

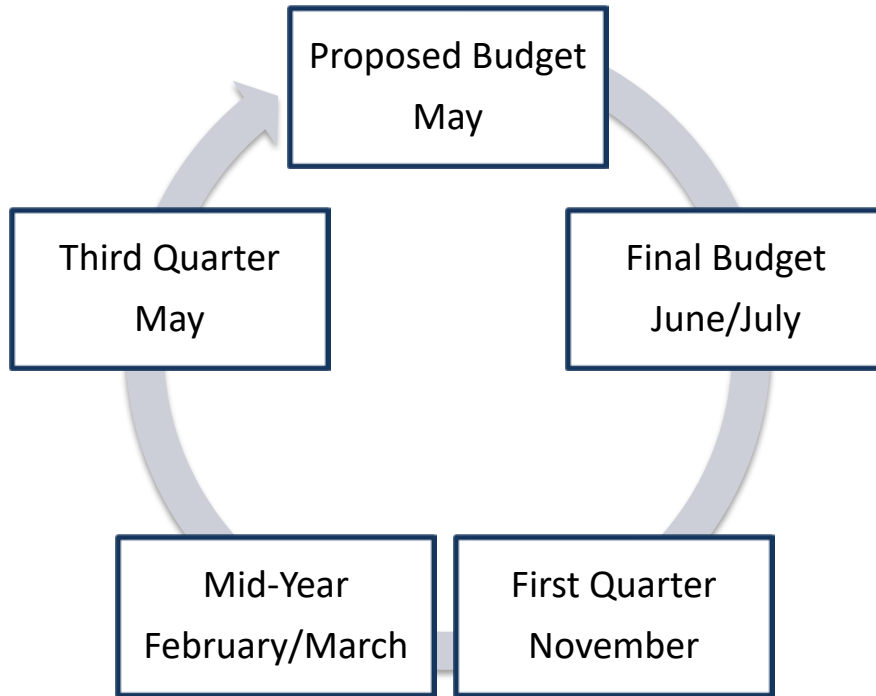
The Annual Budget Process

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 measurable 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 2020-21 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 are a fund type used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Special Revenue Funds include the Park Dedication, Transportation, Storm Drain, 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.
Vehicle/Equipment Replacement	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

Monitor 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) 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 – \$12,000,000 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	\$12,000,000	Budgeted Citywide Retirement Costs	For pension cost increases.
3	Sustainability Reserve	\$123,397	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 19, 2020 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.

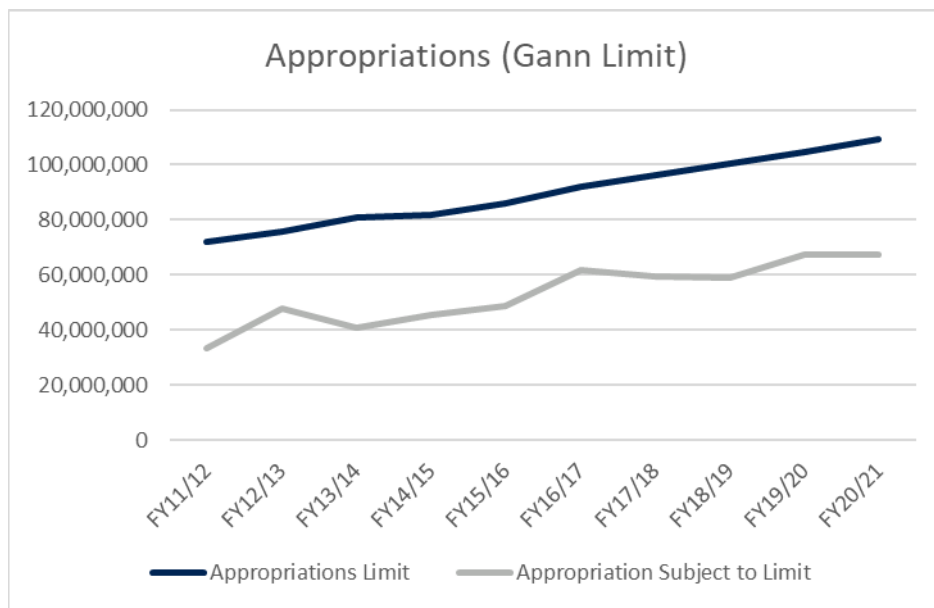
Appropriations & Legal Debt Limit Margin

Gann Appropriations Limit

Fiscal Year 2020-21

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 2020-21 was \$___, \$___ or ___% higher than the FY 2019-20 limit of \$104,753,580. Information to calculate the City's appropriations limit for FY 2020-21 will not become available until May 2020 and will be included in the Adopted Budget hearing in June 2020.

Legal Debt Margin

Fiscal Year 2020-21

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 2019-20 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)	\$ 27,010,000	
Less: Certificates of Participation Not Subject to Debt Limit (4)	\$ (27,010,000)	
Amount of Debt Subject to Limit	-	(3) - (4)
Legal Debt Margin	\$ 844,924,192	

Fiscal Year 2020-21 Proposed Budget Financial Overview by Fund

Revenue Categories	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Funds	Enterprise Funds	Internal Service Funds	2020-21 Proposed Budget Total
Sales Tax	\$ 20,910,889	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,910,889
Property Tax	\$ 25,353,783	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,353,783
Transient Occupancy	\$ 7,546,884	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,546,884
Utility Tax	\$ 3,223,712	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,223,712
Franchise Fees	\$ 3,280,447	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,280,447
Other Taxes	\$ 1,212,939	\$ 3,102,882	\$ -	\$ -	\$ -	\$ -	\$ 4,315,821
Licenses & Permits	\$ 3,139,473	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,139,473
Use of Money & Property	\$ 1,271,510	\$ 4,205	\$ -	\$ -	\$ 470,000	\$ -	\$ 1,745,715
Intergovernmental	\$ 235,567	\$ 3,396,028	\$ -	\$ -	\$ 15,000	\$ -	\$ 3,646,595
Charges for Services	\$ 11,556,831	\$ 1,526,471	\$ -	\$ -	\$ 5,678,042	\$ 4,314,949	\$ 23,076,293
Fines & Forfeitures	\$ 425,000	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 435,000
Miscellaneous	\$ 1,003,857	\$ 87,057	\$ -	\$ -	\$ -	\$ -	\$ 1,090,914
Transfers In/Other Financing Uses	\$ 290,000	\$ 3,800,000	\$ 3,169,138	\$ -	\$ 2,468,000	\$ 930,385	\$ 10,657,523
TOTAL REVENUE	\$ 79,450,892	\$ 11,926,643	\$ 3,169,138	\$ -	\$ 8,631,042	\$ 5,245,334	\$ 108,423,049

Appropriation Categories	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Funds	Enterprise Funds	Internal Service Funds	2020-21 Proposed Budget Total
Employee Compensation	\$ 20,573,051	\$ 1,576,185	\$ -	\$ -	\$ 1,731,822	\$ 1,615,524	\$ 25,496,582
Employee Benefits	\$ 8,910,549	\$ 780,434	\$ -	\$ -	\$ 535,151	\$ 1,896,696	\$ 12,122,830
Materials	\$ 6,472,852	\$ 883,903	\$ -	\$ -	\$ 423,742	\$ 1,119,300	\$ 8,899,797
Contract Services	\$ 22,553,684	\$ 1,098,296	\$ -	\$ 175,000	\$ 4,942,761	\$ 1,453,399	\$ 30,223,140
Cost Allocation	\$ 10,473,534	\$ 1,046,834	\$ -	\$ 168,274	\$ 923,089	\$ 52,343	\$ 12,664,074
Capital Outlays	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
Special Projects	\$ 1,420,852	\$ 4,143,100	\$ -	\$ -	\$ 32,500	\$ 1,283,136	\$ 6,879,588
Contingencies	\$ 986,635	\$ 29,493	\$ -	\$ -	\$ 135,753	\$ 77,948	\$ 1,229,829
Transfers Out	\$ 10,121,138	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 10,136,138
Debt Service/Other Uses	\$ 775,000	\$ -	\$ 3,169,138	\$ -	\$ 291,445	\$ 897,684	\$ 5,133,267
TOTAL EXPENDITURES	\$ 82,287,295	\$ 10,573,245	\$ 3,169,138	\$ 343,274	\$ 9,016,263	\$ 8,396,030	\$ 113,785,245

Net Increase (Decrease) in Fund Balance/Retained Earnings	\$ (2,836,403)	\$ 1,353,398	\$ -	\$ (343,274)	\$ (385,221)	\$ (3,150,696)	\$ (5,362,196)
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Fiscal Year 2020-21 Proposed Budget Flow of Funds Chart

SOURCE OF FUNDS

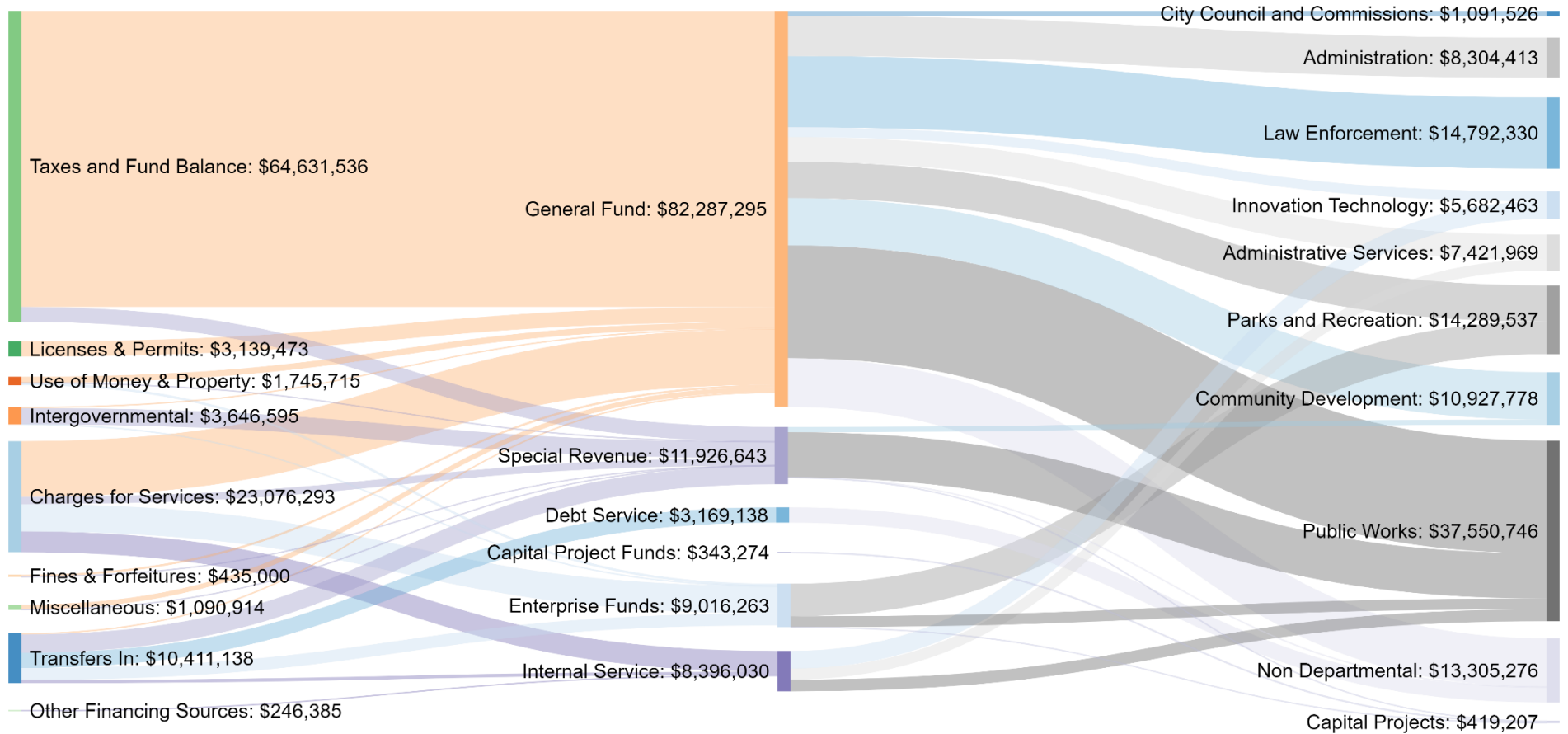
Revenue
by Object



Revenues by
Fund



Appropriations
by Department



Fiscal Year 2020-21 Proposed Budget

General Fund Contribution Schedule

Fund Type	Proposed Budget Expenditures	Proposed Budget Revenues	Proposed Budget Fund Balance/ Retained Earnings (Usage)	Proposed General Fund Contribution
General Fund				
10 City Council				
100 City Council	452,176	954,826	-	(502,650)
101 Community Funding	1,240	-	-	1,240
110 Sister Cities	81,595	-	-	81,595
11 Commissions				
131 Telecommunication Commission	24,064	-	-	24,064
140 Library Commission	31,709	-	-	31,709
142 Fine Arts Commission	53,510	-	-	53,510
150 Public Safety Commission	30,817	-	-	30,817
155 Bike/Ped Safety Commission	35,238	-	-	35,238
160 Recreation Commission	50,896	-	-	50,896
165 Teen Commission	81,300	-	-	81,300
170 Planning Commission	119,563	-	-	119,563
175 Housing Commission	56,102	-	-	56,102
180 Sustainability Commission	53,072	-	-	53,072
190 Audit Committee	20,244	-	-	20,244
12 City Manager				
120 City Manager	1,338,451	480,014	-	858,437
122 Sustainability Division	951,523	-	-	951,523
126 Office of Communications	710,191	-	-	710,191
305 Video	781,333	293,110	-	488,223
307 Public Access Support	80,020	-	-	80,020
632 Comm Outreach & Neigh Watch	191,823	-	-	191,823
633 Disaster Preparedness	400,275	-	-	400,275
705 Economic Development	432,819	-	-	432,819
13 City Clerk				
130 City Clerk	513,767	91,584	-	422,183
132 Duplicating/Mail Services	75,812	-	-	75,812
133 Elections	162,466	-	-	162,466
14 City Manager Discretion				
123 City Manager Contingency	582,904	-	-	582,904
15 City Attorney				
141 City Attorney	2,083,029	551,138	-	1,531,891
20 Law Enforcement				
200 Law Enforcement SC Sherif	14,741,850	1,037,328	-	13,704,522
201 Interoperability Project	50,480	-	-	50,480
31 I&T Video				
308 Applications	2,031,386	1,307,803	-	723,583
40 Administrative Services				
400 Admin Services Administration	940,863	185,799	-	755,064
41 Finance				
405 Accounting	1,644,911	2,114,792	-	(469,881)
406 Business Licenses	404,751	-	-	404,751
44 Human Resources				
412 Human Resources	1,228,043	1,609,812	-	(381,769)
417 Insurance Administration	923,953	-	-	923,953
60 Recreation & Community Service				
601 Rec & Comm Svcs Administration	1,286,738	-	-	1,286,738
634 Park Planning and Restoration	-	-	-	-
636 Library Services	318,340	-	-	318,340
61 Business and Community Services				
602 Administration	762,614	-	-	762,614
605 Cultural Events	469,639	31,000	-	438,639
630 Facilities	501,976	206,455	-	295,521
62 Recreation and Education				
608 Administration	802,958	25,000	-	777,958
623 Youth, Teen and Senior Adult Rec	1,432,125	437,000	-	995,125
639 Youth and Teen Programs	314,113	5,020	-	309,093

Fiscal Year 2020-21 Proposed Budget General Fund Contribution Schedule

Fund Type	Proposed Budget Expenditures	Proposed Budget Revenues	Proposed Budget Fund Balance/ Retained Earnings (Usage)	Proposed General Fund Contribution
640 Neighborhood Events	202,755	-	-	202,755
63 Sports, Safety & Outdoor Rec				
612 Park Facilities	1,329,493	269,000	-	1,060,493
615 Administration	110,200	-	-	110,200
70 Planning & Community Development				
700 Community Development Admin	730,583	-	-	730,583
71 Planning				
701 Current Planning	2,998,045	1,045,000	-	1,953,045
702 Mid Long Term Planning	806,696	138,750	-	667,946
704 Annexations	727	-	-	727
72 Housing Services				
712 Gen Fund Human Services Grants	106,930	-	-	106,930
73 Building				
713 General Building	899,738	315,000	-	584,738
714 Construction Plan Check	1,658,248	1,300,000	-	358,248
715 Building Inspection	1,402,918	1,500,000	-	(97,082)
718 Muni-Bldg Code Enforcement	83,027	-	-	83,027
74 Code Enforcement				
202 Code Enforcement	1,157,600	225,000	-	932,600
80 PW Admin				
800 Public Works Admin	891,430	120,000	-	771,430
82 Developmental Services				
804 Plan Review	1,673,271	731,489	-	941,782
806 CIP Administration	1,464,380	-	-	1,464,380
83 Service Center				
807 Service Center Administration	1,253,059	98,674	-	1,154,385
84 Grounds				
808 McClellan Ranch Park	150,623	-	-	150,623
809 Memorial Park	798,045	-	-	798,045
811 BBF Ground Maintenance	174,799	-	-	174,799
812 School Site Maintenance	1,572,920	143,700	-	1,429,220
813 Neighborhood Parks	2,501,181	-	-	2,501,181
814 Sport Fields Jollyman CRK	808,542	-	-	808,542
815 Civic Center Ground Maint	523,705	253,880	-	269,825
85 Streets				
848 Street Lighting	887,925	-	-	887,925
850 Environmental Materials	194,890	-	-	194,890
86 Trees and Right of Way				
824 Overpasses and Medians	1,530,928	10,761	-	1,520,167
825 Street Tree Maintenance	1,693,951	25,761	-	1,668,190
826 Weekend Work Program	566,597	-	-	566,597
87 Facilities and Fleet				
827 Bldg Maint City Hall	472,117	500,394	-	(28,277)
828 Bldg Maint Library	619,431	287,754	-	331,677
829 Bldg Maint Service Center	290,074	-	-	290,074
830 Bldg Maint Quinlan Center	561,635	-	-	561,635
831 Bldg Maint Senior Center	380,519	-	-	380,519
832 Bldg Maint McClellan Ranch	210,120	840	-	209,280
833 Bldg Maint Monta Vista Ct	242,758	-	-	242,758
834 Bldg Maint Wilson	68,527	-	-	68,527
835 Bldg Maint Portal	84,596	-	-	84,596
837 Bldg Maint Creekside	104,149	-	-	104,149
838 Comm Hall Bldg Maint	231,318	-	-	231,318
839 Teen Center Bldg Maint	47,874	-	-	47,874
840 Park Bathrooms	120,681	-	-	120,681
841 BBF Facilities Maintenance	530,158	-	-	530,158
852 Franco Traffic Operations Center	11,941	-	-	11,941

