plan

The key focus of the Advance Planning staff for the next year is the Comprehensive Plan Amendment. Work items to be completed during FY 2012 for the amendment include the review of existing Comprehensive Plan policies and the completion of draft concept plans for California Avenue/Fry's and East Meadow Circle/West Bayshore areas. It is anticipated that preparation of the Environmental Impact Report (EIR) will begin in mid-2011. Staff is also expected to complete an update to the City's Housing Element as part of the Comprehensive Plan amendment by mid-2011 that will be forwarded to the state for initial review. Community outreach and participation for the amendment process will include several citywide community meetings to discuss community services, transportation, and housing issues.

Advance Planning also administers the City's Community Development Block Grant (CDBG) funding, which is used primarily to support affordable housing renovation and development. The City Council approved a plan to consolidate the separate CDBG and Human Services Resource Allocation Process (HSRAP) funding review under one process, and staff will work with Community Services on this transition to streamline the funding review process.

The Advance Planning team will also continue to participate in regional governance issues, working with ABAG and other outside agencies. Advance Planning staff assists with affordable housing development projects such as the projects on the Alma Substation site and at 488 West Charleston Road by overseeing City funding for these projects. Staff is expected to propose a density-bonus ordinance during FY 2012, consistent with SB 1818, which would affect the requirements for increased residential density and include incentives to encourage higher densities.

Advance Planning staff will also be establishing a program for historic review of properties in Professorville that are considered "contributing" to the historic district, as well as overseeing the completion of the Urban Forest Master Plan in early FY 2012, working with other departments that are responsible for tree protection.

Development Review

The Planning and Transportation Division continues to lead intensive planning and negotiation efforts regarding development proposals for the Stanford Medical Center. The Department is expected to complete the EIR and entitlement review process in FY 2011, with final City Council review occurring in April 2011.

The Division also reviewed several other significant development projects including City projects related to the libraries, California Avenue and San Antonio Road improvements, Art Center and Zoo improvements, a greenhouse at the Baylands, and emergency water wells. The Department will continue to monitor development of major projects for which planning entitlements were received and approved in 2011 or before, and are still active through permit extensions. These include the Ming's site hotel, 420 Cambridge

Planning and Community Environment

mixed use project, 317/323 University, the Middlefield Keys School renovation, "Treehouse" project at 488 West Charleston, 801 Alma housing project, the mixed use neighborhood center Planned Community projects at Alma Plaza and 2180 El Camino Real, the Palo Alto Bowl site hotel and housing project, mixed use building at 265 Lytton, commercial building at 2995 Middlefield, Lockheed Martin at 3251 Hanover, a mosque at 998 San Antonio, the McClaren/Fisker dealership, a four-home development on Matadero, and several other commercial projects.

Major entitlement applications under review in FY 2011 included mixed use projects at 195 Page Mill Road, 2065 Birch Street, 4073 El Camino Real, 524 Hamilton Avenue, 385 Sherman Avenue; non-residential projects at 3000 Hanover Street (Hewlett Packard Executive Center), 340 University Avenue (the Apple store), Stanford Shopping Center store improvements, and the Roth Building addition and renovation; a residential townhomes project at 559 Lytton Avenue, and Planned Community projects at 4041 El Camino Way (Palo Alto Commons addition), at 335 Alma (mixed use project replacing the former Shell station), and at the Edgewood Plaza shopping center. In addition, Division staff process an increasing number of Wireless Communication Facilities entitlements each year.

Development Center and the Building Division

Building Permit activity in FY 2012 is expected to slightly exceed that of FY 2011 and continues to reflect a resurgent business climate and real estate market in Palo Alto. The estimated number of issued Building Permits (3,600) and corresponding construction valuation (\$300 million) should approach pre-recession levels. Significant projects that are anticipated or will continue to be under construction include the Mitchell Park Library & Community Center, the Eden Housing Corporation affordable housing project at 801 Alma, Apple Computer's new University Avenue and Stanford Mall retail outlets, Nordstrom's store remodel at Stanford Mall, the Hoover Pavilion renovations and new parking garage, VMware's corporate campus expansion, Hewlett Packard's corporate campus modernization and expansion, the ongoing build-out of Tesla Motor's corporate headquarters, Palo Alto Commons new independent living facility, and new mixed-use buildings in the downtown at 265 Lytton and 317-323 University.

The Building Division will continue to play an integral role in the development, piloting, and implementation of strategic organizational and operational reforms at the Development Center (DC) intended to streamline permit processing, improve service delivery and enhance customer satisfaction. The expected outcomes of this effort are anticipated to include standardized procedures for the multiple points of entry and customer handling, early project assistance services, making more services available by appointment, assignment of Project Managers and designation of single points of contacts for applicants, improved inter-departmental coordination of development-related services, improved on-line access to information, clear issue resolution processes, improved technology that will streamline service delivery, improved staff productivity and reduced waste, establishment of relevant metrics for measuring performance and customer satisfaction, and methods for soliciting continuous customer feedback about DC services.

The Building Division will also provide critical support for the city's evolving Green Building Program through enforcement of the state's new Green Building Standards Code (CALGreen). Additionally, standardized procedures for plan review, permitting and inspection of electric vehicle charge stations and graywater systems will be developed.

Lastly, the Building Division will pursue implementation of a Building Occupancy Recovery Program (BORP) for major employers and owners of large facilities in Palo Alto to expedite the resumption of business activity and occupancy in undamaged structures after a disaster event. The BORP will be modeled after a similar program in San Francisco and will support the city's emergency planning and business retention efforts.

Planning and Community Environment

Transportation Planning

In FY 2010, Transportation successfully completed and implemented several capital and planning projects aimed at increasing roadway safety and improving circulation on local streets and on school commute routes. Work on increasing roadway safety and circulation will continue in FY 2012. For capital projects, the Arastradero Road - Trial Restriping project was implemented and evaluation will continue through the Fall 2011.

The City also successfully received a grant for the design and construction of the California Avenue - Transit Hub Corridor improvement project. This project will be undertaken in FY 2012 and will provide a series of streetscape improvements between El Camino Real and the Park Boulevard Plaza adjacent to the California Avenue - Caltrain Station. Several traffic calming projects were also implemented, including ones at Channing Avenue, North California Avenue, and Greer Road. In Transportation Planning efforts, the development of a new Bicycle and Pedestrian Plan initiated in 2010 should be completed in the Summer 2011. A new Safe Routes to School program will be launched thanks to a planning grant that was obtained in 2011.

In FY 2011, Transportation focused on completing the Arastradero Road - Trial Restriping Project, completing the design process for the California Avenue - Transit Hub Corridor Project, beginning the implementation of the new Bicycle and Pedestrian Master Plan, and the new Safe Routes to School Programs.

Green Building

The Department continues to implement the City's Green Building Ordinance. In the coming fiscal year, the department will be enforcing the recently adopted California Green Building Code (CALGreen) for nonresidential projects and reviewing and enforcing the City's water efficient landscape requirements. The Department will also be managing a new pilot program for planning entitlements that looks at a project's capacity to meet the sustainable neighborhood criteria of LEED-ND (Leadership in Energy and Environmental Design in Neighborhood Development). In addition, the Department will be working collaboratively with the Utilities Department on promoting rebate programs and sharing energy and water saving information for the first time. Staff members continue to attend educational workshops on various green building topics to maintain green certifications. Department staff participate in inter-departmental and inter-agency coordination of green building efforts, such as the City's Climate Protection Plan, Green Team, and the Santa Clara County Cities Association Green Building Collaborative.

PROGRAM UPDATE

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

The Department's effort to amend the City's Comprehensive Plan will continue through FY 2012 and includes several components:

- Concept plans for California Avenue/Fry's and East Meadow Circle/West Bayshore areas
- New Sustainability Chapter
- Revisions to the City's Housing Element
- Review of existing policies and programs
- Development of growth projections through 2020
- Preparation of Environmental Impact Report

Planning and Community Environment

The Department achieved several noteworthy accomplishments at the Development Center this past year. These include:

- Continuing work on the "Blueprint for a New Development Center" initiative to streamline access to and delivery of development related services, and to improve customer satisfaction at the Development Center
- Led the transition to the state's new Building Codes, including adoption of the California Green Building Standards Code (CALGreen) that enhances the city's overall Green Building program
- Implemented various project management measures to expedite the processing of multiple high priority, time sensitive projects through the plan review and permitting phases
- Standardized and streamlined the permit submittal and inspection requirements for photovoltaic (PV) projects by implementing appointment based, over-the-counter plan reviews and updated inspection checklists
- Began the migration to an upgraded version of the Accela permit processing system that will improve functionality, data management and public access to Building Permit records
- Managed a significant increase in Building Permit activity with creative use of contract and consultant staff. At mid-year, Building Division revenues were at 85% of budget targets. Applications for plan checks were up 55% (1,161 vs. 749) from the same period in FY 2010 while the percentage of completed plan checks was up by more than 32%. Likewise, the number of Building Permits issued increased by 42% (2,132 vs. 1,501), which was reflected in a more than 62% increase in permit valuations (\$152.6M vs. \$93.8M). Overall, Building Division revenues totaled \$3.21M, up more than \$1.25M from FY 2010, or nearly 64%.

COUNCIL PRIORITY IMPLEMENTATION

In Fiscal Year 2012, the Planning and Community Environment Department will implement some of the City Council's Top 5 Priorities as follows:

Environmental Sustainability

- Evaluate and develop procedures to install electric vehicle (EV) charging stations at City facilities and to facilitate permitting of EV charging stations at commercial and residential sites
- Prepare and present an Urban Forest Master Plan to monitor and manage the City's tree inventory and to provide for departmental protocols and procedures for tree protection and enhancement

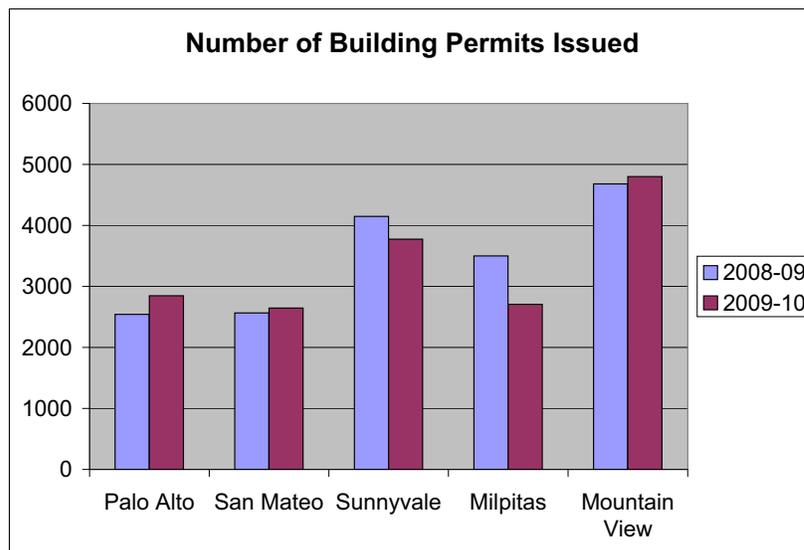
Land Use and Transportation

- Complete a draft Rail Corridor Study, outlining measures to provide for a community land use, transportation, and urban design vision for the area within the Caltrain corridor
- Complete the entitlement process for the Stanford University Medical Center rehabilitation and expansion project
- Substantially complete an update of the City Comprehensive Plan, including a Draft Housing Element and two Area Concept Plans
- Actively participate in and provide input for the preparation of a regional Sustainable Communities Strategy (SB 375) and the Regional Housing Needs Allocation (RHNA)
- Prepare a Pedestrian and Bicycle Master Plan Update to provide a leadership role in facilitating bike and pedestrian facilities, programs, and education

Planning and Community Environment

DEPARTMENT SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Administration	584,752	946,334	1,118,452	861,302	(257,150)
Planning and Transportation	5,477,573	5,063,790	5,255,741	5,387,656	131,915
Building	2,915,890	3,080,861	3,396,519	3,779,776	383,257
Economic Development	432,120	236,994	216,996	0	(216,996)
TOTAL EXPENDITURES	\$9,410,335	\$9,327,979	\$9,987,708	\$10,028,734	\$41,026
TOTAL REVENUES	\$5,455,850	\$5,027,364	\$6,076,953	\$6,814,191	\$737,238
INTERNAL REVENUES	327,102	128,000	271,557	128,000	(143,557)
EXTERNAL REVENUES	5,128,748	4,899,364	5,805,396	6,686,191	880,795



Planning and Community Environment

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	6,451,390	6,578,489	6,762,443	6,661,001
Contract Services	1,413,436	1,221,561	1,650,755	1,694,630
Supplies and Materials	25,643	31,165	60,165	34,885
Facilities and Equipment Purchases	8,882	11,300	11,300	10,650
General Expense	356,546	398,859	441,769	499,763
Rents and Leases	301,799	299,222	279,222	317,650
Allocated Charges	791,893	779,776	774,447	802,548
Operating Transfers Out	60,746	7,607	7,607	7,607
TOTAL EXPENDITURES	\$9,410,335	\$9,327,979	\$9,987,708	\$10,028,734
TOTAL REVENUES	\$5,455,850	\$5,027,364	\$6,076,953	\$6,814,191
Total Full Time Positions	48.85	44.60	44.60	43.05
Total Temporary Positions	1.63	2.37	2.37	2.88

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of building permits issued (SEA)	2,847	3,365	3,350
2. Number of building inspections completed (SEA)	15,194	16,825	18,500
3. Number of planning applications completed (SEA)	241	269	282
4. Number of zoning plan checks completed	828	705	710
5. Number of new code enforcement cases (SEA)	680	650	700
6. Number of Palo Alto Shuttle boardings (SEA)	137,825	110,185	110,685
7. Average number of City employees participating in the City commute program each month (SEA)	113	100	115
Efficiency:			
1. Number of building permits issued (per plan checker/building technician FTE)	527	623	620
2. Number of building inspections (per inspector FTE)	2,171	2,404	2,643
3. Number of planning applications completed (per current planner FTE)	40	45	47
4. Number of zoning plan checks completed (per current planner FTE)	138	117	118
5. Number of code enforcement cases (per code enforcement officer FTE)	340	325	350
6. City's cost per Palo Alto Shuttle rider (SEA)	\$2.65	\$1.97	\$1.86
Effectiveness:			
1. Percent of building inspection requests for permitted work responded to within one day - target is 90% (SEA)	99%	98%	98%
2. Average number of weeks to complete planning staff-level applications (represents 98% of total volume) (SEA)	13.7 weeks	13.2 weeks	13.2 weeks
3. Percent of zoning plan checks completed within 4 week target	90%	82%	82%

Planning and Community Environment

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
4. Percent of residents surveyed rating the ease of walking in Palo Alto as "good" or "excellent" (SEA survey)	84%	n/a	n/a
5. Percent of residents surveyed rating the ease of bicycle travel in Palo Alto as "good" or "excellent" (SEA survey)	81%	n/a	n/a

RESOURCE LEVEL CHANGES

REVENUE CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
Increase special service fee revenue	25,000		25,000
Increase Architect Review Board revenue	31,402		31,402
Increase zoning planning check fee revenue	102,000		102,000
Increase plan checking fee revenue	440,000		440,000
Increase parking permit - construction/maintenance vehicles fee revenue	45,925		45,925
Increase Green Building Program revenue	30,000		30,000
Increase new construction permit fees revenue	925,000		925,000
Increase other permit fee revenue	32,000		32,000
Increase individual review fee revenue	76,000		76,000
Increase technology enhancements revenue	79,000		79,000
Increase locker fee rental revenue	500		500
TOTAL REVENUE CHANGES	\$1,786,827	\$0	\$1,786,827
Adjustments (Note 1)		(1,049,589)	(1,049,589)
NET REVENUE CHANGES	\$1,786,827	\$(1,049,589)	\$737,238
EXPENDITURE CHANGES			
Salary and Benefits			
1.0 FTE Planning Arborist to Public Works	(146,957)		(146,957)
Move Economic Development Manager to City Manager's Office	(220,464)		(220,464)
Drop 1.0 FTE Chief Planning Officer; add 1.0 FTE Assistant Director	28,231		28,231
Reallocate 0.5 FTE Administrative Associate I from City Manager's Office	43,958		43,958
Personnel Benefit Costs Increase (Note 2)	377,737		377,737
TOTAL SALARY AND BENEFITS CHANGES	\$82,505	\$0	\$82,505
Adjustments (Note 1)		(183,947)	(183,947)
NET SALARY AND BENEFIT CHANGES	\$82,505	\$(183,947)	\$(101,442)

Planning and Community Environment

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
Non-Salary			
Eliminate contract expense for South El Camino Real Design Guidelines	(30,000)		(30,000)
Increase project manager consultant for Development Center		90,000	90,000
Increase customer service consultant for Development Center		50,000	50,000
Increase plan check services consultant for Development Center		75,000	75,000
Increase building inspection service contract for cost recovery projects		65,333	65,333
Increase bankcard service charges for Development Center	36,000		36,000
Increase Building Technician contractor for Development Center		81,000	81,000
Increase Planning Technician contractor for Development Center		81,000	81,000
Increase Development Center lease	18,428		18,428
Increase historic consultant for Professorville		15,000	15,000
Increase rail corridor		110,000	110,000
Move Economic Development Manager to City Manager's Office	(26,290)		(26,290)
Allocated Charges increase	52,772		52,772
Total Non-Salary Changes	\$50,910	\$567,333	\$618,243
TOTAL EXPENDITURE CHANGES	\$133,415	\$567,333	\$700,748
Adjustments (Note 1)		(475,775)	(475,775)
NET EXPENDITURE CHANGES	\$133,415	\$(92,389)	\$41,026

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time appropriation changes from the prior year that did not carry forward from the Fiscal Year 2011 budget.

Note 2: Personnel benefit costs have increased mainly due to increases in pension plan contributions and a change in methodology for allocating the retiree medical actuarial required contribution.

SERVICE LEVEL CHANGES

The following changes will maximize the effectiveness of Planning and Community Environment:

- Moving Economic Development to the City Manager's Office.
- Dropping a Chief Building Official and adding an Assistant Director of Planning and Community Environment.
- Moving 1.0 FTE Planning Arborist position to the Public Works Department.
- Reallocating 0.50 FTE Administrative Associate I position to the Development Center to provide additional support services.
- Increasing contract services and staffing for the Development Center in the areas of customer service, plan checking, inspection, and project management. These changes will be critical to implementing the Development Center Blueprint and will help to reduce customer wait time and improve responsiveness while allowing the department an opportunity to assess the permanent, longer term needs of this permitting center.

Planning and Community Environment

COMPREHENSIVE PLAN OVERVIEW

The Planning and Community Environment Department Fiscal Year 2012 Budget will implement aspects of the Comprehensive Plan as follows:

LAND USE AND COMMUNITY DESIGN

Continue development review and inspection of several major projects, including mixed-use projects at Alma and Edgewood Plazas, housing and community facilities at 901 San Antonio, multi-family projects on El Camino Real, East Meadow Drive, East Meadow Circle, West Bayshore Road, and San Antonio Road, and facilities in the Stanford Research Park. (Goal L-1)

Review development proposals for improvements to Stanford Medical Center. (Policies L-45 and L-26)

Implement updates to the City's Building Code, including incorporation of green building practices. (Policy L-7)

TRANSPORTATION

Complete Phase II of the Charleston/Arastradero Corridor Plan trial. (Goals T-1, T-3, and T-4)

HOUSING

Continue to implement affordable housing development projects on the Alma Substation site between Homer Avenue and Channing Avenue and on the site at 488 West Charleston Road by providing funding and assistance and coordinating with other City departments. (Goal H-1)

BUSINESS AND ECONOMICS

Develop methods to assist local businesses and developers to predict and navigate the planning and building entitlement processes with tools such as pre-development meetings. (Goal B-4)

Planning and Community Environment

PLANNING AND TRANSPORTATION

To provide professional leadership in planning for Palo Alto's future by recommending and effectively implementing land use, transportation, environmental, housing and community design policies and programs that preserve and improve Palo Alto as a vital and highly desirable place to live, work, and visit.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	3,924,910	3,925,416	3,963,963	3,945,482
Contract Services	864,380	768,995	923,724	1,067,330
Supplies and Materials	18,552	21,516	21,516	21,516
Facilities and Equipment Purchases	7,437	7,000	7,000	6,850
General Expense	204,115	236,788	235,463	242,403
Allocated Charges	397,433	96,468	96,468	96,468
Operating Transfers Out	60,746	7,607	7,607	7,607
TOTAL EXPENDITURES	\$5,477,573	\$5,063,790	\$5,255,741	\$5,387,656
TOTAL REVENUES	\$1,499,784	\$1,304,164	\$1,468,696	\$1,619,491
Total Full Time Positions	29.00	26.25	26.25	25.10
Total Temporary Positions	0.75	0.94	0.94	0.48

Planning and Community Environment

BUILDING

To review construction projects and improvements for compliance with all applicable codes and ordinances in a professional and efficient manner; and to ensure that all subject to the development review process achieve the specified quality and design.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	2,079,640	2,201,781	2,344,439	2,498,385
Contract Services	299,096	343,666	463,666	627,300
Supplies and Materials	7,091	9,369	38,369	13,369
Facilities and Equipment Purchases	1,445	4,300	4,300	3,800
General Expense	150,042	154,461	198,461	255,660
Rents and Leases	301,799	299,222	279,222	317,650
Allocated Charges	76,777	68,062	68,062	63,612
TOTAL EXPENDITURES	\$2,915,890	\$3,080,861	\$3,396,519	\$3,779,776
TOTAL REVENUES	\$3,956,066	\$3,723,200	\$4,608,257	\$5,194,700
Total Full Time Positions	17.35	15.80	15.80	16.65
Total Temporary Positions	0.88	1.20	1.20	2.40

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Police Department





Police Department Organizational Chart

1.0 POLICE CHIEF
DENNIS BURNS

POLICE PERSONNEL SERVICES
 1.0-Police Lieutenant
 1.0-Police Agent/Officer
 1.0-Admin Associate II
 1.0-Program Assistant II

ADMINISTRATION
1.0-Assistant Chief of Police
 1.0-Senior Management Analyst
 1.0-Administrative Assistant

TECHNICAL SERVICES
1.0-Deputy Director, Technical Serv
 1.0 Court Liaison
 1.0-Business Analyst
 1.0-Crime Analyst
 1.0- Public Safety Dispatcher - Lead
 1.0-Code Enforcement Officer
 1.0- Communications Technician

DISPATCHING SERVICES
1.0-Supervisor, Police Services
 4.0-Public Safety Dispatcher, Lead
 16.0-Public Safety Dispatcher

INFORMATION MANAGEMENT
1.0-Supervisor, Police Services
 1.0-Police Records Specialist - Lead
 6.0 -Police Records Specialist

FIELD SERVICES
1.0-Police Captain
 1.0-Police Agent/Officer
 1.0-Administrative Associate II

FIELD SERVICES (PATROL)
3.0-Police Lieutenant
 10.0-Police Sergeant
 50.0-Police Agent/Officer

TRAFFIC, PARKING, & SPECIAL EVENT SERVICES
1.0-Police Lieutenant
 2.0-Police Sergeant
 5.0-Police Agent/Officer
 1.0-Supervisor, Police Services
 9.0-Community Service Officer

INVESTIGATIVE SERVICES
1.0- Police Captain
 1.0- Administrative Associate II
 2.0- Police Sergeant
 11.0-Police Agent/Officer
 2.0- Property/Evidence Technician

ANIMAL SERVICES
1.0-Superintendent, Animal Serv
1.0-Supervisor, Animal Serv
 1.0-Veterinarian
 4.5-Animal Control Officer
 2.0-Animal Service Specialist II
 2.0-Veterinarian Technician
 0.5-Volunteer Coordinator

FY 2012 Position Totals - All Funds: 157.00 Full-time
4.69 Hourly

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

OVERVIEW

In FY 2012, the Department will continue to assess its service delivery models and propose modifications to enhance revenues and/or reduce costs. The Department will evaluate the staffing reorganization recommendations proposed in the Fire Services Utilization Study, conduct an analysis of potential service delivery model changes for Animal Services, and begin implementation of a virtual consolidation of Computer Aided Dispatch (CAD) services with partnering agencies. In addition, the Department will evaluate new parking enforcement technologies and citation recovery methods to increase efficiencies and revenues while reducing work place injuries.

In collaboration with Community Services, the Department will continue to participate in Track Watch, a program to intervene and prevent teen suicides. Other Department programs include the "Safe Routes to School Campaign", "Adopt-A-School", "Operation Safe Passage", and "Bike Rodeos", all designed to maximize efforts to ensure youth safety. Additionally, the Palo Alto Unified School District has agreed to continue paying half the costs associated with the School Resource Officer (SRO) program and Parenting Project.

The Police Department will continue to partner with the Fire Department and the City Manager's Office to evaluate emergency preparedness and response capabilities. This year, the City will also conduct a major emergency preparedness exercise and execute the Foothills Wildland Emergency Plan.

The Department participates in several regional initiatives that improve emergency preparedness. The Silicon Valley Regional Interoperability Authority (SVRIA) has built a county-wide microwave network for secure wireless communications between the Santa Clara County cities and the County. Palo Alto plans to leverage this system to provide connectivity with Mountain View and Los Altos for other regional projects, including a joint interagency Computer Aided Dispatch (CAD) system for the three cities. These initiatives provide enhanced technology and the opportunity to share resources and improve emergency response capabilities. In addition, this virtual consolidation effort will reduce costs and provide the three agencies with back-up capabilities for critical systems.

The Department supports and maintains the City-wide radio system, which is a critical component of emergency preparedness. Several upgrades are anticipated for the coming year including the completion of the replacement of City Hall roof antennae and the design phase of a project to replace the aging, seismically vulnerable radio tower on the roof of the Municipal Services Center with a monopole.

Traffic safety and calming will continue to be a high priority, with an emphasis on speed reduction, red light violations, and bicycle and pedestrian safety around the schools. Through the use of State funds, the Department will continue participating in various programs designed to reduce the number of victims killed or injured in alcohol-related motor vehicle accidents.

In conjunction with the City's Climate Protection Plan (CPP), the Department will continue to promote measures to reduce greenhouse gas emission levels. These measures include replacing conventional vehicles with compressed natural gas vehicles where feasible.

The Department will continue its efforts to ensure accountability and increase trust in the community. Staff will continue to consult with national experts in the field of promoting fair and equitable policing. The Community Advisory Group will continue to meet to develop trust and create a dialogue on race and police practices and policies. The Department will continue to work closely with the Independent Police Auditor to ensure that the Department is in compliance and to determine if any policies need updating or modification.

PROGRAM UPDATE

Community Collaboration for Youth Well Being

- Continued the Parenting Project in conjunction with the Palo Alto School District (PAUSD). This 12 week program assisted families with troubled or at-risk children
- Continued participation in Track Watch, a program to intervene and prevent youth and teen suicides, utilizing private security services and citizen volunteers at railroad crossings
- Through matching funds from the PAUSD, continued with the School Resource Officer (SRO), a program to facilitate positive relationships between police, staff, students, and parents
- Participated in "Safe Routes to School Campaign", enforcing child restraints, seatbelts, cell phones, speed, and "right of way" (crosswalks)
- Participated in programs such as "Adopt-A-School" and "Operation Safe Passage" designed to maximize pedestrian safety around schools
- Palo Alto traffic officers held "Bike Rodeos" at various Palo Alto Elementary Schools and taught third grade students bicycle safety
- Palo Alto traffic officers taught juvenile traffic diversion classes for the Santa Clara County Traffic Community Safety Network. These classes are the department's effort to take an educational approach to youth enforcement through participatory classes in-lieu of fines

Emergency Disaster Preparedness

- Continued active participation 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
- Police Department Command Staff participated in the California Emergency Management Agency's - Emergency Management Earthquake Course. The course tests key emergency management principles and practices through lectures and a series of progressively complex exercises
- Configured and activated the complex technology in the new Mobile Command Vehicle and demonstrated the vehicle's ability to serve as a standalone command center with satellite voice, data and video communications
- Participated in Urban Shield '10, a region-wide, 50 hour exercise to assess law enforcement's ability to effectively manage large scale natural disasters and terrorism related incidents. During the exercise, staff utilized the Mobile Command Vehicle as the command post for all Santa Clara County police and fire agencies, one of seven command centers throughout the Bay Area Region. The Mobile Command Vehicle was the only center to operate completely independent of conventional power and communications infrastructure
- Completed the second phase of the EComm Network, the county-wide digital microwave system that will connect 19 agencies throughout Santa Clara County to provide a pathway for a variety of critical applications and systems. It is anticipated that the Tri-City CAD system, radio traffic and other public safety applications will utilize this network in the coming year
- Completed the detailed design of the joint agency regionalized Computer Aided Dispatch (CAD) portion of the "virtual consolidation" project and negotiated contract terms with the vendor who will assist with implementation. This project will improve information sharing, especially during an emergency or disaster, between the 9-1-1 centers in Palo Alto, Mountain View, and Los Altos

- In conjunction with Mountain View and Los Altos, secured grant funding and Federal Communications Commission (FCC) licensing for the initial phase of a Tri-City radio channel. This project will compliment the "virtual consolidation" initiative and provide a common radio channel for the three police departments
- Completed the migration of the Community Alerting and Notification System (CANS) to the County sponsored AlertSCC system. This migration provides access to the 9-1-1 database, enhances privacy protection for Palo Alto subscribers and saves the City \$125,000 in maintenance costs over the next two years
- Installed Mobile Data Computers with Automatic Vehicle Locator (AVL) and Geographical Information System (GIS) capabilities in all first line Fire apparatus and the Stanford Deputies' patrol Vehicles. This provides improved situational awareness for supervisors and better resource deployment of Police and Fire assets, particularly in the event of a major incident
- Participated in the Silicon Valley Regional Interoperability Authority (SVRIA), a recently formed JPA at the Working Committee level providing guidance and direction on regional radio and technology projects for Santa Clara County

Environmental Sustainability

- In accordance with the Climate Protection Plan (CPP), the Department began to evaluate and implement measures to reduce greenhouse gas emission levels, including electronic in-field reporting, conversion of warrant abstracts to an electronic database that reduces paper usage, planned replacement of vehicles with compressed natural gas (CNG) vehicles where appropriate, replacement of flashlights to LED, use of reflective safety cones in place of flares, and the education of personnel on ways to reduce waste

Traffic Safety and Calming Efforts

- Participated in the Santa Clara County "Avoid the 13" holiday campaign in which Palo Alto officers made numerous arrests for driving under the influence
- Participated in the month- long "Click it or Ticket" Campaign sponsored by Santa Clara County designed to ensure vehicle occupant safety through the use safety belts. Officers issued seat belt citations during the campaign and achieved 98% compliance
- Participated in the State of California Office of Traffic Safety "Specialized Traffic Enforcement Program" (STEP), a program to reduce deaths and injuries in crashes involving alcohol, speed, red light running, aggressive driving, and/or failure to utilize seat belts

Crime Suppression/Investigation Efforts

- Received a guilty verdict for a subject who was charged with homicide and arson in downtown Palo Alto
- Arrested subjects in connection with a string of burglaries, a subject responsible for kidnapping, rape and attempted murder, and a group responsible for dozens of armed robberies
- Implemented CopLink, a regional police records data sharing application that provides enhanced criminal intelligence and police investigative capabilities
- Implemented a bar-coding system to improve the Department's property and evidence processing and management while ensuring the integrity of the chain of custody for evidence
- Designed and began replacement of the Department's interview recording system. This system will meet current recording standards for effective recording, playback, archiving and duplication while maintaining data integrity

Police

Civic Engagement

- Continued monthly meetings with the Community Advisory Committee, a diverse group of citizens to advise the Police Chief on police practices and race relations
- Continued enlisting the Independent Police Auditor to review and make recommendations on department policy, training, and practices as part of the City's response to community concerns about bias-biased policing.

COUNCIL PRIORITY IMPLEMENTATION

Youth Well Being

- In collaboration with the Community Services, the Department will continue to participate in Track Watch, a program to intervene and prevent teen suicides.
- The Department will expand the Explorer Scout Program by adding additional scouts and looking for opportunities to expose the scouts to positive role modeling.
- The Department will continue to participate in the Adopt-A-School Program, Safe Routes to School Program, Operation Safe Passage, and third grade bicycle rodeos. These programs give children the opportunity to interact on a daily basis with officers and help them understand the importance and complexities of traffic and bicycle safety.

Emergency Preparedness

- In partnership with the City Manager's Office, the Police Department will continue to coordinate city-wide functions of emergency preparedness and response to catastrophic events.
- Consistent with accepted national exercise guidelines, the City will conduct one major emergency preparedness exercise. City staff will work with community groups to plan and host a full-scale exercise which will include multiple neighborhood groups and city departments. This year's exercise will evaluate City and community resources to determine their state of readiness and develop a corrective action plan to ensure improvement.
- Based on the consultant's report, the City will execute a reorganization of the Office of Emergency Services (OES) including organizational structure and staffing. The OES will initiate and execute strategies and plans that will enhance ongoing citizen volunteer support for education and training of community members on emergency preparedness.
- Staff will execute the Foothills Wildland Master Plan to mitigate fire hazards in the Foothills and enhance the safety of residents. Efforts include community education, mitigation of identified hazards, ensuring the viability of evacuation routes, and training of personnel.
- The Police Department will participate in the regional Urban Shield exercise this year to enhance regional public safety response to emergencies. The Department will build on the successful deployment of the Mobile Command Vehicle during last year's exercise by testing additional capabilities, including the ability to support an alternate EOC and serve as a back-up emergency dispatch center.
- The Department will continue to participate in the Silicon Valley Regional Interoperability Authority (SVRIA), a JPA that oversees planning and implementation of regional public safety communications efforts including the EComm countywide microwave network, the CopLink records-sharing application and the development of a CAD- to-CAD interoperability application.
- Palo Alto, Los Altos and Mountain View will purchase and implement a combined Computer Aided Dispatch (CAD) system, the cornerstone of a "virtual consolidation" effort to combine the three cities' public safety technology on a common platform. This project will increase efficiency, reduce technology

and personnel costs, and provide redundancy (i.e. back up) for critical systems. A combined 9-1-1 phone system and a tri-city radio frequency (NORCOM) are also in development as part of this strategy.

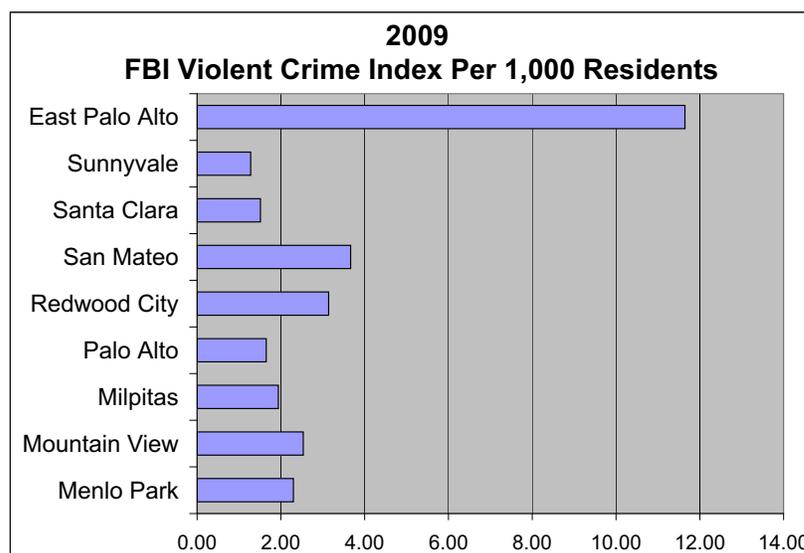
- The Police Department maintains and upgrades the City's existing radio infrastructure, a critical component of emergency preparedness and day-to-day operations. Completion of the antenna replacement project, complying with FCC mandated radio narrow-banding requirements, and completing the design phase for a monopole replacement for the aging MSC radio tower are among the projects planned for this year.

Environmental Sustainability

- In conjunction with the City's Climate Protection Plan (CPP), the Department will continue to promote measures to reduce greenhouse gas emission levels.

DEPARTMENT SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Administration	64,497	529,822	514,313	619,947	105,634
Field Services	13,097,407	13,889,207	14,113,607	13,856,771	(256,836)
Technical Services	6,598,771	6,864,917	6,972,276	7,245,659	273,383
Investigations and Crime Prevention Services	3,359,321	3,572,702	3,628,404	3,754,261	125,857
Traffic Services	1,977,552	1,770,295	1,766,995	2,512,139	745,144
Police Personnel Selection	1,007,656	1,039,874	1,050,171	1,026,192	(23,979)
Animal Services	1,673,599	1,684,988	1,701,431	1,769,833	68,402
Parking Services	1,061,722	1,226,796	1,193,806	1,132,922	(60,884)
TOTAL EXPENDITURES	\$28,840,525	\$30,578,601	\$30,941,003	\$31,917,724	\$976,721
TOTAL REVENUES	\$4,861,991	\$4,827,271	\$4,633,220	\$4,691,129	\$57,909
INTERNAL REVENUES	526,624	602,000	514,500	427,000	(87,500)
EXTERNAL REVENUES	4,335,367	4,225,271	4,118,720	4,264,129	145,409



Police

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	24,778,197	25,323,858	25,674,661	26,599,316
Contract Services	1,108,716	1,332,102	1,315,123	1,213,392
Supplies and Materials	411,297	447,130	458,330	429,550
Facilities and Equipment Purchases	41,984	79,500	70,979	77,750
General Expense	260,313	202,915	250,115	274,955
Rents and Leases	2,574	2,950	2,950	2,950
Allocated Charges	2,237,444	3,190,146	3,168,845	3,319,811
TOTAL EXPENDITURES	\$28,840,525	\$30,578,601	\$30,941,003	\$31,917,724
TOTAL REVENUES	\$4,861,991	\$4,827,271	\$4,633,220	\$4,691,129
Total Full Time Positions	161.50	157.00	156.50	156.50
Total Temporary Positions	5.26	4.57	4.57	4.69

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of total calls for service (SEA)	55,860	60,000	60,000
Efficiency:			
1. Average response time from receipt to on-scene urgent calls (SEA)	6:53	10:00	10:00
2. Average response time from receipt to on-scene emergency calls (SEA)	4:44	6:00	6:00
3. Average response time from receipt to on-scene non-emergency calls (SEA)	18:32	45:00	45:00
Effectiveness:			
1. Percentage of those surveyed rating police services as good or excellent (SEA)	87%	90%	90%

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES			
Elimination of reimbursement from Utilities for after hours alarm monitoring	(175,000)		(175,000)
Increased permit, fines and forfeitures revenue	38,858		38,858
TOTAL REVENUE CHANGES	\$(136,142)	\$0	\$(136,142)
Adjustments (Note 1)		194,051	194,051
NET REVENUE CHANGES	\$(136,142)	\$194,051	\$57,909

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
EXPENDITURE CHANGES			
Salary and Benefits			
Reclass 1.0 FTE Animal Services Specialist I to 1.0 FTE Animal Services Specialist II	8,780		8,780
Disability/workers compensation cost increase	168,231		168,231
Personnel benefit cost increase (Note 2)	1,131,450		1,131,450
Total Salary and Benefits Changes	\$1,308,461	\$0	\$1,308,461
Adjustments (Note 1)		(383,806)	(383,806)
Total Net Salary and Benefits Changes	\$1,308,461	\$(383,806)	\$924,655
Non-Salary			
Eliminate funding for contract garage security (Note 3)	(160,000)		(160,000)
Add funding for Track Watch program	37,000		37,000
Decrease supplies and miscellaneous expenses	(25,900)		(25,900)
Increase Allocated Charges	129,665		129,665
Add funding for Animal Services Shelter Study		50,000	50,000
Total Non-Salary Changes	\$(19,235)	\$50,000	\$30,765
Adjustments (Note 1)		21,301	21,301
TOTAL NET NON-SALARY CHANGES	\$(19,235)	\$71,301	\$52,066
NET EXPENDITURE CHANGES	\$1,289,226	\$(312,505)	\$976,721

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time revenue and appropriation changes from the prior year that did not carry forward from the FY 2011 budget.

Note 2: Personnel benefit costs have increased mainly due to increases in pension and healthcare costs and change in methodology for allocating the retiree medical actuarial required contribution.

Note 3: The Police Department has officers dedicated to handling issues in the downtown area and parking garages.

