

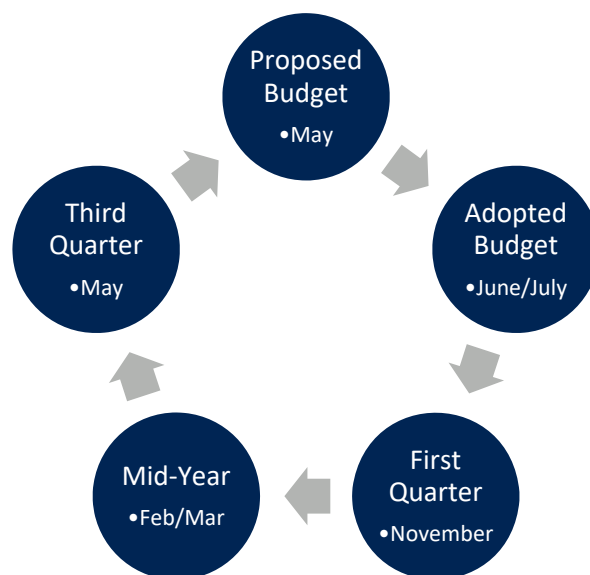
The Annual Budget Process

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

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 Manager's 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 adopted budget is adopted by resolution in June and takes effect on July 1.

The following chart illustrates the City's budget reporting cycle. Staff reports to Council on a quarterly basis in addition to the annual proposed and adopted budget. Should amendments to the budget be required outside of this cycle, staff will bring budget amendments as separate Council staff reports.



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 from new revenue sources.

Structure of City Finances

Cost Accounting

The City of Cupertino has five internal service funds that account for innovation & technology, 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 utilizes 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 FY 2014 overhead/indirect costs associated with service departments in the General Fund were allocated based on a 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 the 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 measureable and available. Measurable means the transaction can be determined.

The budget is split into nine Departments: City Council and Commissions, Administration, Law Enforcement, Innovation and Technology, Administrative Services, Parks and Recreation,

Planning and Community Development, Public Works, Non Departmental (includes budget that are not attributable to any specific division) and Capital Projects. These departments are further split into divisions 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 Crowe and Horwath, the City's Auditors and according to "Generally Accepted Accounting Principles" (GAAP).

Citizen Participation

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 citizens 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, integrated 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 2019-20 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 Improvement 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 is 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, Environmental Management/ Clean Creeks funds and Housing and Community Development.

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 pay 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 Innovation & Technology, Equipment, Workers Compensation, Long-Term Disability/Compensated Absence, and Retiree Medical funds.

Internal Service Funds	Purpose
Innovation & 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.
Workers' Compensation	This fund pays for claims and insurance premiums related to workers' compensation.
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. -

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

Fiscal Policies – 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 – 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. Software-as-a-Service (SaaS) contracts are not capitalizable and are expensed as incurred.

Technology upgrades are determined by the Innovation Technology Department 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 Innovation Technology Department in concert with the user 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 Innovation Technology Department 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. A common example of such system would be a telephone system or network. Individual component or replacement costs are not capitalizable unless they are greater than \$5,000 and increase the value of the asset.

Enterprise Software replacement shall be determined individually by IT and the end users. Only those large enterprise systems (on-site or on premise) with an expected life of at least 7 years or a cost of over \$10,000 shall be capitalized. SaaS contracts are not capitalizable and are to be expenses as incurred.

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. Replacement 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.

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 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 Policies – 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 – Committed, 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 committed and unassigned fund balance (general fund only) in each fund for the ability to meet following economic uncertainties:

Economic Uncertainty – \$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

PERS – \$8,000,000 and represents the initial investment into the City's Pension Rate Stabilization Program (PRSP). As a result of the significant increase in retirement costs based on the most recent actuarial forecast, the City elects to establish and fund a secondary pension trust to assist in stabilizing the potential impact of pension cost volatility on the City's operating budget. Annual contributions subsequent to the initial funding are determined by calculating the difference between CalPERS' current discount rate and a more conservative rate determined by the City. This difference is to be transferred to the pension trust and to be used solely for the benefit of members in the plan.

Sustainability Reserve – Cupertino’s Sustainability Division oversees the City’s Climate Action Plan (CAP), which defines strategies to reduce greenhouse gas emissions, and provides residents, businesses and schools with programs and services focused on energy efficiency, renewable energy, water conservation, alternative transportation and other sustainable actions. The City receives rebates for projects that successfully meet the eligibility requirements such as energy or water efficiency. If the rebates were not initially budgeted, they are categorized as committed fund balance in the General Fund. The purpose of this reserve is to help support future sustainability projects/programs.

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	PERS	\$8,000,000	Budgeted Citywide Retirement Costs	For pension cost increases.
3	Sustainability Reserve	\$122,754	GF Budget Revenue ³	For future sustainability projects/programs.

4	Unassigned	\$500,000	Budgeted GF Operating Expenditures ²	For mid-year budget adjustments and redeployment into the five year budget.
CAPITAL PROJECTS 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

Changes to Committed Fund Balance – All reserves listed in this policy are classified as Committed Fund Balance under Government Accounting Standards Board (GASB) Statement 54. Committed fund balance is comprised of 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. Changes to committed 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 committed fund balances listed in this policy, recommendation will be brought to City Council for approval and a plan to replenish the committed balance 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) PERS
- 3) Sustainability Reserve
- 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 14, 2019 City Council agenda packet.

Fiscal Policies – 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.

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.

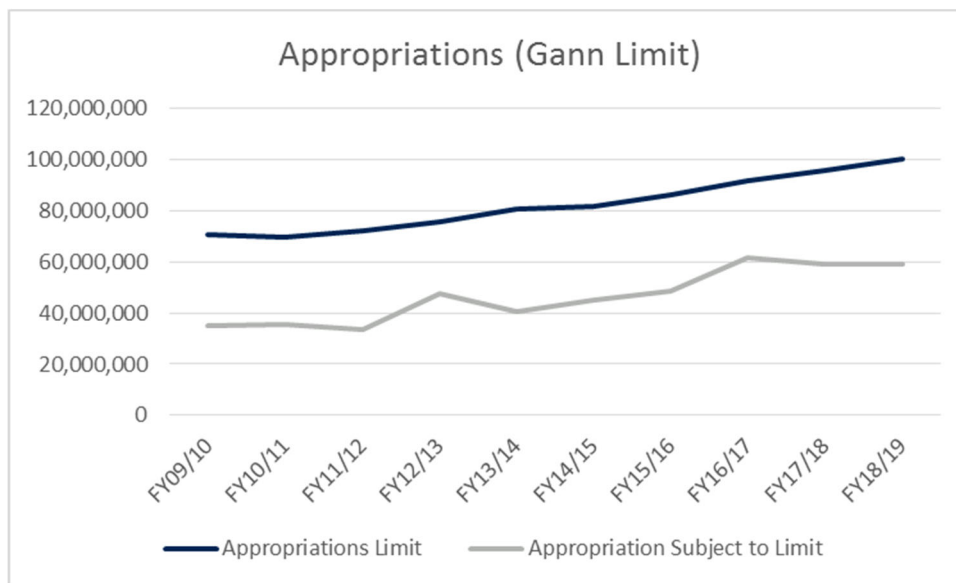
Appropriations & Legal Debt Limit Margin

Gann Appropriations Limit

Fiscal Year 2019-20

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.

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 2018-19 was \$100,538,305, \$4,509,818 or 4.7% higher than the FY 2017-18 limit of \$96,028,488. Information to calculate the City's appropriations limit for FY 2019-20 will not become available until May 2019 and will be included in the Adopted Budget hearing in June 2019.

Legal Debt Margin

Fiscal Year 2019-20

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computation shown below reflects a conversion of assessed valuation data for fiscal year 2018-19 from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the State.

Description	Amount	Formula
Secured Property Assessed Value, Net of Exempt Real Property (1)	\$22,531,311,774	
Adjusted Valuation - 25% of Assessed Valuation (2)	\$ 5,632,827,944	(1) * 25%
Debt Limit - 15% of Adjusted Valuation	\$ 844,924,192	(2) * 15%
Total City Bonded Debt (3)	\$ 29,300,000	
Less: Certificates of Participation Not Subject to Debt Limit (4)	\$ (29,300,000)	
Amount of Debt Subject to Limit	-	(3) - (4)
Legal Debt Margin	\$ 844,924,192	

Fiscal Year 2019-20 Proposed Budget Financial Overview by Fund

Revenue Categories	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Funds	Enterprise Funds	Internal Service Funds	2019-20 Proposed Budget Total
Sales Tax	\$ 25,637,093	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,637,093
Property Tax	\$ 24,703,218	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,703,218
Transient Occupancy	\$ 9,666,056	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,666,056
Utility Tax	\$ 3,198,644	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,198,644
Franchise Fees	\$ 3,162,457	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,162,457
Other Taxes	\$ 1,181,050	\$ 453,404	\$ -	\$ -	\$ -	\$ -	\$ 1,634,454
Licenses & Permits	\$ 2,524,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,524,000
Use of Money & Property	\$ 1,330,579	\$ 15,700	\$ -	\$ -	\$ 28,000	\$ -	\$ 1,374,279
Intergovernmental	\$ 354,547	\$ 7,554,533	\$ -	\$ -	\$ 15,000	\$ -	\$ 7,924,080
Charges for Services	\$ 13,233,225	\$ 391,045	\$ -	\$ -	\$ 5,859,827	\$ 4,083,901	\$ 23,567,998
Fines & Forfeitures	\$ 615,000	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 625,000
Miscellaneous	\$ 882,283	\$ 163,521	\$ -	\$ -	\$ 66,000	\$ -	\$ 1,111,804
Transfers In/Other Financing Uses	\$ 612,000	\$ 1,318,000	\$ 3,172,838	\$ -	\$ 2,123,000	\$ 4,045,652	\$ 11,271,490
TOTAL REVENUE	\$ 87,100,152	\$ 9,906,203	\$ 3,172,838	\$ -	\$ 8,091,827	\$ 8,129,553	\$ 116,400,573

Appropriation Categories	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Funds	Enterprise Funds	Internal Service Funds	2019-20 Proposed Budget Total
Employee Compensation	\$ 18,821,823	\$ 1,025,568	\$ -	\$ -	\$ 1,942,661	\$ 1,336,390	\$ 23,126,442
Employee Benefits	\$ 7,825,956	\$ 504,775	\$ -	\$ -	\$ 564,863	\$ 1,596,993	\$ 10,492,587
Materials	\$ 5,668,631	\$ 728,939	\$ -	\$ -	\$ 463,844	\$ 916,106	\$ 7,777,520
Contract Services	\$ 21,683,411	\$ 727,897	\$ -	\$ 175,000	\$ 4,644,862	\$ 1,538,116	\$ 28,769,286
Cost Allocation	\$ 9,786,477	\$ 486,532	\$ -	\$ -	\$ 1,651,322	\$ 847,459	\$ 12,771,790
Capital Outlays	\$ 37,050	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ 1,037,050
Special Projects	\$ 1,840,610	\$ 3,280,000	\$ -	\$ -	\$ 321,500	\$ 704,600	\$ 6,146,710
Contingencies	\$ 1,057,516	\$ 36,666	\$ -	\$ 2,500	\$ 254,184	\$ 164,925	\$ 1,515,791
Transfers Out	\$ 10,186,838	\$ 12,000	\$ -	\$ -	\$ -	\$ -	\$ 10,198,838
Debt Service/Other Uses	\$ 783,209	\$ -	\$ 3,172,838	\$ -	\$ -	\$ -	\$ 3,956,047
TOTAL EXPENDITURES	\$ 77,691,521	\$ 7,802,377	\$ 3,172,838	\$ 177,500	\$ 9,843,236	\$ 7,104,589	\$ 105,792,061

Net Increase (Decrease) in Fund Balance/Retained Earnings	\$ 9,408,631	\$ 2,103,826	\$ -	\$ (177,500)	\$ (1,751,409)	\$ 1,024,964	\$ 10,608,512
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Fiscal Year 2019-20 Proposed Budget

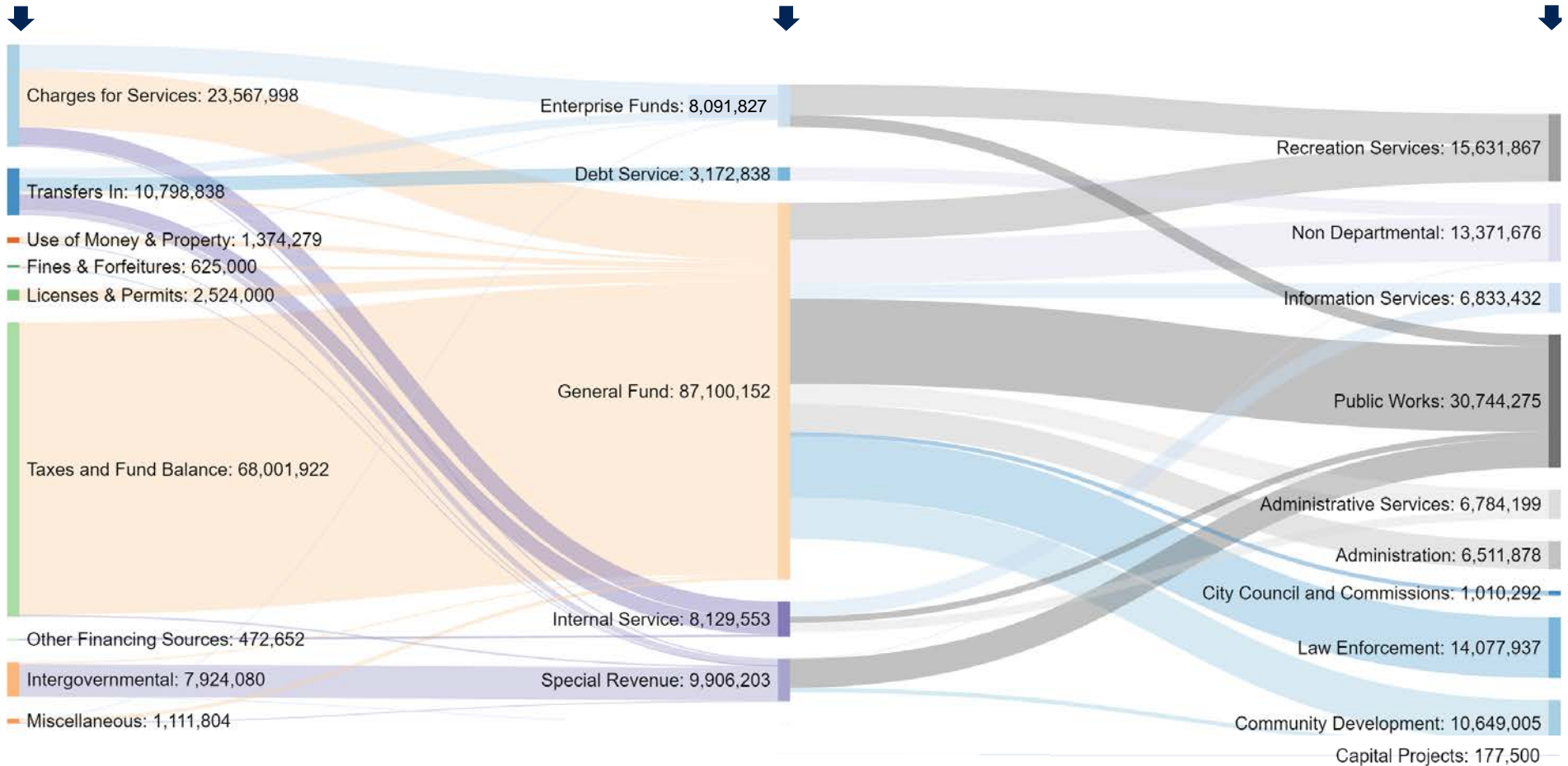
Flow of Funds Chart

SOURCE OF FUNDS

Revenue
by Object

Revenues by
Fund

Appropriations
by Department



Fiscal Year 2019-20 Proposed Budget

General Fund Contribution Schedule

Fund Type	Proposed Budget Expenditures	Proposed Program Revenues	Proposed Budget Fund Balance/ Retained Earnings (Usage)	Proposed General Fund Contribution
General Fund				
10 City Council				
100 City Council	423,311	586,473	-	(163,162)
101 Community Funding	90,587	-	-	90,587
110 Sister Cities	86,046	-	-	86,046
11 Commissions				
131 Telecommunication Commission	7,028	-	-	7,028
140 Library Commission	23,346	-	-	23,346
142 Fine Arts Commission	54,541	-	-	54,541
150 Public Safety Commission	22,738	-	-	22,738
155 Bike/Ped Safety Commission	1,244	-	-	1,244
160 Recreation Commission	51,443	-	-	51,443
165 Teen Commission	64,019	-	-	64,019
170 Planning Commission	109,787	-	-	109,787
175 Housing Commission	38,251	-	-	38,251
180 Sustainability Commission	37,951	-	-	37,951
12 City Manager				
120 City Manager	1,261,257	429,117	-	832,140
122 Sustainability Division	555,663	13,000	-	542,663
126 Public Affairs	669,107	268,373	-	400,734
632 Comm Outreach & Neigh Watch	174,348	-	-	174,348
633 Disaster Preparedness	393,149	-	-	393,149
705 Economic Development	330,580	-	-	330,580
13 City Clerk				
130 City Clerk	503,685	65,544	-	438,141
132 Duplicating/Mail Services	42,945	-	-	42,945
133 Elections	257	-	-	257
14 City Manager Discretion				
123 City Manager Contingency	486,353	-	-	486,353
15 City Attorney				
141 City Attorney	2,094,534	399,766	-	1,694,768
20 Law Enforcement				
200 Law Enforcement SC Sheriff	14,026,201	1,070,979	-	12,955,222
201 Interoperability Project	51,736	-	-	51,736
31 I&T Video				
305 Video	1,358,099	9,600	-	1,348,499
307 Public Access Support	76,947	-	-	76,947
32 I&T Applications				
308 Applications	1,943,651	-	-	1,943,651
40 Administrative Services				
400 Admin Services Administration	861,586	71,556	-	790,030
41 Finance				
405 Accounting	1,345,670	1,673,028	-	(327,358)
406 Business Licenses	217,481	-	-	217,481
44 Human Resources				
412 Human Resources	1,340,837	959,351	-	381,486
417 Insurance Administration	892,151	959,351	-	(67,200)
60 Recreation & Community Service				
601 Rec & Comm Svcs Administration	1,230,112	-	-	1,230,112
634 Park Planning and Restoration	-	-	-	-
636 Library Services	798,040	-	-	798,040

Fiscal Year 2019-20 Proposed Budget

General Fund Contribution Schedule

Fund Type	Proposed Budget Expenditures	Proposed Program Revenues	Proposed Budget Fund Balance/ Retained Earnings (Usage)	Proposed General Fund Contribution
61 Business and Community Services				
602 Administration	742,506	-	-	742,506
605 Cultural Events	302,859	-	-	302,859
630 Facilities	480,243	539,282	-	(59,039)
62 Recreation and Education				
608 Administration	813,804	25,000	-	788,804
623 Youth, Teen and Senior Adult Rec	1,416,331	430,150	-	986,181
639 Youth and Teen Programs	258,870	7,500	-	251,370
640 Neighborhood Events	169,568	5,000	-	164,568
63 Sports, Safety & Outdoor Rec				
612 Park Facilities	2,252,892	384,000	-	1,868,892
615 Administration	114,178	-	-	114,178
70 Planning & Community Development				
700 Community Development Admin	724,623	-	-	724,623
71 Planning				
701 Current Planning	2,482,756	1,175,000	-	1,307,756
702 Mid Long Term Planning	1,880,744	225,000	-	1,655,744
704 Annexations	-	-	-	-
72 Housing Services				
712 Gen Fund Human Services Grants	107,840	-	-	107,840
73 Building				
713 General Building	791,261	300,000	-	491,261
714 Construction Plan Check	1,457,036	1,049,539	-	407,497
715 Building Inspection	1,175,096	1,200,000	-	(24,904)
718 Muni-Bldg Code Enforcement	97,781	-	-	97,781
74 Code Enforcement				
202 Code Enforcement	887,652	265,000	-	622,652
80 PW Admin				
800 Public Works Admin	935,441	-	-	935,441
82 Developmental Services				
804 Plan Review	1,316,596	1,661,242	-	(344,646)
806 CIP Administration	1,208,694	-	-	1,208,694
83 Service Center				
807 Service Center Administration	1,251,830	85,000	-	1,166,830
84 Grounds				
808 McClellan Ranch Park	91,617	-	-	91,617
809 Memorial Park	783,072	-	-	783,072
812 School Site Maintenance	1,161,318	135,000	-	1,026,318
813 Neighborhood Parks	1,837,003	-	-	1,837,003
814 Sport Fields Jollyman CRK	721,573	-	-	721,573
815 Civic Center Ground Maint	248,980	204,590	-	44,390
85 Streets				
818 Storm Drain Maintenance	434,095	-	-	434,095
848 Street Lighting	497,044	-	-	497,044
850 Environmental Materials	166,103	-	-	166,103
86 Trees and Right of Way				
824 Overpasses and Medians	1,251,590	-	-	1,251,590
825 Street Tree Maintenance	1,338,934	22,577	-	1,316,357
826 Weekend Work Program	449,792	-	-	449,792
87 Facilities and Fleet				
827 Bldg Maint City Hall	642,985	459,503	-	183,482
828 Bldg Maint Library	595,393	1,072,854	-	(477,461)
829 Bldg Maint Service Center	289,389	262,382	-	27,007
830 Bldg Maint Quinlan Center	512,732	385,272	-	127,460

