

CC 03-04-2025

#7

Baker Tilly Budget Review
and Performance
Measures Update

Presentation

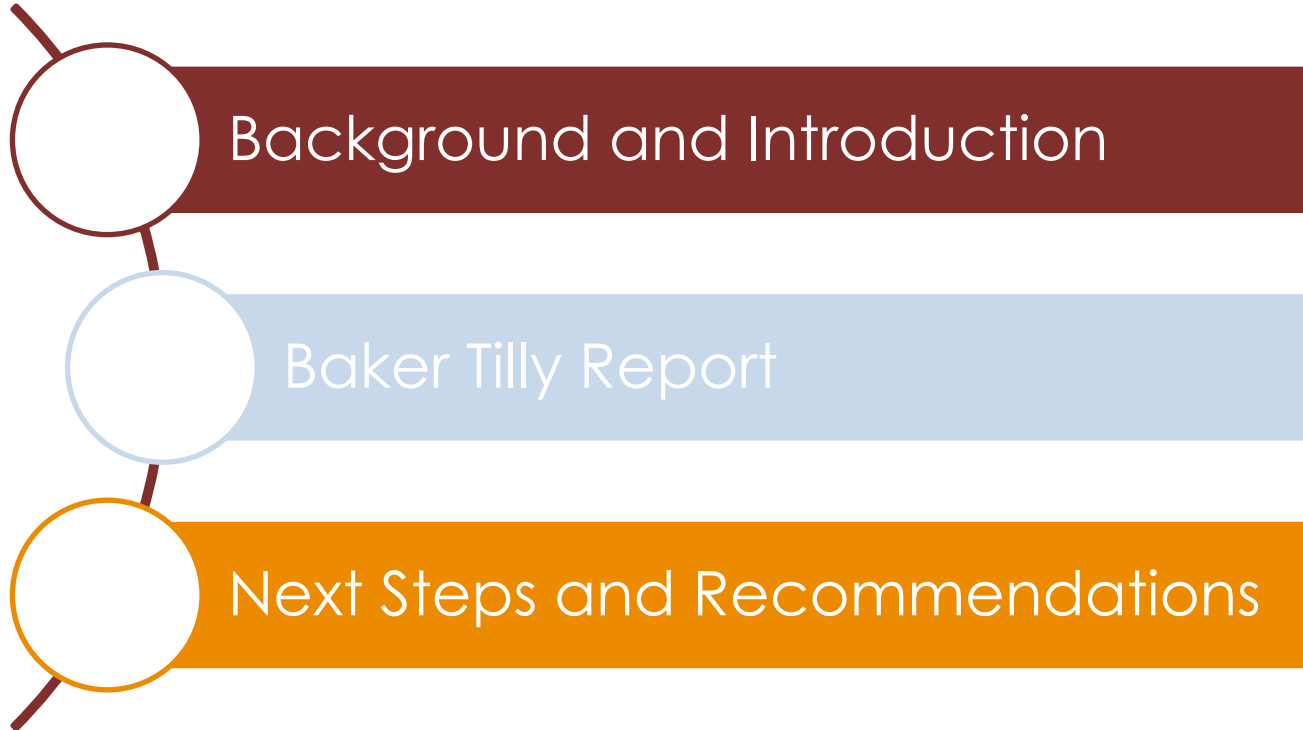
Budget Format Review and Performance Measures Update

March 4, 2025



**CITY OF
CUPERTINO**

Agenda



Background and Introduction

- Identified need to streamline budget and update performance measures
- Engage Baker Tilly



Cupertino Budget Document and Performance Measures Improvements

City Council Meeting
Tuesday, March 4, 2025

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.



Overview

 Project Assignment

 Approach & Methodology

 Key Observations

 Key Recommendations

 Strategic Planning & Performance Measures

 Next Steps

Project Assignment



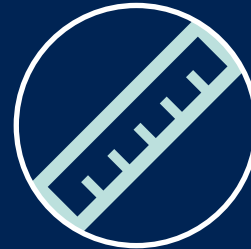
Approach & Methodology



Reviewed city documents, budget reports, and performance data



Conducted interviews with council members and city staff



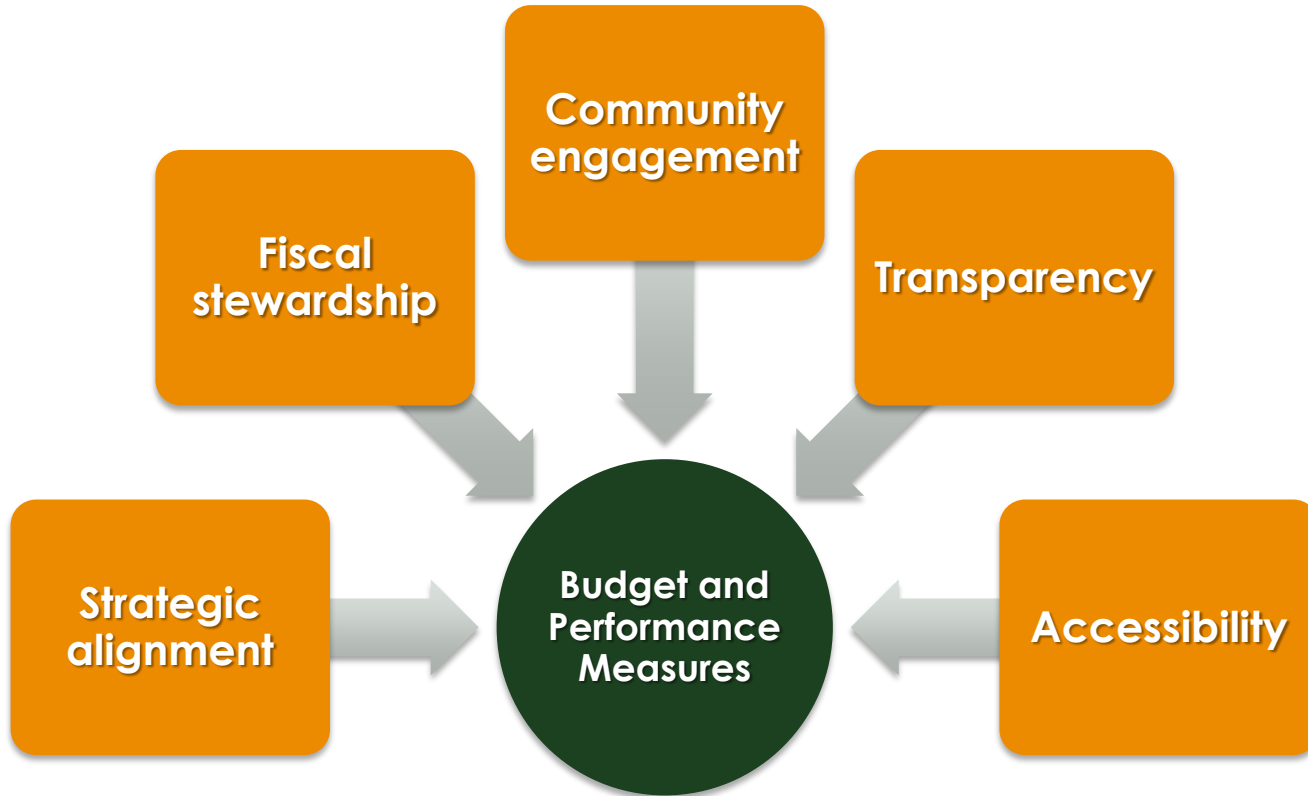
Benchmarked against peer cities' best practices



