



FY 2027 PROPOSED OPERATING AND CAPITAL BUDGETS

May 4, 2026

www.paloalto.gov/budget

OVERVIEW



- Balanced budget utilizing multi-year strategies to navigate fiscal challenges over several years
- Preserves most valued City services, Council priorities, and once in a generation investments
- Reflects staff's hard look at all services, service delivery approaches and efficiencies, and use of contracts as a starting point for Council deliberations

Preserving valued city services

- ✓ Community Centers, teen center, Palo Alto Junior Museum & Zoo, parks, playgrounds, open space preserves remain open and maintained
- ✓ Police & Fire response to all priority emergency calls, ensuring health and safety, and implementing single-role EMS
- ✓ Five libraries will remain open with a single day closure of Children's library
- ✓ Ensure health and safety measures are addressed on our streets, sidewalks, and trees
- ✓ Utility services - water, electric, gas, wastewater, and sewer services will continue including key investments and maintenance
- ✓ Support the Development Center and planning requests, building permits, and code enforcement
- ✓ Manage traffic signals maintenance and timing and youth education through safe routes to school



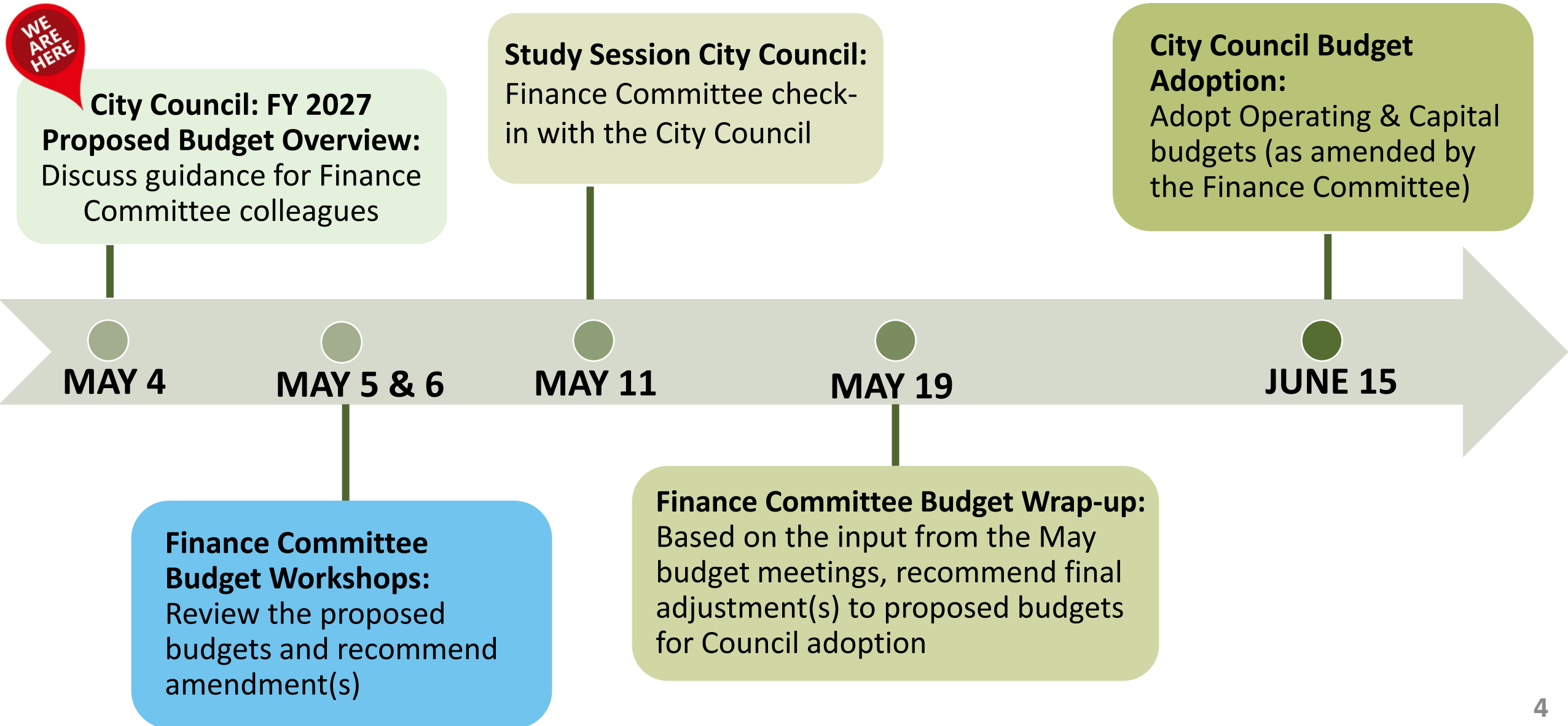
PROPOSED OPERATING BUDGET



FISCAL YEAR 2027

- Budget Conversations & Calendar
- City Vision & Council Priorities
- Economic Outlook & Budget Highlights
- Citywide Budget Overview
- General Fund Budget Overview
- Capital Budget and 5-Year Capital Improvement Program
- Utility Funds
- Finance Committee & Community Conversations

BUDGET CONVERSATIONS & CALENDAR



CITY VISION AND COUNCIL PRIORITIES

Vision

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.



2026 COUNCIL PRIORITIES



Achieve Near-Term Policy Housing Milestones



Cubberley Acquisition & Renovation Funding



Enhance Business Vibrancy



Government Efficiency

- Operating budget totals \$1.05 billion (1.9% increase), with General Fund totals \$310.98 million (1.1% decrease)
- Capital budget totals \$313.6 million in FY 2027 and \$1.20 billion over the five-year Capital Improvement Program (CIP)
- Multi-year strategy to solve projected General Fund \$17.1 million (or 5.5%) budget deficit.
- Continues the FY 2026 budget reductions.
- Projects Budget Stabilization Reserve between 17.4% to 18%.