Fiscal Year 2020-21 Proposed Budget

General Fund Contribution Schedule

Fund Type	Proposed Budget Expenditures	Proposed Budget Revenues	Proposed Budget Fund Balance/ Retained Earnings (Usage)	Proposed General Fund Contribution
88 Transportation				
844 Traffic Engineering	1,263,216	757,666	-	505,550
845 Traffic Signal Maintenance	903,114	-	-	903,114
846 Safe Routes 2 School	600,044	-	-	600,044
90 Citywide - Non Departmental				
001 No Department	10,121,138	-	-	10,121,138
502 EE Housing Loan	-	-	-	-
GENERAL FUND SUBTOTAL I	\$ 82,287,295	\$ 17,054,350	\$ -	\$ 65,232,945
General Fund Revenue/Fund Balance				
General Fund Revenue	-	62,396,542	-	(62,396,542)
Unassigned Fund Balance	-	-	(2,836,403)	(2,836,403)
GENERAL FUND SUBTOTAL II	\$ -	\$ 62,396,542	\$ (2,836,403)	\$ (65,232,945)
TOTAL GENERAL FUND	\$ 82,287,295	\$ 79,450,892	\$ (2,836,403)	\$ -
Special Revenue Fund				
Non Point Source	1,050,690	1,532,493	481,803	-
Storm Drain Maintenance	706,996	-	(706,996)	-
HCD General Administration	97,195	79,450	(17,745)	-
CDBG- Capital Grants	260,000	261,532	1,532	-
Public Service Grants	65,000	59,588	(5,412)	-
Below Market Rate Housing	661,071	3,025,898	2,364,827	-
Sidewalk, Curb and Gutter Maint	2,561,810	-	(2,561,810)	-
Street Pavement Maintenance	4,216,014	1,624,285	(2,591,729)	-
Street Signs/Markings	865,538	-	(865,538)	-
Tree Fund	15,000	-	(15,000)	-
CIP - Lawrence-Mitty Park	90	-	(90)	-
CIP - Strm Drn Improv-Fthill & Cup Rd	248	-	(248)	-
CIP - MRP Community Grdn Improv-Const	8,158	-	(8,158)	-
CIP - MRP EEC Aquatic Habitat	1,293	-	(1,293)	-
CIP - Storm Drain MP Implementation	45	-	(45)	-
Non-Departmental	64,097	1,543,397	5,279,300	3,800,000
TOTAL SPECIAL REVENUE FUNDS	\$ 10,573,245	\$ 8,126,643	\$ 1,353,398	\$ 3,800,000
Debt Service				
Public Facilities Corporation	3,169,138	-	-	3,169,138
TOTAL DEBT SERVICE	\$ 3,169,138	\$ -	\$ -	\$ 3,169,138
Capital Projects Funds				
CIP - SC Corridor Park Ph 1	626	-	(626)	-
CIP - Env Edu Facility	185	-	(185)	-
CIP - Phs II SC Corridor Park	2,025	-	(2,025)	-
CIP - SCCP Chain MP-MCLN TO SCB	405	-	(405)	-
CIP - Spt Ctr Resurf Tennis Cts	45	-	(45)	-
CIP - Pub Bldg Solar Service Center	180	-	(180)	-
CIP - DeAnza/McClellan Signal Maint	90	-	(90)	-
CIP - STLG/280 Ped Bridge Lighting	252	-	(252)	-
CIP - Green Bike Lanes	90	-	(90)	-
CIP - MR Construct Trash Enclosure	1,601	-	(1,601)	-
CIP - MR Community Garden Improvements	6,622	-	(6,622)	-
CIP - ADA Improvements	4,984	-	(4,984)	-
CIP - Stevens Crk Bank Repair Concept	90	-	(90)	-
CIP - Sports Center Exterior Upgrades	21,201	-	(21,201)	-
CIP - Sports Center Interior Upgrades	358	-	(358)	-
CIP - QCC Fire Alarm Control Panel Upg	5,626	-	(5,626)	-
CIP - McClellan West-Parking Lot Imprv	17,406	-	(17,406)	-
CIP - Rec Facilities Monument Signs	3,609	-	(3,609)	-
CIP - City Hall - Turf Reduction	1,838	-	(1,838)	-

Fiscal Year 2020-21 Proposed Budget General Fund Contribution Schedule

Fund Type	Proposed Budget Expenditures	Proposed Budget Revenues	Proposed Budget Fund Balance/ Retained Earnings (Usage)	Proposed General Fund Contribution
CIP - Svc Ctr - Shed No. 3 Improvement	10,921	-	(10,921)	-
CIP - 2016 Bike Plan Implementation	35,782	-	(35,782)	-
CIP - Retaining Wall Repair-Cordova Rd	2,837	-	(2,837)	-
CIP - Retaining Wall Repl - Regnart Rd	180	-	(180)	-
CIP - Citywide Park & Recreation MP	3,321	-	(3,321)	-
CIP - CIP Prelim Planning & Design	128,039	-	(128,039)	-
CIP - Capital Project Support	50,145	-	(50,145)	-
CIP - Inclusive Play Area - Planning	652	-	(652)	-
CIP - Senior Ctr Walkway Replacement	270	-	(270)	-
CIP - St Light Install - Annual Infill	536	-	(536)	-
CIP - McClellan Sdwk-RB to Hwy85 Over	45	-	(45)	-
CIP - St Light Install-Randy & Larry	3,896	-	(3,896)	-
CIP - Senior Center Repairs	10,297	-	(10,297)	-
CIP - CW Bldg Condition Assess Impl	6,470	-	(6,470)	-
CIP - Creek Infall/Outfall Restoration	1,605	-	(1,605)	-
CIP - DeAnza Med Islnd Landscaping Ph2	14,867	-	(14,867)	-
CIP - Regnart Road Improvements	3,646	-	(3,646)	-
CIP - School Walk Audit Implementation	654	-	(654)	-
CIP - SCB/Bandley Signal & Median Imps	90	-	(90)	-
CIP - St Light Replacement CW (labor)	90	-	(90)	-
CIP - BBF Park Pool Improvements	446	-	(446)	-
CIP - Interim City Hall	1,162	-	(1,162)	-
CIP - New City Hall	90	-	(90)	-
TOTAL CAPITAL PROJECTS FUNDS	\$ 343,274	\$ -	\$ (343,274)	\$ -
Enterprise Funds				
Resources Recovery	1,722,438	1,435,188	(287,250)	-
Golf Course	693,330	340,000	(23,330)	330,000
Sports Center	2,782,634	2,403,112	492,478	872,000
Sports Center Maintenance	533,237	-	(533,237)	-
Youth Teen Recreation	1,983,296	1,108,517	(874,779)	-
Outdoor Recreation	1,301,328	876,225	840,897	1,266,000
TOTAL ENTERPRISE FUNDS	\$ 9,016,263	\$ 6,163,042	\$ (385,221)	\$ 2,468,000
Internal Service Funds				
Information Services Admin	407,779	-	(407,779)	-
Information Technology	2,136,777	1,767,098	34,321	404,000
GIS	1,106,521	914,333	(192,188)	-
Equipment Maintenance	1,497,347	1,633,518	160,171	24,000
Equipment Fixed Asset Acquisition	968,158	-	(968,158)	-
Workers' Compensation Claims	276,223	246,385	(29,838)	-
Disability Claims	171,837	-	(171,837)	-
Leave Payouts	620,055	-	(407,055)	213,000
Retiree Medical Insurance	1,211,333	-	(1,168,333)	43,000
TOTAL INTERNAL SERVICE FUNDS	\$ 8,396,030	\$ 4,561,334	\$ (3,150,696)	\$ 684,000
TOTAL ALL FUNDS	\$ 113,785,245	\$ 98,301,911	\$ (5,362,196)	\$ 10,121,138

Fiscal Year 2020-21 Proposed Budget Fund Balance Report

Fund	Fund		Proposed Budget Revenue	Proposed Budget Expenditures	Proposed Fund Balance 6/30/2021
	Balance 7/1/2019	Projected Fund Balance 7/1/2020			
100 GENERAL FUND	\$ 58,922,584	\$ 53,438,546	\$ 79,450,892	\$ 82,287,295	\$ 50,602,143
SPECIAL REVENUE FUNDS					
210, Storm Drain Improvement	\$ 3,321,291	\$ 3,767,067	\$ 76,984	\$ 1,000	\$ 3,843,051
215					
230 Environmental Management/ Clean Creek / Storm Drain	418,837	944,290	1,533,398	1,757,686	720,002
260, Housing & Community Development	8,635,265	7,703,956	3,426,468	1,083,266	10,047,158
261					
265					
270, Transportation	10,211,510	7,172,403	6,889,793	7,706,752	6,355,444
271					
280, Park Dedication	11,688,177	3,810,211	-	24,541	3,785,670
281					
TOTAL SPECIAL REVENUE FUNDS	\$ 34,275,080	\$ 23,397,927	\$ 11,926,643	\$ 10,573,245	\$ 24,751,325
DEBT SERVICE FUND					
365 Public Facilities Corporation	\$ 1,660,760	\$ 1,660,760	\$ 3,169,138	\$ 3,169,138	\$ 1,660,760
TOTAL DEBT SERVICE FUND	\$ 1,660,760	\$ 1,660,760	\$ 3,169,138	\$ 3,169,138	\$ 1,660,760
CAPITAL PROJECTS FUNDS					
420 Capital Improvement Fund	19,383,284	30,496,439	-	340,623	30,155,816
427 Stevens Creek Corridor Park	202,185	120,199	-	2,651	117,548
429 Capital Reserve	13,626,475	17,921,475	-	-	17,921,475
TOTAL CAPITAL PROJECTS FUNDS	\$ 33,211,944	\$ 48,538,113	\$ -	\$ 343,274	\$ 48,194,839
ENTERPRISE FUNDS					
520 Resource Recovery	\$ 5,485,695	\$ 3,837,205	\$ 1,435,188	\$ 1,722,438	\$ 3,549,955
560 Blackberry Farm	(16,291)	67,623	670,000	693,330	44,293
570 Sports Center	748,347	810,266	3,275,112	3,315,871	769,507
580 Recreation Programs	1,838,753	286,581	3,250,742	3,284,624	252,699
TOTAL ENTERPRISE FUNDS	\$ 8,056,505	\$ 5,001,676	\$ 8,631,042	\$ 9,016,263	\$ 4,616,455
INTERNAL SERVICE FUNDS					
610 Information Technology	\$ 2,492,909	\$ 1,115,150	\$ 3,085,431	\$ 3,651,077	\$ 549,504
620 Workers' Compensation	2,222,942	2,435,548	246,385	276,223	2,405,710
630 Equipment	1,701,126	1,021,135	1,657,518	2,465,505	213,148
641 Compensated Absence & LTD	400,532	880,202	213,000	791,892	301,310
642 Retiree Medical	32,670	1,373,137	43,000	1,211,333	204,804
TOTAL INTERNAL SERVICE FUNDS	\$ 6,850,179	\$ 6,825,172	\$ 5,245,334	\$ 8,396,030	\$ 3,674,476
TOTAL ALL FUNDS	\$ 142,977,052	\$ 138,862,194	\$ 108,423,049	\$ 113,785,245	\$ 133,499,998

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 2020-21, General Fund revenue estimates (excluding fund balance) total \$79.5 million, representing a \$7.6 million, or 8.8% decrease from the FY 2019-20 Adopted Budget, mostly due to an decrease in sales tax, transient occupancy tax, and charges for services. When fund balance carryover is included, General Fund resources total \$50.6 million.

General Fund expenditure estimates total \$82.3 million, which is slightly higher than the FY 2019-20 Adopted Budget. The General Fund’s ending fund balance is projected to decrease by 5% from FY 2019-20 estimated ending fund balance. This is due to a significant reduction to projected sales tax and transient occupancy tax revenues from prior years as a result of the COVID-19 pandemic.

GENERAL FUND OPERATING SUMMARY					
	FY 17-18	FY 18-19	FY 19-20	FY 20-21	Percent
	Actual	Actual	Estimate	Proposed	Change
Beginning Fund Balance	\$ 53,589,690	\$ 52,510,457	\$ 58,922,585	\$53,438,546	-9%
Operating Revenue	88,226,833	88,829,941	92,100,000	79,450,892	-14%
Operating Expenditures	(89,309,589)	(82,390,187)	(97,584,039)	(82,287,295)	-16%
Net Revenue/Expenditures	(1,082,756)	6,439,754	(5,484,039)	(2,836,403)	-48%
Committed/Other	30,805,535	31,026,457	35,938,546	35,929,546	0%
Unassigned	21,704,922	27,896,128	17,500,000	14,672,597	-16%
Total Ending Fund Balance	52,510,457	58,922,585	53,438,546	50,602,143	-5%

This section provides information on the FY 2020-21 General Fund budget including expenditure and revenue highlights, transfers to other funds, reserve funds and the financial forecast.

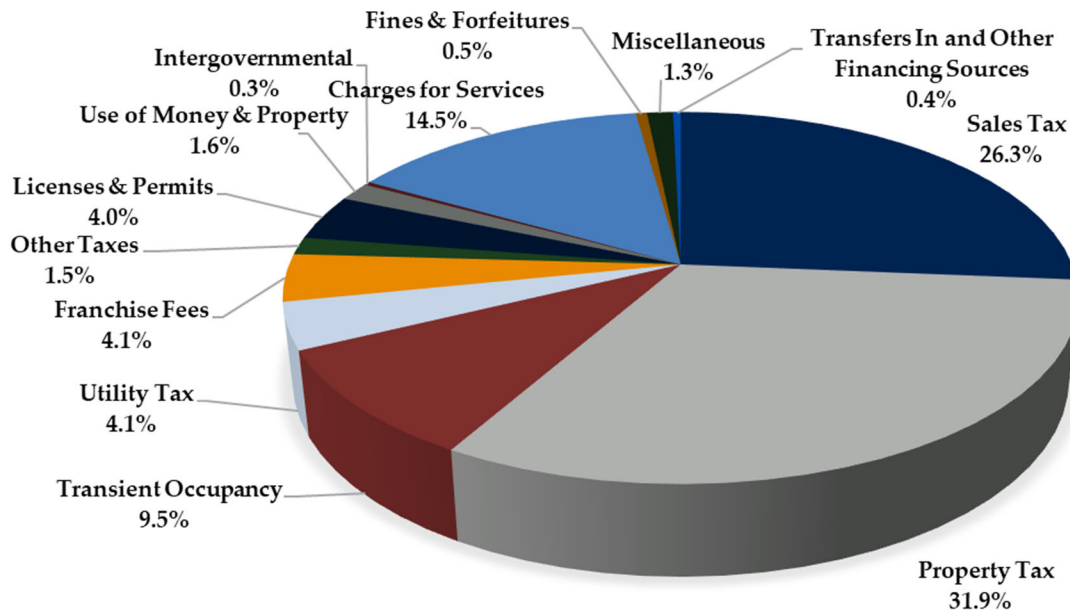
General Fund Revenue

Estimates for the FY 2020-21 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 2020-21 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 2020-21 revenue estimates are built on the assumption of conservative economic decline due to the impact of the COVID-19 pandemic.

As shown in the chart below, FY 2020-21 revenues are estimated at \$79.5 million, an 8.8% decrease over the FY 2019-20 Adopted Budget.

GENERAL FUND REVENUE SUMMARY					
REVENUES	FY 17-18 Actuals	FY 18-19 Actuals	FY 19-20 Adopted	FY 20-21 Proposed	Percent Change
Sales Tax	26,164,531	24,901,779	25,637,093	20,910,889	-18.4%
Property Tax	22,433,806	25,301,094	24,703,218	25,353,783	2.6%
Transient Occupancy	6,810,718	8,901,337	9,666,056	7,546,884	-21.9%
Utility Tax	3,146,398	3,089,921	3,198,644	3,223,712	0.8%
Franchise Fees	3,563,820	3,445,253	3,162,457	3,280,447	3.7%
Other Taxes	1,339,860	1,659,916	1,181,050	1,212,939	2.7%
Licenses & Permits	2,757,929	4,102,665	2,524,000	3,139,473	24.4%
Use of Money & Property	1,342,626	2,680,997	1,330,579	1,271,510	-4.4%
Intergovernmental	1,000,777	473,942	354,547	235,567	-33.6%
Charges for Services	10,548,179	10,977,805	13,233,225	11,556,831	-12.7%
Fines & Forfeitures	575,032	511,472	615,000	425,000	-30.9%
Miscellaneous	8,559,972	2,783,761	1,494,283	1,293,857	-13.4%
TOTAL REVENUES	88,243,646	88,829,941	87,100,152	79,450,892	-8.8%

The majority of Cupertino’s General Fund operating revenues are generated by property taxes (32%) and sales taxes (26%), followed by charges for services (15%) and the transient occupancy tax (10%). The chart on the next page illustrates the sources of General Fund revenue by category.



The FY 2020-21 General Fund revenue estimates are discussed by category in the material that follows.

SALES & USE TAX	
FY 18-19 Actual	24,901,779
FY 19-20 Adopted	25,637,093
FY 19-20 Estimate	26,400,000
FY 20-21 Proposed	20,910,889
% of General Fund	26.32%
% Change from FY 19-20 Adopted	-18.44%

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 competing interest for the City’s ¼ cent sales tax imposed on local governments as a potential new source of revenue for affordable housing and transportation.

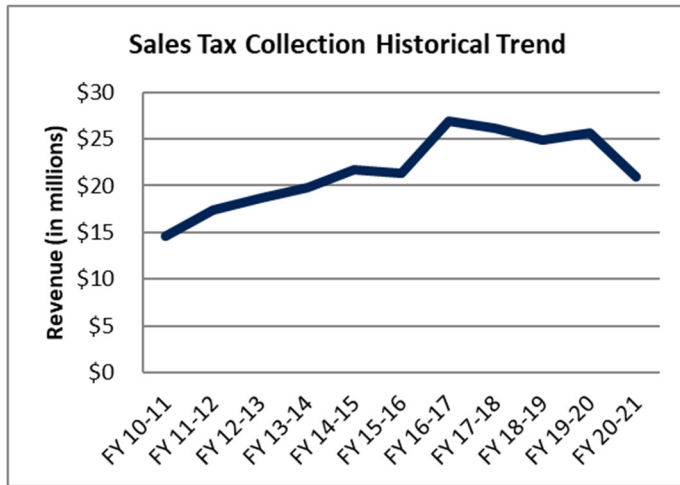
Agency	Sales Tax Distribution
State	6.000%
VTA	1.125%
City of Cupertino	1.000%
County General Purpose	0.625%
County Transportation	0.250%
Total:	9.000%

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 65.0% (includes electronic equipment and software manufacturers and distributors), state and county pools 20%, restaurants and hotels 6%, general retail 4%, and fuel and service stations and other 6%.

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 decreased across most sectors. This decrease is attributed to the COVID-19 pandemic that has impacted spending overall. Given these trends, the City’s FY 2020-21 sales tax revenue is projected to show an immediate, significant decline with conservative increases throughout the pandemic and recessionary period to follow.

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 was



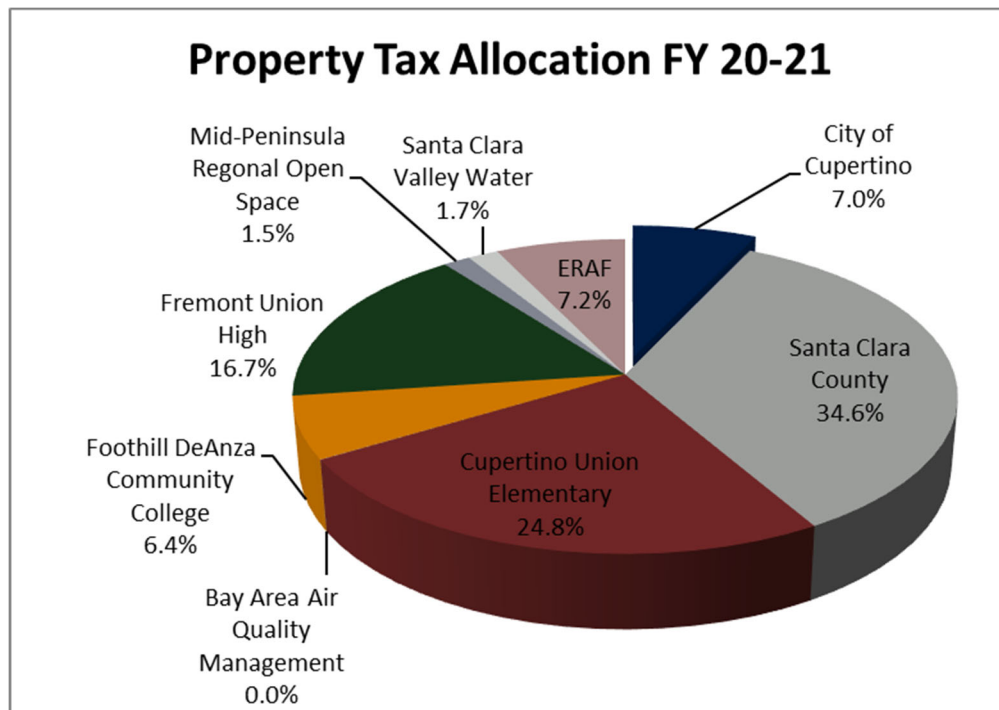
expected to increase 3% in FY 2019-20 but a decrease is now expected due to the impact of the COVID-19 pandemic. Sales tax revenues are estimated to generate \$20.9 million in FY 2020-21, which is down 18.4% from the FY 2019-20 Adopted Budget. Of the \$20.9 million, it is estimated that potentially a maximum of \$1.7 million will be received in the second half of FY 20-21 versus the first half due to the 90-Day Sales Tax Payment Extension Executive Order of Governor Gavin Newsom and the CDTFA Small Business

Relief Payment Plans. The swift reaction by consumers and businesses to the outbreak of COVID-19 in the U.S. has caused a huge decrease in spending on certain goods and services. The national and state response, combined with the uncertainty of how long the presence of the virus will disrupt the U.S. economy has made revenue forecasting particularly challenging. This estimate assumes the virus will have run its course by the end of September and also assumes that the majority of supply chain disruptions impacting manufacturers will have been resolved by mid-summer 2020 and that proposed federal actions will be successful in avoiding a deep recession. Under these assumptions, sales tax revenues are expected to “bottom out” by the fourth quarter of 2020 with subsequent gains expected to be conservative to moderate for several quarter thereafter. As the City moves forward through the COVID-19 pandemic and as more data becomes available, staff will bring forth updates and adjustments on a regular basis as necessary.