COMPREHENSIVE PLAN OVERVIEW

The FY 2012 Police Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

TRANSPORTATION

Traffic Services will continue to participate in City committees charged with utilizing enforcement and educational tools to improve traffic safety on City roadways. (Policy T-47)

The Police Department continues to contract for crossing guard services at elementary and middle schools. (Program T-45)

NATURAL ENVIRONMENT

The Police Department continues its efforts in the area of consolidated regional services through the animal services contracts with Mountain View, Los Altos and Los Altos Hills; a joint interagency Computer Aided Dispatch (CAD) system with Mountain View and Los Altos, the deployment of a regional Mobile Command Vehicle for large scale disasters. (N-80)

FIELD SERVICES

To provide the public with initial police response to emergency and non-emergency requests for service in a coordinated and timely manner.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	12,244,798	13,001,057	13,185,857	12,992,019
Contract Services	12,532	10,300	10,300	4,500
Supplies and Materials	159,630	174,880	181,480	160,080
General Expense	84,641	36,400	69,400	41,200
Allocated Charges	595,806	666,570	666,570	658,972
TOTAL EXPENDITURES	\$13,097,407	\$13,889,207	\$14,113,607	\$13,856,771
TOTAL REVENUES	\$248,146	\$296,900	\$317,799	\$259,900
Total Full Time Positions	69.10	68.60	68.60	66.30
Total Temporary Positions	1.32	0.00	0.00	0.00

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of violent crimes reported (SEA)	103	85	85
2. Number of police officer visits to elementary schools	270	238	238
3. Number of emergency calls requiring police response	765	1,000	1,000
4. Number of Part 1 crimes reported (SEA)	1,595	2,000	2,000
5. Number of urgent calls requiring police response	6,190	10,000	10,000
Efficiency:			
1. Percent of response to emergency calls within 6 minutes from time of receipt to first officer arrival	78%	90%	90%
Effectiveness:			
1. Percent of residents who feel safe from violent crime (SEA)	85%	90%	90%

Police

TECHNICAL SERVICES

To provide quality operational and technical support by delivering reliable dispatching services of Police, Fire, Utilities, Public Works, Animal Services, and Stanford law enforcement personnel, processing police report information in a timely and efficient manner, maintenance of critical radio systems and making use of industry-standard technology and practices to leverage resources and improve the delivery of public safety services to the community.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	4,678,332	4,472,557	4,586,016	4,704,080
Contract Services	260,548	265,717	262,117	270,767
Supplies and Materials	53,080	55,100	55,100	51,800
Facilities and Equipment Purchases	33,045	75,000	68,300	73,250
General Expense	104,524	119,300	123,500	119,300
Allocated Charges	1,469,242	1,877,243	1,877,243	2,026,462
TOTAL EXPENDITURES	\$6,598,771	\$6,864,917	\$6,972,276	\$7,245,659
TOTAL REVENUES	\$1,147,231	\$1,218,001	\$1,195,271	\$1,061,281
Total Full Time Positions	37.50	35.50	35.50	36.50
Total Temporary Positions	1.37	1.54	1.54	1.37

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of emergency calls dispatched	803	1,100	1,100
2. Number of urgent calls dispatched (SEA)	6,914	10,000	10,000
Efficiency:			
1. Percent of emergency calls dispatched in 60 seconds (SEA)	95%	95%	95%
2. Percent of urgent calls dispatched in 90 seconds	77%	95%	95%

INVESTIGATIONS AND CRIME PREVENTION SERVICES

To apprehend and prosecute offenders and/or resolve investigations in a timely and thorough manner.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	3,069,341	3,229,708	3,285,510	3,413,239
Contract Services	183,911	211,010	210,910	214,510
Supplies and Materials	17,830	22,490	22,490	19,990
General Expense	20,812	12,050	12,050	11,050
Rents and Leases	2,574	2,950	2,950	2,950
Allocated Charges	64,853	94,494	94,494	92,522
TOTAL EXPENDITURES	\$3,359,321	\$3,572,702	\$3,628,404	\$3,754,261
TOTAL REVENUES	\$202,110	\$88,170	\$95,480	\$95,998
Total Full Time Positions	19.35	17.35	17.35	17.55
Total Temporary Positions	0.09	0.18	0.18	0.18

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of sex registrants monitored in Palo Alto	29	30	30
2. Number of elder abuse cases investigated	8	20	20
3. Number of hours spent by School Resource Officers in middle and high schools	279	1,000	1,000
4. Number of Part 1 crimes assigned to investigators	1,595	2,000	2,000
Efficiency:			
1. Percent of sex registrants checked on annual basis	193%	100%	100%
Effectiveness:			
1. Percent of rape cases assigned to investigators cleared/closed	43%	80%	80%
2. Percent of elder abuse cases assigned to investigators cleared/closed	75%	80%	80%
3. Percent of homicide cases assigned to investigators cleared/closed	100%	85%	85%
4. Percent of robbery cases assigned to investigators cleared/closed	64%	40%	40%

Police

TRAFFIC SERVICES

To minimize injury and property damage by promoting a safe and orderly flow of pedestrian, bicycle, and vehicular traffic.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,558,122	1,309,743	1,308,264	1,982,212
Contract Services	334,597	352,525	352,525	422,525
Supplies and Materials	1,809	550	550	50
Facilities and Equipment Purchases	0	4,000	2,179	4,000
General Expense	3,047	2,000	2,000	2,000
Allocated Charges	79,977	101,477	101,477	101,352
TOTAL EXPENDITURES	\$1,977,552	\$1,770,295	\$1,766,995	\$2,512,139
TOTAL REVENUES	\$389,634	\$427,500	\$427,500	\$474,500
Total Full Time Positions	8.95	7.95	7.45	9.20
Total Temporary Positions	0.00	1.44	1.44	1.44

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of traffic citations issued by the department (SEA)	7,520	7,000	7,000
2. Number of injury accidents (SEA)	368	375	375
3. Number of DUI arrests (SEA)	181	250	250
4. Number of bicycle/pedestrian accidents (SEA)	81	100	100
Efficiency:			
1. Number of traffic citations issued per traffic officer	720	650	650
Effectiveness:			
1. Ratio of traffic citations issued and DUI arrests to total injury accidents	21:1	20:1	20:1
2. Percent reduction in collisions in "super block" during school hours	0%	15%	15%
3. Percent reduction in bicycle/pedestrian accidents (SEA)	24%	10%	10%
4. Percent rating traffic services good or excellent (SEA)	64%	66%	66%

POLICE PERSONNEL SELECTION

To provide professional public safety services through comprehensive hiring, training, and the development of employees and volunteers.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	740,704	806,402	819,878	792,720
Contract Services	187,817	181,650	178,371	109,400
Supplies and Materials	32,576	29,080	29,180	32,100
Facilities and Equipment Purchases	8,459	0	0	0
General Expense	25,431	14,925	14,925	84,155
Allocated Charges	12,669	7,817	7,817	7,817
TOTAL EXPENDITURES	\$1,007,656	\$1,039,874	\$1,050,171	\$1,026,192
TOTAL REVENUES	\$21,777	\$0	\$470	\$0
Total Full Time Positions	4.75	4.75	4.75	4.50
Total Temporary Positions	0.34	0.19	0.19	0.29

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of total officer training hours	15,426	13,500	13,500
2. Number of police officer and dispatcher positions filled	109	109	109
3. Number of citizen complaints filed (SEA)	11	10	10
4. Number of citizen commendations received (SEA)	156	150	150
5. Number of worker's compensation claims filed	10	20	20
Efficiency:			
1. Number of training hours per officer	183	145	145
2. Percent of candidates for police officer and dispatcher positions given conditional job offers within 120 days of processing employment applications	100%	90%	90%
3. Percent of use of force, citizen complaint, and canine investigations completed within 90 days of receipt of information	65%	90%	90%
Effectiveness:			
1. Percent of police officer and dispatcher staffing levels maintained	96%	95%	95%
2. Ratio of citizen commendations to complaints filed	14:1	14:1	14:1
3. Percent of worker's compensation claims reduced	52%	10%	10%

Police

ANIMAL SERVICES

To ensure the protection and well-being of animals and people by providing responsive and proactive animal services.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,424,049	1,427,146	1,443,589	1,504,119
Contract Services	32,936	42,200	42,200	41,690
Supplies and Materials	107,293	119,210	119,210	120,710
Facilities and Equipment Purchases	480	500	500	500
General Expense	7,313	9,040	9,040	8,050
Allocated Charges	101,528	86,892	86,892	94,764
TOTAL EXPENDITURES	\$1,673,599	\$1,684,988	\$1,701,431	\$1,769,833
TOTAL REVENUES	\$1,427,775	\$1,181,700	\$1,181,700	\$1,204,450
Total Full Time Positions	12.20	12.20	12.20	12.20
Total Temporary Positions	1.22	1.22	1.22	1.22

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of Palo Alto animal service calls (SEA)	2,692	3,000	3,000
2. Number of regional animal service calls (SEA)	1,602	1,700	1,700
3. Number of animals sheltered (SEA)	3,147	3,800	3,800
Efficiency:			
1. Percent of animal calls responded to in 45 minutes (SEA)	90%	93%	93%
2. Percent of regional animal calls responded to in 60 minutes	91%	90%	90%
Effectiveness:			
1. Percent of dogs returned to their owners (SEA)	75%	65%	65%
2. Percent of cats returned to their owners (SEA)	10%	8%	8%

PARKING SERVICES

To manage, enforce, and resolve vehicle parking regulations and issues in an effort to facilitate the timely movement of vehicles and provide for public safety within the City of Palo Alto.

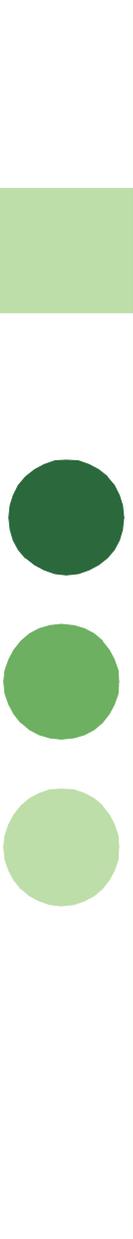
INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	913,980	908,740	875,750	981,866
Contract Services	96,375	266,000	257,000	100,000
Supplies and Materials	10,714	14,500	14,500	13,500
General Expense	7,152	0	9,000	0
Allocated Charges	33,501	37,556	37,556	37,556
TOTAL EXPENDITURES	\$1,061,722	\$1,226,796	\$1,193,806	\$1,132,922
TOTAL REVENUES	\$1,425,318	\$1,615,000	\$1,415,000	\$1,595,000
Total Full Time Positions	8.65	9.65	9.65	8.90
Total Temporary Positions	0.92	0.00	0.00	0.00

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of parking citations issued (SEA)	42,591	60,000	60,000
2. Number of abandoned and stored vehicle complaints	762	1,000	1,000
Efficiency:			
1. Number of parking citations issued per Parking Enforcement Officer	5,678	7,571	7,571
Effectiveness:			
1. Percent of compliance rate for parking time limits in downtown area	97%	95%	95%
2. Percent of abandoned and stored vehicle complaints processed in 10 working days	97%	90%	90%

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Public Works Department

PUBLIC WORKS DEPARTMENT



Organizational Chart

1.0 PUBLIC WORKS DIRECTOR
Mike Sartor (Interim)

1.0-Administrative Assistant

1.0-Sr Management Analyst

ENVIRONMENTAL SERVICES
 1.0-Assistant Director, Environmental Services
 1.0-Management Analyst

WATER QUALITY CONTROL PLANT
 1.0-Water Quality Control Plant Mgr
 2.0-Admin Associate II
 2.0-Asst Manager WQCP
 1.0-Sr Engineer
 3.0-Supervisor WQC Operations
 6.0-Sr Operator, WQC
 17.0-Plant Operator II
 1.0-Manager Laboratory Services
 1.0-Sr Chemist
 3.0-Chemist
 2.5-Lab Technician
 2.0-Electrician-Lead
 3.0-Electrician
 1.0-Sr Mechanic
 7.0-Maintenance Mechanic
 1.0-Senior Technologist
 1.0-Project Engineer

TECHNICAL SERVICES
 1.0-Watershed Protection Mgr
 1.0-Program Assistant I
 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-Industrial Waste Technician
 2.0-Zero Waste Coordinator
 1.0-Program Assistant I

SOLID WASTE
 1.0-Mgr Solid Waste
 1.0-Administrator, Refuse
 1.0-Mgr Environmental Controls
 1.0-Senior Engineer
 1.0-Environmental Specialist
 1.0-Supv Public Works
 1.0-Coordinator, PW Projects
 4.0-Refuse Disposal Attendant
 1.0-Heavy Equip Oper-Lead
 4.0-Heavy Equip Oper

PUBLIC SERVICES
 1.0-Assistant Director, Public Services
 1.0- Management Analyst
 3.0-Admin Associate II
 1.0-Admin Associate III
 0.5-Admin Associate I

FACILITIES MAINTENANCE OPER. & REPAIR
 1.0-Mgr, Maint. Ops
 2.0-Facilities Maint-Lead
 6.0-Facilities Mechanic
 2.0-Facilities Painter
 1.0-Facilities Carpenter
 1.0-Electrician

FACILITIES CONTRACT SVCS. & REHAB PROJ.
 1.0-Mgr, Maint. Ops
 2.0-Bldg Svc Person-Lead
 1.0-Bldg Service Person
 1.0-Project Manager
 1.0-Engineering Tech III

FLEET
 1.0-Fleet Manager
 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

URBAN FORESTRY
 1.0-Urban Forester
 1.0-Planning Arborist
 1.0-Project Manager (75 Utl Line Clr)
 3.0-Tree Maint Special (1.0 Utl Line Clr)
 1.0-Tree Trim/Line Clear-Lead
 7.0-Tree Trim/Line Clear

TRAFFIC CONTROL/STREET SWEEPING
 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
 1.0-Traf Control Maint-Lead
 2.0-Traf Control Maint II
 2.0-Traf Control Maint I

STORM DRAIN/STREET MAINTENANCE
 1.0-Mgr, Maint. Ops
 2.0-Heavy Equip Oper-Lead
 3.0-Heavy Equip Operator
 4.0-Equip Oper
 1.0-Cement Finisher-Lead
 3.0-Cement Finisher

ENGINEERING SERVICES
 1.0-Assistant Director, Engineering Services
 1.0-Management Analyst
 1.0-Admin Associate III
 1.0-Admin Associate I

FIELD SERVICES (SURVEY AND INSPECTION)
 1.0-Superv Inspections/Survey
 1.0-Inspector-Field Serv
 1.0-Surveyor
 1.0-Surveying Asst

CIP PROGRAM (STRUCTURES, STREETS & SIDEWALKS, STORM DRAIN)
 4.0-Sr Engineer
 1.0-Architect/Park Planner
 5.0-Project Engineer
 4.0-Engineer
 1.0-Associate Engineer
 2.0-Engineering Tech III

PRIVATE DEVELOPMENT
 1.0-Sr Project Mgr
 3.0-Engineering Tech III

FY 2012
Position Totals: All Funds
 207.00 Full-time
 7.13 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 and the private development community in the area of engineering services.

OVERVIEW

Due to numerous vacancies in key positions, in addition to the closing of the landfill, the Public Works Department took the opportunity to review the department structure. By reducing six divisions to three divisions and combining workgroups, the department will gain efficiencies in streamlined workflow, program/project coordination and oversight. This reorganization results in savings of over \$300,000 through elimination and reclassification of positions, and means the department will achieve an overall budget reduction for FY 2012.

The new three-division structure consists of Engineering Services, Public Services, and Environmental Services. Engineering staff from the Facilities and Operations divisions will now combine with Public Works Engineering to form an Engineering Services division providing peer support and better coordination for the Capital Improvement Program (CIP). The Public Services division will include facility, street, tree, storm drain and City fleet maintenance activities performed by in-house crews or contracted work managed by in-house staff. The third division, Environmental Services, will comprise the current Regional Water Quality Control Plant, Refuse workgroup and Environmental Compliance staff, to create one environmentally focused group leading the City of Palo Alto's many "green" initiatives.

Besides Engineering Services and Public Services in the General Fund, the Public Works Department also includes three Enterprise Funds - Refuse, Storm Drainage and Wastewater Treatment. The Department is also responsible for the Vehicle Replacement Fund, an Internal Service Fund, responsible for managing the City fleet.

In FY 2012, Engineering Services will continue to focus on significant CIP projects and provide key support to the Infrastructure Blue Ribbon Commission (IBRC). Details of CIP projects may be found in the FY 2012 Adopted Capital Budget.

Beginning in FY 2011, the annual street maintenance capital project has been increased by \$2 million, for a total of approximately \$3.5 million, to address the ongoing backlog in the streets program. Staff will continue to aggressively pursue grant and other funding opportunities to support this program.

With the success of the Library Bond Measure N, design of the Mitchell Park Library and Community Center was completed, and construction has begun. Construction on the College Terrace Library was completed in FY 2011, and the Downtown Library is scheduled to reopen in Summer 2011. Design work on the Main Library Renovation and Expansion will take place in FY 2012. Construction of the Art Center Upgrades and Renovations will begin in FY 2012. The continuation of the Civic Center Improvements project will be managed by Engineering Services.

In FY 2011, the new Scott Meadow, along with a new irrigation system, was completed at Greer Park. Design of San Antonio Road Improvements Phase II is complete, and construction began in Spring 2011. In addition, design will begin on Eleanor Pardee Park, and a Master Plan for renovations of Rinconada Park will be completed.

Public Works

Engineering and Public Services divisions will continue to support Palo Alto private development activity by issuing street opening and encroachment permits and certificates of compliance under the Subdivision Map Act, and supporting the Planning Department with plan review of grading, drainage and public tree issues. The two divisions will play a key role in the Blueprint for a New Development Center initiative in FY 2012.

The Public Services division maintains and operates City facilities with a commitment to sustainability, energy efficiency, and "green" maintenance practices. In FY 2012, efforts will continue with the delivery of custodial, building maintenance, and rehabilitation services to achieve maximum life expectancy of the City's buildings and building systems. Planned CIP projects in FY 2012 include the MSC-C Parks Maintenance and PWD Trees area remodel; Foothill Park Interpretive Center, Fire Station 1, and various Cubberley buildings roof replacements; accessibility upgrades at various locations; and Lot J parking garage structure repairs. In addition, division staff began a program to test retro-reflectivity of street name and traffic control signs relative to new federal standards. Staff will be replacing all signs that do not meet the minimum requirements over a five-year period.

The Urban Forestry section of Public Services worked with a consultant to update the street tree inventory. The project was funded by a grant from the State of California and was recently completed. The information will be used in updating the 1983 Street Tree Management Plan. However, this project will not be completed until the City's Urban Forest Master Plan is completed in Summer 2011. The Managing Arborist is part of the citywide committee for the Urban Forest Master Plan that will determine a sustainability plan for all trees in the City. In addition, a new tree website will be launched by Fall 2011 to address the many resident requests for information related to City trees.

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

PROGRAM UPDATE

In FY 2011, construction began on the new Mitchell Park Library and Community Center and Downtown Library. The construction phase of these sites is currently underway with completion scheduled in Summer 2012 and Summer 2011 respectively. Design of the Main Library Expansion and Renovation began in FY 2011 with construction to begin in Fall 2012. Design of the Art Center Improvements is complete; and construction is scheduled to begin in Summer of 2011.

The Public Works Engineering Private Development section provided review support for the Stanford hospital project and 265 Lytton, along with numerous housing developments.

COUNCIL PRIORITY IMPLEMENTATION

In FY 2012, the Public Works Department will implement the City Council's Top 5 Priorities as follows:

City Finances

- City facilities have aged, and spending to revitalize the facilities has not kept up with the facilities needs. Many facilities now exceed their design lives, and upgrades are overdue. Staff will work with the Council-appointed Infrastructure Blue Ribbon Commission (IBRC) to develop recommendations on how to pay for and schedule the necessary work to refurbish City facilities. The goal is to eliminate the backlog of repair projects and put the City on a clear path of keeping up with maintenance needs in the future. Like the environment around it, Palo Alto's infrastructure must become truly sustainable.
- Continue to pursue grant and outside sources of funding for Capital Improvement Plan projects and maintenance programs (e.g., rubberized asphalt, rubberized sidewalks, and trees)

Public Works

- Continue to streamline and coordinate street resurfacing processes to achieve maximum value for budgetary expenditures
- Continue to coordinate with other City departments on 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
- Continue to coordinate in-house and contract sidewalk replacement to maximize funding
- Review opportunities to reduce the size of the vehicle fleet by employing new measures to track and verify equipment utilization (Vehicle Fund- ISF)

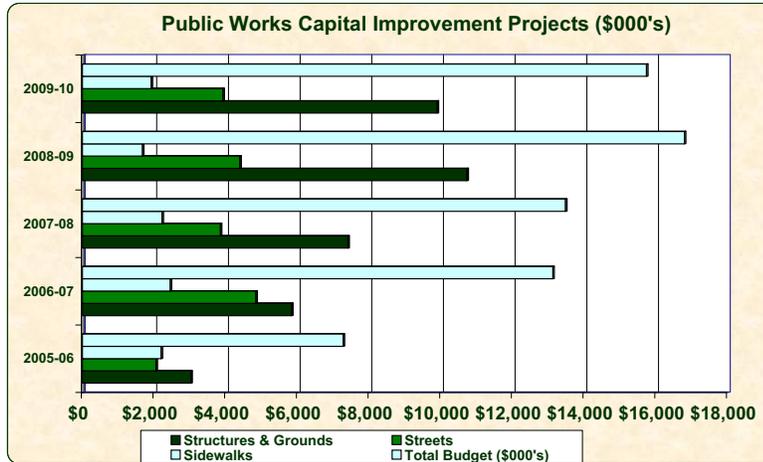
Environmental Sustainability

- 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
- Maintain City facilities in optimal and efficient operating condition by providing on-going operations and maintenance
- Continue to research and evaluate all options for alternative fuel usage and consumption
- Continue implementation of the Zero Waste Operational Plan.
- Set a Leadership in Energy and Environmental Design (LEED) Gold certification goal for the Mitchell Park Library and Community Center project
- Set a Leadership in Energy and Environmental Design (LEED) Certified goal for the Art Center Renovation Project

DEPARTMENT SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Administration	841,919	1,268,046	1,264,569	1,321,221	56,652
Streets	2,318,757	2,382,772	2,400,262	2,321,175	(79,087)
Trees	2,257,573	2,373,565	2,360,782	2,293,081	(67,701)
Structures and Grounds	5,530,436	5,599,797	5,625,623	5,553,299	(72,324)
Engineering	1,596,408	1,476,543	1,492,431	1,534,980	42,549
TOTAL EXPENDITURES	\$12,545,093	\$13,100,723	\$13,143,667	\$13,023,756	\$(119,911)
TOTAL REVENUES	\$2,745,265	\$2,716,376	\$2,756,826	\$2,712,229	\$(44,597)
INTERNAL REVENUES	2,358,484	2,376,826	2,376,826	2,372,679	(4,147)
EXTERNAL REVENUES	386,781	339,550	380,000	339,550	(40,450)

Public Works



INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	7,293,494	7,035,261	7,107,917	7,091,501
Contract Services	1,690,680	2,042,740	2,023,000	2,050,280
Supplies and Materials	658,152	855,294	855,994	855,644
Facilities and Equipment Purchases	18,015	5,646	5,646	5,646
General Expense	17,717	33,429	32,469	45,539
Rents and Leases	140,326	170,000	170,000	170,000
Allocated Charges	2,710,135	2,941,779	2,932,067	2,788,572
Operating Transfers Out	16,574	16,574	16,574	16,574
TOTAL EXPENDITURES	\$12,545,093	\$13,100,723	\$13,143,667	\$13,023,756
TOTAL REVENUES	\$2,745,265	\$2,716,376	\$2,756,826	\$2,712,229
Total Full Time Positions	63.67	58.57	58.57	55.82
Total Temporary Positions	1.19	0.94	0.94	1.57

Public Works

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES			
Decrease allocated revenue-internal	(4,147)		(4,147)
TOTAL REVENUE CHANGES	\$(4,147)	\$0	\$(4,147)
Adjustments (Note 1)		(40,450)	(40,450)
NET REVENUE CHANGES	\$(4,147)	\$(40,450)	\$(44,597)
EXPENDITURE CHANGES			
Salary and Benefits			
Elimination of 0.6 FTE Superintendent, Public Works Operations (department restructure)	(109,264)		(109,264)
Elimination of 0.8 FTE Manager, Facilities Maintenance and Projects (department restructure)	(141,954)		(141,954)
Elimination of 1.0 FTE Administrative Associate I (department restructure)	(87,916)		(87,916)
Reclassify 1.6 FTE Supervisor, Facilities Management to Manager, Maintenance Operations (department restructure)	25,850		25,850
Drop 1.0 FTE Managing Arborist; add 1.0 FTE Urban Forester (department restructure)	30,692		30,692
Elimination of 1.0 FTE Project Manager (department restructure)	(141,340)		(141,340)
Reallocate 0.55 FTE Management Analyst from Refuse Fund (department restructure)	60,550		60,550
Reallocate 1.0 FTE Planning Arborist from Planning Department (department restructure)	146,957		146,957
Personnel Benefit Costs Increase (Note 2)	200,001		200,001
Total Salary and Benefits Changes	\$(16,424)	\$0	\$(16,424)
Adjustments (Note 1)			0
NET SALARY AND BENEFITS CHANGES	\$(16,424)	\$0	\$(16,424)
Non-Salary			
Increase contract services for maintenance of decorative lights on University Ave.	20,000		20,000
Allocated Charges Decrease (Note 3)	(143,487)		(143,487)
Total Non-Salary Changes	\$(123,487)	\$0	\$(123,487)
Adjustments (Note 1)		20,000	20,000
TOTAL EXPENDITURE CHANGES	\$(139,911)	\$20,000	\$(119,911)

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time revenues and appropriation changes from the prior year that did not carry forward from the FY 2011 budget.

Note 2: Personnel benefit costs have increased mainly due to increases for the pension component of the benefits allocation.

Note 3: Allocated charges are decreasing primarily due to decreases in charges from the Refuse Fund.

Public Works

COMPREHENSIVE PLAN OVERVIEW

The budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

LAND USE AND COMMUNITY DESIGN

Staff will enhance the street and parks tree maintenance systems through trimming services and containment of treatable infestations. (Policy L-70)

Staff will provide timely plan review and assistance with construction oversight to the Stanford Medical Center and related projects and play a key role in the Blueprint for a New Development Center initiative. (Policy L-25)

Public Works Engineering Services will continue to implement park improvements, including design and construction of Eleanor Pardee and development of a Rinconada Park Master Plan as identified in the Capital Improvement Program. (Policies C-22, C-24, C-26, C-32 and Program C-19)

TRANSPORTATION

Public Works Engineering will continue to maintain City streets through the annual street maintenance program. (Policy T-24)

Staff will continue working with the Chamber of Commerce to enhance maintenance in the downtown areas. (Program T-30)

NATURAL ENVIRONMENT

Canopy, a non-profit advocate for Palo Alto's community trees, will work with the City on the program to educate residents about newly planted trees. (Program N-16)

Staff will continue the green building/sustainability policy for new City buildings. (Program N-65)

COMMUNITY FACILITIES AND SERVICES

Staff will continue to maintain sidewalks in areas with high levels of pedestrian use. (Program C-21)

Staff will continue to address the infrastructure backlog through Capital Improvement Program projects as funding allows. (Program C-24)

STREETS

To develop and maintain the structural integrity and ride quality of streets to maximize the effective life of the pavement and traffic control clarity of streets and to facilitate the safe and orderly flow of vehicles, bicycles, and pedestrians.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,336,168	1,338,619	1,356,109	1,332,091
Contract Services	22,371	33,510	33,770	53,470
Supplies and Materials	322,896	365,099	365,099	365,099
General Expense	3,170	4,210	3,950	4,250
Allocated Charges	634,152	641,334	641,334	566,265
TOTAL EXPENDITURES	\$2,318,757	\$2,382,772	\$2,400,262	\$2,321,175
TOTAL REVENUES	\$277,233	\$278,832	\$278,832	\$278,832
Total Full Time Positions	13.48	12.38	12.38	11.98
Total Temporary Positions	0.48	0.48	0.48	0.62

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of potholes repaired (SEA)	3,149	2,000	3,000
2. Number of signs repaired or replaced	2,250	1,300	1,800
Efficiency:			
1. Potholes filled per hour	2.9	1.2	2.1
2. Number of signs repaired or replaced per hour	1.2	1.2	1.2
Effectiveness:			
1. Percent potholes repaired within 15 days (SEA)	86%	80%	80%
2. Number of calls reporting damaged/faded signs	43	50	50

Public Works

TREES

To manage a sustainable urban forest by selecting appropriate species and providing timely maintenance and replacement of City trees as well as providing utility line clearing for front and rear easements.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,513,775	1,535,401	1,542,618	1,532,591
Contract Services	312,233	369,095	349,095	369,095
Supplies and Materials	36,007	53,000	53,200	53,000
Facilities and Equipment Purchases	1,003	2,500	2,500	2,500
General Expense	0	200	0	200
Allocated Charges	377,981	396,795	396,795	319,121
Operating Transfers Out	16,574	16,574	16,574	16,574
TOTAL EXPENDITURES	\$2,257,573	\$2,373,565	\$2,360,782	\$2,293,081
TOTAL REVENUES	\$1,812	\$67,500	\$33,200	\$67,500
Total Full Time Positions	14.01	14.01	14.01	12.81
Total Temporary Positions	0.00	0.00	0.00	0.03

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of all tree related services completed (SEA)	6,094	5,200	6,000
2. Number of tree lines cleared	8,288	8,000	8,000
3. Number of trees planted (SEA)	201	400	250
Efficiency:			
1. Person hours per service	1.9	2.2	2.2
2. Percent of total trees line cleared (SEA)	27%	25%	25%
Effectiveness:			
1. Average number of days to respond to requests	5	5	5
2. Number of electrical service disruptions caused by trees (SEA)	4	0	0

STRUCTURES AND GROUNDS

To build, maintain, renovate, and operate City-owned and leased structures, parking lots, grounds, parks, and open space to achieve maximum life expectancy of the facilities.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	2,598,607	2,352,021	2,377,847	2,332,685
Contract Services	1,236,677	1,492,178	1,492,178	1,488,178
Supplies and Materials	283,921	409,050	409,050	409,050
Facilities and Equipment Purchases	17,012	3,146	3,146	3,146
General Expense	5,563	7,854	7,854	11,854
Rents and Leases	140,326	170,000	170,000	170,000
Allocated Charges	1,248,330	1,165,548	1,165,548	1,138,386
TOTAL EXPENDITURES	\$5,530,436	\$5,599,797	\$5,625,623	\$5,553,299
TOTAL REVENUES	\$1,006,165	\$913,672	\$913,672	\$882,936
Total Full Time Positions	23.57	20.57	20.57	19.42
Total Temporary Positions	0.25	0.00	0.00	0.46

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Custodial: Total square footage cleaned by Custodial Section	1,219,008	1,219,008	1,219,008
2. Maintenance: Total square footage maintained by Maintenance Section	1,617,101	1,617,101	1,617,101
3. CIP Support: Number of projects assigned in given fiscal year	7	11	6
Efficiency:			
1. Custodial: Cost per square foot for Custodial Services	\$1.18	\$1.16	\$1.16
2. Maintenance: Cost per square foot for Maintenance work	\$1.75	\$1.70	\$1.70
3. CIP Support: Number of projects bid and awarded in the year budgeted	7	11	6
Effectiveness:			
1. Custodial: Number of customer callbacks for regularly scheduled cleaning	6	8	7
2. Maintenance: Percent of repairs completed in 3 weeks	83%	87%	90%
3. CIP Support: Percent of projects completed on time	90%	85%	85%

Public Works

ENGINEERING

To construct, renovate, and maintain City-owned infrastructure through the City's Capital Improvement Program; to ensure safety, comfort, and maximum life expectancy and value of City structures, facilities, and streets; to provide engineering support to City Departments and private development through the expeditious review and inspection of projects to ensure compliance with applicable regulations and conformance with approved plans and specifications.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,411,409	1,265,004	1,280,892	1,323,452
Contract Services	117,617	145,257	145,257	137,337
Supplies and Materials	13,405	25,595	25,595	25,945
General Expense	6,714	17,065	17,065	24,635
Allocated Charges	47,263	23,622	23,622	23,611
TOTAL EXPENDITURES	\$1,596,408	\$1,476,543	\$1,492,431	\$1,534,980
TOTAL REVENUES	\$897,310	\$822,350	\$897,100	\$822,350
Total Full Time Positions	9.71	8.71	8.71	8.71
Total Temporary Positions	0.46	0.46	0.46	0.46

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Structures and Grounds: Total dollar value of Capital Improvement Program projects accomplished	\$7,341,243	\$9,195,070	\$16,900,000
2. Street Maintenance: Total dollar value of Capital Improvement Program projects accomplished	\$3,921,050	\$3,753,635	\$3,753,635
3. Private Development: Number of plans reviewed	153	350	350
4. Private Development: Number of permits issued	321	250	250
5. Parks & Open Space: Total dollar value of Capital Improvement Program projects accomplished	\$3,056,136	\$1,140,512	\$1,140,512
Efficiency:			
1. Structures and Grounds: Total dollar value per FTE	\$879,191	\$950,000	\$950,000
2. Street Maintenance: Total dollar value per FTE	\$1,654,451	\$950,000	\$950,000
3. Private Development: Number of plans reviewed within four weeks	113	200	200
4. Private Development: Number of permits per FTE	107	77	77
5. Parks & Open Space: Dollar value per FTE	\$1,111,322	\$414,731	\$414,731

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Effectiveness:			
1. Structures and Grounds: Percent of Capital Improvement Program projects within planned budget	100%	100%	100%
2. Street Maintenance: Percent of streets not in need of maintenance (good or better condition on the Pavement Maintenance Management System)	55%	60%	66%
3. Private Development: Revenues received-plan review	\$56,045	\$84,097	\$84,097
4. Private Development: Revenues received-permits	\$189,760	\$214,468	\$214,468
5. Parks & Open Space: Percentage of Capital Improvement Program projects within planned budget	100%	100%	100%

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ENTERPRISE FUNDS





UTILITIES DEPARTMENT
Organizational Chart

**ELECTRIC & WGW
ENGINEERING**

- 1.0-Asst Director Util Engineering
- 1.0-Engineering Mgr - Electric
- 4.0-Sr Electrical Engineer
- 4.0-Electric Project Engineer
- 3.0-Power Engineer
- 4.0-Util Engr Estimator
- 3.0-Engr Tech III
- 1.0-Engineering Mgr - WGW
- 3.0-Admin Associate II
- 4.0-Sr Project Engineer
- 5.0-Project Engineer
- 4.0-Engineer
- 3.0-Inspector, Field Svc
- 1.0-Supv. Project Engineer
- 2.0-Business Analyst

**1.0 DIRECTOR OF UTILITIES
Valerie Fong**

UTILITIES ADMINISTRATION

- 1.0-Administrative Asst
- 1.0-Sr Mgmt Analyst
- 2.0-Business Analyst
- 2.0-Program Assistant
- 2.0-Sr Business Analyst
- 1.0-Mgr Utilities Telecommunications
- 1.0-Sr Market Analyst

**ELECTRIC & WGW
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-Utilities Supervisor
- 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
- 9.0-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 WGW
- 4.0-Coord Utility Proj
- 5.0-Supv WGW
- 1.0-Supv Water Trans
- 2.0-Sr Water Sys Oper
- 2.0-Cathodic Tech
- 4.0-Water Sys Oper II
- 3.0-Wtr Mtr Crs Cn Technician
- 1.0-Inspector, Field Svc
- 2.0-Gas System Tech
- 1.0-Equip Operator
- 2.0-Maintenance Mechanic Welding
- 1.0-Cement Finisher
- 1.0-Util Locator
- 5.0-Util Install/Rep-Lead
- 2.0-Util Install/Rep-L-Welding
- 12.0-Util Install/Rep
- 2.0 -Util Install/Rep-Welding
- 1.0- Util Install/Rep Assistant
- 1.0- Sr Utility Field Service Rep
- 5.0- Field Service Rep
- 1.0- Sr Mechanic
- 1.0- Restoration Lead
- 1.0- Compliance Manager
- 1.0- Gas Systems Tech II

RESOURCE MANAGEMENT

- 1.0-Assist Director, Resource Mgmt
- 1.0-Admin Associate II
- 1.0-Sr Resource Originator
- 5.0-Sr Resource Planner
- 5.0-Resource Planner
- 1.0-Mgr Utility Rates

**CUSTOMER SUPPORT
SERVICES**

- 1.0-Asst Dir Util/Cust Support Svc
- 1.0 Admin Assoc I
- 1.0-Admin Associate II
- 1.0-Mgr Util Mkt Svcs
- 1.0-Mgr Cust Svcs and Meter Reading
- 2.0-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
- 4.0-Util Account Rep
- 1.0-Sr Resource Planner

FY 2012 Positions - All Funds

**Totals: 235.00 Full-time
11.81 Hourly**

Enterprise Funds 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. A financial summary of the funds follows this overview followed by discussion and pertinent information in each fund section.

REVENUES

The total combined budgeted revenues of the Enterprise Funds for FY 2012 is \$277.9 million-- \$3.1 million or 1 percent lower than the previous fiscal year. The decrease is primarily attributed to a reduced forecast of \$1.6 million in surplus revenue for excess hydro sales and \$1.2 million in the Central Valley Project Loan Repayment program for reclamation projects in the Electric Fund.

EXPENDITURES

Aggregated budgeted expenditures of the Enterprise Funds are \$300.0 million, when compared to \$306.2 million in FY 2011, a decrease of \$6.2 million. The primary factors contributing to the decrease are lower commodity costs for the Electric and Gas Funds of \$4.3 million and \$5.2 million respectively when compared to the prior year. However, water purchases from San Francisco Public Utilities Commission (SFPUC) are increasing by \$3.7 million due to infrastructure upgrades. Contract services are increasing by \$3.5 million to perform a citywide sewer lateral inspection. Salaries and benefits are increasing by \$0.9 million primarily due to increases in pension and health care costs.

"Operating transfers out" decreased by \$2.6 million when compared to the prior year. The variance is due to transfers made in FY 2011 to other funds for various CIP projects.

Allocated charges decreased slightly by \$0.4 million when compared to FY 2011. A major component of allocated charges includes General Fund costs shared by the Enterprise Funds.

UTILITY RATE CHANGES

This FY 2012 Adopted Budget includes a number of utility rate adjustments. The average monthly residential Utilities bill is expected to increase by \$17.57 or 5.3 percent for combined utility services, including the Utility Users Taxes during FY 2012.

The size and timing of rate adjustments takes 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 - No rate increases
- Gas Fund - No rate increases
- Water Fund - 12.5 percent system average revenue increase and rate structure changes effective October 1, 2011 (20.9% average rate increase)
- Wastewater Collection Fund - Rate structure changes for cost of service effective July 1, 2011
- Fiber Optics Fund - A rate increase of 1.5 percent effective July 1, 2011, for inflation based on CPI for pre-2006 rates EDF-1 and EDF-2 according to Council approved Dark Fiber Licensing Agreement
- Storm Drainage Fund - A rate increase of 1.5 percent effective July 1, 2011, for inflation based on CPI as allowed by the approved ballot measure
- Refuse Fund - Rate increase to be considered during FY 2012

Enterprise Funds Overview

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. The rent for FY 2012 represents a \$0.1 million increase from FY 2011.

EQUITY TRANSFERS

In FY 2010, the Council adopted a change to the methodology used to calculate the equity transfer from Utilities Funds to General Fund. Under the new Utilities Enterprise Methodology, the equity transfers are based on a rate of return on the asset base in the Electric and Gas Funds. In FY 2012, the General Fund equity transfer increased by \$0.4 million in the Electric Fund and \$0.7 million in the Gas Fund.

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 expenses, which also result in lower future rates.

The total Enterprise Fund Reserve Balances (Supply and Distribution Rate Stabilization, Emergency Plant Replacement, etc.) decrease by \$16.0 million in FY 2012.

UTILITIES DEPARTMENT OVERVIEW

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 and consistent with Council financial priorities of City finances and environmental sustainability. In addition, the marketing of energy efficiency programs and the increasing of renewable energy supplies will be focal points, especially in light of Council's environmental sustainability priority and state-mandated energy-efficiency goals.

The Utilities Department continues to adapt to the changing regulatory and legislative landscape, including developments in related transmission markets, greenhouse gas reduction regulations and requirements to maintain reliable utility system operations. Utilities is working directly with the City Manager to better position the department to manage increasing regulatory requirements, including the recent addition of a "Compliance Manager" to deal with Federal Department of Transportation, California Department of Health Services, California Occupational Safety and Health Administration, Regional Water Quality Control Board, and Federal Energy Regulatory Commission (and Western Electricity Coordinating Council) requirements among others.

An increased capacity to provide high-value services for customers continued with the May 4, 2009 implementation of SAP software for customer service and billing functions. These services continued with the re-introduction of an updated online "My Utilities Account" (MUA) customer self-service portal. MUA provides 24/7 customer access to Utilities account information and allows on-line payment of utilities bills. The new billing system is more flexible and will permit more utility usage and rate information to be displayed on the bills with the goal to provide customers the information and incentives to use resources efficiently. Since the prior fiscal year, MUA has gained over 7,000 new subscribers.

UTILITIES DEPARTMENT EXPENDITURE HIGHLIGHTS

Overall, water commodity costs are expected to increase steadily over the next five years based on projections provided by the San Francisco Public Utilities Commission (SFPUC), which supplies water to Palo Alto. The primary cost driver is the SFPUC's multi-billion dollar infrastructure repair and replacement project. Also

Enterprise Funds Overview

impacting costs is the fact that in recent years, actual consumption levels were lower than forecasted; thus, annual revenues have not kept pace with the fixed expenses of the water distribution system. In light of these developments, a revised water rate structure and water rate levels are being adopted for FY 2012.

Palo Alto's share of wastewater treatment costs--which are allocated among the five partners that use the system--will increase by about \$0.4 million in FY 2012.

CAPITAL IMPROVEMENT PROGRAM (CIP)

CPAU continues to invest in its infrastructure, replacing deteriorated or aging facilities with new technologies, to ensure reliable delivery of services in the future. Utilities continues to assess smart grid opportunities, the potential to increase the City's connection points to the electric transmission grid to improve reliability, and to seek local generation options.

In FY 2012, planned CIP expenditures for the Electric Fund total \$8.7 million. New CIP projects include rebuilding and replacing certain underground electric systems and electric distribution system conversions from 4kV to 12kV.

FY 2012 Gas Fund planned CIP expenditures are \$7.8 million. A significant amount of capital expenditures are appropriated for the gas main replacements projects.

The Wastewater Collection Fund has budgeted \$4.3 million for FY 2012 CIP expenditures. Included are projects to rehabilitate collection systems and manholes, and to reduce groundwater and rainfall seepage into the pipelines.

In FY 2012, \$4.4 million is budgeted in the Water Fund for CIP expenditures. The Water Fund CIP primarily involves the water main replacements and other projects focused on reliability. A significant CIP is the Seismic Water System Upgrades project which will cost \$9.7 million over the next three years (including \$2.7 million in FY 2012).

The FY 2012 Capital Budget document discusses in details the capital projects of all Utilities Department Enterprise Funds.

UTILITIES DEPARTMENT PROGRAM HIGHLIGHTS

The PaloAltoGreen 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. As of December 2010, there are 6,345 active participants in the PaloAltoGreen Program which represents 21.5% percent of all electric accounts. The PaloAltoGreen Program continues to achieve the nation's highest participation rate, according to the National Renewable Energy Laboratory.

CPAU exceeded all of its electric, natural gas and water efficiency goals for the FY 2010. This achievement is attributed to the increased number of programs available for all customer types, as well as an expansion of programs administered by third party agencies. Such third party program administration enhances the City's ability to set and achieve greater efficiency goals while lessening the impact on staff and resources.

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

Enterprise Funds Overview

- 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) establishes a statewide "loading order" for electric power resources, specifying the following preference hierarchy: first, energy efficiency and demand reduction; second, renewable energy; and third, conventional power supply. This legislation 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.
- AB1470 (2007) requires publicly owned utilities providing gas service to retail gas customers to adopt, implement and finance a solar water heating system incentive program.
- AB920 (2009) requires utility companies to pay households or businesses for any extra electricity produced by the customer's solar power system to encourage more people to invest in solar power while maximizing conservation and energy efficiency.

In FY 2012, approximately \$4.5 million is being 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 supplied most of the City's electric supply needs, the Electric Utility has worked diligently to address the resulting supply gap and meet the City's goal of reaching a 33% renewable portfolio standard. Significant progress has been made in developing and implementing a long-term energy efficiency plan, purchasing wind and landfill gas renewable power, obtaining market-based contracts, and developing 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 CPAU strategies and implementation plans meet all relevant 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 costs and retail rates in spite of marketplace volatility. Staff will continue to pursue supply strategies that mitigate price swings. In addition, the Gas Utility will focus on promoting energy efficiency and implementing capital projects that increase the infrastructure's reliability and safety.

Enterprise Funds Overview

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

Comprising all the cities, water districts, and private companies that purchase water from SFPUC, the Bay Area Water Supply and Conservation Agency (BAWSCA) actively participates in planning capital projects that will improve the reliability of the regional water supply infrastructure. Though these infrastructure improvements are costly, they will greatly increase the seismic 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 FY 2012 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 of California's solid waste diversion requirement, which mandates cities and counties to divert 50 percent of all solid waste from landfills.

Effective July 1, 2009, a new agreement began with GreenWaste of Palo Alto for the collection and processing of solid waste, recyclable materials, organic materials, and other services. The financial health of the Refuse Fund has been impacted by a number of factors including the new agreement with GreenWaste, implementation of the Zero Waste Operational Plan programs, rising costs at the Sunnyvale Materials Recovery and Transfer (SMaRT) Station, and the revised closure cost for the City landfill (which will close in FY 2012).

A rate increase was approved by Council in October 2010, in order to maintain adequate revenues in the Refuse Fund, and reductions in expenses were made until staff returns to the Council with results of an initial cost of services study for Refuse Fund activities. The current rate increase will expire in October 2011. In order to maintain adequate revenues, staff anticipates recommending that Council continue the rate approved in October 2010, and may ask for an additional increase. A continuation of the cost of services study will provide recommendations related to future rates for residential, commercial and industrial customers.

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 FY 2012, efforts will include Channing Avenue/Lincoln Avenue Storm Drain Improvements and continued implementation of citywide system repairs.

Wastewater Treatment

Revenues in the Wastewater Treatment Fund will show an increase of \$0.4 million in FY 2012, primarily due to efforts to align budget revenue for contract cities more closely with projected actual amounts. The recently completed ultraviolet disinfection system will lower costs and more safely treat plant effluent. No new capital improvement projects are planned in FY 2012.

