







## City's Economic Outlook and Moving Forward

From the City Manager

### City's Economic Outlook

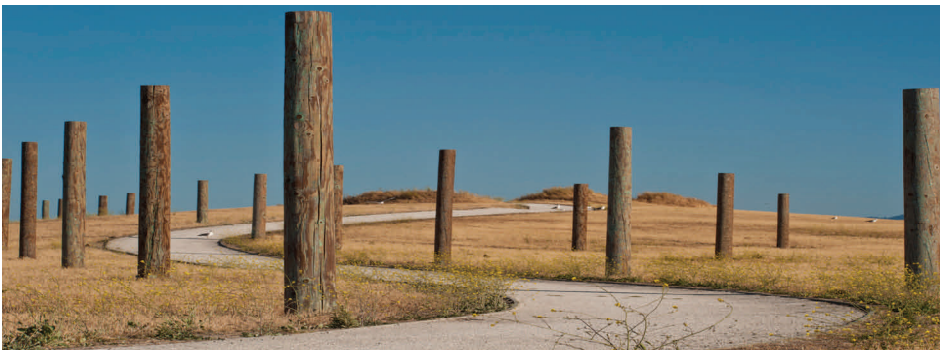
2011 was another year of achievements and challenges. The improvements in the economy in Silicon Valley certainly surpass most other areas. Unfortunately the nature of the economy in Silicon Valley does not directly contribute to rising local government revenues that match the growth in the economy itself, due to the tax structure for local government in California. For built-out cities like Palo Alto, revenue growth is further limited. While sales tax, transient occupancy tax, and development fee revenues are stabilizing and steadily increasing, these revenues are offset by increases in health care and pension costs.

With a focus on permanent, ongoing solutions as much as possible, the City Council continued to institute long-term structural cost controls in FY 2011 and closed a General Fund budget gap of \$7.3 million. This followed a \$16.2 million budget gap the City Council balanced in FY 2010 and an \$8 million budget gap closed in FY 2009. A total of \$14.3 million in structural changes have been made during the last two fiscal years.

### Moving Forward

The City Council reaffirmed its Council priorities for the year, and staff responded by advancing the priorities within the constraints of available resources. As public infrastructure is vital to the quality of life in any community, the City Council established an Infrastructure Blue Ribbon Commission (IBRC) that met for more than a year and recently delivered its final report on the unmet and deferred infrastructure needs of the City and potential funding solutions. During this next year, the City will wrestle with how to best fund priority infrastructure projects and development of a sustainable business model to eliminate the backlog of infrastructure investments and provide systematic maintenance into the future, as recommended in the IBRC Report.

FY 2012 and the years ahead will bring continuing fiscal challenges that will require a dramatic restructuring of how to provide city services, reshaping the organizational culture in City Hall and expanding engagement and partnership with citizens and businesses across Palo Alto. The process of change will be demanding but the results will ensure the continuance of a high quality of life in Palo Alto.



Byxbee Park— The City closed the landfill and opened 36 acres of Byxbee Park.

### Continuing to Provide Valuable Services

Throughout several years of conducting surveys, residents have given the City of Palo Alto high ratings in a variety of areas. The 2011 survey results continue to show Palo Alto residents value the City's services and community amenities. The City is in above the top 10% of surveyed jurisdictions nationally in the following areas:

	National Ranking
Palo Alto as a place to work	100th Percentile
Public schools	98th Percentile
Educational opportunities	98th Percentile
Drinking water	98th Percentile
Overall image or reputation of Palo Alto	96th Percentile
Employment opportunities	96th Percentile
Ease of bicycling in Palo Alto	94th Percentile
Recycled used paper, cans or bottles from your home	93rd Percentile
City parks	92nd Percentile

### About Citizen Centric Reporting

The Association of Government Accountants (AGA) developed guidance on producing Citizen Centric Reporting as a method to demonstrate accountability to residents and answer the question, "Are we better off today than we were last year?" Additional details can be found at the AGA website: [www.agacgm.org/citizen/](http://www.agacgm.org/citizen/).

### We want to hear from you

Do you like this report? Do you believe it should include any other information?

Please let us know by contacting the Office of the City Auditor at [City.Auditor@Cityofpaloalto.org](mailto:City.Auditor@Cityofpaloalto.org) or 650-329-2667.

The Office of the City Auditor is responsible for independently evaluating the City's programs, services, and departments. For 10 years our office has issued the City's annual performance report to supplement the City's financial reports and statements. If you are interested in viewing the City's complete annual performance report, please view the Service Efforts and Accomplishments Report for FY 2011 at: [http://www.cityofpaloalto.org/depts/aud/service\\_efforts\\_and\\_accomplishments.asp](http://www.cityofpaloalto.org/depts/aud/service_efforts_and_accomplishments.asp).

