

City of Palo Alto

Office of the City Auditor

February 7, 2005

Honorable City Council
Palo Alto, California

This is the City Auditor's third annual Service Efforts and Accomplishments report for the City of Palo Alto. The report is intended to be informational. It provides data about the costs, quality, quantity, and timeliness of City services. It includes a variety of comparisons to other cities, and the results of a citizen survey. Our goal is to provide the City Council, staff, and the public with an independent, impartial assessment of past performance to help make better decisions about the future. We are confident that reliable information on the performance of City services will strengthen public accountability and help improve government efficiency and effectiveness.

OVERALL SATISFACTION

The second annual Citizen Survey, administered in conjunction with this report, reveals high ratings for City services. 90 percent rated the overall quality of City services good or excellent – up from 87 percent last year. This included 33 percent rating the overall quality of services as excellent, 57 percent good, 9 percent fair, and only 1 percent poor.

When asked to evaluate whether they felt they received good value for taxes they pay, 75 percent agreed that they receive good value (up from 69 percent last year) and only 9 percent disagreed. This year 63 percent reported they are pleased with the overall direction of the City (compared to 54 percent last year), and residents' impressions of the responsiveness of city employees went up 10 points (from 74 percent to 84 percent).

In comparison to responses from other jurisdictions, Palo Alto ranks in the 91st percentile as a place to raise children, and in the 85th percentile in overall quality of life, but only the 3rd percentile in access to affordable quality housing. When asked to rate potential problems in Palo Alto, 21 percent said traffic congestion, 20 percent said homelessness, and 15 percent said too much growth.

OVERALL SPENDING AND STAFFING

A downturn in the local economy and decreases in City revenue have forced spending reductions over the last 4 years. General Fund spending decreased to \$114.3 million in FY 2003-04. This was 9 percent higher than in FY 1999-00, however given that the Consumer Price Index increased 15.8 percent over the same period, the General Fund's spending power was less. In FY 2003-04,

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General Fund staffing including temporary staff, dropped to 772 full-time equivalents (FTE), however the City's total authorized staffing citywide is still 6 percent higher than five years ago.

In FY 2003-04, we estimate the net General Fund cost per capita was \$1,381 including:

- \$281 for police services
- \$209 for community services and parks
- \$181 for fire services
- \$144 for administrative/legislative/support services
- \$147 for public works
- \$85 for library services
- \$84 for planning, building, and code enforcement services
- \$98 for non-departmental expenses (including \$97 paid to the school district)
- \$152 in operating transfers (including \$109 for capital projects)

Driven in part by rising energy prices, enterprise fund expenditures for electricity, water, gas, refuse, and other utility services increased 19 percent, from \$133 million to \$158.2 million over the 5-year period. Capital spending in the general governmental funds increased 69 percent over five years – from \$13.2 million in FY 1999-00 to \$22.3 million in FY 2003-04 (due in part to the construction of two downtown parking structures). The City's reserve for infrastructure rehabilitation has grown to \$35.9 million.

COMMUNITY SERVICES

Spending on community services increased 16 percent over the last five years. Enrollment in classes and attendance at performances was up 19 percent from FY 1999-00.

Quality ratings for Community Services are very high: 84 percent of residents rate the quality of recreation centers/facilities as good or excellent; 86 percent rate the quality of recreation programs/classes as good or excellent; 90 percent rate their neighborhood park good or excellent; and 91 percent rate the quality of city parks good or excellent. In comparison to other jurisdictions, Palo Alto's survey responses ranked 98th in opportunities to attend cultural activities, and 100th (that is, first out of 53 jurisdictions surveyed) in range/variety of recreation programs and classes.

FIRE

Total Fire Department expenditures increased 23 percent over the last five years. The Fire Department provides Palo Alto and Stanford residents and businesses with emergency response, environmental and safety services. The average response time for fire calls was 5:15 minutes, and the average response time for medical/rescue calls was 5:47 minutes in FY 2003-04. In FY 2003-04, there were 248 fire calls (including 51 residential structure fires) and nearly 3,800 medical/rescue calls.

Residents give high marks to the quality of Fire Department service: 97 percent of residents rate fire services good or excellent, and 94 percent of residents rate ambulance/emergency medical services good or excellent.

LIBRARY

Operating expenditures for Palo Alto's five libraries rose 4 percent over the last five years, although total hours open annually decreased 17 percent over that period. Total family program attendance rose 16 percent. Volunteers donated about 6,630 hours of service to the libraries in FY 2003-04 – 41 percent more than 5 years ago. Library services also receive high ratings from residents: 81 percent rate the quality of library services good or excellent. However, because expectations for libraries are high, this rating only places Palo Alto in the 40th percentile in comparison to other jurisdictions asking this survey question. Similarly, 74 percent of Palo Alto residents rate the variety of library materials as good or excellent, but these ratings only put Palo Alto in the 38th percentile. 76 percent rate the quality of neighborhood branch libraries good or excellent.

PLANNING AND COMMUNITY ENVIRONMENT

Planning and Community Environment expenditures increased 24 percent from \$6.9 million to \$8.5 million. Authorized staffing increased from 54 to 62 FTE. In FY 2003-04, the average time to complete planning applications increased to 35.5 weeks for major projects and 12.1 weeks for minor projects. 48 percent of residents rate planning services good or excellent (compared to 40 percent last year); 59 percent rate code enforcement good or excellent.

Over the last five years, the number of building permits issued increased 6 percent to 3,236 in FY 2003-04. Building permit revenue decreased from \$3.1 to \$2.5 million, or 20 percent. In FY 2002-03, the average time for first response to regular plan checks was 5.5 weeks. Staff reduced the turnaround time goal to 4 weeks during FY 2003-04, and we estimate the average for first response to plan checks during FY 2003-04 was 21 days.

POLICE

Police Department spending increased 17 percent over the last five years. The department handled more than 52,000 calls for service in FY 2003-04. Over the last 4 years, the average response times for priority 1 calls improved from 6:41 minutes to 4:49 minutes. The total number of traffic accidents declined by about 30 percent, but the percent of traffic accidents with injury increased by 8 percent over the five year period.

Palo Alto ranks in the 84th percentile in comparison to other jurisdictions in response to the question "how safe do you feel in your neighborhood during the day" – 98 percent of residents said they feel very or somewhat safe in their neighborhoods during the day. 90 percent of residents rate police services good or excellent including 43 percent excellent, 47 percent good, 8 percent fair, and only 2 percent poor – placing Palo Alto in the 86th percentile in comparison to other jurisdictions. 79 percent of residents rate animal control services good or excellent, and 64 percent rate traffic control services good or excellent.

PUBLIC WORKS

Public Works department spending increased by only 4 percent in the last five years. This was due in part to the reallocation of about \$1.9 million in staffing and other costs to other funds. Tons of materials recycled increased 12 percent; tons of waste

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landfilled declined 32 percent; and tons of household hazardous materials collected increased 25 percent. 92 percent of residents rate the quality of garbage collection as good or excellent, 70 percent rate street tree maintenance good or excellent (up from 66 percent last year), 57 percent rate storm drainage good or excellent (down from 65 percent last year), 46 percent rate the quality of street repair good or excellent (down from 50 percent last year), and 50 percent rate sidewalk maintenance good or excellent.

UTILITIES

Operating expenditures for the electric and gas utilities increased by 75 percent and 33 percent, respectively, over the last five years, due in large part to increased costs to purchase energy. In calendar year 2003, more than 5 percent of Palo Alto customers enrolled in the voluntary Palo Alto Green energy program. The number of electric, gas, and water service disruptions are down 9 percent, 54 percent, and 53 percent respectively. Operating expense for the water utility increased 46 percent, including a 30 percent increase in the cost of water purchases. 88 percent of residents rate electric and gas services good or excellent, 65 percent rate street lighting good or excellent, 80 percent rate sewer service good or excellent, and 75 percent rate drinking water service good or excellent.

LEGISLATIVE AND SUPPORT SERVICES

This category includes the Administrative Services and Human Resources departments, and the offices of the City Manager, City Attorney, City Clerk, City Auditor, and the City Council, and includes a variety of performance information related to these departments.

We urge readers to review the entire report to understand more fully the mission and work of each of the City's departments. The full results of the National Citizen Survey™ are included in the appendices. We thank the many departments and staff that contributed to this report. This report would not be possible without their support.

Respectfully submitted,

Sharon W. Erickson
City Auditor

Audit staff: Renata Falk
Additional assistance by: Edwin Young and Patricia Hilaire

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BACKGROUND

INTRODUCTION

This is the third annual report on the City of Palo Alto's Service Efforts and Accomplishments (SEA). The purpose of the report is to

- Provide consistent, reliable information on the performance of City services,
- Broadly assess trends in government efficiency and effectiveness, and
- Improve City accountability to the public.

The report contains summary information on spending and staffing, workload, and performance results. This year, the report also includes the results of a resident survey rating the quality of City services. The report provides two types of comparisons:

- Five-year historical trends for fiscal years 1999-00 through 2003-04
- Selected comparisons to other cities

There are many ways to look at services and performance. This report looks at services on a department-by-department basis. All city departments are included in our review.

Chapter 1 provides a summary of overall spending and staffing over the last five years. Chapters 2 through 9 present the mission statements, description of services, background data, workload, performance measures, and survey results for:

- Community Services
- Fire
- Library
- Planning and Community Environment
- Police
- Public Works

- Utilities
- Legislative and Support Services

COMMUNITY PROFILE

Incorporated in 1894, Palo Alto is a largely built-out community of about 60,200 residents. The city covers about 26 square miles, stretching from the edges of San Francisco Bay to the ridges of the San Francisco peninsula. Located mid-way between San Francisco and San Jose, Palo Alto is in the heart of the Silicon Valley. 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.

DEMOGRAPHICS

Palo Alto is a highly educated community. According to the 2000 census, of residents aged 25 years and over

- 74 percent had a bachelor's degree or higher
- 43 percent had a graduate or professional degree

The largest occupation groups are management-professional (76 percent), and sales and office (15 percent).

In 1999, the median household income was \$90,377, with 24 percent of families earning \$200,000 or more, and 10 percent of families earning less than \$35,000.

According to census statistics (2000), 73 percent of Palo Alto residents are white, and 17 percent are of Asian descent.

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| Race-ethnicity | Population | Percent |
|---------------------------|------------|---------|
| White | 42,682 | 73% |
| Asian | 10,090 | 17% |
| Hispanic | 2,722 | 5% |
| Black or African American | 1,184 | 2% |
| Other | 1,920 | 3% |
| Total | 58,598 | 100% |

Source: 2000 Census

At the time of the last census (2000), the median age was 40.2 years. The following table shows population by age.

| Age | Population | Percent |
|----------|------------|---------|
| Under 18 | 12,406 | 21% |
| 18 - 34 | 11,406 | 19% |
| 35 - 54 | 19,827 | 34% |
| Over 55 | 14,959 | 26% |
| Total | 58,598 | 100% |

Source: 2000 Census

The majority of residents own their homes, but a large number of dwellings are renter occupied:

| Housing occupancy | Number | Percent |
|-------------------|--------|---------|
| Owner occupied | 14,420 | 55% |
| Renter occupied | 10,796 | 42% |
| Vacant | 832 | 3% |
| Total | 26,048 | 100% |

Source: 2000 Census

QUALITY OF LIFE

Residents give high ratings to the local quality of life. When asked to rate the overall quality of life in Palo Alto, 42 percent of residents said “excellent”, 51 percent said “good”, 6 percent said “fair”, and 1 percent said “poor.”

In comparison to other jurisdictions¹, Palo Alto ranks in the 91st percentile as a place to raise children. Palo Alto “as a place to retire”, ranked somewhat lower, in the 58th percentile.

| Quality of life ratings | Percent rating Palo Alto good or excellent | National ranking |
|--|--|----------------------|
| Palo Alto as a place to live | 96% | 90 th ile |
| Overall quality of life | 94% | 85 th ile |
| Palo Alto as a place to raise children | 93% | 91 th ile |
| Neighborhood as a place to live | 90% | 93 th ile |
| Palo Alto as a place to retire | 63% | 58 th ile |

Source: National Citizen SurveyTM 2004 (Palo Alto)

Palo Alto residents give high marks to the City’s overall appearance and opportunities to attend cultural events (98th percentile compared to other jurisdictions). 69 percent of residents rated our sense of community as good or excellent. Job opportunities rated lower at 44 percent, but that was higher than last year’s rating of 33 percent, perhaps reflecting an up-tick in the local economy.

| Community characteristics | Percent rating Palo Alto good or excellent | National ranking |
|---|--|----------------------|
| Overall appearance of Palo Alto | 86% | 87 th ile |
| Opportunities to attend cultural events <NEW> | 83% | 98 th ile |
| Openness and acceptance | 73% | 85 th ile |
| Sense of community | 69% | 71 th ile |
| Job opportunities | 44% | 69 th ile |
| Access to affordable quality child care | 26% | 3 rd ile |
| Access to affordable quality housing | 7% | 9 th ile |
| Ease of walking in Palo Alto | 84% | 96 th ile |
| Ease of bicycle travel in Palo Alto | 80% | 94 th ile |
| Ease of rail travel in Palo Alto | 64% | 45 th ile |
| Ease of car travel in Palo Alto | 52% | 51 th ile |
| Ease of bus travel in Palo Alto | 43% | 50 th ile |

Source: National Citizen SurveyTM 2004 (Palo Alto)

¹ Based on survey results from over 400 jurisdictions collected by the National Research Center, Inc.

As shown below, when asked to rate potential problems in Palo Alto, 1 out of 5 of residents cite traffic congestion and homelessness as major problems.

| Potential problems | Percent "major problem" |
|---|-------------------------|
| Traffic congestion | 21% |
| Homelessness | 20% |
| Too much growth | 15% |
| Taxes | 14% |
| Noise | 6% |
| Unsupervised youth | 6% |
| Lack of growth <NEW> | 4% |
| Drugs | 3% |
| Run down buildings, weed lots, or junk vehicles | 2% |
| Crime | 1% |
| Graffiti | 1% |

Source: National Citizen Survey™ 2004 (Palo Alto)

Many residents are concerned about growth – about 39 percent of survey respondents said population growth was too fast – but 69 percent of respondents said jobs growth was too slow. Residents perceptions of the local economy are slightly better than last year: this year 27 percent said they thought the economy would have a positive impact on their family income in the next 6 months (compared to 25 percent last year), 28 percent said it would have a negative impact (compared to 31 percent last year), and 45 percent were neutral (compared to 45 percent last year).

COMMUNITY PARTICIPATION

Palo Alto residents participate actively in their community. When asked about their participation in various activities in Palo Alto in the last 12 months, 97 percent reported they recycled, 91 percent visited a Palo Alto park, 78 percent reported they voted in the last election, and 77 percent reported they used the library or its services. 28 percent reported they had attended a meeting of local elected officials or other local public meeting.

Palo Alto residents are active on-line. 92 percent of residents said they used the internet, 84 percent said they purchased an item over the

internet, and 52 percent said that they had used the internet to conduct business with the City.

| Percent engaging in various activities in the past year: | Percent |
|--|---------|
| Recycled used paper, cans or bottles from your home | 97% |
| Used the internet for anything | 92% |
| Visited a Palo Alto park | 91% |
| Purchased an item over the internet | 84% |
| Voted in the last election | 78% |
| Used Palo Alto public library or its services | 77% |
| Used Palo Alto recreation centers | 60% |
| Volunteered your time to some group/activity in Palo Alto | 52% |
| Used the internet to conduct business with Palo Alto | 52% |
| Participated in a recreation program or activity | 50% |
| Ridden a local bus within Palo Alto | 30% |
| Attended a meeting of local elected officials or other local public meeting | 28% |
| Watched a meeting of local elected officials or other local public meeting on cable television | 27% |

Source: National Citizen Survey™ 2004 (Palo Alto)

GOVERNMENT

Palo Alto is a charter city, operating under a council/manager form of government. There is a 9-member City Council, and a number of Council-appointed boards and commissions.² The City Council's top 5 priorities for FY 2003-04 included:

- Long term finances
- Infrastructure
- Land use planning
- Alternative transportation/traffic calming
- Affordable/attainable housing

² Additional information about the City's boards and commissions can be found at www.cityofpaloalto.org/cityagenda.

SCOPE AND METHODOLOGY

The City Auditor's Office prepared this report in accordance with the FY 2004-05 Annual Audit Plan. The workload and performance results that are outlined here reflect current City operations. We did not audit those operations as part of this project.

The City Auditor's Office compiled, examined, and reviewed sources of departmental data, however we did not conduct detailed testing of that data. The report is intended to be informational. The report provides insights into service results, but is not intended to thoroughly analyze those results.

SERVICE EFFORTS AND ACCOMPLISHMENTS REPORTING

In 1994, the Governmental Accounting Standards Board (GASB) issued *Concepts Statement No. 2, Service Efforts and Accomplishments Reporting*. The statement broadly describes *"why external reporting of SEA measures is essential to assist users both in assessing accountability and in making informed decisions to improve the efficiency and effectiveness of governmental operations."* According to the statement, the objective of SEA reporting is to provide more complete information about a governmental entity's performance than can be provided by the traditional financial statements and schedules to assist users in assessing the economy, efficiency, and effectiveness of services provided.

Other organizations including the Government Finance Officers Association (GFOA) and International City/County Management Association (ICMA) have long been advocates of performance measurement in the public sector. For example, the ICMA Performance Measurement Program provides local government benchmarking information for a variety of public services.

In 2003, the Association of Government Accountants (AGA) initiated a Certificate of Excellence in Service Efforts and Accomplishments Reporting project, of which Palo Alto is a charter participant.

The City of Palo Alto has utilized various performance indicators for a number of years. This report builds on existing systems and measurement efforts. For example, the City's mission driven budget

document includes *"impact"* measures. Impact measures *"are the measurable results to be achieved in each functional area. They are the measures through which the value of services can be assessed by Council and the public."* Where we have included budget impact measures, they are so noted with the symbol "☉".

SELECTION OF INDICATORS

We limited the number and scope of workload and performance measures in this report to items that we thought would be the most useful indicators of City government performance and would be of general interest to the public. This report is not intended to be a complete set of performance measures for all users.

From the outset of this project, we decided to use existing data sources to the extent possible. We reviewed existing "impact measures" from the City's adopted budget documents³, community indicators in the Comprehensive Plan⁴, sustainability indicators from the City's Sustainability Task Force⁵, performance measures from other jurisdictions, and benchmarking information from the ICMA⁶ and other professional organizations. We used information from the City's Comprehensive Annual Financial Report (CAFR).⁷ We held numerous discussions with City staff to determine what information was available and reliable, and best summarized the services they provide.

Wherever possible we have included five years of data. Generally speaking, it takes five data points to show a trend. In the future, we hope to include as much as ten years of data to show the impacts of changes in service delivery over time.

This third annual SEA report incorporates some new performance information, including results of several new questions that were added

³ The budget is on-line at www.cityofpaloalto.org/finance/budget.html. The operating budget includes additional performance measurements.

⁴ The Comprehensive Plan is on-line at www.cityofpaloalto.org/compplan.

⁵ Sustainability reports are available on-line at www.cityofpaloalto.org/fire/sustainability/city-program.html.

⁶ International City/County Management Association (ICMA), *Comparative Performance Measurement FY 2002 Data Report*. This report summarizes data from 92 jurisdictions, including several from California.

⁷ The CAFR is on-line at www.cityofpaloalto.org/finance/cafr.html.

to the 2004 citizen survey. Consistency of information is important to us. However, to accommodate new information, we occasionally delete some information that was included in a previous report. We will continue to use City Council, public, and staff feedback to ensure that the information items that we include in this report are meaningful and useful. We welcome your input. Please contact us with suggestions at city.auditor@cityofpaloalto.org.

THE NATIONAL CITIZEN SURVEY™

The National Citizen Survey™ is a collaborative effort between the National Research Center, Inc., and the International City/County Management Association (ICMA).⁸ Respondents in each jurisdiction are selected at random. Participation is encouraged with multiple mailings and self-addressed, postage-paid envelopes. Results are statistically re-weighted, if necessary, to reflect the proper demographic composition of the entire community.

Surveys were mailed to a total of 1,200 Palo Alto households between late-September and early-November 2004. Completed surveys were received from 582 residents, for a response rate of 51 percent (up from 48 percent last year). Typical response rates obtained on citizen surveys range from 25 to 40 percent.

It is customary to describe the precision of estimates made from surveys by a “level of confidence” (or margin of error). The 95 percent confidence level for this survey of 1,200 residents is generally no greater than plus or minus 5 percentage points around any given percent reported for the entire sample.

The scale on which respondents are asked to record their opinions about service and community quality is “excellent”, “good”, “fair”, and “poor”. Unless stated otherwise, the survey data included in this report displays the responses only from respondents who had an opinion about a specific item – “don’t know” answers have been removed.

The National Research Center, Inc., has collected citizen survey data from more than 400 jurisdictions in the United States. Inter-jurisdictional comparisons are available when similar questions are asked in at least five other jurisdictions. When comparisons are available, ranks are

⁸ The full text of Palo Alto’s survey results can be found in appendices A and B.

expressed as a percentile to indicate the percent of jurisdictions with identical or lower ratings.

POPULATION

Where applicable, we have used the most recent estimates of Palo Alto resident population from the California Department of Finance, as shown in the following table.

| Year | Population |
|--|--------------|
| FY 1999-00 | 58,500 |
| FY 2000-01 | 60,400 |
| FY 2001-02 | 60,400 |
| FY 2002-03 | 60,100 |
| FY 2003-04 | 60,200 |
| Percent change over last 5 years: | +2.9% |

We used population figures from sources other than the Department of Finance for some comparisons to other jurisdictions, but only in cases where comparative data was available only on that basis.

Some departments⁹ serve expanded service areas. For example, the Fire Department serves Palo Alto, Stanford, and Los Altos Hills (seasonally). The Regional Water Quality Control Plan serves Palo Alto, Mountain View, Los Altos, Los Altos Hills, Stanford, and East Palo Alto.

Some departments are heavily impacted by Palo Alto’s large daytime population. The Association of Bay Area Governments (ABAG) estimates that the daytime population for the Palo Alto/Stanford area was 139,032 in calendar year 2000.¹⁰

⁹ Additional information about the City’s departments can be found at www.cityofpaloalto.org/support/departments.

¹⁰ ABAG calculates daytime population as follows: total Palo Alto/Stanford population (71,914) less number of employed residents (43,772) plus total employment (110,890).

INFLATION

Financial data has not been adjusted for inflation. In order to account for inflation, readers should keep in mind that the San Francisco Area Consumer Price Index for All Urban Consumers has increased by 15.8 percent over the 5 years of financial data that is included in this report. The index increased as follows:

| Date | Index |
|--|---------------|
| June 1999 | 171.8 |
| June 2000 | 179.1 |
| June 2001 | 190.9 |
| June 2002 | 193.2 |
| June 2003 | 196.3 |
| June 2004 | 199.0 |
| Percent change over last 5 years: | +15.8% |

We would also like to acknowledge our debt to the City of Portland Auditor's Office that pioneered local government accountability for performance through its "City of Portland Service Efforts and Accomplishments" report – now in its fourteenth year of publication.

COMPARISONS TO OTHER CITIES

Comparisons to other cities should be used carefully. We tried to include "apples to apples" comparisons, but differences in costing methodologies and program design may account for unexplained variances between cities. For example, the California State Controller's Office gathers and publishes comparative financial information from all California cities.¹¹ We used this information where possible, but noted that cities provide different levels of service and categorize expenditures in different ways.

ACKNOWLEDGEMENTS

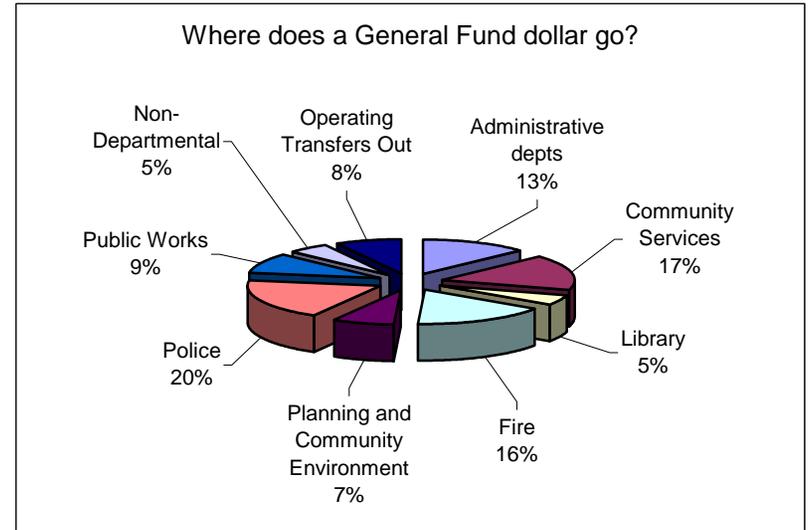
This report could not have been prepared without the cooperation and assistance of City management and staff from every City department. Our thanks to all of them for their help. We also want to thank the City Council and community members who reviewed last year's report and provided thoughtful comments.

¹¹ California State Controller, *Cities Annual Report Fiscal Year 2002-03* (<http://www.sco.ca.gov/ard/local/locprep/index.shtml#publications>).

CHAPTER 1 – OVERALL SPENDING AND STAFFING

Palo Alto, like other cities, uses various funds to track specific activities. The General Fund is used for all general revenues and governmental functions including parks, fire, libraries, planning, police, public works, legislative, and support services. These services are supported by general City revenues and program fees. Enterprise Funds are used to account for the City's utilities (including water, electricity, gas, wastewater collection and treatment, refuse, and storm drains) and are generally supported by charges paid by users based on the amount of service they use.

The pie chart to the right shows where a General Fund dollar goes. The table below shows more detail. In FY 2003-04, the City's total General Fund expenditures and other uses of funds totaled \$114.3 million. This included \$9.2 million in transfers to other funds (including \$6.6 million for capital projects and \$0.3 million for storm drains). Total General Fund uses of funds increased 9 percent from FY 1999-00 to FY 2003-04, but has decreased over the last 4 years. Some expenses were transferred to other funds. The consumer price index increased 15.8 percent over the same five-year period.



Source: FY 2003-04 expenditure data

General Fund operating expenditures and other uses of funds (in millions) ¹

| | Administrative departments ² | Community Services | Fire | Library | Planning and Community Environment | Police | Public Works | Non-departmental ³ | Operating transfers out ⁴ | TOTAL | Enterprise Fund operating expenses |
|---------------------------------------|---|--------------------|---------------|--------------|------------------------------------|---------------|---------------|-------------------------------|--------------------------------------|----------------|------------------------------------|
| FY 1999-00 | \$16.3 | \$16.5 | \$15.3 | \$4.4 | \$6.9 | \$18.7 | \$11.8 | \$5.4 | \$9.6 | \$105.0 | \$133.0 |
| FY 2000-01 | \$19.2 | \$17.2 | \$16.8 | \$4.6 | \$7.0 | \$19.5 | \$12.5 | \$12.9 | \$10.2 | \$119.9 | \$163.5 |
| FY 2001-02 | \$19.1 | \$18.1 | \$17.7 | \$5.2 | \$7.8 | \$20.3 | \$13.1 | \$6.4 | \$11.7 | \$119.4 | \$182.6 |
| FY 2002-03 | \$18.4 | \$18.7 | \$18.1 | \$5.1 | \$8.1 | \$21.2 | \$13.4 | \$5.5 | \$10.7 | \$119.2 | \$151.5 |
| FY 2003-04 | \$14.9 | \$19.1 | \$18.8 | \$5.3 | \$8.5 | \$22.0 | \$10.6 | \$5.9 | \$9.2 | \$114.3 | \$158.2 |
| Change over last 5 years ¹ | -9% | +16% | +23% | +20% | +24% | +17% | -11% | +9% | -4% | +9% | +19% |

¹ Figures are based on actual data, however percentages may not tally due to rounding

² Includes the City Manager, City Attorney, City Clerk, City Council, City Auditor, Administrative Services Department, and Human Resources Department.

³ Includes payments to the Palo Alto Unified School District as part of the Cubberley lease and covenant not to develop (\$5.8 million in FY 2003-04).

⁴ In FY 2003-04 this included \$6.6 million to the Capital Projects Fund, \$0.3 million to the Storm Drain Fund, \$1 million for debt service, and \$1 million to the Technology Fund.

PER CAPITA SPENDING

There are at least two ways to look at per capita spending: annual spending (shown below) and net cost (shown on the right).

As shown below, in FY 2003-04, General Fund operating expenditures and other uses of funds totaled \$1,899 per Palo Alto resident, including operating transfers to fund the City's Capital Improvement Program (CIP).

However, as shown on the right, General Fund departments generate revenues or are reimbursed for some of their activities by other jurisdictions and/or the enterprise funds. As a result, we estimate the net General Fund cost per capita in FY 2003-04 was about \$1,381.

Enterprise Fund operating expenses totaled \$2,628 per capita. Palo Alto's enterprise funds include Electric, Gas, Water, Wastewater Collection, Wastewater Treatment, Refuse, Storm Drainage, and External Services. Enterprise funds generally work like a business and charge fees to cover the cost of services.

Net General Fund cost per capita²

On a per capita basis, FY 2003-04 net General Fund costs of \$1,381 included:

- \$281 for police services
- \$209 for community services
- \$181 for fire and emergency medical services¹
- \$147 for public works
- \$144 for administrative, legislative, and support services
- transportation services
- \$85 for library services
- \$84 for planning, building, code enforcement
- \$98 for non-departmental expenses (including \$97 paid to the school district)
- \$152 in operating transfers out (including \$109 in transfers to the Capital Projects Fund)

General Fund spending and other uses of funds per capita

| | Admin. Departments | Community Services | Fire ¹ | Library | Planning and Community Environment | Police | Public Works | Non-departmental | Operating transfers out | TOTAL | Capital outlay (governmental funds) | Enterprise Fund operating expenses (includes capital) |
|--|--------------------|--------------------|-------------------|-------------|------------------------------------|--------------|--------------|------------------|-------------------------|----------------|-------------------------------------|---|
| FY 1999-00 | \$279 | \$281 | \$261 | \$76 | \$118 | \$320 | \$202 | \$92 | \$164 | \$1,794 | \$225 | \$2,274 |
| FY 2000-01 | \$318 | \$285 | \$279 | \$76 | \$115 | \$322 | \$207 | \$213 | \$169 | \$1,984 | \$184 | \$2,716 |
| FY 2001-02 | \$316 | \$300 | \$293 | \$86 | \$128 | \$336 | \$216 | \$107 | \$193 | \$1,976 | \$280 | \$3,017 |
| FY 2002-03 | \$308 | \$308 | \$301 | \$85 | \$135 | \$352 | \$224 | \$91 | \$177 | \$1,983 | \$539 | \$2,504 |
| FY 2003-04 | \$248 | \$318 | \$312 | \$89 | \$141 | \$365 | \$176 | \$98 | \$152 | \$1,899 | \$370 | \$2,628 |
| Change over last 5 years: ³ | -11% | +13% | +20% | +17% | +20% | +14% | -13% | +6% | -7% | +6% | +65% | +16% |

¹ Not adjusted for Fire department's expanded service area.

² Net cost is defined as total program cost less the revenues/ reimbursements generated by the specific activities.

³ Figures are based on actual data, however percentage or total may not tally due to rounding.

RESIDENT PERCEPTIONS

OVERALL QUALITY OF SERVICES

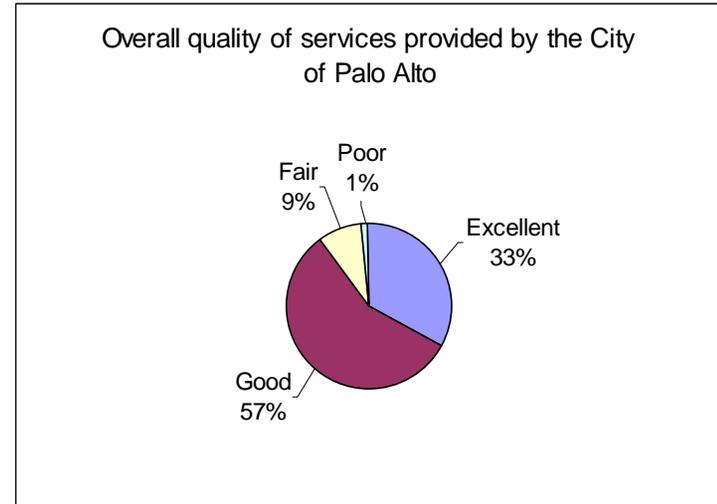
As shown in the chart on the right, 90 percent of Palo Alto residents rate the overall quality of city services good or excellent. Palo Alto ranks in the 85th percentile of nationwide responses to the National Citizen Survey™ on the overall quality of city services. In comparison, 38 percent of Palo Alto residents rate federal services good or excellent, and only 36 percent rate state services good or excellent.

PUBLIC TRUST

When asked to evaluate whether they feel they receive good value for the City taxes they pay, 75 percent of residents agree (up from 69 percent last year), and 63 percent of residents are pleased with the overall direction the city is taking (up from 54 percent last year). Interestingly, a larger percent of residents feel the City welcomes citizen involvement (70 percent) than feel the City listens to citizens (60 percent).