Expenditure reductions - \$6.8M:

- Streamlines administration and modernizes technology, and realigns cost allocations to reduce reliance on the General Fund
- Relinquishes one-time encumbrance funding with thorough review and reduces ongoing contract appropriations via inter-departmental support.
- Proposes a net decrease of 22.25 FTE (2.0%) citywide through vacancy management and potential reassignment of staff in impacted positions, largely avoided layoffs.



Revenue enhancements - \$1.7M:

- New and/or increased fees and rates.
- Maximizes investment income with updated policy and portfolio management.
- Audit revenue collections and diversify sources to ensure fiscal resilience and maximize existing resources.
- Fosters economic development





Use of one-time funding - \$2.6M: Utilizes funds to bridge the shortfall and maintain service continuity for community and senior programming.

- Measure B, SUMC Dev. Agreement (\$2.4M), Hamiton Ave Benefit Fund (\$0.2M)
- Does not use Budget Stabilization Reserve (BSR); however projects balance below target of 18.5%



Capital Investments - \$1.5 M: Reduces base transfer by \$1.5M as part of a broader structural realignment to align capital outlays with ongoing revenue capacity. Total transfer to the Capital Improvement Fund - \$34.5M in FY 2027 (including a \$14.6M Base and \$15.5M TOT).



Pension Cost & Liability - \$4.5 M: Proactively manages pension: Section 115 Trust disbursement to CalPERS for ADP (\$20M) and ADC (\$6M). Council leadership and employee contributions through labor contracts address these costs and liabilities.



CHALLENGES, RISKS & ASSUMPTIONS

CHALLENGES

- Economic Uncertainty
- Tariffs/ Inflation
- Supply Chain Disruption
- State/ Federal Policy
- New Legislative Updates

REVENUES

- Property Tax
- Sales Tax
- Doc Tsfr Tax (DTT)

EXPENDITURES

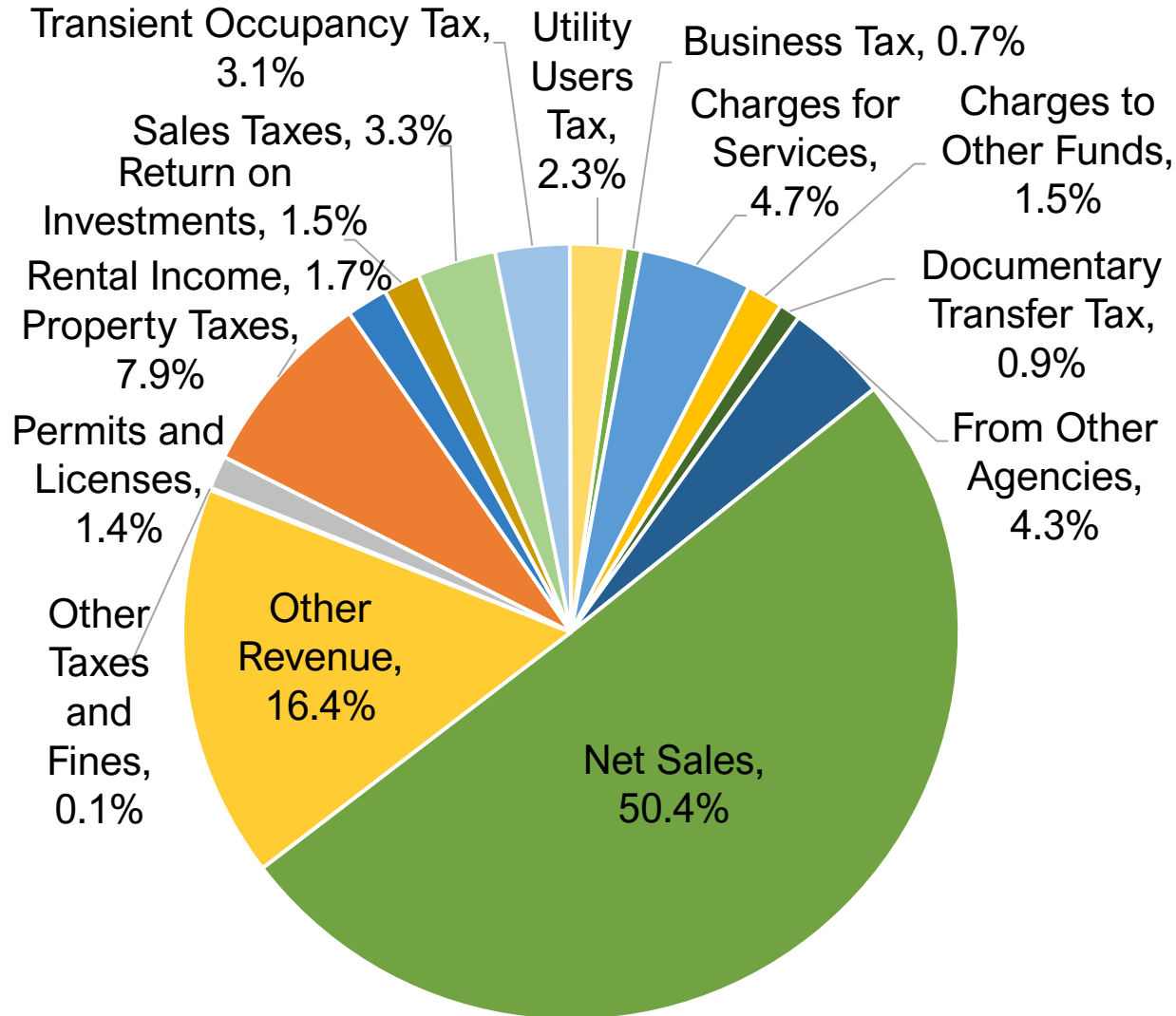
- Maintain 5% vacancy assumption
- Strategic investments in core services & Council priorities

