CITY OF PALO ALTO

# ADOPTED OPERATING BUDGET


















FISCAL YEAR 2027



CITY OF
PALO
ALTO

CITY OF PALO ALTO

# Fiscal Year 2027 Adopted Operating Budget

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## CITY OF PALO ALTO

The government of the City of Palo Alto exists to promote and sustain a superior quality of life in Palo Alto. In partnership with our community, our goal is to deliver cost-effective services in a personal, responsive and innovative manner.



# OUR VALUES

### Respect

Exemplify integrity, courtesy, inclusion and professionalism

### Innovation

Develop creative solutions for continuous improvement

### Service

Demonstrate excellence through purpose driven, collaborative problem solving

### Empowerment

Cultivate learning, growth and shared success

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# OVERVIEW



CITY OF
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# TRANSMITTAL LETTER

July 1, 2026

To the Honorable Mayor and City Council

2027 Fiscal Year Adopted Operating & Capital Budget Transmittal

Honorable Mayor and Council Members:

In accordance with the City Charter, I am presenting the City of Palo Alto's Fiscal Year 2027 Adopted Operating Budget and Fiscal Year 2027 Adopted Capital Budget along with the 2027–2031 Capital Improvement Plan (CIP). This budget represents a continuation of the investments made by the Council last year in providing high quality services, while reflecting comprehensive budget strategies including revenue enhancement, careful spending reductions, government efficiencies and management of contracts, liabilities and reserves. The City's total budget is $1.04 billion, including a FY 2027 Capital Budget of $316.8 million, and a Capital Plan of $1.2 billion over the five-year CIP. The City's General Fund Budget of $311.96 million continues to prioritize high-quality services for the community and advances City Council priorities.

## Reflecting on Key Milestones

Over the past year, Palo Alto celebrated reaching landmark community goals. We officially opened the seismically resilient Public Safety Building in November 2025, centralizing emergency operations for a modernized, agile response and broke ground on Fire Station 4 – two key projects of the City Council 2014 Infrastructure Plan. We reached a definitive housing milestone with Palo Alto Homekey set to be completed this spring which will provide 88 units of interim housing and support services for our unhoused community. We opened 429 Bryant as a teen center, community center, and senior nutrition program through partnership with La Comida. The Palo Alto Junior Museum & Zoo achieved prestigious national accreditation (AZA), a mark of excellence in wildlife education. We also executed the agreement with the school district to purchase seven acres of the Cubberley Community Center, reigniting work on a concept plan with environmental review, establishing partnerships for key improvements with non-profits, and exploring funding needs and sources for a renovated community center. Our community infrastructure commitment remains visible in continued improvement in California Avenue and Ramona Street streetscape and the December 2025 selection of a south Palo Alto pedestrian/bicycle rail crossing alternative. We advanced the Sustainability and Climate Action Plan (S/CAP) programs, grid modernization and residential electrification programs. At the Regional Water Quality Control Plant, the flagship project of the City's generational reinvestment, the Secondary Treatment Upgrade project to modernize the facility's biological treatment process and protect San Francisco Bay reached its halfway

point with completion of two of the four aeration basin tanks. These milestones demonstrate an organization determined to deliver high-value results while maintaining our AAA credit rating. Balancing a wide range of priorities, we have also responded to emergency community needs such as oversized vehicle parking impacts and supporting youth mental health.

## Managing Fiscal Realities through Comprehensive Budget Strategies and Government Efficiencies

The City's fiscal health is impacted by persistent economic uncertainty, tariffs, inflation, supply chain interruptions, state/federal administration policy agendas and potential new legislative updates or challenges. These external pressures require the City to prepare and adapt as needed. Historically, through challenges ranging from the pandemic to extreme weather events, the City and community have adjusted and focused on advancing priorities while addressing changing community needs. This budget continues that stewardship by preserving the most valued city services—including public safety, community services, libraries, parks and utilities—while advancing efficiencies and recognizing that generational investments in electrification and critical infrastructure require a stable, long-term financial footing.

We are currently navigating a period of adjustment in our major tax revenues, which contributes to the projected General Fund budget deficit of $17.1 million (or 5.5%) for the fiscal year, FY 2027. The two primary drivers are reduced sales tax baseline due to state administration changes and reduced growth projections for property tax. This budget also includes previously unanticipated expenditures such as contracted train crossing monitors, oversized vehicle program and the additional appropriation as determined by the latest Other Post Employment Benefit (OPEB) actuarial analysis. Continuing the efforts from long-range financial forecast (LRFF) with Council, this budget addresses the financial challenge through multi-year comprehensive budget balancing strategies and makes permanent the FY 2026 budget reductions incorporated herein. With greater effort on government efficiencies, these strategies yield better outcomes, minimizing community impacts.

- Spending Reductions ($5.9 million solution): Thoughtful spending reductions are proposed that are focused on upholding high quality services through greater government efficiencies and alternative service delivery models where possible. These reductions are in addition to the FY 2026 budget reductions. To streamline administration throughout the organization, this budget reflects updated staffing, policies, procedures and systems, such as new/updated digital service platforms, right-sizing procurement thresholds and inter-departmental collaboration on administrative functions. Facility optimization will increase use of city facilities and reduce third-party rents long term. Cost allocations are realigned to the appropriate funds to reduce reliance on the General Fund; this is prudent, appropriate and creates General Fund capacity. This budget incorporates updated costs to utilities and internal service funds, reduces the Parking Fund dependence and leverages various special revenues for eligible costs previously borne by the General Fund. Our review of contracts relinquishes one-time encumbrance funding, reduces contract appropriations; increases City inter-departmental support and improves City-contractor partnerships for enhanced outcomes. Major contracts and appropriations were thoroughly reviewed including comparison of in-house and outsourced performance efficacy. This budget incorporates more inter-departmental services between utilities, public works and community service operations that enabled a modest reduction of general service contracts. Select on-call

professional services are retained providing resource augmentation when specialized skills are needed and/or demand surge, especially important given staffing reductions and the need to reduce cycle time in critical city operations. Lastly, any debt financing is strategically aligned with project demand to reduce financing costs.

- Revenue Enhancements ($1.7 million solution): To maximize revenues, we thoroughly analyzed fees and rates to align with costs and demand, audit revenues and collections, diversify revenue sources and payee categories, advocate intergovernmental funding, and update associated policies, administration, and foster economic development. Noteworthy, this budget reflects the higher investment earning yield from the recently updated investment policy and portfolio management change.
- One-time Resources ($2.6 million solution): To maintain service continuity, this budget utilizes one-time funding to sustain essential community and senior programming —including Measure B, Stanford University Medical Center (SUMC) development agreement final proceeds ($2.4 million) and the Hamilton Avenue Benefit Fund ($0.20 million).
- CIP Reduction ($1.5 million solution): This budget reduces the capital funding by another $1.5 million from projected FY 2027 to appropriated FY 2027. With the relinquished budget encumbrance balances and General Fund transfers (from base, transient occupancy tax, Measure K, and other sources), the total FY 2027 General Fund transfer and available CIP funding exceeds prior year.
- Pension Cost & Liability ($4.5 million solution): We proactively manage to reduce costs and liabilities for retiree pension and medical, general liabilities and workers compensation. This budget and long-range forecast incorporate the Section 115 Pension Trust to reduce pension costs while effectively managing pension liability. The Council's leadership with the help of labor contract terms proactively planned for long-term pension liability beginning in 2017 through contributions to a 115 trust is enabling ongoing expense reductions modeled and sustained throughout the long-term forecast to ensure the City remains proactive and resilient given pension volatility.

Ultimately, this budget reflects a steadfast commitment to service while proactively managing financial constraints. We are safeguarding the programs our residents value most, ensuring Palo Alto remains a vibrant and fiscally sound community.

## Reserves

Staff remains cautious, recommending a budget that sustains core City services while navigating current economic headwinds. To safeguard the City's fiscal resilience, this budget maintains a Budget Stabilization Reserve (BSR) of $53.7 million, representing 17.2% of General Fund expenditures. This remains within the Council-approved range of 15 to 20%, however, is below our long-term policy target of 18.5%, reflecting the disciplined trade-offs required to balance the upcoming fiscal year. We anticipate a sales tax prior year one-time adjustment will be more favorable than assumed in this financial plan, which may improve the BSR by $2.0 million bringing it to $55.7 million or 17.9% of General Fund expenditures.

In accordance with Council direction to conduct a review of reserve policies, the City Auditor completed a City Utility Reserve Advisory Report to review the reserve policies and peer agency benchmarks in the various enterprise funds in the Utilities and Public Works Departments. Staff will be exploring approaches

that align with existing structures and resources and that can be implemented with gradual impacts to utility rates that are paid for by residents and businesses in Palo Alto. Any financial decision will consider risk profile, impact to customers, and regulatory requirements, and go to Council for review.

## FY 2027 Budget Highlights

The FY 2027 Budget of $1.04 billion reflects an increase of 1.7% ($17.5 million) compared to the FY 2026 Adopted Budget of $1.03 billion. This change is primarily driven by operating expenses—linked largely to essential commodity adjustments and infrastructure investments within our Electric and Wastewater Utilities. In contrast, the budget reflects a 0.4% decrease in General Fund operating expenses and a 1.2% increase in the City's Capital Improvement Program. Funding for the Capital Budget of $316.8 million includes $142.1 million in estimated reappropriations from FY 2026 to FY 2027 for multi-year infrastructure projects. Consistent with our focus on realizing governmental efficiencies, this budget recommends a net decrease of 21.25 FTE (or 1.9%) for a total authorized staffing of 1,089.10 FTE in FY 2027 and 6.00 FTE frozen positions, 3.00 FTE in the General Fund and 3.00 FTE frozen one-year within Utilities Funds.

## City Council Priority Objectives Investments

The budget is a direct reflection of the City Council's annual priorities, investing in actionable efforts that deliver essential services today while securing a resilient fiscal future. In January, the Council selected four core pillars to guide our work: Achieving Near-Term Priority Housing Milestones, Cubberley Acquisition and Renovation Funding, Enhancing Business Vibrancy, and Government Efficiency. Despite a constrained fiscal environment, this budget successfully resources the Council's most mission-critical objectives. This budget provides the necessary funding to meet our mandated Housing Element milestones and completion of the Homekey transitional housing complex—vital steps toward our community's housing goals. Furthermore, we are investing in the City's digital future by resourcing the first phase of our new SAP/HANA system, an essential move to modernize.

## Operating Budget Recommendations by City Service Area

Through ongoing vacancy management and the identification of potential reassignment of staff in impacted positions, we have been largely able to avoid layoffs while achieving the net decrease of 21.25 (or 1.9%) FTE, and we thank all departments and work groups for the effort involved. As a result, the recommended position eliminations predominantly reflect vacant roles while funding customer-facing positions, largely preserving the core city services our community expects, and realizing department efficiencies. Moreover, for long-term budget balancing, we are formalizing the $3.4 million reduction in FY 2026 as ongoing savings and incorporated into FY 2027 budget. Some positions are also re-allocated to other funds for better alignment of costs and operations.

- **Internal Support & Administration**: Within this service area, we propose elimination of 5.25 FTE and reallocation of 0.95 FTE. This includes eliminations within Administrative Services Department

elimination of 3.00 FTE, Human Resources Department elimination of 1.25 FTE, Information Technology Department of 1.00 FTE. This may lead to longer transaction cycle time and delay responsiveness in the near term, but short of increasing risk exposures. Further streamlining administration will enable us to reduce costs, be more efficient while minimizing service impacts. We are also allocating more costs to appropriate funds for support services. Adhering to our Retiree Benefit Funding Policy, the Section 115 Pension Trust will disburse $20 million Additional Discretionary Payment (ADP) and $6 million Actuarially Determined Contribution (ADC) to CalPERS, resulting in $1.3 million pension cost reduction (with $0.85 million in General Fund) and $6.0 million pension cost offset (with $3.6 million in General Fund). This budget includes enhanced policies for cyber and seismic risks.

- **Community & Library Services**: Within this service area, we propose elimination of 6.00 FTE, re-allocation of 1.00 FTE and addition of 1.00 FTE. This includes eliminations within the Community Services Department of 2.00 FTE and Library of 4.00 FTE. These reductions may lead to slightly reduced customer service experience but short of eliminating programs. Seven-day-a-week library services are maintained at Mitchell Park and Rinconada; however, a reduction from six to five days is necessary at the Children's Library. We will further add programs to 429 Bryant. To maintain our public spaces with greater efficiency, we are eliminating 1.00 FTE as a cost savings, and as it relates to the dissolved PAUSD field maintenance agreement which had 4.50 FTEs and we are re-allocating 1.00 FTE to CIP and 3.50 FTE to other priority maintenance which reduces contracted costs. The Nonprofit Partnership Workplan Phase I process for discretionary awards is proceeding concurrently with the budget development cycle. The adopted FY 2027 budget includes appropriations for allcove totaling $200,000 and appropriations for direct allocations for Youth Connectedness Initiative (YCI) ($50,000), Environmental Volunteers ($10,780) and Neighbors Abroad ($17,500).
- **Planning & Transportation**: Within this service area, we propose elimination of 3.00 FTE, and the addition of 1.00 FTE Assistant Engineer in the Office of Transportation. This includes eliminations within Planning of 3.00 FTE and re-allocations of Transportation costs amongst alternative funding sources. These reductions will enable delivery of core service but may lead to longer transaction cycle time as we adapt and delay Council priorities. We are transitioning our parking funds toward self-sufficiency, reducing the General Fund parking subsidy and transitioning from Palo Alto Link to a voucher program of $100,000. Additionally, we are leveraging Measure B funding for the Safe Routes to School Program, which reduces the financial burden on the General Fund while advancing our commitment to a safe and connected community.
- **Infrastructure & Environment**: Within this service area, we propose elimination of 10.00 FTE and re-allocation of 1.95 FTE, frozen of 3.00 FTE and addition of 3.00 FTE. This includes eliminations within Public Works of 5.00 FTE and Utilities of 5.00 FTE, with 3.00 FTE positions frozen in Utilities. These reductions will enable delivery of core services and short of service reductions and/or greater risk exposure but may delay Council priorities. Public Works is reducing general services for maintenance, true-up of fuel appropriation and providing more internal support to Utilities, which reduces overall contract services for Utilities. We propose to continue next cycle of fire engine replacements with diesel engines given financial constraints. Consistent with Wastewater Treatment study, 3.00 FTE additions are proposed given existing gap in operations, maintenance and infrastructure projects. Utilities gaining more internal services from Public Works will build greater resiliency and reduce

contract costs. Completion of Advanced Metering Infrastructure (AMI) advances our S/CAP priorities and improves customer experience. We also propose to change the approach, cost and timeline of grid modernization to align with anticipated service demand while reducing financing costs. With the proposed enterprise fund rate/fee increases (i.e. utilities, storm drain, refuse, airport, etc.), we balance principles of affordability, innovation, reliability, new capital investments, and operational efficiencies. Further work to evaluate reserves is underway as referenced above.

- **Public Safety**: Within this service area, we propose elimination of 3.00 FTE and 3.00 FTE to be frozen. This includes 1.00 FTE elimination, 1.00 FTE frozen and 1.00 FTE added in Police. In Fire, there will be 2.00 FTE eliminations and 2.00 FTE frozen. These reductions will enable delivery of core service as we civilianize for efficiency without compromising public safety. We are maintaining our fundamental commitment to emergency response by sustaining the Single-Role EMS Division to ensure peak-hour ambulance coverage. To address fiscal constraints, we are freezing the dedicated EMS Manager position, prioritizing both customer-facing delivery and the implementation of 12-hour peak medic unit. This Single Role unit is non-sworn which is more efficient with onboarding and activation. We are civilianizing the police special events coordination with an Administrative Assistant, with other duties to be reassigned to other sergeants. We continue to emphasize transparency and modernization by funding $289,000 for Police Field Contact Recording technology to enhance data integrity and field safety. Furthermore, we are protecting our long-term response capability by fully funding the scheduled replacement cycles for fire apparatus and police vehicles to ensure our first responders have the tools necessary to maintain a safe and resilient community. This budget continues to fund existing school crossing guard services and the new track watch rail crossing monitors through the end of the fiscal year with anticipated cost sharing from the Palo Alto Unified School District (PAUSD).

## Capital Budget Recommendations

The capital plan continues progress on the City Council 2014 Infrastructure Plan and additional projects that help advance continued infrastructure replacement, improvements and repairs. The FY 2027 capital budget advances critical projects that further innovative city services and addresses critical infrastructure, with limited financial resources. As part of the effort to proactively plan for economic uncertainty, the General Fund base transfer to the Capital Improvement Fund reflects the disciplined 1.2% increase in the City's Capital Improvement Program mentioned in earlier sections. Moreover, a meticulous clean-up of budget re-appropriations relinquished one-time funds coupled with reprioritizing less urgent, non-emergency projects. This ensures that our capital investments remain aligned with our available resources:

- 2014 Council Infrastructure Plan projects: complete the Fire Station 4 replacement project and transition the New Downtown Parking Garage from design to the procurement and construction phase
- Regional Water Quality Control Plant (RWQCP) facility upgrades and infrastructure upgrades for stormwater systems drain pipes, wastewater collection main and treatment systems, gas and water main maintenance, and the water cross-bore safety program
- Generational investment of $57.0 million in Electric Grid Modernization projects to support citywide electrification, grid resilience and safety.

- Advancing vital stewardship for the Cubberley Community Center with $0.9 million programmed for redevelopment planning, roof replacements, and infrastructure repairs. Ultimately spending and projects will be dependent upon approval of the ballot measure.
- Park improvements at Rinconada, Mitchell, Eleanor Pardee, Boulware, and Foothills Nature Preserve, including the modernization of park restrooms and dog park amenities
- Recognizing investments in grade separation projects (partially funded by Measure K Business Tax proceeds) including Meadow Drive, Charleston Road, and Churchill Avenue
- Improving traffic intersection accessibility and safety through the implementation of Automated Traffic Signal Performance Measures (ATSPM) and bike/pedestrian safety enhancements
- Planning for the Phase 1 pilot of Fiber to the Premises/Dark Fiber rebuild to modernize citywide connectivity
- Maintenance and repair of Electric Vehicle (EV) charging stations to support the City's climate action goals
- Equipment and furniture replacements at City libraries to maintain high-quality community learning spaces
- Replacement equipment and fleet investments for public safety, public works and utilities.

## Stakeholder Engagement

In May and June, several days of Finance Committee budget hearings, Council discussions, and a Community Budget Informational Session were held to review, discuss, and consider revisions to the Proposed Budget documents before they were adopted by the Council. Community members were encouraged to join these discussions to help inform the decisions that the City Council considered for adoption. A calendar of these meetings and discussions can be found in the Budget Process and Document section of this budget document.

Changes from the Proposed Budget document to the Adopted Budget document are summarized by department and by fund in the memorandum that recommends approval of the FY 2027 budget adoption ordinance (Staff Report # 2512-5698). This report can be found on the City's website: www.paloalto.gov/City-Hall/City-Council/Council-Agendas-Minutes under the June 15, 2026 meeting agenda.

## In Closing

The FY 2027 Budget reflects a disciplined approach to our current fiscal reality. By prioritizing sustainable financial frameworks, we ensure that our structural obligations do not displace the high-quality city services that define our community's character. This budget bridges fiscal challenges by realizing efficiencies and streamlining administration to ensure the highest value for every taxpayer dollar. Ultimately, we remain committed to preserving critical public safety and customer-facing services while also incrementally advancing Council priorities. We have built a balanced and sustainable path forward, and I appreciate the collaborative work of the City Council, staff, and the community.

## Acknowledgments

The formulation of this budget is a shared endeavor that reflects the values and aspirations of the Palo Alto community. I would like to express my sincere appreciation to the City Council for their leadership in establishing the 2026 Priorities and for providing the guidance necessary to navigate this period of organizational modernization. I also want to thank our residents and businesses for their active participation and continued investment in our city, which remains the bedrock of our collective success.

Special recognition is due to the Administrative Services Department and specifically to the professional staff within the Office of Management and Budget: Charles Benham, Alyssa Ching, Rene Escobar-Mena, Naomi Hsu, Chaitali Paliwal, Jonathan Rewers, Kayla Shapiro, and Robert Valentukonis. Their technical expertise and tireless commitment to fiscal stewardship have been instrumental in realizing the department efficiencies outlined in this document. I am also grateful to our Executive Leadership Team and all Department Directors for their partnership in refining our operations to protect the core city services our community relies upon. Together, we have built a balanced and sustainable framework that ensures Palo Alto's long-term fiscal resilience.

Respectfully Submitted,



Ed Shikada

City Manager

## Online Resource to Learn More About the City Budget

Learn about City Council Priorities and Objectives at

www.paloalto.gov/councilpriorities

Join the Budget Conversation at www.paloalto.gov/budget

# ATTACHMENT A: BALANCING STRATEGY

The FY 2027 Budget of $1.04 billion reflects an increase of 1.7% or $17.5 million from the FY 2026 Adopted Budget of $1.03 billion. This year-over-year change demonstrates fiscal discipline. Included in the FY 2027 Budget are citywide capital expenses of $316.8 million. The General Fund has $311.76 million in budgeted expenses and represents 29.9% of the City's total expenditures.

As a balanced budget, the FY 2027 budget continues mission-critical services from prior years and makes surgical investments in public safety and other priority objectives, while maintaining fiscal discipline and planning for persistent economic uncertainty ahead. It seeks to position the City to provide high quality services and support key Council priorities while managing risk through fiscal policies such as a revenue enhancement, budget stabilization reserve, formalizing expenditure reductions for long-term sustainability, and managing utility enterprise funds reserves and long-term liabilities across all funds.

The FY 2027 General Fund Operating Budget uses one-time funding to bridge the shortfall in FY 2027 while continuing to invest in priority services, infrastructure, and savings for long-term liabilities, while also balancing fiscal discipline and strategic preparation. Going into FY 2027, staff remains cautious of slow regional growth and tech sector softness. This budget cautiously aligns revenue estimates for the various major tax categories consistent with recent trends; however, it assumes a cooling economy and structural reduction in sales tax baseline, in alignment with State administration revenue allocations and the expertise of the City's consultants for the City's largest two tax revenues, property and sales taxes. This budget also incorporates the pension section 115 trust administration and recent other post employment benefit (OPEB) actuary.

Investment in capital infrastructure remains a key priority, in part funded by the Measure K Business Tax as well as a transfer from the General Fund to the Capital Improvement Fund for the catch-up and keep-up priorities identified by the Infrastructure Blue Ribbon Commission (IBRC). The FY 2027 capital budget continues to prioritize the 2014 Council approved Infrastructure Plan (IP) in the General Capital Improvement Fund, and the voter-mandated revenue has increased the funding for multi-modal safety allowing for reinvestment in catch-up and keep-up work at the City's streets, parks, and facilities. As part of the effort to proactively plan for economic uncertainty, the General Fund base transfer to the Capital Improvement Fund was reduced by $1.5 million in FY 2027, as part of the broader structural realignment of the city's long-term financial plan. Through these actions, the budget ensures that essential infrastructure remains resilient and well-maintained while aligning capital outlays with the City's available ongoing revenue capacity.

# BUDGET BALANCING STRATEGY

## GENERAL FUND BALANCING STRATEGY

The FY 2027 Budget reflects long-term structural sustainability over a multi-year approach. The FY 2027 General Fund Budget is balanced, addressing a projected structural gap of $17.1 million through a combination of permanent base reductions and the prudent increases in revenues and use of one-time resources to maintain service stability. To balance the FY 2027 General Fund budget, staff recommends continuing the $3.4 million of reductions in FY 2026 and $5.9 million in permanent departmental reductions and a $1.5 million reduction in the transfer to the Capital Improvement Fund. These measures allow the City to continue investing in priority services and infrastructure through a methodical and resilient fiscal framework.

By policy, the City maintains a BSR balance of 15.0-20.0% of the annual operating expense, with a target level of 18.5%. The FY 2027 budget balancing strategy results in a projected $53.7 million BSR balance, representing 17.2% of expenses at fiscal year-end, or $3.9 million below the target level. We anticipate sales tax prior year one-time adjustment will be more favorable than assumed in this financial plan, which may improve the BSR by $2.0 million bringing it to $55.7 million or 17.9% of General Fund.

## REVENUES

General Fund revenues are $312.0 million in FY 2027, a $10.7 million or 3.6% increase over FY 2026 Adopted levels of $301.2 million, primarily driven by Property Tax ($2.5 million or 3.4% increase), Transient Occupancy Tax ($2.8 million or 9.7% increase), Charges for Services ($2.2 million or 5.1% increase), and offset by a decrease in Sales Tax ($3.0 million or 8.3%). Revenue estimates are moderately conservative, reflecting continued economic uncertainty and the FY 2026 Mid-Year realignment of the City's largest tax revenue sources, sales tax and property tax. Sales tax assumptions reflect a reduced ongoing baseline following adjustments to the California Department of Tax and Fee Administration (CDTFA) allocation methodology, particularly affecting leasing and auto sectors. Property tax assumptions reflect continued but moderated assessed value growth, with these adjusted levels carried forward into FY 2027. Overall, major tax revenues represent nearly 60% of total General Fund resources and have increased by $4.7 million or 2.7% year over year, from $175.6 million in the FY 2026 Adopted Budget to $180.3 million in the FY 2027 Adopted Budget. The FY 2027 budget includes voter approved ballot measures, affirming the ongoing Gas Utility Equity Transfer (Measure L) and recognizes revenues for the City's business tax (Measure K) for public safety ($2.0 million), affordable housing ($2.0 million), and transportation safety improvements and grade separations ($2.0 million).

The City Council and staff continuously refine revenue assumptions based on available data. In the FY 2026 Mid-Year Budget Review (presented to City Council in February 2026), major tax revenue sources were adjusted, including a $9.0 million decrease in Sales Tax and $1.3 million decrease in Property Tax.

Estimated changes for General Fund major tax revenues are outlined below (from FY 2026 Adjusted to FY 2027 Adopted Budget):

- Sales Tax: +21.8% (from $27.4 million to $33.4 million)

  Increase primarily reflects impact of reduction adjustments in FY 2026 Mid-Year.

FY 2026 Adopted Budget of $36.4 million compared to FY 2027 Budget of $33.4 million is a decrease of $3.0 million or 9.1%)

- Property Taxes: +5.2% (from $72.3 million to $76.1 million)
- Transient Occupancy Tax (TOT): +10.0% (from $29.1 million to $32.0 million)
- Utilities Users Tax (UUT): +7.3% (from $21.4 million to $23.0 million)
- Documentary Transfer Tax (DTT): +5.6% (from $8.5 million to $9.0 million)
- Business Tax (BT): +2.5% (from $6.7 million to $6.9 million)

The 21.8% increase in sales tax primarily reflects the impact of FY 2026 Mid-Year adjustments, rather than underlying growth. FY 2026 sales tax estimates were reduced by $9.0 million at Mid-Year due to a combination of one-time adjustments and lower baseline related to changes in state allocation methodology affecting leasing and new auto sectors. Amounts were reduced from $36.4 million in the FY 2026 Adopted Budget to $27.4 million. The FY 2027 Adopted Budget of $33.4 million reflects these factors and remains $3.0 million, or 8.3%, below FY 2026 Adopted levels.

The LRFF anticipated shortfalls in the medium term which range from $12.8 million in FY 2028 up to $15.3 million in FY 2029. When the LRFF is adjusted for the permanent structural realignments and one-time bridge adjustments recommended in this budget, the projected medium-term gap is estimated to be significantly reduced to $1.1 million in FY 2028 and $2.7 million in FY 2029. Importantly, the FY 2027 budget balancing strategies and recommendations for the near term will ensure the City maintains its path toward long-term fiscal health.

Funding from TOT, Business Tax (Measure K) and other Capital sources are included in this budget to provide resources for Capital Infrastructure. Funding from TOT includes two components, amounts for general use and amounts dedicated to funding the Infrastructure Plan. Of the $32.0 million in TOT budgeted in FY 2027, $15.9 million is allocated for general use, and $16.0 million is allocated to the Capital Improvement Fund for infrastructure projects. Approximately 60% or $4.0 million of Measure K funding contributes equally towards transportation and grade separation improvements and housing.

## EXPENSES

General Fund expenses are $311.8 million in FY 2027 represent a $1.2 million or 0.4% decrease compared to FY 2026 Adopted levels of $313.0 million. As a service-driven organization, salary and benefits represent approximately 62.0% of total General Fund expenses. Salary and benefits are $190.7 million in FY 2027, a $0.0 million or 0.0% increase over FY 2026 Adopted levels of $190.7 million. This disciplined expenditure profile reflects the formalization of $5.9 million in permanent departmental reductions and structural realignments. Additionally, this budget continues the practice to proactively fund long-term retirement benefits, consistent with the City's Retiree Benefit Funding Policy. Overall, this budget includes a $20.0 million Additional Discretionary Payment (ADP) to CalPERS and incorporates $4.45 million in sustained contribution savings resulting from the use of the Section 115 Pension Trust. Since the latest LRFF, this budget

also incorporates the recent Other Post Employment Benefit (OPEB) actuary increasing $1.9 million of General Fund appropriation.

This budget ensures that the City continues to maintain or enhance current service levels while addressing health and safety risks and advancing City Council priorities through efficiencies. Investments to address health and safety risks include the completion of the Fire Station 4 replacement project, the new Single-Role EMS Division, and $289,000 for Police Field Contact Recording technology to enhance data integrity. Investments to maintain current service levels and advance Council priorities include $3.2 million for infrastructure planning and maintenance at the Cubberley Community Center, programming $700,000 for the San Antonio Comprehensive Area Plan (CAP), and providing $400,000 for targeted planning resources to streamline the Development Center. These priorities are funded by alternative resources, including the transition of the Safe Routes to School Planner to Measure B funding. Also, to maintain our public spaces with greater efficiency, we are eliminating 1.00 FTE as a cost savings, and as it relates to the dissolved PAUSD field maintenance agreement which had 4.50 FTEs, we are re-allocating 1.00 FTE to CIP and 3.50 FTE to other priority maintenance which reduces contracted costs. These investments and realignments result in a net decrease in citywide authorized staffing levels of 21.25 FTE. Additionally, 6.00 FTE are frozen in FY 2027. Frozen positions remain authorized but are defunded as a temporary measure. This brings the total authorized staffing from 1,110.25 FTE in the FY 2026 Adopted Budget to 1,089.10 FTE (1,083.10 FTE considering frozen positions) in the FY 2027 Budget.

Due to economic uncertainty and the structural decline in sales tax, the FY 2027 Adopted Budget includes a $1.5 million reduction in the base transfer (projected FY 2027 compared to appropriated FY 2027) from the General Fund to the Capital Improvement Fund. This action is part of a broader effort to align capital outlays with available ongoing revenue capacity while still ensuring essential infrastructure remains resilient. The total transfer to the Capital Improvement Fund is projected at $35.5 million in FY 2027, compared to $33.1 million in FY 2026, which primarily includes the base transfer ($14.2 million), transfer of transient occupancy tax (TOT) receipts ($16.0 million), transfer for Cubberley CIP ($1.9 million), and other project transfers ($3.5 million).

## ALL FUNDS

### Stormwater Management Fund

In FY 2027, the Stormwater Management fee is scheduled to increase by 3% at a rate based on the CPI for All Urban Consumers in the San Francisco Bay Area, as approved by the voters in 2017 to keep fund revenues consistent with inflationary cost increases and to provide sufficient funds for planned Stormwater Management capital and operating expenditures. The Stormwater Management fee was approved by property owners through a ballot measure in April 2017, with the projects and infrastructure component of this fee sunsetting on June 1, 2032 unless extended through a subsequent ballot measure. This fee provides financial resources for a number of capital projects as outlined in the Storm Drain Blue Ribbon Committee's recommendations, which identified 13 Capital Improvement projects. Work on those projects began in FY 2019 and is scheduled to continue in the 2027-2031 CIP. Due to storms and flooding that occurred in prior years, the planning of the Stormwater capital projects continues to be evaluated and pri-

oritized. More information about updates to capital project funding and timelines can be found in the FY 2027 Capital Budget document.

### Wastewater Treatment Fund

The FY 2027 Budget includes significant funding for system improvements and buildings and facilities capital projects at the Regional Water Quality Control Plant (RWQCP) programmed through the 2027-2031 CIP. $44.0 million is budgeted in FY 2027 for these projects, with expenses of $166.1 million programmed over the 2027-2031 CIP. The RWQCP continues to undergo major capital investments to ensure the plant functions efficiently and takes advantage of new technologies where possible. Due to the large cost of these projects, staff continues to review financing options such as State Revolving Fund Loans or bond financing to address the cash flow and to avoid significant spikes in user rates by smoothing out costs over time for these generational investments. It is important to note that approximately 65% of expenditures in the Wastewater Treatment Fund are reimbursed by five contributing partner agencies outside of the City of Palo Alto, based on each agency's expected capacity share. Details of these capital projects and expenses can be found in the Wastewater Treatment Fund section of the FY 2027 Capital Budget document.

### Electric Fund

The FY 2027 budget continues substantial reinvestments in aging infrastructure to enhance reliability and increase capacity. Capital projects scheduled for FY 2027 amount to $85.3 million, for a total of $322.0 million programmed through the 2027-2031 CIP. This spending focuses primarily on the Grid Modernization for Electrification project. Other significant projects include substation upgrades and the undergrounding of power lines. The City continues to plan for debt issuance to finance these modernization efforts which mitigate significant spikes in user rates by smoothing out costs over time for these generational investments. Escalating power supply expenses, coupled mounting capital investment and debt service costs, are anticipated to result in rate increases of 4.5% in FY 2027.

### Fiber Fund

The FY 2027 capital budget includes funding to reinvest and build the new fiber backbone that supports a dedicated communication network for City substations, advanced metering infrastructure (AMI), and wireless field communication for City departments. In addition, the City continues the build-out of the Fiber-to-the-Premise (FTTP) pilot and the expansion of Palo Alto Fiber Internet services. The City is aligning FTTP with Electric grid modernization to maximize project efficiencies. Given the amount of overhead construction required for both projects, the alignment enables exploration of construction phasing options to minimize community disruption, construction activity, and costs.

### Sustainability and Climate Action Plan (S/CAP)

One of the City Council's continuing goals for calendar year 2026 is Climate Change & the Natural Environment, which ties into the Sustainability and Climate Action Plan (S/CAP) that was developed to help the City achieve aggressive sustainability targets. Two of those targets are the goal of reducing greenhouse gas (GHG) emissions 80% below 1990 levels by 2030 (the "80 x 30" goal) and achieving carbon neutrality by 2030. The City's commitment to a sustainable future is reflected in the FY 2027 Adopted Budget, which continues implementation of the S/CAP. Investments have been made across various City funds

related to S/CAP including: the Grid Modernization for Electrification capital project (EL-24000); scaling existing successful energy efficiency programs; performing and analyzing research in alternative energy sources, sustainable water supplies, and carbon sequestration options; increasing incentives for voluntary electrification programs; installing additional electric vehicle (EV) charging stations to encourage the wider adoption of EVs; maintaining the EV replacement program for the City's fleet; and maintaining staff capacity to promote ambitious programs for vehicle and building electrification, and sustainability programs like expanding the urban canopy, and preparing for sea level rise.

### Parking District Funds (University Avenue, California Avenue, and Residential Parking Permit (RPP) Funds

As a result of the recommended changes in various parking programs, this budget includes:

- Revenue updates in permit sales for the University Avenue and California Avenue Funds to reflect current permit fees and parking activity levels, which remain significantly below pre-pandemic benchmarks.
- Revenue updates in residential parking permits for the RPP Fund to reflect permit fees aligned with persistent lower demand for residential parking.
- Ongoing funding of $1.35 million from the General Fund to the University Avenue ($0.25 million), California Avenue ($0.8 million), and Residential Parking Permit (RPP) Funds ($0.3 million) to bridge annual operating shortfalls.
- Sustained funding to maintain enhanced cleaning services established in the prior cycle, totaling approximately $300,000 for University Avenue and $125,000 for California Avenue, along with $200,285 in new contract requirements for University Avenue garages.

Net operating losses will exhaust remaining fund balances; which prompted General Fund loans to the parking funds of $2.0 million and $1.8 million in FY 2025 and FY 2026, respectively. In FY 2027, the General Fund subsidy has been reduced to $1.35 million as the City utilizes available parking fund balances to bridge the transition while working throughout the fiscal year to meet updated and increased revenue targets established in FY 2026. Funding from the General Fund will maintain services while staff continues to monitor parking permit demand and implement elements of a comprehensive parking strategy, including permit pricing and policy. Subsequent Municipal Fee Schedule adjustments will be examined as staff expects to return to the City Council for program change reviews and implementation timeframes.

## UTILITY RATE CHANGES

The FY 2027 Utility Financial Plan is developed to provide sufficient funding to cover increasing expenses for commodities, maintain resilient reserve levels, and fund the multi-year Grid Modernization and aging infrastructure replacement programs. Financial plans and rate changes for the City's utilities are scheduled for City Council adoption in June 2026, following extensive review by the Utilities Advisory Commission (UAC) and the Finance Committee. This budget is predicated on the following utility rate changes for a median monthly residential utility bill effective July 1, 2026:

- 4.5% rate increase for Electric
- 3% CPI increase for Fiber
- 9% rate increase for Gas
- 3% rate change for Refuse
- 3% CPI increase for Stormwater
- 16% rate change for Wastewater Collection
- 8% rate change for Water

The Utilities Advisory Commission reviewed these proposed rate changes at the March and April 2026 commission meetings. The Commission supported the recommended rate changes with recommended changes in the water and gas utilities. Details on the recommendations and further discussion can be found in the Finance Committee agenda items on March 21, 2026 for water and wastewater utilities and April 21, 2026 for gas and electric utilities.

Bill impacts will vary depending on customers' rate class and consumption levels and may differ from the overall rate increases. These adjustments are necessary to manage escalating commodity costs, replace aging infrastructure, and ensure safety and reliability of Utilities and Public Works services. The Adopted budget and final rates will be adjusted to align with the final Finance Committee recommendations for Council consideration.



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# ATTACHMENT B: POSITION SUMMARY

The most significant asset the City has in serving the community is its employees. Local government services are primarily delivered by employees, whether they are police officers, fire fighters, utility lineperson, librarians, or planners. Therefore, approximately 61.2% of the FY 2027 General Fund Budget is attributed to funding salaries and benefits.

This budget incorporates the current labor agreements for wages, benefits, and other terms and conditions of employment. The City Council approved a Memorandum of Agreement (MOA) through December 31, 2027 with Service Employees International Union (SEIU) on March 17, 2025 (Staff Report # 2502-4147).

Updated MOAs for the International Association of Fire Fighters (IAFF), Fire Chiefs Association (FCA), Utilities Managers and Professionals Association of Palo Alto (UMPAPA), and the Compensation Plan of the unrepresented Management and Professional group through June 30, 2028 were adopted by the City Council on June 16, 2025 (Staff Report # 2505-4737), and the Palo Alto Police Officers' Association (PAPOA) and the Palo Alto Police Managers Association (PMA) on August 11, 2025 (Staff Report # 2507-4928). On January 12, 2026, the City Council adopted the MOA for the SEIU Hourly Unit through December 31, 2027 (Staff Report # 2512-5752).

Position actions previously approved by the City Council appear in the FY 2027 Base Budget, including those that were frozen in September 2025 which are incorporated herein as permanent reductions and the authorization of positions to support the Community Center on Bryant Street.

Actions in this budget decrease full-time staffing levels from 1,110.35 FTE (613.97 FTE in the General Fund) to 1,089.10 FTE (592.89 FTE in the General Fund), a 21.25 FTE or 1.9% decrease. This includes the elimination of all FTE that were frozen in FY 2026. These actions are discussed in detail below and in the individual sections of the budget document where the transactions occur, including the Staffing Tables and Budget Adjustments sections of the respective departments, and the Table of Organization.

## POSITION CHANGES

Position changes recommended in this budget include eliminations, additions, reclassifications, and reallocation/realignment of staff. The table below summarizes the changes in full-time positions and is followed by a more detailed discussion. Additional information about staffing eliminations, additions, reclassifications, and reorganizations is available in this FY 2027 Budget in the department sections and the Table of Organization.

**Full-Time Position Changes**
**FY 2026 Adopted to FY 2027 Adopted**

| | General Fund | Enterprise Funds | Other Funds* | Total |
|---|---|---|---|---|
| **FY 2026 Adopted Budget** | **613.97** | **396.88** | **99.50** | **1,110.35** |
| FY 2026 Approved Adjustments | - | - | - | - |
| **FY 2026 Modified Budget** | **613.97** | **396.88** | **99.50** | **1,110.35** |
| | | | | |
| FY 2027 Increase | 3.00 | 3.00 | - | 6.00 |
| FY 2027 Decrease | (20.87) | (5.15) | (1.63) | (27.65) |
| FY 2027 Reallocation | (3.21) | 1.51 | 2.10 | 0.40 |
| | | | | |
| **FY 2027 Adopted Budget**** | **592.89** | **396.24** | **99.97** | **1,089.10** |
| Net Difference: FY 2026 Adopted to FY 2027 Adopted | (21.08) | (0.64) | 0.47 | (21.25) |

* Other Funds include Internal Service, Special Revenue, and Capital Improvement Funds
**The FY 2027 Adopted Budget includes 6.00 FTE frozen positions, which remain in the authorized headcount but have been defunded.

Full-time position changes recommended in this budget include eliminations, additions, reclassifications, and reallocation of staff as detailed below.

## FY 2027 Position Actions by City Service Areas:

FY 2026 freezes Council approved on September 8, 2025 are made permanent eliminations in FY 2027 are noted with asterisk (*).

Internal Support & Administration (Eliminations 5.25 FTE, re-allocations 0.95 FTE):

- Eliminate 1.00* FTE Human Resources Technician and reduce 0.25 FTE of an existing 0.75 FTE Administrative Assistant in Human Resources Department
- Eliminate 1.00* FTE Manager Revenue Collections, 1.00 FTE Administrative Associate II and 1.00 FTE Management Analyst (working as Grants Manager) and reclassify Senior Management Analyst to Management Analyst (Real Estate) in Administrative Services Department
- Eliminate 1.00* FTE Manager Information Technology in the IT Department

Community & Library Services (Eliminations 6.00 FTE, re-allocations 1.00 FTE and addition 1.00 FTE):

- Add 1.00 FTE Program Assistant I in CSD to support operations at the Bryant Street community center
- Reclassify 2.00 FTE Producer Arts/Science Programs to 2.00 FTE Theatre Specialists
- Eliminate 1.00 FTE Program Assistant II in CSD
- Eliminate 1.00 FTE Park Maintenance Lead in CSD
- Reallocate 1.00 FTE total (to CIP amongst 3 maintenance positions) and moved 3.50 FTE to other General Fund costs centers due to the termination of the PAUSD field maintenance agreement (which had 4.50 FTE originally).
- Eliminate 1.00 FTE Senior Librarian, 1.00* FTE Library Associate, 1.00 FTE Library Associate, 0.50 FTE Library Specialist and 0.50 FTE Administrative Assistant positions

Planning & Transportation (Eliminations 3.00 FTE, additions 3.00 FTE):

- Add 1.00 FTE Assistant Engineer in the Office of Transportation to support bicycle, pedestrian and street safety projects and oversized vehicle programs
- Add 1.00 FTE Planner in the Office of Transportation (technical correction)
- Add 1.00 FTE Planner in Planning and Development Services (technical correction)
- Eliminate 1.00 FTE Senior Planner, 1.00 FTE Planner and 1.00* FTE Planner in Planning and Development Services
- Reclassify 2.00 FTE Administrative Associate III to 2.00 FTE Development Project Coordinator I to better align with departmental needs in Planning and Development Services.

Infrastructure & Environment (Eliminations 10.00 FTE, re-allocations 1.95 FTE, freeze 3.00 FTE and addition 3.00 FTE):

- Eliminate 1.00* FTE Engineer, 1.00* FTE Tree Trimmer, 1.00 FTE Administrative Associate II, 1.00 FTE Surveyor, and 1.00 FTE Manager Maintenance Operations in Public Works Department.
- Add 3.00 FTE total, 1.00 FTE Senior Operator WQCP, 1.00 FTE Manager Information Technology, and 1.00 FTE Manager Maintenance Operations in PWD to accommodate expanding operational demands as aspects of the new RWQCP come online.
- Eliminate 3.00 FTE Meter Reader and 1.00 FTE Meter Reader - Lead in Utilities
- Eliminate 1.00 FTE Meter Reader (and 3.00 FTE General Laborer – Hourly) in Utilities with AMI project completion.
- Freeze (remove funding only) 1.00 FTE Manager Utilities Telecommunications, 1.00 FTE Assistant Director Fiber Enterprise, and 1.00 FTE Manager Information Technology in Utilities.

Public Safety (Eliminations 3.00 FTE, freeze 3.00 FTE and addition 1.00 FTE):

- Eliminate 2.00* FTE Fire Fighter Trainee, and freeze (remove funding only) for 1.00 FTE Manager EMS and 1.00 FTE Firefighter Trainee in Fire as a pilot approach that will be re-assessed during FY 2028 budget development.
- Eliminate 1.00 FTE Community Service Officer in the Police Department
- Add 1.00 FTE Program Assistant II, offset by freezing (remove funding only) 1.00 FTE Police Sergeant in the Police Department as a pilot approach that will be re-assessed during FY 2028 budget development.

In addition to these adjustments, part-time positions were added to support work such as the Enterprise Resource Planning (ERP) System upgrade in TE-19000 (temporarily) and community services Bryant Street programming. Part-time positions were also deleted such as part-time Management Specialist in Planning and General Laborers after completion of AMI project, and an addition of 0.48 FTE part-time Zoological Assistant in the Community Services Department to explore achieving Association of Zoos & Aquariums (AZA) credentials/requirements.

## FY 2026 Position Changes

In FY 2026, the City Council approved specific actions to execute the direction to reduce the budget by approximately $6.0 million. In total, net 9.00 full-time positions were frozen. Those positions are eliminated in the FY 2027 Budget. The details of these adjustments are available in the August 19, 2025 Staff Report # 2506-4817.

## SALARY & BENEFITS

The City approved new Memorandum of Agreements (MOA) with SEIU on March 17, 2025 (Staff Report #: 2502-4174), with IAFF, FCA, UMPAPA, with the unrepresented Management and Professionals group on June 16, 2025 (Staff Report #: 2505-4737), and the Palo Alto Police Officers' Association (PAPOA) and the Palo Alto Police Managers Association (PMA) on August 11, 2025 (Staff Report #: 2507-4928). On January 12, 2026, the City Council adopted the MOA for the SEIU Hourly Unit (Staff Report #: 2512-5752). Current terms extend to December 2027 (SEIU) and June 2028 (all other negotiated groups). The labor agreements include 2.5-3.0% Cost of Living Adjustments (COLAs) also referred to as general wage increases, targeted market adjustments, and benefits such as flexible compensation to allow employee choice in health and other benefit options. The general wage increase addresses rising cost of living indicators (such as the Consumer Price Index) and regional economic factors. The market adjustments apply to positions identified in a total compensation study and agreed upon with labor groups to align with market conditions and maintain the City of Palo Alto's standing as an employer of choice in the region. The specific terms of the agreements vary by labor group and additional details are available on the City's website www.paloalto.gov/Departments/Human-Resources/Labor-Agreements-and-Salary-Schedules. The FY 2027 Budget includes funding for these terms and standard, modest annual increases.

## PENSION

The City Council has implemented multiple efforts to minimize the growth of pension and other benefit expenses through labor negotiations. These are an important part of the City's overall cost-containment strategies. Past successful steps include:

- Employee payment of the CalPERS employee contribution for all bargaining groups.
- Employee contribution toward the employer portion of CalPERS normal cost, between 1% and 4% of salary.
- Employees sharing the cost of health plans by shifting from a percentage share to a flat-rate medical benefit.
- Implementation of a less costly second and third-tier pension plan (PEPRA), effective January 1, 2013.

The FY 2027 Budget reflects the required employer pension contributions determined in the CalPERS actuarial valuation as of June 30, 2024 (Staff Report #: 2506-4901) and released by CalPERS in August 2025. The calculation for annual employer contributions is based on a set of actuarial assumptions for demographic (e.g., mortality, retirement, termination, and disability rates) and economic factors (e.g., future investment returns, inflations, and salary growth). Increases and decreases to the City's pension liability occur when CalPERS does not meet assumptions due to plan changes, assumption changes, method

changes, or plan experience (including investment gains/losses). Therefore, there are potential impacts to the City's pension liability resulting from day-to-day market volatility.

The Actuarial Determined Contribution (ADC), also referred to as the blended rate, reflects the total estimated employer contribution and includes the combined cost of Normal Cost (NC) and Unfunded Accrued Liability (UAL).

- The NC reflects the employer contribution for the plan retirement benefits provided to current employees based on the current set of assumptions and is billed as a percentage of payroll.
- The UAL represents the employer amortization of unfunded accrued liability and is billed as a flat dollar rate. The CalPERS annual payment is calculated to pay down the City's unfunded accrued pension liability over the amortization timeline. The assumption is that if all actuarial assumptions were realized through the amortization timeline, the City would eliminate its unfunded pension liability after making these annual payments.

The total ADC for FY 2027 is $71.1 million ($44.1 million for the Miscellaneous Plan and $27.0 million for the Safety Plan), an increase of $2.6 million, or 3.8% from FY 2026 Adopted levels of $68.5 million.

Each year, the City's UAL is impacted if CalPERS investment returns do not meet expectations. In the period ending June 30, 2024, the plan experienced a positive 9.3% investment return as compared to a 6.8% return assumed by CalPERS. Consistent with the current amortization policy, the resulting investment impact will be amortized over 20 years with a 5-year ramp-up period. Overall, the funded status of the Public Employee's Retirement Fund (PERF) increased from the prior year, from 71.4% to 75.0% as of June 30, 2024. This report does not consider the preliminary 11.6% return on investments for the period ending June 30, 2025 (6.8% target); this investment return will be included in the report issued in Fall 2026 and incorporated in the development of the FY 2028 budget. An estimate for this return is included in the FY 2027-2036 Long Range Financial Forecast (LRFF) for financial planning purposes. The City will continue to strategize appropriate actions that address long-term pension obligations.

The City has taken several proactive steps to address rising pension costs and long-term liabilities, including cost-sharing in labor agreements, establishing an irrevocable Section 115 Pension Trust Fund (Pension Trust), and adopting a Retiree Benefit Policy that addresses funding policy for pension and retiree healthcare plans, also referred to as Other Post-Employment Benefits (OPEB). As part of policy goals, the City seeks to reach a 90% funded status by FY 2036 and budgets at the more conservative 5.3% discount rate. Further information about this policy can be found in the Employee Information section of this document. This Budget includes approximately $14.4 million ($9.0 million in the General Fund) in supplemental contributions. Through FY 2026, a total of $101.8 million in principal contributions will have been made to the Pension Trust (approximately 65% from the General Fund).

In the General Fund, it is anticipated the City will spend a total of $52.7 million on total pension costs in FY 2027, including both CalPERS contributions and supplemental Pension Trust Fund contributions. This value will be partially offset by the actions described below.

In FY 2027 the City will transmit funds from the Pension Trust to CalPERS in accordance with the Retiree Benefit Funding Policy. The City's irrevocable Pension Trust, administered through Public Agency Retire-

ment Services (PARS), is used to hold an amount equal to one year of required employer contribution (REC), with any amount above that level eligible for transmission to CalPERS, subject to Council approval. As of June 30, 2025, the trust held approximately $110.0 million compared with a FY 2026 one-year REC of $70.0 million, leaving roughly $40.0 million available above the policy target. Staff therefore recommend related actions that include transmitting $10.0 million to CalPERS before June 30, 2026 as an Additional Discretionary Payment (ADP), which was approved by the City Council on February 23, 2026 through the FY 2026 Mid-Year Budget (Staff Report # 2512-5662). Additional recommended actions include transmitting another $20.0 million in FY 2027 as ADP, and using excess trust funds to offset $6.0 million of the FY 2027 Actuarially Determined Contribution (ADC) citywide, including about $3.6 million General Fund, to reduce unfunded liability, smooth pension costs, and support progress toward 90% funded status by FY 2036.

## RETIREE HEALTHCARE

Retiree Healthcare/Other Post-Employment Benefits (OPEB) is based on actuarial consultant studies (Foster & Foster) that are completed bi-annually. The most recent study covers the period ending June 30, 2025. It was completed in March 2026 and will be reviewed by the Finance Committee in May 2026 and the City Council as part of the annual budget process. Consistent with City Council direction and the proactive funding strategies in the Retiree Benefit Funding Policy, the FY 2027 Budget continues the practice of budgeting the cost of retiree healthcare at a more conservative 5.75% discount rate and transmitting the amount above the required payment as an additional discretionary payment "prefunding" to the CERBT Fund.

The budget assumes the full payment of the Actuarial Determined Contribution (ADC) for retiree healthcare. CalPERS blends active employees with pre-Medicare retirees and charges the same medical premium, even though younger employees on average consume less healthcare. The higher premium to younger employees thereby subsidizes older employees and retirees who, on average, have higher claims and premiums. This implied subsidy effectively lowers the funding necessary to meet the ADC.

In FY 2027, the ADC is $26.1 million, a $3.5 million increase FY 2026 levels of $22.6 million. Though the ADC assumed for the FY 2027 budget is $26.1 million, the charges to the City's funds are budgeted at $22.9. The difference of $3.2 million represents the City's implied subsidy for retiree healthcare.

Additional information regarding Retiree Healthcare can be found in the Employee Information section of this document.



# INTRODUCTION



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# Budget Acknowledgments

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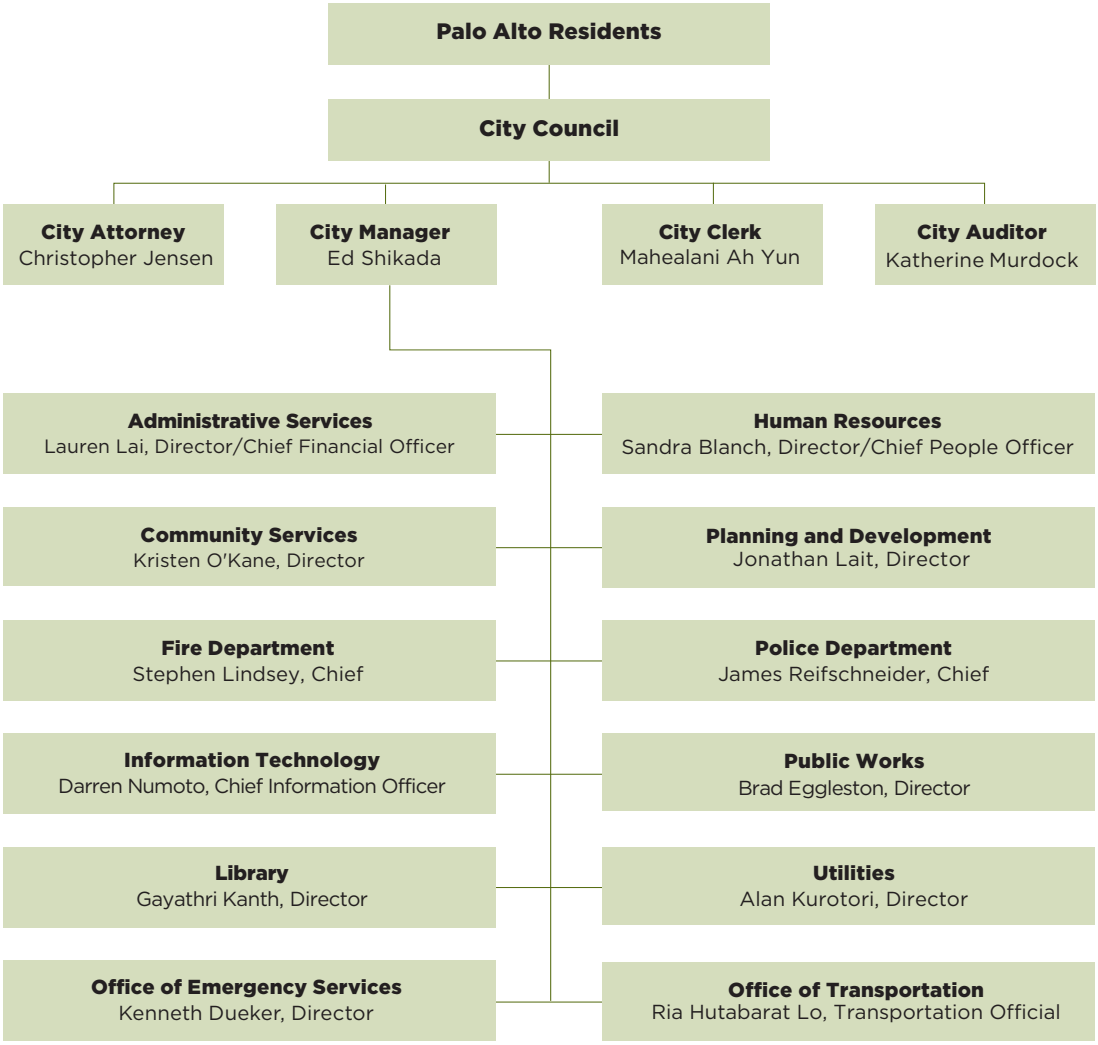
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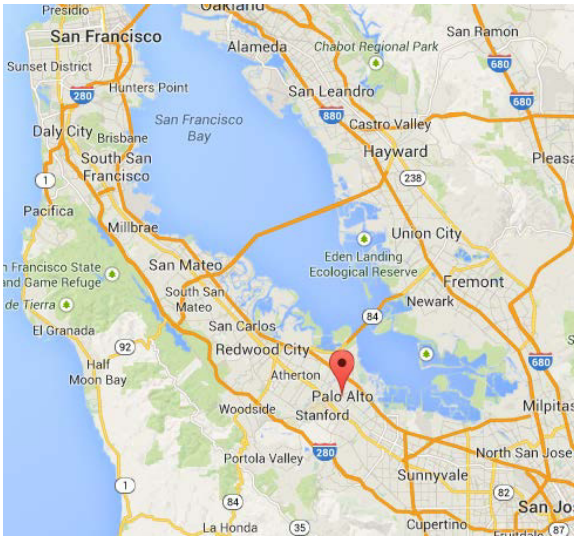
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# CITY OF PALO ALTO ORGANIZATIONAL CHART



# Palo Alto at a Glance




## INCORPORATION

April 23, 1894

## GOVERNMENT

Palo Alto is a charter city operating under the Council-Manager form of government

## COUNTY

Santa Clara County

www.sccsgov.org

## SCHOOL DISTRICT

Palo Alto Unified School District

www.pausd.org

## LOCATION

33 miles south of San Francisco; 17 miles north of San Jose; and 356 miles north of Los Angeles

## CLIMATE

Mediterranean climate with cool, wet winters and warm, dry summers

## AREA

25.85 square miles

## ELEVATION

30 feet above sea level

## PARKS, PRESERVES AND OPEN SPACE

4,374.13 acres

## CREDIT RATING

AAA

# PALO ALTO AT A GLANCE

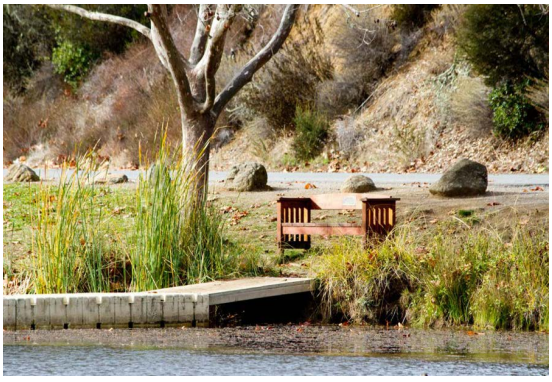
## POPULATION

Palo Alto's population was 67,237 in 2025. This represents a 0.01% increase over the previous year and a 1.14% increase since 2015. 22.2% of the population is under the age of 18, and the median age is 43.6. 50.1% of the population is female, and 49.9% of the population is male.




## EDUCATION

Palo Alto has one of the most outstanding educational systems in the nation. 96.8% of Palo Alto residents aged 25 or over have received a high school diploma. 82.3% have obtained a bachelor's degree or higher and 55.0% have earned a post-graduate or professional degree.



School enrollments in Palo Alto decreased to 10,172 from 12,488 or by 22.77% between 2016 and 2025. In school year 2025-26 Palo Alto and Gunn high schools had average SAT scores of 1,364 and 1,366 on a scale of 1,600. The average scores for the United States and California were 1,029 and 1,096 respectively.

## INCOME

In 2024, Palo Alto's median household income was $250,000 and the per capita income was $123,939. As of 2024, 85.6% of all households in Palo Alto had an annual income of greater than $100,000.

## PERSONS PER HOUSEHOLD

The average number of persons per household in Palo Alto owner-occupied and renter occupied homes was 2.5 in 2024 compared to 2.3 per household in 2000.



## HOUSING UNITS

In 2024, 54.6% of the 26,021 housing units were owner-occupied and 45.4% were renter-occupied. In 2000, there were 26,048 housing units, 55.4% owner-occupied, 41.4% renter-occupied, and 3.2% were vacant. There were 0.10% more total housing units from 2000 to 2024.

## DEVELOPMENT

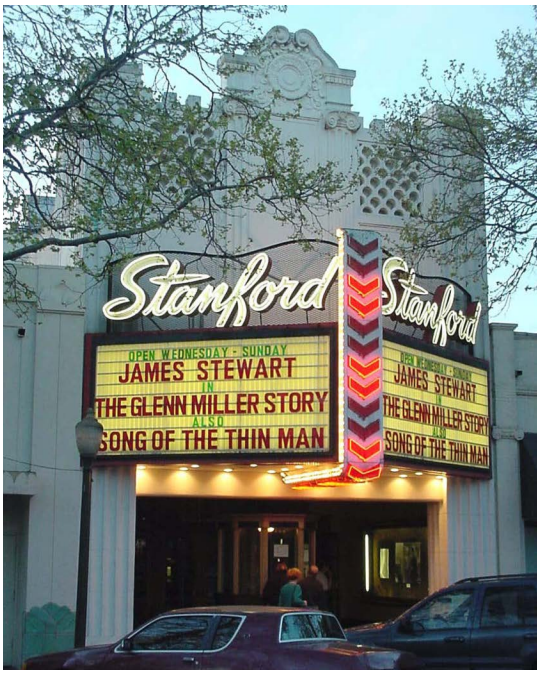
The City issued approximately 2,763 residential and 591 commercial building permits in Fiscal Year (FY) 2025. The combined valuation for all permits was $251 million.

## OFFICE AND INDUSTRIAL RENTAL ACTIVITY

Palo Alto's net rentable office space totaled 8.0 million square feet (sq. ft) as of the fourth quarter of 2025. The vacancy rate during this same time period was 17.2% compared to 16.1% for the Silicon Valley market. Average asking rents in Palo Alto and the Silicon Valley were, respectively, $9.14 and $5.60 per sq. ft, as of the fourth quarter of 2025.

Net rentable square footage for industrial facilities in Palo Alto was 1.3 million with a vacancy rate of 3.0% and average asking rent of $1.62 per sq. ft for manufacturing and $2.20 per sq. ft for warehouse. The Silicon Valley market had an average vacancy rate of 4.6% and asking rent averaged $1.79 per sq. ft for both manufacturing and warehouse

Net rentable space for Research and Development (R&D) facilities in Palo Alto totaled 12.6 million sq. ft with a vacancy factor of 12.6% and average asking rent of $5.79 per sq. ft. The vacancy rate for the Silicon Valley market was 12.3% with an average asking rent of $2.92 per sq. ft.




## Top 25 Major Sales/Use Tax Contributors, FY 2025

| | | |
|---|---|---|
| Anderson Honda | Magnussen's Toyota of Palo Alto | Tesla |
| Apple Stores | Neiman Marcus | Tesla Lease Trust |
| Audi Palo Alto | Nordstorm | Tiffany & Company |
| Bloomingdale's | Restoration Hardware | Varian Medical Systems |
| Hermes | Richemont | Volvo Cars Palo Alto |
| HP Enterprise Services | Sephora | Wilkes Bashford |
| Louis Vuitton | Shell Service Stations | JP Morgan Chase |
| Lucile Packard Children's Hospital | Shreve & Co | |
| Macy's Department Store | Stanford Health Care | |

## RETAIL SALES AND SALES TAX REVENUE

Sales and use tax totaled $35.2 million in FY 2025, a decrease of $2.3 million or 6.1%, compared to FY 2024. The decline was primarily attributable to reduced activity in auto sales and leasing, which represents a significant portion of Palo Alto's sales tax base. Sales Tax revenues continue to be influenced by local income levels, employment conditions, and evolving consumer purchasing patterns. Santa Clara County per capita personal income increased by 7.1% in 2025 compared to the prior fiscal year.

At the end of FY 2025, Palo Alto's unemployment rate was approximately 4.2%, compared to 4.6% in Santa Clara County and 5.8% statewide.

# Principal Property Taxpayers, FY 2025

| Rank | Taxpayer | Taxable Assessed Value |
|---|---|---|
| 1 | Leland Stanford Jr. University | $7,398,938 |
| 2 | Google Inc. | $385,453 |
| 3 | ARE-San Francisco 80 LLC | $312,011 |
| 4 | ARE-San Francisco 69 LLC | $153,668 |
| 5 | 395 Page Mill LLC | $131,970 |
| 6 | Park VIllage Peninsula LLC | $130,744 |
| 7 | Palo Alto Tech Center LLC | $121,332 |
| 8 | KRE El Camino Real Owner LLC | $109,941 |
| 9 | SI 45 LLC | $89,941 |
| 10 | M10 Dev LLC | $89,833 |
| | **Total** | **$8,923,831** |

## PALO ALTO BUSINESSES

As the birthplace of the Silicon Valley and Stanford University, a close neighbor, Palo Alto has served as a home to thousands of innovative companies including Hewlett-Packard, Tesla, Palantir Technologies, Xerox's Palo Alto Research Center (PARC), Wilson Sonsini Goodrich & Rosati, Manatt Phelps Phillips, Accel Partners, Google, Genencor, Tencent America, Skype Technologies, Nest, the Institute for the Future, and many other leading technology and business services firms.

Palo Alto continues to be a desirable place to live due to its economy, climate and natural beauty, parks and recreational activities, excellent public school system, university presence, proximity to three major airports (Oakland, San Jose and San Francisco), rail service, world-class medical facilities, excellent retail centers and restaurants, and its highly acclaimed City services.

Businesses are drawn to Palo Alto not only because of its great location, workforce, and entrepreneurial culture but also because of incentives including great local utilities (including dark fiber) and no payroll tax. Additionally, the City's Development Center is a "one-stop" service center staffed by the Planning and Development Services, Public Works, Utilities, and Fire departments.

## EMPLOYMENT

The City had 32,617 employed residents in 2025. Due to its location on the Peninsula and the presence of Stanford University, the City is a job importer versus exporter with a total of 80,452 jobs citywide. Palo Alto's unemployment rate was 4.2% in 2025, which was lower than the state (5.4%), and county (4.6%), but higher than the nation (4.1%), during the same period.

## LARGEST EMPLOYERS

Palo Alto's top ten employers as of June 30, 2025 reflect jobs in industries ranging from education and healthcare to technology and research and development.



# Principal Employers, FY 2025

| Rank | Employer | Number of Employees |
|---|---|---|
| 1 | Stanford ( University and Healthcare) | 18,000 |
| 2 | Broadcom Inc. (VMware Inc) | 2,781 |
| 3 | Varian Medical Systems | 1,710 |
| 4 | Hewlett-Packard Company | 1,632 |
| 5 | Veterans Affairs Palo Alto Health Care System | 1,323 |
| 6 | Wilson Sonsini Goodrich & Rosati | 1,100 |
| 7 | City of Palo Alto | 1,092 |
| 8 | Roche Palo Alto LLC | 1,050 |
| 9 | Brocade Communications Systems LLC | 800 |
| 10 | Workday,Inc | 714 |
| | **Total** | **30,202** |

# Parks, Recreation & Community Centers

| Item (FY 2025) | Number |
|---|---|
| Parks | 33 |
| Parks Acreage | 174 |
| Dog Parks | 5 |
| Playgrounds | 30 |
| Community Centers, Museums, Zoo | 6 |
| Theatres | 3 |
| Golf Courses | 1 |
| Gymnasiums/Fitness Rooms | 4 |
| Youth Centers | 1 |
| Walking/Biking Trails (Miles) | 41 |



# Libraries

| Item (FY 2025) | Number |
|---|---|
| Library Branches | 5 |
| Items Checked Out (Circulation) | 1,051,836 |
| Books (Inventory) | 253,442 |
| Digital Audio/Visual (Inventory-Movies, Music, Books) | 285,122 |
| Physical Audio/Visual (Inventory-Movies, Music, Audiobooks) | 32,758 |
| Reference Questions | 6,965 |

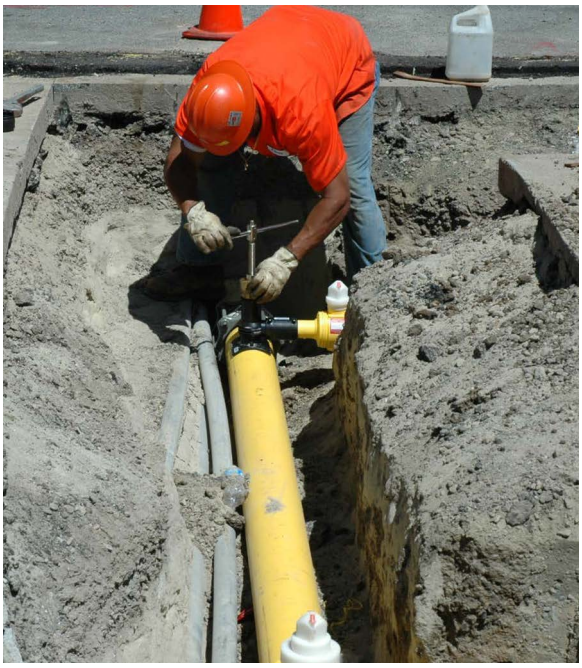
# Public Safety

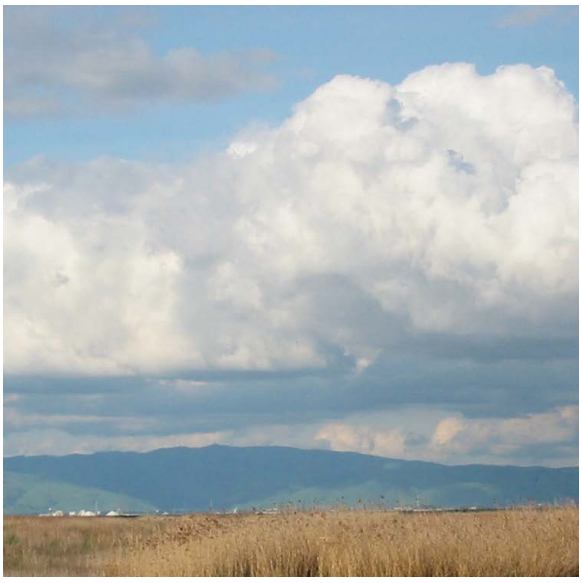
| Item (FY 2025) | Number |
|---|---|
| **Police** | |
| Police Stations | 1 |
| Sworn Police Personnel | 87 |
| Police Vehicles | 30 |
| Motorcycles | 3 |
| Canine Units | 2 |
| Number of Calls for Service | 42,313 |
| **Item (FY 2025)** | **Number** |
| **Fire** | |
| Fire Stations | 7 |
| Sworn Fire Personnel | 101 |
| Fire Engines | 9 |
| Fire Trucks | 1 |
| Ambulances | 6 |
| Number of Calls for Service | 9,840 |



# Infrastructure, Maintenance & Development Activity

| Item (FY 2025) | Number |
|---|---|
| Street Miles | 471 |
| Lane Miles Resurfaced Annually | 18.9 |
| Building Permits Issued Annually | 3,354 |
| Number of Fire Inspections | 8,769 |
| Active Capital Improvement Projects | 212 |
| Capital Improvement Projects Expenses | $153.8 million |
| Miles of Water Municipal Mains | 231 |
| Gallons of Water Delivered Daily | 8.8 million |
| Miles of Municipal Wastewater Mains | 208 |
| Gallons of Wastewater Treated | 7.1 million |
| Miles of Gas Mains | 210.5 |
| Miles of Overhead Electrical Line (primary and secondary) | 205 |
| Miles of Underground Electrical Line (primary & secondary) | 289 |
| Miles of Fiber Optic Backbone | 56.3 |





# Sustainability

| Item (FY 2025) | Number |
|---|---|
| Total Tons of Material Recycled or Composted | 52,300 |
| Total Megawatt-hours Purchased from Eligible Renewable Sources* | 514,379 |
| Percent of Electric Portfolio Purchased from Eligible Renewable Sources | 55% |
| Percent of Electric Portfolio Purchased from Carbon Neutral Sources** | 100% |

* FY 2025 "Eligible Renewable Sources" are wind, solar, small hydroelectric, and biogas generators whose output is directly purchased by the City, including purchases under long-term power purchase agreements (PPA).

** FY 2025 "Carbon Neutral Sources" include eligible renewable from PPA (55%) and large hydroelectric power (45%). In FY2025, the output from the City's large hydroelectric resources was about equal to long-term average levels.

## SOURCES:

**POPULATION:**
U.S. Census Bureau 2024 American Community Survey demographic and Housing Estimates, 5-Year Estimates, Table DP05.

**EDUCATION:**
U.S. Census Bureau, 2024 American Community Survey, Social Characteristics in United States, Educational Attainment, 5-Year Estimates, Table DP02.
City of Palo Alto 2024-2025 ACFR (Demographic and Economic Statistics-Last Ten Fiscal years.)
2025 SAT Suite of Assessments Annual Report by College Board.

**INCOME:**
2024 American Community Survey 5-Year Estimates, Selected Economic Characteristics, Table DP03.

**PERSONS PER HOUSEHOLD AND HOUSING UNITS:**
2024 American Community Survey 5-Year Estimates, Selected Housing Characteristics, Tables, DP04.

**DEVELOPMENT:**
City of Palo Alto Planning and Development Services Department.

**OFFICE AND INDUSTRIAL RENTAL ACTIVITY:**
CBRE Silicon Valley Office Figures Q4 2025.
CBRE Silicon Valley R&D Snapshot Q4 2025.
CBRE Silicon Valley Industrial Figures Q4 2025.

**RETAIL SALES AND SALES TAX REVENUE:**
Treasury, Debt and Investments Division.

**TOP 25 MAJOR SALES/USE TAX CONTRIBUTORS:**
Treasury, Debt and Investments Division.

**PRINCIPAL PROPERTY TAXPAYERS:**
City of Palo Alto 2024-2025 ACFR- Principal Property Taxpayers-Current Year and Nine Years Ago.

**EMPLOYMENT:**
California Employment Development Department Labor Market Information Division for City unemployment rate, US Department of Labor-Bureau of Labor Statistics for Nation and State and County unemployment rate. 2024 American Community Survey, Means of Transportation to work by age and workplace geography, 5-Year Estimates, Table B08501/DP03.

**PALO ALTO BUSINESSES:**
City of Palo Alto Economic Development.
https://www.paloalto.gov/Business/Comprehensive-Economic-Development-Strategy

**LARGEST EMPLOYERS:**
City of Palo Alto FY2025 Annual Comprehensive Financial Report.

# The Budget Process and Document

## Basis for Budget Development

The budget is the City's financial plan for delivering effective services and efficiently managing the revenues which support those services. The City's charter and municipal code provide broad governance for preparation of the operating and capital budgets. The budget is also developed based on the following:

- The City Council's top priorities and other City Council directives
- Organizational financial status and budgetary guidelines
- Service level prioritization, as identified by the City Manager
- Availability and sustainability of revenues
- Legal mandates
- Prioritization criteria, as outlined in the capital budget
- The City's policies regarding land use and community design, transportation, housing, natural environment, business, and economics, as outlined in the Comprehensive Plan

The review of the operating and capital budgets is structured around public hearings conducted prior to City Council adoption of the budget in order to incorporate community input into the decision-making process.

## City Council Top Priorities

The City is committed to providing high quality, cost effective services that reflect the City's core values and strategic goals. In addition, each year the City Council establishes top priorities, which are topics or service areas that will receive particular, unusual, and significant attention during the year. The top priorities guide both budget development and department priority setting. The following are the City Council's top priorities for 2026, adopted in January 2026:

- Achieve Near-Term Prioirity Housing Milestones
- Cubberley Acquisition and Renovation Funding
- Enhance Business Vibrancy
- Government Efficiency

# Operating and Capital Budgets - Calendar of Activities

**September - November:** Operating budget preparation begins with determination of the base budget for the upcoming year. The base budget establishes the current year adopted budget service levels with updated costs, removes one-time revenue and expenses, and adds ongoing expenditures as approved by the City Council. The capital budget preparation process begins with department staff and appointed committees meeting to review and discuss potential modifications to the five-year capital plan.

**November - December:** Budget guidelines and timeframes are developed and distributed for the operating and capital budgets as well as the annual municipal fee schedule.

**January:** Departments submit requests to reallocate staffing and non-salary resources for the upcoming year to meet changing operational needs. The reallocation process results in no net change to the level of resources allocated to the department overall. The General Fund Capital Improvement Plan (CIP) Review Committee, consisting of senior managers in Public Works, Community Services, Administrative Services, and the Office of Transportation, reviews requests for General Fund capital projects.

**February:** Departmental requests for changes and/or augmentations to the base budget are submitted to the Office of Management and Budget (OMB) for analysis. Departments provide targeted outcomes and performance measures associated with requests for resource or service level augmentations. Departments also submit updates to the budget document regarding goals and objectives, significant accomplishments, and key performance and workload measures. OMB staff reviews operating and capital budget requests.

**March:** Internal budget hearings are held with the City Manager to discuss department budget requests and OMB's budget recommendations.

**April:** OMB staff complete preparation of the proposed operating and capital budget documents based on the City Manager's direction.

**May:** The City Manager releases and presents the proposed operating and capital budgets to the City Council and posts the budget document on the City's website. Through a series of public hearings, the budget is discussed and amendments are proposed.

**June:** Final adoption by the City Council occurs after a public hearing in June. All changes made during the public process are incorporated into the adopted budget documents which are distributed to City libraries as well as posted on the City's website and Open Budget website by September.

| BUDGET HEARINGS*<br>With City Council and Finance Committee<br>FY 2027 Budget | | | |
|---|---|---|---|
| **Date** | **Description** | **Location** | **Description** |
| Tuesday, May 5 | Finance Committee | Hybrid | Budget Hearing/Workshop #1 |
| Wednesday, May 6 | Finance Committee | Hybrid | Budget Hearing/Workshop #2 |
| Monday, May 11 | City Council | Hybrid | Study Session |
| Tuesday, May 19 | Finance Committee | Hybrid | Budget Wrap-up Discussion |
| Monday, June 15 | City Council | Hybrid | City Council Budget Adoption |

*These meetings were held as "hybrid" meetings with the option to attend by teleconference or in person. These meetings were broadcast on Cable TV Channel 26 or 29, live on YouTube at https://www.youtube.com/c/ cityofpaloalto, and Midpen Media Center at https://midpenmedia.org/category/government/city-of-palo-alto/.

Members of the public who wished to participate by computer or phone could access the meeting by going to https://cityofpaloalto.zoom.us/j/ and inputting the webinar ID found at the top front of the agenda. If they called from a land line or non-smart phone they were able to call 1-669-900-6833 to join the meeting.

# Understanding the Budget Document

The operating budget document includes citywide information as well as information specific to each fund and each department. The City receives revenue from numerous sources, many of which have restrictions on how funds can be used. Separate funds are established to account for the different types of revenues and their allowable uses. The annual budget information is available after the publication of the Adopted Budget, which occurs in August.

**General Fund:** This is the primary fund used to account for all general revenues of the City (e.g., property, sales, transient occupancy, and utility user taxes). In general, these funds are allocated at the discretion of the City Council. This revenue is used to support citywide services such as public safety, community services, planning and development services, and administrative support services.

**Enterprise Funds:** These funds are established to function as self-supporting operations wherein expenditures are entirely offset by fees or charges for services. For example, the City of Palo Alto provides a variety of utility services (electric, gas, water, etc.) for the community. Revenues from fees or charges are accounted for in separate enterprise funds and can only be used to pay for expenses related to those services.

**Internal Service Funds:** These funds are established to account for a variety of business services provided by one City department (or division) to other City departments. Information technology, fleet maintenance, printing and mailing, general employee benefits, general liability, and workers compensation services are provided to all City departments through internal service funds. Departments are charged for these services based on their respective utilization.

**Capital Improvement Funds:** Revenues and expenses for capital projects not associated with Enterprise or Internal Service activities are accounted for in separate Capital Improvement funds. Capital investments that are associated with Enterprise or Internal Service activities are reported and included in those fund types. Capital projects are those that have a minimum cost of $50,000 for each standalone or combined project. Additionally, the project must have a useful life of at least five to seven years and/or extend the life of an existing asset or provide a new use for an existing asset for at least five years. For more information, please see the Capital and five-year capital improvement plan budget document with detailed information about each project by fund.

**Special Revenue Funds:** These funds are used to account for the proceeds of revenues that are designated for specific or restricted uses. These funds include gas tax funds from the state, inlieu housing fees assessed for the City's Below Market Rate housing projects, and transportation mitigation fees paid by developers. Other special revenue funds include assessments for parking lot bond payments, parking permit revenues, Community Development Block Grants (CDBG) funds from the federal government, and development impact fees related to libraries, parks, and community centers.

**Debt Service Funds:** Debt financing is occasionally undertaken for the purchase, replacement, or rehabilitation of capital assets. Separate funds are established to account for these nonoperating expenses.

# Open Budget

In order to facilitate understanding and transparency of the budget document, the City provides budget information through OpenGov, an online tool that provides users with different views of the City's budget data by fund, department, revenues, and expenditures. The tool can be accessed by visiting https://paloalto.gov/Departments/Administrative-Services under the option "Open Budget."

The City invites you to use the online tool to:

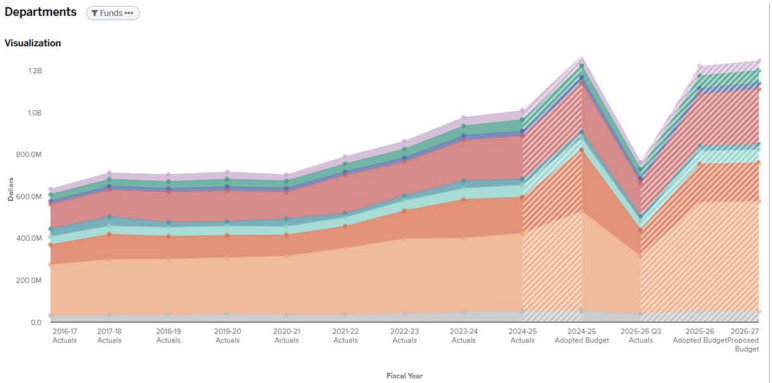
- Search budget and financial data
- View trends in revenues and expenditures over time
- Drill down into expenses by department or account type
- Display the data as graphs or charts
- Download into Excel
- Share with friends using email or social media
- Send comments directly to the City online

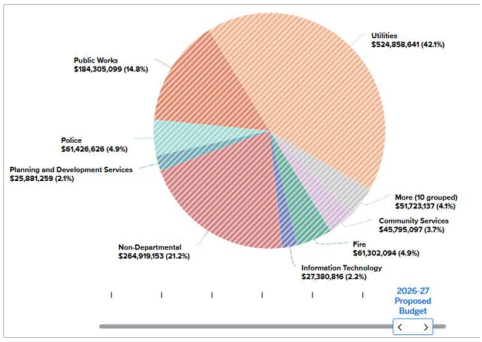
## HOW DOES IT WORK?

Governmental budgets are composed of funds, departments, and accounts. Using a pull-down filter you can choose the combination you want to explore.

By clicking on one of these icons, you can choose whether you want to display graphs showing changes over the years, a pie chart for a single year, or download portions into Excel.





# Department and Enterprise Fund Information

The budget document includes the following information for each department and enterprise fund:

**Mission Statement, Purpose, and Description:** introduces the department.

**Organizational Chart:** depicts full-time equivalent (FTE) positions that report to a department director. The total FTE count in the organizational chart may not match the total FTE count in a department section if positions are budgeted in a fund not included in the department section. For example, the Administrative Services Department's (ASD), Finance Manager oversees the Enterprise Fund team as displayed on the organizational chart but those positions are budgeted in the various Enterprise Funds so they do not appear in the ASD departmental budget summary .

**Accomplishments:** identifies the department's noteworthy accomplishments of the past fiscal year.

**Initiatives:** highlights the major work plan items for the department for the upcoming fiscal year.

**Goals and Objectives:** identifies major goals as well as activities that support achievement of those goals.

**Key Performance Measures:** lists key department performance measures related to some goals and objectives.

**Workload Measures:** identifies key quantifiable department outputs.

**Budget Summary:** summarizes key expenditure, revenue, and position data for the department and/or fund for several fiscal years (two prior years of actuals, the current year adopted budget, and the budget for the upcoming year). Revenues are shown as either internal or external depending on their source. External revenues include grant funds as well as fees collected for the provision of services such as inspections, plan checks, and recreational programs. Internal revenues are those that are received from another City department. For example, the Utilities Department reimburses the Attorney's Office for legal services. It should be noted that a variance will be seen between prior actuals and the current adopted budget columns in the salary and benefits total expenses. This variance reflects the difference between estimated vacancies and staff costs actually incurred as well as the changes in labor terms from year to year.

**Staffing:** lists all full-time equivalent (FTE) positions and their respective salaries in a department based on their actual levels of compensation.

**Budget Reconciliation:** outlines the major base budget and adopted budget expenditure and revenue changes from the previously adopted budget to the newly presented proposed or adopted budget. Base budget reconciliation changes include updated salary and benefits cost in accordance with the salary and benefits structure approved by the City Council, deletion of one-time expenditures, and/or the addition of ongoing expenditures as approved by the City Council. The budget change table itemizes expenditure and revenue recommendations and the net impact on the fund.

Budget Adjustments: describes service level changes compared to the prior fiscal year as well as the anticipated performance impact as it relates to Quality, Cost, Cycle Time, Customer Satisfaction, and Sustainability, identified with icons as follows:




## BUDGETARY BASIS

The budget is prepared in accordance with Generally Accepted Accounting Principles (GAAP). The budget for governmental funds has been prepared on a modified accrual basis. The modified accrual basis recognizes expenditures when the related fund liability is incurred. Revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

## FUND STRUCTURE AND ACCOUNTING BASIS

The accounts of the City are made up of funds that help organize and account for restricted resources. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts (comprised of assets, liabilities, fund equity, revenues, and expenditures), which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with regulatory requirements. The City has the following fund type categories:

### Governmental Fund Types

The Governmental funds include the General, Special Revenue, Debt Service, and Capital Project Funds. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

### Proprietary Fund Types

The Proprietary funds, which include the Enterprise and Internal Service Funds, are used to account for the City's business-type activities. Proprietary funds are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

## Fiduciary Fund Types

The Fiduciary funds track assets held by the City in trust or as an agent for various assessment and community facilities districts. These funds are not included in the budget process.

## Custodial Fund Types

The Custodial funds are custodial in nature and do not involve measurement of results of operations. The City maintains three Custodial funds, which are not included in the budget process.



California Society of Municipal Finance Officers

*Certificate of Award*

***Operating Budget Excellence Award***
***Fiscal Year 2025-2026***

*Presented to the*

***City of Palo Alto***

For meeting the criteria established to achieve a CSMFO Award in Budgeting.

***February 5, 2026***

***Jennifer Wakeman***
***2025 CSMFO President***

***James Russell-Field, Chair***
***Recognition Committee***

***Dedicated to Excellence in Municipal Financial Reporting***

GOVERNMENT FINANCE OFFICERS ASSOCIATION

# *Distinguished Budget Presentation Award*

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## City of Palo Alto
## California

For the Fiscal Year Beginning

**July 01, 2025**

Christopher P. Morrill

**Executive Director**

**The Government Finance Officers Association of the United States and Canada**

*presents this*

# CERTIFICATE OF RECOGNITION FOR BUDGET PREPARATION

*to*

**Finance Department**
City of Palo Alto, California

*The Certificate of Recognition for Budget Preparation is presented by the Government Finance Officers Association to those individuals who have been instrumental in their government unit achieving a Distinguished Budget Presentation Award. The Distinguished Budget Presentation Award, which is the highest award in governmental budgeting, is presented to those government units whose budgets are judged to adhere to program standards.*

Executive Director Christopher P. Morrill

Date: **11/24/2025**



CITY OF
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ALTO

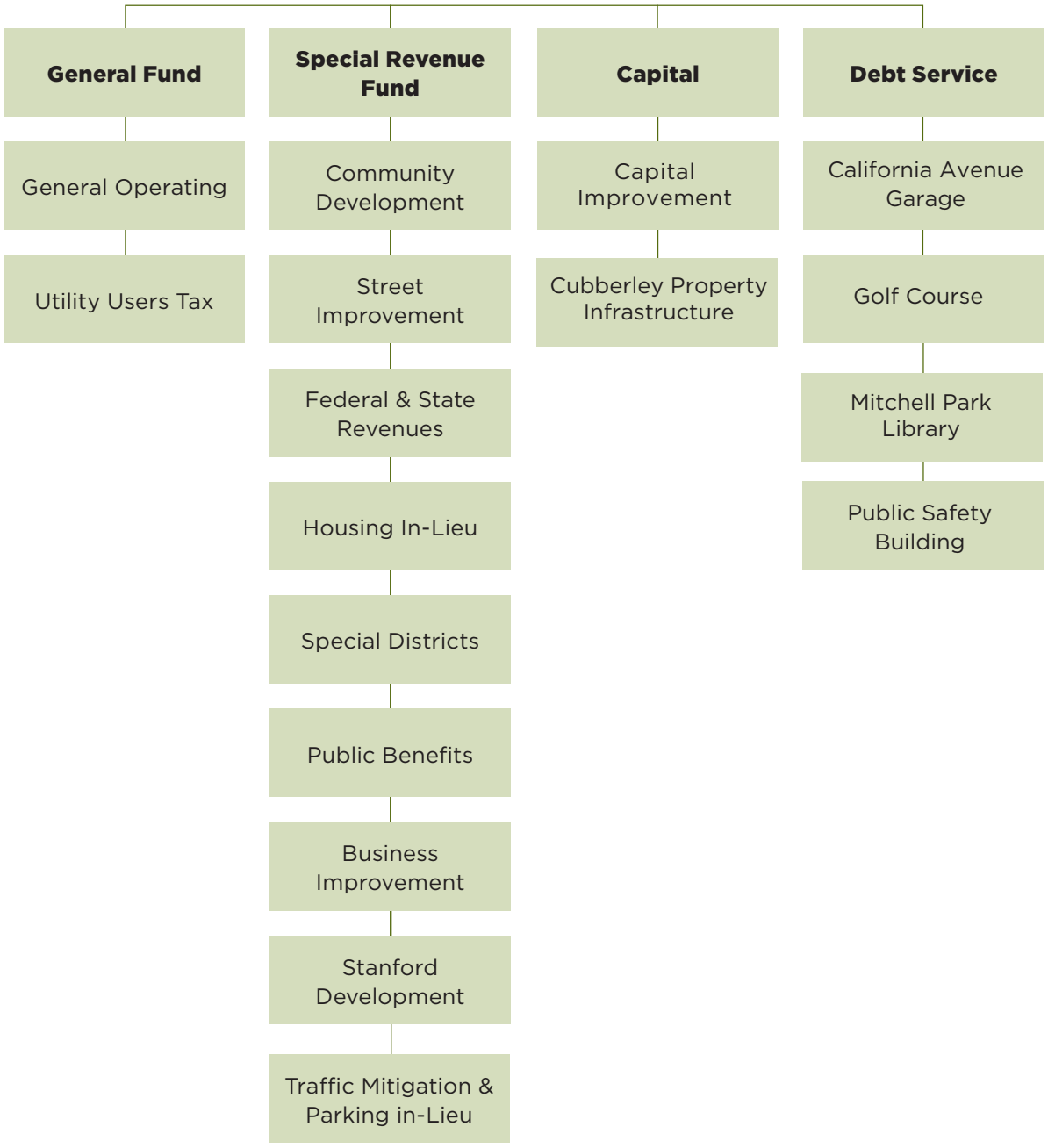


# CITYWIDE FUNDS

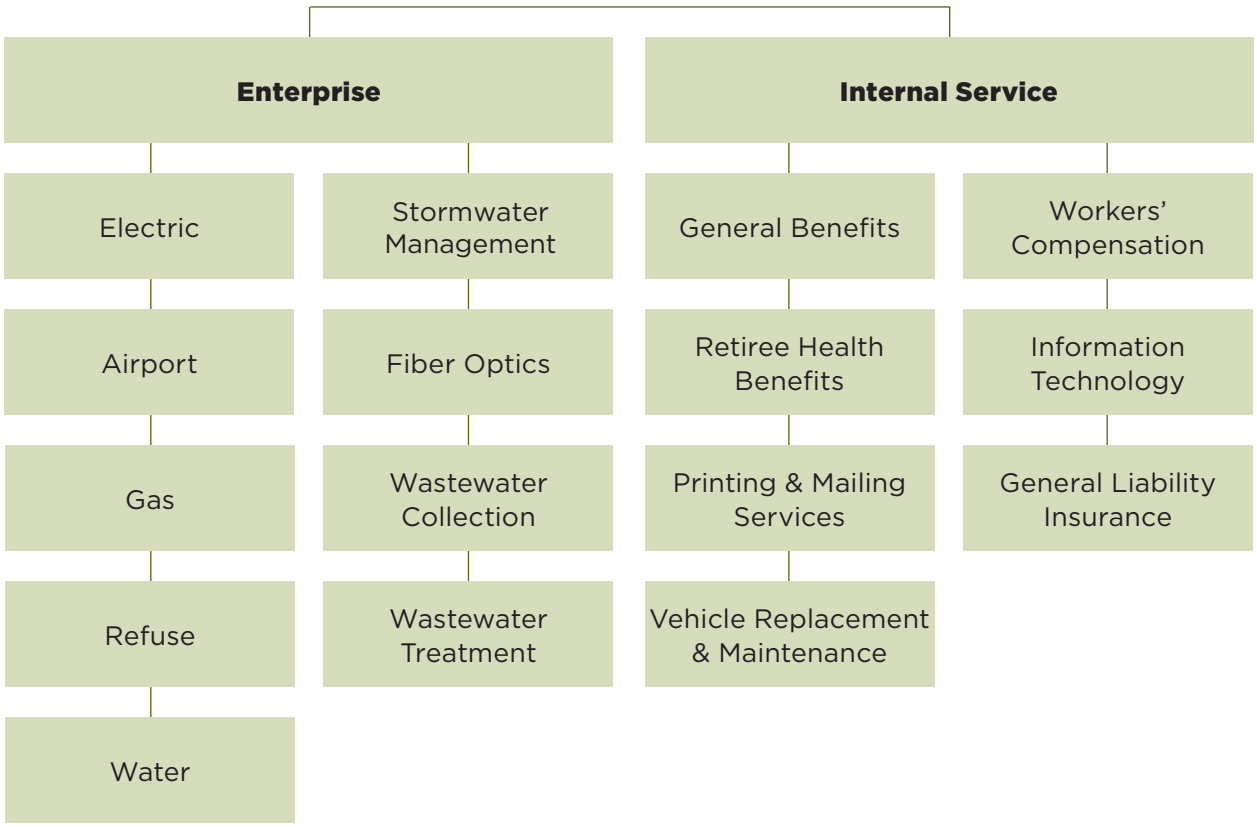


CITY OF
PALO
ALTO

# Fund Structure



# Fund Structure

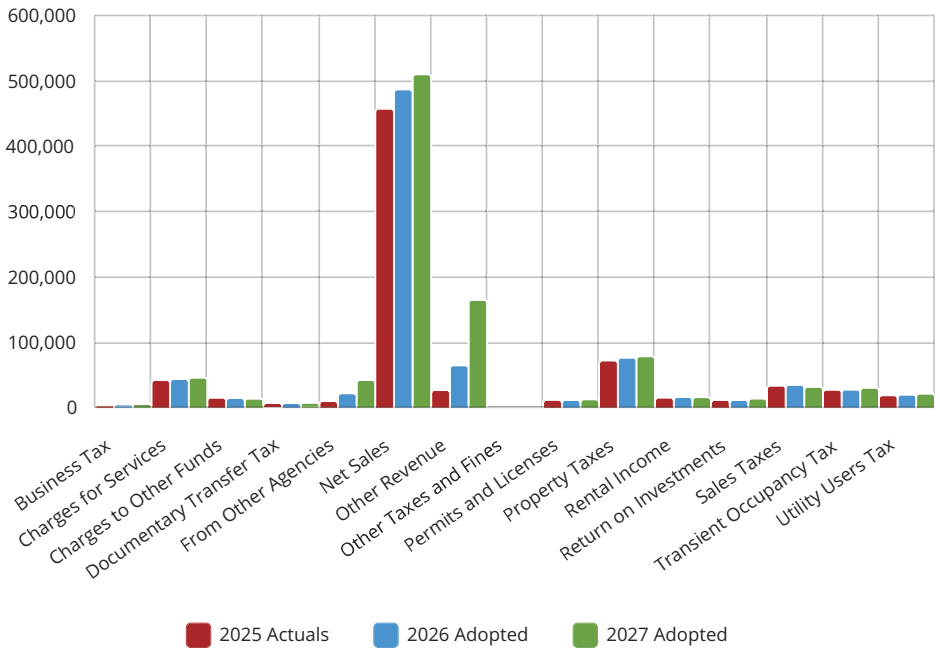


# Total Citywide Revenue by Category

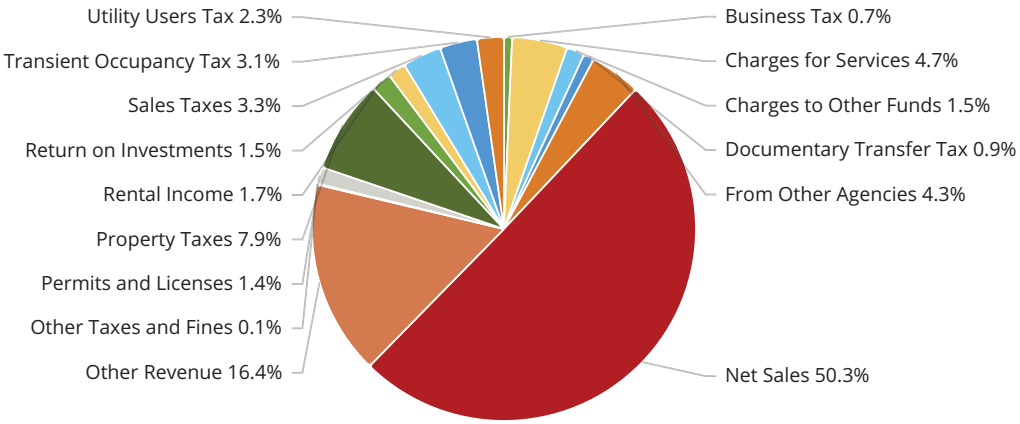
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Business Tax | 5,286 | 5,691 | 6,488 | 6,906 | 418 | 6.4% |
| Charges for Services | 41,447 | 43,781 | 45,196 | 47,438 | 2,242 | 5.0% |
| Charges to Other Funds | 16,228 | 16,804 | 16,118 | 15,308 | (811) | (5.0)% |
| Documentary Transfer Tax | 7,016 | 8,391 | 8,542 | 9,024 | 482 | 5.6% |
| From Other Agencies | 15,394 | 11,460 | 23,429 | 43,740 | 20,311 | 86.7% |
| Net Sales | 423,493 | 458,769 | 488,300 | 511,332 | 23,032 | 4.7% |
| Other Revenue | 21,817 | 28,505 | 66,192 | 166,361 | 100,169 | 151.3% |
| Other Taxes and Fines | 945 | 971 | 935 | 964 | 29 | 3.1% |
| Permits and Licenses | 12,917 | 13,511 | 13,186 | 14,241 | 1,055 | 8.0% |
| Property Taxes | 70,649 | 73,726 | 78,020 | 80,040 | 2,020 | 2.6% |
| Rental Income | 17,401 | 16,918 | 17,802 | 17,446 | (356) | (2.0)% |
| Return on Investments | 12,770 | 13,405 | 13,132 | 15,478 | 2,346 | 17.9% |
| Sales Taxes | 37,482 | 35,219 | 36,377 | 33,354 | (3,023) | (8.3)% |
| Transient Occupancy Tax | 27,781 | 28,970 | 29,139 | 31,955 | 2,816 | 9.7% |
| Utility Users Tax | 19,013 | 20,394 | 21,437 | 22,996 | 1,559 | 7.3% |
| **Total** | **729,639** | **776,515** | **864,293** | **1,016,583** | **152,289** | **17.6%** |

# CITYWIDE REVENUES

## 3 YEAR TREND - CITYWIDE REVENUES BY CATEGORY ($000S)




## FY 2027 SOURCES $1.0 BILLION

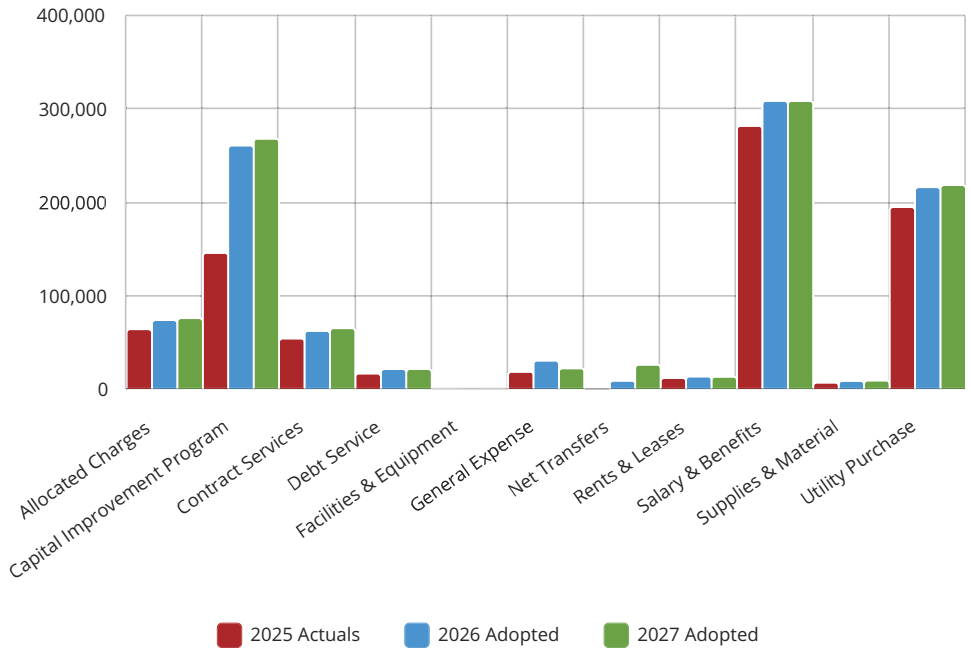


# Total Citywide Expense by Category

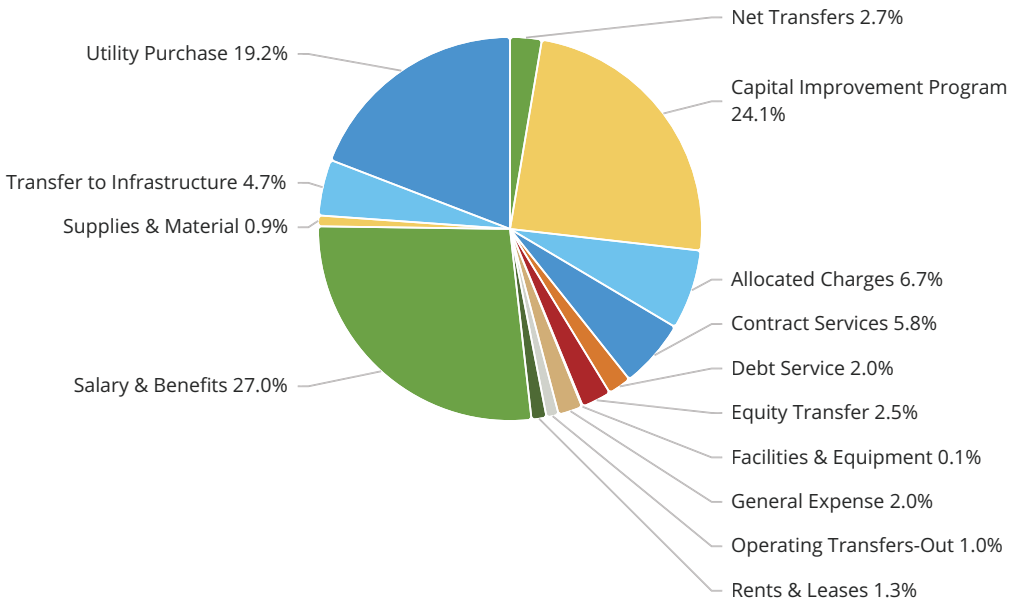
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Allocated Charges | 60,982 | 65,221 | 74,940 | 77,043 | 2,103 | 2.8% |
| Contract Services | 58,424 | 55,329 | 63,458 | 66,290 | 2,832 | 4.5% |
| Debt Service | 21,971 | 17,879 | 22,580 | 22,582 | 1 | —% |
| Facilities & Equipment | 757 | 1,257 | 789 | 887 | 98 | 12.5% |
| General Expense | 22,804 | 19,702 | 31,704 | 23,392 | (8,312) | (26.2)% |
| Rents & Leases | 12,891 | 13,034 | 14,692 | 14,439 | (254) | (1.7)% |
| Salary & Benefits | 263,486 | 282,724 | 309,511 | 309,339 | (172) | —% |
| Supplies & Material | 8,407 | 8,141 | 9,902 | 10,394 | 492 | 5.0% |
| Utility Purchase | 182,660 | 195,877 | 217,158 | 219,367 | 2,209 | 1.0% |
| Capital Improvement Program | 156,963 | 146,889 | 261,814 | 269,079 | 7,264 | 2.8% |
| Net Transfers | (28,095) | (13,514) | 19,206 | 30,488 | 11,282 | 58.7% |
| **Total** | **761,250** | **792,539** | **1,025,754** | **1,043,300** | **17,543** | **1.7%** |

# CITYWIDE EXPENSES

## 3 YR TREND - CITYWIDE EXPENSES BY CATEGORY ($000S)




## FY 2027 EXPENSES $1.0 BILLION



# Citywide Projected Operating Fund Balance/ Net Position

| Fund | Projected Ending Balance 6/30/26 | Estimated Revenues | Net Fund Transfers | Estimated Expenditures | Projected Ending Balance 6/30/27 |
|---|---|---|---|---|---|
| **GENERAL FUND** | | | | | |
| General Fund | 53,449 | 279,057 | (8,503) | 270,554 | 53,449 |
| **Total General Fund** | **53,449** | **279,057** | **(8,503)** | **270,554** | **53,449** |
| **CAPITAL FUNDS** | | | | | |
| Capital Improvement Fund | 36,527 | 37,988 | 45,775 | 112,609 | 7,680 |
| Cubberley Property Infrastructure Fund | 7,763 | - | 1,864 | 1,343 | 8,284 |
| **Total Capital Funds** | **44,290** | **37,988** | **47,639** | **113,953** | **15,964** |
| **DEBT SERVICE** | | | | | |
| 2018 Golf Course Capital Improvement | 22 | - | 526 | 526 | 22 |
| 2019 California Avenue Parking Garage | 38 | - | 2,364 | 2,364 | 38 |
| 2021 Public Safety Building | 57 | - | 5,008 | 5,008 | 57 |
| Library Bonds | 4,062 | 4,016 | - | 4,016 | 4,062 |
| **Total Debt Service** | **4,179** | **4,016** | **7,898** | **11,914** | **4,179** |
| **ENTERPRISE** | | | | | |
| Electric Fund | 75,961 | 334,431 | (15,508) | 287,589 | 107,294 |
| Fiber Optics Fund | 36,432 | 5,528 | (102) | 22,176 | 19,683 |
| Gas Fund | 9,700 | 95,435 | (9,520) | 74,050 | 21,565 |
| Wastewater Collection Fund | (2,406) | 39,604 | (870) | 33,658 | 2,671 |
| Water Fund | 9,606 | 65,933 | (310) | 65,941 | 9,287 |
| Airport Fund | (3,118) | 3,709 | (272) | 3,461 | (3,141) |
| Refuse Fund | 8,519 | 35,272 | - | 39,067 | 4,724 |
| Stormwater Management Fund | 10,853 | 10,744 | - | 13,060 | 8,536 |
| Wastewater Treatment Fund | 3,833 | 86,391 | (35) | 83,566 | 6,623 |

# Citywide Projected Operating Fund Balance/ Net Position

| Fund | Projected Ending Balance 6/30/26 | Estimated Revenues | Net Fund Transfers | Estimated Expenditures | Projected Ending Balance 6/30/27 |
|---|---|---|---|---|---|
| **Total Enterprise** | **149,380** | **677,047** | **(26,618)** | **622,567** | **177,242** |
| **INTERNAL SERVICE** | | | | | |
| General Benefits Fund | 3,233 | 100,995 | (3,163) | 99,719 | 1,346 |
| Liability Insurance Fund | 1,361 | 11,570 | 5 | 11,659 | 1,277 |
| Retiree Health Benefit Fund | 2,578 | 23,034 | 3,163 | 26,194 | 2,582 |
| Workers' Compensation Fund | 8,034 | 10,800 | - | 10,572 | 8,262 |
| Printing and Mailing Fund | 104 | 1,573 | - | 1,605 | 71 |
| Technology Fund | 5,283 | 20,847 | 1,391 | 27,323 | 199 |
| Vehicle Replacement and Maintenance Fund | 12,743 | 11,207 | - | 14,839 | 9,111 |
| **Total Internal Service** | **33,336** | **180,026** | **1,396** | **191,911** | **22,848** |
| **SPECIAL REVENUE** | | | | | |
| Community Development Fund | 8,989 | 956 | (993) | 5 | 8,948 |
| Downtown Business Improvement District | 57 | 2 | - | 0 | 58 |
| Federal and State Revenue Funds | (913) | 2,553 | - | 1,275 | 364 |
| Housing In-Lieu and BMR Fund | 12,717 | 2,683 | (550.00) | 460 | 14,390 |
| Public Art Funds | 2,318 | 349 | 184 | 370 | 2,480 |
| Special Districts Fund | 2,146 | 3,492 | 873 | 5,199 | 1,313 |
| Stanford Development Agreement (SUMC) | 3,467 | 2,670 | (2,954) | 4 | 3,179 |
| Street Improvement Fund | 155 | 3,934 | (3,802) | - | 287 |
| Traffic Mitigation & Parking In-Lieu Fund | 4,976 | 836 | (13,719) | 9 | (7,916) |
| **Total Special Revenue** | **33,911** | **17,476** | **(20,961)** | **7,323** | **23,103** |
| **TOTAL OPERATING FUNDS** | **318,546** | **1,195,609** | **851** | **1,218,221** | **296,785** |

# Citywide Average Salary & Benefits

| Category | Mgmt/ Professional | Utilities Mgmt/ Professional | Fire Chief Association | Fire Fighters | Police Mgmt Association | PAPOA | SEIU | Average |
|---|---|---|---|---|---|---|---|---|
| **Full-Time Equivalent (FTE)** | **248.00** | **54.00** | **4.00** | **97.00** | **7.00** | **78.00** | **601.10** | **1,089.10** |
| % of City | 22.8% | 5.0% | 0.4% | 8.9% | 0.6% | 7.2% | 55.2% | 100% |
| Salary (1) | 192,960 | 235,558 | 284,340 | 198,808 | 285,607 | 186,800 | 137,057 | 165,229 |
| In-Lieu Holiday | - | - | - | 6,226 | - | 5,326 | 325 | 1,565 |
| Incentive Pay (2) | - | - | - | 981 | - | 1,527 | 453 | 627 |
| Overtime (Average) | - | - | - | 46,474 | - | 10,965 | 5,367 | 11,067 |
| Management Leave (80 Hours) | 7,422 | 9,060 | 10,936 | - | 10,985 | - | - | 7,829 |
| Pension Employer Portion Misc 37.6%; Safety 82.4% (3) | 72,553 | 88,570 | 234,296 | 163,818 | 235,340 | 153,923 | 51,534 | 77,342 |
| Medicare | 2,798 | 3,416 | 4,123 | 2,883 | 4,141 | 2,709 | 1,987 | 2,396 |
| Medical | 20,141 | 24,020 | 26,241 | 22,367 | 24,615 | 323,138 | 21,193 | 21,378 |
| Dental/Vision | 1,989 | 2,236 | 2,521 | 1,994 | 2,224 | 2,110 | 1,952 | 1,994 |
| Flexible Compensation | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 | 2,100 | 1,966 |
| Retiree Medical (4) | 8,870 | 8,825 | 14,822 | 13,228 | 21,414 | 15,862 | 7,824 | 9,282 |
| Workers' Comp | 6,365 | 5,191 | - | 26,755 | - | 19,134 | 6,411 | 8,998 |
| LIFE/LTD/SUI | 495 | 495 | 495 | 495 | 495 | 495 | 495 | 495 |
| Non-salary Benefits (5) | 3,530 | 4,530 | 6,837 | 2,930 | 3,530 | 2,575 | 702 | 1,909 |
| **Average Salary & Benefits** | **318,923** | **383,701** | **586,411** | **488,758** | **590,151** | **426,364** | **237,400** | **312,077** |
| City's Proactive Contributions to Long-term Pension Liability | 13,497 | 15,908 | 34,223 | 23,100 | 34,374 | 22,647 | 9,995 | 13,405 |

# Citywide Average Salary & Benefits

| Category | Mgmt/ Professional | Utilities Mgmt/ Professional | Fire Chief Association | Fire Fighters | Police Mgmt Association | PAPOA | SEIU | Average |
|---|---|---|---|---|---|---|---|---|
| **Isolate Holiday Pay from Salary Category** | | | | | | | | |
| Salary, includes holidays | 192,960 | 235,558 | 284,340 | 198,808 | 285,607 | 186,800 | 137,057 | 165,229 |
| Holidays (assumes 11, 9 hour days) | 9,184 | 11,212 | 13,533 | 9,462 | 13,594 | 8,891 | 6,523 | 7,864 |
| Salary, excludes holidays | 183,776 | 224,346 | 270,807 | 189,345 | 272,013 | 177,909 | 130,534 | 157,365 |

(1) Salary is calculated at actual pay rate (base pay and special pays, as applicable) as of January 2026 and adjusted for step increases in accordance with applicable Memoranda of Understandings with the City's bargaining groups.

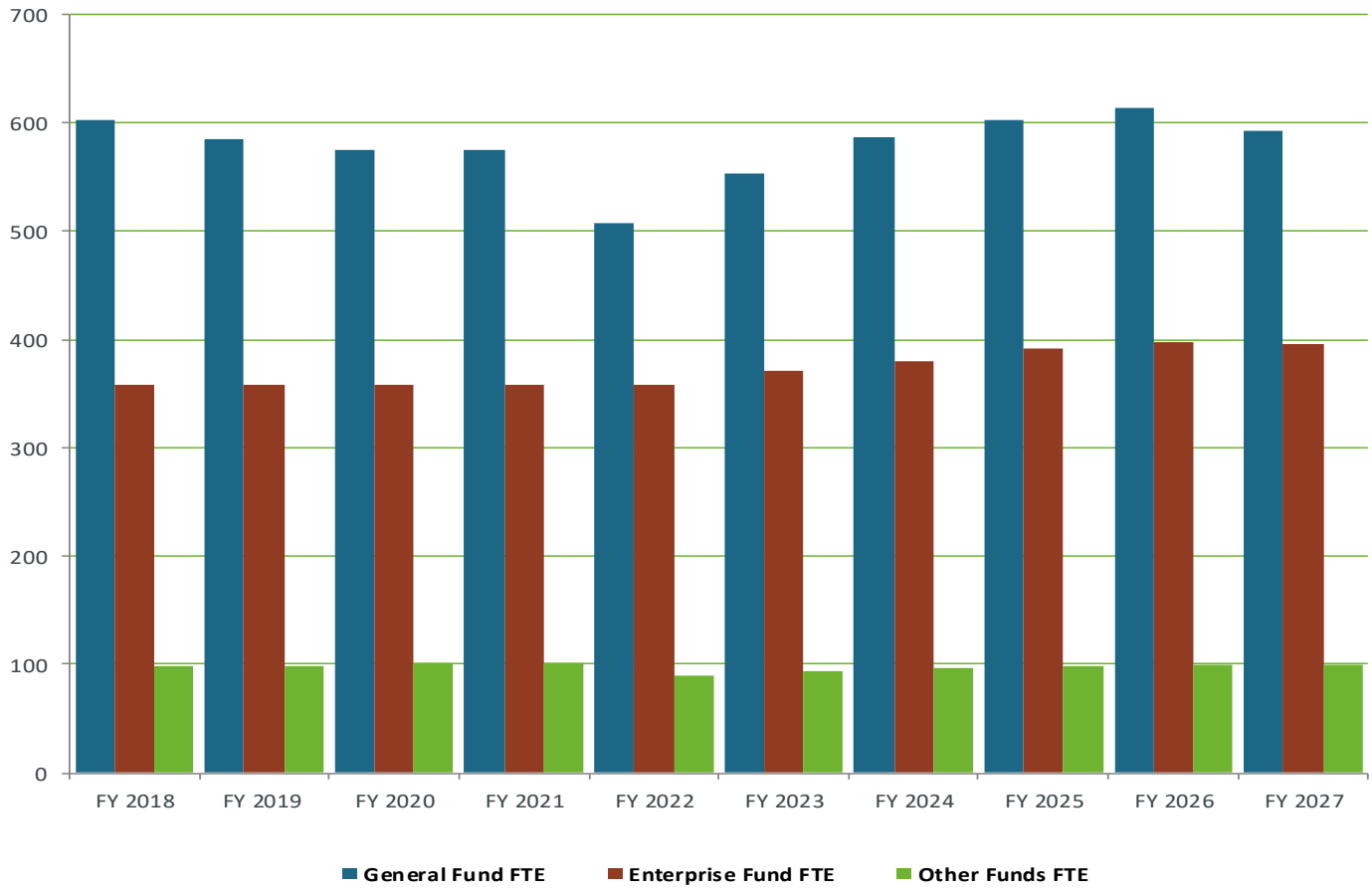
(2) Incentive pay includes: Fair Labor and Standards Act Charges and Night Shift Differential pay

(3) Employees pick-up a portion of the employer share: MGMT (1.00%), UTLM (1.00%), FCA (4.00%), IAFF (4.00%), PMA (4.00%), PAPOA (3.5%), and SEIU (2.00%)

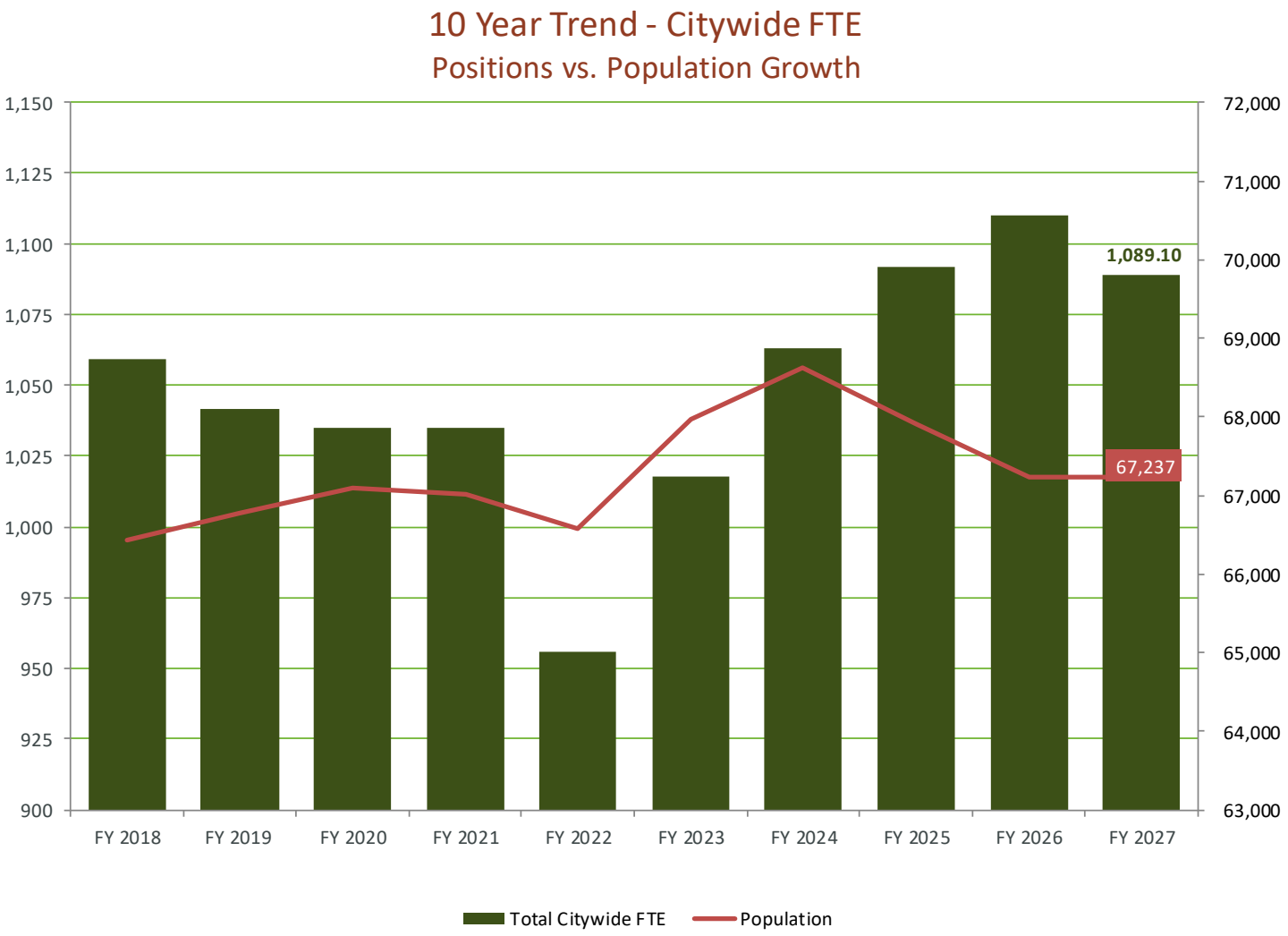
(4) Annual amount incurred for active employees (normal cost only)

(5) Non-salary Benefits include professional development for Mgmt, Utilities Mgmt, FCA and PMA; tuition reimbursement for FCA and PMA; and management excess benefit for Mgmt, Utilities Mgmt, FCA and PMA. Does not include administrative fees for General Benefits and Workers' Compensation Funds.

## 10 Year Trend - Citywide FTE by Fund



# CITYWIDE AVERAGE SALARY



# LONG RANGE FINANCIAL PLANS

## Overview

As part of the updated requirements for the Government Finance Officers Association (GFOA) best practices as reflected in annual budget award criteria, it is recommended that jurisdictions include long-range financial plans with at least two years projected beyond the planned budget year for all major funds. Major funds are defined as any budgeted funds that have annual revenues or expenses of more than 10% of the operating budget. Based on the Adopted FY 2027 Citywide expense budget of $1.0 billion, funds with more than $100.0 million in expenses or revenues would need to be included. This includes the General Fund, the Electric Fund, and the General Benefits Fund.

The tables below provide the Source (revenues and transfers into the fund) and Use (expenditures and transfers out of the fund) statements for major funds. These statements will show point in time information, based on the FY 2027 Adopted Budget and future year estimates based on current information. These numbers can and will change as part of future year budget development processes; however, staff will be able to use these statements to explain changes from what was previously planned in a fiscal year to what is being proposed as the budget for that fiscal year. It should be noted, that similar to the review of the five-year Capital Improvement Plan, the future year numbers beyond FY 2027 on these statements are only for planning purposes and when adopting the Budget, the Council is only adopting the next fiscal year, FY 2027.

# General Fund

| | FY 2025 Actuals | FY 2026 Adopted | FY 2027 Adopted | FY 2028 Forecast | FY 2029 Forecast |
|---|---|---|---|---|---|
| **Source of Funds** | | | | | |
| **Beginning Fund Balance** | | | | | |
| Reserve for Encumbrances | 17,672 | 13,623 | 13,461 | 13,461 | 13,461 |
| Other Reserves** | 30,873 | 26,335 | 18,435 | 18,435 | 19,247 |
| Unrestricted Beginning Fund Balance | 65,935 | 58,863 | 53,449 | 53,654 | 49,710 |
| **Total Beginning Fund Balance** | **$114,480** | **$98,821** | **$85,345** | **$85,550** | **$82,418** |
| **Revenue** | | | | | |
| Business Tax | 5,691 | 6,488 | 6,906 | 7,078 | 7,254 |
| Charges for Services | 38,511 | 43,597 | 45,839 | 46,526 | 47,365 |
| Charges to Other Funds | 15,688 | 15,547 | 14,735 | 14,945 | 15,274 |
| Documentary Transfer Tax | 8,391 | 8,542 | 9,024 | 9,286 | 9,549 |
| From Other Agencies | 3,530 | 91 | 1,877 | 142 | 142 |
| Operating Transfers-in | 29,676 | 31,459 | 32,904 | 33,480 | 34,761 |
| Other Revenue | 3,892 | 2,524 | 2,194 | 2,138 | 2,147 |
| Other Taxes and Fines | 802 | 780 | 780 | 780 | 780 |
| Permits & Licenses | 11,290 | 11,368 | 12,463 | 12,178 | 12,472 |
| Property Taxes | 69,402 | 73,627 | 76,096 | 79,280 | 82,635 |
| Rental Income | 15,822 | 16,521 | 16,137 | 16,426 | 16,822 |
| Return on Investments | 3,595 | 3,742 | 4,701 | 4,880 | 5,107 |
| Sales Taxes | 35,219 | 36,377 | 33,354 | 34,140 | 35,165 |
| Transient Occupancy Tax | 28,970 | 29,139 | 31,955 | 32,802 | 34,288 |
| Utilities Users Tax | 20,394 | 21,437 | 22,996 | 24,655 | 25,408 |
| **Total Revenue** | **$290,873** | **$301,239** | **$311,961** | **$318,736** | **$329,169** |
| **TOTAL SOURCE OF FUNDS** | **$405,353** | **$400,060** | **$397,306** | **$404,286** | **$411,587** |

# General Fund

| | FY 2025 Actuals | FY 2026 Adopted | FY 2027 Adopted | FY 2028 Forecast | FY 2029 Forecast |
|---|---|---|---|---|---|
| **USE OF FUNDS** | | | | | |
| **Expenses** | | | | | |
| Allocated Charges | 28,794 | 31,221 | 31,852 | 32,939 | 34,585 |
| Contract Services | 33,299 | 29,092 | 32,453 | 30,709 | 31,489 |
| Facilities & Equipment | 771 | 678 | 637 | 649 | 652 |
| General Expense | 13,455 | 10,439 | 9,450 | 10,382 | 10,454 |
| Operating Transfers-Out | 6,330 | 6,383 | 5,661 | 6,335 | 6,350 |
| Rents & Leases | 1,302 | 1,503 | 1,827 | 1,911 | 1,952 |
| Salary & Benefits | 178,716 | 190,706 | 190,731 | 196,600 | 203,195 |
| Supplies & Materials | 3,621 | 3,884 | 3,605 | 3,688 | 3,906 |
| Transfer to Infrastructure | 35,900 | 33,057 | 35,541 | 39,467 | 38,480 |
| **Total Expense** | **$302,188** | **$306,963** | **$311,757** | **$322,680** | **$331,063** |
| **Ending Fund Balance** | | | | | |
| Reserve for Encumbrances | 13,623 | 13,461 | 13,461 | 13,461 | 13,461 |
| Other Reserves ** | 26,335 | 18,435 | 18,435 | 19,247 | 19,247 |
| Unrestricted Ending Fund Balance | 58,863 | 53,738 | 53,654 | 49,710 | 47,816 |
| **Total Ending Fund Balance*** | **$98,821** | **$85,634** | **$85,550** | **$82,418** | **$80,524** |
| **TOTAL USE OF FUNDS** | **$401,009** | **$392,597** | **$397,306** | **$405,098** | **$411,587** |

*FY 2027 Fund Balances have been revised to include FY 2026 adjustments and use of reserves.

**Includes the Uncertainty and Utility Transfer Liability Reserves, Notes Receivable, Prepaid Items, Interfund Advances, Development Services, etc.

# Electric Fund

| | FY 2025 Actuals | FY 2026 Adopted | FY 2027 Adopted | FY 2028 Forecast | FY 2029 Forecast |
|---|---|---|---|---|---|
| **Source of Funds** | | | | | |
| **Beginning Fund Balance** | | | | | |
| Reserve for Encumbrances | 26,540 | 21,306 | 26,540 | 26,540 | 26,540 |
| Other Reserves | 92,013 | 85,743 | 77,379 | 77,379 | 77,379 |
| Unrestricted Beginning Fund Balance | 29,218 | 61,999 | 114,790 | 146,124 | 175,014 |
| **Total Beginning Fund Balance** | **$147,771** | **$169,048** | **$218,709** | **$250,043** | **$278,933** |
| **Revenue** | | | | | |
| Charges for Services | 993 | 220 | 220 | 220 | 220 |
| Charges to Other Funds | 187 | 125 | 125 | 125 | 125 |
| From Other Agencies | 106 | - | - | - | - |
| Net Sales | 228,247 | 222,449 | 241,266 | 265,323 | 282,539 |
| Operating Transfers-in | 2,638 | 3,219 | 2,443 | 2,630 | 2,807 |
| Other Revenue | 9,543 | 47,254 | 89,160 | 39,561 | 18,125 |
| Permits and Licenses | 8 | - | - | - | - |
| Rental Income | 126 | 167 | 167 | 167 | 167 |
| Return on Investments | 3,711 | 2,941 | 3,492 | 3,602 | 3,741 |
| **Total Revenue** | **$245,559** | **$276,375** | **$336,873** | **$311,628** | **$307,724** |
| **TOTAL SOURCE OF FUNDS** | **$393,330** | **$445,423** | **$555,582** | **$561,671** | **$586,657** |
| **USE OF FUNDS** | | | | | |
| **Expenses** | | | | | |
| Allocated Charges | 13,263 | 13,336 | 13,552 | 13,767 | 14,067 |
| Contract Services | 21,298 | 87,277 | 68,668 | 57,674 | 35,788 |
| Debt Service | 4,221 | 4,876 | 4,915 | 4,874 | 4,874 |
| Equity Transfer | 15,985 | 17,407 | 17,951 | 18,941 | 20,127 |
| Facilities & Equipment | 293 | 11,026 | 26 | 26 | 26 |
| General Expense | 2,752 | 8,948 | 8,152 | 5,497 | 5,497 |

# Electric Fund

| | FY 2025 Actuals | FY 2026 Adopted | FY 2027 Adopted | FY 2028 Forecast | FY 2029 Forecast |
|---|---|---|---|---|---|
| Operating Transfers-Out | 25 | - | - | 6,500 | 6,500 |
| Rents & Leases | 7,364 | 7,382 | 7,565 | 7,757 | 7,954 |
| Salary & Benefits | 32,472 | 37,542 | 38,271 | 39,358 | 40,173 |
| Supplies & Materials | 14,331 | 1,207 | 19,274 | 1,181 | 1,181 |
| Transfer to Infrastructure | 653 | - | - | 37 | 372 |
| Utility Purchase | 111,595 | 126,090 | 127,166 | 124,496 | 124,496 |
| **Total Expense** | **$224,252** | **$315,091** | **$305,540** | **$280,108** | **$261,055** |
| **Ending Fund Balance** | | | | | |
| Reserve for Encumbrances | 21,306 | 21,306 | 26,540 | 26,540 | 26,540 |
| Other Reserves | 85,743 | 85,743 | 77,379 | 77,379 | 77,379 |
| Unrestricted Ending Fund Balance | 61,999 | 23,283 | 146,123 | 177,644 | 221,683 |
| **Total Ending Fund Balance*** | **$169,048** | **$130,332** | **$250,042** | **$281,563** | **$325,602** |
| **TOTAL USE OF FUNDS** | **$393,300** | **$445,423** | **$555,582** | **$561,671** | **$586,657** |

*FY 2027 Fund Balances have been revised to include FY 2026 adjustments.

