



ADMINISTRATIVE SERVICES DEPARTMENT

CITY HALL
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CITY COUNCIL STAFF REPORT

Meeting: November 19, 2024

Subject

Allocation plan for funds uncommitted from the Sales Tax Repayment reserve

Recommended Action

Option A:

A. Adopt Option A

Option B:

- A. Adopt Option B
- B. Adopt Resolution No. 24-XXX approving budget modification No. 2425-366, increasing appropriations by \$11,688,705
- C. Adopt Resolution No. 24-XXX amending the Unrepresented Employees' Compensation Program
- D. Approve new three-year limited term Grants Analyst position for grants management
- E. Approve new Assistant Director of Administrative Services, Grants Analyst, Senior Business Systems Analyst and Supervising Code Enforcement classifications

Option C:

- A. Adopt Option C
- B. Adopt Resolution No. 24-XXX approving budget modification No. 2425-366, increasing appropriations by \$11,688,705
- C. Adopt Resolution No. 24-XXX amending the Unrepresented Employees' Compensation Program
- D. Approve new three-year limited term Grants Analyst position for grants management
- E. Approve new Assistant Director of Administrative Services, Grants Analyst, Senior Business Systems Analyst and Supervising Code Enforcement classifications

Reasons for Recommendation

City staff evaluated feedback received from the October 15 Council meeting, reviewed budget surveys collected during the last two fiscal years of budget reductions and received

department feedback to develop a preliminary plan to mitigate the impact of budget cuts implemented in the Fiscal Year 2023-24 and 2024-25 budgets.

The preliminary plan outlines guiding principles that were considered before presenting for Council consideration and areas of focus to ensure the recommended allocation options include variable funding for the community, staff, and capital investments for the City.

Background

On October 4, 2024, the City finalized a settlement agreement with the California Department of Tax and Fee Administration (CDTFA) resolving the CDTFA’s proposed reallocation of disputed sales tax received by the City. On October 15, 2024, the Council approved staff recommendation to uncommit \$74.5 million in funds set aside for the potential repayment of disputed sales tax previously received by the City. The purpose of this proposed allocation plan is to provide Council options for the potential one-time allocation of the \$74.5 million that is now unassigned (Attachment A). As explained in detail in the allocation plans, the options presented by staff attempt to balance the City’s need for long-term investment and the desire to restore certain reductions with the need for long-term fiscal prudence, given the reduction in future sales and use tax revenues that the City will experience.

The options include potential funding for infrastructure projects, restoring reduced services, and setting some funding aside. The need for additional classifications results in no new positions except the limited-term Grants Analyst. The request for one three-year limited term Grants Analyst position to assist with grant applications, tracking and reporting along with purchasing support may be funded via donation, but if not is anticipated to be cost recovery via grants obtained. The need for staffing changes is due to reductions made either being too deep to continue the work already allocated, or because of how duties and responsibilities have been redistributed due to contract and staffing reductions.

All options presented are summarized in the table below. Additional details are included in the Allocation Plan (Attachment A).

Allocation Plan	Capital Fund Reserve	Allocations for current use	General Fund Reserves
Option A	✗	✗	✓
Option B	✓	✓	✓
Option C	✓	✓	✗

Next Steps

Based on the direction that Council provides, staff will make all changes in the financial system and updates on the funds will be provided as part of the mid-year financial report.

Sustainability Impact

No Sustainability Impact.

Fiscal Impact

Should City Council approve an option that includes current allocations as listed in Attachment E, appropriations would increase by \$11,688,705. Funding for these increased expenses will come from unassigned fund balance that, with the recommended funding additions, is estimated to end Fiscal Year 2024-25 with \$154.3 million. Should Council approve an option with no current year allocations, estimated year-end fund balance will remain unchanged from the first quarter report and is estimated at \$166 million in the general fund.

City Work Program (CWP) Item:

No

CWP Item Description:

Not Applicable.

Council Goal:

Sustainability and Fiscal Strategy

California Environmental Quality Act:

Not Applicable.

Prepared by: Jonathan Orozco, Finance Manager

Reviewed by: Kristina Alfaro, Director of Administrative Services

Christopher Jensen, City Attorney

Approved for Submission by: Tina Kapoor, Acting City Manager

Attachments:

A – One-time Funds Allocation Plan Fiscal Year 2024-25

B - Committed, Unassigned Fund Balance, and Use of One Time Funds Policy Options A and B (Redline)

C - Option A Committed, Unassigned Fund Balance, and Use of One Time Funds Policy (Clean)

D – Option B Committed, Unassigned Fund Balance, and Use of One Time Funds Policy (Clean)

E – Detailed allocation plan for current use

F – Budget Resolution

G – Assistant Director of Administrative Services Position Description

H – Grants Management Analyst Position Description

I – Code Enforcement Supervisor Position Description

J – Senior Business Systems Analyst Position Description

K – Unrepresented Employees' Compensation Program (Redline)

L – Draft Resolution Amending the Unrepresented Employees' Compensation Program

M – Unfunded CIP List