FY 2012 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	Airport Fund	Total
Revenues										
Net Sales	109,963	2,609	42,013	14,485	29,366	23,947	5,536	12,566	0	240,485
Interest Income	4,014	310	948	480	971	301	148	499	0	7,669
Other Income	11,230	740	1,871	904	2,859	3,952	130	8,016	0	29,702
Bond Proceeds	0	0	0	0	0	0	0	0	0	0
TOTAL SOURCE OF FUNDS	\$125,207	\$3,659	\$44,832	\$15,868	\$33,196	\$28,199	\$5,815	\$21,081	\$0	\$277,856
Expenditures										
Utility Purchases and Charges	69,846	0	19,397	7,954	15,774	13,000	0	0	0	125,970
Salaries and Benefits	11,079	928	4,635	2,074	5,339	4,060	1,005	9,509	0	38,629
Contract Services	4,306	158	4,850	178	740	6,058	373	1,877	0	18,540
Supplies and Materials	811	18	465	222	461	141	103	1,422	0	3,642
Facilities and Equipment Purchases	75	0	63	1	8	10	8	10	0	174
General Expense	4,070	25	914	78	435	227	15	411	0	6,176
Rents and Leases	3,939	27	341	202	2,896	4,298	6	0	0	11,709
Allocated Charges	8,344	405	3,910	1,958	3,116	3,255	606	4,709	0	26,304
Debt Service	8,966	0	948	129	3,338	623	950	818	0	15,772
Subtotal	\$111,436	\$1,561	\$35,522	\$12,795	\$32,105	\$31,673	\$3,066	\$18,756	\$0	\$246,915
Equity Transfer	11,587	0	6,006	0	0	0	0	0	0	17,593
Capital Improvement Program	8,685	500	7,821	4,274	4,369	6,246	2,639	56	0	34,590
Operating Transfers Out	299	9	170	88	104	74	18	105	0	867
TOTAL USE OF FUNDS	\$132,007	\$2,070	\$49,518	\$17,158	\$36,578	\$37,993	\$5,723	\$18,918	\$0	\$299,965
TO/FROM RESERVES	\$(6,800)	\$1,588	\$(4,687)	\$(1,289)	\$(3,382)	\$(9,794)	\$92	\$2,163	\$0	\$(22,109)

Enterprise Fund Reserves

RESERVES

(\$000)

Electric Fund

	FY 2012 Projected Beginning Balance	FY 2012 Changes	FY 2012 Projected Ending Balance	FY 2012 Reserve Guideline Range
Emergency Plant Replacement	1,000	0	1,000	1,000 (min.)
Distribution Rate Stabilization	9,205	377	9,582	6,391 - 12,782
Supply Rate Stabilization	41,931	(1,319)	40,612	31,018 - 62,035
Calaveras	55,558	(5,238)	50,320	
Public Benefit	3,240	(620)	2,620	
Central Valley O&M	306	0	306	
Underground Loan	731	0	731	
Subtotal	\$111,971	\$(6,800)	\$105,171	

Gas Fund

Emergency Plant Replacement	1,000	0	1,000	1,000 (min.)
Distribution Rate Stabilization	10,048	(9,631)	417	2,676 - 5,353
Supply Rate Stabilization	3,215	4,944	8,159	4,665 - 9,330
Debt Service Reserve	952	0	952	
Subtotal	\$15,215	\$(4,687)	\$10,528	

Wastewater Collection Fund

Emergency Plant Replacement	1,000	0	1,000	1,000 (min.)
Rate Stabilization	5,850	(1,289)	4,561	2,156 - 4,311
Subtotal	\$6,850	\$(1,289)	\$5,561	

Water Fund

Emergency Plant Replacement	1,000	0	1,000	1,000 (min.)
Rate Stabilization	15,148	(3,382)	11,766	4,614 - 9,229
Debt Service Reserve	3,348	0	3,348	
Subtotal	\$19,496	\$(3,382)	\$16,114	

Refuse Fund

Rate Stabilization	(5,285)	(3,694)	(8,979)	2,462 - 4,924
Landfill Corrective Action Reserve	658	0	658	
Subtotal	\$(4,627)	\$(3,694)	\$(8,321)	

Storm Drainage Fund

Rate Stabilization	245	92	337	
Subtotal	\$245	\$92	\$337	

Enterprise Fund Reserves

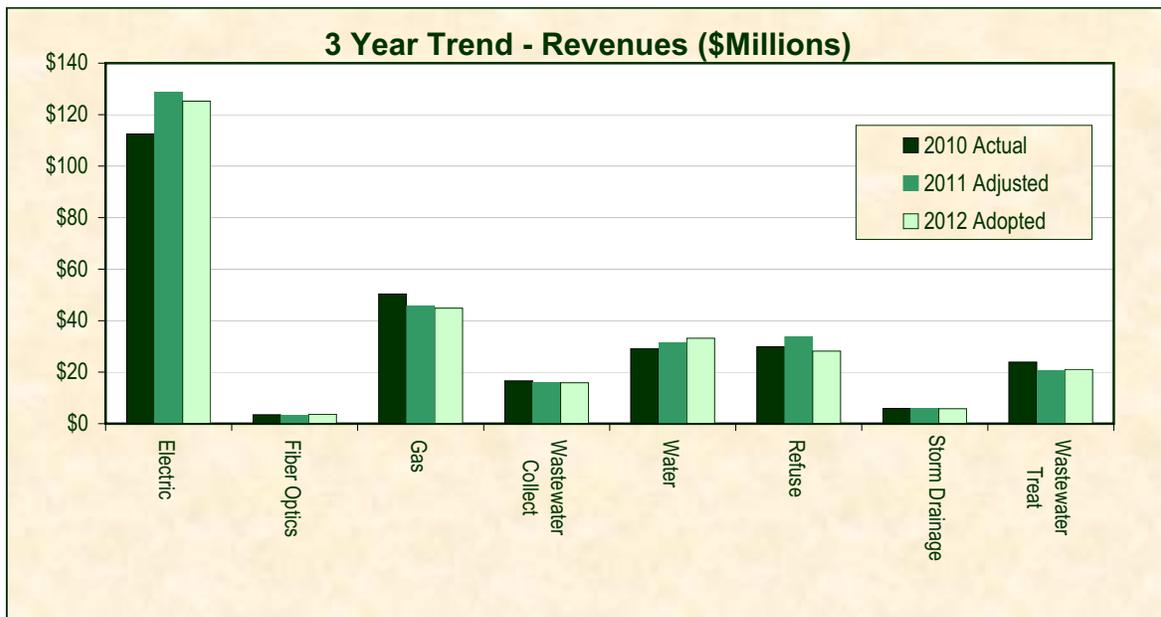
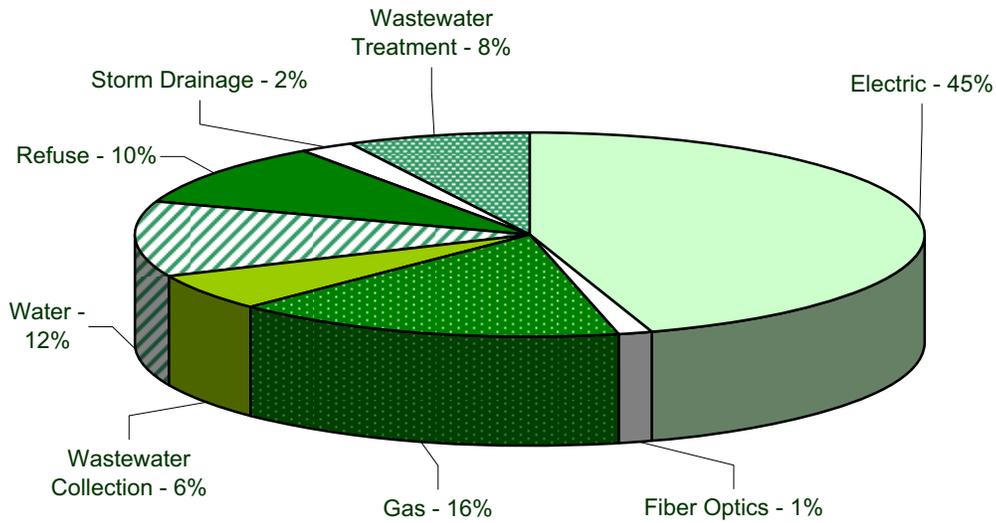
RESERVES

(\$000)

	FY 2012 Projected Beginning Balance	FY 2012 Changes	FY 2012 Projected Ending Balance	FY 2012 Reserve Guideline Range
Wastewater Treatment Fund				
Emergency Plant Replacement	1,747	182	1,929	1,929 (max.)
Rate Stabilization	1,654	1,981	3,635	3,050 - 6,100
Subtotal	\$3,401	\$2,163	\$5,564	
Fiber Optics Fund				
Emergency Plant Replacement	1,000	0	1,000	1,000 (min.)
Rate Stabilization	9,406	1,588	10,994	670 - 1,675
Subtotal	\$10,406	\$1,588	\$11,994	
TOTAL RESERVES	\$162,957	\$(16,009)	\$146,948	
Emergency Plant Replacement	6,747	182	6,929	
Rate Stabilization	91,417	(10,333)	81,084	
Debt Service Reserve	4,300	0	4,300	
Calaveras	55,558	(5,238)	50,320	
Public Benefit	3,240	(620)	2,620	
Central Valley O&M	306	0	306	
Underground Loan	731	0	731	
Shasta Rewind Loan	0	0	0	
Conservation Loan	0	0	0	
Landfill Corrective Action Reserve	658	0	658	
TOTAL RESERVES	\$162,957	\$(16,009)	\$146,948	
Landfill Closure and Postclosure Care Liability	10,648	(6,100)	4,548	
TOTAL RESERVES AND FULLY-FUNDED LIABILITY	\$173,605	\$(22,109)	\$151,496	

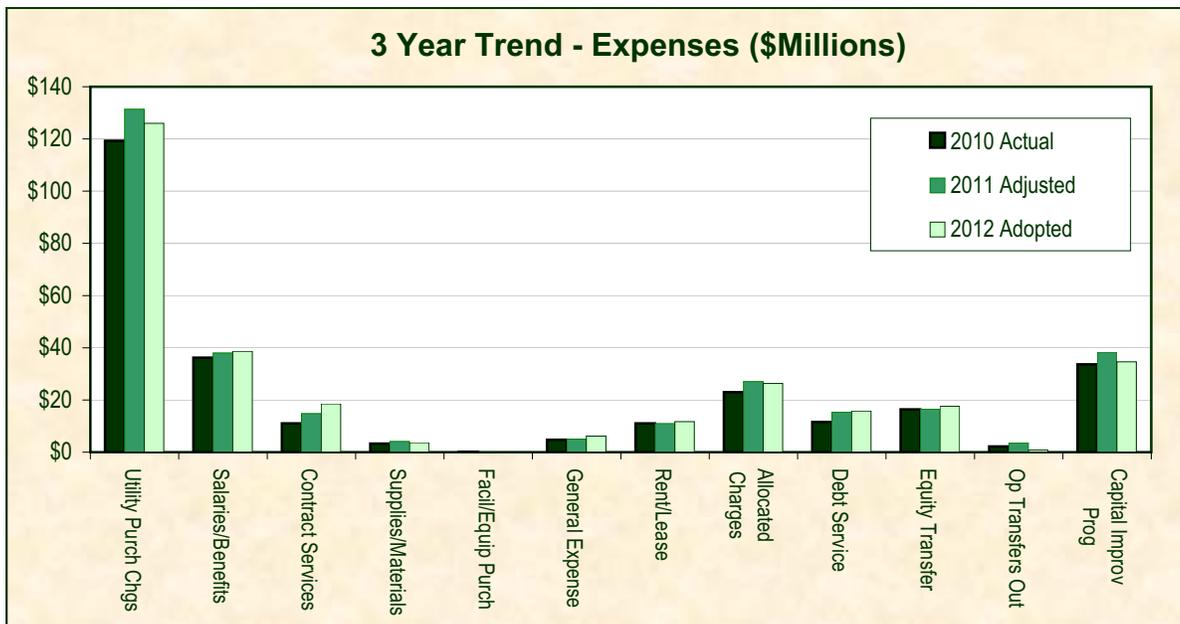
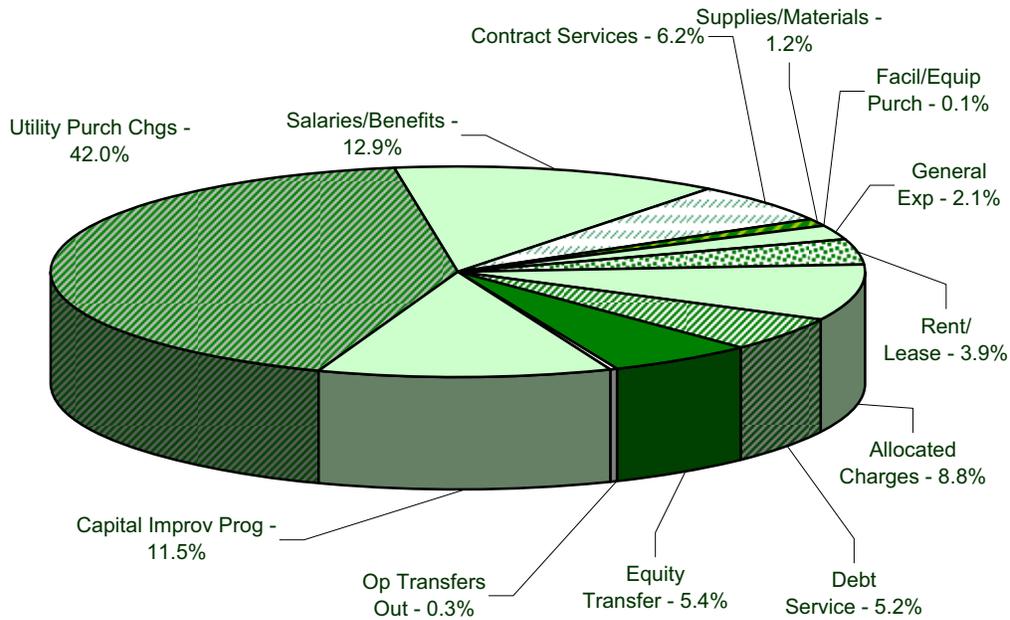
Enterprise Revenues by Fund

\$277.9 Million / Adopted FY 2012



Enterprise Expenditures by Category

\$300.0 Million / Adopted FY 2012



Average Residential Monthly Utility Bill

Utility	Current FY 2011 Bill	Adopted FY 2012 Bill	\$ Difference	% Difference
Electric (650KWH)	76.33	76.33	-	0.0%
Water (14CCF)	72.01	85.74	13.73	19.1%
Gas (100/30TH)	99.42	99.42	-	0.0%
Wastewater	24.65	27.91	3.26	13.3%
Refuse	32.86	32.86	-	0.0%
Storm Drain	11.23	11.40	0.17	1.5%
User Tax	12.39	12.80	0.41	3.3%
TOTAL MONTHLY BILL	\$328.89	\$346.46	\$17.57	\$5.3%

COMMENTS:

FY 2012 Water average rate increase is 12.5% increase created by a 20.9% average rate increase effective October 1, 2011

Residential water rate and revenue requirements are higher due to cost of service analysis and adjustments.

FY 2012 Wastewater average rate increase is 0%; residential increase is 13.3% due to cost of service analysis

FY 2012 Storm Drain will increase by CPI at 1.5%, effective 7-1-11

FY 2012 Refuse proposed rate increases will be presented in July 2011

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Electric Fund

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

OVERVIEW

In Fiscal Year (FY) 2012, the City of Palo Alto's Utilities (CPAU) Electric Division plans to focus on improving infrastructure reliability, enhancing the customer service connection experience, increasing energy efficiency participation, increasing the percentage of electric supply obtained from renewable energy supplies, and maintaining a supply cost advantage as measured against the California wholesale electric market.

Infrastructure Reliability

The integrity of the infrastructure required for achieving a high level of reliability and value for our customers is of paramount importance to CPAU. Capital projects in FY 2012 include the following:

- Complete construction of Underground District 45 (more information may be found in the FY 2012 Capital budget document)
- Begin engineering design of Underground District 47 - area bounded by Middlefield Road, Homer Avenue, Webster Street, and Addison Avenue
- Continue the on-going multiyear system rebuilding projects encompassing the old Underground Districts 17, 19, and 24 and at the Hewlett Subdivision along Los Trancos Road
- Continue ongoing system improvements and upgrades
- Replace a substation transformer at Hanover Substation
- Install transformers and meters for new customers
- Continue utility site security enhancements
- Convert the primary electric distribution system along W. Charleston Road/Wilkie Way/El Camino Real and Middlefield Road/Moreno Avenue from 4kV to 12kV

Additional new capital projects include: multiyear funding for reconductoring the 60kV Overhead Transmission system; converting light-emitting diode (LED) street light system; and implementing the Smart Grid Technology as recommended in the "Smart Grid Assessment" study completed by EnerNex Corporation and approved by Council.

Supply

During FY 2011, staff spent considerable time revising the objectives, strategies, and implementation design of Long-term Electric Acquisition Plan (LEAP). Staff will devote a significant amount of time to completing the LEAP implementation tasks and continue to manage a diversified, reliable, cost-effective, and renewable portfolio consistent with the revised LEAP strategies. The LEAP strategies include preference for least-cost resources while including the cost of environmental impacts, maximization of cost-effective energy efficiency, renewable supply goals, risk management, incentives for locally sited, ultra-clean generation, demand reduction programs, and consistency with the Council-adopted Climate Protection Plan.

Electric Fund

Due to the long-term contract with the Western Area Power Administration for hydroelectric power and other low-cost supply contracts, overall costs for electricity are less than market costs. Nevertheless, supply and transmission expenses present significant challenges as those costs continue to fluctuate. Wholesale electric costs rose to very high levels in the summer of 2008, then fell precipitously until the end of 2008 and remained at relatively low levels throughout 2009 and 2010. Highly volatile energy prices mean that high prices could return. Although electric costs have declined from their heights in the summer of 2008, persistent dry weather through the summer of 2010 reduced hydroelectric generation, requiring CPAU to purchase replacement energy, driving up costs. The hydro conditions for FY 2011 are anticipated to be far more favorable.

Actions taken by the Federal Energy Regulatory Commission (FERC) and the California Independent System Operator (CAISO) to promote changes in the industry's structure resulted in greater complexity and increased costs for both transmission and for maintaining the required local (Bay Area) generating capacity. Currently, CPAU's access to local generating capacity is very limited, and it costs more to acquire power from more distant resources.

CPAU has made significant progress in mitigating increased costs for longer-distance generation by developing programs to stay on target with the approved long-term energy efficiency plan. CPAU is also purchasing wind and landfill gas renewable power. Other efforts include obtaining market-based contracts and reviewing improvements to transmission infrastructure and to CPAU's connections to the electric transmission grid system. CPAU continues its investigation of customer-sited generation and cogeneration options, but no customer sites have yet proven feasible for these options.

The LEAP (Long-term Electric Acquisition Plan) reflects a planning methodology for managing the City's supply portfolio. By clearly identifying and capturing supply needs and risks, staff recommends long-term portfolio elements and short-term power purchases. During FY 2012, implementation of the LEAP initiatives will continue. LEAP initiatives include a focus on energy efficiency, ultra-clean small-scale local generation, power from renewable resources, transmission upgrades, market-based contracts, hydroelectric generation risk management, and actions to meet climate protection goals.

During calendar year 2010, renewable supplies from two wind projects and three landfill-gas-to-energy plants delivered about 19 percent of the City's electric supply needs. The level of renewable supplies is expected to increase slightly to 20 percent for FY 2011. The City has executed contracts for renewable energy from three additional landfill-gas-to-energy plants, which are expected to come on-line in late 2012 and early 2013. After these three plants are in operation, the renewable supplies are expected to provide about 27 percent (not including small hydro) of the City's electric supply needs in calendar year 2013.

Since the passage of Senate Bill 1 (2003), Senate Bill 1037 (2005), and Assembly Bill 2021 (2006), CPAU has been required to consider 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 previous Demand-side Management programs, funding for energy efficiency programs was increased. In addition, a variety of new programs delivered by third party agencies have been offered to customers in the past two years. In May 2010, Council significantly increased the ten-year energy efficiency goals from those set in 2007.

The City is a member of the Northern California Power Agency (NCPA). There have been changes in the arrangements for allocating costs to members as well as changes in membership, with an overall neutral impact to the City. Staff will continue to be involved in monitoring and participating in those NCPA strategies that continue to enhance the value the agency provides the City.

Sales, Marketing and Customer Service

The Electric Utility's Public Benefits program continues to see significant expansion to reach broader markets. The California Solar Initiative (Senate Bill 1) allowed the Photovoltaic (PV) Partners program to offer additional funding for rebates to those in Palo Alto who install solar electric panels. Customers continue to take advantage of efficiency and PV rebates, which help the City meet its Climate Protection Plan goals. The results of these programs are evaluated by a third party consultant, as required, and reported to the state.

The 2010 Ten-Year Electric Energy Efficiency (EE) Plan has a cumulative goal of achieving a 7.2% reduction in consumption by FY 2020 as a direct result of utility programs. Not only does this goal double the one set in 2007, but it also must be achieved on top of the substantial "natural" reductions that occur every year when consumers buy more efficient equipment created by mandatory state standards.

The table below shows CPAU's record thus far in meeting its annual electric reduction goals. Savings are shown as a percentage of total retail sales.

	YEAR			
	2008	2009	2010	2011
Goal	0.25%	0.28%	0.31%	0.60%
Savings	0.56%	0.47%	0.55%	N/A

Rates

No rate adjustment is adopted for FY 2012. The last rate adjustment occurred in FY 2010 which was an increase of 10 percent.

Reserves

Electric Rate Stabilization Reserves (RSRs) are maintained and managed in accordance with Council-approved guidelines. The RSRs provide 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 Implementation Plan specifies the need to maintain an adequate Supply RSR 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 other financial obligations. Reserves may be above the maximum guideline level or below the minimum guideline level for a particular year as long as the levels are projected to move back to between the minimum and maximum over the five-year financial forecast planning horizon.

In FY 2009, Council approved changes to Electric RSR guidelines. Target reserve levels reflect the risk assessment of the RSRs that must be performed annually according to the guidelines. Risks for the Electric Supply RSR include exposure to hydrological conditions, market price fluctuations for electricity, changes in sales volumes, risks related to legislative and regulatory initiatives, and credit risks related to CPAU's energy suppliers. The target level for the Electric Distribution RSR is based on a risk assessment that includes potential revenue shortfalls from declining sales and requirements for Capital Improvement Programs. In FY 2012, staff plans to re-evaluate the RSR guidelines and make a recommendation to the Utilities Advisory Commission and Council.

Electric Fund

Without an electric rate increase in FY 2012, the Budget results in a total reserve balance of approximately \$105 million. The Electric Supply RSR ending balance is projected to end FY 2012 at \$40.6 million, which is above the minimum guideline of \$31 million. The ending Electric Distribution RSR is projected to be \$9.6 million as of the end of FY 2012, which is above the minimum guideline of \$6.4 million.

The Calaveras Reserve is maintained to cover the amount that certain electric assets are projected to cost above their market value in the future, or their "stranded costs." In February 2009, staff provided Council with an updated assessment of stranded costs and alerted them that there could be more funds in the Calaveras Reserve than needed to cover stranded costs. In June 2009, Council adopted new guidelines for the management of the Calaveras Reserve. The guidelines require an annual re-calculation of the stranded costs, both for the upcoming budget year and for the long term, and set the minimum transfer from the Calaveras Reserve to the Electric Supply Operating Budget equal to the stranded cost estimate for the budget year. In addition, the guidelines require that if there are funds available in excess of long-term stranded cost needs, staff will work with the Utilities Advisory Commission to identify and recommend projects for Council consideration and approval. Such projects shall be to the benefit of electric ratepayers.

Projects that Council has approved for funding from the Calaveras Reserve include:

- \$200,000 per year in FY 2010 and FY 2011 for the PLUG-In Program for investments in or incentives for cogeneration projects within the City
- \$70,000 in FY 2010 to evaluate the cost-effectiveness of advanced metering infrastructure (AMI) and other smart grid elements and to develop a strategic plan to implement appropriate advanced metering infrastructure (AMI) and other smart grid elements
- \$2 million in seed funding for a Business Electric Efficiency Financing Program. This program should be available to businesses during calendar 2011.

Other projects may be identified in FY 2012 for funding from the Calaveras Reserve. The smart grid strategic plan will be completed by the end of FY 2011 and several projects may be proposed for funding by the Calaveras Reserve. The projected Calaveras Reserve balance is \$50.3 million at the end of FY 2012. An initiative in the 2012 Utilities Strategic Plan is to re-evaluate the Calaveras Reserve guidelines since the reality of stranded costs for the Electric Fund has been questioned.

PROGRAM UPDATE

As of January 2011, there have been 422 photovoltaic systems installed, representing over 2,798 kW of pollution-free electric generation on the rooftops of Palo Alto businesses and residents. In addition, 33 solar water heating systems had been installed, with \$55,763 paid in rebates. All but one of these systems were residential. An estimated 5,400 kWh (as well as 3,663 therms) have been saved with these systems.

In addition, PaloAltoGreen remains the number one voluntary renewable energy program in the country. PaloAltoGreen currently boasts a participation rate greater than 21% percent. Since the City of Palo Alto has increased its participation in PaloAltoGreen and the City has engaged in many other renewable and sustainable practices, the Environmental Protection Agency (EPA) has designated Palo Alto as a "Green Power Community" for the third year in a row.

A research program on Light Emitting Diode (LED) lights was completed in Spring 2010. The City purchased the LED lights at wholesale cost for \$38 each and discounted them to a retail price of \$4 each. Customers were able to purchase two bulbs-- one each of two different styles. They were asked to provide feedback on lighting quality, preference between two styles of lamps, and the amount they were willing to pay for future lights. The program was enormously successful, with the first delivery selling out in less than two days. The entire order of

1,000 of each style of lamp (2,000 total) was purchased by customers at the three participating local hardware/lighting stores. Feedback was received from 713 customers. Preference between lamp styles was nearly equal, and customers were generally interested in purchasing lamps again. However, the average price that customers expressed a willingness to pay was about \$11, which is far less than the current price for this style of light. In addition, many customers were concerned about the quality of the lights, both the color and the brightness, with many customers stating that the lights are too blue and/or too dim. The result of this study will assist staff in developing future lighting programs.

A new program to provide residents with information comparing energy and water usage with similar neighbors (Home Utility Usage Report or "Home Energy Report") began in November 2010. Money to fund this program was provided by the federal government through the American Recovery and Relief Act (ARRA) stimulus funds. The program received generally positive results in the first few months, with only 31 customers (or 0.17% of the 18,648 report recipients) asking to be removed from the program by the end of calendar 2010.

COUNCIL PRIORITY IMPLEMENTATION

Environmental Sustainability

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 International Cities for Local Environmental Initiatives (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. More details are in the Palo Alto Climate Protection Plan approved by Council in December 2007.

In 2010, the City completed its fifth California Climate Action Registry greenhouse gas inventory and certification for year 2009, retaining the designation of "Climate Action Leader." Estimated community-wide CO₂ emissions from CPAU-provided electricity were slightly higher in 2009 (163,068 metric tons) than in base year 2005 (145,007 metric tons) but lower than the 171,709 metric tons of emissions in 2008, despite increases in power deliveries from renewable resources. The higher emissions were a result of the purchase of market based brown electricity to make up for the loss of hydro electricity production due to California's drought conditions.

PaloAltoGreen continues to maintain the highest participation rate of any green pricing program in the nation, with almost 21% percent of electric customers participating in the program. As a result, CPAU purchased an additional 6.8 percent of its annual energy supply from wind and solar renewable energy certificate resources on top of the renewable supplies purchased to meet the Council-approved renewable portfolio targets in 2010.

Renewable energy from two wind farms and three landfill gas-to-energy facilities provided about 19 percent of annual energy use for 2010. A fourth landfill gas-to-energy facility is expected to begin operation in 2012 bringing the total to 20% of the City's energy use. Contracts for two additional renewable resources, obtained as part of our progress toward the City's accelerated renewable energy goals, were approved in May 2010 and are expected to be operational in 2013 for a total of 26.5% of the City's energy use. Additional renewable resources will be pursued in FY 2012 to meet the Council-approved goal of 33% renewable energy by 2015.

Electric Fund

All of the Electric Fund's residential and commercial energy and demand-side management programs and incentives contribute to the Council's priority of "Environmental Sustainability." Since the City itself is also a top customer for the Utilities energy efficiency programs, these programs also contribute to the Council's "Economic Health" priority by lowering the operating costs of City facilities and parks.

The City received \$663,000 in ARRA funds in October 2009 and has allocated the funds to two projects - the Home Energy Report project and the Light Emitting Diode (LED) streetlight project. The Home Energy Report project is being implemented by the OPOWER company and provides bi-monthly reports to residential customers showing their energy usage compared with other similar households in their neighborhood. The reports help to increase customer awareness of their energy usage and motivate them to reduce electric and natural gas consumption. The first set of reports was mailed out to residents in November 2010.

For the LED streetlight project, City Council approved the purchase of 600 LED streetlight fixtures to replace 250W High Pressure Sodium (HPS) streetlight fixtures on Alma and El Camino Real. LED lights produce significant energy savings compared to HPS streetlights while maintaining luminance levels and improving luminance uniformity. Additionally, LED lights do not contain mercury and have a much longer life than HPS lights, thereby reducing the City's streetlight maintenance costs. An RFP for the installation of the LED streetlight fixtures is currently in process. The installation of the 600 fixtures is expected to be completed by late Spring 2011.

FY 2012 will see continued funding for efficiency, renewable energy and other demand-side management activities as required by the State of California's Public Benefits guidelines. This just-under-\$3 million annual funding is mandated through billing surcharges based on 2.85% of utility revenues. Supplemental annual funding of approximately \$1.6 million in FY 2012 will be provided through the Resource Supply budget to comply with additional state legislative energy mandates, including those of Senate Bill 1, the California "million solar roofs" legislation.

Residential programs promoting Environmental Sustainability in FY 2012 include:

- Smart Energy Program---rebates for ENERGY STAR® appliances, insulation, furnaces, and other equipment
- Residential Energy Assistance Program (REAP)---free low-income efficiency installations
- Refrigerator recycling program
- Home Energy Reports
- Compact Fluorescent Flood Light rebate program
- Light Emitting Diode (LED) holiday light-string exchange
- Green@Home energy audit with Blue Line Monitoring Systems
- PV Partners Program---solar electric installation rebates
- Community event sponsorship promoting participation in residential efficiency programs
- PAUSD Grant Program---\$50,000 grant for efficiency improvement education
- PaloAltoGreen---renewable energy supply source option
- New construction incentive program, in coordination with the Planning department and the CALGreen Building Code

Commercial programs promoting Environmental Sustainability in FY 2012 include:

- Commercial Advantage Program---rebates for many efficiency equipment installations
- Commercial and Industrial Energy Efficiency Program---focused audit and implementation assistance for larger businesses

Electric Fund

- PV Partners Program---solar electric rebates
- Right Lights+ Program---small commercial lighting, refrigeration, and controls installation program
- Data Center efficiency program
- New Construction incentive program
- Meter Links website program---shows commercial customers' prior-day load profile
- Efficiency Improvement Training---for City facilities staff and customers
- PLUG-In Program---ultra-clean small-scale distributed generation and cogeneration
- Financing program
- Third Party Review of Efficiency Programs---to ensure that savings are being appropriately evaluated, measured, and verified, as required by Assembly Bill 2021

FUND SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Net Sales	110,450,197	112,027,920	112,027,920	109,962,697	(2,065,223)
Interest Income	5,750,864	4,301,000	4,301,000	4,013,600	(287,400)
Other Income	14,473,716	12,250,085	12,402,269	11,230,474	(1,171,795)
TOTAL FUND REVENUES	\$130,674,777	\$128,579,005	\$128,731,189	\$125,206,771	\$(3,524,418)
Administration	5,823,762	6,340,862	6,365,826	6,666,446	300,620
General Services					
CIP	142,724	915,001	914,786	919,998	5,212
Operations	963,402	1,271,196	1,266,916	1,309,959	43,043
Resource Management					
Purchases	68,713,475	74,078,000	74,078,000	69,846,000	(4,232,000)
Operations	3,033,430	4,099,893	4,185,623	4,534,090	348,467
Customer Support Services	1,896,952	1,696,912	1,712,952	1,859,067	146,115
Distribution System					
Systems Improvement(CIP)	7,340,382	7,170,000	7,309,698	5,765,000	(1,544,698)
Customer Design and Connection Services(CIP)	1,896,224	2,000,000	1,998,909	2,000,000	1,091
Operations	9,173,641	10,539,191	10,642,389	10,957,681	315,292
Demand-side Management (DSM)	3,894,803	2,995,143	3,002,822	3,608,746	605,924
Debt Service	7,822,436	8,949,000	8,949,000	8,966,300	17,300
Equity Transfer	11,120,000	11,195,000	11,195,000	11,587,000	392,000
Rent	3,813,101	3,498,101	3,588,101	3,688,014	99,913
Operating Transfers Out	785,345	865,625	995,377	298,682	(696,695)
TOTAL FUND EXPENDITURES	\$126,419,677	\$135,613,924	\$136,205,399	\$132,006,983	\$(4,198,416)
TO/FROM RESERVES	\$4,255,100	\$(7,034,919)	\$(7,474,210)	\$(6,800,212)	\$673,998

Electric Fund

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Utility Purchases and Charges	68,713,475	74,078,000	74,078,000	69,846,000
Salaries and Benefits	10,848,524	10,452,864	10,621,791	11,078,505
Contract Services	3,266,182	4,283,551	4,312,991	4,305,700
Supplies and Materials	657,069	814,658	814,658	811,048
Facilities and Equipment Purchases	12,930	84,080	84,080	74,905
General Expense	2,680,127	3,173,845	3,173,845	4,070,059
Rents and Leases	3,969,811	3,755,176	3,845,176	3,939,414
Allocated Charges	7,164,448	7,877,124	7,912,088	8,344,372
Debt Service	7,822,436	8,949,000	8,949,000	8,966,300
Equity Transfer	11,120,000	11,195,000	11,195,000	11,587,000
Capital Improvement Program	9,379,330	10,085,001	10,223,393	8,684,998
Operating Transfers Out	785,345	865,625	995,377	298,682
TOTAL EXPENDITURES	\$126,419,677	\$135,613,924	\$136,205,399	\$132,006,983
Total Full Time Positions	105.98	102.95	102.95	104.96
Total Temporary Positions	3.50	3.59	3.59	3.77

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Average purchase cost per MWH (SEA)	\$74.11	\$69.01	\$75.75
2. The Standard & Poor's revenue bond credit rating will be AA- or higher.	AA-	AAA	AAA
3. Percent of electricity from Palo Alto Green Program (SEA)	7%	6%	6%
4. Percent of customers enrolled in Palo Alto Green Program (SEA)	22%	21%	21%
5. Average wait time for customers calling the Customer Service Center	70 sec	90 sec	90 sec
6. Number of total participants in the Rate Assistance Program (RAP)	1,000	1,500	1,300
7. Amount of annual assistance for RAP for Electric bills	\$180,000	\$270,000	\$320,000
8. Reading accuracy for the Meter Reading group	99.9%	99.9%	99.9%
9. Achieve percentage of customers in PAG as shown in City's adopted Sustainability Policy	22%	21%	21%
10. Achieve 10 Year Energy Efficiency Goals in kWh- Residential	747,943	850,000	750,000
11. Achieve 10 Year Energy Efficiency Goals in kWh- Business	5,838,985	6,000,000	6,100,000
12. Number of Palo Alto School District students attending class presentations for solar, electricity, and water education	654	650	650

Electric Fund

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
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)	52 minutes	<60	<60
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)	2.2	<3	<3
3. Bank Drafting- Increase customer participation	>25%	>25%	>25%
4. My Utilities Account- increasing the participating customers to greater than 10% of total	N/A	>10%	>20%
5. Increase participants in low-income efficiency program (REAP) by 10%	87	80	80
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	7.7	7.8
2. Citizen survey- percent rating electric utility good or excellent (SEA)	79%	85%	85%
3. Increase annual purchase of electricity from renewable fuel sources to meet Council-directed targets of (1) 20% renewable power by 2008 and (2) 33% renewable power by 2015	17.9%	20%	20%
4. Uncollectable Revenue (Write-Off) will be less than 0.20 percent of Fund Net Revenue. (new)	0.07%	.12%	.13%
5. Reduce days lost due to workplace injury to 5 or less	1	<5	<5
6. Increase kW of solar electric (PV) systems installed in PV Partners Program to level in City's 10 Year Plan	2,221	3000	3,250

RESERVES

(\$000)	FY 2012 Projected Beginning Balance	FY 2012 Changes	FY 2012 Projected Ending Balance	FY 2012 Reserve Guideline Range
Emergency Plant Replacement	1,000	0	1,000	1,000 (min.)
Distribution Rate Stabilization	9,205	377	9,582	6,391 - 12,782
Supply Rate Stabilization	41,931	(1,319)	40,612	31,018 - 62,035
Calaveras	55,558	(5,238)	50,320	
Public Benefit	3,240	(620)	2,620	
Central Valley O&M	306	0	306	
Underground Loan	731	0	731	
TOTAL RESERVES	\$111,971	\$(6,800)	\$105,171	

Electric Fund

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES (\$000)			
Decrease net sales	(625)		(625)
Decrease surplus energy revenue	(1,580)		(1,580)
Increase connection charges	50		50
Increase CIP reimbursements from customers	705		705
Decrease other revenue	(96)		(96)
Decrease interest income	(287)		(287)
Decrease Central Valley Project loan repayments (Note 2)	(1,244)		(1,244)
Increase in operating transfer from Vehicle Replacement and Maintenance Fund (Note 3)		70	70
Decrease in operating transfers from other Enterprise Funds (Note 4)	(400)		(400)
TOTAL REVENUE CHANGES	\$(3,477)	\$70	\$(3,407)
Adjustments (Note 1)		(117)	(117)
NET REVENUE CHANGES	\$(3,477)	\$(47)	\$(3,524)
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Salary Adjustments (Note 5)	284		284
Decrease in Temporary Salaries	(122)		(122)
Personnel Benefits Costs Increase (Note 6)	534		534
Total Salary and Benefits Changes	\$696	\$0	\$696
Adjustments (Note 1)			0
Net Salary and Benefits Changes	\$696	\$0	\$696

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
Non-Salary			
Decrease electric commodity (Note 7)	(2,988)		(2,988)
Decrease Central Valley Project loan advances (Note 2)	(1,244)		(1,244)
Increase debt service	17		17
Increase bankcard service charges	50		50
Increase in solar incentives- alternative resource programs	300		300
Increase program and project consultants to meet energy efficiency goals	350		350
Increase demand-side management program incentives	50		50
Increase supply-funded energy efficiency incentives	200		200
Increase contract services to upgrade emergency notification system	125		125
Decrease various contract services	(206)		(206)
Decrease supplies and materials	(4)		(4)
Decrease general expense	(10)		(10)
Decrease capital improvement program (Note 8)	(1,778)		(1,778)
Allocated Charges Increase (Note 9)	577		577
Increase rate of return transfer to General Fund	392		392
Decrease operating transfer to General Fund	(20)		(20)
Decrease operating transfer to Capital Projects Fund (Note 10)	(225)		(225)
Decrease operating transfer to Technology Fund (Note 11)	(451)		(451)
Total Non-Salary Changes	\$(4,865)	\$0	\$(4,865)
TOTAL EXPENDITURE CHANGES	\$(4,169)	\$0	\$(4,169)
Adjustments (Note 1)		(29)	(29)
NET EXPENDITURE CHANGES	\$(4,169)	\$(29)	\$(4,198)

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time revenues and appropriation changes from the prior year that did not carry forward from the FY 2011 budget.

Note 2: Represents 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 3: Refund of accumulated replacement charges that had been paid to the Vehicle Replacement and Maintenance Fund for vehicles/equipment that have now been removed from service and will not be replaced.

Note 4: Decrease in transfers from other Enterprise Funds reflects reimbursements made in FY 2011 for CIP EL-11014 Smart Grid Technology.

Note 5: Salary adjustments are primarily due to a net increase of 2.01 FTEs which includes various reallocations to/from other funds and the addition of 1.0 FTE Utilities Account Representative.

Note 6: Personnel benefit costs have increased mainly due to a net increase of 2.01 FTEs and increases for the pension component of the benefits allocation.

Electric Fund

Note 7: Changes in electric commodity costs are due to expected changes in supply and transmission expenses.

Note 8: Projected CIP expenditures for the Electric Fund are \$8.7 million in FY 2012.

Note 9: Increase in allocated charges is primarily due to increases in cost plan charges from the General Fund and increases in utilities administration charges.

Note 10: Decrease in transfers to Capital Projects Fund reflects reimbursements made in FY 2011 for CIP PF-01002 Civic Center Infrastructure Improvements and CIP PF-05002 Municipal Services Center Improvements.

Note 11: Changes in transfers to Technology Fund are due primarily to the costs of the SAP upgrade/Utilities billing system and the radio infrastructure replacement project.

SERVICE LEVEL CHANGES

Energy efficiency and renewable energy programs

These programs continue to be expanded and enhanced to follow the requirements of both state legislation and the City's Climate Protection Plan goals. New efficiency programs have focused on the underserved markets of small commercial and residential low income customers, as well as providing greater incentives to motivate owners and builders to look at "greener" and more efficient designs for new construction. The solar electric PV Partners program was redesigned again to closely match the new statewide solar program, which requires that funding levels and other requirements, including efficiency, new system inspection and reporting, be increased.

California natural gas utilities were legislatively mandated to implement a new solar water heating program for customers. CPAU introduced a new program during 2008 to encourage additional reduction in natural gas consumption. The program incentive is an up-front rebate applied towards the installed cost of a new system. Staff has increased the marketing and contractor participation in this program to try to increase customer participation levels.

Staff is in the process of developing new programs to provide additional energy efficiency options for customers. New programs in development include an Energy Efficiency Loan Program for businesses. This program will be available to business owners and property tenants for the installation of efficient equipment and will be administered by a third party agency. In addition, a request for proposals was sent out in an effort to add to the programs available to residential and business customers to assist in achieving new efficiency goals.

COMPREHENSIVE PLAN OVERVIEW

The FY 2012 Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

LAND USE AND COMMUNITY DESIGN

As in previous years, a significant portion of the budget is designated for the undergrounding of utility distribution lines. Benefits of undergrounding include system improvement, higher reliability, reduced tree trimming costs, and improved aesthetics. During FY 2012, the focus will be on completing construction for Underground Conversion District Number 47, replacing the Hanover substation transformer, reconductoring transmission lines, and installing Light Emitting Diode (LED) streetlights.

The Utility is continuing to use construction practices that minimize the impacts on tree roots and planting areas. The Utilities Department is continuing discussions with manufacturers on possible visual design enhancements for transformers and switches with current specifications calling for smaller sizes. In addition, the Department is consulting with the City's design consultant on above-ground equipment placement to minimize visual impact. (Programs L-80 and L-81)

TRANSPORTATION

Starting in FY 2004, the Electric Utility assumed the full cost of operating and maintaining the City's traffic signals and street lights. Staff and funds are dedicated to this purpose. (Policies T-24 and T-39) A pilot CIP to replace the street lights with Light Emitting Diode (LED) lights is underway. (Policy T-22)

NATURAL ENVIRONMENT

The pilot capital project to study the replacement of the City's streetlights with Light Emitting Diode (LED) lights is expected to be completed by the end of FY 2011. A plan and funding for a rollout of LED lights was developed in FY 2011. They will use less energy and can be disposed of without concern about releasing mercury into the environment. (Goal N-9, Policies N-44 and N-46)

CPAU is pursuing adequate low-cost supplies by participating in cost-effective programs offered by Western Area Power Administration and other suppliers and marketers of energy. Staff purchases low cost supplies through Western and other sources. (Policy N-45)

PaloAltoGreen has achieved the number-one ranking among all green power programs in the country by participation percentage. At present 21.5 percent of customers subscribe to PaloAltoGreen (6,345 as of December 31, 2010).

