

CC 10-10-2023

#11

Sales Tax Repayment  
Reserve

Presentation

# Sales Tax Repayment Reserve

October 10, 2023



CUPERTINO

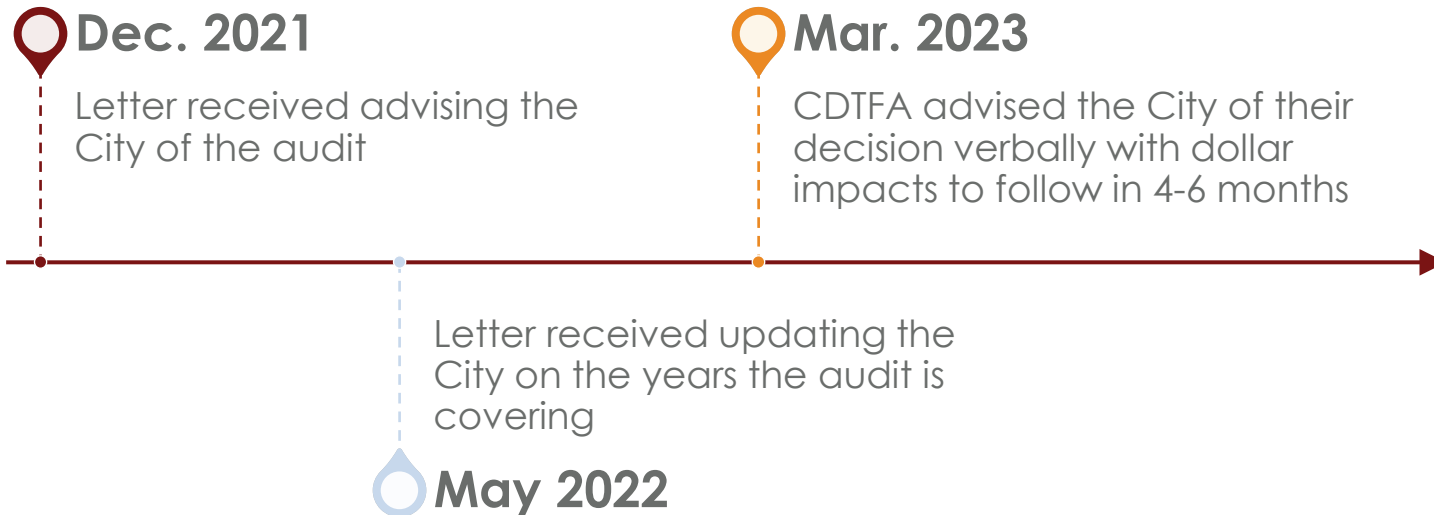
# Agenda

- 
- CDTFA Audit
  - Forecast Assumptions
  - Forecast
  - Balancing the Budget
  - Next Steps and Recommended Action

# CDTFA Audit



# California Department of Tax and Fee Administration (CDTFA) Audit





## **New Developments**

- Efforts to limit impacts to City/County at the State level have been unsuccessful
- Statewide changes to CDTFA regulations are proving difficult to impossible
- Unfavorable decisions from the Office of Tax Appeals
- Final resolution could be years away

# Forecast Assumptions



# Forecast Assumptions

## Adopted Budget (June 2023)

- Facility debt paid off in FY 2029-30
- No additional development projects included
- Recession (no growth) in FY 2024-25 and FY 2028-29 for all revenues
- Minimal funding (\$500k) for Special Projects
- No transfers to Capital Reserve

## New Assumptions (Sept 2023)

- Budget strategy shift from vacancies to service level reductions (SLR)
- Revised sales tax forecast (\$2M reduction from \$11.4M to \$9.4M)
- Committed fund balance for CDTFA payback (\$56.5M) for April 2021-June 2023