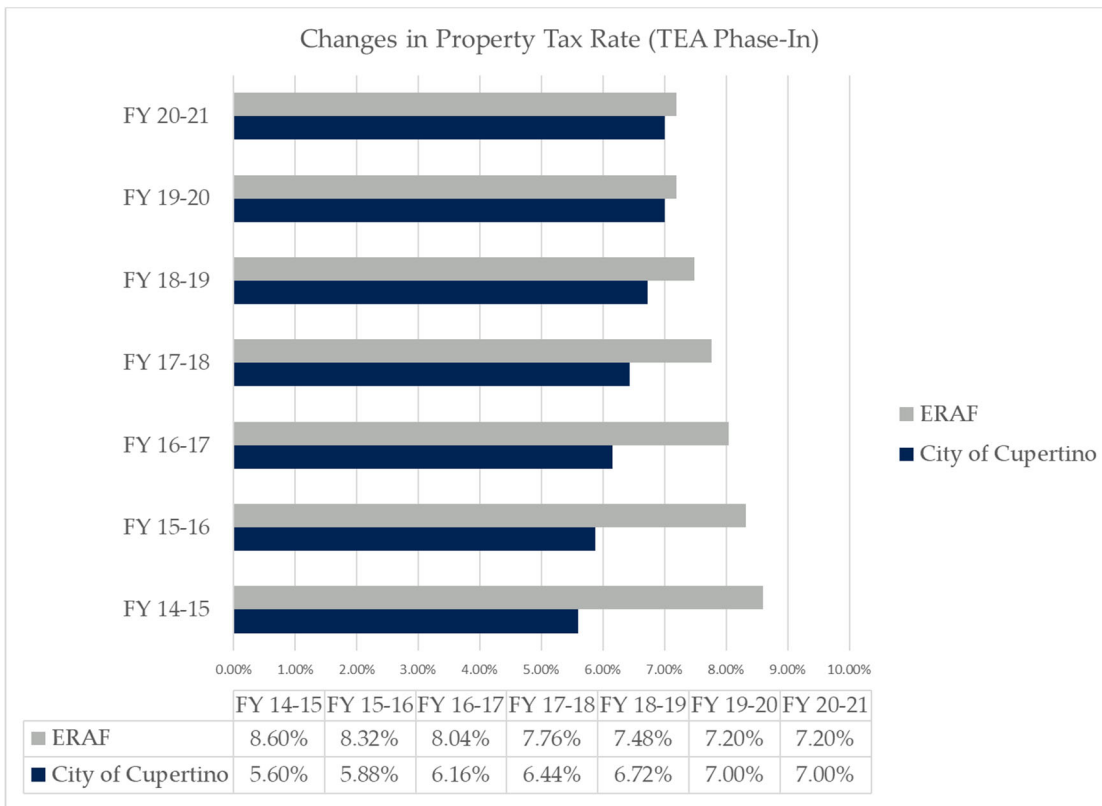
PROPERTY TAX	
FY 18-19 Actual	25,301,094
FY 19-20 Adopted	24,703,218
FY 19-20 Estimate	25,000,000
FY 20-21 Proposed	25,353,783
% of General Fund	31.91%
% Change from FY 19-20 Adopted	2.63%

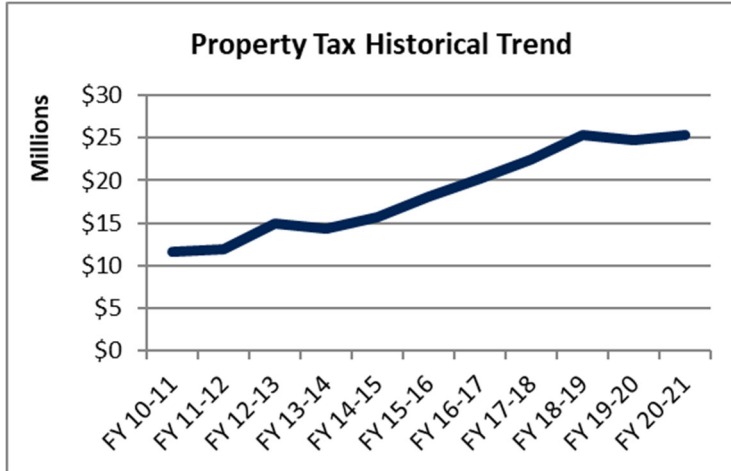
Under current law, property is assessed at actual full cash value with the maximum levy being 1% of the assessed valuation. The assessed value of real property that has not changed ownership can be adjusted by the change in the California Consumer Price Index (CCPI) up to a maximum of 2% per year. Property 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.



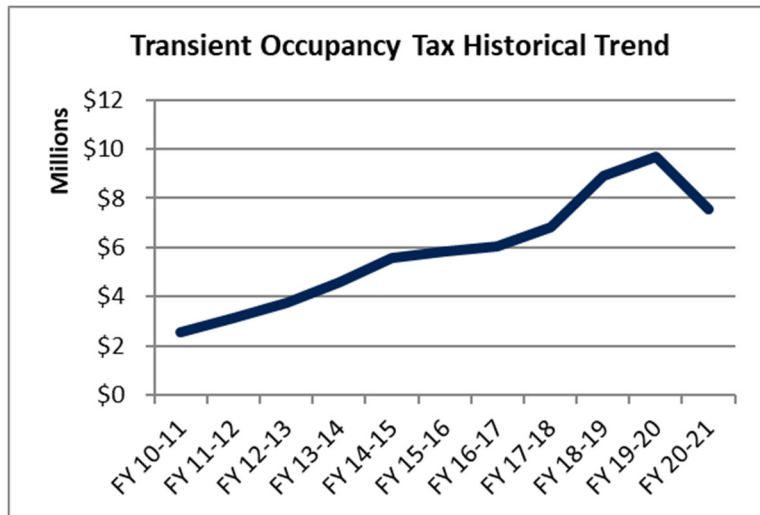


The City experienced a net taxable value increase of 3.3% for the 2019-2020 tax roll. The bulk of the increase was due to increases in residential properties by \$881 million, or 5.8%. This category makes up 61% of the net taxable value. Unsecured property tax decreased by \$138 million, or 7.8%. This category makes up 6.3% of the net taxable value. Lastly increases in commercial property values increased by \$20.9 million, or 0.3%. This category makes up 28.5% of net

taxable value.

TRANSIENT OCCUPANCY TAX	
FY 18-19 Actual	8,901,337
FY 19-20 Adopted	9,666,056
FY 19-20 Estimate	5,980,000
FY 20-21 Proposed	7,546,884
% of General Fund	9.50%
% Change from FY 19-20 Adopted	-21.92%

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 end FY 2019-20 lower than the adopted budget mainly due to the shelter-in-place order Santa Clara County Public Health Department



put into effect mid-March 2020 to control the COVID-19 pandemic. Until COVID-19 impacts are tempered and employees begin returning to their places of work, TOT will suffer greatly. TOT is projected to decrease 21.9% in FY 20-21. Assuming the summer 2020 period begins to show signs of acclimation and adaptation to a new “normal,” This decline represents an effective loss of one full quarter of TOT revenue. As we move forward through the pandemic and more information

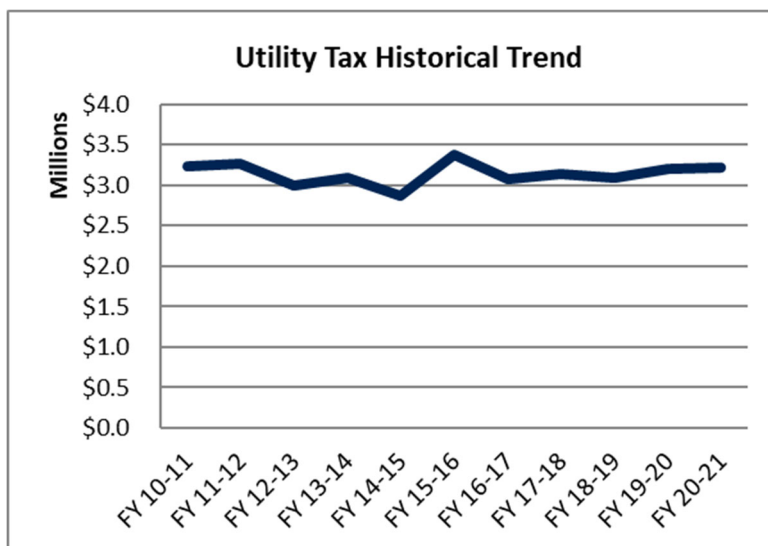
becomes available, staff will bring forward updates and adjustments to City Council on a regular basis as necessary.

UTILITY TAX	
FY 18-19 Actual	3,089,921
FY 19-20 Adopted	3,198,644
FY 19-20 Estimate	3,000,000
FY 20-21 Proposed	3,223,712
% of General Fund	4.06%
% Change from FY 19-20 Adopted	0.78%

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.

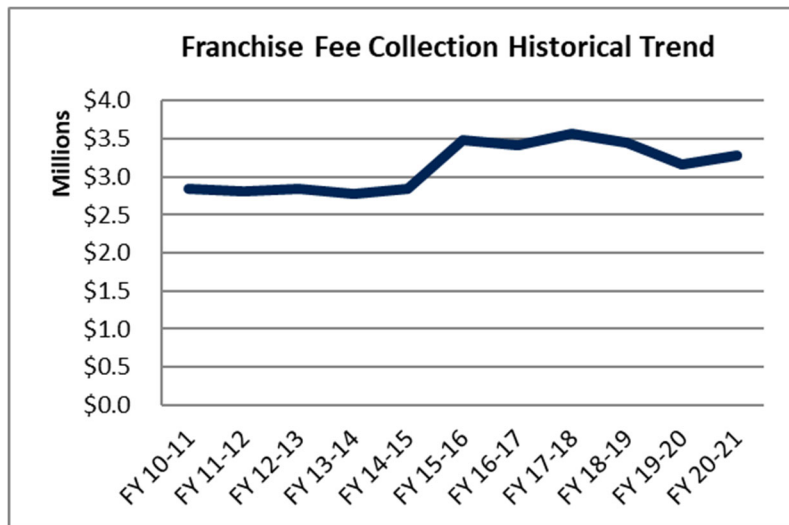


In FY 2018-19, UUT revenues decreased by 1.8% compared to FY 2017-18 and are estimated to increase 3.5% FY 19-20. Budgeted revenues are expected to remain at \$3.2 million for FY 2020-21 and beyond. This revenue source will be monitored closely as the fiscal year progresses.

FRANCHISE FEES	
FY 18-19 Actual	3,445,253
FY 19-20 Adopted	3,162,457
FY 19-20 Estimate	3,162,457
FY 20-21 Proposed	3,280,447
% of General Fund	4.13%
% Change from FY 19-20 Adopted	3.73%

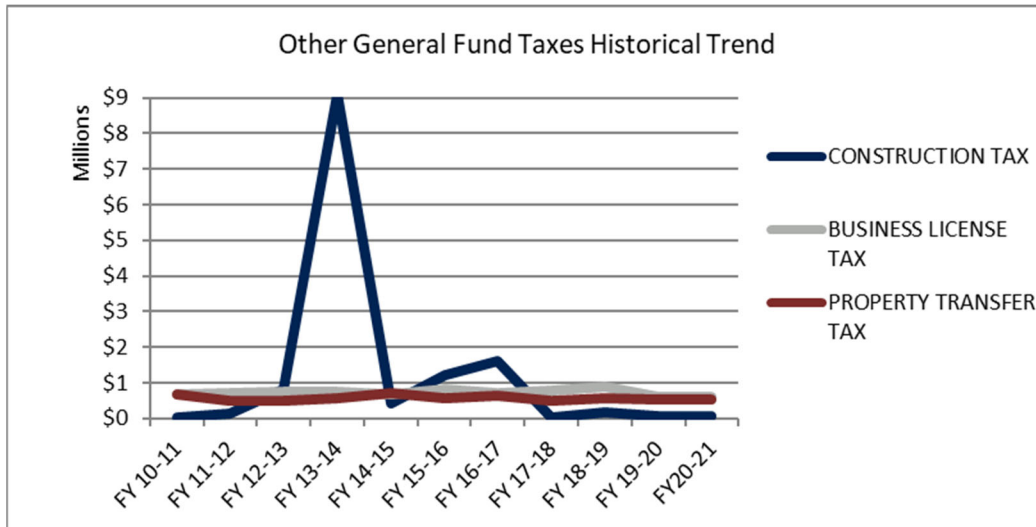
Franchise fees are received from cable, solid waste, water, gas and electricity franchisees that operate in the City. The fees range from 1% to 12% of the franchisee’s gross revenues depending on each particular agreement. As shown in the graph below, these revenues are relatively steady and not sensitive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

Franchise fee revenues decreased by 3.3% in FY 2018-19 from the prior year. In FY 2019-20, franchise fee revenues are trending down 8.2% 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 2020-21. This revenue source will be monitored closely as the fiscal year progresses.



OTHER TAXES	
FY 18-19 Actual	1,659,916
FY 19-20 Adopted	1,181,050
FY 19-20 Estimate	1,181,050
FY 20-21 Proposed	1,212,939
% of General Fund	1.53%
% Change from FY 19-20 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.

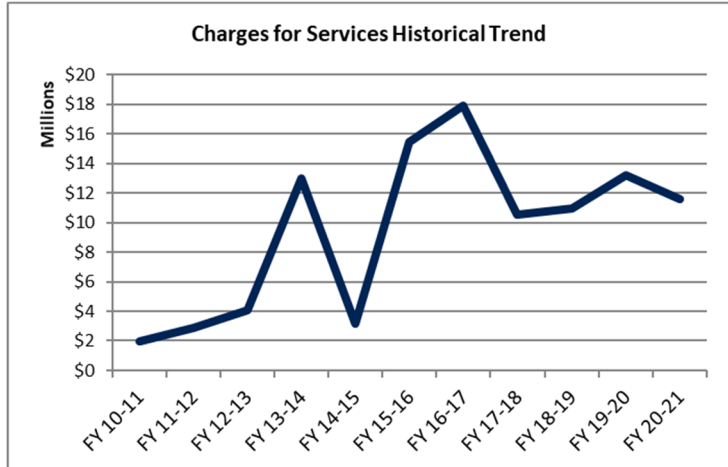


With the influx of several major construction projects beginning in 2012, revenues began increasing. The largest of the projects included the Apple Park and Main Street developments. These projects coupled with a strong housing recovery created a record year for revenues in FY 2013-14. These revenues have since returned to historic levels. In FY 2020-21, these revenues are expected to remain at \$1.2 million.

CHARGES FOR SERVICES	
FY 18-19 Actual	10,977,805
FY 19-20 Adopted	13,233,225
FY 19-20 Estimate	11,100,000
FY 20-21 Proposed	11,556,831
% of General Fund	14.55%
% Change from FY 19-20 Adopted	-12.67%

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



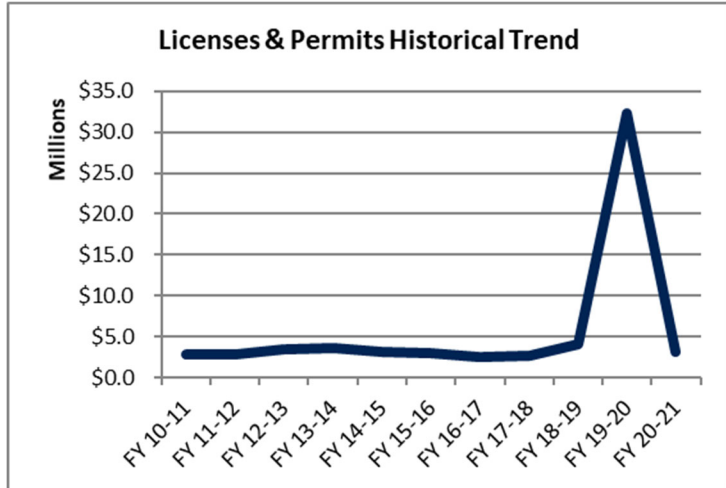
comprehensive cost allocation plan (CAP) was approved by Council in April 2016, new CAP charges were included to capture internal strategic support services that were previously excluded (City Council, Facilities, Maintenance, etc.). In FY 2015-16, the City’s administration changed its methodology for 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.

Current year actuals will come in lower compared to budgeted levels due to the impact of the COVID-19 pandemic causing the City’s recreation facilities to shut down by way of the shelter-in-place orders of the Santa Clara County Public Health Department. Although increases to City fees (effective October 1, 2020) represent additional revenues of approximately \$900,000, charges for services are anticipated to decrease to \$11.6 million while the uncertainty surround COVID-19 remains.

LICENCES AND PERMITS	
FY 18-19 Actual	4,102,665
FY 19-20 Adopted	2,524,000
FY 19-20 Estimate	2,524,000
FY 20-21 Proposed	3,139,473
% of General Fund	3.95%
% Change from FY 19-20 Adopted	24.38%

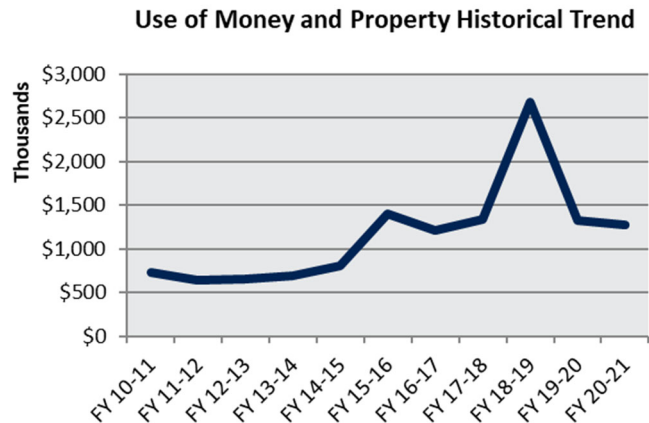
Licenses and permits include fees for reviewing building plans, building inspections, construction, tenant improvements, and commercial/residential installations for compliance with state and municipal building codes.

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 until FY 2018-19 revenues came in 48.8% higher and although another 686.6% increase is estimated as part of the FY 2019-20 Amended Budget due to the Vallco Town Center project, the City does not anticipate the project commencing prior to FY 20-21. Revenue estimates for FY 2020-21 are up 24.4%.



