



ADMINISTRATIVE SERVICES DEPARTMENT

CITY HALL

10300 TORRE AVENUE • CUPERTINO, CA 95014-3255

TELEPHONE: (408) 777-3227 www.cupertino.org

FISCAL STRATEGIC PLANNING COMMITTEE STAFF REPORT

Meeting: April 2, 2019

Subject

Presentation and study session on City's updated financial forecast and capital financing options.

Recommended Action

Receive presentation from UFI (Urban Futures, Inc.) and provide direction to staff.

Background

On February 25, 2019, the Administrative Services Director retained UFI, a financial advisory and consulting firm, to assist the City in the following areas:

1. Review, update and enhance the City's baseline financial forecast and assessment of the City's forecasted financial position;
2. Evaluate fiscal strategies including potential local revenue measures;
3. Develop capital financing options, structures and estimates for identified projects; and
4. Prepare analysis of city charter costs/benefits related to fiscal activities.

As a top-ranked municipal advisory firm, UFI has over four decades of experience working with cities, special districts, schools and other public agencies throughout California to develop solutions to public finance challenges. UFI's team possess a wide-range of expertise, including the following:

- financial modeling and forecasting;
- capital project financing and planning;
- fiscal sustainability strategies and restructurings;
- pension and OPEB analytics and management; and
- public-private partnership (P3) evaluation and formation.

Discussion

Over the last month, UFI has worked with the Administrative Services Director and Finance Manager to complete the following work towards updating and enhancing the City's baseline financial forecast:

- gathering and reviewing the City's historic and current financial data at a categorical level;
- reviewing the City's current baseline financial forecast model and financial position;
- understanding the cost and expense drivers particular to Cupertino and its local/regional conditions, and developing initial appropriate forecasting variables and indices;
- developing a customized budget-level baseline forecast that updates the City's existing baseline forecast; and
- building-out and incorporating within the forecast the capacity to evaluate various options/scenarios for increased city revenues and to assess the impact to the City's forecasted financial position.

Additionally, UFI has done a preliminary analysis of the major local revenue options available to the City, including a comparison of each option with surrounding jurisdictions and an initial estimate of the revenue generating potential. Finally, UFI has also undertaken a high-level review/assessment of the capital financing conditions and constraints applicable to Cupertino.

The purpose of UFI's presentation and the study session is to report-out the initial work, to answer questions and address concerns, and to receive input and direction from the City Council to help guide the upcoming Capital Improvements Projects (CIP) workshop scheduled for April 30, 2019.

Prepared by: Zach Korach, Finance Manager
Reviewed by: Kristina Alfaro, Director of Administrative Services
Approved by: Timm Borden, Interim City Manager