

THE ANNUAL BUDGET PROCESS

The City's annual budget is prepared on a July 1 to June 30 fiscal year basis. The budget process is an ongoing process that includes the phases of development, proposal, adoption, monitoring and budget amendments.

The budget development phase begins in December with the preparation of budget instructions and work program development by the City Council and City Manager. During March, departments prepare the budgets for which they are responsible. These proposed department budgets are reviewed by the Finance Division using current and prior year trends data. The City Manager then reviews the proposals with the Director of Administrative Services and departmental staff and makes final decisions which form the basis of the City Managers Proposed Budget. The proposed budget is then submitted to the City Council in May.

During the months of May and June, the City Council considers the budget proposals at a study session and public hearing. At these times, the Council hears from Boards, Commissions, community groups, and the public regarding budget requests and recommendations. The final budget is adopted by resolution in June and takes effect on July 1.

Budget Amendment Process

After the budget is adopted, the City enters the budget monitoring phase. Throughout the year, expenditures are monitored by the Finance Division staff and department managers to ensure that funds are used in an approved manner. Adjustments to expenditures within or between departmental budgets are accomplished on an as-needed basis administratively throughout the year. The City Manager and Department Heads can transfer funds between their line items and/or divisions as needed.

City Council approval is required for additional appropriations from fund balances or for new revenue sources.

STRUCTURE OF CITY FINANCES

COST ACCOUNTING

The City of Cupertino has six internal service funds that account for information technology, city channel and website, equipment replacement, workers compensation, long-term disability and compensated absence, and retiree health costs experienced by City departments. Fund costs are allocated to user departments or operating funds based on salaries, equipment and software purchase price, actuarial studies and actual and projected service level. Please view the Cost Allocation Plan and Changes to the Internal Service Fund section of this document for details.

Other employee fringe benefits such as medical, dental, life insurance, and pensions are directly added to department costs as a percentage of salaries. Staff salary and benefit costs are split among departments and related funds based on the anticipated percentage of time spent working in various departments.

OVERHEAD COST ALLOCATION

All overhead costs are allocated to the appropriate program within the limits of local, State and federal laws. The City will utilize a two-step method (double step down method) where costs are first allocated among the central service department support programs to arrive at the total costs of central service programs. Beginning in FY14 overhead/indirect costs associated with service department in the General Fund will be allocated based on Cost Allocation Plan (CAP).

These total costs are then allocated to the departments and funds that are benefiting from these expenses. The corresponding revenue is collected by the General Fund for indirect/overhead costs associated with Cost Allocation Plan (CAP) and Internal Service Funds and allocated directly to the department providing the service.

BASIS OF BUDGETING

Basis of Budgeting refers to the method used to recognize revenues and expenditures in the budget. For the City of Cupertino, the basis of budgeting is the same basis used for accounting. The modified accrual basis is followed in the Governmental Funds, including the General, Capital, Debt Service, and Special Revenue funds. Under this basis, revenues are recognized when they become "susceptible to accrual", which means they are both measurable and available. Measurable means the transaction can be determined.

The budget is split into nine divisions: City Council and Commissions, Administration, Law Enforcement, Public Affairs, Administrative Services, Parks and Recreation, Planning and Community Development, Public Works and Non Departmental (includes budget that are not attributable to any specific division). These divisions are further split into department then programs. The programs within the divisions are balanced at the department level within a given fund.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

The Comprehensive Annual Financial Report (CAFR) is prepared by Maze and Associates according to “Generally Accepted Accounting Principles” (GAAP).

CITIZEN PARTICPATION

Every two years the City of Cupertino has a Community Survey completed by Godbe Research to measure resident’s satisfaction with living in the City, City Services and to identify issues facing the City. In addition, the budget study session and budget hearings are public meetings where citizen are given the opportunity to comment on the budget. The public can also provide feedback to two Council sub-committees, the Fiscal Strategic Planning and Audit Committees.

FUND STRUCTURE

For accounting purposes, a state or local government is not treated as a single, integral entity. Rather, a government is viewed as a collection of smaller separate businesses known as ‘funds’. Fund accounting is an accounting system emphasizing accountability rather than profitability. In this system, a fund is a self-balancing set of accounts, segregated for specific purposes in accordance with laws and regulations or special restrictions and limitations.

The City’s finances are structured in a variety of funds that are the basic accounting and reporting entities in governmental accounting. The funds that comprise the FY 2013-14 budget are grouped into two major categories, Governmental Funds and Proprietary Funds. The purpose of each of the various funds within these two categories is described below:

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City’s expendable financial resources and the related liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. Governmental funds include Tax Supported Funds, Special Revenue Funds and Federal Grant Funds. They are accounted for under the modified accrual basis of accounting.

Tax Supported Funds

Tax Supported Funds include the General and Capital Improvement Funds. The General Fund is the primary operating fund for governmental services. The Capital Improvements Fund is utilized for the acquisition or construction of major capital facilities.

| Tax Supported Funds | Purpose |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| General | The General Fund is used to pay for core services such as public safety, parks and recreation, planning and community development, public works, and a host of other vital services. The revenue used to pay for these services comes primarily from local taxes such as property tax and sales tax, franchise fees, charges for services, and a variety of other discretionary sources. |
| Capital Improvement | |
| Capital Improvement Projects | This fund pays for the acquisition and/or construction of major capital facilities. |
| Stevens Creek Corridor Park Capital Projects | This fund pays for the design and construction of the Stevens Creek Corridor Park projects. |

Special Revenue Funds

Special Revenue Funds are a fund type used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Special Revenue Funds include the Park Dedication, Transportation, Storm Drain, and Environmental Management/Clean Creeks funds.

| Special Revenue Funds | Purpose |
|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Storm Drain Improvement | This fund pays for the construction and maintenance of storm drain facilities, including drainage and sanitary sewer facilities. |
| Park Dedication | This fund pays for the activity granted by the business and professions code of the State of California in accordance with the open space and conservation element of the City's General Plan. |
| Environmental Management/Clean Creek/ Storm Drain | This fund pays for all activities related to operating the Non-Point Source pollution program. |
| Transportation | This fund pays for expenditures related to the maintenance and construction of City streets. |
| Housing & Community Development | This fund pays for the Federal Housing and Community Development Grant Program activities administered by the City. This fund also pays for activities related to the Below Market Rate Housing Program. |

Federal Grant Funds

Federal Grant Funds include the Community Development Block Grant program. The Community Development Block Grant is a federally funded program for housing assistance and public improvements.

| Federal Grant Funds | Purpose |
|-----------------------------------|----------------------------------------------------------------------------------------|
| Community Development Block Grant | This fund pays for activities related to the Community Development Block Grant (CDBG). |

PROPRIETARY FUNDS

Proprietary Funds are used to account for “business-type” activities. Proprietary Funds include Enterprise Funds and Internal Service funds. They are accounted for under the full accrual basis of accounting.

Enterprise Funds

Enterprise Funds are set up for specific services that are funded directly by fees charged for goods or services. Enterprise Funds include the Resource Recovery, Sports Center, Blackberry Farm Golf Course and Recreation funds.

| Enterprise Fund | Purpose |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Resource Recovery | This fund pays for operating costs related to the collection, disposal, and recycling of solid waste performed under a franchise agreement with Recology. |
| Blackberry Farm Golf Course | This fund pays for operating costs related to the Blackberry Farm Golf Course. |
| Sports Center | This fund pays for operating costs related to the Sports Center. |
| Recreation Programs | This fund pays for operating costs related to the City’s community centers and park facilities. |

Internal Service Funds

Internal Service Funds are used for areas where goods or services are provided to other departments or governments on a cost-reimbursement basis. Internal Service Funds include the Information Technology, City Channel and Website, Equipment, Workers Compensation, Long-Term Disability/Compensated Absence, and Retiree Medical funds.

| Internal Service Funds | Purpose |
|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Information Technology | This fund pays for all technology related expenses for the citywide management of information services. This fund pays for the replacement of existing hardware and software and the funding of new hardware and software needs city-wide. Equipment is depreciated based on the acquisition or historical costs for the useful life of the asset using the straight line method. |
| City Channel and Website | This fund pays for all operating and equipment costs related to City Channel and the City Website. |
| Workers’ Compensation | This fund pays for claims and insurance premiums related to workers’ compensation. |

| Internal Service Funds | Purpose |
|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Equipment Maintenance and Fixed Asset Acquisition | This fund pays for the purchase and maintenance of fleet and general equipment having a value greater than \$5,000 and expected life of more than one year. Assets are depreciated based on the acquisition or historical costs for the useful life of the asset and using the straight line method. |
| Compensated Absences & Long Term Disability | This fund pays for liabilities associated with employees retiring or leaving service and claims and premiums associated with long term disability. |
| Retiree Medical | This fund pays for Retiree Medical costs. |

FISCAL POLICIES –Revenue Policies

PURPOSE

To establish revenue policies that assist the City in striving for and maintaining a diversified and stable revenue system to prevent undue or unbalanced reliance on any one source of funds. This revenue diversity will shelter the City from short-run fluctuations in any one revenue source.

SCOPE

All revenue sources across all funds.

POLICY

To the extent possible, maximize investment yield while maintaining a high level of liquidity for the City's anticipated capital costs.

Identify and recommend sources of revenue necessary to maintain the services desired by the community and to maintain the City's quality of life.

Perform ongoing evaluations of existing sources of revenue to maximize the City's revenue base.

Recover costs of special services through user fees.

Pursue full cost recovery and reduce the General Fund fee subsidy to the degree feasible.

Allocate all internal service and Cost Allocation Plan charges to appropriate user departments and

Ensure that Enterprise activities remain self-supporting in the long term.

FISCAL POLICIES – Expenditure Policies

PURPOSE

To establish expenditure control policies through the appropriate internal controls and procedures. Management must ensure expenditures comply with the legally adopted or amended budget.

SCOPE

All expenditure categories across all funds.

POLICY

Each Department or Division Manager will be responsible for the administration of their department/division budget. This includes accomplishing the goals and objectives incorporated into the budget and monitoring each department/division budget for compliance with spending limits.

Accurately charge expenditures to the appropriate chart of accounts;

Maintain operating activities at levels which are offset by revenues;

The City will make every effort to control expenditures to ensure City services and programs provided to its citizens and tax payers are cost effective and efficient;

Evaluate expenditures at the department and project levels to ensure control;

Before the City purchases any major asset or undertakes any operating or capital arrangements that create fixed assets or ongoing operational expenses, the implications of such purchases or arrangements will be fully determined for current and future years;

All compensation planning and collective bargaining will include analysis of total cost of compensation which includes analysis of salary increases, health benefits, pension contributions, fringe benefits and other personnel costs. The City will only propose operating personnel costs which can be sustained by on-going operating revenues;

Reduce costs and improve productivity through the use of efficiency and effective measures and

Structure debt financing to provide the necessary capital while minimizing future debt service costs.

FISCAL POLCIES – Capital Improvement Policy

PURPOSE

To establish a Capital Improvement Policy to assist in future planning.

SCOPE

All anticipated Capital Improvement Projects for the current fiscal year plus four additional fiscal years.

POLICY

The City will prepare and update a five year Capital Improvement Plan (CIP) encompassing all City facilities

Projects included in the CIP will have complete information on the need for the project (project justification), description and scope of work, total cost estimates, future cost estimates, future operating and maintenance costs and how the project will be funded.

An objective process for evaluating CIP projects with respect to the overall needs of the City will be established through a priority ranking of CIP projects. The ranking of projects will be used to allocate resources to ensure priority projects are completed effectively and efficiently.

Changes to the CIP such as addition of new projects, changes in scope and costs of a project or reprioritization of projects will require City Manager and City Council approval.

The City will maintain its physical assets at a level adequate to protect the City's capital investment and to minimize future operating maintenance and replacement costs. The City recognizes that deferred maintenance increases future capital costs, thus placing a burden on future residents. Therefore, the budget will provide for adequate maintenance and the orderly replacement of capital plant and equipment from current revenues when possible.

The City will determine the least costly funding method for its capital projects and will obtain grants, contributions and low cost state or federal loans whenever possible.

The City will utilize "pay-as-you-go" funding for capital improvement expenditures considered recurring, operating or maintenance in nature. The City may also utilize "pay-as-you-go" funding for capital improvements when current revenues and adequate fund balances are available or when issuing debt would adversely affect the City's credit rating.

The City will consider the use of debt financing for capital projects under the following circumstances:

- When the project's useful life will exceed the terms of the financing
- When resources are deemed sufficient and reliable to service the long-term debt
- When market conditions present favorable interest rates for City financing
- When the issuance of debt will not adversely affect the City's credit rating and debt coverage ratios.

FISCAL POLICIES – Pension and Retirement Funding Policy

PURPOSE

To establish a policy for the funding of Retirement and Retiree health.

SCOPE

Retirement and Retiree Health costs citywide, across all funds.

POLICY

Fund all current pension liabilities shall be funded on an annual basis.

Monitor certain health and dental care benefits for retired employees. Funding the liability for future retiree benefits will be determined by City Council action.

FISCAL POLCIES –Long Term Financial Stability Policies

PURPOSE

To establish a policy for Long Term Financial Stability

SCOPE

All programs across all funds

POLICY

Ensure ongoing productivity through employee training and retention programs.

Pursue consolidation of resources and activities with other agencies and jurisdictions where beneficial.

Ensure financial planning flexibility by maintaining adequate fund balances and reserves.

Provide for major maintenance and repair of City buildings and facilities on a timely basis.

Provide for infrastructure asset preservation that maximizes the performance of these assets at minimum life-cycle costs.

Continually evaluate and implement long-term financial planning including technology automation, multiple year capital improvement programs, revenue and expenditure forecasting, automating and streamlining service delivery, stabilizing and repositioning revenue sources, and decreasing expenditures and risk exposure.

FISCAL POLICIES – Assigned and Unassigned Fund Balance and Use of One Time Funds Policy

PURPOSE

To establish assigned and unassigned fund balance and one time use policies.

SCOPE

The General Fund and Capital Funds.

POLICY

To maintain sufficient assigned and unassigned fund balance (general fund only) in each fund for the ability to meet following economic uncertainties:

Economic Uncertainty I –\$19,000,000 and represents two months of General Fund (GF) operating expenditures excluding transfers out plus a two year drop in total general fund revenue of 13% or approximately 1.5 months, excluding the use of reserves. Transfers out are primarily used to fund Capital Projects and do not represent on going expenditures. This assignment will change from year to year based on budgeted general fund expenditures and revenues.

- Mitigate short-term economic downturns and volatility in revenues (2 years or less)
- Sustain city services in the event of an emergency
- Meet requirements for debt reserves
- Meet operating cash flow requirements as a result of delay in the receipt of taxes, grant proceeds and other operating revenues

Economic Fluctuations – \$1,400,000 and represents the most recent transfer of local funds to the State. This reserve may change from year to year based on the Consumer Price Index (CPI).

- For shifts of City funds to the state to address State budget deficits.

PERS– \$100,000 and represents the highest retirement rate increase based on the most recent five years of rate increases. This assignment may change from year to year based on retirement rates and citywide budgeted retirement costs.

- For pension cost increases

Unassigned – \$500,000 and represents 1% of the total general fund operating budget. This assignment may change from year to year based on budgeted general fund expenditures.

- Absorb unanticipated operating needs that arise during the fiscal year that were not anticipated during the budget process
- Absorb unexpected claims or litigation settlements

Capital Improvement – \$5,000,000 and represents average dollars spent for capital projects in the last three fiscal years. This assignment may change from year to year based on actuals dollars spent on capital projects and anticipated future capital project needs.

- Meet future capital project needs so as to minimize future debt obligations

The City shall not use fund balances/reserves in lieu of revenues to pay for ongoing expenses except as specifically provided in the City’s reserve policy.

The chart below summarizes reserve policy levels as described above:

| Funding Priority | Reserve | Reserve Level | Escalator ¹ | Description |
|------------------------------|-----------------------|---------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| GENERAL FUND | | | | |
| 1 | Economic Uncertainty | \$19,000,000 | GF Budgeted Operating Expenditures ² GF Budget Revenue ³ | For economic downturns and major revenue changes. |
| 2 | Economic Fluctuations | \$1,400,000 | CPI | For shifts of City funds to the state to address state budget deficits. |
| 3 | PERS | \$100,000 | Budgeted Citywide retirement costs | For pension cost increases. |
| 4 | Unassigned | \$500,000 | Budgeted GF Operating Expenditures ⁴ | For mid-year budget adjustments and redeployment into the five year budget. |
| CAPITAL PROJECT FUNDS | | | | |
| 5 | Capital Improvement | \$5,000,000 | None | Reserves set aside for future capital projects. |

¹ Rounded to the nearest hundred thousand

² Excludes Transfers Out

³ Excludes the use of reserves

⁴ Excludes Transfers Out

Changes to Assigned Fund Balance – All reserves listed in this policy are classified as Assigned Fund Balance under Government Accounting Standards Board (GASB) Statement 54. Assigned fund balance is comprised of amounts intended to be used by the government for specific purposes that are neither committed nor restricted. Intent can be expressed by the governing body or by an official body to which the governing body delegates the authority. Changes to assigned fund balances must be approved by City Council. This policy will be reviewed annually as part of the budget process.

Replenishment process – Should the City need to utilize any of the assigned fund balances listed in this policy, with the exception of the annual Infrastructure assignment, a plan to replenish the assignment will be developed in conjunction with its use.

Excess – Funding of these reserves will come generally from one-time revenues, annual net income, and transfers from other reserves that exceed policy levels. They will be funded in the following priority order with any remaining funds to be placed in the Capital Reserve:

- 1) Economic Uncertainty
- 2) Economic Fluctuations
- 3) PERS
- 4) Unassigned

FISCAL POLICIES – Investment Policy

The City Council annually updates and adopts a City Investment Policy that is in compliance with State statutes on allowable investments. By policy, the Audit Committee reviews the policy and acts as an oversight committee on investments. The policy directs that an external auditor perform agreed-upon procedures to review City compliance with the policy. The full policy is available on the City website as part of the May 6, 2014 City Council agenda packet.

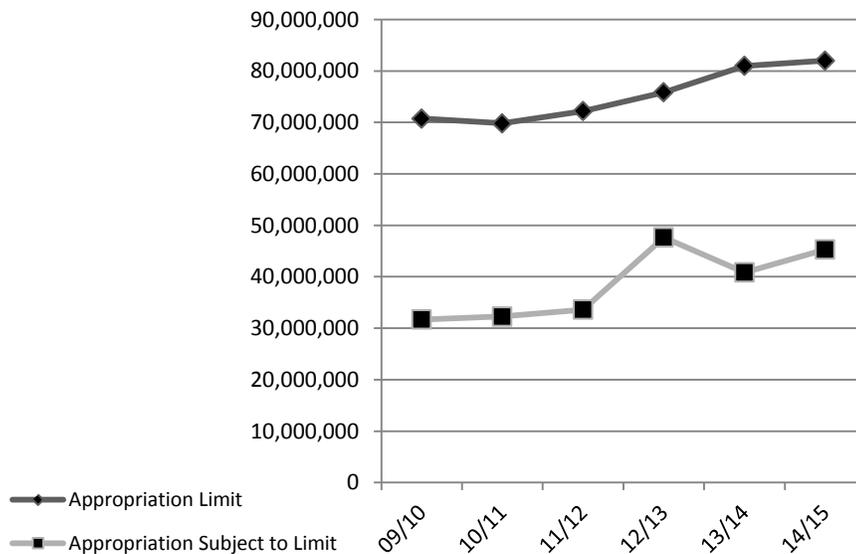
DEBT LIMIT

GANN APPROPRIATIONS LIMIT

Fiscal Year 2014-15

Article XIII B of the California State Constitution as enacted by Proposition 4, the Gann initiative of 1979, mandates a limit on the amount of proceeds of taxes that state and local governments can receive and appropriate (authorize to spend) each year. The purpose of this law is to limit government spending by putting a cap on the total proceeds of taxes that may be appropriated each year. The original Article XIII B was further modified by Proposition 111 and SB 88 approved by California voters in June of 1990. Proposition 111 allows cities more flexibility in choosing certain inflation and population factors to calculate the limit. As of the time of the printing of this document the FY 2015 debt had not been updated by the State of California Department of Finance. As part of the Final Budget the GANN appropriations limit will be updated.

Appropriations Subject to Limit



The limit is different for each agency and the limit changes each year. Each year's limit is based on the amount of tax proceeds that were authorized to be spent in fiscal year 1978-79 in each agency, modified for changes in inflation and population in each subsequent year. Proposition 111 has modified those factors to allow cities to choose either the growth in California Per Capita Income or the growth in non-residential assessed valuation due to new construction in the city. Alternatively, the city could select a population growth factor represented by the

population growth in Santa Clara County. Each year the city establishes its appropriations limit for the following fiscal year.

The City's appropriations limit for FY 2014-15 of \$82,005,631 is \$1,025,652 or 1.27% higher than the fiscal year 2013/14 limit of \$80,979,979. For FY 2014-15, the City's estimated appropriations of proceeds from taxes, less statutory exclusions, are \$45,307,000. This is 55.25% of the legal limit. If a city exceeds the legal limit, excess tax revenue must be returned to the State or citizens through a process of refunds, rebates, or other means that may be determined at that time. The appropriations limit is not expected to present a restraint on current or future budget deliberations.

Information Technology Replacement and Capitalization Policy

Purpose

The purpose of this policy is to establish guidelines for replacing and capitalizing technology equipment and systems. Replacement is indicated when a product has run its useful life and updating/upgrading is no longer an option. Capitalization of equipment requires the set aside of funding for future replacement.

Generally, technology equipment with a life expectancy of at least 5 years and a total cost of over \$5,000 shall be capitalized. Software with an expected life of at least 7 years or a cost of over \$10,000 shall also be capitalized.

Technology upgrades are determined by the Information Technology Division (IT) and user departments based on functionality, vendor support, and industry standards.

Scope

This policy covers the City of Cupertino: network infrastructure (routers, switches, firewalls, security appliances); server infrastructure (files servers, database servers, mail servers, web servers, etc); user laptops and workstations; mission-critical systems, telephone system (telephone equipment not already listed previously); desktop software; enterprise software; workgroup software; and broadcast video and audiovisual equipment.

Cell phones, printers, and tablet devices are not covered by this policy as these items do not meet the minimum criteria for capitalization. Replacement of these items are at the discretion of the department.

Policy

All technology shall be replaced according to the following:

Network infrastructure (routers, switches, firewalls) shall be replaced when no longer functional, as determined by the Information Technology Division (IT), or when parts or support are no longer available from the manufacturer. Replacement needs will be determined by IT annually as part of the operating budget process. Network infrastructure with a life expectancy of at least 5 years and a total cost of over \$5,000 shall be capitalized.

Server infrastructure shall be replaced when it is no longer functional (defined as not being able to meet its intended purpose), or when parts or support are no longer available from the manufacturer. These needs are evaluated annually by IT and user departments as part of the operating budget process. Servers are evaluated as they approach 3 years in service, and placed

on the schedule accordingly. Server lifetime may be extended by the purchase of additional memory or disk. Server infrastructure with a life expectancy of at least 5 years and a total cost of over \$5,000 shall be capitalized.

User workstations shall be replaced, on average, after 4 years as is industry standard. Zero Client work stations shall be replaced, on average, every 8 years. IT will determine the need for specific replacements. User workstations shall not be capitalized as they do not meet the minimum criteria for capitalization.

Interoperable systems are defined as a group of interdependent and/or interoperable components that together form a single functional unit. These components may be interconnected by their structural relationships, their common functional behavior, or by both. Generally, for a system to be eligible for capitalization, the cumulative value of its components should be at least \$5,000 and have a life expectancy of five years or more.

Telephone system components (desktop and user equipment) is either repaired or replaced when determined no longer functional; telephone servers may be leased over 5 years and replaced at those times; the replacement period may exceed 5 years if the products are supported by vendors and parts are readily available. Telephone system components shall not be capitalized as they do not meet the minimum criteria for capitalization. Telephone system software is maintained under agreement with vendors and kept within 2 major versions to ensure functionality and vendor support.