USE OF MONEY AND PROPERTY	
FY 18-19 Actual	2,680,997
FY 19-20 Adopted	1,330,579
FY 19-20 Estimate	1,330,579
FY 20-21 Proposed	1,271,510
% of General Fund	1.60%
% Change from FY 19-20 Adopted	-4.44%

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 \$154.9 million. Fluctuations in this revenue category are a result of investment earnings, as rental income is fairly steady.

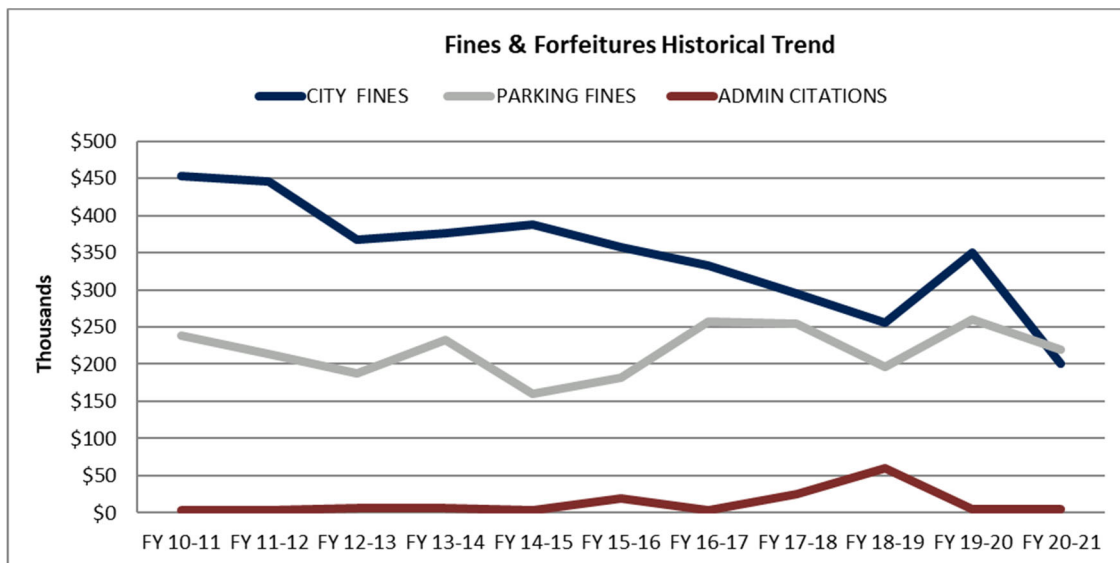


Investment earnings are a function of the amount of excess cash available for investment, current interest rates, and composition of investments. The City’s investment policy requires investments to be made in this order of priority: safety, liquidity, and yield. Financial markets have experienced significant turbulence, driven by a high level of uncertainty about the impact of the COVID-19 pandemic on the global economy. US Treasury yields have declined, amid a global flight to quality. At the end of the first quarter, the yield on 2-year Treasuries was down 132 basis points year-to-date, and the yield on 1-year Treasuries was down nearly 125 basis points. The S&P 500 index declined 20.0% in the first quarter. There

are still many unknowns about the coronavirus including how widespread it will become, how long it will take to contain the virus, and the actual impact on the economic activity. We believe containment efforts and supply chain disruptions will cause a sharp increase in unemployment and a swift and deep contraction in economic activity. Financial markets will likely remain volatile over the near term but are optimistic that large-scale global monetary and fiscal stimulus programs will help mitigate the longer-term impact of the pandemic. The Fed has also taken a wide range of aggressive actions to help stabilize and provide liquidity to the financial markets. The Fed has lowered the fed funds target rate to a range of 0.0%-0.25% and said it will purchase Treasury and agency mortgage-backed securities in any amount needed to support smooth market functioning. 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 18-19 Actual	511,472
FY 19-20 Adopted	615,000
FY 19-20 Estimate	400,000
FY 20-21 Proposed	425,000
% of General Fund	0.53%
% Change from FY 19-20 Adopted	-30.89%

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. Fines and forfeiture revenue is projected to remain relatively flat in FY 2019-20. In FY 2020-21 revenues are expected to decrease by 30% based on a trending decrease in city fines.



INTERGOVERNMENTAL	
FY 18-19 Actual	473,942
FY 19-20 Adopted	354,547
FY 19-20 Estimate	400,000
FY 20-21 Proposed	235,567
% of General Fund	0.30%
% Change from FY 19-20 Adopted	-33.56%

Intergovernmental revenues are made up of federal, state, and regional grants, including miscellaneous intergovernmental revenue. In FY 2020-21, revenues of \$235,567 are anticipated.

MISCELLANEOUS REVENUE	
FY 18-19 Actual	2,783,761
FY 19-20 Adopted	1,494,283
FY 19-20 Estimate	1,300,000
FY 20-21 Proposed	1,293,857
% of General Fund	1.63%
% Change from FY 19-20 Adopted	-13.41%

Miscellaneous revenues account for the sale of land and other miscellaneous revenues such as administrative fees. FY 2019-20 miscellaneous revenue is estimated to come in as budgeted for the Apple donation for additional law enforcement services. Miscellaneous revenue is expected to decline and is projected to be \$1.3 million for FY 2020-21.

General Fund Expenditures

Estimates for the FY 2020-21 General Fund expenditures are based upon anticipated personnel and non-personnel cost increases. This year, department budgets reflect a base budget with justified ongoing expenses, accounting for changes in personnel costs and any other anticipated/known increased costs in FY 2020-21. In addition, most budgets were given additional funds for any unexpected expenditures that are accounted for in the contingency account, which were reduced by 50% in FY 2020-21. 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.

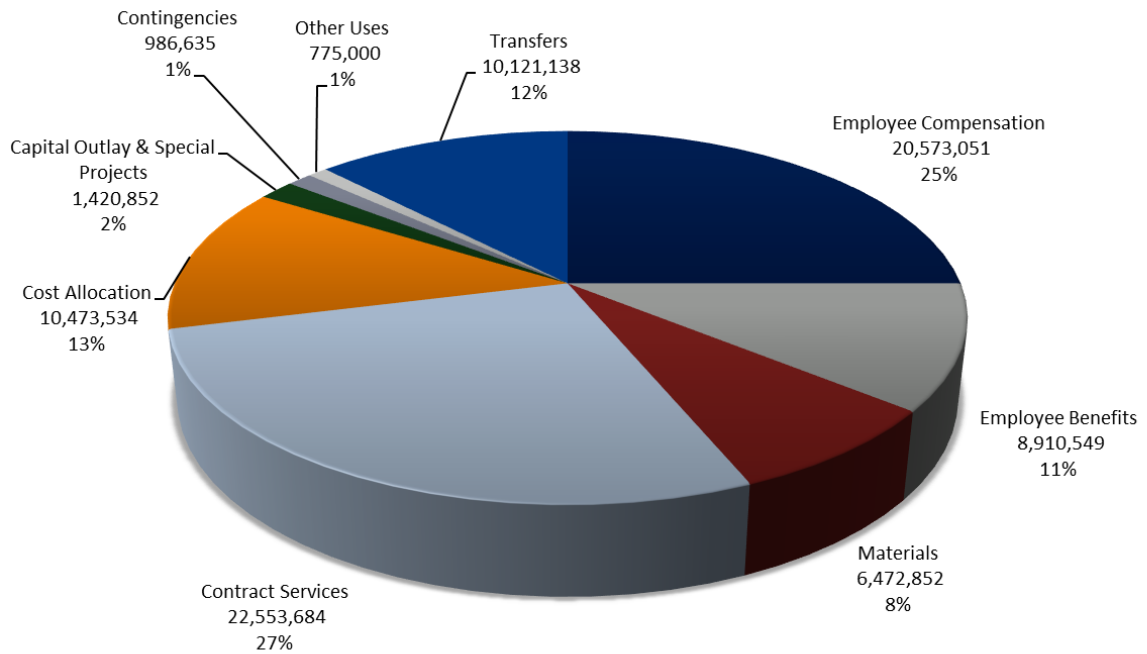
Given the uncertainty of the economy due to COVID-19 and to avoid the need to eliminate critical programs and services, Contingency accounts were cut in half, Material costs are anticipated to be reduced by 10%, Contract Services may be reduced by one million dollars, and Salaries and Benefits savings would occur through attrition. Additionally, financial updates would be provided on a quarterly basis as necessary to effectively and proactively manage the City's finances as the results of the pandemic continue to unfold. The City will continue to monitor the impacts of COVID-19 on revenues and expenditures, and additional modifications will be made in the Final Adopted Budget based on new available information.

As shown in the chart on the next page, FY 2020-21 expenditures are estimated at \$82.3 million, which represents a 3% increase compared to the adopted budget from the prior year. This budget reflects an increase in Employee Compensation and Benefits due to negotiated salary and benefit changes. There is also an increase in Materials due to anticipated/known increased costs across all programs, primarily attributed to an increase in software expenses, fuel charges and water service charges in FY 2020-21. Additionally, there is an increase in Contract Services primarily attributed to an increase in General Service Agreement for 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					
	2017-2018	2018-2019	2019-2020	2020-2021	%
EXPENDITURES	Actuals	Actuals	Adopted	Proposed	Change
Employee Compensation	16,974,470	17,232,957	19,030,922	20,573,051	8%
Employee Benefits	7,109,183	6,963,384	7,924,552	8,910,549	12%
Total Personnel Costs	24,083,653	24,196,341	26,955,474	29,483,600	9%
Non-Personnel Costs					
Materials	4,985,037	4,494,677	5,666,631	6,472,852	14%
Contract Services	17,853,413	20,361,957	21,603,686	22,553,684	4%
Cost Allocation	8,101,838	9,368,223	9,786,477	10,473,534	7%
Capital Outlay & Special Projects	9,847,615	4,211,639	3,699,385	1,420,852	-62%
Contingencies	911	-	1,070,049	986,635	-8%
Other Uses	307,751	381,262	783,209	775,000	* -1%
Total Non-Personnel	41,096,565	38,817,758	42,609,437	42,682,557	0%
Transfers	24,129,372	19,376,087	10,539,557	10,121,138	-4%
TOTAL EXPENDITURES	89,309,589	82,390,187	80,104,468	82,287,295	3%

The largest General Fund operating expenditure categories include Employee Compensation and Benefits (36%), Contract Services (27%), Cost Allocation (13%), and Transfers Out (12%) as illustrated in the FY 2020-21 General Fund Expenditures by Category chart.

General Fund Expenditures by Category



Personnel Costs

Personnel costs total \$29.5 million in FY 2020-21, comprising 36% of General Fund expenditures. These costs are made up of salaries and compensation for benefitted and part-time staff (70%), retirement benefits (18%), and other fringe benefits (12%), including health coverage. With the economic uncertainty due to COVID-19 and to avoid the need to eliminate critical programs and services, personnel savings through attrition is planned.

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 up primarily due to equity adjustments and negotiated salary and benefit changes.

CalPERS retirement rates are projected to increase 14.2%, 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 203.75 FTEs are budgeted in FY 2020-21, up from 202.75 in FY 2019-20. The increase of 1.0 FTEs represents a 0.5% increase in staffing. There are no additional positions requested for FY 2020-21. The change in positions is summarized below:

FY 2019-20 Adopted Budget	202.75
Maintenance Worker I/II	1.00
FY 2020-21 Proposed Budget	
None	0.00
FY 2020-21 Benefitted Positions	203.75

Although no new positions are being requested in FY 2020-21, the City is proposing its five limited-term employees are converted to permanent positions as listed below:

Limited-Term Conversions	
Department	Position
Administrative Services	Senior Management Analyst
Public Works	Senior Transportation Planner
Public Works	Assistant Civil Engineer
Public Works	Public Works Project Manager
Parks & Recreation	Recreation Coordinator

Non-Personnel

Non-personnel costs total \$42.7 million in FY 2020-21, comprising 52% of General Fund budgeted appropriations. These costs are primarily made up of Contract Services (27%), Cost Allocation charges (13%), Materials (8%), Capital Outlays and Special Projects (2%) and Contingencies (1%). Costs were developed from the base budget created in FY 2019-20 with justified ongoing expenses and adjustments for any other anticipated/known increased costs in FY 2020-21. 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.

With the economic uncertainty due to COVID-19 and to avoid the need to eliminate critical programs and services, Material costs are anticipated to be reduced by 10% and Contract Services are expected to be reduced by one million dollars. Additionally, in FY 2020-21, program contingencies were reduced from 5% of budgeted General Fund materials and contract services to 2.5%. Program contingencies have been allocated proportionately among operating programs based on each program’s share of General Fund budget for materials and contract services. The City Manager Contingency is a second level of contingency established for unexpected expenditures that may occur over the program contingency. In FY 2020-21, City Manager

contingencies were also reduced from 5% of budgeted General Fund materials and contract services to 2.5%. This brings total contingencies for the General Fund to 5% of budgeted materials and contract services. This percentage is consistent with best practices adopted by the Governmental Accounting Standards Board (GASB) which recommended 5-15% contingency. Program contingency budgets may be used to cover unanticipated program expenses at the department's discretion, while use of the City Manager Contingency will require City Manager approval. 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 FY 2020-21, 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	\$3,800,000
Debt Service Funds	Annual Debt Payment	\$ 3,169,138.00
Enterprise Funds	Blackberry Farm Golf Course, Sports Center Operation, Outdoor Recreation	\$ 2,468,000.00
Internal Service Funds	IT Infrastructure, General Fund Subsidy of Compensated Absences and Retiree Medical	\$ 684,000.00
	TOTAL GENERAL FUND TRANSFERS OUT	\$ 10,121,138.00

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 2020-21 Proposed Budget

General Fund Classification of Fund Balance

CLASSIFICATION	Actuals 2017-18	Actuals 2018-19	Adopted Budget 2019-20	Year End Projection 2019-20	Proposed 2020-21
<u>Non Spendable</u>					
Loans Receivable	458,893	454,188	455,000	455,000	446,000
Prepaid Items	6,000	-	-	-	-
Total Non Spendable	464,893	454,188	455,000	455,000	446,000
<u>Restricted</u>					
Debt Service	-	13,982	-	13,982	13,982
PRSP Section 115 Trust	-	8,109,521	8,000,000	12,000,000	12,000,000
Public Access Television	1,254,578	1,346,167	1,237,403	1,346,167	1,346,167
Total Restricted	1,254,578	9,469,670	9,237,403	13,360,149	13,360,149
<u>Committed</u>					
Economic Uncertainty	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Sustainability Reserve	122,754	123,397	122,754	123,397	123,397
PERS	4,793,000	-	-	-	-
Total Committed	23,915,754	19,123,397	19,122,754	19,123,397	19,123,397
<u>Assigned</u>					
Reserve for Encumbrances	5,170,310	1,979,202	5,011,000	3,000,000	3,000,000
Total Assigned	5,170,310	1,979,202	5,011,000	3,000,000	3,000,000
Total Unassigned	21,704,922	27,896,128	12,801,317	17,500,000	14,672,597
TOTAL FUND BALANCE	52,510,457	58,922,585	46,627,474	53,438,546	50,602,143

All Funds Summary

This section provides information on the FY 2020-21 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 2020-21 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 2020-21 revenue estimates are built on the assumption that the economy will experience conservative growth. Depending on the extent of COVID-19's impacts on the Special Revenue Funds' restricted revenue sources, additional adjustment may be brought to City Council on a quarterly basis as necessary and appropriate.

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	2018-19	2019-20	2020-21
	Actuals	Projected	Proposed Budget
Other Taxes	1,639,671	453,404	3,102,882
Use of Money & Property	864,750	15,700	4,205
Intergovernmental	3,144,614	7,554,533	3,396,028
Charges for Services	612,913	391,045	1,526,471
Miscellaneous Revenue	85,422	2,198,521	87,057
Fines and Forfeitures	22,541	10,000	10,000
Transfers In	8,094,735	1,318,000	3,800,000
Total Revenue Sources	\$14,464,645	\$11,941,203	\$11,926,643

Revenues are projected to remain relatively flat over the previous fiscal year. This is largely due to an increase in transfers into the Transportation Fund offset with declines in non-discretionary revenue sources. While COVID-19 will have an effect on these restricted revenue sources, the City does not anticipate significant declines beyond the fourth quarter of FY 19-20. As the City

moves forward and the COVID-19 situation continues to evolve, City staff will bring forward adjustments to City Council on a regular basis and as needed.

Expenditures

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

EXPENDITURE USES	2018-19	2019-20	2020-21
	Actuals	Projected	Proposed Budget
Employee Compensation	1,005,530	1,117,149	1,576,185
Employee Benefits	471,580	540,107	780,434
Materials	701,171	819,311	883,903
Contract Services	450,401	1,356,046	1,098,296
Cost Allocation	425,454	486,532	1,046,834
Capital Outlays	1,729,945	10,262,138	1,000,000
Special Projects	4,502,111	8,188,407	4,143,100
Contingencies	-	36,666	29,493
Transfers Out	135,000	12,000	15,000
Total Expenditures Uses	\$9,421,192	\$22,818,356	\$10,573,245

Expenditures are projected to decrease by \$12.2 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. Additionally, currently funded capital improvement projects within the Transportation Project have experienced delays in progress due to COVID-19. It is likely the timing of said expenditures will carry over into FY 2020-21.

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	2018-19	2019-20	2020-21
	Actuals	Projected	Proposed Budget
Beginning Balance	29,231,626	34,275,080	23,397,927
Net Increase (Decrease) in Fund Balance	5,043,454	(10,877,153)	1,353,398
Ending Balance	\$34,275,080	\$23,397,927	\$24,751,325

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	2018-19 Actuals	2019-20 Projected	2020-21 Proposed Budget
Use of Money & Property	75,272	-	-
Transfers In	3,169,438	3,172,838	3,169,138
Total Revenue Sources	\$3,244,710	\$3,172,838	\$3,169,138

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	2018-19 Actuals	2019-20 Projected	2020-21 Proposed Budget
Debt Service	3,170,938	3,172,838	3,169,138
Total Expenditures Uses	\$3,170,938	\$3,172,838	\$3,169,138

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	2018-19 Actuals	2019-20 Projected	2020-21 Proposed Budget
Beginning Balance	1,586,987	1,660,760	1,660,760
Net Increase (Decrease) in Fund Balance	73,773	-	-
Ending Balance	\$1,660,760	\$1,660,760	\$1,660,760

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	2018-19	2019-20	2020-21
	Actuals	Projected	Proposed
Use of Money and Property	302,461	-	-
Intergovernmental	50,000	-	-
Charges for Services	119,638	-	-
Miscellaneous	-	7,757,418	-
Transfers In	23,619,425	35,363,157.00	-
Total Revenue Sources	\$ 24,091,524	\$ 43,120,575	\$ -

Revenue is projected to decrease by \$43.1 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	2018-19	2019-20	2020-21
	Actuals	Projected	Proposed
Employee Compensation	86,503	-	-
Employee Benefits	33,856	-	-
Materials	1,488	-	-
Contract Services	219,940	4,215,522	175,000
Capital Outlays	2,640,158	7,518,665	-
Cost Allocation	-	-	168,274
Contingencies	-	2,500	-
Transfers Out	17,027,250	16,057,719	-
Total Expenditures Uses	\$ 20,009,196	\$ 27,794,406	\$ 343,274

Expenditures are projected to decrease by \$27.5 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	2018-19	2019-20	2020-21
	Actuals	Projected	Proposed
Beginning Balance	29,129,616	33,211,944	48,538,113
Net Increase (Decrease) in Fund Balance	4,082,328	15,326,169	(343,274)
Ending Balance	\$33,211,944	\$48,538,113	\$48,194,839

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	2018-19	2019-20	2020-21
	Actuals	Projected	Proposed Budget
Use of Money & Property	439,269	28,000	470,000
Intergovernmental	30,023	15,000	15,000
Charges for Services	6,142,583	5,766,580	5,678,042
Miscellaneous Revenue	61,643	66,000	0
Transfers In	75,000	3,523,000	2,468,000
Total Revenue Sources	\$6,748,518	\$9,398,580	\$8,631,042

Revenue is projected to decrease by \$767,000, primarily driven by anticipated decreases in charges for services due to COVID-19 impacts and a reduction in the amount of transfers in from the General Fund. As part of the budget process each fund is evaluated in which funds that are bringing in less revenue than they are expending require the use of fund balance or a subsidy from the General Fund. The extent of the financial impacts related to COVID-19 are difficult to estimate for a full budgeted year. Although revenues are estimated to decrease, this is further mitigated by a reduction in spending as explained below.

