



CITY OF PALO ALTO OFFICE OF THE CITY AUDITOR

March 17, 2014

The Honorable City Council
Palo Alto, California

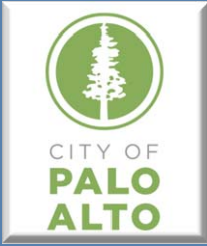
Citizen Centric Report for Fiscal Year 2013

This is Palo Alto's fifth Citizen Centric Report (CCR). The CCR is a concise four-page summary of highlights in the Performance Report (formerly the Service Efforts and Accomplishments Report), financial data, and an overview of our City's economic outlook. The CCR follows the Association of Government Accountants' recommended report format, which is designed to be visually appealing and to provide understandable information to the public about the financial condition and performance of our local government.

ATTACHMENTS:

- Attachment A: 2013 Citizen Centric Report (PDF)

Department Head: Houman Boussina, Acting City Auditor



The City of Palo Alto, California

A Report to Our Citizens



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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

Straightforward, honest, and fair relations

Innovation

Excellence in creative thought and implementation

City Organization and Information

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 66,000 residents and the daytime population is estimated at about 125,000. 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 total daytime population for Palo Alto and Stanford increases to about 134,000.

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. The City of Palo Alto operates under a Council-manager form of government.

Demographics Information	FY 2011	FY 2012	FY 2013
Population	64,853	65,443	66,368
Average travel time to work*	22 minutes	22 minutes	22 minutes
Median household income*	\$117,127	\$117,680	\$118,396
Median price of single family home	\$1,517,500	\$1,742,000	\$1,992,500
Number of authorized City staff	1,114	1,114	1,129

* Figures reflect American Community Survey data

How We Have Progressed

Progress in Fiscal Year 2013



Key Measures

Community Indicators

	FY 2011	FY 2012	FY 2013	Ranking compared to other surveyed jurisdictions
Public Safety				
Average response to fire calls within 8 minutes (Target = 90%)	83%	81%	82%	
Residents feeling "very" or "somewhat" safe from violent crime	85%	87%	79%	Above
Police response to emergency calls within 6 minutes (Target = 90%)	78%	78%	75%	
Quality of Life				
Residents rating Palo Alto's overall quality of life as "good" or "excellent"	92%	94%	91%	Much above
Residents rating Palo Alto as a place to raise children as "good" or "excellent"	93%	92%	90%	Much above

Top Priority Areas for 2013

- ▶ **Future of Downtown & California Avenue:**
 - Urban Design
 - Transportation
 - Parking
 - Livability
- ▶ **Infrastructure Strategy & Funding**
- ▶ **Technology & Connected City**

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.

Top Priority Areas

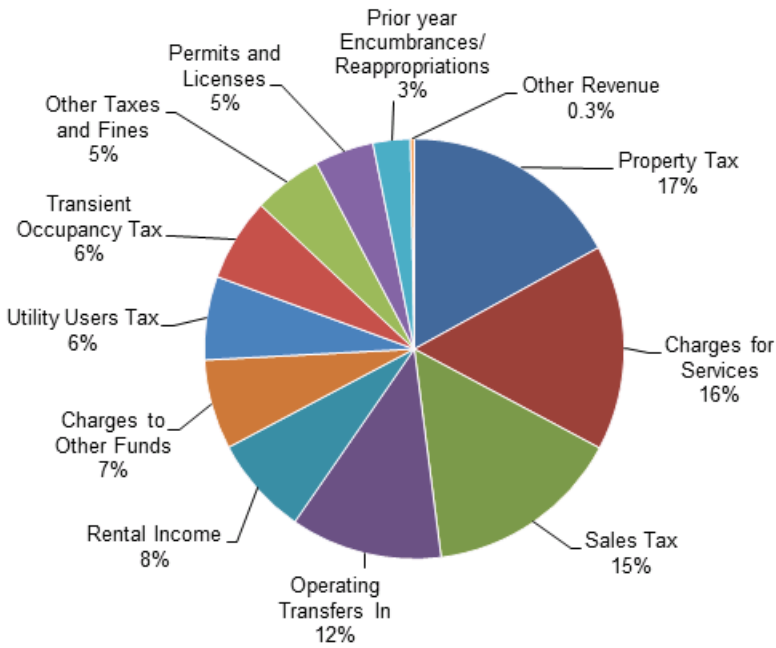
	FY 2011	FY 2012	FY 2013	Ranking compared to other surveyed jurisdictions
Future of Downtown & California Avenue				
Palo Alto as a place to live	94%	95%	92%	Much above
Amount of public parking	54%	51%	39%	Below
Quality of new development in Palo Alto	57%	56%	44%	Much below
Traffic flow on major streets	40%	36%	34%	Much below
Infrastructure Strategy & Funding				
Overall appearance of Palo Alto	89%	89%	85%	Much above
Value of services for the taxes paid to Palo Alto	66%	67%	66%	Above
Infrastructure Reserves ¹ - governmental funds (in millions)	\$3.2	\$12.1	\$17.5	
Total capital expenditures (in millions)	\$59.9	\$56.8	\$70.2	
Technology & Connected City				
Information Technology services (City employee survey results) rated "good" or "excellent"	-	98%	95%	
Visited the City of Palo Alto Website	76%	79%	81%	Much more
Public information services	67%	74%	73%	Above
Technology Capital Improvement Program (in millions)	-	\$0.8	\$3.4	