Fiscal Year 2019-20 Proposed Budget

General Fund Contribution Schedule

Fund Type	Proposed Budget Expenditures	Proposed Program Revenues	Proposed Budget Fund Balance/ Retained Earnings (Usage)	Proposed General Fund Contribution
831 Bldg Maint Senior Center	321,242	264,330	-	56,912
832 Bldg Maint McClellan Ranch	209,024	98,885	-	110,139
833 Bldg Maint Monta Vista Ct	158,634	118,070	-	40,564
834 Bldg Maint Wilson	97,162	77,225	-	19,937
835 Bldg Maint Portal	39,323	41,483	-	(2,160)
837 Bldg Maint Creekside	87,022	47,545	-	39,477
838 Comm Hall Bldg Maint	301,343	233,028	-	68,315
839 Teen Center Bldg Maint	55,445	21,469	-	33,976
840 Park Bathrooms	143,869	85,967	-	57,902
841 BBF Facilities Maintenance	450,915	322,155	-	128,760
852 Franco Traffic Operations Center	52,243	-	-	52,243
88 Transportation				
844 Traffic Engineering	925,023	966,184	-	(41,161)
845 Traffic Signal Maintenance	554,759	-	-	554,759
846 Safe Routes 2 School	553,777	-	-	553,777
90 Citywide - Non Departmental				
001 No Department	10,186,838	-	-	10,186,838
502 EE Housing Loan	-	-	-	-
GENERAL FUND SUBTOTAL I	\$ 77,691,521	\$ 18,676,370	\$ -	\$ 59,015,151
General Fund Revenue/Fund Balance				
General Fund Revenue	-	68,423,782	-	(68,423,782)
Unassigned Fund Balance	-	-	\$ 9,408,631	9,408,631
GENERAL FUND SUBTOTAL II	\$ -	\$ 68,423,782	\$ 9,408,631	\$ (59,015,151)
TOTAL GENERAL FUND	\$ 77,691,521	\$ 87,100,152	\$ 9,408,631	\$ -
Special Revenue Fund				
Non Point Source	743,278	380,000	296,722	660,000
HCD General Administration	69,277	72,319	3,042	-
CDBG- Capital Grants	240,202	238,338	(1,864)	-
Public Service Grants	50,000	54,240	4,240	-
Below Market Rate Housing	684,737	3,000	(681,737)	-
Sidewalk, Curb and Gutter Maint	1,377,406	-	(1,156,406)	221,000
Street Pavement Maintenance	3,906,202	6,068,826	2,162,624	-
Street Signs/Markings	719,275	-	(719,275)	-
Tree Fund	12,000	-	(12,000)	-
CIP - Storm Drain MP Implementation	-	-	-	437,000
Non-Departmental	-	1,771,480	1,771,480	-
TOTAL SPECIAL REVENUE FUNDS	\$ 7,802,377	\$ 8,588,203	\$ 1,666,826	\$ 1,318,000
Debt Service				
Public Facilities Corporation	3,172,838	-	-	3,172,838
TOTAL DEBT SERVICE	\$ 3,172,838	\$ -	\$ -	\$ 3,172,838
Capital Projects Funds				
CIP - Preliminary Planning and Design	125,000	-	(125,000)	-
CIP - Capital Project Support	52,500	-	(52,500)	-
TOTAL CAPITAL PROJECTS FUNDS	\$ 177,500	\$ -	\$ (177,500)	\$ -

Fiscal Year 2019-20 Proposed Budget General Fund Contribution Schedule

Fund Type	Proposed Budget Expenditures	Proposed Program Revenues	Proposed Budget Fund Balance/ Retained Earnings (Usage)	Proposed General Fund Contribution
<u>Enterprise Funds</u>				
Resources Recovery	2,361,667	1,351,000	(1,010,667)	
Golf Course	677,336	327,000	259,664	610,000
Sports Center	2,539,938	2,051,500	459,562	948,000
Sports Center Maintenance	429,105	-	(429,105)	
Youth Teen Recreation	2,355,386	1,037,390	(752,996)	565,000
Outdoor Recreation	1,479,804	1,201,937	(277,867)	
TOTAL ENTERPRISE FUNDS	\$ 9,843,236	\$ 5,968,827	\$ (1,751,409)	\$ 2,123,000
<u>Internal Service Funds</u>				
Information Services Admin	297,998	235,631	(62,367)	-
Information Technology	2,060,644	1,629,376	(359,268)	72,000
GIS	1,096,093	866,694	(229,399)	-
Equipment Maintenance	929,280	1,352,200	422,920	-
Equipment Fixed Asset Acquisition	594,100	-	(594,100)	-
Workers' Compensation Claims	257,389	472,652	215,263	-
Disability Claims	159,134	-	(159,134)	-
Leave Payouts	632,689	-	476,311	1,109,000
Retiree Medical Insurance	1,077,262	-	1,314,738	2,392,000
TOTAL INTERNAL SERVICE FUNDS	\$ 7,104,589	\$ 4,556,553	\$ 1,024,964	\$ 3,573,000
TOTAL ALL FUNDS	\$ 105,792,061	\$ 106,213,735	\$ 10,171,512	\$ 10,186,838

Fiscal Year 2019-20 Proposed Budget Fund Balance Report

Fund	Fund		Proposed Budget Revenue	Proposed Budget Expenditures	Projected Fund Balance 7/1/2020
	Balance 7/1/2018	Projected Fund Balance 7/1/2019			
100 GENERAL FUND	\$ 52,510,457	\$ 39,631,790	\$ 87,100,152	\$ 77,691,521	\$ 49,040,421
SPECIAL REVENUE FUNDS					
210, 215 Storm Drain Improvement	\$ 1,808,822	\$ 638,587	\$ 511,741	\$ -	\$ 1,150,328
230 Environmental Management/ Clean Creek / Storm Drain	239,529	269,528	1,040,900	743,278	567,150
260, 261 Housing & Community Development	8,519,770	7,777,696	379,397	1,044,216	7,112,877
265					
270 Transportation	8,803,725	2,269,713	7,577,457	6,002,883	3,844,287
280, 281 Park Dedication	9,859,784	602,496	396,708	12,000	987,204
TOTAL SPECIAL REVENUE FUNDS	\$ 29,231,630	\$ 11,558,020	\$ 9,906,203	\$ 7,802,377	\$ 13,661,846
DEBT SERVICE FUND					
365 Public Facilities Corporation	\$ 1,586,987	\$ 1,586,987	\$ 3,172,838	\$ 3,172,838	\$ 1,586,987
TOTAL DEBT SERVICE FUND	\$ 1,586,987	\$ 1,586,987	\$ 3,172,838	\$ 3,172,838	\$ 1,586,987
CAPITAL PROJECTS FUNDS					
420 Capital Improvement Fund	14,947,914	7,433,359	-	177,500	7,255,859
427 Stevens Creek Corridor Park	226,593	138,879	-	-	138,879
429 Capital Reserve	13,955,109	13,504,359	-	-	13,504,359
TOTAL CAPITAL PROJECTS FUNDS	\$ 29,129,616	\$ 21,076,597	\$ -	\$ 177,500	\$ 20,899,097
ENTERPRISE FUNDS					
520 Resource Recovery	\$ 5,314,631	\$ 3,939,084	\$ 1,351,000	\$ 2,361,667	\$ 2,928,417
560 Blackberry Farm	229,684	(111,043)	937,000	677,336	148,621
570 Sports Center	1,396,706	978,616	2,999,500	2,969,043	1,009,073
580 Recreation Programs	2,707,688	2,312,054	2,804,327	3,835,190	1,281,191
TOTAL ENTERPRISE FUNDS	\$ 9,648,709	\$ 7,118,711	\$ 8,091,827	\$ 9,843,236	\$ 5,367,302
INTERNAL SERVICE FUNDS					
610 Information Technology	\$ 2,150,973	\$ 1,343,908	\$ 2,803,701	\$ 3,454,735	\$ 692,874
620 Workers' Compensation	1,910,468	1,910,468	472,652	257,389	2,125,731
630 Equipment	2,115,506	1,058,718	1,352,200	1,523,380	887,538
641 Compensated Absence & LTD	386,351	410,579	1,109,000	791,823	727,756
642 Retiree Medical	(25,280)	(21,811)	2,392,000	1,077,262	1,292,927
TOTAL INTERNAL SERVICE FUNDS	\$ 6,538,018	\$ 4,701,861	\$ 8,129,553	\$ 7,104,589	\$ 5,726,825
TOTAL ALL FUNDS	\$ 128,645,417	\$ 85,673,965	\$ 116,400,573	\$ 105,792,061	\$ 96,282,477

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 generates revenue from 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 2019-20, General Fund revenue estimates (excluding fund balance) total \$87.1 million, representing a \$10.2 million, or 13.3% increase from the FY 2018-19 Adopted Budget, mostly due to an increase in sales tax, property tax, transient occupancy tax, and our cost allocation to our City’s facilities division. When fund balance carryover is included, General Fund resources total \$49.0 million, which is slightly higher than the FY 2018-19 Adopted Budget of \$45.2 million.

General Fund expenditure estimates total \$77.7 million, which is consistent with the FY 2018-19 Adopted Budget. The General Fund’s ending fund balance is projected to increase by 24% from FY 2018-19 estimated ending fund balance. This is due to significant carryover appropriations from FY 2017-18 that are anticipated to be spent in FY 2018-19, thereby having a larger impact on the estimated ending fund balance in FY 2018-19.

GENERAL FUND OPERATING SUMMARY					
	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Percent
	Actual	Actual	Estimated	Proposed	Change
Beginning Fund Balance	52,194,840	53,589,690	52,510,457	39,631,790	-25%
Operating Revenue	95,163,736	88,226,833	84,404,277	87,100,152	3%
Operating Expenditures	(94,040,212)	(89,309,589)	(97,282,944)	(77,691,521)	-20%
Net Revenue/Expenditures	1,123,524	(1,082,756)	(12,878,667)	9,408,631	-173%
Committed/Other	25,531,891	30,805,535	33,437,754	33,784,473	1%
Unassigned	28,057,799	21,704,922	6,194,036	15,255,948	146%
Total Ending Fund Balance	53,589,690	52,510,457	39,631,790	49,040,421	24%

This section provides information on the FY 2019-20 General Fund budget including expenditure and revenue highlights, transfers to other funds, reserve funds and the financial forecast.

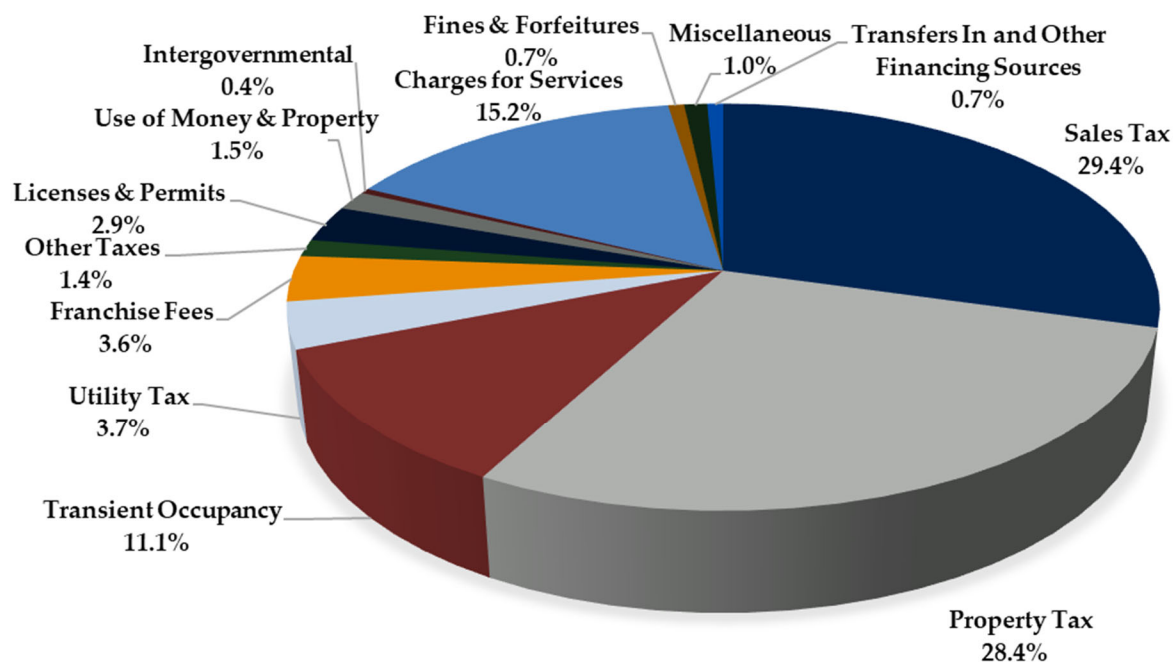
General Fund Revenue

Estimates for the FY 2019-20 beginning fund balance and General Fund revenue sources are based upon a careful examination of 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 2019-20 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 2019-20 revenue estimates are built on the assumption of moderate economic growth that continues to positively impact on the City's tax revenues, while uncertainty surrounding development activities reduces development-related fees and charges.

As shown in the chart below, FY 2019-20 revenues are estimated at \$87.1 million, a 13.3% increase over the FY 2018-19 Adopted Budget.

GENERAL FUND REVENUE SUMMARY					
REVENUES	FY 16-17 Actuals	FY 17-18 Actuals	FY 18-19 Adopted	FY 19-20 Proposed	Percent Change
Sales Tax	26,932,012	26,164,531	23,637,000	25,637,093	8.5%
Property Tax	20,219,077	22,433,806	22,766,000	24,703,218	8.5%
Transient Occupancy	6,023,681	6,810,718	8,252,000	9,666,056	17.1%
Utility Tax	3,082,408	3,146,398	3,200,000	3,198,644	0.0%
Franchise Fees	3,409,572	3,563,820	3,042,000	3,162,457	4.0%
Other Taxes	2,981,883	1,339,860	1,150,000	1,181,050	2.7%
Licenses & Permits	2,536,924	2,757,929	2,685,000	2,524,000	-6.0%
Use of Money & Property	1,210,231	1,342,626	692,000	1,330,579	92.3%
Intergovernmental	330,107	1,000,777	326,000	354,547	8.8%
Charges for Services	17,913,165	10,548,179	9,419,276	13,233,225	40.5%
Fines & Forfeitures	593,122	575,032	615,000	615,000	0.0%
Miscellaneous	1,822,762	1,009,090	244,200	882,283	261.3%
Transfers In and Other Financing Sources	8,108,792	7,550,882	860,000	612,000	-28.8%
TOTAL REVENUES	\$95,163,735	\$88,243,646	\$76,888,476	\$87,100,152	13.3%

The majority of Cupertino's General Fund operating revenues are generated by sales taxes (29%) and property taxes (28%), followed by charges for services (15%) and the transient occupancy tax (11%). The chart on the next page illustrates the sources of General Fund revenue by category.



The FY 2019-20 General Fund revenue estimates are discussed by category in the material that follows.

SALES & USE TAX	
FY 17-18 Actual	26,164,531
FY 18-19 Adopted	23,637,000
FY 18-19 Estimate	24,537,000
FY 19-20 Proposed	25,637,093
% of General Fund	29.44%
% Change from FY 18-19 Adopted	8.46%

Sales and Use Tax commonly referred to as just the “sales tax” has two components: (1) an excise tax imposed on retailers for the privilege of selling tangible personal property, and (2) an excise tax imposed on a person and applies to purchases from out-of-state vendors that are not required to collect tax on their sales. 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. Staff will continue to monitor the impact of the CASA Compact and the initiative’s ¼ cent sales tax

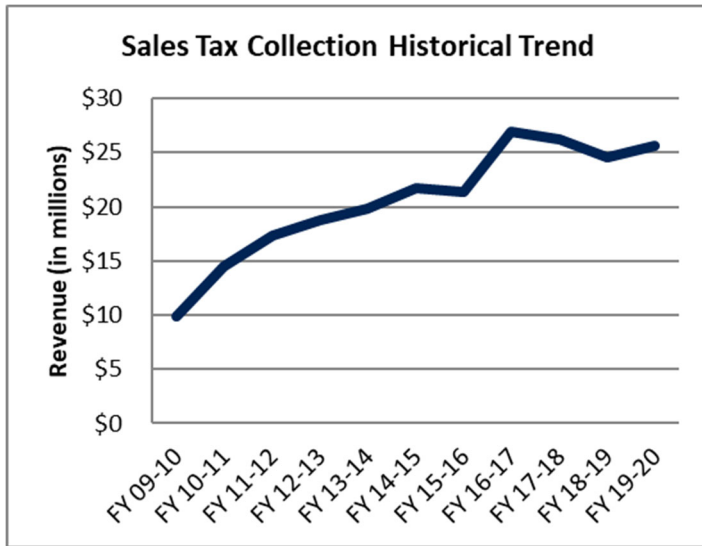
Agency	Sales Tax Distribution
State	6.250%
Valley Transportation Authority	1.125%
City of Cupertino	1.000%
County Transportation	0.500%
County General Purpose	0.125%
Total:	9.000%

imposed on local governments as a potential new source of revenue for affordable housing. Should the City decide to include a similar measure on the ballot in November 2020, and subject to voter approval, the City has an opportunity to retain local control over the additional sales tax proceeds.

The City's sales tax revenues are generated from five principal economic categories: business-to-business 67.0% (includes electronic equipment and software manufacturers and distributors), state and county pools 17%, restaurants and hotels 6%, general retail 4%, and fuel and service stations 3%.

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 and business technology spending has driven growth in this sector. Sales tax activity has increased across most sectors with a decrease primarily in construction. This decrease is attributed to the winding down of construction projects in the City, particularly, the Apple Park campus development. Given these trends, the City's FY 2019-20 sales tax revenue is projected to show a more modest increase going forward.

Sales tax receipts increased by 26.1% in FY 2016-17 due to a onetime \$3.5 million payment related

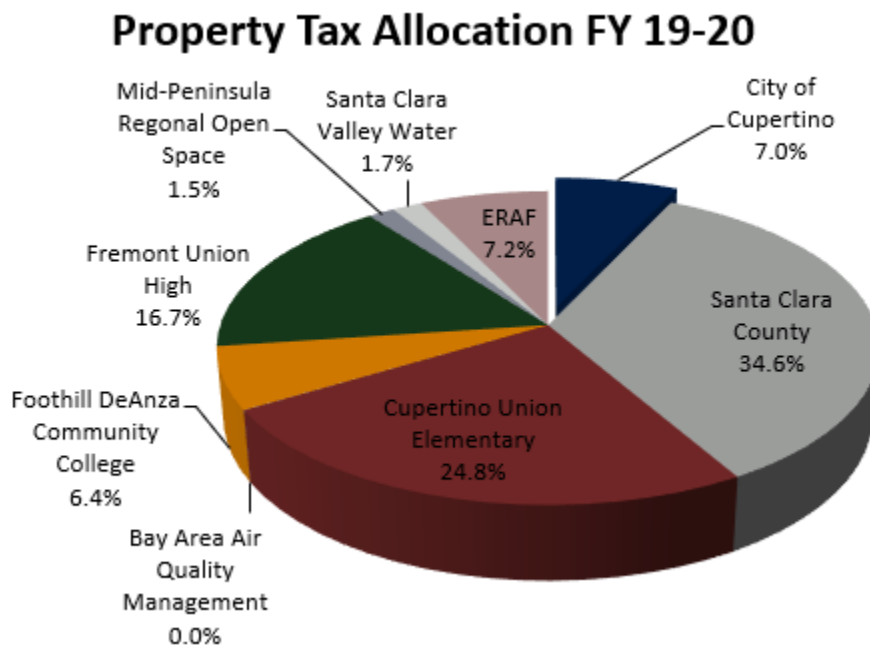


to the close out of the triple flip and took a slight dip of 2.8% in FY 17-18. Sales tax revenue is expected to drop 6.2% in FY 2018-19 which is primarily due to double payments received in FY 2017-18. Sales tax revenues are estimated to generate \$25.6 million in FY 2019-20, which is up 8.5% from the FY 2018-19 Adopted Budget.

