2007-09 ADOPTED Operating Budget

City of Palo Alto CALIFORNIA

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Special Acknowledgement

I am pleased to transmit to the City Council and our Palo Alto community the following budget-related documents:

- City Managers' Proposed Operating and Capital Budgets for 2007-09
- The City Manager's Budget Adoption Report incorporating recommendations from the Council's Finance Committee
- The Council-adopted Operating and Capital Budgets for 2007-09.

Of course, any successful local government budget effort is a large collaborative effort involving operating departments, finance staff, community stakeholders, as well as the Council.

I would, however, like to especially highlight the contribution of Carl Yeats, Administrative Services Director, who has successfully guided the preparation and adoption of annual budgets since he was hired as our chief financial officer in 1998.

Under Carl's leadership, our annual budget has been recognized each year with the top financial reporting and budget awards from the national Governmental Financial Officers of America and the California Society of Municipal Financial Officers.

Carl should also be recognized for his tutelage of our Budget Managers. In the past nine years, the three past Budget Managers — Gigi Harrington, Lalo Perez, and Charles Perl — have all been promoted to higher senior manager roles in Palo Alto or other local governments in the Bay Area.

Carl will be retiring from local government service by the end of 2007. On behalf of the City Council and our organization, I would like to thank Carl for his exemplary service.

Frank Benest

City Manager

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CITY OF PALO ALTO

2007-09

City Council

Yoriko Kishimoto, ***Mayor***
Larry Klein, ***Vice Mayor***

John Barton
Bern Beecham
LaDoris Cordell
Peter Drekmeier
Judy Kleinberg
Dena Mossar
Jack Morton

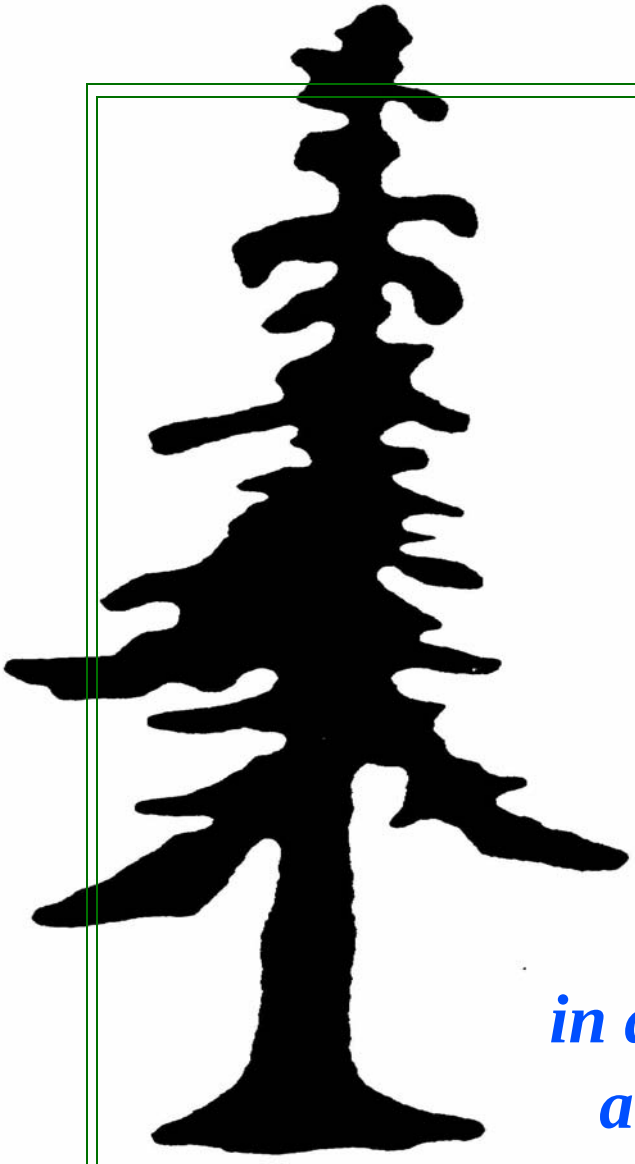
Frank Benest
City Manager

Emily Harrison
Assistant City Manager

Carl Yeats
Director of Administrative Services

Lalo Perez
Assistant Director of Administrative Services

Jack Morton
Finance Committee Chair



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

The City of Palo Alto's Values:

Quality - Superior delivery of service.
Courtesy - Providing service with respect and concern.
Efficiency - Productive, effective use of resources.
Integrity - Straight-forward, honest and fair relations.
Innovation - Excellence in creative thought and implementation.

It's a Matter of Pride!

CITY OF PALO ALTO
2007-09
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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Visit the City's Website at:

www.CityofPaloAlto.org

Budget Awards

California Society of
Municipal Finance Officers

Certificate of Award
For
Excellence in Operating Budgeting
Fiscal Year 2005-2006

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

The City of Palo Alto

For meeting the criteria established to achieve the EXCELLENCE AWARD in the OPERATING BUDGET CATEGORY.

February 23, 2006

President

Agnes Walker, Chair
Budgeting & Financial Management

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

City of Palo Alto

California

For the Biennium Beginning

July 1, 2005

President

Executive Director

The Government Finance Officers Association of the United States and Canada

presents this

CERTIFICATE OF RECOGNITION FOR BUDGET PREPARATION

to

Administrative Services Department, Budget Division

City of Palo Alto, California

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

Executive Director

December 12, 2005

Date

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Message

May 1 2007

Honorable City Council

Palo Alto, California

Attention:
Finance Committee

Introduction

Dear Mayor and Council Members:

I am pleased to present for City Council's consideration a balanced budget proposal for fiscal years 2007-09. Along with the current budget, it represents the culmination of years of painful, but necessary adjustments to align revenues with expenditures as a consequence of the "dot-com" collapse. This alignment included the reduction of 70 General Fund positions and $20 million in expenditures. The community, Council, and staff should pause to acknowledge the achievement of eliminating a significant structural deficit. Now, the City is faced with new fiscal challenges and we must work together, once again, to solve them. The Proposed Budget represents a major step in that endeavor.

Immediate Challenges

As highlighted in the 2007-17 Long Range Financial Forecast (December 2006), the City confronts issues that, if not addressed, will again threaten our fiscal balance and the continuity of service delivery. One of these issues is the City's sizeable retiree medical liability which we have discussed at length with Council. Compared to other jurisdictions, the City of Palo Alto has wisely set aside a $26.5 million reserve to partially address the liability. Moreover, the City is moving ahead with establishing a Trust Fund with PERS to assure a rate of return that will pare the actuarially determined annual required contributions. This action, combined with the funding identified in this budget to fulfill our annual obligation, will substantially address the retiree medical liability issue. As one reads about the woeful condition of State and local jurisdictions in dealing with their medical liability, we should be especially pleased with our efforts to deal with this daunting problem.

Frank Benest, City Manager

As in 2006-07, Council rightly has made infrastructure funding one of its top priorities. A necessary, but tough assignment from Council is to

identify an additional $3 million for existing infrastructure rehabilitation and replacement. This infusion of additional funding will enable the City to sustain a reserve balance sufficient to fund a minimum of $7 to $10 million in existing infrastructure projects annually. After a series of meetings with Council and considerable staff work, a list of potential revenue enhancements and expenditure reductions has been identified to achieve the $3 million goal. On March 14, 2007, Council provided valuable feedback on a proposed list that staff has now incorporated into the 2007-09 Proposed Budget. I am proposing to increase infrastructure funding by $2 million in 2007-08 and by a total of $3 million in 2008-09. (These increases are in addition to the existing $5.6 million that we infuse into the infrastructure reserve.) Individual changes to achieve the $3 million goal are listed in each City department's budget and are labeled "$3 Million Challenge."

Gamble Gardens

Included in the $3 million plan is $100,000 for an Innovations Fund. The fund provides support for new ideas that will yield net cost savings or net revenue gains through efficiency and process enhancements or entrepreneurial ideas. This funding is provided over two years to test and implement productive proposals.

A third challenge is to meet new facility needs such as the upgrading, expansion, and replacement of our libraries as well as constructing a new public safety building. Per Council policy, new revenue sources must be identified to fund these proposals and discussion of placing General Obligation bond measures on a 2008 ballot has occurred. The current and 2007-09 Proposed Budget include the required funding for planning and design costs as we move forward toward a ballot measure.

Local Economy and City's Budget

The City's ten-year Long Range Financial Forecast reported that the local economy was on a trajectory of steady, but slow growth. This projection has held in spite of real threats from rising gasoline prices, real estate and loan concerns, and relatively high interest rates. City sales and transient occupancy tax revenues have moved modestly upward, although the rate of sales tax growth moderated in the fourth quarter of 2006. It is important to note that a consensus is developing among economists that a general economic slowdown

is expected in 2007 and that this may affect our economically sensitive and critical revenue sources. Prudent and disciplined spending is advisable in light of these forecasts and the City's priorities. Modest surpluses are projected in 2007-08 and 2008-09 after including retiree medical liability payments and after identifying $3 million in resources for infrastructure work.

Revenue and Expense Highlights

The following represent key changes between the 2006-07 Adjusted Budget and the 2007-09 Proposed Budget:

Revenues

- Overall General Fund revenue is increasing by an additional $8.6 million (6.5 percent) in 2007-08 and by an additional $2.7 million (1.9 percent) in 2008-09
- Sales tax is rising by $0.8 million (3.6 percent) in 2007-08 and $0.7 million (3.4 percent) in 2008-09
- Property tax is increasing by $1.0 million (4.5 percent) in 2007-08 and $1.0 million (4.4 percent) in 2008-09
- Utility Users Taxes are expected to grow by $0.4 million (4.2 percent) in 2007-08 and $0.7 million (7.5 percent) in 2008-09
- Transient Occupancy Tax (TOT) increases by $0.2 million (3.6 percent) in 2007-08 and $0.3 million (4.1 percent) in 2008-09

Expenses

- Overall General Fund expense increases $10.4 million (8.1 percent) in 2007-08 and $1.8 million (1.3 percent) in 2008-09.
- Salary expense increases by $1.0 million (1.7 percent) in 2007-08 and $0.7 million (1.2 percent) in 2008-09. The change is primarily due to negotiated salary agreements with specific bargaining groups.
- Overall benefit costs increase by $4.4 million (17 percent) in 2007-08 and remain stable in 2008-09. The increase in 2008-09 results from: inclusion of $2.9 million in retiree medical liability costs; the inclusion of the 2.7 percent at 55 pension plan; and an increase in employee medical premiums. The ongoing cost of the 2.7 percent at 55 pension plan is offset by employee contributions and by the recent caps or limits on employee (active and retired) health care plans and eligibility that have been negotiated with employees.

- The base General Fund transfer for capital projects remains at $5.6 million and will be increased by an additional $3 million over two years for a total transfer of $8.6 million. The transfer amount is further increased by $1 million by building the year-end transfer to the Infrastructure Reserve into the budget rather than making it contingent on year-end surpluses.
- The $6.2 million Covenant Not to Develop payment to Palo Alto Unified School District (PAUSD) is maintained as are funds for field maintenance, school resource officers, theater programs, after school athletics, and crossing guards.

I am proud to report our General Fund Budget Stabilization Reserve remains healthy and is slightly above the 18.5 percent of expenditures target set by Council policy. This provides a sound buffer for emergencies.

Lucie Stern Benches

Continuing Challenges

While the City is addressing our most pressing challenges, others continue or are on the horizon. On the revenue side, for example, there are regulatory, legal, and economic threats to revenue sources such as the telephone Utility Users Tax ($2.3 million) and the Sales Tax. The former faces legal and technological onslaught and the latter faces erosion through internet sales and local businesses leaving town. On the expense side, the City faces volatile health care and construction costs. To maintain a sustainable budget, another Top Priority for Council, closely controlled spending and exploration of new revenue sources is recommended.

Above, we have discussed how the 2007-09 Proposed Budget addresses two of the Council's Top 4 Priorities - Sustainable Budget and Library Facilities/Public Safety Building. The two remaining and equally important priorities, Emergency Planning and Global Climate Protection are attended to in the proposed budget. These commitments are highlighted in department budget sections and summarized on page 23 of the document. Some of the major projects for these two priorities include the Emergency Water Supply Project, the Public Safety Facility (which will be a “green” building), and the Recycled Water Distribution System Extension which decreases the need for reservoir water.

Enterprise Overview

To manage commodity and distribution costs as well as fund continuing capital improvements, the following utility enterprise rate changes are proposed for 2007-08 and 2008-09:

- Gas service rate increase of 9.5 percent in 2007-08 and 9.1 percent in 2008-09 due to increased commodity costs.
- Electric service rate increase of 5 percent in 2007-08 and 10 percent in 2008-09 due to increased supply and transmission costs.
- Water service rate increase of 10 percent in 2007-08 and 10 percent in 2008-09 due to infrastructure needs and wholesale water rate increases.
- Wastewater collection service has no proposed rate changes.
- Refuse rate increase of 13 percent in 2007-08 due to increased operating costs.
- Storm Drainage rates are increasing based on the consumer price index as prescribed in the voter-approved fee increase.

Although rates are moving higher, principally due to outside cost pressures (e.g., Hetch Hetchy distribution/capital improvement costs), the Palo Alto Utilities continue to provide good value and reliable service delivery for residents and businesses. The cited rate changes will increase the overall average residential utility bill by 8.9 percent.

Conclusion

Finally, let's linger for a moment on just a sample of the accomplishments of the past year. These include:

- Impressive and favorable scores for City services in the annual citizen survey
- "Green Power City" designation for the City of Palo Alto by the U.S. Environmental Protection Agency
- Successful applications for Department of Energy grants and Clean Renewable Energy bonds for photovoltaic projects
- The opening and public use of the new Stanford-Palo Alto playing fields
- Maintenance of the General Fund’s triple A credit rating
- Negotiated labor agreements that include health care cost containment measures and employee contributions to PERS retirement plans
- Solutions to the City's Retiree Medical liability
- Completion of the Library Service Analysis and the Public Safety Building Blue Ribbon Task Force Report

- Authorization to negotiate an expansion of Stanford Shopping Center
- Recommendations from Green Ribbon Task Force on Climate Protection
- Approval of "Campus for Jewish Life" project
- Achievement of full staffing in Police Department
- Completion of Baby Boomer study
- Support of auto dealers so they stay in Palo Alto and "grow in place"
- Initiation of Succession Planning to address the retirement of a large number of Senior Managers and professionals

Palo Alto City Hall

These noteworthy achievements represent the "can do" and ambitious spirit of our community, Council, and dedicated staff. As we venture forth into a new budget year, let's renew this spirit.

Acknowledgments

Our appreciation goes to the entire City staff team involved in preparing the 2007-09 Proposed Budget. Carl Yeats, Director of Administrative Services; Lalo Perez, Assistant Director of Administrative Services; and Joe Saccio, Deputy Director of Administrative Services have coordinated a wonderful team through an especially challenging task. Special acknowledgement goes to the Budget Team and their countless hours of analysis and creative thought. They include David Ramberg, Budget Manager, and his staff Mary Figone, Amy Javelosa-Rio, Dale Wong, Cherie McFadden, Dave Yuan, and Sharon Bozman. Staff throughout the city, in particular the Department Budget Coordinators (see acknowledgment page for names), are recognized for their hard work in developing the 2007-09 Proposed Budget.

Frank Benest

City Manager

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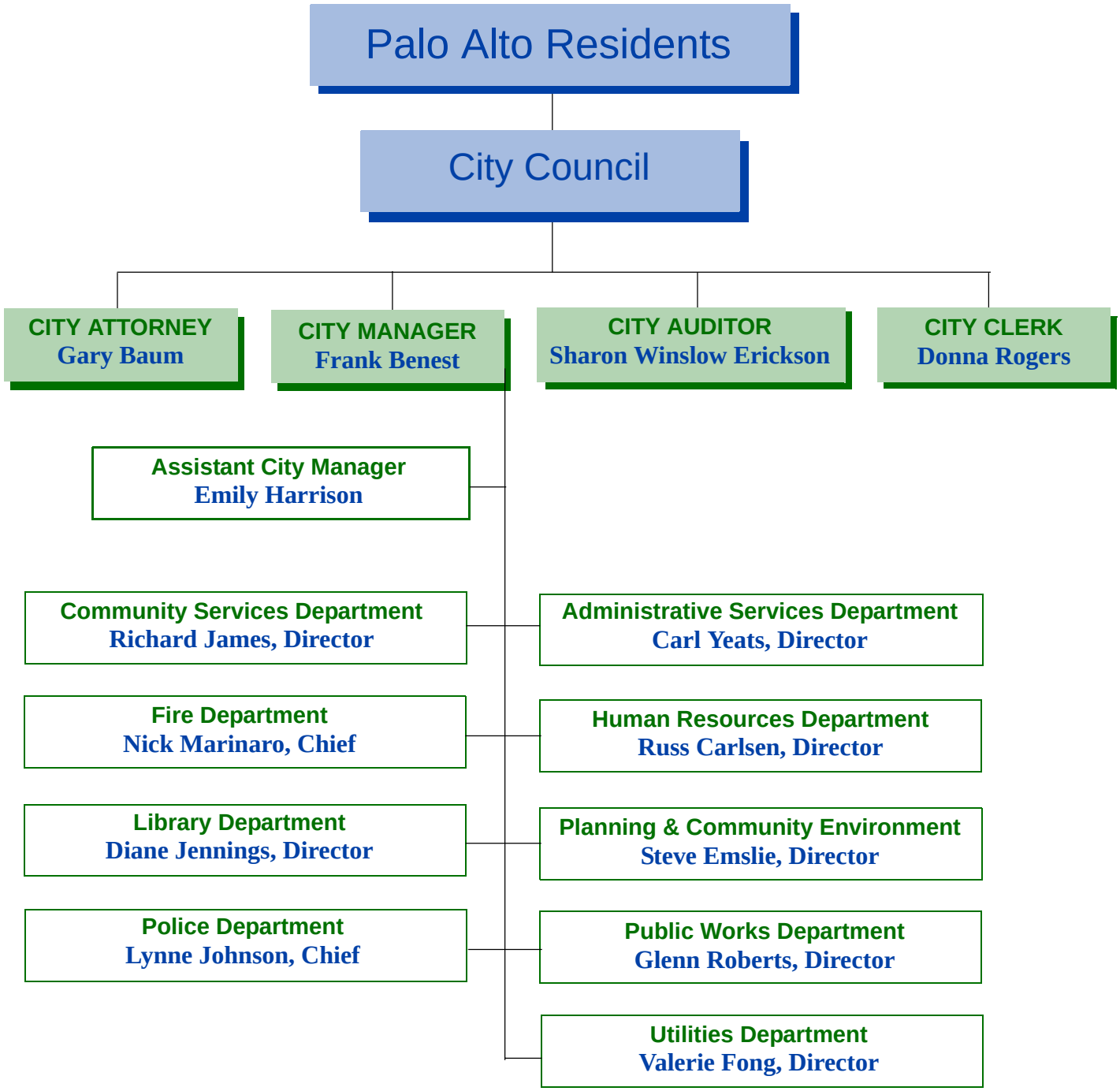
City of Palo Alto Organization Chart



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The Budget Process and Document

An Overview

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

Top Four Priorities

City Council Top Four Priorities

At the start of the City's budget process, the City Council determines its main focus for the following one-year period. Through an open Council dialogue, the priorities guide both budget development and department priority-setting. The public has the opportunity to provide input into this process as well as during the budget review by the Finance Committee. The following are the Top Four City Council priorities for 2007-08:

- Global Climate Protection
- Library Plan/Public Safety Building
- Sustainable Budget
- Emergency Planning

Operating Budget Process

Budget Preparation

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

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

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

Operating Budget Calendar

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

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

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

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

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

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

Changing the Budget

Level of Control and Changes to the Adopted Budget

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

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

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

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

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

Understanding the Document Layout

Document Organization

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

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

contracted with an outside firm. The budget document is divided into fund and department sections, each containing the following components:

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

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

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

Understanding the Details

Financial Summaries

Reflected in this document are actual revenues and expenditures for 2005-06; the 2006-07 Adjusted Budget; the 2007-08 Adopted Budget; and the 2008-09 Adopted-In-Concept Budget. The main focus of this discussion along with the dollar amounts in the “Budget Change” column is to compare the 2006-07 Adjusted Budget with the 2007-08 Adopted Budget. This describes the changes from the prior year's numbers and is the recommended method of showing budgetary change by the Government Accounting Standards Board (GASB).

Revenues: Total revenues are displayed for each department and fund. In each department, revenues are shown as either internal or external depending on their source. Revenues include fees collected for cost-recovery purposes by the department or fund for specific services to the public (external revenues), as well

as revenues received from other funds (internal revenues). An example of internal revenue includes the Electric Fund reimbursing the Attorney's Office for legal services. The principal sources of external revenues are described in the Resource Level narratives within each department.

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

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

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

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

Rates and Reserves

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

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 printing/mailing services, while the General Benefits and Insurance Fund accounts for the administration of employee benefits, the City's self-insured workers' compensation, payroll, and general liability programs. The Technology Fund

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

Key Budget Terms

Adjusted Budget:

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

Adopted Budget:

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

Benchmarking Measures:

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

Capital Improvement Program (CIP):

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

Funds:

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

Infrastructure Management Plan (IMP):

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

Proposed Budget:

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

General Fund

General Fund Revenues

An Overview

The City's "2007-17 Long Range Financial Forecast" (LRFF) was presented to the Finance Committee in December 2006 (CMR:431:06). The LRFF, with its ten-year revenue and expense forecast, is the foundation upon which this budget is constructed.

As stated in the LRFF, the forecast assumes continued slow but steady economic growth over the next few years, based on both the economy's recent performance and on outside expert forecasts. For 2007-08, the Bay Area may expect slow job growth and moderate gains in real income. Santa Clara County's economic recovery finally caught up with that of the state and the nation. Risks to the City's financial health include high energy costs, the possibility of continued weakness in the housing market, strong competition for sales tax dollars from neighboring city retail outlets, legal developments which bode ill for our future UUT revenues, and new GASB rules which require the City to set aside funds to cover future retiree medical premiums, among other issues.

Overall, City revenues are expected to increase by $8.6 million (6.5 percent) in 2007-08 and then by $2.7 million in 2008-09. The following sections discuss the City's major revenue sources and their projected levels for 2007-09.

Sales Tax

Sales tax revenues are expected to reach $22 million in 2007-08. This represents a $0.8 million or 3.6 percent increase over the 2006-07 adjusted budget of $21.2 million.

Heavily dependent on Bay Area job and income growth and consumer spending, sales tax performance is closely tied to the health of the local economy. Although a reasonable growth rate for 2007-08 and 2008-09 is anticipated, there are concerns about the potential for a weakening economy, lower consumer confidence, a slide in home prices, and the loss of key sales tax revenue generators within City boundaries.

Property Tax

For 2007-08, property tax revenues are anticipated to reach $22 million, a $1 million or 4.7 percent increase over the 2006-07 adjusted budget. Due to the downturn in the housing market and the decline in assessed value growth rate for 2006-07, staff foresees property tax revenue growth moderating the next few years. A growth rate of around 4.4 percent in property tax revenues is estimated for 2008-09.

Transient Occupancy Tax (TOT)

The TOT is projected to grow by $0.24 million or 3.6 percent in 2007-09 for a total of $7 million in revenue. During the first two quarters of fiscal year 2006-07, the average citywide occupancy rate exceeded 70 percent and average daily room rates rose by 4.5 percent. The growth rate in 2007-08 is expected to be 4.1 percent.

Utility Users Tax (UUT)

UUT revenues are anticipated to increase by $0.38 million in 2007-08, a 4.2 percent increase over the 2006-07 adjusted budget. Most of the increase is attributable to higher Utility rates due to higher electric and gas commodity costs. Of the $9.4 million, $2.3 million is derived from the tax on telephone use. This amount includes payments from Verizon Wireless whose legal dispute with the City has been placed on hold for several years. Between changes in communication technology e.g., Voice Over Internet Protocol (VOIP) and potential legal and regulatory challenges, this revenue source is open to risk.

Other Taxes and Fines

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

Documentary Transfer taxes are anticipated to rise from $4.9 million in 2006-07 to $5.1 million in 2007-08. Projecting transfer taxes is somewhat difficult in that the mix, volume, and size of transactions which drive revenues can change from year to year. Based on historical performance and the steady flow of property transactions to date, the $5.1 million target in 2007-08 appears achievable.

Charges for Services

This revenue category is mainly comprised of external reimbursements and fee-for-service payments generated by General Fund departments such as Stanford University's payment for fire protection services ($6.9 million), paramedic fees ($1.7 million), and plan checking fees ($2.3 million). As compared to the 2006-07 adjusted budget, this category is projected to increase $1.3 million mainly due to an increase in the Stanford fire contract and plan checking revenue from higher construction activity.

Fees, Permits and Licenses

Revenue in this category is primarily derived from construction-related activity. In 2007-08, revenue in this area is increasing $1.5 million due to increased construction activity.

Return on Investment

During 2006-07, the City's portfolio yield has stabilized around 4.3 percent. Staff projects interest income of $2.2 million in 2007-08, a $0.09 million or 4.3 percent increase over the 2006-07 adjusted budget. Although yields on new investments have risen in the past year due to the Federal Reserve Board's spate of rate increases, the City's older, lower yielding investments (which are gradually maturing) have been a drag on yield. This is an expected result from a “laddered” portfolio.

Rental Income

Primarily comprised of rent charged to enterprise funds for use of City land, this revenue category is increasing $0.7 million in 2007-08 as compared to the 2006-07 adjusted budget. This is due to revised rental values as updated annually.

Charges to Other Funds

This revenue category is the reimbursement received by the General Fund for the provision of administrative services to enterprise and internal services funds. The General Fund charges these funds for legal, human resources, finance, and general administration services. This revenue is increasing $0.2 million in 2007-08 compared to the 2006-07 adjusted budget.

Operating Transfers-In

The equity transfer from the enterprise funds is the largest component of this revenue category, totaling $14 million. The equity transfer represents the return on the initial investment the City made when the Utility Department, and its utility business, was created more than 100 years ago. This transfer increases 3 percent annually, representing a $0.6 million increase in 2007-08 over 2006-07.

Other Revenue

This revenue category is mainly comprised of Animal Services revenue from neighboring cities, Palo Alto Unified School District's (PAUSD) share of maintenance for athletic fields, and one-time revenue sources. This revenue is decreasing $3.2 million in 2007-08 compared to the 2006-07 adjusted budget. The decrease is attributed mainly to the revenue received to support the purchase of the Bressler property.

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General Fund Expenditures

An Overview

Total General Fund expense is projected to be $138.9 million in 2007-08, a $10.4 million (8.1 percent) increase from 2006-07 adjusted budget figures. In 2008-09 General Fund expense will increasing $1.8 million (1.3 percent). The main elements of these changes include:

- $1.0 million (1.7 percent) increase in 2007-08 and $0.7 million (1.2 percent) in 2008-09 for negotiated salary increases for certain bargaining groups.
- Overall benefit costs increase by $4.4 million (17 percent) in 2007-08 and remain stable in 2008-09. The increase is primarily due to the inclusion of the cost for the future retiree medical liability (GASB 45), an addition of $2.9 million; the increase in pension cost resulting from the 2.7 percent at 55 pension plan; and an increase in employee healthcare premiums. The cost of the 2.7 percent at 55 pension plan is offset by employee contributions and from long-term cost avoidance in employee healthcare costs due to recent limits enacted on employee healthcare plans.
- The Capital Fund transfer of $5.6 million remains and is increased by an additional $3 million (Council Top Priority) over two years for a total transfer of $8.7 million in 2007-08 and $9.3 million in 2008-09. The transfer amount includes the $1 million year-end transfer to the Infrastructure Reserve that is now built into the budget rather than making it contingent on year-end surpluses. This approach is consistent with the 2007-17 Long Range Financial Forecast.

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

Increasing Employee Benefit Expense - Retiree Medical, Pension ($5 million GF increase)

The 2007-09 Adopted Budget includes expense for funding the future liability for retiree medical costs. In 2007-08, General Fund expense is increased by $2.9 million for the future retiree medical liability ($3.3 million citywide). The funds will contribute to the City's reserve for retiree medical and will satisfy the Governmental Accounting Standards Board's requirement for realizing the expense, known as GASB 45. In addition, General Fund benefit expense is increasing by approximately $2.0 million ($3.2 million citywide) for the 2.7 at 55 retirement plan approved in 2006. The ongoing cost of the retirement plan is offset by employee contributions and ongoing employee (active and retired) health care cost avoidance. Health care cost avoidance is achieved from placing a limit on employee medical plans. These amounts hold constant in the 2008-09 adopted-in-concept budget and will be reviewed as part of the 2008-09 budget process in 2008. The 2007-08 budget also incorporates a $0.6 million contingency for the

year-end transaction for workers' compensation and liability adjustments, know as the incurred but not yet realized (IBNR) adjustments. The IBNR contingency amount is an initial effort to address the annual unfunded liability and will likely be increased in future budgets to reflect actual expense.

Increasing Salary Expense - Negotiated Contract increases ($1.1 million)

The 2007-09 Adopted Budget contains funding for previously negotiated salary increases for the following labor groups:

- International Association of Fire Fighters (IAFF) negotiated salary increase - ($0.3 million in 2007-08 and 2008-09). The budget includes the negotiated increases of 3 percent in 2007-08 and 3 percent in 2008-09. The four year contract, renewed with an effective date of July 2006, will expire in 2010. Future year increases include 3 percent in 2009-10 and 4 percent in 2010.
- Service Employees International Union (SEIU) negotiated salary increase - ($1.1 million in 2007-08 and $1.4 million 2007-09). The budget includes the negotiated increases of 3.5 percent in 2007-08 and 3 percent in 2008-09. The four year contract, renewed with an effective date of July 2006, will expire in 2010. Future year increases include 3 percent in 2009-10 and 3 percent in 2010. A portion of the salary increase goes towards paying for the increased pension benefit of 2.7 percent at 55.
- The Palo Alto Police Officer's Association (PAPOA) labor contract expires June 30, 2007.

Internal Service Fund Allocation

In 2007-09, the General Fund is covering its full share of Technology Fund operating costs of $5.2 million. These costs are also allocated to the enterprise funds and include application support and maintenance, network infrastructure replacement and maintenance, and desktop replacement. The Technology Fund reserve balance is projected to be $3.8 million in 2007-08 and $2.1 million in 2008-09. Costs for the planned SAP upgrade are reducing the fund's balance as anticipated.

Non-Departmental Expenditures

This category involves costs not associated with a particular department such as the support of the Palo Alto Unified School District (PAUSD) of $6.2 million as part of the lease and covenant not to develop the Cubberley Community Center.

Contingency Spending:

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

Operating Transfers-Out

The General Fund maintains obligations to other funds such as the Storm Drainage Fund, Capital Project Fund and Debt Service Funds. Operating transfers are a means of moving resources between funds. General Fund operating transfers out are projected to be $10.7 million in 2007-08. Some of the larger transfers include $8.7 million to the Capital Project Fund for infrastructure, $1 million to the Debt Service Fund for debt financing expense, and $0.9 million to the Storm Drainage Fund for the General Fund's pre-payment of its share of the Storm Drain fee increase passed in 2005-06. The General Fund's pre-payment obligation ends with the 2007-08 payment and a corresponding expense reduction is realized in the transfer in 2008-09.

Reserves

The Budget Stabilization Reserve (BSR) is projected to remain at stable levels near its target of 18.5 percent of expenditures, approximately $26 million in 2007-08 and $27 million in 2008-09. This is within the 15 to 20 percent reserve policy guideline range.

Long Range Financial Forecast (LRFF)

As presented to the Finance Committee in December 2006, the LRFF plays a critical role in the development of much of the fundamental analysis in this budget presentation. The model is included in this document with the 2005-06 year updated with actual expenditures. While continuing a careful balance between projected revenues and expenditures, the model continues to indicate General Fund stability for the next several years. The model will be updated again in December 2007.

Citywide Operating Fund Balances Statement

An organization-wide operating fund statement is included in the financial summaries that follow this discussion. Internal service fund activities are not listed separately as the expenses surrounding these activities have been allocated to all funds receiving the service and included as expense within those funds. Capital Project Fund activities are captured as a net transfer of fund balance and also are not included in this operating statement. Here are the highlights from the 2007-09 summary:

- Total City revenues are projected to be $393 million in 2007-08 and $467 million in 2008-09
- Total City expenditures are projected to be $416 million in 2007-08 and $444 million in 2008-09
- Total fund balances are projected to be $262 million in 2007-08 and $286 million in 2008-09

Budget Implications of City Council's Top Four Priorities

An Overview

Top Four Priorities

Department budget sections include a list of specific programs and/or services that further the Council's top-four priorities. The following is a summary of these services, programs and activities included in the 2007-09 Adopted Budget. Along with these items are estimates of budget dollars dedicated to delivery of the service or the performance of the activity. As the budget is structured around specific department missions, staff time and other costs related to the delivery of Council priority-related services are therefore estimated.

This summary is meant to depict the commitment of resources where estimates are available. Additional department activities for which dollar estimates are not easily obtained can be found in the individual department sections. A summary of CIP expenses related to the Council's Top-Four Priorities can be found in the 2007-09 CIP Adopted Budget document.

Global Climate Protection $36,383,000

City Attorney's Office - $91,000

Analyze green building issues and legal approaches to encourage climate protection.

City Manager's Office - $130,000

Oversee the implementation of Green Ribbon Task Force recommendations and lead in the development of an Urban Forest master plan.

Planning and Community Environment Department - $676,000

Promote alternative transportation options by maintaining the City's shuttle program, implementing the Bicycle Plan and administering the commute alternatives program.

Public Works Department - $166,000

Provide on-going maintenance to City facility systems to obtain optimal and efficient conditions.

Electric, Gas and Water Departments - $18,000,000

Implement Green Ribbon Task Force recommendations for renewable energy goals which include the purchase of renewable energy generated by landfill gas and wind power.

Expand and enhance energy efficiency programs. Promote local small-scale and ultra-clean distributed generation and cogeneration.

Implement and administer residential and commercial programs some of which include Smart Energy, refrigerator recycling, efficiency assistance programs, PV Partners with photovoltaic installations, PAUSD grant programs for efficiency education and retro-commissioning training for City staff.

Refuse Fund - $1,300,000

Develop implementation plan for zero waste goal.

Minimize hazardous waste through collection efforts. Minimize solid waste through waste reduction and recycling programs.

Water Quality Control Plant - $16,000,000

Continue CIP work on the Disinfection Facility improvement program project.

Other City Department Contributions:

Administrative Services Department - $4,000

Community Services Department - $13,000

Human Resources Department - $3,000

Library Plan/Public Safety Building $955,000

City Attorney's Office - $95,000

Review public works contract and continue to implement the contract streamlining process.

Support staff on efforts related to the potential acquisition and development of a new public safety building.

Respond to legal questions relating to libraries and work on ballot measures for the library plan and public safety building.

City Manager's Office - $145,000

Lead in the development of 2008 financing measures for library and public safety facilities.

Administrative Services Department - $20,000

Evaluate the funding requirements for the new library and public safety facilities.

Library Department - $65,000

Work with other City Departments to implement the Library Plan.

Police Department - $30,000

Continue staff support on the Public Safety building CIP.

Public Works Department - $600,000

Continue CIP work on the Public Safety Building project.

Sustainable Budget
$1,430,000

City Attorney's Office - $80,000

Continue to evaluate the legality of proposals for revenue increases and enhancements, and review issues related to the reduction of General Fund expenditures.

Continue to reduce outside council expense and cost recovery efforts for legal services provided for the benefit of third parties.

Administrative Services Department - $600,000

Facilitate an increase of $3 million per year in infrastructure funding by recommending new revenue sources and enhanced revenue sources, and specific expenditure reductions.

Incorporate all future liabilities into the budget and forecasts.

Community Services Department - $65,000

Seek public and grant funding for infrastructure, park and community center enhancement, and program support.

Implement a new cost recovery policy for fee-based classes and explore new models of service delivery to lower costs and maintain high quality.

Human Resources Department - $675,000

Assist in cost containment through employee training, effective labor and employee relations and reducing workers compensation claims.

Other City Department Contributions:

City Manager's Office - $10,000

Emergency Planning
$17,236,000

City Manager's Office - $64,000

Oversee the City's emergency planning efforts as they relate to preparedness, response, recovery and emergency planning resource needs.

Serve on the Palo Alto/Stanford Red Ribbon emergency planning task force.

Community Services Department - $87,000

Update the Wildland Fire polices and procedures in collaboration with the Fire Department.

Continue to provide specialized training for park rangers in law enforcement, fire fighting and emergency response techniques.

Review, update and disseminate the Arts and Sciences Division emergency plans and procedures to staff. Revise the emergency plans and procedures for children's programs to be compatible with the Palo Alto Unified School District (PAUSD). Orientate and train community theatre contract groups in appropriate emergency plans and procedures.

The Cubberley Community Center (CCC) is a planned emergency response center. CCC will be made ready “as a shelter” at all times to respond to any disaster or emergency.

Fire Department - $700,000

Lead in the efforts for emergency preparedness, response and recovery in collaboration with other City departments, community groups and public entities.

Provide training in emergency planning to community volunteers, City Council members and the Emergency Stand-by Council.

Provide citywide training for all legally mandated instruction.

Implement the recommendations of the City Manager that were the result of the 2005 storm events.

Identify a workable planning process for disaster recovery efforts.

Police Department - $1,300,000

Continue to coordinate the City's homeland security planning, training and regional interactions.

Deploy a mobile command vehicle which will enhance field operations and communications, CIP Project.

Deploy a mobile data computer system for the Fire Department, which will provide dispatch and hazardous materials information, CIP Project.

Electric, Gas and Water Departments - $14,500,000

Continue CIP work for the Water System Portable Emergency Generators and Emergency Water Supply projects.

Technology Fund - $400,000

Continue CIP work for the Radio Infrastructure Replacement and the Fire Radio Communications equipment projects.

Water Quality Control Plants - $160,000

Purchase critical spare parts for major pipelines and CIP projects.

Other City Department Contributions:

City Attorney's Office - $12,000

Administrative Services Department - $4,000

Human Resources Department - $9,000

Budget Implications of City Council's Top Four Priorities
continued

Summary

Overall, the 2007-09 Adopted Budget includes committed estimated resources related to Council's Top-Four Priorities as follows:

Global Climate Protection: $36.4 million

Library Plan/Public Safety Building: $1.0 million

Sustainable Budget: $1.4 million

Emergency Planning: $17.2 million

TOTAL: $56.0 million

GENERAL FUND SUMMARY

($000)	2005-06 Actual	2006-07 Adopted Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
REVENUES							
Sales Tax	20,316	21,133	21,283	22,045	762	22,789	744
Property Tax	18,754	20,368	21,084	22,034	950	23,014	980
Transient Occupancy Tax	6,393	6,400	6,743	6,985	242	7,272	287
Utility Users Tax	8,759	9,151	9,025	9,402	377	10,110	708
Other Taxes and Fines	9,265	7,438	7,757	8,181	424	8,480	299
Charges for Services	18,490	19,053	19,062	20,383	1,321	20,229	(154)
Permits and Licenses	4,693	4,218	4,487	6,044	1,558	5,449	(595)
Return on Investment	241	2,048	2,100	2,191	91	2,191	0
Rental Income	12,273	12,951	12,951	13,037	86	13,037	0
From other agencies	895	81	169	118	(51)	81	(37)
Charges to Other Funds	9,426	9,084	9,084	10,650	1,567	10,647	(4)
Other Revenue	4,295	1,292	1,440	1,432	(8)	1,432	0
Total Revenues	**$113,798**	**$113,216**	**$115,185**	**$122,503**	**$7,318**	**$124,731**	**$2,228**
Operating Transfers-In	15,385	15,781	15,781	17,207	1,425	17,537	330
TOTAL SOURCE OF FUNDS	**$129,183**	**$128,998**	**$130,966**	**$139,710**	**$8,744**	**$142,268**	**$2,558**

General Fund Summary *continued*

($000)	2005-06 Actual	2006-07 Adopted Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
EXPENSES							
City Attorney	2,573	2,643	2,726	2,746	20	2,746	0
City Auditor	880	837	855	887	32	887	0
City Clerk	952	932	952	1,440	488	1,032	(407)
City Council	142	179	179	190	10	190	0
City Manager	1,345	1,803	1,869	2,002	132	2,006	5
Administrative Services	6,593	6,770	6,995	7,374	379	7,181	(193)
Community Services	19,479	19,881	20,260	21,212	952	21,023	(189)
Fire	20,168	22,201	21,773	22,868	1,094	23,515	647
Human Resources	2,532	2,594	2,713	2,703	(10)	2,706	3
Library	5,664	5,800	5,978	6,484	506	6,545	60
Planning and Community Environment	9,397	8,762	9,411	10,137	726	10,191	53
Police	24,408	25,686	26,130	27,981	1,850	28,179	199
Public Works	11,321	12,412	12,675	13,225	551	13,407	181
Non-Departmental	13,653	9,770	8,185	9,229	1,045	10,915	1,686
Total Expenses	**$119,106**	**$120,270**	**$120,701**	**$128,478**	**$7,777**	**$130,524**	**$2,046**
Operating Transfers Out	1,756	2,040	2,040	2,030	(10)	1,094	(936)
Transfer to Infrastructure	6,212	5,399	5,736	8,677	2,941	9,247	570
TOTAL USE OF FUNDS	**$127,075**	**$127,709**	**$128,477**	**$139,185**	**$10,708**	**$140,865**	**$1,680**
Net Surplus (Deficit)	**$2,108**	**$1,289**	**$2,489**	**$525**	**$(1,965)**	**$1,403**	**$878**

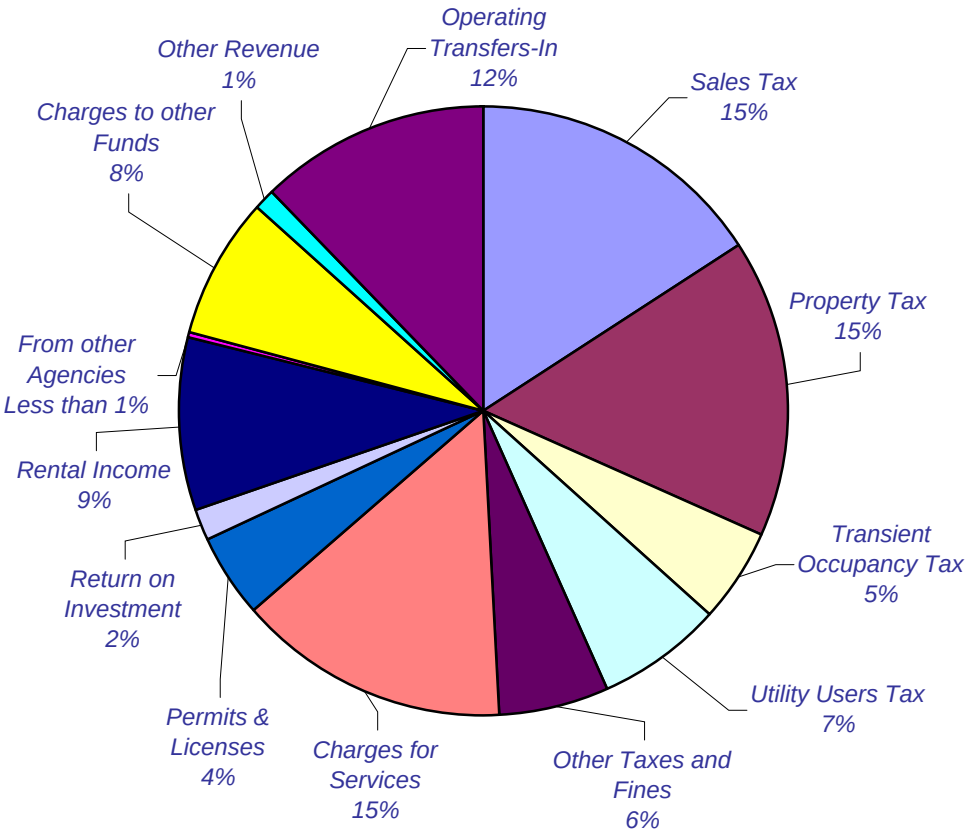
Expenditures by Category	2005-06 Actuals	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
Salaries and Benefits	82,928,756	84,486,326	89,853,757	5,367,431	92,107,693	2,253,936
Contract Services	8,658,694	10,068,975	10,408,562	339,587	10,307,818	(100,744)
Supplies and Materials	2,699,920	3,193,447	3,573,441	379,994	3,536,127	(37,314)
General Expense	8,588,023	8,800,667	9,910,136	1,109,469	9,576,647	(333,489)
Rents and Leases	611,272	729,499	725,058	(4,441)	725,058	0
Facilities and Equipment Purchases	3,828,918	495,317	513,777	18,460	501,977	(11,800)
Allocated Charges	11,790,817	12,926,913	13,493,060	566,147	13,768,838	275,778
Operating Transfers Out	1,756,411	2,040,097	2,030,166	(9,931)	1,094,086	(936,080)
Transfer to Infrastructure	6,211,923	5,735,562	8,677,023	2,941,461	9,247,023	570,000
TOTAL EXPENDITURES	$127,074,734	$128,476,803	$139,184,980	$10,708,177	$140,865,267	$1,680,287

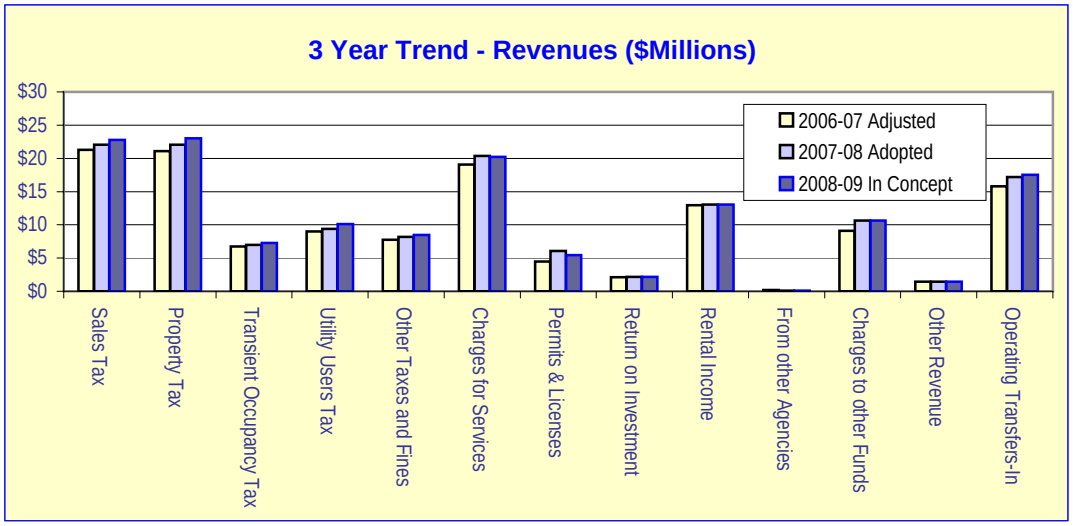
GENERAL FUND RESERVES

($000)	2005-06 Actual	2006-07 Adopted Changes	2006-07 BAO's	Projected 06/30/07	2007-08 Projected Changes	Projected 06/30/08	2008-09 Projected Changes	Projected 06/30/09
RESERVES								
Budget Stabilization Reserve (BSR) Activity:								
BSR	22,731	1,289	1,200	25,220	525	25,745	1,403	27,148
Other Reserve Activity:								
Encumbrance & Reappropriation	4,029			4,029		4,029		4,029
Equity Transfer Stabilization	3,405			3,405		3,405		3,405
Inventory of Materials & Supplies	2,539			2,539		2,539		2,539
Notes Receivable & Prepaid Items	1,513			1,513		1,513		1,513
TOTAL RESERVES	**$34,217**	**$1,289**	**$1,200**	**$36,706**	**$525**	**$37,231**	**$1,403**	**$38,634**

GENERAL FUND REVENUES BY TYPE

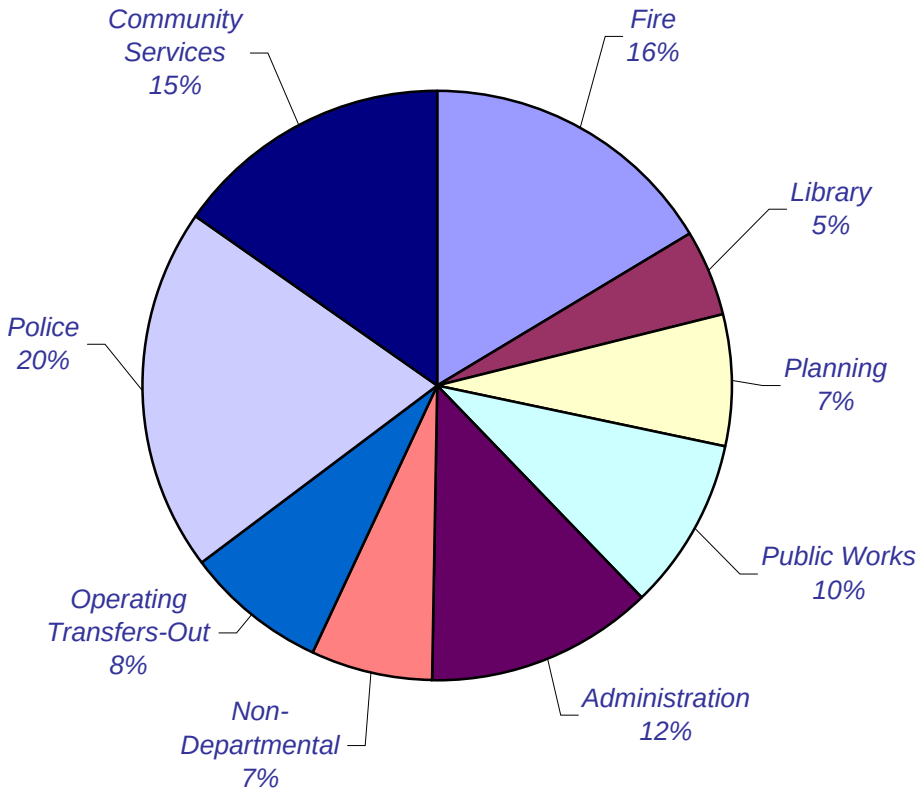
$139.7 Million / Adopted 2007-08

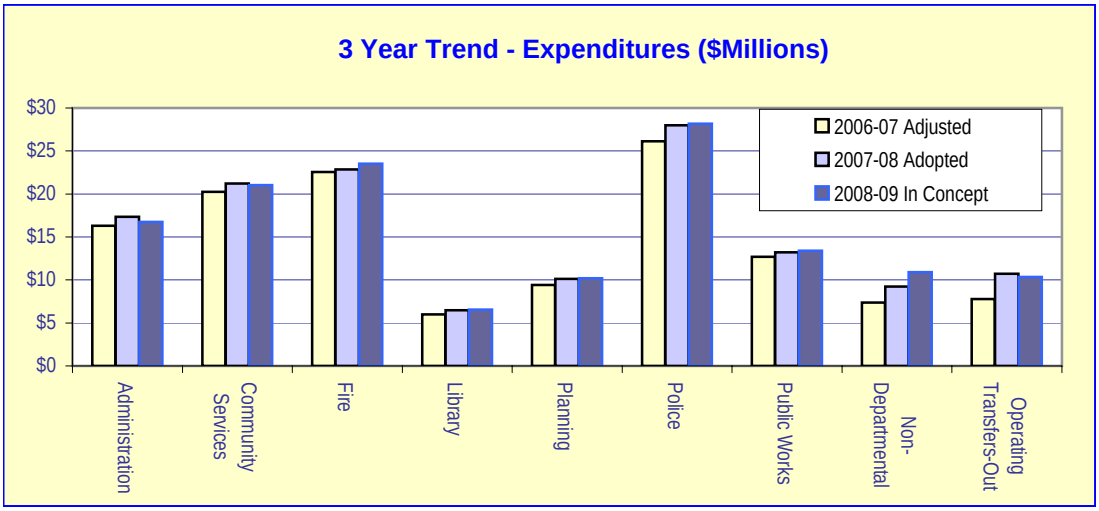




GENERAL FUND EXPENDITURES BY TYPE

$139.2 Million / Adopted 2007-08





GENERAL FUND LONG RANGE FINANCIAL FORECAST

($000)	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
REVENUES												
Sales Taxes	20,316	21,283	22,045	22,789	23,535	22,894	21,813	22,364	23,097	23,935	24,899	25,963
Property Taxes	18,754	21,084	22,034	23,014	24,021	24,089	23,918	25,268	26,786	28,515	30,388	32,444
Utility User Tax	8,760	9,025	9,402	10,110	10,161	10,582	10,796	11,030	11,287	11,542	11,851	11,851
Transient Occupancy Tax	6,393	6,743	6,985	7,272	7,562	7,853	7,704	7,480	7,861	8,293	8,757	8,757
Other Taxes, Fines & Penalties	9,265	7,757	8,181	8,480	8,825	8,768	8,582	8,473	8,654	9,069	9,511	13,029
Subtotal: Taxes	**$63,488**	**$65,892**	**$68,647**	**$71,665**	**$74,105**	**$74,186**	**$72,813**	**$74,615**	**$77,685**	**$81,354**	**$85,406**	**$92,044**
Service Fees & Permits	16,616	16,549	19,091	18,341	19,145	19,567	19,762	19,854	20,429	21,231	22,064	22,066
Joint Service Agreements (Stanford University)	6,489	6,921	7,260	7,260	7,552	7,902	8,138	8,424	8,857	9,286	9,722	10,180
Interest Earnings	2,247	2,100	2,191	2,191	2,283	2,243	2,180	2,268	2,362	2,473	2,594	2,720
Other revenues	15,479	14,639	14,664	14,626	14,991	15,292	15,673	13,977	14,396	12,758	13,141	13,535
Reimbursements from Other Funds	9,479	9,084	10,650	10,647	11,020	11,371	11,537	11,710	12,102	12,559	13,041	13,531
Total Revenues	**$113,798**	**$115,185**	**$122,503**	**$124,730**	**$129,096**	**$130,560**	**$130,104**	**$130,847**	**$135,830**	**$139,663**	**$145,968**	**$154,077**
Transfers from Other Funds	15,385	15,781	17,207	17,538	18,151	18,734	19,004	19,290	19,935	20,688	21,481	21,481
TOTAL SOURCE OF FUNDS	**$129,183**	**$130,966**	**$139,710**	**$142,268**	**$147,247**	**$149,294**	**$149,108**	**$150,137**	**$155,765**	**$160,350**	**$167,450**	**$175,560**
EXPENDITURES												
Salaries & Benefits	82,929	84,486	86,914	89,168	92,515	95,970	97,803	99,651	103,639	108,219	112,909	117,821
Retiree Medical	0	0	2,940	2,940	3,028	3,119	3,213	3,309	3,408	3,511	3,616	3,724
Contract Services	8,659	10,069	10,409	10,308	10,669	10,909	10,963	11,018	11,183	11,496	11,864	12,220
Supplies & Materials	2,700	3,193	3,573	3,536	3,660	3,742	3,761	3,780	3,837	3,944	4,070	4,192
General Expense	8,578	8,803	9,910	9,577	9,864	10,135	10,380	10,639	10,923	11,231	11,492	11,759
Rents, Leases, & Equipment	4,440	1,224	1,239	1,227	1,270	1,298	1,305	1,311	1,331	1,368	1,412	1,454
Allocated Expenses	11,791	12,927	13,493	13,768	14,250	14,571	14,644	14,717	15,085	15,537	16,004	16,484
Total Expenditures	**$119,097**	**$120,702**	**$128,478**	**$130,524**	**$135,256**	**$139,744**	**$142,069**	**$144,425**	**$149,406**	**$155,306**	**$161,367**	**$167,655**
Transfers to Other Funds												
GF transfer for non-IMP capital	1,182	1,322	1,372	1,232	1,270	1,304	1,336	1,368	1,409	1,458	1,458	1,458
GF transfer for IMP capital projects	4,030	4,414	6,305	7,015	7,015	7,015	7,015	7,015	7,015	7,015	7,015	7,015
Infrastructure Reserve	1,000	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Debt Service	1,200	1,092	1,082	1,081	1,177	1,173	929	752	749	649	763	763
Other	566	947	948	13	13	14	14	15	15	15	15	15
TOTAL USE OF FUNDS	**$127,075**	**$128,477**	**$139,185**	**$140,865**	**$145,730**	**$150,249**	**$152,362**	**$154,575**	**$159,594**	**$165,444**	**$171,618**	**$177,905**
Net Operating Surplus/(Deficit)	**$2,108**	**$2,489**	**$525**	**$1,403**	**$1,516**	**$(955)**	**$(3,255)**	**$(4,439)**	**$(3,829)**	**$(5,094)**	**$(4,168)**	**$(2,346)**
Year-end Transfer to Infrastructure		(1,000)										
Net of Reserve Transfer		1,489										

**** The 2007-17 Long Range Financial Forecast (December 2006) incorporated the year-end transfer to the Infrastructure Reserve as a dedicated part of the budget starting in 2007-08. The transfer will still occur at year-end in 2006-07.***

2007-08 PROJECTED OPERATING FUND BALANCES

($000)	Projected Ending Balance 06/30/07	Estimated Revenues	Net Fund Transfers	Estimated Expenditures	Projected Ending Balance 06/30/08
GENERAL FUND	**$36,706**	**$122,503**	**$6,500**	**$128,478**	**$37,231**
CAPITAL FUND	**$12,826**	**$2,414**	**$10,549**	**$13,626**	**$12,163**
DEBT SERVICE					
Golf Course Debt	783	32	528	560	783
Civic Center Debt	363	12	409	421	363
Parking 2002 COPS (Taxable) Debt	245	9	226	235	245
Special Assessment Debt	116	119	0	119	116
Subtotal	**$1,507**	**$173**	**$1,162**	**$1,336**	**$1,507**
ENTERPRISE					
Electric Fund	136,074	114,021	(10,836)	116,881	122,378
Gas Fund	8,566	47,463	(3,962)	43,653	8,414
Wastewater Collection Fund	4,995	15,444	(268)	14,715	5,456
Water Fund	14,179	26,671	(3,352)	29,777	7,721
Refuse Fund	10,561	29,849	(663)	30,400	9,347
Storm Drain Fund	2,437	6,607	(70)	8,517	457
Wastewater Treatment Fund	(1,282)	21,015	(363)	19,683	(313)
External Services Fund	35	1,243	(36)	1,190	52
Subtotal	**$175,565**	**$262,313**	**$(19,550)**	**$264,816**	**$153,512**
INTERNAL SERVICE					
General Benefits and Insurance Fund	3,669	*	0	*	3,669
Retiree Health Benefit Fund	26,505	*	0	*	26,505
Printing and Mailing Fund	459	*	(33)	*	426
Technology Fund	5,834	*	(2,024)	*	3,810
Vehicle Replacement and Maintenance	1,656	*	(1,009)	*	647
Subtotal	**$38,123**	**$0**	**$(3,066)**	**$0**	**$35,057**
SPECIAL REVENUE					
Community Development Fund	1,331	714	(702)	0	1,343
Street Improvement Fund	323	1,153	(1,463)	0	13
Federal and State Revenue Funds	6,064	779	(5)	838	5,999
Housing In-Lieu and Public Benefit Fund	10,849	934	0	955	10,828
Special Districts Fund	893	1,082	(1,196)	0	779
Traffic Mitigation & Parking In-Lieu Fund	1,470	548	0	0	2,018
Downtown Business Improvement District	71	164	0	160	75
Subtotal	**$21,001**	**$5,372**	**$(3,365)**	**$1,953**	**$21,055**
TOTAL OPERATING FUNDS	**$285,728**	**$392,775**	**$(7,769)**	**$410,209**	**$260,525**

* allocation to/from other funds

2008-09 PROJECTED OPERATING FUND BALANCES

($000)	Projected Ending Balance 06/30/08	Estimated Revenues	Net Fund Transfers	Estimated Expenditures	Projected Ending Balance 06/30/09
GENERAL FUND	**$37,231**	**$124,731**	**$7,196**	**$130,524**	**$38,634**
CAPITAL FUND	**$12,163**	**$1,703**	**$10,819**	**$16,906**	**$7,779**
DEBT SERVICE					
Golf Course Debt	783	32	523	556	783
Civic Center Debt	363	12	412	424	363
Parking 2002 COPS (Taxable) Debt	245	9	226	235	245
Special Assessment Debt	116	0	0	0	116
Subtotal	**$1,507**	**$54**	**$1,161**	**$1,215**	**$1,507**
ENTERPRISE					
Electric Fund	122,378	122,692	(10,532)	117,940	116,598
Gas Fund	8,414	51,922	(3,783)	45,139	11,414
Wastewater Collection Fund	5,456	15,454	(178)	14,959	5,773
Water Fund	7,721	64,122	(3,294)	32,730	35,819
Refuse Fund	9,347	29,851	(509)	29,968	8,721
Storm Drain Fund	457	5,584	(54)	5,304	683
Wastewater Treatment Fund	(313)	44,315	(270)	42,923	809
External Services Fund	52	1,211	(11)	1,183	69
Subtotal	**$153,512**	**$335,150**	**$(18,631)**	**$290,146**	**$179,886**
INTERNAL SERVICE					
General Benefits and Insurance Fund	3,669	*	0	*	3,669
Retiree Health Benefit Fund	26,505	*	0	*	26,505
Printing and Mailing Fund	426	*	41	*	467
Technology Fund	3,810	*	(1,681)	*	2,129
Vehicle Replacement and Maintenance	647	*	164	*	811
Subtotal	**$35,057**	**$0**	**$(1,476)**	**$0**	**$33,581**
SPECIAL REVENUE					
Community Development Fund	1,343	714	(402)	0	1,655
Street Improvement Fund	13	1,153	(1,462)	0	(297)
Federal and State Revenue Funds	5,999	779	(5)	845	5,928
Housing In-Lieu and Public Benefit Fund	10,828	934	0	904	10,858
Special Districts Fund	779	1,082	(1,206)	0	656
Traffic Mitigation & Parking In-Lieu Fund	2,018	548	0	0	2,565
Downtown Business Improvement District	75	164	0	160	79
Subtotal	**$21,055**	**$5,372**	**$(3,075)**	**$1,909**	**$21,443**
TOTAL OPERATING FUNDS	**$260,525**	**$467,010**	**$(4,006)**	**$440,700**	**$282,829**

* allocation to/from other funds

TOTAL CITYWIDE REVENUES BY CATEGORY

	2005-06 Actuals	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
Net Sales	216,435,514	205,172,583	226,279,965	21,107,382	240,696,412	14,416,447
Sales Taxes	20,315,613	21,283,000	22,045,000	762,000	22,789,000	744,000
Property Taxes	19,020,629	21,360,664	22,313,313	952,649	23,174,000	860,687
Transient Occupancy Tax	6,392,715	6,743,000	6,985,000	242,000	7,272,000	287,000
Utility Users Tax	8,759,306	9,025,000	9,402,000	377,000	10,110,000	708,000
Other Taxes and Fines	9,276,655	7,766,600	8,190,500	423,900	8,489,500	299,000
Charges for Services	19,533,364	21,394,472	21,819,220	424,748	23,070,220	1,251,000
Permits and Licenses	5,616,355	5,360,721	7,088,499	1,727,778	6,493,499	(595,000)
Return on Investments	4,987,146	12,017,700	13,882,600	1,864,900	13,882,600	0
Rental Income	12,278,559	13,019,638	13,045,861	26,223	13,045,861	0
From Other Agencies	5,343,880	4,067,149	2,721,741	(1,345,408)	1,927,632	(794,109)
Charges to Other Funds	22,342,991	23,188,780	25,465,439	2,276,659	25,718,230	252,791
Other Revenue	19,842,717	17,439,985	13,535,589	(3,904,396)	70,340,807	56,805,218
Total Revenues	**$370,145,444**	**$367,839,292**	**$392,774,727**	**$24,935,435**	**$467,009,761**	**$74,235,034**

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

	2005-06 Actuals	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
Utility Purchases and Charges	97,799,980	108,477,752	118,511,785	10,034,033	122,057,223	3,545,438
Salaries and Benefits	115,135,311	116,847,790	125,154,712	8,306,922	127,843,460	2,688,748
Contract Services	15,144,579	21,138,062	25,467,151	4,329,089	24,563,507	(903,644)
Supplies and Materials	7,377,612	6,735,087	7,248,909	513,822	7,191,595	(57,314)
Facilities and Equipment Purchases	3,920,833	2,153,231	1,059,628	(1,093,603)	1,045,728	(13,900)
General Expense	11,974,634	14,893,017	14,976,855	83,838	15,180,592	203,737
Rents and Leases	10,252,843	11,123,863	11,101,145	(22,718)	11,101,145	0
Allocated Charges	33,636,150	33,728,242	36,795,659	3,067,417	37,442,748	647,089
Debt Service	12,435,765	14,216,457	14,388,921	172,464	14,269,367	(119,554)
Capital Improvement Program	36,016,410	53,116,723	55,503,037	2,386,314	80,004,188	24,501,151
Net Transfers	5,488,795	3,472,634	7,770,813	4,298,179	4,005,998	(3,764,815)
Total Expenditures	**$349,182,912**	**$385,902,858**	**$417,978,615**	**$32,075,757**	**$444,705,551**	**$26,726,936**
To/(From) Reserves	20,962,532	(18,063,566)	(25,203,888)	(7,140,322)	22,304,210	47,508,098

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

CITY ATTORNEY

Gary Baum

1.0-Legal Administrator
2.0-Senior Legal Secretary
1.0-Secretary to City Attorney
0.6-Claims Investigator

2.0-Senior Asst City Attorney
1.0-Assistant City Attorney

2.0-Sr. Deputy City Attorney

Fiscal Year 2007-08 Position Totals: 10.60 Full-time
0.95 Hourly

City Attorney

OVERVIEW

In 2007-09, the City Attorney's Office will strive to maintain the high level of customer service it has achieved through its reorganization. The Office's focus will be on providing quality legal advice in a timely and cost-effective fashion. The City Attorney's Office will continue to focus on reducing it's share of department expenditures by formalizing the outsourcing of City defense litigation, including adopting internal processes for forwarding cases, and monitoring the department budget. The City Attorney's Office will continue to formulate approaches for full cost recovery for extraordinary legal services provided for the benefit of third parties.

The Office of the City Attorney will work on legal issues related to emergency preparedness. Some of the large projects for which the Office will provide legal advice during 2007-09 are the Public Safety Building, Mitchell Library, Children's Library, Junior Museum and Zoo, the Emergency Water Supply Project, Comprehensive Plan Update, and the Stanford Hospital Expansion and Stanford Shopping Center projects.