Analyzed alignment with strategic goals



Guiding Principles



Key Observations – Budget Document



Detailed but
difficult to
navigate



Requires
better
strategic
alignment



Capital
Improvement
Plan (CIP) not
well-
integrated



Public
engagement
can be
improved

Key Recommendations – Budget Document

Streamline

- Improve readability & streamline structure

Departments

- Standardize departmental budget presentation

Capital Planning

- Integrate Capital Improvement Plan (CIP)

Public Engagement

- Enhance public engagement & transparency

Strategic

- Incorporate strategic planning into budgeting

Key Observations – Performance Measures



Lack of alignment with city goals



Metrics focus on workload, not outcomes



No standardized update process



Limited staff engagement in performance tracking

Key Recommendations – Performance Measures

Priorities

- Align with city's strategic priorities

Outcomes

- Differentiate performance vs. workload indicators

Standardized

- Standardize reporting & updates

Accountability

- Increase accountability & staff involvement

Strategic Planning and Performance Measures



Key Implementation Concepts

Implement
budget
document
improvements

Develop a
structured
strategic
planning
process

Enhance
transparency &
community
engagement

Revise, align &
track
performance
measures with
city goals

Draft Implementation Action Plan

Rec No.	Recommendation	Implementation Steps	Priority	Department Responsible	Comments
1	Recommendation	<ul style="list-style-type: none"> Step 1 Step 2 Step 3 	1	City Manager	XXX
2	Recommendation	<ul style="list-style-type: none"> Step 1 Step 2 Step 3 	2	Admin Services	XXX
3	Recommendation	<ul style="list-style-type: none"> Step 1 Step 2 Step 3 	3	Public Works	XXX
4	Recommendation	<ul style="list-style-type: none"> Step 1 Step 2 Step 3 	2	Budget Manager	XXX

- Identifies implementation steps, prioritization and assignment for each recommendation in the report
- Considered "Draft" until City:
 - Identifies target dates
 - Affirms/modifies steps and assignments
 - Applies any resources required (\$, time)

- Priority 1 – Important to accomplish without delay/easy to accomplish
- Priority 2 – Second tier; may involve complexity or time to complete
- Priority 3 – Least urgent; may take longer to setup or execute

Draft Implementation Action Plan

Priority 1

- Finalize proposed budget document layout (for FY 2026-27)
- Implement CIP development assignments
- Issue FY 2024-25 CIP Plan
- Review fiscal policies
- Refine community engagement strategies
- Update budget educational content
- Plan for OpenGov changes to mirror existing data for department details
- Develop Citywide strategic plan
- Finalize performance standards

Priority 2

- Implement budget layout and content changes for FY 2026-27
- Implement OpenGov (or appendix) for details
- Ensure quarterly tracking of CIP progress, priorities and alignment
- Revise framework for fund transfers, enterprise funds and grant information

Priority 3

- Remove selected sections from Community Profile
- Standardize department summaries/priorities
- Develop Special Projects policy for approval authority, timelines and reporting

Key Feedback from Audit Committee



Pilot budget format for
FY 2026-27



Include **CIP Plan** in proposed/final
budget document



Provide **revenue/expenditure
details** in appendix or online



Ensure **original adopted budget** is
easily accessible



Align **performance measures** with
priorities (e.g., Econ Dev)



Use **graphics** for budget clarity



Reformat display of **financial policies**

- Summarize **purpose/effect**
- Add **full policy hyperlinks**
- Summarize **policy changes** adopted by Council in budget



Integrate **Internal Audit** functions
within **City Council budget**



Steve Toler
Director

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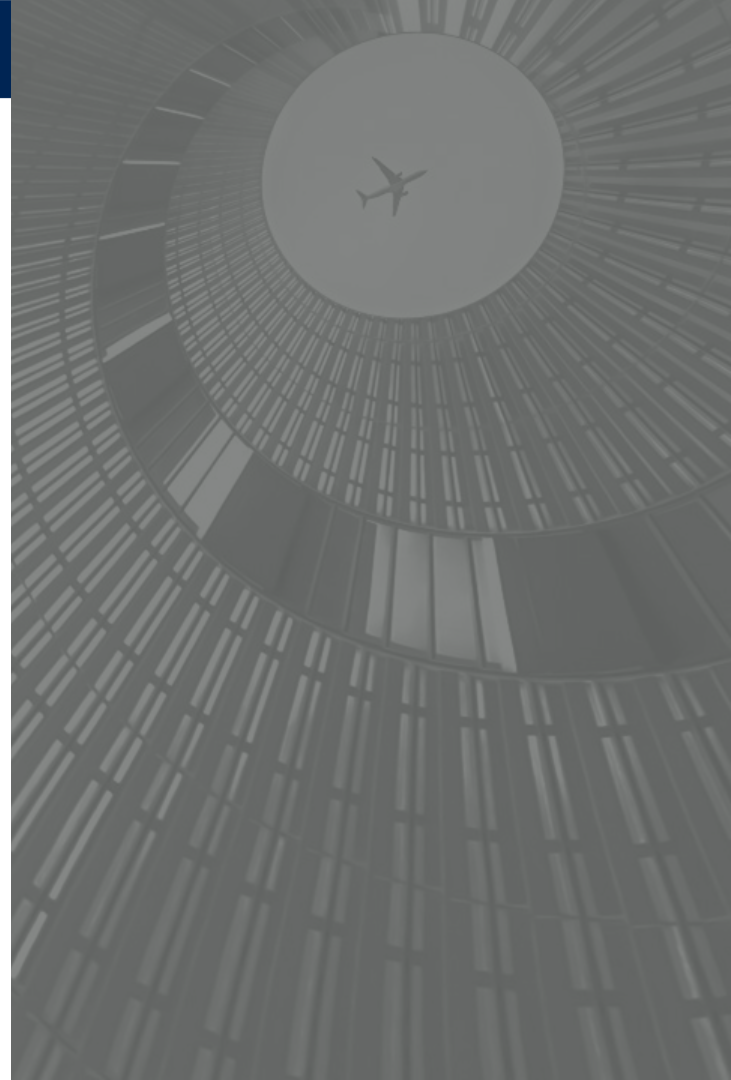
Chris Bigham
Senior Manager

E: chris.bigham@bakertilly.com



Prachi Patel
Senior Consultant

E: prachi.patel@bakertilly.com



Next Steps

- Review Draft Implementation Action Plan Timeline
- Final implementation plan to be included in Proposed Budget

Recommendations

Approve recommendations outlined in the recent Budget Document and Performance Measures Improvements report as prepared by Baker Tilly

Questions?