Enterprise Software replacement shall be determined individually by IT and the end users. Only those large enterprise systems with an expected life of at least 7 years or a cost of over \$10,000 shall be capitalized.

Desktop Software is replaced/updated according to Microsoft's releases of Windows and Office. Software shall not be more than one version out of date to ensure functionality and vendor support. IT will generally wait at least 90 days after a new release to roll out new versions. Only software with an expected life of at least 7 years or a cost of over \$10,000 shall be capitalized. Desktop software generally does not meet this criterion.

Broadcast Video and Audiovisual Equipment/Systems shall be repaired or replaced when determined no longer functional. Replaced will occur on average after 10 years. Broadcast video and audiovisual equipment/systems with a life expectancy of at least 5 years and a total cost of over \$5,000 shall be capitalized. Equipment that does not meet these criteria may still be capitalized if the item is a component of interoperable systems.

COMMUNITY FUNDING POLICY

Purpose

The City of Cupertino currently provides funding to local non-profit organizations in the areas of social services, fine arts and other programs for the general public. This policy establishes a standard application process whereby funding decisions of non-profit requests can be addressed on a fair and consistent basis by establishing a set of criteria for evaluating requests, ensuring that all entities follow a formal application process and pre-approving a dollar limit for those requests.

Scope

All requests for funding must comply with this policy.

Policy

The applicant should identify the services provided, purpose for the funds, how the expenditure aligns to City priorities and how the funds will be used to benefit the Cupertino community.

A recurring organization should state how prior year funds, if any, were used.

The applicant should include information about the organization, its budget and its purpose.

Non-profit organizations which serve multi-jurisdictions should state what they have requested from other cities/organizations they service in regards to this program request.

Cupertino does not fund ongoing operational costs. Requests should be for one-time, project specific needs.

The organization must show that their staff has the experience to implement and manage the project. More than 75% of the budget must go to direct service costs versus administrative costs.

Staff should include all requests and funding recommendations for Council consideration. Staff report will reference City rules and regulations.

Non-profits will be notified of our process in advance and no proposals will be entertained after **March 1 of each year**.

City Council will make the final decision as part of the budget process

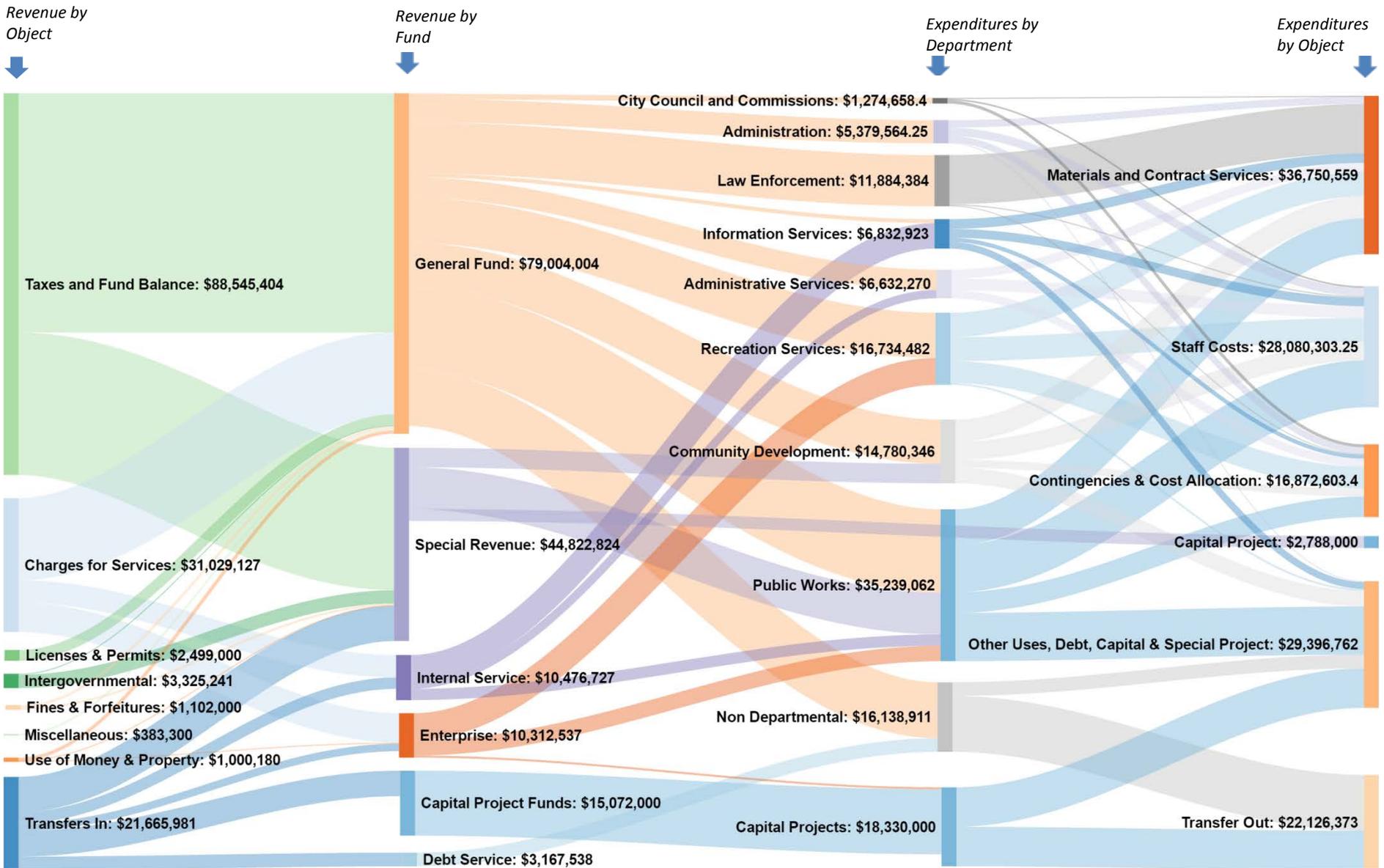
| Revenue Categories | General Fund | Special Revenue Fund | Debt Service Fund | Capital Project Funds | Enterprise Funds | Internal Service Funds | 2016-17 Final Budget Total |
|-------------------------|----------------------|----------------------|---------------------|-----------------------|---------------------|------------------------|----------------------------|
| Sales Tax | \$ 22,440,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 22,440,000 |
| Property Tax | 18,741,000 | - | - | - | - | - | 18,741,000 |
| Transient Occupancy | 6,708,000 | - | - | - | - | - | 6,708,000 |
| Utility Tax | 3,122,000 | - | - | - | - | - | 3,122,000 |
| Franchise Fees | 2,900,000 | - | - | - | - | - | 2,900,000 |
| Other Taxes | 1,600,000 | 33,034,404 | - | - | - | - | 34,634,404 |
| Licenses & Permits | 2,499,000 | - | - | - | - | - | 2,499,000 |
| Use of Money & Property | 776,980 | 10,000 | - | - | 213,200 | - | 1,000,180 |
| Intergovernmental | 230,500 | 2,843,069 | - | - | - | - | 3,073,569 |
| Charges for Services | 19,003,224 | - | - | - | 6,834,500 | \$5,191,403 | 31,029,127 |
| Fines & Forfeitures | 600,000 | 502,000 | - | - | - | - | 1,102,000 |
| Miscellaneous | \$383,300 | \$251,672 | - | - | - | - | \$634,972 |
| Transfers In | - | 8,181,679 | 3,167,538 | 5,907,000 | 1,764,091 | \$2,645,673 | 21,665,981 |
| TOTAL REVENUE | \$ 79,004,004 | \$ 44,822,824 | \$ 3,167,538 | \$ 5,907,000 | \$ 8,811,791 | \$ 7,837,076 | \$ 149,550,233 |

| Appropriation Categories | General Fund | Special Revenue Fund | Debt Service Fund | Capital Project Funds | Enterprise Funds | Internal Service Funds | 2016-17 Final Budget Total |
|---------------------------|----------------------|----------------------|---------------------|-----------------------|----------------------|------------------------|----------------------------|
| Employee Compensation | \$ 15,348,029 | \$ 926,579 | \$ - | \$ - | \$ 1,682,843 | \$ 1,456,323 | \$ 19,413,774 |
| Employee Benefits | 6,350,028 | 442,507 | - | - | 494,787 | 1,499,550 | 8,786,872 |
| Materials | 4,173,507 | 761,606 | - | - | 471,214 | 499,984 | 5,906,311 |
| Contract Services | 17,849,345 | 4,218,400 | - | - | 5,912,545 | 2,759,365 | 30,739,655 |
| Contingencies | 1,249,396 | 39,571 | - | - | 273,496 | 210,163 | 1,772,626 |
| Cost Allocation | 13,262,837 | 379,431 | - | - | 661,972 | 795,737 | 15,099,977 |
| Special Projects | 5,575,139 | 7,350,000 | - | - | 79,000 | 2,490,105 | 15,494,244 |
| Capital Outlays | 205,500 | 2,863,000 | - | 5,907,000 | 470,000 | - | 9,445,500 |
| Debt Service/Other Uses | 3,414,838 | - | 3,167,538 | - | 266,680 | 765,500 | 7,614,556 |
| Transfers Out | 9,793,835 | - | - | 9,165,000 | - | - | 18,958,835 |
| TOTAL EXPENDITURES | \$ 77,222,454 | \$ 16,981,094 | \$ 3,167,538 | \$ 15,072,000 | \$ 10,312,537 | \$ 10,476,727 | \$ 133,232,350 |

Net Increase (Decrease) in Fund Balance/Retained Earnings \$ 1,781,550 \$ 27,841,730 \$ - \$ (9,165,000) \$ (1,500,746) \$ (2,639,651) \$ 16,317,883

FISCAL YEAR 2016-17 FINAL BUDGET FLOW OF FUNDS CHART

SOURCE OF FUNDS



| Fund Type | Final Budget Expenditures | Projected Program Revenues | Final Budget Fund Balance/ Retained Earnings (Usage) / | Final General Fund Contribution |
|----------------------------------------------|---------------------------|----------------------------|--------------------------------------------------------|---------------------------------|
| General Fund | | | | |
| <i>10 City Council</i> | | | | |
| 100 City Council | 779,318 | 779,523 | - | (205) |
| 101 Community Funding | 41,153 | - | - | 41,153 |
| 110 Sister Cities | 25,441 | - | - | 25,441 |
| <i>11 Commissions</i> | | | | |
| 131 Telecommunication Commission | 31,493 | - | - | 31,493 |
| 140 Library Commission | 19,758 | - | - | 19,758 |
| 142 Fine Arts Commission | 48,261 | - | - | 48,261 |
| 150 Public Safety Commission | 17,166 | - | - | 17,166 |
| 155 Bike/Ped Safety Commission | 5,943 | - | - | 5,943 |
| 160 Recreation Commission | 60,972 | - | - | 60,972 |
| 165 Teen Commission | 62,842 | - | - | 62,842 |
| 170 Planning Commission | 132,762 | - | - | 132,762 |
| 175 Housing Commission | 38,633 | - | - | 38,633 |
| 180 Sustainability Commission | 16,666 | - | - | 16,666 |
| <i>12 City Manager</i> | | | | |
| 120 City Manager | 1,166,272 | 1,016,065 | - | 150,207 |
| 122 Sustainability Division | 762,583 | 31,452 | - | 731,131 |
| <i>13 City Clerk</i> | | | | |
| 130 City Clerk | 723,658 | 398,724 | - | 324,934 |
| 132 Duplicating/Mail Services | 73,829 | - | - | 73,829 |
| 133 Elections | 296,868 | - | - | 296,868 |
| <i>14 City Manager Discretion</i> | | | | |
| 123 City Manager Contingency | 540,000 | - | - | 540,000 |
| <i>15 City Attorney</i> | | | | |
| 141 City Attorney | 1,816,354 | 1,387,751 | - | 428,603 |
| <i>20 Law Enforcement</i> | | | | |
| 200 Law Enforcement SC Sherif | 11,206,195 | 450,000 | - | 10,756,195 |
| 201 Interoperability Project | 48,807 | - | - | 48,807 |
| 202 Code Enforcement | 629,382 | 250,000 | - | 379,382 |
| <i>30 Public Affairs</i> | | | | |
| 300 Public Affairs | 719,926 | 208,843 | - | 511,083 |
| 304 Cupertino Scene | 135,103 | - | - | 135,103 |
| <i>31 Government Channel</i> | | | | |
| 307 Public Access Support | 68,977 | - | - | 68,977 |
| <i>40 Administrative Services</i> | | | | |
| 400 Admin Services Administration | 744,393 | 721,237 | - | 23,156 |
| <i>41 Finance</i> | | | | |
| 405 Accounting | 1,474,158 | 1,167,381 | - | 306,777 |
| 406 Business Licenses | 206,973 | - | - | 206,973 |
| <i>44 Human Resources</i> | | | | |
| 412 Human Resources | 1,385,824 | 1,452,672 | - | (66,848) |
| 417 Insurance Administration | 870,307 | 488,740 | - | 381,567 |
| <i>60 Recreation & Community Service</i> | | | | |
| 601 Parks and Recr Admin | 1,058,343 | 104,741 | - | 953,602 |
| 634 Park Planning and Restoration | 250,289 | - | - | 250,289 |
| 636 Library Services | 1,163,464 | - | - | 1,163,464 |
| <i>61 Business and Community Services</i> | | | | |
| 602 Administration | 785,335 | - | - | 785,335 |

| Fund Type | Final Budget Expenditures | Projected Program Revenues | Final Budget Fund Balance/ Retained Earnings (Usage) / | Final General Fund Contribution |
|------------------------------------------------|---------------------------|----------------------------|--------------------------------------------------------|---------------------------------|
| 605 Cultural Events | 376,492 | - | - | 376,492 |
| 630 Facilities | 1,047,133 | 1,250,288 | - | (203,155) |
| 632 Comm Outreach & Neigh Watch | 322,196 | - | - | 322,196 |
| <i>62 Recreation and Education</i> | | | | |
| 608 Administration | 1,201,693 | 19,000 | - | 1,182,693 |
| 609 Youth Program | - | - | - | - |
| 623 Youth, Teen and Senior Adult Rec | 2,022,927 | 715,750 | - | 1,307,177 |
| 638 Senior Center Case Manager | - | - | - | - |
| <i>63 Sports, Safety & Outdoor Rec</i> | | | | |
| 612 Park Facilities | 1,883,351 | 349,000 | - | 1,534,351 |
| 615 Administration | 276,720 | - | - | 276,720 |
| 633 Disaster Preparedness | 96,630 | 10,500 | - | 86,130 |
| <i>70 Planning & Community Development</i> | | | | |
| 700 Administration | 240,545 | - | - | 240,545 |
| 701 Current Planning | 4,665,943 | 3,042,300 | - | 1,623,643 |
| 702 Mid Long Term Planning | 825,558 | - | - | 825,558 |
| 704 Annexations | 10,837 | - | - | 10,837 |
| 705 Economic Development | 123,282 | - | - | 123,282 |
| 712 Human Service Grants | 41,910 | - | - | 41,910 |
| <i>73 Building</i> | | | | |
| 713 General Building | 758,945 | 721,000 | - | 37,945 |
| 714 Construction Plan Check | 1,484,289 | 1,410,000 | - | 74,289 |
| 715 Building Code Enforcement | 1,845,840 | 1,754,000 | - | 91,840 |
| 718 Muni-Bldg Code Enforcement | 276,174 | - | - | 276,174 |
| <i>80 PW Admin</i> | | | | |
| 800 Public Works Admin | 1,531,851 | 266,238 | - | 1,265,613 |
| <i>82 Developmental Services</i> | | | | |
| 804 Plan Review | 1,012,224 | 1,210,000 | - | (197,776) |
| 806 CIP Administration | 1,175,322 | - | - | 1,175,322 |
| <i>83 Service Center</i> | | | | |
| 807 Service Center Administration | 1,660,327 | - | - | 1,660,327 |
| <i>84 Grounds and Fleet</i> | | | | |
| 808 McClellan Ranch Park | 65,540 | - | - | 65,540 |
| 809 Memorial Park | 578,633 | - | - | 578,633 |
| 812 School Site Maintenance | 769,372 | - | - | 769,372 |
| 813 Neighborhood Parks | 1,560,033 | - | - | 1,560,033 |
| 814 Sport Fields Jollyman CRK | 514,581 | - | - | 514,581 |
| 815 Civic Center Ground Maint | 526,688 | 182,985 | - | 343,703 |
| <i>85 Streets</i> | | | | |
| 818 Storm Drain Maintenance | 462,391 | - | - | 462,391 |
| 848 Street Lighting | 550,658 | - | - | 550,658 |
| 850 Environmental Materials | 127,681 | - | - | 127,681 |
| <i>86 Trees and Right of Way</i> | | | | |
| 824 Over Passes and Medians | 1,365,888 | - | - | 1,365,888 |
| 825 Street Tree Maintenance | 947,730 | - | - | 947,730 |
| 826 Weekend Work Program | 456,082 | - | - | 456,082 |
| <i>87 Facilities</i> | | | | |
| 827 Bldg Maint City Hall | 595,032 | 653,222 | - | (58,190) |
| 828 Bldg Maint Library | 622,835 | 727,159 | - | (104,324) |
| 829 Bldg Maint Service Center | 335,567 | 465,181 | - | (129,614) |

| Fund Type | Final Budget Expenditures | Projected Program Revenues | Final Budget Fund Balance/ Retained Earnings (Usage) / | Final General Fund Contribution |
|------------------------------------------------|---------------------------|----------------------------|--------------------------------------------------------|---------------------------------|
| 830 Bldg Maint Quinlan Center | 448,638 | 228,304 | - | 220,334 |
| 831 Bldg Maint Senior Center | 357,438 | 246,095 | - | 111,343 |
| 832 Bldg Maint McClellan Ranc | 134,854 | - | - | 134,854 |
| 833 Bldg Maint Monta Vista Ct | 153,197 | 151,450 | - | 1,747 |
| 834 Bldg Maint Wilson | 69,237 | - | - | 69,237 |
| 835 Bldg Maint Portal | 48,887 | - | - | 48,887 |
| 837 Bldg Maint Creekside | 67,785 | 81,781 | - | (13,996) |
| 838 Comm Hall Bldg Maint | 311,722 | 250,130 | - | 61,592 |
| 839 Teen Center Bldg Maint | 43,549 | 40,287 | - | 3,262 |
| 840 Park Bathrooms | 157,933 | - | - | 157,933 |
| 841 BBF Facilities Maintenanc | 297,782 | 345,925 | - | (48,143) |
| <i>88 Transportation</i> | | | | |
| 844 Traffic Engineering | 1,758,401 | - | - | 1,758,401 |
| 845 Traffic Signal Maintenanc | 635,310 | - | - | 635,310 |
| <i>90 Citywide - Non Departmental</i> | | | | |
| 001 Transfers Out | 12,961,373 | - | - | 12,961,373 |
| 502 EE Housing Loan | 10,000 | - | - | 10,000 |
| GENERAL FUND SUBTOTAL I | \$ 77,222,455 | \$ 22,577,724 | \$ - | \$ 54,644,731 |
| General Fund Revenue/Fund Balance | | | | |
| General Fund Revenue | - | 56,426,280 | - | (56,426,280) |
| Unassigned Fund Balance | - | - | \$ - | - |
| GENERAL FUND SUBTOTAL II | \$ - | \$ 56,426,280 | \$ - | \$ (56,426,280) |
| TOTAL GENERAL FUND | \$ 77,222,455 | \$ 79,004,004 | \$ - | \$ (1,781,549) |
| Special Revenue Fund | | | | |
| Minor Storm Drain Improvement | 75,000 | 100,000 | 25,000 | - |
| CIP - Citywide Storm Drain Improvement | 50,000 | 50,000 | - | - |
| Non Point Source | 671,613 | 630,679 | - | 54,071 |
| HCD General Administration | 63,768 | 62,918 | (850) | - |
| CDBG- Capital Grants | 284,484 | 204,484 | (80,000) | - |
| Public Service Grants | 47,188 | 47,188 | - | - |
| Below Market Rate Housing | 4,111,583 | 15,113,279 | 11,001,696 | - |
| Sidewalk, Curb and Gutter Maint | 1,001,932 | 253,554 | 51,622 | 800,000 |
| Street Pavement Maintenance | 7,275,167 | 1,800,606 | (474,561) | 5,000,000 |
| Street Signs/Markings | 662,359 | 160,840 | (501,519) | - |
| Parkland Fund | - | 17,821,125 | 17,821,125 | - |
| CIP - Storm Drain Impv Foothill & Cupertino Rd | 1,900,000 | 1,900,000 | - | - |
| CIP - Bridget Minor Rehab | 535,000 | 575,151 | 40,151 | - |
| CIP - Street Median Irrigation Replacement | 220,000 | 220,000 | - | - |
| CIP - Bicycle/Ped Facility Improvement | 83,000 | 83,000 | - | - |
| TOTAL SPECIAL REVENUE FUNDS | \$ 16,981,094 | \$ 39,022,824 | \$ 27,882,664 | \$ 5,854,071 |
| Debt Service | | | | |
| Public Facilities Corporation | 3,167,538 | - | - | 3,167,538 |
| TOTAL DEBT SERVICE | \$ 3,167,538 | \$ - | \$ - | \$ 3,167,538 |
| Capital Funds | | | | |
| CIP - McClellan Ranch Trash Enclosure | 154,000 | 154,000 | - | - |

| Fund Type | Final Budget Expenditures | Projected Program Revenues | Final Budget Fund Balance/ Retained Earnings (Usage) / | Final General Fund Contribution |
|-----------------------------------------------------|---------------------------|----------------------------|--------------------------------------------------------|---------------------------------|
| CIP - McClellan Ranch Community Garden Improvements | 30,000 | 30,000 | - | - |
| CIP - Memorial Park Parking Improvements | 150,000 | 150,000 | - | - |
| CIP - ADA Improvements | 75,000 | 75,000 | - | - |
| CIP - Tennis Court Resurfacing | 588,000 | 588,000 | - | - |
| CIP - Sport Center Exterior Upgrades | 270,000 | 270,000 | - | - |
| CIP - Sport Center Interior Upgrades | 20,000 | 20,000 | - | - |
| CIP - McClellan West Parking Lot Improvements | 400,000 | 400,000 | - | - |
| CIP - Facilities Monument Signs | 385,000 | 385,000 | - | - |
| CIP - Turf Reduction | 320,000 | 320,000 | - | - |
| CIP - Service Center Shed | 100,000 | 100,000 | - | - |
| CIP - Stocklmeir New Sewer Lateral | 50,000 | 50,000 | - | - |
| CIP - Bike Plan Implementation | 2,000,000 | 2,000,000 | - | - |
| CIP - Bikeway Enhancements and Branding Study | 60,000 | 60,000 | - | - |
| CIP - Fiber Network Extension to Service Center | 350,000 | 350,000 | - | - |
| CIP - Pedestrian Master Plan | 120,000 | 120,000 | - | - |
| CIP - Retaining Wall Repair Cardova Rd | 350,000 | 350,000 | - | - |
| CIP - Retaining Wall Repair Regnart Rd | 450,000 | 450,000 | - | - |
| CIP - New Admin Building Feasibility Study | 35,000 | 35,000 | - | - |
| Transfer Out | 9,165,000 | - | (9,165,000) | - |
| TOTAL CAPITAL FUNDS | \$ 15,072,000 | \$ 5,907,000 | \$ (9,165,000) | \$ - |
| Enterprise Funds | | | | |
| Resources Recovery | 3,197,464 | 1,924,000 | (1,273,464) | - |
| Golf Course | 686,628 | 403,000 | 43,301 | 326,929 |
| Sports Center | 2,329,238 | 2,286,200 | 87,941 | 130,979 |
| Sports Center Maintenance | 395,164 | - | 2,911 | 398,075 |
| Youth Teen Recreation | 1,960,007 | 1,396,000 | (125,899) | 438,108 |
| Outdoor Recreation | 1,274,036 | 1,038,500 | (235,536) | - |
| CIP - Sport Center Childrens Play Area | 470,000 | 470,000 | - | - |
| TOTAL ENTERPRISE FUNDS | \$ 10,312,537 | \$ 7,517,700 | \$ (1,500,746) | \$ 1,294,091 |
| Internal Service Funds | | | | |
| Information Technology | 2,691,744 | 2,691,744 | - | - |
| Information Tech Equip Acquisition | 721,500 | 193,227 | (528,273) | - |
| GIS | 647,264 | - | - | 647,264 |
| Government Channel | 1,479,086 | - | - | 1,479,086 |
| City Web Site | 369,323 | - | - | 369,323 |
| Equipment Maintenance | 1,395,195 | 1,416,325 | 21,130 | - |
| Equipment Fixed Asset Acquisition | 1,222,000 | 305,500 | (916,500) | - |
| Workers' Compensation Claims | 500,732 | 500,732 | - | - |
| Disability Claims | 83,875 | 83,875 | - | - |
| Leave Payouts | 434,673 | - | (284,673) | 150,000 |
| Retiree Medical Insurance | 931,335 | - | (931,335) | - |
| TOTAL INTERNAL SERVICE FUNDS | \$ 10,476,727 | \$ 5,191,403 | \$ (2,639,651) | \$ 2,645,673 |
| TOTAL ALL FUNDS | \$ 133,232,351 | \$ 136,642,931 | \$ 14,577,267 | \$ 11,179,824 |

