

FY 2027 PROPOSED BUDGET HEARINGS

Citywide Internal Support & Administration (continued)

Please refer to Dept Sections for Page Numbers

May 5, 2026

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SERVICE AREA SUMMARY

	FY 2026 Adopted	FY 2027 Proposed	% change	FY 2026 Adopted FTE	FY 2027 Proposed FTE	% change
General Fund	\$17.5 M	\$16.6 M	(5.5%)	61.70	55.35	(10.3%)
Internal Service Funds*	\$184.6 M	\$205.0 M	11.1%	39.68	42.98	8.3%

Department	Revenue	Expenses	FTE
Administrative Services (GF)	\$4.7 M	\$11.5 M	39.11
Information Technology	\$22.3 M	\$27.4 M	35.50
Human Resources (GF)	\$2.1 M	\$5.1 M	16.24

***Internal Service Funds:**

- Information Technology Fund
- Printing & Mailing Fund
- General Benefits & Insurance Fund
- Workers' Compensation Fund
- Liability Insurance Fund
- Retiree Health Benefits Fund

Additional information is available in the Internal Service Fund section.



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Administrative Services

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ADMINISTRATIVE SERVICES

MAJOR STRATEGIES & PROPOSALS

Strategies – Focus on fiscal stewardship, compliance, internal controls, revenue enhancements, streamlining and re-organization. Balance impacts on cycle time.

Proposals

- Continue FY26 Reduction: Eliminate Revenue Collections Manager | **(\$146,758)**
- Eliminate Administrative Associate II | **(\$122,621)**
- Eliminate Grants Management Analyst | **(\$204,987)**
- Defund two part-time Admin Specialist II - City Hall information windows | **(\$78,631)**
- Reduce in bankcard service charges – budget true-up and revenue | **(\$30,000)**
- Reduce overtime – budget true-up and streamline administration | **(\$45,000)**

KEY INITIATIVES (ASD)

- Updating Purchasing Threshold & Contract Authority
- Updating Policies: Travel, payment, reimbursements, Pcard
- Aligning Functions:
 - Treasuring and Revenue Collections Functions
 - Revenue Collections & City Hall general information
 - Grants – hybrid decentralized & centralized approach
 - Risk Management – year 2 within ASD; incorporate energy credit risk.
- SAP S/4 Hana (ERP system) upgrade
- Budget system upgrade
- Contract management – revenue compliance & collections
- Enhanced Contract Reporting – 2026 workplan
- Contract vendor revenue platforms – update for credit card fees

OTHER FUNDS

- **General Liabilities Insurance Program Fund:**
 - FY27 Budget ~ \$11.7M, 33% over FY26 adopted
 - Increase premiums at FY26 Mid-Year and FY27
 - Includes enhanced cybersecurity and seismic coverage
- **Printing & Mail Services Fund:**
 - FY27 Budget ~ \$1.6M, Consistent with FY26 adopted
 - Utility billing with third party vendor;
 - P&M offering more services to City departments.
- **Debt Service Funds – anticipated financing**
 - New: RWCQP line of credit \$31M
 - New: Revenue Bond Grid Modernization
 - New: Certificates of Participation (COP) Parking Garage
 - Refunding: 2009 Water Bonds



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Information Technology

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INFORMATION TECHNOLOGY

MAJOR STRATEGIES & PROPOSALS

Strategies

- Revise IT Strategic Plan and divisional Workplans
- Establish Digital Transformation Roadmap
- Continue to strengthen departmental partnerships
- Identify responsible AI opportunities and use cases

Proposals

- Cybersecurity contingency reduction | **(\$381,000)**
- On-Call contract reductions | **(\$150,000)**
- IT Operations reduction | **(\$110,000)**
- Continue FY26 reduction: Eliminate Information Technology Manager | **(\$266,270)**

KEY INITIATIVES (IT)

- Continue modernization of technology solutions
 - Upgrade ERP system
 - Upgrade Budget Publishing
 - New Computer Aided Dispatch (CAD) Implementation
 - Phone System Upgrade
 - Citywide Audio/Visual Enhancements
 - Several Infrastructure Upgrades
- Leverage existing solutions to replace legacy applications
- Right-size technology service contracts
- Identify AI opportunities to streamline processes
- In partnership with Utilities launch of Palo Alto Fiber



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Human Resources

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HUMAN RESOURCES

MAJOR STRATEGIES & PROPOSALS

Strategies

- Prioritize workforce development investments by aligning training and career planning
Strengthen employee engagement and recognition programs by leveraging cost-effective approaches to support employee morale
- Reinforce collaborative labor partnerships and prioritize in-house solutions
- Align recruitment strategies and hiring initiatives

Proposals

- Reallocate a part-time position to the General Benefits Internal Service Fund | **(\$87,000)**
- Reallocate contract services funding for benefits programming from General Fund to the General Benefits Internal Services Fund | **(\$20,000)**
- Reduce the 0.75 FTE Administrative Assistant position by 0.25 FTE | **(\$32,000)**
- Reduce labor negotiations base budget | **(\$90,000)**
- Reduce HR Contingency | **(\$20,000)**

KEY INITIATIVES (HRD)

- **Continue to enhance the internal customer service experience** by expanding self-service tools, digitizing processes, and streamlining service delivery.
 - Completed efficiencies: on-demand interview screening, integrated open enrollment process with SAP/FIORI upgrade, paperless onboarding and benefit enrollment processes, and launched an employee data dashboard.
 - Future efficiencies: Automated CalPERS report, SAP upgrade (S/4 HANA migration), additional FIORI enhancements for employee self-service.
- **Advance recruitment strategic initiatives** by equipping hiring managers with a standardized toolkit and implementing the NEOGOV Attract module to enable proactive candidate sourcing and digital marketing.
- **Expand performance management capabilities** by increasing utilization of the NEOGOV Perform module to streamline and strengthen performance management.
- **Continue to reduce reliance on contracts** by optimizing internal resources: labor negotiations, executive recruitments and organizational development.

OTHER FUNDS

- Workers Compensation Fund:
 - FY27 Budget \$10.6M, 7.7%+ over FY26 adopted
- General Benefits Fund (including Section 115 Trust):
 - FY27 Budget \$127.6M, 13.2%+ over FY26 adopted
 - Cost of pension & health insurance
 - Section 115 Trust
 - Contributions consistent with City policy
 - Disbursement (for all funds): \$6M ADC, \$20M ADP
- Retiree Health Benefit Fund
 - FY27 Budget \$26.2M, 15,8%+ over FY26 adopted
 - Includes the OPEB prefunding per City policy and updated actuary report (FC May 19, 2026 item)