CC 03-04-2025

#8

Fiscal year 2024-25
Mid-Year Financial Report

Updated Presentation

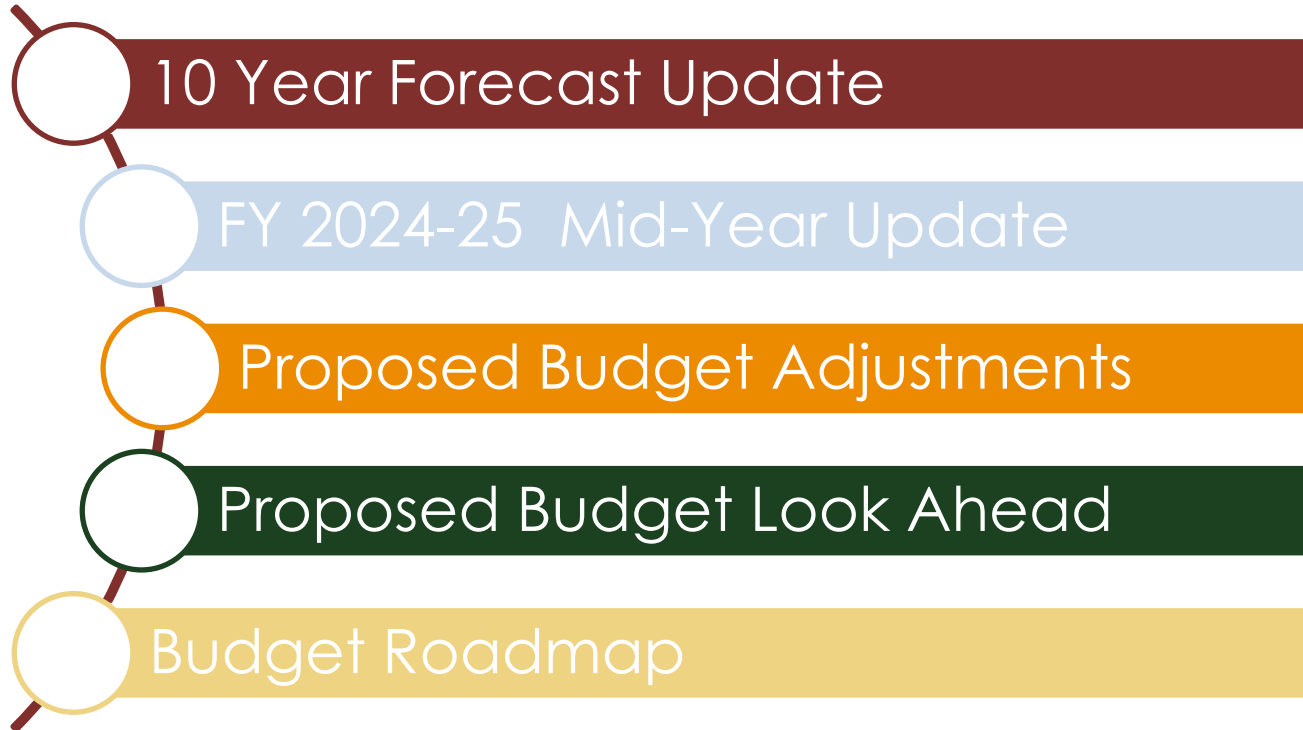
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March 4, 2025



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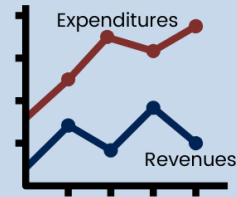
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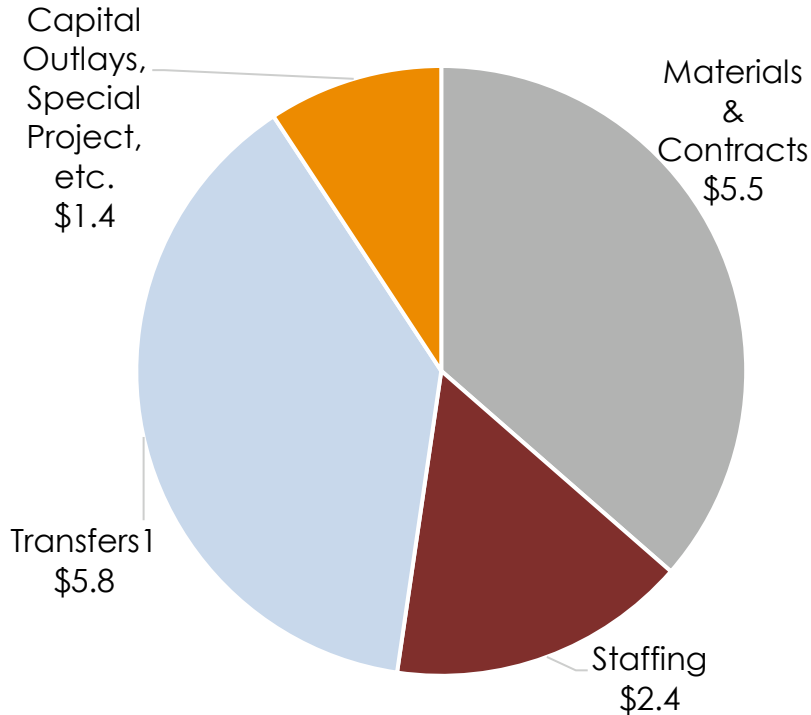
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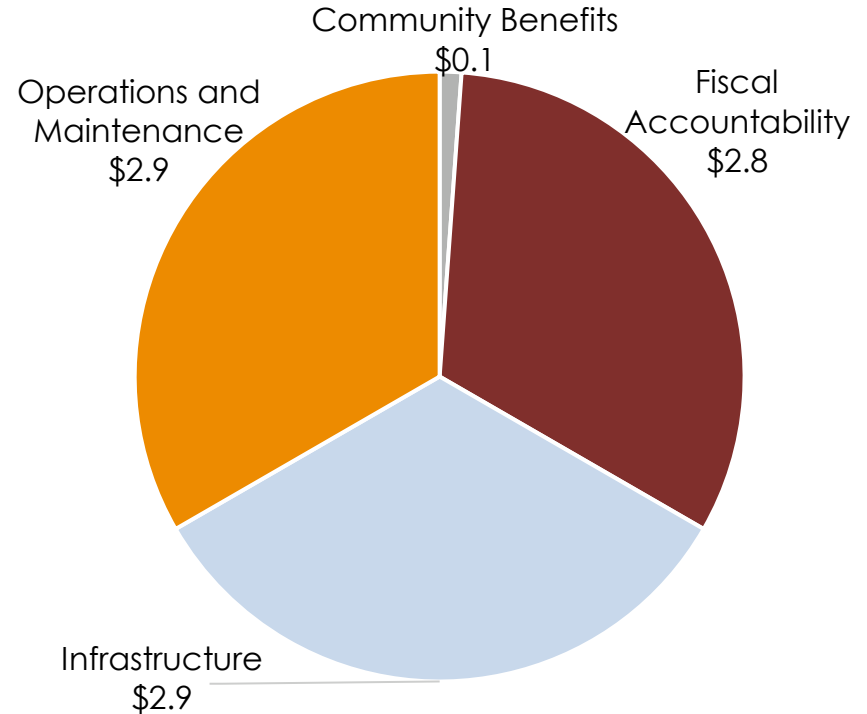


Budget Reductions (\$23.8M¹)

FY24 (\$15.1M)



FY25 (\$8.7M)



