

The City of Palo Alto, California

A Report to Our Citizens

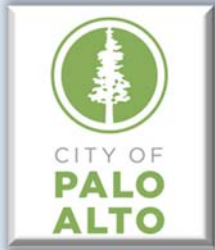


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The City of Palo Alto's Values

Quality

Superior delivery of services

Courtesy

Providing service with respect and concern

Efficiency

Productive, effective use of resources

Integrity

Straightforward, honest, and fair relations

Innovation

Excellence in creative thought and implementation



City Organization and Information

Incorporated in 1894, the City of Palo Alto covers 26 square miles and is located in the heart of Silicon Valley. Palo Alto has about 66,000 residents and the daytime population is estimated at about 127,000. Stanford University, adjacent to Palo Alto and one of the top-rated institutions of higher education in the nation, has produced much of the talent that founded successful high-tech companies in Palo Alto and Silicon Valley. The total daytime population for Palo Alto and Stanford is about 154,000.

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

City residents elect nine members to the City Council to serve staggered four-year terms. Each January, Council members elect a Mayor and Vice-Mayor. The City of Palo Alto operates under a Council-manager form of government.

Demographics Information	FY 2014	FY 2015	FY 2016
Population*	65,234	65,998	66,478
Average travel time to work*	22.1 minutes	22.3 minutes	23.1 minutes
Median household income*	\$121,465	\$126,771	\$135,519
Median home sales price	\$1,810,869	\$2,145,968	\$2,275,635
Number of authorized City staff	1,147	1,153	1,168

* Figures reflect American Community Survey data ** Zillow.com

How We Have Progressed

Progress in Fiscal Year 2016



Key Measures

All percent ratings as “excellent/good”

	FY 2014	FY 2015	FY 2016	Ranking compared to other surveyed jurisdictions
GENERAL COMMUNITY CHARACTERISTICS				
Palo Alto as a place to live	95%	92%	91%	Similar
Palo Alto as a place to visit	75%	74%	72%	Similar
Overall quality of life in Palo Alto	91%	88%	85%	Similar
Overall image or reputation of Palo Alto	92%	88%	86%	Higher
Overall appearance of Palo Alto	89%	89%	87%	Higher
Cost of living in Palo Alto	11%	8%	7%	Much lower
STEWARDSHIP				
General Fund Operating Expenditures Per Capita (in millions)	\$2,412	\$2,492	\$2,798	
Generally acting in the best interest of the community	54%	53%	44%	Similar
Economic development	73%	69%	61%	Similar
Overall natural environment in Palo Alto	88%	86%	84%	Similar
Your neighborhood as a place to live	92%	90%	91%	Similar
Preservation of natural areas such as open space, farmlands, and greenbelts	80%	77%	78%	Higher
PUBLIC SERVICE				
Overall confidence in Palo Alto government	52%	53%	44%	Similar
Services provided by Palo Alto	83%	85%	81%	Similar
The value of services for taxes paid to Palo Alto	66%	65%	58%	Similar
Overall customer service by Palo Alto employees (police, receptionists, planners, etc.)	81%	74%	77%	Similar
Police services	87%	88%	88%	Similar
Fire services	95%	97%	97%	Similar
COMMUNITY				
Overall feeling of safety in Palo Alto as “very/somewhat safe”	92%	91%	94%	Higher
Overall ease of getting to the places you usually have to visit	71%	65%	67%	Similar
Overall “built environment” of Palo Alto (including overall design, buildings, parks, and transportation systems)	67%	63%	59%	Similar
Openness and acceptance of the community toward people of diverse backgrounds	76%	68%	72%	Similar
Opportunity to participate in community matters	75%	76%	69%	Similar
Opportunities to volunteer	83%	80%	77%	Similar
Sense of community	64%	60%	57%	Similar

Themes for 2016

Themes allow users to understand the performance of cross-departmental programs or initiatives, while continuing to present information by individual departments.

► Stewardship:

- Financial Responsibility
- Neighborhood Preservation
- Environmental Sustainability

► Public Service:

- Public Safety Services
- Utility Services
- Internal City Services

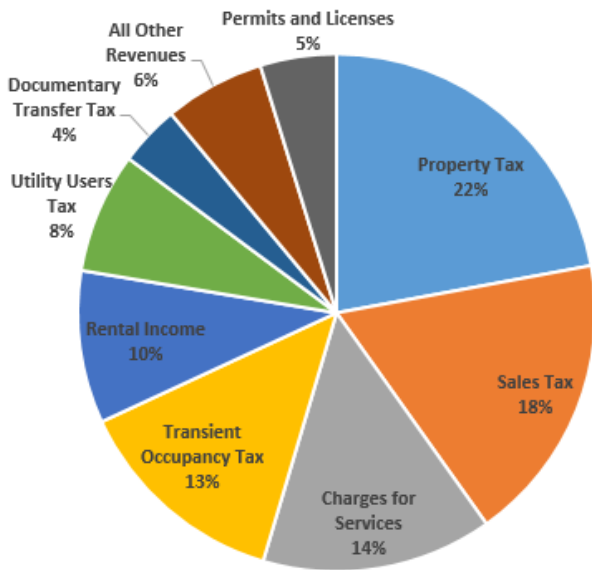
► Community:

