Incorporated in 1894, the City of Palo Alto covers 26 square miles and is located in the heart of Silicon Valley. Palo Alto has over 65,000 residents and the daytime population is estimated at about 123,000. Stanford University, adjacent to Palo Alto and one of the top-rated institutions of higher education in the nation, has produced much of the talent that founded successful high-tech companies in Palo Alto and Silicon Valley.

The City of Palo Alto provides a full range of municipal services, in addition to owning and operating its own utility system, including electricity, gas, water, wastewater treatment, refuse, storm drain, and fiber optics. The City also offers expanded service delivery including fire protection service for Palo Alto and Stanford. The Regional Water Quality Control Plant serves the cities of Palo Alto, Mountain View, Los Altos, Los Altos Hills, Stanford, and East Palo Alto.

City residents elect nine members to the City Council to serve staggered four-year terms. Each January, Council members elect a Mayor and Vice-Mayor. Since 1950, the City has operated under a Council-manager form of government.

### Table of Contents

- **Page 1** City Organization and Information
- **Page 2** Progress in Fiscal Year 2012
- **Page 3** Fiscal Year 2012 Revenues and Expenditures
- **Page 4** What’s Next? City’s Economic Outlook and Moving Forward

### The City of Palo Alto’s Values

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

### Demographics Information

<table>
<thead>
<tr>
<th></th>
<th>FY 2010</th>
<th>FY 2011</th>
<th>FY 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>64,352</td>
<td>64,853</td>
<td>65,544</td>
</tr>
<tr>
<td>Average travel time to work*</td>
<td>21 minutes</td>
<td>22 minutes</td>
<td>22 minutes</td>
</tr>
<tr>
<td>Median household income*</td>
<td>$126,740</td>
<td>$117,127</td>
<td>$117,680</td>
</tr>
<tr>
<td>Average price of single family home</td>
<td>$1,514,900</td>
<td>$1,553,240</td>
<td>$1,719,960</td>
</tr>
<tr>
<td>Number of authorized City staff</td>
<td>1,151</td>
<td>1,114</td>
<td>1,114</td>
</tr>
</tbody>
</table>

* Figures reflect American Community Survey data
## How We Have Progressed

### Progress in Fiscal Year 2012

#### City Council Top Priority Areas for 2012

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

#### Key Measures

<table>
<thead>
<tr>
<th>Community Indicators</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Ranking compared to other surveyed jurisdictions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Safety</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average response to fire calls within 8 minutes (Target = 90%)</td>
<td>90%</td>
<td>83%</td>
<td>81%</td>
<td></td>
</tr>
<tr>
<td>Residents feeling “very” or “somewhat” safe from violent crime</td>
<td>85%</td>
<td>85%</td>
<td>87%</td>
<td>Much above</td>
</tr>
<tr>
<td>Police response to emergency calls within 6 minutes (Target = 90%)</td>
<td>78%</td>
<td>78%</td>
<td>78%</td>
<td></td>
</tr>
<tr>
<td>Quality of Life</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residents rating Palo Alto’s overall quality of life as “good” or “excellent”</td>
<td>94%</td>
<td>92%</td>
<td>94%</td>
<td>Much above</td>
</tr>
<tr>
<td>Residents rating Palo Alto as a place to raise children as “good” or “excellent”</td>
<td>93%</td>
<td>93%</td>
<td>92%</td>
<td>Much above</td>
</tr>
</tbody>
</table>

#### Additional Information

What would you like to see reported on this page? Please let us know by contacting the Office of the City Auditor at City.Auditor@Cityofpaloalto.org or 650-329-2667.

Additional information is available at the City Auditor’s website, http://www.cityofpaloalto.org/gov/depts/aud/default.asp
The City’s Finances

Revenues and Expenditures

Primary Sources of General Fund Revenues

Revenues by Source | FY 2011 Actual Revenue | FY 2012 Actual Revenue
--- | --- | ---
Sales Tax | $20.7 million | $22.1 million
Property Tax | $25.7 million | $26.5 million
Transient Occupancy Tax | $8.1 million | $9.7 million
Utility Users Tax | $10.9 million | $10.8 million
Other Taxes and Fines | $7.3 million | $6.9 million
Charges for Services | $22.4 million | $25.1 million
Permits and Licenses | $5.1 million | $6.5 million
Charges to Other Funds | $11.2 million | $11.6 million
Rental Income | $14.3 million | $14.3 million
Other Revenue | $3.0 million | $7.0 million
Operating Transfers-in | $17.9 million | $19.5 million
Encumbrance/reappropriation | $4.0 million | $3.9 million
Total Revenues: | $150.6 million\(^1\) | $163.9 million\(^1\)