RISK MITIGATION

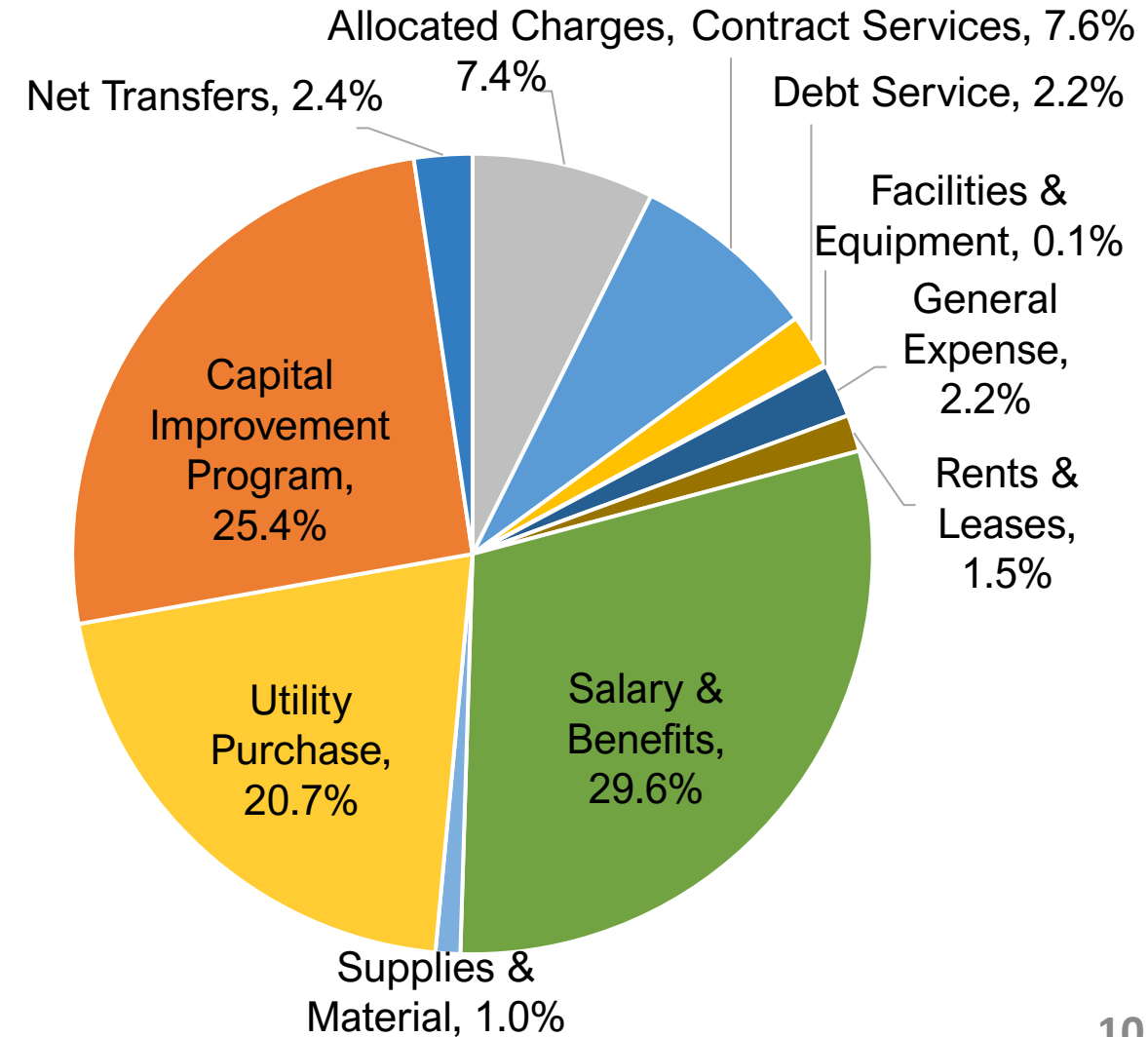
- Budget Stabilization Reserve
- Prefund Liabilities
- Infrastructure Investments