RATINGS OF CONTACT WITH CITY EMPLOYEES

64 percent of survey respondents reported they had contact with a City of Palo Alto employee in the past year. Of those respondents, 84 percent said their overall impression was good or excellent. Ratings for responsiveness improved from 74 percent to 84 percent good or excellent.



Source: National Citizen Survey™ 2004 (Palo Alto)

| | Citizen Survey | | | | | | | | | | | |
|---------------------------|--|--|--|--|--|--|---|---|---|--|--|--------------------------------------|
| | Overall quality of services | | | Public trust | | | | Impression of contact with Palo Alto employees | | | | |
| | Percent rating city services good or excellent | Percent rating Federal Government services good or excellent | Percent rating State Government services good or excellent | Percent agreeing they receive good value for the City taxes they pay | Percent pleased with overall direction of the City | Percent who feel the City welcomes citizen involvement | Percent who feel the City listens to citizens | Percent having contact with a city employee in the last 12 months | Good or excellent impression of knowledge | Good or excellent impression of responsiveness | Good or excellent impression of courtesy | Overall impression good or excellent |
| FY 1999-00 | - | - | - | - | - | - | - | - | - | - | - | - |
| FY 2000-01 | - | - | - | - | - | - | - | - | - | - | - | - |
| FY 2001-02 | - | - | - | - | - | - | - | - | - | - | - | - |
| FY 2002-03 | 87% | 32% | 31% | 69% | 54% | 64% | 55% | 62% | 84% | 74% | 83% | 78% |
| FY 2003-04 | 90% | 38% | 36% | 75% | 63% | 70% | 60% | 64% | 86% | 84% | 84% | 84% |
| Change over last 5 years: | - | - | - | - | - | - | - | - | - | - | - | - |

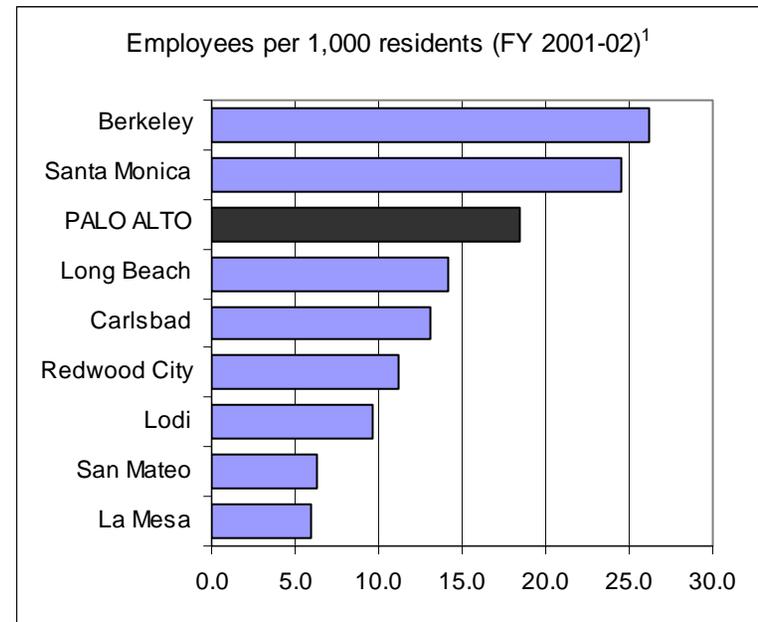
¹ Full results of the National Citizen Survey™ 2004 are included in the appendices.

AUTHORIZED STAFFING

City staffing is measured in full-time equivalent staff, or FTE. In FY 2003-04, there were 759 authorized positions in General Fund departments and 426 authorized positions in other funds. In FY 2003-04, this included about 92 FTE “temporary positions” – a budget category that includes hourly employees who do not receive benefits. It should be noted that as of June 30, 2004, 46 authorized positions were vacant.

In FY 2003-04, authorized positions were reallocated between the General Fund and other funds. This resulted in a decrease in General Fund staffing, and an increase in other authorized staffing. Total authorized staffing increased by 6 percent in the last 5 years citywide.

Staffing comparisons between cities are problematic – no other city in California offers a full complement of utility services like Palo Alto, and some Palo Alto employees provide services to other jurisdictions that are reimbursed by those jurisdictions (e.g. fire, dispatch, information technology, water treatment, and animal control). The International City/County Management Association (ICMA) collects comparison data. As shown in the graph to the right, Palo Alto had fewer employees per 1,000 residents than Berkeley and Santa Monica, but more than the other California jurisdictions in the ICMA sample.



Source: ICMA Comparative Performance Measurement FY 2001-02, and City of Palo Alto FY 2001-02 table of organization

| | General Fund authorized staffing (FTE ²) ³ | | | | | | | | Other authorized staffing (FTE ²) ³ | | | | | | | Total authorized staffing ² | Authorized staffing per 1,000 residents ² |
|---------------------------------------|---|--------------------|------------|-----------|---------------------------------|------------|--------------|------------------------|--|---------------------|---------------------------|--------------------------------------|------------------------------------|-------------|------------------------|--|--|
| | Admin. Department-ments | Community Services | Fire | Library | Planning and Community Environ. | Police | Public Works | Sub-total ³ | Refuse Fund | Storm Drainage Fund | Wastewater Treatment Fund | Electric, Gas, Water, and Wastewater | CPA ⁴ External Services | Other funds | Sub-total ³ | | |
| FY 1999-00 | 133 | 142 | 129 | 52 | 54 | 179 | 84 | 773 | 33 | 9 | 67 | 221 | 0 | 20 | 349 | 1,122 | 19.2 |
| FY 2000-01 | 140 | 148 | 130 | 56 | 60 | 180 | 87 | 801 | 34 | 10 | 68 | 234 | 0 | 20 | 365 | 1,166 | 19.3 |
| FY 2001-02 | 148 | 154 | 130 | 57 | 61 | 182 | 89 | 820 | 34 | 10 | 69 | 238 | 4 | 20 | 374 | 1,194 | 19.8 |
| FY 2002-03 | 150 | 157 | 133 | 57 | 62 | 183 | 91 | 833 | 34 | 10 | 69 | 236 | 7 | 20 | 375 | 1,208 | 20.1 |
| FY 2003-04 | 108 | 152 | 129 | 54 | 62 | 177 | 77 | 759 | 34 | 10 | 69 | 241 | 6 | 67 | 426 | 1,185 | 19.7 |
| Change over last 5 years ³ | -19% | +7% | +0% | +4% | +15% | -1% | -9% | -2% | +1% | +10% | +3% | +9% | - | +245% | +22% | +6% | +3% |

¹ Does not include temporary positions.

² Includes authorized temporary positions and allocated departmental administration.

³ Figures are based on actual data, however total or percentage may not tally due to rounding.

⁴ City of Palo Alto (“CPA”)

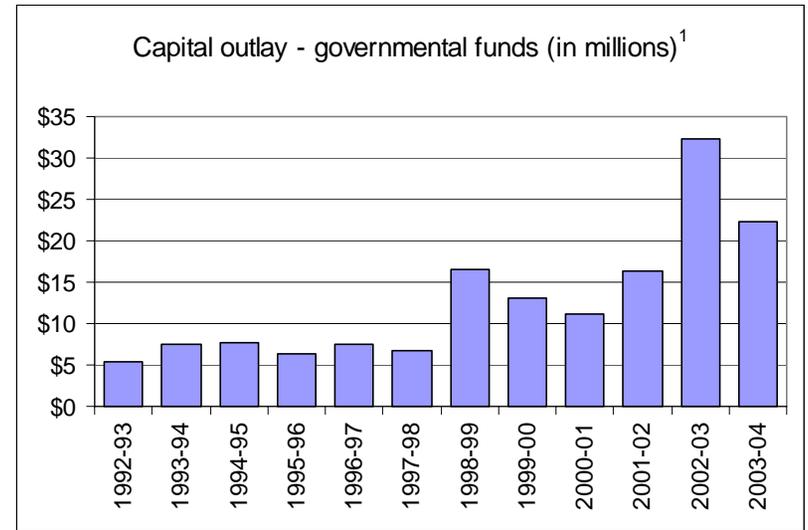
CAPITAL SPENDING

Several years ago the City inventoried, assessed, and prioritized work on its buildings, facilities, streets, sidewalks, medians, bikeways, parks, and open space. This effort resulted in a long-term plan to rehabilitate Palo Alto’s General Fund infrastructure (one of the City Council’s top 5 priorities).

With the implementation of GASB Statement 34 in FY 2001-02, the City has recorded all its capital assets in its citywide financial statements.³ Capital assets are valued at historical cost, net of accumulated depreciation. This includes buildings and structures, vehicles and equipment, roadways, and utility distribution systems.

As shown in the graph on the right, capital outlay by governmental funds¹ has increased dramatically. As of June 30, 2004, net general capital assets totaled \$310 million. The balance in the General Fund Infrastructure Reserve (to fund infrastructure rehabilitation) has grown from \$13.9 million in FY 1999-00 to \$35.9 million in FY 2003-04, or 158 percent.

The enterprise funds invested \$22.8 million in capital projects in FY 2003-04, for a total of nearly \$125 million over 5 years. As of June 30, 2004, net Enterprise Fund capital assets totaled \$329.1 million.



Source: Comprehensive Annual Financial Reports

| | General Fund Infrastructure Reserve (in millions) | General governmental funds (in millions) | | | Enterprise funds (in millions) | | |
|---------------------------------------|---|--|-----------------------------|--------------|------------------------------------|-----------------|---------------|
| | | Net general capital assets | Capital outlay ¹ | Depreciation | Net Enterprise Fund capital assets | Capital expense | Depreciation |
| FY 1999-00 | \$13.9 | - | \$13.2 | - | - | \$29.3 | - |
| FY 2000-01 | \$18.8 | - | \$11.1 | - | - | \$23.7 | - |
| FY 2001-02 | \$30.2 | \$266.9 | \$16.9 | \$6.7 | \$301.2 | \$25.0 | \$10.4 |
| FY 2002-03 | \$33.4 | \$293.1 | \$32.4 | \$9.4 | \$315.2 | \$24.1 | \$11.0 |
| FY 2003-04 | \$35.9 | \$310.0 | \$22.3 | \$8.8 | \$329.1 | \$22.8 | \$11.4 |
| Change over last 5 years ² | +158% | - | +69% | - | - | -22% | - |

¹ Includes capital expenditures in the General Fund, Capital Projects and Special Revenue funds. Does not include capital expense associated with Utility or other enterprise funds. FY 2002-03 and FY 2003-04 outlay included substantial expenditures for two new downtown parking structures, funded by an assessment district.

² Figures are based on actual data, however percentage or total may not tally due to rounding.

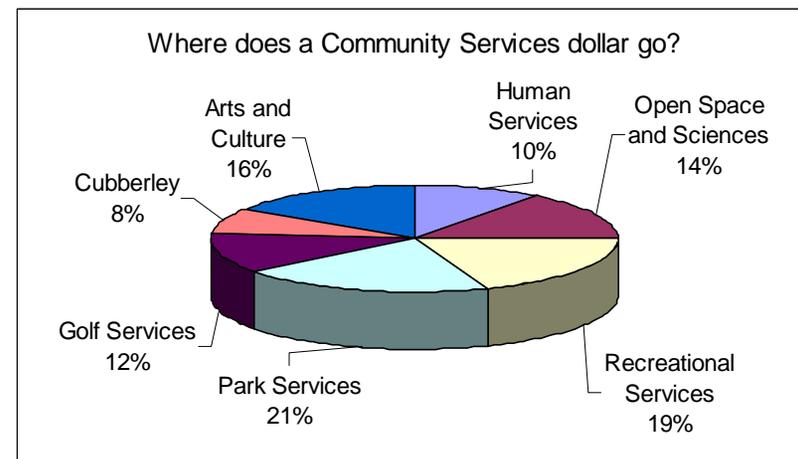
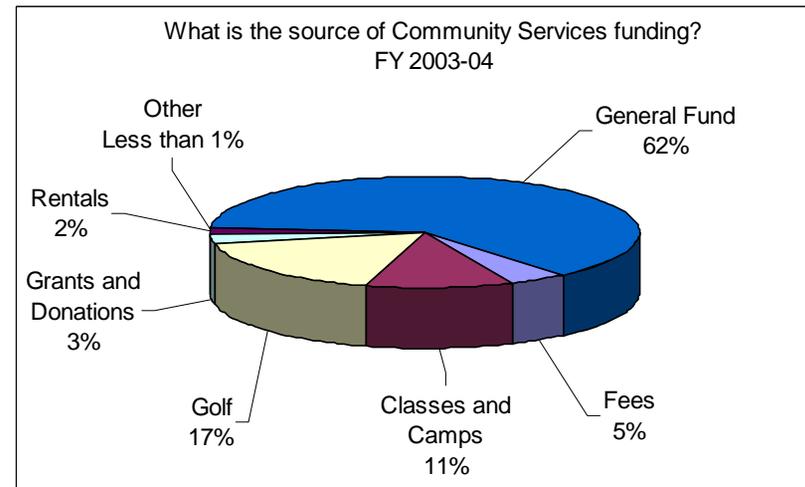
³ The City’s financial statements are on-line at www.cityofpaloalto.org/finance/cafr.html.

CHAPTER 2 – COMMUNITY SERVICES

The mission of the Community Services Department is to kindle the passion for life through increased knowledge, artistic expression, physical activity, social help and enjoyment of the outdoors.

The Department has seven major functional areas:

- Arts and Culture – visual arts, children’s performing arts, adult performing arts, arts community partnerships, arts facility operations
- Cubberley Community Center – Cubberley Center services and maintenance
- Golf Course – golf course maintenance and business operations
- Park Services – maintenance of City parks and certain facilities, landscapes, and school district athletic fields
- Human Services – human services contract administration, child care services, community partnership/public services, and family resources
- Open Space and Sciences Services – Open space maintenance, park rangers, open space community partnership, wildlife and resource management, and Junior Museum and Zoo
- Recreational Services – adult programs, youth and teen programs, programs for persons with special needs, recreation facilities, and special events These include sports programs, a teen drop-in center, swimming pools and camps.



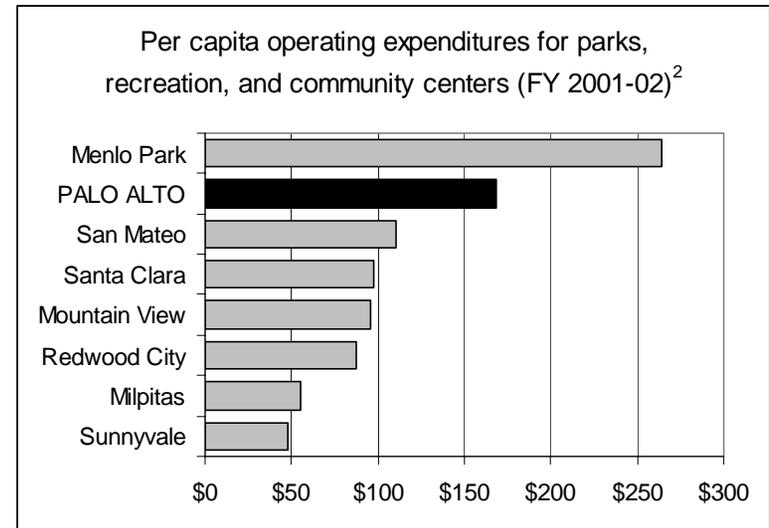
Source: FY 2003-04 revenue and expenditure data

SPENDING AND REVENUE

Total Community Services spending (excluding Libraries) increased by approximately 16 percent in the last five years:

- Golf course spending increased by about \$200,000, or 8 percent.
- Arts and Culture spending increased about \$400,000, or 13 percent.
- Open Space and Sciences spending increased about \$600,000, or 24 percent.
- Human services spending increased about \$100,000, or 5 percent, largely due to increases in grants and contracts awarded.
- Spending on Recreation increased about \$600,000, or 20 percent.
- Operating and maintenance expenditures for parks increased about \$500,000, or 17 percent.
- Operating expenditures for Cubberley increased by 33 percent from approximately \$1.1 million to \$1.5 million.

Palo Alto's expenditures per capita for parks, recreations, and community centers are at the high end of seven other California jurisdictions. It should be noted that each jurisdiction offers different levels of service and budgets for those services differently.



Source: California State Controller, *Cities Annual Report Fiscal Year 2001-02*

| | Operating expenditures (in millions) | | | | | | | | Operating expenditures per capita ¹ | Total revenue (in millions) |
|---------------------------------------|--------------------------------------|--------------|--------------|------------------|-------------------------|----------------------------|----------------|--------------------|--|-----------------------------|
| | Parks | Golf course | Recreation | Arts and Culture | Open Space and Sciences | Cubberley Community Center | Human Services | TOTAL ¹ | | |
| FY 1999-00 | \$3.4 | \$2.1 | \$3.1 | \$2.6 | \$2.2 | \$1.1 | \$1.9 | \$16.5 | \$281 | \$5.9 |
| FY 2000-01 | \$3.4 | \$2.4 | \$3.2 | \$2.7 | \$2.3 | \$1.2 | \$1.9 | \$17.2 | \$285 | \$6.3 |
| FY 2001-02 | \$3.8 | \$2.3 | \$3.4 | \$2.9 | \$2.5 | \$1.3 | \$2.0 | \$18.1 | \$300 | \$6.7 |
| FY 2002-03 | \$3.7 | \$2.3 | \$3.6 | \$2.9 | \$2.7 | \$1.5 | \$2.0 | \$18.7 | \$308 | \$7.0 |
| FY 2003-04 | \$3.9 | \$2.3 | \$3.7 | \$3.0 | \$2.8 | \$1.5 | \$2.0 | \$19.1 | \$318 | \$6.8 |
| Change over last 5 years ¹ | +17% | +8% | +20% | +13% | +24% | +33% | +5% | +16% | +13% | +15% |

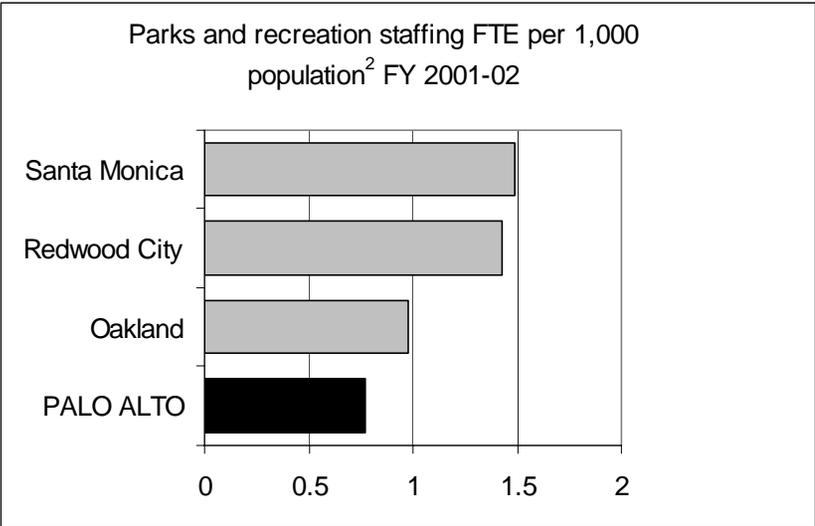
¹ Figures are based on actual data, however percentage or total may not tally due to rounding.

² Comparison includes operating expenditures for parks, recreation, and community centers only. Data in graph and table may differ because City of Palo Alto and Controller's Office compile data differently.

STAFFING

Over the last 5 years, authorized staffing for the Department increased by 9 FTE, or 7 percent. The number of regular employees decreased by 1 FTE while the number of temporary and/or hourly employees increased by 10 FTE.

Community Services relies heavily on temporary and/or hourly employees in delivering its services, with 48 of 147 FTEs, or approximately 33 percent, as temporary/hourly employees in FY 2003-04.



Source: ICMA, Comparative Performance Measurement FY 2002

| | Parks | Golf course | Recreation | Arts and Culture | Open Space and Sciences | Cubberley Community Center | Human Services | Admin. | TOTAL | Percent of authorized staffing that is temporary/ hourly | Authorized staffing per 1,000 population ¹ |
|---------------------------------------|-----------|-------------|------------|------------------|-------------------------|----------------------------|----------------|----------|------------|--|---|
| FY 1999-00 | 28 | 14 | 36 | 21 | 22 | 11 | 6 | 4 | 142 | 26% | 2.4 |
| FY 2000-01 | 30 | 14 | 37 | 23 | 23 | 11 | 6 | 4 | 148 | 26% | 2.5 |
| FY 2001-02 | 30 | 14 | 40 | 23 | 25 | 12 | 6 | 4 | 154 | 28% | 2.5 |
| FY 2002-03 | 30 | 14 | 40 | 23 | 28 | 12 | 6 | 4 | 157 | 30% | 2.6 |
| FY 2003-04 | 26 | 12 | 39 | 23 | 27 | 14 | 5 | 5 | 152 | 32% | 2.5 |
| Change over last 5 years ¹ | -6% | -14% | +10% | +10% | +25% | +24% | -17% | +25% | +7% | +6% | +4% |

¹ Figures are based on actual data, however percentage or total may not tally due to rounding.

² Data in graph and table differ because ICMA data and Palo Alto budget data are compiled differently. Each jurisdiction offers different levels of services and budgets for those services differently. Does not include Golf or Libraries.

³ Excludes Libraries and allocated administration.

CLASSES

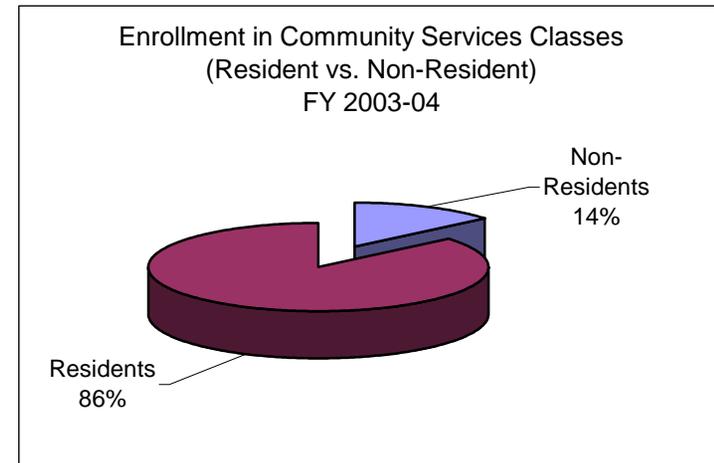
Community Services offers classes to the public on a variety of topics including recreation and sports, arts and culture, nature and the outdoors. Classes for children include aquatics, digital art, animation, music, and dance. Other classes are targeted specifically for adults, senior citizens and pre-schoolers.

The number of camp sessions offered for children increased from 119 to 170, or 43% over the last five years.

The most significant enrollment increase has been in classes for pre-school children with 1,077 more children enrolled in FY 2003-04 than in FY 1999-2000, an increase of 35 percent.

Compared to five years ago, the number of classes offered for adults remained about the same at 366. However, enrollment in adult classes increased by 18 percent (from 5,145 to 6,070) during that same five-year period.

In FY 2003-04 non-residents accounted for approximately 14 percent of class registrants.



Source: Community Services Department

| | Total number of classes offered ¹ | | | | Total enrollment ¹ | | | | | Percent of class registrants who are non-residents |
|--------------------------|--|------------------------|------------|------------|-------------------------------|------------------------|--------------|--------------|---------------|--|
| | Camp sessions | Kids (excluding camps) | Adults | Pre-school | Camps | Kids (excluding camps) | Adults | Pre-school | Total | |
| FY 1999-00 | 119 | 360 | 367 | 167 | 6,333 | 4,476 | 5,145 | 3,083 | 19,037 | 18% |
| FY 2000-01 | 157 | 341 | 352 | 190 | 5,837 | 4,302 | 4,963 | 3,792 | 18,894 | 17% |
| FY 2001-02 | 233 | 339 | 335 | 166 | 6,626 | 5,131 | 5,157 | 3,814 | 20,728 | 17% |
| FY 2002-03 | 149 | 322 | 345 | 140 | 7,011 | 4,681 | 5,323 | 3,980 | 20,995 | 18% |
| FY 2003-04 | 170 | 352 | 366 | 177 | 7,270 | 5,165 | 6,070 | 4,160 | 22,665 | 14% |
| Change over last 5 years | +43% | -2% | 0% | +6% | +15% | +15% | +18% | +35% | +19% | -4% |

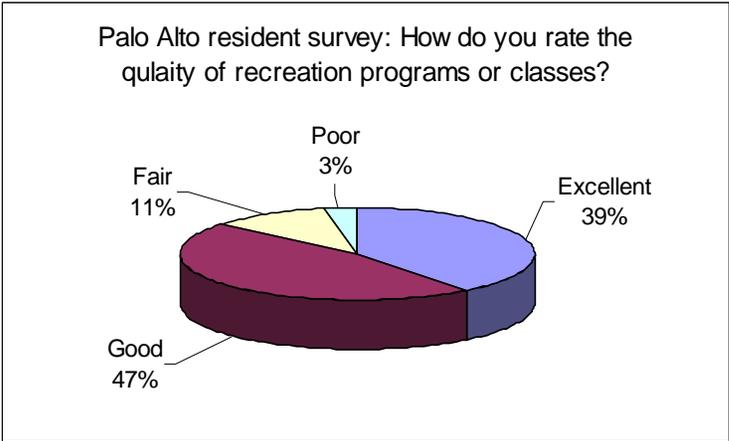
¹ Data shown is in format available from CSD registration system. Types of classes offered include arts, sports, nature and outdoors, and recreation.

RECREATIONAL SERVICES

Recreation sponsors and coordinates a large number of the classes offered by the Department overall (enrollment for which is shown on the prior page) as well as summer camps. In addition, Recreation provides services to youths and teens. Such services include "The Drop," which provides after school activities for middle school students. Recreation also works collaboratively with the Palo Alto Unified School District (PAUSD) to provide middle school athletics at the schools.

Recreation has worked with PAUSD over the last four years to offer camps in conjunction with PAUSD's summer school program in order to provide after school activities for all the participants. Other Recreation programs include facility rentals through which members of the community may rent classroom space, the swimming pool, or gym space for parties and events. In addition to class offerings for adults, Recreation has seasonal adult sports leagues.

Recreation sponsors a number of special events each year such as the May Fete Parade and the Chili Cook-Off. In FY 2003-04, staff coordinated 22 special events. Outside funding for special events totaled about \$500,000 in FY 2003-04, a significant increase from FY 2002-03 due to the return of the Black and White Ball.



Source: National Citizen Survey™ 2004 (Palo Alto)

| | Enrollment in Recreational Classes ¹ | | | | | | | Citizen Survey | | |
|--------------------------|---|--------------|------------|----------------------|-------------|------------------------|--------------|--------------------------|------------------------------------|---|
| | Dance | Recreation | Aquatics | Middle school sports | Therapeutic | Private tennis lessons | Summer Camps | Number of special events | Outside funding for special events | Percent rating recreation centers/ facilities good or excellent |
| FY 1999-00 | - | - | - | - | - | - | - | 15 | \$0.3 | - |
| FY 2000-01 | - | - | - | - | - | - | - | 12 | \$0.2 | - |
| FY 2001-02 | - | - | - | - | - | - | - | 10 | \$0.3 | - |
| FY 2002-03 | 1,741 | 5,820 | 184 | 1,035 | 272 | 218 | 7,011 | 4 | \$0.1 | 77% |
| FY 2003-04 | 1,570 | 5,784 | 269 | 1,091 | 223 | 228 | 7,270 | 4 | \$0.5 | 84% |
| Change over last 5 years | - | - | - | - | - | - | - | | +65% | - |

¹ Enrollment shown here is also reflected in totals on "Classes" page.

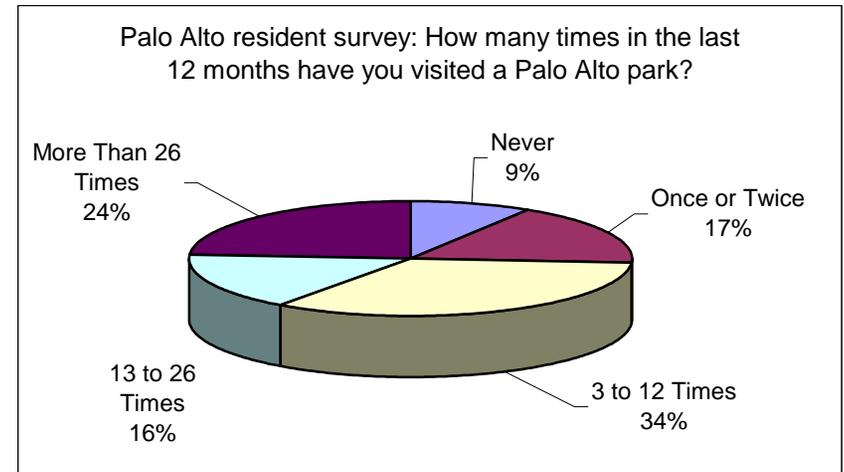
PARKS AND LANDSCAPE MAINTENANCE

The Golf and Parks Division maintains approximately 261 acres of land including:

- Urban/neighborhood parks (147 acres or 56% of total)²
- City facilities (17 acres or 7% of total)
- School athletic fields (40 acres or 15% of total)
- Utility sites (26 acres or 10% of total)
- Median strips (24 acres or 9%)
- Business Districts and parking lots (7 acres or 3%)

In FY 2003-04, maintenance spending on the above acres totaled about \$3.4 million, or approximately \$13,067 per acre maintained. About 20 percent of this maintenance is contracted out.

In response to the 2004 National Citizen SurveyTM, 91 percent of residents rate city parks good or excellent, and 90 percent rate their neighborhood park good or excellent. 91 percent report they visited a neighborhood or city park in the last 12 months.



Source: National Citizen SurveyTM 2004 (Palo Alto)

| | Maintenance Expenditures | | | | | Citizen Survey | | | |
|---------------------------------------|---|--|---|--|---|---|---|--|--|
| | Parks and landscape maintenance (in millions) | Athletic fields in City parks ³ (in millions) | Athletic fields on school district sites ^{1,3} (in millions) | Total maintenance cost per acre ⁴ | Percent of park maintenance expenditures contracted out | Total hours of neighborhood park athletic field usage | Urban/ acreage per 1,000 residents ² | Percent rating city parks as good or excellent | Percent rating their neighborhood park good or excellent |
| FY 1999-00 | \$2.0 | \$0.9 | \$0.4 | \$12,861 | 19% | 60,740 | 2.5 | - | - |
| FY 2000-01 | \$2.0 | \$0.8 | \$0.6 | \$13,194 | 17% | - | 2.4 | - | - |
| FY 2001-02 | \$2.5 | \$0.7 | \$0.6 | \$14,451 | 19% | - | 2.4 | - | - |
| FY 2002-03 | \$2.5 | \$0.7 | \$0.5 | \$14,363 | 18% | - | 2.4 | 90% | 85% |
| FY 2003-04 | \$2.4 | \$0.6 | \$0.4 | \$13,067 | 20% | - | 2.4 | 91% | 90% |
| Change over last 5 years ⁴ | +18% | -31% | -4% | +2% | +1% | - | -3% | - | - |

¹ PAUSD reimburses the City for 50 percent of maintenance costs on these school district sites.

² Does not include 3,731 acres of open space (discussed on page 2-7).

³ Estimated

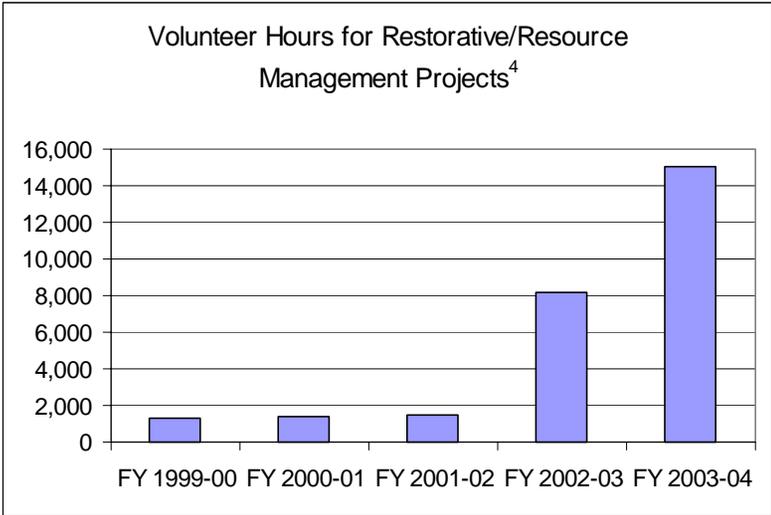
⁴ Figures are based on actual data, however percentage or total may not tally due to rounding.

OPEN SPACE AND SCIENCES

The City has 3,731 acres² of open space that it maintains, consisting of Foothills Park, Baylands Nature Preserve (including Byxbee Park), Arastradero Preserve, and Esther Clark Nature Preserve. In FY 2003-04 this amounted to 62 acres per 1,000 residents.

Due to increased population, open space acreage per 1,000 residents decreased during the last five years from 64.0 to 62.0 acres per 1,000 residents. Similarly, total urban parks and open space acreage combined declined from 70.4 to 68.1 acres per 1,000 residents.

The Junior Museum and Zoo provides summer camps and outreach programs for area children. Staff estimates that attendance at the Junior Museum and Zoo was 150,000 and that 1,660 students participated in outreach programs. The Junior Museum and Zoo reports that enrollment in its summer camps totaled 874 children in FY 2003-04.