Primary General Fund Expenditures

Expenditures by Use | FY 2011 Expenditures | FY 2012 Expenditures
--- | --- | ---
Administrative Departments | $16.9 million | $18.7 million
Community Services | $20.5 million | $21.4 million
Fire | $29.0 million | $30.1 million
Library | $6.7 million | $7.7 million
Planning and Community Environment | $10.4 million | $11.2 million
Police | $31.3 million | $33.8 million
Public Works | $13.8 million | $13.8 million
Non-departmental | $8.0 million | $8.2 million
Operating Transfers for Capital Projects and Debt Service | $11.0 million | $22.1 million
Total Gen. Fund Expenditures: | $147.6 million\(^1\) | $167.0 million\(^1\)

\(^1\) Differences between operating expenditures reported in the Comprehensive Annual Financial Report and these figures are attributable to rounding.

Independent Audit
An independent audit of the City’s financial statements resulted in a clean audit opinion.

Additional information is available at the City Auditor’s website, http://www.cityofpaloalto.org/gov/depts/aud/default.asp
City’s Economic Outlook

Like other communities in the Bay Area, the City is now starting to show signs of recovery from the recession. As with past years, the City continues to proactively take steps to align revenues with expenses with a focus on permanent, ongoing (structural) solutions as much as possible. The City Council adopted a General Fund budget of $152 million for FY 2013, reducing the on-going structural deficit by $5.8 million.

While the economy is slowly recovering, the City remains cautiously optimistic. Local government is in a period of extraordinary flux with numerous forces of change shaping our future. The years ahead will continue to bring fiscal challenges that will require the City to continue to evaluate how to provide city services and expand engagement and partnership with citizens and businesses across Palo Alto. The need to look for innovative opportunities to promote shared responsibility to maintain our strong, healthy, and vibrant community will be essential.

Moving Forward

The City Council reaffirmed its Council priorities for FY 2012: 1) City Finances, 2) Land Use and Transportation, 3) Emergency Preparedness, 4) Environmental Sustainability, and 5) Community Collaboration for Youth Well-Being. Here are a few highlights:

In June 2011, the City Council approved the Stanford Hospitals Project. This multi-billion dollar project, the largest in the City's history, includes renovation of the Hoover Pavilion building and the addition of a medical office building at the Hoover Pavilion site, the upgrade and relocation of the Welch Road utilities, the expansion of Lucile Packard Children's Hospital, the replacement of Stanford Hospital & Clinics and a one-for-one replacement of some of the School of Medicine's laboratory buildings.

Significant progress was made on the Development Center Blueprint and changes to the City's building and development permitting processes to improve customer satisfaction and expedite service delivery.

As leaders in environmental sustainability, the City finalized its roadmap for upgrades that will be needed to protect San Francisco Bay and produce recycled water for future generations.

As an integral part in the well-being and success of Palo Alto's residents and youth, the City continued its leadership role working with major partners such as the Palo Alto Unified School District (PAUSD) and mental health providers in supporting youth and creating a plan and strategy that includes education, prevention and intervention strategies that together provide a Safety Net for youth and teens in Palo Alto.

To bring both longstanding and new neighbors together in their neighborhoods and incorporate interaction between generations and cultures, the City adopted a neighborhood grant program to be implemented in 2013.

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.agacgfm.org (under Tools & Resources)

National Ranking

Palo Alto as a place to work
98th Percentile
Public schools
95th Percentile
Educational opportunities
98th Percentile
Drinking water
95th Percentile
Overall image or reputation of Palo Alto
94th Percentile
Employment opportunities
99th Percentile
Ease of bicycling in Palo Alto
96th Percentile
Recycled used paper, cans or bottles from your home
100th Percentile
Recreation programs or classes
95th Percentile

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 or 650-329-2667.

The Office of the City Auditor is responsible for independently evaluating the City’s programs, services, and departments. For 11 years our office has issued the City’s annual performance report (formerly Service Efforts and Accomplishments) to supplement the City’s financial reports and statements. If you are interested in viewing the City’s complete annual performance report, please visit: <http://www.cityofpaloalto.org/gov/depts/aud/reports/accomplishments.asp>