



ADMINISTRATIVE SERVICES DEPARTMENT

CITY HALL
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CITY COUNCIL STAFF REPORT

Meeting: June 3, 2025

Subject

Staff responses to questions received from Councilmembers during Proposed Budget Study Session.

Recommended Action

Receive staff responses to questions received from Councilmembers during Proposed Budget Study Session.

Background:

Staff's responses to questions received from councilmembers are shown in italics.

Q1. As mentioned, Transfers in does not match transfers out

Staff response: Transfers In and Transfers Out in the Financial Overview by Fund (page 58) should net to zero, as they represent internal movements of funds. However, Transfers In total \$14,109,653 while Transfers Out total \$12,609,653, resulting in a \$1,500,000 variance.

This discrepancy is due to two incorrect entries:

- \$500,000 in Fund 580 – Recreation Program (Enterprise Fund)
- \$1,000,000 in Fund 610 – Innovation & Technology (Internal Service Fund)

Both funds had sufficient fund balance and should not have received transfers In.

The corrected Financial Overview by Fund reduces Transfers In for the Enterprise Funds^(A) by \$500,000 and for the Internal Service Funds^(B). This increases the use of fund balance for these two fund types and raises the total use of fund balance across all funds from \$843,062 to \$2,343,062. With these adjustments, Transfers In and Out now balance^(C).

There is no impact to the General Fund as a result of this correction.

2025-26 Proposed Budget							
Revenue Categories	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Funds	Enterprise Funds	Internal Service Funds	All Funds
Sales Tax	11,983,958	-	-	-	-	-	11,983,958
Property Tax	35,413,310	-	-	-	-	-	35,413,310
Transient Occupancy	7,500,000	-	-	-	-	-	7,500,000
Utility Tax	4,206,907	-	-	-	-	-	4,206,907
Franchise Fees	4,394,563	-	-	-	-	-	4,394,563
Other Taxes	1,736,718	4,637,703	-	-	-	-	6,374,421
Licenses & Permits	4,261,859	-	-	-	-	-	4,261,859
Use of Money & Property	6,538,880	749,830	-	-	531,450	99,701	7,919,861
Intergovernmental	3,569,332	5,351,721	-	-	14,812	-	8,935,865
Charges for Services	15,162,032	1,504,373	-	-	5,044,822	5,331,124	27,042,351
Fines & Forfeitures	410,760	10,000	-	-	-	-	420,760
Miscellaneous	1,668,815	1,519	-	-	-	-	1,670,334
Other Financing Sources	367,000	-	-	-	-	553,531	920,531
Transfers In	15,000	2,067,000	2,676,600	4,000,000	1,235,000	2,616,053	12,609,653
TOTAL REVENUES	\$ 97,229,134	\$ 14,322,146	\$ 2,676,600	\$ 4,000,000	\$ 6,826,084	\$ 8,600,409	\$ 133,654,373

2025-26 Proposed Budget							
Appropriation Categories	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Funds	Enterprise Funds	Internal Service Funds	All Funds
Employee Compensation	24,182,741	1,602,256	-	-	2,010,726	1,720,661	29,516,384
Employee Benefits	10,595,638	797,878	-	-	746,937	2,347,371	14,487,824
Materials	6,174,481	1,013,894	-	-	758,663	1,297,849	9,244,887
Contract Services	31,496,502	692,575	-	225,000	3,578,026	1,730,697	37,722,800
Cost Allocation	11,993,327	2,197,032	-	-	1,676,251	949,737	16,816,347
Capital Outlays	274,433	1,583,075	-	2,000,000	-	-	3,857,508
Special Projects	2,694,000	2,908,412	-	-	160,000	1,039,000	6,801,412
Contingencies	50,000	-	-	-	-	-	50,000
Debt Service	-	-	2,676,600	-	-	-	2,676,600
Transfers Out	10,594,653	15,000	-	2,000,000	-	-	12,609,653
Other Financing Uses	1,065,000	-	-	-	222,567	926,453	2,214,020
TOTAL EXPENDITURES	\$ 99,120,775	\$ 10,810,122	\$ 2,676,600	\$ 4,225,000	\$ 9,153,170	\$ 10,011,768	\$ 135,997,435