Source: Community Services Department

| | Junior Museum and Zoo | | | Open Space | | | | | | |
|---------------------------------------|---|-------------------------------------|--|------------------------------|--|----------------------------------|--|---|---|---|
| | Estimated total attendance at Junior Museum and Zoo | Enrollment in Junior Museum classes | Number of students participating in outreach program | Attendance at Foothills Park | Volunteer hours for restorative/resource management projects | Open space acres per Park Ranger | Number of Baylands outreach programs for school-age children | Enrollment in open space interpretive classes | Open space acreage per 1,000 residents ² | Total urban/ neighborhood parks and open space acreage per 1,000 residents ³ |
| FY 1999-00 | - | - | - | - | 1,331 | 466 | - | - | 64.0 | 66.3 |
| FY 2000-01 | 150,000 | - | - | 131,017 | 1,398 | 466 | - | - | 62.0 | 64.2 |
| FY 2001-02 | - | - | - | 150,000 | 1,500 | 466 | 61 | - | 62.0 | 68.2 |
| FY 2002-03 | 150,000 | - | - | 145,000 | 8,200 ⁴ | 466 | 70 | 403 | 62.0 | 64.5 |
| FY 2003-04 | 150,000 | 4,562 | 1,660 | 139,787 | 15,055 | 466 | 54 | 1,166 | 62.0 | 64.4 |
| Change over last 5 years ¹ | - | - | - | - | +1031% | - | - | - | -3% | -3% |

¹ Figures are based on actual data, however percentage or total may not tally due to rounding.

² Does not include the 261 acres of parks and land maintained (discussed on page 2.6).

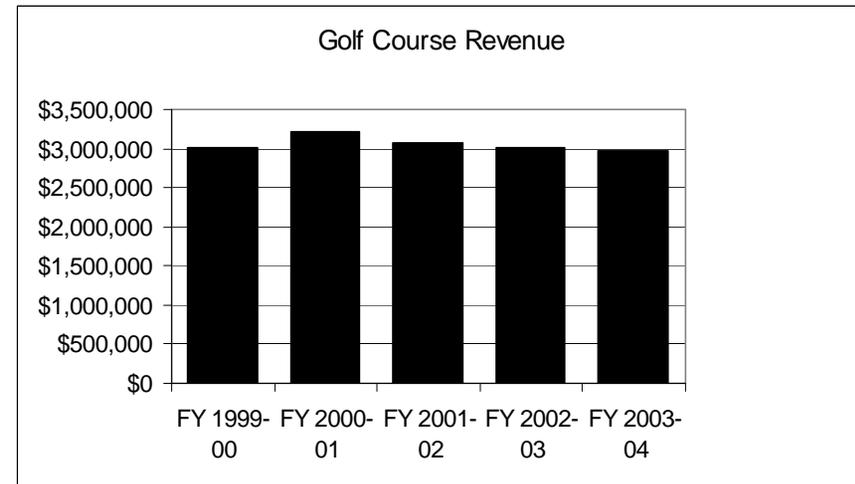
³ Based on 3,731 acres of open space and 147 acres of urban and neighborhood parks

⁴ Collaborative partnerships with non-profit groups contributed to the significant increase in volunteer hours in FY 2002-03. Staff attributes the additional increase in FY 2003-04 to more volunteer hours primarily at the Baylands by the non-profit partner Save the Bay.

GOLF COURSE

The City owns and maintains the municipal golf course, and coordinates the golf shop, driving range, and restaurant operations with separate tenants.

According to the Department, the number of rounds of golf has decreased by 8,736 rounds, or approximately 9 percent, over the last five years due to recessionary economic conditions.



Source: IFAS and SAP reports

| | Number of rounds of golf | Golf course revenue (in millions) | Golf course operating expenditures (in millions) | Golf course debt service (in millions) | Net revenue/ (cost) (in millions) ¹ |
|---------------------------------------|--------------------------|-----------------------------------|--|--|--|
| FY 1999-00 | 92,464 | \$3.0 | \$2.1 | \$0.7 | \$0.2 |
| FY 2000-01 | 88,744 | \$3.2 | \$2.4 | \$0.7 | \$0.1 |
| FY 2001-02 | 89,450 | \$3.0 | \$2.3 | \$0.7 | (\$0.0) |
| FY 2002-03 | 87,892 | \$3.0 | \$2.3 | \$0.7 | (\$0.0) |
| FY 2003-04 | 83,728 | \$2.9 | \$2.3 | \$0.6 | \$0.0 |
| Change over last 5 years ¹ | -9% | - | +13% | -19% | -75% |

¹ Figures are based on actual data, however percentage or total may not tally due to rounding. Loss in FY 2001-02 was \$14,052; loss in FY 2002-03 was \$2,156; profit in FY 2003-04 was \$49,006.

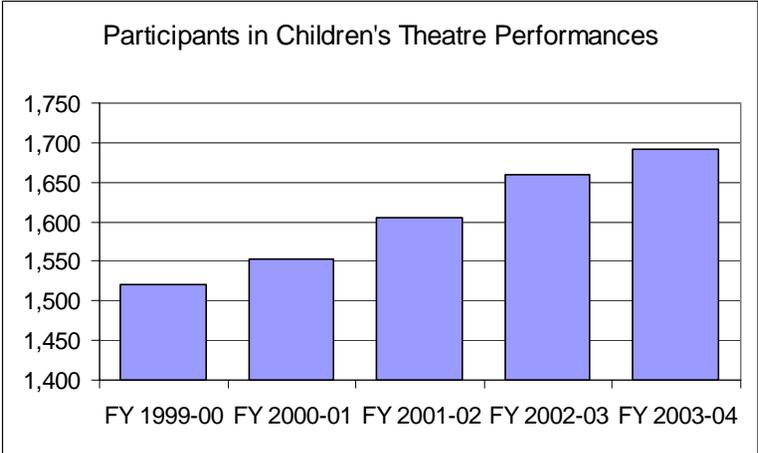
ARTS AND CULTURE

Arts and Culture provides a broad range of arts-related enrichment programs including the Palo Alto Art Center, Children’s Theater, Lucie Stern Community Theater, Art in Public Places, and concerts.

Community Theatre attendance at performances has increased 18 percent over the last five years.¹ The number of participants in Children’s Theatre has increased 11 percent over the last five years.

The Art Center had more than 19,000 exhibition visitors in FY 2003-04.

Outside funding for visual arts programs is at about the same level today as in FY 1999-00 after peaking in FY 2001-02. Twenty-three new public art works have been installed since FY 1999-00, including 9 new utility box murals and a new mural on California Avenue in FY 2003-04.



Source: Community Services Department

| | Community Theatre | | Children's Theatre | | | | Art Center | | | | Outside funding for visual arts programs | Number of new public art installations |
|--------------------------|-------------------------------------|----------------------------|----------------------------|------------------------------|---------------------------|--------------------|---------------------|----------------------------------|---------------------------------------|---------------------------|--|--|
| | Number of performances [⊙] | Attendance at performances | Attendance at performances | Participants in performances | Theatre class registrants | Theatre volunteers | Exhibition visitors | Art Center Concerts ² | Total attendance (users) [⊙] | Enrollment in art classes | | |
| FY 1999-00 | 145 ¹ | 45,745 ¹ | 21,357 | 1,521 | 432 | 386 | 19,296 | 41 | 83,897 | - | \$265,583 | 2 |
| FY 2000-01 | 173 | 55,000 | 22,411 | 1,552 | 700 | 422 | 18,644 | 40 | 81,063 | - | \$308,154 | 6 |
| FY 2001-02 | 187 | 60,886 | 21,912 | 1,606 | 465 | 357 | 18,650 | 36 | 81,086 | - | \$344,389 | 4 |
| FY 2002-03 | 173 | 48,472 | 21,114 | 1,660 | 572 | 439 | 18,710 | 36 | 81,348 | 3,450 | \$342,094 | 1 |
| FY 2003-04 | 175 | 54,052 | 22,663 | 1,692 | 605 | 456 | 19,034 | 40 | 79,984 | 4,406 | \$268,473 | 10 |
| Change over last 5 years | +21% | +18% | +6% | +11% | +40% | +18% | -1% | -2% | -5% | - | +1% | +400% |

⊙ Budget impact measure

¹ According to staff, TheatreWorks did not do summer shows in FY 1999-00.

² Includes concerts at the Art Center as well as Brown Bag Concerts and Twilight Concerts.

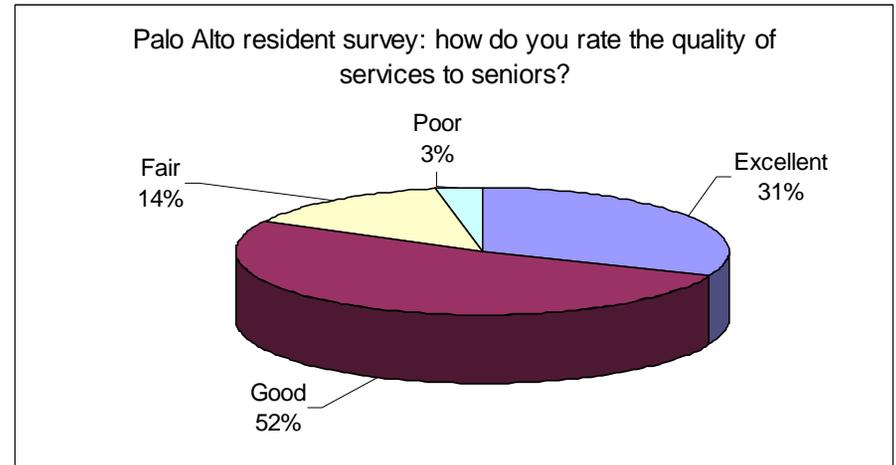
CUBBERLEY COMMUNITY CENTER HUMAN SERVICES

Cubberley Community Center rents space for community meetings, seminars, social events, dances, theater performances, and athletic events. In FY 2003-04, rental revenue totaled about \$740,000 for about 34,000 hours rented. This was about \$156,000 more than in 1999-00, or a 27 percent increase.

The Cubberley Community Center also leases former classroom space to artists on a long-term basis. In FY 2003-04, there were a total of 37 leaseholders, and lease revenue totaled about \$1.3 million.

The Human Services Division provides connections to resources for families and grants to local non-profits. Human Services' grants to local non-profits totaled approximately \$1.3 million in FY 2003-04, about the same amount as in FY 1999-00.

Residents give good ratings to senior (82 percent rate services good or excellent) and youth services (68 percent rate services good or excellent). Residents give low marks when rating access to affordable quality child care (only 26 percent good or excellent).



Source: National Citizen Survey™ 2004 (Palo Alto)

| | Cubberley Community Center | | | | Human Services | | Citizen Survey | | |
|---------------------------------------|----------------------------|-------------------------------------|-------------------------|-----------------------------|---|---|--|--|--|
| | Hours rented | Hourly rental revenue (in millions) | Number of lease-holders | Lease revenue (in millions) | Human Services' grants to local non-profits (in millions) | Percent of seasonal workers completing Seasonal Employment Opportunity Program [Ⓞ] | Percent rating access to affordable quality child care good or excellent | Percent rating senior services good or excellent | Percent rating services to youth good or excellent |
| FY 1999-00 | - | \$0.6 | 32 | \$1.2 | \$1.3 | - | - | - | - |
| FY 2000-01 | - | \$0.6 | 32 | \$1.3 | \$1.3 | 29% | - | - | - |
| FY 2001-02 | 35,500 | \$0.7 | 32 | \$1.3 | \$1.3 | 60% | - | - | - |
| FY 2002-03 | 38,500 | \$0.8 | 32 | \$1.4 | \$1.4 | 63% | 25% | 77% | 66% |
| FY 2003-04 | 33,392 | \$0.7 | 37 | \$1.3 | \$1.3 | 100% | 26% | 82% | 68% |
| Change over last 5 years ¹ | - | +27% | +16% | +4% | 0% | - | - | - | - |

¹ Figures are based on actual data, however percentage or total may not tally due to rounding.

[Ⓞ] Budget impact measure

[Ⓒ] Comprehensive Plan item

CHAPTER 3 – FIRE

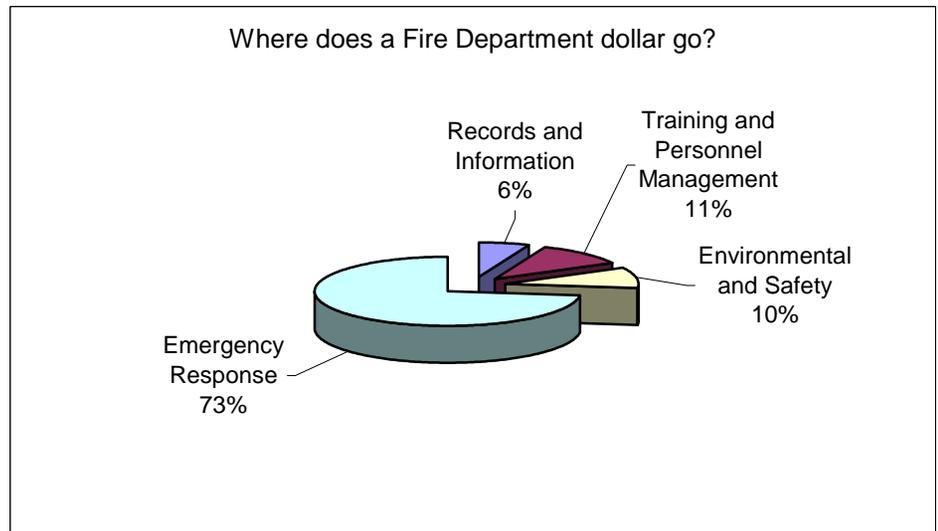
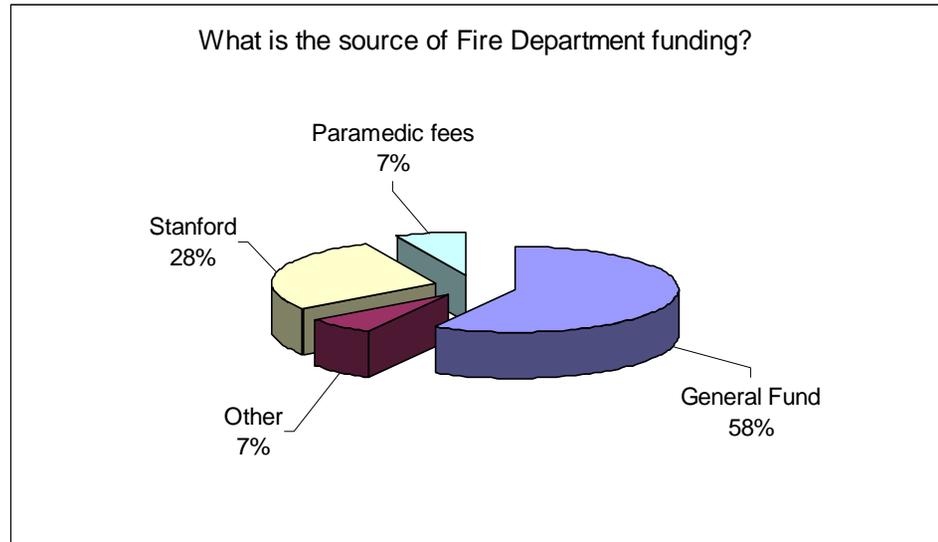
The mission of the Fire Department is to protect life, property and the environment from the perils of fire, hazardous materials, and other disasters through rapid emergency response, proactive code enforcement, modern fire prevention methods, and progressive public safety education for the benefit of the community.

The Department has four major functional areas:

- Emergency response – emergency readiness and medical, fire suppression, and hazardous materials response
- Environmental and safety management – fire and hazardous materials code research, development and enforcement; fire cause investigations; public education; and disaster preparedness
- Training and personnel management
- Records and information management

The Department serves the resident population of Palo Alto and Stanford year-round, and serves Los Altos Hills seasonally.

Fire Department revenue in FY 2003-04 totaled \$7.9 million including about \$5.4 million for services to Stanford and the Stanford Linear Accelerator (SLAC), \$1.3 million for paramedic services, \$0.3 million in plan check fees, and \$0.3 million in hazardous materials permits.



Source: FY 2003-04 revenue and expenditure data

FIRE DEPARTMENT SPENDING

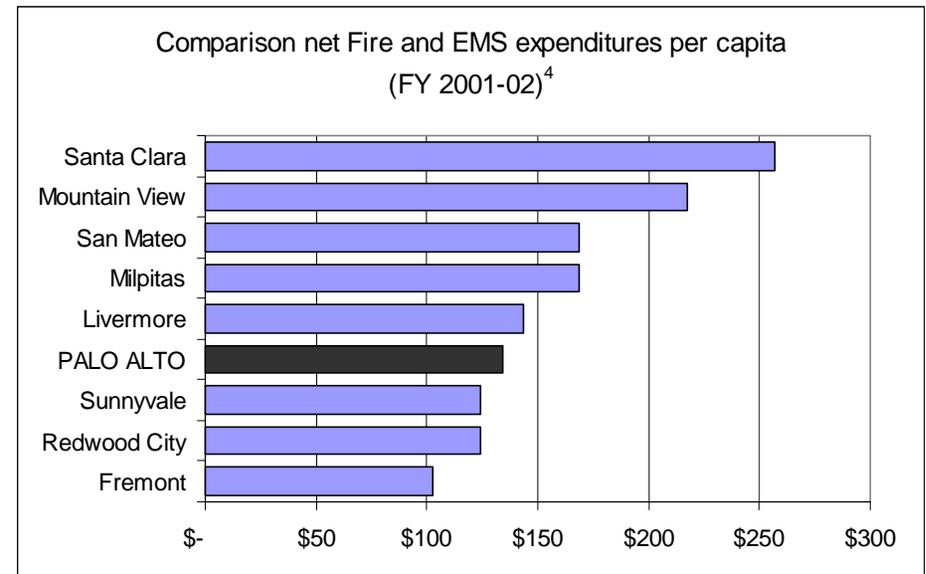
Total Fire Department spending increased from \$15.3 million to \$18.8 million, or 23 percent in the last five years including:

- Emergency response spending increased from \$10.4 million to \$13.7 million, or 33 percent
- Environmental and safety spending increased from \$1.5 million to \$1.8 million, or 23 percent

Total expenditures increased from \$213 per resident served to \$256 per resident served, or 20 percent over five years. Over the same period, revenue and reimbursements increased from \$6.6 to \$7.9 million, or 19 percent.

The chart on the right shows that Palo Alto's net Fire and EMS expenditures per capita is mid-range of other local jurisdictions.

In the most recent citizen survey, 97 percent of residents rated fire services good or excellent (placing Palo Alto in the 89th percentile compared to other jurisdictions); 79 percent said they feel very or somewhat safe from fire.



Source: California State Controller, *Cities Annual Report FY 2001-02*

| | Operating expenditures (in millions) | | | | | Resident population of area served ¹ | Expenditures per resident served ³ | Revenue (in millions) ² | Citizen Survey | |
|---------------------------------------|--------------------------------------|--------------------------|-----------------------------------|-------------------------|--------------------|---|---|------------------------------------|--|---|
| | Emergency response | Environmental and safety | Training and personnel management | Records and information | TOTAL ² | | | | Percent rating fire services good or excellent | Percent feeling very or somewhat safe from fire |
| FY 1999-00 | \$10.4 | \$1.5 | \$2.0 | \$1.4 | \$15.3 | 71,815 | \$213 | \$6.6 | - | - |
| FY 2000-01 | \$12.0 | \$1.5 | \$2.0 | \$1.3 | \$16.8 | 73,715 | \$228 | \$7.0 | - | - |
| FY 2001-02 | \$12.1 | \$1.4 | \$2.5 | \$1.6 | \$17.7 | 73,715 | \$240 | \$8.2 | - | - |
| FY 2002-03 | \$12.5 | \$1.6 | \$2.4 | \$1.6 | \$18.1 | 73,415 | \$247 | \$8.0 | 96% | 78% |
| FY 2003-04 | \$13.7 | \$1.8 | \$2.1 | \$1.2 | \$18.8 | 73,515 | \$256 | \$7.9 | 97% | 79% |
| Change over last 5 years ² | +33% | +23% | +3% | -19% | +23% | +2% | +20% | +19% | - | - |

¹ Includes Palo Alto and Stanford. Does not include Los Altos Hills population that is only served seasonally.

² Figures are based on actual data, however total or percentage may not tally due to rounding.

³ Based on number of residents in the Fire Department's expanded service area (Palo Alto and Stanford).

⁴ Figures are net of functional revenues, and may not reconcile to total spending due to differences in the way the information was compiled. Note that cities categorize their expenditures in different ways.

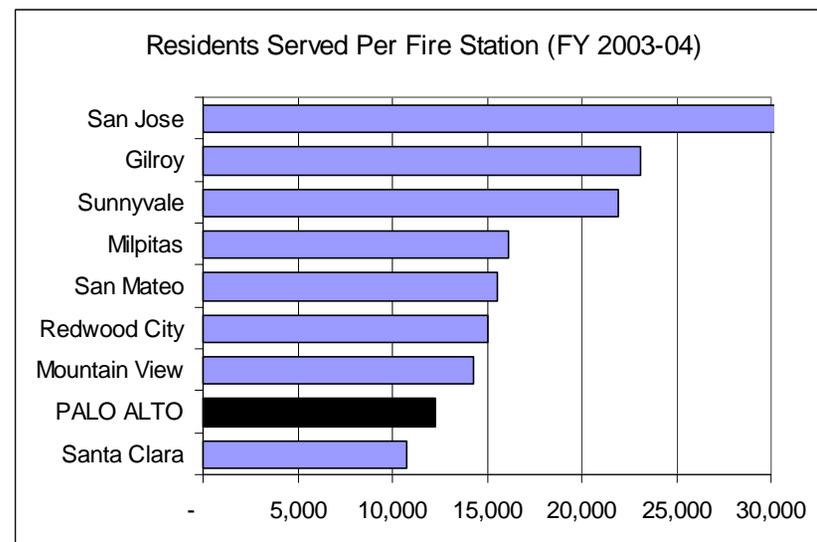
FIRE DEPARTMENT STAFFING AND CALLS FOR SERVICE

During FY 2003-04, the Fire Department handled 6,675 calls for service including:

- 248 fire calls
- 3,796 medical/rescue calls
- 1,378 false alarms
- 373 service calls
- 218 hazardous condition calls

Authorized staffing increased then decreased over the 5-year period, to 129 authorized staff in FY 2003-04. Staffing decreased from 1.79 to 1.76 FTE per 1,000 residents served.

As shown in the chart on the right, the number of residents served per fire station is still substantially lower than the number served per fire station in some other local jurisdictions.



Source: Auditor's Office. Palo Alto calculation excludes Station 7 (dedicated to SLAC) and Station 8 (seasonal).

| | Calls for service | | | | | | | Total authorized staffing ³ (FTE) | Staffing per 1,000 residents served | Average on-duty staffing | Fire stations | Residents served per fire station ¹ |
|---------------------------------------|-------------------|----------------|--------------|---------------|---------------------|------------|--------------|--|-------------------------------------|--------------------------|---------------|--|
| | Fire | Medical/rescue | False alarms | Service calls | Hazardous condition | Other | TOTAL | | | | | |
| FY 1999-00 | 161 | 2,858 | 842 | 693 | 155 | 21 | 4,730 | 129 | 1.79 | 33 day/31 night | 8 | 11,969 |
| FY 2000-01 | 215 | 3,185 | 999 | 1,073 | 259 | 24 | 5,755 | 130 | 1.76 | 33 day/31 night | 8 | 12,253 |
| FY 2001-02 | 285 | 3,958 | 1,311 | 1,152 | 279 | 86 | 7,071 | 130 | 1.76 | 33 day/31 night | 8 | 12,303 |
| FY 2002-03 | 260 | 3,721 | 1,370 | 382 | 211 | 692 | 6,636 | 133 | 1.82 | 33 day/31 night | 8 | 12,303 |
| FY 2003-04 | 248 | 3,796 | 1,378 | 373 | 218 | 662 | 6,675 | 129 | 1.76 | 31 day/29 night | 8 | 12,253 |
| Change over last 5 years ² | +54% | +33% | +64% | -46% | +41% | - | +41% | +0% | -2% | 0% | 0% | +2% |

¹ Based on number of residents in the Fire Department's expanded service area (Palo Alto and Stanford). Calculation is based on 6 fire stations, and does not include Station 7 (dedicated to the SLAC complex) or Station 8 (Foothills Park, open seasonally).

² Figures are based on actual data, however total or percentage may not tally due to rounding.

³ The department is authorized three positions slots to accommodate department needs when there are vacancies.

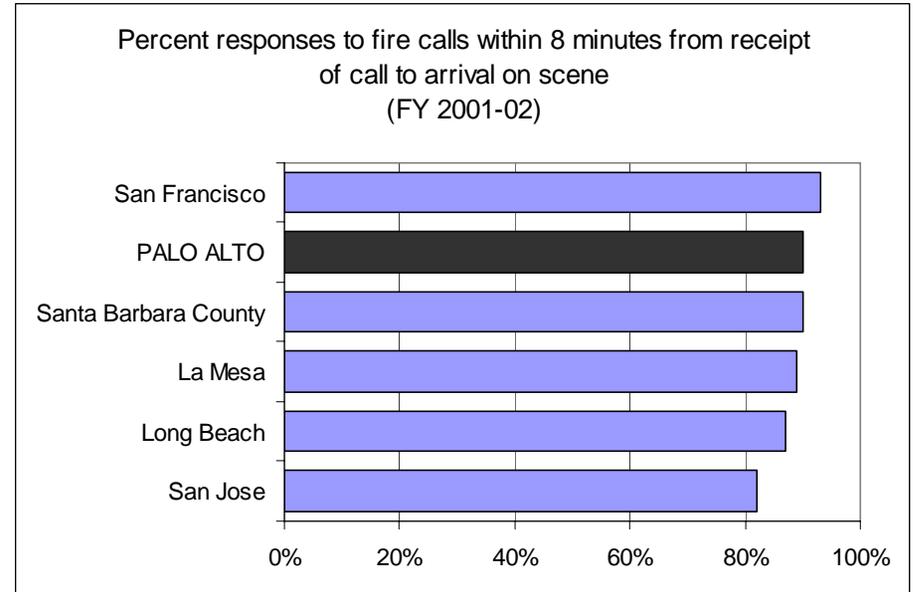
FIRE SUPPRESSION

There were 248 fire incidents in FY 2003-04 resulting in less than \$100,000 in estimated fire loss. The average response time for fire calls was 5:15 minutes.

As shown in the graph to the right, Palo Alto's response times are mid-range of comparison cities. In FY 2003-04, the department responded to 90 percent of fire emergencies within 8 minutes.

According to the Fire Department, 62 percent of fires were confined to the room or area of origin. This is lower than the department's goal of 90 percent. It should be noted that Palo Alto has a higher level of first response to working structure fires (18 staff on the first alarm) than some other local jurisdictions.

In January 2000, the Fire Department implemented a new computer system. Then, in February 2001, the Department implemented a new computer aided dispatch (CAD) system interface. As a result of these changes, some historical data on number of incidents and response times is not available.



Source: Palo Alto Fire Department, and ICMA *Comparative Performance Measurement FY 2001-02*

| | Number of fire incidents | Estimated fire loss | Average response time for fire calls ¹ | Percent responses to fire emergencies within 8 minutes ^{⊙1} | Percent of fires confined to the room or area of origin [⊙] | Number of residential structure fires | Number of fire deaths | Fire vehicles | Fire hydrants |
|--------------------------|--------------------------|---------------------|---|--|--|---------------------------------------|-----------------------|---------------|---------------|
| FY 1999-00 | 161 | \$1,800,000 | - | - | 90% | - | 1 | 23 | 1,708 |
| FY 2000-01 | 215 | \$2,600,000 | - | 90% est. | 90% ² | - | 0 | 24 | 1,729 |
| FY 2001-02 | 285 | \$600,000 | 5:50 minutes | 90% est. | 90% ² | 88 | 0 | 25 | 1,741 |
| FY 2002-03 | 260 | \$3,100,000 | 5:27 minutes | 89% | 63% | 78 | 0 | 22 | 1,746 |
| FY 2003-04 | 248 | \$43,000 | 5:15 minutes | 90% | 62% | 51 | 0 | 23 | 2,653 |
| Change over last 5 years | +54% | - | - | - | -28% | - | - | 0% | +55% |

⊙ Budget impact measure

¹ Response time is from receipt of 911-call to arrival on scene (urban area). Response times were previously calculated from front ramp of the fire station to scene, and are not comparable. Average response time does not include cancelled in route, not completed incidents, or mutual aid calls.

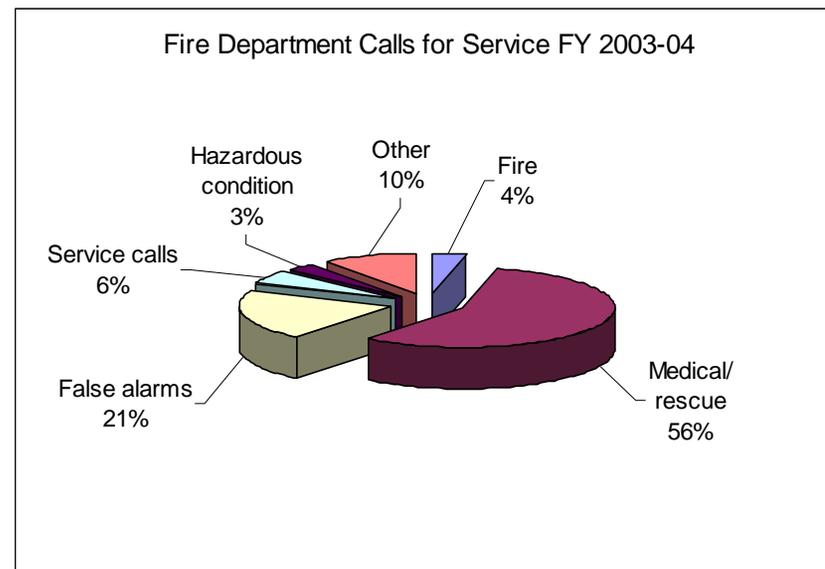
EMERGENCY MEDICAL SERVICES

The Department responded to about 3,800 medical/rescue incidents in FY 2003-04. This was 33 percent more than in FY 1999-00. As shown in the chart on the right, medical/rescue calls represented 56 percent of the Fire Department calls for service in FY 2003-04.

The average response time for medical/rescue calls was 5:47 minutes in FY 2003-04. Although response times for medical/rescue calls have increased in the last 3 years, the Department responded to:

- 94 percent of emergency medical requests for service within 8 minutes (the Department’s goal is 90 percent)
- 99 percent of paramedic calls for service within 12 minutes (the Department’s goal is 90 percent)

94 percent of survey respondents rated ambulance/emergency medical service as good or excellent – placing Palo Alto in the 86th percentile compared to other jurisdictions.



Source: Fire Department

| | Medical/rescue incidents | Average response time for medical/rescue calls ¹ | Response to emergency medical requests for service within 8 minutes (urban area)⊙ ¹ | Response to paramedic calls for service within 12 minutes (urban area)⊙ ¹ | Average on-duty paramedic staffing | Number of EMS transports | Citizen Survey Percent rating ambulance/emergency medical services good or excellent |
|--------------------------|--------------------------|---|--|--|------------------------------------|--------------------------|---|
| FY 1999-00 | 2,858 | - | 90% | 90% | 4 day/2 night | - | - |
| FY 2000-01 | 3,185 | - | 90% est. | 90% est. | 4 day/2 night | - | - |
| FY 2001-02 | 3,958 | 4:49 minutes | 90% est. | 90% est. | 4 day/2 night | 2,200 est. | - |
| FY 2002-03 | 3,721 | 5:11 minutes | 93% | 99% | 4 day/2 night | 1,564 | 95% |
| FY 2003-04 | 3,796 | 5:47 minutes | 94% | 99% | 4 day/2 night | 2,141 | 94% |
| Change over last 5 years | +33% | - | +4% | +9% | 0% | +10% | - |

⊙ Budget impact measure

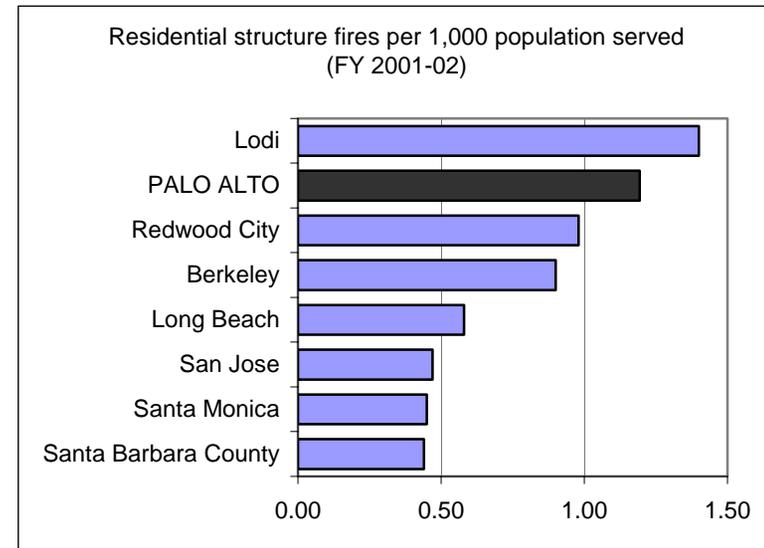
¹ Response time is from receipt of 911-call to arrival on scene (urban area). Response times were previously calculated from front ramp of the fire station to scene, and are not comparable. Average response time does not include cancelled in route, not completed incidents, or mutual aid calls.