¹ Over the years, the Infrastructure Reserve has been used both to rehabilitate and maintain existing City facilities and to fund a number of new capital projects. The City Council has approved a high level plan and schedule for evaluating a potential infrastructure finance measure for the November 2014 ballot.

The City's Finances

Revenues and Expenditures

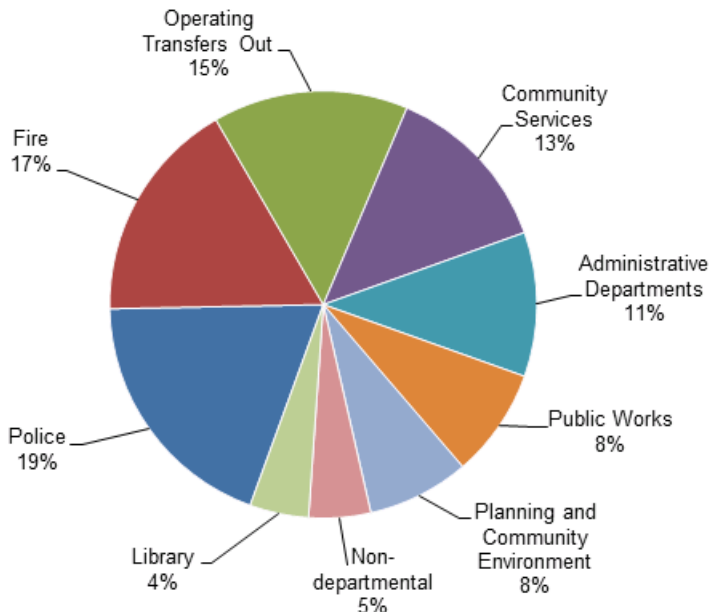
Primary Sources of General Fund Revenues



Revenues by Source	FY 2012 Actual Revenues	FY 2013 Actual Revenues
Property Tax	\$26.5 million	\$28.7 million
Charges for Services	\$25.1 million	\$26.7 million
Sales Tax	\$22.1 million	\$25.6 million
Operating Transfers In	\$19.5 million	\$19.8 million
Rental Income	\$14.3 million	\$12.9 million
Charges to Other Funds	\$11.6 million	\$11.7 million
Utility Users Tax	\$10.8 million	\$10.9 million
Transient Occupancy Tax	\$9.7 million	\$10.8 million
Other Taxes and Fines	\$6.9 million	\$9.0 million
Permits and Licenses	\$6.5 million	\$7.7 million
Prior Year Encumbrances/Reappropriations	\$3.9 million	\$4.9 million
Other Revenue	\$7.0 million	\$0.5 million
Total Revenues:	\$163.9 million	\$169.1 million

Source: Comprehensive Annual Financial Report (CAFR)