CHANGE IN FUND BALANCE/	\$ (1,891,641)	\$ 3,512,024	\$ -	\$ (225,000)	\$ (2,327,086)	\$ (1,411,359)	\$ (2,343,062)
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Q2. General Fund Transfers out is exactly \$1M higher than the total shown on p. 93 – which is correct? The correct number \$10,594,653.

Staff response: The discrepancy on page 93 is due to two errors in the table. First, the list omits a \$2 million transfer to Fund 429 – CIP Reserve, which represents the annual General Fund contribution reinstated as part of the Mid-Year Financial Report. Second, the table incorrectly lists the transfer to Fund 270 – Transportation Fund as \$2.5 million instead of the correct amount of \$1.5 million.

Q3. Both amounts were correctly updated in the budget system but were inadvertently not reflected in the published table. The \$1.5 million transfer satisfies the City's Maintenance of Effort (MOE) requirement for street and sidewalk maintenance. In prior years, this program was funded at \$2.5 million, but the amount was reduced to MOE minimum as a budget balancing measure.

Enterprise Funds “Other Financing Uses” is shown as “Transfers Out” on p. 64 – should it be moved up to the Transfers Out line on p 58? This is \$222,567 and appears to have been copied to the wrong category line.

Staff Response: That is correct. The amounts should have been in Other Financing Uses. The table has been updated to reflect the change. In addition, we added the Other Financing Uses and broken out prior year transfers out and other financing uses separately. See table below.

EXPENDITURE USES	2022-23	2023-24	2024-25	2025-26
	Actual	Actual	Adopted	Proposed
Employee Compensation	1,612,325	1,742,135	1,922,348	2,010,726
Employee Benefits	(54,532)	1,020,726	839,347	746,937
Materials	412,827	363,986	691,338	758,663
Contract Services	4,736,292	3,870,517	3,661,846	3,578,026
Contingencies	-	-	54,339	-
Cost Allocation	789,939	939,358	1,577,430	1,676,251
Special Projects	297,015	286,326	362,733	160,000
Transfers Out	103,119	20,000	-	-
Other Financing Uses	161,840	185,989	161,841	222,567
Total Expenditure Uses	\$ 8,058,825	\$ 8,429,036	\$ 9,271,222	\$ 9,153,170

Q4: Exploring a citywide traffic study; requested an informational memorandum evaluating process to collect data such as traffic counts, flow, and speed surveys, along with proposed scope and cost.

Staff response: Information memorandum will be provided by Public Works staff in June.

Q5: Requested historical data on the City's vacancy rates.

Staff response: Over the last 10 years, the City's vacancy rate has averaged 11% including years when the City had added positions at Mid-Year or had been in a soft hiring freeze, when removing these anomalies the City's salary savings has average 6%. The City's long-term financial forecast has been updated to increase the vacancy rate to 6% in the first two years of the forecast but has kept 4% vacancy savings in the remaining years. The table below shows historical salary savings.