HAZARDOUS MATERIALS AND FIRE SAFETY

In FY 2003-04, the Hazardous Materials Response Team (Rescue 2) responded to 218 hazardous conditions calls including auto accidents with fuel spills, downed power lines, natural gas leaks, and 12 calls that were designated as hazardous materials incidents.² The Fire Department estimates that 80 percent of these 12 incidents were confined to the room or area of origin.

Over the past five years, the number of facilities permitted for hazardous materials has increased by 8 percent, to 493 facilities. In FY 2003-04, the Department eliminated two Fire Inspector positions, and reprioritized its inspection program. The Department met its requirement to inspect 100 percent of high hazard sites and underground tanks, however the number of hazardous materials inspections decreased by 5 percent, and the rate of annual inspections decreased to 53 percent.

Since FY 1999-00, the Department has conducted between 710 and 936 plan reviews per year in addition to over-the-counter reviews at the Development Center. These reviews include fire safety, hazardous materials, facility closures, and building/planning reviews.



Source: Palo Alto Fire Department, and ICMA *Comparative Performance Measurement FY 2002*

| FY | Number of hazardous materials incidents ² | Percent of hazardous materials incidents ² confined to the room or area of origin [⊙] | Number of facilities permitted for hazardous materials | Number of hazardous materials inspections | Percent of annual hazardous materials and underground storage inspections performed [⊙] | Citizen Survey | | Average monthly training hours per firefighter | | |
|--------------------------|--|---|--|---|--|----------------------------|------------------------|--|--|---|
| | | | | | | Number of fire inspections | Number of plan reviews | | Percent rating fire prevention and education good or excellent <NEW> | Fire safety and disaster preparedness presentations |
| FY 1999-00 | - | 80% | 455 est. | 273 est. | 60% | 1,478 | 900 | - | 94 | - |
| FY 2000-01 | - | 80% est. | 454 | 304 | 67% | 1,637 | 936 | - | 148 | 23 |
| FY 2001-02 | 10 | 80% est. | 463 | 306 | 66% | 1,465 | 738 ¹ | - | 125 | 23 |
| FY 2002-03 | 15 | 80% est. | 488 | 338 | 69% | 1,349 | 710 ¹ | - | 209 | 21 |
| FY 2003-04 | 12 | 80% | 493 | 259 | 53% | 793 | 833¹ | 85% | 199 | 22 |
| Change over last 5 years | - | 0% | +8% | -5% | -7% | -46% | -7% | - | +112% | - |

¹ Does not include over-the-counter building permit reviews.

² Hazardous materials incidents include flammable gas or liquid, chemical release, chemical release reaction or toxic condition, or chemical spill or release.

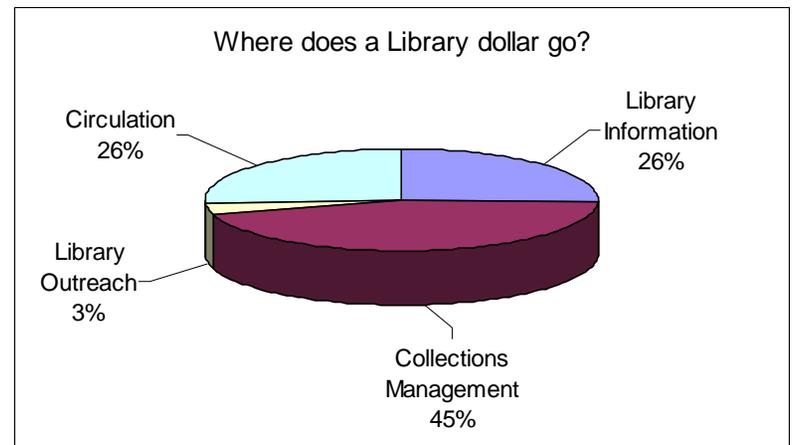
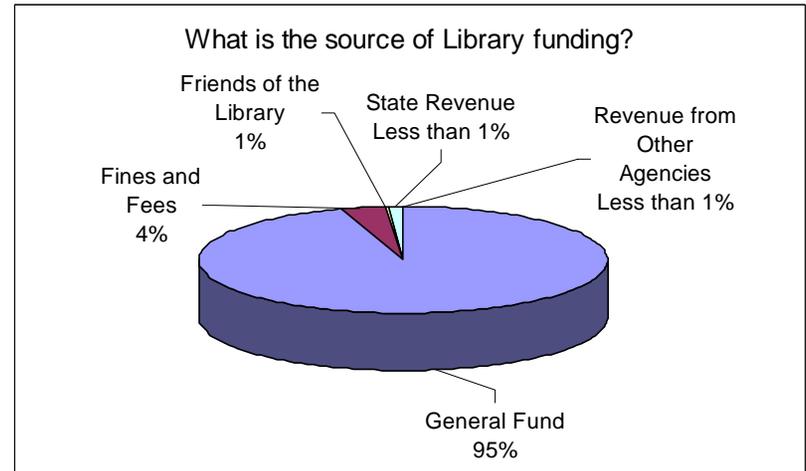
⊙ Budget impact measure

CHAPTER 4 – LIBRARY

The mission of the Library is to enable people to explore library resources to enrich their lives with knowledge, information and enjoyment.

The Library has four major activities:

- Library Information – assisting people in finding information in the library and responding to reference questions
- Collections Management – determining what types of materials customers need and ensuring that the library’s collection meets those needs
- Library Outreach – providing enrichment activities and supporting community partnerships which contribute to the accomplishment of the Library’s mission
- Circulation – overseeing the lending and return of library materials to and from library users, collecting fines for overdue materials and ensuring the library maintains an appropriate circulation per capita rate



Source: FY 2003-04 revenue and expenditure data

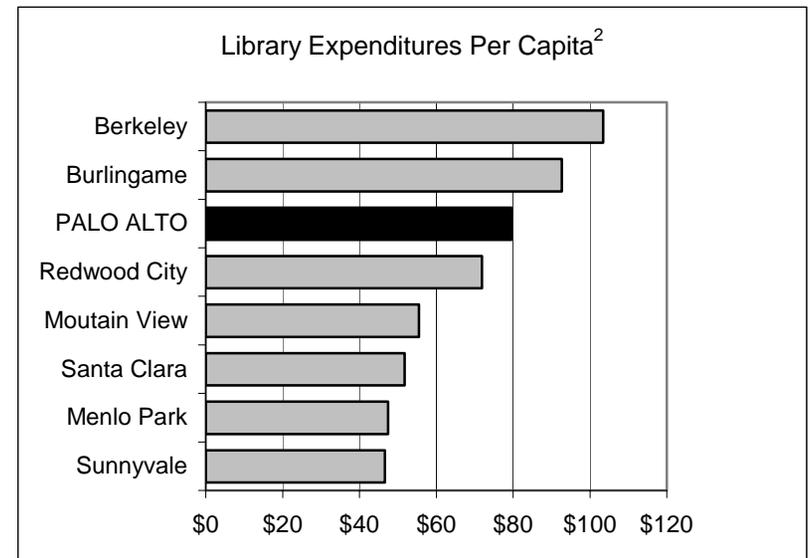
LIBRARY SPENDING

In FY 2003-04, Palo Alto had five libraries:

- Main (open 62 hours per week)
- Mitchell Park (open 58 hours per week)
- Children’s (open 48 hours per week)
- Downtown (open 28 hours per week)
- College Terrace (open 35 hours per week)

Palo Alto has more libraries than surrounding communities and more than other communities of its size. In comparison, Redwood City has 3 libraries, Mountain View has 1, Menlo Park has 2, and Sunnyvale has 1. Palo Alto library expenditures per capita were less than those of Berkeley and Burlingame in FY 2002-03 but more than those of other area cities.

Library spending increased 20 percent over the last five years, to \$5.3 million in FY 2003-04. Eighty-one percent of residents rate library services good or excellent however, this places Palo Alto only in the 40th percentile compared to other jurisdictions. Seventy-six percent rate the quality of neighborhood branch libraries good or excellent.



Source: California Library Statistics 2004 (Fiscal Year 2002-03 data)

| | Operating expenditures (in millions) | | | | | Library expenditures per capita | Citizen Survey | |
|---------------------------------------|--------------------------------------|------------------------|------------------|--------------|--------------------|---------------------------------|---|---|
| | Library information | Collections management | Library outreach | Circulation | TOTAL ¹ | | Percent rating quality of public library services good or excellent | Percent rating quality of neighborhood branch libraries good or excellent |
| FY 1999-00 | \$1.1 | \$2.0 | \$0.2 | \$1.1 | \$4.4 | \$76 | - | - |
| FY 2000-01 | \$1.2 | \$2.1 | \$0.2 | \$1.2 | \$4.6 | \$76 | - | - |
| FY 2001-02 | \$1.3 | \$2.4 | \$0.2 | \$1.4 | \$5.2 | \$86 | - | - |
| FY 2002-03 | \$1.2 | \$2.4 | \$0.1 | \$1.4 | \$5.1 | \$85 | 81% | 74% |
| FY 2003-04 | \$1.4 | \$2.3 | \$0.2 | \$1.4 | \$5.3 | \$89 | 81% | 76% |
| Change over last 5 years ¹ | +24% | +16% | +5% | +25% | +20% | +17% | - | - |

¹ Figures are based on actual data, however percentage or total may not tally due to rounding.

² Data in graph and table may differ because City of Palo Alto and California Library Statistics compile data differently on a different basis. In addition, different jurisdictions offer differing levels of service and budget for those services differently.

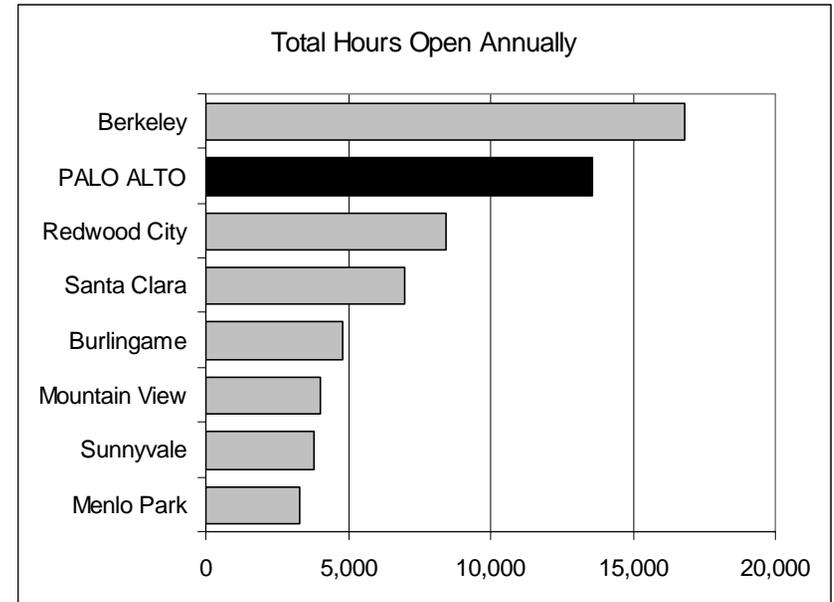
LIBRARY STAFFING

Total Library staffing increased from 52 to 54 FTE, or 4 percent over the five-year period. Temporary and hourly staff accounts for approximately 20 percent of the Library’s total staff. In FY 2003-04, 11 of 54 FTE staff were temporary or hourly.

Volunteers donated approximately 6,600 hours to the libraries in FY 2003-04. The Department advises that the significant increase in volunteer hours was due to a greater emphasis on recruiting volunteers.

Palo Alto libraries were open a total of 11,540 hours in FY 2003-04. The Department advises that the total hours open per week dropped to 231 in FY 2003-04 from 278 in FY 2002-03 due to budget cuts.

As shown in the graph on the right, Palo Alto libraries were open more hours than most other local jurisdictions in FY 2002-03 because the City has multiple branches.



Source: California Library Statistics 2004 (Fiscal Year 2002-03 data)

| | Authorized Staffing (FTE) | | | Number of residents per library staff FTE | Volunteer hours | Total hours open annually | FTE per 1,000 hours open | FTE per 1,000 residents |
|---------------------------------------|---------------------------|------------------|-----------|---|-----------------|---------------------------|--------------------------|-------------------------|
| | Regular | Temporary/hourly | TOTAL | | | | | |
| FY 1999-00 | 39 | 13 | 52 | 1,125 | 4,696 | 13,918 | 3.75 | 0.89 |
| FY 2000-01 | 43 | 13 | 56 | 1,079 | 3,803 | 13,934 | 4.01 | 0.93 |
| FY 2001-02 | 44 | 13 | 57 | 1,060 | 3,999 | 13,944 | 4.06 | 0.94 |
| FY 2002-03 | 44 | 13 | 57 | 1,054 | 4,057 | 13,597 | 4.16 | 0.94 |
| FY 2003-04 | 43 | 11 | 54 | 1,115 | 6,630 | 11,540 | 4.70 | 0.90 |
| Change over last 5 years ¹ | +10% | -14% | +4% | -1% | +41% | -17% | +26% | +1% |

¹ Figures are based on actual data, however percentage or total may not tally due to rounding.

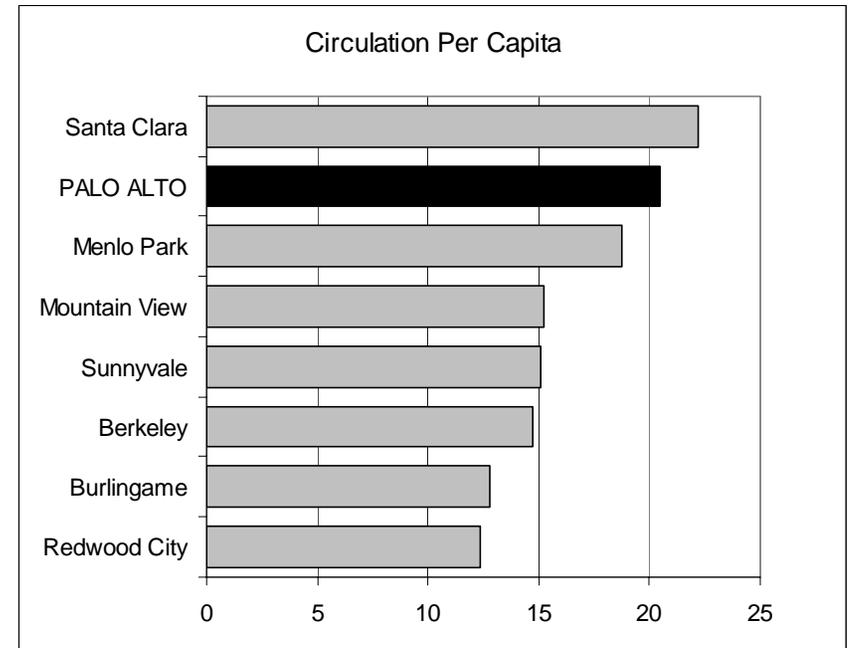
LIBRARY COLLECTION AND CIRCULATION

The total number of items in the library's collection has decreased by 21,799, or by approximately 8 percent over the last five years, primarily due to a change in the way the library counts multi-part cassette tapes. The number of titles in the collection has decreased by about 1 percent; the number of book volumes remains relatively unchanged.

In FY 2003-04, non-resident circulation accounted for approximately 23% percent of the library's total circulation. This percentage has increased slightly since five years ago.

74 percent of survey respondents rate the variety of library materials as good or excellent. However, this places Palo Alto only in the 38th percentile compared to other jurisdictions.

Of all the libraries, Mitchell Park had the highest circulation in FY 2003-04, with 481,841 items circulating. The Main Library had the second highest circulation at 392,822 followed by Children's (302,703), College Terrace (93,667), Downtown (43,558). An additional 199 items from Terman Park branch were still in circulation when it closed in July 2003.



Source: California Library Statistics 2004 (Fiscal Year 2002-03 data)

| | Total number of items in collection | Total number of titles in collection | Number of book volumes | Number of media items ² | Volumes held per capita | Total circulation ¹ | Percent non-resident circulation | Circulation per capita | Average number of checkouts per volume ² | Citizen Survey Percent rating variety of library materials good or excellent |
|--------------------------|-------------------------------------|--------------------------------------|------------------------|------------------------------------|-------------------------|--------------------------------|----------------------------------|------------------------|---|---|
| FY 1999-00 | 289,492 | 166,858 | 238,636 | 50,856 | 4.08 | 926,128 | 21% | 15.83 | 3.20 | - |
| FY 2000-01 | 287,947 | 170,195 | 241,076 | 46,871 | 3.99 | 975,611 | 20% | 16.15 | 3.37 | - |
| FY 2001-02 | 284,071 | 170,862 | 237,365 | 46,706 | 3.93 | 1,117,795 | 20% | 18.51 | 3.90 | - |
| FY 2002-03 | 267,356 | 164,604 | 239,584 | 27,772 | 3.99 | 1,240,099 | 21% | 20.63 | 4.64 | 76% |
| FY 2003-04 | 267,693 | 165,573 | 239,089 | 28,604 | 3.97 | 1,314,790 | 23% | 21.84 | 4.91 | 74% |
| Change over last 5 years | -8% | -1% | 0% | -44% | -3% | +42% | +2% | +38% | +53% | - |

¹ It should be noted that the lending period has changed. In FY 1999-00 and 2000-01, the lending period was four weeks. In FY 2001-02, FY 2002-03, and FY 2003-04 the lending period was three weeks

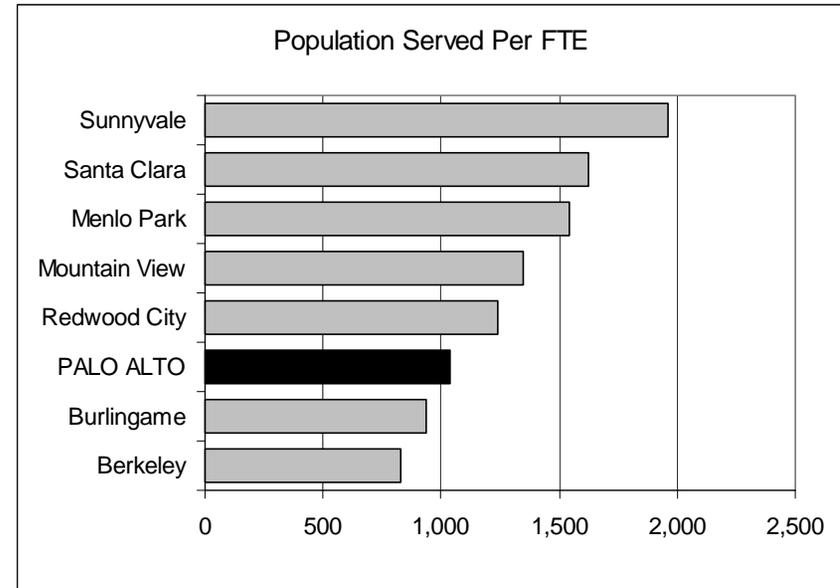
² Change in number of media items and average number of checkouts per volume from FY 2001-02 to FY 2002-03 due in part to change in method for counting multi-part cassette tapes. Each set of tapes is now counted as one unit.

LIBRARY SERVICES

The total number of library cardholders has decreased 2% from 50,938 to 50,171 over the last five years, and the percent of Palo Alto residents who are cardholders decreased from 59 to 57 percent. However, total library visits increased by 26 percent over the same time frame. In 2004, 30 percent of survey respondents reported they used libraries or their services more than 12 times during the last year.

The total number of items delivered to homebound borrowers decreased by 2,079 items, or 47 percent, and the total number of reference questions received by librarians decreased by 1,434, or 2 percent over the five-year period. However, on-line database searches and internet sessions have increased in the last 3 years.

The number of family programs offered increased from 382 to 451, or approximately 18 percent, and total attendance at family programs increased by 4,651 or about 16 percent.



Source: *California Library Statistics 2004* (Fiscal Year 2002-03 data)

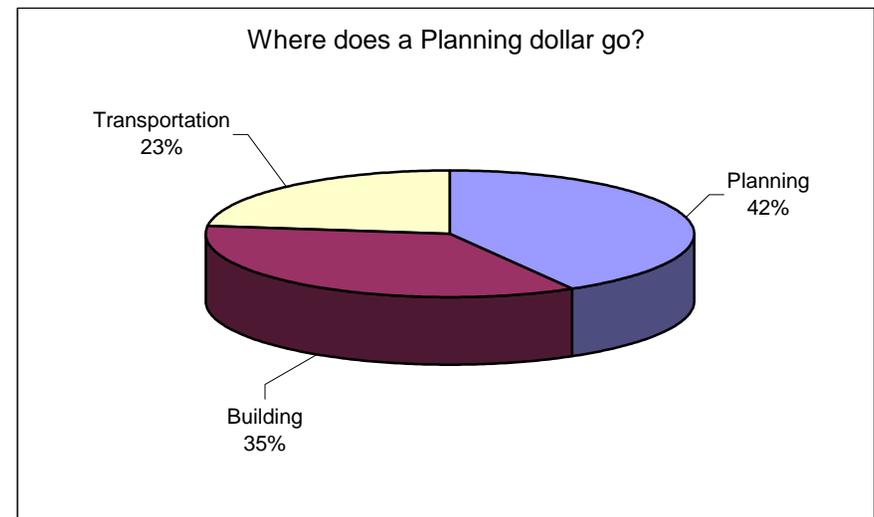
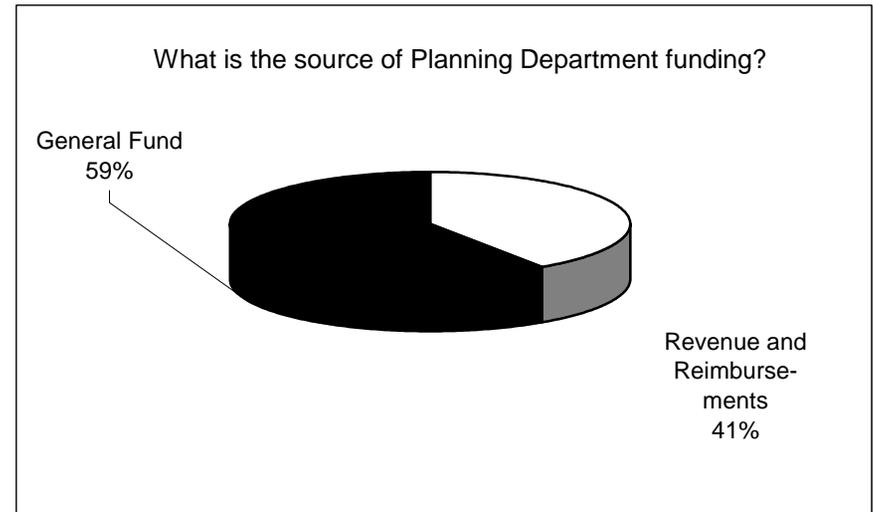
| | Total number of cardholders | Percent of Palo Alto residents who are cardholders | Library visits | Total items delivered to homebound borrowers | Total number of reference questions | Total number of online database searches | Number of internet sessions | Number of family programs | Total family program attendance | Citizen Survey Percent who used libraries or their services more than 12 times during the last year |
|--------------------------|-----------------------------|--|----------------|--|-------------------------------------|--|-----------------------------|---------------------------|---------------------------------|--|
| FY 1999-00 | 50,938 | 59% | 700,689 | 4,470 | 88,252 | - | - | 382 | 29,343 | - |
| FY 2000-01 | 49,284 | 56% | 728,797 | 3,681 | 88,871 | 16,313 | 65,362 | 434 | 28,592 | - |
| FY 2001-02 | 45,112 | 51% | 815,630 | 3,907 | 92,518 | 15,499 | 80,469 | 483 | 26,224 | - |
| FY 2002-03 | 49,448 | 56% | 905,248 | 2,833 | 88,759 | 17,811 | 98,480 | 517 | 33,625 | 31% |
| FY 2003-04 | 50,171 | 57% | 882,918 | 2,391 | 86,818 | 22,845 | 96,654 | 451 | 33,994 | 30% |
| Change over last 5 years | -2% | -2% | +26% | -47% | -2% | - | - | +18% | +16% | - |

CHAPTER 5 – PLANNING AND COMMUNITY ENVIRONMENT

The mission of the Planning and Community Environment Department is to provide the City Council and community with creative guidance on, and effective implementation of, land use development, planning, transportation, housing and environmental policies, plans and programs which maintain and enhance the City as a safe, vital and attractive community.

The Planning Department has three major functional areas:

- Planning - includes advance planning activities: ordinance preparation; comprehensive plan implementation; area plans; federal/state grant management; affordable housing development; records, maps and data; also includes development review activities: application review and processing; historic preservation; and code enforcement; also includes public information: public information, hearings, and meetings and local/regional coordination.
- Building - includes construction review activities (building permit review): construction permit processing; plan review; field inspection; and ADA compliance
- Transportation - includes transportation management; parking management; mobility alternatives; and transportation studies



Source: FY 2003-04 revenue and expenditure data

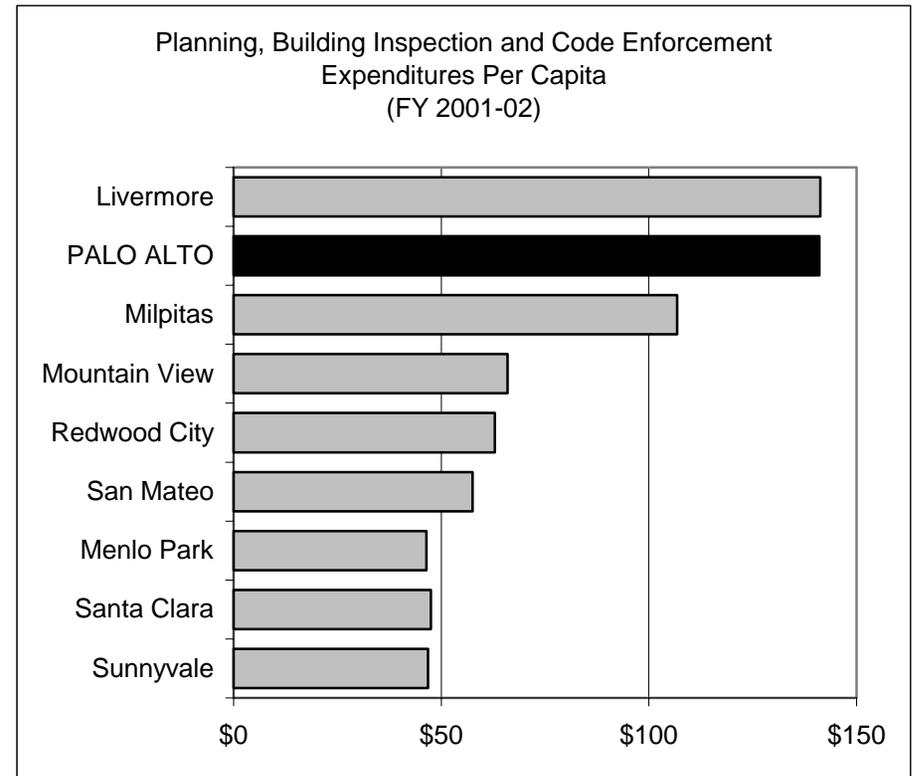
SPENDING AND STAFFING

Spending increased from \$6.9 to \$8.5 million over the last 5 years, or approximately 24 percent. The Department's revenue decreased from \$4.4 to \$3.5 million, or 21 percent, over the same period. Authorized staffing for the Department increased from 54 to 62 FTEs, or 15 percent.

The Department reports that spending increases were due in part to new services and programs including: the Charleston/Arastradero transportation plan (2003); the Zoning Ordinance Update; development of a Citywide transportation strategic plan; additional inspection expense related to Sand Hill Road construction projects (2004); opening of the one-stop Development Center; and the Palo Alto Shuttle (1999).

According to the Department, the Transportation Division was awarded a \$750,000 grant in FY 2003-04 for the Intermodal Transit Center Project.

Data in the graph on the right and table below differ because City of Palo Alto and Controller's office compile data differently. Palo Alto's Planning Department expenditures per capita are higher than those of surrounding jurisdictions. However, it should be noted that different cities budget expenditures in different ways. Palo Alto includes the shuttle services and rent for the Development Center in its costs.



Source: California State Controller, *Cities Annual Report Fiscal Year 2001-02*

| | Planning | Building | Transportation | TOTAL ¹ | Expenditures per capita | Revenue (in millions) | Authorized staffing (FTE) |
|----------------------------------|--------------|--------------|--------------------------|--------------------|-------------------------|-----------------------|---------------------------|
| FY 1999-00 | \$3.4 | \$2.4 | \$1.2 | \$6.9 | \$118 | \$4.4 | 54 |
| FY 2000-01 | \$3.3 | \$2.4 | \$1.2 | \$7.0 | \$115 | \$4.6 | 60 |
| FY 2001-02 | \$3.6 | \$2.7 | \$1.4 | \$7.8 | \$128 | \$4.6 | 61 |
| FY 2002-03 | \$3.7 | \$2.9 | \$1.5 | \$8.1 | \$135 | \$5.2 | 62 |
| FY 2003-04 | \$3.6 | \$3.0 | \$2.0² | \$8.5 | \$141 | \$3.5 | 62 |
| Change over 5 years ¹ | +6% | +27% | +68% | +24% | +20% | -21% | +15% |

¹ Figures are based on actual data, however percentage or total may not tally due to rounding.

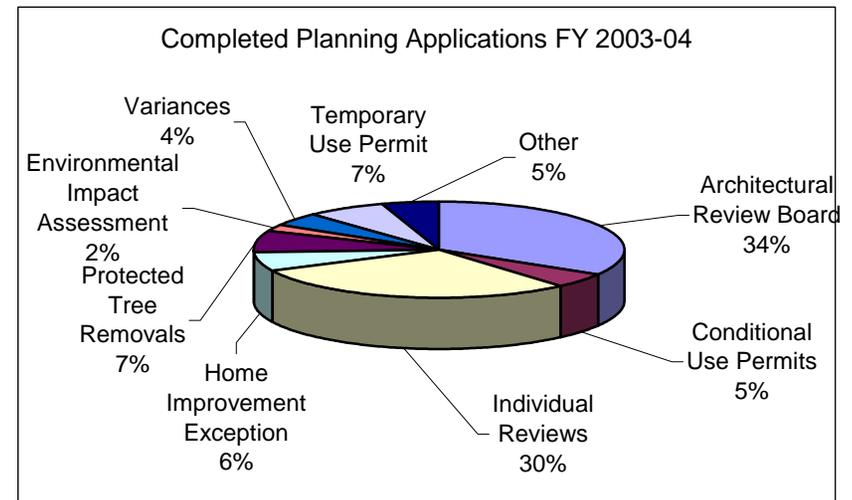
² The Department reports that increases in Transportation spending in FY 2003-04 were due to a number of special studies including: the Chareston/Arastradero Corridor Plan, South Palo Alto School Commute Safety Study, Traffic Impact Fee Nexus Study and Downtown North traffic calming project, as well as a transfer the annual VTA membership dues expense that was previously shown in Planning.

ADVANCE PLANNING AND DEVELOPMENT REVIEW

A total of 409 planning applications were completed in FY 2003-04. Approximately 6 percent of those applications were considered “major.”¹ The remaining 94 percent of applications were considered minor.

The average time in weeks to complete major applications increased from 28.7 weeks in FY 1999-00 to 35.5 weeks in FY 2003-04. The average completion time for minor applications in FY 2003-04 was 12.1 weeks.

Land use planning was one of the City Council's Top 5 priorities in FY 2003-04.



