

CITY OF PALO ALTO

2002-03

City Council

Victor Ojakian, *Mayor*
Dena Mossar, *Vice Mayor*

Bern Beecham Jim Burch
Hillary Freeman Yoriko Kishimoto
Judy Kleinberg Nancy Lytle
Jack Morton



Frank Benest
City Manager

Emily Harrison
Assistant City Manager

Carl Yeats
Director of Administrative Services

Lalo Perez
Assistant Director of Administrative Services

Jim Burch
Finance Committee Chair

Judy Kleinberg
Policy and Services Committee Chair



*The government of
the City of Palo Alto
exists to promote and sustain
a superior quality of life
in Palo Alto.
In partnership
with the community,
our goal is to deliver
cost-effective services
in a personal, responsive,
and innovative manner.*

The City of Palo Alto's Values:

Quality - Superior delivery of service.

Courtesy - Providing service with respect and concern.

Efficiency - Productive, effective use of resources.

Integrity - Straight-forward, honest and fair relations.

It's a Matter of Pride!

CITY OF PALO ALTO

2002-03

Budget Acknowledgements

Department Budget Coordinators

Administrative Services Department

Nancy Nagel

City Attorney's Office

Stacy Lavelle

City Auditor's Office

Patricia Hilaire

City Clerk's Office

Mary Jo Bucchino

City Manager's Office

P.A. Moore

Community Services Department

Richard James

Fire Department

Dan Firth

Human Resources Department

Sandra Blanch

Planning and Community Environment Department

Heather Shupe

Police Department

Leslie Jennings

Public Works

Judy Hejza

Utilities Department

Rosemary Ralston

Budget Document Producers

Budget Staff

Charles Perl, Manager

Mary Divinski

Amy Javelosa-Rio

Stephen Lien

Cherie McFadden

Steve Montano



Technical Advisor

Myrna McCaleb, Business Analyst

Quan Nguyen, Desktop Technician



Special Contributors

Joe Saccio

Sree Kolavennu



Graphic Design

Cherie McFadden



Printing

John Sanchez

Bob Stith

*California Society of
Municipal Finance Officers*

Certificate of Award

Merit in Operational Budgeting 2001-2002

Presented to

City of Palo Alto

This certificate recognizes Meritorious Achievement in Operational Budgeting and reflects a highly professional budget document and the underlying budgeting process through which the budget is implemented.

February 21, 2002



Joan Michaels
Chair, Budgeting & Financial Management
Walter D. D'Amico
Vice-Chair, Budgeting & Financial Management

Dedicated to Excellence in Municipal Financial Management

*California Society of
Municipal Finance Officers*

Certificate of Award

Merit in Innovative Budgeting 2001-2002

Presented to

City of Palo Alto

This certificate recognizes meritorious achievement in Innovative Budgeting and reflects a highly professional budget document and the underlying budgeting process through which the budget is implemented.

February 21, 2002



Joan Michaels
Chair, Budgeting & Financial Management
Walter D. D'Amico
Vice-Chair, Budgeting & Financial Management

Dedicated to Excellence in Municipal Financial Management

*California Society of
Municipal Finance Officers*

Certificate of Award

Excellence in Public Communication Budgeting 2001-2002

Presented to

City of Palo Alto

This certificate recognizes the achievement of Excellence in Public Communication Budgeting and reflects an outstanding budget document and the underlying budgeting process through which the budget is implemented.

February 21, 2002



Jan Michaels
Chair, Budgeting & Financial Management
W. Paul DeRubeis
Vice-Chair, Budgeting & Financial Management

Dedicated to Excellence in Municipal Financial Management

*California Society of
Municipal Finance Officers*

Certificate of Award

Excellence in Public Communication Budgeting 2001-2002

Presented to

City of Palo Alto

This certificate recognizes the achievement of Excellence in Public Communication Budgeting and reflects an outstanding budget document and the underlying budgeting process through which the budget is implemented.

February 21, 2002



Jan Michaels
Chair, Budgeting & Financial Management
W. Paul DeRubeis
Vice-Chair, Budgeting & Financial Management

Dedicated to Excellence in Municipal Financial Management

GFOA Award



Transmittal Letter

May 7, 2002

Honorable City Council**Palo Alto, California**Attention:
Finance Committee**Dear Mayor and Council Members:**

Our City staff team is pleased to submit our budget proposal for the fiscal year 2002-03. This budget includes the original spending plan, adopted in-concept a year ago, as well as necessary amendments due to the present economic downturn.

Late in the developmental stage of the 2001-03 Adopted Budget, it became clear that local economic conditions were beginning to slow from the previous record-setting pace. Revenues, as included in the budget, were conservatively estimated based upon a slowing growth assumption utilizing actual data from the January to March 2001 period. Departments were kept to a strict standard of keeping expenditure budget within the consumer price index (CPI) level of growth. After budget adoption on June 11, 2001, however, economic conditions continued to worsen and deteriorated further as a result of the September 11, 2001 terrorist attacks.

The following is a summary of some recent changes in local economic conditions:

- The local unemployment rate has increased from 2.2 to 7.4 percent over the past year (through March, 2002)
- Consumer spending has decreased, resulting in sales tax revenue declines of 25 percent during the September to December 2001 period as compared to the same period in the previous year
- There has been less business-related travel, reducing local hotel occupancy rates from 75 percent to 56 percent--resulting in a 35 percent or \$2.3 million reduction in transient occupancy tax revenues--during the July to February 2002 period as compared to the same period in the previous year

Budget Overview***Frank Benest***

Strengthening the Bottom Line

- Increasingly pessimistic financial projections from the State of California, currently projecting a 17.5 billion budget deficit in the 2002-03 period, often indicate reductions in local program funding

It was clear 2001-03 adopted budgets would require a significant retooling to meet these new financial challenges. Specifically, the City faced a projected revenue shortfall of \$9.1 million and \$10.0 million in the 2001-02 and 2002-03 fiscal years respectively. The main contributors to the revenue decline were reductions in sales tax, transient occupancy tax and documentary transfer tax receipts.

I began the “strengthening the bottom line” exercise in late September 2001, by forming “Department Action Teams”-including both management and line staff, with each Department head serving as team leader. The Budget division analysts also participated with each group. Teams were given six weeks to review their work-plans, processes and priorities and then propose a department action plan.



Mitchell Park

The following assumptions guided the actions of these teams:

- Review both revenue and expenditure budgets
 - Review staffing requirements
 - Promote ways to maintain and enhance productivity
 - Look within and across departmental lines for opportunities
 - Maintain commitment to current levels of service delivery
 - Maintain commitment to CityWorks infrastructure management plan
- Along with this teamwork, a parallel effort was made to involve all staff in the bottom line process, especially focusing on frontline staff and those closest to customers and the public. This effort included an e-mail link on the City Manager's Intranet website and suggestion boxes distributed citywide to allow all staff the opportunity to submit their suggestions for review. Over one thousand suggestions were submitted and reviewed by staff over the six-week period. These were eventually culled into a short list of immediate (tier 1) and longer-term (tier 2) items.

On November 2, 2001, I implemented an informal hiring freeze for all staff vacancies with the exception of safety personnel and a limited number of positions approved for hire by a special subcommittee of the Executive Staff. The hiring freeze saved an estimated \$1.5 million in salary and benefit costs in 2001-02, therefore, it will continue into 2002-03.

A Balanced Projection for Fiscal 2002-03

This document includes all activities and funds under the jurisdiction of the City of Palo Alto, except capital project costs which have been moved to their own budget volume. Included are the operating budget activities for the General Fund, Enterprise Funds, Internal Service Funds, Special Revenue Funds and Debt Service Funds.

2002-03 proposed General Fund revenues total \$126.2 million, which is a \$5.0 million (4.1 percent) increase from the 2001-02 Adjusted Budget. On the expenditure side, \$125.1 million is proposed, representing a \$4.9 million or 4.1 percent increase over the prior year. It is important to note that the 2001-02 midyear adjustments adopted on March 11, 2002 (CMR:174:02) have been incorporated into the 2001-02 adjusted figures. Budget comparison is made between these adjusted prior-year figures and those of the proposed budget. The in-concept budget was constructed a year ago, and represents the City's original spending plan for fiscal 2002-03.

The projected reserve funding in 2002-03 is \$0.6 million and indicates our continued commitment to maintaining the City's reserve balances and presenting an annual balanced spending plan—even in the midst of an economic downturn. The Budget Stabilization Reserve (BSR) is projected to end fiscal 2002-03 at \$23.3 million or an approximate 19 percent of budgeted expenditures. This is within the 15 to 20 percent BSR reserve policy threshold policy, and a little above the 18.5 percent target level. Therefore, the \$0.7 million excess BSR funds will be transferred to the Infrastructure Reserve (IR) as a portion of the annual \$2.0 million



Lucie Stern

infrastructure funding. The Infrastructure Reserve (IR) is projected to have a balance of \$21.9 million at fiscal 2002-03 yearend, representing a strong position to fund several years of remaining CityWorks capital projects.

Some important revenue elements of the 2002-03 Proposed Budget include:

- \$10.8 million in projected revenues have been removed from the original in-concept plan. Reductions include sales tax (\$5.1 million, 20 percent), transient occupancy tax (\$3.6 million, 34 percent), and documentary transfer tax (\$2.1 million, 45 percent).
- Property tax revenues are projected to increase by \$0.7 million (5%) in 2002-03, reflecting continued resilience in the local real estate market.



Golf Course

- \$8.2 million in additional revenues have been added to the original in-concept plan both from departmental revenues (\$3.2 million) and non-departmental sources (\$5.0 million).
- \$1.0 million in an additional one-time payment of Landfill accrued rent from the Refuse Fund.

The following are some important expenditure elements of the 2002-03 Proposed Budget:

- A citywide increase of 14 positions is proposed for 2002-03, including: three unfunded Public Works positions for the Library Master Plan—subject to the November 2002 voter approval of bond financing for community facilities, 3.5 positions in the Fire Department to staff the new Basic Life Support (BLS) program, and 3 positions in the City's new External Services enterprise fund to staff contract and training services to surrounding communities. All of the proposed positions are self-funded with new revenues or cost-savings.

- \$1.4 million in departmental expense, was removed from the original in-concept spending plan to meet expected revenue reductions. Nine proposed positions and \$0.7 million in non-salary expenses were cut.
- \$1.1 million in salary savings have been removed from the budget due to the current hiring freeze.
- \$1.1 million in one-time reduced costs to the general fund from the Internal Service Fund charge backs. This includes \$0.7 million from the Vehicle Replacement Fund and \$0.4 from the Technology Fund. These funds will draw on their reserve balances to maintain General Fund service levels in 2002-03.

Our City staff is continuing to monitor economic conditions and will, if necessary, modify this proposed 2002-03 spending plan during the midyear

financial review process. As the community and staff define additional infrastructure needs, we will also explore the opportunities to generate the necessary additional funding sources such as the proposed bond financing of community library facilities and business license fees for expanding the Police Services building at City Hall.

Remaining a vital component of City service are the City of Palo Alto Utilities (CPAU) as well as the activities of the Refuse, Storm Drainage, Wastewater Treatment and External Service Funds. These City-owned enterprises continue a commitment to community service dating back more than 100 years providing reliable service along with reasonable rates.

Included in the budget are the following proposed rate changes:

- Gas service rate decrease of 26.7%
- Water service rate increase of 20%
- Sewer rate increase of 25%

The gas service rate reduction is due to a projected decrease in gas commodity costs as well as a funding of reserves through the issuance of capital construction debt in 2001-02. The water rate increase is necessary to prepare for significant Water Fund capital projects over the next two years.

While the commodity supply concerns for the Electric and Gas Funds have subsided in the near-term, significant resources continue to be dedicated towards the legal issues surrounding the PG&E bankruptcy filing.

Enterprise Fund Overview

City Council Top 5 Priorities

2002-03 Budget Implications of the City Council Top 5 Priorities

With City Council direction, department budget sections now include a bullet list of specific programs and/or services that further the Council's top-five priorities. The following is a summary of these services, programs and activities included in the 2002-03 Proposed Budget. Along with these items are estimates of budget dollars dedicated to delivery of the service or the performance of the activity. It should be noted that the City's current financial system limits the reporting capabilities of budget figures to department service delivery functions (i.e. major activities, functional areas, capital projects, etc.). As the budget is structured around specific department missions, staff time and other costs related to the delivery of Council priority-related services are therefore estimated.

Affordable and Attainable Housing



Affordable/Attainable Housing - \$1,555,395

Administrative Services Department (Real Estate division) - \$20,000

- Administration of land acquisition for below-market-rate (BMR) housing
- Review of BMR housing units for resale by the Palo Alto Housing Corporation



Ramona Street

Planning and Community Environment - \$1,412,000

- Affordable housing site request for proposals - select non-profit, acquire sites
- Oak Court - complete regulatory agreements with Palo Alto Housing Corporation
- Buena Vista - work with property owners to develop plan
- Terman Apartment Conversion - identify resources to prevent conversion of affordable housing units to market rates
- Build awareness of affordable housing
- Opportunity Center Housing

Other Department Activities

- City Manager's Office staff time - \$23,000
- City Attorney's Office staff time - \$100,395

CityWorks/Infrastructure - \$18,605,524

Public Works

- Buildings and Facilities - \$7,768,000
 1. \$5,255,000 Operating expenses
 2. \$2,513,000 CIP expenses - including: Lucie Stern Community Theatre Stage floor replacement, roofing replacement, Civic Center infrastructure improvements, Fire station improvements, facility interior finishes replacement, Foothills Park interpretive center mechanical upgrades
- Streets and Sidewalks - \$9,370,000
 1. \$5,064,000 Operating expenses
 2. \$4,306,000 CIP expenses
- Traffic and Transportation - \$171,000
 1. \$15,000 Operating expenses
 2. \$156,000 CIP expenses - Medians, islands, and planters renovation projects

Community Services Department

- Parks and Open Spaces - \$1,164,494
 1. \$708,494 Operating expenses (includes trees)
 2. \$456,000 CIP expenses - including: Park trails, Open Spaces lakes and ponds, Baylands park improvements, park facilities improvements

Other Department Activities:

- City Manager's Office staff time - \$137,000
- City Attorney's Office staff time - \$132,030
 1. Update and streamline contracts process
- Libraries and Other Community Facilities (bond measure)
 1. Bond measure election in November 2002
 2. Complete final design and begin construction on Children's Library
 3. Begin final design for Mitchell Park Library and Community Center

Infrastructure



Bryant Street



- Storm Drainage Improvements - \$60,000 - form Blue Ribbon Committee to develop funding strategy and implementation plan; secure Council approval and conduct property owner election to increase storm drainage fee
- Other major infrastructure projects
 1. Police building - complete EIR and conceptual design, prepare for tax measures
 2. Homer Avenue Undercrossing - complete design and begin construction
 3. Parking Structure - complete lot R and lot S/L construction
 4. Roth Building - select architect; demolish non-historical wings and construct bracing
- Provide leadership and coordination of CityWorks plan by infrastructure team
 1. Quarterly reports to City Council on progress of CityWorks program
 2. Highlight and celebrate achievement of key milestones
 3. Development recognition and incentives for City project managers and private contractors who bring projects in on time and under budget
- Compile data for Module 4 of the Infrastructure Management Plan (IMP), bridges and parking lots
- Incorporate recommendations from the Parks and Recreation Commission study of options to enhance recreation and field space as appropriate

Land-Use Planning - \$5,029,830

Planning and Community Environment - \$4,507,000

- Zoning Ordinance Update
- SOFA II
- South El Camino Real Study
- Hyatt Ricky's EIR and project review
- Supplemental EIR for Stanford Research Park (if pursued by Stanford)
- Housing Element Update

Other Department Activities:

- City Manager's Office staff time - \$23,000
- City Attorney's Office staff time - \$191,830
- Public Works Operational expenditures - \$308,000

Alternative Transportation/Traffic Calming - \$5,156,485

Planning and Community Environment - \$3,441,000

- Bicycle/Pedestrian facilities
 1. Complete California Avenue bicycle and pedestrian undercrossing conceptual plan
 2. Complete bicycle master plan
 3. Implement Embarcadero Bridge bicycle path alongside Caltrain tracks from PAMF to Churchill
 4. Install new traffic signal at Middlefield and Meadow
 5. Implement physical improvements to enhance crosswalk safety at a minimum of six locations per year
 6. Continue implementation of Homer Avenue Undercrossing
- School Commute safety
 1. Complete South Palo Alto School Commute Study
 2. Develop school commute corridors criteria and designations
- Traffic Calming
 1. Implement Lytton intersection improvements (CIP)
 2. Complete Lytton neighborhood traffic calming study
 3. Neighborhood streets traffic calming (spot treatments) - undertake six projects per year
 4. Complete PS&E for downtown north traffic calming trial
 5. Develop measurable goals for Police enforcement
 6. Implement a visible traffic safety campaign
 7. Use traffic calming improvements on Charleston and East Meadow roads as the means of developing a citywide transportation plan
- Transit Facilities and services
 1. Continue development of intermodal transit center
 2. Continue Palo Alto shuttle schedule and route refinements, increase passenger boardings to 150,000 per year

Alternative Transportation and Traffic Calming



SOFA

3. Increase collaboration opportunities and enhance shuttle system through joint action with other agencies

4. Distinctly brand the shuttle operation and move, as soon as possible, to purchase alternative fuel vehicles.

- Travel demand management

1. Enhance and expand City employee commute incentives - increase participants to 225

2. Implement Citywide commute alternative programs - work with a minimum of fifteen major employment sites throughout Palo Alto

Transportation and land use

1. Update/upgrade citywide transportation computer model and develop citywide traffic impact fee nexus study

2. Prepare draft plan for Citywide Transportation Impact fee

Police Department - \$1,662,000

- Continue to promote the safe and orderly flow of pedestrian, bicycle and vehicular traffic
- Participate in community task forces to identify traffic calming measures for collector and neighborhood streets, and school zones
- Maintain a zero accident rate at crossing-guard controlled intersections



Other Department Activities:

- City Manager's Office staff time - \$23,000
- City Attorney's Office staff time - \$30,485

Long Range Finances

Long Range Finances - \$266,272

Administrative Services Department - \$71,000

- Update and presentation of Long Range Financial Plan

Other Activities and Fees:

- Development Impact Fees - Phase II (PC&E, ASD) - \$54,000
 1. Finish transportation model for fee nexus study
 2. Plan for circulation improvement
 3. Complete nexus study

4. Fee recommendations to Finance Committee

- Develop plan for November 2002 Bond Measure (City Manager, ASD) - \$30,000
- Develop financing plan for traffic calming projects
- Aggressively pursue grant funding (City Manager)
- Develop financing plan for new infrastructure (City Manager, ASD) - \$43,000
 1. Business license and TOT proposal to Finance Committee and Council
- City Attorney's Office staff time - \$68,272



SOFA

Overall, the estimated 2002-03 Proposed Budget impact related to Council top priorities is:

1. Affordable Housing \$1,555,395
2. CityWorks (Infrastructure) \$18,802,524
3. Land-Use Planning \$5,029,830
4. Alternative Transportation \$5,156,485
5. Long Range Finances \$266,272

TOTAL: \$30,810,506

While the annual budget review includes a focus on the top City Council priorities, this discussion is somewhat limited in scope to new program or staff funding requests. Approximately \$23 million or 18 percent of the operating budget can be directly tied to the furthering of City Council's top priorities. The remaining 82 percent of the 2002-03 Proposed Budget continues to perform critical functions in the community including public safety, recreation, arts and culture, and human services to name a few. Even with the revenue reductions in 2002-03 due to the economic downturn, staff believes there is adequate funding for accomplishing the City Council's top five priorities in the 2002-03 Proposed Budget.

It is my pleasure to extend a thank you to the entire City staff involved in preparing the 2002-03 Proposed Budget. Carl Yeats, the Director of

Acknowledgements

Administrative Services, Lalo Perez, Assistant Director of Administrative Services, and Joe Saccio, Deputy Director of Administrative Services have coordinated a wonderful team through an especially challenging task. Special acknowledgement goes to the Budget Team and their countless hours of analysis and creative thought. They include Charles Perl, Budget Manager, and his staff: Mary Divinski, Amy Javelosa-Rio, Stephen Lien, Cherie McFadden and Steve Montano.

A handwritten signature in black ink that reads "Frank Benest". The signature is written in a cursive, flowing style.

Frank Benest
City Manager

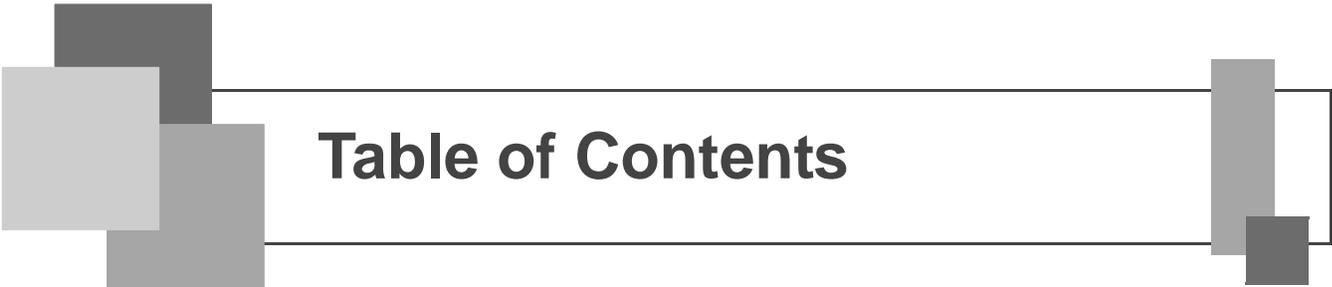


Table of Contents

Table of Contents

Item Description	Page Number
Transmittal Letter	
Transmittal Letter	i
Table of Contents	
Table of Contents	xv
Document Overview	
City of Palo Alto Organizational Chart	21
Using the Mission Driven Budget Document	22
GENERAL FUND	
General Fund Revenues	33
General Fund Expenditures	37
General Fund Summary	43
General Fund Reserves	45
General Fund Revenues by Type	46
General Fund Expenditures by Type	47
General Fund Long Range Financial Plan	48
2002-03 Projected Operating Fund Balances	50
City Attorney	55
City Auditor	61
City Clerk	67
City Council	73
City Manager	79
Administrative Services Department	87
Community Services	97
2002-03 HUMAN SERVICES CONTRACTS	106
Fire	111
Human Resources	119
Planning and Community Environment	127
Police	137
Public Works	147
ENTERPRISE FUNDS	
Enterprise Funds	156

Table of Contents

Item Description	Page Number
2002-03 Enterprise Funds Summary	163
Enterprise Fund Reserves	164
Enterprise Fund Revenues by Fund	166
Enterprise Fund Expenditures by Fund	167
Average Residential Monthly Utility Bill	168
Electric Fund	171
Gas Fund	181
Wastewater Collection Fund	191
Water Fund	199
Refuse Fund	207
Storm Drainage Fund	215
Wastewater Treatment Fund	221
CPA External Services	227
 CROSS DEPARTMENTAL PROGRAMS	
Cross-Departmental Programs	233
Citywide Sustainability Plan	235
Cubberley Community Center	237
Development Center Services	238
Parking Program	240
Special Events	242
Traffic Management and Safety	243
 OTHER FUNDS	
Special Revenue Funds	
Special Revenue Funds	249
2002-03 Special Revenue Funds Summary by Fund	251
Consolidated Special Revenue Funds	253
2002-03 Community Development Block Grant Fund	255
 Debt Service Funds	
Debt Service Funds	259
General Debt Service Fund Summary	260
Special Assessment Debt Service Fund Summary	261

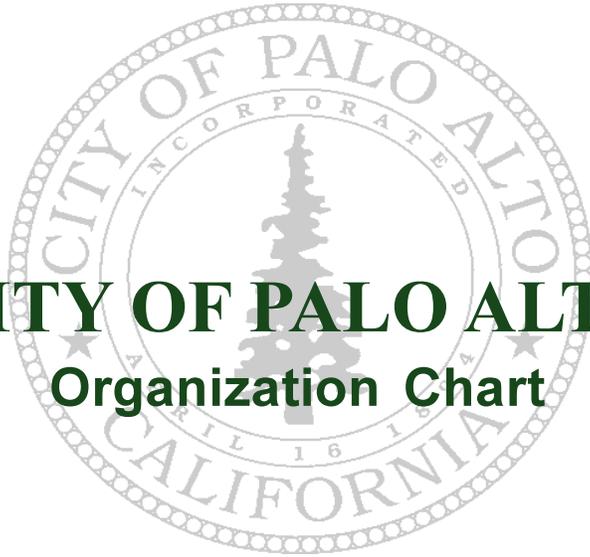
Table of Contents

Item Description	Page Number
Internal Service Funds	
Internal Service Funds . . . . .	.265
2002-03 Internal Service Fund Summary . . . . .	.267
2002-03 Internal Service Funds — Retained Earnings. . . . .	.268
Vehicle Replacement and Maintenance. . . . .	.269
Technology Fund . . . . .	.272
Printing and Mailing Fund. . . . .	.276
Palo Alto Redevelopment Agency. . . . .	.279
Palo Alto Redevelopment Agency Fund Summary. . . . .	.280
 STAFFING	
2002-03 Summary of Position Changes . . . . .	.283
2002-03 Table of Organization . . . . .	.285
 MISCELLANEOUS	
2002-03 Appropriations Limitation . . . . .	.307
Palo Alto: The City . . . . .	.308
Demographic Statistics . . . . .	.309
Americans With Disabilities Act Statement . . . . .	.310

This page is intentionally left blank.



Document Overview



CITY OF PALO ALTO

Organization Chart

Palo Alto Residents

City Council

CITY ATTORNEY

Ariel Pierre Calonne

CITY MANAGER

Frank Benest

CITY AUDITOR

Sharon Winslow Erickson

CITY CLERK

Donna Rogers

Assistant City Manager

Emily Harrison

Community Services Department

Paul Thiltgen, Director

Administrative Services Department

Carl Yeats, Director

Fire Department

Ruben Grijalva, Chief

Human Resources Department

Leslie Loomis, Director

Police Department

Patrick Dwyer, Chief

**Planning and Community
Environment Department**

Steven Emslie, Director

Utilities Department

John Ulrich, Director

Public Works Department

Glenn Roberts, Director

Using the Mission Driven Budget Document

An Overview



The budget is a spending management plan for the City's financial resources. Through the use of these resources, services are provided to meet the needs and desires of Palo Alto's residents and businesses. The budget is also at the heart of the political process, where 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 revenues.

City Council Top Five Priorities

At the start of the City's budget process, the City Council determines its main focus for the following two-year period. Through an open Council dialogue process, along with public input, the priorities guide both budget development and department priority-setting. The public has the opportunity to provide input into the priority-setting process as well as during the budget review by the Finance Committee. The following are the top five City Council priorities for 2002-03:

- Affordable / Attainable Housing
- Alternative Transportation / Traffic Calming
- Steelworks / Infrastructure
- Land-Use Planning
- Long Range Finances

Amendments to the 2002-03 Adopted-in-Concept Budget

This 2002-03 Adopted Budget is for the second year in the City's 2001-03 budget process. It includes the original 2002-03 spending plan adopted in-concept last year, as well as the necessary changes due to the ongoing economic downturn. Specific details on changes to projected revenues and expenditures can be found in overview sections of each fund. This document is to be used in conjunction with the 2001-03 Adopted Budget document, as many of the non-financial items such as performance measures and comprehensive plan integration have not changed. As presented to the Finance Committee on March 5, 2002 (CMR:165:02) the format of the 2002-03 Adopted Budget document focuses on the financial and program-specific changes for City Council discussion and review. This approach expedited the review process and shorten the length of the document itself. The 2003-05 budget document will return to the full-length format.



Using the Mission Driven Budget Document *continued*

Mission Driven Budgeting

Mission Driven Budgeting (MDB) is Palo Alto's unique budgetary process. MDB integrates principles of management-by-objectives, program budgeting, and performance reporting. As its name suggests, MDB emphasizes the allocation of resources, based on agreed-upon missions. MDB focuses on planning and evaluation, accountability, and financial management. In addition, MDB monitors the City's progress in providing services by establishing performance measures called key plans and impact measures. The foundation of MDB is the use of these measures to provide clarity to City employees about the services they provide to the public. With this knowledge, City employees are better able to prioritize the competing needs of the community they serve, and to provide Palo Alto residents these services with greater efficiency. The next phase of MDB will focus on further refinement of impact measures and greater simplification of the information presented in the budget document.

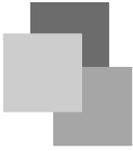
The budget is sent to the City Council, which refers it to the Finance Committee for review. After review, the Finance Committee forwards the Budget to the City Council, along with its recommended amendments, for discussion and adoption. In addition, portions of the budget are reviewed by the Planning Commission, which evaluates capital projects for compliance with the Comprehensive Plan, and by the Utilities Advisory Commission, which reviews the Electric, Gas, Water and Wastewater Collection Fund operating and capital budgets.

Recognition For the 2001-03 Mission Driven Budget

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Palo Alto, for its 2001-03 Adopted Budget document.

The City has also received four awards as part of the California Society of Municipal Financial Officers (CSMFO) 2001-02 municipal budget awards programs, which is designed to recognize those agencies that have prepared a budget document or communication tool meeting its high standards. The awards the City received are as follows:

- Merit Award in Operational Budgeting, 2001-02 Adopted Budget document
- Merit Award in Innovative Budgeting, 2001-02 Budget Management Assistant, the City's online budget information system
- Excellence Award in Public Communications, 2001-02 for Budget Primer document
- Excellence Award in Public Communications, 2001-02 for the 2001-03 Adopted Budget CD-ROM



Using the Mission Driven Budget Document *continued*

Document Organization

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

Funds Local government budgets are made up of funds, which help to organize and account for restricted resources. Each fund is considered a separate accounting entity. Enterprise Funds are set up as self-supporting units similar to a business. They account for the operation and maintenance of facilities and services that are entirely paid 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 is divided into funds, which contain the following three components:

- Fund overview
- Financial summary
- Resource level change summary

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.

Integration of the Comprehensive Plan into the Adopted Budget The Adopted Budget integrates the 1998-2010 Comprehensive Plan (Plan) into the budget process. To accomplish this, Departments used the Comprehensive Plan Implementation Plan as a guide as they developed their operating and capital budgets. The Implementation Plan summarizes all Comprehensive Plan policies and programs, including lead department or fund, timing of the implementation, and general financial implications.

Fund Overview, Comprehensive Plan Overview, and Resource Level Changes

The Fund Overview outlines key areas and issues, such as rate changes and the impact of the Adopted Budget on reserves. The fund summary is shown after the overview. Adopted Resource Level Changes identify new or changed funding levels and any shift in funding in the individual department budgets, as compared to the base budget.

Functional Areas Functional areas are groupings of major activities and represent key components of service provision. An example is the Distribution System in the Water Fund. Major activities and functional areas allow the Council and the public to prioritize services through the examination of activities and their associated costs.

Major Activities Major activities are groupings of services performed under each functional area. In the Human Resources Department, for example, three major activities (Injury/Illness Prevention, Worker's Compensations Program, and Loss Control) are performed under the Risk Management functional area. The performance



Using the Mission Driven Budget Document *continued*

of a major activity supports the mission of a functional area. The 2002-03 Adopted Budget includes the consolidation of major activities into functional areas to allow for a more focused presentation of information. This represents a change from previous years, which affects only budget document presentation and not financial accounting.

Positions Under MDB, employees charge their time to specific major activities. As a consequence, detailed information is presented regarding positions and their effect upon the cost of services. 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. It should be noted that, due to timekeeping system limitations, the FTE total in the “2000-01 Actuals” column reflects the 2000-01 Adopted Budget FTE totals rather than actual time worked. This results in the inability to compare variances between budget and actuals related to FTEs. Some departments experienced a high number of vacancies, which are not reflected in the 2000-01 actual numbers.

Measuring Performance

This 2002-03 Adopted Budget document does not include updates to the performance measures as presented in the 2001-03 Adopted Budget document. These measures will be updated and included in the 2003-05 document.

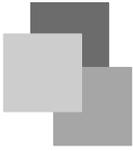
In MDB, “Key Plans” and “Impact Measures” are used to measure the performance of the department. They are tools by which City staff is held accountable for the budget dollars allocated to provide services. Key plans and impact measures allow the public to see what they may expect to receive for their tax dollars.

Key Plans Key plans usually represent major department projects, plans, or priorities. These plans are usually one-time in nature. Key plans are located in the functional area sections in the 2001-03 budget document.

Impact Measures Impact measures are the measurable results to be achieved in each functional area. They are the measures through which the value of services can be assessed by Council and the public.

Understanding the Details

This is the eighth Mission Driven Budget presented to the City Council for adoption. Reflected in this document are actual revenues and expenditures for 2000-01; the 2001-02 Adjusted Budget including the midyear adjustments; the 2002-03 Adopted-



Using the Mission Driven Budget Document *continued*

in-Concept Budget; and the 2002-03 Adopted Budget. The main focus of this discussion along with the dollar amounts in the “2002-03 Budget Change” column, however, compare the 2001-02 Adjusted budget with the 2002-03 Adopted budget. This describes the changes from the prior year's numbers and is the recommended method of showing budgetary change by the Government Accounting Standards Board (GASB). The important point with this measurement is that the 2001-02 midyear budget adjustments (CMR:174:02) are included in the 2001-02 Adjusted budget. Where appropriate, changes from the 2002-03 Adopted-in-Concept budget will be cited along with the relevant prior year comparison.

Revenues Total revenues are displayed for each department and fund. In each department, revenues are shown as a single line item. Revenues include compensation received 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 or the Public Works Department for electric line tree clearing 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 levels. As noted above, the MDB approach to City budgeting combines dollars into and around specific department missions, services and programs. For example, the budget shows funding dedicated to Library Services in the Community Services Department or Construction Review Services in Planning and Community Environment. The “line item” nature of budget review is not the focus with this approach.

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.

Comprehensive Annual Financial Report (CAFR) The CAFR is an annual document the City produces, detailing the independently audited financial statements for the previous fiscal year. The document is typically completed in December following the fiscal close, and is published as a matter of public record for interested citizens. The fiscal 2001-02 CAFR has incorporated the new financial reporting requirements contained in Governmental Accounting Standards Board (GASB) Statement 34. Some of the more significant changes include: the addition of a government-wide reporting statement, addition of a Management Discussion and Analysis (MD&A) section, expansion of budgetary reporting, depreciating all capital



Using the Mission Driven Budget Document *continued*

assets, and an enhanced Notes to Financial Statements section. GASB 34 requirements represent the largest single change in governmental accounting.

Two of the larger GASB 34-related changes reflected within this document include a detailing of administrative expense by department as well as using the prior year adjusted budget comparison instead of the interim year's in-concept plan.

Rates and Reserves

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.

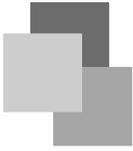
Capital Projects and Special Revenue Funds

Capital Improvement Program. The five-year Capital Improvement Program has been separated into its own volume beginning with the 2002-03 fiscal year. This has been done to not only simplify production and presentation of both the operating and capital budgets, but also to reduce production costs of both documents. With each document catering to a specific audience, separate production runs can better estimate the actual number of hard-copy copies needed.

Special Revenue Funds. Special Revenue Funds account for revenues with certain restrictions on their usage. These funds include gas tax funds from the State, in-lieu housing fees assessed for the City's Below Market Rate housing projects, and transportation mitigation fees paid by developers. Other funds in this category include: assessments for parking lot bond payments, parking permit revenues, and Community Development Block Grants (CDBG) from the Federal Government. Also included are newly established development impact fees related to libraries, parks and community centers.

Cross-Departmental Programs

Cross-Departmental Programs (CDP) are activities or projects in which multiple departments participate. This section of the document shows the departments involved, mission statements, and key plans that support each Cross-Departmental



Using the Mission Driven Budget Document *continued*

Program. In addition, estimates of the program budget and the number of personnel in each department who will support the program are displayed. The Programs for 2002-03 include:

- Citywide Sustainability Plan
- Cubberley Community Center
- Development Center Services
- Parking Program
- Special Events
- Traffic Management and Safety

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.

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

Functional Area: Functional areas are groupings of major activities and represent key components of service provision within the City organization.

Fund: 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.

Impact Measures: Impact measures are the measurable results to be achieved in each functional area. They are the measures through which the value of services can be assessed by Council and the public.

Infrastructure Management Plan (IMP): A portion of the capital improvement program with the focus of rehabilitating the City's infrastructure over the next ten years.

Key Plans: Key plans are major projects, plans, or priorities for the coming fiscal year. These plans are usually one-time in nature. Key plans are located at each functional area level in the budget document.



Using the Mission Driven Budget Document *continued*

Major Activity: Major activities are groupings of services performed under each functional area.

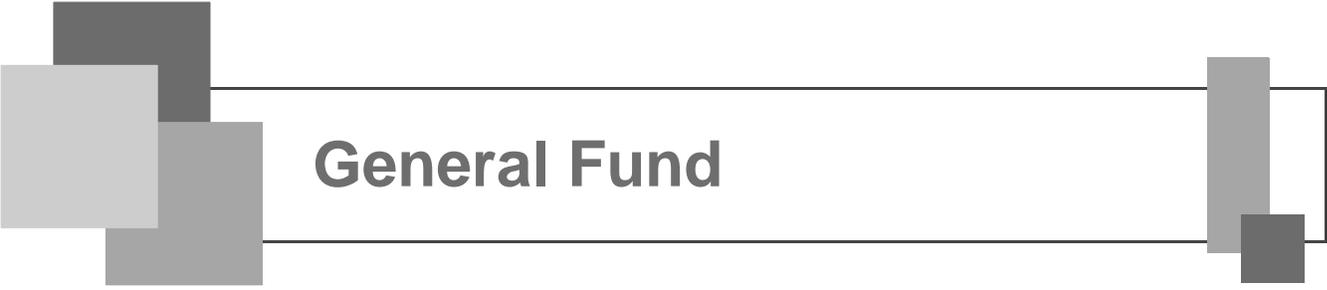
Mission Driven Budgeting: Mission Driven Budgeting (MDB) is Palo Alto's unique budgetary process. MDB integrates principles of management-by-objectives, program budgeting, and performance reporting.

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.



Using the Mission Driven Budget Document *continued*

This page is intentionally left blank.



General Fund



General Governmental Funds

City Attorney

City Auditor

City Clerk

City Council

City Manager

Administrative Services

Community Services

Fire Services

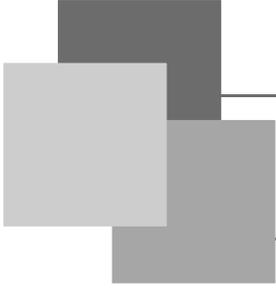
Human Resources

Planning and Community Environment

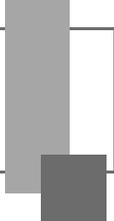
Police Services

Public Works

This page is intentionally left blank.



General Fund Revenues



An Overview

The ongoing economic downturn that gripped the local and regional economies in the Fall of 2001, resulted in a significant change in revenue projections for fiscal year 2002-03. These original projections are included throughout the financial tables under the column heading "2002-03 Adopted-in-Concept Budget". The main focus of this discussion, along with the dollar amounts in the "2002-03 Budget Change" column, however, compares the 2001-02 Adjusted budget with the 2002-03 Adopted budget. The important point with this measurement is that the 2001-02 midyear budget adjustments (CMR:174:02) are included in the 2001-02 Adjusted budget. Where appropriate, changes from the 2002-03 Adopted-in-Concept budget will be cited along with the relevant prior year comparison.

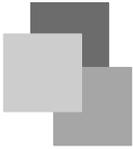
Citywide revenue is projected to increase in 2002-03 by a slight \$5.0 million (4 percent) from the prior year adjusted figures. This indicates a slight upward trend in revenue projection for 2002-03, with departmental revenues and charges to other funds for General Fund services accounting for the majority of this amount. This amount includes \$1.0 million in municipal fee revenue increases, \$1.1 million in transfer revenue from other funds, \$1.0 million in rental payment from the Refuse Fund, \$0.9 million in 2001-02 rental revenue from the Utilities Department and \$0.6 million in other departmental revenue. In 2001-02 the City faced a \$9.8 million revenue shortfall, with major reductions in sales tax (\$4.6 million), transient occupancy tax (\$3.2 million), and documentary transfer tax (\$2.0 million). The issue is very similar in fiscal 2002-03, with an approximate \$10.8 revenue shortfall as compared to the 2002-03 Adopted-in-Concept budget.

While many economists and financial professionals discuss the beginnings of a national economic recovery in the near-term, staff projects a significantly slower local recovery--one which may span several years to reach previous revenue levels. This is mainly due to the City's location within Silicon Valley, which has been the region hardest hit by the economic downturn. For example, March 2002 unemployment was measured at 7.4 percent for Santa Clara County, while the national average was 5.7 percent. Other indicators include lower occupancy at local hotels than national figures, as well as larger than average regional decreases in consumer spending measures.

The following is a discussion of the City of Palo Alto's major revenue categories and their projections for 2002-03.

Sales Tax

Economically sensitive revenue sources such as sales tax dropped dramatically in 2001-02 compared to the prior year. This fact has caused staff to scale back original



General Fund Revenues *continued*

projections for 2001-02 and 2002-03. Whereas the 2001-03 Adopted Budget document showed \$25.6 million in expected revenue for 2001-02 and \$26.1 million for 2002-03, those figures have been revised to \$21.0 million in each year. The decline in tax receipts is reflected across all geographic areas and economic segments in the City. Automobile, electronic, department store and miscellaneous retail sales have been particularly hard hit. Because most of the decline in revenue has been factored into the 2001-02 budget, there is not a significant change between the 2001-02 Adjusted Budget and the 2002-03 Adopted Budget.

Property Tax

Property taxes in 2002-03 are expected to rise by \$0.7 million or 5 percent over 2001-02 levels, for a total of \$13.5 million. While prices at the high end of the residential market have softened, property values have held steady in Santa Clara County and are showing signs of increasing. Multiple bids on homes, for example, are becoming more common and will work to drive up values. The lack of a significant number of appeals by homeowners to lower their assessed value indicates that property taxes should remain stable and increase modestly.

Transient Occupancy Tax (TOT)

Similarly to sales taxes, TOT receipts have declined precipitously in 2001-02 with additional softness expected for at least the first half of 2002-03. Through February 2002, occupancy rates have been near 56 percent compared to an average rate of around 75 percent for the similar period in 2000-01. Revenues for 2001-02 are projected at \$6.5 million. This is \$0.5 million lower than reported at midyear or what is shown in the 2001-02 Adjusted Budget. Based on gradual improvements in occupancy rates as the economy begins to revive, TOT revenues are expected to remain around \$7.0 million in fiscal 2002-03.

Utility Users Tax (UUT)

UUT revenues are anticipated to increase by nearly \$1.1 million or 17 percent compared to the 2001-02 Adjusted Budget. UUT revenues resulting from gas, electric and water sales are based on Utilities Department revenue forecasts and reflect 2002-03 rate levels. Since the UUT rebate was terminated as of April 1, 2002, revenues budgeted for 2002-03 reflect full UUT revenues. The increase is comprised of utility sales (\$0.7 million) and telephone revenues (\$0.3 million). UUT revenues in 2002-03 are projected at \$7.4 million compared to \$6.3 million in the 2001-02 Adjusted Budget.



General Fund Revenues

continued

Other Taxes and Fines

This revenue category is comprised of documentary transfer taxes, motor vehicle in-lieu fees, fines and penalties.

Reflecting both the volume and value of property transactions, the transfer tax has been relatively weak in fiscal 2001-02. Residential and commercial transactions have declined and property values have remained relatively flat. Revenues of \$2.6 million are budgeted for 2002-03, which is approximately \$0.2 million higher than those anticipated for 2001-02.

Motor vehicle in-lieu fees are expected to rise a slight 1.6 percent or \$0.05 million over the 2001-02 Adjusted Budget. Neither the Legislature nor the Governor has proposed a take-back of the State's General Fund backfill to local jurisdictions for reduced fees to vehicle owners. Revenue of \$3.3 million is anticipated for 2002-03. Fines and penalty revenue is projected to rise by \$0.1 million in 2002-03 to \$2.1 million. This increase results from higher parking violations and administrative citations.

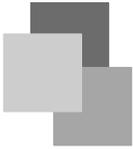
Charges for Services

This category is mainly comprised of external reimbursements and fee-for-service payments generated by General Fund service departments. As compared to the 2001-02 Adjusted Budget, major increases in the 2002-03 revenues include:

- Paramedic services fees--projected \$0.5 million increase, a 47 percent increase to \$1.7 million, from a new Basic Life Support program focusing on non-life-threatening medical transport services.
- Plan checking fees--projected \$0.6 million increase, a 45 percent increase to \$2.0 million, from additional services in the Fire Department (\$0.3 million), Planning and Community Environment (\$0.1 million) and a new fee in Public Works (\$0.25 million) to recover service costs at the Development Center.

Permits and Licenses

Revenues in this category are increasing by \$0.3 million (9 percent) primarily due to a shift in budget category for the alarm permit (\$0.14 million) and an increase in fire permit sales (\$0.1 million).



General Fund Revenues

continued

Revenues from Other Agencies

The nearly \$1.2 million decrease in this category is mainly due to the reversal of the Federal Emergency Management Agency 1998 floods reimbursement the City received in 2001-02.

Charges to Other Funds

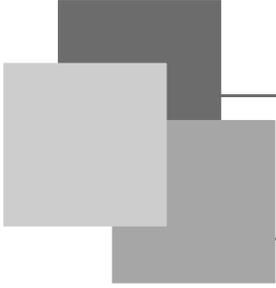
This revenue category shows the reimbursement for General Fund services, such as legal, human resources, public works, administrative, information technology and financial services. This revenue is derived mainly from the Enterprise Funds and other funds, and is based upon a mutually agreed reimbursement allocation. It represents the estimated amount of expense associated with the services delivered.

The \$1.0 million increase (9.6 percent) to \$11.8 million, as compared to the 2001-02 Adjusted Budget, represents an increase in funding for a Senior Assistant City Attorney (\$0.1 million) to support legal activities related to the PG&E bankruptcy, other proposed administrative department increases, along with a general 5 percent increase in base level support. The base expense increase is due to anticipated 2002-03 cost of living salary adjustments for current General Fund staff members.

Operating Transfers-In

Transfers in this category include equity transfers from the Enterprise Funds as well as Infrastructure Reserve funding of capital projects. The equity transfers total \$12.6 million in 2002-03, and represent the return on initial investment the City made when the Utility Department was created more than 100 years ago. They are projected to increase a stable 3 percent in 2002-03 or \$0.4 million.

The transfer-in from the Infrastructure Reserve, at \$3.3 million, represents that reserve fund's support for CityWorks infrastructure projects. Only projects that are a part of the Infrastructure Management Plan (IMP), branded CityWorks, can be funded from this reserve. Please refer to the 2002-03 Adopted Capital Budget for details on these projects.



General Fund Expenditures



An Overview

The top five City Council Priorities as well as the economic realities of the current recession have primarily driven the amendments to the 2002-03 Adopted-in-Concept Budget. This includes the augmented funding of the Infrastructure Management Plan (IMP), the Zoning Ordinance Update, and some of the traffic calming and alternative transportation issues. The remaining increases emphasize maintaining current service levels, funding technology projects and addressing safety issues.

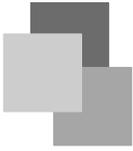
As shown in the following General Fund summaries, expenditures are increasing by a net \$5.1 million or 4.3 percent over the 2001-02 Adjusted Budget. The Budget Stabilization Reserve (BSR) is projected to be funded by \$0.3 million, which reflects the City's continued commitment to funding future infrastructure projects. The majority of the expenditure increase within the 2002-03 Adopted Budget is the projected \$5.6 million increase in salary and benefits for current staff. This includes contractual increases for Fire Safety, Police Safety and Miscellaneous (SEIU). Benefit increases are mainly the result of steadily increasing health care premium costs along with a near doubling of liability insurance premium increases resulting from the September 2001 terrorist attacks.

