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PRESS RELEASE

FOR IMMEDIATE RELEASE

April 14, 2023

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City of Cupertino Announces Fiscal Challenges and Necessary Budget-Balancing Strategies

CUPERTINO, CA – During a special City Council meeting on Thursday, April 13, the City of Cupertino announced that the City is facing financial challenges as significant revenue shortfalls are forecasted. The City is taking early action to prepare budget-balancing strategies for the Fiscal Year (FY) 2023-2024 budget and beyond.

During the meeting, City staff presented that the decline in revenue is attributed to a change in sales tax distributions. This is based on the anticipated outcome of a California Department of Tax and Fee Administration (CDTFA) audit of one of the City's taxpayers. This reduction, if upheld, will lead to a forecasted ongoing 30% reduction in total City revenue in the General Fund. There is also a potential the City will need to pay back revenues already received. Estimates for any potential payback have yet to be determined.

City staff also presented potential balancing strategies to the City Council that include recommended areas where the City can reduce costs both in the short and long term. The General Fund is the City's main operating fund supported primarily by tax revenue. The following recommendations will help balance the revenue shortfall:

- reduced spending across all categories ranging from 20% to more than 50%
- reduced full time staffing over a 10-year period through attrition
- use of both the pension trust and retiree health trust
- significant use of reserves

As a necessary part of these revenue reductions, the City will need to reduce or eliminate some services. City leadership understands this will be difficult for staff and residents but will be necessary to ensure the City's long-term success.

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“This is a fluid situation that will continue to change as we learn more,” said Mayor Hung Wei. “As we prepare for the financial challenges ahead, we know that we need everyone to work together – residents, staff, and City Council.”

Thanks to advanced planning by City Councils and staff over the years, the City has an unparalleled solid financial foundation that is expected to soften the impact of navigating this challenge, even in the face of necessary service reductions.

“We are a team of dedicated professionals who are passionate about serving our community,” said City Manager Pamela Wu. “I have no doubt that with the hard work, dedication, and innovative thinking of our staff, residents, and City Council, the organization will overcome this challenge and emerge even stronger than before.”

The proposed budget for FY 23-24 will print the first week of May and the study session to present the budget is scheduled for May 17. The City will be conducting a survey to gather input from the community, and staff will be available at various community events to engage with residents who may have questions about the City’s budget.