As part of the Electric and Gas Utilities, "Demand-Side Management programs" provide staff support and technical assistance in energy conservation and demand-side management to architects, developers, schools, and utility customers. Consultant contracts have been executed, rebate programs are continuing, and technical assistance is being provided to customers on an ongoing basis. (Policy N-47)

To maintain service reliability, funds are included for line-clearing of trees around utility lines. Funds are included to expand the implementation of the Utility "A Right Tree in the Right Place" program to target areas of high maintenance and high reliability to reduce line-clearing costs and improve reliability. (Programs N-14 and N-18)

The Department will continue its ongoing implementation of utility rate structures that encourage energy conservation and are in balance with other rate-making objectives, such as offering competitive rates. Rates are set to achieve a balance between actual service costs, market prices, and the goal of promoting conservation and efficient use, and will continue to provide a baseline service rate for residential customers. (Program N-63)

The Electric Fund Public Benefits program continues to provide direct incentives to Palo Alto residents, businesses, and institutional customers such as schools and City facilities to use energy wisely. Since June 1999, programs have been marketed and progressively implemented. Public education addressing energy conservation continues through the use of bill inserts, customer contacts, and other methods of communication.

Electric Fund

Since the passage of AB1890 and the institution of a Public Benefits charge on all customer bills, staff is monitoring and evaluating cost-effective ways to fund investments in alternative energy sources. The Utility has an ongoing photovoltaic program that provides residents with incentives as well as cost/benefit information on this alternative fuel source. (Programs N-63 and N-67, Policy N-48)

COMMUNITY FACILITIES AND SERVICES

Due to the ongoing level of construction and redevelopment activity occurring in the City, the CIP for services, transformers, and meters has been increased to accommodate this need. (Policy C-9)

Staff will continue to focus efforts on replacing and maintaining the aging infrastructure and improving reliability. Specific projects will address the continuing need for accelerated maintenance and replacement of deteriorated overhead facilities and rebuilding underground facilities that are near the end of their useful life. Projects related to Smart Grid have the ability to address methods of providing energy use information directly to customers which facilitates more efficient use of energy. The utility will aggressively and proactively respond to new customer service connection requests. (Policy C-9)

GENERAL SERVICES

To design, construct, operate, maintain, and improve the traffic signal, street lighting and communication systems to ensure adequate, safe, economic, reliable, environmentally sound, and efficient delivery of these services to our customers.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	638,137	750,037	745,757	793,250
Contract Services	69,026	151,800	151,800	142,200
Supplies and Materials	126,964	140,700	140,700	143,550
Facilities and Equipment Purchases	0	36,000	36,000	33,150
General Expense	360	6,500	6,500	16,100
Rents and Leases	0	2,000	2,000	2,000
Allocated Charges	128,915	184,159	184,159	179,709
Capital Improvement Program	142,724	915,001	914,786	919,998
TOTAL EXPENDITURES	\$1,106,126	\$2,186,197	\$2,181,702	\$2,229,957
TOTAL REVENUES	\$47,162	\$0	\$0	\$0
Total Full Time Positions	6.22	6.22	6.22	6.22
Total Temporary Positions	0.00	0.00	0.00	0.00

Electric Fund

CUSTOMER SUPPORT SERVICES

To provide responsive customer service, advance customer relations, implement energy efficiency programs, and ensure revenue is available to cover financial obligations.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,621,950	1,501,444	1,517,484	1,578,215
Contract Services	25,771	77,070	77,070	58,800
Supplies and Materials	57,859	49,070	49,070	53,170
Facilities and Equipment Purchases	0	1,280	1,280	1,280
General Expense	49,870	25,680	25,680	129,850
Allocated Charges	141,502	42,368	42,368	37,752
TOTAL EXPENDITURES	\$1,896,952	\$1,696,912	\$1,712,952	\$1,859,067
TOTAL REVENUES	\$(24,674)	\$55,520	\$55,520	\$55,520
Total Full Time Positions	11.10	11.36	11.36	11.36
Total Temporary Positions	1.40	1.67	1.67	1.87

DISTRIBUTION SYSTEM

To design, construct, operate, maintain, and improve the Electric Distribution System to ensure adequate, safe, economic, reliable, environmentally sound, and efficient delivery of service to our customers.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	5,735,517	6,275,081	6,383,279	6,581,262
Contract Services	1,649,510	2,097,419	2,092,419	2,078,075
Supplies and Materials	451,958	551,788	551,788	551,788
Facilities and Equipment Purchases	12,930	42,800	42,800	36,475
General Expense	10,866	48,250	48,250	139,594
Rents and Leases	156,710	255,075	345,075	339,400
Allocated Charges	1,156,150	1,268,778	1,268,778	1,321,087
Capital Improvement Program	9,236,606	9,170,000	9,308,607	7,765,000
TOTAL EXPENDITURES	\$18,410,247	\$19,709,191	\$20,040,996	\$18,812,681
TOTAL REVENUES	\$1,340,485	\$973,210	\$1,008,293	\$1,748,210
Total Full Time Positions	75.56	74.82	74.82	74.93
Total Temporary Positions	1.23	1.20	1.20	1.18

Electric Fund

DEMAND-SIDE MANAGEMENT (DSM)

To fund and implement programs, consistent with the provisions of Assembly Bill 1890, in the areas of demand-side management, research development and demonstration, renewable resources, and low income assistance.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	712,343	654,678	662,357	822,081
Contract Services	648,303	936,950	936,950	839,500
Supplies and Materials	16,138	27,350	27,350	26,150
General Expense	2,496,866	1,373,165	1,373,165	1,918,015
Allocated Charges	21,153	3,000	3,000	3,000
TOTAL EXPENDITURES	\$3,894,803	\$2,995,143	\$3,002,822	\$3,608,746
TOTAL REVENUES	\$3,304,667	\$3,095,142	\$3,095,142	\$3,092,000
Total Full Time Positions	5.05	4.70	4.70	5.85
Total Temporary Positions	0.78	0.72	0.72	0.72

RESOURCE MANAGEMENT

To preserve a supply cost advantage compared to the market price and to develop and manage electric commodity services to the benefit of the ratepayers, citizens, and businesses in Palo Alto.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Utility Purchases and Charges	68,713,475	74,078,000	74,078,000	69,846,000
Salaries and Benefits	1,504,378	1,151,944	1,193,234	1,181,897
Contract Services	873,572	1,010,312	1,054,752	1,177,125
Supplies and Materials	12,735	45,750	45,750	36,390
Facilities and Equipment Purchases	0	4,000	4,000	4,000
General Expense	120,305	1,680,250	1,680,250	1,866,500
Allocated Charges	522,440	207,637	207,637	268,178
TOTAL EXPENDITURES	\$71,746,905	\$78,177,893	\$78,263,623	\$74,380,090
TOTAL REVENUES	\$7,587,581	\$8,080,000	\$8,080,000	\$6,877,940
Total Full Time Positions	8.05	5.85	5.85	6.60
Total Temporary Positions	0.09	0.00	0.00	0.00

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Fiber Optics Fund

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Fiber Optics Fund

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

OVERVIEW

Launched in 1996, the City of Palo Alto Utilities (CPAU) Commercial Fiber Optics Enterprise Fund designs, constructs, and operates a "dark fiber optic" network system providing service to the Palo Alto business community.

Dark fiber optics service is characterized as the fiber optics cabling, splice points, service connections and other infrastructure providing high-capacity bandwidth needed to transport large quantities of data. It does not include the transmitters, receivers, or data itself, which are owned and operated by each customer.

The CPAU Fiber Optics system was originally composed of a 40.6-mile "dark fiber optics backbone ring" within Palo Alto, to which individual customers were connected via fiber optics "service connections." Fiber Optics customers include businesses, schools, home-based businesses and telecommunication service resellers. Several City departments and sections of City government also use the fiber optics network, including the libraries, the Foothills Park Interpretive Center, the traffic signal network, and the Regional Water Quality Control Plant. New fiber optic customers pay the construction fees required to connect to the fiber optics backbone.

In 1996, the Electric Enterprise Fund provided initial financial resources to the fledgling enterprise in the form of loans for capital (infrastructure) and operating expenses. These funds were used to construct the fiber optics backbone within the City. At the end of FY 2008, the fiber optics business completed the loan repayment to the Electric Enterprise Fund for all capital and operating expenses from the beginning of the project. A separate Fiber Optics Enterprise Fund, capable of maintaining its own capital and operating budgets and financial operating reserve, was also created.

In Fiscal Year (FY) 2011, the CPAU Fiber Optics staff continued to concentrate on connecting new customers and expanding service to existing customers. The City's competitive construction and monthly access pricing has continued to drive customer growth, with a FY 2012 projected annual revenue of \$3.3 million, an increase of approximately 10% over FY 2011. As with any maturing industry, customers both enter and leave the system for a variety of business reasons. The long-term effects of the breadth and depth of the current economic downturn on the Fiber Optics Enterprise Fund are still unknown, but CPAU fiber optics service for current and potential customers remains highly competitive.

Infrastructure Reliability- Engineering and Operations

Utility operations staff monitors the integrity of the system and makes any necessary repairs. A Capital Improvement Project (CIP) is funded annually for the replacement of system components that have reached the end of useful life, and for backbone enhancements based on customer demand for services. Included in the project are increases in system capacity, development of fiber sub-rings, and general improvements to the fiber system to meet growing customer needs for increased bandwidth. CPAU tries to limit construction impacts on the community by using pre-existing conduit and poles.

Connections to the backbone at individual splice points are performed under a different CIP as required for customer fiber optic service and are paid by customers.

Customer Service and Marketing

During FY 2012, operating revenue and number of service connections are projected to increase by 10% over FY 2011. In FY 2011, the number of service connections grew by 5.5% over FY 2010 levels. Continuous improvements are also being made to CPAU fiber optic business processes to reduce customer cost-to-

Fiber Optics Fund

connect, provide new payment options, streamline and improve sales and construction efforts, and better coordinate internal processes to increase overall efficiency.

Rates and Reserves

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

A Fiber Optics Enterprise Fund Rate Stabilization Reserve (RSR) was established in FY 2009 with guidelines for minimum and maximum reserve levels. The Fiber Optics RSR level is projected to be \$11.0 million for FY 2012. These levels are above the RSR maximum guideline level of \$1.7 million for FY 2012.

By providing competitively-priced fiber optic access to commercial customers, customers are retained within the City, economic development efforts are enhanced, and the City is able to maintain a valuable community asset.

PROGRAM UPDATE

In FY 2011, marketing efforts have brought the total number of customers to 68, with service provided through approximately 173 individual connections.

In FY 2012, CPAU is projected to connect new customers on a timely and industry-competitive basis as operations and engineering functions allow, with sales and marketing targeted to increase both system utilization and revenues. Areas projected for the greatest growth opportunities include the medical and educational market sectors.

FUND SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Net Sales	2,314,269	2,303,850	2,303,850	2,608,959	305,109
Interest Income	486,727	268,400	268,400	309,800	41,400
Other Income	791,267	740,039	740,039	740,039	0
TOTAL FUND REVENUES	\$3,592,263	\$3,312,289	\$3,312,289	\$3,658,798	\$346,509
Administration	599,689	1,081,215	1,088,850	894,977	(193,873)
Planning, Marketing, and Contracts	320,670	217,293	218,723	207,881	(10,842)
Operations and Maintenance	366,446	442,340	447,176	432,944	(14,232)
Customer Design and Construction (CIP)	131,092	399,999	399,556	500,000	100,444
Rent	14,268	14,268	14,268	25,453	11,185
Operating Transfers Out	12,951	8,337	8,337	9,096	759
TOTAL FUND EXPENDITURES	\$1,445,116	\$2,163,452	\$2,176,910	\$2,070,351	\$(106,559)
TO/FROM RESERVES	\$2,147,147	\$1,148,837	\$1,135,379	\$1,588,447	\$453,068

Fiber Optics Fund

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	773,043	971,311	982,215	927,655
Contract Services	120,388	164,800	164,800	157,800
Supplies and Materials	0	18,000	18,000	18,000
General Expense	5,760	19,000	19,000	25,000
Rents and Leases	16,191	15,268	15,268	27,453
Allocated Charges	385,691	566,737	569,734	405,347
Capital Improvement Program	131,092	399,999	399,556	500,000
Operating Transfers Out	12,951	8,337	8,337	9,096
TOTAL EXPENDITURES	\$1,445,116	\$2,163,452	\$2,176,910	\$2,070,351
Total Full Time Positions	5.08	6.73	6.73	6.48
Total Temporary Positions	0.46	0.94	0.94	0.94

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of Customers (SEA)	47	68	70
2. Service Connection Fiber Miles (SEA)	196	190	193
3. Dollar amount of gross sales revenue	\$3,100,000	\$3,300,000	\$3,300,000

RESERVES

(\$000)	FY 2012 Projected Beginning Balance	FY 2012 Changes	FY 2012 Projected Ending Balance	FY 2012 Reserve Guideline Range
Emergency Plant Replacement	1,000	0	1,000	1,000 (min.)
Fiber Optic RSR	9,406	1,588	10,994	670 - 1,675
TOTAL RESERVES	\$10,406	\$1,588	\$11,994	

Fiber Optics Fund

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES (\$000)			
Increase net sales	305		305
Increase interest income	41		41
TOTAL REVENUE CHANGES	\$346	\$0	\$346
Adjustments (Note 1)			
NET REVENUE CHANGES	\$346	\$0	\$346
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Salary adjustments (Note 2)	(31)		(31)
Personnel Benefits Costs Decrease (Note 3)	(25)		(25)
Total Salary and Benefits Changes	\$(56)	\$0	\$(56)
Adjustments (Note 1)			
Net Salary and Benefits Changes	\$(56)	\$0	\$(56)
Non-Salary			
Decrease operating transfer to Capital Projects Fund	(8)		(8)
Increase operating transfer to Technology Fund	8		8
Increase capital improvement program (Note 4)	102		102
Allocated Charges Decrease (Note 5)	(153)		(153)
Total Non-Salary Changes	\$(51)	\$0	\$(51)
TOTAL EXPENDITURE CHANGES	\$(107)	\$0	\$(107)
Adjustments (Note 1)			0
NET EXPENDITURE CHANGES	\$(107)	\$0	\$(107)

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time revenues and appropriation changes from the prior year that did not carry forward from the FY 2011 budget.

Note 2: Salary adjustments are primarily due to a net decrease of 0.25 FTE which includes various reallocations to/from other funds.

Note 3: Personnel benefit costs have decreased mainly due to a net decrease of 0.25 FTE and a decrease in retirees' premiums by the City.

Note 4: Projected CIP expenditures for the Fiber Optics Fund are \$500,000 in FY 2012.

Note 5: Decrease in allocated charges is due to a decrease in cost plan charges.

COMPREHENSIVE PLAN OVERVIEW

The FY 2012 Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

BUSINESS AND ECONOMICS

Begun in 1996 and completed in 1998, the Fiber Optics Ring around the City completes the plan of the Telecommunications Strategy Study of 1996. Funds are included in the CIP and Operating budgets to allow customers splicing points to provide service. 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 FY 2006, CPAU implemented a simpler rate structure to improve customer service and enhance revenues. In FY 2012, staff will continue to enhance marketing efforts for the Fiber Optic services. (Program B-4)

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Gas Fund

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

OVERVIEW

In Fiscal Year (FY) 2012, the City of Palo Alto Utilities (CPAU) Gas Fund plans to focus on: increasing infrastructure reliability, marketing of energy efficiency programs and maintaining an excellent safety record.

Infrastructure Reliability

Capital projects planned in FY 2012 include the design phase of Gas Main Replacement Projects 19B, 20 and 21 (more information may be found in the Fiscal Year 2012 Capital Budget document). The construction phase of Gas Main Replacement Project 18/19A will continue in FY 2012 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. Construction of the replacement of all four Gas Receiving Stations will be completed in the 1st quarter of FY 2012. CPAU is expanding its ongoing safety program to include video camera inspection of sewer laterals throughout the city at homes and businesses to identify and repair any situation where a gas line passes through or intersects a sewer line, a condition known as a crossbore.

Supply

Staff is guided by the Gas Utility Long-term Plan (GULP) objectives, strategies, and implementation plan, which was revised with Council approval in March 2011. The primary objectives of GULP are to balance supply cost stability with market price exposure, lower the cost of gas, and maximize the deployment of cost-effective gas energy efficiency. In response to the extreme volatility of gas prices and feedback from customers regarding a preference for stable rates, staff developed a commodity-hedging program that aims to stabilize costs for residential and small commercial customers. Council has approved Gas Enabling Master Agreements with several suppliers that allow the City to diversify credit risk and to receive competitive prices on gas purchases.

In FY 2011, staff evaluated expanding the voluntary green energy program, PaloAltoGreen, to include gas. Non-fossil gas resources were evaluated for this program, but were determined to be too costly. Staff also evaluated purchasing greenhouse gas emissions offsets to support a voluntary green gas program, but this was also determined to be too costly and not likely to be easily marketed. In FY 2012, according to the updated GULP objectives and strategies, staff will continue examining non-fossil gas alternatives. 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, staff seeks to evaluate the potential for and complexities of entering into a long-term contract to pre-purchase gas at a discount. This evaluation will be closely coordinated with the Risk Manager.

A five-year laddering strategy has been utilized to guide the gas purchasing strategy. This strategy has kept natural gas rates relatively stable despite the rapid upward and downward swings in natural gas and oil prices. However, in FY 2012 the laddering strategy will be re-examined as gas prices have fallen precipitously since mid-2008 and many experts expect low gas prices to persist well into the future.

Marketing and Customer Service

Natural gas efficiency is viewed 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. The new solar water heating rebate program encourages customers to use less natural gas by harnessing the heat of the sun for hot water. Staff is researching additional efficiency programs to encourage customers to install and use more

Gas Fund

efficient equipment, thus reducing consumption. In addition, 33 solar water heating systems have been installed, with \$55,763 paid in rebates. All but one of these systems were residential. An estimated 3,663 therms (as well as 5,400 kWh) have been saved annually with these systems. In addition, a total of 106,479 therms were saved in first-year savings. This savings rate is equal to 0.36% of natural gas sales.

The Council set ten-year gas energy efficiency goals in 2007 to reduce gas use by 3.2% by 2017. Staff has proposed updated gas energy efficiency goals for a cumulative reduction in expected use of 5.5% by 2020. This reduction is program-driven and must come on top of reductions that may naturally occur.

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 on a weekly basis to help customers make the best possible gas supply choices.

The table below shows CPAU's record thus far in meeting its annual gas reduction goals. Savings are shown as a percentage of total retail sales.

	YEAR			
	2008	2009	2010	2011
Goal	0.25%	0.28%	0.32%	0.40%
Savings	0.11%	0.28%	0.36%	N/A

Rates

No rate adjustment is adopted for FY 2012. The last rate adjustment occurred in FY 2010 which was a decrease of 10 percent.

Reserves

Gas Rate Stabilization Reserves (RSRs) are maintained and managed in accordance with Council-approved guidelines. The RSRs provide 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. Reserves may be above the maximum guideline level or below the minimum guideline level for a particular year as long as the levels are projected to move back to between the minimum and maximum guideline levels over the five-year financial forecast planning horizon.

In FY 2009, Council approved changes to the Gas RSR guidelines. Target reserve levels reflect the risk assessment of the RSRs that must be performed annually according to the guidelines. Risks for the Gas Supply RSR include exposure to market prices for gas, changes in sales volumes, and risks related to legislative and regulatory initiatives. The target level for the Gas Distribution RSR is based on a risk assessment that includes potential revenue shortfalls from declining sales and requirements for Capital Improvement Programs. In FY 2012, staff plans to re-evaluate the RSR guidelines and make a recommendation to the Utilities Advisory Commission and Council.

Without a gas rate change in FY 2012, the FY 2012 Budget results in a total reserve balance of approximately \$10.5 million. The Gas Supply RSR ending balance is projected to be approximately \$8.2 million, which is above the minimum guideline level of \$ 4.7 million. The ending Distribution RSR is projected to be \$0.4 million, which is below the minimum guideline of \$2.7 million. Staff believes that the projected Gas Supply RSR balance is sufficient to meet the risk assessment requirement for FY 2012, but future supply-related rate increases may be necessary if changes occur in the wholesale gas market. Withdrawals of Gas Distribution RSR 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 Gas Distribution RSR balance on an ongoing basis.

COUNCIL PRIORITY IMPLEMENTATION

Environmental Sustainability

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 Objective #3 is to ensure the deployment of all feasible, reliable, cost-effective energy efficiency measures.

Consistent with the City's Climate Protection Plan, all of the Gas Fund's energy and demand-side management programs and incentives contribute to the Council's Top Priority of Environmental Sustainability. 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 costs are lowered.

Funding for supply-funded incentives and analysis will continue into FY 2012, as a result of state legislation addressing energy efficiency and solar water heating. This supply funding is in addition to the already funded Demand-side Management (DSM) programs. Funding for the DSM programs is based on 2.9 percent of annual natural gas sales.

The City has been reporting the natural gas related greenhouse gas emissions for the period 2005-2009 to the California Climate Action Registry and has earned the designation of "Climate Action Leader." Estimated community-wide CO₂ emission from CPAU-provided natural gas in 2009 was 162,000 metric tons (compared to 167,000 metric tons in 2008, 168,000 metric tons in 2007, 165,000 metric tons in 2006 and 166,000 tons in year 2005). City government operations use of natural gas was 5,282 metric tons in 2009 (compared to 5,984 metric tons in 2008, and an estimated 5,504 metric tons in 2007, 3,953 metric tons in 2006 and 6,499 metric tons in 2005). The emissions variation is primarily due to natural gas used at the Regional Water Quality Control Plant (RWQCP) and landfill gas collected and used by the RWQCP.

In the Gas Fund, under the Council Priority relating to environmental sustainability, 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.

Residential programs promoting Environmental Sustainability in FY 2012 include:

- Smart Energy Program (includes rebates for ENERGY STAR® appliances, insulation, furnaces, and other equipment)
- Residential Energy Assistance Program (REAP) for low income efficiency installations
- Home Energy Reports
- Green@Home energy audit with Blue Line Monitoring Systems
- Solar water heating rebates

Gas Fund

- Community event sponsorship promoting participation in residential efficiency programs
- PAUSD Grant Program, \$50,000 grant for efficiency education
- New construction incentive program in coordination with the Planning department

Commercial programs promoting Environmental Sustainability in FY 2012 include:

- Commercial Advantage Program---rebates for many efficiency equipment installations
- Commercial and Industrial Energy Efficiency Program---large commercial focused audit and implementation assistance
- New Construction Incentives Program
- Meter Links website program---shows the commercial customer's prior-day load profile
- Efficiency Improvement Training---for City facilities staff and customers
- PLUG-In Program---ultra-clean small-scale distributed generation and cogeneration
- Third Party Review of Efficiency Programs---to ensure that savings are being appropriately evaluated, measured, and verified, as required by Assembly Bill 2021

FUND SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Net Sales	41,754,752	42,873,637	42,873,637	42,012,883	(860,754)
Interest Income	1,342,113	847,400	847,400	947,900	100,500
Other Income	3,653,520	1,930,097	1,965,582	1,870,797	(94,785)
TOTAL FUND REVENUES	\$46,750,385	\$45,651,134	\$45,686,619	\$44,831,580	\$(855,039)
Administration	2,494,569	3,296,461	3,263,137	3,246,671	(16,466)
Resource Management					
Purchases	22,529,316	24,595,362	24,595,362	19,396,913	(5,198,449)
Operations	695,820	1,425,405	1,407,683	1,280,621	(127,062)
Customer Support Services	1,133,695	1,248,787	1,259,890	1,336,569	76,679
Distribution System					
Systems Improvement(CIP)	4,442,271	7,624,999	7,598,991	7,111,001	(487,990)
Customer Design and Connection Services(CIP)	554,541	699,999	705,034	710,001	4,967
Operations	4,208,462	4,166,503	4,194,297	8,140,570	3,946,273
Demand-side Management (DSM)	428,263	851,522	851,669	942,094	90,425
Debt Service	505,195	946,613	946,613	947,952	1,339
Equity Transfer	5,300,000	5,304,000	5,304,000	6,006,000	702,000
Rent	320,371	215,371	230,371	230,236	(135)
Operating Transfers Out	406,561	614,475	614,475	169,787	(444,688)
TOTAL FUND EXPENDITURES	\$43,019,064	\$50,989,497	\$50,971,522	\$49,518,415	\$(1,453,107)
TO/FROM RESERVES	\$3,731,321	\$(5,338,363)	\$(5,284,903)	\$(4,686,835)	\$598,068

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Utility Purchases and Charges	22,529,316	24,595,362	24,595,362	19,396,913
Salaries and Benefits	4,090,078	4,638,380	4,654,702	4,634,615
Contract Services	504,735	1,021,270	1,021,270	4,849,980
Supplies and Materials	211,396	521,324	507,324	464,924
Facilities and Equipment Purchases	12,796	62,590	62,590	62,590
General Expense	1,181,141	657,951	672,750	914,141
Rents and Leases	397,654	325,781	339,982	340,646
Allocated Charges	2,883,380	3,976,753	3,948,429	3,909,865
Debt Service	505,195	946,613	946,613	947,952
Equity Transfer	5,300,000	5,304,000	5,304,000	6,006,000
Capital Improvement Program	4,996,812	8,324,998	8,304,025	7,821,002
Operating Transfers Out	406,561	614,475	614,475	169,787
TOTAL EXPENDITURES	\$43,019,064	\$50,989,497	\$50,971,522	\$49,518,415
Total Full Time Positions	46.79	51.60	51.60	49.38
Total Temporary Positions	2.19	2.71	2.71	2.00

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Percent of class one gas leaks repaired within Department of Transportation (DOT) Timelines of less than 4 hours	100%	100%	100%
2. Miles of gas main replaced during year (SEA)	6	6	6
3. Average purchase cost (per therm)	\$0.71	\$0.69	\$0.61
4. The Standard & Poor's revenue bond credit rating will be AA- or higher.	AA-	AAA	AAA
5. Average wait time for customers calling the Customer Service Center	70 sec	90 sec	90 sec
6. Number of participants in the total Rate Assistance Program (RAP)	1,300	1,500	1,300
7. Amount of annual assistance for RAP for Gas bills	\$80,000	\$110,000	\$150,000
8. Number of Gas Leaks found during yearly mobile/walking survey	57	<250	<250
9. Reading accuracy for meter reading	99.90	99.9	99.99
10. Therms saved by Energy Efficiency Programs- Residential	45,757	50,000	55,000
11. Therms saved by Energy Efficiency Programs- Business	60,722	65,000	65,000
12. Number of hot water solar systems (new)	19	23	40
Efficiency:			
1. Bank Drafting- Increase customer participation	>25%	>25%	>25%
2. My Utilities Account- Increasing the participating customers to greater than 10% of total	N/A	>10%	>20%

Gas Fund

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
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)	7.8	8.0	8.5
2. Citizen survey- percent rating gas utility good or excellent (SEA)	80%	83%	83%
3. Uncollectable Revenue (Write-Off) will be less than 0.20 percent of Fund Net Revenue. (new)	0.07%	0.12%	0.13%
4. Reduce days lost due to workplace injury to 5 or less	2	<5	<5

RESERVES

(\$000)	FY 2012 Projected Beginning Balance	FY 2012 Changes	FY 2012 Projected Ending Balance	FY 2012 Reserve Guideline Range
Emergency Plant Replacement	1,000	0	1,000	1,000 (min.)
Distribution Rate Stabilization	10,048	(9,631)	417	2,676 -5,353
Supply Rate Stabilization	3,215	4,944	8,159	4,665 - 9,330
Debt Service Reserve	952	0	952	
TOTAL RESERVES	\$15,215	\$(4,687)	\$10,528	

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES (\$000)			
Decrease net sales	(915)		(915)
Increase interest income	100		100
Decrease other income	(5)		(5)
TOTAL REVENUE CHANGES	\$(820)	\$0	\$(820)
Adjustments (Note 1)		(35)	(35)
NET REVENUE CHANGES	\$(820)	\$(35)	\$(855)
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Salary Adjustments (Note 2)	(113)		(113)
Decrease in Temporary Salaries	(29)		(29)
Personnel Benefits Costs Increase (Note 3)	151		151
Total Salary and Benefits Changes	\$9	\$0	\$9
Adjustments (Note 1)			0
Net Salary and Benefits Changes	\$9	\$0	\$9

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
Non-Salary			
Increase program and project consultants- demand-side management programs	100		100
Increase demand-side management incentives	50		50
Increase supply-funded energy efficiency incentives	100		100
Increase contract services for inspection of all sewer laterals (Note 4)	3,800		3,800
Decrease contract services	(19)		(19)
Decrease supplies and materials	(42)		(42)
Increase rate of return transfer to General Fund	702		702
Decrease gas commodity	(5,198)		(5,198)
Decrease capital improvement program (Note 5)	(512)		(512)
Decrease general expense	(11)		(11)
Increase bankcard service charges	50		50
Increase debt service	1		1
Decrease operating transfer to Technology Fund (Note 6)	(229)		(229)
Decrease operating transfer to Capital Projects Fund	(15)		(15)
Decrease operating transfer to Electric Fund (Note 7)	(200)		(200)
Allocated Charges Decrease (Note 8)	(39)		(39)
Total Non-Salary Changes	\$(1,462)	\$0	\$(1,462)
TOTAL EXPENDITURE CHANGES	\$(1,453)	\$0	\$(1,453)
Adjustments (Note 1)			0
NET EXPENDITURE CHANGES	\$(1,453)	\$0	\$(1,453)

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time revenues and appropriation changes from the prior year that did not carry forward from the FY 2011 budget.

Note 2: Salary adjustments are primarily due to a net decrease of 2.22 FTEs which includes various reallocations to/from other funds.

Note 3: Personnel benefit costs have increased mainly due to increases for the pension component of the benefits allocation.

Note 4: Increase in contract services for inspection of all 19,000 sewer laterals to identify and repair gas pipelines that may have been inadvertently installed through sewer laterals.

Note 5: Projected CIP expenditures for the Gas Fund are \$7.8 million in FY 2012.

Note 6: Changes in transfers to Technology Fund are due primarily to the costs of the SAP upgrade/Utilities billing system and the radio infrastructure replacement project.

Note 7: Decrease in transfers to Electric Fund reflects reimbursements made in FY 2011 for CIP EL-10008 Advanced Metering Infrastructure and CIP EL-11014 Smart Grid Technology.

Note 8: Decrease in allocated charges is primarily due to a decrease in communications charges from the General Fund for utility alarm monitoring services provided by the Police Department.

COMPREHENSIVE PLAN OVERVIEW

The FY 2012 Gas Fund Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

LAND USE AND COMMUNITY DESIGN

Changes in land use, the development of unimproved properties, and the redevelopment of existing sites require the Gas Utility to adapt to meet the needs of the customers. While new customer growth remains stable, requests for new and augmented gas service to customers continues. The top priority of the CIP Budget is the ongoing replacement of leaking, inadequately sized, and structurally deficient Acrylonitrile-Butadiene-Styrene (ABS) gas mains and services. Staff identifies mains and services with these problems by analyzing the maintenance and leak histories of the mains in the gas distribution system. (Programs L-79, L-81)

NATURAL ENVIRONMENT

The Department will continue gas rate structures that encourage energy conservation and are in balance with other rate-making objectives, such as providing competitive rates. Rates are set to achieve a balance between actual service costs, market prices, and the goal of promoting conservation and efficient use. CPAU will continue to provide an inverted (progressive) residential rate structure with a baseline service rate. This structure applies ascending prices for rising usage levels. (Programs N-63, N-64, N-65, N-66)

Efficiency measures for residential and commercial customers will continue to be promoted through a variety of Utilities programs and services (N-9, N-44, N-48, N-67). Residential customers will continue to be informed of the cost benefits of additional insulation, new generations of appliances, and efficient space and water heating technologies. Commercial customers will have access to specialized consulting services, while residential customers will see the launch of a new on-line energy survey tool to assist them in identifying additional efficiency opportunities.

In February 2011, Council approved an updated Gas Utility Long-term Plan (GULP) objectives and strategies, which address purchasing strategies and energy efficiency investments. (Goal N-9, Policies N-44 and N-48, Program N-67)

The Demand-side Management program continues to be offered to interested parties. Consultant contracts have been executed and implementation details are being evaluated. Since June 1999 programs have been marketed and progressively implemented. (Policy N-47)

COMMUNITY FACILITIES AND SERVICES

The reliability of the distribution system continues to be a high priority. Utility staff will continue to focus on the accelerated Gas Main Replacement Projects to rehabilitate the system. Approximately \$6 million is included in the Capital Budget in FY 2012 for this purpose. Funds are also included for customer system extensions. (Policy C-9)

BUSINESS AND ECONOMICS

Commercial customers have the option of "locking-in" natural gas supplies for fixed prices during 12-month or 24-month fixed terms. This allows price certainty for customer budgeting purposes. (Policies B-4, B-10)

CUSTOMER SUPPORT SERVICES

To provide responsive customer service, advance customer relations, implement energy efficiency programs, and ensure revenue is available to cover financial obligations.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,016,357	1,110,113	1,121,216	1,140,408
Contract Services	26,064	63,200	63,200	48,700
Supplies and Materials	7,657	22,120	22,120	20,620
Facilities and Equipment Purchases	0	4,340	4,340	4,340
General Expense	20,549	4,700	4,700	82,900
Rents and Leases	0	210	210	210
Allocated Charges	63,068	44,104	44,104	39,391
TOTAL EXPENDITURES	\$1,133,695	\$1,248,787	\$1,259,890	\$1,336,569
TOTAL REVENUES	\$62,080	\$62,080	\$62,080	\$62,080
Total Full Time Positions	8.02	8.33	8.33	8.33
Total Temporary Positions	0.52	1.48	1.48	1.39

Gas Fund

DISTRIBUTION SYSTEM

To plan, engineer, operate, maintain, and construct improvements to the Gas Distribution System that will provide our customers with safe, economic and reliable service.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	2,350,575	2,616,455	2,639,249	2,839,300
Contract Services	145,849	160,990	165,990	3,924,200
Supplies and Materials	200,970	468,954	454,954	428,554
Facilities and Equipment Purchases	12,796	53,250	53,250	53,250
General Expense	915,481	37,660	52,459	93,850
Rents and Leases	77,283	110,200	124,401	125,200
Allocated Charges	505,508	718,994	718,994	691,216
Capital Improvement Program	4,996,812	8,324,998	8,304,025	7,821,002
TOTAL EXPENDITURES	\$9,205,274	\$12,491,501	\$12,513,322	\$15,976,572
TOTAL REVENUES	\$506,925	\$700,000	\$700,000	\$710,000
Total Full Time Positions	35.82	38.57	38.57	37.60
Total Temporary Positions	1.57	0.99	0.99	0.37

DEMAND-SIDE MANAGEMENT (DSM)

To fund and implement demand-side and low-income assistance programs.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	16,846	20,381	20,528	20,953
Contract Services	196,935	391,000	391,000	431,000
Supplies and Materials	0	4,500	4,500	4,500
General Expense	211,821	435,641	435,641	485,641
Allocated Charges	2,661	0	0	0
TOTAL EXPENDITURES	\$428,263	\$851,522	\$851,669	\$942,094
TOTAL REVENUES	\$69,750	\$0	\$0	\$0
Total Full Time Positions	0.15	0.10	0.10	0.10
Total Temporary Positions	0.10	0.24	0.24	0.24

Gas Fund

RESOURCE MANAGEMENT

To preserve a supply cost advantage compared to the market and to develop and manage gas commodity services to the benefit of the ratepayers, citizens, and businesses in Palo Alto.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Utility Purchases and Charges	22,529,316	24,595,362	24,595,362	19,396,913
Salaries and Benefits	524,000	829,825	812,103	571,541
Contract Services	135,887	401,080	401,080	441,080
Supplies and Materials	2,769	25,750	25,750	11,250
Facilities and Equipment Purchases	0	5,000	5,000	5,000
General Expense	33,164	163,750	163,750	251,750
TOTAL EXPENDITURES	\$23,225,136	\$26,020,767	\$26,003,045	\$20,677,534
TOTAL REVENUES	\$0	\$0	\$0	\$0
Total Full Time Positions	2.80	4.60	4.60	3.35
Total Temporary Positions	0.00	0.00	0.00	0.00

Wastewater Collection Fund

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Wastewater Collection Fund

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

OVERVIEW

In Fiscal Year 2012, the 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 (WWCMP) and 2004 WWCMP update. The Master Plan targeted top priority work in its CIP recommendations. Over the past 20 years most of the top priority CIP work has been completed.

In FY 2012, staff will continue overlapping the design and construction elements of rehabilitation and augmentation projects. Specifically, construction will begin on Wastewater Collection System Rehabilitation/Augmentation Project 22 and 23 towards the end of FY 2012 (more information may be found in the FY 2012 Capital Budget document). Design will begin for Wastewater Collection System Rehabilitation/Augmentation Project 24 and 25 with advertisement and construction occurring summer of July 2013. Since current technology allows for the modeling of collection systems, the model will be used to provide engineering staff with data for planning future CIP projects and Operations staff with recommended operational strategies. This higher quality modeling analysis may reduce the need for future CIP expenditures.

A contract to provide services to customers with sewer blockages will continue in FY 2012. This program has resulted in better customer service and reduced overtime. Success of this program is thoroughly evaluated using a survey of customers served by the contractor.

Rates

For the Wastewater Collection Utility, no revenue adjustment is adopted for FY 2012. However, rate changes are adopted for July 1, 2011 to align rates with a 2010 cost of service analysis. The impact will be a 13% increase on residential customers and an offsetting decrease amount for commercial customers. Cost of service analysis are done periodically to align utility revenues from each customer class with the cost of providing service to that class.

Reserves

The Wastewater Collection Rate Stabilization Reserve (RSR) is 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. 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. Reserves may be above the maximum guideline level or below the minimum guideline level for a particular year as long as the levels are projected to move back to between the minimum and maximum over the five-year financial forecast planning horizon.

In FY 2009, Council approved changes to the Wastewater Collection RSR guidelines. Target reserve levels reflect the risk assessment of the RSR, which must be performed annually. The target level for the Wastewater Collection RSR is based on a risk assessment that includes potential revenue shortfalls from declining sales and requirements for Capital Improvement Programs.

Wastewater Collection Fund

Without a wastewater revenue adjustment in FY 2012, the Wastewater Collection RSR ending balance is projected to be approximately \$4.5 million, which is above the minimum guideline level of \$2.2 million.

PROGRAM UPDATE

In order to improve service to our customers, the Department contracted with an outside vendor for wastewater calls. Customer surveys assist in the monitoring of this contract to ensure continued customer satisfaction. Implementation of this contract has allowed staff to increase activities in capital and operating services, with favorable customer satisfaction results.

FUND SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Net Sales	14,458,205	14,482,563	14,482,563	14,484,913	2,350
Interest Income	674,011	444,900	444,900	479,700	34,800
Other Income	781,684	996,804	1,071,323	903,687	(167,636)
TOTAL FUND REVENUES	\$15,913,900	\$15,924,267	\$15,998,786	\$15,868,300	\$(130,486)
Administration	1,351,110	1,494,036	1,460,514	1,521,806	61,292
Customer Support Services	239,335	268,621	271,250	266,266	(4,984)
Collection System					
Treatment Plant Charges	6,519,346	7,499,360	7,499,360	7,953,638	454,278
Systems Improvement(CIP)	2,490,969	3,799,999	3,811,927	3,934,000	122,073
Customer Design & Connection(CIP)	249,584	330,000	332,716	340,001	7,285
Operations	2,216,590	2,708,869	2,753,936	2,818,058	64,122
Debt Service	67,357	129,266	129,266	129,316	50
Rent	114,536	114,536	114,536	106,038	(8,498)
Operating Transfers Out	168,445	567,415	567,415	88,417	(478,998)
TOTAL FUND EXPENDITURES	\$13,417,272	\$16,912,102	\$16,940,920	\$17,157,540	\$216,620
TO/FROM RESERVES	\$2,496,628	\$(987,835)	\$(942,134)	\$(1,289,240)	\$(347,106)

Wastewater Collection Fund

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Utility Purchases and Charges	6,519,346	7,499,360	7,499,360	7,953,638
Salaries and Benefits	1,946,504	1,901,420	1,924,116	2,073,812
Contract Services	93,318	208,140	208,140	178,140
Supplies and Materials	167,818	231,470	231,470	221,870
Facilities and Equipment Purchases	0	500	500	500
General Expense	54,843	64,550	64,550	77,650
Rents and Leases	151,526	210,336	210,336	201,838
Allocated Charges	1,507,562	1,969,646	1,961,124	1,958,358
Debt Service	67,357	129,266	129,266	129,316
Capital Improvement Program	2,740,553	4,129,999	4,144,643	4,274,001
Operating Transfers Out	168,445	567,415	567,415	88,417
TOTAL EXPENDITURES	\$13,417,272	\$16,912,102	\$16,940,920	\$17,157,540
Total Full Time Positions	24.68	26.43	26.43	27.35
Total Temporary Positions	1.46	2.11	2.11	2.30

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of miles of sewer lines cleaned/treated annually (SEA)	136	101	101
2. Average wait time for customers calling the Customer Service Center	70 sec	90 sec	90 sec
3. The Standard & Poor's revenue bond credit rating will be AA- or higher	AA-	AAA	AAA
Efficiency:			
1. The percent of responses to notification of reportable incidents of sewer overflow will be within 2 hours for 95 percent of the time	99%	100%	100%
2. Bank Drafting- Increase customer participation	>25%	>25%	>25%
3. My Utilities Account- increasing the participating customers to greater than 10% of total	N/A	>10%	>20%
Effectiveness:			
1. Citizen survey- percent rating quality of sewer services good or excellent (SEA)	82%	>83%	>83%
2. Uncollectable Revenue (Write-Off) will be less than 0.20 percent of Fund Net Revenue (new)	0.07%	0.12%	0.13%

Wastewater Collection Fund

RESERVES (\$000)	FY 2012 Projected Beginning Balance	FY 2012 Changes	FY 2012 Projected Ending Balance	FY 2012 Reserve Guideline Range
Emergency Plant Replacement	1,000	0	1,000	1,000 (min.)
Rate Stabilization	5,850	(1,289)	4,561	2,156 - 4,311
TOTAL RESERVES	\$6,850	\$(1,289)	\$5,561	

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES (\$000)			
Increase interest income	35		35
Decrease other income (Note 2)	(90)		(90)
TOTAL REVENUE CHANGES	\$(55)	\$0	\$(55)
Adjustments (Note 1)		(75)	(75)
NET REVENUE CHANGES	\$(55)	\$(75)	\$(130)
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Salary Adjustments (Note 3)	34		34
Personnel Benefits Costs Increase (Note 4)	185		185
Total Salary and Benefits Changes	\$219	\$0	\$219
Adjustments (Note 1)			0
Net Salary and Benefits Changes	\$219	\$0	\$219
Non-Salary			
Increase treatment plant charges	454		454
Decrease contract services	(22)		(22)
Decrease supplies and materials	(10)		(10)
Increase bankcard service charge	5		5
Decrease operating transfer to Capital Projects Fund	(8)		(8)
Decrease operating transfer to Refuse Fund (Note 5)	(375)		(375)
Decrease operating transfer to Technology Fund (Note 6)	(96)		(96)
Increase capital improvement program (Note 7)	60		60
Allocated Charges Decrease (Note 8)	(10)		(10)
Total Non-Salary Changes	\$(2)	\$0	\$(2)
TOTAL EXPENDITURE CHANGES	\$217	\$0	\$217
Adjustments (Note 1)			0
NET EXPENDITURE CHANGES	\$217	\$0	\$217

Wastewater Collection Fund

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time revenues and appropriation changes from the prior year that did not carry forward from the FY 2011 budget.