Note: Excludes Non-Budgetary Reserves for GASB 68 (Pension) and GASB 75 (OPEB)

# General Benefits Fund

| | FY 2025 Actuals | FY 2026 Adopted | FY 2027 Adopted | FY 2028 Forecast | FY 2029 Forecast |
|---|---|---|---|---|---|
| **Source of Funds** | | | | | |
| **Beginning Fund Balance** | | | | | |
| Reserve for Encumbrances | 232 | 251 | 251 | 251 | 251 |
| Other Reserves | 73,214 | 87,416 | 101,640 | 96,239 | 80,838 |
| Unrestricted Beginning Fund Balance | 12,251 | 10,116 | 7,567 | 5,680 | 7,291 |
| **Total Beginning Fund Balance** | **$85,697** | **$97,783** | **$109,458** | **$102,170** | **$88,380** |
| **Revenue** | | | | | |
| Operating Transfers-in | 16 | - | - | - | - |
| Other Revenue | 112,813 | 106,772 | 100,453 | 111,385 | 114,547 |
| Return on Investments | 522 | 456 | 541 | 558 | 580 |
| **Total Revenue** | **$113,351** | **$107,228** | **$100,994** | **$111,943** | **$115,127** |
| **TOTAL SOURCE OF FUNDS** | **$199,048** | **$205,011** | **$210,452** | **$214,113** | **$203,507** |
| **USE OF FUNDS** | | | | | |
| **Expenses** | | | | | |
| Contract Services | 128 | 229 | 249 | 270 | 293 |
| General Expense | 1 | 1 | 247 | 302 | 333 |
| Operating Transfers-Out | 6,350 | 6,935 | 3,163 | 3,110 | 3,218 |
| Salary & Benefits | 84,110 | 91,290 | 104,623 | 122,051 | 114,531 |
| Transfer to Infrastructure | 134 | 86 | - | - | - |
| **Total Expense** | **$90,723** | **$98,541** | **$108,282** | **$125,733** | **$118,375** |

# General Benefits Fund

| | FY 2025 Actuals | FY 2026 Adopted | FY 2027 Adopted | FY 2028 Forecast | FY 2029 Forecast |
|---|---|---|---|---|---|
| **Ending Fund Balance** | | | | | |
| Reserve for Encumbrances | 251 | 251 | 251 | 251 | 251 |
| Other Reserves | 87,416 | 101,640 | 96,239 | 80,838 | 75,437 |
| Unrestricted Ending Fund Balance | 10,116 | 1,944 | 5,680 | 7,291 | 9,444 |
| **Total Ending Fund Balance*** | **$108,325** | **$106,470** | **$102,170** | **$88,380** | **$85,132** |
| **TOTAL USE OF FUNDS** | **$199,048** | **$205,011** | **$210,452** | **$214,113** | **$203,507** |

*FY 2027 Fund Balances have been revised to include FY 2026 adjustments.

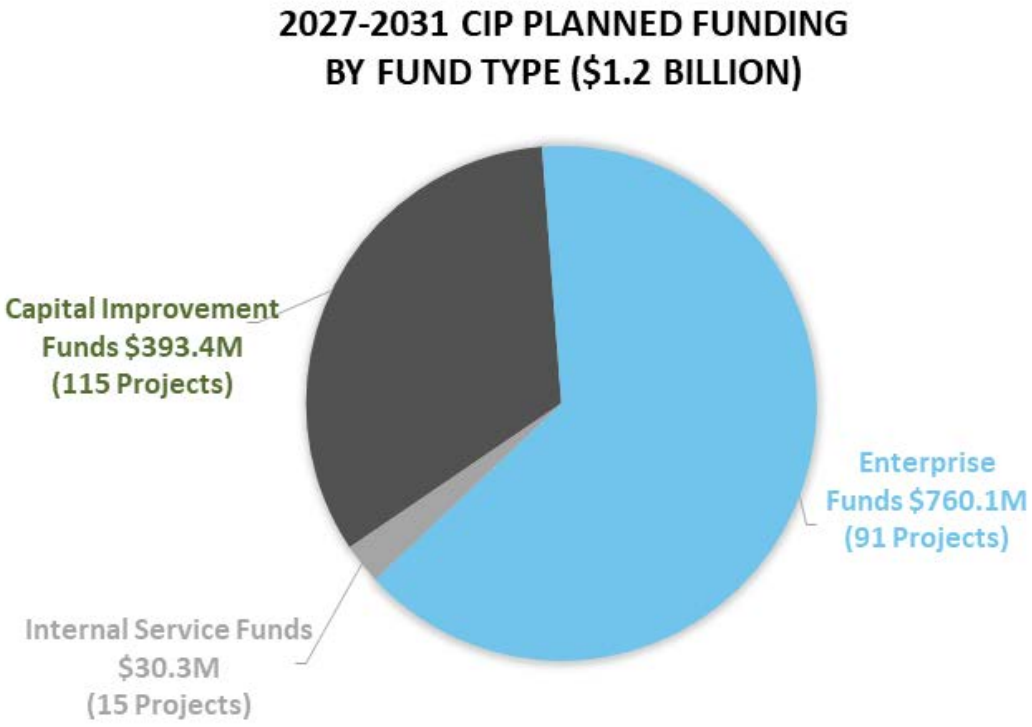
Note: Excludes Non-Budgetary Reserves for GASB 68 (Pension) and GASB 75 (OPEB)



CITY OF
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# Description

The overall 2027-2031 Capital Improvement Program (CIP), which includes 221 projects across the capital improvement funds, enterprise funds, and internal service funds, totals $1.2 billion, an increase of $100.6 million, or 9.3%, compared to the 2026-2030 CIP of $1.1 billion. The Fiscal Year 2027 Adopted Capital Budget is $316.8 million, an increase of $3.9 million, or 1.2%, compared to the Fiscal Year 2026 Adopted Capital Budget of $312.9 million.




On the following pages, please find a listing of major capital improvement projects which include:

- Projects that are part of the City Council Approved Infrastructure Plan
- Projects that are politically sensitive
- Projects with over $750,000 of costs in the first year of the 5-Year CIP
- One-time projects with over $3.0 million over the 5-Year CIP

For a detailed discussion of the City's Fiscal Year 2027 Adopted Capital Budget, please visit the City's website at www.paloalto.gov/budget.

# MAJOR CAPITAL PROJECTS

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Airport Enterprise Fund: Airport Access Road Reconstruction (AP-24000) | $- | $4,322,104 | $4,322,104 |
| This project is for the design & reconstruction of the pavement on Embarcadero Way, which is the main access road for airport businesses and the Air Traffic Control Tower at the Airport. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Airport Enterprise Fund: Runway and Taxiway Reconstruction and Drainage Improvements (AP-22000) | $- | $4,288,000 | $4,288,000 |
| This project will provide funding for the design and implementation of runway and taxiway reconstruction and drainage improvements for the Palo Alto Airport. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Capital Improvement Fund: Animal Shelter Renovation (PE-19002) | $2,145,239 | $2,145,239 | $5,670,319 |
| This project provides funding for interim facility improvements to the Animal Shelter that accompany operation of the shelter by a contractor. The improvements include expanding and remodeling the medical suite to provide a new 900 square foot modular building for office space, public educational programs, and expanded kennels. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Maintenance costs at the facility will be covered by Pets In Need as part of a renegotiated agreement with the City. | | | |
| Capital Improvement Fund: Art In Public Spaces (AC-86017) | $1,827,998 | $2,283,298 | Recurring |
| This project provides funding for innovative temporary and permanent public art for both interior and exterior public spaces in accordance with the City Council-approved Art in City Capital Improvement Projects ordinance. | | | |
| **Operating Impacts** | | | |
| Annual funding for public art maintenance citywide is allocated to the Community Services Department in the General Fund, increasing approximately 2.5% each year. | | | |

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Capital Improvement Fund: Bicycle and Pedestrian Transportation Plan Implementation (PL-04010) | $595,000 | $2,135,000 | $14,335,387 |

This project provides funding for the design and construction of bicycle boulevards, enhanced bikeways, shared-use paths, bicycle parking, and pedestrian improvements in accordance with the Palo Alto Bicycle and Pedestrian Transportation Plan, which was updated and adopted by City Council in June 2026. This project includes planning studies for future infrastructure, special projects, and network enhancements, including intersection and crossing improvements.

**Operating Impacts**

This project is anticipated to impact operating expenses in the future. As these costs are quantified, adjustments will be brought forward in future budgets, as necessary. Increased operating impacts due to ongoing maintenance of protected and separate bikeways is funded in the Thermoplastic Lane Marking and Striping project (PO-11001). Certain types of bikeways may require special equipment or services to maintain them.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Bol Park Pathway Repaving and Repair (PE-25000) | $- | $1,600,000 | $1,600,000 |

The Bol Park pathway which extends from the north at Hanover Drive at the Stanford Technological Park to the south at Arastadero Road is approximately 1.2 miles in length. The pathway is a key link in the local and regional bike system and is heavily utilized by both Gunn High School and the Veterans facility. Funding for this project includes repaving and widening of the pathway and lighting improvements.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. Cost for operations and maintenance of green infrastructure features to be determined.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Byxbee Park Completion (PE-18006) | $- | $2,831,000 | $3,199,192 |

This project provides funding for the remaining improvements to Byxbee Park per the conceptual plan currently being developed in the Baylands Comprehensive Conservation Plan (PG-17000). The conceptual plan calls for additional native planting islands, park seating, interpretive signage, and an expanded parking lot.

**Operating Impacts**

This project is anticipated to impact operating expenses in the future. Byxbee Park is maintained under the City's parks maintenance contract. As these costs are quantified, adjustments will be brought forward in future budget cycles.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Churchill Avenue Rail Grade Separation and Safety Improvements (PL-24001) | $4,808,835 | $36,808,835 | $39,059,198 |

This project provides for the planning, design, and construction of the grade separation at the existing at-grade crossing on Churchill Avenue in the Caltrain Rail Corridor. The project will provide improvements to accommodate bicycles, pedestrians, and vehicular movement at the crossing. In 2021, the City Council selected partial underpass as the preferred alternative, with closure as a backup alternative.

**Operating Impacts**

Operating impacts will depend upon the grade separation alternative that is implemented. As these costs are quantified, adjustments will be brought forward in future budget cycles.

# MAJOR CAPITAL PROJECTS

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Capital Improvement Fund: Civic Center Electrical Upgrade & EV Charger Installation (PE-17010) | $1,351,085 | $1,351,085 | $2,110,243 |
| This project provides funding to replace the aging Civic Center electrical switchgear and motor control centers and to purchase and install approximately 43 new Level 2 electric vehicle (EV) charging stations at City parking garages, including the Civic Center garage. | | | |
| **Operating Impacts** | | | |
| This project is anticipated to impact operating expenses in the future. As these costs are quantified, adjustments will be brought forward in the future budget cycles, as necessary. | | | |
| Capital Improvement Fund: Civic Center Waterproofing Study and Repairs (PE-15020) | $941,037 | $941,037 | $1,739,629 |
| This project provides funding to address the condition assessment and repair method for the Civic Center Plaza planter boxes' waterproofing membranes, drainage piping system along the Civic Center Plaza perimeter and structural beam and walls repair in parking levels below due to water incursion. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Capital Improvement Fund: Eucalyptus Tree Removal (PG-25002) | $250,000 | $250,000 | $505,860 |
| This project will remove approximately 110 identified eucalyptus trees from the City of Palo Alto's open space preserves, including Foothills Nature Preserve, Pearson Arastradero Preserve, and Esther Clark Park. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Capital Improvement Fund: Fire Equipment Replacement (FD-25000) | $1,037,908 | $2,465,866 | Recurring |
| This project funds ongoing replacement of Fire and Emergency Medical Services (EMS) equipment used for training, medical response, and technical rescue in all emergency situations. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Capital Improvement Fund: Fire Station 4 Replacement (PE-18004) | $2,349,248 | $2,349,248 | $20,147,916 |
| This project provides funding to replace Fire Station 4 at the corner of Middlefield Road and East Meadow Drive. The replacement facility will be based on the prior replacement study and needs assessment prepared in 2005. | | | |
| **Operating Impacts** | | | |
| This project is anticipated to impact operating expenses in the future. Maintenance is estimated to increase from the maintenance costs for the current fire station by $10,100 in FY 2027 and increase by 3% annually thereafter. | | | |

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Capital Improvement Fund: Foothills Nature Preserve Improvements (PE-21000) | $494,646 | $2,794,646 | $3,203,645 |

This project provides funding for design and permitting costs to replace the footbridge in Los Trancos Valley, to replace the grade control structures along Buckeye Creek, new pedestrian pathways to keep park visitors safe while walking along the park road, and improvements to some of the existing parking areas to make them safer and more efficient. During the fiscal year 2026 budget amendment process, the City Council referred the pedestrian pathway and parking improvements portion of the project to the Parks and Recreation Commission for potential scope reduction and funding adjustment for the mid-year budget review. The reduced scope focuses on safety and access improvements in the Boronda Lake and Vista Hill areas.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Foothills Nature Preserve Restroom Replacement (PE-26000) | $- | $3,200,000 | $3,200,000 |

This project includes the replacement of three restrooms in Foothills Nature Preserve including restrooms at the preserve entrance and Orchard Glen and Oak Grove picnic areas. These facilities will also be upgraded to meet the Americans with Disability Act (ADA) requirements. The restrooms at Orchard Glen and Oak Grove picnic areas will be replaced with prefabricated structures, and the preserve entrance restroom will be rehabilitated or replaced based on assessment.

**Operating Impacts**

Additional custodial and routine maintenance costs will increase to service these new facilities. As these costs are quantified, adjustments will be brought forward in future budgets as necessary.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Lucie Stern Community Theater Mechanical Equipment Replacement (PE-24002) | $1,949,713 | $1,949,713 | $2,260,486 |

This project will upgrade and replace the Heating Ventilation and Air Conditioning (HVAC) system at the Lucie Stern Community Theatre. As a first step, the project will include a detailed feasibility study to determine if natural gas-powered equipment in the facility can be electrified.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Meadow Drive and Charleston Road Rail Grade Separation and Safety Improvements (PL-24000) | $9,443,463 | $69,443,463 | $72,574,204 |

This project provides for the planning, design, and construction of the grade separations at the existing at-grade crossings on Meadow Drive and Charleston Road in the Caltrain Rail Corridor. The project will provide improvements to accommodate bicycles, pedestrians, and vehicular movement at the crossings. In 2021, the City Council narrowed the alternatives under consideration at these locations to trench, hybrid, and underpass. Currently, the Rail Committee is reviewing these alternatives to further narrow and select the preferred alternative(s) for recommendation to the City Council.

**Operating Impacts**

Operating impacts will depend upon the grade separation alternative that is implemented. As these costs are quantified, adjustments will be brought forward in future budget cycles.

# MAJOR CAPITAL PROJECTS

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Capital Improvement Fund: Municipal Service Center Lighting, Mechanical, and Electrical Improvements (PF-16006) | $6,165,504 | $6,165,504 | $7,606,012 |
| This project provides funding for the replacement of original mechanical and electrical systems and lighting installed in 1966 in the Municipal Service Center's (MSC) Buildings A, B, and C. The project also includes the renovation of office space and shop areas in Building C. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Capital Improvement Fund: New California Avenue Area Parking Garage (PE-18000) | $997,012 | $997,012 | $50,483,823 |
| This project provides funding for the design and construction of a new public parking garage on the existing Lot C-7 in the California Avenue commercial area. The project includes approximately 636 parking stalls and has two below-ground and four above-ground levels. | | | |
| **Operating Impacts** | | | |
| Custodial and maintenance costs were budgeted for this project starting in FY 2021 and increase by 3% annually thereafter. | | | |
| Capital Improvement Fund: New Downtown Parking Garage (PE-15007) | $12,896,981 | $30,602,859 | $34,733,069 |
| This project provides funding for a new public parking garage in the University Avenue commercial area at existing Parking Lot D at the corner of Hamilton Avenue and Waverley Street. The project will evaluate the feasibility of including housing as part of the new structure. Design and environmental consul- tant services will be needed, including the development of preliminary plans and cost estimates, and completion of the project's environmental review. | | | |
| **Operating Impacts** | | | |
| This project is anticipated to impact operating expenses in the future. As these costs are quantified, adjustments will be brought forward in future budgets as necessary. | | | |
| Capital Improvement Fund: Railroad Grade Separation and Safety Improvements (PL-17001) | $3,999,819 | $4,999,819 | $9,595,275 |
| This project provides for the planning, design, and construction of the grade separation at the existing at-grade crossing on Palo Alto Avenue in the Caltrain Rail Corridor. The project will provide improvements to accommodate bicycles, pedestrians, and vehicular movement at the crossing. | | | |
| **Operating Impacts** | | | |
| Operating impacts will depend upon the grade separation alternative that is implemented. As these costs are quantified, adjustments will be brought forward in future budget cycles. | | | |

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Capital Improvement Fund: Rinconada Park Improvements (PE-08001) | $101,150 | $4,701,150 | $10,477,226 |

Upon completion of the Rinconada Park Long Range Plan (LRP) adopted in 2017, funding was secured to begin these park improvements. Phase 1 improvements including safety, site amenities, playground facilities, irrigation, drainage, and accessibility improvements in the western half of the park were completed in April 2022. A new restroom that was removed from Phase 1 improvements due to funding constraints was added in FY 2023 and was completed in FY 2024. In FY 2025, the City and the Palo Alto Tennis Club (PATC) coordinated to finalize a Memorandum of Understanding and License Agreement to replace the existing tennis club storage buildings at the park with a new modular unit, however, project is on hold per PATC request.
Phase 2 improvements would include renovation of the eastern half of the park including pathway improve- ments, a new restroom facility, renovated and expanded group picnic areas, native and habitat planting, irriga- tion improvements, ADA upgrades, directional signage, site furnishing, lighting, and green infrastructure ele- ments. Phase 2 would also include public outreach for all improvements including potential of a new dog park.

**Operating Impacts**

This project is anticipated to impact operating expenses in the future. Custodial and maintenance costs are estimated to be $22,000 in FY 2026 and increase by three percent annually thereafter. These costs will be included as part of the City's custodial contract. Cost for operations and maintenance of green infrastructure features to be determined.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Rinconada Pool Family Changing Room (PE-24004) | $1,158,326 | $1,158,326 | $1,319,526 |

This project constructs a gender-neutral restroom and family changing facility that is compliant with the Americans With Disabilities Act (ADA) at the Rinconada Pool. The facility will include two separate rooms, each consisting of a toilet, sink, shower, and child/ adult changing station. The facility will provide community members who have special needs, and individuals who require privacy, an accessible space for changing and personal hygiene.

**Operating Impacts**

Additional custodial and routine maintenance costs will increase to service this new facility. As these costs are quantified, adjustments will be brought forward in future budgets as necessary.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Robles Park Improvements (PE-18015) | $891,958 | $891,958 | $1,102,832 |

This project provides funding for the replacement of existing features including the decomposed granite walk- way and fencing surrounding children's playgrounds. It also includes the replacement/repair of decomposed granite pathways, playground, baseball backstops, benches, drinking fountains, tables and trash receptacles. Also includes converting planters to California native pollinator gardens and renovation of irrigation system.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

# MAJOR CAPITAL PROJECTS

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Capital Improvement Fund: Sidewalk Repairs (PO-89003) | $1,406,000 | $7,931,000 | Recurring |
| This project provides funding for sidewalk repairs as part of an annual district-based rehabilitation program, alleviating the backlog of sidewalk repairs and enhancing pedestrian comfort and safety. Additionally, a sidewalk program assessment to evaluate options for improving the City's Sidewalk Repair Program was completed in Spring 2019 and provided suggestions for establishing goals and priorities related to repairs and replacements throughout the City. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Capital Improvement Fund: Street Maintenance (PE-86070) | $5,416,000 | $29,421,000 | Recurring |
| This project provides funding for annual resurfacing, slurry sealing, crack sealing, and reconstruction of various City streets. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Capital Improvement Fund: University Avenue Streetscape Update (PE-21004) | $1,946,000 | $1,946,000 | $3,432,233 |
| University Avenue is a regional and local public destination for shopping, dining, and entertainment. To facilitate people-centric activities, this project would assess transforming the University Avenue streetscape between Alma Street and Middlefield Road by repurposing streets, sidewalks, curbs, and parking areas. The goal of the project is to adapt the public realm to maximize pedestrian and bicycle use, reduce congestion, accentuate and enhance the retail environment/economic activity, while maintaining vital two-way vehicular access, parking opportunities, delivery and loading zones, ride share spaces, and other amenities including a performance space. The project uses a phased approach with Phase 1 consisting of public outreach, conceptual design, preliminary environmental studies, and financial assessment. A preferred plan was developed in Phase 1 based on community and stakeholders' input and Council feedback was received in December 2024. Additional lower cost alternatives within the preferred concept plan are being assessed. Upon completion of the cost assessment, the scope and estimates of future phases including design, environ- mental assessment, bidding and construction would be developed. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Cubberley Property Infrastructure Fund: Cubberley Community Center Redevelopment (CB-26000) | $305,061 | $305,061 | $2,000,001 |
| This project provides funding for design of a new community center on the Cubberley Community Center site owned by the City. The Cubberley Community Center is a valuable community resource, and the plan includes site investigative and funding feasibility studies to inform project scope and design. Construction would occur beyond the current five-year CIP and would be dependent on future funding. This project builds upon the Cubberley Concept Plan completed in 2019. | | | |
| **Operating Impacts** | | | |
| This project will have ongoing operating expenses related to the new facility. As these costs are quantified, adjustments will be brought forward in future budgets as necessary. | | | |

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Electric Fund: Electric Customer Connections (EL-89028) | $2,340,000 | $13,850,000 | Recurring |
| This project allows for the installation of services, transformers, meters for new customers, upgrades of existing services, temporary service connections, and overhead/underground extensions for new/existing customers. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Electric Fund: Electric System Improvements (EL-98003) | $2,740,000 | $15,300,000 | Recurring |
| This project provides funding, as needed, to improve the Electric Distribution System. Typical activities include: increasing system capacity for load growth, replacing deteriorated capital facilities, reconfiguring/adding to the system to improve service reliability, repairing and replacing storm damaged equipment, and making general improvements to the system. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Electric Fund: Foothills Rebuild (Fire Mitigation) (EL-21001) | $1,950,000 | $1,950,000 | $17,052,350 |
| Devastating wildfires throughout the State of California have prompted electric utilities throughout the state to identify areas within their jurisdiction that are susceptible to power-line ignited wildfires and to take steps to prevent their occurrence. This project rebuilds the approximately 11 miles of overhead line, as necessary to mitigate the possibility of a wildfire due to overhead electric lines. This could include the utilization of more robust equipment or construction practices; rerouting to avoid vegetation and improve access for inspection and maintenance; or converting the overhead lines to underground where feasible. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Electric Fund: Hanover Substation Upgrade Project (EL-24001) | $2,957,140 | $2,957,140 | $12,174,300 |
| This project replaces one 14,000,000-volt-ampere (14MVA) transformer and one 20MVA transformer with two new 50MVA transformers, new switchgear, and additional feeder outlets. The upgrade increases the substation's usable capacity from 42MVA to 78MVA. The additional capacity supports ongoing growth within the Stanford Research Park. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Electric Fund: Inter-substation Line Protection Relay (EL-17005) | $823,873 | $1,193,873 | $1,688,651 |
| This project funds the replacement of existing wire relays with new microprocessor-based line differential protective relays to protect the City's 60kV sub-transmission line sections and equipment from damage due to faults (i.e. short circuits) on the 60kV line sections. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |

# MAJOR CAPITAL PROJECTS

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Electric Fund: Substation Facility Improvements (EL-89044) | $1,591,100 | $3,921,100 | Recurring |
| This project involves several improvements to each of the nine substation facilities in Palo Alto, including improvement to the safety grounding grids, upgrading gravel for electrical isolation, replacement of various substation equipment, renovation of security fences and entry gates, paving of driveways and parking areas in substations, upgrading of substation drainage systems, replacement of Remote Terminal Unit (RTU) equipment, bus voltage monitoring and local area network (LAN) connections, as well as other improvements. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Fiber Optics Fund: Fiber Optics Network - System Rebuild (FO-16000) | $7,948,211 | $26,689,495 | $31,239,805 |
| This project rebuilds and expands portions of the fiber backbone to improve capacity. Reinvesting in the backbone will support the City's internal infrastructure, facilitate the licensing of dark fiber to companies that provide telecommunications services to residents and businesses in Palo Alto, and enable the City's fiber-to-the-premises (FTTP) project. This project will install new aerial duct, substructures (conduit and boxes), and additional fiber backbone cables to increase capacity in sections of the network that are at or near capacity, enabling the City to meet customer requests for service connections and serve future FTTP areas. Key rebuild areas include locations needed to support the City's internal infrastructure, Stanford Research Park, Palo Alto Equinix International Business Exchange (formerly known as "PAIX"), sections along major transit corridors, and the downtown business district. | | | |
| **Operating Impacts** | | | |
| Ongoing annual costs of approximately $1.4 million. | | | |
| Fiber Optics Fund: Fiber-to-the-Premises (FTTP) (FO-24000) | $7,501,748 | $7,501,748 | $14,975,072 |
| This project will build Fiber-to-the-Premises (FTTP) to deliver broadband high-speed internet for homes and businesses in the City of Palo Alto. As the City carries out the Fiber Optics Network - System Rebuild (FO-16000) project to expand its dark fiber backbone network, the network will be extended and lit to connect homes and businesses through FTTP. This project provides the "last mile" connections needed to deliver broadband services. | | | |
| **Operating Impacts** | | | |
| Operating impacts are anticipated from this project. Estimates may become available after requests for proposals are issued, and as these costs are quantified, adjustments will be brought forward in future budgets as necessary. | | | |
| Gas Fund: Gas Line Repair at Arastradero Creek (GS-25001) | $1,693,916 | $1,693,916 | $2,550,001 |
| This project will hire a design-build consultant to analyze the existing watershed that runs into Arastradero Creek, including Arastradero Lake in the Pearson-Arastradero Preserve to determine the source of a six-foot soil erosion head cut (or opening) that exposed a 8-inch gas pipeline crossing the creek. The consultant is tasked with gathering the required information from the area, proposing a cost effective and efficient project, working with regulatory agencies for permitting, constructing the project, and completing the required biological monitoring once the project is completed. | | | |
| **Operating Impacts** | | | |
| $100,000 will be programmed in FY28-FY30 for required creek monitoring and inspection after construction is complete. | | | |

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Gas Fund: Gas Main Replacement - Project 25 (GS-15000) | $5,974,719 | $5,974,719 | $16,690,338 |

This Gas Main Replacement (GMR) project replaces approximately 26,500 linear feet (which represents 2.4% of the City's Gas Distribution System) of leaking, inadequately-sized, and structurally-deficient gas mains and services located on various streets in the neighborhoods of Community Center, Leland Manor, Midtown, and Palo Verde. Staff identifies problematic mains/services by researching maintenance and leak histories, analyzing performance of the entire Gas Distribution System, and considering risk ratings of the Distribution Integrity Management Plan.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Gas Fund: Gas Main Replacement - Project 26 (GS-16000) | $15,260,000 | $15,260,000 | $15,260,000 |

This project replaces approximately 26,000 linear feet (which represents 2.0% of the City's Gas Distribution System) of leaking, inadequately-sized, and structurally-deficient gas mains and services located on various streets in the Midtown, Palo Verde, Fairmeadow, Greenmeadow, and Evergreen Park neighborhoods. Staff identifies problematic mains/services by researching maintenance and leak histories, analyzing performance of the entire Gas Distribution System, and considering risk ratings of the Distribution Integrity Management Plan.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Gas Fund: Gas Main Replacement - Project 27 (GS-20000) | $- | $16,470,000 | $16,470,000 |

This project replaces approximately 26,000 linear feet (which represents 2.0% of the City's Gas Distribution System) of leaking, inadequately-sized, and structurally-deficient gas mains and services located on various streets within the City. The areas are not yet identified. Staff will assess the gas, wastewater, and water mains that need replacement and plan to carry out the replacements for all three systems simultaneously. This approach aims to achieve economies of scale and minimize construction-related disruptions. Staff identifies problematic mains/services by researching maintenance and leak histories, analyzing performance of the entire Gas Distribution System, and considering risk ratings of the Distribution Integrity Management Plan.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Gas Fund: Gas Main Replacement- Project 28 (GS-30000) | $- | $12,790,000 | $12,790,000 |

This project replaces approximately 20,000 linear feet (which represents 1.8% of the City's Gas Distribution System) of leaking, inadequately-sized, and structurally-deficient gas mains and services located on various streets within the City. The areas are not yet identified. Staff will assess the gas, wastewater, and water mains that need replacement and plan to carry out the replacements for all three systems simultaneously. This approach aims to achieve economies of scale and minimize construction-related disruptions. Staff identifies problematic mains/services by researching maintenance and leak histories, analyzing performance of the entire Gas Distribution System, and considering risk ratings of the Distribution Integrity Management Plan.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Stormwater Management Fund: Green Stormwater Infrastructure (SD-22001) | $1,030,250 | $1,030,250 | Recurring |

This project provides funding for Green Stormwater Infrastructure (GSI) projects and the integration of GSI measures to be included in the design and implementation of planned CIP projects supported by other funds and, in the future, maintenance of the City's GSI assets. GSI mimics the natural environment to slow, spread, sink, and filter storm runoff through native or engineered soils rather than discharging it directly into storm drain inlets. Types of GSI include bioretention areas, bioswales, tree filters, green roofs, pervious pavement, and rainwater harvesting (rain barrels and cisterns) to manage stormwater runoff.

**Operating Impacts**

This project is anticipated to impact operating expenses in the future, such as maintenance costs. As these costs are quantified, and if the Department determines they cannot be absorbed within the available maintenance schedule and annual operating budget, adjustments will be brought forward in future budgets cycles.

| | | | |
|---|---|---|---|
| Stormwater Management Fund: Storm Drainage System Replacement And Rehabilitation (SD-06101) | $1,405,265 | $2,605,265 | Recurring |

This project provides funding for annual replacement and rehabilitation projects, identified by a previous condition assessment, to help maintain the integrity of the storm drain system, including the replacement or rehabilitation of deteriorated storm drain pipes, manholes, and storm drain inlets.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Technology Fund: City Council Chambers Upgrade (TE-19001) | $1,641,440 | $1,641,440 | $1,803,833 |

Funding will be used to upgrade outdated electronic equipment that has become unsupportable in City Council Chambers. This will help address technical issues and ensure compliance with Americans with Disabilities Act (ADA) requirements. This project will:
- Replace and upgrade outdated audio/visual equipment to bring City Council Chambers in compliance with ADA requirements.
- Upgrade the City Council Chambers broadcast booth, overhead display equipment, and dais equipment (including a supportable voting system).
- Bring the broadcast booth in the City Council Chambers in compliance with ADA and State regulations.
- Obtain adequate support, maintenance, and warranty for all equipment.
- Integrate the City Hall Lobby Video Wall, Community Meeting Room, and Council Conference Room with new City Council Chambers equipment to enable viewing and/or broadcasting.

**Operating Impacts**

Operating impacts are anticipated from this project. Estimates may become available after requests for proposals are issued, and as these costs are quantified, adjustments will be brought forward in future budgets as necessary.

| | | | |
|---|---|---|---|
| Technology Fund: IT Data Center Upgrade (TE-25000) | $980,000 | $980,000 | $1,000,000 |

This project will allow the Information Technology (IT) department to evaluate the City's onsite data center space requirements, and determine if the current data center space can be reduced and repurposed for other needs at City Hall.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Vehicle Replacement & Maintenance Fund: Scheduled Vehicle and Equipment Replacement - Fiscal Year 2024 (VR-24000) | $1,987,783 | $1,987,783 | $5,080,999 |
| This project provides funding for the existing City fleet vehicles and equipment scheduled for replacement in Fiscal Year 2024. | | | |
| **Operating Impacts** | | | |
| Costs to operate and maintain the City's fleet are budgeted annually in the Vehicle Replacement Fund and allocated to other City departments based on historical maintenance and repair needs. There are no additional operating impacts anticipated from this project and maintenance will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Vehicle Replacement & Maintenance Fund: Scheduled Vehicle and Equipment Replacement - Fiscal Year 2027 (VR-27000) | $3,487,462 | $3,487,462 | $3,487,462 |
| This project provides funding for the existing City fleet vehicles and equipment scheduled for replacement in Fiscal Year 2027. | | | |
| **Operating Impacts** | | | |
| Costs to operate and maintain the City's fleet are budgeted annually in the Vehicle Replacement Fund and allocated to other City departments based on historical maintenance and repair needs. There are no additional operating impacts anticipated from this project and maintenance will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Vehicle Replacement & Maintenance Fund: Scheduled Vehicle and Equipment Replacement - Fiscal Year 2028 (VR-28000) | $- | $3,679,192 | $3,679,192 |
| This project provides funding for the existing City fleet vehicles and equipment scheduled for replacement in Fiscal Year 2028. | | | |
| **Operating Impacts** | | | |
| Costs to operate and maintain the City's fleet are budgeted annually in the Vehicle Replacement Fund and allocated to other City departments based on historical maintenance and repair needs. There are no additional operating impacts anticipated from this project and maintenance will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Vehicle Replacement & Maintenance Fund: Scheduled Vehicle and Equipment Replacement - Fiscal Year 2029 (VR-29000) | $- | $3,553,590 | $3,553,590 |
| This project provides funding for the existing City fleet vehicles and equipment scheduled for replacement in Fiscal Year 2029. | | | |
| **Operating Impacts** | | | |
| Costs to operate and maintain the City's fleet are budgeted annually in the Vehicle Replacement Fund and allocated to other City departments based on historical maintenance and repair needs. There are no additional operating impacts anticipated from this project and maintenance will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Vehicle Replacement & Maintenance Fund: Scheduled Vehicle and Equipment Replacement - Fiscal Year 2030 (VR-30000) | $- | $4,088,656 | $4,088,656 |
| This project provides funding for the existing City fleet vehicles and equipment scheduled for replacement in Fiscal Year 2030. | | | |
| **Operating Impacts** | | | |
| Costs to operate and maintain the City's fleet are budgeted annually in the Vehicle Replacement Fund and allocated to other City departments based on historical maintenance and repair needs. There are no additional operating impacts anticipated from this project and maintenance will be absorbed within the available maintenance schedule and annual operating budget. | | | |

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Wastewater Collection Fund: Wastewater Collection System Rehabilitation/Augmentation Project 32 (WC-20000) | $2,560,000 | $13,810,000 | $13,810,000 |

This project funds the design and construction of high-priority main and lateral replacement work, which reduces inflow of rainfall and infiltration of groundwater into the collection system. The project replaces approximately five miles (which represents 2.4% of the City's Wastewater Collection System) for various streets in the City. The focus of this project will be the sewer mains identified in the 2025 Sewer Master Plan that are under capacity that are generally distributed throughout the City. The remainder of the budget for this project will focus on high risk sewer mains identified in 2025 Sewer Master Plan. The project will be comprised of laterals identified in video inspection work or through maintenance records as deficient and in need of replacement. Priority will be given to areas identified by Public Works as targeted work zones ensuring coordination between departments.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Wastewater Collection Fund: Wastewater Collection System Rehabilitation/Augmentation Project 33 (WC-21000) | $- | $14,960,000 | $14,960,000 |

This project funds the design and construction of high priority main and lateral replacement work, which reduces inflow of rainfall and groundwater into the collection system. The project will include approximately five miles (which represents approximately 2.4% of the City's Wastewater Collection System) for various streets in the City. The focus of this project will be the sewer mains identified in the 2025 Sewer Master Plan that have been ranked as high risk. Although the 2025 Sewer Master Plan as identified these areas, the findings of the CCTV Sewer Main Inspection project will refine these areas. The project will be comprised of laterals identified in video inspection work or through maintenance records as deficient and in need of replacement. Priority will be given to areas identified by Public Works as targeted work zones ensuring coordination between departments.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Wastewater Treatment Fund: Headworks Facility Replacement (WQ-16002) | $2,988,974 | $102,988,974 | $104,767,300 |

This project provides funding for replacing influent pumping, including the suction and discharge piping, pipe manifolds, valves, the electrical and controls system, screening equipment, grit handling equipment, the force main to primary treatment and modifying headworks building, and yard piping.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Wastewater Treatment Fund: New Laboratory And Environmental Services Building (WQ-14002) | $15,166,602 | $15,166,602 | $16,913,443 |

This project provides funding for the development of new workspaces, required enhancements to tenant spaces, establishing space for construction staging, and creating a cohesive campus environment.

**Operating Impacts**

This project is anticipated to impact operating expenses in the future such as utilities, janitorial services, and alarm/security systems. Any development related to this project will be quantified and adjustments will be brought forward in future budgets.

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Wastewater Treatment Fund: Outfall Line Construction (WQ-19000) | $17,788,500 | $17,788,500 | $17,788,500 |

This project consists of the construction of a new parallel outfall pipe and the rehabilitation of the existing outfall pipe to convey final plant effluent to San Francisco Bay.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Wastewater Treatment Fund: Plant Repair, Retrofit, and Equipment Replacement (WQ-19002) | $4,262,409 | $22,857,022 | Recurring |

This project provides funding for the assessment, repair, and retrofit of the Regional Water Quality Control Plant (RWQCP) concrete and metal structures; the replacement of necessary RWQCP equipment and ancillary facilities to maintain treatment reliability and existing infrastructure; and the replacement of large diameter flow meters built into the wastewater treatment system on sewers, pipes, and water lines.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Wastewater Treatment Fund: Secondary Treatment Upgrades (WQ-19001) | $1,112,320 | $1,112,320 | $193,317,016 |

This project provides funding for upgrades to the Secondary Treatment process at the Regional Water Quality Control Plant. The existing Secondary Treatment process has two main components: the Fixed Film Reactors (FFRs) and the Activated Sludge (AS) Process. This project includes the reconfiguration of the aeration basins, modification of the AS Process, and the elimination of the FFRs. The AS Aeration Basins will be subdivided with concrete walls creating different zones where different pollutants can be treated. Some of the zones will operate without oxygen, treating nitrogen and cutting the nitrogen in the treated wastewater by roughly half. The project will not only reduce organics and ammonia in the existing processes but will also reduce total nitrogen, the next pollutant being targeted for more stringent regulation.

**Operating Impacts**

This project is anticipated to impact operating expenses in the future, potentially by lowering utilities usage. As these costs are quantified, adjustments will be brought forward in future budgets, as necessary.

| | | | |
|---|---|---|---|
| Water Fund: Water Main Replacement - Project 30 (WS-16001) | $4,366,839 | $4,366,839 | $4,372,210 |

This project will fund the replacement of structurally deficient water mains and appurtenances in Fiscal Year 2026. Mains are selected by researching the maintenance history of the system and identifying those that are undersized, corroded, and subject to breaks. The project scope includes approximately 3,000 linear feet (which represents 0.23 percent of the City's Water Distribution System) of mains and services on various streets within the City. Staff will assess the gas, wastewater, and water mains that need replacement and plan to carry out the replacements for all three systems simultaneously. This approach aims to achieve economies of scale and minimize construction-related disruptions.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Water Fund: Water Main Replacement - Project 31 (WS-19001) | $- | $5,450,000 | $5,450,000 |
| This project will fund the replacement of structurally deficient water mains and appurtenances in Fiscal Year 2028. Mains are selected by researching the maintenance history of the system and identifying those that are undersized, corroded, and subject to breaks. The project scope includes approximately 4,000 linear feet of mains and services on various streets within the City. Staff will assess the gas, wastewater, and water mains that need replacement and plan to carry out the replacements for all three systems simultaneously. This approach aims to achieve economies of scale and minimize construction-related disruptions. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Water Fund: Water Main Replacement - Project 32 (WS-20000) | $- | $11,590,000 | $11,590,000 |
| This project will fund the design and replacement of structurally deficient water mains and appurtenances in Fiscal Year 2030. Mains are selected by researching the maintenance history of the system and identifying those that are undersized, corroded, and subject to breaks. The project scope will include approximately 7,600 linear feet of mains and services on various streets within the City. Staff will assess the gas, wastewater, and water mains that need replacement and plan to carry out the replacements for all three systems simultaneously. This approach aims to achieve economies of scale and minimize construction-related disruptions. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Water Fund: Water System Customer Connections (WS-80013) | $1,240,000 | $6,590,000 | Recurring |
| This project allows for improvements that include new main extensions, valves, domestic services, meters on upgraded services, backflow devices, fire services, and fire hydrants. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Water Fund: Water System Supply Improvements (WS-11004) | $1,380,990 | $6,509,990 | Recurring |
| This project provides funding to improve the City's Water Distribution System, which connects facilities between the City's and the San Francisco Public Utility Commission's pipelines, emergency water wells within the City, pumping stations, and water reservoirs. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Water Fund: Water Tank Seismic Upgrade and Rehabilitation (WS-09000) | $100,000 | $17,210,000 | $27,294,838 |

This project will provide tank rehabilitation, seismic upgrades, and/or tank replacement structural reinforcement for the Corte Madera, Park, Boronda, and Dahl reservoirs to improve earthquake resistance in compliance with the American Society of Civil Engineers (ASCE 7) seismic codes. Work at the reservoir sites will also include the installation of: new seismic shut off valves between the reservoirs and valve vaults, new plug valves, piping and pipe supports in the valve vaults, and recoating of the interior and exterior reservoir walls.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Electric Fund: Adobe Creek Substation Reconstruction (EL-27006) | $3,800,000 | $3,800,000 | $33,680,000 |

The Adobe Creek substation currently has two 14 mega-volt-amp (MVA) transformers originally installed in 1967. These banks are limiting the substation's usable capacity to serve the surrounding area and support restoration of adjacent substations (Colorado, East Meadow, and Maybell). This project will increase the size of the existing power transformers and increase the number and capacity of existing feeder outlets. Once complete, the project will increase substation capacity, allowing the City to better meet the needs of residential electrification and system growth in commercial areas.

**Operating Impacts**

No operating impacts are anticipated from this project.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Americans With Disabilities Act Compliance (PF-93009) | $900,000 | $3,200,000 | Recurring |

This project provides funding for accessibility upgrades to City facilities and equipment. It includes continued funding for improvements such as path of travel, restroom upgrades, drinking fountains, and counters. This funding will also be utilized for other CIP project design or construction phases where accessibility improvements are identified.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Building Systems Improvements (PF-01003) | $900,030 | $2,320,030 | Recurring |

This project provides funding for electrical, mechanical, plumbing, structural, and security upgrades as required at various City facilities. Upgrades may include main and emergency power sources, light fixtures, fire alarm systems, heating and ventilation equipment, Building Management System (BMS) controls, structural reinforcements or repair, security card access, and camera systems.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Stormwater Management Fund: Center Drive Capacity Upgrades (SD-26001) | $2,365,200 | $2,365,200 | $2,415,000 |

This project provides funding to remove and replace approximately 1,710 linear feet of the existing storm drain pipes of various sizes (12 and 15 inches) with new 36-inch high-density polyethylene storm drain pipes, and add approximately 330 linear feet of new pipe from Hamilton Avenue to Channing Drive in order to increase the storm drain capacity. The pipes will continue to drain to Channing Drive, but this project will provide overflow to the Hamilton Avenue system. The project also includes replacing concrete inlets, manholes, and storm drain laterals, and relocating other utility laterals due to the pipe size changes.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Charleston Road/Alma Street Railroad Crossing Safety Improvements (PL-25002) | $2,582,400 | $2,582,400 | $3,065,500 |

The California Department of Transportation, in cooperation with the Peninsula Corridor Joint Power Board (JPB) and the City of Palo Alto, proposed a railroad crossing improvement project at Charleston Road and Alma Street to enhance traffic safety. This crossing was identified for possible funding of hazard elimination and safety improvements through Section 130 funds. The Section 130 program is a federally-funded program, administered at the state level, for the elimination of hazards at at-grade highway-rail crossings. Section 130 funding will reimburse the actual and direct costs of the design and construction of the improvements. This project is separate and independent from the on-going rail grade separation projects and addresses more immediate safety concerns at this crossing.
Design may include, but is not limited to, traffic signal modifications, street lighting improvements, roadway resurfacing, sidewalk realignment and/or widening, drainage improvements, utility re-locations, signage and striping, and way-finding improvements.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Chimalus Shared Use Path (TR-28000) | $- | $600,000 | $600,000 |

This project provides funding for a feasibility study to develop a concept plan and analysis for the construction of a half-mile-long, 12 to 14-foot-wide multi-use path between the north side of Chimalus Drive and the Stanford Research Park, connecting to Bol Park Path. The project converts an existing Santa Clara Valley Water District utility easement across three Stanford-owned properties into a publicly-accessible off-road path/trail. The City will partner with Stanford University and the Santa Clara Valley Water District on project development and implementation.

**Operating Impacts**

This project is anticipated to impact operating expenses in the future. Once the project is complete, costs will be quantified and adjustment will be brought forward as part of a future budget process.

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Capital Improvement Fund: City Radio Replacement Program (PD-25000) | $614,130 | $4,570,650 | $4,891,701 |

Two-way commercial radios are used by many Departments in the City of Palo Alto. The City operates approximately 772 radios across 9 workgroups, including Police, Fire, Office of Emergency Services (OES), Community Services Park Rangers, Public Works, Utilities, Development Center, and Information Technology. The Police Department's Technical Services Division has been designated the lead division to manage the maintenance and replacement of all radios in the City. All radios were replaced with digital models between FY 2015 and FY 2018 when the City converted from an analog radio network to a digital radio network operated by a County authority. This project will be used to replace the original digital radios only. Maintenance and repairs of infrastructure systems such as antennas and cabling are in the operating budget. Radios are categorized by portability: consoles are base radios that do not move and are affixed in buildings; mobile radios are fixed to vehicles; handheld radios are worn on the body and used in the field. Most mobile and handheld radios have a 10-year life span, depending on field conditions, whereas consoles have a longer expected life.

**Operating Impacts**

In addition to the physical equipment addressed in this project, the Operating Budget already has funding for the annual subscription fee to the Silicon Valley Regional Interoperability Authority, the agency managing the countywide radio network, as well as separate contracts with service providers for the radio infrastructure needs (example: fixed antenna system troubleshooting and tuning or maintenance). Any additional operating costs will be brought forward in future budgets as needed.

| | | | |
|---|---|---|---|
| Electric Fund: Colorado 60/12kV Banks Relocation & Rebuild (EL-27007) | $3,800,000 | $30,590,000 | $30,590,000 |

As identified in the Colorado Reconstruction Master Plan, expanding the 60kV bus to increase capacity and system reliability requires the relocation of the existing 60/12kV power transformers and metal clad switch gear. This project will remove the existing two transformers that were manufactured in 1976, and replace them with new transformers of larger capacity and modern design. The project will also remove and replace the existing 12kV switch gear in order to increase capacity and reliability. Replacement transformers are planned to be ordered in FY 2027, but construction will not begin until FY 2031 due to long material delivery times.

**Operating Impacts**

No operating impacts are anticipated from this project.

| | | | |
|---|---|---|---|
| Electric Fund: Colorado 60kV Bus Rebuild (EL-17002) | $3,498,849 | $11,578,849 | $41,552,438 |

This project funds the purchase and replacement of high-voltage 60kV circuit breakers and associated equipment at Colorado Substation. The proposed work is part of the overall Colorado Substation Master Plan for the re-construction effort to improve reliability, increase operational flexibility, and add capacity. The existing substation configuration has operational and capacity limitations that constrain switching flexibility, fault isolation, and expansion potential. As load continues to rise, the current Main and Transfer Bus arrangement does not meet current utility best practices and no longer provides highly reliable service.
The proposed redesign limits outage scope due to equipment failures, improves service continuity, and supports future infrastructure expansion. Upgrading the substation to a Breaker?And-A?Half (BAAH) scheme significantly enhances reliability, operational flexibility, and system resilience. This modernization ensures the substation meets the City's needs for decades to come. The project is expected to span six years and will be implemented in two phases to maintain citywide service continuity during construction. This portion of the Colorado Master Plan includes relocating the control room, replacing the 12kV breaker and feeder outlets, and reconstructing the 60kV bus into a BAAH scheme.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

# MAJOR CAPITAL PROJECTS

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Electric Fund: Colorado Transformer #3 Replacement (EL-19001) | $3,780,000 | $14,750,000 | $19,248,547 |
| This project will replace power transformer (bank) number three at the Colorado Power Station. The Colorado Bank #3 is a 115kV/60kV transformer which lowers PG&E transmission voltage of 115kV to the City sub-transmission voltage of 60kV which in turn serves the individual distribution substations around the City. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Capital Improvement Fund: Downtown Automated Parking Guidance Systems, Access Controls & Revenue Collection Equip. (PL-15002) | $32,898 | $32,898 | $5,725,213 |
| This project provides funding to address infrastructure and capital improvements for parking facilities (Alma St., Bryant St., and Cowper/Webster garages). This project includes design and installation of new downtown parking guidance systems, access controls, and revenue collection equipment. | | | |
| **Operating Impacts** | | | |
| The ongoing operating costs for cameras and other equipment is unknown at this time; however, as these costs are quantified, adjustments will be brought forward in the next budget cycle. | | | |
| Electric Fund: East Meadow Substation 4 to 12kV Conversion (EL-27004) | $3,800,000 | $29,170,000 | $29,170,000 |
| Palo Alto currently serves roughly 2,900 customers through two separate legacy 4,000 volt (4kV) systems. These two isolated systems have no ties to adjacent substations and rely on aging facilities installed in the 1950s and 1960s. As this equipment ages, it has a higher likelihood of in-service failures resulting in more frequent customer power outages. Due to the isolation of the two 4kV systems, a major failure could result in a prolonged outage to many Palo Alto electric customers.<br>This project rebuilds the East Meadow Substation by removing legacy 4kV equipment and rebuilding the substation with current utility best practices and modern designs. Construction for the East Meadow Substation is anticipated to start in FY 2030, and funding has been programmed in FY 2027 to initiate the order of long lead equipment (transformers) and to begin design work. | | | |
| **Operating Impacts** | | | |
| No operating impacts are anticipated from this project. | | | |

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Electric Fund: East Meadow to Maybell 60kV T-Line Reconductor (EL-27001) | $2,560,000 | $2,560,000 | $2,560,000 |

The City operates a 60kV sub-transmission loop, comprised of overhead and underground line sections, to interconnect each of the utilities' nine substations. The looped configuration allows at least two sub-transmission sources for each station which significantly improves system reliability. Under certain outages, sections of this loop are removed from service, shifting customer demands (energy flow) between the remaining sections of the loop. Under some outage conditions, sections of the loop could be overloaded and potentially damage the conductors.
This project reconductors the sub-transmission line connecting the East Meadow and Maybell substations. If both underground 60kV cables are taken out of service, this line section will exceed its current capacity by 32%. Reconductoring with advanced high-temperature conductors will alleviate this overload and provide for future systemwide load growth. The reconductoring will replace the existing 954mcm bare aluminum wire with high temperature (200 degrees Celsius) 954mcm steel-reinforced conductor and replace wood pole structures as required.

**Operating Impacts**

No operating impacts are anticipated from this project.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Electric Charger Infrastructure Installation (PF-23000) | $1,186,857 | $3,386,857 | Recurring |

This project provides design and construction funding for the installation of electric vehicle chargers at various City facilities. The primary use of the electric vehicle chargers will be for City fleet vehicles.

**Operating Impacts**

This project is anticipated to impact operating expenses in the future. As these costs are quantified, adjustments will be brought forward in the future budget cycles, as necessary.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Elwell Court and Development Center Office Space Relocation (PE-27000) | $470,000 | $470,000 | $470,000 |

This project will move City staff from the leased Elwell Court and Development Center office spaces into City Hall and the former Police Building adjacent to City Hall.

**Operating Impacts**

Operating impacts will be assessed as part of the planning process.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Embarcadero Road Improvements (Alma Street to Emerson Avenue) (TR-26000) | $260,000 | $260,000 | $3,146,000 |

This project provides funding for the construction of pedestrian and multimodal safety improvements along Embarcadero Road from Alma Street to the intersection of High Street, Kingsley Avenue, and Emerson Street including slip lane removal, sidewalk realignment, high-visibility crosswalks, updated signage and striping, pedestrian-scale lighting, and landscaping.

**Operating Impacts**

This project is anticipated to impact operating expenses in the future. Once the project is complete, costs will be quantified and adjustment will be brought forward as part of a future budget process.

# MAJOR CAPITAL PROJECTS

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Technology Fund: Enterprise Resource Planning Upgrade (TE-19000) | $894,907 | $894,907 | $14,402,696 |
| This project provides funding to upgrade the existing Enterprise Resource Planning (ERP) system to better meet the City's needs. | | | |
| **Operating Impacts** | | | |
| Operating impacts from Phase II of this project have not been determined at this time. As these costs are quantified, adjustments will be brought forward in future budgets as necessary. | | | |
| Gas Fund: Gas Distribution System Improvements (GS-11002) | $1,060,000 | $3,060,000 | Recurring |
| This project provides as needed to improve the Gas Distribution System. Typical activities include security, Supervisory Control and Data Acquisition (SCADA) and software upgrades, increasing distribution system capacity for load growth, replacing deteriorated capital facilities, re-configuring/adding to the system to improve service reliability, conducting research related to the performance of the Gas Distribution System or its various components, and making general improvements or repairs to the system. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Electric Fund: GM 12kV Distribution Feeder Ties (EL-27010) | $8,690,000 | $23,140,000 | $23,140,000 |
| Distribution feeder ties are normally open switches that connect two adjacent distribution feeders, allowing them to share load or provide alternate power paths when needed. They are fundamental to building a reliable, flexible, and resilient distribution grid, and they are usually implemented with switches (manual, automated, or SCADA controlled). They allow utilities to maintain service during faults, reconfigure the network quickly, reduce outage durations, and manage load more effectively across feeders. Without feeder ties, each feeder operates as an isolated radial circuit, which limits options for restoration and load management.<br>The City's electric grid contains nine substations, seven of which are interconnected by 12kV distribution (two substations are currently operated at 4kV and planned to be converted to 12kV). The existing overhead wires and underground cables creating the 12kV interconnections are small in nature and lack capacity to fully restore adjacent substations during unplanned outages or planned maintenance outages. This project proposes to reconductor a combination of overhead and underground 12kV distribution totaling roughly 19 circuit miles. The project will also install additional sectionalizing points (switches) and fault indicators to speed staff's efforts to isolate and restore customers after large power outages. | | | |
| **Operating Impacts** | | | |
| No operating impacts are anticipated from this project. | | | |
| Electric Fund: GM Hopkins Distribution 4 to 12kV Conversion (EL-27009) | $12,190,000 | $29,920,000 | $29,920,000 |
| The area roughly bounded by Middlefield Road, Embarcadero Road, Highway 101, and the City's northeastern boundary is predominately a legacy 4kV distribution system serving roughly 2,500 customers. This system is an island, meaning that it has no connections to adjacent distribution systems to restore power during failures. This system is aged and generally does not meet electrification's forecasted future energy demands. The combination of age, isolation, and forecasted shortfall in capacity necessitates its reconstruction.<br>This project will convert legacy 4kV above-ground and below-ground wires and cables to operate at the City's standard 12kV. The project will also replace and upgrade distribution transformers and secondary wires to increase capacity and prepare the area for future electrification loads. Construction is planned to start in FY 2027 and continue through the end of FY 2028. | | | |
| **Operating Impacts** | | | |
| No operating impacts are anticipated from this project. | | | |

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Electric Fund: Grid Modernization 12kV Distribution Residential Rebuild (EL-24000) | $12,780,000 | $62,510,000 | Recurring |

This project is in support of the City's goal of 80% carbon emissions reduction by the year 2030 (80x30). To attain high levels of building and transportation electrification, the City must maximize use of clean electric energy and phase out the use of natural gas appliances and internal combustion vehicles. To prepare for electrification, the City's distribution system must be updated to increase capacity and improve reliability. While the original Grid Modernization project included many different sub-projects, starting in FY 2027 the project will be refocused and limited to upgrades to distribution high-voltage (primary) wires, transformers, and low-voltage (secondary) systems to increase capacity. Other portions of the Grid Modernization effort have been split off into separate projects to improve the visibility of funding, expenditures, and project progress.

**Operating Impacts**

Operating impacts are anticipated from this project. Estimates may become available after requests for proposals are issued, and as these costs are quantified, adjustments will be brought forward in future budgets as necessary.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Heritage Park Site Amenities Replacement (PG-21000) | $77,586 | $77,586 | $140,109 |

The project provides funding for replacement of select walkways and all of the site amenities in Heritage Park including: benches, picnic tables, trash receptacles, playground arbor, bicycle racks and drinking fountain.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: High-Performance Natural Grass Fields (PG-27000) | $150,000 | $300,000 | $300,000 |

This project provides funding to evaluate the performance, durability, and seasonal availability of natural grass athletic fields through a phased pilot program. In Phase I, the project includes a citywide review of athletic field maintenance practices, an optimized turf operations and maintenance plan, and a capital feasibility analysis to determine whether targeted investment in natural grass fields can increase usable field hours, improve field conditions, and reduce reliance on synthetic turf. Phase I of the pilot includes implementation of enhanced maintenance practices on select pilot fields to evaluate improvements in turf performance and playability. In addition, the project includes conceptual design and feasibility analysis for the renovation or construction of high-performance natural grass fields at select locations, including evaluation of sand-based and enhanced native soil field systems. Results of Phase I will be used to inform capital planning for upcoming synthetic turf replacement projects, long-term athletic field surface and maintenance strategies, and will inform a potential Phase II of the pilot, pending City Council consideration, to construct high-performing natural grass fields.

**Operating Impacts**

Operating impacts depend on selected options. For example, one option may require temporary additional labor during the pilot period, while another option may result in ongoing operating impacts estimated at 1.0 FTE and $100,000 annually. As options are selected and costs are quantified, adjustments will be brought forward in future budget cycles, as necessary.

# MAJOR CAPITAL PROJECTS

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Electric Fund: Hopkins Substation 4 to 12kV Conversion (EL-27005) | $3,170,000 | $3,840,000 | $33,720,000 |

Palo Alto currently serves roughly 2,500 residential services from the Hopkins Substation located near Hopkins Avenue and Newell Road. This station is a legacy 4,000 volt (4kV) substation operating with equipment originally installed in the 1960s. As this equipment ages, it has a higher likelihood of in-service failures resulting in more frequent customer power outages. With no connections to other 4kV electric distribution systems, a major failure could result in a prolonged outage to roughly 2,400 electric customers.

This project removes the old 4kV equipment and replaces it with new 12kV facilities and connections (feeder-ties) to adjacent 12kV substations. The project focuses on modernizing the substation by upgrading lower-voltage circuits to a higher-voltage (12kV) standard and modern utility designs. The project removes the 1967 transformers, switchgear, and conductors and will reconstruct the substation to expand capacity in support of future electrification loads.

Due to long lead times, material procurement will begin early FY 2027. Design work is expected to start in FY 2028 with construction planned to begin in FY 2032, dependent on material delivery times and completion of the GM Hopkins Distribution 4 to 12kV Conversion (EL-27009) project.

**Operating Impacts**

No operating impacts are anticipated from this project.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Library Automated Material Handling (LB-21000) | $843,248 | $1,199,248 | $1,923,282 |

AMH systems efficiently sort returned library materials based on the Radio Frequency Identification Devices (RFID) on the materials. The scope of this project initially was to provide the design and construction of three new Automated Material Handling (AMH) systems for the Library's three smaller branches, College Terrace, Children's, and Downtown Libraries. However, of these three branches, it was determined that a new AMH system was only feasible at the Children's Library, and it was installed in FY 2025. In FY 2021, funds from Library Impact Fees were added to the project to include contactless library equipment, such as holds machines and book vending machines, to further increase efficiency and to increase service capacity, allowing the library to serve more patrons. The replacement of the existing AHM machines at the Library's two larger branches, Mitchell Park and Rinconada Libraries, has also been added to this project. The machines were installed circa 2014 and are approaching the end of their functional life. A consultant advised replacing both existing machines because they are showing signs of wear, the need for maintenance and repairs has increased, the machines lack features that are standard in newer systems, and the configuration and layout of the systems are not ideal for today. It is important for these machines to be replaced before one or both completely fail, as library staffing is not sufficient to cover the enormous increase of staff time that would be needed to process materials manually, which would result in significant delays for patrons to access library materials.

**Operating Impacts**

The equipment will cause a slight increase in electric bills and will also require annual equipment maintenance. Ongoing operating costs are estimated to be about $20,000 per AMH machine and these costs are anticipated to increase by 3 percent annually thereafter.

| | | | |
|---|---|---|---|
| Wastewater Treatment Fund: Local Advanced Water Purification System (WQ-19003) | $1,000,000 | $1,000,000 | $61,285,829 |

This project provides funding for a Local Advanced Water Purification Facility to further improve the quality of the tertiary-treated recycled water by microfiltration or ultrafiltration followed by reverse osmosis to reduce the level of Total Dissolved Solids (TDS).

**Operating Impacts**

The operations and maintenance cost of the project is anticipated to be approximately $840,000 per year beginning in Fiscal Year 2026 and escalate by recycled water demand and inflation annually thereafter.

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Stormwater Management Fund: Louis Road System Upgrades (SD-24000) | $300,000 | $3,220,700 | $3,220,700 |

This project provides funding to install 1,100 linear feet of new high-density polyethylene storm drain pipe, concrete inlets and manholes northwest of Sycamore Drive to a new outfall with a flap-gate at Matadero Creek.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: New Public Safety Building (PE-15001) | $978,087 | $978,087 | $129,603,393 |

This project provides funding for the design and construction of a new Public Safety Building on Lot C-6 in the California Avenue commercial area. Site evaluation and design and environmental consultant services are needed for the approximately 44,500 square foot facility, including the development of preliminary plans, cost estimates, and special studies as part of an Environmental Impact Report (EIR). The size and programming of the new facility were developed by the 2006 Blue Ribbon Task Force.

**Operating Impacts**

This project will impact operating expenses and funding for custodial and maintenance costs has been programmed in the FY 2025 Adopted Operating Budget and is anticipated to increase by 3 percent annually thereafter.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Newell Road/San Francisquito Creek Bridge Replacement (PE-12011) | $976,810 | $976,810 | $18,583,009 |

This project will provide funding to remove and replace the Newell Road bridge over San Francisquito Creek. Design considerations include a clear span over the creek to allow the channel to convey a flow consistent with the San Francisquito Creek Joint Powers Authority's (JPA) initial flood protection project located downstream, as well as accommodate bicycle and pedestrian traffic.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Electric Fund: Park Blvd 60kV Breaker Replacements (EL-27008) | $2,750,000 | $6,430,000 | $6,430,000 |

The Park Boulevard Switching Station contains a 60kV ring bus configuration where four sub-transmission 60kV lines interconnect. The ring bus provides high reliability for commercial and industrial areas served by this switching station. This project replaces six aged 60kV breakers at the Park Boulevard Switching Station with modern, higher-capacity breakers and microprocessor-based protective relays. The project will also replace existing 1200Amp disconnects and breakers with 2000Amp disconnects and breakers, improve system protection with microprocessor-relays (e.g., faster and selective tripping), and upgrade related equipment.

**Operating Impacts**

No operating impacts are anticipated from this project.

# MAJOR CAPITAL PROJECTS

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Capital Improvement Fund: Parking Infrastructure Improvements (PL-12000) | $283,100 | $987,400 | Recurring |
| This project provides funding for the implementation of parking infrastructure improvements, travel demand management (TDM) initiatives, capital responses to parking-related 311 requests, and oversized vehicles management. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |
| Wastewater Treatment Fund: Plant Master Plan (WQ-10001) | $1,013,900 | $2,333,900 | Recurring |
| This project provides funding for the program management of the Long Range Facilities Plan (LRFP) that was completed in 2012, as well as the planning and execution of an updated LRFP. Program management includes project definitions of long range capital projects, acquisition of funding for new large capital projects, preparation of City-issued design consultant Request for Proposal packages, and ancillary services related to plan implementation. The program management services are needed through the full execution of the projects covered in the LRFP. The projects in the LRFP are currently underway and are in various stages of development and completion. | | | |
| **Operating Impacts** | | | |
| There are no operating or maintenance expenses associated with this project. | | | |
| Capital Improvement Fund: Quiet Zone Improvements (TR-27000) | $1,400,000 | $5,700,000 | $5,700,000 |
| This project provides funding for the design and construction of Quiet Zone improvements along the Caltrain corridor including four-quadrant gates at Churchill Avenue, Meadow Drive, and Charleston Road, as well as Federal Rail Administration (FRA) and California Public Utilities Commission (CPUC) permits and Caltrain project management. | | | |
| **Operating Impacts** | | | |
| This project is anticipated to impact operating expenses in the future. Once the project is complete, costs will be quantified and adjustments brought forward in a future budget process. | | | |
| Capital Improvement Fund: Roofing Replacement (PF-00006) | $900,000 | $2,827,200 | Recurring |
| This project provides funding for ongoing roofing maintenance at various City facilities. Services include major repairs, rehabilitation, and replacement, and components include roof decks, drainage systems, and sheet metal. Roofs scheduled for replacement are based on an annual evaluation of their condition. | | | |
| **Operating Impacts** | | | |
| There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget. | | | |

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Capital Improvement Fund: Roth Building Rehabilitation Phase 1 (PF-23001) | $250,000 | $250,000 | $11,882,179 |

This project provides funding for Phase 1 of the rehabilitation and build-out of the Roth Building facility. Phase 1 will make the building suitable for occupancy, also known as a "warm shell." Phase 2 of the rehabilitation includes the interior build-out of the museum and exhibits, readying the facility to welcome visitors, and will be fully funded by the Palo Alto Museum (PAM).

**Operating Impacts**

This project will have ongoing operating expenses related to the new facility, and a cost sharing agreement will need to be developed between the City and the Palo Alto Museum. As these costs are quantified and the agreement finalized, adjustments will be brought forward in future budgets as necessary.

| | | | |
|---|---|---|---|
| Vehicle Replacement & Maintenance Fund: Scheduled Vehicle and Equipment Replacement - Fiscal Year 2031 (VR-31000) | $- | $4,252,202 | $4,252,202 |

This project provides funding for the existing City fleet vehicles and equipment scheduled for replacement in Fiscal Year 2031.

**Operating Impacts**

Costs to operate and maintain the City's fleet are budgeted annually in the Vehicle Replacement Fund and allocated to other City departments based on historical maintenance and repair needs. There are no additional operating impacts anticipated from this project and maintenance will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Wastewater Collection Fund: Sewer Lateral/Manhole Rehabilitation and Replacement (WC-99013) | $1,827,852 | $6,049,660 | Recurring |

This project will replace defective sewer laterals, cleanouts, and manholes; install backwater devices; and purchase equipment to support these activities in order to maintain the Wastewater Collection System. Information collected during routine annual maintenance activities is used to prioritize work. Defective laterals, for example, will be replaced to re-establish existing services, reduce maintenance expenses, and eliminate ground water intrusion. Backwater devices will be installed to reduce backflows of sewage. New manholes will be installed or rehabilitated to improve structural integrity.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Capital Improvement Fund: Traffic Signal and Intelligent Transportation Systems (PL-05030) | $2,422,091 | $4,445,291 | Recurring |

This project provides funding for the design, construction, and upgrades of traffic signals, traffic signal communications networks, signal performance/surveillance projects for transportation use, and upkeep of the City's traffic signal central management system. The project includes the replacement of traffic signal controllers/cabinets, video detection systems, and other field equipment.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| Fund, Project Title, & Description | FY 2027 Budget | Five-Year CIP Cost | Total Project Cost |
|---|---|---|---|
| Electric Fund: Underground System Rebuild (EL-16001) | $920,000 | $3,400,000 | Recurring |

Underground primary electric cables and equipment have a limited life span and need to be replaced before they fail and cause outages. This project replaces underground electric equipment in areas. Work will include the replacement of deteriorated electrical cables, transformers, switches and enclosures. Installation of new equipment will bring the electrical system up to current construction standards and maintain service reliability.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.

| | | | |
|---|---|---|---|
| Wastewater Collection Fund: Wastewater Pump Station Replacements (WC-28000) | $- | $3,790,000 | $3,790,000 |

The Foothills/Lodge Lift Station is located in the Foothills Nature Preserve, approximately 10 miles from the City's Municipal Service Center (MSC). The Lift Station was constructed in 1964 and is nearing the end of its useful life. In addition, recent electric power supply issues at the site have required City staff to go to the Foothills/Lodge Lift Station to attend the existing backup generator during power outages. This project will design and install a new pump station which includes new sanitary sewer pumps and appurtenances, as well as replace the existing electrical system including the addition of a new emergency generator.

**Operating Impacts**

There are no additional operating impacts anticipated from this project. Any maintenance costs that arise will be absorbed within the available maintenance schedule and annual operating budget.



# GENERAL FUND



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# GENERAL FUND OVERVIEW

## Overview

The Fiscal Year 2027-2036 Long-Range Financial Forecast (LRFF) was presented to the City Council on January 20, 2026 (Report #2512-5601). The LRFF provides a ten-year financial forecast of the General Fund based on City Council approved service levels and alternative financial scenarios. The forecast reflects staff's best estimates on projected revenues and expenditures, based on available information as of December 2025, the time of preparation.

As part of City efforts to strategically plan and prioritize spending to ensure financial stability, staff transmits Budget Development Guidelines with the LRFF. This forecast and the guidelines are used to guide annual budget development; assumptions are revised and refined as more information becomes available throughout the budget development process.

As of the third quarter of calendar year 2025, the time that the LRFF was developed, national economic growth showed significant strength led by robust GDP growth. The national economy demonstrated resiliency; consumer spending remained robust, despite inflation rates (CPI) of 3.0% that ticked up from the prior year. The Federal Reserve's monetary policy kept interest rates at a restrictive level due to persistent inflation well above the 2% target. While the local economy within the City may exhibit trends similar to those at the state or national levels, its unique economic makeup especially concentration of technology sector may result in distinct variations. While major tax revenues have rebounded from the pandemic, the LRFF reflects larger deficits in the near term primarily driven by sales tax reduced baseline due to state administration and property tax reduced growth projections.

The LRFF Base Case projected a shortfall of $14.9 million in FY 2027, followed by shortfalls ranging from $15.3 million in FY 2029 down to $6.4 million in FY 2032. A balanced budget is not projected until FY 2033. Since that LRFF publication, the projected FY 2027 shortall has increased to $17.1 million due to unanticipated costs such as Other Post Employment Benefit, track crossing monitoring and oversized vehicle program.  For planning purposes and to assist in gauging effects of major policy interventions against maintaining  "status quo" service levels, the forecast maintained FY 2026 Council approved service levels. Spending prioritization and use of one-time resources will be necessary to maintain financial stability. Notably, as part of the FY 2026 Mid-Year Budget Review, the $6.0 million remaining balance of the Uncertainty Reserve, which was established as part of the FY 2023 Mid-Year Review, was closed and consolidated with the Budget Stabilization Reserve (BSR) to streamline administration.  Below is the LRFF published on January 20, 2026:

# FY 2027-2036 Long-Range Financial Forecast - Base Case

*(All figures in millions)*

| | FY 26 Adopted | FY 26 Projected | FY 27 | FY 28 | FY 29 | FY 30 | FY 31 | FY 32 | FY 33 | FY 34 | FY 35 | FY 36 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TOTAL REVENUE | $307.2 | $298.0 | $305.1 | $316.9 | $327.2 | $340.4 | $353.0 | $365.2 | $378.4 | $390.3 | $404.6 | $418.8 |
| Revenues | $301.2 | $292.2 | | | | | | | | | | |
| Uncert Reserve | $5.8 | $5.8 | | | | | | | | | | |
| TOTAL EXPENDITURES | $307.0 | $307.0 | $320.0 | $329.7 | $342.5 | $354.6 | $363.7 | $371.6 | $377.4 | $386.0 | $393.3 | $405.6 |
| SURPLUS/ (DEFICIT) | $0 | ($9.0) | ($14.9) | ($12.8) | ($15.3) | ($14.2) | ($10.7) | ($6.4) | $1.0 | $4.3 | $11.3 | $13.2 |

City staff continually refines forecast numbers and provides financial status updates to the City Council. During FY 2026, the City Council approved significant actions to realign the budget with current projections and invest in the immediate needs of the City, including structural realignments to ensure long-term sustainability. Below is a list of these reports:

- FY 2026 Q1 Financial Report (Staff Report #: 2412-3921) presented to Finance Committee on December 2, 2025
- FY 2026 Mid-Year Review (Staff Report #: 2512-5662) presented to Council on February 23, 2026
- Formalizing the eliminated 9.0 FTEs from the FY 2026 budget reductions presented (Staff Report #: 2506-4818) to Council on September 8, 2025
- Allocated the FY 2025 available fund balance to the Budget Uncertainty Reserves.
- Other Post Employment Benefits Actuary Report

All staff reports referenced throughout this section are available at: www.PaloAlto.gov/City-Clerk

## ASSUMPTIONS NOT INCLUDED IN THE LRFF

The FY 2027-2036 LRFF does not include potential impacts to the City's finances for several known projects or areas of investment that are priorities, but have not been fully developed in terms of costs and timelines or inadequate General Fund resources. Alternative funding resources may also advance these priorities. This list is not intended to be comprehensive nor in any priority order:

- Project Homekey
- Housing growth impacts
- Geng Road safe parking program
- Sustainability and Climate Action Plan (S/CAP)
- Vehicle fleet electrification
- Significant code and ordinance updates
- Fee and Organizational Studies
- Labor negotiations beyond terms ending in Fiscal Year 2028
- Grade separation
- Parks Master Plan
- City owned assets operated by non-profit organizations

- Cubberley Community Center Redevelopment
- Loans for special projects or major capital projects
- Legislative updates
- Aging or noncompliant infrastructure
- General liability umbrella excess premiums
- Fire and ambulance service expansion
- Fire training center
- Limited term programs
- Vehicle Fleet Electrification
- Green storm infrastructure

## CITY COUNCIL PRIORITIES

Each year, the City Council reviews its priorities at its annual retreat. These Council priorities are integrated through City work plans to ensure organizational support and capacity to further these efforts in the coming year and beyond. As part of the 2026 priority-setting session held in early 2026, the City Council selected the following areas of focus:

- Achieving Near-Term Priority Housing Milestones
- Cubberley Acquisition and Renovation Funding
- Enhancing Business Vibrancy
- Government Efficiency

These priorities guide strategic investments during the annual budget process. The FY 2027 Adopted Budget includes recommendations to maintain essential service levels; address health and safety risks, legal compliance needs, and audit findings; and advance the specific focus areas outlined above.

As outlined in the Budget Process and Document section, after the development of the LRFF, revenue and expense estimates were reviewed to calculate the Base Budget. Details of these adjustments are included throughout this document.

## FISCAL YEAR 2027 GENERAL FUND BUDGET

The FY 2027 General Fund Budget assumes revenue totaling $311.96 million, a 3.6% or $10.7 million increase compared to the FY 2026 Adopted Budget of $301.2 million. Expenditures total $311.76 million, a 0.4% or $1.2 million decrease from the FY 2026 Adopted Budget of $313.0 million. The balance of $0.2 million shown as “use of reserves” represents the intra-fund transfers of designated resources such as business tax. To address a projected FY27 structural gap of $17.1 million, this budget addresses the financial challenge through multi-year comprehensive budget balancing strategies and makes permanent the FY26 budget reductions incorporated herein. The strategies include revenue enhancement ($1.7 million), expenditure reduction ($5.9 million), CIP reduction ($1.5 million), one-time funding ($2.6 million), and Section 115 trust (for pension cost and liability of $4.5 million). With greater effort on government efficiencies, these strategies yield better outcomes, minimizing community impacts. Ultimately, this budget reflects a steadfast commitment to service while proactively managing financial constraints. We are safeguarding the programs our residents value most, ensuring Palo Alto remains a vibrant and fiscally sound community.

# GENERAL FUND OVERVIEW

## REVENUES

Revenues for the FY 2027 Budget are driven by economic assumptions monitored throughout the budget process. The City's fiscal health is impacted by persistent economic uncertainty, tariffs, inflation, supply chain interruptions, and state/federal administration policy agendas. These external pressures require the City to prepare and adapt as needed.

We are currently navigating a period of adjustment in our major tax revenues, which contributes to a projected General Fund budget deficit of $17.1 million (or 5.3%) for FY 2027. This deficit is $2.2 million higher than the initial $14.9 million gap projected in the Long-Range Financial Forecast (LRFF) due primarily to previously unanticipated costs such as additional Other Post-Employment Benefits (OPEB), contracted track crossing monitors, and the oversized vehicle program. The two primary revenue drivers of the deficit are a reduced sales tax baseline due to state administration changes and reduced property tax growth projections (true-up of previously aggressive growth assumptions).

The FY 2027 Budget recognizes revenue from voter-approved ballot measures that affirm the ongoing Equity Transfer from the Gas Utility Fund to the General Fund (Measure L) and the collection of a business tax (Measure K) to fund public safety, affordable housing, homeless services, and transportation and grade separation projects. The Equity Transfer from the Gas Utility Fund of 18% or $10.7 million is recommended, an increase of $1.0 million compared to $9.7 million in the FY 2026 Adopted Budget. FY 2027 is the first fiscal year where the 2.5% annual escalator is applied to the tax rate, generating estimated receipts of $6.9 million, an increase of $0.4 million, or 6.4%, over the FY 2026 Adopted Budget of $6.5 million. More information regarding the use of business tax dollars can be found in the Business Tax section below.

### SALES TAX

The FY 2027 Adopted Budget assumes sales tax revenue of $33.4 million or a decrease of $3.0 million or 8.3% compared to the $36.4 million FY 2026 Adopted Budget. This is primarily driven by the State administration reduced allocation for lease and new auto.  Important to note, the FY 2026 Mid-Year review reduced sales tax estimates to $27.4 million or decrease by $9.0 million to reflect updated revenue trends and lower ongoing baseline associated with changes in the California Department of Tax and Fee Administration (CDTFA) allocation methodology, particularly affecting leasing and new auto sectors.

### PROPERTY TAX

Property tax revenue remains the General Fund's largest revenue source, representing nearly 25% of total revenues. The FY 2027 Adopted Budget assumes property tax revenue of $76.1 million, a 3.4%, or $2.5 million increase compared to $73.6 million in the FY 2026 Adopted Budget. The FY 2026 base excludes at-risk amount of excess Education Revenue Augmentation Fund (ERAF) due to State audit findings currently being litigated by the County of Santa Clara discussed below.

Property tax revenue is primarily driven by changes in assessed property values and transfer of ownership activity. While growth remains positive, it is expected to moderate compared to prior years due to the current higher interest rate environment and slower real estate activity. Property tax performance typically lags broader economic conditions by approximately one year due to timing of the assessment roll and collection timeline.

ERAF is the mechanism used to collect and disburse property taxes shifted to support K-14 school agencies. When the state shifts more local property tax than required, these funds are returned to local jurisdictions as "excess ERAF." Excess ERAF distributions from the County of Santa Clara totaled $32.8 million from FY 2021 through FY 2025. For FY 2027, the excess ERAF projection is $8.09 million.

Excess ERAF funding has been subject to ongoing legal and legislative challenges, creating continued uncertainty. While prior cases have been resolved in the City's favor, current developments continue to place a portion of this funding at risk. An audit regarding Marin County's methodology—which is applicable to Santa Clara County—indicates that approximately 18% of excess ERAF may be at risk in FY 2027. The County of Santa Clara is actively engaged in litigation against the state. To mitigate these potential losses, the City budgets excess ERAF net of the amount at risk and reserves at-risk amounts when received. The ERAF Reserve balance is $7.1 million as of June 30, 2025, with an additional contribution of approximately $1.6 million anticipated in FY 2026. The City continues to monitor these developments closely to ensure long-term fiscal resilience.

## TRANSIENT OCCUPANCY TAX (TOT)

The FY 2027 Adopted Budget assumes TOT revenue of $32.0 million, a 9.7% or $2.8 million increase compared to $29.1 million in the FY 2026 Adopted Budget. The City's TOT is applied at a rate of 15.5% on hotel and other short-term lodging stays and is impacted by business and other leisure activity.

Recent performance indicates continued strength in this revenue category. Receipts are approximately 12% higher than in the same period in the prior year. Hotel occupancy has remained strong, ranging between 80% and 85% through the third quarter, while average daily room rates have increased, with rates reaching approximately $323 in the third quarter, up from $272 in the first quarter and $300 in the second quarter of FY 2026.

## DOCUMENTARY TRANSFER TAX (DTT)

The FY 2027 Adopted Budget assumes DTT revenue of $9.0 million, a 5.6% or $0.5 million increase compared to the $8.5 million FY 2026 Adopted Budget. DTT revenue is highly dependent on property sales volume and the mix of commercial and residential transactions and can fluctuate significantly based on the timing of large, one-time sales. This modest increase reflects recent transaction activity while recognizing the volatility of this revenue source.

Through June 2026, the number of transactions (750) is 14.9% higher than the same period in the prior year, with the total revenue from these transactions increasing by $3.8 million. The median price for single family residential homes has increased slightly to $3.7 million compared to $3.6 million in the prior year, with the number of sales declining. While recent activity shows improvement, the outlook remains uncertain. Market conditions, including interest rates, housing inventory, and broader economic factors, continue to influence activity and demand.

## UTILITY USERS' TAX (UUT)

The UUT is levied at 5.0% on electric, gas, and water consumption and 4.75% on telephone usage. The FY 2027 Adopted Budget assumes UUT revenue of $23.0 million, a 7.3% increase, or $1.6 million over the $21.4

million FY 2026 Adopted Budget. This forecast aligns utility rate adjustments with projected consumption and telephone usage trends.

## OTHER TAXES AND FINES

The FY 2027 Adopted Budget assumes $0.8 million in other taxes and fines, remaining flat compared to the FY 2026 Adopted Budget. This stable revenue level continues to reflect parking citation activity trending approximately two-thirds lower since pre-pandemic levels. In prior years, Business Tax revenue was grouped in this category; however, Business Tax is now presented in this document as its own separate revenue category.

## BUSINESS TAX (BT)

In November 2022, Palo Alto voters approved Measure K, adopting a general tax on businesses operating in the City. The Council approved this funding source to be split among three critical service areas: public safety, affordable housing and homeless services, and transportation and rail crossing projects, with additional funding for tax administration.

The tax is based on the square footage of businesses. The tax became effective in January 2023 at an initial reduced rate of 3.75 cents per square foot. Effective January 2025, the full rate of 7.5 cents per square foot per month is assessed. In accordance with the measure, both the rate and the annual cap ($0.5 million per business) increase by 2.5% annually beginning in FY 2027.

The FY 2027 Budget assumes $6.9 million, a 6.4% or $0.4 million increase compared to the FY 2026 Adopted Budget of $6.5 million. This revenue level represents a stabilized baseline following the first full fiscal year at the full tax rates and incorporates the 2.5% annual escalator. As the program matures, the focus has shifted from initial compliance and revenue recovery efforts to ongoing administration, with targeted compliance and audit activity as needed. The tables below break down business tax revenue and programmed expenses. Additional reporting is available at: www.paloalto.gov/businesstax.

### Housing Affordability & Services for the Unhoused

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adjusted Budget | FY 2027 Adopted |
|---|---|---|---|---|
| Revenue | $1.6M | $1.7M | $2.0M | $2.0M |
| Expenses | $(0.5)M | $(0.3)M | $(1.6)M | $(1.5)M |
| Net Available (Annual) | $1.1M | $1.4M | $0.4M | $0.5M |
| Ending Balance | $1.1M | $2.5M | $2.9M | $3.4M |

### Housing Affordability & Services for the Unhoused Expenses

- FY 2024 ($0.5 million): $0.5 million for HomeKey
- FY 2025 ($0.3 million): $0.2 million for San Antonio Coordinated Area Plan (CAP) and $0.07 million for Geng Road Safe Parking

- FY 2026 ($1.6 million): $1.2 million for San Antonio CAP, $0.2 million Geng Road Safe Parking, $0.06 million for the Rental Registry Program, and $0.16 million for Oversized Vehicle Parking
- FY 2027 ($1.5 million): $0.7 million for San Antonio CAP, $0.05 million for Geng Road Safe Parking, $0.06 million for the Rental Registry Program, and $0.6 million for Oversized Vehicle Parking.

## Transportation and Safe Train Crossing

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adjusted Budget | FY 2027 Adopted |
|---|---|---|---|---|
| Revenue | $1.6M | $1.7M | $2.0M | $2.0M |
| Expenses | $(0.8)M | $(0.3)M | $(0.6)M | $(2.4)M |
| Net Available (Annual) | $0.8M | $1.4M | $1.4M | $(0.4)M |
| Ending Balance | $0.8M | $2.2M | $3.6M | $3.2M |

### Transportation and Safe Train Crossing Expenses

- FY 2024 ($0.8 million): $0.24 million for Churchill Ave Rail Grade Separation & Safety Improvement (PL-24001) and $0.51 million for Meadow Drive & Charleston Road Rail Grade Separation and Safety Improvements (PL-24000)
- FY 2025 ($0.3 million): $0.16 million for PL-24001 and $0.10 million for PL-24000
- FY 2026 ($0.6 million): $0.6 million for PL-24001
- FY 2027 ($2.4 million): $0.5 million for PL-24001, $0.5 million for PL-24000, and $1.4 million for Quiet Zone Improvements (TR-27000)

### Public Safety Expenses

- Annually and Ongoing: Funding is fully programmed annually to support ongoing service levels, including staffing, operations, and recruitment and retention efforts. No year-end balance is assumed.

### Administration

- Annually and Ongoing: Funding supports program administration, including consultant services and City staff support, and is fully expended annually.

## CHARGES FOR SERVICES

This revenue category consists of charges to Stanford for fire and public safety dispatch services, fees related to the City's golf course, arts and science classes, and plan check fees. The FY 2027 Adopted Budget assumes $45.8 million in charges for services revenue, a $2.2 million, or 5.1% increase, compared to the FY 2026 Adopted Budget level of $43.6 million. Development Services plan check, inspection, and other fees have been increased to maintain a cost-neutral operation in FY 2027.

The budget assumes reimbursement levels consistent with the negotiated fire service agreement with Stanford University; however, the actual reimbursement value may change as a result of updates to the Fire Department budget and actual expenditures for the fiscal year. City staff will communicate with Stanford

to discuss these adjustments. Additional reimbursements from Stanford for public safety dispatch services are also budgeted, resulting in a total reimbursement of $12.7 million.

## CHARGES TO OTHER FUNDS

The main source of revenues in this category is General Fund administrative cost allocation plan charges to the Enterprise and Internal Service Funds. Internal support departments, including Administrative Services, Human Resources, and Council Appointed Offices, provide services to these funds. Costs are recovered through administrative cost allocation plan charges. The FY 2027 Adopted Budget is $14.7 million, which reflects a decrease of $0.8 million or 5.2% from the FY 2026 Adopted Budget of $15.5 million. This is primarily attributable to the budget cuts that reduced the General Fund budget, thereby reducing the charges or necessary cost recovery from other funds.

## FROM OTHER AGENCIES

This revenue category includes revenue received from a variety of local government agencies, the state, and the federal government, typically through grants or contracts for services. The FY 2027 Adopted Budget is $1.9 million, a $1.8 million increase over the $0.1 million FY 2026 Adopted Budget. This variance is primarily driven by the timing of state and federal grant reimbursements for specific community projects. In the prior year, this category saw a significant decrease following the expiration of the Staffing for Adequate Fire and Emergency Response (SAFER) Grant and the conclusion of one-time reimbursements for wildfire strike-team deployments.

## OTHER REVENUE

This revenue category is mainly comprised of Animal Services revenue from neighboring cities; the Palo Alto Unified School District's (PAUSD) share of maintenance for athletic fields; Public, Education, and Government (PEG) revenue from Cable Franchise Fees; and other one-time revenue sources such as grants. The FY 2027 Adopted Budget is $2.2 million, a decrease of $0.3 million, or 13.1% from the $2.5 million FY 2026 Adopted Budget. This decrease is primarily due to the conclusion of one-time grant funding for programs such as the Trusted Response Urgent Support Team (TRUST) and specific transportation projects like Safe Routes to School.

## PERMITS AND LICENSES

Permits and licenses consist of payments to the City for issuing building permits, fire permits, and miscellaneous health and safety-related licenses. The FY 2027 Adopted Budget for permits and license revenue is $12.5 million, an increase of $1.1 million, or 9.6%, compared to the $11.4 million FY 2026 Adopted Budget. This revenue level reflects aligned activity expectations for development services and continued recovery of costs associated with processing and safety inspections.

## RENTAL INCOME

Rental income primarily reflects rent paid to the General Fund from the City's Enterprise Funds and the Cubberley Community Center. The FY 2027 Adopted Budget assumes rental revenue of $16.1 million, a decrease of $0.4 million, or 2.3%, compared to the $16.5 million FY 2026 Adopted Budget. This adjustment

reflects a true-up of the facilities rent paid by other funds based upon the 2025 property appraisal and review of property utilization.

## RETURN ON INVESTMENT

The return on investment category reflects interest earnings on the City's investment portfolio and cash holdings. In FY 2026, the City transitioned from managing its investment portfolio in-house to partnering with a specialized firm for professional investment management services.

The FY 2027 Adopted Budget assumes $4.7 million in the General Fund, a $1.0 million or 25.6% increase compared to the $3.7 million FY 2026 Adopted Budget. Investment earnings across all funds are projected to increase by $2.9 million, or 18.2%,from $15.8 million to $18.7 million, including internal service, trust, and agency funds not included in citywide totals. The increase reflects cash and investment strategies and changes to the investment Policy presented to the Finance Committee in October 2025 and January 2026. These changes include implementing bank "sweep" services to enable interest earnings on idle funds, increasing the types of permitted investments based on the California Government Code to enhance diversification and return potential, and further enhance return by removing the "hold to maturity" philosophy from the Investment Policy. As existing holdings mature and are reinvested, the portfolio continues to be repositioned under this strategy.

## OPERATING TRANSFERS-IN

Operating Transfers-in materialize as expenses in other funds throughout the City and as revenue in the General Fund. The FY 2027 Adopted Budget assumes $32.9 million, which represents a $1.4 million, or 4.6% increase, compared to the FY 2026 Adopted Budget level of $31.5 million. This budget category includes the equity transfer from the Electric and Gas funds that represents the return on the initial investment the City made when the Utilities Department was created more than 100 years ago. In accordance with a methodology approved by the City Council in June 2009, the Electric Fund equity transfer is calculated by applying a rate of return on the capital asset base. This rate of return is based on PG&E's rate of return on equity as approved by the California Public Utilities Commission (CPUC). For FY 2027, the equity transfer from the Electric Fund will increase by $0.4 million from $17.6 million in FY 2026 to $18.0 million in FY 2027.

This budget recognizes voter approval to affirm the ongoing Equity Transfer from the Gas Fund to the General Fund (Measure L). According to Measure L, the Equity Transfer from the Gas Fund can be up to 18% of annual gross gas retail revenue, with Council discretion to set the transfer at a lower percentage of revenue. For FY 2027, a transfer of 18% of gross FY 2025 revenues, or $10.7 million, is recommended. This represents an increase of $1.0 million from a transfer of $9.7 million in FY 2026.

In FY 2027, this category also includes transfers from the SUMC Development Agreement Fund in the amount of $2.4 million from final payment as a one-time resource and $554,000 for eligible police department appropriation. The remaining balance represents various interfund transfers for eligible costs and services between funds.

## EXPENSES

The FY 2027 Adopted Budget includes expenditures totaling $311.76 million, a $1.2 million, or 0.4%, decrease compared to the $313.0 million FY 2026 Adopted Budget. As required by the City's Charter, this budget is fully balanced, with total sources and uses equalizing at $311.76 million after $0.2 million for contributions (transfers) to business tax reserves. The FY 2027 Adopted Budget focuses on sustaining high quality services, while addressing the projected $17.1 million structural gap. This projected FY 2027 shortfall originated from a $14.9 million deficit projected in the LRFF, which increased to $15.1 million in the base budget with an additional $2.0 million for unanticipated costs especially for required retiree healthcare (OPEB), track crossing monitoring, and oversized vehicle program.

## SALARY AND BENEFITS

Salary and benefit costs represent about 62% of the FY 2027 Adopted Budget. The salary and benefit budget totals $190.7 million, a $0.0 million or 0.0% increase from the FY 2026 Adopted Budget total of $190.7 million. The budget remains unchanged primarily because of the staffing budget reductions of eliminated and frozen positions and strategic management of retiree benefit (medical and pension) costs and liability. This is offset by the adjustments within approved labor agreements.

It should be noted that in the "Budget Summary" section of each document, a variance will be seen between prior year Actuals and the Adopted Budget columns in the salary and benefits total expenses. This variance primarily reflects the difference between estimated vacancies and staff costs actually incurred. The variance also includes changes in labor terms from year-to-year, CalPERS' required contributions, and the strategic use of trust resources to address the City's long-term liabilities.

Salaries: In FY 2027, General Fund salaries, including overtime, are projected to decrease by $1.0 million representing a 1.0% decrease compared to the prior year FY 2026 Adopted Budget. This year-over-year change is driven by negotiated labor terms for cost of living adjustments, which is offset by strategic salary realignments and net reductions of 21.25 FTE citywide and freezing (defunding) of 6.0 positions to solve the structural gap. Information on citywide staffing adjustments and more detailed discussion of salaries and benefits are included in Attachment B of the Transmittal Letter and Employee Information sections of this document. Our budget practice includes the assumed vacancy savings of 5% or $5.5 million, that are expected to materialize as positions are vacated, and new employees are hired through the normal course of business.

Pension Costs: The General Fund's overall pension costs are driven primarily by CalPERS determined contribution levels and the City Council's direction to budget pension costs at a more conservative discount rate than CalPERS. The FY 2027 Budget continues the practice of budgeting normal cost pension expenses at a more conservative discount rate of 5.3% and transmits amounts above the required payment to the City's Section 115 Pension Trust, consistent with the Retiree Benefit Funding Policy. To achieve necessary savings for a balanced budget, the FY 2027 Adopted Budget incorporates the strategic utilization of the Section 115 Pension Trust to offset General Fund pension expenses. By drawing down resources from the trust, the City achieves the necessary relief to maintain its commitment to long-term pension sustainability and the protection of core community services without increasing the current structural deficit.

Retiree Health/Other Post-Employment Benefits (OPEB): The City uses actuarial studies completed on a bi-annual basis to inform the City's retiree healthcare liability and annual Actuarial Determined Contribution (ADC). The General Fund costs total $14.6 million in FY 2027, an increase of $2.2 million or 17.8% from $12.4 million in FY 2026. This budget continues the practice of budgeting retiree healthcare costs at a more conservative discount rate of 5.75%, transmitting amounts above the required payment as an additional discretionary payment or "prefunding" to the City's California Employers' Retirement Benefit Trust (CERBT) Fund. This approach reflects continued efforts to proactively plan for long-term liabilities, consistent with the Retiree Benefit Funding Policy.

Healthcare and Other Benefits: The budget for healthcare is based on the health plan choices employees made for Calendar Year 2026. Increases for the various bargaining units' healthcare costs are included in the memoranda of agreements and these costs are modeled throughout the budget per these terms and assume a moderate increase in forecast years. The General Fund costs total $14.2 million in FY 2027, consistent with FY 2026 levels as the health care costs remain relatively flat as all the labor agreements prescribe the various flat rate City contributions toward health while employees cost share any premium increases. Costs for special pays, long-term disability, and Medicare remain generally consistent with prior year levels.

Workers' Compensation: The City is self-insured for Workers' Compensation. The Workers' Compensation Fund operates as an internal service fund where the costs are centralized and recovered through allocated charges to departments. An outside consultant performs an annual valuation to inform the City's financial planning. Workers' Compensation costs in the General Fund total $7.1 million, an increase of $0.5 million or 7.4% from $6.6 million in FY 2026. This level ensures the City maintains adequate reserves to cover anticipated liabilities based on the most recent actuarial projections and claims history.

## NON-DEPARTMENTAL

The General Fund Non-Departmental budget includes appropriations not related to a specific department, benefiting the City as a whole through items such as Cubberley lease payments to PAUSD. The FY 2027 Adopted Budget does not rely on operating draws from the Budget Uncertainty Reserve, as the remaining $6.0 million was transferred to the Budget Stabilization Reserve for future planning. Key balancing actions include reversing $2.0 million in one-time solutions and extending a $1.0 million deferral for Homekey operations to FY 2028 (Staff Report #2503-406). Additional adjustments provide one-time funding for Allcove Palo Alto to support youth mental health.

## CONTINGENCY ACCOUNTS

Contingency Accounts are budgeted appropriations used at the discretion of the City Council, City Manager, or Human Resources Director to fund unanticipated expenses. The FY 2027 Adopted Budget includes contingencies for the City Manager ($200,000), City Council ($125,000), Human Resources ($30,000), Human Service Resource Allocation Process (HSRAP) ($50,000), and Innovation and Special Events ($50,000). With the exception of the Human Resources contingency, which was reduced by $20,000 to achieve structural savings, these figures remain consistent with prior year funding levels.

## OPERATING TRANSFERS-OUT

Funds are transferred from the General Fund to various funds throughout the City, including the Capital Improvement Funds, Debt Service Funds, and the Technology Fund, on an annual basis. In FY 2027, a total of $41.2 million will be transferred, representing an increase from the FY 2026 total of $39.4 million. A significant portion of this, totaling $35.5 million, is transferred to the Capital Improvement Fund, primarily consisting of a $14.2 million base transfer, $16.0 million dedication of Transient Occupancy Tax (TOT) revenues, $1.9 million for Cubberley CIP, and $3.5 million for other project transfers. This reflects a $1.5 million decrease in the base transfer from projected FY 2027 compared to FY 2027 budget levels as part of the strategy to close the structural gap. Overall, the Infrastructure transfer in FY 2027 total of $35.5 million is $2.5 million higher than FY 2026 total of $33.1 million.

The General Fund also includes $0.3 million for employee parking permits in the University Avenue parking fund and continues to provide loans to Parking Funds as needed to maintain operational stability. Additionally, the General Fund pays for electric costs associated with streetlights and traffic signals, with $2.3 million budgeted for FY 2027, reflecting continued increases in electricity rates.

## RESERVES

The City's general reserve is referred to as the Budget Stabilization Reserve (BSR). By policy, the City maintains a reserve level of 15.0–20.0% of the General Fund operating budget, with a targeted goal of 18.5%. City Council approval is required prior to setting reserves lower than 15.0%. The City Manager is authorized to transfer any amount in excess of 18.5% to the Capital Projects Infrastructure Reserve and the City's Section 115 Pension Trust at their discretion. The FY 2027 Adopted Budget projected BSR balance is $53.7 million, which represents 17.2% of expenses and is below the City Council's recommended target level of 18.5% by $4.0 million.

As outlined in the Transmittal Letter, the Budget Uncertainty Reserve was fully liquidated during the FY 2026 Mid-Year Review, with the remaining $6.0 million transferred to the BSR to streamline the administration of reserves. Additional reserves are outlined in the General Fund Reserve Table below and include items such as encumbrances and reappropriations that carry forward eligible unspent budget from one fiscal year to the next; these amounts reflect funding encumbered to contracts for committed expenses or approved by the City Council in the annual reappropriation process. Also included are amounts for receivables, advances, and other activities that are anticipated or required for reporting purposes. The Annual Comprehensive Financial Report (ACFR) includes additional information about these reserves and activities. The most recent ACFR was completed for the period ending June 30, 2025, and was transmitted to the City Council December 15, 2025 (Report # 2506-4850).

Lastly, this table includes reserves that have been made for a specific purpose or business area, such as the Development Services Reserve Fund (DSDRF). This budget assumes no use of the DSDRF to offset eligible expenses, leaving a balance of approximately $2.5 million.

# General Fund Reserves

| | FY 2025 Balance | FY 2026 Adopted Changes | FY 2026 Net Adjustments | FY 2026 Projected Year-End | FY 2027 Adopted Budget | FY 2027 Projected Year-End |
|---|---|---|---|---|---|---|
| **Budget Stabilization Reserve (BSR) Activity:** | | | | | | |
| BSR | $58,853 | 222 | ($5,626) | $53,449 | 205 | $53,654 |
| Uncertainty Reserve | $12,001 | (6,001) | ($6,000) | - | - | - |
| Total BSR | $70,854 | ($5,779) | ($11,626) | $53,449 | $205 | $53,654 |
| **Other Reserve Activity:** | | | | | | |
| At Risk Sales Tax Reserve | - | - | 4,000 | $4,000 | - | $4,000* |
| Property Tax ERAF Reserve | $7,000 | - | 1,600 | $8,600 | - | $8,600 |
| Reserve: Utility Litigation | - | - | - | - | - | - |
| Reserve: Business Tax Affordable Housing | $2,480 | 31 | 327 | $2,838 | 589 | $3,427 |
| Reserve: Business Tax Transportation | $2,230 | 105 | 1,286 | $3,621 | (364) | $3,257 |
| Deposits, Notes Receivable, Prepaid Items, Interfund Advances, Electric Vehicle Charging, and Other Activities | $118 | - | 1 | $118 | - | $118 |

* Staff anticipates sales tax prior year one-time adjustment will be more favorable than assumed in this financial plan, which may improve the BSR by $2.0 million bringing it to a projected $55.7 million or 17.9% of General Fund expenditures.

# General Fund Reserves

| | FY 2025 Balance | FY 2026 Adopted Changes | FY 2026 Net Adjustments | FY 2026 Projected Year-End | FY 2027 Adopted Budget | FY 2027 Projected Year-End |
|---|---|---|---|---|---|---|
| Human Services Resource Allocation Process (HSRAP) | $40 | - | - | $40 | - | $40 |
| Encumbrance & Reappropriations | $13,623 | (162) | 159 | $15,847 | - | $15,847 |
| Reserves for Development Services Reserve, Special Districts, Edgewood Plaza, and other Commitments | $2,468 | - | - | $2,468 | - | $2,468 |
| **Total Reserves** | **$98,813** | **($5,805)** | **($4,253)** | **$90,981** | **$430** | **$91,411** |

1. The BSR is projected to be 17.2% at the end of FY 2026 (as compared to FY 2027 Adopted expenses)

2. The City Reserve Policy indicates a 15 to 20% range, with an 18.5% target

3. FY 2026 Net Adjustments includes BAOs in FY 2026

4. FY 2027 Adopted BSR: $46.8M (15.0%), $57.7M (18.5%), $62.4M (20.0%)

# General Fund Revenues by Category

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Business Tax | 5,286 | 5,691 | 6,488 | 6,906 | 418 | 6.4% |
| Charges for Services | 36,071 | 38,511 | 43,597 | 45,839 | 2,242 | 5.1% |
| Charges to Other Funds | 15,409 | 15,688 | 15,547 | 14,735 | (812) | (5.2)% |
| Documentary Transfer Tax | 7,016 | 8,391 | 8,542 | 9,024 | 482 | 5.6% |
| From Other Agencies | 3,502 | 3,530 | 91 | 1,877 | 1,786 | 1,964.8% |
| Net Sales | (1) | — | — | — | — | —% |
| Other Revenue | 4,304 | 3,892 | 2,524 | 2,194 | (330) | (13.1)% |
| Other Taxes and Fines | 827 | 802 | 780 | 780 | — | —% |
| Permits and Licenses | 11,396 | 11,290 | 11,368 | 12,463 | 1,095 | 9.6% |
| Property Taxes | 66,344 | 69,402 | 73,627 | 76,096 | 2,469 | 3.4% |
| Rental Income | 16,329 | 15,822 | 16,521 | 16,137 | (384) | (2.3)% |
| Return on Investments | 3,660 | 3,595 | 3,742 | 4,701 | 960 | 25.6% |
| Sales Taxes | 37,482 | 35,219 | 36,377 | 33,354 | (3,023) | (8.3)% |
| Transient Occupancy Tax | 27,781 | 28,970 | 29,139 | 31,955 | 2,816 | 9.7% |
| Utility Users Tax | 19,013 | 20,394 | 21,437 | 22,996 | 1,559 | 7.3% |
| **Subtotal** | **254,419** | **261,196** | **269,779** | **279,057** | **9,277** | **3.4%** |
| Operating Transfers-In | 23,859 | 29,676 | 31,459 | 32,904 | 1,445 | 4.6% |
| **Total** | **278,278** | **290,871** | **301,239** | **311,961** | **10,722** | **3.6%** |
| Use of Reserves | 2,856 | 11,317 | 11,724 | (205) | (11,928) | (101.7)% |
| **Modified Total** | **281,134** | **302,188** | **312,962** | **311,756** | **(1,206)** | **—%** |

# General Fund Revenue Descriptions

## BUSINESS TAX (BT)

In November 2022, Palo Alto voters approved Measure K, adopting a general tax on businesses operating in the City of Palo Alto to fund public safety; affordable housing and homeless services; and transportation and grade separation projects with additional funding for administration of the tax. The business tax, codified in Chapter 2.37 of the Palo Alto Municipal Code, sunsets in 35 years on January 1, 2058, unless approved by voters to be extended. The business tax is based on a square footage of businesses and is due quarterly.

The tax was imposed January 2023, at 50% of the full rate, or 3.75 cents per square foot per month through January 2025. The full rate will be assessed starting January 2025 at 7.5 cents per square foot per month. The tax has an annual cap of $0.5 million per business and both the rate and the cap are increased by 2.5% annually beginning in FY 2027. The first 10,000 square feet occupied by a business is exempt from the tax, along with grocery stores, seasonal businesses, and residential space. In addition, tax offsets for paid hotel tax, certain sales tax, and vacant space can be exercised by a business, if eligible. For efficiency and convenience, the Business Tax, Business Registry Certificate, and the Downtown Palo Alto Business Improvement Fees will be administered and collected in one portal.

## DOCUMENTARY TRANSFER TAX (DTT)

This tax is applied to the sale of real property within Palo Alto at the time property ownership is transferred. The current rate is $3.30 per thousand dollars of sale value. A house that sells for $3.0 million, for example, would result in the City collecting $9,900. This tax is collected by Santa Clara County and then remitted to the City. The county also levies a transfer tax of $1.10 per thousand dollars of sales value that is in addition to Palo Alto's tax.

## OTHER TAXES AND FINES

Revenue items in this category include parking violations, traffic violations, and administrative citations.

## PROPERTY TAX

Under current law, all taxable real and personal property is subject to a basic tax rate of one percent of assessed value collected by local jurisdictions and school districts for general service purposes. There are other taxes and levies on a typical property tax bill such as parcel, General Obligation bond, and special assessments.

On June 6, 1978, California voters approved Proposition 13, a seminal change in property tax levies. The proposition, which added Article XIII A to the state constitution, placed limits on increases in the valuation of real property. The major change was that the assessed value of real property could only be adjusted upward annually by the change in the California Consumer Price Index (CCPI) up to a maximum of two percent per year. One exception to this rule; however, is that when property changes ownership and/or is substantially altered or newly-constructed, it would be reassessed at full market value in the first year and then subject to the CCPI or two percent cap thereafter.

Another important exception to the formula for increasing assessed valuations and taxes is that during periods of declining property values (e.g., recessions), the County Assessor has the flexibility to decrease assessments whether through appeal by property owners or through the Assessor's analysis of value declines. In effect, this reduces the property valuation and tax. As market conditions improve, however, and values return or increase, the Assessor can then increase assessed values and taxes.

In following years, another amendment to the constitution was passed that allows local governments and school districts to raise property taxes above one percent to finance general obligation (GO) bond sales. This change has to be approved by two-thirds of those voting in a local GO bond election. For school districts, however, the voting threshold for approving GO bonds was subsequently lowered to 55%.

Dating back to the early 1990s, the state has made a series and complex adjustments to local jurisdiction property tax revenues to address its budget shortfalls. One of the most significant changes occurred in 1992 with the creation of the Educational Revenue Augmentation Fund (ERAF), which redirected a portion of city, county, and special district property tax revenues to schools. In certain years, property tax revenues allocated to schools may exceed the State's required funding levels. When this occurs, the excess portion, referred to as "excess ERAF" is returned to local jurisdictions. The determination of excess ERAF have been subject to audit findings and legal challenges over time. As a result, both the timing and amount of these revenues may change.

The County of Santa Clara administers and collects property taxes and remits the appropriate amounts (based on law and a complex formula) to local jurisdictions. Contrary to commonly held views, the City receives a relatively small portion of the basic one percent property tax. The City receives around 9.4% or 9.4 cents for every property tax dollar a property owner pays to the county. The majority of the tax dollar paid, or 45.6% goes to the school district, community college and county school service, while 15.9% goes to the county, and the remaining goes to special districts and to the State.

## SALES TAX

Sales Tax is a tax imposed on retailers for the privilege of selling tangible personal property such as clothing, automobiles, and computers. Currently, and according to State law, sales tax is not applied to personal services such as legal, dental, or consultant services. Use Tax is a form of sales tax and is applied, for example, on the sale of tangible goods from an out-of-state vendor.

The City receives a specific portion or percentage of the sales tax paid by a consumer. Of the current 9.75% tax rate paid for goods sold within Palo Alto, the City receives 1.0% of the purchase price or 10.26% for each tax dollar paid. The remaining 8.75% of sales tax is distributed as follows: State of California (5.5%), Public Safety Fund (0.5%), Transportation Development Act (TDA) (0.25%), Santa Clara County – Measure A for Transportation (0.125%), Santa Clara Valley Transportation Authority (1.75%), and Santa Clara County – Measure A for Healthcare and Public Safety (0.625%, effective April 1, 2026).

Sales tax rates may differ across jurisdictions since local jurisdictions have some flexibility on a countywide level (e.g. county or city) to increase the local portion of the sales tax with voter approval. The local Sales and Use Tax is collected and administered by the State Board of Equalization.

# GENERAL FUND REVENUE

## TRANSIENT OCCUPANCY TAX (TOT)

The Transient Occupancy Tax rate in Palo Alto is 15.5% and is applied to the daily rate charged by a hotel, motel, and lodging establishment. The rate only applies to stays of 30 days or less. In November 2018, Palo Alto voters approved increasing the tax rate from 14% to 15.5%. The rate increase was effective as of January 1, 2019.

## UTILITY USERS TAX (UUT)

The Utility Users Tax is charged to all users of electricity, gas, water, and telephone services. The current tax rate is for electricity, gas, and water is 5.0% and 4.75% for telephone. In November 2014, Palo Alto voters approved decreasing the telephone utility user tax rate from 5% to 4.75%. This tax decrease became effective on April 1, 2015 due to Public Utility Commission advance noticing requirements.

## CHARGES FOR SERVICES

Departmental charges are comprised of fees charged for services which are primarily provided by the following departments: Community Services, Planning and Development Services, Police, and Public Works. Charges for Services from departments are approved annually by the City Council through the adoption of the Municipal Fee Schedule.

The City has two separate agreements with Stanford University to provide Fire Response services and Dispatch services. As part of these agreements to reimburse the City for Stanford's proportional share of these services, Stanford is charged 16.0% of the Police Department's Communication and Dispatch Division.

## CHARGES TO OTHER FUNDS

The General Fund recuperates the cost for services provided by internal services departments such as Administrative Services, Council Appointees, and Human Resources to Enterprise, Internal, and Special Revenue funds through allocated charges.

## FROM OTHER AGENCIES

This revenue category includes revenue received from various other local government agencies, the state, and the federal government, usually due to grants or contracts for services.

## OTHER REVENUE

Major revenue sources in this category are Animal Services charges to Los Altos and Los Altos Hills, reimbursements from PAUSD for its share of Cubberley and athletic field maintenance, donations from non-profits for City libraries, and miscellaneous revenues.

## PERMITS AND LICENSES

The City requires payment for issuing Building Permits, Fire Permits, and miscellaneous health and safety-related licenses and permits as approved annually by the City Council through the adoption of the Municipal Fee Schedule.

## RENTAL INCOME

The General Fund charges rent to internal and external entities. The majority of rental income is derived from the Cubberley Community Center and Enterprise Funds.

## RETURN ON INVESTMENT

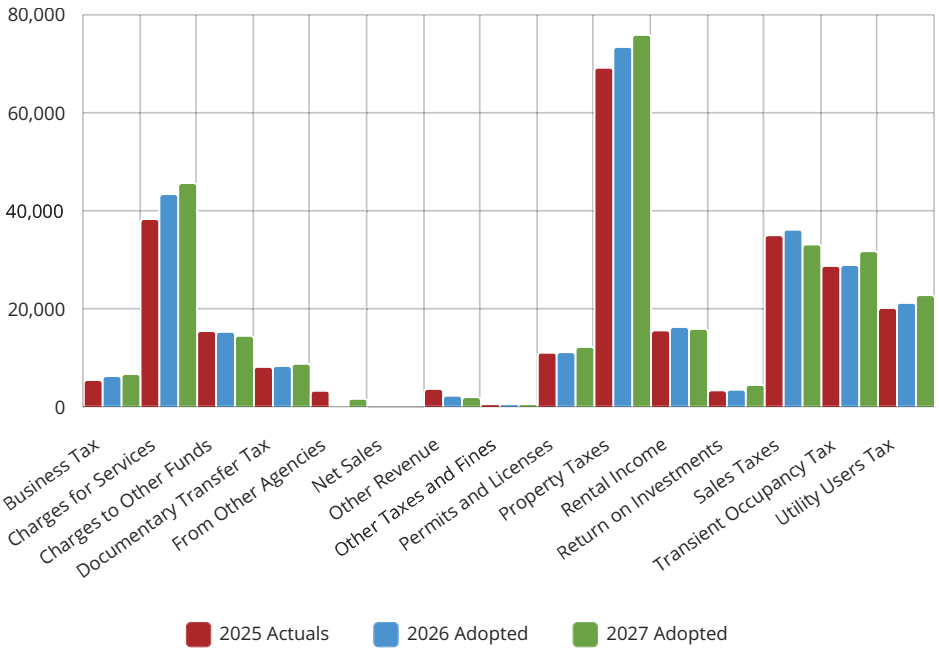
The City invests idle funds in order to earn interest. The total income varies with the market rates of interest and the funds available to invest. The basic principles underlying Palo Alto's investment philosophy is to ensure the safety of public funds; provide that sufficient money is always available to meet current expenditures; and achieve a reasonable rate of return on its investments.

## OPERATING TRANSFERS-IN

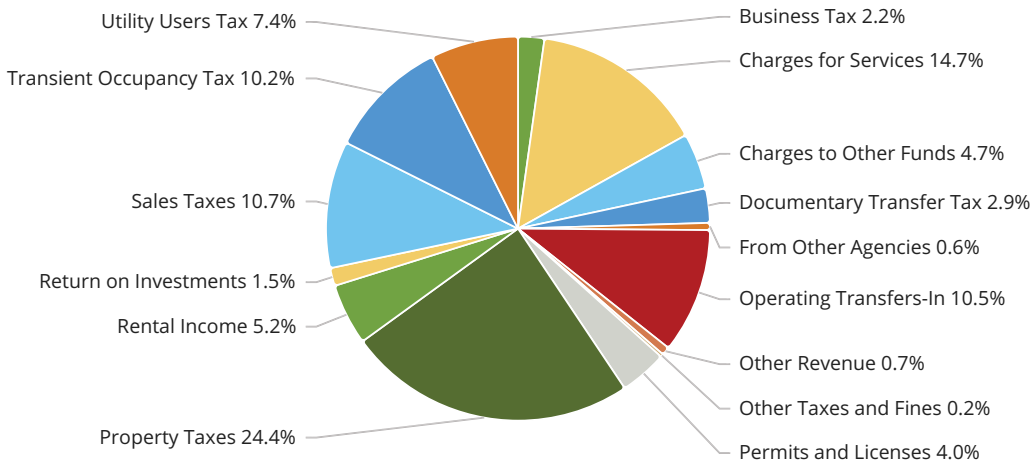
Operating Transfers include the equity transfer from the Electric and Gas Funds. In accordance with a methodology approved by Council in June 2009, the equity transfer from the Electric Fund is calculated by applying a rate of return to the capital asset base of the Electric Fund. This rate of return is based on PG&E's rate of return on equity as approved by the California Public Utilities Commission (CPUC). In accordance with the passage of Measure L on the November 2022 ballot, the Equity Transfer from the Gas Fund can be up to 18% of annual gross gas retail revenue; however, Council has the discretion to set the transfer at a lower percent of revenue.

# GENERAL FUND REVENUE

## 3 YEAR TREND - GENERAL FUND REVENUES BY CATEGORY ($000S)




## FY 2027 GENERAL FUND REVENUES $311.8 MILLION



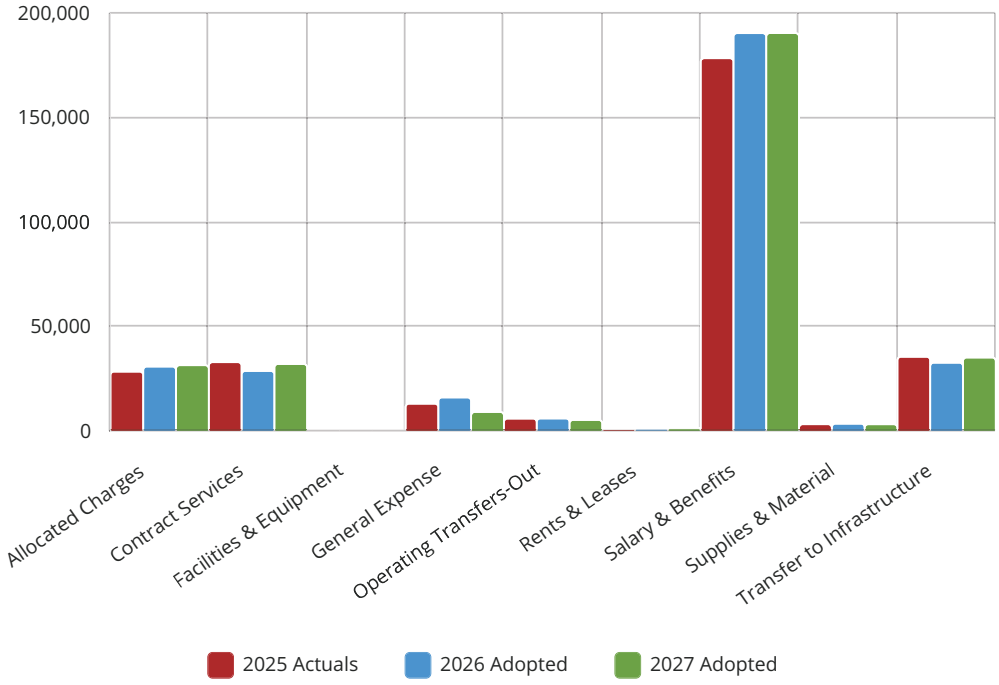
# General Fund Expenditures by Department

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Administrative Services | 10,618 | 11,502 | 11,831 | 11,461 | (370) | (3.1)% |
| City Attorney | 4,392 | 4,499 | 5,094 | 4,842 | (253) | (5.0)% |
| City Auditor | 678 | 1,159 | 995 | 891 | (104) | (10.5)% |
| City Clerk | 1,135 | 1,335 | 1,542 | 1,512 | (31) | (2.0)% |
| City Council | 500 | 498 | 550 | 563 | 14 | 2.5% |
| City Manager | 5,150 | 5,496 | 5,356 | 5,363 | 7 | —% |
| Community Services | 39,212 | 40,280 | 43,495 | 43,801 | 306 | —% |
| Fire | 46,143 | 54,694 | 59,966 | 61,124 | 1,158 | 1.9% |
| Human Resources | 4,714 | 5,492 | 5,698 | 5,071 | (628) | (11.0)% |
| Library | 11,243 | 12,447 | 12,925 | 12,685 | (240) | (1.9)% |
| Non-Departmental | 13,568 | 13,982 | 12,173 | 4,492 | (7,681) | (63.1)% |
| Office of Emergency Services | 1,322 | 1,619 | 1,768 | 1,596 | (172) | (9.8)% |
| Office of Transportation | 4,267 | 4,359 | 3,464 | 2,942 | (522) | (15.1)% |
| Planning and Development Services | 24,946 | 22,571 | 24,768 | 25,382 | 614 | 2.5% |
| Police | 52,421 | 56,617 | 58,203 | 62,200 | 3,997 | 6.9% |
| Public Works | 21,824 | 23,408 | 25,692 | 26,629 | 937 | 3.6% |
| **Subtotal** | **242,134** | **259,959** | **273,522** | **270,554** | **(2,968)** | **(1.1)%** |
| Transfer to Infrastructure | 32,257 | 35,900 | 33,057 | 35,541 | 2,484 | 7.5% |
| Operating Transfers-Out | 6,743 | 6,330 | 6,383 | 5,661 | (722) | (11.3)% |
| **Total** | **281,134** | **302,188** | **312,962** | **311,756** | **(1,206)** | **—%** |

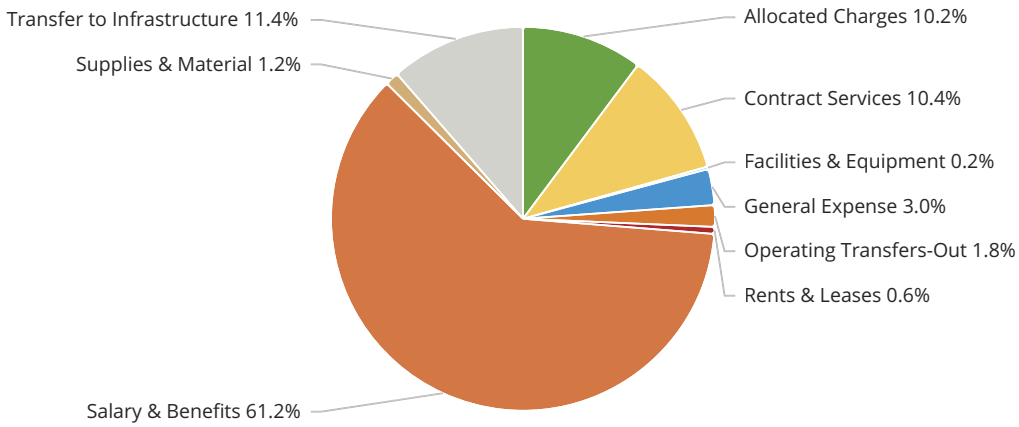
# General Fund Expenditures by Category

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Allocated Charges | 25,639 | 28,794 | 31,221 | 31,852 | 631 | 2.0% |
| Contract Services | 32,098 | 33,299 | 29,092 | 32,423 | 3,331 | 11.5% |
| Facilities & Equipment | 557 | 771 | 678 | 637 | (41) | (6.1)% |
| General Expense | 14,484 | 13,455 | 16,439 | 9,480 | (6,959) | (42.3)% |
| Rents & Leases | 1,338 | 1,302 | 1,503 | 1,827 | 324 | 21.5% |
| Salary & Benefits | 164,322 | 178,716 | 190,706 | 190,731 | 25 | —% |
| Supplies & Material | 3,697 | 3,621 | 3,884 | 3,605 | (279) | (7.2)% |
| **Subtotal** | **242,134** | **259,959** | **273,522** | **270,554** | **(2,968)** | **(1.1)%** |
| Transfer to Infrastructure | 32,257 | 35,900 | 33,057 | 35,541 | 2,484 | 7.5% |
| Operating Transfers-Out | 6,743 | 6,330 | 6,383 | 5,661 | (722) | (11.3)% |
| **Total** | **281,134** | **302,188** | **312,962** | **311,756** | **(1,206)** | **—%** |

## 3 YEAR TREND - GENERAL FUND EXPENSE BY CATEGORY ($000S)




## FY 2027 GENERAL FUND EXPENDITURES $311.8 MILLION





CITY OF
PALO
ALTO



# ENTERPRISE FUNDS



CITY OF
PALO
ALTO

# ENTERPRISE FUNDS OVERVIEW

## Overview

The City of Palo Alto's Utility and Public Works operations are comprised of the Airport, Electric, Fiber Optics, Gas, Refuse, Stormwater Management, Wastewater Collection, Wastewater Treatment, and Water Funds. A financial summary of the funds follows this overview along with discussion and pertinent information in each fund section.

### REVENUES

The total budgeted revenue of the Enterprise Funds for FY 2027 is $681.2 million, which represents a $115.8 million, or 20.5% increase from the FY 2026 Adopted Budget of $565.4 million. The primary drivers of this growth include a $60.5 million increase in the Electric Fund and a $42.8 million increase in the Wastewater Treatment Fund that includes financing for major capital projects. Enterprise Fund utility services with rate increases for FY 2027 include Electric, Fiber Optics, Gas, Refuse, Stormwater Management, Wastewater Collection, and Water. Details on these changes and the specific rate increase for each service are discussed below.

### EXPENDITURES

The total budgeted expenditure of the Enterprise Funds for FY 2027 is $653.4 million, which represents an $0.5 million, or 0.1% increase from the FY 2026 Adopted Budget of $652.8 million. While most funds remain relatively stable, the primary driver for this year-over-year change is a $9.6 million increase in the Wastewater Treatment Fund as ongoing capital work continues and -$9.6 million decrease in the Electric Utility Fund capital program. This is slightly offset by modest adjustments in Utility Purchases and operational costs across the Electric, Refuse, and Water Funds.

### UTILITY RATE CHANGES

The FY 2027 Budget includes rate adjustments for Electric, Fiber Optics, Gas, Refuse, Stormwater Management, Wastewater Collection, and Water. The proposed rate increases are essential for maintaining safe, reliable, and environmentally sustainable utility services, including electricity, fiber optics, natural gas, refuse, stormwater management, wastewater, and water. Rate increases are necessary to support capital improvement projects, infrastructure maintenance and replacement, and to replenish depleted Utilities financial reserves to allow the City to continue to provide high quality utility services to the community.

# ENTERPRISE FUNDS OVERVIEW

Electric Fund - The scheduled rate increase is 4.5% for FY 2027 due to a new warehouse and laydown yard for grid modernization, replacement of emergency generators, and substation improvements.

Fiber Optics Fund - The scheduled rate increase for customers on the EDF-1 rate is 3% for FY 2027, based on Consumer Price Index (CPI) for All Urban Consumers in the San Francisco Bay Area.

Gas Fund - The scheduled rate increase is 9% for FY 2027 due to lower gas usage and retail sales, replenishment of low reserves, and investment in critical gas main replacements. Actual gas commodity rates vary monthly.

Refuse Fund - The scheduled rate increase is 3% for FY 2027 due to replenishment of reserves. The previous rate increases were in FY 2017 for commercial rates and FY 2018 for residential rates.

Stormwater Management Fund - The scheduled rate increase of 3.0% for FY 2027, based on CPI for All Urban Consumers in the San Francisco Bay Area.

Water Fund - The scheduled rate increase is 8% for FY 2027 due to wholesale water supply and capital and operating cost increases.

Wastewater Collection Fund - The scheduled rate increase is 16% for FY 2027 due to rising costs driven by the rehabilitation of the Regional Water Quality Control Plant, replacement of aging sewer mains, and replenishment of reserves.

## RENT

Enterprise Funds pay market-based rental fees to the General Fund for the sites needed to conduct their business operations. Rent will be adjusted by 3.04% for FY 2027. Rent paid by the Enterprise Funds to the General Fund decreased by approximately $0.5 million, from the FY 2026 amount of $10.4 million to the FY 2027 amount of $9.9 million. The Regional Water Quality Control Plant expects an increase of $0.9 million adjustment for Lease and Common Area Maintenance to support administrative offices and the new Lab located at 2470 Embarcadero Way.

## EQUITY TRANSFERS

In FY 2009, the City Council adopted a change to the methodology used to calculate the equity transfer from Electric Fund to the General Fund. Beginning in FY 2010, the equity transfer is based on the asset base in the Electric Fund, along with the rate of return for each utility, which is based on Pacific Gas and Electric's (PG&E) rate of return on equity as approved by the California Public Utilities Commission (CPUC). For FY 2027, the equity transfer from the Electric Fund will increase by $0.6 million from $17.4 million in FY 2026 to $18.0 million in FY 2027. Most of this increase is due to the estimated grid modernization asset value increase.

The Gas Fund equity transfer to the General Fund was originally authorized by City voters in 1950 (similar to the Electric Fund equity transfer). In November 2022, voters approved Measure L, affirming the continuation of this practice by adding section 2.28.185 to the Municipal Code. Each year the City Council may transfer from the gas utility to the General Fund an amount up to 18% of the gross revenues of the gas utility, though Council may choose to transfer a lesser amount. For FY 2027, a transfer of 18% of gross FY 2025

revenues, or $10.7 million, is recommended. This represents an increase of $1.0 million from a transfer of $9.7 million in FY 2026.

## RESERVES

The financial revenue and expense forecasts are estimates at a single point in time. Some Utilities reserves serve as balancing accounts, which mitigate the risk of commodity price swings and ensure against default by the City's wholesale suppliers. Other reserves are used to provide funding for capital infrastructure improvement projects, replacement parts during an emergency infrastructure failure or serve as temporary parking for planned expenditures. Reserve levels that are above guidelines may be returned to customers in the form of lower future rates or used to pay for expenses, which also result in lower future rates. Based on the actions included in this budget, the total Enterprise Fund Reserve Balances are projected to end in FY 2027 at $177.2 million, increasing by $27.9 million from a projected FY 2026 ending fund balance of $149.4 million.

## UTILITIES ENTERPRISE FUNDS

Across the Electric, Gas, Water and Wastewater utilities, costs continue to increase, including construction cost inflation, commodity price increases, and the rising cost to transport energy and water. Additionally, infrastructure is aging and approaching its useful life of ~ 50 years and beyond, so investment is needed to maintain safety and reliability and increase capacity of the utilities. Rate increases ensure the City maintains the ability to replenish depleted reserves and provide funding for continually increasing expenses in commodity charges; maintenance and replacement costs of City's aging utility infrastructure through various capital projects; and efforts to achieve Sustainability and Climate Action Plan (S/CAP) goals including grid modernization to support electrification.

The City relied heavily on reserves over the past seven years to minimize rate increases following Council direction to keep rates flat or minimize rate increases to provide economic relief for residential and commercial customers without compromising the safety and integrity of the utility systems and impacting service delivery. During the COVID-19 pandemic, particularly in FY 2020-FY 2022, the City absorbed utility cost increases to reduce impacts to customers, and used reserves to absorb increased costs for construction, operations, and commodity purchases. Lower revenues also contributed to the challenges of sustaining normal operations across the utilities without increasing rates. The City planned to phase in rate increases while using reserves, but rising expenses in commodities and transmission, drought, inflation and other factors accelerated the use of reserves more than anticipated, leaving the utilities with lower reserve levels to address infrastructure investments and plan for emergency needs.

The City is continuously taking measures to keep costs down for ratepayers through operational efficiency, expenditure reductions, and cost-recovery programs. While most of our utility bill costs are lower than or competitive with neighboring communities, CPAU continually strives to control costs while ensuring that we deliver safe and reliable utility services.

For more information on Utilities Rates, please visit: https://www.PaloAlto.gov/Departments/Utilities/Customer-Service/Utilities-Rates.

# ENTERPRISE FUNDS OVERVIEW

## Electric

FY 2027 Electric rates are scheduled to increase by 4.5% for the median residential customer; however, Palo Alto residential electric bills will still be lower (approximately 50% less) than neighboring communities served by PG&E. In the next five years, staff expects a steady increase in electric supply costs due to increasing transmission access charges, rising renewable portfolio standard requirements and tightening resource adequacy requirements. Capital spending and distribution system maintenance costs are rising due to critical investments in grid modernization, new materials and staging warehouse, and upgrades to the Hanover Substation (which will benefit all electric customers). Palo Alto's electric grid can be characterized as an efficient but aged system that has, in large part, reached the end of its useful life. Some in-service equipment was originally installed in the mid 1950's and has served the City well over those 70+ years. However, due to both the age of the electric system and electrification's forecasted increased energy demands, the City's grid must be reconstructed and modernized to serve these higher loads while maintaining system.

## Fiber Optics

FY 2027 Fiber Optics rates are scheduled to increase by 3.0% for customers on the EDF-1 rate schedule as part of their contractual lease agreement. CPAU provides commercial dark fiber optic services within the boundaries of the City. In September 2006, the City Council approved the Dark Fiber Licensing Agreement with a one-time promotion allowing commercial fiber optic accounts to be enrolled under the EDF-1 rate schedule, which is adjusted annually in accordance with CPI. Subsequent fiber customer enrollments are under the Dark Fiber Licensing Services Rate Schedule EDF-3, which has not changed since 2006. Upon the expiration of contracts on EDF-1 rates, these contracts are renewed and enrolled under the EDF-3 rate. Most contracts on the EDF-1 rates have expired or voluntarily moved from the EDF-1 rate to the EDF-3 rate for cost saving purposes.

Additionally, the City is launching a Palo Alto Fiber broadband internet service in a pilot area in FY 2026. A new rate schedule F-1 includes proposed broadband internet services and rates, based on extensive market research, evaluation of customer demand, and competitive benchmarks. With a well-defined range for the rates and packages, staff can adapt offerings to target different customer segments.

## Gas

FY 2027 Gas rates are scheduled to increase by 9% for customers to ensure the utility is recovering its costs of capital projects, operations, and rebuilding reserves. Lower-than-projected gas usage is driving the need for a 9% rate increase. In FY 2025 gas usage was 8% below the forecast; staff expects usage to continue to drop by approximately 1.1% annually from FY 2027 through 2031. Lower sales have prevented reserves from recovering to adequate levels. Overall Capital Improvement Program (CIP) costs are expected to increase around 10% on average, annually from FY 2025 through FY 2031; this is due to higher projected CIP project and personnel costs; and is necessary to pay for critical gas main replacements.