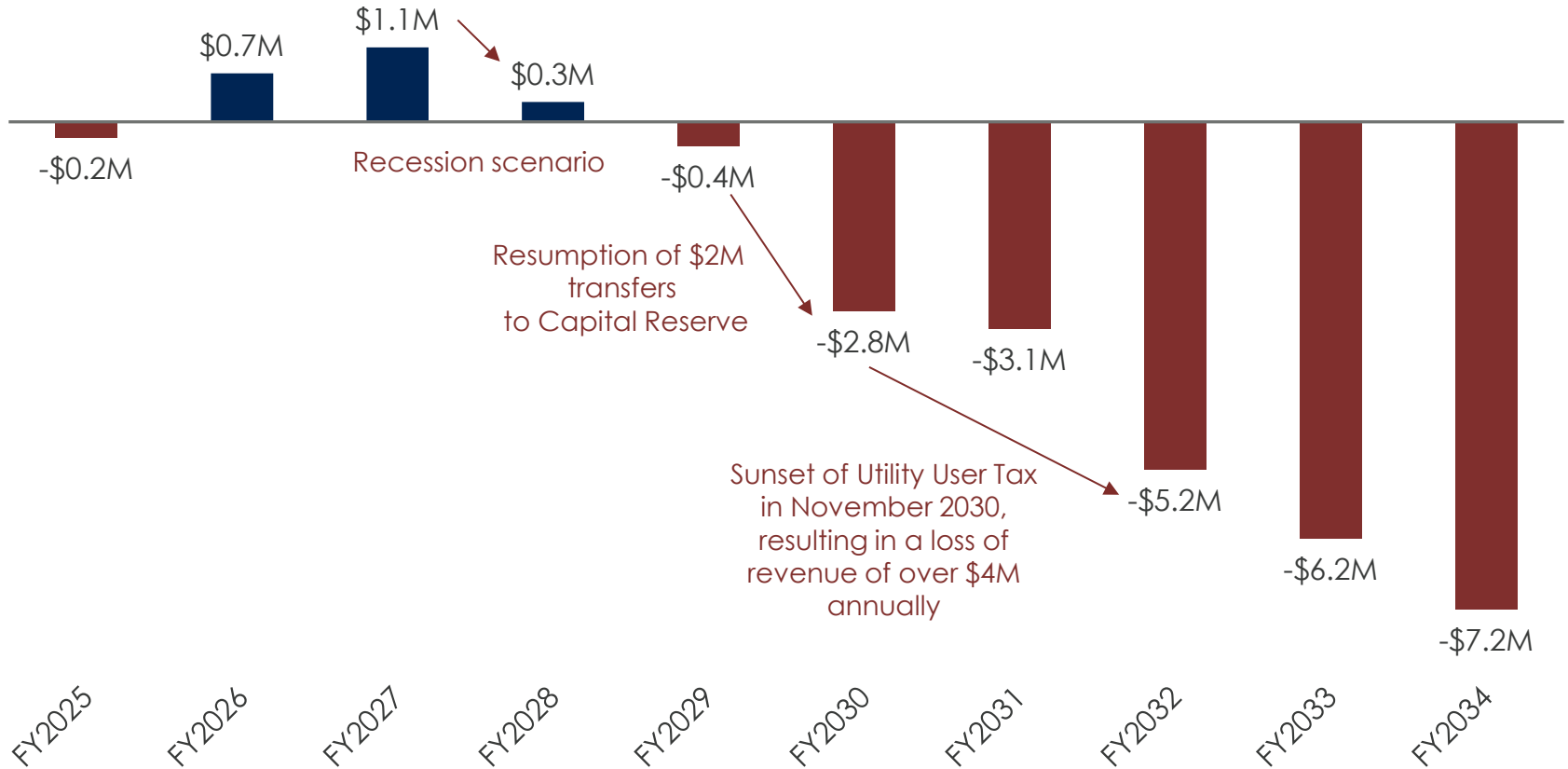
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Community Benefits		\$0.1M	4 th of July Fireworks ²
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General Fund Annual Operating Surplus/(Deficit)



