

# 10-Year Financial Forecast FY 2021-22

City of Cupertino



CUPERTINO



# Agenda

- Facts and Considerations
- Forecast A
- Forecast B
- Forecast C
- Recommendation



## Facts and Considerations

- General Fund Unassigned Fund Balance = \$34 million
- General Fund Economic Uncertainty Reserve = \$19 million
- Post-COVID-19 Impacts
  - Long-term/permanent telecommuting
    - Sales tax
    - Property values
    - Transient occupancy tax recovery

## Forecast Revenue Assumptions

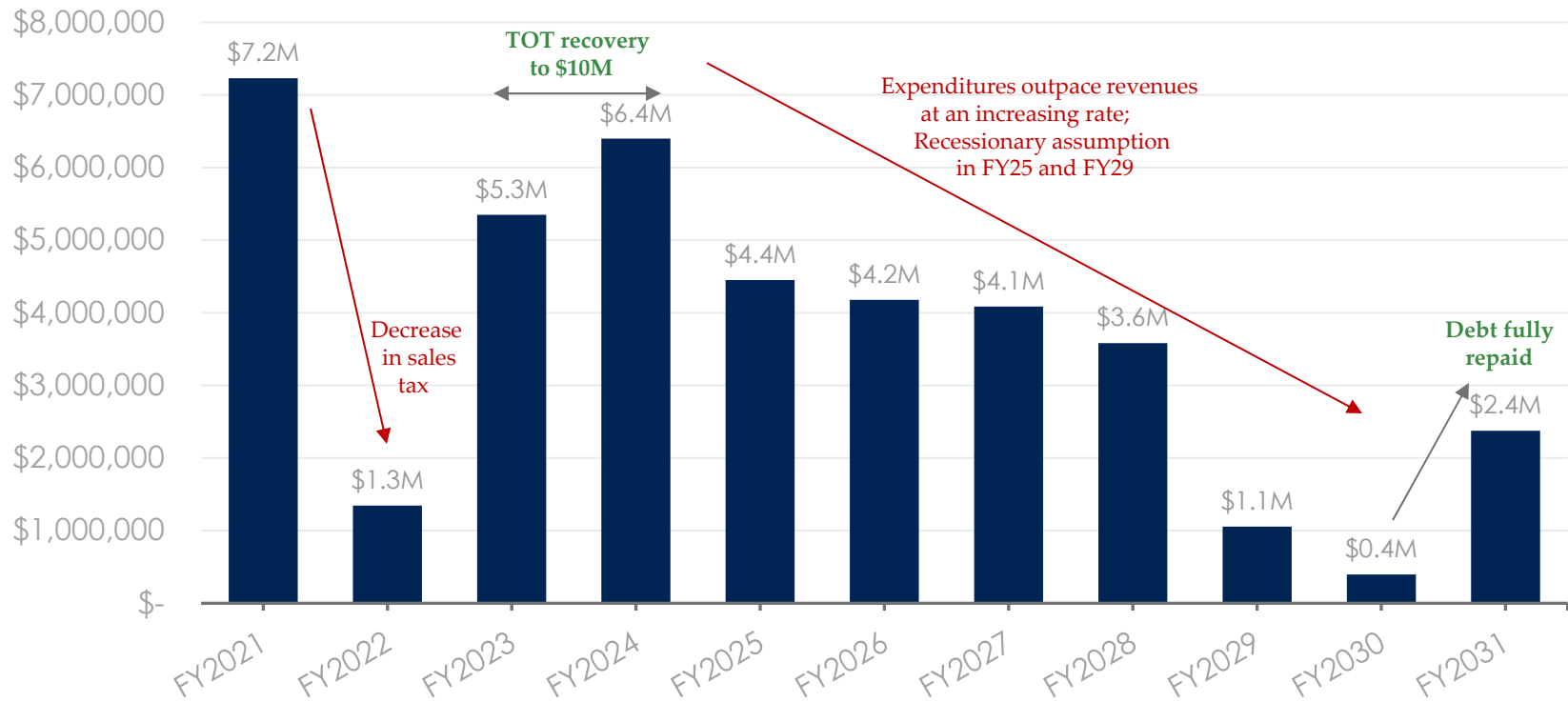
	Sales Tax	Property Tax	Transient Occupancy Tax (TOT)
Optimistic (Forecast A)	-FY22 projects <b>\$27.8M</b> -Increases 2% annually	-Increases <b>3%</b> annually	-Achieve “full-recovery” <b>\$10M</b> in FY 24
Moderate (Forecast B)	-FY22 projects <b>\$25.9M</b> -Increases 2% annually	-Increases <b>2.5%</b> annually -Two-year recession in FY25 and FY29	-Achieve “full-recovery” <b>\$7.5M</b> in FY 24
Pessimistic (Forecast C)	-FY22 projects <b>\$23.9M</b> -Increases 2% annually	-Nominal annual growth of <b>0.5%</b> to account for telecommute impacts	-Achieve “full-recovery” <b>\$5M</b> in FY 24