## Water

FY 2027 Water rates are scheduled to increase by 8%. As part of the water rate increase, the San Francisco Public Utilities Commission (SFPUC) has adopted a wholesale rate increase of 7.4% for FY 2027. This is a

pass-through commodity charge to CPAU customers and will impact CPAU water rate increases. The 5-year capital project budget of $71.7 million for FY2027 – FY 2031, include a water master plan, water main replacement projects and seismic improvements to two reservoirs. The rise in capital budget reflects higher construction costs seen in recent projects and a need to replenish CIP reserve.

### Wastewater Collection

FY 2027 Wastewater Collection rates are scheduled to increase by 16%. Wastewater Collection costs are projected to rise due to increasing treatment costs related to capital improvements and operational costs at the Regional Water Quality Control Plant (RWQCP), as well as increasing collection system operation and capital improvement costs. Wastewater Treatment costs, which also impact Wastewater Collection expenses, are increasing due to additional staffing, leasing of a new laboratory space, rising chemical and service contract costs, and ongoing plant rehabilitation CIP. With this rate increase, Palo Alto's residential rate will be approximately 2% above the average of neighboring cities, assuming neighboring utilities' rates remain at current levels.

## PUBLIC WORKS ENTERPRISE FUNDS

### Airport

The City assumed airport operations from Santa Clara County in August 2014 for the Palo Alto Airport, which ranks among the busiest general aviation airports in the country. Phase III of the Airport Apron Reconstruction project was completed in 2023, which will allow for more tie-downs to be available for rent. As a result, staff anticipates operating revenue to return to normal or increase. The Airport relies on funding from the Federal Aviation Administration (FAA) to offset costs (usually 90 percent) related to capital projects. The Airport continues to pay down the General Fund loan at $272,000 annually until the loan is paid off in FY 2034.

### Refuse

FY 2027 refuse rates are scheduled to increase by 3.0% at a rate based on the CPI for All Urban Consumers in the San Francisco Bay Area. The Refuse Fund secured an agreement with Zero Waste Energy Development Company to purchase power from the processing of recovered organic waste products to comply with SB1383 procurement requirements. Implementing initiatives from the 2018 Zero Waste Plan will continue to help the City make progress on its Zero Waste and Sustainability and Climate Action Plan (S/CAP) goals to divert 95% or more waste by 2030.

### Stormwater Management

In FY 2027, the Stormwater Management Fee is scheduled to increase by 3.0%, at a rate based on the CPI for All Urban Consumers in the San Francisco Bay Area. The Stormwater Management fee was approved by property owners through a ballot measure in April 2017. The projects and infrastructure component of this fee sunsets June 1, 2032 unless extended through a subsequent ballot measure. The Stormwater Management Fund maintains activities that ensure adequate drainage of the City's storm drainage system as well as litter reduction, green stormwater infrastructure projects, urban pollution prevention programs, and flooding emergency response services.

### Wastewater Treatment

The City's Regional Water Quality Control Plant serves six communities including Palo Alto, East Palo Alto Sanitary District, Mountain View, Stanford, Los Altos, and Los Altos Hills (partner agencies). The Wastewater Treatment Fund works with the City and partner agencies' regional service area to protect the environment and the public's health while ensuring compliance with regulations protecting the San Francisco Bay. FY 2027 is projected to see a decrease in expenditures within the Wastewater Treatment Fund compared to FY 2026, primarily due to capital projects such as the Local Advanced Water Purification System and Secondary Treatment Upgrades being completed. Some of the funding for these projects may extend into FY 2027 to sustain ongoing project work.

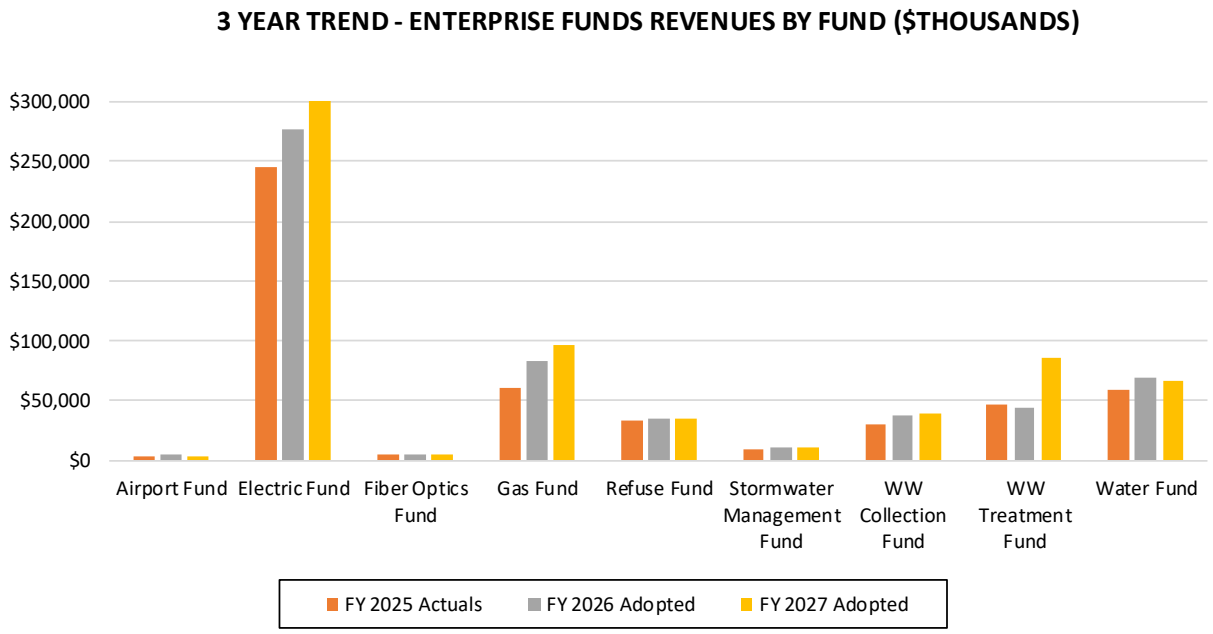
# Enterprise Funds Summary

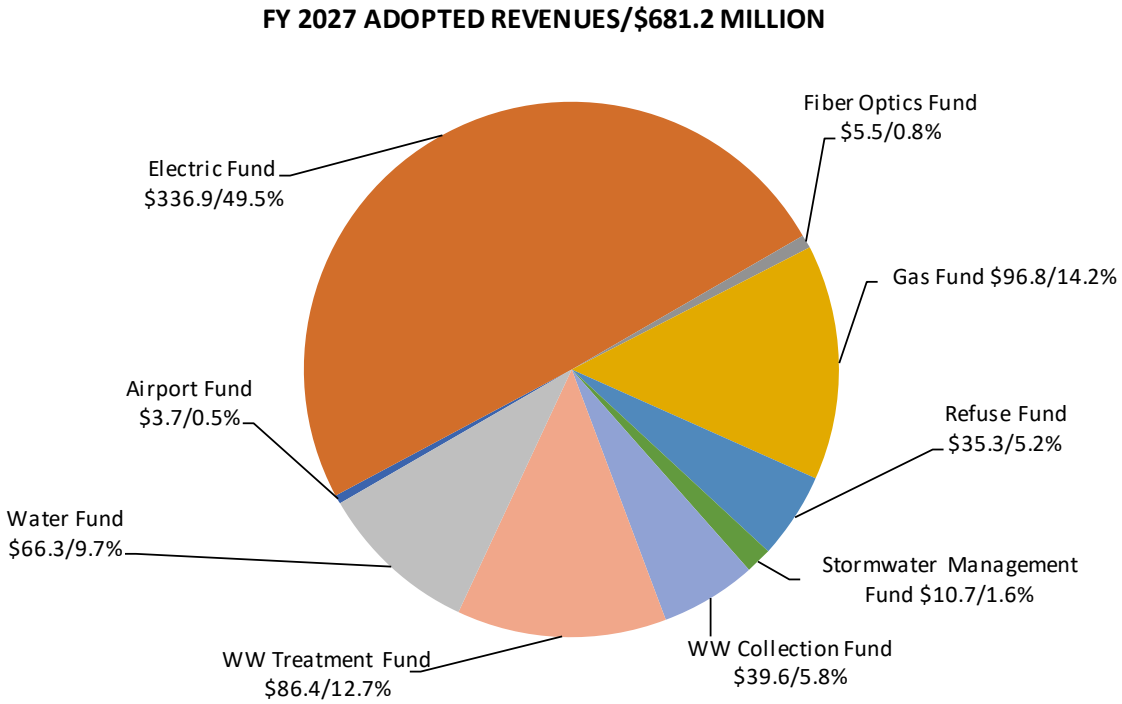
| Fund Summary ($000) | Airport Fund | Electric Fund | Fiber Optics Fund | Gas Fund | Refuse Fund | Storm-water Mgmt. Fund | Waste-water Collec-tion Fund | Waste-water Treat-ment Fund | Water Fund | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | | | |
| Charges for Services | — | 220 | — | 20 | 34 | 81 | 10 | — | 10 | **375** |
| Charges to Other Funds | — | 125 | — | 108 | 163 | — | 34 | 72 | 70 | **573** |
| From Other Agencies | 180 | — | — | 16,020 | — | 1,030 | — | — | 577 | **17,807** |
| Net Sales | 808 | 241,266 | 4,444 | 77,696 | 31,779 | 9,272 | 39,097 | 43,044 | 62,698 | **510,104** |
| Operating Transfers-In | — | 2,443 | — | 1,366 | — | — | — | — | 373 | **4,182** |
| Other Revenue | 1,564 | 89,160 | — | 614 | 2,376 | — | 463 | 43,267 | 1,343 | **138,787** |
| Other Taxes and Fines | — | — | — | — | — | 3 | — | 4 | — | **7** |
| Rental Income | 1,133 | 167 | — | — | — | — | — | — | — | **1,300** |
| Return on Investments | 25 | 3,492 | 1,085 | 977 | 921 | 358 | — | 3 | 1,235 | **8,095** |
| **Total** | **$3,709** | **$336,874** | **$5,528** | **$96,801** | **$35,272** | **$10,744** | **$39,604** | **$86,391** | **$66,305** | **$681,228** |

# Enterprise Funds Summary

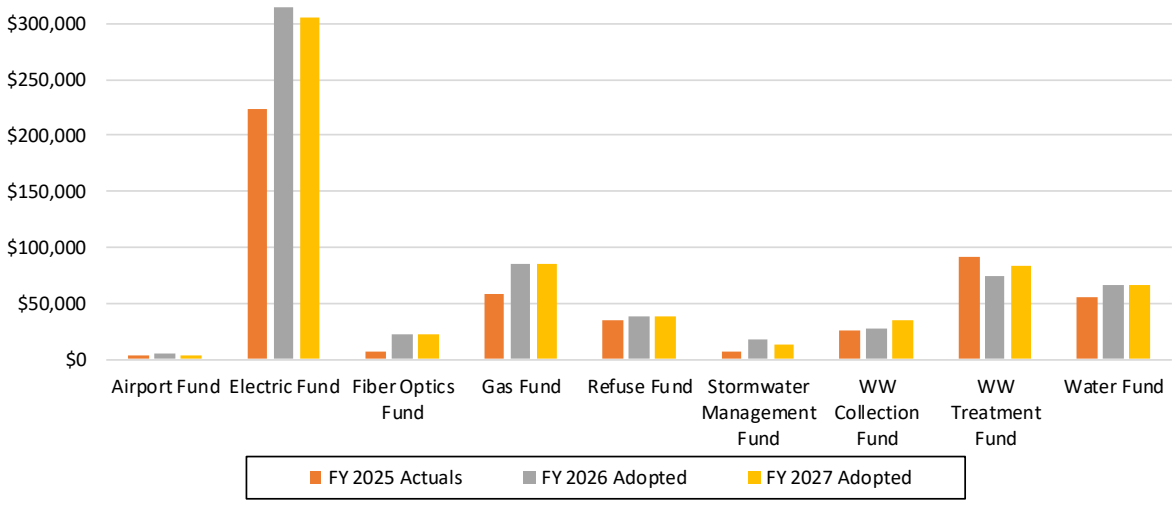
| Fund Summary ($000) | Airport Fund | Electric Fund | Fiber Optics Fund | Gas Fund | Refuse Fund | Storm-water Mgmt. Fund | Waste-water Collec-tion Fund | Waste-water Treat-ment Fund | Water Fund | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Expenses** | | | | | | | | | | |
| Allocated Charges | 1,019 | 13,322 | 995 | 6,295 | 2,495 | 1,642 | 3,576 | 8,701 | 6,461 | **44,506** |
| Contract Services | 311 | 11,069 | 2,048 | 1,936 | 8,137 | 1,002 | 269 | 4,931 | 788 | **30,492** |
| Debt Service | — | 4,915 | — | 803 | — | 949 | 129 | 650 | 3,223 | **10,669** |
| Equity Transfer | — | 17,951 | — | 10,700 | — | — | — | — | — | **28,651** |
| Facilities & Equipment | — | 26 | — | 2 | 3 | 8 | 3 | 8 | 1 | **50** |
| General Expense | 42 | 8,152 | 17 | 2,675 | 113 | 152 | 94 | 789 | 1,100 | **13,133** |
| Operating Transfers-Out | 272 | — | 102 | 186 | — | — | 870 | 35 | 683 | **2,148** |
| Rents & Leases | 7 | 7,565 | 273 | 900 | 239 | 64 | 474 | 1,427 | 1,638 | **12,585** |
| Salary & Benefits | 1,561 | 28,925 | 2,080 | 11,478 | 4,128 | 3,039 | 4,612 | 20,180 | 11,078 | **87,081** |
| Supplies & Material | 76 | 1,174 | 665 | 554 | 143 | 95 | 408 | 2,876 | 583 | **6,575** |
| Transfer to Infrastructure | — | — | — | — | — | — | — | — | — | **—** |
| Utility Purchase | — | 127,166 | — | 23,528 | 23,810 | — | 15,220 | — | 29,643 | **219,367** |
| Capital Improvement Program | 445 | 85,275 | 16,097 | 25,880 | — | 6,110 | 8,873 | 44,005 | 11,426 | **198,110** |
| **Total** | **$3,733** | **$305,540** | **$22,278** | **$84,936** | **$39,067** | **$13,060** | **$34,527** | **$83,601** | **$66,625** | **$653,366** |

# ENTERPRISE FUNDS OVERVIEW

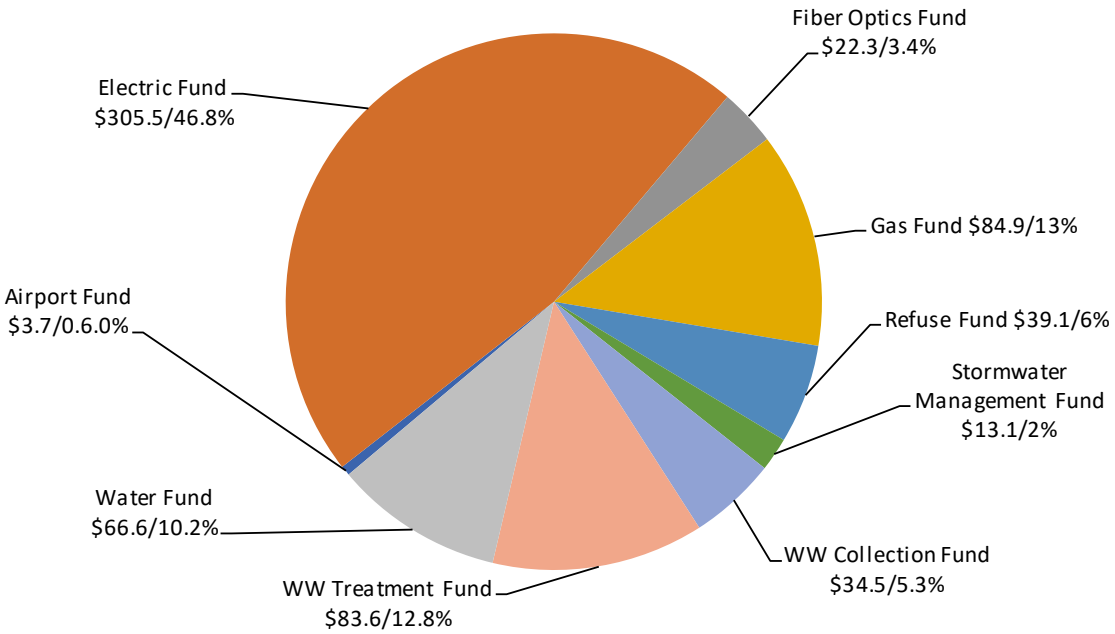


### 3 YEAR TREND - ENTERPRISE FUNDS EXPENSES BY FUND ($THOUSANDS)




### FY 2027 ADOPTED EXPENSES /$653.4 MILLION



# Enterprise Fund Reserves

| Reserves ($000) | FY 2026 Projected Ending Balance | FY 2027 Changes | FY 2027 Projected Ending Balance | FY 2027 Reserve Guideline Range |
|---|---|---|---|---|
| **Electric Fund** | | | | |
| Operations | $41,634 | 31,333 | 72,967 | 38,200 -76,400 |
| Electric Special Projects | 31,169 | - | 31,169 | |
| Underground Loan | 727 | - | 727 | |
| Hydro Stabilization | 18,767 | - | 18,767 | |
| Electrification Reserve | 2,037 | - | 2,037 | |
| Public Benefit | 11,047 | - | 11,047 | |
| Low Carbon Fuel Standard | 2,127 | - | 2,127 | |
| CIP Reserves | 5880 | - | 5,880 | |
| Cap and Invest | 5,625 | - | 5,625 | |
| GASB 68 Pension Reserve | (34,668) | - | (34,668) | |
| GASB 75 OPEB Reserve | (8,390) | - | (8,390) | |
| GASB 87 Leases | 6 | - | 6 | |
| **Subtotal** | **$75,961** | **$31,333** | **$107,294** | |
| **Fiber Optics Fund** | | | | |
| Rate Stabilization | 37,915 | (16,749) | 21,166 | 1,000 - 2,000 |
| Emergency Plant Replacement | 1,000 | - | 1,000 | |
| GASB 68 Pension Reserve | (2,481) | - | (2,481) | |
| GASB 75 OPEB Reserve | (2) | - | (2) | |
| **Subtotal** | **$36,432** | **($16,749)** | **$19,683** | |

# Enterprise Fund Reserves

| Reserves ($000) | FY 2026 Projected Ending Balance | FY 2027 Changes | FY 2027 Projected Ending Balance | FY 2027 Reserve Guideline Range |
|---|---|---|---|---|
| **Gas Fund** | | | | |
| Rate Stabilization | 2,413 | - | 2,413 | |
| Operations | 12,139 | 11,865 | 24,004 | 10,100 -20,200 |
| Cap and Invest | 12,775 | - | 12,775 | |
| GASB 68 Pension Reserve | (13,798) | - | (13,798) | |
| GASB 75 OPEB Reserve | (3,829) | - | (3,829) | |
| **Subtotal** | **$9,700** | **$11,865** | **$21,565** | |
| **Wastewater Collection Fund** | | | | |
| Operations | 7,258 | 5,077 | 12,335 | 3,700 - 9,400 |
| GASB 68 Pension Reserve | (8,142) | - | (8,142) | |
| GASB 75 OPEB Reserve | (1,522) | - | (1,522) | |
| **Subtotal** | **($2,406)** | **$5,077** | **$2,671** | |
| **Water Fund** | | | | |
| Rate Stabilization | 4,000 | - | 4,000 | |
| Operations | 12,175 | (319) | 11,856 | 9,200 - 18,500 |
| CIP Reserves | 9,000 | - | 9,000 | |
| GASB 68 Pension Reserve | (13,152) | - | (13,152) | |
| GASB 75 OPEB Reserve | (2,417) | - | (2,417) | |
| **Subtotal** | **$9,606** | **($319)** | **$9,287** | |

# Enterprise Fund Reserves

| Reserves ($000) | FY 2026 Projected Ending Balance | FY 2027 Changes | FY 2027 Projected Ending Balance | FY 2027 Reserve Guideline Range |
|---|---|---|---|---|
| **Airport Fund** | | | | |
| Rate Stabilization | (1,658) | (23) | (1,681) | |
| GASB 68 Pension Reserve | (1,174) | - | (1,174) | |
| GASB 75 OPEB Reserve | (300) | - | (300) | |
| GASB 87 Leases | 14 | - | 14 | |
| **Subtotal** | **($3,118)** | **($23)** | **($3,141)** | |
| **Refuse Fund** | | | | |
| Rate Stabilization | 15,507 | (3,795) | 11,712 | 6,400 - 12,800 |
| Landfill Corrective Action Reserve | 805 | - | 805 | |
| Geng Road Reserve | 268 | - | 268 | |
| GASB 68 Pension Reserve | (6,404) | - | (6,404) | |
| GASB 75 OPEB Reserve | (1,657) | - | (1,657) | |
| **Subtotal** | **$8,519** | **($3,795)** | **$4,724** | |
| **Stormwater Management Fund** | | | | |
| Rate Stabilization | 16,191 | (2,317) | 13,874 | |
| GASB 68 Pension Reserve | (4,598) | - | (4,598) | |
| GASB 75 OPEB Reserve | (740) | - | (740) | |
| **Subtotal** | **$10,853** | **($2,317)** | **$8,536** | |
| **Wastewater Treatment Fund** | | | | |
| Rate Stabilization | 25,522 | 2,790 | 28,312 | 6,500 - 13,100 |
| Emergency Plant Replacement | 1,980 | - | 1,980 | |
| Notes and loans | 2,287 | - | 2,287 | |
| GASB 68 Pension Reserve | (21,243) | - | (21,243) | |
| GASB 75 OPEB Reserve | (4,713) | - | (4,713) | |
| **Subtotal** | **$3,833** | **$2,790** | **$6,623** | |
| **TOTAL RESERVES** | **$149,380** | **$27,862** | **$177,242** | |

# Enterprise Fund Reserves

| Reserves ($000) | FY 2026 Projected Ending Balance | FY 2027 Changes | FY 2027 Projected Ending Balance | FY 2027 Reserve Guideline Range |
|---|---|---|---|---|
| **Summary of Reserves** | | | | |
| Cap and Invest | 18,400 | - | 18,400 | |
| CIP Reserves | 14,880 | - | 14,880 | |
| Electric Special Projects | 31,169 | - | 31,169 | |
| Electrification Reserve | 2,037 | - | 2,037 | |
| Emergency Plant Replacement | 2,980 | - | 2,980 | |
| Geng Road Reserve | 268 | - | 268 | |
| Hydro Stabilization | 18,767 | - | 18,767 | |
| Landfill Corrective Action Reserve | 805 | - | 805 | |
| Low Carbon Fuel Standard | 2,127 | - | 2,127 | |
| Notes and loans | 2,287 | - | 2,287 | |
| Operations | 73,206 | 47,956 | 121,162 | |
| Public Benefit | 11,047 | - | 11,047 | |
| Rate Stabilization | 99,890 | (20,094) | 79,796 | |
| Underground Loan | 727 | - | 727 | |
| GASB 68 Pension Reserve | (105,660) | - | (105,660) | |
| GASB 75 OPEB Reserve | (23,570) | - | (23,570) | |
| GASB 87 Leases | 20 | - | 20 | |
| **TOTAL RESERVES** | **$149,380** | **$27,862** | **$177,242** | |
| Landfill Post-Closure Care Liability | 805 | - | 805 | |
| **TOTAL RESERVES AND FULLY-FUNDED LIABILITY** | **$150,185** | **$27,862** | **$178,047** | |

# Projected Median Residential Monthly Utility Bills

| | Adjusted FY 2026 Bill | Adopted FY 2027 Bill | $ Difference | % Difference |
|---|---|---|---|---|
| Electric | 88.97 | 92.97 | 4.00 | 4.5% |
| Gas | 78.31 | 85.64 | 7.33 | 9.0% |
| Water | 124.85 | 134.84 | 9.99 | 8.0% |
| Wastewater | 67.11 | 77.85 | 10.74 | 16.0% |
| Refuse | 50.07 | 51.57 | 1.50 | 3.0% |
| Storm Drain | 17.61 | 18.14 | 0.53 | 3.0% |
| User Tax | 14.61 | 15.73 | 1.12 | 8.0% |
| **Total Median Monthly Bill** | **$441.53** | **$476.74** | **$35.21** | **8.0%** |

FY 2027 Rates are effective July 1, 2026. Bill impacts will vary depending on customers' rate class and consumption levels, and may differ from the overall rate increases.



# INTERNAL SERVICE FUNDS



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# INTERNAL SERVICE FUNDS OVERVIEW

## Overview

Internal Service Funds provide services to City departments and recover their costs through user charges. Charges for employee benefits, including but not limited to healthcare, pension, and life insurance and workers' compensation are reflected in the departments' salary and benefit accounts. The remaining user charges are included in the "allocated charges" expenditure category within each department or fund.

### GENERAL BENEFITS FUND

This fund reflects costs for a variety of employee benefits including pension, health, dental, vision, and life insurance. Funds are also included for payments made to employees who elect to waive healthcare coverage under a City plan because they have other coverage. As discussed in the overview of this fund that appears in the Employee Information section, costs for employee health benefits as well as pension benefits are allocated out to departments and funds in proportion to their share. This budget continues to incorporate City Council's direction to make additional contributions to the City's irrevocable IRS Section 115 Pension Trust Fund. The General Benefits Fund displays the total Section 115 Pension Trust Fund contribution.

### GENERAL LIABILITIES INSURANCE PROGRAM FUND

This fund reflects costs for the City's General Liability Insurance Program. This program is budgeted based on an actuarial analysis of the City's liability costs over the past few years and provides an 85% confidence level in the funding levels of the fund. This will ensure that the General Liabilities Insurance Program Fund has the necessary resources to deal with unforeseen claims. The allocation of these charges is reevaluated annually as part of the budget process to ensure that sufficient resources are available and that the fund balance is maintained at an appropriate level. An overview of the Fund is included in the Human Resources Department section of this document.

### PRINTING AND MAILING SERVICES FUND

This fund reflects costs for central copying, printing, and mailing services provided to City departments. An overview of the Fund is included in the Administrative Services Department section of this document.

# INTERNAL SERVICE FUNDS OVERVIEW

## RETIREE HEALTH BENEFITS FUND

This fund reflects costs for medical insurance provided to retired City employees. In addition, this fund includes payments for the unfunded liability for future medical benefits that will be provided to current and future retirees. An overview of the Fund is included in the Employee Information section of this document.

## TECHNOLOGY FUND

This fund reflects costs associated with citywide Information Technology (IT) activities. IT staff maintain critical desktop, software, infrastructure, and maintenance activities for all City departments. An overview of the Fund is included in the Information Technology Department section of this document.

## VEHICLE REPLACEMENT AND MAINTENANCE FUND

This fund reflects costs for providing maintenance and replacement of vehicles and equipment used by City departments. The current reserve balance in the Vehicle Replacement and Maintenance Fund reflects funding allocated from City departments and committed to this five year plan. An overview of the Fund is included in the Public Works Department section of this document and further information is available in the Capital Improvement Budget.

## WORKERS' COMPENSATION FUND

This fund reflects costs for the City's Workers' Compensation program. This program is budgeted based on an actuarial analysis of the City's workers' compensation costs over the past few years and in order to provide an 85% confidence level in the funding levels of the fund. This will ensure that the Workers' Compensation Fund has the necessary resources to deal with unforeseen claims. The allocation of these charges is reevaluated annually as part of the budget process to ensure that sufficient resources are available and that the fund balance is maintained at an appropriate level. An overview of the Fund is included in the Human Resources Department section of this document.

# Internal Service Fund Summary

| Fund Summary ($000) | Vehicle Replacement and Maintenance Fund | Technology Fund | Printing and Mailing Services | General Benefits Fund | Worker's Compensation Fund | Liability Insurance Fund | Retiree Health Benefits Fund | Total |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | |
| Charges to Other Funds | 10,513 | 20,222 | 1,567 | — | — | 11,199 | — | 43,501 |
| Operating Transfers-In | — | 1,419 | — | — | — | 5 | 3,163 | 4,587 |
| Other Revenue | 155 | 21 | — | 100,453 | 9,800 | 44 | 22,968 | 133,441 |
| Return on Investments | 538 | 604 | 6 | 541 | 1,000 | 327 | 66 | 3,084 |
| **Total** | **$11,207** | **$22,266** | **$1,573** | **$100,995** | **$10,800** | **$11,575** | **$26,197** | **$184,613** |
| **Expenses** | | | | | | | | |
| Allocated Charges | 2,129 | 1,671 | 373 | — | — | — | — | 4,173 |
| Contract Services | 687 | 9,015 | 367 | 249 | 23 | 77 | 1 | 10,420 |
| Facilities & Equipment | — | 947 | — | — | — | — | — | 947 |
| General Expense | 104 | 557 | 253 | 247 | 1,266 | 11,348 | — | 13,775 |
| Operating Transfers-Out | — | 28 | — | 3,163 | — | — | — | 3,191 |
| Rents & Leases | 523 | 448 | 195 | — | — | — | — | 1,166 |
| Salary & Benefits | 2,720 | 10,261 | 243 | 119,222 | 9,283 | 234 | 26,193 | 168,156 |
| Supplies & Material | 1,760 | 85 | 175 | — | — | — | — | 2,020 |
| Capital Improvement Program | 6,915 | 4,339 | — | — | — | — | — | 11,254 |
| **Total** | **$14,839** | **$27,351** | **$1,605** | **$122,882** | **$10,572** | **$11,659** | **$26,194** | **$215,102** |

# Internal Service Fund Reserves

| | Vehicle Replacement and Maintenance Fund | Technology Fund | Printing and Mailing Services | General Benefits Fund | Worker's Compensation Fund | Liability Insurance Fund | Retiree Health Benefits Fund | Total Internal Service Funds |
|---|---|---|---|---|---|---|---|---|
| **Changes to Unrestricted Assets** | | | | | | | | |
| **June 30, 2026 Projected Unrestricted Assets** | **12,743** | **5,283** | **104** | **3,233** | **8,034** | **1,361** | **2,578** | **33,336** |
| FY 2027 Adopted Changes | (3,632) | (5,085) | (32) | (1,887) | 228 | (84) | 3 | (10,489) |
| **June 30, 2027 Projected Unrestricted Assets** | **9,111** | **198** | **72** | **1,346** | **8,262** | **1,277** | **2,581** | **22,847** |



# SPECIAL REVENUE FUNDS



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# SPECIAL REVENUE FUNDS OVERVIEW

## Overview

Special Revenue Funds have revenues with either restriction on their use or special reporting requirements, such as development impact fees for community centers, libraries, parks, public facilities, and transportation; gas tax revenues from the state; housing mitigation fees assessed on commercial and industrial projects; in-lieu fees for the City's Below Market Rate (BMR) housing program; transportation mitigation fees paid by developers; parking in-lieu fees from commercial projects in the downtown area; parking permit revenues; and Community Development Block Grants (CDBG) from the federal government.

### PUBLIC ART FUND

Administered by the Community Services Department, the Public Art Fund was created in FY 2014 to support the City's Public Art Program. The program seeks to increase the public's daily exposure to art by commissioning and acquiring a diverse range of artworks integrated into the City's urban environment. The Public Art Program strives to build the City's reputation as a dynamic public art locale with works of diverse styles, disciplines, and the highest aesthetic standards. Funding for the Public Art Program is determined by the Municipal Code's direction of 1% for Art in Private Development. Construction projects over 10,000 square feet that require Architectural Review and have an estimated construction value of more than $200,000 can commission artwork on the development site equal to the cost of 1% of the estimated construction valuation or pay the 1% to the Public Art Fund. In FY 2027, the projected revenue for the Public Art Fund includes $275,000 in fees and a $184,000 from the General Fund to comply with Ordinance 5226, which limits the portion of administrative costs that can be funded through fees. Additionally, although not accounted for in this fund, the City requires that a 1% public art expense be set aside for specific City-funded capital projects. Further detail is available in the Art in Public Spaces capital project (AC-86017) in the FY 2027 Capital Budget.

### COMMUNITY DEVELOPMENT FUNDS

Revenue in this category comes from Development Impact Fees for community centers, libraries, parks, public facilities, and transportation. The Development Impact Fees collected from new developments provide funding for the City's infrastructure related to community centers, libraries, parks, public safety facilities, general government facilities, and the Charleston-Arastradero Corridor. The operating revenue within the Community Development Impact Fee Funds is projected to be $673,000 in FY 2027, primarily reflecting anticipated receipts in the Park Development Impact Fee

Funds. The FY 2027 Capital Budget includes transfers of $993,000 for projects such as the Park Restroom Installation (PG-19000) ($700,000), Traffic Signal and Intelligent Transportation Systems (PL-05030) ($41,000), New Public Safety Building (PE-15001) ($111,000), and Fire Station 4 Replacement (PE-18004) ($141,254). These actions may be restated from prior years due to annual capital reappropriations. Further detail on planned expenses is available in the FY 2027 Capital Budget.

Annually, the Administrative Services Department issues a report of the activities in these funds, including the remaining balances within them. The Fiscal Year 2023-2024 report was transmitted on December 8, 2025 (Report # 2412-3919).

## STREET IMPROVEMENT FUNDS (SIF)

The state of California imposes per-gallon excise taxes on gasoline and diesel fuel, sales taxes on gasoline and diesel fuel, and registration taxes on motor vehicles with allocations dedicated to transportation purposes. The local (city and county) portions of these allocations flow through the Highway Users Tax Account (HUTA), the gasoline tax revenues that have been in place for decades, and the Road Maintenance and Rehabilitation Account (RMRA), which allocates much of the revenue from the Road Repair and Accountability Act of 2017 (SB1 Beall). Preliminary estimates from the State Department of Finance in May 2025 projected revenues at an estimated $3.8 million. Revenues in this category are used for transportation and traffic-related capital projects, as well as operating expenses for streets and sidewalks.

In FY 2027, $3.9 million is programmed to be transferred to the Street Maintenance (PE-86070) project. The City achieved its primary goal of reaching a citywide average Pavement Condition Index (PCI) score of 85 in 2018, three years earlier than the initial goal; however, funding is maintained through the 2026 - 2030 Capital Improvement Plan to work towards the City's secondary street maintenance goal of having no streets under a PCI score of 60. An updated street condition survey was completed in December 2024 and the resulting city-wide average PCI score is 84.

## FEDERAL AND STATE REVENUE FUNDS

The Federal and State Revenue Funds consist primarily of Community Development Block Grant (CDBG) funds. The City of Palo Alto receives funds annually from the U.S. Department of Housing and Urban Development (HUD) as an entitlement City under the CDBG program. This is the principal Federal program that provides funds to the CDBG Program to expand and maintain affordable housing supply, promote housing opportunities, improve and maintain community facilities, and increase economic opportunities for persons of low and moderate income. CDBG project expenditures draw upon program income and prior year allocations that have been unspent.

The City received formal notification of its Community Development Block Grant (CDBG) entitlement allocation in April 2026. For Fiscal Year 2026-2027, the City will receive $512,139 in CDBG entitlement funds and an estimated $100,000 in program income.

## HOUSING IMPACT AND IN-LIEU FUNDS

Revenues in this category come from fees required of commercial, industrial, and residential developers. These fees help address the public infrastructure needs and affordable housing demands associated with

new development. For FY 2027, $2.3 million in-lieu fees are anticipated. These estimates remain constant from FY 2026 and are based on historical tracking and Planning and Development Services (PDS) Department staff projections.

Annually, the Administrative Services Department issues a report of the activities in these funds, including the remaining balances within them. The Fiscal Year 2024-2025 report was transmitted on December 8, 2025 (Report # 2412-3919). As of June 30, 2025, these funds had a balance of approximately $39.1 million. The majority of this funding is committed to projects in progress and loans.

## PUBLIC BENEFIT FUNDS

Revenue in this fund was established through a developer deposit for the senior housing project on Hamilton Avenue ("The Hamilton"). Revenues in this fund include the original deposit, interest earnings, and a percentage of unit sales prices. These funds continue to support a contract with the Avenidas agency to provide services for seniors. This fund is included in the Housing Funds category in the summary tables at the end of this section.

## SPECIAL DISTRICTS FUNDS

Special District Funds reflect the combined financial activity of the University Avenue Parking District Fund, California Avenue Parking District Fund, and Residential Preferential Parking (RPP) Fund. This grouping does not include Assessment District Funds. Revenue in these funds, generated from parking permits and citations, is used for maintenance, repair, enforcement, and beautification of parking facilities and public areas within the University and California Avenue business districts and RPP districts. As of FY 2026, six neighborhoods are active in the RPP program to mitigate parking congestion in Palo Alto neighborhoods: College Terrace, Downtown, Evergreen Park/Mayfield, Crescent Park, Southgate, and Old Palo Alto.

The COVID-19 pandemic significantly impacted travel patterns, economic conditions, and community priorities. The City Council suspended parking enforcement and redirected resources to support the City's emergency response (Report # 11238). During this time, permit sales functionally stopped, and only minimal revenue was received. Although parking enforcement resumed in October 2021, parking demand remains below normal levels, resulting in reduced revenue estimates. City staff continues to monitor utilization and recommendations based on continued normalization of parking trends after the pandemic. Increases in parking permit fees proposed in FY 2027 are to help recover some of the lost revenue.

The ability of these funds to meet future cash flow needs will be significantly impacted by existing projects in the pipeline, General Fund subsidies, and the design and complexity of the elements of the comprehensive parking strategy, including permit pricing and policy. In the upcoming year, staff will continue to develop and implement potential strategies for the organization and scaling of a comprehensive parking strategy. A pause on new projects and initiatives is still recommended in the upcoming fiscal year, given the limited remaining fund balances available. A more detailed presentation of the FY 2027 Budget for the University Avenue Parking District Fund and California Avenue Parking District Fund is available at the end of the Special Revenue Funds Overview section.

## TRAFFIC MITIGATION AND PARKING IN-LIEU FUNDS

Traffic mitigation fee revenue is derived from fees paid by developers of new, non-residential projects to alleviate additional traffic congestion resulting from new development. Parking in-lieu fees result from commercial projects in assessment district areas, which contribute a fee for parking spaces in lieu of providing the required spaces within the project area itself. In FY 2027, $276,000 in traffic mitigation and parking in-lieu fees are anticipated. These estimates remain steady with FY 2026 revenues and are based on historical tracking and Office of Transportation (OOT) staff projections. The FY 2027 Capital Budget includes a transfer to the Traffic Signal and Intelligent Transportation Systems (PL-05030) ($822,000) and Downtown Parking Garage (PE-15007) ($12.9 million). These actions may be restated from prior years due to annual capital reappropriations. Further detail on planned expenses is available in the FY 2027 Capital Budget.

Of note, the City Council approved recommendations on April 22, 2019 (Report # 9531) to phase out all but one of the area-specific transportation impact fees and transition to a single citywide fee. The full staff report detailing these actions can be found here: www.cityofpaloalto.org/civicax/filebank/documents/70517

## DOWNTOWN BUSINESS IMPROVEMENT DISTRICT (BID)

The Downtown Business Improvement District (BID) was established by an ordinance adopted in January 2004 to promote the economic revitalization and physical maintenance of the Palo Alto Downtown business district. The Council appointed the Board of Directors of the Palo Alto Downtown Business and Professional Association (PADBPA), a non-profit corporation, as the Advisory Board for the BID to advise the Council on the method and basis for levy of assessments in the BID and the expenditure of revenues derived from the assessments. In prior years, the BID has focused on street cleanliness, creating a safe downtown, and providing events and communication tools that bring business downtown. Beginning in 2020 and continuing into 2022, the pandemic caused significant economic impacts on local businesses. The City Council adopted a resolution (Report # 11219) in May 2020 that rescinded the levy of assessments for the BID in the calendar year 2020, and reimbursed payments made by businesses during the period. The City Council continued the direction to waive fees and assessments levied for FY 2021 and FY 2022 (Reports # 11872 and # 12167, respectively).

The City Council approved the resumption of the Business Registry Certificate (BRC) program for FY 2023, including associated fees (Report # 13901) to cover the program's costs. The BID program fees and activities remained suspended in FY 2023 while the City Council directed staff to work with the Chamber of Commerce and downtown businesses on transferring BID management. The City Council considered a recommendation in May 2024 regarding the collection of BID program fees for FY 2025 and decided to continue pausing BID assessments for an additional year (Report # 2403-2822). In May 2025, the Council again approved the suspension of BID assessments for FY 2026 (Report # 2503-4251), citing ongoing stakeholder engagement efforts.

## STANFORD UNIVERSITY MEDICAL CENTER (SUMC)

In 2011, the City of Palo Alto entered into a Development Agreement between the City of Palo Alto and the Stanford University Medical Center Parties (SUMC). Funds received in FY 2012 as part of this agreement were used in FY 2013 - 2014 and beyond as outlined in the agreement and approved by the City Council. In FY 2018, the City received the final payment of $11.8 million, for a total amount of $44.3 million throughout the development agreement. The funds received per the development agreement are allocated for specific purposes, which include funding for the 2014 City Council approved Infrastructure Plan. As outlined in the agreement, expenses and revenues for each category must be accounted for separately.

Annually the Planning and Development Services Department, formerly the Planning and Community Environment Department, issues a report of activities during the prior period for Council review to ensure compliance with the agreement. The annual reports for 2024-2025 are included in Report # 2512-5610.

Community Health and Safety: Funds are to be distributed to selected community health programs that benefit residents of the City. The projected beginning balance in this category is $1.0 million. The FY 2027 Budget includes $0.6 million to the General Fund to fund a Psychological Emergency Response Team (PERT) police officer and clinician. Additional information about this program can be found in the Police Department section of this document. There are no planned transfers in FY 2027 to the Capital Improvement Fund.

Stanford Hospital Expansion Cost Mitigation: Funds are being held in this category to assure that City costs associated with the project do not exceed revenues to the City and ensure cost neutrality of the development. The projected beginning balance in this category is $1.1 million. Approximately $2.4 million in revenue is recognized in FY 2027 reflecting a payment from Stanford pursuant to the SUMC Development Agreement.

Intermodal Transit: Funds are to enhance the pedestrian and bicycle connection from the Transit Center to the El Camino/Quarry Road intersection. In FY 2026, $0.9 million was transferred to PL-16000, the Quarry Roads Improvements capital project. The projected beginning balance in this category is $0.2 million. There are no planned transfers in FY 2027 to the Capital Improvement Fund.

Quarry Road Improvements: Funds are to improve and enhance the public right-of-way at the pedestrian and bicycle connection from El Camino to Welch Road along Quarry Road. As of FY 2019, there is no longer a fund balance in this category.

Infrastructure, Sustainable Neighborhoods and Communities, and Affordable Housing: Funds in this category are to be used in connection with infrastructure, sustainable neighborhoods and communities, and affordable housing. The projected beginning balance in this category is $0.5 million. There are no planned transfers in FY 2027 to the Capital Improvement Fund.

Climate Change: Funds are to be used for projects and programs for a sustainable community, including programs identified in the City's Climate Action Plan. The projected beginning balance for this category is $0.5 million. There are no planned transfers in FY 2027 to the Capital Improvement Fund.

A more detailed presentation of the FY 2027 Budget for the Stanford University Medical Center Fund is available at the end of the Special Revenue Funds Overview section.

# Special Revenue Funds

| Fund Summary ($000) | Public Art Fund | Com. Dev. Funds | Bus. Improv. District | Housing In-Lieu Funds | Street Improv. Fund | Federal and State Rev. Funds | Special District Funds | Traffic Mitig. and Parking In-Lieu Funds | Stan. Univ. Medical Center Fund | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | | | |
| Charges for Services | 275 | 673 | - | - | - | - | - | 276 | - | 1,224 |
| From Other Agencies | - | - | - | - | 3,934 | 2,282 | - | - | - | 6,216 |
| Net Sales | - | - | - | - | - | - | 1,228 | - | - | 1,228 |
| Operating Transfers-In | 184 | - | - | - | - | - | 1,326 | - | - | 1,510 |
| Other Revenue | - | - | - | 2,345 | - | 250 | 237 | - | 2,400 | 5,232 |
| Other Taxes and Fines | - | - | - | - | - | - | 178 | - | - | 178 |
| Permits and Licenses | - | - | - | - | - | - | 1,778 | - | - | 1,778 |
| Rental Income | - | - | - | 9 | - | - | - | - | - | 9 |
| Return on Investments | 74 | 283 | 2 | 329 | - | 21 | 71 | 560 | 270 | 1,610 |
| **Total Revenues** | **533** | **956** | **2** | **2,683** | **3,934** | **2,553** | **4,818** | **836** | **2,670** | **18,986** |
| **Expenses** | | | | | | | | | | |
| Allocated Charges | 12 | - | - | 1 | - | - | 672 | - | - | 701 |
| Contract Services | 61 | 5 | - | 333 | - | 528 | 2,428 | 9 | 4 | 3,245 |
| Facilities & Equipment | - | - | - | - | - | 200 | - | - | - | 200 |
| General Expense | 1 | - | - | 53 | - | 490 | 235 | - | - | 289 |
| Operating Transfers-Out | - | - | - | 550 | 324 | - | 148 | - | 2,954 | 3,976 |
| Rents & Leases | - | - | - | - | - | 34 | (7) | - | - | 27 |
| Salary & Benefits | 296 | - | - | 73 | - | 24 | 1,765 | - | - | 2,164 |
| Supplies & Material | - | - | - | - | - | - | 106 | - | - | 106 |
| Transfer to Infrastructure | - | 993 | - | - | 3,478 | - | 305 | 13,719 | - | 18,495 |
| **Total Expenses** | **370** | **998** | **0** | **1,010** | **3,802** | **1,275** | **5,652** | **13,728** | **2,958** | **29,794** |

# Consolidated Special Revenue Funds

| Fund Summary ($000) | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | |
| Gas Tax | 3,626 | 3,767 | 3,802 | 3,934 | 132 | 3.5% |
| Federal CDBG | 348 | 990 | - | 512 | 512 | - |
| Housing In-Lieu | 658 | 2,778 | 2,150 | 2,150 | - | 0.0% |
| Traffic Mitigation Fees | 582 | 151 | 276 | 276 | - | 0.0% |
| Developer Impact Fees | 3,240 | 3,714 | 673 | 673 | - | 0.0% |
| Parking Mitigation Fees | 2,545 | 2,999 | 3,257 | 3,184 | (73) | -2.2% |
| Interest Income | 1,615 | 1,477 | 1,358 | 1,610 | 252 | 18.6% |
| Other Revenue | 3,365 | 2,340 | 4,429 | 5,136 | 707 | 16.0% |
| **Subtotal Revenue** | **15,979** | **18,216** | **15,945** | **17,476** | **1,531** | **9.6%** |
| **Transfers In** | | | | | | |
| General Fund | 985 | 2,485 | 2,285 | 1,435 | (850) | -37.2% |
| Technology Fund | 23 | 23 | 23 | 23 | - | 0.8% |
| Utility Admin Fund | 52 | 52 | 52 | 52 | - | -0.5% |
| General Benefits Fund | - | 27 | 28 | - | (28) | -100.0% |
| **Subtotal Operating Transfers In** | **1,060** | **2,587** | **2,388** | **1,510** | **(878)** | **-36.8%** |
| **Total Source of Funds** | **17,039** | **20,803** | **18,333** | **18,986** | **653** | **3.6%** |
| **EXPENDITURES** | | | | | | |
| General Expense | 12,104 | 7,913 | 9,717 | 7,323 | (2,394) | -24.6% |
| **Subtotal Expenditures** | **12,104** | **7,913** | **9,717** | **7,323** | **(2,394)** | **-24.6%** |
| **Transfers Out** | | | | | | |
| General Fund | 463 | 507 | 837 | 3,976 | 3,139 | 375.0% |
| Capital Improvement Fund | 10,618 | 13,676 | 18,270 | 18,495 | 225 | 1.2% |
| **Subtotal Operating Transfers Out** | **11,081** | **14,183** | **19,107** | **22,472** | **3,365** | **17.6%** |
| **Total Use of Funds** | **23,185** | **22,096** | **28,824** | **29,794** | **970** | **3.4%** |
| **Net To (From) Reserves** | **(6,146)** | **(1,293)** | **(10,491)** | **(10,808)** | **(317)** | **3.0%** |

# Community Development Block Grant Fund

| | FY 2026 Adopted Budget | FY 2027 Agency Requests | FY 2027 Adopted Budget |
|---|---|---|---|
| **SOURCE OF FUNDS** | | | |
| Housing & Urban Development, current year | 516,233 | - | 512,139 |
| **Program Income** | | | |
| Palo Alto Housing Corporation | 100,000 | - | 100,000 |
| **TOTAL SOURCE OF FUNDS** | **616,233** | **-** | **612,139** |
| **USE OF FUNDS** | | | |
| **Public Service** | | | |
| Catholic Charities - Long-Term Care Ombudsman | 8,500 | - | 6,500 |
| YWCA/Support Network - Domestic Violence Services | - | - | 5,500 |
| Next Door Solution to Domestic Violence | 7,200 | - | 6,500 |
| LifeMoves (formerly InnVision) - Opportunity Service Center | 39,155 | - | 30,500 |
| Silicon Valley Independent Living - Housing and Emergency Services | 20,067 | - | 15,750 |
| Peninsula Healthcare Connection - Harm Reduction Services | - | - | 79,970 |
| Project Sentinel/Fair Housing Services | 22,005 | - | - |
| RotaCare Bay Area - Mobile Clinic | - | - | 4,500 |
| La Comida - Food Assistance | - | - | 6,321 |
| **Subtotal: Public Service** | **96,927** | **-** | **155,541** |
| **Planning and Administration** | | | |
| Project Sentinel/Fair Housing Services | - | - | 16,250 |
| City of Palo Alto - CDBG Administration | 123,247 | - | 122,428 |
| **Subtotal: Planning and Administration** | **123,247** | **-** | **138,678** |

# Community Development Block Grant Fund

| | FY 2026 Adopted Budget | FY 2027 Agency Requests | FY 2027 Adopted Budget |
|---|---|---|---|
| **Housing, Economic Development, Capital Projects, & Public Facilities** | | | |
| ADA Curb Ramp Project | - | - | 172,335 |
| Rebuilding Together Peninsula - Safe at Home | 73,585 | - | 73,585 |
| WeeCare | 90,000 | - | 72,000 |
| Community Work Group/Abode - Alma Garden | 162,474 | - | - |
| Homekey Palo Alto – Recreation Project | 70,000 | - | - |
| **Subtotal: Housing, Economic Development & Capital Projects** | **396,059** | **-** | **317,920** |
| **Total: FY 2026 CDBG Entitlement and Program Income Uses** | **616,233** | | **612,139** |
| **TOTAL USE OF FUNDS** | **616,233** | **-** | **612,139** |

# University Avenue Parking Permit Fund

| | FY 2026 Adopted Budget | FY 2026 Adjusted Budget | FY 2027 Adopted Budget |
|---|---|---|---|
| **Revenues** | | | |
| Permit Sales | 1,615,000 | 1,615,000 | 1,513,000 |
| Day Passes | 313,500 | 313,500 | 230,000 |
| Ticket Machine | 330,000 | 330,000 | 330,000 |
| Transfer from Other Funds for City Share | 376,200 | 376,200 | 376,200 |
| Transfer from General Benefits Fund | 15,900 | 15,900 | - |
| Transfer from PL-16002 | - | 180,000 | - |
| General Fund Subsidy | 700,000 | 700,000 | 150,000 |
| Investment Income | 47,600 | 47,600 | 56,512 |
| Electric Vehicle Charge Fee | 119,025 | 119,025 | 136,879 |
| **Total Revenue** | **3,517,225** | **3,697,225** | **2,792,591** |
| **Expenditures** | | | |
| **Administration** | | | |
| Positions | 1.49 | 1.49 | 0.97 |
| Salaries & Benefits | 294,756 | 255,644 | 293,815 |
| Contract Staffing | 40,000 | 40,000 | 40,000 |
| Parking Occupancy Services | 35,000 | 215,000 | 35,000 |
| Miscellaneous Supplies | 15,000 | 15,000 | 15,000 |
| Ticket Machine (bankcard services, transmission, maintenance) | 20,000 | 20,000 | 20,000 |
| **Subtotal Administration** | **404,756** | **545,644** | **403,815** |
| **Maintenance** | | | |
| Positions | 3.87 | 3.87 | 3.32 |
| Salaries & Benefits | 720,289 | 720,289 | 719,776 |
| Supplies | 60,090 | 60,090 | 60,090 |
| Twinkle/Tree Lights | 22,000 | 22,000 | 22,000 |
| Maintenance (garage, elevator, fire sprinkler, fire alarm) | 194,140 | 194,140 | 194,140 |

# University Avenue Parking Permit Fund

| | FY 2026 Adopted Budget | FY 2026 Adjusted Budget | FY 2027 Adopted Budget |
|---|---|---|---|
| Landscaping | 44,233 | 44,233 | 45,778 |
| Custodial (janitorial services) | 249,574 | 299,574 | 249,574 |
| Steam Cleaning/power washing, sweeping | 526,495 | 898,180 | 704,983 |
| Public Toilets | 130,000 | 130,000 | - |
| EV Charges | 12,900 | 12,900 | 12,900 |
| APGS Maintenance | 168,000 | 168,000 | 168,000 |
| **Subtotal Maintenance** | **2,127,721** | **2,549,407** | **2,177,240** |
| **Police Patrol** | | | |
| Positions | 0.50 | 0.50 | 0.30 |
| Salaries & Benefits | 145,000 | 145,000 | 148,000 |
| **Subtotal Patrols** | **145,000** | **145,000** | **148,000** |
| **Other** | | | |
| Downtown Streets Team | 134,538 | 134,538 | - |
| Transportation Management Authority (TMA) | 200,000 | 200,000 | 200,000 |
| Utilities/Indirect costs | 285,916 | 373,752 | 328,618 |
| Transfer to CIP Fund (PF-26001 & PF-14003) | 127,000 | 127,000 | 175,000 |
| **Subtotal Other** | **747,454** | **835,290** | **713,505** |
| **Total Operating Expenses** | **3,424,931** | **4,075,340** | **3,432,674** |
| **Income from Operations*** | **92,294** | **(378,115)** | **(640,083)** |

*The General Fund Subsidy is considered income in this calculation.

# California Avenue Parking Permit Fund

| | FY 2026 Adopted Budget | FY 2026 Adjusted Budget | FY 2027 Adopted Budget |
|---|---|---|---|
| **Revenues** | | | |
| Permit Sales | 203,500 | 203,500 | 265,001 |
| Day Passes | 18,200 | 18,200 | 14,000 |
| Investment Income | 4,790 | 4,790 | 5,703 |
| Electric Vehicle Charge Fee | 87,434 | 87,434 | 100,549 |
| General Fund Subsidy | 800,000 | 800,000 | 800,000 |
| Transfer from General Benefits Fund | 2,900 | 2,900 | - |
| **Total Revenue** | **1,116,824** | **1,116,824** | **1,185,253** |
| **Expenditures** | | | |
| **Administration** | | | |
| Positions | 1.02 | 1.05 | 0.47 |
| Salaries & Benefits | 176,483 | 176,483 | 176,211 |
| Miscellaneous Supplies | 22,620 | 22,620 | 22,620 |
| **Subtotal Administration** | **199,103** | **199,103** | **198,831** |
| **Maintenance** | | | |
| Positions | 0.43 | 0.43 | 0.64 |
| Salaries & Benefits | 133,452 | 123,022 | 135,445 |
| Supplies | 7,855 | 7,855 | 7,855 |
| **Subtotal Maintenance** | **141,307** | **130,877** | **143,300** |
| **Contracts** | | | |
| Garage Maintenance | 138,736 | 287,175 | 138,736 |
| Pressure Washing and Sweeping (all garages and lots) | 88,896 | 88,896 | 88,896 |
| Landscaping | 24,881 | 24,881 | 25,750 |
| Custodial | 164,474 | 164,474 | 164,474 |
| Street Sweeping | 132,685 | 132,685 | 81,950 |
| APGS Maintenance | 38,200 | 38,200 | 38,200 |

# California Avenue Parking Permit Fund

| | FY 2026 Adopted Budget | FY 2026 Adjusted Budget | FY 2027 Adopted Budget |
|---|---|---|---|
| EV Chargers | 36,000 | 36,000 | 36,000 |
| Twinkle Lights | 30,090 | 30,090 | 30,090 |
| **Subtotal Contracts** | **653,962** | **802,401** | **604,096** |
| Utilities/Indirect costs | 152,206 | 152,206 | 199,213 |
| Transfer to CIP PF-25000 | 20,000 | 100,000 | 100,000 |
| Transfer to CIP PF-26001 | | 20,000 | 30,000 |
| **Subtotal Other** | **172,206** | **272,206** | **334,844** |
| **Total Operating Expenses** | **1,166,578** | **1,404,587** | **1,275,350** |
| **Income from Operations*** | **(49,754)** | **(287,763)** | **(90,097)** |

*The General Fund Subsidy is considered income in this calculation.

# Stanford Development Agreement Fund

| | FY 2026 Estimated | FY 2027 Adopted Budget | Change |
|---|---|---|---|
| **SOURCE OF FUNDS** | | | |
| Unrestricted - Community Health and Safety | 1,340,573 | 953,933 | (386,640) |
| Unrestricted - Stanford Hospital Expansion Cost Mitigation | 1,257,386 | 1,291,322 | 33,935 |
| Unrestricted - Intermodal Transit | 1,350,956 | 474,217 | (876,739) |
| Unrestricted - Neighborhoods and Communities and Affordable Housing | 468,861 | 481,515 | 12,654 |
| Unrestricted - Climate Change | 497,652 | 511,083 | 13,431 |
| **Total Beginning Fund Balance** | **4,915,428** | **3,712,069** | **(1,203,358)** |
| **Revenue** | | | |
| Interest - Community Health and Safety | 36,180 | 69,414 | 33,233 |
| Interest - Stanford Hospital Expansion Cost Mitigation | 33,935 | 93,964 | 60,029 |
| Interest - Intermodal Transit | 36,461 | 34,507 | (1,954) |
| Interest - Neighborhoods and Communities and Affordable Housing | 12,654 | 35,038 | 22,384 |
| Interest - Climate Change | 13,431 | 37,189 | 23,758 |
| Development Revenue - Stanford Hospital Expansion Cost Mitigation | - | 2,400,000 | 2,400,000 |
| **Total Revenue** | **132,662** | **2,670,111** | **2,537,450** |
| **TOTAL SOURCE OF FUNDS** | **5,048,089** | **6,382,181** | **1,334,091** |
| **USE OF FUNDS** | | | |
| **Expenditures** | | | |
| Broker Fee - Community Health and Safety | 1,178 | 1,110 | (68) |
| Broker Fee - Stanford Hospital Expansion Cost Mitigation | 1,105 | 1,503 | 398 |
| Broker Fee - Intermodal Transit | 1,187 | 552 | (635) |
| Broker Fee - Neighborhoods and Communities and Affordable Housing | 412 | 560 | 148 |
| Broker Fee - Climate Change | 437 | 595 | 157 |
| **Total Expenditures** | **4,320** | **4,320** | **-** |
| **Transfers Out** | | | |
| Community Health and Safety: General Fund | 418,500 | 554,000 | 135,500 |

# Stanford Development Agreement Fund

| | FY 2026 Estimated | FY 2027 Adopted Budget | Change |
|---|---|---|---|
| Stanford Hospital Expansion Cost Mitigation | - | 2,400,000 | 2,400,000 |
| Intermodal Transit: Capital Improvement Fund | 913,200 | | (913,200) |
| **Total Transfers** | **1,331,700** | **2,954,000** | **1,622,300** |
| **Ending Fund Balance** | | | |
| Unrestricted - Community Health and Safety | 953,933 | 465,027 | (488,906) |
| Unrestricted - Stanford Hospital Expansion Cost Mitigation | 1,291,322 | 1,385,286 | 93,964 |
| Unrestricted - Intermodal Transit | 474,217 | 508,723 | 34,507 |
| Unrestricted - Neighborhoods and Communities and Affordable Housing | 481,515 | 516,553 | 35,038 |
| Unrestricted - Climate Change | 511,083 | 548,272 | 37,189 |
| **Total Ending Fund Balance** | **3,712,069** | **3,423,861** | **(288,209)** |
| **TOTAL USE OF FUNDS** | **5,048,089** | **6,382,181** | **1,334,091** |



CITY OF
PALO
ALTO



# DEBT SERVICE FUNDS



CITY OF
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ALTO

# DEBT SERVICE FUNDS OVERVIEW

## Overview

### CITY OF PALO ALTO DEBT POLICY

The City of Palo Alto recognizes the need for spending a prudent amount every year for ongoing capital replacement and rehabilitation needs. An ongoing capital improvement plan is vital to ensuring the future viability of services. To achieve this priority, the City funds its regular and ongoing capital needs primarily on a "pay-as-you-go" basis. There are, however, special or extraordinary capital improvement projects, refinancing of existing debt, and the purchase of major and multiple pieces of equipment in which it is appropriate to consider debt financing. The City's Debt Policy establishes the guidelines to support the decision-making process for issuing debt.

### DEBT POLICY GUIDELINES

The City's Debt Policy provides guidelines for refinancing existing debt; detailing the responsibilities of City staff engaged in issuing debt; delineating the debt instruments or vehicles (e.g. General Obligation Bonds or Certificates of Participation) the City can utilize; and describing situations in which tax-exempt and taxable debt can be used. The depth and breadth of the policy serve to guide current and future staff. Below are highlights of the Debt Policy guidelines for the use of debt and other financing.

A. Debt may be judiciously used when some or all of the following conditions exist:

- Estimated future revenue is sufficient to ensure the payment of annual debt service.
- Other financing options have been explored and are not viable for the timely or economic acquisition or completion of a capital project.
- A capital project is mandated by federal or state authorities with no other viable funding option available.
- The capital project or asset lends itself to debt financing rather than pay-as-you-go funding based on the expected useful life of the project.
- Debt will not be used to fund ongoing operating expenses of the City except for situations in which cash flow problems arise and the City may need to issue short-term Tax or Revenue Anticipation Notes.
- Annual debt service shall not exceed 10% of annual operating expenses for the General Fund unless an exception is approved by City Council. For all other City funds, annual debt service shall not exceed 15% of annual operating expenses unless an exception is approved by City Council.

B. Minimize borrowing costs by:

- Maximizing the use of existing resources for capital projects and equipment needs.
- Issuing tax-exempt debt except in instances where IRS regulations require taxable bonds.
- Striving to obtain the highest credit ratings possible.
- Maintaining a competitive bid process on bond sales except for situations in which negotiated or private placement sales meet City objectives. In negotiated or private placement sales, City staff will work with its Municipal Advisor (a.k.a. Financial Advisor) to review proposed interest rates and proposed fees.
- Ensuring that the type of debt and debt structure developed ensure advantageous marketing of each issue.

C. Linking debt to appropriate revenue sources and project users:

- When possible, tie project financing directly to users of a specific facility or use. Examples include renovation of the Golf Course where user fees can offset debt service or replacing gas mains where gas rates can be increased to cover debt expense.
- Debt financing in the Enterprise Funds so as to avoid significant spikes in user rates by smoothing out costs over time.

In addition to capital projects, the City can finance essential equipment and vehicles. These assets range from public safety vehicles to utility equipment. The underlying asset must have a minimum useful life of three years. Short-term financings, including loans and capital lease purchase agreements, are executed to meet such needs. It has been the City's practice to fund these purchases with existing resources; however, debt financing flexibility for future needs remains an option.

The Chief Financial Officer or Director of Administrative Services, supported by Treasury Division, will periodically evaluate its existing debt and execute refinancing when economically beneficial. A refinancing may include the issuance of bonds to refund existing bonds or the issuance of bonds in order to refund other obligations. A net present value analysis, both in dollar and percentage terms, will be conducted to determine whether a re-financing is optimal. As a rule of thumb, a minimum 3% net present value savings will be used as a basis to begin re-financing efforts. As with new debt, all refinancing must be approved by City Council.

The City's Debt Policy, approved on April 11, 2017 (Report # 7892), complies with the state legislature adopted Senate Bill (SB) 1029 (Hertzberg), that requires an issuer to certify that they have adopted a debt policy concerning the use of debt and that the proposed debt issuance is consistent with that policy. This statute also requires reporting to the California Debt and Investment Advisory Commission (CDIAC) such as the submission of annual report for any issue of debt.

## LEGAL DEBT LIMIT

Based upon the assessed valuation of $51.8 billion for the fiscal year ending June 30, 2025, the City is limited to general obligation indebtedness of $1.9 billion per State law. As of June 30, 2025, the amount of debt applicable to the debt limit was $44.7 million, which is well below the City's legal debt limit. The debt limit is applicable to voter-approved general obligation (GO) bonds that have been approved in prior years to fund capital improvement projects to renovate and build out the City's libraries including the Mitchell Park Library and Community Center.

## DEBT OBLIGATION DESCRIPTIONS

A table outlining the City's current debt obligations can be found in the Capital Budget under the Debt Policy and Obligations section.

### 2013A General Obligation (GO) Bonds (Mitchell Park Library and Community Center)

On June 26, 2013 the City issued the second series of GO bonds totaling $20.6 million to finance costs for constructing a Mitchell Park Library and Community Center, as well as substantial improvements to the Main Library and the Downtown Library. Principal payments are due annually on August 1 and interest payments semi-annually on February 1 and August 1, from 2.0% to 5.0%, and are payable from property tax revenues.

As of June 30, 2026, for the 2013A Series, $10.7 million principal and $4.2 million interest will be the remaining debt service on the bond with final payment occurring in FY 2042 with true interest costs of 3.85%.

### 2022A and 2022B General Obligation (GO) Bonds (Mitchell Park Library and Community Center)

On March 2, 2022, the City Council approved refinancing the $40.6 million outstanding balance of the 2010A bonds as tax-exempt bonds, and $2.4 million of the 2013A bonds as taxable bonds. The tax reform bill passed by Congress in December 2017 prohibits the issuance of tax-exempt advance refunding bonds during the ten-year call protection period. The call protection period passed on the Series 2010A Bonds, but not for the Series 2013A Bonds, so the portions of the Series 2013A bonds that had realized savings were refinanced as taxable bonds. The refinancing resulted in savings for the Palo Alto property owners totaling $4.5 million in net present value or 10.6% over the life of the bonds.

As of June 30, 2026, for the 2022A and 2022B refinanced bonds, $30.5 million and $1.6 million in principal and $12.1 million and $0.1 million interest will be the remaining debt service on the bonds with the final payment occurring in FY 2041 and FY 2029, respectively. The 2022A and 2022B has a true interest cost of 3.41% and 3.86%, respectively.

### Ad Valorem Property Taxes for GO Bonds (Mitchell Park Library and Community Center)

The City's 2013A, 2022A, and 2022B Bonds are general obligations of the City, secured and payable solely from ad valorem property taxes levied by the City and collected by the County of Santa Clara. The City is empowered and obligated to annually levy ad valorem taxes for the payment of the Bonds and the interest thereon upon all property within the City subject to taxation by the City, without limitation of rate or amount (except certain personal property which is taxable at limited rates) until the final maturity dates of the bonds. For FY 2027, the City expects to receive $4.0 million in ad valorem property taxes.

### 2018 Capital Improvement (Golf Course) Project Certificates of Participation (COPs)

On June 5, 2018, the City issued taxable (Green Bonds) COPs of $8.4 million for the renovation of Palo Alto's Municipal Golf Course. Debt service payments are due semi-annually on May 1 and November 1 with true interest costs of 4.14%. The debt service payments are payable solely from and secured by the lease

payments to be made by the City's General Fund to the Public Improvement Corporation pursuant to the Lease Agreement. The leased property is the Palo Alto University Fire Station 1.

As of June 30, 2026, for the 2018 COPs Series, $7.6 million principal and $4.0 million interest will be the remaining debt service on the bonds with the final payment occurring in FY 2048.

### 2019 California Avenue Parking Garage Certificates of Participation (COPs)

On March 21, 2019, the City issued $26.8 million tax-exempt and $10.6 million taxable COPs for the construction of a six story (four above ground levels and two below ground levels) parking garage in the California Avenue Business District. The new garage replaced existing surface parking lots at two locations and provided 310 additional parking spaces, totaling 636 parking spaces in the new garage.

Debt service payments on the $37.4 million COPs are due semi-annually on May 1 and November 1 and have a combined true interest cost (TIC) of 3.75% with the tax-exempt bonds' TIC being 3.52% and taxable bonds' TIC being 4.32%. As of June 30, 2026, for the tax-exempt and taxable bonds, $24.3 million and $8.6 million principal and $13.3 million and $7.9 million interest will be the remaining debt service on the bonds with the final payment occurring in FY 2049 when the COPs mature.

### 2021 Public Safety Building Certificates of Participation (COPs)

On April 7, 2021, the City issued $101.5 million tax-exempt COPs for the construction of a new Public Safety Building (PSB) to be built at 250 Sherman Avenue. The building is approximately 56,000 square feet and will house the Police Department, 911 Emergency Dispatch Center, the Emergency Operations Center, the Office of Emergency Services, the administration needs of the Fire Department, and include external support spaces in the basement and operational yard. The PSB will include three levels above grade, two levels below grade, and a one-store operational accessory structure.

Debt service payments on the COPs are due semi-annually on May 1 and November 1 and have a true interest cost (TIC) of 2.13%. As of June 30, 2026, for the COPs, $94.8 million principal and $30.5 million interest will be the remaining debt service on the bonds with final payment occurring in FY 2051.

### 2009 Water Revenue Bonds, Series A

On October 6, 2009, the City issued Water Revenue Bonds in the amount of $35.0 million to finance certain improvements to the City's water utility system. Principal payments are due annually on June 1, and interest payments are due semi-annually on June 1 and December 1, from 1.8% to 6.0%. The final debt service payment will be made in 2035. When these bonds were issued, they were designated as Direct Payment Build America Bonds under the provisions of the American Recovery and Reinvestment Act of 2009 Build America Bonds. The City expected to receive a federal subsidy equal to 35% of interest payable on these bonds. However, due to federal sequestration beginning in 2013, actual subsidy payments have been reduced below 35% each year, with the effective reimbursement rate varying annually.

The pledge of future net revenues of the above funds ends upon repayment of the $17.5 million principal and $5.5 million interest as the remaining debt service on the bonds as of June 30, 2026 with final payment occurring in FY 2035.

## 2011 Utility Revenue Bonds, Series A

On September 22, 2011 the City issued Utility Revenue Bonds to refinance the 2002 Utility Revenue Bonds, which were issued for certain improvements to the City's Water and Natural Gas utility system. The refinancing resulted in net present value savings of 16.9% and cash savings over 15 years of $4.0 million. Principal payments are due annually on June 1, and interest payments are due semi-annually on June 1 and December 1 from 3.0% to 4.0%. The Revenue Bonds are secured by net revenues generated by the Water and Gas Funds.

The final payment occurred in FY 2026, and the debt was fully repaid as of June 30, 2026

## 2007 State Water Resources Loan

In October 2007, the City approved the $9.0 million loan agreement with State Water Resources Control Board (SWRCB) to finance the City's Mountain View/Moffett Area Reclaimed Water Pipeline Project. Under the terms of the contract, the City agreed to repay $9.0 million to the State in exchange for receiving $7.5 million in proceeds to be used to fund the project. The difference between the repayment obligation and proceeds amounts to $1.5 million and represents in-substance interest on the outstanding balance. Loan proceeds are drawn down as the project progresses and debt service payments commenced on June 30, 2010. Concurrently with the loan, the City entered into various other agreements including a cost sharing arrangement with the City of Mountain View. Pursuant to that agreement, the City of Mountain View agreed to finance a portion of the project with a $5.0 million loan repayable to the City. This loan has been recorded as Due from Other Government Agencies in the financial statements. The balance due to the City on June 30, 2026 is $0.9 million.

The pledge of future net revenues of the above funds ends upon repayment of the $1.1 million principal and $0.3 million in-substance interest as the remaining debt service on the bonds as of June 30, 2026 with final payment occurring in FY 2029.

## 2009 State Water Resources Loan

In October 2009, the City approved an $8.6 million loan agreement with the State Water Resources Control Board (SWRCB) to finance the City's Ultraviolet Disinfection Project. As of June 30, 2011, the loan in the amount of $8.5 million was drawn down and became outstanding. Interest in the amount of $96,000 was accrued and added to the outstanding balance.

The pledge of future net revenues of the above funds ends upon repayment of the $2.6 million principal and $0.2 million interest as the remaining debt service on the bonds as of June 30, 2026 with final payment occurring in FY 2031.

## 2017 State Water Resources Loan

In June 2017, the State Water Resources Control Board (SWRCB) and the City executed an agreement for an award up to $30.0 million at a rate of 1.8%, payable over 30 years, with the first annual installment due May 31, 2020 to finance the replacement of sewage sludge bio-solids incinerators at the City's Regional Water Quality Control Plant (RWQCP). In September 2017, due to the projected lower project costs, the agreement was amended to reduce the SWRCB loan amount to $29.7 million, however the actual loan was

$25.2 million, net of $4.0 million loan principal forgiveness from the federal funded grant (by the U.S. Environmental Protection Agency) and other adjustments for actual costs.

The new facility will dewater the bio-solids and allow the material to be loaded onto trucks and taken to a separate facility for further treatment. The RWQCP provides treatment and disposal for wastewater for Palo Alto, Mountain View, Los Altos, Los Altos Hills, East Palo Alto Sanitary District, and Stanford University. Though Palo Alto is the recipient of the loan, the City's agreement with the partner agencies obliges them to pay their proportionate share of the principal and interest of this loan. Palo Alto's share of the loan payment is 38.2% with the partner agencies paying 61.8%. The pledge of future net revenues of the above funds ends upon repayment of the $20.4 million principal and $4.7 million interest and service charge as the remaining debt service on the bonds as of June 30, 2026 with final payment occurring in FY 2049.

### 2021 State Water Resources Loan

In June 2021, the State Water Resources Control Board (SWRCB) and the City executed an agreement for an award up to $17.5 million at a rate of 0.9%, payable over 30 years, to finance the rehabilitation of the four primary sedimentation tanks, including protective coatings and rotating part replacements, and upgrades to the electrical systems in the equipment room at the City's Regional Water Quality Control Plant (RWQCP). In October/November 2022, due to higher cost, this award was amended upward to $19.4 million, an increase of $1.9 million. Construction was completed in FY 2025. Loan proceeds were drawn down over multiple years during the construction period. As of June 30, 2025, a total of $16.5 million had been drawn and was outstanding. In addition, $0.2 million of accrued interest was added to the outstanding balance, resulting in a total loan balance of $16.7 million. The first annual installment was due on July 31, 2025.

Although Palo Alto is the recipient of the loan, the City's agreement with the partner agencies obliges them to pay their proportionate share of the principal and interest of this loan. Palo Alto's share of the loan payment is 38.2% with the partner agencies paying 61.8%. The pledge of future net revenues of the above funds ends upon repayment of the $16.2 million principal and $2.3 million interest as the remaining debt service on the bonds as of June 30, 2026, with final payment expected in FY 2054.

### 2022 State Water Resources Loan

In May 2022, the State Water Resources Control Board (SWRCB) and the City executed an agreement for an award up to $168.7 million at a rate of 0.8%, payable over 30 years, with the first annual installment due December 31, 2027 to finance the replacement of biological treatment process (secondary treatment process) at the City's Regional Water Quality Control Plant (RWQCP). The secondary treatment process is being upgraded to meet new, more stringent regulations in conjunction with increased influent flow and wastewater loading due to projected increased population in the RWQCP's service area. The project will also replace aging equipment that is beyond its useful life and in danger of failing. In August 2024, the approved loan amount increased from $168.7 million to $192.8 million due to the rising project costs.

The RWQCP provides treatment and disposal of wastewater for Palo Alto, Mountain View, Los Altos, Los Altos Hills, East Palo Alto Sanitary District, and Stanford University. Though Palo Alto is the recipient of the loan, the City's agreement with the partner agencies obliges them to pay their proportionate share of the principal and interest of this loan. Palo Alto's share of the loan payment is 38.2% with the partner agencies

paying 61.8%. The pledge of future net revenues of the above funds ends upon repayment of revised $192.8 million loan with final payment estimated to occur in FY 2059. Construction of the project is currently ongoing, and loan draws are made on a reimbursement basis. Upon completion, if the project cost is less than the approved loan amount, the final loan principal will be adjusted to reflect the actual eligible construction costs and related accrued interest.

## Credit Rating Agencies

Credit rating is a critical component of strong municipal management. According to Moody's Investors Service, reserves are an important factor in the analysis of a municipality's fiscal health and, therefore, a jurisdiction's fiscal policies should include a plan for maintaining reserves. Rating agencies view sound reserves favorably, thus improving a municipality's rating and its ability to obtain low-cost financing for important projects. The City is proud to report that both Moody's and Standard and Poor's (S&P) awarded their highest credit ratings, Triple A, to the City's General Obligation Bonds for library and community center capital improvements in 2010 and 2013 and reaffirmed these ratings several times, the most recent being in May 2022 by S&P and December 2024 by Moody's. The COPS were also rated AA+ and Aa1 by both Moody's and S&P, the highest rating possible for these bonds. These ratings demonstrate that Palo Alto's prudent financial management and fiscal strength are viewed favorably by credit agencies. The three Utility bonds (1999, 2009, and 2011) that are rated also received S&P's highest credit rating of Triple A, which were reaffirmed in April 2025. Moody's has rated these Utility bonds with their second highest (Aa1) or third highest (Aa2) ratings.

# Debt Service Funds

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Property Tax | 4,306 | 4,325 | 4,393 | 3,944 | (449) | -10.22% |
| Return on Investments | 37 | 34 | 60 | 72 | 12 | 20.00% |
| Subtotal Revenues | 4,343 | 4,359 | 4,453 | 4,016 | (437) | -9.81% |
| **Operating Transfers In** | | | | | | |
| General Fund | 528 | 526 | 529 | 525 | (4) | -0.76% |
| Capital Projects Fund | 7,379 | 7,374 | 7,377 | 7,372 | (5) | -0.07% |
| Subtotal Operating Transfers | 7,907 | 7,900 | 7,906 | 7,897 | (9) | -0.11% |
| **Total Source of Funds** | **12,250** | **12,259** | **12,359** | **11,913** | **(446)** | **-3.61%** |
| **Expenses** | | | | | | |
| 2013 Library GO Bonds Interest | 459 | 436 | 423 | 423 | - | 0.00% |
| 2013 Library GO Bonds Principal | 505 | 525 | - | - | - | 0.00% |
| 2022A/B Library GO Bonds Interest | 1,779 | 1,716 | 1,683 | 1,552 | (131) | -7.78% |
| 2022A/B Library GO Bonds Principal | 1,105 | 1,380 | 1,940 | 2,040 | 100 | 5.15% |
| 2018A Golf and Refinancing COPS Interest | 327 | 321 | 314 | 306 | (8) | -2.55% |
| 2018A Golf and Refinancing COPS Principal | 200 | 205 | 215 | 220 | 5 | 2.33% |
| 2019A/B California Avenue Parking Garage COPS Interest | 1,680 | 1,645 | 1,608 | 1,569 | (39) | -2.43% |
| 2019A/B California Avenue Parking Garage COPS Principal | 690 | 720 | 760 | 795 | 35 | 4.61% |
| 2021 Public Safety Building COPS Interest | 2,873 | 2,764 | 2,649 | 2,528 | (121) | -4.57% |
| 2021 Public Safety Building COPS Principal | 2,135 | 2,245 | 2,360 | 2,480 | 120 | 5.08% |
| **Total Use of Funds** | **11,753** | **11,957** | **11,952** | **11,913** | **(39)** | **-0.33%** |
| **Net to (from) Reserves** | **497** | **302** | **407** | **-** | **(407)** | |



# CITY DEPARTMENTS

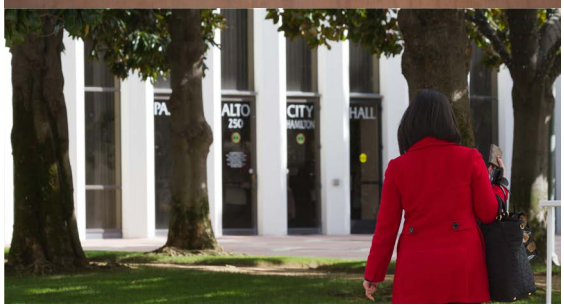


CITY OF
PALO
ALTO

# CITY ATTORNEY

## Mission Statement



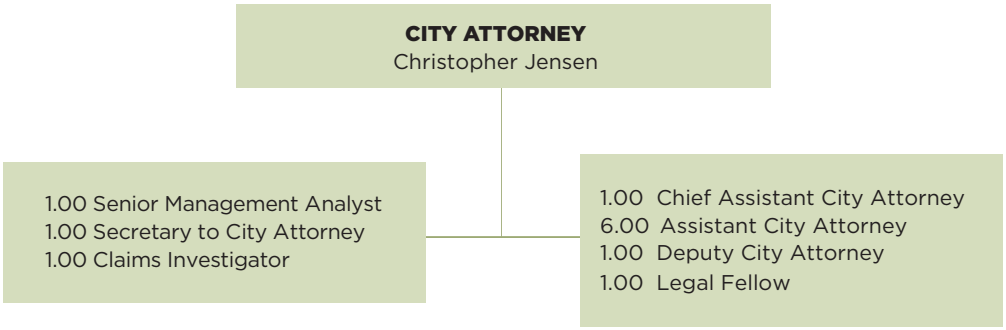



The Office of the City Attorney's mission is to serve Palo Alto and its policymakers by providing legal representation of the highest quality.

## Purpose

The purpose of the Office of the City Attorney is to partner with City leaders to find creative approaches to the opportunities and challenges that face Palo Alto; draft contracts, legislation, legal opinions, and other legal documents; negotiate on behalf of the City; provide training and advice on how to manage risk and comply with the law; enforce the municipal code; and defend the City when it is sued.

# CITY ATTORNEY




**FY 2027 POSITION TOTALS**
13.00 - Full-time

This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

# Description

The Office of the City Attorney provides comprehensive legal services to the City by: providing legal advice and training to the City Council, City Manager, boards, commissions, and operating departments; investigating and resolving claims against the City; defending the City in litigation and administrative actions; initiating and prosecuting litigation on behalf of the City; and drafting and approving contracts, legislation, and other legal documents.

# Accomplishments

- Advised staff, board, commissions, and City Council on processing of housing development applications totaling over 1,000 units.
- Legal review and strategic advice on options, challenges and alternatives to implement climate action and electrification proposals.
- Assisted the City's Utilities Department in addressing public opposition to the City's gas rates, advising with a Utilities Advisory Committee subcommittee on this issue, and assisting staff in successfully implementing cost-based gas rates by December 2025.
- Supported Palo Alto Fiber and Grid Modification programs with numerous new contracts and compliance requirements.
- Advanced the high-profile Lot T affordable housing development project through several key milestones requiring City Council approval: selection of development partner, exclusive negotiating agreement, and surplus lands act exemption.
- Advised staff and Oversized Ad Hoc Committee and prepared new ordinances prohibiting vanlording and detached trailer parking.
- Supported the City's completion of the Cubberley Conceptual Master Plan and advised on possible ballot measure options.
- Implemented a new software system for managing claims and litigation aimed at enhancing security and efficiency.
- Assisted the Planning Department and Policy & Services Committee with consideration of additional protections for renters and supported implementation of rental registry program.

# Initiatives

- Assist staff in maintaining compliance with Housing Element law and implementing Housing Element programs, including communications with HCD .
- Assist staff in drafting and implementing comprehensive overhaul to zoning regulations for retail and retail-like uses, culminating a multi-year effort to enhance retail vibrancy.
- Advise and strategize on data center development and cost recovery.
- Support final design, bidding, and financing for Lot D Garage.
- Advise staff and Rail Safety Ad Hoc Committee on temporary closure of Churchill Avenue rail crossing.
- Support comprehensive update to development impact fees including nexus and feasibility studies.

- Support staff in drafting and implementing amendments to procurement and contract authority thresholds.
- Support the City's economic development initiatives including creating entertainment zones and updated retail zoning laws.
- Advise on major financing and property negotiations with PAUSD to support the acquisition and redevelopment of the Cubberley Community Center.
- Provide strategy and policy advice on climate action and electrification proposals in an increasingly complex legal landscape.
- Advise Utilities and Administrative Services Departments on bond issuance for grid modification capital improvement program.
- Provide legal advice regarding the City's efforts to mitigate impacts from inhabited oversized vehicles.

# Goals and Objectives

## Goal 1

Advance the public interest by providing high-quality legal representation to the City.

### Objectives:

- Enhance relationships with clients as trusted advisors and strategic partners.
- Provide practical and effective advice that includes creative solutions to difficult problems.
- Propose alternative, legally acceptable ways to accomplish public objectives when the City encounters legal obstacles.
- Regularly brief City employees on legal developments that impact their areas of service.
- Inform the public about the City's legal program through the City Attorney's website.

## Goal 2

Evaluate all claims and litigation promptly, resolving disputes where appropriate and vigorously defending the City's interests.

### Objectives:

- Thoroughly investigate to promptly and appropriately resolve claims.
- Advocate effectively in court and before administrative agencies when legal actions are brought against the City.

## Goal 3

Identify and reduce exposure to legal risks.

### Objectives:

- Identify legal risks and craft strategies to reduce the City's exposure.
- Provide relevant training to City officials and staff to reduce legal risk exposure.
- Create user-friendly tools to assist new and existing employees in complying with public service requirements such as ethics, conflicts of interest, open meeting, and public records laws.

# Key Performance Measures

## CLAIMS RESOLUTION

| | | | | | |
|---|---|---|---|---|---|
| Goal | Evaluate all claims and litigation promptly, resolving disputes where appropriate and vigorously defending the City's interests. | | | | |
| Objective | Thoroughly investigate to promptly and appropriately resolve claims. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of claims resolved within 45 days of filing | 95% | 90% | 95% | 97% | 95% |
| Description | This measure tracks the number of claims that are resolved within 45 days of filing. | | | | |
| Purpose | Thorough investigation to promptly and appropriately resolve claims is a core responsibility of the Office of the City Attorney. This measure is important because timely processing of claims demonstrates responsiveness to residents' concerns and safeguards public resources by reducing unnecessary lawsuits. | | | | |
| Status | The number of claims resolved within 45 days may go up or down in part due to the complexity of a claim. | | | | |

## REDUCTION OF LEGAL RISK

| | | | | | |
|---|---|---|---|---|---|
| Goal | Identify and reduce exposure to legal risks. | | | | |
| Objective | Provide relevant training to City officials and staff to reduce legal risk exposure. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of surveyed who agree/strongly agree that the training provided is useful and relevant | 98% | 100% | 98% | 99% | 98% |
| Description | This measure tracks the usefulness and relevance of the training provided by the Office of the City Attorney to City staff. | | | | |
| Purpose | Training assists in reducing errors thereby reducing the exposure of liability to the City. | | | | |
| Status | The office continues to expand the number and types of trainings offered, and is expanding training provided in partnership with other City work units. | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Number of claims handled | 91 | 88 | 85 | 80 | 85 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Administration | 754,888 | 808,787 | 923,191 | 848,138 | (75,053) | (8.1)% |
| Consultation and Advisory | 2,529,481 | 2,839,063 | 3,031,125 | 2,853,659 | (177,466) | (5.9)% |
| Litigation and Dispute Resolution | 983,716 | 713,854 | 991,716 | 993,430 | 1,714 | —% |
| Official and Administration Duties | 123,489 | 137,635 | 148,054 | 146,297 | (1,757) | (1.2)% |
| **Total Dollars by Division** | **4,391,574** | **4,499,338** | **5,094,086** | **4,841,523** | **(252,562)** | **(5.0)%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 206,716 | 209,586 | 206,798 | 227,721 | 20,923 | 10.1% |
| Other Benefits | 92,428 | 108,296 | 99,952 | 73,888 | (26,064) | (26.1)% |
| Pension | 867,474 | 901,910 | 887,594 | 737,792 | (149,802) | (16.9)% |
| Retiree Medical | 115,797 | 151,778 | 189,460 | 188,868 | (591) | —% |
| Salary | 1,856,922 | 2,071,277 | 2,192,930 | 2,162,915 | (30,015) | (1.4)% |
| Workers' Compensation | 87,982 | 51,757 | 87,629 | 89,411 | 1,782 | 2.0% |
| **Total Salary and Benefits** | **3,227,320** | **3,494,603** | **3,664,363** | **3,480,595** | **(183,768)** | **(5.0)%** |
| Allocated Charges | 198,934 | 237,648 | 265,376 | 273,684 | 8,308 | 3.1% |
| Contract Services | 926,852 | 724,336 | 1,060,905 | 1,014,882 | (46,023) | (4.3)% |
| Facilities & Equipment | — | 4,448 | 2,500 | 2,500 | — | —% |
| General Expense | 20,692 | 26,014 | 71,380 | 42,300 | (29,080) | (40.7)% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Rents & Leases | 1,974 | 104 | 2,130 | 2,130 | — | —% |
| Supplies & Material | 15,802 | 12,186 | 27,432 | 25,432 | (2,000) | (7.3)% |
| **Total Dollars by Category** | **4,391,574** | **4,499,338** | **5,094,086** | **4,841,523** | **(252,562)** | **(5.0)%** |
| **Revenues** | | | | | | |
| Charges for Services | — | — | 28,052 | 28,052 | — | —% |
| Charges to Other Funds | 1,517,943 | 1,452,007 | 1,751,411 | 1,641,799 | (109,612) | (6.3)% |
| Other Revenue | 4,000 | 306,153 | 10,789 | 10,789 | — | —% |
| **Total Revenues** | **1,521,943** | **1,758,160** | **1,790,253** | **1,680,640** | **(109,612)** | **(6.1)%** |
| **Positions by Division** | | | | | | |
| Administration | 1.47 | 1.47 | 1.47 | 1.47 | — | —% |
| Consultation and Advisory | 6.96 | 6.96 | 6.96 | 6.46 | (0.50) | (7.2)% |
| Litigation and Dispute Resolution | 1.71 | 1.71 | 1.71 | 1.71 | — | —% |
| Official and Administration Duties | 0.36 | 0.36 | 0.36 | 0.36 | — | —% |
| **Total Positions by Division** | **10.50** | **10.50** | **10.50** | **10.00** | **(0.50)** | **(4.8)%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Assistant City Attorney | 4.00 | 4.00 | 4.00 | 3.75 | (0.25) | 843,300 |
| Chief Assistant City Attorney | 1.00 | 1.00 | 1.00 | 1.00 | — | 304,179 |
| City Attorney | 1.00 | 1.00 | 1.00 | 1.00 | — | 365,269 |
| Claims Investigator | 1.00 | 1.00 | 1.00 | 1.00 | — | 107,120 |
| Deputy City Attorney | 0.50 | 0.50 | 0.50 | 0.50 | — | 90,574 |
| Legal Fellow | 1.00 | 1.00 | 1.00 | 0.75 | (0.25) | 101,494 |
| Secretary to City Attorney | 1.00 | 1.00 | 1.00 | 1.00 | — | 104,000 |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 166,795 |
| **Subtotal: Full-Time Equivalent Positions** | **10.50** | **10.50** | **10.50** | **10.00** | **(0.50)** | **$2,082,730** |
| **Total Positions** | **10.50** | **10.50** | **10.50** | **10.00** | **(0.50)** | **$2,082,730** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **10.50** | **5,094,086** | **1,790,252** | **3,303,834** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| None | - | | - | - |
| **One-Time Prior Year Budget Adjustments** | **-** | **-** | **-** | **-** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | - | (4,048) | - | (4,048) |
| General Expense Reductions | - | (25,000) | - | (25,000) |
| Westlaw Contract Adjustment | - | 8,077 | - | 8,077 |
| General Fund Cost Allocation Plan | - | - | (109,612) | 109,612 |
| Information Technology Allocated Charges | - | (10,838) | - | (10,838) |
| Liability Insurance Allocated Charges | - | 19,057 | - | 19,057 |
| Printing & Mailing Services Allocated Charges | - | 90 | - | 90 |
| Workers' Compensation Allocated Charges | - | 1,782 | - | 1,782 |
| **Adjustments to Costs of Ongoing Activities** | **-** | **(10,880)** | **(109,612)** | **98,732** |
| **Total FY 2027 Base Budget** | **10.50** | **5,083,206** | **1,680,640** | **3,402,566** |
| **Budget Adjustments** | | | | |
| 1. Administrative Staffing Reallocation | (0.50) | (101,457) | - | (101,457) |
| 2. Section 115 Dispersal to CalPERS for ADC and ADP | - | (80,546) | - | (80,546) |
| 3. Contract Services Reduction | - | (50,000) | - | (50,000) |
| 4. Training Fund Reduction | - | (9,680) | - | (9,680) |
| **Total Budget Adjustments** | **(0.50)** | **(241,683)** | **-** | **(241,683)** |
| **Total FY 2027 Adopted Budget** | **10.00** | **4,841,523** | **1,680,640** | **3,160,883** |

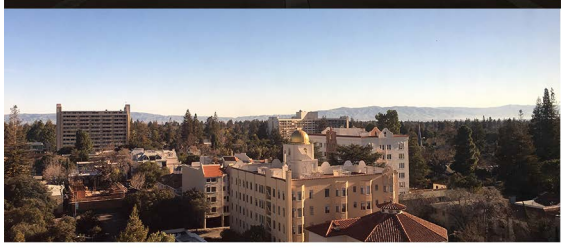
# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Administrative Staffing Reallocation | (0.50) | (101,457) | - | (101,457) |
| This action reallocates funding for 0.25 FTE Legal Fellow and 0.25 FTE Assistant City Attorney in to the appropriate Enterprise Fund. The reallocation of these positions aligns with work specifically related to Utilities and which provides for more accurate cost recovery. There is no impact to staffing levels or service delivery. (Ongoing savings: $101,018) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 2. Section 115 Dispersal to CalPERS for ADC and ADP | - | (80,546) | - | (80,546) |
| This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In FY 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $73,428) | | | | |
| **Performance Results** | | | | |
| This action executes City Council policy and proactively manages the City's pension obligations. | | | | |
| 3. Contract Services Reduction | - | (50,000) | - | (50,000) |
| This action reduces the contract services budget that has remained unchanged over time, while outside counsel costs have continued to increase. Personnel investigations can involve significant and variable costs, and related expenses have trended upward in recent years. The City will continue to monitor expenditures and evaluate funding needs as appropriate to support these services effectively. (Ongoing savings: $0) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 4. Training Fund Reduction | - | (9,680) | - | (9,680) |
| The action reduces the training fund while maintaining support for essential professional development activities. Continuing education remains mandatory for attorneys and is necessary to ensure they stay current in their fields and continue providing high-quality legal services to the City. (Ongoing savings: $9,680) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |

# CITY AUDITOR

## Mission Statement



The mission of the Office of the City Auditor is to promote honest, efficient, effective, economical, fully accountable, and transparent City government.

## Purpose

The purpose of the Office of the City Auditor is to conduct internal audits and examinations of any City department, program, service, activity, or fiscal transaction to provide the City Council and City management with information and evaluations regarding the effectiveness and efficiency with which City resources are employed, the adequacy of the system of internal controls, and compliance with City policies and procedures and regulatory requirements. In addition, the City Auditor's Office ensures that City departments and officers responsible for accounting and financial management activities comply with statutory requirements and accounting standards.

# CITY AUDITOR

**CITY AUDITOR**

Katherine Murdock

The Office of the City Auditor was transitioned to a multi-year contractual relationship with Baker Tilly in FY 2021. This new service delivery model went into effect October 1, 2020.

Additional information about this contract and appointment of the current City Auditor can be found in a report adopted by the City Council on May 6, 2024 (CMR 2404-2918).

https://www.PaloAlto.gov/Departments/City-Auditor

# Description

The Office of the City Auditor (OCA) conducts performance audits and assessments of City departments, programs, and services. Performance audits provide the City Council, City management, and public with independent and objective information regarding the economy, efficiency, and effectiveness of City programs and activities, the adequacy of the system of internal controls, and compliance with City policies and procedures and regulatory requirements.

Each fiscal year, the OCA presents an annual audit work plan for City Council approval. The OCA will continue to report quarterly to the City Council on the status of audit projects and the recommendations made as a result of those audits.

The OCA contracts with an independent certified public accountant for the City's annual external financial audit.

# Accomplishments

The City engaged the accounting firm, Baker Tilly, to serve as the outsourced City Audit function for the City in Fiscal Year 2021. Moving into Fiscal Year 2027, the City Auditor sought to build upon the successes of its initial years serving the City with the following achievements:

1) Execution of the Audit Plan:

During the Fiscal Year 2026, the Office of the City Auditor completed the following audit activities:

- Community Services Department Equipment & Materials Inventory Management Audit
- Building Permit & Inspection Fees Audit
- Public Safety Staffing & Overtime Audit
- Purchasing Card Audit
- Follow-up Audit Activities
- Utility Reserves Advisory Project
- Consultant Management Advisory Project
- Contract Solicitation and Authority Levels Advisory Project

During Fiscal Year 2027, the City Auditor will continue to work on projects that started in Fiscal Year 2025 and begin work on the Fiscal Year 2027 Audit Plan, these projects include:

- Fleet Resources & Sustainability Climate Action Plan
- Traffic Safety Improvements Audit

- Annual Risk Assessment and FY 2027 Audit Plan
- Junior Museum & Zoo Audit
- Below Market Rate (BMR) Housing Audit
- City's Capital Improvement Project (CIP) Management
- City & Departmental Performance Measures
- Models/Approaches for Improving Outcomes for Individuals & Families Experiencing Homelessness
- Council Meeting Management
- Artificial Intelligence (AI) Governance & Usage Best Practices & Pit Falls
- Employee Mental Health & Wellness

2) City Audit Planning:

- In its capacity serving as the City Auditor function, and in accordance with Baker Tilly's agreement with the City, Baker Tilly performs a citywide risk assessment. The purpose of the assessment is to identify and prioritize risks in order to develop the annual audit plan. During the risk assessment, Baker Tilly assesses a wide range of risk areas, including strategic, financial, operational, compliance, technological, and reputation risks. The Fiscal Year 2027 assessment was approved by City Council on August 10, 2026 (Staff Report #: 2606-6469).

# Initiatives

- Overall, the City Auditor aims to promote honest, efficient, effective, economical, fully accountable, and transparent City government in compliance with statutory requirements and accounting standards.
- Execute the approved Audit Plan, which includes audit activities spanning across multiple departments and functions. The plan includes audit and consulting engagements covering City departments, programs, services, activities, and fiscal transactions.
- Provide additional advisory services, as outlined under Baker Tilly's agreement with the City, including providing annual and quarterly reports, monitoring implementation of corrective actions, and assisting in monitoring the fraud/waste/abuse hotline.
- Refine and finalize performance measures and workload measures to be implemented for the FY 2027 budget.

# Goals and Objectives

## Goal 1

Add value and improve the City's operations by providing independent, objective analysis and information regarding the stewardship, performance, and/or cost of City policies, programs, or operations to assist the City Council and management in making informed decisions.

### Objectives:

- Focus on the City's highest risks by maintaining an effective, systematic, and documented process that identifies the most significant strategic, operational, financial, and regulatory risks to the achievement of the City's objectives.

- Provide impactful audit services through timely and value-added communication to key stakeholders regarding the effectiveness and efficiency with which City resources are employed; the adequacy of internal controls; and compliance with provisions of laws, regulations, contracts, grant agreements, and City policies and procedures.
- Maintain an effective follow-up process to monitor and evaluate the adequacy, effectiveness, and timeliness of actions taken by management to address audit recommendations and report to the City Council whether City management has implemented the recommendation or has assumed the risk of not taking action.

## Goal 2

Provide the residents of Palo Alto, City Council, City staff, and other stakeholders with information on past performance to strengthen public accountability, improve government efficiency and effectiveness, and support future decision-making.

### Objectives:

- Contract with the City's external auditor for the completion of the City's Annual Comprehensive Financial Report (ACFR) and the Single Audit Report.

## Goal 3

Maintain efficient and effective audit processes.

### Objectives:

- Maintain an efficient and effective system of quality control by regularly performing internal and external assessments and periodically updating the Office of the City Auditor's policies and procedures to ensure compliance with professional standards and incorporation of applicable leading industry practices.
- Maintain an adequately skilled, knowledgeable, and competent staff of audit professionals.
- Communicate the engagement's objectives, scope, conclusions, and recommendations accurately, objectively, clearly, concisely, constructively, completely, and in a timely manner.

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Audit Services | 678,232 | 1,158,965 | 995,228 | 891,193 | (104,035) | (10.5)% |
| **Total Dollars by Division** | **678,232** | **1,158,965** | **995,228** | **891,193** | **(104,035)** | **(10.5)%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Allocated Charges | 31,884 | 33,415 | 34,228 | 31,193 | (3,035) | (8.9)% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Contract Services | 646,348 | 1,125,550 | 961,000 | 860,000 | (101,000) | (10.5)% |
| **Total Dollars by Category** | **678,232** | **1,158,965** | **995,228** | **891,193** | **(104,035)** | **(10.5)%** |
| **Revenues** | | | | | | |
| Charges to Other Funds | 232,081 | 369,898 | 440,205 | 396,776 | (43,430) | (9.9)% |
| **Total Revenues** | **232,081** | **369,898** | **440,205** | **396,776** | **(43,430)** | **(9.9)%** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **0.00** | **995,228** | **440,205** | **555,023** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| None | - | - | - | - |
| **One-Time Prior Year Budget Adjustments** | **-** | **-** | **-** | **-** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Baker Tilly Contract Adjustment | | 4,000 | | |
| General Expense Reductions | | (25,000) | | |
| General Fund Cost Allocation Plan | - | | (43,430) | 43,430 |
| Printing and Mailing Allocated Charges | | (102) | | |
| Information Technology Allocated Charges | - | (2,933) | - | (2,933) |
| **Adjustments to Costs of Ongoing Activities** | **-** | **(24,035)** | **(43,430)** | **40,497** |
| **Total FY 2027 Base Budget** | **-** | **971,193** | **396,775** | **595,520** |
| **Budget Adjustments** | | | | |
| 1. Contract Services Reduction | - | (80,000) | - | (80,000) |
| **Total Budget Adjustments** | **-** | **(80,000)** | **-** | **(80,000)** |
| **Total FY 2027 Adopted Budget** | **0.00** | **891,193** | **396,775** | **515,520** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Contract Services Reduction | - | (80,000) | - | (80,000) |

This one-time action reduces contract services which results in work being limited to the planned audits, with scope adjustments as needed to remain within budget. The Fiscal Year 2026 Annual Audit Plan projects have commenced, and work is ongoing. (Ongoing savings: $0)

**Performance Results**

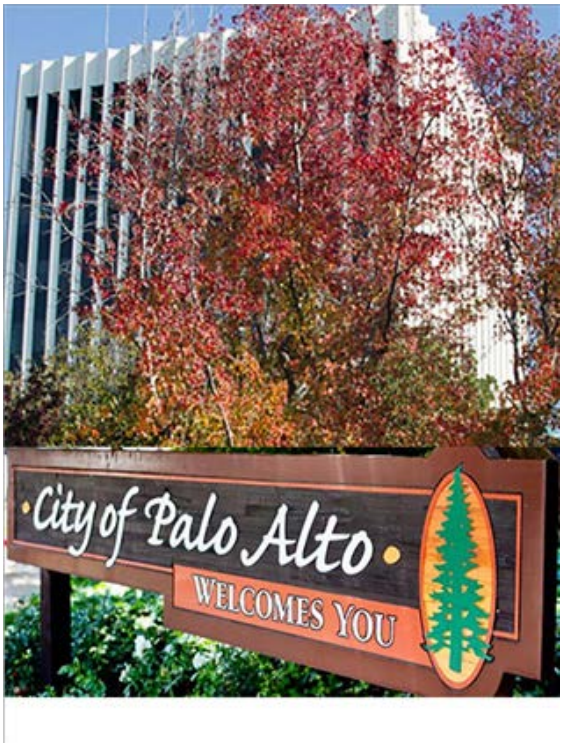
This action contributes to cost containment strategies in Fiscal Year 2027.



CITY OF
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ALTO

# CITY CLERK

## Mission Statement

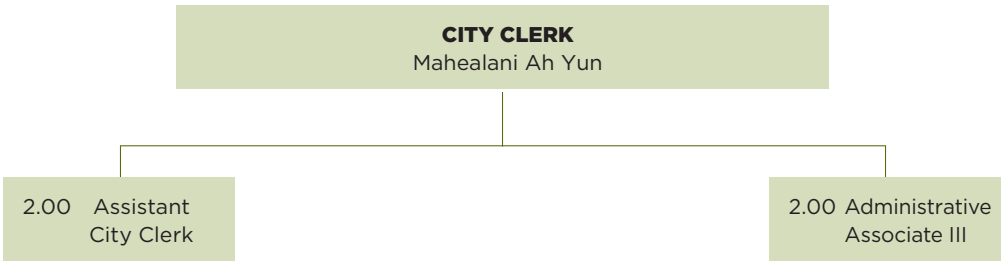



The City Clerk's Office promotes transparency and public engagement through coordinating the legislative process, records management, elections, public records requests, supporting the Mayor and City Council, and acting as a liaison between the City Council and the public.

## Purpose

The purpose of the City Clerk's Office is to provide prompt, high quality public service by connecting the public with the legislative process; ensuring the City's legislative processes are open and transparent including friendly customer service, knowledgeable staff, and easy accessibility through technology; administrating elections; coordinating with all city departments through the agenda management program to produce agendas and reports for Council and Council Standing Committee meetings; facilitating the preservation of Palo Alto's legislative history, including approved action minutes, ordinances, resolutions, and the municipal code; coordinating public records requests and claims against the City; conducting boards and commission recruitment cycles; providing access to legislative meeting information and coordinate Statements of Economic Interest as well as campaign and financial disclosure filings.

# CITY CLERK




**FY 2027 POSITION TOTALS**
5.00 - Full-time

This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

# Description

The City Clerk's Office provides a wide range of public services including: supporting the City Council, City staff, and public by producing agendas and associated reports; posting and publishing legal notices; scheduling public hearings; preparing action minutes; recording Ordinances and Resolutions; coordinating and scheduling Parking and Administrative Hearings; overseeing records management programs and public records requests; administering municipal elections and board and commission recruitments.

# Accomplishments

- Strengthened City Council meeting operations through coordination of over 82 agenda packets and 314 hours of City Council and Committee meetings, maintaining high standards of accuracy, timeliness, and public transparency.
- Led a comprehensive citywide Records & Information Management (RIM) modernization effort, including the development of an updated Records Retention Schedule, RIM Manual, and supporting policies aligned with current legal requirements and operational practices.
- Successfully supported all City departments with records management, improving accessibility, organization, and long-term records management practices.
- Enhanced Public Records Act (PRA) operations, by coordinating over 1000 requests, improving internal workflows, and expanding staff training to strengthen consistency and response quality.
- Modernized the City's Conflict of Interest Compliance Program, including the adoption of an updated Conflict of Interest Code and implementation of an eFile system module to improve disclosure and training tracking, compliance, and public accessibility.
- Strengthened Boards and Commissions (BCC) program operations, including improved recruitment strategies, structured onboarding processes, updated term management, and enhanced training for staff liaisons and commissioners.
- Led Boards and Commissions onboarding and recognition efforts, strengthening engagement and appreciation for community volunteers serving in advisory roles.
- Expanded hybrid and accessible public meeting capabilities, including installation of new microphone system, continued support for remote participation, and introduction of translation services to broaden public access.
- Supported City events, including the Council Reorganization Meeting, State of the City, and Priority Setting Retreat.
- Developed and implemented citywide training programs in partnership with the City Attorney's Office on Brown Act compliance, Public Records Act requirements, and meeting best practices.
- Initiated development of a Council Chambers Use Policy, establishing clearer guidelines for use aligned with governance priorities and facility management best practices, including a fee structure and operational guidelines.

- Strengthened interdepartmental collaboration and policy implementation, partnering with the City Manager's Office, Information Technology, and departments on legislative, operational, and compliance initiatives.
- Maintained full staffing within the Clerk's Office, ensuring continuity of operations, high-quality service delivery, and organizational resilience.
- Conducted a comprehensive audit of digital and physical records, identifying gaps and opportunities for improved retention, storage, and access.

# Initiatives

- Successfully administer the November 2026 City Council and Ballot Measure election and update election materials compliant with the Palo Alto Municipal Code and Election Code.
- Implement updates related to SB 707 Brown Act requirements, including policies for remote participation, translation assistance, and public engagement.
- Expand the Records and Information Management Coordinators program to strengthen department-level ownership and accountability for records management.
- Explore citywide email and digital communications retention policy, including guidance for emerging technologies and platforms.
- Evaluate and enhance agenda management system, including system performance, usability, and integration with internal workflows.
- Advance centralized digital records management, including development of workflows for legislative records and departmental files.
- Continue enhancing Council support services, including calendaring coordination, travel support, and meeting operations.
- Enhance BCC recruitment strategies, including expanded outreach to underrepresented communities and improved applicant pipelines.
- Refine BCC procedural oversight, including term tracking, leadership transitions, attendance, and workplan alignment.
- Expand public participation tools and accessibility, including translation services, hybrid meeting enhancements, and user-friendly participation guides.
- Strengthen community outreach efforts, including partnerships with community organizations and improved communication strategies.
- Utilize performance metrics, audits, and feedback to continuously refine Clerk operations and improve service delivery.

# Goals and Objectives

## Goal 1

Enhance Records Management and Transparency

### Objectives:

- Achieve consistent citywide compliance with adopted records retention policies through training, standardized processes, and ongoing monitoring

- Enhance public access to records by improving systems, processes, and response practices that support timely and transparent information sharing.
- Evaluate digitizing City historic and legislative records to improve accessibility and efficiency in record inventory and retrieval; continue auditing vital records stored off-site to ensure compliance with retention schedules; and enhance accountability in record management practices.
- Expand the recently acquired digital record management system, and completion of in process historical import and archiving of legislative records into that system.

## Goal 2

Ensure Efficient Operations and Compliance

### Objectives:

- Assist with building workflows and archiving structure for all City contracts to streamline processes and ensure compliance with legal requirements.
- Receive and coordinate legislative updates and efforts in collaboration with the City Manager's Office and city departments to stay abreast of regulatory changes and ensure adherence to applicable laws.
- Utilize training opportunities to promote staff development and knowledge of City Clerk duties and state and local policies.
- Conduct citywide training on public records creation, management, and transparency.
- Ensure a legally compliant, impartial, and transparent election, including the successful facilitation of the November 2026 City Council and Ballot Measure election.

## Goal 3

Strengthen Community Engagement and Access to Information

### Objectives:

- Continue to refine and expand Boards and Commissions recruitment, onboarding, and ongoing training, including identifying strategies to strengthen and diversify recruitment efforts.
- Conduct public outreach regarding the elections for Council candidates and voter registration.
- Identify and implement ways to increase community engagement opportunities with the public through optimized webpages associated with the Office of the City Clerk.
- Continue to assist with the facilitation and promotion of Town Hall Meetings throughout different neighborhoods.
- Implement strategies that expand access and participation options for public meetings.

# Key Performance Measures

## PERCENTAGE OF ACTION MINUTES POSTED WITHIN ONE WEEK AFTER THE COUNCIL MEETING

| | | | | | |
|---|---|---|---|---|---|
| Goal | Provide timely reporting of City Council action in support of City operations and transparency to the public. | | | | |
| Objective | Transcribe and submit Council action minutes for approval within one week of each Council meeting. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percentage of action minutes posted within one week after the Council meeting | 100% | 100% | 100% | 100% | 100% |
| Description | After each Council meeting, the City Clerk's Office transcribes the draft actions that the Council took and, within one week, submits these actions to Council for approval. | | | | |
| Purpose | This supports transparency and informed decision making by providing the public with Council actions in a timely manner. | | | | |
| Status | The City Clerk's Office has maintained a high performance level of action minutes posted online within one week after each Council meeting and will aim for 100% in FY 2027. | | | | |

## PERCENTAGE OF COUNCIL AGENDA PACKET MATERIALS POSTED ON THE THURSDAY, 11 DAYS PRIOR TO THE MONDAY CITY COUNCIL MEETING

| | | | | | |
|---|---|---|---|---|---|
| Goal | Lead the agenda management process and records management program promoting transparency, accountability, and effective service delivery. | | | | |
| Objective | Ensure that the preparation and distribution of the Council's agenda packets are timely, accurate, and responsive. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percentage of Council agenda packet materials posted Thursdays, 11 days prior to the Council meeting | 99% | 99% | 99% | 99% | 99% |
| Description | The City Clerk's Office strives to distribute agenda packets to the City Council and public on Thursday, 11 days before the Council's Monday meeting in order to maximize the amount of time to review the packet. | | | | |
| Purpose | Provide the City Council and public with adequate time to review upcoming issues that will be discussed by the City Council, ensuring transparency of Council proceedings. | | | | |

# Key Performance Measures

| | |
|---|---|
| Status | Through implementing an 11-day goal for posting City Council agenda packets, the City Clerk's Office coordinates with other City departments to accomplish this at a level of 99% of packets posted 11 days prior to the Council meeting. This Performance Measure is managed by the City Clerk's Office but is highly dependent on operating departments completing the review process in a timely manner. |

## PERCENTAGE OF PUBLIC RECORDS REQUESTS RESPONDED TO WITHIN THE TEN DAYS REQUIRED BY LAW

| | | | | | |
|---|---|---|---|---|---|
| Goal | Respond to the legislative needs of the City Council, staff, and the community in a timely and effective manner. | | | | |
| Objective | Provide excellent customer service to the public. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percentage of public records requests responded to within the ten days required by law | 98% | 98% | 99% | 94% | 99% |
| Description | Public Records requests are required to be addressed within ten days of receipt. This could be the actual response or a request for an extension of time to gather the requested records. | | | | |
| Purpose | Provide the public with information that is held by the City and is subject to public disclosure; ensure that a response is received by the requester within the allotted ten days. | | | | |
| Status | Through PRA trainings scheduled for FY 2027, the department anticipates meeting the adopted goal for FY 2027 of 99% response rate within 10 days. | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Number of City Council Meeting Action Minutes posted annually | 43 | 43 | 40 | 41 | 40 |
| Number of weekly agenda packets produced annually | 84 | 88 | 105 | 107 | 105 |
| Number of public records requests received annually | 619 | 878 | 625 | 1,030 | 1,000 |
| Number of applications processed for open Board and Commission seats | 66 | 65 | 68 | 55 | 55 |
| Total Hours of City Council and City Council Committee meetings | 311 | 320 | 304 | 306 | 304 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Administration | 548,554 | 694,893 | 740,560 | 753,256 | 12,696 | 1.7% |
| Administrative Citations | 15,453 | 14,980 | 60,000 | 60,000 | (1) | —% |
| Council Support Services | 409,984 | 443,570 | 523,378 | 476,161 | (47,216) | (9.0)% |
| Election/Conflict of Interest | 97,028 | 129,099 | 146,672 | 150,525 | 3,853 | 2.6% |
| Legislative Records Management | 63,635 | 52,487 | 71,534 | 71,667 | 133 | —% |
| **Total Dollars by Division** | **1,134,653** | **1,335,028** | **1,542,144** | **1,511,610** | **(30,535)** | **(2.0)%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 48,127 | 73,111 | 82,577 | 64,343 | (18,233) | (22.1)% |
| Other Benefits | 16,150 | 19,599 | 19,558 | 23,508 | 3,950 | 20.2% |
| Overtime | 627 | 838 | 8,614 | 8,787 | 172 | 2.0% |
| Pension | 205,214 | 231,769 | 248,445 | 211,592 | (36,853) | (14.8)% |
| Retiree Medical | 45,411 | 44,470 | 43,272 | 55,189 | 11,917 | 27.5% |
| Salary | 414,115 | 578,568 | 613,931 | 635,235 | 21,304 | 3.5% |
| Workers' Compensation | 30,559 | 17,141 | 26,333 | 28,490 | 2,157 | 8.2% |
| **Total Salary and Benefits** | **760,202** | **965,496** | **1,042,729** | **1,027,144** | **(15,586)** | **(1.5)%** |
| Allocated Charges | 133,815 | 155,934 | 154,463 | 162,602 | 8,139 | 5.3% |
| Contract Services | 196,574 | 128,725 | 262,961 | 241,211 | (21,750) | (8.3)% |
| General Expense | 41,605 | 81,751 | 78,998 | 77,660 | (1,338) | (1.7)% |
| Supplies & Material | 2,456 | 3,123 | 2,993 | 2,993 | — | —% |
| **Total Dollars by Category** | **1,134,653** | **1,335,028** | **1,542,144** | **1,511,610** | **(30,535)** | **(2.0)%** |
| **Revenues** | | | | | | |
| Charges for Services | 38 | 225 | — | — | — | —% |
| Charges to Other Funds | 375,583 | 443,039 | 501,564 | 501,939 | 375 | —% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Other Revenue | 152 | 163 | 350 | 350 | — | —% |
| **Total Revenues** | **375,773** | **443,427** | **501,914** | **502,289** | **375** | **—%** |
| **Positions by Division** | | | | | | |
| Administration | 2.85 | 2.85 | 2.85 | 2.85 | — | —% |
| Council Support Services | 1.30 | 1.30 | 1.30 | 1.05 | (0.25) | (19.2)% |
| Election/Conflict of Interest | 0.55 | 0.55 | 0.55 | 0.55 | — | —% |
| Legislative Records Management | 0.30 | 0.30 | 0.30 | 0.30 | — | —% |
| **Total Positions by Division** | **5.00** | **5.00** | **5.00** | **4.75** | **(0.25)** | **(5.0)%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Administrative Associate III | 2.00 | 2.00 | 2.00 | 1.75 | (0.25) | 192,520 |
| Assistant City Clerk | 2.00 | 2.00 | 2.00 | 2.00 | — | 229,965 |
| City Clerk | 1.00 | 1.00 | 1.00 | 1.00 | — | 211,765 |
| **Subtotal: Full-Time Equivalent Positions** | **5.00** | **5.00** | **5.00** | **4.75** | **(0.25)** | **$634,249** |
| **Total Positions** | **5.00** | **5.00** | **5.00** | **4.75** | **(0.25)** | **$634,249** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **5.00** | **1,542,144** | **501,914** | **1,040,230** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| None | - | - | - | - |
| **One-Time Prior Year Budget Adjustments** | **-** | **-** | **-** | **-** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salaries and Benefits Adjustments | - | 41,280 | - | 41,280 |
| General Expense Adjustments | - | 1,911 | - | 1,911 |
| General Expense Reductions | - | (25,000) | - | (25,000) |
| General Fund Cost Allocation Plan | - | - | 375 | (375) |
| Information Technology Allocated Charges | - | (1,371) | - | (1,371) |
| Liability Insurance Allocated Charges | - | 7,540 | - | 7,540 |
| Printing & Mailing Services Allocated Charges | - | 1,970 | - | 1,970 |
| Workers' Compensation Allocated Charges | - | 2,157 | - | 2,157 |
| **Adjustments to Costs of Ongoing Activities** | **-** | **28,487** | **375** | **28,112** |
| **Total FY 2027 Base Budget** | **5.00** | **1,570,631** | **502,289** | **1,068,342** |
| **Budget Adjustments** | | | | |
| 1. Administrative Staffing Reallocation | (0.25) | (35,761) | - | (35,761) |
| 2. Section 115 Dispersal to CalPERS for ADC and ADP | - | (23,260) | - | (23,260) |
| **Total Budget Adjustments** | **(0.25)** | **(59,021)** | **-** | **(59,021)** |
| **Total FY 2027 Adopted Budget** | **4.75** | **1,511,610** | **502,289** | **1,009,321** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Administrative Staffing Reallocation | (0.25) | (35,761) | - | (35,761) |
| This action reallocates 0.25 FTE Administrative Associate III to the Utilities Department. This action aligns with work duties specifically related to Utilities and which provides a more accurate cost recovery. (Ongoing savings: $35,761) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 2. Section 115 Dispersal to CalPERS for ADC and ADP | - | (23,260) | - | (23,260) |
| This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $21,241) | | | | |
| **Performance Results** | | | | |
| This action executes City Council policy and proactively manages the City's pension obligations. | | | | |



CITY OF
PALO
ALTO

# CITY COUNCIL

## Mission Statement






The City Council's mission is to develop an overall vision for the community as a whole.

## Purpose

The City Council is responsible for the scope, direction, and financing of City services; establishing policy based on information provided by staff, advisory boards and commissions, and the general public; and implementing policy through staff under the Council-Manager form of government.

## Description

Under the Council-Manager form of government, the City Council is responsible for the legislative functions of the City such as establishing policies and priorities, developing an overall vision, and approving the annual spending plan for the City. The terms of the Mayor and the Vice-Mayor are one year, expiring at the first meeting in January. The terms of Council members are four years, and the General Municipal Election is held in even-numbered years on the first Tuesday after the first Monday in November.

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| City Council Operations | 500,489 | 498,346 | 549,912 | 563,453 | 13,541 | 2.5% |
| **Total Dollars by Division** | **500,489** | **498,346** | **549,912** | **563,453** | **13,541** | **2.5%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 69,411 | 76,773 | 50,977 | 70,834 | 19,857 | 39.0% |
| Other Benefits | 6,763 | 6,164 | 2,514 | 2,526 | 11 | —% |
| Pension | 32,062 | 46,023 | 62,089 | 51,703 | (10,387) | (16.7)% |
| Retiree Medical | 72,657 | 77,862 | 83,035 | 83,396 | 362 | —% |
| Salary | 84,011 | 109,367 | 134,400 | 134,400 | — | —% |
| Workers' Compensation | 5,565 | 3,131 | 6,454 | 7,936 | 1,482 | 23.0% |
| **Total Salary and Benefits** | **270,468** | **319,320** | **339,469** | **350,795** | **11,326** | **3.3%** |
| Allocated Charges | 24,677 | 26,552 | 24,518 | 26,733 | 2,216 | 9.0% |
| Contract Services | 130,599 | 104,252 | 118,000 | 118,000 | — | —% |
| General Expense | 73,246 | 46,939 | 64,995 | 64,995 | — | —% |
| Supplies & Material | 1,498 | 1,283 | 2,930 | 2,930 | — | —% |
| **Total Dollars by Category** | **500,489** | **498,346** | **549,912** | **563,453** | **13,541** | **2.5%** |
| **Revenues** | | | | | | |
| Charges to Other Funds | 172,428 | 160,543 | 99,824 | 99,674 | (150) | —% |
| **Total Revenues** | **172,428** | **160,543** | **99,824** | **99,674** | **(150)** | **—%** |
| **Positions by Division** | | | | | | |
| City Council Operations | 7.00 | 7.00 | 7.00 | 7.00 | — | —% |
| **Total Positions by Division** | **7.00** | **7.00** | **7.00** | **7.00** | **—** | **—%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| City Council | 7.00 | 7.00 | 7.00 | 7.00 | — | 134,400 |
| **Subtotal: Full-Time Equivalent Positions** | **7.00** | **7.00** | **7.00** | **7.00** | **—** | **$134,400** |
| **Total Positions** | **7.00** | **7.00** | **7.00** | **7.00** | **—** | **$134,400** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **7.00** | **549,912** | **99,824** | **450,088** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| None | - | - | - | - |
| **One-Time Prior Year Budget Adjustments** | **-** | **-** | **-** | **-** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | - | 15,100 | - | 15,100 |
| General Fund Cost Allocation Plan | - | - | (150) | 150 |
| Information Technology Allocated Charges | - | 59 | - | 59 |
| Liability Insurance Allocated Charges | - | 2,157 | - | 2,157 |
| Worker's Compensation Allocated Charges | - | 1,482 | - | 1,482 |
| **Adjustments to Costs of Ongoing Activities** | **0.00** | **18,798** | **(150)** | **18,948** |
| **Total FY 2027 Base Budget** | **7.00** | **568,710** | **99,674** | **469,036** |
| **Budget Adjustments** | | | | |
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (5,257) | - | (5,257) |
| **Total Budget Adjustments** | **-** | **(5,257)** | **-** | **(5,257)** |
| **Total FY 2027 Adopted Budget** | **7.00** | **563,453** | **99,674** | **463,779** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (5,257) | - | (5,257) |

This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $4,755)

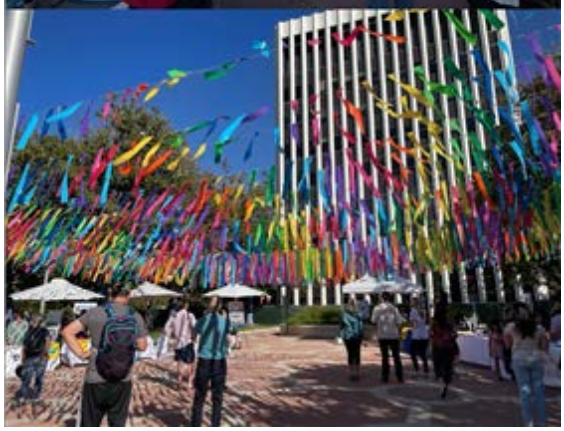
**Performance Results**

This action executes City Council policy and proactively manages the City's pension obligations.

# CITY MANAGER

## Mission Statement



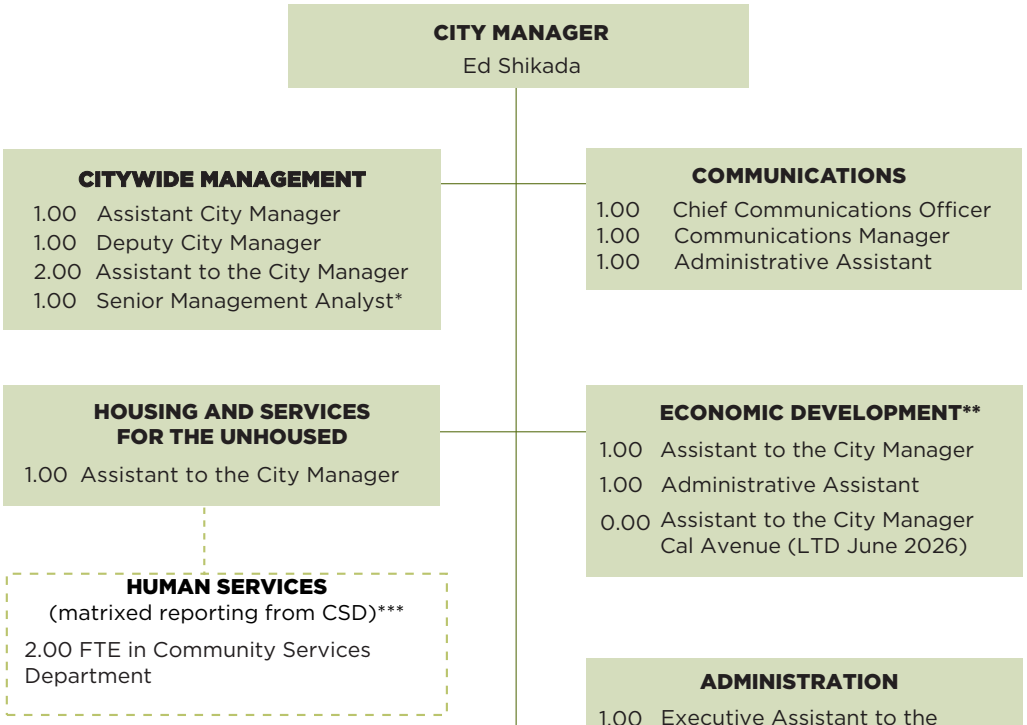


The City Manager's Office provides leadership and professional management to the City government organization and works with the City Council to develop and implement policies to maintain and enhance Palo Alto's quality of life.

## Purpose

The City Manager's Office adheres to guiding values that emphasize community, stewardship, and public service to ensure timely achievement of the City Council's goals and objectives.

# CITY MANAGER




**FY 2027 POSITION TOTALS**
14.00 - Full-time

This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

* 1.00 Senior Management Analyst is the Equity and Inclusion Program Manager

** Economic Development: 1.00 Assistant to the City Manager (Economic Development Manager), 1.00 Administrative Assistant (Economic Development Specialist), and a limited term project manager overseeing California Avenue outdoor activation

*** 1.00 Assistant to the City Manager (Housing and Services for the Unhoused) currently overseeing Human Services team in CSD: 1.00 Manager Community Services Sr. Program, 1.00 Management Assistant

# Description

The City Manager's Office (CMO) provides strategic leadership and guidance to City operations and services for the City of Palo Alto through the following areas (including incubation of new programs):

## FACILITATE CITY COUNCIL LEGISLATIVE ACTIONS

The City Council sets policy direction for the City of Palo Alto and confers that direction through legislative actions. To support the City Council's work, the CMO prepares City Manager Reports (staff reports) in collaboration with City departments, including analysis and recommended City Council action, and implements City Council actions. The CMO acts on priorities identified by the City Council during the annual City Council Retreat and City Council-initiated policies or programs. The CMO also engages other governments through participation in regional, statewide, and national organizations, and directs state and federal legislative advocacy efforts on behalf of the City.

## MANAGE SPECIAL INTERDEPARTMENTAL PROJECTS

Each year, the City tackles special projects that, due to their scale and scope, require extensive interdepartmental coordination, community outreach, and engagement with non-profits, neighboring communities and public agencies. The City Manager's Office takes responsibility for managing these special projects in order to ensure efficient and effective coordination, implementation, and achievement of the City's goals. Some projects may be planned and identified as City Council priorities (such as Grade Separation and Sustainability) and others may arise as the City responds to unfolding events and community concerns, such as expanding safe parking. Special long-term efforts, such as Transportation services, remain an "Office" within the CMO department for specific attention and coordination. Others, such as Sustainability, move to another department over-time for long-term operational work, though regular reporting and project development may be facilitated and communicated via the CMO.

## DIRECT AND COORDINATE DEPARTMENT OPERATIONS

The CMO provides strategic leadership and guidance to the City's Executive Leadership Team to ensure the provision of high-quality, cost-effective and focused services throughout Palo Alto. The CMO ensures City operations demonstrate transparency and fiduciary responsibility to the public. In this capacity, the CMO also provides timely, accurate, and results-oriented financial and operational reports. Through the budget and development of citywide business plans, the CMO ensures resources are allocated to the City Council's policies and priorities.

## SUPPORT A PRODUCTIVE AND HEALTHY WORKFORCE

The CMO maintains a highly qualified, engaged, and effective workforce to successfully achieve the City's goals and objectives. To that end, the CMO cultivates a strong service culture and provides ongoing, informative communications with City employees regarding key objectives, challenges, and accomplishments. As vacancies occur within the organization, the CMO provides support to maintain service delivery. In addi-

tion, the CMO mentors junior and senior staff, developing a pipeline of qualified managers within the organization.

### COORDINATE COMMUNICATIONS & COMMUNITY ENGAGEMENT

Palo Alto stands out as a well-informed and engaged community. The CMO builds on this strength by proactively communicating public information, creating and supporting community partnerships, and facilitating citizen involvement in order to develop mutual understanding and support between City government and constituents. The CMO achieves this by supporting new community engagement efforts, while also promoting best communication practices throughout the City. In addition, communications staff respond to requests from media and the public, broadcast information on a range of platforms, and assist departments in their communication activities.

### FACILITATE BUSINESS ENGAGEMENT & ECONOMIC VITALITY

The CMO maintains collaborative relationships with businesses and residents to facilitate desired economic activity. In addition to addressing issues with individual businesses, local and regional associations serve as leaders and partners in this endeavor. Accordingly, the City Manager assigns staff to these organizations. The CMO, as staffing resources allow, acts as an ombudsperson, facilitating the routing of business inquiries to appropriate departments for resolution. In addition, the CMO leads Palo Alto's participation in Sister, Sibling, and Friendship Cities, creating meaningful connections with cities around the world.

## Accomplishments

The City Manager's Office (CMO) provides leadership and professional management to the organization. The accomplishments demonstrated throughout the budget document, within the department sections, reflect the overall guidance provided by the CMO. In addition to the many accomplishments organization-wide, the CMO completed a series of key projects and activities through its general administration, public communication, and economic development duties:

### CITY COUNCIL POLICY DIRECTION (GOAL 1):

- Supported City Council priority setting for 2026 including transitioning to a more strategic planning process recognizing that several priorities take more than one year to achieve. This will be the fourth year that the Council will adopt actionable objectives as workplans to support its priorities. Staff enhanced quarterly reporting to demonstrate progress and raise potential barriers plus gaining Council engagement feedback such as solidifying the use of Council Ad Hocs to advance workplans
- Through leadership and guidance to the organization, managed the agenda process to ensure timely Council review and consideration of various contracts, programs and services, and budget and policy items. Through thorough Council review and direction, staff presented recommendations and have implemented changes to both California Avenue and Ramona Street to support enhanced pedestrian walkways, continue expanded outdoor dining options, improved the public right-of-way, and economic vitality.

### CITY MANAGEMENT TEAM LEADERSHIP: ENSURING HIGH-QUALITY, COST-EFFECTIVE, AND CUSTOMER-FOCUSED SERVICES (GOAL 2):

- Advanced organizational excellence through the development and implementation of workplans.