| FUND | Fund Projected Fund | | | Final Budget Expenditures | Projected Fund Balance 7/1/2017 |
|------------------------------------------------------------|-----------------------|-----------------------|------------------------------|------------------------------|---------------------------------------|
| | Balance 7/1/2015 | Balance 7/1/2016 | Projected Program Revenue | | |
| 110 <u>GENERAL FUND</u> | 41,851,279 | 44,266,076 | 79,004,004 | 77,222,455 | 46,047,625 |
| <u>SPECIAL REVENUE</u> | | | | | |
| 210 Storm Drain Improvement | 4,277,056 | 398,513 | 2,050,000 | 2,025,000 | 423,513 |
| 230 Environmental Management/ Clean Creek / Storm Drain | 436,991 | 420,764 | 630,679 | 671,613 | 379,830 |
| 260 Housing & Community Development 265 | 12,884,402 | 12,590,629 | 15,427,869 | 4,507,023 | 23,511,475 |
| 270 Transportation | 10,856,105 | 1,856,105 | 8,893,151 | 9,777,458 | 971,798 |
| 280 Park Dedication | 8,809,056 | 8,809,056 | 17,821,125 | - | 26,630,181 |
| TOTAL SPECIAL REVENUE FUNDS | \$ 37,263,611 | \$ 24,075,068 | \$ 44,822,824 | \$ 16,981,094 | \$ 51,916,798 |
| <u>Debt Service</u> | | | | | |
| 365 Public Facilities Corporation | \$ 1,594,190 | \$ 1,594,136 | \$ 3,167,538 | \$ 3,167,538 | \$ 1,594,136 |
| <u>Capital Funds</u> | | | | | |
| 420 Capital Improvement Fund | 8,071,018 | - | 5,907,000 | 5,907,000 | - |
| 427 Stevens Creek Corridor Park | 290,399 | 290,399 | - | - | 290,399 |
| 429 Capital Reserve | 12,304,325 | 20,904,325 | - | 9,165,000 | 11,739,325 |
| TOTAL CAPITAL FUNDS | \$ 20,665,741 | \$ 21,194,724 | \$ 5,907,000 | \$ 15,072,000 | \$ 12,029,724 |
| <u>Enterprise Funds</u> | | | | | |
| 520 Resource Recovery | 5,733,534 | 4,575,308 | 1,924,000 | 3,197,464 | 3,301,844 |
| 560 Blackberry Farm | 545,470 | 545,470 | 729,929 | 686,628 | 588,771 |
| 570 Sports Center | 296,136 | 272,946 | 3,285,254 | 3,194,402 | 363,798 |
| 580 Recreation Programs | 2,108,918 | 2,408,943 | 2,872,608 | 3,234,043 | 2,047,508 |
| TOTAL ENTERPRISE FUNDS | \$ 8,684,058 | \$ 7,802,667 | \$ 8,811,791 | \$ 10,312,537 | \$ 6,301,921 |
| <u>Internal Service Funds</u> | | | | | |
| 610 Information Technology | 3,336,943 | 1,426,652 | 3,532,235 | 4,060,508 | 898,379 |
| 615 City Channel and Website | 820,132 | 420,132 | 1,848,409 | 1,848,409 | 420,132 |
| 620 Workers' Compensation | 220,303 | 220,303 | 500,732 | 500,732 | 220,303 |
| 630 Equipment | 3,607,565 | 2,838,179 | 1,721,825 | 2,617,195 | 1,942,809 |
| 641 Compensated Absence & LTD | 141,506 | 350,000 | 233,875 | 518,548 | 65,327 |
| 642 Retiree Medical | 10,048,066 | 10,048,066 | - | 931,335 | 9,116,731 |
| TOTAL INTERNAL SERVICE FUNDS | \$ 18,174,515 | \$ 15,303,332 | \$ 7,837,076 | \$ 10,476,727 | \$ 12,663,681 |
| TOTAL ALL FUNDS | \$ 128,233,395 | \$ 114,236,003 | \$ 149,550,233 | \$ 133,232,351 | \$ 130,553,885 |

GENERAL FUND SUMMARY

The General Fund is the City's primary operating fund. It accounts for basic services such as public safety, public works, planning and development, park maintenance, code enforcement, and the administrative services required to support them. The fund also accounts for the City's discretionary funding sources (e.g., property tax, sales tax, transient occupancy tax and utility tax). As a rule, general fund resources are used only to fund operations that do not have other dedicated (restricted) funding sources. Operations that rely heavily upon non-general fund resources, such as street maintenance, solid waste collection, and recreation are accounted for in other funds. Information on these funds may be found in the Other Funds section of this document.

For FY 2016-17, final General Fund revenue estimates (excluding fund balance) total \$79.0 million, representing a 15.9% increase from the FY 2015-16 Adopted Budget. When fund balance carryover is included, General Fund resources total \$45 million, which is 5% above the prior year. Final General Fund expenditure estimates total \$77.2 million, representing a 12% increase from FY 2015-16 Adopted Budget, mostly due to the City's new cost allocation plan methodology. The General Fund's ending fund balance is projected to increase by 4% from FY 2015-16 Final Budget level.

| GENERAL FUND OPERATING SUMMARY | | | | | |
|--------------------------------|--------------------|--------------------|-----------------------|----------------------|-------------------|
| | FY 13-14 Actual | FY 14-15 Actual | FY 15-16 Projected | FY 16-17 Proposed | Percent Change |
| Beginning Fund Balance | 36,604,873 | 45,680,396 | 42,983,333 | 45,398,130 | -1% |
| Operating Revenue | 73,999,513 | 83,505,137 | 69,570,878 | 79,004,004 | -5% |
| Operating Expenditures | (64,363,426) | (86,202,200) | (67,156,081) | (77,216,705) | -10% |
| Net Revenue/Expenditures | 9,636,087 | (2,697,063) | 2,414,797 | 1,787,299 | -166% |
| Ending Fund Balance | | | | | |
| Assigned/Other | 19,763,065 | 26,541,766 | 29,360,396 | 28,261,693 | 6% |
| Unassigned | 25,917,331 | 16,441,567 | 16,037,734 | 16,692,979 | 2% |
| Total Ending Funding Balance | 45,680,396 | 42,983,333 | 45,398,130 | 44,954,672 | 5% |

This section provides information on the FY 2016-17 General Fund budget including, expenditure and revenue highlights, transfers to other funds, reserve funds and the financial forecast.

General Fund Revenue

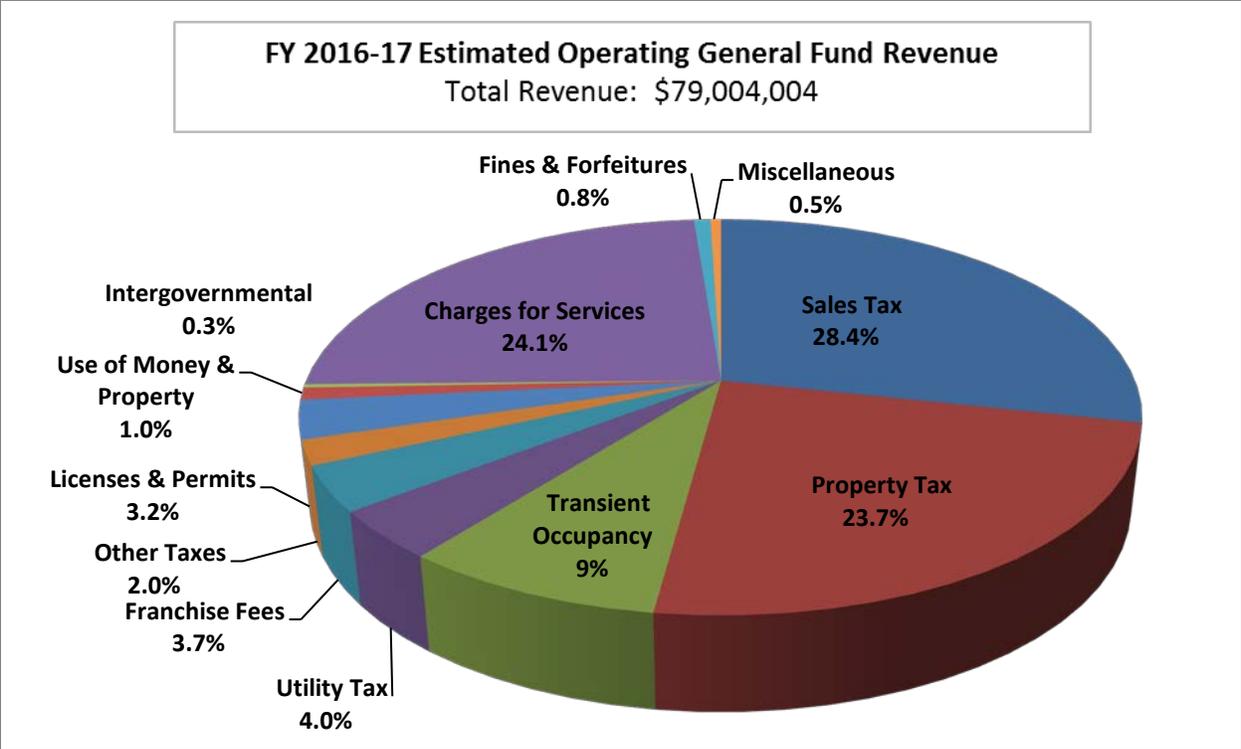
Estimates for the FY 2016-17 beginning fund balance and for the individual General Fund revenue accounts are based upon a careful examination of the collection history and patterns as they relate to such factors as seasonality and performance in the economic environment that the City is most likely to encounter in the coming year. FY 2016-17 revenue estimates are based on the anticipated increase or decrease in activity and receipts over the current year. Each source of revenue can be influenced by external (outside of the City's control) and/or internal factors. The FY 2016-17 revenue estimates are built on the assumption that the economic recovery continues to positively impact on the City's tax revenues, while uncertainty surrounding development activities will reduce development-related fees and charges.

As shown in the chart below, FY 2016-17 revenues are estimated at \$79.0 million, a 15.9% increase over the FY 2015-16 Adopted Budget.

| GENERAL FUND REVENUE SUMMARY | | | | | |
|-------------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|----------------------------|
| REVENUES | FY 14-15 Actuals | FY 15-16 Adopted | FY 15-16 Estimate | FY 16-17 Proposed | Percent Change* |
| Sales Tax | 21,750,534 | 20,360,000 | 22,000,000 | 22,440,000 | 10.2% |
| Property Tax | 15,751,773 | 16,055,000 | 17,680,000 | 18,741,000 | 16.7% |
| Transient Occupancy | 5,582,096 | 5,072,000 | 6,500,000 | 6,708,000 | 32.3% |
| Utility Tax | 2,861,858 | 3,100,000 | 3,100,000 | 3,122,000 | 0.7% |
| Franchise Fees | 2,849,991 | 2,800,000 | 2,800,000 | 2,900,000 | 3.6% |
| Other Taxes | 1,812,664 | 1,400,000 | 1,400,000 | 1,600,000 | 14.3% |
| Licenses & Permits | 3,170,446 | 6,171,000 | 3,000,000 | 2,499,000 | -59.5% |
| Use of Money & Property | 807,963 | 742,530 | 800,000 | 776,980 | 4.6% |
| Intergovernmental | 831,781 | 600,000 | 600,000 | 230,500 | -61.6% |
| Charges for Services | 3,139,629 | 10,590,878 | 10,590,878 | 19,003,224 | 79.4% |
| Fines & Forfeitures | 551,278 | 550,000 | 550,000 | 600,000 | 9.1% |
| Miscellaneous | 24,395,123 | 720,895 | 550,000 | 383,300 | -46.8% |
| TOTAL REVENUE | 83,505,137 | 68,162,303 | 69,570,878 | 79,004,004 | 15.9% |

*FY16-17 Proposed to FY 15-16 Adopted

Approximately 52% of Cupertino's General Fund operating revenues are generated by sales and property taxes followed by charges for service and other taxes made up largely by construction tax. The chart on the next page illustrates the sources of General Fund revenue by category.



The FY 2016-17 General Fund revenue estimates are discussed by category in the material that follows.

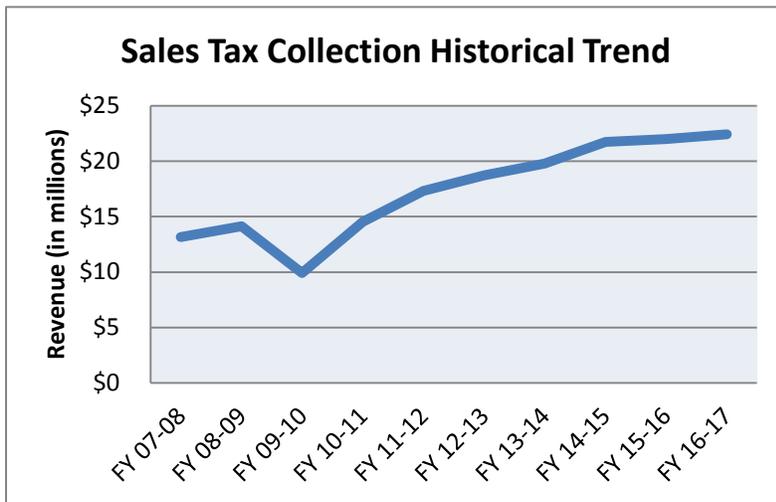
| SALES & USE TAX | |
|--------------------------------|------------|
| FY 14-15 Actual | 21,750,534 |
| FY 15-16 Adopted | 20,360,000 |
| FY 15-16 Estimate | 22,000,000 |
| FY 16-17 Proposed | 22,440,000 |
| % of General Fund | 28.7% |
| % Change from FY 15-16 Adopted | 10.2% |

Sales tax is an excise tax imposed on retailers for the privilege of selling tangible personal property. The Use Tax is an excise tax imposed on a person for the storage use, or other consumption of tangible personal property purchased from any retailer. The proceeds of sales and use taxes imposed within the boundaries of Cupertino are distributed by the State to various agencies, with the City of Cupertino receiving one percent, as shown in the chart to the right.

| Agency | Sales Tax Distribution |
|---------------------------------|------------------------|
| State | 6.250% |
| Valley Transportation Authority | 1.125% |
| City of Cupertino | 1.000% |
| County Transportation | 0.250% |
| County General Purpose | 0.125% |
| Total: | 8.750% |

The City's tax revenues are generated from five principal economic categories: business-to-business 67.0% (includes electronic equipment and software manufacturers and distributors), construction 13.2%, general retail 8.2%, food products 8.2%, and transportation 3.0%.

Our two largest sales tax payers in the business-to-business category represent a large part of that sector and therefore can significantly affect sales tax trends. The top tax payer's corporate growth and increased business technology spending has driven growth in this sector. Sales tax activity has increased across all sectors, particularly business-to-business and construction. Given this trend, the City's FY 2016-17 sales tax revenue is expected to increase modestly.



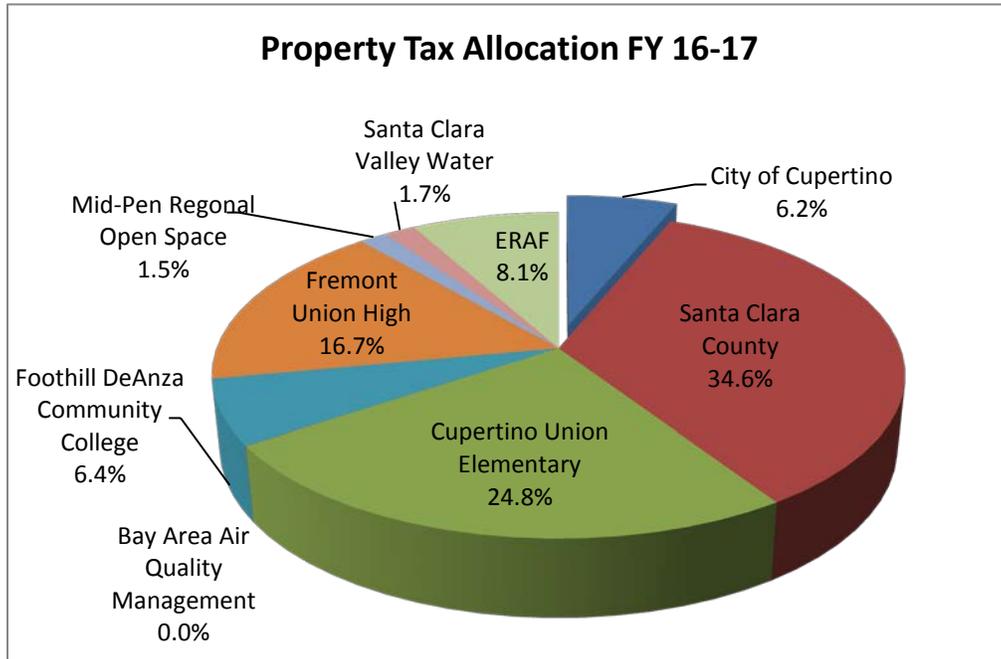
Sales and Use Tax receipts increased 5.7% in FY 2013-14 and another 9.9% in FY 2014-15. This chart reflects the FY 2015-16 actuals are expected to increase modestly by 1.1%. Sales Tax revenues are estimated to generate \$22.4 million in FY 2016-17, which is up 10.2% from the FY 2015-16 Budget.

| PROPERTY TAX | |
|--------------------------------|------------|
| FY 14-15 Actual | 15,751,773 |
| FY 15-16 Adopted | 17,680,000 |
| FY 15-16 Estimate | 16,055,000 |
| FY 16-17 Proposed | 18,741,000 |
| % of General Fund | 23.9% |
| % Change from FY 15-16 Adopted | 6.0% |

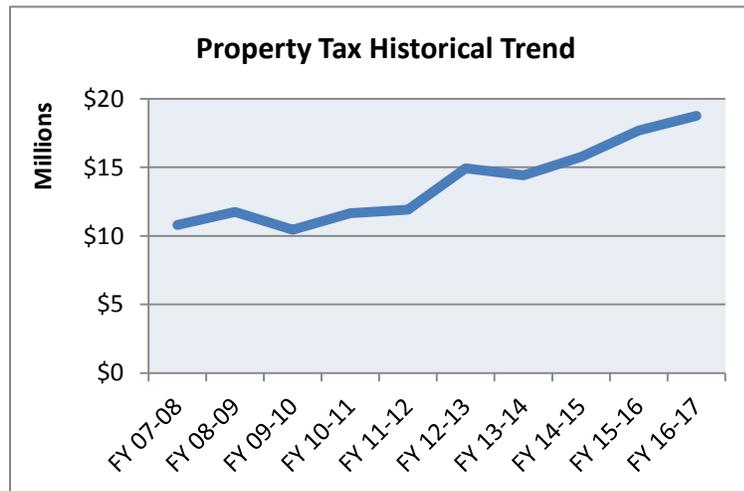
Under current law, property is assessed at actual full cash value with the maximum levy being 1% of the assessed valuation. The assessed value of real property that has not changed ownership can be adjusted by the change in the California Consumer Price Index (CCPI) up to a maximum of 2% per year. Property which changes ownership, property which is substantially altered, newly-constructed property, State-assessed property, and personal property are assessed at the full market value in the first year and subject to the two percent cap, thereafter.

In 1978, voters approved the passage of Proposition 13, which froze property tax rates and limited the amount that rates could increase each year. Cupertino had one of the lowest property tax rates in Santa Clara County receiving \$.02 for every \$1.00 paid. Subsequent

legislation required Counties to provide “no/low tax” cities with a Tax Equity Allocation (TEA) equal to 7% of the property tax share, however, the property tax distribution for the no/low tax cities in Santa Clara County was limited to 55% of what other TEA cities in the state received.



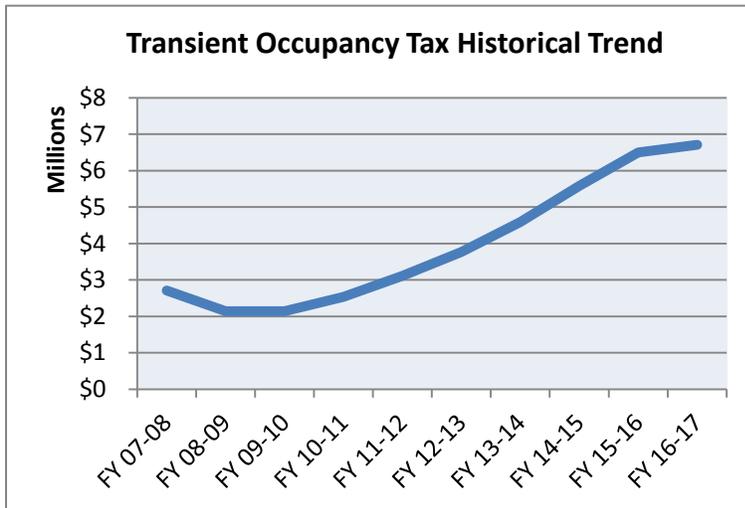
In FY 2006-07 West Valley cities won the passage of State legislation which restored a portion of TEA property tax revenue. This TEA change provided an additional \$1.35 million in property tax annually and increased the City’s share of property taxes to 5.6%.



Cupertino, in conjunction with three other West Valley cities, continued its legislative efforts to gain parity with other no/low property tax cities in the state. In FY 2015-16, Governor Brown agreed to restore TEA revenues over a five-year period. As shown in the graph above, Cupertino will keep 6.16% of property tax revenues compared to 5.88% in FY 2015-16. TEA will be fully restored to 7% by FY 19-2020.

Property Tax receipts increased 9.3% in FY 2014-15. Even stronger gains are anticipated in FY 2015-16 due in part to the restoration of TEA funds. Property Tax revenues are estimated to generate \$18.7 million in FY 2016-17, which is up 16.7% from the FY 2015-16 Budget.

| TRANSIENT OCCUPANCY TAX | |
|--------------------------------|-----------|
| FY 14-15 Actual | 5,582,096 |
| FY 15-16 Adopted | 5,072,000 |
| FY 15-16 Estimate | 5,072,000 |
| FY 16-17 Proposed | 6,500,000 |
| % of General Fund | 8.6% |
| % Change from FY 15-16 Adopted | 28.2% |



Transient occupancy taxes (TOT) are levied on five hotels located in the City at the rate of 12% of room revenues. In November 2011, 83% of voters approved increasing the rate from 10% to 12%. This rate increase contributed to the upwards trend shown in the TOT Tax Historical Trend graph to the right. In addition, the new Aloft Hotel, which opened in December 2012, has increased ongoing TOT collections significantly.