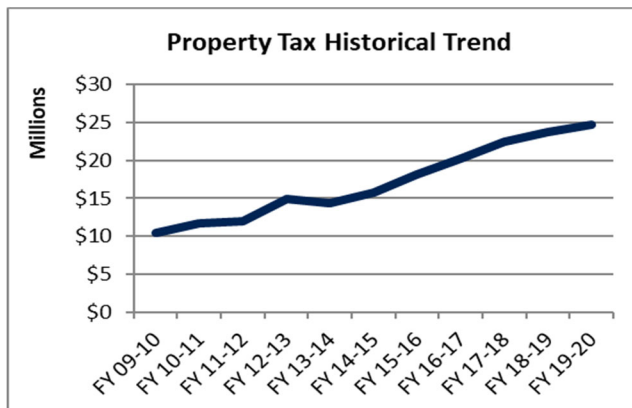
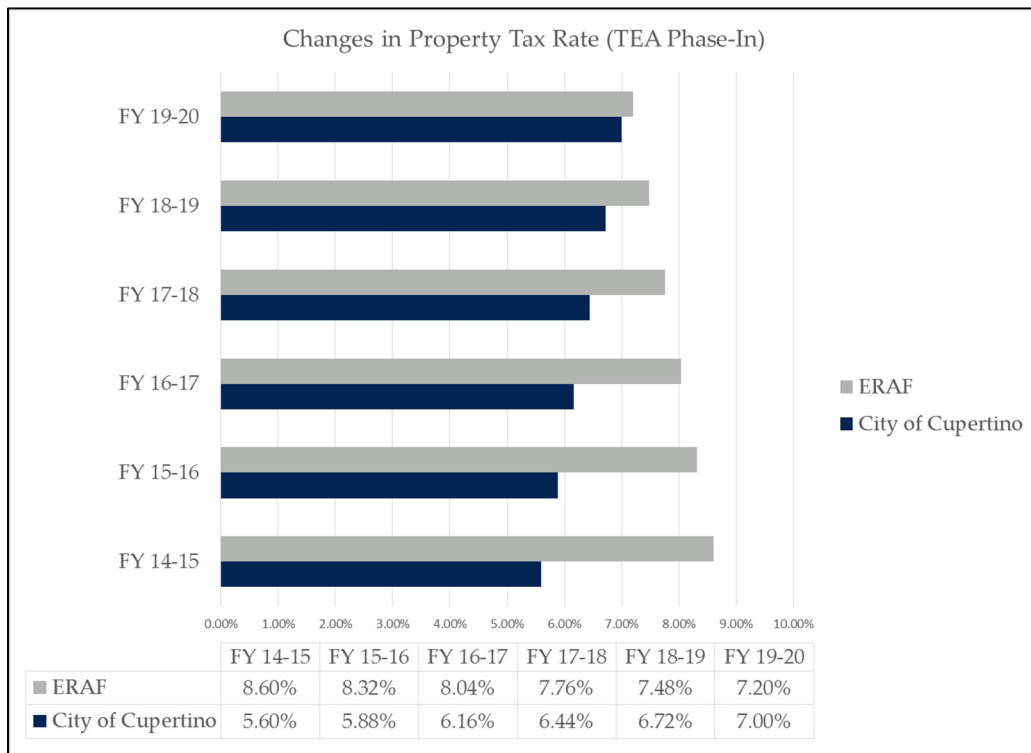
PROPERTY TAX	
FY 17-18 Actual	22,433,806
FY 18-19 Adopted	22,766,000
FY 18-19 Estimate	23,766,000
FY 19-20 Proposed	24,703,218
% of General Fund	28.37%
% Change from FY 18-19 Adopted	8.51%

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 only \$0.02 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 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, TEA will be fully restored and Cupertino will keep 7.0% of property tax revenues in FY 2019-20 compared to 6.72% in FY 2018-19. Additionally, Educational Revenue Augmentation Fund (ERAF), a mechanism, enacted in July of 1992 by the State Legislature to shift local tax revenues from cities, counties, and special districts to a State control ERAF, absorbs the shift-back of the TEA as illustrated in the chart below.



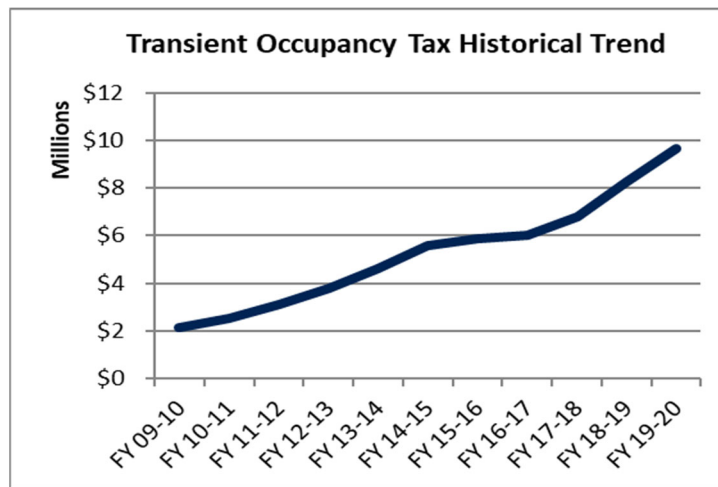
The City experienced a net taxable value increase of 8.83% for the 2018-2019 tax roll, which resulted in an increase of \$1.6 million in property taxes received. The bulk of the increase was due to increases in residential properties by \$527,000, or 5.5%. This category makes up 59% of property tax revenues. Unsecured property tax increased by \$448,000, or 60%. This category makes up 7.4% of property tax revenues. Lastly increases in commercial property values

increased by \$327,000, or 7%. This category makes up 30% of property tax revenues. The

remaining \$300,000 is made up of changes in a variety of other property tax categories and an increase to the City's property tax share, up from 6.44% in FY 2017-18 to 6.72% in FY 2018-19.

TRANSIENT OCCUPANCY TAX	
FY 17-18 Actual	6,810,718
FY 18-19 Adopted	8,252,000
FY 18-19 Estimate	8,252,000
FY 19-20 Proposed	9,666,056
% of General Fund	11.10%
% Change from FY 18-19 Adopted	17.14%

Transient occupancy taxes (TOT) are levied on hotels and short-term room rentals 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 upward trend shown in the TOT Historical Trend graph to the right. TOT is expected to increase by 17.1% in FY 2019-20 mostly due to the opening of Hyatt House and collection of short-term rental TOT which commenced first quarter of FY 2018-19.

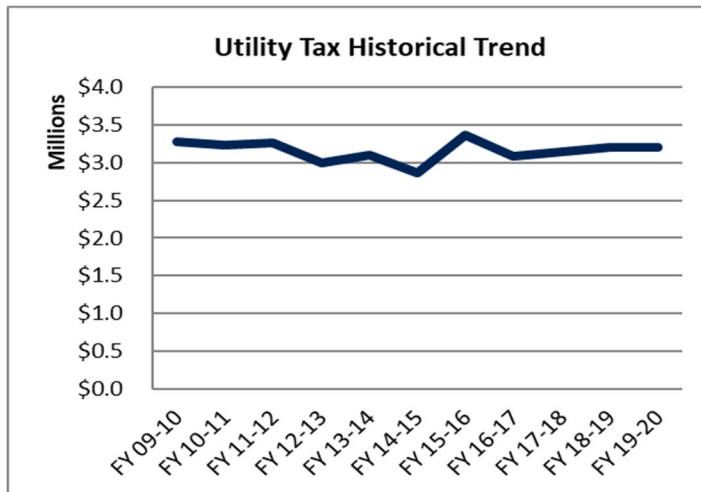


UTILITY TAX	
FY 17-18 Actual	3,146,398
FY 18-19 Adopted	3,200,000
FY 18-19 Estimate	3,200,000
FY 19-20 Proposed	3,198,644
% of General Fund	3.67%
% Change from FY 18-19 Adopted	-0.04%

The utility user tax (UUT), approved by voters in 1990, is assessed on gas, electricity and telecommunication services 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.

Utility User Tax Comparison				
	Gas/Electric	Cable	Water	Telecom
Sunnyvale	2.0%	-	-	2.0%
Cupertino	2.4%	-	-	2.4%
Mountain View	3.0%	-	-	3.0%
Los Altos	3.5%	3.2%	3.5%	3.2%
Palo Alto	5.0%	-	5.0%	5.0%
Gilroy	5.0%	4.5%	-	4.5%
San Jose	5.0%	-	5.0%	4.5%

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

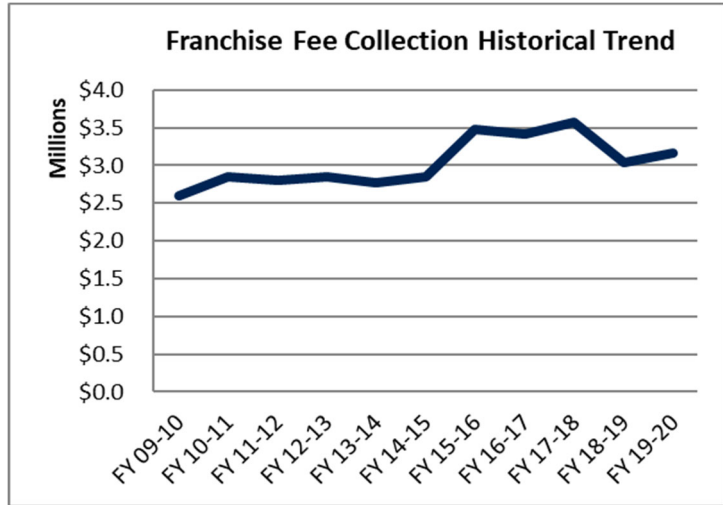


In FY 2017-18, UUT revenues increased by 2.1% compared to FY 2016-17 and are estimated to increase 1.7% FY18-19. Budgeted revenues are expected to remain at \$3.2 million for FY 2019-20 and beyond. This revenue source will be monitored closely as the fiscal year progresses.

FRANCHISE FEES	
FY 17-18 Actual	3,563,820
FY 18-19 Adopted	3,042,000
FY 18-19 Estimate	3,042,000
FY 19-20 Proposed	3,162,457
% of General Fund	3.63%
% Change from FY 18-19 Adopted	3.96%

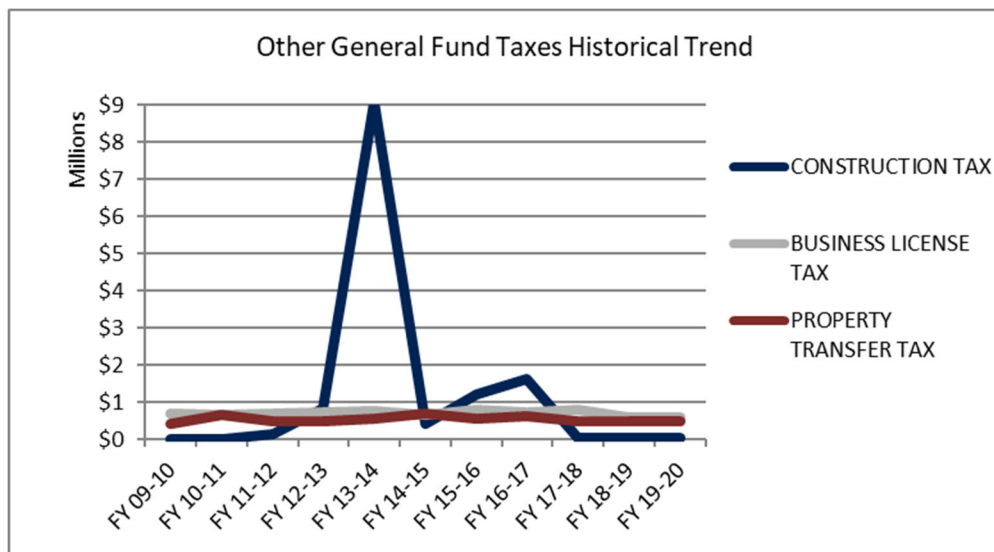
Franchise fees are received from cable, solid waste, water, gas and electricity franchisees that operate in the City. The fees range from 1% to 12% of the franchisee’s gross revenues depending on each particular agreement. As shown in the graph below, these revenues are relatively steady and not sensitive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

Franchise fee revenues increased by 4.5% in FY 2017-18 from the prior year. In FY 2018-19, franchise fee revenues are trending down 14.6% partially due to the winding down of development resulting in lower solid waste revenues. Budgeted revenues are expected to remain at approximately \$3 million for FY 2019-20. This revenue source will be monitored closely as the fiscal year progresses.



OTHER TAXES	
FY 17-18 Actual	1,339,860
FY 18-19 Adopted	1,150,000
FY 18-19 Estimate	1,150,000
FY 19-20 Proposed	1,181,050
% of General Fund	1.36%
% Change from FY 18-19 Adopted	2.70%

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

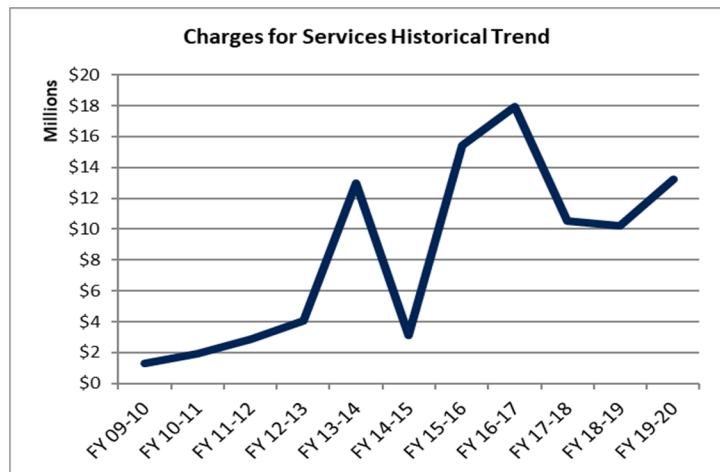


With the influx of several major construction projects beginning in 2012, revenues began increasing. The largest of the projects included the Apple Park and Main Street developments. These projects coupled with a strong housing recovery created a record year for revenues in FY 2013-14. These revenues have since returned to historic levels. In FY 2019-20, these revenues are expected to be \$1.2 million.

CHARGES FOR SERVICE	
FY 17-18 Actual	10,548,179
FY 18-19 Adopted	9,419,276
FY 18-19 Estimate	10,234,276
FY 19-20 Proposed	13,233,225
% of General Fund	15.19%
% Change from FY 18-19 Adopted	40.49%

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. Apple Park and other large developments generated large one-time revenues in FY 2013-14 as well as FY 2015-16 and FY 2016-17.

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 were 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.

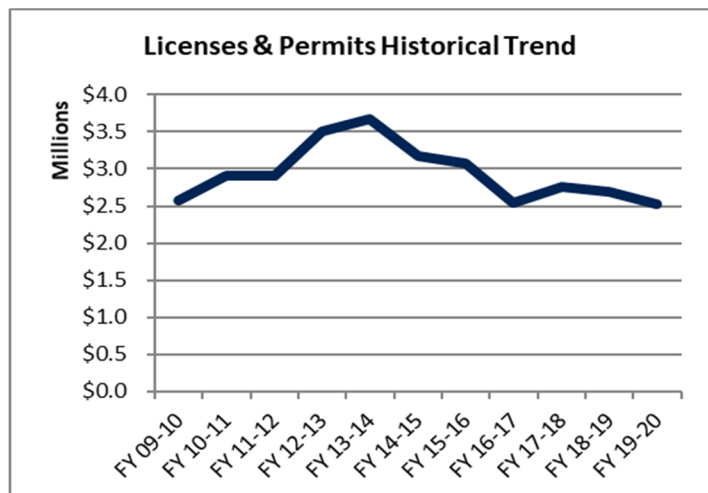
For FY 2019-20, Charges for Services will increase to \$13.2 million largely due to an increase in CAP charges allocated to Facilities. In addition, updated fee schedules for FY 2019-20 have been

approved by council and are estimated to increase approximately \$215,000 over the previous fiscal year.

LICENCES AND PERMITS	
FY 17-18 Actual	2,757,929
FY 18-19 Adopted	2,685,000
FY 18-19 Estimate	2,685,000
FY 19-20 Proposed	2,524,000
% of General Fund	2.90%
% Change from FY 18-19 Adopted	-6.00%

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.

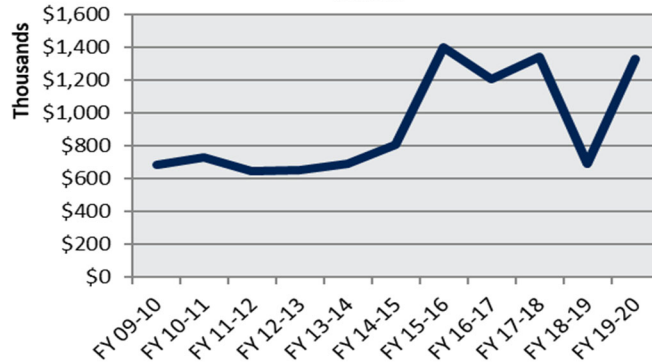
The Apple Park project and large residential projects (Rosebowl, Biltmore expansion, Main Street) generated significant permitting revenues in FY 2013-14. Since then, activity has slowed. FY 2017-18 revenues came in 8.7% higher and another 2.6% drop was projected as part of the FY 2018-19 Adopted Budget due to the winding down of construction projects in the City. Revenue estimates for FY 2019-20 are down 6%.



USE OF MONEY AND PROPERTY	
FY 17-18 Actual	1,342,626
FY 18-19 Adopted	692,000
FY 18-19 Estimate	692,000
FY 19-20 Proposed	1,330,579
% of General Fund	1.53%
% Change from FY 18-19 Adopted	92.28%

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 \$138.0 million. Fluctuations in this revenue category are a result of investment earnings, as rental income is fairly steady.

Use of Money and Property Historical Trend

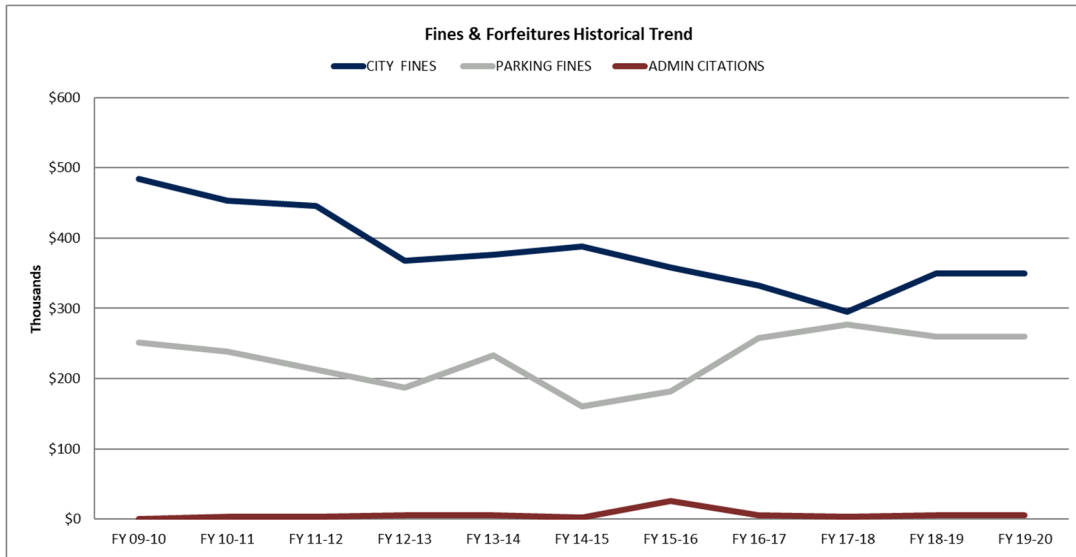


Investment earnings are a function of the amount of excess cash available for investment, current interest rates, and composition of investments. The City's investment policy requires investments to be made in this order of priority: safety, liquidity, and yield. The unprecedented turmoil in the financial markets and state cash flow problems necessitated a weighting of the portfolio toward safety and lower average yields. In March 2019, the Federal Reserve left short-term interest rates at 2.5%, the same as the previous quarter and 1% higher than the previous year.

Economists predict interest rates will remain relatively consistent over the near term with slight chances of additional minor rate hikes. Due to the increases in rates over the previous fiscal year as well as the outsourcing of the City's investment management function, the City estimates a \$639,000, or 92%, increase over the previously conservative budgeted amount. Given the high levels of uncertainty, City staff will continue to monitor interest rates as well as economic factors in both the local as well as the national economy.

FINES AND FORFEITURES	
FY 17-18 Actual	575,032
FY 18-19 Adopted	615,000
FY 18-19 Estimate	615,000
FY 19-20 Proposed	615,000
% of General Fund	0.71%
% Change from FY 18-19 Adopted	0.00%

Fines and forfeitures account for revenues generated from vehicle, parking, and miscellaneous code violations issued by the County Sheriff and the City's Code Enforcement officers. Parking fine revenues have increased with the addition of a part-time Code Enforcement Officer. Fines and forfeiture revenue is projected to remain relatively flat in FY 2018-19. In FY 2019-20 revenues are expected to remain at this level.



INTERGOVERNMENTAL	
FY 17-18 Actual	1,000,777
FY 18-19 Adopted	326,000
FY 18-19 Estimate	326,000
FY 19-20 Proposed	354,547
% of General Fund	0.41%
% Change from FY 18-19 Adopted	8.76%

Intergovernmental revenues are made up of federal, state, and regional grants, including miscellaneous intergovernmental revenue. Current year actuals may come in higher compared to budgeted levels due to anticipated State mandate reimbursements. In FY 2019-20, revenues of \$354,547 are anticipated.

MISCELLANEOUS REVENUE	
FY 17-18 Actual	8,559,972
FY 18-19 Adopted	1,104,200
FY 18-19 Estimate	5,905,001
FY 19-20 Proposed	1,494,283
% of General Fund	1.72%
% Change from FY 18-19 Adopted	35.33%

Miscellaneous revenues account for the sale of land and other miscellaneous revenues such as administrative fees. FY 2018-19 miscellaneous revenue is estimated to come in about \$4.8 million higher than budgeted due to refundable deposit revenue associated with development projects and a donation from Apple for Law Enforcement Services in the amount of \$558,000. Miscellaneous revenue is expected to decline and is projected to be \$1.5 million for FY 2019-20.

