

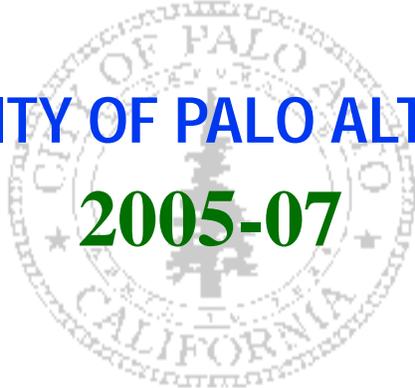
City of Palo Alto

**2005-2007
ADOPTED**

Operating Budget



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CITY OF PALO ALTO

2005-07

City Council

Jim Burch, *Mayor*
Judy Kleinberg, *Vice Mayor*

Bern Beecham LaDoris Cordell
Hillary Freeman Yoriko Kishimoto
Jack Morton Dena Mossar
Vic Ojakian



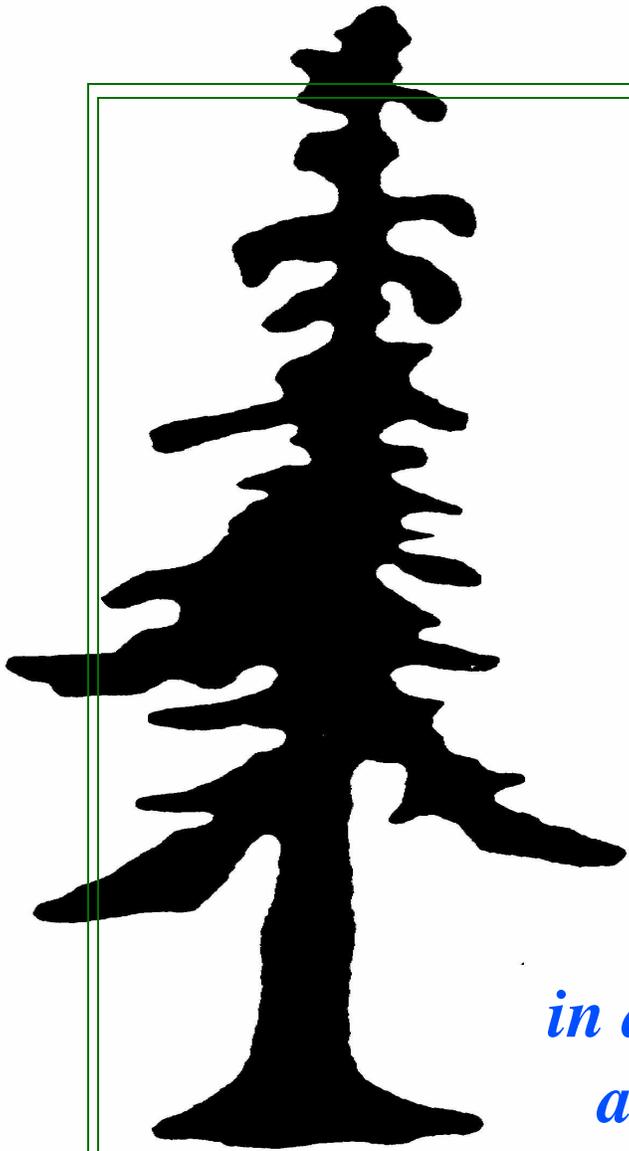
Frank Benest
City Manager

Emily Harrison
Assistant City Manager

Carl Yeats
Director of Administrative Services

Lalo Perez
Assistant Director of Administrative Services

Vic Ojakian
Finance Committee Chair



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

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

The City of Palo Alto's Values:

Quality - Superior delivery of service.

Courtesy - Providing service with respect and concern.

Efficiency - Productive, effective use of resources.

Integrity - Straight-forward, honest and fair relations.

Innovation - Excellence in creative thought and implementation.

It's a Matter of Pride!

CITY OF PALO ALTO

2005-07

Budget Acknowledgements

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City Attorney's Office

Stacy Lavelle

City Auditor's Office

Patricia Hilaire

City Clerk's Office

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Budget Awards

California Society of Municipal Finance Officers

Certificate of Award

Excellence in Operational Budgeting 2003-04

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.

March 1, 2004



Chair, Budgeting & Financial Management

Dedicated to Excellence in Municipal Financial Management



The National League of Cities

Honors

City of Palo Alto

for Receiving the

***2003 Helen Putnam Award for Excellence
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~ Internal Administration ~

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League of California Cities

September 2003



Don Borut
Executive Director
National League of Cities



John DeStefano, Jr.
NLC President
Mayor, New Haven, Connecticut



May 3, 2005

Honorable City Council

Palo Alto, California

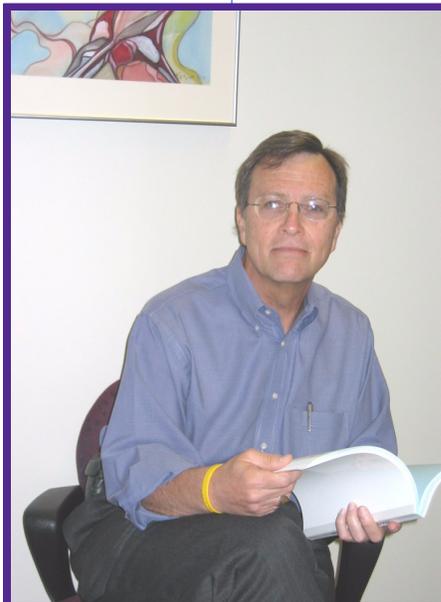
Attention:
Finance Committee



Dear Mayor and Council Members:

It is the City Manager's responsibility to present a proposed balanced budget for your consideration. This is the most difficult two-year budget that I have ever presented to the Palo Alto City Council. The two-year budget incorporates a spending reduction plan, building upon actions from prior years, to address the ongoing structural imbalance outlined in the Long Range Financial Plan (LRFP). Throughout the recent prolonged recession, the Council has reduced projected General Fund expenditures by approximately \$14.5 million and eliminated approximately 40 positions. The proposed General Fund budget for 2005-06 overcomes an additional \$5.2 million deficit.

The City's continuing structural deficit is primarily related to three factors:



Frank Benest, City Manager

- Since 2000-01, and due to the economic downturn, the level of annual sales and transient occupancy tax revenues have declined by nearly \$12 million.
- Employee related benefit costs have continued to escalate. In particular, health care and pension costs have increased by approximately 50 percent or a total of \$8 million.
- The State continues to "shift" property and other taxes to solve its considerable budget deficit. From 1992-93 through 2003-04 the State has taken \$31.1 million in property taxes and vehicle license fees from the City. In 2004-05 and 2005-06, the State will take another \$11.0 million for a cumulative total of \$42.1 million.

To arrive at a balanced budget, staff engaged in a service prioritization process, with Council input, to form the basis for proposed reductions. The list of the proposed service and budget reductions is shown in the General Fund expenditure section of the document. It shows a decrease in General Fund ongoing expense of an additional 4.3 percent or an additional \$4.2 million. However, despite the cuts, the budget shows an overall cost



Bryant St. at Hamilton

increase of \$4.5 million due mainly to employee benefits and negotiated salary increases. The cost increase is offset by an overall anticipated revenue increase of \$4.8 million.

Unlike prior years, when cost reductions were achieved without significant impact to direct services provided to the community, the effort to close the budget gap in 2005-07 and beyond now requires such actions. This, in turn, necessitates the proposed elimination of staff positions through layoffs.

Layoffs and reductions in service in the City of Palo Alto have not occurred since the early 1990s when the local economy, similar to that recently faced by the City, turned significantly downward. In addition to personnel-related expenditure decreases, this proposed budget includes non-personnel-related cuts in every General Fund department.

Economic Overview

From the outset of this budget process it was clear that the economic downturn, the sharp rise in benefit costs, and the continuing State take-away of local revenues continue to haunt the City. Although there are indications that the economy is recovering, it is doing so at a tepid pace with emerging new obstacles to overcome (e.g., rising interest rates, sluggish job growth, and higher oil prices). City revenues, while projected to be up slightly in 2005-07, have fallen to 1998 levels and, most importantly, are not increasing at a pace to cover increases in expense. Some of the economic factors challenging the City's budget include:

- Job growth, although up slightly in California as whole, has yet to occur in any notable fashion in the Bay Area.
- Critical, economically sensitive revenue sources such as sales tax and transient occupancy tax (TOT) appear to have reached a “bottom,” but have not rebounded significantly.
- Rising employee benefits such as pension and health care costs.
- Unsolved State budget deficits that typically result in takeaways from local revenue sources.

That the Peninsula and Bay Area economy is the weak link in the nascent State and national economic recoveries should come as no surprise. Economists at the local and State level continue to point to our area as the last to emerge from the downturn. As Joseph Hard, a former UCLA economic forecaster said, “for the Bay Area as a whole, it's mostly progress, but it's not rapid.”

The 2005-07 budget is a two-year budget. It proposes for adoption the 2005-06 spending plan and an in-concept spending plan for the second year, 2006-07. Similar to the last two-year budget process, the City must now address projected deficits in 2005-06 and 2006-07. It is important to note that the proposed 2003-05 budget incorporated an ongoing 5 percent reduction in base expenses. Moreover, the City faced and dealt with an additional \$1.5 million shortfall in the 2004-05 mid-year budget revision. Even with these major efforts, more budget reductions are needed to meet a projected \$5.2 million shortfall in 2005-06 and a \$3.9 million deficit in 2006-07.

The budget reduction strategy of the past several years has focused mainly on eliminating vacant positions, restructuring staff functions within departments, eliminating one-time expenses, selling services to other cities, and deferring equipment replacements. These actions were coupled with revenue enhancements where possible. This pragmatic and gradualist approach, which had marginal impacts on services to the community, however, has left minimal flexibility for further alignments without reducing services and salaries and benefits. The 2005-07 Proposed Budget reflects this regrettable reality.

To address the inherent difficulties and sensitivities of reducing a budget sorely tested by prior year reductions, the City engaged in a process to rank services based on priority. Ranking criteria included, for example, legal mandates and public safety and health concerns. In January 2005, the ranking criteria and “first-cut” ranking of programs were presented to the City Council for review and comment. This service prioritization then

Budget Strategy for 2005-07



Baylands

formed the basis for the City's department-level budget reduction strategy for the 2005-07 budget process. Departments were asked to make recommendations for cuts based on the prioritized ranking of the services they provide as well as results from a representative sample of Palo Alto residents who were asked to rank services as “more important” or “less important”. Based on the rankings and their professional judgments, department directors were instructed to recommend service and personnel cuts in order to eliminate 3 to 7 percent of their expense base. The ranking structure and the outcome of the prioritization process are presented in the General Fund expenditure overview section of this document.

While using the service prioritization matrix, as well as previously conducted citizen survey, the budget process focused on certain guiding principles:

- Continue with City's “pay-as-you-go philosophy” - do not draw on reserves to fund on-going operating expenses.
- Maintain adequate reserve levels as dictated by Council policy.
- Maintain commitments to Council's top priorities such as rebuilding the City's infrastructure (“City Works”).
- Preserve essential programs based on the criteria used to prioritize and rank all city services.



Duck Pond

Long Range Financial Plan (LRFP)

- Continue support to local schools through the \$6 million payment to Palo Alto Unified School District (PAUSD).

As discussed, the Long Range Financial Plan sets the stage for the 2005-07 budget process. The LRFP was presented to the Finance Committee in December, 2004. Updated with actual 2003-04 financial data and based on explicit assumptions, the plan identifies revenue and expense trends and critical short and long-term budget issues. The LRFP forecast projected deficits from 2004-05 through 2014-15 and identified a \$5.2 million deficit in 2005-06. A major trend emerging from the LRFP, despite previous budget

reduction efforts, is that expense growth (an average of 3.8 percent) was to exceed revenue growth over the next ten years (3.4 percent). This protracted gap, primarily caused by benefit costs, is the focus of this budget proposal.

The LRFP forecast included in the proposed budget has been updated with figures for 2005-07. The impact of the 2005-07 Proposed Budget changes on long-term City finances indicates that projected future deficits will be eliminated by implementation of this spending plan.

Revenue and Expense Highlights

Some significant revenue elements of the 2005-07 Proposed Budget include:

- Sales tax increase 5 percent (\$0.9 million) in 2005-06 and 3 percent (\$0.7 million) in 2006-07.
- Property tax increase 5.5 percent (\$0.9 million) in 2005-06 and 15.4 percent (\$2.6 million) in 2006-07.
- Transient occupancy tax increase 3 percent (\$0.2 million) in 2005-06 and 3.7 percent (\$0.2 million) in 2006-07.
- Utility users tax increase 13 percent (\$0.9 million) in 2005-06 and 8 percent (\$0.7 million) in 2006-07.

The following are highlights of the expenditure elements in the 2005-07 Proposed Budget:

- 4.3 percent net (\$4.2 million) ongoing expenditure reduction included in spending plan.
- 29.95 positions eliminated including 14.50 layoffs resulting in \$3.3 million decrease in salary and benefits costs.
- A \$5.0 million Capital Fund transfer is included to maintain support for infrastructure rehabilitation projects.



Children's Center

Restructuring Efforts and Service Level Changes



Avenidas Senior Center

- Benefit expenses are increasing citywide by an estimated \$10 million in 2005-07 with the largest portion of the increase due to rising pension costs.

Operational restructuring efforts, as in recent years, remain a critical component to managing costs in the 2005-07 budget. In the 2003-05 budget, the City eliminated 40 vacant positions and was able to restructure around those reductions with few service impacts. Since that time, the City continued the hiring freeze resulting in additional vacant positions. The majority of the positions eliminated were management or administrative support positions. However, these cost savings have not been sufficient to close the \$5.2 million deficit in 2005-06. The City is required, therefore, to lay off currently filled positions in various departments. The eliminated 29.95 positions consist of 14.50 layoffs, 4 retirements, 5 vacancies, 5.25 frozen positions, and 1.20 positions based on reduced hours. Therefore, with these additional staff reductions, we will have eliminated a total of approximately 70 positions since the beginning of the recession in 2001-02.

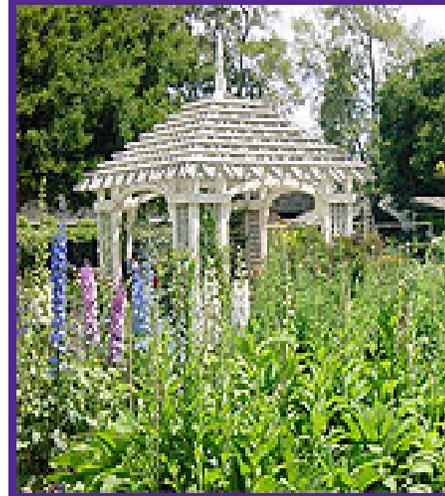
Throughout the process City management has had on-going discussions with the Unions representing our employees regarding our financial deficit and my budget recommendations regarding layoffs. The Unions have made some proposals and may make additional proposals to avoid layoffs. Should city management be in accord with any of these recommendations from the Unions, I will bring forward these proposals to the Council's Finance Committee during the budget hearings.

The following summarizes for 2005-07 proposed service changes, position eliminations, and necessary restructuring throughout the City:

Administration

- Eliminate Executive Assistant position in the Economic Development program - reduction in business outreach and elimination of economic forums, broker list, available business data

- Eliminate Deputy Public Communications Officer position - slower response to citizen complaints, elimination of City Beat cable TV show and “CityWorks” hotline
- Eliminate five positions in the IT fund - maintenance of enterprise applications reduced to a minimal level, planned enterprise resource planning system expansion put on hold, restructuring of duties
- Reduce outside legal counsel and contract agency personnel in City Attorney's Office - slower response to work requests
- Eliminate Storekeeper position - reduced delivery service for donated books and mail to fire stations, restructure of duties
- Reduce employee special events and recognition activities



Gamble Gardens

Community Services

- Eliminate Golf Maintenance Person position - lower maintenance standard as a result of less frequent mowing, edging, trimming
- Eliminate Recreation Supervisor position - elimination of existing youth program, some elements transferred to local non-profit
- Reduce temporary hours in Recreation and Youth Sciences - some decrease in number of programs offered to the community
- Elimination of Parks Superintendent position - increase in span of control
- Other reductions: reduce field pest abatement, planting materials at golf course, and softball and running track maintenance

Planning and Community Environment

- Eliminate Plan Check Engineer position - delay in building permit processing if development ramps up

- Eliminate Coordinator of Transportation System Management (half-time) - reduce neighborhood traffic calming programs, focus on school commute corridors
- Eliminate three hourly Building Inspector positions - delayed inspections during high-volume periods if more development occurs

Public Works

- Eliminate Building Service Person position - reduce frequency of cleaning at Civic Center
- Eliminate Program Assistant position in graffiti program (half-time) - elimination of graffiti volunteer coordinator; City crews to still respond to graffiti calls
- Eliminate Supervisor position - workload restructuring within existing staff
- Transfer sidewalks operation from Public Works General Fund to the sidewalks CIP - extension of work on the sidewalk repair backlog

Public Safety

- Eliminate one Community Service Officer position and one Code Enforcement Officer position - delayed response time to minor violations such as parking and noise complaints
- Eliminate Office Specialist position - reduced direct interaction with public
- Eliminate Staff Secretary - reduced response to traffic and parking related calls
- Eliminate two hourly Clerk positions - delayed data entry and purging of reports, reduced front counter assistance to the public
- Eliminate one canine in the Patrol Division - possible impact to searching of suspects by canines (3 canine units remain)
- Freeze Chief Officer position in Emergency Medical Services - restructuring to support basic life support (BLS) program

- Eliminate Fire Battalion Chief position - position funded by Stanford at the Sanford Linear Accelerator Center (SLAC)

A summary list of position eliminations in the General Fund is attached to this budget transmittal letter.

The City of Palo Alto Utility Funds (CPAU), as well as the activities of the Refuse, Storm Drainage, Wastewater Treatment, and External Service Funds are vital components of the services provided to the Palo Alto community and to surrounding jurisdictions. Rates in the enterprise funds are proposed to increase in 2005-06 due to a number of factors:

- Prices for electric and gas commodities remain high since the 2000-01 energy crisis
- Termination of the long-standing Western Area Power Administration contract and related federal subsidies for energy
- Higher transmission costs due to regulatory changes
- Capital project work on the water system resulting in increased rates for wholesale water purchases

Based on the above factors, the proposed 2005-06 utility rate changes are as follows:

- Gas service rate increase of 15% - due primarily to anticipated increase in gas commodity costs
- Electric service rate increase of 11.5% - in response to increasing wholesale power and transmission costs
- Sewer rate increase of 12% - related to increased treatment expense
- Refuse service rate increase of 8% - due to increasing operating expense

The effect of these proposed rate changes would result in a 11.5% increase in a resident's average monthly utility bill. However, the average monthly electric utility bill for a residential household in Palo Alto would still be

Enterprise Fund Overview



University Ave

32% less than a similar utility bill for a PG&E customer in a surrounding community.

Acknowledgements

A special thank you goes to the entire City staff team involved in preparing the 2005-07 Proposed Budget. Carl Yeats, the Director of Administrative Services and his staff have managed an especially challenging task. Special acknowledgement goes to the Budget Team and their countless hours of analysis and creative thought. They include David Ramberg, Budget Manager, and his staff: Mary Divinski, Amy Javelosa-Rio, Dale Wong, Cherie McFadden and Dave Yuan. Staff throughout the City, in particular Department Budget Coordinators (see acknowledgment page for names), are acknowledged for their hard work in developing the 2005-07 Proposed Budget.



Frank Benest
City Manager

Attachment: Summary of Positions Eliminated in the General Fund

Summary of Positions Eliminated in the General Fund

Dept	Title	FTE	Salary & Benefit
ASD	Manager, IT	(1.00)	(149,488)
CSD	Arts & Culture Div Mgr	(1.00)	(153,117)
CSD	Program Assistant	(1.00)	(78,761)
FIR	Chief Off-Med Svcs EMT	(1.00)	(168,158)
LIB	Librarian	(1.00)	(81,172)
MGR	Office Specialist	(0.25)	(23,802)
<i>Freeze Total</i>		<i>(5.25)</i>	<i>(654,499)</i>
ATT	Sr Asst City Atty	(0.20)	(38,428)
PLA	Transp. Mgt. Coord	(0.50)	(52,368)
POL	Code Enforcement Off	(0.50)	(50,488)
<i>Reduction Total</i>		<i>(1.20)</i>	<i>(141,284)</i>
ASD	Sr Buyer	(1.00)	(94,284)
CSD	Supt Parks	(1.00)	(128,373)
MGR	Deputy Public Comm Officer	(1.00)	(79,263)
PWD	Supv Public Works	(1.00)	(115,925)
<i>Retirement Total</i>		<i>(4.00)</i>	<i>(417,845)</i>
ASD	Acct Spec	(1.00)	(74,842)
ASD	Storekeeper	(1.00)	(74,480)
CSD	Golf Cor Mt Person	(1.00)	(76,199)
FIR	Battalion Chief - Reg/EMT	(1.00)	(168,158)
FIR	Coord Environ Protec	(1.00)	(161,983)
<i>Vacancy Total</i>		<i>(5.00)</i>	<i>(555,662)</i>
ASD	Manager, IT	(1.00)	(149,488)
ASD	Sr Technologist	(4.00)	(540,000)
CSD	Supv Rec Prog	(1.00)	(110,376)
CSD	Office Specialist	(1.00)	(71,406)
MGR	Executive Assistant	(1.00)	(107,466)
PLA	Plans Check Engr	(1.00)	(122,829)
POL	Code Enforcement Off	(1.00)	(100,976)
POL	Community Service Off	(1.00)	(73,667)
POL	Office Specialist	(1.00)	(71,406)
POL	Staff Secretary	(1.00)	(77,586)
PWD	Bldg Serviceperson	(1.00)	(63,930)
PWD	Program Assistant	(0.50)	(39,380)
<i>Layoff Total</i>		<i>(14.50)</i>	<i>(1,528,512)</i>
2005-06 Total		(29.95)	(3,297,802)





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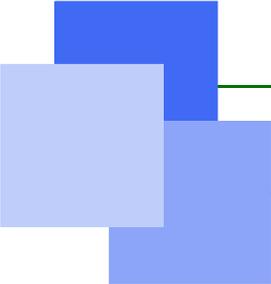
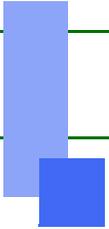
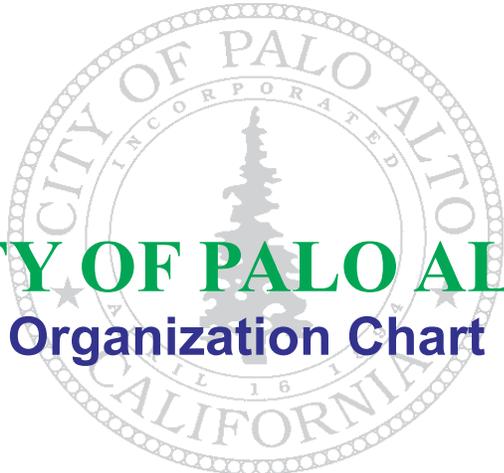


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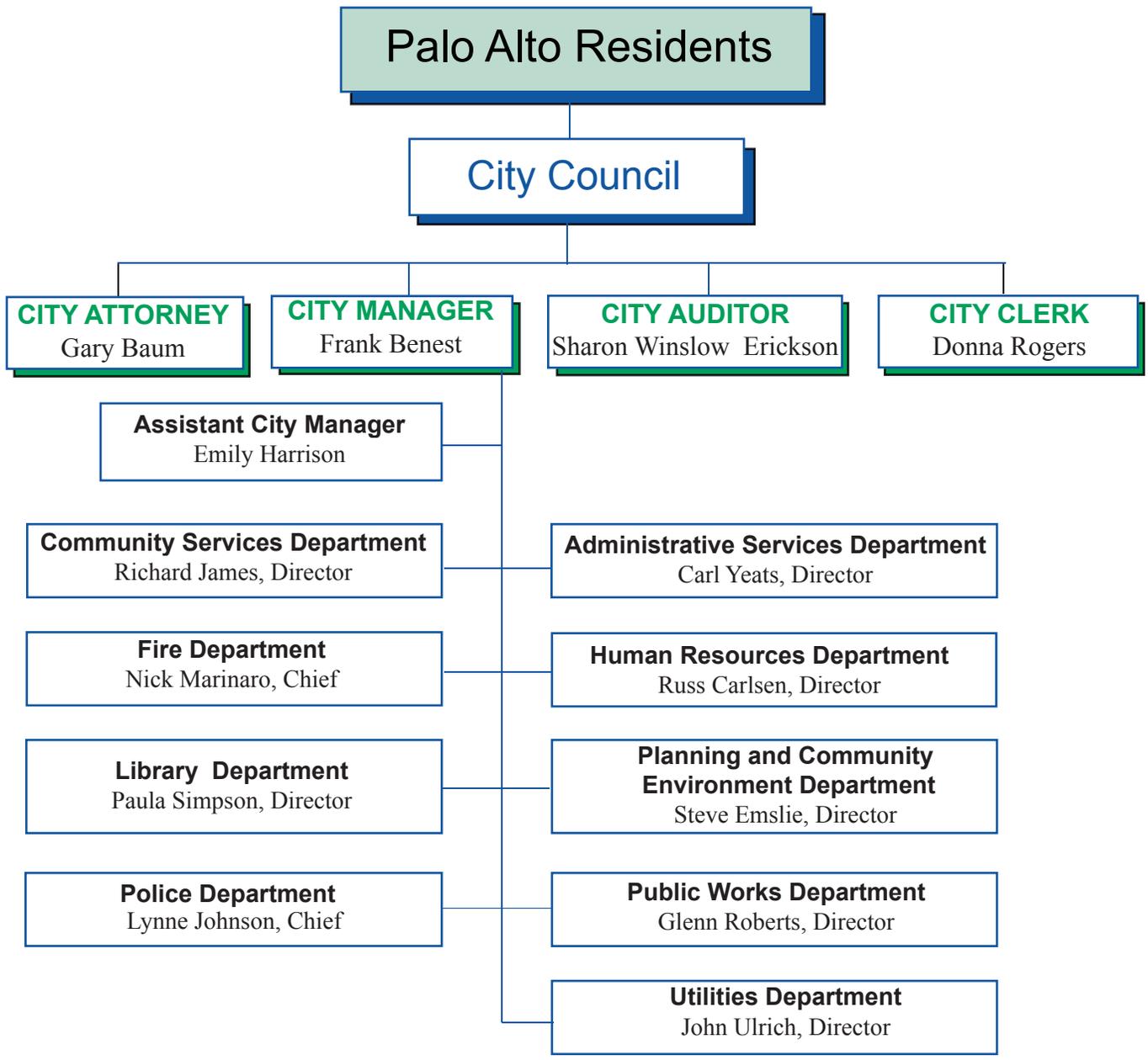


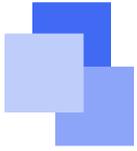
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CITY OF PALO ALTO

Organization Chart





Organization Chart
continued

The Budget Process and Document

An Overview



Operating Budget Process

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

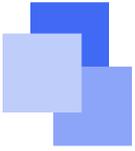
At the start of the City's budget process, the City Council determines its main focus for the following two-year period. Through an open Council dialogue, the priorities guide both budget development and department priority-setting. The public has the opportunity to provide input into this process as well as during the budget review by the Finance Committee. The following are the top five City Council priorities for 2005-07:

- Affordable Housing
- Alternative Transportation / Traffic Calming
- City Finances
- Infrastructure
- Land-Use Planning

Budget Preparation

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

- Community input
- City Council Top Five Priorities
- Findings from the City's Long Range Financial Plan which is updated annually and presented to the Finance Committee prior to the budget process
- Service level prioritization



The Budget Process and Document *continued*

- Comprehensive Plan which contains the City's official policies on land use and community design, transportation, housing, natural environment, business and economics, and community services.

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

Operating Budget Calendar

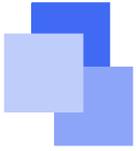
November: Operating budget preparation begins with determination of the base budget for the following year, which excludes one-time revenue and expenses from the prior year. Input from the Long Range Financial Plan (LRFP) determines the broad financial picture facing City operations in the upcoming period.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

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

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

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

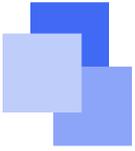
March/April: Final decisions are made by the City Manager on the proposed operating budget requests, along with the general message to the City Council. The proposed budget document is compiled, edited, and forwarded to the Council members. The Office of the City Attorney reviews proposed changes to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



The Budget Process and Document *continued*

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

<p style="text-align: center;"><i>City of Palo Alto</i> BUDGET HEARINGS SCHEDULE with Finance Committee</p> <p style="text-align: center;">For 2005-07 Budget</p>		
DATE	DESCRIPTION	DEPARTMENTS ATTENDING
Tuesday, April 5	Finance Committee	HSRAP / CDBG
Tuesday, May 3	Finance Committee BUDGET KICK-OFF	Transmittal of 2005-07 General Fund budget – CAOs, Council, Human Resources, ASD, Internal Service Funds
Thursday, May 5	Finance Committee Special Meeting	Fire & Police
Tuesday, May 10	Finance Committee Special Meeting	Community Services, Library Planning
Thursday, May 12	Finance Committee Special Meeting	Public Works, General Fund Capital Improvement Projects
Tuesday, May 17	Finance Committee	Public Works Internal Service Funds, Enterprise Funds, including CIP – Storm Drain, Refuse, Waste Water Treatment; Refuse Rate Schedule Revisions, External Services Fund
Thursday, May 19	Finance Committee Special Meeting	Utilities (excluding Electric Fund) & CIP; Contracts Greater than \$85,000
Thursday, May 26	Finance Committee Special Meeting	Utilities Electric Fund
Tuesday, May 31	Finance Committee Special Meeting	Municipal Fee Schedule; Wrap Up
Monday, June 20	City Council BUDGET ADOPTION	BUDGET ADOPTION



The Budget Process and Document *continued*

Level of Control and Changes to the Adopted Budget

Budgetary control, the level at which expenditures cannot legally exceed the appropriated amount, is exercised at the fund level, the department level, and the capital project level. Administrative policies provide guidelines on budget transfers, the authorization necessary to implement transfers, and appropriations after the budget is adopted. Generally there are two types of budget transfers:

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

Budget Amendment: This is an adjustment to the total appropriated amount within a fund or department, which was not included in the original adopted budget. These supplemental appropriations are presented to City Council in an agenda report and require for approval, the passage by two-thirds vote of the City Council. Unexpended appropriations automatically lapse at the end of the fiscal year and are included in the ending fund balance calculations within each fund.

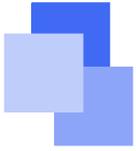
Reasons for initiating a Budget Amendment Ordinance (BAO) include:

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

Understanding the Document Layout

Changes to the layout in 2005-07

Benchmarks: Benchmarks have been included in the budget document and replace impact measures that were formerly in the budget document. Benchmarks are shown for each department and, where applicable, at the division level in each department. The benchmarks show input, output, efficiency, and effectiveness measures. Where possible they are related to the City Auditor's Service Efforts and



The Budget Process and Document *continued*

Accomplishments report. Benchmark data is not shown where prior year data is not available. Benchmark data is shown for the 2005-06 budget year.

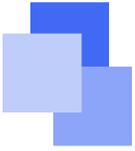
Department Structure: The 2005-07 budget represents the first two-year budget built entirely around the City's new chart of accounts. A new financial hierarchy has replaced the former structure of functional areas and major activities within each department. Each department is now divided into divisions and sub-divisions. The department financial tables in the 2005-07 budget document have been revised to reflect this change. Department financial information is now presented at the department level and the division level. Since major activity detail no longer exists further financial information is not presented beyond the division level. Where further program cost detail is needed it is provided in a separate area on the division page of the department.

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 document is divided into fund and department sections, which contain the following components:

- Fund/Department Overview - identifies key goals to be achieved during period
- New Program Update - reports on accomplishments with any new program/activity undertaken during the past two years
- Financial Summaries - revenues and expenditures by functional area and expense category
- Council Priority Implementation - specifically cites activities related to City Council's top five priorities
- Resource Level Changes - identifies major resource changes from the base budget
- Service Level Changes - describes changes to service delivery in the upcoming period
- Comprehensive Plan Overview - incorporates the 1998-2010 Comprehensive Plan Implementation Plan into budget submissions



The Budget Process and Document *continued*

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

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

Understanding the Details

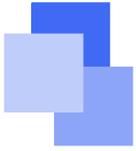
Financial Summaries

Reflected in this document are actual revenues and expenditures for 2003-04; the 2004-05 Adjusted Budget; the 2005-06 Adopted Budget; and the 2006-07 Adopted-In-Concept Budget. The main focus of this discussion along with the dollar amounts in the “Budget Change” column, compares the 2004-05 Adjusted Budget with the 2005-06 Adopted Budget. The 2005-06 column is then compared to the 2006-07 Adopted-In-Concept column. This describes the changes from the prior year's numbers and is the recommended method of showing budgetary change by the Government Accounting Standards Board (GASB).

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

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

Basis of Accounting: The City's Governmental Fund (General Fund, Special Revenue Fund and Capital Project Fund) and Proprietary Fund Budgets



The Budget Process and Document *continued*

(Enterprise Fund and Internal Service Fund) are developed using a modified accrual basis of accounting. While the Governmental Fund is accounted for using the modified accrual basis, the Proprietary Fund is accounted for using the full accrual basis of accounting. Both of these bases are generally accepted accounting principles (GAAP).

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

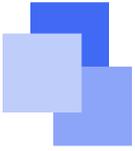
Fund/Department Administration: The budget document includes an administration function within each department-level financial summary. Typical administration expense includes core staff who work on department-wide priorities, as well as allocated costs from internal service funds.

Rates and Reserves

The General Fund (GF) has two main reserves - the Budget Stabilization Reserve (BSR) and the Infrastructure Reserve (IR). City Reserve Policy has placed a cap of 18.5 percent of GF Expenditures on the BSR, with any excess going to the IR. Financial Policy allows flexibility in determining the BSR cap amount within a range of between 15 and 20 percent of expense.

In the Enterprise Funds, rates are the charges to customers for services provided, such as electric and gas services. The total revenue generated by the rates covers expenditures on an ongoing basis. Utility rate increases or decreases are typically staggered to minimize volatility from one year to the next. When budgeted revenues are not sufficient to cover budgeted expenditures in years between planned rate increases, or in the case of emergencies or unforeseen changes in either revenues or expenses, reserves are used to cover the difference. Council has adopted a policy specifying the appropriate levels of reserves in each Enterprise

Fund. Typically, the budget will reflect either increasing or decreasing the reserves to within Council-approved ranges. A reserves summary table is located at the beginning of the Enterprise Funds section and within each individual fund summary.



The Budget Process and Document *continued*

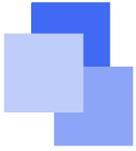
Special Revenue Funds

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 development impact fees related to libraries, parks, and community centers.

Internal Service Funds

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

The Technology Fund includes such activities as personal computer desktop, software application, and technology infrastructure replacement and maintenance.



The Budget Process and Document *continued*

Key Budget Terms

Adjusted Budget:

Represents the adopted budget including changes made during the fiscal year.

Adopted Budget:

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

Benchmarking Measures:

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

Capital Improvement Program (CIP):

Accounts for projects related to the acquisition, expansion, or rehabilitation of the City's buildings, equipment, parks, streets, and other public infrastructure.

Cross-Departmental Programs:

Programs or capital projects in which multiple departments participate.

Divisions:

Groupings of services performed under each functional area.

Funds:

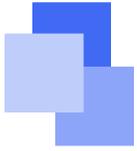
Used by Local government budgets to organize and account for restricted resources. Each fund is considered a separate accounting entity.

Infrastructure Management Plan (IMP):

Subset of the capital improvement program with the focus of rehabilitating the City's infrastructure on a continuing basis.

Proposed Budget:

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



The Budget Process and Document *continued*



General Fund

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General Fund Revenues

An Overview

The City's "Long Range Financial Plan (LRFP): Forecast 2005-2015," was presented to the Finance Committee in December 2004 (CMR:492:04) and to the full Council in January 2005 (CMR:139:05). The LRFP, and its ten-year revenue and expense forecast, is the foundation upon which this adopted two-year budget is constructed. Projected deficits in the forecast have been eliminated through a variety of revenue enhancements and expenditure reductions identified in this budget.

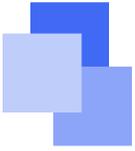
The condition of the local and State economy has not changed significantly since delivery of the LRFP. According to a recent observation by Joseph Hurd, a former UCLA forecaster, "for the Bay Area as a whole, it's mostly progress, but it's not rapid." While economic conditions have stabilized and trended slowly upward, there are numerous factors that recommend caution in forecasting future revenue streams. These include anemic local job creation, rising interest rates and oil prices, increasing consumer debt, and State and Federal gridlock in solving severe budget deficits. Reinforcement for this perspective is provided in a March 15, 2005 UCLA Anderson Forecast which stated "that the current expansion in the national economy is nearer its end than its beginning...[and the Forecast sees] no growth spurt on the horizon that will extend it much further." Although the City has seen a mild uptick in revenue sources such as sales and transient occupancy taxes (TOT), a fragile economy could easily constrain or reverse this growth.

Overall, City revenues are expected to increase by \$4.8 million (4.2 percent) in 2005-06 compared to the 2004-05 adjusted budget. In 2006-07 revenues are expected to also increase by \$5.0 million. The following sections discuss the City's major revenue sources and their projected levels for 2005-06 and 2006-07.

Sales Tax

Sales tax revenues are expected to reach \$19.0 million in 2005-06. This represents a \$0.9 million or 4.0 percent increase over the 2004-05 adjusted budget of \$18.1 million. For 2006-07, this revenue source is projected to grow to \$19.8 million or 3.8 percent over 2005-06 levels. In the second and third calendar quarters of calendar year 2004, revenues increased over prior year quarters by 3.0 and 4.3 percent, respectively, demonstrating a mild turnaround from a long series of quarterly declines. Since 2001 sales tax revenues have declined by \$8.1 million. Segments recently showing strength are department stores and restaurants while sectors showing weakness include automotive and electric equipment sales.

Heavily dependent on Bay Area job growth and consumer spending, sales tax performance is closely tied to the local economy. Although staff anticipates



General Fund Revenues *continued*

moderate growth in revenues over the next few years, it is especially concerned about potential auto dealership departures, steady competition from surrounding malls and “big-box” stores, and demonstrated community reluctance to develop new sales tax revenue generators within City boundaries.

Property Tax

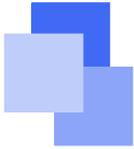
For 2005-06, property tax revenues are anticipated to reach \$17.0 million. This is a \$0.9 million or 5.5 percent increase over the 2004-05 adjusted budget. Because of sustained strength in residential property values, revenues from property taxes have increased in the past several years. This trend is both welcome and somewhat worrisome. It is welcome in that these revenue gains have offset steep declines in other sources. It is worrisome in that the sharp rise in residential prices limits the pool of buyers and could lead to a housing “bubble” that results in a decrease in assessed values. Since a “bubble” appears unlikely at this time, property taxes are anticipated to increase further in 2006-07.

As described in the LRFP, property tax receipts now include the “triple-flip” quarter-cent sales tax (sales tax kept by State to repay deficit bonds and repaid to local jurisdictions via property tax remittances) and the “in-lieu Vehicle License Fee” payments. These payments, as well as the State takeaway of \$1.5 million in taxes, have been included in the 2004-05 adjusted and the 2005-06 adopted budgets. In 2006-07, the State is committed to reversing its current takeaway. Between this and a projected \$2.6 million increase in property taxes, property tax revenues in 2006-07 are projected to be \$19.6 million, or 15.4 percent over 2005-06 levels.

Transient Occupancy Tax (TOT)

Another economically sensitive revenue source, TOT receipts are projected to grow by \$0.2 million or 2.8 percent in 2005-06 (for a total of \$6.2 million) and by another \$0.2 million or 3.2 percent in 2006-07 (for a total of \$6.4 million). During the past several months, occupancy and daily rates have showed increases over prior year performance. In high volume months, occupancy rates have risen from 55 to 58 percent to slightly above 60 percent. Similarly, average daily rates have risen by around \$10 per day. This trend is being replicated in the San Jose and Peninsula areas.

Once again, while this a positive trend, there is reason for caution given hotel competition on the City's southern and eastern borders. Stanford's recent announcement of a high-end hotel on Sand Hill Road also may have an impact on the City's future receipts. Staff has included the closing of Hyatt Rickey's into its TOT projections.



General Fund Revenues *continued*

Utility Users Tax (UUT)

UUT revenues are anticipated to increase to \$8.3 million, a \$0.9 million or 12.8 percent increase over the 2004-05 adjusted budget. Approximately \$0.6 million of this increase is due to projected utility rate increases. The remainder results from the assumption that Verizon Wireless will begin collecting and paying utility user taxes as required by City ordinance. This assumption derives from a recent court ruling against Verizon's claim that it did not have to remit UUT revenues. Should there be further court action and a delay in payment, a midyear adjustment in 2005-06 may be necessary.

In 2006-07, staff expects UUT revenue to rise to \$9.0 million, a 8.1 percent increase over 2005-06. The UUT projections are based on Utilities Department revenue forecasts and reflect rate levels in the adopted budget.

Other Taxes and Fines

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

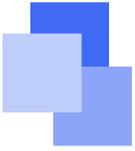
As explained in the LRFP, as a line item, motor vehicle in-lieu fee revenue is decreasing dramatically to \$0.3 million in 2004-05 and thereafter. This is a consequence of a budget agreement between local jurisdictions and the State, in which foregone VLF revenues will be backfilled by increased property taxes and will reach their full level by 2006-07 (see Property Tax explanation above).

Like property taxes, documentary transfer taxes have remained steady in 2004-05. Staff anticipates that transfer taxes will rise from \$3.7 million in 2004-05 to \$4.0 million in 2005-06 and \$4.4 million in 2006-07. Rising residential and commercial transactions have fueled the robust performance in this category. Projecting transfer taxes is somewhat difficult in that the mix, volume and size of transactions, which drive revenues, can change from year to year. Still, staff believes that recent historical performance and the vitality of the property market point to consistent revenue levels.

Revenue derived from parking fines is expected to increase by \$0.1 million to \$2 million in 2005-06 due to an increase in the parking fine.

Charges for Services

This category is mainly comprised of external reimbursements and fee-for-service payments generated by General Fund service departments such as Stanford University payments for fire protection services (\$6.5 million), paramedic fees (\$1.5 million), and plan checking fees (\$1.6 million). As compared to the 2004-05



General Fund Revenues *continued*

adjusted budget, this category is projected to increase \$0.7 million mainly due to a \$0.1 million increase in the Stanford fire agreement and increased fees to make the individual review program cost recovery.

Fees, Permits and Licenses

Revenues in this category are decreasing \$0.3 million from prior year adjusted figures mainly due to a downward revision for street cuts fee revenue. The reduction reflects lower street cut activity due to reduced development activity.

Return on Investment

During 2004-05, the City's portfolio yield has declined to around 4.2 percent. As a consequence of the maturity of investments having yields in the 5.0 to 6.0 percent range and low interest instruments purchased in the past three years, staff projects interest income of \$2.2 million in 2005-06 compared to the 2004-05 adjusted budget of \$2.3 million. The Federal Reserve Board's recent spate of rate increases is not expected to result in higher portfolio yields until 2006-07.

Rental Income

The primary source for this reserve is the Enterprise Fund usage of City land for their operations. This revenue is increasing \$0.5 million (4 percent) to \$12.3 million in 2005-06.

Charges to Other Funds

This revenue category shows the reimbursement for General Fund services, such as legal, human resources, public works, general administrative, 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.

Operating Transfers-In

Transfers in this category include equity transfers from the Enterprise Funds, which represents a return on initial investment the City made when the Utility Department was created more than 100 years ago. The equity transfers total \$13.8 million, a stable 3 percent (\$0.4 million) increase for 2005-06, increasing by 3 percent again in 2006-07.

General Fund Expenditures

An Overview

Total General Fund (GF) expense is projected to be \$120.7 million in 2005-06, a \$4.7 million increase from prior year adjusted figures. In 2006-07 General Fund expense is increasing \$4.4 million. The main elements of these changes include:

- \$4.2 million (4.3 percent) reduction in ongoing General Fund base expense from the eliminations of positions and department budget cuts
- \$4.5 million (5.7 percent) million increase due to negotiated salary increases and rising health care and pension costs
- \$5 million transfer to the Capital Improvement Fund for infrastructure

To address the need for increased spending in certain areas as a result of shifting priorities, departments were given the opportunity to reallocate resources.

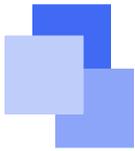
Ongoing Cost Reductions (\$4.2 million GF reduction)

The deficit addressed in the 2003-05 budget resulted in a 5 percent reduction in the General Fund expense base. This reduction was intended to eliminate the deficit in those years as well as help towards eliminating the deficit in future years.

2005-07 Proposed Department Reductions				
	2003-05 Cut %	2005-06 Base*	2005-07 Ongoing Cuts	2005-07 Cut %
ATT	-10.30%	2,224	-116	-5.20%
AUD	-5.30%	783	-13	-1.66%
CLK	-2.30%	764	-6	-0.79%
COU	-1.60%	148	0	0.00%
MGR	-6.30%	1,776	-181	-10.19%
ASD	-6.90%	6,676	-536	-8.03%
HRD	-9.90%	2,310	-149	-6.47%
Total Admin. Depts.	-7.10%	14,681	-1,001	-6.82%
CSD	-5.50%	17,709	-851	-4.81%
FIR	-3.80%	18,806	-439	-2.33%
LIB	-	4,869	-169	-3.47%
PLA	-5.10%	8,601	-631	-7.34%
POL	-4.50%	22,233	-432	-1.94%
PWD	-3.80%	11,236	-701	-6.24%
Total Line Dept.	-4.60%	83,454	-3,223	-3.86%
Total General Fund	-5.10%	98,135	-4,224	-4.30%

* One-time items have been removed from 2004-05 adopted budget. The base budget does not include 2005-06 salary and benefit increases

However, the update to the Long Range Financial Plan, presented to the City Council in December 2004, depicted a continuing weak economic condition that would produce even larger deficits in future years than originally projected. The LRFPP projected deficits of \$5.2 million in 2005-06 and \$3.9 in 2006-07. The 2005-07 Adopted Budget includes cuts that will close these



General Fund Expenditures

continued

Summary of Positions Eliminated in the General Fund			
Dept	Title	FTE	Salary & Benefit
ASD	Manager, IT	(1.00)	(149,488)
CSD	Arts & Culture Div Mgr	(1.00)	(153,117)
CSD	Program Assistant	(1.00)	(78,761)
FIR	Chief Off-Med Svcs EMT	(1.00)	(168,158)
LIB	Librarian	(1.00)	(81,172)
MGR	Office Specialist	(0.25)	(23,802)
<i>Freeze Total</i>		<i>(5.25)</i>	<i>(654,499)</i>
ATT	Sr Asst City Atty	(0.20)	(38,428)
PLA	Transp. Mgt. Coord	(0.50)	(52,368)
POL	Code Enforcement Off	(0.50)	(50,488)
<i>Reduction Total</i>		<i>(1.20)</i>	<i>(141,284)</i>
ASD	Sr Buyer	(1.00)	(94,284)
CSD	Supt Parks	(1.00)	(128,373)
MGR	Deputy Public Comm Officer	(1.00)	(79,263)
PWD	Supv Public Works	(1.00)	(115,925)
<i>Retirement Total</i>		<i>(4.00)</i>	<i>(417,845)</i>
ASD	Acct Spec	(1.00)	(74,842)
ASD	Storekeeper	(1.00)	(74,480)
CSD	Golf Cor Mt Person	(1.00)	(76,199)
FIR	Battalion Chief - Reg/EMT	(1.00)	(168,158)
FIR	Coord Environ Protec	(1.00)	(161,983)
<i>Vacancy Total</i>		<i>(5.00)</i>	<i>(555,662)</i>
ASD	Manager, IT	(1.00)	(149,488)
ASD	Sr Technologist	(4.00)	(540,000)
CSD	Supv Rec Prog	(1.00)	(110,376)
CSD	Office Specialist	(1.00)	(71,406)
MGR	Executive Assistant	(1.00)	(107,466)
PLA	Plans Check Engr	(1.00)	(122,829)
POL	Code Enforcement Off	(1.00)	(100,976)
POL	Community Service Off	(1.00)	(73,667)
POL	Office Specialist	(1.00)	(71,406)
POL	Staff Secretary	(1.00)	(77,586)
PWD	Bldg Serviceperson	(1.00)	(63,930)
PWD	Program Assistant	(0.50)	(39,380)
<i>Layoff Total</i>		<i>(14.50)</i>	<i>(1,528,512)</i>
2005-06 Total		(29.95)	(3,297,802)

projected deficits in each fiscal year. As first indicated in the 2004-05 Adopted Budget further cuts will impact service-delivery to the community. The table below summarizes the cuts over the 2003-05 period and the 2005-07 period:

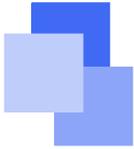
The cuts in 2005-06 include further elimination of vacant positions in addition to the laying-off of currently filled positions. The positions listed in the chart to the left are due for elimination in the 2005-06 budget:

The elimination of these positions represent a 3 percent reduction in General Fund authorized staffing levels, and a 4 percent reduction in salary and benefit expense. In addition, three positions that were frozen in the 2004-05 budget remain frozen in the 2005-07 budget.

Increasing Employee Salary and Benefit Expense (\$4.5 million GF increase)

The 2005-07 Adopted Budget contains funding for previously negotiated salary increases and for increasing benefit costs:

- International Association of Fire Fighters (IAFF) employees increase - (\$0.3 million). An average 3.5 percent increase for employees for the fiscal year. The IAFF contract expires 6/30/06.
- Palo Alto Peace Officers' Association (PAPOA) cost-of-living adjustment - (\$0.3 million) A 3.0 percent increase for employees for the fiscal year. The PAPOA contract expires 6/30/07
- Service Employees International Union (SEIU) employees increase - (\$1.4 million) An average 3.5 percent increase for employees for the fiscal year. The SEIU contract expires 4/30/06.



General Fund Expenditures *continued*

- Pension Contribution Increase - (Citywide \$4.6 million increase, 29 percent) The 2005-07 Adopted Budget includes a third year of increased pension costs. These percent-of-pay rates become effective 7/1/05: Miscellaneous - 12 percent; Fire Safety - 27 percent; Police Safety - 27 percent. In addition, the employee contribution adds another 7 - 9 percent to these costs.
- Health care Premiums - (Citywide \$0.5 million increase, 5 percent) Health care premiums have increased 50 percent over the past four years.

Internal Service Fund Allocation Increased Allocation (\$1.0 million GF increase)

Intended as a one-time budget reduction strategy in 2004-05 the GF contribution to the Technology Fund was reduced \$3.5 million. This reduced the Technology Fund reserve balance to approximately \$8 million. The 2005-04 Adopted Budget indicated that the GF contribution to the fund would resume in 2005-06. The GF will increase its contribution by \$1.0 million in 2005-06 and \$1.0 million in 2006-07 and is expected to return to a full contribution by 2007-08. The Technology Fund reserve balance is projected to be \$5.4 million in 2005-06 and \$5.7 million in 2007-08. The reserve balance will be monitored and adjusted based on the needs of the fund.

Non-Departmental Expenditures

Payments to PAUSD:

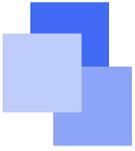
This category includes two types of expense. The first type involves costs not associated with a particular department such as the direct support of the Palo Alto School District (PAUSD) of \$6.0 million as part of the lease and covenant not to develop the Cubberley Community Center.

Contingency Spending:

The second type is budget dollars eventually transferred to another department in order to fund unexpected expense. This includes City Manager and City Council contingency spending as well as compensation increases to be allocated to department budgets later in the year.

Operating Transfers-Out

The GF maintains obligations to other funds such as the Storm Drainage Fund, Capital Fund and Debt Service Funds. Operating transfers are a means of moving resources between funds and are not considered an expense. Operating transfers-out are projected to be \$6.6 million and \$6.8 million in 2005-06 and 2006-07 respectively. Some of the larger transfers include \$5.0 million to the Capital Fund and \$0.6 million to the Storm Drainage Fund.



General Fund Expenditures *continued*

Reserves

The Budget Stabilization Reserve (BSR) is projected to remain at stable levels just below its 18.5 percent of expenditures cap of \$21.5 million over the next two years. This is within the 15 to 20 percent reserve policy.

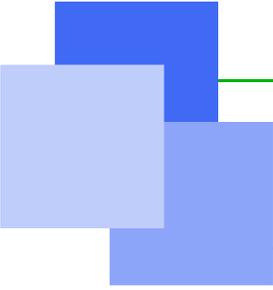
Long Range Financial Plan (LRFP)

As presented to the Finance Committee in December 2004, the LRFP played a critical role in the development of much of the fundamental analysis in this budget presentation. The model is included in this document, with the 2005-07 years updated with adopted budget figures. While a continuing a careful balance between projected revenues and expenditures, the model continues to indicate GF stability for the next several years. As updated with the 2005-07 Adopted Budget the LRFP indicates that projected future deficits will be eliminated by implementation of the 2005-07 spending plan. The complete LRFP document is available on the City's website.

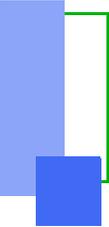
Citywide Operating Fund Balances Statement

An organization-wide operating fund statement is included in the financial summaries that follow this discussion. Internal service fund activities are not listed separately as the expenses surrounding these activities have been allocated to all funds receiving the service, thus are included as expense within those funds. Capital fund activities are captured as a net transfer of fund balance and also are not included on this operating statement. Here are the highlights from the 2005-07 summary:

- Total City revenues are projected to be \$348 million in 2005-06 and \$368 million in 2006-07
- Total City expenditures are projected to be \$363 million in 2005-06 and \$370 million in 2006-07
- Total fund balances are projected to be \$265 million in 2005-06 and \$262 million in 2006-07



General Fund Service Level Changes



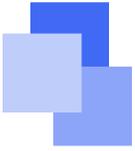
An Overview

The 2005-07 adopted General Fund (GF) budget includes a \$4.2 million ongoing reduction in the expense base. This reduction includes the elimination of 30 positions among other department reductions. The reductions are based on the service prioritization process that ranked services based on the following criteria: 1) legally mandated, health and public safety; 2) Council top 5 priority/milestone, revenue generating/self supporting/allocated cost, necessary for proper organizational management; 3) enhances productivity/customer service, program targets at-risk children/teens/seniors; 4) other. The prioritization process identified services to reduce in order to achieve cost reductions. The criteria and initial service prioritization was review by the City Council in January 2005 (CMR:144:05). Combined with the service prioritization ranking, and included below where relevant, is the result of a citizen survey where respondents were asked to rank services as more important or less important.

Below is a summary of the major service reductions that are a result of the cost reductions included in this budget. Included in the description of each reduction listed is the prioritization criteria used to rank the service as well as the citizen survey ranking. Additional detail on service reductions is included in the department sections within the budget document.

City Manager: (\$0.2 million reduction, 10 percent)

- Elimination of Executive Assistant position: will require the Economic Development staff to prioritize economic development duties. A number of business outreach activities will be eliminated such as: the Quarterly Economic Forum, the maintenance of a broker contact list, and the maintenance of the available business sites list as well as commercial vacancy data. (Prioritization Criteria #2)
- Elimination of Deputy Public Communications Officer position (February 2006): will mean slower response to citizens complaints to Council, reduced ability to respond personally and in detail to individual resident concerns, elimination of City's cable television show - City Beat, and elimination of the City Works hot line. (Prioritization Criteria #3; Citizen Survey Less Important)



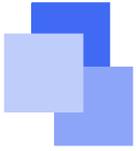
General Fund *continued*

City Attorney: (\$0.1 million reduction, 5 percent)

- Elimination of 0.20 FTE Senior Assistant Attorney position: the impact of this reduction is unknown at this time, but it is anticipated that response times on work requests may be adversely affected. (Prioritization Criteria #2)
- Reduction in Outside Counsel funding: may adversely affect response times and specialized outside counsel may be unavailable for staff or council requests.
- Elimination of Contract Agency funding: department will be unable to obtain temporary clerical support to cover the clerical support staff when they are on vacations or leave. This may slightly increase the workload for existing support staff.

Administrative Services Department: (\$0.5 million reduction, 8 percent)

- Elimination of 1.0 FTE Storekeeper: necessitating the service level reductions in delivery operations to allow the Warehouse to cover core functions. Services targeted for reduction are: the delivery of donated books from the City's libraries to the Friends of the Library operations at Cubberley; the delivery of mail and other items among fire stations; and deliveries that can be performed directly by vendors that staff has negotiated. (Prioritization Criteria #2)
- Reduction in contract services: may reduce response times and service levels across the department, especially when divisions are not fully staffed.
- Due to the elimination of four Senior Technologists, one IT Manager, and other budget reductions, service levels will be impacted in the following areas:
 - Loss of one Senior Technologist: SAP BASIS administration and database administration will need to be transitioned to an existing back-up support staff position (a Senior Technologist). This will result in an increased workload for this staff position. Because the existing back-up position is relatively inexperienced in a primary support role for BASIS administration and database administration, temporary contract support services may need to be acquired periodically.
 - Loss of one Senior Technologist: SAP BASIS administration back-up will need to be transitioned to an un-trained staff position. Training will need to be provided for this staff position. Library system support will be transitioned to a combination of Client Services and an existing staff position (a Senior Technologist). This will result in an increased workload for these staff positions.
 - Loss of one Senior Technologist: SAP ABAP development will need to be transitioned to other SAP ABAP trained staff. CORE support and IFAS support will need to be temporarily contracted until existing staff can obtain the knowledge. IFAS support should be limited with the migration of accounting services to SAP but CORE support will be ongoing. This will result in an increased workload for these staff positions.



General Fund *continued*

- Loss of one Senior Technologist: BANNER CIS support will need to be transitioned to an existing back-up support staff position (a Senior Technologist). Because the existing back-up position is relatively inexperienced in a primary support role for BANNER CIS, temporary contract support services may need to be acquired periodically. The evaluation of migrating BANNER CIS functionality to SAP will need to be postponed. This will result in an increased workload for this staff position.

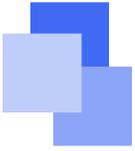
- Loss of one IT Manager: due to the significant reduction of Senior Technologists, the requirement for IT managers has been reduced. Existing responsibilities will be distributed among other IT management staff. This will result in an increased workload for these staff positions.

- The bottom-line effect of the above reductions will be additional workload for staff being transitioned from back-up to primary support as well as for staff who will be taking on new back-up responsibilities. The effect on management will be an increase in direct reports and additional project management responsibilities. Due to the staff reductions, it will be necessary to contract for consulting services for any enterprise application upgrades. There will potentially be increases in service delivery times until staff is sufficiently trained in their new roles and become accustomed to the increased workload.

- Factoring-in the cuts in the department's technology fund increases the total cut for the Administrative Services Department to over 12 percent.

Community Services: (\$0.9 million reduction; 5 percent)

- Freeze Arts & Culture Division Manager position. (Prioritization Criteria #2)
- Elimination of Parks Superintendent position effective January 1, 2006: will defer park planning, reduce contract oversight and increase workload and span of control for two park supervisors and division manager. (Prioritization Criteria #1)
- Eliminate Golf Maintenance Person position: will result in lower maintenance standard. Less coverage for mowing, edging, trimming and clean up during staff injury. (Prioritization Criteria #2)
- Eliminate Recreation Supervisor position: will eliminate existing youth program; some program elements could be transferred to local nonprofit agencies. (Prioritization Criteria #2)
- Eliminate Office Specialist: will eliminate staff responsible for program registration in one location. Centralized location for north and south of Palo Alto will be a possible scenario.
- Reduce temporary salaries by \$0.3 million department-wide: will decrease number of programs offered to the community
- Eliminate facility and security maintenance contract at Parks and Golf: maintenance will have to be done in-house (Prioritization Criteria #2)



General Fund *continued*

- Reduce landscape pesticide contract at Parks and Golf: might increase gopher and squirrel population; might decrease playable area.
- Reduce planting materials at Parks and Golf: will reduce sand, seed and fertilizer resulting in deterioration of turf; will reduce tree planting and sod repair.
- Reduce softball and running track maintenance to every two years (Prioritization Criteria #3)

Human Resources Department: (\$0.2 million reduction, 6 percent)

- Reduction in the special event program: possibly fewer employee recognition events. (Prioritization Criteria #4)
- Reduction in program and project consultants and contract services: may reduce the additional level of service provided to other departments.
- Reduction in advertising: may have the effect of drawing fewer highly qualified candidates.

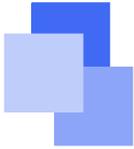
Planning and Community Environment (\$0.6 million reduction, 7 percent)

- Elimination of three hourly building inspectors and one hourly inspection scheduler: the Building Division will be unable to provide timely inspections to all customers during high-volume times of the year. In addition, the loss of administrative support will mean the Development Center will be closed during the noon hour, when customer volume is lowest, and permits will no longer be issued by fax. (Prioritization Criteria #2)
- Elimination of the Neighborhood Traffic Calming Program: rather than spot treatment of traffic calming, Transportation staff would focus on improvement of school commute corridors such as Charleston/Arastradero. (Prioritization Criteria #2)
- Elimination of 0.5 FTE Transportation Management Coordinator dedicated to the administration of the Neighborhood Traffic Calming Program. (Prioritization Criteria #2)
- Elimination of 1.0 FTE Plan Check Engineer: it will take longer for customers to obtain a building permit. (Prioritization Criteria #2)

Public Works Department (\$0.7 million reduction, 6 percent)

Engineering

- Elimination of 2 temporary engineering positions may result in deferral or delay of some future IMP projects.



General Fund *continued*

Facilities Management

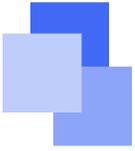
- Elimination of 1.0 FTE Building Serviceperson for custodial services: will reduce the frequency of cleaning at the Civic Center. (Prioritization Criteria #1)

Operations

- Transfer of sidewalks operations to sidewalks CIP: will extend the backlog of sidewalks projects, however the sidewalks CIP funding will remain at \$2 million. (Prioritization Criteria #1)
- Elimination of 0.5 FTE Program Assistant position for the graffiti program: will result in a longer response time for various graffiti removal requests. (Prioritization Criteria #1)
- Elimination of 1.0 FTE Supervisor- Public Works: will result in a restructuring and redistribution of workload among existing management staff. (Prioritization Criteria #1)

Fire Department (\$0.4 million reduction, 2 percent)

- Elimination of Environmental Coordinator (1.0 FTE): reduces the staffing level in the Fire Prevention Bureau to six personnel. This may increase the period between inspections for some hazardous materials facilities and will impact oversight and management of the Fire Prevention Bureau by increasing the work responsibilities of the Fire Marshal. (Prioritization Criteria #2)
- Elimination of Battalion Chief, SLAC (1.0 FTE): eliminates immediate and direct liaison/coordination with Stanford Linear Accelerator Center (SLAC) representatives; attendance and participation in SLAC Safety and other important meetings will be delegated to the Station #7 Captain or on-duty shift Battalion Chief resulting in loss of continuity; reduces staff by 20 percent available to respond to workday and after-hours emergencies; eliminates availability for covering shift Battalion Chief absences during the day which may result in additional overtime costs; coordination for scheduling department public demos and station tours will be impacted; elimination of coordination and participation in recruitment/selection processes for the department
- Freeze Chief Officer position: Emergency Medical Services (1.0 FTE): reduces work day and after-hour staff availability by additional 20 percent for response to emergencies; eliminates availability for covering shift Battalion Chief absences resulting in additional overtime costs; reduces Chief Officer oversight for the Emergency Medical Services Division; increases workload for EMS Coordinator and EMS Office Specialist (Prioritization Criteria #1; Citizen Survey More Important)



General Fund *continued*

Police Department (\$0.4 million reduction, 2 percent)

- Reduction of 0.5 FTE Code Enforcement Officer: delays processing and issuances of applications associated with taxis, massage practitioners, pushcart vendors, and door-to-door vendors; eliminates joint code enforcement efforts with Planning and Public Works Departments (Prioritization Criteria #3)
- Elimination of 1.0 FTE Community Service Officer and 0.75 FTE Code Enforcement Officer: delays response time to minor violations such as lost and found property, parking complaints, noise complaints, and other Municipal code violations;
- Elimination of 1.0 FTE Office Specialist: reduces the amount of direct answering of phones in the Investigation division; increases workload for Property and Evidence Technicians (Prioritization Criteria #1)
- Elimination of 1.0 FTE Staff Secretary: reduces the amount of direct answering for traffic and parking related calls; a majority of the calls will be forwarded to voicemail
- Reduction of 2.0 FTE hourly Clerks: delays data entry and purging of police reports; delays front counter assistance to the public; requires creation of new pay codes and training for Police Officers and Dispatchers
- Removal of funding of one canine in the Patrol division: results in less effective searching of suspects; possible increase in suspect and officer injuries due to violent encounters; reduces participation in public relation events; Patrol division will seek funding from an alternative source (Prioritization Criteria #3)

City Council's Top Five Priorities- Budget Implications

An Overview



Department budget sections include a 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 2005-07 Adopted Budget. Along with these items are estimates of budget dollars dedicated to delivery of the service or the performance of the activity. These estimates are based on the cost of department divisions from which services are delivered in combination with capital project costs where applicable. Divisions may provide multiple services and the costs for individual services may not be delineated, therefore the costs below are estimates.

Affordable Housing
\$1,825,000

Administrative Services Department (Real Estate division) - \$15,000

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

Planning and Community Environment - \$1,665,000

- Complete the Below Market Rate Program Update
- Develop a site plan and prepare the Alma Substation site for an affordable housing project (to be done in conjunction with Utilities and Real Estate)
- Work with Real Estate to identify and acquire an additional site for an affordable housing project



SOFA / Channing St.

Other Department Activities

- City Manager's Office staff time - \$20,000
- City Attorney's Office staff time - \$125,000

Infrastructure
\$47,964,000

Public Works

Buildings and Facilities - \$24,332,000

\$13,007,000 Operating expenses



City Council's Top Five Priorities- Budget Implications

continued

\$11,325,000 CIP expenses

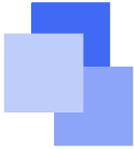
- Americans With Disabilities Act Compliance
- Animal Shelter Expansion & Renovation
- Art Center Electrical & Mechanical Upgrades
- Baylands Interpretive Center Improvements
- Building Systems Improvements
- Cambridge Parking Structure Improvements
- Civic Center Infrastructure Improvements
- Cubberley Community Center Campus Fire Alarm System
- Cubberley Mechanical & Electrical Upgrades
- Cubberley Restroom Upgrades
- Cubberley Wing I Elevator Upgrade
- Fire Station Improvements
- Foothills Park Interpretive Center Improvements
- General Buildings Study
- Facility Interior Finishes Replacement
- College Terrace Library Improvements



Page Mill Rd.



- Mitchell Park Library & Community Center Improvements
- Municipal Service Center Renovation
- Roofing Replacement
- Ventura Buildings Improvements
- San Antonio Bridge Structural Repairs and Maintenance
- Alma Street Landscape Improvements
- Boulware Park Improvements
- Bowden Park Improvements
- California Avenue Fountain Repair
- Cogswell Plaza Improvements
- Cubberley Landscaping
- Cubberley Turf Renovation
- Hoover Park Improvements



City Council's Top Five Priorities- Budget Implications *continued*

- Hopkins Park Improvements
- Johnson Park Improvements
- Mitchell Park Facilities Improvements
- Ramos Park Improvements
- San Antonio Medians

Streets and Sidewalks - \$13,686,000

\$5,353,000 Operating expenses

\$8,333,000 CIP expenses

- Sidewalk Repairs
- Street Maintenance

Community Services Department

Parks and Open Spaces - \$6,817,000

\$634,000 Operating expenses

\$6,183,000 CIP expenses

- Park trails
- Open Spaces, Lakes, and Ponds
- Baylands Park Improvements
- Park Facilities Improvements



Jerry Bowden Park

Traffic and Transportation - \$171,000

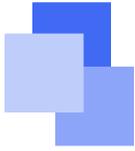
\$15,000 Operating expenses

\$156,000 CIP expenses

Other Department Activities:

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

City Attorney's Office staff time - \$98,000



City Council's Top Five Priorities- Budget Implications

continued

Land-Use Planning \$4,225,000

Planning and Community Environment - \$3,630,000

- Complete Zoning Ordinance Update sections:
 - Single Family (R-1) Residential District
 - Low Density Residential Districts
 - Multi-Family Residential Districts (RM15, -30, and -40)
 - Village Residential Districts (R-1 and RM15 subdistricts)
 - Commercial Districts and Mixed Use (CN, CS, CD)
 - Parking Chapter
 - Pedestrian/Transit Oriented Development
 - Planned Community Special Purpose District
 - Community Services Department
- Support the field-task force in finding additional playing fields for Palo Alto's youth.

Other Department Activities:

City Manager's Office staff time - \$20,000

City Attorney's Office staff time - \$35,000

Public Works Operational expenditures - \$540,000

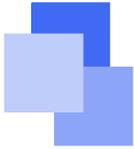
Alternative Transportation and Traffic Calming \$5,858,000

Police Department - \$3,190,000

- Continue to focus on speed reduction, red light violations, and bicycle and pedestrian safety.
- Participate in "You Drink, You Drive, You Lose" and under-age drinking decoy operations with the goal of reducing the number of victims killed and injured in alcohol-related motor vehicle accidents.

Planning and Community Environment - \$2,615,000

- Implement Maybell/Donald Bicycle Boulevard, as described in the Palo Alto Bicycle Transportation Plan
- Implement College Terrace Traffic Calming Plan Trial



City Council's Top Five Priorities- Budget Implications

continued

- Complete Transportation Performance Indicators, as described in the Transportation Strategic Plan
- Implement Park Boulevard Bicycle Boulevard, as described in the Palo Alto Bicycle Transportation Plan
- Implement Charleston-Arastradero Corridor Plan Trial

Other Department Activities:

City Manager's Office staff time - \$20,000

City Attorney's Office staff time - \$33,000

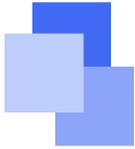


Traffic Calming

City Finances
\$234,000

Administrative Services Department - \$65,000

- Complete analysis of proposed revenue enhancements (Administrative Services)
- Update and presentation of Long Range Financial Plan (Administrative Services)
- Oversee reduction in staffing and related services in General Fund to address long-range financial restructuring. Work with council and community on revenue retention/generation options. (City Manager)
- Provide extensive support to Human Resources Department for issues relating to reduction in staff. (City Attorney)
- Continue to ensure the accuracy of financial information through the annual external financial audit (City Auditor)
- Continue to provide independent, impartial assessment of City government performance through the Service Efforts and Accomplishments report (City Auditor)



City Council's Top Five Priorities- Budget Implications

continued

- Conduct on-going audits of sales, property, documentary transfer, and utility user's taxes (City Auditor)
- Conduct performance audits (City Auditor)

Community Services Department - \$55,000

- Propose to increase municipal fees for various programs and classes. Propose increase will generate approximately \$0.6 million annually.

Police Department - \$50,000

- Enhance regionalized communication with other public safety agencies through the training and implementation of the new countywide inter operability system
- Pursue alternative funding sources to maintain authorized number of canines in Patrol division
- Raise funds for innovative programs, equipment, and facilities through the newly established non-profit Palo Alto Police Foundation

Other Department Activities:

- City Attorney's Office staff time: \$64,000

Overall, the annual estimated 2005-07 Adopted Budget impact related to Council top priorities is:

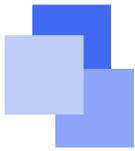
Affordable Housing	\$1.8 million
Infrastructure	\$48.0 million
Land-Use Planning	\$4.2 million
Alternative Transportation	\$5.9million
City Finances	\$0.2 million
TOTAL:	\$60.1 million

Summary

The 2005-07 Adopted Budget has directed \$60.1 million annually towards the Council Top 5 Priorities, which is above the \$34.0 million identified in 2003-05. Additional annual spending includes: \$0.3 million increase on Affordable Housing; \$26.1 million increase on Infrastructure projects; \$0.3 million decrease on Land-Use Planning; \$0.5 million increase in Alternative Transportation; and \$0.5 million decrease on City Finances in the Administrative Services Department.

GENERAL FUND SUMMARY

(\$000)	2003-04 Actual	2004-05 Adopted Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
REVENUES							
Sales Tax	18,151	18,335	18,100	19,036	936	19,751	715
Property Tax	13,740	13,600	16,093	16,986	893	19,613	2,627
Transient Occupancy Tax	5,489	5,800	6,000	6,173	173	6,401	228
Utility Users Tax	7,156	7,392	7,392	8,341	949	9,016	675
Other Taxes and Fines	11,295	9,526	6,382	6,845	464	7,308	463
Charges for Services	15,985	18,296	18,079	18,760	681	19,022	262
Permits and Licenses	2,940	4,397	4,127	4,084	(42)	4,136	51
Return on Investment	(123)	2,360	2,300	2,215	(85)	2,215	0
Rental Income	11,545	11,776	11,845	12,332	487	12,332	0
From other agencies	430	61	317	204	(112)	81	(123)
Charges to Other Funds	8,957	9,309	9,309	8,924	(385)	8,979	55
Other Revenue	1,497	1,322	1,317	1,721	404	1,272	(449)
Total Revenues	\$97,062	\$102,173	\$101,260	\$105,621	\$4,362	\$110,125	\$4,504
Operating Transfers-In	17,888	14,619	14,632	15,108	476	15,584	477
TOTAL SOURCE OF FUNDS	\$114,950	\$116,792	\$115,891	\$120,729	\$4,838	\$125,709	\$4,980



General Fund Summary *continued*

(\$000)	2003-04 Actual	2004-05 Adopted Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
EXPENSES							
City Attorney	2,376	2,545	2,850	2,743	(107)	2,805	62
City Auditor	699	803	833	839	5	872	33
City Clerk	895	782	802	923	121	854	(69)
City Council	269	148	158	164	6	164	0
City Manager	1,731	1,799	1,958	1,751	(208)	1,769	18
Administrative Services	6,667	6,736	6,754	6,344	(409)	6,850	505
Community Services	19,677	19,618	19,661	19,635	(27)	19,571	(63)
Fire	18,798	18,837	19,098	20,160	1,062	20,726	565
Human Resources	2,303	2,409	2,461	2,355	(106)	2,465	110
Library	4,794	5,251	5,182	5,633	451	5,802	168
Planning and Community	8,516	8,839	8,944	8,766	(178)	9,001	236
Police	21,966	22,422	22,460	24,314	1,854	25,360	1,045
Public Works	10,574	11,262	11,358	11,451	92	11,839	389
Non-Departmental	5,957	8,063	6,520	9,043	2,522	10,232	1,190
Total Expenses	\$105,221	\$109,513	\$109,040	\$114,120	\$5,080	\$118,310	\$4,190
Operating Transfers Out	9,187	6,502	6,928	6,572	(356)	6,765	192
TOTAL USE OF FUNDS	\$114,408	\$116,015	\$115,968	\$120,692	\$4,724	\$125,074	\$4,382
Net Surplus (Deficit)	\$542	\$777	\$(77)	\$37	\$114	\$635	\$598

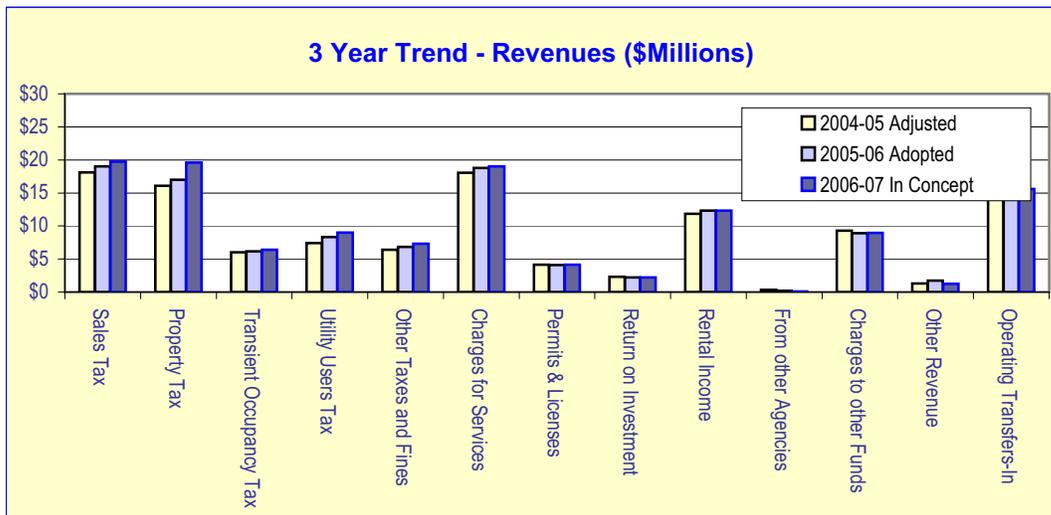
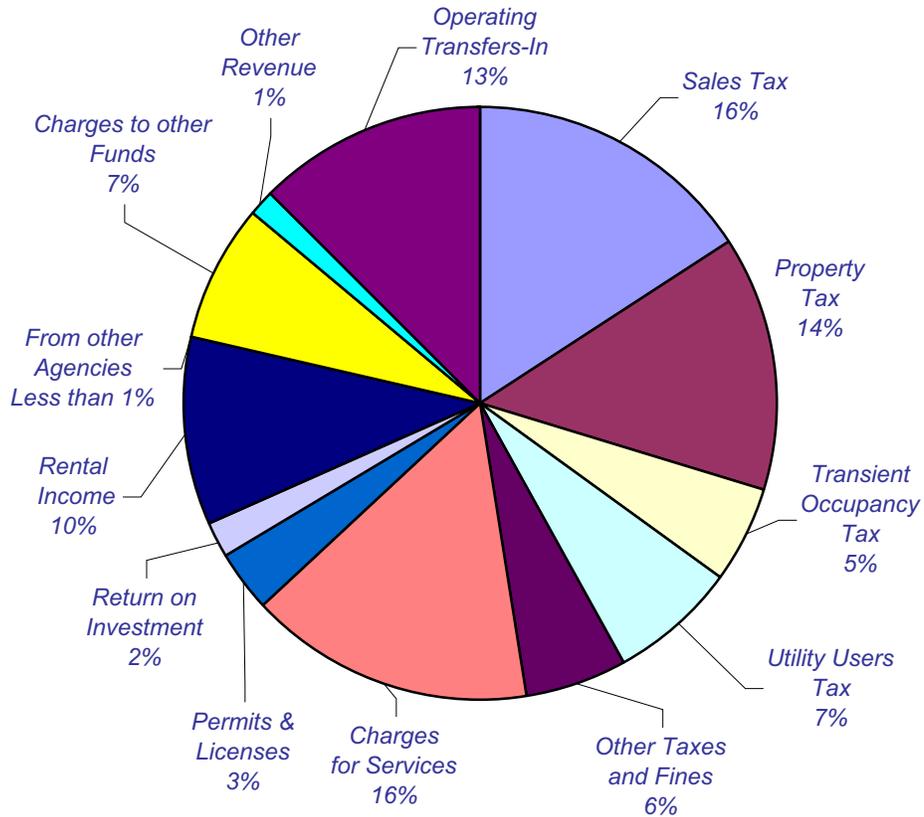
EXPENDITURES BY CATEGORY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE
Salaries and Benefits	72,316,341	77,106,289	81,572,572	4,466,283	82,693,638	1,121,066
Contract Services	9,110,355	10,149,367	9,340,938	(808,429)	9,360,438	19,500
Supplies and Materials	2,968,144	3,231,714	3,130,478	(101,236)	3,133,978	3,500
General Expense	8,487,430	8,826,086	8,971,745	145,659	9,035,245	63,500
Rents and Leases	712,672	589,234	597,189	7,955	597,189	0
Facilities and Equipment Purchases	360,607	568,368	500,304	(68,064)	484,504	(15,800)
Allocated Charges	11,265,790	8,569,093	10,006,793	1,437,700	13,004,688	2,997,895
Operating Transfers Out	9,187,075	6,928,200	6,572,356	(355,844)	6,764,573	192,217
TOTAL EXPENDITURES	\$114,408,414	\$115,968,351	\$120,692,375	\$4,724,024	\$125,074,253	\$4,381,878

GENERAL FUND RESERVES

(\$000)	2003-04 Actual	2004-05 Adopted Changes	2004-05 BAO's	Projected 06/30/05	2005-06 Projected Changes	Projected 06/30/06	2006-07 Projected Changes	Projected 06/30/07
RESERVES								
<i>Budget Stabilization Reserve (BSR) Activity:</i>								
BSR	21,467	777	(854)	21,390	37	21,427	635	22,062
BSR Transfer to Infrastructure Reserve in Capital Fund due to 18.5% cap								
<i>Infrastructure Reserve (IR) Activity: *</i>								
Infrastructure	35,881	(32,635)	(3,246)	0	0	0	0	0
Transfer from BSR due to cap								
<i>Other Reserve Activity:</i>								
Encumbrance & Reappropriation	3,374			3,374		3,374		3,374
Equity Transfer Stabilization	2,338			2,338		2,338		2,338
Inventory of Materials & Supplies	2,506			2,506		2,506		2,506
Notes Receivable	1,256			1,256		1,256		1,256
TOTAL RESERVES	\$66,822	\$(31,858)	\$(4,100)	\$30,864	\$37	\$30,901	\$635	\$31,536
* IR was transferred to the Capital Fund in 2004-05.								