In order to ensure the highest level of legal services, the Office of the City Attorney will continue to develop staff skills by encouraging continuing education and regular reporting to the City Council of updates on legal developments and new laws that affect City business.

COUNCIL PRIORITY IMPLEMENTATION

In 2007-09, the City Attorney's Office will continue to support implementation of the following City Council's Top 4 Priorities:

Global Cimate Protection

- Analyze legal approaches to encourage climate protection
- Draft appropriate ordinances to implement Council Direction
- Analyze green building issues to determine legal methods of regulation and implementation

Library Plan/Public Safety Building

- Continue implementation of contract streamlining process by revising contract forms and training staff on new processes
- Continue review of all public works contracts
- Support staff on all efforts related to potential acquisition and development of a new Public Safety Building
- Respond to Council and staff on legal questions relating to library enhancement or construction
- Work on potential ballot measures for the library and public safety building

Sustainable Budget

- Evaluate from a legal perspective proposals for revenue increases or enhancements
- Continue monitoring of City Attorney outside counsel expenses
- Continue review and suggestions on issues related to reducing general fund expenditures
- Continue efforts for cost recovery for legal services provided for the benefit of third parties

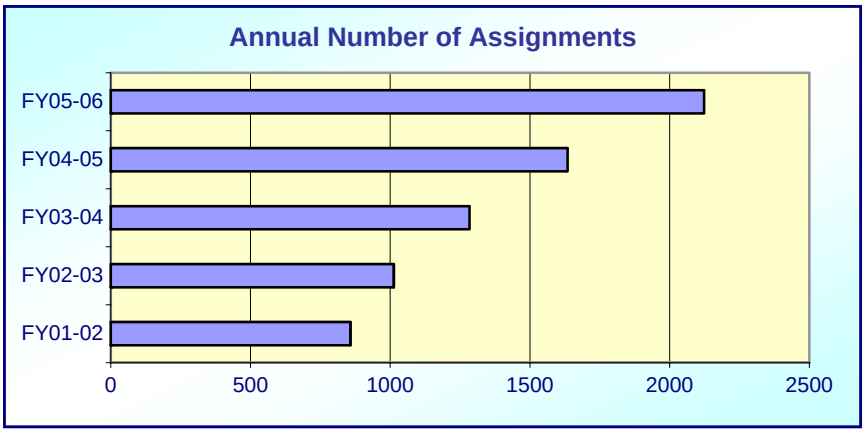
City Attorney *continued*

Emergency Planning

- Draft applicable ordinances, policies and procedures, and additional contracts related to emergency preparedness
- Attend training and exercises

DEPARTMENT SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Administration	193,947	225,607	189,350	(36,257)	(16%)	189,504	154	0%
Consultation and Advisory	1,737,428	1,717,058	1,967,981	250,923	15%	1,968,128	147	0%
Litigation and Dispute Resolution	325,366	444,068	447,435	3,367	1%	447,448	13	0%
Official and Administration Duties	316,157	338,769	141,039	(197,730)	(58%)	141,057	18	0%
TOTAL EXPENDITURES	$2,572,898	$2,725,502	$2,745,805	$20,303	1%	$2,746,137	$332	0%
TOTAL REVENUES	$1,211,818	$1,186,063	$1,216,015	$29,952	3%	$1,209,430	$(6,585)	(1%)
INTERNAL REVENUES	1,189,818	1,136,063	1,131,015	(5,048)	0%	1,124,430	(6,585)	(1%)
EXTERNAL REVENUES	22,000	50,000	85,000	35,000	70%	85,000	0	0%

City Attorney *continued*



INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	2,001,276	1,802,387	1,848,079	1,848,226
Contract Services	445,625	744,730	735,959	735,959
Supplies and Materials	29,169	38,000	38,000	38,000
Facilities and Equipment Purchases	0	2,000	2,000	2,000
General Expense	18,584	24,980	24,980	24,980
Rents and Leases	5,363	3,500	3,500	3,500
Allocated Charges	72,881	109,905	93,287	93,472
Total Expenditures	**$2,572,898**	**$2,725,502**	**$2,745,805**	**$2,746,137**
Total Revenues	**$1,211,818**	**$1,186,063**	**$1,216,015**	**$1,209,430**
Total Full Time Positions	11.80	10.60	10.60	10.60
Total Temporary Positions	0.51	0.96	0.95	0.95

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of work requests processed	2,127	2,184	2,184
2. Number of claims opened and handled (SEA)	107	150	125
3. Number of code enforcement matters referred to City Attorney	7	8	8
Efficiency:			
1. Ratio of work requests per attorney	304	364	364

City Attorney *continued*

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
2. Percent of claims investigations commenced within 7 days of receipt of claim by department	86%	90%	90%
3. Percent of requests for code enforcement legal support responded to within 10 working days	100%	100%	100%
Effectiveness:			
1. Percent of work requests completed within established time frames - time frame varies based on type of work request	97%	97%	97%
2. Percent of claims resolved within 9 months	83%	85%	85%
3. Percentage of code enforcement matters referred to City Attorney for enforcement that are closed within 6 months of referral	N/A	50%	50%

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES						
Decrease allocated revenue-internal	(5,048)		(5,048)	(6,585)		(6,585)
Increase Stanford projects reimbursement ($3 Million Challenge)	35,000		35,000			
TOTAL REVENUE CHANGES	**$29,952**	**$0**	**$29,952**	**$(6,585)**	**$0**	**$(6,585)**
EXPENDITURE CHANGES						
Salary and Benefits						
Personnel Benefit Costs Increase (Note 2)	58,788		58,788	145		145
Total Salary and Benefits Increase	**$58,788**	**$0**	**$58,788**	**$145**	**$0**	**$145**
Adjustments (Note 1)		(13,095)	(13,095)			
NET SALARY AND BENEFITS CHANGES	**$58,788**	**$(13,095)**	**$45,693**	**$145**	**$0**	**$145**
Non-Salary						
Increase legal contract assistance		270,000	270,000		270,000	270,000
Allocated Charges (Decrease) Increase	(16,620)		(16,620)	187		187
Total Non-Salary Changes	**$(16,620)**	**$270,000**	**$253,380**	**$187**	**$270,000**	**$270,187**
TOTAL EXPENDITURE CHANGES	**$42,168**	**$256,905**	**$299,073**	**$332**	**$270,000**	**$270,332**
Adjustments (Note 1)		(278,770)	(278,770)		(270,000)	(270,000)
NET EXPENDITURE CHANGES	**$42,168**	**$(21,865)**	**$20,303**	**$332**	**$0**	**$332**

RESOURCE LEVEL NOTES

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

Note 2: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

SERVICE LEVEL CHANGES

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

COMPREHENSIVE PLAN OVERVIEW

The 2007-09 City Attorney's Office Budget does not request specific resources devoted to implementation of the Comprehensive Plan as it will be accommodated within the Office's existing workplan. Implementation of the Zoning Ordinance Update will be a major activity funded through the Department of Planning and Community Environment.

CONSULTATION AND ADVISORY

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,262,763	1,241,389	1,501,378	1,501,496
Contract Services	429,305	428,215	416,444	416,444
Supplies and Materials	28,293	34,600	34,600	34,600
General Expense	10,539	7,500	9,500	9,500
Rents and Leases	5,363	3,500	3,500	3,500
Allocated Charges	1,165	1,854	2,559	2,588
Total Expenditures	**$1,737,428**	**$1,717,058**	**$1,967,981**	**$1,968,128**
Total Revenues	**$0**	**$0**	**$0**	**$0**
Total Full Time Positions	7.26	7.20	8.45	8.45
Total Temporary Positions	0.51	0.96	0.95	0.95

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	324,891	146,841	150,620	150,633
Contract Services	0	292,735	292,735	292,735
Supplies and Materials	475	3,400	3,400	3,400
General Expense	0	680	680	680
Allocated Charges	0	412	0	0
Total Expenditures	**$325,366**	**$444,068**	**$447,435**	**$447,448**
Total Revenues	**$0**	**$0**	**$0**	**$0**
Total Full Time Positions	2.18	1.31	1.04	1.04
Total Temporary Positions	0.00	0.00	0.00	0.00

OFFICIAL AND ADMINISTRATION DUTIES

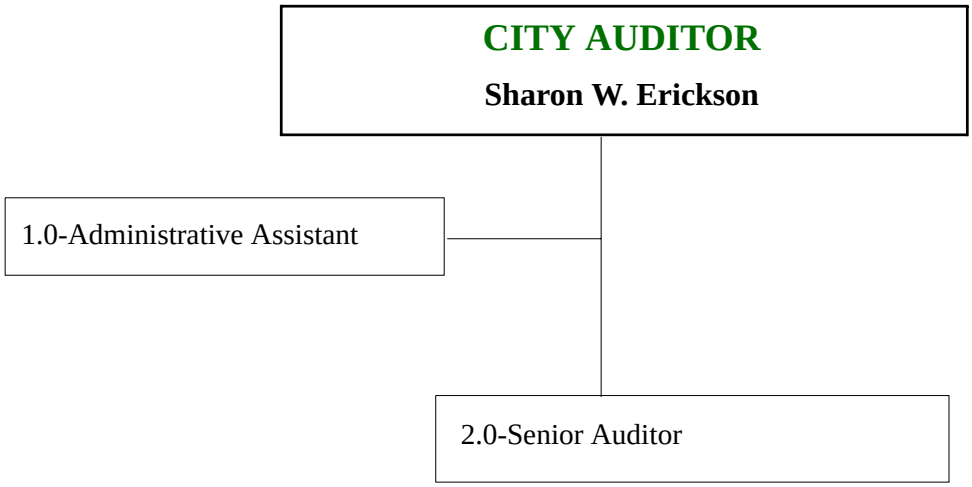
To fulfill the independent official and administrative duties of the Office of the City Attorney on behalf of the City.

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	291,497	305,516	104,753	104,762
Contract Services	16,320	21,180	24,180	24,180
General Expense	6,490	11,300	11,300	11,300
Allocated Charges	1,850	773	806	815
Total Expenditures	**$316,157**	**$338,769**	**$141,039**	**$141,057**
Total Revenues	**$22,000**	**$50,000**	**$85,000**	**$85,000**
Total Full Time Positions	1.78	1.51	0.61	0.61
Total Temporary Positions	0.00	0.00	0.00	0.00

City Auditor’s Office

City Auditor's Office

Organizational Chart



Fiscal Year 2007-08 Position Totals: **4.00 Full-time**
0.12 Hourly

City Auditor

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

OVERVIEW

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

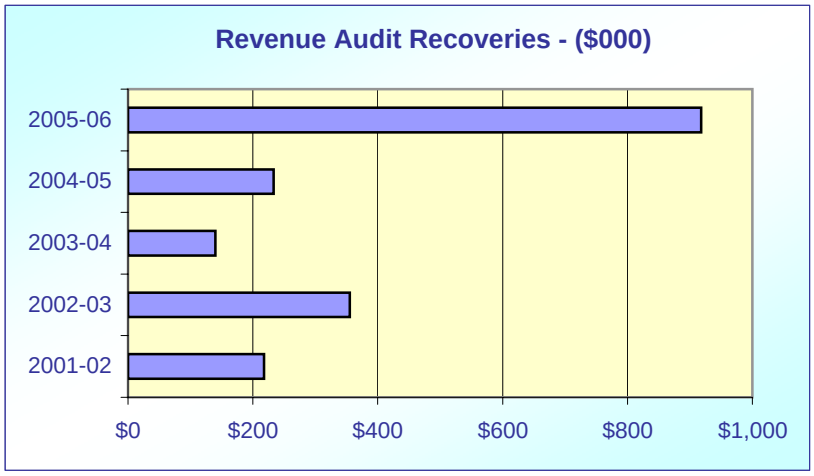
In 2007-09, the City Auditor's Office will continue to support implementation of the following City Council's Top 4 Priorities as follows:

Sustainable Budget

- 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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Audit Services	879,981	855,232	886,994	31,762	4%	887,176	182	0%
TOTAL EXPENDITURES	$879,981	$855,232	$886,994	$31,762	4%	$887,176	$182	0%
TOTAL REVENUES	$1,598,557	$853,259	$566,755	$(286,504)	(34%)	$566,805	$50	0%
INTERNAL REVENUES	680,960	618,259	331,755	(286,504)	(46%)	331,805	50	0%
EXTERNAL REVENUES	917,597	235,000	235,000	0	0%	235,000	0	0%

City Auditor *continued*



INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	643,765	560,346	607,126	607,174
Contract Services	192,574	234,832	234,832	234,832
Supplies and Materials	3,232	4,000	4,000	4,000
General Expense	9,664	1,500	1,500	1,500
Allocated Charges	30,746	54,554	39,536	39,670
Total Expenditures	**$879,981**	**$855,232**	**$886,994**	**$887,176**
Total Revenues	**$1,598,557**	**$853,259**	**$566,755**	**$566,805**
Total Full Time Positions	4.00	4.00	4.00	4.00
Total Temporary Positions	0.12	0.12	0.12	0.12

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of audit reports	17	10	10
2. Number of audit recommendations (SEA)	45	40	40
3. Revenue audit recoveries (SEA)	$917,597	$235,000	$235,000
Effectiveness:			
1. Percent of revenue audit cost recovered	644%	200%	200%
2. Percent of open audit recommendations implemented	54%	40%	40%

City Auditor *continued*

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Efficiency:			
1. Percent of workplan completed	62%	70%	70%
2. Ratio of audit reports per auditor	5.7	3.3	3.3

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES						
(Decrease) Increase allocated revenue - internal	(286,504)		(286,504)	50		50
TOTAL REVENUE CHANGES	**$(286,504)**	**$0**	**$(286,504)**	**$50**	**$0**	**$50**
EXPENDITURE CHANGES						
Salary and Benefits						
Personnel Benefit Costs Increase (Note 2)	65,327		65,327	48		48
Total Salary and Benefits Changes	**$65,327**	**$0**	**$65,327**	**$48**	**$0**	**$48**
Adjustments (Note 1)		(18,546)	(18,546)			
NET SALARY AND BENEFITS CHANGES	**$65,327**	**$(18,546)**	**$46,781**	**$48**	**$0**	**$48**
Non-Salary						
Allocated Charges (Decrease) Increase	(15,019)		(15,019)	134		134
Total Non-Salary	**$(15,019)**	**$0**	**$(15,019)**	**$134**	**$0**	**$134**
TOTAL EXPENDITURE CHANGES	**$50,308**	**$(18,546)**	**$31,762**	**$182**	**$0**	**$182**

RESOURCE LEVEL NOTES

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

Note 2: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

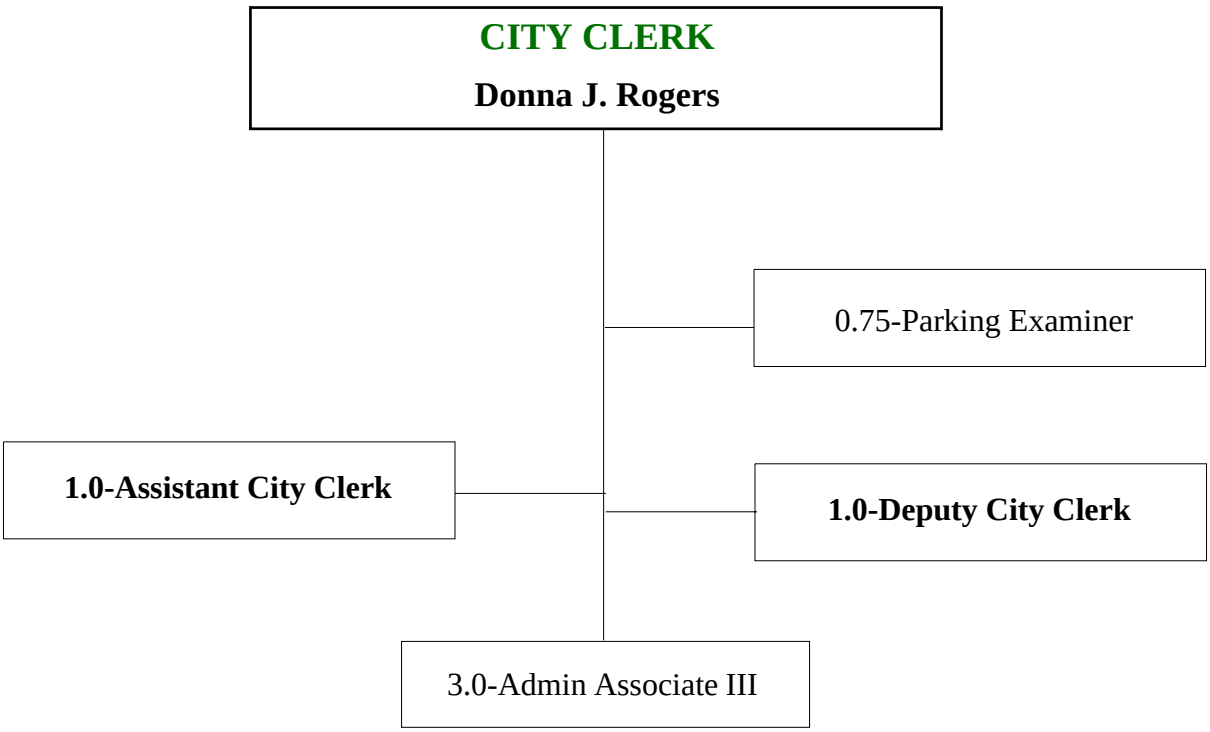
SERVICE LEVEL CHANGES

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

City Clerk’s Office

City Clerk's Office

Organizational Chart



Fiscal Year 2007-08 Position Totals: **6.75 Full-time**
0.48 Hourly

City Clerk

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

OVERVIEW

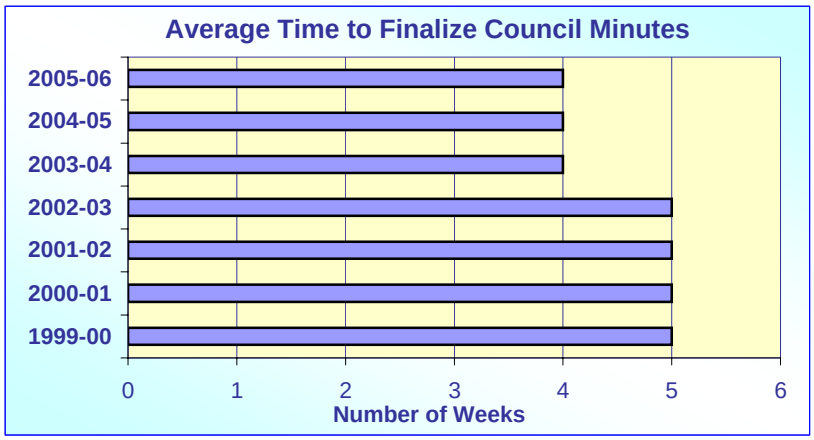
In 2007-09, the City Clerk's Office will continue to meet the needs of the public, the City Council, and staff in the following areas: City Council support services, agenda packet process, board and commission recruitment, City Council events, City Council minutes, elections, conflict of interest, legislative records management, and oversight of the Administration Hearings. The City Clerk's Office maintains information provided to the City's web-site regarding the Clerk's Office and the City Council.

COUNCIL PRIORITY IMPLEMENTATION

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

DEPARTMENT SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Administration	92,743	100,410	104,384	3,974	4%	104,507	123	0%
Public Information	84,639	84,827	106,526	21,699	26%	107,927	1,401	1%
Council Support Services	468,640	470,497	500,670	30,173	6%	504,180	3,510	1%
Election/Conflict of Interest	220,578	86,427	507,411	420,984	487%	94,157	(413,254)	(81%)
Legislative Records Management	85,608	88,285	94,574	6,289	7%	95,417	843	1%
Administrative Citations	0	121,479	126,101	4,622	4%	126,108	7	0%
TOTAL EXPENDITURES	$952,208	$951,925	$1,439,666	$487,741	51%	$1,032,296	$(407,370)	(28%)
TOTAL REVENUES	$259,558	$241,643	$445,330	$203,687	84%	$312,465	$(132,865)	(30%)
INTERNAL REVENUES	257,997	239,693	443,380	203,687	85%	310,515	(132,865)	(30%)
EXTERNAL REVENUES	1,561	1,950	1,950	0	0%	1,950	0	0%

City Clerk *continued*



INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	680,786	744,844	811,792	817,428
Contract Services	41,939	70,829	70,829	70,829
Supplies and Materials	5,285	6,696	6,696	6,696
General Expense	157,738	39,780	453,319	39,780
Rents and Leases	0	0	1,200	1,200
Allocated Charges	66,460	89,776	95,830	96,363
Total Expenditures	**$952,208**	**$951,925**	**$1,439,666**	**$1,032,296**
Total Revenues	**$259,558**	**$241,643**	**$445,330**	**$312,465**
Total Full Time Positions	6.00	6.75	6.75	6.75
Total Temporary Positions	0.10	0.58	0.48	0.48

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of City Council agendas posted with City Manager Reports to the website four days prior to council meeting	50	50	50
2. Number of formal public records requests	52	60	60
3. Number of City Council minutes finalized (SEA)	38	40	40
Efficiency:			
1. Average time to post City Council agendas	4 days	4 days	4 days

City Clerk *continued*

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
2. Average time to address formal public records requests	10 days	10 days	10 days
3. Average time to finalize City Council minutes (SEA)	4 weeks	4 weeks	4 weeks
Effectiveness:			
1. Percent of City Council agendas posted	98%	98%	98%
2. Percent of formal public records requests addressed within 10 days	98%	98%	98%

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES						
Increase (Decrease) allocated revenues-internal	203,687		203,687	(132,865)		(132,865)
TOTAL REVENUE CHANGES	**$203,687**	**$0**	**$203,687**	**$(132,865)**	**$0**	**$(132,865)**
EXPENDITURE CHANGES						
Salary and Benefits						
Personnel Benefit Costs Increase (Note 2)	77,236		77,236	5,616		5,616
Decrease Temporary Salaries ($3 Million Challenge)	(10,290)		(10,290)			
Total Salary and Benefits Changes	**$66,946**	**$0**	**$66,946**	**$5,616**	**$0**	**$5,616**
Non-Salary						
Increase inter-agency expense for elections		413,539	413,539			
Increase in rents and leases	1,200		1,200			
Allocated Charges Increase	6,056		6,056	553		553
Total Non-Salary Changes	**$7,256**	**$413,539**	**$420,795**	**$553**	**$0**	**$553**
TOTAL EXPENDITURE CHANGES	**$74,202**	**$413,539**	**$487,741**	**$6,169**	**$0**	**$6,169**
Adjustments (Note 1)					(413,539)	(413,539)
NET EXPENDITURE CHANGES	**$74,202**	**$413,539**	**$487,741**	**$6,169**	**$(413,539)**	**$(407,370)**

RESOURCE LEVEL NOTES

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

Note 2: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

COMPREHENSIVE PLAN OVERVIEW

The City Clerk's 2007-09 Budget includes the following resources directed toward implementing the programs and policies of the Comprehensive Plan:

GOVERNANCE

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

PUBLIC INFORMATION

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	84,639	81,779	103,478	104,879
Contract Services	0	3,048	3,048	3,048
Total Expenditures	**$84,639**	**$84,827**	**$106,526**	**$107,927**
Total Revenues	**$630**	**$0**	**$0**	**$0**
Total Full Time Positions	0.90	0.90	0.90	0.90
Total Temporary Positions	0.00	0.00	0.00	0.00

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	375,832	349,239	372,508	375,604
Contract Services	26,510	46,381	46,381	46,381
Supplies and Materials	4,848	5,736	5,736	5,736
General Expense	36,731	36,620	36,620	36,620
Allocated Charges	24,719	32,521	39,425	39,839
Total Expenditures	**$468,640**	**$470,497**	**$500,670**	**$504,180**
Total Revenues	**$0**	**$0**	**$0**	**$0**
Total Full Time Positions	3.30	3.30	3.30	3.30
Total Temporary Positions	0.10	0.10	0.00	0.00

ELECTION/CONFLICT OF INTEREST

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	93,318	81,877	89,322	89,607
Contract Services	7,312	3,000	3,000	3,000
General Expense	119,948	1,550	415,089	1,550
Total Expenditures	**$220,578**	**$86,427**	**$507,411**	**$94,157**
Total Revenues	**$237**	**$0**	**$0**	**$0**
Total Full Time Positions	0.70	0.70	0.70	0.70
Total Temporary Positions	0.00	0.00	0.00	0.00

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	77,296	72,381	78,670	79,513
Contract Services	8,117	15,694	15,694	15,694
General Expense	195	210	210	210
Total Expenditures	**$85,608**	**$88,285**	**$94,574**	**$95,417**
Total Revenues	**$0**	**$0**	**$0**	**$0**
Total Full Time Positions	0.75	0.75	0.75	0.75
Total Temporary Positions	0.00	0.00	0.00	0.00

ADMINISTRATIVE CITATIONS

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	0	116,499	120,921	120,928
Contract Services	0	2,100	2,100	2,100
Supplies and Materials	0	500	500	500
Rents and Leases	0	0	1,200	1,200
Allocated Charges	0	2,380	1,380	1,380
Total Expenditures	**$0**	**$121,479**	**$126,101**	**$126,108**
Total Revenues	**$0**	**$1,000**	**$1,000**	**$1,000**
Total Full Time Positions	0.00	0.75	0.75	0.75
Total Temporary Positions	0.00	0.48	0.48	0.48

City Council

City Council

OVERVIEW

In 2007-09, the City Council will continue to address the needs of the community through various public meetings and activities. Much of the focus will be on the City Council's Top 4 Priorities which include: Global Climate Protection, Library Plan/Public Safety Building, Emergency Planning, and a Sustainable Budget.

The 2007-09 City Council Budget is primarily comprised of City Council salaries, healthcare benefits, and general expense.

DEPARTMENT SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
City Council Operations	141,986	179,228	189,529	10,301	6%	189,529	0	0%
TOTAL EXPENDITURES	$141,986	$179,228	$189,529	$10,301	6%	$189,529	$0	0%
TOTAL REVENUES	$56,870	$59,944	$82,989	$23,045	38%	$81,885	$(1,104)	(1%)
INTERNAL REVENUES	56,870	59,944	82,989	23,045	38%	81,885	(1,104)	(1%)
EXTERNAL REVENUES	0	0	0	0	0%	0	0	0%

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	96,503	98,843	105,144	105,144
Contract Services	18,014	30,000	30,000	30,000
Supplies and Materials	1,459	2,930	2,930	2,930
General Expense	25,870	47,455	51,455	51,455
Allocated Charges	140	0	0	0
Total Expenditures	**$141,986**	**$179,228**	**$189,529**	**$189,529**
Total Revenues	**$56,870**	**$59,944**	**$82,989**	**$81,885**
Total Full Time Positions	9.00	9.00	9.00	9.00
Total Temporary Positions	0.00	0.00	0.00	0.00

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES						
Increase (Decrease) allocated revenues-internal	23,045		23,045	(1,104)		(1,104)
NET REVENUE CHANGES	**$23,045**	**$0**	**$23,045**	**$(1,104)**	**$0**	**$(1,104)**
EXPENDITURE CHANGES						
Salary and Benefits						
Personnel Benefit Costs Increase (Note 2)	6,300		6,300			
Total Salary and Benefits Changes	**$6,300**	**$0**	**$6,300**	**$0**	**$0**	**$0**
Non-Salary						
Increase travel and meetings	4,000		4,000			
Increase other contract services	20,000		20,000			
Total Non-Salary Changes	**$24,000**	**$0**	**$24,000**	**$0**	**$0**	**$0**
TOTAL EXPENDITURE CHANGES	**$30,300**	**$0**	**$30,300**	**$0**	**$0**	**$0**
Adjustments (Note 1)		(19,999)	(19,999)			
NET EXPENDITURE CHANGES	**$30,300**	**$(19,999)**	**$10,301**	**$0**	**$0**	**$0**

RESOURCE LEVEL NOTES

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

Note 2: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

CITY COUNCIL OPERATIONS

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	96,503	98,843	105,144	105,144
Contract Services	18,014	30,000	30,000	30,000
Supplies and Materials	1,459	2,930	2,930	2,930
General Expense	25,870	47,455	51,455	51,455
Allocated Charges	140	0	0	0
Total Expenditures	**$141,986**	**$179,228**	**$189,529**	**$189,529**
Total Revenues	**$0**	**$0**	**$0**	**$0**
Total Full Time Positions	9.00	9.00	9.00	9.00
Total Temporary Positions	0.00	0.00	0.00	0.00

City Manager’s Office

City Manager's Office

Organizational Chart

CITY MANAGER

Frank Benest

1.0-Exec Asst to the City Manager
1.5-Administrative Associate I
1.0-Administrative Associate II
1.0-Assistant to the City Manager

ASSISTANT CITY MANAGER

Emily Harrison

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

PUBLIC COMMUNICATIONS MGR (FROZEN)

1.0-Utilities Communications Manager

Fiscal Year 2007-08 Position Totals:

10.50 Full-time
1.00 Public Communications Manager (Frozen)
0.25 Hourly

City Manager

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

OVERVIEW

In 2007-09, the City Manager's Office will oversee efforts to implement the City Council's Top 4 Priorities: Global Climate Protection, Library Plan/Public Safety Building, Emergency Planning, and Sustainable Budget.

Global Climate Protection: The Manager's Office will lead the City's efforts in this area which include: preparing climate action plan recommendations, developing a City Climate Action Plan, and creating a greenhouse gas baseline inventory. The Office will continue to work on the implementation of the Zero Waste Operational Plan, long-range solid waste planning, Green Power, and the incorporation of green building principles in City facilities.

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

Emergency Planning: The Manager's Office will provide leadership to the Emergency Preparedness Steering and Working Committees, and work on joint emergency preparedness planning with the Palo Alto/Stanford Red Ribbon Task Force and the Palo Alto Unified School District. In addition, the office will continue to oversee work on the City's Emergency Plan and will oversee a comprehensive evaluation of emergency planning resource needs.

Sustainable Budget: The City Manager's Office will assist in the development of a spending plan that balances infrastructure spending needs with ongoing general fund operations. Council has directed staff to fund infrastructure by an additional $3 million. To accomplish this, the Manager's Office will assist the Administrative Services Department in an effort to identify revenue enhancement opportunities and expense reductions.

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

COUNCIL PRIORITY IMPLEMENTATION

In 2007-09, the City Manager's Office will continue to support implementation of the City Council's Top 4 Priorities as follows:

Global Climate Protection

- Oversee efforts to implement Green Ribbon Task Force recommendations and Council milestones related to this priority
- Lead effort to develop urban forest master plan

Library Plan/Public Safety Building

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

Sustainable Budget

- Identify appropriate budget reductions and revenue enhancements to identify a $3 million increase in infrastructure funding

Emergency Planning

- Oversee the City's emergency preparedness efforts as they relate to preparedness, response, and recovery
- Serve on the Palo Alto/Stanford Red Ribbon Task Force for emergency planning
- Oversee comprehensive evaluation of emergency planning resource needs

DEPARTMENT SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Administration	180,611	323,730	244,555	(79,175)	(24%)	244,735	180	0%
City Management	919,590	1,358,528	1,503,427	144,899	11%	1,507,695	4,268	0%
Public Communication	244,338	187,006	253,751	66,745	36%	254,011	260	0%
TOTAL EXPENDITURES	$1,344,539	$1,869,264	$2,001,733	$132,469	7%	$2,006,441	$4,708	0%
TOTAL REVENUES	$443,458	$361,899	$626,761	$264,862	73%	$624,785	$(1,976)	0%
INTERNAL REVENUES	443,458	361,899	626,761	264,862	73%	624,785	(1,976)	0%
EXTERNAL REVENUES	0	0	0	0	0%	0	0	0%

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,114,449	1,399,178	1,650,200	1,654,449
Contract Services	114,948	283,750	186,750	186,750
Supplies and Materials	3,660	10,278	10,278	10,278
Facilities and Equipment Purchases	0	300	300	300
General Expense	32,261	54,928	54,928	54,928
Rents and Leases	5	500	500	500
Allocated Charges	79,216	120,330	98,777	99,236
Total Expenditures	**$1,344,539**	**$1,869,264**	**$2,001,733**	**$2,006,441**
Total Revenues	**$443,458**	**$361,899**	**$626,761**	**$624,785**
Total Full Time Positions	8.50	8.50	11.50	11.50
Total Temporary Positions	0.25	0.40	0.25	0.25

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of City Council agenda reports (CMRs) issued (SEA)	336	350	375

City Manager *continued*

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Effectiveness:			
1. Percent rating public information services as good or excellent (SEA survey)	72%	74%	75%
2. Percent respondents read Palo Alto newsletter in last 12 months (SEA survey)	84%	86%	88%

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES						
Increase (Decrease) Allocated revenue - internal	264,862		264,862	(1,976)		(1,976)
TOTAL REVENUE CHANGES	**$264,862**	**$0**	**$264,862**	**$(1,976)**	**$0**	**$(1,976)**
EXPENDITURE CHANGES						
Salary and Benefits						
Transfer of Economic Development Division to Planning Department	(170,059)		(170,059)			
Transfer of 1.0 FTE Staff Secretary from Utilities Department	88,832		88,832			
Transfer of 0.50 FTE Manager Communications from Utilities Department ($3 Million Challenge)	75,520		75,520			
Freeze 1.0 FTE Public Communications Manager - retirement ($3 Million Challenge)	(151,040)		(151,040)			
Add 1.00 FTE Sr. Administrator (Sustainability)	151,040		151,040			
Personnel Benefit Costs Increase (Note 2)	106,481		106,481	4,250		4,250
Total Salary and Benefits Changes	**$100,774**	**$0**	**$100,774**	**$4,250**	**$0**	**$4,250**
Adjustments (Note 1)		5,189	5,189			
NET SALARY AND BENEFITS CHANGES	**$100,774**	**$5,189**	**$105,963**	**$4,250**	**$0**	**$4,250**
Non-Salary						
Transfer of Economic Development Division to Planning Department	(17,393)		(17,393)			
Increase contract services (Sustainability)	30,000		30,000			
Allocated Charges (Decrease) Increase	(21,553)		(21,553)	458		458
Total Non-Salary	**$(8,946)**	**$0**	**$(8,946)**	**$458**	**$0**	**$458**
TOTAL EXPENDITURE CHANGES	**$91,828**	**$5,189**	**$97,017**	**$4,708**	**$0**	**$4,708**
Adjustments (Note 1)		35,452	35,452			
NET EXPENDITURE CHANGES	**$91,828**	**$40,641**	**$132,469**	**$4,708**	**$0**	**$4,708**

RESOURCE LEVEL NOTES

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

Note 2: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

SERVICE LEVEL CHANGES

Transfer of Communications Manager position from the Utilities Department to the City Manager's Office. This position will assume some of the duties of the Public Communications Officer position, which became vacant due to a retirement is now a frozen position. The Communications Manager's time will be split evenly between the Utilities Department and the City Manager's Office.

Transfer of a staff secretary position from the Utilities Department to the City Manager's Office. This position supports the Communications Manager position described above.

Transfer of Economic Development division to the Planning Department.

COMPREHENSIVE PLAN OVERVIEW

As summarized below, the 2007-09 Budget highlights a range of goals and activities that support the implementation of the Comprehensive Plan:

TRANSPORTATION

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

NATURAL ENVIRONMENT

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

COMMUNITY FACILITIES AND SERVICES

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

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

GOVERNANCE

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

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	776,842	1,054,342	1,298,237	1,302,217
Contract Services	97,815	243,250	146,250	146,250
Supplies and Materials	366	114	114	114
General Expense	30,616	43,892	43,892	43,892
Allocated Charges	13,951	16,930	14,934	15,222
Total Expenditures	**$919,590**	**$1,358,528**	**$1,503,427**	**$1,507,695**
Total Revenues	**$0**	**$0**	**$0**	**$0**
Total Full Time Positions	5.40	6.57	7.52	7.52
Total Temporary Positions	0.25	0.15	0.00	0.00

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	226,900	134,686	201,431	201,691
Contract Services	17,050	40,000	40,000	40,000
Supplies and Materials	0	4,020	4,020	4,020
General Expense	267	8,300	8,300	8,300
Allocated Charges	121	0	0	0
Total Expenditures	**$244,338**	**$187,006**	**$253,751**	**$254,011**
Total Revenues	**$0**	**$0**	**$0**	**$0**
Total Full Time Positions	1.00	1.00	2.05	2.05
Total Temporary Positions	0.00	0.00	0.00	0.00

PROGRAM COST DETAIL

2.05 FTE includes a frozen 1.0 FTE Public Communications Manager.

Administrative Services Department

Administrative Services Department

Organizational Chart

ADMINISTRATIVE SERVICES DIRECTOR
Carl Yeats

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

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

REAL ESTATE
1.0-Real Property Manager
1.0-Admin Associate II
1.0-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
2.0-Account Specialist

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

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

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

CHIEF INFORMATION OFFICER
Glenn Loo

INFORMATION TECHNOLOGY
1.0-Admin Associate II

PROJECT MGMT, APPLICATIONS
1.0-IT Manager (Frozen)
9.0-Sr Technologist

CLIENT SERVICES
1.0-IT Manager
4.0-Sr Technologist
1.0-Technologist
4.0-Desktop Technician

INFO TECH SERV PROVIDER
1.0-IT Manager
2.0-Sr Technologist
6.0-Technologist
1.0-Desktop Technician

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
1.0-Acct Spec-Bus Registry*

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

RISK MANAGEMENT
1.0-Energy Risk Manager

* Pending implementation of Business Registry

Fiscal Year 2007-08 Position Totals: **97.00 Full-time**
1.00 IT Manager (Frozen)
2.80 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 2007-09, the Administrative Services Department (ASD) will focus on the following:

Infrastructure Management Plan: ASD will continue to support the Infrastructure Management Team in implementing the Infrastructure Management Plan, known as "CityWorks." A high priority, and also a City Council Top 4 Priority for 2007-08 for ensuring a sustainable budget, is to identify an additional $3 million annually, through revenue enhancements and expenditure reductions, to maintain the rehabilitation and replacement of the City's existing infrastructure. These funds are required to replenish the depleted Infrastructure Reserve, to ensure that the City can fund the estimated $10 million per year necessary to maintain the City's infrastructure in good condition.

Revenue Enhancements: Staff is working to identify new funding sources for facilities such as the new library, police building, and ongoing infrastructure needs. Staff will explore funding through a mix of increasing revenues and/or reducing expenditures. Council directed staff to evaluate increasing the Transient Occupancy Tax from 10 to 12 percent and to examine other potential sources such as general obligation bonds.

Financial Analysis: In 2007-08, staff will continue to provide financial analysis for labor negotiations; efforts to build a new Public Safety Building and Library facilities; any Council-directed negotiations for broadband fiber services to homes and businesses; and debt issues and restructuring. In addition, ASD will prepare the next update to the City's Long Range Financial Forecast and continue participation in the City's Energy Risk Management Program. Lastly, staff will be actively involved in working on a Business Registry Fee/Business License Tax as directed by the Finance Committee.

Financial Reporting: Staff continues to refine SAP financial reports and train citywide departments in utilizing the reports. Staff is also preparing for the SAP software upgrade and implementation of the utility billing module and of a customer relationship management module. ASD is also assisting Utilities staff with quarterly Utilities Advisory Commission reporting. In preparation for Government Accounting Standards Board (GASB) statement 45, staff completed a baseline actuarial study and has held preliminary meetings with the Finance Committee to discuss possible funding plans such as transferring funds set aside, establishing a trust, and strategies to address funding of medical costs for retirees.

Business Process Re-engineering: The Department will continue to concentrate major resources on SAP post-implementation. Planned system improvements include a web-based user interface, greater integration between functions such as budget, payroll, and human resources, and enabling of ad-hoc web-based reporting. Other enhancements will include simplified time tracking, project work-order management, and improved system reporting capabilities. Staff has begun the preliminary step to complete an upgrade to SAP and replacement of the Utility Customer Information System.

Property Acquisition and Management: The division will continue to provide real estate services to the City Manager and other City Departments. The Real Estate Division will be working with environmental volunteers in efforts to relocate, remodel and renovate the Lucie Stern Maritime Museum for its new Baylands location. Other projects include: Palo Alto Airport lease, the Palo Alto Depot Bike Station lease, a lease for the Palo Alto History Museum at the former Roth building, Sale of Transfer of Development Rights for the Lucie Stern Maritime Museum and the Roth building, purchase of the former Los Altos Treatment Plant site, and securing a site for the emergency water supply reservoir.

Purchasing: The division will support the Top 4 Council priority of Sustainable Budget/ Effective Planning through instituting a comprehensive contract planning process and by providing contracting support for the Infrastructure Management Plan (IMP). Additionally, the division plans to assist in the Green/Climate Protection objective. The Purchasing staff will take a leadership role in the upgrade of the SAP Materials Management module. Furthermore, the division will evaluate and implement program enhancements to the Procurement Card program. Finally, staff will continue to develop and implement process improvements related to contract streamlining, contract administration, supplier outreach, and on-going training and development of City Staff in the procurement/ contracting process.

Cable Franchising: ASD manages the cable franchise between Comcast and a Joint Powers Authority (JPA), which includes the cities of Palo Alto, East Palo Alto, and Menlo Park, the Town of Atherton, and portions of San Mateo and Santa Clara counties. ASD will continue to ensure that Comcast meets the terms of its franchise; monitor complaints from cable customers; oversee public, education and government (PEG) channel resources; collect franchise fees and distribute them to JPA members. ASD will also work with the JPA to respond to a recently enacted law (the Digital Infrastructure and Video Competition Act) that radically changes how cable television franchises are granted and enforced. In addition, continued implementation of the institutional network (I-Net) is planned for the upcoming year. The I-Net links 70 schools, libraries, public buildings, and community centers within the JPA service area with the capability of providing data, video, and voice communications.

PROGRAM UPDATE

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

- Support implementation of the upgrade to the SAP financial system to include a utility billing system, customer relationship management, and other system improvements
- Continue to evaluate potential for moving City employees from leased spaces to City-owned facilities
- Revise the Purchasing solicitation template for construction bids
- Continue evaluation of a new Business Registry and implement as appropriate
- Update the 2008-18 Long Range Financial Forecast and present it to the Finance Committee and Council in the Winter of 2007

COUNCIL PRIORITY IMPLEMENTATION

In 2007-09, the Administrative Services Department will continue to support implementation of the City Council's Top 4 Priorities as follows:

Global Climate Protection

- Assist in the Green/Climate Protection objective by including, when appropriate, sustainability as a Purchasing evaluation criterion

Library Plan/Public Safety Building

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

Sustainable Budget

- Facilitate an increase of $3 million per year in CityWorks funding by recommending new revenue sources, enhancements to existing revenue sources, and specific expenditure reductions as required to close the funding gap

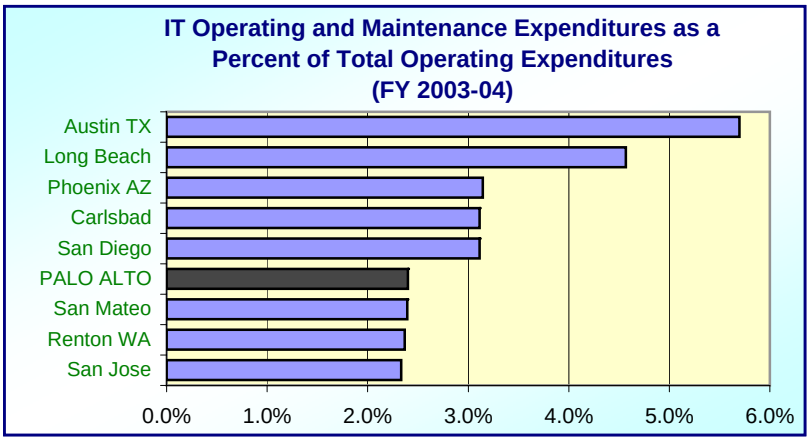
Administrative Services *continued*

Emergency Planning

- Document plans for Accounts Payable, Purchasing, and Payroll to operate in the event of an emergency
- Develop a disaster recovery plan for data loss in the event of an emergency

DEPARTMENT SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Administration	640,524	1,023,764	866,648	(157,116)	(15%)	738,946	(127,702)	(15%)
Accounting	1,981,024	2,099,100	2,145,613	46,513	2%	2,160,198	14,585	1%
Purchasing	1,151,065	1,211,710	1,301,406	89,696	7%	1,312,263	10,857	1%
Real Estate	487,037	481,918	511,947	30,029	6%	513,098	1,151	0%
Treasury	1,376,268	1,276,393	1,594,461	318,068	25%	1,499,824	(94,637)	(6%)
Budget	956,695	902,025	954,299	52,274	6%	956,620	2,321	0%
TOTAL EXPENDITURES	$6,592,613	$6,994,910	$7,374,374	$379,464	5%	$7,180,949	$(193,425)	(3%)
TOTAL REVENUES	$3,152,497	$2,955,185	$4,114,979	$1,159,794	39%	$3,973,525	$(141,454)	(3%)
INTERNAL REVENUES	3,134,809	2,897,885	3,734,679	836,794	29%	3,722,225	(12,454)	0%
EXTERNAL REVENUES	17,688	57,300	380,300	323,000	564%	251,300	(129,000)	(34%)

Administrative Services *continued*



INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	5,803,086	5,583,894	6,055,404	5,997,949
Contract Services	176,924	330,954	429,704	327,204
Supplies and Materials	34,206	92,431	155,901	128,827
Facilities and Equipment Purchases	868	6,700	8,500	6,700
General Expense	90,633	122,442	132,213	132,213
Allocated Charges	486,896	858,489	592,652	588,056
Total Expenditures	**$6,592,613**	**$6,994,910**	**$7,374,374**	**$7,180,949**
Total Revenues	**$3,152,497**	**$2,955,185**	**$4,114,979**	**$3,973,525**
Total Full Time Positions	50.59	50.65	50.60	50.20
Total Temporary Positions	0.48	2.27	2.12	0.92

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of accounts payable checks issued (SEA)	15,500	14,500	14,588
2. Number of purchasing documents processed (SEA)	3,200	3,000	2,750
3. Number of real property acquisitions and conveyances (fees, easements, BMR, permits, leases and document transfer tax)	150	150	150
4. Cash and investments (in millions), excluding bond proceeds (SEA revised)	$353.9	$370.0	$385.0

Administrative Services *continued*

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Effectiveness:			
1. Percent of invoices paid within 30 days (estimated) (SEA)	83%	83%	80%
2. Percent of purchases/contracts completed within established timeframes (estimated)	80%	80%	80%
3. Average time (in days) to complete each real property acquisition and conveyance	20	20	20
4. Rate of return on investments compared to the annual average yield on a three-year Treasury note (SEA revised)	+0.02%	-0.34%	-0.25%
Efficiency:			
1. Average cost to issue an accounts payable check (estimated)	$29	$29	$26
2. Average cost to process a purchase order/contract (estimated)	$218	$240	$229
3. Average cost to complete each real property acquisition and conveyance (estimated)	$900	$900	$900

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES						
Decrease special assessments-current revenue	(45,000)		(45,000)			
Increase (Decrease) in bus. registry fee	368,000		368,000	(129,000)		(129,000)
Increase (Decrease) allocated revenue-internal	836,794		836,794	(12,454)		(12,454)
TOTAL REVENUE CHANGES	**$1,159,794**	**$0**	**$1,159,794**	**$(141,454)**	**$0**	**$(141,454)**
EXPENDITURE CHANGES						
Salary and Benefits						
Increase (Decr.) in Temporary Salaries - bus. registry	94,776		94,776	(59,987)		(59,987)
Freeze 1.0 FTE Account Specialist - Accounts Payable ($3 Million Challenge)	(81,401)		(81,401)			
Eliminate 0.40 FTE Sr. Financial Analyst - retirement ($3 Million Challenge)				(54,588)		(54,588)
Personnel Benefit Costs Increase (Note 2)	317,483		317,483			
Total Salary and Benefits Changes	**$330,858**	**$0**	**$330,858**	**$(114,575)**	**$0**	**$(114,575)**
Adjustments (Note 1)		140,653	140,653		57,124	57,124
NET SALARY AND BENEFITS CHANGES	**$330,858**	**$140,653**	**$471,511**	**$(114,575)**	**$57,124**	**$(57,451)**
Non-Salary						
Increase advertising and publishing - bus. registry		2,500	2,500			
Increase (Decr.) office supplies - bus. registry	48,470		48,470	(17,074)		(17,074)
Increase (Decr.) computer software - bus. registry	15,000		15,000	(10,000)		(10,000)
Increase other general expense - bus. registry	1,000		1,000			
Increase computer and electronic equipment - bus. registry		1,800	1,800			
Increase other contract services (Note 4)		100,000	100,000			
Allocated Charges Decrease (Note 3)	(265,838)		(265,838)	(4,597)		(4,597)
Total Non-Salary	**$(201,368)**	**$104,300**	**$(97,068)**	**$(31,671)**	**$0**	**$(31,671)**
TOTAL EXPENDITURE CHANGES	**$129,490**	**$244,953**	**$374,443**	**$(31,671)**	**$0**	**$(89,122)**
Adjustments (Note 1)		5,021	5,021		(104,303)	(104,303)
TOTAL EXPENDITURE CHANGES	**$129,490**	**$249,974**	**$379,464**	**$(146,246)**	**$(47,179)**	**$(193,425)**

RESOURCE LEVEL NOTES

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

Note 2: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

Note 3: Allocated charges are decreasing due primarily to the redistribution of information technology charges.

Note 4: Increase in contract services to pay for evaluation of CPA franchise services.

SERVICE LEVEL CHANGES

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

COMPREHENSIVE PLAN OVERVIEW

The 2007-09 Administrative Services Department 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 2007-09, 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)

ACCOUNTING

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,904,789	1,951,733	1,999,390	2,012,255
Contract Services	25,890	64,758	63,258	63,258
Supplies and Materials	15,995	42,700	42,700	42,700
Facilities and Equipment Purchases	868	2,500	2,500	2,500
General Expense	3,024	4,700	6,200	6,200
Allocated Charges	30,458	32,709	31,565	33,285
Total Expenditures	**$1,981,024**	**$2,099,100**	**$2,145,613**	**$2,160,198**
Total Revenues	**$95**	**$0**	**$0**	**$0**
Total Full Time Positions	17.73	18.76	18.71	18.71
Total Temporary Positions	0.48	0.00	0.00	0.00

PURCHASING

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,100,490	1,137,197	1,233,741	1,245,561
Contract Services	2,429	10,610	10,610	10,610
Supplies and Materials	6,317	9,700	9,700	9,700
Facilities and Equipment Purchases	0	2,000	2,000	2,000
General Expense	8,456	7,352	7,352	7,352
Allocated Charges	33,373	44,851	38,003	37,040
Total Expenditures	**$1,151,065**	**$1,211,710**	**$1,301,406**	**$1,312,263**
Total Revenues	**$7,758**	**$6,000**	**$6,000**	**$6,000**
Total Full Time Positions	10.24	10.33	10.33	10.33
Total Temporary Positions	0.00	0.00	0.00	0.00

REAL ESTATE

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	408,127	366,927	399,610	400,731
Contract Services	30,669	64,801	59,701	59,701
Supplies and Materials	212	606	606	606
General Expense	45,454	44,340	49,440	49,440
Allocated Charges	2,575	5,244	2,590	2,620
Total Expenditures	**$487,037**	**$481,918**	**$511,947**	**$513,098**
Total Revenues	**$1,500**	**$3,400**	**$3,400**	**$3,400**
Total Full Time Positions	3.09	2.82	2.82	2.82
Total Temporary Positions	0.00	0.00	0.00	0.00

TREASURY

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,270,957	1,071,658	1,296,759	1,239,775
Contract Services	57,765	113,685	119,035	116,535
Supplies and Materials	9,156	22,925	86,395	59,321
Facilities and Equipment Purchases	0	1,200	3,000	1,200
General Expense	26,869	56,501	57,501	57,501
Allocated Charges	11,521	10,424	31,771	25,492
Total Expenditures	**$1,376,268**	**$1,276,393**	**$1,594,461**	**$1,499,824**
Total Revenues	**$8,325**	**$47,900**	**$370,900**	**$241,900**
Total Full Time Positions	11.72	10.89	10.79	10.69
Total Temporary Positions	0.00	2.12	2.12	0.92

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	911,325	862,301	903,784	905,937
Contract Services	26,031	20,700	20,700	20,700
Supplies and Materials	800	9,000	11,000	11,000
Facilities and Equipment Purchases	0	1,000	1,000	1,000
General Expense	15	2,329	2,500	2,500
Allocated Charges	18,524	6,695	15,315	15,483
Total Expenditures	**$956,695**	**$902,025**	**$954,299**	**$956,620**
Total Revenues	**$10**	**$0**	**$0**	**$0**
Total Full Time Positions	6.28	6.32	6.32	6.32
Total Temporary Positions	0.00	0.15	0.00	0.00

Community Services Department

Community Services Department

Organizational Chart

COMMUNITY SERVICES DIRECTOR
Richard James

ADMINISTRATION
1.0-Administrative Assistant
1.0-Senior Administrator

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

RECREATION AND GOLF

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

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

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

ARTS & SCIENCES

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

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

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

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

OPEN SPACE & PARKS

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

OPEN SPACE
1.0-Supervisor, Open Space
1.0-Senior Ranger
1.0-Producer Arts/Science Program
5.0-Park Ranger
0.75-Parks & Open Space Assistant

PARKS

ADMINISTRATION
1.0-Park Superintendent

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

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

Fiscal Year 2007-08 Position Totals:
96.25 Full-time
1.00 Program Assistant (Frozen)
48.53 Hourly

Community Services

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

OVERVIEW

In 2007-09, the Community Services Department (CSD) will provide the Palo Alto community with the services and programs summarized below. The department has restructured and operates under four divisions, rather than five. The former Parks & Golf division has been moved into two existing divisions by merging Parks with Open Space, and Golf with Recreation. In addition, Youth Science and Interpretive Programs have merged with the Arts division.

Arts and Sciences Division

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

The division will administer and manage the Art Center, Children's Theatre, Community Theatre, Junior Museum and Zoo, the Public Art Commission, Cubberley Artist Studios, Neighbors Abroad, and Civic Center exhibitions. As part of the restructuring, the previously frozen Arts and Culture division manager position has been reinstated and reclassified to Arts and Sciences division manager.

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

Of special note, the Children's Theatre is celebrating the 75th Anniversary of the program and the 70th Anniversary of the theatre building given by Lucie Stern. In 2008, the Community Theatre will celebrate the 75th Anniversary of the Community Theatre building, also given by Lucie Stern.

Open Space and Parks Division

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

Projects will continue to be implemented to rebuild aging infrastructure by improving 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 year, staff will continue to partner with volunteer organizations such as Save The Bay, Friends of Foothills Park, and Acterra to restore degraded habitat with native plants.

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

Since the 13-acre Open Space Trust property (Bressler Ranch) was purchased in September 2005 to complete the Pearson Arastradero Preserve, restoration work has been initiated to contain the spread of invasive weeds on the property. In fiscal year 2006-07, a section of Arastradero Creek running through the property was restored as an ephemeral stream by removing sections of the concrete culvert. A grant from the United States Fish & Wildlife Service will now be used to plant native plants along the 1,100-foot reach of the restored creek channel that runs through the property.

Parks services will coordinate multiple CityWorks park projects scheduled for Hoover, Rinconada, and Peers Parks. Other parks projects include: the expansion of Greer Park (Phase IV), providing restrooms at Seale Park, renovation of the dugout and fencing at the Baylands Athletic Center, a landscape project at the Cubberley Center, and median landscaping on San Antonio Road and El Camino Real. In addition, Parks services will continue the Palo Alto Unified School District (PAUSD) athletic field renovation program, this year at Nixon elementary school. Ongoing coordination with the Friends of the Palo Alto Parks will provide opportunities for enhancing parks infrastructure. Additionally, depending on the cost analysis of contracting out, the division will be restructuring and reorganizing staff workload as part of implementing the 2006 City Auditor Parks Maintenance Audit recommendations.

Cubberley Community Center and Human Services Division

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 division, through its Human Services function, provides assistance to people in need by providing grants to non-profit organizations through the Human Services Reallocation Process (HSRAP) and the Seasonal Worker Program. Staff works with a number of community groups to identify areas of concern. These groups include the Human Relations Commission, the Child Care Advisory Committee, and the Extended School Child Care Directors Group.

Recreation and Golf Division

As part of the department restructuring, the Recreation division will now include Golf operations. Conversely, the Junior Museum and Zoo will move from the Recreation division to the newly formed division of Arts and Sciences. The Recreation and Golf division will provide a diverse range of programs and activities for the community. During the next two years, staff will continue to focus on creating a culture of fitness and healthy living in Palo Alto by encouraging the involvement of individuals and families in creative and fun activities. The division will adjust programs and services to reflect changing community demographics, including a sharp rise in the number of adults over the age of 55. Staff will work diligently to recover additional program costs through fees, partnerships, grants, and donations.

Recreation services will also continue to focus efforts on youth and teen programming as it relates to the Youth Master Plan. The division will pursue collaborative programming efforts with other agencies serving youth to better target quality services for this age group. The division will emphasize customer service, while efficiently marketing new and existing programs and classes. Recreation will measure customer satisfaction through surveys and other evaluation methods. The Recreation division will continue to encourage program participants to use the Internet-based registration system to facilitate a more efficient registration process, and consolidate youth services into the Mitchell Park Community Center, providing more effective programs and easier access to teen programs.

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

Restructuring

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

PROGRAM UPDATE

- The Heritage Park playground will be opened for neighborhood and community use.

COUNCIL PRIORITY IMPLEMENTATION

In 2007-09 the Community Services Department will support the implementation of the City Council's Top 4 Priorities as follows:

Global Climate Protection

- The Open Space and Parks division will support the Council's priority of climate protection by planting oak trees at the Pearson Arastradero Preserve, reducing the use of two-stroke gasoline engines, encouraging people to bike, hike or ride to their local parks and open space areas.
- As the Art Center, working with the Palo Alto Art Center Foundation, moves forward in their plans to renovate and expand the Art Center, they will do so with "green" building considerations.
- Recreation will provide stimulating fee-based classes on energy alternatives and climate protection issues. Also, early planning is underway for a 2008 Junior Museum Exhibit on alternative energy.

Sustainable Budget

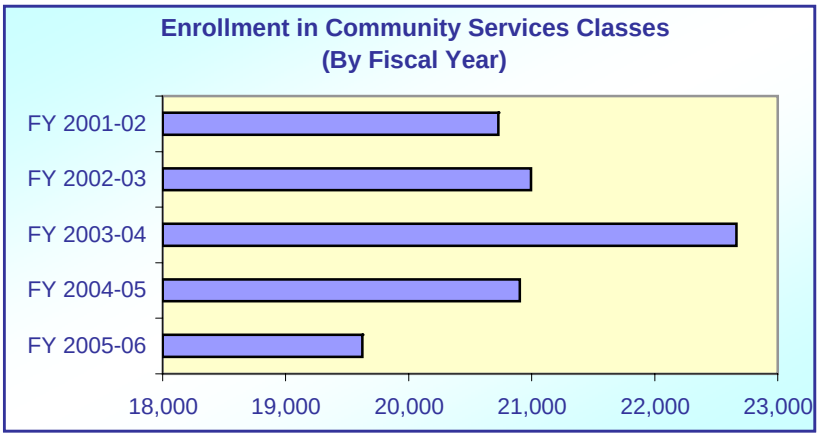
- Community Services is actively seeking private and grant funding for the replacement of aging infrastructure, the enhancement of park and community center facilities, and opportunities for program support.
- The Open Space Division will continue to implement trail restoration recommendations from the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

Emergency Planning

- Open Space park rangers will work closely with the Fire Department to update the Wildland Fire policies and procedures to ensure rapid response to fires in the foothills. Staff will continue to provide specialized training for park rangers in law enforcement, fire fighting and emergency response techniques in order to provide maximum security and safety for park visitors and open space natural resources. In the event of a pandemic flu outbreak, park rangers would use their medical training and certification to augment City paramedics in responding to emergency calls-for-service. Rangers might also be deployed to assist police personnel in responding to non-critical calls-for-service.
- The Arts and Sciences Division Emergency Plans and Procedures will be reviewed, updated, and disseminated to all staff. Emergency plans and procedures for Children's programs will be made compatible with PAUSD emergency plans and procedures. Community Theatre contract groups will undergo orientation and training in appropriate emergency plans and procedures. Staff will also participate in emergency plans and procedures training and refresher meetings.
- The Cubberley Community Center (CCC) is a planned emergency response center. The facility will be made ready as a shelter at all times to respond to any disaster or emergency.

DEPARTMENT SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Administration	932,450	826,364	1,091,058	264,694	32%	1,092,889	1,831	0%
Arts and Sciences	3,985,873	4,075,693	4,397,063	321,370	8%	4,444,452	47,389	1%
Cubberley and Human Services	3,376,554	3,393,836	3,516,072	122,236	4%	3,350,406	(165,666)	(5%)
Open Space and Parks	5,690,145	5,906,861	6,160,766	253,905	4%	6,063,370	(97,396)	(2%)
Recreation and Golf	5,494,323	6,056,987	6,047,124	(9,863)	0%	6,072,206	25,082	0%
TOTAL EXPENDITURES	$19,479,345	$20,259,741	$21,212,083	$952,342	5%	$21,023,323	$(188,760)	(1%)
TOTAL REVENUES	$6,866,331	$7,370,842	$7,551,915	$181,073	2%	$7,460,830	$(91,085)	(1%)
INTERNAL REVENUES	105,521	135,159	167,744	32,585	24%	51,659	(116,085)	(69%)
EXTERNAL REVENUES	6,760,810	7,235,683	7,384,171	148,488	2%	7,409,171	25,000	0%

Community Services *continued*



INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	11,109,227	11,163,092	11,797,639	11,696,026
Contract Services	2,837,021	3,237,989	3,147,841	3,119,597
Supplies and Materials	651,988	846,757	821,180	810,130
Facilities and Equipment Purchases	43,372	69,764	89,264	79,264
General Expense	1,484,212	1,498,432	1,487,545	1,486,295
Rents and Leases	14,700	13,466	13,466	13,466
Allocated Charges	3,338,825	3,430,241	3,855,148	3,818,545
Total Expenditures	**$19,479,345**	**$20,259,741**	**$21,212,083**	**$21,023,323**
Total Revenues	**$6,866,331**	**$7,370,842**	**$7,551,915**	**$7,460,830**
Total Full Time Positions	98.25	99.25	97.25	96.25
Total Temporary Positions	47.93	48.92	48.53	48.53

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of services and programs	1,400	1,402	1402
2. Total Open Space acres of land operated and maintained (SEA)	3,731	3,744	3,744
Efficiency:			
1. Total number of participants in all classes, theatre events, concerts, and camps	140,000	138,000	138,000
2. Number of acres per ranger of Open Space (SEA)	466	468	468

Community Services *continued*

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
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	$467	$467	$481

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES						
Arts and Science						
Increase revenue for adult fine arts ($3 Million Challenge)	5,000		5,000			
Increase interdepartmental charges	3,000		3,000			
Open Space and Parks						
Increase level of cost recovery to 50% of PAUSD fields ($3 Million Challenge)	50,000		50,000			
Increase revenue from donations	20,000		20,000			
Increase revenue from Open Space programs ($3 Million Challenge)	9,200		9,200			
Cubberley and Human Services						
Decrease revenue due to elimination of Family Resources Program in 2008-09	(415)		(415)	(116,085)		(116,085)
Recreation and Golf						
Increase revenue for new classes ($3 Million Challenge)	50,000		50,000			
Increase fees teen programs ($3 Million Challenge)	33,400		33,400			
Increase level of cost recovery for field usage ($3 Million Challenge)	27,500		27,500			
Increase fees middle school athletics ($3 Million Challenge)	25,000		25,000	25,000		25,000
Increase fees youth special interest classes ($3 Million Challenge)	20,000		20,000			
Increase golf rental revenue	15,000		15,000			
Increase fees adult special interest classes ($3 Million Challenge)	10,000		10,000			
Increase revenues for additional recreation day camp ($3 Million Challenge)	3,000		3,000			
TOTAL REVENUE CHANGES	**$270,685**	**$0**	**$270,685**	**$(91,085)**	**$0**	**$(91,085)**
Adjustments (Note1)		(89,612)	(89,612)			
NET REVENUE CHANGES	**$270,685**	**$(89,612)**	**$181,073**	**$(91,085)**	**$0**	**$(91,085)**
EXPENDITURE CHANGES						
Salary and Benefits						
Open Space and Parks						

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
Decrease salaries and benefits due to increasing the outsourcing of park maintenance ($3 Million Challenge)	(50,000)		(50,000)	(150,000)		(150,000)
Arts and Science						
Unfreeze 1.0 FTE Arts & Culture Division Manager	175,784		175,784			
Cubberley and Human Services						
Eliminate 1.0 FTE Recreation Coordinator, Family Resources Program in 2008-09				(95,541)		(95,541)
Recreation and Golf						
Reclassify 1.0 FTE Supervisor, Recreations Program to Coordinator, Recreations Program	(34,427)		(34,427)			
Reclassify 1.0 FTE Administrator, Special Events to Coordinator, Recreations Program	(40,790)		(40,790)			
Eliminate 1.0 FTE Manager, Golf and Parks position ($3 Million Challenge)	(194,648)		(194,648)			
Total Salary and Benefits Changes	**$(144,081)**	**$0**	**$(144,081)**	**$(245,541)**	**$0**	**$(245,541)**
Salary Increase	264,398		264,398	143,928		143,928
Personnel Benefit Costs Increase (Note 2)	604,003		604,003			
Adjustments (Note 1)		(89,773)	(89,773)			
Total Net Salary and Benefits Changes	**$724,320**	**$(89,773)**	**$634,547**	**$(101,613)**	**$0**	**$(101,613)**
Non-Salary						
Open Space and Parks						
Increase for installation of donation boxes at Open Space gates (offset by donations/ contributions revenue)		10,000	10,000			
Increase contract expense (offset by revenue)	2,000		2,000			
Cubberley and Human Services						
Additional funding for Human Services Resource Allocation Process (HSRAP)	20,792		20,792			
Decrease expenses due to elimination of Family Resources Program				(40,544)		(40,544)
Recreation and Golf						
Increase contract services for Recreation's special interest classes (offset by revenue)	30,000		30,000			

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
Total Non-Salary Changes	**$52,792**	**$10,000**	**$62,792**	**$(40,544)**	**$0**	**$(40,544)**
TOTAL EXPENDITURE CHANGES	**$777,112**	**$(79,773)**	**$697,339**	**$(142,157)**	**$0**	**$(142,157)**
Adjustments (Note 1)		(169,907)	(169,907)		(10,000)	(10,000)
Allocated Charges Increase (Decrease) (Note 3)	424,910		424,910	(36,603)		(36,603)
NET EXPENDITURE CHANGES	**$1,202,022**	**$(249,680)**	**$952,342**	**$(178,760)**	**$(10,000)**	**$(188,760)**

RESOURCE LEVEL NOTES

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

Note 2: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

Note 3: Allocated charges are increasing due primarily to the increase in utility rate charges and redistribution of information technology charges.