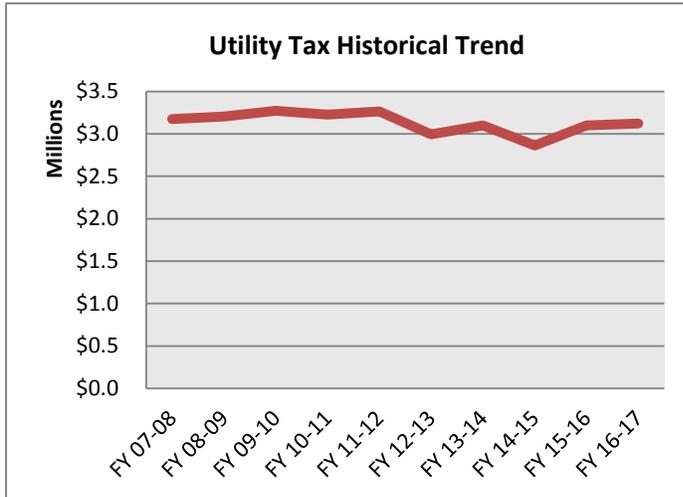
| UTILITY TAX | |
|--------------------------------|-----------|
| FY 14-15 Actual | 2,861,858 |
| FY 15-16 Adopted | 3,100,000 |
| FY 15-16 Estimate | 3,100,000 |
| FY 16-17 Proposed | 3,122,000 |
| % of General Fund | 4.0% |
| % Change from FY 15-16 Adopted | 0.7% |

The utility user tax (UUT), approved by voters in 1990, is assessed on gas, electricity and telecommunication service provided within the City's jurisdiction at a rate of 2.4% of billed charges. Revenues generated from this tax can be used for general City purposes.

The City's tax rate is generally lower than that of other cities within Santa Clara County, as shown in the chart to the right.

| Utility User Tax Comparison | | | | |
|-----------------------------|--------------|-------|-------|---------|
| | Gas/Electric | Cable | Water | Telecom |
| Sunnyvale | 2.00% | -- | -- | 2.00% |
| Cupertino | 2.40% | -- | -- | 2.40% |
| Mountain View | 3.00% | -- | -- | 3.00% |
| Los Altos | 3.50% | 3.20% | 3.50% | 3.20% |
| Palo Alto | 5.00% | -- | 5.00% | 5.00% |
| Gilroy | 5.00% | 4.50% | -- | 4.50% |
| San Jose | 5.00% | -- | 5.00% | 4.50% |

In March 2002, voters approved extending the utility tax’s sunset date from 2015 to 2030. This extension corresponded with the extended debt maturity date resulting from the refinancing of debt for capital improvement projects. To maintain tax revenues currently received from telecom services, voters passed a measure in 2009 to update the ordinance to the changing technology in this area.

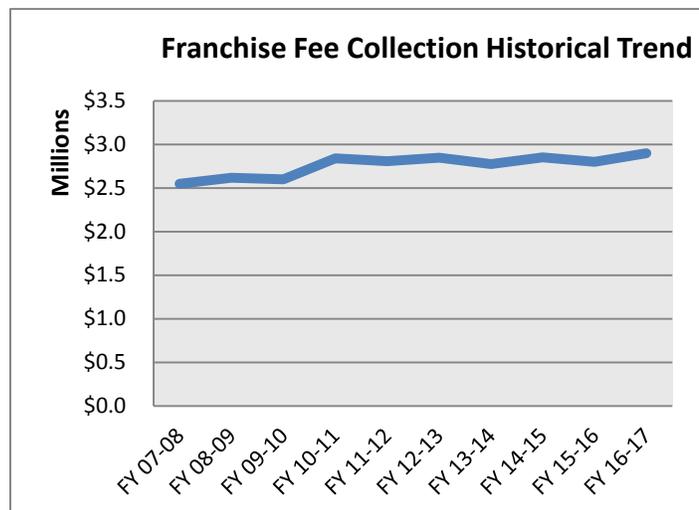


In FY 2014-15, UUT revenues declined by 7.6% compared to FY 2013-14, primarily due to lower electricity usage resulting from large investments in solar infrastructure made by educational institutions in Cupertino. UUT revenues are anticipated to make a slight recovery in FY 2015-16 with an 8.3% increase. Further increases are not anticipated for UUT and budgeted revenues will remain at \$3.1 million for FY 2016-17. This revenue source will be monitored closely as the fiscal year progresses.

| FRANCHISE FEES | |
|--------------------------------|-----------|
| FY 14-15 Actual | 2,849,991 |
| FY 15-16 Adopted | 2,800,000 |
| FY 15-16 Estimate | 2,800,000 |
| FY 16-17 Proposed | 2,900,000 |
| % of General Fund | 4.0% |
| % Change from FY 15-16 Adopted | 3.6% |

Franchise fees are received from cable, solid waste, water, gas and electricity franchisees that operate in the City. The fees range from 1% to 12% of the franchisee’s gross revenues depending on each particular agreement. As shown in the graph below, these revenues are relatively steady and not sensitive to economic fluctuations.

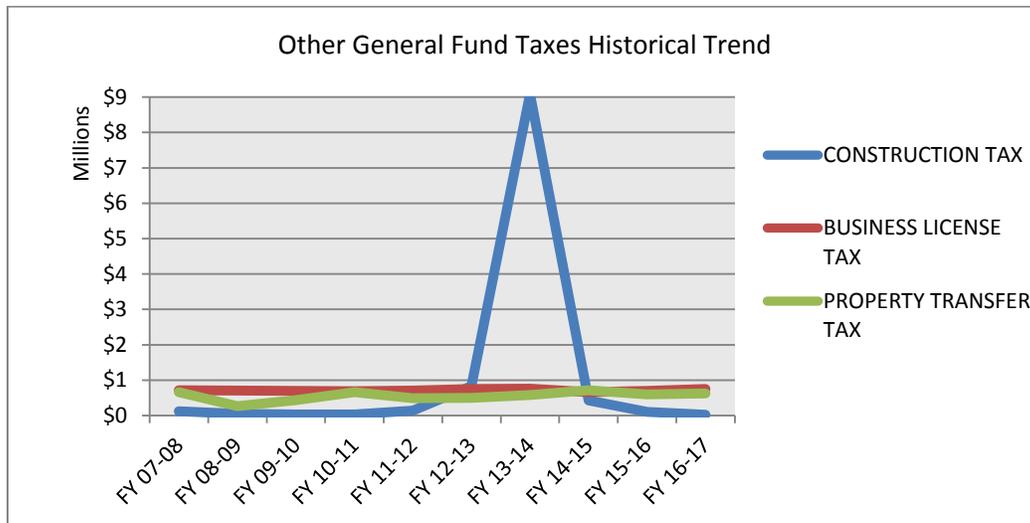
Franchise fee revenues increased by 2.7% in FY 2014-15 from the previous year but



are expected to decline slightly in FY 2015-16. Budgeted revenues are expected to remain at approximately \$2.9 million for FY 2016-17. This revenue source will be monitored closely as the fiscal year progresses.

| OTHER TAXES | |
|--------------------------------|-----------|
| FY 14-15 Actual | 1,812,664 |
| FY 15-16 Adopted | 1,400,000 |
| FY 15-16 Estimate | 1,400,000 |
| FY 16-17 Proposed | 1,600,000 |
| % of General Fund | 4.0% |
| % Change from FY 15-16 Adopted | 14.3% |

Other taxes are comprised mainly of business license taxes, construction taxes, and property transfer taxes. As shown in the graph, business license taxes are relatively steady while construction and property transfer taxes are extremely volatile and sensitive to economic fluctuations.



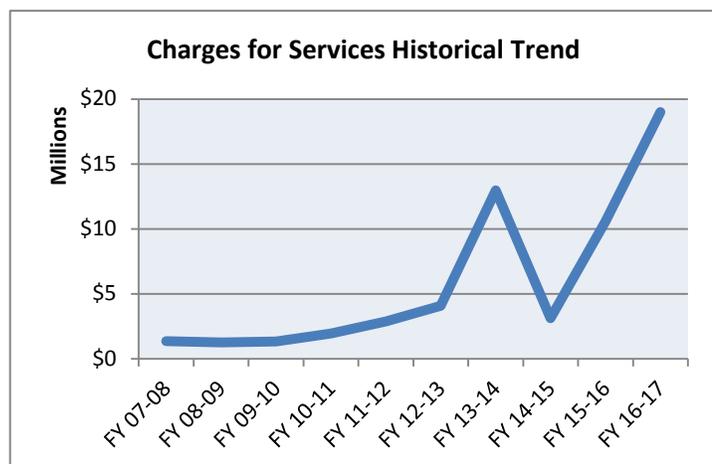
With the influx of several major construction projects beginning in 2012, revenues began increasing. The largest of the projects included the Apple Campus 2 and Main Street developments. These projects coupled with a strong housing recovery created a record year for revenues in FY 2013-14. These revenues have since returned to historic levels. In FY 2016-17 revenues are expected to be at \$1.6 million.

| CHARGES FOR SERVICES | |
|--------------------------------|------------|
| FY 14-15 Actual | 3,139,629 |
| FY 15-16 Adopted | 10,590,878 |
| FY 15-16 Estimate | 10,590,878 |
| FY 16-17 Proposed | 19,003,224 |
| % of General Fund | 4.0% |
| % Change from FY 15-16 Adopted | 79.4% |

This category accounts for charges to users of City services funded by the General Fund as well as internal City-wide overhead. The City attempts to recover the cost of the services, including planning, zoning, and engineering permit processing for new property development as well as some recreation-related fees. As such, this revenue source is sensitive to economic fluctuations, as shown in the graph below. The Apple Campus 2 generated large one-time revenues in FY 2013-14 and is expected to continue bringing in healthy revenue in FY 2016-17.

Large development projects attributed to a spike in revenues in this category in FY 2013-14. In addition, beginning in FY 2013-14, enterprise funds, internal service funds, and special funds began charging for overhead services previously subsidized by the General Fund. Some internal strategic support services (HR, Finance, City Clerk, etc.) also began charging internal departments for their services to accurately capture the true cost of providing various programs and services within City operations. After a comprehensive cost allocation plan (CAP) was approved by Council in April 2016, new CAP charges are included to capture internal strategic support services that were previously excluded (City Council, Facilities, Maintenance, etc.). In FY 2015-16, the City’s administration changed its methodology for tracking developer deposits driven by increased developer activity and, as a result, both budgets for revenues and expenses were increased by anticipated deposit amounts leading to another large increase in revenue.

For FY 2016-17, Charges for Services will increase to \$19.0 million due largely to the new CAP (\$12.2 million). It’s important to note that an offsetting expenditure in CAP charges to General Fund programs results in a net revenue to the General Fund of only \$1.2 million. In addition, revised fees approved by Council in April will go into effect beginning in FY 16-17 and are also contributing to increased revenue estimates.

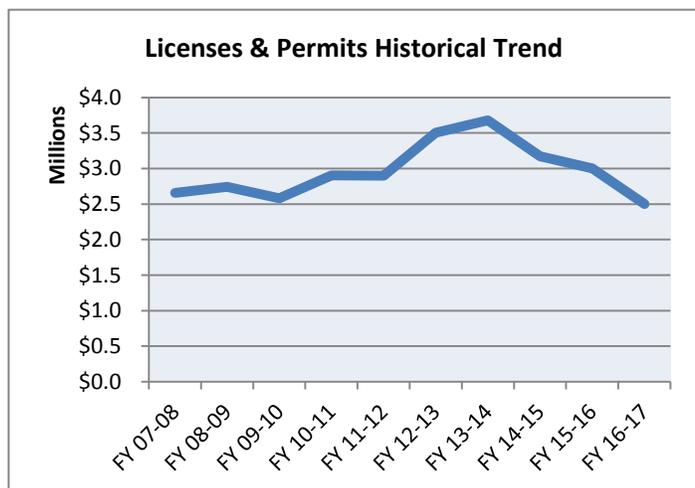


| LICENSES & PERMITS | |
|--------------------------------|-----------|
| FY 14-15 Actual | 3,170,446 |
| FY 15-16 Adopted | 6,171,000 |
| FY 15-16 Estimate | 3,000,000 |
| FY 16-17 Proposed | 2,499,000 |
| % of General Fund | 4.0% |
| % Change from FY 15-16 Adopted | -59.5% |

Licenses and permits include fees for reviewing building plans, building inspections, construction, tenant improvements, and commercial/residential installations for compliance with state and municipal building codes.

Past referendums limited the height and density of new construction and building of condominium housing. Some residential developers hesitated to invest in Cupertino for fear that their project will not be approved or will be reversed by voter referendum. However, this trend began to reverse in FY 2011-12 with the economic recovery.

The Apple Campus 2 project and large residential projects (Rosebowl, Biltmore expansion, Main Street) generated significant permitting revenues in FY 2013-14. Since then, activity has slowed. FY 2015-16 revenues are tracking lower than projected by \$3.2 million as no new large development projects have been approved as previously anticipated. Revenue is anticipated to decline further in FY 2016-17 as development activity continues to slow.

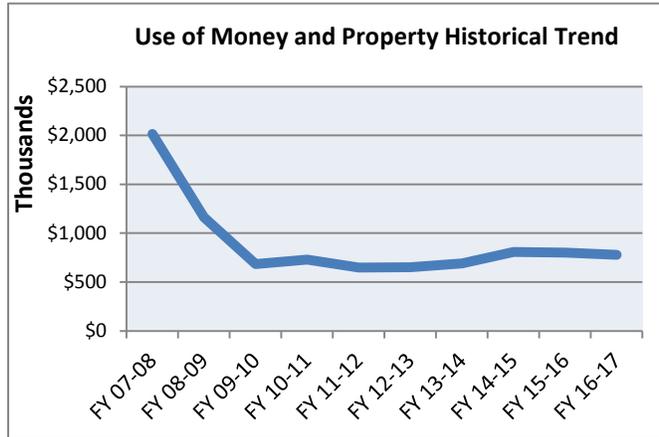


| USE OF MONEY AND PROPERTY | |
|----------------------------------|---------|
| FY 14-15 Actual | 807,963 |
| FY 15-16 Adopted | 742,530 |
| FY 15-16 Estimate | 800,000 |
| FY 16-17 Proposed | 776,980 |
| % of General Fund | 1.0% |
| % Change from FY 15-16 Adopted | 4.6% |

The use of money and property category is comprised of General Fund interest earnings as well as facility and concession rental income of City-owned property. The City's portfolio is

approximately \$122.8 million. Fluctuations in this revenue category are a result of investment earnings, as rental income is fairly steady.

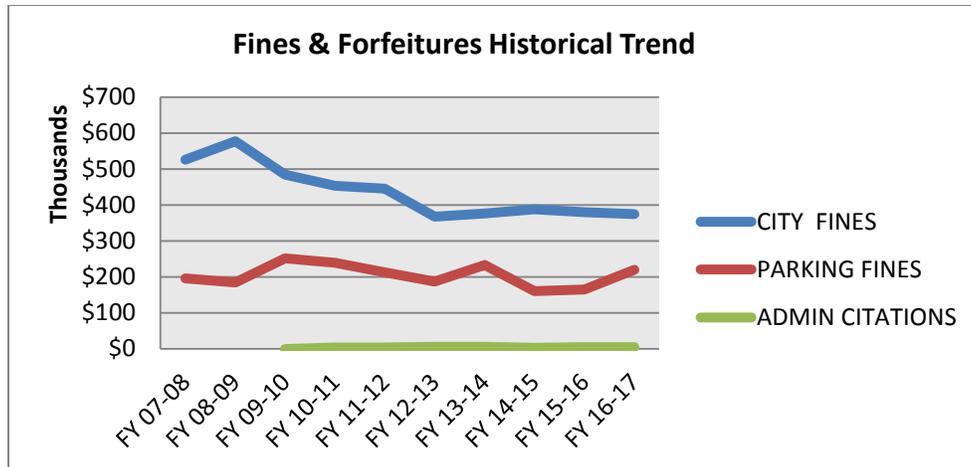
Investment earnings are a function of the amount of excess cash available for investment, current interest rates, and composition of investments. The City’s investment policy requires investments to be made in this order of priority: safety, liquidity, and yield. The unprecedented turmoil in the financial markets and state cash flow problems necessitated a weighting of the portfolio toward safety and lower average yields. The Federal Reserve has kept short-term interest rates down to almost zero and has increased money supply to support credit markets and spur the economy. As a result, the rate of return was 0.70% in the last quarter.



Investment earnings are expected to remain low as the Federal Reserve remains cautious with interest rates. Economists predicted interest rates would increase in FY 2015-16 when the unemployment rate was projected to fall below 6.5%. The unemployment rate did fall below that threshold but the Federal Reserve did not increase key rates until December 2015 from range of 0%-0.25% to a range of 0.25%-0.5%. Lackluster GDP growth will likely keep rates low. Revenue in this category is estimated to increase slightly in FY 2016-17 as General Fund reserves stabilize and interest rates cautiously ease up.

| FINES AND FORFEITURES | |
|--------------------------------|---------|
| FY 14-15 Actual | 551,278 |
| FY 15-16 Adopted | 550,000 |
| FY 15-16 Estimate | 550,000 |
| FY 16-17 Proposed | 600,000 |
| % of General Fund | 0.8% |
| % Change from FY 15-16 Adopted | 9.1% |

Fines and forfeiture account for revenues generated from vehicle, parking, and miscellaneous code violations issued by the County Sheriff and the City’s Code Enforcement officers. The recent downtrend in County fines, resulting from lower court assessed fines and forfeitures, have leveled off in recent years as shown on the chart on the next page. Parking fine revenues have also leveled off but are expected to increase with approval of a part-time Code Enforcement Officer expected to begin in May 2016. Fines and Forfeitures revenue is expected to increase by 9.1% to \$600,000 in FY 2016-17.



| INTERGOVERNMENTAL | |
|--------------------------------|---------|
| FY 14-15 Actual | 831,781 |
| FY 15-16 Adopted | 600,000 |
| FY 15-16 Estimate | 240,000 |
| FY 16-17 Proposed | 230,500 |
| % of General Fund | 0.3% |
| % Change from FY 15-16 Adopted | -61.6% |

Intergovernmental revenues are made up of federal, state, and regional grants, including miscellaneous intergovernmental revenue. The FY 2014-15 Budget was markedly higher due to increases in grant awards for housing. Current year estimates are down compared to budgeted levels. In FY 2016-17, revenues of \$230,500 are anticipated.

| MISCELLANEOUS | |
|--------------------------------|------------|
| FY 14-15 Actual | 23,395,123 |
| FY 15-16 Adopted | 720,895 |
| FY 15-16 Estimate | 737,389 |
| FY 16-17 Proposed | 383,300 |
| % of General Fund | 0.5% |
| % Change from FY 15-16 Adopted | -46.8% |

Miscellaneous revenues account for the sale of land and other miscellaneous revenues. The sale of Pruneridge Avenue to Apple, Inc. as part of the Apple Campus 2 development project closed in FY 2014-15. No significant miscellaneous revenues are anticipated in FY 2016-17.

General Fund Expenditures

Estimates for the FY 2016-17 General Fund expenditures are based upon anticipated personnel and non-personnel cost increases. This year department budgets reflect actual projected costs based on the 2015-16 Final Adopted Budget, removing any one time costs, and accounting for changes in personnel costs and any other anticipated/known increased costs in FY 2016-17. In addition, most budgets were given additional funds for any unexpected expenditures that is accounted for in the contingency account. This account was reduced by approximately 15% from prior year to account for the actual level of contingencies used. Lastly, per the City's new Reserve policy and unassigned General Fund balance above the \$500,000 maximum balance will be transferred to the Capital Fund for future capital and infrastructure projects, however this transfer will now be completed as part of the year end close and not in the budget. As shown in the chart below, FY 2016-17 expenditures are estimated at \$77.2 million, a 12% increases over the final budget. The major sources of this increase come from increased charges for services due to increased information systems costs and changes to the City's Cost Allocation Plan (CAP).

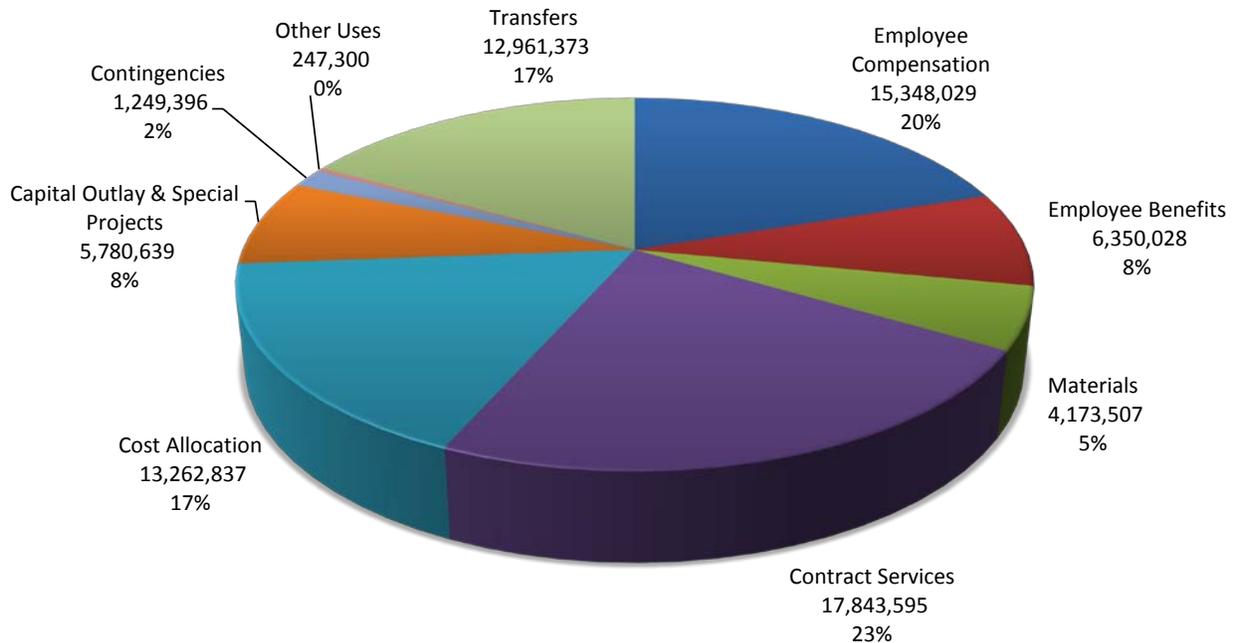
| GENERAL FUND EXPENDITURE SUMMARY | | | | | |
|-----------------------------------|----------------------|--------------------|----------------------|-----------------------|-------------------|
| EXPENDITURES | 2014-2015 Actuals | 2015-2016 Final | 2015-2016 Amended | 2016-2017 Proposed | Percent Change |
| Employee Compensation | 12,843,889 | 14,556,371 | 15,135,400 | 15,348,029 | 5% |
| Employee Benefits | 5,243,862 | 6,260,605 | 6,353,357 | 6,350,028 | 1% |
| Total Personnel Costs | 18,087,751 | 20,816,976 | 21,488,757 | 21,698,057 | 4% |
| Non-Personnel Costs | | | | | |
| Materials | 4,020,636 | 3,971,681 | 4,048,964 | 4,173,507 | 5% |
| Contract Services | 14,554,123 | 16,677,546 | 19,131,149 | 17,843,595 | 7% |
| Cost Allocation | 3,336,264 | 3,078,842 | 3,078,842 | 13,262,837 | 77% |
| Capital Outlay & Special Projects | 7,016,144 | 9,986,674 | 20,828,400 | 5,780,639 | -73% |
| Contingencies | 9,916 | 1,432,349 | 1,374,049 | 1,249,396 | -15% |
| Other Uses | 82 | 2,239,763 | 2,239,763 | 247,300 | -806% |
| Total Non-Personnel | 28,937,166 | 37,386,855 | 50,701,167 | 42,557,274 | 12% |
| Transfers | 39,177,284 | 9,371,222 | 12,889,947 | 12,961,373 | 28% |
| TOTAL EXPENDITURES | 86,202,200 | 67,575,053 | 85,079,871 | 77,216,705 | 12% |

The largest General Fund operating expenditure categories include personnel costs (28%), contract services (23%), Cost Allocation (17%), and Transfers Out (17% each) as illustrated in the FY 2016-17 General Fund Expenditures by Category chart on the next page.