Changes since FY25 Budget



CUPERTINO

Changes to the General Fund Forecast

Final Budget to Mid-Year FY25

FY25 Final
Budget 10 Year
Forecast



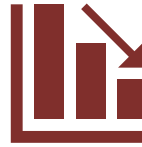
\$7.20 Million
Deficit



FY25 Mid-Year 10 Year Forecast Changes



Revenue
increases of
\$5.95 million



Expenditure
decreases
of (\$1.77)
million



FY25 Mid-Year
Budget
Outcome

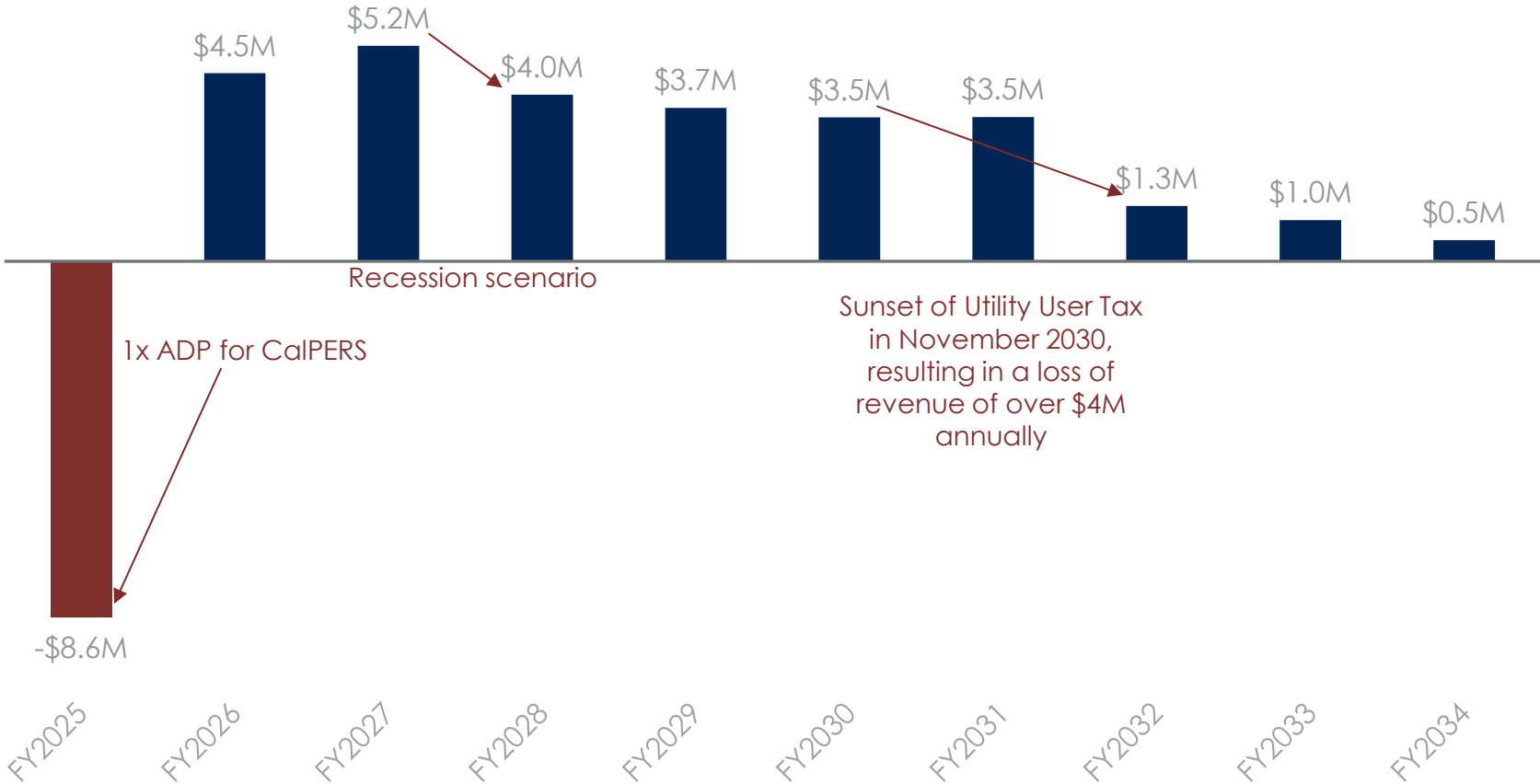


\$0.52 million
Surplus

Comparing the FY Final Budget Forecast with FY25 Mid-Year Forecast – Change by Categories (\$ in millions)

Expenditure Categories	Changes in FY26 of the Forecast	Changes in FY34 of the Forecast
Revenue Categories		
Sales Tax	\$ (0.04)	\$ (0.05)
Property Tax	\$ 1.11	\$ 1.40
Transient Occupancy	\$ (0.46)	\$ (0.54)
Franchise Fees	\$ 0.82	\$ 0.92
Use of Money and Property	\$ 0.17	\$ 2.32
Miscellaneous	\$ 1.85	\$ 1.84
Total Revenue Changes	\$ 3.49	\$ 5.95
Employee compensation & benefits	\$ (2.39)	\$ (1.77)
Transfer out	\$ 2.00	\$ -
Total Expenditure Changes	\$ (0.39)	\$ (1.77)
Net Impact	\$ 3.88	\$ 7.72

General Fund Annual Operating Surplus/(Deficit)



FY 2024-25 Mid-Year Update

General Fund



FY 2024-25 Amended Budget – General Fund

(\$ in Millions)

	FY 2024-25 Adopted Budget	FY 2024-25 Amended Budget as of Sept. 30, 2024	FY 2024-25 Amended Budget as of Dec. 31, 2024
Revenues	\$89.8	\$122.1	\$122.1
Expenditures	\$90.0	\$119.1	\$129.8
Estimated use of Fund Balance	(\$0.2)	\$3.0	(\$7.7)

Fund Balance in General Fund (\$ in millions)

Classification	Actual 2022-23	Actual 2023-24	Adopted Budget 2024-25	1st Quarter Projection 2024-25	Mid-Year Year End Projection 2024-25
Non Spendable	\$ 0.9	\$ 3.4	\$ 0.4	\$ 4.7	\$ 3.4
Restricted	20.7	23.3	20.7	20.7	20.7
Committed	34.1	108.6	99.0	31.1	98.6
Assigned	9.7	4.7	7.0	7.0	4.7
Unassigned	73.1	26.0	23.6	106.2	25.3
TOTAL FUND BALANCE	\$ 138.6	\$ 166.1	\$ 150.8	\$ 169.8	\$ 152.8

Includes unrealized revenues from The Rise approximately, \$10.7 million

Proposed Mid-Year Budget Adjustments



Proposed Mid-Year Budget Adjustments

Fund	Department	Revenue	Expenditure	Change in Fund Balance	Proposal
GENERAL FUND					
100 General Fund	Innovation & Technology	-	(31,564)	31,564	I&T - Admin - PT Admin Assistant
100 General Fund	Administrative Services	-	25,000	(25,000)	Exec recruitment - Assistant City Manager & City Attorney
100 General Fund	Parks & Recreation	13,619	11,188	2,431	Hidden Treasures Proceeds
100 General Fund	Non-Departmental	-	4,101,564	(4,101,564)	Transfer out to meet minimum capital reserve levels per policy, resume annual \$2 million transfer to capital reserve and IT salary savings to Internal Service Funds
100 General Fund	Innovation & Technology	-	(3,481)	3,481	Partial Defund of Redesign of City Website
TOTAL GENERAL FUND		13,619	4,102,707	(4,092,569)	

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CAPITAL FUNDS					
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FUND		4,070,000	-	4,070,000	
INTERNAL SERVICE FUNDS					
610 Innovation & Technology	Innovation & Technology	31,564	31,564	-	I&T - Admin - PT Admin Assistant fund by GF Transfer
610 Innovation & Technology	Innovation & Technology	-	(6,079)	6,079	Partial Defund of City Facilities Video Capture
630 Vehicle/Equip Replacement	Public Works	-	33,700	(33,700)	Mower Replacement
TOTAL INTERNAL SERVICE FUND		31,564	59,185	(27,621)	
TOTAL ALL FUNDS		\$4,115,183	\$ 4,161,892	\$ (50,190)	

Staffing

- No changes recommended

City Manager Discretionary Fund

- As of December 31, 2024, no funds have been spent.
- Staff will continue to report on the use of this fund.