# Forecast

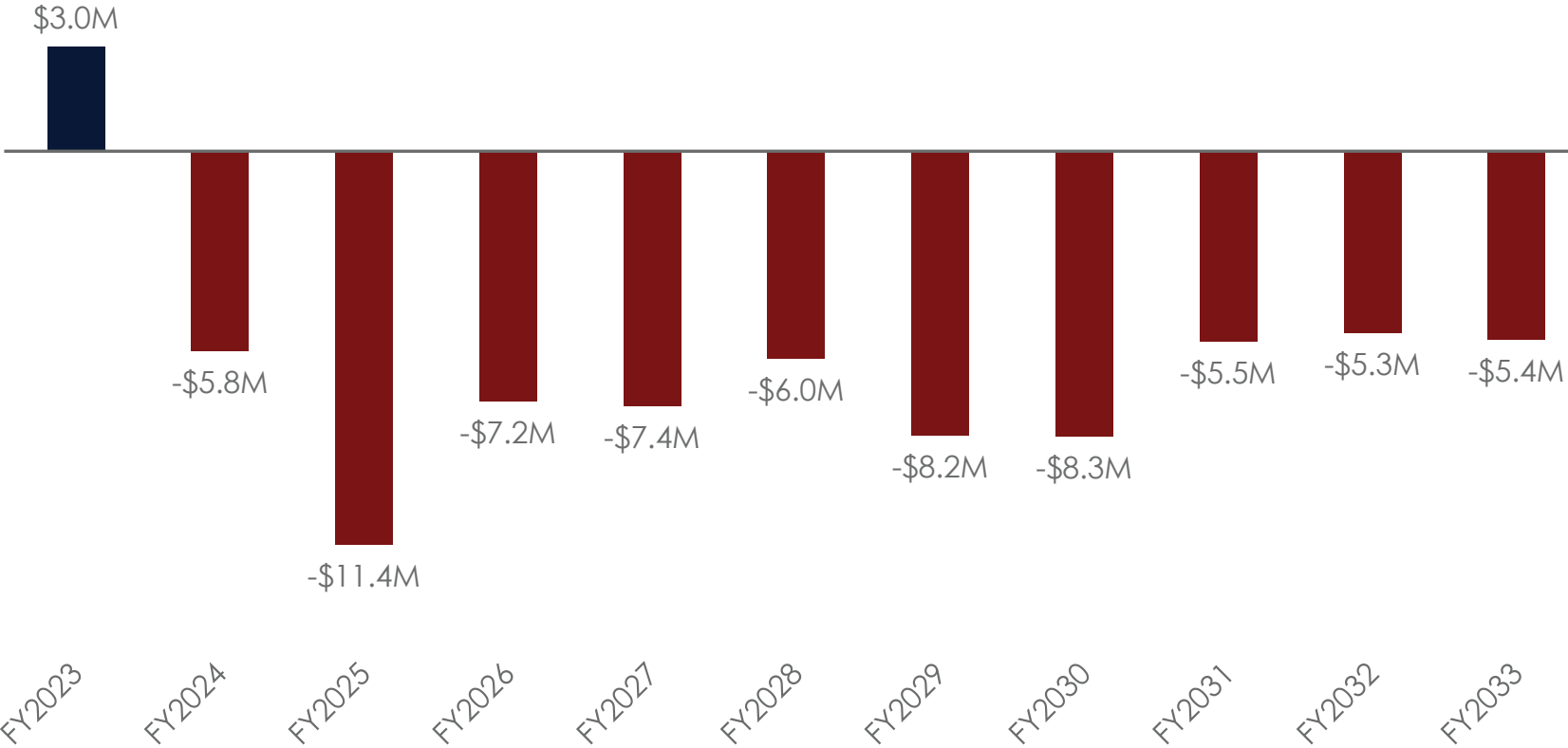


# Sales Tax Repayment Reserve

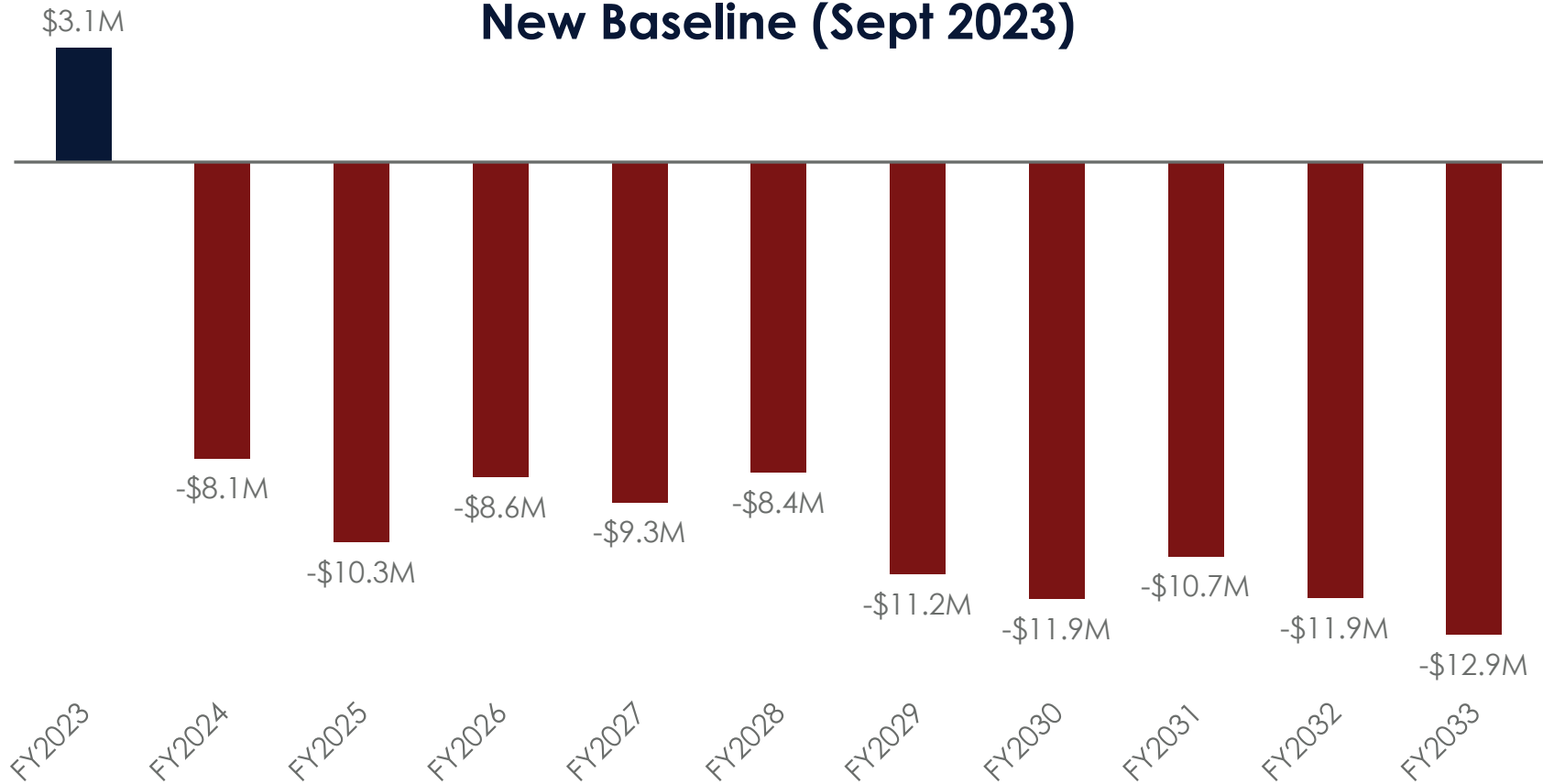
(\$ In millions)

|  | FY 2023-24<br>Adopted | FY 2023-24<br>Amended | Change   |
|--|-----------------------|-----------------------|----------|
| <b>General Fund</b>                          |                       |                       |          |
| Unassigned                                   | 44.1                  | 3.6                   | (40.5)   |
| Capital Projects Reserve                     | 10.0                  | -                     | (10.0)   |
| Section 115 Pension Trust                    | 17.2                  | 17.2                  | -        |
| Economic Uncertainty Reserve                 | 24.0                  | 18.0                  | (6.0)    |
| Sales Tax Repayment Reserve                  | -                     | 56.5                  | 56.5     |
| <b>Total</b>                                 | <b>\$95.3</b>         | <b>\$95.3</b>         | <b>-</b> |
| <b>Capital Project Funds (420 &amp; 429)</b> | \$13.5                | \$13.5                | -        |