Expenditures

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

EXPENDITURE USES	2018-19	2019-20	2020-21
	Actuals	Projected	Proposed Budget
Employee Compensation	1,790,764	2,019,502	1,731,822
Employee Benefits	605,994	582,095	535,151
Materials	481,519	446,595	423,742
Contract Services	4,256,652	5,197,915	4,942,761
Contingencies	-	254,184	135,753
Cost Allocation	906,362	1,651,322	923,089
Special Projects	7,985	2,020,845	32,500
Transfers Out	291,444	280,953	291,445
Total Expense Uses	\$8,340,720	\$12,453,411	\$9,016,263

Expenditures are projected to decrease by approximately \$3.4 million, largely in part to a reduction in capital outlay and special project charges as well as a significant reduction cost allocation charges for changes in methodology. Additionally, contingencies have been reduced by fifty percent (50%) in an effort to mitigate future impacts from COVID-19.

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	2018-19	2019-20	2020-21
	Actuals	Projected	Proposed Budget
Beginning Balance	9,648,709	8,056,507	5,001,676
Net Increase (Decrease) in Retained Earnings	(1,592,202)	(3,054,831)	(385,221)
Ending Balance	\$8,056,507	\$5,001,676	\$4,616,455

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	2018-19	2019-20	2020-21
	Actuals	Projected	Proposed Budget
Use of Money & Property	200,469	-	-
Charges for Services	4,973,953	4,083,901	4,314,949
Transfers In	1,578,474	3,573,000	684,000
Other Financing Uses	498,286	472,652	246,385
Total Revenue Sources	\$7,251,183	\$8,129,553	\$5,245,334

Revenues are projected to decrease by \$2.9 million due to decreased transfers from the General Fund for equipment replacement, compensated absence, and retiree medical payments for FY 2020-21.

Expenditures

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

EXPENDITURE USES	2018-19	2019-20	2020-21
	Actuals	Projected	Proposed Budget
Employee Compensation	1,323,249	1,426,361	1,615,524
Employee Benefits	1,670,148	1,615,767	1,896,696
Materials	918,573	965,229	1,119,300
Contract Services	1,368,322	1,815,576	1,453,399
Contingencies	-	164,925	77,948
Cost Allocation	1,624,766	847,459	52,343
Special Projects	33,964	475,471	1,283,136
Transfers Out	-	843,772	897,684
Total Expenditures Uses	\$6,939,023	\$8,154,560	\$8,396,030

Total expenditures is projected to increase approximately \$241,000 as a result of negotiated labor increases and additional I&T-related City Council Work Program items slated for FY 20-21.

Retained Earnings

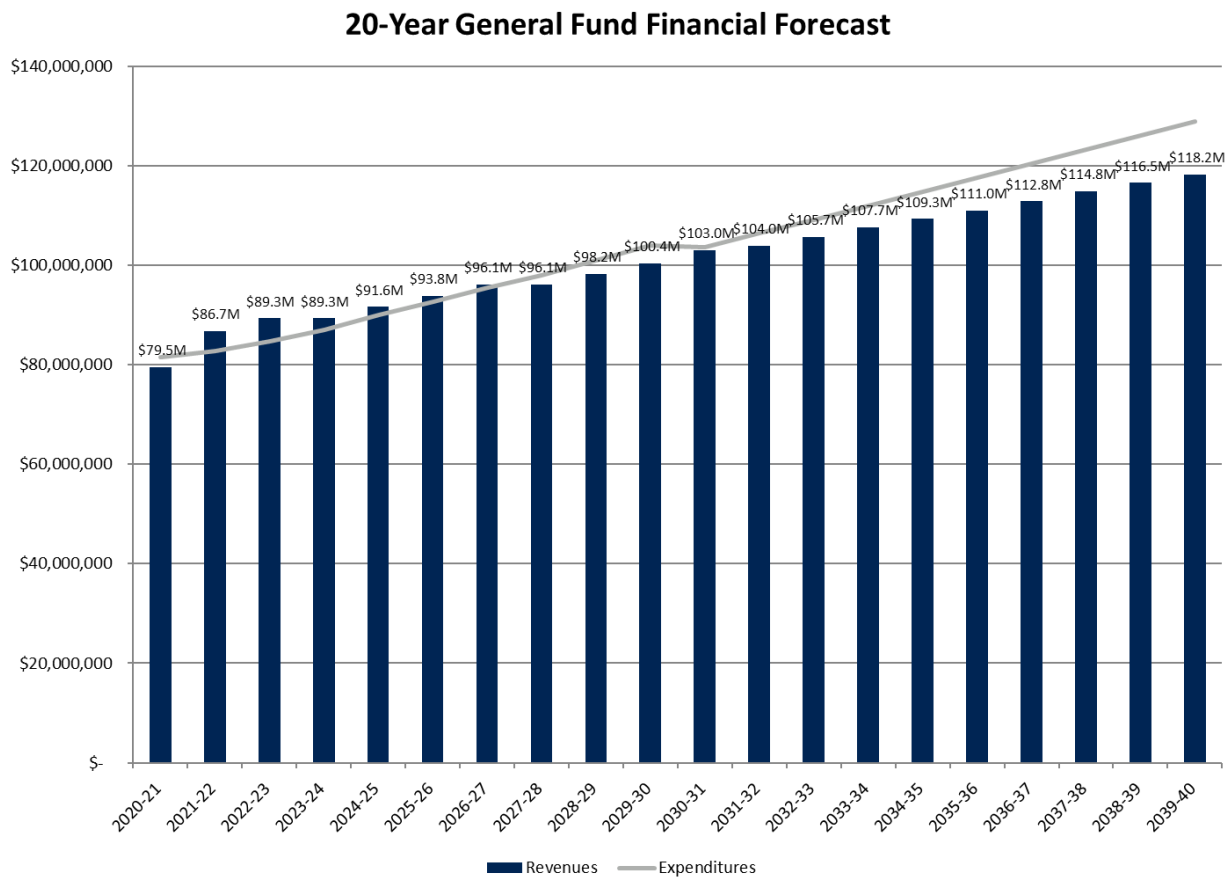
Internal Service Funds carry retained earning instead of fund balance. Retained earnings are calculated in the same manner as fund balance, taking the beginning balance and then adding the difference between revenue and expenditures to arrive at the ending retained earnings. However, some of the resources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

CHANGES TO RETAINED EARNINGS	2018-19	2019-20	2020-21
	Actuals	Projected	Proposed Budget
Beginning Balance	6,538,019	6,850,179	6,825,172
Net Increase (Decrease) in Retained Earnings	312,160	(25,007)	(3,150,696)
Ending Balance	\$6,850,179	\$6,825,172	\$3,674,476

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 increasing operating deficits beginning in FY 2027-28 due to revenues growing at a slower rate than expenditures.

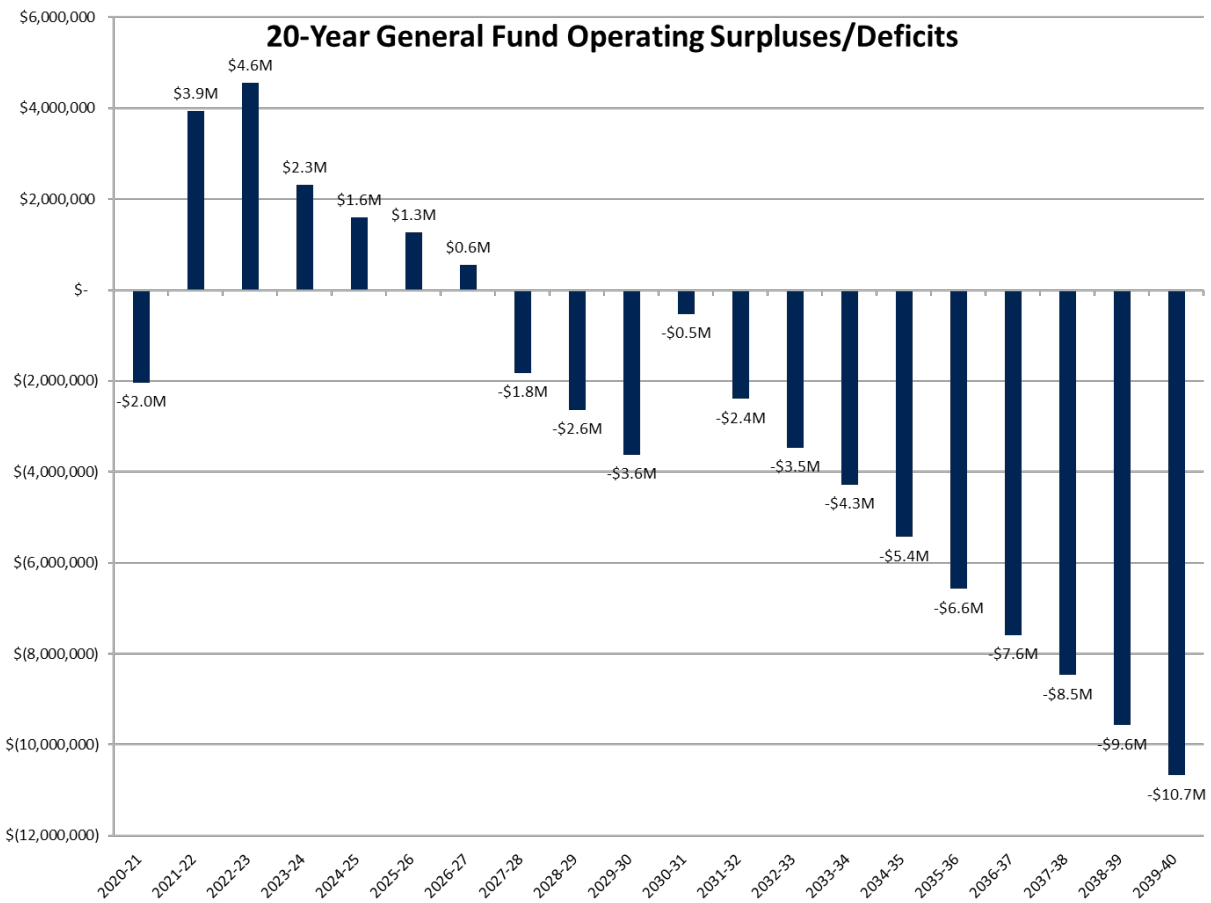


Revenue growth is primarily driven by sales, property, and transient occupancy taxes. Revenue growth will be slower than in the past due to the completion of large-scale development projects, such as Main Street and Apple Park, in the City. Sales tax and transient occupancy tax revenues are projected to significantly decrease due to COVID-19 in FY 2020-21, while property tax is not projected to be affected by COVID-19 until FY 2021-22. The forecast assumes that COVID-19 shelter-in-place restrictions will continue until September and that proposed federal actions will avoid a deep recession. The City is also considering the possibility that such restrictions will continue until December. As the City moves forward through the COVID-19 pandemic and as

more data becomes available, staff will bring forth updates and adjustments on a regular basis as necessary.

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. In an effort to mitigate the impacts of COVID-19, the City is taking steps to reduce expenditures by increasing vacancy levels through attrition (up to \$3.2 million annually), reducing materials and contract services spending (\$650,000 and \$1 million, respectively), reducing contingency amounts by 50% or \$850,000), and reducing the amount of special project and capital outlay spending on an annual basis.

Since revenues grow at a slower pace than expenditures, annual operating deficits are projected to increase, as shown in the following chart.



Although it is difficult to estimate the full-impacts of COVID-19 into the near and long-term, the City’s fiscal foundation remains strong. With the General Fund’s Economic Uncertainty Reserve intact and a healthy unassigned fund balance, the City is poised to withstand the impacts of COVID-19 into the future.

Forecast Methodology

The financial forecast is a planning tool that helps staff identify important trends and anticipate the long-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 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. Potential COVID-19 impacts were also considered in determining the most reasonable estimated figures.

A discussion of both the national and local economic outlooks used to develop the revenue estimates for the FY 2020-21 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

Through the fourth quarter of 2019, the U.S. economy continued to show steady growth. U.S. Gross Domestic Product (GDP) increased by 2.1% in 2019 according to the Bureau of Economic Analysis, compared with an increase of 2.2% in 2018. The increase in real GDP in 2019 primarily reflected positive contributions from personal consumption, exports, residential fixed

investment, federal government spending, and state and local government spending that were partly offset by negative contributions from private inventory investment and nonresidential fixed investment.

Through the first quarter of 2020, financial markets have experienced significant turbulence, driven by a high level of uncertainty about the impact of the COVID-19 pandemic on the global economy. There are still many unknowns about the coronavirus including how widespread it will become, how long it will take to contain the virus, and the actual impact on economic activity. During this period of uncertainty, staff believe continued increases in unemployment and deep contractions in overall economic activity will be experienced. Financial markets will likely remain volatile over the near term, though large-scale global monetary and fiscal stimulus programs will assist in mitigating the longer-term impact of the pandemic.

As we move forward through the pandemic and more information becomes available, staff will bring forward updates and adjustments to City Council on a regular basis as necessary.

Cupertino Economic Outlook

Despite strong economic performance continuing in Silicon Valley and Cupertino pre-COVID, data from the State of California Employment Development Department indicates significant impacts as a result of the virus.

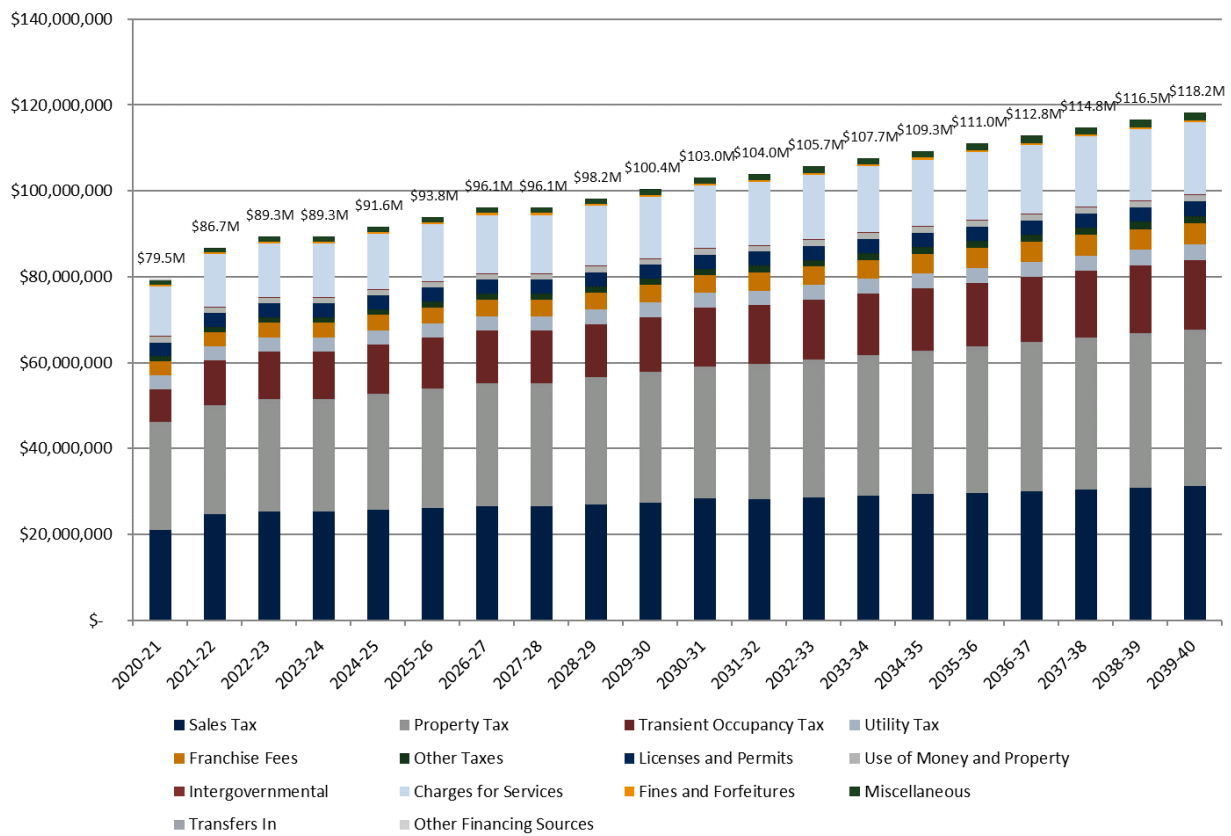
Due to the timing of property appraisals entering the assessor's role, the City does not anticipate significant impacts to property tax revenues in FY 2020-21. When property values are appraised again in January 2021 and are included in the FY 2021-22 roll, the City will expect to see adverse impacts resulting from COVID-19. Construction activity, although strong in previous years, will continue to flatten out as development projects, particularly Apple Park, are completed. Given the level of volatility surrounding COVID-19 and the uncertainty of recovery time, it is difficult to estimate the timing of significant projects that could have a positive impact on the City's general revenue bases.

Revenues

The City's top three revenue sources continue to be property tax, sales tax, and transient occupancy tax (TOT). The forecast assumes significant declines in the sales tax and transient occupancy tax categories due to COVID-19. Other categories consider assumptions ranging from no growth to conservative growth.

In recent years, the City has experienced a local economic boom that had driven strong gains in sales tax, property tax, and transient occupancy tax revenues, which were partially offset by decreases in development-related fees. FY 2021 projects to experience significant General Fund declines in sales tax and transient occupancy tax due to COVID-19 impacts. Property tax is not anticipated to be affected by COVID-19 in FY 2020-21 due to the timing of assessed market valuations; however, the City anticipates a flattening of the property tax revenues in FY 2021-22.

20-Year General Fund Revenue Forecast by Category



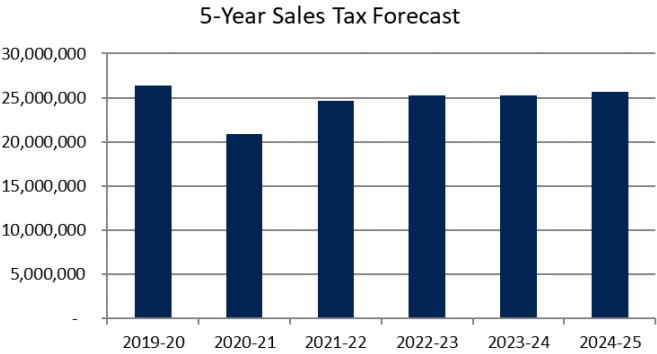
FIVE-YEAR GENERAL FUND REVENUES FORECAST						
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
REVENUES						
Sales Tax	26,400,000	20,910,889	24,676,742	25,283,856	25,283,856	25,694,430
Property Tax	25,000,000	25,353,783	25,353,783	26,216,404	26,216,404	27,047,553
Transient Occupancy Tax	5,980,000	7,546,884	10,429,106	10,980,305	10,980,305	11,421,129
Utility Tax	3,000,000	3,223,712	3,248,905	3,274,223	3,274,223	3,299,593
Franchise Fees	3,200,000	3,280,447	3,398,437	3,516,427	3,516,427	3,630,586
Other Taxes	1,200,000	1,212,939	1,258,424	1,299,952	1,299,952	1,338,951
Licenses and Permits	2,500,000	3,139,473	3,155,170	3,170,946	3,170,946	3,186,801
Use of Money and Property	1,190,000	1,271,510	1,277,868	1,284,257	1,284,257	1,290,678
Intergovernmental	400,000	235,567	236,745	237,929	237,929	239,118
Charges for Services	11,100,000	11,556,831	12,199,697	12,515,509	12,515,509	12,841,644
Fines and Forfeitures	400,000	425,000	425,000	425,000	425,000	425,000
Miscellaneous	1,300,000	1,003,857	1,061,182	1,116,638	1,116,638	1,172,656
Transfers In	10,020,000	15,000	-	-	-	-
Other Financing Sources	400,000	275,000	-	-	-	-
TOTAL REVENUES	92,090,000	79,450,892	86,721,059	89,321,445	89,321,445	91,588,139

Sales Tax

FIVE-YEAR SALES TAX FORECAST						
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
Sales Tax	26,400,000	20,910,889	24,676,742	25,283,856	25,283,856	25,694,430

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.