## Forecast Expenditure Assumptions

Account	Assumption	Description
Compensation and Benefits	2.7% AAGR	Maintaining 5 FTE vacancies throughout forecast period
Materials and Contracts	2.8% and 4.4% AAGR	Average CPI of State and County. Law enforcement contract = CPI + 2%
Special Projects	2.8%	\$2M base + CPI annually
Debt Service	Fixed	Fully repaid in FY 2029-30. Surplus increases in FY 2030-31
Transfers	Baseline + CPI	No transfer to Capital Reserve

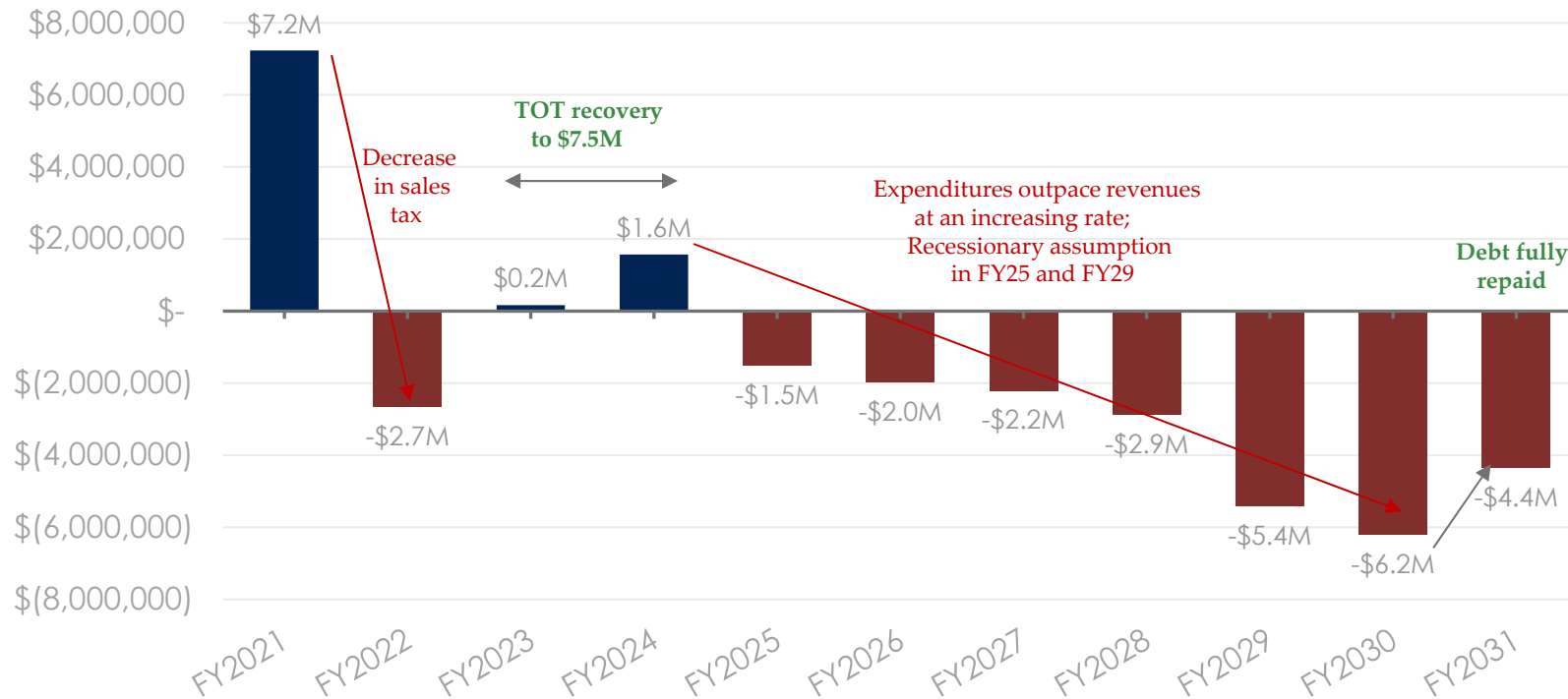
# Forecast A

## Annual Operating Surplus/(Deficit) Forecast



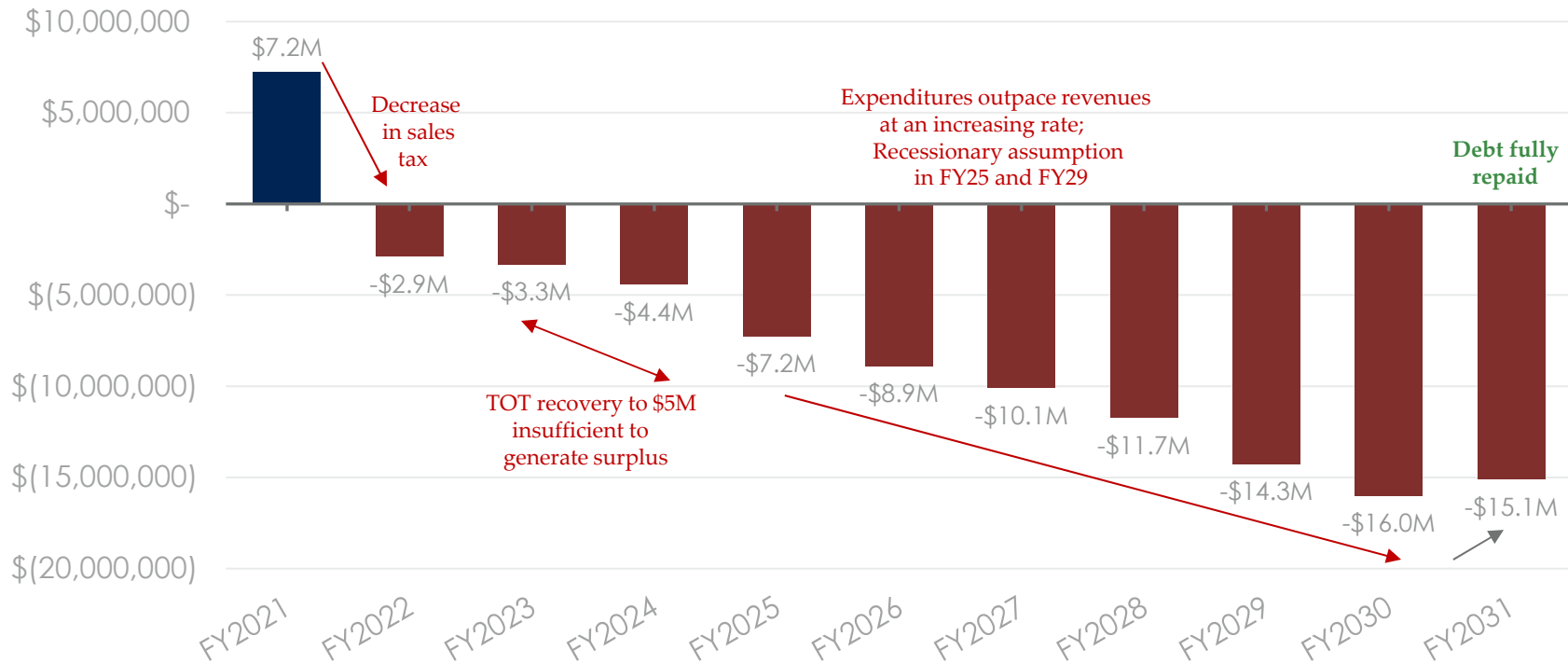
# Forecast B

## Annual Operating Surplus/(Deficit) Forecast



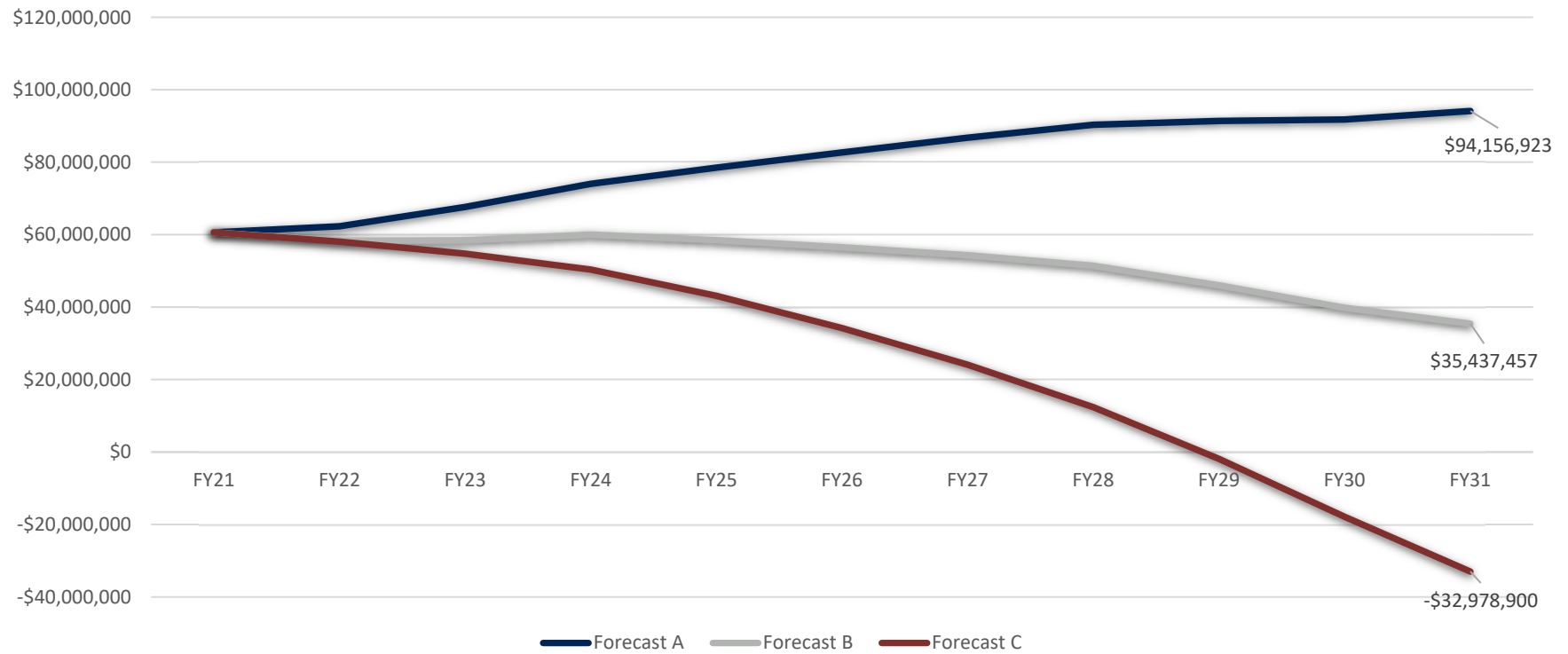
# Forecast C

## Annual Operating Surplus/(Deficit) Forecast





## General Fund Fund Balance (Unassigned and Economic Uncertainty Reserve)





## Recommendation

- Retain Unassigned Fund Balance in General Fund