- Formalized and enhanced a professional development process to connect managers and staff with trainings, resources and promotional opportunities and continued to advance a positive work environment focus through new initiatives such as launching the second annual employee survey, an ongoing resiliency training for all staff, and continuing the City's Special Projects initiative for a third year.
- Continued advancing retention efforts through a variety of initiatives, including benefits for employees with children to attend Palo Alto schools and childcare, made Clipper Baypass (a pilot program that provides users with unlimited access to all bus rail, and ferry services in the nine-county region) available to all full-time staff, and continue to enhance and improve employee onboarding process, to ensure the City of Palo Alto is an employer of choice, further ensuring strong leadership at all levels of the organization.
- Organized 8 trainings for staff on diversity, inclusion, and belonging. Some topics included implicit bias and microagressions, inclusion strategies, informing attendees on antisemitism, Islamophobia, and anti-Palestinian hate and another training on recognizing conscious/ unconscious discrimination.
- Launched the Nonprofit Partnership Workplan Phase I pilot process that established a framework to align nonprofit partnerships with Council priorities. This launch ensured an equitable approach to resource allocation and strengthened financial and performance accountability while maintaining the agility to respond to evolving community needs. A total of 16 nonprofit organizations received grants that supported the arts, vulnerable populations, and enhanced community engagement in the nature preserve trails.

## FINANCIAL PLANNING - DEVELOPING AND IMPLEMENTING OPERATING AND CAPITAL IMPROVEMENT PROGRAM BUDGETS (GOAL 3):

- Construction for the Homekey Palo Alto site continued, with completion anticipated in spring 2026, with a celebration planned for mid-May. This project is in partnership with LifeMoves and will provide transitional housing and services for unhoused residents.

## PROMOTE AND SUSTAIN CITIZEN PARTICIPATION AND ENGAGEMENT IN PUBLIC MATTERS (GOAL 4):

- Developed a full spectrum of engagement activities to advance the implementation of the Council priority workplans.
- Supported the ongoing communication and sharing of best practices with Sister, Sibling, and Friendship Cities, including co-hosting the Neighbors Abroad Calenda and engaging in sustainability conversations.
- Hosted eight neighborhood town hall meetings between 2022 and 2025 and gained Council input on advancing a series of eight meetings over two years in partnership with Palo Alto Neighborhoods.
- Continued to advance an online customer service feedback tool which offers the public another avenue to share feedback about services provided and added a new AI tool on the City's website to connect the community to information and support.
- The City continued to support in-person/hybrid City Council, Committees, and Board/Commissions meetings for constituents.
- Advanced a cross-departmental working group to enhance the City's PaloAlto311 platform, streamlining community issue reporting and implementing staff response improvements.
- Supported businesses through permit streamlining, technical assistance, and by continuing the Uplift Local program to expand outdoor dining, retail, and more, generally supporting the business community and connecting the broader Palo Alto community together through holiday promotions,

and events. Provided monthly updates through a 'Business Connect' newsletter in an effort to inform the business community on economic and development initiatives.

- Provided support for the Climate Action and Sustainability Committee process and furthered the City's 80x30 and other sustainability and climate goals through advancing community awareness and action in communications and marketing of several initiatives including to the City's Heat Pump Water Heater Pilot Program; also evolved the program to add other major electric appliances.
- City Staff met with Ramona Street stakeholders on near term improvements on the closed and open portion of Ramona Street. City staff met regularly with California Avenue stakeholders to discuss planned updates and improvements to the Car-Free street portion and provide a forum to discuss concerns and find solutions.
- City Hall hosted its second open house event in September 2025. This event was an opportunity for residents and other community members to meet City staff, view different department offices, participate in activities created by each department, and learn about current projects. 80 visitors attended the event.
- Continued to meet monthly and as-needed with the "RV Dwellers Group" of stakeholders including service providers, a representative of Stanford University, members of the faith-based community, a representative from Palo Alto Unified School District, and members of the local philanthropic community to discuss and share information related to Palo Altans living in vehicles and to connect those individuals to services.
- Advanced a review of the temporary Churchill Avenue rail crossing, including gaining community feedback as part of a 60-day work plan and adding a human presence (track monitors) at all Palo Alto rail crossings. Other outreach and steps to build awareness about short-term and long-term safety improvements, wellness resources, and support include the re-establishment of the Rail Safety Ad Hoc Council Committee and staff support, issuing of statements and resources sharing updates and community information sharing, and partnering with The JED Foundation on community workshops designed to share information on mental health and wellness, and providing resources.

# Initiatives

- Further a robust City Council priority setting process and regular, special, and Council and committee meetings.
- Provide support on housing projects and programs, including the rental registry program, safe parking, and coordinating multi-departmental efforts related to services for unhoused residents.
- Lead and empower professional management of the City government organization.
- Develop and lead workforce development, retention and hiring practices that enhance professional and leadership development, such as the launch of a mentorship program.
- Advance international programs through the partnership with Neighbors Abroad to enhance existing Sister Cities and the Sibling City relationship.
- Further a robust federal and state legislative agenda to support Council priorities and policies.
- Lead community engagement programs to strengthen the citizen/local government relationships and enable authentic partnerships in building community.
- Continue the annual Community Satisfaction Survey process.
- Expand the City's digital engagement and online presence to both inform and engage the community through the creation of accessible and digestible content, including implementing new state and federal ADA website guidelines.

- Provide strategic communications to ensure a unified voice, across all departments in sharing the City's story about programs, services and community connections and resources.
- Implement the Council adopted economic development strategy and further partnerships with businesses to advance City goals and meet community stakeholder needs.
- Advance wellness and belonging opportunities for all and embed them into City operations and Board and Commission work.
- Economic Development initiatives, include but are not limited to the following, California Avenue Outdoor Activation Guidelines and signage program, California Avenue and Ramona Street Entertainment Zones and Cal Avenue Activation through partnering with Palo Alto Recreation Foundation (PARF) to advance an event series on the car-free portion of the street, and introduced the Business Retention, Expansion, and Attraction (BRE/A) Strategy focused on creating a healthy local economy and the City's long-term fiscal sustainability.

# Goals and Objectives

## Goal 1

Implement the City Council's policy direction and ensure their goals and objectives are achieved in a timely manner.

### Objectives:

- Provide timely, accurate, and results-oriented financial and operational reports.
- Lead the development of citywide business plans that support achievement of the City Council's policies and priorities.
- Maintain a highly qualified, engaged, and effective workforce to successfully attain the City's goals and objectives.

## Goal 2

Lead the City's management team to ensure the provision of high-quality, cost-effective, and customer-focused services.

### Objectives:

- Provide data and analytics to support informed decision-making processes.
- Improve the efficiency of the City's infrastructure, facilities, and equipment to support environmental and fiscal sustainability.
- Facilitate a high level of citizen satisfaction with City services.

## Goal 3

Advocate sound financial planning by developing and implementing Operating and Capital Improvement Program (CIP) budgets.

### Objectives:

- Advance structural reforms to ensure the City lives within our means.
- Expand the use of innovation, performance management, and community partnerships to maintain and/or enhance public services.

- Balance and manage economic growth and sustainability initiatives.

## Goal 4

Promote and sustain citizen participation and engagement in public matters.

### Objectives:

- Engage public and private partners to advance community initiatives.
- Expand outreach efforts and communications platforms to broaden listening opportunities to encourage citizen participation in local government and community matters.
- Ensure timely and responsive resolution to citizens' inquiries.
- Preserve transparency and enhance communication with the public.

# Key Performance Measures

### CITIZEN SATISFACTION

| | | | | | |
|---|---|---|---|---|---|
| Goal | Lead the City's management team to ensure the provision of quality, cost-effective, equitable, and community-focused services. | | | | |
| Objective | Facilitate a high level of citizen understanding and satisfaction with City services. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of surveyed who rated the Overall Image/Reputation of the City as "Good" or "Excellent" | 78% | 75% | 76% | 78% | 77% |
| Percent of surveyed who rated the Quality of City Services as "Good" or "Excellent" | 74% | 69% | 71% | 73% | 72% |
| Percent of surveyed who rated the Value of Services for the Taxes Paid as "Good" or "Excellent" | 56% | 54% | 54% | 56% | 55% |
| Description | This data is collected as part of the Palo Alto Community Survey that is conducted annually by Polco/National Research Center, Inc. | | | | |
| Purpose | Residents' feedback on the quality of services provided by the City allows staff to evaluate performance and identify improvement opportunities. | | | | |
| Status | The most recent Palo Alto Community Survey was completed in October 2025. The full report can be found on the City website: www.paloalto.gov/communitysurvey. | | | | |

# Key Performance Measures

## COORDINATE COMMUNICATIONS AND COMMUNITY ENGAGEMENT

| | | | | | |
|---|---|---|---|---|---|
| Goal | Promote and sustain citizen participation and engagement in public matters. | | | | |
| Objective | Preserve transparency and enhance communication with the public. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of surveyed engaged in community issues by attending a local public meeting | 37% | 22% | 27% | 30% | 29% |
| Percent of surveyed who rated the City's website as "Good" or "Excellent" | 68% | 64% | 66% | 68% | 67% |
| Description | This data is collected as part of the Palo Alto Community Survey that is conducted annually by Polco/National Research Center, Inc. | | | | |
| Purpose | Robust levels of community awareness and participation demand communication systems that are timely, accurate, meaningful, and readily accessible. | | | | |
| Status | The most recent Palo Alto Community Survey was completed in October 2025. The full report can be found on the City website: www.paloalto.gov/communitysurvey. | | | | |

# Key Performance Measures

## FACILITATE BUSINESS ENGAGEMENT AND ECONOMIC VITALITY

| | | | | | |
|---|---|---|---|---|---|
| Goal | Maintain an environment that supports a strong local economy, supporting retailers, employees, and employers through sound financial planning and implementation of the City's Operating and Capital Improvement Program (CIP) budgets. | | | | |
| Objective | Balance and manage economic growth and development initiatives. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Absolute value of sales tax revenue | 37,500,000 | 35,200,000 | 36,400,000 | 27,400,000 | 33,400,000 |
| Percent of surveyed who rated Employment Opportunities as "Good" or "Excellent" | 64% | 53% | 55% | 55% | 57% |
| Percent of surveyed who rated Shopping Opportunities as "Good" or "Excellent" | 65% | 75% | 73% | 73% | 72% |
| Percent of surveyed who rated Vibrant Downtown and Commercial Areas as "Good" or "Excellent" | 59% | 70% | 67% | 70% | 67% |
| Year-over-year percentage increase in sales tax revenue | 1.63% | (6.13)% | 2.23% | (22.16)% | 21.90% |
| Description | This data is collected as part of the Palo Alto Community Survey that is conducted annually by Polco/National Research Center, Inc. | | | | |
| Purpose | Understanding the community perception of the business environment allows staff to work with developers and investors to ensure the right composition of business and services in Palo Alto. | | | | |
| Status | The most recent Palo Alto Community Survey was completed in October 2025. The full report can be found on the City website: www.paloalto.gov/communitysurvey. | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Number of City Council and City Council Committee meetings | 84 | 80 | 81 | 107 | 105 |
| Total Hours of City Council and City Council Committee meetings | 312 | 322 | 311 | 306 | 304 |
| Number of subscribers to Citywide online newsletters and total average open rate* | N/A | 180,000 & 55% | 215,000 & 60% | 204,259 & 59% | 205,000 & 59% |
| Number of total followers on City of Palo Alto social media channels* | N/A | 89,300 | 97,000 | 101,941 | 105,000 |
| Number of community engagement participants* | N/A | N/A | 5,700 | 5,700 | 5,900 |
| Number of Applicants Assisted Through Entitlement/Permitting Process* | N/A | N/A | 12 | 25 | 25 |
| Number of Administration-Driven Agenda Items to City Council | 340 | 220 | 302 | 300 | 274 |

*This is a new performance measure for which prior's years' data is not available.

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Administration and City Management | 4,690,038 | 4,570,896 | 4,733,711 | 4,780,947 | 47,236 | —% |
| Economic Development | 141,327 | 599,710 | 280,304 | 262,814 | (17,490) | (6.2)% |
| Public Communication | 318,927 | 325,849 | 342,203 | 319,230 | (22,973) | (6.7)% |
| **Total Dollars by Division** | **5,150,293** | **5,496,455** | **5,356,218** | **5,362,991** | **6,773** | **—%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 243,102 | 279,102 | 229,469 | 227,833 | (1,636) | —% |
| Other Benefits | 112,478 | 121,173 | 106,975 | 92,217 | (14,758) | (13.8)% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Overtime | — | 1,622 | — | — | — | —% |
| Pension | 1,157,964 | 1,121,013 | 1,109,960 | 922,220 | (187,740) | (16.9)% |
| Retiree Medical | 138,992 | 180,712 | 223,375 | 274,718 | 51,342 | 23.0% |
| Salary | 2,601,784 | 2,948,316 | 2,739,653 | 2,711,314 | (28,339) | (1.0)% |
| Workers' Compensation | 96,970 | 63,746 | 113,214 | 110,451 | (2,763) | (2.4)% |
| **Total Salary and Benefits** | **4,351,289** | **4,715,684** | **4,522,646** | **4,338,753** | **(183,894)** | **(4.1)%** |
| Allocated Charges | 291,866 | 288,975 | 295,518 | 326,185 | 30,667 | 10.4% |
| Contract Services | 365,081 | 375,574 | 384,685 | 564,885 | 180,200 | 46.8% |
| General Expense | 123,481 | 106,791 | 146,855 | 126,655 | (20,200) | (13.8)% |
| Rents & Leases | 268 | 57 | 154 | 154 | — | —% |
| Supplies & Material | 18,308 | 9,374 | 6,359 | 6,359 | — | —% |
| **Total Dollars by Category** | **5,150,293** | **5,496,455** | **5,356,218** | **5,362,991** | **6,773** | **—%** |
| **Revenues** | | | | | | |
| Charges to Other Funds | 1,816,465 | 1,813,664 | 1,645,476 | 1,705,979 | 60,502 | 3.7% |
| **Total Revenues** | **1,816,465** | **1,813,664** | **1,645,476** | **1,705,979** | **60,502** | **3.7%** |
| **Positions by Division** | | | | | | |
| Administration and City Management | 11.10 | 12.10 | 11.30 | 11.10 | (0.20) | (1.8)% |
| Economic Development | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Public Communication | 0.90 | 0.90 | 0.90 | 0.90 | — | —% |
| **Total Positions by Division** | **13.00** | **14.00** | **13.20** | **13.00** | **(0.20)** | **(1.5)%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Administrative Assistant | 3.00 | 3.00 | 3.00 | 3.00 | — | 314,122 |
| Assistant City Manager | 1.00 | 1.00 | 1.00 | 0.80 | (0.20) | 262,080 |
| Assistant to the City Manager | 3.00 | 3.00 | 3.00 | 3.00 | — | 642,346 |
| Chief Communications Officer | 1.00 | 1.00 | 1.00 | 1.00 | — | 256,942 |
| City Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | 435,510 |
| Deputy City Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | 251,493 |
| Executive Assistant to the City Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | 126,173 |
| Management Fellow | — | — | 0.20 | 0.20 | — | 16,815 |
| Management Specialist | — | 1.00 | — | — | — | — |
| Manager Communications | 1.00 | 1.00 | 1.00 | 1.00 | — | 169,478 |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 135,470 |
| **Subtotal: Full-Time Equivalent Positions** | **13.00** | **14.00** | **13.20** | **13.00** | **(0.20)** | **$2,610,429** |
| **Total Positions** | **13.00** | **14.00** | **13.20** | **13.00** | **(0.20)** | **$2,610,429** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **13.20** | **5,356,218** | **1,645,476** | **3,710,742** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| None | | | | |
| **One-Time Prior Year Budget Adjustments** | **-** | **-** | **-** | **-** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | - | 2,747 | - | 2,747 |
| Contract Service Adjustments | - | (2,684) | - | (2,684) |
| Address Oversized Vehicle Impacts (Staff Report #: 2509-5183) | - | 251,200 | - | 251,200 |
| General Fund Cost Allocation Plan | - | - | 60,503 | (60,503) |
| Information Technology Allocated Charges | - | 14,262 | - | 14,262 |
| Liability Insurance Allocated Charges | - | 18,710 | - | 18,710 |
| Printing & Mailing Allocated Charges | - | 379 | - | 379 |
| Workers' Compensation Allocated Charges | - | (2,763) | - | (2,763) |
| **Adjustments to Costs of Ongoing Activities** | **-** | **281,851** | **60,503** | **221,348** |
| **Total FY 2027 Base Budget** | **13.20** | **5,638,069** | **1,705,979** | **3,932,090** |
| **Budget Adjustments** | | | | |
| 1. Contract Services Reduction | - | (91,000) | - | (91,000) |
| 2. Reallocation of Position | (0.20) | (83,367) | - | (83,367) |
| 3. Section 115 Dispersal to CalPERS for ADC and ADP | - | (100,711) | - | (100,711) |
| **Total Budget Adjustments** | **(0.20)** | **(275,078)** | **-** | **(275,078)** |
| **Total FY 2027 Adopted Budget** | **13.00** | **5,362,991** | **1,705,979** | **3,657,012** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Contract Services Reduction | - | (91,000) | - | (91,000) |
| This action reduces a variety of contracts across the department in the amount of $91,000 primarily impacting lobbying services, advertising, and memberships for organizations and data services. A reduction in federal lobbying support of approximately 50% is recommended with additional reductions in economic development data service memberships and advertising, and reductions in communications program projects and reduction in advertising such as utility bill mailings for Citywide activities. General reductions in memberships, travel and general expenses are also recommended. (Ongoing savings: $91,000) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 2. Reallocation of Position | (0.20) | (83,367) | - | (83,367) |
| This action reallocates 0.20 FTE Assistant City Manager to the Utilities Department enterprise funds. This action aligns funding with an increased focus on support of projects and priorities related to utilities aiding in the transition of key leadership roles, support for the Utilities Advisory Commission, and provides a more accurate cost recovery. (Ongoing savings: $83,367) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 3. Section 115 Dispersal to CalPERS for ADC and ADP | - | (100,711) | - | (100,711) |
| This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $100,711) | | | | |
| **Performance Results** | | | | |
| This action executes City Council policy and proactively manages the City's pension obligations. | | | | |



CITY OF
PALO
ALTO

# ADMINISTRATIVE SERVICES

## Mission Statement

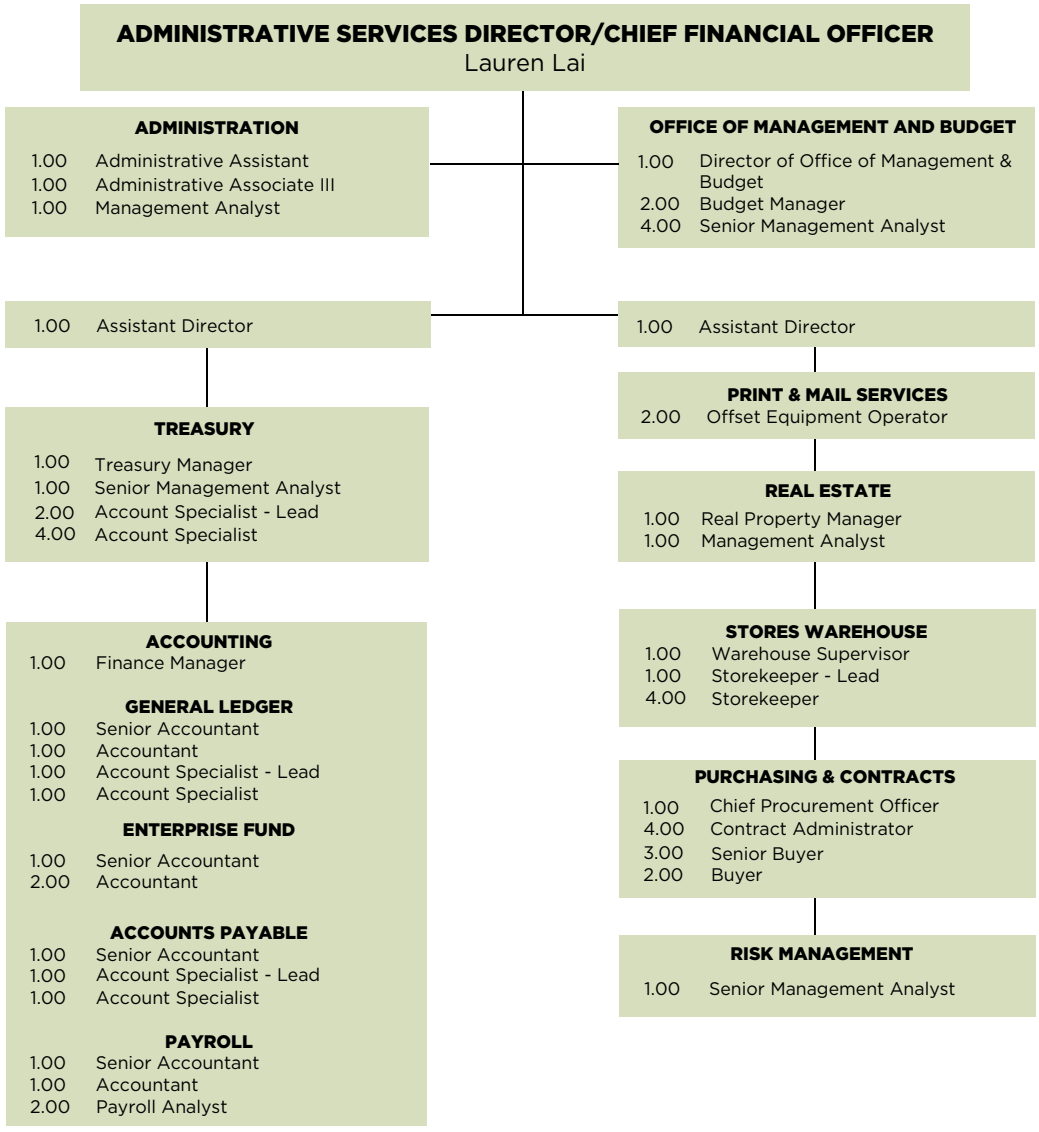



The Administrative Services Department strives to provide proactive financial and analytical support to City departments and decision-makers, and to safeguard and facilitate the optimal use of City resources.

## Purpose

The purpose of the Administrative Services Department is to provide excellent customer service to the public, employees, and City departments; provide analytical, organizational, and administrative support for a wide variety of projects; record, monitor, and protect City assets in a responsible manner; provide essential financial management and forecasting reports; and prepare and present financial reporting to various committees and City Council.

# ADMINISTRATIVE SERVICES




**FY 2027 POSITION TOTALS**
57.00 Full-Time
1.46 Hourly

This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation

# Description

The Administrative Services Department (ASD) is responsible for the following functions:

## ADMINISTRATION

Provides financial, analytical, budget, strategic, and administrative support services for the department and organization. This division also provides print shop services to departments.

## ACCOUNTING

Performs financial transactions and provides accurate, timely, and reliable financial information for internal and external customers, including vendor payments, customer billing, payroll, and financial reporting.

## PURCHASING, CONTRACTS, AND WAREHOUSE

Facilitates negotiations, purchasing, and contracting needs in a timely, efficient, and customer-oriented manner. Provides warehouse services including logistics for the City's Electric, Water, Gas, and Wastewater Utilities, as well as for Public Works and the Regional Water Quality Control Plant.

## OFFICE OF MANAGEMENT AND BUDGET (OMB)

Oversees the citywide operating and capital budget preparation, review, and analysis, performance measures, and budget monitoring. In addition, prepares the long-range financial forecast and provides independent analytical support to the organization.

## PROPERTY MANAGEMENT AND ACQUISITION

Provides asset management, acquires property rights, manages the leasing of City properties, prepares real estate agreements, completes easement acquisitions/vacations, negotiates real estate agreements, and provides real estate services citywide.

## TREASURY

Treasury safeguards and oversees the investment of the City's portfolio, forecasts major General Fund tax revenues, issues and manages debt, and performs Utility Risk Management oversight. This division also collects payment revenue and provides customer support for parking permits and payment transactions.

## RISK MANAGEMENT

Actively coordinate and manage risk and other potential liabilities by identifying, evaluating, reducing and monitoring risks that could impact public services, assets, finances, or the community. Protect the City's property and programs while ensuring continuity of operations and responsible stewardship of public resources. Monitor utility credit and operational risk and ensure compliance with the City's Energy Risk Management policy, guidelines, and procedures.

# Accomplishments

- Planned for and contributed $14.3 million ($9.0 million from the General Fund) in FY 2026 to the City's Section 115 Pension Trust Fund, in support of the funding goal of the City's Retiree Benefit Funding Policy, bringing total contributions to $101.8 million ($65.5 million from the General Fund) through Fiscal Year 2026.
- Implemented disbursements of Section 115 Pension Trust in alignment with City Retiree Benefit Funding Policy.
- Completed biennial Other Post Employment Benefit (OPEB) actuarial valuation and incorporated costs into budget accordingly.
- Collaborated with departments to operate the City-owned building at 429 Bryant Street as a Community & Teen Center with part-time use by La Comida de California for a senior nutrition program. The teen center opened in February 2026 and La Comida is expected to open later in Spring 2026.
- Earned the Excellence in Financial Reporting Award from the Government Finance Officers' Associations of United States and Canada (GFOA) for the Fiscal Year 2025 Annual Comprehensive Financial Report (ACFR).
- Earned the Capital and Operating Budget Excellence Awards from the California Society of Municipal Finance Officers (CSMFO) and the Distinguished Budget Presentation Award and Certificate of Recognition for Budget Preparation from GFOA for the Fiscal Year 2026 Adopted Capital and Operating budgets.
- Updated the City's Travel Arrangement and Expense Reimbursement Policy, Non-Travel Business Meals and Food Policy, Payment Procedures Policy, and Capital Improvement Project Policy.
- Updated the City's P-card Procedures Manual. Launched City wide training for cardholders and approvers, implemented a formal compliance monitoring program to enhance accountability and reduce risk.
- Enhanced transparency and efficiency by making Information for Bids (IFB) and Request for Quotes (RFQ) directly accessible through the City's e-procurement system, reducing reliance on formal Public Records Requests.
- Developed process maps outlining end to end procurement workflows to support a smooth transition to the SAP S/4HANA upgrade.
- Introduced centralized procurement training and reference resources for staff and department customers, and provided ongoing training on the new intake process and communication tools in the recently implemented e-procurement system.
- Maintained the City's AAA credit rating, with results in the lowest possible borrowing costs; confirmed in the most recent rating by Standard & Poor's in March 2022.
- Implemented monthly investment reporting and streamlined quarterly investment reports by simplifying narrative sections and organizing information in a more concise and readable format.
- Updated the City's Investment Policy and implemented related program changes, including revised oversight, reporting, and the transition of investment portfolio management from in-house to external professional management. Policy philosophy and governance was shifted from a transactional focus to management directives; improved policy readability; aligned permitted investments with State code.
- Engaged with a specialized investment management advisor firm to perform an overall assessment of the City's Investment Policy, perform a cash flow analysis to better understand the City's cash and

liquidity needs to structure an effective investment strategy, develop an investment strategy that is specific to the City's financial goals, and actively manage the City's investment portfolio.

- Implemented daily sweeps on the City's bank deposit accounts and investment custodian account to eliminate daily manual transfers of interest payments, while optimizing interest earnings on idle funds.
- Brokered enhanced insurance policies for cyber security and seismic risks.
- Supported the Cubberley Project leading voter polling and ballot measure efforts, including City Council voting to place a 1/2 cent sales tax measure on the November 2026 ballot and engaging with the City's political advocacy firm to support Senate Bill 762 to raise the City's sales tax cap.

# Initiatives

- Continue to review the City's procurement process, policies and procedures and implement improvements by decreasing the cycle time of the procurement and contract process while ensuring the proper expenditure of the City's financial resources and ensuring an open, fair and competitive process.
- Review and propose changes to the solicitation thresholds and contract award authority in alignment with the City Auditor advisory report. This will increase operational efficiency, reduce administrative burden and reflect inflationary impacts not updated since 2016.
- Support the Cubberley Project to acquire seven acres of the Palo Alto Unified School District-owned portion of the Cubberley site for renovation and development, performing comprehensive capital financing and rental income analysis and supporting project development activities.
- Launch the citywide risk management coordination framework to improve the availability of claim information and use of standard procedures across all departments.
- Launch citywide review of cost recovery for banking fees through vendor agreements and digital platforms across city departments.
- The City is preparing for the SAP S/4HANA system upgrade, which is a significant enterprise-wide technology modernization effort requiring extensive staff participation from Finance, Payroll, Human Resources, and Information Technology. The system upgrade is a resource-intensive project that requires dedicated temporary support to maintain daily operations and minimize disruption to employees, vendors, and City services.
- Implement the One Big Beautiful Bill Act (OBBBA) for federal income tax deductions for certain qualified overtime compensation.

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Fund** | | | | | | |
| General Fund-Operating | 10,617,859 | 11,501,543 | 11,830,650 | 11,460,972 | (369,678) | (3.1)% |
| Printing & Mailing Services Fund | 1,441,555 | 1,500,574 | 1,660,237 | 1,605,439 | (54,798) | (3.3)% |
| **Total Dollars by Fund** | **12,059,414** | **13,002,117** | **13,490,887** | **13,066,411** | **(424,476)** | **(3.1)%** |
| **Revenues** | | | | | | |
| Charges for Services | 171,850 | 166,680 | 254,833 | 257,532 | 2,699 | 1.1% |
| Charges to Other Funds | 5,151,090 | 5,109,020 | 6,073,457 | 5,652,206 | (421,251) | (6.9)% |
| Operating Transfers-In | — | 3,000 | 10,000 | — | (10,000) | (100.0)% |
| Other Revenue | 123,285 | 131,364 | 171,400 | 171,400 | — | —% |
| Rental Income | — | — | — | 65,000 | 65,000 | —% |
| Return on Investments | 1,286 | 66 | 4,890 | 5,807 | 917 | 18.8% |
| Sales Taxes | — | — | 150,000 | 150,000 | — | —% |
| **Total Revenues** | **5,447,510** | **5,410,131** | **6,664,580** | **6,301,945** | **(362,635)** | **(5.4)%** |
| **Positions by Fund** | | | | | | |
| General Fund-Operating | 41.63 | 42.63 | 42.69 | 39.11 | (3.58) | (8.4)% |
| Printing & Mailing Services Fund | 2.10 | 2.12 | 2.10 | 2.00 | (0.10) | (4.8)% |
| **Total Positions by Fund** | **43.73** | **44.75** | **44.79** | **41.11** | **(3.68)** | **(8.2)%** |

# GENERAL FUND

## Goals and Objectives

### Goal 1

- Ensure the City of Palo Alto's short and long-term financial status is healthy and sound.

**Objectives:**

- Assist with the implementation of the City Council's 2014 Infrastructure Plan and major capital projects, such as Wastewater Treatment facility replacements, and the Grid Modernization for Electrification by providing financial forecasts and debt financing options.
- Review opportunities for new and/or enhanced revenues.
- Reduce the City's pension and retiree healthcare long-term liabilities as outlined in the Pension and OPEB Funding Policy.
- Manage real estate assets effectively to enhance revenue, reduce cost and provide community benefit.
- Recommend a strategically balanced budget, maintaining City Council-approved reserve levels, for City Council consideration.
- Assist with ongoing labor negotiations with analysis of labor and City proposals.
- Develop plans for addressing any forecast shortfalls in funding for operations and infrastructure.
- Provide oversight of the City's debt portfolio, including evaluating financial strategies, supporting capital funding plans, and maintaining strong credit ratings to support access to capital markets.
- Monitor economic and financial market conditions and evaluate impacts on City revenues, borrowing costs, and long-term financial planning assumptions.

### Goal 2

- Provide timely and accurate financial reporting and transactions.

**Objectives:**

- Ensure that payroll processing, vendor payments, budget, and annual financial reporting are clear, timely, accurate, and in compliance with governmental finance standards.
- Enhance financial reporting mechanisms to ensure that departmental financial information is relevant and timely; look for opportunities to improve reporting as part of technology implementation upgrades.
- Increase information availability and transparency using open data tools and dashboards.
- Implement complex new labor agreements including new benefit structures, ensuring timely and accurate payments to employees and governing bodies such as the federal government and CalPERS.

### Goal 3

- Ensure public funds and assets are invested prudently and managed in accordance with the City's Investment Policy.

### Objectives:

- Ensure sufficient cash is available to meet operational and capital expenditures needs through ongoing cash flow monitoring and forecasting.
- Maintain investment activities consistent with the priorities of safety, liquidity, and return.
- Provide oversight of investment portfolio management activities, including monitoring compliance with policy requirements and reviewing performance reporting.
- Administer and maintain the City's Investment Policy, including annual review and adoption by the City Council.
- Monitor financial market conditions and risks affecting City funds and investment activities.

## Goal 4

- Continue implementation of the ASD Strategic Plan in the focus areas of customer service, innovation, best practices, and employee excellence.

### Objectives:

- Continue workforce development and continuity planning for the Department.
- Review ASD policies and procedures to continuously update, enhance, and streamline.
- Roll out training and resources for customer support to improve processing time.
- Enhance training plans for employees for job-specific training and career development.
- Support the ongoing enhancements to the citywide ERP system to streamline processes, improve financial reporting, and improve payroll processing and timekeeping.

## Goal 5

- Ensure that the city's self-insurance and risk transfer strategies effectively protect employees, properties, and residents.

### Objectives:

- Optimize the risk pool liability program to adequately safeguard city funds in a cost-effective manner.
- Enhance risk transfer opportunities within vendor contracts.
- Implement targeted risk mitigation measures across city operations to reduce liability claims.
- Explore new layers of insurance coverage where appropriate to ensure adequate coverage in the event of disasters.

# Key Performance Measures

## ANNUAL PERCENTAGE YIELD ON INVESTMENTS

| | | | | | |
|---|---|---|---|---|---|
| Goal | Ensure public funds and assets are invested prudently and managed in accordance with the City's Investment Policy. | | | | |
| Objective | Achieve a market-appropriate rate of return on investments. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Investment Portfolio Average Market Yield | 2.04% | 2.42% | 2.65% | 2.65% | 3.25% |
| Description | This measure tracks the City's average market yield, evaluated in accordance with Investment Policy priorities of safety, liquidity, and return. Investment yields are influenced by changes in interest rates and market conditions, and actual results may vary from projections as economic conditions evolve. | | | | |
| Purpose | Investment earnings provide revenue to support City operations while maintaining liquidity and preserving principal. This measure helps monitor performance relative to market conditions and policy objectives. | | | | |
| Status | Prior-year results reflected realized annual investment earnings based on internally managed portfolio reporting. Beginning in FY 2026, portfolio management transitioned from in-house staff to a specialized investment firm. Estimated yields reflect current portfolio positioning and reinvestment assumptions and are expected to adjust over time as existing investments mature and the portfolio transitions to the new investment strategy. | | | | |

# Key Performance Measures

## AVERAGE PROCESSING TIME FOR PURCHASE REQUISITIONS

| | | | | | |
|---|---|---|---|---|---|
| Goal | Implement performance management programs to support and enhance communication, accountability, and positive outcomes. | | | | |
| Objective | Continue developing and implementing Procurement and Inventory process improvements. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Average time from receipt of a Purchase Requisition to issuance of Purchase Order (Days) | 21 | 22 | 22 | 23 | 22 |
| Description | The City is required to follow procurement rules and regulations as outlined in the Municipal Code and State Law to ensure open and fair competition and the most cost-effective use of tax dollars. In compliance with existing rules and regulations, ASD endeavors to provide goods and services as quickly as possible to City departments.<br><br>The average days is for all procurements request submitted to Purchasing through a Purchase Requisition (PR). All requests include solicitations, contracts, purchase orders, amendments, and encumbrances to current contracts. Some procurements can take longer depending on their complexity. Encumbering funds to existing contracts and term extension amendments generally takes less time to complete. | | | | |
| Purpose | To measure the average processing time for a PR in order to identify processing improvements while complying with existing rules and regulations. | | | | |
| Status | Staff anticipates an increase in larger, more complex PRs in FY 2027 due to the volume of capital improvement projects planned over the next several years. Purchasing will continue to work with City stakeholders to meet deadlines of their business needs. | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Number of P-card (City credit card) transactions | 16,603 | 16,963 | 17,610 | 17,471 | 17,995 |
| Number of Purchase Orders and Purchase Requisitions processed | 1,578 | 1,708 | 1,751 | 1,660 | 1,710 |
| Total amount of cash and investments - as of June 30 (Millions) | $644 | $686 | $650 | $685 | $695 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Accounting | 3,193,443 | 3,102,460 | 3,278,536 | 3,286,938 | 8,402 | —% |
| Administration | 857,959 | 1,062,649 | 574,493 | 272,840 | (301,653) | (52.5)% |
| Office of Management and Budget | 1,163,675 | 1,727,693 | 1,863,262 | 1,862,610 | (652) | —% |
| Purchasing | 2,481,494 | 2,562,510 | 2,633,233 | 2,579,421 | (53,812) | (2.0)% |
| Real Estate | 703,391 | 593,488 | 852,830 | 844,583 | (8,247) | —% |
| Treasury | 2,217,898 | 2,452,743 | 2,628,295 | 2,614,579 | (13,716) | —% |
| **Total Dollars by Division** | **10,617,859** | **11,501,543** | **11,830,650** | **11,460,972** | **(369,678)** | **(3.1)%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 693,026 | 730,277 | 841,647 | 829,312 | (12,335) | (1.5)% |
| Other Benefits | 176,911 | 168,601 | 157,401 | 187,656 | 30,255 | 19.2% |
| Overtime | 14,152 | 7,359 | 43,381 | 14,249 | (29,132) | (67.2)% |
| Pension | 2,469,670 | 2,510,399 | 2,505,712 | 2,077,409 | (428,303) | (17.1)% |
| Retiree Medical | 404,859 | 551,291 | 700,533 | 814,342 | 113,809 | 16.2% |
| Salary | 5,139,323 | 5,525,381 | 5,554,591 | 5,352,728 | (201,863) | (3.6)% |
| Workers' Compensation | 236,154 | 163,350 | 248,172 | 235,114 | (13,058) | (5.3)% |
| **Total Salary and Benefits** | **9,134,095** | **9,656,658** | **10,051,436** | **9,510,809** | **(540,627)** | **(5.4)%** |
| Allocated Charges | 579,777 | 733,447 | 753,884 | 758,453 | 4,569 | —% |
| Contract Services | 729,845 | 973,918 | 774,139 | 987,139 | 213,000 | 27.5% |
| Facilities & Equipment | 137 | 7,659 | 4,200 | 4,200 | — | —% |
| General Expense | 126,329 | 109,535 | 200,237 | 168,617 | (31,620) | (15.8)% |
| Rents & Leases | 16,430 | 1,234 | 12,856 | 12,856 | — | —% |
| Supplies & Material | 31,247 | 19,092 | 33,898 | 18,898 | (15,000) | (44.3)% |
| **Total Dollars by Category** | **10,617,859** | **11,501,543** | **11,830,650** | **11,460,972** | **(369,678)** | **(3.1)%** |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Charges for Services | 171,850 | 166,680 | 254,833 | 257,532 | 2,699 | 1.1% |
| Charges to Other Funds | 3,667,964 | 3,604,982 | 4,544,907 | 4,085,444 | (459,463) | (10.1)% |
| Other Revenue | 123,285 | 131,364 | 171,400 | 171,400 | — | —% |
| Rental Income | — | — | — | 65,000 | 65,000 | —% |
| Sales Taxes | — | — | 150,000 | 150,000 | — | —% |
| **Total Revenues** | **3,963,098** | **3,903,026** | **5,121,140** | **4,729,376** | **(391,764)** | **(7.6)%** |
| **Positions by Division** | | | | | | |
| Accounting | 12.77 | 12.77 | 12.77 | 12.52 | (0.25) | (2.0)% |
| Administration | 1.85 | 2.85 | 2.95 | 1.70 | (1.25) | (42.4)% |
| Office of Management and Budget | 6.27 | 6.27 | 6.27 | 6.02 | (0.25) | (4.0)% |
| Purchasing | 11.30 | 11.30 | 10.30 | 10.05 | (0.25) | (2.4)% |
| Real Estate | 2.32 | 2.32 | 2.32 | 2.32 | — | —% |
| Treasury | 7.12 | 7.12 | 8.08 | 6.50 | (1.58) | (19.6)% |
| **Total Positions by Division** | **41.63** | **42.63** | **42.69** | **39.11** | **(3.58)** | **(8.4)%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Account Specialist | 4.13 | 4.13 | 4.13 | 4.13 | — | 440,688 |
| Account Specialist-Lead | 3.45 | 3.45 | 3.45 | 3.45 | — | 393,604 |
| Accountant | 2.00 | 2.00 | 2.00 | 2.00 | — | 255,694 |
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 109,886 |
| Administrative Associate II | 1.00 | 1.00 | 1.00 | — | (1.00) | — |
| Administrative Associate III | 1.00 | 1.00 | 1.00 | 1.00 | — | 110,011 |
| Assistant Director Administrative Services | 1.65 | 1.65 | 1.65 | 1.65 | — | 444,678 |
| Buyer | 2.00 | 2.00 | 2.00 | 2.00 | — | 283,670 |
| Chief Procurement Officer | 1.00 | 1.00 | 1.00 | 1.00 | — | 200,262 |
| Contracts Administrator | 3.70 | 3.70 | 2.70 | 2.70 | — | 416,830 |
| Director Administrative Services/CFO | 0.80 | 0.80 | 0.80 | 0.80 | — | 247,487 |
| Director Office of Management and Budget | 1.00 | 1.00 | 1.00 | 1.00 | — | 239,429 |
| Management Analyst | 2.00 | 3.00 | 2.00 | 2.00 | — | 289,079 |
| Manager Budget | 2.00 | 2.00 | 2.00 | 2.00 | — | 401,960 |
| Manager Real Property | 1.00 | 1.00 | 1.00 | 1.00 | — | 201,635 |
| Manager Revenue Collections | 0.62 | 0.62 | 0.62 | — | (0.62) | — |
| Manager Treasury, Debt & Investments | 0.60 | 0.60 | 0.60 | 0.60 | — | 118,423 |
| Manager, Finance | 1.00 | 1.00 | 1.00 | 1.00 | — | 205,005 |
| Payroll Analyst | 2.00 | 2.00 | 2.00 | 2.00 | — | 253,510 |
| Senior Accountant | 3.00 | 3.00 | 3.00 | 3.00 | — | 529,797 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Senior Buyer | 1.00 | 1.00 | 1.00 | 1.00 | — | 151,590 |
| Senior Management Analyst | 2.30 | 2.30 | 3.40 | 2.40 | (1.00) | 396,797 |
| Storekeeper | 2.00 | 2.00 | 2.00 | 2.00 | — | 224,058 |
| Storekeeper-Lead | 0.20 | 0.20 | 0.20 | 0.20 | — | 23,953 |
| Warehouse Supervisor | 0.20 | 0.20 | 0.20 | 0.20 | — | 24,727 |
| **Subtotal: Full-Time Equivalent Positions** | **40.65** | **41.65** | **40.75** | **38.13** | **(2.62)** | **$5,962,775** |
| Temporary/Hourly | 0.98 | 0.98 | 1.94 | 0.98 | (0.96) | $81,539 |
| **Total Positions** | **41.63** | **42.63** | **42.69** | **39.11** | **(3.58)** | **$6,044,314** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **42.69** | **11,830,650** | **5,121,140** | **6,709,510** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| None | - | - | - | - |
| **One-Time Prior Year Budget Adjustments** | **-** | **-** | **-** | **-** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | - | 105,031 | - | 105,031 |
| Eliminate Manager of Revenue Collections | (0.62) | (146,758) | - | (146,758) |
| Contract Services Adjustments | - | (37,000) | - | (37,000) |
| Business Tax Administration (Staff Report #: 2507-4964) | - | 250,000 | - | 250,000 |
| General Expense Adjustments | - | 45,000 | - | 45,000 |
| Supplies & Materials Adjustments | - | (15,000) | - | (15,000) |
| Information Technology Allocated Charges | - | (45,411) | - | (45,411) |
| Liability Insurance Allocated Charges | - | 38,102 | - | 38,102 |
| Printing and Mailing Allocated Charges | - | 1,514 | - | 1,514 |
| Utilities Allocated Charges | - | 10,906 | - | 10,906 |
| Vehicle Replacement & Maintenance Allocated Charges | - | (542) | - | (542) |
| Workers' Compensation Allocated Charges | - | (13,058) | - | (13,058) |
| General Fund Cost Allocation Plan Adjustments | - | - | (446,764) | 446,764 |
| Charges to Other Funds | - | - | (10,000) | 10,000 |
| **Adjustments to Costs of Ongoing Activities** | **(0.62)** | **192,784** | **(456,764)** | **649,548** |
| **Total FY 2027 Base Budget** | **42.07** | **12,023,434** | **4,664,376** | **7,359,058** |
| **Budget Adjustments** | | | | |
| 1. Eliminate Management Analyst - Grants Administration | (1.00) | (204,987) | - | (204,987) |
| 2. Eliminate Administrative Associate II | (1.00) | (122,621) | - | (122,621) |
| 3. Reduce Revenue Collections Hourly Staff | (0.96) | (78,631) | - | (78,631) |
| 4. Section 115 Dispersal to CalPERS for ADC and ADP | - | (79,681) | - | (79,681) |
| 5. Reduction in Overtime Salaries | - | (30,000) | - | (30,000) |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 6. Reduction in Bankcard Service Charges | - | (30,000) | - | (30,000) |
| 7. Reduction in Office Supplies | - | (15,000) | - | (15,000) |
| 8. Fleet Fuel Contract Reduction | - | (1,542) | - | (1,542) |
| 9. Rent Revenue - Building Inspection | - | - | 65,000 | (65,000) |
| **Total Budget Adjustments** | **(2.96)** | **(562,462)** | **65,000** | **(627,462)** |
| **Total FY 2027 Adopted Budget** | **39.11** | **11,460,972** | **4,729,376** | **6,731,596** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Eliminate Management Analyst - Grants Administration | (1.00) | (204,987) | - | (204,987) |

This action eliminates 1.00 FTE Management Analyst position for Grant Administration. This position establishes and maintains centralized citywide grant management by partnering with departments and the City's grant consultant on grant opportunities, reporting, and compliance. With this elimination, the service level will revert to previous service levels where the City's grant consultant will partner with departments on grant opportunities and applications, while the Accounting Division will maintain the accounting for all grants and financial audit for federal grants. Concurrently, it would be more effective to reclass the Senior Management Analyst in Real Estate to Management Analyst thereby providing two Management Analysts within the department for collaboration and ease of work distribution. While centralized grant compliance would dissolve, there is potential partial offset to either of these two management analysts. (Ongoing savings: $204,987)

**Performance Results**

This action contributes to cost containment strategies in Fiscal Year 2027.

| | | | | |
|---|---|---|---|---|
| 2. Eliminate Administrative Associate II | (1.00) | (122,621) | - | (122,621) |

This action eliminates 1.00 FTE Administrative Associate II position due to budget financial constraints. Remaining staffing would include 3.00 FTEs within the Admin Division and this recommendation would include filling the centralized Management Analyst position and eliminating this centralized Administrative Associate II position. (Ongoing savings: $122,621)

**Performance Results**

This action contributes to cost containment strategies in Fiscal Year 2027.

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 3. Reduce Revenue Collections Hourly Staff | (0.96) | (78,631) | - | (78,631) |
| This action eliminates two 0.48 FTE Administrative Specialist II – Hourly positions within Revenue Collections. The customer volume of Revenue Collections has decreased in recent years due to fewer customers buying parking permits in-person at City Hall, increased online permit renewals, consolidation of parking citation vendors and greater shift towards online resources. This creates capacity for Revenue Collections staffing to support the City Hall Information window and defunding the two 0.48 Administrative Specialist II - Hourly positions. (Ongoing savings: $78,631) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 4. Section 115 Dispersal to CalPERS for ADC and ADP | - | (79,681) | - | (79,681) |
| This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $79,681) | | | | |
| **Performance Results** | | | | |
| This action executes City Council policy and proactively manages the City's pension obligations. | | | | |
| 5. Reduction in Overtime Salaries | - | (30,000) | - | (30,000) |
| This action reduces the departmental General Fund appropriation for overtime salaries. This reduction will be achieved through enhanced workflow scheduling and the prioritization of essential financial reporting tasks, contributing to the department's portion of the citywide fiscal sustainability target. (Ongoing savings: $30,000) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 6. Reduction in Bankcard Service Charges | - | (30,000) | - | (30,000) |
| This action reduces the budget for merchant processing and bank service fees. These savings are realized by leveraging updated citywide vendor agreements that pass along the transaction costs to payee. (Ongoing savings: $30,000) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 7. Reduction in Office Supplies | - | (15,000) | - | (15,000) |
| This action reduces the department's General Fund appropriation for office materials and supplies. The divisions will achieve these savings by optimizing centralized procurement and reducing discretionary administrative expenditures. (Ongoing savings: $15,000) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 8. Fleet Fuel Contract Reduction | - | (1,542) | - | (1,542) |
| This action reduces the Administrative Services share of the citywide fleet fuel contract based on historical usage trends. By right-sizing the contract to reflect actual consumption patterns, the department generates General Fund savings without impacting the availability of specialized equipment. (Ongoing savings: $1,542) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 9. Rent Revenue - Building Inspection | - | - | 65,000 | (65,000) |
| This action recognizes new General Fund revenue associated with a lease agreement for Development Services inspectors occupying dedicated workspace within City Hall. These inspectors support the Building Inspection division and their proportional rent payments provide direct offset to City Hall facility costs. (Ongoing revenue: $65,000) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |

# PRINTING AND MAILING SERVICES

## Description

The Printing and Mailing Services Internal Services Fund delivers document printing solutions to the City organization. The printing shop handles the reproduction of the weekly City Council agenda packet along with a myriad of other print jobs ranging from full-color posters to flyers. The mailing function provides mail intake and delivery throughout the organization along with outgoing mail processing.

## Accomplishments

- Maintained timelines for producing City Council packets.
- Provided timely printing services for a wide variety of print jobs for City departments.
- Collaborated with the Utilities Department on the migration to a new utility bill printing and mailing service.

## Initiatives

- Enhance customer service by implementing a new request intake process and customer feedback survey.
- Provide quality printing products that meet the needs of customers.
- Explore options for the City's Printshop to provide expanded services to City departments.

## Goals and Objectives

### Goal 1

- Provide timely and high-quality services for City departments, City Council, and Committees.

**Objectives:**

- Ensure timely distribution of mail and print jobs.
- Ensure timely creation and distribution of City Council and Committee packets.
- Develop outreach program to ensure all City Departments are aware of in-house printing services.

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Printing and Mailing | 1,441,555 | 1,500,574 | 1,660,237 | 1,605,439 | (54,798) | (3.3)% |
| **Total Dollars by Division** | **$1,441,555** | **$1,500,574** | **$1,660,237** | **$1,605,439** | **$(54,798)** | **(3.3)%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 13,989 | 13,252 | 23,880 | 23,540 | (339) | (1.4)% |
| Other Benefits | 2,771 | 2,492 | 2,651 | 2,949 | 299 | 11.3% |
| Overtime | 724 | 943 | — | — | — | —% |
| Pension | 44,177 | 55,842 | 60,640 | 44,238 | (16,402) | (27.0)% |
| Retiree Medical | 2,270 | 7,636 | 12,860 | 9,808 | (3,052) | (23.7)% |
| Salary | 95,098 | 122,593 | 161,109 | 156,665 | (4,444) | (2.8)% |
| Workers' Compensation | 6,713 | 3,587 | 7,016 | 5,343 | (1,673) | (23.8)% |
| **Total Salary and Benefits** | **$165,741** | **$206,346** | **$268,155** | **$242,544** | **$(25,611)** | **(9.6)%** |
| Allocated Charges | 290,636 | 375,779 | 361,582 | 372,910 | 11,328 | 3.1% |
| Contract Services | 49,305 | 302,439 | 366,800 | 367,175 | 375 | —% |
| General Expense | 312,309 | 227,903 | 252,900 | 252,800 | (100) | —% |
| Rents & Leases | 443,807 | 215,117 | 235,800 | 195,011 | (40,789) | (17.3)% |
| Supplies & Material | 179,758 | 172,990 | 175,000 | 175,000 | — | —% |
| **Total Dollars by Category** | **$1,441,555** | **$1,500,574** | **$1,660,237** | **$1,605,439** | **$(54,798)** | **(3.3)%** |
| **Revenues** | | | | | | |
| Charges to Other Funds | 1,483,126 | 1,504,038 | 1,528,550 | 1,566,762 | 38,212 | 2.5% |
| Operating Transfers-In | — | 3,000 | 10,000 | — | (10,000) | (100.0)% |
| Return on Investments | 1,286 | 66 | 4,890 | 5,807 | 917 | 18.8% |
| **Total Revenues** | **$1,484,413** | **$1,507,105** | **$1,543,440** | **$1,572,569** | **$29,129** | **1.9%** |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Positions by Division** | | | | | | |
| Printing and Mailing | 2.10 | 2.12 | 2.10 | 2.00 | (0.10) | (4.8)% |
| **Total Positions by Division** | **2.10** | **2.12** | **2.10** | **2.00** | **(0.10)** | **(4.8)%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Manager Revenue Collections | 0.10 | 0.10 | 0.10 | — | (0.10) | — |
| Offset Equipment Operator | 1.52 | 2.02 | 1.52 | 1.52 | — | 139,174 |
| **Subtotal: Full-Time Equivalent Positions** | **1.62** | **2.12** | **1.62** | **1.52** | **(0.10)** | **$139,174** |
| Temporary/Hourly | 0.48 | — | 0.48 | 0.48 | — | $30,970 |
| **Total Positions** | **2.10** | **2.12** | **2.10** | **2.00** | **(0.10)** | **$170,144** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **2.10** | **1,660,237** | **1,543,440** | **116,797** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| None | - | - | - | - |
| **One-Time Prior Year Budget Adjustments** | | **-** | **-** | **-** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | (0.10) | (18,846) | - | (18,846) |
| Contract Services Adjustments | - | 375 | - | 375 |
| Rents and Leases Adjustments | - | (40,789) | - | (40,789) |
| General Fund Cost Allocation Plan | - | (1,355) | - | (1,355) |
| Liability Insurance Allocated Charges | - | 1,077 | - | 1,077 |
| Information Technology Allocated Charges | - | 11,606 | - | 11,606 |
| Workers' Compensation Allocated Charges | - | (1,673) | - | (1,673) |
| Revenue Adjustments | - | - | 28,429 | (28,429) |
| Return on Investments (Cash Holdings) | - | - | 700 | (700) |
| **Adjustments to Costs of Ongoing Activities** | **(0.10)** | **(49,605)** | **29,129** | **(78,734)** |
| **Total FY 2027 Base Budget** | **2.00** | **1,610,632** | **1,572,569** | **38,063** |
| **Budget Adjustments** | | | | |
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (5,193) | - | (5,193) |
| **Total Budget Adjustments** | **-** | **(5,193)** | **-** | **(5,193)** |
| **Total FY 2027 Adopted Budget** | **2.00** | **1,605,439** | **1,572,569** | **32,870** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (5,193) | - | (5,193) |

This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $5,193)

**Performance Results**

This action executes City Council policy and proactively manages the City's pension obligations.



CITY OF
PALO
ALTO

# COMMUNITY SERVICES

## Mission Statement





The Community Services Department's mission is to engage individuals and families in creating a strong and healthy community through parks, recreation, arts, and sciences.

## Purpose

The purpose of the Community Services Department is to provide a diverse range of quality programs and services that are highly valued and relevant to the needs of the community. Community Services aims to develop and provide programs for increased knowledge, creativity, artistic expression, physical activity, and enjoyment of the outdoors; seeks to be responsible stewards of many unique community assets including open space, parks, and their related interpretive centers, the Animal Shelter, Children's Theatre, Palo Alto Art Center, Junior Museum and Zoo, and four community centers at Cubberley, Mitchell Park and Lucie Stern, and the new Bryant Street Community Center, and the Palo Alto Public Art collection; seeks to provide comfortable, safe, and attractive facilities; strives for sustainable practices that lower the City's carbon footprint; and develops and maintains mutually beneficial partnerships and collaborations with organizations, businesses, individuals and foundations to achieve its mission. The Department works closely with the Parks and Recreation Commission, Public Art, and Human Relations Commissions, and several nonprofit partners.

# COMMUNITY SERVICES




**FY 2027 POSITION TOTALS**
86.10 - Full-time
55.68 - Hourly

This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary table summarizes FTEs by position allocation.

* 1.00 Assistant to the City Manager (Housing and Services for the Unhoused) currently overseeing Human Services team in CSD: 1.00 Manager Community Services Sr. Program, 1.00 Management Assistant

# Description

The Community Services Department operates divisions providing the following services to the community:

## ADMINISTRATION

Provides financial, analytical, budget, strategic, and administrative support services for the department and organization. The division manages the Know Your Neighbors grant program and Community Events grant program, The division also oversees operations of the Palo Alto Animal Shelter through a public/private partnership with Pets in Need (PIN).

## ARTS AND SCIENCES

Provides visual and performing arts, music, dance, and science programs to youth and adults, including school and family programs, as well as therapeutic recreation programs that serve individuals with disabilities and support inclusive participation. The division manages the Art Center, Junior Museum & Zoo (JMZ), Children's Theatre, Lucie Stern Community Theatre, Cubberley Theatre, the Public Art Program, and the Cubberley Artist Studios Program. The division also provides accommodation coordination and accessibility support to help community members participate in all Community Services Department programs and events. The Division also provides staffing to the Public Art Commission.

## OPEN SPACE, PARKS, AND GOLF

Manages and maintains over 4,000 acres of open space and urban parks including 41 miles of trails, three nature interpretive centers, five community gardens, five dog parks, and multi-use athletic fields throughout the City. The division provides ecology and natural history programs in open space, maintains outdoor recreational facilities in City parks, and oversees a full-service 18-hole golf course. Additionally, it supports junior golf programs through a partnership with First Tee - Silicon Valley. The division also plans and manages capital improvement projects and provides staffing to support the Parks and Recreation Commission.

## RECREATION

Provides a diverse range of programs and activities for the community to support the health and well-being of families and individuals of all ages and abilities. Programs include youth development and enrichment, teen services, summer camps, organized sports, aquatics, special events, and a wide variety of adult and youth recreation classes. The Recreation Division manages and operates four community centers, two teen centers, the MakeX studio, and through a public/private partnership, the Rinconada Pool.

## OFFICE OF HUMAN SERVICES

Provides funding and coordinates grants to human services organizations through the Human Services Resource Allocation Process (HSRAP) and the Emerging Needs Fund. Manages contracts with several non-profit organizations providing services to Palo Alto residents. Provides oversight of the afterschool child care program, the Palo Alto Mediation Program, and the Information & Referral database and website which help connect the Palo Alto public and service providers in Palo Alto, Serves as a key liaison to local

human services organizations and childcare providers. Provides staffing to the Human Relations Commission.

# Accomplishments

- The Art Center launched its series Centering: Clay and Community with a juried exhibition of functional ceramics that included several Palo Alto artists, in addition to artists who got their start in the Art Center ceramic studios. Centering highlights the role of the Art Center in promoting and fostering ceramic art and education for more than five decades. Thanks to the support of the Palo Alto Art Center Foundation, the Center launched a free program series, Connecting with Clay, that provides opportunities for the community to drop-in for air dry clay artmaking sessions. In Fall 2025, the Art Center presented a ceramics and identity exhibition, Pushing Boundaries, and in winter we presented Clay Sustains: Ceramics and Sustainability. Summer 2026 featured an exhibition focused on ceramic performance and installation.
- The Art Center was announced "Best Gallery" by the Palo Alto Weekly.
- Classes for adults and children continue to experience record enrollment, generating record revenue.
- Project Look, the Art Center's school tour program for K-5 students, has engaged 2,000 youth thus far this fiscal year. Teachers consistently praise the program: "We love coming every year because it's organized, fun, hands-on, and the students learn so much." The Palo Alto Art Center Foundation supports scholarship tours for Title 1 schools, in addition to providing bussing.
- In the Art Center's adult studios, progress continues on the Capital Improvement Project to upgrade the ceramics studio to promote greater efficiency and address high volumes of firing to meet community demand.
- The Art Center's artists-in-the-schools program, Creative Connections, launched a new season. Funded by the Palo Alto Art Center Foundation, this program integrates the arts into the curriculum, promoting learning through visual arts making.
- The Palo Alto Junior Museum & Zoo (JMZ) was granted accreditation with the Association of Zoos and Aquariums in September 2025, signifying that the institution meets the global gold standard for modern zoos and aquariums. This recognition was the result of leadership and staff at the Junior Museum & Zoo making a persistent, decade-long commitment to fostering environments where animals thrive, visitors benefit, children learn, and wildlife and wild spaces are conserved.
- The Palo Alto Junior Museum & Zoo educators and Instructors provided 2,710 hour-long, hands-on science lessons, serving 23,575 Pre-K through grade 5 students in local schools and learning centers. Some of these students (1,296) participated in self-guided field trips to the JMZ without a program. During the summer, 950 children were served by 70 distinct, full-day, week-long science camps.
- Thanks to The Friends of the Palo Alto Junior Museum & Zoo, 3,756 low-income students from 10 local Title-I schools and 5 Boys and Girls Club Centers participated in a total of 757 hands-on science lessons. The Friends also provided 45 low-income children with full scholarships to a JMZ summer camp, inclusive of aftercare for those who needed it. Additionally, the County of Santa Clara made it possible for the JMZ to bring 30 fully funded classroom science lessons to 8 Title-I schools in Mountain View, Sunnyvale, and San Jose.
- In Fall 2025, a large interpretive installation in the Baylands was substantially completed. Known as the Friendship Trail, the installation provides signage and an interactive exhibit along two miles of trails through the Preserve - extending from the Sea Scout House to Cooley Landing in East Palo Alto- and along 850 feet of the Baylands Nature Center's boardwalk. The project was funded with a $162,000 California State Parks grant and $94,000 in gifts from the community.

- The Children's Theatre opened its sold-out Main Stage Season with Madeline's Christmas in December 2025, where 2,860 audience members enjoyed 15 live public performances. In January-February 2026, nearly 10,000 community members attended 58 performances of the theatre's Student Matinee Production Goodnight Moon, including 23 public performances and 35 school day performances, attended by PK-3 students from Pacifica to San Jose. The Friends of Palo Alto Children's Theatre distributed $10,000 in transportation grants to 9 Title-1 Schools, enabling them to bring 875 students to the production. The Main Stage 2025-2026 season concluded with a spring production of Matilda – The Musical, with approximately 2,730 audience members attending 15 performances.
- For the Children's Theatre 2025-2026 Playhouse Series, fairytales for very young audiences performed by teen participants, the theatre added an additional Sunday 2 p.m. performance to the schedule, now producing a total of 45 performances in the series (up from 36 in 2024-2025). In the sold-out productions, serving an estimated 8,500 community members, audiences sit on the floor for the interactive performances. This season also included a participant-devised production of the original tale Chang'e and the Moon, a new play inspired by the Chinese Mid-Autumn Festival.
- Children's Theatre classes and camps served an estimated 4,000 students in FY26, with an equal number of students on waiting lists.
- The Magical Series at the Children's Theatre continued with record-breaking attendance and positive feedback about the sensory-friendly and American Sign Language Interpreted performances, as well as sensory-friendly dance, story acting, and music therapy classes.
- The Public Art program hosted the biannual Code:ART festival, which attracted more than 25,000 visitors downtown in the first three evenings of the event, garnering very positive feedback from visitors, residents, and downtown businesses.
- The Public Art Program completed the installation of three permanent artworks at the Public Safety Building and artwork at Boulware Park.
- Artwork designed by Amy Landesberg has resumed for the downtown parking structure.
- Public Art Staff worked closely with a coalition of cities to advocate for the passage of SB456, clearing the path for murals that were previously on hold. Three new murals have been completed downtown and one at Fire Station 5.
- King Artist Residency Program artist, Kiana Honarmand, began her residency and has completed her community engagement around the topic of equity and belonging for the immigrant community. Her temporary artwork will be installed on King Plaza in 2026.
- Significant artwork by Shin Grey Studios was installed at the former Cannery site. The mosaic artwork incorporates imagery from the cannery, telling the history of the site and Thomas Foon Chew.
- As part of the Public Art Program, new ArtLift grants focused on enlivening commercial corridors and the Cubberley Community Center campus are currently underway.
- Therapeutic Recreation hired a new full-time staff member, launched new City-sponsored programs, and continued strong partnerships with local partners such as Magical Bridge Foundation, AbilityPath, and PAUSD to expand inclusive recreation opportunities for the community.
- The Recreation Department introduced new special events in addition to continuing its annual events. The events created by staff included the Hearts and Harmony Community Dance, Multicultural Festival, Cornhole Tournament, Pet Parade, and Pancakes in the Park. CSD also led the City's first Pride event along with partners and youth leaders, to celebrate and support the LGBTQ+ community.
- Special Interest Classes offered 475 classes, including 285 youth classes and 190 adult classes. These programs generated 3,421 total registrations, with youth participation accounting for 2,176 registrations and adult participation totaling 1,245 registrations. Additionally, six drop-in fitness programs were

offered, resulting in 804 participant scan-ins. Overall, program revenues exceeded adopted budget targets, closing the fiscal year at 104% of projected revenues.

- The aquatics program offered by Palo Alto Swim and Sport had 33,000 lap swim visits, 28,000 open swim visits, 10,000 youth swim lessons, and 150 lifeguard certifications.
- The Palo Alto Middle School Athletics Program had 1,250 registrations in a wide range of sports. The Middle School Athletics program provides an opportunity for middle school students to play in a relaxed, fun environment where players at any skill level can participate.
- As part of the Golf Course Reconfiguration Wetland Mitigation Project, the golf course operator OB Sports and Open Space, Parks, and Golf (OSPG) staff worked further collaboratively on protecting native and wetland areas with installation projects, including split-rail fencing along seven golf holes, installation of stone walkways, and removal of unintended pathways. The wood fencing and stone paths redirect golfer foot traffic away from the native and wetland areas while enhancing the look and feel of a links style golf course. Additionally, native plants were seeded and installed in trial areas to improve wetland plant density.
- Golf course turf was enhanced with improvements, which included aeration, topdressing, sod installation, and sub-soil reconditioning. This resulted in increased playability, golfer satisfaction, and better drainage.
- Golf extended its partnership with First Tee Silicon Valley by amending the Facility Use Agreement for an additional three years, with an option to extend for two more years. The partnership supports youth development through the game of golf by fostering core values including honesty, integrity, sportsmanship, respect, confidence, responsibility, perseverance, courtesy, and judgment.
- The expanded Foothills Library Pass Program replaced a one-day paper pass with a reservable two-week vehicle access pass available through the library's catalog. In 2025, the program achieved 1,273 checkouts, translating to up to 17,822 potential access days. This approach significantly broadened access opportunities, encouraged repeat visits, and created a more equitable and trackable system for community use.
- Completed the Bike Safety Park at Ventura Community Center, a youth-led, cross-departmental project supporting the City's Sustainable Climate Action Plan by promoting safe, low-carbon transportation, active mobility, and equitable access to bicycle safety education.
- Completed the Citywide Turf Study to evaluate synthetic and natural turf systems across Palo Alto's athletic fields. The study provided data-driven analysis on playability, safety, environmental considerations, lifecycle costs, and capacity impacts, and informed City Council direction on future field investments. The effort supported transparent decision-making, regional coordination, and long-term planning for sustainable recreational infrastructure.
- Completed the Stanford Palo Alto Community Playing Fields turf replacement on time and on budget, ensuring continued access to high-quality athletic facilities. The project improved field safety, playability, and durability while maintaining uninterrupted community use through coordinated phasing and cross-departmental collaboration.
- Completed a comprehensive, Citywide GIS map of all memorial benches in Palo Alto, improving operational efficiency, transparency, and public access. The new interactive map allows users to search benches by park location, inscription content, and claimed or unclaimed status, streamlining staff coordination and enhancing customer experience. The publicly available tool modernizes program management while supporting data-driven asset tracking across the park system.
- Completed several improvement projects in Open Space Preserves, including installing an automatic gate at the Baylands Nature Preserve Entrance, planted 15 new trees at the Baylands Duck Pond, installed fencing at Byxbee Park to deter off-trail use, replaced approximately 50 aging Baylands park

signs, removed hazardous Eucalyptus Trees at Pearson-Arastradero Preserve as part of the Foothills Fire Management Plan implementation, and installed new trail wayfinding markers at Pearson-Arastradero Preserve.

- Completed improvements at Heritage Park which included repairing pathways, rebuilding retaining walls, landscaping upgrades, and re-planking park benches.
- Assisted Public Works Engineering to close out the Boulware Park Improvement Project that included the installation of new turf and irrigation, new play structure, restroom, and replacement of existing lighting, drinking fountains, benches, trash receptacles, and other amenities.
- Dedicated new parkland at Fred Eyerly Tower Well Park, installed signage, and held a ribbon cutting event.
- Completed several major park maintenance projects, including refurbishing the Mitchell Park Splash Pad, installing new Mitchell Park Directory signage, replacing the Spinner at the Magical Bridge Playground, resurfacing and installing new goals at the Greer Park Basketball Courts, repaving sections of pathway, repairing Playground and community garden fencing at Johnson Park, renovating turf at Baylands Athletic Center, Cubberley, and Greer athletic fields, and replacing drinking fountains at Peers, Werry, and Heritage Park.
- The Cubberley Project continues to advance with expected completion of the Master Concept Plan and CEQA analysis, with City Council adoption in Spring 2026. Advanced voter polling and efforts to support a potential November 2026 ballot initiative for land acquisition and construction funding were initiated.
- The Office of Human Services contracted with Heart and Home Collaborative to continue the operation of an Overnight Warming Location for up to 12 unhoused individuals during times of inclement weather (extreme cold/rain). In Fiscal Year 2024, 15 nights of service were provided, in Fiscal Year 2025 19 nights were provided, and in Fiscal Year 2026 21 nights were provided (as of March 2026, more service nights are expected). In Fiscal Year 2026, staff also coordinated the successful movement of site locations from the downtown library to a community center.
- The Office of Human Services oversees a contract with LifeMoves for a Homeless Outreach Team (HOT) of two full-time outreach staff. The staff builds trust with unhoused individuals across Palo Alto and refers them to essential services and case management. In Fiscal Year 2025, there were 437 connections between the HOT team and the unhoused community.
- The Office of Human Services coordinated a resource fair for unhoused individuals with 20 local service providers. The resource fair gave people the opportunity to connect to, and directly apply for, essential services such as shelter resources, CalFresh, mental and physical health services, and support for veterans.
- Began operations of the Bryant Street Community Center, including expanded community programming, a welcoming public space, a dedicated teen center, and strong community impact.

# Initiatives

- In Fiscal Year 2027, the Art Center celebrates its 55th anniversary! The Art Center will partner with the Palo Alto Art Center Foundation to celebrate its impact and raise visibility in the community.
- Art Center exhibitions in Fiscal Year 2027 will be part of a Year of Legacy, showcasing the enduring creative impact of artistic legends Corita Kent and Nathan Oliveira and the inspiration their work has provided to a younger generation of artists. In addition, the summer juried exhibition highlights the unique role of Palo Alto in supporting and sustaining the creative life of our community.

- The Art Center's ceramics program—for both youth and adults—will transition to a Cone 6 firing temperature. This will reduce energy usage, increase efficiency, and provide studio users with a brighter and wider color palette for glazing. The implementation of this transition will coincide with the completion of our Adult Studios capital improvement project and installation of our new kiln.
- The Art Center's auditorium capital improvement project will begin, enhancing the audio-visual capabilities of our frequently rented space, expanding the use of the facility for the community.
- The Palo Alto Junior Museum & Zoo will expand community outreach, partnerships, and conservation leadership by continuing to cultivate the Watershed Protection Program partnership with the City of Palo Alto's Watershed Protection Division (WPD); hiring an outreach coordinator and developing a work plan to engage East Palo Alto and Redwood City underserved populations; expanding engagement with the Association of Zoos and Aquariums (AZA) through relationships with Species Survival Programs and committees; and beginning planning for field conservation programs through the Conservation Advisory Committee (CAC).
- The Palo Alto Junior Museum & Zoo will enhance exhibits, guest experience, and revenue-generating programs by completing major exhibit investments including Rainbow Tunnel, Admission Desk upgrades, shade sails for the CA Dinosaur Garden, and the next phase of Baylands signage; developing a fee-based private flamingo feeding experience; and developing ways to improve membership program satisfaction and revenue.
- The Palo Alto Junior Museum & Zoo will grow youth programs and celebrations by developing and piloting new afterschool program offerings for children; increasing birthday party programs by 100%; and adding new free and fee-based events.
- The Palo Alto Junior Museum & Zoo will strengthen animal care planning and medical tracking by developing a tracking tool for medical exams, scheduling animals, and developing a semiannual chart with optimal scheduling for all routine exams.
- In Fiscal Year 2027, the Children's Theatre will continue to produce newly expanded PAUSD Outreach Programs, a sequential learning program that now extends from kindergarten through 5th grade.
- The Children's Theatre Dance in Schools Program serves all K-3 students in PAUSD Elementary Schools, and is expected to reach more than 2,400 students. This in-classroom program encourages children to creatively express themselves through movement, while achieving fitness and wellness benefits.
- Each year, the Children's Theatre works on-site with six of Palo Alto's twelve elementary schools to produce fully-staged theatrical productions, including production staff such as a director, musical director, choreographer, designers, and live musicians; scenery and props; as well as individually designed and fitted costumes. Participation is free, and every child who auditions is cast. Additional learning opportunities are available to children interested in working on the production and backstage crews. More than 760 PAUSD students are anticipated to be served by theatre outreach productions in the Fiscal Year 2027 Season.
- In Fiscal Year 2027, the Children's Theatre will continue to build on the success of new Joy of Singing Classes, which were added to PAUSD Outreach programming in Fiscal Year 2026. These classes, which encourage young people to develop a love of music while working together in an ensemble, are offered in both in-school and afterschool formats for 2nd and 3rd Graders.
- The Children's Theatre Teen Arts Council (TAC) will add exciting new programming to their already diverse roster of events, which includes activities like Open Mic Nights, Swap Meets, Mural Painting, an annual Short Film Festival, and an end of school year Music and Art Festival.
- Pride Month Kick-Off Celebration: TAC will create a safe space where teens can celebrate the LGBTIAQ+ community. Activities are likely to include an open mic night, face painting, free snacks, and other fun art projects.

- The TAC Social Justice Project: In Fiscal Year 2027, TAC will identify a social issue that they feel passionate about, and plan an activity based on that theme that will serve as a platform to engage and support their peer community. They will also continue to distribute the short film that was created in their Fiscal Year 2026 Film Lab. In this workshop, overseen by award-winning filmmaker P.J. Palmer of Twenty(2) Films, the teens wrote and produced a short film in collaboration with Palo Alto Unified School District (PAUSD) and the Children's Theatre. The project has been designed to support Palo Alto High School's Healthy Relationships & Consent Workshop and will be part of the annual curriculum viewed by every incoming freshman at Palo Alto High School. TAC will make the film available to other schools and institutions as a free learning resource for teens, as well as entering it into local, national and international film festivals.
- Public Art will expand its flagship public art programming, artist engagement, and community partnerships by planning for the next Code:ART festival in 2027 with more community partners and programming, launching the next artist residency, and identifying additional downtown and California Avenue partners to host murals.
- Public Art will advance permanent public art and placemaking in civic spaces and corridors by installing artwork on King Plaza, installing artwork at Fire Station 4, and planning for the integration of permanent public art into upcoming streetscape projects.
- Public Art will strengthen stewardship and long-range planning by beginning Phase II restoration of the Victor Arnautoff frescoes at the Roth Building and planning for an update to the Public Art Plan.
- With the addition of a new, full-time dedicated staff member, Therapeutic Recreation will continue to expand inclusive recreation program offerings and accessibility initiatives. New activities will include special events and programs such as social gatherings, sports, and life skills programs.
- Complete work on the El Camino Turf Replacement Project, Mitchell Park Restroom Project, and begin work on the Eleanor Pardee Park Restroom Project, and Mitchell Park, Robles Park and Peers Park Amenities Improvement Projects.
- Open Space will collaborate with Public Works to further enhance visitor experience and safety through the addition or enhancement of new pathways, crosswalks, signage, and parking lot improvements.
- Foothills Rangers will continue to collaborate with internal and external partners on the development and implementation of the Foothills Fire Management Plan.
- Baylands Rangers will install new trail wayfinding signage at the Baylands preserve.
- Baylands Rangers will continue to coordinate with Valley Water staff for phase 2 of the Tide Gate Seismic Rehab Project.
- Park Maintenance will implement a natural turf pilot study to improve the durability and playability of natural turf fields to inform future decisions on turf management.
- Park Maintenance will collaborate with Public Works Environmental Services to implement a Green Stormwater Infrastructure Maintenance Program.
- Park Maintenance will begin implementation of work tracking systems for equipment and project-based functions, update park inventory/assets, and begin an initiative to perform park conditions assessments, to improve operational efficiency, reporting capabilities, and asset management.
- Golf will collaborate with First Tee Silicon Valley on a long-term partnership to advance youth golf and related facility improvement, along with evaluating driving range improvements to enhance safety, revenue, and customer experience.
- Golf will begin implementation of a five-year wetland mitigation monitoring program as the result of the Golf Course Reconfiguration.

- The Office of Human Services will continue to partner with the Human Relations Commission to respond to the needs and concerns of the community in relation to inclusion, belonging, and protecting vulnerable populations.
- The Office of Human Services will oversee the application and funding award process for the upcoming Human Services Resource Allocation Process (HSRAP) Fiscal Year 2028/2029 funding cycle.
- The Office of Human Services will work with the City Manager's Office to achieve the Council Priority Objective to improve and streamline staff work on homelessness, housing, and services for vulnerable residents.
- The Cubberley Project will move forward to the next stages, including pursuing a November 2026 ballot initiative to fund acquisition of an additional 7 acres from PAUSD, and continuing to establish partnerships with community nonprofit organizations to advance the project.

# Goals and Objectives

## Goal 1

Provide high-quality, relevant, and diverse services and programs to the public.

### Objectives:

- Achieve a high level of customer satisfaction for all programs and services offered by the department.
- Increase public awareness of, and participation in, recreational services.
- Ensure programs are responsive to a broad range of needs within the community.

## Goal 2

Ensure parks and recreational areas are safe and environmentally sensitive.

### Objectives:

- Maintain grounds to be in good condition and facilities to be in good repair.
- Protect public land and utilize best management practices for environmental preservation.

## Goal 3

Provide innovative, well-managed programs and services.

### Objectives:

- Increase and diversify community involvement and volunteerism.
- Monitor cost recovery to facilitate sustainability of programs and services with a goal to maintain or increase cost recovery levels.
- Explore partnerships with other agencies to maximize services for the public.

# Key Performance Measures

## COMMUNITY SERVICES DEPARTMENT ONLINE REGISTRATION AND EFFICIENCY

| | | | | | |
|---|---|---|---|---|---|
| Goal | Provide innovative, well-managed programs and services. | | | | |
| Objective | Increase online class registration. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of class registrations occurring online | 92% | 84% | 93% | 88% | 86% |
| Description | This measure tracks the utilization rate of online class registration service available. | | | | |
| Purpose | Increase staff productivity and capacity. | | | | |
| Status | Online registrations increased significantly in response to the COVID-19 pandemic and continue to make up the majority of class registrations. | | | | |

## COMMUNITY SERVICES DEPARTMENT OPEN SPACE AND PARKS

| | | | | | |
|---|---|---|---|---|---|
| Goal | Ensure parks and recreational areas are safe and environmentally sensitive. | | | | |
| Objective | Protect public land and utilize best management practices for environmental preservation. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of surveyed who rate the City's success in preserving natural areas as "Good" or "Excellent" | 81% | 83% | 83% | 83% | 83% |
| Description | This measure tracks resident responses when asked to rate Palo Alto's preservation of natural areas such as open space and green belts. The Department maintains and manages 4,029 acres of open space including Foothills Nature Preserve, Baylands Nature Preserve, Pearson-Arastradero Preserve, and Esther Clark Nature Preserve. This data is collected as part of the Palo Alto Community Survey that is conducted annually by Polco/National Research Center, Inc. | | | | |
| Purpose | It is important for the City to solicit feedback from and respond to residents regarding the services and programs provided. | | | | |
| Status | The most recent Palo Alto Community Survey was completed in October 2025. The full report can be found on the City website: www.paloalto.gov/communitysurvey | | | | |

# Key Performance Measures

## COMMUNITY SERVICES DEPARTMENT PROGRAMS AND SERVICES

| | | | | | |
|---|---|---|---|---|---|
| Goal | Provide high quality, relevant, and diverse services and programs to the public. | | | | |
| Objective | Ensure programs are responsive to a broad range of needs within the community. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of surveyed who rate recreation programs/classes as "Good" or "Excellent" | 80% | 86% | 83% | 85% | 85% |
| Description | The Department's motto is "Engage, Create, Enjoy!" to enhance the quality of life. We offer diverse experiences for children, teens, and adults of all ages. This measure tracks resident responses when asked to rate Palo Alto's recreation programs or classes. This data is collected as part of the Palo Alto Community Survey that is conducted annually by Polco/ National Research Center, Inc. | | | | |
| Purpose | It is important for the City to solicit feedback from and respond to residents regarding the services and programs provided. | | | | |
| Status | The most recent Palo Alto Community Survey was completed in October 2025. The full report can be found on the City website: www.paloalto.gov/communitysurvey | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Total Enrollment in classes/camps in arts, sciences, recreation, and open space programs | 14,148 | 13,557 | 14,000 | 13,266 | 13,412 |
| Average Enrollment in classes/camps in arts, sciences, recreation, and open space programs | 11 | 9 | 10 | 8 | 8 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Administration and Human Services | 7,053,208 | 6,861,892 | 7,354,627 | 7,321,440 | (33,187) | —% |
| Arts and Sciences | 9,328,971 | 9,831,558 | 10,882,691 | 11,273,739 | 391,048 | 3.6% |
| Open Space, Parks and Golf | 15,851,499 | 16,032,129 | 16,935,238 | 16,902,932 | (32,306) | —% |
| Recreation and Cubberley | 6,978,746 | 7,553,989 | 8,322,773 | 8,337,074 | 14,302 | —% |
| **Total Dollars by Division** | **39,212,423** | **40,279,568** | **43,495,329** | **43,835,186** | **339,857** | **—%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 1,790,846 | 1,863,239 | 2,125,468 | 2,094,661 | (30,807) | (1.4)% |
| Other Benefits | 300,383 | 274,768 | 244,169 | 306,573 | 62,404 | 25.6% |
| Overtime | 295,885 | 287,268 | 164,417 | 167,036 | 2,618 | 1.6% |
| Pension | 4,146,647 | 3,844,263 | 3,888,249 | 3,498,576 | (389,673) | (10.0)% |
| Retiree Medical | 838,975 | 1,053,427 | 1,270,081 | 1,452,079 | 181,998 | 14.3% |
| Salary | 11,187,533 | 12,258,000 | 12,445,769 | 12,759,033 | 313,264 | 2.5% |
| Workers' Compensation | 480,391 | 311,695 | 556,055 | 680,418 | 124,363 | 22.4% |
| **Total Salary and Benefits** | **19,040,659** | **19,892,660** | **20,694,207** | **20,958,375** | **264,168** | **1.3%** |
| Allocated Charges | 7,158,186 | 7,286,753 | 8,037,401 | 8,498,496 | 461,095 | 5.7% |
| Contract Services | 10,841,987 | 11,082,154 | 12,215,803 | 11,949,516 | (266,287) | (2.2)% |
| Facilities & Equipment | 36,552 | 49,682 | 57,700 | 57,700 | — | —% |
| General Expense | 1,377,157 | 1,245,435 | 1,659,799 | 1,601,437 | (58,362) | (3.5)% |
| Rents & Leases | 9,234 | 10,235 | 12,570 | 12,570 | — | —% |
| Supplies & Material | 748,647 | 712,650 | 817,849 | 757,092 | (60,757) | (7.4)% |
| **Total Dollars by Category** | **39,212,423** | **40,279,568** | **43,495,329** | **43,835,186** | **339,857** | **—%** |
| **Revenues** | | | | | | |
| Charges for Services | 10,857,222 | 12,156,027 | 12,634,037 | 13,434,705 | 800,668 | 6.3% |
| Charges to Other Funds | 233,264 | 277,631 | 256,631 | 264,851 | 8,220 | 3.2% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| From Other Agencies | — | 8,286 | — | — | — | —% |
| Operating Transfers-In | 5,000 | 35,000 | 5,000 | 555,000 | 550,000 | 11,000.0% |
| Other Revenue | 1,158,704 | 1,136,067 | 1,026,295 | 812,591 | (213,704) | (20.8)% |
| Other Taxes and Fines | 6,045 | 3,245 | 1,026 | 1,026 | — | —% |
| Rental Income | 2,225,258 | 1,687,985 | 1,817,247 | 1,818,560 | 1,313 | —% |
| **Total Revenues** | **14,485,493** | **15,304,242** | **15,740,237** | **16,886,734** | **1,146,497** | **7.3%** |
| **Positions by Division** | | | | | | |
| Administration and Human Services | 5.79 | 5.79 | 5.79 | 10.15 | 4.36 | 75.3% |
| Arts and Sciences | 54.60 | 57.81 | 59.23 | 59.16 | (0.07) | —% |
| Open Space, Parks and Golf | 31.59 | 31.59 | 31.59 | 29.59 | (2.00) | (6.3)% |
| Recreation and Cubberley | 41.32 | 41.32 | 41.74 | 39.98 | (1.76) | (4.2)% |
| **Total Positions by Division** | **133.30** | **136.51** | **138.35** | **138.88** | **0.53** | **—%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 114,192 |
| Animal Caretaker | — | 4.00 | 4.00 | 4.00 | — | 338,208 |
| Assistant Director Community Services | 2.00 | 2.00 | 2.00 | 2.00 | — | 454,813 |
| Building Serviceperson | 2.00 | 2.00 | 2.00 | 2.00 | — | 180,170 |
| Building Serviceperson-Lead | 2.00 | 2.00 | 2.00 | 2.00 | — | 192,442 |
| Coordinator Recreation Programs | 5.75 | 5.75 | 6.00 | 6.00 | — | 712,733 |
| Director Community Services | 1.00 | 1.00 | 1.00 | 1.00 | — | 305,115 |
| Division Manager Open Space, Parks & Golf | 1.00 | 1.00 | 1.00 | 1.00 | — | 200,304 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Inspector, Field Services | 2.00 | 2.00 | 2.00 | 2.00 | — | 287,664 |
| Junior Museum & Zoo Educator | 4.85 | 4.85 | 5.85 | 5.85 | — | 623,001 |
| Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 120,619 |
| Management Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 111,862 |
| Manager Community Services | 5.00 | 5.00 | 5.00 | 5.00 | — | 737,506 |
| Manager Community Services Senior Program | 4.00 | 4.00 | 4.00 | 4.00 | — | 691,288 |
| Manager Human Services | 1.00 | 1.00 | 1.00 | 1.00 | — | 181,418 |
| Park Maintenance Person | 6.00 | 6.00 | 6.00 | 5.40 | (0.60) | 582,716 |
| Park Maintenance-Lead | 1.00 | 1.00 | 1.00 | — | (1.00) | — |
| Park Ranger | 6.00 | 6.00 | 6.00 | 6.00 | — | 675,293 |
| Parks/Golf Crew-Lead | 2.00 | 2.00 | 2.00 | 2.00 | — | 234,374 |
| Producer Arts/Science Program | 9.50 | 9.50 | 9.50 | 7.50 | (2.00) | 925,579 |
| Program Assistant I | 3.75 | 4.75 | 5.75 | 6.75 | 1.00 | 703,685 |
| Program Assistant II | 4.00 | 4.00 | 4.00 | 3.00 | (1.00) | 335,587 |
| Project Manager | 0.10 | 0.10 | 0.10 | 0.10 | — | 17,647 |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 165,984 |
| Sprinkler System Representative | 4.00 | 4.00 | 4.00 | 3.60 | (0.40) | 394,842 |
| Superintendent Community Services | 2.00 | 2.00 | 2.00 | 2.00 | — | 356,491 |
| Theater Specialist | 5.00 | 5.00 | 5.00 | 7.00 | 2.00 | 961,106 |
| WGW Heavy Equipment Operator | 0.07 | 0.07 | 0.07 | 0.07 | — | 10,237 |
| **Subtotal: Full-Time Equivalent Positions** | **78.02** | **83.02** | **85.27** | **83.27** | **(2.00)** | **$10,614,876** |
| Temporary/Hourly | 55.28 | 53.49 | 53.08 | 55.61 | 2.53 | $3,402,338 |
| **Total Positions** | **133.30** | **136.51** | **138.35** | **138.88** | **0.53** | **$14,017,214** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **138.35** | **43,495,329** | **15,740,237** | **27,755,092** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| None | - | - | - | - |
| **One-Time Prior Year Budget Adjustments** | **-** | **-** | **-** | **-** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | - | 798,669 | - | 798,669 |
| Fee, Rental, and General Revenue Adjustments | - | - | 100,611 | (100,611) |
| Backflow Testing Contract Alignment | - | (37,000) | - | (37,000) |
| LifeMoves Contract Extension | - | 25,000 | 25,000 | - |
| Foothills Fire Management Plan (Staff Report #2507-4923) | - | 36,880 | - | 36,880 |
| 445 Bryant Street Community Center Staffing Alignment | 4.36 | 38,369 | - | 38,369 |
| Animal Shelter Operating Contract with Pets in Need (PIN) | - | 43,603 | - | 43,603 |
| Human Services Contracts and Resource Allocation Program (CPI Increase 3.0%) | - | 69,284 | - | 69,284 |
| Foothills Nature Preserve Revenue Alignment | - | - | (80,000) | 80,000 |
| Various Minor Service Contract Adjustments | - | 82,621 | - | 82,621 |
| Golf Course Operations Contract | - | 101,046 | - | 101,046 |
| Landscape Maintenance Contract/Charges to Other Funds | - | - | 8,220 | (8,220) |
| Communications Allocated Charges | - | 183 | - | 183 |
| Information Technology Allocated Charges | - | (15,599) | - | (15,599) |
| Liability Insurance Allocated Charges | - | 91,614 | - | 91,614 |
| Printing & Mailing Allocated Charges | - | 5,149 | - | 5,149 |
| Refuse Sales Allocated Charges | - | 18,822 | - | 18,822 |
| Stormwater Management Allocated Charges | - | 11,680 | - | 11,680 |
| Utilities Allocated Charges | - | 468,902 | - | 468,902 |
| Vehicle Replacement & Maintenance Allocated Charges | - | 12,438 | - | 12,438 |
| Workers' Compensation Allocated Charges | - | 124,363 | - | 124,363 |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Adjustments to Costs of Ongoing Activities** | **4.36** | **1,876,023** | **53,831** | **1,822,192** |
| **Total FY 2027 Base Budget** | **142.71** | **45,371,352** | **15,794,068** | **29,577,284** |
| **Budget Adjustments** | | | | |
| 1. Senior Services Funding Transfer | - | - | 550,000 | (550,000) |
| 2. Section 115 Dispersal to CalPERS for ADC and ADP | - | (391,632) | - | (391,632) |
| 3. Landscape Maintenance Reduction | - | (282,000) | - | (282,000) |
| 4. PAUSD Field Maintenance Reduction | (2.00) | (479,576) | (239,578) | (239,998) |
| 5. Revenue Increase from Implementing Bankcard Service Charges | - | - | 204,000 | (204,000) |
| 6. JMZ Entry Tier Fee Adjustment | 0.48 | 34,861 | 250,000 | (215,139) |
| 7. Golf Increased Rates | - | - | 150,000 | (150,000) |
| 8. Program Assistant II Elimination | (1.00) | (144,895) | - | (144,895) |
| 9. Irrigation Reductions | - | (119,414) | - | (119,414) |
| 10. Children's Theatre Increased Performances and Ticket Cost | - | 16,800 | 98,000 | (81,200) |
| 11. Think Fund & Pets in Need General Expenses Technical Correction Reduction | - | (70,000) | - | (70,000) |
| 12. Art Center Staffing and Revenues | (0.55) | (30,872) | 28,000 | (58,872) |
| 13. Increased Camp Rates & Other Revenue Increases | - | - | 42,500 | (42,500) |
| 14. Cubberley Theater Position Elimination | (0.33) | (28,028) | - | (28,028) |
| 15. Middle School Athletics Temp Salary Reduction | (0.35) | (21,024) | - | (21,024) |
| 16. Fleet Fuel Contract Reduction | - | (12,680) | - | (12,680) |
| 17. Municipal Service Center (MSC) Security Guard Contract | - | (10,058) | - | (10,058) |
| 18. Reduction in Adult Sports Staffing and Contract Services | (0.08) | (7,393) | - | (7,393) |
| 19. Open Space Parks and Golf (OSP&G) Intern | - | 9,744 | 9,744 | - |
| **Total Budget Adjustments** | **(3.83)** | **(1,536,166)** | **1,092,666** | **(2,628,832)** |
| **Total FY 2027 Adopted Budget** | **138.88** | **43,835,186** | **16,886,734** | **26,948,452** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Senior Services Funding Transfer | - | - | 550,000 | (550,000) |
| This action transfers funding from the Hamilton Avenue Public Benefit Fund to offset expenses of senior services provided by the City of Palo Alto. Revenue in this fund was established through a developer deposit for the senior housing project on Hamilton Avenue ("The Hamilton"). Revenues in this fund include the original deposit, interest earnings, and a percentage of unit sales prices. These funds will continue to support service provision to seniors. (Ongoing savings: $550,000) | | | | |
| **Performance Results** | | | | |
| This action allocates funding to continue support for these programs while contributing to cost containment strategies. | | | | |
| 2. Section 115 Dispersal to CalPERS for ADC and ADP | - | (391,632) | - | (391,632) |
| This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $391,632) | | | | |
| **Performance Results** | | | | |
| This action executes City Council policy and proactively manages the City's pension obligations. | | | | |
| 3. Landscape Maintenance Reduction | - | (282,000) | - | (282,000) |
| This action reduces the frequency of landscape maintenance at various City facilities. Service at City Hall and Mitchell Park will be reduced from daily to three times per week, and service at other City facilities will be reduced from three times per week to two times per week. Median and roadstrip maintenance will also be reduced from monthly to bi-monthly. In addition, the contract contingency will be reduced, which will decrease flexibility for unanticipated work. (Ongoing savings: $282,000) | | | | |
| **Performance Results** | | | | |
| This action may affect site appearance and visual appeal. | | | | |
| 4. PAUSD Field Maintenance Reduction | (2.00) | (479,576) | (239,578) | (239,998) |
| This action is a result of the dissolution of the field maintenance agreement with PAUSD. It eliminates 1.0 Park Maintenance Lead, non-personnel budget associated with the contract and contractual rodent control, and re-allocates budgeted staff to new operational assignments that cover 3 maintenance functions: 1.) Green Stormwater Infrastructure (GSI); 2.) Burrowing Rodent Control 3.) Park Amenity Maintenance in the Capital Improvement Fund. (Ongoing net savings: $253,000) | | | | |
| **Performance Results** | | | | |
| This action reduces contract costs and associated revenues, and reallocates staff resources to other operational needs. | | | | |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 5. Revenue Increase from Implementing Bankcard Service Charges | - | - | 204,000 | (204,000) |
| This action increases revenue by implementing bankcard service charges for credit and debit card transactions for Community Services facilities, programming and services. These expenses were previously absorbed by the City. Fiscal Year 2027 revenue estimates are prorated to accommodate implementation. (Ongoing savings: $272,000) | | | | |
| **Performance Results** | | | | |
| This action increases revenue recovery for transaction costs. | | | | |
| 6. JMZ Entry Tier Fee Adjustment | 0.48 | 34,861 | 250,000 | (215,139) |
| This action increases Junior Museum & Zoo (JMZ) membership prices by 20% and increases both admission tiers by $2, from $10 to $12 (for non-peak times) and $14 to $16 (for peak times), for an anticipated gross revenue increase of $250,000. A portion of the revenue will support the JMZ's new field conservation program, which aligns with the Association of Zoos and Aquariums (AZA) accreditation requirements. The conservation program will add one 0.48 FTE Zoological Assistant-H position ($36,000) which will perform this work. This action also reclassifies one hourly instructor II position to Instructor III to reflect current responsibilities. (Ongoing net savings: $215,000) | | | | |
| **Performance Results** | | | | |
| This action is expected to increase revenue and support ongoing operations. Customers will experience a fee increase. | | | | |
| 7. Golf Increased Rates | - | - | 150,000 | (150,000) |
| This action increases golf rates at the Baylands Golf Links by approximately 6%. The adjustment reflects continued strong demand that is anticipated to carry forward into the fiscal year. (Ongoing savings: $150,000) | | | | |
| **Performance Results** | | | | |
| This action increases earned revenue from golf operations. Golf users will experience a fee increase. | | | | |
| 8. Program Assistant II Elimination | (1.00) | (144,895) | - | (144,895) |
| This action eliminates 1.00 FTE Program Assistant II position at Cubberley Community Center that supports rental operations and other administrative duties. The work associated with this position will be redistributed among existing administrative staff. Members of the public will continue to be served on an appointment basis. (Ongoing savings: $153,000) | | | | |
| **Performance Results** | | | | |
| This action reduces personnel costs, although rental coordination capacity may be reduced. | | | | |
| 9. Irrigation Reductions | - | (119,414) | - | (119,414) |
| This action reduces irrigation at Foothills Nature Preserve and other large landscape water accounts through implementation of Tier 1 drought measures and consideration of historic water use. Staff will continue mowing and site monitoring activities to help manage fire risk. (Ongoing savings: $120,000) | | | | |
| **Performance Results** | | | | |
| This action reduces water use and operating costs. Over time, reduced irrigation may affect landscape appearance in selected areas. | | | | |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 10. Children's Theatre Increased Performances and Ticket Cost | - | 16,800 | 98,000 | (81,200) |
| This action increases ticket prices for Children's Theatre performances by $2 and reflects an expanded number of public performances. The adjustment includes three additional public performances for the student matinee production and one additional performance for each Playhouse production. It also increases Adult Cast ticket prices from $18 to $20 and right-sizes revenue based on continued strong audience demand following the COVID-19 pandemic. It also adds contract services funds ($16,800) for required Americans with Disabilities Act (ADA) American Sign Language interpretation services for main-stage performances. (Ongoing net savings $81,000) | | | | |
| **Performance Results** | | | | |
| This action increases earned revenue and expands public access to performances. | | | | |
| 11. Think Fund & Pets in Need General Expenses Technical Correction Reduction | - | (70,000) | - | (70,000) |
| This action reduces allocated funding in the Animal Care cost centers and the Think Fund. A review of current contract terms and prior budget assumptions determined that fewer resources are necessary to support ongoing obligations and previously approved service levels. These reductions will not impact current service levels or ongoing operations. (Ongoing savings: $70,000) | | | | |
| **Performance Results** | | | | |
| This action aligns the budget with anticipated actuals and is not expected to affect service levels. | | | | |
| 12. Art Center Staffing and Revenues | (0.55) | (30,872) | 28,000 | (58,872) |
| This action increases prices for summer camps and adult ceramics classes at the Palo Alto Art Center by 5%. It also eliminates two positions, a Clerical Assistant and a House Manager, which will reduce customer service levels. In addition, it reduces non-personnel expenditures for exhibits, office supplies, equipment, and repairs. Because the adult ceramics program operates under a revenue-sharing agreement, the increase in class prices will result in both higher revenue and higher contract payments ($4,000). (Ongoing net savings: $52,000). | | | | |
| **Performance Results** | | | | |
| This action increases revenue and reduces expenditures, although reduced staffing and operating budgets may affect program support and customer service. | | | | |
| 13. Increased Camp Rates & Other Revenue Increases | - | - | 42,500 | (42,500) |
| This action reflects an increase in camp rates by the Fiscal Year 2027 General Rate of Increase (GRI) of 4.59%. It also right-sizes Community Garden program revenue, an increase of $2,500, to better align with recent performance. (Ongoing net savings: $52,000) | | | | |
| **Performance Results** | | | | |
| This action recognizes additional projected revenue. | | | | |
| 14. Cubberley Theater Position Elimination | (0.33) | (28,028) | - | (28,028) |
| This action eliminates an Arts & Science Professional II - H position and an Arts & Science Professional I - H position at the Cubberley Theatre. (Ongoing savings: $29,000) | | | | |
| **Performance Results** | | | | |
| This action reduces personnel costs, although on-site technical support capacity and scheduling flexibility may be reduced. | | | | |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 15. Middle School Athletics Temp Salary Reduction | (0.35) | (21,024) | - | (21,024) |
| This action eliminates a Recreation Leader III - H position in the Middle School Athletics program, a reduction to the temporary salary budget. The position is vacant and current operations have continued without disruption. (Ongoing savings $22,000) | | | | |
| **Performance Results** | | | | |
| This action aligns the budget with current staffing and is not expected to affect service levels. | | | | |
| 16. Fleet Fuel Contract Reduction | - | (12,680) | - | (12,680) |
| This action reduces the Community Services share of the citywide fleet fuel contract based on historical usage trends. By right-sizing the contract to reflect actual consumption patterns, the department generates General Fund savings without impacting the availability of specialized equipment. (Ongoing savings: $12,680) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 17. Municipal Service Center (MSC) Security Guard Contract | - | (10,058) | - | (10,058) |
| This action eliminates contract appropriations for security guard services at the Municipal Services Center (MSC). A review of facility security protocols determined that these services could be discontinued to generate operational savings with minimal impact to safety or operational readiness. (Ongoing savings: $10,058) | | | | |
| **Performance Results** | | | | |
| This action realizes operational savings by aligning facility security services with current site requirements. | | | | |
| 18. Reduction in Adult Sports Staffing and Contract Services | (0.08) | (7,393) | - | (7,393) |
| This action eliminates a Recreation Leader position and reduces adult umpire contract funding based on current participation levels in adult sports programming. (Ongoing savings: $7,400) | | | | |
| **Performance Results** | | | | |
| This action aligns staffing and contract budgets with current program demand and is not expected to affect current service levels. | | | | |
| 19. Open Space Parks and Golf (OSP&G) Intern | - | 9,744 | 9,744 | - |
| This action provides funding for an Open Space Parks and Golf intern for Summer 2026, supported by the Friends of the Palo Alto Parks. The intern will assist with asset management work identified as a priority in the Community Services Department Equipment and Materials Inventory Management Audit. (Ongoing net cost: $0) | | | | |
| **Performance Results** | | | | |
| This action supports short-term staff capacity for asset management work and related maintenance planning. | | | | |

# CSD Golf Course Financials

| | FY 2023 Actuals | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Projected | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Tournament Fees | 406,794 | 487,513 | 554,284 | 575,000 | 400,000 |
| Green Fees | 3,212,317 | 3,053,991 | 3,243,861 | 3,350,000 | 3,560,000 |
| Driving Range | 685,801 | 691,498 | 771,864 | 775,000 | 762,500 |
| Cart/Club Rentals | 395,777 | 495,777 | 523,369 | 510,000 | 462,500 |
| Proshop Lease | 259,617 | 247,137 | 234,615 | 250,000 | 250,000 |
| Restaurant Lease | 44,000 | 48,000 | 52,800 | 48,000 | 48,000 |
| Restaurant Utilities | 16,500 | 18,000 | 19,800 | 19,800 | 18,000 |
| Other Fee | 38,893 | 36,921 | 30,900 | 33,000 | - |
| **Total Revenue** | **$5,059,700** | **$5,078,837** | **$5,431,493** | **$5,560,800** | **$5,501,000** |
| **EXPENDITURES** | | | | | |
| **Operating Expenses** | | | | | |
| Salaries & Benefits | 149,481 | 183,721 | 205,460 | 213,074 | 204,996 |
| Supplies and Materials | 1,131 | - | 1,202 | 1,200 | - |
| General Expense | 48 | 582 | 73 | 1,590 | 1,590 |
| Allocated Charges | 344,609 | 753,314 | 140,041 | 400,000 | 429,527 |
| **Subtotal** | **$495,268** | **$937,617** | **$346,776** | **$615,864** | **$636,113** |
| **Contract Services** | | | | | |
| Golf Maintenance | 2,555,159 | 2,949,444 | 3,147,693 | 3,226,857 | 3,326,903 |
| Miscellaneous* | 51,304 | - | - | - | - |
| Management Fees | 120,102 | 121,554 | 108,000 | 108,000 | 108,000 |
| Contract Contingency | - | - | - | 33,349 | 34,349 |
| **Subtotal** | **$2,726,565** | **$3,070,998** | **$3,255,693** | **$3,368,205** | **$3,469,252** |
| **Total Operating Expenses** | **$3,221,833** | **$4,008,615** | **$3,602,469** | **$3,984,069** | **$4,105,365** |
| **Income From Operations** | **$1,837,866** | **$1,070,222** | **$1,829,024** | **$1,576,731** | **$1,395,635** |

# CSD Golf Course Financials

| | FY 2023 Actuals | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Projected | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| **Debt Expenses** | | | | | |
| Debt Service | $371,331 | $527,487 | $525,792 | $528,566 | $525,865 |
| **Subtotal** | **$371,331** | **$527,487** | **$525,792** | **$528,566** | **$525,865** |
| **Net Income (Loss)** | **$1,466,535** | **$542,735** | **$1,303,232** | **$1,048,165** | **$869,770** |

* Expense actuals may reflect payments to the City's golf course operator based on the City's current revenue sharing agreement, which is 20% of certain revenue categories over annual revenue targets.

# CSD Human Service Contracts

| Human Services Contracts | FY 2026 Adopted Budget | FY 2026 Agency Award | FY 2027 Base Budget | FY 2027 Agency Request | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| **GENERAL HUMAN SERVICES CONTRACTS*** | | | | | |
| Avenidas - Senior Services | 598,972 | 598,972 | 598,972 | 598,972 | 617,181 |
| PACCC - Child Care Subsidy and Outreach | 606,794 | 606,794 | 606,794 | 606,794 | 625,241 |
| Mediation Service Provider | 81,561 | 81,561 | 81,561 | 81,561 | 84,040 |
| Youth Community Services (YCS) - Youth Connectedness Initiative (YCI) | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| **General Human Service Contracts Subtotal** | **1,337,327** | **1,337,327** | **1,337,327** | **1,337,327** | **1,376,462** |
| **HUMAN SERVICES RESOURCE ALLOCATION PROCESS CONTRACTS**** | | | | | |
| AbilityPath | 67,557 | 67,557 | 67,557 | 67,557 | 71,312 |
| Ada's Cafe | 57,000 | 57,000 | 57,000 | 57,000 | 60,170 |
| Adolescent Counseling Services | 45,125 | 45,125 | 45,125 | 45,125 | 47,634 |
| Alta Housing | 43,878 | 43,878 | 43,878 | 43,878 | 46,318 |
| CASSY (Counseling and Support Services for Youth) | 23,764 | 23,764 | 23,764 | 23,764 | 25,085 |
| Children's Health Council | 9,815 | 9,815 | 9,815 | 9,815 | 10,361 |
| Downtown Streets Team | 73,234 | 30,304 | N/A | N/A | N/A |
| Heart and Home Collaborative | 56,583 | 56,583 | 56,583 | 56,583 | 59,729 |
| KARA | 28,500 | 28,500 | 28,500 | 28,500 | 30,085 |
| Karat School Project | 35,180 | 35,180 | 35,180 | 35,180 | 37,136 |
| La Comida de California | 58,900 | 58,900 | 58,900 | 58,900 | 62,175 |
| LifeMoves | 47,087 | 47,087 | 47,087 | 47,087 | 49,705 |
| Loaves and Fishes | 23,750 | 23,750 | 23,750 | 23,750 | 25,071 |
| Pathwise (formerly DreamCatchers) | 56,857 | 56,857 | 56,857 | 56,857 | 60,018 |
| PARCA (Partners and Advocates of Remarkable Children and Adults) | 27,075 | 27,075 | 27,075 | 27,075 | 28,580 |
| Peninsula HealthCare Connection Inc | 77,781 | 120,711 | 128,530 | 128,530 | 135,677 |
| Ravenswood Family Health Network | 67,687 | 67,687 | 67,687 | 67,687 | 71,451 |
| SALA (Senior Adults Legal Assistance) | 22,800 | 22,800 | 22,800 | 22,800 | 24,068 |

# CSD Human Service Contracts

| Human Services Contracts | FY 2026 Adopted Budget | FY 2026 Agency Award | FY 2027 Base Budget | FY 2027 Agency Request | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Vista Center for the Blind & Visually Impaired | 59,313 | 59,313 | 59,313 | 59,313 | 62,611 |
| YMCA Palo Alto | 17,100 | 17,100 | 17,100 | 17,100 | 18,051 |
| Youth Community Sv. (YCS) | 42,750 | 42,750 | 42,750 | 42,750 | 45,127 |
| **Two-Year Contractors Subtotal** | **941,736** | **941,736** | **919,251** | **919,251** | **970,364** |
| **TOTAL** | **2,279,063** | **2,279,063** | **2,256,578** | **2,256,578** | **2,346,826** |
| HSRAP Emerging Needs Fund*** | 50,000 | 50,000 | 50,000 | N/A | 50,000 |

*These existing contracts have been added to this chart to provide a holistic display of all the General Human Services Contracts in the City. As these contracts are already established and not included in the Human Services Resource Allocation Process (HSRAP), there is no new budgetary impact as a result of their inclusion.

**HSRAP contracts are requested as part of a two-year cycle, and once approved, the agencies receive the same level of funding across each year of the cycle with a potential CPI increase. The Agency Request amounts reflect the request made for each year.

***Funding is in the Non-Departmental section of this document.



CITY OF
PALO
ALTO

# FIRE

## Mission Statement

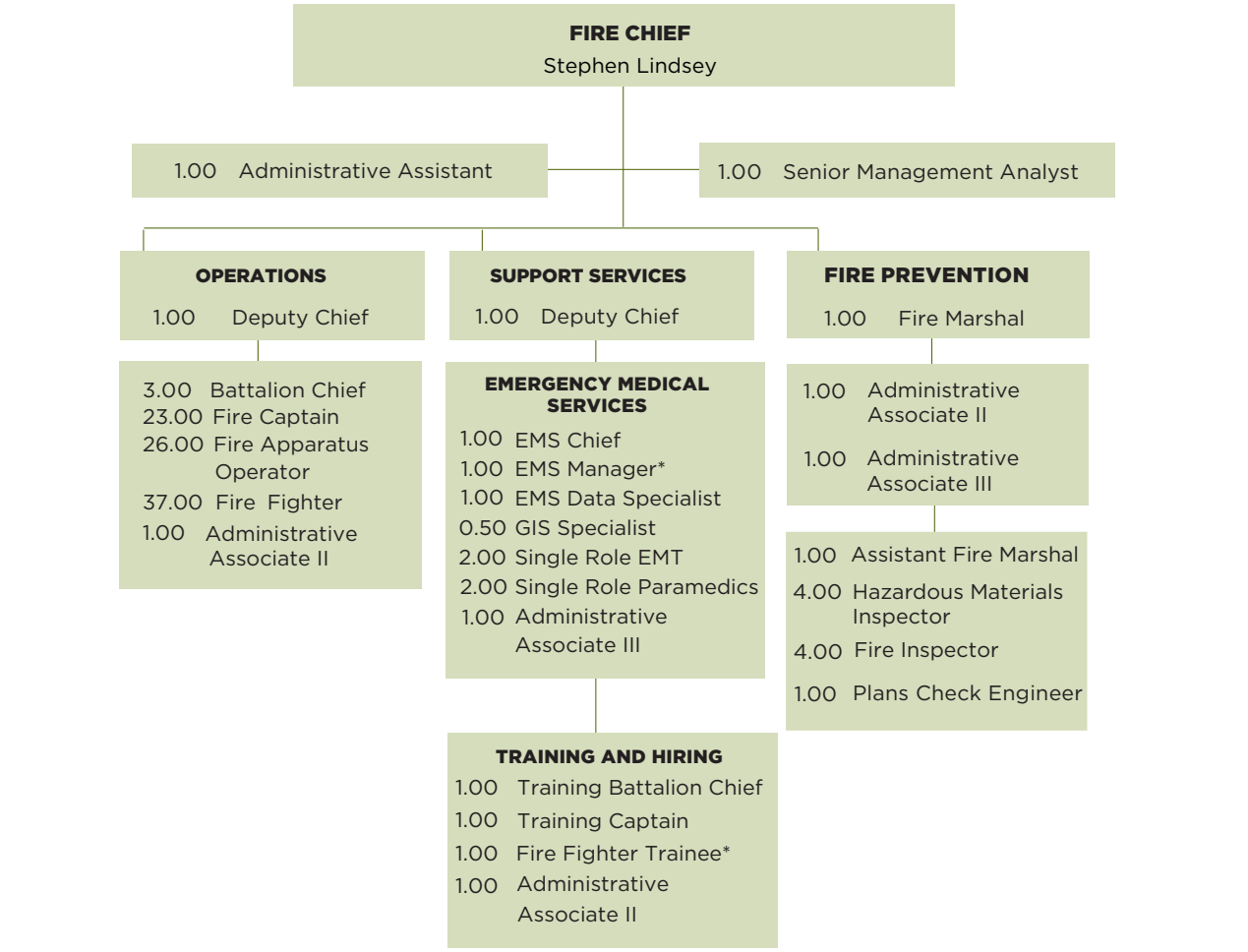



We are a professional team of individuals dedicated to safeguarding and enriching the lives of anyone, anytime, anywhere with compassion and pride.

## Purpose

The purpose of the Fire Department is to protect life, property, and the environment from fire, hazardous materials, and other disasters; provide rapid emergency response, proactive code enforcement, modern fire prevention methods, and progressive safety education for our citizens and coworkers; and promote customer satisfaction by maintaining quality, professional, and friendly service to others.

# FIRE




This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

**FY 2027 POSITION TOTALS**
120.50 - Full-time
2.03 - Hourly

*These positions have been frozen (defunded) in FY 2027 and are identified accordingly in the Table of Organization. The following positions are frozen in FY 2027:
1.00 EMS Manager
1.00 Fire Fighter Trainee

# Description

The Fire Department provides a wide range of community and employee related services for the City of Palo Alto through the following service programs:

### FIRE SUPPRESSION

Maintain a state of readiness to effectively respond to emergency and non-emergency calls. Provide a means for a safer Palo Alto through community outreach, public education, and prevention.

### EMERGENCY MEDICAL SERVICES

In an emergency setting, rapid assessment, treatment, and transport of patients to definitive care in a safe and efficient manner.

### FIRE PREVENTION BUREAU

Improve the quality of life for the Palo Alto community through risk assessment, code enforcement, fire investigation, public education, and hazardous materials management.

### EMPLOYEE FIRE/EMS CERTIFICATION TRAINING

Provide training to certify that staff maintain safe, efficient, and effective practices when responding to emergencies. Ensure personnel are familiar with and able to utilize the most up-to-date and proven techniques. Training specific to required EMT and/or Paramedic re-certification is also incorporated.

# Accomplishments

- Completed the recruitment for a new Fire Chief, after the retirement of Fire Chief Blackshire in 2025. The nationwide search committee and City Council appointed Stephen Lindsey as the new Fire Chief in October 2025.
- Began cross-staffing a Fire Engine with the ambulance at Fire Station 4, after the adding of 3 FTE Fire Captains in the Fiscal Year 2026 budget.
- Added a 12 Hour Single Role unit as the first phase in the movement towards Single Role staffing model for ambulance service delivery. The Department is finalizing negotiations with labor to begin the recruitment process and aims to have the unit in service before June.
- Participated in statewide strike teams for 6 incidents, including the Gifford fire in Santa Barbara County, and the Green Fire in Shasha-Trinity National Forest.
- Responded to 10,144 incidents within the Palo Alto and Stanford jurisdictions in Calendar Year 2025, the first time in history the Department has reached over ten thousand calls for service.
- The systemwide 90th percentile response time in Fiscal Year 2025 was 9:19, which is 79 minutes above the performance goal of 8 minutes.
- Responded to 172 fire incidents in Fiscal Year 2025 a 26% increase from the 136 fire incidents in Fiscal Year 2024.
- Responded to 6,129 medical/rescue calls in Fiscal Year 2025; 89% percent of medical calls had an ambulance arrive within 12 minutes from receipt of call.

- Completed hiring and training for 9 Entry Level Firefighters, 4 Lateral Firefighters, 2 Fire Inspectors, and an EMS Coordinator.
- Completed the first year of the State mandated fire inspection program, completing 570 of State Mandated inspections during Calendar Year 2025.
- Celebrated the grand opening of the Public Safety Building, a project that has been decades in the works and is now the new home of Fire Administration and Police.

# Initiatives

- Establish new single-role EMS services division, complete internal planning, onboarding, training and hiring programs for new division and staff.
- Explore options with City Council and Finance Committee to further expand Emergency Medical and Fire resources to meet the growing service demands of the community.
- Collaborate with the Public Works Fleet Division to update the Fire Engine replacement plan by deferring near-term electric vehicle purchases as a cost-reduction strategy, while maintaining the Department's long-term commitment to transitioning to an electrified fleet.
- Strengthen command team alignment, and advance leadership development initiatives to prepare the next generation of Department leaders.
- Work with Human Resources and City Manager's Office on diversity and inclusion efforts citywide.
- Continue to recruit, hire, and train entry level firefighters, as the Department responds to consistent turnover.

# Goals and Objectives

## Goal 1

Arrive at the scene of emergencies safely and in a timely manner within the Department's targeted response times.

### Objectives:

- Promote timely adherence to Santa Clara County's clinical protocols and ensure consistent medical care in both Advanced and Basic Life Support (ALS/BLS) to the Palo Alto and Stanford communities.
- Provide the highest level of patient care and response standards by ensuring Palo Alto ambulances respond to all ambulance calls for service.
- Target fire response time within 8 minutes 90 percent of the time.
- Target Advanced Life Support (ALS) response times within 12 minutes 90 percent of the time.

## Goal 2

Ensure reasonable life safety conditions through inspection programs.

### Objectives:

- Perform periodic inspections of all facilities within the Department's designated target cycle time.
- Identify and direct abatement of conditions or operating procedures which could cause an increase in probability or severity of a fire or hazardous materials release.

## Goal 3

Develop, maintain, and sustain a comprehensive community risk reduction program that engages the whole community.

### Objectives:

- Support the Office of Emergency Services, the Palo Alto and Stanford Citizen Corps Council and the Emergency Services Volunteers in training and preparation in the areas of Medical Disaster Operations, Triage, Fire Suppression, and Light Search and Rescue.
- Complete an Integrated Risk Assessment and Management Plan designed to identify and quantify community risks and mitigation strategies.
- Identify high-risk communities within the City of Palo Alto and design risk reduction programs for the highest risk groups.

## Goal 4

Enhance training and maintain all certifications required by governing agencies such as the State Fire Marshal's Office and Santa Clara County Emergency Medical Services Office.

### Objectives:

- Document all training through the Joint Apprenticeship Committee (JAC).
- Maintain the required minimum of 20 hours per month per employee of fire related training.
- Maintain, as mandated, records of training related to Emergency Medical Service (EMS) and Emergency Medical Technician (EMT)/Paramedic certification.

## Goal 5

Internalize commitment to excellence in public service by continuously evaluating the assistance provided, identifying areas needing improvement, and implementing mitigation methods.

### Objective:

- Maintain awareness of service quality from a customer perspective of assistance that was provided.

# Key Performance Measures

## FIRE DEPARTMENT RESPONSE TIMES

| | | | | | |
|---|---|---|---|---|---|
| Goal | Arrive at the scene of emergencies safely and in a timely manner within the city's targeted response times. | | | | |
| Objective | Emergency response times will be within 8 minutes, 90 percent of the time. And Ambulance arrival will be within 12 minutes, 90 percent of the time. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| 90th percentile response time for all emergency responses | 9:09 | 9:19 | 8:00 | 9:22 | 8:00 |
| Percent of all emergency responses within 8 minutes | 89% | 88% | 90% | 87% | 90% |
| Percent of ambulance arrival to a medical call within 12 minutes | 92% | 89% | 90% | 88% | 90% |
| Percent of responses to EMS calls within 8 minutes | 91% | N/A | N/A | N/A | N/A |
| Percent of responses to fire emergencies within 8 minutes | 78% | N/A | N/A | N/A | N/A |
| Percent of responses to paramedic calls within 12 minutes | 99% | N/A | N/A | N/A | N/A |
| Description | These measures track the response times of all urgent calls for service, and the arrival times of an ambulance to medical calls. | | | | |
| Purpose | Quick response times can mean the difference between short and long-term recovery, the extent and severity of injury, and most importantly, the difference between life and death. | | | | |
| Status | In Fiscal Year 2026 the Department replaced the Fire and EMS specific response times with an overall system performance response time.<br>The paramedic call measure was replaced with a more precise ambulance arrival performance measure as all Fire units provide Advanced Life Support (ALS). | | | | |

# Key Performance Measures

## FIRES CONTAINED TO ROOM OF ORIGIN

| | | | | | |
|---|---|---|---|---|---|
| Goal | Limit structural fire damage to the room or area of origin. | | | | |
| Objective | Contain fires to the room or area of origin 90 percent of the time. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of fires contained to the room or area of origin | 82% | N/A | N/A | N/A | N/A |
| Description | This measure tracks the percentage of fires that are contained to the room or area of origin. | | | | |
| Purpose | Containing a fire to the room or area of origin limits damage and spread of the fire. | | | | |
| Status | Beginning in Fiscal Year 2026 the Department ended reporting on this performance measure. The rate at which fire burns through a structure has multiple factors including the origin and cause of the fire, structure materials, etc. The proportion of fires contained to room of origin varies significantly year to year and is not an accurate representation of response and fire fighting effectiveness. | | | | |

# Key Performance Measures

## PERCENT OF SURVEYED RESIDENTS RATING FIRE DEPARTMENT SERVICES GOOD OR EXCELLENT

| | | | | | |
|---|---|---|---|---|---|
| Goal | Internalize commitment to excellence in public service by continuously evaluating assistance provided, identifying areas needing improvement, and implementing mitigation methods. | | | | |
| Objective | Maintain awareness of service quality from a customer perspective of assistance provided. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of surveyed residents rating ambulance/EMS services "good" or "excellent" | 91% | 91% | 90% | 90% | 90% |
| Percent of surveyed residents rating fire prevention services "good" or "excellent" | 80% | 78% | 90% | 80% | 90% |
| Percent of surveyed residents rating fire services "good" or "excellent" | 92% | 90% | 95% | 90% | 95% |
| Description | This measure tracks the percent of surveyed residents rating fire and emergency services good or excellent, as well as Fire Prevention Services, as reported monthly from the Customer Satisfaction Survey. Collecting this data allows the Department to compare itself to nationwide benchmarking data prepared by the National Research Center. | | | | |
| Purpose | Citizen satisfaction with Fire Department services is an important assessment of the overall quality of fire services offered to the community. | | | | |
| Status | The most recent Palo Alto Community Survey was completed in October 2025, and can be found here: www.paloalto.gov/communitysurvey | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Number of fire calls for service | 136 | 172 | 150 | 160 | 160 |
| Number of medical/rescue calls for service | 5,884 | 6,129 | 5,700 | 6,200 | 6,200 |
| Number of all other calls for service | 3,390 | 3,539 | 3,400 | 3,740 | 3,740 |
| Total number of calls for service | 9,410 | 9,840 | 9,250 | 10,100 | 10,100 |
| Number of Ambulance Transports | 3,993 | 3,906 | 3,900 | 4,000 | 4,000 |
| Fire calls average response time | 7:20 | N/A | N/A | N/A | N/A |
| Medical/rescue calls average response time | 6:40 | N/A | N/A | N/A | N/A |
| Number of Santa Clara County Ambulance Requests | 327 | 344 | N/A | 360 | N/A |

*In Fiscal Year 2026 the Department replaced the Fire and EMS specific response times with an overall system performance response time. The paramedic call measure was replaced with a more precise ambulance arrival performance measure as all Fire units provide Advanced Life Support (ALS).

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Administration | 3,447,388 | 3,504,049 | 4,130,939 | 4,177,619 | 46,680 | 1.1% |
| Emergency Response | 40,751,625 | 45,265,359 | 48,637,629 | 49,870,218 | 1,232,590 | 2.5% |
| Environmental Safety Management | 513,026 | 4,519,528 | 5,632,011 | 5,828,566 | 196,555 | 3.5% |
| Records and Information Management | 135 | — | — | — | — | —% |
| Training and Personnel | 1,431,058 | 1,405,398 | 1,565,783 | 1,247,729 | (318,054) | (20.3)% |
| **Total Dollars by Division** | **46,143,232** | **54,694,334** | **59,966,361** | **61,124,132** | **1,157,771** | **1.9%** |
| **Dollars by Category** | | | | | | |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Salary & Benefits** | | | | | | |
| Healthcare | 1,975,073 | 2,235,974 | 3,006,650 | 2,972,647 | (34,003) | (1.1)% |
| Other Benefits | 575,715 | 609,723 | 534,002 | 636,811 | 102,810 | 19.3% |
| Overtime | 4,099,233 | 5,288,738 | 3,079,691 | 4,507,940 | 1,428,249 | 46.4% |
| Pension | 13,106,916 | 15,303,970 | 16,313,130 | 15,774,097 | (539,033) | (3.3)% |
| Retiree Medical | 2,224,101 | 2,713,375 | 3,107,372 | 3,600,764 | 493,392 | 15.9% |
| Salary | 16,226,249 | 20,292,410 | 23,276,314 | 23,507,669 | 231,355 | —% |
| Workers' Compensation | 2,048,828 | 1,306,457 | 2,463,032 | 2,595,231 | 132,199 | 5.4% |
| **Total Salary and Benefits** | **40,256,116** | **47,750,648** | **51,780,190** | **53,595,158** | **1,814,968** | **3.5%** |
| Allocated Charges | 3,916,201 | 4,773,557 | 5,336,040 | 4,727,229 | (608,810) | (11.4)% |
| Contract Services | 539,778 | 732,991 | 1,028,007 | 982,587 | (45,420) | (4.4)% |
| Facilities & Equipment | 399,568 | 556,570 | 433,123 | 435,823 | 2,700 | —% |
| General Expense | 586,709 | 575,819 | 763,141 | 762,475 | (667) | —% |
| Supplies & Material | 444,861 | 304,750 | 625,860 | 620,860 | (5,000) | —% |
| **Total Dollars by Category** | **46,143,232** | **54,694,334** | **59,966,361** | **61,124,132** | **1,157,771** | **1.9%** |
| **Revenues** | | | | | | |
| Charges for Services | 13,921,680 | 15,779,670 | 19,019,303 | 19,908,035 | 888,731 | 4.7% |
| Charges to Other Funds | 162,610 | 194,249 | 184,974 | 184,974 | — | —% |
| From Other Agencies | 1,032,789 | 2,217,119 | — | — | — | —% |
| Net Sales | — | — | — | — | — | —% |
| Other Revenue | 7,063 | 51,031 | 52,000 | 52,000 | — | —% |
| Other Taxes and Fines | — | 2,750 | 1,026 | 1,026 | — | —% |
| Permits and Licenses | 40,640 | 2,485,891 | 1,691,021 | 1,691,021 | — | —% |
| **Total Revenues** | **15,164,783** | **20,730,711** | **20,948,324** | **21,837,055** | **888,731** | **4.2%** |
| **Positions by Division** | | | | | | |
| Administration | 5.20 | 5.20 | 5.20 | 5.20 | — | —% |
| Emergency Response | 91.57 | 94.57 | 104.57 | 102.57 | (2.00) | (1.9)% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Environmental Safety Management | 3.55 | 11.18 | 11.18 | 11.18 | — | —% |
| Training and Personnel | 2.96 | 2.96 | 2.96 | 2.96 | — | —% |
| **Total Positions by Division** | **103.28** | **113.91** | **123.91** | **121.91** | **(2.00)** | **(1.6)%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| 40-Hour Captain | 0.20 | — | — | — | — | — |
| 40-Hour Training Battalion Chief | 1.00 | 1.00 | 1.00 | 1.00 | — | 290,888 |
| 40-Hour Training Captain | 1.00 | 1.00 | 1.00 | 1.00 | — | 243,256 |
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 108,597 |
| Administrative Associate II | 2.20 | 3.00 | 3.00 | 3.00 | — | 308,318 |
| Administrative Associate III | 0.20 | 1.00 | 2.00 | 2.00 | — | 220,022 |
| Assistant Fire Marshal | — | 1.00 | 1.00 | 1.00 | — | 237,172 |
| Battalion Chief | 3.00 | 3.00 | 3.00 | 3.00 | — | 831,230 |
| Business Analyst | 0.80 | 0.80 | 0.80 | 0.80 | — | 159,345 |
| Deputy Director Technical Services Division | 0.20 | 0.20 | 0.20 | 0.20 | — | 50,165 |
| Deputy Fire Chief | 2.00 | 2.00 | 2.00 | 2.00 | — | 634,379 |
| Emergency Medical Service Director | 1.00 | 1.00 | 1.00 | 1.00 | — | 243,610 |
| Emergency Medical Services Data Specialist | 1.00 | 1.00 | 1.00 | 1.00 | — | 110,011 |
| Fire Apparatus Operator | 26.00 | 26.00 | 26.00 | 26.00 | — | 5,538,973 |
| Fire Captain | 20.00 | 20.00 | 23.00 | 23.00 | — | 5,396,227 |
| Fire Chief | 1.00 | 1.00 | 1.00 | 1.00 | — | 366,912 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Fire Fighter | 34.00 | 37.00 | 37.00 | 37.00 | — | 7,350,970 |
| Fire Fighter Trainee* | 3.00 | 3.00 | 3.00 | 1.00 | (2.00) | 158,908 |
| Fire Inspector | 2.40 | 3.20 | 3.20 | 3.20 | — | 778,419 |
| Fire Marshal | 0.05 | 0.75 | 0.75 | 0.75 | — | 217,448 |
| Geographic Information System Specialist | 0.50 | 0.50 | 0.50 | 0.50 | — | 83,782 |
| Hazardous Materials Inspector | 0.70 | 3.93 | 3.93 | 3.93 | — | 955,996 |
| Manager, EMS* | — | — | 1.00 | 1.00 | — | 161,866 |
| Plans Check Engineer | — | 0.50 | 0.50 | 0.50 | — | 93,995 |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 182,291 |
| Single Role EMT (Non-sworn) | — | — | 2.00 | 2.00 | — | 205,063 |
| Single Role Paramedic (Non-sworn) | — | — | 2.00 | 2.00 | — | 241,230 |
| **Subtotal: Full-Time Equivalent Positions** | **102.25** | **112.88** | **121.88** | **119.88** | **(2.00)** | **$25,169,076** |
| Temporary/Hourly | 1.03 | 1.03 | 2.03 | 2.03 | — | $249,060 |
| **Total Positions** | **103.28** | **113.91** | **123.91** | **121.91** | **(2.00)** | **$25,418,137** |

*The Table of Organization includes positions that have been frozen. These positions have been defunded. The affected classifications are denoted by a single asterisk (*) following the job classification title.

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **123.91** | **59,966,361** | **20,948,324** | **39,018,037** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| Fire Prevention Budget Adjustments | - | (7,000) | (7,000) | - |
| **One-Time Prior Year Budget Adjustments** | **-** | **(7,000)** | **(7,000)** | **-** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | - | 4,073,059 | - | 4,073,059 |
| Fire Fighter Trainees | (2.00) | (404,323) | - | (404,323) |
| Stanford Emergency Fire Services Contract Revenue | - | - | 795,731 | (795,731) |
| Paramedic Transport and First Responder Fee Revenue | - | - | 100,000 | (100,000) |
| Foothill Fire Management Contract | - | 32,280 | - | 32,280 |
| Hiring Costs for Entry Level Firefighters (General Rate Increase) | - | 4,000 | - | 4,000 |
| Ambulance Supplies (General Rate Increase) | - | 2,000 | - | 2,000 |
| Communications Services Allocated Charges | - | 1,488 | - | 1,488 |
| Information Technology Allocated Charges | - | 12,448 | - | 12,448 |
| Liability Insurance Allocated Charges | - | 29,565 | - | 29,565 |
| Printing & Mailing Services Allocated Charges | - | 267 | - | 267 |
| Refuse Sales Allocated Charges | - | 639 | - | 639 |
| Stormwater Management Allocated Charges | - | 212 | | 212 |
| Utilities Allocated Charges | - | 18,496 | - | 18,496 |
| Vehicle Replacement & Maintenance Charges | - | 50,509 | - | 50,509 |
| Workers' Compensation Allocated Charges | - | 132,199 | - | 132,199 |
| **Adjustments to Costs of Ongoing Activities** | **(2.00)** | **3,952,839** | **895,731** | **3,057,108** |
| **Total FY 2027 Base Budget** | **121.91** | **63,912,200** | **21,837,055** | **42,075,145** |
| **Budget Adjustments** | | | | |
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (1,574,276) | - | (1,574,276) |
| 2. Delay Electric Fire Engine Purchase | - | (650,000) | - | (650,000) |
| 3. Single Role EMS Manager | - | (235,642) | - | (235,642) |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 4. Freeze Fire Fighter Trainee | - | (176,716) | - | (176,716) |
| 5. Fire Hydrant Maintenance | - | (79,000) | - | (79,000) |
| 6. Fleet Fuel Contract Reduction | - | (72,434) | - | (72,434) |
| **Total Budget Adjustments** | **-** | **(2,788,068)** | **-** | **(2,788,068)** |
| **Total FY 2027 Adopted Budget** | **121.91** | **61,124,132** | **21,837,055** | **39,287,077** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (1,574,276) | - | (1,574,276) |

This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $1,574,276)

**Performance Results** $

This action executes City Council policy and proactively manages the City's pension obligations.

| | | | | |
|---|---|---|---|---|
| 2. Delay Electric Fire Engine Purchase | - | (650,000) | - | (650,000) |

This action revises the fire fleet replacement plan by substituting one planned electric engine with a diesel engine, reducing near-term costs by approximately $1.3 million. These savings are spread evenly between Fiscal Year 2027 and Fiscal Year 2028. The Department will proceed with the purchase of two new diesel engines to maintain fleet reliability and operational readiness. The transition to electric apparatus is deferred, with the initial electric engine now planned for acquisition in 2029. This adjustment allows the City to manage costs while continuing progress toward long-term fleet electrification goals. (Ongoing savings: $650,000)

**Performance Results** $

This action contributes to cost containment strategies in Fiscal Year 2027.

| | | | | |
|---|---|---|---|---|
| 3. Single Role EMS Manager | - | (235,642) | - | (235,642) |

This action temporarily freezes the hiring of an EMS Manager position intended to support development of the new Single Role Ambulance Division. During the initial phase, including implementation of a 12-hour peak ambulance in FY 2026, these responsibilities will be absorbed by the Fire Training Captain. This approach provides short-term budgetary savings but may increase workload on existing staff. The EMS Manager position is expected to be filled as the Single Role program expands beyond the initial deployment.