ALL FUNDS SOURCES & EXPENSES

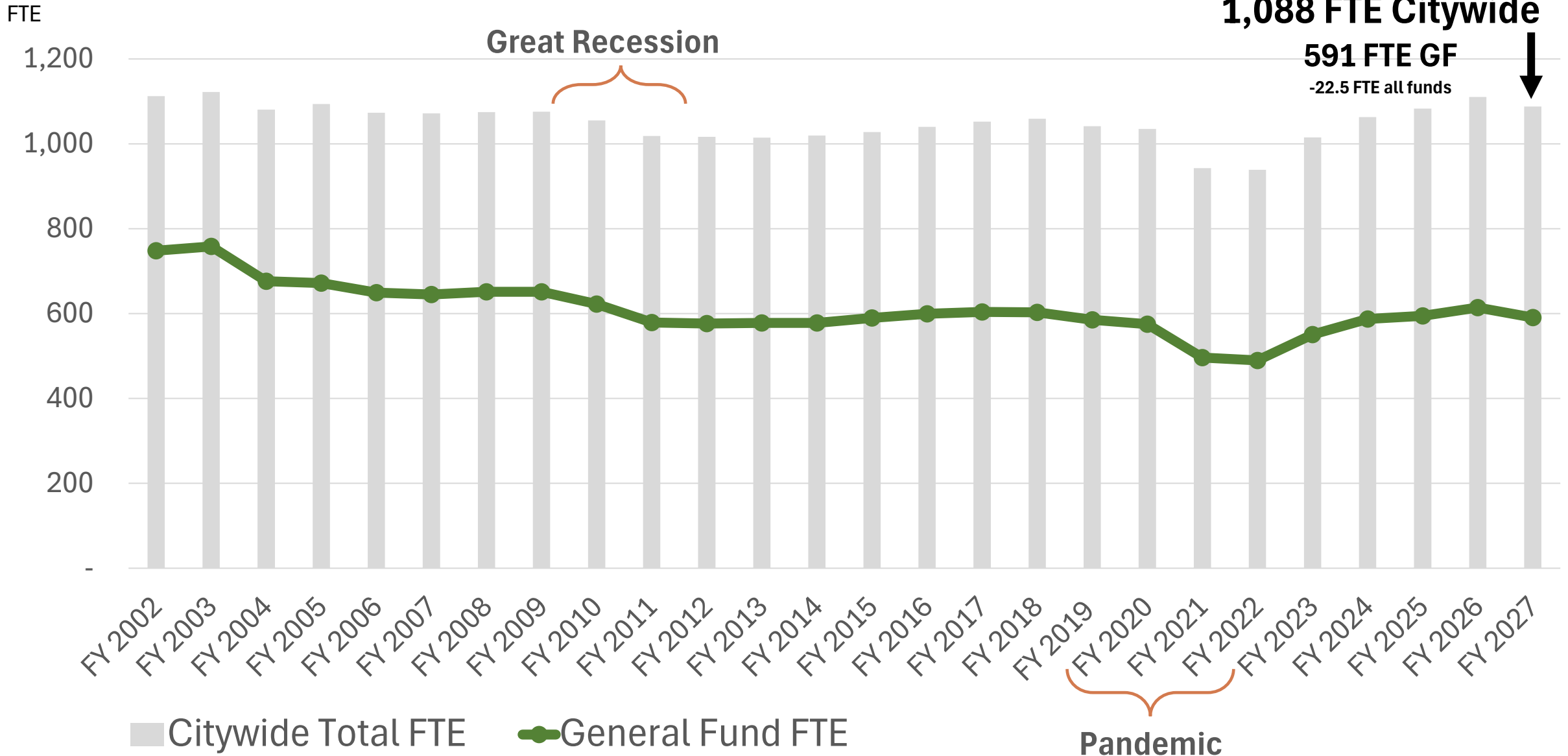
FY 2027 Sources \$1.05 Billion



FY 2027 Expenses \$1.05 Billion



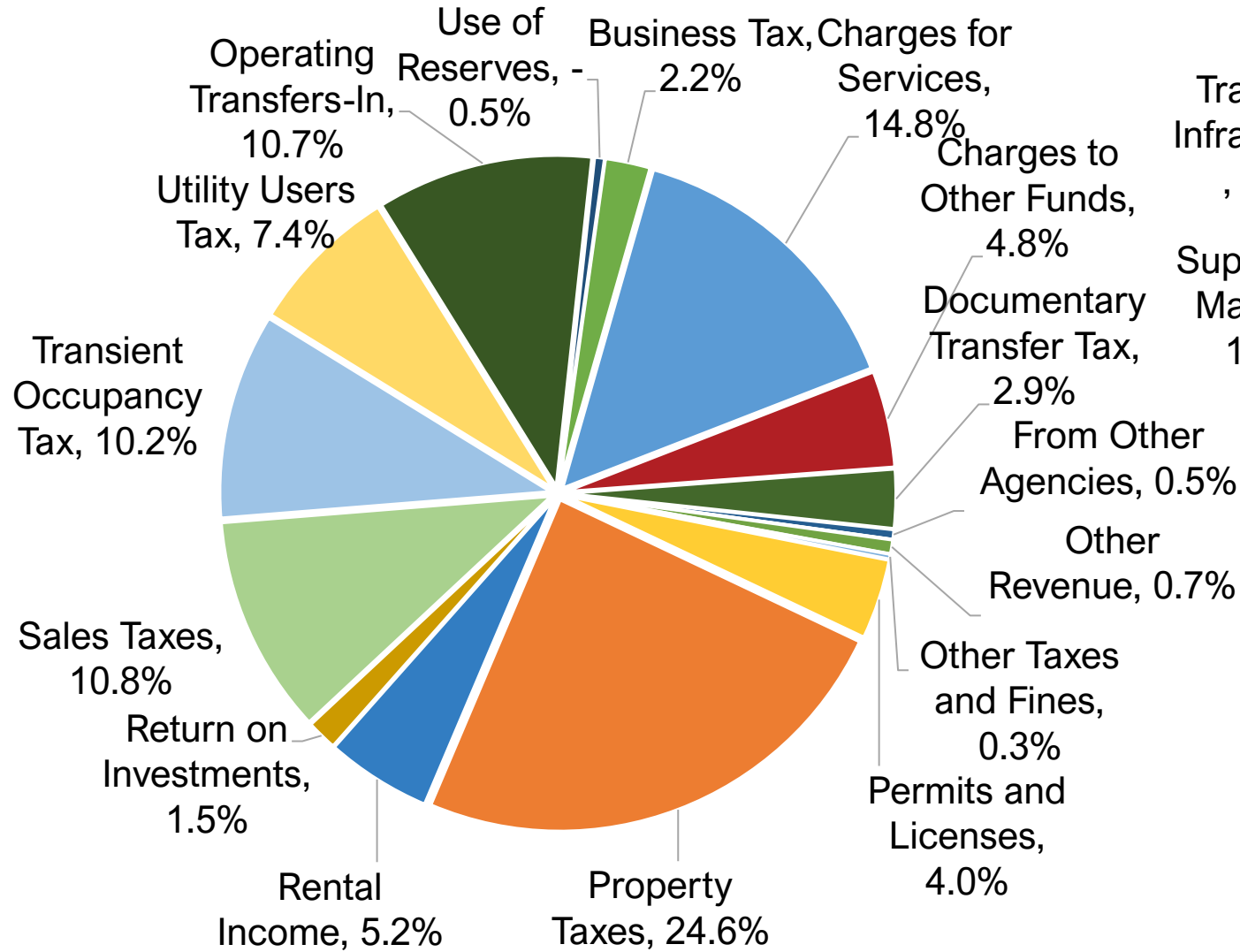
HISTORICAL FULL-TIME STAFFING COMPARISON



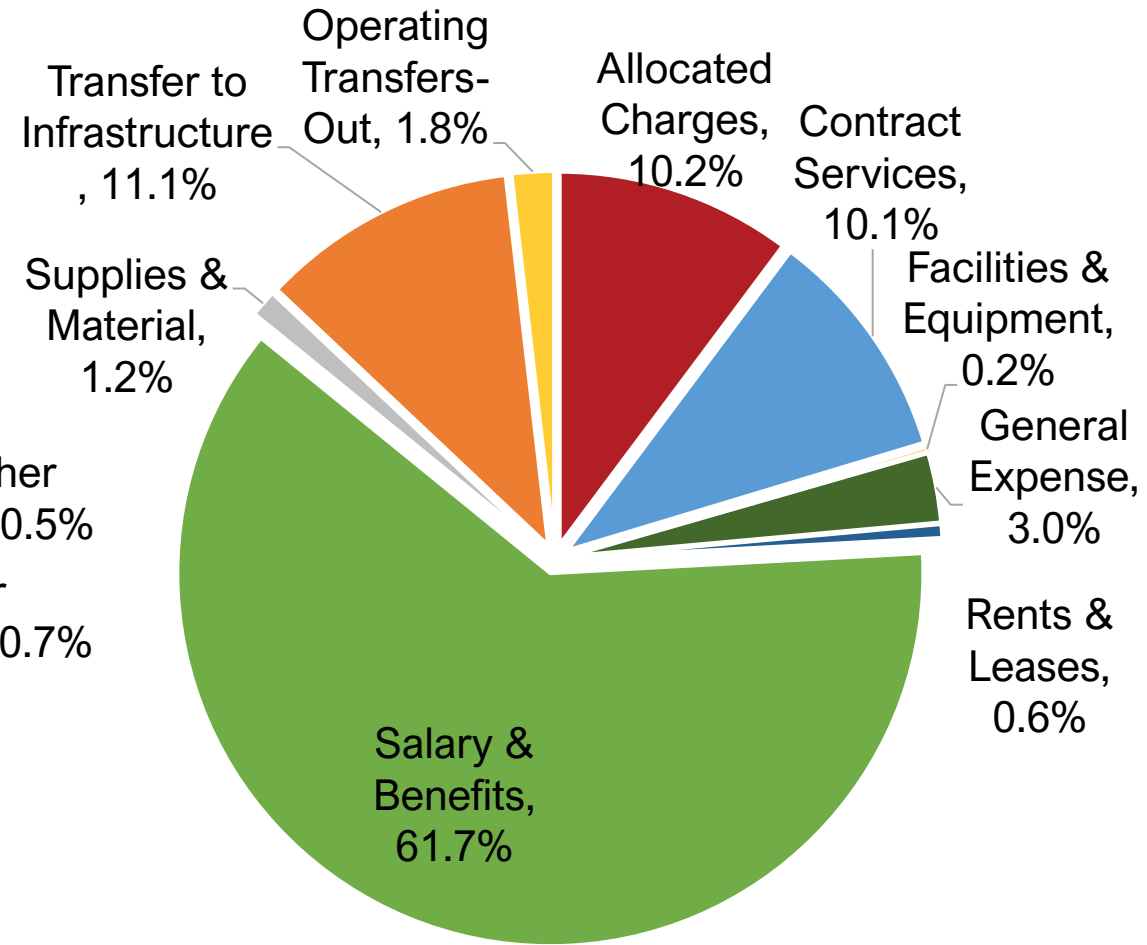
GENERAL FUND SOURCES & EXPENSES



FY 2027 GF Revenues \$310.98 Million



FY 2027 GF Expenses \$310.98 Million



MULTI-YEAR GENERAL FUND BALANCING

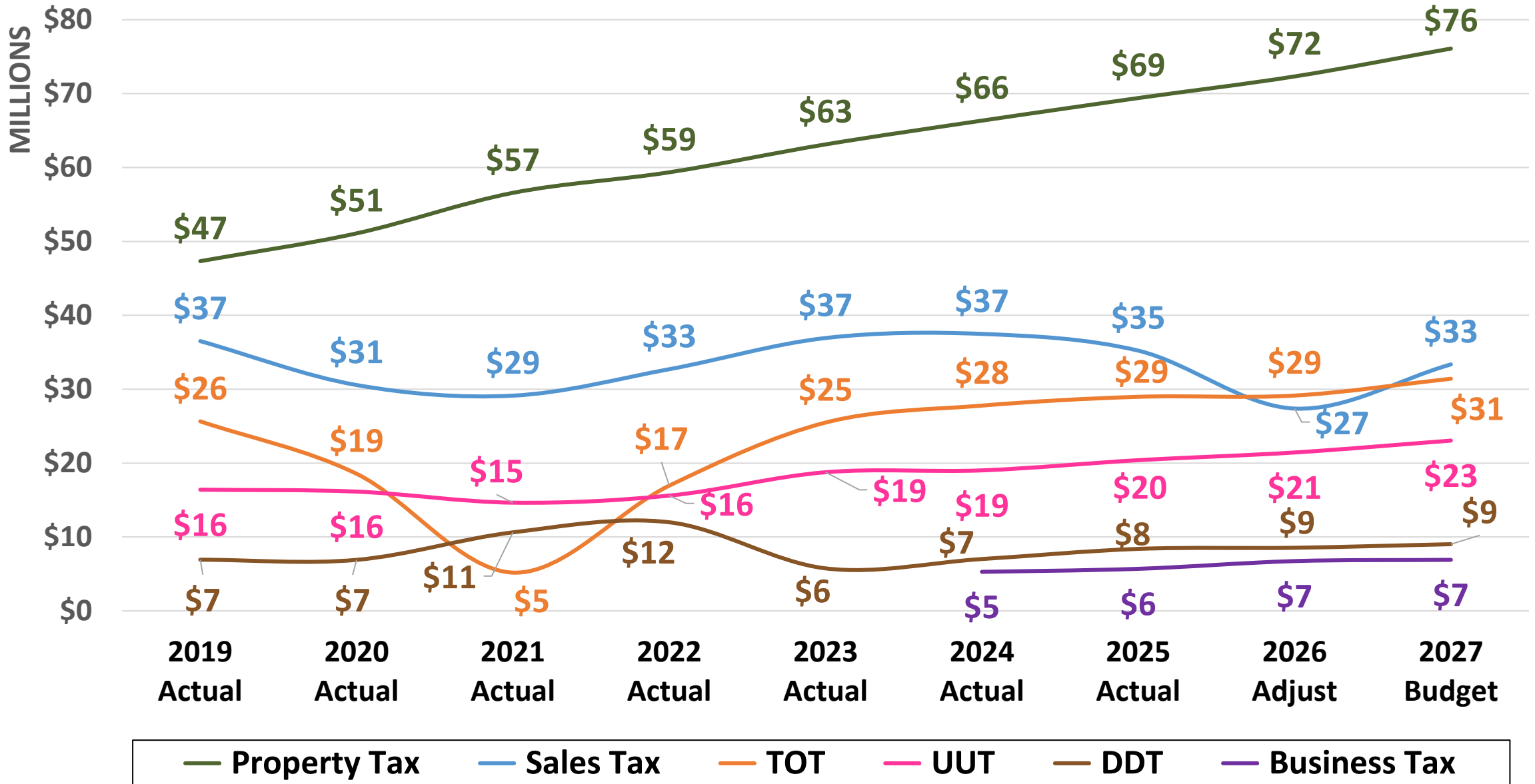


PROJECTIONS (\$ million)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GENERAL FUND					
Revenue	\$ 310.98	\$ 318.69	\$ 329.12	\$ 341.75	\$ 353.94
Expense	\$ 309.40	\$ 319.83	\$ 333.93	\$ 339.13	\$ 344.74
Transfers (designated revenues)	\$ 1.59	\$ (0.03)	\$ (2.16)	\$ 1.29	\$ 1.51
Projected Surplus/(Deficit)	\$ 0.00	\$ (1.12)	\$ (2.65)	\$ 1.33	\$ 7.68
BUDGET STABILIZATION RESERVE					
BSR projected balance	\$ 53.70*	\$ 52.58	\$ 49.93	\$ 51.26	\$ 58.94
15%, 18.5%, 20%	17.4%	16.4%	15.0%	15.1%	17.1%
BSR @18.5% - Policy Target	\$ 57.24	\$ 59.17	\$ 61.78	\$ 62.74	\$ 63.78
Delta to 18.5%	\$ (3.54)	\$ (6.59)	\$ (11.85)	\$ (11.48)	\$ (4.84)

*Sales Tax prior year adjustment may be more favorable increasing BSR by \$2 M to \$55.7 M or 18%

- Current service level and revenue portfolio