In FY 2020-21, sales tax is projected to experience a significant decrease due to COVID-19. Sales tax is assumed to return to 90% of normal across industry groups in FY 2021-22. Sales tax is projected to grow by an average annual growth rate of 2.20% in the forecast. Conservative



forecasts were used for business and industry, general consumer goods, restaurants and hotels, and state and county pools. 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

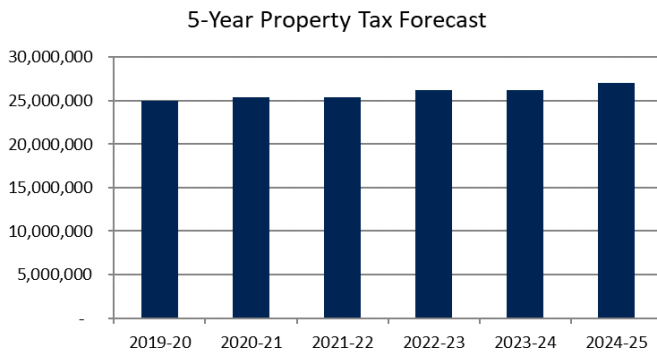
revenue is reported two quarters in arrears thus providing the City with about six months to react if this revenue source starts to decline.

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						
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
Property Tax	25,000,000	25,353,783	25,353,783	26,216,404	26,216,404	27,047,553

Property tax is not anticipated to be affected by COVID-19 in FY 2020-21 due to the timing of assessed market valuations; however, the City anticipates a flattening of the property tax revenues in FY 2021-22. Property tax revenues are projected to increase by an average annual



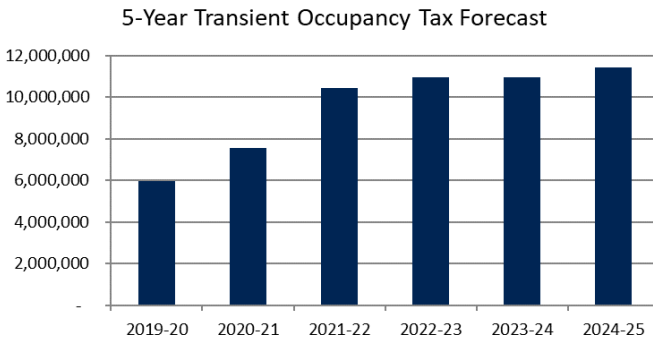
growth rate of 1.94% in our forecast. This moderate forecast is based on a combination of factors including historical trends for the City and forecasts for the region. Historically, property tax has increased at an average annual growth rate of 11.6%. However, this moderate forecast projects a much 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						
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
Transient Occupancy Tax	5,980,000	7,546,884	10,429,106	10,980,305	10,980,305	11,421,129

In FY 2019-20 and FY 2020-21, transient occupancy tax (TOT) revenues are projected to



experience a significant decrease due to COVID-19. FY 2020-21 TOT revenue projections have been reduced by 25% (\$2.5M) from original forecasts due to COVID-19-related hotel closures that began in mid-March 2020. This forecast assumes that the hotel closures continue through September 2020, an effective loss of one full quarter of TOT revenue.

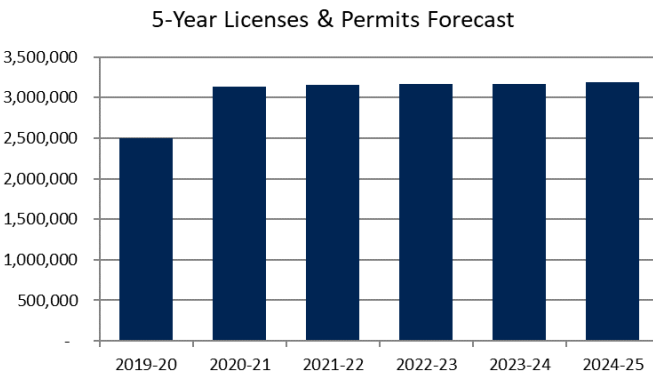
In the forecast, TOT is projected to increase at an average annual growth rate of 4.4%. The City used a moderate forecast based on historical tax collections. This moderate forecast assumes slower growth compared to historical trends given that no additional hotels are expected to open after 2020. De Anza Hotel and Cupertino Village Hotel are not included in the forecast as they have not been permitted yet.

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						
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
Licenses and Permits	2,500,000	3,139,473	3,155,170	3,170,946	3,170,946	3,186,801

Licenses and permits are forecasted to decrease in FY 2020-21 due to reduced development activity but increase slightly in the out-years.



Licenses and permits revenue is projected to grow at a rate of 0.5% each year in the out-years. 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

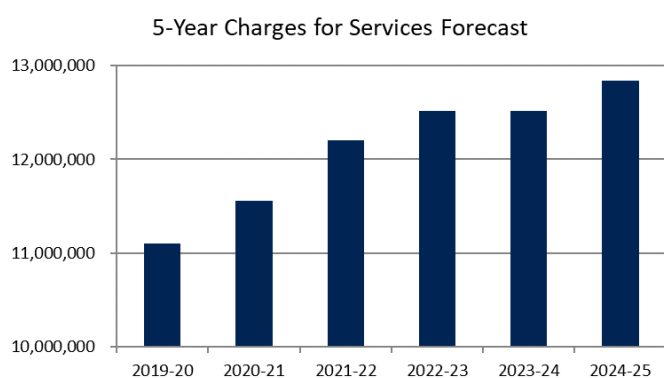
projects that are awaiting approval. If new development projects are approved, this forecast will be updated accordingly.

Charges for Services

	FIVE-YEAR CHARGES FOR SERVICES FORECAST					
	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
Charges for Services	11,100,000	11,556,831	12,199,697	12,515,509	12,515,509	12,841,644

Revenues from charges for services have decreased from their levels in FY 2016-17, primarily due to a decrease in development activity.

In FY 2019-20 and FY 2020-21, revenues from charges for services will decrease due to COVID-19. During the COVID-19 pandemic, the City's recreation facilities have been shut down as a result of the Stay-at-Home order issued by the Santa Clara County Public Health Department in



mid-March 2020. After FY 2020-21, revenue is projected to increase at an average annual growth rate of 1.98%. Other Service Fees, Cost Allocation Plan Charges for Services, 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					
	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
Utility Tax	3,000,000	3,223,712	3,248,905	3,274,223	3,274,223	3,299,593
Franchise Fees	3,200,000	3,280,447	3,398,437	3,516,427	3,516,427	3,630,586
Other Taxes	1,200,000	1,212,939	1,258,424	1,299,952	1,299,952	1,338,951
Use of Money and Property	1,190,000	1,271,510	1,277,868	1,284,257	1,284,257	1,290,678
Intergovernmental	400,000	235,567	236,745	237,929	237,929	239,118
Fines & Forfeitures	400,000	425,000	425,000	425,000	425,000	425,000
Miscellaneous	1,300,000	1,003,857	1,061,182	1,116,638	1,116,638	1,172,656
Transfers In	10,020,000	15,000	-	-	-	-
Other Financing Sources	400,000	275,000	-	-	-	-
TOTAL	21,110,000	10,943,032	10,906,561	11,154,425	11,154,425	11,396,583

Utility taxes are forecasted to increase by 0.8% 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 2.2% 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.

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.

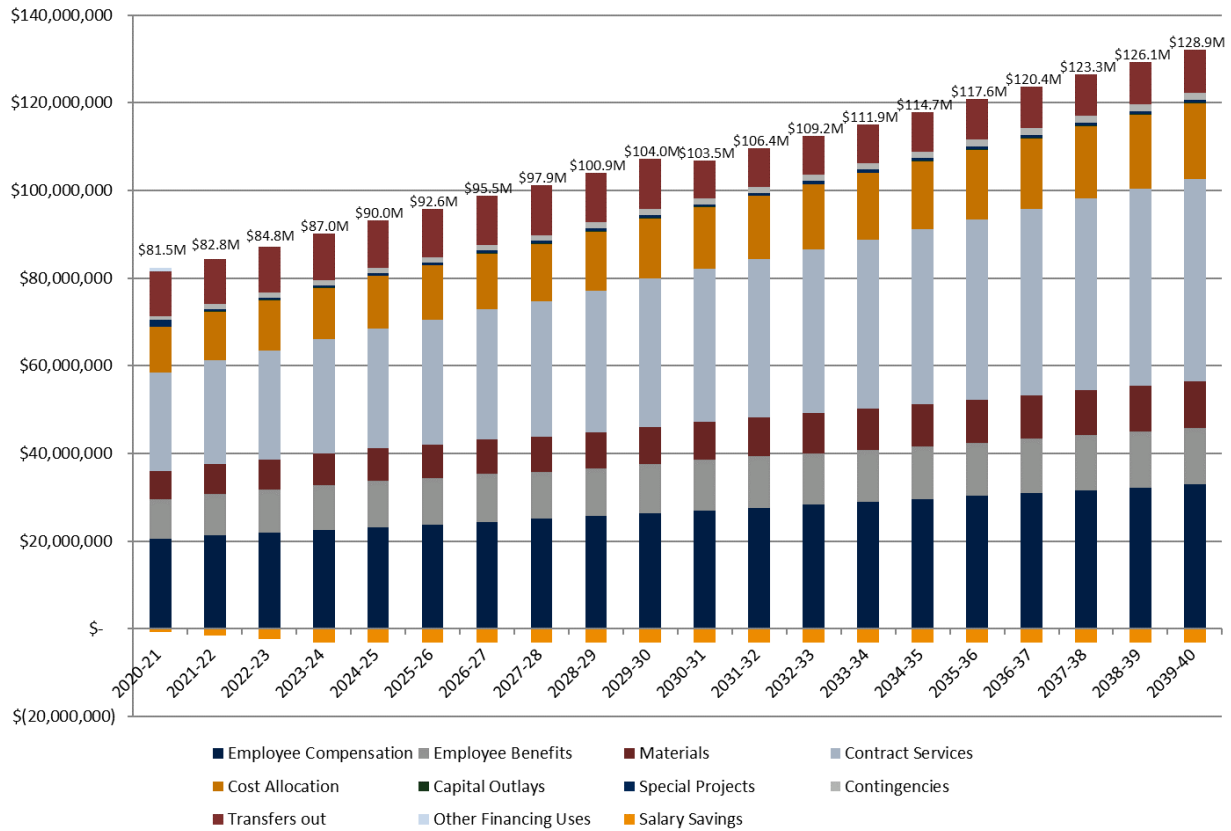
Fines and Forfeitures are forecasted to remain constant in the forecast.

Miscellaneous revenues are forecasted to increase by CPI each year.

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

Expenditures

20-Year General Fund Expenditure Forecast by Category



FIVE-YEAR GENERAL FUND EXPENDITURES FORECAST						
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
EXPENDITURES						
Employee Compensation	18,600,000	20,573,051	21,277,287	21,862,605	22,463,932	23,081,752
Employee Benefits	7,840,000	8,910,549	9,523,109	9,834,182	10,357,214	10,773,667
Salary Savings	-	(800,000)	(1,600,000)	(2,400,000)	(3,200,000)	(3,200,000)
Personnel Costs	26,440,000	28,683,600	29,200,395	29,296,787	29,621,146	30,655,419
Materials	4,540,000	6,472,852	6,715,584	6,937,198	7,152,251	7,366,819
Contract Services	23,050,000	22,553,684	23,741,736	24,880,655	26,043,621	27,238,137
Cost Allocation	9,790,000	10,473,534	11,091,473	11,396,488	11,709,891	12,031,913
Capital Outlay	710,000	-	100,000	110,067	113,480	116,884
Special Projects	5,930,000	1,420,852	532,756	550,337	567,398	584,420
Contingencies	980,000	986,635	1,051,272	1,085,964	1,119,629	1,153,218
Other Uses	250,000	775,000	-	-	-	-
Non-Personnel Costs	45,250,000	42,682,557	43,232,821	44,960,710	46,706,270	48,491,391
Transfers	30,890,000	10,121,138	10,353,811	10,510,341	10,689,063	10,851,023
TOTAL EXPENDITURES	102,580,000	81,487,295	82,787,027	84,767,838	87,016,480	89,997,833

For FY 2020-21, the City developed a zero-base budget in which all expenses were justified. The process started from a “zero base” and every function of the City was analyzed for its needs and costs. The budget was then built around what was needed for the upcoming period, regardless of the previous fiscal year’s budget. 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 2020-21 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 budget adjustments throughout the year.

In an effort to mitigate the impacts of COVID-19, the City is taking steps to reduce expenditures by increasing vacancy levels through attrition, reducing materials and contract services spending, reducing contingency amounts, and reducing the amount of special project and capital outlay spending.

As displayed in the chart above, General Fund expenditures are projected to decrease from \$102.6 million in FY 2019-20 to \$81.5 million in FY 2020-21 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.

Personnel Expenditures

Salaries

The forecast includes equity adjustments, cost of living increases, step increases, and known benefit increases in retirement and health insurance. During FY 2018-19, the City negotiated new labor agreements with its bargaining groups, CEA and OE3, as the previous labor agreements were scheduled to expire on June 30, 2019. On July 16, 2019, City Council approved new contracts for CEA, OE3, and Unrepresented employees. The contracts, which are effective from July 1, 2019 to June 30, 2022, include equity adjustments for positions that are below the median of the market and cost of living adjustments (COLAs) for all positions.

Koff and Associates conducted a salary study to determine if equity adjustments were necessary. If the base salary of a position was below median of the market, the position will receive an adjustment, from 1% to 15%, until the base salary is aligned with the median of the market. The adjustments will be phased in over the three-year agreement at a maximum of 5% per year.

The contracts also include cost of living adjustments according to the following schedule:

- 4.0% – effective the first full pay period in July 2019 following Council adoption,
- 3.5% – effective the first full pay period in July 2020, and
- 3.0% – effective the first full pay period in July 2021.

Step increases are 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.

To mitigate the effects of COVID-19, the City plans to increase vacancy levels through attrition. The City will not fill unessential positions when they become vacant. The City plans to hold 5 positions vacant in FY 2020-21 and gradually increase to 20 positions vacant in FY 2023-24. This strategy will save the City up to \$800,000 in FY 2020-21 and up to \$3.2 million per year starting in FY 2023-24.

Health Benefits

In FY 2020-21, health benefits account for about 8% 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, 2018 valuation, which was issued in July 2019, the funded status of the CalPERS Public Employees Retirement Fund (PERF) is 71%, an increase from 70% in the prior year.

The City's pension plan has an Unfunded Accrued Liability (UAL) of \$47.5 million and a funded ratio of 66.3%, according to the latest CalPERS actuarial valuation report as of June 30, 2018.

CalPERS Plan Status				
	June 30, 2017		June 30, 2018	
Present Value of Projected Benefits	\$	150,083,854	\$	167,128,950
Entry Age Normal Accrued Liability	\$	127,138,300	\$	141,033,621
Market Value of Assets	\$	86,617,172	\$	93,550,299
Unfunded Accrued Liability	\$	40,521,128	\$	47,483,322
Funded Ratio		68.1%		66.3%

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 to \$7.5 million in FY 2024-25 as shown in the table below.³

	Projected CalPERS Contributions					
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Projected Payroll	\$ 19,490,834	\$ 20,026,831	\$ 20,577,569	\$ 21,143,452	\$ 21,724,897	\$ 22,322,332
Normal Cost (%)	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%
Normal Cost	\$ 2,203,634	\$ 2,264,234	\$ 2,326,500	\$ 2,390,479	\$ 2,456,217	\$ 2,523,763
UAL Payment	\$ 3,607,122	\$ 4,056,000	\$ 4,448,000	\$ 4,724,000	\$ 5,001,000	\$ 4,775,000
Total Contribution	\$ 5,810,756	\$ 6,320,234	\$ 6,774,500	\$ 7,114,479	\$ 7,457,217	\$ 7,298,763
Total Contribution (%)	29.8%	31.6%	32.9%	33.6%	34.3%	32.7%

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. The City contributed an initial investment of \$8.0 million in FY 2018-19 and contributed an additional \$4.0 million in FY 2019-20. The FY 2020-21 Proposed Budget includes this \$12.0 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. 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 Basis	Employer Share	Employee Share	Total Rate
I	81	2.7% @ 55	Highest Year	29.81%	8.00%	37.81%
II	14	2% @ 60	Highest 3 Year Average	29.81%	7.00%	36.81%
III	105	2% @ 62	Highest 3 Year Average	29.81%	6.25%	36.06%

Other Benefits

The forecast assumes health insurance, dental insurance, and vision insurance increase at CPI. No increases were forecasted for the following benefits: internet allowance, standby pay, Employee Assistance Program, and Deferred Compensation. Rec Bucks are assumed to increase at a 0.5% growth rate.

Non-Personnel Expenditures

Non-Personnel budgets were developed based on actual expenditures in prior years, and then adjusted for FY 2020-21 funding needs. In addition, one-time projects have been excluded to ensure that expenditure trends reflect ongoing expenditure needs. Contingency budgets are assumed to be reduced by 50% over the prior year, as a cost-saving measure.

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%. 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 and *Special Projects* are projected to increase by CPI in the forecast. 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 through revenue.

Contingencies are projected to increase by CPI in the forecast. Contingencies for each program have been cut in half to 2.5% whereas in prior years, contingency totals were 5% of the total General Fund and 5% of Material and Contract budgets. 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.

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 have been 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 necessary to maintain those fund balance minimums.