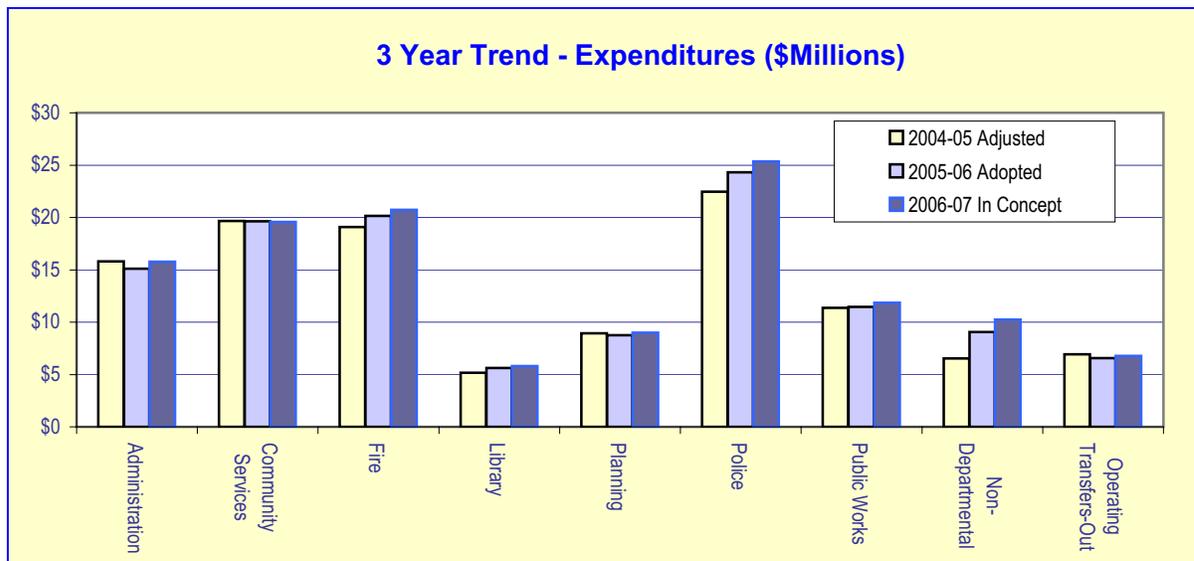
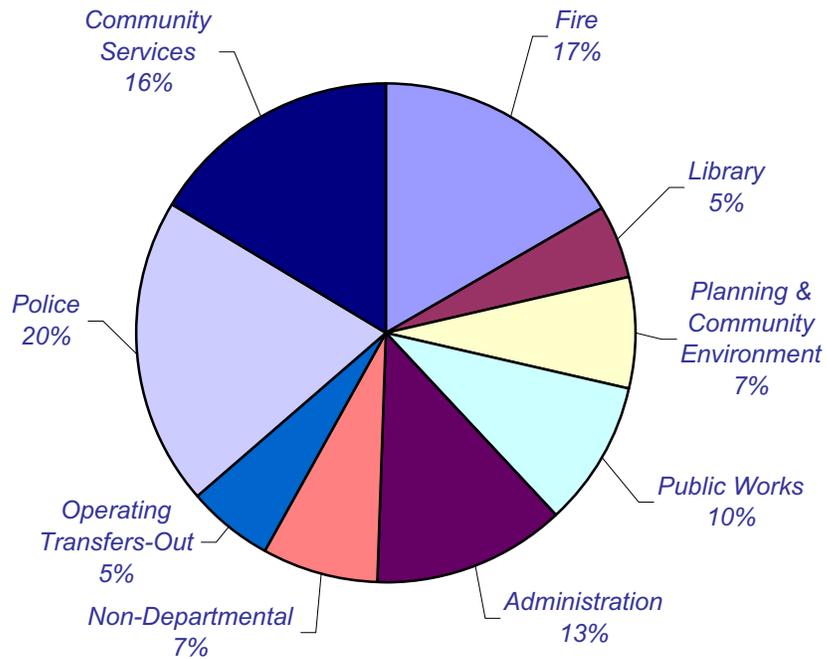
GENERAL FUND REVENUES BY TYPE

\$120.7 Million / Adopted 2005-06



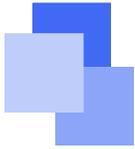
GENERAL FUND EXPENDITURES BY TYPE

\$120.7 Million / Adopted 2005-06



2005-06 PROJECTED OPERATING FUND BALANCES

(\$000)	Projected Ending Balance 06/30/05	Estimated Revenues	Net Fund Transfers	Estimated Expenditures	Projected Ending Balance 06/30/06
GENERAL FUND	\$30,864	\$105,621	\$8,536	\$114,120	\$30,901
CAPITAL FUND	\$30,088	\$2,530	\$7,152	\$15,715	\$24,055
DEBT SERVICE					
Golf Course Debt	696	40	516	556	696
Civic Center Debt	287	2	420	422	287
Parking 2002 COPS (Taxable) Debt	326	2	232	234	326
Special Assessment Debt	692	121	0	121	692
Subtotal	\$2,001	\$164	\$1,168	\$1,332	\$2,001
ENTERPRISE					
Electric Fund	128,157	97,902	(8,975)	106,250	110,834
Gas Fund	8,683	37,111	(3,116)	32,867	9,811
Wastewater Collection Fund	5,847	14,893	(53)	14,248	6,439
Water Fund	7,867	24,515	(3,333)	18,559	10,490
Refuse Fund	9,650	26,691	(215)	26,631	9,495
Storm Drain Fund	373	5,496	(5)	5,517	347
Wastewater Treatment Fund	6,462	26,228	(23)	25,225	7,442
External Services Fund	27	1,181	(25)	1,134	49
Subtotal	\$167,066	\$234,017	\$(15,746)	\$230,432	\$154,905
INTERNAL SERVICE					
General Benefits and Insurance Fund	3,802	*	0	*	3,802
Retiree Health Benefit Fund	18,178	*	0	*	18,178
Printing and Mailing Fund	721	*	(47)	*	674
Technology Fund	7,330	*	(1,980)	*	5,350
Vehicle Replacement and Maintenance Fund	1,987	*	(8)	*	1,979
Subtotal	\$32,018	\$0	\$(2,035)	\$0	\$29,983
SPECIAL REVENUE					



2005-06 Projected Operating Fund Balances

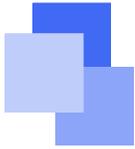
continued

(\$000)	Projected Ending Balance 06/30/05	Estimated Revenues	Net Fund Transfers	Estimated Expenditures	Projected Ending Balance 06/30/06
Community Development Fund	1,668	586	(312)	0	1,942
Street Improvement Fund	1,897	1,126	(1,462)	0	1,561
Federal and State Revenue Funds	2,564	836	(35)	916	2,449
Housing In-Lieu and Public Benefit Fund	11,194	937	0	569	11,562
Special Districts Fund	1,415	1,072	(1,400)	0	1,086
Traffic Mitigation & Parking In-Lieu Fund	4,151	583	0	0	4,733
Downtown Business Improvement District	0	158	0	154	4
Subtotal	\$22,888	\$5,297	\$(3,210)	\$1,640	\$23,336
TOTAL OPERATING FUNDS	\$284,925	\$347,630	\$(4,135)	\$363,239	\$265,181

* allocation to/from other funds

2006-07 PROJECTED OPERATING FUND BALANCES

(\$000)	Projected Ending Balance 06/30/06	Estimated Revenues	Net Fund Transfers	Estimated Expenditures	Projected Ending Balance 06/30/07
GENERAL FUND	\$30,901	\$110,125	\$8,819	\$118,310	\$31,536
CAPITAL FUND	\$24,055	\$2,239	\$7,179	\$16,676	\$16,797
DEBT SERVICE					
Golf Course Debt	696	40	518	558	696
Civic Center Debt	287	2	420	422	287
Parking 2002 COPS (Taxable) Debt	326	2	233	235	326
Special Assessment Debt	692	123	0	123	692
Subtotal	\$2,001	\$167	\$1,172	\$1,338	\$2,001
ENTERPRISE					
Electric Fund	110,833	111,806	(9,209)	106,674	106,757
Gas Fund	9,811	41,714	(3,113)	35,547	12,866
Wastewater Collection Fund	6,439	15,622	(50)	14,571	7,439
Water Fund	10,490	24,524	(2,625)	19,640	12,749
Refuse Fund	9,495	26,691	(249)	26,367	9,570
Storm Drain Fund	347	6,156	(11)	6,141	351
Wastewater Treatment Fund	7,442	22,521	(22)	21,605	8,336
External Services Fund	49	1,181	(25)	1,139	66
Subtotal	\$154,905	\$250,216	\$(15,304)	\$231,683	\$158,134
INTERNAL SERVICE					
General Benefits and Insurance Fund	3,802	*	0	*	3,802
Retiree Health Benefit Fund	18,178	*	0	*	18,178
Printing and Mailing Fund	674	*	(10)	*	664
Technology Fund	5,350	*	(495)	*	4,855
Vehicle Replacement and Maintenance Fund	1,979	*	(43)	*	1,936
Subtotal	\$29,983	\$0	\$(548)	\$0	\$29,435
SPECIAL REVENUE					



2006-07 Projected Operating Fund Balances

continued

(\$000)	Projected Ending Balance 06/30/06	Estimated Revenues	Net Fund Transfers	Estimated Expenditures	Projected Ending Balance 06/30/07
Community Development Fund	1,942	586	(100)	0	2,427
Street Improvement Fund	1,561	1,126	(1,462)	0	1,225
Federal and State Revenue Funds	2,449	878	(35)	877	2,416
Housing In-Lieu and Public Benefit Fund	11,562	747	0	519	11,789
Special Districts Fund	1,086	1,072	(1,563)	0	594
Traffic Mitigation & Parking In-Lieu Fund	4,733	583	0	0	5,316
Downtown Business Improvement District	4	158	0	154	8
Subtotal	\$23,336	\$5,149	\$(3,161)	\$1,550	\$23,775
TOTAL OPERATING FUNDS	\$265,181	\$367,895	\$(1,843)	\$369,557	\$261,676

* allocation to/from other funds

TOTAL CITYWIDE REVENUES BY CATEGORY

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE
Net Sales	172,549,640	177,093,501	194,723,832	17,630,331	213,103,942	18,380,110
Sales Taxes	18,150,659	18,100,000	19,036,000	936,000	19,751,000	715,000
Property Taxes	13,935,778	16,369,828	17,260,539	890,711	19,889,664	2,629,125
Transient Occupancy Tax	5,488,911	6,000,000	6,173,000	173,000	6,401,000	228,000
Utility Users Tax	7,155,698	7,392,000	8,341,000	949,000	9,016,000	675,000
Other Taxes and Fines	11,334,547	6,391,500	6,855,000	463,500	7,318,000	463,000
Charges for Services	16,347,135	19,319,237	19,982,256	663,019	21,494,179	1,511,923
Permits and Licenses	3,699,195	4,969,807	5,094,809	125,002	5,145,991	51,182
Return on Investments	244,749	13,320,300	12,586,700	(733,600)	12,586,700	0
Rental Income	11,553,730	11,853,169	12,340,440	487,271	12,340,440	0
From Other Agencies	4,421,692	2,575,188	2,914,019	338,831	2,244,903	(669,116)
Charges to Other Funds	19,922,462	21,529,272	22,111,894	582,622	22,967,934	856,040
Other Revenue	15,325,000	16,195,405	20,211,008	4,015,603	15,635,619	(4,575,389)
Total Revenues	\$300,129,196	\$321,109,207	\$347,630,497	\$26,521,290	\$367,895,372	\$20,264,875

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

TOTAL CITYWIDE EXPENDITURES BY CATEGORY

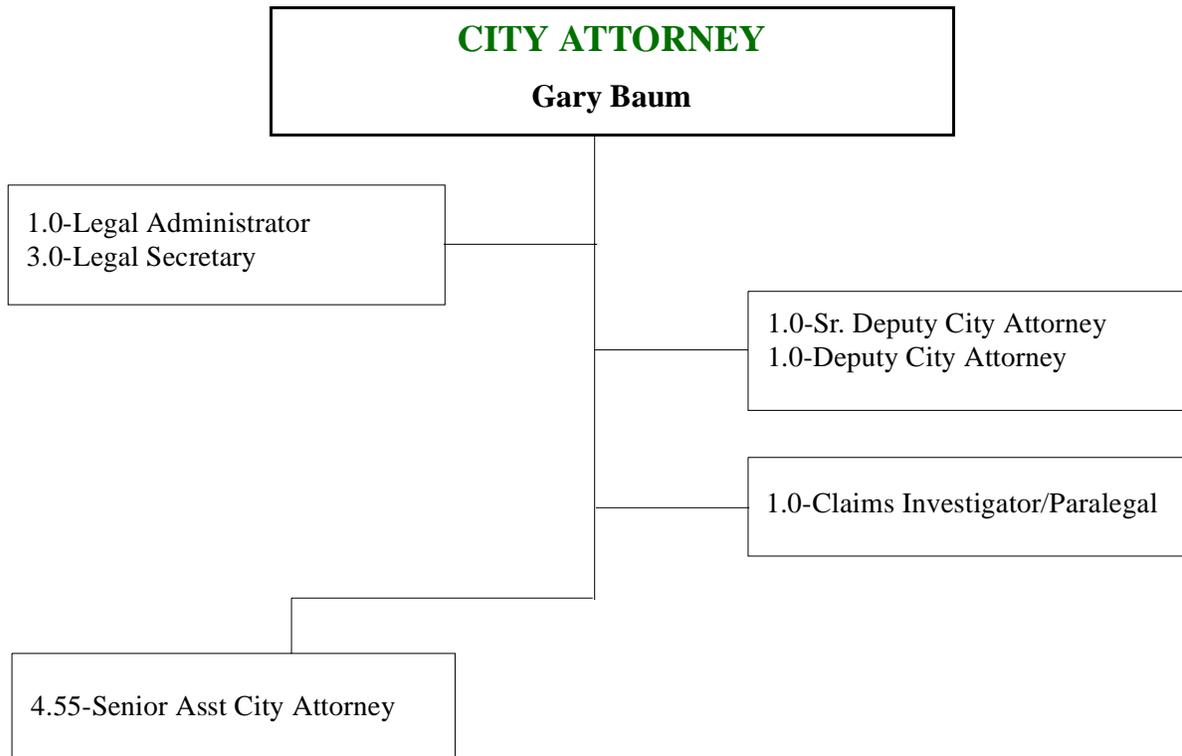
	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE
Utility Purchases and Charges	78,431,918	85,781,295	105,246,568	19,465,273	101,951,820	(3,294,748)
Salaries and Benefits	99,001,254	108,350,529	114,565,179	6,214,650	115,969,365	1,404,186
Contract Services	17,631,543	43,021,820	20,005,307	(23,016,513)	19,686,329	(318,978)
Supplies and Materials	5,746,291	7,898,030	5,879,534	(2,018,496)	5,883,534	4,000
Facilities and Equipment Purchases	936,446	1,159,519	1,045,755	(113,764)	979,955	(65,800)
General Expense	13,215,738	14,215,893	14,574,333	358,440	14,924,517	350,184
Rents and Leases	10,004,585	10,068,015	10,357,347	289,332	10,335,107	(22,240)
Allocated Charges	31,212,169	30,991,938	31,160,045	168,107	33,903,346	2,743,301
Debt Service	8,857,951	11,754,659	14,046,405	2,291,746	14,141,662	95,257
Capital Improvement Program	42,253,377	43,950,522	46,358,198	2,407,676	51,781,536	5,423,338
Transfers Out	3,464,109	2,721,309	4,135,401	1,414,092	1,843,363	(2,292,038)
To/(From) Reserves	(10,626,185)	(38,804,322)	(19,743,575)	19,060,747	(3,505,162)	16,238,413
Total Expenditures	\$300,129,196	\$321,109,207	\$347,630,497	\$26,521,290	\$367,895,372	\$20,264,875

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



City Attorney's Office

City Attorney's Office Organizational Chart



**Fiscal Year 2005-06 Position Totals: 12.55 Full-time
0.51 Hourly**



City Attorney

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

OVERVIEW

In 2005-07, the City Attorney's Office will continue to focus on enhancing City Attorney's Office productivity by completing more assignments while reducing turnaround time. The focus of the department will be on customer service. The department will enhance our conflicts analysis team and will continue to monitor outside counsel costs in an effort to reduce costs for utilities-related legal work. The Office of the City Attorney will also concentrate its efforts on the Utility User's Tax recovery process and lawsuit to maximize City recovery. Also the department will work to enhance the level of services to the Police Department by direct City Attorney involvement.

Contract streamlining will be a key focus of the department in 2005-06. The department, working in conjunction with the Administrative Services Department and the Department of Public Works, will continue to train staff on the newly revised purchasing ordinance and will complete revision and standardization of contract forms and bidding documents in an effort to expedite the contracting process.

In 2005-06, the Office of the City Attorney will complete analysis of its role in the Code Enforcement process to determine the best approach for legal support to this area.

COUNCIL PRIORITY IMPLEMENTATION

In 2005-07, the City Attorney's Office will continue to support implementation of the following City Council's top five priorities:

Infrastructure

- Continue implementation of contract streamlining process by revising contract forms and focusing on staff training on new processes
- Continuing review of all public works contracts
- Assist with contract negotiations when necessary

City Finances

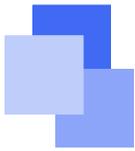
- Provide extensive support to Human Resources Department for issues relating to reduction in staff

Land Use Planning

- Continue to provide extensive legal support to Planning and Community Environment, Planning and Transportation Commission and the City Council on land use and planning issues

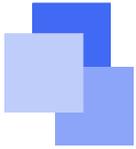
Housing

- Providing in-house legal support as well as economic outside legal counsel for housing projects

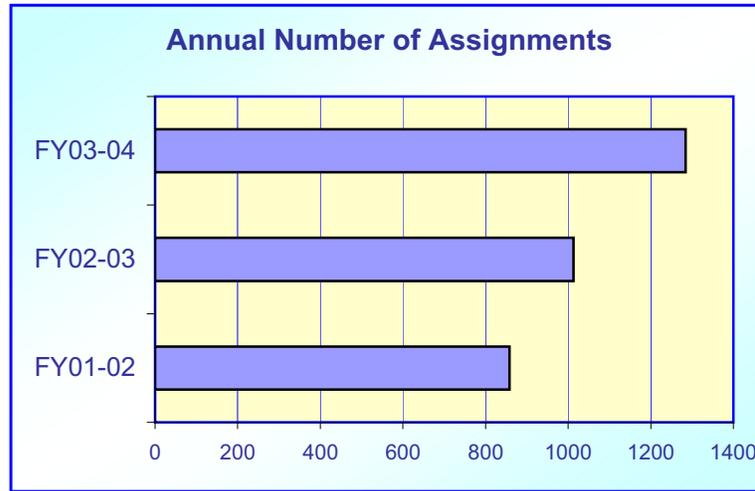


City Attorney *continued*

DEPARTMENT SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Administration	292,561	228,412	159,945	(68,467)	(30%)	218,523	58,578	37%
Consultation and Advisory	1,554,357	1,938,362	1,867,729	(70,633)	(4%)	1,870,106	2,377	0%
Litigation and Dispute Resolution	266,484	360,355	382,324	21,969	6%	382,868	544	0%
Official and Administration Duties	262,765	322,690	332,880	10,190	3%	333,418	538	0%
TOTAL EXPENDITURES	\$2,376,167	\$2,849,819	\$2,742,878	\$(106,941)	(4%)	\$2,804,915	\$62,037	2%
TOTAL REVENUES	\$892,475	\$956,364	\$1,154,891	\$198,527	21%	\$1,154,891	\$0	0%
INTERNAL REVENUES	850,166	852,364	1,104,891	252,527	30%	1,104,891	0	0%
EXTERNAL REVENUES	42,309	104,000	50,000	(54,000)	(52%)	50,000	0	0%



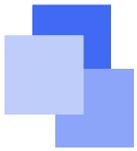
City Attorney *continued*



INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,688,298	1,982,702	2,106,860	2,110,405
Contract Services	552,266	730,680	514,030	514,030
Supplies and Materials	34,879	46,000	38,000	38,000
Facilities and Equipment Purchases	0	7,850	2,000	2,000
General Expense	14,526	26,980	26,980	26,980
Rents and Leases	1,440	6,000	3,500	3,500
Allocated Charges	84,758	49,607	51,508	110,000
Total Expenditures	\$2,376,167	\$2,849,819	\$2,742,878	\$2,804,915
Total Revenues	\$892,475	\$956,364	\$1,154,891	\$1,154,891
Total Full Time Positions	11.75	12.75	12.55	12.55
Total Temporary Positions	1.32	1.32	0.51	0.51

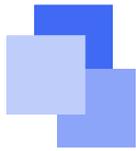
BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of work requests processed (New)	1,284	1,348	1,412
2. Number of claims opened and handled (SEA)	155	159	159
3. Number of code enforcement matters referred to City Attorney (New)	20	18	18



City Attorney *continued*

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Efficiency:			
1. Ratio of work requests per attorney (New)	190	200	210
2. Percent of claims investigations commenced within 7 days of receipt of claim by department (New)		75%	85%
3. Percent of requests for code enforcement legal support responded to within 10 working days (New)	85%	90%	90%
Effectiveness:			
1. Percent of work requests completed within established time frames - time frame varies based on type of work request (New)	96%	96%	97%
2. Percent of claims resolved within 9 months (New)		75%	85%
3. Number of code enforcement matters closed within 6 months of referral (New)	11	15	16



City Attorney *continued*

RESOURCE LEVEL CHANGES

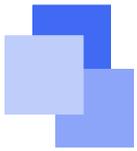
	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES						
Allocated Revenues-Internal	252,527		252,527			
Certificate of Compliance Muni Fee	24,000		24,000			
Code Enforcement Revenue	(104,000)		(104,000)			
Legal Fees -- Complex Projects	26,000		26,000			
TOTAL REVENUE CHANGES	\$198,527	\$0	\$198,527	\$0	\$0	\$0
EXPENDITURE CHANGES						
Salary and Benefits						
Reduce Hourly Staff (0.51 FTE)	(1,096)		(1,096)			
Eliminate Sr. Asst. City Attorney (0.20 FTE)	(38,427)		(38,427)			
Reclass Sr. Asst. City Attorney to Sr. Deputy (1.0 FTE)	(50,203)		(50,203)			
Total Salary and Benefits Increase	\$(89,726)	\$0	\$(89,726)	\$0	\$0	\$0
Personnel Benefit Costs (Note 2)	147,568		147,568	3,545		3,545
Adjustments (Note 1)		(37,000)	(37,000)			
Total Net Salary and Benefits Changes	\$161,158	\$(37,000)	\$124,158	\$3,545	\$0	\$3,545
Non-Salary						
Legal Contract Assistance	(15,000)	270,000	255,000		270,000	270,000
Reduce Contract Agency Personnel	(12,000)		(12,000)			
Allocated Charges (Note 3)	1,901		1,901	58,492		58,492
Total Non-Salary Changes	\$(25,099)	\$270,000	\$244,901	\$58,492	\$270,000	\$328,492
TOTAL EXPENDITURE CHANGES	\$136,059	\$233,000	\$369,059	\$62,037	\$270,000	\$332,037
Adjustments (Note 1)		(476,000)	(476,000)		(270,000)	(270,000)
NET EXPENDITURE CHANGES	\$136,059	\$(243,000)	\$(106,941)	\$62,037	\$0	\$62,037

RESOURCE LEVEL NOTES

Note 1: Adjustments include prior one-time revenues and expenditure items that did not carry forward into the Adopted Budget. Other changes are the result of one-time items that were included in the 2004-05 mid-year adjustment.

Note 2: Personnel benefits costs have escalated mainly due to health care increases and increased pension costs.

Note 3: Allocated charges are increasing primarily due to a resumption of Technology Fund operational charge-backs.



City Attorney *continued*

SERVICE LEVEL CHANGES

Service Level Increases:

A 1.0 FTE Sr. Deputy City Attorney position was added in December 2004 to provide additional legal support to the Utilities Department. The position is fully funded by the enterprise funds and is expected to reduce outside counsel expenses for utilities matters.

Budget Reductions:

Reclass of a vacant Sr. Assistant City Attorney position to a Sr. Deputy City Attorney. The purpose of the reclass is to provide growth opportunity within the department while at the same time creating a budget savings.

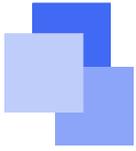
Reduction of a 1.0 FTE Senior Assistant City Attorney position to a 0.8 FTE. The impact of this reduction is unknown at this time but it is anticipated that turn around times on work requests may be adversely affected.

Reduction in Outside Counsel base budget by \$15,000. The impact of this reduction may mean that turn around times on work requests may be adversely affected and specialized outside counsel may be unavailable for staff or council requests.

Elimination of Contract Agency funding within department budget. The impact of elimination of this funding is that department will be unable to obtain temporary clerical support to cover vacations or other leave and may result in slower turnaround time on work requests. The workload for existing support staff may increase slightly.

COMPREHENSIVE PLAN OVERVIEW

The 2005-07 City Attorney's Office Adopted Budget does not request specific resources devoted to implementation of the Comprehensive Plan. Implementation of the Zoning Ordinance Update will be a major activity funded through the Department of Planning and Community Environment.

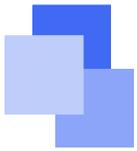


City Attorney *continued*

CONSULTATION AND ADVISORY

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	982,111	1,241,188	1,395,701	1,398,024
Contract Services	537,036	640,978	424,628	424,628
Supplies and Materials	29,003	39,500	34,600	34,600
General Expense	4,087	7,500	7,500	7,500
Rents and Leases	1,067	6,000	3,500	3,500
Allocated Charges	1,053	3,196	1,800	1,854
Total Expenditures	\$1,554,357	\$1,938,362	\$1,867,729	\$1,870,106
Total Revenues	\$0	\$0	\$0	\$0
Total Full Time Positions	6.40	8.26	7.99	7.99
Total Temporary Positions	1.18	1.18	0.51	0.51

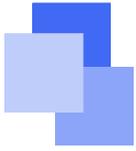


City Attorney *continued*

LITIGATION AND DISPUTE RESOLUTION

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	261,473	285,958	310,222	310,754
Contract Services	442	67,622	67,622	67,622
Supplies and Materials	4,289	4,900	3,400	3,400
General Expense	280	680	680	680
Allocated Charges	0	1,195	400	412
Total Expenditures	\$266,484	\$360,355	\$382,324	\$382,868
Total Revenues	\$0	\$0	\$0	\$0
Total Full Time Positions	2.26	2.14	2.18	2.18
Total Temporary Positions	0.14	0.14	0.00	0.00

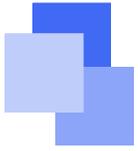


City Attorney *continued*

OFFICIAL AND ADMINISTRATION DUTIES

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	246,512	287,628	299,650	300,165
Contract Services	6,978	19,480	19,180	19,180
Supplies and Materials	1,587	1,600	0	0
General Expense	7,688	13,300	13,300	13,300
Allocated Charges	0	682	750	773
Total Expenditures	\$262,765	\$322,690	\$332,880	\$333,418
Total Revenues	\$42,309	\$104,000	\$50,000	\$50,000
Total Full Time Positions	1.67	1.60	1.80	1.80
Total Temporary Positions	0.00	0.00	0.00	0.00



City Attorney *continued*



City Auditor's Office



City Auditor

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

OVERVIEW

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

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

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

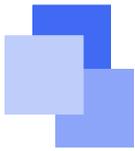
COUNCIL PRIORITY IMPLEMENTATION

In 2005-07, the City Auditor's Office will continue to support implementation of the following City Council's top five priorities:

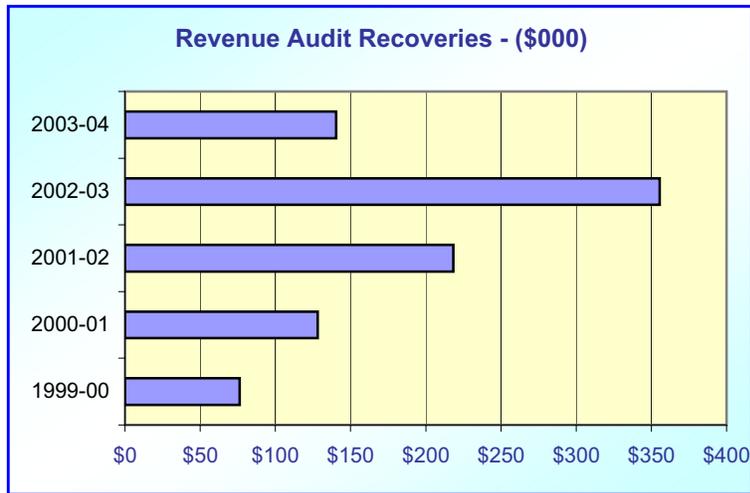
City Finances

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

DEPARTMENT SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Administration	55,776	113,200	0	(113,200)	(100%)	0	0	0%
Audit Services	651,251	720,158	838,646	118,488	16%	871,900	33,254	4%
TOTAL EXPENDITURES	\$707,027	\$833,358	\$838,646	\$5,288	1%	\$871,900	\$33,254	4%
TOTAL REVENUES	\$239,106	\$385,181	\$859,461	\$474,280	123%	\$859,461	\$0	0%
INTERNAL REVENUES	158,294	150,181	624,461	474,280	316%	624,461	0	0%
EXTERNAL REVENUES	80,812	235,000	235,000	0	0%	235,000	0	0%



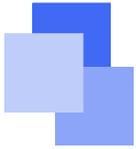
City Auditor *continued*



INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	467,521	557,894	575,977	576,950
Contract Services	194,893	251,232	234,832	234,832
Supplies and Materials	2,924	5,100	4,000	4,000
General Expense	795	2,000	1,500	1,500
Rents and Leases	515	0	0	0
Allocated Charges	31,879	17,132	22,337	54,618
Total Expenditures	\$698,527	\$833,358	\$838,646	\$871,900
Total Revenues	\$239,106	\$385,181	\$859,461	\$859,461
Total Full Time Positions	3.75	4.00	4.00	4.00
Total Temporary Positions	0.00	0.36	0.12	0.12

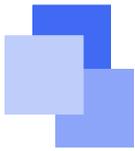
BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of audit reports (New)	9	10	10
2. Number of audit recommendations (SEA)	84	40	40
3. Revenue audit recoveries (SEA)	\$140,461	\$235,000	\$235,000
Effectiveness:			
1. Percent of revenue audit cost recovered (New)	200%	200%	200%



City Auditor *continued*

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
2. Percent of open audit recommendations implemented (New)	37%	40%	40%
Efficiency:			
1. Percent of workplan completed (New)	60%	70%	70%
2. Ratio of audit reports per auditor (New)	3.0	3.3	3.3



RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES						
Allocated Revenues-Internal	474,280		474,280			
TOTAL REVENUE CHANGES	\$474,280	\$0	\$474,280	\$0	\$0	\$0
EXPENDITURE CHANGES						
Salary and Benefits						
Reduce Hourly Staff (0.24 FTE)	(10,000)		(10,000)			
Total Salary and Benefits Changes	\$(10,000)	\$0	\$(10,000)	\$0	\$0	\$0
Personnel Benefit Costs (Note 2)	31,504		31,504	973		973
Adjustments (Note 1)	(3,422)		(3,422)			
Total Net Salary and Benefits Changes	\$18,082	\$0	\$18,082	\$973	\$0	\$973
Non-Salary						
Reduce Equipment Maintenance and Repair	(400)		(400)			
Reduce Non Capital-Office Mach. and Furniture	(1,000)		(1,000)			
Reduce Books-Films-Publications	(600)		(600)			
Reduce Computer Software	(500)		(500)			
Reduce Audit and Financial	(15,000)		(15,000)			
Reduce Travel and Meetings	(500)		(500)			
Allocated Charges (Note 3)	5,206		5,206	32,281		32,281
Total Non-Salary	\$(12,794)	\$0	\$(12,794)	\$32,281	\$0	\$32,281
TOTAL EXPENDITURE CHANGES	\$5,288	\$0	\$5,288	\$33,254	\$0	\$33,254

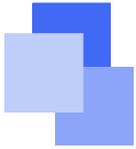
RESOURCE LEVEL NOTES

Note 2: Personnel benefits costs have escalated mainly due to health care increases and increased pension costs.

Note 3: Allocated charges are increasing primarily due to a resumption of Technology Fund operational charge-backs.

SERVICE LEVEL CHANGES

The summer intern program will be funded by the City Manager’s citywide seasonal intern program.



City Auditor *continued*

AUDIT SERVICES

To independently assess and report on City services.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	438,382	460,071	575,977	576,950
Contract Services	194,893	251,232	234,832	234,832
Supplies and Materials	2,493	5,100	4,000	4,000
General Expense	612	2,000	1,500	1,500
Rents and Leases	10	0	0	0
Allocated Charges	6,361	1,755	22,337	54,618
Total Expenditures	\$642,751	\$720,158	\$838,646	\$871,900
Total Revenues	\$89,312	\$235,000	\$859,461	\$859,461
Total Full Time Positions	3.44	4.00	4.00	4.00
Total Temporary Positions	0.00	0.36	0.12	0.12

PROGRAM COST DETAIL

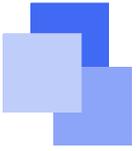
2005-06 Program Costs:

Performance Audits: \$504,512

External Audits: \$144,439

Revenue Audits: \$183,898

Total: \$832,849

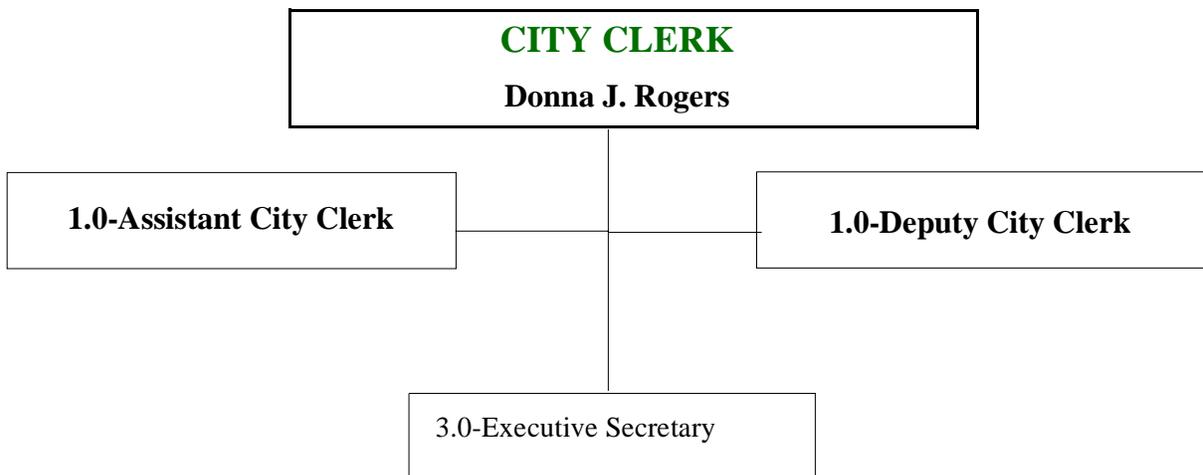


City Auditor *continued*

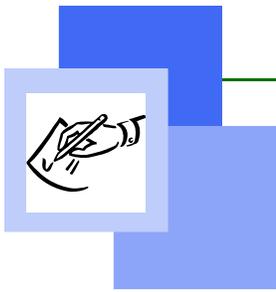


City Clerk's Office

City Clerk's Office Organizational Chart



**Fiscal Year 2005-06 Position Totals: 6.00 Full-time
0.10 Hourly**



City Clerk

To bring the community and government closer in partnership by fostering community awareness and civic involvement.

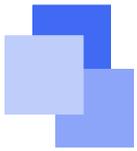
OVERVIEW

In 2005-07, the City Clerk's Office will continue to meet the demands of the public, City Council, and staff in the following areas: City Council support services, agenda packet process, board and commission recruitment, City Council events, City Council minutes, elections, conflict of interest, and legislative records management. The Office will be responsible for maintaining the Internet presence of the department and the City Council. In 2005-06, the City Clerk's Office will administer an election in November 2005 for five Council seats expiring in December 2005.

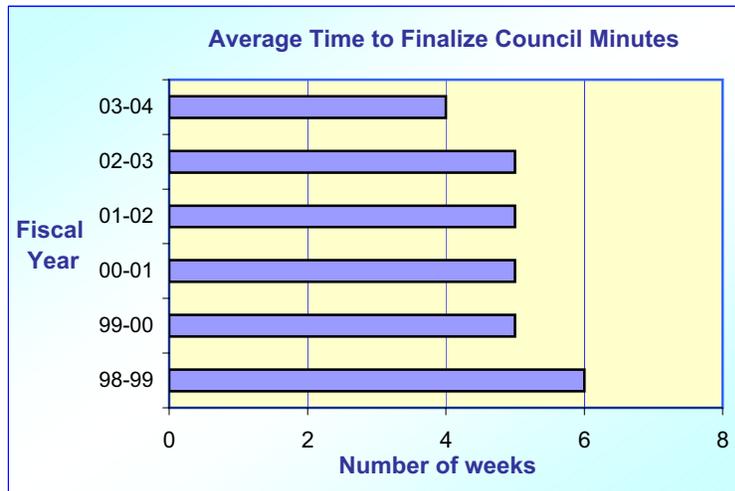
COUNCIL PRIORITY IMPLEMENTATION

The City Clerk's Office is an administrative department, and therefore 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, packets, and public hearing notices will reflect those priorities.

DEPARTMENT SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Administration	217,234	88,136	73,600	(14,536)	(16%)	102,683	29,083	40%
Public Information	62,103	80,969	88,420	7,451	9%	88,572	152	0%
Council Support Services	300,323	464,089	481,283	17,194	4%	482,846	1,563	0%
Election/Conflict of Interest	245,092	71,154	189,563	118,409	166%	89,710	(99,853)	(53%)
Legislative Records Management	69,877	97,676	90,106	(7,570)	(8%)	90,237	131	0%
TOTAL EXPENDITURES	\$894,629	\$802,024	\$922,972	\$120,948	15%	\$854,048	\$(68,924)	(7%)
TOTAL REVENUES	\$159,255	\$161,991	\$243,332	\$81,341	50%	\$243,332	\$0	0%
INTERNAL REVENUES	157,833	158,241	239,582	81,341	51%	239,582	0	0%
EXTERNAL REVENUES	1,422	3,750	3,750	0	0%	3,750	0	0%



City Clerk *continued*



INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	549,415	623,386	650,349	651,461
Contract Services	62,491	71,392	68,959	68,959
Supplies and Materials	7,825	7,106	6,176	6,176
Facilities and Equipment Purchases	0	3,000	3,000	3,000
General Expense	197,377	41,390	136,720	36,720
Rents and Leases	2,285	0	0	0
Allocated Charges	75,236	55,750	57,768	87,732
Total Expenditures	\$894,629	\$802,024	\$922,972	\$854,048
Total Revenues	\$159,255	\$161,991	\$243,332	\$243,332
Total Full Time Positions	6.00	6.00	6.00	6.00
Total Temporary Positions	0.21	0.21	0.10	0.10

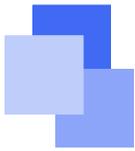
BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of city council agendas posted with CMR's to the website four days prior to council meeting	56	43	50
2. Number of formal public records requests (New)	28	40	52
3. Number of city council minutes finalized (SEA)	41	35	38



City Clerk *continued*

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Efficiency:			
1. Average time to post city council agendas	4 days	4 days	4 days
2. Average time to address formal public records requests (New)			10 days
3. Average time to finalize city council minutes (SEA)	5 weeks	4 weeks	4 weeks
Effectiveness:			
1. Percent of city council agendas posted	98%	98%	98%
2. Percent of formal public records requests addressed within 10 days (New)			98%



City Clerk *continued*

RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES						
Allocated Revenues-Internal	81,341		81,341			
TOTAL REVENUE CHANGES	\$81,341	\$0	\$81,341	\$0	\$0	\$0
EXPENDITURE CHANGES						
Salary and Benefits						
Reduce Hourly Staff (0.37 FTE)	(11,679)		(11,679)			
Reduce Overtime	(6,499)		(6,499)			
Total Salary and Benefits Changes	\$(18,178)	\$0	\$(18,178)	\$0	\$0	\$0
Salary Increase (Note 4)	6,540		6,540			
Personnel Benefit Costs (Note 2)	38,605		38,605	1,113		1,113
Total Net Salary and Benefits Changes	\$26,967	\$0	\$26,967	\$1,113	\$0	\$1,113
Non-Salary						
Inter-Agency expense for Elections		100,000	100,000		(100,000)	(100,000)
Reduce Instruction and Training	(1,433)		(1,433)			
Reduce Computer Software	(930)		(930)			
Reduce Travel and Meetings	(4,670)		(4,670)			
Allocated Charges (Note 3)	2,014		2,014	29,963		29,963
Total Non-Salary Changes	\$(5,019)	\$100,000	\$94,981	\$29,963	\$(100,000)	\$(70,037)
TOTAL EXPENDITURE CHANGES	\$21,948	\$100,000	\$121,948	\$31,076	\$(100,000)	\$(68,924)
Adjustments (Note 1)		(1,000)	(1,000)			
NET EXPENDITURE CHANGES	\$21,948	\$99,000	\$120,948	\$31,076	\$(100,000)	\$(68,924)

RESOURCE LEVEL NOTES

Note 1: Adjustments include prior one-time revenues and expenditure items that did not carry forward into the Adopted Budget. Other changes are the result of one-time items that were included in the 2004-05 mid-year adjustment.

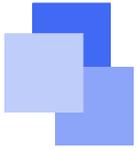
Note 2: Personnel benefits costs have escalated mainly due to health care increases and increased pension costs.

Note 3: Allocated charges are increasing primarily due to a resumption of Technology Fund operational charge-backs.

Note 4: Contractual compensation increase per Service Employees International Union (SEIU) agreement.

COMPREHENSIVE PLAN OVERVIEW

The City Clerk's 2005-07 Adopted Budget includes the following resources directed toward implementing the

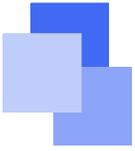


City Clerk *continued*

programs and policies of the Comprehensive Plan:

GOVERNANCE

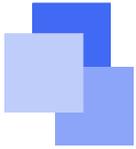
The City Clerk's Office exchanges information with the public daily on the City's website. Additionally, the public can access the Municipal Code and the City Council agenda, review approved City Council minutes, and review the City Council meeting schedule on the City's website.



PUBLIC INFORMATION

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

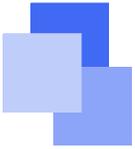
INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	60,863	76,271	85,222	85,374
Contract Services	0	3,198	3,198	3,198
Supplies and Materials	102	0	0	0
General Expense	825	1,500	0	0
Allocated Charges	313	0	0	0
Total Expenditures	\$62,103	\$80,969	\$88,420	\$88,572
Total Revenues	\$280	\$0	\$0	\$0
Total Full Time Positions	0.68	0.80	0.90	0.90
Total Temporary Positions	0.00	0.00	0.00	0.00



COUNCIL SUPPORT SERVICES

To support the administrative needs of the Council: to ensure timely delivery of Council meeting materials, including preparation of minutes, and to administer the boards'/commissions' recruitment outreach.

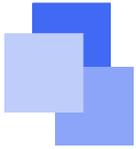
INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	229,346	343,303	360,806	361,412
Contract Services	39,681	47,081	46,081	46,081
Supplies and Materials	0	6,076	5,876	5,876
Facilities and Equipment Purchases	0	3,000	3,000	3,000
General Expense	0	33,620	33,620	33,620
Allocated Charges	31,296	31,009	31,900	32,857
Total Expenditures	\$300,323	\$464,089	\$481,283	\$482,846
Total Revenues	\$0	\$0	\$0	\$0
Total Full Time Positions	2.77	3.34	3.30	3.30
Total Temporary Positions	0.21	0.21	0.10	0.10



ELECTION/CONFLICT OF INTEREST

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	57,903	66,654	85,063	85,210
Contract Services	16,952	3,000	3,000	3,000
General Expense	170,237	1,500	101,500	1,500
Total Expenditures	\$245,092	\$71,154	\$189,563	\$89,710
Total Revenues	\$100	\$0	\$0	\$0
Total Full Time Positions	0.51	0.56	0.70	0.70
Total Temporary Positions	0.00	0.00	0.00	0.00

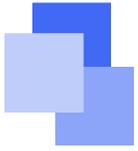


City Clerk *continued*

LEGISLATIVE RECORDS MANAGEMENT

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	64,200	79,982	74,412	74,543
Contract Services	5,482	16,694	15,694	15,694
General Expense	195	1,000	0	0
Total Expenditures	\$69,877	\$97,676	\$90,106	\$90,237
Total Revenues	\$0	\$1,100	\$1,100	\$1,100
Total Full Time Positions	0.89	0.80	0.75	0.75
Total Temporary Positions	0.00	0.00	0.00	0.00



City Clerk *continued*



City Council



City Council

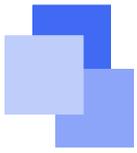
OVERVIEW

In 2005-07, the City Council will continue to address the needs of the community through varied public meetings and activities. Much of the focus will be on the Top Five Priorities, which includes: Affordable Housing, Alternative Transportation/Traffic Calming, City Finances, Infrastructure, and Land-Use Planning.

The 2005-06 City Council Adopted Budget is primarily comprised of City Council stipends, healthcare benefits, and general expense.

DEPARTMENT SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
City Council Operations	269,114	158,117	163,846	5,729	4%	164,020	174	0%
TOTAL EXPENDITURES	\$269,114	\$158,117	\$163,846	\$5,729	4%	\$164,020	\$174	0%
TOTAL REVENUES	\$65,970	\$66,141	\$52,811	\$(13,330)	(20%)	\$52,811	\$0	0%
INTERNAL REVENUES	65,970	66,141	52,811	(13,330)	(20%)	52,811	0	0%
EXTERNAL REVENUES	0	0	0	0	0%	0	0	0%

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	246,962	99,232	104,961	105,135
Contract Services	0	10,000	10,000	10,000
Supplies and Materials	969	2,930	2,930	2,930
General Expense	20,558	45,955	45,955	45,955
Allocated Charges	625	0	0	0
Total Expenditures	\$269,114	\$158,117	\$163,846	\$164,020
Total Revenues	\$65,970	\$66,141	\$52,811	\$52,811
Total Full Time Positions	9.00	9.00	9.00	9.00
Total Temporary Positions	0.00	0.00	0.00	0.00



City Council *continued*

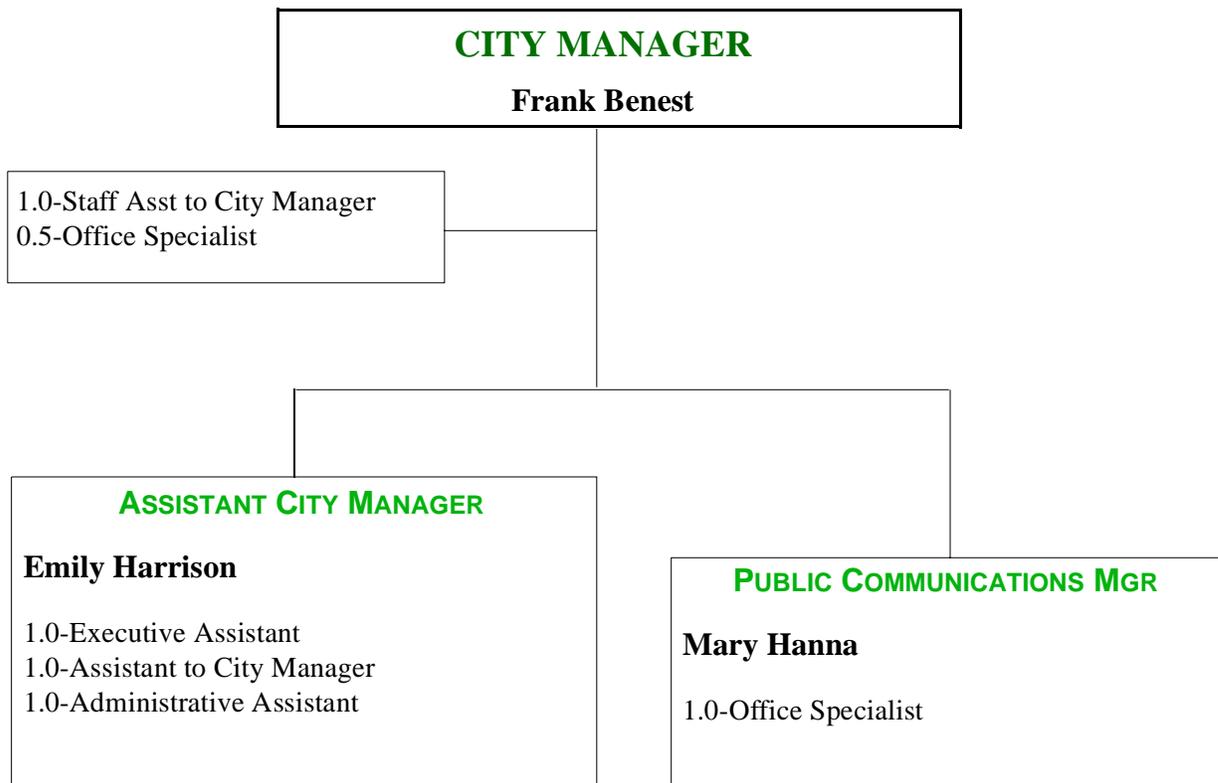
RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES						
Allocated revenues-internal	(13,330)		(13,330)			
NET REVENUE CHANGES	\$(13,330)	\$0	\$(13,330)	\$0	\$0	\$0
EXPENDITURE CHANGES						
Salary and Benefits						
Personnel Benefit Costs	5,729		5,729	174		174
Total Salary and Benefits Changes	\$5,729	\$0	\$5,729	\$174	\$0	\$174
TOTAL EXPENDITURE CHANGES	\$5,729	\$0	\$5,729	\$174	\$0	\$174

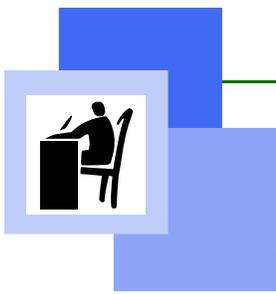


City Manager's Office

City Manager's Office Organizational Chart



Fiscal Year 2005-06 Position Totals:
8.25 Full-time
0.25 Office Specialist (frozen)
0.25 Hourly



City Manager

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

OVERVIEW

In 2005-07, the City Manager's Office will oversee efforts to implement the City Council's top five priorities: City Finances, Infrastructure, Affordable Housing, Land Use Planning, and Alternative Transportation/Traffic Calming.

The General Fund is facing a significant deficit in 2005-06 and organizational restructuring, including staff layoffs and service reductions, is planned. The enterprise funds, while able to support themselves through rates, face challenges as well, including securing long-term electric and gas supplies at reasonable prices and rising water rates due to reconstruction of the Hetch Hetchy system. Employee retirements and medical costs continue to rise, and the Manager's Office will oversee negotiations with represented employees to try to address these issues in a way to secure the City's long-term fiscal health.

The City Manager's Office will continue to take leadership for the City's infrastructure rehabilitation program. In addition to the Infrastructure Management Program (IMP), this includes leading the City's federal and state grant lobbying efforts and coordination of public/private partnerships with the Friends of the Junior Museum and Zoo, Friends of the Library, Palo Alto Library Foundation, and others. The Council has charged staff to develop a strategy for provision of library services based on a new, distributed points of service model and the City Manager's Office will work with the Library Director and community stakeholders to realize this vision.

The City Manager's Office provides leadership to the organization in implementing the Council's Sustainability Policy. In 2005-07, this will include development of a zero waste policy and implementation plan, long-range solid waste planning, and incorporation of green building principles in the IMP. Opportunities for cooperation with the Palo Alto Unified School District on energy conservation and school commute safety will also be a priority.

Public safety will be a key focus for the Manager's Office, especially in enhancing the City's emergency preparedness and partnership with the community. The City Manager will continue to work with the Police Department, Human Relations Commission, and community stakeholders on strategies to enhance police/community relations.

COUNCIL PRIORITY IMPLEMENTATION

In 2005-07, the City Manager's Adopted Budget will implement the City Council's top five priorities as follows:

City Finances

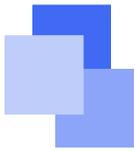
- Oversee reduction in staffing and related services in General Fund to address long-range financial restructuring
- Work with Council and community on revenue retention/generation options

Infrastructure

- Continue to oversee implementation of infrastructure renovation and rehabilitation, as well as major new projects

Affordable Housing

- Pursue potential affordable housing projects, including Alma Street substation site



City Manager *continued*

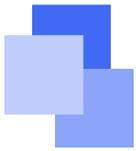
Land Use Planning

- Provide oversight for land use planning issues, including completion of Zoning Ordinance Update

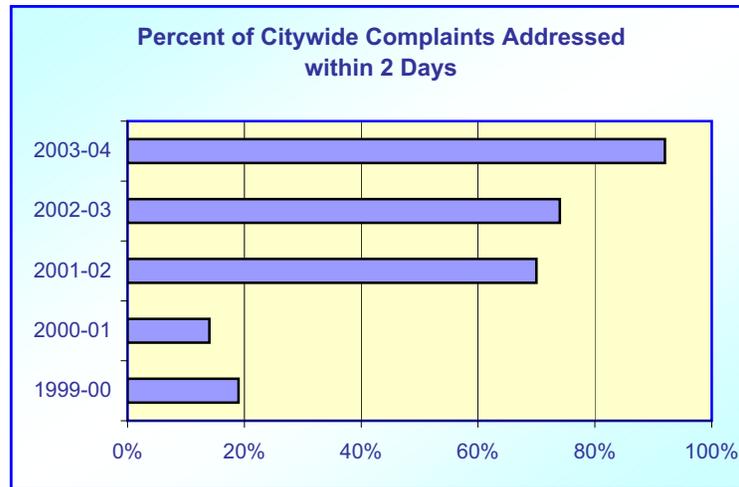
Alternative Transportation/Traffic Calming

- Implement Charleston Corridor Plan as revenues permit; and oversee review and implementation of School Commute Corridors Study

DEPARTMENT SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Administration	417,403	297,915	174,495	(123,420)	(41%)	235,301	60,806	35%
City Management	737,342	1,058,111	1,110,467	52,356	5%	1,111,369	902	0%
Public Communication	310,251	283,052	246,138	(36,914)	(13%)	202,360	(43,778)	(18%)
Economic Development	266,199	319,057	219,497	(99,560)	(31%)	219,836	339	0%
TOTAL EXPENDITURES	\$1,731,195	\$1,958,135	\$1,750,597	\$(207,538)	(11%)	\$1,768,866	\$18,269	1%
TOTAL REVENUES	\$430,546	\$431,656	\$411,805	\$(19,851)	(5%)	\$411,805	\$0	0%
INTERNAL REVENUES	430,546	431,656	411,805	(19,851)	(5%)	411,805	0	0%
EXTERNAL REVENUES	0	0	0	0	0%	0	0	0%



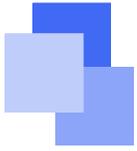
City Manager *continued*



INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,533,158	1,656,623	1,449,937	1,408,293
Contract Services	66,241	147,750	144,500	144,500
Supplies and Materials	5,675	16,180	10,550	10,550
Facilities and Equipment Purchases	0	300	300	300
General Expense	33,353	85,296	84,296	84,296
Rents and Leases	4,985	1,000	500	500
Allocated Charges	87,783	50,986	60,514	120,427
Total Expenditures	\$1,731,195	\$1,958,135	\$1,750,597	\$1,768,866
Total Revenues	\$430,546	\$431,656	\$411,805	\$411,805
Total Full Time Positions	10.50	10.50	8.50	8.50
Total Temporary Positions	0.59	0.59	0.25	0.25

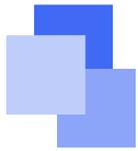
BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of responses to actionable complaints (New)	161	125	125
2. Number of business outreach contacts (SEA)	60	60	60
Efficiency:			
1. Percent of complaints addressed within two days	92%	92%	94%



City Manager *continued*

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
2. Percent of business outreach contacts within one month	8.3%	8.3%	8.3%
Effectiveness:			
1. Percent rating public information services as good or excellent (SEA survey)	76%	78%	80%
2. Percent rating economic development services as good or excellent (SEA survey)	58%	61%	64%



City Manager *continued*

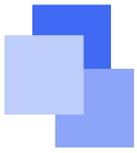
RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES						
Allocated Revenues - Internal	(19,851)		(19,851)			
TOTAL REVENUE CHANGES	\$(19,851)	\$0	\$(19,851)	\$0	\$0	\$0
EXPENDITURE CHANGES						
Salary and Benefits						
Eliminate Exec. Assist. (1.0 FTE)	(104,336)		(104,336)			
Elim. Dep. Public Communications Officer (1.0 FTE 4 months)	(38,477)		(38,477)			
Frozen Off. Spec. (1.0 FTE 8 months)	(47,369)		(47,369)			
Reduce Hourly Staff (0.34 FTE)	(4,638)		(4,638)			
Reduce Overtime	(1,156)		(1,156)			
Total Salary and Benefits Changes	\$(195,976)	\$0	\$(195,976)	\$0	\$0	\$0
Salary Adjustments (Note 3)	37,375		37,375	(24,360)		(24,360)
Personnel Benefit Costs (Note 1)	(48,085)		(48,085)	(17,283)		(17,283)
Total Net Salary and Benefits Changes	\$(206,686)	\$0	\$(206,686)	\$(41,643)	\$0	\$(41,643)
Non-Salary						
Reduce Contract Agency Personnel	(1,000)		(1,000)			
Reduce Progr. and Computer	(1,800)		(1,800)			
Reduce Books-Films-Publications	(1,030)		(1,030)			
Reduce Computer Software	(1,600)		(1,600)			
Reduce Audio Visual	(3,000)		(3,000)			
Reduce Boards and Commissions	(1,000)		(1,000)			
Reduce Rent -Tools and Equipment	(500)		(500)			
Allocated Charges (Note 2)	9,528		9,528	59,912		59,912
Total Non-Salary	\$(402)	\$0	\$(402)	\$59,912	\$0	\$59,912
TOTAL EXPENDITURE CHANGES	\$(207,088)	\$0	\$(207,088)	\$18,269	\$0	\$18,269
Adjustments (Note 1)		(450)	(450)			
NET EXPENDITURE CHANGES	\$(207,088)	\$(450)	\$(207,538)	\$18,269	\$0	\$18,269

RESOURCE LEVEL NOTES

Note 1: Personnel benefits costs have escalated mainly due to health care increases and increased pension costs.

Note 2: Allocated charges are increasing primarily due to a resumption of Technology Fund operational charge-backs.



City Manager *continued*

Note 3: Contractual compensation increase per Service Employees International Union (SEIU) agreement.

SERVICE LEVEL CHANGES

The loss of the Executive Assistant position in the Economic Development section of the City Manager's Office will require staff to prioritize economic development duties. A number of business outreach activities will be eliminated such as: the Quarterly Economic Forum, the maintenance of a broker contact list, and the maintenance of the available business sites list as well as commercial vacancy data. Activities such as site research for auto dealers will be limited.

The loss of the Deputy Public Communications Officer position (February 2006) within the City Manager's Office will mean slower response to citizen complaints to Council, an inability to respond personally and in detail to individual residents, elimination of the City's cable television show - City Beat, and elimination of the CityWorks hotline.

COMPREHENSIVE PLAN OVERVIEW

As summarized below, the 2005-07 Adopted Budget highlights a range of goals and activities that support the implementation of the Comprehensive Plan.

LAND USE AND COMMUNITY DESIGN

The City Manager's Office will oversee the Zoning Ordinance Update. The Economic Development Program of the City Manager's Office will continue to work with the Mayor's Ad Hoc Retail Committee to facilitate business outreach with land use issues which threaten business vitality. (L-4)

The Economic Development Program of the City Manager's Office will continue to participate as a team member of the Land Use Committee. Staff will continue to assist in the identification of issues that impact the City, facilitate interactions between staff and the business community, and evaluate impacts on business viability. (L-1, L-4)

TRANSPORTATION

Pursuant to the Council's designation of Alternative Transportation as one of its five top priorities, the Manager's Office will also oversee development of various traffic demand management strategies, such as the citywide shuttle, school corridor commute issues and transportation infrastructure. (T-43)

NATURAL ENVIRONMENT

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

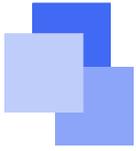
COMMUNITY FACILITIES AND SERVICES

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

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

BUSINESS AND ECONOMICS

The Economic Development Program will continue to explore strategies to capture use tax for purchases by local businesses. This will include the Business Cooperation Program. (B-2)



City Manager *continued*

The Economic Resources Strategy Update implemented in accordance with Comprehensive Plan and business outreach and retention strategies will continue. An update of the plan will be presented to City Council in 2006. Economic Development staff provide information and support to the Mayor's Ad Hoc Retail Committee (2003-04) and the Mayor's Ad Hoc Committee to attract retail businesses (2004-05). (B-2)

Staff will continue to pursue initiatives and strategies that will positively impact the City's revenue base. This includes current efforts to work with Stanford Management Company to include language in leases that preserve the City's point of sale and direct the attribution of use tax to the City. (B-28)

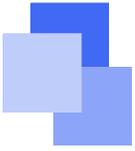
Staff will continue to promote regional cooperation by participating in local and regional collaboratives that identify and implement strategies that impact business health and viability. For example, economic development staff provides leadership in the Joint Venture Silicon Valley (JVSV) economic development group, Silicon Valley Economic Development Alliance (SVEDA). Among SVEDA's projects is the Mainstreet Silicon Valley Project (focusing on El Camino Real business health, improvements to the El Camino Real, and assistance in dealing with regional and state agencies such as Caltrans). SVEDA is also developing a regional website in partnership with JVSV and a regional marketing program for the Silicon Valley area.

Staff has worked with downtown businesses to establish a Downtown Business District (BID). Economic Development staff serves as a liaison with Downtown BID Advisory Board, prepares revenue projections, processes payments to the BID, and prepares staff reports for the BID annual reauthorizations to City Council. Economic Development staff coordinate with various city departments to collect fees, process payments, and assure compliance with the requirements of BID law. (B-20)

GOVERNANCE

The City Manager's Office will work with the Utilities Advisory Commission to implement Council direction regarding the Commission's role in a deregulated energy environment. (G-2)

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

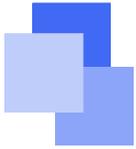


City Manager *continued*

CITY MANAGEMENT

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	655,636	889,296	936,544	938,129
Contract Services	49,677	94,450	94,000	94,000
Supplies and Materials	752	900	0	0
General Expense	19,162	63,560	62,560	62,560
Allocated Charges	12,115	9,905	17,363	16,680
Total Expenditures	\$737,342	\$1,058,111	\$1,110,467	\$1,111,369
Total Revenues	\$0	\$0	\$0	\$0
Total Full Time Positions	4.50	5.55	5.40	5.40
Total Temporary Positions	0.59	0.59	0.25	0.25

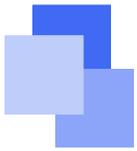


City Manager *continued*

PUBLIC COMMUNICATION

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	281,150	217,605	188,818	145,040
Contract Services	16,445	41,800	40,000	40,000
Supplies and Materials	212	7,150	4,020	4,020
General Expense	12,444	13,300	13,300	13,300
Allocated Charges	0	3,197	0	0
Total Expenditures	\$310,251	\$283,052	\$246,138	\$202,360
Total Revenues	\$0	\$0	\$0	\$0
Total Full Time Positions	2.70	1.70	1.00	1.00
Total Temporary Positions	0.00	0.00	0.00	0.00



City Manager *continued*

ECONOMIC DEVELOPMENT

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	263,343	299,158	202,517	202,856
Contract Services	0	10,000	10,000	10,000
Supplies and Materials	226	1,280	1,280	1,280
General Expense	258	5,700	5,700	5,700
Allocated Charges	2,372	2,919	0	0
Total Expenditures	\$266,199	\$319,057	\$219,497	\$219,836
Total Revenues	\$0	\$0	\$0	\$0
Total Full Time Positions	2.15	2.15	1.15	1.15
Total Temporary Positions	0.00	0.00	0.00	0.00



**Administrative Services
Department**

Administrative Services Department

Organizational Chart



ADMINISTRATIVE SERVICES DIRECTOR
Carl Yeats

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

REAL ESTATE
1.0-Real Property Manager
1.0-Staff Secretary
1.0-Sr Financial Analyst

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

ASSISTANT DIRECTOR
Lalo Perez

ACCOUNTING
1.0-Accounting Manager
GENERAL LEDGER
1.0-Senior Accountant
1.0-Staff Accountant
1.0-Lead Account Specialist
1.5-Account Specialist
ENTERPRISE FUND
1.0-Senior Accountant
1.0-Staff Accountant
1.5-Account Specialist
ACCOUNTS PAYABLE
1.0-Senior Accountant
1.0-Lead Account Specialist
3.0-Account Specialist
PAYROLL
1.0-Senior Accountant
1.0-Staff Accountant
2.0-Payroll Analyst

PURCHASING & CONTRACTS
1.0-Manager, Purch/Contr Admin
3.0-Contract Manager
1.0-Lead Account Specialist
1.0-Account Specialist
2.0-Buyer
PRINTING & MAIL SERVICES
1.0-Repro & Mail Supervisor
2.0-Offset Equipment Operator
1.0-Mail Services Specialist

DEPUTY DIRECTOR, CIO
Glenn Loo

INFORMATION TECHNOLOGY
1.0-Staff Secretary
PROJECT MGMT, APPLICATIONS
6.0-Sr Technologist
INFRASTRUCTURE SERVICES
1.0-IT Manager
7.0-Sr Technologist
1.0-Technologist
1.0-Desktop Technician
CLIENT SERVICES
1.0-IT Manager
3.0-Sr Technologist
1.0-Technologist
4.0-Desktop Technician
INFO TECH SERV PROVIDER
1.0-IT Manager
5.0-Technologist

DEPUTY DIRECTOR
Joe Saccio

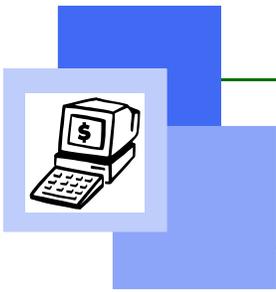
INVESTMENT & DEBT
1.5-Sr Financial Analyst

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

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

RISK MANAGEMENT
1.0-Risk Manager

Fiscal Year 2005-06 Position Totals: 95.00 Full-time
1.00 IT Manager (frozen)
1.68 Hourly



Administrative Services

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

OVERVIEW

In 2005-07, the Administrative Services Department (ASD) will focus on the following:

Infrastructure Master Plan: City staff will continue implementation of the Infrastructure Management Plan, known as "CityWorks," utilizing an Infrastructure Management Team. This team is responsible for project definition, prioritization, and management. ASD will continue to support the Infrastructure Management Team in implementing the Infrastructure Management Plan. Movement of the Infrastructure Reserve from the General Fund to the Capital Improvement Fund was completed in 2004-05, guaranteeing a steady interest income stream for infrastructure projects in the future. A high priority for 2005-06 and beyond is determining how to fund the remaining \$1.0 million of Council's \$2.0 million annual contribution goal toward infrastructure projects.

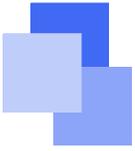
Revenue Enhancements: Staff is exploring the feasibility of initiating a business license tax (Palo Alto is one of the last remaining cities in California that does not have such a tax), and/or increasing the current Transient Occupancy Tax (hotel tax) rate of 10 percent by 1-2 percentage points. New sources of income are needed to provide revenue for infrastructure projects such as a new library or a public safety building. As economic conditions improve, analysis, discussion, and implementation of these potential revenue enhancements will proceed.

Business Process Re-engineering: The Department will continue to concentrate major resources on the SAP post-implementation. Planned system improvements will focus on improving user friendliness by transitioning to a web-based user interface, improving integration between functions such as budget, payroll, and human resources, and provisioning of ad-hoc web-based reporting. Other enhancements will include employee self-service functionality, improvements to the timekeeping system to support simplified time tracking, project work-order management, and enhanced system reporting capabilities. New Streamlined Purchasing and Accounts Payable workflow processes are being explored for possible implementation in early 2005-06.

Property Acquisition and Management: The Department will continue to support the City Manager's Office in acquiring properties for affordable housing and open space purposes. ASD staff will recommend to Council one of the following regarding the Planning Department's Development Center: 1) moving the Development Center into City-owned space, 2) negotiating a new lease for the existing location, or 3) relocating the Center to another privately-owned space near the Civic Center. Other projects include: Developing an RFP for the sale and transfer of development rights for City-owned historical properties, and selling a City-owned property and earmarking the proceeds to fund the proposed redevelopment of the Alma Substation property for affordable housing.

Financial Reporting: This is the second year on the SAP system, and staff is concentrating on refinement of financial reports as well as documentation and streamlining of business processes. Staff is also assisting with implementation of a new bank and CAL-card (procurement card) program. Staff continues to prepare for training and implementation of future Government Accounting Statements Board (GASB) statement requirements.

Purchasing: The Department will continue to focus on streamlining the City's purchasing process by revising solicitation templates to better assist the organization through the procurement process. It will also continue to work with the City Attorney's Office to revise many of the City's contract templates. The CAL-Card program, which is totally integrated into SAP, has been successfully piloted by a small group of users and will be rolled out to the rest of the organization. This effort will help to decentralize incidental, low-dollar transactions so that key staff will be able to spend more time in the area of contract development and administration.



Administrative Services *continued*

Contract Streamlining: ASD staff will continue to incorporate contract streamlining ideas into daily activities, processes, and training to expedite contracts and to track them more easily.

Cable Franchising: ASD is charged with managing the contract for the cable franchise between Comcast 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 Comcast 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

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

- Perform a valuation of the City's retiree medical liability, following the recently-released guidelines of the Government Accounting Standards Board (GASB) statements 43 and 45
- Evaluate potential for moving City employees from leased spaces to City-owned facilities
- Evaluate selling development rights for City-owned historic properties
- Launch the program for CAL-Card to all City departments
- Update the 2006-16 Long Range Financial Plan and Forecast and present it to the Finance Committee and Council in the fall of 2005

COUNCIL PRIORITY IMPLEMENTATION

In 2005-07, the Administrative Services Department will continue to support implementation of the following City Council's top five priorities:

Affordable Housing

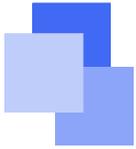
- Administration of land acquisition for below-market-rate (BMR) housing
- Review of BMR housing units for resale by the Palo Alto Housing Corporation

City Finances

- Complete analysis of proposed revenue enhancements
- Update and present Long Range Financial Plan

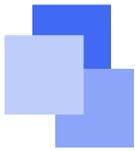
Infrastructure

- Evaluate funding options for new infrastructure projects: Libraries, Police Building, and Charleston/Arastradero Corridor



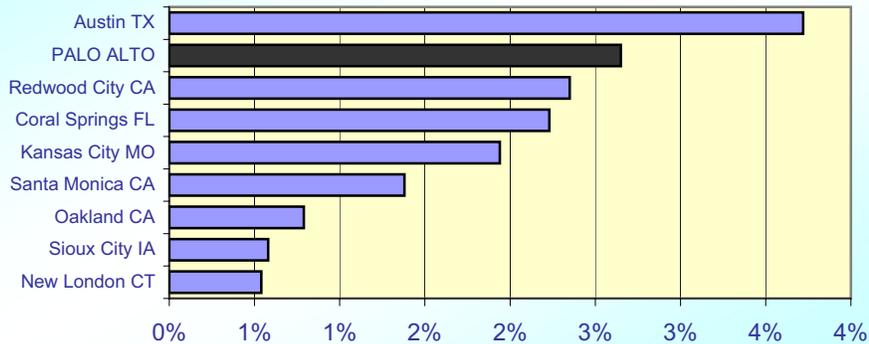
Administrative Services *continued*

DEPARTMENT SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Administration	1,072,170	734,610	533,571	(201,039)	(27%)	1,018,084	484,513	91%
Accounting	1,684,912	1,951,640	1,961,099	9,459	0%	1,965,201	4,102	0%
Purchasing	1,190,595	1,242,693	1,135,949	(106,744)	(9%)	1,148,136	12,187	1%
Real Estate	367,072	562,533	494,015	(68,518)	(12%)	494,827	812	0%
Treasury	1,480,612	1,439,944	1,360,185	(79,759)	(6%)	1,362,469	2,284	0%
Budget	871,705	822,171	859,503	37,332	5%	861,104	1,601	0%
TOTAL EXPENDITURES	\$6,667,066	\$6,753,591	\$6,344,322	\$(409,269)	(6%)	\$6,849,821	\$505,499	8%
TOTAL REVENUES	\$3,467,928	\$3,457,883	\$2,968,354	\$(489,529)	(14%)	\$2,968,354	\$0	0%
INTERNAL REVENUES	3,420,920	3,429,763	2,911,054	(518,709)	(15%)	2,911,054	0	0%
EXTERNAL REVENUES	47,008	28,120	57,300	29,180	104%	57,300	0	0%



Administrative Services *continued*

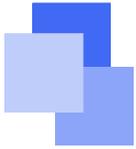
**IT Operating and Maintenance Expenditures
as a Percent of Total General Fund
Operating Expenditures (FY 2001-02)**



INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	5,327,682	5,702,635	5,411,317	5,420,601
Contract Services	583,306	426,633	344,334	344,334
Supplies and Materials	72,488	81,639	93,931	93,931
Facilities and Equipment Purchases	2,194	10,000	6,200	6,200
General Expense	110,258	185,882	117,825	117,825
Rents and Leases	22,609	0	0	0
Allocated Charges	548,529	346,802	370,715	866,930
Total Expenditures	\$6,667,066	\$6,753,591	\$6,344,322	\$6,849,821
Total Revenues	\$3,467,928	\$3,457,883	\$2,968,354	\$2,968,354
Total Full Time Positions	56.00	55.50	50.59	50.59
Total Temporary Positions	1.55	1.55	0.48	0.48

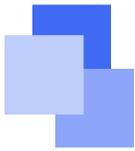
BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of Accounts Payable checks issued (SEA)	17,763	16,500	15,000
2. Number of purchasing documents processed (SEA)	5,265	5,002	4,752
3. Number of Real Property acquisitions and conveyances (fee, easements, BMR, permits, leases and document transfer tax) (New)	148	150	150



Administrative Services *continued*

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
4. Cash and investments (in millions), excluding bond proceeds (SEA)	\$ 371.2	\$ 367.2	\$ 367.6
Effectiveness:			
1. Percent of invoices paid within 30 days (estimated) (SEA)	80%	80%	83%
2. Percent of purchases/contracts completed within established timeframes (estimated) (New)	75%	80%	85%
3. Average time (in days) to complete each Real Property acquisition and conveyance (New)	22	20	20
4. Rate of return on investments compared to the annual average yield on a three-year Treasury note (SEA revised)	+2.04%	+1.20%	+0.80%
Efficiency:			
1. Average cost to issue an Accounts Payable check (estimated) (New)	\$ 50	\$ 37	\$ 29
2. Average cost to process a Purchase Order/Contract (estimated) (New)	\$ 200	\$ 200	\$ 200
3. Average cost to complete each Real Property acquisition and conveyance (estimated) (New)	\$ 1,000	\$ 950	\$ 900
4. Investment income (in millions) earned by half-time Treasury employee (New)	\$ 16.3	\$ 16.2	\$ 16.3



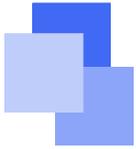
Administrative Services *continued*

RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES						
Special Assessments - Current	32,000		32,000			
Easement Fee	1,200		1,200			
Sale of Salvage	3,500		3,500			
Auction Proceeds	2,000		2,000			
Other Miscellaneous Revenue	(9,520)		(9,520)			
Allocated Revenues-Internal	(518,709)		(518,709)			
TOTAL REVENUE CHANGES	\$(489,529)	\$0	\$(489,529)	\$0	\$0	\$0
EXPENDITURE CHANGES						
Salary and Benefits						
Reduce Hourly Staff	(37,689)		(37,689)			
Reduce Overtime	(6,529)		(6,529)			
Eliminate Acctg. Spec. (1.0 FTE)	(74,843)		(74,843)			
Eliminate Sr. Buyer (1.0 FTE)	(94,284)		(94,284)			
Eliminate Storekeeper (1.0 FTE)	(74,480)		(74,480)			
Total Salary and Benefits Changes	\$(287,825)	\$0	\$(287,825)	\$0	\$0	\$0
Salary Adjustments	(163,468)		(163,468)			
Personnel Benefit Costs (Note 2)	159,972		159,972	9,282		9,282
Total Net Salary and Benefits Changes	\$(291,321)	\$0	\$(291,321)	\$9,282	\$0	\$9,282
Non-Salary						
Reduce Contract Agency Personnel	(61,052)		(61,052)			
Reduce Computer Software	(5,042)		(5,042)			
Reduce Property Taxes	(80,000)		(80,000)			
Reduce Progr. & Proj. Consultants	(5,200)		(5,200)			
Allocated Charges (Note 3)	23,916		23,916	496,217		496,217
Total Non-Salary Changes	\$(127,378)	\$0	\$(127,378)	\$496,217	\$0	\$496,217
TOTAL EXPENDITURE CHANGES	\$(418,699)	\$0	\$(418,699)	\$505,499	\$0	\$505,499
Adjustments (Note 1)		9,430	9,430			
NET EXPENDITURE CHANGES	\$(418,699)	\$9,430	\$(409,269)	\$505,499	\$0	\$505,499

RESOURCE LEVEL NOTES

Note 1: Adjustments include prior one-time revenues and expenditure items that did not carry forward into the Adopted



Administrative Services *continued*

Budget. Other changes are the result of one-time items that were included in the 2004-05 mid-year adjustment.

Note 2: Personnel benefits costs have escalated mainly due to health care increases and increased pension costs.

Note 3: Allocated charges are increasing primarily due to a resumption of Technology Fund operational charge-backs.

SERVICE LEVEL CHANGES

The Department made significant reductions in funding for contract services. This may impact response times and service levels across the department, especially when divisions are not fully staffed.

To address part of the projected deficit for 2005-06, a 1.0 FTE Storekeeper is being eliminated. This necessitates service level reductions in delivery operations to allow the Warehouse to cover core functions. Services targeted for reduction are: the delivery of donated books from the City's libraries to the Friends of the Library operations at Cubberley; the delivery of mail and other items among fire stations; and deliveries that can be performed directly by vendors with whom staff has negotiated.