SERVICE LEVEL CHANGES

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

Open Space and Parks Division

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

Arts and Sciences Division

- The noontime concert series will be significantly reduced and the Summer Concert series will be presented in accordance with budgeted funding.

Cubberley and Human Services Division

- The Family Resources program has been eliminated due to lack of funding and donations.

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 Sciences Division 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 parks art projects, Public Works to identify and develop Percent for Art in City Projects, and community organizations. Parks operations will complete a variety of infrastructure projects to strengthen and enhance the identity of community "Entry Points" (gateways) and other City-maintained areas with appropriate art and landscaping. (L-72)

TRANSPORTATION

Parks operations 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

The Cubberley Community Center and 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)

NATURAL ENVIRONMENT

Parks operations will implement the Natural Environment element of the Comprehensive Plan with the following programs: Preservation and protection of heritage trees and native oaks in urban park settings (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)

Both Parks and Golf operations will continue their tree planting programs (N-17), and will continue to pursue resources for tree planting (N-18); 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 operations will continue to protect the community from excessive noise impacts (N-40, N-42, N-43, N-59) and minimize exposure to hazards through emergency planning. (N-55)

Open Space will work with specialized contractors to control invasive, non-native plants in open space areas using environmentally safe integrated pest management practices (N-30). Using plants propagated at the Save The Bay and Acterra native plant nurseries staff and volunteers will continue to restore degraded habitat (N-1). A channelized creek on the recently acquired Arastradero gateway property will be replanted with native plants to restore a 1,100-foot reach of Arastradero Creek. (N-1)

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

COMMUNITY FACILITIES AND SERVICES

Arts and Sciences will continue to work as a public/private partnership with the Palo Alto Art Center Foundation for the purpose of renovating and expanding the Art Center (C-19), and providing art education programs and outreach between Palo Alto and East Palo Alto, working though the PAUSD and Ravenswood School Districts. The Art Center

will continue to mount exhibitions and education programs that are accessible to the community on all levels. The Children's Theatre will continue to work cooperatively with the PAUSD and other agencies to design and provide educational programs, classes, and outreach programs appealing to a broad range of ages and educational backgrounds. (C-17)

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

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

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

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

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

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

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

Golf operations 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 provide customer service. (C-9)

The Cubberley Community Center and 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. (Programs C-13, C-14, Goal C-3, Policies C-11, C-13)

The Cubberley Community Center and 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. (Policies C-7, C-1)

Recreation 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, and will continue to maintain landscaping. (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)

BUSINESS AND ECONOMICS

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

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

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

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

Parks operations 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)

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

GOVERNANCE

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

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

Arts and Sciences will continue to provide support to the Public Art Commission, Cubberley Artists Studios, and Neighbors Abroad Sister Cities (G-2). Arts and Sciences will work with the Friends of the Children's Theatre, the Palo Alto Art Center Foundation, and the Friends of the Junior Museum and Zoo to develop fund raising alternatives in support of the programs and services offered. (G-11)

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

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

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

ARTS AND SCIENCES

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	2,906,473	2,918,134	3,192,675	3,236,857
Contract Services	563,621	502,103	526,353	526,353
Supplies and Materials	195,984	241,680	245,680	245,680
Facilities and Equipment Purchases	25,818	35,050	35,050	35,050
General Expense	14,432	88,017	86,730	86,730
Rents and Leases	4,441	4,166	4,166	4,166
Allocated Charges	275,104	286,543	306,409	309,616
Total Expenditures	**$3,985,873**	**$4,075,693**	**$4,397,063**	**$4,444,452**
Total Revenues	**$1,358,155**	**$1,476,505**	**$1,461,468**	**$1,461,468**
Total Full Time Positions	18.25	18.25	25.70	25.70
Total Temporary Positions	7.45	7.93	14.83	14.83

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of theatre performances, concerts, exhibits and related activities	370	370	365
2. Number of classes, camps, workshops, special programs and tours for children and youth	1,224	1,224	1,400
3. Number of classes, workshops and special programs for adults	2,000	2,000	2,000
Efficiency:			
1. Number of volunteers	2,745	2,845	2,845
2. Percent of youth classes reaching target attendance	70%	70%	70%
3. Percent of adult classes reaching target attendance	70%	70%	70%
Effectiveness:			
1. Number attending theatre performances, concerts, exhibits and related activities	122,800	122,800	122,300
2. Youth participants in classes, camps, workshops, special programs and tours	14,800	14,600	18,500
3. Adult participants in classes, workshops and special programs	2,400	2,400	2,400

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,356,929	1,358,701	1,462,223	1,380,986
Contract Services	181,478	262,353	262,353	234,109
Supplies and Materials	51,151	54,247	54,247	43,197
General Expense	1,355,113	1,264,352	1,249,652	1,248,402
Allocated Charges	431,883	454,183	487,597	443,712
Total Expenditures	**$3,376,554**	**$3,393,836**	**$3,516,072**	**$3,350,406**
Total Revenues	**$43,250**	**$123,500**	**$123,085**	**$7,000**
Total Full Time Positions	12.85	12.85	11.85	11.85
Total Temporary Positions	4.74	3.93	3.93	3.93

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of Ambassador Development Training Sessions	6	6	6
2. Number of Cubberley facility rental bookings	1,500	1,610	1,610
Efficiency:			
1. Number of ambassadors trained	30	30	30
2. Number of Cubberley facility hours rented	35,777	38,400	38,400
Effectiveness:			
1. Number of increased referrals to non-profit providers due to Ambassador Development Program	900	900	900
2. Total revenue resulting from bookings	$793,000	$804,000	$864,000

OPEN SPACE AND PARKS

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	3,450,379	3,397,856	3,593,827	3,499,454
Contract Services	729,874	898,830	844,905	844,905
Supplies and Materials	194,703	226,960	215,860	215,860
Facilities and Equipment Purchases	14,934	17,600	32,100	22,100
General Expense	47,514	45,486	48,636	48,636
Rents and Leases	10,259	9,150	9,000	9,000
Allocated Charges	1,242,482	1,310,979	1,416,438	1,423,415
Total Expenditures	**$5,690,145**	**$5,906,861**	**$6,160,766**	**$6,063,370**
Total Revenues	**$539,313**	**$462,809**	**$475,434**	**$475,434**
Total Full Time Positions	10.63	10.25	33.35	33.35
Total Temporary Positions	4.22	3.59	5.80	5.80

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of hours of park ranger patrol annually	2,900	2,900	2,900
2. Number of visitors at Foothills Park (SEA)	150,000	150,000	150,000
Efficiency:			
1. Percent of emergency response calls responded to by park rangers within five minutes	90%	90%	90%
2. Percent of facility, campsite and restroom complaints satisfactorily resolved within 48 hours	85%	89%	90%
Effectiveness:			
1. Number of calls for service responded to by park rangers	250	250	300
2. Percent of park visitors rating themselves "satisfied" or "highly satisfied" on an overall park visitor survey	95%	95%	95%

RECREATION AND GOLF

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	3,159,756	3,240,969	3,273,591	3,302,946
Contract Services	1,358,545	1,572,153	1,511,680	1,511,680
Supplies and Materials	205,064	313,260	294,783	294,783
Facilities and Equipment Purchases	2,620	16,614	21,614	21,614
General Expense	50,010	83,927	85,877	85,877
Rents and Leases	0	150	300	300
Allocated Charges	718,328	829,914	859,279	855,006
Total Expenditures	**$5,494,323**	**$6,056,987**	**$6,047,124**	**$6,072,206**
Total Revenues	**$4,991,293**	**$5,278,028**	**$5,461,928**	**$5,486,928**
Total Full Time Positions	21.72	22.10	23.65	23.65
Total Temporary Positions	28.08	29.81	23.96	23.96

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Enrollment in recreation classes (SEA)	14,768	14,700	14,700
2. Number of special events (SEA)	4	4	5
Efficiency:			
1. Percent of registrations processed online for Recreation programs	42%	43%	45%
2. Donations and grants that help support special events	$100,000	$10,000	$10,000
Effectiveness:			
1. Percent of customers rating the quality of Recreation programs good or excellent (SEA)	86%	90%	90%
2. Percent of participants rating their experience at special events as good or excellent	90%	90%	90%

COMMUNITY SERVICES DEPARTMENT BUDGET BY PROGRAM AREA
FISCAL YEAR 2007-08

DIVISION	PROGRAM	REVENUE		EXPENSE
CSD ADMINISTRATION		**$0**		**$1,091,058**
ARTS & SCIENCES		**$1,461,468**		**$4,397,063**
	Arts & Sciences Administration	0		156,336
	Art Center			1,225,674
		438,444	Program Fees	
		41,736	Facility Rentals	
		5,144	Supply Sales	
	Subtotal	**485,324**		
	Art in Public Places and Art Commission	0		80,062
	Arts Facility Operations	0		226,787
	Children's Theatre			1,227,094
		128,807	Ticket Sales	
		69,000	Travel Reimbursement	
		95,293	Program Fees	
	Subtotal	**293,100**		
	Community Theatre			343,444
		189,100	Program Fees	
		61,000	Patron Use Fees	
		3,000	Inter-Department Contribution	
	Subtotal	**253,100**		
	Jr. Museum & Zoo			1,137,666
		374,944	Program Fees	
		55,000	Outside Agencies	
	Subtotal	**429,944**		
CUBBERLEY & HUMAN SERVICES		**$2,410,585**		**$3,516,072**
	Cubberley Center (1)			1,625,265
		1,360,348	Property Leases	
		934,152	Facility Rentals	
	Subtotal	**2,294,500**		

DIVISION	PROGRAM		REVENUE		EXPENSE
	Human Services		116,085	Family Resources Program	1,890,807
OPEN SPACE & PARKS			**$475,434**		**$6,160,766**
	Parks				4,022,269
			24,000	Santa Clara County	
			22,900	Community Garden	
			257,100	PAUSD Field Maintenance	
			20,000	Property Lease	
			41,659	Inter-Department Contribution	
		Subtotal	**365,659**		
	Open Space				2,138,497
			1,000	Citations	
			12,500	Reservations	
			61,700	Program Fees	
			7,575	Facility Rentals	
			20,000	Donations	
			7,000	Inter-Department Contribution	
		Subtotal	**109,775**		
RECREATION & GOLF			**$5,524,128**		**$7,034,361**
	Recreation & Golf Administration		0		497,996
	Recreation, Classes, Camps, and Activities				2,259,520
			1,824,128	Program Fees	
			8,900	Miscellaneous Fees	
			1,500	Donations	
		Subtotal	**1,834,528**		
	Facilities		369,800	Facility Rentals	989,717
	Special Events		7,800		98,552
	Golf Course (2)				3,188,576
			3,158,600	Golf Fees	
			121,200	Property Leases	
			32,200	Interest Income	
		Subtotal	**3,312,000**		

Community Services *continued*

DIVISION	PROGRAM	REVENUE	EXPENSE
TOTAL		**$9,871,615**	**$22,199,320**

Note: This table " Community Services Department Budget By Program Area" is added to the budget document in response to City Council's direction in 2006.

(1) Property and facility rental revenues for Cubberley Community Center are shown in the table, but recognized in Fund 103, Utility Users Tax Fund.

(2) Golf Course revenues and expenses are inclusive of interest, debt service, and cost plan charges.

HUMAN SERVICE CONTRACTS

	ADOPTED BUDGET 2006-07	AGENCY REQUESTS 2007-08	ADOPTED BUDGET 2007-08		
			ONGOING	ONE-TIME	TOTAL
EXPENDITURE CATEGORY					
Sole Source Contractors					
Avenidas - Senior Services (1)	420,216	447,750	427,670		427,670
PACCC - Child Care Subsidy and Outreach (1)	425,720	469,625	433,271		433,271
Second Harvest Food Bank - Operation Brown Bag (1)	7,372	7,372	7,503		7,503
Project Sentinel - Palo Alto Mediation Program (1), (2)	65,641	68,923	66,805		66,805
Sole Source Contractors Subtotal	**918,949**	**993,670**	**935,249**		**935,249**
HUMAN RESOURCE ALLOCATION PROCESS					
Two-Year Contractors					
Adolescent Counseling Services	90,000	115,489	93,100		93,100
Momentum for Mental Health (4)	24,000	30,000	27,000		27,000
Community Assoc. for Rehabilitation - Disabilities Services	40,353	73,000	42,153		42,153
Community Technology Alliance- Subsidized Housing Website	12,300	18,000	12,700		12,700
La Comida - Senior Nutrition	33,000	34,650	34,000		34,000
MayView Health Center - Health Care Food Bank for low-income	17,000	18,000	18,000		18,000
Senior Adult Legal Assistance	8,800	9,060	9,000		9,000
Support Network for Battered Women	18,000	-	-		-
Inn Vision -Urban Ministry of Palo Alto - Hot Meal Program (3)	67,000	-	-		-
Bay Area Community Resources/ Youth Community Service	12,000	16,800	16,800		16,800
Community Health Awareness Council	9,000	10,000	10,000		10,000
Downtown Streets Team	-	100,000	37,700		37,700
Opportunity Health Partners	-	50,000	-		-
Parents Helping Parents	-	10,000	-		-
The Health Trust	-	9,702	-		-
Two-Year Contractors Subtotal	**331,453**	**494,701**	**300,453**		**300,453**
TOTAL	**$1,250,402**	**$1,488,371**	**$1,235,702**	**$0**	**$1,235,702**

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

(2) Includes one-time grant of $4,492 in 2006-07 and is incorporated in the base budget in 2007-09

(3) Includes one-time grant of $31,000 in 2006-07

(4) Name change effective July 1, 2007; formerly known as Alliance for Community Care -Homeless Outreach

GOLF COURSE FINANCIAL SUMMARY

	2004-05 ACTUALS	2005-06 ACTUALS	2006-07 PROJECTED	2007-08 ADOPTED BUDGET
Revenues				
Tournament fees	$3,031	$2,528	$2,528	$3,600
Green Fees	2,027,302	2,042,184	2,175,000	2,255,000
Monthly play cards	152,980	163,714	165,000	170,000
Driving range	371,245	382,463	385,000	415,000
Cart/club rentals	278,128	315,959	300,000	315,000
Proshop lease	27,513	30,216	32,000	32,000
Restaurant lease	40,426	54,172	67,200	67,200
Coffee Shop Utilities	10,800	21,600	22,000	22,000
Interest Income - Debt Service	32,207	31,721	32,000	32,200
TOTAL REVENUE	$2,943,632	$3,044,557	$3,180,728	$3,312,000
Expenditures				
Debt Expenses				
Debt Service	557,516	555,769	558,211	559,795
Loan payment to General Fund for CIP PG-08001 and PG-07700	-	-	-	118,369
Subtotal	557,516	555,769	558,211	678,164
Operating Expenses				
Salaries	535,985	603,875	554,203	470,179
Benefits	402,852	226,674	227,359	414,009
Miscellaneous				
Supplies and Materials	126,906	115,071	200,543	171,853
General Expense	570	60	60	1,950
Rents and Leases				300
Facilities and Equipment Purchases	456			5,000
Allocated Charges	402,325	349,885	463,283	406,118
Cost Plan	321,580	357,361	357,361	309,073
Subtotal	1,790,674	1,652,926	1,802,809	1,778,482
Contract Services				
Miscellaneous	50,448	40,012	49,679	67,930
Range fees	141,361	152,985	154,000	166,000
Cart rentals	112,273	118,886	120,000	120,000
Club rentals	8,375	7,422	7,500	9,000
Fixed management fees	322,254	322,248	323,000	323,000
Credit card fees	32,762	46,155	46,000	46,000
Subtotal	667,473	687,708	700,179	731,930
TOTAL EXPENSES	$3,015,663	$2,896,403	$3,061,199	$3,188,576
Annual Net	$(72,031)	$148,154	$119,529	$123,424

Fire Department

Fire Department

Organizational Chart

FIRE CHIEF
Nick Marinaro

1.0-Administrative Assistant

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

ENVIRONMENTAL & SAFETY MANAGEMENT
1.0-Fire Marshal
3.0-Fire Inspector
2.0-Hazardous Materials Inspector
1.0-Hazardous Materials Specialist
1.0-Administrative Asssociate II

TRAINING & PERSONNEL MANAGEMENT
1.0-Deputy Fire Chief EMT
1.0-Executive Assistant
1.0-Training Captain
1.0-Administrative Asssociate I

Fiscal Year 2007-08 Position Totals: **126.00 Full-time**
1.00 Battalion Chief - EMS (Frozen)
0.41 Hourly

Fire

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

OVERVIEW

In 2007-09, the Fire Department will provide CPR and mask fit training to the Public Works and Utilities Departments. In addition, the Department will continue to provide training for confined space, confined space entry, and rescue training exercises. The Department is looking to share training resources with other Santa Clara County Fire Departments, such as the plans to partner with the Mountain View Fire Department in building a roof ventilation training structure. This structure will allow our firefighters to safely practice performing roof ventilation techniques on pitched and flat roofs.

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

A new hiring process for entry level Firefighter and Firefighter/Paramedic began in December 2006 and will be completed in April 2007. Newly hired firefighters are scheduled to attend the County Joint Fire Academy in May 2007. These employees will bring the Fire Department up to full staffing and should help control overtime cost. The emphasis on these hiring's will be for the position of firefighter/paramedic in an effort to fill our authorized paramedic staffing levels and provide Advanced Life Support (ALS) staffing on all engine companies.

The Fire Prevention Bureau continues to focus on improving efficiency by providing ongoing cross-training and re-evaluating inspection priorities. Other projects included the implementation of new automated data management systems and the development of new methods to gather and use information for the improvement of emergency response capabilities, continuation with the release of the Fire Records Management System (RMS) training module, and the planned release of a new server version of Fire RMS. RMS is the Department's main records management system.

Effective March 2006, regulated businesses were required to electronically submit information related to hazardous materials. The electronically submitted data will be fully integrated with the City's GIS system in 2007-09. The Fire Marshal is working with state agencies to transition the management and oversight of the Unidocs Online Hazardous Materials Submission program to the State of California Environmental Protection Agency (Cal/EPA). Another work transition is returning inspection responsibilities for underground storage tanks back to Santa Clara County. The program transfer will allow the Hazardous Materials Inspector assigned to this project to focus additional work time towards hazardous materials facilities inspection and oversight.

The testing and evaluation of computers for the Fire response vehicles was completed in 2006-07. Engine 4 has been equipped with a computer and touch screen monitor to evaluate and develop procedures that will ultimately be extended to all emergency response vehicles. The updated run maps have been completed and will be distributed in 2007-09 as backup to the onboard computers. The Bureau anticipates that all mandated inspections will be completed as required by the end of the fiscal year. Previously established plan check targets have been met. One fire inspector position was added in 2006-07 and one fire inspector retired, resulting in the hiring of two new fire inspectors. Both inspectors are on an accelerated training program to ensure that new construction projects are not delayed.

The Department will continue to operate a pilot Basic Life Support (BLS) ambulance along with limited hourly Emergency Medical Technicians (EMTs). The ambulance will be available for inter-facility transports as well as the 911-system downgrade. The BLS ambulance transport increases the level of service to the community by enabling ALS ambulances greater ability to respond to more appropriate calls. The efficiency of the current Emergency Medical Services (EMS) system is enhanced with minimal additional cost to the City. This program is supported with revenue generated from transport fees, and the program's financial condition will continue to be monitored using a cost benefit analysis. Evaluation for program expansion will continue with a determination of full-time program status. In 2007-09, the Department will explore, with area medical service providers, the potential to develop mutually beneficial transport partnerships.

In 2007-09, the Fire Department will continue to actively explore restructuring strategies and opportunities to promote cost-savings and organizational efficiency. In 2007-09, the Department will continue the process of placing additional ALS engine companies in service. In 2007-09, municipal fees for BLS and ALS transport and related services will be increased as needed to remain consistent with the industry standard.

PROGRAM UPDATE

The Fire Department has accomplished the following program implementations:

Personal Protective Equipment (PPE) Program

- The Fire Department plans to purchase state-of-the-art PPE washer extractors to replace two of the existing front-loading washers over a multi-year period. The current washers do not adequately decontaminate firefighting turnout gear per National Fire Protection Agency (NFPA) recommendations. The PPE washer extractors are designed to significantly reduce the potential exposure to occupational biohazards, contaminants, and other foreign substances that may be retained in personal protective clothing following firefighting activities

Live Fire Training

- The Fire Department conducted multiple live fire evolutions in 2006 and plans on continuing to perform training capabilities. As buildings planned for demolition become available, the Department will utilize them for hands-on training. Activities will include forcible entry training, building construction design, ventilation, search and rescue training, firefighter survival techniques as well as hose, ladders, and extinguishment practices

Pre-Incident Plans

- This program continues on a limited scale. It is a voluntary effort that businesses, other than hazardous materials related facilities, may participate in to aid the Fire Department in an emergency response at their facility. Line personnel and plan check staff continue to distribute the pre-incident plan brochure. Other emergency preparedness brochures have been identified that will be distributed by line personnel concurrently with the Pre-incident Plan. The Bureau is in the process of collecting these brochures and plans to begin distribution in 2007-09

Data Management Systems

- Hazardous Materials: In coordination with other agencies and local industry, the Department will continue to develop an on-line 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
- Run Maps: In 2005-06, the Department updated the run map information and implemented a new GIS-based emergency response run map program. In 2007-09, the Department, in coordination with other City departments, will integrate automatic GIS map updates, hazardous materials information, and pre-incident facility information for use on mobile data computers in response vehicles. The GIS-based maps will ultimately replace paper maps

- In 2006-07, the Department provided three department-wide training courses to improve skills using the fire inspection-tracking module in the Fire RMS data management system. The training module was released and it is currently being used. Three to four training sessions will continue to be provided annually to continuously improve department staff efficiency with the data management system

Electronic Patient Care Report (e-PCR)

- In 2007-09, the Department will continue plans for the implementation of an electronic patient care report program (e-PCR) in the field. The e-PCR will capture medical call information and provide electronic data as mandated by the State and Santa Clara County. Additionally, the electronic patient care report will expedite delivery of medical information to hospitals for legal documentation. The ability to transfer electronic billing information will allow our contracted billing provider to recover service fees in a more timely and efficient manner. The electronic data can also be utilized to generate reports for mandated continuous quality review and improvement

Emergency Medical Services

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

COUNCIL PRIORITY IMPLEMENTATION

In 2007-09, the Fire Department will implement the City Council's Top 4 Priorities as follows:

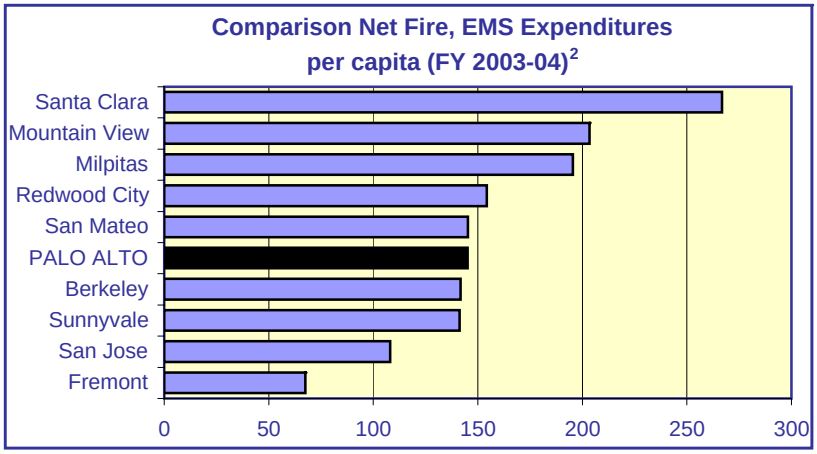
Emergency Planning

The Fire Department is charged with taking the lead for emergency preparedness, response, and recovery. These efforts will be coordinated in collaboration with other City departments, community groups, and public entities. Efforts will include exercising the public health annex of the updated Emergency Operating Plan. Another objective will be to continue the collaborative relationships with community groups, outside agencies, the Palo Alto Unified School District, Stanford University, health care services and the faith-based community. Training endeavors will include preparing additional community volunteers, Council Members, and the Emergency Standby Council. Citywide training for the legally mandated ICS 100 and 200 instruction will be a priority. Response efforts will focus on the integration, improvement, and enhancement of communication plans and procedures that will include implementing the recommendations of the City Manager that were the result of the 2005 storm events. A final objective will be to identify a workable planning process for disaster recovery efforts.

Fire *continued*

DEPARTMENT SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Fire Administration	1,299,227	1,446,017	1,438,043	(7,974)	(1%)	1,440,663	2,620	0%
Emergency Response	14,106,279	15,139,349	15,923,757	784,408	5%	16,491,438	567,681	4%
Environmental Safety Management	1,986,420	2,201,202	2,366,306	165,104	8%	2,394,095	27,789	1%
Training and Personnel	1,909,582	2,094,284	2,210,219	115,935	6%	2,246,856	36,637	2%
Records and Information Management	866,937	892,639	929,481	36,842	4%	941,771	12,290	1%
TOTAL EXPENDITURES	$20,168,445	$21,773,491	$22,867,806	$1,094,315	5%	$23,514,823	$647,017	3%
TOTAL REVENUES	$9,383,552	$9,706,089	$10,148,146	$442,057	5%	$10,098,146	$(50,000)	0%
INTERNAL REVENUES	305,223	299,368	299,368	0	0%	299,368	0	0%
EXTERNAL REVENUES	9,078,329	9,406,721	9,848,778	442,057	5%	9,798,778	(50,000)	(1%)

Fire *continued*



INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	17,346,308	18,661,452	19,694,359	20,059,195
Contract Services	369,567	479,589	508,589	508,589
Supplies and Materials	248,397	320,619	340,619	340,619
Facilities and Equipment Purchases	113,711	224,943	264,943	264,943
General Expense	22,131	43,975	41,975	41,975
Allocated Charges	2,068,331	2,042,913	2,017,321	2,299,502
Total Expenditures	**$20,168,445**	**$21,773,491**	**$22,867,806**	**$23,514,823**
Total Revenues	**$9,383,552**	**$9,706,089**	**$10,148,146**	**$10,098,146**
Total Full Time Positions	126.00	127.00	127.00	127.00
Total Temporary Positions	0.49	0.51	0.41	0.41

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of ordinary hazard facilities inspected for fire safety (SEA)	899	1,400	1,500
2. Total responses to emergency calls	6,897	6,498	6,600
3. Number of training opportunities through PANDA classes	90	90	90
4. Number of bike safety classes conducted	37	38	38
5. Number of fire safety, bike safety, and disaster preparedness presentations (SEA)	281	250	250

Fire *continued*

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Efficiency:			
1. Average emergency response time for all calls (SEA)	5:10	6:00	6:00
2. Number of PANDA volunteers recruited and trained	125	125	180
3. Number of residents provided with fire safety, bike safety, and disaster preparedness training	11,850	10,500	11,350
4. Percent of ordinary hazard facilities inspected annually for fire safety	20%	30%	30%
5. Number of 3rd and 5th graders trained in bicycle safety	2,275	2,300	2,300
Effectiveness:			
1. Percent rating fire services good or excellent (SEA)	95%	90%	90%
2. Percent of PANDA volunteers who completed training	98%	98%	98%
3. Percent of residents rating fire prevention and education good or excellent (SEA survey)	84%	85%	85%
4. Percent of ordinary hazard fire safety inspections where facility was found in compliance or returned to compliance within department standards	92%	95%	95%
5. Percent of students trained	95%	98%	95%

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES						
Increase Stanford fire services revenue	247,482		247,482			
Increase paramedic service fee	54,000		54,000			
Increase hazardous materials inspection fees ($3 Million Challenge)	50,000		50,000			
Increase plan checking fees	79,575	50,000	129,575			
Decrease hazardous material permit fees	(30,000)		(30,000)			
TOTAL REVENUE CHANGES	**$401,057**	**$50,000**	**$451,057**	**$0**	**$0**	**$0**
Adjustments (Note 1)	(9,000)		(9,000)		(50,000)	(50,000)
NET REVENUE CHANGES	**$392,057**	**$50,000**	**$442,057**	**$0**	**$(50,000)**	**$(50,000)**
EXPENDITURE CHANGES						
Salary and Benefits						
Decrease in Overtime - Station 8 Staffing ($3 Million Challenge)	(140,000)		(140,000)			
Total Salary and Benefits Changes	**$(140,000)**	**$0**	**$(140,000)**	**$0**	**$0**	**$0**
Salary Increase	361,058		361,058	310,833		310,833
Personnel Benefit Costs Increase (Note 2)	974,184		974,184	50,000		50,000
Adjustments (Note 1)		(162,343)	(162,343)		4,000	4,000
Total Net Salary and Benefits Changes	**$1,195,242**	**$(162,343)**	**$1,032,899**	**$360,833**	**$4,000**	**$364,833**
Non-Salary						
Increase other supplies	20,000		20,000			
Increase non-capital tools & equipment		40,000	40,000		40,000	40,000
Increase program consultants	35,000		35,000			
Allocated Charges (Decrease) Increase	(25,592)		(25,592)	282,608		282,608
TOTAL EXPENDITURE CHANGES	**$1,224,650**	**$(122,343)**	**$1,102,307**	**$643,441**	**$44,000**	**$687,441**
Adjustments (Note 1)		(7,992)	(7,992)		(40,424)	(40,424)
NET EXPENDITURE CHANGES	**$1,224,650**	**$(130,335)**	**$1,094,315**	**$643,441**	**$3,576**	**$647,017**

RESOURCE LEVEL NOTES

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

Note 2: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

SERVICE LEVEL CHANGES

Fire Prevention Bureau: Plan review workload was a five-year high in 2005-06 with 983 plan reviews and an estimated 1475 to 1960 related inspections. Projections for 2007-09 increase to 1100 and a corresponding increase of 1650 to 2200 for associated inspections was based on the first five months of actuals in 2006-07. One additional fire inspector position was added in 2005-06 to maintain plan review turnaround targets, and 2007-09 contracts for third party plan checking will be arranged to further off-set increases in plan reviews.

COMPREHENSIVE PLAN OVERVIEW

The 2007-09 Fire Department Budget includes the following resources directed toward implementing the programs and policies of the Comprehensive Plan.

TRANSPORTATION

The Fire Department continues to consider the effects of street modifications on emergency vehicles response time (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. 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 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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	12,665,091	13,617,835	14,379,883	14,665,792
Contract Services	306,857	376,504	376,504	376,504
Supplies and Materials	223,142	286,429	306,429	306,429
Facilities and Equipment Purchases	97,643	137,118	177,118	177,118
General Expense	12,133	24,867	24,867	24,867
Allocated Charges	801,413	696,596	658,956	940,728
Total Expenditures	**$14,106,279**	**$15,139,349**	**$15,923,757**	**$16,491,438**
Total Revenues	**$1,841,975**	**$2,013,944**	**$2,067,944**	**$2,067,944**
Total Full Time Positions	94.16	94.54	94.54	94.54
Total Temporary Positions	0.49	0.51	0.41	0.41

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of fire calls (SEA)	211	250	250
2. Number of medical/rescue calls (SEA)	3,780	3,800	3,800
3. Number of hazardous conditions calls (SEA)	203	200	200
4. Number of total responses (SEA)	6,897	7,000	7,000
Efficiency:			
1. Average response time for fire calls (minutes) (SEA)	5:28	6:00	6:00
2. Average response time for medical/rescue calls (minutes) (SEA)	5:13	6:00	6:00
3. Average response time for hazardous conditions calls (minutes)	6:09	6:00	6:00
4. Average emergency response time for all calls	5:10	6:00	6:00
Effectiveness:			
1. Percent response to fire emergencies within 8 minutes (SEA)	91%	90%	90%
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	83%	90%	90%
4. Percent rating fire services good or excellent (SEA)	95%	90%	90%

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,913,354	2,056,988	2,179,302	2,209,411
Contract Services	26,454	39,408	74,408	74,408
Supplies and Materials	7,259	9,529	9,529	9,529
Facilities and Equipment Purchases	13,876	63,175	63,175	63,175
General Expense	2,887	10,272	8,272	8,272
Allocated Charges	22,590	21,830	31,620	29,300
Total Expenditures	**$1,986,420**	**$2,201,202**	**$2,366,306**	**$2,394,095**
Total Revenues	**$1,397,081**	**$1,193,503**	**$1,343,078**	**$1,293,078**
Total Full Time Positions	11.48	12.78	12.78	12.78
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of ordinary hazard facilities inspected for fire safety (SEA)	899	1,400	1,500
2. Total number of hazardous materials inspections (SEA)	243	250	250
3. Number of new construction related projects (SEA-Plan Reviews-includes all projects other than the counter)	983	975	975
4. Number of fire safety, bike safety, and disaster preparedness presentations (SEA)	281	200	200
5. Number of bike safety classes conducted	37	38	38
Efficiency:			
1. Percent of ordinary hazard facilities inspected annually for fire safety	20%	30%	30%
2. Percent of annual hazardous materials inspections and underground storage tank facilities inspections (SEA)	49%	50%	60%
3. Number of building construction projects that were plan checked for fire safety within 40 days (Building Plan Check Completion Report)	267	280	300
4. Number of residents provided with fire safety, bike safety, and disaster preparedness training	11,850	10,500	11,350
5. Number of students (K-5th) trained in bicycle safety	2,275	2,300	2,300

Fire *continued*

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Effectiveness:			
1. Percent of ordinary hazard fire safety inspections where facility was found in compliance or returned to compliance within department standard	92%	92%	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)	99%	90%	90%
3. Percent of new building construction projects that were plan checked for fire safety within 40 days (Building Plan Check Completion Report)	62%	90%	90%
4. Percent of residents rating fire prevention and education good or excellent (SEA Survey)	84%	85%	85%
5. Percent of total students (K-5th) trained	21%	23%	23%

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,869,172	2,036,592	2,158,527	2,195,164
Contract Services	34,430	46,625	40,625	40,625
Supplies and Materials	3,382	6,175	6,175	6,175
Facilities and Equipment Purchases	1,576	2,850	2,850	2,850
General Expense	1,022	2,042	2,042	2,042
Total Expenditures	**$1,909,582**	**$2,094,284**	**$2,210,219**	**$2,246,856**
Total Revenues	**$0**	**$0**	**$0**	**$0**
Total Full Time Positions	12.93	13.08	13.08	13.08
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 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	17	13	13
2. Number of training opportunities through PANDA classes	70	75	75
3. Number of City personnel trained in Emergency Operations Center (EOC) positions	100	100	100
4. Number of training hours per firefighter per month	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%	95%	95%
2. Number of PANDA volunteers recruited and trained	125	125	180
3. Percent of City personnel trained in Emergency Operations Center (EOC) positions	50%	45%	65%
4. Percent of fire personnel completing mandated training	94%	94%	90%
Effectiveness:			
1. Percent of personnel completing confined space entry classes and field exercises as required by OSHA Title 8 mandates	96%	95%	95%

Fire *continued*

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
2. Percent of PANDA volunteers completing training	95%	90%	90%
3. Percent of City personnel completing EOC training	95%	96%	97%
4. Average score of fire personnel completing mandated training	87%	90%	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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	846,912	843,099	872,973	885,145
Contract Services	604	6,650	6,650	6,650
Supplies and Materials	14,464	17,251	17,251	17,251
Facilities and Equipment Purchases	170	17,846	17,846	17,846
Allocated Charges	4,787	7,793	14,761	14,879
Total Expenditures	**$866,937**	**$892,639**	**$929,481**	**$941,771**
Total Revenues	**$227**	**$0**	**$0**	**$0**
Total Full Time Positions	7.13	6.10	6.10	6.10
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of incident reports	6,897	7,000	7,000
2. Number of patient care reports	2,157	2,500	2,500
3. Number of public records requests	165	150	150
Efficiency:			
1. Percent of incident reports completed	97%	99%	99%
2. Number of patient care reports invoiced within 14 days	2,265	2,500	2,500
3. Number of public information requests processed within 10 days	137	145	145
Effectiveness:			
1. Percent of incident reports completed within 30 days	97%	98%	98%
2. Percent of patient care report invoices collected	47%	47%	50%
3. Percent of public information requests processed within 10 days	83%	97%	97%

Human Resources Department

Human Resources Department

Organizational Chart

HUMAN RESOURCES DIRECTOR

Russ Carlsen

1.0-Administrative Assistant
1.0-Mgr Risk & Benefits

EMPLOYEE/LABOR RELATIONS
1.0-Mgr Employee Relations
1.0-Administrator-HR
2.0-HR Assistant

RISK MANAGEMENT, BENEFITS & SAFETY
3.0-Administrator-HR
1.0-HR Representative

EMPLOYMENT/EMPLOYEE DEVELOPMENT
1.0-Sr. Administrator
1.0-Administrator-HR
1.0-HR Representative
1.6-HR Assistant

Fiscal Year 2007-08 Position Totals: 15.60 Full-time
0.03 Hourly

Human Resources

To recruit, develop, and retain a diverse, well-qualified, and professional workforce that reflects the high standards of the community we serve, and to provide a high level of support to the City departments.

OVERVIEW

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

Specific goals for 2007-09 include: completing the negotiations of the Fire Chiefs and Palo Alto Police Officers Association (PAPOA) and SEIU-hourly contracts and implementing the contract provisions; completing the compensation and classification study for the Management/Professional group; continuing to analyze alternatives for containing healthcare costs; updating the Merit System rules and regulations; focusing attention on succession planning; developing and implementing the SAP Human Resources Information System upgrade; enhancing the Human Resources intranet site; and continuing to partner with other City departments to improve City operations.

PROGRAM UPDATE

The Human Resources Department accomplished the following for programs and goals:

Employment

- Implemented an internal review of vacancies to evaluate restructuring opportunities prior to authorizing recruitment
- Developed an exit survey that solicited suggestions from retiring employees and employees leaving the City
- Implemented a post-recruitment survey that solicited feedback from new employees
- Partnered with CalOpps, a public employment job board with 42 member agencies, to increase online recruitment visibility
- Collaborated with the City Manager on the succession planning program

Employee/Labor Relations

- Completed SEIU and IAFF contract negotiations and implemented contractual obligations
- Continued to maintain zero claim filing for unlawful recruitment practices and/or discrimination complaints, and successfully resolved 100 percent of all grievances
- Met and conferred with SEIU regarding service delivery alternatives
- Implemented a performance evaluation system for monitoring on-time employee performance appraisals
- Cross-trained staff to address the retirement of key personnel

Risk Management and Benefits

- Transitioned workers' compensation administration services to a new third party administrator
- Implemented recommendations from City Auditor's Workers' Compensation Audit Report
- Completed CalPERS contract amendment

- Streamlined and improved the Management Excess Benefit pre-designation process by implementing an on-line application form
- Completed a benefits audit to update employee benefit records
- Completed the RFP process for the Deferred Compensation Plan for seasonal and part-time employees
- Developed refresher safety training for supervisors to ensure compliance with Cal-OSHA mandated injury and illness prevention program requirements
- Implemented an on-line application form for the pre-designation of the International Association of Fire Fighters (IAFF) Tuition Program

Employee Development/Training

- Provided customized training to City staff on safety, mandated safety training, project management, customer service, ethics, and computer skills
- Assisted the Fire Department in delivering training for first responders (National Incident Command System and AWR-160) consistent with state and federal requirements
- Coordinated the Management Talent Exchange Program for San Mateo and Santa Clara Counties
- Revised the Management Academy program by providing updated materials and training to prepare new and aspiring managers
- Collaborated with staff from multiple departments on new policies and procedures for City employees' response to potential pandemic flu event

COUNCIL PRIORITY IMPLEMENTATION

In 2007-09, the Human Resources Department will implement the City Council's Top 4 Priorites as follows:

Global Climate Protection

Continue to explore opportunities to use on-line application versus paper application forms.

Sustainable Budget

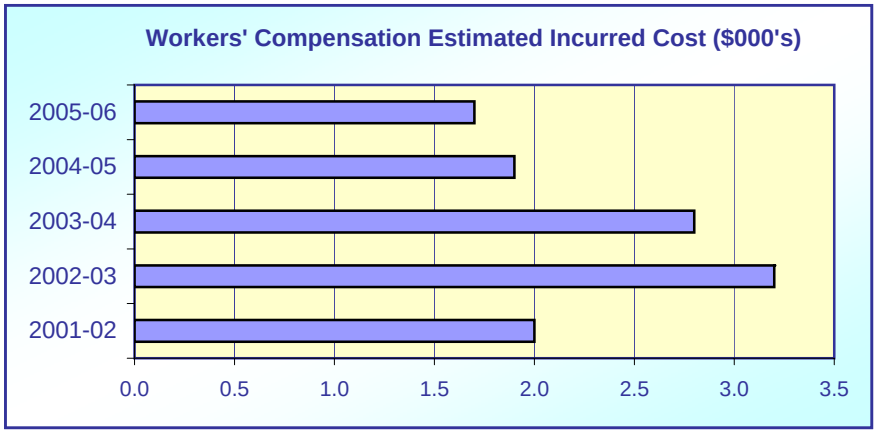
Continue to collaborate with all City departments on matters related to restructuring, streamlining, employee safety, and reducing workers' compensation claims. In addition, the Department continues to develop training for all City employees, to improve productivity.

Emergency Planning

Human Resources staff will continue to serve on the Emergency Management Preparedness working committee and will participate in future drills. Additionally, the Department will work closely with other City departments on all matters related to Emergency Preparedness.

Human Resources *continued*

DEPARTMENT SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Administration	203,854	652,286	331,479	(320,807)	(49%)	331,885	406	0%
Employee/Labor Relations	631,701	702,052	884,525	182,473	26%	884,816	291	0%
Employment/Employee Development	999,084	776,241	873,491	97,250	13%	875,593	2,102	0%
Risk Management and Employee Benefits	697,336	582,388	613,528	31,140	5%	613,796	268	0%
TOTAL EXPENDITURES	$2,531,975	$2,712,967	$2,703,023	$(9,944)	0%	$2,706,090	$3,067	0%
TOTAL REVENUES	$1,168,428	$1,187,289	$1,339,259	$151,970	13%	$1,335,524	$(3,735)	0%
INTERNAL REVENUES	1,114,376	1,162,289	1,333,259	170,970	15%	1,329,524	(3,735)	0%
EXTERNAL REVENUES	54,052	25,000	6,000	(19,000)	(76%)	6,000	0	0%



INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	2,021,873	2,044,878	2,058,479	2,060,739
Contract Services	249,786	349,600	333,455	333,455
Supplies and Materials	16,775	23,881	26,880	26,880
Facilities and Equipment Purchases	5,910	8,989	8,989	8,989
General Expense	42,362	59,239	49,959	49,959
Rents and Leases	44,349	43,120	43,000	43,000
Allocated Charges	150,920	183,260	182,261	183,068
Total Expenditures	**$2,531,975**	**$2,712,967**	**$2,703,023**	**$2,706,090**
Total Revenues	**$1,168,428**	**$1,187,289**	**$1,339,259**	**$1,335,524**
Total Full Time Positions	15.35	15.60	15.60	15.60
Total Temporary Positions	0.00	0.03	0.03	0.03

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of new hires processed	63	55	50
2. Number of grievances filed	18	27	0
3. Number of contracts negotiated	2	4	2
4. Number of employee training classes	8,052 hours	6,000 hours	5,000 hours

Human Resources *continued*

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Efficiency:			
1. Number of sick leave hours per new hire	683	425	410
2. Number of grievances to arbitration	2	0	0
3. Number of unfair labor practices upheld by Public Employment Relations Board	0	0	0
4. Number of employees who completed a training course	563	600	500
Effectiveness:			
1. Percentage of first year turnover (SEA)	3%	9.5%	3%
2. Cost of grievance settlement	$0	$0	$0
3. Number of contracts implemented within 90 days of Council authorization	1	2	2
4. Percent of classroom hours offered and delivered	94%	90%	90%

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES						
Decrease Management Talent Exchange Program revenue	(15,000)		(15,000)			
Decrease training fee	(4,000)		(4,000)			
Increase (Decrease) allocated revenues-internal	170,970			(3,735)		(3,735)
TOTAL REVENUE CHANGES	**$151,970**	**$0**	**$151,970**	**$(3,735)**	**$0**	**$(3,735)**
EXPENDITURE CHANGES						
Salary and Benefits						
Reclassify 1.0 FTE HR Manager to HR Representative	(36,090)		(36,090)			
Total Salary and Benefits Changes	**$(36,090)**	**$0**	**$(36,090)**	**$0**	**$0**	**$0**
Personnel Benefit Costs Increase (2)	161,212		161,212			
Adjustments (Note 1)		(111,521)	(111,521)		2,260	2,260
NET SALARY AND BENEFITS CHANGES	**$125,122**	**$(111,521)**	**$13,601**	**$0**	**$2,260**	**$2,260**
Non-Salary						
Increase relocation		6,000	6,000		6,000	6,000
Allocated Charges (Decrease) Increase	(1,000)		(1,000)	807		807
Total Non-Salary	**$(1,000)**	**$6,000**	**$5,000**	**$807**	**$6,000**	**$6,807**
TOTAL EXPENDITURE CHANGES	**$124,122**	**$(105,521)**	**$18,601**	**$807**	**$8,260**	**$9,067**
Adjustments (Note 1)		(28,545)	(28,545)		(6,000)	(6,000)
NET EXPENDITURE CHANGES	**$124,122**	**$(134,066)**	**$(9,944)**	**$807**	**$0**	**$3,067**

RESOURCE LEVEL NOTES

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

Note 2: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

SERVICE LEVEL CHANGES

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

Parameters for Employee Self-Service features will be developed in preparation for the SAP upgrade. Examples of Self-Service features would include enabling employees to update their home address or select health plans using a paperless process and transmitting changes to the benefit administrator online. Target year: 2008

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

COMPREHENSIVE PLAN OVERVIEW

The Human Resources Department 2007-09 Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

COMMUNITY FACILITIES AND SERVICES

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

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

The current training programs will be re-evaluated and updated as necessary. (C-11)

GOVERNANCE

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

EMPLOYEE/LABOR 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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	499,024	547,998	740,526	740,781
Contract Services	120,399	137,000	128,815	128,815
Supplies and Materials	2,139	5,501	3,500	3,500
Facilities and Equipment Purchases	1,870	2,163	2,163	2,163
General Expense	5,325	6,300	6,300	6,300
Allocated Charges	2,944	3,090	3,221	3,257
Total Expenditures	**$631,701**	**$702,052**	**$884,525**	**$884,816**
Total Revenues	**$0**	**$0**	**$0**	**$0**
Total Full Time Positions	2.90	4.00	5.50	5.50
Total Temporary Positions	0.00	0.00	0.00	0.00

EMPLOYMENT/EMPLOYEE DEVELOPMENT

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	804,708	499,998	607,847	609,607
Contract Services	85,724	149,760	144,300	144,300
Supplies and Materials	8,878	9,900	14,900	14,900
Facilities and Equipment Purchases	3,953	4,653	4,653	4,653
General Expense	27,349	39,575	27,675	27,675
Rents and Leases	44,349	43,000	43,000	43,000
Allocated Charges	24,123	29,355	31,116	31,458
Total Expenditures	**$999,084**	**$776,241**	**$873,491**	**$875,593**
Total Revenues	**$84,052**	**$25,000**	**$6,000**	**$6,000**
Total Full Time Positions	6.90	3.80	4.85	4.85
Total Temporary Positions	0.00	0.03	0.03	0.03

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	637,855	496,358	529,285	529,468
Contract Services	43,383	62,840	60,340	60,340
Supplies and Materials	5,758	8,480	8,480	8,480
Facilities and Equipment Purchases	87	2,173	2,173	2,173
General Expense	7,945	9,664	10,284	10,284
Rents and Leases	0	120	0	0
Allocated Charges	2,308	2,753	2,966	3,051
Total Expenditures	**$697,336**	**$582,388**	**$613,528**	**$613,796**
Total Revenues	**$0**	**$0**	**$0**	**$0**
Total Full Time Positions	4.55	3.55	3.85	3.85
Total Temporary Positions	0.00	0.00	0.00	0.00

Library Department

Library Department

Organizational Chart

LIBRARY DIRECTOR
Diane Jennings

ADMINISTRATION
1.0-Administrative Assistant
1.0-Management Assistant

ASSISTANT DIRECTOR
1.0 -Vacant

PUBLIC SERVICES

MAIN LIBRARY
2.0-Supervising Librarian
5.25-Senior Librarian
1.0-Library Associate
3.0-Library Specialist

CHILDREN'S LIBRARY
1.0-Supervising Librarian
1.0-Coordinator, Library Programs
1.0-Senior Librarian
1.0-Librarian
1.0-Library Specialist
1.0-Library Assistant

MITCHELL PARK LIBRARY
1.0-Supervising Librarian
1.0-Coordinator, Library Programs
1.5-Senior Librarian
3.0-Librarian
2.0-Library Specialist
2.0-Library Assistant

COLLEGE TERRACE LIBRARY
1.5-Library Assistant

DOWNTOWN LIBRARY
1.0-Library Associate
1.0-Library Assistant

DIVISION HEAD
1.0-Collection & Technical Services

COLLECTION & TECHNICAL SERVICES
1.0-Coordinator, Library Programs
1.5-Senior Librarian
1.0-Librarian
2.0-Library Associate
2.0-Library Specialist

Fiscal Year 2007-08 Position Totals:

43.75 Full-time
12.70 Hourly

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 hours, programs, and services at current levels to customers at the Main, Mitchell Park, College Terrace, and Downtown Libraries. The Children's Library, closed since December 2005 for an extensive renovation and expansion project, will reopen to the public in September 2007. Staff will welcome children, parents and caregivers back to an enhanced, seismically braced, and refurbished facility. Visitors will be able to learn about the newly installed ground source heat pump, an environment-friendly system that uses the constant temperature of the earth to efficiently heat and cool the library. Opening celebrations will provide the opportunity to thank the hundreds of individual donors who partnered with the City, the Library Foundation, and Friends of the Library in making this project a reality.

Based on Council direction, staff will take action on the recommendations of the Library Advisory Commission's plan, *Library Service Model Analysis and Recommendations* (LSMAR), adopted by Council in December 2006. Work will focus on refining a plan and costs for a new Mitchell Park Library and for upgrades to Main and Downtown Libraries in preparation for a potential ballot measure in 2008.

In 2007-09, the Public Works Department will finalize the design for an infrastructure improvement project for the College Terrace Library, and construction will begin. All major building components such as heating, roofing, and electrical systems will be upgraded; and the facility will be brought into compliance with accessibility standards and reinforced to better withstand an earthquake. Staff will consult with neighborhood representatives as the current interior layout is reviewed for potential improvements.

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

With the support of the Administrative Services Department and community input, the Library will complete a multi-year technology plan in 2007-08. Using the enhanced functionality of the City's redesigned website, Library staff will deliver more information resources and enhanced services through the Internet. The Library will launch pilot projects using social networking tools to enhance its online outreach to promote reading and library resources.

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

In 2007-08, the Library will again offer a community-wide reading program following the success of the Palo Alto Reads program in 2006.

The Department was restructured in the 2006-07 mid-year to provide more coordinated management of its two divisions and additional administrative support. With the hiring of the Department's first Assistant Director, the Library is better positioned to address a number of key initiatives in 2007-09 including staff development and succession planning; increased outreach to schools and community groups; continued enhancement of the volunteer program; and a greater emphasis on pursuing grant and partnership opportunities.

PROGRAM UPDATE

Long-Range Planning

- The City Council endorsed the recommendations of the Library Advisory Commission's *Library Service Model Analysis and Recommendations* report detailing facility and service improvements across the library system.
- Environmental study, cost analyses, and voter polling were conducted in preparation for Council decision on a potential ballot measure in support of library improvements.
- A feasibility study for the use of RFID (radio frequency identification) technology for the checkout and return of library materials was completed, providing information for a future project when Mitchell Park Library is improved.

Facilities

- An extensive renovation and expansion project of the Children's Library began in March 2006; the Library will reopen in September 2007.
- The Palo Alto Library Foundation successfully completed its campaign to raise $350,000 to fund the purchase of new furniture, equipment, and shelving for the Children's Library.
- Teen zones at Mitchell Park and Main Libraries were furnished and enhanced with funding from the Library Foundation.
- The library technical services staff relocated into a newly renovated workroom at the Downtown branch, creating an opportunity to convert some staff area into public space at the Main Library.
- A remodeling project at Main Library was completed in which restrooms were reconfigured to meet current accessibility standards, a new periodicals room was built; more floor space for the display of popular shelving was created; and the book return operation was moved into a new, more efficiently designed area in the staff workroom.
- The design phase of an infrastructure improvement project for the College Terrace Library began.
- The Library's first small group study room opened at the Downtown Library.

Library Collections

- The Chinese and Russian language collections were expanded.
- Several new licensed databases were added to the Library's offering of electronic resources, with partial support from the Friends of the Library.
- The audio book and DVD collections were expanded with financial support from the Friends of the Library.
- The use of contract cataloging and processing was increased to expedite the process of getting new items ready for circulation.

Technology

- New express self-service circulation checkout stations were installed at College Terrace and Downtown Libraries.
- Use of self-checkout machines at Main and Mitchell Park climbed to 84 percent of first time checkouts, freeing staff to assist customers in a variety of other ways.
- Public printing from Internet computers was improved with the addition of color printers and support for laptop printing on the wireless networks at all libraries with funds from a Cable Co-op Legacy Grant under the Friends of the Library 9 Libraries Project.
- Loaner laptops were added at College Terrace and Downtown Libraries, also with Cable Co-op funding.

Programs

- *Palo Alto Reads: Funny in Farsi*, the City's first community-wide reading program was held in 2006 with participation by over 600 people in a variety of programs.
- Children's services were introduced at Main Library and expanded at the Downtown branch, as a result of the temporary closure of Children's Library.
- An existing staff position was restructured to become the Library Volunteer Coordinator, with responsibility to develop a quality volunteer program in support of library activities.
- Teen services were expanded at Main and Mitchell Park Libraries.
- The School Liaison Librarian coordinated a variety of activities to bring public library programs to students, including book discussions, author visits, library card sign-up campaign, and promotion of the summer reading program.

COUNCIL PRIORITY IMPLEMENTATION

In 2007-09, the Library Department will support the implementation of the City Council's Top 4 Priorities as follows:

Library Plan/Public Safety Building

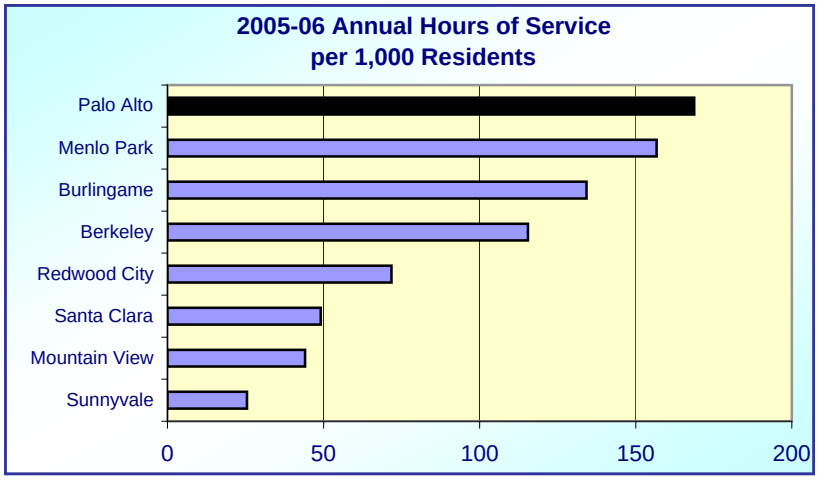
- In coordination with the City Manager's Office, Administrative Services Department, and Public Works Department, continue work on implementing approved facility recommendations of the Library Service Model Analysis and Recommendations Report
- In 2007-08, complete the development of a technology plan for the Library Department

Sustainable Budget

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

DEPARTMENT SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Library Services Administration	613,152	506,759	394,251	(112,508)	(22%)	391,909	(2,342)	(1%)
Collection and Technical Services	1,500,216	1,593,326	1,802,702	209,376	13%	1,816,405	13,703	1%
Public Services	3,550,532	3,878,157	4,287,336	409,179	11%	4,336,452	49,116	1%
TOTAL EXPENDITURES	$5,663,900	$5,978,242	$6,484,289	$506,047	8%	$6,544,766	$60,477	1%
TOTAL REVENUES	$201,687	$207,374	$266,890	$59,516	29%	$266,890	$0	0%
INTERNAL REVENUES	0	0	0	0	0%	0	0	0%
EXTERNAL REVENUES	201,687	207,374	266,890	59,516	29%	266,890	0	0%

Library *continued*



INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	4,363,172	4,516,372	4,888,071	4,950,366
Contract Services	112,567	128,054	107,335	107,335
Supplies and Materials	592,542	659,346	832,532	832,532
Facilities and Equipment Purchases	59,795	61,740	22,000	22,000
General Expense	15,810	25,720	21,010	21,010
Rents and Leases	27,075	30,906	25,395	25,395
Allocated Charges	492,939	556,104	587,946	586,128
Total Expenditures	**$5,663,900**	**$5,978,242**	**$6,484,289**	**$6,544,766**
Total Revenues	**$201,687**	**$207,374**	**$266,890**	**$266,890**
Total Full Time Positions	44.00	44.25	43.75	43.75
Total Temporary Positions	12.78	12.62	12.70	12.70

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Percent of citizens who have used libraries or their services more than 12 times during last year (SEA)	32%	32%	33%
Efficiency:			
1. Percent of Palo Alto residents who are library cardholders (SEA)	61%	61%	61%

Library *continued*

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Effectiveness:			
1. Percent of citizens rating quality of public library services good or excellent (SEA)	78%	78%	78%

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES						
Expired hold request of library materials revenue	30,000		30,000			
Anticipated grant from Friends of the Library to increase library collections ($3 Million Challenge)	67,000		67,000			
Increase library fines and reservation revenue	15,000		15,000			
Increase revenue on lost book charges and other penalties	2,400		2,400			
Decrease photocopy revenue	(1,400)		(1,400)			
Net increase of miscellaneous and other minor revenues	1,785		1,785			
Net decrease of State of California and other agencies reimbursement	(775)		(775)			
TOTAL REVENUE CHANGES	**$114,010**	**$0**	**$114,010**	**$0**	**$0**	**$0**
Adjustments (Note1)		(54,494)	(54,494)			
NET REVENUE CHANGES	**$114,010**	**$(54,494)**	**$59,516**	**$0**	**$0**	**$0**
EXPENDITURE CHANGES						
Salary and Benefits						
Add 1.0 FTE Management Assistant ($3 Million Challenge)	100,746		100,746			
Drop 0.50 FTE Office Specialist ($3 Million Challenge)	(38,828)		(38,828)			
Reclassify 1.0 FTE Supervisor Librarian to Division Head, Library Services (Note 4) ($3 Million Challenge)	9,781		9,781			
Reclassify 1.0 FTE Manager, Library Services to Assistant Director, Library Services (Note 4) ($3 Million Challenge)	10,093		10,093			
Salary Increase	44,335		44,335	51,081		51,081
Personnel Benefit Costs Increase (Note 2)	263,007		263,007	11,214		11,214
Total Salary and Benefits Changes	**$389,134**	**$0**	**$389,134**	**$62,295**	**$0**	**$62,295**
Adjustments (Note1)		(17,435)	(17,435)			
Total Net Salary and Benefits Changes	**$389,134**	**$(17,435)**	**$371,699**	**$62,295**	**$0**	**$62,295**
Non-Salary						

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
Increase library collection purchases ($3 Million Challenge)	167,000		167,000			
Allocated Charges Increase (Decrease) (Note 3)	31,842		31,842	(1,818)		(1,818)
Total Non-Salary Changes	**$198,842**	**$0**	**$198,842**	**$(1,818)**	**$0**	**$(1,818)**
TOTAL EXPENDITURE CHANGES	**$587,976**	**$0**	**$570,541**	**$60,477**	**$0**	**$60,477**
Adjustments (Note1)		(64,494)	(64,494)			
NET EXPENDITURE CHANGES	**$587,976**	**$(64,494)**	**$506,047**	**$60,477**	**$0**	**$60,477**

RESOURCE LEVEL NOTES

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

Note 2: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

Note 3: Allocated charges are increasing due primarily to increase in utility rates and the redistribution of information technology charges.

Note 4: Reclassification of this position was effective January 1, 2007 which covers only six months of costs in fiscal year 2006-07. Fiscal year 2007-08 includes twelve months of salary and benefit costs.

SERVICE LEVEL CHANGES

Service Level Increases

- The budget for collection purchases will be increased by $167,000 through a combination of City funds and contributions from the Friends of the Library

Service Level Decreases

- None are proposed

COMPREHENSIVE PLAN OVERVIEW

In 2007-09 the Library Department will implement elements of the Comprehensive Plan as follows:

TRANSPORTATION

The Library Department will continue to implement increased access to electronic resources and information and to library services through enhancements to its website and online catalog. (Program T-10)

COMMUNITY FACILITIES AND SERVICES

The Library will continue to seek opportunities to work with the Palo Alto School District to provide quality library service to the youth in the community. (Programs C-1, C-5)

Pending the approval of a construction bond, the Library Department will collaborate with the Public Works Department to complete the design of a new library facility for Mitchell Park Library. (Policy C-22)

The Library Department will assist the Public Works Department with the design and construction of planned infrastructure projects at College Terrace and Downtown Libraries. (Programs C-19, C-27)

GOVERNANCE

The Library Department will explore opportunities to deliver frequently updated digital content such as blogs, news feeds or podcasts about library services and programs to interested individuals. (Program G-5)

Library staff will offer classes in effective Internet searching and support use of public Internet desktop computers and laptops in all libraries. (Program G-6)

The Library Department will continue to provide opportunities for volunteer assistance to supplement city resources and enhance services. (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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	899,407	915,520	968,162	981,865
Contract Services	31,662	46,735	42,550	42,550
Supplies and Materials	568,082	623,671	788,510	788,510
Facilities and Equipment Purchases	0	1,740	1,000	1,000
General Expense	1,065	2,900	2,480	2,480
Rents and Leases	0	2,760	0	0
Total Expenditures	**$1,500,216**	**$1,593,326**	**$1,802,702**	**$1,816,405**
Total Revenues	**$7,283**	**$19,438**	**$67,000**	**$67,000**
Total Full Time Positions	9.13	9.03	8.87	8.87
Total Temporary Positions	1.80	1.96	2.01	2.01

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of new titles/number of new volumes added to the collection	13,583/27,049	12,500/25,000	14,500/30,000
Efficiency:			
1. Number of titles/number of items in the collection per capita	2.62 / 4.19	2.63 / 4.22	2.64 / 4.26
Effectiveness:			
1. Percent rating variety of library materials good or excellent (SEA)	71%	71%	75%

PUBLIC SERVICES

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	3,291,520	3,414,855	3,860,273	3,908,843
Contract Services	43,810	61,084	56,425	56,425
Supplies and Materials	21,821	32,950	40,867	40,867
Facilities and Equipment Purchases	42,761	59,000	20,000	20,000
General Expense	1,638	9,140	4,200	4,200
Rents and Leases	3,680	4,750	2,000	2,000
Allocated Charges	145,302	296,378	303,571	304,117
Total Expenditures	**$3,550,532**	**$3,878,157**	**$4,287,336**	**$4,336,452**
Total Revenues	**$138,466**	**$121,345**	**$170,730**	**$170,730**
Total Full Time Positions	33.77	33.46	34.48	34.48
Total Temporary Positions	10.98	10.66	10.69	10.69

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of items circulated (SEA)	1,280,547	1,350,000	1,500,00
2. Number of hours open annually (SEA)	10,488	9,460	10,800
3. Number of library programs (SEA)	564	570	570
Efficiency:			
1. Percent of first-time circulations checked out at self-service stations	66%	88%	89%
2. Number of hours of operation per FTE	184	163	189
3. Number of people attending programs (SEA)	30,739	28,500	31,000
Effectiveness:			
1. Number of items circulated per capita (SEA)	20.6	21.5	23.7
2. Number of library visits per hour	84.4	92.3	85.6
3. Number of attendees per program (New)	54.5	50.0	54.4

PROGRAM COST DETAIL

Details of 2007-08 budget by library location: Main Library ($1,769,975), Children's Library ($701,710), Mitchell Park Library ($1,298,455), College Terrace Library ($257,964), and Downtown Library ($259,232).

Planning and Community Environment

Planning and Community Environment Department

Organizational Chart

PLANNING & COMMUNITY ENVIRONMENT DIRECTOR
Steve Emslie

ADMINISTRATION
1.0-Administrator
1.0-Administrative Assistant

ECONOMIC DEVELOPMENT
1.0-Economic Resources Mgr

ASSISTANT DIRECTOR

PLANNING & TRANSPORTATION
1.0-Chief Planning & Transportation Official
1.0-Admin Associate III
1.0-Planning Arborist
2.0-Code Enforcement Officer

CURRENT PLANNING
1.0-Planning Mgr (Current Planning)
1.0-Admin Associate II
2.0-Senior Planner
4.0-Planner
1.0-Assoc Planner (Sustainability Coordinator)
1.0-Planning Technician

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

TRANSPORTATION
1.0-Transportation Manager
1.0-Admin Associate II
2.0-Transportation Engineers
1.0-Associate Transportation Engineer
1.0-Engineering Technician II
0.5-Commute Coordinator

BUILDING
1.0-Chief Building Official
1.0-Admin Associate II

PLAN CHECK/COUNTER SERVICES
1.0-Asst Building Official
3.0-Plan Check Engineer
3.0-Building Technician
1.0-Admin Associate I (Receptionist)
1.0-Admin Associate I (Inspection Scheduler)

INSPECTION SERVICES
1.0-Inspection Services Supervisor
1.0-Building Inspector Specialist (Structural)
1.0-Building Inspector Specialist (Electrical)
1.0-Building Inspector Specialist (Plumbing/Mech)
4.0-Building Inspector

Fiscal Year 2007-08 Position Totals:

55.50 Full-time
0.68 Hourly

Planning and Community Environment

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

OVERVIEW

The Department of Planning and Community Environment recently completed several long-term assignments, reorganized the department to combine work groups with closely related missions, and continued to develop new ways of enhancing customer service.