Other increments included are \$0.3 million to the Palo Alto Unified School District (PAUSD) to cover inflation adjustments for the lease and covenant not to develop and a \$0.4 million Council contingency to cover costs associated with traffic calming and alternative transportation priorities along with additional funding for the City's Shuttle Program.

Current economic conditions required departments to fund any budgetary increases via reduced expenditure or increased revenues. More specifically, the current recession required departments to alter their in-concept budget plan and reduce spending to a similar degree achieved during the 2001-02 midyear process.

Staffing

Staffing adjustments were made only in those circumstances whereby the department could fund the salary and benefit costs with additional base revenue increase or base expenditure reduction. This requirement made any staffing adjustments self-funded, including reclassifications as well as new positions. Public Works has added three Library Master Plan positions to the Table of Organization, without funding in the budget, in the event the November 2002 community facility bond financing measure passes voter approval. These positions are frozen until staff returns to Council in late 2002 with a budget amendment ordinance to fund these positions.



General Fund Expenditures *continued*

The 2002-03 Adopted Budget includes an increase of 12 General Fund positions, only 9 of which are budgeted, as compared to the 2001-02 Adjusted Budget. Departments were able to add new base revenues and reduce expenditures well beyond the needs of the staffing changes. With the self-funding requirement, the net cost reduction for the 9 positions in this budget is \$0.7 million after reimbursements, hourly reductions, vacancy savings and new revenues.

As an additional cost savings measure, several vacant positions remain frozen throughout the City in 2002-03. The duties performed by these vacancies will be absorbed by current staff and may slightly impact the timeliness of service delivery for the listed departments. The total estimated savings in salary and benefit costs is \$0.9 million and is being realized through the following frozen positions:

- Administrative Services: Manager Investments and Debt; Senior Technologist
- City Manager's Office: Office Specialist
- Community Services: Sprinkler System Repairer
- Fire: Fire Inspector; Office Specialist
- Planning and Community Environment: Office Specialist (6 months)
- Police: Chief Communications Equipment Operator; Facilities Mechanic (6 months); Program Assistant (6 months)

The following 9.0 staff positions have been removed from the 2002-03 Adopted-in-Concept Table of Organization as a cost saving measure. These removals represent a change in departmental staffing in 2002-03 mainly due to the economic downturn. These unfilled positions also represent a critical need in their respective departments and will be requested in a future year. The total estimated annual savings in salary and benefit costs is \$0.7 million.

- Staff Accountant in Administrative Services Department to manage reporting requirements for pending GASB 34 governmental accounting regulations. This task will be managed by existing staff and additional contract staff resources.
- Fire Inspector to maintain plan checking, inspection and customer service levels at the Development Center. This critical position request will be delayed one year and will be managed by existing staff.
- Two Public Safety Dispatcher positions in the Police Department to enhance deficiencies in the dispatch center. These important position requests will be delayed one year, however, they cannot be postponed further.

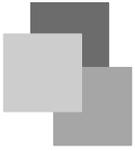


General Fund Expenditures *continued*

- Tree Maintenance Person within Public Works to provide continuity in area of contract inspection work. This position request is delayed one year and will be managed by existing staff.
- Two Accounting Specialists in the Administrative Services Department and a Supervisor, Police Service in the Police Department to support the Residential Parking Permit Program. This program is delayed until the new parking structure is built.
- Two half-time Library Assistant conversions in the Community Services Department have been removed until staffing decisions are made with the Library Master Plan.

The following 12.0 staff positions have been added to the Table of Organization in 2002-03. The gross cost of the 9.0 positions included in the budget is \$0.5 million, however, additional revenue and expenditure reductions result in a net cost-savings of \$0.7 million. All new positions have been offset by either an increase in base revenues or a reduction in expenditure.

- Administrative Services is converting an hourly position to an Office Specialist to coordinate Enterprise Fund purchasing activities. This position is funded by a reduction in temporary staffing and a reimbursement from the Enterprise Funds.
- Public Works is adding an Engineering Technician III to maintain plan checking and customer service levels at the Development Center. This position is offset by \$0.25 million in new plan check revenues.
- Traffic Control Maintainer II also within Public Works is added to expeditiously process increasing numbers of work requests from the Transportation Division. This position is completely offset by salary saving reductions from other vacant positions.
- An Engineering Technician III, a Senior Project Manager and an Office Specialist have been added to the Table of Organization but will not be funded or filled until voter approval of the community facility bond financing in November 2002. Staff will return with a funding Budget Amendment Ordinance (BAO) in late 2002.
- Planning and Community Environment is adding an Office Specialist to better track increased permit application volume. This position is fully offset by a permit fee base revenue increase.
- The Police Department is adding a Parking Enforcement Officer to address the need for greater enforcement activity.
- The Fire Department is adding three Emergency Medical Technician-BLS and a half-time Office Specialist to staff their new Basic Life Support program. These salary costs are fully funded by increased paramedic fees.



General Fund Expenditures *continued*

- The City Attorney's Office is adding a half-time Senior Assistant City Attorney position. This position will be combined with a current half-time vacancy to staff a new full-time position dedicated to code enforcement contract agreements with surrounding communities. This request is fully offset by contract revenues.

Additional major changes are summarized below by department:

Administration

Increased expenditures in this area include an emphasis on updating Palo Alto's technology infrastructure. This is consistent with the Council approved Information Technology (IT) Strategic Plan. The Administrative Services Department (ASD) will continue to improve the delivery of information technology services by implementing Phase II of this plan. The City is embarking on a business process re-engineering in an effort to streamline City processes. One aspect of the business process re-engineering is the implementation of an Enterprise Resource Planning (ERP) System. ASD will concentrate on the implementation of an ERP System in 2002-03. The ERP will be critical to the implementation of the pending governmental accounting regulation GASB 34, which requires the City to significantly change its financial record keeping and reporting. There are 2.0 personnel reclassifications included in the Adopted 2002-03 ASD budget. This will allow staff to meet current needs without additional head-count as well as facilitating their shifting duties and responsibilities.

The City Clerk's Office will continue to meet the demands of the public, City Council, and staff in the areas of Council support services, agenda packet process, board and commission recruitment, Council events, Council minutes, elections, conflict of interest, and legislative records management. Additional one-time funding is included for the general election scheduled in November 2002. The City Auditor staff will continue to perform operational audits, conduct quarterly sales tax reviews, and report on the status of audit findings and recommendations presented in the prior fiscal year. The City Manager's Office will oversee and coordinate several projects, including the implementation of the Council's top five priorities, the restructuring of the City's budget to focus on infrastructure, implementation of the employee retention plan, and enhancing the continued partnership with the PAUSD. Additional funding in the City Manager's Office will provide for legislative advocacy and support for City projects, the publication of the City Pages newsletter to residents and business, and the implementation of the Council's policy on sustainability. Increased funding for contract legal support in the City Attorney's Office is the result of an increase in workload, including legal support for City departments, boards, and commissions.

The Human Resources Department will manage continued efforts in the areas of employee retention and development. Internal employee training such as funding for a second Technology Academy, along with varied staff recognition programs reiterate



General Fund Expenditures *continued*

the pride the City has in its employees. Funding for required medical examinations along with necessary work-station ergonomic evaluations also highlight the department's continued focus on employee safety.

Community Services

Increased expenditures in Community Services focus on maintaining service levels for Children's Theatre contractors, art supplies, contract funding for the maintenance of Cubberley rental rooms, golf professional contract changes, park maintenance contracts, and library materials. In addition, expenses and offsetting revenues have increased in the Recreation Division to allow for increased participation in youth and adult classes, special needs programs, and facility rentals. The Human Resource Services Allocation Process (HSRAP) contractors will receive a Consumer Price Index (CPI) related increase.

Fire

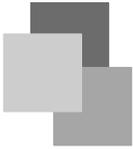
Expenditures in the Fire Department are increasing in several areas, including: continuing the Confined Space Rescue program; implementing a new Basic Life Support (BLS) ambulance program; and maintaining mandated response training requirements for Fire, Public Works, and Utilities personnel. Increased revenues and reimbursements will offset costs for these programs.

Planning

Expenditures in the Planning and Community Environment Department are increasing mainly due to funding the Zoning Ordinance Update and several transportation calming and safety projects. These include completion of the traffic model upgrade, intersection drawings, funding for a traffic engineer consultant and the special events shuttle. Traffic calming work will include two new traffic signals, installation of traffic calming devices, pedestrian crosswalk improvements, and a bicycle-pedestrian undercrossing. The citywide shuttle also received continued funding for a number of expanded routes. The department will work toward building community awareness and support for quality affordable housing. The Oak Court Project in the South of Forest Area and the Buena Vista Mobile Home Park are affordable housing projects that the department will focus on in fiscal year 2002-03.

Police

Traffic will continue to be a priority for the Police Department, with special emphasis on speeding violations, red light enforcement, and pedestrian safety. The addition of a Parking Enforcement Officer will address the need for greater enforcement activity.



General Fund Expenditures *continued*

Public Works

Public Works Department expenditures are increasing to cover additional maintenance needs at City facilities. The department will replace school signs in accordance with new State mandates. In addition, the department will continue its focus on completing projects in the IMP, with particular emphasis on the Library Master Plan.

Non-Departmental Expenditures

This category includes \$5.9 million in lease payments to PAUSD as part of the lease and covenant not to develop, along with projected increases in bargaining unit compensation plans for 2002-03.

Operating Transfers-Out

Operating transfers-out are projected to decrease a slight \$0.2 million to \$11.6 million in 2002-03. The expense category measures the General Fund expenditure transfers to other funds, such as the Debt Service Fund (\$1.3 million), Capital Projects Fund (\$9.2 million) and the Storm Drainage Fund (\$0.9 million).

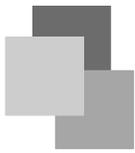
Reserves

The City's reserve balances remain at healthy levels in fiscal year 2002-03. The Budget Stabilization Reserve (BSR) is projected to end 2002-03 at \$22.7 million or an approximate 18.5 percent of budgeted expenditures. This is within the 15 to 20 percent reserve policy, and at its target level. Therefore, \$0.3 million in excess BSR funds will be transferred to the Infrastructure Reserve (IR) as a portion of the annual \$2.0 million infrastructure funding. The Infrastructure Reserve (IR) is projected to have a balance of \$20.7 million at 2002-03 yearend, representing a strong position to fund several years of remaining CityWorks capital projects.

GENERAL FUND SUMMARY

(\$000)	2000-01 Actual	2001-02 Adopted Budget	2001-02 Adjusted Budget	2002-03 Adopted-in- Concept Budget	2002-03 Adopted Budget	2002-03 Budget Change
REVENUES						
Sales Tax	25,786	25,602	21,046	26,140	21,035	(11)
Property Tax	12,110	12,236	12,836	12,680	13,536	700
Transient Occupancy Tax	9,359	10,300	7,056	10,600	7,000	(56)
Utility Users Tax	6,896	7,024	6,278	7,299	7,370	1,092
Other Taxes and Fines	8,887	9,320	7,777	9,545	7,903	126
Charges for Services	15,622	15,769	16,400	15,945	17,730	1,329
Permits and Licenses	2,587	2,912	3,033	2,999	3,319	286
Return on Investment	6,310	4,162	4,162	4,300	4,102	(61)
Rental Income	10,342	10,531	12,010	10,847	13,008	998
From other agencies	817	277	1,382	277	176	(1,206)
Charges to Other Funds	10,552	10,946	10,794	11,428	11,827	1,033
Other Revenue	982	1,191	1,384	1,689	1,482	98
Total Revenues	\$110,251	\$110,270	\$104,158	\$113,748	\$108,486	\$4,328
Operating Transfers-In	14,155	13,414	13,797	13,679	14,335	538
From Infrastructure Reserve	0	3,314	3,314	763	3,346	32
TOTAL SOURCE OF FUNDS	\$124,406	\$126,998	\$121,269	\$128,191	\$126,167	\$4,898

GENERAL FUND SUMMARY *CONTINUED*



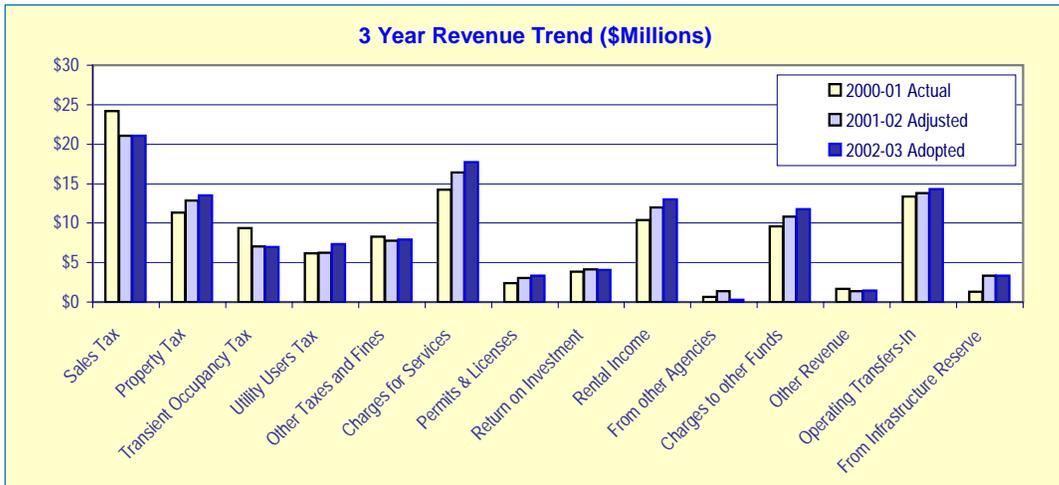
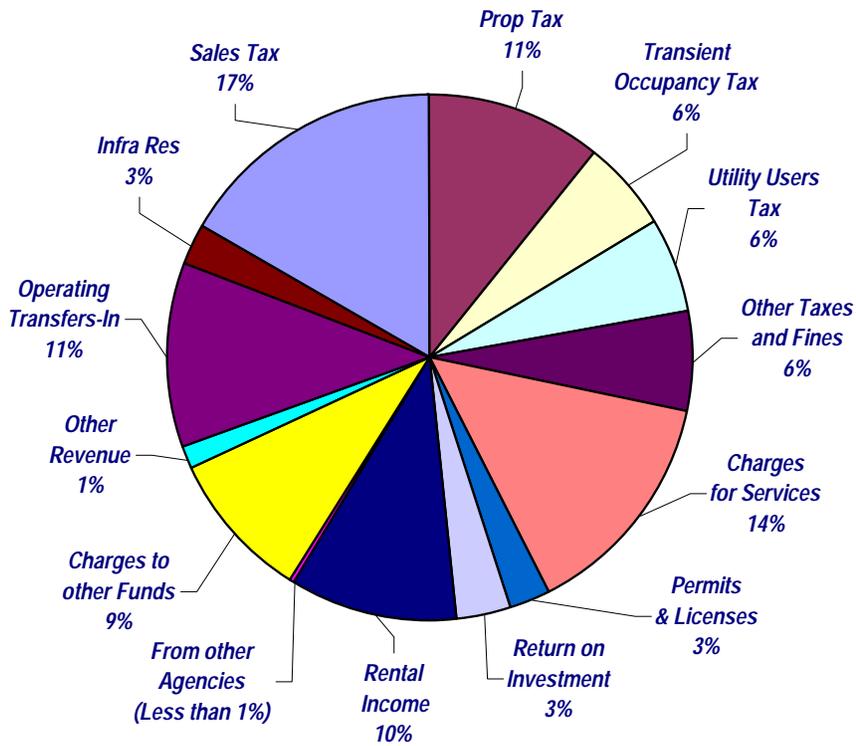
(\$000)	2000-01 Actual	2001-02 Adopted Budget	2001-02 Adjusted Budget	2002-03 Adopted-in- Concept Budget	2002-03 Adopted Budget	2002-03 Budget Change
EXPENSES						
City Attorney	2,163	2,491	2,284	2,436	2,517	233
City Auditor	475	660	639	679	804	165
City Clerk	803	777	765	693	767	3
City Council	273	253	242	254	247	5
City Manager	1,675	1,706	1,910	1,697	1,647	(263)
Administrative Services	11,610	10,764	10,996	11,113	10,974	(22)
Community Services	21,772	23,191	23,365	23,428	24,530	1,165
Fire	16,838	17,031	17,294	17,334	19,055	1,761
Human Resources	2,223	2,359	2,378	2,344	2,344	(34)
Planning and Community Environment	6,952	7,848	8,361	7,696	8,359	(2)
Police	19,468	20,277	20,653	20,738	21,888	1,234
Public Works	12,515	13,403	13,411	14,003	14,327	916
Non-Departmental	12,875	12,184	6,725	12,824	6,870	145
Total Expenses	\$109,644	\$112,945	\$109,023	\$115,237	\$114,329	\$5,306
Operating Transfers-Out	10,220	12,821	11,402	11,409	11,579	177
TOTAL USE OF FUNDS	\$119,864	\$125,766	\$120,425	\$126,646	\$125,908	\$5,483
Net Surplus (Deficit)	\$4,542	\$1,231	\$844	\$1,545	\$259	\$(584)

GENERAL FUND RESERVES

(\$000)	2000-01 Actual	2001-02 Adopted Changes	2001-02 BAO's	Projected 6/30/02	2002-03 Projected Changes	Projected 6/30/03
RESERVES						
<i>Budget Stabilization Reserve (BSR) Activity:</i>						
BSR	24,490	1,231	(2,563)	22,740	259	22,680
BSR Transfer to Infrastructure due to 18.5% cap			(418)		(319)	
<i>Infrastructure Reserve Activity:</i>						
Infrastructure	18,789	(3,314)	1,051	23,721	(3,346)	20,694
Transfer from BSR due to 18.5% cap/Budget Savings (\$22 million solution)			418		319	
Transfer from Emergency Reserve			6,777			
<i>Other Reserve Activity:</i>						
Emergencies	6,777		(6,777)	0		0
Encumbrance & Reapprop	5,665			5,665		5,665
Notes Receivable	1,140		800	1,940		1,940
Inventory of Materials & Supplies	2,226			2,226		2,226
TOTAL RESERVES	\$59,087	\$(2,083)	\$(712)	\$56,292	\$(3,087)	\$53,205

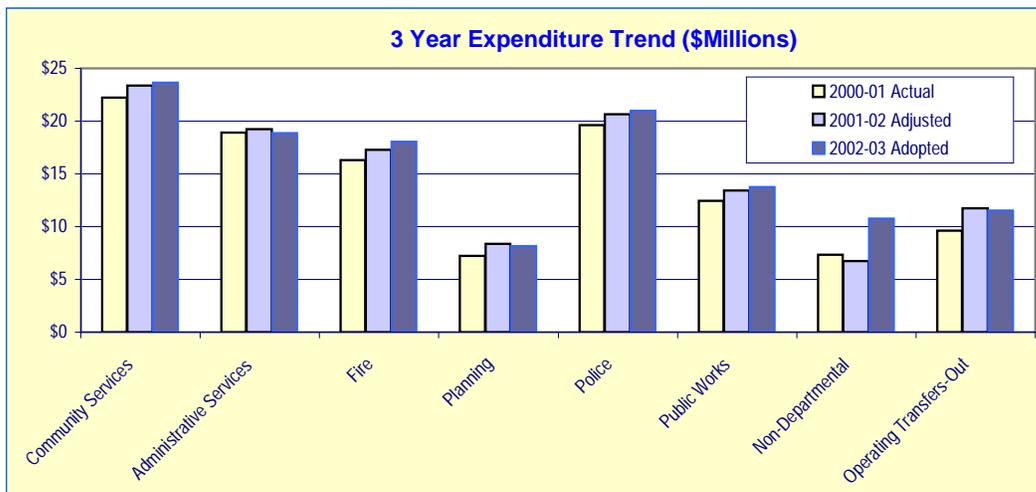
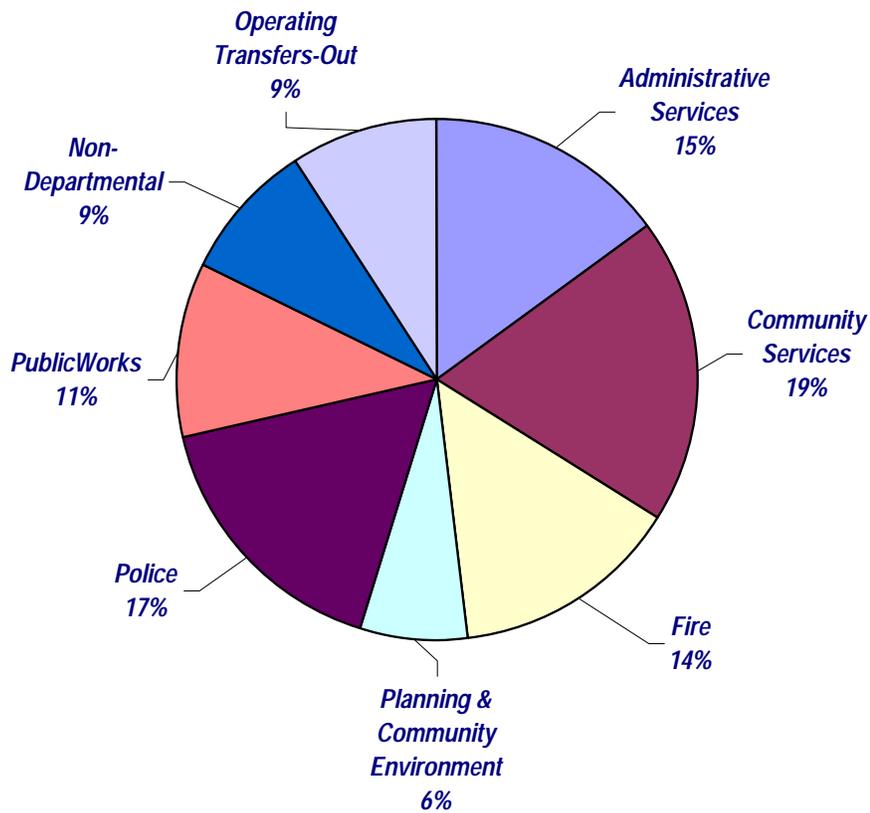
GENERAL FUND REVENUES BY TYPE

\$126.2 Million / Adopted 2002-03



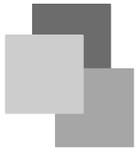
GENERAL FUND EXPENDITURES BY TYPE

\$125.9 Million / Adopted 2002-03



GENERAL FUND LONG RANGE FINANCIAL PLAN

(\$000)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
REVENUES									
Sales Taxes	26,780	27,851	28,965	30,124	31,630	33,212	34,540	35,576	36,999
Property Taxes	13,240	13,638	14,183	14,751	15,341	15,954	16,592	16,924	17,432
Utility User Tax	7,720	8,200	8,339	8,723	8,670	8,771	8,875	8,982	9,251
Transient Occupancy Tax	10,764	11,302	11,867	12,460	13,083	13,737	14,287	14,572	15,155
Other Taxes, Fines & Penalties	9,599	9,983	10,382	10,797	11,229	11,678	12,028	12,269	12,760
Subtotal: Taxes	\$68,103	\$70,974	\$73,736	\$76,855	\$79,953	\$83,352	\$86,322	\$88,323	\$91,597
Service Fees & Permits	13,783	14,334	14,907	15,504	15,814	16,130	16,453	16,782	17,453
Joint Service Agreements (Stanford University)	5,803	6,035	6,277	6,528	6,789	7,060	7,343	7,637	7,942
Interest Earnings	4,021	3,943	3,864	3,785	3,705	3,624	3,542	3,459	3,376
Other revenues	4,628	4,813	5,005	5,206	5,362	5,523	5,633	5,746	5,861
Allocated Charges (Net)	412	424	437	450	464	478	492	507	213
Total Revenues	\$28,647	\$29,549	\$30,490	\$31,473	\$32,134	\$32,815	\$33,463	\$34,131	\$34,845
Plus Transfer from Infrastructure Reserve	5,907	5,915	5,925	5,935	5,946	5,959	5,973	5,989	6,005
Plus Operating Transfers In	22,756	23,438	24,142	24,866	25,612	26,380	27,172	27,987	28,826
TOTAL SOURCE OF FUNDS									
	\$125,413	\$129,876	\$134,293	\$139,129	\$143,645	\$148,506	\$152,930	\$156,430	\$161,273
EXPENDITURES									
Salaries & Benefits	84,121	87,486	90,986	94,625	98,410	102,346	106,440	109,633	112,922
Contract Services	11,562	11,793	12,029	12,269	12,392	12,516	12,766	13,022	13,282
Supplies & Materials	3,530	3,601	3,673	3,746	3,784	3,822	3,898	3,976	4,056
General Expense	9,311	9,497	9,687	9,880	9,979	10,079	10,781	10,486	10,696
Rents, Leases, & Equipment	1,285	1,311	1,337	1,350	1,364	1,391	1,419	1,447	1,476
Total Expenditures	\$109,809	\$113,688	\$117,712	\$121,870	\$125,929	\$130,154	\$135,304	\$138,564	\$142,432



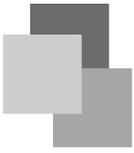
GENERAL FUND LONG RANGE FINANCIAL PLAN CONTINUED

(\$000)	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Plus Transfer to Infrastructure Reserve	3,175	3,234	3,295	3,360	3,428	3,500	3,575	3,653	3,733
Plus Operating Transfers Out	11,711	11,945	12,184	12,427	12,552	12,677	12,931	13,189	13,453
TOTAL USE OF FUNDS	\$124,695	\$128,867	\$133,191	\$137,657	\$141,909	\$146,331	\$151,810	\$155,407	\$159,618
Net Operating Surplus/ (Deficit)	\$718	\$1,009	\$1,102	\$1,472	\$1,736	\$2,175	\$1,120	\$1,023	\$1,655

Note: These figures were presented to City Council on September 20, 2001 (CMR:355:01) and will be updated in late 2002, as part of the City's budget reduction exercise.

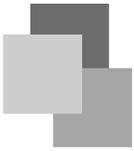
2002-03 PROJECTED OPERATING FUND BALANCES

(\$000)	Projected Ending Balance 6/30/02	Estimated Revenues	Net Fund Transfers	Estimated Expenditures	Projected Ending Balance 6/30/03
GENERAL FUND	\$56,292	\$108,486	\$2,756	\$114,329	\$53,205
SPECIAL REVENUE					
Community Development Fund	0	553	0	0	553
Street Improvement Fund	1,508	1,701	(2,172)	0	1,037
Federal and State Revenue Funds	3,599	881	(169)	1,343	2,968
Housing In-Lieu and Public Benefit Funds	10,054	1,145		187	11,012
Special Districts Funds	1,203	730	(134)	452	1,347
Traffic Mitigation & Parking In-Lieu Funds	2,811	618	0	0	3,429
Subtotal	\$19,175	\$5,075	\$(2,475)	\$1,982	\$19,793
ENTERPRISE					
Electric Fund	120,028	90,349	(547)	108,154	101,676
Gas Fund	15,174	33,282	(645)	32,841	14,970
Wastewater Collection Fund	6,151	12,790	(208)	13,733	5,000
Water Fund	13,487	19,787	(386)	21,435	11,453
Refuse Fund	8,740	22,604	(470)	25,088	5,786
Storm Drain Fund	486	2,218	873	3,128	449
Wastewater Treatment Fund	7,317	15,940	(158)	15,486	7,613
External Services	52	1,047	(5)	860	234
Subtotal	\$171,435	\$198,017	\$(1,546)	\$220,725	\$147,181
DEBT SERVICE					
Terman Lease	383	48	0	0	431
Golf Course	696	38	664	702	696
Civic Center	782	5	418	422	782
Parking 2002 COPS (Taxable)	0	15	306	321	0
Special Assessment Debt	757	865	0	865	757

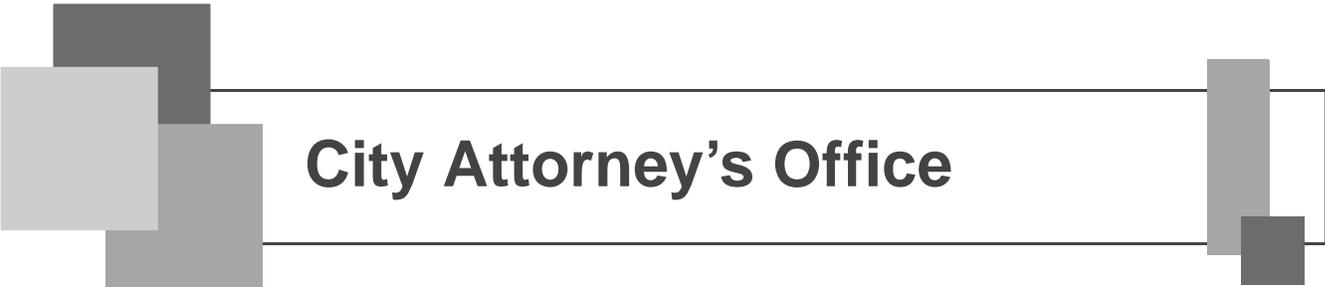


2002-03 PROJECTED OPERATING FUND BALANCES CONTINUED

(\$000)	Projected Ending Balance 6/30/02	Estimated Revenues	Net Fund Transfers	Estimated Expenditures	Projected Ending Balance 6/30/03
Subtotal	\$2,618	\$971	\$1,388	\$2,310	\$2,666
TOTAL OPERATING FUNDS	\$249,520	\$312,549	\$123	\$339,346	\$222,845



2002-03 PROJECTED OPERATING FUND BALANCES
CONTINUED



City Attorney's Office



City Attorney

We serve Palo Alto and its policy makers by providing legal representation of the highest quality.

OVERVIEW

In 2002-03, the City Attorney's Office will continue to provide support to the City's Operating Departments for those projects identified in the first year of the Collaborative Legal Budgeting effort as departmental goals for the 2002-03 Fiscal year. Some of the larger projects the Department expects to support in FY02-03 include the following:

- GASB 34 implementation
- Implementation of the enterprise resource program
- Revenue expansion, UUT/TOT increase, business registry
- Downtown parking structure construction
- The Zoning Ordinance Update
- The Housing Element Update
- Storm Drain Fee increase (Part 2)
- Development Impact Fee and Environmental Threshold Update

Also in Fiscal Year 2002-03 the City Attorney's Office will implement a new revenue-generating program developed during the City's Strengthening the Bottom line effort. The Department will market Code Enforcement and Police Training Services to surrounding cities. Not only will the City benefit from the revenue generated from marketing this service, but will also receive increased code enforcement exposure and services from this marketing effort.

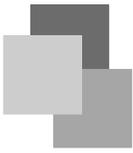
The City Attorney's Office, working with the Planning Department, will also implement reimbursement of legal fees on complex matters requiring specialized legal services or documents. In the past, the City has absorbed large legal expenses on complex planning matters. The City will bill applicants directly for these fees on a 100 percent cost recovery basis. This fee was added to the Municipal Code as part of the 2001-02 Mid-year adjustment and is expected to go into effect on May 11, 2002.

Internally, the City Attorney's office will continue its emphasis on City staff training, including planning law, personnel matters and contracting practices. Depending upon IT support, we will continue to develop an Intranet website for frequently asked questions and training materials for City staff.

NEW PROGRAM UPDATE

The Office of the City Attorney has accomplished the following in new program implementation:

- Collaborative Legal Budgeting - Last year the Office of the City Attorney met with each City operating department during the budget development process to jointly identify individual department legal support, funding and resource needs necessary to meet departmental goals for the next two fiscal years. The effort was well received and has proven to improve working relationships with City departments. As a means to measure the success of our Collaborative Legal Budgeting efforts, the Department will in 2002-03 implement a project review process involving (1) an initial meeting to determine goals, expectations and assignments; (2) a mid-way status meeting; and (3) an evaluation meeting at completion to review where improvements in the process can be made.



City Attorney *continued*

- Addition of Contracts Administration Paralegal - The paralegal position added in Fiscal Year 01-02 has reduced the City's cost for contract preparation because contracts are now drafted for an attorney's review by a paralegal reducing the amount of time an attorney spends on contracts. The paralegal position has also improved the contract process by providing consistency in contract provisions and a central contact person for contracts. It is anticipated that the City will see an improved turn around time in the contract preparation process with one person devoted full time to this process. The addition of the position has also freed up Senior Assistant City Attorneys to focus on matters that require a higher degree of legal skills.
- Code Enforcement Services - For Fiscal year 2002-03, a Sr. City Attorney at 0.5 FTE is added to The Office of the City Attorney to market code enforcement services to surrounding cities. This expenditure will be offset by revenues generated from the marketing of code enforcement services.

COUNCIL PRIORITY IMPLEMENTATION

In 2002-03 the City Attorney's Office will continue to support implementation of the following City Council's top five priorities:

Below are the estimated costs allocated by the City Attorney's Office:

- Zoning Ordinance Update (Land Use)(\$191,830)
- Affordable Housing (\$100,395)
- Long Term Finances(\$68,272)
- Cityworks (\$132,030)
- Alternative Transportation(\$30,485)

DEPARTMENT SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Consultation and Advisory	1,257,024	1,602,331	1,748,585	1,731,945	129,614
Litigation and Dispute Resolution	752,800	390,780	397,259	422,160	31,380
Official & Admin. Duties	152,961	291,056	290,641	362,963	71,907
TOTAL EXPENDITURES	\$2,162,785	\$2,284,167	\$2,436,485	\$2,517,068	\$232,901
TOTAL FULL TIME POSITIONS	11.00	13.00	13.00	13.50	0.50
TOTAL TEMPORARY POSITIONS	1.32	1.32	1.32	1.32	0.00
TOTAL REVENUES	\$780,114	\$830,345	\$1,020,253	\$1,154,861	\$324,516
INTERNAL REVENUES	780,079	830,345	1,020,253	1,050,861	220,516
EXTERNAL REVENUES	35	0	0	104,000	104,000



RESOURCE LEVEL CHANGES

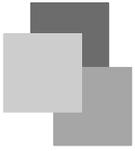
	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES			
Code enforcement Revenue	104,000		104,000
Allocated revenue - internal	220,516		220,516
TOTAL REVENUE CHANGES	\$324,516		\$324,516
EXPENDITURE CHANGES			
Salary and Benefits			
Sr. City Attorney (.5 FTE)	84,210		84,210
Total Salary and Benefits Changes	\$84,210		\$84,210
2002-03 Salary and Benefit Increase (Note 2)	40,424		40,424
Total Net Salary and Benefits Changes	\$124,634		\$124,634
Non-Salary			
Increased legal contract assistance		350,000	350,000
Total Non-Salary Changes	\$0	\$350,000	\$350,000
TOTAL EXPENDITURE CHANGES	\$124,634	\$350,000	\$474,634
Adjustments (Note 1)		(334,746)	(334,746)
Department-wide Allocated Charges (Note 3)	93,013		93,013
NET EXPENDITURE CHANGES	\$217,647	\$15,254	\$232,901

RESOURCE LEVEL NOTES

Note 1: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments.

Note 2: Council approved compensation increases in 2002-03.

Note 3: Allocated Charges are increasing primarily due to the implementation of a financial plan for the replacement and maintenance of existing technologies, as recommended in the Information Technology Strategic Plan.



City Attorney *continued*

FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

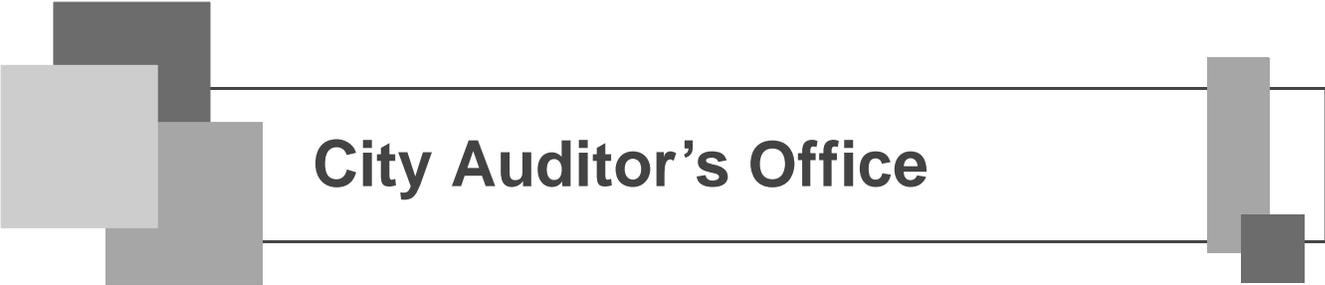
7.49	Consultation and Advisory
2.51	Litigation and Dispute Resolution
1.95	Official & Admin. Duties
11.95	Subtotal

Allocated Administration

0.25	City Attorney
0.50	Legal Administrator
0.10	Legal Secretary Confidential
0.10	Legal Secretary Confidential
0.15	Senior Assistant City Attorney
0.05	Legal Secretary Confidential
0.05	Senior Assistant City Attorney
0.10	Senior Assistant City Attorney
0.10	Senior Assistant City Attorney
1.55	Subtotal

13.50	Total Positions
-------	-----------------

\$1,710,630 Total Position Costs



City Auditor's Office



City Auditor

The mission of the Office of the City Auditor is to promote honest, efficient, effective, and fully accountable City Government.

OVERVIEW

In 2002-03, the City Auditor's Office will continue to conduct performance audits of City departments, programs, and services. Performance audits provide the City Council and City management with information and evaluations regarding the effectiveness and efficiency with which City resources are employed, the adequacy of the system of internal controls, and compliance with City policies and procedures and regulatory requirements. In the first month of the fiscal year, the Auditor's Office will present the Annual Audit Plan for City Council approval.

NEW PROGRAM UPDATE

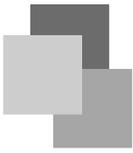
Revenue audits will continue to be a major focus of our efforts. In coordination with the Administrative Services Department and Economic Resources Planning, the Auditor's Office has contracted for audits of sales, property, transient occupancy, and utility users tax. Additional resources required to perform these audits are offset by estimated recoveries of \$235,000 per year.

The Office also manages the City's annual external audit contract. In the past, the Administrative Services Department contracted separately for preparation of the City's annual reports to the California State Controller's Office. Additional resources required to consolidate those contracts are offset by reductions elsewhere.

COUNCIL PRIORITY IMPLEMENTATION

The City Auditor has no programs in 2002-03 that directly implement the City Council's top five priorities.

DEPARTMENT SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Internal Audits and Reviews	271,318	393,973	418,025	422,562	28,589
Professional Assistance and Services	204,058	244,961	260,548	381,148	136,187
TOTAL EXPENDITURES	\$475,376	\$638,934	\$678,573	\$803,710	\$164,776
TOTAL FULL TIME POSITIONS	3.75	3.75	3.75	3.75	0.00
TOTAL TEMPORARY POSITIONS	0.00	0.00	0.00	0.00	0.00
TOTAL REVENUES	\$280,558	\$271,300	\$284,865	\$528,411	\$257,111
INTERNAL REVENUES	280,498	271,300	284,865	293,411	22,111
EXTERNAL REVENUES	60	0	0	235,000	235,000



RESOURCE LEVEL CHANGES

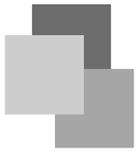
	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES			
External audit recovery revenue	235,000		235,000
Allocated revenue - internal	22,111		22,111
TOTAL REVENUE CHANGES	\$257,111		\$257,111
EXPENDITURE CHANGES			
Salary and Benefits			
2002-03 Salary and Benefits Increase (Note 2)	7,100		7,100
Personnel benefit costs (Note 3)	(8,582)		(8,582)
Total Net Salary and Benefits Changes	\$(1,482)		\$(1,482)
Non-Salary			
Travel & Meetings		(4,000)	(4,000)
External auditor contract services	27,800		27,800
Revenue audit contract services	63,400	45,000	108,400
Nextel phones	(2,304)		(2,304)
Total non-salary	\$88,896	\$41,000	\$129,896
TOTAL EXPENDITURE CHANGES	\$87,414	\$41,000	\$128,414
Adjustments (Note 1)		36,362	36,362
NET EXPENDITURE CHANGES	\$87,414	\$77,362	\$164,776

RESOURCE LEVEL NOTES

Note 1: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments.

Note 2: Council approved compensation increases in 2002-03.

Note 3: The historically favorable performance of CALPERS retirement investments have allowed the City to postpone a portion of budgeted contributions in 2002-03.



City Auditor *continued*

FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

2.81	Internal Audits and Reviews
0.24	Professional Assistance and Services
3.05	Subtotal

Allocated Administration

0.10	City Auditor
0.40	Administrative Assistant
0.10	Senior Auditor
0.10	Deputy City Auditor
0.70	Subtotal

3.75	Total Positions
------	-----------------

\$423,645 Total Position Costs

This page is intentionally left blank.



City Clerk's Office



City Clerk

To provide public information; to provide Council support; to administer elections; and to preserve the legislative history of the City.

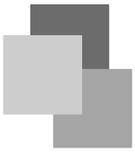
OVERVIEW

In 2002-03, the City Clerk's Office will continue to meet the demands of the public, City Council and staff in the following areas of Council support services, agenda packet process, board and commission recruitment, Council events Council minutes, elections, conflict of interest, and legislative records management. The Office will be responsible for maintaining the Internet presence of the department and the City Council. The Department will also make an effort to provide electronic access to routine forms, such as board and commission applications and other public documents.

COUNCIL PRIORITY IMPLEMENTATION

The City Clerk's Office is an administrative department, which is not directly involved in the City Council's Top Five Priorities. In an administrative capacity, we will work closely with City staff to ensure the agendas/minutes/packet/public hearing noticing will reflect those priorities.

DEPARTMENT SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Public Information	253,209	121,906	127,194	127,804	5,898
Council Support Services	350,147	348,322	355,956	348,375	53
Elections/Conflict of Interest	97,161	124,163	44,131	121,495	(2,668)
Legislative Records Management	102,953	170,429	165,299	169,733	(696)
TOTAL EXPENDITURES	\$803,470	\$764,820	\$692,580	\$767,407	\$2,587
TOTAL FULL TIME POSITIONS	6.75	6.00	6.00	6.00	0.00
TOTAL TEMPORARY POSITIONS	0.21	0.21	0.21	0.21	0.00
TOTAL REVENUES	\$288,782	\$280,542	\$294,382	\$303,101	\$22,559
INTERNAL REVENUES	286,175	276,792	290,632	299,351	22,559
EXTERNAL REVENUES	2,607	3,750	3,750	3,750	0



RESOURCE LEVEL CHANGES

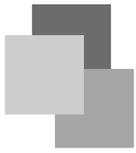
	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES			
Allocated revenues - internal	22,559		22,559
TOTAL REVENUE CHANGES	\$22,559		\$22,559
EXPENDITURE CHANGES			
Salary and Benefits			
Reduction to reflect salary savings for Asst. City Clerk		(27,280)	(27,280)
Reduction to reflect salary savings for Administrative Assistant		(12,400)	(12,400)
Total Salary and Benefits Changes	\$0	\$(39,680)	\$(39,680)
2002-03 Salary and Benefits Increase (Note 2)	13,932		13,932
Personnel benefit costs (Note 3)	(12,326)		(12,326)
Total Net Salary and Benefits Changes	\$1,606	\$(39,680)	\$(38,074)
Non-Salary			
Election year related expenses		80,000	80,000
Total Non-Salary Changes	\$0	\$80,000	\$80,000
TOTAL EXPENDITURE CHANGES	\$1,606	\$40,320	\$41,926
Adjustments (Note 1)		(39,339)	(39,339)
NET EXPENDITURE CHANGES	\$1,606	\$981	\$2,587

RESOURCE LEVEL NOTES

Note 1: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments.

Note 2: Council approved compensation increases in 2002-03.

Note 3: The historically favorable performance of CALPERS retirement investments have allowed the City to postpone a portion of budgeted contributions in 2002-03.



City Clerk *continued*

FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

1.00	Public Information
2.24	Council Support Services
0.33	Elections/Conflict of Interest
1.17	Legislative Records Management
4.74	Subtotal

Allocated Administration

0.30	City Clerk
0.35	Assistant City Clerk
0.26	Administrative Assistant
0.12	Executive Secretary
0.18	Executive Secretary
0.05	Assistant City Clerk
1.26	Subtotal

6.00	Total Positions
------	-----------------

\$489,109 Total Position Costs

This page is intentionally left blank.



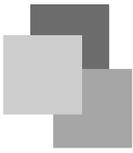
City Council



City Council

OVERVIEW

DEPARTMENT SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
City Council Operations	273,125	242,052	254,005	246,994	4,942
TOTAL EXPENDITURES	\$273,125	\$242,052	\$254,005	\$246,994	\$4,942
TOTAL FULL TIME POSITIONS	9.00	9.00	9.00	9.00	0.00
TOTAL TEMPORARY POSITIONS	0.00	0.00	0.00	0.00	0.00
TOTAL REVENUES	\$88,607	\$85,703	\$89,988	\$92,687	\$6,984
INTERNAL REVENUES	88,607	85,703	89,988	92,687	6,984
EXTERNAL REVENUES	0	0	0	0	0

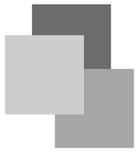


RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES			
Allocated revenues - internal	6,984		6,984
NET REVENUE CHANGES	\$6,984		\$6,984
EXPENDITURE CHANGES			
Salary and Benefits			
Personnel benefits	3,942		3,942
Total Net Salary and Benefits Changes	\$3,942		\$3,942
Non-Salary			
General expense for Council retreats		(5,000)	(5,000)
Expense for Council Members travel		(3,000)	(3,000)
Total Non-Salary Changes	\$0	\$(8,000)	\$(8,000)
TOTAL EXPENDITURE CHANGES	\$3,942	\$(8,000)	\$(4,058)
Adjustments (Note 1)		9,000	9,000
NET EXPENDITURE CHANGES	\$3,942	\$1,000	\$4,942

RESOURCE LEVEL NOTES

Note 1: Adjustments to the 2001-02 Adjusted Budget include numerous one-time revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other increases are the result of numerous one-time decreases that were in the 2001-02 mid-year adjustments.



City Council *continued*

FUNCTIONAL AREAS

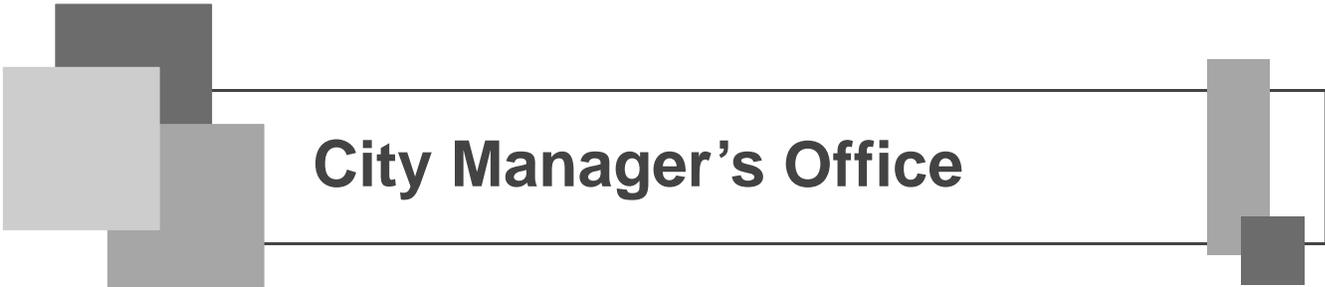
Summary of 2002-03 Regular Positions

9.00 City Council Operations
9.00 Subtotal

9.00 Total Positions

\$189,509 Total Position Costs

This page is intentionally left blank.



City Manager's Office



City Manager

To provide leadership to the organization in the implementation of City Council policies and the provision of quality services to the community.

OVERVIEW

In 2002-03 the City Manager's Office will oversee efforts to implement the Council's Top Five priorities: the long range financial plan; alternative transportation/traffic calming; land use planning; the Cityworks infrastructure plan; and affordable housing.

