

# Financial Schedules

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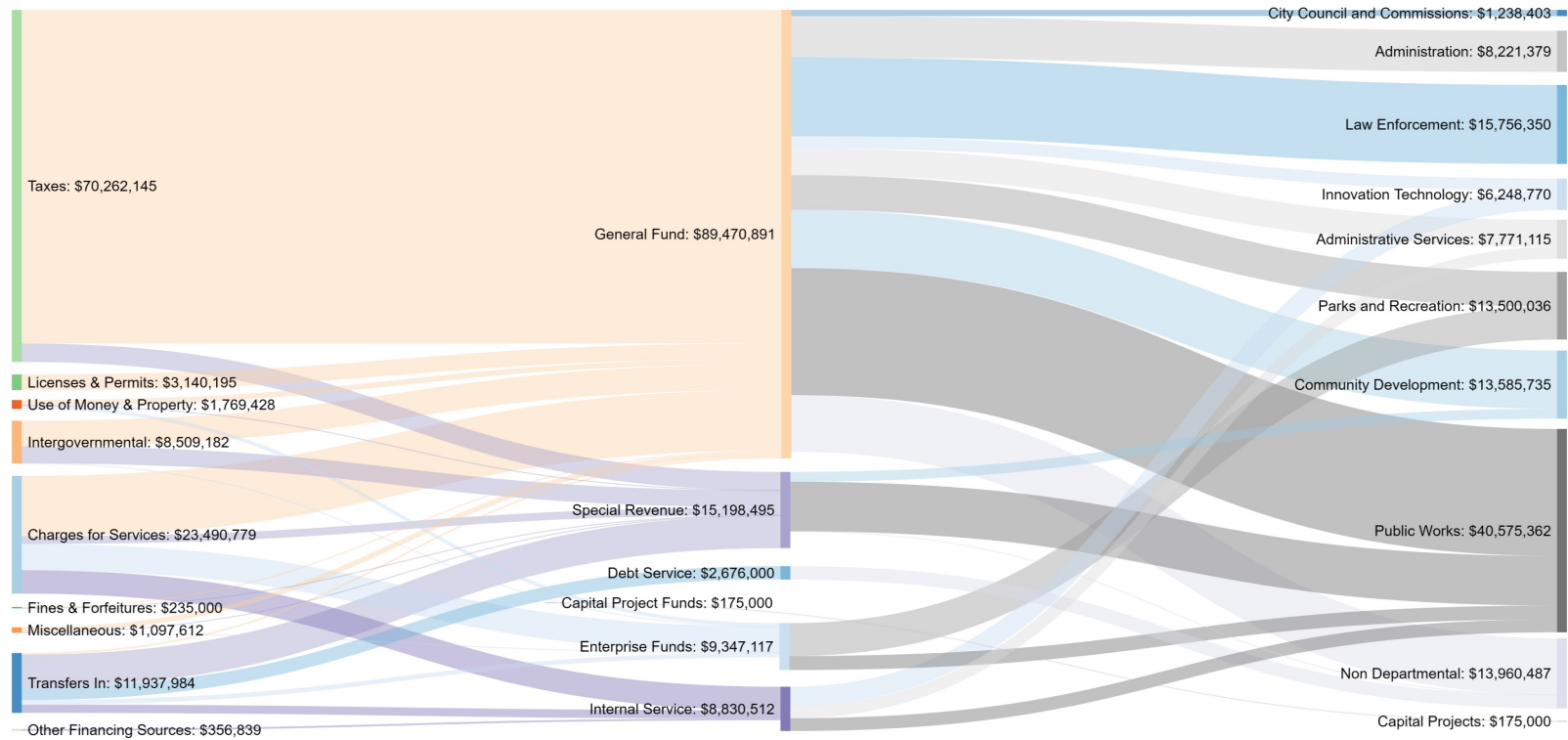
# Financial Overview by Fund