General Fund Expenditures

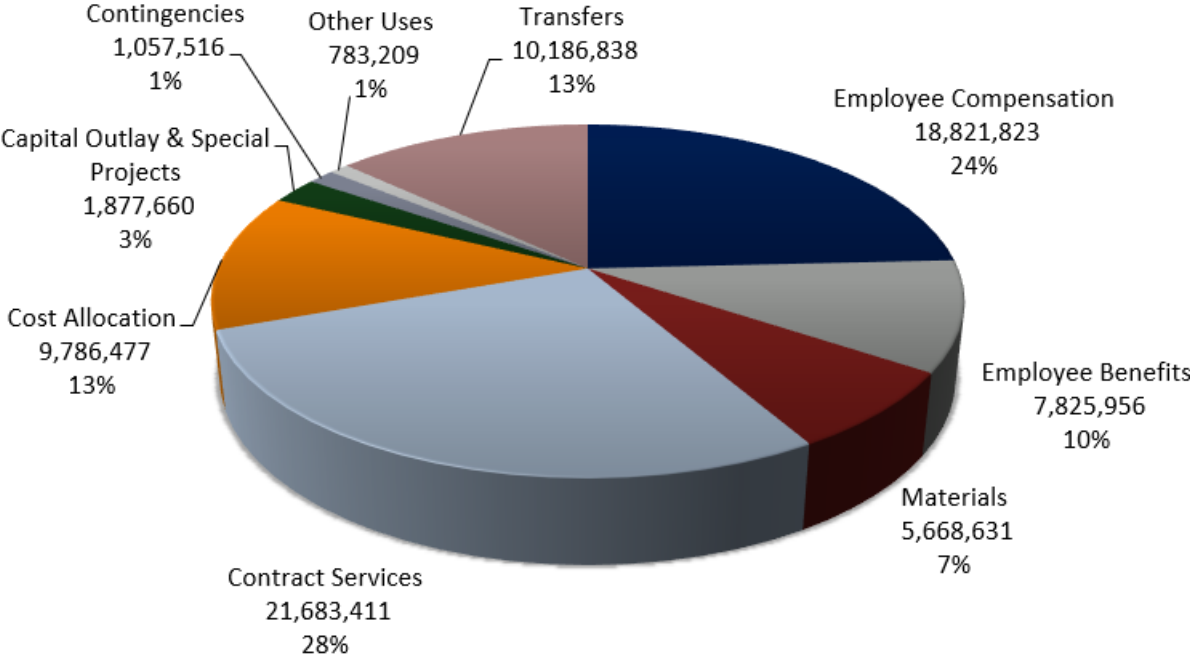
Estimates for the FY 2019-20 General Fund expenditures are based upon anticipated personnel and non-personnel cost increases. This year, department budgets reflect a zero-base budget in which all expenses were justified, removing any one-time costs, and accounting for changes in personnel costs and any other anticipated/known increased costs in FY 2019-20. In the zero-base process, every function of the City is analyzed for its needs and costs. The budget is then built around what is needed for the upcoming period, regardless of whether each budget is higher or lower than the previous fiscal year.

In addition, most budgets were given additional funds for any unexpected expenditures that are accounted for in the contingency account. Lastly, per the City's Reserve policy, an unassigned General Fund balance above the \$500,000 maximum balance will be transferred to the Capital Fund for future capital and infrastructure projects, after year-end close and as part of the mid-year budget. As shown in the chart on the next page, FY 2019-20 expenditures are estimated at \$77.7 million, which remains relatively similar to the adopted budget from the prior year. This budget reflects a decrease in Employee Compensation and Benefits due to a more accurate reflection of part-time staff charges and a decrease in four fulltime positions in the City Attorney's Office due to that function being provided through a contract with an outside law firm. There is also a slight decrease in Materials primarily due to the zero-base budget process which provides a more accurate reflection of actual expenditures. Additionally, there is an increase in Contract Services primarily attributed to an increase in General Service Agreements for outsourcing City Attorney functions as well as an increase in Law Enforcement Services for Apple Park and annual increases to the City's Law Enforcement contract with Santa Clara County Sheriff as per the agreement. These increases are offset by a decrease in Capital Outlay and Special Projects due to completion of previously funded special projects and costs of project scope and costs differing from year to year.

GENERAL FUND EXPENDITURE SUMMARY					
	2016-2017	2017-2018	2018-2019	2019-2020	%
EXPENDITURES	Actuals	Actuals	Adopted	Proposed	Change
Employee Compensation	15,019,952	16,974,470	19,349,144	18,821,823	-3%
Employee Benefits	6,522,993	7,109,183	8,059,818	7,825,956	-3%
Total Personnel Costs	21,542,944	24,083,653	27,408,962	26,647,779	-3%
Non-Personnel Costs					
Materials	3,637,591	4,985,037	5,772,556	5,668,631	-2%
Contract Services	17,366,277	17,853,413	19,461,836	21,683,411	11%
Cost Allocation	13,459,891	8,101,838	9,368,223	9,786,477	4%
Capital Outlay & Special Projects	8,919,870	9,847,615	2,161,298	1,877,660	-13%
Contingencies	1,186	911	1,197,933	1,057,516	-12%
Other Uses	146,722	307,751	910,000	783,209	-14%
Total Non-Personnel	43,531,537	41,096,565	38,871,846	40,856,904	5%
Transfers	28,965,731	24,129,372	11,358,912	10,186,838	-10%
TOTAL EXPENDITURES	94,040,212	89,309,589	77,639,720	77,691,521	0%

The largest General Fund operating expenditure categories include Employee Compensation and Benefits (34%), Contract Services (28%), Cost Allocation (13%), and Transfers Out (13%) as illustrated in the FY 2019-20 General Fund Expenditures by Category chart.

General Fund Expenditures by Category



Personnel Costs

Personnel costs total \$26.6 million in FY 2019-20, comprising 34% 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.

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. Costs in salary and benefits are down primarily due to the zero-base process which provides a more accurate reflection of part-time staff charges, a decrease in four full-time positions in the City Attorney's Office due to outsourcing City Attorney functions, and no cost of living increase or equity negotiated as part of the labor agreements.

CalPERS retirement rates are projected to increase 6.3%, as per the most recent actuarial valuation report from CalPERS. In addition, the CalPERS discount rate is projected to remain at 7% as the CalPERS board has not made any additional changes since December 2017. Future actuarial assumptions project changes to the discount rate and these projections are reflected in the General Fund forecast section of the budget.

A total of 201.25 FTEs are budgeted in FY 2019-20, down from 201.75 in FY 2018-19. This decrease of .5 FTEs represents a 0.25% decrease in staffing. The change in positions is summarized below:

FY 2018-19 Adopted Budget	201.75
Limited Term Public Works Project Manager (Council Item)	1.00
Senior Office Assistant (1st Quarter)	1.00
HR Manager 6-month Double Fill (1st Quarter)	0.50
City Attorney Office Outsourcing	-4.00
Building Inspector (Term Ended)	-1.00
FY 2019-20 Proposed Budget	
Senior Office Assistant	1.00
Maintenance Worker I/II	1.00
FY 2019-20 Benefitted Positions	201.25

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

Department(s)	Classification	Salaries	Benefits	Total Costs	Funding Source/Purpose
Public Works	Senior Office Assistant	\$64,725	\$37,772	\$102,497	General Fund
					Replace 2 Part-time Staff Currently Working on Administrative Duties
Public Works	Maintenance Worker I/II	\$60,267	\$36,796	\$97,063	General Fund
					Additional City Trees Were Discovered
POSITIONS FUNDED BY THE GENERAL FUND		\$124,992	\$74,568	\$199,560	

Non-Personnel

Non-personnel costs total \$40.9 million in FY 2019-20, comprising 53% of General Fund budgeted appropriations. These costs are primarily made up of Contract Services (28%), Cost Allocation charges (13%), Materials (7%), Capital Outlays and Special Projects (3%) and Contingencies (1%). Costs were developed based on the new zero-base budget process with adjustments for FY 2019-20 funding needs. One-time projects were moved to a separate category in FY 2013-14 to ensure that expenditure trends reflect ongoing expenditure needs. In FY 2017-18, a concerted effort was made to differentiate costs related to special projects and capital outlays that are required to be depreciated. A special projects series was created in the contracts section of accounts for any new special projects going forward.

Contingencies totaling 5% of the total General Fund and 5% of Material and Contract budgets have been established. This contingency level is within the recommended range by the Government Finance Officers Association. Contingencies have been allocated proportionately amongst operating programs based on each program's share of General Fund budget for contractual services and supplies and materials. The remaining 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. The 5% is consistent with best practices adopted by the Governmental Accounting Standards Board (GASB) which recommends a 5-15% contingency. The Sheriff's and City Attorney services contracts are excluded from the contingency calculation.

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 2019-20, budgets have been established for the following transfers.

Transfer Out from General Fund	Description	Amount
Special Revenue Funds	Storm Drain, Non-Point Source, Sidewalk, Curb and Gutter Maintenance	\$ 1,318,000.00
Debt Service Funds	Annual Debt Payment	\$ 3,172,838.00
Enterprise Funds	Blackberry Farm Golf Course, Sports Center Operation, Outdoor Recreation	\$ 2,123,000.00
Internal Service Funds	IT Infrastructure, General Fund Subsidy of Compensated Absences and Retiree Medical	\$ 3,573,000.00
	TOTAL GENERAL FUND TRANSFERS OUT	\$ 10,186,838.00

General Fund Fund Balance

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for governmental funds are made up of the following:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: prepaid items, property held for resale and long-term notes receivable.

Restricted Fund Balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action (resolution) that imposed the constraint originally.

Assigned Fund Balance – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by the City Council or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes. Through the adopted budget, the City Council establishes assigned fund balance policy levels and also sets the means and priority for the City Manager to fund these levels.

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

In circumstances when an expenditure may be made for which amounts are available in multiple fund balance classifications, the fund balance in General Fund will generally be used in the order of restricted, unassigned, and then assigned reserves. In other governmental funds, the order will generally be restricted and then assigned.

Fiscal Year 2019-20 Proposed Budget

General Fund Classification of Fund Balance

CLASSIFICATION	Actuals 2016-17	Actuals 2017-18	Adopted Budget 2018-19	Year End Projection 2018-19	Proposed 2019-20
<u>Non Spendable</u>					
Loans Receivable	851,714	458,893	460,047	455,000	455,000
Prepaid Items	25,225	6,000	6,000	6,000	-
Total Non Spendable	876,939	464,893	466,047	461,000	455,000
<u>Restricted</u>					
Public Access Television	1,016,771	1,254,578	843,000	843,000	843,000
Total Restricted	1,016,771	1,254,578	843,000	843,000	843,000
<u>Committed</u>					
Economic Uncertainty	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Sustainability Reserve	-	122,754	75,499	122,754	122,754
PERS	-	4,793,000	8,000,000	8,000,000	8,000,000
Total Committed	19,000,000	23,915,754	27,075,499	27,122,754	27,122,754
<u>Assigned</u>					
Library Expansion	-	-	-	-	352,719
PERS	100,000	-	-	-	-
Reserve for Encumbrances	4,538,181	5,170,310	7,932,000	5,011,000	5,011,000
Total Assigned	4,638,181	5,170,310	7,932,000	5,011,000	5,363,719
Total Unassigned	28,057,799	21,704,922	8,893,982	6,194,036	15,255,948
TOTAL FUND BALANCE	53,589,690	52,510,457	45,210,528	39,631,790	49,040,421

All Funds Summary

This section provides information on the FY 2019-20 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 FY 2019-20 fund balance and 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 2019-20 revenue estimates are built on the assumption that the economy will continue to experience modest growth.

Special Revenue Funds

Special Revenue Funds 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	2017-18	2018-19	2019-20
	Actuals	Projected	Proposed Budget
Other Taxes	603,792	3,000	453,404
Use of Money & Property	198,968	89,310	15,700
Intergovernmental	2,321,520	3,822,881	7,554,533
Charges for Services	416,777	370,000	391,045
Miscellaneous Revenue	819,265	185,000	163,521
Fines and Forfeitures	27,902	9,000	10,000
Transfers In	12,804,291	8,086,000	1,318,000
Total Revenue Sources	\$17,192,514	\$12,565,191	\$9,906,203

Revenues are projected to decrease by \$2.7 million dollars, largely due to a reduction in one-time transfers in from the General Fund that is offset with an increase in SB1 funding.

Expenditures

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

EXPENDITURE USES	2017-18	2018-19	2019-20
	Actuals	Projected	Proposed Budget
Employee Compensation	985,135	1,004,387	1,025,568
Employee Benefits	482,739	503,891	504,775
Materials	616,759	1,188,972	728,939
Contract Services	515,546	1,150,817	727,897
Cost Allocation	550,748	425,454	486,532
Capital Outlays	2,632,816	16,604,531	1,000,000
Special Projects	13,447,889	9,190,048	3,280,000
Contingencies	-	35,702	36,666
Transfers Out	2,505,604	135,000	12,000
Total Expenditures Uses	\$21,737,235	\$30,238,802	\$7,802,377

Expenditures are projected to decrease by \$22.4 million dollars primarily due to the Capital Improvement Program not being incorporated in the Proposed Budget due to the timing of preparation of the documents. Decreases are also attributable to a switch from improving City roads to maintaining City roads.

Fund Balance

Fund balance represents fund 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	2017-18	2018-19	2019-20
	Actuals	Projected	Proposed Budget
Beginning Balance	33,776,352	29,231,630	11,558,020
Net Increase (Decrease) in Fund Balance	(4,544,722)	(17,673,611)	2,103,826
Ending Balance	\$29,231,630	\$11,558,020	\$13,661,846

Debt Service Fund

The Debt Service Fund provides for the payment of principal, 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/Community Hall/Library Certificates of Participation (COP) that will be paid off by July 1, 2030.

Revenue

Revenue sources for the Debt Service Funds are summarized in the table below and discussed in greater detail following the table:

REVENUE SOURCES	2017-18	2018-19	2019-20
	Actuals	Projected	Proposed Budget
Use of Money & Property	19,037	-	-
Transfers In	3,167,544	3,169,438	3,172,838
Total Revenue Sources	\$3,186,581	\$3,169,438	\$3,172,838

Revenues are expected to remain relatively unchanged.

Expenditures

Expenditure uses for Debt Service Funds are summarized in the table below and discussed in greater detail following the table:

EXPENDITURE USES	2017-18	2018-19	2019-20
	Actuals	Projected	Proposed Budget
Debt Service	3,196,828	3,169,438	3,172,838
Total Expenditures Uses	\$3,196,828	\$3,169,438	\$3,172,838

Expenditures are expected to remain relatively unchanged. This represents a repayment of debt and payments which are fixed for the life of the loan.

Fund Balance

Fund balance represents fund 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	2017-18	2018-19	2019-20
	Actuals	Projected	Proposed Budget
Beginning Balance	1,597,234	1,586,987	1,586,987
Net Increase (Decrease) in Fund Balance	(10,247)	-	-
Ending Balance	\$1,586,987	\$1,586,987	\$1,586,987

Capital Project Funds

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

Revenue

Revenue sources for Capital Project Funds are summarized in the table below and discussed in greater detail following the table:

REVENUE SOURCES	2017-18	2018-19	2019-20
	Actuals	Projected	Proposed Budget
Miscellaneous	1,800,000	-	-
Charges for Services	216,668	-	-
Transfers In	22,234,400	23,602,250	-
Total Revenue Sources	\$ 24,251,069	\$ 23,602,250	\$ -

Revenue is projected to decrease by \$23.6 million. This decrease is due to a reduction in transfers in from the General Fund due to the timing of the preparation of the Capital Improvement Program budget.

Expenditures

Expenditure uses for Capital Project Funds are summarized in the table below and discussed in greater detail following the table:

EXPENDITURE USES	2017-18	2018-19	2019-20
	Actuals	Projected	Proposed Budget
Employee Compensation	41,450	-	-
Employee Benefits	16,700	-	-
Materials	100,247	-	-
Contract Services	62,977	4,246,602	175,000
Capital Outlays	3,092,103	10,381,417	-
Transfers Out	17,113,949	17,027,250	2,500
Total Expenditures Uses	\$20,427,427	\$31,655,269	\$177,500

Expenditures are projected to decrease by \$31.5 million dollars due to the Capital Improvement Program not being incorporated in the Proposed Budget document. The Capital Improvement Program will be taken to City Council at a separate time and included in the Adopted Budget.

Fund Balance

Fund balance represents fund 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	2017-18	2018-19	2019-20
	Actuals	Projected	Proposed Budget
Beginning Balance	25,305,974	29,129,616	21,076,597
Net Increase (Decrease) in Fund Balance	3,823,642	(8,053,019)	(177,500)
Ending Balance	\$29,129,616	\$21,076,597	\$20,899,097

Enterprise Funds

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

Revenue

Revenue sources for Enterprise Funds are summarized in the table below and discussed in greater detail following the table:

REVENUE SOURCES	2017-18	2018-19	2019-20
	Actuals	Projected	Proposed Budget
Use of Money & Property	271,414	317,000	28,000
Intergovernmental	14,781	15,000	15,000
Charges for Services	7,546,219	6,871,400	5,859,827
Miscellaneous Revenue	69,114	66,000	66,000
Transfers In	799,996	75,000	2,123,000
Total Revenue Sources	\$8,701,523	\$7,344,400	\$8,091,827

Revenue is projected to increase by \$747,000, this is primarily driven by anticipated decreases in charges for services due to amendments to the City's contract with Recology and the use of dump boxes. Additionally, an increase in transfers due to the department using unassigned fund balance to cover operational shortages. As part of the budget process each fund is evaluated. Funds that are 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 Enterprise Funds are summarized in the table below and discussed in greater detail following the table:

EXPENDITURE USES	2017-18	2018-19	2019-20
	Actuals	Projected	Proposed Budget
Employee Compensation	1,865,184	1,902,484	1,942,661
Employee Benefits	709,060	566,178	564,863
Materials	487,364	568,109	463,844
Contract Services	4,881,152	5,017,998	4,644,862
Contingencies	-	207,732	254,184
Cost Allocation	759,543	906,362	1,651,322
Special Projects	21,192	385,026	321,500
Transfers Out	1,300,494	320,509	-
Total Expense Uses	\$10,023,989	\$9,874,398	\$9,843,236

Expenditures are projected to decrease by approximately \$31,000, remaining relatively consistent over the previous fiscal year.

Retained Earnings

Enterprise funds carry retained earning instead of fund balance. Retained earnings are calculated by taking the beginning balance and then adding the difference between revenue and expenditures to arrive at the ending retained earnings. However, some of these resources are not liquid and represent capital assets. These monies are generally accumulated to support capital replacement and/or expansion needs.

CHANGES TO RETAINED EARNINGS	2017-18	2018-19	2019-20
	Actuals	Projected	Proposed Budget
Beginning Balance	10,971,174	9,648,709	7,118,711
Net Increase (Decrease) in Retained Earnings	(1,322,465)	(2,529,998)	(1,751,409)
Ending Balance	\$9,648,709	\$7,118,711	\$5,367,302

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 Internal Service Funds are summarized in the table below and discussed in greater detail following the table:

REVENUE SOURCES	2017-18	2018-19	2019-20
	Actuals	Projected	Proposed Budget
Use of Money & Property	41,844	-	-
Intergovernmental	-	-	-
Charges for Services	4,037,046	4,973,162	4,083,901
Miscellaneous Revenue	8,026	-	-
Transfers In	3,427,712	1,578,474	3,573,000
Other Financing Uses	667,467	472,652	472,652
Total Revenue Sources	\$8,182,095	\$7,024,288	\$8,129,553

Revenues are projected to increase by \$1.1 million due to increased transfers from the General Fund for compensated absence and retiree medical payments for FY 2019-20.

Expenditures

Expenditure uses for Internal Service Funds are summarized in the table below and discussed in greater detail following the table:

EXPENDITURE USES	2017-18	2018-19	2019-20
	Actuals	Projected	Proposed Budget
Employee Compensation	1,259,151	1,366,347	1,336,390
Employee Benefits	1,697,584	1,696,384	1,596,993
Materials	893,036	982,397	916,106
Contract Services	1,182,750	2,054,183	1,538,116
Contingencies	-	147,882	164,925
Cost Allocation	1,244,493	727,082	847,459
Special Projects	19,560	1,186,819	704,600
Transfers Out	-	699,351	-
Total Expenditures Uses	\$6,296,574	\$8,860,445	\$7,104,589

Total expenditures is projected to decrease \$1.8 million as a result of a reduction in the acquisition of fixed assets over the previous fiscal year.

Retained Earnings

Internal Service Funds carry retained earning instead of fund balance. Retained earnings 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 retained earnings. However, some of the resources are not liquid and represent capital assets. These monies are generally accumulated to support capital replacement and/or expansion needs.