The City Manager's Office leads the interdepartmental Infrastructure team that is overseeing implementation of the Council's direction to rehabilitate existing infrastructure. A major focus will be a bond measure to fund the renovation and expansion of the City's resource libraries (Main, Mitchell and Children's) as well as potentially other community facilities such as the Art Center and the Mitchell Park Community Center. Key to this effort will be engaging a broad spectrum of citizens to participate in a campaign for the November 2002 election. Another major focus is the need to prioritize and fund storm drain renovations that will involve the Manager's Office as well as a number of other departments. Other major initiatives include the Homer Avenue Caltrain undercrossing, completion of two downtown parking structures, and continued progress on a new Police Building. At Council direction staff will continue efforts to incorporate the policy on sustainability into the infrastructure plan. The Manager's Office, will maintain its aggressive legislative revenue program to secure federal and state funds for important infrastructure priorities such as libraries, community centers and parks.

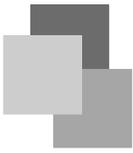
Public communications will continue its four key programs: community outreach, internal communications, media relations and Council communication. Staff will make increased use of various technological tools for disseminating information to the public. Greater involvement in web design and architecture will be part of both internal and external communications. New initiatives for employee recruitment and retention will be pursued with the Human Resources Department. City staff are also developing plans for increased use of cable television programming to include a magazine show, call in shows and other programs of topical interest.

The Economic Resources Planning Program will continue to participate in business outreach and retention strategies. These will include implementation of the Retail Strategy recommendations, assistance to businesses who are locating or expanding in Palo Alto and maintenance of a commercial vacancy website. Staff will continue to work with the Chamber of Commerce, California Avenue Area Development Association (CAADA) and other local and regional business groups. Staff will also continue to participate in interdepartmental efforts such as the ground floor retail interim ordinances and the Zoning ordinance update. A major focus will be implementation and oversight of the Edgewood redevelopment plan.

NEW PROGRAM UPDATE

The City Manager's Office has accomplished the following in new program implementation:

- Anticipated the economic downturn and implemented a bottom line program to reduce expenses in fiscal year 2001-02.
- Conducted community dialogues for resident input on the Housing Element and for Cityworks/infrastructure projects.
- Implemented online Staff reports and other electronic enhancements to facilitate community involvement with City government.
- Set up the Edgewood Plaza Redevelopment Agency.



City Manager *continued*

COUNCIL PRIORITY IMPLEMENTATION

The 2002-03 the City Manager's Adopted Budget will implement the City Council's Top Five Priorities as follows:

Land- Use Planning (Estimated Cost \$23,000)

- Oversee implementation of infrastructure renovation and rehabilitation, as well as major new projects.
- Provide oversight for land use planning issues, including the final draft of the housing element and the zoning update.

Affordable Housing (Estimated Cost \$23,000)

- Pursue options for affordable housing.

Long Term Finances (Estimated Cost \$200,000)

- Continue to monitor income and expenses as part of the present economic downturn as well as maintain a steady focus on long-range financial goals.

Cityworks (Estimated Cost \$137,000)

- Facilitate the process for a citizens' committee to campaign for a bond measure to fund infrastructure renovations.

Alternative Transportation (Estimated Cost \$23,000)

- Oversee development of alternative transportation strategies.

DEPARTMENT SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
City Management	524,152	429,605	463,796	414,748	(14,857)
City Council Relations	216,831	249,423	228,232	235,595	(13,828)
Community/Intergovernmental Relations	615,737	741,450	661,524	654,432	(87,018)
Economic Resources	318,528	489,773	343,165	342,652	(147,121)
TOTAL EXPENDITURES	\$1,675,248	\$1,910,251	\$1,696,717	\$1,647,427	\$(262,824)
TOTAL FULL TIME POSITIONS	11.50	11.50	11.50	11.50	0.00
TOTAL TEMPORARY POSITIONS	0.59	0.59	0.59	0.59	0.00
TOTAL REVENUES	\$416,590	\$375,825	\$394,616	\$406,455	\$30,630
INTERNAL REVENUES	388,565	375,825	394,616	406,455	30,630
EXTERNAL REVENUES	28,025	0	0	0	0



City Manager *continued*

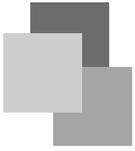
RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES			
Allocated revenues - internal	30,630		30,630
TOTAL REVENUE CHANGES	\$30,630		\$30,630
EXPENDITURE CHANGES			
Salary and Benefits			
Freeze Office Specialist Position		(58,198)	(58,198)
Total Salary and Benefits Changes	\$0	\$(58,198)	\$(58,198)
2002-03 Salary and Benefits Increase (Note 2)	90,643		90,643
Personnel benefit costs (Note 3)	(36,097)		(36,097)
Total Net Salary and Benefits Changes	\$54,546	\$(116,396)	\$(61,850)
Non-Salary			
Travel & Meetings (Sustainability)		20,000	20,000
Rental assistance for City Manager	(48,000)		(48,000)
Training materials		500	500
Contract with Ferguson Group	23,000		23,000
Cancel Emanuel's & Associates Contract	(12,500)		(12,500)
Travel & Meetings (Dept. Admin)		(4,000)	(4,000)
Total non-salary	\$(37,500)	\$16,500	\$(21,000)
TOTAL EXPENDITURE CHANGES	\$17,046	\$(99,896)	\$(82,850)
Adjustments (Note 1)		(27,382)	(27,382)
Department-wide Allocated Changes	(152,592)		(152,592)
NET EXPENDITURE CHANGES	\$(135,546)	\$(127,278)	\$(262,824)

RESOURCE LEVEL NOTES

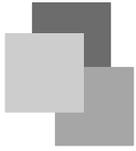
Note 1: Adjustments to the 2001-02 Adjusted Budget include numerous one-time revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other increases are the result of numerous one-time decreases that were in the 2001-02 mid-year adjustments.

Note 2: Council approved compensation increases in 2002-03.



City Manager *continued*

Note 3: The historically favorable performance of CALPERS retirement investments have allowed the City to postpone a portion of budgeted contributions in 2002-03.



City Manager *continued*

FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

2.21	City Management
1.64	City Council Relations
4.03	Community/Intergovernmental Relations
2.52	Economic Resources
10.40	Subtotal

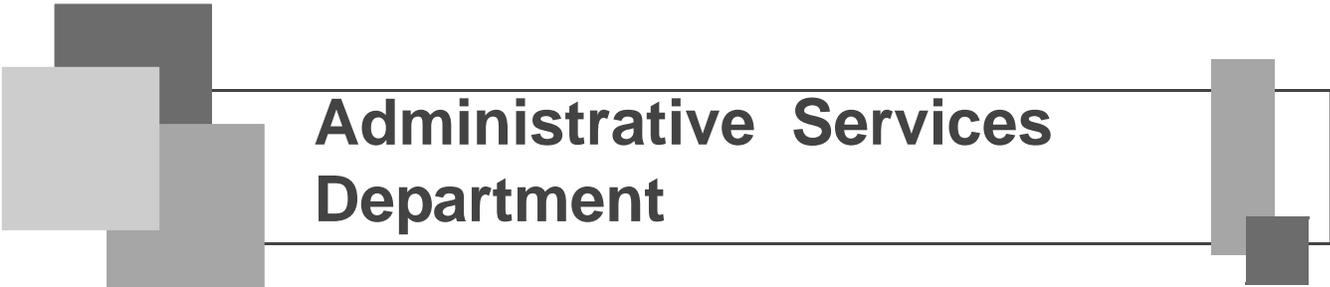
Allocated Administration

0.05	City Manager
0.05	Assistant City Manager
1.00	Staff Asst. to the City Manager
1.10	Subtotal

11.50	Total Positions
-------	-----------------

\$1,223,191 Total Position Costs

This page is intentionally left blank.



**Administrative Services
Department**



Administrative Services Department

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

OVERVIEW

In 2002-03, the Administrative Services Department will focus on the following:

Infrastructure Master Plan

In 2002-03, the City will implement year 4 of the plan, utilizing an Infrastructure Management Team which has been organized and will continue to meet this year.

Revenue Enhancements

Staff will create new sources of revenue such as: development impact fees to help offset increases in services related to new developments. Staff is also exploring the possibility of creating a business license tax (Palo Alto is one of the last remaining cities in California that does not have such a tax), and an increase in the current Transient Occupancy Tax (hotel tax) rate of 10 percent by 1-2 percentage points. These new sources of income would generate additional revenue for unfunded infrastructure projects.

Information Technology Strategic Plan

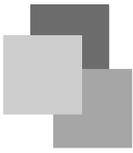
The department will focus on continuing to improve the delivery of information technology services in accordance with the Information Technology (IT) Strategic Plan. The IT Strategic Plan was designed to ensure that a cohesive, Citywide management information strategy is in place to address organizational, operational, and technology infrastructure issues. The plan facilitates development and implementation of Citywide priorities for the future. These include the E-Government Strategic Plan, the Geographic Information System (GIS) Strategic Plan, the Citywide IT Security Plan, and the Telecommunications Master Plan. The Department will also be providing technology services to surrounding communities. Please see Technology Fund under Internal Service Funds for details.

Business Process Re-engineering

In an effort to streamline processes, the City is embarking on a business process re-engineering, of which one aspect is Enterprise Resources Planning (ERP). The Department will concentrate on the implementation of an ERP System that will improve user friendliness by transitioning to a web-based user interface, improve integration between functions such as budget, payroll, and human resources, and provide ad-hoc web-based reporting. It will also include employee self-service functionality, a timekeeping system to support simplified time tracking, project work-order management, a new collections management software program, e-procurement tools, and e-gov capabilities. The implementation of an ERP System is essential to compliance with GASB 34.

Property Acquisition and Management

The City's relationship with the Palo Alto Unified School District continues to be a priority, as staff negotiates the use of facilities that each party requires for its services. ASD staff will continue to support the City Manager's office in fostering relationships and establishing agreements to better utilize City and District facilities. The department will also continue to support the City Manager's office in acquiring properties for low-income housing.



Administrative Services Department *continued*

GASB 34

Governments must implement new accounting rules, called Government Accounting Standards Board Statement Number 34, or "GASB 34," to comply with generally accepted accounting principles (GAAP). These rules will take effect on July 1, 2001 for Palo Alto. GASB 34 requires that the City report status on all of its assets, including infrastructure assets. This necessitates major changes in the City's reporting process, and staff will continue to track and book previously unrecorded asset information.

Purchasing Systems

The department will overhaul and streamline the City's purchasing systems, speeding processes, and integrating them more fully into the daily activities of the organization. In preparation for the implementation of the ERP, Purchasing staff will make recommendations on decentralizing low dollar transactions in order for key staff to better manage contract administration.

Cable Franchising

ASD is charged with managing the contract for the cable franchise between AT&T and the Joint Powers Authority. (The Joint Powers Authority includes the Cities of Palo Alto, East Palo Alto, Menlo Park, and Atherton, as well as portions of San Mateo and Santa Clara counties.) ASD will continue to ensure that AT&T meets the terms of the franchise agreement, monitor complaints from cable customers, collect the franchise fees, and distribute them to Joint Powers Authority members.

NEW PROGRAM UPDATE

Implement a Microsoft Enterprise Licensing Agreement

The City entered into three year contract with ASAP Software on 11/1/01 for Microsoft Enterprise Desktop Licensing.

Web-based IT helpdesk system

Implementation began in early 2002.

Expansion of telecommuting and telecomputing capabilities

Established Virtual Private Network and created documentation.

Upgrade of City systems and PCs to Win2000 operating system and MS Office 2000

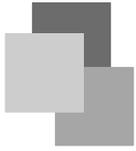
One hundred City computers have been upgraded. The remainder are scheduled for completion by the end of the 2002 calendar year.

Library Automation Plan

Public PC's have been rolled out and Library Staff PC's have been upgraded.

Phase II of the Smart Permit System

A conversion from the client/server Permit system to the web-based system is almost complete. Requirements have been defined for the implementation of the permit system.



Phase I and II of the GIS Strategic Plan

A GPS system for Utilities to pinpoint pipes, valves, etc. to 4 cm of accuracy is in the final stages of evaluation. Parcel pages are being updated to ensure alignment of GIS layers to aerial photographs. Block maps are being updated. Server upgrade will be done in the next couple of months. A Police CAD interface to the GIS database is being designed.

Utilities CIS Phase II

Upgrade to software version 2.2.1.5 is in the user acceptance testing phase. The Customer Web Access implementation is to follow immediately after the version upgrade.

Phase I and II of the e-Gov Strategic Plan

A survey of Palo Alto businesses will be done in the near future regarding Customer Relationship Management functionality.

Phase I and II of the ERP

Request For Proposals for ERP Software and Implementation Services have been completed. A systems specialists firm will be selected to implement the ERP system.

Public Safety

IT is pursuing a Cellular Digital Packet Data Technology (CDPD) implementation as an alternate communications medium to radio frequency. A Paramedic system, Perhospital Care Tracking System (PCTS) for the Fire Department will soon be implemented.

Develop Home PC Procurement Program

IT established a program for staff to purchase computer equipment for their home at discounted rates. The new PC's will connect faster speeds to the City's network allowing staff to process work from home quicker.

Develop Licensing Management

Implemented program for better tracking of software licensing.

Information Technology Service Provider (ITSP)

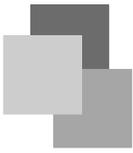
In 2002, ITSP anticipated adding two new contracts to its two existing contracts, and plans are to continue expanding its contract base in 2002-03.

Disaster Recovery Plan for the City's mission critical systems.

This is tied directly to the acquisition of an Enterprise Wide Back-up solution. IT is evaluating back-up solution vendors and has identified the potential vendor. Closely following the completion of the Computer Room Remodel, IT will solicit bids for the Enterprise Wide Back-up solution. At that point, IT will address a disaster recovery plan.

IT security audit

An IT security audit is currently being performed internally. Following the completion of the audit a plan will be created.



Administrative Services Department *continued*

Wireless Services Strategic Plan

Wireless technology (802.11B) is being tested and evaluated in two locations, Cubberley H-5 and Animal Services. Issues such as security and bandwidth limitations are being evaluated.

Long Range Financial Plan

2002-2011 Long Range Financial Plan and Forecast was presented to the Finance Committee and Council in Fall 2001.

New Debt Issuances

During the past two years ASD issued four new debt issues with support from the Public Works and Utilities Departments:

- First series of University Avenue Off-Street Assessment District Improvement Bonds - \$9,135,000
- Certificates of Participation (COPS) to refinance old COPs and finance buildout for new retail and office space - \$7,055,000
- Utility Revenue Bonds for Water and Gas Fund capital improvements - \$26,055,000
- Second series of University Avenue Off-Street Assessment District Improvement Bonds - \$35,460,000

COUNCIL PRIORITY IMPLEMENTATION

In 2002-03 the Administrative Services Department will continue to support implementation of the following City Council's top five priorities:

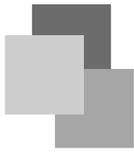
Below are the estimated costs allocated by the Administrative Services Department:

Affordable Housing - \$20,000

- Administration of land acquisition for below-market-rate (BMR) housing
- Review of BMR housing units for resale by the Palo Alto Housing Corporation

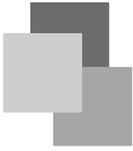
Long Term Finances - \$71,000

- Conduct a Citywide fee study
- Update and present Long Range Financial Plan



Administrative Services Department *continued*

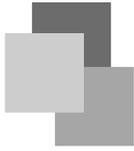
DEPARTMENT SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Financial Support Services	3,144,349	3,300,623	3,287,940	3,289,428	(11,195)
Property Management	1,347,007	534,643	500,994	479,416	(55,227)
Money Management	978,110	1,195,050	1,385,335	1,504,978	309,928
Financial Planning, Analysis, and Reports	1,235,716	929,490	998,105	943,289	13,799
Project Management and Application Services	2,008,825	1,606,049	1,518,125	1,635,415	29,366
Infrastructure Services	659,793	1,848,771	1,905,561	1,553,577	(295,194)
Client Services	1,303,018	1,022,671	939,787	1,051,619	28,948
Information Technology Administration	933,032	558,696	576,990	515,891	(42,805)
TOTAL EXPENDITURES	\$11,609,850	\$10,995,993	\$11,112,837	\$10,973,613	\$(22,380)
TOTAL FULL TIME POSITIONS	87.35	94.35	98.35	95.35	1.00
TOTAL TEMPORARY POSITIONS	1.98	1.17	2.29	2.29	1.12
TOTAL REVENUES	\$5,364,543	\$5,424,533	\$6,172,744	\$5,900,663	\$476,130
INTERNAL REVENUES	5,313,212	5,383,413	5,636,624	5,859,543	476,130
EXTERNAL REVENUES	51,331	41,120	536,120	41,120	0



Administrative Services Department *continued*

RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES			
Deferral of Downtown Residential Parking Program		(495,000)	(495,000)
Reimbursement from the Enterprise Funds	476,130		476,130
TOTAL REVENUE CHANGES	\$476,130	\$(495,000)	\$(18,870)
Adjustments (Note 1)	495,000		495,000
NET REVENUE CHANGES	\$971,130	\$(495,000)	\$476,130
EXPENDITURE CHANGES			
Salary and Benefits			
Personnel Reclassifications	29,634		29,634
Office Specialist	63,830		63,830
Freeze Mgr., Investments, Debts, & Pro		(127,663)	(127,663)
Freeze Senior Technologist		(118,347)	(118,347)
Total Salary and Benefits Changes	\$93,464	\$(246,010)	\$(152,546)
2002-03 Salary and Benefits Increase (Note 2)	300,448		300,448
Personnel Benefit Costs (Note 3)	(163,593)		(163,593)
Total Net Salary and Benefits Changes	\$230,319	\$(246,010)	\$(15,691)
Non-Salary			
Telecommunication Services (Note 5)	(334,600)		(334,600)
Advertising & Publishing		(2,100)	(2,100)
Contract Services	600	(2,600)	(2,000)
Facility Maintenance		(2,000)	(2,000)
Office Supplies		(400)	(400)
General Expense		(102)	(102)
Office Machinery & Furniture		(10,800)	(10,800)
Printing & Mailing Services		(27,000)	(27,000)
Bankcard Service Charge	30,000		30,000



Administrative Services Department *continued*

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
Total non-salary	\$(304,000)	\$(45,002)	\$(349,002)
TOTAL EXPENDITURE CHANGES	\$(73,681)	\$(291,012)	\$(364,693)
Adjustments (Note 1)		327,255	327,255
Department-wide Allocated Charges (Note 4)	15,058		15,058
NET EXPENDITURE CHANGES	\$(58,623)	\$36,243	\$(22,380)

RESOURCE LEVEL NOTES

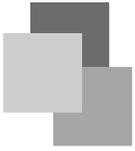
Note 1: Adjustments to the 2001-02 Adjusted Budget include numerous one-time revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other increases are the result of numerous one-time decreases that were in the 2001-02 mid-year adjustments.

Note 2: Council approved compensation increases in 2002-03.

Note 3: The historically favorable performance of CALPERS retirement investments have allowed the City to postpone a portion of budgeted contributions in 2002-03.

Note 4: Allocated Charges are increasing primarily due to the implementation of a financial plan for the replacement and maintenance of existing technologies, as recommended in the Information Technology Strategic Plan.

Note 5: The budget for Telecommunication Services has been transferred to the Technology Fund.



Administrative Services Department *continued*

FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

31.40	Financial Support Services
3.80	Property Management
13.95	Money Management
7.93	Financial Planning, Analysis, and Reports
12.12	Project Management and Application Services
10.07	Infrastructure Services
8.92	Client Services
3.44	Information Technology Administration
91.63	Subtotal

Allocated Administration

1.00	Administrative Assistant
0.02	Manager, Budget
0.25	Senior Financial Analyst
0.50	Director, Administrative Services
0.30	Assistant Director, Administrative Services
0.15	Staff Secretary
0.25	Desktop Technician
0.50	Senior Financial Analyst
0.25	Deputy Director Administrative Services
0.50	Business Analyst
3.72	Subtotal

95.35	Total Positions
-------	-----------------

\$8,911,894 Total Position Costs



**Community Services
Department**



Community Services

To kindle the passion for life through increased knowledge, artistic expression, physical activity, social help and enjoyment of the outdoors.

OVERVIEW

In 2002-03, the Community Services Department will provide the services and programs summarized below to the citizens of Palo Alto.

Arts and Culture Division

The Arts and Culture division will support the efforts of the Palo Alto Art Center Foundation in their fundraising efforts to expand the Art Center facility. The Art Center will also implement the Cultural Kaleidoscope's "Media Literacy Project," that pairs Palo Alto and East Palo Alto classrooms, working with a resident video artist, to learn how popular media images impact their lives as they create collaborative video projects. Additionally, the Cultural Kaleidoscope's "teacher training component" will become an integral component of Cultural Kaleidoscope. The Art Center will also institute a teen mentor program, funded by the National Endowment for the Arts. The Children's Theatre will foster a continuing program with Music Theatre International of New York to develop new theatre materials for young performers and will plan and produce plays and camps which introduce young people to other cultures.

Golf and Parks Division

In 2002-03, Golf Services will continue the installation of golf cart paths, and coordinate planning with the tenant for the possible expansion of the restaurant facility. An aggressive marketing program will continue to encourage use by both new and existing customers.

The Parks Division and CSD CityWorks team will implement Baylands Athletic Center electrical repairs; school athletic field irrigation renovations at Jordan school; resurface tennis courts at Rinconada Park and Palo Alto High School. The Parks Division will also complete El Camino Real conceptual design and implement Phase I landscape design and construction documents; implement San Antonio Road median design and phase I renovations; begin phase 2 construction of the Mitchell Park improvement plan; implement the design Phase for SOFA Park; and complete safety lighting improvements at the golf course parking lot, Main Library/Art Center and the Lucie Stern Center.

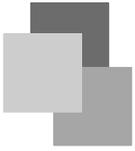
Human Services

The Human Services Division will complete phase three of the Family Resources Plan and implement a long-range fund development plan. Human Services will also continue to participate in the City Manager's Housing Committee and provide leadership in the development of the Opportunity Center and its housing element. Additionally, Human Services will participate in the design and development of regional projects funded through the Santa Clara County's Children and Family First Commission's Tobacco Tax funds.

Library Services

The Library Division will begin implementation of the Library Staffing Plan. Additionally, should the November bond election be successful, Library services will work closely with City staff and project architects to implement the Children's, Mitchell Park, and Main library expansions. Library staff will also begin the process to replace the Library's aging computer system.

Recreation Open Space and Sciences



Community Services *continued*

In 2002-03, Recreation will continue its work towards the development of the Mitchell Park Community Center and Library improvement project. The division will also develop and implement a community-wide marketing strategy for ROSS programs and events that resulted in a 10 percent increase over last year's overall participation, and an 80 percent average capacity rate per program while maintaining a 90 percent customer satisfaction rating. Recreation will also continue to work with the Youth Master Plan Steering Committee to develop and implement new programming and needed resources for the middle and high school youth. Recreation also plans to install an Internet based program that allows customers to browse classes and programs and register for them online.

Cubberley operations will continue to promote outreach efforts to the business community to increase daytime use of facilities and to expand resources by developing public/private partnerships to improve facilities and services, and increase revenue. Additionally, Cubberley staff will continue to coordinate the transition of the Jewish Community Center programs from Terman to Cubberley. Phase one, the transfer of classes, will be completed by September 1, 2002, with phase two, the transfer of gymnasium and exercise programs, being completed by September 1, 2003.

Open Space operations will continue to design and execute physical infrastructure management improvements to Open Space lands, Baylands Nature Center, and Junior Museum and Zoo that result in sustaining the quality of the habitat and creating facilities that users find comfortable, safe, attractive and educationally valuable.

NEW PROGRAM UPDATE

The Community Services Department has accomplished the following in new program implementation:

CSD CityWorks Infrastructure Management Program

- Hired staff including landscape architect, project manager, and program assistant.
- 14 CityWorks projects have begun or are completed

Teen Center

- The center has a new location at the Mitchell Park Community Center
- Center activities include bi-weekly dances, band nights, break dance contests, and a drop-in center

New Summer Camp Collaboration with PAUSD

- Two summer middle-school camps offered
- Camps are specifically for PAUSD summer school participants, providing after-school care at school and City facilities

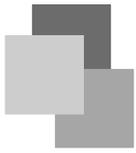
New Winter Event: "Solstice"

- Downtown was transformed into a free celebration of Fire and Ice
- Event featured fire and ice entertainers, carnival games, and crafts for children

Black and White Ball Returns

- The Department is working in partnership with the Lion's Club and the Concours de`Elegance
- Event to take place in June 2002 at the Sheraton Hotel

Public Art in City Capital Projects



Community Services *continued*

The Art Commission is taking an active role in supporting the library and community facility expansion/renewal plans.

Family Resources Ambassador Development Program

In the past two years Family Resources has graduated a number of representatives from a variety of human service organizations, through its Ambassador Development Program. The program has also raised \$38,000. A version of the Ambassador Development Program is going to be implemented at the Elsa Segovia Center for its staff and volunteers.

Substance Abuse, Mental Health Services Administration Grant (SAMSA)

A consortia of agencies including Mountain View/ Los Altos Community Services Agency, Mountain View Police Department, Los Alto Police Department, Palo Alto Police Department, Alliance for Community Care, and CSD Human Services Division applied for a planning grant to develop a plan to service the homeless disabled street population. The grant was awarded and the group will be developing a service plan this fiscal year through next fiscal year.

New Library Plan

Implementation includes several steps in planning for the expansion of the Children's Library, Main Library/Art Center and the Mitchell Park Community Center/Library. Completion of Library Staffing Plan report and the hiring of 3.75 FTE to support existing service level was also accomplished.

Q and A Café

Bay Area's Question and Answer online library Internet reference connection opened to residents of Palo Alto a year ago. Palo Alto Library staff joined 22 Bay Area libraries to support development of this innovative service, now with expanded hours 7 days/week, 2-9 pm.

Multi-cultural Concerts

Multi-cultural performers entertained audiences ranging in attendance from 60-400 at presentations held in the spring on the grounds of each library.

Chinese Language Materials

Popular fiction and non-fiction for children and adults were added to the Children's, Main and Mitchell Park libraries and have continuous circulation patterns.

Homework Help Program

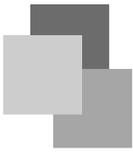
This new program for middle school students is funded by the Friends of the Palo Alto Library and serves 50-60 students daily at Mitchell Park Library.

Jr. Museum East Palo Alto Outreach Program

With grants and private funding provided through the Friends of the Jr. Museum, the Sciences program provides twenty, one-hour classes per week for 25 weeks.

Foothill's Park Towel Campground Expanded

Expanding campground from five sites, accommodating 48 campers, to eight sites accommodating 80 campers.



Community Services *continued*

COUNCIL PRIORITY IMPLEMENTATION

The 2002-03 Community Service's Adopted Budget will implement the City's top five priorities as follows:

CityWorks:

- Complete Phase 1 of the Mitchell Park Improvement Plan and begin Phase 2 design and work (\$1,312,000)
- Continue staff work on all community facility expansion projects including the Children's Library, Mitchell Park Library and Community Center, Main Library, and Art Center.
- Renovate Jordan Middle School Athletic Fields (\$125,000)
- Replace electrical system at the Baylands Athletic Field (\$220,000)
- Replace parking lots at various Baylands locations (\$490,000)
- Provide additional safety lighting the Lucie Stern Center, Main Library /Art Center site, and the golf course parking lot. Begin design for improved Cubberley lighting (\$150,000)
- Commence trail restoration work at Foothills Park (\$116,000)
- Begin design work on SOFA park (\$125,000)

Land-Use Planning

- Continue to work on the transition of the Jewish Community Center, Friends of the Library, and Youth Community Services programs to Cubberley
- Continue to support the field-use task force in finding additional playing fields for Palo Alto's youth

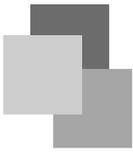
DEPARTMENT SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Arts and Culture	2,681,459	2,735,796	2,664,188	2,826,475	90,679
Cubberley Community Center	1,244,421	1,331,324	1,323,910	1,352,209	20,885
Golf Services	2,402,656	2,244,927	2,506,075	2,306,476	61,549
Park Services	3,443,660	3,844,067	3,913,742	4,168,666	324,599
Human Services	1,860,279	1,991,391	1,995,933	2,068,220	76,829
Library Services	4,599,187	5,044,822	4,939,014	5,224,105	179,283
Open Space and Sciences Services	2,304,900	2,576,432	2,465,113	2,729,738	153,306
Recreational Services	3,235,523	3,596,204	3,620,121	3,854,137	257,933
TOTAL EXPENDITURES	\$21,772,085	\$23,364,963	\$23,428,096	\$24,530,026	\$1,165,063
TOTAL FULL TIME POSITIONS	152.00	153.00	154.00	153.00	0.00
TOTAL TEMPORARY POSITIONS	52.18	57.70	57.12	61.01	3.31
TOTAL REVENUES	\$6,445,053	\$6,649,324	\$6,879,267	\$6,626,966	\$(22,358)
INTERNAL REVENUES	24,481	42,110	42,110	42,110	0
EXTERNAL REVENUES	6,420,572	6,607,214	6,837,157	6,584,856	(22,358)



Community Services *continued*

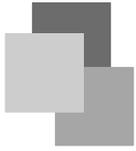
RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES			
Arts			
Increased class revenues and seminar fees	26,000		26,000
Golf			
Decrease in green and tournament fee revenues due to economic climate	(282,551)		(282,551)
Pro Shop lease decrease to reflect building renovation credit	(54,000)		(54,000)
Miscellaneous revenue including \$2,500 for monthly play cards, \$3,000 for coffee shop utilities, and \$3,000 for the restaurant lease	8,500		8,500
Increased sales of discount cards for seniors	7,000		7,000
Library			
Increase in library fines and fees	17,750		17,750
Open Space			
Increase from Friends of the Jr. Museum and Zoo to support staff salaries	73,500		73,500
Increase in class program fee revenue at the Jr. Museum	65,000		65,000
Recreation			
Additional revenue from increased fees, participation, and use of facilities	17,680		17,680
Increased or expanded miscellaneous fees	19,700		19,700
TOTAL REVENUE CHANGES	\$(101,421)	\$0	\$(101,421)
Adjustments (Note 1)	79,063		79,063
NET REVENUE CHANGES	\$(22,358)		\$(22,358)
EXPENDITURE CHANGES			
Salary and Benefits			
Arts			
Temporary salary reduction		(3,000)	(3,000)
Golf			
Temporary salary reduction	(7,000)	(25,000)	(32,000)
Library			



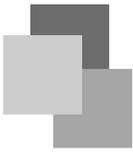
Community Services *continued*

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
Reduction from the Adopted-in-Concept Budget for the addition of two 0.5 FTE Library Assistants	(49,730)		(49,730)
Reduction from the Adopted-in-Concept Budget for the addition of Clerk II (hourly, 0.25 FTE)	(8,955)		(8,955)
Increase from the Adopted-in-Concept Budget for hourly FTE	32,464		32,464
Parks			
Temporary salary reduction		(25,497)	(25,497)
Temporary funding reduction for frozen position: Sprinkler System Repair Person		(69,394)	(69,394)
Recreation			
One-time reduction of funds through the underfilling of vacant positions (Note 4)		(98,654)	(98,654)
Recreation Specialist III (hourly, .08 FTE)	4,298		4,298
Decrease Program Assistant from 1 to 0.75 FTE and Increase Office Specialist from 0.75 to 1.00 FTE	(1,653)		(1,653)
Open Space			
Temporary salary reduction		(14,000)	(14,000)
Increase of 3.55 FTE in hourly salary for Jr. Museum instructors for Ravenswood school district outreach program and to provide additional city programs (offset by revenue)	128,543		128,543
Reclassification of Senior Ranger to Open Space Supervisor	19,422		19,422
Total Salary and Benefits Changes	\$117,389	\$(235,545)	\$(118,156)
2002-03 Salary Increase (Note 5)	386,576		386,576
Personnel Benefit Costs (Note 2)	(551,413)		(551,413)
Total Net Salary and Benefits Changes	\$(47,448)	\$(235,545)	\$(282,993)
Non-Salary			
Arts			
Repair Children's Theatre rigging system		10,000	10,000



Community Services *continued*

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
One-time reduction at Community Theatre for facility and equipment purchase budget		(20,000)	(20,000)
Contract services		3,000	3,000
Golf			
Reduction in facilities, construction, and planting materials will defer work to later years	(228,500)	25,000	(203,500)
Reduction of water and landfill charges	(23,800)		(23,800)
Reduction from the Adopted-in-Concept Budget for kitchen equipment at the Golf Course restaurant	(3,300)		(3,300)
Parks			
Tennis court resurfacing for Rinconada		10,000	10,000
Increase for parks maintenance contracts	100,497		100,497
Reduction in landfill charges	(13,000)		(13,000)
Reduction in soil, seed, fertilizer, and equipment purchases for the City and PAUSD athletic field maintenance program		(5,000)	(5,000)
Contract services	25,497		25,497
Human Services			
HSRAP increase of 3%	37,825		37,825
Reduction from the Adopted-in-Concept Budget for HSRAP	(18,523)		(18,523)
One-time addition for four agencies added to HSRAP (on a one-time basis)		52,265	52,265
Library			
Elimination of ISDN line expense that is paid by the Information Technology Division	(8,000)		(8,000)
Office supplies and mailing expense reduction due to the elimination of overdue notices	(5,000)		(5,000)
Collections	26,000		26,000
Open Space			
Contract services	9,000		9,000
Recreation			
Additional contract dollars to allow increased participation in youth and adult classes, offset by revenue	13,049		13,049



Community Services *continued*

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
Increase contract service expense for increased spring/summer programming (offset by revenue)	28,080		28,080
Reduction from the Adopted-in-Concept Budget for inflationary increase for California Land Management patrol of downtown parks	(1,600)		(1,600)
Total Non-Salary Changes	\$(61,775)	\$75,265	\$13,490
TOTAL EXPENDITURE CHANGES	\$(109,223)	\$(160,280)	\$(269,503)
Adjustments (Note 1)	802,695		802,695
Department-wide allocated charges (Note 3)	631,871		631,871
NET EXPENDITURE CHANGES	\$1,263,568	\$(85,015)	\$1,165,063

RESOURCE LEVEL NOTES

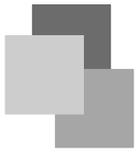
Note 1: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments.

Note 2: The historically favorable performance of CALPERS retirement investments have allowed the City to postpone a portion of budgeted contributions in 2002-03.

Note 3: Allocated Charges are increasing primarily due to the implementation of a financial plan for the replacement and maintenance of existing technologies, as recommended in the Information Technology Strategic Plan.

Note 4: Underfilled positions include Special Events Supervisor, Special Events Administrator, and Aquatics Supervisor. These positions will be temporarily filled in 2002-03 with coordinators.

Note 5: Council approved compensation increases in 2002-03.



Community Services *continued*

FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

17.73	Arts and Culture
7.63	Cubberley Community Center
11.80	Golf Services
28.32	Park Services
6.03	Human Services
43.76	Library Services
16.45	Open Space and Sciences Services
18.38	Recreational Services
150.10	Subtotal

Allocated Administration

0.60	Deputy Director Community Services
0.10	Administrator Human Services
0.10	Director, Libraries
0.20	Director, Recreation and Open Space
0.70	Director, Community Services
0.10	Director Arts and Culture
0.10	Director, Parks and Golf
1.00	Administrative Assistant
2.90	Subtotal

153.00	Total Positions
--------	-----------------

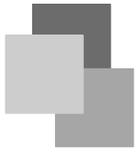
\$12,270,402 Total Position Costs

2002-03 HUMAN SERVICES CONTRACTS

COMMUNITY SERVICES DEPARTMENT

Funding Source	
2002-03 Base Budget	\$1,260,837
3% Increase	\$37,825
One-time Increase	\$52,265
2002-03 Adopted Budget	\$1,350,927
Use of Funds	
Sole Source Contractors	\$904,676
Two-Year Contractors	\$446,251
Total 2002-03 Use of Funds	\$1,350,927

EXPENDITURE CATEGORY	Adopted Budget 2001-02	Agency Requests 2002-03	ADOPTED BUDGET 2002-03		
			Ongoing	One-Time (2)	Total
Sole Source Contractors					
Avenidas - Senior Services (1)	439,632		452,821		\$452,821
PACCC - CC Subsidy and Outreach (1)	431,456		444,400		\$444,400
Second Harvest - Operation Brown Bag (1)	7,238		7,455		\$7,455
Sole Source Contractors Subtotal	\$878,326		\$904,676		\$904,676
HUMAN RESOURCE ALLOCATION PROCESS					
Two-Year Contractors					
Adolescent Counseling Services	96,289		99,178		\$99,178
Alliance for Community Care - Homeless Outreach	26,477		27,271		\$27,271

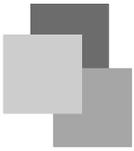


2002-03 HUMAN SERVICES CONTRACTS *CONTINUED*

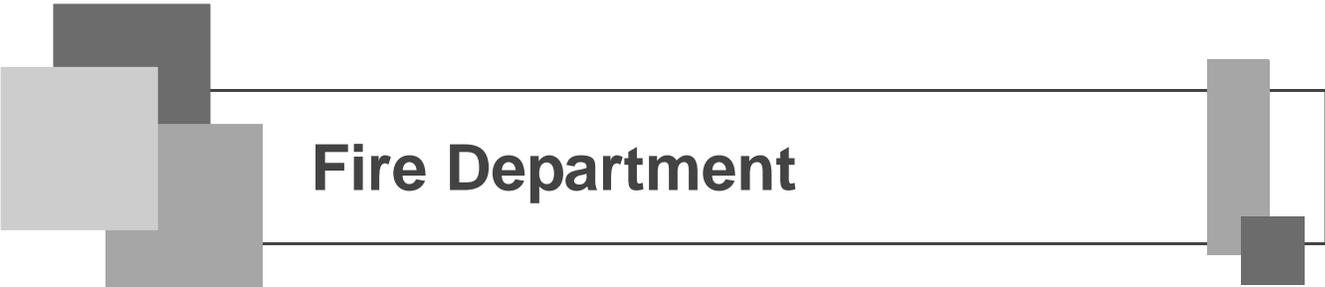
	Adopted Budget 2001-02	Agency Requests 2002-03	ADOPTED BUDGET 2002-03		
			Ongoing	One-Time (2)	Total
HUMAN RESOURCE ALLOCATION PROCESS - continued					
American Red Cross - Homelessness Prevention	12,360		12,731		\$12,731
Community Assoc. for Rehabilitation - Disabilities Services	43,800		45,114		\$45,114
Community Technology Alliance	15,000		15,450		\$15,450
La Comida - Senior Nutrition	32,733		33,715		\$33,715
MayView Community Health Center - Health Svc. For Low-Inc.	17,426		17,949		\$17,949
Outreach & Escort - Senior Outreach	6,180		6,365		\$6,365
Penin. Assoc. of Retarded Children & Adults - Rec. & Community Bldg.	15,033			15,484	\$15,484
Project Sentinel - Mediation Services	66,385		52,855	15,522	\$68,377
Senior Adult Legal Services - Legal Assistance to Elders	8,280			8,528	\$8,528
Social Advocates for Youth-Safe Place	7,928		8,166		\$8,166
Support Network for Battered Women	19,946		20,544		\$20,544
Urban Ministry of Palo Alto	33,475		34,479		\$34,479
YMCA-Palo Alto Branch-Ventura Activity Center	8,240		8,487		\$8,487
YWCA - Rape Crisis Center	11,342		11,682		\$11,682
YWCA - Youth Community Service	12,360			12,731	\$11,342
Subtotal Two-Year Contractors	\$433,254		\$393,986	\$52,265	\$444,862
TOTAL	\$1,311,580		\$1,298,662	\$52,265	\$1,349,538

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

(2) These one-time appropriations are not part of the HSRAP base budget.



2002-03 HUMAN SERVICES CONTRACTS *CONTINUED*



Fire Department



Fire

To protect life, property and the environment from the perils of fire, hazardous materials, and other disasters through rapid emergency response, proactive code enforcement, modern fire prevention methods, and progressive public safety education for the benefit of the community.

OVERVIEW

In 2002-03, the Fire Department will focus on public education efforts in the areas of disaster preparedness, fire prevention, bicycle safety, and continue its emphasis on employee training and safety. Opportunities for expanding fire services and training programs to other jurisdictions will be evaluated.

The department will also coordinate with the Public Works Department to conduct a seismic evaluation of all fire stations to determine their suitability as essential facilities during a disaster. The department will evaluate the potential for public/private partnerships to meet its future infrastructure.

In addition, the department will evaluate firefighter safety through training, equipment and staffing reviews, and a major effort will be given to identifying and complying with all CAL OSHA mandates. The department will develop a leadership training program for supervisors and managers within the Fire Department, and coordinate with Human Resources for expansion to other City departments.

The department will continue providing confined space rescue training for Fire, Public Works, and Utilities Department; and implement a campaign to provide the training to private industry to enhance quality in a cost-effective manner. The department will also continue to evaluate opportunities for outsourcing Fire Department services to neighboring jurisdiction; and evaluate the feasibility with Santa Clara County Emergency Medical Services of a City/County agreement for the delivery of emergency medical services within and outside of Palo Alto, including interfacility transportation.

The department will add one Basic Life Support (BLS) level ambulance, along with the necessary paramedic staff. The ambulance will be available for interfacility transfers and low-level medical transports five days a week. This ambulance will increase the level of service to the community and increase the efficiency of the current EMS system without adding additional costs to the City, as the program will achieve full cost recovery through its fee structure.

NEW PROGRAM UPDATE

The Fire Department has accomplished the following in new program implementation:

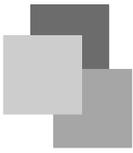
Paramedics on engine companies

- The department is in the implementation phase of placing 39 Paramedics on Engine Companies. Initially, five companies are expected to provide service. The engine company paramedic program will be in addition to the existing paramedic ambulances used by the Fire Department.

Market department training classes

- Confined space rescue program: The department will continue providing confined space rescue training for Fire, Public Works, and Utilities Departments. Similar classes will be offered to industry and other agencies on a fee basis beginning in 2002-03.

Other cost saving activities



Fire *continued*

- The department will be purchasing mask-fit testing equipment and will be training personnel on how to perform the test. This will allow the department to independently handle the initial testing, all make-ups, new hire testing, etc. The cost savings to the department will be approximately \$3,000 per year once the department begins performing its own Mask-fit tests.

Leadership training program

- Work is continuing through both the Upward Mobility, and the Leadership Development Committees. The department has representation on both committees. The department also participates in a County-wide committee which is redesigning a Fire Officer Academy program which will deliver management/supervisory classes for first-line supervisors in the fire service.

Palo Alto neighborhood disaster activities training (PANDA)

- The PANDA program now has 160 graduates to date.

Sustainability plan development

- The department continues to work with the City Manager's office to complete the first-ever sustainability inventory, a tool that will help the City measure its success in becoming a more sustainable community. Additionally, the department plans to create an Internet site on the City's web site for sustainability information.

Hazardous materials/hazardous waste permit fees consolidation

- The department completed the incorporation of Santa Clara County Environmental Health and State of California fees and charges for hazardous materials and hazardous waste related programs into a state-mandated single fee and permit.

Basic Life Support (BLS) Ambulance Service

- This program is new for 2002-03. The department is in the process of adding a BLS transport ambulance to increase the efficiency of the EMS system. See overview section above for a description of the program.

COUNCIL PRIORITY IMPLEMENTATION

The Fire Department has no programs in 2002-03 that directly implement the City Council's top five priorities.

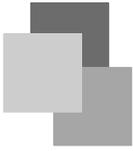
DEPARTMENT SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Emergency Response	11,986,141	12,558,895	12,423,009	13,836,268	1,277,373
Environmental and Safety Management	1,540,947	2,134,610	2,304,833	2,371,197	236,587
Training and Personnel Management	2,007,619	1,812,072	1,777,399	1,946,783	134,711
Records and Information Management	1,302,797	788,871	828,262	900,816	111,945
TOTAL EXPENDITURES	\$16,837,504	\$17,294,448	\$17,333,503	\$19,055,064	\$1,760,616
TOTAL FULL TIME POSITIONS	129.00	129.00	130.00	132.50	3.50
TOTAL TEMPORARY POSITIONS	0.75	0.75	0.75	0.75	0.00
TOTAL REVENUES	\$7,013,204	\$7,397,452	\$7,001,219	\$8,718,720	\$1,321,268
INTERNAL REVENUES	90,544	128,374	148,814	152,660	24,286
EXTERNAL REVENUES	6,922,660	7,269,078	6,852,405	8,566,060	1,296,982



Fire *continued*

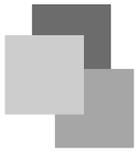
RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES			
Hazardous Materials Permit Fees	10,000		10,000
Annual Fire Prevention Permits	3,000		3,000
Paramedic fees includes \$332,000 for the addition of BLS (Basic Life Support) ambulance, \$140,000 for the outsourcing of the Paramedic billing function, and \$275,000 to align budget with actuals	747,000		747,000
Confined Space Permits & Training	20,000		20,000
Reimbursement from Stanford to align budget with projected actuals	675,467	3,636	679,103
Reimbursement from Enterprise Funds & Customers	15,200		15,200
Inspection, and Fire Flow fee increases/additions	14,500		14,500
Plan Checking Fee including \$260,000 to align budget with actuals and \$38,500 for miscellaneous additional fees	298,500		298,500
Administrative citation for non compliance	1,000		1,000
Enterprise funds interfund transfer for environmental administration	33,201		33,201
Increase SLAC reimbursement	21,000		21,000
Fire Department training	1,000		1,000
Emergency Planning Guide	1,000		1,000
Fire Department Store	17,000		17,000
TOTAL REVENUE CHANGES	\$1,857,868	\$3,636	\$1,861,504
Adjustments (Note 1)	(540,236)		(540,236)
NET REVENUE CHANGES	\$1,317,632	\$3,636	\$1,321,268
EXPENDITURE CHANGES			
Salary and Benefits			
Emergency Medical Technician (EMT) (3.0 FTE) for the Basic Life Support (BLS) Transport program (fully offset by revenue)	127,296		127,296
Office Specialist (0.5 FTE) to support the BLS program (fully offset by revenue)	31,908		31,908



Fire *continued*

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
Temporary funding reduction for frozen position: Office Specialist	(63,830)		(63,830)
Temporary funding reduction for frozen position: Fire Inspector	(144,184)		(144,184)
Reduction from the Adopted-in-Concept Budget: 1.0 FTE Fire Inspector	(144,184)		(144,184)
Total Salary and Benefits Changes	\$(192,994)	\$0	\$(192,994)
2002-03 Salary and Benefit Increase (Note 3)	772,520		772,520
Personnel Benefit Costs (Note 3)	234,939		234,939
Total Net Salary and Benefits Changes	\$814,465	\$0	\$814,465
Non-Salary			
Confined Space Training & Equipment, offset by Enterprise Fund reimbursement and customer fees	30,400		30,400
Hazardous Materials Communication Equipment		12,000	12,000
BLS associated expenses, including training, medical supplies, tools, and vehicle maintenance and replacement charges for the new ambulance.	76,000		76,000
Budget reductions including \$27,000 for fire hydrant charges from Utilities and \$1,500 in miscellaneous contract services expenditures.	(27,000)	(1,500)	(28,500)
Outsource paramedic billing	134,000		134,000
Total Non-Salary Changes	\$213,400	\$10,500	\$223,900
TOTAL EXPENDITURE CHANGES	\$1,027,865	\$10,500	\$1,038,365
Adjustments (Note 1)	678,505		678,505
Department-wide allocated charges (Note 2)	43,746		43,746
NET EXPENDITURE CHANGES	\$1,750,116	\$10,500	\$1,760,616



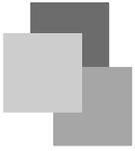
Fire *continued*

RESOURCE LEVEL NOTES

Note 1: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments.