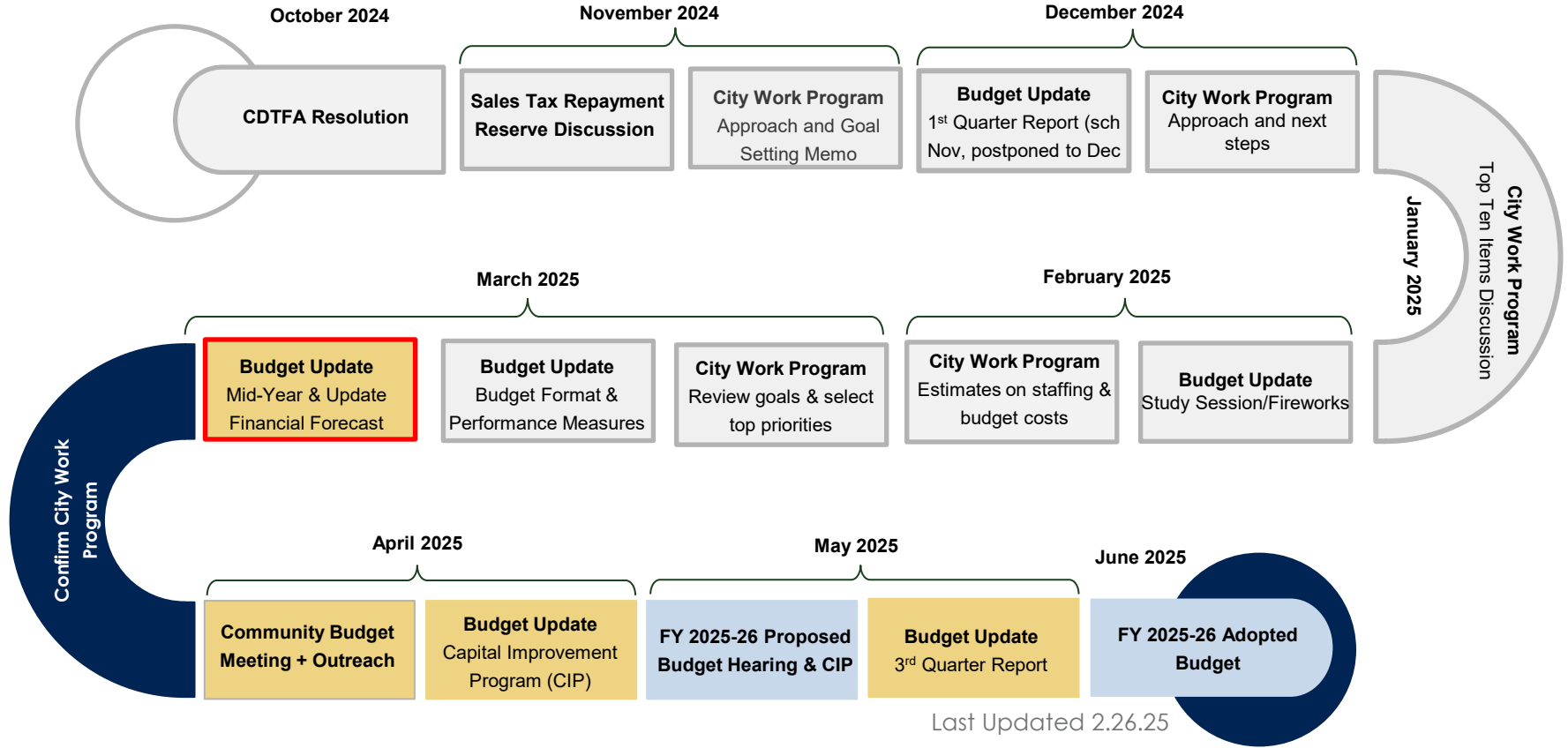
Next Steps and Recommendations



Proposed Budget Preview

- Vacancy Reporting (AB2561)
- Budget Format Changes
- Capital Improvement Program (CIP)
- Council Work Program (CWP)
- Funding Request - Tax Measures
- Other Items
 - Festival and Fee Waivers included in Proposed Budget
 - Community Funding requests in Proposed Budget

Roadmap to FY 2025-26 Budget Adoption and Balancing



Last Updated 2.26.25

Recommendations

1. Accept the City Manager's Mid-Year Financial Report for Fiscal Year 2024-25
2. Adopt Resolution No. 25-XXX approving Budget Modification No. 2425-383, increasing appropriations by \$4,161,892 and revenues by \$4,115,183.

Questions?



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Mid-Year Financial Report

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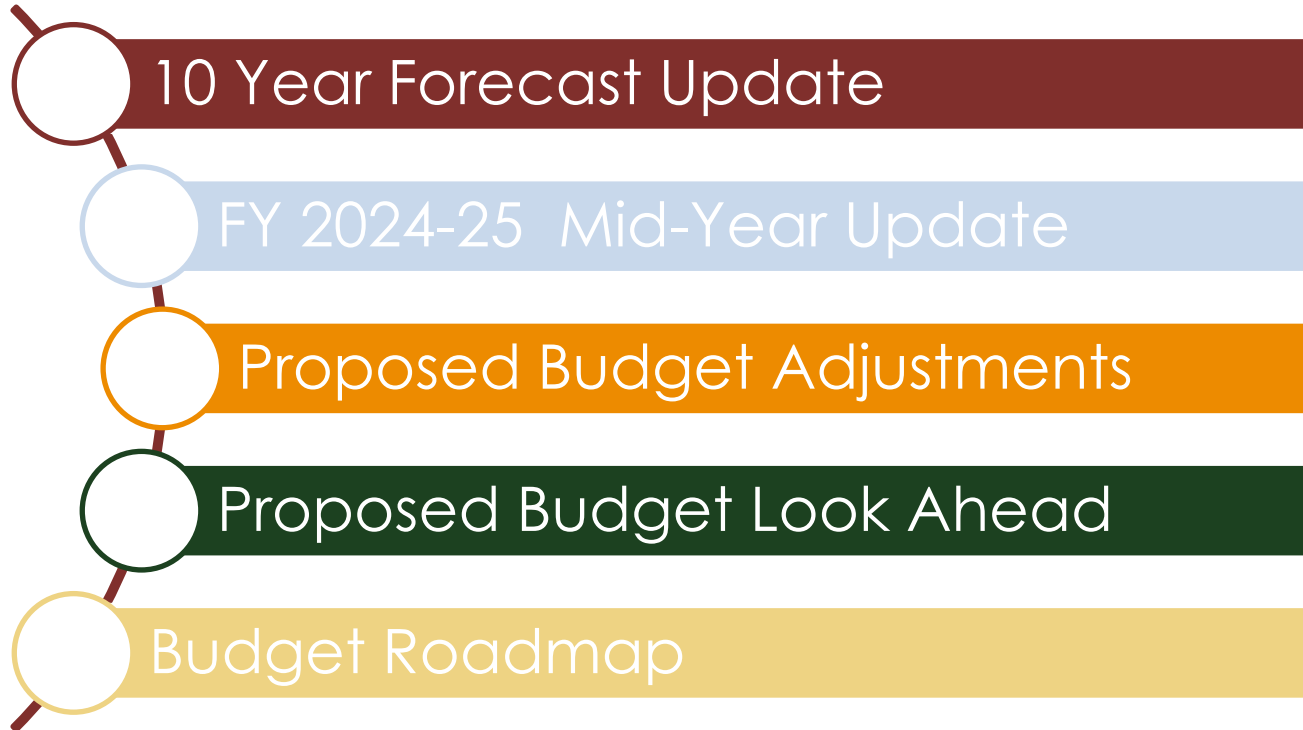
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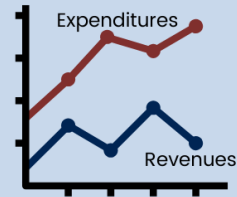
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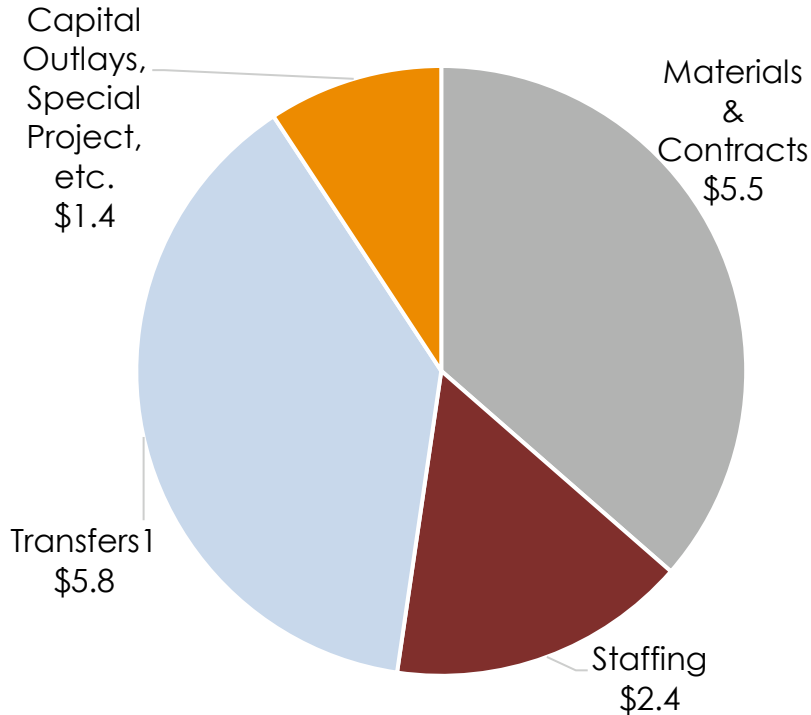
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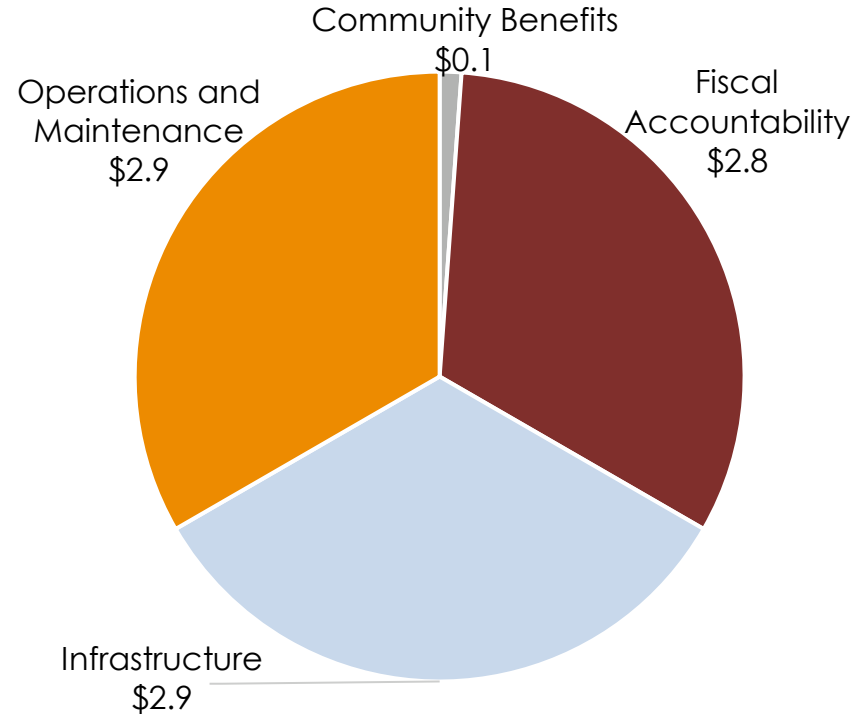