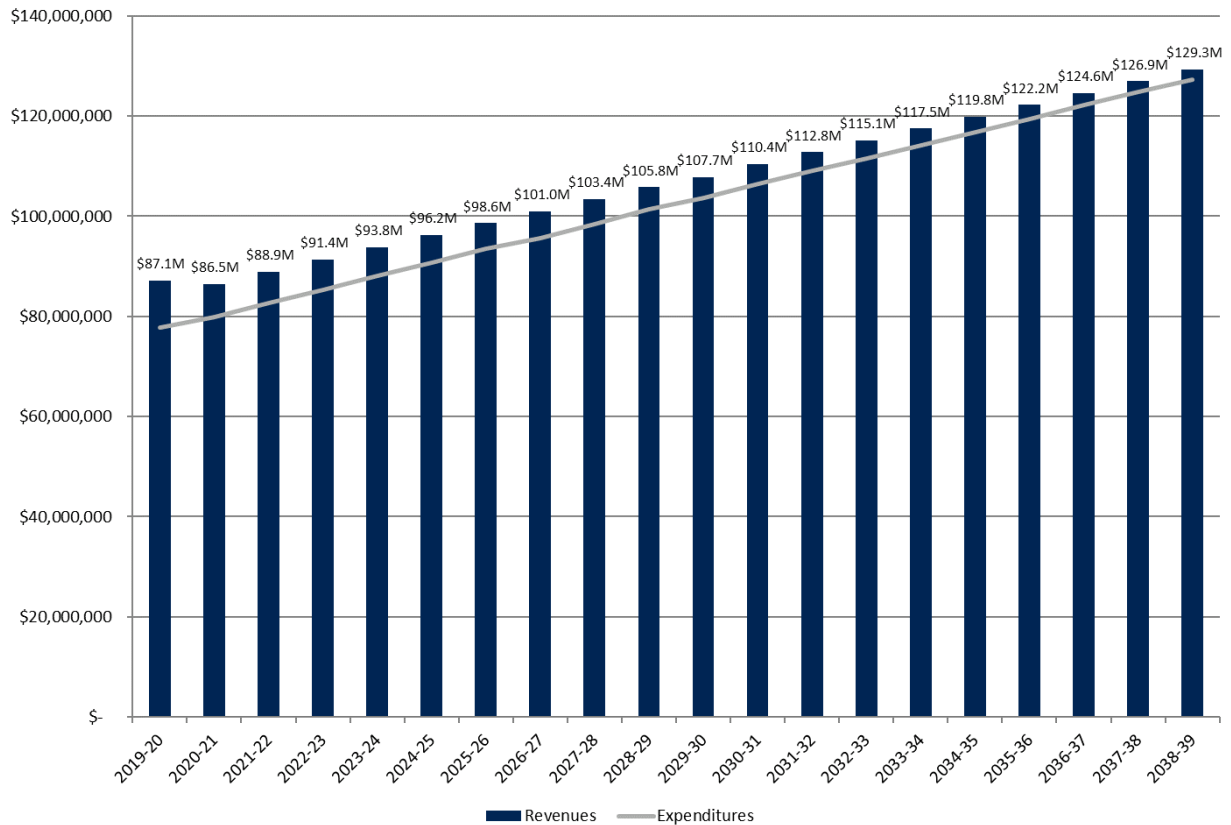
CHANGES TO RETAINED EARNINGS	2017-18	2018-19	2019-20
	Actuals	Projected	Proposed Budget
Beginning Balance	4,652,496	6,538,018	4,701,861
Net Increase (Decrease) in Retained Earnings	1,885,522	(1,836,157)	1,024,964
Ending Balance	\$6,538,018	\$4,701,861	\$5,726,825

5-Year and 20-Year General Fund Forecast

Overview

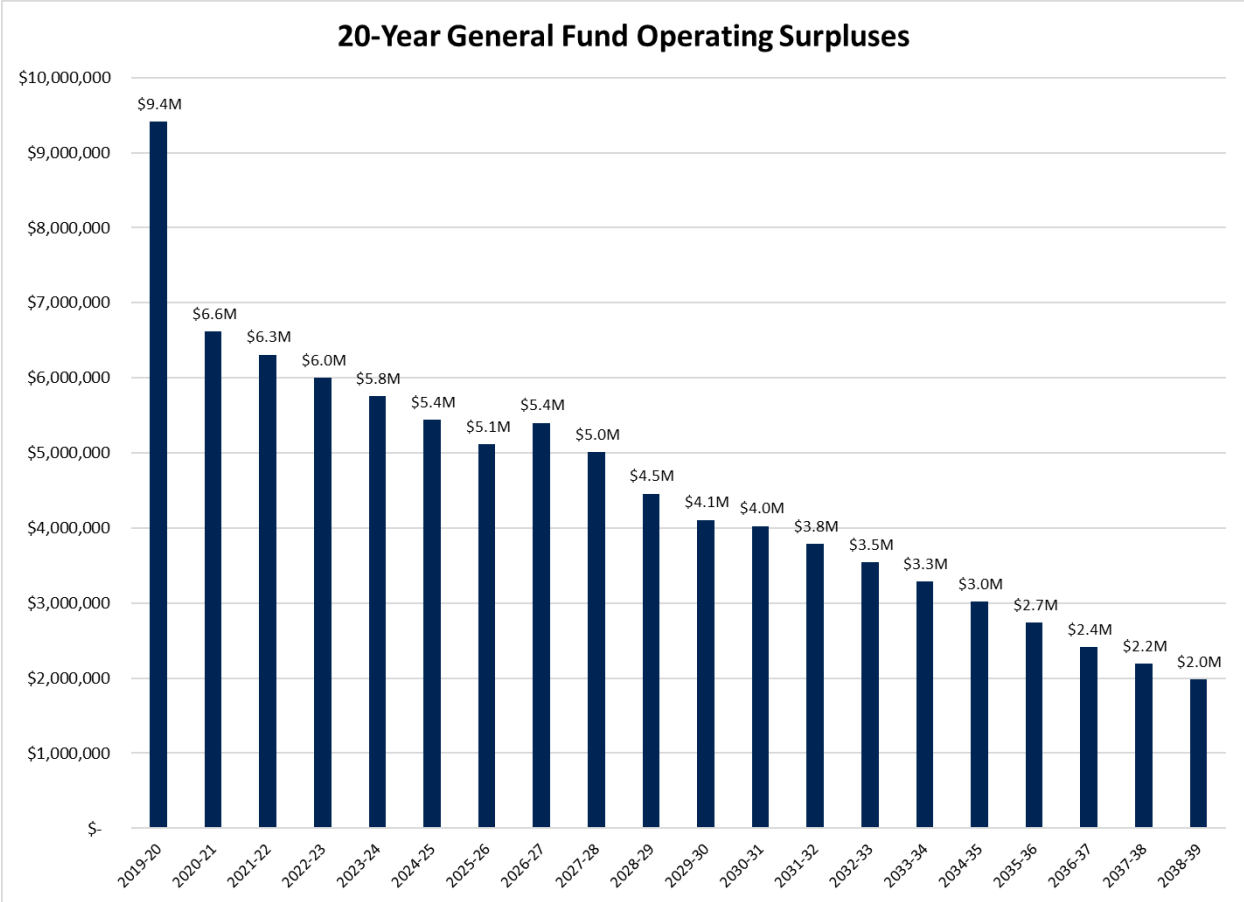
City staff has continued to develop medium-term (5-year) and long-term (20-year) forecasts as part of the budget process. While long-term projections are inherently less reliable than short-term projections, they can help detect structural budget issues that can be mitigated if identified early. As shown in the following chart, in the next 20 years, our projections show healthy operating surpluses despite consistent, yet modest, declines year-over-year due to revenues growing at a slower rate than expenditures.

20-Year General Fund Financial Forecast



In the forecast, revenue growth is primarily driven by sales, property, and transient occupancy taxes. Revenue growth will be slower than in the past due to the completion of large-scale development projects, such as Main Street and Apple Park, in the City. Expenditure growth is primarily driven by increases in pension liability costs and the City's Law Enforcement contract with the Santa Clara County Sheriff's Office.

Operating surpluses are projected to decrease from \$9.4 M in FY 2019-20 to \$2.0 M in FY 2038-39 as revenues grow at a slower pace than expenditures, as shown in the following chart.



Forecast Methodology

The financial forecast is a planning tool that helps staff identify important trends and anticipate the longer term consequences of budget decisions. The forecast is instrumental in modeling the effects of retirement costs, employee compensation, and revenues on the City’s budget.

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, cost projections, which are 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 change frequently and demonstrate the difficulties of committing to a particular prediction of the future. For this reason, the forecast is updated regularly.

While economic conditions are the primary drivers for economically-sensitive revenues such as sales tax and property tax, performance is primarily driven by other factors for non-economically sensitive categories such as the utility user tax and franchise fees. These revenue categories are more heavily impacted by utility rate changes, energy prices, and consumption levels. Collections from local, State, and federal agencies are primarily driven by grant and reimbursement funding

available from these agencies. As a result, these revenues experience no significant net gain or loss during economic expansions or slowdowns. All revenue projections are based upon a careful examination of the collection history and patterns as they relate to seasonality and the economic environment the City is most likely to encounter in the future.

A discussion of both the national and local economic outlooks used to develop the revenue estimates for the FY 2018-19 forecast is included below. To develop the revenue forecasts, the City reviewed national, State, and regional economic forecasts from multiple sources including 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). To develop the sales tax, property tax, and transient occupancy tax (TOT) revenue projections, the City worked with HdL Companies, a tax consultant. In February 2019, the City began working with UFI (Urban Futures, Inc.), a financial advisory and consulting firm, to:

- review, update, and enhance the City's baseline financial forecast;
- evaluate fiscal strategies including potential local revenue measures;
- develop capital financing options, structures and estimates for identified projects; and
- prepare analysis of city charter costs/benefits related to fiscal activities.

This forecast includes the updates and enhancements that UFI has made to the City's baseline financial forecast.

National Economic Outlook

Both locally and nationally, uncertainty is the main theme among forecasts. Although the risk of a downturn is rising, most forecasts still project slower but stable growth. It's important to note that the national economy has been expanding since June 2009, as defined by the National Bureau of Economic Research (NBER). If the expansion continues until June, it will be tied for the longest on record. According to the non-partisan Congressional Budget Office (CBO), annual economic growth is expected to slow after 2019 and average 1.8 percent per year from 2024 to 2029 because the labor force is expected to grow more slowly. Similarly, the Federal Open Market Committee (FOMC) forecasts GDP growth of 2.1 percent in 2019, 1.9 percent in 2020, and 1.8 percent in 2021. The broad consensus among economists is modest expansion until 2020, after which growth is expected to decrease.

Cupertino Economic Outlook

The outlook for Cupertino and Silicon Valley overall is positive, with steady growth in this forecast. Sales taxes continue to be very strong, driven by business-to-business (B2B) sales in the City's technology sector. Property taxes have also performed well over the last several 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.

In recent years, large construction projects, such as Main Street and Apple Park, have generated strong development-related revenue for the City's coffers. However, large-scale development-related activity has started to decrease. No other major development projects are forecasted 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 such one-time revenues given their uncertainty.

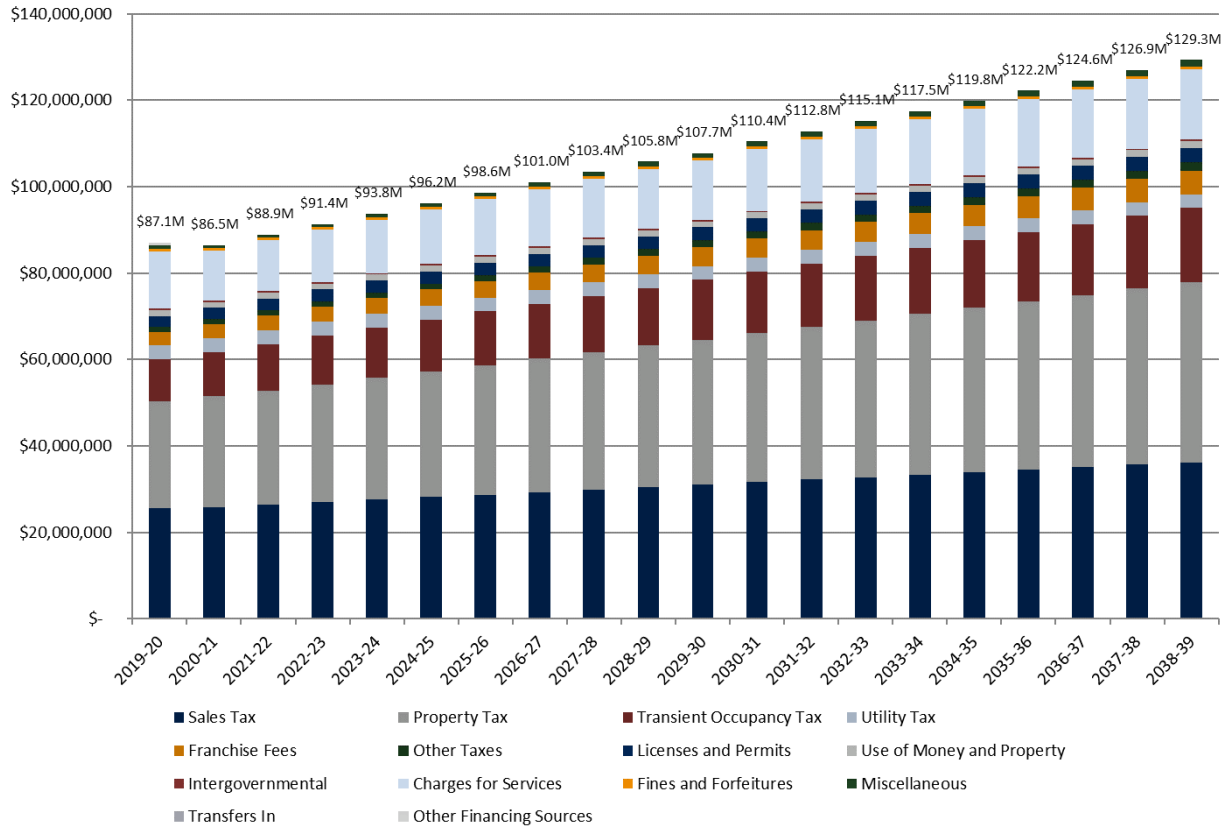
In summary, the steady recovery from the great recession is expected to continue impacting the City's revenue performance. Economically sensitive revenues, such as sales tax and property tax receipts, are expected to experience moderate growth over the forecast period. Development-related revenue such as licenses and permits, construction tax, and charges for services have declined from the peak experienced in FY 2013-14 due to the completion of large-scale one-time projects but will increase slightly throughout the forecast.

Per the City's One Time Use and Reserve Policy, any additional unassigned fund balance above the \$500,000 threshold will be transferred to the Capital Reserve at the end of the year. In FY 2018-19, the City established a Section 115 Trust as part of a long-term strategy to improve the financial sustainability of the City's pension system and reduce the effect of pension rate volatility on the City's operating budget.

Revenues

The City's top three revenue sources continue to be property tax, sales tax, and transient occupancy tax (TOT). All three revenue sources are expected to grow, although that pace of growth is projected to slow. In the last five years, major development projects, such as Main Street and Apple Park, were a large source of revenue. As large-scale development begins to decline in Cupertino, the City will see the effects of that in reduced revenue growth.

20-Year General Fund Revenue Forecast by Revenue Category



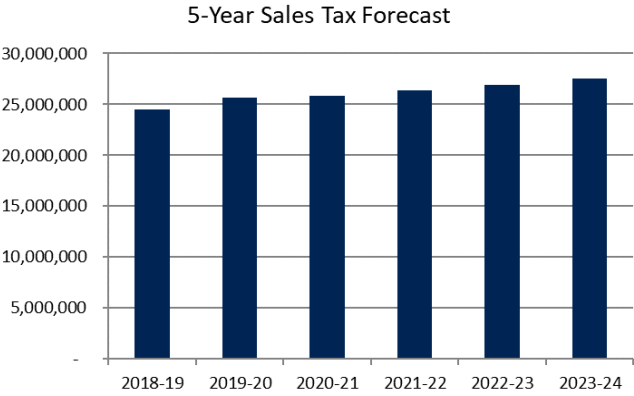
FIVE-YEAR GENERAL FUND REVENUES FORECAST						
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
REVENUES						
Sales Tax	24,537,000	25,637,093	25,866,206	26,394,889	26,956,022	27,539,055
Property Tax	23,766,000	24,703,218	25,575,683	26,445,523	27,303,761	28,170,040
Transient Occupancy Tax	8,252,000	9,666,056	10,204,000	10,732,653	11,218,092	11,660,650
Utility Tax	3,200,000	3,198,644	3,197,286	3,195,927	3,194,567	3,193,206
Franchise Fees	3,042,000	3,162,457	3,282,914	3,403,370	3,523,827	3,644,283
Other Taxes	1,150,000	1,181,050	1,225,339	1,265,776	1,305,015	1,344,165
Licenses and Permits	2,685,000	2,524,000	2,604,329	2,641,328	2,691,862	2,733,542
Use of Money and Property	692,000	1,330,579	1,337,232	1,343,918	1,350,638	1,357,391
Intergovernmental	326,000	354,547	356,320	358,101	359,892	361,691
Charges for Services	10,234,276	13,233,225	11,500,933	11,774,523	12,061,203	12,350,036
Fines and Forfeitures	615,000	615,000	615,000	615,000	615,000	615,000
Miscellaneous	1,356,457	882,283	696,736	735,754	776,220	818,136
Transfers In	10,000	12,000	-	-	-	-
Other Financing Sources	4,538,544	600,000	-	-	-	-
TOTAL REVENUES	84,404,277	87,100,152	86,461,978	88,906,763	91,356,099	93,787,195

Sales Tax

FIVE-YEAR SALES TAX FORECAST						
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Estimate	Adopted	Forecast	Forecast	Forecast	Forecast
Sales Tax	24,537,000	25,637,093	25,866,206	26,394,889	26,956,022	27,539,055

Currently, Sales tax is the City’s largest revenue source. Sales taxes are collected at the point of sale and remitted to the California Department of Tax and Fee Administration (formerly the Board of Equalization), which allocates tax revenue owed to the City in monthly payments.

Sales tax is projected to be lower in FY 2018-19 compared to FY 2017-18 due to the completion of Apple Park, then increase modestly in subsequent years. Sales tax is projected to grow by an



average annual growth rate of 1.7% in the long-term forecast. Moderate forecasts were used for general consumer goods, restaurants and hotels, and state and county pools; conservative forecasts were used for business and industry and other categories. Business-to-business (B2B) revenue is the largest portion of the City’s sales tax base, so the City’s sales tax revenue is sensitive to economic forces. In particular, the City’s two largest sales tax sources—both technology companies—

account for a large portion of the City’s total sales tax base. Sales tax revenue is reported two

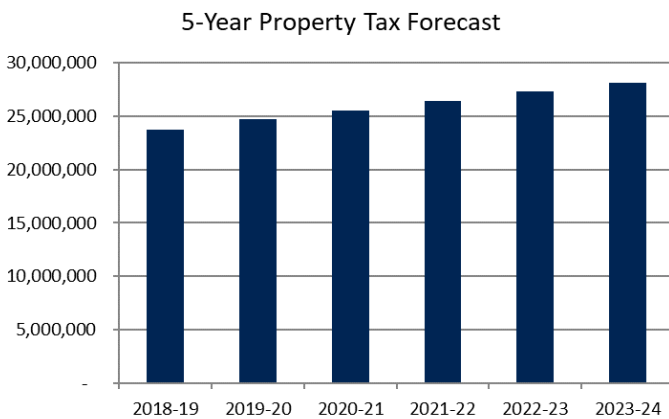
quarters in arrears thus providing the City with about six months to react if this revenue source starts to decline.

Given the volatility of B2B revenue, which accounts for the majority of the City’s sales tax revenue, a key goal of the City’s long-term fiscal strategic plan is to diversify its sales tax base by promoting the general retail and food product sectors. Recently completed development projects such as Nineteen800 and Main Street are expected to boost retail sales and reduce the City’s reliance on B2B revenue.

Property Tax

FIVE-YEAR PROPERTY TAX FORECAST						
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Estimate	Adopted	Forecast	Forecast	Forecast	Forecast
Property Tax	23,766,000	24,703,218	25,575,683	26,445,523	27,303,761	28,170,040

Property tax revenues are projected to increase by an average annual growth rate of 3.3% in our



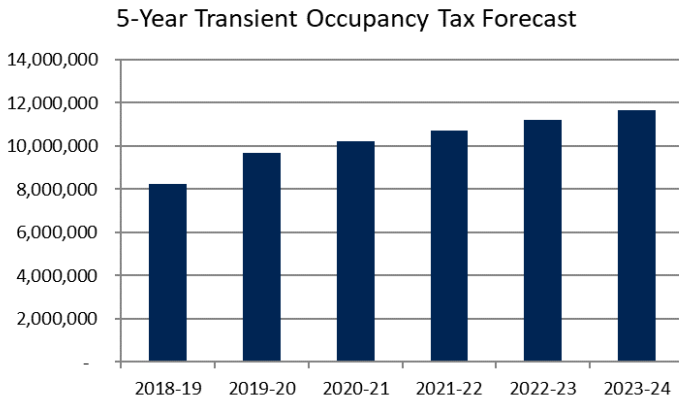
forecast. This moderate forecast is based on a combination of factors including historical trends for the City and forecasts for the region. Historically, property tax has increased at an average annual growth rate of 11.6%. However, this moderate forecast projects a much lower growth rate to account for the fact that no major development projects are expected in the City. The reduction in development activity will reduce the City’s property tax growth in the future.

Major development projects, such as Main Street and Apple Park, were a significant contributor to the historical growth in property tax revenues.

Transient Occupancy Tax

FIVE-YEAR TRANSIENT OCCUPANCY TAX FORECAST						
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Estimate	Adopted	Forecast	Forecast	Forecast	Forecast
Transient Occupancy Tax	8,252,000	9,666,056	10,204,000	10,732,653	11,218,092	11,660,650

Transient occupancy tax (TOT) revenues for FY 2018-19 are projected to be higher than FY 2017-18 primarily due to the opening of the 180-room Residence Inn by Marriott hotel at Main Street. The forecast also assumes the opening of the 148-room Hyatt House hotel in northeast Cupertino in spring 2019. In the forecast, TOT is projected to increase at an average annual growth rate of 5.0%. The City used a moderate forecast based on historical tax collections. This moderate forecast assumes slower growth compared to historical trends given that no additional hotels are expected to open after 2019.