Note 2: Allocated Charges are increasing primarily due to the implementation of a financial plan for the replacement and maintenance of existing technologies, as recommended in the Information Technology Strategic Plan.

Note 3: Council approved compensation increases in 2002-03.



Fire *continued*

FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

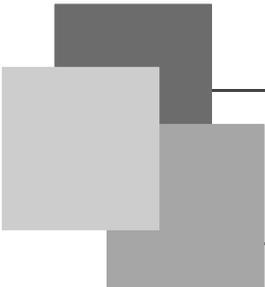
93.54	Emergency Response
16.18	Environmental and Safety Management
14.02	Training and Personnel Management
7.56	Records and Information Management
131.30	Subtotal

Allocated Administration

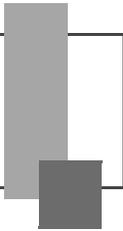
0.50	Administrative Assistant
0.40	Fire Chief
0.30	Deputy Fire Chief
1.20	Subtotal

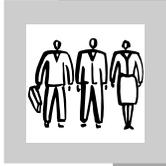
132.50	Total Positions
--------	-----------------

\$16,637,495 Total Position Costs



**Human Resources
Department**





Human Resources

To attract, develop and retain a diverse, well-qualified and professional workforce that reflects the high standards of the community we serve.

OVERVIEW

Employee retention will continue to be a major focus of the Human Resources Department for 2002-03. Initiatives will be launched in the areas of compensation benchmarking, career development and upward mobility, work life assistance and management development. In the employment functional area, efforts will be made to increase utilization of employee referral incentive program, to develop a specialized recruitment sourcing component of the candidate outreach program and to gather turnover information through improved post-exit interviews procedures.

Emphasis on the development and implementation of childcare, commute and work/life programs will continue. Work with departments to restructure appropriate positions to accommodate job-sharing and half-time positions will be conducted and support for telecommuting will be provided.

In employee development, the area of employee development will be expanded through E-learning and computer based training opportunities. Departments will be assisted in developing tools to provide ongoing feedback and recognition through a variety of mechanisms. Assistance will also be given in the creation of the Training Services program within the new City of Palo Alto External Services Fund.

In Risk Management and Safety, an update of the mandated Citywide safety training requirements will be completed and will be provided for supervisors to access electronically. To comply with the Bloodborne Pathogens standard, the Hepatitis B vaccination will be provided to all employees with occupational exposure. In addition, a risk management annual report will be developed and the plan to bring Benefits under the Risk Management functional area will be implemented.

NEW PROGRAM UPDATE

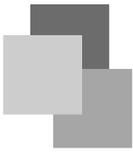
The Human Resources Department has accomplished the following in new program implementation:

Employee Compensation and Benefits

- Developed six-year Memorandum of Agreement with the Palo Alto Peace Officers' Association and a three-year Memorandum of Agreement with the Fire Chief's Association
- Facilitated December 2001 furlough on a trial basis
- Implemented a vacation cash out program
- Developed and distributed a compensation and benefits statement to all employees
- Developed incentive plan option in lieu of dependent medical coverage which will be offered beginning in June 2002, with savings split between the employee and the City

Workforce Recruitment and Selection

- Developed a joint candidate outreach program in conjunction with Pacific Gas and Electric for specialized utility personnel
- Worked with departments to restructure appropriate positions to accommodate job-sharing and half-time positions



Human Resources *continued*

- Streamlined employment process resulting in 1/3 less selection time and ten percent less staff time
- Established third party exit interview process to obtain objective measurement on turnover causes and retention solutions

Employee Development/Worklife

- Designed and launched a new employee orientation program
- Expanded training partnerships with community and nearby municipalities for revenue generation
- Developed an Upward Mobility Program and action plan

Risk Management

- Updated the property appraisal report in order to accurately secure property insurance
- Completed an update of mandated Citywide safety training requirements and will be available for supervisors to access electronically
- Coordinated a Hepatitis B vaccination procedure for all employees with occupational exposure as required by the Bloodborne Pathogens Standard (GISO 5193); to-date 146 employees have received or are concluding their vaccinations

COUNCIL PRIORITY IMPLEMENTATION

The Human Resources Department has no programs in 2002-03 that directly implement the City Council's top five priorities.

DEPARTMENT SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Employee Compensation and Benefits	588,469	634,912	617,537	621,708	(13,204)
Workforce Recruitment and Selection	663,881	644,449	671,476	681,888	37,439
Employee Development/Worklife	494,465	604,212	620,136	640,203	35,991
Transportation Demand Management	79,922	0	0	0	0
Risk Management	396,691	494,056	434,677	400,018	(94,038)
TOTAL EXPENDITURES	\$2,223,428	\$2,377,629	\$2,343,826	\$2,343,817	\$(33,812)
TOTAL FULL TIME POSITIONS	14.00	15.00	15.00	15.00	0.00
TOTAL TEMPORARY POSITIONS	1.42	1.00	1.00	1.00	0.00
TOTAL REVENUES	\$1,049,467	\$1,016,042	\$1,065,344	\$1,096,404	\$80,362
INTERNAL REVENUES	1,049,467	1,016,042	1,065,344	1,096,404	80,362
EXTERNAL REVENUES	0	0	0	0	0



Human Resources *continued*

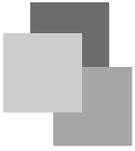
RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES			
Allocated revenues-internal	80,362		80,362
TOTAL REVENUE CHANGES	\$80,362		\$80,362
EXPENDITURE CHANGES			
Salary and Benefits			
Personnel Reclassifications	(13,676)		(13,676)
Total Salary and Benefits Changes	\$(13,676)		\$(13,676)
2002-03 Salary and Benefits Increase (Note 2)	25,025		25,025
Personnel Benefit Costs (Note 3)	(66,721)		(66,721)
Total Net Salary and Benefits Changes	\$(41,696)		\$(41,696)
Non-Salary			
Ergonomics evaluations		13,160	13,160
Training program-employee retention	50,000		50,000
Recognition program		(25,000)	(25,000)
Pre-employment exam	(5,000)		(5,000)
Relocation		(20,000)	(20,000)
Total non-salary	\$45,000	\$(31,840)	\$13,160
TOTAL EXPENDITURE CHANGES	\$3,304	\$(31,840)	\$(28,536)
Adjustments (Note 1)		(59,040)	(59,040)
Department-wide Allocated Charges (Note 4)	53,765		53,765
NET EXPENDITURE CHANGES	\$57,069	\$(90,880)	\$(33,811)

RESOURCE LEVEL NOTES

Note 1: Adjustments to the 2001-02 Adjusted Budget include numerous one-time revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other increases are the result of numerous one-time decreases that were in the 2001-02 mid-year adjustments.

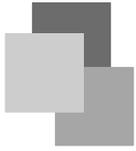
Note 2: Council approved compensation increases in 2002-03.



Human Resources *continued*

Note 3: The historically favorable performance of CALPERS retirement investments have allowed the City to postpone a portion of budgeted contributions in 2002-03.

Note 4: Allocated Charges are increasing primarily due to the implementation of a financial plan for the replacement and maintenance of existing technologies, as recommended in the Information Technology Strategic Plan.



Human Resources *continued*

FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

4.30	Employee Compensation and Benefits
4.55	Workforce Recruitment and Selection
2.35	Employee Development/Worklife
2.55	Risk Management
13.75	Subtotal

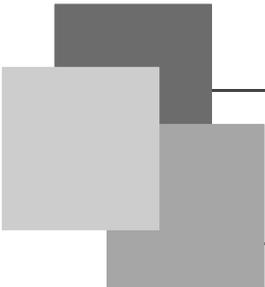
Allocated Administration

0.20	Director, Human Resources
0.25	Risk Manager
0.20	Human Resources Assistant Confidential
0.40	Administrative Assistant
0.20	Business Analyst
1.25	Subtotal

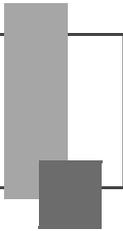
15.00	Total Positions
-------	-----------------

\$1,488,002 Total Position Costs

This page is intentionally left blank.



**Planning and Community
Environment**





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, plans and programs which maintain and enhance the City as a safe, vital and attractive community.

OVERVIEW

In 2002-03 the Department's major goals include intensive work on a comprehensive update to the Zoning Ordinance, implementation of traffic calming and safety initiatives, and the development of affordable housing.

The Zoning Ordinance Update project will result in a draft ordinance by March, 2003, to be considered by City Council, with community input at subsequent public hearings. The update will be adopted as amended through the public hearing process.

Traffic calming and safety initiatives will include two new traffic signals, installation of traffic calming devices and pedestrian crosswalk improvements, and a new bicycle-pedestrian undercrossing at Homer Avenue and Alma streets. Mobility projects include refinements to shuttle operations, adoption of the Bicycle Master Plan, begin work on the Charleston Road corridor conceptual plan, and ongoing public outreach efforts related to alternative transportation and traffic safety.

Regulatory agreements & building permit for the Oak Court Project are scheduled for 2002-03, which is the next step in adding affordable housing in the South of Forest Area. Staff will also work with property owners to develop a plan for the Buena Vista Mobile Home Park. Staff will work toward building community awareness and support for quality affordable housing, including site tours of regional housing projects. The department will work with the City-selected affordable housing developer to acquire additional housing sites, and allocate CDBG funds for Opportunity Center housing.

Other initiatives planned for 2002-03 include completing several studies:

- Lytton Neighborhood Traffic Calming Study
- Downtown North Traffic Calming Trial
- South El Camino Real Study
- California Avenue Bicycle and Pedestrian Undercrossing Study
- Safe Routes To School Plan

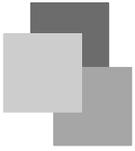
Development Center services will continue to improve as a result of the permit coordination pilot program started last year. This program facilitates cross-departmental response to project plans and by providing customers with consolidated comments on building permit applications. For 2002-03, the Planning and Community Environment Department is adding an Office Specialist for the Development Center to better track the increased volume of permit applications.

NEW PROGRAM UPDATE

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

Shuttle Service

- Implemented Palo Alto's local shuttle service in December 1999



Planning and Community Environment *continued*

- Expanded shuttle routes in September 2001
- Provided 196,000 shuttle rides from December 2000 through February 2002

Traffic Calming & Safety

- Initiated Neighborhood Traffic Calming (NTC) program in April 2001, four projects underway
- Launched "As If" traffic safety campaign, funded primarily by grants and donated marketing and graphic design expertise
- Awarded \$3.37 million in grants since June 2000 for various traffic safety, shuttle, and capital projects
- Completed pedestrian safety improvements at five crosswalk locations
- Completed plans for the Embarcadero Bike Path project, including potential Federal funding

Building & Inspection Services

- Achieved 93% approval rating via customer surveys
- Implemented automated permit system, including on-line permit status and multi-department tracking
- In May 2001 staff provided Plan Review completion dates, adding certainty to the permit process

Long Range Planning

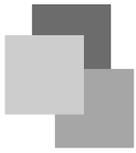
- Commenced zoning ordinance update work program, including community outreach, staff assignments, research, and council study sessions
- Awarded \$240,000 grant for South El Camino Real area planning and design
- Proposed impact fees for parks, community centers and libraries
- Awarded \$800,000 in Community Development Block Grants
- Completed Housing Element Draft and forwarded to State for comments.

Current Planning

- Implemented Development Review Committee to coordinate staff comments on planning applications and projects
- Established and staffed "The Future of Single Family Neighborhoods"
- Implemented the Individual Review program November 2001

Customer Service

- Provided 7-session customer service training to all departments at the Development Center, followed by training in public meeting presentation skills
- Changed noticing procedures to better inform the public regarding project approval
- Significantly improved web page content, including ARB, Way 2 Go, and on-line forms



Planning and Community Environment *continued*

COUNCIL PRIORITY IMPLEMENTATION

The 2002-03 Planning Department's Adopted Budget will implement the City Council's top five priorities as follows:

Alternative Transportation (Estimated Cost \$3,441,000)

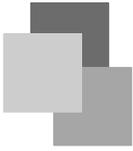
- Install physical improvements to enhance crosswalk safety in six locations
- Respond to community input regarding CEQA review of proposed Homer Undercrossing Project
- Present South Palo Alto School Commute Safety study results to City Council
- Update Citywide traffic model
- Complete Lytton Neighborhood traffic study
- Present results of Downtown North Traffic Calming Trial
- Continue planning for Intermodal Transit Center in collaboration with Stanford University
- Enhance and expand city employee commute incentives
- Complete intersection improvements at Middlefield/Meadow and Terman by September 2003
- Begin construction of Embarcadero bike path from PAMF to Churchill

Land Use Planning (Estimated Cost \$4,507,000)

- Complete draft Zoning Ordinance Update by March 2003
- Complete South El Camino Real Study, including concept plans and schematic design
- Supplemental EIR for Stanford Research Park is not included in the 2002-03 budget, pending further Council direction on funding and scope

Affordable/Attainable Housing (Estimated Cost \$1,412,000)

- Complete Housing Element Update to the Comprehensive Plan
- Complete regulatory agreements & building permit for Oak Court Project
- Work with property owners to develop plan for Buena Vista Mobile Home Park
- Build community awareness/support for quality affordable housing
- Allocate CDBG funds for Opportunity Center Housing/ fast-track development review process for project
- Work with City-selected affordable housing developer to acquire additional housing sites
- Complete administrative changes to Commercial In-lieu housing impact fee



Planning and Community Environment *continued*

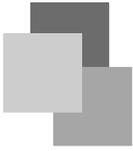
DEPARTMENT SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Public Information	929,061	1,242,872	1,198,206	1,249,169	6,297
Liaison, Coordination and Technical Advice	326,156	0	0	0	0
Construction Review	2,339,937	2,401,483	2,388,849	2,731,070	329,587
Advance Planning	924,971	1,455,261	1,135,939	1,580,467	125,206
Transportation and Parking	965,886	1,411,366	1,419,077	1,406,829	(4,537)
Neighborhood Services and Programs	324,443	0	0	0	0
Information Management	190,988	0	0	0	0
Development Review	715,150	1,849,927	1,554,030	1,391,586	(458,341)
Dev. Review Single-Family and Historic	235,665	0	0	0	0
TOTAL EXPENDITURES	\$6,952,257	\$8,360,909	\$7,696,101	\$8,359,121	\$(1,788)
TOTAL FULL TIME POSITIONS	54.50	58.00	56.50	59.00	1.00
TOTAL TEMPORARY POSITIONS	5.75	2.55	2.55	2.55	0.00
TOTAL REVENUES	\$4,567,166	\$4,923,877	\$4,505,242	\$5,010,130	\$86,253
INTERNAL REVENUES	244,845	309,311	222,874	321,437	12,126
EXTERNAL REVENUES	4,322,321	4,614,566	4,282,368	4,688,693	74,127



Planning and Community Environment *continued*

RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES			
Plan Checking Fee	57,460		57,460
Microfilm Fee	1,697		1,697
Tree Manual	200		200
Use Permit	20,000		20,000
Architectural Review Fee	255,867		255,867
Environment Impact Report Fee	(138,000)		(138,000)
Administrative Citations	10,000		10,000
Attendant Parking Fee (University Ave.)	15,000		15,000
Building -New Construction Permit	115,301		115,301
TDA Grants	25,000		25,000
Reimbursement from PAUSD for Shuttle Program	45,000		45,000
Locker Rentals	(1,200)		(1,200)
Gas Tax	88,563		88,563
CDBG	10,000		10,000
Development Center Lease Increase	14,860		14,860
TOTAL REVENUE CHANGES	\$519,748		\$519,748
Adjustments (Note 1)	(433,495)		(433,495)
NET REVENUE CHANGES	\$86,253		\$86,253
EXPENDITURE CHANGES			
Salary and Benefits			
Office Specialist (Permit Coordinator)	63,830		63,830
Freeze Office Specialist for 6 months	(29,099)		(29,099)
Personnel Reclassifications	24,845		24,845
TOTAL SALARY AND BENEFITS CHANGES	\$59,576		\$59,576
2002-03 Salary and Benefits Increase (Note 2)	233,531		233,531
Personnel Benefits Costs (Note 3)	(151,483)		(151,483)
TOTAL NET SALARY AND BENEFITS CHANGES	\$141,624		\$141,624
Non-Salary			
Development Center Lease	14,271		14,271
Zoning Ordinance Update		75,000	75,000
Traffic Calming		50,000	50,000
Board & Commissions		(5,000)	(5,000)
Special Events shuttle		(9,000)	(9,000)



Planning and Community Environment *continued*

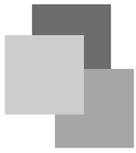
	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
Shuttle Expense offset by PAUSD Reimbursement	42,000		42,000
Shuttle Operations	192,000		192,000
City Membership	36,437		36,437
Pedestrian Safety Project funded by TDA Grant		25,000	25,000
Single Family Individual Review	88,600		88,600
Total Non-Salary Changes	\$373,308	\$136,000	\$509,308
TOTAL EXPENDITURE CHANGES	\$514,932	\$136,000	\$650,932
Adjustments (Note 1)		(652,720)	(652,720)
NET EXPENDITURE CHANGES	\$514,932	\$(516,720)	\$(1,788)

RESOURCE LEVEL NOTES

Note 1: Adjustments to the 2001-02 Adjusted Budget include numerous one-time revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other increases are the result of numerous one-time decreases that were in the 2001-02 mid-year adjustments.

Note 2: Council approved compensation increases in 2002-03.

Note 3: The historically favorable performance of CALPERS retirement investments have allowed the City to postpone a portion of budgeted contributions in 2002-03.



Planning and Community Environment *continued*

FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

8.95	Public Information
20.00	Construction Review
11.90	Advance Planning
6.40	Transportation and Parking
8.75	Development Review
56.00	Subtotal

Allocated Administration

1.00	Director, Planning & Community Environment
1.00	Administrative Assistant
1.00	Administrator, Planning & Community Env.
3.00	Subtotal

59.00	Total Positions
-------	-----------------

\$5,640,427 Total Position Costs

This page is intentionally left blank.



Police Department



Police

To provide exceptional public safety services and take a leadership role in building community partnerships.

OVERVIEW

In 2002-03, the Police Department will continue implementation of the Strategic Plan that was developed during 1999-00. The plan consists of a three-to-five year mission for the Department with specific goals and objectives.

The Police Department continues to make the recruitment and selection of both sworn and non-sworn employees a priority. Sworn staffing has fluctuated during the year. For a short period of time, all sworn vacancies were full for the first time in many years. However, with retirements, resignations, and injuries, staffing continues to be a major issue. The Department has continued to participate in regional activities such as the Rapid Enforcement Allied Computer Team (REACT), traffic safety initiatives, and the School Resource Officer program, but has had to disband the Special Problems Team.

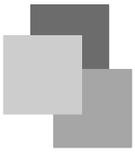
The High-Technology/Financial Crime Unit will expand its capability to investigate the increasing number of identity theft and Internet fraud cases, with the implementation in 2002-03 of an in-house computer forensics lab with mobile capabilities. Additionally, the Department will initiate use of the City's Geographic Imaging System (GIS) for crime analysis, crime mapping, and traffic safety planning.

Traffic calming will continue to be a priority for the Police Department, with special emphasis on speeding violations, red light enforcement and pedestrian safety. This work will include participation on City task forces charged with identifying traffic calming measures for neighborhood streets, and development and implementation of traffic safety plans for schools. The Department also will begin to enforce contingency parking plans during the construction of new parking structures. As requested by the Council, the Police Department has added two milestones for 2002-03 associated with the Council priority for traffic safety: 1) reduce the total number of accidents within the SuperBlock bordered by Charleston Road, Alma Street, East Meadow and Middlefield Road by 15 percent compared to 2001-02, and 2) reduce the total number of injury accidents citywide by 15 percent compared to 2001-02.

The creation of the Technical Services Division in 2000-01 has enabled the Department to significantly upgrade its technology. Research, development and implementation will continue in this area in 2002-03. Additionally, the feasibility of providing communication services on a contract basis to neighboring jurisdictions will be studied. Due to the City's current budget situation, two Communications Dispatcher positions that were approved-in-concept last year are not included in the 2002-03 budget as planned. The Department will monitor Communications Center staffing and workload closely during the coming year. Due to an FCC mandate, a minimum 35 percent increase in call volume is expected in calendar year 2003 when all 9-1-1 emergency calls made from cellular phones originating in Palo Alto will be re-directed to local communications centers.

Police Department staff will continue to develop final conceptual plans and a financing strategy for the Communication Center/Police Building repair and renovation project.

In the 2002-03 Adopted-in-Concept budget, costs associated with the start up process for a residential parking permit program for neighborhoods adjacent to the Downtown area were included in Administrative Services and the Police Department budgets. Due to the decision to delay that program as a result of the City's financial situation, those costs are not reflected in the 2002-03 Adopted Budget.



Police *continued*

The Police Department 2002-03 Adopted Budget shows significant change in three functional areas: Parking Services, Special Events, and Police Information Management. There have been no significant changes to revenues, expenditures or staffing for these three areas from the 2002-03 Adopted-in-Concept Budget, however, they no longer appear as separate functional areas in the actual budget document. This change in presentation was made to streamline the Department budget and allow division managers to more effectively control their activities. With these changes, the Police Department budget more closely resembles the day-to-day operations of the Department, allowing for more accurate management and reporting to the City Council and the public.

NEW PROGRAM UPDATE

The Police Department has accomplished the following in new program implementation:

Strategic Plan

- Designed and implemented a Strategic Plan for the Department, with a three-year mission statement, and goals and objectives that are evaluated every six months.

Child Safety Seat Inspection Program

- Implemented first year of program, utilizing an existing half-time Police Officer position.
- Conducted 674 safety seat inspections/installation instruction sessions.
- Received numerous letters of commendation (and several monetary donations) for the program.

Alarm Registration Program

- Implemented building alarm registration program, to reduce the amount of time spent by officers in responding to false alarms.
- To date, 475 alarms have been registered representing \$16,625 in new revenue.

Animal Services Division

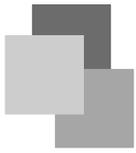
- Fully computerized all shelter management functions.
- Added a "disaster van" to increase flexibility in responding to larger emergency situations.

High Technology and Financial Crime Unit

- Initiated comprehensive program to prevent and investigate identity theft.
- Expanded role of sexual assault investigators to include the investigation of Internet-related crimes involving exploitation of children and child pornography.
- Initiated computer forensics for all crimes committed with the use of electronic devices.
- Participated on the countywide Rapid Enforcement Allied Computer Team (REACT) Task Force.

Information and Technology

- Created the new Technical Services Division, bringing all support services (Communications, Records, Technology) under the direction of a civilian commander. This innovative structure is now being modeled by other law enforcement agencies throughout the Bay Area.



Police *continued*

- Implemented new Police Records Management System (RMS), automating access of records previously held in paper format and making them available through remote and field locations.
- Developed the Department's interactive web site, including the ability to file on-line police reports and permit applications, and extending police services and resources to the public 24-hours a day.
- Designed and initiated an In-House Dispatcher Training Academy for all new Communications Dispatchers, which will be marketed to other public agencies as a revenue-generating tool.

Patrol Services

- New 4-11 schedule implemented, resulting in overtime savings of 14 percent and reorganization of the patrol function for more effective supervision.
- Continued for a portion of the year, the Special Problems Team implemented the new Special Problems Team (SPT), a group of officers dedicated to addressing crime trends and activities in the downtown area related to alcohol, probation and parole violations. The SPT was responsible for 16 felony arrests and 45 misdemeanor arrests, and spent 147 hours downtown and 124 hours investigating narcotics cases.
- Developed a Terrorism Response Plan for the City, working with a committee of Police, Fire, Public Works, Utilities and Stanford Hospital representatives, to address EOC and field operations during a terrorist incident.
- Initiated testing and certification of gardeners, and Administrative Citation Program for leaf blower violations.

Personnel and Training

- Implemented Lateral Hiring Incentive Program, resulting in the hiring of 2 new Officers.

COUNCIL PRIORITY IMPLEMENTATION

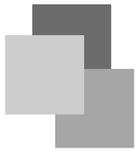
The 2002-03 Police Department's Adopted Budget will implement the City Council's top five priorities as follows:

CityWorks/Infrastructure

- Continue planning and financing efforts for the Communications Center/Police Building Repair and Renovation Project.

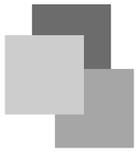
Alternative Transportation and Traffic Calming (\$1,662,000)

- Continue to promote the safe and orderly flow of pedestrian, bicycle and vehicular traffic.
- Participate in community task forces to identify traffic calming measures for collector and neighborhood streets, and school zones.
- Maintain a zero accident rate at crossing-guard controlled intersections (\$197,000)



Police *continued*

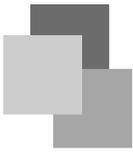
DEPARTMENT SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Requests for Service	5,336,355	5,337,389	5,334,854	5,828,357	490,968
Communications Services	2,500,679	2,370,140	2,411,134	4,375,568	2,005,428
Investigation and Disposition	2,421,443	2,728,743	2,755,062	3,401,021	672,278
Traffic Services	1,341,676	1,751,863	1,750,432	3,176,732	1,424,869
Proactive Policing Services	1,613,768	2,040,418	2,000,201	2,661,485	621,067
Police Personnel Services	3,191,360	2,670,967	2,562,849	1,218,503	(1,452,464)
Animal Services	1,146,235	1,074,020	1,088,353	1,225,940	151,920
Parking Services	750,938	961,441	966,497	0	(961,441)
Special Events	150,398	172,005	165,518	0	(172,005)
Police Information Management	1,015,525	1,546,473	1,702,873	0	(1,546,473)
TOTAL EXPENDITURES	\$19,468,377	\$20,653,459	\$20,737,773	\$21,887,606	\$1,234,147
TOTAL FULL TIME POSITIONS	174.00	176.50	179.50	177.50	1.00
TOTAL TEMPORARY POSITIONS	6.06	5.62	6.44	5.62	0.00
TOTAL REVENUES	\$3,834,478	\$4,391,669	\$3,756,196	\$4,516,567	\$124,898
INTERNAL REVENUES	445,967	441,525	406,590	512,018	70,493
EXTERNAL REVENUES	3,388,511	3,950,144	3,349,606	4,004,549	54,405



Police *continued*

RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES			
Reimbursement from Utilities (\$88,342) and Stanford (\$66,443) for communication charges	154,785		154,785
COPs grant funding	(61,435)	43,586	(17,849)
Parking violation revenue	489,000		489,000
Increase for fines and penal code violations	17,500		17,500
New revenue from Stanford for traffic control at football games	28,000		28,000
Grants for bullet proof vests		24,000	24,000
REACT Task Force reimbursement		50,000	50,000
TOTAL REVENUE CHANGES	\$627,850	\$117,586	\$745,436
Adjustments (Note 1)	(620,538)		(620,538)
NET REVENUE CHANGES	\$7,312	\$117,586	\$124,898
EXPENDITURE CHANGES			
Salary and Benefits			
Parking Enforcement Officer (1 FTE)	64,015		64,015
Add: Supervisor Police Services, Drop: Public Safety Dispatcher Chief	10,129		10,129
Add: Animal Services Specialist II, Drop: Animal Services Specialist	5,911		5,911
Temporary funding reduction for frozen position: Chief Communications Technician		(99,302)	(99,302)
Temporary funding reduction for frozen position: Office Specialist		(63,830)	(63,830)
Reduction from the Adopted-in-Concept Budget: Public Safety Dispatcher (2.0 FTE)	(134,537)		(134,537)
Reduction from the Adopted-in-Concept Budget: Police Services Supervisor (1.0 FTE)	(108,711)		(108,711)
Reduction from the Adopted-in-Concept Budget: Temporary Personnel	(30,821)		(30,821)
Total Salary and Benefits Changes	\$(194,014)	\$(163,132)	\$(357,146)
2002-03 Salary Increase (Note 3)	538,769		538,769
Personnel Benefit Costs (Note 3)	126,815		126,815



Police *continued*

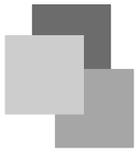
	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
Total Net Salary and Benefits Changes	\$471,570	\$(163,132)	\$308,438
Non-Salary			
Decrease in contract services based on review of year-end savings	(10,000)		(10,000)
Decrease in contract services due to the closure of attendant parking lot	(86,700)		(86,700)
Return of one-time funds to General Fund - decrease of funds for minor tools and field equipment	(19,500)		(19,500)
Uniform expense for bullet proof vests		24,000	24,000
Miscellaneous reductions	(21,900)		(21,900)
Total Non-Salary Changes	\$(138,100)	\$24,000	\$(114,100)
TOTAL EXPENDITURE CHANGES	\$333,470	\$(139,132)	\$194,338
Adjustments (Note 1)	945,023		945,023
Department-wide allocated charges (Note 2)	94,786		94,786
NET EXPENDITURE CHANGES	\$1,373,279	\$(139,132)	\$1,234,147

RESOURCE LEVEL NOTES

Note 1: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments.

Note 2: Allocated Charges are increasing primarily due to the implementation of a financial plan for the replacement and maintenance of existing technologies, as recommended in the Information Technology Strategic Plan.

Note 3: Council approved compensation increases in 2002-03.



Police *continued*

FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

40.90	Requests for Service
35.45	Communications Services
27.31	Investigation and Disposition
26.57	Traffic Services
21.55	Proactive Policing Services
8.52	Police Personnel Services
11.48	Animal Services
171.78	Subtotal

Allocated Administration

0.75	Assistant Police Chief, Advanced
0.01	Crime Analyst
0.97	Administrative Assistant
0.11	Business Analyst
1.37	Police Captain, Advanced
0.85	Police Chief, Advanced
0.23	Police Lieutenant, Advanced
0.04	Staff Secretary
0.10	Superintendent, Animal Services
0.29	Supervisor, Police Services
0.90	Administrator Police
0.10	Coordinator Police Technical Services
5.72	Subtotal

177.50	Total Positions
--------	-----------------

\$18,485,752 Total Position Costs

This page is intentionally left blank.



Public Works Department



Public Works

To provide efficient, cost effective construction, maintenance, and management of Palo Alto streets, sidewalks, parking lots, buildings and other public facilities; to provide appropriate maintenance, replacement and utility line clearing of City trees; and to ensure timely support to other City departments in the area of engineering services.

OVERVIEW

During Fiscal Year 2002-03, Public Works Engineering will continue to focus on the projects identified in the Infrastructure Management Plan. Engineering staff will assist with development of community building projects to be included in the November 2002 bond measure and dependent on it's success, proceed with the design phase of the selected projects. In addition, construction of the Downtown Parking Structures will begin in summer 2002. The annual Street Maintenance Project will continue with an expanded program for resurfacing and reconstruction. Design of the Homer Avenue undercrossing will be finalized in fall 2002 with construction scheduled to begin in February 2003. Findings from the Development Center's cost recovery study resulted in revised municipal fees and an additional new fee to recover costs associated with Plan Checking/Reviewing with significant revenues projected.

In 2002-03, Operations Division staff will replace all school related traffic signage with signs that conform to new state standards. As part of the bottom line changes in mid-year 2001-02, graffiti removal service will be offered for a fee to those on private property.

The Facilities Division's numerous CIP projects will include the design phase of Fire Station 1 and 2 Improvements and the Foothills Park Interpretive Center Mechanical Upgrades.

NEW PROGRAM UPDATE

The Public Works Department has accomplished the following in new program implementation:

Sustainability Project

- Implemented an integrated pest management plan related to structural pest control
- Switched to a non-zinc based floor finish for all our facilities
- Purchasing "green" custodial products and supplies
- Requiring our contractors to use "green" products as well

Energy Efficiency

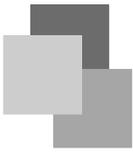
- Facilities staff worked with Utilities to upgrade lighting fixtures at 60 City facilities and to upgrade the Civic Center building management system to include energy conserving features.

COUNCIL PRIORITY IMPLEMENTATION

In 2002-03 Public Work's adopted budget will implement the Council's top five priorities as follows:

CityWorks (\$17,138,000)

- Construction of two new Parking Structures
- Resurfacing and reconstruction of City streets to maintain rideability and extend life
- Continue the sidewalk repair program to alleviate the existing backlog of sidewalk replacement in the City.



Public Works *continued*

Alternative Transportation (\$171,000)

- Construction of Homer Avenue undercrossing allowing pedestrian and bicycle traffic access to PAMF and CalTrain station

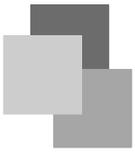
DEPARTMENT SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Streets	3,835,084	4,040,136	4,385,648	4,461,238	421,102
Sidewalks	686,781	693,143	739,690	780,689	87,546
Trees	2,699,738	2,801,751	2,943,695	2,852,428	50,677
Structures and Grounds	4,679,773	5,293,291	5,305,201	5,543,344	250,053
Private Development	613,931	582,673	628,276	689,306	106,633
TOTAL EXPENDITURES	\$12,515,307	\$13,410,994	\$14,002,510	\$14,327,005	\$916,011
TOTAL FULL TIME POSITIONS	85.98	88.05	90.05	90.05	2.00
TOTAL TEMPORARY POSITIONS	0.99	0.99	0.99	0.99	0.00
TOTAL REVENUES	\$2,315,961	\$2,564,173	\$2,603,766	\$2,985,873	\$421,700
INTERNAL REVENUES	2,109,605	2,205,783	2,249,776	2,340,283	134,500
EXTERNAL REVENUES	206,356	358,390	353,990	645,590	287,200



Public Works *continued*

RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES			
Permit Revenues	30,000		30,000
Service Fees	253,000		253,000
Operating Transfer From Gas Tax Fund	73,380		73,380
Allocated Revenues	61,120		61,120
Miscellaneous Revenues	8,600		8,600
TOTAL REVENUE CHANGES	\$426,100		\$426,100
Adjustments (Note 1)	(4,400)		(4,400)
NET REVENUE CHANGES	\$421,700		\$421,700
EXPENDITURE CHANGES			
Salary and Benefits			
1 FTE Engineering Technician III (fully offset by revenue)	80,252		80,252
1 FTE Traffic Control Maintenance II	62,912		62,912
Reduction from the Adopted-in-Concept Budget (1 FTE Tree Maintenance Person)	(68,117)		(68,117)
Temporary funding reduction for frozen positions: Program Assistant, Facility Mechanic and Equipment Operator		(115,192)	(115,192)
TOTAL SALARY AND BENEFITS CHANGES	\$75,047	\$(115,192)	\$(40,145)
2002-03 Salary Increase (Note 2)	342,149		342,149
Personnel Benefit Costs (Note 3)	(313,470)		(313,470)
Total Net Salary and Benefit Changes	\$103,726	\$(115,192)	\$(11,466)
Non-Salary			
Security and Custodial Contracts	40,000		40,000
Supplies and Materials	40,000		40,000
School Sign Replacements		20,000	20,000
Bus Shelter Repair and Maintenance		20,000	20,000
Department-wide Allocated Charges (Note 4)	160,057		160,057
Total Non-Salary Changes	\$200,057	\$40,000	\$240,057
TOTAL EXPENDITURE CHANGES	\$303,783	\$(75,192)	\$228,591
Adjustments (Note 1)	687,420		687,420
NET EXPENDITURE CHANGES	\$991,203	\$(75,192)	\$916,011



Public Works *continued*

2002-03
ONGOING

2002-03
ONE-TIME

2002-03
TOTAL

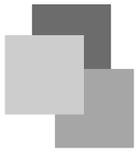
RESOURCE LEVEL NOTES

Note 1: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments.

Note 2: Council approved compensation increases in 2002-03.

Note 3: The historically favorable performance of CALPERS retirement investments have allowed the City to postpone a portion of budgeted contributions in 2002-03.

Note 4: Allocated Charges are increasing primarily due to the implementation of a financial plan for the replacement and maintenance of existing technologies, as recommended in the Information Technology Strategic Plan.



Public Works *continued*

FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

22.14	Streets
6.68	Sidewalks
15.63	Trees
36.00	Structures and Grounds
6.50	Private Development
86.95	Subtotal

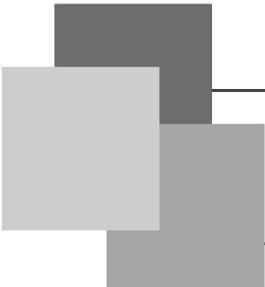
Allocated Administration

1.00	Administrator, Public Works
0.10	Assistant Director, Public Works
1.00	Director, Public Works/City Engineer
1.00	Administrative Assistant
3.10	Subtotal

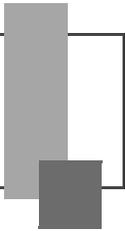
90.05	Total Positions
-------	-----------------

\$7,599,250 Total Position Costs

This page is intentionally left blank.



Enterprise Funds





Enterprise Funds

Electric

Gas

Wastewater Collection

Water

Refuse

Storm Drainage

Wastewater Treatment

External Services

www.city.palo-alto.ca.us

This page is intentionally left blank.



CITY OF PALO ALTO

Organization Chart

Enterprise Funds

Palo Alto Residents

City Council

City Manager

**UTILITIES
DEPARTMENT**

Electric Fund

Gas Fund

Wastewater
Collection Fund

Water Fund

**PUBLIC WORKS
DEPARTMENT**

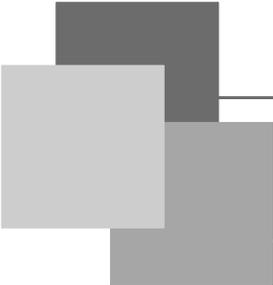
Refuse Fund

Storm Drainage
Fund

Wastewater
Treatment Fund

**GENERAL FUND
PROGRAMS**

External Services



Enterprise Funds



An Overview

The City of Palo Alto Utilities (CPAU) are comprised of the Electric, Gas, Refuse, Storm Drainage, Wastewater Collection, Wastewater Treatment and Water Funds. The City of Palo Alto (CPA) External Services Fund was created in 2001-02 to capture services, such as information technology and training, which are provided to surrounding agencies. In 2002-03, the funds continue to be financially sound, with the exception of the Storm Drainage Fund. A financial summary of the funds follows this overview and includes discussion and pertinent information in each Fund section.

The Utilities Department continues to face significant challenges in the future. During the past year, the energy market experienced political upheaval, price volatility, regulatory uncertainty and transmission reliability problems. Market prices remain steady due to lower demand, mild weather and regulatory oversight. Both PG&E and Enron's filing of bankruptcy require a strong response by CPAU to protect the benefits of existing contracts with PG&E. The City's response will be in the legal, regulatory, legislative and technical arenas and will require the dedication of significant resources of staff, consultants and attorneys. Outside legal costs alone are expected to be substantial.

CPAU is actively working with Western Area Power Administration (WAPA) staff and their customer groups to develop alternatives to maximize the value of the WAPA contract in the post-2004 period by defining the product that WAPA will offer. This effort will be a prime focus over the next two years.

The Gas Accord will expire at the end of 2002, and staff is actively involved in protecting CPAU interests in the renewal negotiations that are expected to end in June 2002. Additional legal and consulting resources are budgeted to represent the interests of CPAU and the City.

Customer satisfaction will continue as a high priority. Staff will be developing more systems to gather customer feedback and to consolidate customer data into usable information that will lead to improved products and services to better meet customer needs. Staff will continue to look at competitors and measure how the CPAU compares in terms of business practices, products, services and customer satisfaction. The customer feedback and competitor analysis activities conducted for the Electric Utility will also be conducted for the Gas Utility.

Wholesale water increases from the San Francisco Public Utilities Commission (SFPUC) will likely become significant in the future due to the construction of seismic upgrades in the water system. The SFPUC-BAWUA master contract expires in 2009. Given the slow pace of the SFPUC in constructing new supply projects, the uncertainty of these projects even being started, let alone being completed, is of prime



importance to CPAU's water supply future. Important tasks over the next two years will include development of draft principles for re-negotiation of the post-2009 contract and exploration of "out-of-the-box" supply alternatives.

CPAU customers require and continue to expect high reliability and excellent service. The implementation of the Water Wells, Regional Storage, and Distribution Study will continue at an accelerated rate over the next four years to ensure sufficient emergency supplies of water. Significant efforts are dedicated to CIP infrastructure projects in the electric, gas, water, and wastewater collection funds. The decision to seek bond financing for the Capital Improvement Program (CIP) will result in leveling and softening the impact of the high cost of these CIP improvements.

To ensure that the City of Palo Alto Utilities could be flexible and be responsive in the face of market forces and uncertainties, which had been unleashed in California through deregulation, Strategic planning for the Utilities Department was initiated in 1999. On November 13, 2000, Council approved the Utilities Strategic Plan.

Despite the challenges and the volatility in the commodity market, CPAU will continue to focus its resources on system reliability, customer satisfaction, and financial performance, while preserving the strong municipal character of the City owned utility services.

UTILITY DEPARTMENT FUNDS

Revenues

As part of the effort to stabilize and level rate increases resulting from the volatile commodity markets, and to accelerate the funding of much needed capital projects, the City Council approved a debt issue of \$26.6 million in 2002. The debt issue provides resources of \$11.7 million to the Water Fund and \$14.3 million to the Gas Fund.

Electric

In 2001-02, a 43 percent or \$23.0 million increase in rates was adopted in the Electric Fund. At present, there is cost uncertainty regarding a potentially significant supply contract settlement. This uncertainty, in combination with rising transmission costs and a recent decline in sales revenue due to the slowing economy and other factors, indicates that electric rates will remain unchanged in 2002-03.

Gas

The 2002-03 Adopted Budget includes a Gas rate reduction of 26.7 percent. The rate increases adopted in 2000-01 fully restored the balance of the Rate Stabilization Reserve to acceptable levels. This, in combination with reduced wholesale commodity costs will translate to a rate decrease of 26.7 percent in 2002-03. Based on the cost of service results, a larger decrease will be applied to residential users than other customer classes.



Water

The 2002-03 Adopted Budget includes a Water rate increase of 20 percent. The rate increase is necessary to fund accelerated Water Fund capital projects. After sixteen months of review, the Water Wells, Regional Storage and Distribution System Study was completed in 1999. The study contained recommendations for improvements for the operation and reliability of the City's distribution system. Implementation of the recommendations of this study were deemed of such importance and vital to the reliability of this distribution system that staff incorporated those suggestions into the 2001-05 Capital Budget. The recommended Capital plan totals approximately \$22.0 million and to minimize rate impacts, the City Council approved a partial debt financing of this amount. However, even with debt financing it is likely that further retail water rate increases will be necessary within the next five years due to anticipated SFPUC rate adjustments.

**Wastewater
Collection**

The Wastewater Collection Fund also has a rate increase of 25 percent in 2002-03. The increase will generate about \$2.2 million in annual revenue, which is necessary to offset rising operating costs since the last rate increase in 1999.

Expenses

There are no staffing additions in 2002-03, and only two minor adjustments are requested. The net cost of these personnel changes were small and were fully funded by savings from operations.

Due to the PG&E bankruptcy, the WAPA contract renewal, as well as various other contracts that are being negotiated by the Utilities Department, the budget for legal expense increased by almost \$1.0 million. However, \$0.7 million of this legal cost is expected to be recovered from the Northern California Power Agency (NCPA).

While electric commodity costs for the 2002-03 Adopted Budget increased by \$6.0 million due to contract obligation settlements with NCPA, gas commodity cost decreased significantly by \$12.0 million. The reduction in gas commodity cost is primarily due to a decrease in price and, secondarily, due to a decrease in consumption.

In the 2002-03 Adopted Budget, the Electric Fund has a significant decrease of \$2.4 million in Calaveras debt payments due to an NCPA refinance plan.

Capital Improvement Program (CIP) Funding

Most of the Water Fund CIP involves the replacement of water mains, some reservoir and pump station improvements, and water well rehabilitation. There are two new projects for water main replacements and Geographic Information System (GIS) enhancements.



Enterprise Funds *continued*

The Gas Fund is proposing several projects related to the ongoing replacement of gas mains. New projects will provide for the acquisition of boring equipment, and pipe fusion equipment.

The Electric Fund is moving forward with projects to guarantee a high level of reliability and customer satisfaction. Through projects in the CIP, such as the Park Boulevard Substation Bus Rearrangement and System Reconstruction and Improvements, the Electric Utility is devoting significant funding to maintaining the reliability of service to businesses and residents. Four of the seven new capital projects relate to under-grounding of utility lines. The other three projects integrate map sets into GIS, provide upgrades to the Supervisory Control and Data Acquisition (SCADA) system, and provide for the acquisition of a new vehicle. Please see the 2002-03 Adopted Capital Budget for more information on these projects.

The Utility Department continues to progress with an accelerated infrastructure program. Funding for gas, water, and wastewater mains is reflected in this budget and supports the City's effort to sustain its infrastructure for future generations.

Equity Transfers

Due to the volatility of electric and gas commodities, the 2002-03 Adopted Budget caps the equity transfer increases at three percent for the Electric and Gas Funds. This cap was implemented for the 2001-02 budget year and is a change from the methodology approved in 2000-01, which called for a transfer based on a percentage of adjusted sales revenue; 14.5 percent for the Electric Fund and 15 percent for the Gas Fund. The Water Fund transfer already incorporated the stable three percent growth factor.

Rent

Enterprise funds pay market-based rental fees on the sites occupied to conduct their business operations. The rent is adjusted annually by conducting an independent appraisal of all sites. Included in the facility rent is a new site at the Animal Shelter area, which will be used as a staging area for its contractors.

Included in 2002-03 Adopted Budget is a one time deferred rental payment to the General Fund in the amount of \$0.9 million. This represents the remaining amount owed to the General Fund for the 2001-02 assessed rent expense.

Reserves

A review of the Utilities reserve balances for 2002-03 indicates that reserve levels will be fiscally sound. The Gas rate increase adopted in 2000-01 fully restored the balance of the Rate Stabilization Reserve (RSR) to acceptable levels. A review of the Electric Fund RSRs indicates that the Distribution RSR will be near its target level, after a



Enterprise Funds *continued*

\$4.0 million transfer from the Supply RSR to the Distribution RSR. This transfer is reflected as an operating transfer from Electric Supply Fund to Electric Distribution Fund.

In 2001-02, City Council approved the issuance of debt to provide funding for selected capital improvement projects for Water and Gas Funds. Soft costs (or pre-construction costs, such as: architectural fees, engineering fees, permits, plan and feasibility study, etc.) incurred by these projects prior to the debt issuance were reimbursed from the bond proceeds. This increased the Gas Distribution RSR by \$2.6 million, and the Water RSR by \$2.8 million.

The Calaveras Reserve is on target as are the Water Fund and Wastewater Collection Fund reserves.

Fiber to the Home

The Fiber to the Home (FTTH) one-year trial project started in 2000-01 has approximately 70 homes connected to the Internet using fiber optic cable, exclusively constructed and operated by the City. The trial area includes the Main Library, Junior Museum, Children's Library and the Lucy Stern Center. The goal of the project is to develop a business case to explore the financial feasibility of citywide deployment.

PUBLIC WORKS UTILITY FUNDS

Refuse Fund

The Refuse Fund continues to exceed the State mandate of reducing waste by 50 percent. The City's current rate is 59 percent, which makes it one of only 113 municipalities (out of 446) to have met the goal as mandated. Revenues are decreasing by \$0.2 million compared to 2001-02 Adjusted Budget. The decrease is due to loss of revenue from PASCO as a result of PASCO providing recycling carts to the commercial sector at no cost. The waiving of landfill charges to the General Fund also contributes to the reduction in revenue.

In the 2002-03 Adopted Budget, staff proposes to increase the bin rental rate providing a nominal revenue increase. The Refuse Fund had fully funded its post closure liability as of June 30, 2001. Consequently, an estimated yearly savings of \$0.2 million is expected to be generated.