Source: Planning and Community Environment Department

| | Planning applications completed | Architectural Review Board applications completed | Percent of completed applications that are major ¹ | Percent of completed applications that are minor ¹ | Average time to complete major applications ¹ | Average time to complete minor applications ¹ | Citizen Survey Percent rating quality of land use, planning, and zoning in Palo Alto as good or excellent |
|---------------------|---------------------------------|---|---|---|--|--|--|
| FY 1999-00 | 288 | 147 | 16% | 84% | 28.7 weeks | 8.7 weeks | - |
| FY 2000-01 | 283 | 143 | 11% | 89% | 22.5 weeks | 8.7 weeks | - |
| FY 2001-02 | 272 | 130 | 11% | 89% | 31.2 weeks | 8.5 weeks | - |
| FY 2002-03 | 324 | 99 | 5% | 95% | 32.1 weeks | 11.7 weeks | 40% |
| FY 2003-04 | 409 | 149 | 6% | 94% | 35.5 weeks | 12.1 weeks | 48% |
| Change over 5 years | +42% | +1% | -10% | +10% | +24% | +39% | - |

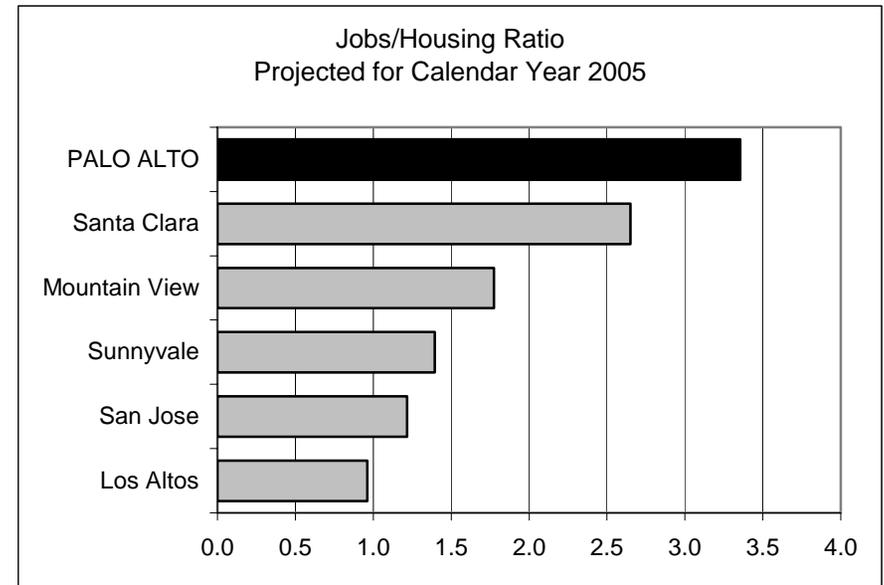
¹ The Planning Department advises that Major Projects have traditionally been those that add more than 5,000 square feet and are expected to be a significant modification to an existing site. Major projects almost always go to a Board or Commission for public hearing/review. Some minor projects may also go to a Board or Commission for a public hearing but many are reviewed at the staff level. The Department notes that some aspects of average completion time are beyond its control, such as the period of time during which an application has been returned to an applicant for his further action. Data does not include applications that were withdrawn. In prior years, such data did include withdrawn applications but has been revised here to exclude them.

ADVANCE PLANNING (cont.) CODE ENFORCEMENT

Based on data from the Association of Bay Area Governments, Palo Alto's jobs/housing ratio was approximately 3.4 in 2005, higher than five nearby jurisdictions. The number of residential units increased from 25,732 to 27,019, or five percent over the last five years. However, the estimated number of new jobs in Palo Alto resulting from projects approved over the last five years was 2,768, while the number of new housing units approved by the City during those same years was 381.

Affordable/attainable housing was one of the City Council's top 5 priorities in FY 2003-04. Over the past 5 years, the average median home price decreased 1 percent from \$867,938 to \$855,000. Only 7 percent of survey respondents rated access to affordable quality housing as good or excellent, placing Palo Alto in the third percentile compared to other jurisdictions.

The number of new code enforcement cases decreased from 697 in FY 1999-00 to 630 in FY 2003-04. A majority of residents (59 percent) rated code enforcement services good or excellent. This places Palo Alto in the 70th percentile compared to other jurisdictions. 17 percent consider run-down buildings, weed lots, or junk vehicles to be a major or moderate problem.



Source: Association of Bay Area Governments (ABAG), *Projections 2005*

Advance Planning (cont.)

| | Number of residential units | Median home price | Estimated new jobs resulting from projects approved during year ¹ | Number of new housing units approved | Cumulative number of below market rate (BMR) units |
|---------------------|-----------------------------|-------------------|--|--------------------------------------|--|
| FY 1999-00 | 25,732 | \$867,938 | 775 | 0 | 202 |
| FY 2000-01 | 26,048 | \$1,001,583 | 1,450 | 12 | 280 |
| FY 2001-02 | 26,841 | \$885,813 | 433 | 123 | 280 |
| FY 2002-03 | 26,934 | \$749,500 | 80 | 101 | 280 |
| FY 2003-04 | 27,019 | \$855,000 | 30 | 145 | 280 |
| Change over 5 years | +5% | -1% | -96% | - | +39% |

Code Enforcement

| Number of new cases | Number of reinspections | Percent of cases resolved within 120 days of date received | Citizen Survey Percent rating quality of code enforcement good or excellent | Citizen Survey Percent who consider run down buildings, weed lots, or junk vehicles a major or moderate problem |
|---------------------|-------------------------|--|---|---|
| 697 | 891 | - | - | - |
| 629 | 1,084 | 88% | - | - |
| 737 | 1,552 | 89% | - | - |
| 764 | 1,611 | 90% | 56% | 19% |
| 630 | 1,094 | 94% | 59% | 17% |
| Change over 5 years | +23% | - | - | - |

¹ Estimated numbers of new jobs are based on estimated square feet per employee for various types of development.

² Number of jobs divided by number of households, or 110,890 jobs divided by 28,424 households (including Stanford in Palo Alto's sphere of influence).

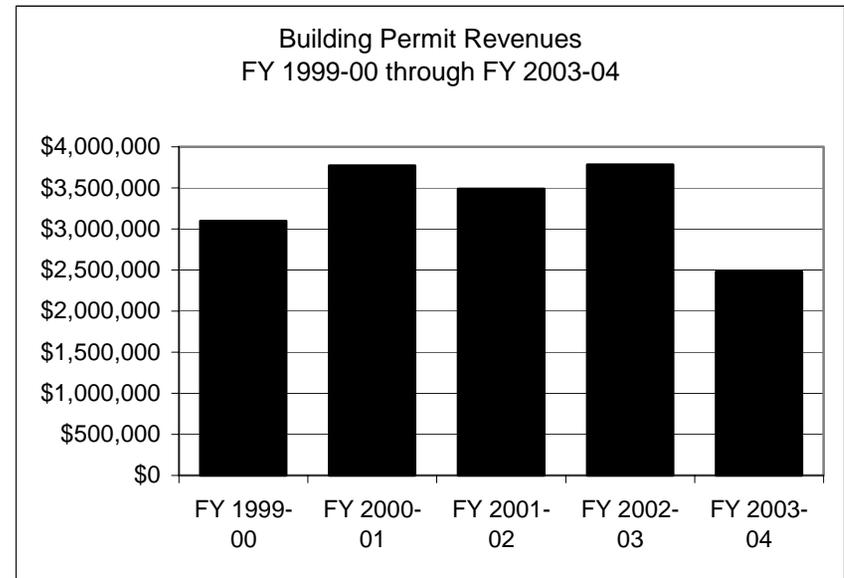
BUILDING INSPECTION

Over the last five years, the number of building permit applications decreased 13 percent to 3,340. During that same period, the valuation of construction for issued permits decreased from \$456.4 million to \$129.2 million, or 72 percent. Staff notes that this, combined with the increased number of building permits issued, indicates that the Department's workload consists of an increased percentage of smaller, residential projects and fewer large, commercial projects. Building permit revenue decreased from \$3.1 to \$2.5 million, or 20 percent.

Staff completed 13,310 inspections in FY 2003-04. According to staff, 93% percent of inspection requests were responded to within one working day or within the timeframe of the customer's request.

The average number of days for first response to plan checks was 21 days excluding over-the-counter plan checks. The average was 18 days when over-the-counter plan checks are included.

The average number of days to issue a building permit was 83 days excluding permits issued over the counter. The average was 20 days when over-the-counter permits are included.



Source: Planning and Community Environment Department

| | Building permit applications | Building permits issued | Percent of building permits issued over the counter | Valuation of construction for issued permits (in millions) | Building permit revenue (in millions) ² | Average number of days for first response to plan checks ³ | Average number of days to issue building permits ³ | Number of inspections completed | Percent of inspection requests for permitted work responded to within one working day ⁴ |
|----------------------------------|------------------------------|-------------------------|---|--|--|---|---|---------------------------------|--|
| FY 1999-00 | 3,842 | 3,063 | - | \$456.4 | \$3.1 | - | - | 14,737 | 90% |
| FY 2000-01 | 4,073 | 3,639 | - | \$239.6 | \$3.8 | - | - | 14,422 | 90% |
| FY 2001-02 | 4,006 | 3,241 | - | \$281.1 | \$3.5 | - | - | 13,770 | 95% |
| FY 2002-03 | 3,151 | 3,151 | - | \$263.1 | \$3.8 | - | - | 13,833 | 92% |
| FY 2003-04 | 3,340 | 3,236 | 75% | \$129.2 | \$2.5 | 21 | 83 | 13,310 | 93% |
| Change over 5 years ¹ | -13% | +6% | - | -72% | -20% | - | - | -10% | +3% |

¹ Figures are based on actual data, however percentage or total may not tally due to rounding.

² Deposits for building permits are recognized as revenue once the project is completed.

³ Average number of days does not include over the counter plan checks or building permits.

⁴ In some cases, a customer requests a specific day or time as opposed to within one working day; this percentage indicates how often the Department met the one working day deadline or, when applicable, the customer's specific request.

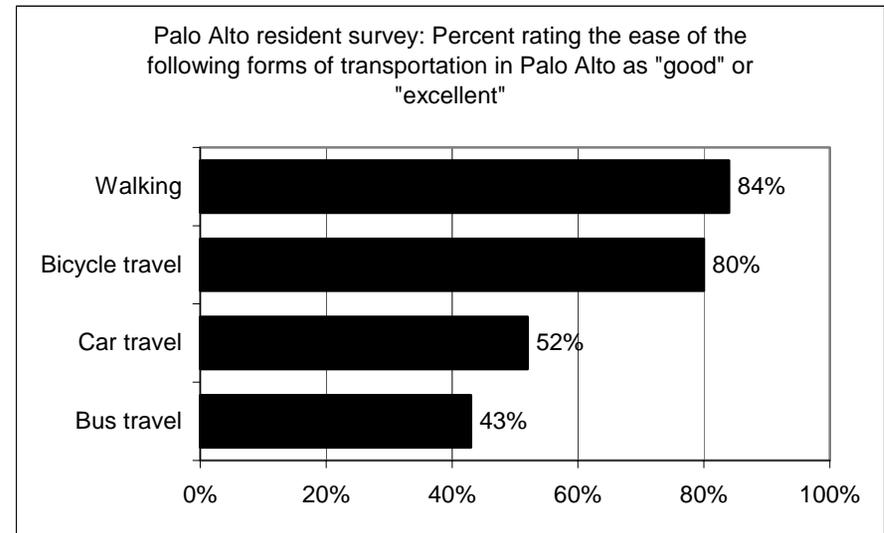
TRANSPORTATION PLANNING

Citywide, 8 intersections had 10 or more accidents in FY 2003-04. This was 20 percent lower than in FY 1999-00 (10 intersections), and lower than in any of the four prior years.

In the 2004 Citizen Survey, 60 percent of respondents considered traffic congestion to be a major or moderate problem in Palo Alto, a decrease from the 64 percent who thought so in 2003. Of those who usually drive to work, 14 percent reported that they usually carpool, an increase from the 12 percent in 2003.

In FY 2003-04, the Department implemented two major traffic calming projects (first and second trials in Downtown North) and two minor ones (on Waverley Street and Channing Avenue). Palo Alto Shuttle service began in December 1999. In FY 2003-04, the Department reports there were 170,719 shuttle boardings.

Alternative transportation/traffic calming was one of the City Council's Top 5 priorities in FY 2003-04.



Source: National Citizen Survey™ 2004 (Palo Alto)

| | Citizen Survey | | | | | | | |
|---------------------|---|---|-------------------------------------|------------------------------------|---|--|---|---|
| | Number of monitored intersections with an unacceptable level of service during evening peak | Number of intersections with 10 or more accidents ^{1S} | City Shuttle boardings ^S | Caltrain average weekday boardings | Number of major/minor traffic calming projects implemented ² | Percent who consider traffic congestion to be a major or moderate problem in Palo Alto | Of those who usually drive to work, percent who usually carpool | Percent who consider the amount of public parking good or excellent <NEW> |
| FY 1999-00 | 6 of 10 | 10 | 37,925 | 3,240 | - | - | - | - |
| FY 2000-01 | 8 of 21 | 9 | 76,705 | 3,625 | 0/0 | - | - | - |
| FY 2001-02 | 8 of 21 | 17 | 124,957 | 3,241 | 0/1 | - | - | - |
| FY 2002-03 | 2 of 21 | 11 | 167,454 | 2,906 | 0/5 | 64% | 12% | - |
| FY 2003-04 | 2 of 21 | 8 | 170,719 | 2,825 | 2/2 | 60% | 14% | 56% |
| Change over 5 years | - | -20% | +350% | -13% | - | - | - | - |

¹ Accidents within 200 feet of intersection.

² The Department defines "major" traffic calming projects as neighborhood-wide projects. "Minor" projects are defined as ones on one or two Local or Collector streets.

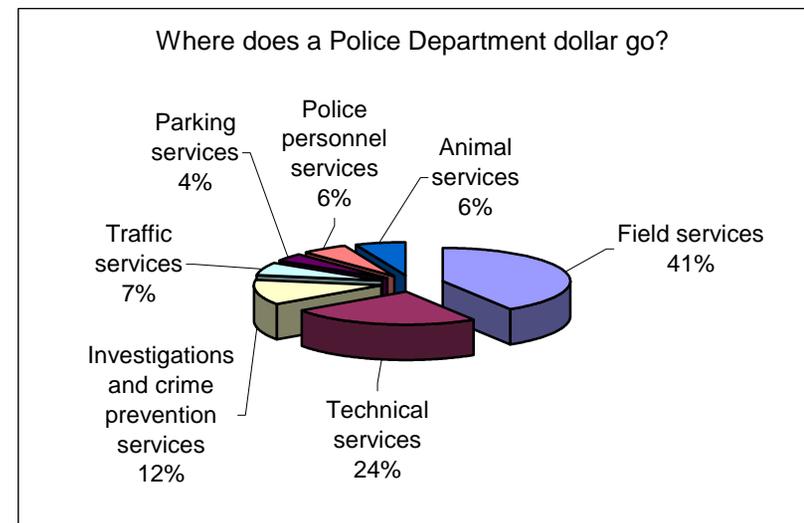
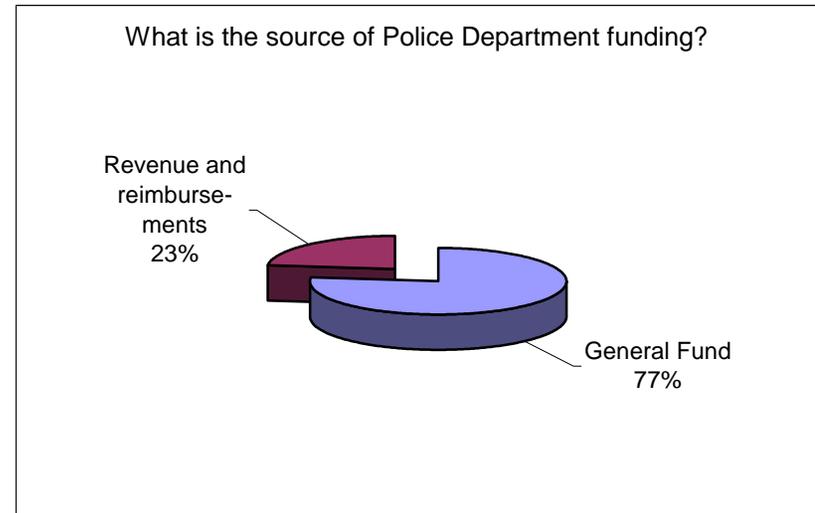
^S Sustainability indicator

CHAPTER 6 – POLICE

The mission of the Police Department is to provide exceptional public safety services and take a leadership role in building community partnerships.

The Department has seven major functional areas. These include:

- Field services – police response, critical incident resolution, regional assistance response, and police services for special events
- Technical services – 911 dispatch services for police, fire, utilities, general fund, and Stanford, and police information management
- Investigations and crime prevention services – police investigations, property and evidence, youth services, and community policing
- Traffic services – traffic enforcement, complaint resolution, and school safety
- Parking services – parking enforcement, parking citations and processing, and abandoned vehicle abatement
- Police personnel services – police hiring, retention, personnel records, training, and volunteer programs
- Animal services – animal control, pet recovery/adoption services, animal care, animal health and welfare, and regional animal services



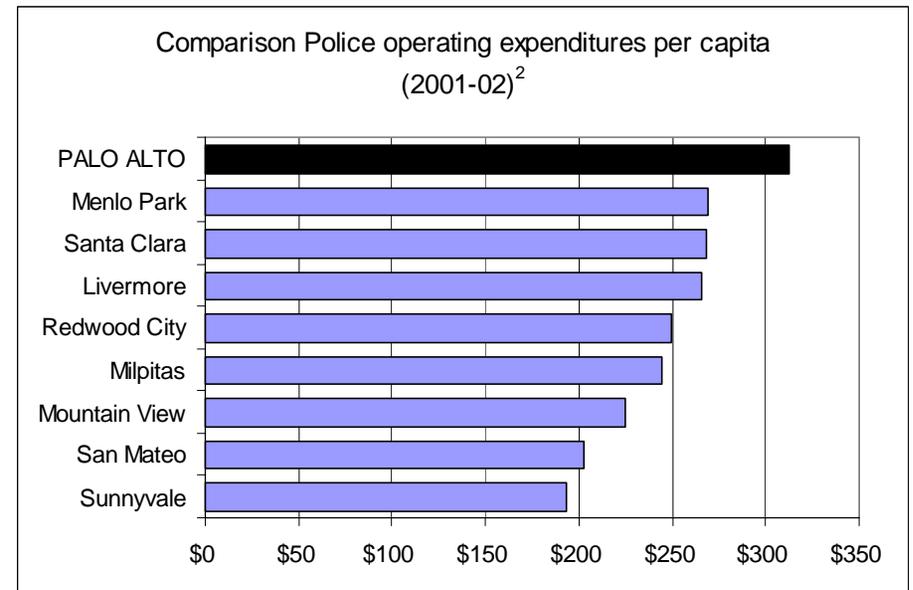
Source: FY 2003-04 revenue and expenditure data

POLICE SPENDING AND REVENUE

Total Police Department spending increased by 17 percent in the last five years. FY 2003-04 field services expenditures increased largely because officers now code their time to their division; the offsetting decline can be seen in "personnel services" that previously included all training hours.

Total spending increased from \$320 to \$365 per resident, or 14 percent over five years. This includes services (e.g. communications and animal services) that the department provides to other jurisdictions. Over the same period, total revenue and reimbursements for those services increased from \$3.4 to \$5.1 million, or 51 percent.³

A comparison of police expenditures FY 2001-02 (the most recent data available from the State Controller) shows Palo Alto spent more per capita than 8 other local jurisdictions. It should be noted that every jurisdiction has different levels of service and categorizes expenditures in different ways.



Source: California State Controller, *Cities Annual Report Fiscal Year 2001-02*

The most recent survey of resident satisfaction shows 90 percent of residents' rate police services good or excellent – placing Palo Alto in the 86th percentile compared to other jurisdictions.

| | Operating Expenditures (in millions) | | | | | | | | Total | | Citizen Survey |
|---------------------------------------|--------------------------------------|--------------------------|-------------------------------------|--------------------------|------------------|---------------------------|-----------------|--------------------|-----------------------|--------------------------|--|
| | Field services | Technical services | Investigations and crime prevention | Traffic services | Parking services | Police personnel services | Animal services | TOTAL ¹ | spending per resident | Total revenue | Percent rating police services good or excellent |
| FY 1999-00 | \$6.2 | \$3.4 | \$2.8 | \$1.3 | \$0.7 | \$3.2 | \$1.1 | \$18.7 | \$320 | \$3.4 | - |
| FY 2000-01 | \$6.6 | \$3.5 | \$2.9 | \$1.3 | \$0.8 | \$3.2 | \$1.1 | \$19.5 | \$323 | \$3.8 | - |
| FY 2001-02 | \$7.3 | \$3.9 | \$3.0 | \$1.3 | \$0.8 | \$2.8 | \$1.3 | \$20.3 | \$336 | \$4.7 | - |
| FY 2002-03 | \$7.8 | \$4.0 | \$2.9 | \$2.1 | \$0.0 | \$2.9 | \$1.3 | \$21.2 | \$350 | \$4.3 | 89% |
| FY 2003-04 | \$9.0⁴ | \$5.3⁴ | \$2.7⁴ | \$1.4⁴ | \$0.8 | \$1.3⁴ | \$1.4 | \$22.0 | \$365 | \$5.1³ | 90% |
| Change over last 5 years ¹ | +46% | +59% | -6% | +10% | +12% | -59% | +24% | +17% | +14% | +51% | - |

¹ Figures are based on actual data, however percentage or total may not tally due to rounding.

² Comparison of operating expenditures does not include animal control. Palo Alto figures do not include communications expenditures.

³ FY 2003-04 revenues included an unusually high bail forfeiture amount.

⁴ FY 2003-04 expenditures reflect a change in the way that the department accounts for employees' time, not a shift in service levels.

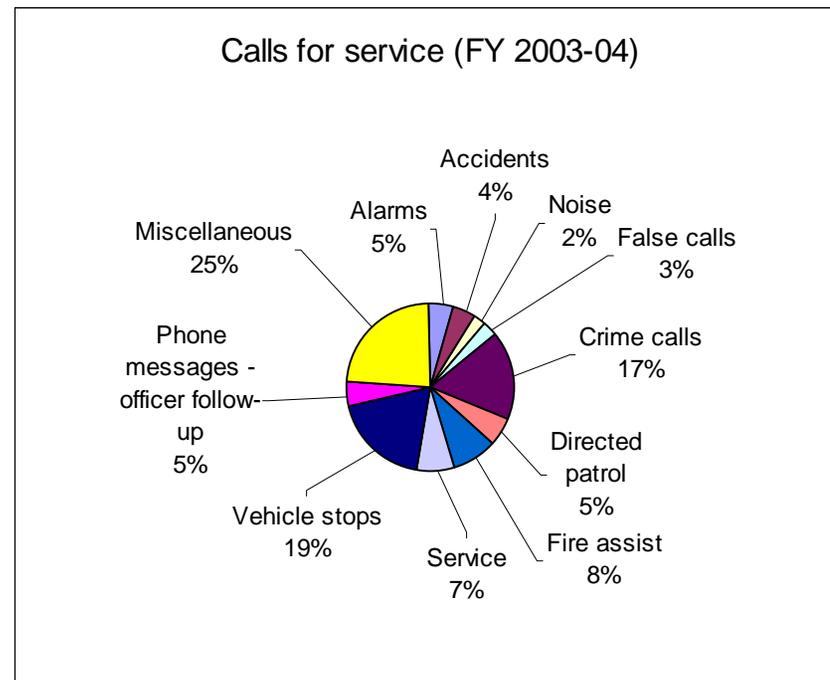
CALLS FOR SERVICE

The Police Department handled over 52,000 calls for service during FY 2003-04, and dispatched 88 percent of emergency calls within 60 seconds of receipt of the call.

The Police Department categorizes calls requiring police response as Priority 1 (these include part 1 crimes in progress that are life threatening or involve potential significant loss of property, major injury accident calls, and medical calls such as heart attacks) and Priority 2 (including suspicious activity in progress, and part 1 crimes that occurred within the last hour but are not currently in progress).

Over the last four years, the average response times for priority 1 calls improved from 6:41 minutes to 4:49 minutes. The average response times for priority 2 calls decreased from 8:21 minutes to 7:55 minutes.

False alarms are down 40 percent over five years due in part to an alarm permit program.



Source: Police Department

| | Total Police Department calls for service | Percent emergency calls dispatched within 60 seconds of receipt of call [⊙] | Percent life-threatening emergency calls (priority 0) responded within 3 minutes [⊙] | Percent priority 2 emergency calls responded within 4 minutes [⊙] | Percent non-emergency calls responded within 30 minutes [⊙] | Priority 1 response time (receipt to on scene average) | Priority 2 response time (receipt to on scene average) | False alarms |
|--------------------------|---|--|---|--|--|--|--|--------------|
| FY 1999-00 | 27,713 ¹ | 99% | - | 95% | 95% | - | - | 4,464 |
| FY 2000-01 | 59,134 | 99% ² | - | 95% ² | 95% ² | 6:41 minutes | 8:21 minutes | 4,403 |
| FY 2001-02 | 57,292 | 98% | 99% | 99% | 95% | 5:41 minutes | 8:19 minutes | 3,409 |
| FY 2002-03 | 53,143 | 92% | 65% | 84% | 95% | 5:53 minutes | 8:27 minutes | 3,113 |
| FY 2003-04 | 52,489 | 88% | 100% | 72% | 96% | 4:49 minutes | 7:55 minutes | 2,681 |
| Change over last 5 years | +89% | -11% | - | -23% | +1% | - | - | -40% |

[⊙] Budget impact measure

¹ The pre-CAD manual system did not include some activities that the CAD system now records.

² Estimated

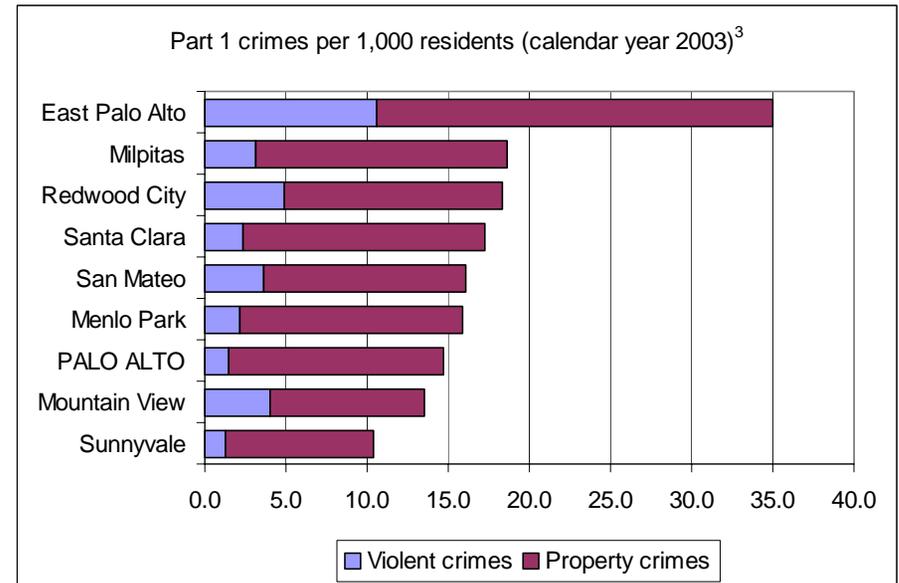
CRIME

The Police Department categorizes crime as Part 1¹ and Part 2.² Over the past five years, the number of reported Part 1 crimes increased by 2 percent, and the number of Part 2 crimes decreased 4 percent.

Although Palo Alto is a relatively affluent community of 60,000, it has a daytime population estimated at nearly 140,000, a regional shopping center, and a downtown with an active nightlife.

Police Department statistics show 118 reported crimes per 1,000 residents, or 76 reported crimes per officer. California Department of Justice statistics show that Palo Alto has fewer crimes per 1,000 residents than most other local jurisdictions.

During FY 2003-04, 11 percent of households reported being the victim of a crime in the last 12 months. Of those households, 59 percent said they reported the crime – down from 76 percent in last year’s survey.



Source: California Department of Justice and California Department of Finance (these figures do not include arson or larceny/theft under \$400)

| | Reported crimes | | | | Citizen Survey | | Arrests | | Clearance rates for part 1 crimes ¹ | | | |
|--------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--|---|---|------------------|----------------------------|--|--|---|---|
| | Part 1 ¹ crimes reported | Part 2 ² crimes reported | Reported crimes per 1,000 residents | Reported crimes per officer ⁵ | Percent households reported being victim of crime in last 12 months | Percent households that were victim of a crime who reported the crime | Juvenile arrests | Total arrests ⁴ | Homicide cases cleared/closed [⊙] | Rape cases cleared/closed [⊙] | Robbery cases cleared/closed [⊙] | Theft cases cleared/closed [⊙] |
| FY 1999-00 | 2,326 est. | 4,922 est. | 124 est. | 76 est. | - | - | 348 est. | 3,198 est. | 75% | - | - | - |
| FY 2000-01 | 2,075 | 5,525 | 126 | 79 | - | - | 413 | 3,151 | 80% | - | - | - |
| FY 2001-02 | 2,208 | 4,982 | 119 | 74 | - | - | 345 | 3,153 | 85% | 56% | 29% | 25% |
| FY 2002-03 | 2,205 | 4,980 | 119 | 74 | 13% | 76% | 293 | 2,851 | None | 43% | 34% | 28% |
| FY 2003-04 | 2,370 | 4,719 | 118 | 76 | 11% | 59% | 344 | 2,577 | 100% | 63% | 44% | 21% |
| Change over last 5 years | +2% | -4% | -5% | 0% | - | - | -1% | -19% | +25% | - | - | - |

⊙ Budget impact measure

¹ Part 1 crimes include assault, burglary, homicide, rape, robbery, larceny/theft, vehicle theft, and arson.

² Part 2 crimes include assaults and attempted assaults where a weapon is not used or where serious injuries did not occur; forgery and counterfeiting; fraud; embezzlement; buying, receiving, and possessing stolen property; vandalism; weapons offenses; prostitution and other vice crimes; sex offenses other than rape; drug offenses; gambling; offenses against family and children; drunk driving; liquor laws; drunk in public; disorderly conduct; and vagrancy.

³ Violent crimes include homicide, forcible rape, robbery, and aggravated assault; property crimes include burglary, motor vehicle theft, and larceny-theft over \$400.

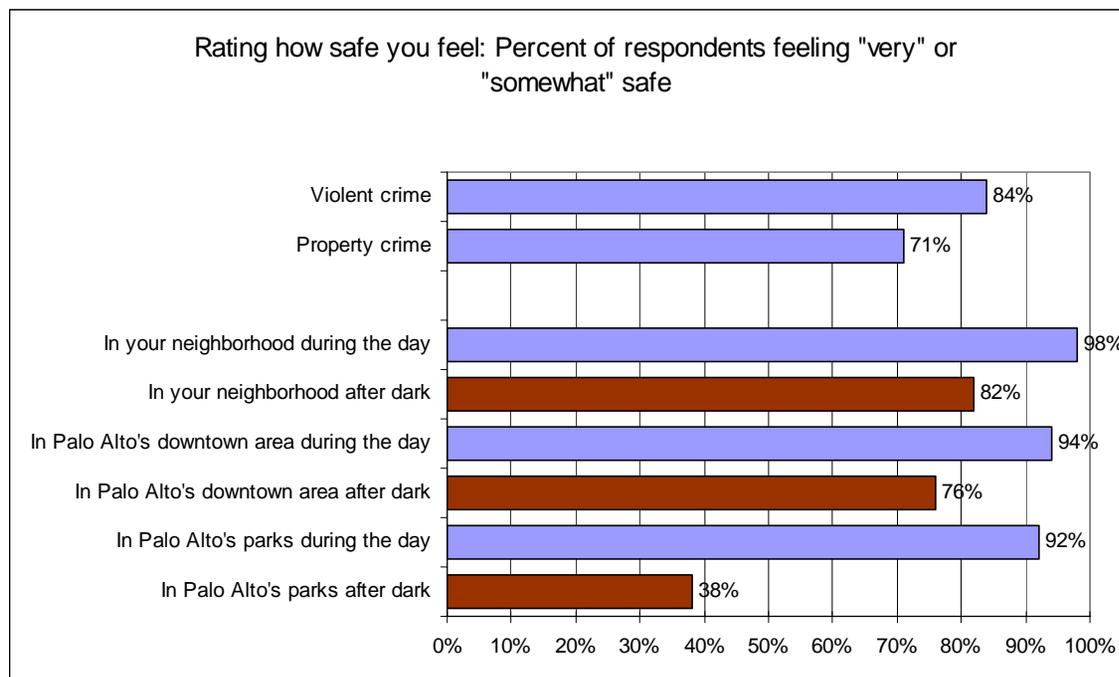
⁴ Total arrests does not include drunk in public where suspects are taken to the sobering station, or traffic warrant arrests.

⁵ Based on authorized sworn staffing.

PERCEPTIONS OF SAFETY

When evaluating safety in the community, 84 percent of residents felt “very” or “somewhat safe” from violent crimes in Palo Alto. In their neighborhood during the day, 98 percent of residents felt “very” or “somewhat safe”. After dark, 82 percent of residents felt “very” or “somewhat safe” in their neighborhoods.

These ratings are above the norm of other jurisdictions surveyed by the National Citizen Survey™, except in our parks after dark, where Palo Alto rates are similar to the norm. For example, Palo Alto was in the 84th percentile compared to other jurisdictions responding to the question “please rate how safe you feel in your neighborhood during the day,” but was in the 50th percentile compared to other jurisdictions in how safe residents feel in their parks after dark.