- Disciplined ongoing costs with limited one-time funds use, including ADC in FY27 to FY30
- BSR within range of 15% to 20% but projected to decline to bottom of range (15%)

GENERAL FUND REVENUES – MAJOR TAXES



FY 2027 PROPOSED BUDGET INVESTMENTS

Internal Support & Administration CSA

- Proactively funds long-term liabilities with funds reserved for real property investments.
- Streamlines administration and support the continued rollout of modernized financial and budget management systems to enhance internal controls, improve reporting accuracy.
- Supports organizational resilience with talent recruitment and workforce engagement initiatives.
- Includes positive work environment initiatives in professional development, career advancement/ continuity planning, wellness and belonging.
- Provides leadership and support for implementation of Council Priority projects



FY 2027 PROPOSED BUDGET REDUCTIONS

Internal Support & Administration CSA

- Eliminates 5.25 full-time equivalent (FTE) positions
- Eliminates vacant 3 management and administrative positions in Administrative Services, 1 management position within Information Technology, and 1.25 FTE in Human Resources. Likely leads to longer business cycle times and delayed responsiveness in the near term while systems adapt.
- Reduces non-personnel administrative expenditures including specialized training, travel, and supply budgets across the CSA.



FY 2027 PROPOSED BUDGET INVESTMENTS

Community & Library Services CSA

- Funds HSRAP, \$200k for allcove and YCS, Environmental Volunteers, and Neighbors Abroad ongoing; additional nonprofit support levels will be discussed at Finance Committee.
- Advances the Cubberley community center concept plan and continue pre-existing appropriations.
- Maintains seven-day-a-week library services at the Mitchell Park and Rinconada.
- Advances staffing plan at 429 Bryant teen & community center.



FY 2027 PROPOSED BUDGET REDUCTIONS

Community & Library Services CSA

- Eliminates 6.00 FTE positions | Add 1.00 FTE
- Reduces Children’s Library by 1-day to five days per week, mitigated through enhanced youth services at Rinconada Library.
- Eliminates vacant positions, including a Senior Librarian, Library Associates, and a Program Assistant, paired with cross training to staff.
- Eliminates parks maintenance lead.
- Realigns field maintenance staff to City-owned parks, reduces contracts due to PAUSD agreement termination.
- Adds 1.0 FTE for 429 Bryant teen & community center.