Personnel Costs

Personnel cost total \$21.7million in FY 2016-17, comprising 28% of General Fund expenditures. These costs are made up of salaries and compensation for benefitted and part time staff (71%), retirement benefits (17%), and other fringe benefits (12%), including health coverage.

General Fund Expenditures by Category



Costs were calculated by taking an extract of payroll system information. This individual position-level information was then reviewed, corrected, and updated by each department to include current vacancies and filled positions, accurate salary step status, as well as any position reallocations. Also, all categories of benefit costs in the coming year were projected. The most recent retirement plan and health plan information for each position was also updated from the payroll system. Not included in personnel costs, is the ongoing contribution for retiree healthcare which is included in the transfers category.

Life and Long-Term disability rates are projected to remain flat in FY 2016-17 and retirement rates are projected to increase a net 3%.

A total of 185.75 FTEs are budgeted in FY 2016-17, up from 179.75 in FY 2015-16. This increase of 6.0 FTE represents a 3% increase in staffing. The growth in positions is summarized below:

| | |
|----------------------------------------------------|---------------|
| FY 2015-16 Adopted Budget | 179.75 |
| Senior Planner (Council Item) | 1.00 |
| Chief Technology Officer (Council Item) | 1.00 |
| Accountant I/II (Mid-Year Budget) | 1.00 |
| Environmental Program Specialist (Mid-Year Budget) | 1.00 |
| Limited Term Account Clerk | -1.00 |
| <i>FY 2016-17 Proposed Budget Requests</i> | |
| Special Program Coordinator | 1.00 |
| Asset Management Technician | 1.00 |
| IT Assistant | 1.00 |
| Proposed FY2016-17 Benefitted Positions | 185.75 |

Positions requested as part of the Proposed Budget are summarized below:

| Department(s) | Classification | Salaries | Benefits | Total Costs | Funding Source/Purpose |
|-------------------------------------------------------|------------------------------|------------------|-----------------|------------------|------------------------------------------------------------------------|
| Recreation and Community Services | Special Programs Coordinator | \$64,472 | \$33,204 | \$97,676 | General Fund and Charges for Service |
| Public Works | Asset Management Technician | \$80,235 | \$34,812 | \$115,047 | General Fund for continued implementation of Asset Management Software |
| POSITIONS FUNDED BY THE GENERAL FUND | | \$144,707 | \$68,016 | \$212,723 | |
| Information Systems | IT Assistant | \$83,414 | \$36,929 | \$120,343 | Information Technology Fund to decrease contract expenses |
| POSITIONS FUNDED BY THE INTERNAL SERVICE FUNDS | | \$83,414 | \$36,929 | \$120,343 | |

Non-Personnel

Non-personnel cost total \$42.6 million in FY 2016-17, comprising 55% of General Fund expenditures. These costs are made up of contractual services (23%), cost allocation charges (17%), materials (5%), capital outlays and special projects (7%), other uses (3%), and program contingencies (2%). Costs were developed based on FY 2015-16 Adopted budget and actual expenditures in prior years, and then adjusted for FY 16-17 funding needs. One-time projects were moved to a separated category in FY 13-14 to ensure that expenditure trends reflect ongoing expenditure needs and this continues in the current year.

Contingencies totaling 13% of the total General Fund budget for contractual services and supplies and materials have been established. This contingency level is within the

recommended range by the Government Finance Officers Association. Of the 6% contingency, 8.0% is allocated proportionately amongst operating programs based on each program's share of General Fund budget for contractual services and supplies and materials. The remaining 5.0% is allocated to the City Manager's Discretionary Program. Program contingency budgets may be used to cover unanticipated program expenses at the department's discretion, while the use of the City Manager's Discretionary Program will require City Manager approval. This brings total contingencies to 13%. This percentage is consistent with best practices adopted by the Governmental Accounting Standards Board (GASB) which recommends a 5-15% contingency.

General Fund Transfers

Transfers out represent transfers of monies out of the General Fund to various other funds. These transfers provide resources to the receiving fund to support operating and capital project costs. For Fiscal Year 2016-17, budgets have been established for the following transfers.

| Transfer Out from General Fund | Description | Amount |
|-------------------------------------------|-----------------------------------------------------------------------------------------------------|---------------------|
| Special Revenue Funds | Pavement, Sidewalk, Curb and Gutter Maintenance | \$5,854,071 |
| Debt Service Fund | Annual Debt Payment | \$ 3,167,538 |
| Enterprise Fund | General Fund subsidy of several Recreation Enterprise Funds | \$1,294,091 |
| Internal Service Funds | General Fund Subsidy of Government Channel, City Website, GIS and Compensated Absence Funding | \$2,645,673 |
| TOTAL GENERAL FUND TRANSFERS OUT | | \$12,961,373 |

GENERAL FUND—RESERVES AND CLASSIFICATION OF FUND BALANCE

The Government Accounting Standards Board (GASB) Statement No. 54 establishes five categories for the classification of fund balance: Non-spendable, Restricted, Committed, Assigned and Unassigned.

Although only the General Fund is addressed in this section, Statement No. 54 applies to the Special Revenue and Capital Project funds as well.

Non-spendable fund balance includes amounts that are not in a spendable form or are legally or contractually required to be maintained intact. Loans receivable or prepaid expenses comprise this category in the City.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external parties (such as creditors, grant providers or contributors) or through enabling legislation. Franchise fees collected for public, educational, and governmental access purposes comprise this classification.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, such as the City Council. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. The City has no fund balance in this category.

Assigned fund balance is comprised of amounts intended to be used by the government for specific purposes that are neither restricted nor committed. Intent can be expressed by the governing body or by an official body to which the governing body delegates the authority. Reserves discussed in the Reserve and Use of One Time Funds Policy are assigned to this classification. General Fund assigned reserves at June 30, 2013 are projected to be at policy levels.

Unassigned fund balance is the classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

FISCAL YEAR 2016-17 PROPOSED BUDGET

General Fund Classification of Fund Balance

| CLASSIFICATION | Actual 2013-14 | Actuals 2014-15 | Final Budget 2015-16 | Year End Projection 2015-16 | Proposed Budget 2016-17 |
|---------------------------------|-------------------|--------------------|-------------------------|-----------------------------------|-------------------------------|
| <u>Non Spendable</u> | | | | | |
| Loans Receivable | 3,296,637 | 886,148 | 1,032,275 | 1,032,275 | 1,032,275 |
| Prepaid Items | 66,428 | 52,097 | 66,428 | 66,428 | 66,428 |
| Total Non Spendable | 3,363,065 | 938,245 | 1,098,703 | 1,098,703 | 1,098,703 |
| | | | | - | - |
| <u>Restricted</u> | | | | | |
| <u>Encumbered Fund Balance</u> | | | | | |
| Public Access Television | - | 761,653 | 761,693 | 761,693 | 761,693 |
| Total Restricted | - | 761,653 | 761,693 | 761,693 | 761,693 |
| | | | | - | - |
| <u>Committed</u> | | | | | |
| None in this classification | - | - | - | - | - |
| Total Committed | - | - | - | - | - |
| | | | | - | - |
| <u>Assigned</u> | | | | | |
| Economic Uncertainty I | 12,500,000 | 18,000,000 | 19,000,000 | 19,000,000 | 19,000,000 |
| Economic Uncertainty II | 1,400,000 | - | - | - | - |
| Economic Fluctuation | 2,000,000 | 1,400,000 | 1,400,000 | 1,400,000 | 1,400,000 |
| CIP Future Project | - | 8,099,679 | - | - | - |
| PERS | 500,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Reserve for Encumbrances | 1,267,233 | - | 2,081,064 | 7,000,000 | 7,000,000 |
| Revenue Liability | 3,920,000 | - | - | - | - |
| General Building | 1,148,549 | - | - | - | - |
| Wolfe Road Transportation Study | 1,000,000 | 1,000,000 | 1,000,000 | - | - |
| I-280 Trail Study | 250,000 | 250,000 | 250,000 | - | - |
| Total Assigned | 23,985,782 | 28,849,679 | 23,831,064 | 27,500,000 | 27,500,000 |
| | | | | - | - |
| Total UnAssigned | 18,331,549 | 11,301,702 | 10,885,246 | 14,905,680 | 16,692,979 |
| | | | | - | - |
| TOTAL FUND BALANCE | 45,680,396 | 41,851,279 | 36,576,706 | 44,266,076 | 46,053,375 |

Five-Year General Fund Forecast

The financial forecast is a planning tool that helps staff identify important trends and anticipate the longer term consequences of budget decisions. The forecast tools can be instrumental in modeling the effects of such recent issues as rising retirement system costs, increases in employee compensation, and potential scenarios of future revenue performance.

The forecast is not a plan but a model based on cost and revenue assumptions that are updated regularly as new information becomes available. Of these components, future costs projections based on known costs, are relatively reliable. Revenue forecasts, on the other hand, are based on assumptions related to future economic conditions, which are fraught with uncertainty. Economic forecasts in the financial markets and the media swing from optimistic to pessimistic on a seemingly daily basis and demonstrate the difficulties of committing to a particular prediction of the future. For this reason the forecast should be updated regularly.

A discussion of both the national and local economic outlooks used to develop the revenue estimates for the 2016-2017 Forecast is discussed below. Key economic forecasts were reviewed in the development of the revenue estimates, including the national, State and regional economic forecasts produced by the Congressional Budget Office, California's Legislative Analyst's Office (LAO), and economist Steven Levy of the Center for Continuing Study of the California Economy (CCSCE). The City also uses a sales tax consultant to assist in the development of sales tax revenue estimates.

While economic conditions are the primary drivers for economically sensitive revenues like the sales tax and property tax categories, performance is primarily driven by other factors for non-economically sensitive categories such as the utility user tax and franchise fee categories. These revenue categories are more heavily impacted by rate changes, energy prices, and consumption levels. Collections from local, State, and federal agencies are primarily driven by the grant and reimbursement funding available from these agencies. As a result, these General Fund revenues experience no significant net gain or loss in times of an economic expansion or slowdown. All revenue projections based upon a careful examination of the collection history and patterns as they relate to such factors as seasonality and performance in the economic environment that the City is most likely to encounter in the coming year.

National Economic Outlook

Moderate economic growth is likely during the next two years, according to several economic forecasts. Growth will be driven by housing construction, strong auto sales, the technology industry. Economists are expecting the growth in the economy to be hampered by low oil prices, and a less than desired rate inflation rate. In addition, despite the Federal Reserve Board's aggressive monetary policy, inflation has remained low. The CPI only increased by 0.7% in 2015, below the Federal Reserve Board's core annual inflation target of 2%. According to economists, modest inflation is a key driver for business and consumer demand as well as

future property and sales taxes. Economists anticipate that will increase modestly during the forecast period.

Cupertino Economic Outlook

The outlook for Cupertino and the Silicon Valley overall has been positive, with steady growth in this Forecast. Sales taxes continue to be very strong, driven by business to business sales in the City's technology sector. Property taxes have also had a strong performance the last two years but are expected to stabilize as interest rates begin to rise during the forecast period. The limited supply of housing may eventually dampen growth as well.

Large construction projects have generated strong development-related revenue for the City's coffers but have started to level off. The majority of revenues associated with the Apple Campus 2 project have already been collected per the development agreement. No other major projects are anticipated at this time. Development projects that have yet to be approved and permitted are not included in this Forecast out of prudence. It would be risky to rely on these one-time revenues given the political uncertainty around development projects.

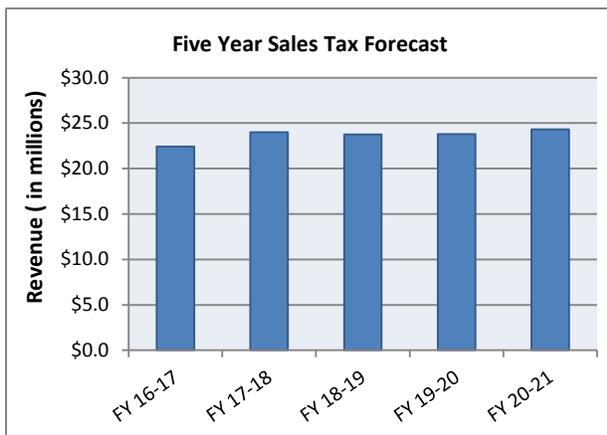
In summary, the steady recovery from the great recession is expected to continue impacting the City's revenue performance. The economically sensitive revenues, such as sales tax and property tax receipts, are expected to experience moderate growth over the forecast period. Development-related revenue such as licenses and permits, construction tax, and charges for service are expected to decline from the peak experienced in FY 2013-14 due to one-time projects.

As shown in the chart on the next page, operating expenditures are expected to exceed operating revenues in all five years of the forecast. In addition, reserve levels are projected to increase as the City proactively prepares for future expenditure liabilities. Per the City's new Reserve Policy any additional unassigned fund balance above the \$400,000 maximum will be transferred out to the Capital Reserve at the end of the year.

| FIVE-YEAR GENERAL FUND FORECAST | | | | | | |
|----------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | FY 15-16 | FY 16-17 | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21 |
| | Estimate | Proposed | Forecast | Forecast | Forecast | Forecast |
| EXPENDITURES | | | | | | |
| Personnel Costs | 17,405,893 | 21,698,057 | 21,978,538 | 22,263,094 | 22,551,790 | 22,844,695 |
| Non-Personal (ongoing) | 21,068,665 | 22,264,402 | 22,665,903 | 23,329,270 | 23,984,178 | 24,646,123 |
| Non-Personal (one-time) | 8,506,366 | 5,780,639 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Cost Allocation/Contingencies | 2,671,211 | 14,512,233 | 14,512,233 | 14,512,233 | 14,512,233 | 14,512,233 |
| Total Non-Personnel | 49,652,135 | 64,255,332 | 61,156,674 | 62,104,597 | 63,048,202 | 64,003,052 |
| Transfers | 12,889,947 | 12,961,373 | 13,000,000 | 13,000,000 | 13,000,000 | 13,000,000 |
| TOTAL EXPENDITURES | 62,542,082 | 77,216,705 | 74,156,674 | 75,104,597 | 76,048,202 | 77,003,052 |
| ENDING FUND BALANCE | | | | | | |
| Assigned/Other | 29,360,396 | 28,261,693 | 28,261,693 | 28,261,693 | 28,261,693 | 28,261,693 |
| Unassigned | 16,037,734 | 16,692,979 | 20,590,805 | 25,358,208 | 29,030,006 | 32,972,954 |
| TOTAL EFB | \$45,398,130 | \$44,954,672 | \$48,852,498 | \$53,619,901 | \$57,291,699 | \$61,234,647 |

| FIVE-YEAR SALES TAX FORECAST | | | | | | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | FY 15-16 | FY 16-17 | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21 |
| | Estimate | Proposed | Forecast | Forecast | Forecast | Forecast |
| Sales Tax | 22,000,000 | 22,440,000 | 24,002,000 | 23,763,000 | 23,806,000 | 24,330,000 |

The City's heavy reliance on the volatile business-to-business sector of its sales tax revenue base has made it vulnerable to large swings. Currently, the City's two largest sales tax generators—both technology companies—account for a large portion of the City's total sales tax. Moderate growth in base sales tax revenues are anticipated in the range of 2-3% annually in the out years. Larger increases to the base are anticipated in the first three years of the forecast due to Apple Campus 2 and the Main Street retail development openings in FY 2016-17 and FY 2017-18. These two projects are expected to generate an additional \$1.5 million in sales tax revenue when fully operational. These increases will be somewhat offset by a reduction of sales tax related to construction once Apple Campus 2 is complete.

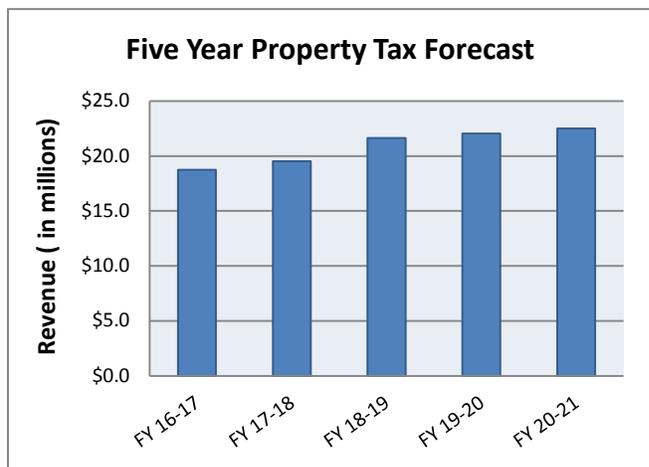


Given the volatility of business-to-business revenue, which accounts for 68.3% of the City's sales tax, a key goal of the City's long-term fiscal strategic plan is to diversify its sales tax base by

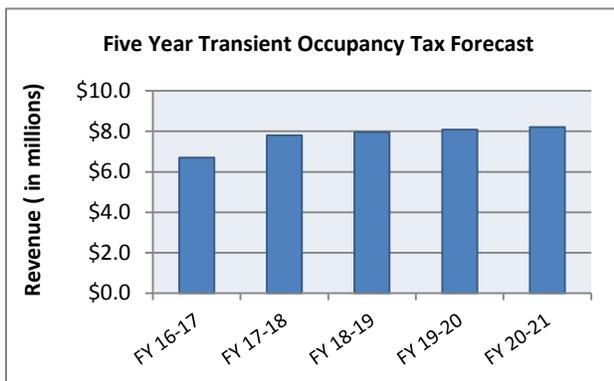
building up the general retail and food product sectors. Development projects such as the Rosebowl, Main Street, and Marina Plaza are expected to generate new or replacement retail. When fully operational, these developments should help boost retail sales and reduce the City's reliance on business-to-business revenues.

| FIVE-YEAR PROPERTY TAX FORECAST | | | | | | |
|----------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | FY 15-16 | FY 16-17 | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21 |
| | Estimate | Proposed | Forecast | Forecast | Forecast | Forecast |
| Property Tax | 17,680,000 | 18,741,000 | 19,513,000 | 21,623,000 | 22,055,000 | 22,496,000 |

As the housing recovery experienced in the last few years slows, property taxes in Cupertino are expected to continue experiencing strong growth through FY 2018-19 due to the reassessment of large development projects and additional tax equity allocation (TEA) funds. Assessed values for Cupertino properties are estimated to increase by \$708.7 million in FY 2015-16 but only \$480.1 million in FY 2016-17. In FY 2017-18, however, the Apple Campus 2 property is expected to be reassessed, increasing property tax revenues by nearly 9%.



| FIVE-YEAR TRANSIENT OCCUPANCY TAX FORECAST | | | | | | |
|---------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | FY 15-16 | FY 16-17 | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21 |
| | Estimate | Proposed | Forecast | Forecast | Forecast | Forecast |
| Transient Occupancy | 6,500,000 | 6,708,000 | 7,800,000 | 7,956,000 | 8,091,000 | 8,212,000 |

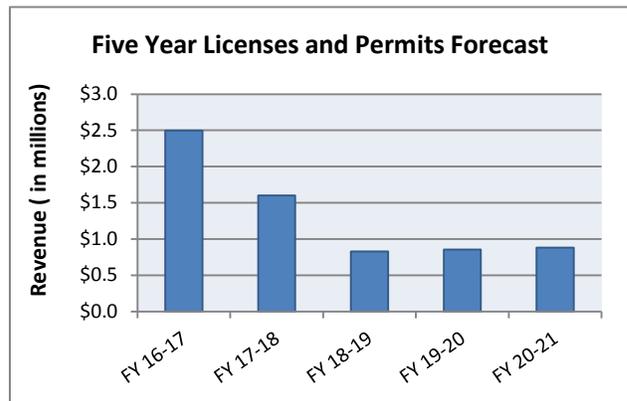


Transient occupancy tax (TOT) revenues are projected to continue with moderate growth into FY 2016-17 as occupancy rates are at record levels given our strong local economy. In FY 2016-17, the 148 rooms in the Hyatt House hotel project located at Vallco Park is expected to open for business. These additional rooms are expected to fill unmet demand and increase TOT revenues by

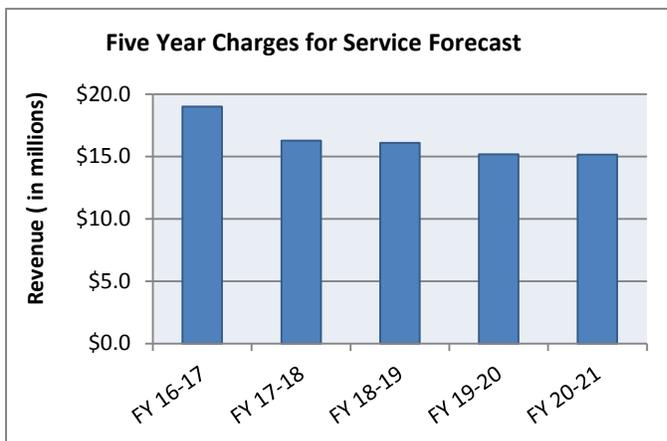
\$920,000 in FY 2017-18. Beyond FY 2016-17, the forecast assumes that out year growth between 1.5% and 2.0%. Not included in the forecast is the proposed hotel at Marina Plaza, which is still under review.

| FIVE-YEAR LICENSES & PERMITS FORECAST | | | | | | |
|--------------------------------------------------|-----------|-----------|-----------|----------|----------|----------|
| | FY 15-16 | FY 16-17 | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21 |
| | Estimate | Proposed | Forecast | Forecast | Forecast | Forecast |
| Licenses & Permits | 2,800,000 | 2,499,000 | 1,600,000 | 830,000 | 857,000 | 884,000 |

As development activity slows, licenses and permit revenue has declined. FY 2015-16 revenues are tracking 11% below prior year actuals. After the completion of a comprehensive fee study, Council adopted a revised fee schedule effective July 1, 2016 that better reflects the City’s cost recovery goals. Revenues are expected to decline due to decreased development activity over the next two years and will stabilize by FY 18-19. This forecast does not assume any development activity related to the proposed redevelopment of the Vallco Park Mall or the Oaks Shopping Center.



| FIVE-YEAR CHARGES FOR SERVICES FORECAST | | | | | | |
|------------------------------------------------|------------|------------|------------|------------|------------|------------|
| | FY 15-16 | FY 16-17 | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21 |
| | Estimate | Proposed | Forecast | Forecast | Forecast | Forecast |
| Charges for Services | 10,590,878 | 19,003,224 | 16,291,500 | 16,093,000 | 15,176,000 | 15,159,000 |



FY 2016-17 revenues from charges and services are markedly higher due to the implementation of a new cost allocation plan (CAP), which spreads overhead costs to user departments and reflects the true cost of providing services in each program. In addition, revenues are expected to increase based on the revised fee schedule that goes into effect July 1, 2016. For out years, the revenue stream is expected to decrease as development-related activity slows.

