



## CITY MANAGER'S OFFICE

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### Re: Community Letter Regarding COVID-19 Fiscal Impacts

Dear Cupertino Community,

The City of Cupertino—along with municipalities across the country—has been negatively impacted by the global COVID-19 pandemic and ensuing economic crisis. The purpose of this community letter is to share information about the City's fiscal condition and summarize the budget impacts created by the pandemic.

On April 28, 2020, the City Council discussed the Fiscal Year (FY) 2019-20 COVID-19 impacts along with preliminary discussions of FY 2020-21 impacts and potential balancing strategies. On May 1, 2020, the City posted the proposed budget to [www.cupertino.org/budget](http://www.cupertino.org/budget), and on May 5, 2020, published the proposed budget to the City's transparency portal at [www.cupertino.org/opengov](http://www.cupertino.org/opengov).

On May 19, 2020, the City Council will discuss the FY 2020-21 budget in more detail as part of the Proposed Budget Hearing. Current fiscal year impacts will also be discussed as part of the Third Quarter Financial Report. The City is preparing to bring the FY 20-21 Capital Improvement Program (CIP) for prioritization to the City Council on June 2, 2020. We have identified significant unfunded needs, such as substantial investments in our capital infrastructure, which supports the facilities that serve our residents, employees, and community.

The table below illustrates the estimated General Fund deficit for the current and upcoming fiscal years:

	FY 2019-20 Estimates	FY 2020-21 Proposed Budget
<b>Revenue</b>	\$92.10 million	\$79.50 million
<b>Expenditure</b>	\$102.60 million	\$82.30 million
<b>Deficit</b>	<b>\$(10.50) million</b>	<b>\$(2.80) million</b>

Cupertino is not the only local government dealing with these impacts: local governments across California and throughout the United States are forecasting similar deficits resulting from the impacts of COVID-19. Forecasting anything, be it the economy or the weather, is not an exact science. There are many variables and unknowns. But what we can do, and what we are doing, is taking fiscally conservative steps to ensure the continual financial stability of our organization.

With declining revenues for the next several years, difficult but necessary decisions must be made to bring expenditures into line. The City has already implemented several budget balancing strategies:

- Reducing recreation programming
- Hiring freeze, with limited exceptions
- Furloughing approximately 65% of temporary staffing
- Limiting travel and training
- Reducing various other expenditure categories including materials, contracts, contingencies, and special projects

While we expect these actions to be enough in the short-term, staff will continue to monitor the situation and adjust when necessary. Staff fully intends on keeping the City Council and community informed with regular updated information. Having the latest information and up-to-date data will allow for informed decision making. Such difficult but necessary actions may lead to:

- Continue to reduce recreation programming
- Fewer library hours and/or programming
- Longer planning, code enforcement, and public safety response times
- Fewer community events and grants
- Reduced or deferred capital infrastructure maintenance
- Less administrative staff to support quick public service
- Evaluation of staffing needs

In conclusion, the City—along with every other municipalities—is heading into much uncertainty. While there is a lot we do not know, the picture will become clearer as we move forward and receive more information. Fortunately, the City stands on a solid financial foundation and decisions have already been made, and will continue to be made, to ensure that stays true into the foreseeable future.

For questions about the fiscal impacts of COVID-19 on the City's budget, contact the Administrative Services Department at (408) 777-3220 or [budgetteam@cupertino.org](mailto:budgetteam@cupertino.org).

Sincerely,

Deborah L. Feng  
City Manager