Revenue Categories	General Fund	Special Revenue Fund	Debt Service Fund	Capital Project Funds	Enterprise Funds	Internal Service Funds	2021-22 Proposed Budget Total
Sales Tax	\$ 27,855,559	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,855,559
Property Tax	\$ 27,840,341	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,840,341
Transient Occupancy	\$ 3,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,000,000
Utility Tax	\$ 3,245,447	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,245,447
Franchise Fees	\$ 3,380,986	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,380,986
Other Taxes	\$ 1,248,720	\$ 3,691,092	\$ -	\$ -	\$ -	\$ -	\$ 4,939,812
Licenses & Permits	\$ 3,140,195	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,140,195
Use of Money & Property	\$ 1,072,220	\$ 4,208	\$ -	\$ -	\$ 693,000	\$ -	\$ 1,769,428
Intergovernmental	\$ 5,093,946	\$ 3,401,236	\$ -	\$ -	\$ 14,000	\$ -	\$ 8,509,182
Charges for Services	\$ 12,047,922	\$ 1,547,078	\$ -	\$ -	\$ 5,217,578	\$ 4,678,201	\$ 23,490,779
Fines & Forfeitures	\$ 225,000	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 235,000
Miscellaneous	\$ 1,000,555	\$ 87,057	\$ -	\$ -	\$ 10,000	\$ -	\$ 1,097,612
Transfers In/Other Financing Uses	\$ 320,000	\$ 6,457,824	\$ 2,621,000	\$ -	\$ 886,801	\$ 2,009,198	\$ 12,294,823
<b>TOTAL REVENUE</b>	<b>\$ 89,470,891</b>	<b>\$ 15,198,495</b>	<b>\$ 2,621,000</b>	<b>\$ -</b>	<b>\$ 6,821,379</b>	<b>\$ 6,687,399</b>	<b>\$ 120,799,164</b>

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	\$ 21,304,931	\$ 1,772,223	\$ -	\$ -	\$ 1,871,811	\$ 1,736,052	\$ 26,685,017
Employee Benefits	\$ 9,900,842	\$ 905,260	\$ -	\$ -	\$ 647,092	\$ 2,015,467	\$ 13,468,661
Materials	\$ 6,849,707	\$ 893,053	\$ -	\$ -	\$ 417,242	\$ 1,220,956	\$ 9,380,958
Contract Services	\$ 24,598,223	\$ 1,451,016	\$ -	\$ 175,000	\$ 4,967,179	\$ 1,696,641	\$ 32,888,059
Cost Allocation	\$ 11,948,062	\$ 1,325,945	\$ -	\$ -	\$ 1,034,107	\$ 60,817	\$ 14,368,931
Capital Outlays	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
Special Projects	\$ 795,000	\$ 4,100,000	\$ -	\$ -	\$ -	\$ 1,058,200	\$ 5,953,200
Contingencies	\$ 945,029	\$ 36,733	\$ -	\$ -	\$ 134,527	\$ 72,910	\$ 1,189,199
Transfers Out	\$ 11,251,984	\$ 381,000	\$ -	\$ -	\$ -	\$ -	\$ 11,632,984
Debt Service/Other Uses	\$ 545,000	\$ -	\$ 2,676,000	\$ -	\$ 275,159	\$ 969,469	\$ 4,465,628
<b>TOTAL EXPENDITURES</b>	<b>\$ 88,138,778</b>	<b>\$ 11,865,230</b>	<b>\$ 2,676,000</b>	<b>\$ 175,000</b>	<b>\$ 9,347,117</b>	<b>\$ 8,830,512</b>	<b>\$ 121,032,637</b>

**Net Increase (Decrease) in Fund Balance/Retained Earnings** \$ 1,332,113 \$ 3,333,265 \$ (55,000) \$ (175,000) \$ (2,525,738) \$ (2,143,113) \$ (233,473)