# General Fund Annual Operating Surplus/(Deficit) Adopted Budget (June 2023)



## General Fund Annual Operating Surplus/(Deficit) New Baseline (Sept 2023)



# Balancing the Budget





## Balancing the Budget

- Ongoing budget reductions are needed
- Reductions are estimated to be 23% of General Fund budgets
- Need to identify expenditure reductions estimated at \$15M
- Need to identify revenue enhancements

## Service Reductions

- Budget reduction proposals will be based on services impacted
- Position reductions are an outcome
- Exclusion of essential items (e.g., utilities, insurance)
- Exclusion of cost-recovered programs
- Exploring alternative service delivery models
- Implementing strategic reductions
- City as an employer of choice



## **Revenue Enhancements**

- Revenue Tax Measures
- Sponsorships
- Grants
- Fee Increases

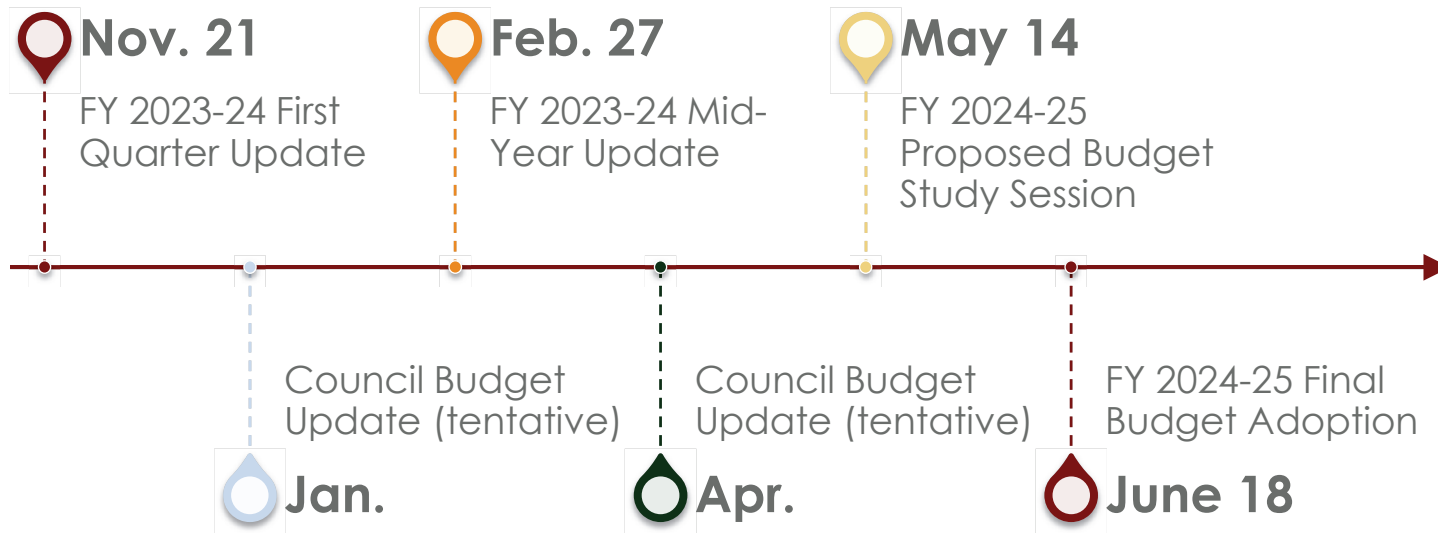
See page 190 of the Adopted Budget for more information