Note 2: Change in other income is due primarily to a decrease in revenue from ground water discharge charges.

Note 3: Salary adjustments are primarily due to a net increase of 0.96 FTE which includes various reallocations to/from other funds.

Note 4: Personnel benefit costs have increased mainly due to a net increase of 0.96 FTE and increases for the pension component of the benefits allocation.

Note 5: Decrease in transfer to Refuse Fund reflects one-time reimbursement in FY 2011 for CIP RF-10003 Drying Beds, Material Storage and Transfer Area.

Note 6: Changes in transfers to Technology Fund are due primarily to the costs of the SAP upgrade/Utilities billing system and the radio infrastructure replacement project.

Note 7: Projected CIP expenditures for the Wastewater Collection Fund are \$4.2 million in FY 2012.

Note 8: Decrease in allocated charges is primarily due to a decrease in communications charges from the General Fund for utility alarm monitoring services provided by the Police Department.

COMPREHENSIVE PLAN OVERVIEW

The FY 2012 Wastewater Collection Fund Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

LAND USE AND COMMUNITY DESIGN

Changes in land use, the development of unimproved properties, and the redevelopment of existing sites require the Wastewater Collection Utility to adapt to meet the needs of the customers. While new customer growth remains stable, requests for new and augmented sewer service to customers continue. In addition, existing sewer service laterals become cracked and broken by tree roots, ground movement, and third party excavation damage, requiring replacement. (Program L-81)

NATURAL ENVIRONMENT

Outreach programs with our customers, such as utility bill inserts, encourage safe and responsible ways to maintain the customers' sections of the sewer lines. (Policy N-21)

Wastewater Collection Fund

CUSTOMER SUPPORT SERVICES

To provide responsive customer service, advance customer relations, and ensure revenue is available to cover the Wastewater Collection Fund's financial obligations.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	220,000	259,711	262,340	247,456
Supplies and Materials	1,635	8,910	8,910	8,910
General Expense	6,971	0	0	9,900
Allocated Charges	10,729	0	0	0
TOTAL EXPENDITURES	\$239,335	\$268,621	\$271,250	\$266,266
TOTAL REVENUES	\$0	\$0	\$0	\$0
Total Full Time Positions	2.15	2.15	2.15	2.15
Total Temporary Positions	0.12	1.00	1.00	0.75

Wastewater Collection Fund

COLLECTION SYSTEM

To plan, engineer, construct, operate, and maintain improvements to the Wastewater Collection System that will provide our customers with safe, economic, and reliable service.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Utility Purchases and Charges	6,519,346	7,499,360	7,499,360	7,953,638
Salaries and Benefits	1,480,267	1,619,349	1,639,416	1,802,693
Contract Services	93,318	183,140	208,140	153,140
Supplies and Materials	166,183	222,560	222,560	212,960
Facilities and Equipment Purchases	0	500	500	500
General Expense	47,872	59,650	59,650	67,750
Rents and Leases	36,990	95,800	95,800	95,800
Allocated Charges	391,960	527,870	527,870	485,215
Capital Improvement Program	2,740,553	4,129,999	4,144,643	4,274,001
TOTAL EXPENDITURES	\$11,476,489	\$14,338,228	\$14,397,939	\$15,045,697
TOTAL REVENUES	\$485,375	\$730,000	\$730,000	\$740,000
Total Full Time Positions	22.53	24.28	24.28	25.20
Total Temporary Positions	1.34	1.11	1.11	1.55

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Water Fund

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

OVERVIEW

In Fiscal Year(FY) 2012, Palo Alto's Water Utility plans to focus on increasing infrastructure reliability and responsiveness to meet the City's water supply needs during an emergency, maintaining high-quality and reliable sources of water, updating water efficiency goals, and implementing water efficiency programs and services.

Engineering and Operations

Capital projects planned in FY 2012 include the design and construction phases of water main replacement projects to replace structurally deficient water mains; system improvements and upgrades for underground vaults and 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 25, the construction phase of WMR Projects 23 and 24, seismic upgrades including coating improvements of the existing water reservoirs and rehabilitation of the existing water wells (more information may be found in the FY 2012 Capital Budget document). Additionally, construction will continue on the El Camino Park water reservoir, well and pump station along with replacement of the Mayfield Reservoir pump station.

To address the critical need for ensuring sufficient water supplies during emergency situations, the City of Palo Alto Utilities (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.

In 2007, Council certified the Environmental Impact Report (EIR) and voters overwhelmingly approved a ballot measure to use the space beneath El Camino Park for a new reservoir, pump station, and well. The design and construction of the El Camino project is running concurrently with the design phase of the other study-recommended projects.

Two new emergency wells were completed during FY 2011 along with the design of the El Camino Reservoir/Pump Station/Well, Mayfield Reservoir Pump Station, condition assessment and rehabilitation design for the existing reservoirs, and the condition assessment of the existing wells including rehabilitation design. Significant funding increases appear in the FY 2012 budget.

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 seven years before leveling off. The latest projections indicate that the wholesale rates will double in five years (by FY 2016).

This increase is due to the adopted 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 Program (WSIP). On October 30, 2008, the SFPUC adopted the WSIP, and the San Francisco Planning Commission certified the Final Program Environmental Impact Report for the WSIP. These major milestones for the WSIP indicate that the risks to human health and safety from a major lengthy disruption of water supplies from the regional water system are being addressed.

Water Fund

Although staff has concluded that SFPUC supplies are sufficient in normal water years, additional supplies are needed in drought years. Other water supply options are therefore under evaluation.

In FY 2009, a Recycled Water Facilities Plan was completed. The plan identified a project to extend pipelines to deliver recycled water to the Stanford Research Park area. Significant comments were received on a draft environmental document for the project, and staff has determined that a more extensive evaluation of the impacts of using recycled water on landscaping must be completed. Therefore, in FY 2011, preparation of an Environmental Impact Report (EIR) was started regarding application of recycled water to landscaping. The EIR is expected to be complete by the end of FY 2011. Utilities also worked with Public Works and the other partners of the Regional Water Quality Control Plant to improve the quality of the recycled water produced. In FY 2010, a salinity reduction policy was adopted by Council to address this issue. Staff continues to monitor salinity levels in an effort to identify any opportunities to improve the recycled water quality to make it more acceptable for applications including landscape irrigation.

A significant barrier for the project is its high cost. To address this cost, staff is actively seeking outside funding to make the project feasible and cost effective.

Palo Alto is a member of the Bay Area Water Supply and Conservation Agency (BAWSCA), an agency which represents all the water agencies that purchase water from the SFPUC. SFPUC's adoption of the WSIP contained a limitation on water sales from the regional water system. In response to this water supply limitation, the potential for increasing efficiency programs is being re-assessed by BAWSCA. BAWSCA has completed a study of water efficiency measures and is working with its member agencies to implement new efficiency programs. Palo Alto actively participated in the development of the plan and began implementation of the plan's recommended programs and projects in FY 2010. One of the efforts spearheaded by BAWSCA in FY 2010 was the development of model ordinances for indoor and outdoor water use. After review of these ordinances, staff recommended that Council approve local amendments to the CALGreen that included the landscape requirements. Council approved this ordinance on December 13, 2010, and it went into effect in January 2011.

The new Water Supply Agreement, which took effect on July 1, 2009, did not contain a drought allocation plan to divide the available water in the case of a water shortage among the BAWSCA agencies. An agreement was reached in 2010, and in January 2011 Council adopted the compromise drought allocation plan. The plan will go into effect in the event of a water shortage requiring water use reductions of up to 20% until 2018.

When the SFPUC adopted its capital program to repair and replace the regional water delivery system, it decided to limit water deliveries until 2018. As required under the new Water Supply Agreement, in December 2010, the SFPUC determined how the limited water available to the BAWSCA agencies would be divided up among them. Staff was actively involved with the process and advocated for establishing the amount for each agency based on its long-term supply entitlement under the Water Supply Agreement. In mid-2011, the SFPUC will establish a penalty rate for any usage over the water supply limitation.

Sales and Marketing

Water efficiency continues to play an important role in the goals for CPAU. The cost sharing water efficiency contract with the Santa Clara Valley Water District was recently updated to continue the vast array of water efficiency programs available to Palo Alto residential and commercial customers.

Rates

For the Water Utility, a new residential rate structure is being adopted that combines a higher flat rate to cover fixed costs with a slightly lower baseline level and increasing price tiers to encourage water use efficiency. As a result of cost-of-service studies indicating CPAU needs to better recover its own fixed costs as well as to provide sufficient funds to cover CPAU's share of the SFPUC infrastructure project costs, there will be an average

revenue increase of 12.5 percent for FY 2012. This will be implemented with a 20.9% rate increase effect October 1, 2011.

Reserves

A Water Rate Stabilization Reserve (RSR) is 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. 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. Reserves may be above the maximum guideline level or below the minimum guideline level for a particular year as long as the levels are projected to move back to between the minimum and maximum guideline levels over the five-year financial forecast planning horizon.

In FY 2009, Council approved changes to the Water RSR guidelines. Target reserve levels reflect the risk assessment of the RSRs, an assessment which must be performed annually according to the guidelines. The target level for the Water RSR is based on a risk assessment that includes potential revenue shortfalls from declining sales and requirements for Capital Improvement Programs.

With the water rate change in FY 2012, the Water RSR ending balance is projected to be approximately \$11.8 million, which is above the minimum guideline level of \$4.6 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 conservation goals.

BMPs include residential, commercial, industrial, and institutional efficiency measures for domestic water use, process use, and irrigation. Staff continues to look for ways to enhance marketing of these programs. Mandatory water use restrictions were imposed by the SCVWD (but not by the San Francisco Public Utilities Commission, Palo Alto's water provider). The Department of Water Resources (DWR) approved a Water Efficient Landscape Ordinance, which all water agencies were to either follow as approved or adopt a local ordinance at least as efficient as the one adopted by DWR. After review of this ordinance, staff recommended that Council approve local amendments to the CALGreen that included the landscape requirements. Council approved this ordinance in December 2010, and it went into effect in January 2011.

COUNCIL PRIORITY IMPLEMENTATION

Environmental Sustainability

All of the Water Fund's demand-side management programs and incentives contribute to the Council's Top 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 of "Economic Health," since City facilities and parks costs are lowered when water use is reduced.

The 2005 Urban Water Management Plan includes water reduction goals. Staff is currently updating the plan for 2012; recommended goals are not yet available. The 2005 plan includes the expectation that conservation programs will reduce water purchases from San Francisco Public Utilities Commission (SFPUC) by 4% by the year 2030.

Water Fund

The table below shows CPAU's record thus far in meeting its annual water reduction goals. Savings are shown as a percentage of total retail sales.

	YEAR		
	2008	2009	2010
Goal	0.34%	0.34%	0.34%
Savings	0.72%	0.98%	1.35%

Funding for the residential and commercial demand side management programs is based on 1.9 percent of sales for FY 2012. Almost all of the programs include a cost sharing arrangement with the Santa Clara Valley Water District (SCVWD) which significantly reduces program costs for CPAU.

FUND SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Net Sales	24,540,697	27,248,635	27,248,635	29,366,280	2,117,645
Interest Income	1,571,599	1,050,100	1,050,100	970,600	(79,500)
Other Income	2,645,359	3,017,368	3,074,144	2,858,717	(215,427)
TOTAL FUND REVENUES	\$28,757,655	\$31,316,103	\$31,372,879	\$33,195,597	\$1,822,718
Administration	2,167,896	2,675,346	2,673,503	2,523,981	(149,522)
Resource Management					
Purchases	9,061,245	12,043,289	12,043,289	15,773,672	3,730,383
Operations	485,728	659,722	663,758	667,113	3,355
Customer Support Services	1,371,943	1,669,514	1,681,600	1,814,811	133,211
Distribution System					
Systems Improvement(CIP)	8,607,138	8,438,000	8,442,844	3,949,000	(4,493,844)
Customer Design and Connection Services(CIP)	335,934	410,001	412,185	420,000	7,815
Operations	4,520,132	5,275,180	5,300,100	5,830,859	530,759
Debt Service	1,589,380	2,980,984	2,980,984	3,338,027	357,043
Rent	2,107,405	2,107,405	2,122,405	2,156,887	34,482
Operating Transfers Out	281,764	441,511	441,511	103,737	(337,774)
TOTAL FUND EXPENDITURES	\$30,528,565	\$36,700,952	\$36,762,179	\$36,578,087	\$(184,092)
TO/FROM RESERVES	\$(1,770,910)	\$(5,384,849)	\$(5,389,300)	\$(3,382,490)	\$2,006,810

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Utility Purchases and Charges	9,061,245	12,043,289	12,043,289	15,773,672
Salaries and Benefits	4,902,848	5,205,933	5,246,975	5,338,685
Contract Services	311,139	754,101	754,101	739,956
Supplies and Materials	351,588	491,300	491,300	460,700
Facilities and Equipment Purchases	2,365	5,610	5,610	7,610
General Expense	286,919	358,557	358,557	435,202
Rents and Leases	2,186,148	2,206,631	2,221,631	2,895,713
Allocated Charges	2,612,097	3,365,035	3,363,192	3,115,785
Debt Service	1,589,380	2,980,984	2,980,984	3,338,027
Capital Improvement Program	8,943,072	8,848,001	8,855,029	4,369,000
Operating Transfers Out	281,764	441,511	441,511	103,737
TOTAL EXPENDITURES	\$30,528,565	\$36,700,952	\$36,762,179	\$36,578,087
Total Full Time Positions	44.16	44.06	44.06	44.00
Total Temporary Positions	2.63	2.87	2.87	1.81

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Average cost per 100 Cubic Feet (CCF)	\$1.69	\$2.00	\$2.74
2. The Standard & Poor's revenue bond credit rating will be AA- or higher	AA-	AAA	AAA
3. Reading accuracy for meter reading will be equivalent or higher than industry standards	99.90%	99.90%	99.90%
4. Number of Water Surveys for Single-and- Multi Family Residential Customers, Single Family (SF) Audits	278	300	315
5. Number of Water Surveys for Single-and- Multi Family Residential Customers , Multi-Family (MF) Audits	62	65	70
6. Average wait time for customers calling the Customer Service Center	70 sec	90 sec	90 sec
Efficiency:			
1. A comparison of the annual CPAU water system losses (unaccounted-for losses) will be less than the BMP (Best Management Practice) guideline of the California Urban Water Conservation Council (CUWCC) of under 10%.	6.8%	8.2%	<10%
2. Bank Drafting- Increase customer participation	>25%	>25%	>25%
3. My Utilities Account- increasing the participating customers to greater than 10% of total	N/A	>10%	>20%
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)	7.8	8.0	8.5
2. Citizen survey- percent rating water utility good or excellent (SEA)	84%	83%	83%

Water Fund

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
3. The percent of water main breaks responded to within one hour will be 95 percent or greater. (revised due to data availability)	97%	100%	100%
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)	97%	100%	100%
5. Uncollectable Revenue (Write-Off) will be less than 0.20 percent of Fund Net Revenue.	0.07%	0.12%	0.13%
6. Reduce days lost due to workplace injury to 5 or less	0	<5	<5
7. Percent of Key/Major/Institutional customers contacted each quarter will be equal to 95%.	95%	95%	95%

RESERVES

(\$000)	FY 2012 Projected Beginning Balance	FY 2012 Changes	FY 2012 Projected Ending Balance	FY 2012 Reserve Guideline Range
Emergency Plant Replacement	1,000	0	1,000	1,000 (min.)
Rate Stabilization	15,148	(3,382)	11,766	4,614 -9,229
Debt Service Reserve	3,348	0	3,348	
TOTAL RESERVES	\$19,496	\$(3,382)	\$16,114	

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES (\$000)			
Increase net sales (Note 2)	1,961		1,961
Decrease interest income	(80)		(80)
Decrease other income (Note 3)	(5)		(5)
Decrease federal reimbursements (Note 4)	(5)		(5)
Increase in operating transfer from Vehicle Replacement and Maintenance Fund (Note 5)		8	8
TOTAL REVENUE CHANGES	\$1,871	\$8	\$1,879
Adjustments (Note 1)		(57)	(57)
NET REVENUE CHANGES	\$1,871	\$(49)	\$1,822

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Salary Adjustments (Note 6)	(84)		(84)
Decrease in Temporary Salaries	(43)		(43)
Personnel Benefits Costs Increase (Note 7)	239		239
Total Salary and Benefits Changes	\$112	\$0	\$112
Adjustments (Note 1)			0
Net Salary and Benefits Changes	\$112	\$0	\$112
Non-Salary			
Increase water commodity	3,730		3,730
Increase in program and project consultants for water conservation programs	50		50
Decrease in contract services	(35)		(35)
Decrease in supplies and materials	(31)		(31)
Increase bankcard service charges	50		50
Increase equipment rental for lease of emergency generators for water pumps	640		640
Increase debt service	357		357
Decrease operating transfer to Technology Fund (Note 8)	(130)		(130)
Decrease operating transfer to Capital Projects Fund	(8)		(8)
Decrease operating transfer to Electric Fund (Note 9)	(200)		(200)
Decrease capital improvement program (Note 10)	(4,506)		(4,506)
Allocated Charges Decrease (Note 11)	(213)		(213)
Total Non-Salary Changes	\$(296)	\$0	\$(296)
TOTAL EXPENDITURE CHANGES	\$(184)	\$0	\$(184)
Adjustments (Note 1)			0
NET EXPENDITURE CHANGES	\$(184)	\$0	\$(184)

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time revenues and appropriation changes from the prior year that did not carry forward from the FY 2011 budget.

Note 2: Increase in net sales includes average revenue increase of 12.5%.

Note 3: Decrease in other income is primarily due to a decrease in revenue from connection charges.

Note 4: Decrease in federal reimbursements for partial subsidy of interest payments on water bonds.

Note 5: Refund of accumulated replacement charges that had been paid to the Vehicle Replacement and Maintenance Fund for vehicles/equipment that have now been removed from service and will not be replaced.

Note 6: Salary adjustments are primarily due to a net decrease of 0.06 FTE which includes various reallocations to/from other funds.

Water Fund

Note 7: Personnel benefit costs have increased mainly due to increases for the pension component of the benefits allocation.

Note 8: Changes in transfers to Technology Fund are due primarily to the costs of the SAP upgrade/Utilities billing system and the radio infrastructure replacement project.

Note 9: Decrease in transfers to Electric Fund reflects one-time reimbursements in FY 2011 for CIP EL-10008 Advanced Metering Infrastructure and CIP EL-11014 Smart Grid Technology.

Note 10: Projected CIP expenditures for the Water Fund are \$4.4 million in FY 2012.

Note 11: Decrease in allocated charges is due primarily to decreases in cost plan charges and utilities administration charges.

SERVICE LEVEL CHANGES

In FY 2010, a construction program was added for both residential and business customers. The incentive program is in coordination with the City's Green Building Ordinance and is being combined with permit applications for 2011. The combination of applications should increase the number of applicants to the rebates on an ongoing basis.

In development are a variety of new ordinances and programs to increase water conservation in the City of Palo Alto and achieve a 20% reduction in per capita water usage by 2020. Included in this list of new ordinances and programs are an updated landscape efficiency water ordinance, an indoor water ordinance, and a gray water ordinance. The landscape efficiency ordinance requirements are adopted as part of the CALGreen building code. Also in development are enhanced programs for high efficiency toilet and washing machine rebates. The education program continues to be positively received, with new classes on landscape design and water conservation offered each year. The 2011 Urban Water Management Plan update will also address the mandated 20% reduction by 2020.

COMPREHENSIVE PLAN OVERVIEW

The FY 2012 Water Fund Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

LAND USE AND COMMUNITY DESIGN

The Utilities Department is designing above-ground equipment placement to minimize visual impact. Compact designs for backflow preventers are included in City backflow standards. (Program L-81)

NATURAL ENVIRONMENT

All of the Water Fund's demand-side management programs and incentives contribute to the Council's Top 5 Priority of Environmental Protection and are consistent with the Green Ribbon Task Force's recommendations as well as the City's Comprehensive Plan. There are programs for both residential and commercial customers that include a cost sharing arrangement with the Santa Clara Valley Water District (SCVWD). Santa Clara Valley Water District continues to work on identifying groundwater recharge areas in Palo Alto.

Additionally, CPAU staff continues to work with the State Department of Health Services to identify improvements necessary to the City's wellhead protection program. Five projects are included in the Capital budget to address the recommendations of the Water Wells, Regional Storage, and Distribution System Study (the study was completed in December 1999). The five projects will rehabilitate existing wells and construct three new wells. Also, a new water reservoir and pump station will be constructed to provide emergency supplies for an eight-hour period. More specifically, funding is included in the Capital budget to begin the design and construction of a new 2.5 million-gallon reservoir and pump station, three new wells, the rehabilitation of up to five existing wells, and the rebuild of the Mayfield Pump Station. Utilities staff continues to look for opportunities to work with the District to examine alternate pipeline connections that would improve supply reliability at a reasonable cost. (Program N-22)

Council's Sustainability Policy supports the development of recycled water, specifically in the Policy's statement to "reduce resource use and pollution in a cost-effective manner while striving to protect and enhance the quality of the air, water, land, and other natural resources." A program addresses the use of recycled water by converting existing potable water users to recycled water for irrigation when available. (Goal N-4, Program N-26)

Consistent with Council policy, CPAU will continue exploring expanded use of recycled water in Palo Alto. The Council has supported this goal by its approval of the Water Integrated Resources Plan (WIRP) Guidelines in December 2003 [CMR: 547:03], specifically, WIRP Guideline #3: Actively participate in development of cost-effective regional recycled water plans. Staff has completed a market survey and a facilities plan for expanding the recycled water distribution system in Palo Alto. The environmental document is expected to be complete by the end of FY 2011. After that, depending upon the project cost and grant and loan funding availability, design and construction phases may begin. (Goal N-4)

As federal, state, and other agencies promulgate new policies and standards for water efficiency, the City incorporates these measures into applicable codes, regulations, and procedures, where practical. The City has adopted City Code provisions for water efficiency standards applicable to commercial landscaping (Ordinance 4162). Also, Utility Rules and Regulations prohibit water waste. (Goal N-4)

Residential water rate structures continue to reflect conservation pricing in the form of an inverted rate structure, which applies ascending prices for rising usage levels. (Program N-23)

The City has adopted California Urban Water Conservation Council's "Best Management Practices" (BMPs). The Utilities Department has contracted with the Santa Clara Valley Water District for assistance in increasing penetration of BMP measures in Palo Alto. (Policy N-20) Regulation and education have taken the place of incentives for the use of drought-tolerant landscaping and recycled water for landscape irrigation. Our ongoing effort to implement this policy in the commercial market sector through the City's "Landscape Water Efficiency Standards" is being expanded to include residential construction, in order to be at least as effective as the Department of Water Resources model landscape efficiency ordinance. (Programs N-24 and N-28)

Water utility personnel continue to be active participants in Green Building charettes and design efforts for the proposed Mitchell Park Library. (Policy N-20, Program N-24) CPAU works with businesses and schools to implement energy efficiency programs and rebates aimed at saving valuable water resources as well as creating a benefit to businesses. (Policy N-20)

Water Fund

RESOURCE MANAGEMENT

To develop and manage water commodity resources to the benefit of the ratepayers, citizens, and businesses in Palo Alto.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Utility Purchases and Charges	9,061,245	12,043,289	12,043,289	15,773,672
Salaries and Benefits	257,210	339,072	343,108	354,463
Contract Services	28,756	102,500	102,500	73,100
Supplies and Materials	0	3,250	3,250	2,950
General Expense	199,762	214,900	214,900	236,600
TOTAL EXPENDITURES	\$9,546,973	\$12,703,011	\$12,707,047	\$16,440,785
TOTAL REVENUES	\$0	\$0	\$0	\$0
Total Full Time Positions	2.15	1.75	1.75	1.75
Total Temporary Positions	0.00	0.00	0.00	0.00

CUSTOMER SUPPORT SERVICES

To provide responsive customer service, advance customer relations, implement resource efficiency programs, and insure revenue is available to cover Water Fund financial obligations.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,028,602	1,141,599	1,153,685	1,184,596
Contract Services	238,215	419,359	419,359	454,459
Supplies and Materials	1,636	8,790	8,790	8,890
Facilities and Equipment Purchases	0	2,860	2,860	2,860
General Expense	42,380	70,532	70,532	137,632
Rents and Leases	0	126	126	126
Allocated Charges	61,110	26,248	26,248	26,248
TOTAL EXPENDITURES	\$1,371,943	\$1,669,514	\$1,681,600	\$1,814,811
TOTAL REVENUES	\$58,400	\$58,400	\$58,400	\$58,400
Total Full Time Positions	8.02	9.13	9.13	9.13
Total Temporary Positions	0.76	1.00	1.00	0.91

Water Fund

DISTRIBUTION SYSTEM

To plan, engineer, operate, maintain, and construct improvements to the water distribution system that will provide customers with safe, economic, and reliable service.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	3,432,283	3,591,655	3,616,575	3,665,552
Contract Services	44,168	232,242	232,242	212,397
Supplies and Materials	349,952	479,260	479,260	448,860
Facilities and Equipment Purchases	2,365	2,750	2,750	4,750
General Expense	44,777	64,825	64,825	60,970
Rents and Leases	78,743	99,100	114,100	753,700
Allocated Charges	567,844	805,348	805,348	699,630
Capital Improvement Program	8,943,072	8,848,001	8,855,029	4,369,000
TOTAL EXPENDITURES	\$13,463,204	\$14,123,181	\$14,170,129	\$10,214,859
TOTAL REVENUES	\$825,733	\$1,301,798	\$1,301,798	\$1,304,601
Total Full Time Positions	33.99	33.18	33.18	33.12
Total Temporary Positions	1.87	1.87	1.87	0.90

Refuse Fund

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Refuse Fund

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

OVERVIEW

This past fiscal year has been one of transition for the Refuse Fund. In November 2010, Council approved a plan to divert all curbside collected garbage and fill the landfill as fast as possible and to remove the ban on accepting commercial waste at the landfill. All garbage and debris that were going to the Sunnyvale Materials Recycling and Transfer (SMaRT) Station and Kirby Canyon Landfill are now being disposed at the Palo Alto landfill. The Palo Alto landfill is expected to reach capacity and close sometime in FY 2012. Capping of the landfill is expected to be completed by the end of calendar year 2013. Once the landfill is closed, the activities needed to convert the landfill to parkland will begin. Staff is already conducting preliminary work to underground gas and leachate wells in closed areas of the landfill in order to get those areas opened to the public.

A rate increase was approved by Council in October 2010 in order to maintain adequate revenues in the Refuse Fund, and reductions in expenses were made until staff returns to the Council with results of an initial cost of services study for Refuse Fund activities. The current rate increase will expire in October 2011 unless it is reinstated or modified by Council prior to that date. In order to maintain adequate revenues, staff anticipates recommending that Council continue the rate approved in October 2010, and may ask for an additional increase. A continuation of the cost of services study will provide recommendations related to future rates for residential, commercial and industrial customers. The results of the cost of services study will likely require major changes to the current rate structure. As shown on the reserves table, the current operating gap is \$3.7 million, which needs to be addressed by a rate increase or other means

The City of Palo Alto proudly maintains one of the highest frequency sweeping schedules in the Bay Area. Staff provides 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.

Implementation of the Zero Waste Operational Plan continues. In FY 2012, staff will target specific sectors (such as residential multi-family) for outreach and technical assistance. Support will continue for the very successful school waste diversion efforts in order to ensure long term success, and staff will continue to provide ongoing public education efforts in support of the zero waste services that are provided by GreenWaste of Palo Alto. An improved zero waste website and a Facebook social media site were introduced in FY 2011.

PROGRAM UPDATE

The focus of the Zero Waste Operational Plan (ZWOP) will be the phased-in implementation of required recycling and composting services. This will be done in order to continue expanding the collection of organic materials from commercial customers and recyclable materials from all customers.

Staff continues preparation for the closing of the landfill in FY 2012.

High-frequency street sweeping continues for residential and commercial areas.

Refuse Fund

COUNCIL PRIORITY IMPLEMENTATION

City Finances

- Rebuild the Refuse Fund's Rate Stabilization Reserve to a level that meets established guidelines and ensure a balanced annual operating budget while establishing a stable annual revenue stream for the fund. As part of this effort, refuse rates must be restructured to deal with declining refuse amounts and the success of our Zero Waste programs.

Environmental Sustainability

- Evaluate alternatives for handling Palo Alto's organic residuals (yard trimmings, food scraps and wastewater solids). With the closure of Palo Alto's landfill and current compost facility in late 2011 and early 2012 respectively, the need to manage the City's residuals becomes a key issue.
- Continue implementation of projects for the Zero Waste Operational Plan including requiring recycling and composting services in residential and commercial sectors.
- Minimize hazardous waste in the City through collection of City-generated and household hazardous waste.
- Minimize solid waste through waste reduction and recycling programs.

FUND SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Net Sales	24,924,611	25,502,182	27,383,182	23,946,652	(3,436,530)
Interest Income	336,783	300,600	300,600	300,600	0
Other Income	3,901,520	4,093,042	6,012,082	3,951,914	(2,060,168)
TOTAL FUND REVENUES	\$29,162,914	\$29,895,824	\$33,695,864	\$28,199,166	\$(5,496,698)
Administration	1,499,181	1,600,644	1,594,859	1,691,880	97,021
Solid Waste					
Systems Improvement(CIP)	187,357	1,650,000	1,650,000	6,246,409	4,596,409
Operations	5,883,347	6,757,231	6,317,446	5,127,087	(1,190,359)
Collection, Hauling and Disposal					
Payment to GreenWaste	12,477,838	14,797,178	13,200,000	13,000,000	(200,000)
Operations	4,115,217	4,803,472	4,455,524	4,885,275	429,751
Street Sweeping	2,019,070	2,057,396	2,079,401	2,056,592	(22,809)
Debt Service	607,530	607,897	607,897	623,170	15,273
Rent	4,288,747	4,288,747	4,288,747	4,288,747	0
Operating Transfers Out	353,517	337,872	326,433	73,735	(252,698)
TOTAL FUND EXPENDITURES	\$31,431,804	\$36,900,437	\$34,520,307	\$37,992,895	\$3,472,588
TO/FROM RESERVES	\$(2,268,890)	\$(7,004,613)	\$(824,443)	\$(9,793,729)	\$(8,969,286)

Refuse Fund

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Utility Purchases and Charges	12,477,838	14,797,178	13,200,000	13,000,000
Salaries and Benefits	4,214,714	4,376,324	4,281,492	4,060,420
Contract Services	5,247,326	6,547,299	6,069,899	6,058,394
Supplies and Materials	210,030	310,846	161,046	140,600
Facilities and Equipment Purchases	2,300	15,900	8,000	10,400
General Expense	121,584	275,595	225,595	227,300
Rents and Leases	4,293,685	4,307,747	4,322,747	4,297,827
Allocated Charges	3,715,923	3,673,779	3,667,198	3,254,640
Debt Service	607,530	607,897	607,897	623,170
Capital Improvement Program	187,357	1,650,000	1,650,000	6,246,409
Operating Transfers Out	353,517	337,872	326,433	73,735
TOTAL EXPENDITURES	\$31,431,804	\$36,900,437	\$34,520,307	\$37,992,895
Total Full Time Positions	36.47	36.81	36.81	35.81
Total Temporary Positions	1.11	1.16	1.16	2.26

RESERVES

(\$000)	FY 2012 Projected Beginning Balance	FY 2012 Changes	FY 2012 Projected Ending Balance	FY 2012 Reserve Guideline Range
Rate Stabilization Reserve	(5,285)	(3,694)	(8,979)	2,462 - 4,924
Landfill Corrective Action Reserve	658	0	658	
TOTAL RESERVES	\$(4,627)	\$(3,694)	\$(8,321)	
Landfill Closure and Postclosure Care Liability	10,648	(6,100)	4,548	
TOTAL RESERVES AND FULLY-FUNDED LIABILITY	\$6,021	\$(9,794)	\$(3,773)	
OPERATING RESERVE (RSR, NET OF POSTCLOSURE CARE LIABILITY OF \$5.12 MILLION)	\$(165)	\$(3,694)	\$(3,859)	

Refuse Fund

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES (000)			
Decrease net sales (Note 2)	(3,747)		(3,747)
Increase special revenue from GreenWaste (Note 3)	338		338
Decrease in disposal fee revenue (Note 4)	(1,250)		(1,250)
Increase in other revenue	185		185
Increase in operating transfer from parking districts for street sweeping	80		80
Decrease in operating transfer from Wastewater Collection Fund (Note 5)	(375)		(375)
Decrease in operating transfer from Capital Projects Fund (Note 6)	(138)		(138)
Decrease in operating transfer from Vehicle Replacement and Maintenance Fund (Note 7)	(590)		(590)
TOTAL REVENUE CHANGES	\$(5,497)	\$0	\$(5,497)
Adjustments (Note 1)			0
NET REVENUE CHANGES	\$(5,497)	\$0	\$(5,497)
EXPENDITURE CHANGES (000)			
Salary and Benefits			
Reclassify 2.0 FTE Executive Assistant to Management Analyst	(2)		(2)
Add 0.5 FTE Assistant Director, Environmental Services	110		110
Eliminate 0.1 FTE Superintendent, Public Works Operations	(18)		(18)
Reclassify 1.0 FTE Landfill Technician to Coordinator, PW Projects	7		7
Landfill position to be removed at the end of December- 1.0 FTE Heavy Equipment Operator- Lead	(57)		(57)
Landfill positions to be removed at the end of December- 2.0 FTE Heavy Equipment Operator	(106)		(106)
Landfill positions to be removed at the end of December- 3.0 FTE Refuse Disposal Attendant	(122)		(122)
Reallocate 0.9 FTE Management Analyst to other funds	(99)		(99)
Decrease in Temporary Salaries	(128)		(128)
Personnel Benefit Costs Increase (Note 8)	217		217
Total Salary and Benefits Changes	\$(198)	\$0	\$(198)
Adjustments (Note 1)		123	123
NET SALARY AND BENEFITS CHANGES	\$(198)	\$123	\$(75)

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
Non-Salary			
Decrease in landfill closure/postclosure accrual	(125)		(125)
Decrease contract services	(137)		(137)
Increase contract services for SMaRT Station	250		250
Decrease supplies and materials	(20)		(20)
Decrease rent- tools and equipment	(25)		(25)
Increase joint agency debt service- Palo Alto share of costs for upgrade at SMaRT Station	15		15
Decrease GreenWaste contract - waste hauling agreement	(200)		(200)
Decrease operating transfer to Technology Fund (Note 9)	(86)		(86)
Decrease operating transfer to General Fund (Note 10)	(166)		(166)
Increase capital improvement program (Note 11)	4,450		4,450
Allocated Charges Decrease (Note 12)	(408)		(408)
Total Non-Salary Changes	\$3,548	\$0	\$3,548
TOTAL EXPENDITURE CHANGES	\$3,350	\$123	\$3,473
Adjustments (Note 1)			0
NET EXPENDITURE CHANGES	\$3,350	\$123	\$3,473

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time revenues and appropriation changes from the prior year that did not carry forward from the FY 2011 budget.

Note 2: Decrease in net sales reflects expiration of rate increases approved by Council in September, 2010. Also, prior year budget amount was higher than expected actuals. Staff will return to Council with options for rate adjustments in the summer of 2011.

Note 3: Under the hauling agreement with GreenWaste, the City receives all revenue that GreenWaste bills for drop boxes and bin rentals.

Note 4: Decrease in revenue from disposal fee is due to the fewer loads at the City landfill which will be closing during FY 2012.

Note 5: Decrease in operating transfer from the Wastewater Collection Fund represents reimbursement made in FY 2011 for CIP RF-10003 Drying Beds, Material Storage and Transfer Area.

Note 6: Decrease in operating transfer from the Capital Projects Fund represents return of unused funds in FY 2011 for CIP PE-08005 Municipal Services Center Resurfacing Project, which has been completed.

Note 7: Decrease in operating transfer represents the refund of accumulated replacement charges that had been paid to the Vehicle Replacement and Maintenance Fund for landfill and composting equipment that will not be replaced due to the landfill closure in FY 2012. The refund was made in FY 2011.

Note 8: Personnel benefit costs have increased mainly due to increases for the pension component of the benefits allocation.

Refuse Fund

Note 9: Changes in transfers to the Technology Fund are due primarily to the costs of the SAP upgrade/Utilities billing system.

Note 10: Decrease in operating transfer to the General Fund represents the removal of a transaction that is no longer applicable due to the change in waste hauling service providers from PASCO to GreenWaste in FY 2009. The General Fund had been receiving a transfer from the Refuse Fund for PASCO's use of the Geng Road property.

Note 11: Projected CIP expenditures for the Refuse Fund are \$6.1 million in Fiscal Year 2012. Funds of \$6.1 million for CIP RF-11001 Landfill Closure will be funded by cash that has been accumulated to cover the landfill closure liability.

Note 12: Decrease in allocated charges is due primarily to a decreases in vehicle/equipment charges, wastewater charges, and interest on landfill rent.

COMPREHENSIVE PLAN OVERVIEW

The budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

TRANSPORTATION

The Refuse Fund will continue performing off-road bicycle and pedestrian path sweeping on a regular basis (Program T-29). Staff will continue working with the Chamber of Commerce to enhance maintenance in the downtown areas (Program T-30).

NATURAL ENVIRONMENT

Monthly household hazardous waste collection events will continue (Programs N-48 and N-50), and street sweeping will be performed on a regular basis in the residential and business areas (Program N-30). Goal N-7 related to solid waste is addressed through recycling, composting, and through the rate structure.

SOLID WASTE

To provide solid waste disposal and recycling services including waste reduction and hazardous waste educational programs.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	2,758,817	2,855,776	2,751,091	2,516,616
Contract Services	1,309,267	1,853,243	1,725,843	1,295,850
Supplies and Materials	175,946	267,946	118,146	102,700
Facilities and Equipment Purchases	2,300	12,900	5,000	10,400
General Expense	120,940	243,220	193,220	194,425
Rents and Leases	4,938	15,000	15,000	5,000
Allocated Charges	1,511,139	1,509,146	1,509,146	1,002,096
Capital Improvement Program	187,357	1,650,000	1,650,000	6,246,409
TOTAL EXPENDITURES	\$6,070,704	\$8,407,231	\$7,967,446	\$11,373,496
TOTAL REVENUES	\$1,996,776	\$2,338,045	\$3,468,045	\$1,348,486
Total Full Time Positions	22.69	22.99	22.99	22.09
Total Temporary Positions	1.11	1.16	1.16	2.19

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of households serviced through Household Hazardous Waste Program	4,753	4,500	4,500
Efficiency:			
1. Percent of total households serviced through HHW program (26,048 from 2000 census)	18%	17%	17%
Effectiveness:			
1. Tons of HHW diverted from illegal dumping	234	230	220

Refuse Fund

COLLECTION, HAULING AND DISPOSAL

To provide environmentally safe, long-term refuse and recycling collection and disposal for residents and businesses at rates competitive with surrounding areas.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Utility Purchases and Charges	12,477,838	14,797,178	13,200,000	13,000,000
Salaries and Benefits	152,595	173,395	175,447	194,710
Contract Services	3,875,702	4,616,012	4,266,012	4,685,000
Supplies and Materials	1,561	10,000	10,000	1,500
General Expense	274	1,425	1,425	1,425
Allocated Charges	85,085	2,640	2,640	2,640
TOTAL EXPENDITURES	\$16,593,055	\$19,600,650	\$17,655,524	\$17,885,275
TOTAL REVENUES	\$1,208,296	\$25,000	\$25,000	\$390,000
Total Full Time Positions	1.15	1.15	1.15	1.15
Total Temporary Positions	0.00	0.00	0.00	0.04

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. NEW: Percentage of missed collections by waste hauler annually.	.001	0	0
2. Tons of waste processed through SMaRT station	30,398	50,000	30,500
3. NEW: Per capita disposal rate- pounds per day (SEA)	4.2	4.5	4.5
Effectiveness:			
1. NEW: Number of inquiries received by City regarding waste hauler's service	300	270	270
2. Tons of recyclables diverted from landfill	12,032	9,000	14,000
3. Percent of residents rating waste hauler's service as excellent (SEA)	88%	90%	90%

STREET SWEEPING

To keep City streets and parking lots free of debris with thorough and effective street sweeping and litter control.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,244,994	1,267,442	1,274,447	1,266,541
Contract Services	62,357	78,044	78,044	77,544
Supplies and Materials	32,523	32,900	32,900	36,400
Facilities and Equipment Purchases	0	3,000	3,000	0
General Expense	365	950	950	1,450
Rents and Leases	0	0	15,000	0
Allocated Charges	678,831	675,060	675,060	674,657
TOTAL EXPENDITURES	\$2,019,070	\$2,057,396	\$2,079,401	\$2,056,592
TOTAL REVENUES	\$297,682	\$178,243	\$178,243	\$257,985
Total Full Time Positions	12.08	12.08	12.08	11.98
Total Temporary Positions	0.00	0.00	0.00	0.03

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of residential and commercial curb miles swept (SEA)	17,022	17,533	17,500
Efficiency:			
1. Percent of residential and commercial curb miles swept (SEA)	88%	92%	92%
Effectiveness:			
1. Cubic yards of residential and commercial debris removed from streets (SEA)	14,584	13,000	13,000

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Storm Drainage Fund

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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

Work in FY 2011 focused on the construction of the initial phase of the Channing Avenue/Lincoln Avenue Storm Drain Improvements. Staff also completed another phase of the annual Storm Drain System Replacement and Rehabilitation project and completed the design of a device to capture and remove trash from the storm drain system in compliance with regulatory requirements.

In FY 2012, 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 addition, engineering staff will focus on the construction of the second phase of the Channing Avenue/Lincoln Avenue Storm Drain Improvements, which will be coordinated with the annual street maintenance project and the continuing implementation of City-wide storm drain system repairs. These improvements will convey storm water runoff more efficiently to the San Francisquito Creek Storm Water Pump Station, completed in 2009, resulting in improved drainage system performance in northeastern Palo Alto. Staff will also contract for the installation of the storm drain system trash capture device.

In order to reduce storm water runoff, staff will continue to conduct a rebate program for residents and businesses that install rain barrels, cisterns, green roofs, and pervious pavement. 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 increased 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). A 1.5% fee increase is adopted for FY 2012, based on the increase in the local Consumer Price Index. Although construction costs have recently stabilized, past cost increases have raised project costs substantially above original estimates, and it is unlikely that there will be sufficient 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. Staff will continue to monitor project costs and look for opportunities to utilize grants and other outside funding sources to pay for the proposed drainage improvements.

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 the 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 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

Storm Drainage Fund

Creek Joint Powers Authority's (JPA) design of flood control improvements along San Francisquito Creek between Highway 101 and San Francisco Bay, as well as the JPA's partnership with the US Army Corps of Engineers to identify a comprehensive solution to creek and tidal flooding problems throughout the watershed. Public Services division staff will continue to conduct an enhanced level of storm drain maintenance which has been made possible by the storm drainage fee increase.