FY 2027 PROPOSED BUDGET INVESTMENTS

Planning & Transportation CSA

- Manages Community Development Block Grant (CDBG) and Below Market Rate (BMR) Housing Programs and fund with limited special revenues.
- Leverages Measure K funding for the Comprehensive Area Plan along the San Antonio Road corridor to establish a vision for land use, housing, mobility, urban design, and community services that supports cohesive mixed-use neighborhood development.
- Leverages Measure B funding for Safe Routes to School.



Base Map



FY 2027 PROPOSED BUDGET REDUCTIONS

Planning & Transportation CSA

- Eliminates 3 FTE planners for General Fund savings - narrows focus to state-mandated housing objectives, such as Housing Element implementation and deferral of non-mandated zoning updates and additional neighborhood area plans. Impacts cycle times and delays Council priorities.
- Eliminates Palo Alto Link service and pursues voucher program.
- Allocates CIP and Measure B funding for eligible staffing.



Base Map

- City Boundary
- Plan Area
- Railway
- Caltrain Station
- Creeks

- Shoreline at Mountain View
- Baylands Nature Preserve
- Parks
- Schools
- Bike/Ped Bridge



FY 2027 PROPOSED BUDGET INVESTMENTS

Infrastructure & Environment CSA

- Continues commitment to complete 2014 Council Infrastructure Plan projects, while maintaining investment in existing essential infrastructure
- Makes generational investments in the City's electric distribution system to provide additional capacity necessary for building and vehicle electrification.
- Advances a multi-year commitment to S/CAP local carbon reduction targets by funding Business Electrification Technical Assistance and Commercial Heat Pump programs.
- Sustains enhanced cleaning and pressure washing in the University and California Avenue corridors to keep business districts vibrant and welcoming.
- Aligns internal support allocations within PWD and Utilities that support ongoing operations.



FY 2027 PROPOSED BUDGET REDUCTIONS

Infrastructure & Environment CSA

- Eliminates 10.00 FTE | Freezes 3.00 FTE | Adds 3.00 FTEs
- Eliminates 5.00 management and technical roles in Public Works and 5.00 Utilities Meter Readers following the successful citywide rollout of Advanced Meter Infrastructure (AMI).
- Freezes 3.00 vacant roles in the Utilities Fiber Enterprise to properly manage expenditures while the program develops.
- Adds 3.00 FTE for expanding demand at RWQCP.
- Reduces janitorial and tree trimming contracts while still maintaining essential hygiene standards and monitoring the health and safety of the City's urban forest canopy.



FY 2027 PROPOSED BUDGET INVESTMENTS

Public Safety CSA

- Funds track crossing monitors through Feb. 2027
- Preserves expansion of emergency medical services with the 12-hour peak medic unit.
- Continues funding one PERT clinician.
- Fully operationalizes the Public Safety Building (PSB).
- Funds Fire Station 4 Replacement Project.
- Continues funding technology, equipment and fleet to ensure reliable emergency response.



FY 2027 PROPOSED BUDGET REDUCTIONS

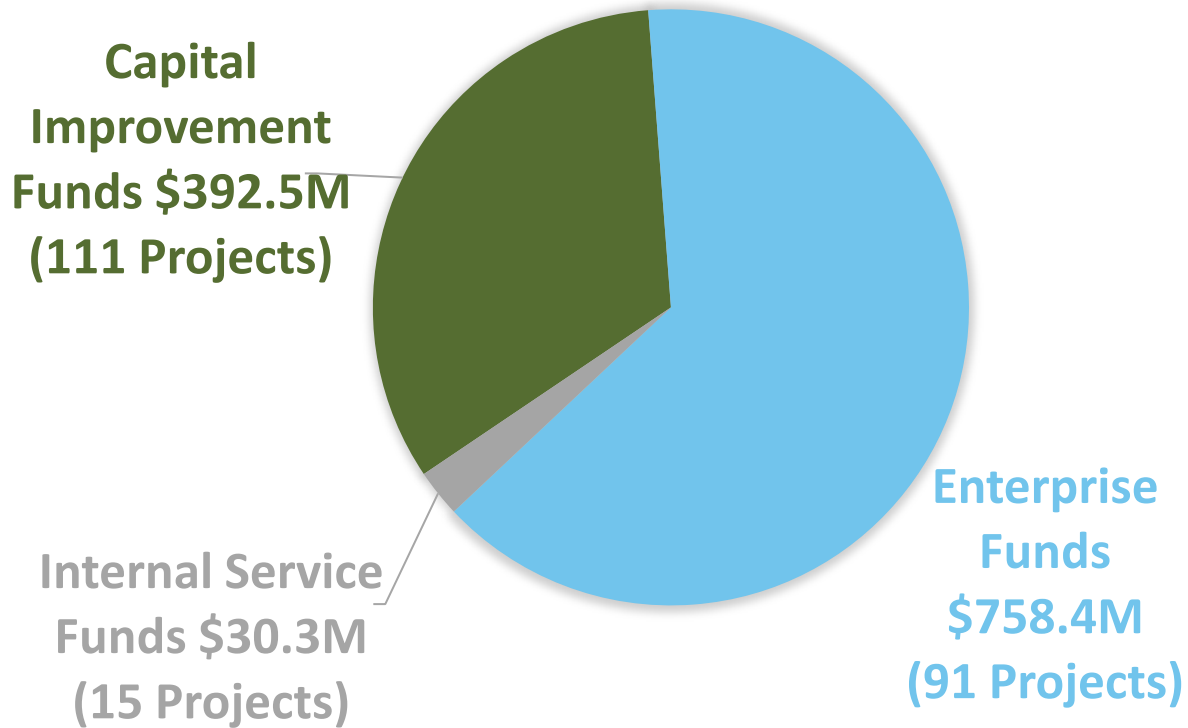
Public Safety CSA

- Eliminates 3.00 FTE | Freezes 3.00 FTE | Adds 1.00 FTE
- Freezes 1 Sergeant - Civilianizes shift scheduling to Admin Assistant and redistributes event management to other 13 Sergeants
- Freezes vacant EMS Manager and Firefighter Trainee positions to prioritize customer-facing delivery and implementation of 12-hour peak medic unit.
- Eliminates vacant Community Service Officer and two Firefighter Trainee positions.
- Reduces crossing guard contract from 33 to 29 locations; locations not designated on the High Injury Network.
- Procures diesel fire engines instead of electric models in the upcoming cycle to reduce near-term capital costs.