- Future anticipated development NOT included in forecast
- One-time construction tax NOT included in forecast
- Future COVID-19 relief funding NOT included in forecast



	Voter Approval	Additional Revenue	Pros	Cons
<p>¼ Cent Transaction and Use Tax (TUT)</p>	<p>2/3 vote (special); majority vote (general)</p>	<p>\$4M annually</p>	<ul style="list-style-type: none"> <li>Fairly proportional to surrounding areas</li> <li>Burden spread across residents, businesses, and visitors</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable to business to business sales when purchaser located outside City</li> </ul>
<p>Parcel Tax</p>	<p>2/3 vote (special)</p>	<ul style="list-style-type: none"> <li>\$3.5M flat rate per parcel</li> <li>\$3.6M variable rate per SF</li> </ul>	<ul style="list-style-type: none"> <li>City can define specific purpose(s) for revenue use</li> <li>Flexibility in design</li> </ul>	<ul style="list-style-type: none"> <li>Requires 2/3 vote</li> <li>Flat rate tax considered regressive</li> </ul>
<p>Transient Occupancy Tax (2% increase)</p>	<p>2/3 vote (special); majority vote (general)</p>	<ul style="list-style-type: none"> <li>\$1.7M @ \$10M base</li> <li>\$1.25M at \$7.5M base</li> <li>\$833k at \$5M base</li> </ul>	<ul style="list-style-type: none"> <li>Paid by non-residents</li> <li>Historically strong approval rates in the State</li> </ul>	<ul style="list-style-type: none"> <li>Adding 2% to TOT rate would place it second to Palo Alto for the region and make it one of the highest in the State</li> </ul>