COMPREHENSIVE PLAN OVERVIEW

The 2005-07 Administrative Services Department Adopted Budget includes the following resources directed toward implementing the program and policies of the Comprehensive Plan:

TRANSPORTATION

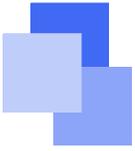
Through implementation of the IT Strategic Plan, the Department will provide technical assistance to expand the range of City services that can be received online. (T-10)

COMMUNITY FACILITIES AND SERVICES

Staff has completed a comprehensive analysis of infrastructure replacement and maintenance needs, and in 1997-98, obtained Council approval for a 10-year Infrastructure Management Plan. The projects emerging from this plan are included in the CIP Budget. In 2005-07, the Administrative Services Department will continue to pursue new revenue sources to complete funding for the Infrastructure Management Plan. (C-20)

GOVERNANCE

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

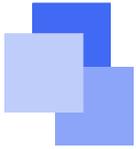


Administrative Services *continued*

ACCOUNTING

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,472,342	1,772,371	1,805,499	1,808,575
Contract Services	143,206	89,500	74,500	74,500
Supplies and Materials	32,817	27,700	42,700	42,700
Facilities and Equipment Purchases	1,078	2,000	2,000	2,000
General Expense	1,461	2,200	2,200	2,200
Rents and Leases	1,017	0	0	0
Allocated Charges	32,991	57,869	34,200	35,226
Total Expenditures	\$1,684,912	\$1,951,640	\$1,961,099	\$1,965,201
Total Revenues	\$0	\$0	\$0	\$0
Total Full Time Positions	17.40	17.80	17.73	17.73
Total Temporary Positions	0.48	0.48	0.48	0.48

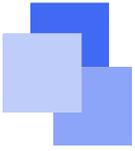


Administrative Services *continued*

PURCHASING

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,006,290	1,178,533	1,066,374	1,068,205
Contract Services	108,524	14,262	11,462	11,462
Supplies and Materials	15,826	8,000	9,200	9,200
Facilities and Equipment Purchases	1,116	2,000	2,000	2,000
General Expense	12,442	5,400	7,000	7,000
Rents and Leases	4,124	0	0	0
Allocated Charges	42,273	34,498	39,913	50,269
Total Expenditures	\$1,190,595	\$1,242,693	\$1,135,949	\$1,148,136
Total Revenues	\$5,711	\$10,000	\$6,000	\$6,000
Total Full Time Positions	11.05	12.10	10.24	10.24
Total Temporary Positions	0.00	0.00	0.00	0.00

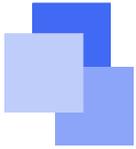


Administrative Services *continued*

REAL ESTATE

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	293,018	347,602	378,968	379,621
Contract Services	32,226	98,349	64,801	64,801
Supplies and Materials	129	606	606	606
General Expense	29,077	114,492	44,340	44,340
Rents and Leases	10,124	0	0	0
Allocated Charges	2,498	1,484	5,300	5,459
Total Expenditures	\$367,072	\$562,533	\$494,015	\$494,827
Total Revenues	\$7,928	\$2,220	\$3,400	\$3,400
Total Full Time Positions	3.00	2.95	3.09	3.09
Total Temporary Positions	0.00	0.00	0.00	0.00



Administrative Services *continued*

TREASURY

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,267,394	1,231,708	1,152,600	1,154,593
Contract Services	127,683	116,580	116,471	116,471
Supplies and Materials	9,146	23,491	22,925	22,925
Facilities and Equipment Purchases	0	1,500	1,200	1,200
General Expense	63,460	57,290	56,565	56,565
Rents and Leases	2,126	0	0	0
Allocated Charges	10,803	9,375	10,424	10,715
Total Expenditures	\$1,480,612	\$1,439,944	\$1,360,185	\$1,362,469
Total Revenues	\$33,353	\$15,900	\$47,900	\$47,900
Total Full Time Positions	14.40	12.65	11.72	11.72
Total Temporary Positions	1.07	1.07	0.00	0.00



Administrative Services *continued*

BUDGET

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	835,202	781,468	815,803	817,209
Contract Services	17,406	22,700	22,700	22,700
Supplies and Materials	8,028	11,000	11,000	11,000
Facilities and Equipment Purchases	0	1,000	1,000	1,000
General Expense	345	2,500	2,500	2,500
Rents and Leases	45	0	0	0
Allocated Charges	10,679	3,503	6,500	6,695
Total Expenditures	\$871,705	\$822,171	\$859,503	\$861,104
Total Revenues	\$10	\$0	\$0	\$0
Total Full Time Positions	7.05	6.05	6.28	6.28
Total Temporary Positions	0.00	0.00	0.00	0.00



**Community Services
Department**

**Community Services Department
Organizational Chart**



COMMUNITY SERVICES DIRECTOR
Richard James

CUBBERLEY CENTER & HUMAN SERVICES
1.0-Division Mgr Cubberley Center & Human Services
 2.0-Program Assistant
 2.0-Building Serviceperson, Lead
 3.0-Building Serviceperson
 1.0-Management Assistant
 1.0-Staff Secretary
 1.0-Coordinator, Child Care
 1.0-Coordinator, Recreation Program

ADMINISTRATION
 1.0-Administrative Assistant
 1.0-Senior Administrator

RECREATION AND YOUTH SCIENCES ADMINISTRATION
1.0-Division Mgr, Recreation & Youth Sciences
 1.0-Staff Secretary
 1.5-Office Specialist
RECREATION
1.0-Administrator, Special Events
 2.0-Coordinator, Recreation Programs
 5.0-Supervisor, Recreation Programs
 1.0-Office Specialist
 1.0-Building Service Person
 0.75-Program Assistant
YOUTH SCIENCES
3.0-Producer Arts/Science Program
 1.0-Supvisor, Jr Museum
 1.0-Office Specialist

ARTS & CULTURE ADMINISTRATION
1.0- Division Mgr Arts & Culture
 1.0- Program Assistant
ART CENTER
1.0- Manager, Arts
 4.0- Producer Arts
 2.0- Office Specialist
 0.75-Volunteer Coordinator
CHILDREN'S & COMMUNITY THEATRE
1.0- Manager, Arts
 1.0-Theatre Specialist
 3.0-Program Assistant
 3.5-Producer Arts

GOLF & PARKS ADMINISTRATION
1.0-Division Mgr, Parks & Golf Course
 1.0-Staff Secretary
GOLF
1.0-Superintendent, Golf Course
 1.0-Golf/Parks Crew Lead
 5.0-Golf Course Maintenance Person
 1.0-Sprinkler System Repair Person
 1.0-Golf Course Equipment Mechanic
PARKS
CITY PARKS & FACILITIES
1.0-Supervisor, Parks
 1.0-Superintendent, Parks*
 2.0-Inspector, Field Services
 2.0-Sprinkler System Repair
 1.0-Parks Crew Lead
 6.0-Parks Maintenance Person
ATHLETIC FIELD
MAINTENANCE PROGRAM
1.0-Supervisor, Parks
 1.0-Parks Crew, Lead
 2.0-Sprinkler System Repair Person
 5.0-Park Maintenance Person
 1.0-Park Maintenance Lead

OPEN SPACE
1.00-Division Manager, Open Space
 1.00-Supervisor, Open Space
 1.00-Senior Ranger
 1.00-Prod Arts/Science Program
 5.00-Park Ranger
 0.75-Parks & Open Space Assistant

* Position will be eliminated effective January 1, 2006

Fiscal Year 2005-06 Position Totals: 94.25 Full-time
 1.00 Division Manager , Arts & Culture (frozen)
 1.00 Program Assistant (frozen)
 50.93 Hourly



Community Services

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

OVERVIEW

In 2005-07, the Community Services Department (CSD) will provide the Palo Alto Community with the services and programs summarized below:

Arts and Culture Division

The Arts and Culture Division will provide performing arts, music and dance programs to children, adults and youth while responding to increased demand for family programs. Through public and private partnerships with the Palo Alto Art Center Foundation and Friends of the Palo Alto Children's Theatre the division is planning renovation upgrades of each respective facility. The separate facilities continue to support each other in their programming needs.

The division will continue to restructure and reorganize the administration and management of the Art Center, Children's Theatre, and Community Theatre to accommodate the responsibilities of the frozen position of Director of Arts and Culture. The responsibilities also include Public Art Commission, Neighbors Abroad, Cubberley Artist Studios, Civic Center Lobby exhibitions, and art community relations.

Golf and Parks Division

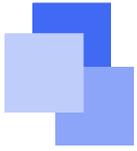
Parks Services will commence maintenance and coordinated programming for the Stanford/Palo Alto Community Playing Fields, plan and coordinate multiple CityWorks park projects scheduled for Hoover, Hopkins, Ramos, Mitchell, Rinconada, Boulware and Bowden Parks. Other parks projects include: providing restrooms at Seale and Eleanor Pardee Parks, the landscape project at the Cubberley Center, median landscaping on San Antonio Road, El Camino Real and Alma Streets, and improvements to Cogswell Plaza. In addition, Parks Services will continue at the Palo Alto Unified School District (PAUSD) athletic field renovation projects at Duvneck, Briones, El Carmello and Palo Verde schools. Tennis and basketball court resurfacing is proposed to re-commence with Infrastructure Management Plan (IMP) funding after a two-year hiatus due to budget constraints. Ongoing coordination with the Friends of Parks group will provide opportunities for enhancing parks infrastructure. Finally, the Division will be restructuring and reorganizing staff workload due to retirements and staff reductions.

Golf Services will continue marketing the facility in order to maintain customer service and related revenues through difficult economic times.

Cubberley Community Center and Human Services Division

Cubberley Community Center & Human Services Division is one of the new divisions in the Community Services Department. The 35-acre community center hosts community artists, dance groups, childcare centers, Foothill College and many non-profit groups. The thriving center will continue to provide a full array of community facilities including fields, tennis courts, a track, gymnasiums, a theatre and classrooms, all of which are available for public rental.

The new division, through its Human Services function, provides assistance to people in need through providing grants to non-profit organizations and providing the Family Resources and the Seasonal Worker Programs. Staff works with a number of community groups to identify areas of concern. These groups include the Human Relations Commission, the Child Care Task Force and the Extended School Child Care Directors Group. In 2005-07, staff will be developing a marketing plan for the center's theatre and specific Human Services programs.



Community Services *continued*

Recreation and Youth Sciences Division

The newly formed Recreation and Youth Sciences Division will continue to provide a diverse range of programs and activities for the community. Over the next two years, staff will focus on creating a culture of fitness and healthy living in Palo Alto by encouraging the involvement of individuals and families in activities that are creative and fun. The division will adjust programs and services to reflect changing community demographics, which among other things will include a sharp rise in the number of adults over the age of 55. Staff will work diligently to recover additional program costs through fees, partnerships, grants and donations.

Recreation services will also continue to focus efforts on youth and teen programming as it relates to the Youth Master Plan. Collaborative programming efforts between the City and other agencies serving youth will remain a priority in order to continue targeting quality services for all age groups. Continued effort will be placed on the efficient marketing of new and existing programs and classes with an emphasis on customer service and measuring satisfaction through survey and evaluation methods. Recreation Division will continue to encourage program participants to use the on-line, Internet based registration system to facilitate a more efficient registration process.

The Junior Museum and Zoo will continue working with the Friends of the Junior Museum and Zoo group to explore funding options for an enhanced Junior Museum and Zoo building. This public-private partnership will provide necessary future funds to significantly improve the Museum beyond the seismic and mechanical improvements identified in the City's infrastructure program. The Junior Museum and Zoo will continue to place a priority on providing fee-based, high quality, science classes, outreach programs and camps.

Open Space Division

The new Open Space Division will continue rebuilding aging infrastructure by improving trail tread and drainage problems on trails in the foothills, replacing wooden foot bridges in Foothills Park, and enhancing picnic areas and camp sites. In the next two years staff will partner with volunteer organizations such as Save The Bay, Friends of Foothills Park and Acterra to restore degraded habitat with native plants that have been propagated at on-site nurseries. Staff will continue to use non-toxic methods such as biological agents, grazing goats, and systematic mowing to control non-native weeds and thistle in open space areas. Through participation in the Santa Clara County Weed Management Area, the City will continue to be at the forefront in developing successful techniques for the restoration of diverse plant communities.

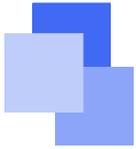
Restructuring

The Department initiated a series of department-wide organizational restructuring. Consequently, the chart of accounts is revised in 2005-07 to reflect the new structure. In order to present a comparative financial data, the "2003-04 Actuals" and the "2004-05 Adjusted Budget" in the department summary section of this budget document were adjusted to conform to the 2005-07 Adopted Budget structure.

NEW PROGRAM UPDATE

The Community Services Department has restructured and now operates with one less management level as part of a cost-saving measure.

- Recreation, Open Space and Sciences has been restructured to form two separate divisions: Recreation and Youth Sciences (RAYS) and Open Space. As part of this change, the Superintendent of Recreation position has been eliminated.
- Arts and Culture now has Co-Division Managers as the Director of Arts and Culture position has been frozen.



Community Services *continued*

- Cubberley Community Center and Human Services now operate as one division hosting local community and non-profit groups and providing an extensive outreach program for those in need. The Manager of Cubberley Community Center position has been eliminated.
- Recreation will begin a process to consolidate youth services into the Mitchell Park Community Center providing more effective programs and easier access to teen programs.
- Parks Division is adding Heritage Park and Stanford/Palo Alto fields as a maintenance operations task.

COUNCIL PRIORITY IMPLEMENTATION

The 2005-07 Community Service Budget will implement the City Council's top five priorities as follows:

Infrastructure:

Projects Managed by the Community Services Department

- Resurface tennis and basketball courts at PAUSD and City park locations (\$137,000)
- Replace irrigation systems at four PAUSD elementary school athletic fields (\$274,000)
- Partner with Stanford in site design and construction of the athletic fields on the Mayfield site (\$800,000)
- Rehabilitate Foothills Park Maintenance Building to modern standards (\$250,000)
- Continue trail restoration work at Foothills Park and Arastradero Preserve (\$252,000)
- Open Space parking and road improvements at Byxbee Park and Baylands Nature Preserve (\$116,000)
- Identify and secure funding for the purchase of the Bressler property

Projects Managed by the Public Works Department

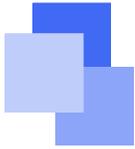
- Renovate Hoover, Hopkins, Ramos, Mitchell, Rinconada, Boulware and Bowden Parks (\$2,227,375)
- Commence landscaping at Cubberley (\$50,000)
- Continue San Antonio Road median and traffic island landscape improvement project (\$567,750)
- Commence Alma Street median improvements (\$309,375)
- Commence Cogswell Plaza improvements (\$130,000)
- Commence Cubberley turf renovation (\$750,000)
- Commence University Avenue Gateway landscaping improvements (\$124,938)

Land-Use Planning

Continue to support the Parks & Recreation Commission for providing additional playing fields, time, and space for Palo Alto's youth.

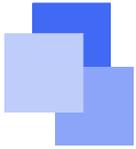
City Finances

Community Services completed an organizational restructuring process. In 2003-05, four senior management positions were eliminated upon retirements and through internal restructuring, the department continues to maintain most service levels. Total savings of all restructuring efforts will be an ongoing excess of approximately \$0.4 million annually. In 2005-07, Community Services Department eliminated 4.0 FTE of regular employees and 7.82 FTE of hourly employees with a total net reduction of \$0.6 million.

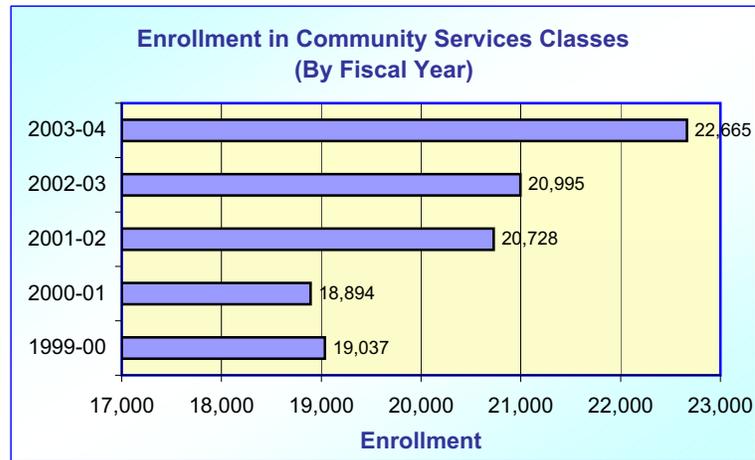


Community Services *continued*

DEPARTMENT SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Administration	1,844,904	740,130	686,949	(53,181)	(7%)	817,112	130,163	19%
Arts and Culture	2,741,896	2,849,633	2,994,577	144,944	5%	2,968,657	(25,920)	(1%)
Parks and Golf Course	5,773,720	6,138,490	6,259,043	120,553	2%	6,163,169	(95,874)	(2%)
Cubberley and Human Services	3,319,673	3,335,808	3,279,787	(56,021)	(2%)	3,191,625	(88,162)	(3%)
Open Space	1,559,632	1,897,341	1,851,728	(45,613)	(2%)	1,861,419	9,691	1%
Recreation and Youth Sciences	4,437,118	4,699,784	4,562,467	(137,317)	(3%)	4,569,420	6,953	0%
TOTAL EXPENDITURES	\$19,676,943	\$19,661,186	\$19,634,551	\$(26,635)	0%	\$19,571,402	\$(63,149)	0%
TOTAL REVENUES	\$6,552,802	\$6,711,253	\$7,266,136	\$554,883	8%	\$7,216,136	\$(50,000)	(1%)
INTERNAL REVENUES	30,761	32,910	48,659	15,749	48%	48,659	0	0%
EXTERNAL REVENUES	6,522,041	6,678,343	7,217,477	539,134	8%	7,167,477	(50,000)	(1%)



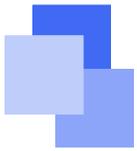
Community Services *continued*



INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	10,728,833	11,142,667	10,878,721	10,701,040
Contract Services	3,054,284	3,024,169	3,025,350	2,985,350
Supplies and Materials	762,662	810,759	841,053	841,053
Facilities and Equipment Purchases	80,907	109,102	89,645	73,845
General Expense	1,498,219	1,603,763	1,518,730	1,487,730
Rents and Leases	72,995	8,969	8,969	8,969
Allocated Charges	3,479,043	2,961,757	3,272,083	3,473,415
Total Expenditures	\$19,676,943	\$19,661,186	\$19,634,551	\$19,571,402
Total Revenues	\$6,552,802	\$6,711,253	\$7,266,136	\$7,216,136
Total Full Time Positions	100.75	99.25	95.25	94.25
Total Temporary Positions	51.31	58.75	50.93	50.93

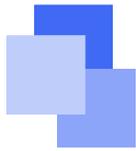
BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of services and programs (New)	1,426	1,400	1,400
2. Total Open Space acres of land operated and maintained (SEA)	3,731	3,731	3,731



Community Services *continued*

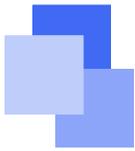
	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Efficiency:			
1. Total number of participants in all classes, theatre events, concerts, and camps (New)	140,961	140,000	140,000
2. Number of acres per ranger of Open Space (SEA)	466	466	466
Effectiveness:			
1. Percent of participants responding good to excellent on evaluation surveys (SEA)	86%	89%	89%
2. Maintenance and operations cost per acre of Open Space (NEW)			\$467



Community Services *continued*

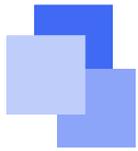
RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES						
Arts and Culture						
New revenue for theater seat sur-charge	60,000		60,000			
Donations/contributions for cultural presentations (offset by expenses)		40,000	40,000			
Increase class fees and revision of the fee reduction program	37,638		37,638			
New revenue for Children's Theatre - increase on ticket price	28,480		28,480			
New revenue for allowing for profit use and rental of city facilities	10,000		10,000			
New revenue for grand piano rental (offset by expenses)	3,100		3,100			
Parks and Golf						
Increase golf green fees	99,700		99,700			
Increase PAUSD field maintenance revenue to align with actual	41,972		41,972			
Increase restaurant lease	12,000		12,000			
Increase driving range fees	10,920		10,920			
Increase tournament fees	13,600		13,600			
Increase cart/club fees	6,000		6,000			
Increase monthly play card fees	5,500		5,500			
Decrease reimbursement from Santa Clara County for maintenance of Oregon Expressway.	(8,000)		(8,000)			
New revenue from lawn bowling				20,000		20,000
Cubberley and Human Services						
New revenue from San Clara County for support of the Family Resource Program		30,000	30,000			
Increase departmental charges on ground maintenance	15,749		15,749			
Open Space						
Increase community garden fee per square foot	25,666		25,666			
Increase fees on fee-based programs	7,000		7,000			
Recreation and Youth Sciences						
Increase fees and revision of fee reduction policy on Junior Museum Zoo (JMZ) summer camps	50,000		50,000			



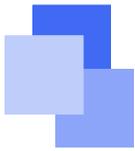
Community Services *continued*

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
Field use fee for the new Mayfield summer soccer complex	47,100		47,100			
Increase aquatics fees	24,050		24,050			
Increase fees on adult sports and special interest classes	13,250		13,250			
New revenue for allowing for profit use and rental of city facilities	20,000		20,000			
Increase fees and revision of fee reduction policy on youth special interest classes	10,000		10,000			
Increase fees on youth aquatic classes	10,000		10,000			
Increase rental fees at Lucie Stern Community Center	10,000		10,000			
Increase fees and revision of fee reduction policy on summer day camps	5,000		5,000			
Increase fees and revision of fee reduction policy on teen programs	5,000		5,000			
Increase fees on JMZ classes, birthday parties and outreach	4,800		4,800			
TOTAL REVENUE CHANGES	\$568,525	\$70,000	\$638,525	\$20,000	\$0	\$20,000
Adjustments (Note 1)	(83,642)		(83,642)		(70,000)	(70,000)
NET REVENUE CHANGES	\$484,883	\$70,000	\$554,883	\$20,000	\$(70,000)	\$(50,000)
EXPENDITURE CHANGES						
Salary and Benefits						
Arts and Culture						
Freeze position of Arts & Culture Division Manager (1.0 FTE)	(153,117)		(153,117)			
Reclassification Program Assistant to Producer Arts/Sciences (1.0 FTE)	17,310		17,310			
Reduce budget for hourly salaries of employees assigned at the front desk area	(3,000)		(3,000)			
Reclassification Staff Secretary to Program Assistant (1.0 FTE)	1,187		1,187			
Parks and Golf						
Eliminate Parks Superintendent effective January 1, 2006 (1.0 FTE)		(64,186)	(64,186)	(128,372)		(128,372)
Eliminate Golf Maintenance Person (1.0 FTE)	(76,198)		(76,198)			



Community Services *continued*

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
Reduce budget for hourly salaries of employees for field renovations and maintenance at PAUSD	(16,500)		(16,500)			
Eliminate standby pay for irrigation repair	(14,053)		(14,053)			
Reduce budget for hourly salaries of seasonal workers for park projects	(10,000)		(10,000)			
Cubberley and Human Services						
Reduce budget for hourly salaries of employees for Cubberley theatre maintenance and reduce office hours	(25,000)		(25,000)			
Open Space						
Reduce budget for hourly salaries of employees providing coverage at Foothills Park front gate	(15,000)		(15,000)			
Recreation and Youth Services						
Eliminate Recreation Supervisor (1.0 FTE)	(110,376)		(110,376)			
Eliminate Office Specialist (1.0 FTE)	(71,406)		(71,406)			
Reduce budget for hourly salaries; will reduce two lower attended summer camps	(24,000)		(24,000)			
Reduce budget for hourly salaries for special events graphic design	(18,000)		(18,000)			
Total Salary and Benefits Changes	\$(518,153)	\$(64,186)	\$(582,339)	\$(128,372)	\$0	\$(128,372)
Salary Increase	106,396		106,396			0
Personnel Benefit Costs (Note 2)	216,365		216,365			
Reduce budget for hourly salaries (Note 4)	(201,888)		(201,888)			
Adjustments (Note 1)	197,521		197,521	(49,306)		(49,306)
Total Net Salary and Benefits Changes	\$(199,759)	\$(64,186)	\$(263,945)	\$(177,678)	\$0	\$(177,678)
Non-Salary						
Arts and Culture						
New expense for grand piano tuning (offset by revenue)	3,100		3,100			



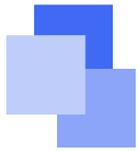
Community Services *continued*

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
Increase contract services for cultural presentation (offset by revenues)		40,000	40,000			
Increase facilities equipment		800	800			
Parks and Golf						
Eliminate tennis court clearing and park repair service contract; park repairs will be done in-house	(60,000)		(60,000)			
Credit card fees for Golf Course	34,000		34,000			
Increase contract management fee for Golf Course	32,251		32,251			
New maintenance and security for new Homer Street underpass and Mayfield fields (offset by recreation field use fees)	23,600		23,600			
Reduce planting materials	(8,000)		(8,000)			
Reduce landscape pesticide contract	(7,000)		(7,000)			
Purchase of field groomer equipment for Stanford/Palo Alto playing field (offset by recreation field use fees)		15,000	15,000			
Cubberley and Human Services						
Reduce HSRAP funding	(63,943)	35,492	(28,451)			
Reduce landscape maintenance at Cubberley	(11,000)		(11,000)			
Reduce softball and running track maintenance to every two years	(9,000)		(9,000)			
Recreation and Youth Services						
Increase contract services for special events graphic design	12,000		12,000			
Total Non-Salary Changes	\$(53,992)	\$91,292	\$37,300	\$0	\$0	\$0
TOTAL EXPENDITURE CHANGES	\$(253,751)	\$27,106	\$(226,645)	\$(177,678)	\$0	\$(177,678)
Adjustments (Note 1)	(177,399)		(177,399)	(86,800)		(86,800)
Allocated charges (Note 3)	377,409		377,409	201,329		201,329
NET EXPENDITURE CHANGES	\$(53,741)	\$27,106	\$(26,635)	\$(63,149)	\$0	\$(63,149)

RESOURCE LEVEL NOTES

Note 1: Adjustments include prior one-time revenues and expenditure items that did not carry forward into the Adopted Budget. Other changes are the result of one-time items that were included in the 2004-05 mid-year adjustment.

Note 2: Personnel benefits costs have escalated mainly due to health care increases and increased pension costs.



Community Services *continued*

Note 3: Allocated charges are increasing primarily due to a resumption of Technology Fund operational charge-backs.

Note 4: Hourly budget is projected to decrease based on the initial analysis of a zero-based budget.

SERVICE LEVEL CHANGES

Since January 2004 and included in this budget adoption, the Community Services Department has eliminated 10% of its total workforce and 23% of its management staff. Due to the economic environment and adopted budget reductions, service level decreases within the Community Services Department are as follows:

Arts and Culture Division

- The amount of funding and support for public art will be reduced by \$10,000 in 2005-07.
- The Brown Bag and Twilight summer concerts will occur only if outside funding sources can be secured.
- Some Art Center events will be reduced or eliminated.

Cubberley Community Center Human Services Division

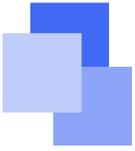
- Landscape maintenance is reduced. Building and grounds may not look as well maintained.
- HSRAP funding will be reduced by 5%.
- Annual theatre equipment maintenance will be reduced.
- Cubberley front office hours will be reduced.

Parks and Golf Division

- Irrigation repairs will only be done during regular working hours. On-call repairs will no longer be available and may result in water waste, turf and plant loss, and fields possibly being temporarily closed.
- Park and Golf athletic field, landscape, and turf maintenance will be reduced to lower standards.
- Seasonal park staffing reductions will result in reduced baseball and softball field lining and preparation; inability to repair potholes on a timely basis, increased litter and weeds in and around fences, backstops, bleachers, etc.
- Seasonal park staffing reductions will result in decreased trimming, edging, playground services and maintenance at Lucie Stern Center and Rinconada Park.
- Parks management staffing reduction will result in decreased oversight, planning and training of parks maintenance and parks athletic field staff as well as increased responsibilities for park IMP planning and new areas of maintenance.
- Seasonal golf staffing reduction will result in decreased bunker edging, raking and cleanup, reduced turf mowing levels of rough areas, and decreased maintenance activities for turf renovations.
- Parks Seasonal staffing reductions and restructuring will result in 20% of City and PAUSD athletic fields being renovated every other year, rather than annually.
- Tennis court cleaning is eliminated.

Recreation and Youth Sciences Division

- Summer Camps and Special Interest Classes with low enrollment will be eliminated resulting in less variety of programs.
- Mitchell Park Community Center will reduce daily custodial service from eight hours to four hours.



Community Services *continued*

Consequently the facility will only be cleaned in the morning. Recreation staff will need to take on some custodial responsibilities in the afternoon hours and visitors and users of Mitchell Park Community Center may experience a less tidy and clean facility.

- Program registration services in south Palo Alto will move from Mitchell Park Community Center to Cubberley Community Center. The Mitchell Park Community Center front desk will have reduced hours and services.
- City funding for the Dog's Best Friend Run and some staff support for the May Fete Parade and the Chili Cook-off will be eliminated. Recreation staff will seek outside funding to support the Dog's Best Friend Run. If outside funding is not found the event will be eliminated. The additional workload due to reduced hourly support for the May Fete Parade and the Chili Cook-off will be absorbed by remaining Recreation staff and volunteers.

Open Space Division

- Coverage at Foothills Park's front gate will be reduced on weekends and some holidays.

COMPREHENSIVE PLAN OVERVIEW

The Community Services Department's Adopted Budget includes the following resources directed toward implementing the programs and policies of the Comprehensive Plan.

LAND USE AND COMMUNITY DESIGN

Arts and Cultural services will continue to explore, recommend, and commission opportunities for art in public places (L-16, L-19, L-28, L-47, L-62, L-69, L-70, L-72). Public Art Commission will work with Parks Division to initiate entryway and parks art projects.

Parks Services will complete a variety of infrastructure projects to strengthen and enhance the identity of community "Entry Points" (gateways) and other City maintained areas with appropriate art and landscaping (L-72).

Human Services will implement the Child Care Master Plan to increase child care slots (L-43) and implement Phase 3 of the Family Resources Implementation Plan, which will increase public Internet access sites and search for outside funding sources. (L-68).

TRANSPORTATION

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

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

HOUSING

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



Community Services *continued*

NATURAL ENVIRONMENT

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

Parks and Golf Services will continue its tree planting programs (N-17), and will continue to pursue resources for tree planting (N-18). Golf Services will continue environmentally sound maintenance programs to preserve and protect the bay, marshlands and other natural water and wetland areas (N-8); continue maintenance programs to minimize the use of toxic and hazardous materials (N-30); and use recyclable goods for park furnishings and other equipment replacement (N-36). Parks and Golf Services will continue to protect the community from excessive noise impacts (N-40, N-42, N-43, N-59) and minimize exposure to hazards through the Division Emergency Planning (N-55). The Open Space division will work with specialized contractors to control invasive, non-native plants in open space areas using environmentally safe integrated pest management practices (N-30).

Open Space staff will work with the Peninsula Open Space Trust to seek federal and state grant funding to purchase the 13-acre parcel of riparian habitat within the Pearson-Arastradero Preserve in order to complete the Preserve and expand recreational opportunities.

COMMUNITY FACILITIES AND SERVICES

Arts and Culture will continue to work as a public/private partnership with the Palo Alto Art Center Foundation for the purpose of renovating and expanding the Art Center (C-19), and providing art education programs and outreach between Palo Alto and East Palo Alto. The Children's Theatre will continue to work cooperatively with the PAUSD and other agencies to design and provide educational programs, classes, and outreach programs appealing to a broad range of ages and educational backgrounds. (C-17)

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

Arts and Culture will deliver City services in a manner that creates and reinforces positive relationships among City employees, residents, businesses, and other stakeholders. (C-8)

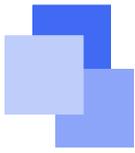
Arts and Culture will continue to support provision, funding, and promotion of services and programs for children and youth. (C-12)

Arts and Culture will encourage the continuation and development of after-school and evening programs for children and youth. (C-18)

Arts and Culture will explore ways to expand the space available in the community for art exhibits, classes and other cultural activities; plan expansion of the Art Center to provide space for more classes and exhibits, and make provisions in new facilities for art exhibition space. (C-23)

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

Park Services will implement irrigation renovations at City and School District sites (C-19) and address safety and accessibility issues through playground and infrastructure renovations (C19). Parks and Golf will continue its collaborative relationship with PAUSD in cooperative cost sharing for Athletic Field Maintenance (C-1, C-4).



Community Services *continued*

Golf Services will continue the quality and affordability of youth and senior services (C-3); continue to implement a customer service evaluation system (related strategies for improving customer service) (C-10); continue staff training in customer service oriented management techniques (C-11); and coordinate the Golf Management Team to improve customer service (C-9).

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

Human Services Division, in collaboration with non-profit service providers, will play a principal role in the establishment of an Opportunity Center to serve low-income and homeless people and families. (C-1, Policy C-7, C-1)

Human Services will continue implementing Family Resources to assure community awareness of services provided within the city. Family Resources continues to promote partnerships and coordination to avoid duplication of services. (Goal C-1, Program C-1, Policy C-7).

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

The Cubberley Community Center will continue to develop public/private partnerships to improve the interiors of meeting rooms, dance studios and gymnasiums given limited capital improvement resources, and will continue to maintain landscaping as operating funds allow (C-19).

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

The Open Space Division will complete construction of the Arastradero Gateway Educational Facility at the Pearson-Arastradero Preserve in order to provide educational opportunities for the public and a training and staging facility for Preserve stewards and volunteers.

BUSINESS AND ECONOMICS

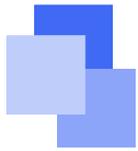
Arts and Cultural Services will continue to explore, recommend, and commission opportunities for art in public places with particular emphasis on Palo Alto business districts (B-3).

Arts and Culture Services will encourage the use of public/private partnerships as a means of redeveloping and revitalizing the Art Center. (B-11)

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

Golf Services will promote an attractive, vibrant business center at the golf course, and support public/private partnerships for revitalizing golf business operations (C-9).

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



Community Services *continued*

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

GOVERNANCE

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

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

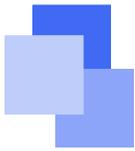
Arts and Culture Services will continue to provide support to the Public Art Commission (G-2). Arts and Culture services will work with the Friends of the Children's Theatre and the Palo Alto Art Center Foundation to develop fund raising alternatives in support of the programs and services offered by the Children's Theatre and the Art Center (G-11).

The Human Services Division will continue to staff the City of Palo Alto's Human Relations Commission and provide support to its Ad-Hoc committees as well as implement the Family Resources Plan (phases two and three) (G-11, G-12).

Golf Services will continue the resident reservation system and use of advisory bodies to assist staff on policy and operational issues (G2).

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

The Recreation and Youth Sciences Division and the Open Space Division will continue to supplement city resources and enhance services through the recruitment and use of volunteers (G-11).



Community Services *continued*

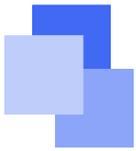
ARTS AND CULTURE

To instill passion for the arts in all its forms.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,816,480	1,811,665	1,960,663	1,963,533
Contract Services	514,441	502,826	529,926	489,926
Supplies and Materials	112,604	126,857	123,604	123,604
Facilities and Equipment Purchases	35,686	50,187	30,300	29,500
General Expense	24,648	91,639	90,639	90,639
Rents and Leases	18,816	400	400	400
Allocated Charges	219,221	266,059	259,045	271,055
Total Expenditures	\$2,741,896	\$2,849,633	\$2,994,577	\$2,968,657
Total Revenues	\$864,744	\$994,468	\$1,067,564	\$1,027,564
Total Full Time Positions	17.69	18.25	18.25	18.25
Total Temporary Positions	6.52	7.52	7.45	7.45

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of theatre performances, concerts, exhibits and related activities	371	370	370
2. Number of classes, camps, workshops, special programs and tours for children and youth	1,148	1,188	1,224
3. Number of classes, workshops and special programs for adults	2,000	2,000	2,000
Efficiency:			
1. Number of volunteers	2,578	2,670	2,745
2. Percent of youth classes reaching target attendance (New)		65%	70%
3. Percent of adult classes reaching target attendance (New)		65%	70%
Effectiveness:			
1. Number attending theatre performances, concerts, exhibits and related activities	118,296	120,000	122,800
2. Youth participants in classes, camps, workshops, special programs and tours	14,773	14,800	14,800
3. Adult participants in classes, workshops and special programs	2,192	2,341	2,400



Community Services *continued*

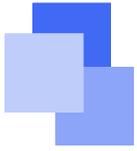
PARKS AND GOLF COURSE

To maintain Palo Alto's diverse urban parks, landscape, and school district fields while promoting golf services to meet diverse customer requirements.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	2,898,174	3,203,817	3,198,275	3,095,351
Contract Services	1,300,866	1,274,625	1,273,251	1,273,251
Supplies and Materials	347,078	344,133	378,053	378,053
Facilities and Equipment Purchases	6,181	14,570	15,000	0
General Expense	35,371	40,600	35,500	35,500
Rents and Leases	11,585	300	300	300
Allocated Charges	1,174,465	1,260,445	1,358,664	1,380,714
Total Expenditures	\$5,773,720	\$6,138,490	\$6,259,043	\$6,163,169
Total Revenues	\$3,240,059	\$3,340,118	\$3,537,559	\$3,557,559
Total Full Time Positions	35.22	35.10	33.10	33.10
Total Temporary Positions	3.10	4.10	3.21	3.21

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of golf course acres maintained (New)	164	164	164
2. Number of customer service coordination meetings with golf shop and food and beverage tenants (New)	20	22	24
3. Number of acres of urban parks, medians, fields, business districts, playgrounds, school sites and tennis facilities maintained (SEA)	261	261	269
Efficiency:			
1. Percent of all Golf Course turf areas maintained at average maintenance standards	90%	90%	80%
2. Percent of Golf cost recovery	100%	101%	105%
3. Percent of athletic fields mowed once weekly	90%	90%	90%
Effectiveness:			
1. Number of golf rounds played annually (NEW)	87,000	85,000	83,000



Community Services *continued*

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
2. Percent of golf customers rating service satisfaction fair or better	85%	85%	85%
3. Percent of residents using parks at least three times annually (SEA)	74%	74%	75%



Community Services *continued*

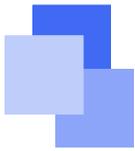
CUBBERLEY AND HUMAN SERVICES

To promote and sustain a safety net of services to improve the quality of life in the community while enhancing the vitality of Cubberley as a community center.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,304,801	1,260,960	1,286,731	1,203,450
Contract Services	309,436	316,353	262,353	262,353
Supplies and Materials	43,574	54,247	54,247	54,247
General Expense	1,313,915	1,332,803	1,264,352	1,233,352
Rents and Leases	4,685	0	0	0
Allocated Charges	343,262	371,445	412,104	438,223
Total Expenditures	\$3,319,673	\$3,335,808	\$3,279,787	\$3,191,625
Total Revenues	\$10,749	\$37,000	\$67,000	\$37,000
Total Full Time Positions	12.99	12.10	12.10	11.10
Total Temporary Positions	5.21	6.21	5.49	5.49

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of Ambassador Development Training Sessions	6	6	6
2. Number of Cubberley facility rental bookings	1,400	1,500	1,500
Efficiency:			
1. Number of ambassadors trained	30	30	30
2. Number of Cubberley facility hours rented	33,392	35,777	35,777
Effectiveness:			
1. Number of increased referrals to non-profit providers due to Ambassador Development Program	900	900	900
2. Total Revenue resulting from bookings	\$740,000	\$793,000	\$793,000



Community Services *continued*

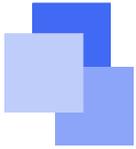
OPEN SPACE

To protect and interpret our natural world for people to enjoy and understand now and in the future.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,002,964	1,250,612	1,176,354	1,178,002
Contract Services	129,968	205,771	205,771	205,771
Supplies and Materials	46,761	41,160	36,460	36,460
Facilities and Equipment Purchases	15,425	12,006	20,006	20,006
General Expense	23,732	17,875	17,875	17,875
Rents and Leases	13,523	8,269	8,269	8,269
Allocated Charges	327,259	361,648	386,993	395,036
Total Expenditures	\$1,559,632	\$1,897,341	\$1,851,728	\$1,861,419
Total Revenues	\$139,793	\$89,095	\$116,241	\$116,241
Total Full Time Positions	10.33	11.93	10.63	10.63
Total Temporary Positions	3.22	4.22	4.22	4.22

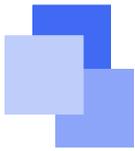
BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of hours of park ranger patrol annually(New)	2,900	2,950	2,900
2. Number of children enrolled in nature interpretive classes (SEA)	1,166	1,200	1,300
3. Number of visitors at Foothills Park (SEA)	139,787	150,000	150,000
Efficiency:			
1. Percent of emergency response calls responded to by park rangers within five minutes	90%	91%	90%
2. Percent of nature interpretive classes provided with at least minimum attendance level (80 percent of class maximum)	75%	80%	80%
3. Percent of facility, campsite and restroom complaints satisfactorily resolved within 48 hours (New)		80%	85%
Effectiveness:			
1. Number of calls for service responded to by park rangers (New)	230	250	250
2. Percent of program participants rating open space programs as "good" or "excellent"	92%	95%	95%



Community Services *continued*

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
3. Percent of park visitors rating themselves as "satisfied" or "highly satisfied" on an overall park visitor satisfaction survey (New)	95%	97%	95%



Community Services *continued*

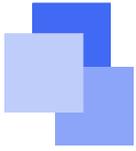
RECREATION AND YOUTH SCIENCES

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	3,043,224	3,234,879	3,023,205	3,026,824
Contract Services	717,336	720,294	749,749	749,749
Supplies and Materials	206,912	231,402	235,729	235,729
Facilities and Equipment Purchases	23,615	30,839	22,839	22,839
General Expense	71,117	104,996	94,514	94,514
Rents and Leases	16,082	0	0	0
Allocated Charges	358,832	377,374	436,431	439,765
Total Expenditures	\$4,437,118	\$4,699,784	\$4,562,467	\$4,569,420
Total Revenues	\$2,234,525	\$2,250,572	\$2,447,772	\$2,447,772
Total Full Time Positions	22.25	20.07	19.47	19.47
Total Temporary Positions	33.03	36.47	30.33	30.33

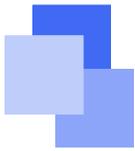
BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Enrollment in Recreation & Youth Science programs (SEA)	21,575	22,850	23,000
2. Annual estimated attendance - Junior Museum and Zoo	150,000	150,000	150,000
3. Number of Special Events (SEA)	5	6	4
Efficiency:			
1. Percent of registrations processed online for Recreation and Youth Science programs (New)	33%	40%	50%
2. Donations and grants that help support Junior Museum and Zoo (New)	\$77,485	\$77,485	\$77,485
3. Donations and grants that help support Special Events (New)	\$91,735	\$512,304	\$100,000
Effectiveness:			
1. Percent of customers rating the quality of Recreation and Youth Science programs good or excellent (SEA)	86%	90%	90%
2. Percent of visitors rating their experience at the Junior Museum and Zoo as good or excellent (New)		90%	90%



Community Services *continued*

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
3. Percent of participants rating their experience at special events as good or excellent (New)		90%	90%



Community Services *continued*

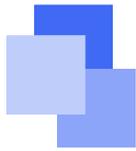
HUMAN SERVICE CONTRACTS

EXPENDITURE CATEGORY	ADOPTED	AGENCY	ADOPTED		
	BUDGET	REQUESTS	BUDGET	ONE-TIME	TOTAL
	2004-05	2005-06	2005-06		
			ONGOING		
Sole Source Contractors					
Avenidas - Senior Services (1)	434,708	447,750	420,216		420,216
PACCC - Child Care Subsidy and Outreach (1)	435,512	469,625	425,720		425,720
Second Harvest Food Bank - Operation Brown Bag (1)	7,157	7,372	7,372		7,372
Project Sentinel - Palo Alto Mediation Program (1)	65,641	68,923	61,149	4,492	65,641
Sole Source Contractors Subtotal	943,018	993,670	914,457	4,492	918,949
HUMAN RESOURCE ALLOCATION PROCESS					
Two-Year Contractors					
Adolescent Counseling Services (2)	106,879	106,266	90,000		90,000
Alliance for Community Care - Homeless Outreach	24,706	95,033	24,000		24,000
Clara Mateo Alliance - Elsa Segoviz Center	18,125	0	0		0
Community Assoc. for Rehabilitation - Disabilities Services	42,354	64,387	40,353		40,353
Community Technology Alliance- Subsidized Housing Web-site	13,853	13,853	12,300		12,300
La Comida - Senior Nutrition	33,700	35,048	33,000		33,000
MayView Health Center - Health Care Food Bank for low-income	18,942	17,000	17,000		17,000
Peninsula Center for Blind & Visually Impaired	8,975	17,647	0		0
Senior Adult Legal Assistance	8,528	8,800	8,800		8,800
Social Advocates for Youth-Safe Place Program	8,166	0	0		0
Support Network for Battered Women	18,412	25,000	18,000		18,000
Inn Vision -Urban Ministry of Palo Alto - Hot Meal Program (3)	60,971	67,000	36,000	31,000	67,000
Bay Area Community Resources/ Youth Community Service	12,224	25,000	12,000		12,000
Parents Helping Parents, Inc. (PHP)	0	10,000	0		0
PARCA	0	24,800	0		0
Community Technology Alliance (HMIS SCI)	0	15,000	0		0
Community Health Awareness Council	0	11,600	9,000		9,000
YMCA of the Mid-Peninsula	0	28,000	0		0
Two-Year Contractors Subtotal	375,835	564,434	300,453	31,000	331,453
TOTAL	\$1,318,853	\$1,558,104	\$1,214,910	\$35,492	\$1,250,402

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

(2) Includes one-time grant of \$15,000 in 2004-05

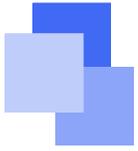
(3) Includes one-time grant of \$25,000 in 2004-05



Community Services *continued*

GOLF COURSE FINANCIAL SUMMARY

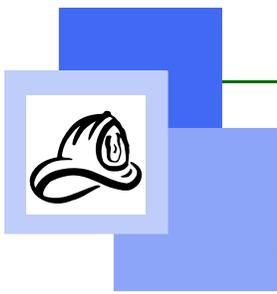
	2002-03 ACTUALS	2003-04 ACTUALS	2004-05 PROJECTED	2005-06 ADOPTED BUDGET
Revenues				
Tournament fees	\$2,204	\$9,688	\$3,200	\$16,800
Green Fees	2,108,186	2,126,478	2,200,000	2,312,000
Monthly play cards	149,773	152,343	155,000	153,000
Driving range	404,347	393,506	404,000	415,000
Cart/club rentals	279,036	277,701	255,000	248,000
Proshop lease	3,116	14,825	36,000	36,000
Restaurant lease	48,376	4,000	15,000	62,000
Coffee Shop Utilities	25,920	2,160		22,000
Interest Income - Debt Service	48,535	42,208	40,000	30,000
TOTAL REVENUE	\$3,069,493	\$3,022,909	\$3,108,200	\$3,294,800
Expenditures				
Debt Expenses				
Debt Service	702,116	553,616	557,516	555,769
Closure of Debt Service Project Fund	(42,500)	(192,000)		
Loan payment to Vehicle Replacement Fund for CIP 10025		155,337		
Subtotal	659,616	516,953	557,516	555,769
Operating Expenses				
Salaries	550,466	554,938	558,000	562,511
Benefits	323,696	295,720	234,000	283,665
Miscellaneous				
Supplies and Materials	142,789	163,936	145,000	188,103
General Expense	995	336	1,950	
Rents and Leases	3,351	4,008	3,400	
Facilities and Equipment Purchases	2,698	1,502	9,500	
Allocated Charges	387,542	437,717	526,000	562,743
Cost Plan	295,153	284,097	270,000	289,603
Subtotal	1,706,690	1,742,254	1,747,850	1,886,625
Contract Services				
Miscellaneous	74,716	81,442	70,000	54,530
Range fees	161,739	157,402	162,000	161,500
Cart rentals	101,899	103,172	97,000	88,200
Club rentals	8,685	7,909	9,000	9,000
Fixed management fees	371,674	332,071	322,000	322,251
Credit card fees		32,699	33,000	34,000
Subtotal	718,713	714,695	693,000	669,481
TOTAL EXPENSES	\$3,085,019	\$2,973,902	\$2,998,366	\$3,111,875
Annual Net	\$(15,526)	\$49,007	\$109,834	\$182,925



Community Services *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 2005-07 the department will continue to provide confined space rescue training for the Fire, Public Works and Utilities departments. The Department will also continue to evaluate opportunities for outsourcing services to neighboring jurisdictions. The department will continue to prepare City staff and the community for major disaster mitigation, preparedness, response, and recovery through the Office of Emergency Services (OES) and the Palo Alto Neighborhood Disaster Activity (PANDA) program.

For a second year in 2005-06, the Fire Department and OES have been awarded approximately \$90,000 in grant monies to train in the areas of Incident Command and Hazardous Materials. The training will enhance the department's ability to handle large-scale emergencies by improving the preparation of personnel to manage major events.

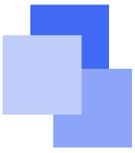
The Fire Prevention Bureau will continue to focus on improving efficiency through the following: ongoing cross-training; re-evaluating inspection priorities; continued integration of existing data management systems (such as the automated billing process for annual hazardous materials and fire safety permits); cost effective implementation of new automated data management systems; and development of new methods to gather and use information to improve emergency response capabilities. In 2005-06, the Bureau plans to complete the integration of an online hazardous materials reporting system with the City's geographic information system (GIS) for emergency response use. Updated and current run maps will be placed on all fire apparatus. The Bureau will re-evaluate priorities and work assignments to compensate for the elimination of the Environmental Protection Coordinator position and will continue ongoing cross-training activities for inspection and plan review staff.

The Department will continue to operate a Basic Life Support (BLS) ambulance along with the necessary BLS staff. The ambulance will be available for inter-facility transports. In addition, the Fire Department plans to implement a BLS downgrade program. This enhancement will increase the level of service to the community and increase the efficiency of the current EMS system without additional cost to the City. The program is projected to achieve full cost recovery through revenue generated from fees. The department will continue to pursue aggressive marketing strategies to attract customers to the BLS program.

In 2005-06, the Fire Department will continue to actively explore restructuring strategies and opportunities to promote cost-savings and organizational efficiency. In 2005-07, the Department plans to place in service two additional ALS engine companies. The Department will be requesting a reclassification of six Apparatus Operator/Firefighter positions to Apparatus Operator Paramedic/Firefighter Medic in an ongoing effort to staff the City's Engine Companies with Advance Life Support (ALS) capability. Municipal fees for BLS and ALS transport and related services will be increased to reflect consistency with the industry standard and to reconcile with new Medical and Medicare regulations that are anticipated to impact the insurance collection rates.

NEW PROGRAM UPDATE

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



Fire *continued*

Paramedics On Engine Companies

- The Fire Department is planning to place six additional reclassified Paramedics on Engine Companies in 2005-07. The authorized positions for Apparatus Operator/Medic will increase from 13 to 16 in 2005-06 and Firefighter/Medic from 20 to 23 in 2006-07. This will provide six of the seven front-line engine companies with ALS capability. All necessary equipment has been received and engines have been appropriately outfitted.

Basic Life Support (BLS) Ambulance Service

- A pilot program in 2003-04, the Basic Life Support (BLS) transport program will expand to include Basic Life Support downgrades. This program is permitted under Santa Clara County Emergency Medical Services (EMS) guidelines. This enhancement to the program will allow Paramedics on the scene to relegate non-emergency, lower-level medical calls to be transported by the BLS unit. The result will be increased availability of ALS units for priority calls. This will enable the Palo Alto Fire Department to transport the majority of medical calls for which the ALS units are currently unavailable. There will be less reliance on the outside County ambulance provider and an increase in billable medical calls. Increased revenues from this program will offset any increased program costs.

Live Fire Training

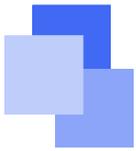
- The Department plans to explore the possibilities for live fire training in order to enhance our capabilities to respond to structure fires and emergency situations. The training will emphasize fire ground safety and will offer fire response and prevention personnel a live fire setting. This type of experience is invaluable for real fire conditions. Major consideration will be made in terms of community education and acceptance. Live fire training will be cost neutral and may reduce costs by replacing fire simulation equipment that the Department must currently rent or purchase.

Pre-Incident Plan (New)

- The Fire Department will complete and implement a community outreach program to encourage building owners and businesses to prepare a basic Pre-fire Incident plan. This plan will be submitted to the Department and integrated into the City's GIS system for access by emergency responders. This is a no-cost program that will improve the Department's response for many types of calls for service.
- In coordination with the Planning Department, the Department will create a brochure for the community on emergency preparedness and earthquake retrofit requirements.

Data Management Systems

- Hazardous Materials: In coordination with other agencies and local industry the Department will continue to develop an online process for collecting required hazardous materials inventories and associated information. The Fire Department will act as project manager for two state funded projects to further enhance this system. Staff time devoted to project management is reimbursable from the project funds.
- Run Maps: The Department will implement a new GIS based emergency response run map program beginning in March 2005. In 2005-06, the Department, in coordination with other cities, will integrate automatic GIS map updates, hazardous materials information and pre-incident facility information for use on mobile data computers on response vehicles. GIS based maps will be displayed and automatically updated on mobile data computers, which will replace paper-based maps.
- SunPro Occupancy and Training modules: In 2005-06, the Fire Department will implement two new modules in the existing data management system used currently to manage incident reporting. The Occupancy module will



Fire *continued*

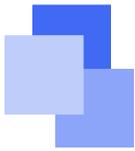
manage engine company fire inspections and the Training module will allow electronic submittal and tracking of training records. These modules will streamline record keeping and ensure that training reimbursements are fully recovered.

- Prehospital Care Tracking System (PCTS) data collection and reporting: In 2005-06, the Department will begin using computers in the field to capture medical call information. The medical information will be forwarded to hospitals prior to ambulance arrival, to generate legal documentation and billing information. This will expedite billing and satisfy State-reporting requirements.

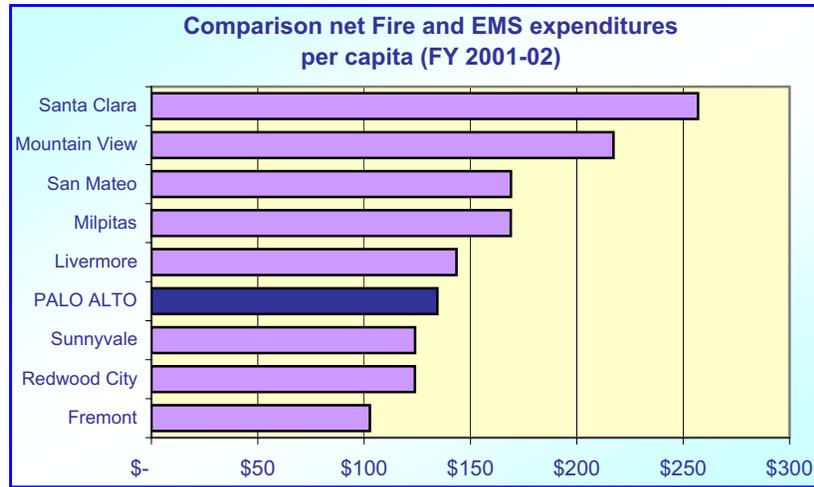
COUNCIL PRIORITY IMPLEMENTATION

The Fire Department has no programs in 2005-07 that directly impact the City Council's top five priorities.

DEPARTMENT SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Fire Administration	1,525,678	750,343	929,355	179,012	24%	1,395,168	465,813	50%
Emergency Response	12,664,390	13,639,519	14,398,495	758,976	6%	14,485,005	86,510	1%
Environmental Safety Management	1,657,943	1,973,100	1,920,271	(52,829)	(3%)	1,924,063	3,792	0%
Training and Personnel	1,884,838	1,871,745	1,982,445	110,700	6%	1,978,307	(4,138)	0%
Records and Information Manage- ment	1,065,629	863,408	929,683	66,275	8%	943,154	13,471	1%
TOTAL EXPENDITURES	\$18,798,478	\$19,098,115	\$20,160,249	\$1,062,134	6%	\$20,725,697	\$565,448	3%
TOTAL REVENUES	\$7,875,657	\$9,312,323	\$9,296,227	\$(16,096)	0%	\$9,389,332	\$93,105	1%
INTERNAL REVENUES	304,775	299,365	299,365	0	0%	299,365	0	0%
EXTERNAL REVENUES	7,570,882	9,012,958	8,996,862	(16,096)	0%	9,089,967	93,105	1%



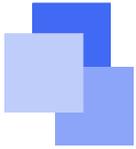
Fire *continued*



INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	16,064,098	16,863,846	17,563,435	17,596,403
Contract Services	284,584	468,589	468,589	468,589
Supplies and Materials	357,236	320,619	320,619	320,619
Facilities and Equipment Purchases	138,892	224,943	224,943	224,943
General Expense	28,320	37,975	37,975	37,975
Rents and Leases	16,764	0	0	0
Allocated Charges	1,908,584	1,182,143	1,544,688	2,077,168
Total Expenditures	\$18,798,478	\$19,098,115	\$20,160,249	\$20,725,697
Total Revenues	\$7,875,657	\$9,312,323	\$9,296,227	\$9,389,332
Total Full Time Positions	127.50	128.00	126.00	126.00
Total Temporary Positions	0.75	0.75	0.10	0.10

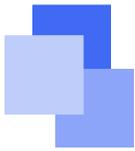
BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Total Responses to emergency calls	6,675	6,700	6,800
2. Number of training opportunities through PANDA classes	21	21	21
3. Number of fire safety, bike safety, and disaster preparedness presentations (SEA)	199	200	200



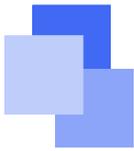
Fire *continued*

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
4. Number of ordinary hazard facilities inspected for fire safety (SEA)	793	1,400	1,500
Efficiency:			
1. Average emergency response time for all calls	5:36	6:00	6:00
2. Number of PANDA volunteers recruited and trained	80	85	90
3. Number of residents provided with fire safety, bike safety, and disaster preparedness training	5,821	5,850	5,850
4. Percent of ordinary hazard facilities inspected annually for fire safety	18%	30%	30%
Effectiveness:			
1. Percent rating fire services as good or excellent (Palo Alto Fire Department Post Incident Customer Satisfaction Survey)	96%	90%	90%
2. Percent of PANDA volunteers who completed training	95%	90%	90%
3. Percent of residents rating fire prevention and education good or excellent (SEA survey)	85%	85%	85%
4. Percent of ordinary hazard fire safety inspections where facility was found in compliance or returned to compliance within department standards	90%	94%	95%



RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES						
SLAC fire services reimbursement	(150,000)		(150,000)			
Stanford fire services	(64,194)		(64,194)	50,820		50,820
Paramedic service fee	84,283		84,283	159,000		159,000
Domestic preparedness grant		116,715	116,715			
EPA readiness grant	13,000		13,000			
Other Agencies reimbursement	(14,000)		(14,000)			
Disaster kit sales	(1,900)		(1,900)			
TOTAL REVENUE CHANGES	\$(132,811)	\$116,715	\$(16,096)	\$209,820	\$0	\$209,820
Adjustments (Note 1)					(116,715)	(116,715)
NET REVENUE CHANGES	\$(132,811)	\$116,715	\$(16,096)	\$209,820	\$(116,715)	\$93,105
EXPENDITURE CHANGES						
Salary and Benefits						
Eliminate Coordinator, Environmental Protection (1.0 FTE)	(161,983)		(161,983)			
Eliminate Battalion Chief, EMT/SLAC (1.0 FTE)	(168,158)		(168,158)			
Freeze Chief Officer - Emergency Operations (1.0 FTE)	(168,158)		(168,158)			
Add Apparatus Operator Paramedic (3.0 FTE), Drop Apparatus Operator (3.0 FTE)	39,883		39,883			
Add Firefighter Paramedic (3.0 FTE), Drop Firefighter (3.0 FTE)				27,540		27,540
Reduce Overtime in Station 8	(60,000)		(60,000)			
Overtime reimbursement from Domestic preparedness grant		36,715	36,715			
Total Salary and Benefits Changes	\$(518,416)	\$36,715	\$(481,701)	\$27,540	\$0	\$27,540
Salary Increase (Note 4)	308,324		308,324			
Personnel Benefit Costs (Note 2)	1,118,742		1,118,742	42,143		42,143
Adjustments (Note 1)	(245,776)		(245,776)		(36,715)	(36,715)
Total Net Salary and Benefits Changes	\$662,874	\$36,715	\$699,589	\$69,683	\$(36,715)	\$32,968
Non-Salary						
Allocated Charges (Note 3)	362,545		362,545	532,480		532,480
Total Non-Salary Changes	\$362,545	\$0	\$362,545	\$532,480	\$0	\$532,480



Fire *continued*

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
TOTAL EXPENDITURE CHANGES	\$1,025,419	\$36,715	\$1,062,134	\$602,163	\$(36,715)	\$565,448

RESOURCE LEVEL NOTES

Note 1: Adjustments include prior one-time revenues and expenditure items that did not carry forward into the Adopted Budget. Other changes are the result of one-time items that were included in the 2004-05 mid-year adjustment.

Note 2: Personnel benefits costs have escalated mainly due to health care increases and increased pension costs.

Note 3: Allocated charges are increasing primarily due to a resumption of Technology Fund operational charge-backs.

Note 4: Contractual compensation increase per International Association of Fire Fighters (IAFF) agreement

SERVICE LEVEL CHANGES

The Fire Department Store will be discontinued due to low Internet sales. Existing merchandise will continue to be sold through the Fire Administration office.

Emergency Medical Services: The program enhancement with BLS downgrades will provide an increased level of service on medical calls in the Palo Alto/Stanford communities and result in increased revenues generated for ambulance transport. Non-emergent patients will be transported to receiving facilities in a more efficient and timely manner. The addition of two ALS staffed Engine Companies will result in six of the seven front-line engine companies having the capability for paramedic intervention with the arrival of the first response unit on scene.

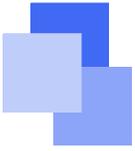
The Office of Emergency Services is conducting a public education campaign for Disaster Preparedness for Older Adults. This outreach is being achieved through the use of volunteers and resources supplied through a grant. The grant is part of the countywide Community Emergency Response Teams Committee that is focusing on vulnerable populations.

Fire Prevention Bureau: The previous reduction by two of the four fire inspector positions in the Fire Prevention Bureau impacted the Department's ability to conduct new construction and tenant improvement plan reviews, related inspections and annual compliance inspections. Plan review turnaround time has increased to 40 days from 28 days. For the first seven months of 2004-05, the department met the new goal 90 percent of the time. The target for advance notice for related inspections has increased from 48 hours to 72 hours. Hazardous materials annual compliance inspections dropped to 53 percent. The elimination of the Environmental Protection Coordinator will further impact the Bureau, as some responsibilities will need to be re-evaluated. Some activities will be discontinued, whereas others will be changed or reduced.

The confined space awareness/entry and rescue training will continue to be offered to the Public Works and Utilities Department. However, training offered to private industry for a fee has been eliminated. Recent legal interpretations confirmed by the City Attorney's Office prohibit the City from competing with private companies offering similar training.

COMPREHENSIVE PLAN OVERVIEW

The 2005-06 Fire Department Budget includes the following resources directed toward implementing the programs and



Fire *continued*

policies of the Comprehensive Plan:

TRANSPORTATION

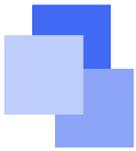
The Fire Department continues to consider the effects of street modifications on emergency vehicles response time (T-34) and encourages extensive educational programs for the safe use of bicycles, mopeds and motorcycles which includes City-sponsored bicycle education programs in our public schools. (T-46)

NATURAL ENVIRONMENT

The Fire Department will continue to implement the Natural Environment element of the Comprehensive Plan through its hazardous materials programs, subject to the impacts noted above. The Department will provide current environmental, hazardous materials and fire safety information to the public (N-31, N-44, N-46 and N-78) and to local industry. (N-47) The Foothills Management Plan is in the final review and should be posted on the internet site along side the City's Emergency Management Plan. (N-77 and N-81) The Fire Department continues to meet with neighborhood associations, businesses and other city departments providing disaster preparedness education. (N-82)

GOVERNANCE

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



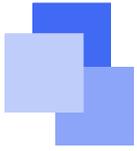
EMERGENCY RESPONSE

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	11,191,021	12,160,139	12,908,819	12,935,214
Contract Services	248,837	376,504	376,504	376,504
Supplies and Materials	314,298	286,429	286,429	286,429
Facilities and Equipment Purchases	102,617	137,118	137,118	137,118
General Expense	21,956	24,867	24,867	24,867
Rents and Leases	11,665	0	0	0
Allocated Charges	773,996	654,462	664,758	724,873
Total Expenditures	\$12,664,390	\$13,639,519	\$14,398,495	\$14,485,005
Total Revenues	\$1,531,108	\$1,952,582	\$2,033,865	\$2,192,865
Total Full Time Positions	94.30	94.08	94.16	94.22
Total Temporary Positions	0.75	0.75	0.10	0.10

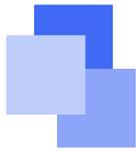
BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of Fire Calls	248	250	250
2. Number of Medical/Rescue Calls	3,796	3,800	3,800
3. Number of Hazardous Conditions Calls	218	200	200
4. Number of Total Responses	6,675	6,700	6,800
Efficiency:			
1. Average response time for fire calls (minutes)	5:15	6:00	6:00
2. Average response time for medical/rescue calls (minutes)	5:47	6:00	6:00
3. Average response time for Hazardous Conditions calls (minutes)	5:46	6:00	6:00
4. Average emergency response time for all calls	5:36	6:00	6:00
Effectiveness:			
1. Percent response to fire emergencies within 8 minutes (SEA)	90%	90%	90%



Fire *continued*

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
2. Percent response to emergency requests for service within 8 minutes (urban area) (SEA)	94%	90%	90%
3. Percent of responses to hazardous conditions emergencies within 8 minutes	90%	90%	90%
4. Percent rating fire services good or excellent (Palo Alto Fire Department Post Incident Customer Satisfaction Survey)	96%	90%	90%



Fire *continued*

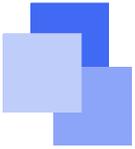
ENVIRONMENTAL SAFETY MANAGEMENT

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,567,826	1,827,515	1,782,362	1,779,743
Contract Services	22,344	39,408	39,408	39,408
Supplies and Materials	7,094	9,529	9,529	9,529
Facilities and Equipment Purchases	29,363	63,175	63,175	63,175
General Expense	1,923	6,272	4,272	4,272
Allocated Charges	29,393	27,201	21,525	27,936
Total Expenditures	\$1,657,943	\$1,973,100	\$1,920,271	\$1,924,063
Total Revenues	\$820,608	\$1,063,402	\$1,066,502	\$1,066,502
Total Full Time Positions	12.44	12.38	11.48	11.42
Total Temporary Positions	0.00	0.00	0.00	0.00

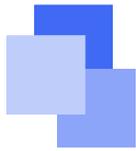
BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of ordinary hazard facilities inspected for fire safety (SEA)	793	1,400	1,500
2. Total number of hazardous materials inspections (SEA)	259	250	250
3. Number of new construction related projects (SEA-Plan Reviews-includes all projects other than the counter)	833	850	900
4. Number of fire safety, bike safety, and disaster preparedness presentations (SEA)	199	200	200
Efficiency:			
1. Percent of ordinary hazard facilities inspected annually for fire safety	18%	30%	30%
2. Percent of annual hazardous materials inspections and underground storage tank facilities inspections (SEA)	53%	50%	60%
3. Number of building construction projects that were plan checked for fire safety within 40 days (Building Plan Check Completion Report)	273	280	300



Fire *continued*

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
4. Number of residents provided with fire safety, bike safety, and disaster preparedness training	5,821	5,850	5,850
Effectiveness:			
1. Percent of ordinary hazard fire safety inspections where facility was found in compliance or returned to compliance within department standard	90%	94%	95%
2. Percent of hazardous materials inspections of state regulated facilities where facility was found in compliance or returned to compliance within department standard (Annual Unified Program Inspection Summary Report)	87%	90%	95%
3. Percent of new building construction projects that were plan checked for fire safety within 40 days (Building Plan Check Completion Report)	95%	90%	90%
4. Percent of residents rating fire prevention and education good or excellent (SEA Survey)	85%	85%	85%



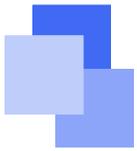
TRAINING AND PERSONNEL

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,855,446	1,825,053	1,935,753	1,931,615
Contract Services	11,066	35,625	35,625	35,625
Supplies and Materials	13,603	6,175	6,175	6,175
Facilities and Equipment Purchases	2,466	2,850	2,850	2,850
General Expense	2,210	2,042	2,042	2,042
Allocated Charges	47	0	0	0
Total Expenditures	\$1,884,838	\$1,871,745	\$1,982,445	\$1,978,307
Total Revenues	\$0	\$0	\$0	\$0
Total Full Time Positions	12.38	13.19	12.93	12.84
Total Temporary Positions	0.00	0.00	0.00	0.00

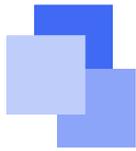
BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of training classes and field exercises conducted annually pertaining to permitted confined space entry as required by OSHA Title 8 mandates	13	13	13
2. Number of training opportunities through PANDA classes	21	21	21
3. Number of City personnel trained in Emergency Operations Center (EOC) positions	120	160	190
4. Number of training hours per firefighter per month (SEA)	22	22	20
Efficiency:			
1. Percent cost recovery rate from Utilities, Public Works, and Stanford for annual classes and exercises pertaining to confined space entry as required by OSHA Title 8 mandates	95	97	98
2. Number of PANDA volunteers recruited and trained	80	85	90
3. Percent of Managers and Professionals trained in Emergency Operations Center (EOC) positions	23%	31%	37%
4. Percent of fire personnel completing mandated training	94%	94%	90%



Fire *continued*

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Effectiveness:			
1. Percent of personnel completing confined space entry classes and field exercises as required by OSHA Title 8 mandates	95%	95%	96%
2. Percent of PANDA volunteers completing training	95%	90%	90%
3. Percent of Managers and Professionals completing EOC training	95%	96%	97%
4. Percent of fire personnel scoring above 75% on mandated training	95%	95%	90%



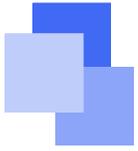
RECORDS AND INFORMATION MANAGEMENT

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,032,106	813,140	880,136	893,373
Contract Services	677	6,650	6,650	6,650
Supplies and Materials	22,162	17,251	17,251	17,251
Facilities and Equipment Purchases	4,446	17,846	17,846	17,846
General Expense	30	0	0	0
Allocated Charges	6,208	8,521	7,800	8,034
Total Expenditures	\$1,065,629	\$863,408	\$929,683	\$943,154
Total Revenues	\$445	\$0	\$0	\$0
Total Full Time Positions	7.18	7.15	7.13	7.22
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of Incident Reports	6,675	6,700	6,800
2. Number of Patient Care Reports	2,410	2,500	2,525
3. Number of Public Records Requests	110	125	150
Efficiency:			
1. Percent of Incident Reports completed	99%	99%	99%
2. Number of Patient Care Reports invoiced within 14 days	2,410	2,500	2,525
3. Number of Public Information requests processed within 10 days	99	120	145
Effectiveness:			
1. Percent of Incident Reports completed within 30 days	97%	98%	98%
2. Percent of Patient Care Report invoices paid within 90 days	53%	53%	53%
3. Percent of Public Information requests processed within 10 days	90%	96%	97%

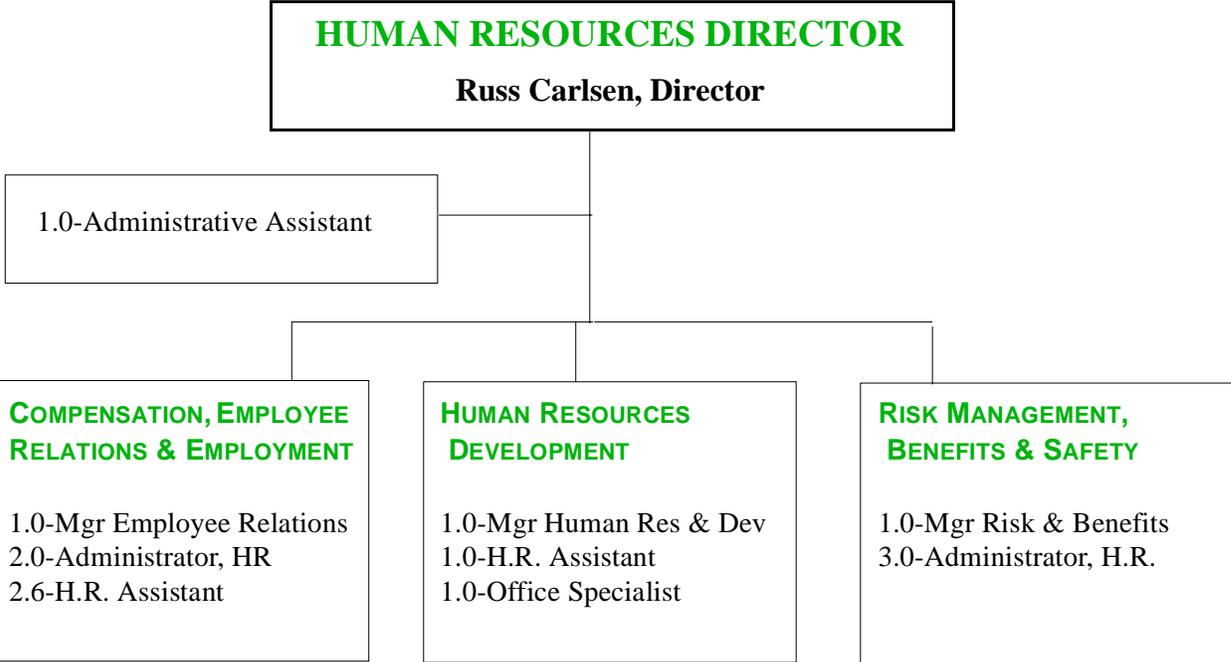


Fire *continued*

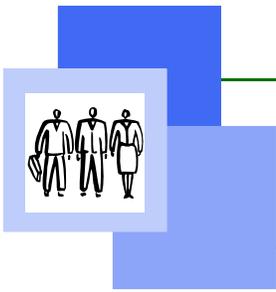


**Human Resources
Department**

Human Resources Department Organizational Chart



Fiscal Year 2005-06 Position Totals: 14.6 Full-time



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

The Human Resources Department provides a wide range of employee and employment services for the City of Palo Alto including recruitment, orientation, training, certification, professional development, benefits administration, and labor relations. The department also provides a variety of support services to the City departments related to employee relations, performance evaluations, compensation, job classifications, risk management, work place safety, organizational development, and employee assistance. Serving City staff is the primary purpose and focus for the department. In doing so, the various City departments will be better able to carry out their core missions.

A major focus for the Human Resources Department during the next fiscal year will be to assist the organization during a difficult economic period that will include potential layoffs, job transfers, retraining, reorientation, employee assistance, staffing and customized coaching for employees, managers, and executive staff. Specific goals for the next fiscal year include expanding background checks for new employees; enhancing the employee orientation program; enhancing training program for essentials such as safety, technology, and specialized work skills; focusing attention on employee retention and development; updating classification and compensation information; analyzing all health care costs and related issues; enhancement of injury and illness prevention programs; evaluating the need for a medical provider network for the workers' compensation program; refinement of the human resources information system; partnering with other departments to assess and improve City operations; and develop a human resources strategic plan.

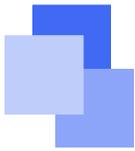
The Human Resources Department is further dedicated to providing City staff with consistent and timely communication, competent guidance, and high quality responsiveness with all employee services. The department is also dedicated to recruiting, developing and retaining qualified personnel, and administering benefits and training programs professionally and efficiently. In pursuit of these goals, the Human Resources Department is currently in the process of surveying all City departments to adequately assess their needs and is committed to improving or adding services whenever possible and appropriate.

NEW PROGRAM UPDATE

Employee Compensation, Employment, and Employee Relations

- Completed Fair Labor Standards Act audit of Management and Professional positions based on new Department of Labor standards
- Successfully implemented a new Citywide Internship Program
- Completed SEIU and IAFF contract negotiations
- Completed hourly study and survey of other jurisdictions
- Successfully resolved 86 percent of grievances before arbitration
- Maintained sustained discrimination complaints or claims at 0 percent
- Implemented and maintained new SAP procedures and reporting
- Completed 61 recruitments while sustaining a 7 percent turnover rate of first-year hires
- Completed entry level fire fighter recruitment, including four testing phases and 1,100 applicants

Risk Management and Benefits



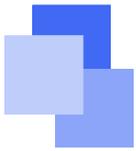
Human Resources *continued*

- Implemented 20-year PERS vesting schedule for SEIU members hired after January 1, 2005
- Implemented new tuition reimbursement benefit for IAFF
- Established utilization review process for City's workers' compensation claims
- Implemented new OSHA log in SAP with assistance from IT
- Audited City buildings to ensure compliance with CAL/OSHA Mold standard (GISO 3362)
- Secured additional liability insurance coverage limits
- Secured a new group insurance policy for Cubberley artist tenants at a cost-effective rate

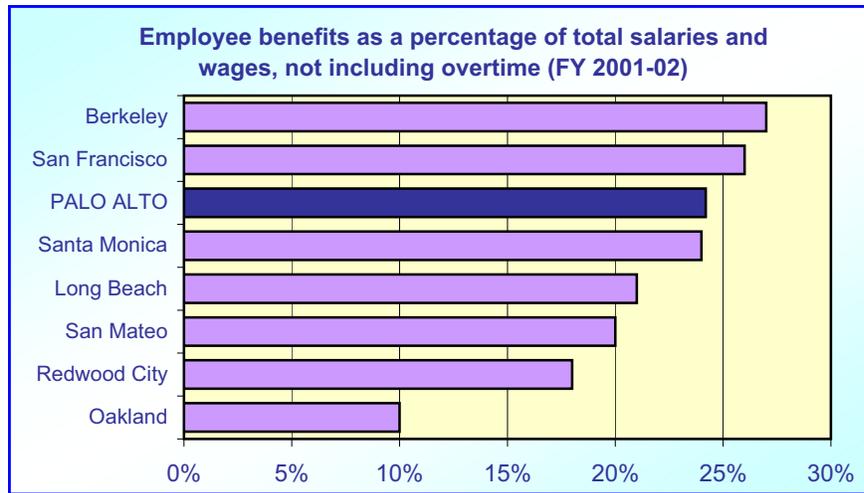
Employee Development/Worklife

- Provided customized training to all staff employees on Essentials for Staff, covering City policies and procedures as well as labor relations, safety, risk management, performance appraisals, violence/harassment, and budget process/purchasing
- Successfully marketed and contracted with various neighboring cities to provide training services through the Public Agency Training Center, generating approximately \$50,000 in revenue
- Coordinated and managed the Management Talent Exchange Program for San Mateo and Santa Clara counties, generating \$20,000 to cover coordination costs for 2004-05
- Created two new Academies - Executive Leadership and Administrative Services Support Academy - to prepare organization for succession
- Provided water distribution and wastewater treatment licensing courses through AM Water Works Association for public works and utility employees

DEPARTMENT SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Administration	352,726	200,801	150,709	(50,092)	(25%)	205,466	54,757	36%
Employee Relations	406,455	529,670	536,095	6,425	1%	587,936	51,841	10%
Employment	498,646	512,753	518,980	6,227	1%	518,994	14	0%
Employee Development/Worklife	549,164	652,574	513,348	(139,226)	(21%)	515,288	1,940	0%
Risk Management and Employee Benefits	495,650	565,481	635,951	70,470	12%	636,968	1,017	0%
TOTAL EXPENDITURES	\$2,302,641	\$2,461,279	\$2,355,083	\$(106,196)	(4%)	\$2,464,652	\$109,569	5%
TOTAL REVENUES	\$1,086,826	\$1,101,139	\$1,166,976	\$65,837	6%	\$1,166,976	\$0	0%
INTERNAL REVENUES	949,898	947,364	1,036,976	89,612	9%	1,036,976	0	0%
EXTERNAL REVENUES	136,928	153,775	130,000	(23,775)	(15%)	130,000	0	0%



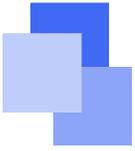
Human Resources *continued*



INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,639,195	1,722,852	1,826,226	1,829,152
Contract Services	331,397	451,377	280,455	331,455
Supplies and Materials	15,460	18,700	21,880	21,880
Facilities and Equipment Purchases	58	9,943	8,989	8,989
General Expense	115,188	91,519	46,339	46,339
Rents and Leases	56,338	43,000	43,120	43,120
Allocated Charges	145,005	123,888	128,074	183,717
Total Expenditures	\$2,302,641	\$2,461,279	\$2,355,083	\$2,464,652
Total Revenues	\$1,086,826	\$1,101,139	\$1,166,976	\$1,166,976
Total Full Time Positions	14.10	14.10	14.60	14.60
Total Temporary Positions	1.39	1.00	0.00	0.00

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Engaged workforce that meets the service delivery needs of the organization		40%	45%
2. Number of updates to Human Resources website (New)			79



Human Resources *continued*

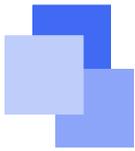
	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Efficiency:			
1. Percentage of management employees who met or exceeded expectations in each area of their performance appraisals	92%	92%	94%
2. Number of hits to Human Resources website		120,000	125,306
Effectiveness:			
1. Turnover rate	4.6%	5.5%	8.8%
2. Number of updates completed			90



Human Resources *continued*

RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES						
Allocated Revenues-Internal	89,612		89,612			
Training Fee	110,000		110,000			
TOTAL REVENUE CHANGES	\$199,612	\$0	\$199,612	\$0	\$0	\$0
Adjustments (Note 1)		(133,775)	(133,775)			
TOTAL NET REVENUE CHANGES	\$199,612	\$(133,775)	\$65,837	\$0	\$0	\$0
EXPENDITURE CHANGES						
Salary and Benefits						
Reclass Sr. Bus. Analyst to HR Asst.-Conf. (1.0 FTE)	(60,831)		(60,831)			
Office Specialist (0.50 FTE)	37,085		37,085			
Reduce Hourly Staff (1.0 FTE)	(43,709)		(43,709)			
Total Salary and Benefits Changes	\$(67,455)	\$0	\$(67,455)	\$0	\$0	\$0
Salary Adjustments	31,519		31,519			
Personnel Benefit Costs (Note 2)	135,898		135,898	3,925		3,925
Adjustments (Note 1)		(42,588)	(42,588)			
Total Net Salary and Benefits Changes	\$99,962	\$(42,588)	\$57,374	\$3,925	\$0	\$3,925
Non-Salary						
Increase (Reduce) Progr. & Proj. Consultants	(52,890)	50,000	(2,890)		50,000	50,000
Reduce Advertising & Publishing	(10,000)		(10,000)			
Reduce Contract Agency Personnel	(9,500)		(9,500)			
Reduce Other Contract Services	(15,000)		(15,000)			
Reduce Computer Software	(1,300)		(1,300)			
Reduce Travel and Meetings	(2,000)		(2,000)			
Reduce Recruitment	(2,000)		(2,000)			
Reduce Special Events & Awards	(16,400)		(16,400)			
Reduce Relocation	(25,000)		(25,000)			
Reduce Non Capital-Off. Mach. & Furn.	(954)		(954)			
Allocated Charges (Note 3)	4,185		4,185	55,644		55,644
Total Non-Salary	\$(130,859)	\$50,000	\$(80,859)	\$55,644	\$50,000	\$105,644
TOTAL EXPENDITURE CHANGES	\$(30,897)	\$50,000	\$(23,485)	\$59,569	\$50,000	\$109,569
Adjustments (Note 1)		(82,711)	(82,711)			
NET EXPENDITURE CHANGES	\$(30,897)	\$(32,711)	\$(106,196)	\$59,569	\$50,000	\$109,569



Human Resources *continued*

2005-06
ONGOING

2005-06
ONE-TIME

2005-06
TOTAL

2006-07
ONGOING

2006-07
ONE-TIME

2006-07
TOTAL

RESOURCE LEVEL NOTES

Note 1: Adjustments include prior one-time revenues and expenditure items that did not carry forward into the Adopted Budget. Other changes are the result of one-time items that were included in the 2004-05 mid-year adjustment.

Note 2: Personnel benefits costs have escalated mainly due to health care increases and increased pension costs.

Note 3: Allocated charges are increasing primarily due to a resumption of Technology Fund operational charge-backs.