COUNCIL PRIORITY IMPLEMENTATION

Environmental Sustainability

- Staff will work with its partner agencies in the Santa Clara Valley Urban Runoff Pollution Prevention program to implement a the 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 continue to conduct 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

Emergency Preparedness

- Staff will continue to maintain the online Creek Monitor, coordinate with the Santa Clara Valley Water District to provide sand bags to the public, and work with the Fire Department, Police Department, and the San Francisquito Creek Joint Powers Authority (JPA) and its member agencies to coordinate emergency preparedness efforts related to flood emergencies

FUND SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Net Sales	5,284,155	5,450,531	5,450,531	5,536,376	85,845
Interest Income	167,603	158,950	158,950	148,400	(10,550)
Other Income	363,099	123,345	448,029	129,970	(318,059)
TOTAL FUND REVENUES	\$5,814,857	\$5,732,826	\$6,057,510	\$5,814,746	\$(242,764)
Administration	555,990	530,086	529,796	514,996	(14,800)
Systems Improvements					
Systems Improvement(CIP)	1,331,199	1,788,318	2,267,668	2,638,637	370,969
Operations	106,317	115,309	116,522	116,498	(24)
Operations & Maintenance	1,343,621	1,617,686	1,627,746	1,484,947	(142,799)
Debt Service	541,964	950,345	950,345	949,830	(515)
Operating Transfers Out	41,355	608,791	606,346	18,329	(588,017)
TOTAL FUND EXPENDITURES	\$3,920,446	\$5,610,535	\$6,098,423	\$5,723,237	\$(375,186)
TO/FROM RESERVES	\$1,894,411	\$122,291	\$(40,913)	\$91,509	\$132,422

Storm Drainage Fund

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	848,082	1,000,492	1,012,669	1,005,432
Contract Services	340,332	379,379	392,379	372,879
Supplies and Materials	72,912	99,300	87,800	103,300
Facilities and Equipment Purchases	12,300	11,621	10,121	7,621
General Expense	116,268	151,400	151,400	14,900
Rents and Leases	0	6,000	6,000	6,000
Allocated Charges	616,034	614,889	613,695	606,309
Debt Service	541,964	950,345	950,345	949,830
Capital Improvement Program	1,331,199	1,788,318	2,267,668	2,638,637
Operating Transfers Out	41,355	608,791	606,346	18,329
TOTAL EXPENDITURES	\$3,920,446	\$5,610,535	\$6,098,423	\$5,723,237
Total Full Time Positions	9.54	9.54	9.54	9.44
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of industrial storm water inspections conducted	309	295	300
2. Linear feet of storm drain pipelines cleaned annually	86,174	100,000	100,000
3. Total dollar value of storm drain improvements completed- (capital expenditures)	\$1,649,205	\$1,459,000	\$2,171,000
Efficiency:			
1. Number of industrial storm water inspections per FTE	309	295	300
2. Pounds of debris removed by hydroflushing pipelines	50,000	75,000	75,000
3. Total dollar value of storm drain improvements per FTE	\$785,336	\$678,605	\$1,009,757
Effectiveness:			
1. Percent of industrial sites in compliance with storm water regulations	80.9%	81.4%	80%
2. Number of resident calls regarding ponding problems	119	100	100
3. Percent of storm drain improvement projects completed within planned budget	100%	100%	100%

Storm Drainage Fund

RESERVES	FY 2012 Projected Beginning Balance	FY 2012 Changes	FY 2012 Projected Ending Balance	FY 2012 Reserve Guideline Range
(\$000)				
Rate Stabilization Reserve	245	92	337	N/A
TOTAL RESERVES	\$245	\$92	\$337	

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES (\$000)			
Increase net sales (Note 2)	86		86
Decrease interest income	(11)		(11)
Decrease untarped load fee revenue	(12)		(12)
Increase in operating transfer from Vehicle Replacement and Maintenance Fund (Note 3)		19	19
TOTAL REVENUE CHANGES	\$63	\$19	\$82
Adjustments (Note 1)		(325)	(325)
NET REVENUE CHANGES	\$63	\$(306)	\$(243)
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Eliminate 0.1 FTE Superintendent, Public Works Operations	(18)		(18)
Reallocate 0.1 FTE Management Analyst from Refuse Fund	11		11
Total Salary and Benefits Changes	\$(7)	\$0	\$(7)
Adjustments (Note 1)			0
NET SALARY AND BENEFITS CHANGES	\$(7)	\$0	\$(7)
Non-Salary			
Decrease operating transfer to General Fund (Note 4)	(574)		(574)
Decrease operating transfer to Technology Fund (Note 5)	(14)		(14)
Increase in capital improvement program (Note 6)	228		228
Allocated Charges Decrease	(8)		(8)
Total Non-Salary Changes	\$(368)	\$0	\$(368)
TOTAL EXPENDITURE CHANGES	\$(375)	\$0	\$(375)
Adjustments (Note 1)			0
NET EXPENDITURE CHANGES	\$(375)	\$0	\$(375)

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time revenues and appropriation changes from the prior year that did not carry forward from the FY 2011 budget.

Storm Drainage Fund

Note 2: Increase in net sales is due to a rate increase of 1.5% based on the change in local CPI index as allowed by the approved ballot measure.

Note 3: Refund of accumulated replacement charges that had been paid to the Vehicle Replacement and Maintenance Fund for vehicles/equipment that have now been removed from service and will not be replaced.

Note 4: Decrease in transfer to the General Fund reflects final payment of loan in FY 2011. The loan was needed in prior years to complete CIP SD-06102 San Francisquito Creek Storm Water Pump Station.

Note 5: Changes in transfers to Technology Fund are due primarily to the costs of the Utilities billing system.

Note 6: Projected CIP expenditures for the Storm Drainage Fund are \$2.2 million in FY 2012.

COMPREHENSIVE PLAN OVERVIEW

The budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

NATURAL ENVIRONMENT

Staff will manage CIP projects to increase drainage system capacity and to repair and rehabilitate deteriorated storm drain infrastructure (Program N-36). In addition, staff will work with San Francisquito Creek JPA member agencies to develop and implement a US Army Corps of Engineers project to address flood and erosion control problems along the San Francisquito Creek (Program N-9). Staff will enforce the City's ordinance regulating land uses near streams and will continue to coordinate with SCVWD staff through the Water Resources Protection Collaborative (Program N-8). Staff will continue to clean storm drain pipelines and catch basins, respond to and clean up all identified non-hazardous material spills in the public right-of-way, and conduct a proactive storm water pollution prevention program in an effort to improve the quality of storm water runoff (Program N-29).

Storm Drainage Fund

SYSTEMS IMPROVEMENTS

To plan and construct drainage system improvements and to administer the City's participation in the National Flood Insurance Program in order to provide adequate drainage and reduce the risk of flood damage to City residents.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	90,090	104,809	106,022	105,998
Contract Services	13,913	4,500	4,500	1,000
Supplies and Materials	1,042	2,900	2,900	2,900
General Expense	1,062	3,100	3,100	6,600
Allocated Charges	210	0	0	0
Capital Improvement Program	1,331,199	1,788,318	2,267,668	2,638,637
TOTAL EXPENDITURES	\$1,437,516	\$1,903,627	\$2,384,190	\$2,755,135
TOTAL REVENUES	\$0	\$0	\$0	\$0
Total Full Time Positions	2.80	2.80	2.80	2.80
Total Temporary Positions	0.00	0.00	0.00	0.00

Storm Drainage Fund

OPERATIONS AND MAINTENANCE

To perform preventative, routine, and emergency maintenance on the City's storm drainage system, and to conduct a program of public outreach and code enforcement to optimize local drainage and enhance water quality.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	761,025	817,290	827,350	820,570
Contract Services	326,419	374,879	387,879	371,879
Supplies and Materials	71,870	96,400	84,900	100,400
Facilities and Equipment Purchases	12,300	11,621	10,121	7,621
General Expense	18,315	148,300	148,300	8,300
Rents and Leases	0	6,000	6,000	6,000
Allocated Charges	153,692	163,196	163,196	170,177
TOTAL EXPENDITURES	\$1,343,621	\$1,617,686	\$1,627,746	\$1,484,947
TOTAL REVENUES	\$601	\$12,000	\$12,000	\$0
Total Full Time Positions	6.35	6.35	6.35	6.25
Total Temporary Positions	0.00	0.00	0.00	0.00

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Wastewater Treatment Fund

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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 Sanitary District), and to ensure the maximum feasible compliance with regulations protecting the San Francisco Bay and the environment.

OVERVIEW

In FY 2011, the Regional Water Quality Control Plant (RWQCP) completed construction of the ultraviolet disinfection system. The UV system lowers operating costs, more safely disinfects final treated water, and reduces the plant's carbon footprint. Additional projects in FY 2011 included the commencement of the long-range facility planning process, facility repair improvements to replace aging structures and miscellaneous emergency and critical construction repairs to maintain plant operations.

In FY 2012, analysis of key alternatives for new RWQCP facilities will be conducted as part of the long range facility planning process. The wastewater solids processes will receive special attention because the existing incinerators are aging, and new regulatory requirements are likely to impact their operation. Also in FY 2012, a project to better utilize methane from the Palo Alto landfill and related Plant improvements will be undertaken.

In FY 2011, public participation remained strong in the program that collects unwanted medicine and protects San Francisco Bay from contamination. Grease-related sewage blockages and overflows decreased as restaurant inspections resulted in grease collection system upgrades. Mercury discharges to the RWQCP continued to be at reduced levels due to successful installation of control devices at dental offices. In FY 2011, new commercial facility requirements for zinc, molybdenum, and cyanide were adopted as part of a comprehensive update of the City's Sewer Use Ordinance.

In FY 2012, key actions to reduce salt discharges to the sewer system will be taken to reduce the salinity of Palo Alto's recycled water. Studies to locate infiltrating Bay water will be completed, and the next phase of controls will be implemented.

Also in 2012, implementation, outreach and enforcement of the new 2011 Ordinance requirements for industrial waste discharge permittees and a lowered cyanide limit will occur. Additionally, the requirements for food service facilities were expanded and the BMPs were codified.

COUNCIL PRIORITY IMPLEMENTATION

City Finances

- Staff will continue to pursue grant options to help finance projects and to identify opportunities to minimize costs.

Emergency Preparedness

- Staff will continue to review emergency response plans, train staff on response actions, and maintain equipment in a state of operational readiness.

Environmental Sustainability

- The RWQCP and Environmental Compliance Division are continually implementing programs to protect the climate and further reduce pollutant releases.
- The Disinfection Facility Improvement Program project has replaced the use of chlorine for disinfection of plant effluent.
- Staff will continue process optimizations to conserve electricity and natural gas including enhanced use of landfill gas.

Wastewater Treatment Fund

Community Collaboration for Youth Health and Well Being

- Staff will continue to involve youth through volunteer opportunities, classroom visits, and tours of the RWQCP.

FUND SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Net Sales	10,312,744	12,595,872	12,595,872	12,565,899	(29,973)
Interest Income	635,079	422,100	422,100	498,800	76,700
Other Income	6,602,204	7,571,860	7,571,860	8,016,138	444,278
TOTAL FUND REVENUES	\$17,550,027	\$20,589,832	\$20,589,832	\$21,080,837	\$491,005
Administration	2,110,633	2,352,522	2,341,791	2,403,288	61,497
Operations					
Systems Improvement(CIP)	5,963,581	2,500,000	2,500,657	56,229	(2,444,428)
Operations	11,219,448	12,739,332	13,161,450	12,509,658	(651,792)
Environmental Compliance	2,484,329	2,917,543	2,939,643	3,025,562	85,919
Debt Service	429,803	814,992	814,992	817,622	2,630
Operating Transfers Out	152,679	8,761	8,761	105,393	96,632
TOTAL FUND EXPENDITURES	\$22,360,473	\$21,333,150	\$21,767,294	\$18,917,752	\$(2,849,542)
TO/FROM RESERVES	\$(4,810,446)	\$(743,318)	\$(1,177,462)	\$2,163,085	\$3,340,547

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	8,579,594	9,212,822	9,308,001	9,509,381
Contract Services	1,141,190	1,883,988	1,883,988	1,876,988
Supplies and Materials	1,644,900	1,838,228	1,838,228	1,421,961
Facilities and Equipment Purchases	7,734	10,000	10,000	10,000
General Expense	337,532	404,340	404,340	411,340
Allocated Charges	4,103,460	4,660,019	4,998,327	4,708,838
Debt Service	429,803	814,992	814,992	817,622
Capital Improvement Program	5,963,581	2,500,000	2,500,657	56,229
Operating Transfers Out	152,679	8,761	8,761	105,393
TOTAL EXPENDITURES	\$22,360,473	\$21,333,150	\$21,767,294	\$18,917,752
Total Full Time Positions	68.62	68.66	68.66	69.16
Total Temporary Positions	0.99	1.21	1.21	1.44

RESERVES

(\$000)	FY 2012 Projected Beginning Balance	FY 2012 Changes	FY 2012 Projected Ending Balance	FY 2012 Reserve Guideline Range
Emergency Plant Replacement	1,747	182	1,929	1,929 (max.)
Distribution RSR	1,654	1,981	3,635	3,050 - 6,100
TOTAL RESERVES	\$3,401	\$2,163	\$5,564	

Wastewater Treatment Fund

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES (\$000)			
Increase net sales (Note 2)	397		397
Increase interest income	77		77
Increase other income	17		17
NET REVENUE CHANGES	\$491	\$0	\$491
Adjustments (Note 1)			0
TOTAL REVENUE CHANGES	\$491	\$0	\$491
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Add 0.5 FTE Assistant Director, Environmental Services	110		110
Reclassify 1.0 FTE Supervisor WQC Operations to Assistant Plant Manager	24		24
Reclassify 1.0 FTE Supervisor WQC Operations to Operator II, WQC	(22)		(22)
Reclassify 1.0 FTE Business Analyst to Senior Technologist	10		10
Reclassify 1.0 FTE Manager, Environmental Compliance to Watershed Protection Manager	(34)		(34)
Pay realignment for 3.0 FTE Supervisor WQC Operations	19		19
Decrease in Temporary Salaries	(47)		(47)
Personnel Benefit Costs Increase (Note 3)	142		142
Total Salary and Benefit Changes	\$202	\$0	\$202
Adjustments (Note 1)		0	0
NET SALARY AND BENEFITS CHANGES	\$202	\$0	\$202
Non-Salary			
Increase debt service expense	3		3
Decrease in chemicals expense (Note 4)	(416)		(416)
Decrease in capital improvement program (Note 5)	(2,444)		(2,444)
Increase operating transfer to Technology Fund (Note 6)	97		97
Allocated Charges Decrease (Note 7)	(291)		(291)
Total Non-Salary Changes	\$(3,051)	\$0	\$(3,051)
TOTAL EXPENDITURE CHANGES	\$(2,849)	\$0	\$(2,849)
Adjustments (Note 1)			0
TOTAL EXPENDITURE CHANGES	\$(2,849)	\$0	\$(2,849)

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time revenues and appropriation changes from the prior year that did not carry forward from the FY 2011 budget.

Note 2: Increase in net sales reflects efforts to align budget amount closer to expected actual amount.

Wastewater Treatment Fund

Note 3: Personnel benefit costs have increased mainly due to increases for the pension component of the benefits allocation.

Note 4: Decrease in chemicals expense is due to the use of the ultraviolet disinfection facility to treat plant effluent.

Note 5: No CIP projects are planned for FY 2012.

Note 6: Changes in transfers to Technology Fund are due primarily to the costs of the telephone system replacement.

Note 7: Allocated charges are decreasing primarily due to efforts to align the budget amounts for natural gas and landfill gas charges closer to expected actual amounts.

COMPREHENSIVE PLAN OVERVIEW

The budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

NATURAL ENVIRONMENT

Comprehensive Plan Programs N-27 through N-35, which focus on reducing pollution and improving the Storm Drainage system, will be implemented through new and existing programs. The focus will be on Bioaccumulative, Persistent, Toxic (BPT) chemicals, including mercury, pesticides, and dioxins. Staff will focus on increasing public awareness of the contribution to pollution levels made by pesticide use and motor vehicle use (Program N-40). Staff will also implement a Mercury and Dioxin Prevention and Elimination Policy (Programs N-28 and N-35) and continue efforts to improve the participation of businesses in the Clean Bay Business programs. Ongoing public awareness, collection, and regulatory programs for mercury products will be enhanced by focusing on a larger group of mercury containing devices and pharmaceutical products. Staff will insure that local dentists implement the new mercury reduction ordinance which became effective on March 31, 2005. Recognizing the impact of air pollution on surface water, new program elements will also focus on vehicles and wood burning stoves (Programs N-42 through N-44).

Wastewater Treatment Fund

OPERATIONS

To efficiently and effectively operate and maintain the Regional Water Quality Control Plant, ensuring continuous around-the-clock treatment of all wastewater in accordance with State and Federal permits and other environmental regulations.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	6,632,690	7,278,520	7,350,638	7,465,075
Contract Services	588,306	890,050	890,050	890,050
Supplies and Materials	1,578,654	1,797,128	1,797,128	1,380,861
General Expense	226,495	323,890	323,890	323,890
Allocated Charges	2,193,303	2,449,744	2,799,744	2,449,782
Capital Improvement Program	5,963,581	2,500,000	2,500,657	56,229
TOTAL EXPENDITURES	\$17,183,029	\$15,239,332	\$15,662,107	\$12,565,887
TOTAL REVENUES	\$1,927	\$0	\$0	\$0
Total Full Time Positions	54.25	54.25	54.25	53.85
Total Temporary Positions	0.99	1.21	1.21	1.44

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Millions of gallons (MG) treated	8,184	8,200	8,200
2. Tons of solids incinerated	6,702	6,900	6,900
3. Number of samples analyzed	4,005	4,210	4,300
Efficiency:			
1. Treatment cost in \$/MG treated (total O&M cost; exclude CIP)	\$1,286	\$1,320	\$1,059
2. Solids treatment (\$/dry ton)	\$296	\$308	\$310
3. Number of employees per million of gallons per day treated	2.48	2.47	2.47
Effectiveness:			
1. Fish toxicity (% survival)	100%	95%	95%
2. Compliance with discharge permit (percentage compliance)	100%	99%	99%
3. Reclaimed water delivered (million gallons per year)	168	250	450

Wastewater Treatment Fund

ENVIRONMENTAL COMPLIANCE

To promote pollution prevention concepts, initiate source control programs designed to minimize pollutants entering the sanitary sewer system from the regional service area, and ensure compliance with environmental study requirements of regulatory agencies.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,769,975	1,812,705	1,834,805	1,920,724
Contract Services	552,884	993,938	993,938	986,938
Supplies and Materials	66,246	41,100	41,100	41,100
Facilities and Equipment Purchases	7,734	10,000	10,000	10,000
General Expense	63,327	50,450	50,450	57,450
Allocated Charges	24,163	9,350	9,350	9,350
TOTAL EXPENDITURES	\$2,484,329	\$2,917,543	\$2,939,643	\$3,025,562
TOTAL REVENUES	\$0	\$0	\$0	\$0
Total Full Time Positions	13.70	13.70	13.70	14.60
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of industries regulated	88	86	86
2. Number of permits issued	40	42	40
3. Number of industrial discharge tests	5,722	5,450	5,500
Efficiency:			
1. Number of industries regulated per FTE (#/6 FTE)	14.7	14.3	14.5
2. Number of permits issued per FTE (#/6 FTE)	6.7	7.0	7.0
3. Number of industrial discharge tests per FTE (#/6 FTE)	954	908	900
Effectiveness:			
1. Percent of dental offices in compliance	98%	98%	98%
2. Percent of commercial business in compliance	100%	100%	98%
3. Percent of discharge tests in compliance	99%	99%	98%

OTHER FUNDS

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Special Revenue Funds

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Special Revenue 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 provides funding for the City's infrastructure related to parks, community centers, libraries, and the Charleston-Arastradero Corridor. The projected revenue for the development impact fees is \$.816 million for Fiscal Year 2012.

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 \$1.779 million for Fiscal Year 2012.

Federal and State Revenue Funds

The Federal and State Revenue Fund consists primarily of CDBG monies. CDBG funds are grants from the U.S. Housing and Urban Development Department (HUD). They are used for a wide variety of community projects such as affordable housing, public services, and project expenditures. CDBG project expenditures draw upon program income and prior year allocations that have been left unspent. For Fiscal Year 2012, Agency requests totaled \$.73 million and the Proposed budget totals \$.89 million.

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 proceeds from the anticipated sale of BMR housing units.

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 Fiscal Year 2011 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.

Special Revenue Overview

Public Benefit Funds

Revenue in these funds is a result of 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 Palo Alto Business and Professional Association will continue to operate the Downtown Palo Alto BID for Fiscal Year 2012.

FY 2012 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		1,765							1,765
Federal and State Grants			663						663
Parking Permit/In-Lieu Fees	82			3,500	1,321	200			5,103
Development Impact Fees	553								553
Interest Income	181	14	6	165	30	115	23	2	535
Operating Transfers			5						5
Other Revenue			276	149		280			705
Business Improvement District (BID) Special Assessment								160	160
Loan Payoff			7	82					89
TOTAL SOURCE OF FUNDS	\$816	\$1,779	\$957	\$3,896	\$1,351	\$595	\$23	\$162	\$9,577
Expenditures									
CDBG Project Expenditures			1,051						1,051
CDBG Administration Cost Recovery			157						157
Planning / Public Works Depart- ment Transfer for Street Improvement Cost Recovery		292							292
Charleston-Arastradero Funds CIP Transfer	47								47
Street Improvement Fund CIP Transfer		2,150							2,150
Parking Facilities Debt Service Transfer					80				80
Parking Garage Maintenance/ Operations Transfer to General Fund					1,138				1,138
Parking Lot Sweeping Transfer to Refuse Fund					220				220
Below Market Rate (BMR) Pro- gram Management Contract				125					125
BMR Loan Program				350					350
College Terrace Parking Program					96				96
University Avenue Parking Per- mits					31				31
Residential Housing In-Lieu				4,815					4,815
Commercial Housing In-Lieu				1,100					1,100
Senior Services Grant							28		28
BID Operating Expense								160	160
Administrative Fees									0
TOTAL USE OF FUNDS	\$47	\$2,442	\$1,208	\$6,390	\$1,565	\$0	\$28	\$160	\$11,841
NET TO (FROM) RESERVES	\$769	\$(664)	\$(251)	\$(2,494)	\$(214)	\$595	\$(5)	\$2	\$(2,263)

Consolidated Special Revenue Funds

FUND SUMMARY

(\$000)	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Revenues					
Gas Tax	\$1,061	\$1,127	\$1,127	\$1,764	\$637
Federal and State Grants	138	0	125	0	(125)
Federal CDBG	621	663	663	663	0
Housing In-Lieu	1,900	3,500	3,500	3,500	0
Traffic Mitigation Fees	127	282	282	282	0
Developer Impact Fees	576	553	553	553	0
Parking Mitigation Fees	1,287	1,120	1,191	1,321	130
BID Assessment	14	160	160	160	0
Interest Income	636	519	519	535	16
Other Revenue	163	794	794	794	0
SUBTOTAL REVENUES	\$6,523	\$8,718	\$8,914	\$9,572	\$658
Operating Transfers From:					
Housing Improvement	0	5	5	5	0
SUBTOTAL OPERATING TRANSFERS IN	\$0	\$5	\$5	\$5	\$0
TOTAL SOURCE OF FUNDS	\$6,523	\$8,723	\$8,919	\$9,577	\$658
Expenses					
General Expense	1,182	7,783	8,180	7,908	(273)
Operating Transfers To:					
General Fund	1,044	1,383	1,383	1,431	48
CDBG	0	5	5	5	0
Debt Service	80	80	80	80	0
CIP	1,464	1,052	1,082	2,197	1,116
Refuse	257	179	179	220	41
SUBTOTAL OPERATING TRANSFERS	\$2,845	\$2,699	\$2,729	\$3,934	\$1,205
TOTAL USE OF FUNDS	\$4,028	\$10,482	\$10,909	\$11,841	\$932
NET TO (FROM) RESERVES	\$2,495	\$(1,758)	\$(1,990)	\$(2,264)	\$(274)

Community Development Block Grant

FY 2012 FUNDING	FY 2011 Adopted Budget	FY 2012 Agency Requests	FY 2012 Proposed-in- Concept Budget
SOURCE OF FUNDS			
Housing & Urban Development	731,566	731,500	731,500
Prior Year Excess/Reallocation (1)	99,930	102,804	102,804
Program Income			
Housing Improvement Program	5,000	0	0
Palo Alto Housing Corporation	60,000	60,000	60,000
Estimated Sheridan Apartments and Palo Alto Gardens Loan Repayment	149,550	0	0
TOTAL SOURCE OF FUNDS	\$1,046,046	\$894,304	\$894,304
USE OF FUNDS			
Public Service			
Palo Alto Housing Corporation - SRO Resident Support Services	34,211	52,248	26,000
Catholic Charities - Long-Term Care Ombudsman	5,000	6,500	5,000
Support Network for Battered Women - Domestic Violence	9,700	10,000	10,000
Clara Mateo Alliance - Single/Couple Shelter	19,841	0	0
Clara Mateo Alliance - Family Shelter	19,841	50,000	0
InnVision - Opportunity Center	34,211	50,000	50,000
Project Sentinel/Fair Housing	0	31,440	31,000
Community Technology - HMIS-SCC	0	4,000	0
Emergency Housing Coalition/Palo Alto HOMES	0	10,000	0
Next Door Solutions to Domestic Violence	0	5,000	0
Shelter Network - Haven Family House	0	8,500	0
Silicon Valley Independent Living Center	0	7,500	0
SUBTOTAL: PUBLIC SERVICE (2)	\$122,804	\$235,188	\$122,000
Planning and Administration			
City of Palo Alto - CDBG Administration includes 1.15 FTE CDBG Administrative Staff	127,873	158,300	133,747
Project Sentinel/Fair Housing	31,440	0	0
SUBTOTAL: PLANNING AND ADMINISTRATION (2)	\$159,313	\$158,300	\$133,747
Housing, Economic Development & Capital Projects			
Community Working Group/Alma Gardens	0	302,788	302,788
Palo Alto Housing Corporation-Sheridan Apts.	0	59,167	59,167
Palo Alto Housing Corporation - Ventura Apts.	0	129,602	129,602
Downtown Streets Team/Workforce Development	0	147,000	147,000

Community Development Block Grant

FY 2012 FUNDING	FY 2011 Adopted Budget	FY 2012 Agency Requests	FY 2012 Proposed-in- Concept Budget
Palo Alto Housing Corporation - Cal Park Apts.	0	248,835	0
Second Harvest Food Bank	211,819	0	0
Day Worker Center of Mountain View	63,807	0	0
Stevenson House - Interior Common Area Renovation	478,304	0	0
Avenidas-Home Repair Accessibility Services	10,000	0	0
SUBTOTAL: HOUSING, ECONOMIC DEVELOPMENT & CAPITAL PROJECTS (2)	\$763,930	\$887,392	\$638,557
TOTAL USE OF FUNDS	\$1,046,047	\$1,280,880	\$894,304
(1) Funds received in excess of revenue estimate for local program income (FY2011 and prior)			
(2) The funding will be made at the three primary program activity levels			

Debt Service Overview

Debt service expenses for the General Fund and for Measure N General Obligation (GO) Bonds are shown below. Through a transfer to the Debt Service Fund, General Fund revenues pay debt service on the three Certificate of Participation issues shown in the table below using general revenues. The GO bond debt service is paid by property owners through an assessment on the assessed value of their property

The table below provides data on the three COP and GO bond debt issues:

	General Fund Debt Service			GO Debt
	1998 Golf Course COP	2002A COP's	2002B COP's	2010 Library GO Bonds
Issued Date	February 1999	January 2002	January 2002	June 2010
Principal Issued	\$7,750,000	\$3,500,000	\$2,674,048	\$55,305,000
Annual Debt Service Payment	\$557,359	\$421,200	\$232,000	\$3,267,719
Final Payment Date	Sep. 2018	Mar. 2012	Mar. 2022	Aug. 2040
Estimated Debt Outstanding as of 7/1/2011	\$3,690,000	\$405,000	\$1,800,000	\$55,305,000
Total Interest over life of Debt	\$4,183,244	\$726,625	\$2,243,950	\$49,484,783

Individual issues of Certificates of Participation (COPs) were made as follows:

- In 1998, Golf Course COPs were issued to refinance prior 1978 Golf Course debt and for infrastructure improvements such as improving drainage, irrigation, and the driving range. Although Golf Course revenue is considered General Fund revenue, fees charged by the Course are viewed as the primary source for paying debt service expense
- The 2002A Civic Center Refinancing COPs were 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. The 1992 COPs were issued to make seismic and other safety improvements to the Civic Center
- The 2002B Downtown Parking Improvement Project COPs were issued in January 2002 to fund the construction of a two-story structure on Bryant and Florence streets that is adjacent to the new parking garage built on the old S and L lots. These facilities were built at the same time. The two-story structure, which required taxable COPs to construct, was originally designed to house retail businesses that would generate sales tax for the City. It now is home to a fitness center. The rent charged to the fitness center is deposited into the General Fund and is used for paying debt service.

The total debt service for the three COPs in FY 2012 is \$1.211 million.

In June 2010, the City issued General Obligation Bonds (first series) to finance the cost of constructing a new energy efficient, environmentally friendly Mitchell Park Library and Community Center, renovation of the Downtown Library, and the design of a renovated Main Library. These improvements include enhancements at all three facilities for seismic safety and disabled access, expanded space for library collections, meeting and study areas, and new air conditioning ventilation and lighting systems. With approval of Measure N by the voters, the City Council is empowered and obligated to levy annual ad valorem taxes upon property within the City for the payment of principal and interest on the first series of bonds. The total debt service in FY 2012 for the 2010 Library GO Bonds is \$3.495 million.

Debt Service Overview

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. An ongoing capital improvement plan is vital to ensure the future viability of services and the City places priority on funding its regular and ongoing capital needs on a pay-as-you-go basis. However, there are special or extraordinary capital improvement projects in which it is appropriate to consider debt financing.

The guidelines below support the decision-making process on issuing debt. 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 expenses. 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
- If a significant backlog of Enterprise Funded capital improvement projects 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

LEGAL DEBT LIMIT

California Government Code, Section 43605 sets the debt limit at 15 percent of the assessed value of all real and personal property of the City. This 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, one-fourth of the limit is adjusted and is calculated to be 3.75 percent to show assessed valuation at full cash value. This legal debt margin applies to General Obligation debt.

Based upon the assessed value of \$22.0 billion for FY 2011, the City is limited to general obligation indebtedness of \$0.8 billion. As of June 30, 2010, the City issued \$55.3 million in General Obligation Bonds for the Library and Community Center. This bond issuance yielded \$58.5 million for project needs. Debt service on these bonds for FY 2012 is \$3.495 million. The City is within the legal debt limit as described by the California Government Code.

Debt Service Funds

FUND SUMMARY

(\$000)	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Revenues					
Property Tax	\$0	\$3,492	\$3,492	\$3,495	\$4
Other - Interest	10	54	54	30	(24)
SUBTOTAL REVENUES	\$10	\$3,546	\$3,546	\$3,525	\$(20)
General Fund Operating Transfers					
Golf Course Corporation	449	528	528	527	0
Public Improvement Corp. (Civic Center)	333	328	328	58	(270)
Parking 2002B COPS Taxable	227	224	224	232	8
University Avenue Permit Fund Transfer	80	80	80	14	(66)
SUBTOTAL OPERATING TRANSFERS IN	\$1,089	\$1,160	\$1,160	\$831	\$(329)
TOTAL SOURCE OF FUNDS	\$1,098	\$4,706	\$4,706	\$4,357	\$(349)
Expenses					
Debt Service:					
Golf Course Corporation - Principal	355	370	370	385	15
Golf Course Corporation - Interest	206	190	190	172	(17)
Public Improvement Corporation - Principal	380	390	390	405	15
Public Improvement Corporation - Interest	46	31	31	16	(15)
Parking 2002B COPS Taxable - Principal	105	110	110	115	5
Parking 2002B COPS Taxable - Interest	129	123	123	117	(6)
Library GO Bonds - Principal	0	0	0	765	765
Library GO Bonds - Interest	0	1,472	1,472	2,503	1,031
TOTAL USE OF FUNDS	\$1,221	\$2,686	\$2,686	\$4,478	\$1,792
NET TO (FROM) RESERVES	\$(122)	\$2,020	\$2,020	\$(122)	\$(2,141)

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Internal Service Funds

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Internal Service Funds Overview

Internal Service Funds provide services to City departments and recover their costs through user charges. Charges for employee benefits (health, pension, life, etc.) and workers compensation are reflected in the departments' salary and benefit accounts. The remaining user charges are included in the "allocated charges" expenditure category within each department or fund.

Vehicle Replacement and Maintenance Fund

This fund reflects costs for providing maintenance and replacement of vehicles and equipment used by City departments.

In Fiscal Year 2012, staff will continue to focus on core activities as well as new initiatives as outlined in the overview presented in the following pages.

Technology Fund

This fund reflects costs associated with citywide Information Technology (IT) activities. IT staff maintain critical desktop, software, and infrastructure replacements and maintenance activities for all City departments, including the Utilities Department. The overview for this program contains information about projects and activities for Fiscal Year 2012.

Printing and Mailing Services Fund

This fund reflects costs for central duplicating, printing and mailing services provided to City departments. A full description of these services is included in the overview section that follows. A cost-benefit analysis of this program will be conducted in the upcoming year to determine if additional services delivery changes can be made to ensure services are provided in the most cost effective manner.

General Benefits Fund

This fund reflects costs for a variety of employee benefits, including pension, health, dental, vision, and life insurance. Funds are also included for payments made to employees who elect to waive healthcare coverage under a City plan because they have other coverage. As discussed in the overview section, costs for employee pension and health benefits will increase substantially in Fiscal Year 2012. The City will continue to seek changes in cost sharing (i.e. between the City and employees) and review possible changes to benefit formula for future years' service.

Workers' Compensation Fund

This fund reflects costs for the City's Workers' Compensation program. Funds are included for both administrative costs as well as payments made to eligible employees. For Fiscal Year 2012, costs are projected to remain level with the Fiscal Year 2011 adjusted budget.

Liability Fund

This fund reflects costs for the City's Liability program. In Fiscal Year 2012, costs are projected to remain level with the Fiscal Year 2011 adjusted budget.

Retiree Health Benefits Fund

This fund reflects costs for medical insurance provided to retired City employees. In addition, this fund includes payments for the "unfunded liability" for medical benefits that will be provided to future retirees.

FY 2012 Internal Service Funds

FUND SUMMARY

(\$000)	Vehicle Replacement and Maintenance Fund	Technology Fund	Printing and Mailing Fund	General Benefits Fund	Workers' Compensation Fund	Liability Insurance Fund	Retiree Health Benefit Fund	Total
Revenues								
Operating Revenue	7,599	11,231	1,137	39,479	3,108	1,608	9,789	73,951
Interest Income	179	353	0	274	438	142	40	1,427
Other Revenue	66	817	2	0	0	40	0	925
TOTAL SOURCE OF FUNDS	\$7,844	\$12,400	\$1,139	\$39,754	\$3,546	\$1,791	\$9,829	\$76,303
Expenditures								
Operating Expenditures	5,469	10,692	1,122	39,754	3,546	1,791	9,789	72,162
Capital Improvement Program	0	2,347	0	0	0	0	0	2,347
TOTAL USE OF FUNDS	\$5,469	\$13,039	\$1,122	\$39,754	\$3,546	\$1,791	\$9,789	\$74,509
NET TO/FROM UNRESTRICTED ASSETS	\$2,375	\$(638)	\$17	\$0	\$0	\$0	\$40	\$1,794

Internal Service Funds Unrestricted Assets

FUND SUMMARY

(\$000)	Vehicle Replacement and Maintenance Fund	Technology Fund	Printing and Mailing Fund	General Benefits Fund	Workers' Compensation Fund	Liability Insurance Fund	Retiree Health Benefit Fund	Total
Changes to Unrestricted assets								
JUNE 30, 2011 UNRESTRICTED ASSETS	\$5,124	\$2,238	\$(12)	\$200	\$100	\$100	\$25,504	\$33,254
FY 2012 Projected Changes	2,375	(638)	17	0	0	0	40	1,794
JUNE 30, 2012 UNRESTRICTED ASSETS	\$7,499	\$1,600	\$5	\$200	\$100	\$100	\$25,544	\$35,048

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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 by the City's vehicle fleet.

OVERVIEW

In FY 2011, staff focused on core activities, such as vehicle and equipment replacement, preventive maintenance, repairs, and fueling. In addition to these core activities, staff began the implementation of many of the recommendations from the Audit of Vehicle Utilization and Replacement.

During FY 2012, staff will continue to focus on core activities and the implementation of audit recommendations. Fleet staff will establish pool vehicle locations at the Civic Center, the Municipal Services Center and Elwell Court. Staff continues to review the City's fleet with the City Auditor's Office to ensure that purchases are prioritized for maximum cost effectiveness and are in compliance with the City's utilization and replacement policies. The scheduled vehicle replacement program is currently suspended in accordance with the audit recommendations, and all vehicle purchases are being conducted on an as-needed basis with the approval of the Fleet Review Committee.

In FY 2011, staff implemented a pilot program for public dispensing of compressed natural gas (CNG). In FY 2012 Public Works will put into operation a CNG fueling station that will be open to the public.

Two changes made during FY 2011 will affect departmental allocations for vehicle replacement and operating costs in FY 2012.

- Public Works revised the methodology used to charge departments for vehicle and equipment costs, moving from a rate-based to a direct charge system. The recent vehicle audit recommended that Public Works review the existing chargeback system and develop a methodology that would more accurately capture the cost of vehicle operations. Public Works determined that a direct charge system would work best. Because the new system had been in place for only six months at the time the FY 2012 budget was being prepared, sufficient historical cost data was not available. Therefore, the initial FY 2012 allocations are based on prior year allocations, with minor adjustments. A full year of cost history under the new system will be available at FY 2011 year-end. At that time, the FY 2012 departmental allocations will be reviewed and adjustments (if necessary) will be made at mid-year.
- 51 vehicles and pieces of equipment have been removed from the fleet as a result of the Fleet Review Committee's review of underutilized vehicles and the outsourcing of golf course maintenance operations. These reductions are accounted for in the departmental allocations. The ongoing evaluation and optimization of the fleet may result in additional reductions.

CIP projects from prior years that are expected to be carried forward into FY 2012 include:

- Ongoing maintenance facility upgrades (CIP VR-04010)
- Implementation of the new City-wide fuel management system (CIP VR-06801)
- Pool vehicle reservation system (CIP VR-07001)
- Installation of diesel particulate filters on diesel trucks and equipment (CIP VR-07002)
- Vehicle Replacement Program (CIP VR-11000).

All of these projects reside within the capital improvement program with project cost captured in the fund.

Vehicle Replacement Fund

FUND SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Operating Revenue	6,822,145	7,584,935	7,584,935	7,598,649	13,714
Interest Income	236,296	156,300	156,300	179,300	23,000
Other Income	740,128	191,009	191,009	66,009	(125,000)
TOTAL FUND REVENUES	\$7,798,569	\$7,932,244	\$7,932,244	\$7,843,958	\$(88,286)
Vehicle Replacement and Additions	811,701	249,384	254,377	196,778	(57,599)
Vehicle Operations and Maintenance	4,046,216	4,632,047	4,632,043	4,592,970	(39,073)
Depreciation	2,652,298	0	0	0	0
Operating Transfers Out	27,415	0	590,648	679,187	88,539
TOTAL FUND EXPENDITURES	\$7,537,630	\$4,881,431	\$5,477,068	\$5,468,935	\$(8,133)
TO/FROM RESERVES	\$260,939	\$3,050,813	\$2,455,176	\$2,375,023	\$(80,153)

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,848,969	2,021,593	2,025,793	2,025,463
Contract Services	934,960	351,500	351,500	373,000
Supplies and Materials	1,327,258	1,534,200	1,534,200	1,528,200
Facilities and Equipment Purchases	475,739	1,000	1,000	0
General Expense	2,107,064	65,500	65,500	51,000
Rents and Leases	4,045	3,500	3,500	3,500
Allocated Charges	812,180	884,138	882,056	808,585
Capital Improvement Program	0	20,000	22,871	0
Operating Transfers Out	27,415	0	590,648	679,187
TOTAL EXPENDITURES	\$7,537,630	\$4,881,431	\$5,477,068	\$5,468,935
Total Full Time Positions	16.08	16.08	16.08	16.08
Total Temporary Positions	0.00	0.48	0.48	0.00

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of alternatively-fueled vehicles in the City fleet (SEA)	74	65	67
Efficiency:			
1. Percentage of total fleet fuel consumption that is alternative fuels (CNG, biodiesel). Includes fuel provided to PAUSD and GreenWaste.	24%	25%	27%
Effectiveness:			
1. Amount of gasoline and diesel fuel consumption avoided (in gallons). Includes fuel provided to PAUSD and GreenWaste.	86,831	87,000	90,000

Vehicle Replacement Fund

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES			
Increase vehicle replacement reimbursement from other funds	13,714		13,714
Decrease sale of salvage	(125,000)		(125,000)
Increase interest income	23,000		23,000
TOTAL REVENUE CHANGES	\$(88,286)	\$0	\$(88,286)
Adjustments (Note 1)			0
NET REVENUE CHANGES	\$(88,286)	\$0	\$(88,286)
EXPENDITURE CHANGES			
Salary and Benefits			
Reallocate 0.25 FTE Management Analyst from Refuse Fund	27,523		27,523
Decrease in Temporary Salaries	(15,795)		(15,795)
Personnel Benefits Costs (Note 2)	(12,058)		(12,058)
Total Salary and Benefits	\$(330)	\$0	\$(330)
Adjustments (Note 1)			0
NET SALARY AND BENEFITS CHANGES	\$(330)	\$0	\$(330)
Non-Salary			
Decrease capital improvement program (Note 3)	(22,871)		(22,871)
Increase operating transfer to General Fund (Note 4)	581,984		581,984
Increase operating transfer to Water Fund (Note 4)	8,329		8,329
Increase operating transfer to Electric Fund (Note 4)	70,249		70,249
Increase operating transfer to Storm Drainage Fund (Note 4)	18,625		18,625
Allocated Charges Decrease (Note 5)	(73,471)		(73,471)
Total Non-Salary	\$582,845	\$0	\$582,845
TOTAL EXPENDITURE CHANGES	\$582,515	\$0	\$582,515
Adjustments (Note 1)		(590,648)	(590,648)
NET EXPENDITURE CHANGES	\$582,515	\$(590,648)	\$(8,133)

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time revenues and appropriation changes from the prior year that did not carry forward from the FY 2011 budget.

Note 2: Personnel benefit costs have decreased mainly due to a decrease in disability/worker's compensation expense.

Note 3: No CIP expenditures are included in the FY 2012 budget for the Vehicle Replacement and Maintenance Fund. This amount is subject to change pending implementation of the audit recommendations.

Note 4: Refund of accumulated replacement charges that had been paid to the Vehicle Replacement and Maintenance Fund for vehicles/equipment that have now been removed from service and will not be replaced.

Note 5: Decrease in allocated charges is primarily due to a decrease in cost plan charges.

Vehicle Replacement Fund

VEHICLE REPLACEMENT AND ADDITIONS

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	204,468	176,164	178,286	182,802
Contract Services	649,674	0	0	0
Supplies and Materials	21,695	0	0	0
Facilities and Equipment Purchases	475,276	0	0	0
General Expense	(570,313)	0	0	0
Allocated Charges	38,845	53,220	53,220	13,976
Capital Improvement Program	0	20,000	22,871	0
TOTAL EXPENDITURES	\$819,645	\$249,384	\$254,377	\$196,778
TOTAL REVENUES	\$3,684,706	\$3,180,385	\$3,180,385	\$3,360,299
Total Full Time Positions	1.40	1.40	1.40	1.40
Total Temporary Positions	0.00	0.00	0.00	0.00

Vehicle Replacement Fund

VEHICLE OPERATIONS AND MAINTENANCE

To maintain City vehicles and equipment within safe operating performance standards, ensure cost effective and appropriate fleet utilization, and continue to investigate opportunities for use of alternative fuels.