Source: National Citizen Survey™ 2004 (Palo Alto)

| | Citizen Survey: Percent of residents feeling very or somewhat safe | | | | | | | | Citizen Survey Percent rating crime prevention good or excellent <NEW> |
|--------------------------|--|---------------------|-------------------------------------|---------------------------------|---|---|-------------------------------------|---------------------------------|--|
| | From violent crime | From property crime | In your neighborhood during the day | In your neighborhood after dark | In Palo Alto's downtown area during the day | In Palo Alto's downtown area after dark | In Palo Alto's parks during the day | In Palo Alto's parks after dark | |
| FY 1999-00 | - | - | - | - | - | - | - | - | - |
| FY 2000-01 | - | - | - | - | - | - | - | - | - |
| FY 2001-02 | - | - | - | - | - | - | - | - | - |
| FY 2002-03 | 84% | 73% | 97% | 83% | 95% | 71% | 94% | 41% | - |
| FY 2003-04 | 84% | 71% | 98% | 82% | 94% | 76% | 92% | 38% | 87% |
| Change over last 5 years | - | - | - | - | - | - | - | - | - |

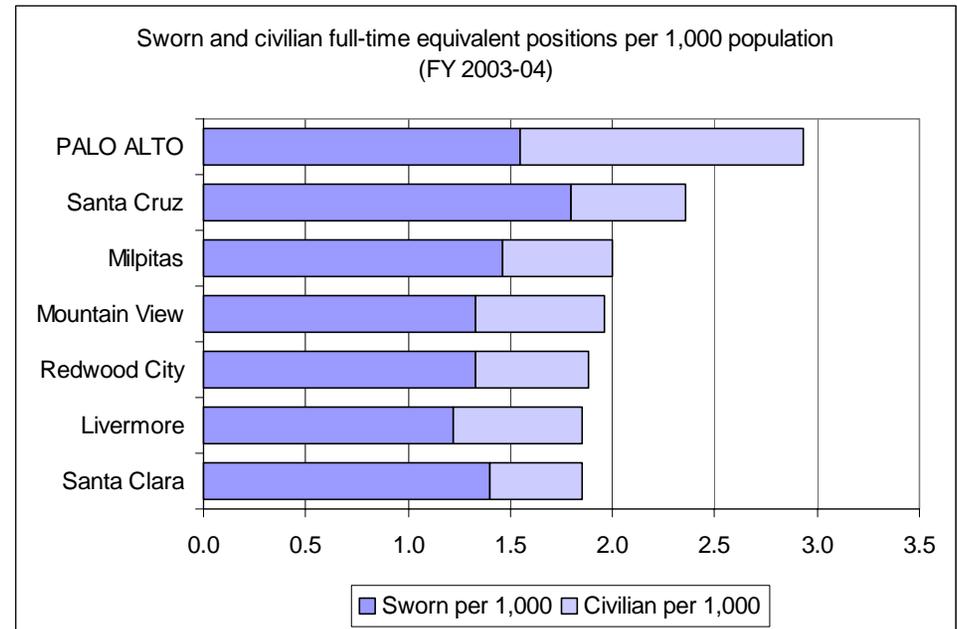
POLICE STAFFING, EQUIPMENT, AND TRAINING

Authorized departmental staffing decreased from 179 to 177 full time equivalents over the last five years, or 1 percent. The number of police officers has decreased from 95 to 93, or 2 percent.¹ There are an average of 8 officers on duty at all times.

With 1.54 sworn police officers per 1,000 residents, Palo Alto's sworn staffing-to-population ratio is higher than some nearby jurisdictions and lower than others. Palo Alto's total staffing is higher than other local jurisdictions, but it includes full dispatch services and animal services provided to other jurisdictions.

Those comparisons are based on "authorized positions". It should be noted that as of June 30, 2004, the department was down 10 police officers due to vacancies, injuries, training, and other leave situations.

The department increased training hours from 112 to 146 hours per officer, or 30 percent, over five years.



Source: Cities of Palo Alto, Santa Cruz, Milpitas, Mountain View, Redwood City, Livermore, and Santa Clara

| | Authorized staffing (FTE) | Number of police officers (authorized FTE) | Police officers per 1,000 residents | Average number of officers on duty | Number of patrol vehicles | Number of motor-cycles | Training hours per officer |
|--------------------------|---------------------------|--|-------------------------------------|------------------------------------|---------------------------|------------------------|----------------------------|
| FY 1999-00 | 179 | 95 | 1.62 | 8 | 28 | 7 | 112 |
| FY 2000-01 | 180 | 96 | 1.59 | 8 | 30 | 8 | 114 |
| FY 2001-02 | 182 | 97 | 1.60 | 8 | 29 | 10 | 128 |
| FY 2002-03 | 183 | 97 | 1.60 | 8 | 30 | 10 | 143 |
| FY 2003-04 | 177 | 93 | 1.54 | 8 | 30 | 10 | 146 |
| Change over last 5 years | -1% | -2% | -5% | 0% | +7% | +43% | +30% |

TRAFFIC AND PARKING CONTROL

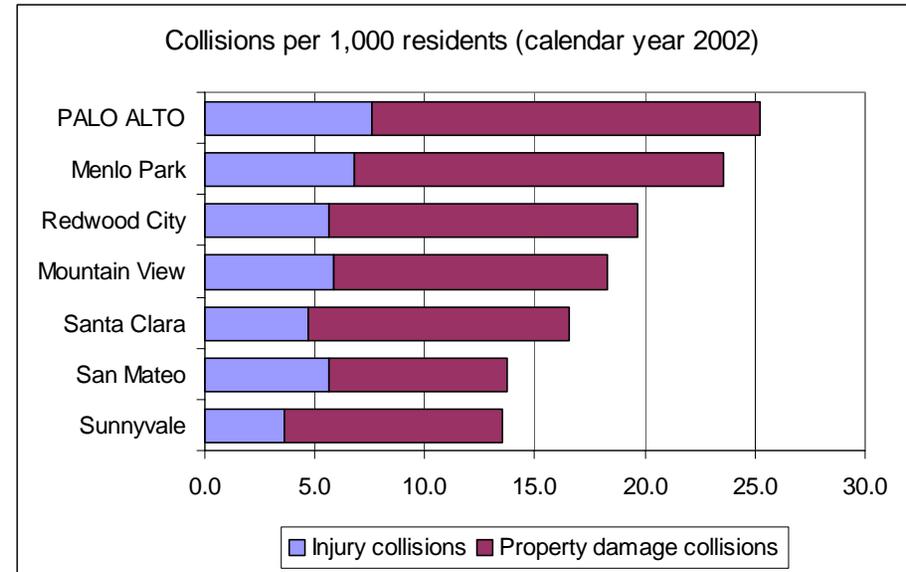
Over the past five years, the total number of

- traffic accidents decreased by 30 percent,
- bicycle/pedestrian accidents decreased by 29 percent,
- alcohol related accidents decreased by 11 percent, and
- total injury accidents decreased by 3 percent.

The percent of traffic accidents with injury increased from 20 percent to 28 percent, but the number of traffic accidents per 1,000 residents decreased from 35 to 24 per 1,000 residents, or 32 percent, over the past 5 years.

In FY 2003-04, police personnel made over 9,700 traffic stops, and issued about 7,300 traffic citations and nearly 48,000 parking citations.

Comparison data for calendar year 2002 shows that Palo Alto was higher than several local jurisdictions in number of collisions per 1,000 residents. According to the Police Department, Palo Alto documents minor damage accidents to a much larger extent than other jurisdictions.



Source: California Highway Patrol 2002 Annual Report of Fatal and Injury Motor Vehicle Traffic Collisions, and California Department of Finance

| | | | | | | | Citizen Survey | | | |
|---------------------------------------|-------------------|------------------------------|---------------------------|------------------------|--|--------------------------------------|-------------------------|--------------------------|-------------------|--|
| | Traffic Accidents | Bicycle/pedestrian accidents | Alcohol related accidents | Total injury accidents | Percent of traffic accidents with injury | Traffic accidents per 1000 residents | Number of traffic stops | Traffic citations issued | Parking citations | Percent rating traffic enforcement good or excellent |
| FY 1999-00 | 2,030 est. | 128 est. | 38 est. | 412 est. | 20% | 35 | 11,938 | 15,146 | 44,610 | - |
| FY 2000-01 | 1,850 | 101 | 49 | 407 | 22% | 31 | 15,165 | 12,831 | 53,341 | - |
| FY 2001-02 | 1,567 | 95 | 37 | 412 | 26% | 26 | 13,670 | 11,001 | 55,437 | - |
| FY 2002-03 | 1,490 | 81 | 30 | 390 | 26% | 25 | 9,956 | 8,279 | 52,422 | 64% |
| FY 2003-04 | 1,429 | 91 | 34 | 400 | 28% | 24 | 9,731 | 7,301 | 47,860 | 64% |
| Change over last 5 years ¹ | -30% | -29% | -11% | -3% | +8% | -32% | -18% | -52% | +7% | - |

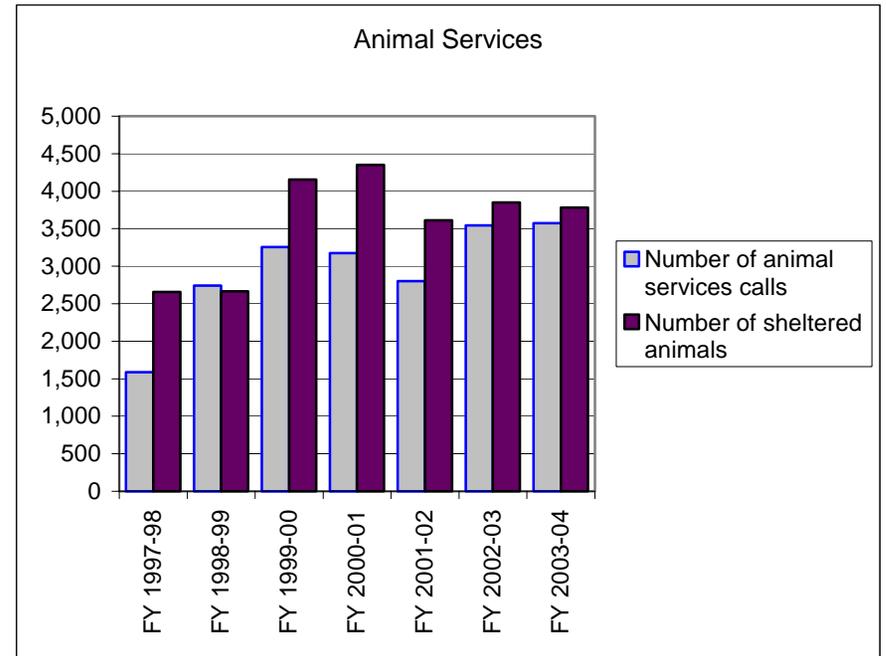
¹ Figures are based on actual data, however percentage or total may not tally due to rounding.

ANIMAL SERVICES

Palo Alto provides regional animal control services to the cities of Palo Alto, Los Altos, Los Altos Hills, Mountain View, and (beginning in 2005) animal sheltering services to Sunnyvale. Animal Services also provides pet recovery and adoption services, animal care, animal health and welfare (including spay and neuter clinics and vaccinations), and other services at the Animal Shelter on East Bayshore Road.

In FY 2003-04, Animal Services responded to 98 percent of Palo Alto live animal calls within 45 minutes, exceeding their target of 85 percent. The department successfully returned to their owners 80 percent of dogs and 11 percent of cats received by the shelter during FY 2003-04, exceeding their targets of 65 percent and 8 percent respectively.

Over the five-year period shown, the number of animal services calls increased by 10 percent, and the number of sheltered animals decreased by 9 percent.



Source: Police Department

| | Animal Services expenditures | Animal Services revenue | Number of animal services calls | Percent Palo Alto live animal calls for service responded to within 45 minutes [⊙] | Number of sheltered animals | Percent dogs received by shelter returned to owner [⊙] | Percent cats received by shelter returned to owner [⊙] | Citizen Survey Percent rating animal control services good or excellent |
|--------------------------|------------------------------|-------------------------|---------------------------------|---|-----------------------------|---|---|--|
| FY 1999-00 | \$1.1 | \$0.6 | 3,254 | 85% | 4,154 | - | - | - |
| FY 2000-01 | \$1.1 | \$0.6 | 3,174 | 85% | 4,349 | - | - | - |
| FY 2001-02 | \$1.3 | \$0.9 | 2,803 | 85% | 3,614 | 79% | 10% | - |
| FY 2002-03 | \$1.3 | \$0.7 | 3,545 | 96% | 3,849 | 73% | 10% | 79% |
| FY 2003-04 | \$1.4 | \$0.9 | 3,575 | 98% | 3,780 | 80% | 11% | 79% |
| Change over last 5 years | +24% | +48% | +10% | -13% | -9% | - | - | - |

⊙ Budget impact measure

CHAPTER 7 – PUBLIC WORKS

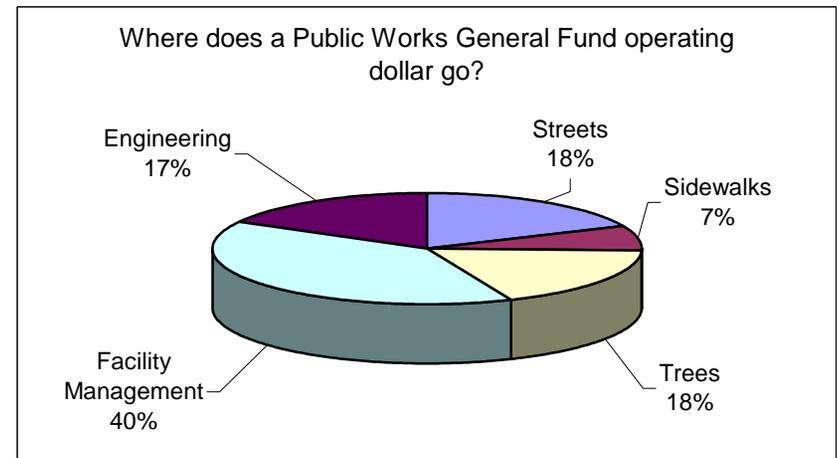
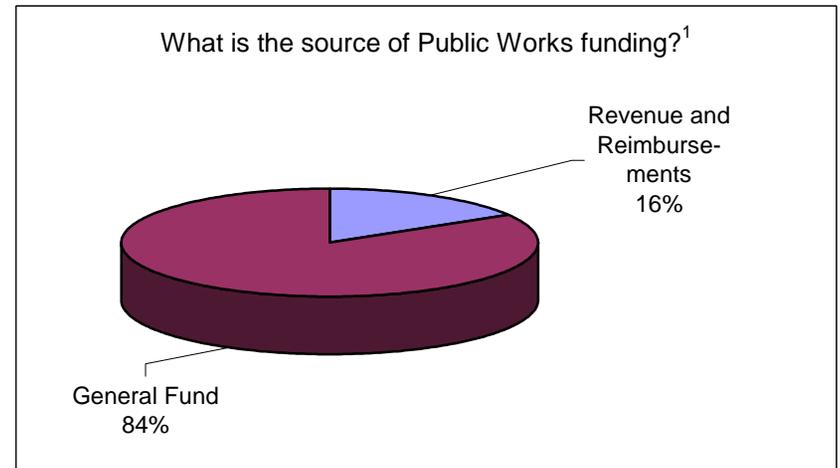
The mission of the Department of Public Works is to provide efficient, cost effective construction, maintenance, and management of Palo Alto streets, sidewalks, parking lots, buildings and other public facilities; to provide appropriate maintenance, replacement and utility line clearing of City trees; and to ensure timely support to other City departments in the area of engineering services.

The General Fund services that the Department provides include:

- Streets – in-house and contract maintenance, street computer mapping, in-house traffic control, emergency response, and capital improvement project support
- Sidewalks – in-house maintenance and capital improvement project support
- Trees – tree inventory management, in-house and contract street tree maintenance, in-house park tree maintenance, and contract utility line clearing
- Structures and Grounds – contract maintenance projects, in-house maintenance, and structures and ground capital improvement project support; includes utility expenses for City facilities
- Private Development - project reviews and Public Works permits and inspections for private development.

The Department is responsible for the following services that are provided through enterprise and internal service funds (non-General Fund):

- Refuse collection and disposal
- Storm Drainage
- Wastewater treatment including the Regional Water Quality Control Plant
- Vehicle Replacement and Maintenance (includes equipment)



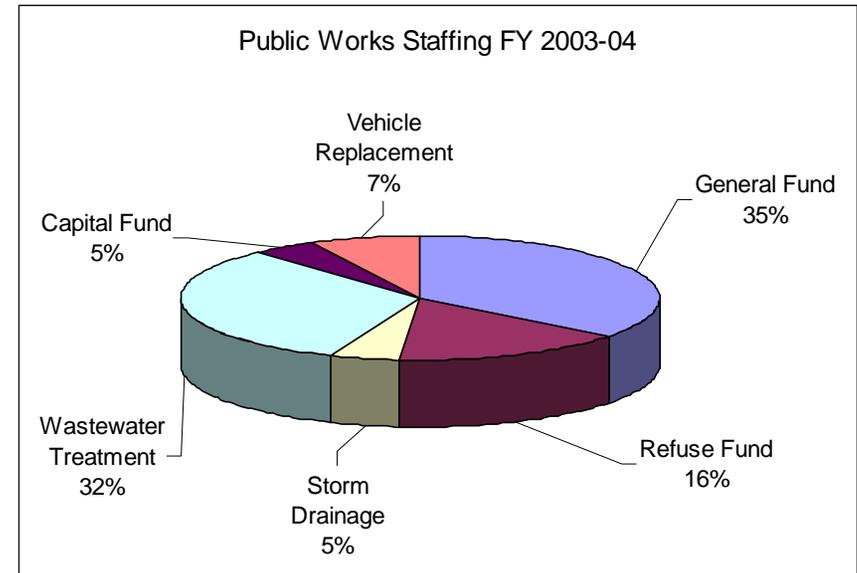
Source: FY 2003-04 revenue and expenditure data
¹ Excludes Public Works Enterprise funds

SPENDING AND STAFFING

Public Works General Fund Operating spending increased by 4% over the last five years. In addition to the General Fund operating expenditures shown below, spending from the Capital Project Fund included:

- about \$3.8 million for Capital Improvement Program (CIP) Streets-Engineering
- about \$1.7 million for CIP Sidewalks
- about \$13.9 million for CIP Structures and Grounds/Rehabilitation

From FY 2002-03 to FY 2003-04 there were significant decreases in Streets and Trees. This was due primarily to the reallocation of some costs from the General Fund to the Capital Project Fund (9.70 positions at a cost of about \$1,000,000) as well as about \$900,000 for 1.75 FTE and certain contract services to the Utilities Department. According to the Department, the reallocation of these expenses does not represent a reduction in service.



Source: FY 2003-04 budget data

Public Works General Fund-Operating (in millions)

Authorized Staffing (FTE)

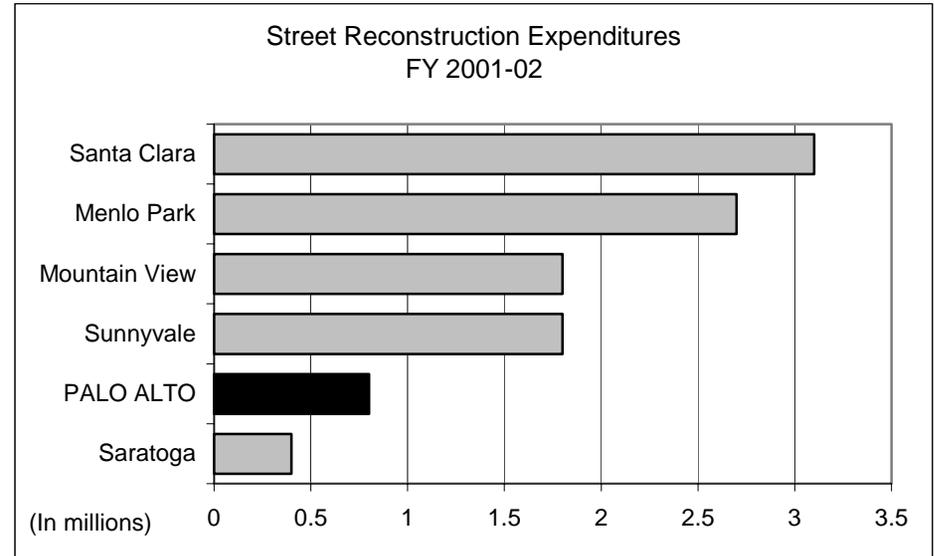
| | Public Works General Fund-Operating (in millions) | | | | | | Authorized Staffing (FTE) | | | | | | |
|--------------------------|---|--------------|--------------|---------------------|--------------|---------------|---------------------------|-------------|---------------------|---------------------------|----------------------|--------------------------|------------|
| | Streets | Sidewalks | Trees | Facility Management | Engineering | TOTAL | General Fund | Refuse Fund | Storm Drainage Fund | Wastewater Treatment Fund | Capital Project Fund | Vehicle Replacement Fund | TOTAL |
| FY 1999-00 | \$3.8 | \$0.7 | \$2.5 | \$3.2 | - | \$10.1 | 84 | 33 | 9 | 67 | - | 14 | 207 |
| FY 2000-01 | \$3.8 | \$0.7 | \$2.7 | \$3.4 | - | \$10.6 | 87 | 34 | 10 | 67 | - | 14 | 212 |
| FY 2001-02 | \$4.0 | \$0.7 | \$2.7 | \$3.4 | - | \$10.9 | 89 | 34 | 10 | 69 | - | 15 | 217 |
| FY 2002-03 | \$3.9 | \$0.8 | \$2.3 | \$3.2 | - | \$10.2 | 91 | 34 | 10 | 69 | - | 15 | 219 |
| FY 2003-04 | \$1.9 | \$0.8 | \$1.9 | \$4.2 | \$1.8 | \$10.6 | 77 | 34 | 10 | 69 | 10 | 16 | 216 |
| Change over last 5 years | -49% | +14% | -24% | +33% | - | +4% | -9% | +1% | +10% | +3% | - | +11% | +3% |

STREETS

The City is responsible for maintaining 463 lane miles of streets. In addition, Santa Clara County is responsible for 26 lane miles, and the State of California is responsible for maintaining 24 lane miles within Palo Alto's borders.

Forty-six percent of survey respondents rate street repair good or excellent (down from 50 percent last year). This places Palo Alto in the 36th percentile compared to other jurisdictions.

In FY 2003-04, based on a ranking system used by the Public Works Department, 61 percent of Palo Alto's streets were not in need of any maintenance.⁴ In FY 2003-04, 2,907 potholes were repaired, with 80 percent of those repairs within 15 days of notification.



Source: California State Controller's Office, State of California Streets and Roads Annual Report Fiscal Year 2001-02

| | Total lane miles maintained | Lane miles resurfaced | Percent of streets not in need of maintenance ¹ | Number of potholes repaired | Percent of potholes repaired within 15 days of notification ² © | Citizen Survey Percent rating street repair good or excellent |
|--------------------------|-----------------------------|-----------------------|--|-----------------------------|--|--|
| FY 1999-00 | 458 | 18 | - | 4,911 | 73% | - |
| FY 2000-01 | 458 | 16 | - | 1,411 | 68% | - |
| FY 2001-02 | 463 | 17 | 60% | 2,220 | 81% | - |
| FY 2002-03 | 463 | 17 | 60% | 2,943 | 100% | 50% |
| FY 2003-04 | 463 | 17 | 61% | 2,907 | 80% | 46% |
| Change over last 5 years | +1% | -6% | +1% | -41% | +7% | - |

¹ This percentage represents streets that should not need maintenance for an average of 10 years [slurry (7 years) or overlay (15 years)], during the street's life cycle.

² Changed to 15 days in FY 2001-02. In prior years, number represents percent repaired within 10 days of notification.

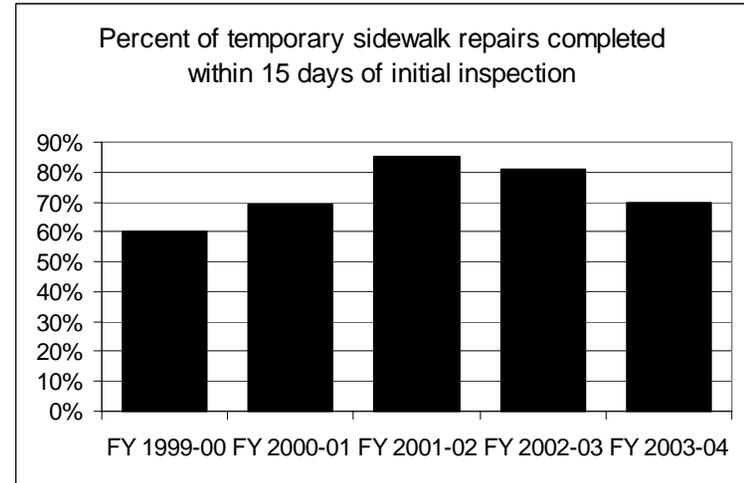
© Budget impact measure

SIDEWALKS

In FY 2003-04, more than 115,000 square feet of sidewalks were replaced or permanently repaired and 67 new ADA ramps were completed. In the past five years, this totals more than one-half million square feet of sidewalk replaced or permanently repaired and nearly 550 ADA ramps completed.

The Department reports that 70 percent of temporary repairs were completed within 15 days of initial inspection. Fifty percent of survey respondents rate sidewalk maintenance good or excellent.

Unlike some other local jurisdictions, Palo Alto has no cost sharing arrangement with property owners; the City pays for 100 percent of all sidewalk work.



Source: Public Works Department

| | Number of square feet of sidewalks | Square feet of sidewalk replaced or permanently repaired | Number ADA ramps completed | Percent of temporary repairs completed within 15 days of initial inspection © | Citizen Survey Percent rating sidewalk maintenance good or excellent |
|--------------------------|------------------------------------|--|----------------------------|---|---|
| FY 1999-00 | - | 111,490 | 153 | 60% | - |
| FY 2000-01 | - | 105,116 | 143 | 69% | - |
| FY 2001-02 | 6,679,200 | 94,487 | 108 | 85% | - |
| FY 2002-03 | 6,679,200 | 101,410 | 77 | 81% | 49% |
| FY 2003-04 | 6,679,200 | 115,352 | 67 | 70% | 50% |
| Change over last 5 years | - | +3% | -56% | +10% | - |

© Budget impact measure

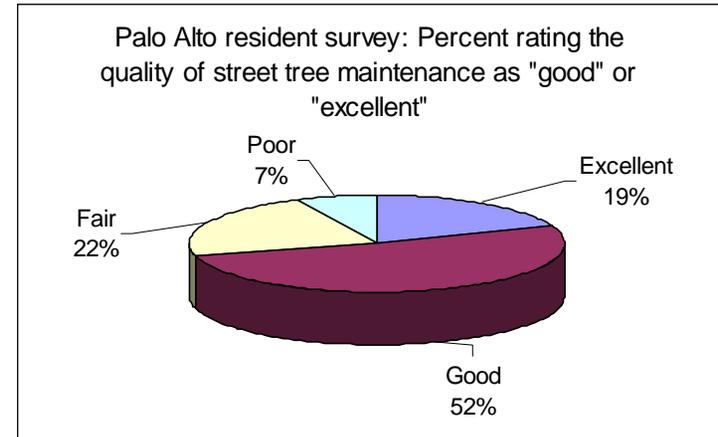
TREES

Public Works maintains all City-owned trees, including street trees, all trees in the parks, and trees in City facilities. This includes planting new trees, trimming/pruning existing trees, removing dead/diseased trees, fertilizing and pest control, line clearing around electrical wires, 24/7 emergency response, and providing Certified Arborist advice to residents regarding care of City trees. Managers in the tree group also oversee several tree-related contracts including stump removal, electrical line clearing, and annual tree maintenance contracts.

In FY 2003-04, City-maintained trees totaled 35,440. In FY 2003-04, the number of trees planted by the City and Canopy, a non-profit organization, totaled 242.

The number of trees trimmed (excluding trees trimmed for utility line clearing) or removed in FY 2003-04 was 5,222, or 11 percent higher than it was in FY 1999-00.

Seventy percent of survey respondents rated street tree maintenance good or excellent, up from 66 percent last year.



Source: National Citizen Survey™ 2004

| | Total number of City-maintained trees ¹ | Number of trees planted ² | Number of trees trimmed or removed ³ | Citizen Survey Percent rating street tree maintenance good or excellent |
|---------------------------------------|--|--------------------------------------|---|--|
| FY 1999-00 | 39,923 | 342 | 4,695 | - |
| FY 2000-01 | 38,094 | 269 | 5,500 | - |
| FY 2001-02 | 37,941 | 295 | 5,986 | - |
| FY 2002-03 | 34,939 | 322 | 5,298 | 66% |
| FY 2003-04 | 35,440 | 242 | 5,222 | 70% |
| Change over last 5 years ¹ | -11% | -29% | +11% | - |

¹ Source: City of Palo Alto Comprehensive Annual Financial Plan (CAFR), Fiscal Years 1999-00 through 2003-04

² Includes trees planted by Canopy; data source is Department of Public Works' workload statistics.

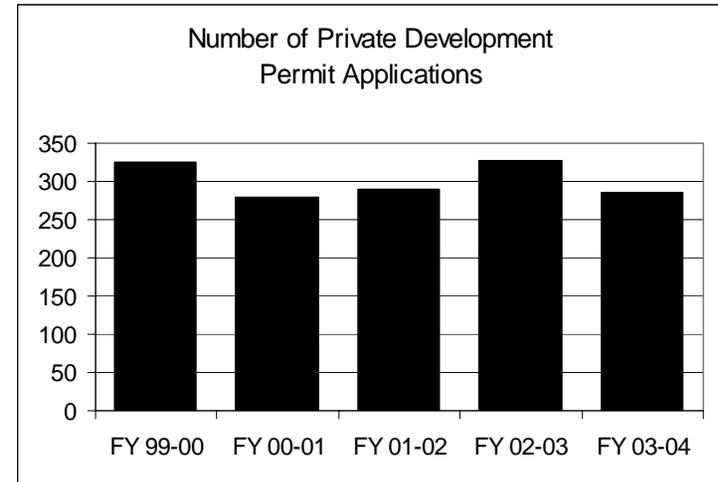
³ Excludes trees trimmed to clear power lines.

STRUCTURES AND GROUNDS PRIVATE DEVELOPMENT

Public Works builds, renovates and operates City-owned and leased structures, parking lots, grounds, parks and open space. The Department also provides citywide capital improvement program (CIP) support including design, engineering, contract management, and project management.

Private development permit applications decreased from 325 in FY 1999-00 to 285 in FY 2003-04, a reduction of 12 percent.

Maintaining and improving infrastructure was one of the City Council's Top 5 Priorities for FY 2003-04.



Source: Public Works Department

| | Total square feet of facilities maintained | Maintenance cost per square foot ¹ | Number of private development permit applications ³ |
|---------------------------------------|--|---|--|
| FY 1999-00 | 1,089,446 | \$3.08 | 325 |
| FY 2000-01 | 1,089,446 | \$3.42 | 279 |
| FY 2001-02 | 1,319,750 | \$2.73 | 289 |
| FY 2002-03 | 1,420,721 | \$2.78 | 327 |
| FY 2003-04 | 1,461,468 | \$2.86² | 285 |
| Change over last 5 years ¹ | +34% | -7% | -12% |

¹ Includes certain utility costs for City facilities.

² Estimated

³ Includes permits for: street work, encroachment, and certificate of compliance.

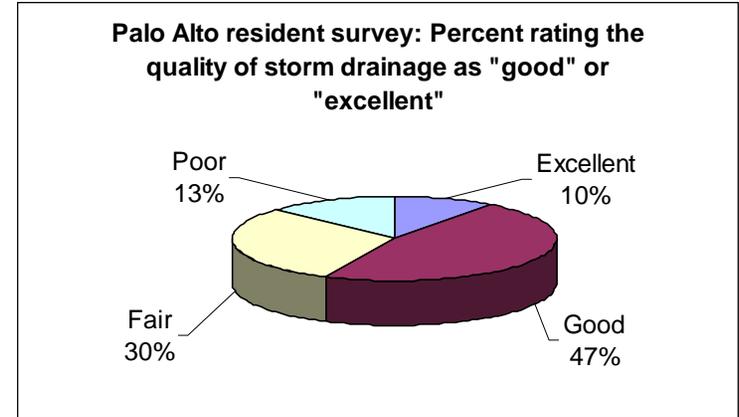
STORM DRAINS

The purpose of the City's storm drain system is to provide adequate drainage, reduce the risk of flooding, and enhance water quality. Storm drain expenses are paid from the Storm Drain Enterprise Fund. Residents pay \$4.25 per month to operate and maintain the storm drainage system. The General Fund also contributes to the storm drain fund.

Public Works is responsible for 2,816 catch basins in the City and 564,960 feet of storm drain pipelines. In FY 2003-04, the Department reports it cleaned and inspected 100 percent of catch basins and cleaned 219,106 feet of storm drain pipelines.

The Department reports that a less severe winter in FY 2003-04 was the primary reason for the reduction in calls for assistance with storm drains from 241 in FY 2002-03 to 126 in FY 2003-04.

In FY 2003-04, the percent of residents rating storm drainage good or excellent dropped from 65 percent to 57 percent.



Source: National Citizen Survey™ 2004

| | Revenues, expenses, transfers and reserves (in millions) | | | | | Average monthly residential bill | Percent of catch basins cleaned and inspected © | Feet of storm drain pipelines cleaned © ^C | Calls for assistance with storm drains ³ | Citizen Survey |
|---------------------------------------|--|-------------------------|------------------------------|--|-----------------|----------------------------------|---|--|---|--|
| | Total operating revenue | Total operating expense | Capital expense ² | Transfer from General Fund to Storm Drain Fund | Reserve balance | | | | | Percent rating the quality of storm drainage good or excellent |
| FY 1999-00 | \$2.0 | \$1.8 | \$1.0 | \$0.5 | \$2.5 | \$4.25 | 100% | 59,615 | 245 | - |
| FY 2000-01 | \$2.1 | \$2.1 | \$0.1 | \$1.0 | \$1.3 | \$4.25 | 100% ³ | 77,719 | 286 | - |
| FY 2001-02 | \$2.2 | \$2.0 | \$0.4 | \$0.9 | \$1.1 | \$4.25 | 100% ³ | 139,205 | 294 | - |
| FY 2002-03 | \$2.2 | \$2.2 | \$0.5 | \$0.9 | \$0.9 | \$4.25 | 100% | 157,335 | 241 | 65% |
| FY 2003-04 | \$2.2 | \$2.3 | \$0.1 | \$0.3 | \$0.6 | \$4.25 | 100% | 219,106 | 126 | 57% |
| Change over last 5 years ¹ | +9% | +27% | -93% | -32% | -75% | 0% | - | +268% | -49% | - |

¹ Figures are based on actual data, however percentage or total may not tally due to rounding.