The Rate Stabilization Reserve (RSR) is expected to decrease as a result of the additional paydown on accumulated landfill rent of \$1.0 million in 2002-03. The RSR balance is expected to be strong and above the reserve guidelines. However, if the



proposed acquisition of the former Los Altos Treatment Plate site will occur, the adequacy of the reserve balance will be revisited.

Storm Drainage

The Storm Drainage Fund continues to experience an operating deficit due to insufficient revenue from existing rates. Supplemental funding from the General Fund in the amount of \$0.9 million is required in order to maintain the current level of service for storm drain maintenance and storm water quality protection programs. No funding is available for new storm drain capital improvements. For 2002-03, staff has proposed several modest new user fees to recover the cost of existing services and increase revenue.

As a result of the General Fund transfer, the Storm Drainage Fund RSR has a projected ending balance of \$0.3 million in 2002-03. The balance is sufficient to cover bond covenants reserve requirements for debt issued in 1999. There are minor expense increases in 2002-03 including funding for the Blue Ribbon Task Force and additional funding for the urban runoff pollution program with Santa Clara Valley Water District.

Wastewater Treatment

Revenues in the Wastewater Treatment Fund will show an increase of \$0.9 million in 2002-03, reflecting increased revenue mostly from partner cities to cover higher operating costs.

The Adopted Budget reflects an expenditure increase of \$0.5 million mostly resulting from increase for technology applications and infrastructure replacement charges, increased salary and benefit costs and minor capital projects. The RSR is healthy and within the guideline range.

CITY OF PALO ALTO (CPA) EXTERNAL SERVICES FUND

This is a new fund created to provide external services to surrounding communities that require assistance in areas not typically staffed in their organizations. The two primary areas will be technology and training services. The program will be self-funded through contracts with other agencies. In the 2002-03 Adopted Budget, technology services will require the addition of two Technologists and a Human Resource Assistant. The positions will only be filled if a contract is in place to justify the need for the position.



Enterprise Funds
continued

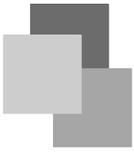


2002-03 ENTERPRISE FUNDS SUMMARY

(\$000)	Electric Fund	Gas Fund	Wastewater Collection Fund	Water Fund	Refuse Fund	Storm Drainage Fund	Wastewater Treatment Fund	External Services Fund	Total
REVENUES									
Net Sales	73,221	32,198	11,299	18,631	18,659	2,124	15,383	0	171,515
Interest Income	7,240	395	836	678	921	21	496	5	10,591
Bond Proceeds (Restricted)	0	0	0	0	0	0	0	0	0
Other Income	14,369	690	656	530	3,040	991	61	1,043	21,380
TOTAL SOURCE OF FUNDS	\$94,830	\$33,283	\$12,790	\$19,839	\$22,620	\$3,135	\$15,940	\$1,048	\$203,486
EXPENDITURES									
Utility Purchases	52,704	16,721	0	6,000	0	0	0	0	75,426
Treatment Plant Charges	0	0	5,682	0	0	0	0	0	5,682
Refuse Collection Services	0	0	0	0	8,033	0	0	0	8,033
Salaries and Benefits	9,310	3,052	1,269	2,858	2,754	786	6,409	745	27,183
Other Expenses	10,444	1,210	408	1,145	6,607	595	4,887	62	25,358
Allocated Charges	6,560	3,073	1,401	2,092	2,009	633	1,495	54	17,316
Debt Service	5,880	948	129	775	396	948	816	0	9,892
Subtotal	\$84,898	\$25,003	\$8,889	\$12,871	\$19,799	\$2,962	\$13,607	\$861	\$168,890
Equity Transfer	7,762	2,626	0	2,234	0	0	0	0	12,621
Rent	3,405	277	183	1,403	5,289	0	0	0	10,557
Operating Transfers Out	4,947	645	208	439	486	45	158	5	6,932
Capital Improvement Program	12,169	4,938	4,661	4,926	0	166	1,880	0	28,740
TOTAL USE OF FUNDS	\$113,182	\$33,487	\$13,941	\$21,873	\$25,574	\$3,172	\$15,644	\$866	\$227,739
To/From Reserves	\$(18,352)	\$(204)	\$(1,151)	\$(2,034)	\$(2,954)	\$(37)	\$296	\$182	\$(24,254)

ENTERPRISE FUND RESERVES

RESERVES (\$000)	2001-02 PROJECTED ENDING BALANCE	2002-03 CHANGES	2002-03 PROJECTED ENDING BALANCE	2002-03 RESERVE GUIDELINE RANGE
ELECTRIC FUND				
Emergency Plant Replacement	2,335	58	2,393	4,850
Distribution Rate Stabilization	5,178	778	5,956	4,509 -9,018
Supply Rate Stabilization	45,070	(21,653)	23,417	20,122 - 40,244
Calaveras	65,466	2,499	67,965	67,779
Public Benefit	588	(34)	554	
Central Valley O&M	704	0	704	
Underground Loan	623	0	623	
Shasta Rewind Loan	64	0	64	
Subtotal	\$120,028	\$(18,352)	\$101,676	
GAS FUND				
Emergency Plant Replacement	820	38	858	1,838
Distribution Rate Stabilization	5,226	(77)	5,149	2,191 - 4,382
Supply Rate Stabilization	1,170	3,819	4,989	3,344 - 6,688
Bond Proceeds	6,974	(3,984)	2,990	
Debt Service Reserve	950		950	
Conservation Loan	34	0	34	
Subtotal	\$15,174	\$(204)	\$14,970	
WASTEWATER COLLECTION FUND				
Emergency Plant Replacement	484	37	521	
Rate Stabilization	5,667	(1,188)	4,479	3,458-6,916
Subtotal	\$6,151	\$(1,151)	\$5,000	
WATER FUND				
Emergency Plant Replacement	979	75	1,054	2,305
Rate Stabilization	10,242	(621)	9,621	5,866 - 11,733
Debt Service Reserve	778		778	
Bond Proceeds	1,488	(1,488)	0	
Subtotal	\$13,487	\$(2,034)	\$11,453	

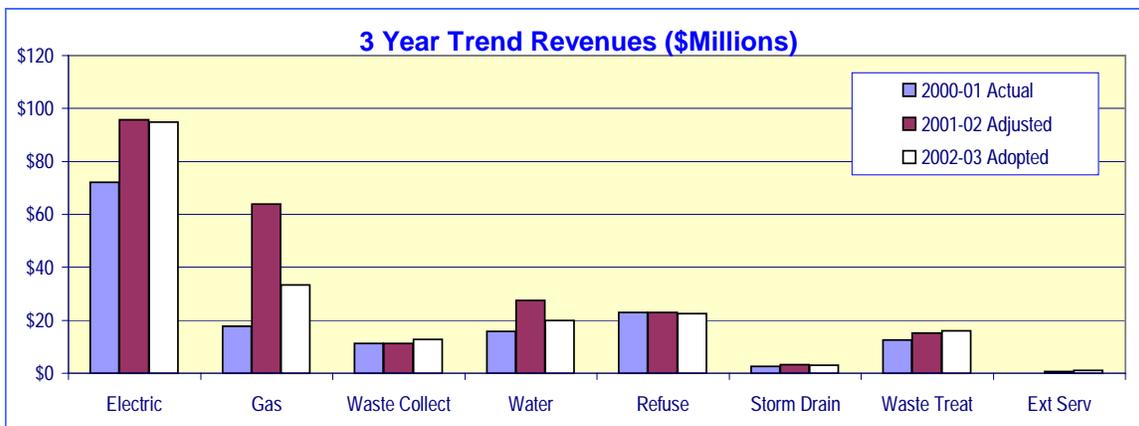
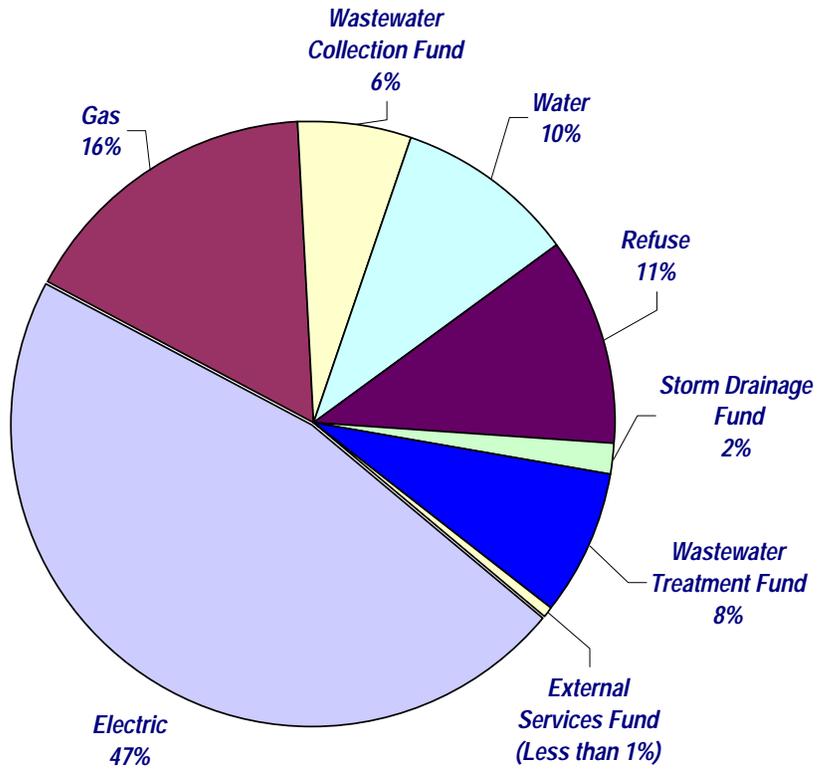


ENTERPRISE FUND RESERVES *CONTINUED*

RESERVES (\$000)	2001-02 PROJECTED ENDING BALANCE	2002-03 CHANGES	2002-03 PROJECTED ENDING BALANCE	2002-03 RESERVE GUIDELINE RANGE
REFUSE FUND				
Rate Stabilization	8,150	(2,954)	5,196	1,862-3,725
Water Resources Board	590	0	590	
Subtotal	\$8,740	\$(2,954)	\$5,786	
STORM DRAINAGE FUND				
Rate Stabilization	334	(37)	297	
Bond Proceeds	152	0	152	
Subtotal	\$486	\$(37)	\$449	
WASTEWATER TREATMENT FUND				
Emergency Plant Replacement	1,543	88	1,631	1,421
Rate Stabilization	5,590	208	5,798	2,094-4,188
Bond Proceeds	184	0	184	
Subtotal	\$7,317	\$296	\$7,613	
EXTERNAL SERVICES FUND				
Information Technology RSR	38	182	220	
Human Resources RSR	14		14	
Subtotal	\$52	\$182	\$234	
TOTAL RESERVES	\$171,435	\$(24,254)	\$147,181	
Emergency Plant Replacement	6,161	296	6,457	
Rate Stabilization	86,679	(21,543)	65,136	
Bond Proceeds	8,798	(5,472)	3,326	
Debt Service Reserve	1,728		1,728	
Calaveras	65,466	2,499	67,965	
Public Benefit	588	(34)	554	
Central Valley O&M	704	0	704	
Underground Loan	623	0	623	
Shasta Rewind Loan	64	0	64	
Conservation Loan	34	0	34	
Water Resources Board	590	0	590	
TOTAL RESERVES	\$171,435	\$(24,254)	\$147,181	

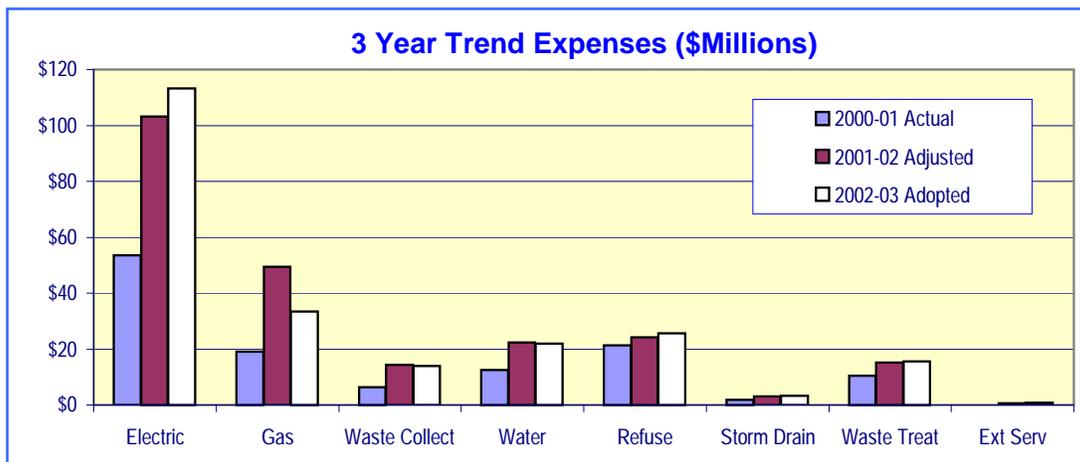
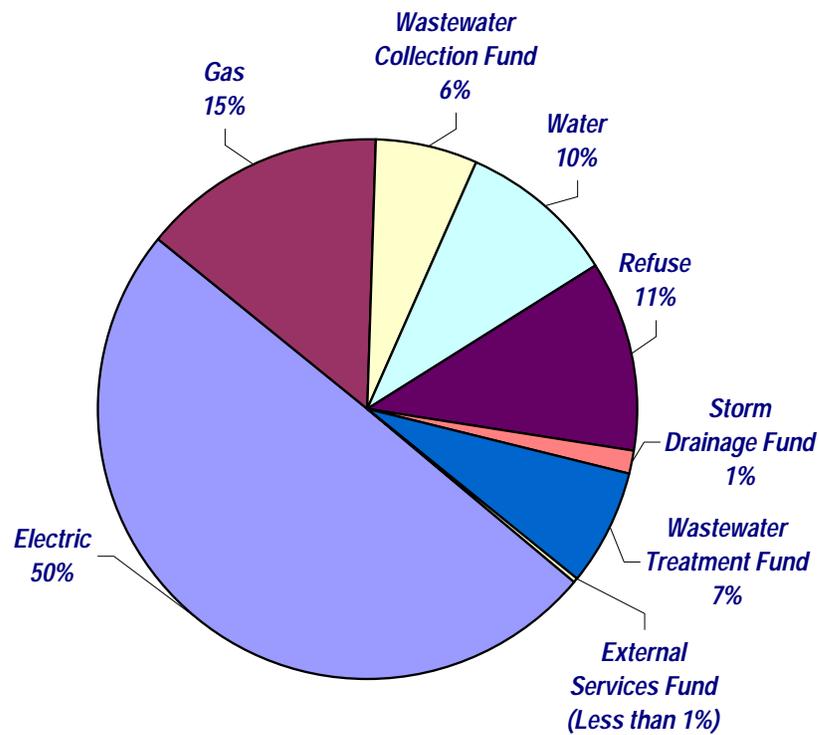
ENTERPRISE FUND REVENUES BY FUND

\$203.5 Million / Adopted 2002-03



ENTERPRISE FUND EXPENDITURES BY FUND

\$227.7 Million / Adopted 2002-03



AVERAGE RESIDENTIAL MONTHLY UTILITY BILL

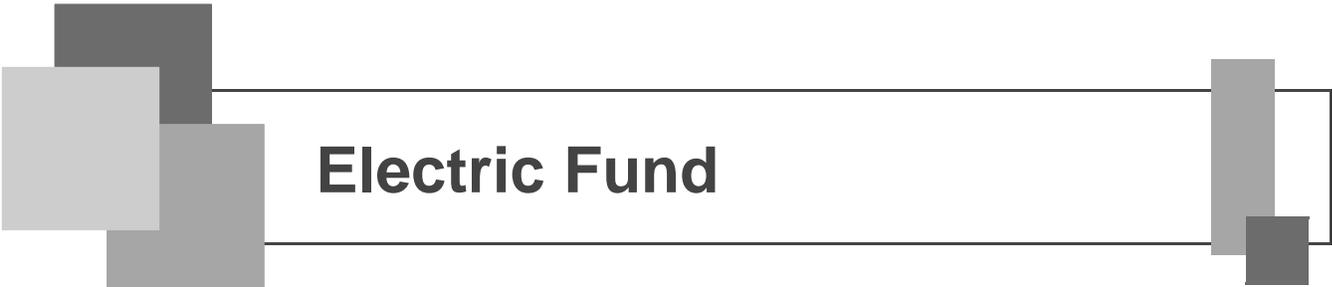
Utility	Adjusted 01-02 Bill	Projected 02-03 Bill	\$ Difference	% Difference
Electric (500KWH)	34.46	34.46	0.00	0
Water (14CCF)	35.52	42.45	6.93	20
Gas (100/30TH)	86.73	55.66	(31.07)	-36
Sewer	14.00	17.50	3.50	25
Refuse	37.05	37.05	0	0
Storm Drain	4.25	4.25	0	0
User Tax	7.84	6.63	(1.21)	-15
Total Monthly Bill	\$219.85	\$198.00	\$(21.85)	-10.0%

COMMENT:

2002-03 Water rate increase is 20%, effective 7-1-02.

2002-03 Sewer rate increase is 25%, effective 7-1-02.

2002-03 Gas system average rate decrease is 26.7%, effective 7-1-02.



Electric Fund



Electric Fund

To build value for our citizen owners, to provide dependable returns to the City and citizens of Palo Alto, and to be the preferred full service utility provider while sustaining the environment.

OVERVIEW

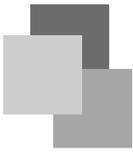
After a year of evaluating the position the City of Palo Alto Utilities (CPAU) should take in the competitive energy market, the department developed a strategic plan to assist CPAU in the quest to become the "preferred utility services provider". Implementation of that plan will continue through this next budget cycle.

After a year of enduring a "perfect storm" in the energy commodity markets that resulted in a level of political turmoil, price volatility, regulatory uncertainty and reliability degradation that was unprecedented, market prices have subsided due to lower demand, mild weather and regulatory oversight. Unfortunately, several of the structural deficiencies that led to a meltdown in energy markets have not been remedied. The bankruptcies of PG&E, the largest investor-owned utility, and Enron, the largest energy marketer, have thrown into question the wisdom of retail deregulation. Several state and federal agencies continue to work on developing a coherent and viable energy policy. Though market prices are low at present, the risk of higher energy and transmission costs to the City are clear and present. Staff is focusing resources in following and advocating in several forums to mitigate cost increases and to improve reliability in the Bay Area.

Customer satisfaction remains an important focus. In the first quarter of 2002-03, a range of new customer services are planned for launch that will allow customers to pay utility bills using a credit card or banking account over the internet. Customers will also be empowered to open and close utility services and access their utility usage and payment history over the web. Staff will continue to gather customer feedback and to consolidate customer data into usable information that will lead to improved products and services to better meet customers needs.

The Western Area Power Administration (WAPA) contract, which for nearly four decades served as the cornerstone of CPAU's low rates, is in the process of being transformed. In July 1999 the City Council signed an agreement renewing the WAPA contract for 20 years starting in 2005. The details of the renewed contract were determined in two phases in the following years. The first phase of the contract renewal process was consummated in fall 2000 when the City signed the 20 year Base Resource Contract with Western. The Base Resource contract fundamentally changes the way in which Western will provide energy to the City. This contract essentially provides CPAU a slice of the Central Valley Project hydroelectric system and as a result provides energy that varies with hydro conditions. Therefore the City is left with a substantial "energy gap" starting in 2005 that varies by year, by month and by hour. Filling this energy gap will be a major focus of CPAU's Resource Management Division in the next two years.

The second phase of the WAPA contract renewal will result in a custom contract for products, yet to be defined, with WAPA. CPAU is actively working with WAPA staff and its customer groups to develop alternatives to maximize the value of the WAPA contract in the post-2004 period by defining the product that WAPA will offer and therefore will also be a prime focus over the next two years. During the next two years staff will be intensely involved in the analysis of cost impacts, negotiations with suppliers and execution of supply contracts to fill the "energy gap." Staff will require the assistance, at times, of consultants and legal counsel for such negotiations. The PG&E bankruptcy threw the future of the WAPA contract into question and significant staff and legal resources were devoted to maintaining the value of this contract. The City is the only municipal utility to sit on the Official Creditor's Committee and took a leadership role in the public power community to safeguard this contract. Though the efforts of staff and reduced market prices, the risk of exposure is reduced.



Electric Fund *continued*

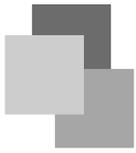
The City has transmitted the electricity it generated or purchased electricity over PG&E transmission lines pursuant to a contract between PG&E, the Northern California Power Agency (NCPA) and the City. This contract expired in March 2002 and no successor agreement is in place. FERC has granted a 5-month extension for continued negotiation. PG&E has not cooperated in fulfilling its obligations to provide the City with adequate replacement transmission. Staff is working closely with NCPA and legal counsel to ensure that appropriate action is taken to obtain reliable and cost-effective transmission. The potential cost impacts of a changing California market structure (presently being proposed by the ISO) combined with PG&E's non-cooperation in providing adequate transmission services could result in tremendous transmission related cost increases. Potential costs could reach several million dollars per year.

The energy regulatory landscape is changing constantly. The main forums for CPAU to advocate, intervene, preserve, and enhance benefits to Palo Alto are initiated by the FERC, ISO, CPUC and other stakeholder groups that are constantly being formed. The mission of the regulatory program is to increase reliability and mitigate cost increases. The main areas of interest are for increased reliability of the Bay Area transmission system; support for increased supply and conservation; avoidance of increased ISO costs due to "congestion pricing;" equitable cost allocation of regional and local transmission rates; fair treatment of the City's share of the California Oregon Transmission Project; and mitigating or avoiding unfair cost pass-throughs. Additionally, the CPUC and the state legislature will continue to develop investigations and orders dealing with distributed generation that will impact CPAU's reliability and cost. In addition to working on an individual basis, CPAU will be working actively with NCPA, TANC and CMUA to forward these initiatives. These initiatives will require active effort from staff, legal and consultants in the legislative, regulatory, analytical and technical areas.

Risk management continues to be a high priority. Staff will continue to develop, implement and work under approved risk management policies and guidelines. The primary objectives of the risk management program are to hedge volatile wholesale energy prices and provide stable prices to retail customers. Because CPAU operates electric transmission, generation and power contract assets. Staff will optimize the value of these assets under approved risk management policies. The purchases to fill the "energy gap" will abide by risk management guidelines. The risk management program will require negotiation of several contracts for physical supplies and may also require use of financial hedging instruments to achieve risk management objectives. Staff efforts in tandem with NCPA and consultant assistance will be used in this area.

Due to the unprecedented uncertainty in the electric industry, the short and mid-term prognosis is for higher supply costs that will still be below market costs. Anticipated costs are not expected to be as low as current costs. Staff, consultant, and legal resources devoted to the WAPA contract, risk management, asset optimization and regulatory intervention have succeeded in substantial benefits and maintaining CPAU's commodity rates substantially lower than that of surrounding areas. However, the benefits of the WAPA and other contracts and arrangements are constantly under threat. Costs could suddenly and substantially change depending on the outcome of market forces and attacks on existing benefits.

Paramount to the Utility's mission, and most important to CPAU customers, is the reliability of the distribution system. Consequently, staff will continue to focus efforts on replacing and maintaining the aging infrastructure and improve reliability. Specific projects will address the continuing need for accelerated replacement and maintenance of deteriorated overhead facilities and rebuilding underground facilities that are near the end of their life expectancy. In addition to the infrastructure renewal, the Utility will continue to respond to the ongoing high level of new customer service connection requests. The terrorist events of 2001 have prompted a re-evaluation of distribution facilities security. A study was commissioned and the recommendations are being implemented.



Electric Fund *continued*

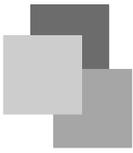
A trial project to connect approximately 70 homes to the Internet using fiber optics to the home has been constructed and is being operated by the city. The area chosen for construction is in the Community Center neighborhood. Several city facilities, including the Main Library are included in the trial. The project will utilize the city's existing dark fiber backbone plus new fiber optic cables to the homes of trial participants. The trial is scheduled to last one year. This project along with a business case study by contracted experts will be used to determine the feasibility of a citywide deployment.

The development of the telecommunications unit laid the foundation to offer a high-level of expertise in the design, construction and operation of a fiber optic communications network to the community. This network provides a reliable infrastructure for Palo Alto businesses to interconnect with telecommunication service providers. Currently, the City of Palo Alto provides service to more than 30 businesses, and a few Local Exchange Carriers. Telecommunications will focus on two areas: 1.) Target unsolicited businesses to secure long-term leases, and 2.) Investigate ways to interconnect neighboring cities to offer Peninsula connectivity to large customers in Palo Alto with facilities outside of City of Palo Alto.

During 2001-03, a number of public benefit programs will be implemented to promote energy efficiency, and increase customer satisfaction and comfort. Programs ranged from providing grants towards the purchase of electric vehicles or photovoltaic systems to incentives for home appliances and business equipment exceeding energy efficiency standards. City of Palo Alto facilities will be included in these programs to provide cost-effective and energy efficient services. Online energy analysis programs will help residents and businesses learn how they use energy and provide low cost solutions to reduce energy costs. A total of \$1.8 million in each year is budgeted for these programs. In 2002-03, the City will continue with the "Green Power" program, started in 1999-00, that gives customers an option to purchase or help fund development of renewable energy. As in 2001-02, a number of public benefit programs will be added to the diverse collection of existing energy efficiency programs for 2002-03.

In 2001-02, a 43 percent or \$23 million increase in rates was adopted. At present, there is uncertainty regarding a potentially significant impact related to supply contract settlement provisions and other outstanding supply issues. This cost uncertainty, in combination with rising transmission costs and a recent decline in sales revenue due to the slowing economy and other factors, indicates that electric rates will remain unchanged in 2002-03.

To accommodate a rise in supply and transmission costs and the adverse impact of declining sales revenue, the Electric Fund Rate Stabilization Reserves (RSR) will be drawn upon. The 2002-03 Adopted Budget results in a funding of the Distribution RSR of approximately \$0.8 million. The projected ending balance in this reserve is \$6.0 million, which is near the \$6.8 million target level. Due to the increased volatility in the energy markets, new supply reserve guidelines were adopted in 2001-02 to accommodate the additional risks that have been identified. There will be a draw from the Supply RSR of \$21.6 million and the projected ending balance is \$23.4 million; just above the \$20.1 million minimum guideline. The Calaveras Reserve will be funded by \$2.5 million resulting in an ending balance of \$68.0 million. This ending balance is slightly above the Council approved reserve target of \$67.8 million.



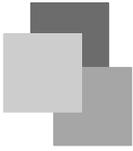
Electric Fund *continued*

FUND SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Net Sales	54,778,581	70,808,000	81,112,000	73,221,000	2,413,000
Interest Income	10,406,382	7,108,800	7,322,100	7,239,700	130,900
Bond Proceeds (Restricted)	0	0	0	0	0
Other Income	86,341,970	9,137,653	10,137,761	14,369,258	5,231,605
TOTAL FUND REVENUES	\$151,526,933	\$87,054,453	\$98,571,861	\$94,829,958	\$7,775,505
General Services					
CIP	634,976	2,317,654	792,956	1,071,239	(1,246,415)
Operations	1,557,938	1,798,240	1,827,403	1,913,159	114,919
Resource Management					
Purchases	57,763,708	47,663,297	46,324,119	53,893,452	6,230,155
Operations	2,140,346	3,981,204	4,242,682	4,927,159	945,955
Customer Marketing and Financial Services	2,053,656	2,187,015	2,220,444	2,066,995	(120,020)
Distribution System					
Systems Improvement(CIP)	6,482,970	8,872,042	6,928,689	9,550,836	678,794
Customer Design and Connection Ser- vices(CIP)	2,915,867	2,468,846	2,873,864	2,887,268	418,422
Operations	7,750,105	9,378,955	10,527,065	10,503,210	1,124,255
Commercial Telecommunication					
Customer Design & Connection(CIP)	1,307,843	718,048	639,619	856,943	138,895
Operations	237,370	1,488,236	1,095,346	1,109,407	(378,829)
Public Benefits					
Public Benefit(CIP)	0	0	0	0	0
Operations	3,381,350	3,343,312	1,856,506	2,407,553	(935,759)
Debt Service	9,998,971	5,703,171	5,880,162	5,880,162	176,991
Equity Transfer	7,315,992	7,535,480	7,761,544	7,761,544	226,064
Rent	2,431,248	2,589,277	2,718,741	3,405,383	816,106
Operating Transfers Out	9,982,514	962,743	273,557	4,947,361	3,984,618
TOTAL FUND EXPENDITURES	\$115,954,854	\$101,007,520	\$95,962,697	\$113,181,671	\$12,174,151
TO/FROM RESERVES	\$35,572,079	\$(13,953,067)	\$2,609,164	\$(18,351,713)	\$(4,398,646)
TOTAL FULL TIME POSITIONS	117.11	117.37	116.87	116.94	(0.43)
TOTAL TEMPORARY POSITIONS	3.29	3.29	3.29	3.29	0.00



Electric Fund *continued*

RESERVES (\$000)	2001-02 PROJECTED ENDING BALANCE	2002-03 CHANGES	2002-03 PROJECTED ENDING BALANCE	2002-03 RESERVE GUIDELINE RANGE
Emergency Plant Replacement	\$2,335	\$58	\$2,393	\$4,850
Distribution Rate Stabilization	5,178	778	5,956	4,509 -9,018
Supply Rate Stabilization	45,070	(21,653)	23,417	20,122 -40,244
Calaveras	65,466	2,499	67,965	67,779
Public Benefit	588	(34)	554	
Central Valley O&M	704		704	
Underground Loan	623		623	
Shasta Rewind Loan	64		64	
TOTAL RESERVES	\$120,028	\$(18,352)	\$101,676	



Electric Fund *continued*

RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES (\$000)			
Net Sales (Note 1)	2,413		2,413
Interest Income	131		131
State Revenue	(214)		(214)
CIP Reimbursement	298		298
NCPA Reimbursement (Note 2)		432	432
Transfer from Supply Rate Stabilization Reserve (Note 3)		4,000	4,000
Wholesale Revenues	1,918		1,918
Other General Service Income	(132)		(132)
TOTAL REVENUE CHANGES	\$4,414	\$4,432	\$8,846
Adjustments (Note 4)	(1,071)		(1,071)
NET REVENUE CHANGE	\$3,343	\$4,432	\$7,775
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Personnel Reclassifications	(2)		(2)
Salary Increase (Note 5)	444		444
Personnel Benefits Costs (Note 6)	(123)		(123)
Total Salary and Benefits Changes	\$319		\$319
Non-Salary			
Electric Commodity (Note 7)	(4,270)	10,500	6,230
Legal (Note 8)	925		925
Contract Services (Note 9)	(1,129)		(1,129)
Supplies & Materials	(175)		(175)
Rent & Leases Expense	5		5
General Service	(25)		(25)
Public Benefits Expense (10)	(1,146)		(1,146)
Joint Debt Service Reduction (Note 11)	(2,439)		(2,439)
Facility Rent	255	561	816
Equity Transfer	226		226
Capital Program Expense	197		197
Operating Transfers Out	633		633
Transfer to Distribution Rate Stabilization Reserve (Note 3)		4,000	4,000
Allocated charges (Note 12)	1,485		1,485



Electric Fund *continued*

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
Total Non-Salary Changes	\$(5,458)	\$15,061	\$9,603
TOTAL EXPENDITURE CHANGES	\$(5,139)	\$15,061	\$9,922
Adjustments (Note 13)	2,252		2,252
NET EXPENDITURE CHANGE	\$(2,887)	\$15,061	\$12,174

RESOURCE LEVEL NOTES

Note 1: Base adjustment in revenues. There is no proposed electric rate adjustment in 2002-03.

Note 2: Reimbursement by NCPA on legal expenses.

Note 3: Transfer in reserves to meet Council approved reserve guideline requirements.

Note 4: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments. Adjustments to the 2001-02 Adopted Budget include: \$650,300 increase in grant revenue for CIP 20171 (Traffic Signals), \$ 339,266 increase in operating transfers in and allocated revenues.

Note 5: Council approved compensation increases in 2002-03.

Note 6: The historically favorable performance of CALPERS retirement investments have allowed the City to postpone a portion of budgeted contributions in 2002-03.

Note 7: Adjustments in 2002-03 Adopted Budget include costs for contract obligation settlements with NCPA.

Note 8: As mentioned in the overview, the 2002-03 Adopted Budget includes increase in legal expense.

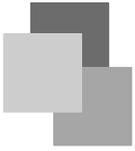
Note 9: Reallocation to cover increase in legal expense.

Note10: Reduction in funding in the 2002-03 Adopted Budget

Note 11: Due to NCPA refinancing plan.

Note 12: Allocated Charges are increasing primarily due to the implementation of a financial plan for the replacement and maintenance of existing technologies, as recommended in the Information Technology Strategic Plan.

Note 13: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments. Adjustments to the 2001-02 Adopted Budget include: (\$2,616,000) reduction in Calaveras debt payments,(\$ 800,000) reduction in contract services,\$ 390,000 increase in capital program expenses, \$ 152,183 increase in legal expense, \$ 481,836 net increase in operating transfers out and allocated expenses.



Electric Fund *continued*

FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

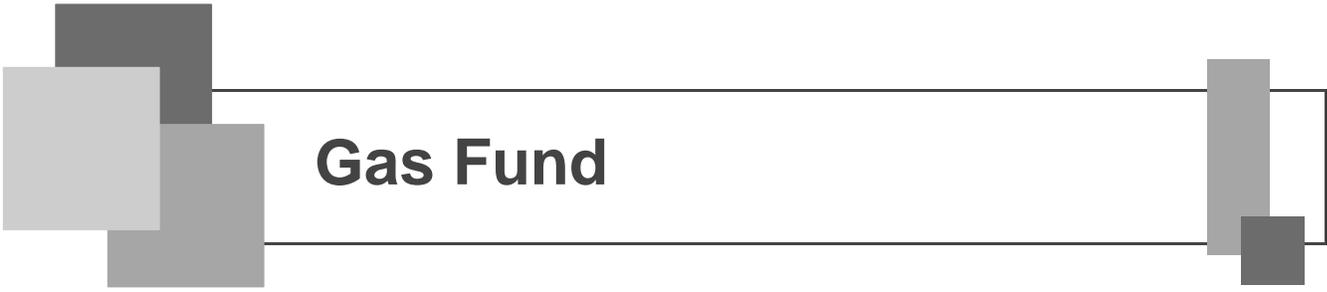
12.20	General Services
1.47	Resource Management
7.57	Resource Management - Supply
12.02	Customer Marketing and Financial Services
67.68	Distribution System
8.40	Commercial Telecommunication
4.05	Public Benefits
113.39	Subtotal

Allocated Administration

0.50	Administrator Utilities
0.05	Ast Director Utilities Engineering/Operations
0.45	Director, Utilities
0.05	Director, Utilities
0.50	Manager, Public Relations
0.50	Utilities Accounting Technician
0.50	Administrative Assistant
0.50	Public Relations Specialist
0.50	Program Assistant
3.55	Subtotal

116.94	Total Positions
--------	-----------------

\$11,471,093 Total Position Costs





Gas Fund

To build value for our citizen owners, to provide dependable returns to the City and citizens of Palo Alto, and to be the preferred full service utility provider while sustaining the environment.

OVERVIEW

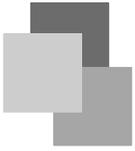
After a year of evaluating the position the City of Palo Alto Utilities (CPAU) should take in the competitive energy market, the department developed a strategic plan to assist CPAU in the quest to become the, "preferred utility services provider." Implementation of that plan will continue through this next budget cycle. As a key element of the strategic plan, staff will develop performance measures, which reflect the overall success of the Utilities Department in meeting its four objectives and seven strategies.

The 1997 Gas Accord resulted in open access to Pacific Gas and Electric Company's (PG & E) intrastate transportation market. The Gas Accord will expire at the end of 2002 and staff is presently working on protecting CPAU interests in the renewal negotiations. The main areas of interest for Palo Alto are preservation of low-cost transportation benefits, fair allocation of costs and ensuring reliable transportation to the City. The PG&E bankruptcy has resulted in a proposal to move the regulation of California gas pipelines to federal jurisdiction. This has the potential to increase gas supply costs by about \$1 million per year. CPAU is working closely with legal counsel to protect the City's interests to obtain low-cost and reliable gas transportation and supply. Additional legal and consulting resources will be targeted to achieve cost savings. Staff will also take a more active role in working with the American Public Gas Association to acquire and maintain supply cost benefits.

CPAU will continue to develop, implement and work under approved risk management policies and guidelines. The primary objectives of the risk management program are to hedge volatile wholesale energy prices and provide stable prices to retail customers. In response to the extreme volatility of gas prices and due to feedbacks from customers, staff developed a commodity-hedging program that will stabilize costs for the non-direct access customers (residential and small commercial customers). The three-year "laddering" approach to purchasing gas was presented to the City Council and will continue to be the hedging strategy for the coming year. For those large customers that want to retain their choice under direct access, staff developed a risk management program to provide them commodity price choices while insulating other customers from price risk. The risk management program will require negotiation of several contracts for physical supplies and may also require use of financial hedging instruments to achieve risk management objectives.

Paramount to the Utility Department's mission and most important to customers, is the reliability of the distribution system. Utilities staff will focus on the continuation of the accelerated Gas Main Replacement Projects by constructing Gas Main Replacement Project 12. Staff will also design Gas Main Replacement Project 13 and complete the installation of Class I Division II National Electrical-improvements to Gas Station Number Four. The terrorist events of 2001 have prompted a re-evaluation of distribution security. A study was commissioned and the recommendations are being implemented.

The Gas Utility will provide a number of benefits to the community. Staff will build continuous (24x7) capacity into the existing Compressed Natural Gas (CNG) station at the Municipal Service Center (MSC). The MSC CNG Station will be designed to provide CNG Fueling to the Public. Engineering staff will evaluate locations at the MSC, and begin designing a new publicly accessible CNG fueling island. The construction of the CNG improvements and liquid fueling station improvements are expected to be completed in 2001-02. A pilot program for new customer service installations will also be started this year to evaluate the overall effectiveness of contracting for these services.

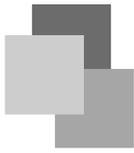


Gas Fund *continued*

In 2001-02, Customer Service staff increased to accommodate a 24x7 week shift in order to provide round- the- clock service for customers. This ensures that all emergency calls will receive the fastest and safest response time. Customers will be able to schedule appointments in the evening or early morning hours. Also, in the first quarter of 2002-03, a range of new customer services are planned for launch that will allow customers to pay utility bills using a credit card or banking account over the internet. Customers will also be empowered to open and close utility services and access their utilities usage and payment history over the web.

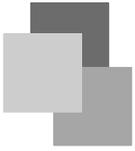
The rate increases adopted in 2000-01 fully restored the balance of the Rate Stabilization Reserve (RSR) to acceptable levels. This, in combination with reduced wholesale commodity costs will translate to a proposed rate decrease of 26.7 percent. Based on the cost of service results, a larger decrease will be applied to residential users than other customer classes. The Supply RSR ending balance for 2002-03 and 2003-04 is expected to exceed the reserve's target guidelines. This surplus is necessary to accommodate a potential supply contract settlement. Depending upon resolution of this potential contract settlement and other factors such as sales trends and the cost of gas to be purchased for 2003-04, another gas rate decrease may be recommended in 2003-04.

To lessen future rate impacts, a decision was made to finance the Capital Improvement Program (CIP) over a three-year period by issuing \$14.3 million in long-term debt. This represents 100 percent financing of the CIP over the three-year period. After three years, the CIP would, once again, be funded by current rates. With a gas rate reduction of 26.7 percent, the Adopted Budget results in a \$3.7 million funding of the RSR, with an ending balance of approximately \$10.1 million for 2002-03. With these projected closing reserve balances, the Distribution RSR is projected to end above the maximum level of \$4.4. Funding of the Supply RSR will result in balances of approximately \$5.0 million for 2002-03, which is near its target level.



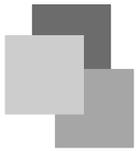
Gas Fund *continued*

FUND SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Net Sales	23,185,953	40,247,000	49,737,000	32,198,000	(8,049,000)
Interest Income	831,282	518,700	534,100	394,900	(123,800)
Bond Proceeds (Restricted)	0	13,137,000	0	0	(13,137,000)
Other Income	6,309,514	948,134	698,134	690,180	(257,954)
TOTAL FUND REVENUES	\$30,326,749	\$54,850,834	\$50,969,234	\$33,283,080	\$(21,567,754)
Resource Management					
Purchases	20,626,624	28,411,690	30,592,489	16,721,115	(11,690,575)
Operations	716,110	1,119,039	1,029,502	878,766	(240,273)
Customer Marketing and Financial Services	1,255,735	1,662,731	1,694,188	1,801,289	138,558
Distribution System					
Systems Improvement(CIP)	2,649,499	4,379,393	4,206,530	5,192,109	812,716
Customer Design and Connection Ser- vices(CIP)	904,587	1,007,242	894,757	902,388	(104,854)
Operations	2,596,135	2,930,103	2,858,124	3,185,242	255,139
Public Benefits	154,204	180,891	180,703	311,901	131,010
Debt Service	0	1,050,000	1,050,000	947,603	(102,397)
Equity Transfer	2,475,000	2,549,250	2,625,728	2,625,728	76,478
Rent	172,260	183,462	192,635	276,680	93,218
Operating Transfers Out	5,672,478	272,775	177,838	644,590	371,815
TOTAL FUND EXPENDITURES	\$37,222,632	\$43,746,576	\$45,502,494	\$33,487,411	\$(10,259,165)
TO/FROM RESERVES	\$(6,895,883)	\$11,104,258	\$5,466,740	\$(204,331)	\$(11,308,589)
TOTAL FULL TIME POSITIONS	47.38	47.59	47.38	46.71	(0.88)
TOTAL TEMPORARY POSITIONS	1.45	2.15	2.15	2.15	0.00



Gas Fund *continued*

RESERVES (\$000)	2001-02 PROJECTED ENDING BALANCE	2002-03 CHANGES	2002-03 PROJECTED ENDING BALANCE	2002-03 RESERVE GUIDELINE RANGE
Emergency Plant Replacement	\$820	\$38	\$858	\$1,838
Distribution Rate Stabilization	5,226	(77)	5,149	2,191 - 4,382
Supply Rate Stabilization	1,170	3,819	4,989	3,344 - 6,688
Debt Service Reserve	950		950	
Bond Proceeds (Restricted)	6,974	(3,984)	2,990	
Conservation Loan	34		34	
TOTAL RESERVES	\$15,174	\$(204)	\$14,970	



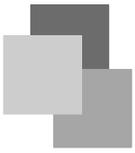
Gas Fund *continued*

RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES (\$000)			
Net Sales (Note 1)	(8,049)		(8,049)
Connection Charges	(58)		(58)
Interest Income	(124)		(124)
Bond Proceeds (Note 2)		(13,137)	(13,137)
CIP Reimbursement Changes	(250)		(250)
TOTAL REVENUE CHANGES	\$(8,481)	\$(13,137)	\$(21,618)
Adjustments (Note 3)	50		50
NET REVENUE CHANGE	\$(8,431)	\$(13,137)	\$(21,568)
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Personnel Reclassifications	(47)		(47)
Salary Increase (Note 4)	214		214
Personnel Benefits Costs (Note 5)	(84)		(84)
Total Salary and Benefits Changes	\$83		\$83
Non-Salary			
Gas Commodity (Note 6)	(11,691)		(11,691)
Contract Services	(135)		(135)
General Expense	(4)		(4)
Public Benefits	125		125
Debt Service	(102)		(102)
Rent	44	50	94
Equity Transfer	76		76
Capital Program Expense	596		596
Operating Transfer To Other Funds	425		425
Allocated charges (Note 7)	474		474
Total Non-Salary Changes	\$(10,192)	\$50	\$(10,142)
TOTAL EXPENDITURE CHANGES	\$(10,109)	\$50	\$(10,059)
Adjustments (Note 8)	(127)	(73)	(200)
NET EXPENDITURE CHANGE	\$(10,236)	\$(23)	\$(10,259)

RESOURCE LEVEL NOTES

Note 1: Adjustment to the 2002-03 Proposed Budget includes a 26.7 percent utility rate reduction.



Gas Fund *continued*

Note 2: Debt issue in 2001-02 to partially fund planned CIP work.

Note 3: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments.

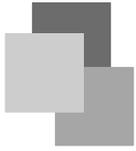
Note 4: Council approved compensation increases in 2002-03

Note 5: The historically favorable performance of CALPERS retirement investments have allowed the City to postpone a portion of budgeted contributions in 2002-03

Note 6: Decrease in gas commodity price and decrease in consumption due to conservation.

Note 7: Allocated Charges are increasing primarily due to the implementation of a financial plan for the replacement and maintenance of existing technologies, as recommended in the Information Technology Strategic Plan.

Note 8: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments. Adjustments to 2001-02 Adopted Budget includes: \$75,000 increase in legal fees, \$72,666 increase in salaries and benefits and \$52,288 increase in operating transfer out.



Gas Fund *continued*

FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

0.60	Resource Management
2.92	Resource Management - Supply
10.81	Customer Marketing and Financial Services
30.29	Distribution System
0.60	Public Benefits
45.22	Subtotal

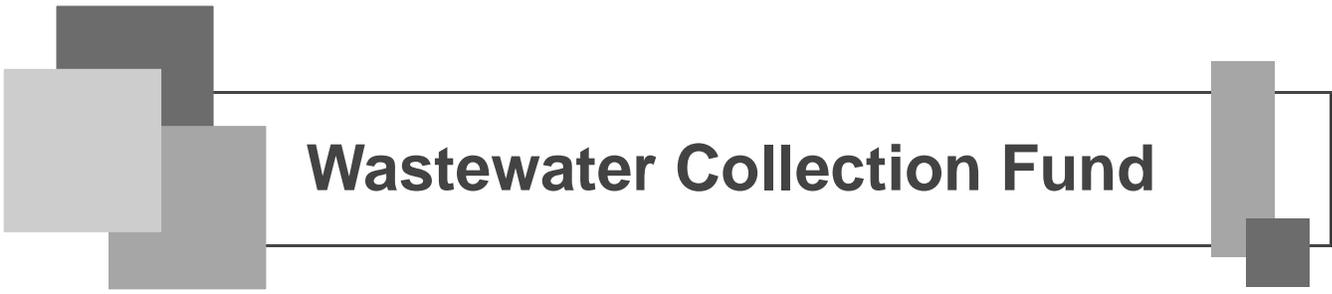
Allocated Administration

0.21	Administrator Utilities
0.02	Ast Director Utilities Engineering/Operations
0.19	Director, Utilities
0.02	Director, Utilities
0.21	Manager, Public Relations
0.21	Utilities Accounting Technician
0.21	Administrative Assistant
0.21	Public Relations Specialist
0.21	Program Assistant
1.49	Subtotal

46.71	Total Positions
-------	-----------------

\$4,298,317 Total Position Costs

This page is intentionally left blank.



Wastewater Collection Fund



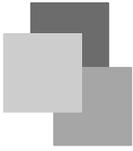
Wastewater Collection Fund

To build value for our citizen owners, to provide dependable returns to the City and citizens of Palo Alto, and to be the preferred full service utility provider while sustaining the environment.