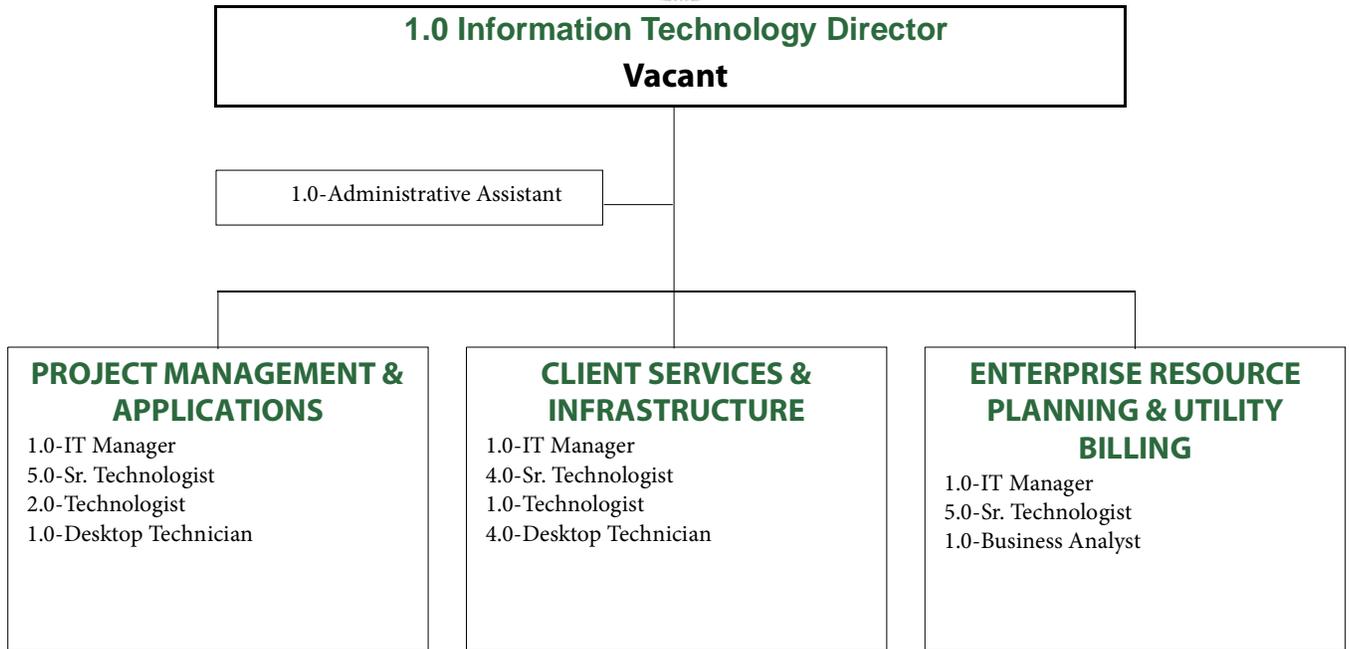
INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,644,501	1,845,429	1,847,507	1,842,661
Contract Services	285,286	351,500	351,500	373,000
Supplies and Materials	1,305,563	1,534,200	1,534,200	1,528,200
Facilities and Equipment Purchases	463	1,000	1,000	0
General Expense	2,677,377	65,500	65,500	51,000
Rents and Leases	4,045	3,500	3,500	3,500
Allocated Charges	773,335	830,918	828,836	794,609
Operating Transfers Out	27,415	0	590,648	679,187
TOTAL EXPENDITURES	\$6,717,985	\$4,632,047	\$5,222,691	\$5,272,157
TOTAL REVENUES	\$4,113,863	\$4,751,859	\$4,751,859	\$4,483,659
Total Full Time Positions	14.68	14.68	14.68	14.68
Total Temporary Positions	0.00	0.48	0.48	0.00

INFORMATION TECHNOLOGY DEPARTMENT



Organizational Chart



FY 2012
Position Totals: All Funds

28.00 Full-time
4.22 Hourly

Information Technology Department

OVERVIEW

Beginning in FY 2012, Information Technology will be established as its own department, headed by the Chief Information Officer.

In FY 2012, the Technology Fund will continue to deliver information technology services in accordance with the Information Technology (IT) Strategic Plan. In FY2011, the IT Strategic Plan was updated to ensure a cohesive, citywide management information strategy addressing organizational, operational, and technological infrastructure issues. The plan facilitates the development and implementation of citywide priorities including SAP, eGovernment, Geographic Information System (GIS), IT Security, Telecommunications, and successful Business Alignment.

In FY2012, focus will be on the following issues:

Client Services will continue to maintain the City's desktop computers, continue to extend the 36-month replacement schedule to 48 months as a cost saving measure, and begin the migration of Windows 7 and Office 2010.

Infrastructure Services will focus on: implementing the Telecommunications Plan; developing a Wireless Service Plan; refining and implementing the disaster recovery plan for the City's mission critical systems; establishing a new contract for the City's Internet connection service; continuing work on an IT security audit; updating the City's existing telephone system; upgrading the City's network infrastructure, and continuing the maintenance and upgrade of the City's existing elaborate server environment.

Project Management and Applications will continue to maintain the SAP Enterprise Resources Planning (ERP) system; implement and develop in-house applications; maintain and support over 200 City-wide applications; and enhance the look and feel of the City's website.

The Technology Fund reserve was established to fund the replacement of the City's IT infrastructure and applications. Its existence reflects the City's strong commitment to future technology needs.

FUND SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Operating Revenue	10,088,368	10,391,759	10,391,759	11,230,818	839,059
Interest Income	278,425	314,600	314,600	352,700	38,100
Other Income	796,104	1,717,731	1,703,847	816,909	(886,938)
TOTAL FUND REVENUES	\$11,162,897	\$12,424,090	\$12,410,206	\$12,400,427	\$(9,779)
Client Services	2,917,827	3,437,215	3,450,034	3,718,619	268,585
Infrastructure Services	2,707,927	1,796,999	1,810,495	2,426,815	616,320
Project Management and Application	4,999,361	4,400,857	4,426,702	4,476,985	50,283
Technology Projects	4,318,972	3,586,224	3,586,224	2,416,224	(1,170,000)
TOTAL FUND EXPENDITURES	\$14,944,087	\$13,221,295	\$13,273,455	\$13,038,643	\$(234,812)
TO/FROM RESERVES	\$(3,781,190)	\$(797,205)	\$(863,249)	\$(638,216)	\$225,033

Information Technology Department

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	4,909,100	4,562,855	4,670,344	5,401,910
Contract Services	3,878,625	3,031,821	2,981,821	3,014,021
Supplies and Materials	967,393	60,000	60,000	60,000
Facilities and Equipment Purchases	816,102	750,039	750,039	750,039
General Expense	3,476,656	421,800	421,800	439,600
Rents and Leases	238,095	236,000	236,000	236,000
Allocated Charges	583,353	641,780	636,451	790,073
Capital Improvement Program	0	3,517,000	3,517,000	2,347,000
Operating Transfers Out	74,763	0	0	0
TOTAL EXPENDITURES	\$14,944,087	\$13,221,295	\$13,273,455	\$13,038,643
Total Full Time Positions	30.65	30.41	30.41	30.41
Total Temporary Positions	0.84	2.10	2.10	3.76

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of computer workstations (SEA)	1005	1020	1025
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
Effectiveness:			
1. Percent of requests for computer help desk services resolved within 5 days (SEA)	86%	87%	87%

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
REVENUE CHANGES			
Increase investment income	38,100		38,100
Increase Stanford revenue	16,000		16,000
Increase allocated revenues-internal	839,058		839,058
Decrease operating transfers for CIP projects	(889,053)		(889,053)
TOTAL REVENUE CHANGES	\$4,105	\$0	\$4,105
Adjustments (Note 1)		(13,884)	(13,884)
NET REVENUE CHANGES	\$4,105	\$(13,884)	\$(9,779)

Information Technology Department

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
EXPENDITURE CHANGES			
Salary and Benefits			
Drop 1.0 FTE Chief Information Officer, add 1.0 FTE Director of Information Technology/Chief Information Officer	48,801		48,801
Reclass 1.0 FTE Administrative Associate II to Administrative Assistant	21,958		21,958
Increase temporary salaries	129,260		129,260
Correction to base salary	327,972		327,972
Personnel Benefit Costs Increase (Note 2)	311,068		311,068
Total Salary and Benefits Changes	\$839,059	\$	\$839,059
Adjustments (Note 1)		(107,491)	(107,491)
NET SALARY AND BENEFITS CHANGES	\$839,059	\$(107,491)	\$731,568
Non-Salary			
Decrease CIP Expense	(1,170,000)		(1,170,000)
Increase allocated charges	82,245		82,245
Total Non-Salary	\$(1,087,755)	\$0	\$(1,087,755)
TOTAL EXPENDITURE CHANGES	\$(248,696)	\$(107,491)	\$(356,187)
Adjustments (Note 1)		121,375	121,375
NET EXPENDITURE CHANGES	\$(248,696)	\$13,884	\$(234,812)

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time appropriation changes from the prior year that did not carry forward from the Fiscal Year 2011 budget.

Note 2: Personnel benefit costs have increased mainly due to increases in pension plan contributions.

SERVICE LEVEL CHANGES

Information Technology staff is continually adjusting to an increasing workload. The effect on management and staff has been an increase in project management responsibilities. Due to the increased workload, it will be necessary to contract for consulting services for any significant application upgrades.

Information Technology Department

CLIENT SERVICES

To provide best-of-class Information Technology (IT) customer service and support and provide state-of-the-art desktop solutions for City employees.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,693,369	1,826,973	1,895,121	1,959,710
Contract Services	88,038	428,617	378,617	422,817
Supplies and Materials	31,140	20,000	20,000	20,000
Facilities and Equipment Purchases	198,313	439,575	439,575	439,575
General Expense	115,281	4,800	4,800	10,600
Rents and Leases	237,012	236,000	236,000	236,000
Allocated Charges	479,911	481,250	475,921	629,917
Operating Transfers Out	74,763	0	0	0
TOTAL EXPENDITURES	\$2,917,827	\$3,437,215	\$3,450,034	\$3,718,619
TOTAL REVENUES	\$7,706,377	\$8,257,191	\$8,257,191	\$8,952,597
Total Full Time Positions	11.21	11.97	11.97	5.12
Total Temporary Positions	0.00	0.04	0.04	0.92

Information Technology Department

INFRASTRUCTURE SERVICES

To implement, develop, and maintain the City's core Information Technology (IT) infrastructure.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	1,037,667	502,629	516,125	1,132,819
Contract Services	382,101	440,600	440,600	440,600
Supplies and Materials	8,096	35,000	35,000	35,000
Facilities and Equipment Purchases	64,361	310,464	310,464	310,464
General Expense	1,113,868	417,000	417,000	417,000
Rents and Leases	1,083	0	0	0
Allocated Charges	100,751	91,306	91,306	90,932
TOTAL EXPENDITURES	\$2,707,927	\$1,796,999	\$1,810,495	\$2,426,815
TOTAL REVENUES	\$627,138	\$485,964	\$485,964	\$525,170
Total Full Time Positions	7.02	6.02	6.02	6.02
Total Temporary Positions	0.20	1.12	1.12	1.38

Information Technology Department

PROJECT MANAGEMENT AND APPLICATION

To implement and maintain best-of-class Information Technology (IT) solutions through the use of leading project management and application support methodologies.

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	2,189,142	2,233,253	2,259,098	2,309,381
Contract Services	695,410	2,162,604	2,162,604	2,150,604
Supplies and Materials	19,775	5,000	5,000	5,000
General Expense	2,092,343	0	0	12,000
Allocated Charges	2,691	0	0	0
TOTAL EXPENDITURES	\$4,999,361	\$4,400,857	\$4,426,702	\$4,476,985
TOTAL REVENUES	\$2,034,060	\$1,963,604	\$1,963,604	\$2,122,151
Total Full Time Positions	12.42	12.42	12.42	15.42
Total Temporary Positions	0.64	0.94	0.94	1.46

Information Technology Department

TECHNOLOGY PROJECTS

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	(11,078)	0	0	0
Contract Services	2,713,076	0	0	0
Supplies and Materials	908,382	0	0	0
Facilities and Equipment Purchases	553,428	0	0	0
General Expense	155,164	0	0	0
Allocated Charges	0	69,224	69,224	69,224
Capital Improvement Program	0	3,517,000	3,517,000	2,347,000
TOTAL EXPENDITURES	\$4,318,972	\$3,586,224	\$3,586,224	\$2,416,224
TOTAL REVENUES	\$795,322	\$1,717,331	\$1,703,447	\$800,509
Total Full Time Positions	0.00	0.00	0.00	0.00
Total Temporary Positions	0.00	0.00	0.00	0.00

Printing and Mailing Fund

OVERVIEW

In FY 2012, the Printing and Mailing Fund will continue to provide printing and mailing services. City staff will manage print requests, with the production of major jobs accomplished by using local professional print shops. Items for Council packets will continue to be printed and assembled in-house. In addition, to control costs, staff will continue using on-line transmission of job orders to outside vendors.

The Printing Services Unit will continue to extend document processing services to City departments, using the digital document processing system.

The Mailing Services Unit will continue to process and distribute daily internal mail to departments. In addition, the City will continue to utilize a mailing services provider to transport all outgoing mail, including customer utility bills, at no additional cost. Utility bills are mailed using permit indicia; all other City mail is processed through the Mailing Services Unit.

FUND SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Operating Revenue	1,402,222	1,137,000	1,137,000	1,137,000	0
Interest Income	(6,137)	0	0	0	0
Other Income	507	2,000	2,000	2,000	0
TOTAL FUND REVENUES	\$1,396,592	\$1,139,000	\$1,139,000	\$1,139,000	\$0
Printing and Mailing	1,467,481	1,142,909	1,143,413	1,121,890	(21,523)
TOTAL FUND EXPENDITURES	\$1,467,481	\$1,142,909	\$1,143,413	\$1,121,890	\$(21,523)
TO/FROM RESERVES	\$(70,889)	\$(3,909)	\$(4,413)	\$17,110	\$21,523

INPUTS

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Salaries and Benefits	477,446	162,866	164,127	157,368
Contract Services	188,721	167,011	167,011	165,511
Supplies and Materials	84,679	81,758	81,758	80,258
General Expense	397,894	399,357	399,357	400,857
Rents and Leases	212,245	233,985	233,985	233,985
Allocated Charges	98,274	97,932	97,175	83,911
Operating Transfers Out	8,222	0	0	0
TOTAL EXPENDITURES	\$1,467,481	\$1,142,909	\$1,143,413	\$1,121,890
Total Full Time Positions	4.05	1.57	1.57	1.57
Total Temporary Positions	0.00	0.00	0.00	0.00

Printing and Mailing Fund

BENCHMARKING MEASURES

	FY 2010 Actuals	FY 2011 Adjusted Budget	FY 2012 Adopted Budget
Workload Outputs:			
1. Number of utilities bills mailed on average per day	1,550	1,500-2,000	1,500-2,000
Efficiency:			
1. Accommodate 85 percent of late printing requests for inclusion in the weekly City Council packet	100%	100%	100%
Effectiveness:			
1. Percent of utilities bills mailed timely each day	100%	100%	100%

RESOURCE LEVEL CHANGES

	FY 2012 Ongoing	FY 2012 One-Time	FY 2012 Total
EXPENDITURE CHANGES			
Salary and Benefits			
Temporary salaries decrease	(25,609)		(25,609)
Personnel Benefit Costs Increase (Note 2)	20,110		20,110
Total Salary and Benefits	\$(5,499)	\$0	\$(5,499)
Adjustments (Note 1)		(1,260)	(1,260)
NET SALARY AND BENEFITS CHANGES	\$(5,499)	\$(1,260)	\$(6,759)
Non-Salary			
Decrease uniforms	(1,500)		(1,500)
Allocated charge decrease	(12,242)		(12,242)
Total Non-Salary	\$(13,742)	\$0	\$(13,742)
Adjustments (Note 1)		(1,022)	(1,022)
TOTAL EXPENDITURE CHANGES	\$(19,241)	\$(2,282)	\$(21,523)

RESOURCE LEVEL NOTES

Note 1: Adjustments include one-time appropriation changes from the prior year that did not carry forward from the Fiscal Year 2011 budget.

Note 2: Personnel benefit costs have increased mainly due to increases in pension plan contributions.

General Benefits Fund

OVERVIEW

The General Benefits Fund includes funding for employee pension benefits, health benefits (medical, dental and vision) for current City employees and several other benefits such as life insurance and the employee assistance program. The FY 2012 budget presents the General Benefits, Workers' Compensation Insurance Program, and General Liabilities Insurance Program as separate funds. Prior to FY 2012, these funds were reports as the General Benefits and Insurance Fund. Funding for retired employees' healthcare costs is reflected in the Retiree Health Benefits Fund.

The City's budgeted costs for employee pension and health benefits will increase significantly in FY 2012. Overall benefit costs will increase approximately \$5.5 million, or 16 percent, compared to the FY 2011 adjusted budget. The \$5.5 million increase is principally related to a \$4.2 million increase in pension costs and a \$1.3 million increase in healthcare costs. In FY 2012, for every \$1,000 of salary paid, the City will pay (on average) an additional \$630 for employee benefits, the vast majority of which is in the form of pension or healthcare benefits.

PENSION COSTS

The magnitude of the pension cost increase - from \$19 million to \$24 million - is unprecedented. CalPERS lost 24 percent of the value of its investment portfolio after the 2009 stock market plunge. The rates are calculated two years in arrears by CalPERS and, although CalPERS projected an 11 percent return on investment for FY 2010, the City's annual contribution rate still increased significantly. Governmental agencies throughout the state face the prospect of making significant cuts in services in order to fund their employee pension benefits.

We continue to meet with all of our employee associations to communicate the impact of pension cost increases. As an increasingly greater portion of the City's budget is diverted to pay for pension and healthcare costs, there will be increasingly less funding available for existing jobs and services. A successful resolution to this matter demands the participation of both current and future employees.

The City of Palo Alto was one of the first cities to implement a "second tier" pension benefit to reduce the cost of retirement benefits for new employees who are classified as miscellaneous employees. Public safety employees have not yet agreed to a second tier formula for new hires. While the short-term savings derived from reducing pension benefits for new employees is minimal, the savings will be substantial over the course of the next 10-20 years. Unfortunately, these savings are not enough to mitigate the impact of escalating pension costs. Without question, additional benefit modifications will be required in order to preserve vital public services.

Most governmental agencies, including the City of Palo Alto, pay the vast majority of employee pension costs. In the City of Palo Alto, miscellaneous employees contribute relatively little to their pension funds and public safety employees do not make any contribution to their pension costs. Changes to employee contribution rates and benefit formulas for future years' service are two of the options that must be discussed going forward. This will certainly include the employees fully paying their own share and could include employees contributing toward the City's escalating costs for employee pension benefits.

General Benefits Fund

HEALTHCARE COSTS

Healthcare cost increases in FY 2012, while not as substantial as pension increases at this time, will nonetheless contribute significantly to the growth in employee benefit costs. While all non-safety employees recently assumed a small portion (approximately 4 percent) of healthcare costs for themselves and their dependents, the City still pays the vast majority (96 percent) of these costs. Under the current plan for non-safety employees, it will take three or four years to reach the point where employees are paying 10 percent of their healthcare costs. The City pays 100 percent of healthcare costs for public safety employees and their dependents as those employees have not yet agreed to assume any portion of these costs.

FUND SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Interest Income	1,252,877	1,293,400	280,200	274,200	(6,000)
Other Income	37,932,011	32,806,009	33,819,209	39,479,362	5,660,153
TOTAL FUND REVENUES	\$39,184,888	\$34,099,409	\$34,099,409	\$39,753,562	\$5,654,153
Operating Expense	34,347,973	34,099,409	34,099,409	39,753,562	5,654,153
TOTAL FUND EXPENDITURES	\$34,347,973	\$34,099,409	\$34,099,409	\$39,753,562	\$5,654,153
TO/FROM RESERVES	\$4,836,915	\$0	\$0	\$0	\$0

Workers' Compensation Fund

OVERVIEW

In FY 2012, it is anticipated that workers compensation claim payments will remain at the FY 2011 budgeted amount of approximately \$2.9 million. The balance of expenses in this fund are primarily for excess liability insurance (approximately \$300,000) and third party administrator fees (approximately \$275,000).

Although program costs will remain relatively stagnant in FY 2012, departmental workers' compensation charges will decrease by approximately \$400,000 - from \$3.5 million to \$3.1 million - due to a change in the methodology for allocating investment income.

The FY 2012 budget presents the General Benefits, Workers' Compensation Insurance Program, and General Liabilities Insurance Program as separate funds. Prior to FY 2012, these funds were reports as the General Benefits and Insurance Fund.

FUND SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Interest Income	0	0	459,700	438,000	(21,700)
Other Income	573,231	3,519,609	3,059,909	3,108,409	48,500
TOTAL FUND REVENUES	\$573,231	\$3,519,609	\$3,519,609	\$3,546,409	\$26,800
Operating Expense	3,727,694	3,519,609	3,519,894	3,546,409	26,515
TOTAL FUND EXPENDITURES	\$3,727,694	\$3,519,609	\$3,519,894	\$3,546,409	\$26,515
TO/FROM RESERVES	\$(3,154,463)	\$0	\$(285)	\$0	\$285

Liability Insurance Fund

OVERVIEW

For FY 2012, total revenues for this fund will decrease by \$229,060, or 11 percent, compared to the FY 2011 adjusted budget. This change is principally due to the elimination of the excess insurance reimbursement.

Expenses will also decrease by \$229,060, principally due to a reduction in liability insurance costs. Liability claim payments are projected to remain at the FY 2011 adjusted amount of approximately \$600,000.

The FY 2012 budget presents the General Benefits, Workers' Compensation Insurance Program, and General Liabilities Insurance Program as separate funds. Prior to FY 2012, these funds were reports as the General Benefits and Insurance Fund.

FUND SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Operating Revenue	(1,179,996)	1,729,760	1,584,160	1,608,400	24,240
Interest Income	0	0	145,600	142,300	(3,300)
Other Income	46,255	290,000	290,000	40,000	(250,000)
TOTAL FUND REVENUES	\$(1,133,741)	\$2,019,760	\$2,019,760	\$1,790,700	\$(229,060)
Operating Expense	630,923	2,019,760	2,019,760	1,790,700	(229,060)
TOTAL FUND EXPENDITURES	\$630,923	\$2,019,760	\$2,019,760	\$1,790,700	\$(229,060)
TO/FROM RESERVES	\$(1,764,664)	\$0	\$0	\$0	\$0

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 FY 2012, retiree health benefit expense is \$9.8 million.

The City fully funded its actuarial required contribution (ARC) in FY 2011. In FY 2012, the General Fund contribution for the ARC is increasing by \$1.1 million in comparison to the FY 2011 adjusted budget due to an allocation methodology change. In FY 2011, the ARC allocation methodology was based on currently budgeted full-time equivalents, while the allocation methodology used in FY 2012 allocates the General Fund ARC at a higher level to include prior retirees.

In Fiscal Year 2012, the annual required contribution to cover the cost of retiree medical premiums for current and future retirees is fully funded and included in the adopted budgets for the General Fund, Enterprise Funds, and Other City Funds. This contribution includes an amortized payment of the un-funded medical premium liabilities in the amount of approximately \$6 million in addition to the current cost of medical benefit payments of approximately \$3.8 million. This amortization payment is in accordance with the recommendations set forth by the City's actuary and is intended to fully fund the liability at the conclusion of the amortization period. The City has established an irrevocable trust fund to account for assets accumulated to offset the retiree medical liability for current and future retirees. The funding schedule established by the City for current and future liabilities is in compliance with accounting standards promulgated by the Governmental Accounting Standards Board (GASB 45) for expense recognition.

The City expects to have a revised actuarial study complete by fall 2011 and will revise its General Fund and Enterprise Fund contributions during the Fiscal Year 2012 midyear budget process.

FUND SUMMARY

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Interest Income	121,703	0	0	40,000	40,000
Other Income	9,698,480	9,934,262	9,734,262	9,788,659	54,397
TOTAL FUND REVENUES	\$9,820,183	\$9,934,262	\$9,734,262	\$9,828,659	\$94,397
Operating Expense	10,135,704	9,934,262	9,734,262	9,788,659	54,397
TOTAL FUND EXPENDITURES	\$10,135,704	\$9,934,262	\$9,734,262	\$9,788,659	\$54,397
TO/FROM RESERVES	\$(315,521)	\$0	\$0	\$40,000	\$40,000

STAFFING

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Summary of Position Changes

	FTE
GENERAL FUND	
FY 2011 ADOPTED BUDGET	579.50
FY 2011 BAO Position Adjustments	
POL - Community Service Officer	(0.50)
FY 2011 ADJUSTED TOTAL	579.00
FY 2012 Additions	
ASD - Senior Financial Analyst	0.10
CMO - Administrative Associate III	0.50
FIR - Emergency Services Director	1.00
FY 2012 Total Additions	1.60
FY 2012 Reclassified Positions	
ATT - Senior Legal Secretary	(1.00)
ATT - Claims Investigator	1.00
CMO - Administrative Associate I	(0.50)
CMO - Administrative Associate III	0.50
ASD - Senior Financial Analyst	(1.00)
ASD - Budget Officer	1.00
ASD - Deputy Director, ASD	(0.80)
ASD - Assistant Director, ASD	0.80
ASD - Graphic Designer	(1.00)
ASD - Administrative Associate III	1.00
ASD - Budget Manager	(1.00)
ASD - Chief Budget Officer	1.00
PCE - Chief Planning Official	(1.00)
PCE - Assistant Director, PCE	1.00
POL - Animal Services Specialist	(1.00)
POL - Animal Services Specialist II	1.00
PWD - Supervisor Facilities Mgt	(1.60)
PWD - Mgr Maintenance Operations	1.60
PWD - Managing Arborist	(1.00)
PWD - Urban Forester	1.00
FY 2012 Total Reclassified Positions	0.00
FY 2012 Reallocated Positions	
ASD - Assistant Director, ASD	0.10
CMO - Administrative Associate I	(0.50)
CMO - Assistant to the City Manager	0.05

Summary of Position Changes

	FTE
CMO - Manager Economic Development & Redevelopment	1.00
PCE - Administrative Associate I	0.50
PCE - Assistant to the City Manager	(0.05)
PCE - Manager Economic Development & Redevelopment	(1.00)
PCE - Planning Arborist	(1.00)
PWD - Supervisor Facilities Mgt	(0.35)
PWD - Management Analyst	0.55
PWD - Planning Arborist	1.00
FY 2012 Total Reallocated Positions	0.30
FY 2012 Elimination or Reduction	
ATT - Claims Investigator	(0.60)
CSD - Coordinator Recreation Programs	(0.50)
PWD - Superintendent PW Operations	(0.60)
PWD - Mgr Facilities Maintenance	(0.80)
PWD - Administrative Associate I	(1.00)
PWD - Project Manager	(1.00)
FY 2012 Total Elimination or Reduction	(4.50)
FY 2012 TOTAL ADOPTED GENERAL FUND POSITIONS	576.40
ENTERPRISE FUNDS	
FY 2011 ADOPTED BUDGET	365.72
FY 2011 Position Adjustments	
UTL - Utilities Installer/Repairer	(1.00)
UTL - Coordinator, Utility Projects	1.00
FY 2011 ADJUSTED TOTAL	365.72
FY 2012 New Positions	
ASD - Senior Financial Analyst	0.50
PWD - Asst Director, Environmental Services	1.00
UTL - Account Representative	1.00
FY 2012 Total New Positions	2.50
FY 2012 Reclassified Positions	
ASD - Deputy Director, ASD	(0.20)
ASD - Assistant Director, ASD	0.20
PWD - Supervisor WQC Operations	(1.00)

Summary of Position Changes

	FTE
PWD - Assistant Plant Manager	1.00
PWD - Supervisor WQC Operations	(1.00)
PWD - Operator II, WQC	1.00
PWD - Business Analyst	(1.00)
PWD - Senior Technologist	1.00
PWD - Executive Assistant	(2.00)
PWD - Management Analyst	2.00
PWD - Landfill Technician	(1.00)
PWD - Coord, PW Projects	1.00
PWD - Mgr Environmental Compliance	(1.00)
PWD - Watershed Protection Mgr	1.00
UTL - Maintenance Mechanic	(1.00)
UTL - Maintenance Mechanic - Welding	1.00
UTL - Coordinator Utility Projects	(1.00)
UTL - Business Analyst	1.00
UTL - Utility Engineering Estimator	(1.00)
UTL - Business Analyst	1.00
FY 2012 Total Reclassified Positions	0.00
FY 2012 Reallocated Positions	
ASD - Assistant Director, ASD	(0.10)
PWD - Management Analyst	(0.80)
PWD - Senior Engineer	(0.50)
FY 2012 Total Reallocated Positions	(1.40)
FY 2012 Eliminated Positions	
ASD - Manager Energy Risk	(1.00)
PWD - Superintendent PW Operations	(0.20)
FY 2012 Total Eliminated Positions	(1.20)
FY 2012 TOTAL ADOPTED ENTERPRISE FUND POSITIONS	365.62
OTHER FUNDS	
FY 2011 ADOPTED BUDGET	73.38
FY 2011 BAO Position Adjustments	
ASD (IT) - Chief Information Officer (title change)	(1.00)
ASD (IT) - Director of Information Technology/Chief Information Officer (title change)	1.00
POL - Community Service Officer	0.50
FY 2011 ADJUSTED TOTAL	73.88

Summary of Position Changes

	<u>FTE</u>
FY 2012 New Positions	
None	
FY 2012 Total New Positions	0.00
FY 2012 Reclassified Positions	
ASD (IT) - Administrative Associate II	(1.00)
ASD (IT) - Administrative Assistant	1.00
PWD - Supervisor Facilities Mgt	(0.40)
PWD - Mgr Maintenance Operations	0.40
FY 2012 Total Reclassified Positions	0.00
FY 2012 Reallocated Positions	
PWD - Management Analyst	0.25
PWD - Senior Engineer	0.50
PWD - Supervisor Facilities Management	0.35
FY 2012 Total Reallocated Positions	1.10
FY 2012 Eliminated Positions	
PWD - Superintendent PW Operations	(0.20)
PWD - Mgr Facilities Maintenance	(0.20)
FY 2012 Total Eliminated Positions	(0.40)
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FY 2012 TOTAL ADOPTED OTHER FUNDS POSITIONS	74.58
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FY 2012 TOTAL ADOPTED CITYWIDE POSITIONS	1016.60
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Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 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 (3), (4)	0.60	0.60	0.60	1.00	0.40
Deputy City Attorney	0.00	0.00	0.00	0.00	0.00
Legal Secretary - Confidential	0.00	0.00	0.00	0.00	0.00
Legal Services Administrator	1.00	1.00	1.00	1.00	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	1.00	1.00	1.00	0.00
Senior Legal Secretary (4)	2.00	2.00	2.00	1.00	(1.00)
TOTAL CITY ATTORNEY	10.60	9.60	9.60	9.00	(0.60)
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
Deputy City Auditor	0.00	0.00	0.00	0.00	0.00
Performance Auditor	0.00	0.00	0.00	0.00	0.00
Senior Performance 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	3.00	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
Hearing Officer	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 (5), (12)	1.50	1.50	1.50	0.50	(1.00)
Administrative Associate II	1.00	0.00	0.00	0.00	0.00

Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Administrative Associate III (2), (5)	0.00	0.00	0.00	1.00	1.00
Management Analyst	0.00	0.50	0.50	0.50	0.00
Assistant City Manager/Chief Operating Officer (17)	1.00	1.00	1.00	1.00	0.00
Assistant to City Manager (24)	2.00	1.50	1.50	1.55	0.05
City Manager	1.00	1.00	1.00	1.00	0.00
Communications Manager	1.00	1.00	1.00	1.00	0.00
Deputy City Manager	0.50	0.50	0.50	0.50	0.00
Executive Assistant to the City Manager	1.00	1.00	1.00	1.00	0.00
Manager, Communications	0.00	0.00	0.00	0.00	0.00
Manager, Economic Devlpmt & Redevelpmt (24)	0.00	0.00	0.00	1.00	1.00
Senior Management Analyst	0.00	0.00	0.00	0.00	0.00
TOTAL CITY MANAGER	10.00	9.00	9.00	10.05	1.05

Administrative Services Department

Accountant	2.00	2.00	2.00	2.00	0.00
Accounting Specialist	8.00	7.00	7.00	7.00	0.00
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 III (9)	0.96	0.00	0.00	1.00	1.00
Assistant Director, Administrative Services (8)	0.60	0.60	0.60	1.50	0.90
Assistant Storekeeper	0.00	0.00	0.00	0.00	0.00
Budget Officer (6)	0.00	0.00	0.00	1.00	1.00
Business Analyst	0.10	0.00	0.00	0.00	0.00
Buyer	1.95	1.95	1.95	1.95	0.00
Chief Budget Officer (10)	0.00	0.00	0.00	1.00	1.00
Contracts Administrator	2.00	1.40	1.40	1.40	0.00
Deputy Director, Administrative Services (8)	0.80	0.80	0.80	0.00	(0.80)
Director, ASD/Chief Financial Officer (7)	0.50	0.50	0.50	0.50	0.00
Graphic Designer (9)	1.00	1.00	1.00	0.00	(1.00)
Manager, Accounting	1.00	1.00	1.00	1.00	0.00
Manager, Budget (10)	1.00	1.00	1.00	0.00	(1.00)
Manager, Purchasing/Contract Administrator	1.00	1.00	1.00	1.00	0.00
Manager, Real Property	1.00	1.00	1.00	1.00	0.00
Payroll Analyst	2.00	2.00	2.00	2.00	0.00
Real Property Analyst	0.00	0.00	0.00	0.00	0.00

Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Real Property Agent	0.00	0.00	0.00	0.00	0.00
Senior Accountant	3.00	3.00	3.00	3.00	0.00
Senior Business Analyst	0.20	0.00	0.00	0.00	0.00
Senior Financial Analyst (1), (6)	6.91	5.81	5.81	4.91	(0.90)
Senior Buyer	0.00	0.00	0.00	0.00	0.00
Staff Secretary	0.00	0.00	0.00	0.00	0.00
Storekeeper	0.00	0.00	0.00	0.00	0.00
Storekeeper - Lead	1.00	1.00	1.00	1.00	0.00
Warehouse Supervisor	1.00	0.50	0.50	0.50	0.00
TOTAL ADMINISTRATIVE SERVICES	41.95	37.49	37.49	37.69	0.20

Community Services Department

Administrative Assistant	1.00	1.00	1.00	1.00	0.00
Administrative Associate I	2.00	0.00	0.00	0.00	0.00
Administrative Associate III	0.75	0.75	0.75	0.75	0.00
Administrator Special Events	0.00	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	2.00	2.00	2.00	0.00
Building Serviceperson - Lead	2.00	2.00	2.00	2.00	0.00
Community Services Senior Program Manager	1.00	1.00	1.00	1.00	0.00
Community Services Superintendent	1.00	1.00	1.00	1.00	0.00
Coordinator, Child Care	1.00	0.00	0.00	0.00	0.00
Coordinator, Recreation Programs (14)	5.00	4.50	4.50	4.00	(0.50)
Cubberley Center and Human Svc Div Mgr	1.00	0.00	0.00	0.00	0.00
Director, Community Services	1.00	1.00	1.00	1.00	0.00
Division Manager, Golf & Parks	0.00	0.00	0.00	0.00	0.00
Division Manager, Recreation & Golf	1.00	1.00	1.00	1.00	0.00
Division Manager, Rec and Youth Sciences	0.00	0.00	0.00	0.00	0.00
Golf Course Equipment Mechanic	1.00	0.00	0.00	0.00	0.00
Golf Course Maintenance Person	4.00	0.00	0.00	0.00	0.00
Inspector, Field Services	2.00	2.00	2.00	2.00	0.00
Jr. Museum & Zoo Lead Educator	2.25	2.25	2.25	2.25	0.00
Jr. Museum & Zoo Lead Instructor	0.00	0.00	0.00	0.00	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

Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Open Space and Parks Division Manager	1.00	1.00	1.00	1.00	0.00
Park Maintenance Lead	1.00	1.00	1.00	1.00	0.00
Park Maintenance Person	11.00	6.00	6.00	6.00	0.00
Park Ranger	5.00	5.00	5.00	5.00	0.00
Parks and Open Space Assistant	0.00	0.00	0.00	0.00	0.00
Parks Crew - Lead	3.00	2.00	2.00	2.00	0.00
Producer Arts/Science Programs	13.00	12.00	12.00	12.00	0.00
Program Assistant I (23)	7.75	7.50	7.50	7.50	0.00
Program Assistant II	3.00	3.00	3.00	3.00	0.00
Senior Management Analyst	1.00	1.00	1.00	1.00	0.00
Senior Ranger	0.00	0.00	0.00	0.00	0.00
Sprinkler System Repairer	5.00	4.00	4.00	4.00	0.00
Superintendent, Parks	1.00	1.00	1.00	1.00	0.00
Supervisor, Open Space	2.00	2.00	2.00	2.00	0.00
Supervisor, Parks	1.00	1.00	1.00	1.00	0.00
Supervisor, Recreation Program	4.00	4.00	4.00	4.00	0.00
Theater Specialist	1.00	1.00	1.00	1.00	0.00
Volunteer Coordinator	0.50	0.50	0.50	0.50	0.00
TOTAL COMMUNITY SERVICES	94.25	74.50	74.50	74.00	(0.50)

Fire

Administrative Assistant	1.00	0.00	0.00	0.00	0.00
Administrative Associate II	4.00	4.00	4.00	4.00	0.00
Battalion Chief	3.00	3.00	3.00	3.00	0.00
Deputy Fire Chief/Fire Marshal	0.84	0.84	0.84	0.84	0.00
Deputy Fire Chief	2.00	2.00	2.00	2.00	0.00
Deputy Fire Chief OPS/Support	0.00	0.00	0.00	0.00	0.00
EMS Chief	0.00	0.00	0.00	0.00	0.00
EMS Coordinator	1.00	1.00	1.00	1.00	0.00
EMT Basic	0.00	0.00	0.00	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

Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Hazardous Materials Fire Apparatus Operator	0.00	0.00	0.00	0.00	0.00
Hazardous Materials Fire Captain	0.00	0.00	0.00	0.00	0.00
Hazardous Materials Fire Fighter	0.00	0.00	0.00	0.00	0.00
Hazardous Materials Inspector	1.90	1.90	1.90	1.90	0.00
Hazardous Materials Specialist	0.95	0.00	0.00	0.00	0.00
Emergency Services Director (20)	0.00	0.00	0.00	1.00	1.00
OES Coordinator	1.00	1.00	1.00	1.00	0.00
Paramedic Captain	0.00	0.00	0.00	0.00	0.00
Paramedic Fire Fighter	0.00	0.00	0.00	0.00	0.00
Paramedic Inspector	0.00	0.00	0.00	0.00	0.00
Paramedic Operator	0.00	0.00	0.00	0.00	0.00
Training Captain	1.00	1.00	1.00	1.00	0.00
TOTAL FIRE	122.69	120.74	120.74	121.74	1.00

Human Resources Department

Administrative Assistant	1.00	1.00	1.00	1.00	0.00
Assistant Director Human Resources	1.00	1.00	1.00	1.00	0.00
Director, Human Resources	1.00	1.00	1.00	1.00	0.00
Human Resources Assistant - Conf	5.00	5.00	5.00	5.00	0.00
Human Resources Representative	2.00	2.00	2.00	2.00	0.00
Manager, Employee Relations	0.00	0.00	0.00	0.00	0.00
Manager, Human Resources & Development	0.00	0.00	0.00	0.00	0.00
Manager, Risk and Benefits	0.00	0.00	0.00	0.00	0.00
Senior Human Resources Administrator	5.00	5.00	5.00	5.00	0.00
Senior Management Analyst	1.00	1.00	1.00	1.00	0.00
TOTAL HUMAN RESOURCES	16.00	16.00	16.00	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
Business Analyst	1.00	1.00	1.00	1.00	0.00
Coordinator, Library Circulation	0.00	0.00	0.00	0.00	0.00
Coordinator, Library Programs	1.00	1.00	1.00	1.00	0.00
Director, Libraries	1.00	1.00	1.00	1.00	0.00

Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Division Head, Library Services	1.00	1.00	1.00	1.00	0.00
Librarian	5.00	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 Services Manager	4.00	4.00	4.00	4.00	0.00
Library Specialist	8.00	8.00	8.00	8.00	0.00
Manager, Main Library Services	0.00	0.00	0.00	0.00	0.00
Management Assistant	1.00	1.00	1.00	1.00	0.00
Senior Librarian	8.75	7.75	7.75	7.75	0.00
TOTAL LIBRARY DEPARTMENT	42.25	41.25	41.25	41.25	0.00

Planning and Community Environment Department

Administrative Assistant	1.00	1.00	1.00	1.00	0.00
Administrative Associate I (12)	2.00	1.00	1.00	1.50	0.50
Administrative Associate II (23)	3.80	3.80	3.80	3.80	0.00
Administrative Associate III	1.00	1.00	1.00	1.00	0.00
Administrator, Planning & Comm Envir	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, Planning & Comm Envir (18)	0.00	0.00	0.00	1.00	1.00
Assistant Engineer	0.00	0.00	0.00	0.00	0.00
Assistant to City Manager (24)	0.00	0.05	0.05	0.00	(0.05)
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	2.00	1.00	1.00	1.00	0.00
Building/Planning Technician	3.00	2.00	2.00	2.00	0.00
Chief Building Official	1.00	1.00	1.00	1.00	0.00
Chief Planning and Transportation Official (18)	1.00	1.00	1.00	0.00	(1.00)
Chief Transportation Officer	0.00	0.00	0.00	0.00	0.00
Chief Transportation Official	0.00	1.00	1.00	1.00	0.00
City Traffic Engineer	0.00	0.00	0.00	0.00	0.00
Code Enforcement Officer	2.00	2.00	2.00	2.00	0.00
Coordinator, Transp Sys Mgmt	0.50	0.50	0.50	0.50	0.00
Deputy City Manager	0.50	0.50	0.50	0.50	0.00
Director, Planning and Comm Envir	1.00	1.00	1.00	1.00	0.00

Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Engineer	1.00	1.00	1.00	1.00	0.00
Engineering Technician II	1.00	1.00	1.00	1.00	0.00
Manager, Economic Resources	0.00	0.00	0.00	0.00	0.00
Manager, Economic Devlpmt & Redevelopmt (24)	1.00	1.00	1.00	0.00	(1.00)
Manager, Planning	2.00	2.00	2.00	2.00	0.00
Managing Arborist	0.00	0.00	0.00	0.00	0.00
Permit Specialist	0.00	0.00	0.00	0.00	0.00
Planner	6.05	5.75	5.75	5.75	0.00
Plan Checking Engineer	2.00	2.00	2.00	2.00	0.00
Planning Arborist (21)	1.00	1.00	1.00	0.00	(1.00)
Project Engineer	1.00	1.00	1.00	1.00	0.00
Senior Planner	6.00	5.00	5.00	5.00	0.00
Supervisor, Building Inspection	1.00	1.00	1.00	1.00	0.00
Transportation Manager	1.00	0.00	0.00	0.00	0.00
Transportation Project Manager	0.00	0.00	0.00	0.00	0.00
TOTAL PLANNING AND COMMUNITY ENVIRONMENT	48.85	44.60	44.60	43.05	(1.55)

