



CITY HALL
10300 TORRE AVENUE
CUPERTINO, CA 95014-3255
WWW.CUPERTINO.GOV

PRESS RELEASE

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CONTACT:

communication@cupertino.gov

Independent Audit Identifies \$10.7 Million Non-Allocable, Unjustified Costs in County Sheriff Proposal

Cities Call for Revision to Comply with State Law and Establish Equitable and Verifiable Cost Allocations

Editors Note: This press release is updated to attribute the second quote to Rajiv Bhateja, Mayor of Los Altos Hills.

CUPERTINO, CA - Last Spring, the County and the cities agreed to undertake an independent audit of the County's proposed FY 2026-27 law-enforcement services contract. The City of Cupertino today released findings from that independent assessment of Santa Clara County's proposed FY 2026-27 law-enforcement services contract, which would increase the city's annual costs by approximately \$6.4 million—from roughly \$19 million to \$25.4 million and have similar cost implications to Saratoga and Los Altos Hills.

The audit, conducted by Vasquez & Company LLP, identifies significant concerns about the County's cost allocation methodology and recommends removal of approximately \$10.7 million in overhead costs that the consultants determined are not allocable under California Government Code Section 51350.

Key Audit Findings

Non-Allocable Overhead Costs: The independent review classified \$10.7 million of the \$11.9 million in proposed overhead and departmental support costs as not allocable to the cities. These costs include:

- Countywide administrative functions
- Investigative headquarters and specialized units
- Records division baseline capacity
- Personnel and training (including custody-related functions)
- Fiscal administration and IT services

Government Code Compliance: Government Code §51350 prohibits counties from charging cities for general overhead costs or costs that would be incurred regardless of whether the city contract exists. The audit concludes that the County has failed to demonstrate that the majority of proposed overhead costs meet this standard.

Methodology Concerns: The County changed its allocation methodology without sufficient justification, shifting from transparent hourly billing rates to an opaque annual cost-per-position model. The new approach relies heavily on RMS case counts, which do not account for case complexity, staff time required, or actual resource consumption.

Lack of Transparency: The County has not provided documentation reconciling proposed costs to actual services delivered or demonstrating that support functions are directly tied to cities' contracts.

Cities Responses:

"We have a fiduciary responsibility to our residents and taxpayers to ensure compliance with the law. We also recognize and appreciate the Sheriff's deputies who serve Cupertino and provide our community with excellent public services every day, for decades, and want to continue this excellent service model with a legally compliant contract. We have released the study and provided it to the County and County Supervisors. A closed session is scheduled in Cupertino to discuss the legal matters identified," said Kitty Moore, Mayor of Cupertino.

"Our residents greatly appreciate the dedicated service and professionalism of the men and women from the Sheriff's Department who help keep our town safe. At the same time, this audit raises legitimate questions about excessive overhead that is not attributable to these services and that are already paid for by fees and taxes on our residents. We sincerely hope to work with our County partners to resolve these issues soon," said Rajiv Bhateja, Mayor of Los Altos Hills.

The Cities engaged Vasquez and Company primarily to assess legal compliance after an unexplained cost increase substantially exceeded growth in comparable California jurisdictions. The three-city ad hoc committee coordinated the independent review's methodology with the County.

The audit notes: "The County's own budget documents suggest that many of these overhead functions would continue even if the city contracts were discontinued, this is the very definition of general County overhead that should not be charged to contract cities."

Path Forward

The City of Cupertino and Town of Los Altos Hills are prepared to:

1. **Engage in good-faith negotiations** with Santa Clara County to develop a revised cost proposal that ensures full cost recovery and complies with Government Code §51350

2. **Request formal reconciliation** of proposed costs to actual services, staffing, and resource consumption
3. **Propose a staffing-based allocation methodology** for shared costs, consistent with practices used by other California counties
4. **Seek adjustment** that removes non-allocable overhead.

The two cities remain committed to the long-standing partnership with the Sheriff's office and established labor costs for sheriff personnel and reasonable overhead costs on those services. However, they will not accept charges for general County overhead unrelated to services provided to Cupertino and Los Altos Hills residents and that are already paid for by taxpayers.

About the Audit

Vasquez & Company LLP conducted this review in accordance with American Institute of Certified Public Accountants standards. The consultants reviewed contract documents, cost allocation worksheets, staffing schedules, personnel records, comparative agreements with other California counties, and the County's budget analysis. The full report is available at [Law Enforcement Contract Negotiations](#).

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