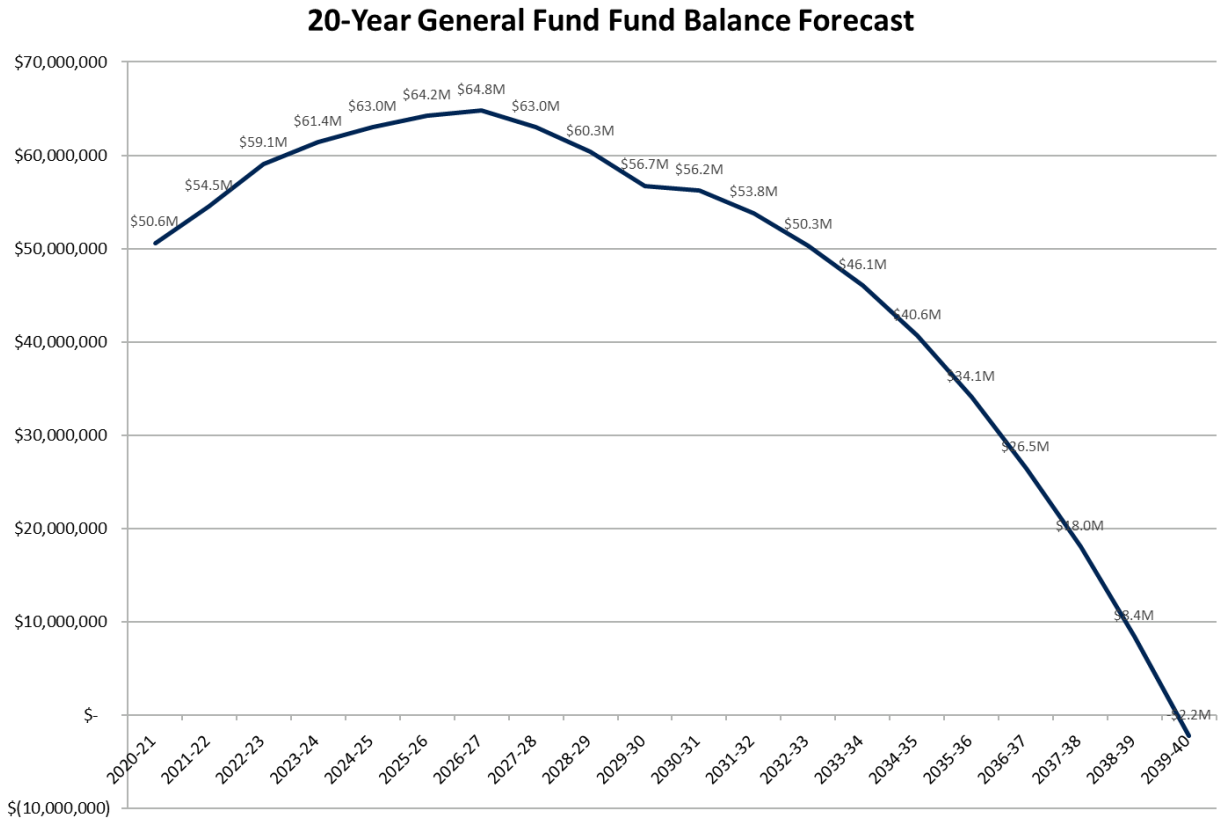
Projected General Fund subsidies to each fund are based on the following assumptions:

- Special Revenue Funds: increases at a rate of 2.12% per year;
- Debt Service Funds: 2012 COPS debt service schedule;
- Retiree Medical Fund: projected OPEB contribution schedule;
- Compensated Absences Fund: increases at a rate of 2.5% per year;
- Innovation and Technology Fund: increases at CPI per year;
- Vehicle and Equipment Replacement Fund: increases at CPI per year; and
- Enterprise Funds: increases at CPI per year.

In FY 2029-30, the City will finish paying off its debt for city facilities. Until FY 2029-30, the City is scheduled to pay approximately \$3.17 million per year in principal and interest on the City Hall/Library, Wilson/Memorial Open Space and Library Certificates of Participation. These funds are transferred from the City's General Fund to the City's Debt Service Funds.

Fund Balance

The General Fund's fund balance is projected to be \$50.6 million in FY 2020-21. It is projected to initially increase to \$64.8 million in FY 2026-27 and then decrease after FY 2027-28 due to increasing operating deficits.



FIVE-YEAR GENERAL FUND FUND BALANCE FORECAST						
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
Beginning Fund Balance	58,922,585	53,438,546	50,602,143	54,536,175	59,089,782	61,394,746
Operating Revenue	92,090,000	79,450,892	86,721,059	89,321,445	89,321,445	91,588,139
Operating Expenditures	102,580,000	81,487,295	82,787,027	84,767,838	87,016,480	89,997,833
Net Revenues - Expenditures	(10,490,000)	(2,036,403)	3,934,032	4,553,607	2,304,965	1,590,306
Unassigned	17,500,000	14,672,597	18,223,629	22,777,236	25,082,200	26,672,506
All Other Classifications	35,938,546	35,929,546	36,312,546	36,312,546	36,312,546	36,312,546
TOTAL FUND BALANCE	53,438,546	50,602,143	54,536,175	59,089,782	61,394,746	62,985,052

FIVE-YEAR GENERAL FUND FUND BALANCE FORECAST						
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
<u>Non-Spendable</u>						
Loans Receivable	455,000	446,000	446,000	446,000	446,000	446,000
Prepaid Items	-	-	-	-	-	-
Total Non-Spendable	455,000	446,000	446,000	446,000	446,000	446,000
<u>Restricted</u>						
Debt Service	13,982	13,982	13,982	13,982	13,982	13,982
Section 115 Trust	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Public Access Television	1,346,167	1,346,167	1,346,167	1,346,167	1,346,167	1,346,167
Total Restricted	13,360,149	13,360,149	13,360,149	13,360,149	13,360,149	13,360,149
<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	123,397	123,397	123,397	123,397	123,397	123,397
PERS	12,000,000	-	-	-	-	-
Total Committed	19,123,397	19,123,397	19,123,397	19,123,397	19,123,397	19,123,397
<u>Assigned</u>						
Reserve for Encumbrances	3,000,000	3,000,000	3,383,000	3,383,000	3,383,000	3,383,000
Total Assigned	3,000,000	3,000,000	3,383,000	3,383,000	3,383,000	3,383,000
Total Unassigned	17,500,000	14,672,597	18,223,629	22,777,236	25,082,200	26,672,506
TOTAL FUND BALANCE	53,438,546	50,602,143	54,536,175	59,089,782	61,394,746	62,985,052

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 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. 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 deficits beginning in FY 2027-28. The operating deficits are projected to increase 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
Expenditures		
Section 115 Trust	Smoothing mechanism for years when CalPERS does not meet discount rate projections or assumption changes. Can also be used to offset pension costs in any given year.	Fund is currently at \$12 million
Economic Uncertainty Reserve	The City has \$19 million in its Economic Uncertainty Reserve (General Fund).	Fund is currently at \$19 million

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
Revenues		
Employer-based business license tax	Part of Council work program to tax businesses based on number of employees, voter approval needed.	\$10 million
¼ cent Sales Tax	Voter approval required, would bring sales tax from 9% to 9.25% for the City.	\$3-4 million
Transient Occupancy Tax Measure	Voter Approval required, could bring rate from 12% to 14%	\$2 million
Expenditures		
Salary and benefit savings through attrition	Keep non-essential positions unfilled as they become vacant.	\$160,000 per position on average per vacancy
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

No new positions	Cost containment strategy	\$0
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
Deferring or Eliminating negotiated increases	The City has negotiated a 3.5% increase effective the first pay period in July 2020 and a 3% increase effective the first pay period in July 2021. This would require agreement from the bargaining units.	\$300,000 approximate based on 1% decrease
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 but approximately \$160,000 on average per position
Reduction in capital outlays and special projects	Cost containment strategy	Up to \$1.5 million
Reduction in contingencies	Cost containment strategy	Up to \$850,000

Fiscal Year 2020-21 Proposed Budget Five-Year Forecast - General Fund Revenues

Classification	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Actual	Adopted	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
Sales Tax	24,901,779	25,637,093	26,400,000	20,910,889	24,676,742	25,283,856	25,283,856	25,694,430
Property Tax	25,301,094	24,703,218	25,000,000	25,353,783	25,353,783	26,216,404	26,216,404	27,047,553
Transient Occupancy Tax	8,901,337	9,666,056	5,980,000	7,546,884	10,429,106	10,980,305	10,980,305	11,421,129
Utility Tax	3,089,921	3,198,644	3,000,000	3,223,712	3,248,905	3,274,223	3,274,223	3,299,593
Franchise Fees	3,445,253	3,162,457	3,200,000	3,280,447	3,398,437	3,516,427	3,516,427	3,630,586
Other Taxes	1,659,916	1,181,050	1,200,000	1,212,939	1,258,424	1,299,952	1,299,952	1,338,951
Licenses and Permits	4,102,665	2,524,000	2,500,000	3,139,473	3,155,170	3,170,946	3,170,946	3,186,801
Use of Money and Property	2,680,997	1,330,579	1,190,000	1,271,510	1,277,868	1,284,257	1,284,257	1,290,678
Intergovernmental	473,942	354,547	400,000	235,567	236,745	237,929	237,929	239,118
Charges for Services	10,977,805	13,233,225	11,100,000	11,556,831	12,199,697	12,515,509	12,515,509	12,841,644
Fines and Forfeitures	511,472	615,000	400,000	425,000	425,000	425,000	425,000	425,000
Miscellaneous	1,102,316	882,283	1,300,000	1,003,857	1,061,182	1,116,638	1,116,638	1,172,656
Transfers In	10,000	12,000	10,020,000	15,000	-	-	-	-
Other Financing Sources	1,671,445	600,000	400,000	275,000	-	-	-	-
TOTAL REVENUES	88,829,941	87,100,152	92,090,000	79,450,892	86,721,059	89,321,445	89,321,445	91,588,139

Fiscal Year 2020-21 Proposed Budget Five-Year Forecast - General Fund Expenditures

Classification	2018-19 Actual	2018-19 Adopted	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
Employee Compensation	17,232,957	19,030,922	18,600,000	20,573,051	21,277,287	21,862,605	22,463,932	23,081,752
Employee Benefits	6,963,384	7,924,552	7,840,000	8,910,549	9,523,109	9,834,182	10,357,214	10,773,667
Salary Savings	-	-	-	(800,000)	(1,600,000)	(2,400,000)	(3,200,000)	(3,200,000)
Personnel Costs	24,196,341	26,955,474	26,440,000	28,683,600	29,200,395	29,296,787	29,621,146	30,655,419
Materials	4,494,677	5,666,631	4,540,000	6,472,852	6,715,584	6,937,198	7,152,251	7,366,819
Contract Services	20,361,957	21,603,686	23,050,000	22,553,684	23,741,736	24,880,655	26,043,621	27,238,137
Cost Allocation	9,368,223	9,786,477	9,790,000	10,473,534	11,091,473	11,396,488	11,709,891	12,031,913
Capital Outlays	-	-	710,000	-	100,000	110,067	113,480	116,884
Special Projects	4,211,639	3,699,385	5,930,000	1,420,852	532,756	550,337	567,398	584,420
Contingencies	-	1,070,049	980,000	986,635	1,051,272	1,085,964	1,119,629	1,153,218
Other Financing Uses	381,262	783,209	250,000	775,000	-	-	-	-
Non-Personnel Costs	38,817,758	42,609,437	45,250,000	42,682,557	43,232,821	44,960,710	46,706,270	48,491,391
Transfers	19,376,087	10,539,557	30,890,000	10,121,138	10,353,811	10,510,341	10,689,063	10,851,023
TOTAL EXPENDITURES	82,390,187	80,104,468	102,580,000	81,487,295	82,787,027	84,767,838	87,016,480	89,997,833

Fiscal Year 2020-21 Proposed Budget Five-Year Forecast - General Fund Fund Balance

Classification		2018-19 Actual	2018-19 Adopted	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
	Beginning Balance	53,589,690	58,922,585	58,922,585	53,438,546	50,602,143	54,536,175	59,089,782	61,394,746
Unassigned		27,896,128	12,801,317	17,500,000	14,672,597	18,223,629	22,777,236	25,082,200	26,672,506
All Other Classifications		31,026,457	33,826,157	35,938,546	35,929,546	36,312,546	36,312,546	36,312,546	36,312,546
	Ending Balance	58,922,585	46,627,474	53,438,546	50,602,143	54,536,175	59,089,782	61,394,746	62,985,052

Fiscal Year 2020-21 Proposed Budget Five-Year Forecast - Special Revenue Fund Revenues

Classification	2018-19 Actual	2018-19 Adopted	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
STORM DRAIN IMPROVEMENT (FUNDS 210, 215)								
406-Taxes	371,992	74,741	74,741	76,984	76,984	76,984	76,984	76,984
420-Use of Money	81,040	-	-	-	-	-	-	-
421-Transfer In	1,100,000	437,000	437,000	-	-	-	-	-
TOTAL	1,553,032	511,741	511,741	76,984	76,984	76,984	76,984	76,984
ENVIRON. MGMT./CLEAN CREEKS/STORM DRAIN (FUND 230)								
420-Use of Money	10,600	900	900	905	-	-	-	-
421-Transfer In	436,000	660,000	660,000	-	-	-	-	-
430-Fines and Forfeitures	22,541	10,000	10,000	10,000	10,000	10,000	10,000	10,000
450-Charges for Services	369,014	370,000	370,000	1,522,493	1,522,493	1,522,493	1,522,493	1,522,493
TOTAL	838,155	1,040,900	1,040,900	1,533,398	1,532,493	1,532,493	1,532,493	1,532,493
HOUSING & COMMUNITY DEVELOPMENT (FUNDS 260, 261, 265)								
406-Taxes	159,179	3,000	3,000	3,025,898	3,025,898	3,025,898	3,025,898	3,025,898
420-Use of Money	212,728	14,800	14,800	3,300	3,300	3,300	3,300	3,300
421-Transfer In	175,000	-	-	-	-	-	-	-
440-Intergovernmental	344,323	361,597	361,597	397,270	397,270	397,270	397,270	397,270
450-Charges for Services	20,410	-	-	-	-	-	-	-
460-Refundable Deposit Revenue	8,735	-	-	-	-	-	-	-
480-Miscellaneous Revenue	901	-	-	-	-	-	-	-
TOTAL	921,276	379,397	379,397	3,426,468	3,426,468	3,426,468	3,426,468	3,426,468
TRANSPORTATION (FUND 270)								
420-Use of Money	271,320	-	-	-	-	-	-	-
421-Transfer In	5,800,000	221,000	221,000	3,800,000	3,800,000	3,800,000	3,800,000	3,800,000
440-Intergovernmental	2,800,291	7,192,936	7,192,936	2,998,758	3,165,000	3,165,000	3,165,000	3,165,000
450-Charges for Services	17,192	-	-	3,978	-	-	-	-
480-Miscellaneous Revenue	84,521	2,198,521	2,198,521	87,057	-	-	-	-
TOTAL	8,973,324	9,612,457	9,612,457	6,889,793	6,965,000	6,965,000	6,965,000	6,965,000
PARK DEDICATION (FUND 280)								
406-Taxes	1,108,500	375,663	375,663	-	-	-	-	-
420-Use of Money	283,371	-	-	-	-	-	-	-

Fiscal Year 2020-21 Proposed Budget Five-Year Forecast - Special Revenue Fund Revenues

Classification	2018-19 Actual	2018-19 Adopted	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
421-Transfer In	575,000	-	-	-	-	-	-	-
TOTAL	1,966,871	375,663	375,663	-	-	-	-	-
TREE (FUND 281)								
420-Use of Money	4,317	-	-	-	-	-	-	-
450-Charges for Services	10,087	21,045	21,045	-	-	-	-	-
TOTAL	14,404	21,045	21,045	-	-	-	-	-
TOTAL SPECIAL REVENUE FUNDS	14,267,062	11,941,203	11,941,203	11,926,643	12,000,945	12,000,945	12,000,945	12,000,945

Fiscal Year 2020-21 Proposed Budget Five-Year Forecast - Debt Service Fund Revenues

Classification	2018-19 Actual	2018-19 Adopted	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
PUBLIC FACILITIES CORPORATION (FUND 365)								
420-Use of Money	75,272	-	-	-	-	-	-	-
421-Transfer In	3,169,438	3,172,838	3,172,838	3,169,138	3,168,488	3,170,738	3,170,738	3,173,488
TOTAL	3,244,710	3,172,838	3,172,838	3,169,138	3,168,488	3,170,738	3,170,738	3,173,488
TOTAL DEBT SERVICE FUNDS								
	3,244,710	3,172,838	3,172,838	3,169,138	3,168,488	3,170,738	3,170,738	3,173,488

Fiscal Year 2020-21 Proposed Budget Five-Year Forecast - Capital Project Fund Revenues

Classification	2018-19 Actual	2018-19 Adopted	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
CAPITAL IMPROVEMENT PROJECTS (FUND 420)								
420-Use of Money	178,525	-	-	-	-	-	-	-
421-Transfer In	11,268,675	14,305,000	15,010,438	-	-	-	-	-
440-Intergovernmental	50,000	-	-	-	-	-	-	-
450-Charges for Services	119,638	-	-	-	-	-	-	-
480-Miscellaneous Revenue	-	7,757,418	7,757,418	-	-	-	-	-
TOTAL	11,616,838	22,062,418	22,767,856	-	-	-	-	-
CAPITAL RESERVE (FUND 429)								
420-Use of Money	122,116	-	-	-	-	-	-	-
421-Transfer In	12,350,750	352,719	20,352,719	-	-	-	-	-
TOTAL	12,350,750	352,719	20,352,719	-	-	-	-	-
TOTAL CAPITAL PROJECT FUNDS	23,967,588	22,415,137	43,120,575	-	-	-	-	-

Note: The FY 2020-21 Proposed Budget doesn't currently include funding for capital projects as those will be discussed after the printing of this document 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 2020-21 Proposed Budget Five-Year Forecast - Enterprise Fund Revenues

Classification	2018-19 Actual	2018-19 Adopted	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
RESOURCE RECOVERY (FUND 520)								
420-Use of Money	156,670	-	-	-	-	-	-	-
440-Intergovernmental	30,023	15,000	15,000	15,000	-	-	-	-
450-Charges for Services	1,658,612	1,270,000	1,270,000	1,420,188	1,420,188	1,420,188	1,420,188	1,420,188
480-Miscellaneous Revenue	61,643	66,000	66,000	-	-	-	-	-
TOTAL	1,906,948	1,351,000	1,351,000	1,435,188	1,420,188	1,420,188	1,420,188	1,420,188
BLACKBERRY FARM GOLF COURSE (FUND 560)								
420-Use of Money	36,364	27,000	27,000	30,000	30,000	30,000	30,000	30,000
421-Transfer In	75,000	610,000	610,000	330,000	330,000	330,000	330,000	330,000
450-Charges for Services	288,128	300,000	300,000	310,000	310,000	310,000	310,000	310,000
TOTAL	399,492	937,000	937,000	670,000	670,000	670,000	670,000	670,000
SPORTS CENTER (FUND 570)								
420-Use of Money	39,026	1,000	1,000	300,000	300,000	300,000	300,000	300,000
421-Transfer In	-	2,223,000	2,223,000	872,000	872,000	872,000	872,000	872,000
450-Charges for Services	2,348,651	2,050,500	2,050,500	2,103,112	2,103,112	2,103,112	2,103,112	2,103,112
TOTAL	2,387,677	4,274,500	4,274,500	3,275,112	3,275,112	3,275,112	3,275,112	3,275,112
RECREATION PROGRAMS (FUND 580)								
420-Use of Money	207,208	-	287,000	140,000	140,000	140,000	140,000	140,000
421-Transfer In	-	690,000	690,000	1,266,000	2,796,992	2,796,992	2,796,992	2,796,992
450-Charges for Services	1,847,192	2,239,327	1,952,327	1,844,742	1,844,742	1,844,742	1,844,742	1,844,742
TOTAL	2,054,400	2,929,327	2,929,327	3,250,742	4,781,734	4,781,734	4,781,734	4,781,734
TOTAL ENTERPRISE FUNDS	6,748,517	9,491,827	9,491,827	8,631,042	10,147,034	10,147,034	10,147,034	10,147,034

Fiscal Year 2020-21 Proposed Budget Five-Year Forecast - Internal Service Fund Revenues