FIVE-YEAR FORECAST - OTHER REVENUE

| | FY 15-16 | FY 16-17 | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21 |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Estimate | Proposed | Forecast | Forecast | Forecast | Forecast |
| Utility User Tax | 3,100,000 | 3,122,000 | 3,144,000 | 3,166,000 | 3,188,000 | 3,210,000 |
| Franchise Fees | 2,800,000 | 2,900,000 | 2,903,000 | 2,952,000 | 3,008,000 | 3,065,000 |
| Other Taxes | 1,400,000 | 1,600,000 | 1,128,000 | 1,156,000 | 1,185,000 | 1,215,000 |
| Intergovernmental | 600,000 | 230,500 | 265,000 | 265,000 | 265,000 | 265,000 |
| Use of Money & Property | 800,000 | 776,980 | 808,000 | 808,000 | 808,000 | 808,000 |
| Fines & Forfeitures | 550,000 | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 |
| Miscellaneous/Non-Op | 737,389 | 383,300 | 0 | 0 | 0 | 0 |

Utility user taxes are not sensitive to economic fluctuations as they are based on usage and rates. The forecast assumes no growth as declining consumption is offsetting projected rate increases.

Franchise fee agreements have escalators based on CPI and the forecast assumes annual growth in collections tracks with CPI. The solid waste management contract was renewed and did not significantly impact projections for this revenue source.

Other taxes are made up of construction, property transfer, and business license tax revenue. These revenues have continued to decelerate from a peak in FY 2013-14 driven by construction taxes from large development projects. The forecast assumes collections will return to base levels in FY 2016-17 with minimal growth in the out years.

Intergovernmental revenues will decrease in FY 2016-17 due to a reduction in grant awards. Once this new base level is reached, grant revenues are assumed to remain at base levels throughout the forecast period.

Use of money and property is expected to remain relatively flat throughout the forecast period based on the City's current conservative investment strategy and low interest rates. The Federal Reserve have been hesitant to increase the Fed Funds rate due to mixed economic indicators.

Fines and Forfeitures are anticipated to increase in FY 2016-17 to account for the addition of a new PT Code Enforcement Officer. The forecast assumes collections will remain flat in the out years.

Miscellaneous and non-operational revenues are not assumed in the forecast.

| FIVE-YEAR GENERAL FUND EXPENDITURE FORECAST | | | | | | | |
|---------------------------------------------|------------|------------|------------|------------|------------|------------|-------------|
| | FY 14-15 | FY 15-16 | FY 16-17 | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21-17 |
| | ACTUAL | FINAL | FORECAST | FORECAST | FORECAST | FORECAST | FORECAST |
| PERSONNEL COSTS | 18,087,751 | 21,252,542 | 21,698,057 | 21,978,538 | 22,263,094 | 22,551,790 | 22,844,695 |
| NON-PERSONNEL (ongoing) | 21,920,940 | 26,611,771 | 36,529,335 | 37,178,136 | 37,841,503 | 38,496,411 | 39,158,357 |
| NON-PERSONNEL (one-time) | 7,016,226 | 21,943,396 | 6,027,939 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Total Non-Personnel | 28,937,166 | 48,555,167 | 42,557,274 | 39,178,136 | 39,841,503 | 40,496,411 | 41,158,357 |
| TRANSFERS OUT | 39,177,284 | 9,371,222 | 12,961,373 | 13,000,000 | 13,000,000 | 13,000,000 | 13,000,000 |
| Total Expenditures | 86,202,200 | 79,178,931 | 77,216,705 | 74,156,674 | 75,104,597 | 76,048,202 | 77,003,052 |

An in-depth analysis of the General Fund expenditure categories was completed to develop the FY 2016-17 expenditure estimates included in this Forecast. As displayed in the chart above, General Fund expenditures are projected to decrease from \$86.2 million in FY 2015-16 to \$77.2 million in FY 2016-17 and decline for the following year before increasing in the third year of the forecast. The swings in expenditures are mostly driven by special projects that can range from development projects to facility improvements.

It is important to note that the Forecast is adjusted to eliminate one-time additions/deletions and annualize partial year allocations that were included in the 2015-16 Adopted Budget. Various one-time additions totaling \$21.9 million scheduled to expire in June 2016 were eliminated in the out years of the Forecast.

The following discussion focuses on the assumptions used for estimating each of the expenditure categories in the General Fund Forecast.

Personnel Expenditures

Personnel costs in FY 2016-17 are increasing due to increases in compensation as employees progress thru the five salary steps available for each position and the recommendation to add three additional positions. These costs are projected to increase 1% annually in the out years of the Forecast. As discussed in more detail below, these cost increases are driven mostly by assumed changes in salary and retirement costs.

Health Benefits

Health benefits account for about 9% of all personnel costs in the General Fund, mostly made up of health insurance costs. Given that the City pays employees a fixed dollar amount for health and dental insurance costs, as opposed to covering a percentage of premiums, cost increases in health and dental are fully absorbed by employees.

While not factored into the forecast, there is uncertainty around how the implementation of the Affordable Care Act (ACA) will affect the City. Beginning in 2018, the so called "Cadillac Tax" will impose an excise tax for any employer-sponsored health coverage whose value exceeds \$10,200 per year for individuals and \$27,500 for families. A 40% excise tax will be imposed on the amount that exceeds the predetermined thresholds. Most of the City's current health plans

would fall under the definition of a Cadillac plan, which could increase the City’s cost of providing health benefits to employees. The City’s health care administrator, CalPERS, has given assurances that coverage plans will fall below the Cadillac Tax threshold.

Retirement Benefits

The chart below shows the current breakdown of retirement costs borne by the City and employees for the three retirement tiers. Virtually all employees in the City are currently covered under the Tier 1 retirement system. Savings from the Tier 2 and Tier 3 are not expected to be substantial for another 10-15 years.

| Tier | EEs | Benefits | Employer Share | Employer Pickup | Total Employer Share | Employee Share | Total Rate |
|------|-----|--------------------------|----------------|-----------------|----------------------|----------------|------------|
| I | 130 | 2.7@ 55 Highest Year | 24.43% | 1.75% | 26.18% | 6.25% | 32.43% |
| II | 15 | 2% @ 60 Highest 3 Yr Avg | 24.43% | .75% | 25.18% | 6.25% | 31.43% |
| II | 41 | 2% @62 Highest 3 Yr Avg | 24.43% | 0.00% | 24.43% | 6.25% | 30.68% |

Significant investment losses experienced by CalPERS during the great recession resulted in overall funded status of the retirement system dropping to 60.8%.¹ Given the economic recovery, the funded status of the system has improved to 70%.² However, the desired goal is 100% funded status, where assets on hand are equal to the desired level of assets needed to pay pension benefits. After a thorough analysis, CalPERS actuaries determined the retirement system was at significant risk of falling to dangerously low funded status levels under existing actuarial policies.

Based on CalPERS most recent actuary the average annual retirement rate increase assumed in the Forecast is 5%.

Other Benefits

The Forecast assumes an annual 2% cost escalator for life insurance, long-term disability insurance, and the employee assistance program. Workers’ compensation costs vary widely depending on the number and type of claims, which makes these costs very hard to predict. The forecast assumes a 2% annual increase. No increases were forecasted for the following benefits: car allowance, internet allowance, excess medical pay, stand by pay and recreation bucks.

¹ CalPERS Pension & Health Benefits Committee, Agenda Item 9A: Amortization Periods and Smoothing Methods for Retirement Trust Funds. April 16, 2013.

² See Footnote #1.

Non-Personnel Expenditures

Non-personnel expenditures in FY 2016-17 were adjusted to remove one-time uses and build forecast projections off of base levels. For the out years of the Forecast, a growth rate based on projected CPI has been assumed from the FY 2015-16 non-personnel base levels in each of the four years. The average growth rate for the non-personnel category is 3% annually.

Transfers represent the General Fund’s contributions to other City funds to support debt payments, pay retiree health costs, finance capital projects, replenish capital project reserves, acquire new equipment, and to subsidize enterprises and operations. With the implementation of full cost allocation in FY 2015-16, General Fund expenses will be shifted to other City funds causing some of those funds’ revenues to fall short of expenses and necessitating the use of fund balances to cover expenses. The General Fund benefits in the near term with the cost shift, however, after fund balances in those other funds are drawn down to minimum levels, and absent aggressive revenue or cost actions in those other funds, General Fund subsidies are projected to kick in and remain flat in the forecast in order to maintain those fund balance minimums.

| FIVE-YEAR GENERAL FUND RESERVE FORECAST | | | | | | | |
|-----------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | FY 14-15 | FY 15-16 | FY 16-17 | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21-17 |
| | ACTUAL | FINAL | FORECAST | FORECAST | FORECAST | FORECAST | FORECAST |
| Economic Uncertainty I | 12,500,000 | 30,434 | 19,000,000 | 19,000,000 | 19,000,000 | 19,000,000 | 19,000,000 |
| Economic Uncertainty II | 1,400,000 | 12,500,000 | - | - | - | - | - |
| Economic Fluctuation | 2,000,000 | 2,000,000 | 1,400,000 | 1,400,000 | 1,400,000 | 1,400,000 | 1,400,000 |
| CIP Future Project | - | 1,400,000 | | | | | |
| PERS | 500,000 | 500,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| One Time Revenue | - | - | - | - | - | - | - |
| Equipment Fund Loan for 1A | - | - | - | - | - | - | - |
| Reserve for Encumbrances | 1,267,233 | 7,000,976 | 7,000,000 | 7,000,000 | 7,000,000 | 7,000,000 | 7,000,000 |
| Revenue Liability | 3,920,000 | - | - | - | - | - | - |
| General Building | 1,148,549 | | | | | | |
| Wolfe Road Transportation Study | 1,000,000 | 1,000,000 | - | - | - | - | - |
| I-280 Trail Study | 250,000 | 250,000 | - | - | - | - | - |
| Total Assigned | 23,985,782 | 24,681,410 | 27,500,000 | 27,500,000 | 27,500,000 | 27,500,000 | 27,500,000 |

General Fund reserves are projected to increase by \$2.9 million over the Forecast period. This driven by the City’s One-Time Use and Reserve Policy that consolidated prior reserves and established an escalator for most reserves listed.

| FIVE-YEAR GENERAL FUND UNASSIGNED FUND BALANCE FORECAST | | | | | | |
|---------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | FY 15-16 | FY 16-17 | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21 |
| | Estimate | Proposed | Forecast | Forecast | Forecast | Forecast |
| Unassigned EFB | 16,037,734 | 16,692,979 | 20,590,805 | 25,358,208 | 29,030,006 | 32,972,954 |

Although the General Fund unassigned fund balance is expected to grow substantially over the forecast period, it is anticipated that any unassigned fund balance over the \$500,000 will be transferred to the Capital Reserve. As mentioned several times throughout this document any General Fund unassigned fund balances above the \$500,000 maximum will be transferred out to the Capital Reserve.

ALL FUNDS SUMMARY

This section provides information on the FY 2016-17 Special Revenue, Debt Service, Capital Project, Enterprise and Internal Service Funds budgets including, expenditure and revenue highlights, transfers to other funds, reserve funds and the financial forecast.

Revenue Estimates

Estimates for the FY 2016-17 beginning fund balance and for the individual revenue accounts are based upon a careful examination of the collection history and patterns as they relate to such factors as seasonality and performance in the economic environment that the City is most likely to encounter in the coming year. Each source of revenue can be influenced by external (outside of the City's control) and/or internal factors. The FY 2016-17 revenue estimates are built on the assumption that the economy will continue to experience modest growth, which will positively impact the City's economic performance.

Special Revenue Funds

Special Revenue Funds are a fund type used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Special Revenue Funds include the Park Dedication, Transportation, Storm Drain, and Environmental Management/Clean Creeks funds.

Revenue

Revenue sources for special revenue funds are summarized in the table below and discussed in greater detail following the table:

| REVENUE SOURCES | 2014-15 | 2016-15 | 2016-17 |
|------------------------------|---------------------|---------------------|---------------------|
| | Actuals | Final Budget | Final Budget |
| Other Taxes | 4,525,318 | 766,652 | 33,034,404 |
| Use of Money & Property | 142,235 | 0 | 10,000 |
| Intergovernmental | 3,685,181 | 1,012,723 | 3,094,741 |
| Charges for Services | 383,015 | 0 | 0 |
| Miscellaneous Revenue | 2,724 | 502,000 | 502,000 |
| Fines and Forfeitures | 19,621 | 0 | 0 |
| Transfers In | 20,066,358 | 10,340,270 | 8,181,679 |
| Total Revenue Sources | \$28,824,453 | \$12,621,645 | \$44,822,824 |

Revenues are projected increase by \$34 million dollars due to some large one time below market housing dollars associated with developments in the City.

Expenditures

Expenditure uses for special revenue funds are summarized in the table below and discussed in greater detail following the table:

| EXPENDITURE USES | 2014-15 | 2016-15 | 2016-17 |
|--------------------------------|---------------------|---------------------|---------------------|
| | Actuals | Final Budget | Final Budget |
| Employee Compensation | 759,090 | 899,197 | 926,579 |
| Employee Benefits | 361,660 | 444,742 | 442,507 |
| Materials | 987,591 | 831,465 | 761,606 |
| Contract Services | 332,267 | 440,400 | 4,218,400 |
| Cost Allocation | 436,083 | 453,701 | 379,431 |
| Capital Outlays | 362,412 | 10,895,994 | 2,863,000 |
| Special Projects | 10,850,492 | 6,880,000 | 7,350,000 |
| Contingencies | 0 | 49,462 | 39,571 |
| Transfers Out | 0 | 0 | 0 |
| Total Expenditures Uses | \$14,089,594 | \$20,894,961 | \$16,981,094 |

Expenditures are projected to decrease by \$4 million dollars this is driven primarily due to a decrease in costs related to new capital projects.

Fund Balance

Fund balance represents a funds savings and is calculated by taking the beginning balance and then adding the difference between revenue and expenditures to arrive at the ending fund balance.

| CHANGES TO FUND BALANCE | 2014-15 | 2015-16 | 2016-17 |
|-----------------------------------------|---------------------|---------------------|---------------------|
| | Actuals | Final Budget | Final Budget |
| Beginning Balance | 24,075,068 | 38,809,927 | 30,536,611 |
| Net Increase (Decrease) in Fund Balance | 14,734,859 | \$ (8,273,316) | 27,841,730 |
| Ending Balance | \$38,809,927 | \$30,536,611 | \$58,378,341 |

The biggest drop in fund balance was due to the Lawrence Mitty project that is anticipated to use over \$8 million in Park Land fund dollars in FY2015-16 and a substantial increase in FY2016-17 due to one-time below market housing dollars do to new developments in the City.

Debt Service Fund

The Debt Service Fund provides for the payment of principal and interest and associated administrative costs incurred with the issuance of debt instruments for the City's Public Facilities Corporation. The budget funds the Corporation's annual payment of principal and interest on the City Hall/Library, Wilson/Memorial Open Space and Library Certificates of Participation (COP) that will be paid off by the year 2030.

Revenue

Revenue sources for special revenue funds are summarized in the table below and discussed in greater detail following the table:

| REVENUE SOURCES | 2014-15 Actuals | 2016-15 Final Budget | 2016-17 Final Budget |
|------------------------------|--------------------|-------------------------|-------------------------|
| Use of Money & Property | 791 | 0 | 0 |
| Transfers In | 3,171,840 | 3,167,538 | 3,167,538 |
| Total Revenue Sources | \$3,172,631 | \$3,167,538 | \$3,167,538 |

There is no projected change to revenues.

Expenditures

Expenditure uses for special revenue funds are summarized in the table below and discussed in greater detail following the table:

| EXPENDITURE USES | 2014-15 Actuals | 2016-15 Final Budget | 2016-17 Final Budget |
|--------------------------------|--------------------|-------------------------|-------------------------|
| Debt Service | 3,175,138 | 3,167,538 | 3,167,538 |
| Transfers Out | 0 | 0 | 0 |
| Total Expenditures Uses | \$3,175,138 | \$3,167,538 | \$3,167,538 |

Expenditures are expected to remain the same. This represents a repayment of debt and payments are fixed for the life of the loan that is set to be paid off in 2030.

Fund Balance

Fund balance represents a funds savings and is calculated by taking the beginning balance and then adding the difference between revenue and expenditures to arrive at the ending fund balance.

| CHANGES TO FUND BALANCE | 2014-15 | 2016-15 | 2016-17 |
|-----------------------------------------|--------------------|--------------------|--------------------|
| | Actuals | Final Budget | Final Budget |
| Beginning Balance | 1,594,190 | 1,591,683 | 1,591,683 |
| Net Increase (Decrease) in Fund Balance | (2,507) | \$ - | 0 |
| Ending Balance | \$1,591,683 | \$1,591,683 | \$1,591,683 |

Capital Project Funds

This fund pays for the acquisition and/or construction of major capital facilities.

Revenue

Revenue sources for special revenue funds are summarized in the table below and discussed in greater detail following the table:

| REVENUE SOURCES | 2014-15 | 2016-15 | 2016-17 |
|------------------------------|---------------------|--------------|--------------------|
| | Actuals | Final Budget | Final Budget |
| Intergovernmental | 2,693,600 | 0 | 0 |
| Transfers In | 16,170,792 | 0 | 5,907,000 |
| Total Revenue Sources | \$18,864,392 | \$0 | \$5,907,000 |

Revenue is projected to increase by \$5.9 million dollars. This increase represents the movement of fund balance between the Capital Reserve and Capital Fund.

Expenditures

Expenditure uses for special revenue funds are summarized in the table below and discussed in greater detail following the table:

| EXPENDITURE USES | 2014-15 | 2016-15 | 2016-17 |
|--------------------------------|--------------------|--------------------|---------------------|
| | Actuals | Final Budget | Final Budget |
| Employee Compensation | 0 | 0 | 0 |
| Employee Benefits | 0 | 0 | 0 |
| Materials | 3,418 | 0 | 0 |
| Contract Services | 104,509 | 0 | 0 |
| Contingencies | 0 | 0 | 0 |
| Cost Allocation | 0 | 0 | 0 |
| Special Projects | 3,423,925 | 3,260,000 | 5,907,000 |
| Transfers Out | 0 | 5,690,000 | 9,165,000 |
| Total Expenditures Uses | \$3,531,852 | \$8,950,000 | \$15,072,000 |

Expenditures are projected to increase by \$5.5 million dollars this is due to an increase in the transfer out of funds to fund capital projects in other funds.

Fund Balance

Fund balance represents a funds savings and is calculated by taking the beginning balance and then adding the difference between revenue and expenditures to arrive at the ending fund balance.

| CHANGES TO FUND BALANCE | 2014-15 | 2016-15 | 2016-17 |
|-----------------------------------------|---------------------|---------------------|---------------------|
| | Actuals | Final Budget | Final Budget |
| Beginning Balance | 21,194,724 | 36,527,264 | 27,577,264 |
| Net Increase (Decrease) in Fund Balance | 15,332,540 | \$ (8,950,000) | (9,165,000) |
| Ending Balance | \$36,527,264 | \$27,577,264 | \$18,412,264 |

Enterprise Funds

Enterprise Funds are set up for specific services that are funded directly by fees charged for goods or services. Enterprise Funds include the Resource Recovery, Sports Center, Blackberry Farm Golf Course and Recreation funds.

Revenue

Revenue sources for special revenue funds are summarized in the table below and discussed in greater detail following the table:

| REVENUE SOURCES | 2014-15 | 2016-15 | 2016-17 |
|------------------------------|--------------------|--------------------|--------------------|
| | Actuals | Final Budget | Final Budget |
| Use of Money & Property | 65,799 | 7,000 | 213,200 |
| Intergovernmental | 0 | 0 | 0 |
| Charges for Services | 7,651,826 | 4,434,855 | 6,834,500 |
| Miscellaneous Revenue | -10,427 | 0 | 0 |
| Transfers In | 113,652 | 4,291,990 | 1,764,091 |
| Total Revenue Sources | \$7,820,850 | \$8,733,845 | \$8,811,791 |

Revenue is projected to increase by \$1.0 this is driven by increased charges for services that are more inline with prior year actuals. As part of the budget process each fund is evaluated, funds that bringing in less revenue than they are expending require the use of fund balance or a subsidy from the General Fund.

Expenditures

Expenditure uses for special revenue funds are summarized in the table below and discussed in greater detail following the table:

| EXPENDITURE USES | 2014-15 | 2016-15 | 2016-17 |
|--------------------------------|--------------------|--------------------|---------------------|
| | Actuals | Final Budget | Final Budget |
| Employee Compensation | 1,366,587 | 1,684,519 | 1,599,429 |
| Employee Benefits | 357,653 | 492,698 | 457,858 |
| Materials | 360,232 | 457,468 | 471,214 |
| Contract Services | 4,985,360 | 5,484,662 | 6,032,888 |
| Contingencies | 13,052 | 341,869 | 273,496 |
| Cost Allocation | 583,511 | 592,675 | 661,972 |
| Special Projects | -182,564 | 256,500 | 549,000 |
| Transfers Out | 1,209,759 | 266,680 | 266,680 |
| Total Expenditures Uses | \$8,693,589 | \$9,577,071 | \$10,312,537 |

Expenditures are projected to increase by \$0.8 million dollars. This decrease is driven primarily a reduction salary and benefits due to position reallocation and increased in contract services.

Fund Balance

Fund balance represents a funds savings and is calculated by taking the beginning balance and then adding the difference between revenue and expenditures to arrive at the ending fund balance.

| CHANGES TO FUND BALANCE | 2014-15 | 2016-15 | 2016-17 |
|-----------------------------------------|--------------------|--------------------|--------------------|
| | Actuals | Final Budget | Final Budget |
| Beginning Balance | 4,575,308 | 3,702,569 | 2,859,343 |
| Net Increase (Decrease) in Fund Balance | -872,739 | \$ (843,226) | (1,500,746) |
| Ending Balance | \$3,702,569 | \$2,859,343 | \$1,358,597 |

Internal Service Funds

Internal Service Funds are used for areas where goods or services are provided to other departments or governments on a cost-reimbursement basis. Internal Service Funds include the Information Technology, City Channel and Website, Equipment, Workers Compensation, Long-Term Disability/Compensated Absence, and Retiree Medical funds.

Revenue

Revenue sources for special revenue funds are summarized in the table below and discussed in greater detail following the table:

| REVENUE SOURCES | 2014-15 | 2016-15 | 2016-17 |
|------------------------------|--------------------|--------------------|--------------------|
| | Actuals | Final Budget | Final Budget |
| Use of Money & Property | 40,752 | 0 | 0 |
| Charges for Services | 4,293,851 | 3,892,776 | 5,191,403 |
| Miscellaneous Revenue | 5,030 | 0 | 0 |
| Transfers In | 640,634 | 2,220,163 | 2,645,673 |
| Total Revenue Sources | \$4,980,268 | \$6,112,939 | \$7,837,076 |

Revenues are project to increase by \$1.7 million dollars. The increase is due to increased charges for services driven primarily by increased costs in Information Services and increased transfers in from the General Fund to fund Government Channel and website operations.

Expenditures

Expenditure uses for special revenue funds are summarized in the table below and discussed in greater detail following the table:

| EXPENDITURE USES | 2014-15 | 2016-15 | 2016-17 |
|--------------------------------|--------------------|--------------------|---------------------|
| | Actuals | Final Budget | Final Budget |
| Employee Compensation | 1,114,644 | 1,233,363 | 1,456,323 |
| Employee Benefits | 1,678,428 | 1,531,662 | 1,499,550 |
| Materials | 367,064 | 429,618 | 499,984 |
| Contract Services | 1,530,398 | 2,253,039 | 2,759,365 |
| Cost Allocation | 210,072 | 210,027 | 795,737 |
| Special Projects | 511,915 | 1,715,105 | 2,490,105 |
| Contingencies | 4,798 | 262,701 | 210,163 |
| Transfers Out | 665,550 | 765,500 | 765,500 |
| Total Expenditures Uses | \$6,082,869 | \$8,401,015 | \$10,476,727 |

Expenditures are projected to increase by \$10.1 this is due to increased costs related equipment and vehicle purchases costs.