18 primarily due to the opening of the 180-room Residence Inn by Marriott hotel at Main Street. The forecast also assumes the opening of the 148-room Hyatt House hotel in northeast Cupertino in spring 2019. In the forecast, TOT is projected to increase at an average annual growth rate of 5.0%. The City used a moderate forecast based on historical tax collections. This moderate forecast assumes slower growth compared to historical trends

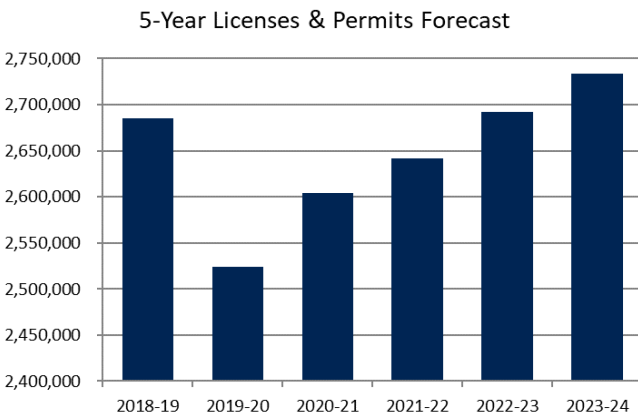
given that no additional hotels are expected to open after 2019.

TOT revenues are impacted by the tax rate charged on hotels in the City, the occupancy rate of the hotels, and the average daily room rates (ADR) of the hotels. TOT revenues are highly correlated with B2B revenue, as TOT revenues in Cupertino are primarily driven by business travel. Occupancy rates are currently at record levels given our strong local economy. However, given the large amount of business travel in the City, a decline in the economy could have a significant impact on this revenue source.

Licenses and Permits

FIVE-YEAR LICENSES & PERMITS FORECAST						
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
Licenses and Permits	2,685,000	2,524,000	2,604,329	2,641,328	2,691,862	2,733,542

Licenses and permits are forecasted to decrease in FY 2019-20 due to reduced development activity but increase in the out-years. Revenue is projected to increase by an average annual growth rate of 1.0%. The forecasts were based on forecasts of California residential building permits, non-residential building permits, and construction payrolls from the UCLA Anderson Forecasts for the Nation and California. Out of prudence, this forecast does not reflect any major development projects that are awaiting approval. If new development projects are approved, this forecast will be updated accordingly.



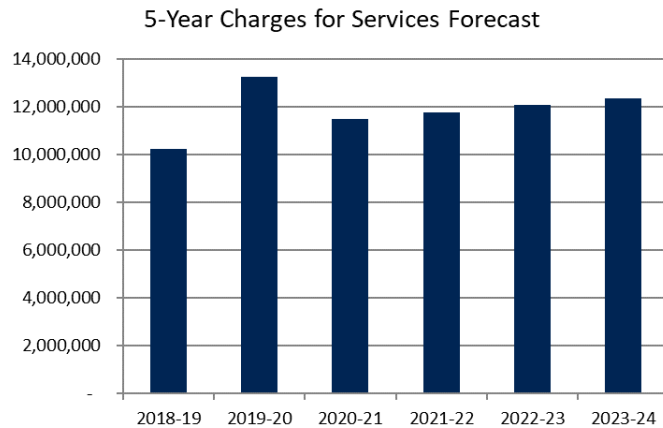
Revenue is projected to increase by an average annual growth rate of 1.0%. The forecasts were based on forecasts of California residential building permits, non-residential building permits, and construction payrolls from the UCLA Anderson Forecasts for the Nation and California. Out of prudence, this forecast does not reflect any major development projects that are awaiting approval. If new development projects are approved, this forecast will be updated accordingly.

forecast will be updated accordingly.

Charges for Services

	FIVE-YEAR CHARGES FOR SERVICES FORECAST					
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
Charges for Services	10,234,276	13,233,225	11,500,933	11,774,523	12,061,203	12,350,036

Revenues from charges for services have decreased from their levels in FY 2016-17, primarily due



to a decrease in development activity. Starting in FY 2020-21, revenue is projected to increase at an average annual growth rate of 5.1%. Other Service Fees, General Service Fees, and Enterprise Service Fees are projected to increase by 2.5% based on full-time salary growth. Planning Fees and Engineering Fees are based on construction and development factors including California residential building permits, non-residential building permits, and construction payrolls from

the UCLA Anderson Forecasts for the Nation and California. This forecast does not assume any major development projects that are awaiting approval.

Other Revenue

	FIVE-YEAR FORECAST - OTHER REVENUE					
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
Utility Tax	3,200,000	3,198,644	3,197,286	3,195,927	3,194,567	3,193,206
Franchise Fees	3,042,000	3,162,457	3,282,914	3,403,370	3,523,827	3,644,283
Other Taxes	1,150,000	1,181,050	1,225,339	1,265,776	1,305,015	1,344,165
Use of Money and Property	692,000	1,330,579	1,337,232	1,343,918	1,350,638	1,357,391
Intergovernmental	326,000	354,547	356,320	358,101	359,892	361,691
Fines & Forfeitures	615,000	615,000	615,000	615,000	615,000	615,000
Miscellaneous	1,356,457	882,283	696,736	735,754	776,220	818,136
Transfers In	10,000	12,000	-	-	-	-
Other Financing Sources	4,538,544	600,000	-	-	-	-
TOTAL	14,930,001	11,336,560	10,710,827	10,917,846	11,125,158	11,333,873

Utility taxes are forecasted to decrease by -0.4% each year based on historical trends. In recent years, increases in rates have been offset by decreases in consumption.

Franchise fees are projected to increase by an average annual growth rate of 3.4% based on a trend of historical data.

Other taxes are made up of construction, property transfer, and business license tax revenue. Revenue is projected to increase by an average of State and County CPI at an average annual growth rate of 3.0%.

Use of money and property is expected to grow at a rate of 0.5% each year based on the City's current conservative investment strategy and low interest rates.

Intergovernmental revenues are projected to grow at a rate of 0.5% each year.

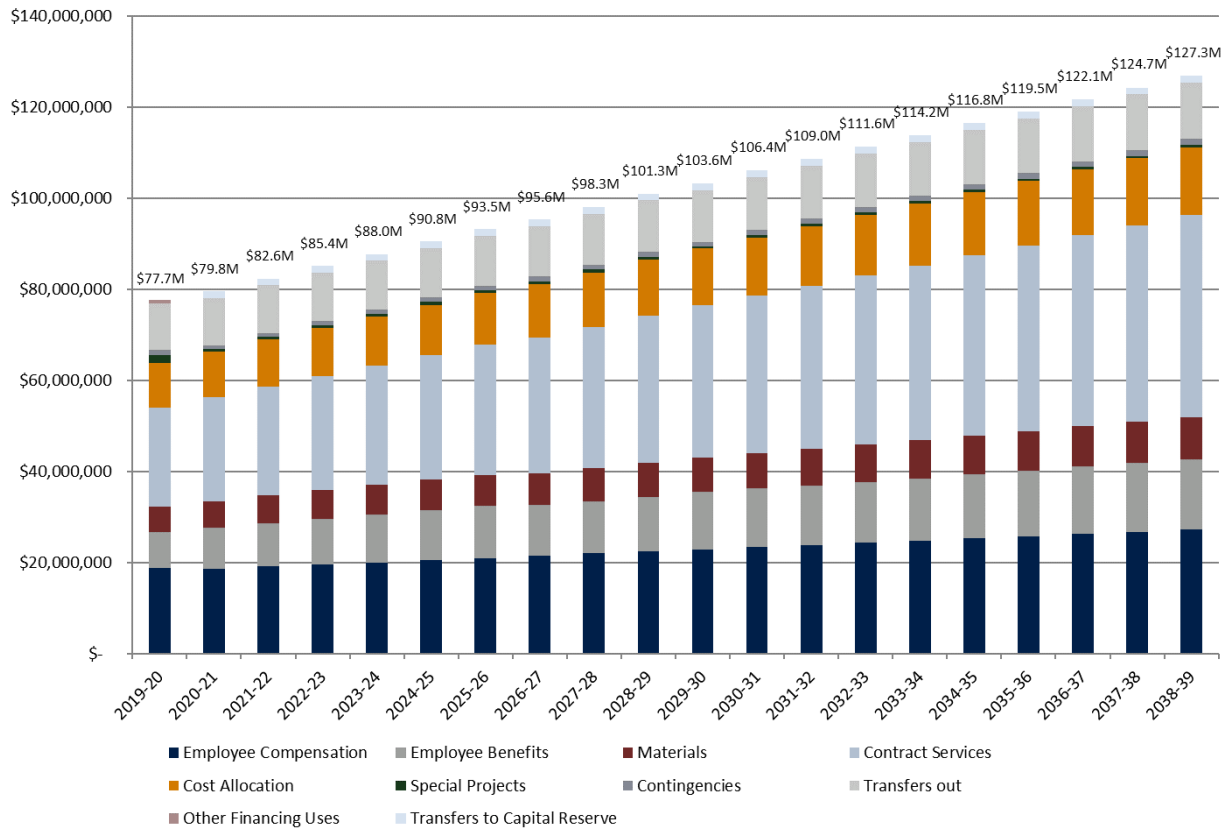
Fines and Forfeitures are forecasted to remain constant in the forecast.

Miscellaneous revenues are forecasted to increase by CPI.

Non-operational revenues (Transfers and Other Financing Sources) are not assumed in the forecast.

Expenditures

20-Year General Fund Expenditure Forecast by Category



For FY 2019-20, the City developed a zero-base budget in which all expenses were justified. The process starts from a “zero base” and every function of the City is analyzed for its needs and costs. The budget is then built around what is needed for the upcoming period, regardless of whether each budget is higher or lower than the previous fiscal year. This best practice resulted in base budget savings from the prior year.

The forecast was developed based on actual expenditures in prior years, and then adjusted for FY 2019-20 funding needs. The forecast also included the following factors: State and County CPI, construction and development activity, and CalPERS Normal Cost and Unfunded Liability projections. The forecast is adjusted to account for one-time changes and annualize partial year allocations that were included in the FY 2018-19 Adopted Budget.

As displayed in the chart above, General Fund expenditures are projected to decrease from \$102.3 million in FY 2018-19 to \$77.7 million in FY 2019-20 and increase each year in the forecast. The main drivers of expenditure growth are employee benefits and contract services due to rising retirement rates and Law Enforcement costs. The following discussion focuses on the assumptions used for estimating each of the expenditure categories in the General Fund Forecast.

FIVE-YEAR GENERAL FUND EXPENDITURES FORECAST						
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
EXPENDITURES						
Employee Compensation	19,359,298	18,821,823	18,664,618	19,110,017	19,566,183	20,033,422
Employee Benefits	8,133,834	7,825,956	8,927,008	9,548,758	10,112,858	10,563,751
Personnel Costs	27,493,132	26,647,779	27,591,626	28,658,775	29,679,041	30,597,173
Materials	6,619,015	5,668,631	5,881,205	6,075,284	6,263,618	6,451,527
Contract Services	23,104,164	21,683,411	22,821,233	23,911,505	25,024,294	26,166,991
Cost Allocation	9,368,223	9,786,477	10,031,139	10,281,917	10,538,965	10,802,439
Capital Outlay	1,804,192	37,050	266,378	275,169	283,699	292,210
Special Projects	12,225,436	1,840,610	532,756	550,337	567,398	584,420
Contingencies	1,197,933	1,057,516	852,410	880,540	907,836	935,071
Other Uses	1,122,937	783,209	-	-	-	-
Non-Personnel Costs	55,441,900	40,856,904	40,385,121	41,974,752	43,585,811	45,232,658
Transfers	19,358,912	10,186,838	10,368,976	10,465,615	10,592,570	10,699,604
Transfers to Capital Reserve	-	-	1,500,000	1,500,000	1,500,000	1,500,000
TOTAL EXPENDITURES	102,293,944	77,691,521	79,845,724	82,599,142	85,357,422	88,029,435

Personnel Expenditures

Salaries

The City is currently in negotiations with its bargaining groups, CEA and OE3. The only increases in compensation in these forecasts include step increases as well as known benefit increases in retirement and health.

Increases in salaries are primarily due to employees below Step 5 progressing to higher salary steps. Full-time salaries are projected to grow at a rate of 2.5% per year, which is based on historical trends in step increases. It is slightly lower than the presumed rate of growth by CalPERS. Part-time salaries are forecasted to grow at a rate of 1.5% as they generally grow at a slower pace than full-time salaries. These projections do not include any cost of living (COLA) or equity adjustments.

Four limited-term positions are forecasted to end in FY 2020-21 and one in FY 2022-23, which will result in up to \$1 million in ongoing salary savings.

Health Benefits

Health benefits account for about 9% of all personnel costs in the General Fund, mostly due to health insurance costs. The City pays employees a fixed amount for health and dental insurance costs, as opposed to covering a percentage of premiums. In October 2016, City Council approved labor contracts that resulted in significant increases to the City's health insurance contributions. For the duration of a contract, cost increases in health and dental premiums above the negotiated amounts are fully absorbed by employees. The City is currently in negotiations with its bargaining groups, CEA and OE3.

While not factored into the forecast, there is uncertainty about the fate of the Affordable Care Act (ACA). Rate increases have stabilized with the implementation of the ACA. Still looming is the so-called "Cadillac Tax" which, beginning in 2022, 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

Rising retirement costs are driving the increase in employee benefits. Cupertino provides retirement benefits for its employees through the California Public Employee's Retirement System (CalPERS). Poor investment returns during the Great Recession and actuarial assumption changes have increased the gap between the pension system's assets and liabilities, resulting in the overall funded status of the system falling significantly. As of the June 30, 2017 valuation, which was issued in July 2018, the funded status of the CalPERS Public Employees Retirement Fund (PERF) is 71%, an increase from 68% the prior year.

The City's pension plan has an Unfunded Accrued Liability (UAL) of \$40.5 million and a funded ratio of 68.1%, according to the latest CalPERS actuarial valuation report as of June 30, 2017.

CalPERS Plan Status		
	6/30/2016	6/30/2017
Present Value of Projected Benefits	\$ 138,600,233	\$ 150,083,854
Entry Age Normal Accrued Liability	\$ 118,489,119	\$ 127,138,300
Market Value of Assets	\$ 77,919,876	\$ 86,617,172
Unfunded Accrued Liability	\$ 40,569,243	\$ 40,521,128
Funded Ratio	65.8%	68.1%

A defined-benefit plan is considered adequately funded if its assets equal or exceed the value of its future liabilities. The funded ratio is the ratio of assets to liabilities. When the funded ratio is lower than 100%, the plan has insufficient assets to pay all future liabilities. After a thorough analysis, CalPERS actuaries determined that the retirement system was at significant risk of falling to dangerously low funded status levels under existing actuarial policies.

In December 2016, the CalPERS Board of Administration lowered the discount rate from 7.5% to 7.0% with a three year phase-in beginning in FY 2018-19. This change will result in significant increases in retirement costs but was implemented to improve the financial stability of the pension system. As a result of the discount rate reduction, the City's CalPERS costs are projected to increase by over 38% from FY 2019-20 to FY 2024-25 as shown in the table below.³

	Projected CalPERS Contributions					
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Projected Payroll	\$ 17,811,423	\$ 18,256,790	\$ 18,758,851	\$ 19,274,720	\$ 19,804,775	\$ 20,349,407
Normal Cost (%)	10.651%	11.400%	11.400%	11.400%	11.400%	11.400%
Normal Cost	\$ 1,897,095	\$ 2,081,274	\$ 2,138,509	\$ 2,197,318	\$ 2,257,744	\$ 2,319,832
UAL Payment	\$ 3,192,065	\$ 3,557,000	\$ 3,952,000	\$ 4,288,000	\$ 4,505,000	\$ 4,720,000
Total Contribution (%)	28.600%	30.900%	32.500%	33.600%	34.100%	34.600%
Total Contribution	\$ 5,089,160	\$ 5,638,274	\$ 6,090,509	\$ 6,485,318	\$ 6,762,744	\$ 7,039,832

In addition, it is unclear if CalPERS investment returns will be able to meet this new rate of return and many experts speculate that CalPERS will need to lower the discount rate again in the future. As part of a budget-balancing strategy, the City adopted a Pension Rate Stabilization Program (PRSP), also known as a Section 115 Trust, in FY 2018-19. The Section 115 Trust would help the City to offset the costs of any further discount rate changes, address the UAL earlier than required by CalPERS, and attain a funded status of at least 80% within 20 years. During FY 2018-19, the City contributed an initial investment of \$8.0 million to the trust. The FY 2019-20 Proposed Budget includes this \$8.0 million as restricted fund balance.

The City's retirement rates are based on a blend of all three tiers (2.7% @ 55, 2% @ 60, and 2% @ 62). Although employees pay a different rate depending on their tier, the City's costs are the same for all 3 tiers. The table below shows the current breakdown of City employees amongst the three retirement tiers. Since FY 2018-2019, the number of employees in Tier 1 has decreased while the number of employees in Tier 3 has increased. The majority of employees in the City are currently

covered under Tier 3. Savings from the lower-cost Tier 2 and Tier 3 plans are not expected to be substantial for several years.

CalPERS Plan Breakdown by Tier						
Tier #	Employees	Benefit Formula	Compensation Period	Employer Share	Employee Share	Total Rate
I	90	2.7% @ 55	Highest Year	28.57%	8.00%	36.57%
II	15	2% @ 60	Highest 3 Year Average	28.57%	7.00%	35.57%
III	93	2% @ 62	Highest 3 Year Average	28.57%	6.25%	34.82%

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, standby pay and wellness credit.

Non-Personnel Expenditures

Non-Personnel budgets were developed based on actual expenditures in prior years, and then adjusted for FY 2019-20 funding needs. In addition, one-time projects have been excluded in FY 2019-20 to ensure that expenditure trends reflect ongoing expenditure needs.

For the out-years of the forecast, a growth rate based on an average of State and County CPI is assumed from the baseline. The average growth rate for State and County CPI is 3.00%. The CPI estimates are based on the following forecasts:

- UCLA Anderson Forecast for the Nation and California and
- California Department of Transportation's California County-Level Economic Forecast.

Materials costs are forecasted to increase by CPI in the out-years of the forecast.

Contract Services costs are projected to grow by CPI in the out-years of the forecast with the exception of the Law Enforcement contract with the Santa Clara County Sheriff's Office. Increases to the City's Law Enforcement costs are a primary driver in the City's expenditure growth. Law Enforcement costs are projected to grow by CPI plus 2%, at an average annual growth rate of 5.9%. The major increase in contracts is driven by increases in CalPERS costs at the Santa Clara County Sheriff's Office that will be passed on to the City per the contract's terms.

Cost Allocation is projected to grow by 2.5% in the out-years. This estimate is conservative as savings may materialize in department budgets that may drive these costs down.

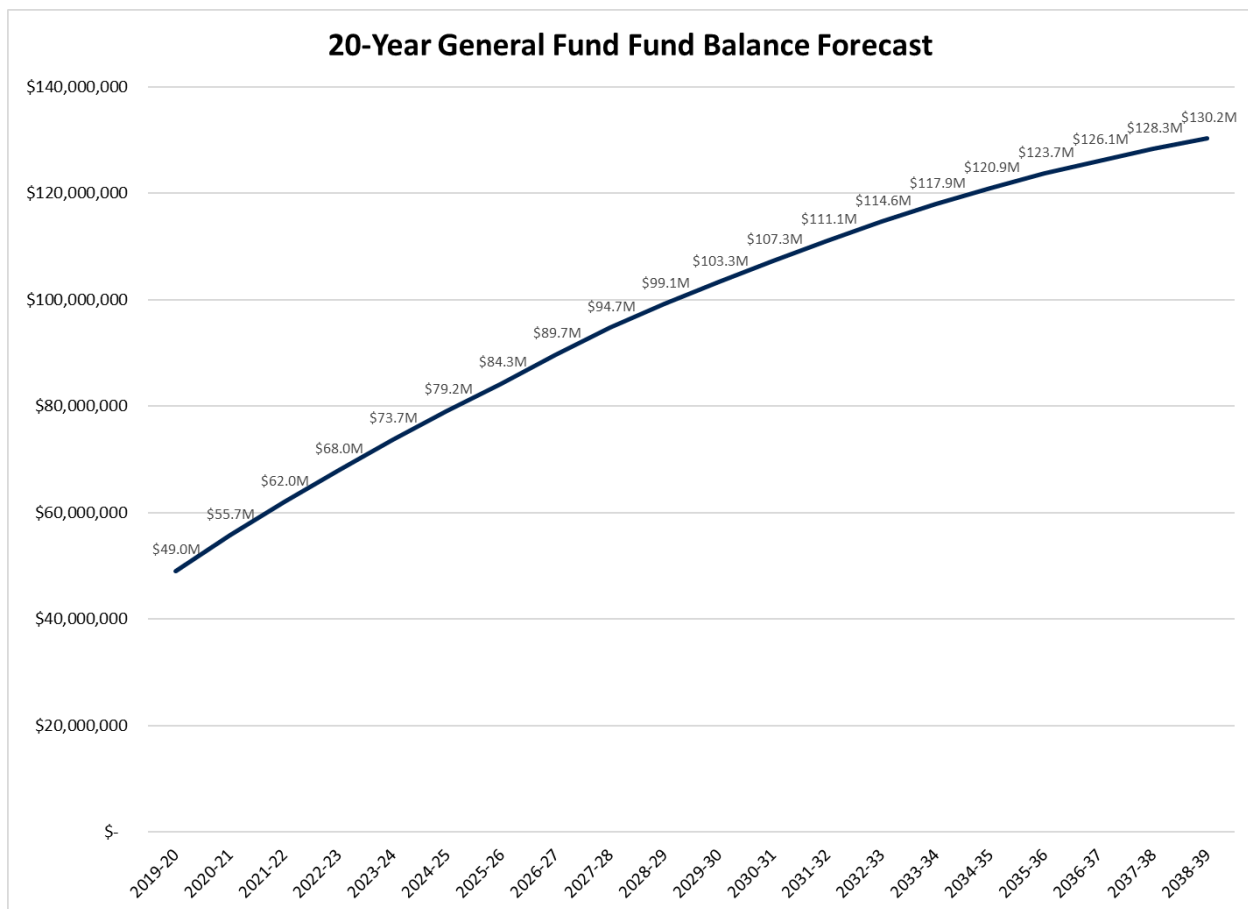
Capital Outlays are projected to increase by CPI from a baseline of \$250,000 while *Special Projects* are projected to increase by CPI from a baseline of \$500,000. In the last five years, the City has spent about \$2 million per year in capital outlay and special project costs excluding development projects that include pass thru revenue.

