



ADMINISTRATIVE SERVICES

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CITY COUNCIL STAFF REPORT

Date: June 16, 2026

To: Cupertino City Council
From: Tina Kapoor, City Manager
Jonathan Orozco, Acting Director of Administrative Services and City Treasurer
Re: FY 2026-2027 Proposed Budget

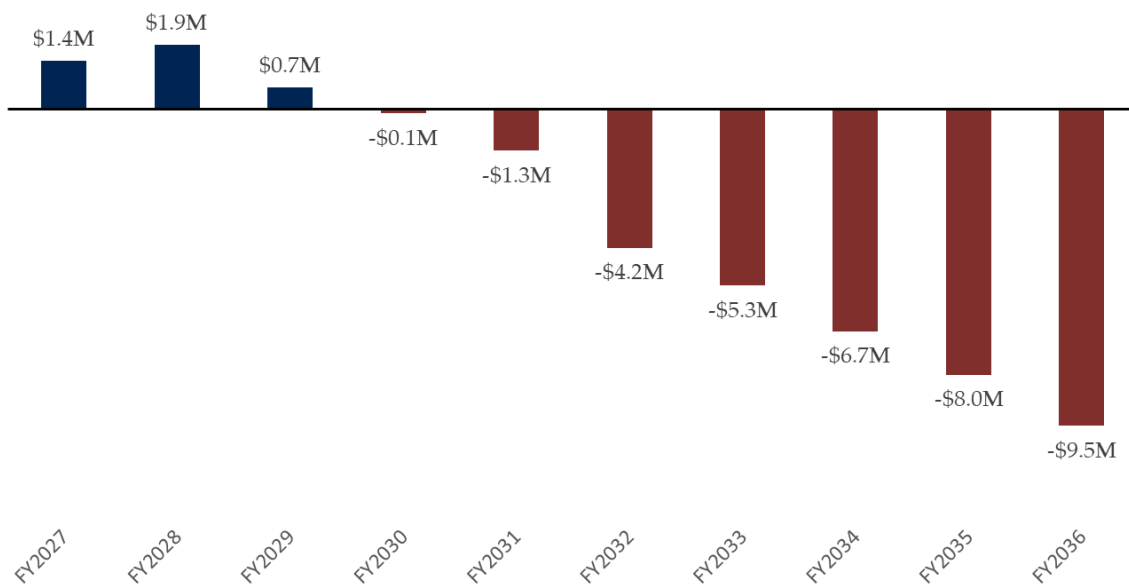
Background

This Memorandum addresses City Council questions from the May 11, 2026 FY 2026-2027 Proposed Budget Study Session.

1.Question: What are the financial implications impact from the Utility Users Tax (UUT) which is currently set to sunset in FY 2031.

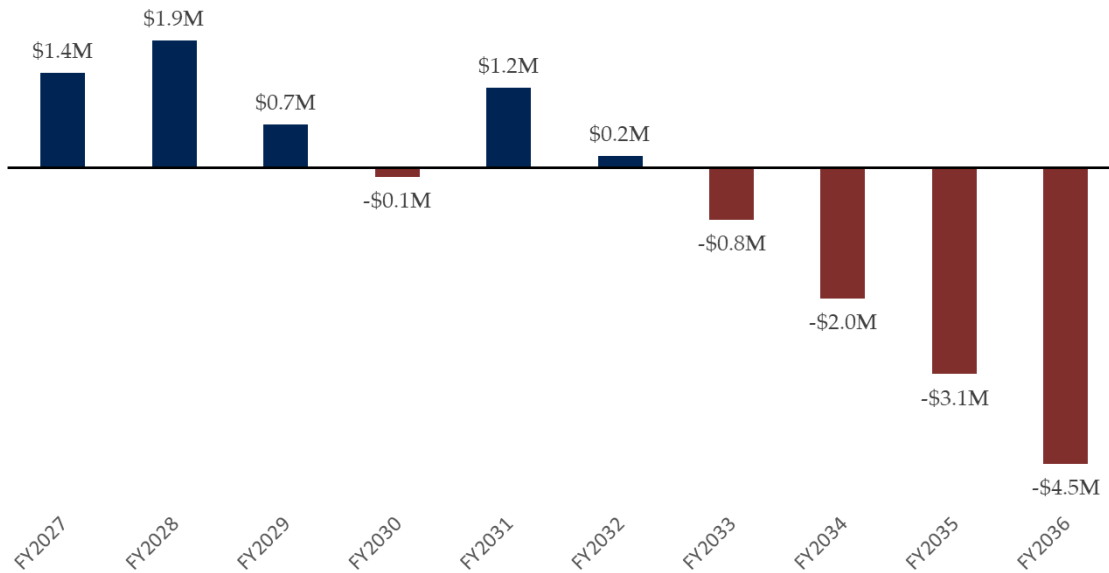
The chart below reflects a 10-year forecast assuming the UUT sunsets in FY 2031.