# Flow of Funds Chart (Sankey)



# General Fund Contribution Schedule

Fund Type	Proposed Budget Expenditures	Proposed Budget Revenues	Proposed Budget Fund Balance/ Retained Earnings (Usage)	Proposed General Fund Contribution
<b>General Fund</b>				
<b>10 City Council</b>				
100 City Council	479,750	1,054,877	-	(575,127)
101 Community Funding	22,759	-	-	22,759
110 Sister Cities	77,582	-	-	77,582
<b>11 Commissions</b>				
131 Telecommunication Commission	37,125	-	-	37,125
140 Library Commission	48,341	-	-	48,341
142 Fine Arts Commission	66,468	-	-	66,468
150 Public Safety Commission	35,606	-	-	35,606
155 Bike/Ped Safety Commission	47,731	-	-	47,731
160 Recreation Commission	57,463	-	-	57,463
165 Teen Commission	81,078	-	-	81,078
170 Planning Commission	131,245	-	-	131,245
175 Housing Commission	62,761	-	-	62,761
180 Sustainability Commission	63,038	-	-	63,038
190 Audit Committee	27,456	-	-	27,456
<b>12 City Manager</b>				
120 City Manager	1,521,821	637,444	-	884,377
122 Sustainability Division	866,420	-	-	866,420
126 Office of Communications	783,955	-	-	783,955
305 Multimedia Division	916,347	414,196	-	502,151
307 Public Access Support	79,531	-	-	79,531
632 Comm Outreach & Neigh Watch	170,392	-	-	170,392
633 Disaster Preparedness	694,734	-	-	694,734
<b>13 City Clerk</b>				
130 City Clerk	603,333	144,551	-	458,782
132 Duplicating/Mail Services	47,794	-	-	47,794
133 Elections	147	-	-	147
<b>14 City Manager Discretion</b>				
123 City Manager Contingency	593,250	-	-	593,250
<b>15 City Attorney</b>				
141 City Attorney	1,943,655	542,945	-	1,400,710
<b>20 Law Enforcement</b>				
200 Law Enforcement SC Sherif	15,706,972	887,259	-	14,819,713
201 Interoperability Project	49,378	-	-	49,378
<b>32 I&amp;T Applications</b>				
308 Applications	2,369,287	1,613,055	-	(1,613,055)
<b>40 Administrative Services</b>				
400 Admin Services Administration	926,303	183,169	-	743,134
<b>41 Finance</b>				
405 Accounting	1,603,000	2,175,347	-	(572,347)
406 Business Licenses	404,377	-	-	404,377
<b>44 Human Resources</b>				
412 Human Resources	1,479,115	2,122,380	-	(643,265)
417 Insurance Administration	965,352	-	-	965,352
<b>60 Recreation &amp; Community Service</b>				
601 Rec & Comm Svcs Administration	1,403,256	-	-	1,403,256
634 Park Planning and Restoration	-	-	-	-
636 Library Services	233,790	-	-	233,790
<b>61 Business and Community Services</b>				
602 Administration	722,137	-	-	722,137
605 Cultural Events	433,137	31,000	-	402,137
630 Facilities	366,893	168,395	-	198,498