Primary General Fund Expenditures



Expenditures by Use	FY 2012 Actual Expenditures	FY 2013 Actual Expenditures
Police	\$33.8 million	\$32.5 million
Fire	\$30.1 million	\$28.8 million
Operating Transfers Out	\$22.1 million	\$25.1 million
Community Services	\$21.4 million	\$22.3 million
Administrative Departments	\$18.7 million	\$18.5 million
Public Works	\$13.8 million	\$14.0 million
Planning and Community Environment	\$11.2 million	\$13.1 million
Non-departmental	\$8.2 million	\$8.0 million
Library	\$7.7 million	\$7.6 million
Total Gen. Fund Expenditures:	\$167.0 million	\$169.7 million

Source: Comprehensive Annual Financial Report (CAFR)

Independent Audit

An independent audit of the City's basic financial statements resulted in a clean audit opinion.

City's Economic Outlook and Moving Forward

From the City Manager

City's Economic Outlook

While revenues are on a trend upward, the City has continued to proactively manage its budget to ensure fiscal responsibility and stability, as well as focus on containing long-term expense liabilities. The City Council adopted a General Fund budget of \$159.7 million for FY 2014 that is balanced and does not contain significant cost or service reductions such as those included in prior years as we dealt with the severe economic downturn. Our prior actions to reduce employee compensation and benefit costs are evident as the FY 2014 budget allowed us to fund a series of important one-time investments, as well as to fill key vacant positions. Overall, however, General Fund staffing levels remained flat.

In terms of housing, home sale values surged from \$1.23 million in 2009 to \$1.8 million in 2013, a 46% average increase for sellers. This has translated to a blistering compound annual growth rate of 19% in property transfer tax revenues since FY 2010.

Moving Forward

The City Council adopted a new set of priorities for FY 2013 that included: 1) The Future of Downtown and California Avenue: Urban Design, Transportation, Parking and Livability, 2) Infrastructure Strategy and Funding, and 3) Technology and the Connected City.

Following are a few highlights:

- The City Council approved the award of a consultant contract for phase one of a downtown cap study, the first comprehensive study of transportation and development policies conducted in the past 25 years.
- The Council put into motion the framework for a Residential Parking Permit Program to address growing parking concerns in neighborhoods.
- The Main Library renovation is progressing, with a groundbreaking held in 2013.
- The annual budget for street improvement work was increased to \$5.1 million and 41 lane miles were paved. Funding for the City's Sidewalks to School routes increased by \$1 million, and 98,000 square feet of sidewalk was replaced.
- The City renewed its interest in the feasibility of an expanded Fiber-to-the-Premise network and activated a powerful high speed City-provided service of fast and reliable WiFi in Cogswell Plaza with plans to deploy more widely across the City.
- The City launched CityCamp Palo Alto as part of the nation's first formal day of civic hacking to bring together local government and the community. We also launched Palo Alto 311, a mobile app that allows citizens to report Public Works related issues and problems 24/7. The City also enhanced its Open GIS data platforms as developers and the public can now create applications on areas of City operations such as permitting information, etc.

While we are seeing the results of an economy that has clearly ramped up over the past 18 months, the City continues to look beyond the immediate horizon and ensure financial stability for the long term. The decisions and actions that we take today to address fiscal challenges will create a foundation for the future that is stable and sustainable. Together, as a community, we can promote and nurture the spirit of innovation and visionary thinking while ensuring that Palo Alto's fundamental structure remains sound.

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 2013 survey results continue to show Palo Alto residents value the City's services and community amenities. The City ranks in the top 5% of selected surveyed jurisdictions nationally in the following areas:

	National Ranking
Palo Alto as a place to work	99th Percentile
Employment opportunities	99th Percentile
Public schools	98th Percentile
Recycled used paper, cans or bottles from your home	98th Percentile
Drinking water	98th Percentile
Educational opportunities	97th Percentile
Positive impact of economy on household income	96th Percentile
Visited the City of Palo Alto Website	96th Percentile
Overall image or reputation of Palo Alto	95th 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.agacgfm.org (under Tools & Resources)

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 12 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>