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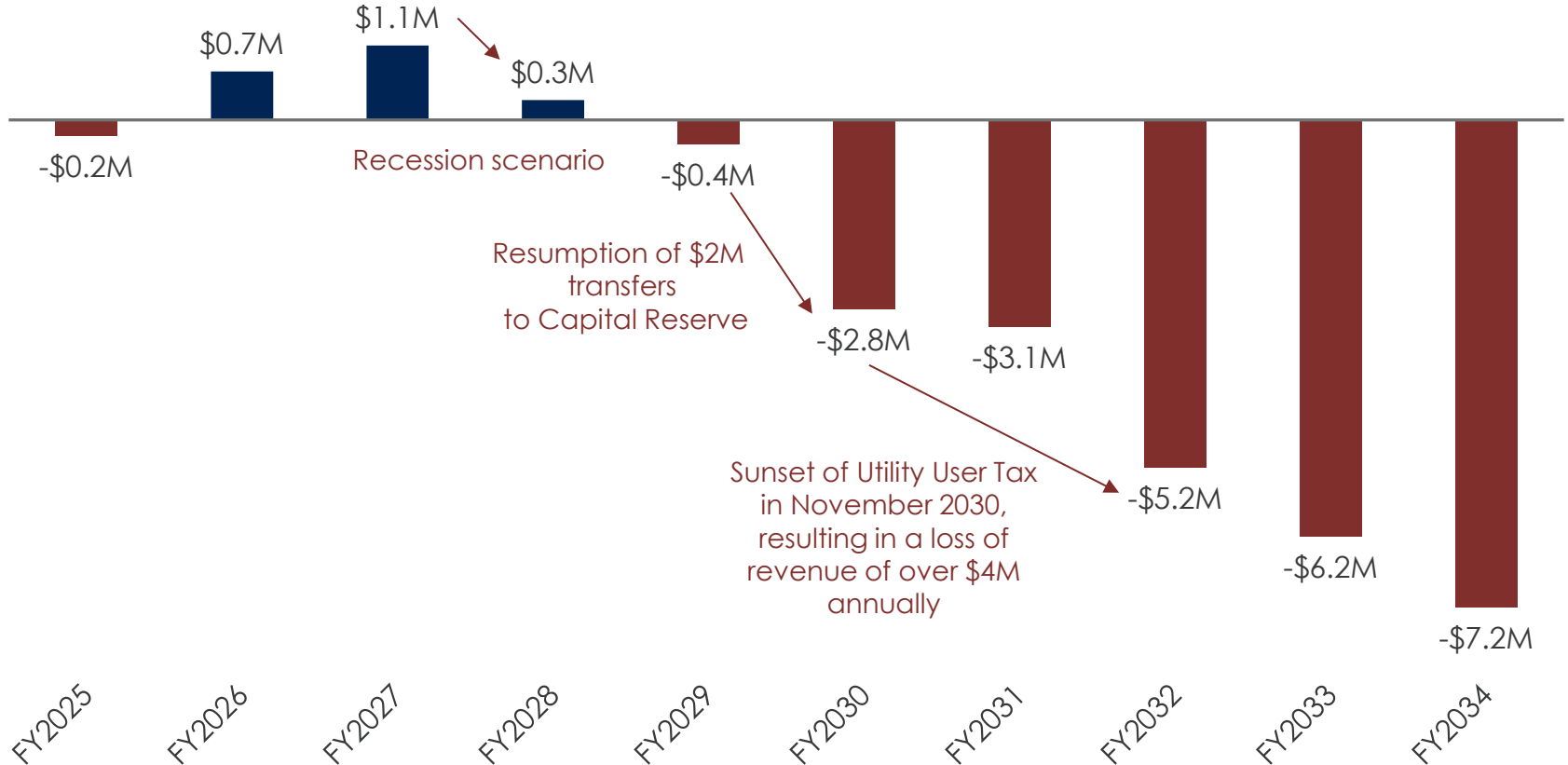
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CUPERTINO