Staff has participated in the Green Ribbon Task Force on Climate Protection and will focus on implementing recommendations from the committee over the upcoming years. Examples include the evaluation of the State's model building code for local exceptions to improve energy efficiency and encourage other sustainable building techniques. A result of this effort is the installation of a Green Building Information kiosk at the City's Development Center. The Department has also collaborated with stakeholders in the City, Boards and Commissions, and other departments on developing incentives and policies to encourage environmentally-friendly building.

The Zoning Ordinance Update (ZOU) will be complete in the Summer of 2007 following the adoption of six major zoning sections. This is a significant milestone since it will mark the completion of the first comprehensive update to the zoning code since 1978. With this project now completed, staff will transition to working on the City's Comprehensive Plan and Housing Element. Work is scheduled to begin in Summer of 2007 and will focus on updating the City's growth assumptions and on analyzing the El Camino/Portage and West Bayshore areas with an eye toward preserving and encouraging commercial economic development.

In transportation planning, the Department will soon complete the last of its neighborhood traffic calming work. The trial for the final project, College Terrace, has been installed and will be reviewed in December 2007. The Department's new focus on school commute corridors began in the Summer of 2006 with the installation of Phase I of the Charleston/ Arastradero Corridor Plan. Phase II will be installed in the Summer of 2008. Implementation of the City's Bicycle Plan will also continue, with the Maybell/ Donald Bicycle Boulevard being the most recent project.

The continued progress of the department work plan will be facilitated by recent organizational changes. In 2006-07, the Department completed the merger of its Planning and Transportation Divisions with the goal of enhancing collaboration between the two work groups. Economic Development, previously in the City Manager's Office, also joined the Department and will benefit from a close working relationship with Planning staff, who routinely work with the business community on development issues.

One outcome targeted by the reorganization is improved customer service. Staff has focused on cross-training staff where appropriate, obtaining customer feedback, and using technology, where possible, to improve efficiency. The department has held developer focus groups, developed an R-1 technical manual for home owners and architects, and developed a parcel report in the City's Geographic Information System (GIS) that automatically compiles zoning and other frequently requested information that staff previously had to compile manually. These efforts have already resulted in time savings to staff and improved information to the public. The Department plans to implement further improvements in the future.

In addition to completing major projects and service improvements, the Department continues to implement its routine regulatory and planning work load. Upcoming and ongoing projects include an update to the City's building codes, encouraging economic development, promoting new and existing auto dealers, and assisting other departments in their planning efforts, such as the planned public safety building, the emergency water supply project, and the zero waste program.

The Department is also currently responsible for a number of large development projects. These include mixed use projects (CJL/BUILD, Courthouse Plaza, Alma Plaza and Edgewood Plaza redevelopments, El Camino Real and downtown/SOFA projects), multi-family housing projects (El Camino Real - DR Horton and Summerhill projects, East Meadow Circle - Trumark projects, West Bayshore Road - Classics at Sterling, San Antonio Road - Toll Brothers), and non-residential projects (VMWare and SAP in the research park, Channing House, Town and Country Village, Wells and California Avenues, Welch Road). Planning for the Stanford Medical Center and Shopping Center expansions is also currently underway.

The combination of all of the above efforts make for an ambitious work plan. Given this, the Department's primary challenge over the next budget cycle will be to effectively complete its work program while managing a sizeable array of major development review efforts.

PROGRAM UPDATE

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

Department Organization

- Merged the Planning and Transportation Divisions to enhance cooperation
- Increased spans of control and reduced management staff in the Planning Division
- Added Economic Development to the department
- Provided additional department-wide oversight with an Assistant Director

Transportation

- Installed Phase I of the Charleston/Arastradero Corridor Plan trial
- Designed and installed the College Terrace traffic calming trial
- Installed adaptive traffic signals on Middlefield Road

Planning

- Completed a study of the City's Below Market Rate housing program
- Completed a six-year effort to reconcile the City’s GIS land use planning spatial data with the more precise engineering spatial data.
- Prepared a technical manual for R-1 zones
- Completed entitlement review for several major projects, including projects at 901 San Antonio Road development (including multi-family and senior housing, a community center, and childcare), 3401 Hillview (a new facility in the Stanford Research Park), and 195 Page Mill.

Development Center

- Began a customer service improvement program that includes soliciting customer feedback, cross-training development center staff, improving electronic resources for staff and the public, and improving handouts and other public information
- Completed plan review and issued building permits for several major construction projects, including multi-family projects at 928 East Meadow, 1001 East Meadow, and 4219 El Camino Real, and facilities in the Stanford Research Park at 3401 Hillview

Green Building

- Installed a Green Building information kiosk at the Development Center
- Began development of a Green Building policy

COUNCIL PRIORITY IMPLEMENTATION

In 2007-09, the Planning and Community Environment Department will implement the City Council's Top 4 Priorities as follows:

Global Climate Protection

- The Department will continue to promote alternatives to automobile use, including maintaining the City's shuttle system, implementing the Bicycle Plan, completing the Maybell/Donald Bike Boulevard, managing a commute alternatives program for the City, and implementing traffic calming measures and other safety enhancements to school commute corridors, such as Charleston/Arastradero
- Continue to implement Council policy direction to promote green building practices in the city

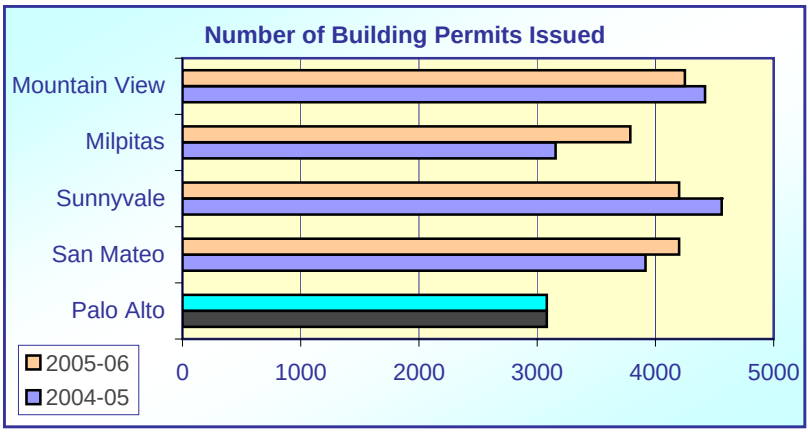
Library Plan/Public Safety Building

- The Department will continue to assign key staff members to review City infrastructure projects to ensure the timely and effective completion of the review process

Emergency Planning

- The Department will maintain preparedness to evaluate building safety in the event of a natural disaster

DEPARTMENT SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Administration	482,873	642,621	633,146	(9,475)	(1%)	633,871	725	0%
Planning and Transportation	5,593,275	5,098,553	5,486,970	388,417	8%	5,522,226	35,256	1%
Building	3,084,172	3,482,415	3,815,666	333,251	10%	3,833,109	17,443	0%
Economic Development	237,136	187,452	201,516	14,064	8%	201,579	63	0%
TOTAL EXPENDITURES	$9,397,456	$9,411,041	$10,137,298	$726,257	8%	$10,190,785	$53,487	1%
TOTAL REVENUES	$5,636,861	$5,468,234	$6,820,848	$1,352,614	25%	$6,225,848	$(595,000)	(9%)
INTERNAL REVENUES	192,021	128,000	128,000	0	0%	128,000	0	0%
EXTERNAL REVENUES	5,444,840	5,340,234	6,692,848	1,352,614	25%	6,097,848	(595,000)	(9%)



INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	6,621,715	6,825,420	7,042,012	7,136,337
Contract Services	1,497,557	1,176,124	1,614,720	1,594,720
Supplies and Materials	59,238	69,100	69,100	69,100
Facilities and Equipment Purchases	9,027	20,535	20,535	20,535
General Expense	293,086	308,135	394,332	369,332
Rents and Leases	352,422	325,047	325,047	325,047
Allocated Charges	564,411	686,680	671,552	675,714
Total Expenditures	**$9,397,456**	**$9,411,041**	**$10,137,298**	**$10,190,785**
Total Revenues	**$5,636,861**	**$5,468,234**	**$6,820,848**	**$6,225,848**
Total Full Time Positions	53.30	54.80	53.80	53.80
Total Temporary Positions	0.14	0.38	0.68	0.68

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of building permits issued (SEA)	3,081	3,181	3,180
2. Number of building inspections completed (SEA)	11,585	13,958	13,958
3. Number of planning applications completed (SEA)	408	330	330
4. Number of zoning plan checks completed	1,112	1,270	1,270
5. Number of code enforcement cases completed (SEA)	421	362	360
6. Number of Palo Alto Shuttle boardings (SEA)	175,471	175,400	175,400

Planning and Community Environment *continued*

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
7. Average number of City employees participating in the City commute program each month	104	98	100
Efficiency:			
1. Number of building permits issued (per plan checker/building technician FTE)	514	530	530
2. Number of building inspections (per inspector FTE)	1,655	1,994	1,994
3. Number of planning applications completed (per current planner FTE)	68	55	55
4. Number of zoning plan checks completed (per current planner FTE)	185	212	212
5. Number of code enforcement cases (per code enforcement officer FTE)	211	181	180
6. City's cost per Palo Alto Shuttle rider	$1.91	$1.90	$1.90
Effectiveness:			
1. Percent of building plan checks completed within 4 week target - target is 90% (SEA)	91%	83%	90%
2. Percent of building inspection requests responded to within one day - target is 90% (SEA)	94%	99%	90%
3. Average number of weeks to complete staff-level applications (represents 98% of total volume) (SEA)	10.6 weeks	10.8 weeks	10.6 weeks
4. Percent of zoning plan checks completed within 4 week target	76%	77%	90%
5. Percent of code enforcement cases resolved within 120 days of date received (SEA)	94%	75%	90%
6. Percent of residents surveyed rating the ease of walking in Palo Alto as "good" or "excellent" (SEA survey)	87%	87%	87%
7. Percent of residents surveyed rating the ease of bicycle travel in Palo Alto as "good" or "excellent" (SEA survey)	78%	78%	78%

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES						
Increase plan check revenue	50,000		50,000			
Increase bldg.-new construction permit revenue ($3 Million Challenge)	785,224	595,000	1,380,224			
Decrease other permit revenue ($3 Million Challenge)	(27,518)		(27,518)			
Increase zone planning check revenue ($3 Million Challenge)	123,419		123,419			
Increase comprehensive plan maint. fee ($3 Million Challenge)	100,000		100,000			
TOTAL REVENUE CHANGES	**$1,031,125**	**$595,000**	**$1,626,125**	**$0**	**$0**	**$0**
Adjustments (Note 1)		(273,511)	(273,511)		(595,000)	(595,000)
NET REVENUE CHANGES	**$1,031,125**	**$321,489**	**$1,352,614**	**$0**	**$(595,000)**	**$(595,000)**
EXPENDITURE CHANGES						
Salary and Benefits						
Transfer Econ. Dev. Division from City Manager's Office	170,059		170,059			
Eliminate 1.0 FTE Sr. Planner ($3 Million Challenge)	(142,865)		(142,865)			
Personnel Benefit Costs Increase (Note 2)	494,834		494,834	94,331		94,331
TOTAL SALARY AND BENEFITS CHANGES	**$522,028**	**$0**	**$522,028**	**$94,331**	**$**	**$94,331**
Adjustments (Note 1)		(135,382)	(135,382)			
TOTAL NET SALARY AND BENEFITS CHANGES	**$522,028**	**$(135,382)**	**$386,646**	**$94,331**	**$**	**$94,331**
Non-Salary						
Transfer Econ. Dev. Division from City Manager's Office	17,393		17,393			
Increase planning-comprehensive plan costs		200,000	200,000		200,000	200,000
Increase other contract services (offset by new revenue)		305,000	305,000		285,000	285,000
Increase program and project consulting (offset by new revenue)	50,000		50,000			
Increase other general expense		25,000	25,000			
Allocated Charges (Decrease) Increase	(15,128)		(15,128)	4,156		4,156
Total Non-Salary Changes	**$52,265**	**$530,000**	**$582,265**	**$4,156**	**$485,000**	**$489,156**

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
TOTAL EXPENDITURE CHANGES	**$574,293**	**$394,618**	**$968,911**	**$98,487**	**$485,000**	**$583,487**
Adjustments (Note 1)		(242,654)	(242,654)		(530,000)	(530,000)
NET EXPENDITURE CHANGES	**$574,293**	**$151,964**	**$726,257**	**$98,487**	**$(45,000)**	**$53,487**

RESOURCE LEVEL NOTES

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

Note 2: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

SERVICE LEVEL CHANGES

Funding for one Senior Planner position is eliminated in this 2007-09 budget. The GIS functions performed by this position will now be performed by the Information Technology division of the Administrative Services Department.

This two-year budget anticipates significant additional revenues from the commencement of large construction projects (901 San Antonio Road projects, facilities in the Stanford research park at 3401 Hillview, and multi-family projects at 928 East Meadow, 1001 East Meadow, 4219 El Camino Real, and 3270 West Bayshore Road). Inspecting these projects, in addition to the regular department workload, is beyond the capacity of current inspection staff. This two-year budget includes two one-time allocations for contract inspection services, to be reimbursed from revenues received from these projects in the 2007-08 budget year.

COMPREHENSIVE PLAN OVERVIEW

The Planning and Community Environment Department 2007-09 Budget will implement aspects of the Comprehensive Plan as follows:

LAND USE AND COMMUNITY DESIGN

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

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

Begin work on a Comprehensive Plan update (Introduction)

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

Planning and Community Environment *continued*

TRANSPORTATION

Evaluate the College Terrace traffic calming trial. (Goal T-5)

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

HOUSING

Continue to work to implement an affordable housing project on Alma Street between Homer Avenue and Channing Avenue. (Goal H-1)

BUSINESS AND ECONOMICS

Continue to seek ways to assist auto dealers in expanding or locating in the City, including exploring the viability of a portion of the Los Altos Treatment Plant site for auto dealerships. (Goal B-3)

Assist business districts in California Avenue and Downtown Palo Alto to enhance the vitality of the districts and of individual businesses. (Goals B-3, B-5)

PLANNING AND TRANSPORTATION

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	3,886,871	3,799,942	3,918,884	3,972,925
Contract Services	1,288,503	870,700	1,085,496	1,065,496
Supplies and Materials	50,810	57,670	57,670	57,670
Facilities and Equipment Purchases	9,027	10,035	10,035	10,035
General Expense	168,943	159,620	224,620	224,620
Allocated Charges	189,121	200,586	190,265	191,480
Total Expenditures	**$5,593,275**	**$5,098,553**	**$5,486,970**	**$5,522,226**
Total Revenues	**$1,307,369**	**$1,525,860**	**$1,716,557**	**$1,716,557**
Total Full Time Positions	32.80	30.95	29.10	29.10
Total Temporary Positions	0.14	0.08	0.00	0.00

BUILDING

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	2,343,514	2,635,810	2,719,541	2,759,686
Contract Services	208,064	299,074	519,074	519,074
Supplies and Materials	7,885	10,150	10,150	10,150
Facilities and Equipment Purchases	0	10,500	10,500	10,500
General Expense	120,791	138,102	163,102	138,102
Rents and Leases	352,422	325,047	325,047	325,047
Allocated Charges	51,496	63,732	68,252	70,550
Total Expenditures	**$3,084,172**	**$3,482,415**	**$3,815,666**	**$3,833,109**
Total Revenues	**$4,329,492**	**$3,942,374**	**$5,104,291**	**$4,509,291**
Total Full Time Positions	19.30	21.30	22.15	22.15
Total Temporary Positions	0.00	0.30	0.68	0.68

ECONOMIC DEVELOPMENT

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	232,694	170,059	184,126	184,189
Contract Services	990	6,200	10,000	10,000
Supplies and Materials	100	1,280	1,280	1,280
General Expense	3,352	9,913	6,110	6,110
Total Expenditures	**$237,136**	**$187,452**	**$201,516**	**$201,579**
Total Revenues	**$0**	**$0**	**$0**	**$0**
Total Full Time Positions	0.00	1.00	1.00	1.00
Total Temporary Positions	0.00	0.00	0.00	0.00

PROGRAM COST DETAIL

Note: For presentation purposes, in 2007-08 the transfer of the Economic Development Division budget from the City Manager's Office to the Planning and Community Environment Department reflects the 2005-06 actuals and 2006-07 adjusted budget in the Planning and Community Environment Department.

Police Department

Police Department

Organizational Chart

POLICE CHIEF
Lynne Johnson

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

ADMINISTRATION
1.0-Assistant Chief of Police
1.0-Senior Administrator
1.0-Administrative Assistant

TECHNICAL SERVICES
1.0-Coordinator, Technical Serv
1.0-Business Analyst
1.0-Police Records Specialist II
1.0-Crime Analyst
1.0-Public Safety Dispatcher - Lead
1.0-Code Enforcement Officer
1.0-Communications Technician

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

INFORMATION MANAGEMENT
1.0-Supervisor, Police Services
8.0-Police Records Specialist II
1.0-Police Records Specialist-Lead

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

FIELD SERVICES (PATROL)
3.0-Police Lieutenants
0.5-Code Enforcement Officer
10.0-Police Sergeant
47.0-Police Agent/Officer

TRAFFIC/ PARKING SERVICES
1.0-Police Lieutenant
2.0-Police Sergeant
9.0-Police Agent/Officer
8.0-Community Service Officer
1.0-Community Service Officer-Lead

INVESTIGATIVE SERVICES
1.0-Police Captain
1.0-Admin Associate II
1.0-Court Liaison
1.0-Community Service Officer
2.0-Police Sergeant
2.0-Property/Evidence Technician
12.0-Police Agent/Officer

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 2007-08 Position Totals: 163.00 Full-time
3.22 Hourly

Police

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

OVERVIEW

In 2007-09, the reorganization of the Police Department will continue. The elimination of a Police Lieutenant and the addition of an Assistant Chief of Police will promote succession planning and help to ensure additional federal and state mandates associated with homeland security and disaster preparedness are met. The reclassification of the Parking Enforcement work group to Community Service Officers will allow for greater flexibility in the assignment of duties and responsibilities. The reclassification of a Records Specialist to Records Specialist - Lead will ensure that tasks are completed accurately, information requests from the public are provided on a timely basis, and new personnel are properly trained. In an effort to meet Council's direction to reduce expenses in order to increase funding for infrastructure, the Department will eliminate one Community Service Officer.

In conjunction with the Fire, Utilities, and Public Works Departments and the City Manager's Office, the Police Department will continue to play a key role in coordinating citywide functions of emergency preparedness and response to natural and criminal disasters. The Department will continue to coordinate the City's homeland security planning, training, and regional interactions. The Homeland Security and Public Outreach Coordinator will ensure communication between the City and Palo Alto residents. The deployment of a Mobile Command Vehicle will enhance field operations and communications capabilities at the scene of an incident and provide for more effective command post operations during an emergency. The deployment of a mobile data computer system for the Fire Department will provide access to critical dispatch and hazardous material information, and enable access to the City's GIS system.

Ongoing participation in the countywide Regional Interoperability Project, the continued replacement of the City's radio infrastructure, and preparation for the replacement of a joint interagency Computer Aided Dispatch (CAD) system, will ensure stable and seamless communication between departments, agencies, and cities during emergencies and disasters.

The Department will continue its efforts in community policing and outreach to ensure officer accountability and increase trust between police officers and the community. The Department will begin the second year of a new five-year strategic plan. The Police and Community Services Departments will be combining efforts in order to implement a program known as Restorative Policing. This multi-dimensional approach will enlist the services of treatment, mental health, law enforcement, the courts, the district attorney's office, public defender's office, and a number of other agencies to assist homeless individuals who are being arrested on a frequent basis.

Traffic safety and calming will continue to be a high priority for the Police Department with continuing focus on speed reduction, red light violations, bicycle and pedestrian safety. Through the use of State funds, the Department will continue participation in various programs with the goal of reducing the number of victims killed and injured in alcohol-related motor vehicle accidents. In cooperation with the City Attorney, the Department will develop and enforce a juvenile party ordinance, which would issue fines to parents hosting a party or providing alcohol to a group of underage youth.

Work will continue on the Public Safety building project at Park Boulevard. The 25 percent design phase of the building will be completed with the goal of achieving Gold LEED certification. Staff will complete the draft Environmental Impact Report (EIR) for publication, public review and comments, and prepare the final EIR for certification and submission for the bond election in 2008.

PROGRAM UPDATE

The Police Department has accomplished the following program implementations:

Police/Community Relations

- Began implementation of a five-year strategic plan for the Police Department
- Council selected an outside Police Auditor for a year's trial period to review police policies, investigations, and dispositions of citizen complaints involving police misconduct
- Completed implementation of the new Mobile Audio Video (MAV) system for patrol vehicles
- Through an internal reorganization, created a Community Relations Officer position to liaison with the media and the community for improved relationship, information sharing, and to supervise Public Information Officers who respond to critical incidents and natural disasters
- Held numerous community/neighborhood meetings during a spike in residential and auto burglary occurrences
- The Department continues to compile and report demographic data on police contacts to City Council
- As part of the Police Department's effort to reach out to the youth of our community to develop stronger relationships a new Student Police Academy has been created. The academy acquaints young people with the objectives of the Department and allows students to gain a more in-depth and personal understanding of law enforcement

Emergency Disaster Preparedness

- Participated in the Emergency Preparedness Steering and the Emergency Preparedness Working Groups. These groups develop strategies and objectives to improve cross-departmental response during an emergency
- Participated in the Palo Alto/Stanford Red Ribbon Task Force for emergency planning
- Developed a needs assessment for first responders in the event of an extended emergency
- Hired a temporary employee to serve as the Homeland Security and Public Outreach Coordinator
- Participated in the City's Pandemic Flu Committee which developed a cross-department plan to ensure that City services would not be interrupted in the event of a pandemic event
- In collaboration with the Palo Alto Neighborhood Association representatives, identified and began selection of a new community alerting and emergency notification system. This system will more efficiently and effectively provide time-sensitive information to the public during an emergency

Homelessness Efforts

- Attended the Downtown Streets Team and the Off the Streets Team meetings. Coordinated with case managers who are deployed in the field in order to mitigate individuals and assist with their placement in treatment and housing. Attended community meetings involving the newly opened Opportunity Center
- Began development of the Restorative Policing program

Recruitment and Training

- Police Department's Field Training Officer (FTO) program ensures the most effective training techniques and strategies are 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. The FTO program was updated to include the Strategic Plan as part of the training program. All new officers are expected to understand and apply the Police Department's Mission Statement, Vision, and Core Values
- Implemented numerous recruiting strategies in an effort to attract qualified applicants
- Reinstituted the hiring incentive for qualified lateral officers in an effort to attract experienced police officers from other law enforcement agencies

Traffic Safety and Calming Efforts

- Participated in the week long "Stop Red Light Running Campaign" sponsored by Santa Clara County with the goal of reducing accidents by targeting and enforcing red light violations at designated intersections
- Through a grant from the State Department of Alcohol Beverage Control (ABC), the Department 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 Palo Alto Unified School District (PAUSD) and the Parent Teacher Association (PTA), conducted an enhanced education and enforcement campaign geared towards improving safe passage of students going to and from school

Crime Suppression Efforts

- With existing staff, the Department re-deployed a Crime Suppression Team. This team of three officers and a supervisor worked a variety of assignments including crime trends, narcotics violations, probation/parole searches, search warrants, municipal code violations, and health and safety code violations
- Implemented Operation Safe Neighborhoods in response to an increase in burglaries and robberies. Through the assistance of the public and other City departments, the Police Department was able to make a significant number of arrests which has resulted in a marked reduction in these crimes and increased citizen safety
- In response to an increase in homicides and aggravated assaults in East Palo Alto, and at the request of the East Palo Alto Police Department, the Department reassigned two officers to work in East Palo Alto for four weeks. The Palo Alto Officers are working closely with officers from the East Palo Alto and Menlo Park Police Departments, San Mateo County Sheriff's Office, San Mateo County Probation, California State Parole, Bureau of Alcohol, Tobacco and Firearms as well as the FBI

Technical Services

- To ensure reliable and effective telecommunications for Police, Fire, Public Works, Utilities, and Animal Services, the Department is currently in the third year of a multi-year replacement program of the City's radio infrastructure. The Department continued its efforts to upgrade the reliability of the City's radio infrastructure by replacing equipment and enhancing the features and functionality of the system through deployment of new receiver sites and conducting training for personnel
- To ensure mutual sharing of data, information, and systems, the Police Department continued it’s support of the Fire Department's technology efforts. A pilot program to deploy a mobile data computer system in the Fire Department's vehicles is underway
- The Department continued to take a leadership role in the deployment of interoperable communications technology, and continued participating in regional and state working groups to further this initiative throughout the Bay Area and California

Public Safety Building

- Public Works and Police staff continued work on the Council preferred site at Park Boulevard. Conducted the Green Building Charrette which resulted in a potential Gold LEED certification rating. Began EIR process with a public scoping meeting and Architectural Review Board (ARB) initial review and comments

COUNCIL PRIORITY IMPLEMENTATION

In 2007-09, the Police Department will implement the City Council's Top 4 Priorities as follows:

Global Climate Protection

The 25 percent design phase of the proposed Public Safety building will be completed with the goal of achieving Gold

LEED certification. This certification indicates that the building meets high performance green building benchmarks set by the Federal Government.

Library Plan/Public Safety Building

Work will continue on the Public Safety building project at Park Boulevard. Staff will complete the draft EIR for publication, public review, and comments. The final EIR will be prepared for certification and submission for the bond election in 2008.

Emergency Planning

The Department will continue to coordinate the City's homeland security planning, training, and regional interactions.

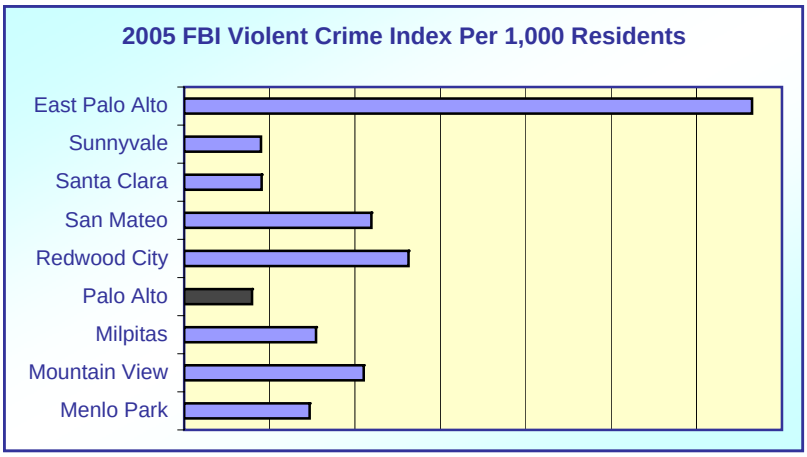
The Homeland Security and Public Outreach Coordinator will ensure communication between the City and Palo Alto residents.

The deployment of a Mobile Command Vehicle will enhance field operations and communications capabilities at the scene of an incident and provide for more effective command post operations during an emergency.

The deployment of a mobile data computer system for the Fire Department will provide access to critical dispatch and hazardous materials information and enable access to the City's GIS system.

DEPARTMENT SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Administration	823,211	343,948	436,233	92,285	27%	436,714	481	0%
Field Services	10,491,246	11,578,315	12,049,134	470,819	4%	12,128,735	79,601	1%
Technical Services	5,239,954	5,990,569	6,441,881	451,312	8%	6,543,504	101,623	2%
Investigations and Crime Prevention Services	3,035,487	3,226,705	3,294,342	67,637	2%	3,317,810	23,468	1%
Traffic Services	1,430,927	1,494,816	1,849,173	354,357	24%	1,832,367	(16,806)	(1%)
Police Personnel Selection	868,774	925,642	1,022,813	97,171	10%	1,002,725	(20,088)	(2%)
Animal Services	1,431,638	1,498,693	1,657,051	158,358	11%	1,672,894	15,843	1%
Parking Services	1,086,736	1,071,710	1,229,901	158,191	15%	1,244,697	14,796	1%
TOTAL EXPENDITURES	$24,407,973	$26,130,398	$27,980,528	$1,850,130	7%	$28,179,446	$198,918	1%
TOTAL REVENUES	$4,822,401	$4,796,252	$5,139,244	$342,992	7%	$5,102,049	$(37,195)	(1%)
INTERNAL REVENUES	449,903	462,902	493,000	30,098	7%	493,000	0	0%
EXTERNAL REVENUES	4,372,498	4,333,350	4,646,244	312,894	7%	4,609,049	(37,195)	(1%)

Police *continued*



INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	20,410,381	21,769,379	23,349,902	23,579,300
Contract Services	1,101,073	1,198,653	1,227,647	1,227,647
Supplies and Materials	402,099	410,755	405,365	406,175
Facilities and Equipment Purchases	33,632	92,600	89,500	89,500
General Expense	275,570	263,555	348,615	318,615
Rents and Leases	2,233	2,960	2,950	2,950
Allocated Charges	2,182,985	2,392,496	2,556,549	2,555,259
Total Expenditures	**$24,407,973**	**$26,130,398**	**$27,980,528**	**$28,179,446**
Total Revenues	**$4,822,401**	**$4,796,252**	**$5,139,244**	**$5,102,049**
Total Full Time Positions	164.50	164.00	163.00	163.00
Total Temporary Positions	4.32	4.10	3.22	3.22

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of total calls for service (SEA)	57,017	58,000	55,000
Efficiency:			
1. Average response time from receipt to on-scene urgent calls (SEA revised)	7:39	7:30	10:00
2. Average response time from receipt to on-scene emergency calls (SEA)	4:41	5:00	6:00

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
3. Average response time from receipt to on-scene non-emergency calls (SEA revised)	20:35	20:00	45:00
Effectiveness:			
1. Percentage of those surveyed rating police services as good or excellent (SEA)	87%	87%	90%

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES						
Increase fines, forfeitures, and penalty revenue	61,500		61,500			
Increase parking violation fees ($3 Million Challenge)	55,000		55,000			
Increase Stanford communications revenue	92,755		92,755			
Increase impound fees ($3 Million Challenge)	20,000		20,000			
Increase animal service fees	61,947		61,947			
Increase grant revenue		37,195	37,195			
Increase allocated revenue-internal	30,098		30,098			
TOTAL REVENUE CHANGES	**$321,300**	**$37,195**	**$358,495**	**$0**	**$0**	**$0**
Adjustments (Note 1)		(15,503)	(15,503)		(37,195)	(37,195)
NET REVENUE CHANGES	**$321,300**	**$21,692**	**$342,992**	**$0**	**$(37,195)**	**$(37,195)**
EXPENDITURE CHANGES						
Salary and Benefits						
Increase overtime for grant reimbursed activities		21,195	21,195			
Drop 1.0 FTE Police Lieutenant, Add 1.0 FTE Assistant Chief of Police ($3 Million Challenge)	33,689		33,689			
Reclassify 7.0 FTE Parking Enforcement Officers to Community Service Officers ($3 Million Challenge)	6,601		6,601			
Reclassify 1.0 FTE Police Specialist to Police Specialist - Lead ($3 Million Challenge)	3,751		3,751			
Eliminate 1.0 FTE Community Service Officer ($3 Million Challenge)	(55,380)		(55,380)			
Increase temporary salary to fund noise complaint enforcement	40,000		40,000			
Total Salary and Benefits Changes	**$28,661**	**$21,195**	**$49,856**	**$0**	**$0**	**$0**
Salary Increase	160,910		160,910	97,842		97,842
Personnel Benefit Costs Increase (Note 2)	1,243,216		1,243,216	150,000		150,000

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
Adjustments (Note 1)		126,338	126,338		(18,446)	(18,446)
Total Net Salary and Benefits Changes	**$1,432,787**	**$147,533**	**$1,580,320**	**$247,842**	**$(18,446)**	**$229,396**
Non-Salary						
Increase telephone and non-city utilities	45,174		45,174			
Increase travel and meetings	5,250	6,000	11,250		3,000	3,000
Increase inspection and testing	30,017		30,017			
Increase special events		27,000	27,000			
Increase supplies and materials	6,810	810	7,620			
Increase contract services	8,000		8,000			
Allocated Charges Increase (Decrease) (Note 3)	164,054		164,054	(1,290)		(1,290)
Total Non-Salary Changes	**$259,305**	**$33,810**	**$293,115**	**$(1,290)**	**$3,000**	**$1,710**
TOTAL EXPENDITURE CHANGES	**$1,692,092**	**$181,343**	**$1,873,435**	**$246,552**	**$(15,446)**	**$231,106**
Adjustments (Note 1)		(23,305)	(23,305)		(32,188)	(32,188)
NET EXPENDITURE CHANGES	**$1,692,092**	**$158,038**	**$1,850,130**	**$246,552**	**$(47,634)**	**$198,918**

RESOURCE LEVEL NOTES

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

Note 2: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

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

SERVICE LEVEL CHANGES

Service Level Increases

- With grants from the Office of Traffic Safety (OTS) and the State Department of Alcohol Beverage Control (ABC), the Department will continue to focus on reducing the number of victims killed and injured in alcohol related motor vehicle accidents, alert the public and liquor store licensees to under-age drinking, and educate young people about the penalties of trying to purchase, possess, or consume alcoholic beverages.
- Continue to implement creative recruiting strategies in an effort to attract qualified applicants. Reinstitute the hiring incentive for qualified lateral officers in an effort to attract experienced police officers from other law enforcement agencies.
- Continue to employ a temporary employee for six months to serve as the Homeland Security and Public Outreach Coordinator.

Service Level Decreases

- The elimination of the Community Service Officer will decrease parking enforcement efforts.

COMPREHENSIVE PLAN OVERVIEW

The 2007-09 Police Department Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

TRANSPORTATION

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

The Police Department continues to contract for 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. (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)

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	9,813,972	10,806,539	11,176,147	11,252,286
Contract Services	39,784	28,000	10,550	10,550
Supplies and Materials	161,926	150,920	149,670	149,670
General Expense	92,681	160,590	166,000	166,000
Allocated Charges	382,883	432,266	546,767	550,229
Total Expenditures	**$10,491,246**	**$11,578,315**	**$12,049,134**	**$12,128,735**
Total Revenues	**$302,768**	**$341,732**	**$323,095**	**$315,900**
Total Full Time Positions	67.35	69.25	67.85	67.85
Total Temporary Positions	1.83	1.68	1.57	1.57

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of violent crimes reported (SEA)	72	65	85
2. Number of police officer visits to elementary schools	346	350	238
3. Number of emergency calls requiring police response	1,001	1,000	1,000
4. Number of Part 1 crimes reported (SEA)	2,520	2,100	2,400
5. Number of urgent calls requiring police response	8,103	8,200	8,500
Effectiveness:			
1. Percent of residents who feel safe from violent crime (SEA)	87%	75%	90%
Efficiency:			
1. Percent of response to emergency calls within 6 minutes from time of receipt to first officer arrival	78%	80%	90%

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	3,908,297	4,080,826	4,520,772	4,623,132
Contract Services	232,924	204,780	202,950	202,950
Supplies and Materials	71,086	48,010	51,100	51,100
Facilities and Equipment Purchases	31,261	87,500	85,000	85,000
General Expense	111,982	52,690	110,800	107,800
Allocated Charges	884,404	1,516,763	1,471,259	1,473,522
Total Expenditures	**$5,239,954**	**$5,990,569**	**$6,441,881**	**$6,543,504**
Total Revenues	**$1,069,280**	**$1,069,596**	**$1,178,249**	**$1,148,249**
Total Full Time Positions	38.45	38.50	38.50	38.50
Total Temporary Positions	0.96	1.07	0.59	0.59

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of emergency calls dispatched (SEA)	1,001	1,000	1,000
2. Number of urgent calls dispatched (SEA revised)	8,103	8,200	8,500
3. Number of online reports received	800 est	850	1,000
Efficiency:			
1. Percent of emergency calls dispatched in 60 seconds	88%	97%	95%
2. Percent of urgent calls dispatched in 90 seconds	72%	75%	95%
3. Percent of online reports entered in records system in 3 business days	21%	20%	90%

INVESTIGATIONS AND CRIME PREVENTION SERVICES

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	2,833,165	2,977,702	2,995,795	3,024,851
Contract Services	118,305	140,676	164,817	164,817
Supplies and Materials	12,717	22,140	18,740	18,740
General Expense	7,285	7,525	5,400	5,400
Rents and Leases	2,233	2,960	2,950	2,950
Allocated Charges	61,782	75,702	106,640	101,052
Total Expenditures	**$3,035,487**	**$3,226,705**	**$3,294,342**	**$3,317,810**
Total Revenues	**$0**	**$8,000**	**$0**	**$0**
Total Full Time Positions	22.15	20.05	20.35	20.35
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of sex registrants monitored in Palo Alto	29	30	32
2. Number of elder abuse cases investigated	54	35	55
3. Number of hours spent by School Resource Officers in middle and high schools	2,294	2,000	2,000
4. Number of Part 1 crimes assigned to investigators	2,508	2,100	2,300
Efficiency:			
1. Percent of sex registrants checked on annual basis	97%	100%	100%
Effectiveness:			
1. Percent of rape cases assigned to investigators cleared/closed	67%	60%	60%
2. Percent of elder abuse cases assigned to investigators cleared/closed	74%	80%	80%
3. Percent of homicide cases assigned to investigators cleared/closed	None Reported	None Reported	85%
4. Percent of robbery cases assigned to investigators cleared/closed	68%	40%	40%

TRAFFIC SERVICES

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,081,073	1,114,371	1,429,678	1,418,550
Contract Services	280,478	331,450	331,800	331,800
Supplies and Materials	1,236	350	550	550
Facilities and Equipment Purchases	2,371	4,000	4,000	4,000
General Expense	870	2,000	5,800	1,800
Allocated Charges	64,899	42,645	77,345	75,667
Total Expenditures	**$1,430,927**	**$1,494,816**	**$1,849,173**	**$1,832,367**
Total Revenues	**$646,689**	**$490,797**	**$615,900**	**$615,900**
Total Full Time Positions	9.15	8.95	8.95	8.95
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of traffic citations issued by the department (SEA)	7,687	8,000	7,000
2. Number of injury accidents (SEA)	396	380	375
3. Number of DUI arrests	239	240	180
4. Number of bicycle/pedestrian accidents (SEA)	113	100	95
Efficiency:			
1. Number of traffic citations issued per traffic officer	848	800	700
Effectiveness:			
1. Ratio of traffic citations issued and DUI arrests to total injury accidents	20:1	20:1	20:1
2. Percent reduction in collisions in "super block" during school hours	-57%	15%	15%
3. Percent reduction in bicycle/pedestrian accidents (SEA)	-16%	15%	10%
4. Percent rating traffic services good or excellent (SEA)	63%	63%	66%

POLICE PERSONNEL SELECTION

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	641,769	666,432	734,998	739,544
Contract Services	137,051	190,257	200,650	200,650
Supplies and Materials	32,736	30,080	29,080	29,080
General Expense	45,659	26,110	42,575	19,575
Allocated Charges	11,559	12,763	15,510	13,876
Total Expenditures	**$868,774**	**$925,642**	**$1,022,813**	**$1,002,725**
Total Revenues	**$73,560**	**$22,947**	**$0**	**$0**
Total Full Time Positions	5.25	5.25	5.25	5.25
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of total officer training hours (SEA)	14,233	13,500	14,000
2. Number of police officer and dispatcher positions filled	109	109	109
3. Number of citizen complaints filed	7	10	10
4. Number of citizen commendations received	144	140	140
5. Number of worker's compensation claims filed	22	15	20
Efficiency:			
1. Number of training hours per officer (SEA)	161	145	145
2. Percent of candidates for police officer and dispatcher positions given conditional job offers within 120 days of processing employment applications	88%	90%	90%
3. Percent of use of force, citizen complaint, and canine investigations completed within 90 days of receipt of information	72%	80%	90%
Effectiveness:			
1. Percent of police officer and dispatcher staffing levels maintained	96%	95%	95%
2. Ratio of citizen commendations to complaints filed	21:1	14:1	14:1
3. Percent of worker's compensation claims reduced	-10%	25%	10%

ANIMAL SERVICES

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,209,321	1,251,953	1,399,280	1,414,321
Contract Services	39,088	39,990	40,380	40,380
Supplies and Materials	86,561	111,220	109,930	109,930
Facilities and Equipment Purchases	0	1,100	500	500
General Expense	8,300	8,640	11,140	11,140
Allocated Charges	88,368	85,790	95,821	96,623
Total Expenditures	**$1,431,638**	**$1,498,693**	**$1,657,051**	**$1,672,894**
Total Revenues	**$943,232**	**$917,180**	**$1,002,000**	**$1,002,000**
Total Full Time Positions	12.10	12.20	12.20	12.20
Total Temporary Positions	1.05	1.04	1.06	1.06

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of Palo Alto animal service calls (SEA revised)	2,861	3,200	5,000
2. Number of regional animal service calls (SEA revised)	1,944	1,800	1,700
3. Number of animals sheltered (SEA)	3,839	3,800	3,800
Efficiency:			
1. Percent of animal calls responded to in 45 minutes (SEA)	89%	90%	93%
2. Percent of regional animal calls responded to in 60 minutes	91%	90%	90%
Effectiveness:			
1. Percent of dogs returned to their owners (SEA)	78%	80%	65%
2. Percent of cats returned to their owners (SEA)	9%	12%	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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	802,689	744,495	905,999	919,371
Contract Services	248,793	263,500	271,500	271,500
Supplies and Materials	8,914	15,165	14,975	15,785
General Expense	1,126	400	0	0
Allocated Charges	25,214	48,150	37,427	38,041
Total Expenditures	**$1,086,736**	**$1,071,710**	**$1,229,901**	**$1,244,697**
Total Revenues	**$1,786,872**	**$1,946,000**	**$2,020,000**	**$2,020,000**
Total Full Time Positions	8.90	8.90	8.90	8.90
Total Temporary Positions	0.48	0.19	0.00	0.00

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of parking citations issued (SEA)	56,000	53,000	53,000
2. Number of abandoned and stored vehicle complaints	1,114	1,200	1,000
Efficiency:			
1. Number of parking citations issued per Parking Enforcement Officer	7,737	7,571	7,571
Effectiveness:			
1. Percent of compliance rate for parking time limits in downtown area	97%	95%	95%
2. Percent of abandoned and stored vehicle complaints processed in 10 working days	90%	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-Administrator, IMP
1.0-Admin Associate III
1.0-Admin Associate I

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

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

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

Equipment Management
1.0-Fleet Manager
1.0-Admin Associate III
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 II
1.0-Mobile Service Technician

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

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

Facilities Maint.
1.0-Supv, Facilities Mgt.
0.5-Admin Associate I
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-Admin Associate II
1.0-Admin Associate II

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

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

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

Environmental Compliance
1.0-Mgr. Environmental Compliance
1.0-Program Assistant I

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

Operations and Refuse
1.0-Deputy Director, Public Works
1.0-Admin Associate II

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

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

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

Sidewalks
1.0-Mgr Maint Oper
1.0-Associate Engineer
1.0-Cement Finisher-Lead
3.0-Cement Finisher

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

Storm Drain Operations
1.0-Electrician-Lead
1.0-Heavy Equip Oper-L
1.0-Heavy Equip Operator

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

Fiscal Year 2007-08 Position Totals:

213.50 Full-time
2.98 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

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

Public Works divisions' work load will be extremely high over the next two years, with major initiatives for new infrastructure and environmental quality projects such as the Public Safety Building, Library Facilities, other Infrastructure Management Plan (IMP) projects, the Zero Waste Plan, the Storm Drain Committee reviews, the upcoming renewal of the Refuse collection and hauling contract, the replacement of existing reclaimed water pipes to Mountain View, and the disinfection facility improvement to replace chlorine gas usage with an ultraviolet disinfection system.

In 2007-08, Public Works Engineering will continue to focus on projects identified in the IMP. This includes the annual street maintenance program and design of College Terrace Library Improvements which will include upgrades of building, electrical, and mechanical systems, interior refurbishment such as new paint and flooring, Americans with Disabilities Act (ADA) improvements, roof replacements, and seismic evaluation and upgrades. Public Works will continue with preliminary design, public outreach and research on financing alternatives for the Mitchell Park Library and Community Center and the Public Safety Building. As part of the preliminary design phase of the Public Safety Building, an Environmental Impact Report will be completed.

The Division will also continue supporting Palo Alto private development activity including issuance of street opening and encroachment permits, certificates of compliance under the Subdivision Map Act, and support of the Planning Department with plan review of grading and drainage issues.

The Engineering Division will design Greer Park Phase IV, begin design of Peers Park Improvements, and construct the San Antonio Medians.

The Public Works Facilities Management Division maintains and operates City facilities with a commitment to sustainability, energy efficiency, and "green" maintenance practices. In 2007-08, their efforts will be focused on the continued delivery of custodial, maintenance, and rehabilitation services to achieve maximum life expectancy of the City's buildings and building systems. Implementation of the IMP will also be a priority, with projects in 2007-08 including multi-year mechanical and electrical upgrades at the Civic Center and the Municipal Service Center, accessibility upgrades, interior refurbishment, and roof replacement.

In the Operations Division of Public Works, sidewalk repair program activities will continue in order to reduce the current backlog.

The Operations and Engineering Divisions are cooperating on various projects which will increase Operations' need for asphalt materials. The cost of asphalt materials has skyrocketed in recent years with material costing approximately 40 percent more than it did a year ago. Due to these facts, additional funds are being requested for asphalt material.

The City of Palo Alto proudly maintains one of the highest frequency sweeping schedules in the Bay Area. Staff will be providing continued street sweeping service to the residents and businesses of Palo Alto to maintain the aesthetic quality of the City's streets and neighborhoods and to meet federal, state, and local requirements for pollution prevention. The Council-approved program to limit curbside parking for one hour/one day per week in specified areas has provided for cleaner streets and less debris going into the storm drains.

The Tree Section of the Operations Division will be updating the street tree management plan. A draft plan should be ready for review in Fall 2007. Maintenance trimming will continue on a cycled basis.

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

PROGRAM UPDATE

The Public Works Department will accomplish the following in new program implementation:

In 2007-08, Public Works Engineering will implement a new cost recovery fee for review of improvement plans. This fee will reimburse the City for staff time spent on review of plans during the initial phase of their design and prior to obtaining building permits. In addition, staff time for other phases of the City review process will be charged as part of the Planning Department's current cost recovery fee schedule.

COUNCIL PRIORITY IMPLEMENTATION

In 2007-08, the Public Works Department will implement the City Council's Top 4 Priorities as follows:

Global Climate Protection

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

Library Plan/Public Safety Building

- Continue developing plans and financing options for the Public Safety Building and the Mitchell Park Library & Community Center
- Public Works will continue to meet and work with Planning staff to ensure a timely and effective project implementation and adherence to project milestones and timelines

Sustainable Budget

- Continue to pursue grant and outside sources of funding for infrastructure projects and maintenance programs (i.e rubberized asphalt, rubberized sidewalks, tree grants).
- Continue to streamline and coordinate street resurfacing processes to achieve maximum value for budgetary expenditures
- On-going coordination efforts between Public Works and other city departments to coordinate project activities to minimize impacts to the natural life of the city streets
- The Public Works Department reviews and evaluates opportunities to conserve energy and electricity in City facilities when upgrades are in process

Public Works *continued*

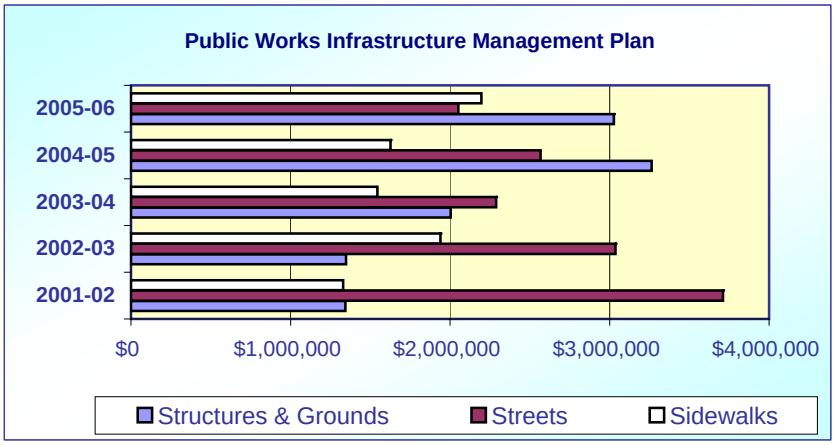
- On-going Coordination of in-house and contract sidewalk replacement funding
- Explore use of grants for various Operations maintenance programs (rubberized asphalt, rubberized sidewalks, tree grants)
- Continue to work on heavy equipment maintenance in-house through the new field service program to achieve budgetary savings
- Review opportunities to reduce the size of the vehicle fleet through employing new measures to track and verify equipment utilization

Emergency Planning

- Public Works staff will continue to contribute to and support Emergency Preparedness in the event of a natural disaster

DEPARTMENT SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Administration	872,585	1,050,938	1,030,214	(20,724)	(2%)	1,031,511	1,297	0%
Streets	1,944,985	2,454,951	2,390,842	(64,109)	(3%)	2,405,411	14,569	1%
Trees	2,035,751	2,405,128	2,348,054	(57,074)	(2%)	2,376,961	28,907	1%
Structures and Grounds	4,570,451	4,780,422	5,407,577	627,155	13%	5,524,929	117,352	2%
Engineering	1,896,807	1,983,263	2,048,796	65,533	3%	2,068,105	19,309	1%
TOTAL EXPENDITURES	$11,320,579	$12,674,702	$13,225,483	$550,781	4%	$13,406,917	$181,434	1%
TOTAL REVENUES	$2,206,366	$2,791,531	$3,228,479	$436,948	16%	$3,247,248	$18,769	1%
INTERNAL REVENUES	1,688,357	2,303,331	2,371,979	68,648	3%	2,390,748	18,769	1%
EXTERNAL REVENUES	518,009	488,200	856,500	368,300	75%	856,500	0	0%

Public Works *continued*



INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	6,860,372	7,548,406	7,670,550	7,770,360
Contract Services	1,501,099	1,803,871	1,780,901	1,830,901
Supplies and Materials	651,870	708,654	859,960	859,960
Facilities and Equipment Purchases	2,603	7,746	7,746	7,746
General Expense	18,568	33,860	34,125	34,125
Rents and Leases	30,000	170,000	170,000	170,000
Allocated Charges	2,256,067	2,402,165	2,702,201	2,733,825
Total Expenditures	**$11,320,579**	**$12,674,702**	**$13,225,483**	**$13,406,917**
Total Revenues	**$2,206,366**	**$2,791,531**	**$3,228,479**	**$3,247,248**
Total Full Time Positions	67.90	67.40	67.40	67.40
Total Temporary Positions	0.66	0.93	1.32	1.32

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES						
Increase plan checking fee ($3 Million Challenge)	350,000		350,000			
Increase building-new construction permit	10,000		10,000			
Increase encroachment permit	1,900		1,900			
Increase street opening permit	6,400		6,400			
Increase allocated revenue-internal	143,648		143,648	18,769		18,769
TOTAL REVENUE CHANGES	**$511,948**	**$0**	**$511,948**	**$18,769**	**$0**	**$18,769**
Adjustments (Note 1)		(75,000)	(75,000)			
NET REVENUE CHANGES	**$511,948**	**$(75,000)**	**$436,948**	**$18,769**	**$0**	**$18,769**
EXPENDITURE CHANGES						
Salary and Benefits						
Reclassify 1.0 FTE Staff Secretary to Executive Secretary	6,048		6,048			
Reclassify 1.0 FTE Truck Driver to Equipment Operator	7,686		7,686			
Reclassify 1.0 FTE Tree Trimmer/Line Clearer to Tree Maintenance Person	1,350		1,350			
Increase inTemporary Salaries	12,347		12,347			
Salary Adjustments	112,190			81,845		
Personnel Benefit Costs (Decrease) Increase	(17,485)		(17,485)	17,966		17,966
Total Salary and Benefits Changes	**$122,136**	**$0**	**$122,136**	**$99,811**	**$0**	**$99,811**
Non-Salary						
Increase in cost of construction materials	150,000		150,000			
Decrease in contract services for reduction in tree trimming cycle ($3 Million Challenge)	(50,000)		(50,000)			
Increase in Facility maintenance for new park restrooms	25,000		25,000	50,000		50,000
Increase in contract services for the City's emergency generators' maintenance	30,000		30,000			
Increase in contract services for Cubberley maintenance	15,000		15,000			
Increase in funding for City's share of San Francisquito Creek JPA operating costs	60,000		60,000			

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
Allocated Charges Increase (Note 2)	300,045		300,045	31,623		31,623
Total Non-Salary Changes	**$530,045**	**$0**	**$530,045**	**$81,623**	**$0**	**$81,623**
Adjustments (Note 1)		(101,400)	(101,400)			
TOTAL EXPENDITURE CHANGES	**$652,181**	**$(101,400)**	**$550,781**	**$181,434**	**$0**	**$181,434**

RESOURCE LEVEL NOTES

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

Note 2: Allocated charges are increasing due primarily to an increase in the rates for fiber optic data services used by the General Fund.

COMPREHENSIVE PLAN OVERVIEW

In 2007-09, the Public Works Department 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 Bridge Urban Infill Land Development (BUILD), Elks Club/Summerhill, and Alma Plaza (formerly Albertsons) developments. (Policy L-25)

Public Works Engineering will implement park improvements, including those for Greer and Peers Parks, as identified in the IMP. (Policies C-22, C-24, C-26, C-32 and Program C-19)

TRANSPORTATION

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

The Refuse Fund will continue performing off-road bicycle and pedestrian path sweeping on a regular basis (Program T-29). Staff will continue working with the Chamber of Commerce on enhancing maintenance in the downtown areas. (Program T-30)

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. (Program N-16)

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

Monthly household hazardous waste collection events will continue (Program N-48), and street sweeping will be performed on a regular basis in the residential and business areas. (Program N-30)

COMMUNITY FACILITIES AND SERVICES

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

Staff will continue to implement the Infrastructure Management plan projects. (Program C-24)

STREETS

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,143,967	1,582,264	1,355,623	1,378,341
Contract Services	8,811	16,039	16,039	16,039
Supplies and Materials	241,296	245,471	395,470	395,470
Facilities and Equipment Purchases	0	200	200	200
General Expense	3,036	6,610	6,610	6,610
Allocated Charges	547,875	604,367	616,900	608,751
Total Expenditures	**$1,944,985**	**$2,454,951**	**$2,390,842**	**$2,405,411**
Total Revenues	**$230,740**	**$321,832**	**$321,832**	**$321,832**
Total Full Time Positions	13.36	13.36	13.36	13.36
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of potholes repaired (SEA)	2,311	1,670	1,670
2. Number of signs repaired or replaced	1,618	1,620	1,620
Efficiency:			
1. Potholes filled per hour	2.2	1.2	1.2
2. Number of signs repaired or replaced per hour	1.1	1.2	1.2
Effectiveness:			
1. Percent potholes repaired within 15 days (SEA)	95%	80%	80%
2. Number of calls reporting damaged/faded signs	22	50	50

TREES

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,255,266	1,597,501	1,535,659	1,555,985
Contract Services	446,929	456,595	406,595	406,595
Supplies and Materials	31,585	52,500	52,500	52,500
Facilities and Equipment Purchases	2,603	3,000	3,000	3,000
General Expense	0	200	200	200
Allocated Charges	299,368	295,332	350,100	358,681
Total Expenditures	**$2,035,751**	**$2,405,128**	**$2,348,054**	**$2,376,961**
Total Revenues	**$17,317**	**$27,000**	**$27,000**	**$27,000**
Total Full Time Positions	13.88	13.88	13.88	13.88
Total Temporary Positions	0.00	0.61	0.78	0.78

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of service requests responded to	833	850	850
2. Number of trees pruned (SEA)	3,422	5,200	5,000
3. Number of service calls completed	5,200	5,200	5,200
4. Number of trees line cleared	6,334	6,800	6,800
Efficiency:			
1. Percent of requests responded to within 10 days	80%	80%	80%
2. Person hours per tree	2.3	2.2	2.2
3. Person hours per service call	2.2	2.2	2.2
4. Percent of total trees line cleared	21%	25%	25%
Effectiveness:			
1. Average number of days to respond	5	5	5
2. Percent of urban forest pruned	10%	12%	12%
3. Percent of urban forest serviced	14%	14%	14%
4. Number of electrical service disruptions caused by trees	13	0	0

STRUCTURES AND GROUNDS

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	2,336,842	2,172,042	2,479,285	2,516,742
Contract Services	961,084	1,160,710	1,204,310	1,254,310
Supplies and Materials	361,366	383,643	383,645	383,645
Facilities and Equipment Purchases	0	4,546	4,546	4,546
General Expense	4,300	6,350	6,350	6,350
Rents and Leases	30,000	170,000	170,000	170,000
Allocated Charges	876,859	883,131	1,159,441	1,189,336
Total Expenditures	**$4,570,451**	**$4,780,422**	**$5,407,577**	**$5,524,929**
Total Revenues	**$791,522**	**$743,118**	**$890,040**	**$908,161**
Total Full Time Positions	23.25	23.25	23.25	23.25
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Custodial: Total square footage cleaned by Custodial Section	1,004,676	1,214,874	1,214,874
2. Maintenance: Total square footage maintained by Maintenance Section	1,401,714	1,613,392	1,613,392
3. CIP Support: Number of projects assigned in given fiscal year	9	9	7
Efficiency:			
1. Custodial: Cost per square foot for Custodial Services	$1.18	$1.07	$1.15
2. Maintenance: Cost per square foot for Maintenance work	$1.52	$1.31	$1.35
3. CIP Support: Number of projects bid and awarded in the year budgeted	9	8	7
Effectiveness:			
1. Custodial: Number of customer callbacks for regularly scheduled cleaning	8	9	9
2. Maintenance: Percent of repairs completed in 3 weeks	100%	83%	90%
3. CIP Support: Percent of projects completed on time	100%	90%	100%

ENGINEERING

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

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,744,351	1,732,046	1,815,189	1,834,329
Contract Services	83,020	167,827	151,257	151,257
Supplies and Materials	16,841	24,290	25,595	25,595
General Expense	7,919	16,800	17,065	17,065
Allocated Charges	44,676	42,300	39,690	39,859
Total Expenditures	**$1,896,807**	**$1,983,263**	**$2,048,796**	**$2,068,105**
Total Revenues	**$799,719**	**$1,181,200**	**$1,474,500**	**$1,474,500**
Total Full Time Positions	14.51	14.01	14.01	14.01
Total Temporary Positions	0.66	0.32	0.54	0.54

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Structures and Grounds: Total dollar value of Infrastructure Management Plan (IMP) accomplished (Capital Expenditures)	$3,021,000	$4,000,000	$4,000,000
2. Street Maintenance: Total dollar value of IMP accomplished (Capital Expenditures)	$2,400,000	$2,000,000	$2,000,000
3. Private Development: Number of plans reviewed	332	400	400
4. Private Development: Number of permits issued	284	250	250
5. Parks & Open Space: Total dollar value of IMP projects (Capital Expenditures)	$1,500,000	$1,090,000	$1,090,000
Efficiency:			
1. Structures and Grounds: Total dollar value per FTE	$580,000	$950,000	$950,000
2. Street Maintenance: Total dollar value per FTE	$1,035,000	$950,000	$950,000
3. Private Development: Number of plans reviewed within four weeks	300	360	360
4. Private Development: Number of permits per FTE	95	83	83
5. Parks & Open Space: Dollar value per FTE	$750,000	$800,000	$800,000
Effectiveness:			
1. Structures and Grounds: Percent of IMP projects within planned budget	100%	100%	100%

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
2. Street Maintenance: Percent of streets not in need of maintenance (good or better condition on the Pavement Maintenance Management System)	47%	60%	60%
3. Private Development: Revenues received-plan review	$160,000	$100,000	$100,000
4. Private Development: Revenues received-permits	$154,000	$175,000	$175,000
5. Parks & Open Space: Percentage of IMP projects completed within planned budget	100%	100%	100%

CITY OF PALO ALTO
UTILITIES

Enterprise Funds

Utilities Department

Organizational Chart

Director of Utilities
Valerie Fong

Electric & WGW Engineering

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

Resource Management

1.0-Assist Director, Resource Mgmt
1.0-Admin Associate II
1.0-Manager Supply Resources
1.0-Sr Resource Originator
3.0-Sr Resource Planner
3.0-Resource Planner
1.0-Sr Mkt Analyst

Utilities Administration

1.0-Administrative Asst
1.0-Sr Administrator
1.0-Communications Specialist
1.0-Utilities Accounting Technician
1.5-Program Assistant I
1.0-Sr Market Analyst

Customer Support Services

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

Electric & WGW Operations

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

Fiscal Year 2007-08 Position Totals: 229.00 Full-time
5.70 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. A financial summary of the funds follows this overview and includes discussion and pertinent information in each fund section.

REVENUES

The total combined budgeted revenues of the Enterprise Funds for fiscal year 2007-08 is $262.3 million; $16.6 million or 7 percent higher than the previous fiscal year. The increase is primarily attributed to increases in utility rate charges totaling to $14 million. Investment income of $1.7 million is another factor that contributes to the increase.

In 2008-09, utility revenue bonds of $35 million will provide a funding source for the capital project on emergency water supply which is estimated to be constructed in four years. Details of this capital project are discussed further in the 2007-09 Adopted Capital Budget document.

A number of factors contribute to trigger a utility rate increase. These factors include increases in expenditures and maintaining the reserves balance at a certain level. The “Utility Rate Changes” and “Reserve” section that follow these discussions describe in detail the reasons for the utility rate increases in fiscal year 2007-08.

EXPENDITURES

Aggregated budgeted expenditures of the Enterprise Funds for fiscal year 2007-08 are $284 million, when compared to $257 million in 2006-07, an increase of $27 million.

Increases in capital expenditures of $9.0 million and an increase in commodity costs of $5.5 million are some of the factors that contribute to the rise of expenditures. Another cause is salaries and benefits which increased by $2.7 million. Benefit costs include a new cost for future retiree medical benefit costs (GASB 45). The 2006-07 budget did not include these expenditures.

“Operating transfers out” also swelled by $2.9 million when compared to the prior year. The variance is due to increased contributions to the Technology Fund for the capital project to upgrade SAP.

Cost plan charges from the General Fund is another factor for the increase in allocated charges by $2.5 million when compared to 2006-07. Cost plan charges are increasing due to increases in the General Fund costs shared by the Enterprise Funds.

UTILITY RATE CHANGES

This 2007-08 Adopted Budget includes a number of utility rate adjustments. The average monthly residential Utilities bill is expected to increase by $24.13 or 8.9 percent for combined utility services, including the Utility Users Taxes.

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

- Electric Fund - Rate increases of 5 percent effective July 1, 2007, and 10 percent effective July 1, 2008 due to increasing supply and transmission costs.
- Gas Fund - Rate increases of 9.5 percent effective July 1, 2007, and 9.1 percent effective July 1, 2008 due to increasing commodity costs.
- Water Fund- Rates increase of 10 percent effective July 1, 2007, and 10 percent effective July 1, 2008 due infrastructure needs and wholesale water rate increases.
- Storm Drainage Fund - A rate increase of 3.4 percent effective July 1, 2007 for inflation based on CPI as allowed by the approved ballot measure.
- Refuse Fund - a rate increase of 13 percent effective July 1, 2007, due to increasing operating costs.

Rent

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

Reserves

Since no revenue or expense forecast is perfect, some Utilities Reserves serve as “balancing accounts” which mitigate the risk of commodity price swings and insure against default by our wholesale suppliers. Other Reserves are used to provide cash for replacement parts during an emergency infrastructure failure, or serve as temporary “parking” for planned expenditures. Reserve levels that are

above guidelines are returned to customers in the form of lower future rates, or used to pay for higher expenses, which also result in lower future rates.

The total Enterprise Fund Reserve Balances (Supply and Distribution Rate Stabilization, Emergency Plant Replacement, etc.) are decreasing by $21.0 million in 2007-08. These decreases represent cash drawdowns for increased Capital Improvement Program (CIP) costs and increased supply expenses.

UTILITIES DEPARTMENT OVERVIEW

The Department plans to focus on customer service, infrastructure reliability, and cost containment - priorities outlined in the Department's strategic plan. In addition, the marketing of energy efficiency programs will be a focal point, especially in light of Council's priority of addressing global climate change and state legislation which mandates certain energy efficiency goals and programs.

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

Utilities Department Expenditure Highlights

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

The City continues to face legal costs for regulatory proceedings and for contract review and negotiation in electric, gas, and water services. In 2007-08, expenditure levels for legal matters are expected to approximate those levels reflected in the 2006-07 budget.

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

Palo Alto's share of wastewater treatment costs-which are allocated among the five partners that use the system--will increase by about $0.2 million in 2007-08.

CPAU Capital Improvement Program (CIP)

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

- In the 2007-08 budget period, planned CIP expenditures for the Electric Fund total $10.5 million. New CIP projects include rebuilding and replacing certain underground electric systems and electric distribution system conversions to 4 or 12 kV.
- Total 2007-08 Gas Fund planned CIP expenditures are $6.9 million. Significant amount of capital expenditures are appropriated for the accelerated gas main replacements projects.
- The Wastewater Collection Fund has budgeted $3.4 million for 2007-08. Included are projects to rehabilitate collection systems and manholes, and to reduce groundwater and rainfall seepage into the pipelines.
- $11.1 million for 2007-08 is budgeted by Water Fund for CIP expenditures. Water Fund CIP primarily involves the water main replacements and other projects focused on reliability. A significant CIP is the Emergency Water Supply Project estimated to cost $40 million during a four-year construction period.

The 2007-09 Adopted Capital Budget document discuss in details the capital projects of all Utilities Department Enterprise Funds.

Utilities Department Program Highlights

The Palo Alto Green Program offers “new” renewable energy (as defined by the California Energy Commission) to customers for a premium of 1.5 cents per kilowatt-hour over their applicable electric rate schedule. Introduced in July 2003, this program had a five-year goal of 2,000 participants. Currently, there are 4,600 active participants in the Palo Alto Green Program which represent 17 percent of all electric accounts. The Palo Alto Green Program has achieved the nation's highest participation rate, according to the National Renewable Energy Laboratory.