Retained Earnings

Internal Service Funds carry retained earnings instead of fund balance. Retained earnings represent a fund's savings and are calculated in the same manner as fund balance, taking the beginning balance and then adding the difference between revenue and expenditures to arrive at the ending fund balance.

| CHANGES TO RETAINED EARNINGS | 2014-15 | 2016-15 | 2016-17 |
|-----------------------------------------|---------------------|---------------------|---------------------|
| | Actuals | Final Budget | Final Budget |
| Beginning Balance | 18,174,515 | 17,071,914 | 14,783,838 |
| Net Increase (Decrease) in Fund Balance | -1,102,601 | \$ (2,288,076) | (2,639,651) |
| Ending Balance | \$17,071,914 | \$14,783,838 | \$12,144,187 |

**FISCAL YEAR 2016-2017 FINAL BUDGET
FIVE YEAR FORECAST - GENERAL FUND REVENUE**

| OBJECT | 2014-15 | 2015-16 | FY2015-16 | 5 YEAR FORECAST | | | | |
|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Actuals | Amended | Estimate | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 |
| Sales Tax | 21,750,534 | 20,360,000 | 22,000,000 | 22,440,000 | 24,002,000 | 23,763,000 | 23,806,000 | 24,330,000 |
| Property Tax | 15,751,773 | 16,055,000 | 17,680,000 | 18,741,000 | 19,513,000 | 21,623,000 | 22,055,000 | 22,496,000 |
| Transient Occupancy | 5,582,096 | 5,072,000 | 6,500,000 | 6,708,000 | 7,800,000 | 7,956,000 | 8,091,000 | 8,212,000 |
| Utility Tax | 2,861,858 | 3,100,000 | 3,100,000 | 3,122,000 | 3,144,000 | 3,166,000 | 3,188,000 | 3,210,000 |
| Franchise Fees | 2,849,991 | 2,800,000 | 2,800,000 | 2,900,000 | 2,903,000 | 2,952,000 | 3,008,000 | 3,065,000 |
| Other Taxes | 1,812,664 | 1,400,000 | 1,400,000 | 1,600,000 | 1,128,000 | 1,156,000 | 1,185,000 | 1,215,000 |
| Licenses & Permits | 3,170,446 | 6,171,000 | 2,800,000 | 2,499,000 | 1,600,000 | 1,490,000 | 1,538,000 | 1,586,000 |
| Use of Money & Property | 807,963 | 742,530 | 800,000 | 776,980 | 808,000 | 808,000 | 808,000 | 808,000 |
| Intergovernmental | 831,781 | 600,000 | 600,000 | 230,500 | 265,000 | 265,000 | 265,000 | 265,000 |
| Charges for Services | 3,139,629 | 10,590,878 | 10,590,878 | 19,003,224 | 16,291,500 | 16,093,000 | 15,176,000 | 15,159,000 |
| Fines & Forfeitures | 551,278 | 585,000 | 550,000 | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 |
| Miscellaneous/Other | 24,395,123 | 737,389 | 737,389 | 383,300 | 0 | 0 | 0 | 0 |
| TOTAL REVENUE | 83,505,137 | 68,213,797 | 69,558,267 | 79,004,004 | 78,054,500 | 79,872,000 | 79,720,000 | 80,946,000 |

**FISCAL YEAR 2016-2017 FINAL BUDGET
FIVE YEAR FORECAST - GENERAL FUND REVENUE**

| OBJECT | 2014-15 | 2015-16 | FY2015-16 | 5 YEAR FORECAST | | | | |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Actuals | Amended | Estimate | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 |
| Employee Compensation | 11,915,729 | 13,557,481 | 13,656,167 | 15,348,029 | 15,501,509 | 15,656,524 | 15,813,090 | 15,971,221 |
| Employee Benefits | 4,777,772 | 5,795,013 | 5,795,013 | 6,350,028 | 6,477,029 | 6,606,569 | 6,738,701 | 6,873,475 |
| Personnel Costs | 16,693,502 | 19,352,494 | 19,451,180 | 21,698,057 | 21,978,538 | 22,263,094 | 22,551,790 | 22,844,695 |
| Materials | 3,206,363 | 3,359,738 | 3,642,483 | 4,173,507 | 4,287,000 | 4,399,000 | 4,486,000 | 4,563,000 |
| Contract Services | 12,998,291 | 14,976,577 | 16,879,015 | 17,849,345 | 18,378,903 | 18,930,270 | 19,498,178 | 20,083,123 |
| Appropriations for Contingencies | - | 1,232,747 | 1,233,659 | 1,249,396 | 1,249,396 | 1,249,396 | 1,249,396 | 1,249,396 |
| Cost Allocation | 2,875,422 | 3,336,132 | 3,336,132 | 13,262,837 | 13,262,837 | 13,262,837 | 13,262,837 | 13,262,837 |
| Debt Service/Other Uses | 2,903 | 1,256,000 | 1,256,000 | 247,300 | - | - | - | - |
| Capital Outlays & Special Projects | 5,730,232 | 2,410,995 | 13,813,771 | 5,780,639 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Total Non-Personnel | 24,813,210 | 26,572,189 | 40,161,060 | 42,563,024 | 39,178,136 | 39,841,503 | 40,496,411 | 41,158,357 |
| Net Transfers | 22,891,804 | 31,627,286 | 39,177,286 | 12,961,373 | 13,000,000 | 13,000,000 | 13,000,000 | 13,000,000 |
| TOTAL EXPENDITURES | 64,398,516 | 77,551,969 | 98,789,526 | 77,222,455 | 74,156,674 | 75,104,597 | 76,048,202 | 77,003,052 |

**FISCAL YEAR 2016-2017 FINAL BUDGET
FIVE YEAR FORECAST - GENERAL FUND REVENUE**

| Classification | 2014-15 | 2015-16 | FY2015-16 | 5 YEAR FORECAST | | | | |
|----------------------------------|------------|------------|------------|-----------------|------------|------------|------------|------------|
| | Actuals | Amended | Estimate | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 |
| Beginning Fund Balance | 45,680,396 | 42,317,331 | 31,302,617 | 34,129,020 | 44,954,672 | 48,852,498 | 52,750,324 | 56,422,122 |
| Assigned/Other | 23,985,782 | 30,466,398 | 22,831,064 | 28,261,693 | 28,261,693 | 28,261,693 | 28,261,693 | 28,261,693 |
| Unassigned | 18,331,549 | 836,219 | 11,297,956 | 16,692,979 | 20,590,805 | 25,358,208 | 29,030,006 | 32,972,954 |
| Total Ending Fund Balance | 42,317,331 | 31,302,617 | 34,129,020 | 44,954,672 | 48,852,498 | 52,750,324 | 56,422,122 | 60,365,070 |

**FISCAL YEAR 2016-2017 FINAL BUDGET
FIVE YEAR FORECAST - SPECIAL REVENUE FUND REVENUE**

| PROGRAM | 2015-16 | | FY 2015-16 | 5 YEAR FORECAST | | | | |
|------------------------------------------------|-------------------|-------------------|------------------|-------------------|------------------|------------------|------------------|------------------|
| | Actuals | Final Budget | Projection | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 |
| STORM DRAIN IMPROVEMENT | | | | | | | | |
| Investment Earnings | 16,640 | - | 1,000 | - | - | - | - | - |
| Developer Fees | 144,553 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Transfer in from Capital Reserve | - | - | - | 1,950,000 | - | - | - | - |
| Transfer from General Fund | 1,635,000 | - | 210,000 | - | 210,000 | 210,000 | 210,000 | 210,000 |
| TOTAL | 1,796,193 | 100,000 | 311,000 | 2,050,000 | 310,000 | 310,000 | 310,000 | 310,000 |
| PARK DEDICATION | | | | | | | | |
| Park Dedication Fee | 329,500 | 100,000 | 200,000 | 17,821,125 | 200,000 | 200,000 | 200,000 | 200,000 |
| Investment Earnings | 37,905 | - | 1,000 | - | - | - | - | - |
| TOTAL | 367,405 | 100,000 | 201,000 | 17,821,125 | 200,000 | 200,000 | 200,000 | 200,000 |
| ENVIRON. MGMT./CLEAN CREEKS/STORM DRAIN | | | | | | | | |
| Investment Earnings | 665 | - | 1,000 | - | - | - | - | - |
| Fees | 371,393 | 502,000 | 365,000 | 502,000 | 365,000 | 365,000 | 365,000 | 365,000 |
| Transfer in from Capital Reserve | - | 128,679 | - | 128,679 | - | - | - | - |
| Transfer from General Fund | 158,004 | - | 135,000 | - | - | - | - | - |
| TOTAL | 530,062 | 630,679 | 501,000 | 630,679 | 365,000 | 365,000 | 365,000 | 365,000 |
| TRANSPORTATION | | | | | | | | |
| Investment Earnings | 32,889 | - | 2,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Transfer from General Fund | 8,913,357 | - | 7,913,357 | 5,800,000 | 5,800,000 | 5,800,000 | 5,800,000 | 5,800,000 |
| Transfer from Capital Reserves | 9,359,997 | 9,966,353 | - | 6,103,000 | - | - | - | - |
| Vehicle Registration Fee | 734,281 | 359,000 | 330,000 | 720,000 | 330,000 | 330,000 | 330,000 | 330,000 |
| Grants | 1,043,376 | 110,000 | - | 575,151 | - | - | - | - |
| Gasoline Tax | 1,345,397 | 482,414 | 1,717,000 | 1,485,000 | 1,485,000 | 1,485,000 | 1,485,000 | 1,485,000 |
| TOTAL | 21,429,297 | 10,917,767 | 9,962,357 | 14,693,151 | 7,625,000 | 7,625,000 | 7,625,000 | 7,625,000 |

**FISCAL YEAR 2016-2017 FINAL BUDGET
FIVE YEAR FORECAST - SPECIAL REVENUE FUND REVENUE**

| PROGRAM | 2014-15 | 2015-16 | FY 2015-16 | 5 YEAR FORECAST | | | | |
|--------------------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|
| | Actuals | Final Budget | Projection | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 |
| HOUSING & COMMUNITY DEVELOPMENT | | | | | | | | |
| Investment Earnings | 53,702 | - | 30,000 | - | - | - | - | - |
| Grants | 581,249 | 306,547 | 310,000 | 314,590 | 314,590 | 314,590 | 314,590 | 314,590 |
| Housing Mitigation Fees | 4,051,266 | 566,652 | 100,000 | 15,113,279 | 100,000 | 100,000 | 100,000 | 100,000 |
| Transfer from General Fund | - | - | - | - | - | - | - | - |
| TOTAL | 4,686,216 | 873,199 | 440,000 | 15,427,869 | 414,590 | 414,590 | 414,590 | 414,590 |
| <hr/> | | | | | | | | |
| TOTAL SPECIAL REVENUE FUNDS | 28,809,173 | 12,621,645 | 11,415,357 | 50,622,824 | 8,914,590 | 8,914,590 | 8,914,590 | 8,914,590 |

**FISCAL YEAR 2016-2017 FINAL BUDGET
FIVE YEAR FORECAST - DEBT SERVICE FUND REVENUE**

| PROGRAM | 2014-15 | 2015-16 | FY 2015-16 | 5 YEAR FORECAST | | | | | |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---|
| | Actuals | Final Budget | Projection | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | |
| PUBLIC FACILITIES CORPORATION | | | | | | | | | |
| Investment Earnings | 791 | - | - | - | - | - | - | - | - |
| Debt Refinancing | - | - | - | - | - | - | - | - | - |
| Transfer from General Fund | 3,171,840 | 3,167,538 | 3,079,000 | 3,167,538 | 3,173,038 | 3,169,438 | 3,172,838 | 3,169,138 | |
| TOTAL | 3,172,631 | 3,167,538 | 3,079,000 | 3,167,538 | 3,173,038 | 3,169,438 | 3,172,838 | 3,169,138 | |

**FISCAL YEAR 2016-2017 FINAL BUDGET
FIVE YEAR FORECAST - CAPITAL PROJECT FUND REVENUE**

| PROGRAM | 2014-15 | 2015-16 | FY 2015-16 | 5 YEAR FORECAST | | | | |
|--------------------------------------------|-------------------|--------------|----------------|------------------|-----------|-----------|-----------|-----------|
| | Actuals | Final Budget | Projection | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 |
| CAPITAL IMPROVEMENT PROJECTS | | | | | | | | |
| Transfers from Capital Reserves | 4,968,004 | - | 590,000 | 5,907,000 | - | - | - | - |
| Transfers from Enterprise Fund | 986,000 | - | - | - | - | - | - | - |
| Grants/Other Income | - | - | - | - | - | - | - | - |
| TOTAL | 5,954,004 | - | 590,000 | 5,907,000 | - | - | - | - |
| CAPITAL RESERVES | | | | | | | | |
| Transfers from Stevens Creek Corridor Park | - | - | - | - | - | - | - | - |
| Transfers from Capital Improvement | - | - | - | - | - | - | - | - |
| Transfers from Transportation | - | - | - | - | - | - | - | - |
| Transfers from General Fund | 10,216,788 | - | - | - | - | - | - | - |
| TOTAL | 10,216,788 | - | - | - | - | - | - | - |
| STEVENS CREEK CORRIDOR PARK | | | | | | | | |
| Transfers from Park Dedication | - | - | - | - | - | - | - | - |
| Transfers from Capital Reserves | - | - | - | - | - | - | - | - |
| Transfers from Recreation | - | - | - | - | - | - | - | - |
| Grants | 2,693,600 | - | 289,000 | - | - | - | - | - |
| TOTAL | 2,693,600 | - | 289,000 | - | - | - | - | - |
| TOTAL CAPITAL FUNDS | 18,864,392 | - | 879,000 | 5,907,000 | - | - | - | - |

**FISCAL YEAR 2016-2017 FINAL BUDGET
FIVE YEAR FORECAST - ENTERPRISE FUND REVENUE**

| PROGRAM | 2014-15 | 2015-16 | FY 2015-16 | 5 YEAR FORECAST | | | | |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Actuals | Final Budget | Projection | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 |
| RESOURCE RECOVERY | | | | | | | | |
| Investment Earnings | 27,085 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 |
| Charges for Services | 2,591,277 | 1,917,000 | 1,917,000 | 1,917,000 | 1,917,000 | 1,917,000 | 1,917,000 | 1,917,000 |
| Grants | - | - | - | - | - | - | - | - |
| TOTAL | 2,618,362 | 1,924,000 |
| BLACKBERRY FARM GOLF COURSE | | | | | | | | |
| Investment Earnings | 3,020 | - | 1,000 | - | - | - | - | - |
| Rentals | 21,713 | - | 15,000 | 22,000 | 22,000 | 22,000 | 22,000 | 22,000 |
| Charges for Services | 480,034 | 410,000 | 358,000 | 381,000 | 381,000 | 381,000 | 381,000 | 381,000 |
| Transfer from Capital Reserve | - | - | - | - | - | - | - | - |
| Transfer from General Fund | - | 262,004 | - | 326,929 | 326,929 | 326,929 | 326,929 | 326,929 |
| TOTAL | 504,767 | 672,004 | 374,000 | 729,929 | 729,929 | 729,929 | 729,929 | 729,929 |
| SPORTS CENTER | | | | | | | | |
| Investment Earnings | 1,976 | - | 1,000 | - | - | - | - | - |
| Rent | 1,555 | - | 1,000 | 1,200 | 1,200 | 1,200 | 1,200 | 1,200 |
| Charges for Services | 2,150,939 | 2,107,000 | 1,640,000 | 2,285,000 | 2,285,000 | 2,285,000 | 2,285,000 | 2,285,000 |
| Transfer from General Fund | - | 657,732 | 154,000 | 999,054 | 154,000 | 154,000 | 154,000 | 154,000 |
| TOTAL | 2,154,469 | 2,764,732 | 1,796,000 | 3,285,254 | 2,440,200 | 2,440,200 | 2,440,200 | 2,440,200 |
| RECREATION PROGRAMS | | | | | | | | |
| Investment Earnings | 10,450 | - | 5,000 | - | - | - | - | - |
| Charges for Services | 2,532,802 | 2,517,885 | - | 2,434,500 | 2,434,500 | 2,434,500 | 2,434,500 | 2,434,500 |
| Transfer from General Fund | - | 855,254 | - | 438,108 | 150,000 | 150,000 | 150,000 | 150,000 |
| Transfer from Capital Reserves | - | - | - | - | - | - | - | - |
| Transfer from Capital Improvement | - | - | - | - | - | - | - | - |
| TOTAL | 2,543,252 | 3,373,139 | 5,000 | 2,872,608 | 2,584,500 | 2,584,500 | 2,584,500 | 2,584,500 |
| TOTAL ENTERPRISE FUNDS | 7,820,850 | 8,733,875 | 4,099,000 | 8,811,791 | 7,678,629 | 7,678,629 | 7,678,629 | 7,678,629 |

**FISCAL YEAR 2016-2017 FINAL BUDGET
FIVE YEAR FORECAST - INTERNAL SERVICE FUND REVENUE**

| PROGRAM | 2014-15 | 2015-16 | FY 2015-16 | 5 YEAR FORECAST | | | | | |
|-------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--|
| | Actuals | Final Budget | Projection | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | |
| INFORMATION TECHNOLOGY | | | | | | | | | |
| Investment Earnings | 14,370 | - | 5,000 | - | - | - | - | - | |
| Charges for Services | 1,653,966 | 1,658,064 | 1,400,000 | 2,884,971 | 2,884,971 | 2,884,971 | 2,884,971 | 2,884,971 | |
| Transfers In from General Fund | 241,604 | - | 333,000 | 647,264 | - | - | - | - | |
| TOTAL | 1,909,940 | 1,658,064 | 1,738,000 | 3,532,235 | 2,884,971 | 2,884,971 | 2,884,971 | 2,884,971 | |
| CITY CHANNEL | | | | | | | | | |
| Investment Earnings | 3,524 | - | - | - | - | - | - | - | |
| Charges for Services | 956,484 | 779,668 | 939,000 | - | - | - | - | - | |
| Transfers In from General Fund | - | - | 50,000 | 1,848,409 | 1,448,409 | 1,448,409 | 1,448,409 | 1,448,409 | |
| TOTAL | 960,008 | 779,668 | 989,000 | 1,848,409 | 1,448,409 | 1,448,409 | 1,448,409 | 1,448,409 | |
| WORKERS' COMPENSATION | | | | | | | | | |
| Investment Earnings | 9,289 | - | 2,000 | - | - | - | - | - | |
| Charges for Services | 346,524 | 719,365 | - | 500,732 | 500,732 | 500,732 | 500,732 | 500,732 | |
| Transfers In from General Fund | 10,968 | - | 10,970 | - | - | - | - | - | |
| TOTAL | 366,781 | 719,365 | 12,970 | 500,732 | 500,732 | 500,732 | 500,732 | 500,732 | |
| VEHICLE/EQUIPMENT REPLACEMENT | | | | | | | | | |
| Investment Earnings | 11,499 | - | - | - | - | - | - | - | |
| Charges for Services | 1,437,440 | 1,430,537 | 1,436,672 | 1,721,825 | 1,290,825 | 1,290,825 | 1,290,825 | 1,290,825 | |
| TOTAL | 1,448,939 | 1,430,537 | 1,436,672 | 1,721,825 | 1,290,825 | 1,290,825 | 1,290,825 | 1,290,825 | |
| COMPENSATED ABSENCE & LONG-TERM DISABILITY | | | | | | | | | |
| Investment Earnings | 809 | - | - | - | - | - | - | - | |
| Charges for Services | 81,275 | 84,810 | 84,810 | 83,875 | 83,875 | 83,875 | 83,875 | 83,875 | |
| Transfers In from General Fund | 211,254 | 440,000 | 440,000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | |
| TOTAL | 293,338 | 524,810 | 524,810 | 233,875 | 233,875 | 233,875 | 233,875 | 233,875 | |

**FISCAL YEAR 2016-2017 FINAL BUDGET
FIVE YEAR FORECAST - INTERNAL SERVICE FUND REVENUE**

| PROGRAM | 2014-15 | 2015-16 | FY 2015-16 | 5 YEAR FORECAST | | | | |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Actuals | Final Budget | Projection | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 |
| RETIREE MEDICAL | | | | | | | | |
| Investment Earnings | 1,260 | - | - | - | - | - | - | - |
| Transfers In from General Fund | - | 1,000,495 | - | 931,335 | 931,335 | 931,335 | 931,335 | 931,335 |
| TOTAL | 1,260 | 1,000,495 | - | 931,335 | 931,335 | 931,335 | 931,335 | 931,335 |
| TOTAL ALL PROGRAMS | 4,980,266 | 6,112,939 | 4,701,452 | 8,768,411 | 7,290,147 | 7,290,147 | 7,290,147 | 7,290,147 |

**FISCAL YEAR 2016-2017 FINAL BUDGET
FIVE YEAR FORECAST - SPECIAL REVENUE FUND EXPENDITURES**

| PROGRAM | 2014-15 | 2015-16 | FY 2015-16 | 5 YEAR FORECAST | | | | |
|-------------------------------------------------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Actuals | Final Budget | Projection | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 |
| STORM DRAIN IMPROVEMENT | | | | | | | | |
| 210-90-978 Minor Storm Drain Improvements | 4,898 | 75,000 | 75,000 | 75,000 | - | - | - | - |
| 210-90-979 2012-13 Minor Storm Drain Improvements | 18,505 | - | - | - | - | - | - | - |
| 210-90-980 SD Master Plan Update | - | - | 75,000 | 50,000 | - | - | - | - |
| 210-99-042 Storm Drain Improvement - Foothill/Cupertino Rd. | - | - | - | 1,900,000 | - | - | - | - |
| 215-90-982 Bubb Road/Elm Court SD Improvement | 107,696 | - | - | - | - | - | - | - |
| 210-90-983 Monta Vista Storm Drain System | 89,667 | - | - | - | - | - | - | - |
| TOTAL | 220,766 | 75,000 | 150,000 | 2,025,000 | | | | |
| PARK DEDICATION | | | | | | | | |
| 280-99-009 CIP - Lawrence Mitty Park | - | 8,270,994 | - | - | - | - | - | - |
| TOTAL | - | 8,270,994 | - | - | - | - | - | - |
| ENVIRON. MGMT./CLEAN CREEKS/STORM DRAIN | | | | | | | | |
| 230-81-802 Non Point Source | 456,935 | 630,679 | 630,679 | 671,613 | 671,613 | 671,613 | 671,613 | 671,613 |
| TOTAL | 456,935 | 630,679 | 630,679 | 671,613 | 671,613 | 671,613 | 671,613 | 671,613 |
| TRANSPORTATION | | | | | | | | |
| 270-85-820 Sidewalk, Curb and Gutter Maint | 1,151,135 | 962,547 | 387,000 | 1,001,932 | 1,001,932 | 1,001,932 | 1,001,932 | 1,001,932 |
| 270-85-821 Street Pavement Maintenance | 10,281,775 | 6,698,224 | 4,600,000 | 7,275,167 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| 270-85-822 Street Signs/Markings | 721,333 | 768,990 | 701,111 | 662,359 | 662,359 | 662,359 | 662,359 | 662,359 |
| 270-90-957 Phase I McClellan Sidwalk Improvements | 32,594 | - | - | - | - | - | - | - |
| 270-90-958 Orange and Byrne Sidewalk Improvements | - | 500,000 | - | - | - | - | - | - |
| 270-90-959 Access Transition Plan Upgrade | 42,058 | - | - | - | - | - | - | - |
| 270-90-960 Bridge Rehab Minor | - | - | - | 535,000 | - | - | - | - |
| 270-90-961 Street Median Irrigation Plant Replacement | 408 | 220,000 | - | 220,000 | - | - | - | - |
| 270-90-962 Bicycle Pedestrian Facility Improvements | 22,039 | 700,000 | - | 83,000 | - | - | - | - |
| 270-90-963 Mary Pedestrian Stsca Improvements | 21,268 | - | - | - | - | - | - | - |
| 270-90-976 Phase 2 McClellan Sidewalk Improvements | - | 935,000 | - | - | - | - | - | - |
| 270-90-977 SCB Perimeter Turn Ext. | 25,200 | 105,000 | 105,000 | - | - | - | - | - |
| 270-99-042 Storm Drain Improvement - Foothill/Cuperitno Rd. | - | 90,000 | 90,000 | - | - | - | - | - |
| TOTAL | 12,297,809 | 10,979,761 | 5,883,111 | 9,777,458 | 3,664,291 | 3,664,291 | 3,664,291 | 3,664,291 |