General Fund Annual Operating Surplus/(Deficit)



The forecast below assumes voters approve to extend the UUT beyond the 10-year forecast.

General Fund Annual Operating Surplus/(Deficit)



2. How many interns are across all departments

The City currently employs 5 interns, 4 in the I&T Department and 1 in the Administrative Services Department. The City also has an AmeriCorps volunteer intern in the Public Works Department.

3. What are the projects in the adopted 2025-26 for De Anza Traffic

The 2025-26 Adopted Budget included a project to implement traffic adaptive signalization along De Anza Blvd between Lazaneo Drive and Bollinger Road. This segment of De Anza Blvd tends to suffer greater congestion than the rest of the corridor, due to greater signal timing demands from traffic on the intersecting streets and also due to the geometry of the intersection of McClellan Road. Several years ago, traffic adaptive signalization was piloted on De Anza Blvd between Homestead Road and Mariani Avenue. The current project continues the traffic adaptive capabilities to the south along De Anza Blvd, to include the intersections of Lazaneo Drive, Stevens Creek Blvd, Rodrigues Ave, McClellan Rd/Pacifica Dr, and Bollinger Road, which will help to enhance vehicle progression and reduce vehicle delays. The project includes the licensing, configuration and support for traffic-adaptive software at the five intersections, as well as video detection hardware at these intersections to allow the full capabilities of the traffic adaptive software to be utilized.

The 2026-27 Proposed Budget has two requests for funding for traffic signal synchronization projects: one along De Anza Blvd (\$110,000), and one along Stevens Creek Blvd (\$115,000). These projects are funded by grants, which staff applied for through VTA’s Regional Vehicle Registration Fee Intelligent Transportation System (VRF ITS) Cycle 5 program. The grants provide funding for traffic signal retiming and coordination efforts that include the entire

De Anza Blvd and Stevens Creek Blvd corridors. The total grant award for the two projects is \$231,000 and will completely fund the cost of these two efforts, which will further enhance vehicle progression and reduce vehicle delays along these two arterials.

The De Anza Blvd adaptive signalization project is in progress and is expected to be completed later this year. The De Anza Blvd and Stevens Creek Blvd signal retiming and coordination project will kick-off later this summer and will commence with the selection of a traffic engineering consultant selected through the City's RFP process to assist with the effort.

4. Please provide a Fleet Replacement Overview

The City of Cupertino currently maintains a fleet of 109 vehicles that support essential municipal operations, including public works maintenance, inspections, code enforcement, parks and recreation, pool vehicles, and emergency response support. Staff are actively reducing the fleet through consolidation and elimination of underutilized vehicles, with a target fleet size of approximately 100 vehicles. The fleet is anticipated to decrease to 103 vehicles by the end of the calendar year, and to 100 vehicles by the end of FY 26-27.

The City's Vehicle Replacement Policy is consistent with industry standards and establishes replacement cycles generally ranging from 7 to 10 years depending on vehicle type. In practice, however, Cupertino strategically extends vehicle service life beyond standard replacement intervals in order to maximize asset value and reduce capital expenditures. As a result, the City operates a fleet that is on average older than the recommendations in the policy, but is more cost-efficient from a capital investment perspective.