OVERVIEW

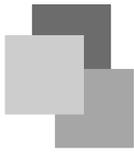
Consistent with the department-wide goal of focusing on reliability concerns for customers, Wastewater Collection staff will continue the construction stages of several major capital improvement projects and continue the development of a new Wastewater Collection System Master Plan. Completion of the New Wastewater Master Plan will be extended to the summer of 2002 to allow collection of wet and dry weather flow data for use in the City's new dynamic wastewater collection system model. The new wastewater collection system master plan will be used to compile future Wastewater CIP recommendations. Utilities staff will continue overlapping the design and construction elements of the Rehabilitation/Augmentation projects. In 2002-03, construction for Projects 15 and design work for Project 16 will begin. The 1989 Master Plan incorporated findings from previous inflow/infiltration studies and targeted the highest priority work needed. Over the past 12 years most of the work has been completed. Since current technology allows dynamic modeling of collections systems, an updated plan and model will provide engineering more knowledge and data for staff to use in future CIP projects. This higher quality dynamic analysis may reduce the need for future CIP expenditures. Also planned is a continuation of the 5 year pilot program (started in FY2000-01) to clean and video inspect approximately 17,000 linear feet of large diameter sanitary sewer mains per year (18 inches and larger). This effort will assess the necessity and parameters of designing an ongoing system-wide large diameter sewer cleaning program. Knowledge gained from this study will contribute to a reduced number of main stoppages. The sewer lateral and manhole replacement CIP was also increased to reduce the backlog of this necessary system maintenance. A pilot program for new customer service installations will also be started this year to evaluate the overall effectiveness of contracting for these services.

In 2001-02, a Rate Stabilization Reserve (RSR) adjustment totalling \$2.2 million resulted from CIP savings due to change in project design. For 2002-03 a 25 percent retail rate increase is necessary to offset rising operating costs since the last rate increase in 1999. The Adopted Budget results in a draw of \$1.2 million from RSR in 2002-03. The projected ending balance in the RSR is \$4.5 million, which is below the target level of \$5.2 million. Another rate increase in 2003-04 may be necessary, if economic conditions warrant.



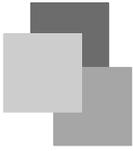
Wastewater Collection Fund *continued*

FUND SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Net Sales	8,973,448	9,586,652	11,420,652	11,298,652	1,712,000
Interest Income	1,315,549	1,018,100	1,048,600	835,500	(182,600)
Bond Proceeds (Restricted)	0	0	0	0	0
Other Income	1,130,637	699,154	664,154	656,200	(42,954)
TOTAL FUND REVENUES	\$11,419,634	\$11,303,906	\$13,133,406	\$12,790,352	\$1,486,446
Customer Marketing and Financial Services	209,730	242,492	238,427	259,889	17,397
Collection System					
Treatment Plant Charges	4,974,369	5,463,808	5,682,360	5,682,360	218,552
Systems Improvement(CIP)	4,916,295	3,520,732	5,591,410	5,035,992	1,515,260
Customer Design & Connection(CIP)	382,191	538,105	495,581	507,369	(30,736)
Operations	1,798,275	2,176,283	1,925,820	1,935,617	(240,666)
Debt Service	86,384	129,009	128,820	128,820	(189)
Rent	93,456	99,524	104,500	183,378	83,854
Operating Transfers Out	157,093	213,812	84,802	207,662	(6,150)
TOTAL FUND EXPENDITURES	\$12,617,793	\$12,383,765	\$14,251,720	\$13,941,087	\$1,557,322
TO/FROM RESERVES	\$(1,198,159)	\$(1,079,859)	\$(1,118,314)	\$(1,150,735)	\$(70,876)
TOTAL FULL TIME POSITIONS	26.70	27.52	27.40	27.08	(0.44)
TOTAL TEMPORARY POSITIONS	0.27	0.97	0.97	0.97	0.00



Wastewater Collection Fund *continued*

RESERVES (\$000)	2001-02 PROJECTED ENDING BALANCE	2002-03 CHANGES	2002-03 PROJECTED ENDING BALANCE	2002-03 RESERVE GUIDELINE RANGE
Emergency Plant Replacement	\$484	\$37	\$521	\$
Rate Stabilization	5,667	(1,188)	4,479	3,458-6,916
TOTAL RESERVES	\$6,151	\$(1,151)	\$5,000	



Wastewater Collection Fund *continued*

RESOURCE LEVEL CHANGES

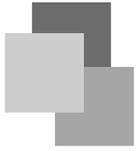
	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES (\$000)			
Net Sales (Note 1)	1,712		1,712
Interest Income	(183)		(183)
Other Income	(43)		(43)
TOTAL REVENUE CHANGES	\$1,486		\$1,486
NET REVENUE CHANGE	\$1,486		\$1,486
EXPENDITURE CHANGES(\$000)			
Salary and Benefits			
Personnel Reclassifications	(38)		(38)
Salary Increase (Note 2)	178		178
Personnel Benefits Costs (Note 3)	(42)		(42)
Total Salary and Benefits Changes	\$98		\$98
Non-Salary			
Treatment Plant Charges (Note 4)	219		219
Facilities and Equipment Purchases	(80)		(80)
Rent	44	40	84
Capital Program Expense	(889)		(889)
Operating Transfer	29		29
Allocated charges (Note 5)	186		186
Total Non-Salary Changes	\$(491)	\$40	\$(451)
TOTAL EXPENDITURE CHANGE	\$(393)	\$40	\$(353)
Adjustments (Note 6)		1,910	1,910
NET EXPENDITURE CHANGE	\$(393)	\$1,950	\$1,557

RESOURCE LEVEL NOTES

Note 1: 25 percent utility rate increase.

Note 2: Council approved compensation increases in 2002-03.

Note 3: The historically favorable performance of CALPERS retirement investments have allowed the City to postpone a portion of budgeted contributions in 2002-03.

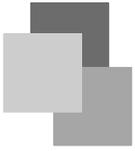


Wastewater Collection Fund *continued*

Note 4: Higher treatment costs are the primary reason for this increase. Also included is increased overhead and administrative costs of the Wastewater Treatment plant.

Note 5: Allocated Charges are increasing primarily due to the implementation of a financial plan for the replacement and maintenance of existing technologies, as recommended in the Information Technology Strategic Plan.

Note 6: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments. Adjustments to the 2001-02 Adjusted Budget include reduction in capital projects of \$ 2,250,000 (MPN 9914 - \$ 450,000; MPN 0003 - \$1,200,000; MPN 9913 - \$ 600,000), acquisition of Wastewater Collection Maintenance Video project of \$ 232,000 and a number of adjustments totalling \$ 107,527.



Wastewater Collection Fund *continued*

FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

1.65	Customer Marketing and Financial Services
24.58	Distribution System
26.23	Subtotal

Allocated Administration

0.12	Administrator Utilities
0.01	Ast Director Utilities Engineering/Operations
0.11	Director, Utilities
0.01	Director, Utilities
0.12	Manager, Public Relations
0.12	Utilities Accounting Technician
0.12	Administrative Assistant
0.12	Public Relations Specialist
0.12	Program Assistant
0.85	Subtotal

27.08	Total Positions
-------	-----------------

\$2,471,019 Total Position Costs



Water Fund



Water Fund

To build value for our citizen owners, to provide dependable returns to the City and citizens of Palo Alto, and to be the preferred full service utility provider while sustaining the environment.

OVERVIEW

CPAU continues to focus on providing a high quality and reliable source of water for its customers. At this time 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 through the year 2015. This is due to the construction of seismic upgrades to the SFPUC water delivery system, which will total over \$3 billion. This cost does not include the cost of new supplies.

The SFPUC - BAWUA (Bay Area Water Users Association), master contract expires in 2009. Given the slow pace of the SFPUC in constructing new supply projects, the uncertainty of these projects being started is of prime importance to CPAU's water supply future. Important tasks over the next two years will include development of draft principles for re-negotiation of the post-2009 contract and exploration of "out-of-the-box" supply alternatives.

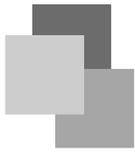
Last year the SFPUC Water Supply Master Plan (WSMP) was approved and it is unclear how SFPUC will proceed with the recommendations. In the coming years, the challenge is to implement the recommendations of the WSMP that include the construction and purchase of new supply and conveyance alternatives in the Hetch Hetchy watershed, the Central Valley, and the Bay Area. BAWUA is urging SFPUC to incorporate the recommendations into a comprehensive construction and financial plan.

Palo Alto as part of the steering committee, and also as part of several BAWUA committees, will monitor the economic and engineering feasibility of these alternatives in order to make a considered and thoughtful recommendation of water supply alternatives. Staff has developed a preliminary study of supply alternatives last year and will develop an integrated resource plan (IRP) in the coming year that will consider all available local supply and demand-side options in additions to the WSMP options.

Staff is actively involved in advocacy efforts with BAWUA. A major goal of the advocacy program will be to obtain more influence over the cost and adequacy of water supplies, preferably through BAWUA, but if needed, through an effort by the City. In 2001-02, Assemblymen Papan and Simitian introduced legislation, AB 1823, in the state legislature that would require San Francisco to adopt a capital improvement program to repair the regional system. Staff recommends continuing active efforts in advocating that the regional system be fixed, in developing alternative governance structures of the regional water system and in developing a crisis management plan. Meeting this objective will necessitate continuing active involvement of staff and political resources in conjunction with consultant, legal, and political assistance.

The SFPUC changed the disinfectant in the Hetch Hetchy water supply from chlorine to chloramine. A consultant contract completed the design for the addition of chloramine water treatment equipment to the City's four water receiving stations. The installation of the equipment will occur in 2002-03. An additional \$332,000 is included in 2002-03 to prepare the water system for SFPUC chloramine conversion.

Due to the critical need to ensure sufficient water supplies under emergency situations, CPAU has accelerated the implementation of the recommendations of the Water Wells, Regional Storage, and Distribution Study, completed in 1999, over the next five years. This study was commissioned to evaluate ways to improve the operation and reliability of the City's water distribution system, particularly during emergency situations. Project expenditures over the next five-year period will total approximately \$22.0 million, funded primarily through the financing of bonds. In 2002-03, staff will focus on the continuation of the accelerated Water Main Replacement projects by constructing Project 16 and completing the design of Project 17. As planned, funds of \$950,000 are included in 2002-03 for improvements to the



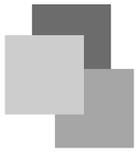
Water Fund *continued*

reservoir booster stations. A one-time increase of \$600,000 to install 250 two-inch blow-offs in lieu of hydrants in cul de sac is included in 2002-03. A reclassified position for 2002-03, a Water Transmission Supervisor, will ensure compliance with the Department of Health Services (DHS) and Environmental Protection Agency (EPA) mandate for increased testing of our water supply. Additional funding is requested for more frequent water main flushing, reservoir tank cleaning, and backup fluoridation pumps as required by DHS.

The terrorist events of 2001 have prompted a re-evaluation of distribution facilities security. A study was commissioned and the recommendations are being implemented.

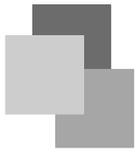
The Water Fund Capital Improvement Program (CIP) will rise from a level of approximately \$5.0 million in fiscal year 2002-03 to \$11.5 million in 2003-04. This major rise in expenditures includes \$3.9 million for the El Camino Park Reservoir and Pump Station as well as rehabilitation of well sites and water main replacements. To accommodate this sudden rise in capital costs, a combination of bond financing, reserve withdrawals, and two consecutive rate adjustments was proposed and approved during the two-year budget process. Accordingly, water revenue bonds were issued during 2001-02 in the amount of \$11.7 million while retail rates were held steady. These bond proceeds, along with increasing rates over the next two years, will fund the CIP. In addition, a portion of the retail rate increases is necessary to recover expected San Francisco Public Utilities Commission wholesale water rate increases. The combination of these two factors result in a rate increase of 20 percent, or \$3.1 million in 2002-03. A 25 percent rate increase will follow in 2003-04. The 2002-03 Adopted Budget will result in a \$0.6 million draw from the Rate Stabilization Reserve (RSR). The projected ending balance in the RSR is \$9.6 million in 2002-03, which is slightly higher than the target guideline of \$8.8 million.

FUND SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Net Sales	15,558,016	15,661,951	18,892,951	18,630,951	2,969,000
Interest Income	1,046,785	492,200	507,200	678,300	186,100
Bond Proceeds (Restricted)	0	10,770,000	0	0	(10,770,000)
Other Income	562,654	630,720	531,386	529,765	(100,955)
TOTAL FUND REVENUES	\$17,167,455	\$27,554,871	\$19,931,537	\$19,839,016	\$(7,715,855)
Resource Management					
Purchases	5,969,229	6,185,944	7,550,333	6,000,000	(185,944)
Operations	254,835	579,975	573,957	636,549	56,574
Customer Marketing and Financial Services	892,068	1,552,011	1,544,100	1,759,588	207,577
Distribution System					
Systems Improvement(CIP)	2,472,636	6,593,631	4,317,656	4,963,222	(1,630,409)
Customer Design and Connection Services(CIP)	469,603	592,973	554,218	549,420	(43,553)
Operations	3,015,054	3,046,014	2,844,277	3,113,143	67,129
Debt Service	0	861,000	861,000	775,311	(85,689)
Equity Transfer	2,105,328	2,168,480	2,233,534	2,233,534	65,054
Rent	925,767	985,796	1,035,086	1,402,788	416,992
Operating Transfers Out	218,591	197,844	295,569	439,053	241,209
TOTAL FUND EXPENDITURES	\$16,323,111	\$22,763,668	\$21,809,730	\$21,872,608	\$(891,060)
TO/FROM RESERVES	\$844,344	\$4,791,203	\$(1,878,193)	\$(2,033,592)	\$(6,824,795)
TOTAL FULL TIME POSITIONS	37.31	38.01	37.84	38.77	0.75
TOTAL TEMPORARY POSITIONS	0.39	1.09	1.09	1.09	0.00



Water Fund *continued*

RESERVES (\$000)	2001-02 PROJECTED ENDING BALANCE	2002-03 CHANGES	2002-03 PROJECTED ENDING BALANCE	2002-03 RESERVE GUIDELINE RANGE
Emergency Plant Replacement	\$979	\$75	\$1,054	\$2,305
Rate Stabilization	10,242	(621)	9,621	5,866 - 11,733
Debt Service Reserve	778		778	
Bond Proceeds (Restricted)	1,488	(1,488)	0	
TOTAL RESERVES	\$13,487	\$(2,034)	\$11,453	



Water Fund *continued*

RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES (\$000)			
Net Sales (Note 1)	2,969		2,969
Interest Income	186		186
Bond Proceeds (Note 2)		(10,770)	(10,770)
CIP Reimbursements	(68)		(68)
Utility fees	(33)		(33)
Allocated Revenues	(27)		(27)
TOTAL REVENUE CHANGES (\$000)	\$3,027	\$(10,770)	\$(7,743)
Adjustments (Note 3)	27		27
NET REVENUE CHANGES	\$3,054	\$(10,770)	\$(7,716)
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Personnel Reclassifications	78		78
Salary Increase (Note 4)	225		225
Personnel Benefits Costs (Note 5)	(6)		(6)
Total Salary and Benefits Changes	\$297		\$297
Non-Salary			
Water Commodity	(186)		(186)
Contract Services	24		24
2 Fluoridation Pumps		30	30
Supplies and Materials	58		58
General Expense	79		79
New Debt Service Expense	(86)		(86)
Rent & Leases	2		2
Facility Rent	159	258	417
Equity Transfer	65		65
Capital Program Expense	(1,565)		(1,565)
Non-salary Reduction to Fund Salary Changes	(40)		(40)
Operating Transfers to Other Funds	258		258
Allocated Charges (Note 6)	259		259
Total Non-Salary Changes	\$(973)	\$288	\$(685)
TOTAL EXPENDITURE CHANGES	\$(676)	\$288	\$(388)
Adjustments (Note 7)	(430)	(73)	(503)



Water Fund *continued*

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
NET EXPENDITURE CHANGES	\$(1,106)	\$215	\$(891)

RESOURCE LEVEL NOTES

Note 1: 20 percent water rate increase.

Note 2: City Council approved a debt issue in 2001-02 to partially fund planned CIP work.

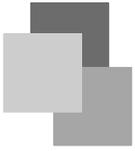
Note 3: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments.

Note 4: Council approved compensation increases in 2002-03.

Note 5: The historically favorable performance of CALPERS retirement investments have allowed the City to postpone a portion of budgeted contributions in 2002-03.

Note 6: Allocated Charges are increasing primarily due to the implementation of a financial plan for the replacement and maintenance of existing technologies, as recommended in the Information Technology Strategic Plan

Note 7: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments. Adjustments to 2001-02 Adopted Budget include : \$ 225,000 contract services, \$40,000 supplies and materials; \$ 150,000 capital project MPN 0108, \$ 72,667 salaries and benefits and \$ 15,461 net operating transfers out and allocated charges.



Water Fund *continued*

FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

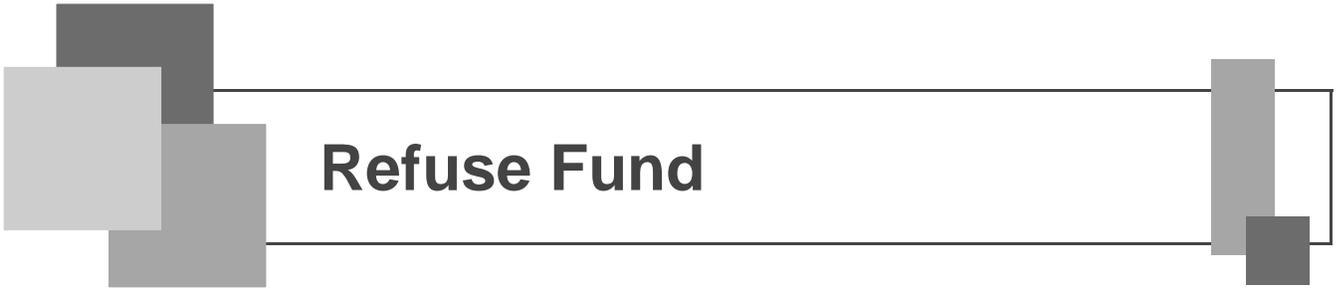
2.39	Resource Management
11.42	Customer Marketing and Financial Services
23.75	Distribution System
37.56	Subtotal

Allocated Administration

0.17	Administrator Utilities
0.02	Ast Director Utilities Engineering/Operations
0.15	Director, Utilities
0.02	Director, Utilities
0.17	Manager, Public Relations
0.17	Utilities Accounting Technician
0.17	Administrative Assistant
0.17	Public Relations Specialist
0.17	Program Assistant
1.21	Subtotal

38.77	Total Positions
-------	-----------------

\$3,620,010 Total Position Costs



Refuse Fund



Refuse Fund

To manage the solid, hazardous waste and street sweeping programs to minimize waste generation and maximize recycling in compliance with all regulatory requirements.

OVERVIEW

The City remains steady in its landfill diversion. For the second year in a row, the City continues to enjoy a 59 percent diversion, well above the 50 percent that was mandated by the year 2000. Staff continues to research methods to reduce waste and expects to implement new programs for 2002-03.

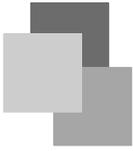
A nine-month pilot program to commingle recyclable materials is scheduled to take place in 2002-03. This is being done in an effort to facilitate recycling for residents and to encourage more participation. Residents will be provided two additional 96-gallon wheeled carts to be used for recycling materials and yardwaste materials. These materials will then be sorted at the recycling center.

All plastics will also be accepted at the recycling center. The tonnage and marketability of the materials will be monitored to ensure that they are being recycled. The clean-up day will be expanded to accept bulky items at no additional cost and the program will include residences up to five-plexes. The commercial recycling program will be enhanced, with PASCO providing complimentary wheeled carts to customers.

In addition, PASCO will be changing the fuel used in their trucks to bio-diesel and thereby substantially reducing the particulate emissions.

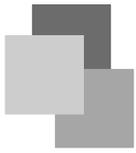
Various programs were implemented during the last year including the addition of colored #2 plastic with nearly 15 tons collected and mixed paper with over 2 million pounds collected. A free clean-up day was started annually for residents in single family dwellings. Over 700 residents participated during the initial year. In lieu of composting all green waste brought to the landfill, some material is put through the grinder (chipped) and sent for use offsite.

The Rate Stabilization Reserve (RSR) is expected to have an ending balance of \$5.2 million in 2002-03 which is above its \$3.7 million maximum guideline level.



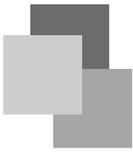
Refuse Fund *continued*

FUND SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Net Sales	18,913,087	18,680,928	18,680,928	18,658,951	(21,977)
Interest Income	1,559,640	1,070,600	1,077,191	920,700	(149,900)
Bond Proceeds (Restricted)	0	0	0	0	0
Other Income	3,323,621	3,109,341	3,171,141	3,040,341	(69,000)
TOTAL FUND REVENUES	\$23,796,348	\$22,860,869	\$22,929,260	\$22,619,992	\$(240,877)
Solid Waste					
Systems Improvement(CIP)	1,253,451	140,000	0	0	(140,000)
Operations	2,824,831	5,244,394	5,320,355	5,224,072	(20,322)
Collection, Hauling and Disposal					
Payment to PASCO	7,698,667	7,982,000	7,994,280	8,032,625	50,625
Operations	3,859,940	3,946,153	3,947,542	4,031,301	85,148
Street Sweeping	1,649,559	1,940,139	2,077,471	2,114,977	174,838
Debt Service	395,528	396,326	396,326	396,326	0
Rent	4,288,752	5,788,747	4,288,747	5,288,747	(500,000)
Operating Transfers Out	120,135	376,861	287,931	485,987	109,126
TOTAL FUND EXPENDITURES	\$22,090,863	\$25,814,620	\$24,312,652	\$25,574,035	\$(240,585)
TO/FROM RESERVES	\$1,705,485	\$(2,953,751)	\$(1,383,392)	\$(2,954,043)	\$(292)
TOTAL FULL TIME POSITIONS	32.70	32.70	32.70	32.70	0.00
TOTAL TEMPORARY POSITIONS	1.00	1.00	1.00	1.00	0.00



Refuse Fund *continued*

RESERVES (\$000)	2001-02 PROJECTED ENDING BALANCE	2002-03 CHANGES	2002-03 PROJECTED ENDING BALANCE	2002-03 RESERVE GUIDELINE RANGE
Rate Stabilization Reserve	\$8,150	\$(2,954)	\$5,196	\$1862 - 3725
Water Resources Board Reserve	590		590	
TOTAL RESERVES	\$8,740	\$(2,954)	\$5,786	



Refuse Fund *continued*

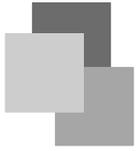
RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES (\$000)			
Street Sweeping Reimbursement	2		2
Interest Income	(150)		(150)
Bin Rental	50		50
Landfill Charges		(133)	(133)
Refuse Sales	(71)		(71)
TOTAL REVENUE CHANGES	\$(169)	\$(133)	\$(302)
Adjustments (Note 1)	61		61
NET REVENUE CHANGES	\$(108)	\$(133)	\$(241)
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Salary Increase (Note 2)	105		105
Personnel Benefit Costs (Note 3)	(12)		(12)
Total Salary and Benefits Changes	\$93		\$93
Non-Salary			
Post-closure Accrual	(178)		(178)
HHW Event Disposal Cost	(8)		(8)
PASCO Contract	51		51
PASCO Yard Rent	9		9
Landfill Rent (Note 4)		1,000	1,000
Transfers to Other Funds	214		214
Allocated Charges (Note 5)	208		208
Total Non-Salary Changes	\$296	\$1,000	\$1,296
TOTAL EXPENDITURE CHANGES	\$389	\$1,000	\$1,389
Adjustments (Note 6)	(129)	(1,500)	(1,629)
NET EXPENDITURE CHANGES	\$260	\$(500)	\$(240)

RESOURCE LEVEL NOTES

Note 1: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments.

Note 2: Council approved compensation increases in 2002-03.



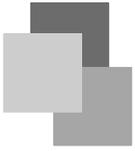
Refuse Fund *continued*

Note 3: The historically favorable performance of CALPERS retirement investments have allowed the City to postpone a portion of budgeted contributions in 2002-03.

Note 4: \$1,000,000 additional one-time paydown on accumulated landfill rent to the General Fund.

Note 5: Allocated Charges are increasing primarily due to the implementation of a financial plan for the replacement and maintenance of existing technologies, as recommended in the Information Technology Strategic Plan.

Note 6: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments. Adjustment to 2001-02 Adjusted Budget includes \$1,500,000 additional paydown on accumulated landfill rent to the General Fund.



Refuse Fund *continued*

FUNCTIONAL AREAS Summary of 2002-03 Regular Positions

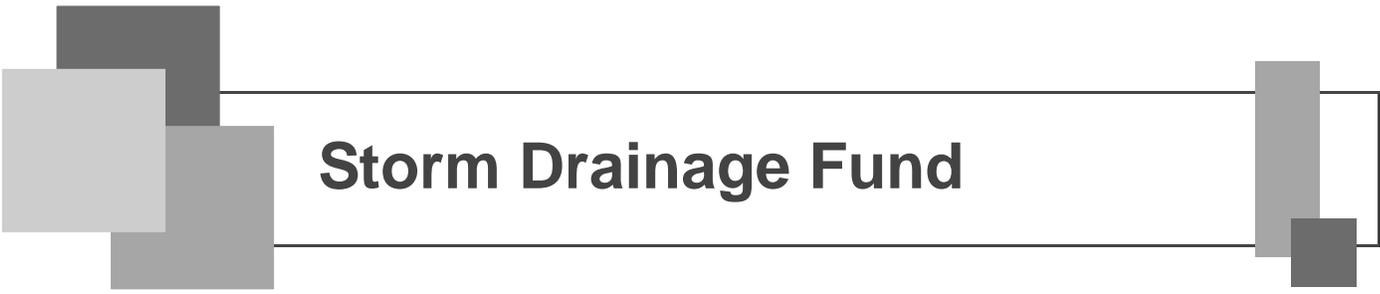
17.75	Solid Waste
0.75	Collection, Hauling and Disposal
11.20	Street Sweeping
29.70	Subtotal

Allocated Administration

1.00	Executive Assistant
1.00	Office Specialist
1.00	Staff Secretary
3.00	Subtotal

32.70	Total Positions
-------	-----------------

\$2,610,406 Total Position Costs



Storm Drainage Fund



Storm Drainage Fund

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

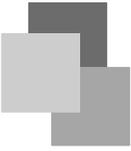
OVERVIEW

The Storm Drainage Fund continues to experience an operating deficit due to insufficient revenue from existing utility rates. A supplemental funding from the General Fund is required in order to maintain the current level of service for storm drain maintenance and storm water quality protection programs. No funding is available for new storm drain capital improvements. For 2002-03, staff has proposed several new user fees to recover the cost of existing services and increase Fund revenue. Staff will also work with a Blue Ribbon Committee of community leaders during the first half of the year to prioritize future storm drain infrastructure improvements and identify alternative funding mechanisms. Subject to final input from the Committee and Council, a property owner election seeking approval of a higher monthly Storm Drainage Fee may be conducted in Spring 2003.

Staff will implement a minimal capital improvement program using the balance of CIP funding from prior years. Staff will also continue to implement a baseline preventive maintenance program, conduct a proactive storm water quality protection program, coordinate with the Santa Clara Valley Water District and the Federal Emergency Management Agency on flood control and flood insurance issues, and participate in the San Francisquito Creek Joint Powers Authority to seek a comprehensive solution to flooding and erosion problems on San Francisquito Creek.

For 2002-03, the Storm Drainage Fund Rate Stabilization Reserve (RSR) has a targeted balance of \$0.3 million. The Fund's operating deficit will be covered by \$0.9 million supplemental funding from the General Fund.

FUND SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Net Sales	2,127,005	2,123,570	2,123,570	2,123,570	0
Interest Income	69,341	8,000	8,240	20,800	12,800
Bond Proceeds (Restricted)	0	0	0	0	0
Other Income	1,000,756	913,119	920,150	990,650	77,531
TOTAL FUND REVENUES	\$3,197,102	\$3,044,689	\$3,051,960	\$3,135,020	\$90,331
Systems Improvements					
Systems Improvement(CIP)	(245,829)	272,560	278,643	295,920	23,360
Operations	487,465	241,606	242,207	272,680	31,074
Operations & Maintenance	1,267,600	1,479,034	1,509,721	1,611,139	132,105
Debt Service	698,841	951,995	948,020	948,018	(3,977)
Operating Transfers Out	62,610	99,492	53,568	44,710	(54,782)
TOTAL FUND EXPENDITURES	\$2,270,687	\$3,044,687	\$3,032,159	\$3,172,467	\$127,780
TO/FROM RESERVES	\$926,415	\$2	\$19,801	\$(37,447)	\$(37,449)
TOTAL FULL TIME POSITIONS	9.82	9.75	9.75	9.75	0.00
TOTAL TEMPORARY POSITIONS	0.00	0.00	0.00	0.00	0.00



Storm Drainage Fund *continued*

RESERVES (\$000)	2001-02 PROJECTED ENDING BALANCE	2002-03 CHANGES	2002-03 PROJECTED ENDING BALANCE	2002-03 RESERVE GUIDELINE RANGE
Distribution RSR	334	(37)	297	
Bond Proceeds (Restricted)	152		152	
TOTAL RESERVES	\$486	\$(37)	\$449	



Storm Drainage Fund *continued*

RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES (\$000)			
Plan Checking Fee	65		65
Other Fee	5		5
Interest income	13		13
Operating Transfer From General Fund	(204)		(204)
TOTAL REVENUE CHANGES	\$(121)		\$(121)
Adjustments (Note 1)	211		211
NET REVENUE CHANGES	\$90		\$90
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Salary increase (Note 2)	35		35
Personnel benefit costs (Note 3)	(8)		(8)
Total Salary and Benefits Changes	\$27		\$27
Non-Salary			
Blue Ribbon Committee Task Force		60	60
Urban Runoff Pollution Prevention	30		30
Debt Service	(4)		(4)
Operating Transfer To Other Funds	(55)		(55)
Allocated charges (Note 4)	70		70
Total Non-Salary Changes	\$41	\$60	\$101
NET EXPENDITURE CHANGES	\$68	\$60	\$128

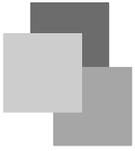
RESOURCE LEVEL NOTES

Note 1: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments.

Note 2: Council approved compensation increases in 2002-03.

Note 3: The historically favorable performance of CALPERS retirement investments have allowed the City to postpone a portion of budgeted contributions in 2002-03.

Note 4: Allocated Charges are increasing primarily due to the implementation of a financial plan for the replacement and maintenance of existing technologies, as recommended in the Information Technology Strategic Plan.



Storm Drainage Fund *continued*

FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

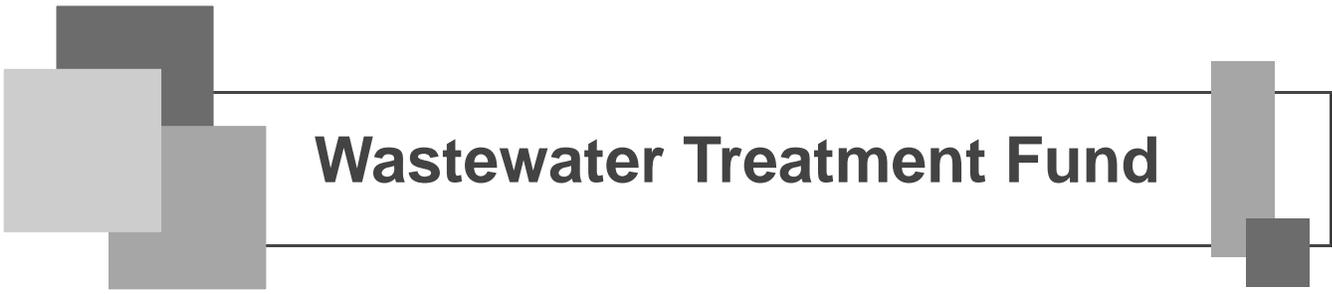
2.40	Storm Drainage System Improvement
7.00	Storm Drainage Operations/Maintenance
9.40	Subtotal

Allocated Administration

0.15	Assistant Director, Public Works
0.20	Senior Engineer
0.35	Subtotal

9.75	Total Positions
------	-----------------

\$912,986 Total Position Costs



Wastewater Treatment Fund



Wastewater Treatment Fund

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

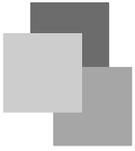
OVERVIEW

In 2001-02, the Public Works Department led the City's implementation of the new mercury, dioxin and pesticide reduction policies by securing adoption of the California Mercury Reduction Act, expanding the fluorescent light recycling program, training dental workers in pollution prevention, drafting a new City Ordinance, purchasing process chlorine-free paper, and implementing a new plan to use less-toxic pesticide alternatives. In 2002-03, adopting the new Ordinance, preparing the first annual Pesticide Use and Reduction Report, conducting mercury surveys at hospitals, seeking alternatives to industrial mercury switches, and investigating pharmaceutically active compounds in sewage will be new thrusts for the Department's pollution prevention staff.

Numerous water pollution prevention accomplishments were made this year. This include the adoption of the California Mercury Reduction Act (SB633) to reduce mercury releases from commercial products, the drafting of the new Sewer Use Ordinance provisions to control copper, mercury and other pollutants and the completing of the new City-wide Plan to minimize use of pesticides and find less toxic alternatives.

The Rate Stabilization Reserve (RSR) is expected to have an ending balance of \$5.8 million in 2002-03, including the funding of \$0.2 million. The ending balance is above the \$4.2 million maximum guideline level.

FUND SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Net Sales	13,696,248	14,503,195	15,082,122	15,383,495	880,300
Interest Income	832,337	576,100	580,411	496,100	(80,000)
Bond Proceeds (Restricted)	0	0	0	0	0
Other Income	206,572	60,645	60,645	60,645	0
TOTAL FUND REVENUES	\$14,735,157	\$15,139,940	\$15,723,178	\$15,940,240	\$800,300
Operations					
Systems Improvement(CIP)	2,926,072	1,940,693	1,891,036	1,890,402	(50,291)
Operations	8,326,666	9,409,139	9,584,533	9,918,738	509,599
Environmental Compliance	2,120,845	2,773,903	2,778,396	2,862,190	88,287
Debt Service	547,798	856,825	854,188	815,533	(41,292)
Operating Transfers Out	53,532	105,148	135,034	157,552	52,404
TOTAL FUND EXPENDITURES	\$13,974,913	\$15,085,708	\$15,243,187	\$15,644,415	\$558,707
TO/FROM RESERVES	\$760,244	\$54,232	\$479,991	\$295,825	\$241,593
TOTAL FULL TIME POSITIONS	67.00	68.00	68.00	68.00	0.00
TOTAL TEMPORARY POSITIONS	0.63	0.63	0.63	0.63	0.00



Wastewater Treatment Fund *continued*

RESERVES (\$000)	2001-02 PROJECTED ENDING BALANCE	2002-03 CHANGES	2002-03 PROJECTED ENDING BALANCE	2002-03 RESERVE GUIDELINE RANGE
Emergency Plant Replacement	\$1,543	\$88	\$1,631	\$1,421
Distribution RSR	5,590	208	5,798	2,094 - 4,188
Bond Proceeds (Restricted)	184		184	
TOTAL RESERVES	\$7,317	\$296	\$7,613	



Wastewater Treatment Fund *continued*

RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES (\$000)			
Contract cities revenue	880		880
Interest income	(80)		(80)
TOTAL REVENUE CHANGES	\$800		\$800
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Salary increase (Note 1)	272		272
Personnel benefit costs (Note 2)	(59)		(59)
Total Salary and Benefit Changes	\$213		\$213
Non-Salary			
CIP project costs	(53)		(53)
Transfers to other funds	35		35
Debt service	(41)		(41)
Allocated charges (Note 3)	372		372
Total Non-Salary Changes	\$313		\$313
TOTAL EXPENDITURE CHANGES	\$526		\$526
Adjustments (Note 4)	33		33
NET EXPENDITURE CHANGES	\$559		\$559

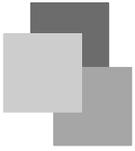
RESOURCE LEVEL NOTES

Note 1: Council approved compensation increases in 2002-03.

Note 2: The historically favorable performance of CALPERS retirement investments have allowed the City to postpone a portion of budgeted contributions in 2002-03.

Note 3: Allocated Charges are increasing primarily due to the implementation of a financial plan for the replacement and maintenance of existing technologies, as recommended in the Information Technology Strategic Plan.

Note 4: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments.



Wastewater Treatment Fund *continued*

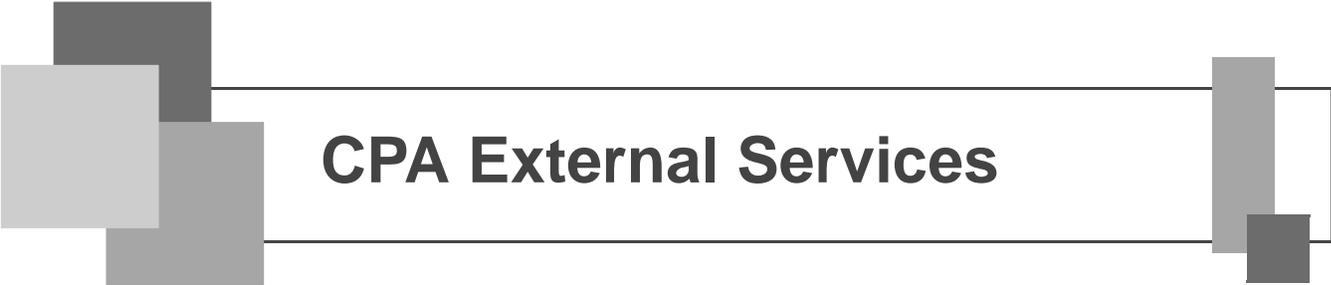
FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

53.70	Wastewater Treatment
14.30	Wastewater Environment Compliance
68.00	Subtotal

68.00	Total Positions
-------	-----------------

\$6,260,122 Total Position Costs



CPA External Services



CPA External Services

To provide information technology services and training courses to surrounding municipalities and community organizations.

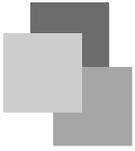
OVERVIEW

Created in 2001-02, the Fund provides external services to neighboring municipalities and other community organizations. The Fund covers two primary areas: Information Technology (IT) Services and Training Services. The goal of the IT Services is to provide resources to expand delivery of information technology services to other surrounding jurisdictions through the City's Information Technology Service Provider (ITSP) Program. This program will be self-funded through contracts with other agencies to include the following services:

- IT Help Desk Services and On-Site Support Services
- Web Services
- IT Consulting Services
- Application Services
- Geographical Information System (GIS) Services

The Training Services program, managed by the Human Resources Department, provides annual training courses, workshops and seminars to neighboring municipalities and other community organizations. Community training partnerships and inter-city training events for revenue generation will be created and expanded.

FUND SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Net Sales	0	0	0	0	0
Interest Income	0	5,470	5,600	5,200	(270)
Bond Proceeds (Restricted)	0	0	0	0	0
Other Income	0	720,823	759,323	1,042,666	321,843
TOTAL FUND REVENUES	\$0	\$726,293	\$764,923	\$1,047,866	\$321,573
External Services	0	537,052	670,549	860,537	323,485
Operating Transfers Out	0	0	0	5,000	5,000
TOTAL FUND EXPENDITURES	\$0	\$537,052	\$670,549	\$865,537	\$328,485
TO/FROM RESERVES	\$0	\$189,241	\$94,374	\$182,329	\$(6,912)
TOTAL FULL TIME POSITIONS	0.00	4.00	5.00	7.00	3.00
TOTAL TEMPORARY POSITIONS	0.00	0.00	0.00	0.00	0.00



CPA External Services *continued*

RESERVES (\$000)	2001-02 PROJECTED ENDING BALANCE	2002-03 CHANGES	2002-03 PROJECTED ENDING BALANCE	2002-03 RESERVE GUIDELINE RANGE
	\$	\$	\$	\$
Information Technology RSR	38	182	220	
Human Resources RSR	14		14	
TOTAL RESERVES	\$52	\$182	\$234	



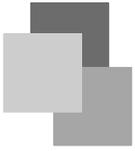
CPA External Services *continued*

RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES (\$000)			
Information Technology:			
Charges for Services	413		413
Cable Franchise Fee	20		20
Training Services:			
Charges for Services	(12)		(12)
TOTAL REVENUE CHANGES	\$421		\$421
Adjustments (Note 1)		(100)	(100)
NET REVENUE CHANGES	\$421	\$(100)	\$321
EXPENDITURE CHANGES (\$000)			
Salary and Benefits			
Information Technology:			
2.0 Technologists	229		229
Personnel and benefit costs	18		18
Training Services:			
1.0 Human Resources Assistant	67		67
Total Salary and Benefits Changes	\$314		\$314
Non-Salary			
General Expense	2		2
Allocated charges	75		75
Contract Services	(59)		(59)
Total Non-Salary Changes	\$18		\$18
TOTAL EXPENDITURE INCREASE	\$332		\$332
Adjustments (Note 1)	(4)		(4)
NET EXPENDITURE CHANGE	\$328	\$0	\$328

RESOURCE LEVEL NOTES

Note 1: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments.



CPA External Services *continued*

FUNCTIONAL AREAS Summary of 2002-03 Regular Positions

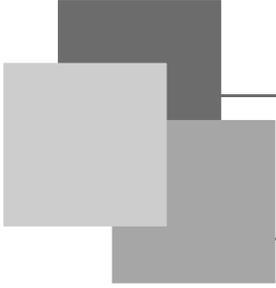
7.00 External Services
7.00 Subtotal

7.00 Total Positions

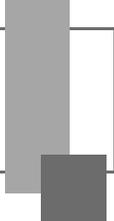
\$731,342 Total Position Costs



Cross Departmental Programs



Cross-Departmental Programs



An Overview

Cross-departmental programs are activities, services, or efforts that are delivered by more than one department. These programs are displayed separately from regular departmental budgets because they reflect services that are visible and important to the community. Components of the cross-departmental programs are contained in each department's budget section. These components may consist of a major activity or a subactivity of a major activity. Cross-departmental programs must have the participation of more than two departments, each of which provide more than \$50,000 towards the program. For the 2002-03 Adopted Budget, cross-departmental programs include:

- Citywide Sustainability Plan
- Cubberley Community Center
- Development Center Services
- Parking Program
- Special Events
- Traffic Management and Safety

The Development Center Services CDP has incorporated all activities of the previous Land Development Project Processing program.

It should be noted that budget information displayed in the cross-departmental programs represent an estimated amount of departmental resources dedicated to that task. For example, the expenses and Full Time Equivalents (FTE) associated with the Council priority Traffic Management and Safety represent staff's best estimate of budgeted resources related to this cross-departmental program. The budgets formally adopted by Council are contained in the departmental budget sections.

The following areas are City Council designated priorities in 2002-03:

- Affordable / Attainable Housing
- Alternative Transportation / Traffic Calming
- CityWorks / Infrastructure
- Land Use Planning
- Long Range Finances

The Traffic Management and Safety CDP can be directly linked to the Alternative Transportation/Traffic Calming priority. The Land Use Planning priority is supported via the Development Center Services program.

The Affordable Housing, CityWorks infrastructure plan and Long Range Finances Council priorities are not displayed as a cross-departmental program since they are primarily supported by individual departments: Planning and Community Environment, Public Works, and Administrative Services Departments respectively.

This page is intentionally left blank.



Citywide Sustainability Plan

To implement the Council-adopted City Sustainability Policy, that is, to become a sustainable community - one which meets its current needs without compromising the ability of future generations to meet their own needs.

OVERVIEW

In 2001-02, the Sustainability Committee, which had representation from all the City departments, organized itself into subcommittees in order to better manage the projects that the Committee is coordinating. The larger committee no longer meets on a regular basis, although members of the committee are encouraged to be active on the subcommittees. These include:

Sustainability Inventory and Indicators

Infrastructure: Includes green city buildings, development of ARB guidelines, and incorporation of sustainable elements into facilities renovation projects in the Infrastructure Management Plan.

Procurement: Includes Sustainable Purchasing Citizens Committee, recycled products, alternative custodial and Print Shop chemicals, and Integrated Pest Management Plan

Water and Energy Conservation: Includes oversight of the Water Energy Management Plan and incorporation of a photovoltaic program.

Publicity: Includes "In the Loop", "CityPages", internet/intranet website, employee education efforts, department staff meetings and community forums

Other City programs that do not require Sustainability Committee leadership because they are already established in the City's organization but are reported on to the Committee periodically include: affordable housing, economic vitality, alternative transportation, and solid waste reduction and recycling.

COMPREHENSIVE PLAN OVERVIEW

The essence of the Comprehensive Plan is sustainability. In the Introduction of the Comprehensive Plan it states,

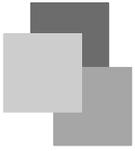
"We aspire to create a safe, beautiful City for ourselves, our children, and future generations." We envision a City with diverse housing opportunities, where the natural environment is protected, where excellent services are provided, and where residents have a say in government. We aspire to create a City that is economically healthy and a good place to do business."

The goals, policies and programs identified in the Comprehensive Plan relate at some level to sustainability. The City wide Sustainability Plan efforts in 2001-02 have focused on activities that enhance the implementation of the Comprehensive Plan. Comprehensive Plan elements were identified for all sustainability inventory indicators and associated activities. In 2002-03, sustainability indicators and related activities will continue to be prioritized based on their relationship to the Comprehensive Plan elements.

CONTRIBUTING DEPARTMENTS

City Manager's Office

A major activity of "Sustainability" has been created in the functional City Management area within the City Manager's Office. The resources reflect the goal to oversee the activities of the various departments who are pursuing sustainability goals and projects.



Citywide Sustainability Plan *continued*

PARTICIPATING DEPARTMENTS	2000-01 ACTUAL	2001-02 ESTIMATED BUDGET	2002-03 ESTIMATED BUDGET
City Manager Office	\$	\$66,173	\$66,173
Fire Department		64,567	
Public Works Department, Wastewater Fund		43,450	
Capital Project Sustainability - Contingency			500,000
Total Expenditures	\$	\$174,190	\$566,173
Full Time Equivalent (FTE) Positions		1.15	0.15



Cubberley Community Center

To support the Cubberley Community Center educational, cultural and recreational activities through a lease agreement between the City and the Palo Alto Unified School District.

OVERVIEW

The three contributing departments will continue to work cooperatively to maximize the use of leased rental space, to promote community use of the Center and its programs, to maintain the building and grounds in a safe and clean condition, and to improve the aesthetics and usability of the Center. Specific plans include the following: continued improvement of building interiors, landscaping non-landscaped areas through the development of public/private partnerships to share in the cost and labor, and ongoing roof replacements through the CIP program. Additional funds have been included to improve the facility through public/private partnerships.

COMPREHENSIVE PLAN OVERVIEW

Cubberley Community Center will be enhanced through the development of public/private partnerships to improve the interiors of meeting rooms, dance studios and gymnasiums, landscaping non-landscaped areas, and by ongoing roof replacement programs.

CONTRIBUTING DEPARTMENTS

Community Services Department

In the Cubberley Community Center functional area, the Community Services Department's mission is to enhance the vitality of Cubberley as a Community Center. In the Cubberley Center Services major activity the mission is to administer the hourly rental program, provide daily customer service to lease tenants, plan and promote center use, encourage tenant/user interaction and input, develop community partnerships and initiate facility improvements.

Administrative Services Department

In the Cubberley- Long Term Lease Management major activity, the Administrative Services Department's mission is to manage Cubberley leases and achieve the highest related financial and/or public benefit.

Public Works Department

In its Cubberley sub-activities, the Public Works Department's mission is to provide timely maintenance programs to repair and maintain the building systems and structures, paving, concrete, signage and tree-trimming at the Cubberley site, as well as sweeping the parking lots.

PARTICIPATING DEPARTMENTS	2000-01 ACTUAL	2001-02 ESTIMATED BUDGET	2002-03 ESTIMATED BUDGET
Administrative Services Department	\$56,516	\$88,943	\$79,968
Community Services Department	1,244,424	1,448,479	1,327,762
Public Works Department	310,799	399,141	350,867
Total Expenditures	\$1,611,739	\$1,936,563	\$1,758,597
Full Time Equivalent (FTE) Positions	14.49	14.49	14.49



Development Center Services

To achieve safe, high quality, well-designed improvement and development projects that conform to code through an efficient process that balances and protects community, neighborhood and private interests.

