



ADMINISTRATIVE SERVICES DEPARTMENT

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CITY COUNCIL STAFF REPORT

Date: January 13, 2026

Subject

Study Session Regarding Various Revenue Tax Options

Recommended Action

Conduct study session and provide direction to staff to begin preliminary analysis regarding budgetary need for and timeline of potential revenue generating ballot measure and return to City Council with recommended next steps.

Background

Revenue Measure - History

In December 2023, staff presented Council with a report and presentation on various revenue-generating options to address the City's long-term structural budget concerns. Options presented included a Transaction and Use Tax (TUT), Transient Occupancy Tax (TOT) adjustment, Parcel Tax, and Business License Tax modernization. At that meeting, Council directed staff to delay polling on any specific revenue measures, conduct outreach to the business community, and return with findings and further recommendations.

In February 2024, following the survey, staff returned to Council with a recommendation to forego pursuing a revenue-generating ballot initiative for the November 2024 election. Council accepted the recommendation based on limited time, competing priorities, and the need for broader public engagement. At that time, staff committed to reintroducing the topic for future consideration if warranted.

Fiscal Context for Revisiting Revenue Options

Council has expressed a desire to revisit the ballot measures that were presented in 2023 as future expenditure pressures may warrant renewed consideration of revenue options. In particular, the City faces uncertainty regarding potential increases to its contract with the Santa Clara County Sheriff's Office beginning in FY 2026–27. For context, each 10% increase in the Sheriff's contract would result in approximately \$1.9 million in additional annual costs to the City. A 20% or 40% increase would correspond to approximately \$3.8 million or \$7.6 million, respectively. Given the

magnitude of this potential cost driver, it is prudent for the City to begin exploring revenue measures at this time that could help address a possible structural imbalance.

Revenue Measure - Utility Users Tax (UUT)

The City's existing UUT is set to sunset in FY 2030–31. Should the Council wish to extend or revise the UUT, voter approval would be required. However, placing such a measure on the 2026 ballot would not generate additional revenue in the short term and would have no impact on the current or immediate fiscal years. Council also has the option of directing staff to place a measure extending the UUT on the 2028 ballot.

Next Steps and Support Needed

Upon direction from Council to pursue one or more ballot measure efforts, staff will begin preliminary work, which may include updated revenue projections and an assessment of potential fiscal impacts. Staff will also return to Council with a recommended scope of work and, if appropriate, a consultant contract and corresponding budget adjustment.

Sustainability Impact

No sustainability impact.

Fiscal Impact

There is no direct fiscal impact from this action. If Council directs staff to proceed, costs for consultant services and placing items on the ballot would be identified in the current budget or brought forward as part of a future appropriation.

City Work Program (CWP) Item/Description:

None

Council Goal:

Fiscal Strategy

California Environmental Quality Act

No California Environmental Quality Act impact.

Prepared by: Jonathan Orozco, Finance Manager

Reviewed by: Floy Andrews, Interim City Attorney

Approved for Submission by: Tina Kapoor, City Manager

Attachments:

A – Presentation (2023.12.5)