	2014-15 Amended Budget Q4	2014-15 Actual	2015-16 Amended Budget Q4	2015-16 Actual	2016-17 Amended Budget Q4	2016-17 Actual	2017-18 Amended Budget Q4	2017-18 Actual	2018-19 Amended Budget Q4	2018-19 Actual
Employee Compensation	16,649,412	16,084,209	18,898,886	17,046,311	20,906,746	12,950,812	22,349,844	21,125,390	23,326,442	21,439,003
Employee Benefits	7,962,846	7,641,603	8,830,262	7,750,646	9,412,024	9,579,239	10,168,849	10,015,266	10,708,420	9,744,962
Total	24,612,258	23,725,812	27,729,148	24,796,956	30,318,770	22,530,051	32,518,693	31,140,656	34,034,862	31,183,966
Budget vs Actuals	886,446		2,932,192		7,788,719		1,378,037		2,850,896	
Salary Savings		4%		11%		26%		4%		8%
	2019-20 Amended Budget Q4	2019-20 Actual	2020-21 Amended Budget Q4	2020-21 Actual	2021-22 Amended Budget Q4	2021-22 Actual	2022-23 Amended Budget Q4	2022-23 Actual	2023-24 Amended Budget Q4	2023-24 Actual
Employee Compensation	24,713,544	22,794,896	25,264,213	23,003,729	27,694,272	24,412,868	31,681,411	27,087,509	30,293,262	26,716,216
Employee Benefits	10,922,818	11,191,891	12,156,039	11,412,966	13,923,946	12,023,510	15,437,830	11,561,176	14,884,120	13,795,206
Total	35,636,362	33,986,787	37,420,252	34,416,694	41,618,218	36,436,378	47,119,241	38,648,685	45,177,382	40,511,422
Budget vs Actuals	1,649,575		3,003,558		5,181,840		8,470,556		4,665,960	
Salary Savings		5%		8%		12%		18%		10%
Average	11%									

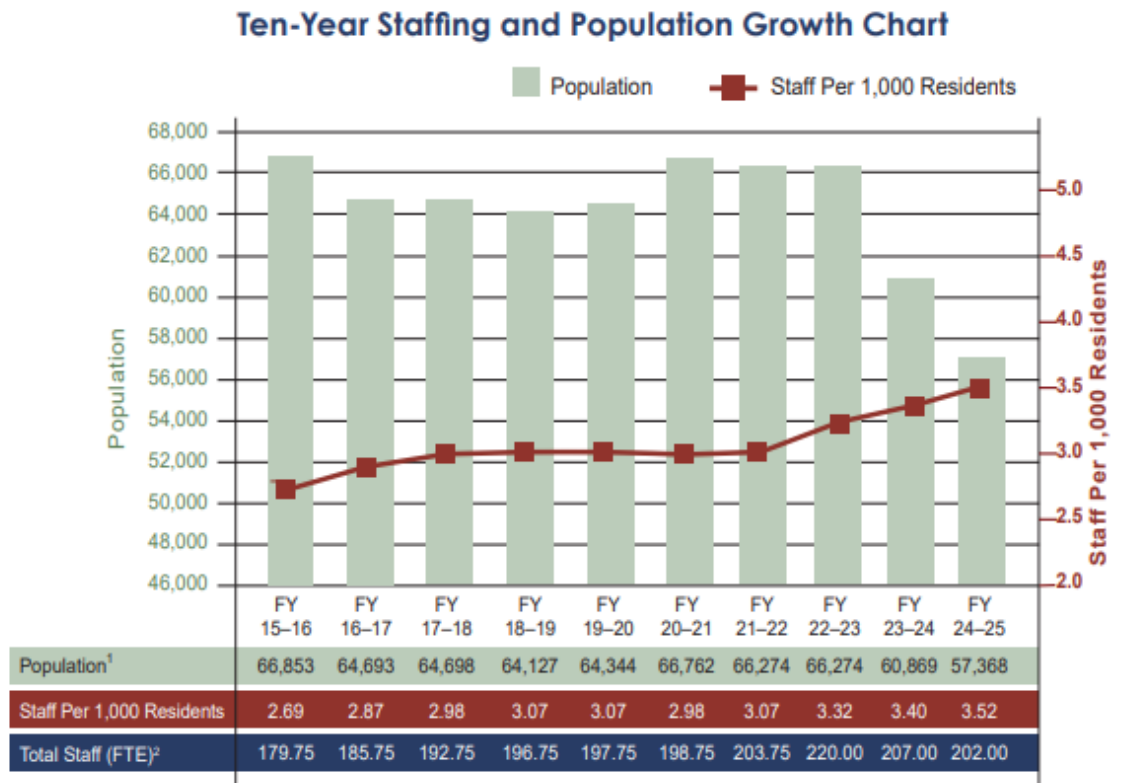
Source: OpenGov

The following table shows historical vacancy rates.