**FISCAL YEAR 2016-2017 FINAL BUDGET
FIVE YEAR FORECAST - SPECIAL REVENUE FUND EXPENDITURES**

| PROGRAM | 2014-15 | 2015-16 | FY 2015-16 | 5 YEAR FORECAST | | | | | |
|--------------------------------------------|-------------------|-------------------|------------------|-------------------|------------------|------------------|------------------|------------------|--|
| | Actuals | Final Budget | Projection | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | |
| HOUSING & COMMUNITY DEVELOPMENT | | | | | | | | | |
| 260-72-707 General Administration | 61,564 | 61,309 | 61,309 | 63,768 | 63,768 | 63,768 | 63,768 | 63,768 | |
| 260-72-709 Affordable Housing | 532,077 | 370,103 | 370,103 | 284,484 | 284,484 | 284,484 | 284,484 | 284,484 | |
| 260-72-710 Public Service Grants | 48,141 | 45,982 | 45,982 | 47,188 | 47,188 | 47,188 | 47,188 | 47,188 | |
| 265-72-711 Below Market Rate Housing | 472,301 | 461,133 | 454,681 | 4,111,583 | 475,000 | 475,000 | 475,000 | 475,000 | |
| TOTAL | 1,114,084 | 938,527 | 932,075 | 4,507,023 | 870,440 | 870,440 | 870,440 | 870,440 | |
| <hr/> | | | | | | | | | |
| TOTAL ALL SPECIAL REVENUE | 14,089,594 | 20,894,961 | 7,595,865 | 16,981,094 | 5,206,344 | 5,206,344 | 5,206,344 | 5,206,344 | |

**FISCAL YEAR 2016-2017 FINAL BUDGET
FIVE YEAR FORECAST - DEBT SERVICE FUND EXPENDITURES**

| PROGRAM | 2014-15 | 2015-16 | FY 2015-16 | 5 YEAR FORECAST | | | | |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Actuals | Final Budget | Projection | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 |
| PUBLIC FACILITIES CORPORATION | | | | | | | | |
| 5301 Principal | 2,055,000 | 2,090,000 | 2,090,000 | 2,135,000 | 2,180,000 | 2,220,000 | 2,290,000 | 2,290,000 |
| 5301 Interest + Fees | 1,118,638 | 1,077,538 | 1,077,538 | 1,035,738 | 993,038 | 949,438 | 882,838 | 882,838 |
| 5301 Debt Refinancing | - | - | - | - | - | - | - | - |
| TOTAL | 3,173,638 | 3,167,538 | 3,167,538 | 3,170,738 | 3,173,038 | 3,169,438 | 3,172,838 | 3,172,838 |

FISCAL YEAR 2016-2017 FINAL BUDGET FIVE YEAR FORECAST - CAPITAL PROJECT FUND EXPENDITURES

| PROGRAM | 2014-15 | 2015-16 | FY 2015-16 | 5 YEAR FORECAST | | | | |
|------------------------------------------------------------|-----------|--------------|------------|-----------------|-----------|-----------|-----------|-----------|
| | Actuals | Final Budget | Projection | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 |
| CAPITAL IMPROVEMENT PROJECTS | | | | | | | | |
| 420-90-880 McClellan Environmental Ed Facility | 1,810,009 | - | - | - | - | - | - | - |
| 420-90-890 Civic Center Master Plan | 245,521 | - | - | - | - | - | - | - |
| 420-90-893 McClellan Ranch Signage | 40,515 | - | - | - | - | - | - | - |
| 420-90-898 SCCP Chain MP-McClellan to SCB | 211,323 | - | - | - | - | - | - | - |
| 420-90-903 McClellan Ranch Ped. Parking Landscape | 51,980 | - | - | - | - | - | - | - |
| 420-90-904 Sports Center-Resurface Tennis Courts | 544 | 1,000,000 | 1,000,000 | - | - | - | - | - |
| 420-90-906 Portal Cricket Cage Replacement | 1,500 | - | - | - | - | - | - | - |
| 420-90-932 McClellan Barn Eval & Renovation | 450 | - | - | - | - | - | - | - |
| 420-90-934 Solar Assessment Public Bldgs-Phase 1 | 8,538 | - | - | - | - | - | - | - |
| 420-90-936 Senior Center Various Improvements | 29,952 | - | - | - | - | - | - | - |
| 420-90-938 Public Building Solar - Service Center | 542,246 | - | - | - | - | - | - | - |
| 420-90-939 Library Story Room Expansion | 51,360 | - | - | - | - | - | - | - |
| 420-90-940 Civic Center Parking Structure | 319,514 | - | - | - | - | - | - | - |
| 420-90-942 Civic Master Plan Implementation | 89,897 | - | - | - | - | - | - | - |
| 420-90-944 Senior Center/Mary Landscape | 6,262 | 106,000 | - | - | - | - | - | - |
| 420-99-002 Blackberry Farm Splash Pad | - | 70,000 | 70,000 | - | 620,000 | - | - | - |
| 420-99-003 McClellan Ranch Trash Enclosure | - | - | - | 154,000 | - | - | - | - |
| 420-99-004 McClellan Ranch - Community Garden Improvements | - | - | - | 30,000 | 66,000 | - | - | - |
| 420-99-005 Memorial Park MP and Parking | - | - | - | 150,000 | - | - | - | - |
| 420-99-007 ADA Improvements | - | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 |
| 420-99-010 Memorial Park Phase I Concept Design | - | - | - | - | 250,000 | - | - | - |
| 420-99-014 Stevens Creek Bank Repair Concept | - | - | - | - | 100,000 | - | - | - |
| 420-99-015 Tennis Court Resurfacing - Various Parks | - | - | - | 588,000 | 280,000 | 235,000 | - | - |
| 420-99-016 Wilson Park Phase I Concept Design | - | - | - | - | 55,000 | - | - | - |
| 420-99-017 Sports Center Exterior Upgrades | - | - | - | 270,000 | - | - | - | - |
| 420-99-018 Sports Center Interior Upgrades | - | - | - | 20,000 | 250,000 | - | - | - |
| 420-99-020 McClellan Ranch West - Simms House Removal | - | 220,000 | - | - | - | - | - | - |
| 420-99-022 Quinlan Cupertino Room Lighting | - | 108,000 | - | - | - | - | - | - |
| 420-99-023 Quinlan Fire Alarm Control Panel Upgrade | - | 135,000 | - | - | - | - | - | - |
| 420-99-025 Service Center Parking Lot Modifications | - | 176,000 | - | - | - | - | - | - |
| 420-99-026 Bicycle Transportation Plan Update | - | 50,000 | - | - | - | - | - | - |
| 420-99-027 Pasadena Avenue Public Improvements/Granada | - | 827,000 | - | - | - | - | - | - |
| 420-99-030 McClellan West - Parking Lot Improvements | - | - | - | 400,000 | - | - | - | - |

FISCAL YEAR 2016-2017 FINAL BUDGET FIVE YEAR FORECAST - CAPITAL PROJECT FUND EXPENDITURES

| PROGRAM | 2014-15 | 2015-16 | FY 2015-16 | 5 YEAR FORECAST | | | | |
|-------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|---------------|
| | Actuals | Final Budget | Projection | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 |
| 420-99-031 Recreation Facilities Monument Signs | - | - | - | 385,000 | - | - | - | - |
| 420-99-033 City Hall Turf Reduction | - | - | - | 320,000 | - | - | - | - |
| 420-99-034 Service Center Shed No. 3 Improvement | - | - | - | 100,000 | 400,000 | - | - | - |
| 420-99-035 Stockmeir House - New Sewer Lateral | - | - | - | 50,000 | - | - | - | - |
| 420-99-036 2016 Bike Plan Implementation | - | - | - | 2,000,000 | 1,000,000 | - | - | - |
| 420-99-037 Bikeway Enhancements and Branding Study | - | - | - | 60,000 | - | - | - | - |
| 420-99-038 Fiber Network Extension to Service Center | - | - | - | 350,000 | - | - | - | - |
| 420-99-039 Pedestrian Master Plan | - | - | - | 120,000 | - | - | - | - |
| 420-99-040 Retaining Wall Repair - Cordova Road | - | - | - | 350,000 | - | - | - | - |
| 420-99-041 Retaining Wall Replacement - Regnart Road | - | - | - | 450,000 | - | - | - | - |
| 420-99-043 Service Center New Admin Building Feasibility Study | - | - | - | 35,000 | - | - | - | - |
| 420-99-885 Golf Irrigation Upgrades | - | 493,000 | - | - | - | - | - | - |
| 420-99-XXX Blackberry Farm New Maint. and Restroom Feas. Study | - | - | - | - | 25,000 | - | - | - |
| 420-99-XXX Blackberry Farm Pool Modification Study | - | - | - | - | 25,000 | - | - | - |
| 420-99-XXX Blackberry Farm Pool Building Modification Feas. Study | - | - | - | - | 25,000 | - | - | - |
| 420-99-XXX Blackberry Farm San Fernando Entry Feasibility Study | - | - | - | - | 35,000 | - | - | - |
| 420-99-XXX Memorial Park - Tennis Court Restroom Replacement | - | - | - | - | - | 146,000 | 300,000 | - |
| 420-99-XXX Memorial Park Phase I Construction | - | - | - | - | - | 1,000,000 | - | - |
| 420-99-XXX Monta Vista Park Master Plan | - | - | - | - | 55,000 | - | - | - |
| 420-99-XXX Portal Park Renovation Master Plan | - | - | - | - | - | 55,000 | - | - |
| 420-99-XXX Quinlan - Turf Reduction/Landscape Modification | - | - | - | - | - | 750,000 | 743,000 | - |
| 420-99-XXX Traffic Signal:Foothill/I-280 SB Off-ramp | - | - | - | - | 100,000 | - | - | - |
| Capital Projects | 3,409,611 | 3,260,000 | 1,145,000 | 5,907,000 | 3,361,000 | 2,261,000 | 1,118,000 | 75,000 |
| Transfers Out: | | | | | | | | |
| 0100 Transfer to Recreation Programs | - | - | - | - | - | - | - | - |
| 0100 Transfer to Capital Reserves | - | - | - | - | - | - | - | - |
| 0100 Transfer to General Fund | - | - | - | - | - | - | - | - |
| Transfers Out from Current Operations | - | - |
| TOTAL CAPITAL IMPROVEMENT | 3,409,611 | 3,260,000 | 1,145,000 | 5,907,000 | 3,361,000 | 2,261,000 | 1,118,000 | 75,000 |

CAPITAL RESERVES

**FISCAL YEAR 2016-2017 FINAL BUDGET
FIVE YEAR FORECAST - CAPITAL PROJECT FUND EXPENDITURES**

| PROGRAM | 2014-15 | 2015-16 | FY 2015-16 | 5 YEAR FORECAST | | | | | |
|------------------------------------------------|-----------|--------------|------------|-----------------|-----------|-----------|-----------|-----------|--|
| | Actuals | Final Budget | Projection | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | |
| 429-90-001 Transfer to Capital Improvement | - | 5,690,000 | 5,690,000 | 9,165,000 | - | - | - | - | |
| TOTAL | - | 5,690,000 | 5,690,000 | 9,165,000 | - | - | - | - | |
| STEVENS CREEK CORRIDOR PARK | | | | | | | | | |
| 427-90-870 Stevens Creek Corridor Park-Phase 1 | (2,000) | - | - | - | - | - | - | - | |
| 427-90-881 Stevens Creek Corridor Park-Phase 2 | 124,241 | - | - | - | - | - | - | - | |
| TOTAL | 122,241 | - | - | - | - | - | - | - | |
| TOTAL ALL CAPITAL PROJECTS | 3,531,852 | 8,950,000 | 6,835,000 | 15,072,000 | 3,361,000 | 2,261,000 | 1,118,000 | 75,000 | |

**FISCAL YEAR 2016-2017 FINAL BUDGET
FIVE YEAR FORECAST - ENTERPRISE FUND EXPENDITURES**

| PROGRAM | 2014-15 | 2015-16 | FY 2015-16 | 5 YEAR FORECAST | | | | | |
|--------------------------------------------------|------------------|------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|--|
| | Actuals | Final Budget | Projection | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | |
| RESOURCE RECOVERY | | | | | | | | | |
| 520-81-801 Resource Recovery | 2,548,461 | 2,707,226 | 2,358,541 | 3,197,464 | 3,197,464 | 3,197,464 | 3,197,464 | 3,197,464 | |
| TOTAL | 2,548,461 | 2,707,226 | 2,358,541 | 3,197,464 | 3,197,464 | 3,197,464 | 3,197,464 | 3,197,464 | |
| BLACKBERRY FARM GOLF COURSE | | | | | | | | | |
| 560-63-616 Golf Course | 553,184 | 672,004 | 6,665,635 | 686,628 | 686,628 | 686,628 | 686,628 | 686,628 | |
| 560-90-885 CIP Golf Irrigation Upgrade | (6,000) | - | - | - | - | - | - | - | |
| TOTAL | 547,184 | 672,004 | 6,665,635 | 686,628 | 686,628 | 686,628 | 686,628 | 686,628 | |
| SPORTS CENTER | | | | | | | | | |
| 570-63-621 Sports and Physical | 1,983,716 | 2,353,022 | 2,353,022 | 2,329,238 | 2,329,238 | 2,329,238 | 2,329,238 | 2,329,238 | |
| 570-87-836 Maintenance | 285,781 | 411,710 | 411,710 | 395,164 | 395,164 | 395,164 | 395,164 | 395,164 | |
| 570-99-032 Children's Play Area | | | | 470,000 | | | | | |
| TOTAL | 2,269,497 | 2,764,732 | 2,764,732 | 3,194,402 | 2,724,402 | 2,724,402 | 2,724,402 | 2,724,402 | |
| RECREATION PROGRAMS | | | | | | | | | |
| 580-62-613 Youth Teen Recreation | 1,594,504 | 1,983,544 | 1,869,438 | 1,960,007 | 1,960,007 | 1,960,007 | 1,960,007 | 1,960,007 | |
| 580-63-620 Sports, Safety and Outdoor Recreation | 1,026,532 | 1,249,565 | 1,278,718 | 1,274,036 | 1,274,036 | 1,274,036 | 1,274,036 | 1,274,036 | |
| 580-90-001 Transfer out to CIP | 985,992 | - | - | - | - | - | - | - | |
| 580-90-879 Linda Vista Pond Renovation Study | (12,518) | - | - | - | - | - | - | - | |
| 580-90-884 Fenced Dog Park | (429,351) | - | 22,503 | - | - | - | - | - | |
| 580-90-896 Sports Center Sport Court | 99,489 | - | 250,000 | - | - | - | - | - | |
| 580-90-907 Wilson Ball Safety Net Screen | 11,505 | - | 65,000 | - | - | - | - | - | |
| 580-90-908 Wilson Bleacher Shade Canopy | 31,196 | - | 190,000 | - | - | - | - | - | |
| 580-90-945 Wilson Building Landscape Improvments | 21,097 | 140,000 | 65,000 | - | - | - | - | - | |
| 580-99-019 Blacksmith Forge Restoration | - | 60,000 | - | - | - | - | - | - | |
| TOTAL | 3,328,446 | 3,433,109 | 3,740,659 | 3,234,043 | 3,234,043 | 3,234,043 | 3,234,043 | 3,234,043 | |
| TOTAL ALL ENTERPRISE FUNDS | 8,693,589 | 9,577,071 | 15,529,567 | 10,312,537 | 9,842,537 | 9,842,537 | 9,842,537 | 9,842,537 | |

**FISCAL YEAR 2016-2017 FINAL BUDGET
FIVE YEAR FORECAST - INTERNAL SERVICE FUND EXPENDITURES**

| PROGRAM | 2014-15 | 2015-16 | FY 2015-16 | 5 YEAR FORECAST | | | | |
|-------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Actuals | Final Budget | Projection | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 |
| INFORMATION TECHNOLOGY | | | | | | | | |
| 610-34-310 Information Technology | 1,651,865 | 1,866,370 | 1,866,370 | 2,691,744 | 2,691,744 | 2,691,744 | 2,691,744 | 2,691,744 |
| 610-35-986 GIS | 872 | 352,589 | 352,589 | 647,264 | 647,264 | 647,264 | 647,264 | 647,264 |
| 610-90-986 Non-Departmental - GIS | 102,441 | - | - | - | - | - | - | - |
| 610-90-989 Network Upgrade | 190,055 | 392,000 | - | 721,500 | - | - | - | - |
| 610-90-991 New Project Contingency | 11,269 | - | - | - | - | - | - | - |
| 610-90-992 Video Division | 101,596 | - | - | - | - | - | - | - |
| TOTAL | 2,058,098 | 2,610,959 | 2,218,959 | 4,060,508 | 3,339,008 | 3,339,008 | 3,339,008 | 3,339,008 |
| CITY CHANNEL | | | | | | | | |
| 615-31-305 Government Channel | 833,059 | 1,220,119 | 1,220,119 | 1,479,086 | 1,479,086 | 1,479,086 | 1,479,086 | 1,479,086 |
| 615-32-308 City Web Site | 224,267 | 295,092 | 295,092 | 369,323 | 369,323 | 369,323 | 369,323 | 369,323 |
| TOTAL | 1,057,326 | 1,515,211 | 1,515,211 | 1,848,409 | 1,848,409 | 1,848,409 | 1,848,409 | 1,848,409 |
| WORKERS' COMPENSATION | | | | | | | | |
| 620-44-418 Workers Comp Insurance | 345,128 | 719,365 | 719,365 | 500,732 | 500,732 | 500,732 | 500,732 | 500,732 |
| TOTAL | 345,128 | 719,365 | 719,365 | 500,732 | 500,732 | 500,732 | 500,732 | 500,732 |
| VEHICLE/EQUIPMENT REPLACEMENT | | | | | | | | |
| 630-85-849 Equipment Maintenance | 919,606 | 1,184,175 | 1,184,175 | 1,395,195 | 1,395,195 | 1,395,195 | 1,395,195 | 1,395,195 |
| 630-90-985 Fixed Asset Acquisition | 106,056 | 846,000 | 846,000 | 1,222,000 | 1,222,000 | 1,222,000 | 1,222,000 | 1,222,000 |
| TOTAL | 1,025,662 | 2,030,175 | 2,030,175 | 2,617,195 | 2,617,195 | 2,617,195 | 2,617,195 | 2,617,195 |
| COMPENSATED ABSENCE & LONG-TERM DISABILITY | | | | | | | | |
| 641-44-419 Long Term Disability | 51,384 | 84,810 | 84,810 | 83,875 | 83,875 | 83,875 | 83,875 | 83,875 |
| 641-44-420 Compensated Absence | 246,486 | 440,000 | 440,000 | 434,673 | 434,673 | 434,673 | 434,673 | 434,673 |
| TOTAL | 297,870 | 524,810 | 524,810 | 518,548 | 518,548 | 518,548 | 518,548 | 518,548 |
| RETIREE MEDICAL | | | | | | | | |
| 642-44-414 Retiree Benefits | 1,298,785 | 1,000,495 | 1,000,495 | 931,335 | 931,335 | 931,335 | 931,335 | 931,335 |
| TOTAL | 1,298,785 | 1,000,495 | 1,000,495 | 931,335 | 931,335 | 931,335 | 931,335 | 931,335 |

FISCAL YEAR 2016-2017 FINAL BUDGET
 FIVE YEAR FORECAST - INTERNAL SERVICE FUND EXPENDITURES

| PROGRAM | 2014-15 | 2015-16 | FY 2015-16 | 5 YEAR FORECAST | | | | |
|----------------------------|-----------|--------------|------------|-----------------|-----------|-----------|-----------|-----------|
| | Actuals | Final Budget | Projection | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 |
| TOTAL ALL INTERNAL SERVICE | 6,082,868 | 8,401,015 | 8,009,015 | 10,476,727 | 9,755,227 | 9,755,227 | 9,755,227 | 9,755,227 |

**FISCAL YEAR 2016-2017 FINAL BUDGET
FIVE YEAR FORECAST - FUND BALANCE ALL FUNDS**

| Classification | 2014-15 | 2015-16 | FY 2015-16 | 5 YEAR FORECAST | | | | |
|----------------------------------|-------------------|------------------|------------------|--------------------|--------------------|---------------------|---------------------|---------------------|
| | Actuals | Final Budget | Projection | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 |
| <u>SPECIAL REVENUE</u> | | | | | | | | |
| Beginning Fund Balance | 15,782,669 | 2,233,308 | 2,233,308 | 2,233,308 | 35,875,038 | 39,583,284 | 43,291,530 | 46,999,776 |
| Assigned | 6,711,969 | 2,233,308 | 2,233,308 | 35,875,038 | 39,583,284 | 43,291,530 | 46,999,776 | 50,708,022 |
| Unassigned | - | - | - | - | - | - | - | - |
| Total Ending Fund Balance | 6,711,969 | 2,233,308 | 2,233,308 | 35,875,038 | 39,583,284 | 43,291,530 | 46,999,776 | 50,708,022 |
| <u>DEBT SERVICE</u> | | | | | | | | |
| Beginning Fund Balance | 1,674,624 | 1,681,000 | 1,681,000 | 1,558,162 | 1,554,963 | 1,554,963 | 1,554,964 | 1,554,964 |
| Assigned | 1,681,000 | 1,588,162 | 1,558,162 | 1,554,963 | 1,554,963 | 1,554,964 | 1,554,964 | 1,551,265 |
| Unassigned | - | - | - | - | - | - | - | - |
| Total Ending Fund Balance | 1,681,000 | 1,588,162 | 1,558,162 | 1,554,963 | 1,554,963 | 1,554,964 | 1,554,964 | 1,551,265 |
| <u>CAPITAL PROJECT</u> | | | | | | | | |
| Beginning Fund Balance | 3,646,072 | 1,866,000 | 1,866,000 | 3,477,500 | (5,687,500) | (9,048,500) | (11,309,500) | (12,427,500) |
| Assigned | 5,299,905 | 3,477,500 | 3,477,500 | (5,687,500) | (9,048,500) | (11,309,500) | (12,427,500) | (12,502,500) |
| Unassigned | - | - | - | - | - | - | - | - |
| Total Ending Fund Balance | 5,299,905 | 3,477,500 | 3,477,500 | (5,687,500) | (9,048,500) | (11,309,500) | (12,427,500) | (12,502,500) |
| <u>ENTERPRISE</u> | | | | | | | | |
| Beginning Fund Balance | 10,057,000 | 8,540,000 | 8,540,000 | 7,646,279 | 6,145,533 | 3,981,625 | 1,817,717 | (346,191) |
| Assigned | 10,802,474 | 7,646,279 | 7,646,279 | 6,145,533 | 3,981,625 | 1,817,717 | (346,191) | (2,510,099) |
| Unassigned | - | - | - | - | - | - | - | - |
| Total Ending Fund Balance | 10,802,474 | 7,646,279 | 7,646,279 | 6,145,533 | 3,981,625 | 1,817,717 | (346,191) | (2,510,099) |
| <u>INTERNAL SERVICE</u> | | | | | | | | |
| Beginning Fund Balance | 5,441,000 | 5,084,000 | 5,084,000 | 4,598,692 | 2,890,376 | 425,296 | (2,039,784) | (4,504,864) |
| Assigned | 4,988,272 | 4,598,692 | 4,598,692 | 2,890,376 | 425,296 | (2,039,784) | (4,504,864) | (6,969,944) |
| Unassigned | - | - | - | - | - | - | - | - |
| Total Ending Fund Balance | 4,988,272 | 4,598,692 | 4,598,692 | 2,890,376 | 425,296 | (2,039,784) | (4,504,864) | (6,969,944) |