**Performance Results** $

This action contributes to cost containment strategies in Fiscal Year 2027.

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 4. Freeze Fire Fighter Trainee | - | (176,716) | - | (176,716) |
| This action freezes the remaining 1.0 FTE Firefighter Trainee position within the Department's hire-ahead program as part of budget balancing efforts. Given the approximately 18 to 24 month timeline to recruit and train entry-level firefighters and an average academy graduation rate of 85%, limiting hire-ahead capacity may contribute to persistent vacancies. Sustained vacancies can increase reliance on backfill and mandatory overtime, with associated impacts to workforce fatigue, injury risk, and morale. The Department will retain the program structure to support a future transition to a continuous hiring model as resources allow. | | | | |
| **Performance Results** | $ | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 5. Fire Hydrant Maintenance | - | (79,000) | - | (79,000) |
| This action eliminates contracted fire hydrant maintenance services and transfers responsibility for this work to the Utilities Department. Existing Utilities staff will absorb these duties in compliance with applicable State Fire Code, Building Code, State Water Resources Control Board, and Cal/OSHA requirements. This change is intended to improve operational efficiency and coordination of water system infrastructure. The City will continue to meet all regulatory standards for inspection, testing, and maintenance of fire hydrants. (Ongoing savings: $79,000) | | | | |
| **Performance Results** | $ | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 6. Fleet Fuel Contract Reduction | - | (72,434) | - | (72,434) |
| This action reduces the Public Works share of the citywide fleet fuel contract based on historical usage trends. By right-sizing the contract to reflect actual consumption patterns, the department generates General Fund savings without impacting the availability of specialized equipment. (Ongoing savings: $72,434) | | | | |
| **Performance Results** | $ | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |



CITY OF
PALO
ALTO

# HUMAN RESOURCES

## Mission Statement



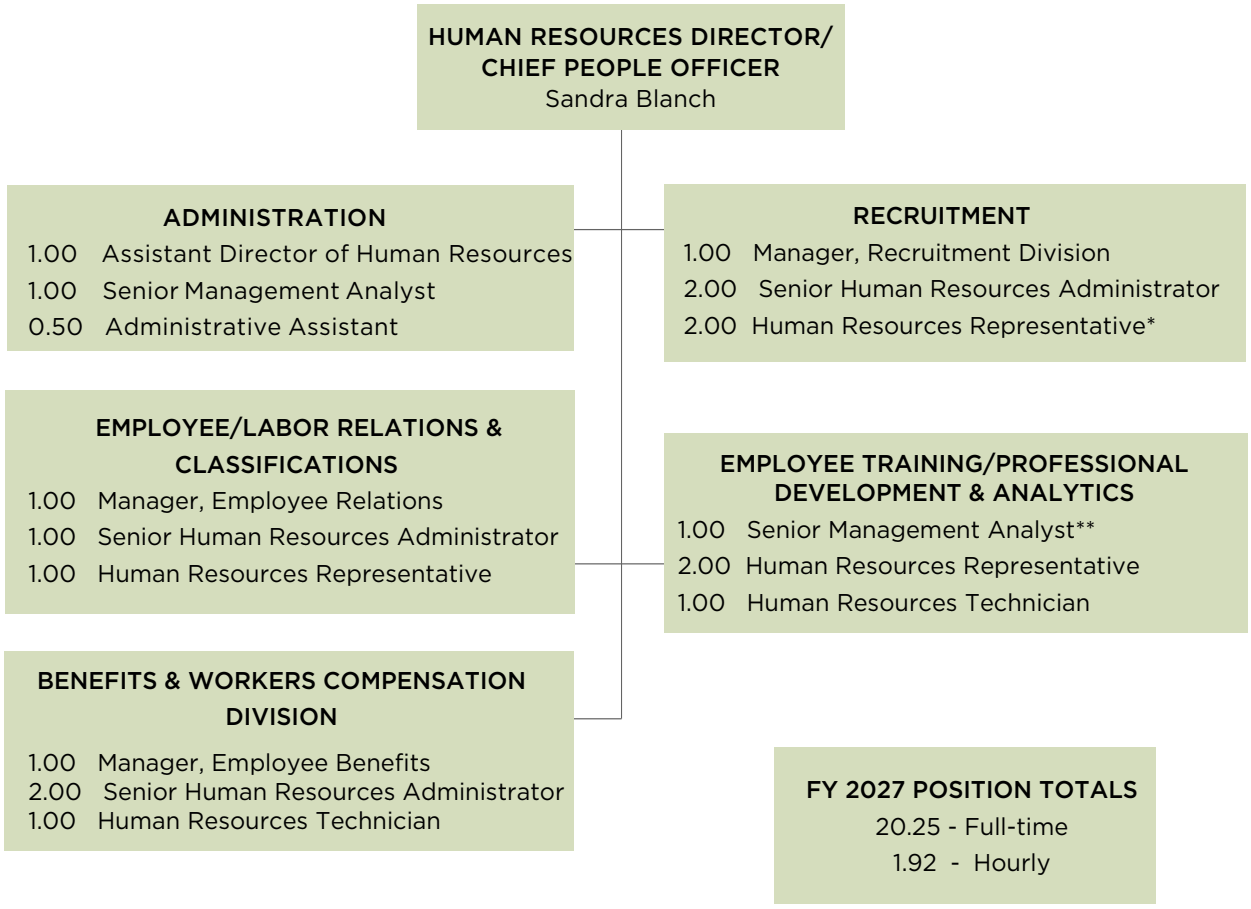


The Human Resources Department's mission is to recruit, develop, and retain a diverse, well-qualified, professional workforce that reflects the high standards of the community we serve, and to lead City departments in positive employee relations, talent management, workforce continuity planning, and employee engagement.

## Purpose

The purpose of Human Resources is to support City departments in achieving key goals and objectives; to provide a range of workforce services, including new employee orientation, staffing and recruitment management, talent and skill development, performance assessment, safety and wellness programs; to support employee relations, and administration of employee benefits and compensation.

# HUMAN RESOURCES




* 1.00 FTE is budgeted in the Utilities Department to provide dedicated support. The Human Resources Department retains administrative oversight.

** Employee Training/Professional Development & Analytics: 1.00 FTE Senior Management Analyst (Human Resource Manager)

This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

# Description

The Human Resources Department provides guidance to City departments in the following areas:

### TOTAL COMPENSATION

Administer salary, health, pension, and other benefits.

### EMPLOYEE AND LABOR RELATIONS

Provide guidance to City staff to enhance performance, create a positive work environment, and effectively resolve complaints, grievances, and other problems, as well as lead the City through labor contract negotiations.

### ORGANIZATION AND EMPLOYEE DEVELOPMENT

Identify and implement training and development opportunities to enhance skills, innovation, and leadership of City staff members.

### TALENT MANAGEMENT

Recruit, select, and onboard employees who have a passion for public service and the right knowledge, skills, and abilities to take on increasingly complex public service roles.

### BENEFITS ADMINISTRATION, SAFETY, AND WORKERS COMPENSATION

Provide employees a wide range of accessible, high quality and relevant benefit offerings. Support workplace employee safety, encourage health and wellness and oversee workers compensation claims, proactively addressing employee injuries.

# Accomplishments

- Completed negotiations with Palo Alto Peace Officers' Association (PAPOA), Palo Alto Management Association (PAPMA) and Service Employees International Union – Hourly (SEIU-H) Unit.
- Held the annual Years of Service Appreciation event, celebrating 45 employees reaching milestones of 20, 25, and 30 years working for the City of Palo Alto; and enhanced the employee appreciation event to reinforce organizational values of a positive working environment with over 600 attendees.
- Successfully conducted five Request for Proposals (RFP) for various contracts. This included solicitation for an Applicant Tracking System, DOT mandatory drug & alcohol testing program, Employee Appreciation Event coordination, benefits plan broker services, and pre-employment and occupational medicine services.
- Continued enhancement of self-service SAP portal to allow all employees to update and access their critical benefits information.
- Enhanced benefits communications to tailor delivery and methodology producing data analytics based on employee location, access, and medium. This ensures that employees are receiving critical benefit related information.

- Launched the Clipper BayPass pilot commuter program providing benefited employees access to unlimited rides to Bay Area transit systems, including CalTrain, VTA, BART, Dumbarton Express and many more.
- Launched and implemented Spouse and Child life insurance benefit for City employees as well as the enhancement of current employee voluntary life insurance benefit and Long-Term Disability benefit.
- Continued growing the HR Liaison (HRL) Recruitment Program and enhance the City's hiring process. A total of 25 HRLs across the City departments and have trained four new HRLs to further strengthen the program.
- Implemented a mix of Council-approved initiatives for recruitment, a strategic recruitment plan, effective retention strategies, and an accelerated hiring process, resulting in attaining an average vacancy rate of 11%.
- Hired 75 summer camp staff to provide community enriching programs and services.
- Successfully relaunched Year 2 of the Internship Program, increasing participation from 13 to 19 interns. Post-program survey results indicate high overall satisfaction among both managers and interns, with many interns expressing interest in pursuing a future career in local government.
- Successfully filled a total of 185 positions Citywide, including new hires and promotions that included Assistant to the City Manager, Assistant Director of IT, Assistant Director of Water Gas Wastewater, Chief Transportation Official, Fire Chief, Assistant Fire Marshal, and Assistant Director Resource Management, and City Attorney.
- Launched an onboarding revamp process that resulted in a reduced time to onboard from 60+ days to 23-30 days from the time an offer is accepted to the first day of a new hire.
- Launched a Department Recruitment Refresher training course to provide hiring managers with an opportunity to learn about recruitment trends and improve employee onboarding.
- Enhanced collaboration with the City Communications team to create active social media recruitment campaigns for hard-to-fill positions.
- Participated in over 6 career fairs targeting community colleges, private schools and local community events, as well as attendance at schools including UC Berkeley, Stanford, CSU East Bay etc.
- Revamped and hosted the Palo Alto Leadership Academy which included 30 City employees.
- Transitioned the evaluation process for Management, Utilities Management, and Executive Leadership Team employees to a modern cloud-based performance management system, enhancing efficiency, reporting, and workflow/approval.
- Updated and refreshed employee self-help resources and created landing pages for the new version of the internal City website, City Connect.
- Fully transitioned the coordination of the annual citywide employee survey from the City Manager's office to Human Resources.

# Initiatives

- Expand communication and educational tools to improve delivery of Human Resource services.
- Implement a report to automate medical change reporting to CalPERS. This enhancement will save HR staff over 15 hours of manual, duplicative entry and reporting each month, enabling staff to redirect their efforts toward more strategic initiatives.
- Explore a system to track the types of questions employees are submitting via email. This will enable HR staff to tailor educational resources, communications, and future enhancements to address the needs of our employees more effectively.

- Continue to enhance recruitment strategies to maximize capacity and reduce the number of vacancies.
- Create a more engaging recruitment experience for candidates and internal customers and find measurable ways to capture success.
- Continue to enhance citywide training programs to support career advancement, leadership development, and professional growth opportunities.
- Continue to expand the use of the performance management system.
- Create managerial resources for supervisors on performance management to empower self-sufficiency.
- Highlight the City's refreshed values in the City-Wide Employee Appreciation Events.

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Fund** | | | | | | |
| General Fund-Operating | 4,714,109 | 5,491,755 | 5,698,407 | 5,070,831 | (627,576) | (11.0)% |
| Liability Insurance Fund | 18,342,053 | 11,500,190 | 8,776,995 | 11,659,323 | 2,882,328 | 32.8% |
| Worker's Compensation Fund | 4,369,492 | 7,286,079 | 9,815,633 | 10,572,257 | 756,624 | 7.7% |
| **Total Dollars by Fund** | **27,425,654** | **24,278,023** | **24,291,034** | **27,302,411** | **3,011,377** | **12.4%** |
| **Revenues** | | | | | | |
| Charges to Other Funds | 6,987,521 | 10,823,269 | 10,966,632 | 13,271,996 | 2,305,364 | 21.0% |
| Operating Transfers-In | 5,000 | 5,000 | 5,000 | 5,000 | — | —% |
| Other Revenue | 19,061,202 | 7,676,326 | 9,092,940 | 9,843,940 | 751,000 | 8.3% |
| Return on Investments | 971,966 | 1,072,831 | 1,117,840 | 1,327,442 | 209,602 | 18.8% |
| **Total Revenues** | **27,025,688** | **19,577,426** | **21,182,412** | **24,448,378** | **3,265,966** | **15.4%** |
| **Positions by Fund** | | | | | | |
| General Fund-Operating | 18.67 | 19.67 | 17.97 | 16.24 | (1.73) | (9.6)% |
| Liability Insurance Fund | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Worker's Compensation Fund | 1.48 | 1.48 | 2.00 | 2.00 | — | —% |
| **Total Positions by Fund** | **21.15** | **22.15** | **20.97** | **19.24** | **(1.73)** | **(8.2)%** |

# GENERAL FUND

## Goals and Objectives

### Goal 1

Strengthen the City's Comprehensive Talent Management Program that supports the attraction, development, and retention of a committed workforce.

#### Objectives:

- Continue to enhance the experience of both candidates and hiring managers throughout the recruitment lifecycle
- Continue to strengthen collaboration with departments to support workforce planning and hiring needs

### Goal 2

Foster a culture of learning, engagement, and innovation across the organization.

#### Objectives:

- Expand and promote professional development and career growth opportunities, continuity planning, and positive work environment initiatives
- Expand learning opportunities through Wellness & Belonging programs, organizational development consultants, and increase marketing efforts to foster a collaborative work environment
- Align learning and development resources with department and operational needs

### Goal 3

Enhance the department's operational systems to deliver efficient, accessible and responsive services.

#### Objectives:

- Continue to increase awareness and improve access to HR tools, resources and self-service options
- Evaluate and refine Human Resources processes to better meet organizational needs

# Key Performance Measures

## RECRUITMENT

| | | | | | |
|---|---|---|---|---|---|
| Goal | Implement a comprehensive Talent Management Program that will enable the City to attract, develop, and retain a committed workforce. | | | | |
| Objective | Invigorate the recruitment process to decrease time to fill and increase quality of hires. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Recruitment - Days to fill a position | 81 | 88 | 90 | 90 | 85 |
| Description | This measure will provide the average number of days to fill a position from requisition approval until a hiring decision is made. | | | | |
| Purpose | A strong recruitment strategy is the foundation of talent management and should be accomplished in a focused, timely manner to provide departments with quality candidates as expeditiously as possible. This measure aligns with the International City/County Management Association's (ICMA) human resource metrics and is a standard tool as defined in the Society of Human Resource Management. | | | | |
| Status | The days to fill a position decreased slightly in FY 2025 compared to the previous fiscal year partially due to the expansion of the HRL program and assistance from executive recruiting firms. The Recruitment team continues to partner with Department Human Resources Liaisons (HRLs) to decrease the days to fill metric. | | | | |

# Key Performance Measures

## TURNOVER

| | | | | | |
|---|---|---|---|---|---|
| Goal | Implement a comprehensive Talent Management Program that will enable the City to attract, develop, and retain a committed workforce. | | | | |
| Objective | Reduce turnover with higher quality of hires and improved performance coaching. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Turnover - Involuntary Turnover | 0.32% | 1.00% | 0.32% | 1.00% | 1.40% |
| Turnover - Retirement Turnover | 1.00% | 3.70% | 3.00% | 4.00% | 4.20% |
| Turnover - Total Turnover | 8.20% | 9.00% | 8.00% | 10.00% | 10.30% |
| Turnover - Voluntary Turnover | 2.00% | 4.30% | 5.00% | 5.00% | 4.50% |
| Description | This metric provides data to identify trends when there is turnover, including voluntary exits, involuntary separations and retirements. | | | | |
| Purpose | Employees who are qualified, are a good match for the organization, and who are actively engaged with work, are not expected to leave the City. If turnover is high, the City incurs additional costs of hiring new staff. Initiatives, such as offering a robust training program, provide employees with skills and knowledge to keep productivity at an optimal level. | | | | |
| Status | FY 2026 estimated rates are consistent with expectations. It is anticipated that the turnover rates will remain about the same in FY 2027 due to changes in labor agreements and total compensation strategy. | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Employee personnel transactions | 5,665 | 5,788 | 5,500 | 5,800 | 5,800 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Administration, Employee Org Development and HR Systems | 2,087,285 | 2,438,648 | 2,515,064 | 2,406,812 | (108,252) | (4.3)% |
| Benefits and Compensation | 524,324 | 539,228 | 584,073 | 393,860 | (190,213) | (32.6)% |
| Employee and Labor Relations | 1,313,148 | 1,642,283 | 1,420,085 | 1,266,546 | (153,540) | (10.8)% |
| Recruitment | 598,158 | 644,018 | 944,239 | 839,943 | (104,296) | (11.0)% |
| Risk Mgmt, Safety, Workers' Compensation | 191,194 | 227,577 | 234,945 | 163,671 | (71,274) | (30.3)% |
| **Total Dollars by Division** | **4,714,109** | **5,491,755** | **5,698,407** | **5,070,831** | **(627,576)** | **(11.0)%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 258,388 | 259,966 | 283,278 | 275,346 | (7,932) | (2.8)% |
| Other Benefits | 94,075 | 106,146 | 102,249 | 104,411 | 2,162 | 2.1% |
| Overtime | 9,178 | 900 | — | — | — | —% |
| Pension | 952,647 | 1,080,171 | 1,149,209 | 904,204 | (245,005) | (21.3)% |
| Retiree Medical | 153,046 | 170,864 | 188,290 | 223,208 | 34,918 | 18.5% |
| Salary | 2,335,881 | 2,987,389 | 3,035,743 | 2,579,032 | (456,712) | (15.0)% |
| Workers' Compensation | 106,726 | 64,890 | 123,903 | 131,783 | 7,880 | 6.4% |
| **Total Salary and Benefits** | **3,909,940** | **4,670,327** | **4,882,673** | **4,217,984** | **(664,689)** | **(13.6)%** |
| Allocated Charges | 323,487 | 411,372 | 453,185 | 502,931 | 49,746 | 11.0% |
| Contract Services | 258,979 | 294,597 | 253,609 | 244,309 | (9,300) | (3.7)% |
| Facilities & Equipment | 5,200 | 2,850 | 4,150 | 4,150 | — | —% |
| General Expense | 157,872 | 57,074 | 45,398 | 42,065 | (3,333) | (7.3)% |
| Rents & Leases | 43,000 | 43,000 | 43,000 | 43,000 | — | —% |
| Supplies & Material | 15,631 | 12,535 | 16,392 | 16,392 | — | —% |
| **Total Dollars by Category** | **4,714,109** | **5,491,755** | **5,698,407** | **5,070,831** | **(627,576)** | **(11.0)%** |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Charges to Other Funds | 1,639,661 | 1,782,269 | 2,316,632 | 2,072,996 | (243,636) | (10.5)% |
| **Total Revenues** | **1,639,661** | **1,782,269** | **2,316,632** | **2,072,996** | **(243,636)** | **(10.5)%** |
| **Positions by Division** | | | | | | |
| Administration, Employee Org Development and HR Systems | 8.69 | 9.19 | 9.49 | 8.76 | (0.73) | (7.7)% |
| Benefits and Compensation | 1.95 | 1.95 | 1.95 | 1.10 | (0.85) | (43.6)% |
| Employee and Labor Relations | 4.30 | 4.30 | 4.30 | 3.50 | (0.80) | (18.6)% |
| Recruitment | 2.83 | 3.33 | 3.33 | 2.58 | (0.75) | (22.5)% |
| Risk Mgmt, Safety, Workers' Compensation | 0.90 | 0.90 | 0.90 | 0.30 | (0.60) | (66.7)% |
| **Total Positions by Division** | **18.67** | **19.67** | **19.97** | **16.24** | **(3.73)** | **(18.7)%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Administrative Assistant | 0.75 | 0.75 | 0.75 | 0.50 | (0.25) | 48,464 |
| Assistant Director Human Resources | 1.00 | 1.00 | 1.00 | 1.00 | — | 254,842 |
| Director Human Resources/ CPO | 1.00 | 1.00 | 1.00 | 1.00 | — | 284,274 |
| Human Resources Representative | 4.00 | 4.00 | 4.00 | 4.00 | — | 454,542 |
| Human Resources Technician | 2.00 | 2.00 | 2.00 | 1.00 | (1.00) | 99,112 |
| Management Fellow | — | — | 0.30 | 0.30 | — | 25,222 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Manager Employee Benefits | 1.00 | 1.00 | 1.00 | — | (1.00) | — |
| Manager Employee Relations | 1.00 | 1.00 | 1.00 | 1.00 | — | 213,117 |
| Recruitment Division Manager | — | 1.00 | 1.00 | 1.00 | — | 185,786 |
| Senior Human Resources Administrator | 4.00 | 4.00 | 4.00 | 3.00 | (1.00) | 428,626 |
| Senior Management Analyst | 2.00 | 2.00 | 2.00 | 2.00 | — | 364,582 |
| **Subtotal: Full-Time Equivalent Positions** | **16.75** | **17.75** | **18.05** | **14.80** | **(3.25)** | **$2,358,566** |
| Temporary/Hourly | 1.92 | 1.92 | 1.92 | 1.44 | (0.48) | $163,648 |
| **Total Positions** | **18.67** | **19.67** | **19.97** | **16.24** | **(3.73)** | **$2,522,214** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **19.97** | **5,698,407** | **2,316,632** | **3,442,530** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| None | - | - | - | - |
| **One-Time Prior Year Budget Adjustments** | **-** | **-** | **-** | **-** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | (3.00) | (463,662) | - | (463,662) |
| Contract Service Adjustments | | 100,700 | - | 100,700 |
| General Fund Cost Allocation Plan | - | - | (243,636) | 243,636 |
| Information Technology Allocated Charges | - | (6,775) | - | (6,775) |
| Liability Insurance Allocated Charges | - | 56,342 | - | 56,342 |
| Printing & Mailing Services Allocated Charges | - | 179 | - | 179 |
| Workers' Compensation Allocated Charges | - | 7,880 | - | 7,880 |
| **Adjustments to Costs of Ongoing Activities** | **(3.00)** | **(305,336)** | **(243,636)** | **(61,700)** |
| **Total FY 2027 Base Budget** | **16.97** | **5,393,071** | **2,072,996** | **3,380,830** |
| **Budget Adjustments** | | | | |
| 1. Operating Expense, Staffing and HR Contingency Reductions | (0.73) | (228,963) | - | (228,963) |
| 2. Section 115 Dispersal to CalPERS for ADC and ADP | - | (93,277) | - | (93,277) |
| **Total Budget Adjustments** | **(0.73)** | **(322,240)** | **-** | **(322,240)** |
| **Total FY 2027 Adopted Budget** | **16.24** | **5,070,832** | **2,072,996** | **3,058,590** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Operating Expense, Staffing and HR Contingency Reductions | (0.73) | (228,963) | - | (228,963) |

This action reallocates and reduces funding for various operational and staffing expenses in the Human Resources Department. 0.48 FTE and funding in support of the annual Open Enrollment Fair are reallocated to the General Benefits Fund in recognition of their citywide impact. This action also reduces a 0.75 FTE Administrative Assistant by 0.25 FTE, labor negotiation contract services. and the Human Resources Contingency by $20,000. (Ongoing savings: $140,000)

**Performance Results**

This action contributes to cost containment strategies in Fiscal Year 2027.

| | | | | |
|---|---|---|---|---|
| 2. Section 115 Dispersal to CalPERS for ADC and ADP | - | (93,277) | - | (93,277) |

This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $93,277)

**Performance Results**

This action executes City Council policy and proactively manages the City's pension obligations.

# GENERAL LIABILITIES INSURANCE PROGRAM

## Description

The City's General Liability Program provides funding to cover flood, property, and various other insurance policies for City-owned equipment and machinery. The City is self-insured for the first $1.0 million in losses per occurrence and participates in a Joint Powers Authority for coverage up to $65 million per occurrence. This program uses an 85 percent confidence level, calculated by an outside actuarial consultant, for financial planning to ensure adequate resources are available for anticipated expenses.

## Accomplishments

- Hired full-time Risk Manager within Administrative Services Department.
- Successfully transitioned Joint Power Authority member duties, and insurance administration to the new Risk Manager.

## Initiatives

- Evaluate current citywide insurance requirements for vendors and contractors to enhance the City's risk transfer opportunities.

## Goals and Objectives

### Goal 1

Reduce liability exposure to the City.

#### Objectives:

- Reduce liability exposure to the City for employee-involved vehicle collision.
- Review Department of Motor Vehicle (DMV) records on an annual basis for all employees whose job duties require that they drive City vehicles.
- Provide a proactive defensive driving course to all employees involved in vehicle collisions involving City vehicles regardless of fault.
- Reduce the number of claims related to City vehicle collision losses.

# Key Performance Measures

## CITY VEHICLE COLLISION LOSS

| | | | | | |
|---|---|---|---|---|---|
| Goal | Reduce liability exposure to the City. | | | | |
| Objective | Reduce the number of claims related to City vehicle collision losses. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Annual number of claims related to City vehicle collision losses | 8 | 8 | 8 | 3 | 5 |
| Description | This measure will provide data to identify trends. | | | | |
| Purpose | Analyzing claim trends will assist risk management staff in developing programs designed to reduce employee involved vehicle collisions. | | | | |
| Status | Employee-involved vehicle collision claims are projected to trend modestly upward, driven primarily by increased traffic volumes. The reduction observed in FY 2026 reflects the positive impact of the City's defensive driving training program. | | | | |

## DEFENSIVE DRIVING TRAINING

| | | | | | |
|---|---|---|---|---|---|
| Goal | Reduce liability exposure to the City. | | | | |
| Objective | Provide defensive driver training. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Attendance at defensive driver training | 208 | 220 | 200 | 210 | 210 |
| Description | This measure tracks the number of employees completing proactive and/or mandatory defensive driving class. | | | | |
| Purpose | Providing supplemental training will increase knowledge and awareness about safe driving behavior in order to protect employee and public safety, in addition to preventing future claims against the City. | | | | |
| Status | The City will maintain its Safety Driving and Driver Wellness training programs in alignment with established City safety policies. Participation levels are expected to remain consistent or increase year over year. In FY 2027, the City will continue targeted training efforts emphasizing distracted driving prevention, hazard recognition, including hidden hazards, intersection safety, and safe roadway sharing with pedestrians and cyclists. | | | | |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| General Liabilities Insurance Program | 18,342,053 | 11,500,190 | 8,776,995 | 11,659,323 | 2,882,328 | 32.8% |
| **Total Dollars by Division** | **$18,342,053** | **$11,500,190** | **$8,776,995** | **$11,659,323** | **$2,882,328** | **32.8%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | — | 7,741 | 15,226 | 16,494 | 1,268 | 8.3% |
| Other Benefits | 61,135 | 3,979 | 5,184 | 5,717 | 533 | 10.3% |
| Pension | 11,171 | 67,785 | 65,500 | 52,938 | (12,562) | (19.2)% |
| Salary | — | 99,679 | 156,386 | 158,766 | 2,380 | 1.5% |
| **Total Salary and Benefits** | **$72,306** | **$179,184** | **$242,295** | **$233,914** | **$(8,381)** | **(3.5)%** |
| Contract Services | 6,750 | 71,824 | 77,060 | 77,060 | — | —% |
| General Expense | 18,262,997 | 11,249,182 | 8,457,640 | 11,348,349 | 2,890,709 | 34.2% |
| **Total Dollars by Category** | **$18,342,053** | **$11,500,190** | **$8,776,995** | **$11,659,323** | **$2,882,328** | **32.8%** |
| **Revenues** | | | | | | |
| Charges to Other Funds | 5,347,860 | 9,041,000 | 8,650,000 | 11,199,000 | 2,549,000 | 29.5% |
| Operating Transfers-In | 5,000 | 5,000 | 5,000 | 5,000 | — | —% |
| Other Revenue | 11,000,000 | 2,500,000 | 43,940 | 43,940 | — | —% |
| Return on Investments | 205,204 | 185,194 | 275,740 | 327,475 | 51,735 | 18.8% |
| **Total Revenues** | **$16,558,064** | **$11,731,194** | **$8,974,680** | **$11,575,415** | **$2,600,735** | **29.0%** |
| **Positions by Division** | | | | | | |
| General Liabilities Insurance Program | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| **Total Positions by Division** | **1.00** | **1.00** | **1.00** | **1.00** | **—** | **—%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 152,880 |
| **Subtotal: Full-Time Equivalent Positions** | **1.00** | **1.00** | **1.00** | **1.00** | **—** | **$152,880** |
| **Total Positions** | **1.00** | **1.00** | **1.00** | **1.00** | **—** | **$152,880** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **1.00** | **8,776,995** | **8,974,680** | **(197,685)** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| None | - | - | - | - |
| **One-Time Prior Year Budget Adjustments** | **-** | **-** | **-** | **-** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | - | (2,340) | - | (2,340) |
| Charges to Other Funds | - | - | 2,549,000 | (2,549,000) |
| Return on Investments | - | - | 51,735 | (51,735) |
| General Liability Insurance Claims | - | 196,000 | - | 196,000 |
| Property Loss Insurance | - | 178,577 | - | 178,577 |
| Umbrella Excess Liability Insurance Adjustment (49% increase) | - | 2,516,132 | - | 2,516,132 |
| **Adjustments to Costs of Ongoing Activities** | **-** | **2,888,369** | **2,600,735** | **287,633** |
| **Total FY 2027 Base Budget** | **1.00** | **11,665,364** | **11,575,415** | **89,948** |
| **Budget Adjustments** | | | | |
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (6,040) | | (6,040) |
| **Total Budget Adjustments** | **-** | **(6,040)** | **-** | **(6,040)** |
| **Total FY 2027 Adopted Budget** | **1.00** | **11,659,323** | **11,575,415** | **83,908** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (6,040) | - | (6,040) |

This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $6,040)

**Performance Results**

This action executes City Council policy and proactively manages the City's pension obligations.

# WORKERS' COMPENSATION FUND

## Description

The Workers' Compensation Program provides wage and medical benefits for employees who sustain an injury or develop an occupational illness within the course and scope of employment. This program uses an 85 percent confidence level, calculated by an outside actuarial consultant, for financial planning to ensure adequate resources are available for anticipated expenses.

## Accomplishments

- Restructured the internal team to enhance service coverage and streamline processes.
- Team training completed by Innovative Claims Solutions, the new third-party administrator for workers compensation services to train team to access the ICS claims management system, providing opportunity to see all active information, enter notes and enhance communication.
- Delivered ergonomic education sessions and onsite evaluations to help prevent repetitive motion injuries, resulting in zero related claims this fiscal year.

## Initiatives

- Following the team restructuring, staff will deliver enhanced claims insights, training, and process improvements.

## Goals and Objectives

### Goal 1

Provide a safe environment for employees.

#### Objectives:

- Provide workplace safety training for all departments.
- Comply with all requirements of the Occupational Safety and Health Act (OSHA).

### Goal 2

Minimize loss of productivity and disruption of services.

#### Objectives:

- Facilitate early return to work program.

- Reduce the number of costly lost time claims filed and days away from work.

# Key Performance Measures

## DOLLAR AMOUNT OF CLAIMS PAID

| | | | | | |
|---|---|---|---|---|---|
| Goal | Minimize loss of productivity and disruption of services. | | | | |
| Objective | Reduce the number of costly lost time claims filed and days away from work. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Total dollar amount of claims paid | 3,063,576 | 4,750,275 | 4,000,000 | 4,500,000 | 4,000,000 |
| Description | This measure tracks the total cost paid for work-related illness and injury claims in a given fiscal year. As claims develop, prior year total costs paid are revised. | | | | |
| Purpose | Effective workplace safety and loss control programs lessen the use of public funds for work-related employee injuries and illness. | | | | |
| Status | In FY 2025 claims costs increased primarily due to a severely ill claimant whose hospitalization bills totaled approximately $605,424. This cost was partially offset by a $439,987 reimbursement paid to the City through its excess workers' compensation insurance policy, received in April 2026. | | | | |

## NUMBER OF CLAIMS

| | | | | | |
|---|---|---|---|---|---|
| Goal | Minimize loss of productivity and disruption of services. | | | | |
| Objective | Reduce the number of costly lost time claims filed and days away from work. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Number of Workers' Compensation Claims Filed | 86 | 65 | 80 | 75 | 70 |
| Description | This measure tracks the total employee workers' compensation claim volume filed each fiscal year. | | | | |
| Purpose | Effective workplace safety and injury prevention program lessen the use of public funds for work-related injuries and illness. In addition to claim costs, the expense of paying overtime or hiring additional staff is mitigated. | | | | |
| Status | The City experienced a decrease in total claims in FY 2025. It is expected that the number of claims will remain at a similar number in FY 2026 and FY 2027. | | | | |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Workers' Compensation Program | 4,369,492 | 7,286,079 | 9,815,633 | 10,572,257 | 756,624 | 7.7% |
| **Total Dollars by Division** | **$4,369,492** | **$7,286,079** | **$9,815,633** | **$10,572,257** | **$756,624** | **7.7%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 11,395 | 12,063 | 26,932 | 34,713 | 7,781 | 28.9% |
| Other Benefits | 292,492 | 300,900 | 313,510 | 316,793 | 3,283 | 1.0% |
| Pension | 87,606 | 71,611 | 77,696 | 81,757 | 4,061 | 5.2% |
| Salary | 193,187 | 183,022 | 215,576 | 289,575 | 73,999 | 34.3% |
| Workers' Compensation | 3,177,910 | 5,941,519 | 8,209,340 | 8,560,340 | 351,000 | 4.3% |
| **Total Salary and Benefits** | **$3,762,590** | **$6,509,115** | **$8,843,054** | **$9,283,178** | **$440,124** | **5.0%** |
| Contract Services | 6,750 | 6,750 | 23,079 | 23,079 | — | —% |
| General Expense | 600,152 | 770,214 | 949,500 | 1,266,000 | 316,500 | 33.3% |
| **Total Dollars by Category** | **$4,369,492** | **$7,286,079** | **$9,815,633** | **$10,572,257** | **$756,624** | **7.7%** |
| **Revenues** | | | | | | |
| Other Revenue | 8,061,202 | 5,176,326 | 9,049,000 | 9,800,000 | 751,000 | 8.3% |
| Return on Investments | 766,762 | 887,637 | 842,100 | 999,966 | 157,866 | 18.7% |
| **Total Revenues** | **$8,827,964** | **$6,063,962** | **$9,891,100** | **$10,799,966** | **$908,866** | **9.2%** |
| **Positions by Division** | | | | | | |
| Workers' Compensation Program | 1.48 | 1.48 | 1.50 | 2.00 | 0.50 | 33.3% |
| **Total Positions by Division** | **1.48** | **1.48** | **1.50** | **2.00** | **0.50** | **33.3%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Human Resources Technician | — | — | 0.50 | 0.50 | — | 43,493 |
| Manager Employee Benefits | — | — | — | 0.25 | 0.25 | 47,897 |
| Senior Human Resources Administrator | 1.00 | 1.00 | 1.00 | 1.25 | 0.25 | 187,450 |
| **Subtotal: Full-Time Equivalent Positions** | **1.00** | **1.00** | **1.50** | **2.00** | **0.50** | **$278,840** |
| Temporary/Hourly | 0.48 | 0.48 | — | — | — | $— |
| **Total Positions** | **1.48** | **1.48** | **1.50** | **2.00** | **0.50** | **$278,840** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **1.50** | **9,815,633** | **9,891,100** | **(75,467)** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| None | - | - | - | - |
| **One-Time Prior Year Budget Adjustments** | **-** | **-** | **-** | **-** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefit Adjustments | 0.50 | 100,195 | - | 100,195 |
| Umbrella Excess Insurance Adjustment | | 316,000 | - | 316,000 |
| Charges to Other Funds | - | - | 751,000 | (751,000) |
| Return on Investments | - | - | 157,866 | (157,866) |
| Workers' Compensation Insurance Claims Adjustments | - | 351,000 | - | 351,000 |
| **Adjustments to Costs of Ongoing Activities** | **0.50** | **767,195** | **908,866** | **(141,671)** |
| **Total FY 2027 Base Budget** | **2.00** | **10,582,828** | **10,799,966** | **(217,138)** |
| **Budget Adjustments** | | | | |
| 1. Section 115 Dispersal to Calpers for ADC and ADP | - | (10,571) | - | (10,571) |
| **Total Budget Adjustments** | **-** | **(10,571)** | **-** | **(10,571)** |
| **Total FY 2027 Adopted Budget** | **2.00** | **10,572,257** | **10,799,966** | **(227,709)** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Section 115 Dispersal to Calpers for ADC and ADP | - | (10,571) | - | (10,571) |

This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $10,570)

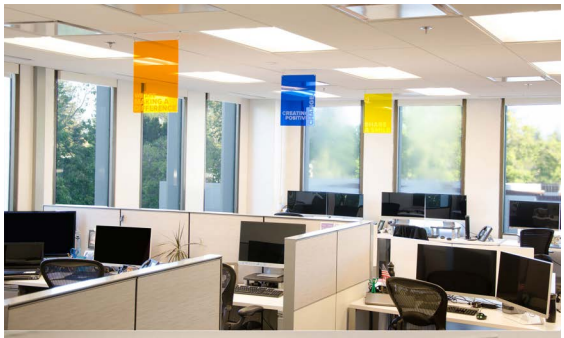
**Performance Results**

This action executes City Council policy and proactively manages the City's pension obligations.

| Workers' Compensation Fund | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Estimate | FY 2027 Adopted |
|---|---|---|---|---|
| Claims Paid/Projected | $3,063,576 | $4,000,000 | $5,000,000 | $8,355,000 |
| CSAC Excess Insurance Premium | $600,152 | $800,000 | $948,000 | $1,264,000 |
| Actuarial Services | $6,750 | $6,750 | $6,700 | $7,079 |
| TPA Administrator Fees | $286,282 | $290,000 | $306,000 | $306,000 |
| State Self-Insurance Fees | $114,334 | $120,000 | $205,340 | $205,340 |
| In-House Administration | $275,173 | $290,000 | $398,129 | $436,027 |
| **Workers' Compensation Fund Subtotal** | **$4,346,267** | **$5,506,750** | **$6,864,169** | **$10,573,446** |

# INFORMATION TECHNOLOGY

## Mission Statement





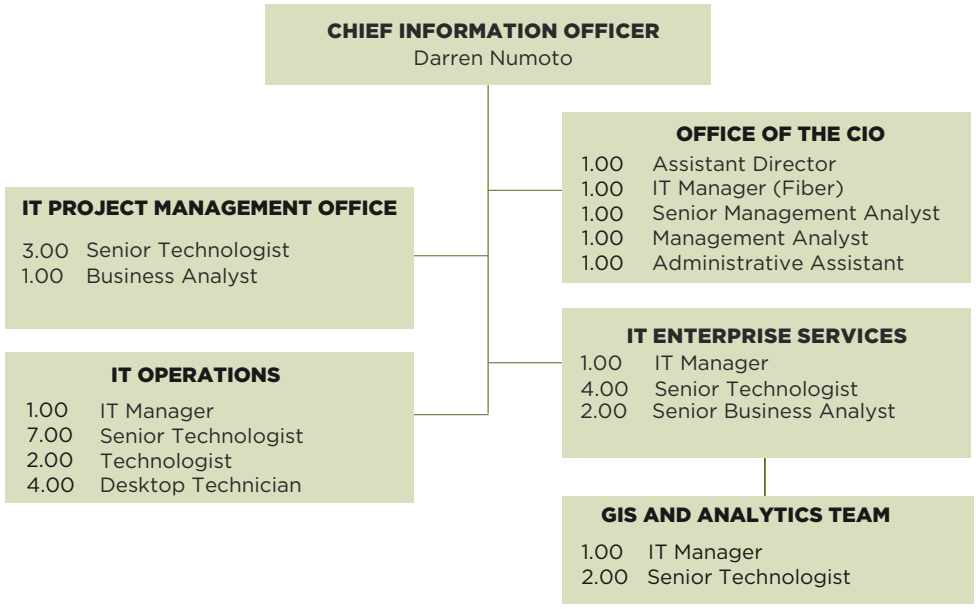
We partner with City departments by providing technology leadership to deliver secure, reliable, and cost-effective solutions aligned with Council priorities and City initiatives.

## Purpose

The City departments depend on technology to deliver services. The Information Technology Department provides a broad range of high-quality, cost-effective and innovative solutions to employees, departments, council members, and the community for each to meet their respective goals.

The IT Department provides over three hundred distinct technology solutions and maintains a governance model for aligning city goals, allocation of funds, and technology projects.

# INFORMATION TECHNOLOGY




**FY 2027 POSITION TOTALS**
34.00 - Full-time
2.40 - Hourly

This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

# Description

The Information Technology Department (ITD) supports and continuously improves essential technology solutions and infrastructure for enabling the day-to-day operations of the City. ITD creates and maintains an exciting workplace for the Information Technology Department team that inspires high-performance and provides career growth opportunities. Likely not seen, ITD is continuously working behind the scenes to drive, improve, maintain, and secure the technologies that run our City.

The Information Technology Department provides a wide range of services through the following divisions:

### OFFICE OF THE CIO (OCIO)

Provides leadership and strategic direction for the City of Palo Alto's use of technology. OCIO provides advisory services to City departments regarding opportunities to leverage technology to improve government services. In addition, the division sets IT policies and direction for the IT Department and the City. The core services include IT strategic planning, cybersecurity, financial management, contract management, communications, work force development, overall department administration, risk management, data strategy, governance, and public-private technology partnerships.

### IT PROJECT MANAGEMENT OFFICE (PMO)

Runs City technology projects in a consistent and cost-conscious manner. Through IT project governance, we maintain alignment with the IT Strategic Plan. We perform multiple services including market research, requirements gathering, RFP preparation, vendor management, and contract management. The IT PMO promotes project standards, awareness, and education.

### IT OPERATIONS

Provides efficient and effective IT service delivery by monitoring, maintaining, and supporting the operations of City technologies and services 24/7. Manage the core functions of Enterprise Architecture, GIS, Infrastructure Support, Cloud Services, Service Desk, telecommunications, operational security, disaster recovery, and IT asset/software management. The team partners with City departments on technology projects, initiatives and ratifies standards working alongside other IT divisions.

### IT ENTERPRISE SERVICES

Offers innovative solutions/tools to City departments and helps to improve process optimization and decision-making capabilities. Maintain a core set of large enterprise systems such as the Enterprise Resource Planning (ERP) both technical and business support, Utility Billing and Customer Information System (CIS), Customer Relationship Management (CRM), Business Intelligence and Warehouse systems (BI/BW) for

supporting Financial, Human Resources, Utilities business processes, information flow, reporting, data analytics, and enterprise data governance for the City.

These services include all aspects of enterprise systems management such as planning, architecture, development, integration, administration, support, maintenance, governance, and change management.

### GIS & ANALYTICS TEAM

Helps departments to understand patterns, relationships, and geographic context. Provides innovative map-based data, apps, and technical support for a wide variety of departmental and public needs. This technology helps guide emergency responses, expands Utility asset management capabilities, simplifies regulatory compliance, informs the public and staff on allowed property use and development, and provides a common language to encourage better inter-department communication for informed management decisions. The GIS & Analytics Division also brokers internal and external resources to satisfy unique data and application needs.

## Accomplishments

- Replaced City Intranet
- Provided cybersecurity improvements/enhancements across citywide technology platforms
- Completed several IT Infrastructure upgrades
- Successfully executed 40+ business requirements during ERP Enhancement Phase 2, significantly expanding system functionality and operational capacity
- Achieved over 99.9% system availability with no unplanned outage during the financial year
- Implemented an internal Artificial Intelligence (AI) Platform for Staff
- Implemented an AI chatbot that facilitates access to content on the City website
- Assisted with Children's Library Remodel for Technology Needs
- Assisted with Public Safety Building Technology Needs for Opening and Phase 1 move
- Implemented new Utility Billing Software
- Delivered $65K in annual savings by transitioning the City from a paid vendor tool to PermitViewer, an in-house public permit and inspection portal
- Implemented automated due-date triggers and exception-based alerting to modernize Cathodic Protection system tracking

## Initiatives

- Refresh IT Strategic Plan
- Continue to enhance the City's Cybersecurity posture
- Continue with the Council Chambers Audio Visual (A/V) upgrade project
- Implement Artificial Intelligence (AI) policy and AI initiatives
- Support the technology needs for Fire Station 4
- Continue with Infrastructure Upgrades
- Continue supporting the technology efforts for the new Public Safety Building Phase 2 and 3

- Continue partnering with the Utilities Department on the Fiber Expansion, including Fiber-to-the-Premises
- Transition the current SAP environment to S/4 HANA
- Transition multiple legacy systems over to modern GIS solutions
- Modernize the City's forestry operations by replacing a legacy vendor tool with ArborFlow, delivering a more integrated approach to tree inventory and maintenance tracking

# Goals and Objectives

## Goal 1

Partner with stakeholders to deliver value.

### Objectives:

- Foster a "Trusted Partner" mindset with our stakeholders by providing the right solutions at the right time.
- Cultivate an environment in which IT works effectively to address City challenges.

## Goal 2

Reduce risk and improve IT operational excellence.

### Objectives:

- Maintain and enhance City Cybersecurity posture.
- Develop IT and data governance frameworks.
- Deliver modern, scalable, reliable, and secure technology solutions.
- Provide quality, timely and responsive service across all platforms and environments.

## Goal 3

Lead change through technology innovation.

### Objectives:

- Proactively seek innovative solutions to support Council priorities and City initiatives.
- Deliver innovative IT capabilities to increase productivity.

## Goal 4

Empower IT staff.

### Objectives:

- Enhance our culture to attract and retain top quality IT staff.
- Create opportunities for staff to improve skills and learn new technologies.
- Develop high performing teams to deliver superior business results.

# Key Performance Measures

## PERCENT OF SERVICE DESK REQUESTS RESOLVED BY RESOLUTION TIME

| | | | | | |
|---|---|---|---|---|---|
| Goal | Track the overall time it takes to resolve service desk work orders. | | | | |
| Objective | Establish clear division processes, staff responsibilities, and performance measures. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| 1. Percent of service desk requests resolved within 8 hours | 48% | 50% | 56% | 50% | 51% |
| 2. Percent of service desk requests resolved within 5 days | 27% | 24% | 24% | 26% | 25% |
| 3. Percent of service desk requests resolved beyond 5 days | 25% | 26% | 20% | 24% | 24% |
| Description | These measures track the time it takes to resolve service desk work orders. | | | | |
| Purpose | Ensuring that IT staff are resolving work orders in a timely manner provides a quantitative measurement of one of the important services the department provides. | | | | |
| Status | Continue looking for opportunities to create efficiencies with the goal of decreasing the time it takes to resolve requests. | | | | |

## PERCENT OF SURVEY RESPONDENTS RATING THE SERVICES PROVIDED BY THE INFORMATION TECHNOLOGY DEPARTMENT AS EXCELLENT

| | | | | | |
|---|---|---|---|---|---|
| Goal | Increase customer satisfaction on the services provided by the Information Technology Department. | | | | |
| Objective | Establish clear division processes, staff responsibilities, and performance measures. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of survey respondents rating the services provided by the IT Department as excellent | 95% | 95% | 95% | 95% | 96% |
| Description | This measure identifies the overall level of satisfaction internal customers have with telephone, network, application, and desktop support services. | | | | |
| Purpose | This measure is an important qualitative assessment of how well IT is supporting its internal customers and whether they feel IT is meeting their needs. | | | | |
| Status | Identify opportunities to create efficiencies with the goal of improving beyond the current excellent satisfaction rating. | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Number of closed help desk requests | 10,479 | 10,470 | 9,053 | 10,356 | 10,392 |
| Number of datasets published on open data platforms | 97 | 97 | 97 | 97 | 97 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Enterprise Systems | 4,925,077 | 5,253,822 | 5,851,862 | 5,918,061 | 66,199 | 1.1% |
| Office of the CIO | 3,330,678 | 3,535,467 | 5,584,367 | 3,260,143 | (2,324,223) | (41.6)% |
| Operations | 10,077,944 | 9,883,102 | 11,827,383 | 12,180,115 | 352,732 | 3.0% |
| Project Services | 1,796,297 | 1,827,959 | 1,957,155 | 1,653,420 | (303,735) | (15.5)% |
| CIP Technology Fund | 1,627,477 | 1,117,595 | 3,754,643 | 4,068,469 | 313,826 | 8.4% |
| **Total Dollars by Division** | **21,757,473** | **21,617,946** | **28,975,410** | **27,350,767** | **(1,624,643)** | **(5.6)%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 680,017 | 675,628 | 779,154 | 778,128 | (1,026) | — % |
| Other Benefits | 183,260 | 174,377 | 167,439 | 207,330 | 39,892 | 23.8% |
| Overtime | 368 | 534 | 23,909 | 24,387 | 478 | 2.0% |
| Pension | 2,784,490 | 2,474,773 | 2,525,045 | 2,107,553 | (417,493) | (16.5)% |
| Retiree Medical | 368,385 | 448,906 | 529,585 | 626,489 | 96,904 | 18.3% |
| Salary | 5,018,201 | 5,576,659 | 6,299,846 | 6,565,546 | 265,700 | 4.2% |
| Workers' Compensation | 229,210 | 147,430 | 249,307 | 222,410 | (26,897) | (10.8)% |
| **Total Salary and Benefits** | **9,263,931** | **9,498,307** | **10,574,286** | **10,531,844** | **(42,441)** | **— %** |
| Allocated Charges | 1,520,343 | 1,573,730 | 1,554,877 | 1,671,292 | 116,415 | 7.5% |
| Contract Services | 7,243,144 | 7,735,001 | 9,037,651 | 9,015,168 | (22,483) | — % |
| Facilities & Equipment | 1,183,753 | 686,358 | 895,564 | 947,010 | 51,446 | 5.7% |
| General Expense | 405,218 | 466,679 | 573,025 | 556,675 | (16,350) | (2.9)% |
| Operating Transfers-Out | 27,764 | 27,764 | 2,027,764 | 27,764 | (2,000,000) | (98.6)% |
| Rents & Leases | 447,300 | 458,900 | 472,600 | 447,544 | (25,056) | (5.3)% |
| Supplies & Material | 38,544 | 53,612 | 85,000 | 85,000 | — | — % |
| Capital Improvement Program | 1,627,477 | 1,117,595 | 3,754,643 | 4,068,469 | 313,826 | 8.4% |
| **Total Dollars by Category** | **21,757,473** | **21,617,946** | **28,975,410** | **27,350,767** | **(1,624,643)** | **(5.6)%** |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Charges to Other Funds | 17,941,615 | 18,807,609 | 20,627,500 | 20,222,135 | (405,365) | (2.0)% |
| Operating Transfers-In | 1,601,100 | 1,470,300 | 1,539,100 | 1,419,000 | (120,100) | (7.8)% |
| Other Revenue | — | — | 20,138 | 20,662 | 524 | 2.6% |
| Return on Investments | 467,465 | 459,114 | 508,970 | 604,454 | 95,484 | 18.8% |
| **Total Revenues** | **20,010,180** | **20,737,022** | **22,695,708** | **22,266,251** | **(429,457)** | **(1.9)%** |
| **Positions by Division** | | | | | | |
| Enterprise Systems | 9.00 | 9.00 | 9.00 | 9.00 | — | —% |
| Office of the CIO | 4.10 | 4.10 | 4.10 | 4.10 | — | —% |
| Operations | 14.48 | 15.48 | 15.48 | 15.48 | — | —% |
| Project Services | 6.00 | 6.00 | 6.00 | 5.00 | (1.00) | (16.7)% |
| CIP Technology Fund | — | — | — | 1.92 | 1.92 | —% |
| **Total Positions by Division** | **33.58** | **34.58** | **34.58** | **35.50** | **0.92** | **2.7%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 108,826 |
| Assistant Director Administrative Services | 0.10 | 0.10 | 0.10 | 0.10 | — | 26,520 |
| Assistant Director Information Technology | — | 1.00 | 1.00 | 1.00 | — | 249,288 |
| Business Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 199,181 |
| Desktop Technician | 6.00 | 4.00 | 4.00 | 4.00 | — | 554,528 |
| Director Information Technology/CIO | 1.00 | 1.00 | 1.00 | 1.00 | — | 293,634 |
| Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 134,139 |
| Manager Information Technology | 3.00 | 3.00 | 4.00 | 3.00 | (1.00) | 653,578 |
| Senior Business Analyst | 2.00 | 2.00 | 2.00 | 2.00 | — | 348,504 |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 182,291 |
| Senior Technologist | 17.00 | 17.00 | 16.00 | 16.00 | — | 2,953,704 |
| Technologist | — | 2.00 | 2.00 | 2.00 | — | 398,362 |
| **Subtotal: Full-Time Equivalent Positions** | **33.10** | **34.10** | **34.10** | **33.10** | **(1.00)** | **$6,102,554** |
| Temporary/Hourly | 0.48 | 0.48 | 0.48 | 2.40 | 1.92 | $309,804 |
| **Total Positions** | **33.58** | **34.58** | **34.58** | **35.50** | **0.92** | **$6,412,358** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **34.58** | **28,975,410** | **22,695,708** | **6,279,702** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| Transfer Excess Technology Reserve from the Technology Fund | - | (2,000,000) | - | (2,000,000) |
| Transfer Excess Benefit Savings from the General Benefits Fund | | - | (129,100) | 129,100 |
| **One-Time Prior Year Budget Adjustments** | **-** | **(2,000,000)** | **(129,100)** | **(1,870,900)** |
| **Adjustments to Costs of Ongoing Activities** | | | | **-** |
| Salary and Benefits Adjustments | - | 462,350 | - | 462,350 |
| Temporary/Freezes into Ongoing/Eliminations | (1.00) | (266,270) | - | (266,270) |
| Charges to Other Funds-Information Technology Services | - | - | 236,159 | (236,159) |
| Return on Investments & Other Revenue | - | - | 95,484 | (95,484) |
| Transfer from the General Fund-Technology Surcharge | - | - | 34,000 | (34,000) |
| Rents and Lease Adjustments | - | (25,056) | - | (25,056) |
| Equipment Repair and Maintenance Adjustment | - | 101,446 | - | 101,446 |
| Contract Adjustments & Equipment Cost Changes | - | 543,517 | - | 543,517 |
| Capital Improvement Program | 1.92 | 313,826 | (25,000) | 338,826 |
| General Fund Cost Allocation Plan | - | 65,618 | - | 65,618 |
| Communication Allocated Charges | - | 35 | - | 35 |
| General Liability Insurance Allocated Charges | - | 46,677 | - | 46,677 |
| Printing & Mailing Services Allocated Charges | - | 90 | - | 90 |
| Utilities Allocated Charges | - | 13,666 | - | 13,666 |
| Vehicle Replacement & Maintenance Allocated Charges | - | 469 | - | 469 |
| Workers' Compensation Allocated Charges | - | (26,897) | - | (26,897) |
| **Adjustments to Costs of Ongoing Activities** | **0.92** | **1,229,471** | **340,643** | **888,828** |
| **Total FY 2027 Base Budget** | **35.50** | **28,204,881** | **22,907,251** | **7,168,530** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Budget Adjustments** | | | | |
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (212,624) | - | (212,624) |
| 2. Fleet Fuel Contract Reduction | - | (490) | - | (490) |
| 3. Cybersecurity Contingency Funding Reduction | - | (381,000) | (381,000) | - |
| 4. On-Call Contracts Reductions | - | (150,000) | (150,000) | - |
| 5. IT Operations Reductions | - | (110,000) | (110,000) | - |
| **Total Budget Adjustments** | **-** | **(854,114)** | **(641,000)** | **(213,114)** |
| **Total FY 2027 Adopted Budget** | **35.50** | **27,350,767** | **22,266,251** | **5,084,516** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (212,624) | - | (212,624) |

This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing cost: $212,600)

**Performance Results**

This action executes City Council policy and proactively manages the City's pension obligations.

| | | | | |
|---|---|---|---|---|
| 2. Fleet Fuel Contract Reduction | - | (490) | - | (490) |

This action reduces the Information Technology Department's share of the citywide fleet fuel contract based on historical usage trends. By right-sizing the contract to reflect actual consumption patterns, the department generates General Fund savings without impacting the availability of specialized equipment. (Ongoing savings: $490)

**Performance Results**

This action contributes to cost containment strategies in Fiscal Year 2027.

| | | | | |
|---|---|---|---|---|
| 3. Cybersecurity Contingency Funding Reduction | - | (381,000) | (381,000) | - |

This action reduces the cybersecurity contingency allocation within the Technology Fund, which is maintained as a reserve for unanticipated needs and may not be fully utilized in a given year. The reduction lowers allocated charges to client departments across the City, including the General Fund, and is offset by a corresponding decrease in Technology Fund revenue. The General Fund share of this savings is approximately $186,700. (Ongoing net cost: $0)

**Performance Results**

This action contributes to cost containment strategies in Fiscal Year 2027.

| | | | | |
|---|---|---|---|---|
| 4. On-Call Contracts Reductions | - | (150,000) | (150,000) | - |

This action reduces funding for IT on-call contracts within the Technology Fund based on a review of historical spending and anticipated service needs. The reduction lowers allocated charges to client departments across the City, including the General Fund, and is offset by a corresponding decrease in Technology Fund revenue. The General Fund share of this savings is approximately $73,500. (Ongoing net cost: $0)

**Performance Results**

This action contributes to cost containment strategies in Fiscal Year 2027.

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| 5. IT Operations Reductions | - | (110,000) | (110,000) | - |

This action reduces $110,000 in IT operating allocations within the Technology Fund based on updated spending assumptions and anticipated service needs. The adjustment lowers allocated charges to client departments across the City, including the General Fund, and is offset by a corresponding decrease in Technology Fund revenue. Impacts are expected to be minimal and will be managed within existing service levels. The General Fund share of this savings is approximately $54,000. (Ongoing net cost: $0)

**Performance Results**

This action contributes to cost containment strategies in Fiscal Year 2027.

# LIBRARY

## Mission Statement

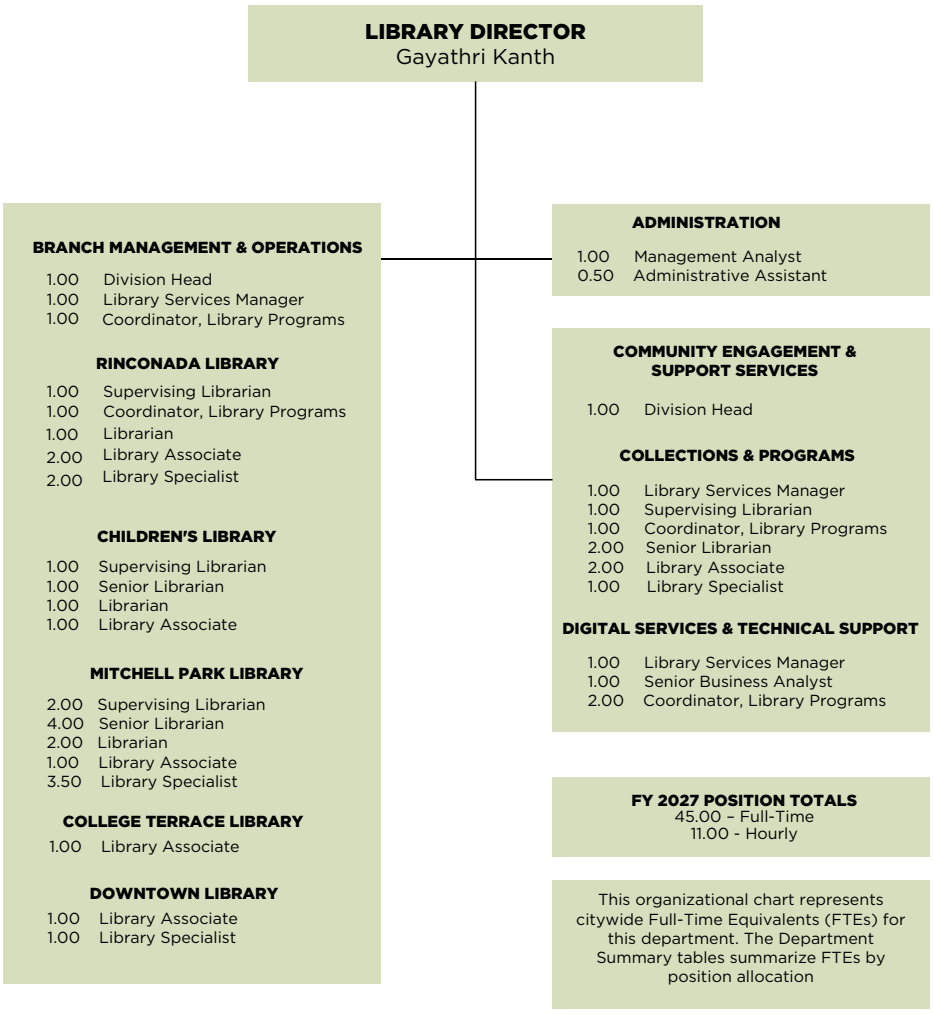


The Palo Alto City Library connects our diverse community through knowledge, resources, and opportunities. We nurture innovation, discovery, and delight.

## Purpose

To provide exceptional, responsive public service to Palo Alto residents and employees; promote exploration of library resources to support learning, recreation, and personal enrichment; foster a love of reading, creative expression, and community engagement for all ages; and develop library facilities, technology, and staff to create a welcoming, inclusive environment in which to share valuable resources and skilled expertise.

# LIBRARY


LIBRARY DIRECTOR
Gayathri Kanth
BRANCH MANAGEMENT & OPERATIONS
1.00 Division Head
1.00 Library Services Manager
1.00 Coordinator, Library Programs
RINCONADA LIBRARY
1.00 Supervising Librarian
1.00 Coordinator, Library Programs
1.00 Librarian
2.00 Library Associate
2.00 Library Specialist
CHILDREN'S LIBRARY
1.00 Supervising Librarian
1.00 Senior Librarian
1.00 Librarian
1.00 Library Associate
MITCHELL PARK LIBRARY
2.00 Supervising Librarian
4.00 Senior Librarian
2.00 Librarian
1.00 Library Associate
3.50 Library Specialist
COLLEGE TERRACE LIBRARY
1.00 Library Associate
DOWNTOWN LIBRARY
1.00 Library Associate
1.00 Library Specialist
ADMINISTRATION
1.00 Management Analyst
0.50 Administrative Assistant
COMMUNITY ENGAGEMENT & SUPPORT SERVICES
1.00 Division Head
COLLECTIONS & PROGRAMS
1.00 Library Services Manager
1.00 Supervising Librarian
1.00 Coordinator, Library Programs
2.00 Senior Librarian
2.00 Library Associate
1.00 Library Specialist
DIGITAL SERVICES & TECHNICAL SUPPORT
1.00 Library Services Manager
1.00 Senior Business Analyst
2.00 Coordinator, Library Programs
FY 2027 POSITION TOTALS
45.00 – Full-Time
11.00 - Hourly
This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation

# Description

The Library provides a wide range of public services for the City of Palo Alto through the following:

### PUBLIC SERVICES & PROGRAMS

Offers a variety of programs free of charge to library users of all ages, interests, and abilities, to provide educational, self-help, recreational, technological, and multi-lingual outreach. When appropriate, partners with other civic, non-profit, business, and educational organizations to present these programs.

### INFORMATION, TECHNOLOGY, & COLLECTIONS

Library collections include a diverse selection of print and non-print materials, and digital resources such as electronic books, magazines, and media, to meet the educational, informational, and recreational needs of its clientele, reflecting the variety of languages, cultures, and interests of our community. Provides opportunities (sometimes through experimental partnerships with other agencies) for the public to access a variety of technologies both inside and outside library facilities, including hardware devices, online databases, free WiFi, and mobile applications.

### BUILDINGS, SUPPORT, & ADMINISTRATION

Provides information, training, and support for City employees and the public, and ensures that all aspects of library services and policies are delivered with the highest degree of public stewardship in mind. By funding major facility renovations and improvements to three libraries through a dedicated library bond and two previous renovation projects, Palo Alto has modern libraries offering comfortable, inviting, and flexible spaces for everyone in our community to gather and learn.

# Accomplishments

- Completed renovations at the Children's Library, including installation of an Automated Materials Handling system, to improve operational efficiency and enhance the patron experience. The reopening was the third celebration in the "Love Your Libraries" series.
- Launched a mobile app to improve customer access to library services and support more efficient self-service options, enabling patrons to manage accounts, place holds, and interact with the Library from their mobile devices.
- Advanced the Library Strategic Plan through focus groups, surveys, and community research, including more than 1,300 survey responses that confirmed broad support for library services and informed future planning priorities.
- Leveraged grant funding and community partnerships to expand library programs and services. This included hosting a belonging and inclusion author event in collaboration with Stanford University and Silicon Valley Reads; offering author events focused on teen mental health; expanding Vintage Media Lab services to Rinconada Library to preserve and digitize personal media and share local stories across generations; and supporting the "Flight Path" program series on migratory birds.
- Collaborated with Utilities Department and Acterra to add induction cooktops to the Library of Things collection and provide community access to sustainable resources.

- Hosted successful large-scale cultural celebration programs, including Lunar New Year, Diwali, Nowruz, and Ramadan programs, broadening access to inclusive community programming.

# Initiatives

- Begin implementation of Library's Strategic Plan initiatives and goals that improves efficiencies and enhances community wellness.
- Update the Library's Technology Plan to improve technology planning and resource allocation to support frontline digital services, including options for an efficient meeting room booking system and improve community cybersecurity awareness.
- Replace the aging Automated Materials Handling systems at Mitchell Park and Rinconada Libraries to improve efficiency, service reliability, and timely processing of library materials.
- Advance the Mitchell Park Library furniture improvement project by refreshing furnishings in public service areas to maintain safe, clean, and welcoming spaces for library users.
- Coordinate with city departments and community partners to provide events and services that improve sustainability and wellness practices.
- Continue maintaining the Library's reputation as an innovator by offering more AI-focused workshops, lectures, and hands-on experiences that explore artificial intelligence, its applications, and its impact on society.

# Goals and Objectives

## Goal 1

Be the place where everyone can learn anything.

### Objectives:

- Provide and promote opportunities to read for learning and for pleasure.
- Create learning opportunities for community members to be able to make sense of and succeed in our changing society.
- Provide a portal to American culture, language, and civic life.
- Ensure that the library's collections, technology, and buildings support the evolving requirements of 21st century lifelong learning.
- Provide tools for improving all types of literacy.
- Provide early childhood literacy programs based on current research in child development and learning.

## Goal 2

Be the partner of choice for community organizations.

### Objectives:

- Support Project Safety Net's programs to promote youth well-being and implement the 41 Developmental Assets.
- Increase collaboration with Palo Alto's public and private schools and their school librarians.
- Support library stakeholders in their advocacy and fundraising activities.

- Connect staff to community organizations in order to support their goals and collaborate in their activities.
- Encourage relationships with community organizations that enhance library services and programs.

## Goal 3

Connect community members to exchange and share stories, interests, and skills, with particular emphasis on intergenerational opportunities.

### Objectives:

- Provide a forum to explore current events and issues of community interest.
- Engage community members in library services as volunteers and program advisors.
- Connect community members to exchange and share stories, interests, and skills.
- Encourage reading, writing, and other forms of creative expression among community members.

## Goal 4

Leverage technology to integrate the library into the lives of community members.

### Objectives:

- Enhance and preserve unique and local collections, and plan and implement a social media strategy.
- Produce web content that is relevant to the needs and interests of our diverse audiences.
- Facilitate access for library users to resources that enable them to create content.
- Provide staff training and technology infrastructure to support digital projects.
- Keep abreast of emerging technologies and trends and of library-specific applications.

## Goal 5

Provide a richer library experience for our community because of the expertise and effort of our dynamic staff.

### Objectives:

- Attract and retain the most skilled and knowledgeable staff.
- Motivate and recognize staff through opportunities to innovate and be creative.
- Explore opportunities for improving employee work-life balance.
- Support and promote efforts to make it possible for staff to live in or near Palo Alto.

# Key Performance Measures

## NUMBER OF TEENS WHO PARTICIPATE IN THE LIBRARY'S PROGRAMS FOR TEENS, INCLUDING THE SUMMER READING PROGRAM

| | | | | | |
|---|---|---|---|---|---|
| Goal | Develop and provide library services and programs supporting the 41 Developmental Assets for Adolescents Model. | | | | |
| Objective | Encourage adolescents (ages 12-18) to read for pleasure 3+ hrs/wk (Developmental Asset #25). | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Number of teens | 4,865 | 2,906 | 4,393 | 1,845 | 2,122 |
| Description | This measure tracks the level of interest and participation in the recreational reading programs. | | | | |
| Purpose | Adolescents who enjoy reading are more likely to grow up into healthy, caring, and responsible adults. | | | | |
| Status | Although 130-200 teens visit the libraries daily, program participation in FY 2026 was lower than projected. This is due in part to our teen librarian position being vacant. Another staff member has helped sustain teen services during this vacancy. With plans to fill the position soon, the Library looks forward to renewed teen engagement in FY 2027. The Teen Librarian works with the Teen Library Advisory Board (T-LAB) to shape and implement programs. | | | | |

# Key Performance Measures

## PERCENT OF SURVEYED RESIDENTS RATING SATISFACTION WITH LIBRARY DEPARTMENT SERVICES AS GOOD OR EXCELLENT

| | |
|---|---|
| Goal | Connects Palo Alto's diverse community through knowledge, resources, and opportunities. |
| Objective | Maintain and enhance the community's satisfaction with library services. |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Library facilities (buildings, computer equipment, accessibility) | 93% | 93% | 94% | 94% | 94% |
| Public Library Services | 92% | 94% | 93% | 95% | 95% |
| Recommend Palo Alto's Libraries to Friends | 92% | 92% | 92% | 93% | 93% |
| Variety of Library Materials | 89% | 88% | 91% | 90% | 90% |
| Description | These measures track percent of residents rating overall library services to community as good or excellent. This data is collected as part of the Palo Alto Community Survey that is conducted annually by Polco/National Research Center, Inc. | | | | |
| Purpose | Community satisfaction with the Library Department is an important assessment of the quality of services provided to the City and its residents. | | | | |
| Status | The most recent Palo Alto Community Survey was completed in October 2025. The full report can be found on the City website: www.paloalto.gov/communitysurvey | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Meeting Room Reservations | 3,806 | 9,970 | 5,000 | 10,741 | 11,815 |
| Visits to library branches | 665,809 | 748,968 | 790,600 | 726,169 | 762,477 |
| Virtual visits to the library | 951,711 | 1,047,015 | 1,049,000 | 2,466,091 | 1,206,350 |
| Checkouts of library materials | 1,351,949 | 1,320,757 | 1,473,963 | 1,016,581 | 1,067,410 |
| Annual turnover rate of library collections | 3.80 | 3.81 | 4.00 | 3.66 | 4.00 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Administration | 1,422,650 | 1,504,623 | 889,426 | 855,701 | (33,725) | (3.8)% |
| Collection and Technical Services | 3,123,699 | 3,565,412 | 4,016,107 | 3,791,136 | (224,972) | (5.6)% |
| Public Services | 6,697,036 | 7,376,810 | 8,019,799 | 8,038,386 | 18,587 | —% |
| **Total Dollars by Division** | **11,243,386** | **12,446,845** | **12,925,333** | **12,685,223** | **(240,110)** | **(1.9)%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 757,819 | 854,208 | 1,050,897 | 985,873 | (65,024) | (6.2)% |
| Other Benefits | 148,769 | 143,789 | 130,224 | 162,826 | 32,602 | 25.0% |
| Overtime | 25,697 | 36,470 | 88,484 | 90,254 | 1,770 | 2.0% |
| Pension | 2,173,442 | 2,287,847 | 2,294,275 | 2,010,186 | (284,089) | (12.4)% |
| Retiree Medical | 465,303 | 528,087 | 590,599 | 789,813 | 199,214 | 33.7% |
| Salary | 4,939,260 | 5,797,826 | 5,699,311 | 5,753,075 | 53,763 | —% |
| Workers' Compensation | 214,045 | 155,276 | 247,385 | 262,931 | 15,546 | 6.3% |
| **Total Salary and Benefits** | **8,724,335** | **9,803,504** | **10,101,175** | **10,054,957** | **(46,218)** | **—%** |
| Allocated Charges | 1,310,595 | 1,497,663 | 1,590,522 | 1,679,568 | 89,046 | 5.6% |
| Contract Services | 380,068 | 307,009 | 361,175 | 307,175 | (54,000) | (15.0)% |
| Facilities & Equipment | 19,082 | 9,954 | 31,900 | 6,862 | (25,038) | (78.5)% |
| General Expense | 64,699 | 60,295 | 96,079 | 87,679 | (8,400) | (8.7)% |
| Supplies & Material | 744,607 | 768,421 | 744,481 | 548,981 | (195,500) | (26.3)% |
| **Total Dollars by Category** | **11,243,386** | **12,446,845** | **12,925,333** | **12,685,223** | **(240,110)** | **(1.9)%** |
| **Revenues** | | | | | | |
| Charges for Services | 5,031 | 12,284 | 6,000 | 6,000 | — | —% |
| Charges to Other Funds | — | (196) | — | — | — | —% |
| From Other Agencies | — | 221 | — | — | — | —% |
| Other Revenue | 5,106 | 6,018 | 4,500 | 4,500 | — | —% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Other Taxes and Fines | 20,228 | 23,497 | 16,700 | 16,700 | — | —% |
| **Total Revenues** | **30,365** | **41,825** | **27,200** | **27,200** | **—** | **—%** |
| **Positions by Division** | | | | | | |
| Administration | 0.40 | 0.40 | 0.40 | 0.35 | (0.05) | (12.5)% |
| Collection and Technical Services | 13.60 | 14.90 | 14.90 | 13.85 | (1.05) | (7.0)% |
| Public Services | 46.00 | 44.70 | 44.70 | 41.80 | (2.90) | (6.5)% |
| **Total Positions by Division** | **60.00** | **60.00** | **60.00** | **56.00** | **(4.00)** | **(6.7)%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 0.50 | (0.50) | 55,817 |
| Coordinator Library Programs | 5.00 | 5.00 | 5.00 | 5.00 | — | 683,010 |
| Director Libraries | 1.00 | 1.00 | 1.00 | 1.00 | — | 288,184 |
| Division Head Library Services | 2.00 | 2.00 | 2.00 | 2.00 | — | 400,774 |
| Librarian | 4.00 | 4.00 | 4.00 | 4.00 | — | 457,933 |
| Library Associate | 10.00 | 10.00 | 10.00 | 8.00 | (2.00) | 857,958 |
| Library Specialist | 8.00 | 8.00 | 8.00 | 7.50 | (0.50) | 762,060 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 134,119 |
| Manager Library Services | 3.00 | 3.00 | 3.00 | 3.00 | — | 495,706 |
| Senior Business Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 160,618 |
| Senior Librarian | 8.00 | 8.00 | 8.00 | 7.00 | (1.00) | 907,816 |
| Supervising Librarian | 5.00 | 5.00 | 5.00 | 5.00 | — | 700,003 |
| **Subtotal: Full-Time Equivalent Positions** | **49.00** | **49.00** | **49.00** | **45.00** | **(4.00)** | **$5,903,998** |
| Temporary/Hourly | 11.00 | 11.00 | 11.00 | 11.00 | — | $655,563 |
| **Total Positions** | **60.00** | **60.00** | **60.00** | **56.00** | **(4.00)** | **$6,559,561** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **60.00** | **12,925,333** | **27,200** | **12,898,133** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| People Counting Technology | - | (22,000) | - | (22,000) |
| Building Security Alarm System | - | (13,000) | - | (13,000) |
| **One-Time Prior Year Budget Adjustments** | **-** | **(35,000)** | **-** | **(35,000)** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | (1.00) | 609,436 | - | 609,436 |
| Equipment Maintenance and Repairs | - | 13,000 | - | 13,000 |
| Supplies & Materials | - | 4,500 | - | 4,500 |
| Library Association Membership Fees | - | 1,300 | - | 1,300 |
| Professional Development Trainings and Conferences | - | 800 | - | 800 |
| General Expenses Reduction | - | (50,000) | - | (50,000) |
| Library Products and Electronic Content Contract | - | (32,000) | - | (32,000) |
| Information Technology Allocated Charges | - | (3,085) | - | (3,085) |
| Liability Insurance Allocated Charges | - | 48,580 | - | 48,580 |
| Refuse Sales Allocated Charges | - | 1,305 | - | 1,305 |
| Stormwater Management Allocated Charges | - | 338 | | 338 |
| Printing & Mailing Services Allocated Charges | - | 659 | - | 659 |
| Utilities Allocated Charges | - | 41,205 | - | 41,205 |
| Vehicle Replacement & Maintenance Charges | - | 124 | - | 124 |
| Workers' Compensation Allocated Charges | - | 15,546 | - | 15,546 |
| **Adjustments to Costs of Ongoing Activities** | **(1.00)** | **651,706** | **-** | **651,706** |
| **Total FY 2027 Base Budget** | **59.00** | **13,542,039** | **27,200** | **13,514,839** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Budget Adjustments** | | | | |
| 1. Library Staffing | (3.00) | (444,738) | - | (444,738) |
| 2. Section 115 Dispersal to CalPERS for ADC and ADP | - | (226,962) | | (226,962) |
| 3. Collections Reduction | - | (125,000) | - | (125,000) |
| 4. General Expenses Reduction | - | (60,038) | - | (60,038) |
| 5. Fleet Fuel Contract Reduction | - | (79) | - | (79) |
| **Total Budget Adjustments** | **(3.00)** | **(856,817)** | **0.00** | **(856,817)** |
| **Total FY 2027 Adopted Budget** | **56.00** | **12,685,223** | **27,200** | **12,658,023** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Library Staffing | (3.00) | (444,738) | - | (444,738) |

This action eliminates 1.0 FTE Library Associate and 1.0 FTE Senior Librarian. In addition, this action reduces a Library Specialist and Administrative Assistant positions from 1.0 FTE to 0.5 FTE. The elimination of 3.0 FTE will limit the impact of Library's budget reductions on open hours to only one-day closure at Children's Library. (Ongoing savings: $462,096)

**Performance Results**

This action contributes to cost containment strategies in Fiscal Year 2027.

| | | | | |
|---|---|---|---|---|
| 2. Section 115 Dispersal to CalPERS for ADC and ADP | - | (226,962) | - | (226,962) |

This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $226,962)

**Performance Results**

This action executes City Council policy and proactively manages the City's pension obligations.

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 3. Collections Reduction | - | (125,000) | - | (125,000) |
| This action reduces the Library's collections budget for print and digital materials (e-books, e-audiobooks, and e-videos). (Ongoing savings: $125,000) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 4. General Expenses Reduction | - | (60,038) | - | (60,038) |
| This action reduces general expenses, including non-capital equipment replacement and repair, non-capital office machine and furniture, contract services, and travel and meetings. (Ongoing savings: $60,038) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 5. Fleet Fuel Contract Reduction | - | (79) | - | (79) |
| This action will reduce the citywide fleet fuel contract which will result in a corresponding reduction in allocated charges. (Ongoing savings: $79) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |



CITY OF
PALO
ALTO

# OFFICE OF EMERGENCY SERVICES

## Mission Statement

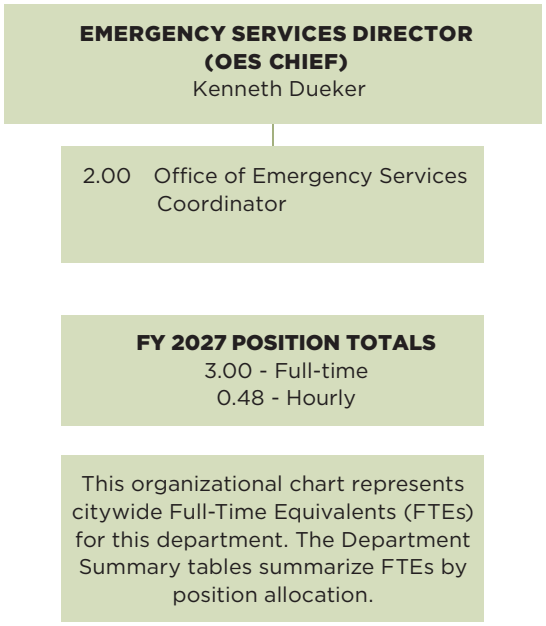


The mission of the Office of Emergency Services is to prevent, prepare for, mitigate, respond to, and recover from all hazards.

## Purpose

The purpose of the Office of Emergency Services is to develop, maintain, and sustain a citywide, comprehensive, all-hazard, risk-based emergency management program that engages the whole community.

# OFFICE OF EMERGENCY SERVICES



# Description

The Office of Emergency Services (OES) provides a range of services for the City of Palo Alto, including training for City staff and members of the community, and partnering with various government and non-government and private-sector entities. Key responsibilities include:

### EMERGENCY PLANNING

Developing and maintaining emergency plans, including hazard assessments, risk analysis, and strategies for prevention, preparedness, mitigation, response, and recovery.

### TRAINING AND EXERCISES

Providing training for members of the City's response organizations and conducting drills and exercises to ensure preparedness and improve coordination.

### WHOLE COMMUNITY ENGAGEMENT

Establishing relationships with all sectors of the community that will build emergency preparedness, create awareness of risks, and empower resilience. Provide program management of the Emergency Services Volunteer program.

### COORDINATION AND COMMUNICATION

Maintaining awareness of threats to our community. Collaborating with various agencies, organizations, and community groups to ensure a unified and effective response. Managing communication strategies to keep the public informed.

# Accomplishments

- Led the interdepartmental Foothills Fire Management Plan Team to coordinate the various department responsibilities for wildfire mitigation. This included annual fuel treatments of specific areas, installation of seventeen N5 Smoke Sensors in the Foothills, and updating the Community Wildfire Protection Plan/ Foothills Fire Management Plan.
- Completed the update to the City of Palo Alto Emergency Operations Plan involving both internal city staff and external community involvement.
- Continued to develop the Emergency Services Volunteer (ESV) program and general community public safety awareness through ongoing public education sessions, trainings, and exercises.
- Led and participated in various local, community, and partner agency training and exercise events.
- Worked with regional public safety partners on a wide range of planned and special events, ranging from visits by dignitaries to mass-gatherings and high-risk events including Superbowl 60. The Mobile Emergency Operations Center (MEOC) and other specialized OES vehicles were deployed in support of such events.

# Initiatives

- Lead the development of a City Evacuation Plan with input from staff, stakeholders, and the community and which meets the planning requirements established under AB 747 and AB 1409.
- Enhance regional coordination and situational awareness capabilities for wildland urban interface (WUI) response and wildland fires via our Interdepartmental Foothills Fire Management Coordination team, other intergovernmental groups, and new technologies.
- Implement action plan following the release of the 2024 Wildfire Audit.
- Move into new Public Safety Building facility and establish a fully operational emergency operations capability.
- Participate in regional planning and training in advance of FIFA World Cup 2026 in and around the Bay Area.
- Explore the deployment of advanced sensor technologies for public safety, including Unmanned Aerial Systems (UAS).
- Continue to seek opportunities to add disaster resilience to S/CAP and other environmental initiatives, including power microgrids and local generation and storage.
- Support the development of departmental emergency plans to promote the integration of citywide preparedness efforts.

# Goals and Objectives

## Goal 1

Promote operational readiness of the City to implement the emergency management cycle (mitigate, prepare, respond, recover).

### Objectives:

- Execute a training and exercise plan for designated staff assigned to the Emergency Operations Center (EOC), Mobile Emergency Operations Center (MEOC), Department Operations Center, and other assignments.
- Maintain emergency management facilities, critical infrastructure, and essential equipment to ensure they are fully mission capable.
- Coordinate development of new technologies for emergency management.
- Acquire grant funding to improve capabilities of preparedness and response resources.

## Goal 2

Engage the whole community to prepare for all hazards.

### Objectives:

- Administer the City Emergency Services Volunteer Program (ESV) to provide a cadre of trained volunteers in residential neighborhoods.
- Coordinate with the private sector, non-governmental, and community-based organizations to promote continuity of business operations.
- Outreach to the community to encourage emergency preparedness.

## Goal 3

Maintain policies and plans related to disasters, critical incidents, and City safety.

### Objectives:

- Lead a process to identify threats and hazards and to assess risks the City faces.
- Maintain awareness of threats through coordination with law enforcement agencies and other public safety partners.
- Participate in regional planning efforts.
- Revise the Emergency Operations Plan and associated plans and annexes through an adaptive planning process.

# Key Performance Measures

### NUMBER OF ANNUAL REPORTED INCIDENTS WITHIN THE CALTRAIN RIGHT-OF-WAY

| | | | | | |
|---|---|---|---|---|---|
| Goal | To detect and facilitate public safety response to unsafe conditions at the four at-grade rail crossings in Palo Alto. | | | | |
| Objective | Coordinate development of new technologies for emergency management. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Number of annual reported incidents within the CalTrain right-of-way | 22 | 35 | 40 | 25 | N/A |
| Description | This measure provides the number of incidents reported to OES via the Intrusion Detection System (IDS) which is monitored and operated by a third party under contract. | | | | |
| Purpose | Over time, OES expects to reduce the number of annual reported incidents as we become more aware of the causality of these incidents. | | | | |
| Status | The increase in incidents in FY 2025 is attributable to a higher number of vehicles accidentally turning onto the tracks. The reduction in incidents from FY 2025 to FY 2026 is attributable to the completion of major construction by Caltrain to implement safety measures to reduce these occurrences. The Department also instructed the monitoring company to reduce unfounded reports such as Caltrain employees in the right of way. In FY 2027 this measure will no longer be reported since the Department will terminate the monitoring contract with the vendor. | | | | |

# Key Performance Measures

## READINESS OF OFFICE OF EMERGENCY SERVICES (OES) RESOURCES

| | | | | | |
|---|---|---|---|---|---|
| Goal | Promote operational readiness of the City to implement the emergency management cycle (mitigate, prepare, respond, recover). | | | | |
| Objective | Maintain OES emergency management facilities, critical infrastructure, and equipment fully mission capable. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of Office of Emergency Services resources that are able to respond effectively to hazards | 99% | 96% | 95% | 95% | 95% |
| Description | OES must be able to implement response procedures to an all-hazards threat matrix at any time. OES strives to maintain fully mission capable status to respond effectively to all hazards. However, given the specialized and discrete inventory of equipment, it is not feasible to maintain all systems to a 100% readiness standard. Therefore, the goal is to meet a 95% readiness rate, allowing some flexibility for unscheduled equipment maintenance during the year. | | | | |
| Purpose | Critical resources will improve the City's ability to manage a response. | | | | |
| Status | The Emergency Operations Center (EOC) is functioning as an information intelligence center hub and staffed during the day on a regular basis. Other assets, such as the Mobile Emergency Operations Center (MEOC) and support vehicles and equipment were also maintained at a near fully operational rate and involved in a number of deployments throughout the fiscal year. | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Number of presentations, training sessions, and exercises | 105 | 134 | 95 | 96 | 70 |
| Number of deployments of the Emergency Operations Center, Mobile EOC, and Incident Command Post | 15 | 9 | 25 | 17 | 20 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Emergency Services | 1,321,572 | 1,619,105 | 1,768,334 | 1,595,918 | (172,416) | (9.8)% |
| **Total Dollars by Division** | **1,321,572** | **1,619,105** | **1,768,334** | **1,595,918** | **(172,416)** | **(9.8)%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 49,086 | 67,707 | 67,338 | 73,896 | 6,558 | 9.7% |
| Other Benefits | 16,253 | 18,404 | 17,812 | 21,614 | 3,802 | 21.3% |
| Overtime | 200 | — | — | — | — | —% |
| Pension | 216,649 | 239,310 | 227,849 | 194,556 | (33,294) | (14.6)% |
| Retiree Medical | 38,293 | 67,443 | 80,440 | 94,627 | 14,187 | 17.6% |
| Salary | 445,764 | 556,317 | 607,841 | 618,264 | 10,423 | 1.7% |
| Workers' Compensation | 27,539 | 25,674 | 42,521 | 46,066 | 3,545 | 8.3% |
| **Total Salary and Benefits** | **793,784** | **974,856** | **1,043,802** | **1,049,023** | **5,221** | **—%** |
| Allocated Charges | 240,311 | 303,720 | 246,403 | 243,766 | (2,637) | (1.1)% |
| Contract Services | 219,514 | 223,789 | 315,508 | 140,508 | (175,000) | (55.5)% |
| Facilities & Equipment | 33,160 | 66,475 | 87,122 | 78,122 | (9,000) | (10.3)% |
| General Expense | 18,477 | 29,004 | 31,700 | 31,700 | — | —% |
| Supplies & Material | 16,327 | 21,261 | 43,800 | 52,800 | 9,000 | 20.5% |
| **Total Dollars by Category** | **1,321,572** | **1,619,105** | **1,768,334** | **1,595,918** | **(172,416)** | **(9.8)%** |
| **Revenues** | | | | | | |
| Charges to Other Funds | 95,589 | 95,516 | 95,589 | 95,589 | — | —% |
| Other Revenue | — | 19,411 | — | — | — | —% |
| **Total Revenues** | **95,589** | **114,927** | **95,589** | **95,589** | **—** | **—%** |
| **Positions by Division** | | | | | | |
| Emergency Services | 3.48 | 3.48 | 3.48 | 3.48 | — | —% |
| **Total Positions by Division** | **3.48** | **3.48** | **3.48** | **3.48** | **—** | **—%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Director Office of Emergency Services | 1.00 | 1.00 | 1.00 | 1.00 | — | 243,610 |
| Office of Emergency Services Coordinator | 2.00 | 2.00 | 2.00 | 2.00 | — | 312,083 |
| **Subtotal: Full-Time Equivalent Positions** | **3.00** | **3.00** | **3.00** | **3.00** | **—** | **$555,693** |
| Temporary/Hourly | 0.48 | 0.48 | 0.48 | 0.48 | — | $40,835 |
| **Total Positions** | **3.48** | **3.48** | **3.48** | **3.48** | **—** | **$596,527** |

# Budget Reconciliation

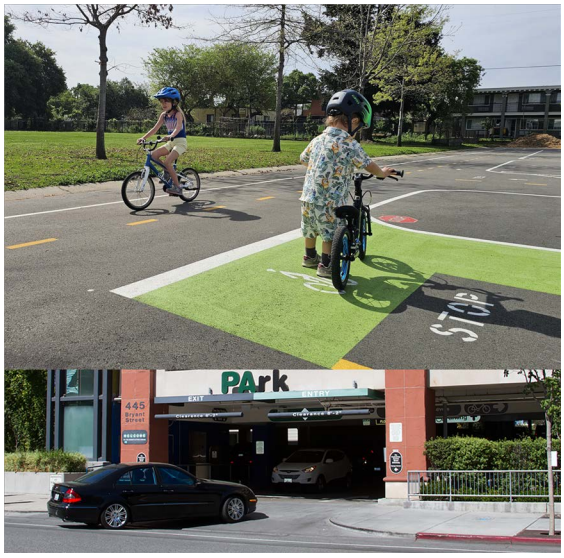
| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **3.48** | **1,768,334** | **95,589** | **1,672,745** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| None | - | - | - | - |
| **One-Time Prior Year Budget Adjustments** | **-** | **-** | **-** | **-** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | - | 23,012 | - | 23,012 |
| General Expense Reduction | - | (25,000) | - | (25,000) |
| Communications Services Allocated Charges | - | 140 | - | 140 |
| Information Technology Allocated Charges | - | (1,250) | - | (1,250) |
| Liability Insurance Allocated Charges | - | (1,764) | - | (1,764) |
| Printing & Mailing Services Allocated Charges | - | 133 | - | 133 |
| Vehicle Replacement & Maintenance Charges | - | 794 | - | 794 |
| Workers' Compensation Allocated Charges | - | 3,545 | - | 3,545 |
| **Adjustments to Costs of Ongoing Activities** | **0.00** | **(391)** | **-** | **(391)** |
| **Total FY 2027 Base Budget** | **3.48** | **1,767,943** | **95,589** | **1,672,354** |
| **Budget Adjustments** | | | | |
| 1. Intrusion Detection Center Monitoring Contract | - | (150,000) | - | (150,000) |
| 2. Section 115 Dispersal to CalPERS for ADC and ADP | - | (21,335) | - | (21,335) |
| 3. Fleet Fuel Contract Reduction | - | (689) | - | (689) |
| **Total Budget Adjustments** | **-** | **(172,025)** | **-** | **(172,025)** |
| **Total FY 2027 Adopted Budget** | **3.48** | **1,595,918** | **95,589** | **1,500,329** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Intrusion Detection Center Monitoring Contract | - | (150,000) | - | (150,000) |
| This action discontinues the Intrusion Detection Center monitoring contract effective FY 2027. The City will take advantage of newer options, including the contract for Track Watch Services and CalTrain's RailSentry technology to detect and facilitate public safety response at the four at-grade rail crossings. (Ongoing savings: $150,000) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 2. Section 115 Dispersal to CalPERS for ADC and ADP | - | (21,335) | - | (21,335) |
| This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $21,335) | | | | |
| **Performance Results** | | | | |
| This action executes City Council policy and proactively manages the City's pension obligations. | | | | |
| 3. Fleet Fuel Contract Reduction | - | (689) | - | (689) |
| This action reduces the Public Works share of the citywide fleet fuel contract based on historical usage trends. By right-sizing the contract to reflect actual consumption patterns, the department generates General Fund savings without impacting the availability of specialized equipment. (Ongoing savings: $689) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |

# OFFICE OF TRANSPORTATION

## Mission Statement

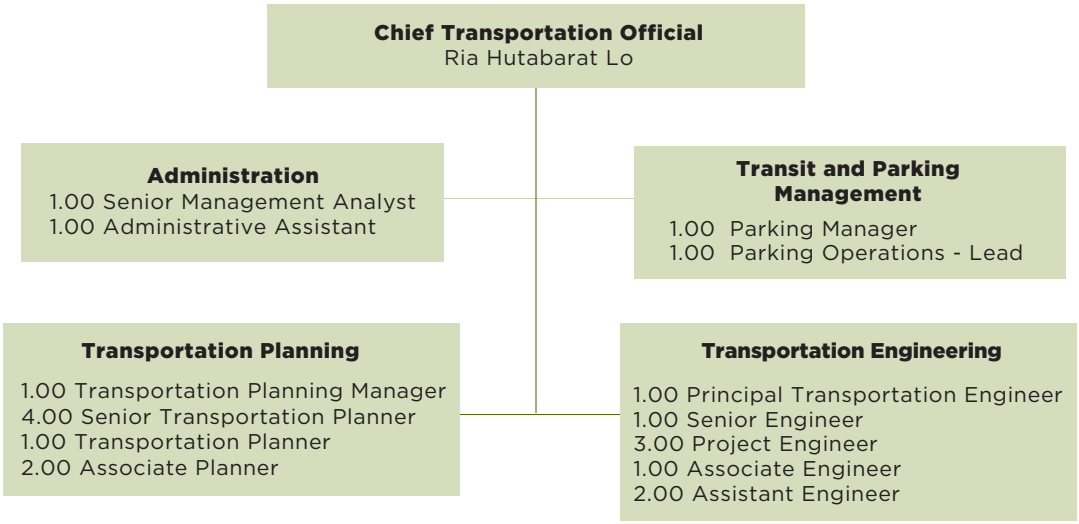



The Office of Transportation's mission is to provide safe, efficient, cost-effective, and sustainable transportation services across all modes of transportation for Palo Alto residents, visitors, and businesses.

## Purpose

To improve the safety of the users of all modes of transportation, reduce reliance on single-occupancy vehicles, address congestion, and reduce through traffic and non-resident parking in Palo Alto neighborhoods, leading to an integrated transportation system that serves local, regional, and intercity travel.

# OFFICE OF TRANSPORTATION




**FY 2027 POSITION TOTALS**
21.00 - Full-time

This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

# Description

The Office of Transportation (OOT) is responsible for operations and capital projects aimed at enhancing transportation safety, providing multimodal connectivity and accessibility, improving system efficiency, and reducing transportation impacts, including efforts in the following areas:

### TRANSPORTATION PLANNING

Developing long- and short-range transportation plans, implementing the City's Safety Action Plan and Bicycle & Pedestrian Transportation Plan (including concept plans and feasibility studies such as for South Palo Alto rail crossings), reviewing private developments and land use changes in relation to transportation, undertaking neighborhood traffic calming, conducting travel demand management (TDM) initiatives, advancing transportation policy change, leading the Safe Routes to School program, support the Pedestrian and Bicycle Advisory Committee (PABAC), leading the City/School Transportation Safety Committee (CSTSC), participating in regional transportation forums, and coordinating with regional agencies (such as Valley Transportation Authority, Caltrain, Metropolitan Transportation Commission, California Public Utilities Commission, Palo Alto Unified School District, and neighboring cities).

### TRANSIT AND PARKING MANAGEMENT

Planning, developing, and managing parking programs including six Residential Preferential Parking (RPP) permit programs, eight multi-story public parking garages, and nineteen public surface parking lots, in addition to on-street parking regulations and changes in business districts and throughout the City; plus efforts to improve transit use and experience in Palo Alto such as Palo Alto Link and potential successor programs.

### TRANSPORTATION ENGINEERING

Undertaking traffic signal engineering (including overseeing signal operations, signal upgrades and modifications, corridor modernization, and Citywide signal monitoring), investigating and responding to community inquiries and requests, overseeing design engineering for traffic calming, school access and bike boulevard projects, reviewing traffic control plans for public and private projects, ensuring regulatory compliance of transportation projects and efforts, and advancing major transportation capital projects such as quiet zones and grade separations of at-grade rail crossings at Palo Alto Avenue, Churchill Avenue, Meadow Drive, and Charleston Road. Major multi-phase projects span multiple years and involve planning, environmental review, engineering design, and construction.

# Accomplishments

- Commenced implementation of the 2025 Safety Action Plan including completion of engineering and speed surveys, Council approval of radar-enforceable speed limits in November 2025, and coordination with Police Department on variable message signs and future radar-enforcement.

- Conducted transportation safety training for 3,512 students and initiated interdepartmental collaboration on e-bike safety and regulation for minors.
- Continued implementation of 2012 Bicycle and Pedestrian Transportation Plan, including developing concept alternatives and identifying a Council-preferred option for the South Palo Alto Bike/Pedestrian Connectivity project in the vicinity of El Dorado Avenue, and developed the 2026 Bicycle and Pedestrian Transportation Plan, with final report scheduled for Council review in summer 2026.
- Continued implementation of the 2017 Comprehensive Plan Transportation Element including initiation of the design phase of the Quarry Road Transit Connection in collaboration with Stanford University, collaborating with VTA on San Antonio/101 Interchange planning, and continuing oversight of Palo Alto Link, an on-demand shared microtransit service, which provided over 151,000 passenger trips over three years and earned a performance rating of 4.9 out of 5 from riders.
- Conducted transportation review for 169 development review applications and reviewed numerous traffic control plans for projects.
- Investigated and responded to 251 community inquiries including installation of improvements in various locations, initiation of a design process for Bryant Street improvements (Embarcadero to Homer), and review of an emergency temporary closure at the Churchill Avenue rail crossing.
- Monitored 102 traffic signals, upgraded traffic signal systems at six (6) signalized intersections, and completed several updates and upgrades of the City's centralized traffic signal management system to modernize and enhance network reliability.
- Advanced design of the El Camino Real/California Avenue intersection improvements in coordination with the Car-Free California Avenue project and coordinated with Caltrans during construction of the El Camino Real Repaving Project.
- Advanced Rail Grade Separation projects including coordination with Caltrain, development of concept designs, and obtained Council direction to proceed to 15% of preferred options at Charleston Road, Meadow Drive, and Churchill Avenue (including a pedestrian/bicycle undercrossing at Seale Avenue).
- Advanced Quiet Zone implementation including completion of required improvements at Palo Alto Avenue, completion of a Quiet Zone study, and concept plans for Churchill Avenue, Meadow Drive, and Charleston Road crossings.
- Completed a Railway-Highway Crossing Program (Section 130) improvement project at Alma/Churchill grade crossing and initiated a new project for Alma/Charleston crossing.
- Administered transportation grants for various projects including: South Palo Alto Bikeways Demonstration, Bicycle/Pedestrian Transportation Plan Update, Palo Alto Link, South Palo Alto Bike/Ped Connectivity, Traffic Signal Upgrades, Intelligent Transportation Systems, and Grade Separation Projects.

# Initiatives

- Continuing to implement the 2025 Safety Action Plan by establishing a post-crash Rapid Response Team with the Police Department to understand crash contributing factors and identify potential safety improvements.
- Completing the 2026 Bicycle and Pedestrian Transportation Plan (BPTP) and City Council adoption, and continuing to implement plan actions, including developing 15% concepts for El Dorado Crossing.
- Continuing to implement the 2017 Comprehensive Plan Transportation Element including executing a Funding Agreement with MTC for the Quarry Road Transit Connection.
- Advancing Grade Separation projects at Charleston Road, Meadow Drive and Churchill Avenue by completing 15% design and selecting Locally Preferred Alternative for 35% design at each crossing.

- Advancing Quiet Zones, including Notice of Establishment at Palo Alto Avenue, and initiating design of improvements at Churchill Avenue, Meadow Drive, and Charleston Road Rail Crossings.
- Streamlining delivery of low-cost, high-value traffic safety improvements by building in-house skills, updating the City's Traffic Calming Policy, and implementing corner daylighting at 25 intersections along school routes.
- Streamlining financial oversight by moving larger projects from omnibus appropriations or capital projects into separate capital projects to enhance transparency, visibility, performance management, and grant reporting.
- Exploring opportunities to modernize Downtown parking operations to increase availability of premium parking, enhance retail vibrancy, and utilize the capabilities of automated parking guidance systems (APGS).
- Prioritizing strategic expenditure of existing Measure B Local Streets and Roads (LSR) funds on eligible congestion relief projects.
- Recruiting for vacant positions in Safe Routes to School, Transportation Planning, Transportation Engineering, and Administration.

# Goals and Objectives

## Goal 1

Move toward the City's goal of eliminating transportation fatalities and provide a transportation system that allows all road users to arrive at their destination comfortably and safely as they travel within and through Palo Alto.

### Objectives:

- Decrease the number of transportation-related fatalities and serious injuries.
- Deliver projects and Safety Action Plan initiatives to enhance transportation safety for all modes, particularly including vulnerable users.
- Deliver effective transportation safety training through the Safe Routes to School partnership with the Palo Alto Unified School District (PAUSD) and the Palo Alto Council of PTAs (PTAC).

## Goal 2

Build a sustainable network of safe, accessible, and efficient transportation and parking solutions for all users and modes, including streets that are safe, attractive, and designed to enhance the quality and aesthetics of Palo Alto neighborhoods, and a comfortable, connected street and trail network that supports walking, biking, and rolling for people of all ages and abilities.

### Objectives:

- Update the City's Traffic Calming Policy and streamline delivery of low-cost high-value initiatives to enhance the safety, comfort and quality of streets.
- Progressively deliver elements of the Parking Action Plan to improve the parking experience of commercial and residential stakeholders in Palo Alto.
- Reduce traffic congestion and improve safety by progressively monitoring, coordinating, and optimizing traffic signal timing along arterial corridors.

## Goal 3

Be a leader in seeking regional transportation solutions, prioritizing Caltrain service improvements and railroad grade separations, and collaborating on transportation improvements to address local and region-wide transportation issues

### Objectives:

- Advance grade separation projects in Palo Alto including 15% design of grade separations at Charleston Road, Meadow Drive and Churchill Avenue.
- Collaborate with regional agencies and neighboring jurisdictions to identify and pursue funding for critical transportation improvements.

## Goal 4

Strengthen and prepare OOT's workforce to embody the values of: Respect, Innovation, Service and Empowerment

### Objectives:

- Implement leadership best practice including defining staff objectives, evaluating performance, and creating a culture of collaboration and trust.
- Facilitate workforce career advancement, continuity planning and efficient delivery of improvements through training on critical skills such as design engineering, best practices, and leadership.
- Recruit and fill vacant positions within the Office of Transportation while also increasing team capacity through training and technology.

# Key Performance Measures

## CITIZEN SURVEY - EASE OF PUBLIC PARKING

| | | | | | |
|---|---|---|---|---|---|
| Goal | Provide, design, and implement transportation services that meet or exceed the expectations of Palo Alto residents; encourage transportation alternatives to single occupancy vehicle trips; and improve traffic flow and parking availability. | | | | |
| Objective | Increase ease of public parking | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of surveyed residents rating the amount of parking as good or excellent | 68% | 63% | 70% | 65% | 65% |
| Description | This data is collected as part of the Palo Alto Community Survey that is conducted annually by Polco/National Research Center, Inc. The measure asks residents to rate their perception of the ease of public parking. | | | | |
| Purpose | To obtain feedback from residents on the ease of public parking to determine if the program's resources are appropriate. | | | | |
| Status | The most recent Palo Alto Community Survey was completed in October 2025. The full report can be found on the City website: www.paloalto.gov/communitysurvey. | | | | |

## CITIZEN SURVEY - TRAFFIC FLOW ON MAJOR STREETS

| | | | | | |
|---|---|---|---|---|---|
| Goal | Provide, design, and implement transportation services that meet or exceed the expectations of Palo Alto residents; encourage transportation alternatives to single occupancy vehicle trips; and improve traffic flow and parking availability. | | | | |
| Objective | Improve traffic flow on major streets. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent surveyed residents rating the traffic flow on major streets as good or excellent | 48% | 45% | 50% | 50% | 50% |
| Description | This data is collected as part of the Palo Alto Community Survey that is conducted annually by Polco/National Research Center, Inc. The measure asks residents to rate their perception of traffic flow on major streets. | | | | |
| Purpose | To obtain feedback from residents on the traffic flow on major streets to determine the perceived functionality of major streets. | | | | |
| Status | The most recent Palo Alto Community Survey was completed in October 2025. The full report can be found on the City website: www.paloalto.gov/communitysurvey. | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Number of transportation inquiries to 311 | 203 | 226 | 200 | 238 | 220 |
| Number of students reached through educational programs with Safe Routes to School | 4,098 | 3,574 | 4,150 | 3,512 | 4,150 |
| Number of development projects reviewed | 116 | 159 | 160 | 169 | 160 |
| Number of traffic signals maintained | 102 | 102 | 102 | 102 | 102 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Administration | 1,036,784 | 1,170,580 | 888,434 | 753,213 | (135,221) | (15.2)% |
| Engineering and Planning | 867,824 | 1,213,683 | 1,280,874 | 1,293,905 | 13,031 | 1.0% |
| Programs | 2,362,567 | 1,974,927 | 1,295,019 | 894,792 | (400,227) | (30.9)% |
| **Total Dollars by Division** | **$4,267,175** | **$4,359,190** | **$3,464,327** | **$2,941,910** | **$(522,417)** | **(15.1)%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 77,127 | 103,564 | 167,432 | 163,034 | (4,398) | (2.6)% |
| Other Benefits | 27,674 | 28,199 | 26,413 | 32,621 | 6,207 | 23.5% |
| Overtime | 1,041 | 1,209 | 9,285 | 9,471 | 186 | 2.0% |
| Pension | 423,878 | 467,760 | 490,462 | 433,931 | (56,531) | (11.5)% |
| Retiree Medical | 62,506 | 83,605 | 109,163 | 131,511 | 22,348 | 20.5% |
| Salary | 793,598 | 1,123,134 | 1,144,756 | 1,170,523 | 25,767 | 2.3% |
| Workers' Compensation | 37,479 | 27,162 | 48,659 | 49,494 | 835 | 1.7% |
| **Total Salary and Benefits** | **$1,423,303** | **$1,834,634** | **$1,996,171** | **$1,990,584** | **$(5,587)** | **—%** |
| Allocated Charges | 510,952 | 556,108 | 346,285 | 285,854 | (60,431) | (17.5)% |
| Contract Services | 2,058,928 | 1,601,955 | 672,800 | 216,800 | (456,000) | (67.8)% |
| Facilities & Equipment | 5,123 | 8,026 | 5,250 | 5,250 | — | —% |
| General Expense | 256,921 | 353,431 | 433,572 | 433,172 | (400) | —% |
| Supplies & Material | 11,949 | 5,037 | 10,250 | 10,250 | — | —% |
| **Total Dollars by Category** | **$4,267,175** | **$4,359,190** | **$3,464,327** | **$2,941,910** | **$(522,417)** | **(15.1)%** |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Charges for Services | — | — | 40,000 | 20,000 | (20,000) | (50.0)% |
| Operating Transfers-In | 128,000 | 128,000 | 128,000 | 128,000 | — | —% |
| Other Revenue | 1,965,674 | 1,171,086 | 428,101 | 248,621 | (179,480) | (41.9)% |
| Permits and Licenses | 2,264 | 70,609 | — | — | — | —% |
| **Total Revenues** | **$2,095,938** | **$1,369,695** | **$596,101** | **$396,621** | **$(199,480)** | **(33.5)%** |
| **Positions by Division** | | | | | | |
| Administration | 1.75 | 1.75 | 1.75 | 1.45 | (0.30) | (17.1)% |
| Engineering and Planning | 3.15 | 3.15 | 3.25 | 4.15 | 0.90 | 21.7% |
| Programs | 1.55 | 2.55 | 2.55 | 2.55 | — | —% |
| **Total Positions by Division** | **6.45** | **7.45** | **7.55** | **8.15** | **0.60** | **7.4%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Administrative Assistant | 0.60 | 0.60 | 0.60 | 0.50 | (0.10) | 49,016 |
| Associate Engineer | 0.35 | 0.35 | 0.35 | 0.35 | — | 60,220 |
| Assistant Engineer | — | — | — | 1.00 | 1.00 | 156,104 |
| Associate Planner | 0.40 | 1.40 | 1.40 | 1.40 | — | 197,929 |
| Chief Transportation Official | 0.70 | 0.70 | 0.70 | 0.50 | (0.20) | 130,364 |
| Coordinator Transportation Systems Management | 0.65 | — | — | — | — | — |
| Parking Operations-Lead | 0.05 | 0.05 | 0.05 | 0.05 | — | 9,086 |
| Planner | — | 0.40 | 0.40 | 0.40 | — | 60,378 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Principal Transportation Engineer | — | — | 0.20 | 0.20 | — | 48,085 |
| Project Engineer | 0.25 | 0.25 | 0.35 | 0.35 | — | 72,815 |
| Senior Engineer | 0.55 | 0.55 | 0.35 | 0.35 | — | 80,226 |
| Senior Management Analyst | 0.50 | 0.50 | 0.50 | 0.40 | (0.10) | 64,022 |
| Senior Planner | 1.40 | 1.65 | 1.65 | 1.65 | — | 287,052 |
| Transportation Planning Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | 226,210 |
| **Subtotal: Full-Time Equivalent Positions** | **6.45** | **7.45** | **7.55** | **8.15** | **0.60** | **$1,441,507** |
| **Total Positions** | **6.45** | **7.45** | **7.55** | **8.15** | **0.60** | **$1,441,507** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **7.55** | **3,464,327** | **596,101** | **2,868,226** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| None | - | - | - | - |
| **One-Time Prior Year Budget Adjustments** | **-** | **-** | **-** | **-** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | - | 107,316 | - | 107,316 |
| VTA Measure B Revenue Adjustments | - | - | (28,816) | 28,816 |
| Information Technology Allocated Charges | - | (72,489) | - | (72,489) |
| Liability Insurance Allocated Charges | - | 11,981 | - | 11,981 |
| Printing & Mailing Services Allocated Charges | - | 31 | - | 31 |
| Utilities Allocated Charges | - | 47 | - | 47 |
| Workers' Compensation Allocated Charges | - | 835 | - | 835 |
| **Adjustments to Costs of Ongoing Activities** | **-** | **(47,721)** | **(28,816)** | **76,537** |
| **Total FY 2027 Base Budget** | **7.55** | **3,512,048** | **567,285** | **2,944,763** |
| **Budget Adjustments** | | | | |
| 1. Assistant Engineer Staffing Addition | 1.00 | 38,646 | 38,646 | - |
| 2. Stand-Down Palo Alto Link Service | - | (456,000) | (280,000) | (176,000) |
| 3. Reallocation of Positions to Capital Fund | (0.40) | (104,404) | - | (104,404) |
| 4. Section 115 Dispersal to CalPERS for ADC and ADP | | (48,379) | | (48,379) |
| 5. Measure B Funding for Safe Routes to School Planner | - | - | 70,690 | (70,690) |
| **Total Budget Adjustments** | **0.60** | **(570,137)** | **(170,664)** | **(399,473)** |
| **Total FY 2027 Adopted Budget** | **8.15** | **2,941,910** | **396,621** | **2,545,289** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Assistant Engineer Staffing Addition | 1.00 | 38,646 | 38,646 | - |

This action funds the addition of 1.00 FTE Assistant Engineer to address oversized vehicle (OSV) and recreational vehicle (RV) impacts, and provide essential technical engineering support and field verification to support the design and delivery of bicycle, pedestrian, and street safety projects.

**Performance Results**

This action increases the City's technical capacity to deliver high-priority transportation safety projects.

| | | | | |
|---|---|---|---|---|
| 2. Stand-Down Palo Alto Link Service | - | (456,000) | (280,000) | (176,000) |

This action stands down the existing Palo Alto Link service and replaces it with an alternative subsidized per-trip discount program through alternative partners and service providers. This reduction recognizes the expiration of structural grant funding and aligns the service level with available ongoing resources. The expenditure reduction is partially offset by the associated removal of $260,000 in Stanford University contributions and $20,000 in projected rider fares. (Ongoing savings: $176,000)

**Performance Results**

This action contributes to cost containment strategies in Fiscal Year 2027.

| | | | | |
|---|---|---|---|---|
| 3. Reallocation of Positions to Capital Fund | (0.40) | (104,404) | - | (104,404) |

This action reallocates a total of 0.40 FTE of existing transportation positions from the General Fund to the Capital Improvement Fund. This adjustment accurately right-sizes the Office of Transportation's operating budget by shifting personnel costs to reflect the position's primary focus on infrastructure execution rather than general operations. (Ongoing savings: $104,404)

**Performance Results**

This action contributes to cost containment strategies in Fiscal Year 2027.

| | | | | |
|---|---|---|---|---|
| 4. Section 115 Dispersal to CalPERS for ADC and ADP | - | (48,379) | - | (48,379) |

This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $48,379)

**Performance Results**

This action executes City Council policy and proactively manages the City's pension obligations.

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 5. Measure B Funding for Safe Routes to School Planner | - | - | 70,690 | (70,690) |

This action reallocates Santa Clara Valley Transportation Authority (VTA) Measure B Local Streets and Roads (LSR) funding to offset the existing cost of a Planner position. This position manages the elementary school Safe Routes to School (SRTS) program. Because the City's average Pavement Condition Index (PCI) remains above 80, the City is permitted to legally flex these LSR funds to support other vital transportation-related programs, generating structural relief for the General Fund. (Ongoing savings: $70,690)

**Performance Results**

This action contributes to cost containment strategies in Fiscal Year 2027.

# PLANNING AND DEVELOPMENT SERVICES

## Mission Statement



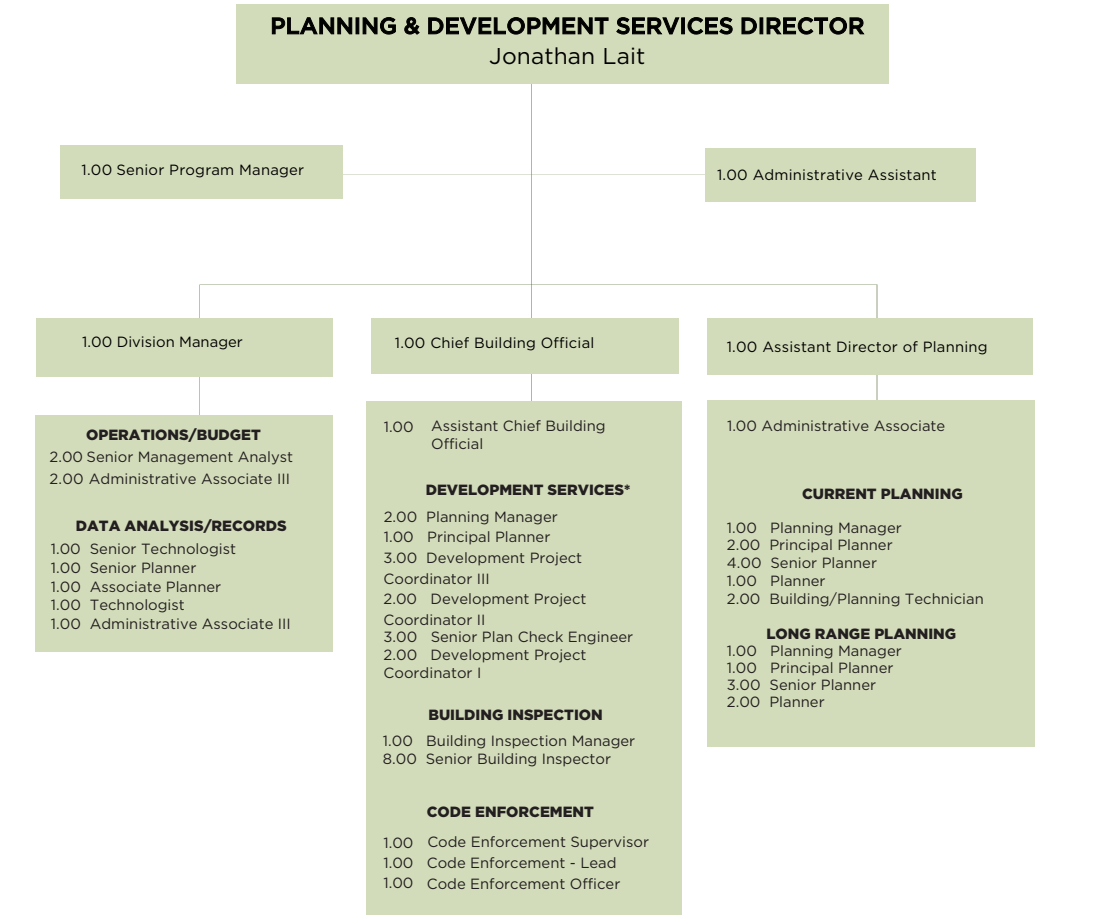


The mission of the Planning and Development Services Department is to effectively implement land use, housing, and environmental policies, and to efficiently process planning and building permit applications—supporting a safe, vibrant, and attractive community.

## Purpose

The Planning and Development Services Department supports the community's well-being by promoting public health, safety, and welfare, and by facilitating land use and development decisions through consistent, transparent, and effective processes.

# PLANNING AND DEVELOPMENT SERVICES




**FY 2027 POSITION TOTALS**

59.00 Full-time
1.56 Hourly

This organizational chart represents citywide Full-Time Equivelants (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

*Fire Prevention and select Public Works staff are budgetarily part of the Development Services divisions. The departments retain administrative oversight, and staffing for these functions appears in the respective department's organizational charts.

# Description

The Planning and Development Services (PDS) Department is responsible for the following functions:

### ADMINISTRATION

Provides personnel, contract, budget, operations, and project support, including managing and measuring performance metrics and responding to data requests for the department. The division also supports the Planning and Transportation Commission (PTC), Architectural Review Board (ARB), Historic Resources Board, and other public meetings.

### CURRENT PLANNING

Responsible for the review of public and private projects pursuant to the California Environmental Quality Act (CEQA), the City's Zoning Ordinance, and the Comprehensive Plan. Activities include the review of applications submitted for planning entitlements, review of applications for building permits, and providing general information to the public regarding the City's zoning and Comprehensive Plan provisions.

### DEVELOPMENT SERVICES

Responsible for accepting applications for entitlements and permits, and for coordinating with departments such as Public Works, Fire, and Utilities to ensure proposed and completed construction complies with all applicable state and local codes, including Green Building requirements. Also responsible for enforcing code requirements and conditions of approval.

### LONG RANGE PLANNING

Responsible for updating and maintaining the City's Comprehensive Plan, including its Housing Element. The division also prepares zoning ordinance amendments and area-specific plans and is responsible for data and analysis to support a wide variety of planning projects.

# Accomplishments

- Advanced expanded retail opportunities and refined retail-related definitions and preservation policies through Retail Committee, Planning and Transportation Commission (PTC), Economic Development Committee, and Council approval.
- Presented updated stream and creek corridor setback requirements to PTC.
- Adopted the 2026 California Building Standards Code, including green building standards, in October 2025.
- Analyzed potential anti-rent stabilization measures, presented options to Policy and Services Committee in March 2026, and received City Council approval of their recommendation, with minor modifications, in June 2026.
- Identified housing typologies for the one-acre affordable housing site near Matadero Creek.
- Presented standards for bird-friendly design to minimize hazards to birds for City Council adoption.

- Adopted updated lighting standards to align with Dark Sky principles in order to increase the health and well-being of Palo Alto residents, protect wildlife and natural ecosystems, and reduce light pollution.
- Advanced the Downtown Housing Plan and presented the Economic Analysis and Financial Feasibility Report in October 2025.
- Advanced the San Antonio Road Area Plan with release of an Existing Conditions Report, high-level policy and design alternatives, and extensive community engagement; received policy direction from City Council in October 2025, April 2026, and June 2026.
- Prepared an opportunities and constraints analysis for evaluating approaches in support of innovative housing typologies.
- Explored opportunities that make multi-family housing an attractive alternative to commercial office development and received Policy and Services Committee feedback in Q1 2026 on options to pursue.
- Advanced an affordable housing project on Downtown surface parking lot (Lot T) through a City Council study session in October 2025, review of Alta Housing's application in Q1 2026, and review by the Architectural Review Board (ARB) in May 2026.
- Partnered with Santa Clara Housing Authority to achieve construction timeline and open the Palo Alto Homekey project, providing transitional housing and services for unhoused services.
- Initiated a study of development impact fees across public infrastructure sectors and evaluated waivers for low-income housing.
- Advanced updating the City's seismic hazards ordinance with new building eligibility and mitigation strategies through four community advisory group meetings and two Policy and Services committee meetings.
- Issued and completed a Request for Proposals to evaluate options for the Online Permitting System.
- Developed and launched PermitView, a new internal platform for building and permitting data, providing real-time property information through interactive maps to the public.
- Developed and released a new instant permit for HVAC/heat pump space conditioning systems for single family homes.
- Developed a Housing Dashboard publicly available on the City's website to provide updates on active housing projects, improving transparency of the City's Regional Housing Needs tracking efforts.
- Approved planning entitlements for 1,091 new housing units, 167 of which are below market rate, primarily at a rate affordable to low income.
- Completed and recorded the documentation offering dedication of approximately 3.25 acres of land to the City of Palo Alto for the purposes of a public park and an affordable housing project and received Council authorization to accept the offer of dedication.
- Advanced potential options to address SB 79 through a City Council study session in October 2025, discussions and recommendation by the SB 79/Downtown Housing Plan Ad Hoc in early 2026, and City Council adoption of ordinances in June 2026.

# Initiatives

- Adopt and implement an Accessory Dwelling Unit ordinance to comply with state law and implement additional policy alternatives.
- Receive a 'prohousing' designation from the California Department of Housing and Community Development to enhance the City's competitive advantage for qualifying grants.

- Provide a recommendation to City Council for the San Antonio Road Area Plan land use and transportation approaches and policies; initiate environmental review pursuant to the California Environmental Quality Act (CEQA).
- Develop and adopt objective development standards for the South of Forest Area Coordinated Area Plan (SOFA) through discussion with ARB, PTC, and City Council.
- Codify the R-1/SB 9 interim ordinance by establishing objective development standards and evaluating implications for R-1 and SB 9 projects within the City's individual review program.
- Present zoning incentives and development standards that support innovative housing typologies to City Council for ordinance adoption.
- Present City Council with an amendment to the Comprehensive Plan updating the City's Safety Element, following recommendations from the California Board of Forestry and Fire Protection and PTC.
- Present City Council with an amendment to the Comprehensive Plan updating the City's Natural Environment Element, following recommendations from the PTC and Parks and Recreation Commission.
- Implement updated Development Impact Fees for public safety, government facilities, housing, transportation, parks, and community services – including completion of nexus studies and feasibility studies and establishing fee waivers for low-income inclusionary units.
- Identify and designate additional Housing Element site capacity to maintain Regional Housing Needs Allocation (RHNA) compliance and evaluate new opportunity sites to address anticipated future capacity shortfalls.
- Consider amended renter protection fair chance ordinance to reduce housing barriers for individuals with criminal records.
- Assess and improve Code Enforcement processes and 311 system to reduce response times, strengthen cross-departmental resolutions, and provide clarity on customer expectations to improve community satisfaction.
- Modify the municipal code to remove the requirement for planning entitlement approval for capital improvements or other city-initiated projects on publicly owned right-of-way and land.
- Expand instant permit upgrades to include HVAC/heat pump space conditioning for multi-family units and expand eligibility to owner builders.
- Establish an audit process for building permits to improve consistency across applications.
- Prepare permanent ordinances for consideration by PTC and Council to implement SB 79 interim ordinances, advance the Downtown Housing Plan incorporating considerations to implement SB 79, and explore opportunities to accelerate housing production on California Avenue and adjacent areas of El Camino Real.

# Goals and Objectives

## Goal 1

Provide a high level of customer service and optimize application review, processing, and permit issuance times.

### Objectives:

- Optimize number of days to issue a permit.

- Optimize the number of over-the-counter plan checks that result in a permit issuance.
- Interpret and apply building codes through inspection and enforcement.

## Goal 2

Deliver ongoing programs that improve people's lives, including code enforcement, housing, development services, historic preservation, and community block grant programs.

### Objectives:

- Manage the City's Community Development Block Grant (CDBG) and Below Market Rate (BMR) housing programs.
- Exemplify the City's commitment to well-enforced building codes, health, safety, and general welfare and improve the City's Insurance Services Office (ISO) rating.
- Respond to citizen complaints and effectively abate zoning and building code violations.

## Goal 3

Work collaboratively with City departments to set fees at full cost recovery while monitoring activity levels to ensure costs and revenues are aligned. This requires monitoring of activities and revenues to ensure rates are set at the appropriate levels and the applicant receives the service established by said fees.

### Objectives:

- Complete regular fee studies to ensure revenues cover expenditures in each of the departments that collaborate with Development Services.
- Monitor and track real-time activity levels from each of the departments to ensure activities are aligned with expenditures.
- Share and publish goals, metrics, and accomplishments with all stakeholders to ensure the department is on track with established goals and fees are in line with activity levels.