SERVICE LEVEL CHANGES

As the City implements a reduction in workforce, maintaining the morale of City employees will continue to be a major focus for the Department. The reduction in the special event program may further impact employee morale as most employees appreciate the recognition event.

The Human Resources staff is ready to be called upon to address all of the steps involved in downsizing. The department will proactively manage its functions by looking at efficiency measures, extending timetables for projects, and restructuring staff duties to offset the impact. Human Resources will continue to work to minimize, as much as possible, the negative impact these service level changes will have on the employees.

A reduction in the advertising budget may have the effect of drawing fewer highly qualified applicants.

The main focus for training and development will be on the implementation of a transitional training program for employees experiencing layoffs and for the well-being of existing employees in the organization coping with the layoffs. Due to a significant budget reduction in program and project consultants and contract services, training and development will streamline its comprehensive training program and focus on safety, technology, and critical employee professional development.

In Benefits, continuing emphasis will be on educating employees about health care costs, and in conjunction with the represented units, exploring options to reduce active and retiree medical costs.

COMPREHENSIVE PLAN OVERVIEW

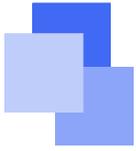
The Human Resources Department 2005-07 Adopted Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

TRANSPORTATION

COMMUNITY FACILITIES AND SERVICES

Continue implementation of a customer service quality review program in the revised performance appraisal system. (C-9)

The Service Awards Program is evaluated periodically. (C-10)

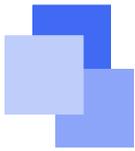


Human Resources *continued*

City will continue to develop and train employees in customer service and leadership development skills. The City will continue to be involved in community training partnerships and inter-city training events. (C-11)

GOVERNANCE

Continue to provide customer service training in an effort to provide high quality service. (G-19)



Human Resources *continued*

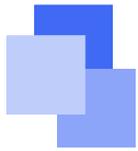
EMPLOYEE RELATIONS

To manage and communicate competitive compensation, up-to-date classification, benefit and employee relations plans and policies in a manner that will result in employee satisfaction and retention.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	327,621	408,089	436,309	437,060
Contract Services	64,533	93,113	87,823	138,823
Supplies and Materials	11,213	3,500	3,500	3,500
Facilities and Equipment Purchases	58	2,483	2,163	2,163
General Expense	1,344	4,800	3,300	3,300
Allocated Charges	1,686	17,685	3,000	3,090
Total Expenditures	\$406,455	\$529,670	\$536,095	\$587,936
Total Revenues	\$0	\$0	\$0	\$0
Total Full Time Positions	2.90	2.90	2.90	2.90
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of grievances (New)	7	8	9
2. Number of contracts negotiated	3	0	3
Efficiency:			
1. Number to arbitration	1	0	0
2. Number of unfair labor practices upheld by Public Employment Relations Board	0	0	0
Effectiveness:			
1. Cost of settlement	\$60,000	\$0	\$0
2. Number of contracts completed within 60 days of expiration	0	0	3



Human Resources *continued*

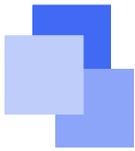
EMPLOYMENT

To coordinate the recruitment, testing, and selection of qualified and capable individuals, utilizing processes compatible with departmental and organizational objectives and consistent with City policy and State and Federal laws.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	378,281	423,740	468,765	468,569
Contract Services	26,180	31,323	21,323	21,323
Supplies and Materials	726	2,900	4,900	4,900
Facilities and Equipment Purchases	0	2,487	2,167	2,167
General Expense	88,420	41,825	14,825	14,825
Rents and Leases	4,074	0	0	0
Allocated Charges	965	10,478	7,000	7,210
Total Expenditures	\$498,646	\$512,753	\$518,980	\$518,994
Total Revenues	\$0	\$0	\$0	\$0
Total Full Time Positions	3.55	3.55	4.25	4.25
Total Temporary Positions	0.50	0.50	0.00	0.00

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of hires (New)	51	23	50
2. Number of public safety recruitments (New)	10	4	8
Efficiency:			
1. Average cost per hire	\$121	\$241	\$500
2. Average work days for recruitment from opening to creation of eligibility list			120
Effectiveness:			
1. Percent of first year turnover	7%	4%	6%
2. Number of public safety new hires that complete probationary period	8	0	10



Human Resources *continued*

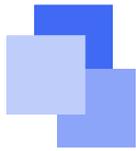
EMPLOYEE DEVELOPMENT/WORKLIFE

To develop effective employee skills which will increase productivity, enhance employee effectiveness and produce a high level of customer service, while creating an environment that enhances diversity, recognizes service, and improves the quality of worklife for all employees.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	289,423	301,332	291,866	293,161
Contract Services	184,629	261,158	132,846	132,846
Supplies and Materials	1,851	5,000	5,000	5,000
Facilities and Equipment Purchases	0	2,486	2,486	2,486
General Expense	12,554	29,650	16,650	16,650
Rents and Leases	44,392	43,000	43,000	43,000
Allocated Charges	16,315	9,948	21,500	22,145
Total Expenditures	\$549,164	\$652,574	\$513,348	\$515,288
Total Revenues	\$171,828	\$183,775	\$160,000	\$160,000
Total Full Time Positions	2.45	2.45	2.65	2.65
Total Temporary Positions	0.50	0.50	0.00	0.00

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of employee training programs offered (SEA survey)	16,744 hrs	17,000 hrs	16,000 hrs
2. Number of enterprise training contracts	4	2	2
Efficiency:			
1. Number of employees who completed a training course		600	600
2. Number of customers who completed training contracts	4	2	2
Effectiveness:			
1. Percentage of classroom hours offered and delivered		90%	90%
2. Revenue generated from enterprise training contracts	\$149,482	\$100,000	\$100,000



Human Resources *continued*

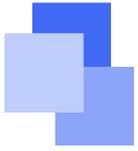
RISK MANAGEMENT AND EMPLOYEE BENEFITS

To reduce the exposure of the City and mitigate the impact of injuries and losses to the City and its employees.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	428,121	474,713	574,991	575,975
Contract Services	55,733	65,783	38,463	38,463
Supplies and Materials	1,623	6,000	8,480	8,480
Facilities and Equipment Purchases	0	2,487	2,173	2,173
General Expense	8,502	12,744	9,064	9,064
Rents and Leases	984	0	120	120
Allocated Charges	687	3,754	2,660	2,693
Total Expenditures	\$495,650	\$565,481	\$635,951	\$636,968
Total Revenues	\$0	\$0	\$0	\$0
Total Full Time Positions	4.55	4.75	4.55	4.55
Total Temporary Positions	0.39	0.00	0.00	0.00

BENCHMARKING MEASURES

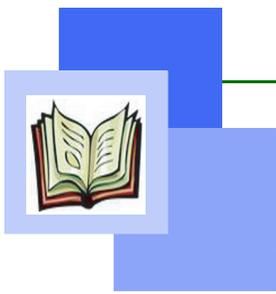
	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of lost work days (SEA survey)	583	565	525
2. Number of employees on modified work	15	13	10
3. Review DMV records annually (New)	825	800	815
Efficiency:			
1. Average cost per incurred claim involving lost time	\$20,540	\$15,500	\$13,000
2. Average cost per incurred claim involving only medical treatment	\$624	\$600	\$550
3. Number of traffic accidents		30	25
Effectiveness:			
1. Percentage of workers' compensation lost time claims closed	33%	30%	28%
2. Percentage of workers' compensation medical claims closed	58%	55%	50%
3. Average cost per liability claim involving City vehicles	\$2,073	\$2,000	\$1,900



Human Resources *continued*



Library Department



Library

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

OVERVIEW

The Library Department will continue to provide collections, services and programs at current levels to customers at the Main and Mitchell Park Libraries. Existing service hours at the College Terrace and Downtown branches will be maintained, and the process to convert the collections and shelving to the popular reading model will continue. Technology at these two branches will be improved with the introduction of express (self-service) checkout stations.

The Children's Library will close in the fall of 2005 for an extensive renovation and expansion project. It is scheduled to reopen in the fall of 2007. This project is jointly funded by the City of Palo Alto Capital Improvement Program, federal grants, and private donations raised by the Palo Alto Library Foundation and the Friends of the Palo Alto Library. While the project will not result in sufficient space to support growth of the collection, longstanding severe overcrowding in this facility will be alleviated, deteriorating mechanical systems will receive a much-needed upgrade, and the historic structure will be seismically braced.

While Children's Library is closed, limited services for young people will be provided at the Main Library. Children's services will also be augmented as space allows at the Mitchell Park Library. In 2005-06, work will be completed on a capital project that will reconfigure the existing floor plan at Main Library to create children and teen service areas. The project will establish self-service checkout stations, improve staff efficiency and reduce work injuries by moving the return and check-in operations from the public area to the staff workroom. To provide the additional space required for these new services at Main Library, the collections and technical support staff will be relocated into a portion of the Downtown branch.

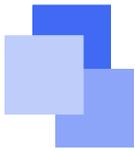
Working with the Administrative Services Department, a new integrated computer system was installed in 2004-05. Continuing to implement the features of this system will be a priority over the next year. The Library will use this system to improve remote access for library customers, providing more 24/7 service options which will reduce trips to the library. The Department's website will be redesigned in 2005-06 in sync with the planned upgrade to the City's web pages.

During the upcoming budget cycle, the Library Department will seek ways to improve its volunteer program by providing more structured recruitment, training and supervision, and more rewarding opportunities for volunteers.

Strengthening the Library's commitment to local schools will be a major theme over the next budget cycle. Staff, particularly the recently restructured position of School Liaison Librarian, will work closely with school librarians, teachers and principals in Palo Alto's public and private schools, to complement their curricula and provide students with education support and the best in recreational reading.

In 2006-07, design will commence for a major facilities upgrade at the Mitchell Park Library. Mechanical, electrical and other systems will be replaced, the building will be seismically retrofitted, and Americans With Disabilities Act-accessibility will be improved.

The Library Advisory Commission will continue to work on a referral from the City Council to develop a plan for a full-service library for all of Palo Alto, complemented by distributed services. The Commission is determined to create this plan by working closely with key affiliate groups, including the Friends of the Palo Alto Library and the Palo Alto Library Foundation, as well as library stakeholders, throughout the community. The Commission will seek City Council action on its adopted plan in 2005-06.



Library *continued*

In 2005-07, the Department restructured its chart of accounts in order to establish a cost center for each library branch. This change facilitates the reporting of operations by library location. Accordingly, all financial data in "2003-04 Actuals" and "2004-05 Adjusted Budget" in the department summary section of this budget document were adjusted to conform to the 2005-07 Adopted Budget structure.

NEW PROGRAM UPDATE

Information and Technology

- Implemented a new web-based integrated library system that manages the public access catalog, circulation system, and staff business applications
- Installed a public computer management system to control time limits, reservations, and printing from Internet stations
- Doubled the number of public use PCs and upgraded all with new equipment and software
- Installed new express self-service circulation checkout stations at Mitchell Park and Main libraries
- Provided new digital library service to provide web-access to e-books and digital audiobooks
- With grant funding from the Friends of the Library, began a loaner laptop service at Main and Mitchell Park libraries to provide increased access to electronic resources without requiring additional floor space for workstations
- Installed wireless networks for public Internet access at Downtown and College Terrace libraries, and upgraded existing networks at Main and Mitchell Park libraries with financial support from the Friends of the Library

Library Collections

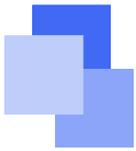
- Expanded size of the Chinese language collection with a state grant

Library Programs and Services

- Expanded spring teen book discussion group to all three PAUSD middle schools
- Restructured department to create a School Liaison Librarian position to work closely with school librarians, teachers, and principals in Palo Alto's public and private schools
- Began weekly homework program at Main Library with funding from the Friends of the Library
- Restored Saturday service hours at the Downtown branch library

Partnerships

- Assisted the Palo Alto Library Foundation and the Friends of the Library in continued fundraising for furniture and fixtures for the renovated Children's Library
- Increased number of volunteer hours worked annually since 2002-03 by 63%
- Worked with the Friends of the Library and their fundraising activities on behalf of the Library



Library *continued*

COUNCIL PRIORITY IMPLEMENTATION

In 2005-07, the Library Department will implement the City Council's top five priorities as follows:

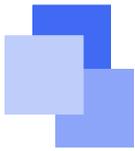
Infrastructure

- In coordination with the Public Works Department, complete necessary planning for the construction phase of the Children's Library renovation and expansion project.
- In coordination with the Public Works Department, complete the Main Library Space Reconfiguration Project and associated changes at the Downtown Library.
- Assist the Public Works Department with planning and implementing infrastructure replacement projects at Mitchell Park Library and College Terrace Library.

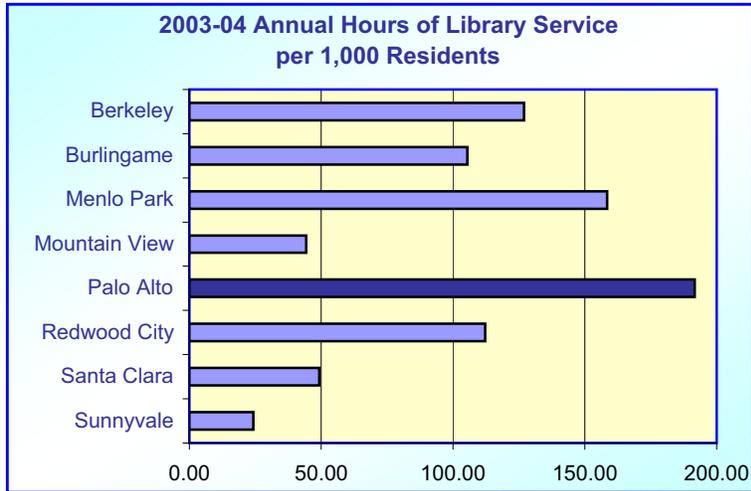
City Finances

- Continue partnerships with the Library Foundation and Friends of the Library to raise funds in support of library programs, services, and facilities beyond the limits of public funds.

DEPARTMENT SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Library Services Administration	237,128	349,029	376,141	27,112	8%	384,358	8,217	2%
Collection and Technical Services	1,448,138	1,554,474	1,539,659	(14,815)	(1%)	1,541,116	1,457	0%
Public Services	3,108,691	3,278,792	3,717,683	438,891	13%	3,876,466	158,783	4%
TOTAL EXPENDITURES	\$4,793,957	\$5,182,295	\$5,633,483	\$451,188	9%	\$5,801,940	\$168,457	3%
TOTAL REVENUES	\$204,826	\$246,739	\$168,371	\$(78,368)	(32%)	\$168,371	\$0	0%
INTERNAL REVENUES	0	0	0	0	0%	0	0	0%
EXTERNAL REVENUES	204,826	246,739	168,371	(78,368)	(32%)	168,371	0	0%



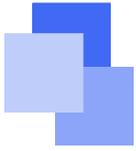
Library *continued*



INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	3,807,890	3,973,298	4,385,160	4,392,739
Contract Services	120,751	131,741	123,590	123,590
Supplies and Materials	647,175	671,387	631,431	631,431
Facilities and Equipment Purchases	31,822	55,929	43,246	43,246
General Expense	14,586	14,410	19,410	19,410
Rents and Leases	32,420	27,560	27,395	27,395
Allocated Charges	139,313	307,970	403,251	564,129
Total Expenditures	\$4,793,957	\$5,182,295	\$5,633,483	\$5,801,940
Total Revenues	\$204,826	\$246,739	\$168,371	\$168,371
Total Full Time Positions	43.00	44.00	44.00	44.00
Total Temporary Positions	11.34	11.70	12.78	12.78

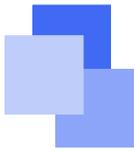
BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Percent of citizens who have used libraries or their services more than 12 times during last year (SEA)	30%	30%	30%



Library *continued*

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Efficiency:			
1. Percent of Palo Alto residents who are library cardholders (SEA)	57%	57%	60%
Effectiveness:			
1. Percent of citizens rating quality of public library services good or excellent (SEA)	81%	80%	80%

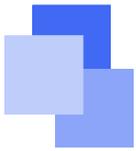


RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES						
Reduce library fines and reservations	(38,500)		(38,500)			
Reduce charges on lost books and miscellaneous fees	(3,000)		(3,000)			
Reduce various fees and charges	(2,120)		(2,120)			
Net decrease of reimbursement from State of California and other agencies	(819)		(819)			
TOTAL REVENUE CHANGES	\$(44,439)	\$0	\$(44,439)	\$0	\$0	\$0
Adjustments (Note 1)	(33,929)		(33,929)			0
NET REVENUE CHANGES	\$(78,368)	\$0	\$(78,368)	\$0	\$0	\$0
EXPENDITURE CHANGES						
Salary and Benefits						
Add: Coordinator Library Programs (1.0 FTE)	100,510		100,510			
Drop: Senior Librarian (1.0 FTE)	(92,204)		(92,204)			
Salary increase	72,100		72,100			
Personnel Benefit Costs (Note 2)	170,656		170,656	7,579		7,579
Total Salary and Benefits Changes	\$251,062	\$0	\$251,062	\$7,579	\$0	\$7,579
Adjustments (Note 1)	160,800		160,800			0
Total Net Salary and Benefits Changes	\$411,862	\$0	\$411,862	\$7,579	\$0	\$7,579
Non-Salary						
Reduce book and serial purchases	(23,309)		(23,309)			
Allocated charges (Note 3)	95,281		95,281	160,878		160,878
Total Non-Salary Changes	\$71,972	\$0	\$71,972	\$160,878	\$0	\$160,878
TOTAL EXPENDITURE CHANGES	\$483,834	\$0	\$483,834	\$168,457	\$0	\$168,457
Adjustments (Note 1)	(32,646)		(32,646)		0	0
NET EXPENDITURE CHANGES	\$451,188	\$0	\$451,188	\$168,457	\$0	\$168,457

RESOURCE LEVEL NOTES

Note 1: Adjustments include prior one-time revenues and expenditure items that did not carry forward into the Adopted Budget. Other changes are the result of one-time items that were included in the 2004-05 mid-year adjustment.



Library *continued*

Note 2: Personnel benefits costs have escalated mainly due to health care increases and increased pension costs.

Note 3: Allocated charges are increasing primarily due to a resumption of Technology Fund operational charge-backs.

SERVICE LEVEL CHANGES

Service Level Increases

- One express (self-service) circulation checkout station will be installed at both College Terrace and Downtown branch libraries.

Service Level Decreases

- The budget for the purchase of printed reference books for Main and Mitchell Park libraries will be reduced by \$15,000. This loss is offset by the availability of electronic resources to provide the information.

COMPREHENSIVE PLAN OVERVIEW

TRANSPORTATION

The Library Department will continue to implement improved access to electronic resources and information through its public access catalog and website. (T-10)

COMMUNITY FACILITIES AND SERVICES

Library staff will collaborate with the Public Works Department to complete the design and construction of infrastructure improvements at Children's, Main, Mitchell Park, and College Terrace libraries. (C-19, C-27)

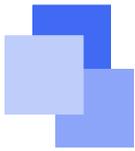
Library Administration will support the Library Advisory Commission in developing a plan for a full-service library, complemented by distributed services. (C-5, C-19, C-20)

The Library will strengthen its commitment to local schools. (C-1, C-5)

The use of self-service options for library service will be increased by adding express (self-service) checkout stations at College Terrace and Downtown libraries. (C-12)

GOVERNANCE

The Library's volunteer program will be improved towards the goals of providing more rewarding opportunities for volunteers and an improved recruitment and training program. (G-11)



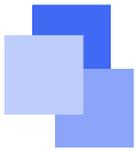
COLLECTION AND TECHNICAL SERVICES

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	770,956	822,883	890,128	891,579
Contract Services	64,754	89,450	47,200	47,200
Supplies and Materials	605,797	603,932	594,731	594,731
Facilities and Equipment Purchases	2,140	10,000	4,500	4,500
General Expense	510	230	2,900	2,900
Rents and Leases	3,680	27,560	0	0
Allocated Charges	301	419	200	206
Total Expenditures	\$1,448,138	\$1,554,474	\$1,539,659	\$1,541,116
Total Revenues	\$10,745	\$18,800	\$675	\$675
Total Full Time Positions	9.13	9.13	9.13	9.13
Total Temporary Positions	1.80	1.80	1.80	1.80

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of new titles/number of new volumes added to the collection (New)	10,561 / 21,233	10,500 / 22,000	10,500 / 22,000
Efficiency:			
1. Number of titles/number of volumes in the collection per capita (New)	2.75 / 4.45	2.75 / 4.40	2.75 / 4.30
Effectiveness:			
1. Percent rating variety of library materials good or excellent (SEA survey)	74%	70%	70%

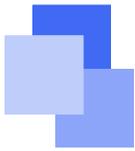


Library *continued*

PUBLIC SERVICES

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	2,981,895	3,091,667	3,400,428	3,406,392
Contract Services	42,980	37,713	61,040	61,040
Supplies and Materials	16,128	48,355	33,680	33,680
Facilities and Equipment Purchases	10,658	42,929	38,246	38,246
General Expense	1,464	2,930	2,740	2,740
Rents and Leases	23,395	0	4,000	4,000
Allocated Charges	32,171	55,198	177,549	330,368
Total Expenditures	\$3,108,691	\$3,278,792	\$3,717,683	\$3,876,466
Total Revenues	\$146,036	\$177,650	\$137,230	\$137,230
Total Full Time Positions	32.77	33.77	33.77	33.77
Total Temporary Positions	9.54	9.90	10.98	10.98



Library *continued*

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of items circulated (SEA)	1,314,790	1,284,550	1,100,000
2. Number of hours open annually (SEA)	11,540	11,225	9,791
3. Number of library programs (SEA)	451	450	400
Efficiency:			
1. Percent of first-time circulations checked out at self-service stations (New)	18%	30%	60%
2. Number of hours of operation per FTE (SEA)	214	202	178
3. Number of people attending programs (SEA)	33,994	33,750	28,000
Effectiveness:			
1. Number of items circulated per capita (SEA)	21.84	21.34	18.27
2. Number of library visits per hour (New)	76.5	79.0	88.0
3. Number of attendees per program (New)	75	75	70

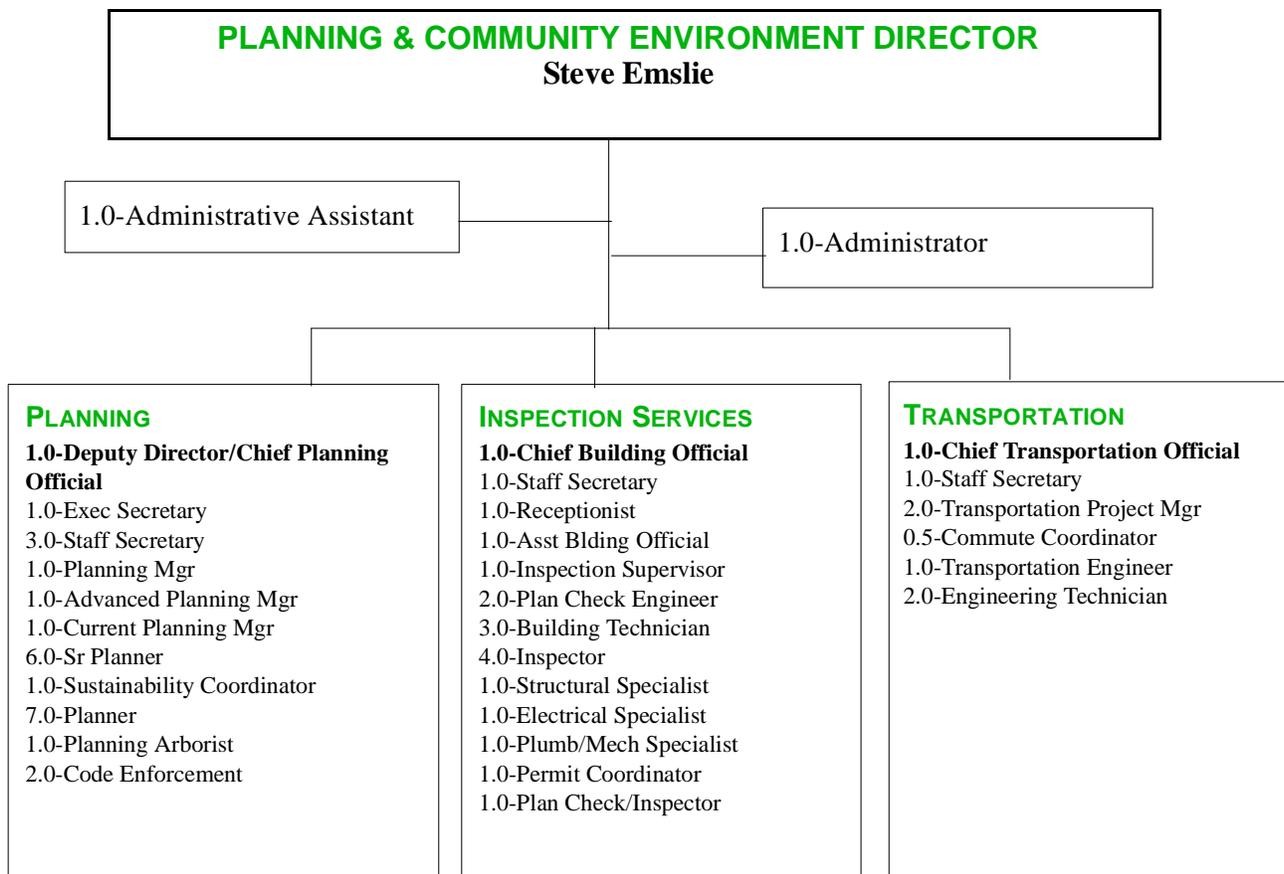
PROGRAM COST DETAIL

Details of 2005-06 budget by library location: Main Library (\$1,877,333), Children's Library (\$133,016), Mitchell Park Library (\$1,269,646), College Terrace Library (\$214,284), and Downtown Library (\$226,575). A significant portion of the budget for the Children's Library are included in the Main and Mitchell Park Library since the Children's Library is expected to close in November 2005 due to renovation.



Planning and Community Environment

Planning and Community Environment Department Organizational Chart



**Fiscal Year 2005-06 Position Totals: 54.50 Full-time
0.14 Hourly**



Planning and Community Environment

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

OVERVIEW

In 2005-07, the Department will focus on developing affordable housing, the Zoning Ordinance Update, and implementation of transportation safety plans and traffic calming.

The Zoning Ordinance Update (ZOU) team has already completed several code sections, including the single-family and low density residential, industrial, and auto overlay districts. They are expected to complete the remaining sections during 2005-06. Regulations for transit-oriented development and village residential zones will be included among the final product delivered to the City Council. The multiple family district regulations and the parking regulations will also be updated and revised. Public outreach, focus groups, and study sessions will ensure ongoing community input.

In 2004-05, the Planning Division focused on its inventory of Below Market Rate (BMR) units and studied what updates need to be made to keep the program effective. That study will be completed in 2005-06 and implementation will begin. In 2005-06, staff will begin work with the Utilities Department and the Administrative Services Department to facilitate an affordable housing project on the Alma Street substation site. Meanwhile, staff will continue to seek other sites and opportunities to develop affordable housing.

The Department continues to process over 400 Planning applications each year, many of which require that notice be provided to nearby property owners and residents. Dependable notice is important, and the Department will continue to find better and more reliable ways of providing public notice of construction projects. Some focuses include improving electronic methods of generating notice cards and procedures for mailing the notice.

Upcoming transportation efforts will focus on the completion of traffic calming initiatives, on the execution of elements of the City's Bicycle Master Plan and Transportation Strategic Plan, and the completion of upgrades to traffic signal system operation citywide. Traffic calming efforts will focus on designated school commute routes, with the goal of improving safety and reducing traffic impacts related to speed, traffic volumes, and through traffic on local, collector, and arterial streets. A traffic calming trial in College Terrace is expected to be completed in 2005-06, and staff will perform a trial of the Charleston Arastradero road plan by the end of 2006-07.

Working with the Administrative Services Department, the Department has improved its method of measuring cost recovery at the Development Center. Fee increases are included that fully capture the cost of Building Permit review.

Service improvements at the Development Center continue, including a new web site and acceptance of more permits online. In the upcoming years, the Department intends to expand its web services, accepting more permits online and exploring the feasibility of online inspection scheduling.

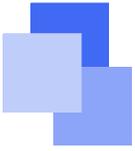
Inspection of the 494-unit Hyatt Senior Housing project at Stanford continues and is expected to be complete in 2005.

NEW PROGRAM UPDATE

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

Transportation Safety and Alternatives

- Opened the Homer Tunnel
- Initiated a substantial upgrade of the citywide traffic signal system



Planning and Community Environment *continued*

- Initiated the Intermodal transit station project
- Installed the second Downtown North traffic calming trial
- Completed a traffic calming plan for College Terrace
- Completed the Transportation Strategic Plan and began implementation
- Completed the Bicycle Transportation Plan and began implementation

Building and Inspection Services

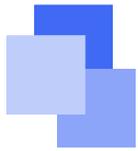
- Achieved 4-week turnaround time for plan check on 91% of building permit plans
- Continued to provide inspection services to accommodate a highly accelerated construction schedule for the 494-unit Hyatt senior housing project on Sand Hill Road

Long Range Planning

- Completed the Mayfield agreement with Stanford to provide new housing and playing fields in the Research Park
- Awarded \$800,000 in Community Development Block Grants annually
- Zoning Ordinance Update section: Adopted the single-family residential section.
- Zoning Ordinance Update section: Adopted Auto dealership overlay district
- Zoning Ordinance Update section: Completed Research park zone district
- Completed an inventory of the City's Below Market Rate (BMR) housing stock and a review of the BMR housing program
- Expanded the Transfer of Development Rights (TDR) program to include City-owned historic sites

Current Planning

- Launched a weekly e-mail list showing new Planning applications
- Responded to audit of the development review process by reducing the number of Planning permit processes
- Responded to audit of the development review process by clarifying the roles of the Architectural Review Board (ARB) and Planning and Transportation Commission (PTC)
- Responded to audit of the development review process by implementing a limited-continuance policy for ARB review
- Responded to audit of the development review process by creating a uniform appeals processes and notice timelines across permit types
- Responded to audit of the development review process by adopting a streamlined Home Improvement Exception permit process
- Expanded notice of certain development projects to include site posting and a wider notice card mailing radius
- Completed update of Individual Review program guidelines
- Implemented a streamlined Conditional Use Permit (CUP) and Variance process



Planning and Community Environment *continued*

Customer Service

- Continued comprehensive training program for staff
- Launched a revised Development Center web site providing customers with easier access to more information

COUNCIL PRIORITY IMPLEMENTATION

The 2005-07 Planning Department's Adopted Budget will implement the City Council's top five priorities as follows:

Land Use Planning:

Complete Zoning Ordinance Update sections:

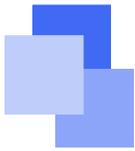
- Single Family (R-1) Residential District
- Low Density Residential Districts
- Multi-Family Residential Districts (RM15, -30, and -40)
- Village Residential Districts (R-1 and RM15 subdistricts)
- Commercial Districts and Mixed Use (CN, CS, CD)
- Parking Chapter
- Pedestrian/Transit Oriented Development
- Planned Community Special Purpose District

Housing:

- Complete the Below Market Rate Program Update
- Develop a site plan and prepare the Alma Substation site for an affordable housing project (to be done in conjunction with Utilities and Real Estate)
- Work with Real Estate to identify and acquire an additional site for an affordable housing project

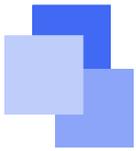
Alternative Transportation/Traffic Calming:

- Implement Maybell/Donald Bicycle Boulevard, as described in the Palo Alto Bicycle Transportation Plan
- Implement College Terrace Traffic Calming Plan Trial
- Complete Transportation Performance Indicators, as described in the Transportation Strategic Plan
- Implement Park Boulevard Bicycle Boulevard, as described in the Palo Alto Bicycle Transportation Plan
- Implement Charleston-Arastradero Corridor Plan Trial
- Continue to run the Palo Alto Shuttle

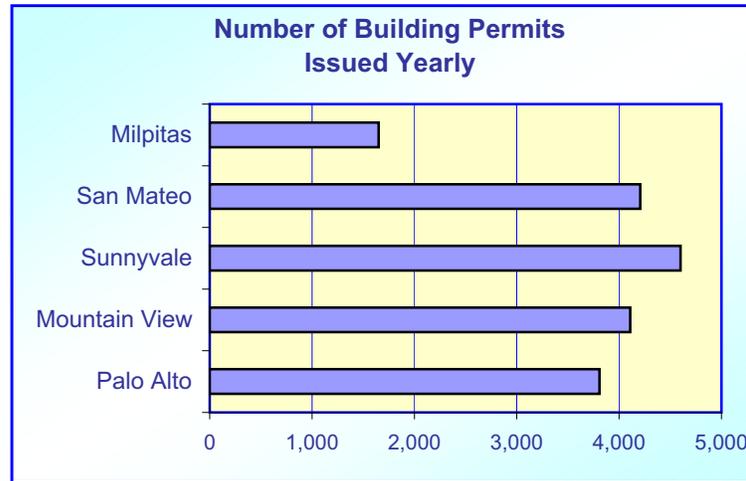


Planning and Community Environment *continued*

DEPARTMENT SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Administration	862,812	452,547	368,294	(84,253)	(19%)	586,396	218,102	59%
Planning	3,138,099	3,978,803	3,809,369	(169,434)	(4%)	3,819,653	10,284	0%
Building	2,685,397	2,910,021	3,049,323	139,302	5%	3,053,968	4,645	0%
Transportation	1,829,964	1,602,135	1,538,988	(63,147)	(4%)	1,541,462	2,474	0%
TOTAL EXPENDITURES	\$8,516,272	\$8,943,506	\$8,765,974	\$(177,532)	(2%)	\$9,001,479	\$235,505	3%
TOTAL REVENUES	\$3,459,764	\$4,245,571	\$5,329,870	\$1,084,299	26%	\$5,145,670	\$(184,200)	(3%)
INTERNAL REVENUES	180,565	128,000	128,000	0	0%	128,000	0	0%
EXTERNAL REVENUES	3,279,199	4,117,571	5,201,870	1,084,299	26%	5,017,670	(184,200)	(4%)



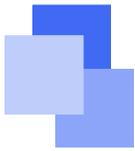
Planning and Community Environment *continued*



INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	5,877,148	6,278,887	6,480,526	6,492,279
Contract Services	1,384,090	1,541,940	1,111,740	1,111,740
Supplies and Materials	51,327	94,040	68,820	68,820
Facilities and Equipment Purchases	5,863	35,155	19,435	19,435
General Expense	246,561	276,052	280,252	280,252
Rents and Leases	364,899	358,395	369,395	369,395
Allocated Charges	586,384	359,037	435,806	659,558
Total Expenditures	\$8,516,272	\$8,943,506	\$8,765,974	\$9,001,479
Total Revenues	\$3,459,764	\$4,245,571	\$5,329,870	\$5,145,670
Total Full Time Positions	54.80	54.80	53.30	53.30
Total Temporary Positions	6.65	6.14	0.14	0.14

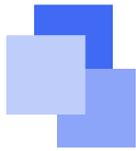
BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of building permits issued (SEA)	3,236	3,086	3,100
2. Number of building inspections completed (SEA)	13,310	12,934	13,000
3. Number of planning applications completed (SEA)	409	438	440
4. Number of zoning plan checks completed (New)	842	814	820
5. Number of code enforcement cases completed (SEA)	664	550	600



Planning and Community Environment *continued*

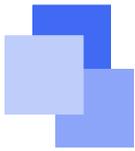
	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
6. Number of shuttle boardings (SEA)	170,719	172,000	172,000
7. Average number of City employees participating in the City commute program each month (New)	127	125	130
Efficiency:			
1. Number of building permits issued (per plan checker/building technician FTE)	462	441	450
2. Number of building inspections (per inspector FTE)	1,901	1,848	1,850
3. Number of planning applications completed (per current planner FTE)	68	73	80
4. Number of zoning plan checks completed (per current planner FTE)	140	136	140
5. Number of code enforcement cases (per code enforcement officer FTE)	332	275	300
6. City's cost per Palo Alto Shuttle rider	\$1.89	\$1.95	\$1.95
Effectiveness:			
1. Percent of building plan checks completed within 4 week target - target is 90% (SEA)	91%	88%	90%
2. Percent of building inspection requests responded to within one day - target is 90% (SEA)	93%	93%	90%
3. Average number of weeks to complete staff-level applications (represents 95% of total volume) (SEA)	12.1 wks	11.9 wks	11.0 wks
4. Percent of zoning plan checks completed within 4 week target	87%	83%	90%
5. Percent of code enforcement cases resolved within 120 days of date received (SEA)	94%	93%	93%
6. Percent of residents surveyed rating the ease of walking in Palo Alto as "good" or "excellent" (SEA survey)	84%	84%	86%
7. Percent of residents surveyed rating the ease of bicycle travel in Palo Alto as "good" or "excellent" (SEA survey)	80%	80%	82%



Planning and Community Environment *continued*

RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES						
Plan Check Fee	143,988		143,988	28,797		28,797
Building - New Construction Permit	320,911		320,911	64,182		64,182
Architectural Review Fee	238,581		238,581	(9,675)		(9,675)
Attendent Parking Fee	44,341		44,341			
Zone Plan Check Fee	57,478		57,478	11,496		11,496
VTA - Intermodal Transit Station Project		279,000	279,000			
TOTAL REVENUE CHANGES	\$805,299	\$279,000	\$1,084,299	\$94,800	\$0	\$94,800
Adjustments (Note 1)					(279,000)	(279,000)
TOTAL NET REVENUE CHANGES	\$805,299	\$279,000	\$1,084,299	\$94,800	\$(279,000)	\$(184,200)
EXPENDITURE CHANGES						
Salary and Benefits						
Reduce Hourly Staff (6.0 FTE)	(232,181)		(232,181)			
Elimin. Transp. Mgt. Coord. (0.50 FTE)	(52,368)		(52,368)			
Elimin. Plans Check Eng. (1.0 FTE)	(122,829)		(122,829)			
Reclassify Chief Planning Official to Deputy Director, PCE/Chief Planning (1.0 FTE)	8,357		8,357			
Reclassify City Traffic Engineer to Transportation Projects Manager (1.0 FTE)	(17,268)		(17,268)			
Reclassify Engineer to Engineer Tech II (1.0 FTE)	(46,140)		(46,140)			
TOTAL SALARY AND BENEFITS CHANGES	\$(462,428)	\$0	\$(462,428)	\$0	\$0	\$0
Salary Adjustments	121,948		121,948			
Personnel Benefit Costs (Note 2)	485,520		485,520	11,754		11,754
Adjustments (Note 1)	56,600		56,600			
Total Net Salary and Benefits Changes	\$201,640	\$0	\$201,640	\$11,754	\$0	\$11,754
Non-Salary						
Reduce Advertising and Publishing	(2,500)		(2,500)			
Reduce Contract Agency Personnel	(21,000)		(21,000)			
Reduce Equip. Maint. & Repair	(3,500)		(3,500)			
Reduce Fac. Maint. & Security	(3,000)		(3,000)			
Reduce Other Contract Services	(170,150)		(170,150)			
Reduce Office Supplies	(1,000)		(1,000)			



Planning and Community Environment *continued*

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
Reduce Other General Expense	(7,000)		(7,000)			
Reduce Auto and Accessories	(3,600)		(3,600)			
Allocated Charges (Note 3)	76,771		76,771	223,751		223,751
Total Non-Salary Changes	\$(134,979)	\$0	\$(134,979)	\$223,751	\$0	\$223,751
TOTAL EXPENDITURE CHANGES	\$66,661	\$0	\$66,661	\$235,505	\$0	\$235,505
Adjustments (Note 1)	(2,040)	(242,153)	(244,193)			
NET EXPENDITURE CHANGES	\$64,621	\$(242,153)	\$(177,532)	\$235,505	\$0	\$235,505

RESOURCE LEVEL NOTES

Note 1: Adjustments include prior one-time revenues and expenditure items that did not carry forward into the Adopted Budget. Other changes are the result of one-time items that were included in the 2004-05 mid-year adjustment.

Note 2: Personnel benefits costs have escalated mainly due to health care increases and increased pension costs.

Note 3: Allocated charges are increasing primarily due to a resumption of Technology Fund operational charge-backs.

Note 4: Contractual compensation increase per Service Employees International Union (SEIU) agreement.

SERVICE LEVEL CHANGES

Funding for three hourly building inspectors and an hourly inspection scheduler is eliminated in the Adopted Budget. Without these positions, the Building Division will not be able to provide timely inspections to all customers during high-volume times of the year. In addition, the loss of administrative support will mean that the Development Center will be closed during the noon hour, when customer volume is lowest, and permits will no longer be issued by fax.

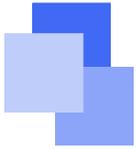
The Department would prioritize the improvement of school commute corridors such as Charleston/Arastradero over implementation of the Council-adopted Neighborhood Traffic Calming Program. The 0.5 FTE devoted to administration of this program would be eliminated.

One regular Building Division plan check engineer position will be eliminated. As a result, it will take longer for customers to obtain a building permit. Permit activity has started to decline in 2004-05. The department will attempt to maintain its performance target of a 4-week turnaround time for plan checks 90% of the time. If permit activity were to increase, performance will fall below the department's standards.

The budget reserved for special planning studies is reduced by half. With the reduced budget, no new planning or economic studies, focus groups, or outreach can be accommodated without removing or postponing projects on the Department work plan.

COMPREHENSIVE PLAN OVERVIEW

The Planning and Community Environment Department 2005-07 Adopted Budget will implement aspects of the Comprehensive Plan as follows:



Planning and Community Environment *continued*

LAND USE AND COMMUNITY DESIGN

2005-06

Complete the Zoning Ordinance Update:

- Single Family (R-1) Residential District
- Low Density Residential Districts
- Multi-Family Residential Districts (RM15, -30, and -40)
- Village Residential Districts
- Commercial Districts and Mixed Use (CN, CS, CD)
- Parking Chapter
- Pedestrian/Transit Oriented Development
- Planned Community Special Purpose District

2006-07

- Develop significance thresholds for CEQA analysis

TRANSPORTATION

2005-06

- Implement the College Terrace traffic calming plan
- Complete and implement the Bicycle Boulevards plan
- Continue to seek funding for implementation of the Charleston-Arastradero transportation plan

2006-07

- Implement the Park Boulevard Bicycle Boulevard
- Implement Charleston-Arastradero Corridor Plan trial

HOUSING

2005-06

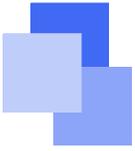
- Complete the City's Below Market Rate housing program study

2006-07

- Develop a site plan and prepare the Alma Substation site for an affordable housing project (to be done in conjunction with Utilities and Real Estate)
- Work with the Real Estate Division to identify and acquire an additional site for an affordable housing project

COMMUNITY FACILITIES AND SERVICES

2005-06



Planning and Community Environment *continued*

- Complete planning related to the Mayfield playing fields

BUSINESS AND ECONOMICS

2005-06

- Expand web-based services at the Development Center
- Continue to work with ASD and the City Manager's Office on efforts to expand the City's economic base.
- Study sites in the City for possible zoning for auto dealerships.
- As part of the Zoning Ordinance Update, revise the zoning code to accommodate the needs of biotech and research and development, and to encourage mixed-use buildings, especially with ground-floor retail.



Planning and Community Environment *continued*

PLANNING

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	2,594,284	2,986,622	3,149,061	3,154,885
Contract Services	364,169	749,299	430,779	430,779
Supplies and Materials	28,298	59,290	52,070	52,070
Facilities and Equipment Purchases	5,809	21,555	5,835	5,835
General Expense	25,685	29,330	28,530	28,530
Rents and Leases	17,795	1,100	1,100	1,100
Allocated Charges	102,059	131,607	141,994	146,454
Total Expenditures	\$3,138,099	\$3,978,803	\$3,809,369	\$3,819,653
Total Revenues	\$769,641	\$898,510	\$1,194,569	\$1,196,390
Total Full Time Positions	24.90	26.05	25.55	25.55
Total Temporary Positions	1.50	1.50	0.00	0.00

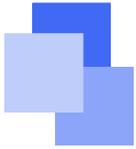


Planning and Community Environment *continued*

BUILDING

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,959,149	2,097,235	2,287,031	2,291,048
Contract Services	203,929	277,845	206,165	206,165
Supplies and Materials	18,928	15,150	10,150	10,150
Facilities and Equipment Purchases	54	10,500	10,500	10,500
General Expense	99,578	96,011	106,011	106,011
Rents and Leases	345,886	357,295	368,295	368,295
Allocated Charges	57,873	55,985	61,171	61,799
Total Expenditures	\$2,685,397	\$2,910,021	\$3,049,323	\$3,053,968
Total Revenues	\$2,464,523	\$3,067,136	\$3,532,035	\$3,625,014
Total Full Time Positions	19.30	18.25	19.30	19.30
Total Temporary Positions	5.15	4.64	0.00	0.00

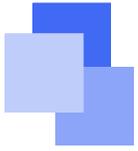


Planning and Community Environment *continued*

TRANSPORTATION

To manage and enhance the City's transportation facilities and programs in order to achieve a safe and efficient multi-modal transportation system to meet the diverse mobility needs of the community.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	840,275	902,088	881,331	882,962
Contract Services	811,138	514,646	474,646	474,646
Supplies and Materials	3,199	19,600	6,600	6,600
Facilities and Equipment Purchases	0	3,100	3,100	3,100
General Expense	120,532	150,211	145,211	145,211
Rents and Leases	1,218	0	0	0
Allocated Charges	53,602	12,490	28,100	28,943
Total Expenditures	\$1,829,964	\$1,602,135	\$1,538,988	\$1,541,462
Total Revenues	\$225,600	\$279,925	\$603,266	\$324,266
Total Full Time Positions	7.60	7.50	7.25	7.25
Total Temporary Positions	0.00	0.00	0.14	0.14



Planning and Community Environment *continued*



Police Department



Police Department Organizational Chart

POLICE CHIEF
Lynne Johnson

POLICE PERSONNEL SERVICES

1.0-Police Lieutenant
1.0-Police Agent/Officer
1.0-Staff Secretary
1.0-Program Asst
0.5-Volunteer Coordinator

ADMINISTRATION

1.0-Administrative Services Manager
1.0-Administrative Assistant

TECHNICAL SERVICES

1.0-Coordinator, Technical Serv
1.0-Business Analyst
1.0-Police Records Specialist
1.0-Crime Analyst
1.0-Supervisor, Police Services
1.0-Community Service Officer
1.0-Communications Technician

DISPATCHING SERVICES

1.0-Supervisor, Police Services
4.0-Publ Safety Dispatcher, Chief
16.0-Public Safety Dispatcher

INFORMATION MANAGEMENT

1.0-Supervisor, Police Services
9.0-Police Records Specialist

FIELD SERVICES

1.0-Police Captain
1.0-Police Agent/Officer
1.0-Staff Secretary

FIELD SERVICES (PATROL)

4.0-Police Lieutenants
10.0-Police Sergeants
50.0-Police Agent/Officers
0.5-Code Enforcement Officer
1.0-Community Service Officer

TRAFFIC/ PARKING SERVICES

1.0-Police Lieutenant
2.0-Police Sergeant
6.0-Police Agent/Officer
1.0-Community Serv Officer
1.0-Parking Enforcement Officer-Lead
7.0-Parking Enforcement Officer
0.5-Parking Examiner

INVESTIGATIVE SERVICES

1.0-Police Captain
1.0-Staff Secretary
1.0-Court Liaison
1.0-Community Serv Officer
2.0-Police Sergeant
12.0-Police Agent/Officer
2.0-Property/Evidence Technician

ANIMAL SERVICES

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

**Fiscal Year 2005-06 Position Totals: 164.50 Full-time
4.32 Hourly**



Police

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

OVERVIEW

In 2005-06, the Police Department will proceed with the continued reorganization of the department. The elimination of 4.5 positions, hourly salaries, and other funding will delay processing business applicants, reduce response times to minor violations, and increase the number of times citizens would be directed to voice mail. The reorganization is designed to minimize those impacts.

The Department will continue its efforts in community policing and outreach to ensure officer accountability to the community and increase trust between police officers and the community. Pending discussions with the Human Relations Commission (HRC) and City Council, the HRC may play a vital role in achieving these goals by reviewing Department policies handling community relations and serve as a forum. The Department will initiate a new five-year strategic plan, based in part on interviews with all stakeholders, including diverse members of the community. All 179 Department staff will visit the Museum of Tolerance in Los Angeles and participate in a law enforcement specific program focused on combating racism and bigotry.

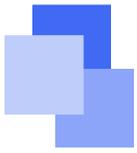
In conjunction with the Fire, Utilities, and Public Works Departments and the City Manager's Office, the Police Department will continue to play a key role in coordinating citywide functions of emergency preparedness and response to natural and criminal disasters. The Department will coordinate the City's homeland security planning, training, and regional interactions; ensure communication between public safety agencies through ongoing participation in the countywide Radio Interoperability Project; continue replacement of the City's radio infrastructure; and complete integration of wireless mapping with the City's GIS system.

With the advent of wireless phones, voice over Internet Protocol (VoIP) phones, laptops and PDAs accessing the 9-1-1 network for emergency assistance, the Department will replace the City's 9-1-1 emergency communications software system with State 9-1-1 program funds.

In support of a Santa Clara Civil Grand Jury Report on police evidence rooms, and in an effort to deal more efficiently with the processing and storage, the Department will upgrade to digital technologies in its property and evidence functions. To this end, State funds will be used to enable officers to access local, state and national databases from the crime scene, capture trace evidence and latent fingerprints using state-of-the-art equipment, and tag and enter evidence directly into the record systems utilizing a new bar-coding system in the property and evidence room.

Traffic safety and calming will continue to be a high priority for the Police Department with continuing focus on speed reduction, red light violations, and bicycle and pedestrian safety. Through the use of State funds, the Department will continue participation in "You Drink, You Drive, You Lose" and under-age drinking decoy operations with the goal of reducing the number of victims killed and injured in alcohol-related motor vehicle accidents.

The Department continues to play an integral role in the Safe Routes to School program. As a representative of the City/School Traffic Safety Committee and an active participant with the Safe Routes for Schools Task Force, the Department will: perform visual surveys of school commute routes for needed signing, striping, and site line maintenance prior to school openings; work with the PTA and PAUSD on numerous educational materials including quarterly newsletters; participate in Operation Safe Passage enforcement campaign around school zones, Walk to School Week, Way2Go Week, Child Passenger Safety Week, Bike to Work/Week and Click It or Ticket Seatbelt promotion; and provide adult crossing guards to 26 locations



Police *continued*

In cooperation with Public Works, the Department has begun designs of the Palo Alto Animal Shelter (PAAS) expansion and remodel. This project is necessary to provide animal sheltering services to Sunnyvale and to create improved services at lower costs for Palo Alto residents and other participants in the PAAS. Scheduled completion of the project and initiating sheltering services to Sunnyvale are projected for early 2007.

Work will continue on the Police Building project. In 2005-06, the conceptual design should be completed and efforts will be made to develop recommendations for a funding mechanism for Council approval.

NEW PROGRAM UPDATE

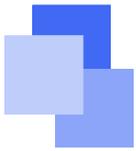
The Police Department has accomplished the following in new program implementation:

Police/Community Relations

- With assistance from the Human Relations Commission, the Department conducted several outreach sessions with members of local congregations, especially congregations of color; hosted quarterly meetings with multi-cultural groups; and worked with several community leaders to develop "Coffee, Cops, and Community" dialogues in an attempt to break down stereotypes.
- The Department continues to compile and report to Council, on a quarterly basis, demographic data on police contacts. Beginning in January 2005, the Department will be able to compare data with other communities by using a new format.
- Police Officers participated in six sessions of Palo Alto Unified School District (PAUSD) "Camp Anytown" involving high school students of diverse backgrounds in ethnic sensitivity training.
- The Department participated in a Stanford University research forum involving police leaders from around the country in identifying practical solutions to counteract racial profiling. As a result, the Department's Command staff participated in a pilot session with Stanford students, conducted by the researchers, in efforts to break down barriers. Consideration is being given to use this model between officers and citizens.
- The Community Action Line was fully implemented and the message has been provided in English and Spanish. The hotline is designed to help citizens express anonymously concerns about police interaction with the community, especially those associated with racial profiling.
- Work with community members has resulted in the creation of the non-profit Palo Alto Police Foundation and Friends of the Palo Alto Police. These two organizations support the Department in preparing for man-made and natural emergencies, raising funds for innovative programs, equipment and facilities, and engaging community involvement to make the City a safer place to live, play, and work.

Reorganization Efforts

- The pending implementation of the 4/11 work schedule in the Communications Dispatch Center will allow for the elimination of one Public Safety Dispatcher.
- Contracting out the radio shop services resulted in the elimination of one Communications Technician while providing industry standard radio service.
- Efforts to coordinate and consolidate code enforcement efforts with Planning and Public Works have been suspended due to increased costs associated with the plan.



Police *continued*

Recruitment Efforts/Succession Planning

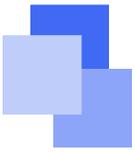
- Enhanced recruitment efforts have resulted in maintaining at 98% current staffing levels for sworn personnel. Succession planning efforts tailored to managers, supervisors, and line level personnel may result in up to 12 promotions.

Training

- All supervisors and line employees have completed the "Racial Profiling" course conducted by the State Peace Officers Standards and Training (POST) Commission. The PAPD has also trained all dispatchers on accepting/dispatching calls from a "suspicious person".
- Completed an audit of the Police Department's Field Training program. Revisions will be made to ensure that the most effective training techniques and strategies are being used and that new officers receive the appropriate levels and quality of training, especially in conflict situations, before assuming the role of a solo officer.
- Implemented an Early Identification and Intervention System intended to identify individual or group performance issues at an early stage so that intervention can be made to redirect work performance towards organizational goals. The goal is to increase organizational accountability and to ensure that employees receive the necessary training, assistance, and resources to make them successful.
- Updated the Department's Policy Manual to reflect current statutory and case law changes. The manual was revised to reflect appropriate changes required by precedent setting court decisions, legislation, best practice, and new issues facing law enforcement agencies, including a policy prohibiting racial profiling.
- Completed the one-year trial Wellness Program for sworn personnel aimed at reducing worker's compensation claims, sick leave use, and injuries due to accidents and use of force, while improving morale and productivity. This voluntary trial program included testing, personalized counseling, an on-duty exercise program, and performance tracking. Follow-up tests are scheduled, and compilation and analysis of data are underway to measure success and to determine the future of the program.

Traffic Safety and Calming Efforts

- Awarded \$25,000 grant from the Office of Traffic Safety (OTS) to conduct a seat belt enforcement campaign during a 21-day period between May and June 2005.
- Through the use of State funds from OTS, the Department participated in a "You Drink, You Drive, You Lose" campaign, with the goal of reducing the number of victims killed and injured in alcohol related motor vehicle accidents.
- Through a grant from the State Department of Alcohol Beverage Control (ABC), Palo Alto conducted undercover under-age drinking decoy operations in an attempt to reduce the number of injuries and deaths associated with under-age drinking.
- In a collaborative effort with the PAUSD and the Parent Teacher Association (PTA), the Department conducted an education and enforcement campaign geared towards enhancing safe passage of students going to and from school.



Police *continued*

Countywide Interoperability Project

- Palo Alto continues to provide a leadership role in the Silicon Valley Regional Interoperability Project, an implementation of initiatives and legislative actions to improve voice communication, data integration, and real-time information sharing amongst and between local and regional public safety agencies. To date, the project has secured approximately \$12 million in federal funding to design and build a regional microwave network and has begun the purchase and implementation of interoperability solutions.

Wireless 9-1-1 Implementation

- Palo Alto was selected as one of ten agencies in the United States to participate as a national model agency for wireless 9-1-1 implementation. Palo Alto completed the transition to handling all wireless emergency (9-1-1) calls in its dispatch center, cutting over six wireless service providers, and was the first public safety answering point to do so in the State. Serving as the Bay Area Wireless Coordinator, Palo Alto continues to take a leadership role in this important endeavor by coordinating the efforts in 31 of the 47 Bay Area 9-1-1 centers. In collaboration with the City's GIS group, work is currently underway to implement a public safety mapping application that will allow dispatchers to identify locations of wireless callers and expedite police and fire services.

Homeland Security/Disaster Preparedness Response

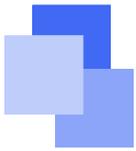
- The Department purchased, equipped, and began initial training of first responders in personal protective gear. Worked with the steering committee and citywide working group in planning and conducting an earthquake preparedness exercise that included PAUSD, the City Council, and local media. Continued to meet with members of the community on a regular basis to discuss and prepare for different types of emergencies. These meetings have resulted in the evaluation and recommendation of the current Community Notification System.

Animal Services Division

- As a result of the existing 10-year agreements with Los Altos, Los Altos Hills, and Mountain View for animal control and sheltering services and a new 20-year agreement with Sunnyvale for animal sheltering services, the Department began design work necessary for the remodel and expansion of the Palo Alto Animal Shelter. Predesign and Conceptual Design work are completed.

Technical Services

- To ensure reliable and effective telecommunications for Police, Fire, Public Works, Utilities, and Animal Services, the Department began a 5-year plan to replace the City's radio infrastructure. In 2004-05, the Department replaced some of the oldest and most deteriorated equipment.
- To ensure mutual sharing of data, information and systems, the Police Department continues to support Fire Department's technology efforts. These efforts include streamlining processes, upgrading of fire station notification systems, auditing and subsequent data cleaning of the Fire Records Management System (RMS) along with enhancements to the statistical reporting and management of information and department wide training on existing applications. Enhancements are underway for a new patient care reporting system, a new fire inspection system, and a major upgrade to the existing RMS system.
- Migration to next generation wireless technology for public safety and GIS access continues. Wireless local area network systems have been installed to transmit public safety information from the field to the Department's networks.
- Following a Santa Clara Civil Grand Jury Report on police evidence rooms and regional efforts to migrate all law



Police *continued*

enforcement agencies to digital evidence preparation for court, the Department is beginning an upgrade to digital technologies in property and evidence function. To this end, State funds were acquired to implement a bar-coding system in the property and evidence room to enhance efficiency and effectiveness.

Investigations Division

- The newly created Family Services Unit was formed to address social and criminal issues and the interrelationship between family members. This group includes an elder abuse and domestic violence investigator, two juvenile/school resource officers, and a probation officer. They work as a cohesive unit that coordinates its efforts with the PAUSD, Santa Clara County Juvenile Probation Department, and affected families.
- Working with the City Attorney, the Department will initiate a centralized Internal Investigation Team and engage an outside agency to conduct future investigations of alleged criminal conduct.

Police Building

- Work on the Civic Center Police Building Project continues. Council approval was received to proceed with conceptual design work to reconstruct the current police wing of the Civic Center in order to address serious safety concerns and meet the Police Department's critical space needs. In addition, Council directed Staff to revisit the potential site at California Avenue and report back on a comparison of pros and cons to the Civic Center site and an analysis of issues raised by California Avenue merchants.

COUNCIL PRIORITY IMPLEMENTATION

In 2005-07, the Police Department will continue to support implementation of the following City Council's top five priorities:

Infrastructure

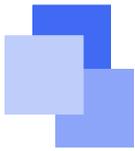
- In cooperation with Public Works, the Department will begin construction on the Palo Alto Animal Shelter (PAAS) expansion and remodeling. Scheduled completion of the project and initiating sheltering services to Sunnyvale are projected for early 2007.
- Work will continue on the Police Building project. The conceptual design should be completed in 2005-06. Staff will develop recommendations for a funding mechanism to present to Council.

Alternative Transportation and Traffic Calming

- Traffic safety and calming will continue to be a high priority for the Police Department with continued focus on speed reduction, red light violations, and bicycle and pedestrian safety.
- Through the reimbursement of State funds, the Department will continue participation in "You Drink, You Drive, You Lose" and under-age drinking decoy operations with the goal of reducing the number of victims killed and injured in alcohol-related motor vehicle accidents.

City Finances

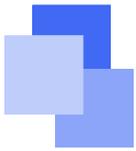
- The Department will further enhance regionalized communication with other public safety agencies through the training and implementation of the new countywide interoperability system.
- The Department will pursue alternative funding sources to maintain the current authorized level of canines in Patrol.



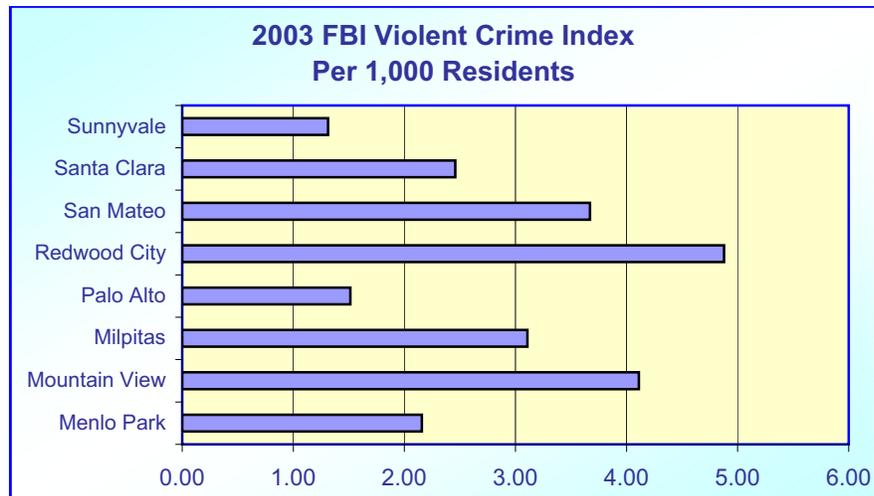
Police *continued*

- The Department will continue to work with community members in the recently created non-profit Palo Alto Police Foundation in an effort to raise funds for innovative programs, equipment, and facilities.

DEPARTMENT SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Administration	917,918	590,382	375,078	(215,304)	(36%)	376,552	1,474	0%
Field Services	8,632,533	9,527,626	10,245,560	717,934	8%	10,593,673	348,113	3%
Technical Services	5,122,146	4,600,636	5,407,806	807,170	18%	6,043,469	635,663	12%
Investigations and Crime Prevention Services	2,551,203	3,032,992	3,194,384	161,392	5%	3,278,673	84,289	3%
Traffic Services	1,376,777	1,555,988	1,592,955	36,967	2%	1,597,576	4,621	0%
Police Personnel Selection	1,273,114	760,356	937,630	177,274	23%	894,951	(42,679)	(5%)
Animal Services	1,315,362	1,382,142	1,473,208	91,066	7%	1,473,218	10	0%
Parking Services	777,053	1,009,830	1,087,504	77,674	8%	1,101,485	13,981	1%
TOTAL EXPENDITURES	\$21,966,106	\$22,459,952	\$24,314,125	\$1,854,173	8%	\$25,359,597	\$1,045,472	4%
TOTAL REVENUES	\$5,079,110	\$4,869,640	\$4,993,606	\$123,966	3%	\$4,946,818	\$(46,788)	(1%)
INTERNAL REVENUES	461,925	449,902	449,902	0	0%	462,902	13,000	3%
EXTERNAL REVENUES	4,617,185	4,419,738	4,543,704	123,966	3%	4,483,916	(59,788)	(1%)



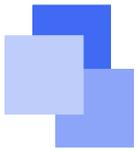
Police *continued*



INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	18,079,365	19,165,622	20,692,719	21,004,054
Contract Services	955,599	1,169,699	1,154,006	1,163,006
Supplies and Materials	421,926	427,071	407,055	407,055
Facilities and Equipment Purchases	74,220	96,100	92,600	92,600
General Expense	287,773	260,938	304,705	256,705
Rents and Leases	39,985	2,960	2,960	2,960
Allocated Charges	2,107,238	1,337,562	1,660,080	2,433,217
Total Expenditures	\$21,966,106	\$22,459,952	\$24,314,125	\$25,359,597
Total Revenues	\$5,079,110	\$4,869,640	\$4,993,606	\$4,946,818
Total Full Time Positions	171.00	168.75	164.50	164.50
Total Temporary Positions	5.62	4.62	4.32	4.32

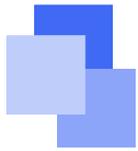
BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of total calls for service (SEA)	52,489	50,000	50,000
Efficiency:			
1. Average response time from receipt to on-scene urgent calls (SEA revised)		10:00	10:00



Police *continued*

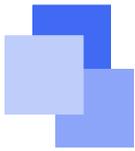
	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
2. Average response time from receipt to on-scene emergency calls (SEA)	4:58	6:00	6:00
3. Average response time from receipt to on-scene - non-emergency calls (SEA revised)		60:00	60:00
Effectiveness:			
1. Percentage of those surveyed rating police services as good or excellent (SEA survey)	90%	90%	90%



Police *continued*

RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES						
Parking citation revenue	45,000		45,000	45,000		45,000
Stanford communications dispatching services	67,197		67,197	16,979		16,979
Photocopy fees	(55,000)		(55,000)			
Impound fees	(7,000)		(7,000)			
Vaccination and microchip fees	5,000		5,000			
Dog Licenses	10,000		10,000			
Animal citations	12,000		12,000			
Animal service contracts from regional cities	35,588		35,588	1,068		1,068
911 GIS Project - state reimbursement	30,000	40,000	70,000			
Peace Officers Standards and Training (POST) reimbursement		52,000	52,000			
Office of Traffic Safety (OTS) sobriety check point reimbursement		22,490	22,490			
Alcoholic Beverage Control (ABC) reimbursement for decoy operations		8,345	8,345			
Pet supplies for resale	9,000		9,000			
Communications reimbursement				13,000		13,000
TOTAL REVENUE CHANGES	\$151,785	\$122,835	\$274,620	\$76,047	\$0	\$76,047
Adjustments (Note 1)		(150,654)	(150,654)		(122,835)	(122,835)
NET REVENUE CHANGES	\$151,785	\$(27,819)	\$123,966	\$76,047	\$(122,835)	\$(46,788)
EXPENDITURE CHANGES						
Salary and Benefits						
Add Communications Technician (1.0 FTE)	99,982		99,982			
Eliminate Code Enforcement Officer (1.25 FTE)	(126,220)		(126,220)			
Eliminate Community Service Officer (1.0 FTE)	(73,667)		(73,667)			
Eliminate Staff Secretary (1.0 FTE)	(77,586)		(77,586)			
Eliminate Office Spec. (1.0 FTE)	(71,406)		(71,406)			
Reduce hourly staff (1.5 FTE)	(31,480)		(31,480)			
Reduce hourly staff (0.5 FTE)				(10,890)		(10,890)
Total Salary and Benefits Changes	\$(280,376)	\$0	\$(280,376)	\$(10,890)	\$0	\$(10,890)



Police *continued*

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
Salary Increase (Note 4)	401,536		401,536	214,959		214,959
Personnel Benefit Costs (Note 2)	1,405,937		1,405,937	138,101		138,101
Adjustments (Note 1)					(30,835)	(30,835)
Total Net Salary and Benefits Changes	\$1,527,097	\$0	\$1,527,097	\$342,170	\$(30,835)	\$311,335
Non-Salary						
Eliminate contribution to the Wildlife Rescue program (Note 5)		(40,000)	(40,000)			
Travel expenses for POST training (offset by revenue)		48,000	48,000			
Additional crossing guard expense	6,000		6,000	6,000		6,000
Parking security contract expense increase (offset with University Ave. parking assessment fund)				3,000		3,000
Increase in Inglewood parking citation contract	2,000		2,000			
Reduce funding for 1 dog in canine program	(16,515)		(16,515)			
Increase in animal shelter expenses for microchips and supplies (offset by revenue)	11,000		11,000			
Allocated Charges (Note 3)	322,515		322,515	773,137		773,137
Total Non-Salary Changes	\$325,000	\$8,000	\$333,000	\$782,137	\$0	\$782,137
TOTAL EXPENDITURE CHANGES	\$1,852,097	\$8,000	\$1,860,097	\$1,124,307	\$(30,835)	\$1,093,472
Adjustments (Note 1)		(5,924)	(5,924)		(48,000)	(48,000)
NET EXPENDITURE CHANGES	\$1,852,097	\$2,076	\$1,854,173	\$1,124,307	\$(78,835)	\$1,045,472

RESOURCE LEVEL NOTES

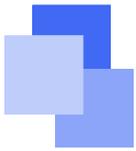
Note 1: Adjustments include prior one-time revenues and expenditure items that did not carry forward into the Adopted Budget. Other changes are the result of one-time items that were included in the 2004-05 mid-year adjustment.

Note 2: Personnel benefits costs have escalated mainly due to health care increases and increased pension costs.

Note 3: Allocated charges are increasing primarily due to a resumption of Technology Fund operational charge-backs.

Note 4: Contractual compensation increase per Palo Alto Police Officer's Association (PAPOA) agreement.

Note 5: The external Wildlife Rescue program continues to be available to the public.



Police *continued*

SERVICE LEVEL CHANGES

Service Level Increases

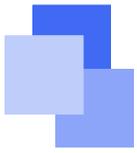
- The reinstatement of the Communications Technician is the result of summer 2004 contract negotiations with the Service Employees International Union (SEIU).
- The Office of Traffic Safety (OTS) "You Drink, You Drive, You Lose" campaign and the Alcohol Beverage Control (ABC) minor decoy operations are aimed at reducing the number of victims killed and injured in alcohol-related motor vehicle accidents; alerting the public and liquor licensees of under-age drinking; and educating young people about the penalties of attempting to purchase, possess, or consume alcoholic beverages.
- In collaboration with the City's GIS group, work is currently underway to implement a public safety mapping application that will allow dispatchers to identify locations of wireless callers and expedite police and fire services.

Service Level Decreases

- Reducing the Code Enforcement Officer to half-time will result in an up to-ten-day delay in processing and issuances of applications associated with taxis, massage practitioners, pushcart vendors, and door-to-door solicitors; and eliminate efforts to coordinate and consolidate code enforcement efforts with Planning and Public Works.
- The elimination of a Community Service Officer (CSO) and Code Enforcement Officer in Patrol would delay response times to minor violations such as lost/found property, parking complaints, noise complaints, leaf blower permitting and other Municipal Code violations, as well as response times to more serious crimes such burglary reports, grand theft reports and identity theft cases where there are no known suspects. If the remaining CSO was unavailable and regular patrol officers are not available, the victims would be directed to make reports online or at the Police Desk.
- The elimination of the Office Specialist in Investigations would result in the City's voice mail system having to answer phones for detectives when they are unavailable.
- The elimination of a Staff Secretary may result in notable delays for traffic and parking related calls. Phone calls will be forwarded directly to the voicemail as well.
- The elimination of the hourly Clerk to process time keeping for Patrol and Communications will necessitate a consolidation of pay codes and require Patrol Officers and Dispatchers to enter their time into SAP.
- The elimination of an hourly Clerk in Records will cause delays in data entry of police reports, purging of police reports, and front counter assistance to the public.
- The elimination of costs associated with one of four canine units from Patrol will require funding from an alternative source. If eliminated, this could result in less effective searching of suspects, a possible increase in suspect and officer injuries and worker's compensation claims due to violent encounters, and less time spent providing valuable public relations in schools, service clubs, and community events.

COMPREHENSIVE PLAN OVERVIEW

The 2005-07 Police Department Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:



Police *continued*

TRANSPORTATION

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

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

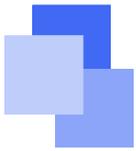
NATURAL ENVIRONMENT

The Police Department continues its efforts in the area of consolidated regional services through the use of the Palo Alto/Mountain View SWAT Team. Pending completion of the PAAS expansion project Palo Alto expects to bring on Sunnyvale as a partner in late 2006. (N-80)

GOVERNANCE

The Police Department continues to operate a number of programs in this area, including Neighborhood Watch and the Family Services Unit, which addresses social and criminal issues and the interrelationship between family members. (G-10)

The Police Department continues to meet with members of the community on a regular basis to discuss and prepare for all types of emergencies. These meetings have resulted in the evaluation and recommendations to the current Community Notification System. (G-10)



Police *continued*

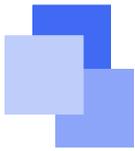
FIELD SERVICES

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	7,871,309	8,815,993	9,571,592	9,793,860
Contract Services	24,928	28,400	28,000	28,000
Supplies and Materials	151,725	165,039	148,720	148,720
General Expense	176,306	164,813	160,590	160,590
Rents and Leases	7,093	0	0	0
Allocated Charges	401,172	353,381	336,658	462,503
Total Expenditures	\$8,632,533	\$9,527,626	\$10,245,560	\$10,593,673
Total Revenues	\$291,796	\$516,508	\$341,345	\$333,000
Total Full Time Positions	69.25	70.00	67.35	67.35
Total Temporary Positions	1.83	1.83	1.83	1.83

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of violent crimes reported (SEA)	70	95	85
2. Number of police officer visits to elementary schools	342	238	238
3. Number of emergency calls requiring police response (New)	1,000	1,000	1,000
4. Number of Part 1 crimes reported (SEA)	2,370	2,400	2,400
5. Number of urgent calls requiring police response (New)	10,017	10,000	10,000
Effectiveness:			
1. Percent of residents who feel safe from violent crime (SEA survey)	84%	85%	85%
Efficiency:			
1. Percent of response to emergency calls within 6 minutes from time of receipt to 1st officer arrival (New)		90%	90%



Police *continued*

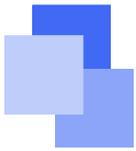
TECHNICAL SERVICES

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	3,459,908	3,647,109	4,124,113	4,130,942
Contract Services	178,893	198,880	203,580	203,580
Supplies and Materials	43,712	52,710	48,010	48,010
Facilities and Equipment Purchases	70,129	91,400	87,500	87,500
General Expense	61,666	52,690	52,690	52,690
Rents and Leases	1,169	0	0	0
Allocated Charges	1,306,669	557,847	891,913	1,520,747
Total Expenditures	\$5,122,146	\$4,600,636	\$5,407,806	\$6,043,469
Total Revenues	\$1,073,448	\$1,137,163	\$1,215,459	\$1,205,438
Total Full Time Positions	40.25	38.25	38.45	38.45
Total Temporary Positions	2.26	1.26	0.96	0.96

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of emergency calls dispatched (SEA)	1,099	1,100	1,100
2. Number of urgent calls dispatched (SEA revised)	10,017	10,000	10,000
3. Number of online reports received (New)	350	350	1,000
Efficiency:			
1. Percent of emergency calls dispatched in 60 seconds	98%	98%	95%
2. Percent of urgent calls dispatched in 90 seconds (New)		95%	95%
3. Percent of online reports entered in records system in 3 business days		90%	90%



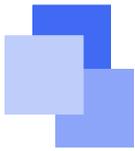
INVESTIGATIONS AND CRIME PREVENTION SERVICES

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	2,346,962	2,792,169	2,956,647	3,023,311
Contract Services	130,063	143,309	140,676	140,676
Supplies and Materials	13,817	22,140	22,140	22,140
General Expense	7,984	7,525	7,525	7,525
Rents and Leases	2,456	2,960	2,960	2,960
Allocated Charges	49,921	64,889	64,436	82,061
Total Expenditures	\$2,551,203	\$3,032,992	\$3,194,384	\$3,278,673
Total Revenues	\$3,343	\$4,000	\$4,000	\$4,000
Total Full Time Positions	21.05	22.05	22.15	22.15
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of sex registrants monitored in Palo Alto (New)	44	44	44
2. Number of elder abuse cases investigated (New)	57	60	60
3. Number of hours spent by School Resource Officers in middle and high schools	1,585	2,000	2,000
4. Number of Part 1 crimes assigned to investigators (New)	2,368	2,260	2,300
Efficiency:			
1. Percent of sex registrants checked on annual basis	100%	100%	100%
Effectiveness:			
1. Percent of rape cases assigned to investigators cleared/closed	63%	60%	60%
2. Percent of elder abuse cases assigned to investigators cleared/closed	84%	80%	80%
3. Percent of homicide cases assigned to investigators cleared/closed	100%	85%	85%
4. Percent of robbery cases assigned to investigators cleared/closed	44%	40%	40%



Police *continued*

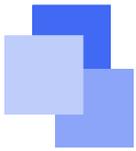
TRAFFIC SERVICES

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	973,964	1,182,680	1,231,411	1,237,260
Contract Services	296,974	297,700	303,450	309,450
Supplies and Materials	35,260	350	350	350
Facilities and Equipment Purchases	4,091	4,000	4,000	4,000
General Expense	1,425	2,000	2,000	2,000
Allocated Charges	65,063	69,258	51,744	44,516
Total Expenditures	\$1,376,777	\$1,555,988	\$1,592,955	\$1,597,576
Total Revenues	\$1,245,246	\$492,445	\$468,690	\$446,200
Total Full Time Positions	9.55	9.55	9.15	9.15
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of traffic citations issued by the department (SEA)	7,301	5,300	6,000
2. Number injury accidents (SEA)	400	425	375
3. Number of DUI arrests (New)	171	140	155
4. Number bicycle/pedestrian accidents (SEA)	102	105	95
Efficiency:			
1. Number traffic citations issued per traffic officer (New)	812	560	650
Effectiveness:			
1. Ratio of traffic citations issued and DUI arrests to total injury accidents (New)	20:01	16:01	20:10
2. Percent reduction in collisions in "super block" during school hours	25%	15%	15%
3. Percent reduction in bicycle/pedestrian accidents (SEA)		-3%	10%
4. Percent rating traffic services good or excellent (SEA survey)	64%	66%	66%



Police *continued*

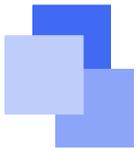
POLICE PERSONNEL SELECTION

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,050,037	532,213	650,235	655,284
Contract Services	156,771	162,810	177,810	177,810
Supplies and Materials	36,161	30,080	30,080	30,080
General Expense	18,604	19,260	67,260	19,260
Allocated Charges	11,541	15,993	12,245	12,517
Total Expenditures	\$1,273,114	\$760,356	\$937,630	\$894,951
Total Revenues	\$19,203	\$17,000	\$52,000	\$0
Total Full Time Positions	6.65	4.65	5.25	5.25
Total Temporary Positions	0.00	0.00	0.00	0.00

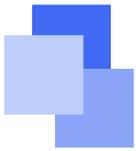
BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of total officer training hours (SEA)	13,578	13,500	13,500
2. Number of police officer and dispatcher positions filled (New)	104	107	109
3. Number of citizen complaints filed (New)	13	12	10
4. Number of citizen commendations received (New)	145	130	140
5. Number of worker's compensation claims filed (New)	28	20	25
Efficiency:			
1. Number of training hours per officer (SEA)	146	145	145
2. Percent of candidates for police officer and dispatcher positions given conditional job offers within 120 days of processing employment applications (New)	82%	92%	90%
3. Percent of use of force, citizen complaint, and canine investigations completed within 90 days of receipt of information (New)	80%	90%	90%
Effectiveness:			
1. Percent of police officer and dispatcher staffing levels maintained (New)	91%	95%	95%



Police *continued*

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
2. Ratio of citizen commendations to complaints filed (New)	11:1	11:1	14:1
3. Percent of worker's compensation claims reduced (New)		29%	10%



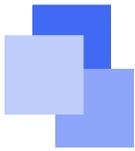
ANIMAL SERVICES

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,040,789	1,112,765	1,222,107	1,224,090
Contract Services	65,595	80,100	39,990	39,990
Supplies and Materials	117,171	101,500	111,220	111,220
Facilities and Equipment Purchases	0	700	1,100	1,100
General Expense	4,131	8,650	8,640	8,640
Rents and Leases	5,200	0	0	0
Allocated Charges	82,476	78,427	90,151	88,178
Total Expenditures	\$1,315,362	\$1,382,142	\$1,473,208	\$1,473,218
Total Revenues	\$892,955	\$851,524	\$916,112	\$917,180
Total Full Time Positions	12.00	12.00	12.10	12.10
Total Temporary Positions	1.05	1.05	1.05	1.05

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of Palo Alto animal service calls (SEA revised)	3,575	6,000	5,000
2. Number of regional animal service calls (SEA revised)	1,766	1,800	1,700
3. Number of animals sheltered (SEA)	3,780	3,900	3,800
Efficiency:			
1. Percent of animal calls responded to in 45 minutes (SEA)	98%	91%	93%
2. Percent of regional animal calls responded to in 60 minutes	94%	87%	90%
Effectiveness:			
1. Percent of dogs returned to their owners (SEA)	80%	65%	65%
2. Percent of cats returned to their owners (SEA)	11%	8%	8%



PARKING SERVICES

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	652,286	714,265	777,223	779,642
Contract Services	102,345	258,500	260,500	263,500
Supplies and Materials	3,212	13,665	13,665	13,665
General Expense	246	400	400	400
Allocated Charges	18,964	23,000	35,716	44,278
Total Expenditures	\$777,053	\$1,009,830	\$1,087,504	\$1,101,485
Total Revenues	\$1,553,069	\$1,851,000	\$1,996,000	\$2,041,000
Total Full Time Positions	9.30	9.30	8.90	8.90
Total Temporary Positions	0.48	0.48	0.48	0.48

BENCHMARKING MEASURES

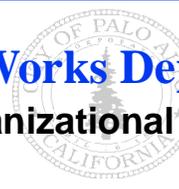
	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of parking citations issued (SEA)	47,480	51,000	53,000
2. Number of abandoned and stored vehicle complaints (New)	1,045	900	1,000
Efficiency:			
1. Number of parking citations issued per Parking Enforcement Officer (New)	6,783	7,286	7,571
Effectiveness:			
1. Percent of compliance rate for parking time limits in downtown area	96%	95%	95%
2. Percent of abandoned and stored vehicle complaints processed in 10 working days	99%	90%	90%



Public Works Department

Public Works Department

Organizational Chart



PUBLIC WORKS DIRECTOR

Glenn Roberts

1.0-Administrative Assistant

1.0-Sr Administrator of Public Works

ENGINEERING

1.0-Asst Director/Public Works

- 1.0-Coordinator, PW Projects
- 1.0-Staff Secretary
- 1.0-Office Specialist

INSPECTIONS/SURVEYS

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

PROJECT MANAGEMENT

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

PRIVATE DEVELOPMENT

- 1.0-Sr Project Mgr
- 4.0-Technician III
- 1.0-Project Engineer
- 1.0-Engineer

EQUIPMENT MANAGEMENT

1.0-Fleet Manager

- 1.0-Staff Secretary
- 1.0-Asst Fleet Manager
- 2.0-Fleet Services Coordinator
- 2.0-Equipment Maint Serv Person
- 1.0-Motor Equip Mechanic-Lead
- 7.0-Motor Equipment Mechanic
- 1.0-Mobile Service Technician

FACILITIES MANAGEMENT

- 1.0-Mgr. Facility Maint. & Proj
- 1.0-Engineer
- 1.0-Staff Secretary

FACILITIES REHABILITATION

- 1.0-Project Mgr
- 1.0-Office Specialist
- 1.0-Engineering Tech III

FACILITIES MAINT.