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

- SB1 (2006), also known as the “Million Solar Roofs Bill”, requires publicly-owned utilities to offer rebates for photovoltaic systems similar to those offered by investor-owned utilities like PG&E. This legislation sets a statewide goal to create 3,000 megawatts of new, solar-produced electricity by 2017. By lowering

the cost of solar systems to consumers, SB1 aims to put California on pace to build a million solar roofs over the next ten years.

- SB1037 (2005) established a statewide "loading order" for electric power resources, specifying the following preference hierarchy:
  - first, energy efficiency and demand reduction
  - second, renewable energy
  - third, conventional power supply
- SB1037 requires publicly-owned utilities to adopt this loading order and to report annually to customers and the California Energy Commission (CEC) on programs, expenditures, and energy savings results.
- AB2021 (2006), built on SB1037, adds new and very specific long-term planning, reporting, and review requirements with specific deadlines, and a requirement to "treat efficiency as procurement investments…without regard to previous minimum investments". AB 2021 requires the Utilities Department to develop and submit 10-year energy efficiency plans to the CEC on a three-year cycle with annual reports to customers and the CEC.
- AB32 (2006), "California Global Warming Solutions Act of 2006", sets state goals to reduce greenhouse gas emissions to 1990 levels by 2020. AB32 requires publicly-owned utilities to report greenhouse gas emissions, and empowers the State Air Resources Board to determine the 1990 baseline emissions, to establish emission reduction targets and regulations for reporting, and to adopt regulations for market-based compliance mechanisms.

In 2007-08, approximately $3.0 million is devoted to incentives and programs to comply with these laws.

Electric Utility Challenges

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

Risk Management

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

Gas Utility Challenges

The Gas Utility's commodity-hedging program, with a three-year "laddering" approach to purchasing gas, has helped stabilize prices in spite of marketplace volatility. Staff will continue to pursue supply strategies that mitigate price swings.

In addition, the Gas Utility will be focused on promoting energy efficiency and on capital projects that increase the infrastructure's reliability and safety.

Water Utility Capital Work

The City's water supplier, the San Francisco Public Utilities Commission (SFPUC), has embarked on a series of capital projects to upgrade its aqueducts and water transmission system, which will result in annual increases in the City's wholesale water rates for the next 10-15 years.

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

In addition, the Utility is planning capital projects in 2007-08 that include water main replacements, continued installation and upgrading of customer services and meters, and the accelerated implementation of the recommendations of the 1999 Water Wells, Regional Storage, and Distribution Study.

PUBLIC WORKS UTILITY FUNDS

Refuse

The Refuse Fund continues to exceed the State mandate of reducing waste by 50 percent. The City's current rate is 63 percent, an improvement of 1 percent over the prior year.

Due to increased costs for services and materials provided by PASCO, relocation of City landfill facilities to enable the planned landfill closure, and the need to bring reserve balances in alignment with Council-approved guidelines, a rate increase of 13% will be necessary in 2007-08.

In Summer 2007, staff will present an implementation plan to achieve Zero Waste goals. The goal of Zero Waste is to reduce the amount of waste going to landfills by 90% or more.

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Storm Drain

The Storm Drainage Fee increase approved by property owners in April 2005 continues to provide funding for high-priority storm drain capital improvements. In 2007-08, efforts will include construction of a new storm water pump station and continued implementation of citywide system repairs.

Wastewater Treatment

Revenues in the Wastewater Treatment Fund will show an increase of $0.6 million in 2007-08, due to growth in contract cities revenue. An estimated $2.6 million in capital improvement is planned in 2007-08, and $25.5 million in 2008-09. CIP projects include the Disinfection Facility Improvement Program and the construction of a reclaimed water pipeline to Mountain View.

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2007-08 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	93,665	46,147	13,706	24,526	25,067	5,415	19,347	0	227,873
Interest Income	6,917	646	601	946	501	175	607	0	10,393
Other Income	13,439	670	1,137	1,199	4,281	1,016	1,061	1,243	24,047
TOTAL SOURCE OF FUNDS	**$114,021**	**$47,463**	**$15,444**	**$26,671**	**$29,849**	**$6,607**	**$21,015**	**$1,243**	**$262,313**
EXPENDITURES									
Utility Purchases and Charges	67,511	26,139	7,101	7,698	10,063	0	0	0	118,512
Salaries and Benefits	10,755	3,940	1,563	4,523	3,899	971	8,642	863	35,155
Contract Services	3,984	905	327	456	6,694	358	1,812	117	14,653
Supplies and Materials	799	477	146	442	377	95	1,327	11	3,674
Facilities and Equipment Purchases	112	38	11	12	20	12	41	0	246
General Expense	3,295	539	51	248	335	11	154	11	4,645
Rents and Leases	3,718	258	182	1,884	4,310	6	18	0	10,376
Allocated Charges	7,136	3,463	1,764	2,627	3,304	551	4,269	188	23,301
Debt Service	9,036	948	128	776	398	947	820	0	13,054
Subtotal	**$106,346**	**$36,708**	**$11,272**	**$18,665**	**$29,400**	**$2,951**	**$17,083**	**$1,190**	**$223,615**
Equity Transfer	8,998	3,044	0	2,589	0	0	0	0	14,631
Capital Improvement Program	10,535	6,945	3,443	11,112	1,000	5,566	2,600	0	41,201
Operating Transfers Out	1,838	918	268	763	663	70	363	36	4,918
TOTAL USE OF FUNDS	**$127,717**	**$47,615**	**$14,982**	**$33,129**	**$31,063**	**$8,587**	**$20,045**	**$1,226**	**$284,365**
To/From Reserves	**$(13,696)**	**$(152)**	**$461**	**$(6,458)**	**$(1,214)**	**$(1,980)**	**$969**	**$17**	**$(22,053)**

2008-09 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	103,225	50,589	13,706	27,088	25,067	5,327	19,347	0	244,349
Interest Income	6,917	646	601	946	501	175	607	0	10,393
Other Income	12,550	687	1,148	1,087	4,283	82	24,361	1,211	45,409
Bond Proceeds	0	0	0	35,000	0	0	0	0	35,000
TOTAL SOURCE OF FUNDS	**$122,692**	**$51,922**	**$15,455**	**$64,122**	**$29,851**	**$5,584**	**$44,315**	**$1,211**	**$335,151**
EXPENDITURES									
Utility Purchases and Charges	69,846	27,350	7,101	7,698	10,063	0	0	0	122,057
Salaries and Benefits	10,868	3,978	1,586	4,578	3,951	988	8,771	863	35,583
Contract Services	3,688	791	327	456	6,294	365	1,812	117	13,850
Supplies and Materials	799	477	146	442	357	95	1,327	11	3,654
Facilities and Equipment Purchases	112	38	11	10	20	12	41	0	243
General Expense	3,741	646	51	282	335	11	154	11	5,232
Rents and Leases	3,718	258	182	1,884	4,310	6	18	0	10,376
Allocated Charges	7,116	3,471	1,768	2,659	3,439	555	4,484	180	23,672
Debt Service	9,036	949	129	776	398	951	816	0	13,055
Subtotal	**$108,925**	**$37,957**	**$11,300**	**$18,785**	**$29,167**	**$2,983**	**$17,423**	**$1,183**	**$227,723**
Equity Transfer	9,268	3,135	0	2,667	0	0	0	0	15,070
Capital Improvement Program	9,015	7,182	3,659	13,945	800	2,321	25,500	0	62,422
Operating Transfers Out	1,264	648	178	627	509	54	270	11	3,561
TOTAL USE OF FUNDS	**$128,472**	**$48,922**	**$15,137**	**$36,024**	**$30,476**	**$5,358**	**$43,193**	**$1,194**	**$308,775**
To/From Reserves	**$(5,780)**	**$3,000**	**$317**	**$28,098**	**$(626)**	**$226**	**$1,122**	**$17**	**$26,375**

ENTERPRISE FUND RESERVES

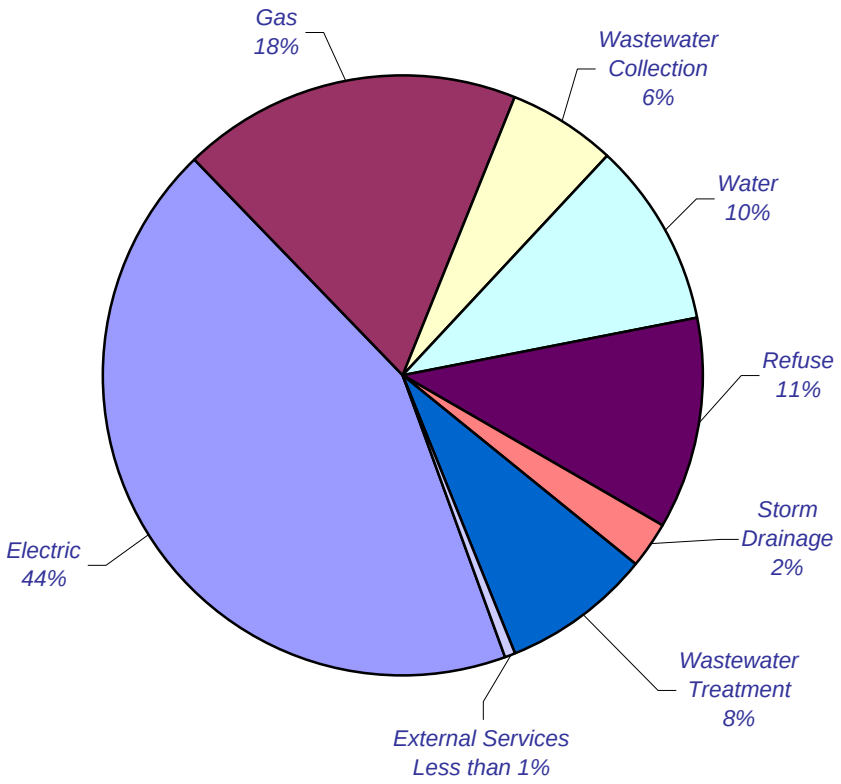
Reserves ($000)	2007-08 Projected Beginning Balance	2007-08 Changes	2007-08 Projected Ending Balance	2008-09 Changes	2008-09 Projected Ending Balance	2007-08 Reserve Guideline Range	2008-09 Reserve Guideline Range
ELECTRIC FUND							
Emergency Plant Replacement	2,625	432	3,057	343	3,400	7,139 (max.)	7,139 (max.)
Distribution Rate Stabilization	8,023	(1,679)	6,344	3,772	10,116	6,640 -16,601	7,010 -17,525
Supply Rate Stabilization	55,382	(11,036)	44,346	(8,433)	35,913	29,273 -58,546	31,207 -62,413
Calaveras	71,810	(1,413)	70,397	(1,462)	68,935	70,345	68,879
Public Benefit	233	0	233	0	233		
Central Valley O&M	(2,692)	0	(2,692)	0	(2,692)		
Underground Loan	693	0	693	0	693		
Subtotal	**$136,074**	**$(13,696)**	**$122,378**	**$(5,780)**	**$116,598**		
GAS FUND							
Emergency Plant Replacement	1,010	318	1,328	329	1,657	3,060 (max.)	3,060 (max.)
Distribution Rate Stabilization	1,447	608	2,055	673	2,728	4,001 - 10,002	4,042- 10,105
Supply Rate Stabilization	5,157	(1,078)	4,079	1,998	6,077	9,149 - 19,604	9,573- 20,513
Debt Service Reserve	952	0	952	0	952		
Subtotal	**$8,566**	**$(152)**	**$8,414**	**$3,000**	**$11,414**		
WASTEWATER COLLECTION FUND							
Emergency Plant Replacement	666	215	881	229	1,110	2,632 (max.)	2,632 (max.)
Rate Stabilization	4,329	246	4,575	88	4,663	2,737 -6,844	2,737 -6,844
Subtotal	**$4,995**	**$461**	**$5,456**	**$317**	**$5,773**		
WATER FUND							
Emergency Plant Replacement	1,354	241	1,595	270	1,865	2,648 (max.)	2,648 (max.)
Rate Stabilization	12,045	(6,699)	5,346	(1,522)	3,824	4,942 -12,356	5,437 -13,591
Bond Proceeds (Restricted)	0	0	0	29,350	29,350		
Debt Service Reserve	780	0	780	0	780		
Subtotal	**$14,179**	**$(6,458)**	**$7,721**	**$28,098**	**$35,819**		
REFUSE FUND							
Rate Stabilization	2,954	(1,351)	1,603	(763)	840	2,507 - 5,014	2,507 - 5,014
Landfill Closure and Postclosure Care Reserve	7,017	137	7,154	137	7,291		
Water Resources Board	590	0	590	0	590		
Subtotal	**$10,561**	**$(1,214)**	**$9,347**	**$(626)**	**$8,721**		

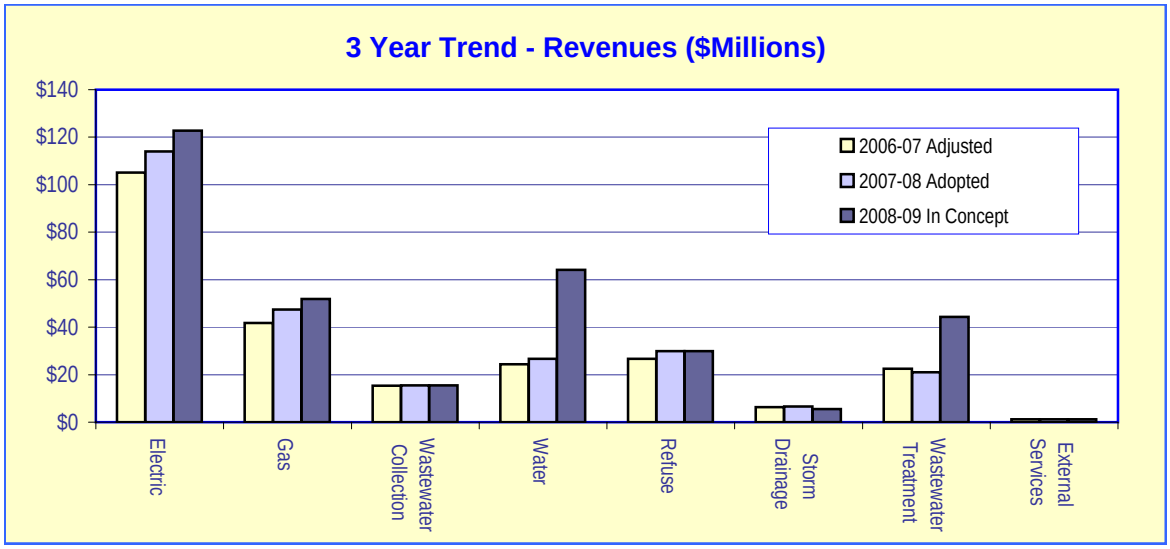
ENTERPRISE FUND RESERVES *CONTINUED*

Reserves ($000)	2007-08 Projected Beginning Balance	2007-08 Changes	2007-08 Projected Ending Balance	2008-09 Changes	2008-09 Projected Ending Balance	2007-08 Reserve Guideline Range	2008-09 Reserve Guideline Range
STORM DRAINAGE FUND							
Rate Stabilization	2,437	(1,980)	457	226	683		
Subtotal	**$2,437**	**$(1,980)**	**$457**	**$226**	**$683**		
WASTEWATER TREATMENT FUND							
Emergency Plant Replacement	2,583	0	2,583	0	2,583	1,547 (max.)	1,547 (max.)
Rate Stabilization	(3,886)	969	(2,917)	1,122	(1,795)	2,898 - 5,795	2,898 - 5,795
Bond Proceeds (Restricted)	21	0	21	0	21		
Subtotal	**$(1,282)**	**$969**	**$(313)**	**$1,122**	**$809**		
EXTERNAL SERVICES FUND							
Information Technology RSR	35	17	52	17	69		
Subtotal	**$35**	**$17**	**$52**	**$17**	**$69**		
TOTAL RESERVES	**$175,565**	**$(22,053)**	**$153,512**	**$26,374**	**$179,886**		
Emergency Plant Replacement	8,238	1,206	9,444	1,171	10,615		
Rate Stabilization	87,923	(21,983)	65,940	(2,822)	63,118		
Bond Proceeds (Restricted)	21	0	21	29,350	29,371		
Debt Service Reserve	1,732	0	1,732	0	1,732		
Calaveras	71,810	(1,413)	70,397	(1,462)	68,935		
Public Benefit	233	0	233	0	233		
Central Valley O&M	(2,692)	0	(2,692)	0	(2,692)		
Underground Loan	693	0	693	0	693		
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	7,017	137	7,154	137	7,291		
TOTAL RESERVES	**$175,565**	**$(22,053)**	**$153,512**	**$26,374**	**$179,886**		

ENTERPRISE FUND REVENUES BY FUND

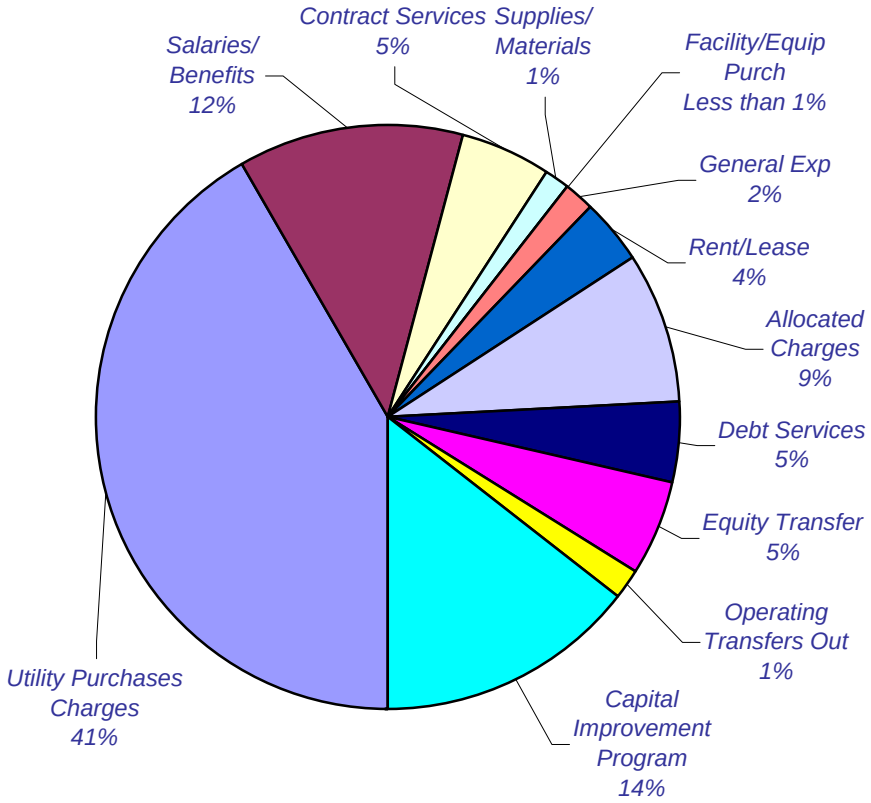
$262.3 Million / Adopted 2007-08

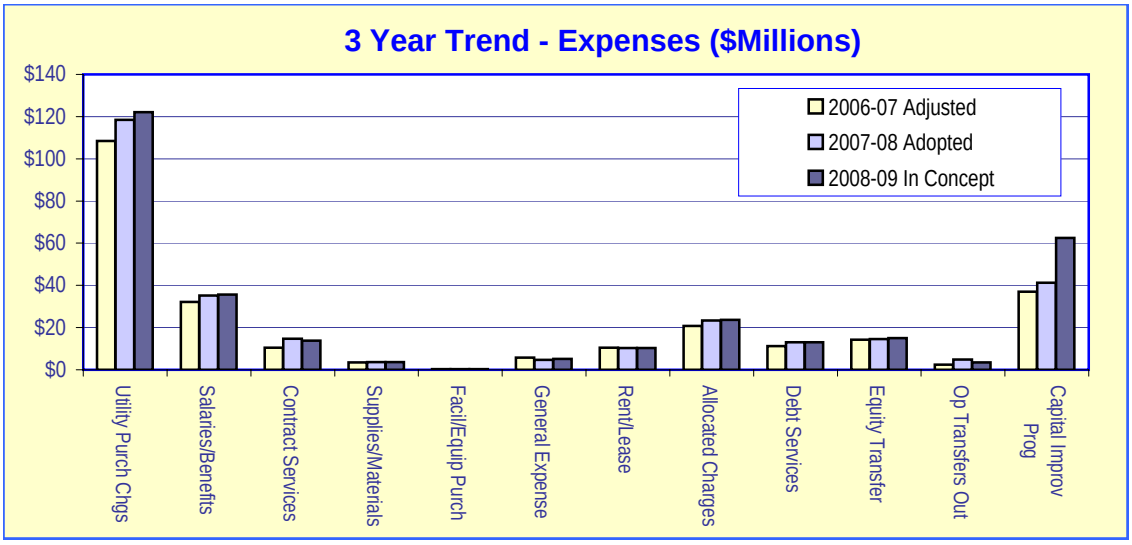




ENTERPRISE FUND EXPENDITURES BY CATEGORY

$284.4 Million / Adopted 2007-08





AVERAGE RESIDENTIAL MONTHLY UTILITY BILL

Utility	Current 2006-07 Bill	Proposed 2007-08 Bill	$ Difference	% Difference	Proposed 2008-09 Bill	$ Difference	% Difference
Electric (650KWH)	57.93	60.83	2.90	5.0%	66.91	6.08	10.0%
Water (14CCF)	58.17	64.21	6.04	10.4%	70.63	6.42	10.0%
Gas (100/30TH)	90.97	102.03	11.06	12.2%	114.27	12.24	12.0%
Sewer	23.48	23.48	-	0.0%	23.48	-	0.0%
Refuse	21.38	24.16	2.78	13.0%	24.16	-	0.0%
Storm Drain	10.20	10.55	0.35	3.4%	10.87	0.32	3.0%
User Tax	10.35	11.35	1.00	9.6%	12.59	1.24	10.9%
Total Monthly Bill	**$272.48**	**$296.61**	**$24.13**	8.9%	**$322.91**	**$26.30**	8.9%

COMMENTS:

2007-08 Electric average increase is 5%, effective 7-1-07

2007-08 Water average increase is 10%, effective 7-1-06

2007-08 Gas System average increase is 9.5%, effective 7-1-07

2007-08 Refuse average increase is 13%, effective 7-1-07

2007-08 Storm Drain will increase by CPI at 3.4%, effective 7-1-07

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

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

2008-09 Gas System average increase is 9.1%, effective 7-1-08

2008-09 Storm Drain will increase by CPI at 3%, effective 7-1-08 (projected)

Average Residential Monthly Utility Bill *continued*

CITY OF PALO ALTO
UTILITIES

Electric Fund

Electric Fund

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

OVERVIEW

In 2007-09, the City of Palo Alto's Utilities (CPAU) Electric Division plans to focus on: a) increasing infrastructure reliability; b) maintaining a supply cost advantage as measured against the California wholesale electric market; and c) the marketing of energy efficiency and Commercial Fiber Optic services.

Infrastructure Reliability

The integrity of the infrastructure required to achieve a high level of reliability for our customers is of paramount importance to CPAU. Capital projects planned in 2007-08 include: rebuilding the El Camino Real electric system (south of Fernando); construction of Underground District 41; ongoing system improvements and upgrades; installation of transformers, including the deployment of environmentally friendly soy oil-based transformers, meters for new customers; upgrading of existing services; utility site security enhancements; and the relocation of the Alma Substation. Depending on the results of studies in 2006-07, some reconstruction of the Colorado Power Station is planned for 2007-08. The goal is to eliminate the need for the adjacent PG&E switching station to reduce operating costs. Recently, costs for construction materials have increased significantly, so staff is exploring ways to contain those costs and spread the CIP budget as far as possible.

Supply

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

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

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

With the passage of SB1, SB 1037, and AB 2021, CPAU must now look at cost-effective energy efficiency as our primary supply option, followed by renewable energy, and then by conventional generating sources. As a result, in addition to the existing Public Benefits Programs, there will be new funding of energy efficiency programs.

The purchase of renewable resources to meet the Council-approved Renewable Portfolio Standard for Palo Alto will continue. Additionally, in the coming year, staff will bring to Council recommendations on climate change and greenhouse gas reduction.

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

Sales, Marketing and Customer Service

With the passage of recent legislation in Sacramento, the Electric Utility's Public Benefits programs will see significant expansion to reach broader markets. The California Solar Initiative (SB-1) will allow the current Photovoltaic (PV) Partners program to offer additional funding for rebates to those in Palo Alto who wish to install solar electric panels.

Planned for 2007-08 is the upgrade of the Utilities Customer Information System from "Banner" to SAP/Utilities software, expected to "go live" in July 2008. This software is currently being used by other American municipal utilities with great success. Once complete, it will be integrated with the City's current SAP financial system, resulting in even greater system functionality including more accurate meter inventories, maintenance scheduling, and other functions currently residing in multiple databases.

Fiber Optics

The Commercial Fiber Optics service offers a high level of expertise in the design, construction, and operation of fiber optic network service to the Palo Alto business community. Currently, CPAU provides service to approximately 155 business customers either directly or indirectly through resellers. Several departments within the City, including Police, Libraries, the Wastewater Treatment Plant, Foothills Park Interpretive Center, and even traffic signals are using the fiber system to improve their service delivery to citizens and businesses of Palo Alto. Due to the implementation of improved rate structures and pricing methodologies adopted in 2006 for the Fiber Optics services, revenues are expected to increase.

Fiber Optic staff will expand efforts to aggressively market the fiber optic infrastructure system in order to attract new customers, particularly among the Utilities' larger customers. If successful, this will lower costs for both existing and additional customers. Ongoing training of sales, engineering, and administrative staff will enhance these efforts.

Rates

For the Electric Utility, a 5 percent revenue increase is proposed for 2007-08, and a 10 percent revenue increase is planned for 2008-09. Next year during the budget process, this rate increase will be evaluated based on current revenue requirements, reserve balances, and risk assessment.

Reserves

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

In 2007, Council approved staff's recommendations to change certain utilities reserve guidelines and reflect risk assessments in the target guidelines for the Electric and the Gas Supply Rate Stabilization Reserves (SRSRs). The target level for the Electric SRSR for 2007-08 is based on a risk assessment for this specific year. Given the uncertainty of future trends, the same risk level including a 3 percent escalation factor, is used in the proposed revenue requirement for 2008-09. During 2007-08, an updated risk assessment will be prepared for 2008-09. The target level for the Electric Distribution Rate Stabilization reserves (DRSR) is based on a risk assessment that includes potential revenue shortfalls from declining sales and requirements for Capital Improvement Programs.

The present electric supply reserves guideline is to maintain reserves within parameters established by the City Council. In 2007-08, the Supply RSR guideline range is projected to be $33.8 million to $67.5 million. In 2008-09, the Supply RSR guideline range is projected to be $34.9 million to $67.8 million.

With a 5 percent electric rate increase planned in 2007-08, the Budget total reserve end-of-fiscal year balance will be approximately $122.4 million The Electric Supply RSR end-of-fiscal year balance is projected to be $44.3 million, which is above the minimum guideline of $29.3 million. The ending Distribution RSR is projected to be $6.3 million, which is below the minimum guideline of $6.6 million. The ending Calaveras reserve balance is projected to be $70.4 million.

With an electric rate increase of 10 percent planned in 2008-09, the Budget results in a total reserve balance of approximately $116.6 million. The Electric Supply RSR ending balance is projected to end at $35.9 million, which is above the minimum guideline of $31.2 million. The ending Electric Distribution RSR is projected to be $10.1 million which is above the minimum guideline of $7.0 million. The projected Calaveras reserve balance is $68.9 million.

PROGRAM UPDATE

As of December 31, 2006, 165 photovoltaic systems have been installed, representing 589 kW of pollution-free electric generation on the rooftops of Palo Alto businesses and residents. In addition, Palo Alto Green is now the number one voluntary renewable energy program in the country. Palo Alto Green currently boasts a participation rate of over 16 percent. Since the City of Palo Alto is now a customer of Palo Alto Green, the Environmental Protection Agency (EPA) has designated Palo Alto the first “Green Power Community” in California and the fourth in the United States.

COUNCIL PRIORITY IMPLEMENTATION

Global Climate Protection

The City completed its first California Climate Action Registry greenhouse gas inventory and certification in 2006, earning the designation of "Climate Action Leader." Estimated community-wide CO2 emissions from CPAU-provided electricity in 2005 were 145,007 metric tons, of which 12,982 (9%) is attributable to City government operations: 4,445 tons (3%) are from electricity end-use by City government facilities, and 8,537 tons (6%) are attributable to electric energy dissipated due to transmission (2%) and distribution (4%) system losses. Palo Alto Green purchases in 2005 reduced 11,174 tons in 2005 compared to generic market power.

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

Consistent with the recommendations of the Green Ribbon Task Force, all of the Electric Fund's energy and demand-side management programs and incentives contribute to the Council's Top Four Priority of Global Climate Protection. Since the City is also a top customer for these programs, the Utilities energy efficiency programs contribute as well to Council priority “Sustainable Budget” since City facilities and Parks costs are lowered. The Electric Utilities Photovoltaic Partners program contributed $1.4 million, and Electric Supply contributed $0.3 million to build photovoltaic systems that will be owned by the City, providing solar energy for Palo Alto Green. Those capital projects are in the Public Works budget. New in 2007-08, and continuing into 2008-09, will be the funding for Supply-funded

incentives and analysis of $2.6 million in 2007-08 and $2.5 million in 2008-09, as a result of recent state legislation. This supply funding is in addition to the already funded Public Benefits Programs of $2.5 million and $2.8 million respectively. The PV Partners program budget has been augmented by supply-funded incentives of $1.1 million per year to comply with requirements of SB1, the California "million solar roofs" legislation. This funding is in addition to the already funded Public Benefits contribution of $0.3 million in 2007-08 and $0.3 million in 2008-09.

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

For 2007-08 and 2008-09 residential programs include:

- Smart Energy Program
- Residential Assistant Programs for low income efficiency and installations
- Refrigerator recycling program
- Online Home Energy Analysis
- LED Christmas Light Program
- CFL Earth Month program
- PV Partners for Photovoltaic installations
- Twilight Concert series sponsorship to promote residential programs
- PAUSD Grant Program, $50,000 grant for efficiency education
- Palo Alto Green
- New Construction Programs, "Build it Green" to start in the Spring of 2008
- PLUG-In ultra-clean small-scale distributed generation and cogeneration
- Retro-Commissioning Training for City Facilities Staff
- APPA Tree Power

For 2007-08 and 2008-09 commercial programs include:

- Commercial Advantage Program
- Consultant Assistant for Resource Efficiency (Commercial Energy Audits)
- PV Partners (Solar Electric Rebate Program)
- Right Lights Program (Small Commercial Lighting Installation Program)
- Meter Links to show the customer's prior-day load profile
- Institutional Programs to pursue energy and water audits at all reasonable facilities. This also qualifies for the Council Priority “Sustainable Budget”, as City Facilities are audited to lower utility bills
- Efficiency Bidding
- APPA Tree Power

Two new Bay Area landfill generation facilities are expected to come on-line in 2007 and 2008, respectively, and increase the renewable energy resources to 20 percent of annual energy use. Initial contracts for additional renewable resources to progress toward the accelerated renewable energy goals are expected to be presented to Council as negotiations are completed. Costs for these new resources are included in the electric supply budget.

The City received several awards and recognitions in 2006-2007 that were supported by or achieved by the Electric Fund, including:

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

Library Plan/Public Safety Building

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

Electric Fund *continued*

FUND SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Net Sales	88,432,515	87,347,912	93,664,989	6,317,077	7%	103,225,019	9,560,030	10%
Interest Income	2,355,799	5,698,700	6,917,000	1,218,300	21%	6,917,000	0	0%
Other Income	31,600,084	11,455,760	13,439,120	1,983,360	17%	12,550,203	(888,917)	(7%)
TOTAL FUND REVENUES	$122,388,398	$104,502,372	$114,021,109	$9,518,737	9%	$122,692,222	$8,671,113	8%
Administration	7,351,573	4,869,320	6,099,775	1,230,455	25%	6,063,793	(35,982)	(1%)
General Services								
CIP	403,755	140,825	54,999	(85,826)	(61%)	60,000	5,001	9%
Operations	1,697,926	1,900,821	1,819,444	(81,377)	(4%)	1,833,919	14,475	1%
Resource Management								
Purchases	70,368,804	62,864,431	67,510,771	4,646,340	7%	69,846,061	2,335,290	3%
CIP	36,199	0	0	0	0%	0	0	0%
Operations	(13,203,553)	2,035,837	4,495,282	2,459,445	121%	4,402,952	(92,330)	(2%)
Customer Marketing and Financial Services	1,705,361	1,917,143	1,707,944	(209,199)	(11%)	1,723,365	15,421	1%
Distribution System								
Systems Improvement(CIP)	5,068,363	8,426,241	8,429,999	3,758	0%	6,854,999	(1,575,000)	(19%)
Customer Design and Connection Services(CIP)	1,891,035	2,520,863	1,700,000	(820,863)	(33%)	1,799,999	99,999	6%
Operations	7,065,240	8,492,039	9,521,616	1,029,577	12%	9,601,234	79,618	1%
Commercial Telecommunication								
Customer Design & Connection(CIP)	120,451	300,000	350,001	50,001	17%	300,000	(50,001)	(14%)
Operations	708,527	778,039	347,197	(430,842)	(55%)	348,218	1,021	0%
Public Benefit	1,813,515	3,072,411	2,370,001	(702,410)	(23%)	2,631,002	261,001	11%
Debt Service	8,400,103	8,861,795	9,036,000	174,205	2%	9,036,000	0	0%
Equity Transfer	8,481,248	8,735,686	8,997,757	262,071	3%	9,267,689	269,932	3%
Rent	3,114,390	3,521,441	3,438,265	(83,176)	(2%)	3,438,265	0	0%
Operating Transfers Out	4,100,242	1,164,472	1,838,159	673,687	58%	1,264,492	(573,667)	(31%)
TOTAL FUND EXPENDITURES	$109,123,179	$119,601,364	$127,717,210	$8,115,846	7%	$128,471,988	$754,778	1%
TO/FROM RESERVES	$13,265,219	$(15,098,992)	$(13,696,101)	$1,402,891		$(5,779,766)	$7,916,335	

Electric Fund *continued*

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Utility Purchases and Charges	55,643,381	62,864,431	67,510,771	69,846,061
Salaries and Benefits	11,133,753	10,492,171	10,755,382	10,868,245
Contract Services	1,948,568	3,206,584	3,984,143	3,687,943
Supplies and Materials	644,236	760,074	798,952	798,952
Facilities and Equipment Purchases	2,768	112,280	112,280	112,280
General Expense	1,078,162	2,034,113	3,294,669	3,741,028
Rents and Leases	3,368,520	3,800,261	3,718,085	3,718,085
Allocated Charges	6,802,395	6,181,568	7,136,013	7,116,215
Debt Service	8,400,103	8,861,795	9,036,000	9,036,000
Equity Transfer	8,481,248	8,735,686	8,997,757	9,267,689
Capital Improvement Program	7,519,803	11,387,929	10,534,999	9,014,998
Operating Transfers Out	4,100,242	1,164,472	1,838,159	1,264,492
Total Expenditures	**$109,123,179**	**$119,601,364**	**$127,717,210**	**$128,471,988**
Total Full Time Positions	115.48	111.75	108.59	108.59
Total Temporary Positions	3.29	2.94	2.63	2.63

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Average purchase cost per MWH (SEA)	$48.62	$67.35	$67.89
2. The revenue bond credit rating is AA- (SP-F2.1)	AA-	AA-	AA-
3. Percent of electricity from Palo Alto Green Program (SEA)	3.4%	5.0%	%5.3
4. Percent of customers enrolled in Palo Alto Green Program (SEA)	14.60%	15%	20%
Efficiency:			
1. The difference between the commodity average system rate for Palo Alto customers, and the average rate of other California municipal and investor-owned utilities will be equal to or less than zero. A figure less than zero indicates a lower utility bill for customers (revised due to data availability)	<0	<0	<0
2. The difference between the distribution average system rate for Palo Alto customers and the average rate of other California municipal and investor-owned utilities will be equal to or less than zero. A figure less than zero indicates a lower utility bill for customers (revised due to data availability)	<0	<0	<0
3. Customer outages will be equal to or less than 60 minutes in duration as reported in the nationally recognized electric System Average Interruptible Duration Index (SAIDI) (SP-C2.1)	62.78 minutes/ cus/yr	<60 minutes/ cus/yr	<60 minutes/ cus/yr
4. The number of customer outages will be equal to or less than 3 per customer per year as reported in the nationally recognized System Average Interruption Frequency Index (SAIFI)	<3	<3	<3
Effectiveness:			
1. The customer satisfaction rating from an outside rating agency, measured against other California utilities will be equal to or greater than the state average. The scale is from one to ten with ten being the highest (SP-C1.1)	8.0	>8.0	>8.0%
2. The citizen survey rating for good or excellent electric services will be equal to or greater than the prior years rating (SEA)	>68%	>68%	>68%
3. Increase annual purchase of electricity from renewable fuel sources to meet Council-directed targets of (1) 7.7% renewable power by 2006 (2)10% renewable power by 2010 and (3) 20% renewable power by 2015 (New)	6.8%	7.7%	16.0%

Electric Fund *continued*

RESERVES ($000)	2007-08 PROJECTED BEGINNING BALANCE	2007-08 CHANGES	2007-08 PROJECTED ENDING BALANCE	2008-09 CHANGES	2008-09 PROJECTED ENDING BALANCE	2007-08 RESERVE GUIDELINE RANGE	2008-09 RESERVE GUIDELINE RANGE
Emergency Plant Replacement	$2,625	$432	$3,057	$343	$3,400	$7,139 (max.)	$7,139 (max.)
Distribution Rate Stabilization	8,023	(1,679)	6,344	3,772	10,116	6,640 -16,601	7,010 -17,525
Supply Rate Stabilization	55,382	(11,036)	44,346	(8,433)	35,913	29,273 - 58,546	31,207 - 62,413
Calaveras	71,810	(1,413)	70,397	(1,462)	68,935	70,345	68,879
Public Benefit	233		233		233		
Central Valley O&M	(2,692)		(2,692)		(2,692)		
Underground Loan	693		693		693		
TOTAL RESERVES	**$136,074**	**$(13,696)**	**$122,378**	**$(5,780)**	**$116,598**		

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES ($000)						
Increase net sales (Note 2)	5,249		5,249	9,397		9,397
Increase Palo Alto Green	179		179	88		88
Increase fiber optic revenue	889		889	75		75
Increase (Decrease) surplus energy revenue	3,531		3,531	(1,891)		(1,891)
Decrease (Increase) connection charges	(50)		(50)	50		50
Increase CIP reimbursements from customers				1,405		1,405
Increase other revenue		4	4			
Increase interest income	1,218		1,218			
Decrease Central Valley Project loan repayments (Note 3)	(466)		(466)	(449)		(449)
TOTAL REVENUE CHANGES	**$10,550**	**$4**	**$10,554**	**$8,675**	**$0**	**$8,675**
Adjustments (Note 1)		(1,035)	(1,035)		(4)	(4)
NET REVENUE CHANGES	**$10,550**	**$(1,031)**	**$9,519**	**$8,675**	**$(4)**	**$8,671**
EXPENDITURE CHANGES ($000)						
Salary and Benefits						
Add 1.0 FTE Underground Inspector-Lead	105		105			
Drop 1.0 FTE Electrician-Lead	(126)		(126)			
Add 0.33 FTE Meter Reader	27		27			
Drop 1.0 FTE Lineperson/Cable Splicer-Lead	(133)		(133)			
Salary Adjustments	(28)		(28)	153		153
Personnel Benefits Costs Increase (Decrease) (Note 4)	670		670	(2)		(2)
Total Salary and Benefits Changes	**$515**	**$0**	**$515**	**$151**	**$0**	**$151**
Non-Salary						
Increase general expense		4	4			
Increase joint debt service	174		174			
Decrease rent and leases	(82)		(82)			
Increase electric commodity (Note 5)	5,093		5,093	2,804		2,804
Increase energy risk management cost	24		24	1		1

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
Increase contract services for maintenance of AMR program	22		22			
Increase (Decrease) alternative resource programs to comply with state legislation SB1, SB1037, AB2021, and AB32	2,596		2,596	(209)		(209)
Increase rate of return transfer to General Fund	262		262	270		270
Allocated Charges Increase (Note 6)	955		955	58		58
Decrease capital improvement program (Note 7)	(1,105)		(1,105)	(1,558)		(1,558)
Increase legal				29		29
Decrease (Increase) public benefits program	(668)		(668)	256		256
Decrease Central Valley Project loan advances (Note 3)	(446)		(446)	(469)		(469)
Increase (Decrease) Operating transfer to Technology Fund	1,011		1,011	(574)		(574)
Increase operating transfer to General Fund	335		335			
Total Non-Salary Changes	**$8,171**	**$4**	**$8,175**	**$608**	**$0**	**$608**
TOTAL EXPENDITURE CHANGES	**$8,686**	**$4**	**$8,690**	**$759**	**$0**	**$759**
Adjustments (Note 1)		(574)	(574)		(4)	(4)
NET EXPENDITURE CHANGES	**$8,686**	**$(570)**	**$8,116**	**$759**	**$(4)**	**$755**

RESOURCE LEVEL NOTES

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

Note 2: Increase in net sales is due to a 5 percent rate increase in 2007-08 and a 10 percent rate increase in 2008-09.

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

Note 4: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

Note 5: Increase in electric commodity costs is due to increases in supply and transmission expenses.

Note 6: Increase in allocated charges is due to an increase in Utilities and General Fund administration charges.

Note 7: Projected CIP expenditures for the Electric Fund are $10.5 million in 2007-08 and $9.0 million in 2008-09.

Note 8: Includes $150,000 debt service for California Renewable Energy Bonds.

SERVICE LEVEL CHANGES

LEAP (Long-term Electric Acquisition Plan) is a planning methodology for managing the City's supply portfolio, beginning with Council-approved portfolio planning objectives and risk management policies. By clearly identifying and capturing supply needs and risks, staff will recommend long-term portfolio elements and short-term power purchases. During 2006-07, implementation of the LEAP initiatives will continue. LEAP initiatives include energy efficiency, ultra-clean small-scale distributed generation, renewable resource power, transmission upgrades, market-based contracts, and climate protection. Service level impacts include securing favorable energy supplies for CPAU customers through both short-term and long-term planning horizons. The average cost of electric supply is expected to be (as of January 2007) approximately 6.5 cents/kwh in 2007-08 and 6.9 cents/kwh in 2008-09. The commodity component of this supply cost (which excludes transmission and alternative energy programs) is 5.3 cents/kwh 2007-08 and 5.6 cents/kwh in 2008-09 compared to the market price of 7.0 cents/kwh in 2007-08 and 6.9 cents/kwh in 2008-09. Sales figures are based on the sale of 989 million kwh in 2007-08 and 993 million kwh in 2008-09 to our customers.

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

COMPREHENSIVE PLAN OVERVIEW

The 2007-09 Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

LAND USE AND COMMUNITY DESIGN

As in previous years, a significant portion of the Budget is designated for the undergrounding of utility distribution lines. Benefits of undergrounding include system improvement, higher reliability, reduced tree trimming costs, and improved aesthetics. During 2007-09, the focus will be on completing construction for Underground Conversion Districts Number 41, starting the design for District 42, and the rebuilding of District 17 in the Downtown area. The Utility is continuing to use construction practices that minimize the impacts on tree roots and planting areas. The Utilities Department is continuing discussions with manufacturers on possible visual design enhancements for transformers and switches with current specifications calling for smaller sizes. In addition, the Department is consulting with the City's design consultant on above-ground equipment placement to minimize visual impact.

TRANSPORTATION

Since 2003-04, the Electric Utility continues to assume the full cost of operating and maintaining the City's traffic signals. Staff and funds are dedicated to this purpose.

HOUSING

As part of the Electric and Gas Utilities "Public Benefits Plans," this ongoing program provides 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. Funds are included in the Capital budget for the relocation of the Alma

substation to allow for eventual additional housing in Palo Alto.

NATURAL ENVIRONMENT

CPAU is pursuing adequate low-cost supplies by participating in cost-effective programs offered by Western Area Power Administration and other suppliers and marketers of energy (N-9, N-44, N-46). Staff purchases low cost supplies through Western and other sources. Council approved long-term electric acquisition plan (LEAP) guidelines in October 2002 and the LEAP implementation plan in 2003. LEAP establishes a robust diversified portfolio approach to filling the electricity needs for Palo Alto, including an aggressive renewable portfolio standard. Council has so far approved contracts for electricity generated from wind and landfill gas projected to meet 20 percent of the City's supply needs. Implementation will continue in the coming years. New legislation, regulations, and policies affecting electric energy procurement have been enacted since 2003. Numerous new rules and goals are now in place in arenas that include climate change and greenhouse gases, energy efficiency, renewable energy, market design, transmission planning, solar energy, risk management, and retail rate design. Legislation at the state level is exhibiting an ever-increasing encroachment on local control of publicly-owned utilities, with associated increases in compliance and reporting costs. LEAP objectives and guidelines were updated in the Spring of 2007 aimed at placing greater emphasis on environmental stewardship, ensuring compliance with new regulations, and bringing the objectives more into line with approved implementation plans. A new objective #4 was added highlighting the importance of local control by City Council in utility matters. New legislation that affect electric energy procurement include: SB 1037 (2005) - Loading Order, AB 2021 (2006) - Energy Efficiency, SB 1 (2006) - Million Solar Roofs, AB 32 (2006) -Global Warming Solutions Act, SB1368 (2006) - Greenhouse gas limits on long-term electricity baseload contracts, SB107 (2006) - Accelerated Renewable Portfolio Standards, and the Federal Energy Policy Act of 2005. Since 2001-02, staff has maintained a supply cost advantage in the supply portfolio. Successful execution of the implementation plan within the framework of the LEAP Objectives and Guidelines has greatly transformed the electric supply portfolio make-up and portfolio management strategies. In Spring of 2007 staff recommended increasing the new renewable resource target share of the portfolio to 30 percent by 2012 and 33 percent by 2015, but not increasing the overall rate impact cap of 0.5 ¢/kWh. The City would pursue these targets by either jointly investing in new projects or encouraging outside investments by contracting from proposed or existing renewable energy generation plants.

PaloAltoGreen (PAG) has achieved the number one ranking among all green power program in the country by participation percentage. At present now over 16 percent of customers subscribe to PaloAltoGreen, and the recent addition of the City of Palo Alto as a customer of the program led to the City becoming the fourth city in the nation to achieve the US EPA's Green Power Community milestone.

To maintain service reliability, funds are included for line-clearing of trees around utility lines. Funds are included to expand the implementation of the Utility "A Right Tree in the Right Place" program to target areas of high maintenance and high reliability to reduce line-clearing costs and improve reliability (N-14). 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 are in balance with other rate-making objectives, such as providing competitive rates. Rates are set to achieve a balance between actual service costs, market prices, and the goal of promoting conservation and efficient use, and will continue to provide a baseline service rate.

The Electric Fund Public Benefits program continues to provide direct incentives to Palo Alto residents, businesses, and institutional customers such as schools and City facilities to use energy wisely. Since June 1999, programs have been marketed and progressively implemented (N-63). Public education addressing energy conservation continues through the use of bill inserts, customer contacts, and other sources of information. Since the passage of AB1890 and the institution of a Public Benefits charge on all customer bills, staff is monitoring and evaluating cost-effective ways to fund investments in alternative energy sources. The Utility has an ongoing photovoltaic program that provides residents with incentives as well as cost/benefit information on this alternative fuel source (N-67, N-48).

By 2007-08, the Utilities plan to complete the final phase of the pilot program for the Automated Meter Reading (AMR) project. AMR obtains meter reads by the use of various technologies and eliminates vehicle trips by meter readers, making it less expensive to initiate or terminate service, particularly during peak periods when large numbers of students are moving in or out of the area. 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 (C-12).

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 and improving reliability. Specific projects will address the continuing need for accelerated maintenance and replacement of deteriorated overhead facilities and rebuilding underground facilities that are near the end of their useful life. The utility will continue to respond to ongoing new customer service connection requests.

BUSINESS AND ECONOMICS

The fiber optic cable network has been installed in all the areas planned in the original proposal. Completion of work at splicing points is being done as required to provide service to customers. System enhancements and extensions are incrementally added based on customer demand for services. In 2008, staff will enhance marketing efforts for the Fiber Optic services. In the fall of 2006, new rate structures were developed for customers to further the financial viability of the enterprise.

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,333,667	1,409,001	1,315,944	1,334,359
Contract Services	76,601	154,300	154,300	154,300
Supplies and Materials	139,509	152,000	152,000	152,000
Facilities and Equipment Purchases	1,065	34,000	34,000	34,000
General Expense	4,010	9,800	9,800	9,800
Rents and Leases	0	4,900	4,900	4,900
Allocated Charges	143,074	136,820	148,500	144,560
Capital Improvement Program	403,755	140,825	54,999	60,000
Total Expenditures	**$2,101,681**	**$2,041,646**	**$1,874,443**	**$1,893,919**
Total Revenues	**$214,283**	**$0**	**$0**	**$0**
Total Full Time Positions	15.28	11.44	11.27	11.27
Total Temporary Positions	0.00	0.00	0.00	0.00

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,490,188	1,667,473	1,427,299	1,440,281
Contract Services	19,529	55,200	66,500	66,500
Supplies and Materials	30,077	49,290	38,320	38,320
Facilities and Equipment Purchases	75	7,780	1,280	1,280
General Expense	32,359	41,310	51,880	51,880
Rents and Leases	0	420	420	420
Allocated Charges	133,133	95,670	122,245	124,684
Operating Transfers Out	0	340,000	0	0
Total Expenditures	**$1,705,361**	**$2,257,143**	**$1,707,944**	**$1,723,365**
Total Revenues	**$55,520**	**$63,520**	**$63,520**	**$63,520**
Total Full Time Positions	13.55	13.52	10.92	10.92
Total Temporary Positions	0.74	1.28	1.28	1.28

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	4,755,491	5,041,283	5,662,022	5,727,524
Contract Services	909,653	1,875,617	1,871,576	1,871,576
Supplies and Materials	421,405	487,684	495,732	495,732
Facilities and Equipment Purchases	150	66,500	73,000	73,000
General Expense	28,365	46,719	52,771	48,771
Rents and Leases	215,873	291,100	273,500	273,500
Allocated Charges	734,303	743,136	1,093,015	1,111,131
Capital Improvement Program	6,959,398	10,947,104	10,129,999	8,654,998
Total Expenditures	**$14,024,638**	**$19,499,143**	**$19,651,615**	**$18,256,232**
Total Revenues	**$1,223,843**	**$2,480,572**	**$1,399,572**	**$2,850,572**
Total Full Time Positions	69.10	71.52	73.06	73.06
Total Temporary Positions	1.57	0.48	0.48	0.48

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	561,025	545,529	186,455	187,316
Contract Services	64,166	152,800	114,800	114,800
Supplies and Materials	36,429	11,000	18,000	18,000
General Expense	719	19,000	19,000	19,000
Rents and Leases	38,257	42,400	1,000	1,000
Allocated Charges	7,931	7,310	7,942	8,102
Capital Improvement Program	120,451	300,000	350,001	300,000
Total Expenditures	**$828,978**	**$1,078,039**	**$697,198**	**$648,218**
Total Revenues	**$1,611,783**	**$1,531,656**	**$2,420,956**	**$2,496,022**
Total Full Time Positions	4.89	3.11	1.68	1.68
Total Temporary Positions	0.00	0.00	0.00	0.00

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	604,088	603,317	570,969	578,518
Contract Services	226,650	601,267	601,267	598,267
Supplies and Materials	7,741	30,100	27,100	27,100
General Expense	969,532	1,824,684	1,159,218	1,415,577
Allocated Charges	5,504	13,043	11,447	11,540
Operating Transfers Out	1,077,750	332,250	0	0
Total Expenditures	**$2,891,265**	**$3,404,661**	**$2,370,001**	**$2,631,002**
Total Revenues	**$2,298,293**	**$2,375,000**	**$2,520,000**	**$2,781,000**
Total Full Time Positions	4.96	5.06	4.56	4.56
Total Temporary Positions	0.48	0.73	0.58	0.58

RESOURCE MANAGEMENT

Preserve a supply cost advantage compared to the market price and

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Utility Purchases and Charges	55,643,381	62,864,431	67,510,771	69,846,061
Salaries and Benefits	1,315,845	1,225,568	1,248,013	1,255,567
Contract Services	127,479	357,400	1,165,700	872,500
Supplies and Materials	27,666	30,000	67,800	67,800
Facilities and Equipment Purchases	1,478	4,000	4,000	4,000
General Expense	43,162	92,600	2,002,000	2,196,000
Allocated Charges	6,240	326,269	7,769	7,085
Capital Improvement Program	36,199	0	0	0
Total Expenditures	**$57,201,450**	**$64,900,268**	**$72,006,053**	**$74,249,013**
Total Revenues	**$8,348,509**	**$6,000,000**	**$6,266,661**	**$5,905,708**
Total Full Time Positions	7.70	7.10	7.10	7.10
Total Temporary Positions	0.50	0.45	0.29	0.29

CITY OF PALO ALTO
UTILITIES

Gas Fund

Gas Fund

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

OVERVIEW

In 2007-09, the City of Palo Alto's (CPAU) Gas Utility plans to focus on: a) increasing infrastructure reliability; b) mitigating sharp, upward swings in natural gas rates resulting from spikes in the wholesale supply market; c) the marketing of energy efficiency programs; and d) maintaining an excellent safety record.

Infrastructure Reliability

Capital projects planned in 2007-08 include: the design phase of Gas Main Replacement Project 18; the construction phase of Gas Main Replacement Project 17 to replace leaking, inadequately sized, and structurally deficient Acrylonitrile-Butadiene-Styrene (ABS) gas mains and services; ongoing system improvements and upgrades; and installation of services and meters for new customers.

Supply

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

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

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

Marketing and Customer Service

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

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

Rates

For the Gas Utility, a 9.5 percent rate increase is planned for 2007-08 and a 9.1 percent increase is planned for 2008-09.

Since 2003-04, the non-variable, fixed charges for distribution expenses have been fully allocated among all customer classes on a volumetric basis (spread across projected annual sales volumes). When sales revenues do not meet projections, under-collection for distribution expenses occurs resulting in rate increases in subsequent years. In addition, very low-volume users are not adequately reimbursing the utility for their share of the distribution cost of service and are subsidized by other system users.

In order to minimize this effect and help stabilize rates, the Gas Utility (as well as Water and Electric Utilities) will institute a monthly "Customer Charge" on all utility bills. This nominal amount will be comprised of a portion of fixed costs for meter reading, customer service, and other distribution-related expenses.

Reserves

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

In 2007, Council approved recommendations to change certain utilities reserve guidelines and reflect risk assessments in the target guidelines for the Electric and the Gas Supply Rate Stabilization Reserves (SRSRs). The target level for the Gas SRSRs for 2007-08 is based on a risk assessment for this specific year. Given the uncertainty of future trends, the same risk level including a 3 percent escalation factor, is used in the proposed revenue requirement for 2008-09. During 2007-08, an updated risk assessment will be prepared for 2008-09. The target level for the Gas Distribution Rate Stabilization reserves (DRSRs) is based on a risk assessment that includes potential revenue shortfalls from declining sales and requirements for Capital Improvement Programs.

The present natural gas supply reserve guideline is to maintain reserves within Council directed guidelines. In 2007-08, the Gas Supply RSR guideline range is projected to be $9.1 million to $19.6 million. In 2008-09, the Gas Supply RSR guideline range is projected to be $9.6 million to $20.5 million.

With a gas rate increase of 9.5 percent planned in 2007-08, the Budget results in a total reserve balance of approximately $8.4 million. The Gas Supply RSR ending balance is projected to be $4.1 million, which is below the minimum guideline of $9.1 million. The ending Distribution RSR is projected to be $2.1 million, which is below the minimum guideline of $4.0 million.

With a gas rate increase of 9.1 percent planned in 2008-09, the Budget results in a total reserve balance of approximately $11.4 million. The Gas Supply RSR ending balance is projected to end at $6.1 million, which is below the minimum guideline of $9.6 million. The ending Distribution RSR is projected to be $2.8 million, which is below the minimum guideline of $4.0 million.

Staff believes that the projected Gas SRSR balance is sufficient to meet the risk assessment requirement for 2007-08, but future supply-related rate increases may be necessary if changes occur in the wholesale gas market. Withdrawals of Gas DRSR funds have taken place over the last several years to mitigate the increase in customer Supply costs and additional expenses such as allocated Workers' Compensation and retiree medical liabilities. However, staff will continue to evaluate the DRSR balance on an ongoing basis.

PROGRAM UPDATE

Gas Utility Long-term Plan (GULP) is a planning methodology to manage the City's supply portfolio, beginning with Council-approved portfolio planning objectives and risk management policies. By clearly identifying and capturing supply needs and risks, staff will continue to purchase gas in a 3-year laddering strategy with creditworthy suppliers. The average cost of gas supply is expected to be (as of January 2007) approximately $8.3 per MMBtu in 2007-08 and $8.7 per MMBtu in 2008-09. The commodity component of this supply cost (which excludes local transportation, operations and alternative energy programs) is $8.0 per MMBtu in 2007-08 and $8.4 per MMBtu in 2008-09 compared to the market price of $8.1 per MMBtu in both years. The sales figures are based on the sale of 30.942 million therms

in both 2007-08 and 2008-09.

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

COUNCIL PRIORITY IMPLEMENTATION

Global Climate Protection

The City completed its first California Climate Action Registry greenhouse gas inventory and certification in 2006, earning the designation of "Climate Action Leader." Estimated community-wide CO2 emissions from CPAU-provided electricity in 2005 were 165,612 metric tons, of which 6,499 (4%) is attributable to City government operations: 6370 tons (4%) are from natural gas end-use by City government stationary facilities, and 129 tons (0.1%) are from natural gas use as vehicle fuel.

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

Consistent with the recommendations of the Green Ribbon Task Force, all of the Gas Fund's energy and demand-side management programs and incentives contribute to the Council's Top Four Priority of Climate Protection. Since the City is also a top customer for these programs, the Utilities energy efficiency programs contribute as well to Council priority for Sustainable Budget, since City facilities and Parks costs are lowered. New in 2007-08, and continuing into 2008-09, will be the funding for Supply-funded incentives and analysis as a result of recent state legislation. This supply funding is in addition to the already funded Public Benefits Programs. Funding for the Public Benefits programs is based on 1 percent of revenue sales.

In the Gas Fund, under the Council Priority relating to global climate protection, there are programs for both residential and commercial customers.

For 2007-08 and 2008-09 Residential programs include:

- Smart Energy Program, the Residential Rebate Program
- Residential Energy Assistance Programs, low income efficiency and installation
- Twilight Concert series sponsorship to promote residential programs
- PAUSD Grant Program, $50,000 grant for efficiency education
- New Construction Programs, "Build it Green" to start in the Spring of 2008
- PLUG-IN (Cogeneration)
- Retro-Commissioning Training for City Facilities Staff

For 2007-08 and 2008-09 Commercial programs include:

- Commercial Advantage Program (Commercial Prescriptive Rebate Program)
- Consultant Assistance for Resource Efficiency (Commercial Energy Audits)
- Meter Links to show the customer's prior-day load profile

Gas Fund *continued*

- Institutional Programs to pursue energy and water audits all reasonable facilities, This also qualifies for the Council Priority #4, Sustainable Budget, as the City Facilities are audited to utility bills
- Efficiency Bidding

Library Plan/Public Safety Building

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

FUND SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Net Sales	36,433,200	40,650,000	46,147,000	5,497,000	14%	50,589,000	4,442,000	10%
Interest Income	186,820	450,300	645,800	195,500	43%	645,800	0	0%
Other Income	544,378	653,180	670,180	17,000	3%	687,180	17,000	3%
TOTAL FUND REVENUES	$37,164,398	$41,753,480	$47,462,980	$5,709,500	14%	$51,921,980	$4,459,000	9%
Administration	1,764,657	2,304,954	3,001,592	696,638	30%	2,997,368	(4,224)	0%
Resource Management								
Purchases	21,349,620	22,345,909	26,079,362	3,733,453	17%	27,289,510	1,210,148	5%
Operations	736,929	871,037	1,253,587	382,550	44%	1,204,339	(49,248)	(4%)
Customer Marketing and Financial Services	1,227,274	1,423,858	1,162,453	(261,405)	(18%)	1,175,601	13,148	1%
Distribution System								
Systems Improvement(CIP)	3,028,646	6,252,078	6,365,000	112,922	2%	6,585,000	220,000	3%
Customer Design and Connection Services(CIP)	515,431	572,007	580,000	7,993	1%	597,000	17,000	3%
Operations	2,576,829	3,050,319	3,638,248	587,929	19%	3,672,368	34,120	1%
Public Benefits	95,719	407,908	462,929	55,021	13%	507,360	44,431	10%
Debt Service	558,316	946,558	948,263	1,705	0%	948,517	254	0%
Equity Transfer	2,869,204	2,955,280	3,043,938	88,658	3%	3,135,257	91,319	3%
Rent	142,845	147,752	161,492	13,740	9%	161,492	0	0%
Operating Transfers Out	1,423,855	324,379	917,700	593,321	183%	647,820	(269,880)	(29%)
TOTAL FUND EXPENDITURES	$36,289,325	$41,602,039	$47,614,564	$6,012,525	14%	$48,921,632	$1,307,068	3%
TO/FROM RESERVES	$875,073	$151,441	$(151,584)	$(303,025)		$3,000,348	$3,151,932	

Gas Fund *continued*

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Utility Purchases and Charges	21,429,620	22,405,909	26,139,362	27,349,510
Salaries and Benefits	3,121,228	3,497,455	3,939,763	3,978,299
Contract Services	(330,690)	649,145	905,180	790,680
Supplies and Materials	324,841	456,120	477,120	477,120
Facilities and Equipment Purchases	13,149	42,490	38,090	37,590
General Expense	85,503	309,243	539,033	645,780
Rents and Leases	236,817	247,662	258,402	258,402
Allocated Charges	3,013,405	2,943,713	3,462,713	3,470,657
Debt Service	558,316	946,558	948,263	948,517
Equity Transfer	2,869,204	2,955,280	3,043,938	3,135,257
Capital Improvement Program	3,544,077	6,824,085	6,945,000	7,182,000
Operating Transfers Out	1,423,855	324,379	917,700	647,820
Total Expenditures	**$36,289,325**	**$41,602,039**	**$47,614,564**	**$48,921,632**
Total Full Time Positions	45.11	46.28	46.51	46.51
Total Temporary Positions	2.15	1.58	1.43	1.43

Gas Fund *continued*

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Percent of class one gas leaks repaired within Department of Transportation (DOT) Timelines	100%	100%	100%
2. Percent of total miles of pipeline replaced annually (SEA- 2.8%)	2.8%	5.7%	2.8%
3. Average purchase cost (per therm)	$0.62	$0.80	$0.70
4. The revenue bond credit rating is AA-. (SP-F2.1)	AA-	>AA-	AA-
Efficiency:			
1. The difference between the commodity average system rate for Palo Alto customers and the average rate of other California municipal and investor-owned utilities will be equal to or less than zero. A figure less than zero indicates a lower utility bill for customers. (revised due to data availability)	(0.39)	<0	<0
2. The difference between the distribution average system rate for Palo Alto customers and the average rate of other California municipal and investor-owned utilities, will be equal to or less than zero. A figure less than zero indicates a lower utility bill for customers. (revised due to data availability)	(0.16)	<0	<0
Effectiveness:			
1. The customer satisfaction rating from an outside rating agency, measured against other California utilities will be equal to or greater than the state average. The scale is from one to ten with ten being the highest. (SP-C1.1)	7.7%	>8.0	>8%
2. The citizen survey rating for good or excellent gas services will be equal to or greater than the prior years rating. (SEA)	>68%	>68%	<88%

RESERVES ($000)	2007-08 PROJECTED BEGINNING BALANCE	2007-08 CHANGES	2007-08 PROJECTED ENDING BALANCE	2008-09 CHANGES	2008-09 PROJECTED ENDING BALANCE	2007-08 RESERVE GUIDELINE RANGE	2008-09 RESERVE GUIDELINE RANGE
Emergency Plant Replacement	$1,010	$318	$1,328	$329	$1,657	$3,060 (max.)	$3,060 (max.)
Distribution Rate Stabilization	1,447	608	2,055	673	2,728	4,001 - 10,002	4,042- 10,105
Supply Rate Stabilization	5,157	(1,078)	4,079	1,998	6,077	9,149 - 19,604	9,573- 20,513
Debt Service Reserve	952		952		952		
TOTAL RESERVES	**$8,566**	**$(152)**	**$8,414**	**$3,000**	**$11,414**		

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES ($000)						
Increase net sales (Note 2)	5,497		5,497	4,442		4,442
Increase interest income	196		196			
Increase connection charges	17		17	17		17
TOTAL REVENUE CHANGES	**$5,710**	**$0**	**$5,710**	**$4,459**	**$0**	**$4,459**
EXPENDITURE CHANGES ($000)						
Salary and Benefits						
Add 0.34 FTE Meter Reader (Note 3)	27		27			
Add 0.34 FTE Project Manager	43		43			
Drop 0.34 FTE Supervisor Utility Construction/Inspection	(43)		(43)			
Reclassify 0.65 FTE Installer/Repairer in Water Fund to Installer/Repairer-Lead in Wastewater Collection Fund	(64)		(64)			
Reclassify 0.32 FTE from Truck Driver to Installer/Repairer	38		38			
Reclassify 1.30 FTE Installer/Repairer to Installer/Repairer-Welding	5		5			
Reclassify 0.50 FTE Maintenance Mechanic to Maintenance Mechanic Welding	2		2			
Salary Adjustments	205		205	60		60
Personnel Benefits Costs Increase (Note 4)	344		344	1		1
Total Salary and Benefits Changes	**$557**	**$0**	**$557**	**$61**	**$0**	**$61**
Non-Salary						
Increase (Decrease) contract services to meet energy efficiency objectives as required by AB2021	271		271	(115)		(115)
Increase supply-funded energy efficiency incentives as required by AB2021	153		153			
Increase contract services for maintenance of AMR program	22		22			
Increase training and safety	8		8			
Increase travel and meetings	13		13			
Decrease legal	(15)		(15)			

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
Increase demand-side management incentives	51		51	107		107
Increase rents and leases	11		11			
Increase rate of return transfer to General Fund	89		89	91		91
Increase gas commodity	3,733		3,733	1,210		1,210
Increase capital improvement program	7		7	215		215
Increase operating transfer to Technology Fund	186	212	398			
Increase operating transfer to Water Fund		23	23			
Increase operating transfer to Vehicle Replacement and Maintenance Fund		35	35			
Increase operating transfer to General Fund	137		137			
Allocated Charges Increase (Note 5)	520		520	8		8
Total Non-Salary Changes	**$5,186**	**$270**	**$5,456**	**$1,516**	**$0**	**$1,516**
TOTAL EXPENDITURE CHANGES	**$5,743**	**$270**	**$6,013**	**$1,577**	**$0**	**$1,577**
Adjustments (Note 1)					(270)	(270)
NET EXPENDITURE CHANGES	**$5,743**	**$270**	**$6,013**	**$1,577**	**$(270)**	**$1,307**

RESOURCE LEVEL NOTES

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

Note 2: Increase in net sales is due to a 9.5 percent rate increase in 2007-08 and a 9.1 percent rate increase in 2008-09.