² Includes direct labor, materials, supplies, and contractual services. Does not include overhead.

³ Estimated

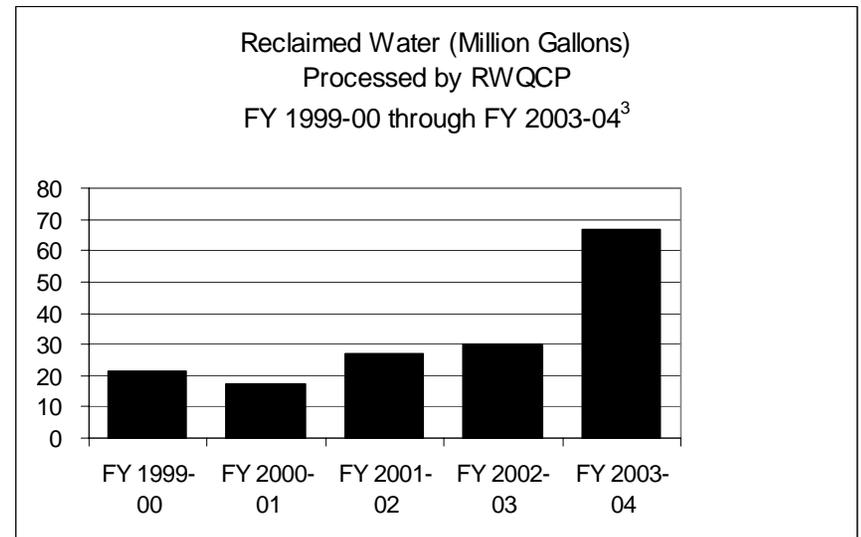
© Budget Impact Measure

^C Comprehensive Plan item

WASTEWATER TREATMENT WASTEWATER ENVIRONMENTAL COMPLIANCE

The Wastewater Treatment Fund is an enterprise fund operated by the Public Works Department. Its purpose is two-fold: to maintain and monitor the Regional Water Quality Control Plant (RWQCP) and to ensure compliance with regulations protecting the San Francisco Bay and environment.

In addition to treating Palo Alto's wastewater, the RWQCP treats wastewater from five other areas: Mountain View, Los Altos, Los Altos Hills, Stanford and East Palo Alto. The RWQCP reports that reclaimed water delivered totaled approximately 67 million gallons in FY 2003-04. The increase in FY 2003-04 is because the Department began providing reclaimed water in April 2004 to the Duck Pond, as well as to the Golf Course and Greer Park.



Source: Public Works Department

| | Wastewater Treatment Fund | | | | | Regional Water Quality Control Plant | | | Wastewater Environmental Compliance | |
|---------------------------------------|---------------------------------------|---------------------------------------|---|--|-------------------------------|--------------------------------------|--|---------------------------------------|-------------------------------------|---|
| | Total operating revenue (in millions) | Total operating expense (in millions) | Percent of operating expenses reimbursed by other jurisdictions | Capital expense (in millions) ² | Reserve balance (in millions) | Millions of gallons processed | Operating cost per million gallons processed | Fish toxicity test (percent survival) | Number of inspections performed | Percent of industrial discharge tests in compliance |
| FY 1999-00 | \$12.1 | \$11.7 | 63% | \$6.5 | \$8.5 | 9,834 | \$1,190 | 100.00% | 198 | 99.29% |
| FY 2000-01 | \$13.9 | \$12.6 | 64% | \$3.2 | \$10.4 | 9,243 | \$1,298 | 99.66% | 208 | 98.71% |
| FY 2001-02 | \$14.0 | \$13.7 | 63% | \$1.1 | \$11.5 | 8,699 | \$1,575 | 99.78% | 192 | 98.99% |
| FY 2002-03 | \$13.6 | \$14.1 | 63% | \$2.4 | \$10.8 | 8,704 | \$1,529 | 99.75% | 182 | 99.29% |
| FY 2003-04 | \$14.7 | \$14.3 | 64% | \$1.2 | \$11.6 | 8,238 | \$1,647 | 100.00% | 182 | 98.95% |
| Change over last 5 years ¹ | +22% | +22% | +1% | -81% | +37% | -16% | +38% | 0% | -8% | -0.34% |

¹ Figures are based on actual data, however percentage or total may not tally due to rounding.

² Includes direct labor, materials, supplies, and contractual services. Does not include overhead.

³ Excludes recycled water that is reprocessed through the plant and used for washing filters, etc. The 67 million gallons processed is the total delivered to the Golf Course, Greer Park, and the Duck Pond.

REFUSE

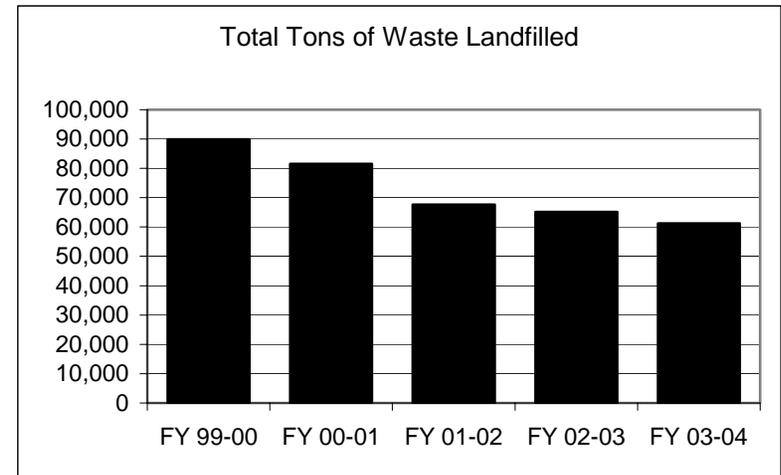
The City coordinates refuse services for Palo Alto residents and businesses. This includes the collection, hauling, processing, recycling and disposal of waste materials.

Operating expenses for refuse services have increased from \$21.1 to \$24.1 million, or approximately 14 percent over the last five years.

Over the past 5 years, total tons of waste landfilled decreased by 28,676 tons, or 32 percent. Tons of materials recycled increased by 5,311 tons, or 12 percent. Tons of household hazardous waste collected increased by 25 percent.

The City's state-approved diversion percentage decreased from 59 to 57 percent over five years. Nonetheless, the Refuse Fund continues to exceed the state mandate to reduce waste by 50 percent by the year 2000.

In FY 2003-04, Public Works, in conjunction with the Palo Alto Sanitation Company (PASCO) began a program to divert construction and demolition debris from the City Landfill. According to the Department, approximately four PASCO debris boxes per day were redirected to the Guadalupe Construction and Demolition Processing Facility in San Jose, which recycled 90% of that material.



Source: Public Works Department

| | Operating revenue (in millions) | Operating expense (in millions) | Capital expense ⁵ (in millions) | Reserve balance (in millions) | Total tons of waste landfilled ⁴ | Tons of materials recycled ⁴ | State-approved diversion percentage ² ⊙ | Tons of household hazardous materials collected | Average monthly residential bill | Number of lane miles swept ³ | Citizen Survey | | |
|---------------------------------------|---------------------------------|---------------------------------|--|-------------------------------|---|---|--|---|----------------------------------|---|---|---|--|
| | | | | | | | | | | | Percent rating garbage collection good or excellent | Percent rating recycling services good or excellent | Percent of residents who recycled more than 12 times during the year |
| FY 1999-00 | \$22.2 | \$21.1 | \$0.1 | \$12.3 | 89,942 | 43,957 | 59% | 224 | \$25.32 | 20,760 | - | - | - |
| FY 2000-01 | \$22.2 | \$20.5 | \$1.3 | \$14.0 | 81,498 | 41,169 | 59% | 205 | \$25.24 | 23,241 | - | - | - |
| FY 2001-02 | \$21.8 | \$23.6 | \$0.0 | \$13.1 | 67,664 | 43,311 | 61% | 218 | \$25.00 | 21,447 | - | - | - |
| FY 2002-03 | \$21.7 | \$23.8 | \$0.1 | \$11.3 | 65,170 | 48,062 | 55% | 240 | \$24.21 | 21,905 | 94% | 90% | 89% |
| FY 2003-04 | \$21.9 | \$24.1 | \$0.0 | \$8.5 | 61,266 | 49,268 | 57% | 281 | \$23.67 | 21,227 | 92% | 90% | 87% |
| Change over last 5 years ¹ | -1% | +14% | -96% | -31% | -32% | +12% | -2% | +25% | -7% | +2% | - | - | - |

¹ Figures are based on actual data, however percentage or total may not tally due to rounding.

² Diversion data is calculated on a calendar year basis and reported as the subsequent year (e.g. calendar year 2001 is shown as FY 2001-02).

³ Most streets are swept weekly; business districts are swept three times a week.

⁴ Does not include materials disposed of through privately contracted collection.

⁵ Includes direct labor, materials, supplies, and contractual services. Does not include overhead.

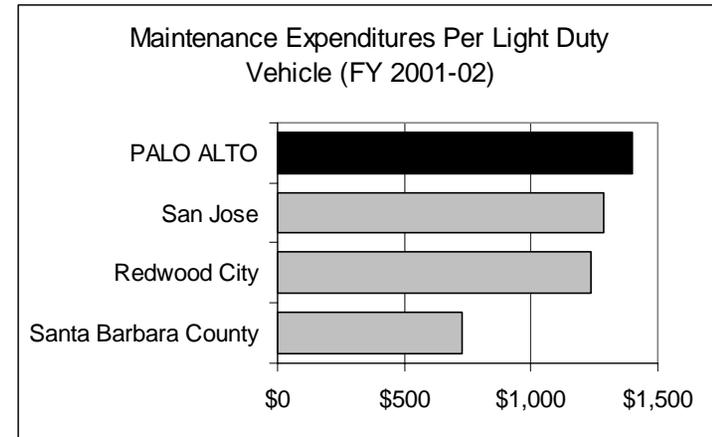
⊙ Budget impact measure

CITY FLEET AND EQUIPMENT

The City accounts for its fleet and equipment in the Vehicle Replacement and Maintenance Fund. The Fund provides for the maintenance and replacement of vehicles and equipment.

The department reports that the City's fleet includes 309 light duty vehicles (including police patrol cars and fire response vehicles), 64 emergency response vehicles and light duty fire response vehicles, 96 heavy equipment items (self-propelled construction equipment such as loaders, backhoes, and motor graders), and 220 other pieces of other equipment (turf equipment, trailers, asphalt rollers, etc.).

Vehicle operations and maintenance costs totaled about \$2.7 million in FY 2003-04. The median age of light duty vehicles has increased to 5.9 years. The maintenance cost per light-duty vehicle increased to \$1,869.



Source: ICMA, *Comparative Performance Measurement FY 2002 Data Report and Public Works Department*

| | Operating and maintenance expenditures for vehicles and equipment (in millions) | Current value of fleet and equipment (in millions) | Number of alternative fuel vehicles ^s | Total miles traveled (light duty vehicles) ³ | Median mileage of light duty vehicles ³ | Median age of light duty vehicles ³ | Maintenance cost per light duty vehicle ² | Percent of scheduled preventive maintenance performed within five business days of original schedule [Ⓞ] |
|---------------------------------------|---|--|--|---|--|--|--|---|
| FY 1999-00 | \$3.1 | - | - | - | - | - | - | 95% |
| FY 2000-01 | \$2.8 | \$12.1 | 66 | 1,933,922 | 31,200 | 4.8 | \$1,485 | 95% |
| FY 2001-02 | \$2.7 | \$13.2 | 75 | 1,886,892 | 34,600 | 5.1 | \$1,398 | 92% |
| FY 2002-03 | \$2.8 | \$11.4 | 79 | 1,937,687 | 38,200 | 5.4 | \$1,816 | 97% |
| FY 2003-04 | \$2.7 | \$11.5 | 73 | 1,845,362 | 37,700 | 5.9 | \$1,869 | 95% |
| Change over last 5 years ¹ | -13% | - | - | - | - | - | - | - |

¹ Figures are based on actual data, however percentage or total may not tally due to rounding.

² Includes all maintenance costs except for fuel and accident repairs. Includes 25 police patrol cars.

³ The Public Works Department defines "light duty vehicles" as automobiles and light trucks (less than 10,000 pounds gross vehicle weight).

^s Sustainability indicator

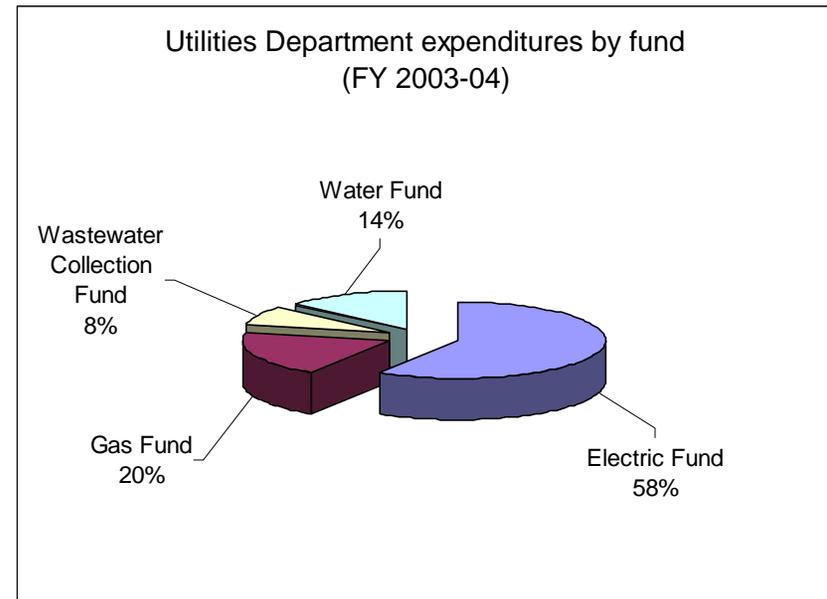
[Ⓞ] Budget impact measure

CHAPTER 8 – UTILITIES

The mission of the Utilities department is to build value for its citizen owners, to provide dependable returns to the City and citizens of Palo Alto, and to be the preferred full service utility provider while sustaining the environment.

The department is responsible for four of the City's utilities:¹

- Electric – Founded in 1900, the electric utility purchases and delivers over 900,000 megawatt hours per year to more than 28,000 customers.
- Gas – Founded in 1917, the gas utility purchases and delivers over 31 million therms to over 23,000 customers.
- Water – Founded in 1896, the water system purchases and distributes almost 6 million cubic feet per year to more than 19,000 customers.
- Wastewater collection – Founded in 1898, the wastewater collection utility maintains more than 200 miles of sanitary sewer lines, annually transporting about 3.4 billion gallons of sewage and wastewater to the Regional Water Quality Control Plant.



Source: 2003-04 Comprehensive Annual Financial Report

¹ The Public Works department (see Chapter 7) is responsible for refuse, storm drainage, and wastewater treatment.

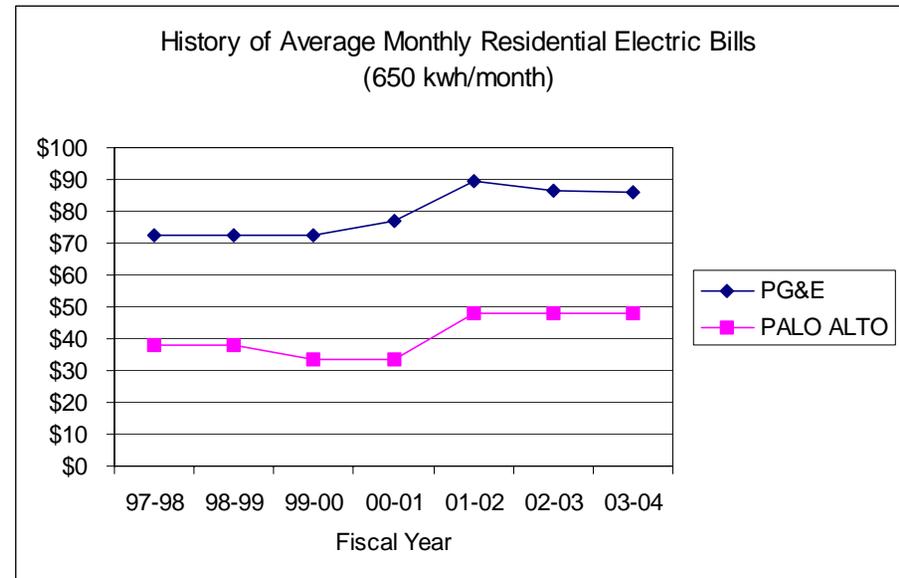
ELECTRICITY

Spending, staffing, and revenues related to electric services have grown over the past five years:

- Operating expense increased to a high of \$92.8 million in FY 2001-02 (including \$61.8 million in electricity purchases), and has since dropped to \$68.7 million in FY 2003-04 (including \$41.3 million in electricity purchases).
- Authorized staffing levels increased 15 percent, expanding the public benefit and telecom programs and 24 x 7 field service operations

Although Palo Alto's average residential electric bill has increased by 43 percent over five years (from \$33.56 to \$47.94 per month), it is far lower than comparable Pacific Gas & Electric (PG&E) rates as shown in the graph on the right.

88 percent of respondents to the 2004 Citizen Survey rated electric and gas services good or excellent, and 65 percent of respondents rated street lighting good or excellent.



Source: Utilities Department

Revenues, expenses, and reserves (in millions)

| | Revenues, expenses, and reserves (in millions) | | | | | Electricity purchases (in millions) | Average purchase cost (per MWH) | Average monthly residential bill (650 KWH/month) | Fiber system revenue | Authorized staffing (FTE) | Citizen Survey | |
|---------------------------------------|--|-------------------|------------------------------|------------------|------------------------|-------------------------------------|---------------------------------|--|----------------------|---------------------------|--|--|
| | Operating revenue | Operating expense | Capital expense ² | Equity transfers | Electric Fund reserves | | | | | | Percent rating electric and gas services good or excellent | Percent rating street lighting good or excellent |
| FY 1999-00 | \$66.6 | \$39.3 | \$10.4 | \$7.3 | \$115.8 | \$18.3 | \$25.11 | \$33.56 ¹ | \$1.1 | 108 | - | - |
| FY 2000-01 | \$131.6 | \$81.4 | \$9.3 | \$7.3 | \$151.5 | \$57.8 | \$38.86 | \$33.56 | \$1.7 | 120 | - | - |
| FY 2001-02 | \$93.8 | \$92.8 | \$12.8 | \$7.5 | \$138.5 | \$61.8 | \$49.26 | \$47.94 | \$1.8 | 121 | - | - |
| FY 2002-03 | \$91.6 | \$67.1 | \$9.5 | \$7.8 | \$152.6 | \$37.5 | \$35.67 | \$47.94 | \$1.4 | 127 | 89% | 67% |
| FY 2003-04 | \$92.6 | \$68.7 | \$10.2 | \$8.0 | \$158.0 | \$41.3 | \$38.81 | \$47.94 | \$1.2 | 124 | 88% | 65% |
| Change over last 5 years ³ | +39% | +75% | -2% | +9% | +37% | +126% | +55% | +43% | +5% | +15% | - | - |

¹ 15 percent rate decrease

² Includes direct labor, materials, supplies, and contractual services. Does not include overhead.

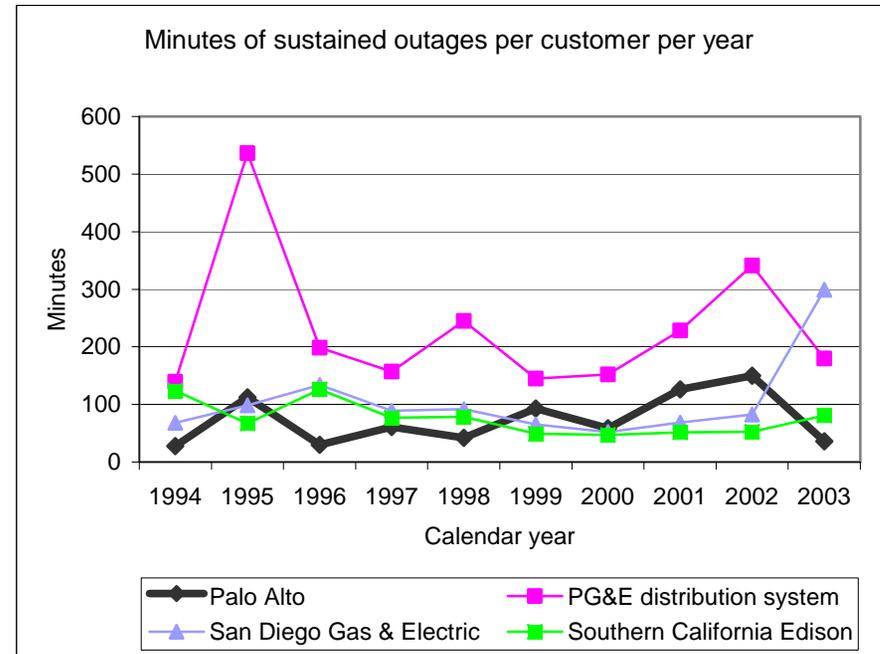
³ Figures based on actual data, however percentage or total may not tally due to rounding.

ELECTRICITY (cont.)

Residents and businesses are using less electricity than five years ago – residential consumption decreased by 3 percent, and commercial consumption decreased by 10 percent

In calendar year 2003, more than 67 percent of electricity consumed came from renewable sources, including 7 percent in the qualifying renewable category, 60 percent in the large hydro category, and 0.5% from voluntary subscribers to the Palo Alto Green program. In 2004, the City Council approved contracts for an additional 6 percent of renewable power, and established renewable energy targets of 10 percent by 2008 and 20 percent by 2015. By the end of calendar year 2003, 5 percent of customers were enrolled in the Palo Alto Green program. That percent increased to 10.8 percent at the end of calendar year 2004.

The number of electric service interruptions and the average minutes per customer affected are highly variable from year to year. During FY 2003-04, there were 30 electric service interruptions over 1 minute in duration; the average minutes per customer affected was 43 (beating the department’s 60 minute goal). This includes storm related outages.



Source: California Public Utilities Commission and Utilities department

| | Number of accounts | Residential MWH consumed ^S | Commercial and other MWH consumed ^S | Demand-side management program expense (in millions) | Percent electricity from qualifying renewables ^{1, 3, S} | Percent electricity from non-qualifying renewables (large hydro) ^{S, 3} | Percent electricity from voluntary Palo Alto Green program ³ <NEW> | Percent customers enrolled in Palo Alto Green ³ <NEW> | Electric service interruptions over 1 minute in duration | Average minutes per customer affected | Circuit miles under-grounded during the year |
|---------------------------------------|--------------------|---------------------------------------|--|--|---|--|---|--|--|---------------------------------------|--|
| FY 1999-00 | 27,533 | 163,481 | 947,499 | \$1.2 | 6% | 63% | - | | 33 | 57 | 0 |
| FY 2000-01 | 28,097 | 157,285 | 895,977 | \$2.8 | 7% | 61% | 0.03% | 0.4% | 29 | 54 | 5.0 |
| FY 2001-02 | 28,348 | 150,525 | 844,876 | \$6.8 | 8% | 63% | 0.1% | 0.6% | 52 | 134 | 0 |
| FY 2002-03 | 28,408 | 153,783 | 802,589 | \$1.7 | 5% | 71% | 0.1% | 0.7% | 49 | 140 | 0 |
| FY 2003-04 | 28,482 | 158,099 | 799,927 | \$1.4 | 7% | 60% | 0.5% | 5.1% | 30 | 43 | 0 |
| Change over last 5 years ² | +3% | -3% | -16% | +16% | +1% | -3% | - | - | -9% | -24% | 0% |

¹ Qualifying renewables include bio mass, geothermal, small hydro facilities, solar, and wind.

² Figures are based on actual data, however total or percentage may not tally due to rounding.

³ Calendar year data is reported in the subsequent year (e.g. calendar year 2003 data is shown in FY 2003-04).

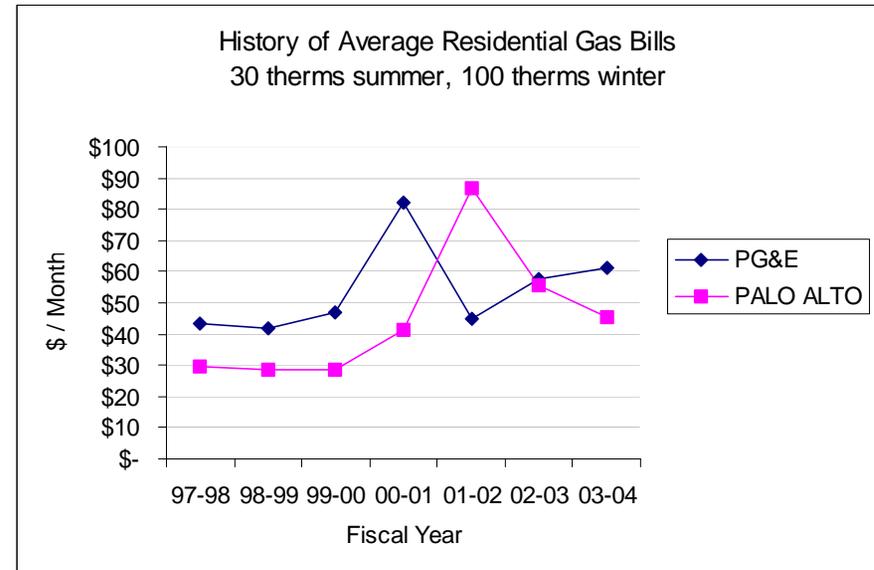
^S Sustainability indicator

GAS

Spending for gas service has grown over five years:

- Operating expense including gas purchase costs increased 33 percent to \$23 million (including \$15.9 million in gas purchases).
- The average purchase cost per therm of natural gas increased from 31 cents per therm in FY 1999-00 to 49 cents per therm in FY 2003-04, down from 64 cents per therm in FY 2001-02.
- Capital spending increased from \$2.9 million in FY 1999-00 to \$5.5 million in FY 2003-04.
- Gas Fund reserves increased by 48 percent to \$20.5 million in June 2004, after declining to a low of \$6.9 million in June 2001.

The average residential bill has increased 58 percent in the last five years, from \$28.77 to \$45.44 per month. This is still significantly less than FY 2001-02, when the average residential bill was \$86.73.



Source: Utilities Department (weighted average of rate changes during year)

| | Revenues, expenses, and reserves (in millions) | | | | | Gas purchases (in millions) | Average purchase cost (per therm) | Average monthly residential bill (30/100 Th/month) | Authorized staffing (FTE) | Citizen Survey |
|--|--|----------------------|---------------------------------|---------------------|----------------------|--------------------------------|---|--|---------------------------------|--|
| | Operating revenue | Operating expense | Capital expense ² | Equity transfers | Gas Fund reserves | | | | | Percent rating electric and gas services good or excellent |
| FY 1999-00 | \$17.1 | \$17.4 | \$2.9 | \$2.5 | \$13.8 | \$11.5 | \$0.31 | \$28.77 | 49 | - |
| FY 2000-01 | \$23.7 | \$26.7 | \$2.6 | \$2.5 | \$6.9 | \$20.6 | \$0.55 | \$41.46 | 49 | - |
| FY 2001-02 | \$41.7 | \$28.9 | \$4.0 | \$2.5 | \$27.0 ¹ | \$22.1 | \$0.64 | \$86.73 | 50 | - |
| FY 2002-03 | \$29.7 | \$22.1 | \$5.5 | \$2.6 | \$27.3 | \$15.3 | \$0.52 | \$55.66 | 44 | 89% |
| FY 2003-04 | \$24.8 | \$23.0 | \$5.5 | \$2.7 | \$20.5 | \$15.9 | \$0.49 | \$45.44 | 48 | 88% |
| Change over last 5 years ³ | +45% | +33% | +86% | +9% | +48% | +38% | +60% | +58% | -2% | - |

¹ Includes \$6.6 million in bond proceeds to finance improvements to the gas utility system.

² Includes direct labor, materials, supplies, and contractual services. Does not include overhead.

³ Figures are based on actual data, however percentage or total may not tally due to rounding.

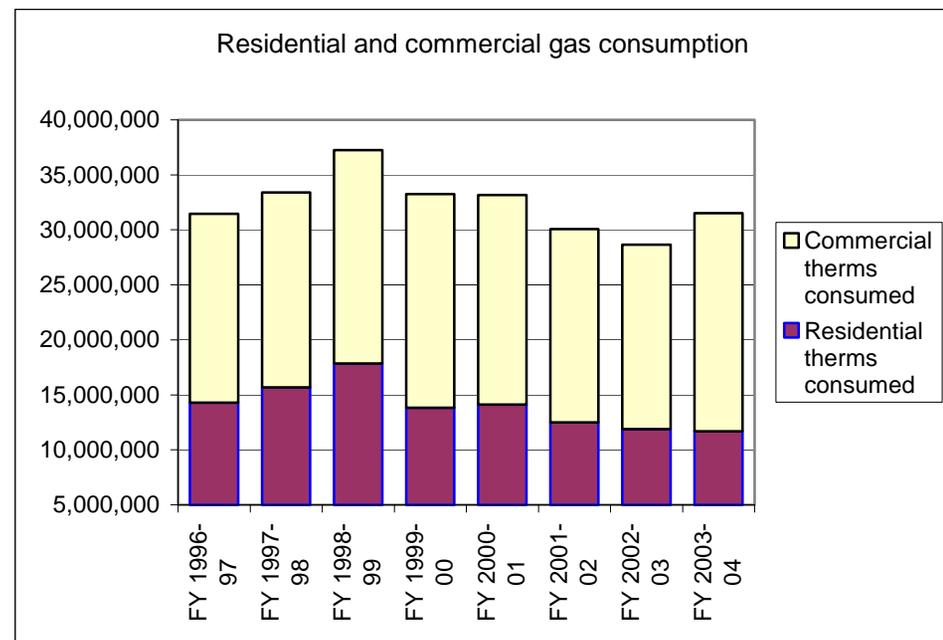
GAS (cont.)

Residents consumed 15 percent less natural gas in FY 2003-04 than 5 years ago, while businesses consumed slightly more. According to staff, gas usage is weather dependent.

During FY 2003-04, 207 miles of pipeline were surveyed for leaks, and 5.7 miles of gas mains were replaced.

The number of service disruptions fluctuates from year to year. In FY 2003-04, there were 37 service disruptions affecting 850 customers. The number of service disruptions and customers affected has declined each year since FY 2000-01. In FY 2003-04, the department reports it completed 100 percent of mainline repairs within 4 hours.

According to the department, the implementation of 24/7 customer service response has resulted in response to all gas calls in 30 minutes or less.



Source: Utilities Department data

| | Customer accounts | Residential THERMS consumed ^s | Commercial/ industrial THERMS consumed ^s | Number of service disruptions | Total customers affected | Percent gas mainline repairs within 4 hours ¹ | Percent response to gas leaks within 30 minutes [⊙] | Miles of gas main | Miles of pipeline surveyed for leaks | Miles of gas main replaced during year |
|--------------------------|-------------------|--|---|-------------------------------|--------------------------|--|--|-------------------|--------------------------------------|--|
| FY 1999-00 | 23,154 | 13,843,200 | 19,422,161 | 81 | 2,188 | 99% | 95% | 170 | 205 | 5.6 |
| FY 2000-01 | 23,101 | 14,109,237 | 19,046,293 | 114 | 2,868 | 96% | 95% est. | 201 | 205 | 5.8 |
| FY 2001-02 | 23,116 | 12,497,401 | 17,579,004 | 75 | 1,859 | 96% | 95% est. | 207 | 207 | 5.4 |
| FY 2002-03 | 23,169 | 11,875,753 | 16,779,440 | 45 | 1,001 | 100% | 95% | 207 | 207 | 5.7 |
| FY 2003-04 | 23,216 | 11,700,335 | 19,806,752 | 37 | 850 | 100% | 100% | 207 | 207 | 5.7 |
| Change over last 5 years | 0% | -15% | +2% | -54% | -61% | +1% | +5% | +22% | +1% | +1% |

¹ Utilities Strategic Plan performance objective

[⊙] Budget impact measure

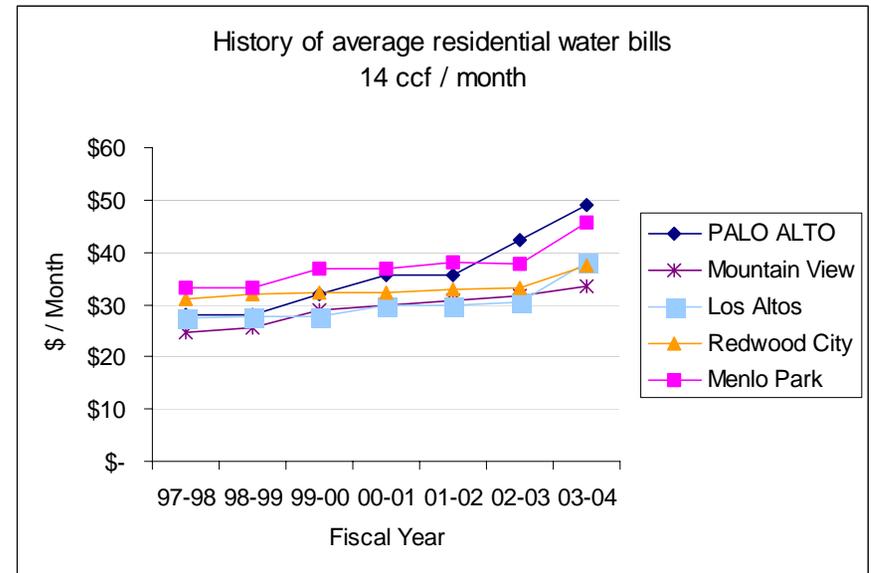
^s Sustainability indicator

WATER

The City of Palo Alto Utilities Department constructs, maintains, and operates the water delivery system. About 85 percent of the water we purchase from the San Francisco Public Utilities Commission originates from high Sierra snowmelt. This water, stored in the Hetch Hetchy Reservoir located in Yosemite National Park, is of such high quality that it is exempt from federal and state filtration requirements. The other 15 percent of our water comes from rainfall and runoff stored in the Calaveras and San Antonio Reservoirs located in Alameda and Santa Clara counties, and supplemented by groundwater in Sunol. The SFPUC treats and filters these local water sources prior to delivery to its consumers.