Police Department

Administrative Assistant	1.00	1.00	1.00	1.00	0.00
Administrative Associate II	3.00	3.00	3.00	3.00	0.00
Animal Attendant	0.00	0.00	0.00	0.00	0.00
Animal Control Officer	4.50	4.50	4.50	4.50	0.00
Animal Services Specialist (11)	1.00	1.00	1.00	0.00	(1.00)
Animal Services Specialist II (11)	1.00	1.00	1.00	2.00	1.00
Assistant Chief of Police	1.00	1.00	1.00	1.00	0.00
Business Analyst	1.00	1.00	1.00	1.00	0.00
Chief Communications Technician	0.00	0.00	0.00	0.00	0.00
Code Enforcement Officer	1.50	1.00	1.00	1.00	0.00
Communication Technician	1.00	1.00	1.00	1.00	0.00
Community Service Officer	9.00	9.00	8.50	8.50	0.00
Community Service Officer - Lead	0.00	0.00	0.00	0.00	0.00
Court Liaison Officer	1.00	1.00	1.00	1.00	0.00
Crime Analyst	2.00	1.00	1.00	1.00	0.00
Deputy Director Technical Services	1.00	1.00	1.00	1.00	0.00
Parking Enforcement Officer	0.00	0.00	0.00	0.00	0.00

Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Parking Enforcement Officer - Lead	0.00	0.00	0.00	0.00	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	5.00	5.00	5.00	5.00	0.00
Police Officer	50.00	49.00	49.00	49.00	0.00
Police Officer Training	0.00	0.00	0.00	0.00	0.00
Police Records Specialist I	0.00	0.00	0.00	0.00	0.00
Police Records Specialist II	7.00	6.00	6.00	6.00	0.00
Police Records Specialist - Lead	1.00	1.00	1.00	1.00	0.00
Police Sergeant	14.00	14.00	14.00	14.00	0.00
Police Trainee	0.00	0.00	0.00	0.00	0.00
Program Assistant I	0.00	0.00	0.00	0.00	0.00
Program Assistant II	1.00	1.00	1.00	1.00	0.00
Program Coordinator	1.00	0.00	0.00	0.00	0.00
Property and Evidence Technician	2.00	2.00	2.00	2.00	0.00
Public Safety Dispatcher I	2.00	2.00	2.00	2.00	0.00
Public Safety Dispatcher II	14.00	14.00	14.00	14.00	0.00
Public Safety Dispatcher - Lead	5.00	5.00	5.00	5.00	0.00
Safety Officer	0.00	0.00	0.00	0.00	0.00
Senior Management Analyst	1.00	1.00	1.00	1.00	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	3.00	3.00	3.00	3.00	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	0.50	0.50	0.50	0.50	0.00
TOTAL POLICE	161.50	157.00	156.50	156.50	0.00

Public Works Department

Accountant	0.02	0.02	0.02	0.02	0.00
Accounting Specialist	0.04	0.04	0.04	0.04	0.00
Administrative Assistant	1.00	1.00	1.00	1.00	0.00
Administrative Associate I (16)	1.70	1.70	1.70	0.70	(1.00)
Administrative Associate II	1.80	1.80	1.80	1.80	0.00

Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Administrative Associate III	0.00	0.00	0.00	0.00	0.00
Assistant Director Public Works	1.10	1.10	1.10	1.10	0.00
Associate Engineer	0.10	0.10	0.10	0.10	0.00
Building Serviceperson	4.00	1.00	1.00	1.00	0.00
Building Serviceperson - Lead	2.00	2.00	2.00	2.00	0.00
Coordinator, Public Works Projects	0.00	0.00	0.00	0.00	0.00
Deputy Director, Public Works Operations	0.00	0.00	0.00	0.00	0.00
Director, Public Works/City Engineer	1.00	1.00	1.00	1.00	0.00
Electrician	1.00	1.00	1.00	1.00	0.00
Engineer	0.30	0.30	0.30	0.30	0.00
Engineering Technician III	3.30	3.30	3.30	3.30	0.00
Equipment Operator	3.46	3.46	3.46	3.46	0.00
Equipment Parts Technician	0.00	0.00	0.00	0.00	0.00
Facilities Assistant	0.00	0.00	0.00	0.00	0.00
Facilities Carpenter	1.00	1.00	1.00	1.00	0.00
Facilities Electrician	0.00	0.00	0.00	0.00	0.00
Facilities Maintenance - Lead	2.00	2.00	2.00	2.00	0.00
Facilities Mechanic	6.00	6.00	6.00	6.00	0.00
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
Instrument Electrician	0.00	0.00	0.00	0.00	0.00
Management Analyst (22)	0.00	0.00	0.00	0.55	0.55
Manager, Facilities Maintenance (16)	0.80	0.80	0.80	0.00	(0.80)
Manager, Maintenance Operations (15)	0.12	0.12	0.12	1.72	1.60
Managing Arborist (19)	1.00	1.00	1.00	0.00	(1.00)
Planning Arborist (21)	0.00	0.00	0.00	1.00	1.00
Project Engineer	0.20	0.20	0.20	0.20	0.00
Project Manager (16)	1.75	1.75	1.75	0.75	(1.00)
Senior Accountant	0.02	0.02	0.02	0.02	0.00
Senior Engineer	0.30	0.20	0.20	0.20	0.00
Senior Financial Analyst	0.16	0.16	0.16	0.16	0.00
Senior Management Analyst	0.90	0.90	0.90	0.90	0.00
Senior Project Manager	1.00	1.00	1.00	1.00	0.00

Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Superintendent, Public Works Operations (16)	0.60	0.60	0.60	0.00	(0.60)
Supervising Project Engineer	1.00	0.00	0.00	0.00	0.00
Supervisor, Building Services	0.00	0.00	0.00	0.00	0.00
Supervisor, Facilities Management (13), (15)	1.95	1.95	1.95	0.00	(1.95)
Supervisor, Inspec/Surveying, Public Works	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	2.00	2.00	2.00	0.00
Tree Maintenance Assistant	0.00	0.00	0.00	0.00	0.00
Tree Maintenance Specialist	2.00	2.00	2.00	2.00	0.00
Tree Trimmer/Line Clearer	7.00	7.00	7.00	7.00	0.00
Tree Trimmer/Line Clearer Assistant	0.00	0.00	0.00	0.00	0.00
Tree Trimmer/Line Clearer - Lead	1.00	1.00	1.00	1.00	0.00
Urban Forester (19)	0.00	0.00	0.00	1.00	1.00
TOTAL PUBLIC WORKS	63.67	58.57	58.57	56.37	(2.20)

GENERAL FUND AUTHORIZED POSITIONS	622.51	579.50	579.00	576.40	(2.60)
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- 1 Add 0.10 FTE Senior Financial Analyst
- 2 Add 0.50 FTE Administrative Associate III
- 3 Drop 0.6 FTE Claims Investigator
- 4 Reclass 1.0 FTE Senior Legal Secretary to Claims Investigator
- 5 Reclass 0.50 FTE Administrative Associate I to Administrative Associate III
- 6 Reclass 1.0 FTE Senior Financial Analyst to Budget Officer
- 7 Title change from Director, ASD to Director, ASD/Chief Financial Officer
- 8 Reclass 0.8 FTE Deputy Director, ASD to Assistant Director, ASD; reallocate 0.10 FTE from Utilities Fund
- 9 Reclass 1.0 FTE Graphic Designer to Administrative Associate III
- 10 Reclass 1.0 FTE Budget Manager to Chief Budget Officer
- 11 Reclass 1.0 FTE Animal Services Specialist to Animal Services Specialist II
- 12 Reallocate 0.5 FTE Administrative Associate I from City Manager's Office to Planning, Community and Environment
- 13 Reallocate 0.35 FTE Supervisor Facilities Management from Other Funds
- 14 Eliminated position due to budget constraints
- 15 Reclass 1.6 FTE Supervisor Facilities Manager to Mgr Maintenance Operations

Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
16	Eliminated position due to department reorganization				
17	Title change from Assistant City Manager to Assistant City Manager/Chief Operating Officer				
18	Drop 1.0 FTE Chief Planning and Transportation Official and add 1.0 FTE Assistant Director, Planning & Comm Envir				
19	Drop 1.0 FTE Managing Arborist and add 1.0 FTE Urban Forester				
20	Add 1.0 FTE Emergency Services Director				
21	Reallocate 1.0 FTE Planning Arborist from Planning and Community Environment to Public Works				
22	Reallocate 0.55 Management Analyst from Enterprise Funds - Public Works				
23	FTE was added back during Budget Hearings				
24	Reallocate 1.0 FTE Manager Economic Development & Redevelopment and 0.05 FTE Assistant to City Manager from Planning and Community Environment to the City Manager's Office				
ENTERPRISE FUNDS					
Public Works Department					
Refuse, Storm Drainage and Wastewater Treatment					
Accountant	0.23	0.23	0.23	0.23	0.00
Accounting Specialist	0.46	0.46	0.46	0.46	0.00
Administrative Associate II	3.20	3.20	3.20	3.20	0.00
Administrator, Refuse	1.00	1.00	1.00	1.00	0.00
Assistant Director, Public Works	0.75	0.75	0.75	0.75	0.00
Assistant Director, Environmental Services (2)	0.00	0.00	0.00	1.00	1.00
Assistant Plant Manager (5)	0.00	0.00	0.00	1.00	1.00
Assistant to City Manager	0.00	0.10	0.10	0.10	0.00
Asst Manager, Water Quality Control Plant	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 (7)	1.13	1.13	1.13	0.13	(1.00)
Buyer	1.00	1.00	1.00	1.00	0.00
Chemist	3.00	3.00	3.00	3.00	0.00
Coordinator Environmental Protection	0.00	0.00	0.00	0.00	0.00
Coordinator, PW Projects (10)	0.00	0.00	0.00	1.00	1.00
Coordinator Recycling	0.00	0.00	0.00	0.00	0.00
Coordinator Zero Waste	2.00	2.00	2.00	2.00	0.00
Deputy Fire Chief/Fire Marshal	0.08	0.08	0.08	0.08	0.00
Electrician	3.00	3.00	3.00	3.00	0.00

Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Electrician - Lead	2.00	2.00	2.00	2.00	0.00
Engineer	1.00	1.00	1.00	1.00	0.00
Engineering Technician I	0.00	0.00	0.00	0.00	0.00
Engineering Technician III	1.40	1.40	1.40	1.40	0.00
Environmental Specialist	2.00	2.00	2.00	2.00	0.00
Equipment Operator	0.54	0.54	0.54	0.54	0.00
Executive Assistant (8)	2.00	2.00	2.00	0.00	(2.00)
Hazardous Materials Inspector	0.04	0.04	0.04	0.04	0.00
Hazardous Materials Specialist	0.02	0.00	0.00	0.00	0.00
Heavy Equipment Operator	5.90	5.90	5.90	5.90	0.00
Heavy Equipment Operator - Lead	3.15	3.15	3.15	3.15	0.00
Industrial Waste Assistant Inspector	1.00	1.00	1.00	1.00	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 Tech, Water Quality Control Plant	2.50	2.50	2.50	2.50	0.00
Landfill Technician (10)	1.00	1.00	1.00	0.00	(1.00)
Maintenance Mechanic	7.00	7.00	7.00	7.00	0.00
Management Analyst (8), (16)	0.00	0.00	0.00	1.20	1.20
Manager, Environmental Compliance (11)	1.00	1.00	1.00	0.00	(1.00)
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, Water Quality Control Plant	1.00	1.00	1.00	1.00	0.00
Program Assistant I	2.00	2.00	2.00	2.00	0.00
Program Assistant II	1.00	1.00	1.00	1.00	0.00
Program Analyst	0.00	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 Accountant	0.23	0.23	0.23	0.23	0.00
Senior Chemist	1.00	1.00	1.00	1.00	0.00
Senior Engineer (15)	2.45	2.75	2.75	2.25	(0.50)
Senior Financial Analyst	0.16	0.16	0.16	0.16	0.00
Senior Industrial Waste Inspector	0.00	0.00	0.00	0.00	0.00
Senior Management Analyst	0.10	0.10	0.10	0.10	0.00

Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
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
Senior Technologist (7)	0.13	0.13	0.13	1.13	1.00
Storekeeper	1.00	1.00	1.00	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
Street Sweeper Operator - Lead	0.00	0.00	0.00	0.00	0.00
Superintendent, Public Works Operations (9)	0.20	0.20	0.20	0.00	(0.20)
Supervisor, Public Works	1.00	1.00	1.00	1.00	0.00
Supervisor, Water Quality Control Operations (5), (6)	5.00	5.00	5.00	3.00	(2.00)
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	0.00	0.00	0.00	0.00	0.00
Traffic Control Maintenance I	0.06	0.06	0.06	0.06	0.00
Truck Driver	0.00	0.00	0.00	0.00	0.00
Water Quality Control Plant Operator I	0.00	0.00	0.00	0.00	0.00
Water Quality Control Plant Operator II (6)	16.00	16.00	16.00	17.00	1.00
Water Quality Control Plant Operator Trainee	0.00	0.00	0.00	0.00	0.00
Watershed Protection Mgr (11)	0.00	0.00	0.00	1.00	1.00
TOTAL PUBLIC WORKS - ENTERPRISE	114.63	115.01	115.01	114.51	(0.50)

Utilities Department

Administration, Electric, Gas, Wastewater Collection and Water

Account Representative (3)	3.00	3.00	3.00	4.00	1.00
Accountant	0.75	0.75	0.75	0.75	0.00
Accounting Specialist	2.50	2.50	2.50	2.50	0.00
Administrative Assistant	1.00	1.00	1.00	1.00	0.00
Administrative Associate I	2.00	2.00	2.00	2.00	0.00
Administrative Associate II	7.00	7.00	7.00	7.00	0.00
Assistant Power Engineer	0.00	0.00	0.00	0.00	0.00
Assistant Resource Planner	0.00	0.00	0.00	0.00	0.00
Associate Power Engineer	0.00	0.00	0.00	0.00	0.00
Associate Resource Planner	1.00	0.00	0.00	0.00	0.00
Assistant Director, Administrative Services (4)	0.00	0.00	0.00	0.10	0.10

Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Assistant Director Customer Support Services	1.00	1.00	1.00	1.00	0.00
Assistant Director Utilities/Admin Svc	0.00	0.00	0.00	0.00	0.00
Assistant Director Utilities/Engineering	1.00	1.00	1.00	1.00	0.00
Assistant Director Utilities/Operations	1.00	1.00	1.00	1.00	0.00
Assistant Director Utilities/Res Mgmt	1.00	1.00	1.00	1.00	0.00
Assistant to City Manager	0.00	0.35	0.35	0.35	0.00
Business Analyst (13), (14)	2.87	2.87	2.87	4.87	2.00
Cathodic Technician	1.00	1.00	1.00	1.00	0.00
Cathodic Protection Technician/Assistant	1.00	1.00	1.00	1.00	0.00
Cement Finisher	1.00	1.00	1.00	1.00	0.00
Chief Electric Underground Inspector	0.00	0.00	0.00	0.00	0.00
Chief Inspector Water, Gas, Wastewater	0.00	0.00	0.00	0.00	0.00
Communications Manager	0.00	1.00	1.00	1.00	0.00
Contracts Administrator	1.00	1.00	1.00	1.00	0.00
Coordinator, Utility Safety & Security	1.00	1.00	1.00	1.00	0.00
Coordinator, Utility Projects (13)	4.00	4.00	5.00	4.00	(1.00)
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	2.00	2.00	2.00	2.00	0.00
Deputy Director, Administrative Services (4)	0.20	0.20	0.20	0.00	(0.20)
Deputy Fire Chief/Fire Marshal	0.08	0.08	0.08	0.08	0.00
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	1.00	2.00	2.00	2.00	0.00
Electric Underground Inspector	2.00	2.00	2.00	2.00	0.00
Electric Underground Inspector Lead	1.00	1.00	1.00	1.00	0.00
Electrical Assistant I	5.00	5.00	5.00	5.00	0.00
Electrician	14.00	14.00	14.00	14.00	0.00
Electrician - Apprentice	0.00	0.00	0.00	0.00	0.00
Electrician - Lead	6.00	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 Mgr, Water, Gas, Wastewater	1.00	1.00	1.00	1.00	0.00
Engineering Technician III	3.00	3.00	3.00	3.00	0.00
Equipment Operator	1.00	1.00	1.00	1.00	0.00

Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Equipment Operator - Lead	0.00	0.00	0.00	0.00	0.00
Field Service Person Water, Gas, Wastewater	0.00	0.00	0.00	0.00	0.00
Gas System Technician	1.00	2.00	2.00	2.00	0.00
Gas System Technician II	1.00	1.00	1.00	1.00	0.00
Hazardous Materials Inspector	0.06	0.06	0.06	0.06	0.00
Hazardous Materials Specialist	0.03	0.00	0.00	0.00	0.00
Heavy Equipment Operator	10.00	9.00	9.00	9.00	0.00
Inspector, Field Services	4.00	4.00	4.00	4.00	0.00
Lineperson/Cable Splicer	11.00	11.00	11.00	11.00	0.00
Lineperson/Cable Splicer - Apprentice	0.00	0.00	0.00	0.00	0.00
Lineperson/Cable Splicer - Lead	4.00	4.00	4.00	4.00	0.00
Lineperson/Cable Splicer - Lead Trainee	0.00	0.00	0.00	0.00	0.00
Lineperson/Cable Splicer - Trainee	0.00	0.00	0.00	0.00	0.00
Maintenance Mechanic (12)	1.00	1.00	1.00	0.00	(1.00)
Maintenance Mechanic - Welding (12)	1.00	1.00	1.00	2.00	1.00
Manager Utilities Telecommunication	1.00	1.00	1.00	1.00	0.00
Manager, Electric Operations	1.00	1.00	1.00	1.00	0.00
Manager, Energy Risk (1)	1.00	1.00	1.00	0.00	(1.00)
Manager, Field and Customer Service	0.00	0.00	0.00	0.00	0.00
Mgr, Customer Svc and Meter Reading	1.00	1.00	1.00	1.00	0.00
Manager, Utilities Marketing Services	1.00	1.00	1.00	1.00	0.00
Mgr, Util Operations Water, Gas, Wastewater	1.00	1.00	1.00	1.00	0.00
Manager, Utilities Rates	0.00	0.00	0.00	0.00	0.00
Marketing Engineer	1.00	1.00	1.00	1.00	0.00
Meter Reader	6.00	6.00	6.00	6.00	0.00
Meter Reader - Lead	1.00	1.00	1.00	1.00	0.00
Meter Shops Lead	1.00	0.00	0.00	0.00	0.00
Offset Equipment Operator	0.00	0.48	0.48	0.48	0.00
Planner	0.00	0.30	0.30	0.30	0.00
Power Engineer	2.00	3.00	3.00	3.00	0.00
Program Assistant I	3.00	3.00	3.00	3.00	0.00
Project Engineer	6.00	5.00	5.00	5.00	0.00
Project Manager	0.75	0.75	0.75	0.75	0.00
Resource Planner	4.00	5.00	5.00	5.00	0.00
Restoration Lead	1.00	1.00	1.00	1.00	0.00

Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Senior Accountant	0.75	0.75	0.75	0.75	0.00
Senior Business Analyst	1.00	2.00	2.00	2.00	0.00
Senior Deputy City Attorney	0.00	1.00	1.00	1.00	0.00
Senior Electrical Engineer	4.00	4.00	4.00	4.00	0.00
Senior Financial Analyst (1)	0.60	1.10	1.10	1.60	0.50
Senior Instrument Electrician	0.00	0.00	0.00	0.00	0.00
Senior Management Analyst	1.00	1.00	1.00	1.00	0.00
Senior Market Analyst	1.00	1.00	1.00	1.00	0.00
Senior Mechanic	1.00	1.00	1.00	1.00	0.00
Senior Performance Auditor	0.00	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	0.00	0.00	0.00	0.00
Senior Resource Planner	6.00	7.00	7.00	7.00	0.00
Senior Technologist	0.87	0.87	0.87	0.87	0.00
Senior Utilities Field Services Representative	1.00	1.00	1.00	1.00	0.00
Senior Utility System Technician	0.00	0.00	0.00	0.00	0.00
Senior Water System Operator	2.00	2.00	2.00	2.00	0.00
Storekeeper	2.00	2.00	2.00	2.00	0.00
Supervising Electric Operations & Programs	0.00	0.00	0.00	0.00	0.00
Supervising Electric Project Engineer	2.00	1.00	1.00	1.00	0.00
Supervising Project Engineer	0.00	1.00	1.00	1.00	0.00
Supervisor, Utility Construction Inspector	0.00	0.00	0.00	0.00	0.00
Supervisor, Util Meter Readers & Field Service	0.00	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
System Operator Scheduler	0.00	0.00	0.00	0.00	0.00
Technologist	0.00	0.00	0.00	0.00	0.00
Tree Maintenance Specialist	1.00	1.00	1.00	1.00	0.00
Utilities Accounting Technician	0.00	0.00	0.00	0.00	0.00
Utilities Compliance Manager	0.00	1.00	1.00	1.00	0.00
Utilities Credit/Collection Specialist	1.00	1.00	1.00	1.00	0.00
Utilities Engineer Estimator (14)	5.00	5.00	5.00	4.00	(1.00)
Utilities Engineer Estimator - Lead	1.00	0.00	0.00	0.00	0.00
Utilities Field Service Representative	5.00	5.00	5.00	5.00	0.00
Utilities Installer/Repairer	11.00	13.00	12.00	12.00	0.00

Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Utilities Installer/Repairer Assistant	1.00	1.00	1.00	1.00	0.00
Utilities Installer/Repairer - Welding	3.00	3.00	3.00	3.00	0.00
Utilities Installer/Repairer - Lead	5.00	5.00	5.00	5.00	0.00
Utilities Installer/Repairer - Lead Welding	2.00	2.00	2.00	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	0.00	0.00	0.00	0.00	0.00
Utilities Supervisor	5.00	5.00	5.00	5.00	0.00
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 Technician - Lead	1.00	1.00	1.00	1.00	0.00
Utility Market Analyst	0.00	0.00	0.00	0.00	0.00
Utility System Technician	0.00	0.00	0.00	0.00	0.00
Warehouse Supervisor	0.00	0.50	0.50	0.50	0.00
Water Meter/Cross Connection Technician	2.00	3.00	3.00	3.00	0.00
Water Meter Representative Assistant	0.00	0.00	0.00	0.00	0.00
Water Meter Repairer	0.00	0.00	0.00	0.00	0.00
Water System Operator I	0.00	0.00	0.00	0.00	0.00
Water System Operator II	4.00	4.00	4.00	4.00	0.00
TOTAL UTILITIES	241.61	250.71	250.71	251.11	0.40
TOTAL ENTERPRISE FUNDS POSITIONS	356.24	365.72	365.72	365.62	(0.10)

- 1 Drop 1.0 FTE Manager, Energy Risk and add 0.50 FTE Senior Financial Analyst
- 2 Add 1.0 FTE Assistant Director, Environmental Services
- 3 Add 1.0 FTE Account Representative
- 4 Reclass 0.20 FTE Deputy Director, ASD to Assistant Director, ASD; reallocate 0.10 FTE to General Fund
- 5 Reclass 1.0 FTE Supervisor WCQ Operations to Assistant Plant Manager
- 6 Reallocate 1.0 FTE Supervisor WQC Operations to Operator II, WQC
- 7 Reclass 1.0 FTE Business Analyst to Senior Technologist
- 8 Reclass 2.0 FTE Executive Assistant to Management Analyst, PW
- 9 Eliminate 0.2 FTE Supervisor PW Operations due to department reorganization
- 10 Reclass 1.0 FTE Landfill Technician to Coordinator, PW Projects
- 11 Reclass 1.0 FTE Manager, Environmental Compliance to Watershed Protection Mgr
- 12 Reclass 1.0 FTE Maintenance Mechanic to Maintenance Mechanic, Welding

Table of Organization

		FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
13	Reclass 1.0 FTE Coordinator Utility Projects to Business Analyst					
14	Reclass 1.0 FTE Utility Engineering Estimator to Business Analyst					
15	Reallocate 0.50 FTE Senior Engineer to Other Funds					
16	Reallocate 0.8 FTE Management Analyst to General Fund (0.55 FTE) and Other Funds (0.25 FTE)					

OTHER FUNDS

Printing and Mailing Services

Buyer	0.05	0.05	0.05	0.05	0.00
Mailing Services Specialist	1.00	0.00	0.00	0.00	0.00
Offset Equipment Operator	1.00	1.52	1.52	1.52	0.00
Offset Equipment Operator - Lead	1.00	0.00	0.00	0.00	0.00
Supervisor Reproduction and Mailing	1.00	0.00	0.00	0.00	0.00
TOTAL PRINTING AND MAILING SERVICES	4.05	1.57	1.57	1.57	0.00

Technology

Administrative Assistant (1)	0.07	0.07	0.07	1.07	1.00
Administrative Associate II (1)	1.00	1.00	1.00	0.00	(1.00)
Administrative Associate III	0.04	0.00	0.00	0.00	0.00
Assistant Director, Administrative Services	0.40	0.40	0.40	0.40	0.00
Business Analyst	0.90	1.00	1.00	1.00	0.00
Dir of Information Technology/Chief Info 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	0.35	0.35	0.35	0.35	0.00
Management Analyst	0.00	0.50	0.50	0.50	0.00
Manager, Information Technology	3.00	3.00	3.00	3.00	0.00
Senior Business Analyst	1.80	2.00	2.00	2.00	0.00
Senior Technologist	13.00	13.00	13.00	13.00	0.00
Senior Financial Analyst	0.09	0.09	0.09	0.09	0.00
Technologist	4.00	3.00	3.00	3.00	0.00
TOTAL TECHNOLOGY	30.65	30.41	30.41	30.41	0.00

Equipment Management

Administrative Associate III	1.00	1.00	1.00	1.00	0.00
Assistant Fleet Manager	1.00	1.00	1.00	1.00	0.00

Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
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 I	0.00	0.00	0.00	0.00	0.00
Motor Equipment Mechanic II	7.00	7.00	7.00	7.00	0.00
Motor Equipment Mechanic - Lead	0.00	0.00	0.00	0.00	0.00
Project Engineer	0.00	0.00	0.00	0.00	0.00
Senior Engineer	0.00	0.00	0.00	0.00	0.00
Senior Financial Analyst	0.08	0.08	0.08	0.08	0.00
Senior Fleet Services Coordinator	1.00	1.00	1.00	1.00	0.00
TOTAL EQUIPMENT MANAGEMENT	16.08	16.08	16.08	16.08	0.00
Special Revenue					
Accounting Specialist	0.00	0.50	0.50	0.50	0.00
Administrative Associate II	0.20	0.20	0.20	0.20	0.00
CDBG Coordinator	0.00	0.00	0.00	0.00	0.00
Community Service Officer Planner	0.00 0.95	0.00 0.95	0.50 0.95	0.50 0.95	0.00 0.00
TOTAL SPECIAL REVENUE	1.15	1.65	2.15	2.15	0.00
Capital					
Administrative Associate I	1.80	0.80	0.80	0.80	0.00
Administrative Associate III	1.00	1.00	1.00	1.00	0.00
Assistant Director, Public Works	0.15	0.15	0.15	0.15	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
Contracts Administrator	0.00	0.60	0.60	0.60	0.00
Engineer	2.70	2.70	2.70	2.70	0.00
Engineering Technician III	2.30	2.30	2.30	2.30	0.00
Heavy Equipment Operator	0.20	0.20	0.20	0.20	0.00
Management Analyst (5)	1.00	1.00	1.00	1.25	0.25
Manager, Facilities Maintenance (4)	0.20	0.20	0.20	0.00	(0.20)

Table of Organization

	FY 2010 Actuals	FY 2011 Adopted Budget	FY 2011 Adjusted Budget	FY 2012 Adopted Budget	FY 2012 Budget Change
Manager, Maintenance Operations (6)	0.50	0.50	0.50	0.90	0.40
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	3.80	3.80	3.80	3.80	0.00
Project Manager	1.50	0.50	0.50	0.50	0.00
Senior Engineer (2)	2.25	2.05	2.05	2.55	0.50
Senior Financial Analyst	0.00	0.60	0.60	0.60	0.00
Superintendent, Public Works Operations (4)	0.20	0.20	0.20	0.00	(0.20)
Supervisor, Facilities Management (3), (6)	0.05	0.05	0.05	0.00	(0.05)
Supervisor, Inspection/Surv Public Works	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	24.67	23.67	23.67	24.37	0.70
TOTAL OTHER FUNDS POSITIONS	76.60	73.38	73.88	74.58	0.70
1	Reclass 1.0 FTE Administrative Associate II to Administrative Assistant				
2	Reallocate 0.50 FTE Senior Engineer from Public Works-Enterprise Funds				
3	Reallocate 0.35 FTE Supervisor Facilities Management from General Fund				
4	Eliminate position due to department reorganization				
5	Reallocate 0.25 FTE Management Analyst from Enterprise Funds - Public Works				
6	Reclass 0.4 FTE Supervisor Facilities Management to Manager Maintenance Operations				
TOTAL CITYWIDE POSITIONS	1,055.35	1,018.60	1,018.60	1,016.60	(2.00)

Authorization is given to create no more than 20.0 FTE temporary overstrength positions. Overstrength positions are justified by business needs and provide a vacancy to allow for cross training of a critical classification. These interim positions facilitate organizational transitions and succession planning in the cases of long-term disability, retirement, and critical vacancies. The overstrength positions also accommodate newly approved provisional employment programs. Refer to City Council Staff Report ID #1812 for additional information.

MISCELLANEOUS

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Palo Alto: The City

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 65,400 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.



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 95 percent of PAUSD students enter college and the drop-out rate is approximately 1 percent. 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.

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Reserve Policies

AS REVISED BY CITY COUNCIL ON JUNE 9, 2008

GENERAL FUND RESERVE POLICY

One of the key components of a financially stable organization is the adherence to a policy of maintaining an appropriate level of reserves. The Government Finance Officer's Association (GFOA) recommends, at a minimum, that general purpose governments, regardless of size, maintain reserves (unrestricted fund balance) in their General Fund of no less than two months of operating revenues or expenditures, or a minimum of approximately 15 percent of General Fund operating expenditures. The GFOA further recommends 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. Since reserves are used to mitigate risk, during these uncertain economic times, it is crucial that the City continue its practice of adhering to this GFOA guidance. This will provide the City with resources to cope with unforeseen expenditures, unanticipated events, or revenue shortfalls and can be utilized to help protect the budget against known risks (additional state takeaways) or unknown risks (a major natural disaster).

BUDGET STABILIZATION RESERVE (BSR)

The City's BSR is maintained in the range of 15 to 20 percent of General Fund operating expenditures, with a target of 18.5 percent. Any reserve level below 15 percent requires City Council approval. At the discretion of the City Manager, a reserve balance above 18.5 percent may be transferred to the Infrastructure Reserve within the Capital Fund. The purpose of the General Fund Budget Stabilization Reserve (BSR) is to fund unbudgeted, unanticipated one-time costs. The BSR is not meant to fund ongoing, recurring General Fund operating expenditures. The City's intent is to fund ongoing programs and services with ongoing dollars.

BSR History: The City has held a long-standing practice of maintaining a BSR of no less than 15 percent of General Fund operating expenses, as depicted below:

General Fund BSR Summary

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Ending BSR Balance	22,731	27,480	26,102	24,747	27,396	26,467	27,057
% of Total Expenses	17.70%	20.80%	17.50%	17.10%	18.10%	19.00%	18.50%

Over the years, the City's BSR has served as a repository for unspent operating funds at year-end, as well to fund one-time unexpected needs that arise outside of the regular budget planning process. Prudent financial management practices dictate that the BSR not be used to fund or to solve on-going, recurring financial needs. The City has adhered to this practice and has not used the BSR to provide ongoing budget stabilization during this period of economic downturns.

Credit Rating Agencies: Credit rating agencies consider General Fund reserves as a critical component of strong municipal management. According to Moody's Investors Service, reserves are an important factor in the analysis of a municipality's fiscal health and a municipality's fiscal policies should include a plan for maintaining reserves. Rating agencies view reserves favorably, thus improving a municipality's rating and its chances for receiving low cost funding for important projects. The City is proud to report that both Moody's and Standard

and Poor's (S&P) awarded their highest credit ratings, Triple A, to the City's General Obligation Bonds for library and community center capital improvements in 2010. This rating has been awarded to only a few cities in California. Such a rating helped the City obtain low cost construction funding for these important capital projects. These ratings demonstrate that Palo Alto's prudent financial management and fiscal strength are viewed most favorably by the credit agencies.

CAPITAL FUND RESERVE POLICY

INFRASTRUCTURE RESERVE (IR)

The Infrastructure Reserve (IR) provides a mechanism for financing the City's infrastructure maintenance and rehabilitation requirements. It was originally created as a means 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 decided that the IR would act in perpetuity as the source of funding for General Fund infrastructure rehabilitation requirements.

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 IR was established, to prioritize the care and maintenance of existing infrastructure over the acquisition of new infrastructure.

The primary purpose of the IR is to fund the projects identified in the original Infrastructure Management Plan (IMP), or any other project not identified in the plan but which is 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.

Unspent monies from General Fund capital projects are 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 of Palo Alto Population	City of Palo Alto Unemployment Rate (%)	City of Palo Alto School Population	Santa Clara County Population	City Population % of County	Santa Clara Total County (\$000) Personal Income
2002	60,500	3.7%	9,952	1,719,565	3.52%	77,548,912
2003	60,465	4.1%	10,151	1,729,917	3.50%	77,680,349
2004	60,246	3.2%	10,341	1,731,422	3.48%	82,638,917
2005	61,674	2.8%	10,527	1,759,585	3.51%	86,400,000 *
2006	62,148	2.5%	10,607	1,773,258	3.50%	91,600,000 *
2007	62,615	2.6%	11,056	1,808,056	3.46%	96,900,000 *
2008	63,367	3.5%	11,329	1,837,075	3.45%	107,900,000 *
2009	64,484	6.5%	11,329	1,857,621	3.47%	109,700,000 *
2010	65,408	6.2%	11,565	1,880,876	3.48%	99,600,000 *
2011	Not available at this time					

SOURCES:

California State Department of Finance

State Employment Development Office

Palo Alto Unified School District

*California State Department of Transportation Forecasts

Budget Amendment Ordinance

ORDINANCE NO. 5121

ORDINANCE OF THE COUNCIL OF THE CITY OF PALO ALTO
ADOPTING THE BUDGET FOR FISCAL YEAR 2012

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 2011; and

B. Pursuant to the provisions of Section 12 of Article III of the Charter, the Council did, on June 13 and 20, 2011, hold public hearings 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 13 and 20, 2011, 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 Fiscal Year 2012:

- (a) The budget document (Exhibit "A") containing the proposed operating and capital budgets submitted on May 2, 2011, by the City Manager for Fiscal Year 2012, entitled "City of Palo Alto - City Manager's Fiscal Year 2012 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 Fiscal Year 2012 Proposed Budget, attached hereto as Exhibit "B," and made a part hereof; and

Budget Amendment Ordinance

- (c) Changes and revised pages in the Table of Organization, attached hereto as Exhibit "C," and made a part hereof; and
- (d) Revised pages of the Municipal Fee Schedule attached hereto as Exhibit "D"; 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 Year 2011 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 2011 shall be carried forward and added to the fund or department appropriations for Fiscal Year 2012.

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 Fiscal Year 2011 appropriations carried forward as provided in Section 5.

SECTION 7. 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 8. 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 Fiscal Year 2012.

SECTION 9. The Council of the City of Palo Alto adopts the changes to the Municipal Fee Schedule as set forth in Exhibit "D". The amount of the new or increased fees and charges is no more than necessary to cover the reasonable costs of the governmental activity, and the manner in which those costs are allocated to a payer bears a fair and reasonable relationship to the payer's burden on, or benefits received from, the governmental activity. All new and increased fees shall go into effect immediately; provided that pursuant to Government Code Section 66017, all Planning Department fees relating to a "development project" as defined in Government

Budget Amendment Ordinance

Code Section 66000 shall become effective sixty (60) days from the date of adoption.

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. Except as specified in Section 9, as provided in Section 2.04.330 (a)(3) of the Palo Alto Municipal Code, this ordinance shall become effective upon adoption.

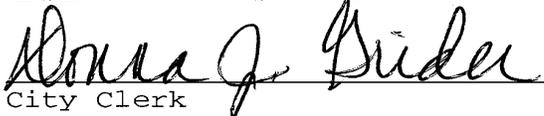
INTRODUCED AND PASSED: June 20, 2011

AYES: BURT, ESPINOSA, HOLMAN, PRICE, SCHARFF, SCHMID, YEH

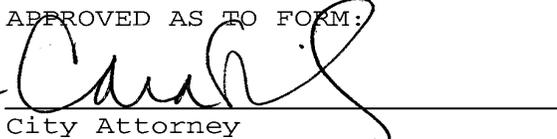
NOES:

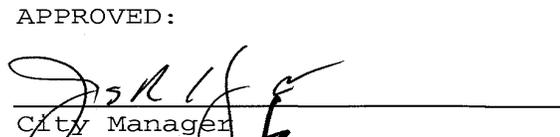
ABSTENTIONS: KLEIN

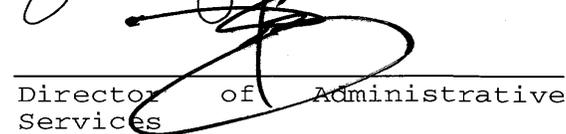
ABSENT: SHEPHERD


City Clerk


Mayor

APPROVED AS TO FORM:

For City Attorney

APPROVED:

City Manager


Director of Administrative Services

**APPROPRIATIONS LIMITATION COMPLIANCE CALCULATION
FOR FY 2012 ADOPTED BUDGET
(\$ IN MILLIONS)**

	Combined Funds	General Fund	Capital Projects	Debt Service	Special Revenue
Total Budgeted Appropriations					
FY 2012 Adopted Budget (\$ millions)	150.41	118.56	11.83	4.48	15.55
Less: Debt Service Transactions	4.48				
Capital Outlay	11.83		11.83		
Non-Proceeds of Taxes	45.10	42.35			2.75
Net Appropriations Subject to Limit	\$89.00	\$76.21	\$0.00	\$4.48	\$12.80
FY 2012 Appropriations Limit	119.00				
Under Limit By	30.00				
Computation of Appropriation Limit:					
FY 2011 Appropriations Limit:	\$115,057,884				
FY 2012 Santa Clara County Population Change (estimated)	0.89%				
2009-10 Per Capita Income Change (estimated)	2.51%				
(1.0089) x (1.0251) x \$115057884 =	\$118,995,555				



The City of Palo Alto remains well within its appropriations limit in FY 2012. 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.

Historical Appropriations					
	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
Appropriations Subject to the Limit	73.30	78.64	72.00	78.94	89.00
Appropriations Limit	106.68	113.17	116.38	115.06	119.00
Under Limit By	33.38	34.53	44.38	36.12	30.00
Projected Appropriations					
	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Estimated Appropriations Subject to Limit	96.12	103.81	112.11	121.08	130.77
Estimated Appropriations Limit	126.24	133.91	142.05	150.69	159.85
Under Limit By	30.12	30.10	29.94	29.61	29.08

RESOLUTION NO. 9175

RESOLUTION OF THE COUNCIL OF THE CITY OF PALO ALTO DETERMINING THE CALCULATION OF THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2012

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 1991, 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 2012, which was adopted by ordinance of the Council on June 20, 2011; 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 2.51% percent change in California per capita income and a .89% percent change in the population growth for Santa Clara County; 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 \$89 million.

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 2012, 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 \$30 million.

SECTION 2. The Council hereby adopts the final calculation of the Appropriations Limit of the City for fiscal year 2012, 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 20, 2011

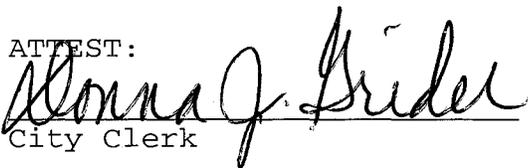
AYES: BURT, ESPINOSA, HOLMAN, PRICE, SCHARFF, SCHMID, YEH

NOES:

ABSENT: KLEIN, SHEPHERD

ABSTENTIONS:

ATTEST:



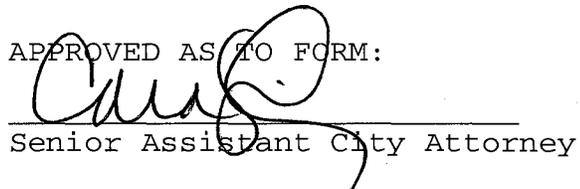
City Clerk

APPROVED:

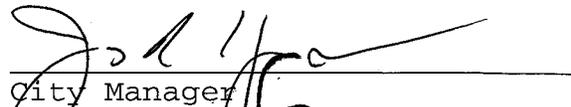


Mayor

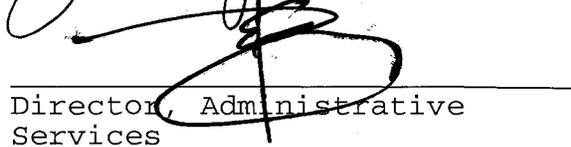
APPROVED AS TO FORM:



Senior Assistant City Attorney



City Manager



Director, Administrative Services

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: Included in the budget document in place of 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.

Budget Stabilization Reserve: The portion of the fund balance to be used as a supplement to the regular budget when unexpected events that reduce revenue or create obligations that significantly impact the current-year budget occur. Examples include events such as state government action, a downturn in the economy or natural disaster that.

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 that 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.

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.

Glossary

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 which focuses on 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 for both timeline and cost.

Internal Service Funds: These funds provide services to City departments and recover their costs through user charges. For example 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.

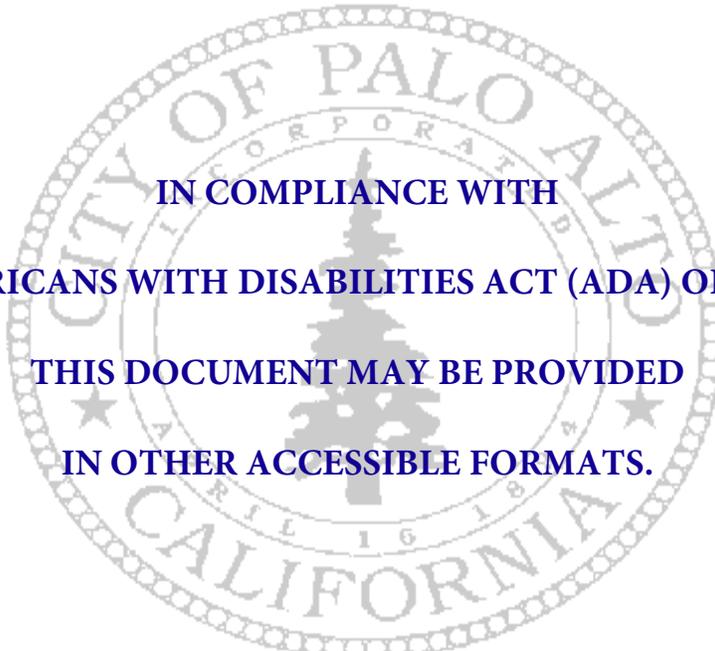
Reimbursements: Interfund transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it but that properly apply to another fund. For example, the Enterprise Funds reimburse the Technology Fund for CIP projects from which the Enterprise Funds benefit.

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).

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**