Appropriations for Contingency are projected to be \$800,000 and increase by CPI in the forecast. The City has historically underspent in this category and use of these funds would require pre-approval by the City Manager or his/her designee should departments want to utilize these funds.

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 subsidize enterprises and operations. With the implementation of the full cost allocation plan 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.

Fund Balance

The General Fund’s fund balance is projected to increase each year in the forecast period due to modest operating surpluses. This is driven by the City’s strong revenues and the City’s conservative approach to expenditure growth.



Throughout the forecast, fund balance starts to grow at a slower rate as the size of the operating surpluses decrease.

FIVE-YEAR GENERAL FUND FUND BALANCE FORECAST						
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
Beginning Fund Balance	52,510,457	39,631,790	49,040,421	55,656,675	61,964,296	67,962,974
Operating Revenue	84,404,277	87,100,152	86,461,978	88,906,763	91,356,099	93,787,195
Operating Expenditures	102,293,944	77,691,521	79,845,724	82,599,142	85,357,422	88,029,435
Net Revenues - Expenditures	(17,889,667)	9,408,631	6,616,254	6,307,621	5,998,678	5,757,760
Unassigned	6,194,036	15,255,948	21,872,202	28,179,823	34,178,501	39,936,261
All Other Classifications	33,437,754	33,784,473	33,784,473	33,784,473	33,784,473	33,784,473
TOTAL FUND BALANCE	39,631,790	49,040,421	55,656,675	61,964,296	67,962,974	73,720,734

FIVE-YEAR GENERAL FUND FUND BALANCE FORECAST						
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
<u>Non-Spendable</u>						
Loans Receivable	455,000	455,000	455,000	455,000	455,000	455,000
Prepaid Items	6,000	-	-	-	-	-
Total Non-Spendable	461,000	455,000	455,000	455,000	455,000	455,000
<u>Restricted</u>						
Public Access Television	843,000	843,000	843,000	843,000	843,000	843,000
Section 115 Trust	-	-	-	-	-	-
Total Restricted	843,000	843,000	843,000	843,000	843,000	843,000
<u>Committed</u>						
Economic Uncertainty	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Sustainability Reserve	122,754	122,754	122,754	122,754	122,754	122,754
PERS	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Total Committed	27,122,754	27,122,754	27,122,754	27,122,754	27,122,754	27,122,754
<u>Assigned</u>						
Library Expansion	-	352,719	352,719	352,719	352,719	352,719
Reserve for Encumbrances	5,011,000	5,011,000	5,011,000	5,011,000	5,011,000	5,011,000
Total Assigned	5,011,000	5,363,719	5,363,719	5,363,719	5,363,719	5,363,719
Total Unassigned	6,194,036	15,255,948	21,872,202	28,179,823	34,178,501	39,936,261
TOTAL FUND BALANCE	39,631,790	49,040,421	55,656,675	61,964,296	67,962,974	73,720,734

It is anticipated that any unassigned fund balance over the \$500,000 threshold will be transferred to the Capital Reserve, the CalPERS Reserve, or the Section 115 Trust. In FY 2018-19, the City adopted a Section 115 Trust to stabilize the potential impact of pension cost volatility on the City's operating budget. The City will be able to use funds from the Section 115 Trust to offset unexpected increases in retirement contributions. Funds in the Section 115 Trust are restricted and can only be used to pay CalPERS or reimburse the City for pension contributions.

Budget-Balancing Strategies

Historically, the City's budget has been structurally sound with revenues exceeding expenditures in most years. When revenues have exceeded expenditures, excess fund balance was transferred to the Capital Reserve per the City's One Time Use and Reserve Policy. The current 5-year and 20-year forecasts anticipate operating surpluses each year. However, the size of the operating surpluses are projected to decrease each year as revenues grow at a slower pace than expenditures. As a result, the following strategies may be used to assist in balancing the budget over the next 20 years.

Strategy	Description	Potential Impact
Revenues		
Employer-Based business license tax	Introduced as part of City Council Work Plan	Unknown at this time
Storm Water Fee Increase	Introduced as part of the City Council Work Plan. Rates have not increased in many years and would be brought to cost recovery levels, thereby eliminating a General Fund subsidy.	Unknown at this time
Expenditures		
Section 115 Trust	Smoothing mechanism for years when CalPERS does not meet discount rate projections or assumption changes	Varies based on investment returns and investment strategy

Additional Potential Strategies

The following potential strategies, although not recommended at this time, may be considered in future years if sharp declines in revenues or increases in expenditures cause a large structural deficit.

Potential Strategy	Description	Potential Impact
Employee cost-sharing of increases to CalPERS	Negotiate to share costs of increases to CalPERS employer rates with employees	\$250,000 approximate based on 5% rate increase
Furloughs	Employees would take up to 20 hours or the equivalent of a 1% decrease in pay in exchange for 2.5 unpaid furlough days	\$300,000 approximate based on 1% decrease
Salary and benefit savings through attrition	Keep non-essential positions unfilled as they become vacant.	Up to \$2 million from 10 positions

No extension of limited term positions	Eliminates potential ongoing salary and benefit costs associated limited term positions	Up to \$1,000,000 from 5 positions
No new positions	Cost containment strategy	\$0
Reduction in force	The City would identify what positions could be reduced (laid off) based on provisions in the MOUs where applicable and service level needs in the City	Varies
Reduction in capital outlays and special projects	Cost containment strategy	Up to \$1.5 million
Reduction in contingencies	Cost containment strategy	Up to \$400,000

Fiscal Year 2019-20 Proposed Budget Five-Year Forecast - General Fund Revenues

Classification	2017-18 Actual	2018-19 Adopted	2018-19 Estimate	2019-20 Proposed	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
Sales Tax	26,164,531	23,637,000	24,537,000	25,637,093	25,866,206	26,394,889	26,956,022	27,539,055
Property Tax	22,433,806	22,766,000	23,766,000	24,703,218	25,575,683	26,445,523	27,303,761	28,170,040
Transient Occupancy Tax	6,810,718	8,252,000	8,252,000	9,666,056	10,204,000	10,732,653	11,218,092	11,660,650
Utility Tax	3,146,398	3,200,000	3,200,000	3,198,644	3,197,286	3,195,927	3,194,567	3,193,206
Franchise Fees	3,563,820	3,042,000	3,042,000	3,162,457	3,282,914	3,403,370	3,523,827	3,644,283
Other Taxes	1,339,860	1,150,000	1,150,000	1,181,050	1,225,339	1,265,776	1,305,015	1,344,165
Licenses and Permits	2,757,929	2,685,000	2,685,000	2,524,000	2,604,329	2,641,328	2,691,862	2,733,542
Use of Money and Property	1,342,626	692,000	692,000	1,330,579	1,337,232	1,343,918	1,350,638	1,357,391
Intergovernmental	1,000,777	326,000	326,000	354,547	356,320	358,101	359,892	361,691
Charges for Services	10,548,179	9,419,276	10,234,276	13,233,225	11,500,933	11,774,523	12,061,203	12,350,036
Fines and Forfeitures	575,032	615,000	615,000	615,000	615,000	615,000	615,000	615,000
Miscellaneous	1,009,090	244,200	1,356,457	882,283	696,736	735,754	776,220	818,136
Other Financing Sources and Transfers In	7,550,882	860,000	4,548,544	612,000	-	-	-	-
TOTAL REVENUES	88,243,646	76,888,476	84,404,277	87,100,152	86,461,978	88,906,763	91,356,099	93,787,195

Fiscal Year 2019-20 Proposed Budget Five-Year Forecast - General Fund Expenditures

Classification	2017-18	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	Actual	Adopted	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
Employee Compensation	16,974,470	19,349,144	19,359,298	18,821,823	18,664,618	19,110,017	19,566,183	20,033,422
Employee Benefits	7,109,183	8,059,818	8,133,834	7,825,956	8,927,008	9,548,758	10,112,858	10,563,751
Personnel Costs	24,083,653	27,408,962	27,493,132	26,647,779	27,591,626	28,658,775	29,679,041	30,597,173
Materials	4,985,037	5,772,556	6,619,015	5,668,631	5,881,205	6,075,284	6,263,618	6,451,527
Contract Services	17,853,413	19,461,836	23,104,164	21,683,411	22,821,233	23,911,505	25,024,294	26,166,991
Cost Allocation	8,101,838	9,368,223	9,368,223	9,786,477	10,031,139	10,281,917	10,538,965	10,802,439
Capital Outlays	3,307,912	793,000	1,804,192	37,050	266,378	275,169	283,699	292,210
Special Projects	6,539,703	1,368,298	12,225,436	1,840,610	532,756	550,337	567,398	584,420
Contingencies	911	1,197,933	1,197,933	1,057,516	852,410	880,540	907,836	935,071
Other Uses	307,751	910,000	1,122,937	783,209	-	-	-	-
Non-Personnel Costs	41,096,565	38,871,846	55,441,900	40,856,904	40,385,121	41,974,752	43,585,811	45,232,658
Transfers	24,129,372	11,358,912	19,358,912	10,186,838	10,368,976	10,465,615	10,592,570	10,699,604
Transfers to Capital Reserve	-	-	-	-	1,500,000	1,500,000	1,500,000	1,500,000
TOTAL EXPENDITURES	89,309,589	77,639,720	102,293,944	77,691,521	79,845,724	82,599,142	85,357,422	88,029,435

Fiscal Year 2019-20 Proposed Budget Five-Year Forecast - General Fund Fund Balance

Classification		2017-18 Actual	2018-19 Adopted	2018-19 Estimate	2019-20 Proposed	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
GENERAL FUND									
	Beginning Balance	53,589,690	45,961,772	52,510,457	39,631,790	49,040,421	55,656,675	61,964,296	67,962,974
	Unassigned	21,704,922	8,893,982	6,194,036	15,255,948	21,872,202	28,179,823	34,178,501	39,936,261
	All Other Classifications	30,805,535	36,316,546	33,437,754	33,784,473	33,784,473	33,784,473	33,784,473	33,784,473
	Ending Balance	52,510,457	45,210,528	39,631,790	49,040,421	55,656,675	61,964,296	67,962,974	73,720,734

Fiscal Year 2019-20 Proposed Budget Five-Year Forecast - Special Revenue Fund Revenues

Classification	2017-18 Actual	2018-19 Adopted	2018-19 Estimate	2019-20 Proposed	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
STORM DRAIN IMPROVEMENT (FUNDS 210, 215)								
406-Taxes	74,718	-	-	74,741	74,741	74,741	74,741	74,741
420-Use of Money	29,002	-	-	-	-	-	-	-
421-Transfer In	1,700,004	1,100,000	1,100,000	437,000	-	-	-	-
480-Miscellaneous Revenue	39,490	-	-	-	-	-	-	-
TOTAL	1,843,214	1,100,000	1,100,000	511,741	74,741	74,741	74,741	74,741
ENVIRON. MGMT./CLEAN CREEKS/STORM DRAIN (FUND 230)								
420-Use of Money	988	900	900	900	-	-	-	-
421-Transfer In	84,120	436,000	436,000	660,000	-	-	-	-
430-Fines and Forfeitures	27,902	9,000	9,000	10,000	10,000	10,000	10,000	10,000
450-Charges for Services	369,443	370,000	370,000	370,000	370,000	370,000	370,000	370,000
TOTAL	482,453	815,900	815,900	1,040,900	380,000	380,000	380,000	380,000
HOUSING & COMMUNITY DEVELOPMENT (FUNDS 260, 261, 265)								
406-Taxes	165,324	3,000	3,000	3,000	3,000	3,000	3,000	3,000
420-Use of Money	56,551	10,910	10,910	14,800	14,800	14,800	14,800	14,800
421-Transfer In	-	175,000	175,000	-	-	-	-	-
440-Intergovernmental	316,687	311,942	311,942	361,597	361,597	361,597	361,597	361,597
450-Charges for Services	1,960	-	-	-	-	-	-	-
460-Refundable Deposit Revenue	32,175	-	-	-	-	-	-	-
480-Miscellaneous Revenue	4,754	-	-	-	-	-	-	-
TOTAL	577,451	500,852	500,852	379,397	379,397	379,397	379,397	379,397
TRANSPORTATION (FUND 270)								
420-Use of Money	49,184	77,500	77,500	-	-	-	-	-
421-Transfer In	10,987,992	5,800,000	5,800,000	221,000	5,800,000	5,800,000	221,000	221,000
440-Intergovernmental	2,004,832	3,510,939	3,510,939	7,192,936	3,165,000	3,165,000	3,165,000	3,165,000
450-Charges for Services	24,942	-	-	-	-	-	-	-
480-Miscellaneous Revenue	775,021	185,000	185,000	163,521	-	-	-	-
TOTAL	13,841,971	9,573,439	9,573,439	7,577,457	8,965,000	8,965,000	3,386,000	3,386,000

Fiscal Year 2019-20 Proposed Budget Five-Year Forecast - Special Revenue Fund Revenues

Classification	2017-18 Actual	2018-19 Adopted	2018-19 Estimate	2019-20 Proposed	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
PARK DEDICATION/TREE (FUNDS 280, 281)								
406-Taxes	363,750	-	-	375,663	375,663	375,663	375,663	375,663
420-Use of Money	63,242	-	-	-	-	-	-	-
421-Transfer In	-	575,000	575,000	-	-	-	-	-
450-Charges for Services	20,432	-	-	21,045	21,045	21,045	21,045	21,045
TOTAL	447,424	575,000	575,000	396,708	396,708	396,708	396,708	396,708
TOTAL SPECIAL REVENUE FUNDS								
	17,192,513	12,565,191	12,565,191	9,906,203	10,195,846	10,195,846	4,616,846	4,616,846

Fiscal Year 2019-20 Proposed Budget Five-Year Forecast - Debt Service Fund Revenues

Classification	2017-18 Actual	2018-19 Adopted	2018-19 Estimate	2019-20 Proposed	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
PUBLIC FACILITIES CORPORATION (FUND 365)								
420-Use of Money	19,037	-	-	-	-	-	-	-
421-Transfer In	3,167,544	3,169,438	3,169,438	3,172,838	3,169,138	3,168,488	3,170,738	3,170,738
TOTAL	3,186,581	3,169,438	3,169,438	3,172,838	3,169,138	3,168,488	3,170,738	3,170,738
TOTAL DEBT SERVICE FUNDS								
	3,186,581	3,169,438	3,169,438	3,172,838	3,169,138	3,168,488	3,170,738	3,170,738

Fiscal Year 2019-20 Proposed Budget Five-Year Forecast - Capital Project Fund Revenues

Classification	2017-18 Actual	2018-19 Adopted	2018-19 Estimate	2019-20 Proposed	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
CAPITAL IMPROVEMENT PROJECTS (FUND 420)								
420-Use of Money	(78,761)	-	-	-	-	-	-	-
421-Transfer In	8,795,756	9,051,500	11,251,500	-	-	-	-	-
450-Charges for Services	144,687	-	-	-	-	-	-	-
480-Miscellaneous Revenue	1,800,000	-	-	-	-	-	-	-
TOTAL	10,661,682	9,051,500	11,251,500	-	-	-	-	-
CAPITAL RESERVE (FUND 429)								
420-Use of Money	(20,678)	-	-	-	-	-	-	-
421-Transfer In	13,438,644	-	12,350,750	-	1,500,000	1,500,000	1,500,000	1,500,000
TOTAL	13,438,644	-	12,350,750	-	1,500,000	1,500,000	1,500,000	1,500,000
TOTAL CAPITAL PROJECT FUNDS	24,100,326	9,051,500	23,602,250	-	1,500,000	1,500,000	1,500,000	1,500,000

Note: The FY 2019-20 Proposed Budget doesn't currently include funding for capital projects as those will be discussed the day prior to the printing of this document on April 30, 2019 at a study session on the Capital Improvement Program (CIP). The Capital Project Fund projections will be updated as part of the printing of the final budget document.

Fiscal Year 2019-20 Proposed Budget Five-Year Forecast - Enterprise Fund Revenues

Classification	2017-18 Actual	2018-19 Adopted	2018-19 Estimate	2019-20 Proposed	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
RESOURCE RECOVERY (FUND 520)								
420-Use of Money	40,662	30,000	30,000	-	-	-	-	-
440-Intergovernmental	14,781	15,000	15,000	15,000	-	-	-	-
450-Charges for Services	2,475,967	2,157,000	2,157,000	1,270,000	1,270,000	1,270,000	1,270,000	1,270,000
480-Miscellaneous Revenue	69,114	66,000	66,000	66,000	-	-	-	-
TOTAL	2,600,524	2,268,000	2,268,000	1,351,000	1,270,000	1,270,000	1,270,000	1,270,000
BLACKBERRY FARM GOLF COURSE (FUND 560)								
420-Use of Money	38,157	-	-	27,000	27,000	27,000	27,000	27,000
421-Transfer In	300,000	75,000	75,000	610,000	610,000	610,000	610,000	610,000
450-Charges for Services	314,754	335,000	335,000	300,000	300,000	300,000	300,000	300,000
TOTAL	652,911	410,000	410,000	937,000	937,000	937,000	937,000	937,000
SPORTS CENTER (FUND 570)								
420-Use of Money	13,147	-	-	1,000	1,000	1,000	1,000	1,000
421-Transfer In	99,996	-	-	948,000	948,000	948,000	948,000	948,000
450-Charges for Services	2,402,491	2,100,500	2,100,500	2,050,500	2,050,500	2,050,500	2,050,500	2,050,500
TOTAL	2,515,634	2,100,500	2,100,500	2,999,500	2,999,500	2,999,500	2,999,500	2,999,500
RECREATION PROGRAMS (FUND 580)								
420-Use of Money	179,447	287,000	287,000	-	-	-	-	-
421-Transfer In	400,000	-	-	565,000	2,796,992	2,796,992	2,796,992	2,796,992
450-Charges for Services	2,353,008	2,278,900	2,278,900	2,239,327	2,239,327	2,239,327	2,239,327	2,239,327
TOTAL	2,932,455	2,565,900	2,565,900	2,804,327	5,036,319	5,036,319	5,036,319	5,036,319
TOTAL ENTERPRISE FUNDS	8,701,524	7,344,400	7,344,400	8,091,827	10,242,819	10,242,819	10,242,819	10,242,819

Fiscal Year 2019-20 Proposed Budget Five-Year Forecast - Internal Service Fund Revenues

Classification	2017-18 Actual	2018-19 Adopted	2018-19 Estimate	2019-20 Proposed	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
INFORMATION TECHNOLOGY (FUND 610)								
420-Use of Money	19,524	-	-	-	-	-	-	-
421-Transfer In	549,708	-	-	72,000	-	-	-	-
450-Charges for Services	2,356,724	3,753,928	3,753,928	2,731,701	2,731,701	2,731,701	2,731,701	2,731,701
480-Miscellaneous Revenue	901	-	-	-	-	-	-	-
TOTAL	2,926,857	3,753,928	3,753,928	2,803,701	2,731,701	2,731,701	2,731,701	2,731,701
WORKERS' COMPENSATION (FUND 620)								
420-Use of Money	20,278	-	-	-	-	-	-	-
450-Charges for Services	313,486	-	-	-	-	-	-	-
490-Other Sources	607,752	472,652	472,652	472,652	-	-	-	-
TOTAL	941,516	472,652	472,652	472,652	-	-	-	-
VEHICLE/EQUIPMENT REPLACEMENT (FUND 630)								
450-Charges for Services	1,211,860	1,056,968	1,056,968	1,352,200	1,352,200	1,352,200	1,352,200	1,352,200
480-Miscellaneous Revenue	7,125	-	-	-	-	-	-	-
490-Other Sources	59,715	-	-	-	-	-	-	-
TOTAL	1,278,700	1,056,968	1,056,968	1,352,200	1,352,200	1,352,200	1,352,200	1,352,200
COMPENSATED ABSENCE & LONG-TERM DISABILITY (FUND 641)								
420-Use of Money	1,808	-	-	-	-	-	-	-
421-Transfer In	509,520	447,000	447,000	1,109,000	150,000	150,000	150,000	150,000
450-Charges for Services	154,976	162,266	162,266	-	83,875	83,875	83,875	83,875
TOTAL	666,304	609,266	609,266	1,109,000	233,875	233,875	233,875	233,875
RETIREE MEDICAL (FUND 642)								
420-Use of Money	234	-	-	-	-	-	-	-
421-Transfer In	2,368,484	1,131,474	1,131,474	2,392,000	2,392,000	2,392,000	2,392,000	2,392,000
TOTAL	2,368,718	1,131,474	1,131,474	2,392,000	2,392,000	2,392,000	2,392,000	2,392,000
TOTAL INTERNAL SERVICE FUNDS	8,182,095	7,024,288	7,024,288	8,129,553	6,709,776	6,709,776	6,709,776	6,709,776