OVERVIEW

Through land development processing, the City receives reviews and approves applications for construction, development projects and planning entitlements, and monitors construction resulting from approvals. The departments of Planning, Fire, Public Works, Utilities, and City Attorney will continue to work together to improve customer service via the Internet and at the Development Center. Customer surveys will be utilized to evaluate service levels, and to solicit community input for additional service enhancements.

COMPREHENSIVE PLAN OVERVIEW

Departments will collaborate to streamline the process for residents and businesses seeking to build in Palo Alto and to provide general improvements in customer service (B-6, G-19).

CONTRIBUTING DEPARTMENTS

City Attorney

Within the Project-Based City Staff Support major activity, the City Attorney's mission is to provide legal advice to staff, appointed and elected officials, as well as to provide legal support in the processing of project applications.

Fire Department

In the Fire Code Research and Development, Environmental Coordination, and Hazmat Code Research, Development and Enforcement major activities, the Fire Department's mission is to develop and enforce codes that prevent fires and the release of hazardous materials, and to work with the public and other organizations on environmental matters.

Planning Department

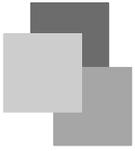
In the Development Review, Construction Review and Project Monitoring functional areas, the Planning and Community Environment Department's mission is to achieve safe, well-designed improvements and developments and to ensure that all development achieves the high quality and design specified.

Public Works Department

In the Private Development functional area, the Public Works mission is to expeditiously review and inspect private development to ensure that developers comply with applicable regulations, to meet high standards of quality and safety, and to conform with approved plans and specifications.

Utilities Department

In the Water, Gas, and Electric Utility CIPs the mission is to satisfy customer requests for review of development plans, service designs, and installations.



Development Center Services *continued*

PARTICIPATING DEPARTMENTS	2000-01 ACTUAL	2001-02 ESTIMATED BUDGET	2002-03 ESTIMATED BUDGET
City Attorney	\$6,516	\$6,443	\$6,765
Fire Department	604,862	415,125	443,312
Planning Department	2,339,467	2,549,226	2,790,596
Public Works Department	206,210	218,230	239,403
Utilities Department	75,112	86,180	101,040
Total Expenditures	\$3,232,167	\$3,275,204	\$3,581,116
Full Time Equivalent (FTE) Positions	25.72	23.50	24.50



Parking Program

To support the planning, design, implementation, enforcement, maintenance and resolution of motorized vehicle parking issues.

OVERVIEW

Work will continue on downtown parking issues in cooperation with the Chamber of Commerce Downtown Parking Committee. Construction of the new downtown parking garages will continue in 2002-03. Parking will be closely monitored during construction of the parking garages. Parking lot maintenance will continue in an effort to keep the downtown area clean.

COMPREHENSIVE PLAN OVERVIEW

The Parking Program will be enhanced through: continued enforcement of the valet parking ordinance (L-77, T-49, T-50).

CONTRIBUTING DEPARTMENTS

Police Department

In the Police Department's Parking Services major activity, emphasis is placed on the management and resolution of parking issues through the enforcement of parking regulations, cooperative planning with the Chamber of Commerce, downtown merchants, California Avenue businesses and other City departments.

Public Works Department

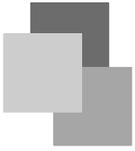
General Fund activities within the functional areas of Streets, Sidewalk, Trees, Structures, and Grounds functional areas, as well as Refuse Fund activities within the Solid Waste, Collection, Hauling and Disposal and Street Sweeping functional areas include providing timely maintenance to repair and maintain parking structures, pavement, concrete, signing, sweeping, and trees. Staff has proposed a scheduled, systematic surface treatment of all City maintained asphalt parking lots, which will extend the useful life of parking lots.

Planning Department

In the Parking Management major activity, emphasis is placed on managing on and off-street public parking in a manner that balances the needs of business, customers, and the general public.

Administrative Services Department

In the Parking Support major activity, the Administrative Services Department's mission is to process and record parking payment and citation information, deposit money in a prompt, accurate and safe manner; to provide for delinquent citation collection in accordance with legal requirements; and to oversee the issuance of parking permits for all City parking lots.



Parking Program *continued*

PARTICIPATING DEPARTMENTS	2000-01 ACTUAL	2001-02 ESTIMATED BUDGET	2002-03 ESTIMATED BUDGET
Administrative Services Department	\$231,972	\$285,551	\$492,923
Planning Department	38,685	41,468	43,541
Police Department	647,960	762,275	1,131,076
Public Works Department	170,568	225,274	240,502
Total Expenditures	\$1,089,185	\$1,314,568	\$1,908,042
Full Time Equivalent (FTE) Positions	14.68	14.30	15.30

CIP INFORMATION

The following Capital Improvement Program (CIP) is related to this cross-departmental program:

o Permit Information Tracking System, CIP Number 19516



Special Events

To support the success of both City and non-City sponsored events and to provide the appropriate level of planning, staffing, and resources to ensure a safe environment, while minimizing disruption to the public.

OVERVIEW

There will be continued involvement in the production of and assistance for a number of special events held throughout the City. A special event is defined as a significant activity, which impacts private or public property for the purpose of a cultural experience, entertainment, or athletic event. These include events sponsored by the City, those sponsored by Stanford, and non-City sponsored events. Examples include the City of Palo Alto's Black and White Ball, the May Fete Parade, the July 4th Summer Festival, Stanford Football Games, and Palo Alto Celebrates the Arts. The City's Special Events Team, comprised of staff from various departments, coordinates the planning of most special events.

COMPREHENSIVE PLAN OVERVIEW

The contributing departments will continue to actively work with existing public and private agencies to provide and support special events for families and youth in Palo Alto. These collaborations will minimize duplication of services. Concurrently, efforts to secure corporate support and volunteer assistance for events will continue. In 2001-02, more than \$250,000 in cash, services, and donated products were secured.

CONTRIBUTING DEPARTMENTS

Community Services Department

Within the Special Events major activity of the Recreational Services functional area, the Community Services Department's mission is to coordinate, produce, and market special events for the community.

Police Department

In the Special Events functional area, the Police Department's mission is to provide police services to ensure a safe environment for community special events while minimizing disruption to the public through appropriate planning and staffing. Major activities include: City-sponsored events, non-City sponsored events, and Stanford-sponsored events.

Other Departments

The Public Works, Fire and Planning Departments make smaller, but significant contributions to the Special Events Cross-Departmental Program.

PARTICIPATING DEPARTMENTS	2000-01 ACTUAL	2001-02 ESTIMATED BUDGET	2002-03 ESTIMATED BUDGET
Community Services Department	\$359,659	\$343,451	\$331,482
Police Department	137,072	160,411	167,536
Total Expenditures	\$496,731	\$503,862	\$499,018
Full Time Equivalent (FTE) Positions	2.94	2.94	2.94



Traffic Management and Safety

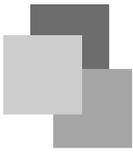
To address congestion, speed, and traffic safety issues throughout the City.

OVERVIEW

In 2002-03, there will be continued emphasis on implementation of traffic calming measures and alternative transportation modes. This includes implementation of local and collector street traffic calming projects, construction of the Embarcadero Bridge Bike Path, development of the Homer Undercrossing, and continued development of the City's local shuttle project. Emphasis will also be placed on enforcement, using moving radar and automated citation devices and the school commute safety program. Special attention will be focused on developing a traffic safety plan for the Terman Middle School site.

The following items contribute to the City Council's Top Priority of Alternative Transportation and Traffic Calming:

- Continue to develop the Homer Street Undercrossing capital project.
- Continue implementation of automated citation devices and motorcycle moving radar with grant funds received from the Office of Traffic Safety.
- Reconfigure the City's Local Shuttle service routes as needed and convert Shuttle to alternative fuels.
- Continue to implement the Citywide program for collector and neighborhood streets.
- Continue with program of installing STOP legends using thermoplastic markings at all intersections controlled by STOP signs.
- Implement the Downtown North Traffic Calming Trial.
- Replace all existing school zone signage with new Fluorescent Yellow/Green signs for improved visibility and enhanced pedestrian safety in school zones. (pending funding approval)
- Begin construction of the Embarcadero Bridge bike path project, pending PUC approval and availability of additional funding if needed.
- Complete upgrade of the Citywide Computer Traffic network model.
- Develop a traffic safety plan for the Terman Middle School site, including modification of the traffic signal on Arastradero Road at Terman Drive.
- Report to City Council and the community on implementation of the neighborhood traffic calming program.
- Complete Transportation Strategic Plan.
- Implement first phase of Citywide Traffic Signal System upgrade.
- Enhance up to six crosswalk locations.
- Complete south Palo Alto School Commute Safety Study.
- Complete traffic signal modifications at Middlefield and East Meadow.
- Continue development of the Intermodal Transit Center Project.
- Continue Citywide Traffic Safety Education and awareness efforts.



Traffic Management and Safety *continued*

COMPREHENSIVE PLAN OVERVIEW

Traffic safety on City roadways will be enhanced by enforcement and education programs aimed at pedestrian and bike safety, fatal injury accident prevention, and seat belt and child safety seat usage. (T-8, T-47)

CONTRIBUTING DEPARTMENTS

Planning Department

The Department's mission in the Transportation functional area is to manage and enhance the City's transportation facilities and programs. These programs are designed to achieve a safe and efficient multi-modal transportation system to meet the diverse mobility needs of the community.

Police Department

In the Traffic Services functional area, the Police Department's mission is to minimize injury and property damage by promoting a safe and orderly flow of pedestrian, bicycle and vehicular traffic. Major activities include Traffic Enforcement, School Safety, and Traffic Complaint Resolution.

Public Works Department

Within the In-house Traffic Control major activity, the Public Works Department's mission is to provide the installation of new and maintenance of existing traffic control signs, striping, and legends to facilitate safe movement of vehicles, bicycles, and pedestrians.

Utilities Department

In the Traffic Signal Operations and Traffic Signal-CIP major activities, the Utilities Department's mission is to operate, maintain, and improve the traffic signal systems to ensure adequate, safe, economic, reliable, environmentally sound and efficient delivery of traffic signal services.

PARTICIPATING DEPARTMENTS	2000-01 ACTUAL	2001-02 ESTIMATED BUDGET	2002-03 ESTIMATED BUDGET
Planning Department	\$1,077,643	\$1,296,865	\$1,233,592
Police Department	1,341,677	1,741,996	2,044,655
Public Works Department	820,892	910,140	1,127,347
Utilities Department	1,352,885	2,283,177	1,600,085
Total Expenditures	\$4,593,097	\$6,232,178	\$6,005,679
Full Time Equivalent (FTE) Positions	28.56	28.56	30.24

CIP INFORMATION

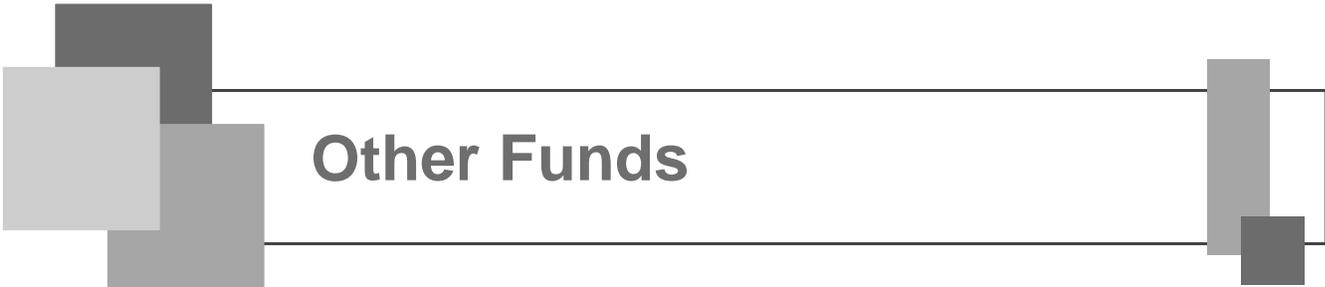
The following Capital Improvement Program (CIP) projects are related to this cross departmental program.

Residential Arterial Traffic Calming, Phase II - CIP 19814

Local and Neighborhood Collector Street Traffic Calming - CIP 10026

Traffic Calming Devices - CIP 19709, Upgrade Traffic Signals Control System - CIP 0117

Traffic Signals Upgrade - CIP 8930, Homer Undercrossing Project - CIP 10121



Other Funds

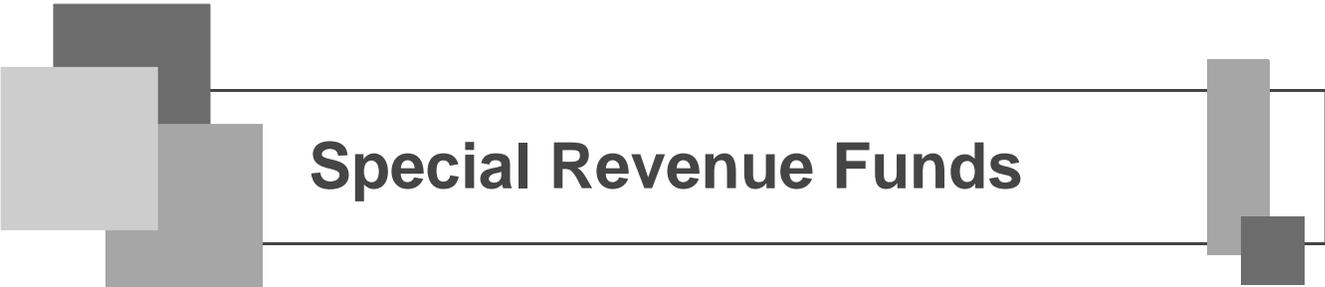
Special Revenue

Debt Service

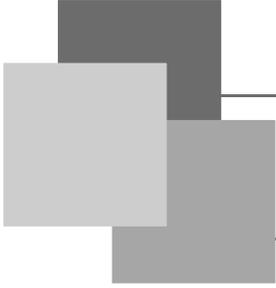
Internal Service

www.city.palo-alto.ca.us

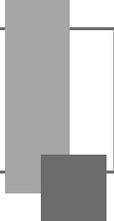
This page is intentionally left blank.



Special Revenue Funds



Special Revenue Funds



An Overview

Special Revenue Funds include revenues with certain restrictions on their use. These Funds consist of 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 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 the Community Development Block Grants (CDBG) from the Federal Government. Significant resource changes in the 2002-03 Adopted Budget are explained by fund.

Community Development Funds

Revenue in this Fund comes from the new 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 and libraries. The projected revenue for the new development impact fees is \$0.6 million

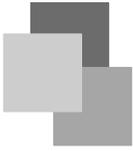
Street Improvement Funds (SIF)

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 earnings, revenues are estimated to be \$1.2 million for fiscal year 2002-03. The City will continue to receive County Measure A and B funds, which will be used to augment the City's street resurfacing program.

Federal and State Revenue Funds

The Federal and State Revenue Fund consists primarily of CDBG monies. CDBG funds are used for a wide variety of community projects such as affordable housing and public services, and project expenditures are also supported by program income. Funding for affordable housing in the South of Forest Avenue (SOFA) area is included in this Fund. CDBG project expenditures continue to draw upon program income and prior year allocations that have been left unspent. Project expenditures increased \$0.3 million compared to the 2001-02 Adjusted Budget due to reallocation of SoFA funds from fiscal year 2000-01. The city will continue to receive CDBG funding from the Federal grant program in 2002-03, however this funding may be reduced in 2003-04. The City will discuss the impact and consequences of this potential cut with Legislators.

In recent years, the City has received law enforcement grant funds from State and



Special Revenue Funds *continued*

Federal programs. Although no revenues or expenditures are shown in the 2002-03 Adopted Budget, a budget amendment will be brought to the Council for approval when the City is notified of grant funding approval. Any funds remaining from prior years are restricted for certain law enforcement purposes.

Housing In-lieu Funds

In-lieu housing revenues result 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 will be brought to the Council for specific appropriation.

Special Districts Funds

Revenue in this Fund comes from parking permits and is used for maintenance of parking facilities within the University Avenue and California Avenue business districts. The parking permit fees for the parking facilities within University Avenue are increased due to the construction of two new Parking garages. The additional revenue is used to cover the maintenance of the new garages.

Traffic Mitigation and Parking In-Lieu Funds

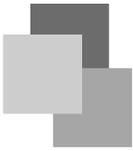
Traffic mitigation fee revenues derive from fees or contributions required to alleviate anticipated traffic congestion resulting from new, non-residential projects. There is a one-time transfer of funds to the Planning Department for the development of traffic intersection drawings. Parking in-lieu fees result from commercial projects in assessment district areas which contribute a fee for future parking spaces in-lieu of providing the required spaces as part of the development.

Public Benefit Funds

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

2002-03 SPECIAL REVENUE FUNDS SUMMARY BY FUND

	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	Total Special Revenue Funds
REVENUES								
Gas Tax		1,125,000						1,125,000
Federal and State Grants			808,000					808,000
Parking Permit/In-Lieu Fees				875,000	669,400	480,000	50,000	2,074,400
Development Impact Fees	553,010							553,010
Interest Income		84,700	33,400	195,300	60,700	137,500	14,600	526,200
Operating Transfers			15,000					15,000
Other Revenue		490,656	25,000	8,500				524,156
Total Source of Funds	\$553,010	\$1,700,356	\$881,400	\$1,078,800	\$730,100	\$617,500	\$64,600	\$5,625,766
EXPENDITURES								
CDBG Project Expenditures			1,317,000					1,317,000
Transfer to General Fund for CDGB Work			183,586					183,586
Transfer to Planning and/or Public Works Departments		436,437						436,437
Management Agency Membership								0
Transfer for Street Improvement Fund CIP		1,735,656						1,735,656
Transfer to Debt Service for Parking Facilities					80,000			80,000
Transfer to General Fund for Parking								0
Transfer to CDBG								0
Facilities Maintenance/ Operations					451,854			451,854
Transfer to Refuse Fund for Parking Lot Sweeping					53,700			53,700



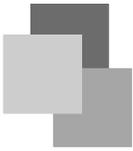
2002-03 SPECIAL REVENUE FUNDS SUMMARY BY FUND CONTINUED

	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	Total Special Revenue Funds
Transfer from HIP Revenue for CDBG Projects			15,000					15,000
Contract to Manage Below Market Rate Program				137,000				137,000
Grant for Senior Services							50,000	50,000
Support for Downtown Neighborhood Traffic Study								0
Asset Seizure Program - Police Dept.			26,000					26,000
Total Use of Funds	\$0	\$2,172,093	\$1,541,586	\$137,000	\$585,554	\$0	\$50,000	\$4,486,233
NET TO (FROM) RESERVES	\$553,010	\$(471,737)	\$(660,186)	\$941,800	\$144,546	\$617,500	\$14,600	\$1,139,533

CONSOLIDATED SPECIAL REVENUE FUNDS

	2000-01 Actual	2001-02 Adjusted Budget	2002-03 Adopted Budget	Change
REVENUES				
Community Development	-	-	553,010	553,010
Gas Tax	1,271,800	1,125,000	1,125,000	-
Federal and State Grants	930,591	144,816		(144,816)
Federal CDBG	112,323	771,000	808,000	37,000
Housing In-Lieu	1,875,947	1,350,000	875,000	(475,000)
Traffic Mitigation Fees	666,903	200,000	200,000	-
Parking Mitigation Fees	636,364	579,690	669,400	89,710
Public Benefit - Hamilton Avenue	-	-	50,000	50,000
Interest Income	471,678	420,400	534,700	114,300
Other Revenue	219,898	800,656	795,656	(5,000)
Subtotal	\$6,185,503	\$5,391,562	\$5,610,766	\$219,204
OPERATING TRANSFER FROM:				
Housing Improvement	39,591	20,000	15,000	(5,000)
Parking Districts				-
Traffic Mitigation	9,554	-		-
General Fund	2,513	2,580		(2,580)
Housing In-Lieu Commerical				-
Capital Improvement Program				-
Subtotal	\$51,657	\$22,580	\$15,000	\$(7,580)
TOTAL SOURCE OF FUNDS	\$6,237,160	\$5,414,142	\$5,625,766	\$211,624
EXPENDITURES				
General Expense	779,018	1,537,342	1,530,000	(7,342)

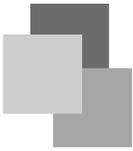
CONSOLIDATED SPECIAL REVENUE FUNDS *CONTINUED*



	2000-01 Actual	2001-02 Adjusted Budget	2002-03 Adopted Budget	Change
OPERATING TRANSFERS				
Operating Transfers to General Fund	901,453	1,082,232	1,071,877	(10,355)
Operating Transfer to Gas Tax	-			-
Operating Transfer to CDBG	49,144	20,000	15,000	(5,000)
Operating Transfer to Debt Service	79,996	80,000	80,000	-
Operating Transfer to CIP	2,346,739	1,956,656	1,735,656	(221,000)
Operating Transfer to Refuse	67,676	53,700	53,700	-
Operating Transfer to SIF				-
Operating Transfer to Housing				-
Subtotal	\$3,445,009	\$3,192,588	\$2,956,233	\$(236,355)
TOTAL USE OF FUNDS	\$4,224,027	\$4,729,930	\$4,486,233	\$(243,697)
NET TO (FROM) RESERVES	\$2,013,133	\$684,212	\$1,139,533	\$455,321

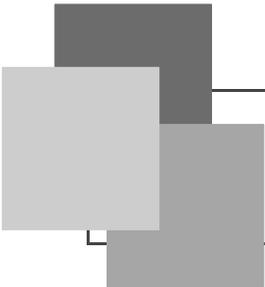
2002-03 COMMUNITY DEVELOPMENT BLOCK GRANT FUND

	2001-02 Adopted Budget	2002-03 Agency Requests	2002-03 Adopted Budget
SOURCE OF FUNDS			
Housing & Urban Development	771,000		808,000
Operating Transfer from Traffic Mitigation	-		
Prior Year Excess/Reallocation (1)	219,256		479,000
Program Income			
Housing Improvement Program	20,000		15,000
Palo Alto Housing Corporation	20,000		15,000
TOTAL SOURCE OF FUNDS	\$1,030,256	\$	\$1,317,000
USE OF FUNDS			
Public Service			
Emergency Housing Consortium (01018)	8,490	8,490	8,490
Palo Alto Housing Corp. Info & Ref (01047)	23,175	36,000	-
Palo Alto Housing Corp. - Barker Counseling (01048)	22,745	61,211	24,745
Shelter Network - Haven House (01079)	18,000	20,000	20,000
Clara Mateo - Shelter (01075)	28,750	28,750	28,750
Clara Mateo - Family Shelter (01076)	12,000	22,000	22,000
Urban Ministry - Drop in Center (01024)	-	25,000	20,715
St. Vincent de Paul - Day Worker Center (01049)	-	10,000	10,000
Lytton Gardens - Dining Room Furniture	-	36,370	-
Subtotal: Public Service	\$113,160	\$247,821	\$134,700
Planning and Administration			
City of Palo Alto - CDBG Administration (01003)	130,000	140,000	140,000
Mid-Peninsula Citizens For Fair Housing (01016)	24,800	25,800	25,800

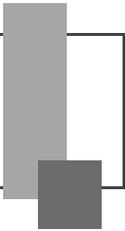


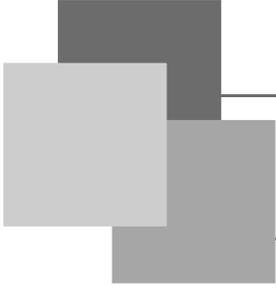
2002-03 COMMUNITY DEVELOPMENT BLOCK GRANT FUND *CONTINUED*

	2001-02 Adopted Budget	2002-03 Agency Requests	2002-03 Adopted Budget
Subtotal: Administration	\$154,800	\$165,800	\$165,800
Housing, Economic Development and Capital Projects			
Community Working Group - Opportunity Center (01078)	480,000	2,215,000	550,000
Palo Alto Housing Corporation - Multi-family Housing	-	270,250	-
Palo Alto Community Child Care - Ventura Community Center (01063)	-	98,000	98,000
Avenidas - Senior Center (01050)	-	199,626	120,000
Stevenson House - Senior Center (01059)	-	49,110	49,000
City of Palo Alto - Housing Development Fund (01053)	221,806	1,000,000	199,500
Subtotal: Housing/Community Facilities	\$701,806	\$3,831,986	\$1,016,500
TOTAL USE OF FUNDS	\$969,766	\$4,245,607	\$1,317,000
(1) Funds received in excess of revenue estimate for local program income (2001-02 and prior) and Reallocation of SoFA funds from 2000-01			



Debt Service Funds





Debt Service Funds



An Overview

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

General debt service includes repayment of funds borrowed for improvements to the Golf Course and repayment of bonds for structural improvements to the Civic Center.

Debt service for the Golf Course and Civic Center debt is funded by a transfer from the General Fund. The transfer from the University Avenue Parking Permit fund in the amount of \$80,000 is to support the parking district's share of the Civic Center debt for that portion of the Civic Center garage that is used by public parking.

New Golf Course improvement bonds were issued in August 1998. Debt Service Fund expenditures support the debt service payments on these bonds. Funding for this payment comes from a transfer from the General Fund, and will be repaid by future Golf Course revenues. Previous Golf Course debt was fully repaid as part of this new issue.

In 2001-02, the City issued the Series 2002A Certificates of Participation (COPS) to refinance at a lower interest rate the 1992 COPS. The City also issued the Series 2002B COPS to fund the construction of a 2 story, above-ground structure as an extension to the new parking garage on lots S and L. The City intends to lease the structure to commercial tenants for retail or office use and use part of the rental revenue for Citywide teen programs.

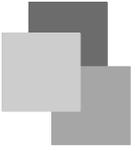
Special assessment debt includes debt service on the University and California Avenue parking facilities. This debt is paid for by annual assessments on property owners within each of the parking districts.

GENERAL DEBT SERVICE FUND SUMMARY

	2000-01 Actual	2001-02 Adjusted Budget	2002-03 Adopted Budget	2002-03 Budget Change
REVENUES				
Terman Rent	317,999	277,177	47,929	(229,248)
Terman Interest	4,638	10,000		(10,000)
Other - Interest	89,379	84,065	57,500	(26,565)
Subtotal	\$412,015	\$371,242	\$105,429	\$(265,813)
GENERAL FUND OPERATING TRANSFERS				
Golf Course Corporation	653,677	628,016	664,116	36,100
Public Improvement Corp. (Civic Center)	670,711		337,940	337,940
Parking 2002B COPS Taxable			306,140	306,140
University Avenue Permit Fund Transfer	80,000	80,000	80,000	0
Subtotal	\$1,404,388	\$708,016	\$1,388,196	\$680,180
TOTAL SOURCE OF FUNDS	\$1,816,403	\$1,079,258	\$1,493,625	\$414,367
EXPENSES				
Debt Service:				
Golf Course Corporation	703,316	703,016	702,116	(900)
Public Improvement Corporation	821,955	119,065	422,440	303,375
Parking 2002 COPS Taxable			321,140	321,140
Terman School	416,523			
TOTAL USE OF FUNDS	\$1,941,795	\$822,081	\$1,445,696	\$623,615
NET TO (FROM) RESERVES	\$(125,391)	\$257,177	\$47,929	\$(209,248)

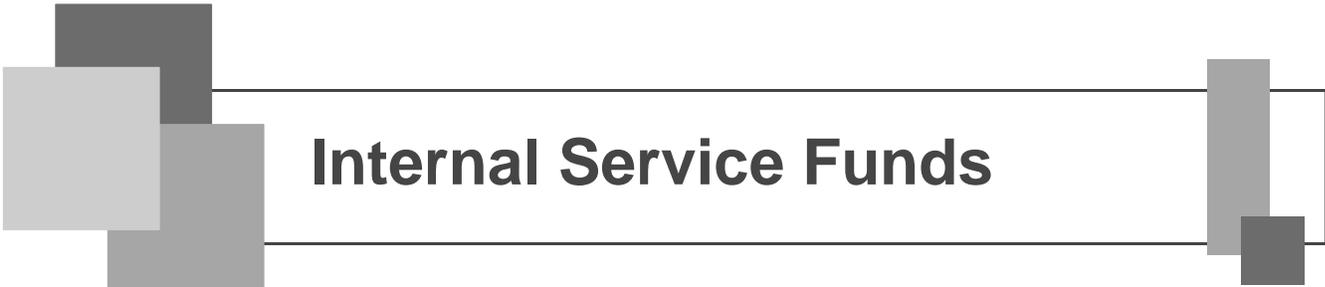
SPECIAL ASSESSMENT DEBT SERVICE FUND SUMMARY

	2000-01 Actual	2001-02 Adjusted Budget	2002-03 Adopted Budget	\$ Change
REVENUES				
Special Assessments	871,846	851,611	865,456	13,845
Total Source of Funds	\$871,846	\$851,611	\$865,456	\$13,845
Debt Service	875,298	851,611	865,456	13,845
Total Use of Funds	\$875,298	\$851,611	\$865,456	\$13,845
NET TO (FROM) RESERVES	\$(3,451)	\$0	\$0	\$0

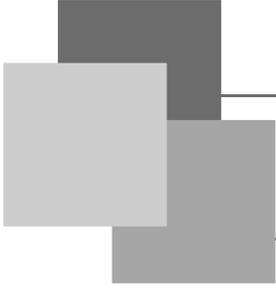


Special Assessment Debt Service Fund Summary
continued

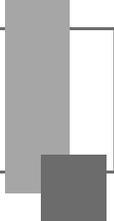
This page is intentionally left blank.



Internal Service Funds



Internal Service Funds



An Overview

Internal Service Funds provide services to City departments and recover their costs through user charges.

Vehicle Replacement and Maintenance Fund

The Vehicle Replacement and Maintenance Fund accounts for the maintenance and replacement of vehicles and equipment used by all City departments.

2002-03 fund revenues are decreasing by \$0.8 million (27 percent), as compared to the adopted-in-concept budget. This is mainly due to a reduction in vehicle replacement allocations from other funds because, wherever possible, vehicle lives are being extended or previous allocations are funding the purchase. This is a temporary situation being used only during the current economic downturn. Enterprise Fund vehicle replacements are not affected, and will be replaced as planned in 2002-03. Staff will continue to review maintenance charge-back rates and make adjustments as necessary. Another area addressed in this adopted budget is capital improvements, including the installation of a wireless vehicle management system, upgrading the Foothills fuel storage tanks, replacement of some golf course equipment, and the addition of a pickup truck and a green machine to the City's fleet.

Technology Fund

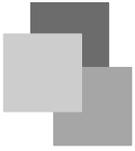
The Technology Fund, includes such activities as personal computer desktop replacement and maintenance, software application replacement and maintenance, as well as technology infrastructure replacement and maintenance. The newly centralized Technology fund, has been approved to expand its communications and data transmission role further in 2002-03 with the inclusion of the City's telephone expenditure budget.

The costs of the above programs are allocated back as charge-backs to the funds and departments citywide. The Enterprise Funds are now full participants in this fund as their technology systems become further integrated into the citywide plan.

Staff will be working on implementing the new Enterprise Resource Planning (ERP) system that will replace the financial, human resources and other systems, and in the implementation of web-based payment of utility bills.

Printing and Mailing Services Fund

The Printing and Mailing Services Fund accounts for central duplicating, and the printing and mailing services provided to all City departments.



Internal Service Funds *continued*

In 2002-03, staff will focus on implementing the findings from a cost benefit analysis of the printing operations to determine if the City should continue performing this service in-house or outsource. The results of this study are expected early in the 2002-03 fiscal year. The goal of the evaluation will be to maximize the service provided to City departments at the lowest cost available.

General Benefits and Insurance Fund

The General Benefits and Insurance Fund accounts for the administration of compensated absences and health benefits, the City's self insured worker's compensation and general liability programs. The source of revenue for this fund consists primarily of charges to departments to recover citywide costs for employee and retiree benefits, and for liability costs.

Compared to the 2001-02 Adjusted Budget, total fund expenses are increasing \$1.2 million (3.8 percent), due to soaring liability insurance premiums resulting from the September 11, 2001 terrorist attacks as well as increasing medical premium expense. The health care component of the total increase, for both current and retired employees, is projected to increase \$0.8 million (16 percent).

Staff is continuing to examine ways to control and possibly reduce citywide benefit and insurance costs.

2002-03 INTERNAL SERVICE FUND SUMMARY

(\$000)	Vehicle Replacement and Maintenance Fund	Technology Fund	Printing and Mailing Fund	General Benefits and Insurance Fund	Total
REVENUES					
Operating Revenue	4,771	5,310	991	914	11,986
Interest Income	171	268	18	1,321	1,778
Other Revenue	516	263	25	34,632	35,435
TOTAL SOURCE OF FUNDS	\$5,457	\$5,841	\$1,034	\$36,867	\$49,199
EXPENDITURES					
Operating Expenditures	3,053	3,613	1,023	36,867	44,555
Depreciation Expense	2,000	150	12	0	2,162
Capital Improvement Program	323	325	0	0	648
TOTAL USE OF FUNDS	\$5,376	\$4,088	\$1,036	\$36,867	\$47,366
Net To/From Retained Earnings	\$81	\$1,754	\$(2)	\$0	\$1,833

2002-03 INTERNAL SERVICE FUNDS — RETAINED EARNINGS

(\$000)	Vehicle Replacement and Maintenance Fund	Technology Fund	Printing and Mailing Fund	General Benefits and Insurance Fund	Total
CHANGES TO RETAINED EARNINGS					
Retained Earnings as of June 30, 2001	9,891	2,653	159	6,020	18,723
2001-02 Changes to Retained Earnings	492	2,182	11		2,685
PROJECTED RETAINED EARNINGS - JUNE 30, 2002	\$10,383	\$4,835	\$170	\$6,020	\$21,408
2002-03 Changes to Retained Earnings	81	1,754	(2)	0	1,833
PROJECTED RETAINED EARNINGS - JUNE 30, 2003	\$10,464	\$6,589	\$168	\$6,020	\$23,241



Vehicle Replacement and Maintenance

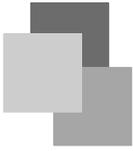
To provide for the timely replacement of vehicles and equipment in accordance with prescribed schedules, to ensure the safe, reliable and efficient operation of vehicles and equipment through systematic preventive maintenance and cost-effective repairs, to provide safe and efficient fuel storage and dispensing facilities.

OVERVIEW

While managing a normal maintenance schedule for the citywide fleet in 2002-03, staff proposes to scale back General Fund vehicle replacement charge-back by approximately \$0.7 million, as compared to the adopted-in-concept budget, due to the economic downturn. Where replacement is needed in the General Fund, these will be funded with proposed allocations or past payments currently held in the fund balance.

Staff will continue to review maintenance charge-back rates and make adjustments as necessary to reflect actual maintenance costs. Workload and available resources will be analyzed to ensure the optimum mix of in-house and contracted services. Work will also continue on the goal of establishing complete automatic vehicle refueling and automated collection of operating data through the installation of on-board monitoring equipment.

FUND SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Operating Revenue	4,351,721	4,319,643	5,504,830	4,770,855	451,212
Interest Income	193,201	217,200	223,716	170,600	(46,600)
Other Income	1,054,162	816,009	516,009	516,009	(300,000)
TOTAL FUND REVENUES	\$5,599,084	\$5,352,852	\$6,244,555	\$5,457,464	\$104,612
Vehicle Replacement/Additions	2,131,841	2,130,257	2,340,931	2,612,806	482,549
Vehicle Operations/Maintenance	2,814,076	2,731,086	2,712,572	2,763,225	32,139
TOTAL FUND EXPENDITURES	\$4,945,917	\$4,861,343	\$5,053,503	\$5,376,031	\$514,688
TO/FROM RESERVES	\$653,167	\$491,509	\$1,191,052	\$81,433	\$(410,076)
TOTAL FULL TIME POSITIONS	14.00	15.00	15.00	15.00	0.00
TOTAL TEMPORARY POSITIONS	0.35	0.35	0.35	0.35	0.00



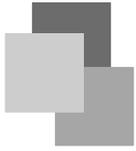
Vehicle Replacement and Maintenance *continued*

RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES			
Vehicle maintenance reimbursement from other funds	133,596		133,596
Vehicle replacement reimbursement from other funds		(748,701)	(748,701)
Interest Income	(46,600)		(46,600)
TOTAL REVENUE CHANGES	\$86,996	\$(748,701)	\$(661,705)
Adjustments (Note 1)		766,317	766,317
NET REVENUE CHANGES	\$86,996	\$17,616	\$104,612
EXPENDITURE CHANGES			
Salary and Benefits			
Negotiated salary and benefit increases from the prior year	66,798		66,798
Total Salary and Benefits	\$66,798		\$66,798
Non-Salary			
CIP project costs	0	258,000	258,000
Allocated charges	(5,294)		(5,294)
Total Non-Salary	\$(5,294)	\$258,000	\$252,706
TOTAL EXPENDITURE CHANGES	\$61,504	\$258,000	\$319,504
Adjustments (Note 1)		195,184	195,184
NET EXPENDITURE CHANGES	\$61,504	\$453,184	\$514,688

RESOURCE LEVEL NOTES

Note 1: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments.



Vehicle Replacement and Maintenance *continued*

FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

2.40	Vehicle Replacement/Additions
12.60	Vehicle Operations/Maintenance
15.00	Subtotal

15.00	Total Positions
-------	-----------------

\$1,184,369 Total Position Costs



Technology Fund

To provide a citywide financial planning mechanism for the timely and cost-effective replacement and upgrade of technology.

OVERVIEW

The Technology Fund covers four primary areas: Desktop Replacement and Maintenance, Infrastructure Replacement and Maintenance, Application Replacement and Maintenance, and Technology Research and Development.

The goal of the Desktop Replacement and Maintenance area is to upgrade or replace the City's aging desktop and mobile computer hardware and software. With the goal of replacing one-third of the existing computer inventory enrolled in the Desktop Replacement Fund each year, one of the fund's main objectives is to keep-pace with not only the ever-increasing demands of software applications but also the future requirements of the Enterprise Resource Planning (ERP) system.

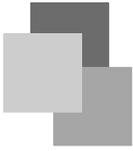
The mission of Infrastructure Replacement and Maintenance is to upgrade or replace citywide technology infrastructure critical to the City's business operations, such as the telephone system, Internet, and network infrastructure.

As part of Application Replacement and Maintenance, staff will upgrade, replace, and maintain the City's core enterprise and departmental business applications and systems. Staff will continue with implementation of the new Enterprise Resource Planning (ERP) system, and the program for web-based payment of utilities bills.

The purpose of Research and Development is to fund new technology projects and initiatives identified as a priority by City Council or staff. This program is not funded in this proposed year, but is reflected to provide information on the goals of the Fund.

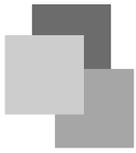
Expenses are increasing by \$1.4 million in 2002-03, as compared to the 2001-02 Adjusted Budget. There is a \$0.4 million increase in software application maintenance expense as well as programming and computer expenses. The fund will expand its communications and data transfer role further in 2002-03 with the inclusion of the City's \$0.5 million telephone service expenditure budget. This represents a shift of expense from the General Fund and will become part of the fund's citywide charge-back process.

Fund reserves are primarily increasing to fund the Infrastructure Reserve, which was established as a means of funding future large technology expenditure, such as the ERP.



Technology Fund *continued*

FUND SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Operating Revenue	1,264,121	4,298,552	5,247,614	5,310,453	1,011,901
Interest Income	231,769	256,700	256,700	268,300	11,600
Other Income	345,458	375,000	325,000	262,500	(112,500)
TOTAL FUND REVENUES	\$1,841,348	\$4,930,252	\$5,829,314	\$5,841,253	\$911,001
Desktop Replacement and Maintenance	492,952	1,045,561	1,403,096	1,688,596	643,035
Infrastructure Replacement and Maintenance	0	742,101	692,101	747,100	4,999
Application Replacement & Maintenance	0	860,490	1,170,390	1,651,890	791,400
TOTAL FUND EXPENDITURES	\$492,952	\$2,648,152	\$3,265,587	\$4,087,586	\$1,439,434
TO/FROM RESERVES	\$1,348,396	\$2,282,100	\$2,563,727	\$1,753,667	\$(528,433)
TOTAL FULL TIME POSITIONS	0.00	0.00	0.00	0.00	0.00
TOTAL TEMPORARY POSITIONS	0.00	0.00	0.00	0.00	0.00



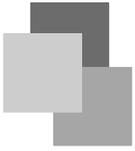
Technology Fund *continued*

RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES			
Technology Replacement and Maintenance	1,011,901		1,011,901
Investment Income	11,600		11,600
Reimbursement for CIP projects	(111,000)		(111,000)
TOTAL REVENUE CHANGES	\$912,501	\$0	\$912,501
Adjustments (Note 1)	(1,500)		(1,500)
NET REVENUE CHANGES	\$911,001	\$0	\$911,001
EXPENDITURE CHANGES			
Non-Salary			
Hardware/Software Maintenance	352,400		352,400
Computer Software	508,000		508,000
Computer Equipment Purchases	(195,001)		(195,001)
Telephone and Non-City Utilities	466,500		466,500
Total non-salary	\$1,131,899		\$1,131,899
TOTAL EXPENDITURE CHANGES	\$1,131,899		\$1,131,899
Adjustments (Note 1)	307,535		307,535
NET EXPENDITURE CHANGES	\$1,439,434	\$0	\$1,439,434

RESOURCE LEVEL NOTES

Note 1: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments.



Technology Fund *continued*

FUNCTIONAL AREAS Summary of 2002-03 Regular Positions

0.00 Subtotal

0.00 Total Positions



Printing and Mailing Fund

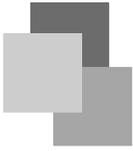
To provide quality printing and mailing services to all City departments in a cost-effective manner with minimum turnaround time.

OVERVIEW

2002-03 expenses are increasing \$0.1 million in 2002-03 as compared to the adjusted budget. This is mainly due to an expected three cent increase in first class postage rates as of July 1, 2002.

The Printing and Mailing Services Fund will implement the results of a cost benefit analysis of the Printing operation, which is expected to be completed in the summer of 2002. As the Fund evaluates the purchase of higher productivity equipment to replace worn and outdated technology, it will also consider proposals for outsourcing all or parts of the printing business. The goal of the evaluation will be to maximize the service provided to City departments at the lowest cost available.

FUND SUMMARY	2000-01 ACTUALS	2001-02 ADJUSTED BUDGET	2002-03 ADOPTED-IN- CONCEPT	2002-03 ADOPTED BUDGET	2002-03 BUDGET CHANGE
Operating Revenue	713,634	924,730	958,730	991,156	66,426
Interest Income	21,013	24,600	24,800	17,600	(7,000)
Other Income	12,605	25,000	25,000	25,000	0
TOTAL FUND REVENUES	\$747,252	\$974,330	\$1,008,530	\$1,033,756	\$59,426
Printing and Mailing Fund	866,959	963,745	983,667	1,035,750	72,005
TOTAL FUND EXPENDITURES	\$866,959	\$963,745	\$983,667	\$1,035,750	\$72,005
TO/FROM RESERVES	\$(119,707)	\$10,585	\$24,863	\$(1,994)	\$(12,579)
TOTAL FULL TIME POSITIONS	5.15	4.15	4.15	4.15	0.00
TOTAL TEMPORARY POSITIONS	0.00	0.00	0.00	0.00	0.00



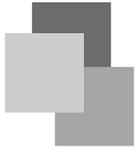
Printing and Mailing Fund *continued*

RESOURCE LEVEL CHANGES

	2002-03 ONGOING	2002-03 ONE-TIME	2002-03 TOTAL
REVENUE CHANGES			
Charges to Departments for Printing and Mailing	66,426		66,426
Interest Income	(7,000)		(7,000)
TOTAL REVENUE CHANGES	\$59,426		\$59,426
EXPENDITURE CHANGES			
Salary and Benefits			
Negotiated salary increases from the prior year	12,283		12,283
Total Salary and Benefits	\$12,283		\$12,283
Non-Salary			
Postage Expense	34,164		34,164
Total non-salary	\$34,164		\$34,164
TOTAL EXPENDITURE CHANGES	\$46,447		\$46,447
Adjustments (Note 1)	25,558		25,558
NET EXPENDITURE CHANGES	\$72,005		\$72,005

RESOURCE LEVEL NOTES

Note 1: Adjustments include 2001-02 one-time and 2002-03 Adopted-in-Concept revenue and expenditure items that did not carry forward into the 2002-03 Adopted Budget. Other changes are the result of numerous one-time items that were in the 2001-02 mid-year adjustments.



Printing and Mailing Fund *continued*

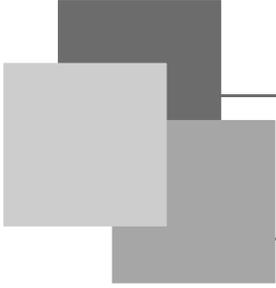
FUNCTIONAL AREAS

Summary of 2002-03 Regular Positions

4.15 Printing and Mailing Fund
4.15 Subtotal

4.15 Total Positions

\$271,931 Total Position Costs



Palo Alto Redevelopment Agency



An Overview

On July 9, 2001, the Palo Alto City Council adopted an ordinance declaring the need for a redevelopment agency in Palo Alto. The Council also declared the City Council to be the governing body for the redevelopment agency and made the finding that the formation of a redevelopment agency “will serve the public interest and promote the public safety and welfare in an effective manner” in accordance with the Health and Safety Code section 33200.

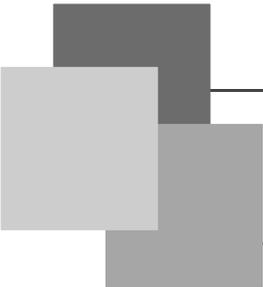
Staff returned to the Redevelopment Agency with the documents and actions necessary to organize and operate the Agency. On September 19, 2001, the Edgewood Redevelopment Project Area was designated as a Survey Area and the procedures for adoption of the Redevelopment Plan were initiated. An informal Neighborhood Advisory Committee (NAC), appointed by the City Manager, was also formed. The NAC is composed of retail tenants, property owners and neighborhood representatives in or near the Project Area who provide input to the City Manager on the Preliminary Plan, the Redevelopment Plan for the Edgewood Redevelopment Project Area (Redevelopment Plan), the Preliminary Report for the Adoption of the Redevelopment Plan for the Edgewood Redevelopment Project Area (Preliminary Report), and the Draft Environmental Impact Report for the Edgewood Redevelopment Project (DEIR).

The City Council and Redevelopment Agency will hold a joint public hearing on the Redevelopment Plan and DEIR in June, 2002. At that time, the Agency may act on adoption of the Redevelopment Plan and certification of the Final EIR. If no written objections are received by the property owners or by affected taxing agencies, the City Council and Agency can proceed with taken their actions including the first reading of the ordinance.

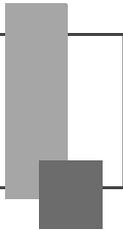
Advances from the City of Palo Alto are loans from the City to the Redevelopment Agency, and are to be re-paid with tax-increment revenues that will be collected in future years. Agency expenses are related to staffing costs, development activities and agency administration. Work plans for fiscal 2002-03 include completion of the redevelopment plan and certification of the EIR. If acted upon by the Agency Board and City Council, staff will then work to complete a Disposition and Development Agreement (DDA) for the redevelopment of the Edgewood Project Area.