- 1.0-Supv, Facility Mgt.
- 0.5-Office Specialist
- 2.0-Facilities Maint-Lead
- 5.0-Facilities Mechanic
- 2.0-Facilities Painter
- 1.0-Facilities Carpenter
- 1.0-Electrician

BUILDING SERVICES

- 1.0-Supervisor, Bldg Serv
- 2.0-Bldg Svc Pers-Lead
- 4.0-Bldg Service Person

WATER QUALITY CONTROL PLANT

- 1.0-Water Quality Control Plant Mgr
- 1.0-Staff Secretary
- 1.0-Office Specialist

WATER QUALITY CONTROL OPERATIONS

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

LABORATORY SERVICES

- 1.0-Manager Laboratory Services
- 1.0-Sr Chemist
- 3.0-Chemist
- 0.5-Engineer Tech I
- 2.5-Lab Technician

WQC PLANT MAINTENANCE

- 1.0-Asst Manager WQCP
- 1.0-Sr. Instrument. Electrician
- 3.0-Instrument Electrician
- 1.0-Sr Mechanic
- 7.0-Maintenance Mechanic
- 1.0-Storekeeper
- 1.0-Programmer Analyst
- 1.0-Project Engineer
- 1.0-Buyer

ENVIRONMENTAL COMPLIANCE

- 1.0-Mgr. Environmental Compliance
- 1.0-Staff Secretary

ENVIRONMENTAL CONTROL PROGRAMS

- 1.0-Program Asst
- 2.0-Mgr. Environmental Ctrl Program
- 1.0-Environmental Specialist
- 3.0-Associate Engineer
- 2.0-Industrial Waste Investigator
- 1.0-Industrial Waste Inspector

OPERATIONS AND REFUSE

- 1.0-Deputy Director, Public Works
- 1.0-Staff Secretary

STREETS

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

TREES

- 1.0-Managing Arborist
- 2.0-Project Manager { .75 Utl Line Clr }
- 1.0-Office Specialist
- 1.0-Tree Maint Person { 1.0 Utl Line Clr }
- 1.0-Tree Trim/Line Clr-Lead
- 9.0-Tree Trim/Ln Clr

LANDFILL OPERATIONS

- 1.0-Mgr. Maint. Oper.
- 1.0-Landfill Technician
- 4.0-Refuse Disposal Attendant
- 1.0-Heavy Equip Oper-Lead
- 4.0-Heavy Equip Oper

SIDEWALKS

- 1.0-Mgr Maint Oper
- 2.0-Asst Engineer
- 1.0-Cement Finisher-Lead
- 3.0-Cement Finisher

STREET OPERATIONS

- 1.0-Mgr Maintenance Oper
- 6.0-Str Sweeper Oper
- 1.0-Heavy Equip Oper-Lead
- 1.0-Heavy Equip Oper
- 1.0-Truck Driver
- 2.0-Street Maint. Assistant

STORM DRAIN OPERATIONS

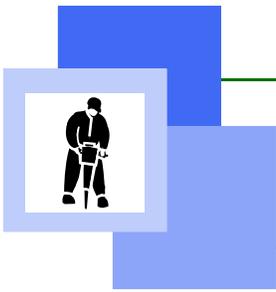
- 1.0-Electrician-Lead
- 1.0-Heavy Equip Oper-L
- 1.0-Heavy Equip Oper

REFUSE

- 1.0-Mgr Solid Waste
- 1.0-Mgr Environmental Controls
- 1.0-Senior Engineer
- 1.0-Environmental Specialist
- 2.0-Executive Assistant
- 2.0-Recycling Coordinator
- 1.0-Office Specialist
- 1.0-Staff Secretary

Fiscal Year 2005-06 Position Totals:

214.50 Full-time
0.99 Hourly



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

In 2005-07, Public Works Engineering will continue to focus on projects identified in the Infrastructure Management Plan (IMP) including the annual street maintenance program, repairs and restorations to the Mitchell Park Library and Mitchell Park Community Center, and the renovation and expansion of the Children's Library and the Animal Shelter. These improvements include upgrades of building electrical and mechanical systems, interior refurbishment such as new paint and flooring, Americans with Disabilities Act (ADA) improvements, roof replacements, addition of floor space for expanded programs (Children's Library and the Animal Shelter) and seismic evaluation upgrades. The Division will also continue to support Palo Alto private development activity including issuance of street opening and encroachment permits, certificates of compliance under the Subdivision Map Act, and support of the Planning Department with plan review of grading and drainage issues.

With the addition of Parks and Open Space IMP projects to the responsibilities of the Engineering Division in 2005-06, Public Works Engineering will complete construction of El Camino Median Landscaping Phase III and San Antonio Road Median Improvements Phase I. Also in 2005-06, construction will begin on Mitchell Park Improvements Phase III, University Avenue Gateway, and Bowden and Johnson Parks. In 2006-07, construction will commence on San Antonio Phase II, Hoover, Hopkins, Ramos, and Boulware Parks.

Public Works Facilities Management will continue to focus on the delivery of custodial, maintenance, and rehabilitation services to achieve maximum life expectancy of the buildings and building systems. Implementation of the Infrastructure Management Plan will continue to be a focus with projects including mechanical and electrical upgrades at the Civic Center and the Municipal Service Center, fire station upgrades, interior refurbishment, accessibility upgrades, and improvements to Foothill Park Interpretive Center.

In 2005-06, Facilities Management's Infrastructure Projects will include: Phase II of the Civic Center Infrastructure Upgrade, continuing with the ongoing Roof Replacement Project, Fire Station Improvements at Fire Stations 5 and 8, ADA Compliance Project, and updating the Building Module of the Adamson Report (IMP).

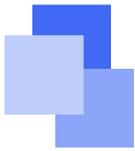
In 2006-07, Facilities Management will continue with the Civic Center Infrastructure Improvements Project, the ongoing Roof Replacement Project, ADA Compliance Project and the Municipal Services Center Renovation.

In addition to the stated General Fund activities, the Public Works Department is also responsible for managing three Enterprise Funds: the Refuse, Storm Drainage and Wastewater Treatment Funds. The Department manages the Vehicle Replacement and Maintenance Fund, which is an Internal Service Fund. Details for these funds are located in the Enterprise and Internal Service (other) Funds section of the document.

NEW PROGRAM UPDATE

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

In an effort to streamline IMP project implementation in 2004-05, Parks and Open Space IMP projects along with their assigned staff were transferred to Public Works Engineering. In 2005-07, Public Works Engineering will continue with the Parks and Open Space IMP schedule of projects that include Alma Street Landscaping and San Antonio Median renovation. Park improvements scheduled for 2005-06 include Boulware, Bowden, Johnson and Mitchell Parks. In 2006-07, improvements are scheduled for Hoover, Hopkins and Ramos Parks.



Public Works *continued*

The lease for the Cowper/Webster Garage (Lot J) expires in December 2006. At that time, the City will resume maintenance of the garage. Partial year funding has been included for Facilities Management's budget in 2006-07 for maintenance of the structure, elevators, lighting, life safety systems, and custodial services.

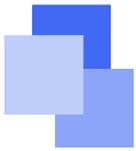
COUNCIL PRIORITY IMPLEMENTATION

In the 2005-07 Adopted Budget, Public Works will implement the Council's top five priorities as follows:

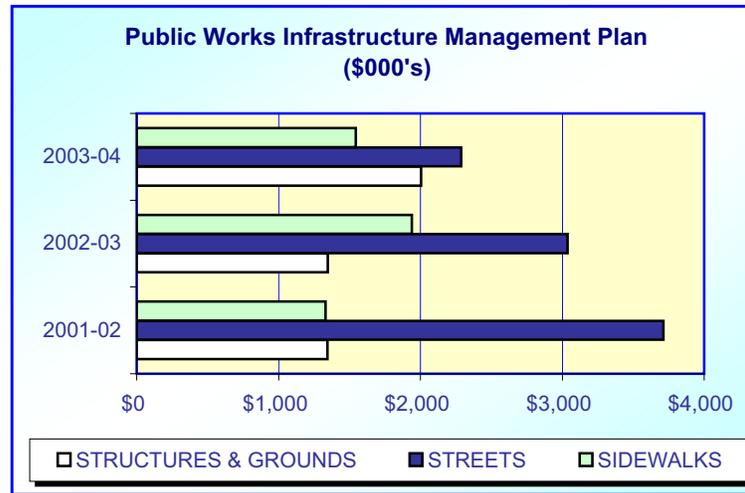
Infrastructure

- Continue resurfacing and reconstructing City streets to maintain rideability and extend life
- Continue the sidewalk repair program to alleviate the existing backlog of sidewalk replacement
- Continue the ongoing Roof Replacement Program
- Continue upgrading the mechanical and electrical systems at Cubberley

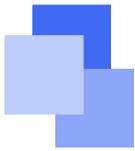
DEPARTMENT SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Administration	971,177	704,267	733,488	29,221	4%	1,016,733	283,245	39%
Streets	1,758,349	2,020,903	2,099,013	78,110	4%	2,086,615	(12,398)	(1%)
Sidewalks	670,251	521,706	0	(521,706)	(100%)	0	0	0%
Trees	1,729,878	2,010,452	2,121,577	111,125	6%	2,126,578	5,001	0%
Structures and Grounds	3,885,324	4,379,321	4,581,941	202,620	5%	4,691,207	109,266	2%
Engineering	1,558,590	1,721,803	1,914,516	192,713	11%	1,917,952	3,436	0%
TOTAL EXPENDITURES	\$10,573,569	\$11,358,452	\$11,450,535	\$92,083	1%	\$11,839,085	\$388,550	3%
TOTAL REVENUES	\$1,729,192	\$2,587,629	\$2,530,050	\$(57,579)	(2%)	\$2,658,583	\$128,533	5%
INTERNAL REVENUES	1,474,633	1,897,039	2,051,850	154,811	8%	2,180,383	128,533	6%
EXTERNAL REVENUES	254,559	690,590	478,200	(212,390)	(31%)	478,200	0	0%



Public Works *continued*



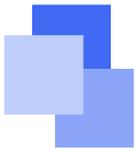
INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	6,306,776	7,054,349	6,836,384	6,848,126
Contract Services	1,520,517	1,724,165	1,860,553	1,860,053
Supplies and Materials	587,598	730,183	684,033	687,533
Facilities and Equipment Purchases	26,651	16,046	9,946	9,946
General Expense	14,976	25,900	28,300	28,300
Rents and Leases	45,638	31,350	31,350	31,350
Allocated Charges	2,071,413	1,776,459	1,999,969	2,373,777
Total Expenditures	\$10,573,569	\$11,358,452	\$11,450,535	\$11,839,085
Total Revenues	\$1,729,192	\$2,587,629	\$2,530,050	\$2,658,583
Total Full Time Positions	76.20	74.06	67.90	67.90
Total Temporary Positions	0.66	0.66	0.66	0.66



Public Works *continued*

RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES						
Special Service Fee	(10,690)		(10,690)			
Other Permit	(6,700)		(6,700)			
Engineering & Inspection Reimbursements	80,000		80,000			
Surveying Services Reimbursements	10,000		10,000			
Street Cut Fees (Note 3)	(411,000)		(411,000)	(13,000)		(13,000)
Electric Line Clearing Services	15,000		15,000			
Allocated Revenues	265,811		265,811	141,533		141,533
TOTAL REVENUE CHANGES	\$(57,579)	\$	\$(57,579)	\$128,533	\$	\$128,533
EXPENDITURE CHANGES						
Salary and Benefits						
Elimination of 0.5 FTE Program Assistant- Graffiti Program	(39,380)		(39,380)			
Elimination of 1.0 FTE Building Serviceperson- Custodial Services	(63,930)		(63,930)			
Elimination of 1.0 FTE Supervisor Public Works	(115,925)		(115,925)			
Reclassification of 0.12 FTE Manager- Maintenance Operations to fulfill additional duties of retired Supervisor Public Works	15,783		15,783			
Transfer of Salary and Benefits from Sidewalk Operations to Sidewalk CIP	(367,990)		(367,990)			
Salary Adjustments	136,543		136,543			
Personnel Benefit Costs (Note 1)	217,874		217,874	11,743		11,743
Total Salary and Benefits Changes	\$(217,025)	\$	\$(217,025)	\$11,743	\$	\$11,743
Non-Salary						
Department-wide Allocated Charges (Note 2)	223,508		223,508	373,807		373,807
Funding for Thermoplastic School Markings		30,000	30,000		(30,000)	(30,000)
Contract Services for Maintenance of Roth Building		25,000	25,000		(25,000)	(25,000)
Transfer of Non-salary Expenses from Sidewalk Operations to Sidewalk CIP	(50,400)		(50,400)			



Public Works *continued*

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
Maintenance for Parking Garages (Note 4)			0	58,000		58,000
San Francisquito Creek Joint Pow- ers Agreement and San Francisquito Watershed Council funding (Note 5)	81,000		81,000			
Total Non-Salary Changes	\$254,108	\$55,000	\$309,108	\$431,807	\$(55,000)	\$376,807
TOTAL EXPENDITURE CHANGES	\$37,083	\$55,000	\$92,083	\$443,550	\$(55,000)	\$388,550

RESOURCE LEVEL NOTES

Note 1: Personnel benefits costs have escalated mainly due to health care increases and increased pension costs.

Note 2: Allocated charges are increasing primarily due to a resumption of Technology Fund operational charge-backs.

Note 3: Reduction in revenue from fees imposed on entities making any excavation on City-owned streets. This fee is collected to reimburse the City for the shortened life of the streets caused by excavation.

Note 4: Expenses are reimbursed by the Parking Assessment Districts via a transfer to the General Fund at the fund level.

Note 5: This change is made in accordance with a recommendation by the Blue Ribbon Storm Drain Committee that creek-related expense should not be funded through the Storm Drainage Fund. This expense has been moved to the Public Works operating budget.

SERVICE LEVEL CHANGES

Facilities Management

The elimination of 1.0 FTE Building Serviceperson for custodial services will reduce the frequency of cleaning at the Civic Center.

Operations

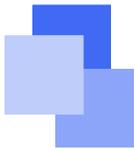
The transfer of sidewalks operations to sidewalks CIP will extend the backlog of sidewalk projects. However, the sidewalks CIP will maintain \$2 million in funding for sidewalk repairs in 2005-06.

The elimination of 0.5 FTE Program Assistant position for the graffiti program will result in a longer response time for various graffiti removal requests.

The elimination of 1.0 FTE Supervisor- Public Works will result in a restructuring and redistribution of workload among existing management staff.

Engineering

For the past three years Public Works Engineering has employed two temporary engineering positions to assist in implementation of Infrastructure Management Plan (IMP) projects. Funded by the Capital Fund, these positions were originally retained for a five-year term. With the elimination of these positions in the Adopted Budget prior to the end



Public Works *continued*

of their term, IMP project workload will be adjusted and may result in deferral or delay of some future projects.

COMPREHENSIVE PLAN OVERVIEW

In 2005-07, Public Works will work towards implementing the programs and policies of the Comprehensive Plan in the following areas:

LAND USE AND COMMUNITY DESIGN

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

Staff will provide timely plan review and assistance with construction oversight to the 901 San Antonio Development (Policy L-25).

Public Works Engineering will implement Phase III of the Mitchell Park Improvement Plan along with other park improvements identified in the IMP (Policies C-22, C-24, C-26, C-32 and program C-19).

Staff will provide timely plan review and assistance with construction oversight to D.R. Horton Home Builders during development of the Rickey's Hyatt site.

TRANSPORTATION

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

HOUSING

Staff will conduct limited graffiti clean-up events with the help of volunteers (H-18).

NATURAL ENVIRONMENT

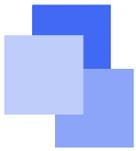
Canopy, a non-profit advocate for Palo Alto's community trees, will work with the City on the program to educate residents about newly planted trees (N-16).

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

COMMUNITY FACILITIES AND SERVICES

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

Staff will continue implementing the Infrastructure Management plan projects (C-24).



Public Works *continued*

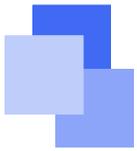
STREETS

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,079,399	1,248,825	1,184,869	1,186,885
Contract Services	19,565	17,639	47,639	17,639
Supplies and Materials	186,394	268,710	268,710	268,710
Facilities and Equipment Purchases	0	200	200	200
General Expense	1,195	2,700	2,700	2,700
Rents and Leases	5,676	0	0	0
Allocated Charges	466,120	482,829	594,895	610,481
Total Expenditures	\$1,758,349	\$2,020,903	\$2,099,013	\$2,086,615
Total Revenues	\$69,509	\$321,832	\$321,832	\$321,832
Total Full Time Positions	14.99	14.74	13.36	13.36
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of potholes repaired (SEA)	2,907	1,670	1,670
2. Number of signs repaired or replaced (New)	1,602	1,620	1,620
Efficiency:			
1. Potholes filled per hour (New)	2.7	2.1	2.1
2. Number of signs repaired or replaced per hour (New)	1.1	1.2	1.2
Effectiveness:			
1. Percent completed within 15 days (SEA)	80	80	80
2. Number of calls reporting damaged/faded signs (New)	55	50	50



Public Works *continued*

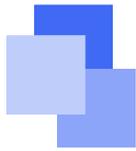
SIDEWALKS

To develop and maintain the quality of sidewalks to ensure the safety of the public.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	503,851	371,976	0	0
Contract Services	129	0	0	0
Supplies and Materials	50,257	49,400	0	0
Facilities and Equipment Purchases	0	1,000	0	0
General Expense	70	0	0	0
Rents and Leases	1,392	0	0	0
Allocated Charges	114,552	99,330	0	0
Total Expenditures	\$670,251	\$521,706	\$0	\$0
Total Revenues	\$(1,338)	\$0	\$0	\$0
Total Full Time Positions	6.08	3.78	0.00	0.00
Total Temporary Positions	0.00	0.00	0.00	0.00

PROGRAM COST DETAIL

In the 2005-07 Adopted Budget, the sidewalk repair operating budget has been transferred to the sidewalk CIP. Included in the transfer is a portion of curb and gutter repair costs from the Storm Drainage Fund. Excluded from the transfer are the General Fund allocated charges which have been moved to the streets operating budget.



Public Works *continued*

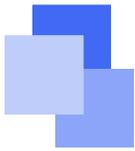
TREES

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,006,748	1,211,008	1,301,952	1,304,201
Contract Services	440,331	470,600	470,600	470,600
Supplies and Materials	44,106	57,800	57,800	57,800
Facilities and Equipment Purchases	0	5,900	5,900	5,900
General Expense	815	200	200	200
Allocated Charges	237,878	264,944	285,125	287,877
Total Expenditures	\$1,729,878	\$2,010,452	\$2,121,577	\$2,126,578
Total Revenues	\$16,160	\$12,000	\$27,000	\$27,000
Total Full Time Positions	13.88	13.88	13.88	13.88
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of service requests responded to (New)	857	850	850
2. Number of trees pruned (SEA)	5,212	4,200	4,300
3. Number of service calls completed (New)	5,117	5,200	5,200
4. Number of trees line cleared (New)	7,184	6,805	6,805
Efficiency:			
1. Percent of requests responded to within 10 days (New)	71%	80%	80%
2. Person hours per tree (New)	2.3 hrs.	2.2 hrs.	2.2 hrs.
3. Person hours per service call (New)	2.2 hrs.	2.2 hrs.	2.2 hrs.
4. Percent of total trees line cleared (New)	26%	25%	25%
Effectiveness:			
1. Average number of days to respond (New)	7	6	5
2. Percent of urban forest pruned (New)	15%	12%	12%
3. Percent of urban forest serviced (New)	15%	14%	14%
4. Number of electrical service disruptions caused by trees (New)	5	0	0



Public Works *continued*

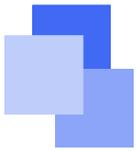
STRUCTURES AND GROUNDS

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,839,044	2,111,755	2,180,756	2,184,520
Contract Services	1,023,505	1,201,590	1,226,590	1,256,090
Supplies and Materials	286,294	328,440	328,440	331,940
Facilities and Equipment Purchases	0	3,846	3,846	3,846
General Expense	1,250	6,000	6,000	6,000
Rents and Leases	35,425	30,700	30,700	30,700
Allocated Charges	699,806	696,990	805,609	878,111
Total Expenditures	\$3,885,324	\$4,379,321	\$4,581,941	\$4,691,207
Total Revenues	\$513,931	\$523,211	\$742,465	\$742,465
Total Full Time Positions	24.50	24.25	23.25	23.25
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Custodial: Total Square Footage cleaned by Custodial Section	1,004,676	1,004,676	1,004,676
2. Maintenance: Total Square Footage maintained by Maintenance Section	1,401,714	1,401,714	1,401,714
3. CIP Support: Number of Projects Assigned in given fiscal year	16	10	9
Efficiency:			
1. Custodial: Cost per square foot for Custodial Services	\$1.12	\$1.15	\$1.18
2. Maintenance: Cost per square foot for Maintenance work	\$1.32	\$1.42	\$1.52
3. CIP Support: Number of Projects bid and awarded in the year budgeted	16	10	9
Effectiveness:			
1. Custodial: Number of customer callbacks for regularly scheduled cleaning (New)		0	0
2. Maintenance: Percent of repairs completed in 3 weeks (New)		100%	100%
3. CIP Support: Percent of projects completed on time	100%	100%	100%



Public Works *continued*

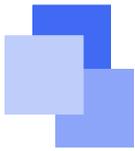
ENGINEERING

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

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,446,870	1,623,444	1,718,228	1,721,165
Contract Services	36,068	31,597	112,985	112,985
Supplies and Materials	20,297	23,050	26,300	26,300
Facilities and Equipment Purchases	26,651	5,100	0	0
General Expense	6,395	13,600	16,000	16,000
Rents and Leases	1,121	0	0	0
Allocated Charges	21,188	25,012	41,003	41,502
Total Expenditures	\$1,558,590	\$1,721,803	\$1,914,516	\$1,917,952
Total Revenues	\$684,161	\$1,410,090	\$1,071,700	\$1,058,700
Total Full Time Positions	13.75	14.51	14.51	14.51
Total Temporary Positions	0.66	0.66	0.66	0.66

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Structures and Grounds: Total dollar value of Infrastructure Management Plan (IMP) accomplished (Capital Expenditures)	\$12,100,000	\$5,878,575	\$4,000,000
2. Street Maintenance: Total dollar value of IMP accomplished (Capital Expenditures)	\$2,275,428	\$1,945,000	\$1,945,000
3. Private Development: Number of plans Reviewed	505	500	500
4. Private Development: Number of permits issued	285	250	250
5. Private Development: Number of Right of Way cases (New)		146	146
6. Parks & Open Space: Total Dollar Value of IMP Projects (Capital Expenditures) (New)		\$2,000,000	\$1,090,000
Efficiency:			
1. Structures and Grounds: Total dollar value per FTE	\$950,000	\$950,000	\$950,000
2. Street Maintenance: Total dollar value per FTE	\$950,000	\$950,000	\$950,000



Public Works *continued*

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
3. Private Development: Number of plans reviewed within four weeks	422	450	450
4. Private Development: Number of permits per FTE	95	83	83
5. Private Development: Percent of investigated cases within three days (New)		90%	90%
6. Parks & Open Space: Dollar value per FTE (New)		\$800,000	\$800,000
Effectiveness:			
1. Structures and Grounds: Percent of IMP Projects within planned budget	100%	100%	100%
2. Street Maintenance: Percent of streets not in need of maintenance (good or better condition on the Pavement Maintenance Management System)	60%	60%	60%
3. Private Development: Revenues Received	\$66,756	\$75,000	\$75,000
4. Private Development: Revenues Received	\$198,747	\$175,000	\$175,000
5. Private Development: Number of citations issued (New)		60	60
6. Parks & Open Space: Percentage of IMP Projects completed within planned budget (New)	100%	100%	100%



Enterprise Funds



Utilities Department

Organizational Chart

ELECTRIC OPERATIONS

ADMINISTRATION

0.5-Asst. Director Engineering Ops.

1.0-Manager, Electric Operations

0.3-Staff Secretary

6.0-Supervisor, Electric Systems

1.0-Electrician

0.5-Coord, Utility Safety & Security

COMPLIANCE INSPECTIONS

2.0-Electric Underground Inspector

1.0-Compliance Technician-Lead

3.0-Compliance Technician

CONSTRUCTION OVERHEAD/ UNDERGROUND

5.0-Lineperson/Cablesplicer Lead

9.0-Lineperson/Cablesplicer

3.0-Heavy Equipment Operator

1.0-Electrical Assistant I

CUSTOMER SERVICE

5.0-Utility System Operator

1.0-Street Lights Electrician

2.0-Electrical Asst I

2.0-Utilities Locator

1.0-Lineperson/Cable Splicer

ELECTRICAL ENGINEERING

1.0-Engineering Manager-Electric

5.0-Sr Electric Project Engineer

3.0-Electric Project Engineer

1.0-Assoc Power Engineer

2.0-Engineering Tech III

4.0-Engineering Estimator

1.0-Program Assistant

SUBSTATIONS

2.0-Electrician Lead-Substation

5.0-Electrician-Substation

3.0-Electrician Lead-Meter Shop

1.0-Electric Lead

2.0-Electrician

TRAFFIC SIGNALS/FIBER OPTICS

1.0-Office Specialist

1.0-Electrician Lead

5.0-Electrician

2.0-Electrical Asst I

TELECOMMUNICATIONS

1.0-Telecommunications Manager

1.0-Office Specialist

1.0-Senior Resource Planner

1.0-Key Account Representative

1.0-Utility Project Coordinator

DIRECTOR OF UTILITIES

John Ulrich

UTILITIES ADMINISTRATION

1.0-Administrative Asst

1.0 Program Asst

1.0 Sr. Administrator

1.0-Utilities Accounting Technician

1.0-Manager, Communications

1.0-Communications Specialist

0.5-Program Asst

RESOURCE MANAGEMENT

1.0-Asst. Director-Resource Mgmt.

1.0-Manager, Supply Resources

3.0-Senior Resource Planner

4.0-Resource Planner

1.0-Sr Resource Originator

1.0-Sr. Market Analyst

1.0-Staff Secretary

ADMINISTRATIVE SERVICES

1.0-Asst. Director-Administr Serv

1.0-Manager, Utilities Rate

1.0-Utilities Rate Analyst

1.0-Business Analyst

2.0 Staff Secretary

0.50 Program Assistant

FIELD & CUSTOMER SERVICES

1.0-Manager, Field & Customer Serv

5.0-Customer Service Rep

1.0-Customer Service Spec.-Lead

1.0-Customer Service Specialist

1.0-Meter Reader-Lead

5.0-Meter Reader

1.0-Utilities Credit/Col Spec

1.0-Senior Business Analyst

1.0 Sr. Market Analyst

1.0-Supervisor, Meter Read,Field Serv

8.0-Utilities Field Service Rep

1.0-Sr Field Services Rep

MARKETING PROGRAMS

1.0-Mgr Utilities Marketing Svcs

1.0-Marketing Engineer

2.0-Key Account Representative

3.0-Account Representative

1.0 Staff Secretary

WATER-GAS-WASTEWATER (WGW)

0.5-Asst. Director Engineering Ops.

1.0-Utility Project Coordinator

0.5-Coordinator, Utilities Safety & Security

0.7-Staff Secretary

1.0-Manager, WGW Operations

1.0-Staff Secretary

1.0-Program Asst

1.0-Utility Installer Repairer-Lead

2.0-Equip Operator

1.0-Heavy Equip Operator

1.0-Inspector Field Services

1.0-Maintenance Mechanic

1.0-Truck Driver

1.0-Cement Finisher

1.0-Utilities Locator

1.0-Cathodic Technician

1.0-Supervisor, New Construction

5.0-Utility Installer Repairer

1.0-Utility Installer Repairer-Lead

2.0-Heavy Equipment Operator

WATER & GAS

1.0-Supervisor Water & Gas Maintenance

1.0-Utility Installer Repairer-Lead

5.0-Utility Installer Repairer

1.0-Utility Installer-Repairer Asst

1.0-Heavy Equip Operator

WASTEWATER

1.0-Supervisor, Wastewater Maintenance

2.0-Heavy Equip Operator

2.0-Utility Installer Repairer-Lead

4.0-Utility Installer Repairer

WATER SYSTEM OPERATIONS

1.0-Supervisor, Water Transmission

1.0-Sr Water System Operator

5.0-Water System Operator II

1.0-Maintenance Mechanic

1.0-Supervisor, WGW Meter Shops

2.0-Water Meter Cross Connection Tech

2.0-Gas System Technician

WGW ENGINEERING

1.0-Engineering Manager, WGW

2.0-Staff Secretary

1.0-Supv-Utility Construction Inspection

3.0-Inspector, Field Services

1.0-Sr Project Engineer, Gas Distribution

1.0-Sr Project Engineer, Water Distribution

1.0-Sr Project Engineer, Wastewater Collect

1.0-Sr Project Engineer, Customer Services

8.0-Project Engineer

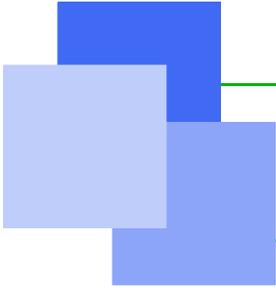
3.0-Engineer

2.0-Engineering Estimator

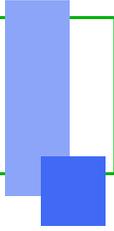
Fiscal Year 2005-06

Position Totals: 228.00 Full-time

17.96 Hourly



Enterprise Funds



An Overview

The City of Palo Alto's utility and public works operations 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 includes information technology services, which are provided to surrounding agencies. 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.

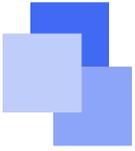
UTILITY RATE CHANGES

This 2005-07 Adopted Budget includes a number of utility rate adjustments. The average monthly residential Utility bill is expected to increase \$27.23 or 12.6 percent. The size and timing of rate adjustments take into account current and future revenue requirements and reserve levels. They also serve to cushion the impact of the overall utilities customer bill by staggering or spreading rate adjustments. Details of each rate adjustment are further discussed in the overview and within each fund's section.

- Gas Service - rate increase of 15% effective July 1, 2005, and rate increase of 15% effective July 1, 2006, due to increasing commodity costs and lower sales estimates
- Electric Service - rate increase of 11.5% effective July 1, 2005, and rate increase of 11.7% effective July 1, 2006, due to increasing wholesale power and transmission costs
- Wastewater Collection Service - rate increase of 12% effective July 1, 2005, and rate increase of 5% effective July 1, 2006, due to increasing fund operating expense rate
- Refuse Service - rate increase of 8% effective July 1, 2005, due to increasing fund operating expense

UTILITIES DEPARTMENT OVERVIEW

The Utilities Department continues to face significant challenges as energy commodity and transmission costs continue to fluctuate. Another challenge is presented by the Federal Energy Regulatory Commission (FERC) and the California Independent System Operator (ISO) continuing to actively promote initiatives that would result in an industry structure with greater complexity, resulting in likely increases to transmission costs. The City also continues to be involved in several regulatory interventions and legal proceedings to advocate for the City's interests. Finally, several of the structural deficiencies that led to a meltdown in energy markets have not been remedied, although several state and



federal agencies continue to work on developing a coherent and viable energy policy.

Customer Satisfaction

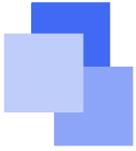
Customers now have the ability to access new account services over the Internet. Through “My Utilities Account” (MUA), customers can view current account balances and due dates; access billing histories; view historical consumption data; update or add phone numbers and/or e-mail addresses; and send a secure messages about accounts. Increased usage of MUA will improve business efficiencies by reducing customer call traffic in the Customer Service Center. Another customer service initiative, Automated Meter Reading project (AMR), will leverage proven technology to remotely read high-cost-to-read meters, including those with difficult or hazardous access, meters in remote locations, or the most frequently read meters. AMR will yield more accurate meter readings, improve operational efficiencies, and expand customer satisfaction.

Customer investments in commercial and industrial energy efficiency and demand reduction have slowed significantly due to the current economic downturn. In response to these shifting priorities, focus continues on the “Consultant Assistance for Resource Efficiency” or CARE program. Customers can receive full or partial funding to select a qualified consultant to perform energy or water studies at their facility. Funds for this project come from the City Public Benefit Operations. By identifying savings opportunities now, customers will be able to implement the recommendations when internal funds become available in the future.

The Residential Rate Assistance Program will continue to support qualifying residents and subsidized housing complexes.

Electric Utility Challenges

The major change in the Electric Utility involves the December 2004 expiration of the contract with the Western Area Power Administration. This contract supplied most of the City's electric supply needs for the last 40 years. Council has approved the long-term electric acquisition plan that adopts a multi-dimensional and diversified approach to meeting the energy deficit. In addition to dealing with this change, the City of Palo Alto Utilities (CPAU) plans to focus on customer service, infrastructure reliability, preserving a supply cost advantage, energy efficiency, and cost containment during the next budget cycle. The need to hold down costs is even more pressing as utility ratepayers continue to face financial challenges in this slowing economy. These priorities are aligned with the department's strategic plan.



Enterprise Funds *continued*

Gas Utility Challenges

Extreme volatility continues to characterize gas commodity expense. CPAU strives to maintain stable prices for retail customers, in spite of this marketplace volatility. Council has approved risk management policies and guidelines, resulting in a commodity-hedging program with a three-year revised “laddering” approach to purchasing gas. Staff is actively involved in advocating regulatory forums to avoid transportation cost increases.

Water Utility Capital Work

The City's water supplier, San Francisco Public Utilities Commission (SFPUC), has embarked on a series of capital projects to upgrade its aqueducts and water transmission system. The \$3.0 billion price tag does not include the cost of new supplies, and SFPUC wholesale water rates are expected to increase for the next 10-15 years. Comprised of the cities, water districts, and private companies that purchase water from SFPUC, the Bay Area Water Supply and Conservation Agency (BAWSCA) will provide financing for the SFPUC's capital projects. As a participating member, Palo Alto will advocate in the planning, design, and construction of capital projects that will improve the reliability of the regional water supply infrastructure and protect City interests.

Palo Alto Green Program

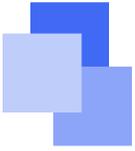
The Palo Alto Green program offers “new” renewable energy (as defined by the California Energy Commission) for a premium of 1.5 cents per kilowatt-hour over their applicable electric rate schedule. Introduced in July 2003, this program had a five-year goal of 2,000 participants. As of January 30, 2005, participants already numbered over 3,125 residential and 100 commercial customers. This activity level places the City of Palo Alto in the number two spot of renewable energy programs in the country.

Risk Management

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

Utilities Department Expenditure Highlights

Due to a combination of factors, including higher costs associated with the expiration of the WAPA contract, higher transmission ISO costs, and lower spot power purchases, electric commodity purchases are expected to rise approximately \$20.8 million in 2005-06. In 2006-07, electric commodity purchases are expected to stabilize. Wholesale water rates decreased by 10% effective April 1, 2005. This will result in a decrease in water commodity costs of \$0.7 million in 2005-06.



Enterprise Funds *continued*

Wholesale water rates are expected to remain steady throughout 2005-06 and 2006-07.

The City continues to face legal costs related to regulatory proceedings and impending contract review and negotiation in electric, gas, and water services. However, the budget for legal expense has been reduced in 2005-06. In 2006-07, expenditure levels for legal matters are expected to approximate those levels reflected in the 2005-06 budget.

Palo Alto's wastewater treatment costs will increase by more than \$0.4 million in 2005-06 and by more than \$0.3 million in 2006-07. The costs of operating the regional treatment plant are distributed among its partners.

CPAU Capital Improvement Program (CIP)

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

In the 2005-07 budget period, planned CIP expenditures for the Electric Fund total \$7.8 million in 2005-06 and \$12.2 million for 2006-07.

New CIP projects include rebuilding and replacing certain underground electric systems and electric distribution system conversions to 4 or 12 kV.

The Wastewater Collection Fund has budgeted \$4.3 million for 2005-06 and \$4.4 million for 2006-07. Included are projects to rehabilitate collection systems and manholes, and to reduce groundwater and rainfall seepage into the pipelines.

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.

Reserves

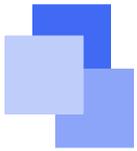
Total Utilities reserve balances are decreasing by \$13.0 million in 2005-06. The primary reasons for this decrease is due to an increase in both capital improvement program and commodity costs.



Utilities Department Strategic Plan

MISSION	MISSION STATEMENT Provide valued utility services to customers and dependable returns to the City			
Balanced Scorecard Perspectives	CUSTOMER AND COMMUNITY	ENVIRONMENT	FINANCIAL	PEOPLE
Objectives	Enhance customer satisfaction and utility infrastructure	Employ balanced environmental solutions	Provide fair and reasonable returns to the City and competitive rates to customers through municipal ownership	Ensure a safe and engaged workforce
Measures	<p>C1. Customer Satisfaction Index</p> <p>C2. Customer Complaint Trends/Analysis</p> <p>C3. Reliability:</p> <p> C3.1. E: SAIDI</p> <p> C3.2. G: Freq Inter/cust</p> <p> C3.3. W: Freq. Inter./cust.</p> <p>C3.4. WW: CMOM</p> <p>C4. Unique Municipal Value</p> <p> C4.1 Accelerated CIP - Electric</p> <p> C4.2 Accelerated CIP - Gas</p> <p> C4.3 Accelerated CIP - Water</p> <p> C4.4 Transfer to Gen Fund</p> <p> C4.5 Response to Comprehensive Plan</p>	<p>E1. Renewable Portfolio Target</p> <p>E2. Green Program Participation Target</p> <p>E3. Demand-Side Efficiency Targets:</p> <p> E3.1 Electric</p> <p> E3.2 Gas</p> <p> E3.3 Water</p>	<p>F1. Competitive Rates</p> <p>a. Average electric bill compared to Santa Clara, PG&E and NCPA for:</p> <p> F1.1.1 Residential customers</p> <p> F1.1.2 Commercial customers</p> <p> F1.1.3 Industrial customers</p> <p>b. Average gas bill compared to PG&E and Long Beach for:</p> <p> F1.2.1 Residential customers</p> <p> F1.2.2 Commercial customers</p> <p> F1.2.3 Industrial customers</p> <p>c. Average water bill compared to BAWSCA avg. & Cal Water:</p> <p> F1.3.1 Residential customers</p> <p> F1.3.2 Commercial customers</p> <p> F1.3.3 Industrial customers</p> <p>F2. Financial Strength</p> <p> F2.1 Bond financing rating</p> <p> F2.2 Debt service coverage</p>	<p>P1. Safety Index</p> <p>P2. Job Satisfaction Index</p>
Strategies	<p>S1. Ensure a high level of system reliability in a cost effective and timely manner.</p> <p>S2. Manage supply portfolio risk as per council policy to provide stable gas and electric rates, to preserve a supply cost advantage, and to manage business processes cost effectively.</p> <p>S3. Improve inter- and intra-departmental business processes to reduce cost, improve efficiency and enhance information flow.</p> <p>S4. Provide low and stable rates, adequate reserves, and budgeted transfers to the General Fund.</p> <p>S5. Provide proactive, responsive, and integrated communication to customers.</p> <p>S6. Provide targeted customer and environmental programs and services.</p> <p>S7. Foster a productive workplace environment that promotes safety, job satisfaction and self improvement.</p>			

Approved by Council on March 7, 2005.



Enterprise Funds *continued*

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 57 percent, which makes it one of only 113 municipalities (out of 446) to have met the goal.

Due to increasing financial obligations, along with the need to bring reserve balances in alignment with Council-approved guidelines, an 8 percent rate increase is adopted for 2005-06. Increased rates will generate \$1.6 million in revenue, and will bring the reserve balance very close to the minimum guideline of \$2.2 million.

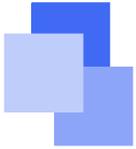
The single-stream recycling program will begin in 2005-06, and residents will receive one wheeled cart for recyclable materials and another cart for yard trimmings.

Storm Drainage

The Storm Drainage Fund continues to experience an operating deficit due to insufficient revenue from existing rates. Due to restrictions imposed by Proposition 218, storm drainage user rates have not been increased since 1994. 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. In April 2005, property owners approved a rate increase in the storm drainage fee from \$4.25 per month to \$10.00 per month for the typical single-family residential ratepayer. Staff will begin implementation of storm drain infrastructure improvements and maintenance program enhancements during 2005-06.

Wastewater Treatment

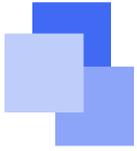
Revenues in the Wastewater Treatment Fund will show an increase of \$1.0 million in 2005-06, due to growth in contract cities revenue. An estimated \$9.2 million in capital improvement is planned in 2005-07. CIP projects include: Replacement of Existing Reclaimed Water Pipes, Landfill Gas Incineration, Plant Equipment Replacement, and System Flow Meter Replacement Program.



Enterprise Funds *continued*

CITY OF PALO ALTO EXTERNAL SERVICES FUND

This fund provides Information Technology (IT) services to municipalities through the Information Technology Service Provider (ITSP) program. Initially, ITSP established contracts to provide services to the City of East Palo Alto and Los Altos. Seven new municipal contracts have been signed with the cities of Emeryville, Menlo Park, Atherton, Los Altos Hills, Alameda, Saratoga, and Morgan Hill. Fund expenditures are fully supported by revenue generated from these contracts



Enterprise Funds
continued



2005-06 ENTERPRISE FUNDS SUMMARY

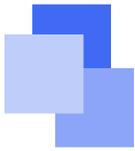
(\$000)	Electric Fund	Gas Fund	Wastewater Collection Fund	Water Fund	Refuse Fund	Storm Drainage Fund	Wastewater Treatment Fund	External Services Fund	Total
REVENUES									
Net Sales	84,669	35,802	13,679	23,289	22,183	4,860	17,901	0	202,382
Interest Income	6,023	673	528	801	550	21	466	0	9,063
Other Income	7,209	636	686	425	3,959	615	7,861	1,181	22,572
TOTAL SOURCE OF FUNDS	\$97,902	\$37,111	\$14,893	\$24,515	\$26,691	\$5,496	\$26,228	\$1,181	\$234,017
EXPENDITURES									
Utility Purchases and Charges	63,012	20,320	6,588	6,860	8,466	0	0	0	105,247
Salaries and Benefits	11,038	3,459	1,262	3,566	3,564	936	8,158	862	32,846
Contract Services	3,241	896	116	398	3,566	352	1,696	119	10,384
Supplies and Materials	715	147	59	229	349	98	1,140	11	2,747
Facilities and Equipment Purchases	133	55	14	54	27	12	41	0	335
General Expense	1,688	256	31	236	2,985	8	144	9	5,357
Rents and Leases	3,394	242	139	1,601	4,353	6	26	0	9,760
Allocated Charges	6,567	3,027	1,587	2,386	2,923	525	4,004	133	21,153
Debt Service	8,697	947	129	775	398	950	817	0	12,714
Subtotal	\$98,485	\$29,349	\$9,926	\$16,105	\$26,631	\$2,887	\$16,025	\$1,134	\$200,543
Equity Transfer	8,481	2,869	0	2,441	0	0	0	0	13,791
Operating Transfers Out	494	247	53	892	215	5	23	25	1,955
Capital Improvement Program	7,765	3,518	4,322	2,454	0	2,630	9,200	0	29,889
TOTAL USE OF FUNDS	\$115,226	\$35,984	\$14,301	\$21,892	\$26,846	\$5,522	\$25,248	\$1,159	\$246,178
To/From Reserves	\$(17,324)	\$1,128	\$592	\$2,623	\$(155)	\$(26)	\$980	\$22	\$(12,161)

2006-07 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	95,557	40,388	14,398	23,289	22,183	5,389	18,794	0	219,998
Interest Income	6,023	673	528	801	550	21	466	0	9,063
Other Income	10,226	653	696	434	3,959	745	3,261	1,181	21,155
TOTAL SOURCE OF FUNDS	\$111,806	\$41,714	\$15,622	\$24,524	\$26,691	\$6,156	\$22,521	\$1,181	\$250,216
EXPENDITURES									
Utility Purchases and Charges	58,950	20,750	6,917	6,868	8,466	0	0	0	101,952
Salaries and Benefits	11,124	3,484	1,281	3,591	3,603	944	8,231	869	33,128
Contract Services	3,214	844	116	413	3,292	352	1,696	119	10,045
Supplies and Materials	715	147	59	229	349	98	1,140	11	2,748
Facilities and Equipment Purchases	133	55	14	54	27	12	41	0	335
General Expense	1,916	298	31	253	2,985	8	144	9	5,644
Rents and Leases	3,408	250	145	1,601	4,303	6	26	0	9,738
Allocated Charges	6,252	2,883	1,523	2,325	2,944	534	4,306	130	20,899
Debt Service	8,787	947	129	774	398	947	822	0	12,804
Subtotal	\$94,499	\$29,658	\$10,214	\$16,109	\$26,367	\$2,901	\$16,405	\$1,139	\$197,291
Equity Transfer	8,736	2,955	0	2,514	0	0	0	0	14,205
Operating Transfers Out	473	158	50	111	249	11	22	25	1,099
Capital Improvement Program	12,175	5,889	4,357	3,531	0	3,240	5,200	0	34,392
TOTAL USE OF FUNDS	\$115,883	\$38,660	\$14,622	\$22,265	\$26,616	\$6,152	\$21,627	\$1,164	\$246,987
To/From Reserves	\$(4,076)	\$3,055	\$1,000	\$2,259	\$75	\$4	\$894	\$17	\$3,229

ENTERPRISE FUND RESERVES

RESERVES (\$000)	2005-06 PROJECTED BEGINNING BALANCE	2005-06 CHANGES	2005-06 PROJECTED ENDING BALANCE	2006-07 CHANGES	2006-07 PROJECTED ENDING BALANCE	2005-06 RESERVE GUIDELINE RANGE	2006-07 RESERVE GUIDELINE RANGE
ELECTRIC FUND							
Emergency Plant Replacement	2,509	58	2,567	58	2,625	5,642	5,783
Distribution Rate Stabilization	10,550	(1,701)	8,849	992	9,841	5,292 -10,584	6,224 -12,448
Supply Rate Stabilization	39,178	(15,302)	23,876	(3,245)	20,631	27,377 -54,754	27,151 -54,303
Calaveras	72,963	200	73,163	(1,353)	71,810	73,116	71,760
Public Benefit	2,144	(579)	1,565	(528)	1,037		
Central Valley O&M	149	0	149	0	149		
Underground Loan	664	0	664	0	664		
Subtotal	\$128,157	\$(17,324)	\$110,833	\$(4,076)	\$106,757		
GAS FUND							
Emergency Plant Replacement	934	38	972	38	1,010	2,167	2,371
Distribution Rate Stabilization	3,589	1,102	4,691	1,316	6,007	2,952 - 5,905	3,452- 6,904
Supply Rate Stabilization	3,212	(12)	3,200	1,701	4,901	7,620 - 15,240	7,781- 15,563
Debt Service Reserve	948	0	948	0	948		
Subtotal	\$8,683	\$1,128	\$9,811	\$3,055	\$12,866		
WASTEWATER COLLECTION FUND							
Emergency Plant Replacement	592	37	629	37	666		
Rate Stabilization	5,255	555	5,810	963	6,773	4,343 -8,687	4,561 -9,121
Subtotal	\$5,847	\$592	\$6,439	\$1,000	\$7,439		
WATER FUND							
Emergency Plant Replacement	1,204	75	1,279	75	1,354	2,477	2,587
Rate Stabilization	5,885	2,548	8,433	2,184	10,617	7,435 -14,869	7,433 -14,866
Debt Service Reserve	778	0	778	0	778		
Subtotal	\$7,867	\$2,623	\$10,490	\$2,259	\$12,749		
REFUSE FUND							
Rate Stabilization	2,368	(292)	2,076	(62)	2,014	2,218 - 4,437	2,218 - 4,437
Landfill Closure and Postclosure Care Reserve	6,692	137	6,829	137	6,966		
Water Resources Board	590	0	590	0	590		
Subtotal	\$9,650	\$(155)	\$9,495	\$75	\$9,570		

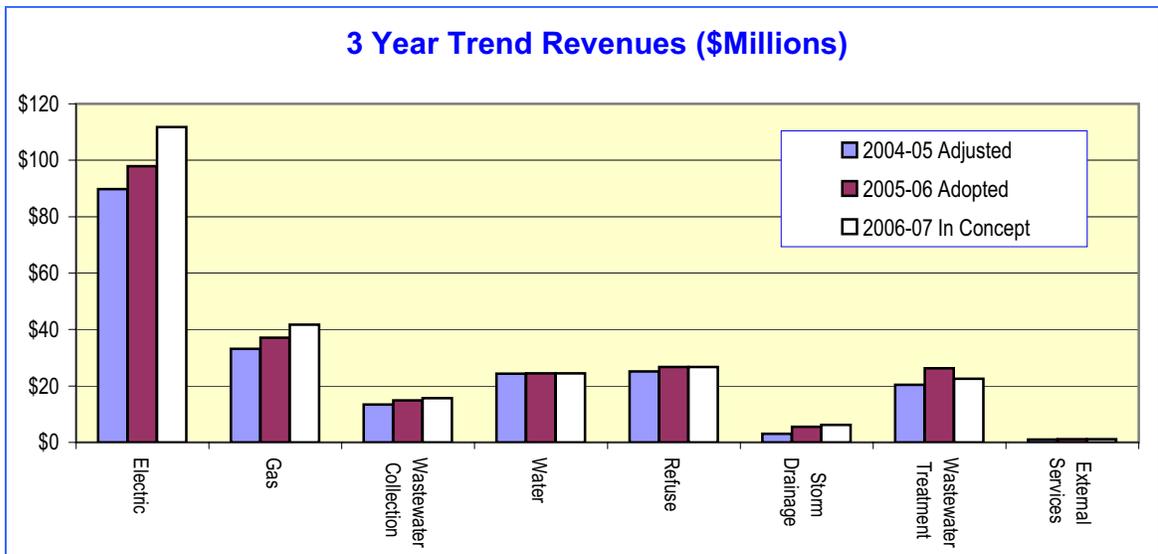
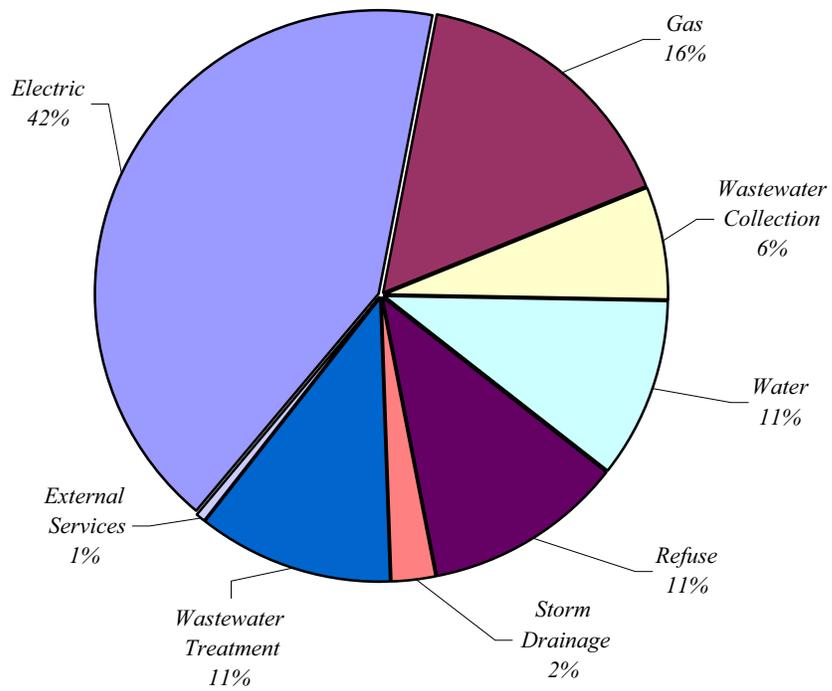


ENTERPRISE FUND RESERVES *CONTINUED*

RESERVES (\$000)	2005-06 PROJECTED BEGINNING BALANCE	2005-06 CHANGES	2005-06 PROJECTED ENDING BALANCE	2006-07 CHANGES	2006-07 PROJECTED ENDING BALANCE	2005-06 RESERVE GUIDELINE RANGE	2006-07 RESERVE GUIDELINE RANGE
STORM DRAINAGE FUND							
Rate Stabilization	373	(26)	347	4	351		
Subtotal	\$373	\$(26)	\$347	\$4	\$351		
WASTEWATER TREATMENT FUND							
Emergency Plant Replacement	1,807	388	2,195	388	2,583	1,576	1,576
Rate Stabilization	4,594	592	5,186	506	5,692	2,681 - 5,361	2,815 - 5,629
Bond Proceeds (Restricted)	61	0	61	0	61		
Subtotal	\$6,462	\$980	\$7,442	\$894	\$8,336		
EXTERNAL SERVICES FUND							
Information Technology RSR	27	22	49	17	66		
Subtotal	\$27	\$22	\$49	\$17	\$66		
TOTAL RESERVES	\$167,066	\$(12,160)	\$154,906	\$3,228	\$158,134		
Emergency Plant Replacement	7,046	596	7,642	596	8,238		
Rate Stabilization	75,031	(12,514)	62,517	4,376	66,893		
Bond Proceeds (Restricted)	61	0	61	0	61		
Debt Service Reserve	1,726	0	1,726	0	1,726		
Calaveras	72,963	200	73,163	(1,353)	71,810		
Public Benefit	2,144	(579)	1,565	(528)	1,037		
Central Valley O&M	149	0	149	0	149		
Underground Loan	664	0	664	0	664		
Shasta Rewind Loan	0	0	0	0	0		
Conservation Loan	0	0	0	0	0		
Water Resources Board	590	0	590	0	590		
Landfill Closure and Postclosure Care Reserve	6,692	137	6,829	137	6,966		
TOTAL RESERVES	\$167,066	\$(12,160)	\$154,906	\$3,228	\$158,134		

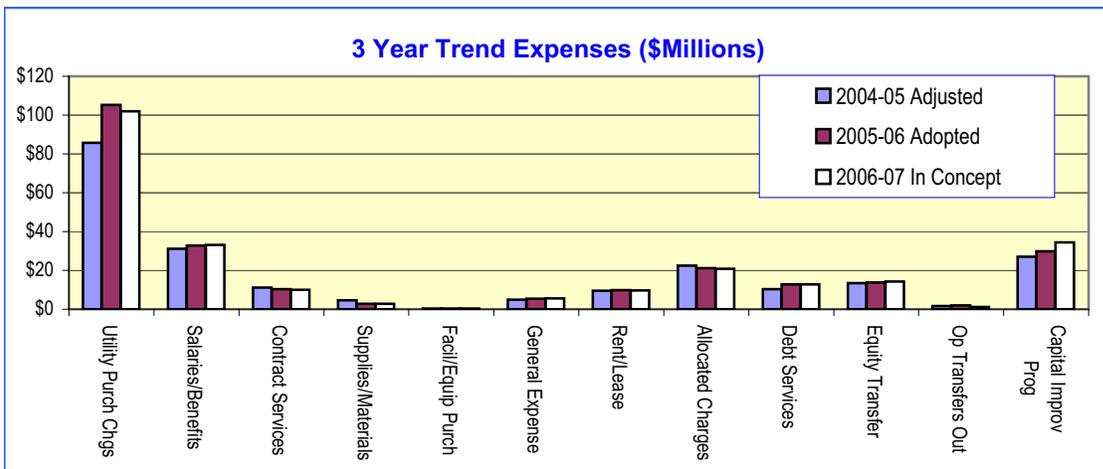
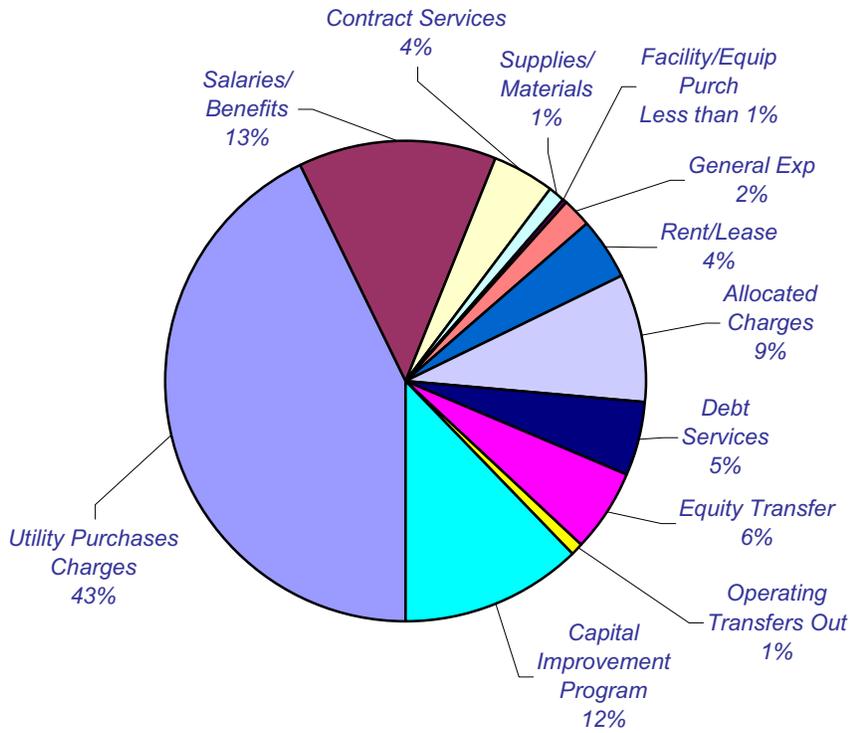
ENTERPRISE FUND REVENUES BY FUND

\$234.0 Million / Adopted 2005-06



ENTERPRISE FUND EXPENDITURES BY CATEGORY

\$246.2 Million / Adopted 2005-06



Average Residential Monthly Utility Bill

Utility	Adjusted 04-05 Bill	Projected 05-06 Bill	\$Difference	% Difference	Projected 06-07 Bill	\$Difference	% Difference
Electric (650KWH)	51.98	57.93	5.95	11.5%	64.71	6.78	11.7%
Water (14CCF)	54.12	54.12	-	0.0%	54.12	-	0.0%
Gas (100/30TH)	59.24	69.76	10.52	17.7%	80.22	10.46	15.0%
Sewer	19.25	21.85	2.60	13.5%	24.94	1.09	5.0%
Refuse	19.80	21.38	1.58	8.0%	21.38	-	0.0%
Storm Drain	4.25	10.00	-	135.3%	10.00	-	0.0%
User Tax	8.27	9.09	0.82	10.0%	9.95	0.86	9.5%
TOTAL MONTHLY BILL	\$216.91	\$244.14	\$27.23	12.6%	\$263.33	\$19.20	7.9%

COMMENT:

2004-05 Electric average increase is 8.5%, effective 1-1-05
 2004-05 Water average increase is 10.3%, effective 7-1-04
 2004-05 Gas System average increase is 9.9%, effective 7-1-04, and supply rate increase of 20% effective 1-1-05
 2004-05 Refuse average increase is 10%, effective 7-1-04

2005-06 Electric average increase is 11.5%, effective 7-1-05
 2005-06 Gas System average increase is 15%, effective 7-1-05
 2005-06 Sewer average increase is 12%, effective 7-1-05
 2005-06 Refuse average increase is 8%, effective 7-1-05

2006-07 Electric average increase is 11.7%, effective 7-1-06
 2006-07 Gas System average increase is 15%, effective 7-1-06
 2006-07 Sewer average increase is 5%, effective 7-1-06

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Electric Fund



Electric Fund

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

OVERVIEW

The Electric Utility transitioned out of its 40-year contract with the Western Area Power Administration (WAPA) at the end of 2004. Major elements of the Council-approved long-term electric resource plan will continue to be implemented in the coming budget year. The goal of the implementation plan is to transition to a diversified energy portfolio that balances economics, reliability and sustainability, and to meet the critical objective of stable rates. The City of Palo Alto Utilities (CPAU) also plans to focus on customer services, infrastructure reliability, preservation of a supply cost advantage, energy efficiency, and cost containment. The need to hold down costs is even more pressing as utility ratepayers continue to face financial challenges in the slowed economy. These high priority areas are aligned with the strategies and objectives of the Department's updated Council-approved strategic plan.

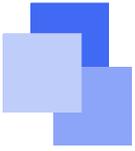
Resource Management

The landscape that impacts commodity and transmission costs continues to be in flux. The Utilities Department continues to face significant challenges as energy supply and transmission costs continue to fluctuate. Wholesale electric costs have increased 90% since 2002. Another challenge is presented by the Federal Energy Regulatory Commission (FERC) and the California Independent System Operator (ISO) continuing to actively promote initiatives that would result in an industry structure with greater complexity, resulting in likely increases to transmission costs. The City also continues to be involved in several regulatory interventions and legal proceedings to advocate for the City's interests. Finally, several of the structural deficiencies that led to a meltdown in energy markets have not been remedied, although several state and federal agencies continue to work on developing a coherent and viable energy policy.

The WAPA contract, which for nearly four decades served as the cornerstone of CPAU's low rates, came to an end in December 2004, and was replaced by another contract that provides about 40% of the energy and none of the supply reliability of the previous contract. The new contract essentially provides CPAU a slice of the Central Valley Project hydroelectric system resulting in an energy supply that varies with hydro conditions. Therefore, the City is left with a substantial "energy gap" starting in 2005 that varies from one moment to the next. Filling this energy gap will be a major focus of CPAU's Resource Management Division in the coming years.

In 2003, Council approved several Long-term Energy Acquisition Plan (LEAP) objectives and guidelines. Council also approved an implementation plan. Staff will continue to undertake the activities recommended in the implementation plan in order to transition to a diversified energy portfolio. Key elements of the plan include energy efficiency, renewable power, market contracts, local generation, exploring transmission alternatives, and management of hydro energy production uncertainties. The purchase of renewable resources to meet the Council-approved Renewable Portfolio Standard for Palo Alto will continue. In the previous fiscal year, Council approved long-term wind and landfill gas contracts to achieve the goal of meeting 10% of Palo Alto's energy through renewable resources. Additional renewable energy supplies are expected to be procured during the fiscal year to meet the Council-approved 20% target. Staff will also focus on developing and implementing an integrated (across all commodities) energy efficiency plan, securing power purchases through Council-approved enabling agreements, and investigating the utilization of natural gas fired power plants to serve Palo Alto.

The changing market structure in California has resulted in tremendous transmission-related cost increases. Cost increases of several million dollars per year have been included in the budget. Staff will study alternate transmission delivery options and bring recommendations to Council.



Electric Fund *continued*

During the next two years, staff will continue to be intensely involved in the analysis of cost impacts, negotiations with suppliers, and execution of supply contracts to fill the energy gap. At times, staff may require the assistance of consultants and legal counsel for such negotiations. Due to high wholesale electric prices, supply costs are projected to increase substantially, as the City continues to make supply commitments to fill the energy deficit starting in 2005.

Commercial Optical Fiber

Formerly known as Dark Fiber Operations, the Commercial Optical Fiber Unit offers a high-level of expertise in the design, construction, and operation of CPAU's fiber optic network service to the business community in Palo Alto. Currently, CPAU provides service to approximately 110 customers either indirectly through resellers, or directly to the businesses. Several departments within the city are using the fiber system to improve service to the citizens and businesses of Palo Alto. Over the next year, Commercial Optical Fiber will continue to attract new customers while implementing the service enhancements recommended by an outside auditor and rates analyst.

Rate Adjustment

Rate stabilization reserves (RSR) are maintained and managed in accordance with Council-approved guidelines. The RSR provides a cushion for sudden changes in commodity costs and other operating expenses. The aim is to reduce the frequency of rate adjustments and absorb any sudden cost increases. The reserves are not used to solve long-term financial needs or to cover major catastrophic events. Rates are typically established such that revenues adequately cover current operating, capital, and financial obligations. In the event reserves are above the maximum guideline, the surplus is typically utilized for a rate reduction, customer rebate, application toward a financial obligation, or if justified, allowing the reserve to remain surplus for a period of time. In the event reserves are below the minimum guideline, the deficit is typically eliminated by instituting a rate increase, or if justified, allowing the reserve to remain in deficit for a period of time.

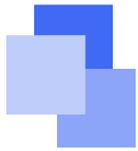
The present electric supply reserve guideline is to maintain reserves within 51.5% to 103% of purchase costs. The reserves are utilized to effectively manage market price, hydro production, regulatory and legal uncertainties facing the utility. Additionally, the Council-approved LEAP Implementation Plan specifies the need to maintain adequate supply rate stabilization reserves to ensure stable rates in an environment of uncertainty. In 2005-06, the Supply RSR guideline range is projected to be \$27.4 million to \$54.8 million.

Due to increased power and transmission costs and increased wholesale market prices, a retail revenue increase of \$8.6 million is required in 2005-06. This translates to an adopted rate increase of 11.5 percent. The additional cost of \$7 million due to lower hydro production in 2005-06 will be met by drawing down reserves during the year. For 2005-06, the ending Supply RSR balance is projected to be \$28.7 million, which is above the minimum guideline level of \$27.4 million. The ending Distribution RSR balance is projected to be \$8.6 million, which is below the minimum guideline of \$5.3 million.

For 2006-07, an 11.7 percent retail revenue increase is projected. It will help fund distribution operations by approximately 4.8 million. This will result in an ending Distribution RSR balance of \$7.9 million, which is above the minimum guideline level of \$6.2 million. Approximately \$4.9 million will fund the Supply RSR. The Calaveras Reserve ending balance will be \$73.2 million for 2005-06. This ending balance is within the Council approved guidelines. One-time regulatory and legal contingencies were not included in the reserve projections.

NEW PROGRAM UPDATE

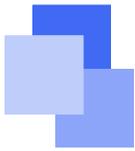
Palo Alto Green Program



Electric Fund *continued*

The Palo Alto Green Program offers "new" renewables (as defined by the California Energy Commission) to customers for a premium of 1.5 cents per kilowatt-hour over their applicable electric rate schedule. Introduced in July 2003, this program had a five-year goal of 2,000 participants. By January 30, 2005, participants already numbered over 3,125 residential and 100 commercial customers. This activity level places the City of Palo Alto in the number two spot of renewable energy programs in the country. Palo Alto Green was honored by the Environmental Protection Agency with a Green Power Leadership award for having one of the best green programs in the country.

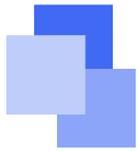
FUND SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Net Sales	69,909,720	72,588,074	84,669,184	12,081,110	17%	95,557,256	10,888,072	13%
Interest Income	249,932	6,419,400	6,023,400	(396,000)	(6%)	6,023,400	0	0%
Other Income	23,755,142	10,780,712	7,209,191	(3,571,521)	(33%)	10,225,744	3,016,553	42%
TOTAL FUND REVENUES	\$93,914,794	\$89,788,186	\$97,901,775	\$8,113,589	9%	\$111,806,400	\$13,904,625	14%
Administration	5,412,743	5,725,382	5,733,173	7,791	0%	5,362,706	(370,467)	(6%)
General Services								
CIP	1,287,497	507,286	160,000	(347,286)	(68%)	195,001	35,001	22%
Operations	1,555,320	2,051,659	2,094,627	42,968	2%	2,121,802	27,175	1%
Resource Management								
Purchases	41,321,737	43,394,436	63,012,320	19,617,884	45%	58,949,880	(4,062,440)	(6%)
CIP	0	0	500,000	500,000	0%	0	(500,000)	(100%)
Operations	2,982,952	22,241,765	2,203,563	(20,038,202)	(90%)	2,152,794	(50,769)	(2%)
Customer Marketing and Financial Services	1,482,076	1,577,428	1,811,842	234,414	15%	1,821,443	9,601	1%
Distribution System								
Systems Improvement(CIP)	5,023,387	6,815,059	5,304,999	(1,510,060)	(22%)	10,080,000	4,775,001	90%
Customer Design and Connection Services(CIP)	2,163,416	1,985,821	1,500,001	(485,820)	(24%)	1,600,000	99,999	7%
Operations	7,337,769	8,136,881	8,459,876	322,995	4%	8,568,670	108,794	1%
Commercial Telecommunication								
Customer Design & Connection(CIP)	212,528	603,318	300,000	(303,318)	(50%)	300,000	0	0%
Operations	765,538	701,230	845,672	144,442	21%	853,346	7,674	1%
Public Benefit	1,693,925	1,632,062	2,498,052	865,990	53%	2,751,829	253,777	10%
Debt Service	4,744,267	6,321,857	8,697,000	2,375,143	38%	8,787,000	90,000	1%
Equity Transfer	7,994,390	8,234,222	8,481,248	247,026	3%	8,735,686	254,438	3%
Rent	3,025,316	3,062,565	3,129,146	66,581	2%	3,129,146	0	0%
Operating Transfers Out	1,526,901	221,382	494,117	272,735	123%	473,359	(20,758)	(4%)
TOTAL FUND EXPENDITURES	\$88,529,762	\$113,212,353	\$115,225,636	\$2,013,283	2%	\$115,882,662	\$657,026	1%
TO/FROM RESERVES	\$5,385,032	\$(23,424,167)	\$(17,323,861)	\$6,100,306		\$(4,076,262)	\$13,247,599	



Electric Fund *continued*

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Utility Purchases and Charges	41,321,737	43,394,436	63,012,320	58,949,880
Salaries and Benefits	9,206,884	10,151,636	11,038,092	11,124,091
Contract Services	3,699,692	22,412,948	3,241,257	3,213,575
Supplies and Materials	745,151	673,790	714,890	714,890
Facilities and Equipment Purchases	14,054	133,480	133,480	133,480
General Expense	1,294,783	1,376,923	1,687,786	1,915,914
Rents and Leases	3,285,738	3,343,225	3,393,806	3,407,966
Allocated Charges	6,009,337	7,036,970	6,566,640	6,251,820
Debt Service	4,744,267	6,321,857	8,697,000	8,787,000
Equity Transfer	7,994,390	8,234,222	8,481,248	8,735,686
Operating Transfers Out	1,526,901	221,382	494,117	473,359
Capital Improvement Program	8,686,828	9,911,484	7,765,000	12,175,001
Total Expenditures	\$88,529,762	\$113,212,353	\$115,225,636	\$115,882,662
Total Full Time Positions	115.36	114.16	115.48	115.48
Total Temporary Positions	3.29	3.29	3.29	3.29

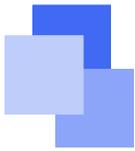
RESERVES (\$000)	2005-06 PROJECTED BEGINNING BALANCE	2005-06 CHANGES	2005-06 PROJECTED ENDING BALANCE	2006-07 CHANGES	2006-07 PROJECTED ENDING BALANCE	2005-06 RESERVE GUIDELINE RANGE	2006-07 RESERVE GUIDELINE RANGE
Emergency Plant Replacement	\$2,509	\$58	\$2,567	\$58	\$2,625	\$5,642	\$5,783
Distribution Rate Stabilization	10,550	(1,701)	8,849	992	9,841	5,292 -10,584	6,224 -12,448
Supply Rate Stabilization	39,178	(15,302)	23,876	(3,245)	20,631	27,377 -54,754	27,151 -54,303
Calaveras	72,963	200	73,163	(1,353)	71,810	73,116	71,760
Public Benefit	2,144	(579)	1,565	(528)	1,037		
Central Valley O&M	149		149		149		
Underground Loan	664		664		664		
TOTAL RESERVES	\$128,157	\$(17,324)	\$110,833	\$(4,076)	\$106,757		



Electric Fund *continued*

RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES (\$000)						
Net Sales (Note 1)	7,661		7,661	10,813		10,813
Palo Alto Green	59		59	75		75
Under-grounding District Utility Fee	(52)		(52)	1,530		1,530
Miscellaneous Revenues	(40)		(40)			0
CIP Reimbursement (Note 2)	(18)		(18)	1,250		1,250
Interest Income	(396)		(396)			0
Operating Transfer from Other Funds	(161)		(161)	(263)		(263)
Central Valley Project Loan Repayments (Note 3)	1,400		1,400	400		400
Shasta Loan Repayments	(339)		(339)	100		100
TOTAL REVENUE CHANGES	\$8,114	\$0	\$8,114	\$13,905	\$0	\$13,905
EXPENDITURE CHANGES (\$000)						
Salary and Benefits						
Salary Adjustments	254		254			0
Personnel Benefits Costs (Note 4)	633		633	86		86
Total Salary and Benefits Changes	\$887	\$0	\$887	\$86	\$0	\$86
Non-Salary						
Contract Services	177		177	25		25
Supplies and Materials	41		41			0
General Expense	311		311	228		228
Joint Debt Service (Note 5)	2,375		2,375	90		90
Rent and Leases	51		51	14		14
Electric Commodity (Note 6)	20,811		20,811	(4,525)		(4,525)
Program and Project Consultants	(269)		(269)	(24)		(24)
Palo Alto Green	7		7	63		63
Equity Transfer	247		247	254		254
Allocated Charges	(472)		(472)	(314)		(314)
Capital Improvement Program (Note 7)	(2,146)		(2,146)	4,410		4,410
Payment for Enron Settlement		(18,060)	(18,060)			0
Legal	(1,020)		(1,020)	(29)		(29)
Shasta Loan Advances	(2,400)		(2,400)			0
Central Valley Project Loan Advances (Note 3)	1,200		1,200	400		400
Operating Transfers Out	273		273	(21)		(21)



Electric Fund *continued*

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
Total Non-Salary Changes	\$19,186	\$(18,060)	\$1,126	\$571	\$0	\$571
TOTAL EXPENDITURE CHANGES	\$20,073	\$(18,060)	\$2,013	\$657	\$0	\$657

RESOURCE LEVEL NOTES

Note 1: Adopted 11.5 percent utility rate increase for 2005-06 and adopted-in-concept 11.7 percent increase for 2006-07.

Note 2: Payment from SBC for capital project.

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

Note 4: Personnel benefits costs have escalated mainly due to increased health care costs and increased pension costs.

Note 5: Increase due to the increasing step pattern of debt service obligation to Calaveras Hydro Plant. As part of that refinancing, debt service obligations were lowered during years when electric competition was expected to be intense. Debt service obligations are expected to stabilize in 2006-07.

Note 6: Increase due to increase in transmission cost and other power related cost.

Note 7: Change includes project for relocation of Alma substation. Projected expenditures for this project are \$1.8 million for 2005-06.

SERVICE LEVEL CHANGES

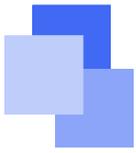
LEAP is a planning methodology to manage the City's supply portfolio, beginning with Council-approved portfolio planning objectives and risk management policies. By clearly identifying and capturing supply needs and risks, staff will recommend long-term portfolio elements and short-term power purchases. During 2005-06, implementation of the LEAP initiatives will continue. Service level impacts include securing favorable energy supplies for CPAU customers through both short-term and long-term planning horizons.

COMPREHENSIVE PLAN OVERVIEW

The 2005-07 Adopted Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

LAND USE AND COMMUNITY DESIGN

As in previous years a significant portion of the Adopted Budget is designated for the undergrounding of utility distribution lines. Benefits of undergrounding include system improvement, higher reliability, reduced tree trimming costs, and improved aesthetics. During 2005-07, work will be conducted on underground conversion districts. The Utilities Department continues to use construction practices that minimize the impacts on tree roots and planting areas. The Utilities Department also continues discussions with manufacturers on possible visual design enhancements for



Electric Fund *continued*

transformers and switches. Current specifications call for smaller sizes.

TRANSPORTATION

The Electric Utility operates and maintains the City's traffic signals. It also pays for the cost of energy for streetlights and traffic signals. The General Fund pays for the CIP infrastructure costs related to traffic signals and streetlights.

HOUSING

The "Public Benefits Plans" of the Electric and Gas Utilities provide staff support and technical assistance in energy conservation and demand-side management to architects, developers, and utility customers. Consultant contracts have been executed, rebate programs are continuing, and technical assistance is being provided to customers on an ongoing basis. Also, the capital budget includes funds for the relocation of the Alma substation, in order to eventually allow for additional housing in Palo Alto. Council policy direction is required for this additional housing.

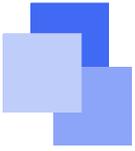
NATURAL ENVIRONMENT

To ensure reliable service for electric customers, funds are included to cover the contract and staff costs for line-clearing of trees around utility lines. Funds are included to expand the implementation of the "Right Tree in the Right Place" program, to target areas of high maintenance, to reduce line-clearing costs, and to improve reliability (N14). Also, in order to reduce or defer the use of air conditioning in buildings, Utility Public Benefit funds are available to reimburse replacement costs of City-owned trees that qualify under the Shade Tree Program (N-18).

The Department will continue its ongoing implementation of utility rate structures that encourage energy conservation and that are consistent with other rate-making objectives, such as providing competitive rates. Rates are set to achieve a balance among actual service costs, market prices, and the goal of promoting conservation and efficient use. The Electric Fund Public Benefits program continues to provide direct incentives for Palo Alto residents, businesses, and institutional customers, such as schools and City facilities, to use energy wisely. Since June 1999, programs have been marketed and progressively implemented (N-63). Public education addressing energy conservation continues through the use of bill inserts, customer contacts, and other sources of information available to the public. Due to the passage of AB1890 (California's landmark electric deregulation bill), and the institution of a Public Benefits charge on all customer bills, staff continues to monitor and evaluate cost-effective ways to fund investments in alternative energy sources.

CPAU has an ongoing photovoltaic program that provides residents with information on the costs and benefits of this alternative fuel source (N-67, N-48). Incentives are also a component. As of January 30, 2005, 95 photovoltaic systems have been installed, which represents 290 kW of pollution-free electric generation. The City is the successful recipient of a matching \$1.4 million federal grant to pay for the installation of one or more photovoltaic systems on City-owned facilities. The project managed by the Public Works Department will be completed by Summer 2006. The matching portion of the federal grant will come from the Utilities' "PV Partners" rebate program. In addition, CPAU has launched its successful Palo Alto Green Program as previously described.

CPAU continues to develop and revise forecasts for electric power demand. CPAU is pursuing adequate low cost supplies to meet this demand by participating in cost-effective programs offered by various suppliers and marketers of energy (N-9, N-44, N-46). Council approved master agreements for electric and gas supplies that enable diversified "laddered" purchases of market energy supplies to fill needs on a short-to-medium-term basis. Council approved comprehensive risk management policies, and the City hired a dedicated Energy Risk Manager to assist in implementing the detailed energy risk management guidelines and procedures that support the policies. Staff is conducting a comprehensive feasibility study of local thermal generation alternatives. See N-68 for additional related information related to purchase of resources.



Electric Fund *continued*

LEAP establishes a robust, diversified portfolio approach to filling the electricity needs for Palo Alto, including an aggressive renewable portfolio standard (20% renewable portfolio by 2015). Council has approved contracts for electricity generated from wind and landfill gas projected to meet 12% of the City's supply by 2007. Implementation will continue in the coming years. Council approved a maximum average rate increase of ½ cent/kWh to fund the 20% renewable portfolio target.

In accordance with the diversified portfolio approach described in LEAP, Palo Alto is evaluating the potential for local electric power resources to cost-effectively meet a portion of the City's electricity needs. CPAU is evaluating opportunities to enhance efficiency through the development of an electric demand response program and a comprehensive energy and water efficiency and conservation program planned for Fall 2005 (N-47). CPAU is also studying the feasibility of local gas-fired generation alternatives to meet a portion of the electric supply needs (N-46, N-44). These alternatives include combined heat, power and cooling "cogeneration", small-scale distributed generation, and high-efficiency low-emissions gas-fired electric generation. Recommendations from the study will be designed to balance the three key objectives of economics, reliability, and sustainability.

In 2005-06, CPAU plans to continue with the limited implementation of the Automated Meter Reading (AMR) project. AMR obtains meter reads using various technologies. This eliminates vehicle trips by meter readers and makes it less expensive to initiate or terminate service. Reducing meter reading vehicular traffic favorably impacts air quality and transportation congestion (N-45). The AMR project will target high turnover, difficult-to-access, and high security installations.