Over the last 5 years,

- Operating expense increased 46%, including a 30 percent increase in the cost of water purchases. Capital spending increased 37 percent.
- The average residential water bill increased 53 percent to \$49.07 per month.



Source: Utilities Department

Revenues, expenses, and reserves (in millions)

| | Operating revenue | Operating expense | Capital expense ¹ | Equity transfers | Water Fund reserves | Water purchases (in millions) | Average purchase cost (per CCF) | Average residential water bill (14 CCF/month) | Percent service orders processed with 2 working days of scheduled date [⊙] | Authorized staffing (FTE) |
|---------------------------------------|-------------------|-------------------|------------------------------|------------------|---------------------|-------------------------------|---------------------------------|---|---|---------------------------|
| FY 1999-00 | \$15.2 | \$11.0 | \$2.2 | \$2.0 | \$12.0 | \$5.7 | \$0.85 | \$32.09 | 95% | 37 |
| FY 2000-01 | \$16.0 | \$11.9 | \$2.5 | \$2.1 | \$12.7 | \$6.0 | \$0.89 | \$35.52 | 80% est. | 38 |
| FY 2001-02 | \$16.0 | \$12.7 | \$2.2 | \$2.2 | \$23.3 ² | \$5.9 | \$0.97 | \$35.52 | 80% est. | 39 |
| FY 2002-03 | \$17.7 | \$13.1 | \$2.5 | \$2.2 | \$24.1 | \$5.7 | \$0.95 | \$42.45 | 85% est. | 40 |
| FY 2003-04 | \$22.0 | \$16.0 | \$3.0 | \$2.3 | \$23.9 | \$7.5 | \$1.16 | \$49.07 | 100% | 41 |
| Change over last 5 years ³ | +45% | +46% | +37% | +13% | +99% | +30% | +37% | +53% | +5% | +11% |

¹ Includes direct labor, materials, supplies, and contractual services. Does not include overhead.

² Includes \$3.2 million in bond proceeds to finance improvements to the water system.

³ Figures are based on actual data, however percentage or total may not tally due to rounding.

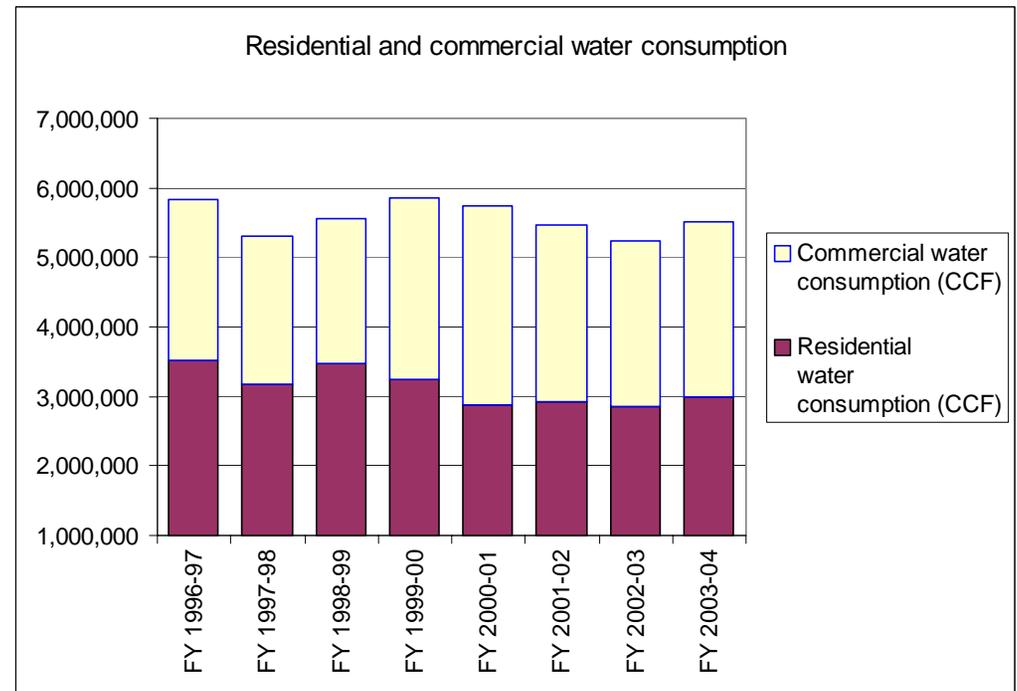
⊙ Budget impact measure

WATER (cont.)

Residential water consumption is higher than last year, but is down 8 percent from five years ago. On a per capita basis, residents are using 10 percent less water than five years ago. After two years of declining commercial water consumption, FY 2003-04 commercial usage increased to its highest level in 5 years.

The number of service disruptions varies from year to year. The total number of service disruptions decreased by 53 percent over five years, and the number of customers affected decreased by 52 percent. Each year staff replaces about 3 miles of the system's 226 miles of water mains.

In the 2004 citizen survey, 75 percent of respondents rated drinking water service good or excellent, compared to 82 percent in 2003.



Source: Utilities Department data

| | Water consumption | | | | Number of service disruptions | Total customers affected | Percent water main repairs within 4 hours [⊙] ¹ | Miles of water mains | Estimated miles of water mains replaced | Water quality compliance with all required Calif. Department of Health and EPA testing [⊙] [§] | Citizen Survey |
|---------------------------------------|-------------------|--|---|---|-------------------------------|--------------------------|---|----------------------|---|--|---|
| | Customer accounts | Residential water consumption (CCF) [§] | Commercial water consumption (CCF) [§] | Average residential water usage per capita (CCF) [§] | | | | | | | Percent rating drinking water service good or excellent |
| FY 1999-00 | 18,921 | 3,245,426 | 2,607,442 | 55 | 34 | 637 | 95% | 221 | 3 | 100% | - |
| FY 2000-01 | 19,335 | 2,877,587 | 2,864,888 | 48 | 52 | 1,047 | 95% est. | 222 | 3 | 100% est. | - |
| FY 2001-02 | 19,437 | 2,915,487 | 2,553,467 | 48 | 44 | 1,580 | 85% | 226 | 3 | 100% est. | - |
| FY 2002-03 | 19,487 | 2,844,916 | 2,394,505 | 47 | 18 | 242 | 83% | 226 | 3 | 100% | 82% |
| FY 2003-04 | 19,557 | 3,000,645 | 2,962,121 | 50 | 16 | 303 | 95% | 226 | 3 | 100% | 75% |
| Change over last 5 years ² | +3% | -8% | +14% | -10% | -53% | -52% | 0% | +3% | 0% | 0% | - |

¹ Utilities Strategic Plan performance objective

² Figures are based on actual data, however percentage or total may not tally due to rounding.

⊙ Budget impact measure

§ Sustainability indicator

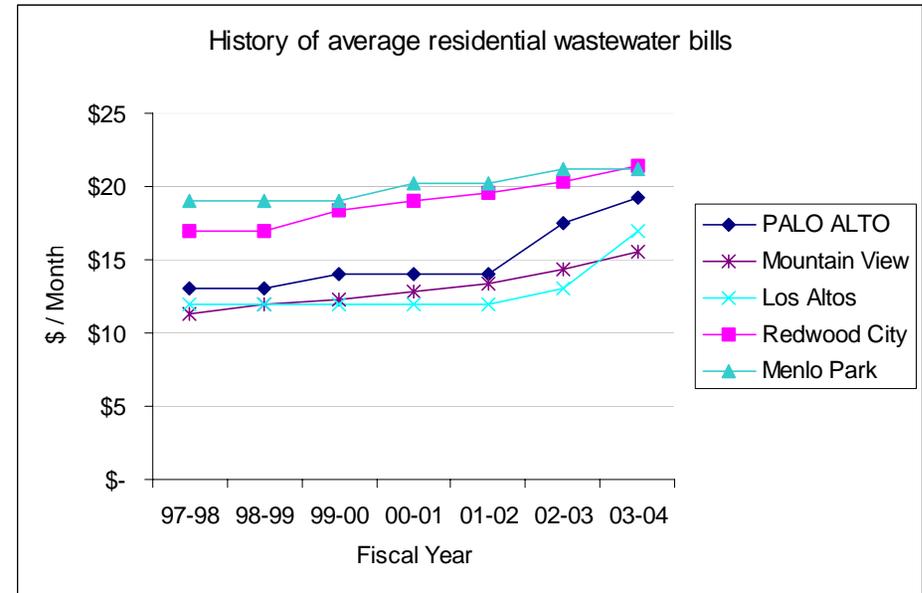
WASTEWATER COLLECTION

The department replaced 3 miles of sewer lines, and cleaned or treated another 79 miles of lines of the city's 202 miles of sewer lines in FY 2003-04. The department responded to 99 percent of sewage spills and line blockages within 2 hours. There were no reportable sewage releases.

In the 2004 citizen survey, 80 percent of respondents rated sewer services good or excellent.

Over the past 5 years,

- Operating expense increased 28 percent.
- Capital spending declined to \$2.8 million. After 15 years of major capital improvement projects, the department is now focusing on less expensive rehabilitation work.
- The average residential bill increased from \$14.00 to \$19.25, or 38 percent.



Source: Utilities Department

Revenues, expenses, and reserves (in millions)

| | Revenues, expenses, and reserves (in millions) | | | | Average residential sewage bill | Authorized staffing (FTE) | Customer accounts | Miles of sewer lines | Miles of mains cleaned/ treated | Estimated miles of sewer lines replaced | Percent sewage spills and line blockage responses within 2 hours [⊙] | Number of reportable sewage releases [⊙] | Citizen Survey |
|---------------------------------------|--|-------------------|------------------------------|-------------------------------------|---------------------------------|---------------------------|-------------------|----------------------|---------------------------------|---|---|---|--|
| | Operating revenue | Operating expense | Capital expense ² | Wastewater Collection Fund reserves | | | | | | | | | Percent rating quality of sewer services good or excellent |
| FY 1999-00 | \$10.3 | \$7.2 | \$6.7 | \$16.6 | \$14.00 | 27 | 21,975 | 219 | 139 | 3 | 99% | 0 | - |
| FY 2000-01 | \$9.8 | \$8.1 | \$5.3 | \$15.1 | \$14.00 | 27 | 21,752 | 218 | 132 | 3 | 97% | 1 | - |
| FY 2001-02 | \$9.3 | \$8.4 | \$5.1 | \$12.5 | \$14.00 | 28 | 21,772 | 202 | 110 | 3 | 96% | 2 | - |
| FY 2002-03 | \$10.7 | \$8.5 | \$3.6 | \$12.5 | \$17.50 | 28 | 21,819 | 202 | 98 | 5 | 95% | 2 | 83% |
| FY 2003-04 | \$12.6 | \$9.1 | \$2.8 | \$13.6 | \$19.25 | 28 | 21,830 | 202 | 79 | 3 | 99% | 0 | 80% |
| Change over last 5 years ¹ | +22% | +28% | -58% | -18% | +38% | +6% | -1% | -8% | -43% | +0% | 0% | 0% | - |

¹ Figures are based on actual data, however percentage or total may not tally due to rounding.

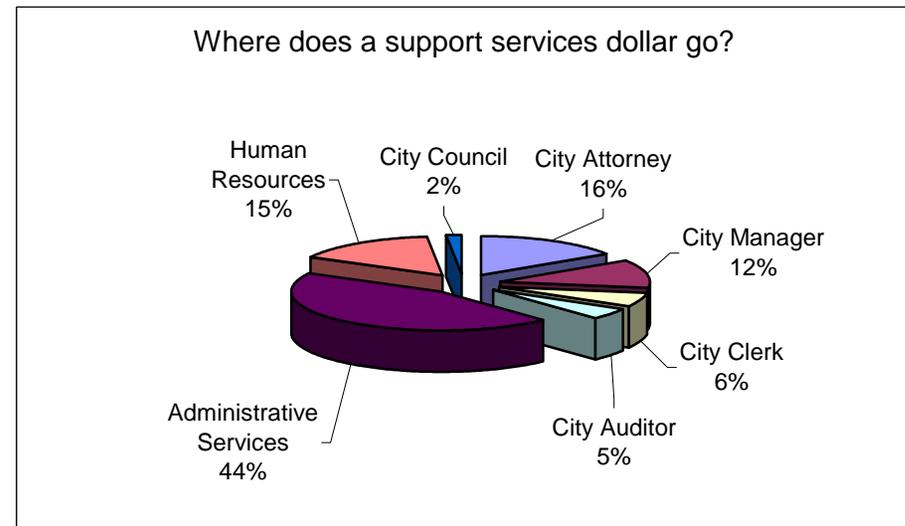
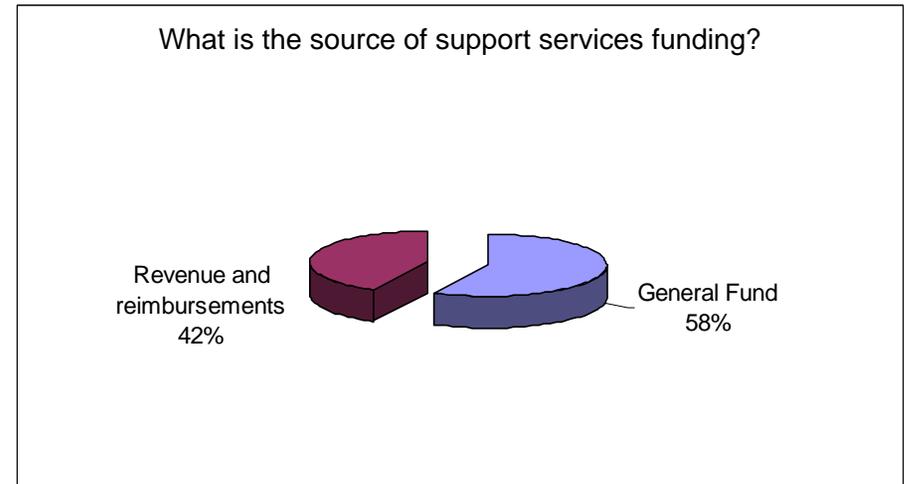
² Includes direct labor, materials, supplies, and contractual services. Does not include overhead.

⊙ Budget impact measure

CHAPTER 9 – LEGISLATIVE AND SUPPORT SERVICES

Legislative and support services include:

- Administrative Services Department – provides financial support services, property management, money management, financial analysis and reporting, purchasing, and information technology services.
- Human Resources – provides employee compensation and benefits, recruitment, employee and labor relations, employee development, and risk management services
- City Manager – provides leadership to the organization in the implementation of City Council policies and the provision of quality services to the community. The Office also coordinates City Council relations, community and intergovernmental relations, and economic resources planning.
- City Attorney – provides legal representation, consultation and advice, and litigation and dispute resolution services.
- City Clerk – provides public information, Council support, administer elections, and preserve the legislative history of the City.
- City Auditor – coordinates performance audits and reviews of City departments, programs, and services; revenue audits; and the annual external financial audit.
- City Council

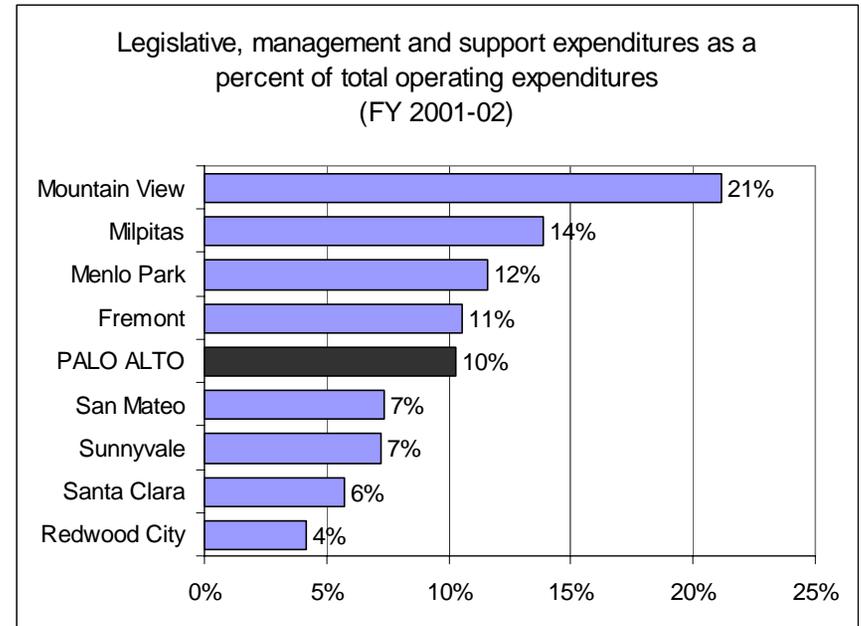


Source: FY 2003-04 revenue and expenditure data

SPENDING AND STAFFING

According to the State of California Cities Annual Report for FY 2001-02, Palo Alto's legislative, management and support expenditures (about 10 percent) was mid-range of other local jurisdictions. It should be noted that jurisdictions offer different levels of service and classify expenditures in different ways.

- Administrative Services Department expenditures were about \$6.7 million in FY 2003-04. The department had a total of 103 authorized staff.⁵
- Human Resources expenditures were approximately \$2.3 million in FY 2003-04. The department had a total of 15 authorized FTE.
- Spending in the Office of the City Manager was about \$1.7 million in FY 2003-04. The Office has a total of 11 authorized FTE.
- Spending for the Office of the City Attorney, including outside legal fees, was about \$2.4 million. The Attorney's Office has 15 authorized FTE.
- Spending in the City Clerk's Office was about \$0.9 million in FY 2003-04. The Clerk's Office currently has 6 authorized FTE.
- The City Auditor's Office expenditures were about \$0.7 million in FY 2003-04. The Office has 4 authorized FTE.



Source: State of California Cities Annual Report FY 2001-02

| | Operating expenditures (in millions) ¹ | | | | | | | Authorized staffing (FTE) ¹ | | | | | |
|---------------------------------------|---|-----------------|--------------|---------------|--------------|--------------|--------------|--|-----------------|--------------|---------------|----------------|--------------|
| | Administrative Services ⁴ | Human Resources | City Manager | City Attorney | City Clerk | City Auditor | City Council | Administrative Services | Human Resources | City Manager | City Attorney | City Clerk | City Auditor |
| FY 1999-00 | \$9.3 | \$2.2 | \$1.5 | \$1.7 | \$0.9 | \$0.5 | \$0.2 | 82 | 15 | 11 | 11 | 7 | 4 |
| FY 2000-01 | \$11.6 | \$2.2 | \$1.7 | \$2.2 | \$0.8 | \$0.5 | \$0.3 | 89 ² | 15 | 12 | 12 | 7 | 4 |
| FY 2001-02 | \$10.9 | \$2.4 | \$1.8 | \$2.4 | \$0.7 | \$0.6 | \$0.2 | 96 | 16 | 12 | 14 | 6 ³ | 4 |
| FY 2002-03 | \$10.8 | \$2.2 | \$1.7 | \$2.2 | \$0.7 | \$0.6 | \$0.2 | 98 | 16 | 12 | 15 | 6 | 4 |
| FY 2003-04 | \$6.7⁴ | \$2.3 | \$1.7 | \$2.4 | \$0.9 | \$0.7 | \$0.3 | 103⁵ | 15 | 11 | 15 | 6 | 4 |
| Change over last 5 years ¹ | -29% | +6% | +14% | +40% | +3% | +32% | +22% | +26% | 0% | 0% | +33% | -11% | +0% |

¹ Figures are based on actual data, however, total or percentage may not tally due to rounding.

² In FY 2000-01, 5 FTE were reallocated from Utilities to ASD

³ In FY 2001-02, one position (0.75 FTE) was transferred to ASD to support the cable administration program.

⁴ In FY 2003-04, information technology expenditures moved to the Technology Fund (an internal service fund). Allocated IT costs are now shown in each department based on their use of IT services.

⁵ Includes 56.55 FTE in the Administrative Services Department, 33.15 in the Technology Fund, 4.15 FTE in the Printing and Mailing Fund, 5.7 FTE in the CPA External Services Fund, and 3 FTE in the Utilities funds.

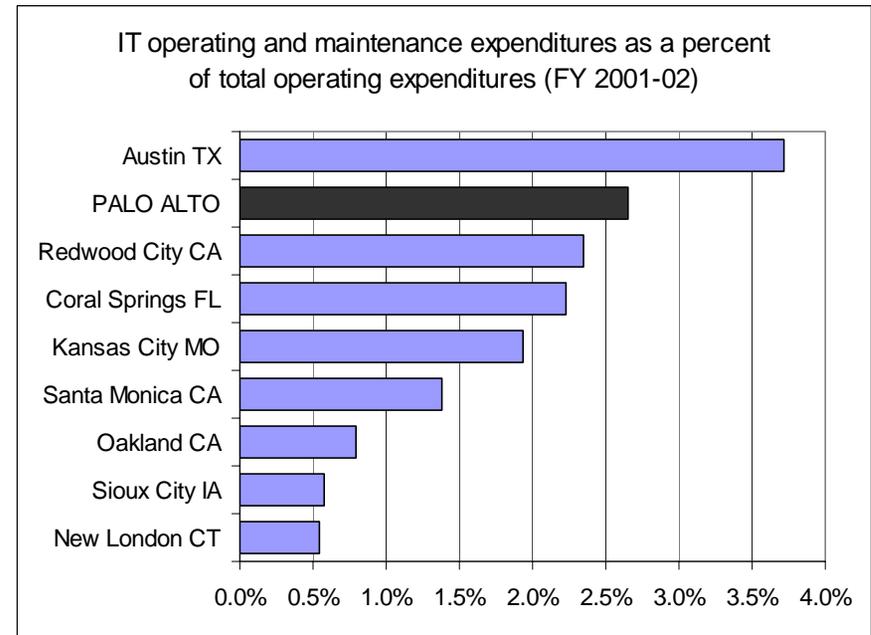
ADMINISTRATIVE SERVICES

The mission of the Administrative Services Department (ASD) is to provide proactive administrative and technical support to City departments and decision makers, and to safeguard and facilitate the optimal use of City resources. ASD encompasses a variety of services that might well be separate departments in a larger city.

The department monitors the City's cash and investments. In FY 2003-04, the rate of return was 4.48 percent. The City's overall AAA rating from Standard & Poor's, is the highest general city credit rating possible. General Fund reserves totaled \$60.1 million in FY 2003-04, or 47 percent more than in FY 1998-98.

The department estimates that 80 percent of invoices are paid within 30 days, and that 90 percent of requests for computer help desk services are resolved within 5 days.

The chart on the right compares Palo Alto's spending on information technology (IT) services to some other jurisdictions.³ It should be noted that cities budget for IT expenditures differently, and they each offer different levels of IT and web services to their staffs and to the public.



Source: ICMA Comparative Performance Measurement FY 2001-02, and City of Palo Alto²

| | Cash and investments (in millions) | Rate of return on investments | City's bond rating | General Fund reserves (in millions) ¹ | Number of checks issued | Percent invoices paid within 30 days [⊙] | Number of purchasing documents processed | Dollar value goods and services purchased (in millions) | Number computer work-stations | Requests for computer help desk services resolved within 5 days [⊙] | IT operating and maintenance expenditures as a percent of total operating expenditures ² | Citizen Survey | |
|--------------------------|------------------------------------|-------------------------------|--------------------|--|-------------------------|---|--|---|-------------------------------|--|---|---|--|
| | | | | | | | | | | | | Percent who used the internet to conduct business with the City | Percent who watched a public meeting on cable TV |
| FY 1999-00 | \$293.1 | 4.96% | AAA | \$40.9 | - | 73% | 8,323 | \$58.7 | 600 | 78% | 2.0% | - | - |
| FY 2000-01 | \$341.2 | 5.92% | AAA | \$52.1 | 25,045 | 80% est. | 7,984 | \$57.7 | 738 | 91% | 2.1% | - | - |
| FY 2001-02 | \$419.8 | 5.39% | AAA | \$55.7 | 25,656 | 80% est. | 6,812 | \$89.0 | 833 | 91% | 2.7% | - | - |
| FY 2002-03 | \$413.6 | 5.03% | AAA | \$58.2 | 22,314 | 80% est. | 5,618 | \$64.0 | 913 | 90% | 2.8% | 47% | 28% |
| FY 2003-04 | \$402.7 | 4.48% | AAA | \$60.1 | 17,763 | 80% est. | 5,265 | \$70.6 | 978 | 90% | 2.4% | 52% | 27% |
| Change over last 5 years | +37% | -0.5% | - | +47% | - | +7% | -37% | +20% | +63% | +12% | +0.4% | - | - |

¹ Includes reserves and designated general fund balances

² Adjusted to exclude IT services provided to the Utilities Department

⊙ Budget impact measure

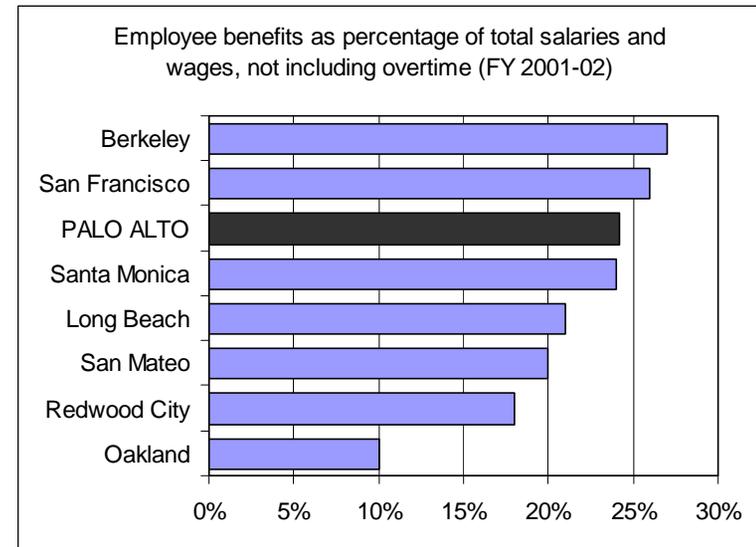
HUMAN RESOURCES

The mission of the Human Resources (HR) department is to attract, develop and retain a diverse, well-qualified and professional workforce that reflects the high standards of the community. Citywide, authorized staffing increased 6 percent over the past five years from 1,122 to 1,185 full time equivalents including temporary³ positions.

Over the past five years, General Fund salaries and wages increased due to new staffing and base salary increases. Employee benefit expense increased from \$12.4 million in FY 1999-00 to \$19.1 million in FY 2003-04. The increase in benefit costs is expected to continue.

The ratio of HR staff to total City staff is 1 to 76. The department coordinated more than 19,000 hours of employee training in FY 2003-04.

Estimated incurred costs for workers' compensation claims have declined, however staff projects that costs for FY 2003-04 claims will increase as current claims develop. The number of days lost to work-related illness or injury declined from 1,122 days in FY 1999-00 to 583 days in FY 2003-04, or 48 percent.



Source: ICMA Comparative Performance Measurement FY 2001-02, and City of Palo Alto

| | Regular authorized staffing citywide (FTE) | Authorized temporary staffing citywide (FTE) | Total authorized staffing citywide (FTE) | General Fund salaries and wages ² (in millions) | General Fund overtime (in millions) | General Fund employee benefits (in millions) | Benefits as a percent of salaries and wages (not including overtime) | Ratio HR staff to total authorized staffing (FTE) | Citywide training hours provided [⊙] | Worker's Compensation estimated incurred cost (in millions) | Days lost to work-related illness or injury |
|--------------------------|--|--|--|--|-------------------------------------|--|--|---|---|---|---|
| FY 1999-00 | 1,049 | 73 | 1,122 | \$44.7 | \$3.8 | \$12.4 | 28% | 1 to 73 | 6,500 | \$1.6 | 1,122 |
| FY 2000-01 | 1,087 | 79 | 1,166 | \$50.9 | \$3.3 | \$15.0 | 29% | 1 to 76 | 8,789 | \$2.6 | 582 |
| FY 2001-02 | 1,112 | 81 | 1,194 | \$55.8 | \$3.1 | \$13.5 | 24% | 1 to 75 | 20,049 | \$1.6 | 349 |
| FY 2002-03 | 1,123 | 85 | 1,208 | \$54.3 | \$3.0 | \$19.0 | 35% | 1 to 75 | 15,127 | \$2.4 | 860 |
| FY 2003-04 | 1,093⁴ | 92 | 1,185 | \$49.8⁴ | \$3.3 | \$19.1 | 38% | 1 to 76 | 19,080 | \$1.4¹ | 583 |
| Change over last 5 years | +4% | +26% | +6% | +11% | -13% | +55% | +10% | +5% | +194% | -14% ¹ | -48% |

¹ Early estimates of current claim costs will grow as claims develop.

² Does not include overtime

³ Temporary positions is a budget category that includes hourly employees who do not receive benefits.

⁴ In FY 2003-04, 33 FTE were transferred from the General Fund to the Technology Fund.

⊙ Budget impact measure

CITY MANAGER, CITY ATTORNEY, CITY CLERK, CITY AUDITOR

The mission of the City Manager’s Office is to provide leadership to the organization in the implementation of City Council policies and the provision of quality services to the community. The City Manager’s Office coordinated preparation of at least 381 City Manager Reports (CMRs) during FY 2003-04. The City Manager’s Office also coordinates public information and economic development services.

The mission of the City Attorney’s Office is to serve Palo Alto and its policy makers by providing legal representation of the highest quality. The current ratio of staff attorneys to regular full-time equivalent employees is 1 to 176.

The mission of the City Clerk’s Office is to provide public information; to provide Council support; to administer elections; and to preserve the legislative history of the City. The Office reduced the average time to finalize City Council minutes from 5 weeks to 4 weeks – a 20 percent improvement.

The mission of the City Auditor’s Office is to promote honest, efficient, effective, and fully accountable City Government. The Office conducts performance audits, revenue audits, and coordinates the annual external audit of the financial statements. In FY 2003-04, revenue audit recoveries totaled \$140,000, and the office made 85 audit recommendations.

| | City Manager | | | | | | City Attorney | | | City Clerk | City Auditor | | |
|--------------------------|---|--|---|---|--------------------------------------|---|---------------|--------------------------|-------------------------------|--|--|--|---------------------------------------|
| | Number of City Council agenda reports (CMRs) issued | Percent of complaints addressed within 2 days ¹ | Citizen Survey | | Number of business outreach contacts | Citizen Survey | | Number of claims handled | Number of contracts processed | Ratio staff attorneys to total employees (FTE) | Average time to finalize City Council minutes [⊙] | Number of audit recommendations [⊙] | Revenue audit recoveries [⊙] |
| | | | Citizen Survey Percent rating public information services good or excellent | Percent respondents read Palo Alto newsletter in last 12 mos. <NEW> | | Citizen Survey Percent rating economic development services good or excellent | | | | | | | |
| FY 1999-00 | 370 | 19% | - | - | 50 | - | - | 143 | 154 | 1 to 224 | 5 weeks | 36 | \$76,309 |
| FY 2000-01 | 298 | 14% | - | - | 56 | - | - | 136 | 124 | 1 to 194 | 5 weeks | 7 | \$128,162 |
| FY 2001-02 | 390 | 70% | - | - | 66 | - | - | 146 | 140 | 1 to 171 | 5 weeks | 24 | \$218,422 |
| FY 2002-03 | 368 | 74% | 72% | - | 70 | 49% | - | 152 | 131 | 1 to 161 | 5 weeks | 21 | \$355,456 |
| FY 2003-04 | 381 | 92% | 76% | 62% | 60 | 58% | - | 155 | 136 | 1 to 176 | 4 weeks | 85 | \$140,461 |
| Change over last 5 years | +3% | +73% | - | - | +20% | - | - | +8% | -12% | -22% | -20% | +136% | +84% |

¹ The City’s complaint policy requires a response within 10 working days.

⊙ Budget impact measure