Fiscal Year	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23*
Average # of Employees	181.0	183.5	187.0	184.0	181.5	192.0
Budgeted FTEs	192.8	196.8	197.8	198.8	203.8	221.0
Average Vacancies	11.8	13.3	10.8	14.8	20.0	29.0
Turnover Rate	11%	10.9%	6.4%	16.3%	11.4%	9.4%

Q6: Requested information about staffing trends, historical vs. current staffing levels.

Staff response: See ten-year staffing chart below.



Q7: Look into discontinuing the remaining \$100k in funding for Rise engagement project Work Program item.

Staff response: Will be discussed as part of the special projects item at the June 3rd City Council meeting.

Q8: Requested clearer accounting on Sister City Program, facility use, and free use of City facilities; also requested review of agreements governing use of City property.

Staff response: Staff will provide an informational memo on all of these items.

Q9: Requested consideration of adding a "Nonprofit Support" section in the budget to show the actual costs associated with each supported nonprofit.

Staff response: Nonprofit support details can be added to the budget, as follows:

Community Fee Waivers Fiscal Year 2025-2026

Community Funding

Community Funding information can be found [here](#)

Applicant	Award Amount
No Time to Waste	\$5,000
ElderAid	\$5,000
Active Circle	\$2,000
Special Olympics Northern California	\$5,000
AINAK	\$4,000
Cupertino Symphonic Band	\$3,000
Remember the ToothFairy	\$1,000
Friends of Deer Hollow Farm	\$2,000
iTalented	\$900
Via Rehabilitation Services	\$1,000
Rotary Club of Cupertino	\$1,600
West Valley Community Services	\$2,000
	\$32,500

Sister Cities

A Sister City relationship is a long-term, formal agreement that may include cultural, educational, business, and technical exchanges. Cupertino has four established Sister City relationships:

- [Cupertino, Italy](#), formalized in 1963
- [Toyokawa, Japan](#), formalized in 1978
- [Hsinchu, Taiwan](#), formalized in 2007
- [Bhubaneswar, India](#), formalized in 2012

The support the City of Cupertino gives Sister Cities is as follows:

City of Cupertino Responsibilities (With regard to City supported Sister City Committees):
Coordinated through the City Manager's Office, the City will serve as a support for programs and activities by:

- Providing for set-up and complimentary access to a large City facility for three community events per Sister City per fiscal year. All cost of food, drinks, and materials are the responsibility of the Sister City Committee.

- The City shall accept gifts from the Sister City, which will be considered the property of the City and may be displayed at a City facility or offered to the Sister City Committee at City's discretion.
- The City will establish and maintain a written record of said gifts, regardless of actual or perceived monetary value. The written gift log will include: donation City, gift date, gift occasion (if applicable), and whether they are being offered to the Sister City Committee.
- Providing up to \$2,500 per year for a Sister City with a student exchange program of 4 to 9 student delegates and up to \$5,000 per year for a Sister City with a student exchange program of 10 or more student delegates.

Coordinated through the City Manager's Office, the City will serve as a support for Sister City programs and activities by:

- Providing access to postage, fax, copying and printing equipment to Sister City Committee members for support of Sister City events in which the City is participating. City staff is not responsible for preparing mailings or printed materials.
- Providing the use of meeting room space (up to 18 per calendar year) at no cost to the Sister City Committee for related activities. Meeting room space does not include Cupertino Community Hall or the Quinlan Community Center's Cupertino Room.
- Providing City promotional gift items, when budget allows, typically given at community events to government representatives and student delegations from visiting countries. These include but are not limited to: branded t-shirts, pens, reusable bags, and lapel pins. The cost of each promotional gift or gift bag shall not exceed \$25. Additional gifts presented to members of a Sister City delegation are the responsibility of the Sister City Committee.
- Facilitating participation of City officials.