COMMUNITY FACILITIES AND SERVICES

Due to the high level of construction and redevelopment activity occurring in the City, the CIP for services, transformers, and meters has been increased to accommodate this need (\$1.7 million). (C-12)

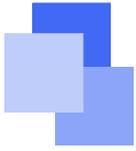
As part of the billing, a section for the posting of community announcements is provided (C-12). Utilities Marketing Services (UMS) has completed a successful pilot program for its Meterlinks web-based electric and gas "day plus one" load profiling system. UMS is planning on turning Meterlinks into a full-scale program, along with adding water load profiles in 2005-06. (C-10) Both the Electric Supply and the Electric Distribution business units will develop a basic portfolio of new products based on customer surveys, needs assessment, and market and competitor analyses. (C-10) The Customer Service Call Center continues to monitor call response times to ensure prompt attention to customers. (C-12)

The implementation and use of a Global Positioning System (GPS) locator to verify the location of underground Electric, Gas, Water, and Wastewater Collection utilities continue to be introduced into the design and construction processes on CIP projects. Current GPS locator technology allows high degrees of accuracy for recording surface and underground improvements. Staff is learning to use the GPS technology to improve project designs and as-built utility records. (C-24)

The reliability of the distribution system continues to be a high priority. Staff will continue to focus efforts on replacing and maintaining the aging infrastructure. Specific projects will address the continuing need for accelerated maintenance and replacement of deteriorated overhead facilities and rebuilding underground facilities that are near the end of their useful life. CPAU will continue to respond to ongoing new customer service connection requests.

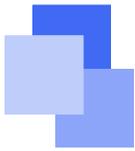
BUSINESS AND ECONOMICS

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



Electric Fund *continued*

An additional utilities commodity-purchasing objective is to manage risk. Staff has developed risk management policies, guidelines, and procedures. In conjunction with the Energy Risk Manager in the Administrative Services Department, staff implements and monitors the risk management program (N-46, N-44). Electric supplies needed to meet demand in the short-term are purchased in a disciplined "laddering" methodology, which spreads out wholesale future electricity purchases over time among different credit-worthy suppliers. This short-term strategy allows for effective cost-averaging, and helps mitigate price volatility for both residential and commercial customers. See N-68 for additional related information related to purchase of resources.

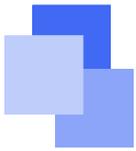


Electric Fund *continued*

GENERAL SERVICES

To design, construct, operate, maintain, and improve the traffic signal, street lighting and communication systems to ensure adequate, safe, economic, reliable, environmentally sound, and efficient delivery of these services to our customers.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,220,984	1,566,961	1,603,618	1,616,876
Contract Services	94,296	154,300	154,300	154,300
Supplies and Materials	94,689	152,000	152,000	152,000
Facilities and Equipment Purchases	8,134	34,000	34,000	34,000
General Expense	51	9,800	9,800	9,800
Rents and Leases	0	4,900	4,900	4,900
Allocated Charges	137,166	129,698	136,009	149,926
Capital Improvement Program	1,287,497	507,286	160,000	195,001
Total Expenditures	\$2,842,817	\$2,558,945	\$2,254,627	\$2,316,803
Total Revenues	\$747,793	\$260,000	\$0	\$0
Total Full Time Positions	16.08	14.43	15.28	15.28
Total Temporary Positions	0.00	0.00	0.00	0.00

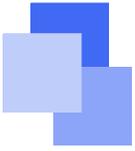


Electric Fund *continued*

CUSTOMER MARKETING AND FINANCIAL SERVICES

To provide responsive customer service, advance customer relations, implement energy efficiency programs, and ensure revenue is available to cover financial obligations.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,237,872	1,422,955	1,612,160	1,622,056
Contract Services	64,774	12,680	33,180	33,180
Supplies and Materials	63,017	37,390	40,890	40,890
Facilities and Equipment Purchases	75	2,980	2,980	2,980
General Expense	6,192	20,130	21,930	21,930
Rents and Leases	0	420	420	420
Allocated Charges	110,146	80,873	100,282	99,987
Total Expenditures	\$1,482,076	\$1,577,428	\$1,811,842	\$1,821,443
Total Revenues	\$55,520	\$63,520	\$63,520	\$63,520
Total Full Time Positions	12.10	12.55	13.55	13.55
Total Temporary Positions	0.74	0.74	0.74	0.74

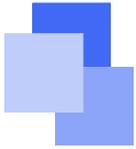


Electric Fund *continued*

DISTRIBUTION SYSTEM

To design, construct, operate, maintain, and improve the Electric Distribution System to ensure adequate, safe, economic, reliable, environmentally sound, and efficient delivery of service to our customers.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	4,650,665	4,808,839	5,144,308	5,186,596
Contract Services	1,340,353	1,801,168	1,805,477	1,821,078
Supplies and Materials	441,487	440,400	451,400	451,400
Facilities and Equipment Purchases	2,233	91,500	91,500	91,500
General Expense	74,406	57,900	57,900	57,900
Rents and Leases	214,528	219,340	219,340	231,100
Allocated Charges	614,097	717,734	689,951	729,096
Capital Improvement Program	7,186,803	8,800,880	6,805,000	11,680,000
Total Expenditures	\$14,524,572	\$16,937,761	\$15,264,876	\$20,248,670
Total Revenues	\$1,349,097	\$1,105,600	\$1,105,271	\$3,721,824
Total Full Time Positions	66.54	68.45	69.10	69.10
Total Temporary Positions	1.65	1.65	1.57	1.57

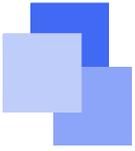


Electric Fund *continued*

COMMERCIAL TELECOMMUNICATION

To be the premier utility of fiber optic services in the City of Palo Alto with a high level of commitment to the community. Offered services will have high customer value with Quality of Service that exceeds our customers' expectations.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	585,835	460,430	615,792	620,916
Contract Services	116,703	152,800	152,800	152,800
Supplies and Materials	17,553	11,000	11,000	11,000
Facilities and Equipment Purchases	795	0	0	0
General Expense	1,284	19,000	19,000	19,000
Rents and Leases	42,418	56,000	40,000	42,400
Allocated Charges	950	2,000	7,080	7,230
Capital Improvement Program	212,528	603,318	300,000	300,000
Total Expenditures	\$978,066	\$1,304,548	\$1,145,672	\$1,153,346
Total Revenues	\$1,147,129	\$1,701,000	\$1,501,000	\$1,501,000
Total Full Time Positions	7.28	5.39	4.89	4.89
Total Temporary Positions	0.00	0.00	0.00	0.00

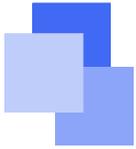


Electric Fund *continued*

PUBLIC BENEFIT PROGRAMS

To fund and implement programs, consistent with the provisions of Assembly Bill 1890, in the areas of demand-side management, research development and demonstration, renewable resources, and low income assistance.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	330,986	500,229	571,096	575,873
Contract Services	161,267	0	381,300	401,767
Supplies and Materials	31,044	13,000	29,600	29,600
General Expense	1,165,147	1,118,833	1,502,556	1,730,684
Rents and Leases	3,476	0	0	0
Allocated Charges	2,005	0	13,500	13,905
Operating Transfers Out	90,000	0	332,250	332,250
Total Expenditures	\$1,783,925	\$1,632,062	\$2,830,302	\$3,084,079
Total Revenues	\$1,988,493	\$1,965,047	\$3,052,352	\$3,486,576
Total Full Time Positions	4.88	4.96	4.96	4.96
Total Temporary Positions	0.40	0.40	0.48	0.48

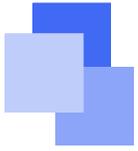


Electric Fund *continued*

RESOURCE MANAGEMENT

Preserve a supply cost advantage compared to the market price and to develop and manage electric commodity services to the benefit of the ratepayers, citizens, and businesses in Palo Alto.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Utility Purchases and Charges	41,321,737	43,394,436	63,012,320	58,949,880
Salaries and Benefits	1,056,041	1,269,320	1,266,118	1,276,774
Contract Services	1,851,754	20,292,000	714,200	650,450
Supplies and Materials	25,898	20,000	30,000	30,000
Facilities and Equipment Purchases	2,817	5,000	5,000	5,000
General Expense	39,977	151,260	76,600	76,600
Allocated Charges	6,465	504,185	111,645	113,970
Capital Improvement Program	0	0	500,000	0
Total Expenditures	\$44,304,689	\$65,636,201	\$65,715,883	\$61,102,674
Total Revenues	\$430,819	\$4,539,000	\$5,600,000	\$6,000,000
Total Full Time Positions	8.48	8.38	7.70	7.70
Total Temporary Positions	0.50	0.50	0.50	0.50



Electric Fund *continued*



Gas Fund



Gas Fund

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

OVERVIEW

In 2005-07, the City of Palo Alto Utilities (CPAU) plans to focus on customer service, infrastructure reliability, maintaining an excellent safety record, managing energy portfolio risk, providing stable and low supply costs, and containment of salary and non-salary costs. These high priority areas are aligned with the strategies and objectives of the CPAU strategic plan.

Resource Management

The 1997 Gas Accord resulted in open access to the Pacific Gas and Electric Company (PG&E) intrastate transportation market. The Gas Accord structure was extended through the end of 2005. City staff successfully preserved the City's gas transmission capacity allocation and rate for 2005. In addition, an all-party settlement resulted in local transportation rates acceptable to the City for two years beginning January 1, 2005. Staff will continue to allocate resources to protect CPAU interests. This includes support for any initiative which develops a long-term gas market structure and/or changes PG&E's cost allocation. The main areas of interest for CPAU are preservation of low-cost transportation benefits, fair allocation of costs, and reliable transportation to the City. Reductions in legal and consulting expenditures will be targeted to achieve cost savings.

Council approved the Gas Utility Long-term Plan (GULP) objectives and guidelines in 2003-04. Council approved an implementation plan that examined a range of transportation, storage, supply, and efficiency alternatives in September 2004. Staff will provide to Council updates regarding the GULP recommendations twice per year.

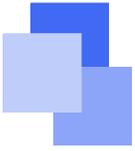
The primary objectives of the risk management program are to hedge volatile wholesale energy prices and to provide stable prices to retail customers. In response to the extreme volatility of gas prices and due to feedback from customers, staff developed a commodity-hedging program that will stabilize costs for residential and small commercial customers. Council approved Gas Enabling Agreements with several suppliers that allow the City to diversify credit risk. A three-year gas laddering strategy will be utilized to guide the gas purchasing strategy. The three-year laddering purchase strategy has kept natural gas rates relatively stable despite the rapid increase in natural gas and oil prices. Natural gas prices have increased by approximately 85% since 2002.

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

Paramount to CPAU's mission and most important to customers is the continued reliability of the gas distribution system. CPAU staff will focus on the continuation of the accelerated Gas Main Replacement Projects in 2005-06.

The terrorist events of 2001 prompted a re-evaluation of distribution security. A study was commissioned and the recommendations implemented. Security and safety continue to be evaluated on an ongoing basis.

Rate Adjustment



Gas Fund *continued*

Rate stabilization reserves (RSR) are maintained and managed in accordance with Council-approved guidelines. The RSR provides a cushion for sudden changes in commodity costs and other operating expenses. The aim is to reduce the frequency of rate adjustments and absorb any sudden cost increases. The reserves are not used to solve long-term financial needs or to cover major catastrophic events. Rates are typically established such that revenues adequately cover current operating, capital, and financial obligations. In the event reserves are above the maximum guideline, the surplus is typically utilized for a rate reduction, customer rebate, application toward a financial obligation or, if justified, allowing the reserve to remain surplus for a period of time. In the event reserves are below the minimum guideline, the deficit is typically eliminated by instituting a rate increase or, if justified, allowing the reserve to remain deficit for a period of time.

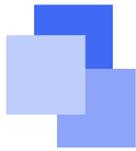
The present natural gas supply reserve guideline is to maintain reserves within 37.5 percent to 75 percent of purchase costs. In 2005-06, the Supply RSR guideline range is projected to be \$7.6 million to \$15.2 million. The reserve balance is expected to be below the minimum guidelines at June 30, 2006.

With a gas rate increase of 15 percent in 2005-06, the Adopted Budget results in a total reserve balance of approximately \$19.8 million. The Gas Supply RSR ending balance is projected to end at \$3.2 million, which is lower than the minimum guideline of \$7.6 million. The ending Distribution RSR is projected to be \$4.7 million, which is above the minimum level of \$3.0 million.

For 2006-07, a 15 percent revenue increase is expected to bring the Supply RSR to \$6.0 million, which is below the minimum guideline of \$7.8 million. The Distribution RSR is projected to be \$6.0 million, which is above the minimum level of \$3.5 million.

NEW PROGRAM UPDATE

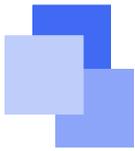
The Utilities Department provides an array of services and cost saving measures to the City, including energy efficiency assistance to "community facilities" within the city and to Palo Alto Unified School District (PAUSD). Field services continue 24x7 work shifts to provide first response and customer services for utility emergency calls.



Gas Fund *continued*

FUND SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Net Sales	24,171,678	31,690,672	35,802,000	4,111,328	13%	40,388,000	4,586,000	13%
Interest Income	128,729	799,800	673,300	(126,500)	(16%)	673,300	0	0%
Other Income	2,899,689	664,180	636,180	(28,000)	(4%)	653,180	17,000	3%
TOTAL FUND REVENUES	\$27,200,096	\$33,154,652	\$37,111,480	\$3,956,828	12%	\$41,714,480	\$4,603,000	12%
Administration	2,069,104	2,472,422	2,545,921	73,499	3%	2,415,139	(130,782)	(5%)
Resource Management								
Purchases	15,996,968	20,490,710	20,218,000	(272,710)	(1%)	20,643,195	425,195	2%
Operations	849,846	4,650,793	1,043,598	(3,607,195)	(78%)	1,001,644	(41,954)	(4%)
Customer Marketing and Financial Services	978,551	1,270,073	1,341,100	71,027	6%	1,347,424	6,324	0%
Distribution System								
Systems Improvement(CIP)	4,214,322	3,045,981	2,971,999	(73,982)	(2%)	5,326,000	2,354,001	79%
Customer Design and Connection Services(CIP)	671,051	537,740	545,999	8,259	2%	562,999	17,000	3%
Operations	2,288,774	2,978,892	2,758,560	(220,332)	(7%)	2,767,359	8,799	0%
Public Benefits	159,215	259,176	344,815	85,639	33%	386,871	42,056	12%
Debt Service	581,555	950,490	947,273	(3,217)	0%	946,558	(715)	0%
Equity Transfer	2,704,500	2,785,635	2,869,204	83,569	3%	2,955,280	86,076	3%
Rent	138,484	127,550	149,936	22,386	18%	149,936	0	0%
Operating Transfers Out	2,828,944	305,217	247,280	(57,937)	(19%)	157,572	(89,708)	(36%)
TOTAL FUND EXPENDITURES	\$33,481,314	\$39,874,679	\$35,983,685	\$(3,890,994)	(10%)	\$38,659,977	\$2,676,292	7%
TO/FROM RESERVES	\$(6,281,218)	\$(6,720,027)	\$1,127,795	\$7,847,822		\$3,054,503	\$1,926,708	

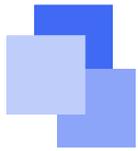
INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Utility Purchases and Charges	15,996,968	20,592,710	20,320,000	20,750,295
Salaries and Benefits	2,465,378	3,474,606	3,459,489	3,484,355
Contract Services	475,108	4,399,428	895,500	844,245
Supplies and Materials	248,007	147,020	146,520	146,520
Facilities and Equipment Purchases	177,975	55,290	55,290	55,290
General Expense	133,790	207,590	256,219	297,864
Rents and Leases	226,652	216,940	241,646	249,646
Allocated Charges	2,757,064	3,156,032	3,027,266	2,883,353
Debt Service	581,555	950,490	947,273	946,558
Equity Transfer	2,704,500	2,785,635	2,869,204	2,955,280



Gas Fund *continued*

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Operating Transfers Out	2,828,944	305,217	247,280	157,572
Capital Improvement Program	4,306,923	3,583,721	3,517,998	5,888,999
Total Expenditures	\$32,902,864	\$39,874,679	\$35,983,685	\$38,659,977
Total Full Time Positions	45.04	45.26	45.11	45.11
Total Temporary Positions	2.15	2.15	2.15	2.15

RESERVES (\$000)	2005-06 PROJECTED BEGINNING BALANCE	2005-06 CHANGES	2005-06 PROJECTED ENDING BALANCE	2006-07 CHANGES	2006-07 PROJECTED ENDING BALANCE	2005-06 RESERVE GUIDELINE RANGE	2006-07 RESERVE GUIDELINE RANGE
Emergency Plant Replacement	\$934	\$38	\$972	\$38	\$1,010	\$2,167	\$2,371
Distribution Rate Stabilization	3,589	1,102	4,691	1,316	6,007	2,952 - 5,905	3,452- 6,904
Supply Rate Stabilization	3,212	(12)	3,200	1,701	4,901	7,620 - 15,240	7,781- 15,563
Debt Service Reserve	948		948		948		
TOTAL RESERVES	\$8,683	\$1,128	\$9,811	\$3,055	\$12,866		



Gas Fund *continued*

RESOURCE LEVEL CHANGES

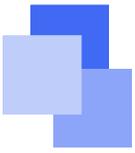
	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES (\$000)						
Net Sales (Note 1)	4,111		4,111	4,586		4,586
Interest Income	(126)		(126)			0
Operating Transfer From Other Funds	(38)		(38)			0
Connection Charges	10		10	17		17
TOTAL REVENUE CHANGES	\$3,957	\$0	\$3,957	\$4,603	\$0	\$4,603
EXPENDITURE CHANGES (\$000)						
Salary and Benefits						
Salary Adjustments	(118)		(118)			0
Personnel Benefits Costs (Note 2)	102		102	25		25
Total Salary and Benefits Changes	\$(16)	\$0	\$(16)	\$25	\$0	\$25
Non-Salary						
Contract Services	(64)		(64)	(51)		(51)
Legal- Enron Settlement		(3,440)	(3,440)			0
Supplies and Materials	(1)		(1)			0
General Expenses	46		46	41		41
Rents and Leases	24		24	8		8
Equity Transfer	84		84	86		86
Allocated Charges (Note 3)	(127)		(127)	(145)		(145)
Gas Commodity	(273)		(273)	431		431
Capital Improvement Program	(66)		(66)	2,371		2,371
Operating Transfer To Other Funds	(58)		(58)	(90)		(90)
Total Non-Salary Changes	\$(435)	\$(3,440)	\$(3,875)	\$2,651	\$0	\$2,651
TOTAL EXPENDITURE CHANGES	\$(451)	\$(3,440)	\$(3,891)	\$2,676	\$0	\$2,676

RESOURCE LEVEL NOTES

Note 1: Adopted 15 percent utility rate increase for 2005-06 and adopted-in-concept 15 percent increase for 2006-07.

Note 2: Personnel benefits costs have escalated mainly due to increased health care costs and increased pension costs.

Note 3: Net change in allocated charges is primarily due to an increase in vehicle and cost plan charges and reallocating street cut fee expenditures to CIP.



Gas Fund *continued*

COMPREHENSIVE PLAN OVERVIEW

The 2005-07 Gas Fund Adopted Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

LAND USE AND COMMUNITY DESIGN

Changes in land use, the development of unimproved properties, and the redevelopment of existing sites require the Gas Utility to adapt to meet the needs of the customers. While new customer growth remains stable, requests for new and augmented gas service to customers continues.

HOUSING

The Public Benefits program continues to be offered to interested parties. Consultant contracts have been executed and implementation details are being evaluated. Since June 1999, programs have been marketed and progressively implemented.

NATURAL ENVIRONMENT

The Department will continue gas rate structures that encourage energy conservation and are balanced with other rate-making objectives, such as providing competitive rates. Rates are set to achieve a balance among actual service costs, market prices, and the goal of promoting conservation and efficient use. CPAU will continue to provide an inverted (progressive) rate structure with a baseline service rate. This structure applies ascending prices for rising usage levels.

Efficiency measures for residential and commercial customers will continue to be promoted through a variety of CPAU programs and services (N-9, N-44, N-48, N-67). Residential customers will continue to be informed of the cost-effective benefits of additional insulation, new generations of appliances, and efficient space and water heating technologies. Commercial customers will have access to specialized consulting services, while residential customers will see the launch of a new online energy survey tool to assist them in identifying additional efficiency opportunities. As previously mentioned, GULP objectives and guidelines address purchasing strategies and energy efficiency investments. This work includes evaluating comprehensive energy efficiency programs.

In 2005-06, CPAU plans to continue with the limited implementation of the Automated Meter Reading (AMR) project. Using various technologies, AMR obtains meter reads and eliminates vehicle trips by meter readers. This makes it less expensive to initiate or terminate service. Reducing meter reading vehicular traffic favorably impacts air quality and transportation congestion (N-45). The AMR project will target high turnover, difficult-to-access, and high security installations.

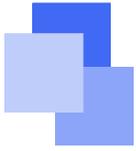
Utilities will continue to work with Public Works to identify potential sites for solar thermal applications. Rather than burning natural gas, these water-filled heat collectors have been used for years in the heating of swimming pools. Non-pool applications include anywhere hot water is required e.g., homes.

COMMUNITY FACILITIES AND SERVICES

The reliability of the distribution system continues to be a high priority. Utility staff will continue to focus on the accelerated Gas Main Replacement Projects to rehabilitate the system. CIP funds of approximately \$4 million are included annually in the Capital budget for main replacement work.

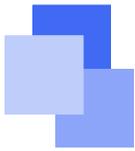
BUSINESS AND ECONOMICS

Staff has developed risk management policies, guidelines, and procedures. In conjunction with the Energy Risk



Gas Fund *continued*

Manager in the Administrative Services Department, staff implements and monitors the risk management program (N-46, N-44). The core purchasing strategy to keep gas costs stable follows a regimented "laddering" methodology, which spreads out wholesale future gas purchases over time and among different credit-worthy suppliers. This allows for effective cost-averaging and helps mitigate price volatility for both residential and commercial customers.

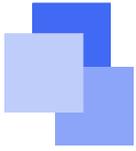


Gas Fund *continued*

CUSTOMER MARKETING AND FINANCIAL SERVICES

To provide responsive customer service, advance customer relations, implement energy efficiency programs, and ensure revenue is available to cover financial obligations.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	878,795	1,100,625	1,151,078	1,157,894
Contract Services	6,695	74,251	81,000	81,000
Supplies and Materials	1,510	9,020	9,020	9,020
Facilities and Equipment Purchases	0	9,290	9,290	9,290
General Expense	552	1,500	1,500	1,500
Rents and Leases	0	210	210	210
Allocated Charges	90,999	75,177	89,002	88,510
Total Expenditures	\$978,551	\$1,270,073	\$1,341,100	\$1,347,424
Total Revenues	\$62,080	\$62,080	\$62,080	\$62,080
Total Full Time Positions	10.98	10.28	10.98	10.98
Total Temporary Positions	0.28	0.28	0.28	0.28

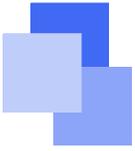


Gas Fund *continued*

DISTRIBUTION SYSTEM

To plan, engineer, operate, maintain and construct improvements to the Gas Distribution System that will provide our customers with safe, economic and reliable service.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,370,555	1,658,652	1,669,667	1,683,180
Contract Services	72,153	332,677	278,800	278,800
Supplies and Materials	239,532	126,000	126,000	126,000
Facilities and Equipment Purchases	7,878	41,000	41,000	41,000
General Expense	10,784	51,750	51,750	51,750
Rents and Leases	88,168	89,180	91,500	99,500
Allocated Charges	499,704	679,633	499,843	487,129
Capital Improvement Program	4,306,923	3,583,721	3,517,998	5,888,999
Total Expenditures	\$6,595,697	\$6,562,613	\$6,276,558	\$8,656,358
Total Revenues	\$528,135	\$574,000	\$581,000	\$598,000
Total Full Time Positions	29.84	30.79	30.79	30.79
Total Temporary Positions	1.77	1.77	1.77	1.77

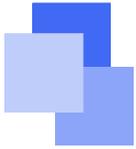


Gas Fund *continued*

PUBLIC BENEFIT PROGRAMS

To fund and implement demand-side and low-income assistance programs.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	44,092	37,176	39,246	39,582
Contract Services	0	114,500	135,000	135,000
Supplies and Materials	0	5,000	4,500	4,500
General Expense	113,548	102,500	163,569	205,214
Allocated Charges	1,575	0	2,500	2,575
Total Expenditures	\$159,215	\$259,176	\$344,815	\$386,871
Total Revenues	\$0	\$0	\$0	\$0
Total Full Time Positions	0.42	0.34	0.34	0.34
Total Temporary Positions	0.00	0.00	0.00	0.00

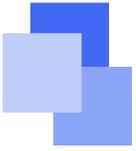


Gas Fund *continued*

RESOURCE MANAGEMENT

Preserve a supply cost advantage compared to the market price and to develop and manage gas commodity services to the benefit of the ratepayers, citizens, and businesses in Palo Alto.

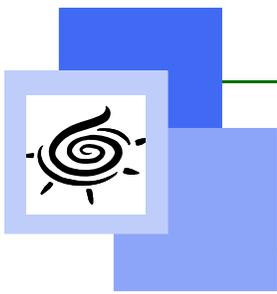
INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Utility Purchases and Charges	15,996,968	20,592,710	20,320,000	20,750,295
Salaries and Benefits	437,715	606,953	489,498	493,699
Contract Services	396,260	3,878,000	400,700	349,445
Supplies and Materials	6,965	7,000	7,000	7,000
Facilities and Equipment Purchases	0	5,000	5,000	5,000
General Expense	8,906	51,840	39,400	39,400
Total Expenditures	\$16,846,814	\$25,141,503	\$21,261,598	\$21,644,839
Total Revenues	\$0	\$0	\$0	\$0
Total Full Time Positions	3.80	3.85	3.00	3.00
Total Temporary Positions	0.10	0.10	0.10	0.10



Gas Fund *continued*



Wastewater Collection Fund



Wastewater Collection Fund

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

OVERVIEW

City of Palo Alto Utilities (CPAU) plans to focus on customer service, infrastructure reliability, and cost containment during the next budget cycle. These high priority areas are aligned with the strategies and objectives of the Department's strategic plan.

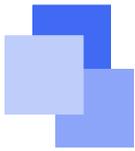
Consistent with the department-wide goal of focusing on reliability concerns for customers, staff will continue the construction stages of several major capital improvement projects (CIP). A final draft of a new Wastewater Collection System Master Plan has been received, and will be used to compile future CIP recommendations. Staff will continue overlapping the design and construction elements of the rehabilitation and augmentation projects. In 2005-06, construction for Projects 16 and 17, and design of Project 18 will be completed. The 1989 Master Plan incorporated findings from previous inflow/infiltration studies and compiled work priorities. The 1989 Master Plan targeted top priority work in its CIP recommendations. Over the past 13 years most of the top priority CIP work has been completed. Since current technology allows for the dynamic modeling of collection systems, the updated master plan and model will provide engineering with more knowledge and data for staff to plan future CIP projects. This higher quality dynamic analysis may reduce the need for future CIP expenditures. Project 17 is also planned to clean and video-inspect all sanitary sewer mains. Project 17 will assess the necessity and parameters of designing an ongoing system-wide sewer-cleaning program to comply with upcoming federal regulations. Knowledge gained from this sewer cleaning, videotaping, and defect-prioritizing database will help staff to target maintenance and CIP efforts to reduce the number of main stoppages. The sewer lateral and manhole replacement CIP will continue to reduce the backlog of necessary sewer lateral replacements.

Rate Adjustment

In 2005-06, the adopted wastewater rate increase of 12 percent is expected to generate approximately \$1.4 million. This will result in a \$0.6 million addition to the RSR. The RSR ending balance is projected to be approximately \$5.8 million, which is above the minimum guideline level of \$4.3 million.

NEW PROGRAM UPDATE

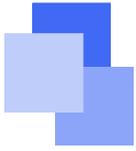
Field services converted to 24x7 shifts to provide customer services for utility emergency calls, and Customer Web Access was launched in the spring of 2003, as anticipated.



Wastewater Collection Fund *continued*

FUND SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Net Sales	12,265,866	12,270,144	13,678,652	1,408,508	11%	14,397,652	719,000	5%
Interest Income	29,685	501,400	528,400	27,000	5%	528,400	0	0%
Other Income	393,064	676,200	686,200	10,000	1%	696,200	10,000	1%
TOTAL FUND REVENUES	\$12,688,615	\$13,447,744	\$14,893,252	\$1,445,508	11%	\$15,622,252	\$729,000	5%
Administration	1,562,381	1,064,707	1,249,190	184,483	17%	1,172,930	(76,260)	(6%)
Customer Marketing and Financial Services	113,818	190,745	293,367	102,622	54%	305,894	12,527	4%
Collection System								
Treatment Plant Charges	5,304,049	6,109,000	6,587,950	478,950	8%	6,917,347	329,397	5%
Systems Improvement(CIP)	1,805,950	3,005,956	3,965,001	959,045	32%	3,990,000	24,999	1%
Customer Design & Connection(CIP)	750,862	347,621	357,000	9,379	3%	367,000	10,000	3%
Operations	1,661,312	1,801,351	1,586,522	(214,829)	(12%)	1,610,338	23,816	2%
Debt Service	81,155	128,206	129,305	1,099	1%	128,645	(660)	(1%)
Rent	72,717	66,539	79,189	12,650	19%	79,189	0	0%
Operating Transfers Out	135,020	86,551	53,230	(33,321)	(38%)	50,418	(2,812)	(5%)
TOTAL FUND EXPENDITURES	\$11,487,264	\$12,800,676	\$14,300,754	\$1,500,078	12%	\$14,621,761	\$321,007	2%
TO/FROM RESERVES	\$1,201,351	\$647,068	\$592,498	\$(54,570)		\$1,000,491	\$407,993	

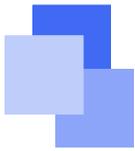
INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Utility Purchases and Charges	5,304,049	6,109,000	6,587,950	6,917,347
Salaries and Benefits	1,032,009	1,166,476	1,262,187	1,281,034
Contract Services	394,884	108,972	116,100	116,100
Supplies and Materials	218,795	59,310	59,310	59,310
Facilities and Equipment Purchases	303,884	13,650	13,650	13,650
General Expense	30,898	37,628	30,500	30,500
Rents and Leases	129,656	126,859	139,189	144,789
Allocated Charges	1,300,102	1,610,447	1,587,332	1,522,968
Debt Service	81,155	128,206	129,305	128,645
Operating Transfers Out	135,020	86,551	53,230	50,418
Capital Improvement Program	2,556,812	3,353,577	4,322,001	4,357,000
Total Expenditures	\$11,487,264	\$12,800,676	\$14,300,754	\$14,621,761
Total Full Time Positions	21.75	23.51	22.11	22.11



Wastewater Collection Fund *continued*

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Total Temporary Positions	0.97	0.97	0.97	0.97

RESERVES (\$000)	2005-06 PROJECTED BEGINNING BALANCE	2005-06 CHANGES	2005-06 PROJECTED ENDING BALANCE	2006-07 CHANGES	2006-07 PROJECTED ENDING BALANCE	2005-06 RESERVE GUIDELINE RANGE	2006-07 RESERVE GUIDELINE RANGE
Emergency Plant Replacement	\$592	\$37	\$629	\$37	\$666	\$	\$
Rate Stabilization	5,255	555	5,810	963	6,773	4,343 -8,687	4,561 -9,121
TOTAL RESERVES	\$5,847	\$592	\$6,439	\$1,000	\$7,439		



Wastewater Collection Fund *continued*

RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES (\$000)						
Net Sales (Note 1)	1,409		1,409	719		719
Interest Income	27		27			0
Other Income	10		10	10		10
TOTAL REVENUE CHANGES	\$1,446	\$0	\$1,446	\$729	\$0	\$729
EXPENDITURE CHANGES (\$000)						
Salary and Benefits						
Salary Adjustment	(13)		(13)			0
Personnel Benefits Costs (Note 2)	109		109	19		19
Total Salary and Benefits Changes	\$96	\$0	\$96	\$19	\$0	\$19
Non-Salary						
Treatment Plant Charges	479		479	329		329
General Expense	1		1	(1)		(1)
Rent and Leases	13		13	6		6
Operating Transfer	(33)		(33)	(3)		(3)
Capital Improvement Program	968		968	35		35
Allocated Charges (Note 3)	(24)		(24)	(64)		(64)
Total Non-Salary Changes	\$1,404	\$0	\$1,404	\$302	\$0	\$302
TOTAL EXPENDITURE CHANGES	\$1,500	\$0	\$1,500	\$321	\$0	\$321

RESOURCE LEVEL NOTES

Note 1: Adopted rate increase of 12 percent in 2005-06; adopted-in-concept rate increase of 5 percent in 2006-07.

Note 2: Personnel benefits costs have escalated mainly due to increased health care costs and increased pension costs.

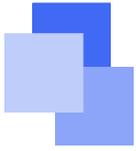
Note 3: Net change in allocated charges is primarily due to an increase in vehicle and cost plan charges and reallocating street cut fee expenditures to CIP.

COMPREHENSIVE PLAN OVERVIEW

The 2005-07 Adopted Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

LAND USE AND COMMUNITY DESIGN

Changes in land use, the development of unimproved properties, and the redevelopment of existing sites require the



Wastewater Collection Fund *continued*

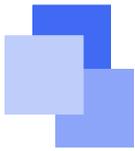
Wastewater Collection Utility to adapt to meet the needs of the customers. While new customer growth remains stable, requests for new and augmented sewer service to customers continues. In addition, old existing sewer service laterals have been cracked and broken by tree roots, ground movement, and third party excavation damage. Such damage requires that the laterals be replaced (L-81).

NATURAL ENVIRONMENT

Approximately \$3.5 million per year is designated for the rehabilitation and augmentation projects. These projects implement top priority rehabilitation, augmentation, and lateral replacement work to reduce groundwater and inflow into the collection system. Specific mains and trunk sewer lines will be enlarged to handle existing and future flows (N-18). Staff will increase the level of service for lateral replacements for the next five years to reduce the backlog of these replacements (N-18). Proactive efforts by staff will ensure that the sewer system is maintained and that the occurrence of reportable spills is minimized.

COMMUNITY FACILITIES AND SERVICES

Consistent with the department wide focus on reliability concerns, staff will continue the construction of several major capital improvement projects. The new Wastewater Collection System Master Plan was completed in 2004. The new master plan will be used to compile future Wastewater CIP recommendations. Also planned is the analysis of the sewer system video inspection completed for Wastewater Collection projects. The sewer system defect database created from these projects and the completed Master Plan will be combined with existing sewer system data to target CIP projects and maintenance efforts that are the highest priorities. This effort will assess the need and parameters of designing an ongoing, system-wide, sewer-cleaning program. Construction contracts are planned in 2005-06 for Project 18, and in 2006-07 for Project 19.

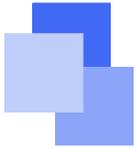


Wastewater Collection Fund *continued*

CUSTOMER MARKETING AND FINANCIAL SERVICES

To provide responsive customer service, advance customer relations, and ensure revenue is available to cover the Wastewater Collection Fund's financial obligations.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	64,115	135,458	239,607	250,789
Contract Services	0	1,000	1,000	1,000
Supplies and Materials	286	7,160	7,160	7,160
Facilities and Equipment Purchases	0	650	650	650
Rents and Leases	0	100	100	100
Allocated Charges	49,417	46,377	44,850	46,195
Total Expenditures	\$113,818	\$190,745	\$293,367	\$305,894
Total Revenues	\$0	\$0	\$0	\$0
Total Full Time Positions	1.40	3.00	1.60	1.60
Total Temporary Positions	0.97	0.97	0.97	0.97

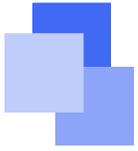


Wastewater Collection Fund *continued*

COLLECTION SYSTEM

To plan, engineer, operate, maintain and construct improvements to the Wastewater Collection System that will provide our customers with safe, economic, and reliable service.

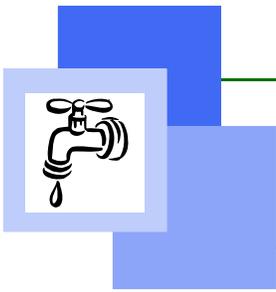
INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Utility Purchases and Charges	5,304,049	6,109,000	6,587,950	6,917,347
Salaries and Benefits	952,391	994,509	972,580	980,245
Contract Services	16,720	107,972	115,100	115,100
Supplies and Materials	218,414	52,150	52,150	52,150
Facilities and Equipment Purchases	502	13,000	13,000	13,000
General Expense	30,898	37,628	30,500	30,500
Rents and Leases	56,939	60,220	59,900	65,500
Allocated Charges	385,448	535,872	343,292	353,843
Capital Improvement Program	2,556,812	3,353,577	4,322,001	4,357,000
Total Expenditures	\$9,522,173	\$11,263,928	\$12,496,473	\$12,884,685
Total Revenues	\$37,066	\$347,000	\$357,000	\$367,000
Total Full Time Positions	20.35	20.51	20.51	20.51
Total Temporary Positions	0.00	0.00	0.00	0.00



Wastewater Collection Fund *continued*



Water Fund



Water Fund

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

OVERVIEW

In 2005-07, the City of Palo Alto Utilities (CPAU) plans to focus on customer service, infrastructure reliability, water quality, and cost containment. CPAU will continue to contain salary and non-salary costs. In addition, CPAU will work to provide a high quality and reliable source of water for its customers. These high priority areas are aligned with the strategies and objectives of the Department's updated strategic plan.

Resource Management

Due to the critical need to ensure sufficient water supplies during emergency situations, CPAU has accelerated the implementation of the recommendations of the 1999 Water Wells, Regional Storage, and Distribution Study. This study was commissioned to evaluate ways to improve the operation and reliability of the City's water distribution system, particularly during emergency situations. Funded through a combination of rates, reserves and bonds, project expenditures will total approximately \$22.0 million. Phase I of the study has been modified to include Environmental Impact Report (EIR) work for the complete project and will be completed in 2005-06. Also in 2005-06, staff will continue the accelerated Water Main Replacement projects by designing Project 19 and starting construction.

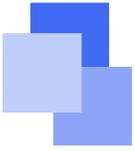
The terrorist events of 2001 prompted a re-evaluation of distribution facilities security. A study was commissioned and the recommendations implemented. Security and safety measures continue to be reviewed on an ongoing basis.

Palo Alto's water supplier, the San Francisco Public Utility Commission (SFPUC), has provided rate projections indicating that the City's wholesale costs will steadily increase over the next 10-15 years. This is due to the planned \$3 billion construction program to repair and upgrade the SFPUC's regional water delivery system. Palo Alto has supported these system improvements and has advocated for prompt implementation of the SFPUC's capital improvement project (CIP) program. However, the SFPUC's schedule has been delayed and the schedule and list of projects included in the CIP plan are currently under revision. Changes to the schedule or the projects may change the rate projections for the future.

In the summer of 2005, SFPUC will begin fluoridating the water itself, before it reaches Palo Alto. The cost of this fluoridation is now included in the payment for the water commodity.

Palo Alto is a member of the Bay Area Water Supply and Conservation Agency (BAWSCA), the group of cities, water districts, and private companies that purchase water from the SFPUC. BAWSCA was formed as a result of the City's advocacy efforts in 2002. Another result of that effort was the passage of a bill designed to improve the reliability of the regional water system. This bill sets a timeline for the SFPUC to complete critical projects to reduce the vulnerabilities of the regional water system. A second bill created a regional financing authority so that the BAWSCA agencies could help finance regional water system capital improvements. BAWSCA will plan, design, and construct projects for the benefit of the members agencies. These projects may include the development of conservation programs and the use of recycled water on a regional basis. Staff will be active in the actions and strategies considered by BAWSCA in the coming and future years.

Palo Alto's contract with SFPUC expires in 2009. Important tasks over the next two years will include the development of draft principles for negotiation of the post-2009 contract as well as the development of terms under which the new financing authority will finance the SFPUC's CIP projects. BAWSCA's Board, which is comprised of elected officials from each agency, will be closely involved with the development of the new contract.



Water Fund *continued*

Staff is completing the development of the Water Integrated Resource Plan (WIRP) to evaluate all available supply alternatives. As a first and significant step in the WIRP, Council approved the WIRP guidelines in November 2003. Implementation of these guidelines will continue in the coming year. The alternatives examined in the WIRP included increased conservation, recycled water, connection to the Santa Clara Valley Water District's treated water pipeline, and use of the groundwater in droughts or on an ongoing basis. All alternatives were evaluated on the basis of cost, reliability, and availability during droughts, enhancement to emergency preparedness, and water quality impacts. At this stage, staff has concluded that SFPUC supplies are sufficient in normal water years, but that additional supplies are needed in droughts. Recycled water projects and the possible use of emergency wells only during droughts are being further evaluated to increase drought-year reliability. The evaluation of the use of the wells during droughts will proceed as soon as the EIR for the emergency wells and reservoir is completed. At that time, staff will have sufficient information to complete the analysis.

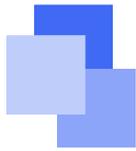
Rate Adjustment

Rate stabilization reserves (RSR) are maintained and managed in accordance with Council-approved guidelines. The RSR provides a cushion for sudden changes in commodity costs and other operating expenses. The aim is to reduce the frequency of rate adjustments and absorb any sudden cost increases. The reserves are not used to solve long-term financial needs or to cover major catastrophic events. Rates are typically established such that revenues adequately cover current operating, capital, and financial obligations. In the event reserves are above the maximum guideline, the surplus is typically utilized for a rate reduction, customer rebate, application toward a financial obligation, or if justified, allowing the reserve to remain surplus for a period of time. In the event reserves are below the minimum guideline, the deficit is typically eliminated by instituting a rate increase, or if justified, allowing the reserve to remain deficit for a period of time.

The 2005-07 Adopted Budget contains no water rate increases. The 2005-06 RSR ending balance is projected to be \$8.1 million, which is above the minimum guideline level of \$7.4 million.

NEW PROGRAM UPDATE

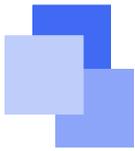
The Utilities Department provides an array of services and cost savings measures to the City, including water efficiency programs within the Palo Alto Unified School District (PAUSD), the Parks Department, and elsewhere within the City. Field services converted to 24x7 shifts to provide customer services for utility emergency calls, and Customer Web Access launched in 2003, as anticipated.



Water Fund *continued*

FUND SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Net Sales	21,518,832	23,173,349	23,288,951	115,602	0%	23,288,951	0	0%
Interest Income	101,289	707,400	800,900	93,500	13%	800,900	0	0%
Other Income	448,780	466,100	425,100	(41,000)	(9%)	434,100	9,000	2%
TOTAL FUND REVENUES	\$22,068,901	\$24,346,849	\$24,514,951	\$168,102	1%	\$24,523,951	\$9,000	0%
Administration	1,997,696	1,881,600	1,944,011	62,411	3%	1,817,384	(126,627)	(7%)
Resource Management								
Purchases	7,453,332	7,577,562	6,860,000	(717,562)	(9%)	6,868,000	8,000	0%
Operations	260,763	503,715	452,975	(50,740)	(10%)	461,023	8,048	2%
Customer Marketing and Financial Services	1,086,601	1,187,360	1,340,269	152,909	13%	1,373,955	33,686	3%
Distribution System								
Systems Improvement(CIP)	2,845,335	4,569,670	2,140,000	(2,429,670)	(53%)	3,208,000	1,068,000	50%
Customer Design and Connection Services(CIP)	328,427	355,800	314,000	(41,800)	(12%)	323,000	9,000	3%
Operations	3,518,554	3,254,299	3,220,922	(33,377)	(1%)	3,302,307	81,385	3%
Debt Service	475,194	777,674	775,041	(2,633)	0%	774,465	(576)	0%
Equity Transfer	2,300,540	2,369,556	2,440,643	71,087	3%	2,513,862	73,219	3%
Rent	1,257,353	1,368,184	1,511,944	143,760	11%	1,511,944	0	0%
Operating Transfers Out	509,856	741,262	892,448	151,186	20%	110,693	(781,755)	(88%)
TOTAL FUND EXPENDITURES	\$22,033,651	\$24,586,682	\$21,892,253	\$(2,694,429)	(11%)	\$22,264,633	\$372,380	2%
TO/FROM RESERVES	\$35,250	\$(239,833)	\$2,622,698	\$2,862,531		\$2,259,318	\$(363,380)	

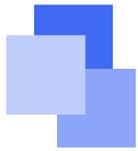
INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Utility Purchases and Charges	7,453,332	7,577,562	6,860,000	6,868,000
Salaries and Benefits	3,409,742	3,383,996	3,566,024	3,591,280
Contract Services	351,901	434,090	398,397	412,856
Supplies and Materials	466,246	227,100	228,600	229,100
Facilities and Equipment Purchases	9,405	53,610	53,610	53,610
General Expense	176,831	145,615	236,489	253,400
Rents and Leases	1,337,963	1,457,310	1,601,070	1,601,070
Allocated Charges	2,368,879	2,493,437	2,385,931	2,325,297
Debt Service	475,194	777,674	775,041	774,465
Equity Transfer	2,300,540	2,369,556	2,440,643	2,513,862
Operating Transfers Out	509,856	741,262	892,448	110,693



Water Fund *continued*

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Capital Improvement Program	2,700,485	4,925,470	2,454,000	3,531,000
Total Expenditures	\$21,560,374	\$24,586,682	\$21,892,253	\$22,264,633
Total Full Time Positions	41.00	39.52	39.75	39.75
Total Temporary Positions	1.09	1.09	1.09	1.09

RESERVES (\$000)	2005-06 PROJECTED BEGINNING BALANCE	2005-06 CHANGES	2005-06 PROJECTED ENDING BALANCE	2006-07 CHANGES	2006-07 PROJECTED ENDING BALANCE	2005-06 RESERVE GUIDELINE RANGE	2006-07 RESERVE GUIDELINE RANGE
Emergency Plant Replacement	\$1,204	\$75	\$1,279	\$75	\$1,354	\$2,477	\$2,587
Rate Stabilization	5,885	2,548	8,433	2,184	10,617	7,435 -14,869	7,433 -14,866
Debt Service Reserve	778		778		778		
TOTAL RESERVES	\$7,867	\$2,623	\$10,490	\$2,259	\$12,749		



Water Fund *continued*

RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES (\$000)						
Net Sales	116		116			0
Interest Income	93		93			0
Utility Fees	(41)		(41)	9		9
TOTAL REVENUE CHANGES	\$168	\$0	\$168	\$9	\$0	\$9
EXPENDITURE CHANGES (\$000)						
Salary and Benefits						
Salary Adjustments	10		10			0
Personnel Benefits Costs (Note 1)	172		172	26		26
Total Salary and Benefits Changes	\$182	\$0	\$182	\$26	\$0	\$26
Adjustments						0
Net Salary and Benefits Changes	\$182	\$0	\$182	\$26	\$0	\$26
Non-Salary						
Water Commodity	(718)		(718)	8		8
General Expenses	88		88	16		16
Contract Services	(35)		(35)	14		14
Supplies and Materials	2		2			0
Rent and Leases	144		144			0
Operating Transfer to Other Funds	222		222	(709)		(709)
Capital Improvement Program	(2,471)		(2,471)	1,077		1,077
Allocated Charges (Note 2)	(108)		(108)	(60)		(60)
Total Non-Salary Changes	\$(2,876)	\$0	\$(2,876)	\$346	\$0	\$346
TOTAL EXPENDITURE CHANGES	\$(2,694)	\$0	\$(2,694)	\$372	\$0	\$372

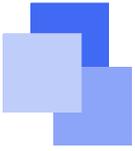
RESOURCE LEVEL NOTES

Note 1: Personnel benefits costs have escalated mainly due to increased health care costs and increased pension costs.

Note 2: Net change in allocated charges is primarily due to an increase in vehicle and cost plan charges and reallocating street cut fee expenditures to CIP.

SERVICE LEVEL CHANGES

In partnership with the Santa Clara Valley Water District (SCVWD), CPAU is participating in several water conservation "Best Management Practices" (BMP) programs. These will enable Palo Alto to meet their water efficiency obligations. BMPs include residential, commercial, industrial, and institutional efficiency measures for



Water Fund *continued*

domestic water use, process use, and irrigation. In addition, staff will administer the "Landscape Standards" of the Palo Alto Municipal Code, and expand promotion of dedicated irrigation water meters for use by commercial customers.

COMPREHENSIVE PLAN OVERVIEW

The 2005-07 Water Fund Adopted Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

LAND USE AND COMMUNITY DESIGN

The Utilities Department funds ongoing CIP Programs to improve the water utility system and bring existing customer services into compliance with current State laws and codes.

The Department is designing above-ground equipment placement to minimize visual impact. Compact designs for backflow preventers are included in City backflow standards.

NATURAL ENVIRONMENT

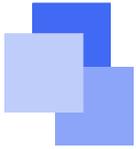
Santa Clara Valley Water District continues to identify groundwater recharge areas in Palo Alto. Staff continues to work with the Department of Health Services to identify improvements necessary to the City's wellhead protection program. The recommendations of the Water Wells, Regional Storage, and Distribution System Study have been included as proposed projects in the 2005-19 Water CIP. To provide emergency supplies for an eight-hour period, five projects will rehabilitate existing wells, construct three new wells, a new water reservoir, and pump station (N-22). CPAU and SCVWD staff will coordinate the design and construction of projects recommended in the Water Wells, Regional Storage, and Distribution Study. Rehabilitating and constructing new City wells will allow use of groundwater as emergency water supply. CPAU staff consulted with SCVWD prior to completing the Groundwater Supply Feasibility Study. CPAU staff continues to search for opportunities to work with SCVWD to examine alternate pipeline connections that would improve supply reliability at a reasonable cost.

As federal, state, and other agencies promulgate new policies and standards for water efficiency, the City incorporates these measures into applicable codes, regulations, and procedures where practical. The City has adopted City Code provisions for water efficiency standards applicable to commercial landscaping (Ordinance 4162). Also, Utility Rules and Regulations prohibit water waste.

Water rate structures continue to reflect conservation pricing in the form of an inverted rate structure, which applies ascending prices for rising usage levels (N-23). CPAU has contracted with the SCVWD for assistance in increasing penetration of BMP measures in Palo Alto.

Regulation and education have taken the place of incentives for the use of drought-tolerant landscaping and recycled water for landscape irrigation. This is an ongoing task implemented in the commercial market sector through the City's "Landscape Water Efficiency Standards".

In 2005-06, CPAU plans to continue the limited implementation of the Automated Meter Reading (AMR) project. AMR obtains meter reads via various technologies and eliminates vehicle trips by meter readers, and field service staff making it less expensive to initiate or terminate service. Reducing meter reading vehicular traffic favorably impacts air quality and transportation congestion (N-45). The AMR project will target high turnover, difficult-to-access, and high security installations.

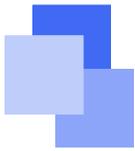


Water Fund *continued*

RESOURCE MANAGEMENT

To develop and manage water commodity resources to the benefit of the rate payers, citizens, and businesses in Palo Alto.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Utility Purchases and Charges	7,453,332	7,577,562	6,860,000	6,868,000
Salaries and Benefits	157,744	282,115	209,975	211,743
Contract Services	9,049	111,500	96,500	97,000
Supplies and Materials	160	2,000	2,500	3,000
Facilities and Equipment Purchases	0	1,000	1,000	1,000
General Expense	93,810	106,000	143,000	148,280
Allocated Charges	0	1,100	0	0
Total Expenditures	\$7,714,095	\$8,081,277	\$7,312,975	\$7,329,023
Total Revenues	\$0	\$0	\$0	\$0
Total Full Time Positions	1.72	1.77	1.30	1.30
Total Temporary Positions	0.00	0.00	0.00	0.00

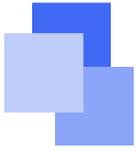


Water Fund *continued*

CUSTOMER MARKETING AND FINANCIAL SERVICES

To provide responsive customer service, advance customer relations, implement resource efficiency programs, and insure revenue is available to cover Water Fund financial obligations.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	941,030	912,302	1,017,747	1,023,595
Contract Services	3,550	201,893	181,200	195,159
Supplies and Materials	23,332	9,565	10,565	10,565
Facilities and Equipment Purchases	0	3,610	3,610	3,610
General Expense	57,112	9,915	63,789	75,420
Rents and Leases	0	126	126	126
Allocated Charges	61,577	49,949	63,232	65,480
Total Expenditures	\$1,086,601	\$1,187,360	\$1,340,269	\$1,373,955
Total Revenues	\$58,400	\$58,400	\$58,400	\$58,400
Total Full Time Positions	10.44	9.33	10.03	10.03
Total Temporary Positions	0.39	0.39	0.39	0.39

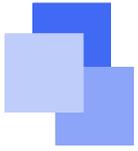


Water Fund *continued*

DISTRIBUTION SYSTEM

To plan, engineer, operate, maintain and construct improvements to the water distribution system that will provide customers with safe, economic, and reliable service.

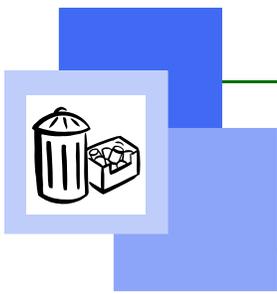
INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	2,278,022	2,139,502	2,263,302	2,280,942
Contract Services	117,612	120,697	120,697	120,697
Supplies and Materials	442,704	215,535	215,535	215,535
Facilities and Equipment Purchases	9,405	49,000	49,000	49,000
General Expense	25,909	29,700	29,700	29,700
Rents and Leases	80,610	89,000	89,000	89,000
Allocated Charges	564,292	610,865	453,688	517,433
Capital Improvement Program	2,700,485	4,925,470	2,454,000	3,531,000
Total Expenditures	\$6,219,039	\$8,179,769	\$5,674,922	\$6,833,307
Total Revenues	\$223,963	\$375,000	\$374,000	\$383,000
Total Full Time Positions	28.84	28.42	28.42	28.42
Total Temporary Positions	0.70	0.70	0.70	0.70



Water Fund *continued*



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

Based on the information provided in the 2003 Annual Report submitted to the California Integrated Waste Management Board, the City's 2003 landfill diversion rate has been determined to be 57 percent, which is well above the 50 percent mandate.

The single stream recycling program will begin in 2005-06. The Palo Alto Sanitation Company (PASCO) fleet of collection vehicles used for recycling will be converted to compressed natural gas by 2007.

Staff, with assistance from the zero-waste stakeholders, will prepare a zero-waste policy and will present it to the City Council in Summer 2005.

The landfill has begun blending compost with other materials and it is being sold for use in gardens. The landfill gas agreement has been terminated and landfill gas will be redirected for use at the Water Quality Control Plant.

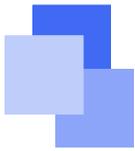
The 2005-06 Adopted Budget includes an 8 percent increase in refuse rates, which is estimated to generate \$1.6 million in revenue. The rate increase is required due to increasing operating costs and to maintain the Rate Stabilization Reserve (RSR) within the reserve guideline level adopted by Council. The RSR is expected to have an ending balance of \$2.1 million.

NEW PROGRAM UPDATE

The single stream recycling program will begin in 2005-06. Wheeled carts will be provided to residents and businesses. Residents will receive carts, one for recyclable materials, and another cart (up to three) for yard trimmings. Another option that will be available to residents, although not required, is a wheeled cart for garbage that will only be collected at the curb.

COUNCIL PRIORITY IMPLEMENTATION

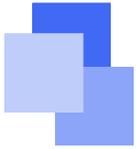
At Council's direction, staff has begun working with zero-waste stakeholders to draft a zero-waste policy and implementation plan that will be presented to Council in 2005-06. As a first step, businesses and residents will be surveyed on their current waste practices and will be asked what types of programs they would prefer.



Refuse Fund *continued*

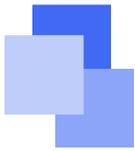
FUND SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Net Sales	18,436,396	20,539,346	22,182,654	1,643,308	8%	22,182,654	0	0%
Interest Income	(83,097)	662,300	549,500	(112,800)	(17%)	549,500	0	0%
Other Income	3,597,075	3,907,948	3,958,923	50,975	1%	3,958,923	0	0%
TOTAL FUND REVENUES	\$21,950,374	\$25,109,594	\$26,691,077	\$1,581,483	6%	\$26,691,077	\$0	0%
Administration	1,467,652	1,508,062	1,477,067	(30,995)	(2%)	1,495,771	18,704	1%
Solid Waste								
Systems Improvement(CIP)	22,885	50,000	0	(50,000)	(100%)	0	0	0%
Operations	4,560,949	6,429,568	5,737,619	(691,949)	(11%)	5,584,284	(153,335)	(3%)
Collection, Hauling and Disposal								
Payment to PASCO	8,355,832	8,107,587	8,466,298	358,711	4%	8,466,298	0	0%
Operations	3,730,914	6,185,507	4,537,336	(1,648,171)	(27%)	4,384,706	(152,630)	(3%)
Street Sweeping	1,508,010	1,646,911	1,725,893	78,982	5%	1,748,999	23,106	1%
Debt Service	385,704	398,126	398,126	0	0%	398,126	0	0%
Rent	4,288,747	4,288,747	4,288,747	0	0%	4,288,747	0	0%
Operating Transfers Out	449,081	259,505	215,057	(44,448)	(17%)	248,907	33,850	16%
TOTAL FUND EXPENDITURES	\$24,769,774	\$28,874,013	\$26,846,143	\$(2,027,870)	(7%)	\$26,615,838	\$(230,305)	(1%)
TO/FROM RESERVES	\$(2,819,400)	\$(3,764,419)	\$(155,066)	\$3,609,353		\$75,239	\$230,305	

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Utility Purchases and Charges	8,355,832	8,107,587	8,466,298	8,466,298
Salaries and Benefits	2,687,288	3,311,726	3,564,486	3,603,211
Contract Services	2,386,265	3,054,270	3,566,206	3,292,206
Supplies and Materials	163,404	2,325,046	348,746	348,746
Facilities and Equipment Purchases	40,872	26,500	26,500	26,500
General Expense	2,589,659	2,952,680	2,984,680	2,984,680
Rents and Leases	4,297,343	4,302,947	4,352,947	4,302,947
Allocated Charges	3,390,197	4,085,626	2,923,097	2,944,217
Debt Service	385,704	398,126	398,126	398,126
Operating Transfers Out	449,081	259,505	215,057	248,907
Capital Improvement Program	22,885	50,000	0	0
Total Expenditures	\$24,768,530	\$28,874,013	\$26,846,143	\$26,615,838
Total Full Time Positions	33.60	35.07	34.70	34.70
Total Temporary Positions	0.00	0.00	0.00	0.00



Refuse Fund *continued*

RESERVES (\$000)	2005-06 PROJECTED BEGINNING BALANCE	2005-06 CHANGES	2005-06 PROJECTED ENDING BALANCE	2006-07 CHANGES	2006-07 PROJECTED ENDING BALANCE	2005-06 RESERVE GUIDELINE RANGE	2006-07 RESERVE GUIDELINE RANGE
Rate Stabilization Reserve	\$2,368	\$(292)	\$2,076	\$(62)	\$2,014	\$2,218 - 4,437	\$2,218 - 4,437
Landfill closure and postclosure care reserve	6,692	137	6,829	137	6,966		
Water Resources Board Reserve	590		590		590		
TOTAL RESERVES	\$9,650	\$(155)	\$9,495	\$75	\$9,570		

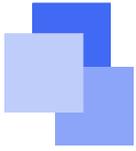


Refuse Fund *continued*

RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES (000)						
Net Sales (Note 1)	1,643		1,643			0
Interest Income	(112)		(112)			0
Operating Transfer from Parking District	51		51			0
TOTAL REVENUE CHANGES	\$1,582	\$0	\$1,582	\$0	\$0	\$0
EXPENDITURE CHANGES (000)						
Salary and Benefits						
Salary Adjustments	48		48			0
Personnel Benefit Costs (Note 2)	207		207	39		39
Total Salary and Benefits Changes	\$255	\$0	\$255	\$39	\$0	\$39
Non-Salary						
Uniforms	7		7			0
Bankcard Service Charges	25		25			0
Rental- Tools & Equipment		50	50		(50)	(50)
Advertising & Publishing	20		20			0
Contract Services for Waste Characterization Study		120	120		(120)	(120)
Postage	7		7			0
Inspection & Testing	2		2			0
Construction Materials	40		40			0
PASCO Contract	359		359			0
Contract Services- Palo Alto Share of Smart Station Costs	214	154	368		(154)	(154)
Transfers to Other Funds	(44)		(44)	34		34
Interest Expense on Deferred Rental to General Fund		(1,214)	(1,214)			0
Capital Improvement Program	(50)		(50)			0
Allocated Charges (Note 3)	50		50	21		21
Total Non-Salary Changes	\$630	\$(890)	\$(260)	\$55	\$(324)	\$(269)
TOTAL EXPENDITURE CHANGES	\$885	\$(890)	\$(5)	\$94	\$(324)	\$(230)
Adjustments (Note 4)		(2,023)	(2,023)			0
NET EXPENDITURE CHANGES	\$885	\$(2,913)	\$(2,028)	\$94	\$(324)	\$(230)

RESOURCE LEVEL NOTES



Refuse Fund *continued*

Note 1: Adopted 8 percent rate increase in 2005-06.

Note 2: Personnel benefits costs have escalated mainly due to increased health care costs and increased pension costs.

Note 3: Net increase in allocated charges is primarily due to an increase in cost plan charges and a decrease in vehicle maintenance charges.

Note 4: Adjustments include prior one-time revenues and expenditure items that did not carry forward into the Adopted Budget. Other changes are the result of one-time items that were included in the 2004-05 mid year adjustment.

COMPREHENSIVE PLAN OVERVIEW

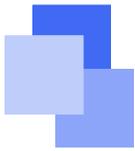
The 2005-07 Adopted Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

TRANSPORTATION

The Refuse Fund will continue performing off-road bicycle and pedestrian path sweeping on a regular basis (T-29). Staff will continue working with the Chamber of Commerce on enhancing maintenance in the downtown areas (T-30).

NATURAL ENVIRONMENT

Monthly household hazardous waste collection events will continue (N-48) and street sweeping will be performed on a regular basis in the residential and business areas (N-30).



Refuse Fund *continued*

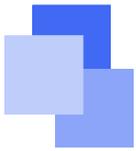
SOLID WASTE

To provide solid waste disposal and recycling services which include waste reduction and hazardous waste educational programs.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,441,098	1,839,200	2,261,124	2,280,521
Contract Services	1,101,577	1,629,789	1,772,289	1,652,289
Supplies and Materials	128,749	196,796	243,796	243,796
Facilities and Equipment Purchases	40,872	23,000	23,000	23,000
General Expense	182,833	278,470	310,470	310,470
Rents and Leases	8,596	10,200	60,200	10,200
Allocated Charges	1,655,980	2,452,113	1,066,740	1,064,008
Capital Improvement Program	22,885	50,000	0	0
Total Expenditures	\$4,582,590	\$6,479,568	\$5,737,619	\$5,584,284
Total Revenues	\$2,650,971	\$2,776,748	\$2,776,748	\$2,776,748
Total Full Time Positions	17.65	18.72	21.47	21.47
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Tons of total waste diverted at all locations (landfill, SMaRT, others) (New)	95,665	95,169	97,000
2. Number of households serviced through Household Hazardous Waste Program (New)	3,039	3,500	3,500
Efficiency:			
1. Percent of total waste diverted	55	>50	>50
2. Percent of total households serviced (26,048 from 2000 census) (New)	12	13	13
Effectiveness:			
1. Number of years State diversion goals met or exceeded	4	5	6
2. Tons of HHW diverted from illegal dumping (New)	121	125	125



Refuse Fund *continued*

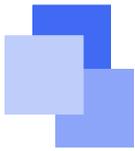
COLLECTION, HAULING AND DISPOSAL

To provide environmentally safe, long term refuse and recycling collection and disposal for residents and businesses at rates competitive with surrounding areas.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Utility Purchases and Charges	8,355,832	8,107,587	8,466,298	8,466,298
Salaries and Benefits	76,793	141,115	147,836	149,078
Contract Services	1,234,763	1,298,005	1,665,873	1,511,873
Supplies and Materials	8,518	2,098,300	75,000	75,000
General Expense	2,405,270	2,643,260	2,643,260	2,643,260
Allocated Charges	5,570	4,827	5,367	5,495
Total Expenditures	\$12,086,746	\$14,293,094	\$13,003,634	\$12,851,004
Total Revenues	\$723,362	\$15,000	\$15,000	\$15,000
Total Full Time Positions	0.75	1.15	1.15	1.15
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of complaints regarding PASCO service (New)	320	0	0
2. Tons of waste recycled through SMaRT (New)	49,337	49,000	49,000
Efficiency:			
1. Number of complaints resolved within 24 hours (New)	320	0	0
2. Percent of total waste processed through SMaRT that was recycled (New)	18.3	18	18
Effectiveness:			
1. Percent of residents rating PASCO service as excellent (SEA)	87	100	100
2. Tons of recyclables diverted from landfill (New)	9,007	9,000	9,000



Refuse Fund *continued*

STREET SWEEPING

To keep City streets and parking lots free of debris with thorough and effective street sweeping and litter control.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	901,267	1,016,939	1,080,526	1,092,612
Contract Services	48,975	126,476	128,044	128,044
Supplies and Materials	25,705	29,950	29,950	29,950
Facilities and Equipment Purchases	0	3,500	3,500	3,500
General Expense	1,548	950	950	950
Allocated Charges	530,515	469,096	482,923	493,943
Total Expenditures	\$1,508,010	\$1,646,911	\$1,725,893	\$1,748,999
Total Revenues	\$113,532	\$86,200	\$137,175	\$137,175
Total Full Time Positions	12.20	12.20	12.08	12.08
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of residential curb miles swept (15,877) (SEA)	14,166	14,289	14,289
2. Number of business curb miles swept annually (3,181) (New)	3,043	3,030	3,030
Efficiency:			
1. Percent of residential curb miles swept (New)	89	90	90
2. Percent of business curb miles swept (New)	96	95	95
Effectiveness:			
1. Cubic yards of debris removed from street along residential curbs (New)	12,451	12,213	12,213
2. Cubic yards of debris removed from street along business curbs (New)	938	937	937



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.

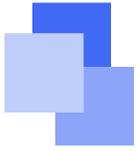
OVERVIEW

In April 2005, property owners approved an increase in the Storm Drainage Fee through a mail ballot process conducted in accordance with Proposition 218. As a result, the fee was increased to \$10.00 per month for typical single-family residential ratepayers. The increased revenue from the higher fee will fund a set of seven high-priority storm drain capital improvements, to be implemented over the next 12 years. The revenue also provides funding for annual storm drain replacement/rehabilitation work and for innovative projects that reduce storm water runoff and pollutant levels. The capital improvements will be funded on a pay-as-you-go basis, without debt financing. The City will pre-pay 12 years worth of the Storm Drainage Fee for City-owned properties subject to the fee in order to provide up-front cash for the early implementation of storm drain capital improvements. The fee increase will "sunset" after 12 years, unless reauthorized by another property owner ballot process.

The increased funding will allow staff to conduct an enhanced level of storm drain maintenance. Staff will continue to coordinate with the Santa Clara Valley Water District and the Federal Emergency Management Agency on flood control and flood insurance issues. Staff will also assist with review of land development applications to ensure compliance with storm water quality regulations. Staff will actively participate in the San Francisquito Creek Joint Powers Authority's partnership with the US Army Corps of Engineers to identify a comprehensive solution to flooding and erosion problems on San Francisquito Creek.

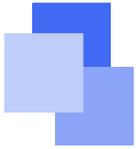
For 2005-06, the Storm Drainage Fund Rate Stabilization Reserve (RSR) has a projected ending balance of \$0.3 million.

FUND SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Net Sales	2,155,754	2,184,870	4,860,000	2,675,130	122%	5,389,000	529,000	11%
Interest Income	756	42,000	21,200	(20,800)	(50%)	21,200	0	0%
Other Income	326,775	849,150	615,091	(234,059)	(28%)	745,302	130,211	21%
TOTAL FUND REVENUES	\$2,483,285	\$3,076,020	\$5,496,291	\$2,420,271	79%	\$6,155,502	\$659,211	12%
Administration	513,392	503,564	501,940	(1,624)	0%	506,640	4,700	1%
Systems Improvements								
Systems Improvement(CIP)	105,797	0	2,629,773	2,629,773	0%	3,239,773	610,000	23%
Operations	301,476	356,174	147,937	(208,237)	(58%)	150,278	2,341	2%
Operations & Maintenance	915,859	1,221,191	1,287,268	66,077	5%	1,297,218	9,950	1%
Debt Service	656,936	947,370	950,320	2,950	0%	946,865	(3,455)	0%
Operating Transfers Out	41,024	13,036	5,086	(7,950)	(61%)	10,836	5,750	113%
TOTAL FUND EXPENDITURES	\$2,534,484	\$3,041,335	\$5,522,324	\$2,480,989	82%	\$6,151,610	\$629,286	11%
TO/FROM RESERVES	\$(51,199)	\$34,685	\$(26,033)	\$(60,718)		\$3,892	\$29,925	



Storm Drainage Fund *continued*

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	872,952	1,121,063	935,948	944,144
Contract Services	208,884	232,053	351,629	351,629
Supplies and Materials	27,559	70,250	98,250	98,250
Facilities and Equipment Purchases	0	13,621	11,621	11,621
General Expense	83,132	103,200	8,200	8,200
Rents and Leases	304	6,000	6,000	6,000
Allocated Charges	537,896	534,742	525,497	534,292
Debt Service	656,936	947,370	950,320	946,865
Operating Transfers Out	41,024	13,036	5,086	10,836
Capital Improvement Program	105,797	0	2,629,773	3,239,773
Total Expenditures	\$2,534,484	\$3,041,335	\$5,522,324	\$6,151,610
Total Full Time Positions	9.75	9.90	9.50	9.50
Total Temporary Positions	0.00	0.00	0.00	0.00

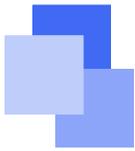


Storm Drainage Fund *continued*

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of industrial storm water inspections conducted (New)	184	177	180
2. Linear feet of storm drain pipelines cleaned annually	219,106	100,000	100,000
Efficiency:			
1. Number of industrial storm water inspections per FTE (New)	184	177	180
2. Pounds of debris removed by hydroflushing pipelines	182,300	150,000	150,000
Effectiveness:			
1. Percentage of industrial sites in compliance with storm water regulations(New)	87%	89%	90%
2. Number of resident calls regarding ponding problems	126	175	175

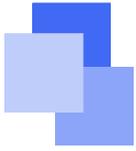
RESERVES (\$000)	2005-06 PROJECTED BEGINNING BALANCE	2005-06 CHANGES	2005-06 PROJECTED ENDING BALANCE	2006-07 CHANGES	2006-07 PROJECTED ENDING BALANCE	2005-06 RESERVE GUIDELINE RANGE	2006-07 RESERVE GUIDELINE RANGE
Distribution RSR	\$373	\$(26)	\$347	\$4	\$351	\$	\$
TOTAL RESERVES	\$373	\$(26)	\$347	\$4	\$351		



Storm Drainage Fund *continued*

RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES (\$000)						
Net Sales (Note 1)	2,675		2,675			0
Interest Income	(21)		(21)			0
Operating Transfer from General Fund	(234)		(234)	130		130
Planned Revenue from General Fund (Note 2)			0	529		529
TOTAL REVENUE CHANGES	\$2,420	\$0	\$2,420	\$659	\$0	\$659
EXPENDITURE CHANGES (\$000)						
Salary and Benefits						
Transfer of Salary and Benefits from Curbs & Gutters to Sidewalk CIP	(169)		(169)			0
Add 1.0 FTE Engineer for storm drainage capacity upgrades and replacements	126		126			0
Transfer 0.6 FTE from Wastewater Treatment Fund to incorporate Storm Drain CIP	62		62			0
Salary Adjustments	30		30			0
Personnel Benefit Costs (Note 3)	42		42	8		8
Total Salary and Benefits Changes	\$91	\$0	\$91	\$8	\$0	\$8
Non-Salary						
Debt Service Expense	3		3	(3)		(3)
Environmental Compliance Costs	39		39			0
Enhanced Storm Drain Maintenance	90		90			0
Inter-agency Expense- San Francisco Creek Joint Powers Agreement and San Francisco Watershed Council funding (Note 4)	(81)		(81)			0
Capital Improvement Program	2,355		2,355	610		610
Operating Transfers to Other Funds	(8)		(8)	6		6
Allocated Charges	(8)		(8)	8		8
Total Non-Salary Changes	\$2,390	\$0	\$2,390	\$621	\$0	\$621
TOTAL EXPENDITURE CHANGES	\$2,481	\$0	\$2,481	\$629	\$0	\$629



Storm Drainage Fund *continued*

RESOURCE LEVEL NOTES

Note 1: Increase in net sales is due to the increase in the storm drainage fee from \$4.25 per month to \$10.00 per month for the typical single-family residential ratepayer.

Note 2: Designated placeholder for General Fund payments of storm drainage fees; payment plan for 2006-07 and future years to be determined during 2005-06.

Note 3: Personnel benefits costs have escalated mainly due to increased health care costs and increased pension costs.

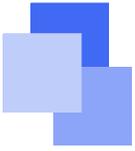
Note 4: This change is made in accordance with a recommendation by the Blue Ribbon Storm Drain Committee that creek-related expense should not be funded through the Storm Drainage Fund. This expense has been moved to the Public Works operating budget.

COMPREHENSIVE PLAN OVERVIEW

The 2005-07 Storm Drainage Fund Adopted Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

NATURAL ENVIRONMENT

Staff will manage CIP projects to increase drainage system capacity and to repair/rehabilitate deteriorated storm drain infrastructure (N-36). In addition, staff will work with San Francisquito Creek JPA member agencies to develop and implement a US Army Corps of Engineers project to address flood and erosion control problems on San Francisquito Creek (N-9). Staff will coordinate with SCVWD staff through the Water Resources Protection Collaborative to develop guidelines and standards for land uses near streams (N- 8). Staff will continue to clean storm drain pipelines and catch basins, respond to and clean up all identified non-hazardous material spills in the public right-of-way, and conduct a proactive storm water pollution prevention program in an effort to improve the quality of storm water runoff (N-29).

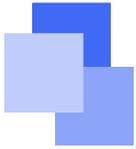


Storm Drainage Fund *continued*

SYSTEMS IMPROVEMENTS

To plan and construct drainage system improvements and to administer the City's participation in the National Flood Insurance Program in order to provide adequate drainage and reduce the risk of flood damage for City residents.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	216,415	252,418	132,837	135,040
Contract Services	1,777	2,006	3,750	3,750
Supplies and Materials	761	3,650	3,650	3,650
General Expense	82,219	98,100	3,100	3,100
Rents and Leases	304	0	0	0
Allocated Charges	0	0	4,600	4,738
Capital Improvement Program	105,797	0	2,629,773	3,239,773
Total Expenditures	\$407,273	\$356,174	\$2,777,710	\$3,390,051
Total Revenues	\$111	\$0	\$100	\$100
Total Full Time Positions	2.40	1.90	3.00	3.00
Total Temporary Positions	0.00	0.00	0.00	0.00

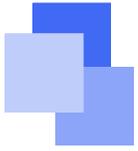


Storm Drainage Fund *continued*

OPERATIONS AND MAINTENANCE

To perform preventative, routine, and emergency maintenance on the City's storm drainage system, and to conduct a program of public outreach and code enforcement to optimize local drainage and enhance water quality.

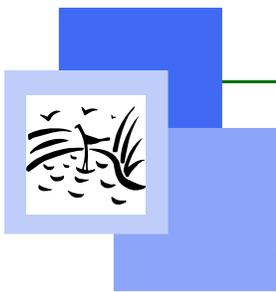
INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	581,288	789,925	716,502	721,973
Contract Services	207,107	230,047	347,879	347,879
Supplies and Materials	26,798	66,600	94,600	94,600
Facilities and Equipment Purchases	0	13,621	11,621	11,621
General Expense	897	5,100	5,100	5,100
Rents and Leases	0	6,000	6,000	6,000
Allocated Charges	99,769	109,898	105,566	110,045
Total Expenditures	\$915,859	\$1,221,191	\$1,287,268	\$1,297,218
Total Revenues	\$3,066	\$0	\$0	\$0
Total Full Time Positions	7.00	7.65	6.15	6.15
Total Temporary Positions	0.00	0.00	0.00	0.00



Storm Drainage Fund *continued*



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

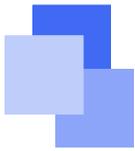
The Public Works Department negotiated a five-year discharge permit in 2003-04 for the Regional Water Quality Control Plant (RWQCP). This permit requires further work to reduce the discharge of mercury and to conduct studies for cyanide and by-products of chlorination. A dialogue with local dentists resulted in new ordinance provisions which became effective March 31, 2005. Implementation will involve working with each dentist office as they install separators to recover the mercury in amalgam fillings.

The permit for the RWQCP allows Palo Alto to test and control for Enterococci (rather than Coliform) in the plant's discharge. This switch more closely targets human pathogens while allowing less chlorine to be used. The change will save money and reduce potential human exposure to chlorine and its toxic by-products.

In 2005-07, \$9.2 million in Capital Improvement Program (CIP) expense is planned. CIP projects include: Replacement of Existing Reclaimed Water Pipes and extending reclaimed water to Mountain View's "North of Bayshore Business Park". A \$4 million State Grant and \$8 million reimbursement by the City of Mountain View will pay for the majority of the reclaimed water project. The CIP also includes Plant Equipment Replacement and System Flow Meter Replacement Programs.

In 2005-06, the Rate Stabilization Reserve (RSR) is expected to have an ending balance of \$5.2 million which is below the \$5.4 million maximum guideline level. In 2006-07, the RSR is expected to have an ending balance of \$5.6 million which is at the \$5.6 million maximum guideline level. It is anticipated that up to \$1.0 million of the RSR will be needed for the Reclaimed Water CIP in 2005-07.

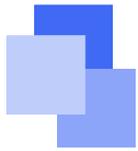
FUND SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Net Sales	14,540,341	16,903,630	17,900,874	997,244	6%	18,794,419	893,545	5%
Interest Income	(14,801)	463,300	466,000	2,700	1%	466,000	0	0%
Other Income	202,463	3,060,645	7,860,645	4,800,000	157%	3,260,645	(4,600,000)	(59%)
TOTAL FUND REVENUES	\$14,728,003	\$20,427,575	\$26,227,519	\$5,799,944	28%	\$22,521,064	\$(3,706,455)	(14%)
Administration	1,749,351	1,749,585	1,853,972	104,387	6%	1,881,880	27,908	2%
Operations								
Systems Improvement(CIP)	1,434,748	5,252,827	9,200,000	3,947,173	75%	5,200,000	(4,000,000)	(43%)
Operations	7,957,411	9,803,278	10,594,513	791,235	8%	10,932,305	337,792	3%
Environmental Compliance	2,069,611	2,716,317	2,759,297	42,980	2%	2,768,465	9,168	0%
Debt Service	515,302	823,802	817,373	(6,429)	(1%)	821,907	4,534	1%
Operating Transfers Out	120,120	37,181	22,851	(14,330)	(39%)	22,033	(818)	(4%)
TOTAL FUND EXPENDITURES	\$13,846,543	\$20,382,990	\$25,248,006	\$4,865,016	24%	\$21,626,590	\$(3,621,416)	(14%)
TO/FROM RESERVES	\$881,460	\$44,585	\$979,513	\$934,928		\$894,474	\$(85,039)	



Wastewater Treatment Fund *continued*

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	6,354,762	7,760,979	8,157,607	8,230,531
Contract Services	773,274	1,721,540	1,695,780	1,695,780
Supplies and Materials	906,130	1,150,800	1,139,800	1,139,800
Facilities and Equipment Purchases	6,979	41,000	41,000	41,000
General Expense	141,892	143,650	143,650	143,650
Rents and Leases	14,257	25,500	25,500	25,500
Allocated Charges	3,579,079	3,425,711	4,004,445	4,306,389
Debt Service	515,302	823,802	817,373	821,907
Operating Transfers Out	120,120	37,181	22,851	22,033
Capital Improvement Program	1,098,544	5,252,827	9,200,000	5,200,000
Total Expenditures	\$13,510,339	\$20,382,990	\$25,248,006	\$21,626,590
Total Full Time Positions	68.00	68.05	68.45	68.45
Total Temporary Positions	0.63	0.63	0.33	0.33

RESERVES (\$000)	2005-06 PROJECTED BEGINNING BALANCE	2005-06 CHANGES	2005-06 PROJECTED ENDING BALANCE	2006-07 CHANGES	2006-07 PROJECTED ENDING BALANCE	2005-06 RESERVE GUIDELINE RANGE	2006-07 RESERVE GUIDELINE RANGE
Emergency Plant Replacement	\$1,807	\$388	\$2,195	\$388	\$2,583	\$1,576	\$1,576
Distribution RSR	4,594	592	5,186	506	5,692	2,681 - 5,361	2,815 - 5,629
Bond Proceeds (Restricted)	61		61		61		
TOTAL RESERVES	\$6,462	\$980	\$7,442	\$894	\$8,336		



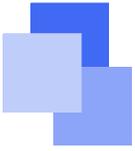
Wastewater Treatment Fund *continued*

RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES (\$000)						
Net Sales	997		997	894		894
Interest Income	3		3			
Reimbursements for CIP Costs from State and Local Agencies		4,800	4,800		(4,100)	(4,100)
Operating Transfer from Water Fund				(500)		(500)
TOTAL REVENUE CHANGES	\$1,000	\$4,800	\$5,800	\$394	\$(4,100)	\$(3,706)
EXPENDITURE CHANGES (\$000)						
Salary and Benefits						
Convert 1.0 FTE Hourly Tech I Position to Regular Lab Tech WQC Position	12		12			
Convert 1.0 FTE Hourly Tech II Position to Regular Engineering Tech I Position	10		10			
Transfer 0.6 FTE to Storm Drainage Fund to incorporate Storm Drain CIP	(62)		(62)			0
Salary Adjustments	23		23	5		5
Personnel Benefit Costs (Note 1)	415		415	68		68
Total Salary and Benefit Changes	\$398	\$0	\$398	\$73	\$0	\$73
Non-Salary						
Debt Service Expense	(6)		(6)	5		5
Environmental Compliance Costs Moved to Storm Drainage Fund	(39)		(39)			0
Capital Improvement Program (Note 2)		3,947	3,947		(4,000)	(4,000)
Operating Transfer to Other Funds	(14)		(14)	(1)		(1)
Allocated Charges (Note 3)	579		579	302		302
Total Non-Salary Changes	\$520	\$3,947	\$4,467	\$306	\$(4,000)	\$(3,694)
TOTAL EXPENDITURE CHANGES	\$918	\$3,947	\$4,865	\$379	\$(4,000)	\$(3,621)

RESOURCE LEVEL NOTES

Note 1: Personnel benefits costs have escalated mainly due to increased health care costs and increased pension costs.