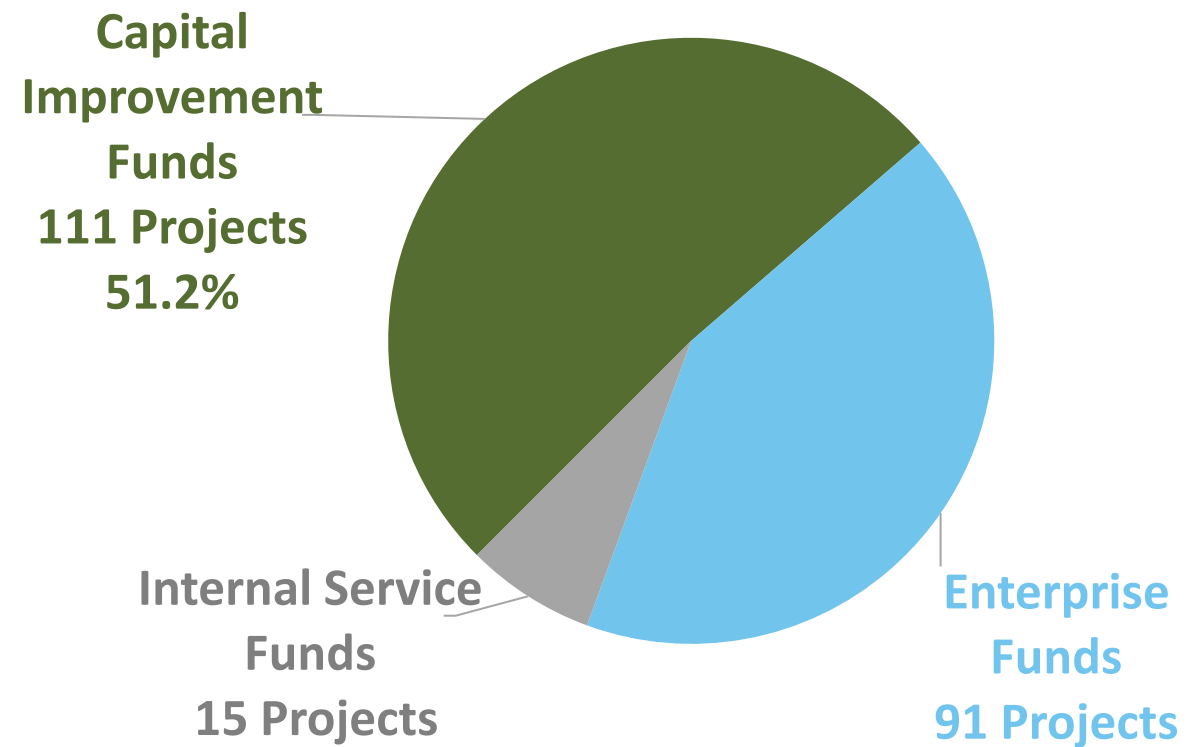


CAPITAL IMPROVEMENT PROGRAM (CIP) – OVERVIEW 5-YR PLAN

2027-2031 CIP PLANNED FUNDING BY FUND TYPE (\$1.2 BILLION)



2027-2031 CIP PLANNED PROJECTS BY FUND TYPE (217 PROJECTS)



CAPITAL IMPROVEMENT PROGRAM (CIP) – OVERVIEW 5-YR PLAN



Complete in FY 27: Mitchell Park Library Repair, Hamilton Ave System Upgrades, Newell Rd Bridge Replacement



5-Year CIP: Quiet Zone Improvements, Elwell Court and Development Center Office Space Relocation, Natural Grass Fields, and Water System Master Plan

OTHER FUNDS

Additional actions included in the Proposed Budget address non-General Fund activities including but not limited to:

- Parking Funds
- **Utility rate changes to the right**

	FY 2026 Adopted	FY 2027 Proposed
Electric	6%	6%**
Gas	12%*	9% **
Water	10%	8%
Wastewater	20%	16%
Refuse	0%	3%
Storm Drain	2%	3%
Monthly Bill Amount	\$441.50	\$477.80
Monthly Bill Change	9%*	8%
	\$37.80	\$36.30

*Rates reflect rate change update in February 2026 due Cost of Service Analysis (COSA).

**On 4/21 Finance Committee recommendation Electric from 6.0% to 4.5%, Gas split 2:1 vote

JOIN THE BUDGET CONVERSATION

The community is encouraged to join the budget conversations:

- **Finance Committee Budget Hearings:**
 - May 5 at 9:00 A.M.
 - May 6 at 9:00 A.M.
 - May 19 at 1:00 P.M. – Wrap-up
- **City Council Budget Discussion:**
 - May 11 at 4:30 P.M.
- **City Council Budget Adoption:**
 - June 15 at 5:30 P.M.

All meeting details listed at <https://www.paloalto.gov/budget>



PROPOSED OPERATING BUDGET



FISCAL YEAR 2027



PROPOSED OPERATING BUDGET



FISCAL YEAR 2027

COUNCIL DISCUSSION

- Provide general guidance to Finance Committee colleagues for their upcoming detailed work reviewing the budget documents
- Clarify understanding of budget process, materials, and the City Council and Finance Committee roles

Budget and meeting details listed at *All meeting details listed at*
<https://www.paloalto.gov/budget>



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Thank You.

May 4, 2026

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EXTRA SLIDES

May 4, 2026

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