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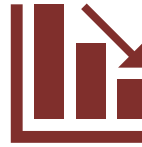
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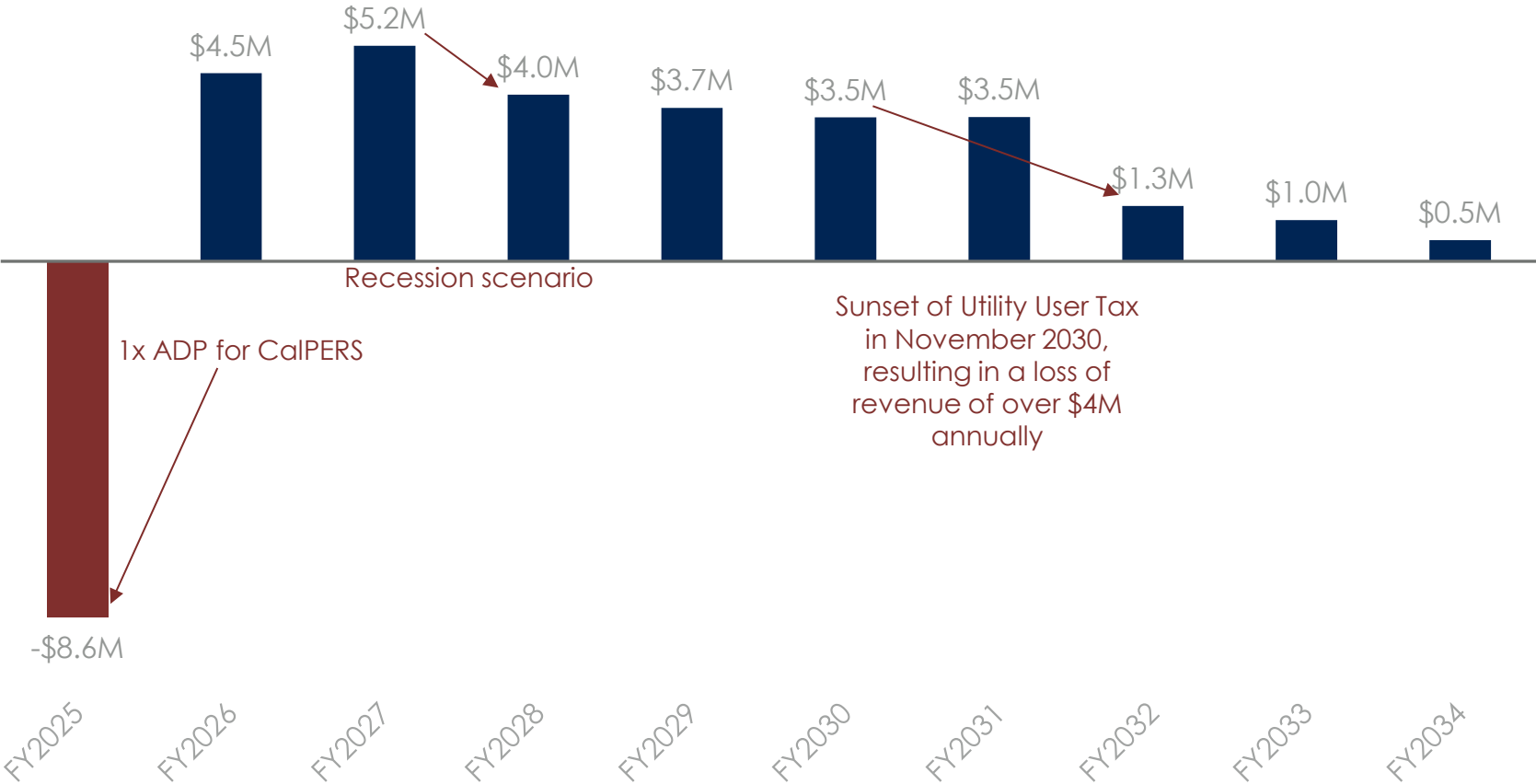


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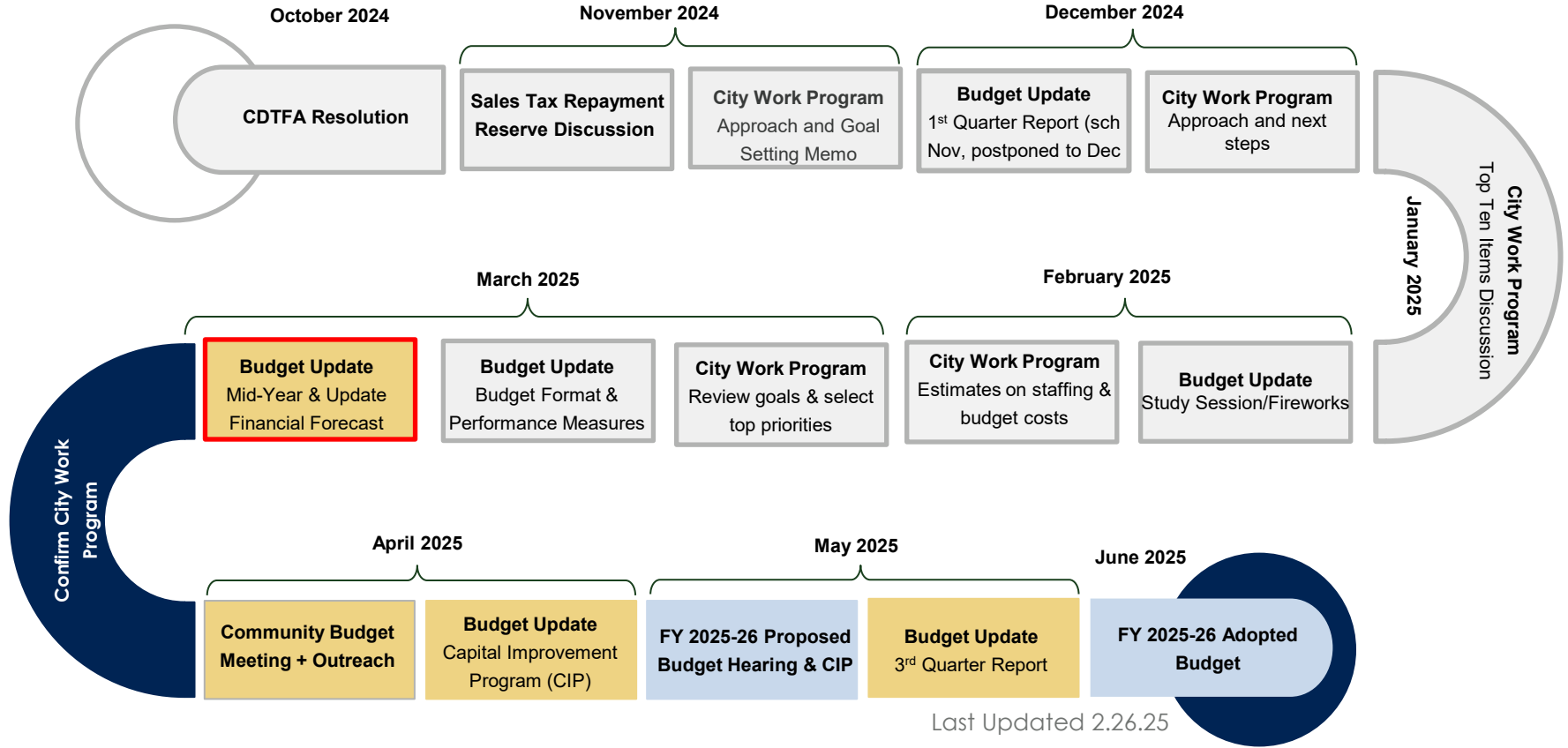
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Questions?



CC 03-04-2025

Item No. 9

Amendments to City
Council Procedures
Manual

Presentation

City Council Procedures Manual Study Session

March 4, 2025



**CITY OF
CUPERTINO**

Background

- **Feb. 2023:** Council adopts Procedures Manual
- **Mar. 2024:** Council reviews Manual, adopts minor amendments
- **Feb. 4, 2025:** Study session to consider further amendments

Recommended Action

- Adopt Resolution No. 25-016 amending the Cupertino City Council Procedures Manual



Questions?