<b>62 Recreation and Education</b>				-
608 Administration	722,159	12,500	-	709,659
623 Youth, Teen and Senior Adult Rec	1,117,651	164,000	-	953,651
639 Youth and Teen Programs	367,838	3,000	-	364,838
640 Neighborhood Events	163,119	-	-	163,119
<b>63 Sports, Safety &amp; Outdoor Rec</b>				
612 Park Facilities	1,280,136	162,000	-	1,118,136
615 Administration	117,951	-	-	117,951
<b>70 Planning &amp; Community Development</b>				
700 Community Development Admin	923,490	-	-	923,490
<b>71 Planning</b>				
701 Current Planning	2,939,626	1,037,500	-	1,902,126
702 Mid Long Term Planning	1,524,188	138,750	-	1,385,438
704 Annexations	-	-	-	-
705 Economic Development	337,074	-	-	337,074
<b>72 Housing Services</b>				
712 Gen Fund Human Services Grants	124,062	-	-	124,062
<b>73 Building</b>				
713 General Building	1,019,751	315,000	-	704,751
714 Construction Plan Check	1,995,799	1,300,000	-	695,799
715 Building Inspection	1,481,425	1,500,000	-	(18,575)
718 Muni-Bldg Code Enforcement	86,618	-	-	86,618
<b>74 Code Enforcement</b>				
202 Code Enforcement	1,202,392	225,000	-	977,392
<b>80 PW Admin</b>				
800 Public Works Admin	966,732	-	-	966,732
<b>82 Developmental Services</b>				
804 Plan Review	1,608,551	988,368	-	620,183
806 CIP Administration	1,538,266	-	-	1,538,266
<b>83 Service Center</b>				
807 Service Center Administration	1,254,725	98,674	-	1,156,051
<b>84 Grounds</b>				
808 McClellan Ranch Park	187,822	-	-	187,822
809 Memorial Park	868,977	-	-	868,977
811 BBF Ground Maintenance	338,791	-	-	338,791
812 School Site Maintenance	1,599,983	149,448	-	1,450,535
813 Neighborhood Parks	2,647,280	-	-	2,647,280
814 Sport Fields Jollyman CRK	925,750	-	-	925,750
815 Civic Center Ground Maint	515,160	299,961	-	215,199
<b>85 Streets</b>				
848 Street Lighting	988,320	-	-	988,320
850 Environmental Materials	217,696	-	-	217,696
<b>86 Trees and Right of Way</b>				
824 Overpasses and Medians	1,651,835	-	-	1,651,835
825 Street Tree Maintenance	1,930,432	61,210	-	1,869,222
826 Weekend Work Program	572,015	-	-	572,015
<b>87 Facilities and Fleet</b>				
827 Bldg Maint City Hall	655,463	452,294	-	203,169
828 Bldg Maint Library	646,923	292,694	-	354,229
829 Bldg Maint Service Center	410,725	-	-	410,725
830 Bldg Maint Quinlan Center	561,259	-	-	561,259
831 Bldg Maint Senior Center	401,923	-	-	401,923
832 Bldg Maint McClellan Ranch	234,438	874	-	233,564
833 Bldg Maint Monta Vista Ct	194,762	-	-	194,762
834 Bldg Maint Wilson	101,531	-	-	101,531
835 Bldg Maint Portal	60,736	-	-	60,736
837 Bldg Maint Creekside	106,935	-	-	106,935
838 Comm Hall Bldg Maint	259,761	-	-	259,761
839 Teen Center Bldg Maint	48,987	-	-	48,987
840 Park Bathrooms	126,256	-	-	126,256
841 BBF Facilities Maintenance	542,039	-	-	542,039
852 Franco Traffic Operations Center	6,658	-	-	6,658

**88 Transportation**

844 Traffic Engineering	1,514,399	-	-	1,514,399
845 Traffic Signal Maintenance	811,832	-	-	811,832
846 Safe Routes 2 School	846,271	-	-	846,271

**90 Citywide - Non Departmental**

001 No Department	11,269,487	-	-	11,269,487
502 EE Housing Loan	-	-	-	-
<b>GENERAL FUND SUBTOTAL I</b>	<b>\$ 88,138,778</b>	<b>\$ 18,788,946</b>	<b>\$ -</b>	<b>\$ 69,349,832</b>

**General Fund Revenue/Fund Balance**

General Fund Revenue	-	70,681,945	-	(70,681,945)
Unassigned Fund Balance	-	-	1,332,113	1,332,113
<b>GENERAL FUND SUBTOTAL II</b>	<b>\$ -</b>	<b>\$ 70,681,945</b>	<b>\$ 1,332,113</b>	<b>\$ (69,349,832)</b>

<b>TOTAL GENERAL FUND</b>	<b>\$ 88,138,778</b>	<b>\$ 89,470,891</b>	<b>\$ 1,332,113</b>	<b>\$ -</b>
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**Special Revenue Fund**

Non Point Source	1,185,579	1,553,100	367,521	-
Storm Drain Maintenance	779,504	-	(779,504)	-
HCD General Administration	124,376	79,439	(44,937)	-
CDBG- Capital Grants	258,214	261,475	3,261	-
Public Service Grants	59,588	59,588	-	-
Below Market Rate Housing	1,509,132	3,611,855	2,102,723	-
Sidewalk, Curb and Gutter Maint	1,868,903	-	(1,868,903)	-
Street Pavement Maintenance	4,797,069	1,624,285	(3,172,784)	-
Street Signs/Markings	901,865	-	(901,865)	-
Non-Departmental	381,000	1,550,929	7,627,753	6,457,824
<b>TOTAL SPECIAL REVENUE FUNDS</b>	<b>\$ 11,865,230</b>	<b>\$ 8,740,671</b>	<b>\$ 3,333,265</b>	<b>\$ 6,457,824</b>