Note 3: Offset by drop of Lineperson/Cable Splicer-Lead in the Electric Fund.

Note 4: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

Note 5: Increase in allocated charges is due to an increase in Utilities and General Fund administration charges.

SERVICE LEVEL CHANGES

The Operations Division has reviewed the cost-effectiveness of providing 24/7 customer support by the Field Service staff due to very high "per-call" costs for the few calls that are currently received late in the evening or early morning hours, primarily between 9 p.m. and 6:30 a.m. Based on actual use of services, Utilities Management has changed the in-service house for the Field Service staff to 6:30 a.m. to 9:00 p.m. Monday thru Friday, and 8 a.m. to 6:00 p.m. Saturdays, Sundays, and holidays. Calls received after normal working hours are handled by the same Field Service Staff responding from an on-call status. Current response time for calls received after normal working hours is 28 minutes. This schedule will be subject to change depending upon customer demand, business needs, and available

staffing.

COMPREHENSIVE PLAN OVERVIEW

The 2007-09 Gas Fund Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

LAND USE AND COMMUNITY DESIGN

Changes in land use, the development of unimproved properties, and the redevelopment of existing sites require the Gas Utility to adapt to meet the needs of the customers. While new customer growth remains stable, requests for new and augmented gas service to customers continues. Funds are included in the CIP Budget for the ongoing replacement of leaking, inadequately sized, and structurally deficient Acrylonitrile-Styrene (ABS) gas mains and services as a first priority. By researching the maintenance and leak histories of the mains in the gas distribution system, staff identifies mains and services with these problems.

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 in balance with other rate-making objectives, such as providing competitive rates. Rates are set to achieve a balance between actual service costs, market prices, and the goal of promoting conservation and efficient use. CPAU will continue to provide an inverted (progressive) 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 Utilities programs and services (N-9, N-44, N-48, N-67). Residential customers will continue to be informed of the cost benefits of additional insulation, new generations of appliances, and efficient space and water heating technologies. Commercial customers will have access to specialized consulting services, while residential customers will see the launch of a new on-line energy survey tool to assist them in identifying additional efficiency opportunities. In August 2003, Council approved Gas Utility Long-term Plan (GULP) objectives and guidelines, which address purchasing strategies and energy efficiency investments. Twice a year, staff provides regular updates to Council updates regarding the GULP recommendations. This work includes evaluating comprehensive energy efficiency programs.

By 2007-08, Utilities plans to complete the final phase of the pilot program for the Automated Meter Reading (AMR) project. AMR obtains meter reads by the use of various technologies and eliminates vehicle trips by meter readers and makes it less expensive to initiate or terminate service, particularly during peak periods when large numbers of students are moving in or out of the area. Reducing meter reading vehicular traffic favorably impacts air quality and transportation congestion (N-45). The AMR project will target high-turnover, difficult-to-access, high-security installations.

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. Over $5 million are included in the Capital budget in 2007-08 for Project 17 and in 2008-09 for Project 18 for this purpose.

BUSINESS AND ECONOMICS

In August, 2003, Council approved Gas Utility Long-term Plan (GULP) objectives and guidelines, which address purchasing strategies and energy efficiency investments. Staff has developed risk management policies, guidelines, and procedures, and in conjunction with the Energy Risk Manager in the Administrative Services Department, 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 between different credit-worthy suppliers, allowing for effective cost averaging, and mitigating price volatility for both residential and commercial customers.

Commercial customers also have the option of "locking-in" natural gas supplies for fixed prices during 12 or 24 month fixed terms. This allows price certainty for customer budgeting purposes.

CUSTOMER MARKETING AND FINANCIAL SERVICES

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,135,263	1,225,337	969,704	981,144
Contract Services	11,251	63,900	61,400	61,400
Supplies and Materials	5,078	21,620	21,420	21,420
Facilities and Equipment Purchases	414	10,290	4,340	4,340
General Expense	11,313	17,200	16,800	16,800
Rents and Leases	0	210	210	210
Allocated Charges	63,955	85,301	88,579	90,287
Total Expenditures	**$1,227,274**	**$1,423,858**	**$1,162,453**	**$1,175,601**
Total Revenues	**$62,080**	**$62,080**	**$62,080**	**$62,080**
Total Full Time Positions	10.98	11.01	8.43	8.43
Total Temporary Positions	0.28	0.33	0.33	0.33

DISTRIBUTION SYSTEM

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,583,058	1,748,358	2,302,026	2,325,701
Contract Services	49,454	158,800	189,900	190,400
Supplies and Materials	318,171	423,500	429,700	429,700
Facilities and Equipment Purchases	12,735	27,200	28,750	28,250
General Expense	9,927	29,850	43,250	43,250
Rents and Leases	93,972	99,700	96,700	96,700
Allocated Charges	509,512	562,911	547,922	558,367
Capital Improvement Program	3,544,077	6,824,085	6,945,000	7,182,000
Total Expenditures	**$6,120,906**	**$9,874,404**	**$10,583,248**	**$10,854,368**
Total Revenues	**$455,808**	**$608,000**	**$635,000**	**$652,000**
Total Full Time Positions	30.79	32.23	35.04	35.04
Total Temporary Positions	1.77	1.25	1.10	1.10

PUBLIC BENEFIT PROGRAMS

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	44,906	46,040	50,625	51,169
Contract Services	8,362	135,000	135,000	135,000
Supplies and Materials	0	4,500	4,500	4,500
General Expense	42,301	219,793	271,683	315,557
Allocated Charges	150	2,575	1,121	1,134
Total Expenditures	**$95,719**	**$407,908**	**$462,929**	**$507,360**
Total Revenues	**$150**	**$0**	**$0**	**$0**
Total Full Time Positions	0.34	0.44	0.44	0.44
Total Temporary Positions	0.00	0.00	0.00	0.00

RESOURCE MANAGEMENT

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Utility Purchases and Charges	21,429,620	22,405,909	26,139,362	27,349,510
Salaries and Benefits	501,761	470,692	445,802	448,679
Contract Services	131,529	286,445	513,880	398,880
Supplies and Materials	1,592	6,500	21,500	21,500
Facilities and Equipment Purchases	0	5,000	5,000	5,000
General Expense	21,962	42,400	207,300	270,173
Allocated Charges	85	0	105	107
Total Expenditures	**$22,086,549**	**$23,216,946**	**$27,332,949**	**$28,493,849**
Total Revenues	**$0**	**$0**	**$0**	**$0**
Total Full Time Positions	3.00	2.60	2.60	2.60
Total Temporary Positions	0.10	0.00	0.00	0.00

CITY OF PALO ALTO
UTILITIES

Wastewater Collection Fund

Wastewater Collection Fund

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

OVERVIEW

In 2007-09, the CPAU's Wastewater Collection Utility plans to focus on: a) maintaining infrastructure reliability; b) identifying problems in mains and service laterals through expanded use of video technology; and c) maintaining an excellent safety record.

Consistent with the department-wide goal of focusing on reliability, staff will continue the design and construction stages of several major capital improvement projects (CIP) based on the 1989 Wastewater Collection System Master Plan. The 1989 Master Plan targeted top priority work in its CIP recommendations. Over the past 18 years most of the top priority CIP work has been completed. In 2007-08, staff will continue overlapping the design and construction elements of rehabilitation and augmentation projects. Specifically, construction will begin for Project 20, and design will begin for Project 21. Since current technology allows for the dynamic modeling of collection systems, an updated master plan and model will be used to provide engineering staff with data for planning future CIP projects. This higher quality dynamic analysis may reduce the need for future CIP expenditures.

A contract to provide services to customers with sewer blockages will continue in 2007-09. This program has resulted in better customer service and reduced overtime. Success of this program will be thoroughly evaluated using a survey of customers served by the contractor.

Rates

For the Wastewater Collection Utility, no revenue change is proposed for either 2007-08 or 2008-09.

Reserves

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

With no rate increase planned in 2007-08, the Budget results in a total reserve balance of approximately $5.5 million. In 2007-08, the Rate Stabilization Reserve (RSR) ending balance is projected to be approximately $4.6 million, which is above the minimum guideline level of $2.7 million.

In 2008-09, the Rate Stabilization Reserve (RSR) ending balance is projected to be approximately $4.7 million, which is above the minimum guideline level of $2.7 million.

Wastewater Collection Fund *continued*

FUND SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Net Sales	13,281,378	13,678,652	13,705,652	27,000	0%	13,705,652	0	0%
Interest Income	270,775	585,600	600,800	15,200	3%	600,800	0	0%
Other Income	557,222	1,036,200	1,137,200	101,000	10%	1,148,200	11,000	1%
TOTAL FUND REVENUES	$14,109,375	$15,300,452	$15,443,652	$143,200	1%	$15,454,652	$11,000	0%
Administration	1,604,986	1,193,990	1,444,608	250,618	21%	1,446,086	1,478	0%
Customer Marketing and Financial Services	419,213	286,362	211,256	(75,106)	(26%)	213,531	2,275	1%
Collection System								
Treatment Plant Charges	6,364,557	6,917,347	7,100,522	183,175	3%	7,100,522	0	0%
Systems Improvement(CIP)	2,400,695	4,009,208	3,065,000	(944,208)	(24%)	3,270,001	205,001	7%
Customer Design & Connection(CIP)	214,236	370,922	378,000	7,078	2%	389,000	11,000	3%
Operations	1,510,640	2,044,056	2,302,006	257,950	13%	2,325,971	23,965	1%
Debt Service	77,159	128,645	127,864	(781)	(1%)	128,534	670	1%
Rent	75,182	77,955	85,633	7,678	10%	85,633	0	0%
Operating Transfers Out	501,230	135,126	267,554	132,428	98%	178,139	(89,415)	(33%)
TOTAL FUND EXPENDITURES	$13,167,898	$15,163,611	$14,982,443	$(181,168)	(1%)	$15,137,417	$154,974	1%
TO/FROM RESERVES	$941,477	$136,841	$461,209	$324,368		$317,235	$(143,974)	

Wastewater Collection Fund *continued*

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Utility Purchases and Charges	6,364,557	6,917,347	7,100,522	7,100,522
Salaries and Benefits	1,530,479	1,371,098	1,562,537	1,586,394
Contract Services	215,800	333,100	326,800	326,800
Supplies and Materials	110,324	145,010	146,010	146,010
Facilities and Equipment Purchases	0	11,150	11,150	11,150
General Expense	36,386	46,000	51,300	51,300
Rents and Leases	139,769	143,255	181,933	181,933
Allocated Charges	1,577,263	1,552,750	1,763,773	1,767,634
Debt Service	77,159	128,645	127,864	128,534
Capital Improvement Program	2,614,931	4,380,130	3,443,000	3,659,001
Operating Transfers Out	501,230	135,126	267,554	178,139
Total Expenditures	**$13,167,898**	**$15,163,611**	**$14,982,443**	**$15,137,417**
Total Full Time Positions	22.11	25.01	25.07	25.07
Total Temporary Positions	0.97	0.48	0.33	0.33

Wastewater Collection Fund *continued*

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of miles of sewer lines cleaned/treated annually (SEA)	89	>115	101
Efficiency:			
1. Responses to notification of reportable incidents of sewer overflow will be within 2 hours for 95 percent of the time.	95%	95%	95%
Effectiveness:			
1. A satisfaction survey regarding the response to wastewater backups will have a 75 percent approval rating for the contractor.	75%	75%	75%
2. The citizen survey rating the quality of sewer services either good or excellent will be equal to or greater than the prior years' rating. (SEA)	82%	>82%	82%

RESERVES ($000)	2007-08 PROJECTED BEGINNING BALANCE	2007-08 CHANGES	2007-08 PROJECTED ENDING BALANCE	2008-09 CHANGES	2008-09 PROJECTED ENDING BALANCE	2007-08 RESERVE GUIDELINE RANGE	2008-09 RESERVE GUIDELINE RANGE
Emergency Plant Replacement	$666	$215	$881	$229	$1,110	$2,632 (max.)	$2,632 (max.)
Rate Stabilization	4,329	246	4,575	88	4,663	2,737 -6,844	2,737 -6,844
TOTAL RESERVES	**$4,995**	**$461**	**$5,456**	**$317**	**$5,773**		

Wastewater Collection Fund *continued*

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES ($000)						
Increase net sales	27		27			
Increase interest income	15		15			
Increase other income (Note 1)	101		101	11		11
TOTAL REVENUE CHANGES	**$143**	**$0**	**$143**	**$11**	**$0**	**$11**
EXPENDITURE CHANGES ($000)						
Salary and Benefits						
Add 0.33 FTE Project Manager	43		43			
Drop 0.33 FTE Supervisor Utility Construction/Inspection	(43)		(43)			
Reclassify 1.0 FTE Installer/Repairer to Installer/Repairer-Lead (Note 2)	105		105			
Drop 0.34 FTE Truck Driver (Note 3)	(26)		(26)			
Reclassify 2.0 FTE Installer/Repairer to Installer/Repairer-Welding	8		8			
Reclassify 1.0 FTE Installer/Repairer-Lead to Installer/Repairer-Lead-Welding	4		4			
Salary Adjustments	115		115	32		32
Personnel Benefits Costs Incr. (Note 4)	123		123	19		19
Total Salary and Benefits Changes	**$329**	**$0**	**$329**	**$51**	**$0**	**$51**
Non-Salary						
Increase treatment plant charges	183		183			
Decrease (Increase) debt service	(1)		(1)	1		1
Increase rent and leases	39		39			
Increase operating transfer to Water Fund		23	23			
Increase (Decrease) operating transfer to Technology Fund	109		109	(66)		(66)
Decrease (Increase) capital improvement program	(1,075)		(1,075)	188		188
Allocated Charges Increase (Note 5)	212		212	4		4
Total Non-Salary Changes	**$(533)**	**$23**	**$(510)**	**$127**	**$0**	**$127**
TOTAL EXPENDITURE CHANGES	**$(204)**	**$23**	**$(181)**	**$178**	**$0**	**$178**
Adjustments (Note 1)					(23)	(23)
NET EXPENDITURE CHANGES	**$(204)**	**$23**	**$(181)**	**$178**	**$(23)**	**$155**

RESOURCE LEVEL NOTES

Note 1: Increase in other income is due to an increase in connection charges and an increase in ground water discharge fees.

Note 2: Offset by reductions in the Water and Gas Funds; where the FTE distribution was previously coded.

Note 3: Offset by add of Installer/Repairer in the Water and Gas Funds.

Note 4: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

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

SERVICE LEVEL CHANGES

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

The Operations Division has reviewed the cost-effectiveness of providing 24/7 customer support by the Field Service staff due to very high "per-call" costs for the few calls that are currently received late in the evening or early morning hours, primarily between 9pm and 6:30am. Based on actual use of services, Utilities Management has changed the in-service house for the Field Service staff to 6:30a.m. to 9:00p.m. Monday thru Friday; and 8:a.m. to 6:00p.m. Saturdays, Sundays, & Holidays. Calls received after normal working hours are handled by the same Field Service Staff responding from an on-call status. Current response time for calls received after normal working hours is 28 minutes. This schedule will be subject to change depending upon customer demand, business needs, and available staffing.

COMPREHENSIVE PLAN OVERVIEW

The 2008-09 Wastewater Collection Fund Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

LAND USE AND COMMUNITY DESIGN

Changes in land use, the development of unimproved properties, and the redevelopment of existing sites require the Wastewater Collection Utility to adapt to meet the needs of the customers. While new customer growth remains stable, requests for new and augmented sewer service to customers continue. In addition, existing sewer service laterals become cracked and broken by tree roots, ground movement, and third party excavation damage, requiring that they be replaced. (L-81)

NATURAL ENVIRONMENT

Approximately $2.7 million per year is designated for the Wastewater Collection System Rehabilitation/Augmentation Capital Improvement Project for 2007-09. This project implements priority-one 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). Operations will increase the level of service lateral replacements for the next five years to reduce the backlog of these replacements (N-18). Proactive efforts by

Operations staff will ensure that the sewer system is maintained, that Operations' crews clean small diameter mains, and that contractors clean large diameter mains to minimize reportable spills to fewer than two per year.

COMMUNITY FACILITIES AND SERVICES

Consistent with the department-wide focus on reliability concerns, Wastewater Collection 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 WWC projects. The sewer system defect database created from the WWC Projects and the completed Master Plan will be combined with existing sewer system data to target CIP projects and maintenance efforts of the highest priority. This effort will assess the needs and parameters of designing an ongoing, system-wide, sewer cleaning program. Construction contracts are planned in 2007-08 for Project 20, and in 2008-09 for Project 21.

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	404,475	230,178	153,761	155,759
Contract Services	0	1,000	0	0
Supplies and Materials	655	7,160	8,160	8,160
Facilities and Equipment Purchases	0	650	650	650
General Expense	4,497	4,900	4,900	4,900
Rents and Leases	0	100	100	100
Allocated Charges	9,586	42,374	43,685	43,962
Total Expenditures	**$419,213**	**$286,362**	**$211,256**	**$213,531**
Total Revenues	**$0**	**$0**	**$0**	**$0**
Total Full Time Positions	1.60	2.04	1.44	1.44
Total Temporary Positions	0.97	0.17	0.17	0.17

COLLECTION SYSTEM

To plan, engineer, construct, operate, and maintain improvements to the Wastewater Collection System that will provide our customers with safe, economic, and reliable service.

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Utility Purchases and Charges	6,364,557	6,917,347	7,100,522	7,100,522
Salaries and Benefits	849,651	1,140,920	1,336,416	1,358,275
Contract Services	112,103	272,100	266,800	266,800
Supplies and Materials	109,669	137,850	137,850	137,850
Facilities and Equipment Purchases	0	10,500	10,500	10,500
General Expense	31,889	41,100	46,400	46,400
Rents and Leases	64,587	65,200	96,200	96,200
Allocated Charges	342,741	376,386	407,840	409,946
Capital Improvement Program	2,614,931	4,380,130	3,443,000	3,659,001
Total Expenditures	**$10,490,128**	**$13,341,533**	**$12,845,528**	**$13,085,494**
Total Revenues	**$254,992**	**$867,000**	**$878,000**	**$889,000**
Total Full Time Positions	20.51	22.97	23.63	23.63
Total Temporary Positions	0.00	0.31	0.16	0.16

CITY OF PALO ALTO
UTILITIES

Water Fund

Water Fund

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

OVERVIEW

In 2007-09, the CPAU's Water Utility plans to focus on: a) increasing infrastructure reliability; b) maintaining high-quality and reliable sources of water; c) and marketing water efficiency programs and services.

Engineering and Operations

Capital projects planned in 2007-08 include the design and construction phases of water main replacement projects to replace structurally deficient water mains; system improvements and upgrades for underground vaults and above-ground water regulation facility locations; and continued installation and upgrading of services and meters for customers. Specifically, work will begin on the design phase of Project 22 and the construction phase of Project 21 as well as the coating improvements to the water reservoirs. Due to the critical need to ensure sufficient water supplies during emergency situations, CPAU has accelerated the implementation of the recommendations of the 1999 Water Wells, Regional Storage, and Distribution Study. This study was commissioned to evaluate ways to improve the operation and reliability of the City's water distribution system, particularly during emergency situations. Phase II of the study can start if the Environmental Impact Review (EIR) is certified by the City Council in 2006-07. Design of the Phase II projects will run concurrently with the design and construction of the reservoir, pumps and wells. Significant funding increases are expected to appear in the 2009-10 budgets, with the expectation of bond financing in the future.

Supply

Palo Alto's water supplier, the San Francisco Public Utilities Commission (SFPUC), has provided rate projections indicating that the City's wholesale costs will steadily increase over the next 10-15 years. This is due to the planned construction program to repair and upgrade the SFPUC's regional water delivery system. Palo Alto has supported these system improvements and has advocated for prompt implementation of the SFPUC's Water System Improvement Project (WSIP) program.

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

Sales and Marketing

Water efficiency continues to play an important role in the goals for CPAU. The cost sharing water efficiency contract will continue with the Santa Clara Valley Water District to continue the vast array of water efficiency projects that are currently available to Palo Alto customers.

Rates

For the Water Utility, 10 percent rate increases are planned for both 2007-08 and 2008-09.

Since 2003-04, the non-variable, fixed charges for distribution expenses have been fully allocated among all customer classes on a volumetric basis (spread across projected annual sales volumes). When sales revenues do not meet projections, under-collection for distribution expenses occur, resulting in rate increases in subsequent years. In addition, very low-volume users are not adequately reimbursing the utility for their share of the distribution cost of service and are subsidized by other system users.

In order to minimize this effect, and help stabilize rates, the Water Utility will institute the monthly "Customer Charge" on all utility bills. This nominal amount will be comprised of a portion of fixed costs for meter reading, customer service, and other distribution-related expenses.

Reserves

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

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

With the rate increase of 10 percent in 2007-08, the Rate Stabilization Reserve (RSR) ending balance is projected to be approximately $5.3 million, which is above the minimum guideline level of $4.9 million. With a water rate increase of 10 percent in 2008-09, the Rate Stabilization Reserve (RSR) ending balance is projected to be approximately $3.8 million, which is below the minimum guideline level of $5.4 million.

Staff believes that the projected Water Reserve balance is sufficient to meet the risk assessment requirement for 2007-09, but future rate increases may be necessary.

PROGRAM UPDATE

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

The average cost of water is expected to be (as of January 2007) approximately $1.26/CCF and $1.23/CCF in 2007-08 and 2008-09 respectively. Sales figures are based on the sale of 5.381 million CCFs of water in both years. Each CCF is 100 cubic feet or 748 gallons of water. CCFs are the billing units for utility bills. Utility bills are based on the sale of CCFs.

COUNCIL PRIORITY IMPLEMENTATION

Global Climate Protection

Consistent with the recommendations of the Green Ribbon Task Force, all of the Water Fund's demand-side management programs and incentives contribute to the Council's Top Four Priority of Global Climate Protection. Since the City is also a top customer for these programs, water efficiency programs contribute as well to Council priority

"Sustainable Budget," since City facilities and Parks costs are lowered. Funding for these programs is based on 1 percent of revenue sales at $0.3 million and $0.3 million for the period of 2007-08 and 2008-09.

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

For 2007-08 and 2008-09 Residential programs include:

- Water Wise House Calls
- High Efficiency Clothes Washer
- Weather-based Irrigation Controller Program
- Irrigation Technical Assistance Program
- Irrigation System Hardware Rebate Program (SCVWD pays all costs)
- Cash for Grass (pilot)
- High Efficiency Toilets
- New Construction Programs, "Build it Green" to start in the Spring of 2008

For 2007-08 and 2008-09 Commercial programs include:

- Institutional Programs to pursue energy and water audits for all reasonable facilities, This also qualifies for the Council Priority "Sustainable Budget," as the City Facilities are audited to lower utility bills.
- Water Efficiency Technologies
- Irrigation Technical Assistance Program
- Irrigation System Hardware Rebate Program (SCVWD pays all costs)
- Weather-based Irrigation Controller Program
- Commercial High Energy Efficiency Toilet/Urinal Program
- Pre Rinse Spray Valve Program
- PAUSD Grant Program ($50,000 for energy efficiency education)
- New Construction Programs, "Build it Green" to start in the Spring of 2008

Library Plan/Public Safety Building

Water utilities personnel continue to be active participants in Green Building charettes and design efforts for the proposed Police Building and Library.

Emergency Planning

In order to meet the California Department of Health Service (DHS) recommended emergency water demand of an eight-hour supply in case of a shutdown by the San Francisco Public Utilities Commission, the Water Fund will go forward with the Emergency Water Supply Project (WS-08002). Funding for this project will be over $40 million over the next four years. It is expected that bond financing will fund this project.

Water Fund *continued*

FUND SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Net Sales	20,530,042	22,311,951	24,525,948	2,213,997	10%	27,087,951	2,562,003	10%
Interest Income	436,868	975,900	946,200	(29,700)	(3%)	946,200	0	0%
Other Income	598,543	1,067,434	1,199,100	131,666	12%	1,087,434	(111,666)	(9%)
Bond Proceeds	0	0	0	0	0%	35,000,000	35,000,000	0%
TOTAL FUND REVENUES	$21,565,453	$24,355,285	$26,671,248	$2,315,963	10%	$64,121,585	$37,450,337	140%
Administration	2,262,238	1,765,639	2,260,014	494,375	28%	2,267,652	7,638	0%
Resource Management								
Purchases	6,475,000	7,641,767	7,698,000	56,233	1%	7,698,000	0	0%
Operations	464,323	567,172	427,116	(140,056)	(25%)	428,191	1,075	0%
Customer Marketing and Financial Services	1,145,591	1,488,300	1,263,422	(224,878)	(15%)	1,304,322	40,900	3%
Distribution System								
Systems Improvement(CIP)	4,438,495	3,747,528	10,778,999	7,031,471	188%	13,602,000	2,823,001	26%
Customer Design and Connection Services(CIP)	295,950	326,980	333,000	6,020	2%	342,999	9,999	3%
Operations	3,068,918	3,727,342	4,452,518	725,176	19%	4,522,950	70,432	2%
Debt Service	456,804	774,465	775,851	1,386	0%	776,059	208	0%
Equity Transfer	2,440,643	2,513,862	2,589,278	75,416	3%	2,666,956	77,678	3%
Rent	1,505,998	1,780,913	1,787,894	6,981	0%	1,787,894	0	0%
Operating Transfers Out	1,547,448	463,914	763,098	299,184	64%	626,594	(136,504)	(18%)
TOTAL FUND EXPENDITURES	$24,101,408	$24,797,882	$33,129,190	$8,331,308	34%	$36,023,617	$2,894,427	9%
TO/FROM RESERVES	$(2,535,955)	$(442,597)	$(6,457,942)	$(6,015,345)		$28,097,968	$34,555,910	

Water Fund *continued*

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Utility Purchases and Charges	6,475,000	7,641,767	7,698,000	7,698,000
Salaries and Benefits	3,617,937	3,862,748	4,522,989	4,577,733
Contract Services	359,620	568,856	456,156	456,456
Supplies and Materials	294,613	440,700	441,700	441,700
Facilities and Equipment Purchases	634	11,610	11,610	10,010
General Expense	182,615	271,400	248,222	282,342
Rents and Leases	1,588,740	1,868,739	1,883,720	1,883,720
Allocated Charges	2,402,909	2,305,313	2,626,567	2,659,048
Debt Service	456,804	774,465	775,851	776,059
Equity Transfer	2,440,643	2,513,862	2,589,278	2,666,956
Capital Improvement Program	4,734,445	4,074,508	11,111,999	13,944,999
Operating Transfers Out	1,547,448	463,914	763,098	626,594
Total Expenditures	**$24,101,408**	**$24,797,882**	**$33,129,190**	**$36,023,617**
Total Full Time Positions	39.75	43.21	44.08	44.08
Total Temporary Positions	1.09	1.46	1.31	1.31

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Average cost per 100 Cubic Feet (CCF)	$1.07	$1.15	$1.29
2. The revenue bond credit rating is AA-. (SP-F2.1)	AA-	>AA-	AA-
Efficiency:			
1. The difference between the average system rate for Palo Alto customers and the average rate of other California municipal and investor-owned utilities will be equal to or less than zero. A figure less than zero indicates a lower utility bill for customers. (revised due to data availability)	1.03%	1.03	<0%
2. A comparision of the annual CPAU water system losses (unaccounted-for losses) with the national average will be less than 0%. (revised due to data availability)	0.2%	<0.2%	<0%
Effectiveness:			
1. The customer satisfaction rating from an outside rating agency, measured against other California utilities will be equal to or greater than the state average. The scale is from one to ten with ten being the highest. (SP-C1.1)	7.7%	>8.0%	>8%
2. The citizen survey rating for good or excellent water services will be equal to or greater than the prior years rating. (SEA)	85%	75%	>75%
3. The percent of water main breaks responded to within one hour will be 95 percent or greater. (revised due to data availability)	100%	95%	95%
4. Compliance with all required California Department of Health Services and EPA testing for water quality will be 100 percent. This indicates that the Water System Operators (Class 5) have a perfect record. (SEA)	100%	100%	100%

RESERVES ($000)	2007-08 PROJECTED BEGINNING BALANCE	2007-08 CHANGES	2007-08 PROJECTED ENDING BALANCE	2008-09 CHANGES	2008-09 PROJECTED ENDING BALANCE	2007-08 RESERVE GUIDELINE RANGE	2008-09 RESERVE GUIDELINE RANGE
Emergency Plant Replacement	$1,354	$241	$1,595	$270	$1,865	$2,648 (max.)	$2,648 (max.)
Rate Stabilization	12,045	(6,699)	5,346	(1,522)	3,824	4,942 -12,356	5,437 -13,591
Bond Proceeds (Restricted)	0		0	29,350	29,350		
Debt Service Reserve	780		780		780		
TOTAL RESERVES	**$14,179**	**$(6,458)**	**$7,721**	**$28,098**	**$35,819**		

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES ($000)						
Increase net sales (Note 2)	2,214		2,214	2,562		2,562
Decrease interest income	(30)		(30)			
Increase connection charges	10		10	10		10
Increase grant proceeds from State Water Resources Control Board		75	75			
Increase operating transfers-in		47	47			
Increase bond proceeds (Note 3)					35,000	35,000
TOTAL REVENUE CHANGES	**$2,194**	**$122**	**$2,316**	**$2,572**	**$35,000**	**$37,572**
Adjustments (Note 1)					(122)	(122)
NET REVENUE CHANGES	**$2,194**	**$122**	**$2,316**	**$2,572**	**$34,878**	**$37,450**
EXPENDITURE CHANGES ($000)						
Salary and Benefits						
Add 0.34 FTE Meter Reader (Note 4)	27		27			
Add 0.33 FTE Project Manager	43		43			
Drop 0.33 FTE Supervisor Utility Construction/Inspection	(43)		(43)			
Reclassify 0.35 FTE Installer/Repairer in Water Fund to Installer/Repairer-Lead in Wastewater Collection Fund	(34)		(34)			
Reclassify 0.70 FTE Installer/Repairer to Installer/Repairer-Welding	3		3			
Reclassify 0.40 FTE Maintenance Mechanic to Maintenance Mechanic Welding	2		2			
Salary Adjustments	288		288	57		57
Personnel Benefits Costs Increase (Note 5)	406		406	12		12
Total Salary and Benefits Changes	**$692**	**$0**	**$692**	**$69**	**$0**	**$69**
Non-Salary						
Interest water commodity	56		56			
Increase general expenses	29		29	4		4
Decrease contract services	(113)		(113)			
Increase supplies and materials	1		1			
Increase rent and leases	15		15			

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
Decrease (Increase) demand-side management incentives	(50)		(50)	28		28
Increase operating transfer to Technology Fund	62	102	164			
Increase operating transfer to General Fund	100		100			
Increase operating transfer to Vehicle Replacement and Maintenance Fund		35	35			
Increase rate of return transfer to General Fund	75		75	78		78
Increase capital improvement program (Note 6)	7,004		7,004	2,819		2,819
Allocated Charges Increase (Note 7)	323		323	33		33
Total Non-Salary Changes	**$7,502**	**$137**	**$7,639**	**$2,962**	**$0**	**$2,962**
TOTAL EXPENDITURE CHANGES	**$8,194**	**$137**	**$8,331**	**$3,031**	**$0**	**$3,031**
Adjustments (Note 1)					(137)	(137)
NET EXPENDITURE CHANGES	**$8,194**	**$137**	**$8,331**	**$3,031**	**$(137)**	**$2,894**

RESOURCE LEVEL NOTES

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

Note 2: Increase in net sales is due to a 10 percent rate increase in 2007-08 and a 10 percent rate increase in 2008-09.

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

Note 4: Offset by drop of Lineperson/Cable Splicer-Lead in the Electric Fund.

Note 5: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

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

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

COMPREHENSIVE PLAN OVERVIEW

The 2007-09 Water Fund Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

LAND USE AND COMMUNITY DESIGN

The Utilities Department 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 work on identifying groundwater recharge areas in Palo Alto. Staff continues to work with Department of Health Services staff to identify improvements necessary to the City's wellhead protection program. The recommendations of the Water Wells, Regional Storage, and Distribution System Study, completed in December 1999, have been included as proposed capital projects. To provide emergency supplies for an eight-hour period, the five projects will rehabilitate existing wells, and construct three new wells, as well as a new water reservoir and pump station (N22). Utilities 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. Utilities staff consulted with SCVWD prior to completing the Groundwater Supply Feasibility Study. Funding is included in the Capital budget for 2008-12 to begin the design and construction of a new 2.5 million-gallon reservoir and pump station, three new wells, the rehabilitation of up to five existing wells, and the rebuild of the Mayfield Pump Station. Utilities staff continues to look for opportunities to work with the District to examine alternate pipeline connections that would improve supply reliability at a reasonable cost.

The continued exploration of expanding the use of recycled water in Palo Alto is consistent with Council policy. The Council has supported this goal by its approval of the Water Integrated Resources Plan (WIRP) Guidelines in December 2003 [CMR: 547:03], specifically, WIRP Guideline #3: Actively participate in development of cost-effective regional recycled water plans. With approval from the UAC and Council, staff will conduct a recycled water facility study and apply for a Water Recycling Facilities Planning Grant from the State Water Resources Control Board in the amount of $75,000. The study will allow the preparation of a facility plan and of environmental documents for expanding the recycled water distribution system in Palo Alto.

Council's Sustainability Policy supports the development of recycled water, specifically in the Policy's statement to "reduce resource use and pollution in a cost-effective manner while striving to protect and enhance the quality of the air, water, land, and other natural resources."

The City's Comprehensive Plan contains Natural Environment Goal N-4: Water resources that are prudently managed to sustain plant and animal life, support urban activities and protect public health and safety. Specifically, Program N-26 addresses the use of recycled water: Implement incentives for the use of drought-tolerant landscaping and recycled water for landscape irrigation.

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). The City has adopted California Urban Water Conservation Council's "Best Management Practices" (BMPs). The Utilities Department has contracted with the Santa Clara Valley Water District for assistance in increasing penetration of BMP measures in Palo Alto.

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."

By 2007-08, the Utilities plan to complete the final phase of the pilot program for the Automated Meter Reading (AMR) project. AMR obtains meter reads by the use of various technologies and eliminates vehicle trips by meter readers and makes it less expensive to initiate or terminate service, particularly during peak periods when large numbers of students are moving in or out of the area. Reducing meter reading vehicular traffic favorably impacts air quality and transportation congestion (N-45). The AMR project will target high-turnover, difficult-to-access, high-security installations. During 2007-08, staff will evaluate the benefits of full implementation of AMR in time for the next budget process.

RESOURCE MANAGEMENT

To develop and manage water commodity resources to the benefit of the ratepayers, citizens, and businesses in Palo Alto.

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Utility Purchases and Charges	6,475,000	7,641,767	7,698,000	7,698,000
Salaries and Benefits	223,556	222,892	217,836	218,911
Contract Services	84,883	171,500	16,500	16,500
Supplies and Materials	49	3,000	3,000	3,000
General Expense	155,311	169,780	189,780	189,780
Allocated Charges	524	0	0	0
Total Expenditures	**$6,939,323**	**$8,208,939**	**$8,125,116**	**$8,126,191**
Total Revenues	**$57**	**$0**	**$75,000**	**$0**
Total Full Time Positions	1.30	1.30	1.30	1.30
Total Temporary Positions	0.00	0.00	0.00	0.00

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,009,166	1,132,737	936,373	947,785
Contract Services	67,991	194,659	215,359	215,359
Supplies and Materials	5,333	11,865	11,790	11,790
Facilities and Equipment Purchases	634	3,110	2,860	2,860
General Expense	14,016	83,420	32,767	61,187
Rents and Leases	0	126	126	126
Allocated Charges	48,451	62,383	64,147	65,215
Total Expenditures	**$1,145,591**	**$1,488,300**	**$1,263,422**	**$1,304,322**
Total Revenues	**$58,850**	**$58,400**	**$58,400**	**$58,400**
Total Full Time Positions	10.03	10.14	8.21	8.21
Total Temporary Positions	0.39	0.91	0.91	0.91

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	2,104,442	2,507,119	3,160,173	3,202,430
Contract Services	149,871	202,697	224,297	224,597
Supplies and Materials	289,231	425,835	426,910	426,910
Facilities and Equipment Purchases	0	8,500	8,750	7,150
General Expense	13,288	18,200	25,675	31,375
Rents and Leases	82,742	87,700	95,700	95,700
Allocated Charges	429,344	477,291	511,013	534,788
Capital Improvement Program	4,734,445	4,074,508	11,111,999	13,944,999
Total Expenditures	**$7,803,363**	**$7,801,850**	**$15,564,517**	**$18,467,949**
Total Revenues	**$514,559**	**$1,031,334**	**$1,078,000**	**$36,041,334**
Total Full Time Positions	28.42	31.77	34.57	34.57
Total Temporary Positions	0.70	0.55	0.40	0.40

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

In accordance with the State mandate requiring each City to divert a minimum of 50 percent of its waste, the City of Palo Alto's diversion rate for 2005 was 63 percent, up one percent from 2004.

In 2008, a 13 percent rate increase will be necessary due to the following: increased costs for services and materials provided by PASCO; increased costs at the SMaRT Station related to wages and equipment replacement; relocation of existing City landfill facilities to allow for landfill closure to continue; and the need to maintain the target reserve balance set by Council.

The current solid waste and recyclable materials handling services agreement with PASCO is scheduled to end in July 2009. City staff has begun the process of preparing the Request for Proposals for a new agreement. It is estimated that June 2008 will be the completion date for awarding a new contract. Staff is planning to award the contract one year prior to the termination date in 2009. This will allow for a transition period to the potential new contractor.

GreenTeam/Zanker of Sunnyvale currently operates the Sunnyvale Materials Recovery and Transfer (SMaRT) Station under a contract that expires December 31, 2007. A new operator agreement has been awarded to Bay Counties Waste Services that will begin January 1, 2008 for a term of seven years. A new construction and demolition line will be installed as part of this new agreement.

The SMaRT Station will also begin replacing several key pieces of the mechanical sorting system that have reached the end of their useful lives. The replacement of this equipment will ultimately increase the diversion rate to 25 percent for the cities. Sunnyvale staff has estimated that during the seven-month construction period, the efficiency of this sorting line will be reduced and the recovery rate of recyclables will decrease from the current 18 percent to 4 percent. This will cause additional expenses for the SMaRT Station and will affect Palo Alto's overall diversion for 2007. This work is estimated to be completed in March 2008.

The Zero Waste Operational Plan (ZWOP) and waste composition study were completed in December 2006. The ZWOP is currently being reviewed by various entities prior to staff presenting it to Council in Summer 2007.

In 2009, maintenance of the Byxbee Park underground gas system will begin. This work entails repairing and replacing sections of the gas system to ensure efficient operation.

PROGRAM UPDATE

Staff will be presenting a Zero Waste operational plan to Council in Summer 2007. Once this plan is approved, elements of the program will be implemented.

COUNCIL PRIORITY IMPLEMENTATION

Global Climate Protection

- At Council's direction, staff continues work on achieving the zero waste goal in Palo Alto. In January 2005, a task force of residents and businesses was formed to assist in the creation of a zero waste policy and zero waste strategic plan. Staff has been working with the task force to develop the zero waste operational plan and is planning to return to Council with recommendations in Summer 2007
- Minimize hazardous waste in the City through collection of city generated and household hazardous waste

Refuse Fund *continued*

- Minimize solid waste through waste reduction and recycling programs

Emergency Planning

- Public Works staff will continue to contribute to and support Emergency Preparedness in the event of a natural disaster

FUND SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Net Sales	20,655,812	22,182,654	25,066,660	2,884,006	13%	25,066,660	0	0%
Interest Income	160,205	408,700	500,600	91,900	22%	500,600	0	0%
Other Income	4,342,338	4,021,697	4,281,470	259,773	6%	4,283,353	1,883	0%
TOTAL FUND REVENUES	$25,158,355	$26,613,051	$29,848,730	$3,235,679	12%	$29,850,613	$1,883	0%
Administration	1,598,974	1,426,198	1,562,762	136,564	10%	1,559,464	(3,298)	0%
Solid Waste								
Systems Improvement(CIP)	110,566	0	1,000,000	1,000,000	0%	800,000	(200,000)	(20%)
Operations	4,903,835	5,535,116	6,004,884	469,768	8%	6,152,021	147,137	2%
Collection, Hauling and Disposal								
Payment to PASCO	7,887,422	8,648,298	10,063,130	1,414,832	16%	10,063,130	0	0%
Operations	5,752,545	4,612,567	5,217,259	604,692	13%	4,817,515	(399,744)	(8%)
Street Sweeping	1,756,436	1,736,154	1,865,369	129,215	7%	1,888,101	22,732	1%
Debt Service	497,945	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	900,057	263,098	662,733	399,635	152%	509,018	(153,715)	(23%)
TOTAL FUND EXPENDITURES	$27,696,527	$26,908,304	$31,063,010	$4,154,706	15%	$30,476,122	$(586,888)	(2%)
TO/FROM RESERVES	$(2,538,172)	$(295,253)	$(1,214,280)	$(919,027)		$(625,509)	$588,771	

Refuse Fund *continued*

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Utility Purchases and Charges	7,887,422	8,648,298	10,063,130	10,063,130
Salaries and Benefits	3,583,598	3,448,828	3,898,709	3,951,239
Contract Services	2,546,788	3,514,006	6,694,041	6,294,041
Supplies and Materials	1,986,136	348,746	376,596	356,596
Facilities and Equipment Purchases	0	26,500	19,800	19,800
General Expense	2,714,456	2,984,680	334,995	334,995
Rents and Leases	4,307,584	4,302,947	4,310,447	4,310,447
Allocated Charges	3,161,975	2,973,075	3,304,433	3,438,730
Debt Service	497,945	398,126	398,126	398,126
Capital Improvement Program	110,566	0	1,000,000	800,000
Operating Transfers Out	900,057	263,098	662,733	509,018
Total Expenditures	**$27,696,527**	**$26,908,304**	**$31,063,010**	**$30,476,122**
Total Full Time Positions	34.70	34.70	34.70	34.70
Total Temporary Positions	0.00	0.17	0.50	0.50

RESERVES ($000)	2007-08 PROJECTED BEGINNING BALANCE	2007-08 CHANGES	2007-08 PROJECTED ENDING BALANCE	2008-09 CHANGES	2008-09 PROJECTED ENDING BALANCE	2007-08 RESERVE GUIDELINE RANGE	2008-09 RESERVE GUIDELINE RANGE
Rate Stabilization Reserve	$2,954	$(1,351)	$1,603	$(763)	$840	$2,507 - 5,014	$2,507 - 5,014
Landfill closure and postclosure care reserve	7,017	137	7,154	137	7,291		
Water Resources Board Reserve	590		590		590		
TOTAL RESERVES	**$10,561**	**$(1,214)**	**$9,347**	**$(626)**	**$8,721**		

Refuse Fund *continued*

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES (000)						
Increase net sales (Note 2)	2,884		2,884			
Increase interest income	92		92			
Increase other income (Note 3)	260		260	2		2
TOTAL REVENUE CHANGES	**$3,236**	**$0**	**$3,236**	**$2**	**$0**	**$2**
EXPENDITURE CHANGES (000)						
Salary and Benefits						
Reclassify 1.0 FTE Office Specialist to Program Assistant	8		8			
Add 0.06 FTE Senior Administrator for coordination of sustainability and climate action efforts	9		9			
Salary Adjustments	83		83	43		43
Increase in Temporary Salaries	48		48			
Personnel Benefit Costs Increase (Note 4)	302		302	10		10
Total Salary and Benefits Changes	**$450**	**$0**	**$450**	**$53**	**$0**	**$53**
Non-Salary						
Increase contract services for attorney review fees for new hauling agreement		75	75			
Increase PASCO contract - compensation for recycling revenues, CPI adjustment, and increases in ongoing operation costs	1,415		1,415			
Increase contract services - Palo Alto share of SMaRT Station costs	425	325	750			
Increase signs for "no parking" on street sweeping days		20	20			
Decrease contract agency personnel	(61)		(61)			
Increase operating transfer to General Fund	105		105			
Increase (Decrease) Operating transfer to Technology Fund	295		295	(154)		(154)
Increase (Decrease) capital improvement program (Note 5)	1,000		1,000	(200)		(200)
Allocated Charges Increase (Note 6)	331		331	134		134
Total Non-Salary Changes	**$3,510**	**$420**	**$3,930**	**$(220)**	**$0**	**$(220)**

Refuse Fund *continued*

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
TOTAL EXPENDITURE CHANGES	**$3,960**	**$420**	**$4,380**	**$(167)**	**$0**	**$(167)**
Adjustments (Note 1)		(225)	(225)		(420)	(420)
NET EXPENDITURE CHANGES	**$3,960**	**$195**	**$4,155**	**$(167)**	**$(420)**	**$(587)**

RESOURCE LEVEL NOTES

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

Note 2: Increase in net sales is due to a 13 percent rate increase in 2007-08.

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

Note 4: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

Note 5: Capital Improvement Program expenditures include activities for the relocation of landfill facilities.

Note 6: Increase in allocated charges is due to an increases in interest payments to the General Fund on landfill rent, information technology charges, and vehicle replacement charges.

COMPREHENSIVE PLAN OVERVIEW

The 2007-09 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 N-50), and street sweeping will be performed on a regular basis in the residential and business areas (N-30). Goal N-7 related to solid waste is addressed through recycling, composting, and through the rate structure.

SOLID WASTE

To provide solid waste disposal and recycling services including waste reduction and hazardous waste educational programs.

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	2,294,475	2,222,450	2,505,068	2,538,030
Contract Services	1,276,104	1,652,289	1,637,289	1,637,289
Supplies and Materials	70,282	243,796	250,196	250,196
Facilities and Equipment Purchases	0	23,000	16,300	16,300
General Expense	195,096	310,470	302,270	302,620
Rents and Leases	18,792	10,200	17,700	17,700
Allocated Charges	1,049,086	1,072,911	1,276,061	1,389,886
Capital Improvement Program	110,566	0	1,000,000	800,000
Total Expenditures	**$5,014,401**	**$5,535,116**	**$7,004,884**	**$6,952,021**
Total Revenues	**$3,304,270**	**$2,836,748**	**$3,286,919**	**$3,286,919**
Total Full Time Positions	21.47	21.47	21.47	21.47
Total Temporary Positions	0.00	0.00	0.43	0.43

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Tons of total waste diverted at all locations (landfill, SMaRT, others)	114,158	97,000	97,000
2. Number of households serviced through Household Hazardous Waste Program	4425	3500	3500
Efficiency:			
1. Percent of total waste diverted	63	>50	>50
2. Percent of total households serviced through HHW program (26,048 from 2000 census)	17.5	13	13
Effectiveness:			
1. Number of years State diversion goals met or exceeded	6	7	8
2. Tons of HHW diverted from illegal dumping	164	125	125

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Utility Purchases and Charges	7,887,422	8,648,298	10,063,130	10,063,130
Salaries and Benefits	131,491	151,739	155,380	155,380
Contract Services	1,213,624	1,736,873	4,978,708	4,578,708
Supplies and Materials	1,883,684	75,000	75,000	75,000
General Expense	2,518,820	2,643,260	1,425	1,425
Allocated Charges	4,926	5,695	6,746	7,002
Total Expenditures	**$13,639,967**	**$13,260,865**	**$15,280,389**	**$14,880,645**
Total Revenues	**$783,133**	**$15,000**	**$25,000**	**$25,000**
Total Full Time Positions	1.15	1.15	1.15	1.15
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of complaints regarding PASCO service	446	0	0
2. Tons of waste processed through SMaRT station	48,118	50,000	50,000
Efficiency:			
1. Number of complaints resolved within 24 hours	446	all	all
2. Percent of total waste processed through SMaRT station that was recycled	19%	18%	18%
Effectiveness:			
1. Percent of residents rating PASCO service as excellent (SEA)	83%	100%	100%
2. Tons of recyclables diverted from landfill	9,148	9,000	9,000

STREET SWEEPING

To keep City streets and parking lots free of debris with thorough and effective street sweeping and litter control.

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,144,440	1,074,639	1,158,645	1,178,213
Contract Services	57,060	124,844	78,044	78,044
Supplies and Materials	32,170	29,950	51,400	31,400
Facilities and Equipment Purchases	0	3,500	3,500	3,500
General Expense	536	950	1,300	950
Rents and Leases	45	0	0	0
Allocated Charges	522,185	502,271	572,480	595,994
Total Expenditures	**$1,756,436**	**$1,736,154**	**$1,865,369**	**$1,888,101**
Total Revenues	**$212,433**	**$139,949**	**$138,551**	**$140,434**
Total Full Time Positions	12.08	12.08	12.08	12.08
Total Temporary Positions	0.00	0.17	0.07	0.07

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of residential curb miles swept (15,877) (SEA)	14,581	14,289	14,289
2. Number of business curb miles swept annually (3,181)	3,128	3,030	3,030
Efficiency:			
1. Percent of residential curb miles swept	92%	90%	90%
2. Percent of business curb miles swept	98%	95%	95%
Effectiveness:			
1. Cubic yards of debris removed from street along residential curbs	13,438	12,213	12,213
2. Cubic yards of debris removed from street along business curbs	1,099	937	937

Storm Drainage Fund

Storm Drainage Fund

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

OVERVIEW

In 2007-09, staff will continue to implement the enhanced storm drain program, which includes storm drain maintenance, urban runoff pollution prevention, and storm drain system capital improvements. These activities are funded by the Storm Drainage Fee increase approved by property owners in April 2005. In 2007-08, engineering staff will focus on the construction of a new storm water pump station adjacent to San Francisquito Creek downstream of Highway 101 and the continuing implementation of City-wide storm drain system repairs. In 2008-09, staff will implement the Alma Street Storm Drain Improvements which will be coordinated with the Alma Street pavement resurfacing.

Staff will continue to meet with the Council-appointed Storm Drain Oversight Committee each year to review proposed operating and capital budgets and to verify that Fund expenditures are consistent with the approved ballot measure. The Committee has noted that the Fund will likely experience capital project funding shortfalls in the coming years. The shortfalls are a result of the discrepancy between rapidly rising construction costs and the modest Storm Drainage Fee increases allowed by the ballot measure (based on annual increases in the local Consumer Price Index (CPI) or 6 percent, whichever is less). Since construction costs recently have been rising 10-15 percent per year, while local CPI increases have only been 2-4 percent per year, most likely there will be insufficient funds to complete the original 12-year capital improvement program outlined in the ballot measure. Staff and the Committee have developed strategies to maximize the use of available funds, including focusing on completion of the highest priority projects and incrementally reducing the scope of some projects in order to free up funds for other projects. As a result of the joint deliberations by staff and the Committee, the Southgate Neighborhood Storm Drain Improvements project has been removed from the recommended 2007-12 Storm Drain capital improvement program, and the Alma Street Storm Drain Improvements project has been downsized. The Storm Drain Oversight Committee will be forwarding its budget recommendations directly to the Finance Committee during the budget review process.

Staff will continue to coordinate with the Santa Clara Valley Water District (SCVWD) and the Federal Emergency Management Agency on flood control and flood insurance issues. Staff will also assist with review of land development applications to ensure compliance with storm water quality and stream protection regulations. Staff will work with its partner agencies in the Santa Clara Valley Urban Runoff Pollution Prevention program to obtain a new National Pollutant Discharge Elimination System (NPDES) permit from the Regional Water Quality Control Board for discharge of storm water to local creeks and the San Francisco Bay. In addition, staff will actively participate in the San Francisquito Creek Joint Powers Authority's partnership with the US Army Corps of Engineers to identify a comprehensive solution to creek and tidal flooding problems in the watershed. Operations staff will continue to conduct an enhanced level of storm drain maintenance which has been made possible as a result of the Storm Drainage Fee increase.

COUNCIL PRIORITY IMPLEMENTATION

Emergency Planning

- Staff will continue to coordinate with the Santa Clara Valley Water District and FEMA on flood control issues.
- Staff will continue to participate in the San Francisquito Creek Joint Powers Authority's partnership with the US Army Corps of Engineers to address flooding and erosion problems on San Francisquito Creek.

Storm Drainage Fund *continued*

FUND SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Net Sales	5,110,033	5,235,660	5,415,315	179,655	3%	5,327,170	(88,145)	(2%)
Interest Income	34,197	60,000	175,450	115,450	192%	175,450	0	0%
Other Income	597,697	1,016,251	1,016,251	0	0%	81,500	(934,751)	(92%)
TOTAL FUND REVENUES	$5,741,927	$6,311,911	$6,607,016	$295,105	5%	$5,584,120	$(1,022,896)	(15%)
Administration	547,271	486,072	500,380	14,308	3%	504,266	3,886	1%
Systems Improvements								
Systems Improvement(CIP)	408,710	1,670,934	5,566,480	3,895,546	233%	2,320,953	(3,245,527)	(58%)
Operations	115,246	131,490	136,579	5,089	4%	138,014	1,435	1%
Operations & Maintenance	1,063,585	1,347,770	1,366,638	18,868	1%	1,389,936	23,298	2%
Debt Service	623,782	946,865	947,185	320	0%	951,260	4,075	0%
Operating Transfers Out	116,086	11,435	70,009	58,574	512%	53,591	(16,418)	(23%)
TOTAL FUND EXPENDITURES	$2,874,680	$4,594,566	$8,587,271	$3,992,705	87%	$5,358,020	$(3,229,251)	(38%)
TO/FROM RESERVES	$2,867,247	$1,717,345	$(1,980,255)	$(3,697,600)		$226,100	$2,206,355	

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	907,167	875,056	970,989	987,662
Contract Services	225,397	351,629	357,879	365,379
Supplies and Materials	39,339	98,250	95,300	95,300
Facilities and Equipment Purchases	0	11,621	11,621	11,621
General Expense	3,092	8,200	10,900	10,900
Rents and Leases	0	6,000	6,000	6,000
Allocated Charges	551,107	539,576	550,908	555,354
Debt Service	623,782	946,865	947,185	951,260
Capital Improvement Program	408,710	1,670,934	5,566,480	2,320,953
Operating Transfers Out	116,086	11,435	70,009	53,591
Total Expenditures	**$2,874,680**	**$4,519,566**	**$8,587,271**	**$5,358,020**
Total Full Time Positions	9.50	9.50	9.50	9.50
Total Temporary Positions	0.00	0.00	0.00	0.00

Storm Drainage Fund *continued*

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of industrial storm water inspections conducted	180	180	180
2. Linear feet of storm drain pipelines cleaned annually	128,643	100,000	100,000
3. Total dollar value of storm drain improvements completed- (capital expenditures)		$1,373,000	$2,000,000
Efficiency:			
1. Number of industrial storm water inspections per FTE	180	180	180
2. Pounds of debris removed by hydroflushing pipelines	138,080	150,000	150,000
3. Total dollar value of storm drain improvements per FTE		$950,000	$950,000
Effectiveness:			
1. Percent of industrial sites in compliance with storm water regulations	90%	90%	90%
2. Number of resident calls regarding ponding problems	24	100	100
3. Percent of storm drain improvement projects completed within planned budget		100%	100%

RESERVES ($000)	2007-08 PROJECTED BEGINNING BALANCE	2007-08 CHANGES	2007-08 PROJECTED ENDING BALANCE	2008-09 CHANGES	2008-09 PROJECTED ENDING BALANCE	2007-08 RESERVE GUIDELINE RANGE	2008-09 RESERVE GUIDELINE RANGE
Distribution RSR	$2,437	$(1,980)	$457	$226	$683	$	$
TOTAL RESERVES	**$2,437**	**$(1,980)**	**$457**	**$226**	**$683**		

Storm Drainage Fund *continued*

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES ($000)						
Increase net sales (Note 1)	180		180	155		155
Increase interest income	115		115			
Decrease sales to City (Note 2)				(243)		(243)
Decrease operating transfer from General Fund (Note 3)				(935)		(935)
TOTAL REVENUE CHANGES	**$295**	**$0**	**$295**	**$(1,023)**	**$0**	**$(1,023)**
EXPENDITURE CHANGES ($000)						
Salary and Benefits						
Salary Adjustments	26		26	12		12
Personnel Benefit Costs Increase (Note 4)	76		76	11		11
Total Salary and Benefits Changes	**$102**	**$0**	**$102**	**$23**	**$0**	**$23**
Non-Salary						
Increase debt service expense				4		4
Increase contract services (Note 6)	6		6	8		8
Increase operating transfer to General Fund	27		27			
Increase (Decrease) operating transfer to Technology Fund	32		32	(16)		(16)
Increase (Decrease) capital improvement program (Note 5)	3,888		3,888	(3,252)		(3,252)
Allocated Charges Increase	13		13	4		4
Total Non-Salary Changes	**$3,966**	**$0**	**$3,966**	**$(3,252)**	**$0**	**$(3,252)**
Adjustments (Note 7)		(75)	(75)			
TOTAL EXPENDITURE CHANGES	**$4,068**	**$(75)**	**$3,993**	**$(3,229)**	**$0**	**$(3,229)**

RESOURCE LEVEL NOTES

Note 1: Increase in net sales is due to the storm drainage fee increase adjusted for inflation as allowed by the approved ballot measure.

Note 2: Decrease in sales to the City reflects prior years' pre-payment of storm drainage fees for current year on City-owned General Fund properties as specified by the approved ballot measure.

Note 3: Decrease in transfer from General Fund reflects the end of pre-payments of storm drainage fees on City-owned General Fund properties as specified by the approved ballot measure.

Note 4: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

Note 5: Net change includes CIP for San Francisquito Creek Storm Water Pump Station of $4.6 million in 2007-08. Amounts exclude salaries and benefits.

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

Note 7: Adjustments include one-time budget changes from the prior year that were removed from this year's budget as planned.

COMPREHENSIVE PLAN OVERVIEW

The 2007-09 Storm Drainage Fund Budget includes the following resources directed towards implementing the programs and policies of the Comprehensive Plan:

NATURAL ENVIRONMENT

Staff will manage CIP projects to increase drainage system capacity and to repair and rehabilitate deteriorated storm drain infrastructure (N-36). In addition, staff will work with San Francisquito Creek JPA member agencies to develop and implement a US Army Corps of Engineers project to address flood and erosion control problems along the San Francisquito Creek (N-9). Staff will enforce the recently-adopted ordinance regulating land uses near streams and will continue to coordinate with SCVWD staff through the Water Resources Protection Collaborative (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).

SYSTEMS IMPROVEMENTS

To plan and construct drainage system improvements and to administer the City's participation in the National Flood Insurance Program in order to provide adequate drainage and reduce the risk of flood damage to City residents.

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	106,240	116,252	121,140	122,520
Contract Services	3,415	3,750	4,500	4,500
Supplies and Materials	2,089	3,650	2,900	2,900
General Expense	2,088	3,100	3,100	3,100
Allocated Charges	1,414	4,738	4,939	4,994
Capital Improvement Program	408,710	1,670,934	5,566,480	2,320,953
Total Expenditures	**$523,956**	**$1,802,424**	**$5,703,059**	**$2,458,967**
Total Revenues	**$0**	**$100**	**$250**	**$250**
Total Full Time Positions	3.00	3.00	3.00	3.00
Total Temporary Positions	0.00	0.00	0.00	0.00

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	680,329	695,708	760,739	776,032
Contract Services	221,982	347,879	353,379	360,879
Supplies and Materials	37,250	94,600	92,400	92,400
Facilities and Equipment Purchases	0	11,621	11,621	11,621
General Expense	972	5,100	7,800	7,800
Rents and Leases	0	6,000	6,000	6,000
Allocated Charges	123,052	111,862	134,699	135,204
Total Expenditures	**$1,063,585**	**$1,272,770**	**$1,366,638**	**$1,389,936**
Total Revenues	**$0**	**$0**	**$0**	**$0**
Total Full Time Positions	6.15	6.15	6.15	6.15
Total Temporary Positions	0.00	0.00	0.00	0.00

Wastewater Treatment Fund

Wastewater Treatment Fund

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

OVERVIEW

In 2006-07, the new mercury reduction program had its best year yet with 100 percent of the dental offices achieving full compliance with the requirement to install devices to capture Mercury from dental fillings. Staff helped lead a pilot Bay Area-wide program to take back unwanted pharmaceutical chemicals before they could contaminate the San Francisco Bay. Palo Alto led a national effort to reduce Triclosan discharges by switching to non-triclosan handsoaps in all City facilities. A new pollution prevention public outreach program was launched, literally, as Council members from the RWQCP Service Area took to their canoes for ecosystem investigations in the Palo Alto Baylands. As a result of these and other 2006-07 initiatives, State regulators awarded Palo Alto their new Pollution Prevention Award.

In 2007-08, the RWQCP will be one of the first plants to conduct full scale testing of a new procedure to control Chlorodibromomethane, a toxic contaminant newly identified by the State. Also in 2007-08, a new effort to visit all key food service facilities discharging grease and contributing to sanitary sewer overflows will be completed. The City continues to take important steps to minimize such incidents.

Plant operations, maintenance, and engineering staff will be focusing on the design and financing of a state-of-the-art ultraviolet disinfection facility that will provide operational cost savings, safer operation and improved effluent and reclaimed water quality compared to the existing chlorine disinfection system. Staff is implementing a "best practice" asset management program to maximize the life of plant facilities and equipment. In 2007-08, construction of the $26 million reclaimed water pipeline to Mountain View will begin as well as a major upgrade of the plant's supervisory control and data acquisition (SCADA) computer systems.

In 2007-08, the Rate Stabilization reserve is expected to have a negative ending balance of $2.9 million. The reserve has been adversely impacted by the delay in construction for the reclaimed water pipeline project. The delay was primarily due to construction bids coming in over budget. Once construction begins, grant and partner revenues will offset expense. At that time, the reserve should return to a positive level.

COUNCIL PRIORITY IMPLEMENTATION

Global Climate Protection

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

Sustainable Budget

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

Emergency Planning

- The RWQCP performs annual reviews and updates of the WQCP contingency plan.
- The RWQCP performs annual confined space rescue and chemical emergency training and drills with fire

department and WQCP personnel.

- The plant is purchasing critical spare parts for major pipelines

FUND SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Net Sales	17,642,180	18,794,419	19,347,121	552,702	3%	19,347,121	0	0%
Interest Income	191,761	469,300	607,000	137,700	29%	607,000	0	0%
Other Income	1,631,459	3,260,645	1,060,645	(2,200,000)	(67%)	24,360,645	23,300,000	2,197%
TOTAL FUND REVENUES	$19,465,400	$22,524,364	$21,014,766	$(1,509,598)	(7%)	$44,314,766	$23,300,000	111%
Administration	2,264,936	1,787,815	2,088,543	300,728	17%	2,087,192	(1,351)	0%
Operations								
Systems Improvement(CIP)	2,260,523	5,321,762	2,600,000	(2,721,762)	(51%)	25,500,000	22,900,000	881%
Operations	10,027,671	10,806,287	11,421,215	614,928	6%	11,742,214	320,999	3%
Environmental Compliance	2,021,401	2,667,141	2,752,781	85,640	3%	2,777,261	24,480	1%
Debt Service	489,689	821,907	820,309	(1,598)	0%	816,190	(4,119)	(1%)
Operating Transfers Out	1,071,851	20,630	362,512	341,882	1,657%	269,717	(92,795)	(26%)
TOTAL FUND EXPENDITURES	$18,136,071	$21,425,542	$20,045,360	$(1,380,182)	(6%)	$43,192,574	$23,147,214	115%
TO/FROM RESERVES	$1,329,329	$1,098,822	$969,406	$(129,416)		$1,122,192	$152,786	

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	7,512,054	7,871,196	8,642,206	8,770,504
Contract Services	1,189,720	1,729,380	1,811,890	1,811,890
Supplies and Materials	1,273,190	1,279,800	1,326,850	1,326,850
Facilities and Equipment Purchases	10	41,000	41,000	41,000
General Expense	121,820	143,650	154,450	154,450
Rents and Leases	141	25,500	17,500	17,500
Allocated Charges	4,217,073	4,170,717	4,268,643	4,484,473
Debt Service	489,689	821,907	820,309	816,190
Capital Improvement Program	2,260,523	5,321,762	2,600,000	25,500,000
Operating Transfers Out	1,071,851	20,630	362,512	269,717
Total Expenditures	**$18,136,071**	**$21,425,542**	**$20,045,360**	**$43,192,574**
Total Full Time Positions	68.45	68.45	68.45	68.45
Total Temporary Positions	0.33	0.76	1.16	1.16

Wastewater Treatment Fund *continued*

RESERVES ($000)	2007-08 PROJECTED BEGINNING BALANCE	2007-08 CHANGES	2007-08 PROJECTED ENDING BALANCE	2008-09 CHANGES	2008-09 PROJECTED ENDING BALANCE	2007-08 RESERVE GUIDELINE RANGE	2008-09 RESERVE GUIDELINE RANGE
Emergency Plant Replacement	$2,583	$	$2,583	$	$2,583	$1,547 (max.)	$1,547 (max.)
Distribution RSR	(3,886)	969	(2,917)	1,122	(1,795)	2,898 - 5,795	2,898 - 5,795
Bond Proceeds (Restricted)	21		21		21		
TOTAL RESERVES	**$(1,282)**	**$969**	**$(313)**	**$1,122**	**$809**		

Wastewater Treatment Fund *continued*

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES ($000)						
Increase net sales	552		552			
Increase interest income	138		138			
Decrease (Increase) reimbursements for CIP costs from State and local agencies	(2,200)		(2,200)	23,300		23,300
TOTAL REVENUE CHANGES	**$(1,510)**	**$0**	**$(1,510)**	**$23,300**	**$0**	**$23,300**
EXPENDITURE CHANGES ($000)						
Salary and Benefits						
Reclassify 1.0 FTE Programmer Analyst to Business Analyst	27		27			
Add 0.07 FTE Senior Administrator for coordination of sustainability and climate action efforts	11		11			
Salary Adjustments	201		201	102		102
Personnel Benefit Costs Increase (Note 1)	533		533	26		26
Total Salary and Benefit Changes	**$772**	**$0**	**$772**	**$128**	**$0**	**$128**
Non-Salary						
Decrease debt service expense	(2)		(2)	(4)		(4)
(Decrease) Increase capital improvement program (Note 2)	(2,723)		(2,723)	22,900		22,900
Increase in plant operations cost (Note 3)	132		132			
Increase operating transfer to General Fund	134		134			
Increase (Decrease) operating transfer to Technology Fund	208		208	(93)		(93)
Allocated Charges Increase (Note 4)	99		99	216		216
Total Non-Salary Changes	**$(2,152)**	**$0**	**$(2,152)**	**$23,019**	**$0**	**$23,019**
TOTAL EXPENDITURE CHANGES	**$(1,380)**	**$0**	**$(1,380)**	**$23,147**	**$0**	**$23,147**

RESOURCE LEVEL NOTES

Note 1: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

Note 2: Net change includes project to replace existing reclaimed water pipe. Projected expenditures for this project are $4.0 million in 2006-07, none in 2007-08, and $9.3 million in 2008-09. Also in 2008-09 is $15.0 million for the disinfection facility improvement program.