City of Cupertino Responsibilities (With regard to non-City supported Sister City Committees):

- The City shall maintain registration with the Sister Cities International organization.
- Provide the use of meeting room space (up to 4 per calendar year) at no cost to the Sister City Committee for related activities. For additional meeting room uses, non-City supported Sister City Committees shall be charged the facility use resident rate on the rental of any City facility. Meeting room space does not include Cupertino Community Hall or the Quinlan Community Center's Cupertino Room

The full agreement for Sister Cities and Friendship Cities can be found [here](#)
Fees for facility rentals can be found [here](#).

Sister City Festival Fee Waivers

Festival	Date	Organization	Waived Fees	City Paid Expenses	Totals
Bhubaneswar Sister City Initiative (CBSCI)	Saturday, September 20, 2025	Cupertino Bhubaneswar Sister City	\$12,200	\$3,720	\$15,920
Cherry Blossom	Sat.-Sun., April 25-26, 2026	Toyokawa Sister City	\$39,282	\$11,780	\$51,06
TOTAL					\$66,982

Friendship Cities

All proposed Friendship City relationships must have Councilmember or community sponsorship and be approved by the City Council. The Friendship City will submit a Friendship City application to the City of Cupertino, which requires sponsorship from a Council Member and a citizen's committee to ensure the new affiliation is successful. If approved, the City will issue a signed Letter of Intent establishing the Friendship City relationship. A Friendship City affiliation will be effective for two years and may be renewed administratively every two years.

Friendship City Committee Responsibilities:

- Identify, manage, coordinate, and implement all activities related to the Friendship City program.
- Maintain communication with the affiliate Friendship City, ensuring the counterpart is equally committed.
- Work with City staff at least one month in advance in arranging official promotional gifts and meetings for foreign delegations. For local groups traveling abroad and bringing city gifts, similar notice is required, unless waived by the City Manager.

City of Cupertino Responsibilities:

Coordinated through the City Manager's Office, the City will:

- Issue a signed Letter of Intent establishing a new Friendship City relationship in an effort to assist international delegation visits from the Friendship City.
- Provide City promotional items typically given at community events to government representatives from visiting countries as the budget allows. These may include, but are not

limited to: City t-shirts, pens, reusable bags, and lapel pins, to the extent there remains a budgeted amount to purchase such gifts and promotional items.

- Facilitate meetings with City officials.
- Conduct tours of city facilities.

Chamber of Commerce

Services Include, but not limited to, the following:

1. Technical Assistance
2. Marketing & Promotion/Information Dissemination
3. Events/Meetings
4. Other Provisions

Payment of up to \$52,000 a year for work designated in the agreement.

Full agreement can be found [here](#)

Chamber Festival Fee Waivers

Festival	Date	Organization	Waived Fees	City Paid Expenses	Totals
Diwali Festival	Saturday, October 11, 2025	Cupertino Chamber of Commerce	\$10,946	\$4,805	\$15,751
Holi	Date TBD for 25/26	Cupertino Chamber of Commerce	\$6,081	\$3,410	\$9,491
TOTAL					\$25,242

Cupertino Historical Society

City Council approved a license agreement and \$40,000 a year grant for the Cupertino Historical Society on October 4, 2022.

- License agreement is for the Museum space at Quinlan Community Center

Full agreement can be found [here](#)

Rotary Club of Cupertino

Funding of \$1,600 through the Fiscal Year 2025-2026 Community Funding program.

Rotary Club Festival Fee Waiver

Festival	Date	Organization	Waived Fees	City Paid Expenses	Totals
Day N Night Fun Fest	Saturday, September 13, 2025	Rotary Club of Cupertino	\$15,942	\$4,495	\$20,437
TOTAL					\$20,437

Friends of the Cupertino Library

Three weekend book sales per year. Funding Approximately \$5,880. This is an ongoing permanent fee waiver.