Wastewater Treatment Fund *continued*

Note 2: Change includes project to replace existing reclaimed water pipe. Projected expenditures for this project are \$8,000,000 in 2005-06, and \$4,000,000 in 2006-07.

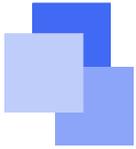
Note 3: Allocated charges are increasing primarily due to increases in electric and gas charges.

COMPREHENSIVE PLAN OVERVIEW

In 2005-07, Water Quality Control Plant staff will further the following component of the City's Comprehensive Plan:

NATURAL ENVIRONMENT

Comprehensive Plan Programs N-27 through N-35, which focus on reducing pollution and improving the Storm Drainage system, will be implemented through new and existing programs. The focus will be on Bioaccumulative, Persistent, Toxic (BPT) chemicals including mercury, pesticides, and dioxins. Staff will focus on increasing public awareness of the contribution made by pesticide use and motor vehicle use to pollution levels (N-40). Staff will also implement a Mercury and Dioxin Prevention and Elimination Policy (N-28, N35), and continue efforts toward improving the participation of businesses in the Clean Bay Business Programs. Ongoing public awareness, collection, and regulatory programs for mercury products will be enhanced by focusing on a larger group of mercury containing devices and pharmaceutical products. Staff will insure that local dentists implement the new mercury reduction Ordinance which became effective on March 31, 2005 . Recognizing the impact of air pollution on surface water, new program elements will also focus on vehicles and wood burning stoves (Programs N-42 through N-44).



Wastewater Treatment Fund *continued*

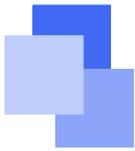
OPERATIONS

To efficiently and effectively operate and maintain the Regional Water Quality Control Plant ensuring continuous 24 hour treatment of all wastewater in accordance with State and Federal permits and other environmental regulations.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	4,916,705	6,106,545	6,389,982	6,447,971
Contract Services	304,787	688,380	688,380	688,380
Supplies and Materials	802,986	1,118,800	1,118,800	1,118,800
Facilities and Equipment Purchases	3,675	26,000	26,000	26,000
General Expense	103,560	99,700	99,700	99,700
Rents and Leases	5,784	17,500	17,500	17,500
Allocated Charges	1,819,914	1,746,353	2,254,151	2,533,954
Capital Improvement Program	1,098,544	5,252,827	9,200,000	5,200,000
Total Expenditures	\$9,055,955	\$15,056,105	\$19,794,513	\$16,132,305
Total Revenues	\$114,125	\$2,500,000	\$7,301,000	\$3,201,000
Total Full Time Positions	55.70	53.75	54.75	54.75
Total Temporary Positions	0.63	0.63	0.33	0.33

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Millions of Gallons Treated	8,238	8,200	8,200
2. Tons of Solids Incinerated	7,477	7,400	7,400
3. Number of Samples Analyzed	11,589	10,000	10,000
Efficiency:			
1. Treatment Cost in \$/MG Treated (total O&M cost; exclude CIP)	\$1,049,000	\$1,341,000	\$1,427,000
2. Solids Disposal \$/Ton	\$198	\$210	\$225
3. Number of Employees per Millions of Gallons per Day Treated	2.39	2.40	2.40
Effectiveness:			
1. Fish Toxicity (% survival)	100%	95%	95%
2. Compliance with Discharge Permit (Percentage compliance)	100%	95%	95%
3. Reclaimed water delivered	67.5	80	80



Wastewater Treatment Fund *continued*

ENVIRONMENT COMPLIANCE

To promote pollution prevention concepts and to initiate source control programs designed to minimize pollutants entering the sanitary sewer system from the regional service area and ensure compliance with environmental study requirements of regulatory agencies.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,426,658	1,591,155	1,667,625	1,682,560
Contract Services	468,487	1,033,160	1,007,400	1,007,400
Supplies and Materials	103,129	32,000	21,000	21,000
Facilities and Equipment Purchases	3,304	15,000	15,000	15,000
General Expense	21,568	13,950	13,950	13,950
Rents and Leases	3,384	8,000	8,000	8,000
Allocated Charges	43,081	23,052	26,322	20,555
Total Expenditures	\$2,069,611	\$2,716,317	\$2,759,297	\$2,768,465
Total Revenues	\$0	\$0	\$0	\$0
Total Full Time Positions	12.30	14.30	13.70	13.70
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of business regulated (New)	98	101	101
2. Number of permits issued (New)	32.7	33.7	33.7
3. Number of Industrial discharge tests (New)	13,579	13,300	13,000
Efficiency:			
1. Number of regulated per FTE (New) (#/6 FTE)	16.3	16.8	16.8
2. Number of permits issued per FTE (New) (#/6 FTE)	5.4	5.6	5.6
3. Number of industrial discharge tests per FTE (New) (#/6 FTE)	2,263	2,216	2,166
Effectiveness:			
1. Percentage of Dental offices in compliance (New)			90%
2. Percentage of Commercial business in compliance	98%	98%	98%
3. Percentage of discharge tests in compliance	98.5%	98%	98%



CPA External Services



CPA External Services

Provide quality, IT solutions tailored to the needs of the public sector by establishing and growing relationships built on mutual trust and cooperation, with a commitment to customer service, communication, and measurable quality.

OVERVIEW

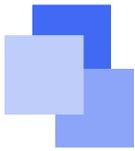
The City provides information technology (IT) services to municipalities through the Information Technology Services Provider (ITSP) program. The ITSP program started with contracts to provide services to Los Altos and East Palo Alto. Since then, seven new municipal contracts have been established with the cities of Emeryville, Menlo Park, Atherton, Los Altos Hills, Alameda, Saratoga, and, most recently, with the City of Morgan Hill. Fund expenditures are fully supported by revenue generated from these contracts. The following services are offered by ITSP:

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

In 2005-06, ITSP staff will work to ensure that revenues continue to cover expenses as a result of rate increases implemented in 2004-05. Staff will also focus on maintaining a high-level of customer satisfaction throughout the contract cities.

FUND SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Interest Income	(803)	0	0	0	0%	0	0	0%
Other Income	627,664	1,044,829	1,180,837	136,008	13%	1,180,837	0	0%
TOTAL FUND REVENUES	\$626,861	\$1,044,829	\$1,180,837	\$136,008	13%	\$1,180,837	\$0	0%
Information Technology Services	656,941	1,020,570	1,159,300	138,730	14%	1,163,678	4,378	0%
TOTAL FUND EXPENDITURES	\$656,941	\$1,020,570	\$1,159,300	\$138,730	14%	\$1,163,678	\$4,378	0%
TO/FROM RESERVES	\$(30,080)	\$24,259	\$21,537	\$(2,722)		\$17,159	\$(4,378)	

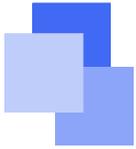
INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	581,976	721,290	861,856	868,956
Contract Services	64,207	174,000	119,000	119,000
Supplies and Materials	2,404	13,000	11,000	11,000
General Expense	4,529	7,400	9,400	9,400



CPA External Services *continued*

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Allocated Charges	3,825	79,880	133,044	130,322
Operating Transfers Out	0	25,000	25,000	25,000
Total Expenditures	\$656,941	\$1,020,570	\$1,159,300	\$1,163,678
Total Full Time Positions	5.70	5.70	6.00	6.00
Total Temporary Positions	0.00	0.00	0.00	0.00

RESERVES (\$000)	2005-06 PROJECTED BEGINNING BALANCE	2005-06 CHANGES	2005-06 PROJECTED ENDING BALANCE	2006-07 CHANGES	2006-07 PROJECTED ENDING BALANCE	2005-06 RESERVE GUIDELINE RANGE	2006-07 RESERVE GUIDELINE RANGE
Information Technology RSR	\$27	\$22	\$49	\$17	\$66	\$	\$
TOTAL RESERVES	\$27	\$22	\$49	\$17	\$66		



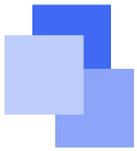
CPA External Services *continued*

RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES (\$000)						
Charges for Services	136		136			
TOTAL REVENUE CHANGES	\$136	\$0	\$136	\$0	\$0	\$0
EXPENDITURE CHANGES (\$000)						
Salary and Benefits						
Salary Adjustments	87		87			
Personnel Benefit Costs (Note 1)	54		54	7		7
Total Salary and Benefits Changes	\$141	\$0	\$141	\$7	\$0	\$7
Non-Salary						
Contract Agency Personnel	(55)		(55)			0
Allocated Charges	53		53	(3)		(3)
Total Non-Salary Changes	\$(2)	\$0	\$(2)	\$(3)	\$0	\$(3)
TOTAL EXPENDITURE CHANGES	\$139	\$0	\$139	\$4	\$0	\$4

RESOURCE LEVEL NOTES

Note 1: Personnel benefits costs have escalated mainly due to increased health care costs and increased pension costs.



CPA External Services *continued*

INFORMATION TECHNOLOGY

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	581,976	721,290	861,856	868,956
Contract Services	64,207	174,000	119,000	119,000
Supplies and Materials	2,404	13,000	11,000	11,000
General Expense	4,529	7,400	9,400	9,400
Allocated Charges	3,825	79,880	133,044	130,322
Operating Transfers Out	0	25,000	25,000	25,000
Total Expenditures	\$656,941	\$1,020,570	\$1,159,300	\$1,163,678
Total Full Time Positions	5.70	5.70	6.00	6.00
Total Temporary Positions	0.00	0.00	0.00	0.00



Cross Departmental Programs



Cross-Departmental Programs

An Overview

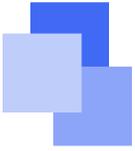
Cross-departmental programs (CDP) are activities, services, or efforts that are delivered by more than one department. These programs are displayed separately from regular departmental budgets because they reflect services that are visible and important to the community. Components of the CDP are contained in each department's budget section. These components may consist of a major activity or a subactivity of a major activity. CDP must have the participation of more than two departments, each of which provide more than \$50,000 towards the program. For the 2005-07 Adopted Budget, CDP include:

- Cubberley Community Center
- Development Center Services
- Parking Program
- Special Events
- Traffic Management and Safety
- Emergency Preparedness
- Youth Program

The Youth Program is an addition to the list of the CDP in 2005-07. The addition to this year's cross departmental program results from Council's desire to capture resources allocated by the City to youth services. The development of the Youth Master Plan necessitates a reporting mechanism to capture the cost allocated by the City for youth services.

While a new program was added to CDP, the Citywide Sustainability Program was dropped from this year's CDP. Where applicable and appropriate, the sustainability component is now incorporated into all aspects of the City's practices and policy, that reporting it as a CDP is a misrepresentation.

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



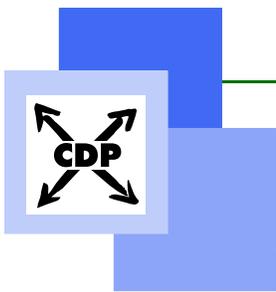
Cross-Departmental Programs *continued*

The following areas are City Council designated priorities in 2005-07:

- Affordable Housing
- Alternative Transportation/Traffic Calming
- Infrastructure
- Land Use Planning
- City 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, Infrastructure and City Finances Council priorities are not displayed as a CDP since they are primarily supported by individual departments: Planning and Community Environment, Public Works, and Administrative Services Departments respectively.



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, and to maintain the building and grounds in a safe and clean condition.

Public Works Facilities Management will continue to focus on the delivery of custodial, maintenance, and rehabilitation services to achieve maximum life expectancy for the Cubberley buildings and building systems.

COMPREHENSIVE PLAN OVERVIEW

The Cubberley Community Center will be enhanced by a number of capital improvement projects included in the Infrastructure Management Plan (Comprehensive Plan Policy Number C-24, C-25, C-26, C-27, and C-32 and Program C-19).

CONTRIBUTING DEPARTMENTS

Community Services Department

Part of the Community Services Department's mission is to enhance the vitality of the Cubberley as a Community Center. The Community Services Department administers the hourly rental program, provides daily customer service to lease tenants, promotes daytime center use and encourages tenant/user interaction and input.

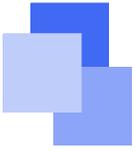
Administrative Services Department

The Administrative Services Department manages the Cubberley long-term leases and ensures compliance with the terms of the leases.

Public Works Department

The Public Works Department provides timely maintenance programs to repair and maintain the building systems and structures. Public Works Department also provides, the paving, concrete, signage, parking lot sweeping and tree-trimming services at the Cubberley site.

PARTICIPATING DEPARTMENTS	2003-04 ACTUAL	2004-05 ESTIMATED	2005-06 ESTIMATED BUDGET	2006-07 ESTIMATED BUDGET
Administrative Services Department	\$58,742	\$66,271	\$63,590	\$63,818
Community Services Department	1,578,736	1,291,705	1,086,963	1,098,864
Public Works Department	316,911	299,609	314,949	314,674
Capital Improvement Program	338,000	198,280	1,135,770	1,190,000
Total Expenditures	\$2,292,389	\$1,855,865	\$2,601,272	\$2,667,356
Total Revenues	\$2,091,513	\$2,200,097	\$2,242,730	\$2,286,642
Full Time Equivalent (FTE) Positions	9.20	9.20	9.20	9.20



Cubberley Community Center *continued*

CIP INFORMATION

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

Cubberley Community Center Fire Alarm System (PF-06003)

Cubberley Landscaping (PE-06012)

Cubberley Mechanical and Electrical Upgrades (PF-04010)

Cubberley Restroom Upgrades (PF-06004)

Cubberley Turf Renovation (PF-07007)

Cubberley Wing I Elevator Upgrade (PF-07001)



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. The City also 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

Fire Department

The Fire Department develops and enforces codes that prevent fires and the release of hazardous materials, and works with the public and other organizations on environmental matters.

Planning Department

The Planning and Community Environment Department achieves safe, well-designed improvement and development projects to ensure that all projects achieve the high quality and design specified.

Public Works Department

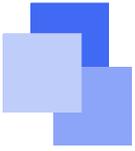
The Public Works Department expeditiously reviews and inspects private development projects to ensure that developers comply with applicable regulations, meet high standards of quality and safety, and conform with approved plans and specifications.

Utilities Department

The Utilities Department satisfies customer requests for review of development plans, service designs, and installations related to water, gas, and electric service.

Other Department

The City Attorney provides legal advice to staff, appointed, and elected officials. The City Attorney also provides legal support in the processing of project applications.



Development Center Services *continued*

PARTICIPATING DEPARTMENTS	2003-04 ACTUAL	2004-05 ESTIMATED	2005-06 ESTIMATED BUDGET	2006-07 ESTIMATED BUDGET
Planning Department	\$2,641,132	\$3,072,683	\$3,203,953	\$3,213,872
Fire Department	213,061	219,452	228,296	228,296
Public Works Department	271,060	261,546	269,392	270,732
Utilities Department	108,520	112,860	141,069	141,060
Total Expenditures	\$3,233,773	\$3,666,541	\$3,842,710	\$3,853,960
Total Revenues	\$3,062,950	\$3,538,086	\$4,105,079	\$4,210,037
Full Time Equivalent (FTE) Positions	26.95	25.95	28.20	28.20



Parking Program

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

OVERVIEW

In cooperation with the Chamber of Commerce Downtown Parking Committee, California Avenue Area District Association, and the newly formed Business Improvement District, work will continue on downtown parking issues. The City will evaluate options to ensure maximum use of the parking structures and to discourage parking intrusion into the adjoining neighborhoods by local business employees. Over the next two years, color zone signs and signs directing drivers to public parking facilities will be replaced to help reduce confusion and encourage greater use of the parking garages. Parking ticket machines will be installed at entrances to parking structures to facilitate all-day parking for customers and visitors to the downtown areas. Parking lot maintenance and security will continue in an effort to keep the downtown area clean and safe.

COMPREHENSIVE PLAN OVERVIEW

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

CONTRIBUTING DEPARTMENTS

Police Department

Within the Police Department, Parking Services manages and resolves parking issues through the enforcement of parking regulations, and cooperative planning with the Chamber of Commerce, downtown merchants, California Avenue businesses, and other City departments.

Public Works Department

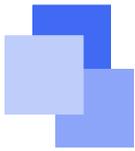
The Public Works Department support includes providing timely repair and maintenance of the parking structures. These activities include maintaining the pavement, concrete, signage, and trees as well as periodic sweeping of the parking structures.

Planning Department

The Planning Department manages on and off-street public parking in a manner that balances the needs of business, customers, and the general public.

Administrative Services Department

The Administrative Services Department processes and records parking payment and citation information, and deposits money in a prompt, accurate, and safe manner. The Department also handles collection of delinquent citations, and oversees the issuance of parking permits for all City parking lots.



Parking Program *continued*

PARTICIPATING DEPARTMENTS	2003-04 ACTUAL	2004-05 ESTIMATED	2005-06 ESTIMATED BUDGET	2006-07 ESTIMATED BUDGET
Police Department	\$777,052	\$870,902	\$956,777	\$970,676
Administrative Services Department	305,401	372,251	326,776	326,787
Planning Department	37,414	38,572	39,765	40,958
Public Works Department	449,463	557,897	617,739	678,625
Capital Improvement Program	70,020	72,603	545,996	500,000
Total Expenditures	\$1,639,350	\$1,912,225	\$2,487,053	\$2,517,046
Total Revenues	\$1,609,153	\$1,887,000	\$2,019,000	\$2,109,000
Full Time Equivalent (FTE) Positions	16.03	16.03	15.63	15.63

CIP INFORMATION

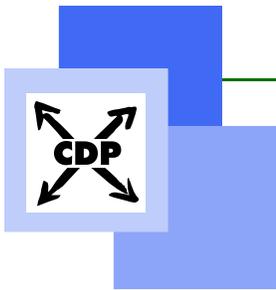
The following Capital Improvement Program (CIP) projects are related to this cross-departmental program:

Comprehensive Parking Signage Plan (PL-06002)

Installation of Ticket Machines (PL-06005)

Cambridge Parking Structure Improvements (PE-04011)

Open Space Parking Improvements (OS-00003)



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

The City will continue to be involved in the production 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 events are either sponsored by the City, Stanford University or by other entities. These events include 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 of these 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.

CONTRIBUTING DEPARTMENTS

Community Services Department

The Community Services Department role is to coordinate, produce, and market City Special Events for the community.

Police Department

The Police Department role is to provide services to ensure a safe environment for community special events while minimizing disruption to the public through appropriate planning and staffing.

Other Departments

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

PARTICIPATING DEPARTMENTS	2003-04 ACTUAL	2004-05 ESTIMATED	2005-06 ESTIMATED BUDGET	2006-07 ESTIMATED BUDGET
Community Services Department	\$167,564	\$131,509	\$135,454	\$139,517
Police Department	271,875	113,481	98,710	99,012
Total Expenditures	\$439,439	\$244,990	\$234,164	\$238,529
Total Revenues	\$99,215	\$89,256	\$80,800	\$80,800
Full Time Equivalent (FTE) Positions	1.65	1.00	1.00	1.00



Traffic Management and Safety

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

OVERVIEW

In 2005-06, the Planning Department efforts will focus on traffic calming initiatives, including completion of the traffic calming trial in College Terrace and implementation of the Maybell/Donald and Park Boulevard. A trial of the Charleston/Arastradero Road Corridor plan will be completed by the end of 2006-07. The Planning Department will continue to focus on safe routes to school and alternative transportation, including the Palo Alto Shuttle program and completion of the citywide traffic signal system upgrade in coordination with the Utilities Department.

Traffic safety and calming will continue to be a high priority for the Police Department, with the continued focus on speed reduction, red light violations, and bicycle and pedestrian safety. Through the use of State funds, the Police Department will continue its participation in the "You Drink, You Drive, You Lose" Program and in under-age drinking decoy operations with the goal of reducing the number of victims killed and injured in alcohol related motor vehicle accidents.

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 Transportation Division manages the City's transportation facilities and programs to achieve a safe and efficient multi-modal transportation system to meet the diverse mobility needs of the community.

Police Department

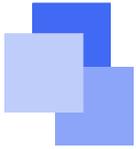
The Police Department aims to minimize injury and property damage by promoting a safe and orderly flow of pedestrian, bicycle, and vehicular traffic.

Public Works Department

The Public Works Department provides 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

The Utilities Department operates and maintains the traffic signal systems to ensure adequate, safe, economic, reliable, environmentally sound and efficient delivery of traffic signal services.



Traffic Management and Safety *continued*

PARTICIPATING DEPARTMENTS	2003-04 ACTUAL	2004-05 ESTIMATED	2005-06 ESTIMATED BUDGET	2006-07 ESTIMATED BUDGET
Planning Department	\$1,829,967	\$1,602,133	\$1,640,925	\$1,645,289
Police Department	1,376,779	1,555,988	1,582,433	1,580,800
Public Works Department	504,233	549,807	607,504	575,248
Utilities Department	676,639	754,263	795,091	797,672
Capital Improvement Program	101,825	455,000	400,000	740,000
Total Expenditures	\$4,489,443	\$4,917,191	\$5,025,953	\$5,339,009
Total Revenues	\$1,490,529	\$776,570	\$1,150,156	\$848,666
Full Time Equivalent (FTE) Positions	27.94	27.94	27.34	27.34

CIP INFORMATION

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

Safe Routes to School (CIP PL-00026)

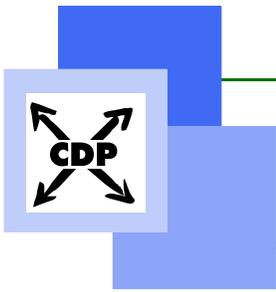
Traffic Signals Upgrade (CIP PL-05030)

Adobe Creek Bike Bridge Replacement (CIP PL-06001)

Bicycle Boulevards Project (CIP PL-04010)

College Terrace Traffic Calming (CIP PL-05003)

Page Mill/Hanover Intersection Improvements (CIP PE-99023)



Youth Program

To provide youth with safe, healthy, and positive experiences that supports them in development of their personal growth through enhancement of interests, knowledge, skills, values, and social behavior.

OVERVIEW

The City's Youth Services includes elements of the Youth Master Plan. Among the core values that drive the Youth Services Program are diversity of experience, lifelong learning, fun, and healthy living. The City's goal is to engage all youth to become an integral part of building a strong and healthy community in Palo Alto.

At present, City staff has no accurate means to segregate youth programs or services by age group; therefore this program reported information with regard to all persons under the age of 18.

COMPREHENSIVE PLAN OVERVIEW

All participating departments continue to deliver services while eliminating duplication by working collaboratively with PAUSD and outside agencies. (C-1)

The Parks and Golf has an ongoing collaborative relationship with PAUSD in cooperative cost sharing for athletic field maintenance and use. (C-1, C-4)

The Youth Master Plan continues to be implemented by its goals and action steps. (C-1, C-7, C-18)

The Library Department and the Community Services Department through its Arts and Culture, and Recreation divisions will continue and develop after-school and evening programs for children and youth at various locations including the Mitchell Park Library and adjacent Community Center. (C-18)

The Library Advisory Committee will look into joint provision of library services with PAUSD. (C-5)

Children's Library will be renovated and expanded in 2005-07. (C-19) During this time, some children's collections and services will be moved to a dedicated area at the Main Library, while improved areas for teens will be created at both Mitchell Park and Main libraries.

In accordance with adopted criteria (T-45), the Police Department provides adult crossing guards at school crossings. Through education and enforcement programs, the Police Department continues its efforts to ensure the safety of school children in their travels to and from school. (T-47)

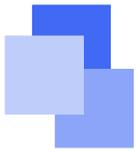
CONTRIBUTING DEPARTMENTS

Community Services Department

The Community Services Department support includes a wide variety of programs and services including theater, arts, recreation, sciences, golf, park and athletic field maintenance, summer camps and aquatics, and various Open Space outings. Classes and activities are offered for all ages ranging from music and aquatics classes for infants to band nights for high school teens. The Children's Theatre and Jr. Museum & Zoo are two unique City facilities that provide additional learning experience for youth.

Police Department

The Police Department provides school crossing guard services at 26 locations, traffic safety enforcement and educational efforts in and around schools, proactive intervention on issues involving youth associated with both



Youth Program *continued*

criminal and non-criminal activity on school campuses, and assistance in educational activities. These activities also serve to enhance relations between youth and the police.

Library Department

The Library Department provides youth with access to quality collections, information service, technology, and learning opportunities.

Other Department

The Public Works Department offers a variety of youth educational programs, including Water Quality Control Plant tours, recycling, and laboratory and field projects.

PARTICIPATING DEPARTMENTS	2003-04 ACTUAL	2004-05 ESTIMATED	2005-06 ESTIMATED BUDGET	2006-07 ESTIMATED BUDGET
Community Services Department	\$8,658,782	\$9,195,382	\$8,043,027	\$7,948,666
Library Department	896,214	911,500	935,000	935,000
Police Department	530,560	538,000	551,400	563,104
Total Expenditures	\$10,085,556	\$10,644,882	\$9,529,427	\$9,446,770
Total Revenues	\$2,595,470	\$2,633,367	\$2,598,786	\$2,408,422
Full Time Equivalent (FTE) Positions	62.45	61.70	59.20	59.20

CIP INFORMATION

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

Boulevard Park Improvements (PE-07006)

Cubberley Turf Renovation (PE-07007)

Hoover Park Improvements (PE-07002)

Mitchell Park Library and Community Center (PE-04012)

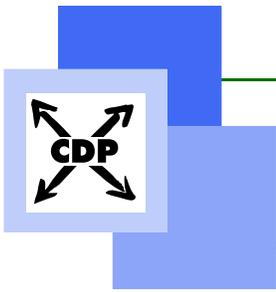
Park Restrooms Installation (PE-06007)

Ramos Park Improvements (PE-07003)

School Site Irrigation (PG-98001)

Stanford/Palo Alto Playing Fields (PG-04010)

Tennis and Basketball Court Resurfacing (PG-06001)



Emergency Preparedness

To protect life, property, and the environment from natural and man-made disasters through preplanning, training, rapid emergency response, and public safety education for the benefit of the community.

OVERVIEW

City departments will continue to work together in efforts to refine the City-wide approach to emergency preparedness. A steering committee of department heads, chaired by the Fire Chief, will ensure that all departments coordinate emergency training and response activities. Quarterly Citizen Corps Council meetings will provide a forum for community, governmental, and business organizations to review plans and increase emergency preparedness in Palo Alto.

The City's Emergency Preparedness Working Group will conduct a disaster training scenario that will include all City departments, the Palo Alto Unified School District, Palo Alto Neighborhood Disaster Activities (PANDA), Amateur Radio Operators, other community-based groups, City Council members and the local media.

The Fire Department will also conduct cross-departmental training involving Police, Public Works, and Utilities personnel. The training will cover confined space awareness, confined space entry, and the permitting process. Additionally, the Fire Department will provide incident command, unified command and hazardous materials training to ensure first responder skills for natural and man-made disasters, including a terrorist attack.

The Police Department will conduct simulation-training exercises to enhance officers' skills in the use of new equipment and the initial response to weapons of mass destruction.

The City will continue to pursue alternative funding sources to support training and equipment needs. Through the use of homeland security grants, the City is participating in the Silicon Valley Regional Interoperability Project. Pending funding from a Palo Alto Police Foundation that is in development, staff hopes to acquire a First Responder Mobile Command Vehicle.

COMPREHENSIVE PLAN OVERVIEW

Departments will work with PAUSD, neighborhoods, and civic organizations to plan for various disaster scenario. (G-10). Through the implementaion of a new county-wide radio interoperability system, regionalized communications with other public safety agencies will be enhanced. (N-80)

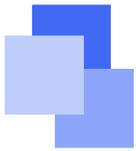
CONTRIBUTING DEPARTMENTS

Police Department

The Police Department is responsible for coordinating the City's homeland security planning, training, and regional interactions. The Police Department is also responsible for ensuring seamless radio and data communication between and among City departments and outside first responder agencies.

Fire Department

The Fire Department is responsible for providing training to City employees on the National Incident Management System. The Fire Department is also responsible for the maintenance of the Emergency Operations Center (EOC). The EOC provides training to the City's EOC responders, develops and updates the Emergency Management Plan and coordinates its efforts with other community organizations.



Emergency Preparedness *continued*

The Fire Department maintains an informational website for disaster preparedness that includes fires, earthquake, flooding, and winter storms. This website keeps the public informed as to the City's status during a disaster.

Through PANDA and other efforts, the Fire Department provides disaster preparedness public education to residents and businesses. The Fire Department also coordinates preparedness and response activities with other local jurisdictions, the Operational Area, and California State Office of Emergency Services.

Utilities Department

The Utilities Department is responsible for operating, maintaining, and improving the City's Utilities infrastructure to ensure adequate, safe, economic, reliable, environmentally sound, and efficient delivery of services.

Public Works

Emergency response for the Public Works Department Street Maintenance Section involves the planning and preparation of exercises where multi-departments are involved. During any real emergencies, Public Works staff will be utilized to provide street closures, if needed, and a number of other support activities to assist with an event.

Other Departments

The City Manager will continue to conduct Citizen Corps Council meetings and provide communications to residents, businesses, other organizations, and the media about emergency preparedness issues facing the City.

PARTICIPATING DEPARTMENTS	2003-04 ACTUAL	2004-05 ESTIMATED	2005-06 ESTIMATED BUDGET	2006-07 ESTIMATED BUDGET
Police Department	\$133,135	\$273,911	\$205,390	\$211,552
Public Works	22,978	70,117	64,341	65,566
Fire Department	221,652	228,302	280,111	288,514
Utilities Department	61,290	62,909	62,907	64,795
Capital Improvement Program	460,000	587,500	672,000	427,500
Total Expenditures	\$899,055	\$1,222,739	\$1,284,749	\$1,057,927
Full Time Equivalent (FTE) Positions	3.58	4.56	4.58	4.58

CIP INFORMATION

The following Capital Improvement Programs (CIP) projects are related to this cross departmental program:

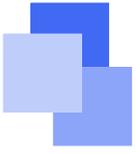
IT Disaster Recovery Plan (TE-01012)

Radio Infrastructure Replacement (TE-05000)

Foothills Communication Improvement Plan (EL-04013)

Utility Site Security Improvements (EL-04012)

Utility Control Center Upgrades (EL-06003)



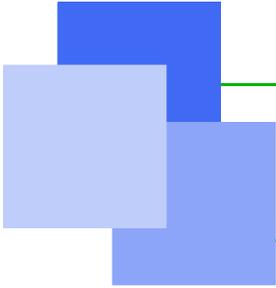
Emergency Preparedness *continued*



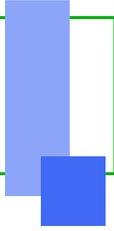
Other Funds



Special Revenue Funds



Special Revenue Funds



An Overview

Special Revenue Funds include revenues that have either restrictions on their use, or special reporting requirements. 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 (BMR) housing program; transportation mitigation fees paid by developers; and parking in-lieu fees from commercial projects in the downtown area. Also included are parking permit revenues and the Community Development Block Grants (CDBG) from the Federal Government.

Community Development Funds

Revenue in this fund comes from the 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 development impact fees is \$0.6 million for 2005-06 and \$0.6 million for 2006-07.

Street Improvement Funds (SIF)

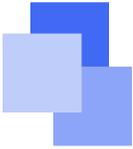
Revenue in this Fund comes from the State gas tax and, from Federal and State grants earmarked for street improvements. The SIF provides funds for transportation and traffic-related capital projects. Based on projected gas tax revenues and interest income earnings, revenues are estimated to be \$1.13 million for 2005-06 and \$1.13 million for 2006-07.

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. CDBG project expenditures continue to draw upon program income and prior year allocations that have been left unspent. For 2005-06, there is a decrease of \$37,000 in Federal Grant funding from the Department of Housing and Urban Development (HUD).

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



Special Revenue Funds *continued*

specific appropriation. Other revenue includes proceeds from the anticipated sale of below market rate housing units.

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 the University Avenue and California Avenue business districts were increased in 2004-05 due to additional operating and maintenance expense of two new parking 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. 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.

Downtown Business Improvement District (BID)

The Downtown Business Improvement District was established by an ordinance adopted in January 2004. The BID has completed one year of operation.

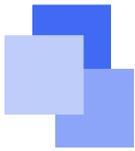
Fees were collected for the second half of FY 2003-04, (January 1, 2004 through June 30, 2004) and the BID Advisory Board withdrew the first funds for operational expenses in July of 2004.

The first full year assessments were collected in FY 2004-05.

Activities of the BID include a survey of all BID businesses to identify priorities for members in the district. Dine Downtown and Downtown Streets Subcommittees were established to address street cleanliness and the homeless. The BID will continue to contract with the City for its operations.

2005-06 SPECIAL REVENUE FUNDS SUMMARY BY FUND

(\$000)	Community Develop. Funds	Street Improve- ment Funds	Federal & State Revenue Funds	Housing In-Lieu Funds	Special Districts Funds	Traffic Mitigation & Parking In-Lieu Funds	Public Benefits Funds	BID Funds	Total Special Revenue Funds
REVENUES									
Gas Tax		1,125							1,125
Federal and State Grants			779						779
Parking Permit/In-Lieu Fees				400	1,010	480			1,890
Development Impact Fees	553								553
Interest Income	33	1	5	137	61	103	11	4	355
Operating Transfers			35						35
Other Revenue			17	389					406
Business Improvement District (BID) Special Assessment								154	154
Total Source of Funds	\$586	\$1,126	\$836	\$926	\$1,072	\$583	\$11	\$158	\$5,297
EXPENDITURES									
CDBG Project Expenditures			769						769
CDBG Administration Cost Recovery			147						147
Community Development Funds CIP Transfer	312								312
Street Improvement Fund CIP Transfer		1,170							1,170
Parking Facilities Debt Service Transfer					80				80
Parking Garage Maintenance/ Operations Transfer to General Fund					807				807
Parking Lot Sweeping Transfer to Refuse Fund					113				113
Parking Facilities Transfer to Capital Projects Fund					400				400
CDBG Projects Transfer from HIP Revenues			35						35
Below Market Rate (BMR) Program Management Contract				30					30



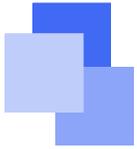
2005-06 Special Revenue Funds Summary by Fund

continued

(\$000)	Community Develop. Funds	Street Improve- ment Funds	Federal & State Revenue Funds	Housing In-Lieu Funds	Special Districts Funds	Traffic Mitigation & Parking In-Lieu Funds	Public Benefits Funds	BID Funds	Total Special Revenue Funds
BMR Loan Program				160					160
Residential Housing In-Lieu				270					270
Commercial Housing In-Lieu				50					50
Senior Services Grant							59		59
BID Operating Expense								154	154
Total Use of Funds	\$312	\$1,462	\$951	\$510	\$1,400	\$0	\$59	\$154	\$4,849
NET TO (FROM) RESERVES	\$274	\$(336)	\$(115)	\$416	\$(329)	\$583	\$(48)	\$4	\$448

2006-07 SPECIAL REVENUE FUNDS SUMMARY BY FUND

(\$000)	Community Develop. Funds	Street Improve- ment Funds	Federal & State Revenue Funds	Housing In-Lieu Funds	Special Districts Funds	Traffic Mitigation & Parking In-Lieu Funds	Public Benefits Funds	BID Funds	Total Special Revenue Funds
REVENUES									
Gas Tax		1,125							1,125
Federal and State Grants			821						821
Parking Permit/In-Lieu Fees				400	1,010	480			1,890
Development Impact Fees	553								553
Interest Income	33	1	5	137	61	103	11	4	355
Operating Transfers			35						35
Other Revenue			17	199					216
Business Improvement District (BID) Special Assessment								154	154
Total Source of Funds	\$586	\$1,126	\$878	\$736	\$1,072	\$583	\$11	\$158	\$5,149
EXPENDITURES									
CDBG Project Expenditures			728						728
CDBG Administration Cost Recovery			148						148
Planning / Public Works Department Transfer for Street Improvement Cost Recovery		292							292
Community Development Funds CIP Transfer	100								100
Street Improvement Fund CIP Transfer		1,170							1,170
Parking Facilities Debt Service Transfer					80				80
Parking Garage Maintenance/ Operations Transfer to General Fund					870				870
Parking Lot Sweeping Transfer to Refuse Fund					113				113
Parking Facilities Transfer to Capital Projects Fund					500				500
CDBG Projects Transfer from HIP Revenues			35						35



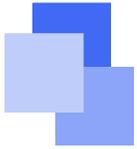
2006-07 Special Revenue Funds Summary by Fund

continued

(\$000)	Community Develop. Funds	Street Improve- ment Funds	Federal & State Revenue Funds	Housing In-Lieu Funds	Special Districts Funds	Traffic Mitigation & Parking In-Lieu Funds	Public Benefits Funds	BID Funds	Total Special Revenue Funds
Below Market Rate (BMR) Program Management Contract				30					30
BMR Loan Program				160					160
Residential Housing In-Lieu				220					220
Commercial Housing In-Lieu				50					50
Senior Services Grant							59		59
BID Operating Expense								154	154
Total Use of Funds	\$100	\$1,462	\$912	\$460	\$1,563	\$0	\$59	\$154	\$4,711
NET TO (FROM) RESERVES	\$486	\$(336)	\$(34)	\$276	\$(492)	\$583	\$(48)	\$4	\$438

CONSOLIDATED SPECIAL REVENUE FUNDS

(\$000)	2003-04 Actual	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
REVENUES						
Gas Tax	1,145	1,125	1,125	0	1,125	0
Federal and State Grants	141	100	0	(100)	0	0
Federal CDBG	158	816	779	(37)	821	42
Housing In-Lieu	346	400	400	0	400	0
Traffic Mitigation Fees	43	200	200	0	200	0
Developer Impact Fees	0	553	553	0	553	0
Parking Mitigation Fees	759	843	1,010	167	1,010	0
BID Assessment	68	154	154	(0)	154	0
Interest Income	543	411	355	(56)	355	0
Other Revenue	493	297	686	389	496	(190)
Subtotal	\$3,696	\$4,899	\$5,262	\$363	\$5,114	\$(148)
OPERATING TRANSFER FROM:						
Housing Improvement	0	34	35	1	35	0
General Fund	225	0	0	0	0	0
Subtotal	\$225	\$34	\$35	\$1	\$35	\$0
TOTAL SOURCE OF FUNDS	\$3,921	\$4,933	\$5,297	\$364	\$5,149	\$(148)
EXPENDITURES						
General Expense	643	1,774	1,640	(134)	1,550	(90)
OPERATING TRANSFERS						
Operating Transfer to General Fund	654	1,025	1,100	75	1,162	63
Operating Transfer to CDBG	41	34	35	1	35	0
Operating Transfer to Debt Service	80	80	80	0	80	0
Operating Transfer to CIP	2,990	1,762	1,882	120	1,770	(112)
Operating Transfer to Refuse	91	62	113	51	113	0

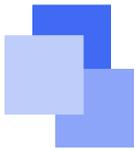


Consolidated Special Revenue Funds *continued*

(\$000)	2003-04 Actual	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
Subtotal	\$3,856	\$2,963	\$3,210	\$247	\$3,161	\$(49)
TOTAL USE OF FUNDS	\$4,499	\$4,737	\$4,849	\$112	\$4,711	\$(139)
NET TO (FROM) RESERVES	\$(578)	\$196	\$448	\$252	\$438	\$(10)

2005-06 COMMUNITY DEVELOPMENT BLOCK GRANT FUND

	2004-05 Adopted Budget	2005-06 Agency Requests	2005-06 Adopted Budget
SOURCE OF FUNDS			
Housing & Urban Development	816,000		779,281
Prior Year Excess/Reallocation (1)	69,440		91,358
Program Income			
Housing Improvement Program	34,000		35,000
Palo Alto Housing Corporation	10,000		10,000
TOTAL SOURCE OF FUNDS	\$929,440	\$0	\$915,639
USE OF FUNDS			
Public Service			
Emergency Housing Consortium - Palo Alto HOMES project	7,650	10,063	8,000
Palo Alto Housing Corp. - SRO Resident Support Services	22,300	32,585	23,000
Catholic Charities - Long-Term Care Ombudsman	5,550	8,940	6,000
Shelter Network - Haven Family House	19,000	30,000	19,000
Clara Mateo Alliance - Single/Couple Shelter	25,000	35,000	21,000
Clara Mateo Alliance - Family Shelter	20,900	25,000	21,392
Urban Ministry - Drop in Center	19,100	30,000	24,000
St. Vincent de Paul - Day Worker Center	9,500	10,000	0
Mid-Peninsula Alano Club - MPAC Operations	0	16,000	5,000
Subtotal: Public Service (2)	\$129,000	\$197,588	\$127,392
Planning and Administration			
City of Palo Alto - CDBG Administration includes 1.2 FTE CDBG Administrative Staff	145,200	147,500	138,056
Fair Housing - Project Sentinel	26,800	26,800	26,800
Subtotal: Planning and Administration (2)	\$172,000	\$174,300	\$164,856
Housing, Economic Development and Capital Projects			



2005-06 Community Development Block Grant Fund *continued*

	2004-05 Adopted Budget	2005-06 Agency Requests	2005-06 Adopted Budget
Community Housing Inc. Lytton Gardens Kitchen Renovation (3)	109,695	86,575	0
Project Match - Senior Group Residence	0	448,988	0
Palo Alto Housing Corp. - Barker Hotel	41,173	0	0
Economic and Social Opportunities	30,000	60,000	146,575
Emergency Housing Consortium - Our House Youth Program	0	75,000	75,000
Stevenson House - Senior Housing - Windows/Doors	38,260	104,607	0
Bridge Housing Corporation - Fabian Way Senior Apts.	0	300,000	0
City of Palo Alto - Housing Development Fund	409,312	400,000	401,816
Subtotal: Housing, Economic Development and Capital Projects (2)	\$628,440	\$1,475,170	\$623,391
TOTAL USE OF FUNDS	\$929,440	\$1,847,058	\$915,639
(1) Funds received in excess of revenue estimate for local program income (2004-05 and prior) (2) The proposed funding will be made at the three primary program activity levels (3) Economic and Social Opportunities will perform this project instead of Community Housing, Inc.			



Debt Service Funds

Debt Service Funds

An Overview

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

General debt service is funded by revenues and the General Fund (GF). It also includes repayment of funds borrowed for improvements to the Golf Course as well as for structural improvements to the Civic Center and for the new commercial building adjacent to the parking structure on lots S and L. The estimated General debt service expense is \$1.2 million for 2005-06, and \$1.2 million for 2006-07.

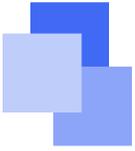
Debt service for the Golf Course Renovations and Civic Center Retrofit is funded by an operating transfer from the GF. The University Avenue Parking Permit fund transfers \$80,000 to support the parking district's share of the Civic Center debt.

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

General Fund Debt Service			
	1998 Golf Course COP	Series 2002 A (Tax Exempt)	Series 2002B (Taxable)
Issued Date	Feb. 1999	Jan. 2002	Jan. 2002
Principal Issued	\$7,750,000	\$3,500,000	\$2,674,048
Annual Debt Service Payment	\$555,769	\$421,705	\$233,868
Final Payment Date	Sep. 2018	Mar. 2012	Mar. 2022
Estimated Debt Outstanding as of 7/1/2004	\$5,965,000	\$2,885,000	\$3,365,000
Total Interest over life of Debt	\$4,183,244	\$726,625	\$2,243,950

The Golf Course improvement bond was issued in August 1998 to fund infrastructure improvements at the Golf Course. Funding for this debt service comes from a transfer from the GF, and is paid for by Golf Course receipts.

In January 2002, the City issued the Series 2002A COPS to refinance the 1992 COPS at a lower interest rate and also issued the Series 2002B COPS to fund the construction of a two-story, above-ground structure as an extension to the new parking garage on lots S and L. In January 2005, the City established an escrow account for \$881,000 to partially defease the Series 2002B COPS. The original principal issued was \$3,555,000, and the table above reflects the new principal outstanding in the amount of \$2,674,048.



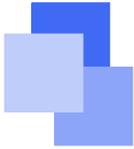
Debt Service Funds *continued*

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

City of Palo Alto Debt Policy

The City of Palo Alto recognizes the need for spending a prudent amount every year for ongoing capital replacement and rehabilitation needs. Because an ongoing capital improvement plan is vital to ensure the future viability of services, the City will always place first priority on funding its regular and ongoing capital needs on a pay-as-you-go basis. There are special or extraordinary capital improvement projects in which it is appropriate to consider debt financing. A set of guidelines is included below in order to support the decision-making process. These guidelines were adopted by the City Council on May 13, 1997 (City Manager's Report 210:97).

1. Debt financing is only appropriately considered for capital improvements, and not for operating budget items.
2. Annual debt service payments should not exceed 10 percent of the annual expenditure budget of the General Fund.
3. The term of the debt issuance should not exceed the useful life expectancy of the asset acquired, constructed, or improved.
4. It is appropriate to consider debt financing under the following circumstances:
 - a. The project financing can be paid for directly by the users of the facility. One example is capital improvements made to the City's golf course, where debt service payments can be made from the green fees paid by golfers. A second example is capital improvements paid for by assessments to property owners, such as a parking assessment for a downtown parking garage.
 - b. For Enterprise Funded projects, if a significant backlog of capital improvements has developed, and if that backlog cannot be addressed through the ongoing capital budget without having a significant impact on utility rates.
 - c. If funding for a large project (or grouping of similar projects) would have a significant negative impact on the availability of funding for other ongoing capital needs.
 - d. Capital leases may be considered for purchases of large pieces of equipment.



Debt Service Funds

continued

Legal Debt Limit

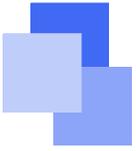
In accordance with California Government Code Section 43605, the legal debt margin limit is 15 percent of the assessed value of all real and personal property of the City. Based upon the assessed valuation of \$15.0 billion for the fiscal year ending June 30, 2004, the City is limited to general obligation indebtedness of \$2.2 billion. As of June 30, 2004, the amount of debt applicable to the debt limit totaled \$12.7 million.

GENERAL DEBT SERVICE FUND SUMMARY

(\$000)	2003-04 Actual	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
REVENUES						
Other - Interest	25	38	44	6	44	6
Subtotal	\$25	\$38	\$44	\$6	\$44	\$6
GENERAL FUND OPERATING TRANSFERS						
Golf Course Corporation	324	520	516	(4)	518	(2)
Public Improvement Corp. (Civic Center)	341	345	340	(5)	340	(5)
Parking 2002B COPS Taxable	318	302	232	(70)	233	(69)
University Avenue Permit Fund Transfer	80	80	80	0	80	0
Subtotal	\$1,063	\$1,247	\$1,168	\$(79)	\$1,172	\$(75)
TOTAL SOURCE OF FUNDS	\$1,088	\$1,285	\$1,211	\$(74)	\$1,215	\$(70)
EXPENSES						
Debt Service:						
Golf Course Corporation- Principal	270	285	295	10	310	25
Golf Course Corporation- Interest	284	273	261	(12)	248	(25)
Public Improvement Corporation- Principal	315	325	330	5	340	15
Public Improvement Corporation- Interest	109	100	92	(8)	82	(18)
Parking 2002 COPS Taxable- Principal	105	99	85	(14)	90	(9)
Parking 2002 COPS Taxable- Interest	216	203	148	(55)	145	(58)
TOTAL USE OF FUNDS	\$1,299	\$1,285	\$1,211	\$(74)	\$1,215	\$(70)
NET TO (FROM) RESERVES	\$(211)	\$0	\$0	\$0	\$0	\$0

SPECIAL ASSESSMENT DEBT SERVICE FUND SUMMARY

(\$000)	2003-04 Actual	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
REVENUES						
Special Assessments	128	123	121	(2)	123	2
Total Source of Funds	\$128	\$123	\$121	\$(2)	\$123	\$2
Debt Service	125	123	121	(2)	123	2
Total Use of Funds	\$125	\$123	\$121	\$(2)	\$123	\$2
NET TO (FROM) RESERVES	\$3	\$0	\$0	\$0	\$0	\$0



Special Assessment Debt Service Fund Summary

continued



Internal Service Funds



Internal Service Funds

An Overview

Internal Service Funds provide services to City departments and recover their costs through user charges. Please note the expenses included within these funds are included in the department/fund budgets under the "allocated charges" expenditure category. In other words, these fund expenses do not represent additional expenditure to the City's operating budgets.

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.

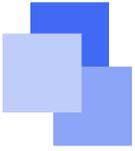
This fund completed an audit of all vehicles in the City fleet in 2003-04, in search of opportunities to eliminate as many unnecessary vehicles as possible. A dozen vehicles were targeted for either immediate sale or non-replacement at the end of their useful life. Moreover, General Fund equipment replacement schedules continue to be curtailed in 2004-05 with only essential items scheduled for replacement. The fund will need to increase replacement allocations for some key equipment in 2005-06, as further delays in replacement is no longer viable.

Increases in gasoline and insurance costs continue to raise challenges for the maintenance side of the operation. City departments are facing a 10 percent increase (\$ 0.3 million) in maintenance expense in 2005-06, primarily due to the long-term projections of higher fleet fuel expense. The fund will need to increase allocations over the next few years to reach normal operating fund balance of approximately \$2.1 million.

Technology Fund

This fund manages the citywide Information Technology (IT) activities. The fund continues to maintain critical desktop, software, and infrastructure replacements and maintenance activities. The Enterprise Funds are now full participants in this fund as their technology systems become further integrated into the citywide plan. Staff continues to integrate the SAP general ledger and project management system, and activation of the associated Human Resources module. The focus for 2005-06 will be to develop the necessary reporting and analytical tools to increase efficiencies for City operations.

The 2005-06 fund balance is projected to decline by 20% to \$6.0 million, primarily due to a \$1.6 million reduction in capital plans. Part of this reduction is due to the \$0.7 million reduction in salary expenses. The remaining reduction is to provide additional flexibility to the General Fund for fiscal uncertainties at the State level.



Internal Service Funds *continued*

Printing and Mailing Services Fund

The Printing and Mailing Services Fund accounts provides central duplicating and printing and mailing services for all City departments.

In 2005-06, staff will focus on implementing business management software for the Print Shop, enhancing customer service, and outsourcing all offset printing requests.

General Benefits and Insurance Fund

The General Benefits and Insurance Fund accounts for employee health benefits, retirement pension contributions, the City's self insured workers' compensation and general liability programs. Citywide benefit expense is increasing 12 percent to \$56.9 million in 2005-06, primarily due to increases in pension contribution requirements (\$5 million) and health care premiums (\$0.5 million).

Staff continues to examine ways to control citywide benefit and insurance costs. Some recent successes include a two-tiered retiree medical benefit for new hires, a cap on current employee medical benefits, and the reduction or elimination of some minor benefits. Pension cost increases are expected to slow as the public employee retirement system (PERS) takes steps to smooth rate fluctuations in coming years.

Retiree Health Benefits Fund

This fund manages the payments associated with and reserves dedicated to medical benefits granted to retired employees of the City.

2005-06 INTERNAL SERVICE FUND SUMMARY

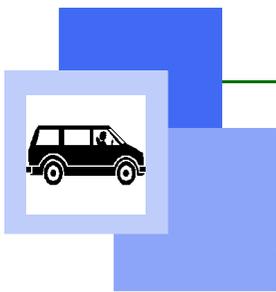
(\$000)	Vehicle Replacement and Maintenance Fund	Technology Fund	Printing and Mailing Fund	General Benefits and Insurance Fund	Retiree Health Benefit Fund	Total
REVENUES						
Operating Revenue	5,321	6,874	1,307	36,711	2,731	52,943
Interest Income	211	634	30	971	697	2,543
Other Revenue	309	769	2	480	0	1,560
TOTAL SOURCE OF FUNDS	\$5,841	\$8,277	\$1,339	\$38,162	\$3,428	\$57,047
EXPENDITURES						
Operating Expenditures	3,569	8,972	1,383	38,162	3,428	55,514
Depreciation Expense	2,040	56	2	0	0	2,098
Capital Improvement Program	240	1,229	0	0	0	1,469
TOTAL USE OF FUNDS	\$5,849	\$10,257	\$1,385	\$38,162	\$3,428	\$59,081
Net To/From Unrestricted Assets	\$(8)	\$(1,980)	\$(47)	\$0	\$0	\$(2,035)

2006-07 INTERNAL SERVICE FUND SUMMARY

(\$000)	Vehicle Replacement and Maintenance Fund	Technology Fund	Printing and Mailing Fund	General Benefits and Insurance Fund	Retiree Health Benefit Fund	Total
REVENUES						
Operating Revenue	5,634	8,743	1,346	37,164	2,902	55,789
Interest Income	211	634	30	971	697	2,543
Other Revenue	309	299	2	480	0	1,090
TOTAL SOURCE OF FUNDS	\$6,155	\$9,676	\$1,378	\$38,615	\$3,599	\$59,422
EXPENDITURES						
Operating Expenditures	3,608	8,904	1,385	38,615	3,599	56,112
Depreciation Expense	2,040	56	2	0	0	2,098
Capital Improvement Program	550	1,210	0	0	0	1,760
TOTAL USE OF FUNDS	\$6,198	\$10,170	\$1,388	\$38,615	\$3,599	\$59,970
Net To/From Unrestricted Assets	\$(43)	\$(495)	\$(10)	\$0	\$0	\$(548)

2005-07 INTERNAL SERVICE FUNDS — UNRESTRICTED ASSETS

(\$000)	Vehicle Replacement and Maintenance Fund	Technology Fund	Printing and Mailing Fund	General Benefits and Insurance Fund	Retiree Health Benefit Fund	Total
CHANGES TO UNRESTRICTED ASSETS						
JUNE 30, 2005 UNRESTRICTED ASSETS	\$1,987	\$7,330	\$721	\$3,802	\$18,178	\$32,018
2005-06 Projected Changes	(8)	(1,980)	(47)	0	0	(2,035)
JUNE 30, 2006 UNRESTRICTED ASSETS	\$1,979	\$5,350	\$674	\$3,802	\$18,178	\$29,983
2006-07 Projected Changes	(43)	(495)	(10)	0	0	(548)
JUNE 30, 2007 UNRESTRICTED ASSETS	\$1,936	\$4,855	\$664	\$3,802	\$18,178	\$29,435



Vehicle Replacement Fund

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

OVERVIEW

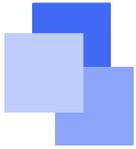
Public Works completed an internal review of vehicle utilization in 2004. A cost reduction of several thousand dollars annually was achieved through the elimination of several vehicles and the implementation of policy changes related to take-home vehicles. In 2005-06, staff will continue to look for opportunities to reduce the size of the fleet, and will employ new measures (such as wireless "smart-tags") to track and verify vehicle and equipment utilization.

Also in 2004, Public Works began performing heavy equipment maintenance work with city staff, through a new field service program. This work was formerly performed by contractors. It is anticipated that this change will save more than \$50,000 annually. In 2006, Public Works will monitor this program to verify the savings.

Staff continues to work on several capital projects, including the construction of a new fueling facility at the Municipal Services Center, a study to determine the feasibility of moving the existing compressed natural gas fuel station, and increasing the available floor space in the vehicle maintenance area through the construction of several large mezzanine units.

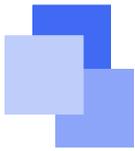
FUND SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Operating Revenue	5,264,659	5,295,210	5,321,033	25,823	0%	5,634,395	313,362	6%
Interest Income	19,218	156,100	211,300	55,200	35%	211,300	0	0%
Other Income	832,878	309,009	309,009	0	0%	309,009	0	0%
TOTAL FUND REVENUES	\$6,116,755	\$5,760,319	\$5,841,342	\$81,023	1%	\$6,154,704	\$313,362	5%
Administration	113,211	113,211	94,519	(18,692)	(17%)	90,680	(3,839)	(4%)
Vehicle Replacement and Additions	1,276,867	2,954,940	2,584,319	(370,621)	(13%)	2,899,848	315,529	12%
Vehicle Operations and Maintenance	3,434,179	2,802,570	3,170,302	367,732	13%	3,207,631	37,329	1%
TOTAL FUND EXPENDITURES	\$4,824,257	\$5,870,721	\$5,849,140	\$(21,581)	0%	\$6,198,159	\$349,019	6%
TO/FROM RESERVES	\$1,292,498	\$(110,402)	\$(7,798)	\$102,604		\$(43,455)	\$(35,657)	

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,182,574	1,486,645	1,619,260	1,638,090
Contract Services	581,477	286,200	286,200	286,200
Supplies and Materials	933,852	815,000	1,065,000	1,065,000
Facilities and Equipment Purchases	(22,731)	26,000	26,000	26,000



Vehicle Replacement Fund *continued*

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
General Expense	2,514,204	2,043,311	2,043,311	2,043,311
Rents and Leases	1,711	0	0	0
Allocated Charges	626,330	588,503	569,369	589,558
Capital Improvement Program	0	625,062	240,000	550,000
Total Expenditures	\$5,817,417	\$5,870,721	\$5,849,140	\$6,198,159
Total Full Time Positions	16.00	16.00	16.00	16.00
Total Temporary Positions	0.00	0.00	0.00	0.00



Vehicle Replacement Fund *continued*

RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES						
Vehicle Maintenance Reimbursement from Other Funds	56,953		56,953	6,760		6,760
Vehicle Replacement Reimbursement from Other Funds	(31,130)		(31,130)	306,602		306,602
Interest Income	55,200		55,200			0
TOTAL REVENUE CHANGES	\$81,023	\$0	\$81,023	\$313,362	\$0	\$313,362
EXPENDITURE CHANGES						
Salary and Benefits						
Salary Increase	18,617		18,617			0
Overtime Salaries for Standby Maintenance	30,245		30,245			0
Personnel Benefits Costs (Note 1)	83,753		83,753	18,828		18,828
Total Salary and Benefits	\$132,615	\$0	\$132,615	\$18,828	\$0	\$18,828
Non-Salary						
Fuel Costs	250,000		250,000			0
Capital Improvement Program	(385,062)		(385,062)	310,000		310,000
Allocated Charges	(19,133)		(19,133)	20,191		20,191
Total Non-Salary	\$(154,195)	\$0	\$(154,195)	\$330,191	\$0	\$330,191
TOTAL EXPENDITURE CHANGES	\$(21,580)	\$0	\$(21,580)	\$349,019	\$0	\$349,019

RESOURCE LEVEL NOTES

Note 1: Personnel benefits costs have escalated mainly due to health care increases and increased pension costs.

COMPREHENSIVE PLAN OVERVIEW

The Comprehensive Plan contains no policies or programs directly related to the Vehicle Replacement and Maintenance Fund.

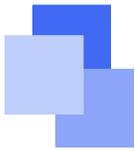


Vehicle Replacement Fund *continued*

VEHICLE REPLACEMENT AND ADDITIONS

To provide for the scheduled replacement of vehicles and equipment and to develop capital improvement projects for vehicle additions, and facility and fuel site improvements.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	138,367	262,509	277,113	279,984
Contract Services	49,779	0	0	0
Supplies and Materials	50,484	20,000	20,000	20,000
Facilities and Equipment Purchases	(69,913)	0	0	0
General Expense	1,078,451	2,040,311	2,040,311	2,040,311
Allocated Charges	29,699	7,058	6,895	9,553
Capital Improvement Program	0	625,062	240,000	550,000
Total Expenditures	\$1,276,867	\$2,954,940	\$2,584,319	\$2,899,848
Total Revenues	\$2,980,127	\$2,737,580	\$2,761,650	\$3,068,252
Total Full Time Positions	2.40	2.40	2.40	2.40
Total Temporary Positions	0.00	0.00	0.00	0.00



Vehicle Replacement Fund *continued*

VEHICLE OPERATIONS AND MAINTENANCE

To maintain city vehicles and equipment within safe operating performance standards, ensure cost effective and appropriate fleet utilization and continue to investigate opportunities for use of alternative fuels.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,044,207	1,224,136	1,342,147	1,358,106
Contract Services	531,698	286,200	286,200	286,200
Supplies and Materials	883,368	795,000	1,045,000	1,045,000
Facilities and Equipment Purchases	47,182	26,000	26,000	26,000
General Expense	442,593	3,000	3,000	3,000
Rents and Leases	1,711	0	0	0
Allocated Charges	483,420	468,234	467,955	489,325
Total Expenditures	\$3,434,179	\$2,802,570	\$3,170,302	\$3,207,631
Total Revenues	\$2,949,395	\$3,009,739	\$3,066,692	\$3,073,452
Total Full Time Positions	13.60	13.60	13.60	13.60
Total Temporary Positions	0.00	0.00	0.00	0.00



Technology Fund

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

OVERVIEW

In 2005-07, the Technology Fund 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 technological infrastructure issues. The plan facilitates development and implementation of Citywide priorities for the future. These include the eGovernment Strategic Plan, the Geographic Information System (GIS) Strategic Plan, the Citywide IT Security Plan, and the Telecommunications Master Plan.

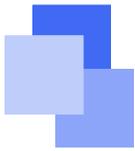
Client Services will continue to maintain the City's desktop computers, along with an extended-life replacement schedule that was enacted in 2003 due to the economic downturn.

Infrastructure Services will focus on implementing the Telecommunications Master Plan, developing a Wireless Service Strategic Plan, developing and implementing a disaster recovery plan for the City's mission critical systems, conducting an IT security audit, updating the City's existing telephone system, upgrading the City's network infrastructure, and expanding the Internet infrastructure.

Project Management and Application will continue the implementation of the Enterprise Resources Planning (ERP) system. General Ledger and project management portions (Phase I) of the new SAP financial system were activated in July 2003. The Human Resources system was implemented as Phase II and went live in December 2003. Extensive training and report development will be the focus into 2006.

Maintaining a strong commitment to future technology infrastructure needs is evident in the Technology Fund reserve. This reserve was established to fund the replacement of the City's IT Infrastructure.

FUND SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Operating Revenue	8,847,760	6,004,293	6,873,551	869,258	14%	8,742,923	1,869,372	27%
Interest Income	104,383	467,000	634,000	167,000	36%	634,000	0	0%
Other Income	5,009,336	592,950	769,081	176,131	30%	298,600	(470,481)	(61%)
TOTAL FUND REVENUES	\$13,961,479	\$7,064,243	\$8,276,632	\$1,212,389	17%	\$9,675,523	\$1,398,891	17%
Client Services	2,853,670	2,879,140	2,973,301	94,161	3%	2,981,213	7,912	0%
Infrastructure Services	2,045,986	2,298,004	2,408,723	110,719	5%	2,417,189	8,466	0%
Project Management and Applica- tion	2,381,516	3,861,305	3,646,417	(214,888)	(6%)	3,561,711	(84,706)	(2%)
Technology Projects	2,022,892	3,564,298	1,228,612	(2,335,686)	(66%)	1,210,132	(18,480)	(2%)
TOTAL FUND EXPENDITURES	\$9,304,064	\$12,602,747	\$10,257,053	\$(2,345,694)	(19%)	\$10,170,245	\$(86,808)	(1%)
TO/FROM RESERVES	\$4,657,415	\$(5,538,504)	\$(1,980,421)	\$3,558,083		\$(494,722)	\$1,485,699	

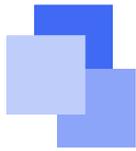


Technology Fund *continued*

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	4,184,905	4,549,507	4,262,661	4,296,734
Contract Services	2,839,813	2,179,100	2,515,100	2,415,100
Supplies and Materials	496,525	257,176	238,676	238,676
Facilities and Equipment Purchases	671,761	674,750	674,750	674,750
General Expense	590,133	648,108	630,608	630,608
Rents and Leases	9,396	195,000	195,000	195,000
Allocated Charges	412,129	334,808	511,646	509,245
Operating Transfers Out	99,402	200,000	0	0
Capital Improvement Program	0	3,564,298	1,228,612	1,210,132
Total Expenditures	\$9,304,064	\$12,602,747	\$10,257,053	\$10,170,245
Total Full Time Positions	33.15	33.50	29.56	29.56
Total Temporary Positions	0.00	0.00	1.20	1.20

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of computer workstations (SEA)	978	1,050	1,050
2. Provide public video broadcasting for meetings of the City Council, Council Commissions, and Committees (e.g. Finance, Policy & Services, Planning, Public Arts, Library Advisory, etc..)	202	180	190
Effectiveness:			
1. Percent of requests for computer help desk services resolved within 5 days (SEA)	90%	90%	90%
Efficiency:			
1. Information Technology General Fund operating and maintenance expenditures as a percent of total operating expenditures (SEA)	3.0%	3.0%	3.0%



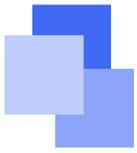
Technology Fund *continued*

RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES						
Investment income	167,000		167,000			
Telephone Calls - Personal	(3,000)		(3,000)			
Reimbursement from City Departments (Note 4)	869,258		869,258	1,869,372		1,869,372
Reimbursement for CIP projects	(137,986)		(137,986)	(92,804)		(92,804)
Other Revenue (Stanford)	(6,883)		(6,883)	(53,677)		(53,677)
TOTAL REVENUE CHANGES	\$888,389	\$0	\$888,389	\$1,722,891	\$0	\$1,722,891
EXPENDITURE CHANGES						
Salary and Benefits						
Eliminate Sr. Technologist (4.0 FTE)	(540,000)		(540,000)			
Eliminate IT Manager (1.0 FTE)	(149,488)		(149,488)			
Reduce Overtime	(29,476)		(29,476)			
Temporary Salaries	60,050		60,050			
Total Salary and Benefits	\$(658,914)	\$0	\$(658,914)	\$0	\$0	\$0
Salary and Benefits (Note 2)	372,068		372,068	34,075		34,075
NET SALARY AND BENEFITS	\$(286,846)	\$0	\$(286,846)	\$34,075	\$0	\$34,075
EXPENDITURE CHANGES						
Non-Salary						
Software Application Maintenance	300,000		300,000	(100,000)		(100,000)
CIP Project Costs	(2,704,686)		(2,704,686)	(449,480)		(449,480)
Allocated charges (Note 3)	176,831		176,831	(2,400)		(2,400)
Total Non-Salary	\$(2,227,855)	\$0	\$(2,227,855)	\$(551,880)	\$0	\$(551,880)
TOTAL EXPENDITURE CHANGES	\$(2,514,701)	\$0	\$(2,514,701)	\$(517,805)	\$0	\$(517,805)
Adjustments (Note 1)	0	(200,000)	(200,000)			
NET EXPENDITURE CHANGES	\$(2,514,701)	\$(200,000)	\$(2,714,701)	\$(517,805)	\$0	\$(517,805)

RESOURCE LEVEL NOTES

Note 1: Adjustments include prior year one-time revenue and expenditure items that did not carry forward into the Budget. Other changes are the result of one-time items that were in the 2004-05 mid-year adjustments.



Technology Fund *continued*

Note 2: Salary costs have increased due to contractual compensation increase per Service Employees International Union (SEIU) agreement. Personnel benefits costs have escalated mainly due to health care increases and increased pension costs.

Note 3: Allocated charges are increasing primarily due to the updating of the cost plan charges.

Note 4: Increase in Technology Fund expense allocation to General Fund.

SERVICE LEVEL CHANGES

Due to the elimination of four Senior Technologists, one IT Manager, and other budget reductions, service levels will be impacted in the following areas:

Loss of one Senior Technologist: SAP BASIS administration and database administration will need to be transitioned to an existing back-up support staff position (a Senior Technologist). This will result in an increased workload for this staff position. Because the existing back-up position is relatively inexperienced in a primary support role for BASIS administration and database administration, temporary contract support services may need to be acquired periodically.

Loss of one Senior Technologist: SAP BASIS administration back-up will need to be transitioned to an un-trained staff position. Training will need to be provided for this staff position. Library system support will be transitioned to a combination of Client Services and an existing staff position (a Senior Technologist). This will result in an increased workload for these staff positions.

Loss of one Senior Technologist: SAP ABAP development will need to be transitioned to other SAP ABAP trained staff. CORE support and IFAS support will need to be temporarily contracted until existing staff can obtain the knowledge. IFAS support should be limited with the migration of accounting services to SAP but CORE support will be ongoing. This will result in an increased workload for these staff positions.

Loss of one Senior Technologist: BANNER CIS support will need to be transitioned to an existing back-up support staff position (a Senior Technologist). Because the existing back-up position is relatively inexperienced in a primary support role for BANNER CIS, temporary contract support services may need to be acquired periodically. The evaluation of migrating BANNER CIS functionality to SAP will need to be postponed. This will result in an increased workload for this staff position.

Loss of one IT Manager: due to the significant reduction of Senior Technologists, the requirement for IT managers has been reduced. Existing responsibilities will be distributed among other IT management staff. This will result in an increased workload for these staff positions.

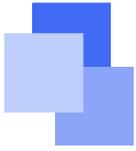
The bottom-line effect of the above reductions will be additional workload for staff being transitioned from back-up to primary support as well as for staff who will be taking on new back-up responsibilities. The effect on management will be an increase in direct reports and additional project management responsibilities. Due to the staff reductions, it will be necessary to contract for consulting services for any enterprise application upgrades. There will potentially be increases in service delivery times until staff is sufficiently trained in their new roles and become accustomed to the increased workload.

Enterprise level applications will be maintained at a minimal level.

GIS data updating will be minimal. New projects will require additional staff resources.

Implementation of the SAP document imaging module will be delayed 2-3 years. During this period, a basic interim system will be utilized.

SAP and CIS major enhancements and upgrades will require the contracting of consulting resources.

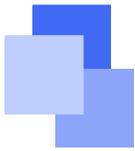


Technology Fund *continued*

Any new IT initiative(s) will require additional staffing and/or budget for consulting resources.

COMPREHENSIVE PLAN OVERVIEW

The Comprehensive Plan contains no policies or programs directly related to the Technology Fund.

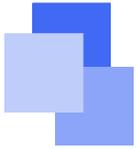


Technology Fund *continued*

CLIENT SERVICES

To provide best-of-class Information Technology (IT) customer service and support and provide state-of-the-art desktop solutions for City employees.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,403,744	1,187,648	1,359,683	1,370,169
Contract Services	281,123	199,800	199,800	199,800
Supplies and Materials	115,439	54,176	20,676	20,676
Facilities and Equipment Purchases	402,028	639,900	639,900	639,900
General Expense	194,530	88,108	70,608	70,608
Rents and Leases	1,670	195,000	195,000	195,000
Allocated Charges	355,734	314,508	487,634	485,060
Operating Transfers Out	99,402	200,000	0	0
Total Expenditures	\$2,853,670	\$2,879,140	\$2,973,301	\$2,981,213
Total Revenues	\$6,341,906	\$4,295,541	\$5,515,363	\$7,228,156
Total Full Time Positions	11.93	8.56	9.47	9.47
Total Temporary Positions	0.00	0.00	0.00	0.00

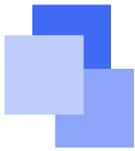


Technology Fund *continued*

INFRASTRUCTURE SERVICES

To implement, develop, and maintain the City's core Information Technology (IT) infrastructure critical to the City's business operations.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	941,533	962,244	1,020,551	1,028,913
Contract Services	262,550	717,610	753,610	753,610
Supplies and Materials	167,708	3,000	18,000	18,000
Facilities and Equipment Purchases	256,188	34,850	34,850	34,850
General Expense	392,709	560,000	560,000	560,000
Rents and Leases	4,496	0	0	0
Allocated Charges	20,802	20,300	21,712	21,816
Total Expenditures	\$2,045,986	\$2,298,004	\$2,408,723	\$2,417,189
Total Revenues	\$1,168,524	\$960,608	\$527,603	\$526,838
Total Full Time Positions	9.07	8.07	8.02	8.02
Total Temporary Positions	0.00	0.00	0.20	0.20

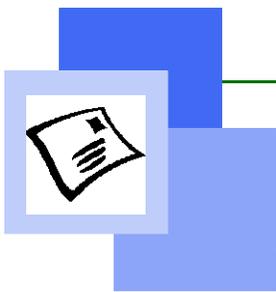


Technology Fund *continued*

PROJECT MANAGEMENT AND APPLICATION

To implement and maintain best-of-class Information Technology (IT) solutions through the use of leading project management and application support methodologies and best practices.

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	1,862,550	2,399,615	1,882,427	1,897,652
Contract Services	444,819	1,261,690	1,561,690	1,461,690
Supplies and Materials	66,403	200,000	200,000	200,000
Facilities and Equipment Purchases	520	0	0	0
General Expense	2,894	0	0	0
Rents and Leases	3,230	0	0	0
Allocated Charges	1,100	0	2,300	2,369
Total Expenditures	\$2,381,516	\$3,861,305	\$3,646,417	\$3,561,711
Total Revenues	\$1,515,857	\$1,232,744	\$2,233,666	\$1,920,529
Total Full Time Positions	12.15	16.87	12.07	12.07
Total Temporary Positions	0.00	0.00	1.00	1.00



Printing and Mailing Fund

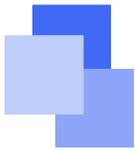
To provide quality printing and mailing services to all City departments in a cost-effective manner with minimum turnaround time.

OVERVIEW

In 2005-06, Printing and Mailing fund expenses remain constant as compared to the 2004-05 Adjusted Budget. The Administrative Services Department completed an operational review of Print Shop Services. Based on the review, the portfolio of printing services offered has been redefined. Staff renegotiated the copier equipment contract to include two new state-of-the-art high-speed duplicating machines. The new machines have full color scanning capabilities, advanced copy and print functionality, and modular finishing options, which will significantly enhance productivity and increase functionality to meet changing customer demands. Several new products and services, which have been tested on a trial basis, will be introduced citywide during the new fiscal year. The operational review includes an updated business model incorporating new strategies in pricing and cost recovery, data integrity, service-level enhancements, and general print shop business practices. To increase efficiency, all offset printing requests will be outsourced beginning July 1, 2005.

FUND SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Operating Revenue	975,096	1,279,319	1,307,019	27,700	2%	1,346,229	39,210	3%
Interest Income	1,840	27,900	29,600	1,700	6%	29,600	0	0%
Other Income	257	7,000	2,000	(5,000)	(71%)	2,000	0	0%
TOTAL FUND REVENUES	\$977,193	\$1,314,219	\$1,338,619	\$24,400	2%	\$1,377,829	\$39,210	3%
Printing and Mailing	937,274	1,279,035	1,385,213	106,178	8%	1,387,855	2,642	0%
TOTAL FUND EXPENDITURES	\$937,274	\$1,279,035	\$1,385,213	\$106,178	8%	\$1,387,855	\$2,642	0%
TO/FROM RESERVES	\$39,919	\$35,184	\$(46,594)	\$(81,778)		\$(10,026)	\$36,568	

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Salaries and Benefits	277,586	315,313	402,635	406,003
Contract Services	83,551	59,811	121,011	121,011
Supplies and Materials	103,635	75,758	104,758	104,758
Facilities and Equipment Purchases	87	800	800	800
General Expense	358,400	408,355	393,355	393,355
Rents and Leases	16,216	288,885	269,385	269,385
Allocated Charges	97,799	97,113	93,269	92,543
Capital Improvement Program	0	33,000	0	0
Total Expenditures	\$937,274	\$1,279,035	\$1,385,213	\$1,387,855
Total Full Time Positions	4.15	4.15	4.70	4.70

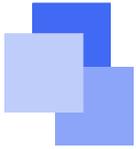


Printing and Mailing Fund *continued*

INPUTS	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2006-07 ADOPTED-IN- CONCEPT BUDGET
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET
Workload Outputs:			
1. Number of utilities bills mailed per day (New)	1,550	1,600	1,600
Effectiveness:			
1. Percent of utilities bills mailed each day (New)	100%	100%	100%
Efficiency:			
1. Accommodate 85 percent of late printing requests for inclusion in the weekly City Council packet (New)		85%	90%



Printing and Mailing Fund *continued*

RESOURCE LEVEL CHANGES

	2005-06 ONGOING	2005-06 ONE-TIME	2005-06 TOTAL	2006-07 ONGOING	2006-07 ONE-TIME	2006-07 TOTAL
REVENUE CHANGES						
Interest income	1,700		1,700			
Mailing Services	5,700		5,700	17,406		17,406
Other Sales	(5,000)		(5,000)			
Printing Services	55,000		55,000	21,804		21,804
TOTAL REVENUE CHANGES	\$57,400	\$0	\$57,400	\$39,210	\$0	\$39,210
Adjustments (Note 1)		(33,000)	(33,000)			
TOTAL NET REVENUE CHANGES	\$57,400	\$(33,000)	\$24,400	\$39,210	\$0	\$39,210
EXPENDITURE CHANGES						
Salary and Benefits						
Salary and Benefits (Note 2)	87,321		87,321	3,368		3,368
Total Salary and Benefits	\$87,321	\$0	\$87,321	\$3,368	\$0	\$3,368
Non-Salary						
Other Contract Services	25,000		25,000			
Office Supplies	29,000		29,000			
Equipment Maint. & Repair	1,700		1,700			
Allocated Charges (Note 3)	(3,843)		(3,843)	(726)		(726)
Total Non-Salary	\$51,857	\$0	\$51,857	\$(726)	\$0	\$(726)
TOTAL EXPENDITURE CHANGES	\$139,178	\$0	\$139,178	\$2,642	\$0	\$2,642
Adjustments (Note 1)		(33,000)	(33,000)			
NET EXPENDITURE CHANGES	\$139,178	\$(33,000)	\$106,178	\$2,642	\$0	\$2,642

RESOURCE LEVEL NOTES

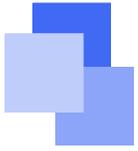
Note 1: Adjustments include prior one-time revenues and expenditure items that did not carry forward into the Budget. Other changes are the result of one-time items that were included in the 2004-05 mid-year adjustment.

Note 2: Salary costs have increased due to contractual compensation increase per Service Employees International Union (SEIU) agreement. Personnel benefits costs have escalated mainly due to health care increases and increased pension costs.

Note 3: Allocated charges are decreasing primarily due to the updating of the cost plan charges.

COMPREHENSIVE PLAN OVERVIEW

The Comprehensive Plan contains no policies or programs directly related to the Printing and Mailing Services Fund.



Printing and Mailing Fund *continued*



General Benefits and Insurance Fund

OVERVIEW

The General Benefits and Insurance Fund is jointly managed by Administrative Services and Human Resources Department staff and accounts for health benefits, the City's self-insured worker's compensation and general liability programs.

The table below reflects a net expense increase of \$5.1 million from 2004-05 adjusted totals. The increase is due to anticipated healthcare premium increases (\$0.5 million) as well as higher pension expense (\$5 million). The increasing pension expense represents a second straight year of double-digit rise in pension costs. However, pension costs are expected to level-off in coming years as the public employee retirement system (PERS) takes steps to minimize rate fluctuations.

2005-06 Workers Compensation expense is increasing by \$0.1 million. The City is taking on greater deductible and risk as a means of containing steep premium increases.

Liability Insurance expense is anticipated to increase slightly by \$0.05 million per year.

FUND SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Operating Revenue	1,051,422	890,000	937,000	47,000	5%	937,000	0	0%
Interest Income	125,055	1,202,400	971,100	(231,300)	(19%)	971,100	0	0%
Other Income	31,234,568	30,363,100	36,253,900	5,890,800	19%	36,706,900	453,000	1%
TOTAL FUND REVENUES	\$32,411,045	\$32,455,500	\$38,162,000	\$5,706,500	18%	\$38,615,000	\$453,000	1%
Operating Expense	35,397,270	33,055,500	38,162,000	5,106,500	15%	38,615,000	453,000	1%
TOTAL FUND EXPENDITURES	\$35,397,270	\$33,055,500	\$38,162,000	\$5,106,500	15%	\$38,615,000	\$453,000	1%
TO/FROM RESERVES	\$(2,986,225)	\$(600,000)	\$0	\$600,000		\$0	\$0	



Retiree Health Benefit Fund

OVERVIEW

This fund manages the payments associated with and reserves dedicated to medical benefits granted to retired employees of the City. 2005-06 retiree health benefit expense is estimated to be \$3.4 million in 2005-06 and \$3.6 million 2006-07.

Fund balances are projected to remain unchanged in 2005-06 and 2006-07. The Government Accounting Standards Board (GASB) will soon issue a pronouncement on appropriate reserve levels necessary to fund the retiree medical liability, last estimated in 2001 to be near \$94 million. Preliminary indications are that the GASB pronouncement will reduce that liability valuation significantly, by requiring reserves to cover the annual premium expense and that year's portion of the amortized liability. Compared to surrounding jurisdictions, the City of Palo Alto has significant resources set-aside to address the pending GASB pronouncement.