**Debt Service**

Public Facilities Corporation	2,676,000	-	(55,000)	2,621,000
<b>TOTAL DEBT SERVICE</b>	<b>\$ 2,676,000</b>	<b>\$ -</b>	<b>\$ (55,000)</b>	<b>\$ 2,621,000</b>

**Capital Projects Funds**

CIP - CIP Prelim Planning & Design	125,000	-	(125,000)	-
CIP - Capital Project Support	50,000	-	(50,000)	-
<b>TOTAL CAPITAL PROJECTS FUNDS</b>	<b>\$ 175,000</b>	<b>\$ -</b>	<b>\$ (175,000)</b>	<b>\$ -</b>

**Enterprise Funds**

Resources Recovery	2,152,096	1,494,578	(657,518)	-
Golf Course	680,050	340,000	(260,058)	79,992
Sports Center	2,902,360	2,701,000	(201,360)	-
Sports Center Maintenance	624,673	-	(624,673)	-
Youth Teen Recreation	1,828,845	742,000	(1,086,845)	-
Outdoor Recreation	1,159,093	657,000	304,716	806,809
<b>TOTAL ENTERPRISE FUNDS</b>	<b>\$ 9,347,117</b>	<b>\$ 5,934,578</b>	<b>\$ (2,525,738)</b>	<b>\$ 886,801</b>

**Internal Service Funds**

Information Services Admin	252,124	-	(252,124)	-
Information Technology	2,202,453	1,882,195	(128,180)	192,078
GIS	1,424,906	1,077,408	(347,498)	-
Equipment Maintenance	1,557,044	2,084,598	527,554	-
Equipment Fixed Asset Acquisition	1,001,017	-	(1,001,017)	-
Workers' Compensation Claims	434,840	356,839	(78,001)	-
Disability Claims	95,612	-	(95,612)	-
Leave Payouts	620,590	-	(599,020)	21,570
Retiree Medical Insurance	1,241,926	-	(169,215)	1,072,711
<b>TOTAL INTERNAL SERVICE FUNDS</b>	<b>\$ 8,830,512</b>	<b>\$ 5,401,040</b>	<b>\$ (2,143,113)</b>	<b>\$ 1,286,359</b>

<b>TOTAL ALL FUNDS</b>	<b>\$ 121,032,637</b>	<b>\$ 109,547,180</b>	<b>\$ (233,473)</b>	<b>\$ 11,251,984</b>
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# Fund Balance Report