Note 3: Increase in plant operations cost includes increases for chemical supplies.

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

COMPREHENSIVE PLAN OVERVIEW

In 2007-09, 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 to pollution levels made by pesticide use and motor vehicle use (N-40). Staff will also implement a Mercury and Dioxin Prevention and Elimination Policy (N-28, N35) and continue efforts to improve the participation of businesses in the Clean Bay Business programs. Ongoing public awareness, collection, and regulatory programs for mercury products will be enhanced by focusing on a larger group of mercury containing devices and pharmaceutical products. Staff will insure that local dentists implement the new mercury reduction ordinance which became effective on March 31, 2005. Recognizing the impact of air pollution on surface water, new program elements will also focus on vehicles and wood burning stoves (Programs N-42 through N-44).

OPERATIONS

To efficiently and effectively operate and maintain the Regional Water Quality Control Plant, ensuring continuous round-the-clock treatment of all wastewater in accordance with State and Federal permits and other environmental regulations.

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	5,942,444	6,284,136	6,840,715	6,945,059
Contract Services	591,429	728,380	824,640	824,640
Supplies and Materials	1,246,949	1,258,800	1,294,900	1,294,900
Facilities and Equipment Purchases	0	26,000	26,000	26,000
General Expense	102,888	99,700	99,700	99,700
Rents and Leases	141	17,500	17,500	17,500
Allocated Charges	2,143,820	2,391,771	2,317,760	2,534,415
Capital Improvement Program	2,260,523	5,321,762	2,600,000	25,500,000
Total Expenditures	**$12,288,194**	**$16,128,049**	**$14,021,215**	**$37,242,214**
Total Revenues	**$1,544,893**	**$3,202,500**	**$1,001,200**	**$24,301,200**
Total Full Time Positions	54.75	54.75	54.75	54.75
Total Temporary Positions	0.33	0.61	1.01	1.01

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Millions of gallons treated	9,863	8,400	8,400
2. Tons of solids incinerated	8,822	8,400	8,400
3. Number of samples analyzed	13,504	10,000	10,000
Efficiency:			
1. Treatment cost in $/MG treated (total O&M cost; exclude CIP)	$1,653	$1,736	$1,782
2. Solids disposal $/ton	$225	$225	$225
3. Number of employees per millions of gallons per day treated	2.18	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	100	80.0	80.0

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,502,530	1,587,060	1,673,127	1,697,081
Contract Services	445,797	1,001,000	987,250	987,250
Supplies and Materials	26,241	21,000	31,950	31,950
Facilities and Equipment Purchases	10	15,000	15,000	15,000
General Expense	10,465	13,950	24,750	24,750
Rents and Leases	0	8,000	0	0
Allocated Charges	36,358	21,131	20,704	21,230
Total Expenditures	**$2,021,401**	**$2,667,141**	**$2,752,781**	**$2,777,261**
Total Revenues	**$0**	**$0**	**$0**	**$0**
Total Full Time Positions	13.70	13.70	13.70	13.70
Total Temporary Positions	0.00	0.15	0.15	0.15

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of industries regulated.	101	101	101
2. Number of permits issued.	33.7	33.7	33.7
3. Number of industrial discharge tests.	13,000	13,000	13,000
Efficiency:			
1. Number of industries regulated per FTE (#/6 FTE)	16.8	16.8	16.8
2. Number of permits issued per FTE (#/6 FTE)	5.6	5.6	5.6
3. Number of industrial discharge tests per FTE (#/6 FTE)	2,166	2,166	2,166
Effectiveness:			
1. Percent of dental offices in compliance	90%	95%	95%
2. Percent of commercial business in compliance.	98%	98%	98%
3. Percent of discharge tests in compliance.	98%	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 several municipalities through the Information Technology Services Provider (ITSP) program. ITSP staff is currently reviewing all of its contracts to ensure that revenues continue to cover expenses in accordance with Council policy.

FUND SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Interest Income	(6,505)	0	0	0	0%	0	0	0%
Other Income	853,803	1,162,370	1,243,170	80,800	7%	1,210,839	(32,331)	(3%)
TOTAL FUND REVENUES	$847,298	$1,162,370	$1,243,170	$80,800	7%	$1,210,839	$(32,331)	(3%)
Information Technology Services	859,536	1,145,211	1,226,405	81,194	7%	1,194,074	(32,331)	(3%)
TOTAL FUND EXPENDITURES	$859,536	$1,145,211	$1,226,405	$81,194	7%	$1,194,074	$(32,331)	(3%)
TO/FROM RESERVES	$(12,238)	$17,159	$16,765	$(394)		$16,765	$0	

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	650,979	793,307	862,641	863,078
Contract Services	83,497	171,887	117,000	117,000
Supplies and Materials	23	11,000	11,000	11,000
General Expense	6,345	9,400	11,400	11,400
Allocated Charges	118,692	134,617	187,985	180,217
Operating Transfers Out	0	25,000	36,379	11,379
Total Expenditures	**$859,536**	**$1,145,211**	**$1,226,405**	**$1,194,074**
Total Full Time Positions	6.00	6.00	5.80	5.80
Total Temporary Positions	0.00	0.00	0.00	0.00

RESERVES ($000)	2007-08 PROJECTED BEGINNING BALANCE	2007-08 CHANGES	2007-08 PROJECTED ENDING BALANCE	2008-09 CHANGES	2008-09 PROJECTED ENDING BALANCE	2007-08 RESERVE GUIDELINE RANGE	2008-09 RESERVE GUIDELINE RANGE
Information Technology RSR	$35	$17	$52	$17	$69	$	$
TOTAL RESERVES	**$35**	**$17**	**$52**	**$17**	**$69**		

CPA External Services *continued*

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES ($000)						
Increase charges for services	81		81	32		32
TOTAL REVENUE CHANGES	**$81**	**$0**	**$81**	**$32**	**$0**	**$32**
EXPENDITURE CHANGES ($000)						
Salary and Benefits						
Salary Adjustments	45		45			
Personnel Benefit Costs Increase (Note 2)	24		24			
Total Salary and Benefits Changes	**$69**	**$0**	**$69**	**$0**	**$0**	**$0**
Non-Salary						
Decrease contract agency personnel	(55)		(55)			
Increase general expenses	2		2			
Increase operating transfer to General Fund	11		11			
Allocated Charges Increase (Decrease)	54		54	(7)		(7)
Total Non-Salary Changes	**$12**	**$0**	**$12**	**$(7)**	**$0**	**$(7)**
TOTAL EXPENDITURE CHANGES	**$81**	**$0**	**$81**	**$(7)**	**$0**	**$(7)**
Adjustments (Note 1)					(25)	(25)
NET EXPENDITURE CHANGES	**$81**	**$0**	**$81**	**$(7)**	**$(25)**	**$(32)**

RESOURCE LEVEL NOTES

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

Note 2: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

INFORMATION TECHNOLOGY

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	650,979	793,307	862,641	863,078
Contract Services	83,497	171,887	117,000	117,000
Supplies and Materials	23	11,000	11,000	11,000
General Expense	6,345	9,400	11,400	11,400
Allocated Charges	118,692	134,617	187,985	180,217
Operating Transfers Out	0	25,000	36,379	11,379
Total Expenditures	**$859,536**	**$1,145,211**	**$1,226,405**	**$1,194,074**
Total Full Time Positions	6.00	6.00	5.80	5.80
Total Temporary Positions	0.00	0.00	0.00	0.00

Cross Departmental Programs

Cross-Departmental Programs

An Overview

Cross-departmental programs (CDPs) 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 CDPs are contained in each department's budget section. These components may consist of a major activity or a subactivity of a major activity. If a department manages a capital improvement program project related to a CDP, then the CIP is referenced in that CDP. A CDP must have the participation of more than two departments. Each department must provide $50,000 or more towards the program. For the 2007-09 Budget, CDPs include:

- Cubberley Community Center
- Development Center Services
- Parking Program
- Special Events
- Traffic Management and Safety
- Emergency Preparedness
- Youth Program
- Environmental Sustainability
- Natural Resource Management

There are two new CDPs in the 2007-09 budget addressing environmental concerns and natural resources management. They are the Environmental Sustainability and the Natural Resource Management CDPs. City Council directed staff to create these CDPs to track the costs associated with these two environmental issues. These CDPs will help to protect the environment and natural resources to improve environmental quality and help protect natural resources for future generations.

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.

The following areas are the City Council's designated Top 4 priorities in 2007-09 and the related CDP(s):

Global Climate Protection

- Environmental Sustainability CDP
- Natural Resource Management CDP

Library Plan/Public Safety Building

- No direct CDP - primarily supported by individual departments: Community Services, Police, Public Works, and Administrative Services Departments

Sustainable Budget

- No direct CDP - supported by all departments

Emergency Planning

- Emergency Preparedness CDP

Cubberley Community Center

To support 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 Community Services, Administrative Services, and Public Works 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. (C-24, C-25, C-26, C-27, C-32, C-19)

CONTRIBUTING DEPARTMENTS

Community Services Department

Part of the Community Services Department's mission is to enhance the vitality of 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. The Department also provides, paving, concrete, signage, parking lot sweeping, and tree-trimming services at the Cubberley site.

PARTICIPATING DEPARTMENTS	2005-06 ACTUAL	2006-07 ESTIMATED	2007-08 ESTIMATED BUDGET	2008-09 ESTIMATED BUDGET
Community Services Department	$1,449,694	$1,554,900	$1,641,525	$1,641,525
Administrative Services Department	73,237	85,285	82,000	82,000
Public Works Department	314,949	314,674	334,540	334,540
Total Expenditures	**$1,837,880**	**$1,954,859**	**$2,058,065**	**$2,058,065**
Total Revenues	**$2,855,006**	**$2,226,500**	**$2,287,500**	**$2,287,500**
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 Mechanical and Electrical Upgrades (PF-04010)

Cubberley Restroom Upgrades (PF-06004)

Cubberley Turf Renovation (PF-07007)

Cubberley Wing I Elevator Upgrade (PF-07001)

Cubberley Parking Lot Maintenance (PF-09003)

Development Center Services

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 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

Planning Department

The Planning and Community Environment Department ensures that improvement and development projects are safe, well-designed, high quality, and design specified.

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.

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's Office provides legal advice to staff, appointed and elected officials regarding the processing of project applications.

PARTICIPATING DEPARTMENTS	2005-06 ACTUAL	2006-07 ESTIMATED	2007-08 ESTIMATED BUDGET	2008-09 ESTIMATED BUDGET
Planning Department	$3,785,726	$4,147,508	$5,416,274	$5,322,603

Development Center Services *continued*

PARTICIPATING DEPARTMENTS	2005-06 ACTUAL	2006-07 ESTIMATED	2007-08 ESTIMATED BUDGET	2008-09 ESTIMATED BUDGET
Fire Department	228,296	228,296	463,196	446,666
Public Works Department	269,392	270,732	405,321	397,657
Total Expenditures	**$4,283,414**	**$4,646,536**	**$6,284,791**	**$6,166,926**
Total Revenues	**$5,697,090**	**$7,090,185**	**$7,317,911**	**$6,672,911**
Full Time Equivalent (FTE) Positions	**27.00**	**28.69**	**25.99**	**25.99**

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 Business Improvement District work will continue on downtown parking issues. The City will evaluate options to ensure maximum use of the parking structures and discourage parking intrusion into adjoining neighborhoods by local business employees. A project is underway to include design and implementation of a comprehensive parking signage plan for the Downtown Palo Alto and California business districts. 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.

Administrative Services Department

The Administrative Services Department processes and records parking payment, 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.

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.

Public Works Department

The Public Works Department support includes providing timely repair and maintenance of the parking structures, including the pavement, concrete, signage, and trees, as well as periodic sweeping.

PARTICIPATING DEPARTMENTS	2005-06 ACTUAL	2006-07 ESTIMATED	2007-08 ESTIMATED BUDGET	2008-09 ESTIMATED BUDGET
Police Department	$1,087,858	$1,167,301	$1,157,409	$1,172,039
Administrative Services Department	309,135	316,336	405,636	412,487

Parking Program *continued*

PARTICIPATING DEPARTMENTS	2005-06 ACTUAL	2006-07 ESTIMATED	2007-08 ESTIMATED BUDGET	2008-09 ESTIMATED BUDGET
Planning Department	38,134	38,325	40,971	41,825
Public Works Department	617,739	678,625	683,224	683,224
Total Expenditures	**$2,052,866**	**$2,200,587**	**$2,287,240**	**$2,309,575**
Total Revenues	**$2,008,319**	**$2,084,949**	**$2,124,212**	**$2,124,212**
Full Time Equivalent (FTE) Positions	**15.72**	**15.72**	**15.72**	**15.72**

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)

Special Events

To support the success of both City and non-City sponsored events and to provide a sufficient 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 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 Children's Parade, the July 4th Summer Festival & Chili Cook-off, Stanford Football Games, Palo Alto Black & White Ball, Moonlight Run, and Palo Alto Celebrates the Arts. The City's Special Events Team, comprised of staff from various departments, coordinates the implementation 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. (Goals C-1, C-2, Policies C-7, C-8, and C-9)

CONTRIBUTING DEPARTMENTS

Community Services Department

The Community Services Department's role is to coordinate, produce, and market City Special Events for and to the community.

Police Department

The Police Department's role is 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 contributions to the Special Events Cross Departmental Program.

PARTICIPATING DEPARTMENTS	2005-06 ACTUAL	2006-07 ESTIMATED	2007-08 ESTIMATED BUDGET	2008-09 ESTIMATED BUDGET
Community Services Department	$96,380	$113,317	$93,384	$91,525
Police Department	173,771	176,277	182,255	186,413
Total Expenditures	**$270,151**	**$289,594**	**$275,639**	**$277,938**
Total Revenues	**$61,524**	**$63,500**	**$63,500**	**$63,500**
Full Time Equivalent (FTE) Positions	**1.48**	**1.00**	**1.00**	**1.00**

Traffic Management and Safety

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OVERVIEW

In 2007-09, the Department of Planning and Community Environment will focus on completing neighborhood traffic calming projects while refocusing on school commute corridors. The one-year trial of the College Terrace traffic calming project will be evaluated in December 2007. The two-year trial of Phase 1 of the Charleston/Arastradero Corridor project on Charleston Road will end with an evaluation for Council review in Spring 2008. Planning and Public Works staff will design the Phase 2 improvements along Arastradero Road from El Camino Real to Gunn High School, which will be installed in Summer 2008. The Planning Department will continue to focus on safe routes to school and the Bicycle Transportation Plan, including the implementation and evaluation of the Maybell/Donald bike boulevard project and design of the El Camino Real/Stanford Avenue streetscape and intersection improvements project.

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 use of State funds, the Department will continue participating in various programs for reducing the number of victims killed and injured in alcohol-related motor vehicle accidents. In cooperation with the City Attorney, the Department will develop and enforce a Juvenile Party ordinance, whereby parents hosting a party or providing alcohol to a group of underage youth would receive fines.

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 installs and maintains 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	2005-06 ACTUAL	2006-07 ESTIMATED	2007-08 ESTIMATED BUDGET	2008-09 ESTIMATED BUDGET
Planning Department	$1,528,925	$1,260,069	$1,308,012	$1,270,043
Police Department	1,430,928	1,517,506	1,809,776	1,792,883
Public Works Department	607,504	575,248	910,599	910,599
Utilities Department	1,057,098	858,372	732,063	730,646
Total Expenditures	**$4,624,455**	**$4,211,195**	**$4,760,450**	**$4,704,171**
Total Revenues	**$930,797**	**$626,546**	**$968,366**	**$968,366**
Full Time Equivalent (FTE) Positions	**25.79**	**26.02**	**23.32**	**23.32**

CIP INFORMATION

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

Safe Routes to School (PL-00026)

Traffic Signals Upgrade (PL-05030)

Adobe Creek Bike Bridge Replacement (PL-06001)

Bicycle Boulevards Project (PL-04010)

College Terrace Traffic Calming (PL-05003)

Page Mill/Hanover Intersection Improvements (PE-99023)

Charleston/Arastradero Corridor Project (PL-05002)

El Camino Real/Ventura Traffic Signal (PL-02005)

El Camino Real/Stanford Avenue Streetscape and Intersection Improvements (PL-07002)

Youth Program

To provide youth with safe, healthy, and positive experiences that support their personal growth through the enhancement of their interests, knowledge, skills, values, and social behavior.

OVERVIEW

The City's Youth Program includes elements of the Youth Master Plan. Among the core values that drive youth services are public safety, diversity of experience, lifelong learning, fun, and healthy living. The City's goal is to engage all youth in building a strong and healthy community in Palo Alto.

In addition to City youth programs, the City also collaborates with the Palo Alto Unified School District (PAUSD) to provide services for youth. The collaboration is aimed at providing complementary services while eliminating duplication. Collaborative services include after school activities, camps, field maintenance, tutoring, and public safety.

At present, City staff has no accurate means to segregate youth programs or services by age group; therefore this program reports 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 Open Space Division has an ongoing collaborative relationship with Palo Alto Unified School District in cooperative cost sharing for athletic field maintenance and use. (C-1, C-4)

The Youth Master Plan continues to be implemented according to its goals and action steps. (C-1, C-7, C-18)

The Library Department and the Community Services Department, through its Recreation and Golf Division, will continue to develop after-school and evening programs for children and youth at locations including the Mitchell Park Library and adjacent Community Center. The Arts and Sciences Division of the Community Services Department also offers after-school programs at the Art Center, Children's Theatre, and PAUSD schools. (C-18)

The Library Department will continue to seek opportunities to work with PAUSD and provide quality library service to the youth in the community. The Department's School Liaison Librarian will continue to collaborate with school librarians, teachers, and principals in Palo Alto schools to support the educational development of students and educate them about City library services. (C-1, C-5)

After nearly two years of renovation, an expanded and upgraded Children's Library will reopen in September 2007. (C-19)

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 will continue 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 theatre, 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 experiences for youth.

Library Department

The Library Department provides youth with access to quality collections, information service, technology, and learning opportunities.

Police Department

As part of the Police Department's efforts to reach out to the youth of our community to develop stronger relationships, a new Student Police Academy has been created. The academy acquaints young people with the objectives of the Department and allows students to gain a more in-depth and personal understanding of law enforcement.

The Police Department also provides school crossing guard services at 28 locations, traffic safety enforcement and educational efforts in and around schools, proactive intervention on issues involving youth associated with both criminal and non-criminal activity on school campuses, and assistance in educational activities. These activities also enhance relations between youth and the police.

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	2005-06 ACTUAL	2006-07 ESTIMATED	2007-08 ESTIMATED BUDGET	2008-09 ESTIMATED BUDGET
Community Services Department	$8,483,803	$8,893,779	$8,868,779	$8,868,779
Library Department	935,000	950,000	1,110,000	1,130,000
Police Department	546,002	603,926	615,096	632,820
Total Expenditures	**$9,964,805**	**$10,447,705**	**$10,593,875**	**$10,631,599**
Total Revenues	**$2,965,944**	**$3,002,183**	**$3,179,783**	**$3,204,783**
Full Time Equivalent (FTE) Positions	**64.70**	**64.20**	**65.20**	**65.20**

CIP INFORMATION

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

Bicycle Boulevards Implementation Project (PL-04010)

Children's Theatre Improvements (PF-09000)

Cubberley Turf Renovation (PE-07007)

Greer Park Phase IV (PE-09002)

Library: College Terrace Library Improvements (PE-05010)

Library: Main Library Improvements (PF-07010)

Park Restroom Installation (PE-06007)

Youth Program *continued*

Peers Park Improvements (PE-08002)

Rinconada Park Improvements (PE-08001)

Safe Routes to School (PL-00026)

School Playing Field Irrigation (PG-98001)

Tennis and Basketball Court Resurfacing (PG-06001)

Emergency Preparedness

To protect life, property, and the environment from natural and man-made disasters through pre-planning, training, rapid emergency response, and public safety education.

OVERVIEW

City departments will continue to work together in efforts to refine the City-wide approach to emergency preparedness. The Emergency Preparedness Steering Committee comprised of department heads and representatives of the Palo Alto Unified School District will be chaired by the Fire Chief for 2007-08 and will ensure that all departments coordinate emergency training and response activities. Citizen Corps Council meetings will provide a forum for community, governmental, and business organizations to review plans and improve the City's emergency preparedness. The Mayor's Red Ribbon Task Force (RRTF) was established to create a public and private partnership for disaster preparedness and recovery in the case of a major disaster.

The City's Emergency Preparedness Working Group will conduct a disaster training scenario including 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. This group will ensure that Council members receive the emergency-preparedness training required for policy makers.

The Fire Department will also conduct cross-departmental training involving Police, Public Works, and Utilities line personnel. The training will include Incident Command System (ICS), confined space awareness, confined space entry and rescue, tunnel rescue, cardio-pulmonary resuscitation (CPR) certification, and the permitting process. Additionally, the Fire Department will continue to work with the Police Department to provide incident command, unified command and hazardous materials training to ensure first-responder skills for natural and man-made disasters including terrorism.

The Police Department will additionally conduct simulation-training exercises to enhance officers' skills in the use of new equipment and in the initial response to weapons of mass destruction and terrorist events.

Through the use of homeland security grants the City is participating in the Silicon Valley Regional Interoperability Project. A First Responder Mobile Command Vehicle (CIP Project PD-07000) will provide self-contained, self supporting command and communications at natural and man-made disaster or police-critical incident events.

COMPREHENSIVE PLAN OVERVIEW

Departments will work with PAUSD, neighborhoods, and civic organizations to plan for various disaster scenarios. (G-10). Regionalized communications with other public safety agencies will be enhanced through the implementation of a new county-wide radio interoperability system. (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.

Public Works Department

Emergency preparedness for the Public Works Department Street Maintenance Section involves the planning and

preparation of exercises where multiple departments are involved. During actual emergencies, Public Works staff will provide street closures, if needed, and a number of other support activities.

Fire Department

The Fire Department is responsible for implementing and providing training to City employees on the National Incident Management System, and terrorism awareness to City first responders. The Fire Department is also responsible for the maintenance of the Emergency Operations Center. The EOC is utilized to provide training to the City's EOC responders develops and updates the Emergency Management Plan and coordinates its efforts with other community agencies.

The Fire Department is responsible for updating the Emergency Operations Plan and maintains an informational website for preparedness for disaster including fires, earthquakes, 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 also provides disaster preparedness public education to residents and businesses, and coordinates preparedness and response activities with other local jurisdictions, the Operational Area, and California State Office of Emergency Services and participates in various local and regional emergency management committees and organizations.

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 during emergencies.

Other Department

The City Manager will chair the Red RibbonTask Force and 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	2005-06 ACTUAL	2006-07 ESTIMATED	2007-08 ESTIMATED BUDGET	2008-09 ESTIMATED BUDGET
Police Department	$312,617	$341,996	$360,256	$351,854
Public Works Department	64,311	65,566	196,699	196,699
Fire Department	458,927	472,695	486,876	501,482
Utilities Department	61,392	63,825	69,839	69,246
Total Expenditures	**$897,247**	**$944,082**	**$1,113,670**	**$1,119,281**
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:

Water System Portable Emergency Generators (WS-07004)

Emergency Water Supply Project (WS-08002)

Emergency Preparedness *continued*

Radio Infrastructure Replacement (TE-05000)

IT Disaster Recovery Plan (TE-01012)

Fire Radio Communications Equipment (TE-08003)

Fire Mobile Data Computer (TE-08004)

Mobile Command Vehicle (PD-07000)

Public Safety Building (PE-98020)

Seismic Water Tank Valve (WS-09000)

Environmental Sustainability

To support and leverage the activities of City Departments and of the City's private-sector partners to reduce emissions of greenhouse gases, enhance environmental sustainability, and improve the environmental quality for residents.

OVERVIEW

The City is engaged in an array of sustainability activities. These include staff participation in the Green Ribbon Task Force, encouraging energy efficiency, and reducing waste generated by the City. The Environmental Sustainability Steering Committee (ESSC), comprised of staff from many departments, coordinates the planning of sustainability projects.

COMPREHENSIVE PLAN OVERVIEW

The coordinating departments will continue to develop new sustainability projects in concert with City government, residents, and volunteers.

CONTRIBUTING DEPARTMENTS

Utilities Department

The Utilities Department enhances environmental sustainability by promoting energy efficiency in City facilities and Palo Alto residences and businesses. The Utility provides incentives for customers to install on-site solar energy systems and ultra-clean distributed cogeneration, thereby increasing the use of clean renewable resources. Our Public Benefits programs assist low-income customers and supports programs that reduce environmental impacts of energy and water use. The City's voluntary green power program, PaloAltoGreen, maintains the number one ranking for customer participation, with better than one out of every six customers purchasing energy from wind and solar power. Palo Alto became the first City in California to be designated a Green Power Community by the US Environmental Protection Agency.

Administrative Services Department

The Administrative Services Department coordinates the actions of other departments through the Environmental Sustainability Steering Committee which the Department Chairs. Serving as the purchasing agent for the City, ASD is also directly involved in enhancing and expanding the range of environmentally sustainable products which the City procures. The Department is also involved in assessing the risks of global climate protection on the City's energy portfolio, and assisting Utility staff to maximize the amount of renewable power the City purchases.

City Manager's Office

The City Manager's Office provides leadership to the Environmental Stewardship Steering Committee and various environmental initiatives. The Manager's Office will also be devoting significant resources over the next fiscal year towards developing an implementation plan for the Green Ribbon Task Force recommendations.

Community Services Department

Community Services offers classes, programs, and nature hikes to teach children and adults a broad range of environmental and natural resource appreciation topics. Parks and Open Space staff use non-chemical methods of weed control in compliance with the City's Integrated Pest Management program. Sustainable practices have been integrated into the operation of the golf course, park maintenance, and open space operations. The Department partners with

numerous agencies and organizations to plant trees in open space areas, preserve habitat, and protect creek corridors.

Fire Department

The Fire Department is involved in collaborative efforts with industry to reduce hazardous materials quantities and to switch to less hazardous materials; spill investigations and enforcement; and ongoing hazardous materials' facility compliance inspections. It is also a participant in the Santa Clara County Green Business Certification Program.

Public Works Department

The Public Works Department is focused on increasing the level of recycling and promoting a zero-waste objective. Public Works plans, develops, and produces public outreach programs and materials in order to reduce stormwater and wastewater pollution to the Bay; reports pesticide usage and develops pollutant reduction opportunities; strives to obtain alternatively-fueled fleet vehicles wherever practical; provides alternative fueling stations (CNG, electric, etc.); and incorporates green building/ sustainability elements in existing and new City buildings. Facilities staff will continue to utilize green products during building maintenance procedures.

Planning Department

The Planning Department serves as the nexus of activities promoting "green" building planning as well as improving public transportation.

PARTICIPATING DEPARTMENTS	2005-06 ACTUAL	2006-07 ESTIMATED	2007-08 ESTIMATED BUDGET	2008-09 ESTIMATED BUDGET
Utilities Department	$N/A	$N/A	$7,085,443	$7,149,573
Administrative Services Department	N/A	N/A	62,511	62,511
City Manager's Office	N/A	N/A	129,218	129,218
Community Services Department	N/A	N/A	179,726	179,726
Fire Department	N/A	N/A	490,838	490,838
Planning and Community Environment Department	N/A	N/A	190,186	195,087
Public Works Department	N/A	N/A	2,066,481	2,066,481
Total Expenditures	**$N/A**	**$N/A**	**$10,204,403**	**$10,273,434**
Full Time Equivalent (FTE) Positions	**0.00**	**0.00**	**18.05**	**16.35**

CIP INFORMATION

The following Capital Improvement Programs (CIP) are related to this cross departmental program:

Mitchell Park Library & Community Center (PE-07011)

College Terrace Library (PE-05010)

Innovative Storm Drain Improvements (SD-06105)

Boulware Park (PE-07006)

Ramos Park (PE-07003)

El Camino PAMF Medians (PE-01012)

Environmental Sustainability *continued*

Greer Park Phase IV (PE-09002)

Street Maintenance (PE-86070)

Public Safety Building (PE-98020)

Children's Library (PE-04010)

Photovoltaic Demonstration Project (PE-05001)

Sludge Ash Processing and Beneficial Use (WQ-06013)

Disinfection Facility Improvement Program (WQ-06014)

Replace Existing Reclaimed Water Pipe (WQ-04010)

Diesel Truck Engine Emissions Retrofits (VR-07002)

Vehicle Refueling Facility (VR-01001)

Scheduled Vehicle and Equipment Replacements (VR-08000;VR-09000)

Civic Center Infrastructure Improvements (PF-01002)

Cubberley Mechanical and Electrical Upgrades (PF-04010)

Natural Resource Management

To preserve and conserve the natural resources of Palo Alto and to sustain habitat for plants and wildlife so these precious resources may be enjoyed by future generations.

OVERVIEW

The City owns and manages more than 4,000 acres of open space and park land. Providing stewardship to sustain the viability of these natural resources is critical for habitat protection, wildland fire control, flood control, global climate protection as well as to protect park land for recreational enjoyment. The City manages its natural resources through the coordination of habitat restoration projects, the control of invasive weeds, the strategic prevention of wildland fires, the management of the flood control tidal basin, the protection of the City's urban forest, the control of toxic contamination of land and water, and the prudent use of water resources.

COMPREHENSIVE PLAN OVERVIEW

The coordinating departments will continue to partner with public and private agencies to protect and enhance natural resources in support of the Natural Environment section of the Comprehensive Plan. The departments will leverage City resources through the solicitation of grants, the effective use of volunteers, and the use of best management practices in conservation. The City will seek to engage the public in the accomplishment of program objectives. Program goals will be communicated to the public through interpretive programs and environmental classes, camps, and workshops.

CONTRIBUTING DEPARTMENTS

Community Services Department

The Open Space and Parks Division coordinates restoration projects with park rangers and partner organizations. Invasive, non-native weeds are controlled through goat grazing, systematic mowing, and natural controls. Rangers provide protection against wildland fires through the clearing of dead trees and fire break maintenance. Oak trees are systematically planted in open space areas to restore oak woodlands. The Division is in the process of restoring a 1,100-foot reach of Arastradero Creek with native plants. Nature programs and guided hikes help to promote environmental stewardship of natural resources. The Division is in the process of creating a comprehensive Baylands Conservation Plan that will outline strategies for protection and restoration of habitat areas. Grants are actively sought for a myriad of restoration projects.

Planning Department

The Planning Arborist of the Planning Department helps to protect trees on City-owned and private property. This function helps to promote the planting of trees to enlarge the City's urban forest. The arborist also provides epidemic and invasive risk management for tree threats and diseases. Through careful application review, the Department also enforces zoning regulations to avoid environmental impacts, and to protect hillsides and open space areas from inappropriate development.

Police Department

The Animal Control Division protects wildlife through the control of dogs, by providing contracted wildlife rescue services, and by relocating nuisance wildlife to suitable non-residential areas. The Division also provides educational information on coexisting with wildlife in an urban setting.

Natural Resource Management *continued*

Fire Department

The Fire Department will coordinate efforts to protect open space areas through the management of fire breaks in the foothills and through coordination with the California Department of Forestry. Classes for staff and the public will be offered to promote better understanding of wildland fire threats. The Department's response to toxic spills and other accidents helps to protect open space areas from contamination. The Department conducts fire safety inspections at all residences in the foothills to minimize fire danger from growth and accumulation of weeds, brush, and other combustible materials.

Public Works Department

The Public Works Department promotes the use of reclaimed water to enhance natural habits. Treated water from the Regional Water Quality Control Plant is used to provide habitat for waterfowl at the Emily Renzel wetlands and the Duck Pond. The Department implements a broad range of pollution prevention and creek protection programs to insure the highest water quality possible in Palo Alto's creeks, wetlands, and bay waters. Educational materials and programs are provided to the public on a wide array of environmental protection topics. City trees are maintained and new ones are planted to provide habitat for numerous species. City facilities of all types are constructed and maintained in ways that respect, preserve, and enhance natural habitats. Installing decomposed granite pathways, recycled plastic benches, drought tolerant native plant material, reuse and recycling of unwanted materials is maximized to insure the preservation of as much of the natural environment as possible.

City Manager's Office

The City Manager's Office will lead efforts to develop a comprehensive urban forest master plan to sustain, protect, and enlarge the City's urban forest.

PARTICIPATING DEPARTMENTS	2005-06 ACTUAL	2006-07 ESTIMATED	2007-08 ESTIMATED BUDGET	2008-09 ESTIMATED BUDGET
Community Services Department	$N/A	$N/A	$192,350	$192,350
Planning Department	N/A	N/A	133,076	133,076
Fire Department	N/A	N/A	340,913	340,913
Police Department *	N/A	N/A	62,353	63,580
Public Works Department	N/A	N/A	2,092,695	2,092,695
City Manager's Office	N/A	N/A	24,293	24,293
Total Expenditures	**$N/A**	**$N/A**	**$2,845,680**	**$2,846,907**
Total Revenues	**$N/A**	**$N/A**	**$17,612**	**$17,612**
Full Time Equivalent (FTE) Positions	**N/A**	**N/A**	**8.75**	**8.75**

* In lieu rent for the wildlife rescue that Cubberley does not recognize is included.

CIP INFORMATION

City Parks Improvements (PE-06010) maintains turf and landscaped areas. Native plants that support birds and butterflies will be incorporated into planting designs where practical.

Foothills Park Road Improvements (OS-07000) will provide controls for vehicles to ensure that vehicles do not damage or disturb natural areas.

Open Space Trails and Amenities (OS-00001) will provide maintenance of trail tread surfaces to reduce soil erosion. Some trails will be rerouted away from environmentally sensitive areas.

Open Space Lakes and Ponds (OS-00002) rehabilitates lakes and ponds in open space areas to protect wildlife habitat and recreational safety. Work includes removal of pond weeds and cattails in order to provide viable habitat for fish and birds.

Special Revenue Funds

Special Revenue Funds

An Overview

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

Community Development Funds

Revenue in this fund comes from development impact fees for parks, community centers, and libraries. The development impact fees collected from new developments provides funding for the City's infrastructure related to parks, community centers, libraries, and the Charleston-Arastradero Corridor. The projected revenue for the development impact fees is $0.7 million for 2007-08 and $0.7 million for 2008-09.

Street Improvement Funds (SIF)

Revenue in this fund comes from the state gas tax and from federal and state grants earmarked for street improvements. The SIF provides funds for transportation and traffic-related capital projects. Based on projected gas tax revenues and interest income, revenues are estimated to be $1.14 million for 2007-08 and $1.14 million for 2008-09.

Federal and State Revenue Funds

Revenue in this fund comes from the state gas tax and from federal and state grants earmarked for street improvements. The SIF provides funds for transportation and traffic-related capital projects. Based on projected gas tax revenues and interest income, revenues are estimated to be $1.14 million for 2007-08 and $1.14 million for 2008-09.

Housing In-lieu Funds

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

Special Districts Funds

Revenue in this fund comes from parking permits and is used for maintenance of parking facilities within the University and California Avenue business districts. The parking permit fees for the parking facilities within the University Avenue business district are increasing in 2007-08 due to increases in operating and maintenance expense.

Traffic Mitigation and Parking In-Lieu Funds

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

Public Benefit Funds

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

Downtown Business Improvement District (BID)

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

The BID surveyed its member businesses to determine what its priorities should be. The top two priorities identified were street cleanliness and issues related to the homeless in the downtown area. In response to these issues, the Palo Alto Business and Professional Association (which operates the BID under contract with the City) has initiated the Downtown Streets Team, a national model, empowering the homeless to care for the streets and take responsibility for cleanliness of the area. In addition, twice a year there is a marketing effort for restaurants, Dine Downtown, providing a fixed price menu for dining. The Palo Alto Business and Professional Association will continue to operate the Downtown Palo Alto BID for 2007-08.

2007-08 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		1,135							1,135
Federal and State Grants			712						712
Parking Permit/In-Lieu Fees				400	1,044	480			1,924
Development Impact Fees	635								635
Interest Income	79	18	15	125	38	68	25	4	370
Operating Transfers			5						5
Other Revenue			47	384					431
Business Improvement District (BID) Special Assessment								160	160
Total Source of Funds	**$714**	**$1,153**	**$779**	**$909**	**$1,082**	**$548**	**$25**	**$164**	**$5,372**
EXPENDITURES									
CDBG Project Expenditures			676						676
CDBG Administration Cost Recovery			162						162
Planning / Public Works Department Transfer for Street Improvement Cost Recovery		292							292
Community Development Funds CIP Transfer	620								620
Charleston-Arastradero Funds CIP Transfer	82								82
Street Improvement Fund CIP Transfer		1,170							1,170
Parking Facilities Debt Service Transfer					80				80
Parking Garage Maintenance/ Operations Transfer to General Fund					1,002				1,002
Parking Lot Sweeping Transfer to Refuse Fund					115				115
CDBG Projects Transfer from HIP Revenues			5						5

2007-08 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				125					125
BMR Loan Program				300					300
Residential Housing In-Lieu				370					370
Commercial Housing In-Lieu				100					100
Senior Services Grant							59		59
BID Operating Expense								160	160
Total Use of Funds	**$702**	**$1,462**	**$843**	**$895**	**$1,197**	**$0**	**$59**	**$160**	**$5,319**
NET TO (FROM) RESERVES	**$12**	**$(310)**	**$(65)**	**$14**	**$(114)**	**$548**	**$(35)**	**$4**	**$53**

2008-09 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		1,135							1,135
Federal and State Grants			712						712
Parking Permit/In-Lieu Fees				400	1,044	480			1,924
Development Impact Fees	635								635
Interest Income	79	18	15	125	38	68	25	4	370
Operating Transfers			5						5
Other Revenue			47	384					431
Business Improvement District (BID) Special Assessment								160	160
Total Source of Funds	**$714**	**$1,153**	**$779**	**$909**	**$1,082**	**$548**	**$25**	**$164**	**$5,372**
EXPENDITURES									
CDBG Project Expenditures			676						676
CDBG Administration Cost Recovery			169						169
Planning / Public Works Department Transfer for Street Improvement Cost Recovery		292							292
Community Development Funds CIP Transfer	320								320
Charleston-Arastradero Funds CIP Transfer	82								82
Street Improvement Fund CIP Transfer		1,170							1,170
Parking Facilities Debt Service Transfer					80				80
Parking Garage Maintenance/ Operations Transfer to General Fund					1,009				1,009
Parking Lot Sweeping Transfer to Refuse Fund					116				116
CDBG Projects Transfer from HIP Revenues			5						5

2008-09 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				125					125
BMR Loan Program				300					300
Residential Housing In-Lieu				320					320
Commercial Housing In-Lieu				100					100
Senior Services Grant							59		59
BID Operating Expense								160	160
Total Use of Funds	**$402**	**$1,462**	**$850**	**$845**	**$1,206**	**$0**	**$59**	**$160**	**$4,985**
NET TO (FROM) RESERVES	**$312**	**$(310)**	**$(72)**	**$64**	**$(124)**	**$548**	**$(35)**	**$4**	**$387**

CONSOLIDATED SPECIAL REVENUE FUNDS

($000)	2005-06 Actual	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
REVENUES						
Gas Tax	1,132	1,125	1,135	10	1,135	0
Federal and State Grants	107	371	0	(371)	0	0
Federal CDBG	1,405	821	712	(109)	712	0
Housing In-Lieu	112	400	400	0	400	0
Traffic Mitigation Fees	28	200	282	82	282	0
Developer Impact Fees	628	553	553	0	553	0
Parking Mitigation Fees	857	874	1,044	170	1,044	0
BID Assessment	137	154	160	6	160	0
Interest Income	411	347	370	24	370	0
Other Revenue	13	1,181	711	(470)	711	0
Subtotal Revenues	**$4,828**	**$6,025**	**$5,367**	**$(658)**	**$5,367**	**$0**
OPERATING TRANSFERS FROM:						
Housing Improvement	10	35	5	(30)	5	0
Subtotal Operating Transfers In	**$10**	**$35**	**$5**	**$(30)**	**$5**	**$0**
TOTAL SOURCE OF FUNDS	**$4,838**	**$6,060**	**$5,372**	**$(688)**	**$5,372**	**$0**
EXPENSES						
General Expense	1,220	3,137	1,953	(1,184)	1,910	(43)
OPERATING TRANSFERS TO:						
General Fund	1,078	1,198	1,294	97	1,302	7
CDBG	260	35	5	(30)	5	0
Debt Service	80	80	80	0	80	0
CIP	2,198	1,523	1,872	349	1,572	(300)
Refuse	198	116	115	(1)	116	2
Subtotal Operating Transfers	**$3,814**	**$2,951**	**$3,366**	**$414**	**$3,075**	**$(291)**
TOTAL USE OF FUNDS	**$5,034**	**$6,089**	**$5,319**	**$(770)**	**$4,985**	**$(334)**
Net to (from) Reserves	**$(196)**	**$(28)**	**$53**	**$82**	**$387**	**$334**

2007-08 COMMUNITY DEVELOPMENT BLOCK GRANT FUND

	2006-07 Adopted Budget	2007-08 Agency Requests	2007-08 Adopted Budget
SOURCE OF FUNDS			
Housing & Urban Development	711,680		712,032
Prior Year Excess/Reallocation (1)	239,104		43,492
Program Income			
Housing Improvement Program	35,000		5,000
Palo Alto Housing Corporation	10,000		40,000
TOTAL SOURCE OF FUNDS	**$995,784**	**$0**	**$800,524**
USE OF FUNDS			
Public Service			
Emergency Housing Consortium - Palo Alto HOMES project	7,760	10,000	7,500
Emergency Housing Consortium - Off the Streets project	0	15,000	7,500
Palo Alto Housing Corporation - SRO Resident Support Services	20,270	39,254	25,000
Catholic Charities - Long-Term Care Ombudsman	5,800	7,800	7,500
Catholic Charities - Housing Search Services	0	20,000	0
Shelter Network - Haven Family House	16,375	30,000	8,500
Clara Mateo Alliance - Single/Couple Shelter	18,322	35,000	17,500
Clara Mateo Alliance - Family Shelter	18,725	25,000	17,500
Urban Ministry - Drop in Center	21,250	30,000	30,000
Peninsula Association for Retarded Children & Adults	0	10,000	application withdrawn
Day Worker Center of Mountain View - Day Worker Center	0	15,000	0
Mid-Peninsula Alano Club - MPAC Operations	5,000	10,000	0
Subtotal: Public Service (2)	**$113,502**	**$247,054**	**$121,000**
Planning and Administration			
City of Palo Alto - CDBG Administration includes 1.20 FTE CDBG Administrative Staff	124,536	178,000	124,536
Fair Housing - Project Sentinel	26,800	26,800	26,800
Subtotal: Planning and Administration (2)	**$151,336**	**$204,800**	**$151,336**

2007-08 Community Development Block Grant Fund *continued*

	2006-07 Adopted Budget	2007-08 Agency Requests	2007-08 Adopted Budget
Housing, Economic Development & Capital Projects			
Eden Housing/Community Housing Alliance	0	500,000	0
Economic and Social Opportunities	63,300	60,000	0
Stevenson House - Interior Common Area Renovation	0	159,506	144,259
Stevenson House - Windows/Doors	370,000		
Stevenson House - Senior Housing - Fire Alarm Upgrades	47,646		
Community Working Group- Alma Garden Apartments Acquisition	250,000		
Bridge Housing- Fabian Way Senior Housing	0	383,929	383,929
Lytton Gardens- New Shower Enclosures	0	103,300	0
Subtotal: Housing, Economic Development & Capital Projects (2)	**$730,946**	**$1,206,735**	**$528,188**
TOTAL USE OF FUNDS	**$995,784**	**$1,658,589**	**$800,524**

(1) Funds received in excess of revenue estimate for local program income (2006-07 and prior)

(2) The funding will be made at the three primary program activity levels

2007-08 Community Development Block Grant Fund *continued*

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, structural improvements to the Civic Center, and for the new commercial building adjacent to lots S and L parking structure on Bryant and Florence. The estimated General debt service expense is $1.2 million for 2007-08 and $1.2 million for 2008-09.

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

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

General Fund Debt Service

	1998 Golf Course COP	Series 2002 A (Tax Exempt)	Series 2002B (Taxable)
Issued Date	Feb. 1999	Jan. 2002	Jan. 2002
Principal Issued	$7,750,000	$3,500,000	$2,674,048
Annual Debt Service Payment	$559,795	$421,255	$234,960
Final Payment Date	Sep. 2018	Mar. 2012	Mar. 2022
Estimated Debt Outstanding as of 7/1/2007	$5,075,000	$1,890,000	$2,210,000
Total Interest over life of Debt	**$4,183,244**	**$726,625**	**$2,243,950**

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

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

The 2002B Downtown Parking Improvement Project COPS was also issued in January 2002 to fund the construction of a two-story, above-ground structure as an

extension to the new parking garage on lots S and L. In January 2005, the City established an escrow account to partially defease the Series 2002B COPS. The original principal issued was $3,555,000. The table above reflects the new principal outstanding of $2,674,048. The defeasance resulted in an overall debt service savings of $1,511,000 and an economic gain of $462,000.

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

City of Palo Alto Debt Policy

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

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

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.

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

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

- Capital leases may be considered for purchases of large pieces of equipment

Legal Debt Limit

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

Based upon the assessed valuation of $16.3 billion for the fiscal year ending June 30, 2006, the City is limited to general obligation indebtedness of $.6 billion. As of June 30, 2006, the amount of debt applicable to the debt limit totaled $0.

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GENERAL DEBT SERVICE FUND SUMMARY

($000)	2005-06 Actual	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
REVENUES						
Other - Interest	64	43	54	11	54	0
Subtotal Revenues	**$64**	**$43**	**$54**	**$11**	**$54**	**$0**
GENERAL FUND OPERATING TRANSFERS						
Golf Course Corporation	529	525	528	2	523	(4)
Public Improvement Corp. (Civic Center)	340	338	329	(9)	332	3
Parking 2002B COPS Taxable	233	230	226	(4)	226	0
University Avenue Permit Fund Transfer	80	80	80	0	80	0
Subtotal Operating Transfers In	**$1,182**	**$1,172**	**$1,162**	**$(10)**	**$1,161**	**$(1)**
TOTAL SOURCE OF FUNDS	**$1,246**	**$1,215**	**$1,216**	**$1**	**$1,215**	**$(1)**
EXPENSES						
Debt Service:						
Golf Course Corporation - Principal	295	310	325	15	335	10
Golf Course Corporation - Interest	261	248	235	(13)	221	(14)
Public Improvement Corporation - Principal	330	340	350	10	365	15
Public Improvement Corporation - Interest	92	82	71	(11)	59	(12)
Parking 2002B COPS Taxable - Principal	85	90	95	5	100	5
Parking 2002B COPS Taxable - Interest	149	145	140	(5)	135	(5)
TOTAL USE OF FUNDS	**$1,211**	**$1,215**	**$1,216**	**$1**	**$1,215**	**$(1)**
Net to (from) Reserves	**$34**	**$0**	**$0**	**$0**	**$0**	**$0**

SPECIAL ASSESSMENT DEBT SERVICE FUND SUMMARY

($000)	2005-06 Actual	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
REVENUES						
Special Assessments	130	123	119	(3)	0	(119)
TOTAL SOURCE OF FUNDS	**$130**	**$123**	**$119**	**$(3)**	**$0**	**$(119)**
EXPENSES						
Debt Service	121	123	119	(3)	0	(119)
TOTAL USE OF FUNDS	**$121**	**$123**	**$119**	**$(3)**	**$0**	**$(119)**
Net to (from) Reserves	**$10**	**$0**	**$0**	**$0**	**$0**	**$0**

Internal Service Funds

Internal Service Funds

An Overview

Internal Service Funds provide services to City departments and recover their costs through user charges. These user charges are included in the department/fund budgets under the “allocated charges” expenditure category and do not represent additional expenditure to the City's operating budgets.

Vehicle Replacement and Maintenance Fund

The Vehicle Replacement and Maintenance Fund provides maintenance and replacement of vehicles and equipment used by all City departments. In 2007-09, this fund will continue to focus on its core activities -- vehicle and equipment replacement, preventive maintenance, repairs, and fueling - and on improving service to client departments. In 2007-08, fund balance is projected to be $0.5 million.

Technology Fund

This fund manages citywide Information Technology (IT) activities. The fund continues to maintain critical desktop, software, and infrastructure replacements and maintenance activities. The Enterprise Funds are now full participants in this fund as their technology systems become further integrated into the citywide technology infrastructure. Staff continues to enhance the functionality in the SAP general ledger, project management system, and Human Resources module. The focus for 2007-08 will be to upgrade to the Enterprise version of SAP and migrate the Utilities Customer Information System (billing) to SAP. The 2007-08 fund balance is projected to be $3.8 million.

Printing and Mailing Services Fund

The Printing and Mailing Services Fund provides central duplicating and printing and mailing services for all City departments. In 2007-08, staff will focus on implementing business management software for the Print Shop, enhancing customer service, and replacing the outdated analog mailing system with state-of-the-art digital technology to increase production and add processing functionality. The 2007-08 fund balance is projected to be $0.4 million.

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 15 percent to $47 million in 2007-08, primarily due to retiree medical as required by Governmental Accounting Standards Board (GASB 45), 2.7 percent at 55 pension

plan, and a reserve for year-end liability charges. The cost of the pension plan is offset by employee contributions and long-term savings which limits the most expensive employee health care plan.

Staff continues to examine ways to control citywide benefit and insurance costs. The 2007-08 fund balance is projected to be $3.7 million.

Retiree Health Benefits Fund

This fund manages the payments associated with, and reserves dedicated to, medical benefits granted to retired employees of the City. The 2007-08 fund balance is projected to be $26.5 million.

2007-08 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	6,011	9,047	1,366	38,207	6,895	61,524
Interest Income	220	592	24	1,664	0	2,500
Other Revenue	379	3,145	2	480	0	4,006
TOTAL SOURCE OF FUNDS	**$6,610**	**$12,784**	**$1,392**	**$40,350**	**$6,895**	**$68,031**
EXPENDITURES						
Operating Expenditures	4,129	9,474	1,425	40,350	6,895	62,273
Capital Improvement Program	3,490	5,335	0	0	0	8,825
TOTAL USE OF FUNDS	**$7,619**	**$14,808**	**$1,425**	**$40,350**	**$6,895**	**$71,097**
Net To/From Unrestricted Assets	**$(1,009)**	**$(2,024)**	**$(33)**	**$0**	**$0**	**$(3,067)**

2008-09 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	6,301	9,059	1,378	38,411	6,895	62,043
Interest Income	220	592	24	1,664	0	2,500
Other Revenue	309	1,905	2	480	0	2,696
TOTAL SOURCE OF FUNDS	**$6,830**	**$11,556**	**$1,404**	**$40,554**	**$6,895**	**$67,239**
EXPENDITURES						
Operating Expenditures	4,166	9,464	1,363	40,554	6,895	62,442
Capital Improvement Program	2,500	3,773	0	0	0	6,273
TOTAL USE OF FUNDS	**$6,666**	**$13,237**	**$1,363**	**$40,554**	**$6,895**	**$68,715**
Net To/From Unrestricted Assets	**$164**	**$(1,681)**	**$41**	**$0**	**$0**	**$(1,476)**

2007-09 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, 2007 UNRESTRICTED ASSETS	**$1,553**	**$5,834**	**$459**	**$3,669**	**$26,505**	**$38,020**
2007-08 Projected Changes	(1,009)	(2,024)	(33)	0	3,296	230
JUNE 30, 2008 UNRESTRICTED ASSETS	**$544**	**$3,810**	**$426**	**$3,669**	**$29,801**	**$38,250**
2008-09 Projected Changes	164	(1,681)	41	0	3,296	1,820
JUNE 30, 2009 UNRESTRICTED ASSETS	**$708**	**$2,129**	**$467**	**$3,669**	**$33,097**	**$40,070**

Vehicle Replacement Fund

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

OVERVIEW

In 2006, Public Works continued to focus on core activities, such as vehicle and equipment replacement, preventive maintenance, repairs, and fueling, with an emphasis on improving service to client departments.

During 2007-08, staff will continue to focus on core activities as described above and will oversee the current construction of the new MSC fueling facility. In addition, staff will implement a new automated motor pool vehicle reservation system and a new fuel inventory and transaction management system. Staff will also resume work on the MSC vehicle wash facility. This facility has been delayed until the new fueling facility construction is completed.

The 2007-08 Budget accounts for vehicle and equipment purchases within the capital improvement program (CIP Project VR-08000); the project cost is captured in the fund.

FUND SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 ADOPTED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Operating Revenue	5,570,551	5,580,393	6,010,590	430,197	8%	6,300,760	290,170	5%
Interest Income	105,293	241,900	220,300	(21,600)	(9%)	220,300	0	0%
Other Income	90,107	484,009	379,009	(105,000)	(22%)	309,009	(70,000)	(18%)
TOTAL FUND REVENUES	$5,765,951	$6,306,302	$6,609,899	$303,597	5%	$6,830,069	$220,170	3%
Administration	491,261	87,581	137,693	50,112	57%	137,888	195	0%
Vehicle Replacement and Additions	2,875,971	3,507,969	3,832,935	324,966	9%	2,845,809	(987,126)	(26%)
Vehicle Operations and Maintenance	3,188,654	3,386,529	3,648,705	262,176	8%	3,682,080	33,375	1%
TOTAL FUND EXPENDITURES	$6,555,886	$6,982,079	$7,619,333	$637,254	9%	$6,665,777	$(953,556)	(13%)
TO/FROM RESERVES	$(789,935)	$(675,777)	$(1,009,434)	$(333,657)		$164,292	$1,173,726	

Vehicle Replacement Fund *continued*

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,671,833	1,607,866	1,827,484	1,854,416
Contract Services	438,646	286,200	286,200	286,200
Supplies and Materials	881,937	1,265,000	1,265,000	1,265,000
Facilities and Equipment Purchases	2,538,144	26,000	26,000	26,000
General Expense	(65,419)	(1,565,689)	3,500	3,500
Rents and Leases	5,547	0	0	0
Allocated Charges	738,198	590,445	693,734	703,246
Capital Improvement Program	0	4,772,257	3,490,000	2,500,000
Operating Transfers Out	347,000	0	27,415	27,415
Total Expenditures	**$6,555,886**	**$6,982,079**	**$7,619,333**	**$6,665,777**
Total Full Time Positions	16.00	16.00	16.20	16.20
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET
Workload Outputs:			
1. Number of alternatively-fueled vehicles in the city fleet	75	79	81
Efficiency:			
1. Percentage of total fleet fuel consumption that is alternative fuels (CNG, biodiesel)	16	17.5	19.5
Effectiveness:			
1. Amount of gasoline and diesel fuel consumption avoided (in gallons)	53,728	60,896	68,000

Vehicle Replacement Fund *continued*

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES						
Increase vehicle maintenance reimbursement from other funds	192,150		192,150	133,590		133,590
Increase vehicle replacement reimbursement from other funds	238,047		238,047	156,580		156,580
Increase operating transfer from Water Fund		35,000	35,000			
Increase operating transfer from Gas Fund		35,000	35,000			
Interest income	(21,600)		(21,600)			
TOTAL REVENUE CHANGES	**$408,597**	**$70,000**	**$478,597**	**$290,170**	**$0**	**$290,170**
Adjustments (Note 1)		(175,000)	(175,000)		(70,000)	(70,000)
NET REVENUE CHANGES	**$408,597**	**$(105,000)**	**$303,597**	**$290,170**	**$(70,000)**	**$220,170**
EXPENDITURE CHANGES						
Salary and Benefits						
Reclassify 7.0 FTE from Motor Equipment Mechanic to Motor Equipment Mechanic II	53,700		53,700			
Salary Adjustments	60,806		60,806	22,084		22,084
Personnel Benefits Costs (Note 2)	105,109		105,109	4,847		4,847
Total Salary and Benefits	**$219,615**	**$0**	**$219,615**	**$26,931**	**$0**	**$26,931**
Non-Salary						
Decrease capital improvement program	(1,004,000)		(1,004,000)	(990,000)		(990,000)
Increase operating transfer to General Fund	27,415		27,415			
Allocated Charges Increase	103,292		103,292	9,513		9,513
Total Non-Salary	**$(873,293)**	**$0**	**$(873,293)**	**$(980,487)**	**$0**	**$(980,487)**
TOTAL EXPENDITURE CHANGES	**$(653,678)**	**$0**	**$(653,678)**	**$(953,556)**	**$0**	**$(953,556)**
Adjustments (Note 1)		1,290,932	1,290,932			
NET EXPENDITURE CHANGES	**$(653,678)**	**$1,290,932**	**$637,254**	**$(953,556)**	**$0**	**$(953,556)**

RESOURCE LEVEL NOTES

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

Vehicle Replacement Fund *continued*

Note 2: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

VEHICLE REPLACEMENT AND ADDITIONS

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	282,269	274,730	312,518	315,377
Contract Services	145,725	0	0	0
Supplies and Materials	1,897	20,000	20,000	20,000
Facilities and Equipment Purchases	2,509,214	0	0	0
General Expense	(72,118)	(1,568,689)	500	500
Allocated Charges	8,984	9,671	9,917	9,932
Capital Improvement Program	0	4,772,257	3,490,000	2,500,000
Total Expenditures	**$2,875,971**	**$3,507,969**	**$3,832,935**	**$2,845,809**
Total Revenues	**$2,317,945**	**$3,120,423**	**$3,231,870**	**$3,318,450**
Total Full Time Positions	2.40	2.40	2.60	2.60
Total Temporary Positions	0.00	0.00	0.00	0.00

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 ADOPTED BUDGET	2008-09 ADOPTED-IN-CONCEPT BUDGET
Salaries and Benefits	1,339,822	1,333,136	1,514,966	1,539,039
Contract Services	292,921	286,200	286,200	286,200
Supplies and Materials	880,040	1,245,000	1,245,000	1,245,000
Facilities and Equipment Purchases	28,930	26,000	26,000	26,000
General Expense	6,699	3,000	3,000	3,000
Rents and Leases	5,547	0	0	0
Allocated Charges	634,695	493,193	573,539	582,841
Total Expenditures	**$3,188,654**	**$3,386,529**	**$3,648,705**	**$3,682,080**
Total Revenues	**$3,329,713**	**$3,172,879**	**$3,365,029**	**$3,498,619**
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

OVERVIEW

In 2007-09, the Technology Fund will continue to deliver information technology services in accordance with the Information Technology (IT) Strategic Plan. The IT Strategic Plan was designed to ensure that a cohesive, Citywide management information strategy be in place to address organizational, operational, and technological infrastructure issues. The plan facilitates the development and implementation of Citywide priorities including eGovernment, Geographic Information System (GIS), IT Security, and Telecommunications.

Client Services will continue to maintain the City's desktop computers, and has re-instated the 36-month replacement schedule.

Infrastructure Services will focus on: implementing the Telecommunications Master Plan; developing a Wireless Service Strategic Plan; developing and implementing a disaster recovery plan for the City's mission critical systems; conducting an IT security audit; updating the City's existing telephone system; upgrading the City's network infrastructure; and replacing the Internet infrastructure.

Project Management and Application will upgrade the SAP Enterprise Resources Planning (ERP) system. General Ledger and project management portions (Phase I) of the SAP financial system were activated in July 2003. The Human Resources system was implemented as Phase II and went live in December 2003. Migration and upgrade activities will be the focus in 2007-08.

The Technology Fund reserve was established to fund the replacement of the City's IT Infrastructure. Its existence reflects the City's strong commitment to future technology infrastructure needs.

FUND SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 PROPOSED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 PROPOSED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Operating Revenue	6,873,551	8,742,923	9,046,772	303,849	3%	9,059,294	12,522	0%
Interest Income	217,639	567,500	592,100	24,600	4%	592,100	0	0%
Other Income	362,148	922,554	3,145,399	2,222,845	241%	1,904,671	(1,240,728)	(39%)
TOTAL FUND REVENUES	$7,453,338	$10,232,977	$12,784,271	$2,551,294	25%	$11,556,065	$(1,228,206)	(10%)
Client Services	4,664,117	2,823,467	4,451,075	1,627,608	58%	4,433,172	(17,903)	0%
Infrastructure Services	2,366,102	2,413,562	1,552,132	(861,430)	(36%)	1,554,549	2,417	0%
Project Management and Application	2,754,748	3,522,102	3,455,508	(66,594)	(2%)	3,460,162	4,654	0%
Technology Projects	838,622	1,375,632	5,349,711	3,974,079	289%	3,789,228	(1,560,483)	(29%)
TOTAL FUND EXPENDITURES	$10,623,589	$10,134,763	$14,808,426	$4,673,663	46%	$13,237,111	$(1,571,315)	(11%)
TO/FROM RESERVES	$(3,170,251)	$98,214	$(2,024,155)	$(2,122,369)		$(1,681,046)	$343,109	

Technology Fund *continued*

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 PROPOSED BUDGET	2008-09 PROPOSED-IN-CONCEPT BUDGET
Salaries and Benefits	4,464,489	4,096,716	4,425,515	4,442,258
Contract Services	2,280,383	2,395,100	2,520,300	2,520,300
Supplies and Materials	137,023	253,176	260,776	260,776
Facilities and Equipment Purchases	607,734	951,350	818,125	818,125
General Expense	1,637,698	354,508	565,305	565,305
Rents and Leases	152,300	200,000	200,000	200,000
Allocated Charges	701,962	508,281	620,389	594,331
Capital Improvement Program	0	1,375,632	5,334,632	3,772,632
Operating Transfers Out	642,000	0	63,384	63,384
Total Expenditures	**$10,623,589**	**$10,134,763**	**$14,808,426**	**$13,237,111**
Total Full Time Positions	29.56	29.60	29.80	29.80
Total Temporary Positions	1.20	0.72	0.68	0.68

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 PROPOSED BUDGET
Workload Outputs:			
1. Number of computer workstations (SEA)	1,050	1,050	1,100
2. Provide public video broadcasting for meetings of the City Council, Council Commissions, and Committees (e.g. Finance, Policy & Services, Planning, Public Arts, Library Advisory, etc.)	190	190	190
Effectiveness:			
1. Percent of requests for computer help desk services resolved within 5 days (SEA)	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

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES						
Increase investment income	24,600		24,600			
Increase reimbursement from City departments	303,849		303,849	12,522		12,522
Increase (Decrease) reimbursement for CIP projects	2,316,685		2,316,685	(1,240,728)		(1,240,728)
Increase other revenue (Stanford)	6,160		6,160			
TOTAL REVENUE CHANGES	**$2,651,294**	**$0**	**$2,651,294**	**$(1,228,206)**	**$0**	**$(1,228,206)**
Adjustments (Note 1)		(100,000)	(100,000)			
NET REVENUE CHANGES	**$2,651,294**	**$(100,000)**	**$2,551,294**	**$(1,228,206)**	**$0**	**$(1,228,206)**
EXPENDITURE CHANGES						
Salary and Benefits						
Personnel Benefit Costs Increase (Note 2)	328,801		328,801	16,741		16,741
Total Salary and Benefits	**$328,801**	**$0**	**$328,801**	**$16,741**	**$0**	**$16,741**
EXPENDITURE CHANGES						
Non-Salary						
Increase (Decrease) CIP project costs	3,959,000		3,959,000	(1,562,000)		(1,562,000)
Increase operating transfer to the General Fund	63,384		63,384			
Allocated Charges Increase (Decrease)	112,108		112,108	(26,056)		(26,056)
Total Non-Salary	**$4,134,492**	**$0**	**$4,134,492**	**$(1,588,056)**	**$0**	**$(1,588,056)**
TOTAL EXPENDITURE CHANGES	**$4,463,293**	**$0**	**$4,463,293**	**$(1,571,315)**	**$0**	**$(1,571,315)**
Adjustments (Note 1)		210,370	210,370			
NET EXPENDITURE CHANGES	**$4,463,293**	**$210,370**	**$4,673,663**	**$(1,571,315)**	**$0**	**$(1,571,315)**

RESOURCE LEVEL NOTES

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

Note 2: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

SERVICE LEVEL CHANGES

Information Technology staff is continually adjusting to an increasing workload. The effect on management and staff has been an increase in additional project management responsibilities. Due to the increased workload, it will be necessary to contract for consulting services for any enterprise application upgrades.

Highlights of service level changes are as follows:

- Enterprise level applications will be maintained at the current level. Any new initiatives will require the contracting of consulting services.
- GIS data updating will be maintained. New projects will require additional staff resources.
- An interim document imaging system has been implemented which provides basic functionality. Implementation of an enterprise-wide SAP document imaging module will be delayed approximately 2 years.
- The SAP upgrade and CIS migration will be performed with the assistance of consulting resources.
- Any new IT initiative(s) will require additional staffing and/or budget for consulting resources.