FUND SUMMARY	2003-04 ACTUALS	2004-05 ADJUSTED BUDGET	2005-06 ADOPTED BUDGET	2005-06 BUDGET CHANGE	% CHG	2006-07 ADOPTED-IN- CONCEPT BUDGET	2006-07 BUDGET CHANGE	% CHG
Interest Income	67,093	753,900	697,400	(56,500)	(7%)	697,400	0	0%
Other Income	0	1,920,100	2,730,600	810,500	42%	2,901,600	171,000	6%
TOTAL FUND REVENUES	\$67,093	\$2,674,000	\$3,428,000	\$754,000	28%	\$3,599,000	\$171,000	5%
Operating Expense	0	3,174,000	3,428,000	254,000	8%	3,599,000	171,000	5%
TOTAL FUND EXPENDITURES	\$0	\$3,174,000	\$3,428,000	\$254,000	8%	\$3,599,000	\$171,000	5%
TO/FROM RESERVES	\$67,093	\$(500,000)	\$0	\$500,000		\$0	\$0	



Staffing

2005-07 SUMMARY OF POSITION CHANGES

FTE

GENERAL FUND

2004-05 ADOPTED BUDGET	669.21
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2004-05 BAO Position Adjustments

Senior Financial Analyst (ASD)	1.00
Financial Analyst (ASD)	(1.00)
Senior Deputy City Attorney (ATT)	1.00
Arts and Culture Division Manager (CSD)	1.00
Director, Arts and Culture (CSD)	(1.00)
Cubberly Center and Human Services Division Manager (CSD)	1.00
Director, Human Services (CSD)	(1.00)
Golf and Parks Division Manager (CSD)	1.00
Director, Parks and Golf Course (CSD)	(1.00)
Open Space Division Manager (CSD)	1.00
Director, Recreation and Open Space (CSD)	(1.00)
Recreation and Youth Sciences Division Manager (CSD)	1.00
Superintendent, Recreation (CSD)	(1.00)
Park Maintenance Lead (CSD)	1.00
Golf Course Equipment Mechanic (CSD)	(1.00)
Supervisor, Golf Course (CSD)	(1.00)
Parks Crew - Lead (CSD)	1.00
Senior Administrator (CSD)	1.00
Executive Assistant (CSD)	(1.00)
Superintendent, Open Space and Sciences (CSD)	(1.00)
Facilities Assistant (CSD)	(0.50)
Program Assistant (CSD)	1.00
Library Assistant (LIB)	1.50
Senior Librarian (LIB)	(0.50)
Communication Technician (POL)	1.00

2004-05 ADJUSTED TOTAL	671.71
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2005-06 New Positions

Office Specialist (HRD)	0.50
2005-06 Total New Positions	0.50



2005-07 SUMMARY OF POSITION CHANGES *CONTINUED*

FTE

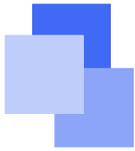
Reallocated Positions

ASD reallocation to Technology Fund	(1.31)
ASD reallocation to CPA External Services Fund	(0.05)
ASD reallocation to Printing and Mailing Services Fund	(0.55)
PWD reallocation to Capital Fund	(3.78)
PWD reallocation from Refuse Fund	0.12
2005-06 Total Reallocated Positions	(5.57)

2005-06 Eliminated Positions

Accounting Specialist (ASD)	(1.00)
Senior Buyer (ASD)	(1.00)
Storekeeper (ASD)	(1.00)
Senior Assistant City Attorney (ATT)	(0.20)
Coordinator, Recreation Programs (CSD)	(1.00)
Coordinator, Recreation Programs (CSD)	1.00
Golf Course Maintenance Person (CSD)	(1.00)
Office Specialist (CSD)	(1.00)
Park Ranger (CSD)	(0.50)
Park Ranger (CSD)	0.50
Parks and Open Space Assistant (CSD)	(0.75)
Parks and Open Space Assistant (CSD)	0.75
Superintendent, Parks (CSD)	(1.00)
Supervisor, Recreation Program (CSD)	(1.00)
Battalion Chief (FIR)	(1.00)
Coordinator, Environmental Protection (FIR)	(1.00)
Deputy Public Communication Officer (MGR)	(1.00)
Executive Assistant (MGR)	(1.00)
Coordinator, Transp. System Management (PLA)	(0.50)
Plan Checking Engineer (PLA)	(1.00)
Code Enforcement Officer (POL)	(1.25)
Community Service Officer (POL)	(1.00)
Office Specialist (POL)	(1.00)
Staff Secretary (POL)	(1.00)
Building Serviceperson (PWD)	(1.00)
Program Assistant (PWD)	(0.50)
Supervisor, Public Works (PWD)	(1.00)
2005-06 Total Eliminated Positions	(19.45)

2005-06 TOTAL ADOPTED GENERAL FUND POSITIONS	647.19
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2005-07 SUMMARY OF POSITION CHANGES *CONTINUED*

FTE

2006-07 Eliminated Positions

Coordinator, Recreation Programs (CSD)	(1.00)
2006-07 Total Eliminated Positions	(1.00)

2006-07 TOTAL ADOPTED GENERAL FUND POSITIONS	646.19
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ENTERPRISE FUNDS

2004-05 ADOPTED BUDGET	352.62
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2005-06 New Positions

Engineering Technician I	0.50
Laboratory Technician, WQCP	0.50
Engineer, Storm Drainage	1.00
2005-06 Total New Positions	2.00

Reallocated Positions

Public Works reallocation to Capital Fund	(2.00)
ASD reallocation to CPA External Services Fund	0.05
Technology Fund reallocation to CPA External Services Fund	0.25
Public Works Refuse Fund reallocation to General Fund (PWD)	(0.12)
2005-06 Total Reallocated Positions	(1.82)

2005-06 Eliminated Positions

Code Enforcement Officer (Refuse Fund)	(0.25)
2005-06 Total Eliminated Positions	(0.25)

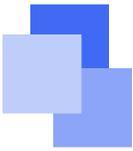
2005-07 TOTAL ADOPTED ENTERPRISE FUND POSITIONS	352.55
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OTHER FUNDS

2004-05 ADOPTED BUDGET	69.27
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Reallocated Positions

ASD reallocation to Technology Fund	1.31
ASD reallocation to Printing and Mailing Services Fund	0.55
PWD General Fund reallocation to Capital Fund	3.78
PW Enterprise Funds reallocation to Capital Fund	2.00

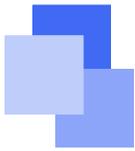


2005-07 SUMMARY OF POSITION CHANGES *CONTINUED*

	FTE
Technology Fund reallocation to CPA External Services Fund	(0.25)
2005-06 Total Reallocated Positions	7.39
Eliminated Positions	
Manager, Information Technology	(1.00)
Senior Technologist	(4.00)
2005-06 Total Eliminated Positions	(5.00)
2005-07 TOTAL ADOPTED OTHER FUNDS POSITIONS	71.66

2005-07 TABLE OF ORGANIZATION

	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
GENERAL FUND						
CITY ATTORNEY						
City Attorney	1.00	1.00	1.00	0.00	1.00	0.00
Claims Investigator/Paralegal	1.00	1.00	1.00	0.00	1.00	0.00
Legal Administrator	1.00	1.00	1.00	0.00	1.00	0.00
Legal Secretary - Confidential	3.00	3.00	3.00	0.00	3.00	0.00
Senior Assistant City Attorney (1) (2)	5.75	5.75	4.55	-1.20	4.55	0.00
Senior Deputy City Attorney (1) *	0.00	1.00	2.00	1.00	2.00	0.00
TOTAL CITY ATTORNEY	11.75	12.75	12.55	-0.20	12.55	0.00
City Auditor						
Administrative Assistant	0.75	1.00	1.00	0.00	1.00	0.00
City Auditor	1.00	1.00	1.00	0.00	1.00	0.00
Senior Auditor	2.00	2.00	2.00	0.00	2.00	0.00
TOTAL CITY AUDITOR	3.75	4.00	4.00	0.00	4.00	0.00
City Clerk						
Assistant City Clerk	1.00	1.00	1.00	0.00	1.00	0.00
City Clerk	1.00	1.00	1.00	0.00	1.00	0.00
Deputy City Clerk	1.00	1.00	1.00	0.00	1.00	0.00
Executive Secretary	3.00	3.00	3.00	0.00	3.00	0.00
TOTAL CITY CLERK	6.00	6.00	6.00	0.00	6.00	0.00
City Manager						
Administrative Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Assistant City Manager	1.00	1.00	1.00	0.00	1.00	0.00
Assistant to City Manager	1.00	1.00	1.00	0.00	1.00	0.00
City Manager	1.00	1.00	1.00	0.00	1.00	0.00



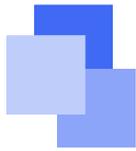
2005-07 Table of Organization *continued*

	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
Deputy Public Communication Officer (3)	1.00	1.00	0.00	-1.00	0.00	0.00
Executive Assistant (4)	1.00	1.00	0.00	-1.00	0.00	0.00
Manager, Economic Resources	1.00	1.00	1.00	0.00	1.00	0.00
Office Specialist	1.50	1.50	1.50	0.00	1.50	0.00
Public Communication Manager	1.00	1.00	1.00	0.00	1.00	0.00
Staff Assistant to City Manager	1.00	1.00	1.00	0.00	1.00	0.00
TOTAL CITY MANAGER	10.50	10.50	8.50	-2.00	8.50	0.00

Due to funding constraints, the City Manager Department budget includes the temporary removal of funding for the following vacant position: 0.25 FTE Office Specialist (2005-06).

Administrative Services Department

Accounting Specialist (5)	12.00	13.00	12.00	-1.00	12.00	0.00
Accounting Specialist - Lead	4.95	4.95	4.95	0.00	4.95	0.00
Administrative Assistant (6)	1.00	1.00	0.93	-0.07	0.93	0.00
Asst. Director, Administrative Services (7) (8)	1.00	1.00	0.65	-0.35	0.65	0.00
Business Analyst (9)	0.50	0.50	0.10	-0.40	0.10	0.00
Buyer	1.95	1.95	1.95	0.00	1.95	0.00
Contracts Administrator	2.00	2.00	2.00	0.00	2.00	0.00
Deputy Director, Administrative Services	1.00	1.00	1.00	0.00	1.00	0.00
Director, Administrative Services (10) (11)	0.85	0.85	0.55	-0.30	0.55	0.00
Financial Analyst *	1.00	0.00	0.00	0.00	0.00	0.00
Graphic Designer	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Accounting	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Budget	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Purchasing/Contract Admin.	0.95	0.95	0.95	0.00	0.95	0.00
Manager, Real Property	1.00	1.00	1.00	0.00	1.00	0.00
Payroll Analyst	2.00	2.00	2.00	0.00	2.00	0.00
Senior Accountant	4.00	4.00	4.00	0.00	4.00	0.00
Senior Business Analyst (12)	0.00	0.50	0.10	-0.40	0.10	0.00
Senior Buyer (13)	1.00	1.00	0.00	-1.00	0.00	0.00
Senior Financial Analyst (14) (15) *	8.75	8.75	8.41	-0.34	8.41	0.00
Staff Accountant	3.00	3.00	3.00	0.00	3.00	0.00
Staff Secretary (16)	1.05	1.05	1.00	-0.05	1.00	0.00
Storekeeper (17)	2.00	2.00	1.00	-1.00	1.00	0.00

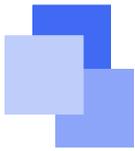


2005-07 Table of Organization *continued*

	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
Storekeeper - Lead	1.00	1.00	1.00	0.00	1.00	0.00
Warehouse Supervisor	1.00	1.00	1.00	0.00	1.00	0.00
TOTAL ADMINISTRATIVE SERVICES	55.00	55.50	50.59	-4.91	50.59	0.00

Community Services Department

Administrative Assistant	2.00	1.00	1.00	0.00	1.00	0.00
Administrator Special Events	1.00	1.00	1.00	0.00	1.00	0.00
Arts and Culture Division Manager *	0.00	1.00	1.00	0.00	1.00	0.00
Building Serviceperson	4.00	4.00	4.00	0.00	4.00	0.00
Building Serviceperson-Lead	2.00	2.00	2.00	0.00	2.00	0.00
Coordinator, Child Care	1.00	1.00	1.00	0.00	1.00	0.00
Coordinator, Library Circulation	1.00	0.00	0.00	0.00	0.00	0.00
Coordinator, Library Programs	2.00	0.00	0.00	0.00	0.00	0.00
Coordinator, Recreation Programs (18) (52)	3.00	3.00	3.00	0.00	2.00	-1.00
Cubberly Center and Human Services Division Manager *	0.00	1.00	1.00	0.00	1.00	0.00
Director, Arts and Culture *	1.00	0.00	0.00	0.00	0.00	0.00
Director, Community Services	1.00	1.00	1.00	0.00	1.00	0.00
Director, Human Services *	1.00	0.00	0.00	0.00	0.00	0.00
Director, Libraries	1.00	0.00	0.00	0.00	0.00	0.00
Director, Parks and Golf Course *	1.00	0.00	0.00	0.00	0.00	0.00
Director, Recreation and Open Space *	1.00	0.00	0.00	0.00	0.00	0.00
Executive Assistant *	1.00	0.00	0.00	0.00	0.00	0.00
Facilities Assistant *	0.50	0.00	0.00	0.00	0.00	0.00
Golf and Parks Division Manager *	0.00	1.00	1.00	0.00	1.00	0.00
Golf Course Equipment Mechanic *	2.00	1.00	1.00	0.00	1.00	0.00
Golf Course Maintenance Person (19)	6.00	6.00	5.00	-1.00	5.00	0.00
Inspector, Field Services	2.00	2.00	2.00	0.00	2.00	0.00
Librarian	6.00	0.00	0.00	0.00	0.00	0.00
Library Assistant	4.00	0.00	0.00	0.00	0.00	0.00
Library Associate	4.00	0.00	0.00	0.00	0.00	0.00
Library Specialist	7.75	0.00	0.00	0.00	0.00	0.00
Management Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Arts	2.00	2.00	2.00	0.00	2.00	0.00



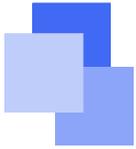
2005-07 Table of Organization *continued*

	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
Manager, Community Services Facilities	1.00	0.00	0.00	0.00	0.00	0.00
Manager, Main Library Services	1.00	0.00	0.00	0.00	0.00	0.00
Office Specialist (20)	7.00	6.50	5.50	-1.00	5.50	0.00
Open Space Division Manager *	0.00	1.00	1.00	0.00	1.00	0.00
Park Maintenance Lead *	0.00	1.00	1.00	0.00	1.00	0.00
Park Maintenance Person	11.00	11.00	11.00	0.00	11.00	0.00
Park Ranger (21)	5.00	5.00	5.00	0.00	5.00	0.00
Parks and Open Space Assistant (22)	0.75	0.75	0.75	0.00	0.75	0.00
Parks Crew - Lead *	2.00	3.00	3.00	0.00	3.00	0.00
Producer Arts/Science Programs (23)	10.50	10.50	11.50	1.00	11.50	0.00
Program Assistant (23) (24) *	5.75	6.75	6.75	0.00	6.75	0.00
Recreation and Youth Sciences Div Mgr *	0.00	1.00	1.00	0.00	1.00	0.00
Senior Administrator *	0.00	1.00	1.00	0.00	1.00	0.00
Senior Librarian	10.75	0.00	0.00	0.00	0.00	0.00
Senior Ranger	1.00	1.00	1.00	0.00	1.00	0.00
Sprinkler System Repairer	5.00	5.00	5.00	0.00	5.00	0.00
Staff Secretary (24)	4.00	4.00	3.00	-1.00	3.00	0.00
Superintendent, Golf Course	1.00	1.00	1.00	0.00	1.00	0.00
Superintendent, Open Space and Sciences *	1.00	0.00	0.00	0.00	0.00	0.00
Superintendent, Parks (25)	1.00	1.00	0.00	-1.00	0.00	0.00
Superintendent, Recreation *	1.00	0.00	0.00	0.00	0.00	0.00
Supervisor, Golf Course *	1.00	0.00	0.00	0.00	0.00	0.00
Supervisor, Junior Museum	1.00	1.00	1.00	0.00	1.00	0.00
Supervisor, Librarian	4.00	0.00	0.00	0.00	0.00	0.00
Supervisor, Open Space	1.00	1.00	1.00	0.00	1.00	0.00
Supervisor, Parks	2.00	2.00	2.00	0.00	2.00	0.00
Supervisor, Recreation Program (26)	6.00	6.00	5.00	-1.00	5.00	0.00
Theater Specialist	1.00	1.00	1.00	0.00	1.00	0.00
Volunteer Coordinator	0.75	0.75	0.75	0.00	0.75	0.00
TOTAL COMMUNITY SERVICES	143.75	99.25	95.25	-4.00	94.25	-1.00

Due to funding constraints, the Community Services Department budget includes the temporary removal of funding for the following vacant position: 1.0 FTE Arts and Culture Division Manager and 1.0 FTE Program Assistant.

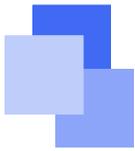
Fire

Accounting Specialist	1.00	0.00	0.00	0.00	0.00	0.00
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2005-07 Table of Organization *continued*

	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
Administrative Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Battalion Chief (27)	4.00	4.00	3.00	-1.00	3.00	0.00
Chief Officer - Emergency Operations	1.00	1.00	1.00	0.00	1.00	0.00
Coordinator, Environmental Protection (28)	1.00	1.00	0.00	-1.00	0.00	0.00
Deputy Fire Chief	1.00	1.00	1.00	0.00	1.00	0.00
Deputy Fire Chief EMT	2.00	2.00	2.00	0.00	2.00	0.00
EMS Coordinator	0.00	1.00	1.00	0.00	1.00	0.00
EMT Basic	3.00	3.00	3.00	0.00	3.00	0.00
Executive Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Fire Apparatus Operator	30.00	30.00	30.00	0.00	30.00	0.00
Fire Captain	31.00	27.00	27.00	0.00	27.00	0.00
Fire Chief	1.00	1.00	1.00	0.00	1.00	0.00
Fire Fighter	42.00	45.00	45.00	0.00	45.00	0.00
Fire Inspector	2.00	2.00	2.00	0.00	2.00	0.00
Hazardous Materials Inspector	2.00	2.00	2.00	0.00	2.00	0.00
Hazardous Materials Specialist	1.00	1.00	1.00	0.00	1.00	0.00
Office Specialist	4.50	4.00	4.00	0.00	4.00	0.00
Training Captain	0.00	1.00	1.00	0.00	1.00	0.00
TOTAL FIRE	128.50	128.00	126.00	-2.00	126.00	0.00
Due to funding constraints, the Fire Department budget includes the temporary removal of funding for the following vacant position: 1.0 FTE Chief Officer - Emergency Operations.						
Human Resources Department						
Administrative Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Administrator, Human Resources	5.00	5.00	5.00	0.00	5.00	0.00
Business Analyst	1.00	0.00	0.00	0.00	0.00	0.00
Director, Human Resources	1.00	1.00	1.00	0.00	1.00	0.00
Human Resources Assistant - Conf (29) (30)	3.10	3.10	3.60	0.50	3.60	0.00
Manager, Employee Relations	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Human Resources & Development	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Risk and Benefits	1.00	1.00	1.00	0.00	1.00	0.00
Office Specialist (30) (31)	0.00	0.00	1.00	1.00	1.00	0.00
Senior Business Analyst (29)	0.00	1.00	0.00	-1.00	0.00	0.00
TOTAL HUMAN RESOURCES	14.10	14.10	14.60	0.50	14.60	0.00



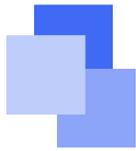
2005-07 Table of Organization *continued*

	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
Library Department						
Administrative Assistant	0.00	1.00	1.00	0.00	1.00	0.00
Coordinator, Library Circulation	0.00	1.00	1.00	0.00	1.00	0.00
Coordinator, Library Programs (53)	0.00	2.00	3.00	1.00	3.00	0.00
Director, Libraries	0.00	1.00	1.00	0.00	1.00	0.00
Librarian	0.00	6.00	6.00	0.00	6.00	0.00
Library Assistant *	0.00	5.50	5.50	0.00	5.50	0.00
Library Associate	0.00	4.00	4.00	0.00	4.00	0.00
Library Specialist	0.00	7.75	7.75	0.00	7.75	0.00
Manager, Main Library Services	0.00	1.00	1.00	0.00	1.00	0.00
Office Specialist	0.00	0.50	0.50	0.00	0.50	0.00
Senior Librarian * (53)	0.00	10.25	9.25	-1.00	9.25	0.00
Supervisor, Librarian	0.00	4.00	4.00	0.00	4.00	0.00
TOTAL LIBRARY DEPARTMENT	0.00	44.00	44.00	0.00	44.00	0.00

Due to funding constraints, the Library Department budget includes the temporary removal of funding for the following vacant position: 1.0 FTE Librarian.

Planning Department

Administrative Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Administrator, Planning & Comm. Env.	1.00	1.00	1.00	0.00	1.00	0.00
Assistant Building Official	1.00	1.00	1.00	0.00	1.00	0.00
Building Inspector	4.00	4.00	4.00	0.00	4.00	0.00
Building Inspector Specialist	3.00	3.00	3.00	0.00	3.00	0.00
Building/Planning Technician	3.00	3.00	3.00	0.00	3.00	0.00
Chief Building Official	1.00	1.00	1.00	0.00	1.00	0.00
Chief Planning Official (56)	1.00	1.00	0.00	-1.00	0.00	0.00
Chief Transportation Officer	1.00	1.00	1.00	0.00	1.00	0.00
City Traffic Engineer (50)	1.00	1.00	0.00	-1.00	0.00	0.00
Code Enforcement Officer	2.00	2.00	2.00	0.00	2.00	0.00
Coordinator, Transp. System Mgmt. (32)	1.00	1.00	0.50	-0.50	0.50	0.00
Deputy Director, PCE/Chief Planning Official (56)	0.00	0.00	1.00	1.00	1.00	0.00
Director, Planning and Comm. Env.	1.00	1.00	1.00	0.00	1.00	0.00
Engineer (55)	2.00	2.00	1.00	-1.00	1.00	0.00
Engineering Technician II (55)	1.00	1.00	2.00	1.00	2.00	0.00

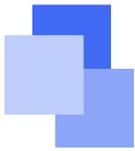


2005-07 Table of Organization *continued*

	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
Executive Secretary	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Planning	3.00	3.00	3.00	0.00	3.00	0.00
Managing Arborist	1.00	1.00	1.00	0.00	1.00	0.00
Office Specialist	3.00	2.00	2.00	0.00	2.00	0.00
Planner	7.00	7.00	7.00	0.00	7.00	0.00
Plan Checking Engineer	3.00	4.00	3.00	-1.00	3.00	0.00
Senior Planner	6.00	6.00	6.00	0.00	6.00	0.00
Staff Secretary	4.80	4.80	4.80	0.00	4.80	0.00
Supervisor, Building Inspection	1.00	1.00	1.00	0.00	1.00	0.00
Transportation Projects Manager (50)	1.00	1.00	2.00	1.00	2.00	0.00
TOTAL PLANNING AND COMMUNITY ENVIRONMENT	54.80	54.80	53.30	-1.50	53.30	0.00

Police Department

Administrative Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Administrator, Police	1.00	0.00	0.00	0.00	0.00	0.00
Animal Control Officer	4.50	4.50	4.50	0.00	4.50	0.00
Animal Services Specialist	1.00	1.00	1.00	0.00	1.00	0.00
Animal Services Specialist II	1.00	1.00	1.00	0.00	1.00	0.00
Assistant Chief of Police	0.00	0.00	0.00	0.00	0.00	0.00
Business Analyst	1.00	1.00	1.00	0.00	1.00	0.00
Chief Communication Technician	0.00	0.00	0.00	0.00	0.00	0.00
Code Enforcement Officer (34)	1.00	1.75	0.50	-1.25	0.50	0.00
Communication Technician *	2.00	1.00	1.00	0.00	1.00	0.00
Community Service Officer (35)	6.00	5.00	4.00	-1.00	4.00	0.00
Coordinator, Police Technical Services	1.00	1.00	1.00	0.00	1.00	0.00
Court Liaison Officer	1.00	1.00	1.00	0.00	1.00	0.00
Crime Analyst	1.00	1.00	1.00	0.00	1.00	0.00
Office Specialist (36)	1.00	1.00	0.00	-1.00	0.00	0.00
Parking Enforcement Officer	7.00	7.00	7.00	0.00	7.00	0.00
Parking Enforcement Officer - Lead	1.00	1.00	1.00	0.00	1.00	0.00
Parking Examiner	0.50	0.50	0.50	0.00	0.50	0.00
Police Agent	19.00	19.00	19.00	0.00	19.00	0.00
Police Captain	2.00	2.00	2.00	0.00	2.00	0.00
Police Chief	1.00	1.00	1.00	0.00	1.00	0.00

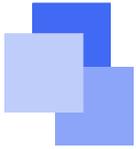


2005-07 Table of Organization *continued*

	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
Police Lieutenant	6.00	6.00	6.00	0.00	6.00	0.00
Police Officer	51.00	51.00	51.00	0.00	51.00	0.00
Police Records Specialist	10.00	10.00	10.00	0.00	10.00	0.00
Police Sergeant	14.00	14.00	14.00	0.00	14.00	0.00
Program Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Property and Evidence Technician	2.00	2.00	2.00	0.00	2.00	0.00
Public Safety Dispatcher	17.00	16.00	16.00	0.00	16.00	0.00
Public Safety Dispatcher - Chief	4.00	4.00	4.00	0.00	4.00	0.00
Senior Administrator	0.00	1.00	1.00	0.00	1.00	0.00
Staff Secretary (37)	4.00	4.00	3.00	-1.00	3.00	0.00
Superintendent, Animal Services	1.00	1.00	1.00	0.00	1.00	0.00
Supervisor, Animal Services	1.00	1.00	1.00	0.00	1.00	0.00
Supervisor, Police Services	3.00	3.00	3.00	0.00	3.00	0.00
Veterinarian	1.00	1.00	1.00	0.00	1.00	0.00
Veterinarian Technician	2.00	2.00	2.00	0.00	2.00	0.00
Volunteer Coordinator	1.00	1.00	1.00	0.00	1.00	0.00
TOTAL POLICE	171.00	168.75	164.50	-4.25	164.50	0.00

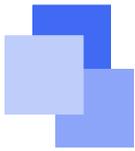
Public Works Department

Accounting Specialist (38) (54)	1.00	1.00	0.00	-1.00	0.00	0.00
Administrative Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Administrator, Public Works	1.00	0.00	0.00	0.00	0.00	0.00
Assistant Director Public Works	0.85	0.85	0.85	0.00	0.85	0.00
Assistant Engineer (39)	1.50	0.40	0.10	-0.30	0.10	0.00
Building Serviceperson (40)	5.00	5.00	4.00	-1.00	4.00	0.00
Building Serviceperson - Lead	2.00	2.00	2.00	0.00	2.00	0.00
Cement Finisher (41)	2.00	1.50	0.00	-1.50	0.00	0.00
Cement Finisher- Lead (42)	1.00	0.50	0.00	-0.50	0.00	0.00
Coordinator, Public Works Projects	1.00	1.00	1.00	0.00	1.00	0.00
Deputy Director, PW Operations (43)	0.40	0.40	0.25	-0.15	0.25	0.00
Director, Public Works/City Engineer	1.00	1.00	1.00	0.00	1.00	0.00
Electrician	1.00	1.00	1.00	0.00	1.00	0.00
Engineer	0.10	1.20	1.20	0.00	1.20	0.00
Engineering Technician III	4.20	4.20	4.20	0.00	4.20	0.00
Equipment Operator	2.55	2.55	2.55	0.00	2.55	0.00



2005-07 Table of Organization *continued*

	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
Facilities Carpenter	1.00	1.00	1.00	0.00	1.00	0.00
Facilities Maintenance - Lead	2.00	2.00	2.00	0.00	2.00	0.00
Facilities Mechanic	5.00	5.00	5.00	0.00	5.00	0.00
Facilities Painter	2.00	2.00	2.00	0.00	2.00	0.00
Heavy Equipment Operator	1.90	1.90	1.90	0.00	1.90	0.00
Heavy Equipment Operator - Lead (44)	1.05	1.05	0.85	-0.20	0.85	0.00
Inspector, Field Services	0.50	1.00	1.00	0.00	1.00	0.00
Manager, Facilities Maintenance	1.00	0.80	0.80	0.00	0.80	0.00
Manager, Maintenance Operations (45) (51)	0.50	0.50	0.12	-0.38	0.12	0.00
Managing Arborist	1.00	1.00	1.00	0.00	1.00	0.00
Office Specialist	3.50	3.50	3.50	0.00	3.50	0.00
Program Assistant (46)	0.50	0.50	0.00	-0.50	0.00	0.00
Project Engineer	2.30	1.20	1.20	0.00	1.20	0.00
Project Manager	1.75	1.75	1.75	0.00	1.75	0.00
Senior Engineer	0.75	0.30	0.30	0.00	0.30	0.00
Senior Project Manager	1.00	1.00	1.00	0.00	1.00	0.00
Senior Administrator	0.00	0.90	0.90	0.00	0.90	0.00
Staff Secretary (54)	2.00	2.00	2.67	0.67	2.67	0.00
Superintendent, PW Operations (47)	0.80	0.80	0.60	-0.20	0.60	0.00
Supervisor, Building Services	1.00	1.00	1.00	0.00	1.00	0.00
Supervisor, Facilities Management	1.00	0.95	0.95	0.00	0.95	0.00
Supervisor, Facilities Project	0.00	0.00	0.00	0.00	0.00	0.00
Supervisor, Inspection/Surveying, PW (48)	0.90	0.90	0.80	-0.10	0.80	0.00
Supervisor, Public Works (49)	1.00	1.00	0.00	-1.00	0.00	0.00
Surveying Assistant	0.80	0.78	0.78	0.00	0.78	0.00
Surveyor, Public Works	0.80	0.78	0.78	0.00	0.78	0.00
Traffic Control Maintainer- Lead	1.00	1.00	1.00	0.00	1.00	0.00
Traffic Control Maintenance I	1.70	1.94	1.94	0.00	1.94	0.00
Traffic Control Maintenance II	3.00	3.00	3.00	0.00	3.00	0.00
Tree Maintenance Person	0.00	0.00	0.00	0.00	0.00	0.00
Tree Trimmer/Line Clearer	9.00	9.00	9.00	0.00	9.00	0.00
Tree Trimmer/Line Clearer - Lead	1.00	1.00	1.00	0.00	1.00	0.00
Truck Driver	0.85	0.91	0.91	0.00	0.91	0.00
TOTAL PUBLIC WORKS	76.20	74.06	67.90	-6.16	67.90	0.00



2005-07 Table of Organization *continued*

	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
GENERAL FUND AUTHORIZED POSITIONS	675.35	671.71	647.19	-24.52	646.19	-1.00

Footnotes:

- * These positions were adjusted in 2004-05 through a Budget Amendment Ordinance.
- 1 Reclassification of 1.0 Senior Assistant City Attorney to 1.0 Senior Deputy City Attorney.
- 2 Elimination of 0.20 Senior Assistant City Attorney, due to budget constraints.
- 3 Elimination of 1.0 Deputy Public Communication Officer, due to budget constraints.
- 4 Elimination of 1.0 Executive Assistant, due to budget constraints.
- 5 Elimination of 1.0 Accounting Specialist, due to budget constraints.
- 6 Transfer of 0.07 Administrative Assistant to Technology Fund.
- 7 Transfer of 0.30 Assistant Director, Administrative Services to Technology Fund.
- 8 Transfer of 0.05 Assistant Director, Administrative Services to Printing and Mailing Services Fund.
- 9 Transfer of 0.40 Business Analyst to Technology Fund.
- 10 Transfer of 0.25 Director, Administrative Services to Technology Fund.
- 11 Transfer of 0.05 Director, Administrative Services to CPA External Services Fund.
- 12 Transfer of 0.40 Senior Business Analyst to Technology Fund.
- 13 Elimination of 1.0 Senior Buyer, due to budget constraints.
- 14 Transfer of 0.50 Senior Financial Analyst to Printing and Mailing Services Fund.
- 15 Transfer in of 0.16 Senior Financial Analyst from Technology Fund.
- 16 Transfer of 0.05 Staff Secretary to Technology Fund.
- 17 Elimination of 1.0 Storekeeper, due to budget constraints.
- 18 Elimination of 0.5 Coordinator, Recreation Programs in 2005-06, due to budget constraints.
- 19 Elimination of 1.0 Golf Course Maintenance Person, due to budget constraints.
- 20 Elimination of 1.0 Office Specialist, due to budget constraints.
- 23 Reclassification of 1.0 Program Assistant to 1.0 Producer Arts/Science Programs.
- 24 Reclassification of 1.0 Staff Secretary to 1.0 Program Assistant.
- 25 Elimination of 1.0 Superintendent, Parks, due to budget constraints.
- 26 Elimination of 1.0 Supervisor, Recreation Program, due to budget constraints.
- 27 Elimination of 1.0 Battalion Chief, due to budget constraints.
- 28 Elimination of 1.0 Coordinator, Environmental Protection, due to budget constraints.
- 29 Reclassification of 1.0 Senior Business Analyst to 1.0 Human Resources Assistant.
- 30 Reclassification of 0.50 Human Resources Assistant to 0.50 Office Specialist.
- 31 Addition of 0.50 Office Specialist for programs training.
- 32 Elimination of 0.5 Coordinator, Transp. System Mgmt., due to budget constraints.



2005-07 Table of Organization *continued*

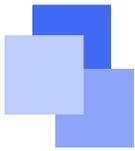
	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
33	Elimination of 1.0 Plan Checking Engineer, due to budget constraints.					
34	Elimination of 1.25 Code Enforcement Officer, due to budget constraints.					
35	Elimination of 1.0 Community Service Officer, due to budget constraints.					
36	Elimination of 1.0 Office Specialist, due to budget constraints.					
37	Elimination of 1.0 Staff Secretary, due to budget constraints.					
38	Transfer of 0.33 Accounting Specialist to Capital Fund.					
39	Transfer of 0.30 Assistant Engineer to Capital Fund.					
40	Elimination of 1.0 Building Serviceperson, due to budget constraints.					
41	Transfer of 1.50 Cement Finisher to Capital Fund.					
42	Transfer of 0.50 Cement Finisher - Lead to Capital Fund.					
43	Transfer of 0.15 Deputy Director, PW Operations to Capital Fund.					
44	Transfer of 0.20 Heavy Equipment Operator - Lead to Capital Fund.					
45	Transfer of 0.50 Manager, Maintenance Operations to Capital Fund.					
46	Elimination of 0.50 Program Assistant, due to budget constraints.					
47	Transfer of 0.20 Superintendent, PW Operations to Capital Fund.					
48	Transfer of 0.10 Supervisor, Inspection/Surveying PW to Capital Fund.					
49	Elimination of 1.0 Supervisor, Public Works, due to budget constraints.					
50	Reclassification of 1.0 City Traffic Engineer to 1.0 Transportation Project Manager.					
51	Transfer of 0.12 Manager, Maintenance Operations from Refuse Enterprise Fund.					
52	Elimination of 1.0 Coordinator, Recreation Programs in 2006-07, due to budget constraints.					
53	Drop 1.0 Senior Librarian, Add 1.0 Coordinator, Library Programs.					
54	Drop 0.67 Account Specialist, Add 0.67 Staff Secretary.					
55	Reclassification of 1.0 Engineer to 1.0 Engineering Technician II.					
56	Reclassification of 1.0 Chief Planning Official to 1.0 Deputy Director, PCE/ Chief Planning Official.					

ENTERPRISE FUNDS

Public Works Department

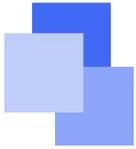
Refuse, Storm Drainage and Wastewater Treatment

Assistant Director, Public Works	0.15	0.15	0.15	0.00	0.15	0.00
Assistant Engineer	0.50	0.40	0.40	0.00	0.40	0.00
Assistant Manager, WQCP	1.00	1.00	1.00	0.00	1.00	0.00
Associate Engineer	3.00	3.00	3.00	0.00	3.00	0.00
Associate Planner	0.00	1.00	1.00	0.00	1.00	0.00
Buyer	1.00	1.00	1.00	0.00	1.00	0.00



2005-07 Table of Organization *continued*

	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
Cement Finisher (1)	1.00	1.50	0.00	-1.50	0.00	0.00
Cement Finisher - Lead (2)	0.00	0.50	0.00	-0.50	0.00	0.00
Chemist	3.00	3.00	3.00	0.00	3.00	0.00
Code Enforcement Officer (3)	0.00	0.25	0.00	-0.25	0.00	0.00
Coordinator Recycling	2.00	2.00	2.00	0.00	2.00	0.00
Deputy Director Public Works Operations	0.60	0.60	0.60	0.00	0.60	0.00
Electrician	3.00	3.00	3.00	0.00	3.00	0.00
Electrician - Lead	2.00	2.00	2.00	0.00	2.00	0.00
Engineer (9)	2.10	0.10	1.10	1.00	1.10	0.00
Engineering Technician I (4)	0.00	0.00	0.50	0.50	0.50	0.00
Engineering Technician III	3.40	1.40	1.40	0.00	1.40	0.00
Environmental Specialist	2.00	2.00	2.00	0.00	2.00	0.00
Equipment Operator	0.45	0.45	0.45	0.00	0.45	0.00
Executive Assistant	2.00	2.00	2.00	0.00	2.00	0.00
Heavy Equipment Operator	6.10	6.10	6.10	0.00	6.10	0.00
Heavy Equipment Operator - Lead	2.95	2.95	2.95	0.00	2.95	0.00
Industrial Waste Inspector	1.00	1.00	1.00	0.00	1.00	0.00
Industrial Waste Investigator	2.00	2.00	2.00	0.00	2.00	0.00
Instrumentation Electrician	0.00	0.00	0.00	0.00	0.00	0.00
Laboratory Technician, WQCP (5)	2.00	2.00	2.50	0.50	2.50	0.00
Landfill Technician	0.00	1.00	1.00	0.00	1.00	0.00
Maintenance Mechanic, WQCP	8.00	7.00	7.00	0.00	7.00	0.00
Manager, Environmental Compliance	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Environmental Control Program	3.00	3.00	3.00	0.00	3.00	0.00
Manager, Laboratory Services	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Maintenance Operations (10) (11)	0.50	0.50	1.38	0.88	1.38	0.00
Manager, Solid Waste	1.00	1.00	1.00	0.00	1.00	0.00
Manager, WQC Plant	1.00	1.00	1.00	0.00	1.00	0.00
Office Specialist	2.00	2.00	2.00	0.00	2.00	0.00
Program Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Programmer Analyst	1.00	1.00	1.00	0.00	1.00	0.00
Project Engineer	0.00	2.00	2.00	0.00	2.00	0.00
Refuse Disposal Attendant	4.00	4.00	4.00	0.00	4.00	0.00
Senior Administrator	0.00	0.10	0.10	0.00	0.10	0.00
Senior Chemist	1.00	1.00	1.00	0.00	1.00	0.00
Senior Engineer	2.45	2.45	2.45	0.00	2.45	0.00



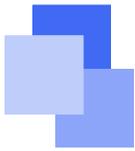
2005-07 Table of Organization *continued*

	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
Senior Instrumentation Electrician	0.00	0.00	0.00	0.00	0.00	0.00
Senior Mechanic, Water Quality Control	1.00	1.00	1.00	0.00	1.00	0.00
Senior Operator, Water Quality Control	5.00	6.00	6.00	0.00	6.00	0.00
Staff Secretary	3.00	3.00	3.00	0.00	3.00	0.00
Storekeeper	2.00	2.00	2.00	0.00	2.00	0.00
Street Maintenance Assistant	2.00	2.00	2.00	0.00	2.00	0.00
Street Sweeper Operator	6.00	6.00	6.00	0.00	6.00	0.00
Street Sweeper Operator - Lead	0.00	0.00	0.00	0.00	0.00	0.00
Superintendent, Public Works Operations	0.20	0.20	0.20	0.00	0.20	0.00
Supervisor Inspection/Surveying, PW	0.10	0.00	0.00	0.00	0.00	0.00
Supervisor, Public Works (10)	2.00	2.00	1.00	-1.00	1.00	0.00
Supervisor, Water Quality Control Operations	5.00	5.00	5.00	0.00	5.00	0.00
Surveying Assistant	0.20	0.11	0.11	0.00	0.11	0.00
Surveyor, Public Works	0.20	0.11	0.11	0.00	0.11	0.00
Traffic Control Maintenance I	0.30	0.06	0.06	0.00	0.06	0.00
Truck Driver	1.15	1.09	1.09	0.00	1.09	0.00
Water Quality Control Plant Operator II	15.00	16.00	16.00	0.00	16.00	0.00
TOTAL PUBLIC WORKS - ENTERPRISE	111.35	113.02	112.65	-0.37	112.65	0.00

Utilities Department

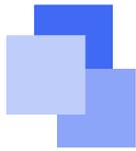
Administration, Electric, Gas, Wastewater Collection and Water

Account Representatives	3.00	3.00	3.00	0.00	3.00	0.00
Accounting Specialist	1.00	1.00	1.00	0.00	1.00	0.00
Administrative Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Administrator, Utilities	1.00	0.00	0.00	0.00	0.00	0.00
Asst. Director Utilities/Administrative Services	1.00	1.00	1.00	0.00	1.00	0.00
Asst. Director Utilities/Engineer/Operations	1.00	1.00	1.00	0.00	1.00	0.00
Asst. Director Utilities/Resource Management	1.00	1.00	1.00	0.00	1.00	0.00
Associate Power Engineer	1.00	1.00	1.00	0.00	1.00	0.00
Business Analyst	1.00	1.00	1.00	0.00	1.00	0.00
Cathodic Technician	1.00	1.00	1.00	0.00	1.00	0.00



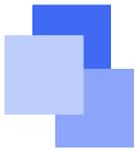
2005-07 Table of Organization *continued*

	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
Cement Finisher	1.00	1.00	1.00	0.00	1.00	0.00
Communications Specialist	1.00	1.00	1.00	0.00	1.00	0.00
Contracts Administrator	1.00	1.00	1.00	0.00	1.00	0.00
Coordinator, Utils. Safety & Security	1.00	1.00	1.00	0.00	1.00	0.00
Coordinator, Utility Projects	2.00	2.00	2.00	0.00	2.00	0.00
Customer Service Representative	5.00	5.00	5.00	0.00	5.00	0.00
Customer Service Specialist	3.00	2.00	2.00	0.00	2.00	0.00
Customer Service Specialist-Lead	0.00	1.00	1.00	0.00	1.00	0.00
Director, Administrative Services	0.00	0.15	0.15	0.00	0.15	0.00
Director, Utilities	1.00	1.00	1.00	0.00	1.00	0.00
Electric Project Engineer	3.00	3.00	3.00	0.00	3.00	0.00
Electric Underground Inspector	2.00	2.00	2.00	0.00	2.00	0.00
Electric Utility Compliance Technician (6)	2.00	2.00	3.00	1.00	3.00	0.00
Electric Utility Compliance Tech.-Lead	1.00	1.00	1.00	0.00	1.00	0.00
Electrical Assistant I	5.00	5.00	5.00	0.00	5.00	0.00
Electrician	14.00	14.00	14.00	0.00	14.00	0.00
Electrician-Lead	7.00	7.00	7.00	0.00	7.00	0.00
Engineer	4.00	4.00	4.00	0.00	4.00	0.00
Engineering Manager, Electric	1.00	1.00	1.00	0.00	1.00	0.00
Engineering Manager, WGW	1.00	1.00	1.00	0.00	1.00	0.00
Engineering Technician III	2.00	2.00	2.00	0.00	2.00	0.00
Equipment Operator	2.00	2.00	2.00	0.00	2.00	0.00
Executive Secretary	1.00	0.00	0.00	0.00	0.00	0.00
Gas System Technician	2.00	2.00	2.00	0.00	2.00	0.00
Heavy Equipment Operator	9.00	9.00	9.00	0.00	9.00	0.00
Inspector, Field Services	4.00	4.00	4.00	0.00	4.00	0.00
Lineperson/Cable Splicer	10.00	10.00	10.00	0.00	10.00	0.00
Lineperson/Cable Splicer-Lead	5.00	5.00	5.00	0.00	5.00	0.00
Maintenance Mechanic	2.00	2.00	2.00	0.00	2.00	0.00
Manager Utilities Telecommunication	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Communications	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Electric Operations	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Energy Risk	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Field and Customer Service	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Supply Resources	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Utilities Marketing Services	1.00	1.00	1.00	0.00	1.00	0.00



2005-07 Table of Organization *continued*

	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
Manager, Utilities Operations WGW	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Utilities Rates	1.00	1.00	1.00	0.00	1.00	0.00
Marketing Engineer	1.00	1.00	1.00	0.00	1.00	0.00
Meter Reader	5.00	5.00	5.00	0.00	5.00	0.00
Meter Reader-Lead	1.00	1.00	1.00	0.00	1.00	0.00
Office Specialist	2.00	2.00	2.00	0.00	2.00	0.00
Program Assistant	4.00	4.00	4.00	0.00	4.00	0.00
Project Engineer	6.00	6.00	6.00	0.00	6.00	0.00
Project Manager	0.75	0.75	0.75	0.00	0.75	0.00
Public Relations Specialist	0.00	0.00	0.00	0.00	0.00	0.00
Resource Planner	4.00	4.00	4.00	0.00	4.00	0.00
Senior Administrator	0.00	1.00	1.00	0.00	1.00	0.00
Senior Business Analyst	0.00	1.00	1.00	0.00	1.00	0.00
Senior Electric Project Engineer	5.00	5.00	5.00	0.00	5.00	0.00
Senior Field Services Representative	1.00	1.00	1.00	0.00	1.00	0.00
Senior Market Analyst	2.00	2.00	2.00	0.00	2.00	0.00
Senior Project Engineer	4.00	4.00	4.00	0.00	4.00	0.00
Senior Resource Originator	1.00	1.00	1.00	0.00	1.00	0.00
Senior Resource Planner	4.00	4.00	4.00	0.00	4.00	0.00
Senior Technologist	1.00	0.00	0.00	0.00	0.00	0.00
Senior Water System Operator	1.00	1.00	1.00	0.00	1.00	0.00
Staff Secretary	6.00	7.00	7.00	0.00	7.00	0.00
Storekeeper	1.00	1.00	1.00	0.00	1.00	0.00
Supervisor Electric Systems	6.00	6.00	6.00	0.00	6.00	0.00
Supervisor Shop and Field WGW	1.00	0.00	0.00	0.00	0.00	0.00
Supervisor, Meter Readers & Field Services	1.00	1.00	1.00	0.00	1.00	0.00
Supervisor, Utility Construction (6)	2.00	2.00	1.00	-1.00	1.00	0.00
Supervisor, Wastewater, Gas, Water	4.00	4.00	4.00	0.00	4.00	0.00
Tree Maintenance Person	1.00	1.00	1.00	0.00	1.00	0.00
Truck Driver	1.00	1.00	1.00	0.00	1.00	0.00
Utilities Accounting Technician	1.00	1.00	1.00	0.00	1.00	0.00
Utilities Credit/Collection Specialist	1.00	1.00	1.00	0.00	1.00	0.00
Utilities Engineering Estimator	6.00	6.00	6.00	0.00	6.00	0.00
Utilities Field Service Representative	8.00	8.00	8.00	0.00	8.00	0.00
Utilities Installer/Repairer	14.00	14.00	14.00	0.00	14.00	0.00
Utilities Installer/Repairer Assistant	1.00	1.00	1.00	0.00	1.00	0.00

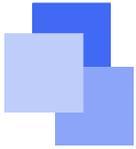


2005-07 Table of Organization *continued*

	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
Utilities Installer/Repairer-Lead	6.00	5.00	5.00	0.00	5.00	0.00
Utilities Key Account Representative	3.00	3.00	3.00	0.00	3.00	0.00
Utilities Locator	3.00	3.00	3.00	0.00	3.00	0.00
Utilities Rate Analyst	1.00	1.00	1.00	0.00	1.00	0.00
Utilities System Operator	5.00	5.00	5.00	0.00	5.00	0.00
Water Meter/Cross Connection Technician	2.00	2.00	2.00	0.00	2.00	0.00
Water System Operator II	3.00	5.00	5.00	0.00	5.00	0.00
Water Transmission Specialist	0.00	0.00	0.00	0.00	0.00	0.00
Water Transmission Specialist - Lead	0.00	0.00	0.00	0.00	0.00	0.00
Water Transmission Supervisor	1.00	1.00	1.00	0.00	1.00	0.00
TOTAL UTILITIES	233.75	233.90	233.90	0.00	233.90	0.00
CPA External Services						
Director, Administrative Services (7)	0.00	0.00	0.05	0.05	0.05	0.00
Human Resources Assistant - Conf.	0.00	0.00	0.00	0.00	0.00	0.00
Manager, Information Technology	0.70	0.70	0.70	0.00	0.70	0.00
Staff Secretary (8)	0.00	0.00	0.25	0.25	0.25	0.00
Technologist	5.00	5.00	5.00	0.00	5.00	0.00
TOTAL CPA EXTERNAL FUND	5.70	5.70	6.00	0.30	6.00	0.00
TOTAL ENTERPRISE FUNDS POSITIONS	350.80	352.62	352.55	-0.07	352.55	0.00

Footnotes:

- 1 Transfer of 1.50 Cement Finisher to Capital Fund.
- 2 Transfer of 0.50 Cement Finisher - Lead to Capital Fund.
- 3 Elimination of 0.25 Code Enforcement Officer (Refuse Fund), due to budget constraints.
- 4 Addition of 0.50 Engineering Technician I in Industrial Wastewater sampling.
- 5 Addition of 0.50 Laboratory Technician, WQCP to maintain State testing requirements.
- 6 Reclassification of 1.0 Supervisor, Utility Construction to 1.0 Electric Utility Compliance Technician.
- 7 Transfer in of 0.05 Director, Administrative Services from General Fund.
- 8 Transfer in of 0.25 Staff Secretary from Technology Fund.
- 9 Addition of 1.0 Engineer, Storm Drainage for capacity upgrades and replacements.
- 10 Reclassification of 1.0 Supervisor, Public Works to 1.0 Manager, Maintenance Operations.
- 11 Transfer of 0.12 Manager, Maintenance Operations to General Fund.

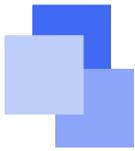


2005-07 Table of Organization *continued*

	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
OTHER FUNDS						
Printing and Mailing Services						
Accounting Specialist-Lead	0.05	0.05	0.05	0.00	0.05	0.00
Asst. Director, Administrative Services (1)	0.00	0.00	0.05	0.05	0.05	0.00
Buyer	0.05	0.05	0.05	0.00	0.05	0.00
Mailing Services Specialist	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Purchasing and Contract Administration	0.05	0.05	0.05	0.00	0.05	0.00
Offset Equipment Operator	2.00	2.00	2.00	0.00	2.00	0.00
Senior Financial Analyst (2)	0.00	0.00	0.50	0.50	0.50	0.00
Supervisor Reproduction and Mailing	1.00	1.00	1.00	0.00	1.00	0.00
TOTAL PRINTING AND MAILING SERVICES	4.15	4.15	4.70	0.55	4.70	0.00
Technology						
Administrative Assistant (3)	0.00	0.00	0.07	0.07	0.07	0.00
Asst. Director, Administrative Services (4)	0.00	0.00	0.30	0.30	0.30	0.00
Business Analyst (5)	0.50	0.50	0.90	0.40	0.90	0.00
Chief Information Officer (6)	0.00	0.00	1.00	1.00	1.00	0.00
Deputy ASD/Chief Information Officer (6)	1.00	1.00	0.00	-1.00	0.00	0.00
Desktop Technician	5.00	5.00	5.00	0.00	5.00	0.00
Director, Administrative Services (7)	0.15	0.00	0.25	0.25	0.25	0.00
Manager, Information Technology (8)	3.30	3.30	2.30	-1.00	2.30	0.00
Senior Business Analyst (9)	0.00	0.50	0.90	0.40	0.90	0.00
Senior Technologist (10)	20.00	20.00	16.00	-4.00	16.00	0.00
Senior Financial Analyst (11)	0.25	0.25	0.09	-0.16	0.09	0.00
Staff Secretary (12) (13)	0.95	0.95	0.75	-0.20	0.75	0.00
Technologist	2.00	2.00	2.00	0.00	2.00	0.00
TOTAL TECHNOLOGY	33.15	33.50	29.56	-3.94	29.56	0.00

Due to funding constraints, the Technology Fund budget includes the temporary removal of funding for the following vacant position: 1.0 FTE Manager, Information Technology.

Equipment Management



2005-07 Table of Organization *continued*

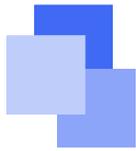
	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
Assistant Fleet Manager	1.00	1.00	1.00	0.00	1.00	0.00
Equipment Maintenance Service Person	2.00	2.00	2.00	0.00	2.00	0.00
Fleet Manager	1.00	1.00	1.00	0.00	1.00	0.00
Fleet Services Coordinator	2.00	2.00	2.00	0.00	2.00	0.00
Mobile Service Technician	1.00	1.00	1.00	0.00	1.00	0.00
Motor Equipment Mechanic	7.00	7.00	7.00	0.00	7.00	0.00
Motor Equipment Mechanic-Lead	1.00	1.00	1.00	0.00	1.00	0.00
Staff Secretary	1.00	1.00	1.00	0.00	1.00	0.00
TOTAL EQUIPMENT MANAGEMENT	16.00	16.00	16.00	0.00	16.00	0.00

Special Revenue

Planner	1.00	1.00	1.00	0.00	1.00	0.00
Staff Secretary	0.20	0.20	0.20	0.00	0.20	0.00
TOTAL SPECIAL REVENUE	1.20	1.20	1.20	0.00	1.20	0.00

Capital

Accounting Specialist (14) (23)	0.00	0.00	0.00	0.00	0.00	0.00
Assistant Engineer (15)	0.00	1.20	1.50	0.30	1.50	0.00
Cement Finisher (16)	0.00	0.00	3.00	3.00	3.00	0.00
Cement Finisher- Lead (17)	0.00	0.00	1.00	1.00	1.00	0.00
Deputy Director, PW Operations (18)	0.00	0.00	0.15	0.15	0.15	0.00
Engineer	2.80	3.70	3.70	0.00	3.70	0.00
Engineering Technician III	1.40	1.40	1.40	0.00	1.40	0.00
Heavy Equipment Operator - Lead (19)	0.00	0.00	0.20	0.20	0.20	0.00
Inspector, Field Services	0.50	0.00	0.00	0.00	0.00	0.00
Manager, Facilities Maintenance	0.00	0.20	0.20	0.00	0.20	0.00
Manager, Maintenance Operations (20)	0.00	0.00	0.50	0.50	0.50	0.00
Park Planner Architect	1.00	1.00	1.00	0.00	1.00	0.00
Program Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Project Engineer	2.70	1.80	1.80	0.00	1.80	0.00
Project Manager	1.50	1.50	1.50	0.00	1.50	0.00
Senior Engineer	1.80	2.25	2.25	0.00	2.25	0.00
Staff Secretary (23)	0.00	0.00	0.33	0.33	0.33	0.00

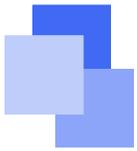


2005-07 Table of Organization *continued*

	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
Superintendent, PW Operations (21)	0.00	0.00	0.20	0.20	0.20	0.00
Supervisor, Facilities Management	0.00	0.05	0.05	0.00	0.05	0.00
Supervisor, Inspection/Surv PW (22)	0.00	0.10	0.20	0.10	0.20	0.00
Surveying Assistant	0.00	0.11	0.11	0.00	0.11	0.00
Surveyor, Public Works	0.00	0.11	0.11	0.00	0.11	0.00
TOTAL CAPITAL	12.70	14.42	20.20	5.78	20.20	0.00
TOTAL OTHER FUNDS POSITIONS	67.20	69.27	71.66	2.39	71.66	0.00

Footnotes:

- 1 Transfer in of 0.05 Assistant Director, Administrative Services to Printing and Mailing Services Fund
- 2 Transfer in of 0.50 Senior Financial Analyst, ASD to Printing and Mailing Services Fund
- 3 Transfer in of 0.07 Administrative Assistant, ASD to Technology Fund
- 4 Transfer in of 0.30 Assistant Director, Administrative Services to Technology Fund
- 5 Transfer in of 0.40 Business Analyst, ASD to Technology Fund
- 6 Reclassification of 1.0 Deputy ASD/Chief Information Officer to 1.0 Chief Information Officer
- 7 Transfer in of 0.25 Director, Administrative Services to Technology Fund
- 8 Elimination of 1.0 Manager, Information Technology, due to budget constraints.
- 9 Transfer in of 0.40 Senior Business Analyst, ASD to Technology Fund
- 10 Elimination of 4.0 Senior Technologist, due to budget constraints.
- 11 Transfer of 0.16 Senior Financial Analyst to Administrative Services, General Fund
- 12 Transfer in of 0.05 Staff Secretary, ASD to Technology Fund
- 13 Transfer of 0.25 Staff Secretary to CPA External Services Fund
- 14 Transfer in of 0.33 Accounting Specialist, PWD to Capital Fund
- 15 Transfer in of 0.30 Assistant Engineer, PWD to Capital Fund
- 16 Transfer in of 3.0 Cement Finisher, 1.5 from PWD and 1.5 from PW Enterprise, to Capital Fund
- 17 Transfer in of 1.0 Cement Finisher-Lead, 0.5 from PWD and 0.5 from PW Enterprise, to Capital Fund
- 18 Transfer in of 0.15 Deputy Director, Public Works Operations to Capital Fund
- 19 Transfer in of 0.20 Heavy Equipment Operator - Lead, PWD to Capital Fund
- 20 Transfer in of 0.50 Manager, Maintenance Operations, PWD to Capital Fund
- 21 Transfer in of 0.20 Superintendent, Public Works Operations to Capital Fund
- 22 Transfer in of 0.10 Supervisor, Inspection/Surv, PWD to Capital Fund
- 23 Drop 0.33 Account Specialist, Add 0.33 Staff Secretary.



2005-07 Table of Organization *continued*

	2003-04 Actual Budget	2004-05 Adjusted Budget	2005-06 Adopted Budget	2005-06 Budget Change	2006-07 Adopted-in- Concept Budget	2006-07 Budget Change
TOTAL CITYWIDE POSITIONS	1093.35	1093.60	1071.40	-22.20	1070.40	-1.00



Miscellaneous



Reserve Policies

As revised by City
Council on June 28, 2004

General Fund Reserve Policy

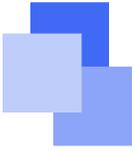
Determination of the appropriate level of General Fund reserves is a policy decision. Some general guidelines have been suggested by the literature in the government finance field. The Government Finance Officers Association (GFOA) recommend that reserve levels be directly related to the degree of uncertainty the local government faces: the greater the uncertainty, the greater the financial resources necessary. Past experience should be used as a guide, with particular attention being paid to the following:

- Diversity of revenue base
- Volatility of revenue structure
- Volatility of political environment
- Consistent operating surpluses/occasional or frequent operation deficits
- Uneven cash flows, requiring short-term borrowing

Diversity of Revenue Base: Palo Alto has a comparatively diverse revenue base with, almost half of General Fund revenue coming from non-tax sources. This means that in periods of economic recessions, Palo Alto is somewhat more resilient to revenue reductions than cities in which tax revenue makes up the overwhelming majority of their revenue base. (In contrast, for all cities in California of Palo Alto's size, taxes make up roughly two-thirds of total General Fund revenue.)

Volatility of Revenue Structure: Tax revenues show the most volatility in terms of growth, although Palo Alto's revenues have been relatively more stable than other cities in Santa Clara County or the Bay Area in general. Sales tax is spread broadly across consumer retail, business-to-business sales, and other sales (transportation, food products, and miscellaneous); they are less able to withstand political vagaries, however.

Political Volatility: While Palo Alto's revenues have shown strength and resilience in relation to the general economy, considerable volatility has been introduced by the inability of the State government to deal with its own budget problems. In 1990-91, the State gave counties authority, through SB 2557, to charge cities for the cost of booking prisoners and for property tax administration; this action cost Palo Alto approximately half a million dollars on an annual basis. In 1991-92, the State shifted 47 percent of cities' cigarette tax away to fund trial courts. In addition,



Reserve Policies *continued*

the State took half of all non-parking fines and forfeitures attributable to cities. From 1992-94, the State reduced cities' property tax revenues by almost 15 percent, eliminated the balance of cigarette tax revenues, and extended the definition of booking fees so that counties may potentially double or triple the charges they assess. In November 1996, voters passed Proposition 218, the Right to Vote on Taxes initiative. It further limits the City's ability to raise new funds.

The State has further targeted property tax revenues as an offset to its 2004 and 2005 budget balancing activities. Approximately \$1.5 million (10 percent) in Palo Alto property tax revenues have been targeted for inclusion in the Educational Revenue Augmentation Fund (ERAF) in 2004-05.

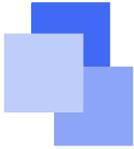
Of all the factors to be considered in setting reserve levels, none appears more critical than political volatility in the current economic environment.

Operating Surplus/Operating Deficit: The City continues its philosophy of “pay as you go” as its preferred approach to operations. This requires a balanced budget and operating result at yearend, along with not funding operating deficits with reserves. Significant progress has been made to slow the ten-year annual expenditure growth rates (4.0 percent), but it still exceeds the expected revenue growth rate by 0.3 percentage points. It will be important to ultimately have long-term revenue growth rates above those for expenditures.

Uneven Cash Flow: General Fund reserves are invested as part of a pool, which includes idle cash in all City funds, including the Enterprise and the Special Revenue Funds. Cash flow projections for the portfolio reflect no need for short-term borrowing, and the City has not experienced this need in the past.

Budget Stabilization Reserve (BSR)

Events in recent years have left little doubt that the City's budget planning can be completely negated by the actions of the State Legislature and the Governor in Sacramento. The General Fund requires a BSR to serve as a repository for unspent operating funds at yearend, as well as pay for one-time unexpected needs that arise outside of the regular budget planning process. The BSR is not meant to fund ongoing operating expense. A reserve level of no less than 15 percent of General Fund operating expenditures, with a target of 18.5 percent, shall be maintained. At the discretion of the City Manager, reserve balance above this level is transferred to the Infrastructure Reserve within the Capital Fund.



Reserve Policies *continued*

Capital Fund Reserve Policy

Reserve for Equity Transfer Stabilization

The Reserve for Equity Transfer Stabilization in the General Fund is designated to replace the equity transfer in the event that the Gas and Electric Funds are unable to make the required annual equity transfer to the General Fund. This reserve is funded at the end of each fiscal year by the Gas and Electric Funds based on a Council approved formula. The transfer is dependent on the positive operating results and reserve balances of the funds. Funding of this reserve will cease when Reserve for Equity Transfer Stabilization reaches 30% of the combined required annual equity transfer of the current year.

Infrastructure Reserve (IR)

The Infrastructure Reserve (IR) was originally created as a mechanism to accumulate funding required to complete a 10 year, \$100 million infrastructure rehabilitation program that would repair or renovate existing buildings and facilities, streets and sidewalks, parks and open space and transportation systems. Because of the need to maintain infrastructure on a systematic basis, it was recognized that the IR would out of necessity never be exhausted but would act in perpetuity as the source of funding for General Fund infrastructure.

From time to time, the Council has used the IR to fund new capital projects. However, the Council has not changed the original policy, adopted when the Infrastructure Management Plan was approved, to prioritize the care and maintenance of existing infrastructure over the acquisition of new infrastructure.

The reserve would therefore be used primarily to fund the projects identified in the original Infrastructure Master Plan, or any other projects not identified in the plan but which are critical to the maintenance of existing infrastructure. Secondly, should Council choose, the IR may be used for major capital projects involving the acquisition or renovation of infrastructure not previously included in the IMP.

Because the IR is to be used for priority capital projects that will be reviewed by the Council, no maximum reserve level is recommended. A \$2 million minimum balance is required to maintain an ongoing commitment to the City's future infrastructure needs.

Unspent monies from IMP projects will be returned to the IR and retained within the Capital Fund. Investment income from this reserve will also be retained within the IR to fund future capital project needs.

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 participate in 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 neighborhood issues.

The Palo Alto Unified School District (PAUSD) has an international reputation for excellence. Over 90% of PAUSD students enter college and the drop-out rate is approximately 1% (PAUSD, Annual District Profile, 2001-02). In addition, District students score well above the average on standardized tests.

Palo Alto enjoys access to medical care unsurpassed almost anywhere in the world. Two medical facilities of national or international stature are located here, the Palo Alto Medical Foundation and the Stanford Medical Center.

Palo Alto is home to a vibrant business community, with over 91,000 jobs and 4,000 businesses located in the city. The local economy is primarily based on banking, insurance, real estate, as well as the wholesale, retail and service industries.

From city-owned parks in the baylands where birds and aquatic life flourish in a natural habitat to the trails and picnic areas in our grassy foothill preserves, Palo Alto is a city that boasts 34 parks. Indeed, one-third of Palo Alto's 26 square miles is open space, which complements Stanford University's thousands of acres of rolling hills and botanical preserves.

Demographic Statistics

Last Ten Fiscal Years

Fiscal Year	City Size Square Miles	Street Miles	City Population	County Population	School Population
1994-95	25.98	193.12	56,700	1,607,700	8,419
1995-96	25.98	193.12	57,000	1,612,300	9,122
1996-97	25.98	193.12	57,800	1,653,100	9,407
1997-98	25.98	193.12	57,900	1,689,900	9,719
1998-99	25.98	193.12	58,300	1,715,400	9,946
1999-00	25.98	193.12	58,500	1,736,700	9,881
2000-01	25.98	193.12	60,200	1,728,680	10,031
2001-02	25.98	193.12	60,500	1,719,565	9,952
2002-03	25.98	193.12	60,465	1,729,917	10,151
2003-04	25.98	193.12	60,246	1,731,422	10,341
2004-05	25.98	193.12	61,674	not available	not available

SOURCES:

California Department of Finance

Palo Alto Unified School District

Santa Clara County, Planning website: (<http://www.sccplanning.org>)

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2005-06 Estimated Appropriations Limitation

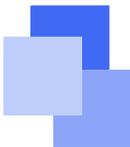
COMPLIANCE CALCULATION (\$Millions)	Combined Funds	General Fund	Capital Projects	Debt Service	Special Revenue
TOTAL BUDGETED APPROPRIATIONS					
2005-06 Proposed Budget (\$millions)	121.62	104.45	11.04	1.33	4.81
Less: Debt Service Transactions	1.33			1.33	
Capital Outlay	10.83		10.83		
Non-Proceeds of Taxes	43.59	40.17			3.42
Net Adopted Appropriations Subject to Limit	\$65.87	\$64.27	\$0.21	\$0.00	\$1.39
2005-06 Appropriations Limit	95.68				
UNDER LIMIT BY	\$29.80				

COMPUTATION OF APPROPRIATION LIMIT

2004-05 Appropriations Limit	\$89,269,644
2004-05 City of Palo Alto Population Change	1.82%
2004-05 Per Capita Income Change	5.26%
(1.0182) x (1.0526) x \$89,269,644 =	\$95,675,394

The City of Palo Alto remains well within its appropriations limit in 2005-06. Future year limit trends can be made based on average change in regional population and income growth. The appropriations subject to limitation includes proceeds of taxes from the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Improvement Funds. The following is a summary of estimated limits and estimated appropriations subject to the limit.

Historical Appropriations	2001-02	2002-03	2003-04	2004-05	2005-06
Appropriations Subject to the Limit	71.66	65.96	61.33	64.13	65.87
Appropriations Limit	81.80	83.21	85.82	89.27	95.68
Under Limit By	\$10.14	\$17.25	\$24.49	\$25.14	\$29.80
Projected Appropriations	2006-07	2007-08	2008-09	2009-10	2010-11
Appropriations Subject to the Limit	71.14	76.83	82.98	89.62	96.79
Appropriations Limit	101.75	108.21	115.08	122.39	130.16
Under Limit By	\$30.61	\$31.38	\$32.10	\$32.77	\$33.37



2005-06 Estimated Appropriations Limitation
continued

RESOLUTION NO. 8541

RESOLUTION OF THE COUNCIL OF THE CITY OF PALO ALTO DETERMINING THE CALCULATION OF THE APPROPRIATIONS LIMIT OF THE CITY OF PALO ALTO FOR FISCAL YEAR 2005-06

WHEREAS, under Article XIII B of the Constitution of the State of California, the City of Palo Alto (City) may not appropriate any proceeds of taxes in excess of its appropriations limit (Limit); and

WHEREAS, since 1990-91, the City is permitted to annually adjust its Limit in accordance with inflation and population adjustment factors; and

WHEREAS, pursuant to Government Code Section 37200, the calculation of the Limit and the total appropriations subject to the limit were set forth in the annual budget of the City for fiscal year 2005-06, which will be adopted by ordinance of the Council on June 20, 2005; and

WHEREAS, pursuant to Government Code sections 7901 and 7910, the final calculation of the Limit has been determined, and the adjustment factors on which the calculation is based are a 5.26% percent change in California per capita income and a 1.82% percent change in the population growth for the City of Palo Alto; and

WHEREAS, the documentation used in the determination of the Limit has been made available to the general public for fifteen (15) days prior to the date of adoption of this resolution; and

WHEREAS, according to the final calculation, the City's appropriations subject to limitation are approximately \$29.80 million less than the Limit.

NOW, THEREFORE, the Council of the City of Palo Alto does RESOLVE as follows:

SECTION 1. The Council of the City of Palo Alto hereby finds that, for fiscal year 2005-06, the final calculation of the Appropriations Limit of the City of Palo Alto has been determined in accordance with the adjustment factors referred to above, the documentation used in the determination of the calculation has been made available to the general public for the period of fifteen days as required by law, and the City's appropriations subject to limitation are under the Limit by approximately \$29.80 million.



2005-06 Estimated Appropriations Limitation

continued

SECTION 2. The Council hereby adopts the final calculation of the Appropriations Limit of the City for fiscal year 2005-06, a copy of which is attached hereto as Exhibit A.

SECTION 3. The Council finds that the adoption of this resolution does not constitute a project under the California Environmental Quality Act, and, therefore, no environmental assessment is necessary.

INTRODUCED AND PASSED: June 20, 2005

AYES: BEECHAM, BURCH, CORDELL, FREEMAN, KLEINBERG, KISHIMOTO, MORTON, MOSSAR, OJAKIAN

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

Asst [Signature] City Clerk

APPROVED:

[Signature] Mayor

APPROVED AS TO FORM:

[Signature] City Attorney (ex. Asst)

[Signature] City Manager

[Signature] Director, Administrative Services

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Budget Adoption Ordinance

ORDINANCE NO. 4876

ORDINANCE OF THE COUNCIL OF THE CITY OF PALO ALTO
ADOPTING THE BUDGET FOR FISCAL YEAR 2005-06 AND IN-
CONCEPT APPROVAL OF THE BUDGET FOR FISCAL YEAR 2006-07

SECTION 1. The Council of the City of Palo Alto finds and determines as follows:

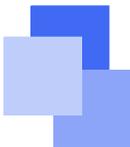
A. Pursuant to the provisions of Section 6(g) of Article IV of the Charter of the City of Palo Alto and Chapter 2.28 of the Palo Alto Municipal Code, the City Manager has prepared and submitted to the City Council, by letter of transmittal, a budget proposal for fiscal years 2005-06 and 2006-07; and

B. Pursuant to the provisions of Section 12 of Article III of the Charter, the Council did, on June 20, 2005, hold a public hearing on the budget after publication of notice in accordance with Section 2.28.070 of the Palo Alto Municipal Code; and

C. In accordance with the provisions of Chapter 5 of Division 1, of Title 7, commencing with Section 66016 of the Government Code, as applicable, the Council did on June 20, 2005, hold a public hearing on the proposed amendments to the Municipal Fee Schedule, after publication of notice and after availability of the data supporting the amendments was made available to the public at least 10 days prior to the hearing.

SECTION 2. Pursuant to Chapter 2.28 of the Palo Alto Municipal Code, the following documents, collectively referred to as "the budget" are hereby approved and adopted for the fiscal year 2005-06:

- (a) The budget document (Exhibit "A") containing the proposed operating and capital budgets submitted on or about May 3, 2005, by the City Manager for fiscal years 2005-07, entitled "City of Palo Alto - City Manager's 2005-07 Proposed Budget" covering General Government Funds, Enterprise Funds and Internal Service Funds, a copy of which is on file in the Office of the City Clerk, to which copy reference is hereby made concerning the full particulars thereof, and by such reference is made a part hereof; and
- (b) The Amendments to the City Manager's 2005-07 Proposed Budget, attached hereto as Exhibit "B," and made a part hereof; and



Budget Adoption Ordinance

continued

- (c) The document entitled "2005-06 Proposed Municipal Fee Schedule," attached hereto as Exhibit "C," and made a part hereof; and
- (d) Changes and revised pages in the Table of Organization, attached hereto as Exhibit "D," and made a part hereof; and
- (e) Amendments to the "2005-06 Proposed Municipal Fee Schedule," attached hereto as Exhibit "E" and made a part hereof; and

SECTION 3. The sums set forth in the budget for the various departments of the City, as herein amended, are hereby appropriated to the uses and purposes set forth therein.

SECTION 4. All expenditures made on behalf of the City, directly or through any agency, except those required by state law, shall be made in accordance with the authorization contained in this ordinance and the budget as herein amended.

SECTION 5. Appropriations for the fiscal years 2004-05 that are encumbered by approved purchase orders and contracts for which goods or services have not been received or contract completed, and/or for which all payments have not been made, by the last day of the fiscal year 2004-05 shall be carried forward and added to the fund or department appropriations for fiscal year 2005-06.

SECTION 6. The City Manager is authorized and directed to make changes in the department and fund totals and summary pages of the budget necessary to reflect the amendments enumerated and aggregated in the budget as shown in Exhibit B and the 2004-05 appropriations carried forward as provided in Section 4.

SECTION 7. As specified in Section 2.04.320 of the Palo Alto Municipal Code, a majority vote of the City Council is required to adopt this ordinance.

SECTION 8. As specified in Section 2.28.140(b) of the Palo Alto Municipal Code, the Council of the City of Palo Alto hereby delegates the authority to invest the City's funds to the Director of Administrative Services, as Treasurer, in accordance with the City's Investment Policy for 2005-06.

SECTION 9. In accordance with Section 2.28.020 of the Palo Alto Municipal Code, the Council of the City of Palo Alto hereby approves in concept the spending plan set forth in the 2006-07 Proposed Budget.



Budget Adoption Ordinance
continued

SECTION 10. The Council of the City of Palo Alto hereby finds that this is not a project under the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

SECTION 11. As provided in Section 2.04.330 (a) (3) of the Palo Alto Municipal Code, this ordinance shall become effective upon adoption; provided that all new increases in Planning Department fees, more specifically described in Exhibit "C," shall become effective sixty (60) days from the date of adoption.

INTRODUCED AND PASSED: June 20, 2005

AYES: DECHAM, BURCH, CORDELL, KLEINBERG,
KISHIMOTO, MORTON, MOSSAR, OJARIAN

NOES: FREEMAN

ABSTENTIONS:

ABSENT:


Asst City Clerk


Mayor

APPROVED AS TO FORM:


City Attorney (So. Asst.)

APPROVED:


City Manager


Director of Administrative Services

Exhibits A - E will be retained in the Budget Division



Glossary

Key Budget Terms

Adjusted Budget: The adjusted budget represents the adopted budget including changes made during the fiscal year.

Adopted Budget: The adopted budget is the annual City budget approved by the City Council on or before June 30.

Appropriation: The allocation of an expense budget for a particular project or program usually for a specific period of time.

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

Capital Budget: A plan of proposed capital outlays and the means of financing them for the current fiscal period. In a two-year budget, the second year of the Capital Improvement Program is adopted-in-concept.

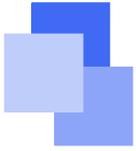
Capital Improvement Program (CIP): The Capital Improvement Fund accounts for projects related to the acquisition, expansion, or rehabilitation of the City's buildings, equipment, parks, streets, and other public infrastructure.

Capital Projects Fund: A fund created to account for all resources to be used for the construction or acquisition of designated fixed assets by a governmental unit except those financed by proprietary or fiduciary funds.

Comprehensive Plan: The Palo Alto Comprehensive Plan contains the City's official policies on land use and community design, transportation, housing, natural environment, business and economics, and community services. Its policies apply to both public and private properties. Its focus is on the physical form of the City. The Adopted Budget integrates the 1998-2010 Comprehensive Plan into the budget process.

Cost Accounting: The branch of accounting that provides for the assembling and recording of all the elements of cost incurred to accomplish a purpose, to carry on an activity or operation, or to complete a unit of work or a specific job.

Enterprise Funds: Enterprise funds account for City operations which are financed and operated in a manner similar to private enterprise. Costs of providing service to the public are covered by user charges, grant funds, and impact fees. The



Glossary *continued*

City of Palo Alto owns and operates its own utilities with the exception of refuse hauling and collection, which is contracted with an outside firm.

Fiscal Agent: A bank or other corporate fiduciary that performs the function of paying, on behalf of the governmental unit, or other debtor, interest on debt or principal of debt when due.

Fiscal Year: A 12-month period of time to which the annual budget applies and at the end of which a governmental unit determines its financial position and the results of operations.

Fixed Assets: Assets of a long-term character that are intended to continue to be held or used, such as land, buildings, machinery, furniture, and other equipment.

Funds: Local government budgets are made up of funds, which help to organize and account for restricted resources. Each fund is considered a separate accounting entity.

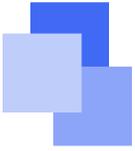
Governmental Funds: A generic classification used to refer to all funds other than proprietary and fiduciary funds. The capital projects fund is one example of the type of funds referred to as “Governmental Funds”.

Infrastructure Assets: Roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems installed for the common good.

Infrastructure Management Plan (IMP): A portion of the General Fund capital improvement program with the focus of rehabilitating the City's infrastructure. In 1998-99, an outside consultant on the City's infrastructure prepared a report known as the Adamson report. Within this report the City's infrastructure was catalogued and ranked based on when the infrastructure needed to be upgraded or replaced and the cost for each item. At that time, the City Council decided to establish a plan using the Adamson report as a guide to both timeline and cost.

Internal Service Funds: These funds provide services to City departments and recover their costs through user charges. The Vehicle Replacement Fund is an Internal Service Fund managing the replacement and maintenance of the City fleet.

Method of Accounting: The City's General Fund budget is developed using a modified accrual basis of accounting, with revenues being recorded when measurable and available, and expenditures recorded when the liability is incurred. Enterprise Funds and Internal Service Funds are budgeted on a generally accepted accounting principles (GAAP) basis, which for Proprietary Funds is on a full accrual accounting basis.



Glossary *continued*

Operating Transfer: Amounts transferred between funds; not considered a revenue or expense. For example, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

Pay-As-You-Go-Basis: A term used to describe the financial policy of a governmental unit that finances all of its capital outlays from current revenues rather than by borrowing.

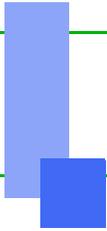
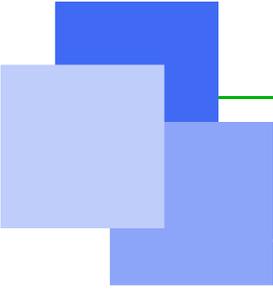
Proposed Budget: The proposed budget is the budget that is sent to the Finance Committee by the City Manager. The proposed budget, including changes made by the Finance Committee during their review, is approved by the Council and then becomes the adopted budget.

Reimbursements: Interfund transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it but that properly apply to another fund. For example, the Enterprise Funds reimburse the Technology Fund for CIP projects that the Enterprise Funds benefit from.

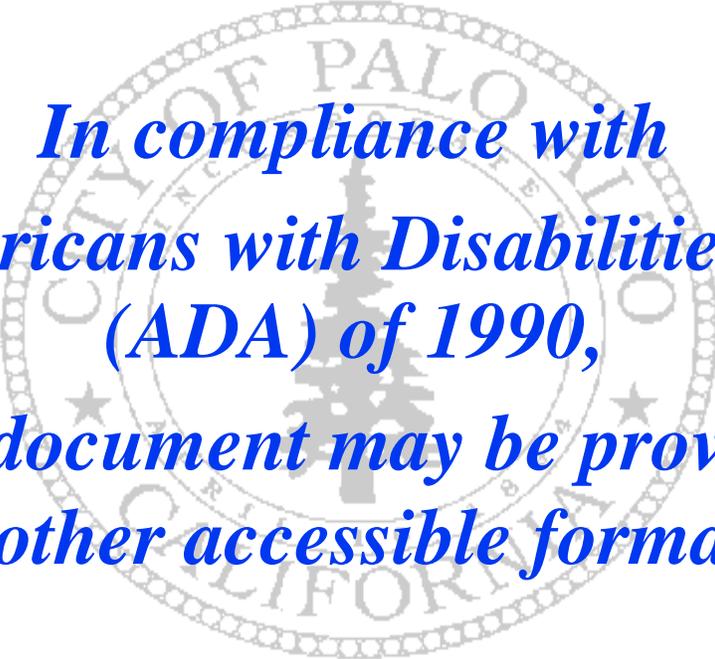
Reserve: Represents the portion of fund balance set aside for financing future capital improvements or the outlay of capital projects in any given year, and addressing one-time emergency needs.

Revenues: Revenues include compensation received by the project for specific services to the public (external revenues), as well as revenues received from other funds (internal revenues). An example of internal revenue includes the Electric Fund reimbursing a Technology project for the technological resources that it will provide.

Special Revenue Funds: These funds account for the proceeds derived from specific revenue sources that are legally restricted to expenditures for specified purposes. The Street Improvement Fund (SIF) is a Special Revenue Fund that derives its funding from state gas tax revenues. Capital appropriations from the SIF must be spent on the construction and maintenance of the road network system of the City.



Americans with Disabilities Act



*In compliance with
Americans with Disabilities Act
(ADA) of 1990,
this document may be provided
in other accessible formats.*

For information contact:

Fred Herman
City of Palo Alto
285 Hamilton Avenue
(650) 329-2550
(650) 328-1199 (TDD)