# Key Performance Measures

## CODE ENFORCEMENT

| | |
|---|---|
| Goal | Deliver ongoing programs that improve people's lives, including code enforcement, housing, development services, historic preservation, and community block grant. |
| Objective | Respond to citizen complaints and effectively abate zoning and building code violations. |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Percent of surveyed residents rating the quality of code enforcement as "good" or "excellent" | 44% | 47% | 60% | 55% | 60% |
| Description | This data is collected as part of the Palo Alto Community Survey that is conducted annually by Polco/National Research Center, Inc. | | | | |
| Purpose | This measure can be used to measure changes in satisfaction as service enhancements to the code enforcement function are implemented. | | | | |
| Status | The most recent Palo Alto Community Survey was completed in October 2025. The full report can be found on the City website: www.paloalto.gov/communitysurvey.<br><br>Code Enforcement staff continue to respond to an increased volume of cases, with a growing focus on sustainability, housing protections, and neighborhood livability. Recent efforts have included expanded renter protections, implementation of a rental registry, and updates to building codes aligned with environmental goals. Digital tools and process improvements have enhanced efficiency and accessibility for residents and property owners. Staffing and service capacity remain key challenges as demand for enforcement continues to rise with limited program resources. | | | | |

## INSURANCE SERVICES OFFICE (ISO) RATING

| | |
|---|---|
| Goal | Exemplify the City's commitment to well-enforced building codes, health, safety, and general welfare. |
| Objective | Obtain and maintain the highest rating (Class 1). |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Insurance Services Office (ISO) Rating | 3 | 3 | 2 | 2 | 2 |
| Description | ISO administers the Building Code Effectiveness Grading Schedule (BCEGS) program for the property/casualty insurance industry. The BCEGS program assesses the building codes in effect in a particular community and how the community enforces its building codes, assigning each municipality a class of 1 (exemplary commitment to building code enforcement) to 10. | | | | |

# Key Performance Measures

| | |
|---|---|
| Purpose | Municipalities with well-enforced, up-to-date codes demonstrate less property damage due to fire and natural disasters. This can be reflected in the citizens' insurance rates. BCEGS helps communities by: 1. Improving building codes (by encouraging the adoption of the most current codes), building departments, and code enforcement; 2. Promoting construction of better, more catastrophe-resistant buildings; 3. Reducing property losses from catastrophes; and 4. Reducing the economic and social disruption that results from catastrophes' serious and widespread destruction. |
| Status | In FY 2025, the City improved its Insurance Services Office (ISO) Building Code Effectiveness Grading Schedule (BCEGS) rating from Class 3 to Class 2 for both residential and commercial properties. This reflects strengthened building code enforcement, staff training, and improved plan review and inspection practices. A Class 2 rating demonstrates a high commitment to public safety and disaster resilience and may result in lower insurance premiums for new construction. Staff continue working toward achieving a Class 1 rating in future evaluations. |

## PERCENT OF PERMITS ISSUED ON TIME

| | |
|---|---|
| Goal | Work collaboratively with City departments, which support development services, to adequately staff and respond to workload demands and achieve excellent customer service outcomes. |
| Objective | Provide customers with clear, succinct, and consistent guidelines. |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Percent of permits initiated within a given period where all department reviews are completed | 92% | 91% | 80% | 78% | 80% |

| | |
|---|---|
| Description | This measure tracks the percentage of time building permit plan reviews are completed by the estimated due date provided to the customer at the time of permit submittal. This includes projects that are submitted for the standard 30-day review period and require multi-departmental review. This measure is a result of the collaborative approach with all involved departments. A project is not deemed on-time unless every review stage is completed on time. |
| Purpose | Customers depend upon the accuracy and dependability of estimated due dates to plan their construction projects. They may move out of their house or enter into a lease on a commercial tenant space based on the estimated timeline provided by the Development Services Center. Being successful at adhering to timelines reduces costs for developers and property owners and has a direct correlation to the economic vitality of the City. |
| Status | The department strives to meet industry best practices for on-time plan reviews of 80%. Staff anticipates that recent progress with staffing shortages and transitions will result in improvement in the coming year as staff are brought on board. |

# Key Performance Measures

## PERCENT OF PERMITS ISSUED OVER THE COUNTER

| | | | | | |
|---|---|---|---|---|---|
| Goal | Provide a high level of customer service and decrease application review, processing, and permit issuance times. | | | | |
| Objective | Increase the number of over-the-counter (OTC) plan checks that result in same day permit issuance. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of permits that are reviewed and approved by all necessary departments over-the-counter. | 68% | 74% | 75% | 80% | 80% |
| Description | This measure tracks the percentage of building permits that can be successfully reviewed and approved by all the affected City departments (over-the-counter) while the customer waits. This requires that Public Works, Planning, Utilities, and the Fire Prevention Bureau also review and approve the application for permit issuance. Without complete approval, the permit cannot be issued. | | | | |
| Purpose | To streamline the process so customers make as few trips as possible to the Development Center to obtain a permit. It is also beneficial to City staff, resulting in less reviewing and processing time than if the plans were taken in for review. This process also reduces waste as fewer plans are created and distributed for various departmental reviews. | | | | |
| Status | Over-the-counter permits (OTC) are issued when possible as they are the quickest and most efficient permit option. The ability to issue OTC is dependent on the ability of all departments to review and approve projects in a timely manner. Further, customer education programs and materials and adequate staff training must be maintained for accurate submissions and reviews.<br><br>Over the next year Development Services is focusing on increasing the percentage of permits that are approved over the counter to facilitate more expedient permit processing. | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Number of planning and Architectural Review Board applications completed (including staff level) | 236 | 239 | 240 | 263 | 240 |
| Average number of days for Planning to first review building permit applications | 15 | 13 | 20 | 12 | 13 |
| Average number of days from Individual Review application to approval | 98 | 107 | 100 | 124 | 120 |
| Number of building permit applications | 4,379 | 4,153 | 3,800 | 4,419 | 3,800 |
| Number of building permits issued | 4,216 | 4,029 | 3,700 | 4,100 | 3,800 |
| Number of fire permit inspections | 1,597 | 2,087 | 1,400 | 1,914 | 1,900 |
| Number of building inspections | 19,378 | 18,548 | 18,500 | 18,240 | 18,200 |
| Number of Public Records Requests | 181 | 235 | 200 | 323 | 250 |
| Number of Code Enforcement Complaints Received | 2,641 | 2,017 | 2,000 | 2,000 | 2,000 |
| Average Initial Response Time to Public Records Requests (Days) | 8 | 8 | 7 | 8 | 7 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Administration | 5,251,215 | 6,069,009 | 6,327,431 | 6,402,451 | 75,020 | 1.2% |
| Building | 6,936,440 | 7,149,829 | 7,916,760 | 8,418,570 | 501,811 | 6.3% |
| Fire | 4,025,300 | 829,365 | 707,056 | 715,164 | 8,108 | 1.1% |
| Green Building | 217,381 | 192,449 | 193,405 | 193,405 | — | —% |
| Planning | 727,611 | 666,945 | 972,099 | 1,061,351 | 89,253 | 9.2% |
| Planning and Transportation | 6,624,172 | 6,395,155 | 7,211,294 | 7,080,569 | (130,725) | (1.8)% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Public Works | 1,163,573 | 1,268,064 | 1,440,439 | 1,510,616 | 70,177 | 4.9% |
| **Total Dollars by Division** | **24,945,692** | **22,570,816** | **24,768,483** | **25,382,126** | **613,643** | **2.5%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 1,166,025 | 1,060,790 | 1,515,253 | 1,495,286 | (19,967) | (1.3)% |
| Other Benefits | 254,079 | 206,597 | 228,543 | 247,730 | 19,186 | 8.4% |
| Overtime | 204,743 | 33,590 | 80,991 | 82,611 | 1,620 | 2.0% |
| Pension | 4,522,606 | 3,963,127 | 4,216,461 | 3,779,322 | (437,138) | (10.4)% |
| Retiree Medical | 718,645 | 795,418 | 969,119 | 1,273,964 | 304,845 | 31.5% |
| Salary | 9,269,324 | 8,732,094 | 9,884,232 | 10,353,991 | 469,759 | 4.8% |
| Workers' Compensation | 429,788 | 249,926 | 434,900 | 439,487 | 4,587 | 1.1% |
| **Total Salary and Benefits** | **16,565,209** | **15,041,541** | **17,329,499** | **17,672,391** | **342,892** | **2.0%** |
| Allocated Charges | 2,256,987 | 2,176,031 | 2,437,022 | 2,526,117 | 89,096 | 3.7% |
| Contract Services | 4,445,147 | 3,515,894 | 3,365,162 | 3,393,570 | 28,408 | —% |
| Facilities & Equipment | 28,271 | 10,825 | 15,650 | 15,650 | — | —% |
| General Expense | 803,492 | 819,199 | 479,334 | 599,334 | 120,000 | 25.0% |
| Rents & Leases | 801,257 | 979,778 | 1,108,247 | 1,141,495 | 33,247 | 3.0% |
| Supplies & Material | 45,329 | 27,547 | 33,569 | 33,569 | — | —% |
| **Total Dollars by Category** | **24,945,692** | **22,570,816** | **24,768,483** | **25,382,126** | **613,643** | **2.5%** |
| **Revenues** | | | | | | |
| Charges for Services | 9,315,562 | 8,556,854 | 10,115,445 | 10,539,774 | 424,328 | 4.2% |
| Charges to Other Funds | 378,585 | 107,384 | — | — | — | —% |
| From Other Agencies | 541,398 | 32,845 | — | — | — | —% |
| Net Sales | (935) | — | — | — | — | —% |
| Operating Transfers-In | — | — | — | — | — | —% |
| Other Revenue | 67,660 | 4,249 | 3,413 | 3,413 | — | —% |
| Other Taxes and Fines | 24,475 | 5,400 | 24,747 | 24,747 | — | —% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Permits and Licenses | 9,950,650 | 7,271,660 | 8,823,241 | 9,618,932 | 795,691 | 9.0% |
| **Total Revenues** | **20,277,395** | **15,978,393** | **18,966,846** | **20,186,865** | **1,220,019** | **6.4%** |
| **Positions by Division** | | | | | | |
| Administration | 13.26 | 15.51 | 15.51 | 15.51 | — | —% |
| Building | 22.20 | 23.20 | 23.20 | 23.20 | — | —% |
| Fire | 9.00 | 1.62 | 1.62 | 1.62 | — | —% |
| Planning | 3.25 | 3.30 | 4.30 | 4.20 | (0.10) | (2.3)% |
| Planning and Transportation | 20.13 | 20.45 | 20.45 | 17.15 | (3.30) | (16.1)% |
| Public Works | 6.04 | 6.04 | 5.56 | 5.56 | — | —% |
| **Total Positions by Division** | **73.88** | **70.12** | **70.64** | **67.24** | **(3.40)** | **(4.8)%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| 40-Hour Captain | 0.80 | — | — | — | — | — |
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 114,192 |
| Administrative Associate II | 0.80 | — | — | — | — | — |
| Administrative Associate III | 7.80 | 6.00 | 6.00 | 4.00 | (2.00) | 440,045 |
| Assistant Chief Building Official | 2.00 | 1.00 | 1.00 | 1.00 | — | 206,045 |
| Assistant Director PCE | 1.00 | 1.00 | 1.00 | 1.00 | — | 242,840 |
| Associate Engineer | 0.50 | 0.50 | 0.50 | 0.50 | — | 86,029 |
| Associate Planner | 1.25 | 1.25 | 1.25 | 1.25 | — | 176,722 |
| Building/Planning Technician | 2.50 | 2.50 | 2.50 | 2.50 | — | 287,820 |
| Chief Building Official | 1.00 | 1.00 | 1.00 | 1.00 | — | 263,474 |
| Chief Planning Official | 1.00 | — | — | — | — | — |
| Code Enforcement Officer | 1.00 | 1.00 | 1.00 | 1.00 | — | 143,104 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Code Enforcement-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 152,963 |
| Development Project Coordinator I | — | — | — | 2.00 | 2.00 | 229,882 |
| Development Project Coordinator II | 2.00 | 2.00 | 2.00 | 2.00 | — | 260,458 |
| Development Project Coordinator III | 3.00 | 3.00 | 3.00 | 3.00 | — | 430,186 |
| Director Planning/Community Environment | 1.00 | 1.00 | 1.00 | 1.00 | — | 325,229 |
| Division Manager Planning | — | 1.00 | 1.00 | 1.00 | — | 235,810 |
| Engineer | 0.52 | 0.52 | 0.52 | 0.52 | — | 100,621 |
| Engineering Technician III | 1.00 | 1.00 | 1.00 | 1.00 | — | 133,515 |
| Fire Inspector | 1.60 | 0.80 | 0.80 | 0.80 | — | 194,605 |
| Fire Marshal | 0.80 | 0.25 | 0.25 | 0.25 | — | 72,483 |
| Hazardous Materials Inspector | 3.20 | 0.07 | 0.07 | 0.07 | — | 17,028 |
| Industrial Waste Investigator | 0.35 | 0.35 | 0.35 | 0.35 | — | 52,693 |
| Inspector, Field Services | 0.68 | 0.68 | 0.68 | 0.68 | — | 97,806 |
| Landscape Architect Park Planner | 0.50 | 0.50 | 0.50 | 0.50 | — | 79,050 |
| Manager Planning | 4.00 | 4.00 | 5.00 | 5.00 | — | 971,339 |
| Plan Review Manager | — | 1.00 | — | — | — | — |
| Planner | 5.00 | 5.00 | 5.00 | 3.00 | (2.00) | 452,837 |
| Plans Check Engineer | 1.00 | 0.50 | 0.50 | 0.50 | — | 93,995 |
| Principal Planner | 2.00 | 3.00 | 4.00 | 4.00 | — | 626,143 |
| Project Manager | 0.50 | 0.50 | 0.50 | 0.50 | — | 77,272 |
| Senior Building Inspector | 8.00 | 8.00 | 8.00 | 8.00 | — | 1,466,982 |
| Senior Business Analyst | 1.00 | — | — | — | — | — |
| Senior Engineer | 0.45 | 0.45 | 0.45 | 0.45 | — | 98,846 |
| Senior Management Analyst | 2.00 | 2.00 | 2.00 | 2.00 | — | 364,582 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Senior Plan Check Engineer | 2.00 | 3.00 | 3.00 | 3.00 | — | 621,067 |
| Senior Planner | 7.65 | 8.75 | 8.75 | 7.75 | (1.00) | 1,348,277 |
| Senior Program Manager | — | 1.00 | 1.00 | 1.00 | — | 172,494 |
| Senior Technologist | — | 1.00 | 1.00 | 1.00 | — | 184,080 |
| Supervisor Inspection and Surveying | 0.25 | 0.25 | 0.25 | 0.25 | — | 37,440 |
| Supervisor of Code Enforcement | 1.00 | 1.00 | 1.00 | 1.00 | — | 158,038 |
| Technologist | — | 1.00 | 1.00 | 1.00 | — | 199,181 |
| Transportation Planning Manager | 0.05 | 0.05 | 0.05 | 0.05 | — | 11,303 |
| **Subtotal: Full-Time Equivalent Positions** | **71.20** | **67.92** | **68.92** | **65.92** | **(3.00)** | **$11,226,474** |
| Temporary/Hourly | 2.68 | 2.20 | 1.72 | 1.32 | (0.40) | $175,194 |
| **Total Positions** | **73.88** | **70.12** | **70.64** | **67.24** | **(3.40)** | **$11,401,668** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **70.64** | **24,768,483** | **18,966,846** | **5,801,637** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| On-Call Contract Services for City Council Priority Implementation | - | (150,000) | - | (150,000) |
| **One-Time Prior Year Budget Adjustments** | **-** | **(150,000)** | **-** | **(150,000)** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary & Benefits Adjustments | - | 1,499,649 | - | 1,499,649 |
| Revenue Adjustment (align with cost recovery levels) | - | - | 793,969 | (793,969) |
| Temporary/Freezes into Ongoing/Eliminations | (1.00) | (367,090) | - | (367,090) |
| Rental Registry Revenue | - | - | 60,000 | (60,000) |
| Downtown Housing Plan Contract | - | (150,000) | - | (150,000) |
| Deposit-Based Cost Recovery Amendment | - | 350,000 | 350,000 | - |
| Rent and Lease Expenditure (285 Hamilton and 526 Bryant St) | - | 33,247 | - | 33,247 |
| On-Call Contract Services Adjustment | - | 58,408 | - | 58,408 |
| Bank Card Service Charges | - | 120,000 | - | 120,000 |
| Communications Allocated Charges | - | 105 | - | 105 |
| Information Technology Allocated Charges | - | (48,989) | - | (48,989) |
| Liability Insurance Allocated Charges | - | 134,004 | - | 134,004 |
| Printing & Mailing Services Allocated Charges | - | 4,779 | - | 4,779 |
| Vehicle Replacement & Maintenance Allocated Charges | - | (803) | - | (803) |
| Workers' Compensation Allocated Charges | - | 4,587 | - | 4,587 |
| **Adjustments to Costs of Ongoing Activities** | **(1.00)** | **1,637,897** | **1,203,969** | **433,928** |
| **Total FY 2027 Base Budget** | **69.64** | **26,256,380** | **20,170,815** | **6,235,565** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Budget Adjustments** | | | | |
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (383,228) | - | (383,228) |
| 2. Current Planning Resource Reductions | (1.40) | (274,069) | | (274,069) |
| 3. Long-Range Planning Reductions | (1.00) | (233,007) | - | (233,007) |
| 4. Customer Service Enhancement | - | 16,050 | 16,050 | - |
| **Total Budget Adjustments** | **(2.40)** | **(874,254)** | **16,050** | **(890,304)** |
| **Total FY 2027 Adopted Budget** | **67.24** | **25,382,126** | **20,186,865** | **5,195,261** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (383,228) | - | (383,228) |

This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $383,228)

**Performance Results**

This action executes City Council policy and proactively manages the City's pension obligations.

| | | | | |
|---|---|---|---|---|
| 2. Current Planning Resource Reductions | (1.40) | (274,069) | - | (274,069) |

This action eliminates 1.0 FTE Senior Planner, a 0.4 FTE part-time management-specialist, and reduces $30,000 in contract services budget in the Current Planning program. These reductions will result in longer planning application review timelines, and may negatively impact the pace of Council priorities such as Economic Development and decrease customer satisfaction. It will also result in longer cycle times for reconciling the deposit-based fee program; this is a fee-backed cost-recovery element where applicants pay directly for the additional resources necessary to evaluate their application. (Ongoing savings: $274,069)

**Performance Results**

This action contributes to cost containment strategies in Fiscal Year 2027.

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 3. Long-Range Planning Reductions | (1.00) | (233,007) | - | (233,007) |
| This action eliminates 1.0 Planner and reduces $50,000 in contract services budget for the Long-Range Planning program. These reductions will necessitate prioritization of work aligned with City Council objectives and state requirements. Long-Range Planning will narrow its focus to efforts that align with state law and the City's Housing Element; other initiatives such as the Comprehensive Plan Update, corresponding Zoning Code Update, and additional area plans will be deferred or phased in over longer timeframes. (Ongoing savings: $233,007) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 4. Customer Service Enhancement | - | 16,050 | 16,050 | - |
| This action reclassifies 2.0 FTE Administrative Associate III positions to 2.0 FTE Development Project Coordinator I positions within Development Services to better align staffing with operational needs and support more efficient permit processing. The reclassification expands the scope of these positions to include both customer service and technical functions, which is expected to help streamline workflows and improve cycle times. This change also supports ongoing process improvements and provides a pathway for staff development within the Development Project Coordinator series. As a fee-supported, cost-recovery operation, Development Services will incorporate corresponding fee adjustments in the FY 2027 Municipal Fee Schedule to reflect the marginal cost of this enhancement. (Ongoing net cost: $0) | | | | |
| **Performance Results** | | | | |
| This action is expected to improve permit processing efficiency, support reduced cycle times, enhance customer service delivery, and strengthen staff capacity. | | | | |



CITY OF
PALO
ALTO

# POLICE

## Mission Statement



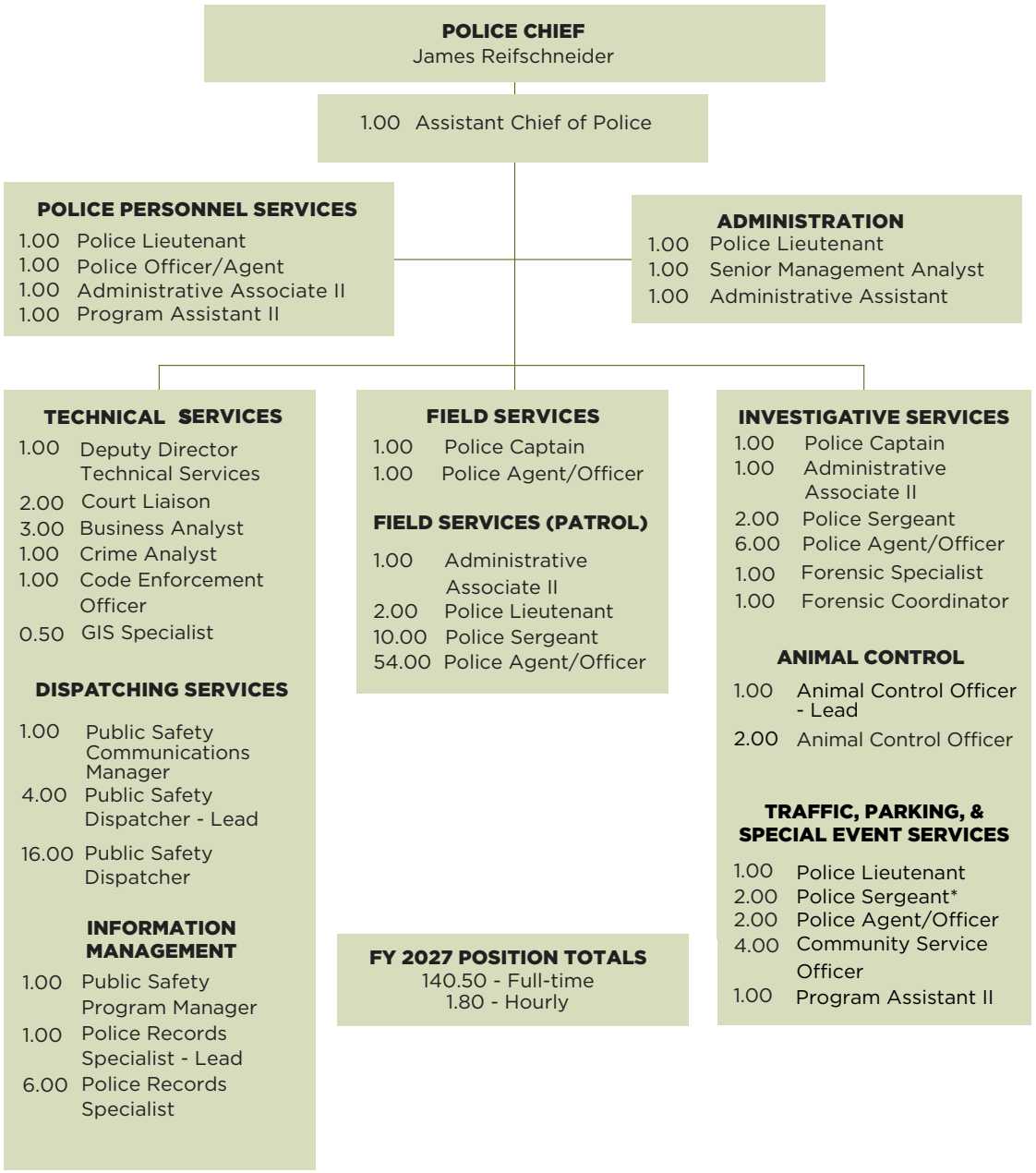



To proudly serve and protect the public with respect and integrity.

## Purpose

In line with the six pillars of the Department of Justice Implementation Guidebook on 21st Century Policing, the purpose of the Police Department is to: build trust and legitimacy; provide for policy and oversight; implement modern technology solutions and social media platforms; focus on community policing and crime reduction; implement officer training and education; and ensure officer safety and wellness.

# POLICE




This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

*These positions have been frozen (defunded) in FY 2027 and are identified accordingly in the Table of Organization. The following positions are frozen in FY 2027:
1.00 Police Sergeant

# Description

The Police Department provides a wide range of public safety services for the City of Palo Alto through the following divisions:

### FIELD SERVICES

Responsible for police response, critical incident resolution, regional assistance response, and police services for special events.

### TECHNICAL SERVICES

Provides 911 dispatch services for Police, Fire, Utilities, Public Works, Stanford, and Police information technology management.

### INVESTIGATIONS

Conducts police investigations, and oversees storage and maintenance of evidence.

### PARKING SERVICES

Responsible for parking enforcement, parking citations and adjudication, and abandoned vehicle abatement.

### POLICE PERSONNEL SERVICES

Oversees police hiring, retention, personnel records, and training.

### ANIMAL CONTROL

Provides regional animal control and enforcement.

### TRAFFIC ENFORCEMENT

Responsible for Traffic Enforcement and complaint resolution.

# Accomplishments

- The City will continue the mental health clinician position after the county discontinued its financial support, ensuring uninterrupted mental health crisis response services for the community.
- Investigations completed on major crimes against both persons and property with the identification of suspects, arrests, and the prosecution of burglaries, robberies, sexual assaults, and one homicide.
- Deployed an additional explosives-detection canine team on patrol for a total of two teams operating seven days a week.
- Technical upgrades include acquisition of City-wide mobile and portable radios, replacement of the public safety recording system, and implementation of a police officer reporting platforms for traffic collision investigations.
- Collaboration with allied agencies to solve regional crime trends.

- Hosted community engagement with events such as National Night Out, crime prevention presentations, and officer visits to community organizations such as schools and senior living facilities.

# Initiatives

- Reduce crime, traffic violations, and collisions.
- Apprehend offenders and assist with their prosecution.
- Respond promptly to priority calls for service.
- Continue to partner with stakeholders on race and equity initiatives.
- Focus on recruitment, hiring and training of dispatchers and police officers.
- Move out of the current police station and into the Public Safety Building.
- Continue to strengthen community engagement opportunities with events such as National Night Out and officer visits to community organizations.
- Continue to address quality of life concerns in business districts and residential neighborhoods.
- Lead a radio upgrade project for all City departments.
- Install the replacement Computer Aided Dispatch platform.

# Goals and Objectives

## Goal 1

Building Trust and Legitimacy: In line with pillar one of the Department of Justice Implementation Guidebook on 21st Century Policing, the Police Department will embrace a guardian mindset to build public trust and legitimacy.

### Objectives

- Reduce crime rates, traffic violations, and collisions.
- Respond promptly to urgent calls for service.
- Apprehend and assist with prosecution of offenders.
- Provide assistance, enforcement, and guidance to the community regarding animal control.

## Goal 2

Policy and Oversight: In line with pillar two of the Department of Justice Implementation Guidebook on 21st Century Policing, the Department will collaborate with community members in developing policies that impact them.

### Objectives:

- Continue cooperation with the Independent Police Auditor in review of internal police matters for the City Council and public.
- Increase quality and timeliness of response to citizens' complaints regarding use of force and other internal affairs matters.
- Continue to train to address emerging social issues and situations.
- Create opportunities for increased communication, visibility, and interaction with community members.

- Maintain and enhance the community's satisfaction with police services.

## Goal 3

Technology and Social Media: In line with pillar three of the Department of Justice Implementation Guidebook on 21st Century Policing, the Department will continue to use Department and Regional technology solutions to enhance services, as well as leveraging social media platforms to fully engage and educate our community.

### Objectives:

- Enhance the Department's open data initiative efforts by providing additional information to the public.
- Update the Computer Aided Dispatch platform and continue providing Racial and Identity Profiling Advisory (RIPA) data.
- Enhance technology applications in alignment with national initiatives.

## Goal 4

Community Policing and Crime Reduction: In line with pillar four of the Department of Justice Implementation Guidebook on 21st Century Policing, the Department will continue to engage the community through its cultural mindset that focuses on community policing and community partnerships.

### Objectives:

- Contribute to the Safe Routes to School Program by contracting crossing guards at major intersections for Palo Alto Unified School District.
- Community engagement through social media and public events such as community requests and events (CORE) and National Night Out.
- Partner with community, City Council, commissions and boards, and executive leadership on service delivery.

## Goal 5

Officer Training and Education: In line with pillar five of the Department of Justice Implementation Guidebook on 21st Century Policing, the Department will continue to enhance in-service officer training in the areas of fair and impartial policing, de-escalation, legal updates, and community relations. The Department will exceed minimum standards with regard to continuing education standards.

### Objectives:

- Continue to train and educate all employees in fair and impartial policing philosophies.
- Ensure all officers and dispatchers receive Crisis Intervention Training.
- Enhance the Psychiatric Emergency Response Team (PERT) services for those in mental health crises by continuing to work collaboratively with the Santa Clara County Behavioral Health Services Department.

## Goal 6

Officer Safety and Wellness: In line with pillar six of the Department of Justice Implementation Guidebook on 21st Century Policing, the Department will ensure that wellness and safety efforts occur at every level of the organization.

### Objectives:

- Enhance employee assistance resources including urgent or emergency access to a psychologist and employee assistance program referrals for employees and their families.
- Build the resiliency of the employee in stressful situations through training.
- Stress policies related to safety, in-line with the "Below 100" initiatives, a national initiative to reduce police officer fatalities to under 100 per year: https://www.below100.org/.
- Support the Department's peer support program.

# Key Performance Measures

## ANIMAL CONTROL RESPONSE TIMES

| | | | | | |
|---|---|---|---|---|---|
| Goal | Protect and serve the public through proactive and effective policing, investigations, and animal control. | | | | |
| Objective | Respond promptly to animal calls for service. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of Palo Alto live animal calls responded to within 45 minutes | 93% | 95% | 90% | 90% | 90% |
| Description | A 45-minute response time to live animal calls is the threshold of service set by the Animal Control Division. | | | | |
| Purpose | Live animal calls require the most timely response because they are a higher risk to the animal or humans. | | | | |
| Status | The Animal Control Division has historically had a goal of reaching 90% of live animal calls sooner than 45 minutes. Year over year, the Division continues to meet the goal. | | | | |

## PERCENT OF SURVEYED RESIDENTS RATING POLICE DEPARTMENT SERVICES GOOD OR EXCELLENT

| | | | | | |
|---|---|---|---|---|---|
| Goal | Cultivate, enhance, and foster trustworthy relationships with the community. | | | | |
| Objective | Maintain and enhance the community's satisfaction with police services. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Animal Control Services | 82% | 81% | 80% | 80% | 80% |
| Crime Prevention Services | 69% | 73% | 70% | 70% | 70% |
| Overall Police Services | 81% | 86% | 85% | 85% | 85% |
| Traffic Enforcement Services | 57% | 59% | 60% | 60% | 60% |

# Key Performance Measures

| | |
|---|---|
| Description | These measures track the percent of residents rating overall and division specific police services to the community as "good" or "excellent". The most recent Palo Alto Community Survey was completed in October 2025. The full report can be found on the City website: www.paloalto.gov/communitysurvey |
| Purpose | Community satisfaction with the Police Department is an important assessment of the quality of services provided to the City and its residents. |
| Status | The Police Department's ratings remain consistent with previous years and align with national satisfaction benchmarks. Notably, there have been slight improvements in key areas such as Overall Satisfaction, Crime Prevention, and Traffic Enforcement. These results reflect the Department's ongoing commitment to delivering quality services and addressing community needs. Moving forward, the Department is dedicated to building on this progress and further enhancing public trust and satisfaction in the coming years. |

## POLICE DEPARTMENT RESPONSE TIMES

| | |
|---|---|
| Goal | Respond promptly to urgent calls for service. |
| Objective | Protect and serve the public through proactive and effective policing, animal control, and emergency preparedness. |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Percent of emergency calls responded to within 6 minutes | 69% | 58% | 80% | 70% | 80% |
| Percent of urgent calls responded to within 10 minutes | 78% | 65% | 80% | 80% | 80% |

| | |
|---|---|
| Description | Percent of emergency calls responded to within 6 minutes and percent of urgent calls responded to within 10 minutes, with the goal of arriving 80% of the time within these time frames. |
| Purpose | Emergency and urgent calls require the most timely police response because they are generally life threatening or represent higher danger crimes in progress. |
| Status | The percentage of emergency calls where officers arrived within six minutes declined between FY24 and FY25. The percentage of urgent calls responded to within ten minutes also decreased. Response times are influenced by several factors, including overall service demand, staffing levels, officer proximity to the call, the time of day, and external conditions such as traffic, commute patterns, and weather. These variables collectively can impact the ability of officers to reach the call within the target times. The Department is actively exploring strategies to accelerate response times. |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Number of police calls for service | 39,559 | 42,313 | 40,000 | 40,000 | 40,000 |
| Average response time for emergency calls (Goal: within 6 minutes) | 5:58 | 6:41 | 6:00 | 6:00 | 6:00 |
| Average response time for urgent calls (Goal: within 10 minutes) | 7:07 | 10:07 | 8:00 | 8:00 | 8:00 |
| Total number of Palo Alto animal control calls | 2,299 | 2,429 | 2,200 | 2,200 | 2,200 |
| Number of regional animal control calls (Los Altos and Los Altos Hills) | 617 | 653 | 600 | 600 | 600 |
| Number of crime reports by officers | 4,572 | 4,877 | 4,300 | 4,300 | 4,300 |
| Number of crime reports reported online | 1,215 | 991 | 1,300 | 1,300 | 1,300 |

Online crime reports are accepted when the incident or loss is relatively minor, there is no suspect information, no injuries, no physical evidence to collect such as latent prints/DNA, and the report is not a hate crime. Go to https://www.cityofpaloalto.org/Departments/Police/Online-Reporting/File-a-Police-Report for more details on when online reports are used. All online reports are Supervisor reviewed to determine final disposition.

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Administration | 2,290,951 | 2,408,818 | 1,730,253 | 2,010,723 | 280,470 | 16.2% |
| Animal Control | 810,441 | 856,172 | 744,771 | 798,980 | 54,209 | 7.3% |
| Field Services | 27,410,027 | 29,383,184 | 30,668,742 | 31,652,125 | 983,383 | 3.2% |
| Investigations and Crime Prevention Services | 5,629,206 | 6,221,215 | 6,505,691 | 6,833,885 | 328,194 | 5.0% |
| Parking Services | 1,445,919 | 1,400,241 | 1,316,308 | 1,310,384 | (5,925) | —% |
| Police Personnel Selection | 1,206,194 | 1,170,592 | 1,290,722 | 1,140,475 | (150,246) | (11.6)% |
| Technical Services | 12,233,082 | 13,145,469 | 13,794,077 | 14,786,413 | 992,336 | 7.2% |
| Traffic Services | 1,395,674 | 2,031,323 | 2,152,374 | 3,667,434 | 1,515,060 | 70.4% |
| **Total Dollars by Division** | **52,421,494** | **56,617,014** | **58,202,938** | **62,200,419** | **3,997,481** | **6.9%** |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 2,735,167 | 2,964,810 | 3,277,164 | 3,533,604 | 256,440 | 7.8% |
| Other Benefits | 984,508 | 998,586 | 561,759 | 651,219 | 89,459 | 15.9% |
| Overtime | 3,467,691 | 4,294,643 | 1,173,110 | 1,258,285 | 85,174 | 7.3% |
| Pension | 14,273,386 | 15,022,707 | 15,571,327 | 15,003,019 | (568,309) | (3.6)% |
| Retiree Medical | 2,607,023 | 3,157,482 | 3,732,143 | 4,390,384 | 658,241 | 17.6% |
| Salary | 19,365,133 | 20,868,232 | 22,815,351 | 24,342,821 | 1,527,470 | 6.7% |
| Workers' Compensation | 1,833,149 | 1,190,689 | 1,972,851 | 2,137,316 | 164,465 | 8.3% |
| **Total Salary and Benefits** | **45,266,057** | **48,497,148** | **49,103,705** | **51,316,647** | **2,212,942** | **4.5%** |
| Allocated Charges | 4,695,163 | 5,558,195 | 6,303,487 | 6,243,704 | (59,783) | —% |
| Contract Services | 1,624,546 | 1,754,444 | 1,856,576 | 3,230,954 | 1,374,378 | 74.0% |
| Facilities & Equipment | 23,971 | 44,089 | 34,500 | 24,500 | (10,000) | (29.0)% |
| General Expense | 369,212 | 355,417 | 419,599 | 638,599 | 219,000 | 52.2% |
| Rents & Leases | 4,444 | 4,848 | 54,960 | 339,224 | 284,264 | 517.2% |
| Supplies & Material | 438,101 | 402,872 | 430,111 | 406,791 | (23,320) | (5.4)% |
| **Total Dollars by Category** | **52,421,494** | **56,617,014** | **58,202,938** | **62,200,419** | **3,997,481** | **6.9%** |
| **Revenues** | | | | | | |
| Charges for Services | 1,399,104 | 1,411,271 | 1,452,028 | 1,597,309 | 145,281 | 10.0% |
| Charges to Other Funds | 667,216 | 676,895 | 704,094 | 708,181 | 4,087 | —% |
| From Other Agencies | 158,124 | 128,657 | 90,900 | 876,944 | 786,044 | 864.7% |
| Operating Transfers-In | — | — | 283,000 | 554,000 | 271,000 | 95.8% |
| Other Revenue | 56,739 | 67,401 | 90,690 | 91,853 | 1,164 | 1.3% |
| Other Taxes and Fines | 691,944 | 659,502 | 736,057 | 736,057 | — | —% |
| Permits and Licenses | 193,694 | 197,693 | 161,500 | 170,200 | 8,700 | 5.4% |
| **Total Revenues** | **3,166,821** | **3,141,419** | **3,518,269** | **4,734,544** | **1,216,275** | **34.6%** |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Positions by Division** | | | | | | |
| Administration | 4.30 | 5.30 | 5.30 | 5.30 | — | —% |
| Animal Control | 3.00 | 3.46 | 3.48 | 3.48 | — | —% |
| Field Services | 68.15 | 68.15 | 68.15 | 68.15 | — | —% |
| Investigations and Crime Prevention Services | 14.60 | 15.60 | 15.60 | 15.60 | — | —% |
| Parking Services | 5.88 | 4.94 | 4.94 | 4.94 | — | —% |
| Police Personnel Selection | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Technical Services | 37.92 | 36.92 | 36.92 | 36.92 | — | —% |
| Traffic Services | 3.60 | 3.60 | 3.60 | 3.60 | — | —% |
| **Total Positions by Division** | **140.45** | **140.97** | **140.99** | **140.99** | **—** | **—%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 114,192 |
| Administrative Associate II | 3.00 | 3.00 | 3.00 | 3.00 | — | 308,318 |
| Animal Control Officer | 2.00 | 2.00 | 2.00 | 2.00 | — | 190,528 |
| Animal Control Officer-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 101,754 |
| Assistant Police Chief | 1.00 | 1.00 | 1.00 | 1.00 | — | 316,160 |
| Business Analyst | 2.20 | 2.20 | 2.20 | 2.20 | — | 438,198 |
| Code Enforcement Officer | 1.00 | 1.00 | 1.00 | 1.00 | — | 143,104 |
| Community Service Officer | 5.63 | 4.69 | 4.69 | 3.69 | (1.00) | 344,616 |
| Court Liaison Officer | 2.00 | 2.00 | 2.00 | 2.00 | — | 280,426 |
| Crime Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 140,213 |
| Deputy Director Technical Services Division | 0.80 | 0.80 | 0.80 | 0.80 | — | 200,662 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Forensic Coordinator | — | 1.00 | 1.00 | 1.00 | — | 130,042 |
| Forensic Specialist | — | 1.00 | 1.00 | 1.00 | — | 121,534 |
| Geographic Information System Specialist | 0.50 | 0.50 | 0.50 | 0.50 | — | 83,782 |
| Police Agent | 19.00 | 19.00 | 19.00 | 19.00 | — | 4,097,288 |
| Police Captain | 2.00 | 2.00 | 2.00 | 2.00 | — | 621,254 |
| Police Chief | 1.00 | 1.00 | 1.00 | 1.00 | — | 378,726 |
| Police Lieutenant | 4.00 | 5.00 | 5.00 | 5.00 | — | 1,351,147 |
| Police Officer | 45.00 | 45.00 | 45.00 | 45.00 | — | 8,585,075 |
| Police Records Specialist II | 6.00 | 6.00 | 6.00 | 6.00 | — | 629,242 |
| Police Records Specialist-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 112,050 |
| Police Sergeant* | 14.00 | 14.00 | 14.00 | 14.00 | — | 3,383,786 |
| Program Assistant II | 1.00 | 1.00 | 1.00 | 2.00 | 1.00 | 223,725 |
| Property Evidence Technician | 2.00 | — | — | — | — | — |
| Public Safety Communications Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | 182,978 |
| Public Safety Dispatcher | 16.00 | 16.00 | 16.00 | 16.00 | — | 2,478,895 |
| Public Safety Dispatcher-Lead | 4.00 | 4.00 | 4.00 | 4.00 | — | 704,704 |
| Public Safety Program Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | 156,250 |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 171,330 |
| **Subtotal: Full-Time Equivalent Positions** | **139.13** | **139.19** | **139.19** | **139.19** | **—** | **$25,989,978** |
| Temporary/Hourly | 1.32 | 1.78 | 1.80 | 1.80 | — | $204,560 |
| **Total Positions** | **140.45** | **140.97** | **140.99** | **140.99** | **—** | **$26,194,538** |

*The Table of Organization includes positions that have been frozen. These positions have been defunded. The affected classifications are denoted by a single asterisk (*) following the job classification title.

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **140.99** | **58,202,938** | **3,518,269** | **54,684,669** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| None | - | - | - | - |
| **One-Time Prior Year Budget Adjustments** | **-** | **-** | **-** | **-** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | - | 3,857,836 | - | 3,857,836 |
| County Database Fee Change | - | 1,514 | - | 1,514 |
| Track Watch Guard Service | - | 854,157 | 427,079 | 427,079 |
| Hire Ahead and General Expense Reductions | - | (90,000) | - | (90,000) |
| Field Contact Recording | - | 289,221 | - | 289,221 |
| Stanford Emergency Communication Services Revenue | - | - | 108,800 | (108,800) |
| Revenue Updates | - | - | 45,181 | (45,181) |
| Cal ID Finger Print system | - | 6,000 | - | 6,000 |
| Citywide Radio Program Contract Adjustments | | 7,000 | 5,251 | 1,749 |
| Information Technology Allocated Charges | - | (23,402) | - | (23,402) |
| Liability Insurance Allocated Charges | - | (81,860) | - | (81,860) |
| Printing & Mailing Services Allocated Charges | - | 3,657 | - | 3,657 |
| Utilities Allocated Charges | - | 40,221 | - | 40,221 |
| Vehicle Replacement & Maintenance Charges | - | 24,362 | - | 24,362 |
| Workers' Compensation Allocated Charges | - | 164,465 | - | 164,465 |
| **Adjustments to Costs of Ongoing Activities** | **-** | **5,053,170** | **586,310** | **4,466,860** |
| **Total FY 2027 Base Budget** | **140.99** | **63,256,108** | **4,104,579** | **59,151,529** |
| **Budget Adjustments** | | | | |
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (1,485,791) | - | (1,485,791) |
| 2. Special Operations Sergeant/Program Assistant II | 1.00 | (194,494) | - | (194,494) |
| 3. Community Service Officer | (1.00) | (129,074) | - | (129,074) |
| 4. Crossing Guard Contract | - | - | 51,250 | (51,250) |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 5. Police Training | - | (50,000) | - | (50,000) |
| 6. Radio Maintenance | - | (40,000) | - | (40,000) |
| 7. Fleet Fuel Contract Reduction | - | (22,760) | - | (22,760) |
| 8. Patrol Uniforms | - | (10,000) | - | (10,000) |
| 9. Equipment Repair | - | (10,000) | - | (10,000) |
| 10. Stanford University Medical Center Funds for Psychiatric Emergency Response Team (PERT) Clinician | - | 271,000 | 271,000 | - |
| 11. Track Watch Guard Service Extension | - | 615,430 | 307,715 | 307,715 |
| **Total Budget Adjustments** | **-** | **(1,055,689)** | **629,965** | **(1,685,654)** |
| **Total FY 2027 Adopted Budget** | **140.99** | **62,200,419** | **4,734,544** | **57,465,875** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (1,485,791) | - | (1,485,791) |

This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $1,485,791)

**Performance Results** $

This action executes City Council policy and proactively manages the City's pension obligations.

| | | | | |
|---|---|---|---|---|
| 2. Special Operations Sergeant/Program Assistant II | 1.00 | (194,494) | - | (194,494) |

This action freezes 1.0 FTE Sergeant coordinator/liaison for regional and local security management, and adds 1.0 FTE Program Assistant II position. Oversight of City/Stanford events, protests, regional threats (TLO), and dignitary visits will be distributed among the 13 remaining Sergeants based on availability. The Program Assistant II will perform scheduling and permit processing. (Ongoing savings: $194,785)

**Performance Results** $

This action contributes to cost containment strategies in Fiscal Year 2027.

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 3. Community Service Officer | (1.00) | (129,074) | - | (129,074) |
| This action eliminates 1.0 FTE of 5.0 FTE non-sworn Community Service Officers (CSOs). These staff handle timed parking enforcement in business districts, oversized vehicle (OSV) enforcement, traffic control at accident scenes, and intake report completion for lower-level calls for service. (Ongoing savings: $129,563) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 4. Crossing Guard Contract | - | - | 51,250 | (51,250) |
| This action continues to fund crossing guard services at current levels, contingent on a cost sharing agreement with the Palo Alto Unified School District (PAUSD). This action aims to maintain critical intersection coverage while targeting a collaborative funding commitment from PAUSD. If a cost share is not secured by the end of the calendar year, the City Council would need to consider alternative funding during the FY 2027 Midyear Budget. (Ongoing savings: $51,250) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 5. Police Training | - | (50,000) | - | (50,000) |
| This action reduces non-mandatory training for specialized skill and knowledge subjects. (Ongoing savings: $50,000) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 6. Radio Maintenance | - | (40,000) | - | (40,000) |
| This action reduces the frequency of the inspections on radio infrastructure to include antennae, connections, hardware, and components for the City's radio infrastructure. (Ongoing savings: $40,000) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 7. Fleet Fuel Contract Reduction | - | (22,760) | - | (22,760) |
| This action reduces the Public Works share of the citywide fleet fuel contract based on historical usage trends. By right-sizing the contract to reflect actual consumption patterns, the department generates General Fund savings without impacting the availability of specialized equipment. (Ongoing savings: $22,760) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 8. Patrol Uniforms | - | (10,000) | - | (10,000) |
| This action reduces the budget available for replacement of damaged uniforms and standard-issue gear. (Ongoing savings: $10,000) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 9. Equipment Repair | - | (10,000) | - | (10,000) |
| This action reduces the budget available for vehicle electronic components. (Ongoing savings: $10,000) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 10. Stanford University Medical Center Funds for Psychiatric Emergency Response Team (PERT) Clinician | - | 271,000 | 271,000 | - |
| This action funds a Psychiatric Emergency Response Team (PERT) Clinician through the use of Stanford University Medical Center (SUMC) development funds. The City has entered into a five-year partnership with Santa Clara County for the PERT program, beginning January 1, 2026. The PERT team consists of one police officer employed by the Police Department paired with one clinician employed by the Santa Clara County Behavioral Health Services Department (BHSD). PERT responds to calls of people experiencing mental health crisis when TRUST or MCRT are either unavailable or not a fit for the conditions. | | | | |
| **Performance Results** | | | | |
| This action will provide a more comprehensive response to community members experiencing acute mental health crises. | | | | |
| 11. Track Watch Guard Service Extension | - | 615,430 | 307,715 | 307,715 |
| This action continues to fund the rail crossing monitoring program to maintain critical human monitoring of all four grade crossings while targeting a collaborative funding commitment from Palo Alto Unified School District (PAUSD). The current security guard contract ends February 2027 and could be extended contingent on a cost sharing agreement with PAUSD through June 2027. If a cost share is not secured by the end of the calendar year, the City Council would need to consider alternatives during the FY 2027 Midyear Budget. | | | | |
| **Performance Results** | | | | |
| This action will provide notification at grade crossings for community members experiencing acute mental health crises. | | | | |



CITY OF
PALO
ALTO

# PUBLIC WORKS

## Mission Statement



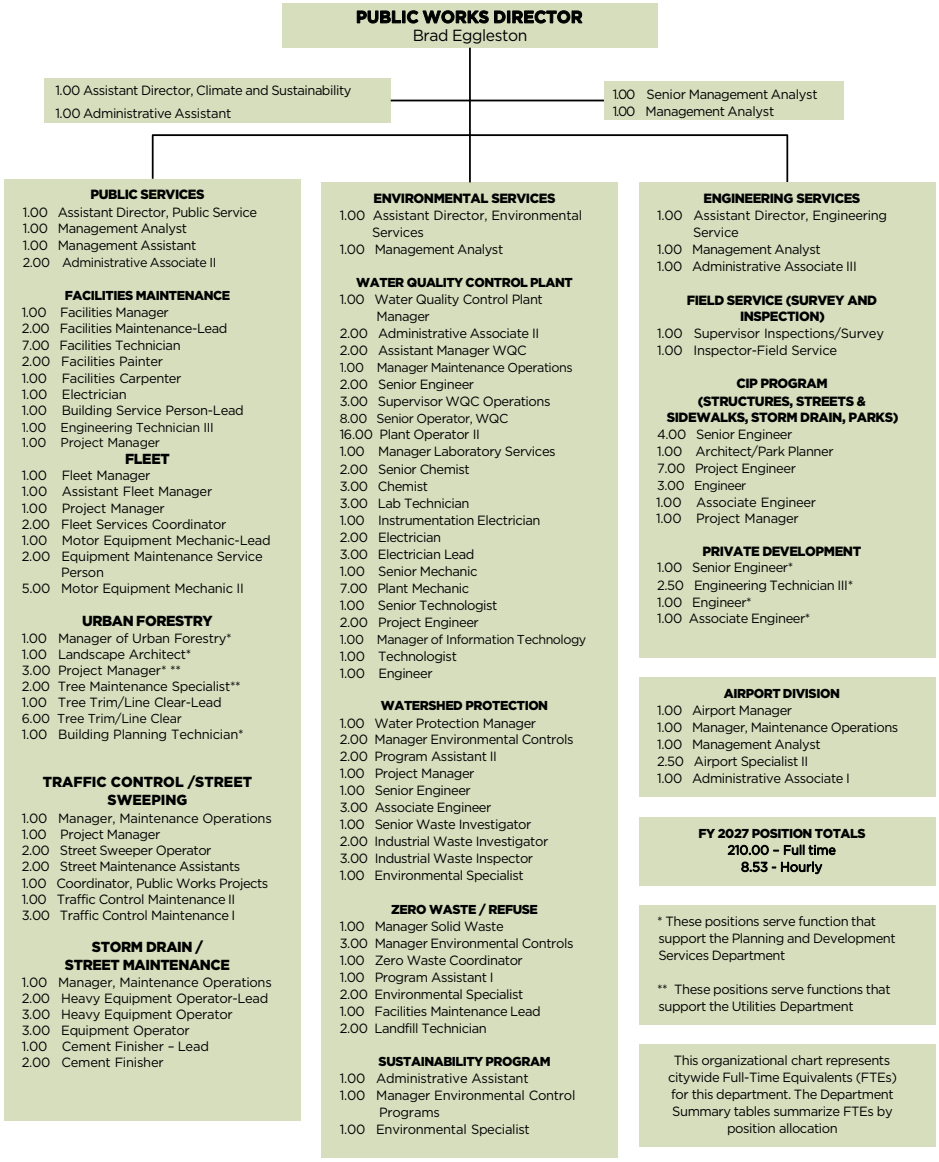


To preserve and enhance the quality of life for Palo Alto residents and visitors by providing efficient, safe, and cost-effective services in partnership with our citizens while maintaining City assets and being environmental stewards of the community.

## Purpose

The purpose of the Public Works Department is to ensure the City's valuable infrastructure is well-maintained and available well into the future; promote the protection and enhancement of Palo Alto's urban forest; enhance the quality of life for residents and visitors by preventing pollution of the creeks and bay; promote reuse and recycling; encourage use of alternative fuel vehicles; ensure continuous operation of the Regional Water Quality Control Plant; provide efficient and cost effective garbage, recyclables, and compostables collection, processing, and disposal; deliver timely engineering services support to City departments; implement citywide sustainability initiatives; operate a safe and financially sustainable general aviation airport; and effectively manage the City's Capital Improvement Fund, including the 2014 Council Infrastructure Plan.

# PUBLIC WORKS



# Description

The Public Works Department is responsible for operations and capital projects in the following areas:

### ENGINEERING SERVICES

Designs and constructs City-owned facilities, streets, sidewalks, storm drains, parks, and airport infrastructure; and provides engineering support to City departments for construction in the public right of way.

### PUBLIC SERVICES

Maintains and renovates City-owned and leased structures, streets, sidewalks, storm drains, street signage and parking lots; manages the City's urban forest; manages the street sweeping program; and maintains the City's fleet.

### ENVIRONMENTAL SERVICES

Operates and maintains the Regional Water Quality Control Plant; administers the Watershed Protection Program, which provides stormwater permit compliance, residential and commercial watershed protection policies, public education, and regulatory and pretreatment services to industrial and commercial dischargers; leads implementation of citywide sustainability programs; and provides the City's health and sanitation collection of waste materials, including management of the City's zero waste programs, the household hazardous waste program, and the post-closure maintenance and monitoring of the City's closed landfill.

### AIRPORT OPERATIONS

Operates the Palo Alto Airport; maintains airport facilities and grounds; manages agreements with airport tenants; serves as liaison with the Federal Aviation Administration (FAA) and the Palo Alto flying community; and maintains compliance with FAA regulations.

# Accomplishments

- Continued implementation of the 2014 Council Infrastructure Plan, including completion of the Public Safety Building project in Fall 2025 and anticipated completion of the Downtown Automated Parking Guidance project in Summer 2026. Awarded a construction contract for Fire Station #4 in Fall 2025 and identified a preferred option for the Downtown Parking Garage Project.
- Awarded a construction contract for the Newell Road Bridge Replacement project and started construction.
- Continued implementation of the 2023-2025 Sustainability and Climate Action Plan (S/CAP) Workplan, which guided staff efforts on the S/CAP through 2025.
- Developed a 2026-2027 S/CAP Work Plan, which establishes S/CAP priorities through 2027.
- Supported a Climate Action and Sustainability Committee to support implementation of the 2023-2025 S/CAP Workplan and the 2025 Council Priority Objectives for the Climate Action & Adaption, and Natural Environment Council priority.

- Hosted the second city-wide Palo Alto Earth Day Festival at Palo Alto Art Center with games, giveaways, and resources to help residents and businesses take environmental action.
- Convened the second term of the Youth Climate Advisory Board, an advisory body of high school students dedicated to environmental sustainability and climate stewardship. The board of eleven high school students attending schools in Palo Alto (Castilleja, Gunn, Kehillah Jewish, and Palo Alto) convened in September 2025.
- Delivered 40 Fleet replacement units (19 electric vehicles, 4 gas vehicles, 3 diesel vehicles, and 14 pieces of equipment) to maintain safe, reliable, and efficient use of resources while supporting the City's Sustainability and Climate Action Plan. At the end of FY 2026, there are 53 electric vehicles in the fleet.
- Implemented software to proactively monitor the voluntary noise abatement procedures at the Airport.
- Partnered with the Utilities Department to support a feasibility study evaluating a solar microgrid project to enhance the resiliency and reliability of the City's electrical grid.
- Completed significant updates to the Sewer Use, Stormwater, Hauled Liquid Waste, and Fats, Oils, and Grease Ordinances to better align with current regulations and reflect current City practices.

# Initiatives

- Continue managing the 2014 Council Infrastructure Plan (IP) projects as a program including completing construction on Fire Station #4 and completing design on the Downtown Parking Garage project.
- Continue efforts to rebuild the Regional Water Quality Control Plant (RWQCP). Continue construction the Secondary Treatment Upgrades, new Lab Building upgrades, and 12kV Loop Rehabilitation projects. Continue planning for the Headworks and Outfall projects.
- Complete construction of the Newell Road Bridge Replacement project.
- Continue working toward the goals and objectives identified in the Urban Forest Master Plan and the Sustainability and Climate Action Plan, with a FY 2027 emphasis on the release of the new Tree and Landscape Technical Manual, continued implementation of the updated tree protection ordinance, and analysis of new urban canopy cover data. Key components of the FY 2027 work plan include ongoing preparation for addressing the Invasive Shothole Borer in Palo Alto, continued improvement in urban forestry development review processes, and continued outreach to residents, contractors, and developers regarding tree regulations in Palo Alto.
- Continue to increase the number of electric vehicles (EV) chargers to meet the charging needs of the City's growing EV fleet and increase the number of electric vehicles within the fleet through scheduled replacements. There are approximately five vehicles from pre-FY 2027 vehicle replacement projects expected to be replaced with electric vehicle options. The FY 2027 vehicle replacement program will add one fire engine, one ambulance, three hybrid patrol vehicles, four electric vans, two electric trucks, two diesel trucks, one gasoline truck, and ten pieces of equipment.
- Continue implementation of the S/CAP Workplan and Community Engagement Plan in coordination with other City departments, including Utilities, the Office of Transportation, Planning and Development Services, and the City Manager's Office.
- Determine next steps toward addressing sea level rise and completing the Sea Level Rise Adaptation Plan.
- Continue to implement Stormwater Blue Ribbon Committee recommendations on the high-priority storm drain infrastructure improvements and implement the completed green stormwater infrastructure plan; complete construction on Corporation Way System Upgrades and Pump Station

Project (SD-21000), West Bayshore Road Pump Station Project (SD-20000), West Bayshore Road Trunk Line Improvements Project (SD-23000), and Hamilton Avenue Capacity Upgrade Project (SD-25000).

- Restart work on the Airport's Long-Range Facilities and Sustainability Plan (LRFSP) to align future development, safety, and sustainability consistent with Council input received in September 2024. Staff will bring an update to City Council in FY 2027.
- Continue to promote the sale of unleaded fuels in compliance with Federal Regulations and implement the unleaded fuel transition plan. Bring an update to City Council on the Airport's leaded fuel transition, including status of unleaded fuel availability and the lead air monitoring program.

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Fund** | | | | | | |
| Airport Enterprise Fund | 4,012,140 | 3,564,890 | 4,737,459 | 3,732,697 | (1,004,762) | (21.2)% |
| General Fund-Operating | 21,824,355 | 23,408,018 | 25,691,895 | 26,629,100 | 937,205 | 3.6% |
| Refuse Fund | 35,433,159 | 35,060,730 | 37,975,137 | 39,066,983 | 1,091,845 | 2.9% |
| Stormwater Management Fund | 8,079,504 | 6,918,967 | 17,648,525 | 13,060,275 | (4,588,250) | (26.0)% |
| Vehicle Replacement & Maintenance Fund | 8,929,676 | 8,825,123 | 19,544,795 | 14,838,623 | (4,706,172) | (24.1)% |
| Wastewater Treatment Fund | 104,778,380 | 91,943,741 | 73,964,856 | 83,600,534 | 9,635,678 | 13.0% |
| **Total Dollars by Fund** | **183,057,215** | **169,721,470** | **179,562,667** | **180,928,212** | **1,365,544** | **—%** |
| **Revenues** | | | | | | |
| Charges for Services | 188,446 | 260,827 | 162,440 | 162,440 | — | —% |
| Charges to Other Funds | 17,012,356 | 16,308,373 | 14,368,238 | 13,660,883 | (707,356) | (4.9)% |
| From Other Agencies | 3,178,711 | 890,730 | 2,506,612 | 1,210,250 | (1,296,362) | (51.7)% |
| Net Sales | 77,226,468 | 85,167,146 | 83,449,802 | 84,902,927 | 1,453,126 | 1.7% |
| Operating Transfers-In | 276,100 | 931,517 | 1,072,400 | 196,100 | (876,300) | (81.7)% |
| Other Revenue | 4,729,250 | 4,830,787 | 4,078,505 | 47,391,315 | 43,312,810 | 1,062.0% |
| Other Taxes and Fines | 1,238 | 1,000 | 6,500 | 6,500 | — | —% |
| Permits and Licenses | 1,209,000 | 1,263,994 | 692,096 | 982,906 | 290,810 | 42.0% |
| Rental Income | 948,983 | 970,089 | 1,104,620 | 1,132,500 | 27,880 | 2.5% |
| Return on Investments | 1,308,836 | 1,742,719 | 1,553,610 | 1,844,848 | 291,238 | 18.7% |
| **Total Revenues** | **106,079,388** | **112,367,182** | **108,994,823** | **151,490,669** | **42,495,846** | **39.0%** |
| **Positions by Fund** | | | | | | |
| Airport Enterprise Fund | 7.94 | 8.04 | 8.04 | 8.09 | 0.05 | 0.6% |
| General Fund-Operating | 52.19 | 53.49 | 53.70 | 49.84 | (3.86) | (7.2)% |
| Refuse Fund | 16.03 | 16.08 | 16.19 | 16.29 | 0.10 | 0.6% |
| Stormwater Management Fund | 13.63 | 13.63 | 13.48 | 13.36 | (0.12) | (0.9)% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Vehicle Replacement & Maintenance Fund | 14.53 | 14.73 | 14.93 | 15.03 | 0.10 | 0.7% |
| Wastewater Treatment Fund | 75.11 | 75.45 | 77.26 | 80.41 | 3.15 | 4.1% |
| **Total Positions by Fund** | **179.43** | **181.42** | **183.60** | **183.02** | **(0.58)** | **(0.3)%** |

*This table does not reflect positions in the Capital Improvement Fund nor the Cubberley Property Infrastructure Fund.



CITY OF
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# GENERAL FUND

## Goals and Objectives

### Goal 1

Ensure the City's assets and infrastructure inventory are updated and well-maintained.

#### Objectives:

- Use an Infrastructure Management System (IMS) to support planning, budgeting, and accountability for the City's assets in accordance with the Infrastructure Blue Ribbon Commission's recommendations.
- Maintain and enhance the overall condition of the City's streets while effectively communicating the program's accomplishments to the public.
- Utilize the citywide facilities condition assessment to identify facility conditions and prioritize improvement needs.

### Goal 2

Provide high quality, cost-effective oversight of the City's capital improvement and facilities maintenance programs.

#### Objectives:

- Continue implementation of the 2014 Council Infrastructure Plan for key infrastructure needs, managing the projects as a program.
- Provide cost-effective custodial and facilities maintenance services that meet the expectations of the public and provide clean and safe buildings.
- Provide City staff and contractor labor to meet the maintenance needs for the new Public Safety Building.

### Goal 3

Preserve the public's health and safety and oversee the City's environmental sustainability efforts to ensure a vibrant, sustainable community for future generations.

#### Objectives:

- Ensure compliance with all applicable regulations related to the public's health and safety.
- Increase the total number of City trees by committing to plant a total of 200 new and replacement trees annually while maintaining the health of the City's urban forest and ensuring proper tree clearance of all utility lines.
- Develop and coordinate interdepartmental sustainability efforts, including implementing the Sustainability and Climate Action Plan to achieve goals relating to water, climate adaptation and sea level rise, the natural environment, zero waste, and greenhouse gas emissions reductions.

# Key Performance Measures

## CITIZEN SURVEY - QUALITY OF SIDEWALK MAINTENANCE

| | | | | | |
|---|---|---|---|---|---|
| Goal | Ensure the City's assets and infrastructure inventory are updated and well maintained. | | | | |
| Objective | Increase rating given by residents for quality of sidewalk maintenance. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of citizens rating the quality of sidewalk maintenance as good or excellent* | 57% | 59% | 62% | 61% | 62% |
| Description | This data is collected as part of the Palo Alto Community Survey that is conducted annually by Polco/National Research Center, Inc. The measure asks residents to rate their perception of sidewalk maintenance. | | | | |
| Purpose | Obtain feedback from residents on whether sidewalks are being maintained adequately in order to determine if the program's resources are appropriate. | | | | |
| Status | *The most recent Palo Alto Community Survey was completed in October 2025. The full report can be found on the City website: www.paloalto.gov/communitysurvey. | | | | |

## CITIZEN SURVEY - STREET MAINTENANCE

| | | | | | |
|---|---|---|---|---|---|
| Goal | Ensure the City's assets and infrastructure inventory are updated and well maintained. | | | | |
| Objective | Increase rating given by residents for quality of street maintenance. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of citizens rating the quality of street repair as good or excellent* | 52% | 57% | 54% | 58% | 58% |
| Description | This data is collected as part of the Palo Alto Community Survey that is conducted annually by Polco/National Research Center, Inc. The measure asks residents to rate their perception of street maintenance. | | | | |
| Purpose | Obtain feedback from residents on whether streets are being maintained adequately in order to determine if the program's resources are appropriate. | | | | |
| Status | *The most recent Palo Alto Community Survey was completed in October 2025. The full report can be found on the City website: www.paloalto.gov/communitysurvey. | | | | |

# Key Performance Measures

## CITIZEN SURVEY - STREET TREE MAINTENANCE

| | | | | | |
|---|---|---|---|---|---|
| Goal | Preserve the public's health and safety to ensure a vibrant, sustainable community for future generations. | | | | |
| Objective | Increase rating given by residents for quality of street tree maintenance. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of citizens rating street tree maintenance as good or excellent* | 66% | 72% | 79% | 75% | 75% |
| Description | This data is collected as part of the Palo Alto Community Survey that is conducted annually by Polco/National Research Center, Inc. The measure asks residents to rate their perception of street tree maintenance. | | | | |
| Purpose | Obtain feedback from residents on whether street trees are being maintained adequately in order to determine if the program's resources are appropriate. | | | | |
| Status | *The most recent Palo Alto Community Survey was completed in October 2025. The full report can be found on the City website: www.paloalto.gov/communitysurvey. | | | | |

## PAVEMENT CONDITION SCORE

| | | | | | |
|---|---|---|---|---|---|
| Goal | Ensure the City's assets and infrastructure inventory are updated and well maintained. | | | | |
| Objective | Maintain and enhance the overall condition of the City's streets. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Pavement Condition Score | 84 | 84 | 84 | 83 | 82 |
| Description | This measure tracks the condition of the City's streets based on Pavement Condition Index (PCI) published by the Metropolitan Transportation Commission (MTC) as well as changes in that PCI score. The PCI scores are rated as follows: 80+ = very good or excellent, 70-79 = good, 60-69 = fair, 50-59 = at risk, 25-49 = poor, 0-24 = failed. | | | | |
| Purpose | Improving the condition of the City's streets reduces overall maintenance costs and increases ride satisfaction. | | | | |
| Status | Annual reports by the MTC indicate that Palo Alto has one of the highest citywide average PCI scores in Santa Clara and San Mateo Counties. | | | | |

# Key Performance Measures

## RESPONSE TO POTHOLE NOTIFICATION

| | | | | | |
|---|---|---|---|---|---|
| Goal | Ensure the City's assets and infrastructure inventory are updated and well maintained. | | | | |
| Objective | Maintain a standard timeframe for pothole repairs. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of potholes repaired within 15 days of notification | 80% | 80% | 80% | 80% | 80% |
| Description | This measure records the number of potholes that are repaired within 15 days of the Department being notified of the problem. | | | | |
| Purpose | The Department has a goal of repairing potholes within 15 days to ensure streets are maintained and repaired in a timely manner. | | | | |
| Status | The Fiscal Year 2027 performance is projected to remain at approximately 80%. While the program is fully staffed, extended leave within the workforce has temporarily reduced available field capacity and continues to affect response times. Ongoing efforts to address existing workload demands, including backlog reduction and support for additional special event activities, have increased overall program demands. The approval of an hourly position to provide interim coverage is expected to enhance coordination and operational support, helping to stabilize performance while field resources remain constrained. | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Square feet of sidewalk replaced or permanently repaired | 15,350 | 22,175 | 70,250 | 55,525 | 47,500 |
| Number of lane miles resurfaced | 20 | 19 | 18 | 16 | 7 |
| Percent of lane miles resurfaced | 4.24% | 4.00% | 3.82% | 3.40% | 1.50% |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Total square footage of facilities maintained | 1,905,743 | 2,038,816 | 2,035,957 | 2,035,957 | 2,035,957 |
| Cost per square foot for custodial services | $2.62 | $2.67 | $2.64 | $2.82 | $3.02 |
| Cost per square footage for maintenance services | $3.00 | $3.16 | $3.00 | $3.28 | $3.42 |
| Number of facilities work order requests completed | 6,803 | 7,210 | 7,000 | 7,300 | 7,500 |
| Number of trees trimmed annually | 4,931 | 2,747 | 4,600 | 4,200 | 5,218 |
| Total of trees maintained by the City | 36,412 | 35,993 | 36,400 | 36,150 | 36,250 |
| Number of tree related electrical service disruptions | 19 | 13 | 15 | 10 | 10 |
| Number of publicly available electric vehicle chargers in garages and city facilities | 140 | 140 | 154 | 140 | 154 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| General Fund Administration | 1,604,918 | 1,352,143 | 1,678,526 | 1,523,372 | (155,154) | (9.2)% |
| General Fund Engineering Services | 1,328,518 | 1,553,783 | 1,684,069 | 1,685,500 | 1,431 | —% |
| General Fund Public Services: Streets | 4,191,836 | 4,526,961 | 4,986,081 | 5,364,621 | 378,541 | 7.6% |
| General Fund Public Services: Structures and Grounds | 9,135,372 | 10,298,399 | 11,317,810 | 11,830,881 | 513,071 | 4.5% |
| General Fund Public Services: Trees | 5,070,866 | 5,167,300 | 5,637,110 | 5,821,329 | 184,218 | 3.3% |
| Sustainability | 492,846 | 509,431 | 388,299 | 403,397 | 15,098 | 3.9% |
| **Total Dollars by Division** | **21,824,355** | **23,408,018** | **25,691,895** | **26,629,100** | **937,205** | **3.6%** |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 981,134 | 1,014,386 | 1,228,174 | 1,218,419 | (9,755) | —% |
| Other Benefits | 161,685 | 150,972 | 133,504 | 165,798 | 32,294 | 24.2% |
| Overtime | 474,385 | 773,947 | 205,167 | 209,270 | 4,103 | 2.0% |
| Pension | 2,712,393 | 2,612,555 | 2,587,633 | 2,294,927 | (292,707) | (11.3)% |
| Retiree Medical | 738,248 | 919,989 | 1,105,181 | 1,223,965 | 118,784 | 10.7% |
| Salary | 5,320,714 | 5,500,833 | 6,253,898 | 6,309,951 | 56,053 | —% |
| Workers' Compensation | 210,671 | 126,439 | 222,994 | 259,929 | 36,935 | 16.6% |
| **Total Salary and Benefits** | **10,599,230** | **11,099,122** | **11,736,551** | **11,682,259** | **(54,292)** | **—%** |
| Allocated Charges | 3,966,106 | 4,499,590 | 4,933,395 | 5,284,455 | 351,059 | 7.1% |
| Contract Services | 5,936,140 | 6,306,524 | 7,740,169 | 8,271,806 | 531,637 | 6.9% |
| Facilities & Equipment | 5,738 | 10,713 | 2,146 | 2,146 | — | —% |
| General Expense | 125,355 | 144,704 | 161,214 | 256,415 | 95,201 | 59.1% |
| Rents & Leases | 30,000 | 30,000 | 30,000 | 30,000 | — | —% |
| Supplies & Material | 1,161,786 | 1,317,366 | 1,088,420 | 1,102,020 | 13,600 | 1.2% |
| **Total Dollars by Category** | **21,824,355** | **23,408,018** | **25,691,895** | **26,629,100** | **937,205** | **3.6%** |
| **Revenues** | | | | | | |
| Charges for Services | 124,272 | 123,676 | 47,320 | 47,320 | — | —% |
| Charges to Other Funds | 4,449,526 | 4,673,163 | 2,943,421 | 2,912,657 | (30,765) | (1.0)% |
| From Other Agencies | — | 391,101 | — | — | — | —% |
| Operating Transfers-In | 196,100 | 196,100 | 196,100 | 196,100 | — | —% |
| Other Revenue | 170,535 | 237,308 | 6,000 | 28,841 | 22,841 | 380.7% |
| Permits and Licenses | 1,209,000 | 1,263,994 | 692,096 | 982,906 | 290,810 | 42.0% |
| **Total Revenues** | **6,149,433** | **6,885,342** | **3,884,937** | **4,167,824** | **282,886** | **7.3%** |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Positions by Division** | | | | | | |
| General Fund Administration | 2.54 | 2.64 | 2.64 | 2.42 | (0.22) | (8.3)% |
| General Fund Engineering Services | 4.19 | 4.19 | 4.19 | 3.86 | (0.33) | (7.9)% |
| General Fund Public Services: Streets | 14.74 | 15.70 | 16.70 | 16.36 | (0.34) | (2.0)% |
| General Fund Public Services: Structures and Grounds | 16.03 | 16.03 | 15.23 | 14.13 | (1.10) | (7.2)% |
| General Fund Public Services: Trees | 14.03 | 14.03 | 14.03 | 12.16 | (1.87) | (13.3)% |
| Sustainability | 0.66 | 0.90 | 0.91 | 0.91 | — | —% |
| **Total Positions by Division** | **52.19** | **53.49** | **53.70** | **49.84** | **(3.86)** | **(7.2)%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Administrative Assistant | 0.50 | 0.50 | 0.75 | 0.55 | (0.20) | 58,635 |
| Administrative Associate II | 2.65 | 2.65 | 2.65 | 1.65 | (1.00) | 169,575 |
| Assistant Director Public Works | 0.73 | 0.73 | 0.73 | 0.73 | — | 195,786 |
| Associate Engineer | 0.45 | 0.45 | 0.45 | 0.45 | — | 77,426 |
| Building Serviceperson-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 96,221 |
| Building/Planning Technician | 0.50 | 0.50 | 0.50 | 0.50 | — | 57,564 |
| Cement Finisher | 2.00 | 2.00 | 2.00 | 2.00 | — | 249,558 |
| Cement Finisher-Lead | 0.26 | 0.26 | 0.26 | 0.26 | — | 34,671 |
| Coordinator Public Works Projects | 1.50 | 1.50 | 0.70 | 0.70 | — | 96,504 |
| Director Public Works/City Engineer | 1.00 | 1.00 | 1.00 | 1.00 | — | 327,246 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Electrician | 0.80 | 0.80 | 0.80 | 0.80 | — | 120,823 |
| Engineer | 0.48 | 0.48 | 0.48 | 0.48 | — | 92,881 |
| Engineering Technician III | 1.80 | 1.80 | 1.80 | 1.80 | — | 240,327 |
| Environmental Specialist | 0.33 | 0.33 | 0.33 | 0.33 | — | 52,578 |
| Equipment Operator | 2.46 | 2.46 | 2.46 | 2.46 | — | 301,124 |
| Facilities Carpenter | 1.00 | 1.00 | 1.00 | 1.00 | — | 125,986 |
| Facilities Maintenance-Lead | 1.85 | 1.85 | 1.85 | 1.85 | — | 303,800 |
| Facilities Painter | 1.75 | 1.75 | 1.75 | 1.75 | — | 212,321 |
| Facilities Technician | 5.05 | 5.05 | 5.05 | 5.05 | — | 636,227 |
| Heavy Equipment Operator | 2.10 | 2.10 | 2.10 | 2.10 | — | 306,634 |
| Heavy Equipment Operator-Lead | 0.85 | 0.85 | 0.85 | 0.85 | — | 132,671 |
| Inspector, Field Services | 0.11 | 0.11 | 0.11 | 0.11 | — | 15,822 |
| Landscape Architect Park Planner | 0.60 | 0.60 | 0.60 | 0.60 | — | 93,821 |
| Management Analyst | 0.70 | 0.80 | 0.80 | 0.80 | — | 107,688 |
| Manager Environmental Control Program | 0.33 | 0.33 | 0.33 | 0.33 | — | 69,182 |
| Manager Facilities | 0.90 | 0.90 | 0.90 | 0.50 | (0.40) | 92,581 |
| Manager Maintenance Operations | 1.20 | 1.20 | 1.20 | 0.50 | (0.70) | 86,372 |
| Manager Urban Forestry | 1.00 | 1.00 | 1.00 | 0.96 | (0.04) | 178,035 |
| Manager Watershed Protection | 0.05 | 0.05 | 0.05 | 0.05 | — | 11,290 |
| Project Manager | 2.85 | 2.85 | 2.85 | 2.78 | (0.07) | 455,674 |
| Senior Engineer | 0.60 | 0.60 | 0.60 | 0.60 | — | 131,077 |
| Senior Management Analyst | 1.11 | 1.11 | 1.11 | 1.11 | — | 198,613 |
| Supervisor Inspection and Surveying | 0.10 | 0.10 | 0.10 | 0.10 | — | 14,976 |
| Surveyor, Public Works | 0.33 | 0.33 | 0.33 | — | (0.33) | — |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Traffic Controller Maintainer I | 1.94 | 1.94 | 1.94 | 1.94 | — | 225,527 |
| Traffic Controller Maintainer II | 1.00 | 1.00 | 2.00 | 2.00 | — | 215,654 |
| Tree Maintenance Person | 1.00 | 1.00 | 1.00 | 1.02 | 0.02 | 127,296 |
| Tree Trim/Line Clear | 7.00 | 7.00 | 7.00 | 5.88 | (1.12) | 722,572 |
| Tree Trim/Line Clear-Lead | 1.00 | 1.00 | 1.00 | 0.98 | (0.02) | 128,705 |
| WGW Heavy Equipment Operator | 0.23 | 0.23 | 0.23 | 0.23 | — | 33,636 |
| **Subtotal: Full-Time Equivalent Positions** | **51.11** | **51.21** | **51.66** | **47.80** | **(3.86)** | **$6,797,077** |
| Temporary/Hourly | 1.08 | 2.28 | 2.04 | 2.04 | — | $172,828 |
| **Total Positions** | **52.19** | **53.49** | **53.70** | **49.84** | **(3.86)** | **$6,969,906** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **53.70** | **25,691,895** | **3,884,937** | **21,806,958** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| None | - | - | - | - |
| **One-Time Prior Year Budget Adjustments** | **-** | **-** | **-** | **-** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | (1.00) | 701,906 | - | 701,906 |
| Permits/Licenses/Other Revenue | - | - | 290,810 | (290,810) |
| Tree Preservation Fund | - | - | 22,841 | (22,841) |
| Custodial Contracts | - | 195,000 | - | 195,000 |
| Sidewalks Team Safety Training | - | 5,000 | - | 5,000 |
| Foothill Fire Contract | - | 28,800 | - | 28,800 |
| Public Safety Building Mainenance | - | 136,100 | | |
| Streets and Sidewalks Maintenance Supplies and Materials | - | 35,000 | - | 35,000 |
| Construction and Building Supplies and Materials | - | 26,307 | - | 26,307 |
| Tree In House Program | | 22,842 | | |
| Tree Contracts (Trimming + UFMP Software) | - | 272,073 | - | 272,073 |
| Facilities Maintenance & Supplies | - | 131,293 | - | 131,293 |
| Communications Allocated Charges | - | 780 | - | 780 |
| General Fund Cost Plan Allocated Charges to Other Funds | - | - | 41,817 | (41,817) |
| Information Technology Allocated Charges | - | (37,889) | - | (37,889) |
| Liability Insurance Allocated Charges | - | 305,852 | - | 305,852 |
| Printing & Mailing Services Allocated Charges | - | 1,271 | - | 1,271 |
| Refuse Sales Allocated Charges | - | 3,888 | - | 3,888 |
| Public Works Administration Allocated Charges | - | - | (72,581) | 72,581 |
| Stormwater Management Allocated Charges | - | 1,527 | - | 1,527 |
| Utilities Allocated Charges | - | 72,317 | - | 72,317 |
| Vehicle Replacement & Maintenance Allocated Charges | - | 23,293 | - | 23,293 |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| Workers' Compensation Allocated Charges | - | 36,935 | - | 36,935 |
| **Adjustments to Costs of Ongoing Activities** | **(1.00)** | **1,962,294** | **282,887** | **1,520,464** |
| **Total FY 2027 Base Budget** | **52.70** | **27,654,188** | **4,167,824** | **23,327,422** |
| **Budget Adjustments** | | | | |
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (255,166) | - | (255,166) |
| 2. Administrative Assistant Reallocation | (0.20) | (35,455) | - | (35,455) |
| 3. Manager Facilities Reallocation | (0.40) | (105,616) | | (105,616) |
| 4. Urban Forestry Reallocations | (0.23) | (45,107) | - | (45,107) |
| 5. Elimination of Administrative Associate II | (1.00) | (135,911) | - | (135,911) |
| 6. Elimination of Surveyor | (0.33) | (63,928) | - | (63,928) |
| 7. Elimination of Manager Maintenance Operations | (0.70) | (153,360) | - | (153,360) |
| 8. Library Inspections Service Reduction | | (8,000) | - | (8,000) |
| 9. Municipal Service Center (MSC) Security Guard Contract | | (53,166) | - | (53,166) |
| 10. Janitorial Contract Services Reduction | | (50,000) | - | (50,000) |
| 11. Tree Trimming Contract Reduction | | (50,000) | - | (50,000) |
| 12. Canopy Contract Reduction | | (15,000) | - | (15,000) |
| 13. Shift Tree Planting Costs to Forestry Fund | | (34,400) | - | (34,400) |
| 14. Fleet Fuel Contract Reduction | | (19,979) | - | (19,979) |
| **Total Budget Adjustments** | **(2.86)** | **(1,025,087)** | **-** | **(1,025,087)** |
| **Total FY 2027 Adopted Budget** | **49.84** | **26,629,100** | **4,167,824** | **22,302,334** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (255,166) | - | (255,166) |
| This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $255,166) | | | | |
| **Performance Results** | | | | |
| This action executes City Council policy and proactively manages the City's pension obligations. | | | | |
| 2. Administrative Assistant Reallocation | (0.20) | (35,455) | - | (35,455) |
| This action reallocates 0.20 FTE of an Administrative Assistant position from the General Fund to the City's enterprise and internal service funds. This change ensures that administrative personnel costs are proportionally assigned to the specific funds and programs receiving direct support, improving cost transparency. (Ongoing savings: $35,455) | | | | |
| **Performance Results** | | | | |
| This action improves the accuracy of cost-assignment across funds to align with actual workload distribution. | | | | |
| 3. Manager Facilities Reallocation | (0.40) | (105,616) | - | (105,616) |
| This action reallocates 0.40 FTE of the Facilities Manager position from the General Fund to the Capital Improvement Fund as a result of the elimination of the Facilities Manager of Maintenance Operations position and corresponding increase in capital project oversight that will thus be required. (Ongoing savings: $105,616) | | | | |
| **Performance Results** | | | | |
| This action achieves structural General Fund relief. Capacity of management oversight will be reduced to provide for greater emphasis on capital project implementation. | | | | |
| 4. Urban Forestry Reallocations | (0.23) | (45,107) | - | (45,107) |
| This action reallocates 1.23 FTE of existing Urban Forestry positions from the General Fund to the Electric Fund. This adjustment ensures that personnel costs associated with line-clearing and tree maintenance services that directly support electric utility reliability are accurately funded by the utility enterprise. (Ongoing savings: $45,107) | | | | |
| **Performance Results** | | | | |
| This action improves cost transparency by ensuring utility-related forestry costs are borne by the appropriate enterprise fund. | | | | |
| 5. Elimination of Administrative Associate II | (1.00) | (135,911) | - | (135,911) |
| This action eliminates 1.00 FTE Administrative Associate II position within the Public Services Division. Administrative support functions for Urban Forestry, Streets, and Facilities will be consolidated and redistributed to remaining staff to support citywide structural balancing efforts. (Ongoing savings: $135,911) | | | | |
| **Performance Results** | | | | |
| This action is intended to use administrative resources more efficiently. | | | | |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 6. Elimination of Surveyor | (0.33) | (63,928) | - | (63,928) |
| This action eliminates 0.33 FTE of a Surveyor position within the Engineering Services Division to meet departmental budget targets. A review of operational needs determined that the City's requirement for dedicated internal surveying has declined, and existing contract surveying resources will be used as needed. (Ongoing savings: $63,928) | | | | |
| **Performance Results** | | | | |
| This action reduces costs while maintaining surveying capabilities through contract services. | | | | |
| 7. Elimination of Manager Maintenance Operations | (0.70) | (153,360) | - | (153,360) |
| This action eliminates 0.70 FTE Manager Maintenance Operations within the Public Works Public Services Division. The Facilities team currently includes supervisory, technical, and trades staff whose responsibilities will be redistributed following the elimination of this position. The action also includes a reallocation of the Facilities Manager funding structure. Workload and reporting adjustments will be required across the remaining team to maintain essential facility operations. (Ongoing savings: $153,360) | | | | |
| **Performance Results** | | | | |
| This action reduces personnel costs but will require redistribution of supervisory responsibilities and will reduce workload capacity within the Facilities team. | | | | |
| 8. Library Inspections Service Reduction | - | (8,000) | - | (8,000) |
| This action eliminates annual inspection services for library furniture. A review of facility maintenance priorities determined that these specialized inspections could be discontinued, with essential furniture maintenance being managed through the department's standard work-order process. (Ongoing savings: $8,000) | | | | |
| **Performance Results** | | | | |
| This action reduces miscellaneous operating costs without impacting core library service levels. | | | | |
| 9. Municipal Service Center (MSC) Security Guard Contract | - | (53,166) | - | (53,166) |
| This action eliminates contract appropriations for security guard services at the Municipal Services Center (MSC). A review of facility security protocols determined that these services could be discontinued to generate operational savings with minimal impact to safety or operational readiness. (Ongoing savings: $53,166) | | | | |
| **Performance Results** | | | | |
| This action realizes operational savings by aligning facility security services with current site requirements. | | | | |
| 10. Janitorial Contract Services Reduction | - | (50,000) | - | (50,000) |
| This action reduces the citywide janitorial contract appropriation by $50,000. To achieve this reduction, the department will adjust service levels and cleaning frequencies at various City locations while maintaining essential hygiene standards. (Ongoing savings: $50,000) | | | | |
| **Performance Results** | | | | |
| This action achieves operational cost reductions through minor reductions to services of facility maintenance contracts. | | | | |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 11. Tree Trimming Contract Reduction | - | (50,000) | - | (50,000) |
| This action reduces the citywide tree trimming contract appropriation by $50,000. This reduction will result in adjusted service levels for non-emergency tree maintenance while the department continues to monitor the health and safety of the City's urban forest canopy. (Ongoing savings: $50,000) | | | | |
| **Performance Results** | | | | |
| This action contributes to structural budget balancing through the adjustment of specialized contract services. | | | | |
| 12. Canopy Contract Reduction | - | (15,000) | - | (15,000) |
| This action reduces the contract with Canopy for the implementation of the Urban Forest Master Plan. Impacted activities include participant outreach, corporate advocacy events, and the digital tree health survey, as the department focuses available resources on core functions and components of the contract. (Ongoing savings: $15,000) | | | | |
| **Performance Results** | | | | |
| This action prioritizes core urban forestry services while reducing expenditures for outreach and advocacy. | | | | |
| 13. Shift Tree Planting Costs to Forestry Fund | - | (34,400) | - | (34,400) |
| This action shifts $34,400 in tree planting costs from the General Fund to the restricted Forestry Fund (Tree Preservation Account). Utilizing developer in-lieu payments for citywide tree planting generates direct relief for the General Fund while maintaining the City's investment in its urban forest. (Ongoing savings: $34,400) | | | | |
| **Performance Results** | | | | |
| This action leverages restricted developer-funded resources to maintain service levels while reducing General Fund reliance. | | | | |
| 14. Fleet Fuel Contract Reduction | - | (19,979) | - | (19,979) |
| This action reduces the Public Works share of the citywide fleet fuel contract based on historical usage trends. By right-sizing the contract to reflect actual consumption patterns, the department generates General Fund savings without impacting the availability of specialized equipment. (Ongoing savings: $19,979) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |

# AIRPORT FUND

## Description

The Palo Alto Airport (PAO) serves as a general aviation reliever airport to the Bay Area's major air carrier airports. It is the fourth busiest airport in the Bay Area, averaging 150,000 annual operations; open 24 hours each day, 365 days annually; and has a Federal Aviation Administration-staffed air traffic control tower.

## Accomplishments

- Initiated a lead air monitoring program to better understand lead emissions in the vicinity of the airport and document reduction as unleaded aviation fuel is adopted.
- The lease with the fuel provider was amended to support the transition away from leaded aviation fuel. The fuel provider is now providing unleaded fuel (UL94) and actively working with customers to promote the sale of unleaded fuel.
- Partnered with the Utilities Department to support a feasibility study evaluating a solar microgrid project to enhance the resiliency and reliability of the City's electrical grid.
- Implemented software to proactively monitor the voluntary noise abatement procedures at the airport.

## Initiatives

- Restart work on the Airport's Long-Range Facilities and Sustainability Plan (LRFSP) to align future development, safety, and sustainability consistent with Council input received in September 2024, including bringing an update to City Council in FY 2027.
- Continue to promote the sales of unleaded fuels in compliance with Federal Regulations and implement the unleaded fuel transition plan. Bring an update to City Council on the Airport's leaded fuel transition, including status of unleaded fuel availability and the lead air monitoring program.

## Goals and Objectives

### Goal 1

Operate a safe, viable and sustainable airport.

#### Objectives:

- Maintain compliance with federal and state requirements for airfield conditions.
- Continue to follow industry standards and trends in staff training and education.
- Maintain sufficient staff to provide coverage during the FAA air traffic control tower operating hours of 7:00 am to 9:00 pm.

## Goal 2

Provide high quality, cost-effective oversight of the airport's capital improvement program (CIP).

### Objectives:

- Continue management of FAA-sponsored CIP projects at the airport.
- Submit grant applications to the FAA for multi-phase projects that ensure efficiency and airfield safety.
- Maintain grant funding eligibility by submitting a Five-Year Airport CIP work plan to the FAA annually.

## Goal 3

Manage a financially sustainable and self-sufficient airport enterprise fund.

### Objectives:

- Adopt and implement an Airport Business Plan to guide future development and ensure fund stability.
- Control expenses and generate sufficient revenues to accommodate the needs of the Palo Alto Airport, including loan repayment to the General Fund.
- Continue to research and apply for applicable grants, including but not limited to Zero Emissions Vehicle funding.

# Key Performance Measures

### AIRCRAFT OPERATIONS

| | | | | | |
|---|---|---|---|---|---|
| Goal | Operate a safe and viable airport. | | | | |
| Objective | Provide a safe, aesthetically pleasing, and profitable airport. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Number of Aircraft Operations | 151,000 | 159,604 | 155,000 | 162,800 | 166,000 |
| Description | The Palo Alto Airport (PAO) is owned and operated by the City of Palo Alto and is a general aviation field. The Federal Aviation Administration defines workload measures for airports with an air traffic control tower by the number of aircraft operations (sum of landings and takeoffs). In addition to being the twelfth busiest airport in California, PAO is a reliever to three Bay Area airports. PAO's significant air traffic must be accommodated by the one paved runway which measures 2,443 x 70 feet. | | | | |
| Purpose | Providing a safe, well maintained, and attractive airport that will appeal to the tenants, pilots, visitors, outside agencies, residents, and the flying community at large. | | | | |
| Status | Airport operations have increased year over year to 159,000 operations reflecting an increased demand in airport services. The airport forecast predicts a 2% increase every year. | | | | |

# Key Performance Measures

## PERCENTAGE OF TIE-DOWNS LEASED

| | | | | | |
|---|---|---|---|---|---|
| Goal | Manage a financially sustainable and self-sufficient airport enterprise fund. | | | | |
| Objective | Increase tenant occupancy by providing a safe and well-maintained airport that is also cost recoverable. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percentage of Tie-Downs Leased | 86% | 93% | 94% | 95% | 95% |
| Description | The City of Palo Alto operates and maintains the Palo Alto Airport and provides airport users with safe transportation options and a high level of airport services. The airport has up to 510 tie-down spaces. In order to accommodate larger aircrafts, multiple spaces may be used for a single aircraft and charged accordingly. Out of the total number of spaces, 353 are available for rent. | | | | |
| Purpose | Maximizing tie-down space occupancy increases revenue and provides funding to revitalize the Palo Alto Airport without changing or increasing the current airport footprint. Providing a safe, well maintained, and attractive airport appeals to the tenants, pilots, visitors, outside agencies, residents, and the flying community at large. | | | | |
| Status | Airport Staff are responsible for maintaining 102.4 acres of airport facilities, infrastructure, and equipment; manage 250 tenants and 341 leased tie-down spaces. This anticipated rate for license use is reflected in the FY 2027 proposed target of 95%. | | | | |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Airport Administration | 1,350,493 | 1,906,660 | 1,809,055 | 1,522,619 | (286,435) | (15.8)% |
| Airport Operations | 1,538,538 | 1,229,324 | 1,376,342 | 1,765,428 | 389,087 | 28.3% |
| CIP Airport Fund | 1,123,109 | 428,906 | 1,552,062 | 444,649 | (1,107,413) | (71.4)% |
| **Total Dollars by Division** | **4,012,140** | **3,564,890** | **4,737,459** | **3,732,697** | **(1,004,762)** | **(21.2)%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 104,663 | 117,348 | 147,646 | 183,838 | 36,193 | 24.5% |
| Other Benefits | 27,867 | 26,617 | 23,562 | 29,836 | 6,274 | 26.6% |
| Overtime | 27,427 | 27,026 | — | — | — | —% |
| Pension | 406,697 | 376,994 | 383,496 | 324,709 | (58,787) | (15.3)% |
| Retiree Medical | 51,776 | 62,418 | 73,651 | 85,820 | 12,169 | 16.5% |
| Salary | 855,409 | 1,015,765 | 1,071,833 | 1,104,850 | 33,017 | 3.1% |
| Workers' Compensation | 33,164 | 17,293 | 31,964 | 35,218 | 3,254 | 10.2% |
| **Total Salary and Benefits** | **1,507,003** | **1,643,460** | **1,732,152** | **1,764,273** | **32,120** | **1.9%** |
| Contract Services | 223,822 | 159,222 | 266,300 | 311,300 | 45,000 | 16.9% |
| Supplies & Material | 43,357 | 52,842 | 76,472 | 76,472 | — | —% |
| General Expense | 151,095 | 99,836 | 41,580 | 41,630 | 50 | —% |
| Rents & Leases | 1,114 | 700 | 6,630 | 6,630 | — | —% |
| Facilities & Equipment | — | 350 | — | — | — | —% |
| Allocated Charges | 891,576 | 1,109,440 | 990,953 | 1,019,276 | 28,323 | 2.9% |
| Operating Transfers-Out | 273,500 | 272,000 | 272,000 | 272,000 | — | —% |
| Capital Improvement Program | 920,673 | 227,040 | 1,351,372 | 241,117 | (1,110,255) | (82.2)% |
| **Total Dollars by Category** | **4,012,140** | **3,564,890** | **4,737,459** | **3,732,697** | **(1,004,762)** | **(21.2)%** |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Charges to Other Funds | 66,600 | 164,635 | — | — | — | —% |
| From Other Agencies | 3,177,922 | 87,311 | 1,291,050 | 180,000 | (1,111,050) | (86.1)% |
| Net Sales | 799,029 | 848,991 | 734,930 | 807,796 | 72,866 | 9.9% |
| Operating Transfers-In | — | 20,800 | 35,900 | — | (35,900) | (100.0)% |
| Other Revenue | 1,366,161 | 1,437,397 | 1,385,690 | 1,564,363 | 178,673 | 12.9% |
| Rental Income | 948,983 | 970,089 | 1,104,620 | 1,132,500 | 27,880 | 2.5% |
| Return on Investments | 18,858 | 23,791 | 20,900 | 24,727 | 3,827 | 18.3% |
| **Total Revenues** | **6,377,552** | **3,553,014** | **4,573,090** | **3,709,386** | **(863,704)** | **(18.9)%** |
| **Positions by Division** | | | | | | |
| Airport Administration | 3.00 | 3.10 | 3.10 | 3.10 | — | —% |
| Airport Operations | 4.19 | 4.19 | 4.19 | 4.24 | 0.05 | 1.2% |
| CIP Airport Fund | 0.75 | 0.75 | 0.75 | 0.75 | — | —% |
| **Total Positions by Division** | **7.94** | **8.04** | **8.04** | **8.09** | **0.05** | **0.6%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Administrative Assistant | — | — | — | 0.05 | 0.05 | 5,699 |
| Administrative Associate I | 1.00 | 1.00 | 1.00 | 1.00 | — | 94,786 |
| Airport Specialist II | 2.50 | 2.50 | 2.50 | 2.50 | — | 314,964 |
| Management Analyst | 1.00 | 1.10 | 1.10 | 1.10 | — | 144,061 |
| Manager Airport | 1.00 | 1.00 | 1.00 | 1.00 | — | 244,421 |
| Manager Maintenance Operations | 1.00 | 1.00 | 1.00 | 1.00 | — | 172,744 |
| **Subtotal: Full-Time Equivalent Positions** | **6.50** | **6.60** | **6.60** | **6.65** | **0.05** | **$976,674** |
| Temporary/Hourly | 1.44 | 1.44 | 1.44 | 1.44 | — | $118,525 |
| **Total Positions** | **7.94** | **8.04** | **8.04** | **8.09** | **0.05** | **$1,095,199** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **8.04** | **4,737,459** | **4,573,090** | **164,369** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| Excess Benefit Savings from the General Benefits Fund | - | - | (22,900) | 22,900 |
| Excess Technology Reserve from the Technology Fund | - | - | (13,000) | 13,000 |
| Investment Management Services | - | (400) | (400) | - |
| **One-Time Prior Year Budget Adjustments** | **0.00** | **(400)** | **(36,300)** | **35,900** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | - | 58,718 | - | 58,718 |
| Capital Improvement Program and FAA Grant Funding | - | (1,095,237) | (1,111,050) | 15,813 |
| Revenue Adjustments (Tie-Down & Hangar Fees, Parking, and Fuel) | - | - | 251,539 | (251,539) |
| Rental Income | - | - | 27,880 | (27,880) |
| Return on Investments | - | 400 | 4,227 | (3,827) |
| Communications Allocated Charges | - | 18 | - | 18 |
| General Fund Cost Allocation Plan Charges | - | 7,779 | - | 7,779 |
| Information Technology Allocated Charges | - | (11,046) | - | (11,046) |
| Liability Insurance Allocated Charges | - | 43,841 | - | 43,841 |
| Printing & Mailing Services Allocated Charges | - | 82 | - | 82 |
| Public Works Administration Allocated Charges | - | (7,258) | - | (7,258) |
| Refuse Sales Allocated Charges | | 750 | - | 750 |
| Utilities Allocated Charges | - | (1,263) | - | (1,263) |
| Vehicle Replacement & Maintenance Allocated Charges | - | 403 | - | 403 |
| Workers' Compensation Allocated Charges | - | 3,254 | - | 3,254 |
| **Adjustments to Costs of Ongoing Activities** | **-** | **(999,560)** | **(827,404)** | **(172,156)** |
| **Total FY 2027 Base Budget** | **8.04** | **3,737,499** | **3,709,386** | **28,113** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Budget Adjustments** | | | | |
| 1. Administrative Assistant Reallocation | 0.05 | 8,864 | - | 8,864 |
| 2. Section 115 Dispersal to CalPERS for ADC and ADP | - | (38,666) | - | (38,666) |
| 3. Veoci Management System | - | 25,000 | - | 25,000 |
| **Total Budget Adjustments** | **0.05** | **(4,802)** | **-** | **(4,802)** |
| **Total FY 2027 Adopted Budget** | **8.09** | **3,732,697** | **3,709,386** | **23,311** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| 1. Administrative Assistant Reallocation | 0.05 | 8,864 | - | 8,864 |

This action reallocates 0.05 FTE Administrative Assistant position to the Airport Fund to accurately align personnel costs with actual workload. By correctly assigning administrative support costs to the enterprise funds that receive direct benefit, this change ensures cost transparency and complies with the City's overhead allocation principles. (Ongoing costs: $8,864)

**Performance Results**

This action aligns administrative staffing costs with the specific programs and funds that receive direct support, improving cost transparency.

| | | | | |
|---|---|---|---|---|
| 2. Section 115 Dispersal to CalPERS for ADC and ADP | - | (38,666) | - | (38,666) |

This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $38,666)

**Performance Results**

This action executes City Council policy and proactively manages the City's pension obligations.

| | | | | |
|---|---|---|---|---|
| 3. Veoci Management System | - | 25,000 | - | 25,000 |

This action provides funding for the implementation and maintenance of the Veoci Management System to streamline airport operational documentation and emergency response coordination. This system replaces manual processes with automated workflows for Federal Aviation Administration (FAA) Part 139 compliance, incident tracking, and facility inspections. The annual subscription cost is funded through airport user fees and revenues. (Ongoing costs: $25,000)

**Performance Results**

This action improves regulatory compliance accuracy, enhances emergency coordination, and streamlines facility inspection documentation.



CITY OF
PALO
ALTO

# REFUSE FUND

## Description

Public Works provides refuse-related services on a user charge basis to Palo Alto's residents and businesses. The Refuse Fund goals are to minimize waste generation, maximize recycling and reuse to meet and exceed the City's Zero Waste goals, protect the environment by safely collecting and disposing of household hazardous waste, and maintain and monitor the City's closed landfill.

## Accomplishments

- Amended the GreenWaste of Palo Alto contract and extended the term four years to end in June 2030.
- Developed and implemented a new outreach and education campaign that encourages and normalizes the behavior of composting soiled paper cups. The focused headline was that "Palo Altans compost their coffee cups".
- Conducted outreach and education on the State's SB 1035 ban on single use plastic carryout bags and pre-checkout bags. These requirements will help reduce plastic consumption and waste going into the landfill.
- Completed the 5-year Solid Waste Facility Permit update for the closed landfill.
- Redesigned and enhanced the household hazardous waste webpage to strengthen the local options to residents on the environmentally safe disposal of household products and to reduce the risk of fires from improper disposal of lithium-ion batteries.
- Placed in service two new fully electric automated side loader collection vehicles for residential garbage collection obtained by the City's contracted hauler, Greenwaste of Palo Alto, increasing their electric fleet to a total of seven vehicles providing services to the Palo Alto community.
- Finalized the relocation of Greenwaste of Palo Alto's container storage and staging area at the Los Altos Treatment Plant and the installation of new charging stations for electric vehicles.
- Continued collaboration with Santa Clara County, other jurisdictions, and Joint Venture Silicon Valley to provide outreach to food services establishments on requirements for food waste reduction, donation of edible food, and conducting inspections to assess compliance with requirement of SB 1383, the State's Short-Lived Climate Pollutant Legislation. In addition, ensured City's compliance with SB 1383 by providing outreach to the community on the requirements and conducting route reviews to visually assess residential and commercial customers.

## Initiatives

- Increase the participation in use of the City's Household Hazardous Waste Station by developing and implementing a new outreach and education campaign on the safe disposal of household hazardous waste and the convenience of using the HHW Waste Station.
- Develop a new outreach campaign on the importance of composting food scraps and reducing greenhouse gas emissions.

- Complete the assessment of compliance with existing Zero Waste requirements for plastics and single use disposables.
- Complete a waste characterization study in preparation for developing an updated Zero Waste Plan.
- Continue to prioritize domestic processing of recyclable materials and explore expanding materials.

# Goals and Objectives

## Goal 1

Minimize waste generation and maximize recycling and reuse programs to achieve zero waste to landfills by 2030.

### Objectives:

- Promote waste prevention, reuse, recycling, and composting through educational programs and outreach to increase public participation.
- Reduce waste sent to landfills by implementing new programs and enforcing existing requirements such as the recycling and composting ordinance.
- Develop and recommend new innovative policies and programs to minimize and divert waste and other problem materials.

## Goal 2

Protect the environment by providing convenient, weekly, and local household hazardous waste collection services to residents and small businesses.

### Objectives:

- Increase participation in the City's Household Hazardous Waste collection services through educational programs and outreach.
- Promote the reuse of good household products to residents at the City's Household Hazardous Waste Station.

## Goal 3

Effectively manage the City's closed landfill to meet all regulatory requirements and minimize the impacts of postclosure maintenance on Byxbee Park users.

### Objectives:

- Perform annual repairs of settled landfill areas to minimize the impacts of periodic larger repairs to park users.
- Maintain a comprehensive preventative maintenance program for the landfill environmental control systems.

# Key Performance Measures

## NUMBER OF HOUSEHOLDS SERVICED THROUGH THE HOUSEHOLD HAZARDOUS WASTE PROGRAM ON AN ANNUAL BASIS

| | | | | | |
|---|---|---|---|---|---|
| Goal | Protect the environment by providing convenient, weekly, and local household hazardous waste collection services to residents and small businesses. | | | | |
| Objective | Increase participation with the City's Household Hazardous Waste collection services through educational programs and outreach. Promote the reuse of good household products to residents at the City's Household Hazardous Waste Station reuse storage cabinets. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Number of households participating in the Household Hazardous Waste program | 5,781 | 5,664 | 5,200 | 5,600 | 5,600 |
| Description | The number of households serviced at the Household Hazardous Waste Station is a direct measurement of the usage of the program which indirectly measures the convenience and public awareness of the program. | | | | |
| Purpose | The more the residents use the Household Hazardous Waste collection program, the less likely unused hazardous products may be disposed in the garbage or down the drain. | | | | |
| Status | The City's Household Hazardous Waste Program continues to have one of the highest public participation rates in the state at 19.1% in FY 2025. By comparison, the County of Santa Clara Household Hazardous Waste Program had a participation rate of 6.5%. | | | | |

## PERCENTAGE OF WASTE DIVERTED FROM LANDFILLS

| | | | | | |
|---|---|---|---|---|---|
| Goal | Minimize waste generation and maximize recycling and reuse programs to achieve zero waste (95%) to landfills by 2030. | | | | |
| Objective | Promote recycling, composting, and reuse through educational programs and outreach to increase public participation. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percentage of waste diverted from landfills* | 91% | 88% | 91% | 90% | 90% |
| Description | The percent of waste diverted from landfills is derived from both the amount of waste sent to landfills in the previous calendar year based on data from CalRecyle and the per capita disposal rate in landfills and it measures the effectiveness of Zero Waste programs. | | | | |
| Purpose | Track waste generation and verify the City is meeting its zero waste goals. | | | | |
| Status | The City's waste diversion percentage decreased from 91% to 88% in FY 2025, it is estimated to maintain between 88%-90% in FY 2026. *This diversion number is based on the State's calculation for calendar year 2024. | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Tons of materials recycled or composted | 52,300 | 52,300 | 53,000 | 53,500 | 53,000 |
| Number of inspections performed annually on recycling and compost sorting compliance | 450 | 550 | 600 | 700 | 600 |
| Number of complete deconstruction of structures | 65 | 67 | 65 | 60 | 65 |
| Tons of recyclable materials collected from residents | 6,400 | 6,300 | N/A | 6,100 | 6,100 |
| Tons of compostable materials collected from residents | 15,200 | 14,700 | N/A | 14,700 | 14,700 |
| Tons of landfill materials collected from residents | 7,000 | 6,900 | N/A | 7,000 | 7,000 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Refuse Administration | 1,869,992 | 2,125,632 | 1,959,415 | 1,989,835 | 30,421 | 1.6% |
| Refuse Collection, Hauling and Disposal: Operations | 27,853,837 | 26,698,443 | 28,989,362 | 29,627,111 | 637,749 | 2.2% |
| Refuse Solid Waste: Operations | 3,438,162 | 4,117,385 | 4,658,850 | 5,033,312 | 374,462 | 8.0% |
| Refuse Street Sweeping | 2,271,167 | 2,119,271 | 2,367,511 | 2,416,724 | 49,214 | 2.1% |
| **Total Dollars by Division** | **35,433,159** | **35,060,730** | **37,975,137** | **39,066,983** | **1,091,845** | **2.9%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 261,486 | 255,477 | 322,764 | 292,643 | (30,122) | (9.3)% |
| Other Benefits | 58,402 | 53,445 | 51,916 | 67,545 | 15,629 | 30.1% |
| Overtime | 25,204 | 31,547 | 53,758 | 54,833 | 1,075 | 2.0% |
| Pension | 994,948 | 891,635 | 887,560 | 790,478 | (97,082) | (10.9)% |
| Retiree Medical | 184,497 | 236,974 | 289,928 | 348,186 | 58,258 | 20.1% |
| Salary | 1,970,424 | 2,281,542 | 2,325,211 | 2,488,090 | 162,879 | 7.0% |
| Workers' Compensation | 70,638 | 41,682 | 74,324 | 85,870 | 11,546 | 15.5% |
| **Total Salary and Benefits** | **3,565,599** | **3,792,302** | **4,005,461** | **4,127,645** | **122,184** | **3.1%** |
| Utility Purchase | 23,198,333 | 21,781,598 | 23,180,000 | 23,810,000 | 630,000 | 2.7% |
| Contract Services | 5,997,265 | 6,617,203 | 7,895,252 | 8,137,427 | 242,175 | 3.1% |
| Supplies & Material | 90,024 | 66,024 | 142,805 | 142,805 | — | —% |
| General Expense | 49,268 | 39,375 | 112,695 | 112,795 | 100 | —% |
| Rents & Leases | 118,729 | 121,388 | 149,580 | 238,510 | 88,930 | 59.5% |
| Facilities & Equipment | 1,300 | 2,610 | 3,000 | 3,000 | — | —% |
| Allocated Charges | 2,401,140 | 2,630,229 | 2,486,345 | 2,494,801 | 8,456 | —% |
| Transfer to Infrastructure | — | 10,000 | — | — | — | —% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Operating Transfers-Out | 11,500 | — | — | — | — | —% |
| **Total Dollars by Category** | **35,433,159** | **35,060,730** | **37,975,137** | **39,066,983** | **1,091,845** | **2.9%** |
| **Revenues** | | | | | | |
| Charges for Services | 54,110 | 56,216 | 34,000 | 34,000 | — | —% |
| Charges to Other Funds | 162,579 | 162,579 | 162,579 | 162,579 | — | —% |
| From Other Agencies | — | 34,448 | — | — | — | —% |
| Net Sales | 30,085,716 | 30,507,587 | 30,853,193 | 31,778,789 | 925,596 | 3.0% |
| Operating Transfers-In | — | 50,100 | 114,500 | — | (114,500) | (100.0)% |
| Other Revenue | 2,410,389 | 1,722,532 | 2,311,000 | 2,376,400 | 65,400 | 2.8% |
| Other Taxes and Fines | 1,238 | — | — | — | — | —% |
| Return on Investments | 713,317 | 698,484 | 775,230 | 920,629 | 145,399 | 18.8% |
| **Total Revenues** | **33,427,349** | **33,231,946** | **34,250,503** | **35,272,398** | **1,021,895** | **3.0%** |
| **Positions by Division** | | | | | | |
| Refuse Administration | 0.43 | 0.48 | 0.68 | 0.78 | 0.10 | 14.7% |
| Refuse Collection, Hauling and Disposal: Operations | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Refuse Solid Waste: Operations | 11.92 | 11.92 | 12.02 | 12.02 | — | —% |
| Refuse Street Sweeping | 2.68 | 2.68 | 2.49 | 2.49 | — | —% |
| **Total Positions by Division** | **16.03** | **16.08** | **16.19** | **16.29** | **0.10** | **0.6%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Accountant | 0.20 | 0.20 | 0.20 | 0.20 | — | 25,326 |
| Administrative Assistant | — | — | — | 0.10 | 0.10 | 11,398 |
| Assistant Director Public Works | 0.35 | 0.35 | 0.35 | 0.35 | — | 93,928 |
| Environmental Specialist | 2.05 | 2.05 | 2.05 | 2.05 | — | 326,622 |
| Facilities Maintenance Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 145,330 |
| Fire Marshal | 0.03 | — | — | — | — | — |
| Hazardous Materials Inspector | 0.02 | — | — | — | — | — |
| Landfill Technician | 2.00 | 2.00 | 2.00 | 2.00 | — | 290,659 |
| Management Analyst | 0.43 | 0.53 | 0.53 | 0.53 | — | 72,070 |
| Manager Environmental Control Program | 3.05 | 3.05 | 3.05 | 3.05 | — | 603,386 |
| Manager Maintenance Operations | 0.46 | 0.46 | 0.46 | 0.46 | — | 79,462 |
| Manager Solid Waste | 1.00 | 1.00 | 1.00 | 1.00 | — | 223,766 |
| Program Assistant I | 1.00 | 1.00 | 1.00 | 1.00 | — | 104,250 |
| Program Assistant II | — | — | 0.10 | 0.10 | — | 11,186 |
| Project Manager | 0.20 | 0.20 | 0.20 | 0.20 | — | 33,367 |
| Senior Accountant | 0.10 | 0.10 | 0.10 | 0.10 | — | 18,849 |
| Senior Management Analyst | 0.08 | 0.08 | 0.28 | 0.28 | — | 42,641 |
| Street Sweeper Operator | 1.63 | 1.63 | 1.63 | 1.63 | — | 199,084 |
| Zero Waste Coordinator | 1.00 | 1.00 | 1.00 | 1.00 | — | 132,434 |
| **Subtotal: Full-Time Equivalent Positions** | **14.60** | **14.65** | **14.95** | **15.05** | **0.10** | **$2,413,759** |
| Temporary/Hourly | 1.43 | 1.43 | 1.24 | 1.24 | — | $69,597 |
| **Total Positions** | **16.03** | **16.08** | **16.19** | **16.29** | **0.10** | **$2,483,355** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **16.19** | **37,975,137** | **34,250,503** | **3,724,634** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| Excess Benefit Savings from the General Benefits Fund | - | - | (60,200) | 60,200 |
| Excess Technology Reserve from the Technology Fund | - | - | (54,300) | 54,300 |
| Investment Management Services | - | (14,730) | (14,730) | - |
| **One-Time Prior Year Budget Adjustments** | **0.00** | **(14,730)** | **(129,230)** | **114,500** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | - | 186,513 | - | 186,513 |
| Refuse Sales & Other Revenue Adjustments | - | - | 961,800 | (961,800) |
| Return on Investments | - | 14,730 | 160,129 | (145,399) |
| Rents and Leases Expenditures | - | 88,930 | - | 88,930 |
| Refuse Collection & Recycling Contract | - | 872,175 | - | 872,175 |
| Communications Allocated Charges | - | 108 | - | 108 |
| General Fund Cost Allocation Plan | - | (28,756) | - | (28,756) |
| Information Technology Allocated Charges | - | (52,548) | - | (52,548) |
| Liability Insurance Allocated Charges | - | 101,941 | - | 101,941 |
| Printing & Mailing Services Allocated Charges | - | 2,829 | - | 2,829 |
| Public Works Administration Allocated Charges | - | (14,516) | - | (14,516) |
| Refuse Sales Allocated Charges | - | - | 29,196 | (29,196) |
| Stormwater Management Allocated Charges | - | 109 | - | 109 |
| Utilities Allocated Charges | - | (2,544) | - | (2,544) |
| Vehicle Replacement & Maintenance Allocated Charges | - | 8,000 | - | 8,000 |
| Workers' Compensation Allocated Charges | - | 11,546 | - | 11,546 |
| **Adjustments to Costs of Ongoing Activities** | **0.00** | **1,188,518** | **1,151,125** | **37,393** |
| **Total FY 2027 Base Budget** | **16.19** | **39,148,925** | **35,272,398** | **3,876,527** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Budget Adjustments** | | | | |
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (93,502) | - | (93,502) |
| 2. Administrative Assistant Reallocation | 0.10 | 17,727 | - | 17,727 |
| 3. Fleet Fuel Contract Reduction | - | (6,168) | - | (6,168) |
| **Total Budget Adjustments** | **0.10** | **(81,942)** | **-** | **(81,942)** |
| **Total FY 2027 Adopted Budget** | **16.29** | **39,066,983** | **35,272,398** | **3,794,584** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (93,502) | - | (93,502) |

This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $93,502)

**Performance Results**

This action executes City Council policy and proactively manages the City's pension obligations.

| | | | | |
|---|---|---|---|---|
| 2. Administrative Assistant Reallocation | 0.10 | 17,727 | - | 17,727 |

This action reallocates 0.10 FTE Administrative Assistant position to the Refuse fund to accurately align personnel costs with actual workload. By correctly assigning administrative support costs to the enterprise funds that receive direct benefit, this change ensures cost transparency and complies with the City's overhead allocation principles. (Ongoing costs: $17,727)

**Performance Results**

This action aligns administrative staffing costs with the specific programs and funds that receive direct support, improving cost transparency.

| | | | | |
|---|---|---|---|---|
| 3. Fleet Fuel Contract Reduction | - | (6,168) | - | (6,168) |

This action reduces the Public Works share of the citywide fleet fuel contract based on historical usage trends. By right-sizing the contract to reflect actual consumption patterns, the department generates General Fund savings without impacting the availability of specialized equipment. (Ongoing savings: $6,168)

**Performance Results**

This action contributes to cost containment strategies in Fiscal Year 2027.

# STORMWATER MANAGEMENT FUND

## Description

The City's stormwater management services are funded through user fees charged to property owners of developed parcels in Palo Alto. Stormwater management activities include inspections, cleanup, operation, maintenance, regulatory compliance, and replacement of and improvement to the storm drainage system. These activities ensure adequate local drainage and reduce stormwater runoff impacts consistent with the 2015 Stormwater Master Plan and the 2019 Green Stormwater Infrastructure Plan. The Fund also provides litter reduction, urban pollution prevention programs, commercial and residential rebates, nature-based approaches to managing flooding and water quality impacts (i.e., green stormwater infrastructure), and flooding emergency-response services. Together, these services support the goals of reducing stormwater runoff and maintaining stormwater quality protection for discharge to creeks and San Francisco Bay.

## Accomplishments

- Started construction on four projects, including Corporation Way System Upgrades and Pump Station Project (SD-21000), West Bayshore Road Pump Station Project (SD-20000), West Bayshore Road Trunk Line Improvements Project (SD- 23000), and Hamilton Avenue System Upgrades Project (SD-25000). Of the 13 projects in the 2017 stormwater management ballot measure, three are complete and four are under construction.
- Achieved the required 100% trash reduction target in December 2025 via installation of three large trash capture devices (one most recently by the Palo Alto Golf Course) and 51 small trash capture devices in moderate and high trash generating-areas through the City, conducting assessments of privately owned/managed catch basins, on-land litter removal, street sweeping, and source control measures such as reducing the use of single-use plastic bags and foodware.
- Awarded a professional services contract for the design of a green stormwater infrastructure project at Juana Briones Park.
- Updated the Stormwater Pollution Prevention ordinance (PAMC 16.11) in alignment with the 2022 Municipal Regional Stormwater Discharge Permit and developed user-friendly regulations.

- Established use of a third-party stormwater inspection software to improve documentation of inspection and enforcement activities.

# Initiatives

- Continue implementing the 13 high-priority Stormwater Management projects outlined in the Storm Water Management Fee ballot measure passed in April 2017. Complete construction on Corporation Way System Upgrades and Pump Station Project (SD-21000), West Bayshore Road Pump Station Project (SD-20000), West Bayshore Trunk Line Project (SD-23000) and Hamilton Avenue System Upgrades Project (SD-25000).
- Continue to assist the San Francisquito Creek Joint Powers Authority (SFCJPA) with technical review of design alternatives along San Francisquito Creek up stream of Highway 101 to Middlefield Road (Reach 2).
- Continue to improve the existing drainage systems to minimize localized flooding as part of the Storm Drain Rehabilitation and Replacement Project (SD-06101) in coordination with other City improvement projects. In FY 2027, the existing 12-inch storm drain lines along Alester Avenue and between Hamilton Avenue and Dana Avenue will be upsized to 36-inch to increase the pipe capacity.
- Continue to assist Santa Clara Valley Water District (Valley Water) with the permitting and coordination of the relocation of the fiber optic line that serves the water level sensor at the Palo Alto tide gate. This work is part of their Palo Alto Flood Basin Seismic Retrograde project to be performed by Valley Water's contractor.
- Commence proposed green stormwater infrastructure project at Juana Briones Park.

# Goals and Objectives

## Goal 1

Effectively manage the storm drain system to ensure adequate local drainage.

### Objectives:

- Systematically inspect, clean, repair, and monitor catch basins, storm drain pipelines, and pump stations.
- Complete the 13 high-priority stormwater management projects and the Storm Drain Blue Ribbon Committee's recommendation for stormwater management programs, as well as implement green storm water infrastructure projects outlined in the Storm Water Management Fee ballot measure passed in April 2017.
- Assist with inter-agency projects such as the San Francisquito Creek: Upstream to Highway 101 project and Flood Basin Tide Gate Replacement project.

## Goal 2

Reduce stormwater runoff and protect the quality of waters discharged to creeks and San Francisco Bay.

### Objectives:

- Continue to comply with the 2022 Municipal Regional Stormwater Discharge Permit through programmatic efforts and project implementation to meet current requirements by June 30, 2027.

- Conduct regular inspections of commercial and industrial facilities, food facilities, and construction sites as well as responding appropriately to illicit discharges to ensure compliance with the MRP and the City Stormwater ordinance.
- Regularly inspect and maintain trash capture devices and green stormwater infrastructure to comply with the MRP.

# Key Performance Measures

## CITIZEN SURVEY - STORM DRAIN

| | | | | | |
|---|---|---|---|---|---|
| Goal | Effectively manage the storm drainage system to ensure adequate local drainage. | | | | |
| Objective | Measure ratings from residents on the quality of storm drainage. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of respondents rating the quality of storm drainage as good or excellent* | 77% | 78% | 79% | 79% | 79% |
| Description | This data is collected as part of the Palo Alto Community Survey that is conducted annually by Polco/National Research Center, Inc. The measure asks residents to rate their perception of storm drain management. | | | | |
| Purpose | Obtain feedback from residents on whether storm drains are being maintained adequately in order to determine if the program's resources are appropriate. | | | | |
| Status | *The most recent Palo Alto Community Survey was completed in October 2025. The full report can be found on the City website: https://www.paloalto.gov/communitysurvey. | | | | |

## NUMBER OF CAPITAL PROJECTS ON THE STORM DRAINAGE FEE BALLOT MEASURE COMPLETED

| | | | | | |
|---|---|---|---|---|---|
| Goal | Effectively manage the storm drainage system to ensure adequate local drainage. | | | | |
| Objective | Manage a capital improvement program that utilizes annual revenues and staff resources in an efficient manner to complete capital improvement projects resulting from Storm Ballot Measures. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Number of 2017 Ballot Measure capital projects completed - as of June 30 | 3 | 3 | 4 | 3 | 7 |
| Description | Public Works Engineering Services staff manages a capital improvement program to increase the capacity and maintain the condition of the storm system infrastructure in accordance with Storm Ballot Measures. | | | | |
| Purpose | The storm drain system must be improved and maintained on a regular basis so that it will continue to provide service to the community. | | | | |

# Key Performance Measures

| | |
|---|---|
| Status | Thirteen capital improvement projects (CIP) were identified in the 2017 Storm Water Management Fee ballot measure. The first project, SD-19000, of the thirteen projects was completed in FY 2021. The construction of the second and third projects, SD-22000 and SD-26000, was done in FY 2025. The design of three other projects: SD-20000, SD-21000 and SD-23000 (4th, 5th and 6th) was completed, and the construction contract awarded in FY 2025. Construction of these three projects began in FY 2026, and these will be completed in FY 2027. Construction of the seventh CIP, SD-25000 started in FY 2026 and this work will be completed in FY 2027. |

## PERCENT OF INSPECTIONS IN COMPLIANCE WITH STORM WATER REGULATIONS

| | |
|---|---|
| Goal | Reduce stormwater runoff and protect the quality of waters discharged to creeks and San Francisco Bay. |
| Objective | Conduct regular inspections to ensure compliance. |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Percent of inspections in compliance with stormwater regulations | 88% | 88% | 90% | 88% | 90% |

| | |
|---|---|
| Description | Watershed Protection staff conducts a comprehensive program of public outreach and education, site inspections, and enforcement actions to prevent pollutants from contaminating stormwater runoff. Inspections are conducted at industrial facilities, commercial facilities, construction sites, and other outdoor activities. |
| Purpose | Stormwater pollution prevention activities are required by the Municipal Regional Stormwater Discharge Permit issued to the City by the San Francisco Bay Regional Water Quality Control Board. Controlling pollutant discharges to the storm drain system helps to improve the water quality in local creeks and San Francisco Bay. |
| Status | Watershed Protection staff conducts inspections at commercial and industrial facilities, food facilities, construction projects, stormwater treatment measures, and recycled water user sites and investigates reported illicit discharges to ensure compliance with the City's stormwater regulations. Staff's recurring goal is to attain 90% compliance each year. Staff anticipates attaining a compliance rate of at least 90% in FY 2027. |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Number of inspections performed annually (Stormwater Management) | 441 | 453 | 400 | 425 | 425 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Stormwater Environmental Compliance | 1,416,591 | 1,505,219 | 1,645,535 | 1,679,175 | 33,640 | 2.0% |
| Stormwater Management Administration | 1,447,612 | 1,813,153 | 2,235,783 | 2,235,204 | (580) | —% |
| Stormwater Operations and Maintenance | 2,143,356 | 2,081,749 | 2,174,717 | 2,248,440 | 73,723 | 3.4% |
| Stormwater Systems Improvement Flood Control | 369,930 | 276,449 | 778,199 | 787,646 | 9,447 | 1.2% |
| CIP Stormwater Management Fund | 2,702,015 | 1,242,396 | 10,814,291 | 6,109,810 | (4,704,480) | (43.5)% |
| **Total Dollars by Division** | **8,079,504** | **6,918,967** | **17,648,525** | **13,060,275** | **(4,588,250)** | **(26.0)%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 292,395 | 325,632 | 341,510 | 313,631 | (27,879) | (8.2)% |
| Other Benefits | 50,616 | 47,378 | 44,386 | 57,351 | 12,965 | 29.2% |
| Overtime | 98,974 | 109,749 | 63,586 | 64,858 | 1,272 | 2.0% |
| Pension | 1,010,929 | 841,545 | 825,611 | 725,839 | (99,773) | (12.1)% |
| Retiree Medical | 126,490 | 166,049 | 206,924 | 210,873 | 3,949 | 1.9% |
| Salary | 1,845,323 | 1,976,105 | 2,105,037 | 2,225,232 | 120,195 | 5.7% |
| Workers' Compensation | 66,684 | 40,562 | 71,548 | 80,567 | 9,019 | 12.6% |
| **Total Salary and Benefits** | **3,491,411** | **3,507,019** | **3,658,603** | **3,678,351** | **19,748** | **—%** |
| Contract Services | 641,505 | 469,247 | 970,695 | 1,001,795 | 31,100 | 3.2% |
| Supplies & Material | 73,742 | 109,819 | 94,626 | 94,626 | — | —% |
| General Expense | 15,779 | 22,025 | 152,400 | 152,400 | — | —% |
| Rents & Leases | 21,000 | 21,500 | 28,356 | 63,889 | 35,533 | 125.3% |
| Debt Service | 43,313 | — | 949,300 | 949,300 | — | —% |
| Facilities & Equipment | 2,600 | 4,425 | 7,621 | 7,621 | — | —% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Allocated Charges | 1,375,019 | 1,570,504 | 1,615,332 | 1,641,670 | 26,338 | 1.6% |
| Transfer to Infrastructure | — | — | — | — | — | —% |
| Operating Transfers-Out | 10,200 | 290,947 | — | — | — | —% |
| Capital Improvement Program | 2,404,935 | 923,481 | 10,171,593 | 5,470,623 | (4,700,970) | (46.2)% |
| **Total Dollars by Category** | **8,079,504** | **6,918,967** | **17,648,525** | **13,060,275** | **(4,588,250)** | **(26.0)%** |
| **Revenues** | | | | | | |
| Charges for Services | 10,064 | 80,935 | 81,120 | 81,120 | — | —% |
| Charges to Other Funds | — | 3,995 | — | — | — | —% |
| From Other Agencies | 789 | 207,146 | 1,215,562 | 1,030,250 | (185,312) | (15.2)% |
| Net Sales | 8,599,365 | 8,788,428 | 9,001,984 | 9,272,044 | 270,060 | 3.0% |
| Operating Transfers-In | — | 48,800 | 84,800 | — | (84,800) | (100.0)% |
| Other Revenue | 9,528 | 2,185 | — | — | — | —% |
| Other Taxes and Fines | — | — | 2,500 | 2,500 | — | —% |
| Return on Investments | 294,728 | 326,676 | 301,220 | 357,686 | 56,466 | 18.7% |
| **Total Revenues** | **8,914,475** | **9,458,165** | **10,687,186** | **10,743,600** | **56,414** | **—%** |
| **Positions by Division** | | | | | | |
| Stormwater Environmental Compliance | 4.67 | 4.67 | 4.42 | 4.42 | — | —% |
| Stormwater Management Administration | 0.80 | 0.80 | 0.90 | 0.90 | — | —% |
| Stormwater Operations and Maintenance | 5.00 | 5.00 | 5.00 | 5.00 | — | —% |
| Stormwater Systems Improvement Flood Control | 0.79 | 0.79 | 0.79 | 0.79 | — | —% |
| CIP Stormwater Management Fund | 2.37 | 2.37 | 2.37 | 2.25 | (0.12) | (5.1)% |
| **Total Positions by Division** | **13.63** | **13.63** | **13.48** | **13.36** | **(0.12)** | **(0.9)%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Accountant | 0.15 | 0.15 | 0.15 | 0.15 | — | 19,785 |
| Administrative Associate II | 0.15 | 0.15 | 0.15 | 0.15 | — | 15,416 |
| Administrative Associate III | 0.20 | 0.20 | 0.20 | 0.20 | — | 22,002 |
| Assistant Director Public Works | 0.30 | 0.30 | 0.30 | 0.30 | — | 80,527 |
| Associate Engineer | 1.24 | 1.24 | 1.24 | 1.24 | — | 213,351 |
| Electrician | 0.10 | 0.10 | 0.10 | 0.10 | — | 15,103 |
| Electrician-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 161,554 |
| Engineer | 0.90 | 0.90 | 0.90 | 0.90 | — | 174,152 |
| Engineering Technician III | 0.20 | 0.20 | 0.20 | 0.20 | — | 26,703 |
| Environmental Specialist | 0.04 | 0.04 | 0.29 | 0.29 | — | 46,205 |
| Equipment Operator | 0.54 | 0.54 | 0.54 | 0.54 | — | 66,100 |
| Heavy Equipment Operator | 0.90 | 0.90 | 0.90 | 0.90 | — | 131,414 |
| Heavy Equipment Operator-Lead | 1.15 | 1.15 | 1.15 | 1.15 | — | 179,496 |
| Industrial Waste Inspector | 0.40 | 0.40 | 0.50 | 0.50 | — | 67,132 |
| Industrial Waste Investigator | 1.00 | 1.00 | 1.00 | 1.00 | — | 150,550 |
| Management Analyst | 0.30 | 0.30 | 0.30 | 0.30 | — | 40,864 |
| Manager Environmental Control Program | 0.74 | 0.74 | 0.74 | 0.74 | — | 147,095 |
| Manager Maintenance Operations | 0.50 | 0.50 | 0.50 | 0.50 | — | 86,372 |
| Manager Watershed Protection | 0.20 | 0.20 | 0.20 | 0.20 | — | 45,161 |
| Program Assistant II | 0.60 | 0.60 | 0.20 | 0.20 | — | 22,372 |
| Project Engineer | 0.83 | 0.83 | 0.83 | 0.83 | — | 172,675 |
| Project Manager | 0.55 | 0.55 | 0.55 | 0.55 | — | 87,625 |
| Senior Accountant | 0.10 | 0.10 | 0.10 | 0.10 | — | 18,849 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Senior Engineer | 0.76 | 0.76 | 0.76 | 0.76 | — | 182,725 |
| Senior Industrial Waste Investigator | 0.10 | 0.10 | — | — | — | — |
| Surveyor, Public Works | 0.12 | 0.12 | 0.12 | — | (0.12) | — |
| Technologist | 0.30 | 0.30 | 0.30 | 0.30 | — | 59,754 |
| Traffic Controller Maintainer I | 0.06 | 0.06 | 0.06 | 0.06 | — | 6,975 |
| **Subtotal: Full-Time Equivalent Positions** | **13.43** | **13.43** | **13.28** | **13.16** | **(0.12)** | **$2,239,958** |
| Temporary/Hourly | 0.20 | 0.20 | 0.20 | 0.20 | — | $12,979 |
| **Total Positions** | **13.63** | **13.63** | **13.48** | **13.36** | **(0.12)** | **$2,252,937** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **13.48** | **17,648,525** | **10,687,186** | **6,961,339** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| Excess Benefit Savings from the General Benefits Fund | - | - | (57,200) | 57,200 |
| Excess Technology Reserve from the Technology Fund | - | - | (27,600) | 27,600 |
| Investment Management Services | - | (5,720) | (5,720) | - |
| **One-Time Prior Year Budget Adjustments** | **-** | **(5,720)** | **(90,520)** | **84,800** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | - | 120,533 | - | 120,533 |
| Capital Improvement Program | - | (4,726,269) | (185,312) | (4,540,957) |
| Stormwater Rate Adjustment (2.4% CPI increase) | - | - | 270,060 | (270,060) |
| Return on Investments | - | 5,720 | 62,186 | (56,466) |
| Rents & Leases Expenditures | - | 35,533 | - | 35,533 |
| Membership and Permit Fees | - | 9,600 | - | 9,600 |
| Equipment Maintenance and Repair Materials | - | 30,000 | - | 30,000 |
| Communications Allocated Charges | - | 50 | - | 50 |
| General Fund Cost Allocation Plan | - | 13,492 | - | 13,492 |
| Information Technology Allocated Charges | - | (32,114) | - | (32,114) |
| Liability Insurance Allocated Charges | - | 98,134 | - | 98,134 |
| Printing & Mailing Services Allocated Charges | - | 435 | - | 435 |
| Public Works Administration Allocated Charges | - | (10,887) | - | (10,887) |
| Utilities Allocated Charges | - | (23,167) | - | (23,167) |
| Vehicle Replacement & Maintenance Allocated Charges | - | 6,628 | - | 6,628 |
| Workers' Compensation Allocated Charges | - | 9,019 | - | 9,019 |
| **Adjustments to Costs of Ongoing Activities** | **-** | **(4,463,294)** | **146,934** | **(4,610,228)** |
| **Total FY 2027 Base Budget** | **13.48** | **13,179,511** | **10,743,600** | **2,435,911** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Budget Adjustments** | | | | |
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (86,557) | - | (86,557) |
| 2. Elimination of Surveyor | (0.12) | (23,247) | - | (23,247) |
| 3. Fleet Fuel Contract Reduction | - | (9,433) | - | (9,433) |
| **Total Budget Adjustments** | **(0.12)** | **(119,236)** | **-** | **(119,236)** |
| **Total FY 2027 Adopted Budget** | **13.36** | **13,060,275** | **10,743,600** | **2,316,675** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (86,557) | - | (86,557) |

This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation.(Ongoing savings: $86,557)

**Performance Results**

This action executes City Council policy and proactively manages the City's pension obligations.

| | | | | |
|---|---|---|---|---|
| 2. Elimination of Surveyor | (0.12) | (23,247) | - | (23,247) |

This action eliminates 0.12 FTE Surveyor position within the Engineering Services Division to meet departmental budget targets. A review of operational needs determined that the City's requirement for dedicated internal surveying has declined, and existing contract surveying resources will be used as needed. (Ongoing savings: $23,247)

**Performance Results**

This action reduces costs with minimal anticipated impact to inspection services due to the reduced need for dedicated surveying capacity.

| | | | | |
|---|---|---|---|---|
| 3. Fleet Fuel Contract Reduction | - | (9,433) | - | (9,433) |

This action reduces the Public Works share of the citywide fleet fuel contract based on historical usage trends. By right-sizing the contract to reflect actual consumption patterns, the department generates General Fund savings without impacting the availability of specialized equipment. (Ongoing savings: $9,433)

**Performance Results**

This action contributes to cost containment strategies in Fiscal Year 2027.



CITY OF
PALO
ALTO

# VEHICLE REPLACEMENT AND MAINTENANCE FUND

## Description

The Vehicle Replacement and Maintenance Fund is an internal service fund providing fleet management services for City vehicles and heavy equipment. Timely maintenance and replacement of vehicles and equipment ensures safe, reliable, and efficient use of resources. This program also provides safe, efficient fuel storage and dispensing facilities while pursuing alternative fuel technologies, and minimizing the pollution and carbon footprint generated by the City's vehicle fleet.

## Accomplishments

- Delivered 40 units (19 electric vehicles, 4 gas vehicle, 3 diesel vehicles, and 14 pieces of equipment) to maintain safe, reliable, and efficient use of resources while supporting the City's Sustainability and Climate Action Plan. At the end of FY 2026, there are 53 electric vehicles in the Fleet.
- Purchased 2 new Rivian R1S units for the Police Department, adding to the 1 Rivian R1S already in service for Police.
- Completed annual reporting for the Advanced Clean Fleet (ACF) regulation.

## Initiatives

- Perform a review of underutilized vehicles annually and potentially remove vehicles from the fleet that do not meet the minimum usage requirements per policy.
- Continue to reduce the backlog of older vehicles and equipment that need to be replaced with more efficient vehicles/equipment to reduce the City's carbon footprint.
- Provide year over year analysis of estimated additional charging needs to support increasing EV fleet, based on future planned EV purchases.
- Continue to increase the number of electric vehicles (EV) within the fleet through scheduled replacements. There are approximately five vehicles from pre-FY 2027 vehicle replacement projects expected to be replaced with electric vehicle options. The FY 2027 vehicle replacement program will add one fire engine, one ambulance, three hybrid patrol vehicles, four electric vans, two electric trucks, two diesel trucks, one gasoline truck, and ten pieces of equipment.

# Goals and Objectives

## Goal 1

Ensure the City's vehicles, equipment, and fuel storage/dispensing facilities are reliable and energy efficient to reduce Greenhouse Gas (GHG) emissions.

### Objectives:

- Continue seeking opportunities to increase the number of electric vehicles/equipment, thereby reducing fuel consumption.
- Continue providing staff training for safe operation and maintenance of vehicles/equipment and fueling stations.
- Annually review and update the 5-year vehicle/equipment replacement Capital Improvement Program to maximize cost-effectiveness, reduce GHG emissions, and explore opportunities to reduce the fleet.

## Goal 2

Provide cost-effective preventive maintenance and repair services.