Classification	2018-19 Actual	2018-19 Adopted	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
INFORMATION TECHNOLOGY (FUND 610)								
420-Use of Money	84,019	-	-	-	-	-	-	-
421-Transfer In	-	72,000	72,000	404,000	404,000	404,000	404,000	404,000
450-Charges for Services	3,753,928	2,731,701	2,731,701	2,681,431	2,681,431	2,681,431	2,681,431	2,681,431
TOTAL	3,837,947	2,803,701	2,803,701	3,085,431	3,085,431	3,085,431	3,085,431	3,085,431
WORKERS' COMPENSATION (FUND 620)								
420-Use of Money	94,436	-	-	-	-	-	-	-
490-Other Sources	498,286	472,652	472,652	246,385	246,385	246,385	246,385	246,385
TOTAL	592,722	472,652	472,652	246,385	246,385	246,385	246,385	246,385
VEHICLE/EQUIPMENT REPLACEMENT (FUND 630)								
420-Use of Money	113	-	-	-	-	-	-	-
421-Transfer In	-	-	-	24,000	24,000	24,000	24,000	24,000
450-Charges for Services	1,056,968	1,352,200	1,352,200	1,633,518	1,633,518	1,633,518	1,633,518	1,633,518
TOTAL	1,057,081	1,352,200	1,352,200	1,657,518	1,657,518	1,657,518	1,657,518	1,657,518
COMPENSATED ABSENCE & LONG-TERM DISABILITY (FUND 641)								
420-Use of Money	13,772	-	-	-	-	-	-	-
421-Transfer In	447,000	1,109,000	1,109,000	213,000	473,373	486,391	499,767	513,510
450-Charges for Services	163,057	-	-	-	-	-	-	-
TOTAL	623,829	1,109,000	1,109,000	213,000	473,373	486,391	499,767	513,510
RETIREE MEDICAL (FUND 642)								
420-Use of Money	8,129	-	-	-	-	-	-	-
421-Transfer In	1,131,474	2,392,000	2,392,000	43,000	1,402,222	1,453,495	1,504,193	1,554,163
TOTAL	1,139,603	2,392,000	2,392,000	43,000	1,402,222	1,453,495	1,504,193	1,554,163
TOTAL INTERNAL SERVICE FUNDS	7,251,182	8,129,553	8,129,553	5,245,334	6,864,929	6,929,220	6,993,294	7,057,007

Fiscal Year 2020-21 Proposed Budget Five-Year Forecast - Special Revenue Fund Expenditures

Program	2018-19 Actual	2018-19 Adopted	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
STORM DRAIN IMPROVEMENT (FUND 210, 215)								
210-90-978 Minor Storm Drain Impv	4,000	-	88,828	-	-	-	-	-
210-90-980 SD Master Plan Update	33,985	-	-	707	-	-	-	-
210-99-042 Strm Drn Improv-Fthill & Cup Rd	2,578	-	-	248	-	-	-	-
210-99-071 Storm Drain MP Implementation	-	-	-	45	-	-	-	-
TOTAL	40,563	-	88,828	1,000	-	-	-	-
ENVIRON. MGMT./CLEAN CREEKS/STORM DRAIN (FUND 230)								
230-81-802 Non Point Source	658,846	743,278	958,101	1,050,690	1,050,690	1,050,690	1,050,690	1,050,690
230-81-853 Storm Drain Fee	-	-	25,000	-	-	-	-	-
230-81-854 General Fund Subsidy	-	-	2,000	-	-	-	-	-
230-81-855 Storm Drain Maintenance	-	-	-	706,996	706,996	706,996	706,996	706,996
TOTAL	658,846	743,278	985,101	1,757,686	1,757,686	1,757,686	1,757,686	1,757,686
HOUSING & COMMUNITY DEVELOPMENT (FUND 260, 261, 265)								
260-72-707 CDBG General Admin	56,635	69,277	74,980	97,195	97,195	97,195	97,195	97,195
260-72-709 CDBG Capital/Housing Projects	240,201	240,202	245,185	260,000	260,000	260,000	260,000	260,000
260-72-710 CDBG Public Service Grants	55,431	50,000	56,582	65,000	65,000	65,000	65,000	65,000
265-72-711 BMR Affordable Housing Fund	453,512	684,737	933,959	661,071	475,000	475,000	475,000	475,000
TOTAL	805,779	1,044,216	1,310,706	1,083,266	897,195	897,195	897,195	897,195
TRANSPORTATION (FUND 270)								
270-85-820 Sidewalk Curb and Gutter	1,150,933	1,377,406	1,448,492	2,561,810	2,561,810	2,561,810	2,561,810	2,561,810
270-85-821 Street Pavement Maintenance	4,229,811	3,906,202	9,989,985	4,216,014	4,216,014	4,216,014	4,216,014	4,216,014
270-85-822 Street Sign Marking	630,438	719,275	788,313	865,538	865,538	865,538	865,538	865,538
270-90-954 Monument Gateway Sign	-	-	25,859	90	-	-	-	-
270-90-958 Orange and Byrne Sidewalk Impv	165,310	-	4,692,983	12,725	-	-	-	-
270-90-960 Bridge Rehab Minor	120,091	-	561,654	10,068	-	-	-	-
270-90-961 St Median Irrg Plant Repl	687,150	-	327,289	20,501	-	-	-	-
270-90-962 Bicycle Ped Facility Impr	-	-	-	135	-	-	-	-
270-90-976 Ph 2 Mcl Sidewalk Improv	779,390	2,035,000	2,754,875	19,871	-	-	-	-
TOTAL	7,763,123	8,037,883	20,589,450	7,706,752	7,643,362	7,643,362	7,643,362	7,643,362
PARK DEDICATION (FUND 280)								

Fiscal Year 2020-21 Proposed Budget Five-Year Forecast - Special Revenue Fund Expenditures

Program	2018-19 Actual	2018-19 Adopted	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
280-99-009 Lawrence-Mitty Park	-	-	8,227,099	90	-	-	-	-
280-99-066 MRP Community Grdn Improv-Const	17,881	-	35,575	8,158	-	-	-	-
280-99-067 MRP EEC Aquatic Habitat	125,000	-	-	1,293	-	-	-	-
TOTAL	142,881	-	8,262,674	9,541	-	-	-	-
TREE FUND (FUND 281)								
281-90-001 No Department	10,000	12,000	12,000	15,000	15,000	15,000	15,000	15,000
TOTAL	10,000	12,000	12,000	15,000	15,000	15,000	15,000	15,000
TOTAL SPECIAL REVENUE FUNDS								
	9,421,192	9,837,377	31,248,759	10,573,245	10,313,243	10,313,243	10,313,243	10,313,243

Fiscal Year 2020-21 Proposed Budget Five-Year Forecast - Debt Service Fund Expenditures

Program	2018-19 Actual	2018-19 Adopted	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
PUBLIC FACILITIES CORPORATION (FUND 365)								
365-90-500 Facility Lease	3,170,938	3,172,838	3,172,838	3,169,138	3,168,488	3,170,738	3,170,738	3,173,488
TOTAL	3,170,938	3,172,838	3,172,838	3,169,138	3,168,488	3,170,738	3,170,738	3,173,488
TOTAL DEBT SERVICE FUNDS								
	3,170,938	3,172,838	3,172,838	3,169,138	3,168,488	3,170,738	3,170,738	3,173,488

Fiscal Year 2020-21 Proposed Budget Five-Year Forecast - Capital Project Fund Expenditures

Program	2018-19 Actual	2018-19 Adopted	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
CAPITAL IMPROVEMENT PROJECTS (FUND 420)								
420-90-880 Env Edu Facility	600	-	-	185				
420-90-898 SCCP Chain MP-MCLN TO SCB	-	-	203,727	405				
420-90-904 Spt Ctr Resurf Tennis Cts	-	-	-	45				
420-90-938 Pub Bldg Solar Service Center	-	-	25,355	180				
420-90-969 DeAnza/McClellan Signal Maint	-	-	145,700	90				
420-90-971 STLG/280 Ped Bridge Lighting	8,017	-	38,433	252				
420-90-999 Green Bike Lanes	-	-	95,000	90				
420-99-003 MR Construct Trash Enclosure	33,702	-	106,270	1,601				
420-99-004 MR Community Garden Improvements	45,722	1,500,000	1,200,000	6,622				
420-99-007 ADA Improvements	27,367	80,000	195,648	4,984				
420-99-014 Stevens Crk Bank Repair Concept	-	-	100,000	90				
420-99-017 Sports Center Exterior Upgrades	1,207,593	-	39,135	21,201				
420-99-018 Sports Center Interior Upgrades	20,000	-	-	358				
420-99-023 QCC Fire Alarm Control Panel Upg	8,934	-	40,896	5,626				
420-99-030 MCClellan West-Parking Lot Impro	461,231	-	421,066	17,406				
420-99-031 Rec Facilities Monument Signs	385,000	-	-	3,609				
420-99-033 City Hall - Turf Reduction	40,495	-	2,079	1,838				
420-99-034 Svc Ctr - Shed No. 3 Improvement	992,260	-	-	10,921				
420-99-036 2016 Bike Plan Implementation	1,540,220	4,390,000	13,769,912	35,782				
420-99-040 Retaining Wall Repair-Cordova Rd	298,300	-	-	2,837				
420-99-041 Retaining Wall Repl - Regnard Rd	-	-	-	180				
420-99-045 Citywide Park & Recreation MP	131,023	-	153,723	3,321				
420-99-047 CIP Prelim Planning & Design	75,272	125,000	144,075	128,039				
420-99-048 Capital Project Support	1,153	52,500	38,158	50,145				
420-99-051 Inclusive Play Area - Planning	7,548	5,500,000	5,506,499	652				
420-99-054 Senior Ctr Walkway Replacement	-	-	16,033	270				
420-99-056 St Light Install - Annual Infill	-	75,000	135,000	536				
420-99-057 McClellan Sdwlk-RB to Hwy85 Over	-	-	-	45				
420-99-058 St Light Install-Randy & Larry	18,752	-	341,198	3,896				
420-99-059 Senior Center Repairs	45,471	-	144,082	10,297				
420-99-063 CW Bldg Condition Assess Impl	8,130	-	991,869	6,470				
420-99-064 Creek Infall/Outfall Restoration	160,000	-	-	1,605				
420-99-065 DeAnza Med Islnd Landscaping Ph2	1,508,683	-	37,816	14,867				

Fiscal Year 2020-21 Proposed Budget Five-Year Forecast - Capital Project Fund Expenditures

Program	2018-19 Actual	2018-19 Adopted	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
420-99-068 Regnart Road Improvements	97,675	1,150,000	1,202,325	3,646				
420-99-069 School Walk Audit Implementation	23,335	1,221,863	1,221,863	654				
420-99-070 SCB/Bandley Signal & Median Imps	-	-	150,000	90				
420-99-072 St Light Replacement CW (labor)	-	-	200,000	90				
420-99-073 BBF Park Pool Improvements	-	-	-	446				
420-99-074 Interim City Hall	34,987	-	465,012	1,162				
420-99-075 New City Hall	-	-	3,500,000	90				
420-99-077 Library Expansion	-	5,000,000	8,705,438	-				
420-99-078 Civic Center Parking Analysis	-	1,000,000	1,000,000	-				
420-99-079 Mary Ave Protected Bikeway	-	1,980,555	165,000	-				
420-99-080 Bubb Rd Separated Bikeway Improv	-	165,000	1,980,555	-				
420-99-083 Citywide Community Garden	-	-	300,000	-				
420-99-084 Linda Vista Trail	-	-	615,500	-				
TOTAL	7,181,470	22,239,918	43,397,367	340,623	-	-	-	-
STEVENS CREEK CORRIDOR PARK (FUND 427)								
427-90-870 SC Corridor Park Ph 1	-	-	38,115	626	-	-	-	-
427-90-881 Phs II SC Corridor Park	26,228	-	43,871	2,025	-	-	-	-
TOTAL	26,228	-	81,986	2,651	-	-	-	-
CAPITAL RESERVE (FUND 429)								
429-90-001 Transfer to Capital Improvement	12,801,500	15,705,000	16,057,719	-	-	-	-	-
TOTAL	12,801,500	15,705,000	16,057,719	-	-	-	-	-
TOTAL CAPITAL PROJECT FUNDS	20,009,198	37,944,918	59,537,072	343,274	-	-	-	-

Note: The FY 2020-21 Proposed Budget doesn't currently include funding for capital projects as those will be discussed after the printing of this document 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 2020-21 Proposed Budget Five-Year Forecast - Enterprise Fund Expenditures

Program	2018-19 Actual	2018-19 Adopted	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
RESOURCE RECOVERY (FUND 520)								
520-81-801 Resources Recovery	1,735,884	2,365,018	2,999,490	1,722,438	1,722,438	1,722,438	1,722,438	1,722,438
TOTAL	1,735,884	2,365,018	2,999,490	1,722,438	1,722,438	1,722,438	1,722,438	1,722,438
BLACKBERRY FARM GOLF COURSE (FUND 560)								
560-63-616 BBF Golf Course	634,410	692,151	727,647	691,328	691,328	691,328	691,328	691,328
560-99-061 BBF Entrnc Rd Improv-Feasibility	11,057	-	63,942	2,002	-	-	-	-
TOTAL	645,467	692,151	791,589	693,330	691,328	691,328	691,328	691,328
SPORTS CENTER (FUND 570)								
570-63-621 Sports Center Operation	2,625,059	2,545,563	2,565,983	2,782,634	2,782,634	2,782,634	2,782,634	2,782,634
570-87-836 Bldg Maint Sports Center	410,977	470,355	601,588	533,237	533,237	533,237	533,237	533,237
570-99-081 Sports Center Seismic Retrofit	-	1,275,000	1,275,000	-	-	-	-	-
TOTAL	3,036,036	4,290,918	4,442,571	3,315,871	3,315,871	3,315,871	3,315,871	3,315,871
RECREATION PROGRAMS (FUND 580)								
580-62-613 Youth Teen Recreation	1,730,863	2,463,342	2,486,039	1,983,296	1,983,296	1,983,296	1,983,296	1,983,296
580-63-620 Outdoor Recreation	1,192,472	1,587,760	1,608,722	1,301,328	1,301,328	1,301,328	1,301,328	1,301,328
580-99-082 Quinlan Preschool Shade Structur	-	125,000	125,000	-	-	-	-	-
TOTAL	2,923,335	4,176,102	4,219,761	3,284,624	3,284,624	3,284,624	3,284,624	3,284,624
TOTAL ENTERPRISE FUNDS	8,340,722	11,524,189	12,453,411	9,016,263	9,014,261	9,014,261	9,014,261	9,014,261

Fiscal Year 2020-21 Proposed Budget Five-Year Forecast - Internal Service Fund Expenditures

Program	2018-19 Actual	2018-19 Adopted	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
INFORMATION TECHNOLOGY (FUND 610)								
610-30-300 Administration	252,099	297,998	345,452	407,779	407,779	407,779	407,779	407,779
610-34-310 Infrastructure	2,198,359	2,267,832	2,650,696	2,136,777	2,136,777	2,136,777	2,136,777	2,136,777
610-35-986 GIS	1,045,553	1,096,093	1,185,312	1,106,521	1,106,521	1,106,521	1,106,521	1,106,521
TOTAL	3,496,011	3,661,923	4,181,460	3,651,077	3,651,077	3,651,077	3,651,077	3,651,077
WORKERS' COMPENSATION (FUND 620)								
620-44-418 Workers Compensation Insurance	280,249	257,389	260,046	276,223	276,223	276,223	276,223	276,223
TOTAL	280,249	257,389	260,046	276,223	276,223	276,223	276,223	276,223
VEHICLE/EQUIPMENT REPLACEMENT (FUND 630)								
630-85-849 Equipment Maintenance	1,468,437	1,565,864	1,585,610	1,497,347	1,497,347	1,497,347	1,497,347	1,497,347
630-90-985 Fixed Assets Acquisition	3,025	594,100	946,581	968,158	968,158	968,158	968,158	968,158
TOTAL	1,471,462	2,159,964	2,532,191	2,465,505	2,465,505	2,465,505	2,465,505	2,465,505
COMPENSATED ABSENCE & LONG-TERM DISABILITY (FUND 641)								
641-44-419 Long Term Disability	158,156	159,134	159,134	171,837	171,837	171,837	171,837	171,837
641-44-420 Compensated Absence	451,492	632,689	632,689	620,055	620,055	620,055	620,055	620,055
TOTAL	609,648	791,823	791,823	791,892	791,892	791,892	791,892	791,892
RETIREE MEDICAL (FUND 642)								
642-44-414 HR Retiree Benefits	1,081,653	1,077,262	1,077,262	1,211,333	1,211,333	1,211,333	1,211,333	1,211,333
TOTAL	1,081,653	1,077,262	1,077,262	1,211,333	1,211,333	1,211,333	1,211,333	1,211,333
TOTAL INTERNAL SERVICE FUNDS	6,939,023	7,948,361	8,842,782	8,396,030	8,396,030	8,396,030	8,396,030	8,396,030

Fiscal Year 2020-21 Proposed Budget Five-Year Forecast - All Funds Fund Balance/Retained Earnings

Fund Type		2018-19 Actual	2018-19 Adopted	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
GENERAL FUNDS									
	Beginning Balance	53,589,690	58,922,585	58,922,585	53,438,546	50,602,143	54,536,175	59,089,782	61,394,746
Assigned		27,896,128	12,801,317	17,500,000	14,672,597	18,223,629	22,777,236	25,082,200	26,672,506
Unassigned		31,026,457	33,826,157	35,938,546	35,929,546	36,312,546	36,312,546	36,312,546	36,312,546
	Ending Balance	58,922,585	46,627,474	53,438,546	50,602,143	54,536,175	59,089,782	61,394,746	62,985,052
SPECIAL REVENUE FUNDS									
	Beginning Balance	29,231,626	11,591,698	34,275,080	23,397,927	24,751,325	26,439,027	28,126,729	29,814,431
Assigned		34,275,080	13,655,524	23,397,927	24,751,325	26,439,027	28,126,729	29,814,431	31,502,133
Unassigned		-	-	-	-	-	-	-	-
	Ending Balance	34,275,080	13,655,524	23,397,927	24,751,325	26,439,027	28,126,729	29,814,431	31,502,133
DEBT SERVICE FUNDS									
	Beginning Balance	1,586,987	1,586,987	1,660,760	1,660,760	1,660,760	1,660,760	1,660,760	1,660,760
Assigned		1,660,760	1,586,987	1,660,760	1,660,760	1,660,760	1,660,760	1,660,760	1,660,760
Unassigned		-	-	-	-	-	-	-	-
	Ending Balance	1,660,760	1,586,987	1,660,760	1,660,760	1,660,760	1,660,760	1,660,760	1,660,760
CAPITAL PROJECT FUNDS									
	Beginning Balance	29,129,616	21,093,773	33,211,944	48,538,113	48,194,839	48,194,839	48,194,839	48,194,839
Assigned		33,211,944	5,563,992	48,538,113	48,194,839	48,194,839	48,194,839	48,194,839	48,194,839
Unassigned		-	-	-	-	-	-	-	-
	Ending Balance	33,211,944	5,563,992	48,538,113	48,194,839	48,194,839	48,194,839	48,194,839	48,194,839
ENTERPRISE FUNDS									
	Beginning Balance	9,648,709	7,118,711	8,056,505	5,001,676	4,616,455	5,749,228	6,882,001	8,014,774
Assigned		8,056,505	5,086,349	5,001,676	4,616,455	5,749,228	6,882,001	8,014,774	9,147,547
Unassigned		-	-	-	-	-	-	-	-
	Ending Balance	8,056,505	5,086,349	5,001,676	4,616,455	5,749,228	6,882,001	8,014,774	9,147,547

Fiscal Year 2020-21 Proposed Budget Five-Year Forecast - All Funds Fund Balance/Retained Earnings

Fund Type		2018-19 Actual	2018-19 Adopted	2019-20 Estimate	2020-21 Proposed	2021-22 Forecast	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast
INTERNAL SERVICE FUNDS									
	Beginning Balance	6,538,019	4,701,861	6,850,179	6,825,172	3,674,476	2,143,375	676,564	(726,172)
Assigned		6,850,179	4,883,053	6,825,172	3,674,476	2,143,375	676,564	(726,172)	(2,065,195)
Unassigned		-	-	-	-	-	-	-	-
	Ending Balance	6,850,179	4,883,053	6,825,172	3,674,476	2,143,375	676,564	(726,172)	(2,065,195)
TOTAL ALL FUNDS		142,977,053	77,403,379	138,862,194	133,499,998	138,723,404	144,630,675	148,353,379	151,425,136

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