PALO ALTO REDEVELOPMENT AGENCY FUND SUMMARY

	2000-01 Actual	2001-02 Adjusted Budget	2002-03 Adopted Budget	2002-03 Budget Change
REVENUES				
Interest Income		14,254	8,800	(5,454)
Loan Interest				
Other Income				
Subtotal	\$0	\$14,254	\$8,800	\$(5,454)
OPERATING TRANSFERS				
Advances from City		285,084	176,000	(109,084)
Subtotal	\$0	\$285,084	\$176,000	\$(109,084)
TOTAL SOURCE OF FUNDS	\$0	\$299,338	\$184,800	\$(114,538)
EXPENSES				
Administrative Cost		45,084	151,000	105,916
Professional Services Cost		240,000	25,000	(215,000)
Interest Expense		14,254	8,800	(5,454)
TOTAL USE OF FUNDS	\$0	\$299,338	\$184,800	\$(114,538)
NET TO (FROM) RESERVES	\$0	\$0	\$0	\$0



Staffing



2002-03 SUMMARY OF POSITION CHANGES

FTE

GENERAL FUND

2001-02 ADOPTED BUDGET	745.65
-------------------------------	---------------

2001-02 BAO Position Additions

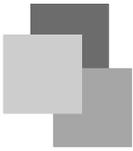
Planner (single family review program)	1.50
Project Engineer (CIP 10204 Library Master Plan)	1.00

2001-02 ADJUSTED BUDGET TOTAL	748.15
--------------------------------------	---------------

2002-03 Position Adjustments

Senior Assistant City Attorney	0.50
Emergency Medical Technican-BLS	3.00
Engineering Tech III	2.00
Office Specialist	3.50
Parking Enforcement Officer	1.00
Senior Project Manager	1.00
Traffic Control Maintenance II	1.00
2002-03 Total New Positions	12.00

2002-03 TOTAL ADOPTED GENERAL FUND POSITIONS	760.15
---	---------------



2002-03 SUMMARY OF POSITION CHANGES *CONTINUED*

FTE

ENTERPRISE FUNDS

2001-02 ADJUSTED BUDGET	344.95
--------------------------------	---------------

2002-03 Position Adjustments

Executive Assistant	(1.00)
Human Resources Assistant-Confidential	1.00
Technologist	2.00
2002-03 Total New Positions	2.00

2002-03 TOTAL ADOPTED ENTERPRISE FUND POSITIONS	346.95
--	---------------

INTERNAL SERVICE FUNDS

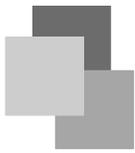
2002-03 ADJUSTED BUDGET	19.15
--------------------------------	--------------

2002-03 TOTAL ADOPTED INTERNAL SERVICE FUND POSITIONS	19.15
--	--------------

2002-03 TABLE OF ORGANIZATION

	2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
GENERAL FUND						
City Attorney						
City Attorney	1.00	1.00	1.00			1.00
Claims Investigator/Paralegal	1.00	1.00	1.00			1.00
Legal Administrator	1.00	1.00	1.00			1.00
Legal Secretary-Confidential	3.00	3.00	3.00			3.00
Paralegal - Confidential	0.00	1.00	1.00			1.00
Senior Assistant City Attorney (11)	5.00	6.00	6.00		0.50	6.50
TOTAL CITY ATTORNEY	11.00	13.00	13.00	0.00	0.50	13.50
City Auditor						
Administrative Assistant	0.75	0.75	0.75			0.75
City Auditor	1.00	1.00	1.00			1.00
Deputy City Auditor	1.00	1.00	1.00			1.00
Senior Auditor	1.00	1.00	1.00			1.00
TOTAL CITY AUDITOR	3.75	3.75	3.75	0.00	0.00	3.75
City Clerk						
Administrative Assistant	1.00	1.00	1.00			1.00
Assistant City Clerk	2.00	2.00	2.00			2.00
City Clerk	1.00	1.00	1.00			1.00
Executive Secretary	2.00	2.00	2.00			2.00
Program Assistant	0.75	0.00	0.00			0.00
TOTAL CITY CLERK	6.75	6.00	6.00	0.00	0.00	6.00

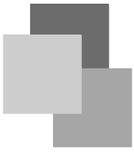
2002-03 TABLE OF ORGANIZATION *CONTINUED*



	2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
City Manager						
Administrative Assistant	1.00	1.00	1.00			1.00
Assistant City Manager	1.00	1.00	1.00			1.00
Assistant to City Manager	0.00	1.00	1.00			1.00
City Manager	1.00	1.00	1.00			1.00
Deputy Public Communication Officer *	1.00	1.00	1.00			1.00
Executive Assistant	0.00	1.00	1.00			1.00
Management Assistant	1.00	0.00	0.00			0.00
Manager, Economic Resources	1.00	1.00	1.00			1.00
Office Specialist	2.50	2.50	2.50			2.50
Public Communication Manager *	1.00	1.00	1.00			1.00
Senior Executive Assistant	1.00	0.00	0.00			0.00
Staff Assistant to City Manager	1.00	1.00	1.00			1.00
TOTAL CITY MANAGER	11.50	11.50	11.50	0.00	0.00	11.50

Administrative Services Department

Accounting Assistant	2.00	0.00	0.00			0.00
Accounting Specialist ** (12)	11.00	13.00	15.00			13.00
Accounting Specialist-Lead	3.95	4.95	4.95			4.95
Administrative Assistant	1.00	1.00	1.00			1.00
Assistant Director, Administrative Services	1.00	1.00	1.00			1.00
Business Analyst	0.00	1.00	1.00			1.00
Buyer	1.45	1.45	1.45			1.45
Chief Information Officer	1.00	0.00	0.00			0.00
Contracts Administrator	3.00	3.00	3.00			3.00
Deputy Director, Administrative Services	1.00	1.00	1.00			1.00
Deputy Director, ASD/Chief Information Officer	0.00	1.00	1.00			1.00
Desktop Technician (24)	5.00	5.00	6.00		1.00	6.00
Director, Administrative Services	1.00	1.00	1.00			1.00
Executive Assistant	1.00	1.00	1.00			1.00
Financial Analyst	1.00	1.00	1.00			1.00



2002-03 TABLE OF ORGANIZATION *CONTINUED*

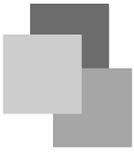
	2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
Manager, Information Technology	3.00	3.00	3.00			3.00
Manager, Accounting	1.00	1.00	1.00			1.00
Manager, Budget	1.00	1.00	1.00			1.00
Manager, Purchasing & Contract Administration	0.95	0.95	0.95			0.95
Manager, Real Property	1.00	1.00	1.00			1.00
Manager, Investments, Debts & Projects	1.00	1.00	1.00			1.00
Office Specialist (25)	0.00	0.00	1.00		1.00	1.00
Payroll Analyst	2.00	2.00	2.00			2.00
Program Assistant (24)	1.00	1.00	0.00		-1.00	0.00
Senior Technologist	17.00	21.00	21.00			21.00
Senior Accountant	4.00	4.00	4.00			4.00
Senior Buyer	1.00	1.00	1.00			1.00
Senior Financial Analyst (24)	9.00	9.00	10.00		1.00	10.00
Staff Accountant (13)	3.00	3.00	4.00			3.00
Staff Secretary	2.00	2.00	2.00			2.00
Storekeeper (23)	4.00	3.00	4.00			3.00
Storekeeper-Lead (23)	0.00	1.00	0.00			1.00
Supervisor Revenue Collections (24)	1.00	1.00	0.00		-1.00	0.00
Technologist	1.00	2.00	2.00			2.00
Warehouse Supervisor	1.00	1.00	1.00			1.00
TOTAL ADMINISTRATIVE SERVICES	87.35	94.35	98.35	0.00	1.00	95.35

Community Services Department

Administrative Assistant	1.00	1.00	1.00			1.00
Administrator, Human Services	1.00	0.00	0.00			0.00
Administrator Special Events	1.00	1.00	1.00			1.00
Building Serviceperson	4.00	4.00	4.00			4.00
Building Serviceperson-Lead	2.00	2.00	2.00			2.00
Coordinator, Child Care	1.00	1.00	1.00			1.00
Coordinator, Library Circulation	1.00	1.00	1.00			1.00
Coordinator, Library Programs	2.00	2.00	2.00			2.00

2002-03 TABLE OF ORGANIZATION *CONTINUED*

	2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
Coordinator, Recreation Programs	5.00	4.00	4.00			4.00
Deputy Director, Community Services	1.00	1.00	1.00			1.00
Director, Arts and Culture	1.00	1.00	1.00			1.00
Director, Community Services	1.00	1.00	1.00			1.00
Director, Human Services	0.00	1.00	1.00			1.00
Director, Libraries	1.00	1.00	1.00			1.00
Director, Parks and Golf Course	1.00	1.00	1.00			1.00
Director, Recreation and Open Space	1.00	1.00	1.00			1.00
Executive Assistant	1.00	1.00	1.00			1.00
Facilities Assistant	0.50	0.50	0.50			0.50
Golf Course Equipment Mechanic	2.00	2.00	2.00			2.00
Golf Course Maintenance Person	7.00	7.00	7.00			7.00
Inspector, Field Services	2.00	2.00	2.00			2.00
Librarian	8.75	8.75	8.75			8.75
Library Associate	3.00	3.00	3.00			3.00
Library Assistant (1)	3.00	4.00	5.00			4.00
Library Specialist	6.50	6.50	6.50			6.50
Management Assistant	1.00	1.00	1.00			1.00
Manager, Arts	2.00	2.00	2.00			2.00
Manager, Main Library Services	1.00	1.00	1.00			1.00
Manager, Community Services Facilities	1.00	1.00	1.00			1.00
Office Specialist (2)	8.75	7.75	7.75			7.75
Park Maintenance Person	12.50	12.50	12.50			12.50
Park Ranger	5.00	5.00	5.00			5.00
Parks Crew-Lead	2.00	2.00	2.00			2.00
Parks and Open Space Assistant	0.75	0.75	0.75			0.75
Park Planner, Architect	1.00	1.00	1.00			1.00
Producer Arts/Science Programs	10.50	10.50	10.50			10.50
Program Assistant (2)	7.00	7.00	7.00			7.00
Project Manager	1.00	1.00	1.00			1.00
Sprinkler System Repairer	5.00	5.00	5.00			5.00
Senior Librarian	11.00	11.00	11.00			11.00
Senior Ranger (3)	2.00	2.00	1.00		-1.00	1.00



2002-03 TABLE OF ORGANIZATION *CONTINUED*

	2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
Staff Secretary	4.00	5.00	5.00			5.00
Superintendent, Golf Course	1.00	1.00	1.00			1.00
Superintendent, Parks	1.00	1.00	1.00			1.00
Superintendent, Recreation	1.00	1.00	1.00			1.00
Superintendent, Open Space and Sciences	1.00	1.00	1.00			1.00
Supervisor, Golf Course	1.00	1.00	1.00			1.00
Supervisor, Junior Museum	1.00	1.00	1.00			1.00
Supervisor, Open Space (3)	0.00	0.00	1.00		1.00	1.00
Supervisor, Recreation Program	5.00	6.00	6.00			6.00
Supervisor, Librarian	4.00	4.00	4.00			4.00
Supervisor, Parks	2.00	2.00	2.00			2.00
Theater Specialist	1.00	1.00	1.00			1.00
Volunteer Coordinator	0.75	0.75	0.75			0.75
TOTAL COMMUNITY SERVICES	152.00	153.00	154.00	0.00	0.00	153.00

Fire

Accounting Specialist***	1.00	1.00	1.00			1.00
Administrative Assistant	1.00	1.00	1.00			1.00
Battalion Chief	5.00	5.00	5.00			5.00
Chief Officer-Emergency Operations	1.00	1.00	1.00			1.00
Coordinator, Environmental Protection	1.00	1.00	1.00			1.00
Deputy Fire Chief	2.00	3.00	3.00			3.00
EMT Basic (4)	0.00	0.00	0.00		3.00	3.00
Executive Assistant	1.00	1.00	1.00			1.00
Fire Apparatus Operator	30.00	30.00	30.00			30.00
Fire Captain	28.00	31.00	31.00			31.00
Fire Chief	1.00	1.00	1.00			1.00
Fire Fighter	45.00	42.00	42.00			42.00
Fire Inspector (6)	4.00	4.00	5.00			4.00
Fire Marshal	1.00	0.00	0.00			0.00
Hazardous Materials Inspector	2.00	2.00	2.00			2.00
Hazardous Materials Specialist	1.00	1.00	1.00			1.00

2002-03 TABLE OF ORGANIZATION *CONTINUED*

	2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
Office Specialist (5)	5.00	5.00	5.00		0.50	5.50
TOTAL FIRE	129.00	129.00	130.00	0.00	3.50	132.50

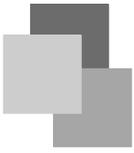
The Fire Department is authorized two positions slots to accommodate persons on a disability status and three position slots to accommodate Department needs during high vacancy periods.

Human Resources Department

Administrator, Human Resources	3.00	4.00	5.00			5.00
Administrative Assistant	1.00	1.00	1.00			1.00
Business Analyst	1.00	1.00	1.00			1.00
Director, Human Resources	1.00	1.00	1.00			1.00
Human Resources Assistant-Confidential	3.00	4.00	4.00			4.00
Manager, Employee Benefits	1.00	1.00	0.00			0.00
Manager, Employee Relations and Compensation	1.00	0.00	0.00			0.00
Manager, Employee Relations	0.00	1.00	1.00			1.00
Manager, Employment	1.00	0.00	0.00			0.00
Manager, Human Resources and Development	1.00	1.00	1.00			1.00
Manager, Risk and Benefits	0.00	1.00	1.00			1.00
Risk Manager	1.00	0.00	0.00			0.00
TOTAL HUMAN RESOURCES	14.00	15.00	15.00	0.00	0.00	15.00

Planning and Community Environment

Administrator, Zoning (14)	1.00	1.00	1.00		-1.00	0.00
Administrator, Planning & Community Environment	1.00	1.00	1.00			1.00
Administrative Assistant	1.00	1.00	1.00			1.00
Assistant Building Official	1.00	1.00	1.00			1.00
Assistant Planning Official (14)	1.00	1.00	1.00		-1.00	0.00
Building Inspector	3.00	4.00	4.00			4.00
Building Inspector Specialist	3.00	3.00	3.00			3.00
Building/Planning Technician *	4.00	4.00	4.00			4.00
Chief Building Official	1.00	1.00	1.00			1.00



2002-03 TABLE OF ORGANIZATION *CONTINUED*

	2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
Chief Planning Official	1.00	1.00	1.00			1.00
Chief Transportation Officer	1.00	1.00	1.00			1.00
City Traffic Engineer	1.00	1.00	1.00			1.00
Code Enforcement Officer	2.00	2.00	2.00			2.00
Coordinator, Transportation System Management	0.00	1.00	1.00			1.00
Director, Planning and Community Environment	1.00	1.00	1.00			1.00
Engineer	2.00	2.00	2.00			2.00
Executive Secretary	1.00	1.00	1.00			1.00
Manager, Planning (14)	1.00	1.00	1.00		2.00	3.00
Managing Arborist	1.00	1.00	1.00			1.00
Office Specialist * (15) (18)	6.00	6.00	6.00		-2.00	4.00
Planner (16)	7.50	8.00	6.50			8.00
Plans Checking Engineer	3.00	3.00	3.00			3.00
Senior Planner * (17)	8.00	9.00	9.00		-1.00	8.00
Staff Secretary (18)	2.00	2.00	2.00		3.00	5.00
Supervisor, Building Inspection	1.00	1.00	1.00			1.00
Transportation Projects Manager (17)	0.00	0.00	0.00		1.00	1.00
TOTAL PLANNING AND COMMUNITY ENVIRONMENT	54.50	58.00	56.50	0.00	1.00	59.00

Police Department

Administrative Assistant	1.00	1.00	1.00			1.00
Administrator, Police	1.00	1.00	1.00			1.00
Animal Control Officer	4.00	4.50	4.50			4.50
Animal Services Specialist (10)	2.00	2.00	2.00		-1.00	1.00
Animal Services Specialist II (10)	0.00	0.00	0.00		1.00	1.00
Assistant Chief of Police	1.00	1.00	1.00			1.00
Business Analyst	1.00	1.00	1.00			1.00
Chief Communication Technician	1.00	1.00	1.00			1.00
Code Enforcement Officer	1.00	1.00	1.00			1.00
Communication Technician	2.00	2.00	2.00			2.00
Community Service Officer	5.00	6.00	6.00			6.00

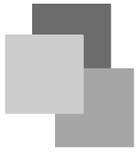
2002-03 TABLE OF ORGANIZATION *CONTINUED*

	2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
Coordinator, Police Technical Services	1.00	1.00	1.00			1.00
Court Liaison Officer	1.00	1.00	1.00			1.00
Crime Analyst	1.00	1.00	1.00			1.00
Office Specialist	1.50	1.50	1.50			1.50
Parking Enforcement Officer (7)	6.00	6.00	6.00		1.00	7.00
Parking Examiner	0.50	0.50	0.50			0.50
Police Agent	19.00	19.00	19.00			19.00
Police Captain	2.00	2.00	2.00			2.00
Police Chief	1.00	1.00	1.00			1.00
Police Lieutenant	6.00	6.00	6.00			6.00
Police Officer	53.00	53.00	53.00			53.00
Police Records Specialist	10.00	10.00	10.00			10.00
Police Sergeant *	15.00	15.00	15.00			15.00
Program Assistant	1.00	1.00	1.00			1.00
Property and Evidence Technician	2.00	2.00	2.00			2.00
Public Safety Dispatcher (9)	16.00	17.00	19.00			17.00
Public Safety Dispatcher-Chief (8)	5.00	5.00	5.00		-1.00	4.00
Staff Secretary	5.00	5.00	5.00			5.00
Superintendent, Animal Services	1.00	1.00	1.00			1.00
Supervisor, Animal Svcs	1.00	1.00	1.00			1.00
Supervisor, Police Service (8) (12)	3.00	3.00	4.00		1.00	4.00
Veterinarian	1.00	1.00	1.00			1.00
Veterinarian Technician	2.00	2.00	2.00			2.00
Volunteer Coordinator	1.00	1.00	1.00			1.00
TOTAL POLICE	174.00	176.50	179.50	0.00	1.00	177.50

The Police Department is authorized four positions slots to accommodate persons on a disability pay status.

Public Works Department

Accounting Specialist	1.00	1.00	1.00			1.00
Administrator, Public Works	1.00	1.00	1.00			1.00
Administrative Assistant	1.00	1.00	1.00			1.00
Assistant Engineer	1.50	1.50	1.50			1.50
Assistant Director Public Works	0.75	0.75	0.75			0.75



2002-03 TABLE OF ORGANIZATION *CONTINUED*

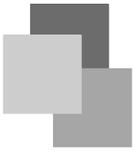
	2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
Building Serviceperson	5.00	5.00	5.00			5.00
Building Serviceperson-Lead	2.00	2.00	2.00			2.00
Cement Finisher	2.00	2.00	2.00			2.00
Cement Finisher- Lead	1.00	1.00	1.00			1.00
Coordinator, Public Works Projects	3.00	1.00	1.00			1.00
Deputy Director, Public Works Operations	0.40	0.40	0.40			0.40
Director, Public Works/City Engineer	1.00	1.00	1.00			1.00
Electrician	1.00	1.00	1.00			1.00
Engineer	6.90	2.90	2.90			2.90
Engineering Technician III (19) (25)	4.53	4.60	5.60		2.00	6.60
Equipment Operator	2.55	2.55	2.55			2.55
Facilities Carpenter	1.00	1.00	1.00			1.00
Facilities Maintenance-Lead	2.00	2.00	2.00			2.00
Facilities Mechanic	5.00	6.00	6.00			6.00
Facilities Painter	2.00	2.00	2.00			2.00
Heavy Equipment Operator-Lead	1.05	1.05	1.05			1.05
Heavy Equipment Operator	1.90	1.90	1.90			1.90
Inspector, Field Services	1.00	1.00	1.00			1.00
Manager, Facilities Maintenance and Project	1.00	1.00	1.00			1.00
Managing Arborist	1.00	1.00	1.00			1.00
Manager, Maintenance Operations	0.50	0.50	0.50			0.50
Office Assistant	1.00	0.00	0.00			0.00
Office Specialist (19)	2.50	3.50	3.50		1.00	4.50
Program Assistant	1.00	1.00	1.00			1.00
Project Engineer (20)	0.00	5.00	4.00			5.00
Project Manager	1.00	2.00	2.00			2.00
Senior Project Manager (19)	1.00	1.00	1.00		1.00	2.00
Senior Engineer	3.55	3.55	3.55			3.55
Staff Secretary	2.00	2.00	2.00			2.00
Superintendent, Public Works Operations	0.80	0.80	0.80			0.80
Supervisor, Building Services	1.00	1.00	1.00			1.00
Supervisor, Facilities Management	0.00	1.00	1.00			1.00

2002-03 TABLE OF ORGANIZATION *CONTINUED*

	2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
Supervisor, Facilities Project	1.00	1.00	1.00			1.00
Supervisor, Inspection/Surveying, P.W.	0.90	0.90	0.90			0.90
Supervisor, Public Works	1.00	1.00	1.00			1.00
Surveying Assistant	0.80	0.80	0.80			0.80
Surveyor, Public Works	0.80	0.80	0.80			0.80
Traffic Control Maintenance I	1.70	1.70	1.70			1.70
Traffic Control Maintenance II (26)	2.00	2.00	3.00		1.00	3.00
Traffic Control Maintainer- Lead	1.00	1.00	1.00			1.00
Tree Maintenance Person (21)	1.00	1.00	2.00			1.00
Tree Trimmer/Line Clearer	9.00	9.00	9.00			9.00
Tree Trimmer/Line Clearer-Lead	1.00	1.00	1.00			1.00
Truck Driver	0.85	0.85	0.85			0.85
TOTAL PUBLIC WORKS	85.98	88.05	90.05	0.00	5.00	93.05
GENERAL FUND AUTHORIZED POSITIONS	729.83	748.15	757.65	0.00	12.00	760.15

Footnotes:

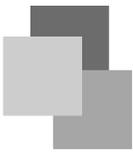
- These positions were adjusted in 2000-01 through a Budget Amendment Ordinance. In the Police Department, 1.0 Police Sergeant will be eliminated through attrition once the associated funding ends. In the Planning
- * Department, 1.0 Building/Planning Technician, 1.0 Senior Planner and .50 Office Specialist will be funded in future year budgets for the duration of the Zoning Update project. These positions will be eliminated through attrition once the project is completed.
- ** 1.0 FTE is funded by Utility Funds for in-house utility bill processing.
- *** This position is funded in the Fire Department, but reports to the Administrative Services Department for paramedic and Fire-related bill processing.
- 1 Removal from adopted-in-concept budget of 1.0 Library Assistant by department pending completion of library staffing study.
- 2 Reclassification of 0.75 Program Assistant to 0.75 Office Specialist and add/drop of 1.0 Program Assistant to 1.0 Office Specialist.
- 3 Reclassification of 1.0 Senior Ranger to 1.0 Open Space Supervisor.
- 4 Addition of 3.0 Basic EMT to staff new Basic Life Support (BLS) ambulance program (cost recovery).
- 5 Addition of 0.5 Office Specialist to support new BLS program (cost recovery).
- 6 Removal from adopted-in-concept budget of 1.0 Fire Inspector, due to funding constraints.
- 7 Addition of 1.0 Parking Enforcement Officer to provide a greater level of enforcement activity (cost recovery).



2002-03 TABLE OF ORGANIZATION *CONTINUED*

	2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
8	Drop 1.0 Public Safety Dispatcher-Chief, Add 1.0 Supervisor, Police Services to improve supervision of Communications Center.					
9	Removal from adopted-in-concept budget of 2.0 Public Safety Dispatchers, due to funding constraints.					
10	Add 1.0 Animal Services Specialist II, Drop 1.0 Animal Services Specialist to better reflect operation management needs.					
11	Addition of 0.5 Sr Asst City Attorney provide code enforcement services to other cities (cost recovery).					
12	Removal from adopted-in-concept budget of 1.0 Supervisor, Police Service and 2.0 Accounting Specialist due to delay in Downtown Residential Parking Program.					
13	Removal from adopted-in-concept budget of 1.0 Staff Accountant for GASB 34 duties, due to funding constraints.					
14	Reclassification of 1.0 Assistant Planning Administrator and 1.0 Zoning Administrator to 2.0 Planning Manager.					
15	Addition of 1.0 Office Specialist to support permit coordination (cost recovery).					
16	2001-02 BAO Addition of 1.5 Planner for Single Family Individual Review.					
17	Reclassification of 1.0 FTE Senior Planner to Transportation Projects Manager.					
18	Reclassification of 3.0 Office Specialist to 3.0 Staff Secretary.					
19	Addition of 1.0 Engineering Technician III, 1.0 Senior Project Manager, and 1.0 Office Specialist as placeholder pending November 2002 voter approval of community facility bond measure. These positions are frozen pending a budget amendment ordinance adding funding in late 2002.					
20	2001-02 BAO Addition of 1.0 Project Engineer to support Library Master Plan.					
21	Removal from adopted-in-concept budget of 1.0 Tree Maintenance Person, due to funding constraints.					
22	2001-02 BAO Reclassification of 1.0 Storekeeper to 1.0 Storekeeper-Lead.					
23	Adopted-in-concept: Reclassification of 1.0 Program Assistant to Desktop Technician and 1.0 Supervisor Revenue Collections to 1.0 Senior Financial Analyst.					
24	Addition of 1.0 Office Specialist to support Purchasing Division duties (hourly conversion).					
25	Adopted-in-concept Addition of 1.0 Engineering Technician III to provide support at the Development Center (cost recovery).					
26	Adopted-in-concept Addition of 1.0 Traffic Control Maintainer II to address increased workload associated with curb painting duties (funded with salary savings).					

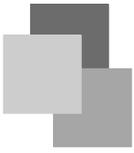
2002-03 TABLE OF ORGANIZATION *CONTINUED*



	2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
ENTERPRISE FUNDS						
Refuse Fund						
Assistant Engineer	0.25	0.25	0.25			0.25
Assistant, Director Public Works	0.10	0.10	0.10			0.10
Coordinator Recycling	2.00	2.00	2.00			2.00
Deputy Director Public Works Operations	0.60	0.60	0.60			0.60
Engineering Technician III	1.00	1.00	1.00			1.00
Environmental Specialist	1.00	1.00	1.00			1.00
Equipment Operator	2.00	2.00	2.00			2.00
Executive Assistant	2.00	2.00	2.00			2.00
Heavy Equip Operator-Lead	1.00	1.00	1.00			1.00
Heavy Equipment Operator	3.00	3.00	3.00			3.00
Manager, Environmental Control Program	1.00	1.00	1.00			1.00
Manager, Solid Waste	1.00	1.00	1.00			1.00
Office Specialist	1.00	1.00	1.00			1.00
Refuse Disposal Attendant	4.00	4.00	4.00			4.00
Senior Engineer	0.45	0.45	0.45			0.45
Street Maintenance Assistant	1.00	1.00	1.00			1.00
Street Sweeper Operator	6.00	6.00	6.00			6.00
Street Sweeper Operator-Lead	1.00	1.00	1.00			1.00
Staff Secretary	1.00	1.00	1.00			1.00
Superintendent, Public Works Operations	0.10	0.10	0.10			0.10
Supervisor, Public Works	2.00	2.00	2.00			2.00
Surveying Assistant	0.10	0.10	0.10			0.10
Surveyor, Public Works	0.10	0.10	0.10			0.10
Truck Driver	1.00	1.00	1.00			1.00
TOTAL REFUSE FUND	32.70	32.70	32.70	0.00	0.00	32.70

Storm Drainage Fund

Assistant Engineer	0.25	0.25	0.25			0.25
--------------------	------	------	------	--	--	------



2002-03 TABLE OF ORGANIZATION *CONTINUED*

	2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
Assistant Director Public Works	0.15	0.15	0.15			0.15
Cement Finisher	1.00	1.00	1.00			1.00
Engineer	1.10	1.10	1.10			1.10
Engineering Technician III	0.47	0.40	0.40			0.40
Equipment Operator	0.45	0.45	0.45			0.45
Heavy Equipment Operator-Lead	0.95	0.95	0.95			0.95
Heavy Equipment Operator	1.10	1.10	1.10			1.10
Industrial Waste Inspector	0.90	0.90	0.90			0.90
Instrumentation Electrician	0.10	0.10	0.10			0.10
Manager, Maintenance Operations	0.50	0.50	0.50			0.50
Senior Engineer	1.00	1.00	1.00			1.00
Senior Instrumentation Electrician	1.00	1.00	1.00			1.00
Superintendent Public Works Operations	0.10	0.10	0.10			0.10
Supervisor Inspection/Surveying, PW	0.10	0.10	0.10			0.10
Surveying Assistant	0.10	0.10	0.10			0.10
Surveyor, Public Works	0.10	0.10	0.10			0.10
Traffic Control Maintenance I	0.30	0.30	0.30			0.30
Truck Driver	0.15	0.15	0.15			0.15
TOTAL STORM DRAINAGE FUND	9.82	9.75	9.75	0.00	0.00	9.75

Wastewater Treatment Fund

Associate Engineer	2.00	3.00	3.00			3.00
Assistant Manager, WQCP	1.00	1.00	1.00			1.00
Buyer	1.00	1.00	1.00			1.00
Chemist	3.00	3.00	3.00			3.00
Engineer	1.00	1.00	1.00			1.00
Engineering Technician III	2.00	2.00	2.00			2.00
Environmental Specialist	1.00	1.00	1.00			1.00
Industrial Waste Investigator	2.00	2.00	2.00			2.00
Industrial Waste Inspector	0.10	0.10	0.10			0.10
Instrumentation Electrician	2.90	2.90	2.90			2.90
Laboratory Technician, WQC	2.00	2.00	2.00			2.00

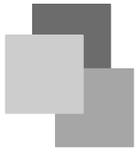
2002-03 TABLE OF ORGANIZATION *CONTINUED*

	2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
Maintenance Mechanic, WQC	8.00	8.00	8.00			8.00
Manager, WQC Plant	1.00	1.00	1.00			1.00
Manager, Environmental Control Program	2.00	2.00	2.00			2.00
Manager, Environmental Compliance	1.00	1.00	1.00			1.00
Manager, Laboratory Services	1.00	1.00	1.00			1.00
Office Specialist	1.00	1.00	1.00			1.00
Program Assistant	1.00	1.00	1.00			1.00
Programmer Analyst	1.00	1.00	1.00			1.00
Senior Engineer	1.00	1.00	1.00			1.00
Senior Chemist	1.00	1.00	1.00			1.00
Senior Instrumentation Electrician	1.00	1.00	1.00			1.00
Senior Mechanic, Water Quality Control	1.00	1.00	1.00			1.00
Senior Operator, Water Quality Control	5.00	5.00	5.00			5.00
Staff Secretary	2.00	2.00	2.00			2.00
Storekeeper	2.00	2.00	2.00			2.00
Supervisor, Water Quality Control Operations	5.00	5.00	5.00			5.00
Water Quality Control Plant Operator II	15.00	15.00	15.00			15.00
TOTAL WASTEWATER TREATMENT FUND	67.00	68.00	68.00	0.00	0.00	68.00

Utilities Department

Administration, Electric, Gas, Wastewater Collection and Water

Account Representatives	4.00	4.00	4.00			4.00
Administrator, Utilities	1.00	1.00	1.00			1.00
Administrative Assistant	1.00	1.00	1.00			1.00
Associate Power Engineer	1.00	1.00	1.00			1.00
Assistant Director Utilities/ Administrative Services	1.00	1.00	1.00			1.00
Assistant Director Utilities/Engineer/ Operations	1.00	1.00	1.00			1.00
Assistant Director Utilities/Resource Management	1.00	1.00	1.00			1.00

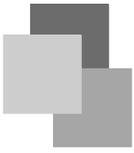


2002-03 TABLE OF ORGANIZATION *CONTINUED*

	2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
Business Analyst	1.00	1.00	1.00			1.00
Cathodic Technician	1.00	1.00	1.00			1.00
Cement Finisher	1.00	1.00	1.00			1.00
Chief Electric Underground Inspector (6)	1.00	0.00	0.00			0.00
Chief Inspector, WGW (6)	1.00	0.00	0.00			0.00
Coordinator, Utility Projects (1)	4.00	4.00	4.00		-1.00	3.00
Customer Service Representative	4.00	5.00	5.00			5.00
Customer Service Specialist	3.00	3.00	3.00			3.00
Desktop Technician	1.00	0.00	0.00			0.00
Director, Utilities	1.00	1.00	1.00			1.00
Electrical Assistant I	5.00	5.00	5.00			5.00
Electric Project Engineer	0.00	3.00	3.00			3.00
Electric Underground Inspector	2.00	2.00	2.00			2.00
Electric Utility Compliance Technician	3.00	2.00	2.00			2.00
Electric Utility Compliance Technician - Lead	0.00	1.00	1.00			1.00
Electrician	14.00	14.00	14.00			14.00
Electrician-Lead	6.00	7.00	7.00			7.00
Engineer	6.00	4.00	4.00			4.00
Engineering Technician III	6.00	2.00	2.00			2.00
Engineering Manager, Electric	1.00	1.00	1.00			1.00
Engineering Manager, WGW	1.00	1.00	1.00			1.00
Equipment Operator	2.00	2.00	2.00			2.00
Executive Secretary (4)	2.00	2.00	1.00		-1.00	1.00
Gas System Technician	3.00	3.00	3.00			3.00
Heavy Equipment Operator	9.00	9.00	9.00			9.00
Inspector, Field Services	3.00	4.00	4.00			4.00
Instrumentation Electrician	0.00	0.00	0.00			0.00
Lineperson/Cable Splicer	11.00	10.00	10.00			10.00
Lineperson/Cable Splicer-Lead	4.00	5.00	5.00			5.00
Maintenance Mechanic	2.00	2.00	2.00			2.00
Manager Utilities Telecommunication	1.00	1.00	1.00			1.00
Manager, Competitive Assessment	1.00	1.00	1.00			1.00
Manager, Public Relation	1.00	1.00	1.00			1.00

2002-03 TABLE OF ORGANIZATION *CONTINUED*

	2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
Manager, Supply Resources	1.00	1.00	1.00			1.00
Marketing Engineer	1.00	1.00	1.00			1.00
Meter Reader	6.00	6.00	6.00			6.00
Meter Reader-Lead	1.00	1.00	1.00			1.00
Manager, Electric Operations	1.00	1.00	1.00			1.00
Manager, Field and Customer Service	1.00	1.00	1.00			1.00
Manager, Utilities Operations WGW	1.00	1.00	1.00			1.00
Manager, Utilities Rates	1.00	1.00	1.00			1.00
Manager, Utilities Marketing Services	1.00	1.00	1.00			1.00
Office Specialist	3.00	2.00	2.00			2.00
Power Engineer	3.00	0.00	0.00			0.00
Program Assistant (2)	0.00	0.00	0.00		1.50	1.50
Project Engineer	0.00	6.00	6.00			6.00
Public Relations Specialist	0.00	1.00	1.00			1.00
Resource Planner	5.00	4.00	4.00			4.00
Senior Engineer	4.00	0.00	0.00			0.00
Senior Market Analyst	2.00	3.00	3.00			3.00
Senior Project Engineer	0.00	4.00	4.00			4.00
Senior Electric Project Engineer	0.00	5.00	5.00			5.00
Senior Technologist	4.00	0.00	0.00			0.00
Senior Power Engineer	5.00	0.00	0.00			0.00
Senior Resource Originator	0.00	1.00	1.00			1.00
Senior Resource Planner	3.00	4.00	4.00			4.00
Senior Field Services Representative	1.00	1.00	1.00			1.00
Staff Secretary (2)	8.50	8.50	8.50		-0.50	8.00
Supervisor Shop and Field WGW	1.00	1.00	1.00			1.00
Supervisor Electric Systems	6.00	6.00	6.00			6.00
Supervisor, Utility Construction (6)	0.00	2.00	2.00			2.00
Supervisor, Wastewater, Gas, Water	4.00	4.00	4.00			4.00
Truck Driver	1.00	1.00	1.00			1.00
Utilities Credit/Collection Specialist	1.00	1.00	1.00			1.00
Utilities Engineering Estimator	6.00	6.00	6.00			6.00
Utilities Field Service Representative	5.00	8.00	8.00			8.00



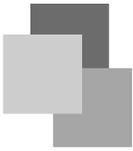
2002-03 TABLE OF ORGANIZATION *CONTINUED*

	2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
Utilities Installer/Repairer	15.00	14.00	14.00			14.00
Utilities Installer/Repairer Assistant (2)	2.00	2.00	2.00		-1.00	1.00
Utilities Installer/Repairer-Lead	5.00	6.00	6.00			6.00
Utilities Rate Analyst	1.00	1.00	1.00			1.00
Utilities System Operator	5.00	5.00	5.00			5.00
Utilities Accounting Technician	1.00	1.00	1.00			1.00
Utilities Key Account Representative	3.00	3.00	3.00			3.00
Utilities Locator	2.00	3.00	3.00			3.00
Utilities Market Analyst	2.00	0.00	0.00			0.00
Water Transmission Specialist-Lead	1.00	1.00	1.00			1.00
Water Transmission Specialist	2.00	2.00	2.00			2.00
Water Transmission Supervisor (1)	0.00	0.00	0.00		1.00	1.00
Water Meter/Cross Connection Technician	2.00	2.00	2.00			2.00
TOTAL UTILITIES	228.50	230.50	229.50	0.00	-1.00	229.50
CPA External Services						
Manager, Information Technology *	0.00	1.00	1.00			1.00
Technologist * (3)	0.00	3.00	3.00		2.00	5.00
Human Resources Assistant- Confidential * (5)	0.00	0.00	1.00		1.00	1.00
TOTAL CPA EXTERNAL FUND	0.00	4.00	5.00	0.00	3.00	7.00
TOTAL ENTERPRISE FUNDS POSITIONS	338.02	344.95	344.95	0.00	2.00	346.95

Footnotes:

- * These positions are tied to contracts with outside agencies or external revenues. They will be eliminated by attrition if funding source is lost.
- 1 Reclassification of 1 FTE Coordinator, Utilities Projects to Water Transmission Supervisor.
- 2 Add 1.5 Program Assistant, Drop 0.5 Staff Secretary and 1.0 Utility Installer/ Repairer Assistant.
- 3 Addition of 2.0 Technologist to support external service contracts (cost recovery).
- 4 Adopted-in-concept Removal of 1.0 Executive Secretary due to retirement.

2002-03 TABLE OF ORGANIZATION *CONTINUED*



	2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
5	Adopted-in-concept Addition of 1.0 Human Resources Assistant-Confidential to support external training services (cost recovery).					
6	Reclassification of 1.0 Chief Electric Underground Inspector and 1.0 Chief Inspector, WGW to 2.0 Supervisor, Utility Construction took place in 2001-02, but was not reflected in the 2001-03 Adopted Budget document.					

INTERNAL SERVICE FUNDS

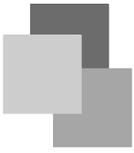
Printing and Mailing Services

Accounting Specialist-Lead	0.05	0.05	0.05			0.05
Buyer	0.05	0.05	0.05			0.05
Mailing Services Specialist	1.00	1.00	1.00			1.00
Manager, Purchasing and Contract Administration	0.05	0.05	0.05			0.05
Offset Equipment Operator (2)	2.00	2.00	2.00			2.00
Offset Equipment Operator-Lead (2)	1.00	0.00	0.00			0.00
Supervisor Reproduction and Mailing	1.00	1.00	1.00			1.00
TOTAL PRINTING AND MAILING SERVICES	5.15	4.15	4.15	0.00	0.00	4.15

Equipment Management

Assistant Fleet Manager	1.00	1.00	1.00			1.00
Equipment Maintenance Service Person (1)	1.00	2.00	2.00			2.00
Equipment Parts Technician (1)	0.00	0.00	0.00			0.00
Fleet Manager	1.00	1.00	1.00			1.00
Fleet Services Coordinator (1)	2.00	2.00	2.00			2.00
Motor Equipment Mechanic (1) (3)	8.00	8.00	8.00		-1.00	7.00
Motor Equipment Mechanic-Lead (3)	0.00	0.00	0.00		1.00	1.00
Staff Secretary	1.00	1.00	1.00			1.00
TOTAL EQUIPMENT MANAGEMENT	14.00	15.00	15.00	0.00	0.00	15.00

TOTAL INTERNAL SERVICE FUNDS POSITIONS	19.15	19.15	19.15	0.00	0.00	19.15
---	--------------	--------------	--------------	-------------	-------------	--------------



2002-03 TABLE OF ORGANIZATION *CONTINUED*

2000-01 Actual Budget	2001-02 Adjusted Budget	2002-03 Adopted- in-Concept Budget	2001-02 BAO Changes	2002-03 Adopted Changes	2002-03 Adopted Budget
-----------------------------	-------------------------------	---	---------------------------	-------------------------------	------------------------------

Footnotes:

- 1 Reclassification of 1.0 Motor Equipment Mechanic and 1.0 Equipment Parts Technician to 1.0 Equipment Maintenance Service Person and 1.0 Fleet Services Coordinator took place in 2000-01 Table of Organization, but was not reflected in 2001-03 Adopted Budget document.
- 2 Adjustment of 1.0 Offset Equipment Operator-Lead to 1.0 Offset Equipment Operator is necessary to reflect correct staffing levels in the fund. The 2001-03 Adopted budget contained a typographical error.
- 3 Reclassification of 1.0 Motor Equipment Mechanic to 1.0 Motor Equipment Mechanic-Lead.

TOTAL CITYWIDE POSITIONS	1087.00	1112.25	1121.75	0.00	14.00	1126.25
---------------------------------	----------------	----------------	----------------	-------------	--------------	----------------



2002-03 Table of Organization
continued

This page is intentionally left blank.



Miscellaneous

2002-03 Appropriations Limitation

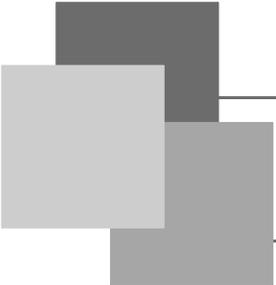
COMPLIANCE CALCULATION (\$Millions)	Combined Funds	General Fund	Capital Projects	Debt Service	Special Revenue
TOTAL BUDGETED APPROPRIATIONS					
2002-03 Adopted Budget (\$ millions)	117.47	104.60	6.09	2.31	4.47
Less: Debt Service Transactions	2.31			2.31	
Capital Outlay	5.97		5.97		
Non-Proceeds of Taxes	43.23	38.88			4.35
Net Adopted Appropriations Subject to Limit	\$65.96	\$65.72	\$0.12	\$0	\$0.12
2002-03 Appropriations Limit	83.21				
UNDER LIMIT BY	\$17.25				

COMPUTATION OF APPROPRIATION LIMIT

2001-02 Appropriations Limit	\$83,243,258
2002-03 Santa Clara County Population Change	1.25%
2002-03 Per Capita Income Change	-1.27%
(.9873) x (1.0125) x \$83,243,258 =	\$83,213,394

The City of Palo Alto remains well within its appropriations limit in 2002-03. Future year limit trends can be made based on average change in regional population and income growth. The following is a summary of estimated limits and estimated appropriations subject to the limit. It indicates a slight decline in the amount Palo Alto's budgeted appropriations are projected to be under the estimated limit.

Historical Appropriations	1998-99	1999-00	2000-01	2001-02	2002-03
Appropriations Subject to the Limit	53.21	57.44	64.19	71.66	65.96
Appropriations Limit	65.95	70.13	74.77	81.80	83.21
Under Limit By	\$12.74	\$12.69	\$10.58	\$10.14	\$17.25
Projected Appropriations	2003-04	2004-05	2005-06	2006-07	2007-08
Appropriations Subject to the Limit	71.24	76.94	83.09	89.74	96.92
Appropriations Limit	88.50	94.12	100.09	106.45	113.21
Under Limit By	\$17.26	\$17.18	\$17.00	\$16.71	\$16.29



Palo Alto: The City



An Overview

Palo Alto is located on the San Francisco Bay Peninsula on a low-lying plain between the Bay and the coastal mountain range to the west about 40 miles south of San Francisco. This town of approximately 60,000 people, in Santa Clara County, is one of a constellation of towns and cities ringing San Francisco Bay and comprising the greater nine-county San Francisco Bay Region, with a population of approximately six million. While it is not a significant population center, Palo Alto enjoys international name recognition and travelers from all over the world come to Palo Alto for purposes of education or research at Stanford University, training or business with the high technology firms of the Stanford Research Park, or 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 issues of concern to the neighborhood.

The Palo Alto Unified School District (PAUSD) has an international reputation for excellence. While the California education system is experiencing a dropout rate of roughly one in three students, over 80% of PAUSD students enter college and the drop-out rate is approximately 1% (Palo Alto Unified School District, Annual District Profile, 1991-1992). In addition, District students score well above the average on standardized tests.

With the large number of highly qualified health care providers and outstanding health services in the community, 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.

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 of 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.

Demographic Statistics

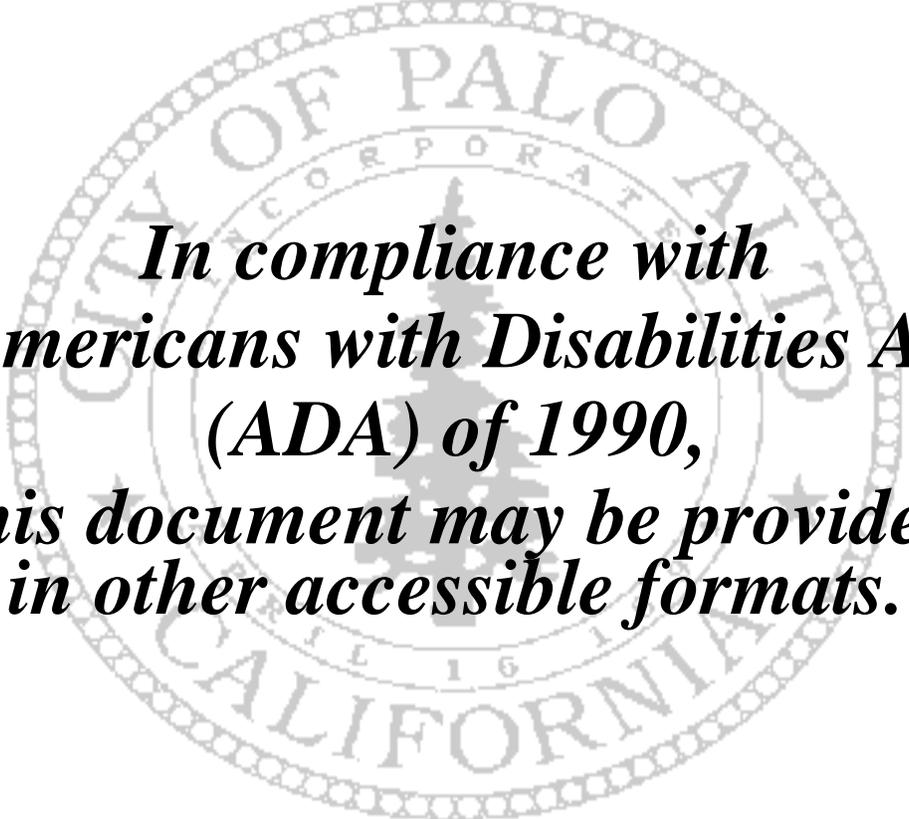
Last Seven Fiscal Years

Fiscal Year	City Size Square Miles	Street Miles	City Population	County Population	School Population
1993-94	25.98	193.12	58,100	1,587,800	8,334
1994-95	25.98	193.12	58,850	1,607,700	8,419
1995-96	25.98	193.12	58,500	1,612,300	9,122
1997-98	25.98	193.12	59,900	1,653,100	9,407
1998-99	25.98	193.12	61,189	1,689,900	9,719
1999-00	25.98	193.12	61,500	1,736,700	9,881
2000-01	25.98	193.12	58,598	1,682,585	10,031

SOURCES:

Census 2000 (www.census.gov)
Palo Alto Unified School District

AMERICANS WITH DISABILITIES ACT STATEMENT



*In compliance with
Americans with Disabilities Act
(ADA) of 1990,
this document may be provided
in other accessible formats.*

For information contact:

Fred Herman
City of Palo Alto
285 Hamilton Avenue
(650) 329-2550
(650) 328-1199 (TDD)