### Objectives:

- Perform fleet utilization analyses annually to ensure the City has an appropriately sized fleet.
- Continue replacing the oldest, least efficient vehicles first; replacing with electric vehicles when possible unless otherwise pre-approved for an alternative fuel.
- Continue providing staff education and training.
- Annually assess rates for Compressed Natural Gas (CNG), shop and commercial maintenance and repairs, and parts to ensure cost-recovery.

# Key Performance Measures

## PERCENT OF NON-EMERGENCY VEHICLES IN FLEET THAT ARE USING ALTERNATE FUEL OR TECHNOLOGIES

| | | | | | |
|---|---|---|---|---|---|
| Goal | Ensure the City's vehicles, equipment, and storage/dispensing facilities are safe, reliable, and energy efficient. | | | | |
| Objective | Increase the usage of alternative fuels. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of alternative fuel consumed by non-emergency vehicles | 46% | 57% | 47% | 67% | 67% |
| Description | The City fleet comprises vehicles and equipment that are primarily gasoline, diesel, and compressed natural gas (CNG). | | | | |
| Purpose | To move toward lower emissions goals, the City needs to increase the use of alternative fuel vehicles/equipment. | | | | |
| Status | The City's fleet is projected to use a total of 435,800 gallons of fuel in FY 2026 among unleaded, diesel, and natural gas. It is projected to use 239,535 gallons of compressed natural gas (CNG), which equates to 55% of alternative fuel, exceeding the adopted target for FY 2026. | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Number of vehicles and equipment that are alternatively fueled or electric | 40 | 58 | 65 | 84 | 93 |
| Number of vehicle repair and preventative maintenance work orders | 3,049 | 2,589 | 3,200 | 2,760 | 2,800 |
| Total number of vehicles and equipment in the City's fleet | 550 | 553 | 565 | 553 | 556 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Vehicle Operations and Maintenance | 6,286,361 | 6,443,509 | 7,605,067 | 7,923,370 | 318,303 | 4.2% |
| Vehicle Replacement and Additions | 2,267,907 | 1,954,107 | 11,393,958 | 6,346,502 | (5,047,455) | (44.3)% |
| **Total Dollars by Division** | **8,929,676** | **8,825,123** | **19,544,795** | **14,838,623** | **(4,706,172)** | **(24.1)%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 198,679 | 178,477 | 326,603 | 341,521 | 14,919 | 4.6% |
| Other Benefits | 42,151 | 39,534 | 44,184 | 57,270 | 13,086 | 29.6% |
| Overtime | 5,651 | 8,810 | 72,825 | 74,282 | 1,457 | 2.0% |
| Pension | 705,534 | 694,363 | 688,194 | 627,658 | (60,536) | (8.8)% |
| Retiree Medical | 130,502 | 153,984 | 177,698 | 178,997 | 1,299 | —% |
| Salary | 1,143,865 | 1,249,456 | 1,750,352 | 1,940,262 | 189,910 | 10.8% |
| Workers' Compensation | 56,976 | 33,522 | 59,495 | 69,048 | 9,552 | 16.1% |
| **Total Salary and Benefits** | **2,283,357** | **2,358,148** | **3,119,352** | **3,289,039** | **169,687** | **5.4%** |
| Allocated Charges | 1,590,163 | 1,758,609 | 2,102,473 | 2,129,008 | 26,535 | 1.3% |
| Contract Services | 588,296 | 423,100 | 616,192 | 687,469 | 71,277 | 11.6% |
| General Expense | 144,800 | 81,680 | 71,030 | 103,830 | 32,800 | 46.2% |
| Operating Transfers-Out | 7,400 | — | — | — | — | —% |
| Rents & Leases | 373,882 | 383,512 | 396,391 | 523,175 | 126,784 | 32.0% |
| Supplies & Material | 1,673,872 | 1,690,967 | 1,845,400 | 1,759,600 | (85,800) | (4.6)% |
| Transfer to Infrastructure | — | 175,000 | — | — | — | —% |
| Capital Improvement Program | 2,267,907 | 1,954,107 | 11,393,958 | 6,346,502 | (5,047,455) | (44.3)% |
| **Total Dollars by Category** | **8,929,676** | **8,825,123** | **19,544,795** | **14,838,623** | **(4,706,172)** | **(24.1)%** |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Charges to Other Funds | 12,242,168 | 11,286,788 | 11,191,477 | 10,513,481 | (677,996) | (6.1)% |
| From Other Agencies | — | 75,539 | — | — | — | —% |
| Operating Transfers-In | 80,000 | 371,917 | 205,800 | — | (205,800) | (100.0)% |
| Other Revenue | 240,236 | 157,425 | 155,000 | 155,000 | — | —% |
| Return on Investments | 412,499 | 545,389 | 453,410 | 538,429 | 85,019 | 18.8% |
| **Total Revenues** | **12,974,902** | **12,437,058** | **12,005,687** | **11,206,911** | **(798,777)** | **(6.7)%** |
| **Positions by Division** | | | | | | |
| Vehicle Operations and Maintenance | 11.93 | 12.13 | 12.33 | 12.43 | 0.10 | 0.8% |
| Vehicle Replacement and Additions | 2.60 | 2.60 | 2.60 | 2.60 | — | —% |
| **Total Positions by Division** | **14.53** | **14.73** | **14.93** | **15.03** | **0.10** | **0.7%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Administrative Assistant | — | — | — | 0.10 | 0.10 | 11,398 |
| Assistant Director Public Works | 0.25 | 0.25 | 0.25 | 0.25 | — | 67,002 |
| Assistant Fleet Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | 134,119 |
| Equipment Maintenance Service Person | 2.00 | 2.00 | 2.00 | 2.00 | — | 197,226 |
| Fleet Services Coordinator | 2.00 | 2.00 | 2.00 | 2.00 | — | 254,259 |
| Management Analyst | 0.20 | 0.40 | 0.40 | 0.40 | — | 53,082 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Management Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | 119,288 |
| Manager Fleet | 1.00 | 1.00 | 1.00 | 1.00 | — | 178,714 |
| Motor Equipment Mechanic II | 5.00 | 5.00 | 5.00 | 5.00 | — | 662,064 |
| Motor Equipment Mechanic-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 141,502 |
| Project Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | 137,946 |
| Senior Management Analyst | 0.08 | 0.08 | 0.28 | 0.28 | — | 42,641 |
| **Subtotal: Full-Time Equivalent Positions** | **14.53** | **14.73** | **14.93** | **15.03** | **0.10** | **$1,999,240** |
| **Total Positions** | **14.53** | **14.73** | **14.93** | **15.03** | **0.10** | **$1,999,240** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **14.93** | **19,544,795** | **12,005,687** | **7,539,108** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| Excess Benefit Savings from the General Benefits Fund | - | - | (65,600) | 65,600 |
| Excess Technology Reserve from the Technology Fund | - | - | (55,200) | 55,200 |
| Investment Management Services | - | (8,610) | (8,610) | - |
| Police Patrol Vehicle Replacement | - | (85,000) | (85,000) | - |
| **One-Time Prior Year Budget Adjustments** | **-** | **(93,610)** | **(214,410)** | **120,800** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | - | 218,241 | - | 218,241 |
| Return on Investments | - | 8,610 | 93,630 | (85,020) |
| Regulatory Fees and Other Contract Services | - | 28,457 | - | 28,457 |
| Rents & Leases Expenditure | - | 51,184 | - | 51,184 |
| Vehicle Maintenance Parts and Supplies | - | 243,458 | - | 243,458 |
| Captial Improvement Program | - | (4,976,254) | - | (4,976,254) |
| Communications Allocated Charges | - | 26 | - | 26 |
| General Fund Cost Allocation Plan | - | (10,546) | - | (10,546) |
| Information Technology Allocated Charges | - | 52,987 | - | 52,987 |
| Liability Insurance Allocated Charges | - | 81,602 | - | 81,602 |
| Printing & Mailing Services Allocated Charges | - | 13 | - | 13 |
| Public Works Administration Allocated Charges | - | (25,403) | - | (25,403) |
| Utilities Allocated Charges | - | (58,345) | - | (58,345) |
| Vehicle Replacement & Maintenance Allocated Charges to Other Funds | - | - | 197,004 | (197,004) |
| Workers' Compensation Allocated Charges | | 9,552 | - | 9,552 |
| **Adjustments to Costs of Ongoing Activities** | **-** | **(4,376,418)** | **290,634** | **(4,667,052)** |
| **Total FY 2027 Base Budget** | **14.93** | **15,074,767** | **12,081,911** | **2,992,856** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Budget Adjustments** | | | | |
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (75,733) | - | (75,733) |
| 2. Administrative Assistant Reallocation | 0.10 | 17,727 | - | 17,727 |
| 3. Municipal Service Center (MSC) Security Guard Contract | - | (28,738) | - | (28,738) |
| 4. Utility Bucket Truck Rental Contract | - | 75,600 | - | 75,600 |
| 5. Delay Electric Fire Engine Purchase | - | - | (650,000) | 650,000 |
| 6. Fleet Fuel Contract Reduction | - | (225,000) | (225,000) | - |
| **Total Budget Adjustments** | **0.10** | **(236,144)** | **(875,000)** | **638,856** |
| **Total FY 2027 Adopted Budget** | **15.03** | **14,838,623** | **11,206,911** | **3,631,712** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (75,733) | - | (75,733) |

This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $75,733)

**Performance Results**

This action executes City Council policy and proactively manages the City's pension obligations.

| | | | | |
|---|---|---|---|---|
| 2. Administrative Assistant Reallocation | 0.10 | 17,727 | - | 17,727 |

This action reallocates 0.10 FTE Administrative Assistant position to the Vehicle Replacement and Maintenance (VRM) fund to accurately reflect the staff time dedicated to supporting fleet maintenance operations. This adjustment ensures that administrative costs are proportionally assigned to the enterprise and internal service funds that receive direct support, in accordance with the City's cost allocation principles. (Ongoing costs: $17,727)

**Performance Results**

This action improves cost transparency by aligning personnel expenses with the specific programs they support.

| | | | | |
|---|---|---|---|---|
| 3. Municipal Service Center (MSC) Security Guard Contract | - | (28,738) | - | (28,738) |

This action eliminates contract appropriations for security guard services at the Municipal Services Center (MSC). A review of facility security protocols determined that these services could be discontinued to generate operational savings with minimal impact to safety or operational readiness. (Ongoing savings: $28,738)

**Performance Results**

This action realizes operational savings by aligning facility security services with current site requirements.

| | | | | |
|---|---|---|---|---|
| 4. Utility Bucket Truck Rental Contract | - | 75,600 | - | 75,600 |

This action increases funding to support the ongoing rental of a bucket truck for the Urban Forestry program. Due to procurement delays and the deferral of replacements for the existing aging fleet, rental equipment is required to ensure continued capacity for tree maintenance, line clearance, and emergency storm response. This ensures operational readiness while the long-term fleet replacement strategy is finalized. (Ongoing costs: $75,600)

**Performance Results**

This action maintains the reliability of Urban Forestry operations and ensures the availability of specialized equipment for emergency response.

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| 5. Delay Electric Fire Engine Purchase | - | - | (650,000) | 650,000 |
| This action defers the initial purchase of an electric fire engine and adjusts the Fleet Replacement Fund collections accordingly. By shifting to a diesel engine procurement in the near term, the City generates significant savings for the Fire Department/General Fund. This action reflects the corresponding reduction in revenue collections from the Fire Department into the VRM fund for Fiscal Year 2027. (Ongoing costs: $650,000) | | | | |
| **Performance Results** | | | | |
| This action provides near-term fiscal relief to the General Fund while the Fire Department continues to evaluate its long-term electrification infrastructure needs. | | | | |
| 6. Fuel Contract Reduction | - | (225,000) | (225,000) | - |
| This action reduces the Pubic Works share of the citywide fleet fuel contract based on historical usage trends. By right-sizing the contract to reflect actual consumption patterns, the department generates General Fund savings without impacting the availability of specialized equipment. (Ongoing costs: $225,000) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |

# WASTEWATER TREATMENT FUND

## Description

The City's Regional Water Quality Control Plant (RWQCP) operates 24 hours a day to treat all wastewater from the City of Palo Alto and the City's five partner agency regional service areas (Mountain View, Los Altos, Los Altos Hills, Stanford, and East Palo Alto Sanitary District) to ensure compliance with regulations protecting the San Francisco Bay and the environment.

## Accomplishments

- Completed construction of Phase 1 of 12kV Loop Rehabilitation Project and continued progress on the construction for Phase 2.
- Completed construction of the Joint Intercepting Sewer Rehabilitation, Phase 1 (WQ-24000).
- Continued steady progress on constructing the Secondary Treatment Upgrades Project (WQ-19001) which started in 2022. Two out of the four basins are currently online and performing well. The rest of the construction project will be completed by 2028 and will allow the City to meet regulations for nutrient discharge into the San Francisco South Bay.
- Continued advanced planning for the Headworks Replacement Facility (WQ-16002) with advanced planning anticipated to be complete in Spring 2026, to be followed by detailed design.
- Continued construction of the Advanced Water Purification Facility (WQ-19003), a 1.125 million gallon-per-day local salt removal facility, which will include microfiltration and reverse osmosis treatment systems. Project completion is expected in Winter 2027.
- Initiated a 20-year lease and design of tenant improvements for 2470 Embarcadero Way to house the RWQCP laboratory and engineering staff.
- Began construction of the Palo Alto Horizontal Levee Pilot Project (WQ-22001) with completion expected by Summer 2026.
- Completed updates to Sewer Use and Hauled Liquid Waste Ordinances.
- Revitalized the K-5 schools outreach program with a partnership with the Junior Museum and Zoo, began a contract with Marine Science Institute for middle school programs, and launched a new tour program for the Regional Water Quality Control Plant and the Baylands.
- Collaborated with Santa Clara County Office of Sustainability and participating Santa Clara County cities to submit an SB1 grant proposal to complete a sea level rise adaptation plan for the Santa Clara County bay shoreline. A $2.6 million grant was awarded for the three-year project.
- Developed and tested a new RWQCP partner sampling schedule to streamline data analysis and revenue billing.

# Initiatives

- Initiate full design for the Headworks Replacement Facility (WQ-16002).
- Redesign the Outfall Pipeline Project (WQ-19000) and renew environmental permits to enable large flows to leave the plant during king tide events and to future-proof the facility from sea level rise.
- Construct tenant improvements of an adjacent lab space at 2470 Embarcadero Way to move RWQCP lab operations and engineering staff.
- Complete the Palo Alto Horizontal Levee Pilot Project and host a Grand Opening celebration.
- Transition to a new RWQCP partner sampling schedule to streamline sampling data analysis and revenue billing.
- Continue the Long-Range Facilities Plan Update Project to plan out the next 50 years of the facility and update the Biosolids Facilities Plan, anticipated to be updated by 2026.
- Begin partnership with Santa Clara County on Santa Clara County shoreline vulnerability assessment and sea level rise adaptation plan.

# Goals and Objectives

## Goal 1

Protect the environment and the public's health.

### Objectives:

- Conduct regular inspections of commercial permittees to ensure compliance with all regulations.
- Complete new capital improvement projects to ensure the RWQCP's reliability.
- Conduct ongoing operation and maintenance.

## Goal 2

Operate high quality, cost-effective, and visually neutral facilities.

### Objectives:

- Mitigate long term cost increases through effective maintenance of equipment and analysis of potential operational efficiencies.
- Follow the Palo Alto Baylands Nature Preserve Design Guidelines and the Architectural Review Board's recommendations when planning and constructing new facilities and buildings.

## Goal 3

Expand recycled water use.

### Objectives:

- Improve recycled water quality through source control of saltwater intrusion into sanitary sewers and potential future advanced treatment for recycled water.
- Conduct ongoing research on potential regional expansion of recycled water usage in the RWQCP's service areas.

# Key Performance Measures

## DISCHARGE TESTS IN COMPLIANCE

| | | | | | |
|---|---|---|---|---|---|
| Goal | Protect the environment and the public's health. | | | | |
| Objective | Maintain 99% discharge test compliance. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of wastewater treatment discharge tests in compliance | 100% | 100% | 99% | 99% | 99% |
| Description | The plant has numerous effluent limits and requirements to meet as part of its National Pollutant Discharge Elimination System (NPDES) discharge permit for water discharged to the south San Francisco Bay. 99% or higher compliance with these limits is the goal of the RWQCP. | | | | |
| Purpose | Measure compliance of the RWQCP treatment system's final water discharged compared to the limits established in the NPDES discharge permit. | | | | |
| Status | Over 99% of discharge tests are expected to be in compliance with discharge limits in FY 2026 and FY 2027. | | | | |

## PERCENT OF PASSED FISH ACUTE TOXICITY BIOASSAY TESTS

| | | | | | |
|---|---|---|---|---|---|
| Goal | Protect the environment and the public's health. | | | | |
| Objective | Obtain fish acute toxicity bioassays with 100% survival. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Fish toxicity test (percent survival) | 99% | 99% | 99% | 99% | 99% |
| Description | Percent of acute fish toxicity bioassay tests passed. | | | | |
| Purpose | Fish survival in the bioassay is an indicator that the RWQCP discharges to the Bay are safe for receiving water marine life. | | | | |
| Status | In FY 2023, all toxicity bioassay tests passed a state limit of a 90% survival rate with an annual average survival rate of 100%. This trend of nearly 100% survival is expected to continue in FY 2026 and FY 2027. | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Millions of gallons of recycled water delivered | 254 | 270 | 250 | 250 | 250 |
| Number of inspections performed annually (Wastewater Treatment) | 221 | 211 | 200 | 200 | 200 |
| Millions of gallons processed by the Palo Alto Regional Water Quality Control Plant | 7,302 | 7,187 | 7,000 | 7,000 | 7,000 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Wastewater Treatment Administration | 579,751 | 668,198 | 4,297,630 | 4,115,399 | (182,231) | (4.2)% |
| Wastewater Treatment Environmental Compliance | 4,515,089 | 4,524,852 | 4,811,943 | 5,081,135 | 269,192 | 5.6% |
| Wastewater Treatment Systems Improvement Operations | 25,808,327 | 27,158,319 | 26,257,128 | 30,399,162 | 4,142,034 | 15.8% |
| CIP Wastewater Treatment Fund | 73,875,213 | 59,592,371 | 38,598,154 | 44,004,837 | 5,406,683 | 14.0% |
| **Total Dollars by Division** | **104,778,380** | **91,943,741** | **73,964,856** | **83,600,534** | **9,635,678** | **13.0%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 1,431,240 | 1,513,050 | 1,830,726 | 2,027,765 | 197,039 | 10.8% |
| Other Benefits | 235,711 | 225,841 | 197,338 | 281,832 | 84,494 | 42.8% |
| Overtime | 431,549 | 485,679 | 398,958 | 406,938 | 7,979 | 2.0% |
| Pension | 4,719,668 | 4,187,292 | 4,168,114 | 3,881,395 | (286,719) | (6.9)% |
| Retiree Medical | 824,761 | 1,141,833 | 1,466,005 | 1,347,381 | (118,624) | (8.1)% |
| Salary | 8,781,875 | 9,642,704 | 10,884,444 | 12,304,583 | 1,420,139 | 13.0% |
| Workers' Compensation | 331,807 | 202,620 | 357,284 | 424,397 | 67,112 | 18.8% |
| **Total Salary and Benefits** | **16,756,612** | **17,399,018** | **19,302,870** | **20,674,291** | **1,371,420** | **7.1%** |
| Contract Services | 3,021,383 | 3,714,571 | 4,678,896 | 4,930,583 | 251,687 | 5.4% |
| Supplies & Material | 2,252,141 | 2,052,356 | 2,317,693 | 2,876,186 | 558,493 | 24.1% |
| General Expense | 610,816 | 837,408 | 758,901 | 788,551 | 29,650 | 3.9% |
| Rents & Leases | 492,270 | 466,667 | 473,590 | 1,426,590 | 953,000 | 201.2% |
| Debt Service | 541,300 | 476,171 | 650,122 | 650,122 | — | —% |
| Facilities & Equipment | 1,249 | 9,560 | 7,500 | 7,500 | — | —% |
| Allocated Charges | 7,413,567 | 7,609,957 | 7,652,407 | 8,701,444 | 1,049,038 | 13.7% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Operating Transfers-Out | 16,400 | — | 35,000 | 35,000 | — | —% |
| Capital Improvement Program | 73,672,641 | 59,378,033 | 38,087,876 | 43,510,267 | 5,422,390 | 14.2% |
| **Total Dollars by Category** | **104,778,380** | **91,943,741** | **73,964,856** | **83,600,534** | **9,635,678** | **13.0%** |
| **Revenues** | | | | | | |
| Charges to Other Funds | 91,483 | 17,212 | 70,761 | 72,165 | 1,405 | 2.0% |
| From Other Agencies | — | 95,185 | — | — | — | —% |
| Net Sales | 37,742,358 | 45,022,140 | 42,859,694 | 43,044,298 | 184,604 | —% |
| Operating Transfers-In | — | 243,800 | 435,300 | — | (435,300) | (100.0)% |
| Other Revenue | 532,401 | 1,273,941 | 220,815 | 43,266,711 | 43,045,896 | 19,494.1% |
| Other Taxes and Fines | — | 1,000 | 4,000 | 4,000 | — | —% |
| Return on Investments | (130,566) | 148,379 | 2,850 | 3,376 | 526 | 18.5% |
| **Total Revenues** | **38,235,676** | **46,801,656** | **43,593,420** | **86,390,551** | **42,797,131** | **98.2%** |
| **Positions by Division** | | | | | | |
| Wastewater Treatment Administration | 0.59 | 0.93 | 1.13 | 1.28 | 0.15 | 13.3% |
| Wastewater Treatment Environmental Compliance | 13.34 | 13.34 | 13.59 | 13.59 | — | —% |
| Wastewater Treatment Systems Improvement Operations | 59.88 | 59.88 | 61.24 | 64.24 | 3.00 | 4.9% |
| CIP Wastewater Treatment Fund | 1.30 | 1.30 | 1.30 | 1.30 | — | —% |
| **Total Positions by Division** | **75.11** | **75.45** | **77.26** | **80.41** | **3.15** | **4.1%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Accountant | 0.35 | 0.35 | 0.35 | 0.35 | — | 41,949 |
| Administrative Assistant | — | — | — | 0.15 | 0.15 | 17,098 |
| Administrative Associate II | 2.00 | 2.00 | 2.00 | 2.00 | — | 205,546 |
| Assistant Director Public Works | 0.65 | 0.65 | 0.65 | 0.65 | — | 174,530 |
| Assistant Manager WQCP | 2.00 | 2.00 | 2.00 | 2.00 | — | 423,467 |
| Associate Engineer | 1.81 | 1.81 | 1.81 | 1.81 | — | 311,424 |
| Chemist | 3.00 | 3.00 | 3.00 | 3.00 | — | 424,195 |
| Electrician | 2.90 | 2.90 | 2.90 | 2.90 | — | 437,984 |
| Electrician-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 161,554 |
| Engineer | 1.00 | 1.00 | 1.00 | 1.00 | — | 193,502 |
| Environmental Specialist | 0.24 | 0.24 | 0.99 | 0.99 | — | 157,735 |
| Fire Marshal | 0.04 | — | — | — | — | — |
| Hazardous Materials Inspector | 0.02 | — | — | — | — | — |
| Industrial Waste Inspector | 2.60 | 2.60 | 2.50 | 2.50 | — | 335,660 |
| Industrial Waste Investigator | 0.15 | 0.15 | 0.15 | 0.15 | — | 22,583 |
| Instrumentation Electrician | — | — | 1.00 | 1.00 | — | 142,563 |
| Laboratory Technician WQC | 3.00 | 3.00 | 3.00 | 3.00 | — | 380,328 |
| Management Analyst | 0.57 | 0.97 | 0.97 | 0.97 | — | 130,724 |
| Manager Environmental Control Program | 1.54 | 1.54 | 1.54 | 1.54 | — | 317,351 |
| Manager Information Technology | — | — | — | 1.00 | 1.00 | 181,545 |
| Manager Laboratory Services | 1.00 | 1.00 | 1.00 | 1.00 | — | 176,301 |
| Manager Maintenance Operations | — | — | — | 1.00 | 1.00 | 143,955 |
| Manager Water Quality Control Plant | 1.00 | 1.00 | 1.00 | 1.00 | — | 231,296 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Manager Watershed Protection | 0.75 | 0.75 | 0.75 | 0.75 | — | 169,354 |
| Plant Mechanic | 7.00 | 7.00 | 7.00 | 7.00 | — | 977,850 |
| Program Assistant II | 1.40 | 1.40 | 1.70 | 1.70 | — | 190,166 |
| Project Engineer | 2.00 | 2.00 | 2.00 | 2.00 | — | 416,083 |
| Project Manager | 0.60 | 0.60 | 0.60 | 0.60 | — | 93,900 |
| Senior Accountant | 0.10 | 0.10 | 0.10 | 0.10 | — | 18,849 |
| Senior Buyer | 1.00 | 1.00 | 1.00 | 1.00 | — | 151,590 |
| Senior Chemist | 2.00 | 2.00 | 2.00 | 2.00 | — | 313,664 |
| Senior Engineer | 3.00 | 3.00 | 3.00 | 3.00 | — | 695,552 |
| Senior Industrial Waste Investigator | 0.90 | 0.90 | 1.00 | 1.00 | — | 172,058 |
| Senior Management Analyst | 0.13 | 0.13 | 0.33 | 0.33 | — | 51,755 |
| Senior Mechanic | 1.00 | 1.00 | 1.00 | 1.00 | — | 153,005 |
| Senior Operator WQC | 6.00 | 6.00 | 7.00 | 8.00 | 1.00 | 1,284,462 |
| Senior Technologist | 1.00 | 1.00 | 1.00 | 1.00 | — | 207,002 |
| Storekeeper | 1.00 | 1.00 | 1.00 | 1.00 | — | 112,029 |
| Supervisor WQCP Operations | 3.00 | 3.00 | 3.00 | 3.00 | — | 491,587 |
| Technologist | 0.70 | 0.70 | 0.70 | 0.70 | — | 139,427 |
| WQC Plant Operator II | 16.00 | 16.00 | 16.00 | 16.00 | — | 2,248,064 |
| **Subtotal: Full-Time Equivalent Positions** | **72.45** | **72.79** | **76.04** | **79.19** | **3.15** | **$12,497,685** |
| Temporary/Hourly | 2.66 | 2.66 | 1.22 | 1.22 | — | $75,815 |
| **Total Positions** | **75.11** | **75.45** | **77.26** | **80.41** | **3.15** | **$12,573,500** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **77.26** | **73,964,856** | **43,593,420** | **30,371,436** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| Excess Benefit Savings from the General Benefits Fund | - | - | (303,500) | 303,500 |
| Excess Technology Reserve from the Technology Fund | - | - | (131,800) | 131,800 |
| Investment Management Services | - | (50) | (50) | - |
| RWQCP Staffing Analysis | - | (100,000) | - | (100,000) |
| **One-Time Prior Year Budget Adjustments** | **-** | **(100,050)** | **(435,350)** | **335,300** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | - | 1,180,510 | - | 1,180,510 |
| Tributary Agency Partner Contribution | - | - | 184,604 | (184,604) |
| RWQCP Operations Training | - | 45,000 | - | 45,000 |
| Return on Investments | - | 50 | 576 | (526) |
| Rents and Leases Expenditures | - | 953,000 | - | 953,000 |
| Memberships and Permit Fees | - | 27,500 | - | 27,500 |
| Equipment Maintenance and Repair Materials | - | 444,992 | - | 444,993 |
| Sludge Treatment Contract | - | 101,100 | - | 101,100 |
| Source Control Program Engineering | - | 150,587 | - | 150,587 |
| Capital Improvement Program | - | 5,414,811 | 43,045,896 | (37,631,085) |
| Communications Allocated Charges | - | 26 | - | 26 |
| General Fund Cost Allocation Plan | - | (143,698) | - | (143,698) |
| Grounds Maintenance Allocated Charges | - | 3,055 | - | 3,055 |
| Industrial Waste Discharge Fee Allocated Charges to Other Funds | - | - | 1,405 | (1,405) |
| Information Technology Allocated Charges | - | (38,999) | - | (38,999) |
| Liability Insurance Allocated Charges | - | 490,039 | - | 490,039 |
| Printing & Mailing Services Allocated Charges | - | 1,432 | - | 1,432 |
| Public Works Administration Allocated Charges | - | (14,516) | - | (14,516) |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| Refuse Sales Allocated Charges | - | 3,078 | - | 3,078 |
| Stormwater Management Allocated Charges | - | 1,401 | - | 1,401 |
| Utilities Allocated Charges | - | 754,834 | - | 754,834 |
| Vehicle Replacement & Maintenance Allocated Charges | - | 4,518 | - | 4,518 |
| Workers' Compensation Allocated Charges | - | 67,112 | - | 67,112 |
| **Adjustments to Costs of Ongoing Activities** | **-** | **9,445,834** | **43,232,481** | **(33,786,647)** |
| **Total FY 2027 Base Budget** | **77.26** | **83,310,640** | **86,390,551** | **(3,079,912)** |
| **Budget Adjustments** | | | | |
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (477,798) | - | (477,798) |
| 2. Administrative Assistant Reallocation | 0.15 | 26,591 | - | 26,591 |
| 3. Fleet Fuel Contract Reduction | - | (4,553) | - | (4,553) |
| 4. RWQCP Staffing Enhancement - Senior Operator | 1.00 | 203,716 | - | 203,716 |
| 5. RWQCP Staffing Enhancement - Manager of Information Technology | 1.00 | 259,630 | - | 259,630 |
| 6. RWQCP Staffing Enhancement - Manager Maintenance Operations | 1.00 | 213,808 | - | 213,808 |
| 7. Self Contained Breathing Apparatus (SCBA) Equipment Replacement | - | 30,000 | - | 30,000 |
| 8. Ideagen Documentation Management | - | 38,500 | - | 38,500 |
| **Total Budget Adjustments** | **3.15** | **289,895** | **-** | **289,895** |
| **Total FY 2027 Adopted Budget** | **80.41** | **83,600,534** | **86,390,551** | **(2,790,017)** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (477,798) | - | (477,798) |

This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $477,798)

**Performance Results**

This action executes City Council policy and proactively manages the City's pension obligations.

| | | | | |
|---|---|---|---|---|
| 2. Administrative Assistant Reallocation | 0.15 | 26,591 | - | 26,591 |

This action reallocates 0.15 FTE Administrative Assistant position to align with actual workload across various funds. By accurately assigning costs to the Wastewater Treatment Fund for support provided to the Regional Water Quality Control Plant (RWQCP), this change ensures cost transparency but results in an increased allocation to this fund. (Ongoing costs: $26,591)

**Performance Results**

This action aligns administrative staffing costs with the programs and funds that receive direct support, improving cost transparency.

| | | | | |
|---|---|---|---|---|
| 3. Fleet Fuel Contract Reduction | - | (4,553) | - | (4,553) |

This action reduces the Public Works share of the citywide fleet fuel contract based on historical usage trends. By right-sizing the contract to reflect actual consumption patterns, the department generates General Fund savings without impacting the availability of specialized equipment. (Ongoing savings: $4,553)

**Performance Results**

This action contributes to cost containment strategies in Fiscal Year 2027.

| | | | | |
|---|---|---|---|---|
| 4. RWQCP Staffing Enhancement - Senior Operator | 1.00 | 203,716 | - | 203,716 |

This action adds 1.00 FTE Senior Operator at the RWQCP to support expanded operational demands as new treatment systems, membrane processes, and chemical facilities come online. The additional position ensures compliance with Grade III operator requirements and provides the necessary 24/7 coverage for complex new treatment processes. This position is funded by RWQCP partner agencies. (Ongoing costs: $203,716)

**Performance Results**

This action improves operational coverage and strengthens compliance with regulatory staffing requirements.

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| 5. RWQCP Staffing Enhancement - Manager of Information Technology | 1.00 | 259,630 | - | 259,630 |

This action adds 1.00 FTE Manager of Information Technology to oversee the rapidly expanding portfolio of operational technology, instrumentation, and automation systems at the RWQCP. As modernization efforts increase technical complexity, this position will provide dedicated oversight of plant data governance and technical system integration. This position is funded through partner agency revenues. (Ongoing costs: $259,630)

**Performance Results**

This action strengthens technical system reliability and reduces operational and regulatory risk.

| | | | | |
|---|---|---|---|---|
| 6. RWQCP Staffing Enhancement - Manager Maintenance Operations | 1.00 | 213,808 | - | 213,808 |

This action adds 1.00 FTE Manager Maintenance Operations to strengthen maintenance supervision and improve preventive maintenance planning at the RWQCP. As major capital upgrades come online, this position provides the oversight needed to transition new assets into routine operations and reduce reliance on reactive repairs. This position is funded by RWQCP partner agencies. (Ongoing costs: $213,808)

**Performance Results**

This action enhances preventive maintenance reliability and strengthens coordination between operations and capital project teams.

| | | | | |
|---|---|---|---|---|
| 7. Self Contained Breathing Apparatus (SCBA) Equipment Replacement | - | 30,000 | - | 30,000 |

This action provides one?time funding to replace up to ten end?of?life Self?Contained Breathing Apparatus (SCBA) units and associated facepieces. These units are essential for safe operations in hazardous-atmosphere environments encountered during plant maintenance. Replacement is required to maintain Cal/OSHA compliance as existing units have exceeded their manufacturer-recommended service life. (Ongoing savings: $0)

**Performance Results**

This action enhances employee safety and regulatory compliance for confined?space operations.

| | | | | |
|---|---|---|---|---|
| 8. Ideagen Documentation Management | - | 38,500 | - | 38,500 |

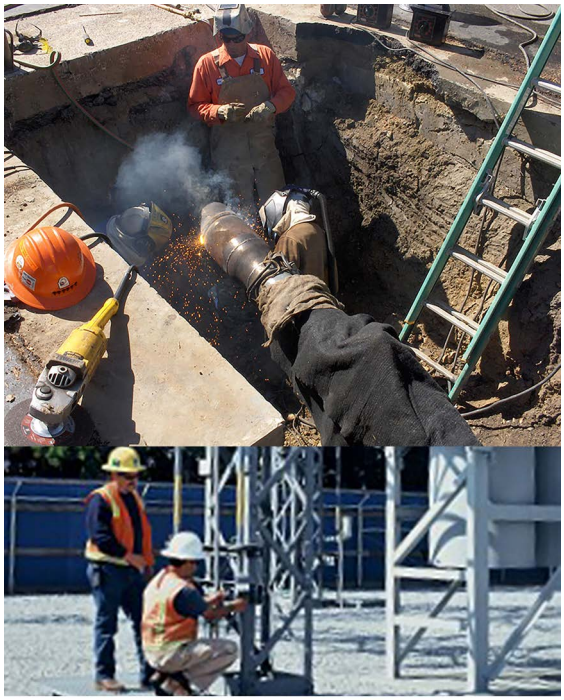
This action increases funding for the Ideagen Documentation Management System to meet stringent documentation and accreditation requirements for the RWQCP Laboratory. Ideagen replaces manual practices with automated review workflows and integrated audit trails, reducing regulatory compliance risks. The annual subscription is funded through partner agency allocations. (Ongoing costs: $38,500)

**Performance Results**

This action improves document version control and quality assurance integration for lab accreditation.

# UTILITIES

## Mission Statement



The City of Palo Alto Utilities mission is to provide safe, reliable, environmentally sustainable, and cost-effective services.

## Purpose

The purpose of the City of Palo Alto Utilities is to provide high quality, cost-effective electric, gas, fiber optics, water and wastewater collection services; promote effective energy and water efficiency programs; support the City's sustainability and climate action goals through greenhouse gas emissions reduction efforts; proactively manage infrastructure needs and replace deteriorated or aging facilities with new technologies to ensure safe and reliable delivery of services; and ensure the City's utilities are in sound financial condition.

# UTILITIES

## UTILITIES DIRECTOR
Alan Kurotori

### ELECTRIC ENGINEERING & OPERATIONS
2.00 Administrative Associate II
1.00 Assistant Director Utilities Electric and Fiber
1.00 Business Analyst
3.00 Coordinator Utilities Projects
1.00 Cement Finisher
3.00 Electrician Assistant I
1.00 Electrician-Lead
1.00 Electric Equipment Technician
1.00 Electric Heavy Equipment Operator
10.00 Electric Project Engineer
2.00 Electric Underground Inspectors
1.00 Electric Underground Inspector-Lead
1.00 Engineering Manager–Electric
2.00 Engineer Technician III
1.00 Heavy Equipment Operator / Installer Repairer
1.00 Utilities Installer / Repairer
10.00 Lineperson / Cable Splicer
4.00 Lineperson / Cable Splicer-Lead
1.00 Manager Electric Operations
2.00 Metering Technician
1.00 Metering Technician-Lead
2.00 Overhead/Underground Troubleman
2.00 Utilities System Analyst
5.00 Senior Electrical Engineer
1.00 Senior Utilities Field Service Representative
1.00 Senior Utilities System Operator
4.00 Street Light, Traffic Signal & Fiber Technician
2.00 Street Light, Traffic Signal & Fiber Technician-Lead
6.00 Substation Electrician
2.00 Substation Electrician-Lead
3.00 Utilities Comp Tech
1.00 Utilities Comp Tech-Lead
3.00 Utilities Engineer Estimator
1.00 Utilities Engineer Estimator-Lead
5.00 Utilities Field Service Representative
3.00 Utilities Locator
6.00 Operations Supervisor, Elec & Fiber Utls
5.00 Utilities System Operator

### PALO ALTO FIBER
1.00 Manager Utilities Telecommunications
1.00 Manager Utilities Telecommunications*
1.00 Utilities Assistant Director Fiber Enterprise*

### UTILITIES ADMINISTRATION
1.00 Administrative Assistant
1.00 Administrative Associate II
2.00 Business Analyst
1.00 Chief Operating Officer
1.00 Compliance Manager
1.00 Coordinator, Utilities Projects
1.00 Management Analyst
1.00 Manager Communications
1.00 Manager Utilities Telecom
1.00 Principal Business Analyst
1.00 Program Assistant
1.00 Safety Officer
3.00 Senior Business Analyst
1.00 Senior Resource Planner
1.00 Strategic Business Manager

### CUSTOMER SUPPORT SERVICES
1.00 Assistant Director Utilities Customer Support Services
2.00 Credit and Collections Specialist
2.00 Customer Service Specialist-Lead
7.00 Customer Service Representative
2.00 Customer Service Specialist
1.00 Manager Customer Service
1.00 Manager, Utilities Credit and Collections
1.00 Meter Reader
1.00 Coordinator Utilities Projects

### RESOURCE MANAGEMENT
1.00 Assistant Director, Resource Management
1.00 Administrative Associate II
2.00 Associate Sustainability Program Administrator
1.00 Business Analyst
3.00 Key Account Representative
2.00 Manager Utilities Program Services
5.00 Sustainability Program Administrator
5.00 Resource Planner
6.00 Senior Resource Planner

### WGW ENGINEERING & OPERATIONS
2.00 Administrative Associate II
1.00 Assistant Director Utilities WGW
2.00 Business Analyst
2.00 Cathodic Technician
2.00 Cement Finisher
5.00 Coordinator Utilities Projects
4.00 Engineer
1.00 Engineering Manager – WGW
1.00 Engineering Technician III
2.00 Heavy Equipment Operator
1.00 Gas & Water Meter Measurement and Control Technician - Lead
5.00 Gas & Water Meter Measurement and Control Technician
4.00 Heavy Equipment Operator / Installer Repairer
2.00 Maintenance Mechanic Welding
1.00 Manager WGW Operations
1.00 Program Assistant
5.00 Project Engineer
1.00 Restoration Lead
5.00 Senior Project Engineer
1.00 Senior Mechanic
2.00 Senior Water System Operator
2.00 Utilities Engineer Estimator
10.00 Utilities Installer/Repairer
3.00 Utilities Install/Rep-Lead
3.00 Utilities Install/Rep-Welding
3.00 Utilities Install/Rep-Welding-Lead
6.00 Utilities Supervisor
4.00 Water System Operator II
5.00 WGW Heavy Equipment Operator
6.00 WGW Utilities Field Inspector

### FY 2027 POSITION TOTALS
260.00 - Full-time
12.18 - Hourly

This organizational chart represents citywide Full-Time Equivalents (FTEs) for this department. The Department Summary tables summarize FTEs by position allocation.

* These positions have been frozen (defunded) in FY 2027 and are identified accordingly in the Table of Organization.

The following positions are frozen in FY 2027:
1.00 Utilities Assistant Director Fiber Enterprise
1.00 Manager Utilities Telecommunications

# Description

The City of Palo Alto offers a full array of utility services to its citizens and businesses. Because of this, the City has a unique opportunity to partner with the Palo Alto community to enjoy the benefits and achievements of reliable, locally operated, and environmentally focused utilities. Palo Alto has a tradition of over 125 years of successful public utility operations. It is a tradition that continues to provide the Palo Alto community with safe and reliable utilities service, local decision-making over policies, utility rate-making, environmental programs, and customized services.

The City of Palo Alto Utilities (CPAU) continues to focus on customer service, infrastructure reliability, regulatory compliance, and cost containment. CPAU also supports the City's sustainability goals by building a low-carbon energy supply through renewable energy, carbon emission offsets and by promoting programs to help customers use energy and water more efficiently, reduce their carbon footprint, and help them integrate new technologies.

At CPAU, our people empower tomorrow's ambitions while caring for today's needs. We make this possible with our outstanding professional workforce, leading through collaboration, and optimizing resources to ensure a sustainable and resilient Palo Alto.

## ADMINISTRATION

Utilities Administration is responsible for the overall management of CPAU including communication, regulatory compliance, strategic planning, budget coordination, legislation and regulatory policy analysis, and personnel and administrative support to the entire department.

## CUSTOMER SUPPORT SERVICES

Customer Support Services annually bills approximately $350 million for the City's electric, natural gas, water, commercial fiber optic, wastewater collection (operated by CPAU), storm water management, and refuse (operated by Public Works) services; operates the Customer Service Call Center with 75,000 annual customer interactions; bills 75,000 utility meters per month; and implements Credit and Collection policies and financial assistance programs.

### ENGINEERING

Engineering is responsible for managing all phases of CPAU's capital improvement projects which include providing new or upgrading existing service to customers and replacing and rehabilitating the City's electric, fiber, gas, water, and wastewater distribution systems.

### OPERATIONS

Utilities Operations is responsible for the operations, maintenance, and emergency response for the electric, fiber, gas, water, and wastewater distribution systems.

### RESOURCE MANAGEMENT

Resource Management is responsible for the long-term resource acquisition plans for electricity, natural gas, and water; contract negotiations to acquire renewable resources; financial planning; rate development; energy efficiency and water conservation programs; and management of key accounts.

## Accomplishments

- Completed initial pilot area of grid modernization. 908 homes have been served with upgraded facilities that included the replacement of 70 wood utility poles, 106 new transformers, and 22,650 feet of new low-voltage wire.
- Received $16.5M of federal grant funding for Gas Main Replacement Project 25 to replace high risk profile gas mains and services and mitigate potential gas leaks.
- Undergrounded nearly 10 miles of electric overhead distribution lines and fiber optic cable in the foothills to mitigate wildfire risk from electrical equipment.
- Received initial approval from CAISO for a second 115 kV transmission corridor from Ames in Mountain View to Palo Alto to increase capacity, enhance power reliability, and eliminate the risk of a single-point of failure.
- Entered into a new battery energy storage purchase power agreement for 50-megawatt over 20 years.
- Reduced cost and environmental impact of utility billing through paperless billing.
- Piloted voluntary electric time-of-use rates for residents to incentivize consumers to shift energy usage to off-peak hours for cost savings and environmental benefits.
- Completed construction of the FTTP pilot area to offer Palo Alto Fiber internet service to approximately 850 residences.
- Updated 2025 Urban Water Management Plan to ensure long term water supply reliability including water shortage contingency plan.

## Initiatives

- Continue 4/12kV conversion at East Meadow and Hopkins substations to improve reliability and increase capacity.
- Complete a natural gas transition study including strategies for a physical and financial transition of the gas utility.
- Issue the first tranche of debt financing for Grid Modernization project to ensure intergenerational equity by spreading the costs over the lifespan of the assets.

- Evaluate and sign new solar, battery, or other renewable purchase power agreements with developers to maintain and/or increase future electric supply.
- Initiate cost of service study for water rates to ensure rates are equitable amongst different customer classes based on consumption demand.
- Market and boost subscription of Palo Alto Fiber internet to residents in the pilot area and provide metrics to assess progress of fiber-to-the-premises.
- Launch a closed circuit television sewer inspection program to inspect 70,000 linear feet of aged sewer mains to prioritize and optimize future sewer main replacement CIPs.
- Continue working with the Utilities Advisory Commission (UAC), City Council, City departments, and community to implement and adopt initiatives and programs of the Sustainability and Climate Action Plan (S/CAP), to support evaluation of a future S/CAP work plan and strategies to scale up climate action, and implementation of the Utilities Reliability and Resiliency Strategic Plan.

# Key Performance Measures

## COMPARABLE AND COST-EFFECTIVE SERVICES

| | | | | | |
|---|---|---|---|---|---|
| Goal | Ensure fiscally sound and cost-effective services. | | | | |
| Objective | Reduce the cost of delivering services through best management practices. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Palo Alto's average residential monthly utility bill above/below the median of neighboring cities | (18)% | (13)% | (19)% | (9)% | (9)% |
| Description | This compares the average residential monthly utility bill which includes electricity, gas, water, and wastewater services to the nearby communities (Menlo Park, Mountain View, Santa Clara, Hayward, Redwood City). | | | | |
| Purpose | This measure compares the City's average utility rates charged to residents to other comparable cities (e.g., similar size, similar commodity purchase options, similar geography). | | | | |
| Status | Palo Alto's median monthly residential utility bill was $427 in FY 2026, about 9% lower than the average of nearby cities of about $469 (Menlo Park $536, Redwood City $541, Mountain View $464, Hayward $449, Santa Clara $357). This includes electricity, gas, water, wastewater, refuse, and stormwater services. Palo Alto's electric rates were significantly lower than PG&E's but slightly higher than those in Santa Clara. Natural gas rates were also lower than PG&E's. Water rates, however, were higher than in other cities, mainly due to differences in system characteristics, infrastructure investments, and water sources. | | | | |

# Key Performance Measures

## CUSTOMER SATISFACTION

| | | | | | |
|---|---|---|---|---|---|
| Goal | Provide excellent customer service. | | | | |
| Objective | Maintain a high level of customer satisfaction, equal to or greater than 83 percent of Palo Alto citizens rating satisfaction of utility services as "Excellent" or "Good" in the Palo Alto Community Survey. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent rating services (electric, gas, wastewater, and water) "Good" or Excellent" | 79% | 82% | 81% | 81% | 82% |
| Description | This data is collected as part of the Palo Alto Community Survey that is conducted annually. | | | | |
| Purpose | To get feedback on whether customers are satisfied with the nature, extent and delivery of services provided, using random-selection survey processes that include a good cross-section of the customer base. | | | | |
| Status | The most recent Palo Alto Community Survey was completed in October 2025. The full report can be found on the City website: www.paloalto.gov/communitysurvey | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Total cost of Capital Improvement Program annually (Millions) | $29 | $68 | $72 | $46 | $101 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Fund** | | | | | | |
| Electric Fund | 200,739,818 | 223,616,796 | 315,091,535 | 305,540,311 | (9,551,224) | (3.0)% |
| Fiber Optics Fund | 4,533,460 | 7,178,430 | 23,072,344 | 22,277,676 | (794,668) | (3.4)% |
| Gas Fund | 53,324,722 | 58,554,283 | 85,845,395 | 84,936,266 | (909,129) | (1.1)% |
| Wastewater Collection Fund | 33,288,862 | 26,432,646 | 27,113,998 | 34,527,138 | 7,413,140 | 27.3% |
| Water Fund | 60,356,156 | 55,123,157 | 67,365,426 | 66,624,597 | (740,829) | (1.1)% |
| **Total Dollars by Fund** | **$352,243,018** | **$370,905,312** | **$518,488,698** | **$513,905,989** | **$(4,582,709)** | **(0.9)%** |
| **Revenues** | | | | | | |
| Charges for Services | 1,224,716 | 1,130,047 | 260,000 | 260,000 | — | —% |
| Charges to Other Funds | 498,665 | 767,563 | 337,970 | 337,970 | — | —% |
| From Other Agencies | 440,679 | 1,117,679 | 8,576,632 | 16,596,511 | 8,019,879 | 93.5% |
| Net Sales | 345,255,140 | 372,425,957 | 403,561,939 | 425,201,133 | 21,639,194 | 5.4% |
| Operating Transfers-In | 7,386,764 | 3,508,225 | 4,525,381 | 4,181,843 | (343,538) | (7.6)% |
| Other Revenue | 10,844,300 | 15,105,483 | 49,163,600 | 91,579,500 | 42,415,900 | 86.3% |
| Permits and Licenses | — | 7,890 | — | — | — | —% |
| Rental Income | 123,518 | 126,218 | 167,000 | 167,000 | — | —% |
| Return on Investments | 5,309,706 | 6,102,149 | 5,739,660 | 6,788,467 | 1,048,807 | 18.3% |
| **Total Revenues** | **$371,083,488** | **$400,291,211** | **$472,332,182** | **$545,112,425** | **$72,780,243** | **15.4%** |
| **Positions by Fund** | | | | | | |
| Electric Fund | 121.61 | 128.65 | 129.35 | 125.00 | (4.35) | (3.4)% |
| Fiber Optics Fund | 10.55 | 10.55 | 10.20 | 10.90 | 0.70 | 6.9% |
| Gas Fund | 54.86 | 56.10 | 58.59 | 56.81 | (1.78) | (3.0)% |
| Utilities Administration Fund | 22.29 | 22.15 | 23.05 | 25.00 | 1.95 | 8.5% |
| Wastewater Collection Fund | 28.76 | 28.71 | 29.15 | 29.21 | 0.06 | 0.2% |
| Water Fund | 47.59 | 49.10 | 49.25 | 45.85 | (3.40) | (6.9)% |
| **Total Positions by Fund** | **285.66** | **295.26** | **299.59** | **292.77** | **(6.82)** | **(2.3)%** |



CITY OF
PALO
ALTO

# ELECTRIC FUND

## Description

On January 16, 1900, the City of Palo Alto began operation of its own electric system. A steam engine was the initial source of the City's electricity and was replaced by a diesel engine in 1914. As demand for electricity and the population continued to grow, the City of Palo Alto Utilities (CPAU) connected to the Pacific Gas and Electric distribution system and purchased power from additional sources.

The integrity of the infrastructure required for achieving a high level of reliability and value for customers is of paramount importance to CPAU. The Electric Fund strives to enhance the customer service connection experience, increase energy efficiency participation, and increase the percentage of electric supply obtained from renewable energy supplies. The City has entered into a number of contracts with producers of wind, landfill gas, and solar energy for more than 15-year terms.

## Accomplishments

- Undergrounded nearly 10 miles of electric overhead distribution lines in the foothills to mitigate wildfire risk from electrical equipment.
- As of January 2026, 30 multi-family properties representing 1,779 residential units (about 16.7% of all multi-family units in Palo Alto) have installed a total of 364 EV chargers and 48 EV-ready spaces facilitated through the City's EV programs.
- Completed pilot area of grid modernization. 908 homes have been served with upgraded facilities that included the replacement of 70 wood utility poles, 106 new transformers, and 22,650 feet of new low-voltage wire.
- Completed the conversion of gas-fired HVAC systems to electric heat pump systems at 6 commercial buildings.
- Achieved total electric efficiency savings in commercial buildings of 2,100,000 kWh/year.
- Completed deployment of 28,000 electric advanced meters enabling faster outage detection and restoration, and alarms and alerts of tampering and unsafe meter conditions.
- Completed the PAUSD 9 Campus Re-Build Project, energized five new commercial services and upgraded 12 existing services, reviewed applications for 27 new commercial services, and processed 1,869 electric permit applications.
- Improved reliability while reducing outage times through the use of Faulted Circuit Indicators.
- Developed a Master Plan for the re-build of Colorado Substation.

- Improved reliability and durability by replacing HCB Pilot Wire relays with SEL solid state relays.

# Initiatives

- Continue discussions with CAISO and other agencies to approve a second transmission corridor to the Palo Alto switching station to strengthen grid reliability and resiliency.
- Market and conduct a cost of service study on time-of-use rates for residents to incentivize consumers to shift energy usage to off-peak hours for cost savings and environmental benefits.
- Evaluate and sign new solar, battery, or other renewable purchase power agreements with developers to maintain and/or increase future electric supply.
- Continue the East Meadow Grid Modernization 4/12kV Conversion Construction Project with a tentative construction completion date of December 2026.
- Continue the Hopkins Grid Modernization 4/12kV Conversion engineering and design process with a tentative completion date for design and engineering of December 2026.
- Begin the RFP process for Colorado Substation Transformer Bank 3 Replacement with the expectation that the transformer will be shipped sometime in FY 2031 Work.
- Begin design and engineering work for 12kV Distribution Feeder Ties with the expectation that the engineering work will be completed by December 2026.
- Issue the first tranche of debt financing for Grid Modernization project to ensure intergenerational equity by spreading the costs over the lifespan of the assets.

# Goals and Objectives

## Goal 1

Provide safe and reliable delivery of electric services to customers.

### Objectives:

- Work through the CAISO Transmission Planning Process to effect the completion of a second electric transmission line source to improve citywide service reliability.
- Accelerate network component upgrades (wire, cable, transformers, and substation equipment) to support new residential electrification load when and where it occurs.
- Implement activities outlined in the Utilities Wildfire Mitigation Plan to reduce the possibility of fires in the western foothills of Palo Alto caused by overhead electric lines.
- Increase emphasis on the proactive, condition based infrastructure replacement programs, replacing infrastructure before failure, to support reliability and resiliency.
- Enhance planned maintenance programs for all utilities through clearly defined maintenance plans, improved management reporting, and developing innovative ways to ensure efficient completion of all maintenance.
- Implement activities from the Reliability and Resiliency Strategic Plan to maintain and enhance community reliability, resiliency, grid capacity, and grid modernization

## Goal 2

Increase environmental sustainability and promote efficient use of resources.

### Objectives:

- Achieve cumulative 10-year energy efficiency savings of 4.4% of the electric load by 2031.
- Facilitate the acceleration of Electric Vehicle (EV) adoption by both Palo Alto-based and inbound vehicles by providing EV education and outreach, incentives for electric infrastructure upgrades and more charging infrastructure.
- Expand effort to lower greenhouse gas emissions by promoting electrification of buildings in Palo Alto.

# Key Performance Measures

## ENVIRONMENTAL SUSTAINABILITY

| | | | | | |
|---|---|---|---|---|---|
| Goal | Support environmental sustainability and promote efficient use of resources. | | | | |
| Objective | Achieve Renewable Portfolio Standard (RPS) of at least 50 percent by 2030. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of retail electric sales volume provided by renewable supply resources under long-term PPAs | 47% | 38% | 48% | 47% | 51% |
| Description | This measures the fraction of the City's retail electric sales volume that is provided by renewable supply resources that are under long-term power purchase agreements (PPAs). | | | | |
| Purpose | The Clean Energy and Pollution Reduction Act (SB 350) of 2015 raised the state's renewable portfolio standard (RPS) to 50 percent by 2030 and required a doubling of energy efficiency savings by 2030. | | | | |
| Status | The City sold a significant volume of Bucket 1 renewable energy credits (RECs) in CYs 2024 and 2025, while remaining in compliance with its RPS requirements. Under the updated Carbon Neutral Plan that was approved by Palo Alto City Council in August 2020, staff was authorized to sell all Bucket 1 RECs exceeding the amount required to comply with the City's RPS requirements, and to replace them with Bucket 3 REC purchases. RPS compliance is based on aggregate RPS procurement over the entire compliance period (2021-2024 and 2025-2027), which ensures that the City is still in compliance with the state RPS requirements. | | | | |

# Key Performance Measures

## ENVIRONMENTAL SUSTAINABILITY - SOLAR

| | | | | | |
|---|---|---|---|---|---|
| Goal | Support environmental sustainability and promote efficient use of resources. | | | | |
| Objective | Increase the penetration of local solar installations. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Cumulative installed capacity of photovoltaic (PV) systems measured in megawatts (MW) | 20 | 22 | 23 | 23 | 25 |
| Description | This represents the cumulative installed capacity of PV systems in Palo Alto, measured in MW. It includes PV systems installed prior to the passage of California Senate Bill 1 (SB1), which enacted the Million Solar Roofs Initiative and expands upon the current California Solar Initiative (CSI) and the Energy Commission's New Solar Homes Partnership (NSHP). | | | | |
| Purpose | This measure supports the City's goal of achieving a 100 percent carbon neutral electric supply portfolio, meeting 4 percent of the City's electricity needs through local solar by 2023, and complying with California Senate Bill 1 (SB1) to increase PV installations. Increasing the cumulative installed capacity of PV systems will also benefit the environment and expand the flexibility of the City's electric generation portfolio. | | | | |
| Status | In FY 2025, a total of 198 residential PV systems and 3 nonresidential PV systems were installed, adding a total of 1.696 MW of capacity. | | | | |

## SYSTEM RELIABILITY

| | | | | | |
|---|---|---|---|---|---|
| Goal | Provide safe and efficient delivery of electric services to customers. | | | | |
| Objective | Provide exceptional system reliability. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Average duration of customer outages in minutes as reported using industry guidelines | 72 | 45 | 60 | 50 | 45 |
| Description | System Average Interruptible Duration Index (SAIDI) is a measure of outage duration. It measures the number of minutes over the year that the average customer is without power. | | | | |
| Purpose | Reliability indices were introduced in order to keep track of utility performance. This information will help Utilities prioritize capital and operating spending so that reliability can be improved without increasing costs. | | | | |
| Status | As a result of grid modernization, 24/7 UCC coverage, and increased field staffing, SAIDI minutes have been reduced significantly. SAIDI for FY 2024 was 137.73 compared to 67.35 in FY 2025, demonstrating a downward trend. As older infrastructure continues to be replaced, the system reliability will increase accordingly. | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Number of Customer Accounts (Electric) | 29,994 | 30,196 | 30,138 | 30,196 | 30,196 |
| Number of momentary outages | 5 | 2 | 1 | 3 | 3 |
| Percent of residents surveyed who rate the quality of the Electric Utility as "Good" or "Excellent" | 67% | 75% | 76% | 77% | 77% |
| Total Number of Outages | 89 | 64 | 40 | 40 | 40 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Electric Administration | 31,413,514 | 33,621,055 | 34,971,871 | 35,495,998 | 524,127 | 1.5% |
| Electric Customer Service | 3,745,818 | 3,849,189 | 3,988,088 | 3,035,738 | (952,350) | (23.9)% |
| Electric Demand Side Management | 3,400,807 | 4,211,233 | 10,005,031 | 10,959,395 | 954,364 | 9.5% |
| Electric Engineering (Operating) | 2,862,632 | 3,059,738 | 3,652,374 | 4,018,260 | 365,886 | 10.0% |
| Electric Operations and Maintenance | 23,806,724 | 22,638,195 | 27,359,134 | 27,923,194 | 564,060 | 2.1% |
| Electric Resource Management | 113,496,211 | 121,661,896 | 140,687,031 | 138,832,990 | (1,854,041) | (1.3)% |
| CIP Electric Fund | 22,682,720 | 35,210,328 | 94,428,005 | 85,274,735 | (9,153,270) | (9.7)% |
| **Total Dollars by Division** | **201,408,427** | **224,251,635** | **315,091,535** | **305,540,311** | **(9,551,224)** | **(3.0)%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 2,150,002 | 2,081,928 | 3,068,462 | 3,057,138 | (11,324) | —% |
| Other Benefits | 466,016 | 444,800 | 405,486 | 516,456 | 110,969 | 27.4% |
| Overtime | 1,555,090 | 2,170,524 | 632,930 | 645,588 | 12,659 | 2.0% |
| Pension | 8,521,836 | 8,440,247 | 8,561,008 | 7,538,690 | (1,022,318) | (11.9)% |
| Retiree Medical | 1,481,709 | 1,797,461 | 2,117,172 | 2,443,430 | 326,258 | 15.4% |
| Salary | 15,702,515 | 17,183,973 | 22,121,690 | 23,355,739 | 1,234,048 | 5.6% |
| Workers' Compensation | 513,576 | 353,151 | 635,484 | 713,557 | 78,073 | 12.3% |
| **Total Salary and Benefits** | **30,390,744** | **32,472,085** | **37,542,234** | **38,270,599** | **728,364** | **1.9%** |
| Utility Purchase | 98,234,425 | 111,595,073 | 126,089,625 | 127,166,470 | 1,076,845 | —% |
| Contract Services | 10,321,327 | 6,304,439 | 12,925,505 | 11,068,514 | (1,856,991) | (14.4)% |
| Supplies & Material | 951,538 | 835,129 | 1,206,908 | 1,174,140 | (32,768) | (2.7)% |
| General Expense | 1,659,724 | 2,744,055 | 8,947,513 | 8,152,111 | (795,402) | (8.9)% |
| Rents & Leases | 6,976,400 | 7,363,524 | 7,382,387 | 7,565,414 | 183,027 | 2.5% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Debt Service | 8,295,086 | 4,220,954 | 4,876,300 | 4,915,300 | 39,000 | —% |
| Facilities & Equipment | 10,830 | 38,349 | 26,000 | 26,000 | — | —% |
| Allocated Charges | 9,471,472 | 10,209,545 | 13,194,157 | 13,321,827 | 127,670 | —% |
| Transfer to Infrastructure | 280,000 | 652,726 | — | — | — | —% |
| Operating Transfers-Out | 162,656 | 25,094 | — | — | — | —% |
| Equity Transfer | 14,904,000 | 15,985,000 | 17,407,000 | 17,951,000 | 544,000 | 3.1% |
| Capital Improvement Program | 19,750,225 | 31,805,663 | 85,493,905 | 75,928,936 | (9,564,969) | (11.2)% |
| **Total Dollars by Category** | **201,408,427** | **224,251,635** | **315,091,535** | **305,540,311** | **(9,551,224)** | **(3.0)%** |
| **Revenues** | | | | | | |
| Charges for Services | 1,067,242 | 993,094 | 220,000 | 220,000 | — | —% |
| Charges to Other Funds | 195,270 | 187,355 | 125,395 | 125,395 | — | —% |
| From Other Agencies | 37,424 | 105,679 | — | — | — | —% |
| Net Sales | 216,594,648 | 228,246,589 | 222,448,810 | 241,266,384 | 18,817,574 | 8.5% |
| Operating Transfers-In | 2,293,766 | 2,637,754 | 3,219,481 | 2,442,671 | (776,810) | (24.1)% |
| Other Revenue | 8,141,062 | 9,542,693 | 47,253,805 | 89,159,805 | 41,906,000 | 88.7% |
| Permits and Licenses | — | 7,890 | — | — | — | —% |
| Rental Income | 123,518 | 126,218 | 167,000 | 167,000 | — | —% |
| Return on Investments | 2,671,986 | 3,710,800 | 2,941,130 | 3,492,248 | 551,118 | 18.7% |
| **Total Revenues** | **231,124,915** | **245,558,071** | **276,375,621** | **336,873,503** | **60,497,882** | **21.9%** |
| **Positions by Division** | | | | | | |
| Electric Customer Service | 13.52 | 13.56 | 13.06 | 9.06 | (4.00) | (30.6)% |
| Electric Demand Side Management | 7.94 | 8.94 | 9.14 | 9.86 | 0.72 | 7.9% |
| Electric Engineering (Operating) | 8.92 | 8.92 | 9.02 | 9.02 | — | —% |
| Electric Operations and Maintenance | 55.67 | 58.67 | 58.67 | 58.15 | (0.52) | (0.9)% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Electric Resource Management | 10.14 | 10.14 | 10.04 | 9.44 | (0.60) | (6.0)% |
| CIP Electric Fund | 25.42 | 28.42 | 29.42 | 29.47 | 0.05 | —% |
| **Total Positions by Division** | **121.61** | **128.65** | **129.35** | **125.00** | **(4.35)** | **(3.4)%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Account Specialist | 0.31 | 0.31 | 0.31 | 0.31 | — | 33,078 |
| Administrative Associate II | 3.30 | 3.30 | 3.30 | 3.00 | (0.30) | 308,318 |
| Assistant Director Administrative Services | 0.20 | 0.20 | 0.20 | 0.20 | — | 54,933 |
| Assistant Director Sustainability and Climate Action | 0.60 | 0.60 | 0.60 | 0.60 | — | 177,715 |
| Assistant Director Utilities Customer Support Services | 0.40 | 0.40 | 0.60 | 0.20 | (0.40) | 59,297 |
| Assistant Director Utilities Engineering | 0.40 | 0.40 | 0.40 | 0.40 | — | 118,003 |
| Assistant Director Utilities Operations | 0.60 | 0.60 | 0.60 | 0.60 | — | 191,593 |
| Assistant Director Utilities/ Resource Management | 0.55 | 0.55 | 0.55 | 0.55 | — | 150,447 |
| Associate Sustainability Program Administrator | 0.85 | 1.85 | 1.85 | 1.46 | (0.39) | 172,004 |
| Business Analyst | 2.10 | 2.10 | 2.10 | 2.10 | — | 418,280 |
| Cement Finisher | — | 1.00 | 1.00 | 1.00 | — | 124,779 |
| Contracts Administrator | 0.10 | 0.10 | 0.10 | 0.10 | — | 16,517 |
| Coordinator Utilities Projects | 3.55 | 3.82 | 3.82 | 3.82 | — | 567,951 |
| Customer Service Representative | 1.87 | 1.87 | 1.87 | 1.87 | — | 192,457 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Customer Service Specialist | 0.66 | 0.66 | 0.66 | 0.58 | (0.08) | 65,483 |
| Customer Service Specialist-Lead | 0.58 | 0.58 | 0.58 | 0.58 | — | 69,971 |
| Electric Heavy Equipment Operator | 1.00 | 1.00 | 1.00 | 1.00 | — | 148,470 |
| Electric Project Engineer | 6.75 | 8.75 | 8.75 | 8.75 | — | 1,914,276 |
| Electric Underground Inspector | 2.00 | 2.00 | 2.00 | 2.00 | — | 312,541 |
| Electric Underground Inspector-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 167,045 |
| Electrical Equipment Technician | 1.00 | 1.00 | 1.00 | 1.00 | — | 159,619 |
| Electrician Assistant I | 3.00 | 3.00 | 3.00 | 3.00 | — | 373,714 |
| Electrician-Lead | — | 1.00 | 1.00 | 1.00 | — | 161,554 |
| Engineer | 1.00 | 1.00 | 1.00 | 1.00 | — | 193,502 |
| Engineering Manager - Electric | 0.55 | 0.55 | 0.55 | 0.55 | — | 160,297 |
| Engineering Technician III | 1.40 | 1.40 | 1.40 | 1.40 | — | 186,921 |
| Environmental Specialist | 0.17 | 0.17 | 0.17 | 0.17 | — | 27,086 |
| Heavy Equipment Operator - Install/Repair | — | 1.00 | 1.00 | 1.00 | — | 124,717 |
| Lineperson/Cable Specialist | 10.00 | 10.00 | 10.00 | 10.00 | — | 2,140,320 |
| Lineperson/Cable Specialist-Lead | 4.00 | 4.00 | 4.00 | 4.00 | — | 915,366 |
| Manager Customer Service | 0.33 | 0.33 | 0.33 | 0.33 | — | 57,946 |
| Manager Electric Operations | 1.00 | 1.00 | 1.00 | 1.00 | — | 274,685 |
| Manager Environmental Control Program | 0.17 | 0.17 | 0.17 | 0.17 | — | 35,639 |
| Manager Treasury, Debt & Investments | 0.30 | 0.30 | 0.30 | 0.30 | — | 59,211 |
| Manager Urban Forestry | — | — | — | 0.04 | 0.04 | 7,418 |
| Manager Utilities Compliance | 0.15 | 0.15 | 0.15 | 0.15 | — | 37,549 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Manager Utilities Credit & Collection | 0.15 | 0.15 | 0.15 | 0.15 | — | 34,426 |
| Manager Utilities Program Services | 1.50 | 1.50 | 1.50 | 1.37 | (0.13) | 269,110 |
| Manager Utilities Telecommunications | — | — | 0.10 | 0.10 | — | 22,021 |
| Meter Reader | 1.65 | 1.65 | 1.65 | 0.33 | (1.32) | 35,707 |
| Meter Reader-Lead | 0.33 | 0.33 | 0.33 | — | (0.33) | — |
| Metering Technician | 2.00 | 2.00 | 2.00 | 2.00 | — | 371,530 |
| Metering Technician-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 198,640 |
| Offset Equipment Operator | 0.48 | 0.98 | 0.48 | 0.48 | — | 43,950 |
| Overhead Underground Troubleman | 2.00 | 2.00 | 2.00 | 2.00 | — | 449,363 |
| Principal Business Analyst | 0.34 | 0.34 | 0.34 | 0.34 | — | 73,499 |
| Project Manager | 0.75 | 0.75 | 0.75 | 0.82 | 0.07 | 126,927 |
| Resource Planner | 2.90 | 2.90 | 2.90 | 2.90 | — | 540,829 |
| Senior Business Analyst | 1.02 | 1.02 | 1.02 | 1.02 | — | 192,175 |
| Senior Buyer | — | — | 1.00 | 1.00 | — | 151,590 |
| Senior Electrical Engineer | 4.95 | 4.95 | 4.95 | 4.95 | — | 1,261,275 |
| Senior Management Analyst | 0.10 | 0.10 | — | — | — | — |
| Senior Resource Planner | 3.80 | 3.80 | 3.80 | 4.03 | 0.23 | 933,228 |
| Senior Utilities Field Service Representative | 0.10 | 0.10 | 0.10 | 0.10 | — | 15,242 |
| Senior Utilities System Operator | 1.00 | 1.00 | 1.00 | 1.00 | — | 239,366 |
| Street Light, Traffic Signal & Fiber Technician | 3.00 | 3.00 | 3.00 | 3.00 | — | 533,270 |
| Street Light, Traffic Signal & Fiber-Lead | 1.25 | 1.25 | 1.25 | 1.25 | — | 237,640 |
| Substation Electrician | 5.50 | 5.50 | 5.50 | 5.50 | — | 1,065,636 |
| Substation Electrician-Lead | 2.00 | 2.00 | 2.00 | 2.00 | — | 414,294 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Sustainability Programs Administrator | 3.70 | 3.70 | 3.70 | 2.97 | (0.73) | 452,942 |
| Tree Maintenance Person | 1.00 | 1.00 | 1.00 | 0.98 | (0.02) | 122,304 |
| Tree Trim/Line Clear | — | — | — | 0.12 | 0.12 | 14,746 |
| Tree Trim/Line Clear-Lead | — | — | — | 0.02 | 0.02 | 2,627 |
| Utilities Compliance Technician | 3.00 | 3.00 | 3.00 | 3.00 | — | 642,096 |
| Utilities Compliance Technician-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 228,842 |
| Utilities Credit/Collection Specialist | 2.00 | 2.00 | 2.00 | 2.00 | — | 273,187 |
| Utilities Engineer Estimator | 3.23 | 3.23 | 3.23 | 3.23 | — | 580,446 |
| Utilities Field Services Representative | 0.50 | 0.50 | 0.50 | 0.50 | — | 71,302 |
| Utilities Install/Repair | — | 1.00 | 1.00 | 1.00 | — | 146,640 |
| Utilities Key Account Representative | 2.05 | 2.05 | 2.05 | 2.64 | 0.59 | 416,343 |
| Utilities Locator | 1.95 | 1.95 | 1.95 | 1.95 | — | 282,663 |
| Utilities Safety Officer | 0.55 | 0.55 | 0.55 | 0.55 | — | 95,066 |
| Utilities Supervisor | 6.50 | 6.50 | 6.50 | 5.80 | (0.70) | 1,353,791 |
| Utilities System Analyst | 1.01 | 1.01 | 1.01 | 1.01 | — | 201,173 |
| Utilities System Operator | 5.00 | 5.00 | 5.00 | 5.00 | — | 1,196,832 |
| Utility Engineering Estimator - Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 194,646 |
| **Subtotal: Full-Time Equivalent Positions** | **118.20** | **125.97** | **126.67** | **123.34** | **(3.33)** | **$23,664,069** |
| Temporary/Hourly | 3.41 | 2.68 | 2.68 | 1.66 | (1.02) | $244,186 |
| **Total Positions** | **121.61** | **128.65** | **129.35** | **125.00** | **(4.35)** | **$23,908,255** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **129.35** | **315,091,535** | **276,375,621** | **38,715,914** |
| **One-time Prior Year Budget Adjustments** | | | | |
| Sustainability and Climate Action Plan (S/CAP) Electrification and Climate Programs | | (1,688,925) | | (1,688,925) |
| Transfer Excess Technology Reserve from the Technology Fund | - | - | (330,600) | 330,600 |
| Transfer Excess Benefit Savings from the General Benefits Fund | - | - | (543,300) | 543,300 |
| **One-time Prior Year Budget Adjustments** | **-** | **(1,688,925)** | **(873,900)** | **(815,025)** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | - | 1,779,859 | - | 1,779,859 |
| Transfer to Capital Improvement Fund | - | - | | - |
| Electric Customer Sales Revenue | - | - | 18,817,574 | (18,817,574) |
| Low Carbon Fuel Standards Program Alignment | - | (807,553) | - | (807,553) |
| Return on Investments | - | - | 551,118 | (551,118) |
| Streetlight and Traffic Signal Transfer Adjustment | - | - | 97,090 | (97,090) |
| Envelope Machine | - | (21,530) | - | (21,530) |
| Debt Service Adjustment | - | 39,000 | - | 39,000 |
| Funding for Transmission Line | - | 85,000 | - | 85,000 |
| Rents & Leases Expenditure Alignment | - | 183,027 | - | 183,027 |
| Energy Incentives | - | 275,000 | | |
| Equity Transfer to the General Fund | - | 544,000 | - | 544,000 |
| Utility Purchases | - | 1,016,845 | - | 1,016,845 |
| Staff Funding Reallocation | (1.91) | (227,190) | - | (227,190) |
| Capital Improvement Program | - | (9,564,969) | 41,906,000 | (51,470,969) |
| General Fund Cost Allocation Plan | - | (228,274) | - | (228,274) |
| Landscape Maintenance Allocated Charges | - | 1,952 | - | 1,952 |
| Liability Insurance Allocated Charges | - | 280,602 | - | 280,602 |
| Printing & Mailing Allocated Charges | - | 4,650 | - | 4,650 |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| Utilities Administration Allocated Charges | - | 70,879 | - | 70,879 |
| Vehicle Replacement & Maintenance Allocated Charges | - | 21,801 | - | 21,801 |
| Workers' Compensation Allocated Charges | - | 78,073 | - | 78,073 |
| **Adjustments to Costs of Ongoing Activities** | **(1.91)** | **(6,468,830)** | **61,371,782** | **(68,115,612)** |
| **Total FY 2027 Base Budget** | **127.44** | **306,933,779** | **336,873,503** | **(30,214,723)** |
| **Budget Adjustments** | | | | |
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | | (790,388) | - | (790,388) |
| 2. Credit Card Cost Recovery | - | (467,263) | - | (467,263) |
| 3. Meter Reader Vacancy Reduction | (1.32) | (188,892) | - | (188,892) |
| 4. Utilities Staffing Realignment Following AMI Deployment | (1.35) | (72,171) | - | (72,171) |
| 5. Fleet Fuel Contract Reduction | - | (23,939) | - | (23,939) |
| 6. Urban Forestry Cost Alignment with Electric Operations | 0.23 | 49,184 | - | 49,184 |
| 7. Resiliency and Reliability Strategic Plan Support | - | 100,000 | - | 100,000 |
| **Budget Changes** | **(2.44)** | **(1,393,468)** | **-** | **(1,393,468)** |
| **Total FY 2027 Adopted Budget** | **125.00** | **305,540,311** | **336,873,503** | **(31,608,192)** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (790,388) | - | (790,388) |
| This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $790,388) | | | | |
| **Performance Results** | | | | |
| This action executes City Council policy and proactively manages the City's pension obligations. | | | | |
| 2. Credit Card Cost Recovery | - | (467,263) | - | (467,263) |
| This ongoing action reflects reduced payment processing costs associated with utility bill payments by shifting credit card service fees to users who choose that payment method. (Ongoing savings: $467,263) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 3. Meter Reader Vacancy Reduction | (1.32) | (188,892) | - | (188,892) |
| This action eliminates 3.00 FTE vacant Meter Reader positions and a 1.00 FTE Meter Reader-Lead, reflecting reduced staffing needs and aligning resources with current operational requirements. (Ongoing savings: $199,100) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 4. Utilities Staffing Realignment Following AMI Deployment | (1.35) | (72,171) | - | (72,171) |
| This action eliminates 3.00 FTE General Laborers and a 1.00 FTE Meter Reader following completion of the Advanced Metering Infrastructure (AMI) rollout, reflecting reduced need for manual meter reading. (Ongoing savings: $145,900) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 5. Fleet Fuel Contract Reduction | - | (23,939) | - | (23,939) |
| This action reduces the Utilties Department share of the citywide fleet fuel contract based on historical usage trends. By right-sizing the contract to reflect actual consumption patterns, the department generates General Fund savings without impacting the availability of specialized equipment. | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| 6. Urban Forestry Cost Alignment with Electric Operations | 0.23 | 49,184 | - | 49,184 |
| This action reallocates a portion of Urban Forestry staffing costs from the General Fund to the Electric Fund to better align expenditures with the services provided. (Ongoing savings: $49,184) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 7. Resiliency and Reliability Strategic Plan Support | - | 100,000 | - | 100,000 |
| This one-time action funds a temporary position to support implementation of the Resiliency and Reliability Strategic Plan. The position will expand community outreach, develop educational resources, and help identify opportunities to reduce barriers to adopting distributed energy technologies such as solar, battery storage, demand response, and vehicle-to-grid systems. (Ongoing cost: $0) | | | | |
| **Performance Results** | | | | |
| This action supports broader community use of clean energy technologies. | | | | |



CITY OF
PALO
ALTO

# FIBER OPTICS FUND

## Description

In 1996, the City built a dark fiber ring around Palo Alto capable of supporting multiple network developers and service providers with significant growth potential. The fiber backbone network was routed to pass by and provide access to key City facilities and the Palo Alto business community, including research centers and commercial properties.

Dark fiber optics service consists of providing the fiber optics cabling, splice points, service connections, and other infrastructure providing high-capacity bandwidth needed to transport large quantities of data. This service excludes the transmitters, receivers, and data itself, which are owned and operated by each customer.

## Accomplishments

- Migrated legacy data to a new fiber management system (FMS), enhancing efficiency in planning, design, construction, and management of the City's fiber network.
- Completed construction of the fiber backbone for the Foothills Wildfire Mitigation Project, with an additional 21,000 feet underground, increasing total footage for the project from 14,000 feet to 35,000 feet, and improving reliability and communication for citywide facilities.
- Completed make-ready construction and installed aerial fiber cable in the Fiber-To-The-Premises "FTTP" pilot area, passing approximate 850 residences.
- Completed the installation and activation of fiber distribution hubs and fiber hut to enable service activation in the Fiber-To-The-Premises (FTTP) pilot area.
- Completed the implementation of a new operational and business support system (OSS/BSS) to facilitate fiber internet services, including the publication of its fully integrated customer interest card.
- Developed and implemented compliance and regulatory plans for fiber broadband internet, including service agreements.

## Initiatives

- Integrate the new Fiber Management System (FMS) with the Utilities departmental GIS system to enhance visibility of the fiber backbone and improve inter-utility collaboration.
- Modernize our dark fiber business by refining and aligning existing business processes for continuous improvement, leveraging synergy with ongoing fiber internet initiatives.

- Conduct cost of services and market analyses to update and strengthen our dark fiber service offerings, incorporating insights from fiber internet initiatives.
- Complete design updates for the fiber backbone master plan to incorporate new rebuild and expansion strategies, increasing capacity and ensuring future readiness.
- Develop and implement new business processes and training materials to adopt new systems and meet compliance requirements for fiber internet services.
- Market and boost subscription of Palo Alto Fiber internet to residents in the pilot area and provide metrics to assess progress of fiber-to-the-premises (FTTP).

# Goals and Objectives

## Goal 1

Expand capacity and enhance reliability of the City's fiber network.

### Objectives:

- Ensure sufficient fiber optic cables are available to meet future City and customer needs.
- Reinvest and make system enhancements to prevent damage from outside sources and improve reliability.

## Goal 2

- Increase the value of fiber utility services to customers through the City's Fiber-to-the-Premise (FTTP) business.

### Objectives:

- Provide high-quality, competitively priced fiber optic utility services to City departments and commercial customers in the City of Palo Alto.
- Manage costs and add new dark fiber license agreements with commercial customers.
- Offer affordable, fast, reliable and secure internet service to residents and businesses.

# Key Performance Measures

## CUSTOMER SATISFACTION

| | |
|---|---|
| Goal | Provide excellent customer service. |
| Objective | Provide high-quality and competitively-priced fiber optic utility services to City departments and commercial customers in the City of Palo Alto. |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Number of fiber connections | 158 | 161 | 170 | 165 | 174 |
| Description | This measure shows the growth of the Fiber Enterprise based on customers and connections. Estimates are based on analyzing the number of upcoming developments, anticipating how many customers would sign on for Fiber, and taking into account how many existing connections may result in disconnections such as companies leaving. Some customers may also have multiple fiber connections at various locations. | | | | |
| Purpose | The purpose of this measure is to add value to companies doing business in Palo Alto by providing a cost-effective, world class telecommunications system. The goal is to build out and fully leverage the fiber network to add value to the business and other communities as needed. | | | | |
| Status | The Fiber enterprise Utility has 127 commercial customer connections and 34 City customer connections. As part of the City's fiber expansion project, there will be opportunities to add new dark fiber leasing to commercial customers in areas where the existing dark fiber ring does not serve. | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Number of Customer Accounts (Fiber) | 45 | 31 | 39 | 32 | 32 |
| Number of Wholesale re-sellers | 12 | 10 | 14 | 10 | 10 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Fiber Optics Administration | 3,170,588 | 177,696 | 1,141,324 | 1,086,396 | (54,928) | (4.8)% |
| Fiber Optics Customer Service | 755,074 | 846,232 | 2,320,319 | 2,276,746 | (43,573) | (1.9)% |
| Fiber Optics Operations and Maintenance | 1,692,394 | 2,231,615 | 2,148,025 | 2,818,000 | 669,975 | 31.2% |
| CIP Fiber Optics Fund | 1,942,645 | 4,023,004 | 17,462,676 | 16,096,534 | (1,366,141) | (7.8)% |
| **Total Dollars by Division** | **7,560,700** | **7,278,547** | **23,072,344** | **22,277,676** | **(794,668)** | **(3.4)%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 133,527 | 103,116 | 234,969 | 194,151 | (40,818) | (17.4)% |
| Other Benefits | 27,459 | 31,653 | 48,510 | 43,507 | (5,003) | (10.3)% |
| Overtime | 49,615 | 47,291 | 31,188 | 31,812 | 624 | 2.0% |
| Pension | 524,182 | 796,115 | 776,067 | 580,029 | (196,039) | (25.3)% |
| Retiree Medical | 5,937 | 3,036 | — | — | — | —% |
| Salary | 1,031,184 | 1,240,612 | 1,953,426 | 1,538,844 | (414,582) | (21.2)% |
| Workers' Compensation | 28,269 | 32,236 | 56,188 | 58,991 | 2,803 | 5.0% |
| **Total Salary and Benefits** | **1,800,174** | **2,254,059** | **3,100,348** | **2,447,333** | **(653,015)** | **(21.1)%** |
| Contract Services | 218,822 | 241,514 | 1,229,496 | 2,047,996 | 818,500 | 66.6% |
| Supplies & Material | 17,503 | 15,243 | 254,400 | 665,400 | 411,000 | 161.6% |
| General Expense | 8,902 | 4,092 | 13,085 | 17,086 | 4,000 | 30.6% |
| Rents & Leases | 82,350 | 83,900 | 268,754 | 273,041 | 4,287 | 1.6% |
| Allocated Charges | 537,145 | 708,738 | 1,011,782 | 995,231 | (16,551) | (1.6)% |
| Transfer to Infrastructure | — | 11,650 | — | — | — | —% |
| Operating Transfers-Out | 3,112,838 | 104,090 | 102,176 | 102,176 | — | —% |
| Capital Improvement Program | 1,782,967 | 3,855,260 | 17,092,302 | 15,729,413 | (1,362,889) | (8.0)% |
| **Total Dollars by Category** | **7,560,700** | **7,278,547** | **23,072,344** | **22,277,676** | **(794,668)** | **(3.4)%** |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Charges for Services | 11,435 | 15,272 | — | — | — | —% |
| Charges to Other Funds | — | 112,697 | — | — | — | —% |
| From Other Agencies | — | 62 | — | — | — | —% |
| Net Sales | 3,892,360 | 3,742,901 | 3,606,769 | 4,443,669 | 836,900 | 23.2% |
| Operating Transfers-In | — | 46,695 | 68,300 | — | (68,300) | (100.0)% |
| Other Revenue | 105 | 86,055 | 200,000 | — | (200,000) | (100.0)% |
| Return on Investments | 871,307 | 805,758 | 913,350 | 1,084,578 | 171,228 | 18.7% |
| **Total Revenues** | **4,775,207** | **4,809,440** | **4,788,419** | **5,528,247** | **739,828** | **15.5%** |
| **Positions by Division** | | | | | | |
| Fiber Optics Customer Service | 5.38 | 5.38 | 5.08 | 5.08 | — | —% |
| Fiber Optics Operations and Maintenance | 3.88 | 3.88 | 3.88 | 4.58 | 0.70 | 18.0% |
| CIP Fiber Optics Fund | 1.29 | 1.29 | 1.24 | 1.24 | — | —% |
| **Total Positions by Division** | **10.55** | **10.55** | **10.20** | **10.90** | **0.70** | **6.9%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Administrative Associate II | 0.20 | 0.20 | 0.20 | — | (0.20) | — |
| Assistant Director Utilities Customer Support Services | 1.20 | 1.20 | 1.00 | 1.20 | 0.20 | 337,694 |
| Assistant Director Utilities Engineering | 0.05 | 0.05 | — | — | — | — |
| Assistant Director Utilities Operations | — | — | 0.10 | 0.10 | — | 31,932 |
| Business Analyst | 0.10 | 0.10 | — | — | — | — |
| Electric Project Engineer | 0.95 | 0.95 | 0.95 | 0.95 | — | 207,836 |
| Manager Information Technology | 1.00 | 1.00 | 1.00 | 1.00 | — | 186,992 |
| Manager Utilities Compliance | 0.10 | 0.10 | 0.10 | 0.10 | — | 25,033 |
| Manager Utilities Credit & Collection | 0.40 | 0.40 | 0.40 | 0.40 | — | 91,803 |
| Manager Utilities Telecommunications | 3.00 | 3.00 | 2.90 | 2.90 | — | 608,926 |
| Senior Electrical Engineer | 0.05 | 0.05 | 0.05 | 0.05 | — | 13,245 |
| Senior Marketing Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | 171,350 |
| Street Light, Traffic Signal & Fiber Technician | 1.00 | 1.00 | 1.00 | 1.00 | — | 177,757 |
| Street Light, Traffic Signal & Fiber-Lead | 0.75 | 0.75 | 0.75 | 0.75 | — | 142,584 |
| Utilities Locator | 0.03 | 0.03 | 0.03 | 0.03 | — | 4,349 |
| Utilities Supervisor | — | — | — | 0.70 | 0.70 | 156,986 |
| **Subtotal: Full-Time Equivalent Positions** | **9.83** | **9.83** | **9.48** | **10.18** | **0.70** | **$2,156,487** |
| Temporary/Hourly | 0.72 | 0.72 | 0.72 | 0.72 | — | $78,684 |
| **Total Positions** | **10.55** | **10.55** | **10.20** | **10.90** | **0.70** | **$2,235,171** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **10.20** | **23,072,344** | **4,788,419** | **18,283,925** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| None | | | | - |
| **One-Time Prior Year Budget Adjustments** | **-** | **-** | **-** | **-** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | - | 51,895 | - | 51,895 |
| Subscriber Revenues | - | - | 636,900 | (636,900) |
| Return on Investments | - | 4,000 | 171,228 | (167,228) |
| Rents & Leases Expenditure Alignment | - | 4,287 | - | 4,287 |
| Staff Reallocation | 0.70 | 217,845 | - | 217,845 |
| Fiber-to-the-Premises Equipment Operations & Maintenance | - | 1,284,352 | - | 1,284,352 |
| Capital Improvement Program | - | (1,366,246) | (68,300) | (1,297,946) |
| General Fund Cost Allocation Plan | - | (48,615) | - | (48,615) |
| Liability Insurance Allocated Charges | - | 32,545 | - | 32,545 |
| Utilities Administration Allocated Charges | - | 2,876 | - | 2,876 |
| Workers' Compensation Allocated Charges | - | 2,803 | - | 2,803 |
| **Adjustments to Costs of Ongoing Activities** | **0.70** | **185,742** | **739,828** | **(554,086)** |
| **Total FY 2027 Base Budget** | **10.90** | **23,258,086** | **5,528,247** | **17,729,839** |
| **Budget Adjustments** | | | | |
| 1. Fiber Fund Vacancy Freeze | - | (930,558) | - | (930,558) |
| 2. Section 115 Dispersal to CalPERS for ADC and ADP | - | (54,852) | - | (54,852) |
| 3. Credit Card Cost Recovery | - | 5,000 | - | 5,000 |
| **Total Budget Adjustments** | **-** | **(980,410)** | **-** | **(980,410)** |
| **Total FY 2027 Adopted Budget** | **10.90** | **22,277,676** | **5,528,247** | **16,749,429** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| 1. Fiber Fund Vacancy Freeze | - | (930,558) | - | (930,558) |
| This action freezes 3.00 FTE vacant positions in the Fiber Fund, deferring hiring while maintaining current service levels. Utilities will utilize existing staff and limited contract support to meet operational needs on an as-needed basis. Positions are proposed to remain frozen pending further evaluation of the fiber program, including performance and expansion considerations, to ensure staffing levels align with long-term service strategy. (Ongoing savings: $0) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 2. Section 115 Dispersal to CalPERS for ADC and ADP | - | (54,852) | - | (54,852) |
| This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $54,852) | | | | |
| **Performance Results** | | | | |
| This action executes City Council policy and proactively manages the City's pension obligations. | | | | |
| 3. Credit Card Cost Recovery | - | 5,000 | - | 5,000 |
| This ongoing action reflects reduced payment processing costs associated with utility bill payments by shifting credit card service fees to users who choose that payment method. While most funds reflect reduced costs, the Fiber Fund will see a modest increase as credit card processing fees are newly recognized. (Ongoing cost: $5,000) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |

# GAS FUND

## Description

The municipal natural gas system began operations in 1917 when Palo Alto acquired a privately-owned gas business. During the early years, gas was manufactured from coal tar. Gas supplied by coal tar was replaced in the 1920s by natural gas supplied from Pacific Gas and Electric (PG&E). Today, all gas for the City of Palo Alto is purchased from PG&E. The Gas Utility is responsible for planning, designing, and budgeting the operations, maintenance, and constructing major capital improvements for the City's gas distribution system.

## Accomplishments

- Started construction of the Gas Main Replacement Project 25 (GS-15000) project to replace 25,500 linear feet of gas mains and natural gas service pipelines made of steel and Polyvinyl Chloride (PVC) and steel material. This project was also selected for the Natural Gas Distribution Infrastructure Safety and Modernization (NGDISM) grant and is 100% grant funded.
- Launched new Palo Alto education and rebate program for induction cooktops to replace gas stoves.
- Updated the common and gas-specific technical standards as part of the 2026 Water Gas & Wastewater Utility Standards.
- Achieved total gas efficiency savings in commercial buildings of 56,000 therms/year.
- Developed a preliminary natural gas analysis of strategies for a physical and financial transition of the gas utility

## Initiatives

- Continue construction of the Gas Main Replacement Project 25 (GS-15000) project to replace 25,500 linear feet of gas mains and natural gas service pipelines made of steel and Polyvinyl Chloride (PVC) and steel material. This project was also selected for the Natural Gas Distribution Infrastructure Safety and Modernization (NGDISM) grant and is 100% grant funded.
- Retrofit the remaining 1,000 gas meters to make them AMI-compatible.
- Continue phase IV of the cross-bore verification program to inspect remaining 500+ sewer laterals throughout the City.
- Complete design of the Gas Main Replacement Project 26 (GS-16000) project to replace 26,000 linear feet of gas mains and natural gas service pipelines made of steel and Polyvinyl Chloride (PVC) and steel material.
- Start the construction of the Gas Line Repair at Arastradero Creek (GS-25001) to replace the existing 8" steel gas main that was exposed during heavy rains.
- Convert at least 50 gas stoves to electric or induction cooktops.

# Goals and Objectives

## Goal 1

Provide safe and efficient delivery of natural gas to customers.

### Objectives:

- Continue repairing 100 percent of laterals damaged by crossbore within 24 hours and complete inspection of the remaining 951 sewer laterals.
- Remove and replace the remaining Polyvinyl Chloride (PVC) pipe with Polyethylene (PE) pipe.
- Complete a mobile gas leak survey of all distribution mains annually and complete a walking gas leak survey of all gas services, for 50 percent of the City, each year. Complete a walking leak survey of all gas services within business districts each year.

## Goal 2

Increase environmental sustainability and promote efficient use of natural gas resources.

### Objectives:

- Reduce the carbon intensity of the gas portfolio in accordance with the Sustainability and Climate Action Plan (S/CAP) using offsets.

# Key Performance Measures

### CUSTOMER SATISFACTION

| | | | | | |
|---|---|---|---|---|---|
| Goal | Provide excellent customer service. | | | | |
| Objective | Maintain a high level of customer satisfaction, equal to or greater than 83 percent of Palo Alto citizens rating satisfaction of utility services as "Excellent" or "Good" in the Palo Alto Community Survey. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of residents surveyed who rate the quality of the Gas Utility as "Good" or "Excellent" | 72% | 75% | 76% | 77% | 77% |
| Description | This data is collected as part of the Palo Alto Community Survey that is conducted annually. | | | | |
| Purpose | To get feedback on whether customers are satisfied with the nature, extent and delivery of services provided, using random-selection survey processes that include a good cross-section of the customer base. | | | | |
| Status | The most recent Palo Alto Community Survey was completed in October 2025. The full report can be found on the City website: https://www.paloalto.gov/Departments/City-Manager/Community-Engagement/Palo-Alto-Community-Survey | | | | |

# Key Performance Measures

## GAS LEAKS REPAIRED

| | | | | | |
|---|---|---|---|---|---|
| Goal | Provide safe and efficient delivery of natural gas to customers. | | | | |
| Objective | Respond to and repair all Grade 1 gas leaks immediately. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percentage of Grade 1 leaks responded to within 24 hours | 100% | 100% | 100% | 100% | 100% |
| Description | This measures the total response time to Grade 1 leaks found during the walking and mobile (vehicle) surveys and any reported leaks classified as Grade 1. The City's policy is to respond and repair Grade 1 leaks within 24 hours. Grade 1 leaks are hazardous leaks that pose an immediate hazard to persons or property and require continuous action until conditions are no longer hazardous. | | | | |
| Purpose | Leaks are assigned priority gradings according to location, extent of migration, gas concentration, potential for concentration, ignition sources, and potential hazard to the public and property. These priority grades are intended only as guidelines. | | | | |
| Status | Utilities Operations responds immediately to Grade 1 leaks. The average repair time can vary depending on the size and location of the gas leak. | | | | |

# Key Performance Measures

## GAS SAFETY

| | |
|---|---|
| Goal | Provide safe and efficient delivery of natural gas to our customers. |
| Objective | Complete a walking gas leak survey for 50 percent of the City and a mobile gas leak survey of services in business districts and 100 percent of the City's gas mains on an annual basis. |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Percentage of gas system surveyed by mobile (vehicle) | 100% | 100% | 100% | 100% | 100% |
| Percentage of gas system surveyed by walking | 100% | 100% | 100% | 100% | 100% |
| Description | A walking survey is conducted to check for gas leaks on service/gas meters and covers one-half of the City (approximately 105 miles of gas mains and 36 miles of service lines) every year, so that the entire City's gas service system can be reviewed in a two-year period. The Federal Department of Transportation (DOT) regulations require a survey of the entire City once every five years. In addition to a walking survey, a mobile (vehicle) survey of all gas mains and some gas service lines (services in the business district) are conducted annually. | | | | |
| Purpose | To ensure the safety of all who live and work in Palo Alto and to comply with Federal DOT requirements. | | | | |
| Status | The 2026 mobile survey is completed; however, the 2026 survey by walking is in progress and will be completed in December 2026. | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Number of Customer Accounts (Gas) | 23,103 | 23,843 | 23,818 | 23,843 | 23,843 |
| Number of gas leaks repaired | 46 | 77 | 75 | 78 | 77 |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Gas Administration | 12,867,228 | 16,313,026 | 16,383,968 | 17,373,450 | 989,482 | 6.0% |
| Gas Customer Service | 2,265,681 | 2,339,738 | 2,604,516 | 2,111,143 | (493,374) | (18.9)% |
| Gas Demand Side Management | 559,960 | 1,871,846 | 5,257,850 | 4,391,267 | (866,583) | (16.5)% |
| Gas Engineering (Operating) | 703,802 | 781,572 | 905,284 | 921,707 | 16,423 | 1.8% |
| Gas Operations and Maintenance | 8,253,937 | 8,116,918 | 9,037,918 | 9,640,255 | 602,336 | 6.7% |
| Gas Resource Management | 23,711,531 | 20,132,519 | 27,370,124 | 24,618,516 | (2,751,609) | (10.1)% |
| CIP Gas Fund | 5,102,581 | 9,127,140 | 24,285,734 | 25,879,929 | 1,594,195 | 6.6% |
| **Total Dollars by Division** | **53,464,720** | **58,682,760** | **85,845,395** | **84,936,266** | **(909,129)** | **(1.1)%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 1,041,973 | 1,051,408 | 1,248,860 | 1,290,445 | 41,585 | 3.3% |
| Other Benefits | 190,316 | 179,200 | 170,795 | 215,713 | 44,918 | 26.3% |
| Overtime | 468,723 | 407,058 | 242,172 | 247,016 | 4,843 | 2.0% |
| Pension | 3,526,120 | 3,095,081 | 3,064,381 | 2,782,084 | (282,297) | (9.2)% |
| Retiree Medical | 628,678 | 781,822 | 937,588 | 1,051,913 | 114,325 | 12.2% |
| Salary | 5,578,744 | 7,048,677 | 8,325,569 | 8,948,784 | 623,215 | 7.5% |
| Workers' Compensation | 200,583 | 131,507 | 225,915 | 262,544 | 36,630 | 16.2% |
| **Total Salary and Benefits** | **11,635,138** | **12,694,753** | **14,215,280** | **14,798,499** | **583,218** | **4.1%** |
| Utility Purchase | 22,772,125 | 19,158,641 | 26,141,439 | 23,527,632 | (2,613,807) | (10.0)% |
| Contract Services | 434,066 | 1,361,701 | 2,426,646 | 1,936,483 | (490,163) | (20.2)% |
| Supplies & Material | 428,580 | 383,480 | 546,816 | 554,185 | 7,369 | 1.3% |
| General Expense | 470,162 | 585,980 | 3,653,532 | 2,674,582 | (978,950) | (26.8)% |
| Rents & Leases | 698,250 | 730,500 | 762,412 | 899,591 | 137,179 | 18.0% |
| Debt Service | 68,674 | 22,358 | 802,615 | 802,615 | — | —% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Facilities & Equipment | 1,411 | 8,377 | 1,840 | 1,840 | — | —% |
| Allocated Charges | 4,705,604 | 4,798,323 | 6,208,188 | 6,294,514 | 86,326 | 1.4% |
| Transfer to Infrastructure | — | 60,990 | — | — | — | —% |
| Operating Transfers-Out | 235,630 | 186,321 | 181,000 | 186,400 | 5,400 | 3.0% |
| Equity Transfer | 8,215,000 | 10,917,629 | 9,735,000 | 10,700,000 | 965,000 | 9.9% |
| Capital Improvement Program | 3,800,079 | 7,773,707 | 21,170,627 | 22,559,926 | 1,389,299 | 6.6% |
| **Total Dollars by Category** | **53,464,720** | **58,682,760** | **85,845,395** | **84,936,266** | **(909,129)** | **(1.1)%** |
| **Revenues** | | | | | | |
| Charges for Services | 39,508 | 44,859 | 20,000 | 20,000 | — | —% |
| Charges to Other Funds | 108,167 | 108,167 | 108,167 | 108,167 | — | —% |
| From Other Agencies | (0) | 584,955 | 8,000,000 | 16,019,879 | 8,019,879 | 100.2% |
| Net Sales | 53,670,632 | 58,599,812 | 73,655,500 | 77,695,897 | 4,040,397 | 5.5% |
| Operating Transfers-In | 900,510 | 196,688 | 367,200 | 1,366,372 | 999,172 | 272.1% |
| Other Revenue | 362,245 | 639,180 | 514,210 | 614,210 | 100,000 | 19.4% |
| Permits and Licenses | — | — | — | — | — | —% |
| Return on Investments | 701,607 | 763,129 | 829,630 | 976,891 | 147,261 | 17.8% |
| **Total Revenues** | **55,782,669** | **60,936,790** | **83,494,707** | **96,801,415** | **13,306,708** | **15.9%** |
| **Positions by Division** | | | | | | |
| Gas Customer Service | 9.88 | 9.90 | 9.90 | 6.47 | (3.43) | (34.6)% |
| Gas Demand Side Management | 1.04 | 1.76 | 1.79 | 3.77 | 1.98 | 110.6% |
| Gas Engineering (Operating) | 1.85 | 1.85 | 1.85 | 1.85 | — | —% |
| Gas Operations and Maintenance | 27.90 | 28.40 | 30.86 | 30.93 | 0.07 | —% |
| Gas Resource Management | 2.39 | 2.39 | 2.39 | 1.99 | (0.40) | (16.7)% |
| CIP Gas Fund | 11.81 | 11.81 | 11.81 | 11.81 | — | —% |
| **Total Positions by Division** | **54.86** | **56.10** | **58.59** | **56.81** | **(1.78)** | **(3.0)%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Account Specialist | 0.23 | 0.23 | 0.23 | 0.23 | — | 24,542 |
| Administrative Assistant | — | — | 0.75 | 0.75 | — | 73,320 |
| Administrative Associate II | 0.60 | 0.60 | 0.60 | 0.80 | 0.20 | 82,218 |
| Assistant Director Administrative Services | 0.05 | 0.05 | 0.05 | 0.05 | — | 13,733 |
| Assistant Director Sustainability and Climate Action | 0.30 | 0.30 | 0.30 | 0.30 | — | 88,858 |
| Assistant Director Utilities Customer Support Services | 0.20 | 0.20 | 0.20 | 0.20 | — | 59,297 |
| Assistant Director Utilities Engineering | 0.20 | 0.20 | 0.20 | 0.20 | — | 59,001 |
| Assistant Director Utilities Operations | 0.15 | 0.15 | 0.15 | 0.15 | — | 47,898 |
| Assistant Director Utilities/ Resource Management | 0.20 | 0.20 | 0.20 | 0.20 | — | 54,708 |
| Associate Sustainability Program Administrator | 0.10 | 0.10 | 0.10 | 0.24 | 0.14 | 28,275 |
| Business Analyst | 1.05 | 1.05 | 1.05 | 1.05 | — | 209,140 |
| Cathodic Protection Technician Assistant | 1.00 | 1.00 | — | — | — | — |
| Cathodic Technician | 1.00 | 1.00 | 2.00 | 2.00 | — | 362,003 |
| Cement Finisher | 0.68 | 0.68 | 0.68 | 0.68 | — | 84,850 |
| Contracts Administrator | 0.10 | 0.10 | 0.10 | 0.10 | — | 16,517 |
| Coordinator Utilities Projects | 1.26 | 1.53 | 1.53 | 1.53 | — | 227,478 |
| Customer Service Representative | 1.87 | 1.87 | 1.87 | 1.87 | — | 192,457 |
| Customer Service Specialist | 0.68 | 0.68 | 0.68 | 0.59 | (0.09) | 66,612 |
| Customer Service Specialist-Lead | 0.58 | 0.58 | 0.58 | 0.58 | — | 69,971 |
| Engineer | 2.00 | 2.00 | 2.00 | 2.00 | — | 387,005 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Engineering Manager - Electric | 0.15 | 0.15 | 0.15 | 0.15 | — | 43,717 |
| Engineering Manager - WGW | 0.33 | 0.33 | 0.33 | 0.33 | — | 88,374 |
| Engineering Technician III | 0.70 | 0.70 | 0.70 | 0.70 | — | 93,461 |
| Environmental Specialist | 0.17 | 0.17 | 0.17 | 0.17 | — | 27,086 |
| Equipment Operator | — | — | 0.65 | 0.65 | — | 79,565 |
| Gas and Water Meter Measurement and Control Technician | 3.40 | 3.90 | 3.90 | 3.90 | — | 601,505 |
| Gas and Water Meter Measurement and Control Technician - Lead | 0.80 | 0.80 | 0.80 | 0.80 | — | 86,944 |
| Heavy Equipment Operator - Install/Repair | 0.65 | 0.65 | 0.65 | 0.65 | — | 95,285 |
| Inspector, WGW Utilities Field Svc | 2.13 | 2.13 | 2.79 | 2.79 | — | 452,185 |
| Maintenance Mechanic-Welding | 1.00 | 1.00 | 1.00 | 1.00 | — | 147,784 |
| Manager Customer Service | 0.33 | 0.33 | 0.33 | 0.33 | — | 57,946 |
| Manager Environmental Control Program | 0.17 | 0.17 | 0.17 | 0.17 | — | 35,639 |
| Manager Treasury, Debt & Investments | 0.10 | 0.10 | 0.10 | 0.10 | — | 19,737 |
| Manager Utilities Compliance | 0.25 | 0.25 | 0.25 | 0.25 | — | 62,582 |
| Manager Utilities Credit & Collection | 0.15 | 0.15 | 0.15 | 0.15 | — | 34,426 |
| Manager Utilities Operations WGW | 0.20 | 0.20 | 0.20 | 0.20 | — | 49,504 |
| Manager Utilities Program Services | 0.30 | 0.30 | 0.30 | 0.63 | 0.33 | 111,384 |
| Meter Reader | 1.65 | 1.65 | 1.65 | 0.33 | (1.32) | 35,707 |
| Meter Reader-Lead | 0.33 | 0.33 | 0.33 | — | (0.33) | — |
| Principal Business Analyst | 0.33 | 0.33 | 0.33 | 0.33 | — | 71,338 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Program Assistant I | 0.33 | 0.33 | 0.33 | — | (0.33) | — |
| Project Engineer | 1.00 | 1.00 | 1.00 | 1.00 | — | 208,042 |
| Resource Planner | 0.60 | 0.60 | 0.60 | 0.60 | — | 111,896 |
| Restoration Lead | 0.43 | 0.43 | 0.43 | 0.43 | — | 67,277 |
| Senior Business Analyst | 0.99 | 0.99 | 0.99 | 0.99 | — | 186,522 |
| Senior Engineer | 2.35 | 2.35 | 2.35 | 2.35 | — | 568,080 |
| Senior Mechanic | 0.33 | 0.33 | 0.33 | 0.33 | — | 50,492 |
| Senior Resource Planner | 0.80 | 0.80 | 0.80 | 0.52 | (0.28) | 111,896 |
| Senior Utilities Field Service Representative | 0.41 | 0.41 | 0.41 | 0.41 | — | 62,493 |
| Substation Electrician | 0.25 | 0.25 | 0.25 | 0.25 | — | 48,438 |
| Sustainability Programs Administrator | 0.30 | 0.30 | 0.30 | 1.43 | 1.13 | 218,083 |
| Utilities Engineer Estimator | 0.73 | 0.73 | 0.73 | 0.73 | — | 123,233 |
| Utilities Field Services Representative | 1.75 | 1.75 | 1.75 | 1.75 | — | 249,558 |
| Utilities Install Repair-Lead-Welding Certified | 0.77 | 0.77 | 0.77 | 0.77 | — | 127,872 |
| Utilities Install Repair-Welding Certified | 1.43 | 1.43 | 1.43 | 1.43 | — | 196,050 |
| Utilities Install/Repair | 4.56 | 4.56 | 4.56 | 4.56 | — | 668,678 |
| Utilities Install/Repair Assistant | 0.65 | 0.65 | — | — | — | — |
| Utilities Install/Repair-Lead | 1.93 | 1.93 | 1.27 | 1.27 | — | 202,901 |
| Utilities Key Account Representative | 0.50 | 0.50 | 0.50 | 0.26 | (0.24) | 41,003 |
| Utilities Locator | 0.29 | 0.29 | 0.29 | 0.29 | — | 42,037 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Utilities Safety Officer | 0.20 | 0.20 | 0.20 | 0.20 | — | 34,570 |
| Utilities Supervisor | 2.12 | 2.12 | 2.12 | 2.12 | — | 448,830 |
| Utilities System Analyst | 0.59 | 0.59 | 0.59 | 0.59 | — | 117,517 |
| Water System Operator II | 0.66 | 0.66 | 0.66 | 0.66 | — | 88,395 |
| WGW Heavy Equipment Operator | 2.50 | 2.50 | 2.50 | 2.50 | — | 365,612 |
| **Subtotal: Full-Time Equivalent Positions** | **51.86** | **52.63** | **53.38** | **52.59** | **(0.79)** | **$8,681,527** |
| Temporary/Hourly | 3.00 | 3.47 | 5.21 | 4.22 | (0.99) | $384,781 |
| **Total Positions** | **54.86** | **56.10** | **58.59** | **56.81** | **(1.78)** | **$9,066,309** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **58.59** | **85,845,395** | **83,494,707** | **2,350,688** |
| **One-time Prior Year Budget Adjustments** | | | | |
| Sustainability and Climate Action Plan (S/CAP) Electrification and Climate Programs | - | (1,280,000) | - | (1,280,000) |
| Transfer Excess Technology Reserve from the Technology Fund | - | - | (149,800) | 149,800 |
| Transfer Excess Benefit Savings from the General Benefits Fund | - | - | (217,400) | 217,400 |
| **One-time Prior Year Budget Adjustments** | **-** | **(1,280,000)** | **(367,200)** | **(912,800)** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | 0.86 | 1,099,100 | - | 1,099,100 |
| Gas Customer Sales Revenue Adjustments | - | - | 4,040,397 | (4,040,397) |
| Utility Purchases | - | (2,613,807) | - | (2,613,807) |
| Transfer from WWC and Water Funds (GS-25001: Gas Line Repair at Arastradero Creek) | - | - | 1,366,372 | (1,366,372) |
| Return on Investments | - | - | 147,261 | (147,261) |
| Safety and Compliance Funding | - | (17,723) | - | (17,723) |
| Transfer to Water Fund (WS-02014: Water, Gas, Wastewater Utility GIS Data) | - | 5,400 | - | 5,400 |
| Gas Leak Survey Contract Adjustment | - | 28,000 | - | 28,000 |
| Rents & Leases Expenditure Alignment | - | 137,179 | - | 137,179 |
| Equity Transfer to the General Fund | - | 965,000 | - | 965,000 |
| Capital Improvement Program | - | 1,389,299 | 8,119,879 | (6,730,580) |
| General Fund Cost Allocation Plan | - | (110,094) | - | (110,094) |
| Landscape Maintenance Allocated Charges | - | 441 | - | 441 |
| Liability Insurance Allocated Charges | - | 103,833 | - | 103,833 |
| Printing & Mailing Allocated Charges | - | 2,364 | - | 2,364 |
| Utilities Administration Allocated Charges | - | 93,859 | - | 93,859 |
| Vehicle Replacement & Maintenance Allocated Charges | - | 14,775 | - | 14,775 |
| Workers' Compensation Allocated Charges | - | 36,630 | - | 36,630 |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Adjustments to Costs of Ongoing Activities** | **0.86** | **1,134,257** | **13,673,909** | **(12,539,651)** |
| **Total FY 2027 Base Budget** | **59.45** | **85,699,653** | **96,801,415** | **(11,101,763)** |
| **Budget Adjustments** | | | | |
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (291,985) | | (291,985) |
| 2. Credit Card Cost Recovery | - | (192,039) | - | (192,039) |
| 3. Meter Reader Vacancy Reduction | (1.32) | (188,892) | - | (188,892) |
| 4. Utilities Staffing Realignment Following AMI Deployment | (1.32) | (71,635) | - | (71,635) |
| 5. Fleet Fuel Contract Reduction | | (18,836) | - | (18,836) |
| **Total Budget Adjustments** | **(2.64)** | **(763,386)** | **-** | **(763,386)** |
| **Total FY 2027 Adopted** | **56.81** | **84,936,266** | **96,801,415** | **(11,865,149)** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (291,985) | - | (291,985) |
| This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $291,985) | | | | |
| **Performance Results** | | | | |
| This action executes City Council policy and proactively manages the City's pension obligations. | | | | |
| 2. Credit Card Cost Recovery | - | (192,039) | - | (192,039) |
| This ongoing action reflects reduced payment processing costs associated with utility bill payments by shifting credit card service fees to users who choose that payment method. (Ongoing savings: $192,039) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 3. Meter Reader Vacancy Reduction | (1.32) | (188,892) | - | (188,892) |
| This action eliminates 3.00 FTE vacant Meter Reader positions and a 1.00 FTE Meter Reader-Lead, reflecting reduced staffing needs and aligning resources with current operational requirements. (Ongoing savings: $188,892) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 4. Utilities Staffing Realignment Following AMI Deployment | (1.32) | (71,635) | - | (71,635) |
| This action eliminates 3.00 FTE General Laborers and a 1.00 FTE Meter Reader following completion of the Advanced Metering Infrastructure (AMI) rollout, reflecting reduced need for manual meter reading. (Ongoing savings: $71,635) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 5. Fleet Fuel Contract Reduction | - | (18,836) | - | (18,836) |
| This action reduces the Utilties Department share of the citywide fleet fuel contract based on historical usage trends. By right-sizing the contract to reflect actual consumption patterns, the department generates General Fund savings without impacting the availability of specialized equipment. (Ongoing savings: $18,836) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |



CITY OF
PALO
ALTO

# WASTEWATER COLLECTION FUND

## Description

In 1898, Palo Alto approved $28,000 in bond money to fund construction of the City's first sewer network, which was completed in 1899. Private cesspools and privies were banned, and the City Health Officer had residents connected to the sewer system within a few years.

Wastewater Collection's staff is responsible for design, construction, operation, and maintenance of approximately 216 miles of sewer mains and approximate 18,000 City-owned laterals. Staff continues overlapping the design and construction elements of rehabilitation and augmentation projects. Wastewater Collection's priorities are: maintaining infrastructure reliability; identifying problems in mains and service laterals through expanded use of video technology; complying with all regulatory requirements; and maintaining its excellent safety record.

## Accomplishments

- Completed Lodge/Foothill Lift Station Pump Repairs which consisted of repairing Pump #1 and Pump #2 to restore lift station capacity.
- Purchased new portable generator for the Lodge/Foothill Lift Station to replace existing generator which was undersized.
- Completed 2025 Sanitary Sewer Master Plan Update. This plan will help guide future Capital Improvement Programs.
- Completed 60% design level sanitary sewer relocation drawings as part of the Arastradero Creek Rehabilitation Project permit submittal.
- Initiated a 3-Year CCTV Sanitary Sewer Mainline Inspection project to prioritize subsequent capital improvement projects.
- Issued an IFB for a 3-Year Sanitary Sewer Lateral Rehabilitation and Replacement project to rehabilitate laterals.
- Updated the common and wastewater-specific technical standards as part of the 2026 Water Gas & Wastewater Utility Standards.

# Initiatives

- Begin the Closed Circuit Television (CCTV) Sewer Main Inspection capital project (WC-26001). The Project will use CCTV to inspect approximately 70,000 linear feet of older sewer main per year for three years. Project will identify structural and root-related sewer issues to support optimizing future capital improvement projects.
- Issue competitive bid for the Sewer Lateral Replacement Project. The Project will replace approximately 70 lower sewer laterals per year for three years. Project will reduce know issues associated with inflow and infiltration into the sewer system and reduce potential for sewer overflows.
- Pilot Artificial Intelligence (AI) software to review WGW operations-generated CCTV data and produce scored defects reports. This initiative will reduce operations and engineering staff time reviewing CCTV data. Result of pilot will be used to evaluate licensing options to optimize this capability.

# Goals and Objectives

## Goal 1

Ensure the reliability and integrity of the City's sewer lateral systems by sustaining a comprehensive program of proactive cleaning, continuous monitoring, and prompt repair or replacement. This protects public health and the environment by minimizing the risk of sewer spills and service interruptions.

### Objectives:

- Developed and currently maintain a Computerized Maintenance Management System (CMMS) to track sewer lateral maintenance, inspection, and repair history to support data-driven decision-making.
- Establish a routine annual cleaning schedule for sewer laterals identified under the Sewer Overflow Alternative Program (SOAP).
- Educate property owners on proper sewer use (e.g., avoiding grease and wipes).
- Train staff on safety procedures and compliance requirements.

## Goal 2

Sustain a preventive maintenance program for City-owned gravity sewer mains, ensuring each mainline is systematically inspected and cleaned at least once every 36 months. This proactive strategy helps prevent blockages/overflows and extends the lifespan of the sewer infrastructure while aligning with the City's Sanitary Sewer Management Plan (SSMP)

### Objectives:

- Maintain an inventory of all City-owned sewer mains, including pipe length, diameter, material, and location, within a GIS-based system.
- Track and document all cleaning activities through a CMMS work order system to verify completion of the cleaning cycle.
- Identify and clean high-risk sewer mains more frequently than the standard 36-month cycle based on historical performance and condition.
- Ensure cleaning activities effectively remove debris and prevent blockages through periodic inspection and verification.

- Use maintenance data to refine cleaning frequencies, improve efficiency, and optimize the preventative maintenance program over time.

# Key Performance Measures

## CLAIMS

| | | | | | |
|---|---|---|---|---|---|
| Goal | To maintain City-owned gravity sewer mains on a regular preventative maintenance schedule, ensuring each mainline is cleaned at least once every 36 months in compliance with the City's Sanitary Sewer Management Plan (SSMP). | | | | |
| Objective | To clean approximately 92 miles of City-owned sewer mainlines annually as part of a preventive maintenance schedule, ensuring timely service, extending infrastructure lifespan, and reducing avoidable service interruptions and environmental impacts. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Number of miles of wastewater mains cleaned annually on our preventative maintenance schedule | 90 | 88 | 95 | 67 | 67 |
| Description | The City's preventative maintenance schedule is designed to aim for servicing approximately 92 miles of City-owned sewer mainlines each year. The City proactively cleans most gravity sewer mains on this 36-month interval except for trunk lines and certain lines located in easements, which follow different maintenance requirements. Pipes with historical maintenance issues—such as heavy fats, oils, and grease (FOG) deposition, known "hotspots," or high-frequency problem lines—are cleaned on a more frequent preventative schedule of every 3, 6, or 12 months. The City collects and analyzes maintenance records and condition assessment data during proactive and preventative cleaning, allowing cleaning frequencies for hotspot locations to be adjusted as needed, including seasonally (such as during holiday periods) or in areas with persistent FOG accumulation. This planned approach is intended to prevent blockages, reduce sewer spills, extend the service life of existing infrastructure, and support compliance with the City's Sanitary Sewer Management Plan (see 2025 SSMP Section 4.2.1). | | | | |
| Purpose | To protect public health and the environment by preventing blockages, reducing sewer spills, and ensuring the long-term reliability of the City's wastewater collection system through consistent, proactive mainline maintenance. | | | | |
| Status | The City did not meet it's 92 mile goal this fiscal year due to staffing constraints and turnover. The Wastewater Division has aging equipment, leading to constant equipment breakdowns. | | | | |

# Key Performance Measures

## MAINTAIN AND PROVIDE RELIABLE SERVICES

| | |
|---|---|
| Goal | To maintain reliable sewer lateral systems by reducing sewer spills, service interruptions, and environmental impacts through proactive cleaning, monitoring, and timely repair or replacement. |
| Objective | To complete yearly inspection and maintenance of sewer laterals identified under the Sewer Overflow Alternative Program (SOAP). |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Percentage of sewer laterals inspected annually under the Sewer Overflow Alternative Program (SOAP) | 100% | 100% | 100% | 80% | 95% |
| Description | The City's Sewer Overflow Alternative Program (SOAP) is a strategic initiative designed to proactively manage sewer laterals to minimize sewer spills. The City conducts inspections on sewer laterals with a history of stoppages or failures to ensure they receive targeted maintenance and monitoring to prevent future issues, enhance system reliability, and protect public health and safety. Problem laterals are placed on a 12-month cleaning cycle, and those with repeated service issues are added to the replacement/repair list. This structured approach ensures system reliability, reduces overflow incidents, and supports community resilience (see 2025 SSMP Section 4.2.3). | | | | |
| Purpose | To mitigate risks and impacts of sewer system spills, protect public health and the environment, and build a resilient and sustainable wastewater management system for the community. | | | | |
| Status | The City did not meet the goals this fiscal year due to inconsistent staffing. | | | | |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Number of Customer Accounts (Wastewater) | 22,429 | 22,612 | 22,482 | 22,612 | 22,612 |
| Percent of sewage spill responses within two hours | 100% | 100% | 95% | 100% | 100% |
| Percent of surveyed residents rating the quality of the Sewer Service as good/ excellent | 83% | 87% | 91% | 91% | 91% |
| Spills occurred from City owned sewer laterals and mainlines [Sewer Overflows] | 25 | 37 | 42 | 61 | 37 |
| Percent of miles of sewer lines replaced | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Wastewater Collection Administration | 2,672,451 | 2,700,537 | 3,328,814 | 3,877,551 | 548,737 | 16.5% |
| Wastewater Collection Customer Service | 462,512 | 505,090 | 555,613 | 532,432 | (23,181) | (4.2)% |
| Wastewater Collection Engineering (Operating) | 434,817 | 527,218 | 625,298 | 674,063 | 48,765 | 7.8% |
| Wastewater Collection Operations and Maintenance | 19,103,161 | 20,038,392 | 18,859,819 | 20,569,913 | 1,710,093 | 9.1% |
| CIP Wastewater Collection Fund | 10,710,773 | 2,753,443 | 3,744,453 | 8,873,179 | 5,128,726 | 137.0% |
| **Total Dollars by Division** | **33,383,712** | **26,524,679** | **27,113,998** | **34,527,138** | **7,413,140** | **27.3%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 560,087 | 547,340 | 623,960 | 660,645 | 36,685 | 5.9% |
| Other Benefits | 90,193 | 81,503 | 71,905 | 95,348 | 23,443 | 32.6% |
| Overtime | 289,906 | 282,783 | 189,311 | 193,097 | 3,786 | 2.0% |
| Pension | 1,838,429 | 1,582,782 | 1,552,050 | 1,409,820 | (142,230) | (9.2)% |
| Retiree Medical | 261,319 | 192,793 | 120,413 | 436,458 | 316,045 | 262.5% |
| Salary | 3,290,627 | 3,405,654 | 4,063,473 | 4,403,066 | 339,592 | 8.4% |
| Workers' Compensation | 99,958 | 68,520 | 117,028 | 134,647 | 17,618 | 15.1% |
| **Total Salary and Benefits** | **6,430,519** | **6,161,375** | **6,738,141** | **7,333,081** | **594,940** | **8.8%** |
| Utility Purchase | 13,803,392 | 15,485,882 | 13,812,322 | 15,219,642 | 1,407,320 | 10.2% |
| Contract Services | 148,393 | 87,051 | 271,406 | 269,406 | (2,000) | —% |
| Supplies & Material | 290,514 | 308,175 | 511,698 | 407,698 | (104,000) | (20.3)% |
| General Expense | 158,596 | 227,956 | 207,328 | 93,676 | (113,652) | (54.8)% |
| Rents & Leases | 394,424 | 403,500 | 422,304 | 473,770 | 51,466 | 12.2% |
| Debt Service | 5,910 | — | 129,001 | 129,001 | — | —% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Facilities & Equipment | 1,411 | 4,998 | 3,000 | 3,000 | — | —% |
| Allocated Charges | 2,356,954 | 2,016,274 | 3,601,378 | 3,575,855 | (25,523) | —% |
| Transfer to Infrastructure | — | 31,796 | — | — | — | —% |
| Operating Transfers-Out | 209,419 | 181,524 | 181,000 | 869,586 | 688,586 | 380.4% |
| Capital Improvement Program | 9,584,179 | 1,616,148 | 1,236,421 | 6,152,423 | 4,916,003 | 397.6% |
| **Total Dollars by Category** | **33,383,712** | **26,524,679** | **27,113,998** | **34,527,138** | **7,413,140** | **27.3%** |
| **Revenues** | | | | | | |
| Charges for Services | 63,877 | 28,444 | 10,000 | 10,000 | — | —% |
| Charges to Other Funds | 64,584 | 126,916 | 34,069 | 34,069 | — | —% |
| From Other Agencies | — | 32,159 | — | — | — | —% |
| Net Sales | 22,720,314 | 27,045,170 | 37,946,832 | 39,097,305 | 1,150,473 | 3.0% |
| Operating Transfers-In | 3,850,288 | 101,568 | 184,100 | — | (184,100) | (100.0)% |
| Other Revenue | 488,093 | 3,118,260 | 202,550 | 462,550 | 260,000 | 128.4% |
| Permits and Licenses | — | — | — | — | — | —% |
| Return on Investments | 89,318 | 23,078 | — | — | — | —% |
| **Total Revenues** | **27,276,474** | **30,475,595** | **38,377,551** | **39,603,924** | **1,226,373** | **3.2%** |
| **Positions by Division** | | | | | | |
| Wastewater Collection Customer Service | 2.47 | 2.42 | 2.42 | 2.42 | — | —% |
| Wastewater Collection Engineering (Operating) | 1.40 | 1.40 | 1.40 | 1.40 | — | —% |
| Wastewater Collection Operations and Maintenance | 15.24 | 15.24 | 15.68 | 15.74 | 0.06 | —% |
| CIP Wastewater Collection Fund | 9.65 | 9.65 | 9.65 | 9.65 | — | —% |
| **Total Positions by Division** | **28.76** | **28.71** | **29.15** | **29.21** | **0.06** | **—%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Account Specialist | 0.23 | 0.23 | 0.23 | 0.23 | — | 24,542 |
| Administrative Associate II | 0.40 | 0.40 | 0.40 | 0.80 | 0.40 | 82,218 |
| Assistant Director Utilities Engineering | 0.15 | 0.15 | 0.15 | 0.15 | — | 44,251 |
| Assistant Director Utilities Operations | 0.10 | 0.10 | — | — | — | — |
| Business Analyst | 0.75 | 0.75 | 0.75 | 0.75 | — | 149,386 |
| Cement Finisher | 0.76 | 0.76 | 0.76 | 0.76 | — | 94,832 |
| Contracts Administrator | 0.05 | 0.05 | 0.05 | 0.05 | — | 8,259 |
| Coordinator Utilities Projects | 1.10 | 1.30 | 1.30 | 1.30 | — | 193,282 |
| Customer Service Representative | 1.45 | 1.45 | 1.45 | 1.45 | — | 149,232 |
| Customer Service Specialist-Lead | 0.25 | 0.25 | 0.25 | 0.25 | — | 30,160 |
| Engineer | 1.00 | 1.00 | 1.00 | 1.00 | — | 193,502 |
| Engineering Manager - Electric | 0.15 | 0.15 | 0.15 | 0.15 | — | 43,717 |
| Engineering Manager - WGW | 0.34 | 0.34 | 0.34 | 0.34 | — | 91,052 |
| Engineering Technician III | 0.45 | 0.45 | 0.45 | 0.45 | — | 60,082 |
| Equipment Operator | 1.00 | 1.00 | 1.00 | 1.00 | — | 122,408 |
| Heavy Equipment Operator - Install/Repair | 3.15 | 3.15 | 3.15 | 3.15 | — | 407,025 |
| Industrial Waste Investigator | 0.50 | 0.50 | 0.50 | 0.50 | — | 75,275 |
| Inspector, WGW Utilities Field Svc | 1.04 | 1.04 | 1.04 | 1.04 | — | 168,557 |
| Maintenance Mechanic-Welding | 0.20 | 0.20 | 0.20 | 0.20 | — | 29,557 |
| Manager Utilities Credit & Collection | 0.15 | 0.15 | 0.15 | 0.15 | — | 34,426 |
| Manager Utilities Operations WGW | 0.30 | 0.30 | 0.30 | 0.30 | — | 74,256 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Program Assistant I | 0.34 | 0.34 | 0.34 | — | (0.34) | — |
| Project Engineer | 2.00 | 2.00 | 2.00 | 2.00 | — | 416,083 |
| Restoration Lead | 0.26 | 0.26 | 0.26 | 0.26 | — | 40,679 |
| Senior Engineer | 0.91 | 0.91 | 0.91 | 0.91 | — | 213,857 |
| Senior Mechanic | 0.33 | 0.33 | 0.33 | 0.33 | — | 50,492 |
| Utilities Engineer Estimator | 0.56 | 0.56 | 0.56 | 0.56 | — | 92,279 |
| Utilities Field Services Representative | 1.25 | 1.25 | 1.25 | 1.25 | — | 178,256 |
| Utilities Install Repair-Lead-Welding Certified | 1.58 | 1.58 | 1.58 | 1.58 | — | 262,386 |
| Utilities Install Repair-Welding Certified | 0.63 | 0.63 | 0.63 | 0.63 | — | 94,118 |
| Utilities Install/Repair | 4.00 | 4.00 | 4.00 | 4.00 | — | 586,560 |
| Utilities Install/Repair-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | 159,765 |
| Utilities Locator | 0.39 | 0.39 | 0.39 | 0.39 | — | 56,533 |
| Utilities Safety Officer | 0.10 | 0.10 | 0.10 | 0.10 | — | 17,285 |
| Utilities Supervisor | 0.72 | 0.72 | 0.72 | 0.72 | — | 146,168 |
| WGW Heavy Equipment Operator | 0.23 | 0.23 | 0.23 | 0.23 | — | 33,636 |
| **Subtotal: Full-Time Equivalent Positions** | **27.82** | **28.02** | **27.92** | **27.98** | **0.06** | **$4,424,115** |
| Temporary/Hourly | 0.94 | 0.69 | 1.23 | 1.23 | — | $101,145 |
| **Total Positions** | **28.76** | **28.71** | **29.15** | **29.21** | **0.06** | **$4,525,260** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **29.15** | **27,113,998** | **38,377,551** | **(11,263,553)** |
| **One-time Prior Year Budget Adjustments** | | | | |
| In-House Crossbore Inspection (Materials & Tools) | - | (105,000) | - | (105,000) |
| Transfer Excess Technology Reserve from the Technology Fund | - | - | (74,500) | 74,500 |
| Transfer Excess Benefit Savings from the General Benefits Fund | - | - | (109,600) | 109,600 |
| **One-time Prior Year Budget Adjustments** | **-** | **(105,000)** | **(184,100)** | **79,100** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | | 718,585 | - | 718,585 |
| Wastewater Collection Net Sales | - | - | 1,150,473 | (1,150,473) |
| Safety and Compliance Funding | - | (39,987) | - | (39,987) |
| Transfer to Water Fund (WS-02014 Water, Gas, Wastewater Utility GIS Data) | - | 5,400 | - | 5,400 |
| Staff Funding Reallocation | 0.06 | 7,318 | - | 7,318 |
| Rents & Leases Expenditure Alignment | - | 51,466 | - | 51,466 |
| Transfer to Gas Fund (GS-25001 Gas Line Repair at Arastradero Creek) | - | 683,186 | - | 683,186 |
| Wastewater Quality Control Plant Partner Revenue Allocation Adjustment | - | 1,407,320 | - | 1,407,320 |
| Capital Improvement Program | - | 4,892,427 | 260,000 | 4,632,427 |
| General Fund Cost Allocation Plan | - | (190,520) | - | (190,520) |
| Liability Insurance Allocated Charges | - | 67,786 | - | 67,786 |
| Printing & Mailing Allocated Charges | - | 597 | - | 597 |
| Utilities Administration Allocated Charges | - | 122,483 | - | 122,483 |
| Vehicle Replacement & Maintenance Allocated Charges | - | 10,007 | - | 10,007 |
| Workers' Compensation Allocated Charges | - | 17,618 | - | 17,618 |
| **Adjustments to Costs of Ongoing Activities** | **0.06** | **7,753,685** | **1,410,473** | **6,343,212** |
| **Total FY 2027 Base Budget** | **29.21** | **34,762,683** | **39,603,924** | **(4,841,241)** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Budget Adjustments** | | | | |
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (148,581) | - | (148,581) |
| 2. Credit Card Cost Recovery | - | (74,665) | - | (74,665) |
| 3. Fleet Fuel Contract Reduction | - | (12,299) | - | (12,299) |
| **Total Budget Adjustments** | **0.00** | **(235,545)** | **-** | **(235,545)** |
| **Total FY 2027 Adopted Budget** | **29.21** | **34,527,138** | **39,603,924** | **(5,076,786)** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (148,581) | - | (148,581) |

This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $148,581)

**Performance Results**

This action executes City Council policy and proactively manages the City's pension obligations.

| | | | | |
|---|---|---|---|---|
| 2. Credit Card Cost Recovery | - | (74,665) | - | (74,665) |

This ongoing action reflects reduced payment processing costs associated with utility bill payments by shifting credit card service fees to users who choose that payment method. (Ongoing savings: $74,700)

**Performance Results**

This action contributes to cost containment strategies in Fiscal Year 2027.

| | | | | |
|---|---|---|---|---|
| 3. Fleet Fuel Contract Reduction | - | (12,299) | - | (12,299) |

This action reduces the Utilities Department share of the citywide fleet fuel contract based on historical usage trends. By right-sizing the contract to reflect actual consumption patterns, the department generates General Fund savings without impacting the availability of specialized equipment. (Ongoing savings: $12,300)

**Performance Results**

This proposed action contributes to cost containment strategies in Fiscal Year 2027.