Fiscal Year 2019-20 Proposed Budget Five-Year Forecast - Special Revenue Fund Expenditures

Program	2017-18 Actual	2018-19 Adopted	2018-19 Estimate	2019-20 Proposed	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
STORM DRAIN IMPROVEMENT (FUND 210, 215)								
210-90-978 Minor Storm Drain Impv	9,000	-	92,828	-	-	-	-	-
210-90-980 SD Master Plan Update	103,933	-	36,067	-	-	-	-	-
210-90-981 Calabazas Creek Outfall Repair	135,000	-	-	-	-	-	-	-
210-99-042 Strm Drn Improv-Fthill & Cup Rd	1,210,663	-	641,340	-	-	-	-	-
210-99-060 Storm Drain Improv-Byrne & SCB	1,500,000	-	-	-	-	-	-	-
210-99-071 Storm Drain MP Implementation	-	1,500,000	1,500,000	-	-	-	-	-
215-90-982 Bubb Road/Elm Court SD Improvement	178,255	-	-	-	-	-	-	-
215-90-983 Monta Vista Storm Drain System	-	-	-	-	-	-	-	-
TOTAL	3,136,851	1,500,000	2,270,235	-	-	-	-	-
ENVIRON. MGMT./CLEAN CREEKS/STORM DRAIN (FUND 230)								
230-81-802 Non Point Source	640,161	720,785	861,018	743,278	743,278	743,278	743,278	743,278
TOTAL	640,161	720,785	861,018	743,278	743,278	743,278	743,278	743,278
HOUSING & COMMUNITY DEVELOPMENT (FUND 260, 261, 265)								
260-72-707 CDBG General Admin	60,128	65,871	65,871	69,277	69,277	69,277	69,277	69,277
260-72-709 CDBG Capital/Housing Projects	224,461	210,892	451,094	240,202	240,202	240,202	240,202	240,202
260-72-710 CDBG Public Service Grants	47,983	47,983	103,414	50,000	50,000	50,000	50,000	50,000
265-72-711 BMR Affordable Housing Fund	4,209,280	818,427	874,647	684,737	475,000	475,000	475,000	475,000
TOTAL	4,541,852	1,143,173	1,495,026	1,044,216	834,479	834,479	834,479	834,479
TRANSPORTATION (FUND 270)								
270-85-820 Sidewalk Curb and Gutter	1,139,478	1,195,876	1,210,757	1,377,406	1,377,406	1,377,406	1,377,406	1,377,406
270-85-821 Street Pavement Maintenance	9,860,821	6,832,574	10,356,935	3,906,202	3,906,202	3,906,202	3,906,202	3,906,202
270-85-822 Street Sign Marking	867,363	661,889	679,149	719,275	719,275	719,275	719,275	719,275
270-90-954 Monument Gateway Sign	-	-	25,859	-	-	-	-	-
270-90-958 Orange and Byrne Sidewalk Impv	248,706	-	3,582,855	-	-	-	-	-
270-90-960 Bridge Rehab Minor	11,999	-	681,745	-	-	-	-	-
270-90-961 St Median Irrg Plant Repl	348,911	-	1,014,439	-	-	-	-	-
270-90-962 Bicycle Ped Facility Impr	779,760	-	-	-	-	-	-	-
270-90-976 Ph 2 Mcl Sidewalk Improv	89,559	-	1,499,266	-	-	-	-	-
270-99-044 Traffic Calm Rodrigues/Pacifica	24,000	-	-	-	-	-	-	-
270-99-046 Sidewalk Renovation-SCB	47,589	-	-	-	-	-	-	-

Fiscal Year 2019-20 Proposed Budget Five-Year Forecast - Special Revenue Fund Expenditures

Program	2017-18 Actual	2018-19 Adopted	2018-19 Estimate	2019-20 Proposed	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
TOTAL	13,418,186	8,690,339	19,051,005	6,002,883	6,002,883	6,002,883	6,002,883	6,002,883
PARK DEDICATION/TREE (FUNDS 280, 281)								
280-99-009 Lawrence-Mitty Park	188	-	8,227,099	-	-	-	-	-
280-99-066 MRP Community Grdn Improv-Const	-	1,500,000	1,500,000	-	-	-	-	-
280-99-067 MRP EEC Aquatic Habitat	-	125,000	125,000	-	-	-	-	-
281-90-001 No Department	-	10,000	10,000	12,000	-	-	-	-
TOTAL	188	1,635,000	9,862,099	12,000	-	-	-	-
TOTAL SPECIAL REVENUE FUNDS								
	21,737,238	13,689,297	33,539,383	7,802,377	7,580,640	7,580,640	7,580,640	7,580,640

Fiscal Year 2019-20 Proposed Budget Five-Year Forecast - Capital Project Fund Expenditures

Program	2017-18 Actual	2018-19 Adopted	2018-19 Estimate	2019-20 Proposed	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
CAPITAL IMPROVEMENT PROJECTS (FUND 420)								
420-90-880 Env Edu Facility	1,435	-	3,365	-	-	-	-	-
420-90-897 Spt Ctr Tennis Court Ret Wall	50,000	-	-	-	-	-	-	-
420-90-898 SCCP Chain MP-MCLN TO SCB	-	75,000	203,727	-	-	-	-	-
420-90-904 Spt Ctr Resurf Tennis Cts	-	-	2,000	-	-	-	-	-
420-90-938 Pub Bldg Solar Service Center	3,268	-	25,355	-	-	-	-	-
420-90-969 DeAnza/McClellan Signal Maint	-	-	145,700	-	-	-	-	-
420-90-971 STLG/280 Ped Bridge Lighting	-	-	46,450	-	-	-	-	-
420-90-999 Green Bike Lanes	-	-	95,000	-	-	-	-	-
420-99-002 BBF Splash Pad	70,000	-	-	-	-	-	-	-
420-99-003 MR Construct Trash Enclosure	13,418	-	139,972	-	-	-	-	-
420-99-004 MR Community Garden Improvements	62,233	-	42,574	-	-	-	-	-
420-99-005 Memorial Park MP and Parking	150,000	-	-	-	-	-	-	-
420-99-007 ADA Improvements	176,984	75,000	143,015	-	-	-	-	-
420-99-014 Stevens Crk Bank Repair Concept	-	-	100,000	-	-	-	-	-
420-99-015 Tennis Court Resurfacing Parks	802,125	-	-	-	-	-	-	-
420-99-017 Sports Center Exterior Upgrades	339,209	830,000	1,230,300	-	-	-	-	-
420-99-018 Sports Center Interior Upgrades	-	-	20,000	-	-	-	-	-
420-99-023 QCC Fire Alarm Control Panel Upg	59,872	-	49,831	-	-	-	-	-
420-99-027 Pasadena Ave Pub Imp Granada	1,236	-	-	-	-	-	-	-
420-99-028 Traffic Signal Foothill-I280 SB	100,000	-	-	-	-	-	-	-
420-99-030 MCClellan West-Parking Lot Impro	94,917	-	867,956	-	-	-	-	-
420-99-031 Rec Facilities Monument Signs	-	-	385,000	-	-	-	-	-
420-99-033 City Hall - Turf Reduction	103,642	-	42,574	-	-	-	-	-
420-99-034 Svc Ctr - Shed No. 3 Improvement	90,642	600,000	992,257	-	-	-	-	-
420-99-035 Stockmeir Hse-New Sewer Lateral	50,000	-	-	-	-	-	-	-
420-99-036 2016 Bike Plan Implementation	723,141	1,800,000	8,087,191	-	-	-	-	-
420-99-037 Bikeway Enhncmnts & Brnding Stdy	49,973	-	-	-	-	-	-	-
420-99-038 Fiber Network Ext to Svc Ctr	325,857	-	-	-	-	-	-	-
420-99-039 Pedestrian Master Plan	52,547	-	-	-	-	-	-	-
420-99-040 Retaining Wall Repair-Cordova Rd	1,074	-	298,343	-	-	-	-	-
420-99-041 Retaining Wall Repl - Regnart Rd	468,726	-	-	-	-	-	-	-
420-99-043 Svc Ctr-New Admin Bldg Feas Stdy	32,385	-	-	-	-	-	-	-
420-99-045 Citywide Park & Recreation MP	103,576	100,000	284,747	-	-	-	-	-

Fiscal Year 2019-20 Proposed Budget Five-Year Forecast - Capital Project Fund Expenditures

Program	2017-18 Actual	2018-19 Adopted	2018-19 Estimate	2019-20 Proposed	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
420-99-047 CIP Prelim Planning & Design	62,977	125,000	125,000	125,000	-	-	-	-
420-99-048 Capital Project Support	2,217	50,000	50,000	52,500	-	-	-	-
420-99-049 Int'l Cricket Ground-Feasibility	20,000	-	-	-	-	-	-	-
420-99-051 Inclusive Play Area - Planning	15,953	-	14,047	-	-	-	-	-
420-99-054 Senior Ctr Walkway Replacement	47,966	-	16,033	-	-	-	-	-
420-99-055 Outfall Rpr/Slope Stblz-Regnart	400,000	-	-	-	-	-	-	-
420-99-056 St Light Install - Annual Infill	-	30,000	60,000	-	-	-	-	-
420-99-057 McClellan Sdwlk-RB to Hwy85 Over	-	-	430,000	-	-	-	-	-
420-99-058 St Light Install-Randy & Larry	7,050	-	359,950	-	-	-	-	-
420-99-059 Senior Center Repairs	10,446	-	189,553	-	-	-	-	-
420-99-063 CW Bldg Condition Assess Impl	-	1,000,000	1,000,000	-	-	-	-	-
420-99-064 Creek Infall/Outfall Restoration	-	160,000	160,000	-	-	-	-	-
420-99-065 DeAnza Med Islnd Landscaping Ph2	-	1,546,500	1,546,500	-	-	-	-	-
420-99-068 Regnart Road Improvements	-	150,000	150,000	-	-	-	-	-
420-99-069 School Walk Audit Implementation	-	250,000	250,000	-	-	-	-	-
420-99-070 SCB/Bandley Signal & Median Imps	-	150,000	150,000	-	-	-	-	-
420-99-072 St Light Replacement CW (labor)	-	200,000	200,000	-	-	-	-	-
420-99-074 Interim City Hall	-	-	500,000	-	-	-	-	-
420-99-075 New City Hall	-	-	3,500,000	-	-	-	-	-
420-99-885 Golf Irrigation Upgrades	493,000	-	-	-	-	-	-	-
TOTAL	4,985,869	7,141,500	21,906,440	177,500	-	-	-	-
CAPITAL RESERVE (FUND 429)								
429-90-001 Transfer to Capital Improvement	15,259,920	10,726,500	12,801,500	-	-	-	-	-
TOTAL	15,259,920	10,726,500	12,801,500	-	-	-	-	-
STEVENS CREEK CORRIDOR PARK (FUND 427)								
427-90-870 SC Corridor Park Ph 1	-	-	38,115	-	-	-	-	-
427-90-881 Phs II SC Corridor Park	81,394	-	70,099	-	-	-	-	-
TOTAL	81,394	-	108,214	-	-	-	-	-
TOTAL CAPITAL PROJECT FUNDS	20,327,183	17,868,000	34,816,154	177,500	-	-	-	-

Note: The FY 2019-20 Proposed Budget doesn't currently include funding for capital projects as those will be discussed the day prior to the printing of this document on April 30, 2019 at a study session on the Capital Improvement Program (CIP). The Capital Project Fund projections will be updated as part of the printing of the final budget document.

Fiscal Year 2019-20 Proposed Budget Five-Year Forecast - Debt Service Fund Expenditures

Program	2017-18 Actual	2018-19 Adopted	2018-19 Estimate	2019-20 Proposed	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
PUBLIC FACILITIES CORPORATION (FUND 365)								
365-90-001 No Department	23,790	-	-	-	-	-	-	-
365-90-500 Facility Lease	3,173,038	3,169,438	3,169,438	3,172,838	3,169,138	3,168,488	3,170,738	3,170,738
TOTAL	3,196,828	3,169,438	3,169,438	3,172,838	3,169,138	3,168,488	3,170,738	3,170,738
TOTAL DEBT SERVICE FUNDS								
	3,196,828	3,169,438	3,169,438	3,172,838	3,169,138	3,168,488	3,170,738	3,170,738

Fiscal Year 2019-20 Proposed Budget Five-Year Forecast - Enterprise Fund Expenditures

Program	2017-18 Actual	2018-19 Adopted	2018-19 Estimate	2019-20 Proposed	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
RESOURCE RECOVERY (FUND 520)								
520-81-801 Resources Recovery	2,594,511	3,501,101	3,694,972	2,361,667	2,361,667	2,361,667	2,361,667	2,361,667
TOTAL	2,594,511	3,501,101	3,694,972	2,361,667	2,361,667	2,361,667	2,361,667	2,361,667
BLACKBERRY FARM GOLF COURSE (FUND 560)								
560-63-616 BBF Golf Course	675,109	687,939	722,827	677,336	677,336	677,336	677,336	677,336
560-90-885 Golf Irrigation Upgrades	381,002	-	-	-	-	-	-	-
560-99-061 BBF Entrnc Rd Improv-Feasibility	-	75,000	75,000	-	-	-	-	-
TOTAL	1,056,111	762,939	797,827	677,336	677,336	677,336	677,336	677,336
SPORTS CENTER (FUND 570)								
570-63-621 Sports Center Operation	2,196,215	2,460,735	2,516,798	2,539,938	2,539,938	2,539,938	2,539,938	2,539,938
570-87-836 Bldg Maint Sports Center	437,533	490,076	565,743	429,105	429,105	429,105	429,105	429,105
570-99-032 Spt Ctr - Children's Play Area	470,000	-	-	-	-	-	-	-
TOTAL	3,103,748	2,950,811	3,082,541	2,969,043	2,969,043	2,969,043	2,969,043	2,969,043
RECREATION PROGRAMS (FUND 580)								
580-62-613 Youth Teen Recreation	1,959,948	2,040,825	2,068,689	2,355,386	2,355,386	2,355,386	2,355,386	2,355,386
580-63-620 Outdoor Recreation	1,272,466	1,598,350	1,598,350	1,479,804	1,479,804	1,479,804	1,479,804	1,479,804
580-99-019 Blacksmith Forge Restoration Des	37,206	-	-	-	-	-	-	-
TOTAL	3,269,620	3,639,175	3,667,039	3,835,190	3,835,190	3,835,190	3,835,190	3,835,190
TOTAL ENTERPRISE FUNDS	10,023,990	10,854,026	11,242,379	9,843,236	9,843,236	9,843,236	9,843,236	9,843,236

Fiscal Year 2019-20 Proposed Budget Five-Year Forecast - Internal Service Fund Expenditures

Program	2017-18 Actual	2018-19 Adopted	2018-19 Estimate	2019-20 Proposed	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
INFORMATION TECHNOLOGY (FUND 610)								
610-30-300 Administration	246,981.00	405,034.00	405,034.00	297,998.00	297,998.00	297,998.00	297,998.00	297,998.00
610-34-310 Infrastructure	1,848,120	2,668,918	3,190,692	2,060,644	2,060,644	2,060,644	2,060,644	2,060,644
610-35-986 GIS	836,032	1,107,071	1,140,298	1,096,093	1,096,093	1,096,093	1,096,093	1,096,093
TOTAL	2,931,133	4,181,023	4,736,024	3,454,735	3,454,735	3,454,735	3,454,735	3,454,735
WORKERS' COMPENSATION (FUND 620)								
620-44-418 Workers Compensation Insurance	355,830	472,652	472,652	257,389	257,389	257,389	257,389	257,389
TOTAL	355,830	472,652	472,652	257,389	257,389	257,389	257,389	257,389
VEHICLE/EQUIPMENT REPLACEMENT (FUND 630)								
630-85-849 Equipment Maintenance	1,571,185	1,593,660	1,593,660	929,280	929,280	929,280	929,280	929,280
630-90-985 Fixed Assets Acquisition	(57,290)	538,000	760,221	594,100	594,100	594,100	594,100	594,100
TOTAL	1,513,895	2,131,660	2,353,881	1,523,380	1,523,380	1,523,380	1,523,380	1,523,380
COMPENSATED ABSENCE & LONG-TERM DISABILITY (FUND 641)								
641-44-419 Long Term Disability	152,508	162,266	162,266	159,134	159,134	159,134	159,134	159,134
641-44-420 Compensated Absence	278,434	422,772	422,772	632,689	632,689	632,689	632,689	632,689
TOTAL	430,942	585,038	585,038	791,823	791,823	791,823	791,823	791,823
RETIREE MEDICAL (FUND 642)								
642-44-414 HR Retiree Benefits	1,064,773	1,128,005	1,128,005	1,077,262	1,077,262	1,077,262	1,077,262	1,077,262
TOTAL	1,064,773	1,128,005	1,128,005	1,077,262	1,077,262	1,077,262	1,077,262	1,077,262
TOTAL INTERNAL SERVICE FUNDS	6,296,573	8,498,378	9,275,600	7,104,589	7,104,589	7,104,589	7,104,589	7,104,589

Fiscal Year 2019-20 Proposed Budget Five-Year Forecast - All Funds Fund Balance/Retained Earnings

Fund Type		2017-18 Actual	2018-19 Adopted	2018-19 Estimate	2019-20 Proposed	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
GENERAL FUND									
	Beginning Balance	53,589,690	45,961,772	52,510,457	39,631,790	49,040,421	55,656,675	61,964,296	67,962,974
Unassigned		21,704,922	8,893,982	6,194,036	15,255,948	21,872,202	28,179,823	34,178,501	39,936,261
All Other Classifications		30,805,535	36,316,546	33,437,754	33,784,473	33,784,473	33,784,473	33,784,473	33,784,473
	Ending Balance	52,510,457	45,210,528	39,631,790	49,040,421	55,656,675	61,964,296	67,962,974	73,720,734
SPECIAL REVENUE									
	Beginning Balance	33,776,352	4,219,674	29,231,630	11,558,020	13,661,846	16,277,052	18,892,258	15,928,464
Assigned		29,231,630	3,095,568	11,558,020	13,661,846	16,277,052	18,892,258	15,928,464	12,964,670
Unassigned		-	-	-	-	-	-	-	-
	Ending Balance	29,231,630	3,095,568	11,558,020	13,661,846	16,277,052	18,892,258	15,928,464	12,964,670
DEBT SERVICE									
	Beginning Balance	1,597,234	1,597,234	1,586,987	1,586,987	1,586,987	1,586,987	1,586,987	1,586,987
Assigned		1,586,987	1,586,987	1,586,987	1,586,987	1,586,987	1,586,987	1,586,987	1,586,987
Unassigned		-	-	-	-	-	-	-	-
	Ending Balance	1,586,987	1,586,987	1,586,987	1,586,987	1,586,987	1,586,987	1,586,987	1,586,987
CAPITAL PROJECT									
	Beginning Balance	25,305,974	13,588,436	29,129,616	21,076,597	20,899,097	22,399,097	23,899,097	25,399,097
Assigned		29,129,616	4,771,936	21,076,597	20,899,097	22,399,097	23,899,097	25,399,097	26,899,097
Unassigned		-	-	-	-	-	-	-	-
	Ending Balance	29,129,616	4,771,936	21,076,597	20,899,097	22,399,097	23,899,097	25,399,097	26,899,097
ENTERPRISE									
	Beginning Balance	10,971,174	8,174,527	9,648,709	7,118,711	5,367,302	5,766,885	6,166,468	6,566,051
Assigned		9,648,709	4,664,901	7,118,711	5,367,302	5,766,885	6,166,468	6,566,051	6,965,634
Unassigned		-	-	-	-	-	-	-	-
	Ending Balance	9,648,709	4,664,901	7,118,711	5,367,302	5,766,885	6,166,468	6,566,051	6,965,634

Fiscal Year 2019-20 Proposed Budget Five-Year Forecast - All Funds Fund Balance/Retained Earnings

Fund Type		2017-18 Actual	2018-19 Adopted	2018-19 Estimate	2019-20 Proposed	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast
INTERNAL SERVICE									
	Beginning Balance	4,652,496	13,767,907	6,538,018	4,701,861	5,726,825	5,332,012	4,937,199	4,542,386
Assigned		6,538,018	12,293,817	4,701,861	5,726,825	5,332,012	4,937,199	4,542,386	4,147,573
Unassigned		-	-	-	-	-	-	-	-
	Ending Balance	6,538,018	12,293,817	4,701,861	5,726,825	5,332,012	4,937,199	4,542,386	4,147,573