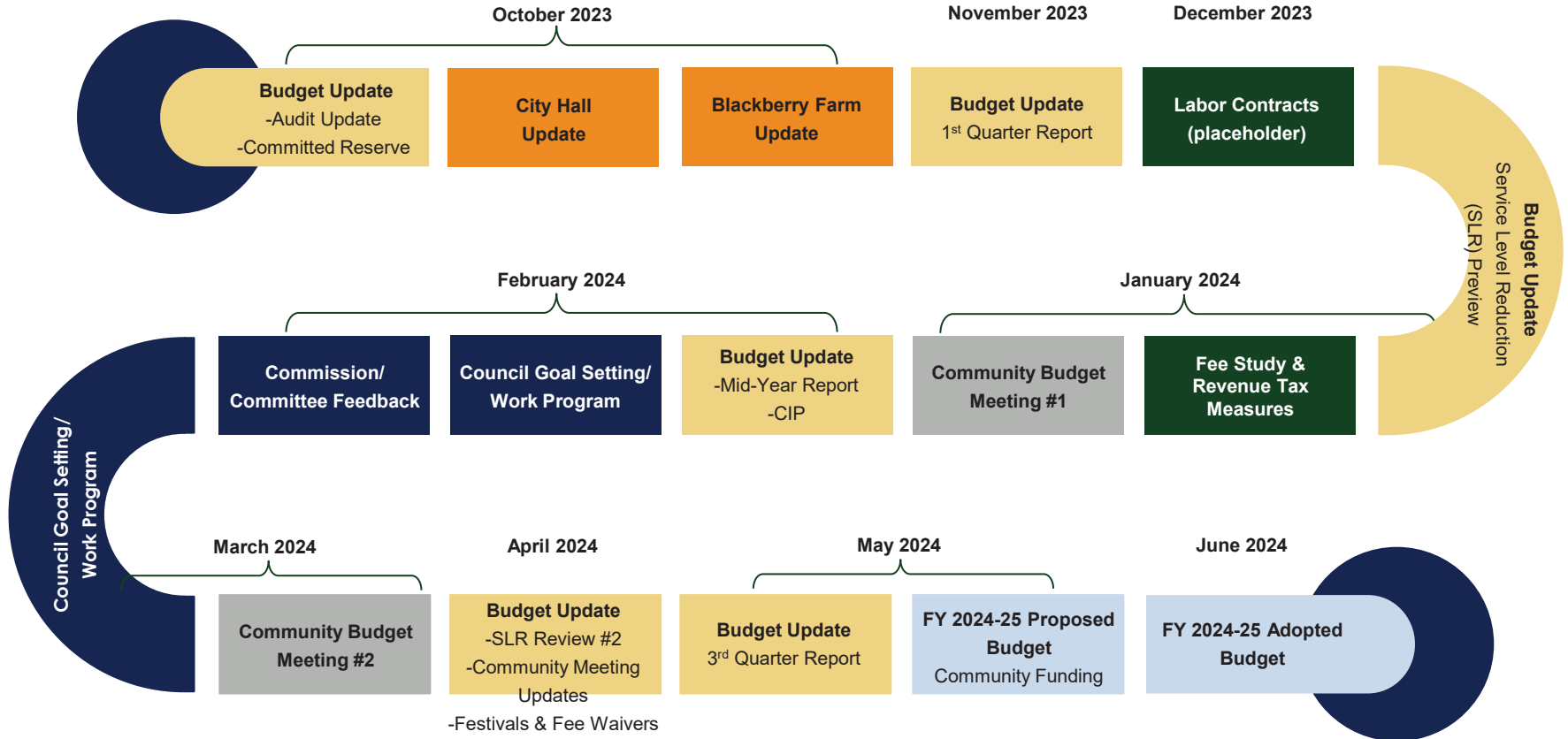
# Next Steps and Recommended Action



# Next Steps



# Roadmap to FY 2024-25 Budget Adoption and Balancing



## Recommended Action

- Approve an amendment to the City's Committed, Unassigned Fund Balance, and Use of One Time Funds Policy to:
  - Create a General Fund Sales Tax Repayment Reserve with an initial allocation of \$56.5 million
  - Authorize staff to increase the Sales Tax Repayment Reserve when the City receives additional sales tax revenue in dispute
  - Decrease the General Fund Capital Projects Reserve by \$10.0 million
  - Decrease the General Fund Economic Uncertainty Reserve by \$6.0 million

**Thank you!**

Questions?



**CUPERTINO**