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	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 PROPOSED BUDGET	2008-09 PROPOSED-IN-CONCEPT BUDGET
Salaries and Benefits	1,395,155	1,213,631	1,577,621	1,587,589
Contract Services	373,936	199,800	325,000	325,000
Supplies and Materials	16,314	35,176	42,776	42,776
Facilities and Equipment Purchases	385,993	639,900	506,675	506,675
General Expense	1,073,875	61,108	1,205,305	1,205,305
Rents and Leases	142,406	190,000	190,000	190,000
Allocated Charges	634,438	483,852	540,314	512,443
Operating Transfers Out	642,000	0	63,384	63,384
Total Expenditures	**$4,664,117**	**$2,823,467**	**$4,451,075**	**$4,433,172**
Total Revenues	**$4,339,930**	**$7,685,610**	**$10,157,753**	**$8,929,547**
Total Full Time Positions	9.47	10.51	10.41	10.41
Total Temporary Positions	0.00	0.00	0.00	0.00

INFRASTRUCTURE SERVICES

To implement, develop, and maintain the City's core Information Technology (IT) infrastructure.

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 PROPOSED BUDGET	2008-09 PROPOSED-IN-CONCEPT BUDGET
Salaries and Benefits	1,080,488	1,025,042	1,056,380	1,058,527
Contract Services	501,417	733,610	733,610	733,610
Supplies and Materials	21,510	18,000	18,000	18,000
Facilities and Equipment Purchases	145,953	311,450	311,450	311,450
General Expense	557,431	293,400	(640,000)	(640,000)
Rents and Leases	9,894	10,000	10,000	10,000
Allocated Charges	49,409	22,060	62,692	62,962
Total Expenditures	**$2,366,102**	**$2,413,562**	**$1,552,132**	**$1,554,549**
Total Revenues	**$519,078**	**$526,838**	**$714,189**	**$714,189**
Total Full Time Positions	8.02	8.02	8.02	8.02
Total Temporary Positions	0.20	0.24	0.20	0.20

PROJECT MANAGEMENT AND APPLICATION

To implement and maintain best-of-class Information Technology (IT) solutions through the use of leading project management and application support methodologies.

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 PROPOSED BUDGET	2008-09 PROPOSED-IN-CONCEPT BUDGET
Salaries and Benefits	1,982,510	1,858,043	1,791,514	1,796,142
Contract Services	760,910	1,461,690	1,461,690	1,461,690
Supplies and Materials	1,730	200,000	200,000	200,000
General Expense	6,392	0	0	0
Allocated Charges	3,206	2,369	2,304	2,330
Total Expenditures	**$2,754,748**	**$3,522,102**	**$3,455,508**	**$3,460,162**
Total Revenues	**$2,233,666**	**$1,920,529**	**$1,912,329**	**$1,912,329**
Total Full Time Positions	12.07	11.07	11.37	11.37
Total Temporary Positions	1.00	0.48	0.48	0.48

TECHNOLOGY PROJECTS

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 PROPOSED BUDGET	2008-09 PROPOSED-IN-CONCEPT BUDGET
Salaries and Benefits	6,336	0	0	0
Contract Services	644,120	0	0	0
Supplies and Materials	97,469	0	0	0
Facilities and Equipment Purchases	75,788	0	0	0
Allocated Charges	14,909	0	15,079	16,596
Capital Improvement Program	0	1,375,632	5,334,632	3,772,632
Total Expenditures	**$838,622**	**$1,375,632**	**$5,349,711**	**$3,789,228**
Total Revenues	**$360,664**	**$100,000**	**$0**	**$0**
Total Full Time Positions	0.00	0.00	0.00	0.00
Total Temporary Positions	0.00	0.00	0.00	0.00

Printing and Mailing Fund

OVERVIEW

In 2007-09, the Printing and Mailing Fund will continue providing the highest level of customer service through improved product quality, production, and on-time order processing. Continued staff training and development will promote the expertise required to produce high-quality professional reprographic documents. The Unit's portfolio of services will include on-demand black and white and color digital document processing and e-filing storage for rapid in-plant document recall. The Print Shop will also explore offering additional bindery options such as wire binding and shrink wrap packaging. Implementation of a newly installed state-of-the-art digital color copier will assist staff in meeting the increased demand for color copies. The Print Shop's use of management software will improve estimating, job costing, and reporting capabilities for customers.

In addition, Mailing Services will explore extending document processing service to non-utility City departments via the new state-of-the-art digital document processing system. The increased functionality will relieve departments from manually preparing large volumes of mail for distribution to the public. The City will continue to utilize a mailing services provider to transport and meter all outgoing mail, including customer utility bills, at no additional cost to the City.

FUND SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 PROPOSED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 PROPOSED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Operating Revenue	1,154,057	1,286,959	1,365,657	78,698	6%	1,377,816	12,159	1%
Interest Income	23,584	27,900	24,000	(3,900)	(14%)	24,000	0	0%
Other Income	2,848	2,000	2,000	0	0%	2,000	0	0%
TOTAL FUND REVENUES	$1,180,489	$1,316,859	$1,391,657	$74,798	6%	$1,403,816	$12,159	1%
Printing and Mailing	1,400,865	1,311,110	1,424,714	113,604	9%	1,363,070	(61,644)	(4%)
TOTAL FUND EXPENDITURES	$1,400,865	$1,311,110	$1,424,714	$113,604	9%	$1,363,070	$(61,644)	(4%)
TO/FROM RESERVES	$(220,376)	$5,749	$(33,057)	$(38,806)		$40,746	$73,803	

Printing and Mailing Fund *continued*

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 PROPOSED BUDGET	2008-09 PROPOSED-IN-CONCEPT BUDGET
Salaries and Benefits	410,037	379,010	415,908	361,291
Contract Services	143,613	124,818	129,511	129,511
Supplies and Materials	54,719	81,758	81,758	81,758
General Expense	362,432	358,655	392,357	392,357
Rents and Leases	231,645	279,026	269,385	269,385
Allocated Charges	122,419	87,843	127,573	120,546
Operating Transfers Out	76,000	0	8,222	8,222
Total Expenditures	**$1,400,865**	**$1,311,110**	**$1,424,714**	**$1,363,070**
Total Full Time Positions	4.70	4.60	4.65	4.05
Total Temporary Positions	0.00	0.00	0.00	0.00

BENCHMARKING MEASURES

	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 PROPOSED BUDGET
Workload Outputs:			
1. Number of utilities bills mailed per day	1,600	1,550	1,600
Effectiveness:			
1. Percent of utilities bills mailed each day	100%	100%	100%
Efficiency:			
1. Accommodate 85 percent of late printing requests for inclusion in the weekly City Council packet	90%	95%	98%

RESOURCE LEVEL CHANGES

	2007-08 ONGOING	2007-08 ONE-TIME	2007-08 TOTAL	2008-09 ONGOING	2008-09 ONE-TIME	2008-09 TOTAL
REVENUE CHANGES						
Decrease interest income	(3,900)		(3,900)			
Increase mailing services	47,546		47,546	3,744		3,744
Increase printing services	31,152		31,152	8,415		8,415
TOTAL REVENUE CHANGES	**$74,798**	**$0**	**$74,798**	**$12,159**	**$0**	**$12,159**
EXPENDITURE CHANGES						
Salary and Benefits						
Eliminate 0.60 FTE Sr. Financial Analyst-retirement ($3 Million Challenge)				(81,881)		(81,881)
Personnel Benefit Costs Increase (Note 2)	36,895		36,895	27,264		27,264
Total Salary and Benefits	**$36,895**	**$0**	**$36,895**	**$(54,617)**	**$0**	**$(54,617)**
Non-Salary						
Increase postage expense	33,702		33,702			
Allocated Charges Increase (Decrease)	43,007		43,007	(7,027)		(7,027)
Total Non-Salary	**$76,709**	**$0**	**$76,709**	**$(7,027)**	**$0**	**$(7,027)**
TOTAL EXPENDITURE CHANGES	**$113,604**	**$0**	**$113,604**	**$(61,644)**	**$0**	**$(61,644)**

RESOURCE LEVEL NOTES

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

Note 2: Personnel benefit costs are increasing due primarily to the inclusion of future retiree medical costs (GASB 45) and the inclusion of the 2.7 percent at 55 retirement plan. The cost of the 2.7 percent at 55 plan is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.

PRINTING AND MAILING

To provide quality printing and mailing services to all City departments in a cost effective and efficient manner.

INPUTS	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 PROPOSED BUDGET	2008-09 PROPOSED-IN-CONCEPT BUDGET
Salaries and Benefits	410,037	379,010	415,908	361,291
Contract Services	143,613	124,818	129,511	129,511
Supplies and Materials	54,719	81,758	81,758	81,758
General Expense	362,432	358,655	392,357	392,357
Rents and Leases	231,645	279,026	269,385	269,385
Allocated Charges	122,419	87,843	127,573	120,546
Operating Transfers Out	76,000	0	8,222	8,222
Total Expenditures	**$1,400,865**	**$1,311,110**	**$1,424,714**	**$1,363,070**
Total Revenues	**$1,180,489**	**$1,316,859**	**$1,391,657**	**$1,403,816**
Total Full Time Positions	4.70	4.60	4.65	4.05
Total Temporary Positions	0.00	0.00	0.00	0.00

General Benefits and Insurance Fund

OVERVIEW

The General Benefits and Insurance Funds are jointly managed by Administrative Services and Human Resources Department staff and accounts for health benefits, the City's self-insured workers' compensation, and general liability programs.

The table below reflects an expense increase of $4.5 million from 2006-07 adjusted budget totals. The increase is primarily due to the increase in pension cost from the 2.7 percent at 55 pension plan. The cost of the 2.7 percent at 55 pension plan is offset by employee contributions and from long-term savings in employee healthcare costs due to recent limits enacted on healthcare plans.

The increase in costs is also a result of a 12 percent increase in rates for employee healthcare plans.

In 2007-08, workers' compensation expense is increasing by $0.1 million. The City has, and may continue, taking on greater deductible and risk as a means of containing steep premium increases.

FUND SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 PROPOSED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 PROPOSED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Operating Revenue	4,269,005	937,000	1,112,000	175,000	19%	1,112,000	0	0%
Interest Income	395,249	1,152,900	1,663,500	510,600	44%	1,663,500	0	0%
Other Income	35,645,060	33,735,100	37,574,500	3,839,400	11%	37,778,500	204,000	1%
TOTAL FUND REVENUES	$40,309,314	$35,825,000	$40,350,000	$4,525,000	13%	$40,554,000	$204,000	1%
Operating Expense	40,302,343	35,825,000	40,350,000	4,525,000	13%	40,554,000	204,000	1%
TOTAL FUND EXPENDITURES	$40,302,343	$35,825,000	$40,350,000	$4,525,000	13%	$40,554,000	$204,000	1%
TO/FROM RESERVES	$6,971	$0	$0	$0		$0	$0	

Retiree Health Benefit Fund

OVERVIEW

The Retiree Health Benefit Fund manages the payments associated with and reserves dedicated to medical benefits granted to retired employees of the City. In 2007-08, retiree health benefit expense is estimated to be $6.9 million.

In this 2007-09 Budget, there is expense funding for the future liability of retiree medical costs. GF expense in 2007-08 is increased by $2.9 million for the retiree medical liability. The funds will contribute to the City's reserve for retiree medical and will satisfy the government accounting standard board's (GASB 45) requirement for realizing the expense.

FUND SUMMARY	2005-06 ACTUALS	2006-07 ADJUSTED BUDGET	2007-08 PROPOSED BUDGET	2007-08 BUDGET CHANGE	% CHG	2008-09 PROPOSED-IN-CONCEPT BUDGET	2008-09 BUDGET CHANGE	% CHG
Interest Income	253,185	709,100	0	(709,100)	(100%)	0	0	0%
Other Income	11,586,456	2,889,900	6,894,833	4,004,933	139%	6,894,833	0	0%
TOTAL FUND REVENUES	$11,839,641	$3,599,000	$6,894,833	$3,295,833	92%	$6,894,833	$0	0%
Operating Expense	3,599,456	3,599,000	6,894,833	3,295,833	92%	6,894,833	0	0%
TOTAL FUND EXPENDITURES	$3,599,456	$3,599,000	$6,894,833	$3,295,833	92%	$6,894,833	$0	0%
TO/FROM RESERVES	$8,240,185	$0	$0	$0		$0	$0	

Average Salary & Benefit per Employee — by Unit

CATEGORY	MGMT	IAFF	FCA	PAPOA	SEIU
FTE	**278**	**112**	**5**	**84**	**595**
% OF City	**26%**	**10%**	**0%**	**8%**	**55%**
SALARY	$101,913	$91,194	$111,166	$96,763	$68,040
Overtime*	$1,750	$8,966	$0	$11,689	$3,866
VMC *	$4,235	$0	$4,000	$0	$0
IN-LIEU HOLIDAY	$0	$4,733	$0	$5,022	$3,531
MGMT LEAVE	$3,920	$0	$0	$0	$0
PERS EMPLOYER **	$18,829	$21,532	$26,247	$22,847	$12,571
PERS EMPLOYEE	$5,096	$8,207	$10,005		$3,402
MEDICAL	$9,778	$9,778	$9,778	$9,778	$9,778
DENTAL	$1,498	$1,498	$1,498	$1,498	$1,498
WORKER'S COMP	$1,086	$9,043		$8,677	$1,913
LIFE/LTD/SUI/EAP	$681	$681	$681	$681	$681
NON-SAL. BENEFITS	$4,372	$1,372	$4,372	$1,372	$1,372
TOTAL SAL./ BENEFITS	**$153,157**	**$157,005**	**$167,747**	**$158,327**	**$106,651**

*** Average employee eligible for benefit**

**** PERS Employer cost is increasing due primarily to the inclusion of 2.7 percent at 55 retirement plan. The cost of 2.7 percent at 55 is offset by employee contributions and long-term savings in medical costs resulting from recent limits placed on employee health benefits.**

Staffing

2007-09 SUMMARY OF POSITION CHANGES

	FTE
GENERAL FUND	
2006-07 ADOPTED BUDGET	**652.35**
2006-07 BAO Position Adjustments	
Assistant City Attorney (ATT)	1.00
Senior Assistant City Attorney (ATT)	(0.80)
Manager, Economic Resources (MGR)	(1.00)
Manager, Economic Resources (PLA)	1.00
Human Resources Assistant-Conf (HRD)	(1.00)
Human Resources Representative (HRD)	1.00
Senior Administrator (HRD)	0.25
Assistant Director, Library Services (LIB)	1.00
Manager, Main Library Services (LIB)	(1.00)
Division Head, Library Services (LIB)	1.00
Supervisor, Librarian (LIB)	(1.00)
Public Safety Dispatcher -Lead (POL)	1.00
Supervisor, Police Services (POL)	(1.00)
Community Service Officer (POL)	(1.00)
Code Enforcement Officer (POL)	1.00
2006-07 ADJUSTED TOTAL	**652.80**
2007-08 New Positions	
Management Assistant (LIB)	1.00
Senior Administrator (MGR)	1.00
2007-08 Total New Positions	**2.00**
2007-08 Reallocated Positions	
UTL reallocation to MGR	2.00
ASD reallocation to Technology Fund	(0.10)
ASD reallocation from Printing & Mailing	0.05
2007-08 Total Reallocated Positions	**1.95**
2007-08 Eliminated Positions	
Division Manager, Golf & Parks (CSD)	(1.00)
Supervisor, Parks (CSD)	(1.00)
Coordinator Recreation Programs (CSD)	(1.00)

	FTE
Coordinator Recreation Programs (CSD)*	1.00
Librarian (LIB)	(1.00)
Office Specialist (LIB)	(0.50)
Senior Planner (PLA)	(1.00)
Community Service Officer (POL)	(1.00)
2007-08 Total Eliminated Positions	**(5.50)**
*** Added bach by Finance Committee with offsetting revenue**	

2007-08 TOTAL ADOPTED GENERAL FUND POSITIONS	**651.25**

2008-09 Eliminated Positions

Coordinator Recreation Programs (CSD)	(1.00)
Senior Financial Analyst (ASD)	(0.40)
2008-09 Total Eliminated Positions	**(1.40)**

2008-09 TOTAL ADOPTED GENERAL FUND POSITIONS	**649.85**

ENTERPRISE FUNDS

2006-07 ADOPTED BUDGET	**354.55**

2006-07 BAO Position Adjustments

Engineering Technician III (Electric)	1.00
Heavy Equipment Operator (Gas)	1.00
Power Engineer (Electric)	1.00
Resource Planner (Electric)	(1.00)
Senior Electric Project Engineer (Electric)	(1.00)
Senior Water System Operator (Water)	1.00
Utilites Field Service Representative (Gas)	(1.00)

2006-07 ADJUSTED TOTAL	**355.55**

2007-08 Reallocated Positions

UTL reallocation to MGR	(2.00)
External Service to Technology	(0.20)
2007-08 Total Reallocated Positions	**(2.20)**

2007-09 TOTAL ADOPTED ENTERPRISE FUND POSITIONS	**353.35**

2007-09 SUMMARY OF POSITION CHANGES
CONTINUED

	FTE
OTHER FUNDS	
2006-07 ADOPTED BUDGET	**71.60**
2006-07 BAO Position Adjustments	
Senior Business Analyst (Technology)	1.00
Senior Techologist (Technology)	(1.00)
2006-07 ADJUSTED TOTAL	**71.60**
2007-08 Reallocated Positions	
ASD reallocation to Technology Fund	0.10
ASD reallocation from Printing & Mailing Fund	(0.05)
External Service to Technology	0.20
2007-08 Total Reallocated Positions	**0.25**
2007-08 TOTAL ADOPTED OTHER FUNDS POSITIONS	**71.85**
2008-09 Eliminated Positions	
Senior Financial Analyst (ASD)	(0.60)
2008-09 Total Eliminated Positions	**(0.60)**
2008-09 TOTAL ADOPTED OTHER FUNDS POSITIONS	**71.25**

2007-09 TABLE OF ORGANIZATION

	2005-06 Actual Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
GENERAL FUND						
CITY ATTORNEY						
Assistant City Attorney*	0.00	1.00	1.00	0.00	1.00	0.00
City Attorney	1.00	1.00	1.00	0.00	1.00	0.00
Claims Investigator	0.00	0.60	0.60	0.00	0.60	0.00
Claims Investigator/Paralegal	1.00	0.00	0.00	0.00	0.00	0.00
Legal Administrator	1.00	1.00	1.00	0.00	1.00	0.00
Legal Secretary - Confidential (27)	2.00	2.00	0.00	-2.00	0.00	0.00
Secretary to City Attorney	1.00	1.00	1.00	0.00	1.00	0.00
Senior Assistant City Attorney *	3.80	2.00	2.00	0.00	2.00	0.00
Senior Deputy City Attorney	2.00	2.00	2.00	0.00	2.00	0.00
Senior Legal Secretary (27)	0.00	0.00	2.00	2.00	2.00	0.00
TOTAL CITY ATTORNEY	**11.80**	**10.60**	**10.60**	**0.00**	**10.60**	**0.00**
City Auditor						
Administrative Assistant	1.00	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	**4.00**	**4.00**	**4.00**	**0.00**	**4.00**	**0.00**
City Clerk						
Administrative Associate III (27)	0.00	0.00	3.00	3.00	3.00	0.00
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 (27)	3.00	3.00	0.00	-3.00	0.00	0.00
Parking Examiner	0.00	0.75	0.75	0.00	0.75	0.00
TOTAL CITY CLERK	**6.00**	**6.75**	**6.75**	**0.00**	**6.75**	**0.00**

City Manager

2007-09 Table of Organization *continued*

	2005-06 Actual Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
Administrative Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Administrative Associate I (27)	0.00	0.00	1.50	1.50	1.50	0.00
Administrative Associate II (27)	0.00	0.00	1.00	1.00	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	2.00	2.00	0.00	2.00	0.00
City Manager	1.00	1.00	1.00	0.00	1.00	0.00
Executive Assistant to the City Manager	0.00	1.00	1.00	0.00	1.00	0.00
Manager, Communications (1)	0.00	0.00	1.00	1.00	1.00	0.00
Manager, Economic Resources*	1.00	0.00	0.00	0.00	0.00	0.00
Office Specialist (27)	1.50	1.50	0.00	-1.50	0.00	0.00
Public Communication Manager	1.00	1.00	1.00	0.00	1.00	0.00
Senior Administrator (29)	0.00	0.00	1.00	1.00	1.00	0.00
Staff Assistant to City Manager	1.00	0.00	0.00	0.00	0.00	0.00
Staff Secretary (2) (27)	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL CITY MANAGER	**8.50**	**8.50**	**11.50**	**3.00**	**11.50**	**0.00**

Due to funding constraints, the City Manager Department budget includes the temporary removal of funding for the following vacant position: 1.0 FTE Public Communications Manager.

Administrative Services Department

Accounting Specialist	12.00	12.00	12.00	0.00	12.00	0.00
Accounting Specialist - Lead	4.95	5.00	5.00	0.00	5.00	0.00
Administrative Assistant	0.93	0.93	0.93	0.00	0.93	0.00
Administrative Associate II (27)	0.00	0.00	0.96	0.96	0.96	0.00
Asst. Director, Administrative Services (3) (4)	0.65	0.65	0.60	-0.05	0.60	0.00
Business Analyst	0.10	0.10	0.10	0.00	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	0.55	0.55	0.55	0.00	0.55	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	1.00	1.00	0.00	1.00	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

2007-09 Table of Organization *continued*

	2005-06 Actual Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
Senior Business Analyst (5)	0.10	0.10	0.20	0.10	0.20	0.00
Senior Financial Analyst (6) (7)	8.41	8.41	8.31	-0.10	7.91	-0.40
Staff Accountant	3.00	3.00	3.00	0.00	3.00	0.00
Staff Secretary (27)	1.00	0.96	0.00	-0.96	0.00	0.00
Storekeeper	1.00	1.00	1.00	0.00	1.00	0.00
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	**50.59**	**50.65**	**50.60**	**-0.05**	**50.20**	**-0.40**

Due to funding constraints, the ASD Department budget includes the temporary removal of funding for the following vacant position: 1.0 FTE Accounting Specialist.

Community Services Department

Administrative Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Administrative Associate I (27)	0.00	0.00	2.50	2.50	2.50	0.00
Administrator Special Events (8)	1.00	1.00	0.00	-1.00	0.00	0.00
Arts and Culture Division Manager	1.00	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, Recreation Programs (8) (9) (10)	3.00	3.00	5.00	2.00	4.00	-1.00
Cubberly Center and Human Services Division Manager	1.00	1.00	1.00	0.00	1.00	0.00
Director, Community Services	1.00	1.00	1.00	0.00	1.00	0.00
Division Manager, Recreation & Golf (11)	0.00	0.00	1.00	1.00	1.00	0.00
Golf and Parks Division Manager (12)	1.00	1.00	0.00	-1.00	0.00	0.00
Golf Course Equipment Mechanic	1.00	1.00	1.00	0.00	1.00	0.00
Golf Course Maintenance Person	5.00	5.00	5.00	0.00	5.00	0.00
Inspector, Field Services	2.00	2.00	2.00	0.00	2.00	0.00
Jr. Museum & Zoo Lead Instructor (13)	0.00	0.00	2.25	2.25	2.25	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
Office Specialist (27)	5.50	5.50	0.00	-5.50	0.00	0.00
Open Space Division Manager	1.00	1.00	1.00	0.00	1.00	0.00
Park Maintenance Lead	1.00	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	5.00	5.00	5.00	0.00	5.00	0.00

2007-09 Table of Organization *continued*

	2005-06 Actual Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
Parks and Open Space Assistant	0.75	0.75	0.75	0.00	0.75	0.00
Parks Crew - Lead	3.00	3.00	3.00	0.00	3.00	0.00
Producer Arts/Science Programs	12.25	12.25	12.25	0.00	12.25	0.00
Program Assistant I (13) (27)	9.00	9.00	9.75	0.75	9.75	0.00
Program Assistant II (27)	0.00	0.00	3.00	3.00	3.00	0.00
Recreation and Youth Sciences Div Mgr (11)	1.00	1.00	0.00	-1.00	0.00	0.00
Senior Administrator	1.00	1.00	1.00	0.00	1.00	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 (27)	3.00	3.00	0.00	-3.00	0.00	0.00
Superintendent, Golf Course	1.00	1.00	1.00	0.00	1.00	0.00
Superintendent, Parks	0.00	1.00	1.00	0.00	1.00	0.00
Supervisor, Junior Museum	1.00	1.00	1.00	0.00	1.00	0.00
Supervisor, Open Space	1.00	1.00	1.00	0.00	1.00	0.00
Supervisor, Parks (14)	2.00	2.00	1.00	-1.00	1.00	0.00
Supervisor, Recreation Program (9)	5.00	5.00	4.00	-1.00	4.00	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	**98.25**	**99.25**	**97.25**	**-2.00**	**96.25**	**-1.00**

Due to funding constraints, the CSD Department budget includes the temporary removal of funding for the following vacant position: 1.0 FTE Program Assistant.

Fire

Administrative Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Administrative Associate I (27)	0.00	0.00	1.00	1.00	1.00	0.00
Administrative Associate II (27)	0.00	0.00	3.00	3.00	3.00	0.00
Battalion Chief	3.00	3.00	3.00	0.00	3.00	0.00
Deputy Fire Chief/Fire Marshal	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 Chief	0.00	1.00	1.00	0.00	1.00	0.00
EMS Coordinator	1.00	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	27.00	27.00	27.00	0.00	27.00	0.00

2007-09 Table of Organization *continued*

	2005-06 Actual Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
Fire Chief	1.00	1.00	1.00	0.00	1.00	0.00
Fire Fighter	45.00	45.00	45.00	0.00	45.00	0.00
Fire Inspector	2.00	3.00	3.00	0.00	3.00	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 (27)	4.00	4.00	0.00	-4.00	0.00	0.00
Training Captain	1.00	1.00	1.00	0.00	1.00	0.00
TOTAL FIRE	**125.00**	**127.00**	**127.00**	**0.00**	**127.00**	**0.00**

Due to funding constraints, the Fire Department budget includes the temporary removal of funding for the following vacant position: 1.0 FTE EMS Chief.

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
Director, Human Resources	1.00	1.00	1.00	0.00	1.00	0.00
Human Resources Assistant - Conf * (28)	3.60	2.60	3.60	1.00	3.60	0.00
Human Resources Rep* (15)	0.00	1.00	2.00	1.00	2.00	0.00
Manager, Employee Relations	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Human Resources & Development (15)	1.00	1.00	0.00	-1.00	0.00	0.00
Manager, Risk and Benefits	1.00	1.00	1.00	0.00	1.00	0.00
Office Specialist (28)	1.00	1.00	0.00	-1.00	0.00	0.00
Senior Administrator *	0.75	1.00	1.00	0.00	1.00	0.00
TOTAL HUMAN RESOURCES	**15.35**	**15.60**	**15.60**	**0.00**	**15.60**	**0.00**

Library Department

Administrative Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Assistant Director, Library Services*	0.00	1.00	1.00	0.00	1.00	0.00
Coordinator, Library Programs	3.00	3.00	3.00	0.00	3.00	0.00
Director, Libraries	1.00	1.00	1.00	0.00	1.00	0.00
Division Head, Library Services*	0.00	1.00	1.00	0.00	1.00	0.00
Librarian (16)	6.00	6.00	5.00	-1.00	5.00	0.00
Library Assistant	5.50	5.50	5.50	0.00	5.50	0.00
Library Associate	4.00	4.00	4.00	0.00	4.00	0.00
Library Specialist	7.75	8.00	8.00	0.00	8.00	0.00

2007-09 Table of Organization *continued*

	2005-06 Actual Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
Manager, Main Library Services*	1.00	0.00	0.00	0.00	0.00	0.00
Management Assistant (17)	0.00	0.00	1.00	1.00	1.00	0.00
Office Specialist (17)	0.50	0.50	0.00	-0.50	0.00	0.00
Senior Librarian	9.25	9.25	9.25	0.00	9.25	0.00
Supervisor, Librarian*	5.00	4.00	4.00	0.00	4.00	0.00
TOTAL LIBRARY DEPARTMENT	**44.00**	**44.25**	**43.75**	**-0.50**	**43.75**	**0.00**

Planning Department

Administrative Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Administrative Associate I (27)	0.00	0.00	2.00	2.00	2.00	0.00
Administrative Associate II (27)	0.00	0.00	4.80	4.80	4.80	0.00
Administrative Associate III (27)	0.00	0.00	1.00	1.00	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
Assistant Director, PCE	0.00	1.00	1.00	0.00	1.00	0.00
Associate Engineer	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	4.00	4.00	4.00	0.00	4.00	0.00
Chief Building Official	1.00	1.00	1.00	0.00	1.00	0.00
Chief Planning and Transportation Official	1.00	1.00	1.00	0.00	1.00	0.00
Code Enforcement Officer	2.00	2.00	2.00	0.00	2.00	0.00
Coordinator, Transp. System Mgmt.	0.50	0.50	0.50	0.00	0.50	0.00
Deputy Director, PCE/Chief Planning Official	1.00	0.00	0.00	0.00	0.00	0.00
Director, Planning and Comm. Env.	1.00	1.00	1.00	0.00	1.00	0.00
Engineer	2.00	2.00	2.00	0.00	2.00	0.00
Engineering Technician II	1.00	1.00	1.00	0.00	1.00	0.00
Executive Secretary (27)	1.00	1.00	0.00	-1.00	0.00	0.00
Manager, Economic Resources*	0.00	1.00	1.00	0.00	1.00	0.00
Manager, Planning	2.00	2.00	2.00	0.00	2.00	0.00
Managing Arborist	1.00	1.00	1.00	0.00	1.00	0.00
Office Specialist (27)	2.00	2.00	0.00	-2.00	0.00	0.00
Planner	7.00	7.00	7.00	0.00	7.00	0.00
Plan Checking Engineer	3.00	3.00	3.00	0.00	3.00	0.00
Senior Planner (18)	6.00	6.00	5.00	-1.00	5.00	0.00

2007-09 Table of Organization *continued*

	2005-06 Actual Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
Staff Secretary (27)	4.80	4.80	0.00	-4.80	0.00	0.00
Supervisor, Building Inspection	1.00	1.00	1.00	0.00	1.00	0.00
Transportation Manager	1.00	1.00	1.00	0.00	1.00	0.00
TOTAL PLANNING AND COMMUNITY ENVIRONMENT	**53.30**	**54.30**	**53.30**	**-1.00**	**53.30**	**0.00**
Police Department						
Administrative Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Administrative Associate II (27)	0.00	0.00	3.00	3.00	3.00	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 (19)	0.00	0.00	1.00	1.00	1.00	0.00
Business Analyst	1.00	1.00	1.00	0.00	1.00	0.00
Code Enforcement Officer *	0.50	1.50	1.50	0.00	1.50	0.00
Communication Technician	1.00	1.00	1.00	0.00	1.00	0.00
Community Service Officer * (20) (21)	4.00	3.00	9.00	6.00	9.00	0.00
Community Service Officer - Lead (22)	0.00	0.00	1.00	1.00	1.00	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
Parking Enforcement Officer (20)	7.00	7.00	0.00	-7.00	0.00	0.00
Parking Enforcement Officer - Lead (22)	1.00	1.00	0.00	-1.00	0.00	0.00
Parking Examiner	0.50	0.00	0.00	0.00	0.00	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
Police Lieutenant (19)	6.00	6.00	5.00	-1.00	5.00	0.00
Police Officer	51.00	51.00	51.00	0.00	51.00	0.00
Police Records Specialist (23) (30)	10.00	10.00	0.00	-10.00	0.00	0.00
Police Records Specialist II (30)	0.00	0.00	9.00	9.00	9.00	0.00
Police Records Specialist - Lead (23)	0.00	0.00	1.00	1.00	1.00	0.00
Police Sergeant	14.00	14.00	14.00	0.00	14.00	0.00
Program Assistant I (27)	1.00	1.00	0.00	-1.00	0.00	0.00
Program Assistant II (27)	0.00	0.00	1.00	1.00	1.00	0.00
Property and Evidence Technician	2.00	2.00	2.00	0.00	2.00	0.00

2007-09 Table of Organization *continued*

	2005-06 Actual Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
Public Safety Dispatcher (31)	16.00	16.00	0.00	-16.00	0.00	0.00
Public Safety Dispatcher II (31)	0.00	0.00	16.00	16.00	16.00	0.00
Public Safety Dispatcher - Lead*	4.00	5.00	5.00	0.00	5.00	0.00
Senior Administrator	1.00	1.00	1.00	0.00	1.00	0.00
Staff Secretary (27)	3.00	3.00	0.00	-3.00	0.00	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	2.00	2.00	0.00	2.00	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	**164.50**	**164.00**	**163.00**	**-1.00**	**163.00**	**0.00**
Public Works Department						
Administrative Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Administrative Associate I (27)	0.00	0.00	3.50	3.50	3.50	0.00
Administrative Associate II (27)	0.00	0.00	1.67	1.67	1.67	0.00
Administrative Associate III (27)	0.00	0.00	1.00	1.00	1.00	0.00
Administrator, Public Works	0.00	1.00	1.00	0.00	1.00	0.00
Assistant Director Public Works	0.85	0.85	0.85	0.00	0.85	0.00
Assistant Engineer	0.10	0.00	0.00	0.00	0.00	0.00
Associate Engineer	0.00	0.10	0.10	0.00	0.10	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, Public Works Projects	1.00	0.00	0.00	0.00	0.00	0.00
Deputy Director, PW Operations	0.25	0.25	0.25	0.00	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	1.20	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 (24)	2.55	2.55	3.46	0.91	3.46	0.00
Executive Secretary (25) (27)	0.00	0.00	0.00	0.00	0.00	0.00
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

2007-09 Table of Organization *continued*

	2005-06 Actual Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
Heavy Equipment Operator	1.90	1.90	1.90	0.00	1.90	0.00
Heavy Equipment Operator - Lead	0.85	0.85	0.85	0.00	0.85	0.00
Inspector, Field Services	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Facilities Maintenance	0.80	0.80	0.80	0.00	0.80	0.00
Manager, Maintenance Operations	0.12	0.12	0.12	0.00	0.12	0.00
Managing Arborist	1.00	1.00	1.00	0.00	1.00	0.00
Office Specialist (27)	3.50	3.50	0.00	-3.50	0.00	0.00
Project Engineer	1.20	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 Administrator	0.90	0.90	0.90	0.00	0.90	0.00
Senior Engineer	0.30	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
Staff Secretary (25) (27)	2.67	2.67	0.00	-2.67	0.00	0.00
Superintendent, PW Operations	0.60	0.60	0.60	0.00	0.60	0.00
Supervisor, Building Services	1.00	1.00	1.00	0.00	1.00	0.00
Supervisor, Facilities Management	0.95	0.95	0.95	0.00	0.95	0.00
Supervisor, Inspection/Surveying, PW	0.80	0.80	0.80	0.00	0.80	0.00
Supervisor, Public Works	0.00	0.00	0.00	0.00	0.00	0.00
Surveying Assistant	0.78	0.78	0.78	0.00	0.78	0.00
Surveyor, Public Works	0.78	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	1.94	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 (26)	0.00	0.00	1.00	1.00	1.00	0.00
Tree Trimmer/Line Clearer (26)	9.00	9.00	8.00	-1.00	8.00	0.00
Tree Trimmer/Line Clearer - Lead	1.00	1.00	1.00	0.00	1.00	0.00
Truck Driver (24)	0.91	0.91	0.00	-0.91	0.00	0.00
TOTAL PUBLIC WORKS	**67.90**	**67.90**	**67.90**	**0.00**	**67.90**	**0.00**
GENERAL FUND AUTHORIZED POSITIONS	**649.19**	**652.80**	**651.25**	**-1.55**	**649.85**	**-1.40**

Footnotes:

* These positions were adjusted in 2006-07 through a Budget Amendment Ordinance

1 Transfer of 1.0 FTE Manager, Communications to City Manager from Utilities

2 Transfer of 1.0 FTE Staff Secretary to City Manager from Utilities

		2005-06 Actual Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
3	Transfer 0.10 FTE Assistant Director, Administrative Services Department to the Technology Fund						
4	Transfer 0.05 FTE Assistant Director, Administrative Svc Dept from the Printing & Mailing Fund						
5	Transfer 0.10 FTE Senior Business Analyst from the Technology Fund						
6	Transfer 0.10 FTE Senior Financial Analyst to the Printing and Mailing Services Fund						
7	Elimination of 0.40 FTE Senior Financial Analyst in 2008-09, due to budget constraints						
8	Reclassification of 1.0 FTE Administrator, Special Events to Coordinator, Recreation Programs						
9	Reclassification of 1.0 FTE Supervisor, Recreation Programs to Coordinator, Recreation Programs						
10	~~Elimination of 1.0 FTE Coordinator, Recreation Programs, due to budget constraints~~; Added back by Finance Committee with offsetting revenue						
11	Title Change of 1.0 FTE Rec. & Youth Sciences Div Mgr to Division Manager, Recreation & Golf						
12	Elimination of 1.0 FTE Division Manager, Golf & Parks, due to budget constraints						
13	Reclassification 2.25 FTE Program Assistant to Jr. Museum & Zoo Lead Instructor						
14	Elimination of 1.0 FTE Supervisor, Parks, due to budget constraints						
15	Reclassification of 1.0 FTE Manager, HR Development to HR Representative						
16	Elimination of 1.0 FTE Librarian, due to budget constraints						
17	Drop 0.5 FTE Office Specialist, Add 1.0 FTE Management Assistant						
18	Elimination of 1.0 FTE Senior Planner, due to budget constraints						
19	Drop 1.0 FTE Police Lieutenant , Add 1.0 FTE Assistant Police Chief						
20	Reclassification of 7.0 FTE Parking Enforcement Officers to Community Service Officers						
21	Elimination of 1.0 FTE Community Service Officer, due to budget constraints						
22	Reclassification of 1.0 FTE Parking Enforcement Officer - Lead to Community Service Officer - Lead						
23	Reclassification of 1.0 FTE Police Records Specialist to Police Records Specialist - Lead						
24	Reclassification of 0.91 FTE Truck Driver to Equipment Operator						
25	Reclassification of 1.0 FTE Staff Secretary to Executive Secretary						
26	Reclassification of 1.0 FTE Tree Trimmer/Line Clearer to Tree Maintenance Person						
27	Reclassification due to Clerical Study						
28	Reclassification of 1.0 FTE Office Specialist to HR Assistant - Conf.						
29	Add 1.0 FTE Sr. Administrator - for coordination of Sustainability and Climate action efforts						
30	Reclassification of 9.0 FTE Police Records Specialist to Police Records Specialist II						
31	Reclassification of 16.0 FTE Police Safety Dispatcher to Police Saftey Dispatcher II						

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

2007-09 Table of Organization *continued*

	2005-06 Actual Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
Administrative Associate II (11)	0.00	0.00	3.00	3.00	3.00	0.00
Assistant Engineer	0.40	0.00	0.00	0.00	0.00	0.00
Assistant Manager, WQCP	1.00	1.00	1.00	0.00	1.00	0.00
Associate Engineer	3.00	3.30	3.30	0.00	3.30	0.00
Associate Planner	1.00	1.00	1.00	0.00	1.00	0.00
Business Analyst (12)	0.00	0.00	1.00	1.00	1.00	0.00
Buyer	1.00	1.00	1.00	0.00	1.00	0.00
Chemist	3.00	3.00	3.00	0.00	3.00	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	1.10	1.10	1.10	0.00	1.10	0.00
Engineering Technician I	0.50	0.50	0.50	0.00	0.50	0.00
Engineering Technician III	1.40	1.50	1.50	0.00	1.50	0.00
Environmental Specialist	2.00	2.00	2.00	0.00	2.00	0.00
Equipment Operator (1)	0.45	0.45	0.54	0.09	0.54	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
Laboratory Technician, WQCP	2.50	2.50	2.50	0.00	2.50	0.00
Landfill Technician	1.00	1.00	1.00	0.00	1.00	0.00
Maintenance Mechanic	7.00	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	1.38	1.38	1.38	0.00	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) (11)	2.00	2.00	0.00	-2.00	0.00	0.00
Program Assistant I (2) (11)	1.00	1.00	2.00	1.00	2.00	0.00
Program Assistant II (11)	0.00	0.00	1.00	1.00	1.00	0.00
Programmer Analyst (12)	1.00	1.00	0.00	-1.00	0.00	0.00
Project Engineer	2.00	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

2007-09 Table of Organization *continued*

	2005-06 Actual Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
Senior Administrator	0.10	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
Senior Mechanic, Water Quality Control	1.00	1.00	1.00	0.00	1.00	0.00
Senior Operator, Water Quality Control	6.00	6.00	6.00	0.00	6.00	0.00
Staff Secretary (11)	3.00	3.00	0.00	-3.00	0.00	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	7.00	7.00	0.00	7.00	0.00
Superintendent, Public Works Operations	0.20	0.20	0.20	0.00	0.20	0.00
Supervisor, Public Works	1.00	1.00	1.00	0.00	1.00	0.00
Supervisor, Water Quality Control Operations	5.00	5.00	5.00	0.00	5.00	0.00
Surveying Assistant	0.11	0.11	0.11	0.00	0.11	0.00
Surveyor, Public Works	0.11	0.11	0.11	0.00	0.11	0.00
Traffic Control Maintenance I	0.06	0.06	0.06	0.00	0.06	0.00
Truck Driver (1)	1.09	0.09	0.00	-0.09	0.00	0.00
Water Quality Control Plant Operator II	16.00	16.00	16.00	0.00	16.00	0.00
TOTAL PUBLIC WORKS - ENTERPRISE	**112.65**	**112.65**	**112.65**	**0.00**	**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
Administrative Associate I (11)	0.00	0.00	3.00	3.00	3.00	0.00
Administrative Associate II (11)	0.00	0.00	6.00	6.00	6.00	0.00
Asst. Director Utilities/Administrative Services	1.00	0.00	0.00	0.00	0.00	0.00
Asst. Director Customer Support Services	0.00	1.00	1.00	0.00	1.00	0.00
Asst. Director Utilities/Engineering	0.00	1.00	1.00	0.00	1.00	0.00
Asst. Director Utilities/Engineer/Operations	0.00	0.00	0.00	0.00	0.00	0.00
Asst. Director Utilities/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	0.00	0.00	0.00	0.00	0.00
Business Analyst	1.00	0.00	0.00	0.00	0.00	0.00
Cathodic Technician	1.00	1.00	1.00	0.00	1.00	0.00

2007-09 Table of Organization *continued*

	2005-06 Actual Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 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	3.00	3.00	0.00	3.00	0.00
Customer Service Representative	5.00	5.00	5.00	0.00	5.00	0.00
Customer Service Specialist	2.00	2.00	2.00	0.00	2.00	0.00
Customer Service Specialist-Lead	1.00	1.00	1.00	0.00	1.00	0.00
Director, Administrative Services	0.15	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
Electrical Assistant I	4.00	4.00	4.00	0.00	4.00	0.00
Electrician	14.00	14.00	14.00	0.00	14.00	0.00
Electrician-Lead (3)	7.00	7.00	6.00	-1.00	6.00	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	3.00	3.00	0.00	3.00	0.00
Equipment Operator	2.00	2.00	2.00	0.00	2.00	0.00
Gas System Technician	2.00	2.00	2.00	0.00	2.00	0.00
Heavy Equipment Operator*	9.00	10.00	10.00	0.00	10.00	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 (4)	5.00	5.00	4.00	-1.00	4.00	0.00
Maintenance Mechanic (5)	2.00	2.00	1.00	-1.00	1.00	0.00
Maintenance Mechanic - Welding (5)	0.00	0.00	1.00	1.00	1.00	0.00
Manager Utilities Telecommunication	1.00	1.00	1.00	0.00	1.00	0.00
Manager, Communications (6)	1.00	1.00	0.00	-1.00	0.00	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
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

2007-09 Table of Organization *continued*

	2005-06 Actual Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
Meter Reader (4)	5.00	5.00	6.00	1.00	6.00	0.00
Meter Reader-Lead	1.00	1.00	1.00	0.00	1.00	0.00
Office Specialist (11)	3.00	3.00	0.00	-3.00	0.00	0.00
Power Engineer *	0.00	2.00	2.00	0.00	2.00	0.00
Program Assistant I (11)	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 (8)	0.75	0.75	1.75	1.00	1.75	0.00
Resource Planner*	4.00	3.00	3.00	0.00	3.00	0.00
Senior Administrator	1.00	1.00	1.00	0.00	1.00	0.00
Senior Business Analyst	1.00	1.00	1.00	0.00	1.00	0.00
Senior Electric Project Engineer*	5.00	4.00	4.00	0.00	4.00	0.00
Senior Utilities Field Services Representative	1.00	1.00	1.00	0.00	1.00	0.00
Senior Market Analyst	2.00	3.00	3.00	0.00	3.00	0.00
Senior Mechanic	0.00	1.00	1.00	0.00	1.00	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 Water System Operator *	1.00	2.00	2.00	0.00	2.00	0.00
Staff Secretary (7) (11)	7.00	7.00	0.00	-7.00	0.00	0.00
Storekeeper	1.00	1.00	1.00	0.00	1.00	0.00
Supervisor Electric Systems	6.00	5.00	5.00	0.00	5.00	0.00
Supervisor, Meter Readers & Field Services	1.00	0.00	0.00	0.00	0.00	0.00
Supervisor, Utility Construction (8)	1.00	1.00	0.00	-1.00	0.00	0.00
Supervisor, Water, Gas, Wastewater	4.00	5.00	5.00	0.00	5.00	0.00
Supervisor, Water Transmission	1.00	1.00	1.00	0.00	1.00	0.00
Tree Maintenance Person	1.00	1.00	1.00	0.00	1.00	0.00
Truck Driver (9)	1.00	1.00	0.00	-1.00	0.00	0.00
Underground Inspector - Lead (3)	0.00	0.00	1.00	1.00	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 Engineer Estimator	6.00	5.00	5.00	0.00	5.00	0.00
Utilities Engineer Estimator - Lead	0.00	1.00	1.00	0.00	1.00	0.00
Utilities Field Service Representative*	8.00	7.00	7.00	0.00	7.00	0.00
Utilities Installer/Repairer (9) (13) (15)	14.00	15.00	11.00	-4.00	11.00	0.00
Utilities Installer/Repairer Assistant	1.00	1.00	1.00	0.00	1.00	0.00
Utilities Installer/Repairer -Welding (13)	0.00	0.00	4.00	4.00	4.00	0.00
Utilities Installer/Repairer-Lead (14) (15)	5.00	5.00	5.00	0.00	5.00	0.00

2007-09 Table of Organization *continued*

	2005-06 Actual Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
Utilities Installer/Repairer-Lead Welding (14)	0.00	0.00	1.00	1.00	1.00	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
Utility Compliance Technician	3.00	2.00	2.00	0.00	2.00	0.00
Utility Compliance Tech.-Lead	1.00	1.00	1.00	0.00	1.00	0.00
Water Meter/Cross Connection Technician	2.00	2.00	2.00	0.00	2.00	0.00
Water System Operator II	5.00	5.00	5.00	0.00	5.00	0.00
TOTAL UTILITIES	**233.90**	**236.90**	**234.90**	**-2.00**	**234.90**	**0.00**
CPA External Services						
Administrative Associate II (11)	0.00	0.00	0.25	0.25	0.25	0.00
Director, Administrative Services	0.05	0.05	0.05	0.00	0.05	0.00
Manager, Information Technology (10)	0.70	0.70	0.50	-0.20	0.50	0.00
Staff Secretary (11)	0.25	0.25	0.00	-0.25	0.00	0.00
Technologist	5.00	5.00	5.00	0.00	5.00	0.00
TOTAL CPA EXTERNAL FUND	**6.00**	**6.00**	**5.80**	**-0.20**	**5.80**	**0.00**
TOTAL ENTERPRISE FUNDS POSITIONS	**352.55**	**355.55**	**353.35**	**-2.20**	**353.35**	**0.00**

Footnotes:

* These positions were adjusted in 2006-07 through a Budget Amendment Ordinance

1 Reclassification of 0.09 FTE Truck Driver to Equipment Operator

2 Reclassification of 1.0 FTE Office Specialist to Program Assistant

3 Reclassification of 1.0 FTE Electrician - Lead to Underground Inspector - Lead

4 Drop 1.0 FTE Lineperson/Cable Splicer - Lead , Add 1.0 FTE Meter Reader

5 Reclassification of 1.0 FTE Maintenance Mechanic to Maintenance Mechanic - Welding

6 Transfer of 1.0 FTE Manager, Communications from Utilities to the General Fund

7 Transfer of 1.0 FTE Staff Secretary from Utilities to the General Fund

8 Drop 1.0 FTE Supervisor Utl. Construction/Inspect, Add 1.0 FTE Project Manager

9 ~~Reclassification of 1.0 FTE Truck Driver to Installer Repairer - Lead~~ - Reclassification of 1.0 FTE Truck Driver to Installer Repairer

10 Transfer of 0.20 FTE Manager, IT from External Services to the Technology Fund

11 Reclassification due to Clerical Study

2007-09 Table of Organization *continued*

		2005-06 Actual Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
12	Reclassification of 1.0 FTE Programmer Analyst to Business Analyst						
13	Reclassification of 4.0 FTE Utilities Installer/Repairer to Utilities Installer Repairer-Welding						
14	Reclassification of 1.0 FTE Utilities Installer/Repairer Lead to Utilities Installer Repairer Lead-Welding						
15	Reclassification of 1.0 FTE Installer Repairer to Installer Repairer-Lead						

OTHER FUNDS

Printing and Mailing Services

Accounting Specialist-Lead	0.05	0.00	0.00	0.00	0.00	0.00
Asst. Director, Administrative Services (1)	0.05	0.05	0.00	-0.05	0.00	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	0.00	0.00	0.00	0.00	0.00
Offset Equipment Operator	1.00	1.00	1.00	0.00	1.00	0.00
Offset Equipment Operator - Lead	1.00	1.00	1.00	0.00	1.00	0.00
Senior Financial Analyst (2) (3)	0.50	0.50	0.60	0.10	0.00	-0.60
Supervisor Reproduction and Mailing	1.00	1.00	1.00	0.00	1.00	0.00
TOTAL PRINTING AND MAILING SERVICES	**4.70**	**4.60**	**4.65**	**0.05**	**4.05**	**-0.60**

Technology

Administrative Assistant	0.07	0.07	0.07	0.00	0.07	0.00
Administrative Associate II (10)	0.00	0.00	0.79	0.79	0.79	0.00
Asst. Director, Administrative Services (4)	0.30	0.30	0.40	0.10	0.40	0.00
Business Analyst	0.90	0.90	0.90	0.00	0.90	0.00
Chief Information Officer	1.00	1.00	1.00	0.00	1.00	0.00
Desktop Technician	5.00	5.00	5.00	0.00	5.00	0.00
Director, Administrative Services	0.25	0.25	0.25	0.00	0.25	0.00
Manager, Information Technology (5)	2.30	2.30	2.50	0.20	2.50	0.00
Senior Business Analyst* (6)	0.90	1.90	1.80	-0.10	1.80	0.00
Senior Technologist *	16.00	15.00	15.00	0.00	15.00	0.00
Senior Financial Analyst	0.09	0.09	0.09	0.00	0.09	0.00
Staff Secretary (10)	0.75	0.79	0.00	-0.79	0.00	0.00
Technologist	2.00	2.00	2.00	0.00	2.00	0.00
TOTAL TECHNOLOGY	**29.56**	**29.60**	**29.80**	**0.20**	**29.80**	**0.00**

2007-09 Table of Organization *continued*

	2005-06 Actual Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
Due to funding constraints, the Technology Fund budget includes the temporary removal of funding for the following vacant position: 1.0 FTE Manager, IT.						
Equipment Management						
Administrative Associate III (10)	0.00	0.00	1.00	1.00	1.00	0.00
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 (9)	7.00	7.00	0.00	-7.00	0.00	0.00
Motor Equipment Mechanic I/II (9)	0.00	0.00	7.00	7.00	7.00	0.00
Motor Equipment Mechanic-Lead	1.00	1.00	1.00	0.00	1.00	0.00
Project Engineer (7)	0.00	0.00	0.10	0.10	0.10	0.00
Senior Engineer (8)	0.00	0.00	0.10	0.10	0.10	0.00
Staff Secretary (10)	1.00	1.00	0.00	-1.00	0.00	0.00
TOTAL EQUIPMENT MANAGEMENT	**16.00**	**16.00**	**16.20**	**0.20**	**16.20**	**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						
Administrative Associate I (10)	0.00	0.00	0.33	0.33	0.33	0.00
Assistant Engineer	1.50	0.00	0.00	0.00	0.00	0.00
Associate Engineer	0.00	0.60	0.60	0.00	0.60	0.00
Cement Finisher	3.00	3.00	3.00	0.00	3.00	0.00
Cement Finisher- Lead	1.00	1.00	1.00	0.00	1.00	0.00
Deputy Director, PW Operations	0.15	0.15	0.15	0.00	0.15	0.00
Engineer	3.70	3.70	3.70	0.00	3.70	0.00
Engineering Technician III	1.40	2.30	2.30	0.00	2.30	0.00
Heavy Equipment Operator - Lead	0.20	0.20	0.20	0.00	0.20	0.00
Manager, Facilities Maintenance	0.20	0.20	0.20	0.00	0.20	0.00
Manager, Maintenance Operations	0.50	0.50	0.50	0.00	0.50	0.00
Landscape Architect Park Planner	1.00	1.00	1.00	0.00	1.00	0.00

2007-09 Table of Organization *continued*

	2005-06 Actual Budget	2006-07 Adjusted Budget	2007-08 Adopted Budget	2007-08 Budget Change	2008-09 Adopted-in-Concept Budget	2008-09 Budget Change
Program Assistant I (10)	1.00	1.00	1.00	0.00	1.00	0.00
Project Engineer (7)	1.80	1.80	1.70	-0.10	1.70	0.00
Project Manager (8)	1.50	1.50	1.50	0.00	1.50	0.00
Senior Engineer	2.25	2.25	2.15	-0.10	2.15	0.00
Staff Secretary (10)	0.33	0.33	0.00	-0.33	0.00	0.00
Superintendent, PW Operations	0.20	0.20	0.20	0.00	0.20	0.00
Supervisor, Facilities Management	0.05	0.05	0.05	0.00	0.05	0.00
Supervisor, Inspection/Surv PW	0.20	0.20	0.20	0.00	0.20	0.00
Surveying Assistant	0.11	0.11	0.11	0.00	0.11	0.00
Surveyor, Public Works	0.11	0.11	0.11	0.00	0.11	0.00
TOTAL CAPITAL	**20.20**	**20.20**	**20.00**	**-0.20**	**20.00**	**0.00**
TOTAL OTHER FUNDS POSITIONS	**71.66**	**71.60**	**71.85**	**0.25**	**71.25**	**-0.60**

Footnotes:

* These positions were adjusted in 2006-07 through a Budget Amendment Ordinance

1 Transfer 0.05 FTE Assistant Director, Admin Services Printing & Mailing Fund to the General Fund (ASD)
2 Transfer 0.10 FTE Senior Financial Analyst from Administrative Services Department
3 Elimination of 0.60 FTE Senior Financial Analyst in 2008-09, due to budget constraints
4 Transfer 0.10 FTE Assistant Director, Administrative Services Department to the Technology Fund
5 Transfer of 0.20 FTE Manager, IT from the External Services Fund to the Technology Fund
6 Transfer 0.10 FTE Senior Business Analyst to the Administrative Services Department
7 Transfer 0.10 FTE Project Engineer Capital Fund to Equipment Management Fund
8 Transfer 0.10 FTE Senior Engineer Capital Fund to Equipment Management Fund
9 Reclassification of 7.0 FTE Motor Equipment Technician to Motor Equipment Technician I/II
10 Reclassification due to Clerical Study

TOTAL CITYWIDE POSITIONS	**1073.40**	**1079.95**	**1076.45**	**-3.50**	**1074.45**	**-2.00**

Authorization is given to create, no more than five, temporary overstrength positions to facilitate organizational transitions and succession planning in the cases of long-term disability, retirements, and critical vacancies. This action responds to the City Auditor's recommendation number four in the Audit of Workers' Compensation (Issued 04-09-05).

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Miscellaneous

Palo Alto: The City

An Overview

Palo Alto is located on the San Francisco Bay Peninsula in a valley between the bay and the coastal mountain range to the west about 40 miles south of San Francisco. The town of approximately 60,000 people, in Santa Clara County, is one of a constellation of towns and cities ringing San Francisco Bay and comprising the greater nine-county San Francisco Bay Region, with a population of approximately six million. While it is not a significant population center, Palo Alto enjoys international name recognition and people from all over the world come to participate in education or research at Stanford University, conduct business with the technology firms of the Silicon Valley area, or receive medical care at the Stanford Medical Center. Palo Alto's historic ties to Stanford University and the various institutions affiliated with it, either formally or loosely, creates a much more cosmopolitan character here than evidenced in many other Bay Area communities of similar size.

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, technology, real estate, as well as the wholesale, retail and service industries.

From city-owned parks in the baylands where birds and aquatic life flourish in a natural habitat to the trails and picnic areas in our grassy foothill preserves, Palo Alto is a city that boasts 34 parks. Indeed, one-third of Palo Alto's 26 square miles is open space, which complements Stanford University's thousands of acres of rolling hills and botanical preserves.

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,

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 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 percent of the combined required annual equity transfer of the current year.

Capital Fund Reserve Policy

Infrastructure Reserve (IR)

The Infrastructure Reserve (IR) was originally created as a mechanism to accumulate funding required to complete a 10 year, $100 million infrastructure rehabilitation program that would repair or renovate existing buildings and facilities, streets and sidewalks, parks and open space and transportation systems. Because of the need to maintain infrastructure on a systematic basis, it was recognized that the IR would out of necessity never be exhausted but would act in perpetuity as the source of funding for General Fund infrastructure.

From time to time, the Council has used the IR to fund new capital projects. However, the Council has not changed the original policy, adopted when the Infrastructure Management Plan was approved, to prioritize the care and maintenance of existing infrastructure over the acquisition of new infrastructure.

The reserve would therefore be used primarily to fund the projects identified in the original Infrastructure Master Plan, or any other projects not identified in the plan but which are critical to the maintenance of existing infrastructure. Secondarily, should Council choose, the IR may be used for major capital projects involving the acquisition or renovation of infrastructure not previously included in the IMP.

Because the IR is to be used for priority capital projects that will be reviewed by the Council, no maximum reserve level is recommended. A $2 million minimum balance is required to maintain an ongoing commitment to the City's future infrastructure needs.

Unspent monies from IMP projects will be returned to the IR and retained within the Capital Fund. Investment income from this reserve will also be retained within the IR to fund future capital project needs.

Demographic Statistics

Last Ten Fiscal Years

Fiscal Year	City Size Square Miles	Street Miles	City Population	County Population	School Population
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	60,569	1,731,422	10,341
2004-05	25.98	193.12	61,674	1,759,585	10,527
2005-06	25.98	193.12	62,148	1,773,258	10,607
2006-07	25.98	193.12		not available	not available

SOURCES:

California Department of Finance
Palo Alto Unified School District
Santa Clara County, Planning website: (http://www.sccplanning.org)

2007-08 Estimated Appropriations Limitation

COMPLIANCE CALCULATION ($Millions)	Combined Funds	General Fund	Capital Projects	Debt Service	Special Revenue
TOTAL BUDGETED APPROPRIATIONS					
2007-08 Adopted Budget ($millions)	129.20	115.78	6.67	1.34	5.41
Less: Debt Service Transactions	1.34			1.34	
Capital Outlay	8.62		8.62		
Non-Proceeds of Taxes	45.94	42.62			3.32
Net Adopted Appropriations Subject to Limit	**$73.30**	**$73.16**	**$(1.95)**	**$0.00**	**$2.09**
2007-08 Appropriations Limit	106.68				
UNDER LIMIT BY	**$33.38**				

COMPUTATION OF APPROPRIATION LIMIT

2006-07 Appropriations Limit	$100,637,817
2007-08 Santa Clara County Population Change	1.52%
2007-08 Per Capita Income Change	4.42%
(1.0152) x (1.0442) x $100,637,817 =	**$106,683,316**

The City of Palo Alto remains well within its appropriations limit in 2007-08. 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 Fund. The following is a summary of estimated limits and estimated appropriations subject to the limit.

Historical Appropriations	2003-04	2004-05	2005-06	2006-07	2007-08
Appropriations Subject to the Limit	61.33	64.13	65.87	70.45	73.30
Appropriations Limit	85.82	89.27	95.68	100.64	106.68
Under Limit By	**$24.49**	**$25.14**	**$29.81**	**$30.19**	**$33.38**

Projected Appropriations	2008-09	2009-10	2010-11	2011-12	2012-13
Estimated Appropriations Subject to the Limit	79.16	85.50	92.34	99.72	107.70
Estimated Appropriations Limit	113.46	120.66	128.32	136.47	145.14
Under Limit By	**$34.29**	**$35.17**	**$35.99**	**$36.75**	**$37.44**

RESOLUTION NO 8719
RESOLUTION OF THE COUNCIL OF THE CITY OF PALO ALTO DETERMINING THE CALCULATION OF THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2007-08

WHEREAS, under Article XIIIB of the Constitution of the State of California, the City of Palo Alto (City) may not appropriate any proceeds of taxes in excess of its appropriations limit (Limit); and

WHEREAS, since fiscal year 1990-91, the City is permitted to annually adjust its Limit in accordance with inflation and population adjustment factors; and

WHEREAS, pursuant to Government Code Section 37200, the calculation of the Limit and the total appropriations subject to the limit were set forth in the annual budget of the City for fiscal year 2007-08, which will be adopted by ordinance of the Council on June 11, 2007; and

WHEREAS, pursuant to Government Code sections 7901 and 7910, the final calculation of the Limit has been determined, and the adjustment factors on which the calculation is based are a 4.42% percent change in California per capita income and a 1.52% percent change in the population growth for the County of Santa Clara; and

WHEREAS, the documentation used in the determination of the Limit has been made available to the general public for fifteen (15) days prior to the date of adoption of this resolution; and

WHEREAS, according to the final calculation, the City's appropriations subject to limitation are approximately $33.38 million less than the Limit.

NOW, THEREFORE, the Council of the City of Palo Alto does RESOLVE as follows:

SECTION 1. The Council of the City of Palo Alto hereby finds that, for fiscal year 2007-08, 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

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required by law, and the City's appropriations subject to limitation are under the Limit by approximately $33.38 million.

SECTION 2. The Council hereby adopts the final calculation of the Appropriations Limit of the City for fiscal year 2007-08, 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 11, 2007

AYES: BARTON, BEECHAM, CORDELL, DREKMEIER, KISHIMOTO, KLEIN, KLEINBERG, MORTON, MOSSAR

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

APPROVED AS TO FORM:

Senior Asst City Attorney

APPROVED:

Mayor

City Manager

Director of Administrative Services

070522 jb 0130124

2007-09 Budget Adoption Ordinance

ORDINANCE NO. 4954

ORDINANCE OF THE COUNCIL OF THE CITY OF PALO ALTO ADOPTING THE BUDGET FOR FISCAL YEAR 2007-08 AND IN-CONCEPT APPROVAL OF THE BUDGET FOR FISCAL YEAR 2008-09

SECTION 1. The Council of the City of Palo Alto finds and determines as follows:

A. Pursuant to the provisions of Section 6(g) of Article IV of the Charter of the City of Palo Alto and Chapter 2.28 of the Palo Alto Municipal Code, the City Manager has prepared and submitted to the City Council, by letter of transmittal, a budget proposal for fiscal years 2007-08 and 2008-09; and

B. Pursuant to the provisions of Section 12 of Article III of the Charter, the Council did, on June 11, 2007, hold a public hearing on the budget after publication of notice in accordance with Section 2.28.070 of the Palo Alto Municipal Code; and

C. In accordance with the provisions of Chapter 8 of Division 1, of Title 7, commencing with Section 66016 of the Government Code, as applicable, the Council did on June 11, 2007, 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 2007-08:

(a) The budget document (Exhibit "A") containing the proposed operating and capital budgets submitted on or about May 1, 2007, by the City Manager for fiscal years 2007-09, entitled "City of Palo Alto - City Manager's 2007-09 Proposed Budget" covering General Government Funds, Enterprise Funds and Internal Service Funds, a copy of which is on file in the Department of Administrative Services, to which copy reference is hereby made concerning the full particulars thereof, and by such reference is made a part hereof; and

(b) The Amendments to the City Manager's 2007-09 Proposed Budget, attached hereto as Exhibit "B," and made a part hereof; and

(c) The document entitled "2007-08 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 "2007-08 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 2006-07 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 2006-07 shall be carried forward and added to the fund or department appropriations for fiscal year 2007-08.

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 2006-07 appropriations carried forward as provided in Section 5.

SECTION 7. As specified in Section 2.04.320 of the Palo Alto Municipal Code, a majority vote of the City Council is required to adopt this ordinance.

SECTION 8. As specified in Section 2.28.140(b) of the Palo Alto Municipal Code, the Council of the City of Palo Alto hereby delegates the authority to invest the City's funds to the Director of Administrative Services, as Treasurer, in accordance with the City's Investment Policy for 2007-08.

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 2008-09 Proposed Budget.

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 18, 2007

AYES: BEECHAM, CORDELL, DREKMEIER, KISHIMOTO, KLEIN, KLEINBERG

NOES: MORTON, MOSSAR

ABSTENTIONS:

ABSENT: BARTON

City Clerk

Mayor

APPROVED AS TO FORM:

City Attorney

APPROVED:

City Manager

Director of Administrative Services

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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

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.

Operating Transfer: Amounts transferred between funds; not considered a revenue or expense. For example, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

Pay-As-You-Go-Basis: A term used to describe the financial policy of a governmental unit that finances all of its capital outlays from current revenues rather than by borrowing.

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

Reimbursements: Interfund transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it but that properly apply to another fund. For example, the Enterprise Funds reimburse the Technology Fund for CIP projects that the Enterprise Funds benefit from.

Reserve: Represents the portion of fund balance set aside for financing future capital improvements or the outlay of capital projects in any given year, and addressing one-time emergency needs.

Revenues: Revenues include compensation received by the project for specific services to the public (external revenues), as well as revenues received from other funds (internal revenues). An example of internal revenue includes the Electric Fund reimbursing a Technology project for the technological resources that it will provide.

Special Revenue Funds: These funds account for the proceeds derived from specific revenue sources that are legally restricted to expenditures for specified purposes. The Street Improvement Fund (SIF) is a Special Revenue Fund that derives its funding from state gas tax revenues. Capital appropriations from the SIF must be spent on the construction and maintenance of the road network system of the City.

Americans with Disabilities Act

In compliance with

Americans with Disabilities Act (ADA) of 1990,

this document may be provided in other accessible formats.

For information contact:

ADA Coordinator
City of Palo Alto
285 Hamilton Avenue
(650) 329-2550

Visit the City's Website at:
www.CityofPaloAlto.org