Based on the current fleet size and lifecycle assumptions, the City estimates replacement of approximately 10 vehicles annually to maintain a stable and reliable fleet. Staff estimates that sustaining this replacement pace requires approximately \$700,000 to \$900,000 annually. Vehicle replacement costs have increased significantly due to inflation, supply-chain impacts, and State electrification mandates. This funding level represents the minimum necessary to maintain a stable replacement cycle and avoid compounding future capital needs.

Reducing funding to approximately \$450,000 per year would significantly slow replacement activity, increase the number of aging vehicles in service, and result in higher maintenance costs and reduced operational reliability over time. While reduced funding may create short-term savings, it may result in increased long-term costs and operational risks.

Cost Pressures and Electrification Requirements

Under California's Advanced Clean Fleets requirements, municipalities must transition a percentage of new vehicle purchases to zero-emission vehicles (ZEVs), substantially increasing long-term replacement costs. Currently, 50% of new vehicles must be ZEVs, with the plan for 100% of new purchases being ZEVs in 2030.

Electric vehicles generally cost more than comparable gasoline or diesel vehicles, particularly for medium- and heavy-duty fleet applications

City Comparisons

Fleet size comparisons between jurisdictions can be difficult because some cities report only licensed vehicles, while others include heavy equipment, trailers, fire apparatus, utility equipment, and public safety fleets within total inventory counts. As a result, direct comparisons require extensive analysis of both service levels and fleet composition. While the City has not performed an extensive analysis on the percentages of public safety vehicles for City fleets, public safety vehicles generally make up 30% to 50% of a municipality's overall number of fleet vehicles.

Cupertino currently operates approximately 109 vehicles, which does not include police vehicles as the City relies on contracted Sheriff services. Accordingly, most Cupertino vehicles support core operational functions, including:

- Street, infrastructure, facilities, and park maintenance
- Storm drain operations
- Urban forestry and landscape maintenance
- Facilities maintenance
- Inspection services
- Code enforcement

Neighboring Jurisdiction Comparison:

The City of Palo Alto operates a substantially larger fleet that includes full police and fire departments, utility operations, and extensive public works functions. Palo Alto's fleet inventory at approximately 560 vehicles, including public safety and heavy equipment assets.

The City of Sunnyvale operates a fleet estimated at approximately 560 vehicles. Approximately 140 vehicles support police and fire, and 50% of their fleet directly supports Public Works operations. The remaining vehicles support administrative and light-duty operations.

Cupertino's fleet is much smaller and is sized for the City's service delivery model with most of its fleet dedicated to core operational and maintenance functions.

Conclusion

The City aims for fiscally responsible management practices. Reductions to the City's fleet are actively being implemented already with vehicles being operated beyond standard lifecycle expectations in order to maximize value and minimize capital costs. Consistent

investment in fleet replacement can help minimize long-term costs, support reliable service delivery, and ensure compliance with evolving State regulations.

5. Information on Sister Cities Funding

SISTER & FRIENDSHIP CITY PROGRAM EXPENSES			
	ACTUAL		FORECASTED
	FY2024-25	FY2025-26	FY2026-27
Waived Fees (Recreation Staff Costs, Facility/Park/Road Permits, Public Works Staff Costs)	\$54,688	\$53,838	\$53,000
Sheriff Costs for Festival Support	\$15,392	\$9,747	\$13,000
Gifts / City swag	\$1,943	\$418	\$1,000
Travel Expenses	\$6,666	\$0	\$0
Staff Time to Facilitate Program	\$13,221	\$5,179	\$6,000
Student Delegation Fund for 4 Sister Cities (\$5,000 per year for each Committee)	\$11,507	TBD	\$20,000
TOTAL EXPENSES	\$103,417	\$69,181	\$93,000

Sustainability Impact

No sustainability impact.

Fiscal Impact

There is no fiscal impact associated with this report.

City Work Program (CWP) Item/Description

None

Council Goal:

Transportation, Quality of Life

California Environmental Quality Act

No California Environmental Quality Act impact.

Reviewed by: Kirsten Squarcia, Deputy City Manager

Approved for Submission by: Tina Kapoor, City Manager