- Community Involvement and Enrichment
- Safety, Health, and Well-Being
- Density and Development
- Mobility

The City's Finances

Revenues and Expenditures

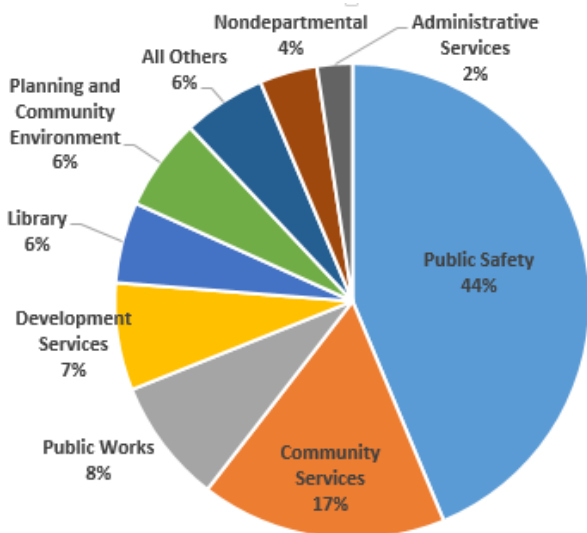
Primary Sources of General Fund Revenues



Revenues by Source	FY 2015 Actual Revenues	FY 2016 Actual Revenues
Property Tax	\$34.1 million	\$36.6 million
Sales Tax	\$29.7 million	\$30.0 million
Charges for Services	\$25.9 million	\$23.9 million
Transient Occupancy Tax	\$16.7 million	\$22.4 million
Rental Income	\$14.9 million	\$15.8 million
Utility Users Tax	\$10.9 million	\$12.5 million
Documentary Transfer Tax	\$10.4 million	\$6.3 million
All Other Revenues	\$7.8 million	\$10.4 million
Permits and Licenses	\$7.1 million	\$7.9 million
Total Revenues:	\$157.5 million	\$165.8 million

Source: FY 2016 Comprehensive Annual Financial Report (CAFR)

Primary General Fund Expenditures



Expenditures by Source	FY 2015 Actual Expenditures	FY 2016 Actual Expenditures
Public Safety	\$61.2 million	\$63.5 million
Community Services	\$23.0 million	\$24.3 million
Public Works	\$11.4 million	\$12.3 million
Development Services	\$11.1 million	\$10.6 million
Library	\$8.0 million	\$8.0 million
Planning and Community Environment	\$7.4 million	\$9.1 million
All Others	\$7.4 million	\$8.2 million
Nondepartmental	\$5.6 million	\$5.7 million
Administrative Services	\$3.7 million	\$3.5 million
Total Expenditures:	\$138.8 million	\$145.2 million

Source: FY 2016 Comprehensive Annual Financial Report (CAFR)

City's Budget and Accomplishments

From the City Manager

Palo Alto is truly a special place - a community with a rich history of entrepreneurship, with some of the world's smartest and most creative people. With an unparalleled quality of life, there is no better place than Palo Alto to live, work, raise a family, grow a business or visit. Palo Alto continues to be a driving force in the global economy, a leader in sustainability, and the innovations developed here change the world.

City Council 2016 Priorities

The City Council held its annual retreat in Jan. 2016 to discuss and adopt its priorities. Each year, the Council sets its priorities giving the community a clear definition of what the City is trying to accomplish. For 2016, the Council adopted four priorities that will receive significant attention throughout the year. The 2016 Council Priorities are:

- The Built Environment: Housing, Parking, Livability and Mobility
- Infrastructure
- Healthy City, Healthy Community
- Completion of the Comprehensive Plan



City of Palo Alto Budget

In June 2016, the City Council adopted the Budget for Fiscal Year 2017 (July 1, 2016 through June 30, 2017) in the amount of \$641.8 million, which includes ongoing funding for the City's public safety, library, parks and recreation, utility, and internal support department functions as well as improvements to our roads, facilities, and utility infrastructure. Despite the growing economy and increased tax revenues, the City continues to prudently deliver services while remaining cognizant of the City's long-term fiscal sustainability.

To enhance the quality of life for residents, City's budget included increased resources in transportation initiatives, including additional staffing for the bicycle capital improvement projects, funding for the Transportation Management Authority, and added a permanent staff person to the Teens Programs. Further, we added staff to support major renovations to the Regional Water Quality Control Plant, while splitting costs with our partners. In addition, a Senior Engineer was added in the Recycled Water Program to help meet City and State goals for reducing the use of potable water. The City will continue the rehabilitation of streets and sidewalks and make improvements to the existing utility infrastructure. Furthermore, the City's Utility continues to provide excellent services in the delivery of electricity, gas, and water as well as wastewater treatment and garbage and recycling collection services at competitive rates.

About Citizen Centric Reporting

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

The Office of the City Auditor is responsible for independently evaluating the City's programs, services, and departments. For 14 years our office has issued the City's annual Performance Report (formerly Service Efforts and Accomplishments) to supplement the City's financial reports and statements. If you are interested in viewing the City's complete annual performance report, please visit: <http://www.cityofpaloalto.org/gov/depts/aud/reports/accomplishments.asp>