CITY OF
PALO
ALTO

# WATER FUND

## Description

From 1895 until 1928, the City's water supply came from deep wells. When the groundwater supply started to decline, water was purchased from the San Francisco Regional Water System to supplement the local water system. Since 1962, when Palo Alto's wells were discontinued as the primary water system, 100 percent of the water has come from the Regional Water System: 85 percent derived from snow melt flowing into the Hetch Hetchy Reservoir and the balance from runoff stored in San Francisco Bay Area reservoirs. The Water Fund focuses on increasing infrastructure reliability and responsiveness to meet the City's water supply needs during an emergency; maintaining high-quality and reliable sources of water; updating water efficiency goals; and implementing water efficiency programs and services. Additionally, the Engineering Division is implementing a seismic upgrade to the existing reservoirs, wells and receiving stations to increase supply reliability during catastrophic emergencies.

## Accomplishments

- Completed design for Water Main Replacement Project 30 (WS-16001) to replace approximately 2,600 linear feet of water main pipelines and associated services on various streets.
- Completed the pre-announcement of the Water System Master Plan to increase interest in the RFP and the number of prospective proposers.
- Awarded the water system leak detection survey for the water distribution system and issued the NTP to commence work.
- Completed the 2025 Risk and Resilience Assessment and the 2026 Emergency Response Plan updates for the water utility.
- Prepared and Adopted the 2025 Urban Water Management Plan and Water Shortage Contingency Plan.
- Launched AMI leak alerts on WaterSmart for commercial and multi-family customers

## Initiatives

- Select a contractor to perform replacement and exchange of large meters 3" and larger, and exchange or retrofit the remaining 180 water meters to make them AMI-compatible.
- Complete design and select contractor for Water Main Replacement Project 31 (WS-19001) to replace approximately 4,100 linear feet of water main pipelines and associated services on various streets.

- Retrofit the remaining 1,500 water meters to make them AMI-compatible to provide near real time usage data and water leak notifications.
- Select an engineering firm to prepare a new Water System Master Plan. The project will identify critical system needs and recommend a capital improvement program for the water utility system.
- Complete the first full system water leak detection survey of the entire water distribution system. The project will identify active water leaks, estimate the amount of water leakage, and generate a global positioning system data point.
- Launch new residential leak repair assistance programs

# Goals and Objectives

## Goal 1

Provide safe and clean drinking water for customers.

### Objectives:

- Ensure drinking water meets all regulatory standards.
- Maintain and update water infrastructure to ensure reliable service.
- Educate customers about backflow prevention as part of the City's Cross Connection Control Program.
- Ensure adequate water supplies are available to meet existing and future water demands.
- Complete storage and supply upgrades to water system (e.g. reservoirs, receiving stations, and wells).

## Goal 2

Increase environmental sustainability of the water supply system.

### Objective:

- Increase water conservation and efficiency participation.

# Key Performance Measures

## PROVIDE SAFE AND CLEAN DRINKING WATER FOR OUR CUSTOMERS

| | | | | | |
|---|---|---|---|---|---|
| Goal | Provide safe and clean drinking water for customers. | | | | |
| Objective | Ensure drinking water meets all regulatory standards. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Percent of customer-owned and maintained backflow devices in compliance | 88% | 90% | 92% | 95% | 97% |
| Description | Customer-owned and maintained backflow devices are an integral part of the City's Cross Connection Control Program, which began in early 2010. The devices help to ensure that no contaminants of any kind (e.g. chemicals, debris, reclaimed water) enter the potable water system. | | | | |
| Purpose | The California Department of Public Health provides regulations for the City and its customers through California Code of Regulations, Title 17. These regulations specify the types of hazards that require backflow devices. | | | | |
| Status | The City did not meet the target of 95%; the average annual compliance rate is 94% percent. There are 4,851 active backflow devices in compliance. This number is growing every year as current codes require backflow installation for residences as well as commercial properties. | | | | |

## WATER EFFICIENCY

| | | | | | |
|---|---|---|---|---|---|
| Goal | Increase environmental sustainability of the water supply system. | | | | |
| Objective | Increase water conservation and efficiency participation. | | | | |
| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
| Annual savings achieved through water efficiency programs as a percentage of total sales | 0.59% | 1.70% | 1.23% | 1.23% | 1.50% |
| Description | The department measures specific savings achieved by the installation of water efficiency improvements through the programs that the City offers through the Santa Clara Valley Water District. The California drought greatly affected the City's water savings numbers with the largest amount of savings attributed to the non-residential installation of drought tolerant landscapes and water efficient irrigation hardware. | | | | |
| Purpose | Improving water efficiency for homes and businesses can result in water supply, water operations, and wastewater processing savings. This measure supports the Water Fund's long-term goal to exceed the Making Conservation a California Way of Life requirements by 5%. | | | | |
| Status | Water savings were high in FY 2025, led by savings from the Water Efficient Technology (WET) Rebate Program. | | | | |

# Key Performance Measures

## WATER QUALITY

| | |
|---|---|
| Goal | Ensure the provision of safe and clean drinking water for customers. |
| Objective | Safe testing of drinking water to meet all regulatory standards. |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Percentage of samples passed from all sampling stations | 100% | 100% | 100% | 100% | 100% |

| | |
|---|---|
| Description | The City of Palo Alto (CPA) regularly collects and tests water samples from connection points between the San Francisco Public Utilities Commission/City of Palo Alto (SFPUC/CPA), storage reservoirs, emergency wells, residential areas, and sample station locations within the distribution system to ensure that the water quality meets all California Department of Public Health (CDPH) and U.S. Environmental Protection Agency (EPA) prescribed regulations that limit the amount of contaminants in the drinking water. The City has 18 sampling stations and collects 84-105 samples monthly to test levels of chlorine residual, coliform and pH levels are within regulatory guidelines. All sample results are reported to CDPH on a monthly basis. |
| Purpose | Complying with regulations guarantees the City maintains its high standards of water quality and avoids fines. |
| Status | Palo Alto drinking water continues to be in complete compliance with all existing county, state, and federal standards for water quality. |

# Workload Measures

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2026 Estimated | FY 2027 Adopted Budget |
|---|---|---|---|---|---|
| Percent of miles of water mains replaced | 0.65% | 0.16% | 0.33% | 0.00% | 0.25% |
| Number of Customer Accounts (Water) | 19,813 | 20,454 | 20,616 | 20,454 | 20,454 |
| Percent of surveyed rating the quality of the Drinking Water (Water) as "Good" or "Excellent" | 84% | 90% | 90% | 90% | 91% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Water Administration | 10,813,571 | 7,991,634 | 9,889,202 | 9,619,531 | (269,671) | (2.7)% |
| Water Customer Service | 2,604,099 | 2,663,930 | 3,197,389 | 2,950,573 | (246,816) | (7.7)% |
| Water Engineering (Operating) | 799,009 | 817,894 | 1,051,982 | 1,115,544 | 63,562 | 6.0% |
| Water Operations and Maintenance | 9,121,406 | 8,616,998 | 11,077,228 | 10,495,549 | (581,680) | (5.3)% |
| Water Resource Management | 26,078,825 | 28,961,243 | 29,318,498 | 31,017,171 | 1,698,672 | 5.8% |
| CIP Water Fund | 11,134,173 | 6,227,515 | 12,831,126 | 11,426,230 | (1,404,896) | (10.9)% |
| **Total Dollars by Division** | **60,551,083** | **55,279,215** | **67,365,426** | **66,624,597** | **(740,829)** | **(1.1)%** |
| **Dollars by Category** | | | | | | |
| **Salary & Benefits** | | | | | | |
| Healthcare | 883,372 | 837,287 | 1,120,688 | 1,120,653 | (35) | —% |
| Other Benefits | 167,351 | 144,419 | 150,507 | 185,868 | 35,362 | 23.5% |
| Overtime | 385,201 | 354,856 | 344,718 | 351,612 | 6,894 | 2.0% |
| Pension | 2,983,969 | 2,750,972 | 2,745,811 | 2,425,619 | (320,192) | (11.7)% |
| Retiree Medical | 558,796 | 648,919 | 737,679 | 897,437 | 159,758 | 21.7% |
| Salary | 7,049,046 | 6,360,403 | 7,208,100 | 7,516,277 | 308,176 | 4.3% |
| Workers' Compensation | 178,569 | 115,155 | 201,854 | 230,492 | 28,638 | 14.2% |
| **Total Salary and Benefits** | **12,206,305** | **11,212,009** | **12,509,357** | **12,727,958** | **218,601** | **1.7%** |
| Utility Purchase | 24,651,258 | 27,856,127 | 27,934,544 | 29,642,848 | 1,708,304 | 6.1% |
| Contract Services | 571,736 | 520,185 | 785,830 | 788,338 | 2,508 | —% |
| Supplies & Material | 456,184 | 455,204 | 651,707 | 583,047 | (68,660) | (10.5)% |
| General Expense | 732,076 | 789,126 | 1,088,599 | 1,099,994 | 11,395 | 1.0% |
| Rents & Leases | 2,691,884 | 2,418,710 | 3,524,014 | 1,637,600 | (1,886,414) | (53.5)% |
| Debt Service | 1,263,159 | 1,203,098 | 3,222,606 | 3,222,606 | — | —% |
| Facilities & Equipment | 5,547 | 11,950 | 1,150 | 1,150 | — | —% |
| Allocated Charges | 5,626,506 | 5,112,005 | 6,370,245 | 6,461,340 | 91,095 | 1.4% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Transfer to Infrastructure | — | 57,838 | — | — | — | —% |
| Operating Transfers-Out | 1,822,487 | 9,503 | — | 683,186 | 683,186 | —% |
| Capital Improvement Program | 10,523,943 | 5,633,460 | 11,277,374 | 9,776,530 | (1,500,844) | (13.3)% |
| **Total Dollars by Category** | **60,551,083** | **55,279,215** | **67,365,426** | **66,624,597** | **(740,829)** | **(1.1)%** |
| **Revenues** | | | | | | |
| Charges for Services | 62,634 | 68,358 | 10,000 | 10,000 | — | —% |
| Charges to Other Funds | 130,644 | 232,428 | 70,339 | 70,339 | — | —% |
| From Other Agencies | 403,256 | 394,824 | 576,632 | 576,632 | — | —% |
| Net Sales | 48,481,391 | 54,791,485 | 65,904,028 | 62,697,879 | (3,206,149) | (4.9)% |
| Operating Transfers-In | 342,200 | 525,520 | 686,300 | 372,800 | (313,500) | (45.7)% |
| Other Revenue | 1,705,360 | 1,698,540 | 993,035 | 1,342,935 | 349,900 | 35.2% |
| Permits and Licenses | — | — | — | — | — | —% |
| Return on Investments | 975,487 | 799,384 | 1,055,550 | 1,234,751 | 179,201 | 17.0% |
| **Total Revenues** | **52,100,971** | **58,510,539** | **69,295,884** | **66,305,335** | **(2,990,549)** | **(4.3)%** |
| **Positions by Division** | | | | | | |
| Water Customer Service | 10.98 | 10.99 | 11.09 | 7.82 | (3.27) | (29.5)% |
| Water Engineering (Operating) | 2.33 | 2.33 | 2.38 | 2.38 | — | —% |
| Water Operations and Maintenance | 26.35 | 27.85 | 27.85 | 27.72 | (0.13) | (0.5)% |
| Water Resource Management | 2.45 | 2.45 | 2.45 | 2.45 | — | —% |
| CIP Water Fund | 5.48 | 5.48 | 5.48 | 5.48 | — | —% |
| **Total Positions by Division** | **47.59** | **49.10** | **49.25** | **45.85** | **(3.40)** | **(6.9)%** |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Account Specialist | 0.23 | 0.23 | 0.23 | 0.23 | — | 24,542 |
| Administrative Associate II | 0.50 | 0.50 | 0.50 | 0.40 | (0.10) | 41,109 |
| Assistant Director Sustainability and Climate Action | 0.10 | 0.10 | 0.10 | 0.10 | — | 29,619 |
| Assistant Director Utilities Customer Support Services | 0.20 | 0.20 | 0.20 | 0.40 | 0.20 | 118,593 |
| Assistant Director Utilities Engineering | 0.20 | 0.20 | 0.25 | 0.25 | — | 73,752 |
| Assistant Director Utilities Operations | 0.15 | 0.15 | 0.15 | 0.15 | — | 47,898 |
| Assistant Director Utilities/ Resource Management | 0.15 | 0.15 | 0.15 | 0.15 | — | 41,031 |
| Associate Sustainability Program Administrator | 0.05 | 0.05 | 0.05 | 0.30 | 0.25 | 35,343 |
| Business Analyst | 1.00 | 1.00 | 1.10 | 1.10 | — | 219,099 |
| Cement Finisher | 0.56 | 0.56 | 0.56 | 0.56 | — | 69,876 |
| Contracts Administrator | 0.10 | 0.10 | 0.10 | 0.10 | — | 16,517 |
| Coordinator Utilities Projects | 1.09 | 2.35 | 2.35 | 2.35 | — | 349,394 |
| Customer Service Representative | 1.81 | 1.81 | 1.81 | 1.81 | — | 186,282 |
| Customer Service Specialist | 0.66 | 0.66 | 0.66 | 0.83 | 0.17 | 93,709 |
| Customer Service Specialist-Lead | 0.59 | 0.59 | 0.59 | 0.59 | — | 71,178 |
| Electric Project Engineer | 0.30 | 0.30 | 0.30 | 0.30 | — | 65,632 |
| Engineer | 1.00 | 1.00 | 1.00 | 1.00 | — | 193,502 |
| Engineering Manager - Electric | 0.15 | 0.15 | 0.15 | 0.15 | — | 43,717 |
| Engineering Manager - WGW | 0.33 | 0.33 | 0.33 | 0.33 | — | 88,374 |
| Engineering Technician III | 0.45 | 0.45 | 0.45 | 0.45 | — | 60,082 |
| Equipment Operator | — | — | 0.35 | 0.35 | — | 42,843 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Gas and Water Meter Measurement and Control Technician | 0.60 | 1.10 | 1.10 | 1.10 | — | 169,655 |
| Gas and Water Meter Measurement and Control Technician - Lead | 0.20 | 0.20 | 0.20 | 0.20 | — | 21,736 |
| Heavy Equipment Operator - Install/Repair | 0.20 | 0.20 | 0.20 | 0.20 | — | 29,297 |
| Inspector, WGW Utilities Field Svc | 1.83 | 1.83 | 2.17 | 2.17 | — | 351,700 |
| Maintenance Mechanic-Welding | 0.80 | 0.80 | 0.80 | 0.80 | — | 118,227 |
| Manager Customer Service | 0.34 | 0.34 | 0.34 | 0.34 | — | 59,702 |
| Manager Utilities Compliance | 0.50 | 0.50 | 0.50 | 0.50 | — | 125,164 |
| Manager Utilities Credit & Collection | 0.15 | 0.15 | 0.15 | 0.15 | — | 34,426 |
| Manager Utilities Operations WGW | 0.50 | 0.50 | 0.50 | 0.50 | — | 123,760 |
| Manager Utilities Program Services | 0.20 | 0.20 | 0.20 | — | (0.20) | — |
| Meter Reader | 1.70 | 1.70 | 1.70 | 0.34 | (1.36) | 36,789 |
| Meter Reader-Lead | 0.34 | 0.34 | 0.34 | — | (0.34) | — |
| Principal Business Analyst | 0.33 | 0.33 | 0.33 | 0.33 | — | 71,338 |
| Program Assistant I | 0.33 | 0.33 | 0.33 | — | (0.33) | — |
| Project Engineer | 2.00 | 2.00 | 2.00 | 2.00 | — | 416,083 |
| Resource Planner | 0.60 | 0.60 | 0.60 | 0.60 | — | 111,896 |
| Restoration Lead | 0.31 | 0.31 | 0.31 | 0.31 | — | 48,502 |
| Senior Business Analyst | 0.99 | 0.99 | 0.99 | 0.99 | — | 186,522 |
| Senior Engineer | 1.74 | 1.74 | 1.74 | 1.74 | — | 397,798 |
| Senior Mechanic | 0.34 | 0.34 | 0.34 | 0.34 | — | 52,022 |
| Senior Resource Planner | 1.60 | 1.60 | 1.60 | 1.65 | 0.05 | 310,886 |

# Staffing

| Job Classification | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Salary |
|---|---|---|---|---|---|---|
| Senior Utilities Field Service Representative | 0.49 | 0.49 | 0.49 | 0.49 | — | 74,687 |
| Senior Water Systems Operator | 2.00 | 2.00 | 2.00 | 2.00 | — | 303,264 |
| Substation Electrician | 0.25 | 0.25 | 0.25 | 0.25 | — | 48,438 |
| Sustainability Programs Administrator | 1.00 | 1.00 | 1.00 | 0.60 | (0.40) | 91,503 |
| Utilities Engineer Estimator | 0.48 | 0.48 | 0.48 | 0.48 | — | 81,053 |
| Utilities Field Services Representative | 1.50 | 1.50 | 1.50 | 1.50 | — | 213,907 |
| Utilities Install Repair-Lead-Welding Certified | 0.65 | 0.65 | 0.65 | 0.65 | — | 107,944 |
| Utilities Install Repair-Welding Certified | 0.94 | 0.94 | 0.94 | 0.94 | — | 133,611 |
| Utilities Install/Repair | 1.44 | 1.44 | 1.44 | 1.44 | — | 211,162 |
| Utilities Install/Repair Assistant | 0.35 | 0.35 | — | — | — | — |
| Utilities Install/Repair-Lead | 1.07 | 1.07 | 0.73 | 0.73 | — | 116,628 |
| Utilities Key Account Representative | 0.45 | 0.45 | 0.45 | 0.10 | (0.35) | 15,771 |
| Utilities Locator | 0.34 | 0.34 | 0.34 | 0.34 | — | 49,285 |
| Utilities Safety Officer | 0.15 | 0.15 | 0.15 | 0.15 | — | 25,927 |
| Utilities Supervisor | 2.66 | 2.66 | 2.66 | 2.66 | — | 540,869 |
| Utilities System Analyst | 0.40 | 0.40 | 0.40 | 0.40 | — | 79,672 |
| Water System Operator II | 3.34 | 3.34 | 3.34 | 3.34 | — | 447,330 |
| WGW Heavy Equipment Operator | 1.97 | 1.97 | 1.97 | 1.97 | — | 288,102 |
| **Subtotal: Full-Time Equivalent Positions** | **44.70** | **46.46** | **46.61** | **44.20** | **(2.41)** | **$7,406,749** |
| Temporary/Hourly | 2.89 | 2.64 | 2.64 | 1.65 | (0.99) | $156,098 |
| **Total Positions** | **47.59** | **49.10** | **49.25** | **45.85** | **(3.40)** | **$7,562,847** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **49.25** | **67,365,426** | **69,295,884** | **(1,930,458)** |
| **One-time Prior Year Budget Adjustments** | | | | |
| Transfer Excess Technology Reserve from the Technology Fund | - | - | (198,400) | 198,400 |
| Transfer Excess Benefit Savings from the General Benefits Fund | - | - | (125,900) | 125,900 |
| **One-time Prior Year Budget Adjustments** | **-** | **-** | **(324,300)** | **324,300** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | - | 808,757 | - | 808,757 |
| Rents & Leases Expenditure Alignment | - | (1,886,398) | - | (1,886,398) |
| Return on Investments | - | - | 179,201 | (179,201) |
| Staff Funding Reallocation | (0.71) | (101,270) | - | (101,270) |
| Safety and Compliance Funding | - | (55,802) | - | (55,802) |
| Transfer From Wastewater and Gas Fund (WS-02014 Water, Gas, Wastewater Utility GIS Data) | - | - | 10,800 | (10,800) |
| Transfer to Gas Fund (GS-25001 Gas Line Repair at Arastradero Creek) | - | 683,186 | - | 683,186 |
| Utility Purchases Adjustment | - | 1,736,779 | - | 1,736,779 |
| Water Customer Sales Revenue | - | - | (3,206,149) | 3,206,149 |
| Capital Improvement Program | - | (1,500,844) | 249,900 | (1,750,744) |
| General Fund Cost Allocation Plan | - | (76,770) | - | (76,770) |
| Landscape Maintenance Allocated Charges | - | 357 | - | 357 |
| Liability Insurance Allocated Charges | - | 103,602 | - | 103,602 |
| Printing & Mailing Allocated Charges | - | 1,040 | - | 1,040 |
| Utilities Administration Allocated Charges | - | 63,258 | - | 63,258 |
| Vehicle Replacement & Maintenance Allocated Charges | - | 14,822 | - | 14,822 |
| Workers' Compensation Allocated Charges | - | 28,638 | - | 28,638 |
| **Adjustments to Costs of Ongoing Activities** | **(0.71)** | **(180,646)** | **(2,766,249)** | **2,585,603** |
| **Total FY 2027 Base Budget** | **48.54** | **67,184,781** | **66,205,335** | **979,445** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Budget Proposals** | | | | |
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (251,274) | - | (251,274) |
| 2. Meter Reader Vacancy Reduction | (1.36) | (194,616) | - | (194,616) |
| 3. Credit Card Cost Recovery | - | (131,879) | - | (131,879) |
| 4. Utilities Staffing Realignment Following AMI Deployment | (1.33) | (71,635) | - | (71,635) |
| 5. Fleet Fuel Contract Reduction | - | (15,214) | - | (15,214) |
| 6. Water Efficiency Program Expansion | - | 104,434 | 100,000 | 4,434 |
| **Budget Changes** | **(2.69)** | **(560,183)** | **100,000** | **(660,183)** |
| **Total FY 2027 Adopted Budget** | **45.85** | **66,624,597** | **66,305,335** | **319,262** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| 1. Section 115 Dispersal to CalPERS for ADC and ADP | - | (251,274) | - | (251,274) |
| This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing savings: $251,274) | | | | |
| **Performance Results** | | | | |
| This action executes City Council policy and proactively manages the City's pension obligations. | | | | |
| 2. Meter Reader Vacancy Reduction | (1.36) | (194,616) | - | (194,616) |
| This action eliminates 3.00 FTE vacant Meter Reader positions and a 1.00 FTE Meter Reader-Lead , reflecting reduced staffing needs and aligning resources with current operational requirements. (Ongoing savings: $205,100) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 3. Credit Card Cost Recovery | - | (131,879) | - | (131,879) |
| This ongoing action reflects reduced payment processing costs associated with utility bill payments by shifting credit card service fees to users who choose that payment method. (Ongoing savings: $131,900) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 4. Utilities Staffing Realignment Following AMI Deployment | (1.33) | (71,635) | - | (71,635) |
| This action eliminates 3.00 FTE General Laborers and a 1.00 FTE Meter Reader following completion of the Advanced Metering Infrastructure (AMI) rollout, reflecting reduced need for manual meter reading. (Ongoing savings: $144,800) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |
| 5. Fleet Fuel Contract Reduction | - | (15,214) | - | (15,214) |
| This action reduces the Utilities Department share of the citywide fleet fuel contract based on historical usage trends. By right-sizing the contract to reflect actual consumption patterns, the department generates General Fund savings without impacting the availability of specialized equipment. (Ongoing savings: $15,214) | | | | |
| **Performance Results** | | | | |
| This action contributes to cost containment strategies in Fiscal Year 2027. | | | | |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| 6. Water Efficiency Program Expansion | - | 104,434 | 100,000 | 4,434 |

This one-time action expands enhanced water efficiency programs, including leak repair assistance, rebate programs, and pilot initiatives focused on reducing water use. These efforts include services targeted to low-income residents and educational components to promote water-efficient landscaping. External funding sources, including Valley Water, will offset a portion of these costs. (Ongoing cost: $0)

**Performance Results**

This action aligns with and advances the City's sustainability goals



CITY OF
PALO
ALTO

# NON-DEPARTMENTAL

## Description

The General Fund Non-Departmental budget includes revenue and expenditure appropriations that are not related to a specific department or function. These costs typically benefit the City as a whole and include items like Cubberley lease payments to the Palo Alto Unified School District (PAUSD) and rental income from City-owned space at Cubberley and other City-owned properties. The Non-Departmental budget may also include estimated provisions or placeholders for certain revenues and expenditures that have not yet materialized or have not been distributed to various departments and funds at the time the budget is developed or adopted. These items can be one-time or ongoing depending on their nature and frequency.

A $14.0 million Budget Uncertainty Reserve was established as part of the FY 2023 Mid-Year Review to fund anticipated shortfalls starting in FY 2024. The Uncertainty Reserve has been used to bridge gaps between revenues and expenditures in the Adopted Budget since FY 2024, utilizing a total accumulated balance of $22.5 million over three fiscal years. $4.4 million was used to balance the budget in FY 2024, $6.1 million was used for FY 2025, and $6.0 million was used for FY 2026. As outlined in the FY 2026 Mid-Year Review, the remaining $6.0 million from this reserve was transferred into the Budget Stabilization Reserve (BSR) for future use and budget planning. The FY 2027 Adopted Budget does not rely on further operating draws from this one-time reserve.

In addition, to balance the General Fund in prior years, placeholders included unallocated operating budget reductions and project deferrals. The FY 2027 budget removes the $1.18 million General Fund operating reduction placeholder, restoring baseline funding. However, to balance the budget, a $1.0 million deferral for project operating cost requirements is extended, with operations now anticipated to start in FY 2028.

The FY 2027 budget shows mixed adjustments to major tax revenues as a result of the economic climate, with Property Taxes increasing by $2.5 million or 3.4%, offset by Sales Taxes decreasing by $3.0 million or -8.3%. Overall, major taxes are still increasing and revenue from the voter approved Business Tax is estimated to increase by $0.4 million to continue funding the three key areas identified by the City Council: public safety, traffic and transportation safety upgrades, and affordable housing.

The FY 2026 budget included a $2.3 million transfer from the General Benefits Fund and a $1.0 million transfer from the Technology Fund to the General Fund to be used as one-time solutions to fund services and bridge financing needs. The FY 2027 budget reverses $2.0 million of these one-time solutions, returning to structural ongoing funding sources. The FY 2027 budget also includes

targeted budget adjustments to fund ongoing community services, pilot programs, and strategic initiatives.

The FY 2026 budget included loans totaling $1.8 million to the California Avenue Parking Fund ($0.8 million), University Avenue Parking Fund ($0.7 million), and Residential Parking Permit (RPP) Fund ($0.3 million) resulting from decreased demand for parking. These loans ensure sufficient staffing and resources to operate and maintain residential and commercial parking services. The FY 2027 budget includes loans totaling $0.95 million to the California Avenue Parking Fund ($0.8 million) and University Avenue Parking Fund ($0.15 million), a reduction of $0.85 million from the prior year loans. Actual repayment of these loans to the General Fund remains uncertain.

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Dollars by Division** | | | | | | |
| Non-Departmental | 48,966,707 | 53,219,359 | 48,856,508 | 42,937,459 | (5,919,049) | (12.1)% |
| Cubberly - Lease Payments to PAUSD | 3,600,474 | 2,992,298 | 2,756,000 | 2,756,000 | — | —% |
| **Total Dollars by Division** | **52,567,181** | **56,211,657** | **51,612,508** | **45,693,459** | **(5,919,049)** | **(11.5)%** |
| **Contingent Accounts & Reserves** | | | | | | |
| City Manager | — | — | 200,000 | 200,000 | — | —% |
| City Council | — | — | 125,000 | 125,000 | — | —% |
| Human Resources | — | — | 50,000 | 30,000 | (20,000) | (40.0)% |
| Human Resources Resource Allocation Process (HSRAP) | — | — | 50,000 | 50,000 | — | —% |
| Innovations and Special Events | — | — | 50,000 | 50,000 | — | —% |
| Project Homekey Operations (Year 2 of 7) | — | — | 1,000,000 | — | (1,000,000) | (100.0)% |
| Reserve: Budget Uncertainty | — | — | 6,000,000 | — | (6,000,000) | (89.6)% |
| Reserve: Real Property Investment | — | — | 700,000 | 700,000 | — | —% |
| **Total Contingent Accounts & Reserves** | **—** | **—** | **8,175,000** | **1,155,000** | **(7,020,000)** | **(85.9)%** |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Salary & Benefits** | | | | | | |
| Temporary Salaries | — | — | 2,417,000 | (150,744) | (2,567,744) | (106.2)% |
| General Fund Vacancy Factor | — | — | — | (330,000) | (330,000) | —% |
| **Total Salary and Benefits** | **—** | **—** | **2,417,000** | **(480,744)** | **(2,897,744)** | **(119.9)%** |
| **Dollars by Category** | | | | | | |
| Allocated Charges | — | 254,681 | 9,123 | 280,532 | 271,409 | 2,975.2% |
| Contract Services | 2,797,935 | 4,047,595 | (2,278,930) | (70,568) | 2,208,362 | (96.9)% |
| General Expense | 10,338,706 | 9,444,073 | 4,611,366 | 3,362,000 | (1,249,366) | (27.1)% |
| Operating Transfers-Out | 6,742,757 | 6,329,594 | 6,382,651 | 5,661,040 | (721,611) | (11.3)% |
| Rents & Leases | 431,000 | 233,000 | 239,250 | 245,500 | 6,250 | 2.6% |
| Supplies & Material | — | 3,086 | — | — | — | —% |
| Transfer to Infrastructure | 32,256,783 | 35,899,627 | 33,057,048 | 35,540,699 | 2,483,651 | 7.5% |
| **Total Dollars by Category** | **52,567,181** | **56,211,657** | **42,020,508** | **45,019,203** | **2,998,695** | **7.1%** |
| **Total Expenses** | **52,567,181** | **56,211,657** | **51,612,508** | **45,693,459** | **(5,919,049)** | **(11.5)%** |
| **Revenues** | | | | | | |
| Business Tax | 5,285,805 | 5,691,064 | 6,488,300 | 6,905,999 | 417,699 | 6.4% |
| Charges for Services | 276,028 | 304,197 | — | — | — | —% |
| Charges to Other Funds | — | 36,771 | 62,142 | 64,000 | 1,858 | 3.0% |
| Documentary Transfer Tax | 7,016,201 | 8,390,678 | 8,542,100 | 9,023,630 | 481,530 | 5.6% |
| From Other Agencies | 1,769,602 | 751,872 | — | 1,000,000 | 1,000,000 | —% |
| Operating Transfers-In | 23,530,000 | 29,316,629 | 30,847,000 | 31,471,000 | 624,000 | 2.0% |
| Other Revenue | 744,649 | 761,294 | 730,678 | 770,121 | 39,443 | 5.4% |
| Other Taxes and Fines | 84,612 | 107,615 | — | — | — | —% |
| Property Taxes | 66,343,501 | 69,401,590 | 73,627,000 | 76,095,720 | 2,468,720 | 3.4% |
| Rental Income | 14,103,638 | 14,133,975 | 14,703,900 | 14,253,531 | (450,369) | (3.1)% |
| Return on Investments | 3,660,418 | 3,595,351 | 3,741,670 | 4,701,213 | 959,543 | 25.6% |
| Sales Taxes | 37,482,354 | 35,218,990 | 36,227,000 | 33,204,168 | (3,022,832) | (8.3)% |

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Transient Occupancy Tax | 27,781,062 | 28,970,382 | 29,139,100 | 31,955,290 | 2,816,190 | 9.7% |
| Utility Users Tax | 19,012,528 | 20,393,512 | 21,436,700 | 22,996,000 | 1,559,300 | 7.3% |
| **Total Revenues** | **207,090,398** | **217,073,922** | **225,545,590** | **232,440,672** | **6,895,082** | **3.1%** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **-** | **51,612,508** | **225,545,590** | **(173,933,082)** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| Childcare Pilot Program (Third Year) | - | (220,000) | - | (220,000) |
| Nonprofit Workplan Phase 1 Funding | - | (111,000) | - | (111,000) |
| Reserve: Budget Uncertainty | - | (6,000,000) | - | (6,000,000) |
| Reversal of One-Time Transfer: General Benefits Fund | - | - | (1,393,939) | 1,393,939 |
| Reversal of One-Time Transfer: Technology Fund | - | - | (606,061) | 606,061 |
| Reversal of One-Time Savings: Contracts | | 991,996 | | 991,996 |
| **One-Time Prior Year Budget Adjustments** | **-** | **(5,339,004)** | **(2,000,000)** | **(3,339,004)** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Property Tax Revenue Update | - | - | 1,967,650 | (1,967,650) |
| Sales Tax Revenue Update | - | - | (3,022,832) | 3,022,832 |
| Transient Occupancy Tax (TOT) Revenue Update | - | - | 3,269,260 | (3,269,260) |
| Utility Users Tax (UUT) Revenue Update | - | - | 1,607,300 | (1,607,300) |
| Investment Returns (ROI) Update | - | - | 959,543 | (959,543) |
| General Fund Cost Allocation Plan | - | - | 1,400,000 | (1,400,000) |
| Revenue from Other Agencies Update (Grants) | - | - | 1,038,646 | (1,038,646) |
| Operating Transfers-In Update | - | - | 624,000 | (624,000) |
| Documentary Transfer Tax Update | - | - | 481,530 | (481,530) |
| Parking Fees and Fines Revenue Update | - | - | 450,000 | (450,000) |
| Business Tax (Measure K) Revenue Update | - | - | 417,699 | (417,699) |
| Forfeitures Revenue Update | - | - | 152,655 | (152,655) |
| Rental Income Revenue Update | - | - | (450,369) | 450,369 |
| Reserve: Labor and Inflation | - | (2,679,098) | - | (2,679,098) |
| General Fund Vacancy Factor (5%) | - | (180,000) | - | (180,000) |
| Homekey Operations Start FY 2028 (Report #2503-406) | - | (1,000,000) | - | (1,000,000) |
| Election Costs - November 2026 | - | 200,000 | - | 200,000 |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| Geng Road Safe Parking Expansion | - | 57,000 | - | 57,000 |
| Property Tax Administration/Property Taxes | - | 2,000 | - | 2,000 |
| Transfer to Capital Improvement Fund | - | 2,796,302 | - | 2,796,302 |
| Transfer to Electric Fund for Streetlight and Traffic Signal | - | 123,454 | - | 123,454 |
| Transfer to Technology Fund (Technology Surcharge) | - | 34,000 | - | 34,000 |
| Transfer to Debt Service Fund | - | (2,701) | - | (2,701) |
| Reduction in Loan: University Ave Parking | - | (550,000) | - | (550,000) |
| Reduction in Loan: Residential Parking Permit Program | - | (300,000) | - | (300,000) |
| Rent and Lease Adjustments | - | 6,250 | - | 6,250 |
| HR Contingency Adjustment | - | (20,000) | - | (20,000) |
| Utilities Allocated Charges Adjustment | - | 277,520 | - | 277,520 |
| Printing & Mailing Allocated Charges | - | 228 | - | 228 |
| **Adjustments to Costs of Ongoing Activities** | **-** | **(1,235,045)** | **8,895,082** | **(10,130,127)** |
| **Total FY 2027 Base Budget** | **-** | **45,038,459** | **232,440,672** | **(187,402,213)** |
| **Budget Adjustments** | | | | |
| 1. Childcare Pilot Program (+1 year) | - | 220,000 | - | 220,000 |
| 2. Nonprofit Partnership Workplan - Option C | - | 235,000 | - | 235,000 |
| 3. allcove Palo Alto | - | 200,000 | - | 200,000 |
| **Total Budget Adjustments** | **-** | **655,000** | **-** | **655,000** |
| **Total FY 2027 Adopted Budget** | **-** | **45,693,459** | **232,440,672** | **(186,747,213)** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Childcare Pilot Program (+1 year) | - | 220,000 | - | 220,000 |
| This action provides funding to continue the childcare subsidy program for qualified City of Palo Alto employees. Services provided in this program include, but are not limited to: childcare or after school care using a Palo Alto childcare provider. This action provides funding to continue to the current pilot program for another year; however, if the pilot is successful and serves to increase employee engagement, long-term retention, and reduce turnover; ongoing funding will likely be requested as part of future budget cycles. (Ongoing Cost: $0) | | | | |
| **Performance Results** | | | | |
| This action supports retention efforts to engage and retain employees; to support the priority of organizational resilience. | | | | |
| 2. Nonprofit Partnership Workplan - Option C | - | 235,000 | - | 235,000 |
| This action augments funding available to be awarded to applicants through the Nonprofit Partnership Workplan. The City of Palo Alto is committed to strengthening its partnerships with nonprofit organizations to enhance community services and align with Council priorities. The Nonprofit Partnership Workplan is a structured approach to nonprofit engagement, funding, and evaluation to ensure consistency, fairness, and impact across all agreements. (Ongoing Cost: $235,000) | | | | |
| **Performance Results** | | | | |
| This action increases resources available and supports consistent and fair partnerships with nonprofits serving the community. | | | | |
| 3. allcove Palo Alto | - | 200,000 | - | 200,000 |
| This action provides $200,000 in one-time funding to support the operations of allcove Palo Alto, an integrated youth mental health center . allcove offers a youth-led, "one-stop shop" care model for young people ages 12 to 25. Services provided in this program include, but are not limited to: mental health support, physical health care, substance use services, peer and family support, and individual supported education and employment assistance. This funding reinforces the City's commitment to youth well-being and provides accessible, stigma-free resources for Palo Alto's youth and young adults. (Ongoing Cost: $200,000) | | | | |
| **Performance Results** | | | | |
| This action increases resources available and supports consistent and fair partnerships with nonprofits serving the community. | | | | |



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# EMPLOYEE INFORMATION



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# GENERAL BENEFITS FUND

The General Benefits Fund includes funding for employee pension benefits, supplemental pension contributions, health benefits (medical, dental, and vision) for current City employees and several other benefits, such as life insurance, the employee assistance program, and the employee commute program. Funding for retired employees' healthcare costs is reflected in the Retiree Health Benefits Fund, discussed in the Employee Information section of this document.

In FY 2027, expenditures in the General Benefits Fund are increasing by $10.1 million or 9.0% over prior-year adopted levels, from $112.8 million to $122.9 million. This increase is primarily attributable to the significant dispersal of funds from the Section 115 Pension Trust to CalPERS. This action is described in greater detail in the Section 115 Pension Trust Dispersals section below. The General Benefits Fund acts as a pass-through for the costs of benefits such as pension and healthcare; therefore, this budget includes corresponding adjustments to department allocations and associated expenses.

The FY 2026 Adopted Budget does not include City Council actions to amend staffing levels approved subsequent to the adoption of the budget. Any such actions appear as a base adjustment in the FY 2027 Budget.

Overall, actions in this budget decrease full-time staffing levels from 1,110.35 FTE (613.97 FTE in the General Fund) to 1,089.10 FTE (592.89 FTE in the General Fund), a 21.25 net FTE or 1.9% decrease. Additionally, 6.00 FTE are frozen. Frozen positions remain authorized but are defunded. The corresponding actions in the General Benefits Fund to adjust revenue estimates for department allocations and the associated healthcare and pension expense were approved as part of the adoption of the FY 2027 budget.

Additional information relating to position changes can be found in Attachment B of the Transmittal Letter and in the individual sections of the budget document where the transactions occur, including the Staffing Tables and Budget Adjustment sections of the respective departments and the Citywide Table of Organization.

## PENSION COSTS

The City of Palo Alto provides a defined pension benefit to its employees through the State of California Pension Retirement System (CalPERS), which manages and administers the program. The CalPERS program maintains two trust accounts: 1) a plan for safety employees (sworn fire and police personnel), and 2) a plan for miscellaneous employees (all other non-safety personnel employed by the City such as field personnel, administrative support, and managers). With the passage of the California Public Employees' Pension Reform Act (PEPRA), the City has three retirement benefit tiers for Miscellaneous and Safety Plans. As of 2025, approximately 62% of Miscellaneous and 55% of Safety employees are in PEPRA plans.

### CalPERS Current and Projected Employer Contributions

Annually, CalPERS provides actuarial reports detailing the latest status of the City of Palo Alto Pension trust plans for employees and retirees. These actuarial reports are used to calculate the Actuarial Deter-

mined Contribution (ADC) which reflects the blended or combined cost of both the Normal Cost (NC) and Unfunded Accrued Liability (UAL) used in the annual billing of employer contributions to the trust for pension obligations. Staff transmits the CalPERS Annual Valuation Reports to the Finance Committee for review and discussion in the fall. The most recent report was brought forward to the Finance Committee in September 2025 (Staff Report # 2506-4901) and to the City Council in January 2026 (Staff Report # 2511-5417) for the valuation period ending June 30, 2024. The total ADC for FY 2027 is $71.1 million ($44.1 million for the Miscellaneous Plan and $27.0 million for the Safety Plan). This reflects the blended cost of both the NC (percentage of payroll) and UAL (flat-rate) as outlined in more detail below.

- Miscellaneous plan: Blended cost reduction of 6.1 percentage points, from an employer contribution rate of 43.7% to 37.6% (14.0% reduction).
- Safety plan: Blended cost increase of 0.7 percentage points, from an employer contribution rate of 81.7% to 82.4% (0.9% increase).

Normal Costs: The NC reflects the employer contribution for the plan retirement benefits provided to current employees assessed as a percentage of payroll. The CalPERS calculated normal cost is decreasing by 0.4 percentage points, from 10.9% to 10.5%, for Miscellaneous and by 1.0 percentage points, from 20.6% to 19.6%, for Safety. These rates are anticipated to continue to decrease in the forecast as new employees in Public Employees' Pension Reform Act (PEPRA) plans replace higher-cost members in Classic plans.

Unfunded Accrued Liability: The UAL represents the employer's amortization of unfunded accrued liability and is assessed as a flat rate. The City's current net UAL is $566.4 million ($339.8 million for the Miscellaneous plan and $226.6 million for the Safety plan), a $7.1 million or 1.2% decrease from the prior year. The annual UAL payment calculated by CalPERS and assumed in the development of the FY 2027 budget is $52.3 million ($31.8 million for the Miscellaneous Plan and $20.5 million for the Safety Plan). The budget assumes pre-payment of the UAL portion of the annual pension cost which confers $1.7 million in savings across the organization. These savings are calculated by CalPERS. The City's current funded status is 68.7% for the Miscellaneous plan and 61.1% for the Safety plan. The June 30, 2025 valuation (used for the FY 2028 budget) will reflect the $10.0 million Additional Discretionary Payment (ADP) approved by the City Council at FY 2026 Mid-Year (Staff Report# 2512-5662).

## Long-Term Financial Planning

The City has taken several proactive steps to address rising pension costs and long-term liabilities, including cost-sharing in labor agreements, establishing an irrevocable Section 115 Pension Trust "Pension Trust," and adopting a Pension Funding Policy. In January 2017 the City Council authorized the establishment of a Pension Trust Fund with the Public Agency Retirement Service (PARS) (Report # 7553). Contributions were initially made to the Pension Trust on an ad-hoc basis, using one-time savings or excess revenues. In October 2018, the City Council directed staff to include in budget assumptions the NC for pension benefits at an equivalent of 6.2% rate of return and a transfer of the additional "supplemental" funding beyond CalPERS actuarial determined contribution levels to the Pension Trust Fund (Report # 9740). Additional one-time contributions continue to be made each year if excess revenues or unspent savings are available, subject to City Council approval. This practice was reinforced in the development of a Pension Funding Policy, adopted by the City Council in November 2020 (Report # 11722). As part of the policy goals, the City seeks to reach a 90% funded status by FY 2036. This policy is evergreen, subject to modification at

the City Council's direction, and intended to identify a path forward for the City to address its pension obligations on an ongoing basis, ensure prudent and proactive financial planning, and avoid significant impacts to service delivery.

This FY 2027 Budget includes approximately $14.6 million in supplemental contributions to the City's Pension Trust. The City is continuing to use a 5.3% discount rate for supplemental contributions to the Pension Trust. This rate was selected as part of the FY 2023 Policy Review, detailed below. One-time surpluses resulting from excess revenues or expense savings at year-end continue to be brought forward for City Council consideration as potential contributions to the Section 115 Trust. Through FY 2026, a total of $101.8 million in principal contributions have been made to the Pension Trust (approximately 65% from the General Fund).

## FY 2023 Policy Review and Revisions

As required by the policy and referred by the City Council, staff completed a comprehensive review of the City's pension and Other Post-Employment Benefit (OPEB) (retiree healthcare) plans in FY 2023. As part of this review, staff engaged with the Finance Committee in a series of meetings to inform potential changes to the policy, including the review of minimum employer contributions for the coming fiscal year as reported in the CalPERS annual report (Report # 14628), investment status and options for the pension and OPEB (retiree healthcare) trust funds with plan providers (Report # 14829), and outside actuary analysis of the City's pension plans using alternative assumptions to CalPERS (Report # 14748). Ultimately, the Finance Committee unanimously approved, and City Council adopted several revisions to the Retiree Benefit Funding Policy (including renaming this policy, formerly "Pension Funding Policy") used to inform long term financial planning of these benefits (Report # 2212-0513). These revisions include:

- Modify title from "Pension Policy" to "Retiree Benefit Policy" to recognize the inclusion of retiree healthcare plans
- Formalize changes approved by the City Council since adoption of the policy
- Add language for proactive planning of retiree healthcare plans
- Reduce the discount rate used to calculate Section 115 Trust contributions, from 6.2% to 5.3% for pension and 6.25% to 5.75% for retiree health
- Modify the investment strategy of Section 115 Trusts
- Change the Pension Trust portfolio from Moderately Conservative to Balanced
- Invest in a more conservative portfolio once plans are 75-80% funded or the City's actuary recommends disbursements
- Modify the reporting requirement for periodic actuary review
- Extend reporting from 3 to 4 years to include plan changes resulting from CalPERS ALM and Experience Studies
- Include a recalculation of the amortization schedule for the UAL at the lower discount rate

These adjustments are projected by the City's actuary to result in the City meeting the 90% funded goals by FY 2034 (Miscellaneous plan) and FY 2036-37 (Safety plan); the City's practice of transmitting excess one-time savings will help reach goals sooner. Revisions and updates to this policy inform the development of the annual budget, financial planning and analysis of operations, and other long term financial planning.

The funding elements of this policy are intended to support the financial sustainability of the organization by limiting the risk of generating long-term liabilities due to actual pension and retiree healthcare plan experience that differs from assumptions, such as lower than anticipated investment returns.

CalPERS completed its most recent Asset Liability Management review in 2025 and, effective July 1, 2026, maintained its long-term discount rate at 6.8% while adopting updated actuarial assumptions that reflect slightly longer retiree life expectancies and higher-than-anticipated salary growth associated with inflation. The review also supports a moderate increase in investment risk intended to improve long-term returns and help reduce employer costs over time without materially increasing the risk of contribution volatility. This will inform the City's internal comprehensive review of the Retiree Benefit Policy which, in alignment with City policy, will be brought forward in fall 2026. This policy review will include collaboration with an outside actuary, transmittal of any further pertinent results from the CalPERS ALM, and any recommended policy adjustments based on this work such as an updated assumed discount rate.

### Section 115 Pension Trust Dispersal

Under the City's Retiree Benefit Policy, the PARS Pension Trust is intended to maintain a balance equal to approximately one year of required employer contributions, with amounts above that threshold available for transmission to CalPERS to help manage pension costs, reduce unfunded liability, and mitigate future spikes in employer contribution rates. As of June 30, 2025, the PARS Pension Trust balance was approximately $110 million, compared with a FY 2026 required employer contribution of about $70 million, placing the trust above the policy target. Consistent with the policy, Council approved use of excess trust funds for transmission to CalPERS, beginning with a $10.0 million Additional Discretionary Payment in the FY 2026 Mid-Year Budget Review (Staff Report# 2512-5662). That payment reduced the principal balance of the City's pension unfunded liability, generating long-term interest savings and lowering future annual required contributions. Continued implementation of this policy is reflected in the FY 2027 Budget through a $20.0 million Additional Discretionary Payment and the use of $6.0 million in trust funds to offset the Actuarially Determined Contribution. Savings resulting from these actions are allocated across departments and funds in proportion to their respective contributions to the Section 115 Trust.

## HEALTHCARE COSTS

The FY 2027 budget for healthcare is based on the health plan choices employees made for calendar year 2026. Increases for the various bargaining units' healthcare costs are included in the memoranda of agreements and these costs are modeled throughout the budget per these terms. All bargaining units are on a flat rate medical plan which helps the City's efforts to contain benefit costs as it protects from maximum exposure to rising health costs. For calendar year 2027, the budget models a four percent annual increase in flat rate medical costs.

Consistent with the Government Accounting Standards Board pronouncements that require government agencies to recognize the true cost of medical health care by active employees and retirees, an implied subsidy for retiree healthcare was calculated. Health care premiums are contracted at a blended rate, they are the same regardless of age or active versus retired status, with the exception of Medicare premiums. Despite the contractually blended rate, the implied subsidy is calculated to recognize the higher cost of

medical services for retirees, which is reduced from the active employees' health care costs and identified as a retiree medical cost.

In FY 2027, the City's full cost of active employee healthcare is budgeted in the various City departments and collected in the General Benefits Fund to be paid to CalPERS. To account for the implied subsidy, health care costs for active employees have been reduced in the General Benefits Fund by $3.2 million, and a corresponding transfer from the General Benefits Fund to the Retiree Health Benefits Fund has been continued to reflect the full payment of the City's Actuarial Determined Contribution (ADC) for Retiree Healthcare in the Retiree Health Benefits Fund. Additional discussion of Retiree Healthcare costs and the ADC is in the Retiree Health Benefits Fund section of this document.

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Healthcare | 19,206,798 | 20,073,975 | 24,656,322 | 25,095,316 | 438,994 | 1.8% |
| Other Benefits | 727,710 | 755,755 | 1,346,265 | 1,305,857 | (40,408) | (3.0)% |
| Pension | 58,015,931 | 65,728,390 | 82,337,924 | 95,632,175 | 13,294,251 | 16.1% |
| Implied Subsidy | (3,073,000) | (2,999,500) | (2,871,000) | (3,163,000) | (292,000) | 10.2% |
| Salary | 1,467,359 | 551,215 | 44,054 | 351,732 | 307,678 | 698.4% |
| **Total Salary and Benefits** | **$76,344,798** | **$84,109,835** | **$105,513,565** | **$119,222,080** | **$13,708,515** | **13.0%** |
| Contract Services | 127,265 | 127,641 | 229,455 | 249,455 | 20,000 | 8.7% |
| General Expense | 675 | — | 500 | 247,000 | 246,500 | 49,302.0% |
| Transfer to Infrastructure | — | 134,300 | 85,900 | — | (85,900) | (100.0)% |
| Operating Transfers-Out | 3,073,000 | 6,350,000 | 6,935,100 | 3,163,000 | (3,772,100) | (54.4)% |
| **Total Dollars by Expense Category** | **$79,545,738** | **$90,721,775** | **$112,764,520** | **$122,881,535** | **$10,117,015** | **9.0%** |
| Operating Transfers-In | 1,700,000 | 15,773 | — | — | — | —% |
| Other Revenue | 108,263,379 | 112,812,558 | 106,771,662 | 100,453,445 | (6,318,217) | (5.9)% |
| Return on Investments | 397,560 | 522,178 | 455,760 | 541,183 | 85,423 | 18.7% |
| **Total Revenues** | **$110,360,939** | **$113,350,510** | **$107,227,422** | **$100,994,628** | **$(6,232,794)** | **(5.8)%** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **0.50** | **112,764,520** | **107,227,422** | **5,537,098** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| Refund of General Benefits Fund Balance | - | (4,150,000) | - | 4,150,000 |
| Deferred Compensation Consultant Services | - | (50,000) | - | 4,150,000 |
| **One-Time Prior Year Budget Adjustments** | **-** | **(4,200,000)** | **-** | **8,300,000** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Salary and Benefits Adjustments | 1.50 | 284,901 | - | 284,901 |
| Department Charges for General Benefits | - | - | 4,613,831 | (4,613,831) |
| Investment Income | - | - | 85,423 | (85,423) |
| PARs Contributions and Expenses (Normal Cost Calculated at 5.3% Discount Rate) | - | 375,092 | - | 375,092 |
| Citywide Dental Insurance | - | 44,229 | - | 44,229 |
| Citywide Vision Insurance | - | 2,537 | - | 2,537 |
| Citywide Healthcare Insurance | - | 873,703 | - | 873,703 |
| Citywide Pension | - | (1,566,324) | - | (1,566,324) |
| **Adjustments to Costs of Ongoing Activities** | **1.50** | **14,138** | **4,699,254** | **(4,685,116)** |
| **Total FY 2027 Base Budget** | **2.00** | **108,578,658** | **111,926,676** | **(3,348,018)** |
| **Budget Adjustments** | | | | |
| 1. Operating Expense, Staffing and HR Contingency Reductions | 0.48 | 106,649 | - | 106,649 |
| 2. Childcare Assistance Program Pilot Funding Extension | - | 245,000 | - | 245,000 |
| 3. Section 115 Dispersal to CalPERS for ADC and ADP | - | 13,951,229 | (10,932,048) | 24,883,277 |
| **Total Budget Adjustments** | **0.48** | **14,302,878** | **(10,932,048)** | **25,234,926** |
| **Total FY 2027 Adopted Budget** | **2.48** | **122,881,536** | **100,994,628** | **21,886,908** |

# Budget Adjustments

| Budget Adjustments | Positions | Expenditures | Revenues | Fund Balance Cost/(Savings) |
|---|---|---|---|---|
| 1. Operating Expense, Staffing and HR Contingency Reductions | 0.48 | 106,649 | - | 106,649 |

This action reallocates and reduces funding for various operational and staffing expenses in the Human Resources Department. 0.48 FTE and funding in support of the annual Open Enrollment Fair are reallocated to the General Benefits Fund in recognition of their citywide impact. This action also reduces a 0.75 FTE Administrative Assistant by 0.25 FTE, labor negotiation contract services, and the Human Resources Contingency by $20,000. (Ongoing cost: $108,000)

**Performance Results**

This action contributes to cost containment strategies in Fiscal Year 2027.

| | | | | |
|---|---|---|---|---|
| 2. Childcare Assistance Program Pilot Funding Extension | - | 245,000 | - | 245,000 |

This action in combination with reappropriation of funding from the prior fiscal year provides funding to continue the childcare subsidy program for qualified City of Palo Alto employees. Services provided in this program include, but are not limited to: childcare or after school care using a Palo Alto childcare provider. This action provides funding to continue to study a pilot program for a third year; however, if the pilot is successful and serves to increase employee engagement, long-term retention, and reduce turnover; ongoing funding will likely be requested as part of future budget cycles. (Ongoing cost: $300,000)

**Performance Results**

This action supports retention efforts to engage and retain employees to support the priority of organizational resilience.

| | | | | |
|---|---|---|---|---|
| 3. Section 115 Dispersal to CalPERS for ADC and ADP | - | 13,951,229 | (10,932,048) | 24,883,277 |

This action recognizes transactions for two types of dispersals from the City's irrevocable IRS Section 115 Pension Trust Fund to CalPERS. The first dispersal will go towards the Actuarially Determined Contribution (ADC), the City's annual normal cost. The second dispersal will go towards an Additional Discretionary Payment (ADP) that will reduce the City's unfunded accrued liability (UAL). Both dispersals are intended to mitigate impacts to service delivery of the increased costs of pension obligations while reducing pension liability and adhering to the City Retiree Benefit Funding Policy. In Fiscal Year 2027 the ADC dispersal is $6 million across all funds and the ADP dispersal is $20 million. Due to Accounting best practices, the ADC ($6 million) is fully offset. While the ADP ($20 million) is recognized as a cost, the funding has previously been appropriated and set aside for this purpose. The $20 million is partially offset by $2.25 million in anticipated UAL savings resulting from this action. Dispersals in future years will be in alignment with existing Council policy and subject to appropriation. (Ongoing net cost: $28,700,000)

**Performance Results**

This action executes City Council policy and proactively manages the City's pension obligations.

# RETIREE HEALTH BENEFIT FUND

In addition to providing pension benefits, the City participates in the California Public Employees' Medical and Hospital Care Act (PEMHCA) program to provide certain health care benefits for retired employees. This fund reflects costs for this program and payments for the unfunded liability for future medical benefits that will be provided to current and future retirees. The City uses actuarial studies completed on a biannual basis to inform the City's retiree healthcare liability and the annual Actuarial Determined Contribution (ADC). In addition, the study details funding status, economic and demographic assumptions such as discount rate, healthcare plan premiums, and projected future healthcare costs. The most recent study covers the period ending June 30, 2025. It was completed in March 2026 and was reviewed by the Finance Committee (Report # 2512-5689) and accepted by the City Council (Report # 2512-5698).

Consistent with City Council direction and the proactive funding strategies in the Retiree Benefit Funding Policy, this budget continues the practice of budgeting the cost of retiree healthcare at a more conservative 5.75% discount rate and transmitting the amount above the required payment as an additional discretionary payment "prefunding" to the CERBT Fund. Additionally, this budget maintains the closed amortization period of 15 years through 2036 to proactively fund the City's retiree healthcare trust.

In FY 2027, the ADC is $26.1 million, a $3.6 million increase from FY 2026 levels of $22.5 million. Though the ADC assumed for the FY 2027 budget is $26.1 million, the charges to the City's funds are budgeted at $23.0 million. The difference represents the City's implied subsidy for retiree healthcare. This is the same subsidy mentioned in the General Benefits Fund Overview section. Beginning in FY 2017, government agencies must recognize the true cost of medical health care for active employees and retirees. The health care premiums are the same regardless of age or active status, with the exception of Medicare premiums. This requirement is intended to recognize that as people age, their medical costs increase; therefore, an actuarial calculation has been performed to recognize the higher cost of medical services for retirees, which is reduced from the active employees' health care costs. This difference is known as the implied subsidy. In FY 2026, the full cost of active employee healthcare is budgeted in the various City departments and collected in the General Benefits Fund to be paid to CalPERS. To account for the implied subsidy, healthcare costs for active employees have been reduced in the General Benefits Fund by $3.2 million and transferred to the Retiree Health Benefits Fund. This transfer reflects the full payment of the City's annual ADC for Retiree Healthcare in the Retiree Health Benefits Fund.

# Budget Summary

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change $ | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Other Benefits | 40,148 | 34,589 | 61,560 | 61,560 | — | —% |
| Retiree Medical | 16,800,491 | 19,435,000 | 22,551,000 | 26,131,000 | 3,580,000 | 15.9% |
| **Total Salary and Benefits** | **$16,840,639** | **$19,469,589** | **$22,612,560** | **$26,192,560** | **$3,580,000** | **15.8%** |
| Contract Services | — | — | 1,060 | 1,060 | — | —% |
| **Total Dollars by Expense Category** | **$16,840,639** | **$19,469,589** | **$22,613,620** | **$26,193,620** | **$3,580,000** | **15.8%** |
| Operating Transfers-In | 3,073,000 | 2,745,000 | 2,871,000 | 3,163,000 | 292,000 | 10.2% |
| Other Revenue | 13,745,645 | 16,743,597 | 19,680,000 | 22,968,000 | 3,288,000 | 16.7% |
| Return on Investments | 71,404 | 75,507 | 55,860 | 66,339 | 10,479 | 18.8% |
| **Total Revenues** | **$16,890,049** | **$19,564,104** | **$22,606,860** | **$26,197,339** | **$3,590,479** | **15.9%** |

# Budget Reconciliation

| | Positions | Expenditures | Revenues | Net Position Cost/(Savings) |
|---|---|---|---|---|
| **Prior Year Budget** | **0.00** | **22,613,620** | **22,606,860** | **6,760** |
| **One-Time Prior Year Budget Adjustments** | | | | |
| None | - | - | - | - |
| **One-Time Prior Year Budget Adjustments** | **-** | **-** | **-** | **-** |
| **Adjustments to Costs of Ongoing Activities** | | | | |
| Citywide Retiree Health Benefits Adjustment | - | 3,580,000 | 3,580,000 | - |
| Investment Income | - | - | 10,479 | (10,479) |
| **Adjustments to Costs of Ongoing Activities** | **-** | **3,580,000** | **3,590,479** | **(10,479)** |
| **Total FY 2027 Base Budget** | **-** | **26,193,620** | **26,197,339** | **(3,719)** |
| **Budget Adjustments** | | | | |
| 1. None | - | - | | - |
| **Total Budget Adjustments** | **-** | **-** | **-** | **-** |
| **Total FY 2027 Adopted Budget** | **0.00** | **26,193,620** | **26,197,339** | **(3,719)** |



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| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **General Fund** | | | | | | |
| **Administrative Services** | | | | | | |
| Account Specialist | 4.13 | 4.13 | 4.13 | 4.13 | — | —% |
| Account Specialist-Lead | 3.45 | 3.45 | 3.45 | 3.45 | — | —% |
| Accountant | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Administrative Associate II | 1.00 | 1.00 | 1.00 | — | (1.00) | (100.0)% |
| Administrative Associate III | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Assistant Director Administrative Services | 1.65 | 1.65 | 1.65 | 1.65 | — | —% |
| Buyer | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Chief Procurement Officer | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Contracts Administrator | 3.70 | 3.70 | 2.70 | 2.70 | — | —% |
| Director Administrative Services/CFO | 0.80 | 0.80 | 0.80 | 0.80 | — | —% |
| Director Office of Management and Budget | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Management Analyst | 2.00 | 3.00 | 2.00 | 2.00 | — | —% |
| Manager Budget | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Manager Real Property | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Manager Revenue Collections | 0.62 | 0.62 | 0.62 | — | (0.62) | (100.0)% |
| Manager Treasury, Debt & Investments | 0.60 | 0.60 | 0.60 | 0.60 | — | —% |
| Manager, Finance | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Payroll Analyst | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Senior Accountant | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Senior Buyer | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Senior Management Analyst | 2.30 | 2.30 | 3.40 | 2.40 | (1.00) | (29.4)% |
| Storekeeper | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Storekeeper-Lead | 0.20 | 0.20 | 0.20 | 0.20 | — | —% |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Warehouse Supervisor | 0.20 | 0.20 | 0.20 | 0.20 | — | —% |
| **Total Administrative Services** | **40.65** | **41.65** | **40.75** | **38.13** | **(2.62)** | **(6.4)%** |
| **City Attorney** | | | | | | |
| Assistant City Attorney | 4.00 | 4.00 | 4.00 | 3.75 | (0.25) | (6.3)% |
| Chief Assistant City Attorney | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| City Attorney | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Claims Investigator | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Deputy City Attorney | 0.50 | 0.50 | 0.50 | 0.50 | — | —% |
| Legal Fellow | 1.00 | 1.00 | 1.00 | 0.75 | (0.25) | (25.0)% |
| Secretary to City Attorney | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| **Total City Attorney** | **10.50** | **10.50** | **10.50** | **10.00** | **(0.50)** | **(4.8)%** |
| **City Clerk** | | | | | | |
| Administrative Associate III | 2.00 | 2.00 | 2.00 | 1.75 | (0.25) | (12.5)% |
| Assistant City Clerk | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| City Clerk | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| **Total City Clerk** | **5.00** | **5.00** | **5.00** | **4.75** | **(0.25)** | **(5.0)%** |
| **City Manager** | | | | | | |
| Administrative Assistant | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Assistant City Manager | 1.00 | 1.00 | 1.00 | 0.80 | (0.20) | (20.0)% |
| Assistant to the City Manager | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Chief Communications Officer | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| City Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Deputy City Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Executive Assistant to the City Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Management Fellow | — | — | 0.20 | 0.20 | — | —% |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Management Specialist | — | 1.00 | — | — | — | —% |
| Manager Communications | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| **Total City Manager** | **13.00** | **14.00** | **13.20** | **13.00** | **(0.20)** | **(1.5)%** |
| **Community Services** | | | | | | |
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Animal Caretaker | — | 4.00 | 4.00 | 4.00 | — | —% |
| Assistant Director Community Services | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Building Serviceperson | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Building Serviceperson-Lead | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Coordinator Recreation Programs | 5.75 | 5.75 | 6.00 | 6.00 | — | —% |
| Director Community Services | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Division Manager Open Space, Parks & Golf | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Inspector, Field Services | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Junior Museum & Zoo Educator | 4.85 | 4.85 | 5.85 | 5.85 | — | —% |
| Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Management Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Manager Community Services | 5.00 | 5.00 | 5.00 | 5.00 | — | —% |
| Manager Community Services Senior Program | 4.00 | 4.00 | 4.00 | 4.00 | — | —% |
| Manager Human Services | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Park Maintenance Person | 6.00 | 6.00 | 6.00 | 5.40 | (0.60) | (10.0)% |
| Park Maintenance-Lead | 1.00 | 1.00 | 1.00 | — | (1.00) | (100.0)% |
| Park Ranger | 6.00 | 6.00 | 6.00 | 6.00 | — | —% |
| Parks/Golf Crew-Lead | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Producer Arts/Science Program | 9.50 | 9.50 | 9.50 | 7.50 | (2.00) | (21.1)% |
| Program Assistant I | 3.75 | 4.75 | 5.75 | 6.75 | 1.00 | 17.4% |
| Program Assistant II | 4.00 | 4.00 | 4.00 | 3.00 | (1.00) | (25.0)% |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Project Manager | 0.10 | 0.10 | 0.10 | 0.10 | — | —% |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Sprinkler System Representative | 4.00 | 4.00 | 4.00 | 3.60 | (0.40) | (10.0)% |
| Superintendent Community Services | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Theater Specialist | 5.00 | 5.00 | 5.00 | 7.00 | 2.00 | 40.0% |
| WGW Heavy Equipment Operator | 0.07 | 0.07 | 0.07 | 0.07 | — | —% |
| **Total Community Services** | **78.02** | **83.02** | **85.27** | **83.27** | **(2.00)** | **(2.3)%** |
| **Fire** | | | | | | |
| 40-Hour Captain | 0.20 | — | — | — | — | —% |
| 40-Hour Training Battalion Chief | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| 40-Hour Training Captain | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Administrative Associate II | 2.20 | 3.00 | 3.00 | 3.00 | — | —% |
| Administrative Associate III | 0.20 | 1.00 | 2.00 | 2.00 | — | —% |
| Assistant Fire Marshal | — | 1.00 | 1.00 | 1.00 | — | —% |
| Battalion Chief | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Business Analyst | 0.80 | 0.80 | 0.80 | 0.80 | — | —% |
| Deputy Director Technical Services Division | 0.20 | 0.20 | 0.20 | 0.20 | — | —% |
| Deputy Fire Chief | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Emergency Medical Service Director | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Emergency Medical Services Data Specialist | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Fire Apparatus Operator | 26.00 | 26.00 | 26.00 | 26.00 | — | —% |
| Fire Captain | 20.00 | 20.00 | 23.00 | 23.00 | — | —% |
| Fire Chief | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Fire Fighter | 34.00 | 37.00 | 37.00 | 37.00 | — | —% |
| Fire Fighter Trainee* | 3.00 | 3.00 | 3.00 | 1.00 | (2.00) | (66.7)% |
| Fire Inspector | 2.40 | 3.20 | 3.20 | 3.20 | — | —% |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Fire Marshal | 0.05 | 0.75 | 0.75 | 0.75 | — | —% |
| Geographic Information System Specialist | 0.50 | 0.50 | 0.50 | 0.50 | — | —% |
| Hazardous Materials Inspector | 0.70 | 3.93 | 3.93 | 3.93 | — | —% |
| Manager, EMS* | — | — | 1.00 | 1.00 | — | —% |
| Plans Check Engineer | — | 0.50 | 0.50 | 0.50 | — | —% |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Single Role EMT | — | — | 2.00 | 2.00 | — | —% |
| Single Role Paramedic | — | — | 2.00 | 2.00 | — | —% |
| **Total Fire** | **102.25** | **112.88** | **121.88** | **119.88** | **(2.00)** | **(1.6)%** |
| **Human Resources** | | | | | | |
| Administrative Assistant | 0.75 | 0.75 | 0.75 | 0.50 | (0.25) | (33.3)% |
| Assistant Director Human Resources | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Director Human Resources/CPO | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Human Resources Representative | 4.00 | 4.00 | 4.00 | 4.00 | — | —% |
| Human Resources Technician | 2.00 | 2.00 | 2.00 | 1.00 | (1.00) | (50.0)% |
| Management Fellow | — | — | 0.30 | 0.30 | — | —% |
| Manager Employee Benefits | 1.00 | 1.00 | 1.00 | — | (1.00) | (100.0)% |
| Manager Employee Relations | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Recruitment Division Manager | — | 1.00 | 1.00 | 1.00 | — | —% |
| Senior Human Resources Administrator | 4.00 | 4.00 | 4.00 | 3.00 | (1.00) | (25.0)% |
| Senior Management Analyst | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| **Total Human Resources** | **16.75** | **17.75** | **18.05** | **14.80** | **(3.25)** | **(18.0)%** |
| **Library** | | | | | | |
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 0.50 | (0.50) | (50.0)% |
| Coordinator Library Programs | 5.00 | 5.00 | 5.00 | 5.00 | — | —% |
| Director Libraries | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Division Head Library Services | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |

# TABLE OF ORGANIZATION

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Librarian | 4.00 | 4.00 | 4.00 | 4.00 | — | —% |
| Library Associate | 10.00 | 10.00 | 10.00 | 8.00 | (2.00) | (20.0)% |
| Library Specialist | 8.00 | 8.00 | 8.00 | 7.50 | (0.50) | (6.3)% |
| Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Manager Library Services | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Senior Business Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Senior Librarian | 8.00 | 8.00 | 8.00 | 7.00 | (1.00) | (12.5)% |
| Supervising Librarian | 5.00 | 5.00 | 5.00 | 5.00 | — | —% |
| **Total Library** | **49.00** | **49.00** | **49.00** | **45.00** | **(4.00)** | **(8.2)%** |
| **Office of Emergency Services** | | | | | | |
| Director Office of Emergency Services | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Office of Emergency Services Coordinator | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| **Total Office of Emergency Services** | **3.00** | **3.00** | **3.00** | **3.00** | **—** | **—%** |
| **Office of Transportation** | | | | | | |
| Administrative Assistant | 0.60 | 0.60 | 0.60 | 0.50 | (0.10) | (16.7)% |
| Assistant Engineer | — | — | — | 1.00 | 1.00 | —% |
| Associate Engineer | 0.35 | 0.35 | 0.35 | 0.35 | — | —% |
| Associate Planner | 0.40 | 1.40 | 1.40 | 1.40 | — | —% |
| Chief Transportation Official | 0.70 | 0.70 | 0.70 | 0.50 | (0.20) | (28.6)% |
| Coordinator Transportation Systems Management | 0.65 | — | — | — | — | —% |
| Parking Operations-Lead | 0.05 | 0.05 | 0.05 | 0.05 | — | —% |
| Planner | — | 0.40 | 0.40 | 0.40 | — | —% |
| Principal Transportation Engineer | — | — | 0.20 | 0.20 | — | —% |
| Project Engineer | 0.25 | 0.25 | 0.35 | 0.35 | — | —% |
| Senior Engineer | 0.55 | 0.55 | 0.35 | 0.35 | — | —% |
| Senior Management Analyst | 0.50 | 0.50 | 0.50 | 0.40 | (0.10) | (20.0)% |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Senior Planner | 1.40 | 1.65 | 1.65 | 1.65 | — | —% |
| Transportation Planning Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| **Total Office of Transportation** | **6.45** | **7.45** | **7.55** | **8.15** | **0.60** | **7.4%** |
| **Planning and Development Services** | | | | | | |
| 40-Hour Captain | 0.80 | — | — | — | — | —% |
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Administrative Associate II | 0.80 | — | — | — | — | —% |
| Administrative Associate III | 7.80 | 6.00 | 6.00 | 4.00 | (2.00) | (33.3)% |
| Assistant Chief Building Official | 2.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Assistant Director PCE | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Associate Engineer | 0.50 | 0.50 | 0.50 | 0.50 | — | —% |
| Associate Planner | 1.25 | 1.25 | 1.25 | 1.25 | — | —% |
| Building/Planning Technician | 2.50 | 2.50 | 2.50 | 2.50 | — | —% |
| Chief Building Official | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Chief Planning Official | 1.00 | — | — | — | — | —% |
| Code Enforcement Officer | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Code Enforcement-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Development Project Coordinator I | — | — | — | 2.00 | 2.00 | —% |
| Development Project Coordinator II | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Development Project Coordinator III | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Director Planning/Community Environment | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Division Manager Planning | — | 1.00 | 1.00 | 1.00 | — | —% |
| Engineer | 0.52 | 0.52 | 0.52 | 0.52 | — | —% |
| Engineering Technician III | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Fire Inspector | 1.60 | 0.80 | 0.80 | 0.80 | — | —% |
| Fire Marshal | 0.80 | 0.25 | 0.25 | 0.25 | — | —% |
| Hazardous Materials Inspector | 3.20 | 0.07 | 0.07 | 0.07 | — | —% |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Industrial Waste Investigator | 0.35 | 0.35 | 0.35 | 0.35 | — | —% |
| Inspector, Field Services | 0.68 | 0.68 | 0.68 | 0.68 | — | —% |
| Landscape Architect Park Planner | 0.50 | 0.50 | 0.50 | 0.50 | — | —% |
| Manager Planning | 4.00 | 4.00 | 5.00 | 5.00 | — | —% |
| Plan Review Manager | — | 1.00 | — | — | — | —% |
| Planner | 5.00 | 5.00 | 5.00 | 3.00 | (2.00) | (40.0)% |
| Plans Check Engineer | 1.00 | 0.50 | 0.50 | 0.50 | — | —% |
| Principal Planner | 2.00 | 3.00 | 4.00 | 4.00 | — | —% |
| Project Manager | 0.50 | 0.50 | 0.50 | 0.50 | — | —% |
| Senior Building Inspector | 8.00 | 8.00 | 8.00 | 8.00 | — | —% |
| Senior Business Analyst | 1.00 | — | — | — | — | —% |
| Senior Engineer | 0.45 | 0.45 | 0.45 | 0.45 | — | —% |
| Senior Management Analyst | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Senior Plan Check Engineer | 2.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Senior Planner | 7.65 | 8.75 | 8.75 | 7.75 | (1.00) | (11.4)% |
| Senior Program Manager | — | 1.00 | 1.00 | 1.00 | — | —% |
| Senior Technologist | — | 1.00 | 1.00 | 1.00 | — | —% |
| Supervisor Inspection and Surveying | 0.25 | 0.25 | 0.25 | 0.25 | — | —% |
| Supervisor of Code Enforcement | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Technologist | — | 1.00 | 1.00 | 1.00 | — | —% |
| Transportation Planning Manager | 0.05 | 0.05 | 0.05 | 0.05 | — | —% |
| **Total Planning and Development Services** | **71.20** | **67.92** | **68.92** | **65.92** | **(3.00)** | **(4.4)%** |
| **Police** | | | | | | |
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Administrative Associate II | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Animal Control Officer | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Animal Control Officer-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Assistant Police Chief | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Business Analyst | 2.20 | 2.20 | 2.20 | 2.20 | — | —% |
| Code Enforcement Officer | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Community Service Officer | 5.63 | 4.69 | 4.69 | 3.69 | (1.00) | (21.3)% |
| Court Liaison Officer | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Crime Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Deputy Director Technical Services Division | 0.80 | 0.80 | 0.80 | 0.80 | — | —% |
| Forensic Coordinator | — | 1.00 | 1.00 | 1.00 | — | —% |
| Forensic Specialist | — | 1.00 | 1.00 | 1.00 | — | —% |
| Geographic Information System Specialist | 0.50 | 0.50 | 0.50 | 0.50 | — | —% |
| Police Agent | 19.00 | 19.00 | 19.00 | 19.00 | — | —% |
| Police Captain | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Police Chief | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Police Lieutenant | 4.00 | 5.00 | 5.00 | 5.00 | — | —% |
| Police Officer | 45.00 | 45.00 | 45.00 | 45.00 | — | —% |
| Police Records Specialist II | 6.00 | 6.00 | 6.00 | 6.00 | — | —% |
| Police Records Specialist-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Police Sergeant* | 14.00 | 14.00 | 14.00 | 14.00 | — | —% |
| Program Assistant II | 1.00 | 1.00 | 1.00 | 2.00 | 1.00 | 100.0% |
| Property Evidence Technician | 2.00 | — | — | — | — | —% |
| Public Safety Communications Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Public Safety Dispatcher | 16.00 | 16.00 | 16.00 | 16.00 | — | —% |
| Public Safety Dispatcher-Lead | 4.00 | 4.00 | 4.00 | 4.00 | — | —% |
| Public Safety Program Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| **Total Police** | **139.13** | **139.19** | **139.19** | **139.19** | **—** | **—%** |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **Public Works** | | | | | | |
| Administrative Assistant | 0.50 | 0.50 | 0.75 | 0.55 | (0.20) | (26.7)% |
| Administrative Associate II | 2.65 | 2.65 | 2.65 | 1.65 | (1.00) | (37.7)% |
| Assistant Director Public Works | 0.73 | 0.73 | 0.73 | 0.73 | — | —% |
| Associate Engineer | 0.45 | 0.45 | 0.45 | 0.45 | — | —% |
| Building Serviceperson-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Building/Planning Technician | 0.50 | 0.50 | 0.50 | 0.50 | — | —% |
| Cement Finisher | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Cement Finisher-Lead | 0.26 | 0.26 | 0.26 | 0.26 | — | —% |
| Coordinator Public Works Projects | 1.50 | 1.50 | 0.70 | 0.70 | — | —% |
| Director Public Works/City Engineer | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Electrician | 0.80 | 0.80 | 0.80 | 0.80 | — | —% |
| Engineer | 0.48 | 0.48 | 0.48 | 0.48 | — | —% |
| Engineering Technician III | 1.80 | 1.80 | 1.80 | 1.80 | — | —% |
| Environmental Specialist | 0.33 | 0.33 | 0.33 | 0.33 | — | —% |
| Equipment Operator | 2.46 | 2.46 | 2.46 | 2.46 | — | —% |
| Facilities Carpenter | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Facilities Maintenance-Lead | 1.85 | 1.85 | 1.85 | 1.85 | — | —% |
| Facilities Painter | 1.75 | 1.75 | 1.75 | 1.75 | — | —% |
| Facilities Technician | 5.05 | 5.05 | 5.05 | 5.05 | — | —% |
| Heavy Equipment Operator | 2.10 | 2.10 | 2.10 | 2.10 | — | —% |
| Heavy Equipment Operator-Lead | 0.85 | 0.85 | 0.85 | 0.85 | — | —% |
| Inspector, Field Services | 0.11 | 0.11 | 0.11 | 0.11 | — | —% |
| Landscape Architect Park Planner | 0.60 | 0.60 | 0.60 | 0.60 | — | —% |
| Management Analyst | 0.70 | 0.80 | 0.80 | 0.80 | — | —% |
| Manager Environmental Control Program | 0.33 | 0.33 | 0.33 | 0.33 | — | —% |
| Manager Facilities | 0.90 | 0.90 | 0.90 | 0.50 | (0.40) | (44.4)% |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Manager Maintenance Operations | 1.20 | 1.20 | 1.20 | 0.50 | (0.70) | (58.3)% |
| Manager Urban Forestry | 1.00 | 1.00 | 1.00 | 0.96 | (0.04) | (4.0)% |
| Manager Watershed Protection | 0.05 | 0.05 | 0.05 | 0.05 | — | —% |
| Project Manager | 2.85 | 2.85 | 2.85 | 2.78 | (0.07) | (2.5)% |
| Senior Engineer | 0.60 | 0.60 | 0.60 | 0.60 | — | —% |
| Senior Management Analyst | 1.11 | 1.11 | 1.11 | 1.11 | — | —% |
| Supervisor Inspection and Surveying | 0.10 | 0.10 | 0.10 | 0.10 | — | —% |
| Surveyor, Public Works | 0.33 | 0.33 | 0.33 | — | (0.33) | (100.0)% |
| Traffic Controller Maintainer I | 1.94 | 1.94 | 1.94 | 1.94 | — | —% |
| Traffic Controller Maintainer II | 1.00 | 1.00 | 2.00 | 2.00 | — | —% |
| Tree Maintenance Person | 1.00 | 1.00 | 1.00 | 1.02 | 0.02 | 2.0% |
| Tree Trim/Line Clear | 7.00 | 7.00 | 7.00 | 5.88 | (1.12) | (16.0)% |
| Tree Trim/Line Clear-Lead | 1.00 | 1.00 | 1.00 | 0.98 | (0.02) | (2.0)% |
| WGW Heavy Equipment Operator | 0.23 | 0.23 | 0.23 | 0.23 | — | —% |
| **Total Public Works** | **51.11** | **51.21** | **51.66** | **47.80** | **(3.86)** | **(7.5)%** |
| **Total General Fund** | **586.06** | **602.57** | **613.97** | **592.89** | **(21.08)** | **(3.4)%** |
| **Enterprise Fund** | | | | | | |
| **Public Works** | | | | | | |
| Accountant | 0.70 | 0.70 | 0.70 | 0.70 | — | —% |
| Administrative Assistant | — | — | — | 0.30 | 0.30 | —% |
| Administrative Associate I | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Administrative Associate II | 2.15 | 2.15 | 2.15 | 2.15 | — | —% |
| Administrative Associate III | 0.20 | 0.20 | 0.20 | 0.20 | — | —% |
| Airport Specialist II | 2.50 | 2.50 | 2.50 | 2.50 | — | —% |
| Assistant Director Public Works | 1.30 | 1.30 | 1.30 | 1.30 | — | —% |
| Assistant Manager WQCP | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Associate Engineer | 3.05 | 3.05 | 3.05 | 3.05 | — | —% |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Chemist | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Electrician | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Electrician-Lead | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Engineer | 1.90 | 1.90 | 1.90 | 1.90 | — | —% |
| Engineering Technician III | 0.20 | 0.20 | 0.20 | 0.20 | — | —% |
| Environmental Specialist | 2.33 | 2.33 | 3.33 | 3.33 | — | —% |
| Equipment Operator | 0.54 | 0.54 | 0.54 | 0.54 | — | —% |
| Facilities Maintenance Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Fire Marshal | 0.07 | — | — | — | — | —% |
| Hazardous Materials Inspector | 0.04 | — | — | — | — | —% |
| Heavy Equipment Operator | 0.90 | 0.90 | 0.90 | 0.90 | — | —% |
| Heavy Equipment Operator-Lead | 1.15 | 1.15 | 1.15 | 1.15 | — | —% |
| Industrial Waste Inspector | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Industrial Waste Investigator | 1.15 | 1.15 | 1.15 | 1.15 | — | —% |
| Instrumentation Electrician | — | — | 1.00 | 1.00 | — | —% |
| Laboratory Technician WQC | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Landfill Technician | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Management Analyst | 2.30 | 2.90 | 2.90 | 2.90 | — | —% |
| Manager Airport | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Manager Environmental Control Program | 5.33 | 5.33 | 5.33 | 5.33 | — | —% |
| Manager Information Technology | — | — | — | 1.00 | 1.00 | —% |
| Manager Laboratory Services | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Manager Maintenance Operations | 1.96 | 1.96 | 1.96 | 2.96 | 1.00 | 51.0% |
| Manager Solid Waste | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Manager Water Quality Control Plant | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Manager Watershed Protection | 0.95 | 0.95 | 0.95 | 0.95 | — | —% |
| Plant Mechanic | 7.00 | 7.00 | 7.00 | 7.00 | — | —% |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Program Assistant I | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Program Assistant II | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Project Engineer | 2.83 | 2.83 | 2.83 | 2.83 | — | —% |
| Project Manager | 1.35 | 1.35 | 1.35 | 1.35 | — | —% |
| Senior Accountant | 0.30 | 0.30 | 0.30 | 0.30 | — | —% |
| Senior Buyer | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Senior Chemist | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Senior Engineer | 3.76 | 3.76 | 3.76 | 3.76 | — | —% |
| Senior Industrial Waste Investigator | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Senior Management Analyst | 0.21 | 0.21 | 0.61 | 0.61 | — | —% |
| Senior Mechanic | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Senior Operator WQC | 6.00 | 6.00 | 7.00 | 8.00 | 1.00 | 14.3% |
| Senior Technologist | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Storekeeper | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Street Sweeper Operator | 1.63 | 1.63 | 1.63 | 1.63 | — | —% |
| Supervisor WQCP Operations | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Surveyor, Public Works | 0.12 | 0.12 | 0.12 | — | (0.12) | (100.0)% |
| Technologist | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Traffic Controller Maintainer I | 0.06 | 0.06 | 0.06 | 0.06 | — | —% |
| WQC Plant Operator II | 16.00 | 16.00 | 16.00 | 16.00 | — | —% |
| Zero Waste Coordinator | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| **Total Public Works** | **106.98** | **107.47** | **110.87** | **114.05** | **3.18** | **2.9%** |
| **Utilities** | | | | | | |
| Account Specialist | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Accountant | 1.30 | 1.30 | 1.30 | 1.30 | — | —% |
| Administrative Assistant | 1.00 | 1.00 | 1.75 | 1.75 | — | —% |
| Administrative Associate II | 6.00 | 6.00 | 6.00 | 6.00 | — | —% |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Administrative Associate III | — | — | — | 0.25 | 0.25 | —% |
| Assistant City Attorney | 2.00 | 2.00 | 2.00 | 2.25 | 0.25 | 12.5% |
| Assistant City Manager | — | — | — | 0.20 | 0.20 | —% |
| Assistant Director Administrative Services | 0.25 | 0.25 | 0.25 | 0.25 | — | —% |
| Assistant Director Sustainability and Climate Action | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Assistant Director Utilities Customer Support Services* | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Assistant Director Utilities Engineering | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Assistant Director Utilities Operations | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Assistant Director Utilities/Resource Management | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Associate Sustainability Program Administrator | 1.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Business Analyst | 6.00 | 6.00 | 6.00 | 6.00 | — | —% |
| Cathodic Protection Technician Assistant | 1.00 | 1.00 | — | — | — | —% |
| Cathodic Technician | 1.00 | 1.00 | 2.00 | 2.00 | — | —% |
| Cement Finisher | 2.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Contracts Administrator | 0.70 | 0.70 | 0.70 | 0.70 | — | —% |
| Coordinator Utilities Projects | 8.00 | 10.00 | 10.00 | 10.00 | — | —% |
| Customer Service Representative | 7.00 | 7.00 | 7.00 | 7.00 | — | —% |
| Customer Service Specialist | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Customer Service Specialist-Lead | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Deputy City Attorney | 0.50 | 0.50 | 0.50 | 0.50 | — | —% |
| Director Administrative Services/CFO | 0.20 | 0.20 | 0.20 | 0.20 | — | —% |
| Electric Heavy Equipment Operator | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Electric Project Engineer | 8.00 | 10.00 | 10.00 | 10.00 | — | —% |
| Electric Underground Inspector | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Electric Underground Inspector-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Electrical Equipment Technician | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Electrician Assistant I | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Electrician-Lead | — | 1.00 | 1.00 | 1.00 | — | —% |
| Engineer | 5.00 | 5.00 | 5.00 | 5.00 | — | —% |
| Engineering Manager - Electric | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Engineering Manager - WGW | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Engineering Technician III | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Environmental Specialist | 0.34 | 0.34 | 0.34 | 0.34 | — | —% |
| Equipment Operator | 1.00 | 1.00 | 2.00 | 2.00 | — | —% |
| Fire Marshal | 0.08 | — | — | — | — | —% |
| Gas and Water Meter Measurement and Control Technician | 4.00 | 5.00 | 5.00 | 5.00 | — | —% |
| Gas and Water Meter Measurement and Control Technician - Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Hazardous Materials Inspector | 0.06 | — | — | — | — | —% |
| Heavy Equipment Operator - Install/Repair | 4.00 | 5.00 | 5.00 | 5.00 | — | —% |
| Human Resources Representative | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Industrial Waste Investigator | 0.50 | 0.50 | 0.50 | 0.50 | — | —% |
| Inspector, WGW Utilities Field Svc | 5.00 | 5.00 | 6.00 | 6.00 | — | —% |
| Legal Fellow | — | — | — | 0.25 | 0.25 | —% |
| Lineperson/Cable Specialist | 10.00 | 10.00 | 10.00 | 10.00 | — | —% |
| Lineperson/Cable Specialist-Lead | 4.00 | 4.00 | 4.00 | 4.00 | — | —% |
| Maintenance Mechanic-Welding | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Management Fellow | — | — | 0.50 | 0.50 | — | —% |
| Manager Communications | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Manager Customer Service | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Manager Electric Operations | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Manager Environmental Control Program | 0.34 | 0.34 | 0.34 | 0.34 | — | —% |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Manager Information Technology* | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Manager Treasury, Debt & Investments | 0.40 | 0.40 | 0.40 | 0.40 | — | —% |
| Manager Urban Forestry | — | — | — | 0.04 | 0.04 | —% |
| Manager Utilities Compliance | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Manager Utilities Credit & Collection | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Manager Utilities Operations WGW | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Manager Utilities Program Services | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Manager Utilities Strategic Business | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Manager Utilities Telecommunications* | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Meter Reader | 5.00 | 5.00 | 5.00 | 1.00 | (4.00) | (80.0)% |
| Meter Reader-Lead | 1.00 | 1.00 | 1.00 | — | (1.00) | (100.0)% |
| Metering Technician | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Metering Technician-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Offset Equipment Operator | 0.48 | 0.98 | 0.48 | 0.48 | — | —% |
| Overhead Underground Troubleman | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Principal Business Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Program Assistant I | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Project Engineer | 5.00 | 5.00 | 5.00 | 5.00 | — | —% |
| Project Manager | 0.75 | 0.75 | 0.75 | 0.82 | 0.07 | 9.3% |
| Resource Planner | 5.00 | 5.00 | 5.00 | 5.00 | — | —% |
| Restoration Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Senior Accountant | 0.70 | 0.70 | 0.70 | 0.70 | — | —% |
| Senior Business Analyst | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Senior Buyer | — | — | 1.00 | 1.00 | — | —% |
| Senior Electrical Engineer | 5.00 | 5.00 | 5.00 | 5.00 | — | —% |
| Senior Engineer | 5.00 | 5.00 | 5.00 | 5.00 | — | —% |
| Senior Management Analyst | 0.70 | 0.70 | 1.00 | 1.00 | — | —% |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Senior Marketing Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Senior Mechanic | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Senior Resource Planner | 7.00 | 7.00 | 7.00 | 7.00 | — | —% |
| Senior Utilities Field Service Representative | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Senior Utilities System Operator | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Senior Water Systems Operator | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Storekeeper | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Storekeeper-Lead | 0.80 | 0.80 | 0.80 | 0.80 | — | —% |
| Street Light, Traffic Signal & Fiber Technician | 4.00 | 4.00 | 4.00 | 4.00 | — | —% |
| Street Light, Traffic Signal & Fiber-Lead | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Substation Electrician | 6.00 | 6.00 | 6.00 | 6.00 | — | —% |
| Substation Electrician-Lead | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Sustainability Programs Administrator | 5.00 | 5.00 | 5.00 | 5.00 | — | —% |
| Tree Maintenance Person | 1.00 | 1.00 | 1.00 | 0.98 | (0.02) | (2.0)% |
| Tree Trim/Line Clear | — | — | — | 0.12 | 0.12 | —% |
| Tree Trim/Line Clear-Lead | — | — | — | 0.02 | 0.02 | —% |
| Utilities Chief Operating Officer | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Utilities Compliance Technician | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Utilities Compliance Technician-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Utilities Credit/Collection Specialist | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Utilities Director | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Utilities Engineer Estimator | 5.00 | 5.00 | 5.00 | 5.00 | — | —% |
| Utilities Field Services Representative | 5.00 | 5.00 | 5.00 | 5.00 | — | —% |
| Utilities Install Repair-Lead-Welding Certified | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Utilities Install Repair-Welding Certified | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Utilities Install/Repair | 10.00 | 11.00 | 11.00 | 11.00 | — | —% |
| Utilities Install/Repair Assistant | 1.00 | 1.00 | — | — | — | —% |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Utilities Install/Repair-Lead | 4.00 | 4.00 | 3.00 | 3.00 | — | —% |
| Utilities Key Account Representative | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Utilities Locator | 3.00 | 3.00 | 3.00 | 3.00 | — | —% |
| Utilities Safety Officer | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Utilities Supervisor | 12.00 | 12.00 | 12.00 | 12.00 | — | —% |
| Utilities System Analyst | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Utilities System Operator | 5.00 | 5.00 | 5.00 | 5.00 | — | —% |
| Utility Engineering Estimator - Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Warehouse Supervisor | 0.80 | 0.80 | 0.80 | 0.80 | — | —% |
| Water System Operator II | 4.00 | 4.00 | 4.00 | 4.00 | — | —% |
| WGW Heavy Equipment Operator | 4.70 | 4.70 | 4.70 | 4.70 | — | —% |
| **Total Utilities** | **273.60** | **283.96** | **286.01** | **282.19** | **(3.82)** | **(1.3)%** |
| **Total Enterprise Fund** | **380.58** | **391.43** | **396.88** | **396.24** | **(0.64)** | **(0.2)%** |
| **Other Funds** | | | | | | |
| **Capital Project Fund** | | | | | | |
| Administrative Assistant | 0.65 | 0.65 | 0.65 | 0.55 | (0.10) | (15.4)% |
| Administrative Associate III | 0.80 | 0.80 | 0.80 | 0.80 | — | —% |
| Assistant Director Public Works | 0.72 | 0.72 | 0.72 | 0.72 | — | —% |
| Associate Engineer | 1.65 | 1.65 | 1.65 | 1.65 | — | —% |
| Associate Planner | 0.35 | 0.35 | 0.35 | 0.35 | — | —% |
| Cement Finisher-Lead | 0.74 | 0.74 | 0.74 | 0.74 | — | —% |
| Chief Transportation Official | 0.30 | 0.30 | 0.30 | 0.50 | 0.20 | 66.7% |
| Contracts Administrator | 0.60 | 0.60 | 0.60 | 0.60 | — | —% |
| Coordinator Public Works Projects | 1.30 | 1.30 | 1.30 | 1.30 | — | —% |
| Coordinator Transportation Systems Management | 1.35 | — | — | — | — | —% |
| Engineer | 3.10 | 3.10 | 3.10 | 2.10 | (1.00) | (32.3)% |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Engineering Technician III | 0.50 | 0.50 | 0.50 | 0.50 | — | —% |
| Facilities Technician | 1.50 | 1.50 | 1.50 | 1.50 | — | —% |
| Inspector, Field Services | 1.21 | 1.21 | 1.21 | 1.21 | — | —% |
| Landscape Architect Park Planner | 0.90 | 0.90 | 0.90 | 0.90 | — | —% |
| Management Analyst | 0.80 | 0.90 | 0.90 | 0.90 | — | —% |
| Manager Facilities | 0.10 | 0.10 | 0.10 | 0.50 | 0.40 | 400.0% |
| Manager Maintenance Operations | 0.65 | 0.65 | 0.65 | 0.50 | (0.15) | (23.1)% |
| Park Maintenance Person | — | — | — | 0.60 | 0.60 | —% |
| Parking Operations-Lead | 0.30 | 0.30 | 0.30 | 0.30 | — | —% |
| Planner | — | 0.60 | 0.60 | 0.60 | — | —% |
| Principal Transportation Engineer | — | — | 0.80 | 0.80 | — | —% |
| Project Engineer | 7.92 | 7.92 | 8.82 | 8.82 | — | —% |
| Project Manager | 1.45 | 1.45 | 1.45 | 1.45 | — | —% |
| Senior Engineer | 4.64 | 4.64 | 3.84 | 3.84 | — | —% |
| Senior Management Analyst | 0.75 | 0.75 | 0.75 | 0.85 | 0.10 | 13.3% |
| Senior Planner | 1.55 | 2.30 | 2.30 | 2.30 | — | —% |
| Sprinkler System Representative | — | — | — | 0.40 | 0.40 | —% |
| Supervisor Inspection and Surveying | 0.65 | 0.65 | 0.65 | 0.65 | — | —% |
| Surveyor, Public Works | 0.55 | 0.55 | 0.55 | — | (0.55) | (100.0)% |
| Transportation Planning Manager | 0.45 | 0.45 | 0.45 | 0.45 | — | —% |
| **Total Capital Project Fund** | **35.48** | **35.58** | **36.48** | **36.38** | **(0.10)** | **(0.3)%** |
| **General Benefits Fund** | | | | | | |
| Human Resources Technician | — | — | 0.50 | 0.50 | — | —% |
| Manager Employee Benefits | — | — | — | 0.75 | 0.75 | —% |
| Senior Human Resources Administrator | — | — | — | 0.75 | 0.75 | —% |
| **Total General Benefits Fund** | **—** | **—** | **0.50** | **2.00** | **1.50** | **300.0%** |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| **General Liabilities Insurance Program Fund** | | | | | | |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| **Total General Liabilities Insurance Program Fund** | **1.00** | **1.00** | **1.00** | **1.00** | **—** | **—%** |
| **Printing and Mailing Services** | | | | | | |
| Manager Revenue Collections | 0.10 | 0.10 | 0.10 | — | (0.10) | (100.0)% |
| Offset Equipment Operator | 1.52 | 2.02 | 1.52 | 1.52 | — | —% |
| **Total Printing and Mailing Services** | **1.62** | **2.12** | **1.62** | **1.52** | **(0.10)** | **(6.2)%** |
| **Special Revenue Funds** | | | | | | |
| Account Specialist | 1.37 | 1.37 | 1.37 | 1.37 | — | —% |
| Account Specialist-Lead | 0.55 | 0.55 | 0.55 | 0.55 | — | —% |
| Administrative Assistant | 0.25 | 0.25 | 0.25 | 0.25 | — | —% |
| Administrative Associate II | 0.20 | 0.20 | 0.20 | 0.20 | — | —% |
| Community Service Officer | 0.37 | 0.31 | 0.31 | 0.31 | — | —% |
| Coordinator Public Works Projects | 0.20 | 0.20 | — | — | — | —% |
| Electrician | 0.20 | 0.20 | 0.20 | 0.20 | — | —% |
| Facilities Maintenance-Lead | 0.15 | 0.15 | 0.15 | 0.15 | — | —% |
| Facilities Painter | 0.25 | 0.25 | 0.25 | 0.25 | — | —% |
| Facilities Technician | 0.45 | 0.45 | 0.45 | 0.45 | — | —% |
| Manager Community Services Senior Program | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Manager Maintenance Operations | 0.19 | 0.19 | 0.19 | 0.04 | (0.15) | (78.9)% |
| Manager Revenue Collections | 0.28 | 0.28 | 0.28 | — | (0.28) | (100.0)% |
| Parking Operations-Lead | 0.65 | 0.65 | 0.65 | 0.65 | — | —% |
| Senior Management Analyst | 0.35 | 0.35 | 0.35 | 0.35 | — | —% |
| Senior Planner | 0.40 | 0.30 | 0.30 | 0.30 | — | —% |
| Street Maintenance Assistant | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Street Sweeper Operator | 0.37 | 0.37 | 0.37 | 0.37 | — | —% |

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Transportation Planning Manager | 0.50 | 0.50 | 0.50 | 0.50 | — | —% |
| **Total Special Revenue Funds** | **9.73** | **9.57** | **9.37** | **8.94** | **(0.43)** | **(4.6)%** |
| **Technology Fund** | | | | | | |
| Administrative Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Assistant Director Administrative Services | 0.10 | 0.10 | 0.10 | 0.10 | — | —% |
| Assistant Director Information Technology | — | 1.00 | 1.00 | 1.00 | — | —% |
| Business Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Desktop Technician | 6.00 | 4.00 | 4.00 | 4.00 | — | —% |
| Director Information Technology/CIO | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Manager Information Technology | 3.00 | 3.00 | 4.00 | 3.00 | (1.00) | (25.0)% |
| Senior Business Analyst | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Senior Management Analyst | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Senior Technologist | 17.00 | 17.00 | 16.00 | 16.00 | — | —% |
| Technologist | — | 2.00 | 2.00 | 2.00 | — | —% |
| **Total Technology Fund** | **33.10** | **34.10** | **34.10** | **33.10** | **(1.00)** | **(2.9)%** |
| **Vehicle Replacement and Maintenance Fund** | | | | | | |
| Administrative Assistant | — | — | — | 0.10 | 0.10 | —% |
| Assistant Director Public Works | 0.25 | 0.25 | 0.25 | 0.25 | — | —% |
| Assistant Fleet Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Equipment Maintenance Service Person | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Fleet Services Coordinator | 2.00 | 2.00 | 2.00 | 2.00 | — | —% |
| Management Analyst | 0.20 | 0.40 | 0.40 | 0.40 | — | —% |
| Management Assistant | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Manager Fleet | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Motor Equipment Mechanic II | 5.00 | 5.00 | 5.00 | 5.00 | — | —% |
| Motor Equipment Mechanic-Lead | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |

# TABLE OF ORGANIZATION

| | FY 2024 Actuals | FY 2025 Actuals | FY 2026 Adopted Budget | FY 2027 Adopted Budget | FY 2027 Change FTE | FY 2027 Change % |
|---|---|---|---|---|---|---|
| Project Manager | 1.00 | 1.00 | 1.00 | 1.00 | — | —% |
| Senior Management Analyst | 0.08 | 0.08 | 0.28 | 0.28 | — | —% |
| **Total Vehicle Replacement and Maintenance Fund** | **14.53** | **14.73** | **14.93** | **15.03** | **0.10** | **0.7%** |
| **Workers' Compensation Program Fund** | | | | | | |
| Human Resources Technician | — | — | 0.50 | 0.50 | — | —% |
| Manager Employee Benefits | — | — | — | 0.25 | 0.25 | —% |
| Senior Human Resources Administrator | 1.00 | 1.00 | 1.00 | 1.25 | 0.25 | 25.0% |
| **Total Workers' Compensation Program Fund** | **1.00** | **1.00** | **1.50** | **2.00** | **0.50** | **33.0%** |
| **Total Other Funds** | **96.46** | **98.10** | **99.50** | **99.97** | **0.47** | **(0.5)%** |
| **Total Citywide Positions** | **1,063.10** | **1,092.10** | **1,110.35** | **1,089.10** | **(21.25)** | **(1.9)%** |

*The Table of Organization includes positions that have been frozen. These positions have been defunded. The affected classifications are denoted by a single asterisk (*) following the job classification title.

**The prior year adopted budget does not include City Council actions to amend staffing levels approved subsequent to the adoption of the budget. If applicable, these positions appear as a base adjustment in the current year budget.



# SUPPLEMENTAL INFORMATION



CITY OF
PALO
ALTO

# BUDGET ADOPTION ORDINANCE

## Budget Adoption Ordinance

As discussed in the Budget Process; section of this document, the review of the operating and capital budgets is structured around public hearings conducted by the Finance Committee and City Council prior to adoption of the budget. These hearings are conducted in part to incorporate community input into the decision making process. The ordinance to adopt the Fiscal Year 2027 Budget is included below. This ordinance was approved and adopted by the City Council on June 15, 2026.

Changes from the Proposed Budget document to the Adopted Budget document are summarized by department and by fund in the memorandum that recommends approval of the FY 2027 budget adoption ordinance (Report #2512-5698). This report can be found on the City's website: www.PaloAlto.gov/City-Hall/City-Council/Council-Agendas-Minutes under the June 15, 2026 meeting agenda.

Docusign Envelope ID: B17C42B1-5443-87C5-8057-77D1441B2E7D

ORDINANCE NO. 5701

ORDINANCE OF THE COUNCIL OF THE CITY OF PALO ALTO ADOPTING THE BUDGET FOR FISCAL YEAR 2027

SECTION 1. The Council of the City of Palo Alto finds and determines as follows:

A. Pursuant to the provisions of Section 6(g) of Article IV of the Charter of the City of Palo Alto and Chapter 2.28 of the Palo Alto Municipal Code, the City Manager has prepared and submitted to the City Council, by letter of transmittal, a budget proposal for Fiscal Year 2027; and

B. Pursuant to the provisions of Section 12 of Article III of the Charter, the Council did, on June 15, 2026, hold public hearings on the budget after publication of notice in accordance with Section 2.28.070 of the Palo Alto Municipal Code; and

C. In accordance with the provisions of Chapter 8 of Division 1, of Title 7, commencing with Section 66016 of the Government Code, as applicable, the Council did on June 15, 2026, hold a public hearing on the proposed amendments to the Municipal Fee Schedule, after publication of notice and after availability of the data supporting the amendments was made available to the public at least 10 days prior to the hearing.

SECTION 2. Pursuant to Chapter 2.28 of the Palo Alto Municipal Code, the following documents, collectively referred to as "the budget" are hereby approved and adopted for Fiscal Year 2026:

(a) The budget document (Exhibit "1") containing the proposed operating and capital budgets submitted on May 4, 2026, by the City Manager for Fiscal Year 2027, entitled "City of Palo Alto - City Manager's Fiscal Year 2027 Proposed Budget" covering General Government Funds, Enterprise Funds, Special Revenue Funds, and Internal Service Funds, a copy of which is on file in the Department of Administrative Services, to which copy reference is hereby made concerning the full particulars thereof, and by such reference is made a part hereof; and

(b) The Amendments to the City Manager's Fiscal Year 2027 Proposed Budget, attached hereto as Exhibit "2" and Exhibit "3" and made a part hereof; and

(c) Changes and revised pages in the Table of Organization, as displayed on pages 515

Docusign Envelope ID: B17C42B1-5443-87C5-8057-77D1441B2E7D

through 536 in "Exhibit 1," and amended in Exhibit "4" made a part hereof; and

(d) Fee changes of the Municipal Fee Schedule attached hereto as Exhibit "5" including changes recommended in the Planning and Municipal Cost of Services Study attached hereto as Exhibit "6" and the Citywide Cost of Services Study attached hereto as Exhibit "7

SECTION 3. The sums set forth in the budget for the various departments of the City, as herein amended, are hereby appropriated to the uses and purposes set forth therein.

SECTION 4. All expenditures made on behalf of the City, directly or through any agency, except those required by state law, shall be made in accordance with the authorization contained in this ordinance and the budget as herein amended.

SECTION 5. Appropriations for the Fiscal Year 2026 that are encumbered by approved purchase orders and contracts for which goods or services have not been received or contract completed, and/or for which all payments have not been made, by the last day of the Fiscal Year 2026 shall be carried forward and added to the fund or department appropriations for Fiscal Year 2027.

SECTION 6. The City Manager is authorized and directed to make changes in the department and fund totals and summary pages of the budget necessary to reflect the amendments enumerated and aggregated in the budget as shown in Exhibit "2" and Exhibit "3" and the Fiscal Year 2026 appropriations carried forward as provided in Section 5.

SECTION 7. As specified in Section 2.04.320 of the Palo Alto Municipal Code, a majority vote of the City Council is required to adopt this ordinance.

SECTION 8. As specified in Section 2.28.140(b) of the Palo Alto Municipal Code, the Council of the City of Palo Alto hereby delegates the authority to invest the City's funds to the Director of Administrative Services, as Treasurer, in accordance with the City's Investment Policy for Fiscal Year 2027.

SECTION 9. The Council of the City of Palo Alto adopts the changes to the Municipal Fee Schedule as set forth in Exhibit "5" including changes to Impact and In-Lieu Fees in Exhibit "6".The amount of the new or increased fees and charges is no more than necessary to cover the reasonable costs of the governmental activity, and the manner in which those costs are allocated to a payer bears a fair and reasonable relationship to the payer's burden on, or benefits received from, the governmental activity. All new and increased fees shall go into effect immediately; provided that pursuant to Government Code Section 66017, all Planning & Community Environment Department fees relating to a "development project" as defined in Government Code Section 66000 shall become effective sixty (60) days from the date of adoption.

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SECTION 10. Fees in the Municipal Fee Schedule are for government services provided directly to the payor that are not provided to those not charged. The amount of this fee does not exceed the reasonable costs to the City of providing the services. Consequently, pursuant to Art. XIII C, Section 1(e)(2), such fees are not a tax.

SECTION 11. As provided in Section 2.04.330 of the Palo Alto Municipal Code, this ordinance shall become effective upon adoption.

SECTION 12. The Council of the City of Palo Alto hereby finds that this is not a project under the California Environmental Quality Act and, therefore, no environmental impact assessment is necessary.

INTRODUCED AND PASSED: JUNE 15, 2026

AYES: BURT, LAUING, LU, LYTHCOTT-HAIMS, RECKDAHL, STONE, VEENKER

NOES:

ABSENT:

ABSTENTIONS:

NOT PARTICIPATING:

ATTEST:

DocuSigned by:
869AGE5898F6400...
City Clerk

Signed by:
D9D070CD5EEA403...
Mayor

APPROVED AS TO FORM:

DocuSigned by:
F2DCA19CCC8D4F9...
City Manager

APPROVED:

DocuSigned by:
81C299FA3B9340E...
City Attorney

DocuSigned by:
66236E5C2025450...
Director of Administrative Services

# APPROPRIATIONS LIMIT RESOLUTION AND CALCULATION

## Fiscal Year 2027 Appropriations Limit Resolution and Calculation

The City of Palo Alto complies with Article XIIIB of the Constitution of the State of California, which mandates that the City may not appropriate any proceeds of taxes in excess of its appropriations limit. The limit is calculated annually to adjust for inflation and population changes. The resolution determining the Calculation of the Appropriations Limit for Fiscal Year 2027 is included below. This resolution was adopted by the City Council on June 15, 2026.

# APPROPRIATIONS LIMIT RESOLUTION AND CALCULATION

Docusign Envelope ID: D7C2B747-43CD-8492-8067-E4BB742E3D71

RESOLUTION NO. 10304

Resolution of the Council of the City of Palo Alto Establishing the City's Appropriations Limit for Fiscal Year 2027

WHEREAS, under Article XIIIB of the Constitution of the State of California, the City of Palo Alto (City) may not appropriate any proceeds of taxes in excess of its appropriations limit; and

WHEREAS, since fiscal year 1991, the City is permitted to adjust its appropriations limit annually based on inflation and population adjustment factors; and

WHEREAS, pursuant to Government Code Section 37200, the calculation of the appropriations limit and the total appropriations subject to the limit were set forth in the annual budget of the City for Fiscal Year 2027, which was adopted by ordinance of the Council on June 15, 2026; and

WHEREAS, pursuant to Government Code sections 7901 and 7910, the final calculation of the appropriations limit has been determined, and the adjustment factors on which the calculation is based are a 4.95% percent change in California per capita income a**n**d a 0.23% percent change in the population growth for the County of Santa Clara; and

WHEREAS, the documentation used in the determination of the appropriations limit has been made available to the general public for fifteen (15) days prior to the date of adoption of this resolution; and

WHEREAS, according to the final calculation, the City's net appropriations subject to limitation are approximately $168.21 million.

NOW, THEREFORE, the Council of the City of Palo Alto does RESOLVE as follows:

SECTION 1. The Council of the City of Palo Alto hereby finds that, for Fiscal Year 2027, the final calculation of the appropriations limit of the City of Palo Alto has been determined in accordance with the adjustment factors referred to above, the documentation used in the determination of the calculation has been made available to the general public for the period of fifteen days as required by law, and the City's appropriations are under the appropriations limit by approximately $78.59 million.

SECTION 2. The Council hereby adopts the final calculation of the appropriations limit of the City for Fiscal Year 2027, a copy of which is attached hereto as Exhibit 1.

Docusign Envelope ID: D7C2B747-43CD-8492-8067-E4BB742E3D71

SECTION 3. The Council finds that the adoption of this resolution does not constitute a project under the Section 15378(b)(4) of California Environmental Quality Act Guidelines because establishing the annual appropriations limit is a fiscal activity, and, therefore, no environmental assessment is necessary.

INTRODUCED AND PASSED: JUNE 15, 2026

AYES: BURT, LAUING, LU, LYTHCOTT-HAIMS, RECKDAHL, STONE, VEENKER

NOES:

ABSENT:

ABSTENTIONS:

NOT PARTICIPATING:

ATTEST:
DocuSigned by:
869ICE5898F8400...
City Clerk

APPROVED:
Signed by:
D9D070CD8EEA403...
Mayor

APPROVED AS TO FORM:
DocuSigned by:
81C299FA3B9340E...
City Attorney

DocuSigned by:
F2DCA19CCC8D4F9...
City Manager

DocuSigned by:
66236E5C20284EC...
Director of Administrative Services

# APPROPRIATIONS LIMIT RESOLUTION AND CALCULATION

Docusign Envelope ID: D7C2B747-43CD-8492-8067-E4BB742E3D71

Exhibit 1

## APPROPRIATIONS LIMITATION COMPLIANCE CALCULATION
### FOR FISCAL YEAR 2027 ADOPTED BUDGET
($ IN MILLIONS)

| Total Budgeted Appropriations | General Fund ** | Capital Projects Funds | Special Revenue Funds | Debt Service Fund | Combined Funds |
|---|---|---|---|---|---|
| **FY 2027 Adopted Budget** | **$ 311.83** | **$ 107.85** | **$ 30.43** | **$ 11.91** | **$ 462.02** |
| **Less:** | | | | | |
| Interfund Transfers | $ (41.26) | $ (7.40) | $ (22.47) | $ - | $ (71.13) |
| Allocated Charges | $ (31.93) | $ (0.69) | $ (0.69) | $ - | $ (33.31) |
| Non-Proceeds | $ (63.92) | $ (102.20) | $ (11.42) | $ (11.84) | $ (189.37) |
| **Net Appropriations Subject to Limit** | **$ 174.71** | **$ (2.43)** | **$ (4.15)** | **$ 0.07** | **$ 168.21** |

CITY OF PALO ALTO

| | |
|---|---|
| FY 2026 Per Capita Income Change (CA Department of Finance) | **4.95%** |
| *Factor A* | *1.0495* |
| FY 2026 Population Change (County of Santa Clara) | **0.23%** |
| *Factor B* | *1.0023* |
| **FY 2026 Adopted Appropriations Limit** | **$ 234.62** |
| **Factor A x Factor B** | 1.0519 |
| **FY 2027 Adopted Appropriations Limit** | **$246.80** |
| Net Appropriations Subject to Limit | $168.21 |
| **Amount Under the Limit** | **$78.59** |

The City of Palo Alto remains well within its appropriations limit in FY 2027. Future year limit trends can be made based on the average change in regional population and income growth. The appropriations subject to limitation includes proceeds of taxes from the General Fund, Capital Projects Fund, and Special Revenue Funds.

| Fiscal Year | Per Capita Income Factor | Population Change Factor | Total Adjustment Factor | Appropriations Limit | Appropriations Subject to Limit | Amount Under the Limit |
|---|---|---|---|---|---|---|
| 2026 | 1.0644 | 1.0031 | 1.0677 | $ 234.62 | $ 178.01 | $ 56.61 |
| 2025 | 1.0362 | 1.0002 | 1.0364 | $ 219.74 | $ 173.10 | $ 46.64 |
| 2024* | 1.0444 | 0.9975 | 1.0418 | $ 212.02 | $ 157.94 | $ 54.08 |
| 2023* | 1.0755 | 1.0007 | 1.0763 | $ 203.52 | $ 138.39 | $ 65.13 |
| 2022* | 1.0573 | 0.9944 | 1.0514 | $ 189.10 | $ 127.09 | $ 62.01 |
| 2021 | 1.0373 | 1.0037 | 1.0411 | $ 179.86 | $ 113.06 | $ 66.80 |
| 2020 | 1.0385 | 1.0033 | 1.0419 | $ 172.75 | $ 127.42 | $ 45.33 |
| 2019 | 1.0367 | 1.0099 | 1.0470 | $ 165.80 | $ 114.94 | $ 50.86 |
| 2018 | 1.0369 | 1.0082 | 1.0454 | $ 158.36 | $ 131.49 | $ 26.87 |
| 2017 | 1.0537 | 1.0130 | 1.0674 | $ 151.48 | $ 109.51 | $ 41.97 |
| 2016 | 1.0382 | 1.0113 | 1.0499 | $ 141.92 | $ 100.60 | $ 41.32 |

* FY 2022-2024 Appropriation Limits restated to correct for Total Adjustment Factor calculation error in those fiscal years.
** Excludes the $0.2m in General Fund transfers.

On November 6, 1979, California voters approved Proposition 4, an initiative that added Article XIIIB to the state Constitution. The provisions of this article place limits on the amount of revenue that can be appropriated by all entities of government. The Appropriations Limit is based on actual appropriations during the 1978-1979 fiscal year, as increased each year using specified population and inflationary growth factors.

# FINANCIAL POLICIES

## Reserve Policies

One of the key components of a financially stable organization is the adherence to a policy of maintaining an appropriate level of reserves. The Government Finance Officers Association (GFOA) recommends, at a minimum, that general purpose governments, regardless of size, maintain reserves (unrestricted fund balance) in their General Fund of no less than two months of operating revenues or expenditures, or a minimum of approximately 16.7% of General Fund operating expenditures. The GFOA further recommends that reserve levels be directly related to the degree of uncertainty the local government faces; specifically, the greater the uncertainty, the greater the financial resources necessary. Since reserves are used to mitigate risk, during these uncertain economic times, it is crucial that the City continue its practice of adhering to this GFOA guidance. This will provide the City with resources to cope with unforeseen expenditures, unanticipated events, or revenue shortfalls.

## General Fund Budget Stabilization Reserve

The City's Budget Stabilization Reserve (BSR) serves as the primary General Fund reserve. By policy, the BSR is maintained in the range of 15.0 to 20.0% of General Fund operating expenditures, with a target of 18.5%. Any reduction to the reserve below 15.0% requires City Council approval. At the discretion of the City Manager, any BSR balance above 18.5% may be transferred to the Infrastructure Reserve (IR), which was established to provide funding for maintenance and rehabilitation of the City's capital assets, or the Section 115 Pension Trust Fund, which was established to set aside funding for the City's long-term pension liability. The BSR is used to fund unanticipated one-time costs as opposed to ongoing or recurring operating expenditures. The City's intent is to fund ongoing programs and services with ongoing dollars.

The City has held a long-standing practice of maintaining a BSR balance of no less than 15.0% of General Fund operating expenses. The table below depicts the BSR balances for seven years, the last five years of actual ending BSR balances, and two years of budgeted ending BSR balances. As discussed in this document, the Fiscal Year 2027 Budget assumes a BSR ending balance of $53.7 million or 17.2%. This is within the targeted range of 15.0 to 20.0%, but is below the City Council goal of 18.5% to reserve funding for potential economic uncertainty.

| | 2021 Actuals | 2022 Actuals | 2023 Actuals | 2024 Actuals | 2025 Actuals | 2026 Adopted | 2027 Adopted |
|---|---|---|---|---|---|---|---|
| Ending BSR Balance (in millions) | $49.1 | $72.8 | $61.5 | $65.9 | $54.4 | $54.3 | $53.7 |
| % of Total Expenses | 25.0% | 34.8% | 24.9% | 24.5% | 18.5% | 17.7% | 17.2% |

Over the years, the City's BSR has served as a repository for unspent operating funds at year-end and to fund one-time unexpected needs that arise outside of the regular budget preparation process. Prudent financial management practices dictate that the BSR not be used to fund or solve ongoing, recurring financial needs. Historically the City has adhered to this practice and has not used the BSR to provide ongoing budget stabilization during periods of economic downturns.

## Human Services Resource Allocation Process (HSRAP) Reserve

In Fiscal Year 2015, the City Council set aside an earmarked reserve for the Human Services Resource Allocation Process (HSRAP) in the amount of $50,000 to be used during future budget cycles. In FY 2019, $10,000 was spent on the Heart and Home Collaborative leaving $40,000 in this Reserve. These funds are anticipated to be unspent at the conclusion of Fiscal Year 2026, and the reserve is expected to reappropriated to Fiscal Year 2027 for future HSRAP needs.

## Credit Rating Agencies

Credit rating agencies view General Fund reserves as a critical component of strong municipal management. According to Moody's Investors Service, reserves are an important factor in the analysis of a municipality's fiscal health and, therefore, a jurisdiction's fiscal policies should include a plan for maintaining reserves. Rating agencies view sound reserves favorably, thus improving a municipality's rating and its ability to obtain low-cost financing for important projects. The City is proud to report that both Moody's and Standard and Poor's (S&P) awarded their highest credit ratings, Triple A, to the City's General Obligation Bonds for library and community center capital improvements in 2010 and 2013, and reaffirmed those ratings in May 2022 by S&P and December 2024 by Moody's. These ratings demonstrate that Palo Alto's prudent financial management and fiscal strength are viewed most favorably by credit agencies. The three Utility bonds that are rated by S&P also received their highest credit rate of Triple A, which was reaffirmed in April 2025. Moody's has rated these Utility bonds with either their second highest (Aa1) or third highest (Aa2) ratings.

## Capital Fund Reserve

### INFRASTRUCTURE RESERVE (IR)

The Infrastructure Reserve (IR) provides a mechanism for financing the City's infrastructure maintenance and rehabilitation requirements and allows the City to apply for reimbursable infrastructure grants and respond to urgent infrastructure needs. The primary purpose of the IR is to fund projects which are critical to the maintenance of existing infrastructure. Unspent monies from General Fund capital projects are returned to the IR and retained within the Capital Fund along with investment income from this reserve to fund future capital project needs.

# Other Policies

## DEBT POLICY

The City of Palo Alto recognizes the need for spending a prudent amount every year for ongoing capital replacement and rehabilitation needs. An ongoing capital improvement plan is vital to ensuring the future viability of services. To achieve this priority, the City funds its regular and ongoing capital needs primarily on a pay-as-you-go basis. There are, however, special or extraordinary capital improvement projects, refinancing of existing debt, and purchase of major and multiple pieces of equipment in which it is appropriate to consider debt financing.

The City's Debt Policy establishes the guidelines to support the decision-making process for issuing debt. These guidelines were adopted by the City Council on May 13, 1997 (City Manager's Report 210:97). Staff revised the guidelines at the April 11, 2017 City Council meeting (Report# 7892) to comply with SB 1029 amendments to Government Code section 8855. A summary of the Debt Service guidelines, including more information on reporting requirements, is in the Debt Service Fund Overview section.

## INVESTMENT POLICY

The City of Palo Alto invests its pooled idle cash in accordance with California Government Code and the City Charter, following the Prudent Investor Standard ( Government Code Section 53600.3). Under this standard, those responsible for managing public funds act as fiduciaries and must exercise care, skill, prudence, and diligence to safeguard principal while meeting liquidity needs. The City's investment objectives are prioritized in the following order: safety, liquidity, and return.

The City pools cash from all funds, except where restricted by bond indentures or other legal requirements, to maximize investment efficiency and earnings. The investment program applies to all City funds reported in the Annual Comprehensive Financial Report (ACFR), excluding pension and other post-employment benefit trust funds, which are governed by separate policies, as well as bond proceeds held by fiscal agents. The portfolio is actively managed to maintain sufficient liquidity while allowing for strategic positioning across market conditions. While securities may be held to maturity, the City may also sell securities prior to maturity when it supports liquidity needs, risk management, or improved portfolio performance.

The City also considers environmental, social, and governance (ESG) factors in its investment decisions. Investments that support environmentally sound practices, fair labor standards, and equal opportunity are encouraged, while direct investments in entities engaged in tobacco production, firearms manufacturing, or fossil fuel extraction are discouraged. A detailed description of authorized investments, portfolio guidelines, delegation of authority, and reporting requirements is outlined in the City's Investment Policy, which is reviewed and adopted annually by the City Council.

## RETIREE BENEFIT FUNDING POLICY

On February 6th, 2023, the City adopted a Revised Retiree Benefit Funding Policy (Formerly Pension Funding Policy) for the Financial Planning of Employee Pension and Other Post-Employment Benefits (OPEB)/Retiree Healthcare Plans (Report#2212-0513). The policy identifies a path forward for the City to address its pension obligations on an ongoing basis, ensures prudent and proactive financial planning, and

avoids significant impacts to service delivery. Revisions and updates to this policy inform the development of the annual budget, financial planning and analysis of operations, and other long-term financial planning. The funding elements of this policy are intended to support the financial sustainability of the organization by limiting the risk of generating long-term liabilities due to actual pension and retiree healthcare plan experience that differs from assumptions, such as lower than anticipated investment returns. Revisions include reducing the discount rate used to calculate Section 115 Trust contributions, from 6.2% to 5.3% for pension and 6.25% to 5.75% for retiree health, modifying investment strategy from Moderately Conservative to a Balanced portfolio which offers higher expected returns. The policy will implement more conservative investment allocations once plans are 75-80% funded or the City's actuary recommends disbursements. Reporting will be extended from 3 to 4 years to align with CalPERS Asset Liability Management (ALM) and Experience Studies to ensure timely reporting and opportunity to realign the City's policy as needed, with the most current actuary assumptions and experiences. There will be a recalculation of actuary reporting of the amortization schedule for the Unfunded Accrued Liability (UAL) at the lower discount rate. The City will work to proactively monitor its pension funding position, through not only its CalPERs and OPEB actuary reports, but also by continuing to use outside actuary consultant to model different scenarios. This outside actuary will also provide an update on the City's progress of reaching its goal of 90% funded status by FY 2036. The City will continue to transmit the CalPERs reports on an annual basis and OPEB actuary reports on a biennual basis.

# Key Budget Terms

**Accrual Accounting:**A method of accounting that recognizes expenses when incurred and revenues when earned rather than when payment is made or received.

**Adopted Budget:**The budget that is approved and enacted by the City Council annually before June 30th.

**American Rescue Plan Act (ARPA):**A Federal economic stimulus plan signed into law by the President Biden on March 11, 2021. The stimulus package provided direct, flexible relief, funds to cities, counties and states to combat the negative financial impact of the Pandemic.

**Appropriation:**The allocation of an expense budget for a particular project or program usually for a specific period of time.

**Audit:**Independent review and examination of records and activities to assess the adequacy of system controls, to ensure compliance with established policies and operational procedures.

**Balanced Budget:**A balanced budget exists when total revenues are equal to, or greater than, total expenses.

**Bond:**A debt investment in which an investor loans money to an entity (governmental or otherwise) that borrows the money for a defined period of time at a fixed interest rate to pay for a variety of projects.

**Budget Stabilization Reserve (BSR):**The BSR was established as a prudent measure to maintain the City's fiscal stability in the event that unanticipated events reduce revenue or create obligations that significantly impact the current-year budget. Examples of such events include a downturn in the economy, a natural disaster or actions that may be taken by another governmental agency that reduce revenues and/or increase expenses for the City.

**Capital Budget:**A plan of proposed capital outlays and the means of financing them for the current fiscal period. In a two-year budget, the second year of the Capital Improvement Program is adopted-in-concept.

**Capital Improvement Program (CIP):**The City's plan for current and future projects related to the acquisition, expansion, or rehabilitation of buildings, equipment, parks, streets, and other public infrastructure.

**Capital Projects Fund:**A fund created to account for all resources to be used for the construction or acquisition of designated fixed assets by a governmental unit except those financed by proprietary or fiduciary funds.

**City Manager's Report (CMR):**Staff reports for City Council meetings as well as boards and commissions that are prepared by City staff and submitted through the City Manager's Office.

**Comprehensive Plan:**The Palo Alto Comprehensive Plan contains the City's official policies on land use and community design, transportation, housing, natural environment, business and economics, and community services. Its focus is on the physical form of the City and is applicable to both public and private properties. The Budget integrates the 2030 Comprehensive Plan into the budget process.

**Cost Accounting:**The branch of accounting that provides for the assembling and recording of all the elements of cost incurred to accomplish a purpose, carry on an activity or operation, or complete a unit of work or a specific job.

**Enterprise Funds:**Funds used to account for services that are provided to the public on a user charge basis, similar to the operation of a commercial business. The City's enterprise funds include the gas, electric, water, fiber optics and wastewater collection and treatment funds.

**Fiduciary Fund:**A fund used to account for assets held by the City acting in a fiduciary capacity for other individuals or entities. These funds are operated to carry out the specific actions required by the trust agreements, ordinances and other governing regulations.

**Fiscal Agent:**A bank or other corporate fiduciary that performs the function of paying, on behalf of the governmental unit, or other debtor, interest on debt or principal of debt when due.

# GLOSSARY

**Fiscal Year:**A 12-month period of time to which the annual budget applies and at the end of which a governmental unit determines its financial position and the results of operations. Palo Alto's fiscal year begins on July 1st and ends on June 30th.

**Fixed Assets:**Assets such as land, structures and improvements, furniture and/or equipment that are expected to last and/or be used for more than one year.

**Full-Time Equivalent (FTE):**Used to quantify staffing hours for permanent and temporary employees. A 1.0 FTE employee works full time; a 0.50 FTE employee works half-time.

**Fund Balance:**An excess of the assets of a fund over its liabilities.

**General Fund:**The primary fund used to account for the City's general purpose revenues such as sales, property, utility users and transient occupancy taxes. General Fund revenues typically pay for citywide services such as public safety, community development, recreation, libraries and parks. The General Fund is distinguished from Special Funds in that the latter are used to account for revenues that have restricted uses (e.g. gas tax funds that must be used for street maintenance or repair).

**Governmental Funds:**A generic classification used to refer to all funds other than proprietary and fiduciary funds. Governmental funds include the general fund, capital fund, special revenue funds and debt service funds.

**Infrastructure Assets:**Roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems installed for the common good.

**Infrastructure Management Plan (IMP):**A portion of the General Fund capital improvement program which focuses on rehabilitating the City's infrastructure. In 1998-99, an outside consultant on the City's infrastructure prepared a report known as the Adamson report. Within this report the City's infrastructure was cataloged and ranked based on when the infrastructure needed to be upgraded or replaced and the cost for each item. At that time, the City Council decided to establish a plan using the Adamson report as a guide for both timeline and cost.

**Internal Service Funds:**These funds provide services to City departments and recover their costs through user charges. For example the Vehicle Replacement Fund is an Internal Service Fund managing the replacement and maintenance of the City fleet.

**Major Funds:**These are any budgeted funds that have annual revenues or expenses of more than 10% of the operating budget.

**Method of Accounting:**The City's General Fund budget is developed using a modified accrual basis of accounting, with revenues being recorded when measurable and available, and expenditures recorded when the liability is incurred. Enterprise Funds and Internal Service Funds are budgeted on a generally accepted accounting principles (GAAP) basis, which for Proprietary Funds is on a full accrual accounting basis.

**Net Position:**Net Position is the excess of the City's assets and deferred outflows of resources over its liabilities and deferred inflow of resources.

**Operating Transfer:**Amounts transferred between funds, not considered a revenue or expense. For example, legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

**Pay-As-You-Go-Basis:**A term used to describe the financial policy of a governmental unit that finances all of its capital outlays from current revenues rather than by borrowing.

**Proposed Budget:**The proposed budget is the budget that is sent to the Finance Committee by the City Manager. The proposed budget, including changes made by the Finance Committee during their review, is reviewed and then adopted by the City Council.

**Proprietary Funds:**A generic classification used to refer to all funds other than governmental funds or fiduciary funds. Proprietary funds include internal service funds and enterprise funds.

**Reimbursements:**Inter-fund transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it but that properly apply to another fund. For example, the Enterprise Funds reimburse the Technology Fund for CIP projects from which the Enterprise Funds benefit.

**Reserve:**Represents the portion of fund balance set aside for financing future financing needs and addressing one-time emergency or unanticipated events.

**Revenues:**Revenues include compensation received by the project for specific services to the public (external revenues), as well as revenues received from other funds (internal revenues).

**Special Revenue Funds:**These funds account for the proceeds derived from specific revenue sources that are legally restricted to expenditures for specified purposes. The Street Improvement Fund (SIF) is a Special Revenue Fund that derives its funding from state gas tax revenues. Capital appropriations from the SIF must be spent on the construction and maintenance of the road network system of the City.

# AMERICANS WITH DISABILITIES ACT

CITY OF PALO ALTO

IN COMPLIANCE WITH
AMERICANS WITH DISABILITIES ACT (ADA) OF 1990,
THIS DOCUMENT MAY BE PROVIDED
IN OTHER ACCESSIBLE FORMATS.

For information contact:
Chief Building Official/ADA Coordinator
City of Palo Alto
285 Hamilton Ave, Suite 100
(650) 329-2550
ADA@paloalto.gov

CITY OF PALO ALTO

# PALO ALTO

Spanish explorers named the area for the tall, twin-trunked redwood tree they camped beneath in 1769. Palo Alto incorporated in 1894 and the State of California granted its first charter in 1909. The City has long been known for its innovative people and its exploration of ideas that have changed the world.

In Palo Alto, our history has always been about the future.



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