Approved at City Council Meeting [Monday, July 8, 2019](#)

Pacific Coast Farmer's Market Association

License agreement to use the Creekside Park North Parking Lot for the Friday Farmer's Market, for most Fridays from 7:00 a.m. to 2:00 p.m., unless otherwise notified by the City.

Full agreement and amendments can be found [here](#)

Regents of the University of California - Rolling Hills 4-H Club

Lease agreement for space at the McClellan Ranch Preserve, including but not limited to a four-pen pole barn with corrals, a three-pen pole barn with corrals, a three-run chicken coop, and a tack room. Also includes space for monthly club meetings at either the Environmental Education Center and Monta Vista Recreation Center at no additional charge. In exchange, 4-H will leave tours for school youth groups and community groups/classes, as discussed and agreed to by Recreation Staff.

Approved at City Council Meeting [Tuesday, May 21, 2024](#)

Full agreement can be found [here](#)

Regents of the University of California – UCCE Master Gardener Program

Five garden beds, including water, receptacles for trash, recyclables, and compostable waste, and community space for gardening classes, workshops, or meetings up to 12 times per calendar year. In exchange, UCCE will offer no fewer than four gardening classes or workshops annually, including a Cupertino Community Garden 101 orientation and no fewer than four hours per week, thirty-two weeks per year of Master Gardener office hours to answer questions from participants and Cupertino residents.

Full agreement can be found [here](#)

Other organization Festival Fee Waivers

Festival application process can be found [here](#)

Festival	Date	Organization	Waived Fees	City Paid Expenses	Totals
Kids N Fun Festival	Saturday, August 23, 2025	Taiwanese Cultural and Sports Association	\$10,485	\$4,495	\$14,980
Ikebana	Sat. October 18 and Sun. October 19	WAFU Ikebana Society	\$28,475		\$28,475
Veteran's Day	November 11, 2025	Veteran's Memorial	\$1,312	\$1,500	\$2,812
Dilli Haat	Saturday, June 6, 2026	Empower Uplift Inc.	\$9,200	\$4,030	\$13,230
TOTAL					\$59,497

Q10: Requested clearer distinctions between resident and non-resident benefits in the fee schedule; requested a report/informational memo on the fee schedule's history and structure, with comparisons.

Staff response: In general, resident fees are about 20% lower than non-resident fees. Staff will provide an informational memo on the fee schedule's history and structure, with comparisons at a future date.

Q11: Requested information on Blackberry Farm Pool summer staffing for potential reopening for July 4 and impacts of decreased part-time staffing; and whether the staffing shortage is due to reduced summer programs.

Staff response: The City previously had multiple staff run camps and two pools with lifeguards (one at a high school and one at Blackberry Farm), we now have 3 staff run camps and one pool with lifeguards.

Fewer staff run camps and one less pool means we are hiring less part-time staff each summer. The staff run camps were seeing low enrollment, so they were changed to more specialized contractor run camps that are more popular with our customers.

The staffing shortage is due to a reduction in staff run programs due to enrollment. Programs were replaced in summer offerings, but they were replaced with more specialized contractor run programs.

Q12: Requested an update on Active Transportation Plan (ATP) progress and expenditures; provide spending data and bring back to Council for an update.

Staff response: Staff anticipates providing City Council an update on the ATP in September.

Q13: Requested information on how to discontinue outdated work program items; review policies, including carryover policy, to evaluate ongoing project funding.

Staff response: Staff surveyed Santa Clara County agencies and received direct responses, or online research was conducted by staff. Staff surveyed 11 comparable cities, with most cities 'carrying over encumbrances to the next fiscal year with out City Council approval and unencumbered carryovers requiring Council approval. The following cities did not provide a response, Saratoga, Campbell, and Los Altos and no information was available online. Staff may consider a change in policy as part of broader policy work. Direction from Council is needed.