Fund	Fund Balance 7/1/2020	Projected Fund Balance 7/1/2021	Proposed Budget Revenue	Proposed Budget Expenditures	Proposed Fund Balance 6/30/2022
100 <u>GENERAL FUND</u>	\$ 74,505,822	\$ 83,259,456	\$ 89,470,891	\$ 88,138,778	\$ 84,591,569
<b><u>SPECIAL REVENUE FUNDS</u></b>					
210, 215 Storm Drain Improvement	\$ 3,994,007	\$ 4,093,795	\$ 79,237	\$ -	\$ 4,173,032
230 Environmental Management/ Clean Creek / Storm Drain	1,780,980	1,440,606	1,554,008	2,331,083	663,531
260, 261 Housing & Community Development 265	8,459,127	10,398,317	4,012,357	1,951,310	12,459,364
270, 271 Transportation	5,415,633	8,686,304	9,552,893	7,567,837	10,671,360
280, 281 Park Dedication	12,345,427	4,269,293	-	15,000	4,254,293
<b>TOTAL SPECIAL REVENUE FUNDS</b>	<b>\$ 31,995,174</b>	<b>\$ 28,888,315</b>	<b>\$ 15,198,495</b>	<b>\$ 11,865,230</b>	<b>\$ 32,221,580</b>
<b><u>DEBT SERVICE FUND</u></b>					
365 Public Facilities Corporation	\$ 1,685,872	\$ 55,016	\$ 2,621,000	\$ 2,676,000	\$ 16
<b>TOTAL DEBT SERVICE FUND</b>	<b>\$ 1,685,872</b>	<b>\$ 55,016</b>	<b>\$ 2,621,000</b>	<b>\$ 2,676,000</b>	<b>\$ 16</b>
<b><u>CAPITAL PROJECTS FUNDS</u></b>					
420 Capital Improvement Fund	32,265,236	28,163,299	-	175,000	27,988,299
427 Stevens Creek Corridor Park	197,045	121,648	-	-	121,648
429 Capital Reserve	8,088,854	11,099,405	-	-	11,099,405
<b>TOTAL CAPITAL PROJECTS FUNDS</b>	<b>\$ 40,551,134</b>	<b>\$ 39,384,351</b>	<b>\$ -</b>	<b>\$ 175,000</b>	<b>\$ 39,209,351</b>
<b><u>ENTERPRISE FUNDS</u></b>					
520 Resource Recovery	\$ 5,333,668	\$ 4,389,772	\$ 1,494,578	\$ 2,152,096	\$ 3,732,254
560 Blackberry Farm	291,097	534,743	419,992	680,050	274,685
570 Sports Center	2,573,194	1,228,814	2,701,000	3,527,033	402,781
580 Recreation Programs	1,055,863	782,620	2,205,809	2,987,938	491
<b>TOTAL ENTERPRISE FUNDS</b>	<b>\$ 9,253,822</b>	<b>\$ 6,935,949</b>	<b>\$ 6,821,379</b>	<b>\$ 9,347,117</b>	<b>\$ 4,410,211</b>
<b><u>INTERNAL SERVICE FUNDS</u></b>					
610 Information Technology	\$ 1,529,263	\$ 727,802	\$ 3,151,681	\$ 3,879,483	\$ (0)
620 Workers' Compensation	2,382,142	2,252,304	356,839	434,840	2,174,303
630 Equipment	1,533,983	1,139,207	2,084,598	2,558,061	665,744
641 Compensated Absence & LTD	1,179,269	703,201	21,570	716,202	8,569
642 Retiree Medical	1,334,793	372,206	1,072,711	1,241,926	202,991
<b>TOTAL INTERNAL SERVICE FUNDS</b>	<b>\$ 7,959,449</b>	<b>\$ 5,194,719</b>	<b>\$ 6,687,399</b>	<b>\$ 8,830,512</b>	<b>\$ 3,051,606</b>
<b>TOTAL ALL FUNDS</b>	<b>\$ 165,951,274</b>	<b>\$ 163,717,807</b>	<b>\$ 120,799,164</b>	<b>\$ 121,032,637</b>	<b>\$ 163,484,334</b>



# 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 2021-22, General Fund revenue estimates (excluding fund balance) total \$89.5 million, representing a \$10.4 million, or 13.2% increase from the FY 2020-21 Adopted Budget, mostly due to an increase in sales tax and intergovernmental revenues.

General Fund expenditure estimates total \$88.1 million, which is slightly higher than the FY 2020-21 Adopted Budget. The General Fund’s ending fund balance is projected to increase by 3% from FY 2020-21 estimated ending fund balance. This is due to a projected increase in sales tax and intergovernmental revenues, offset by a continued decrease in transient occupancy tax revenues as uncertainty remains as part of the COVID-19 pandemic.

GENERAL FUND OPERATING SUMMARY					
	2018-19	2019-20	2020-21	2021-22	Percent
	Actuals	Actuals	Estimated	Proposed	Change
Beginning Fund Balance	52,510,547	58,922,585	74,505,813	83,259,456	12%
Operating Revenue	88,829,941	111,179,073	97,137,077	89,470,891	-8%
Operating Expenditures	(82,390,187)	(95,481,452)	(89,629,944)	(88,138,778)	-2%
Net Revenue/Expenditures	6,439,754	15,697,621	7,507,133	1,332,113	-82%
Committed/Other	31,026,457	40,078,871	44,134,009	46,129,009	5%
Unassigned	27,896,128	34,426,942	39,125,447	38,462,560	-2%
Total Ending Fund Balance	58,922,585	74,505,813	83,259,456	84,591,569	2%

# General Fund Revenues

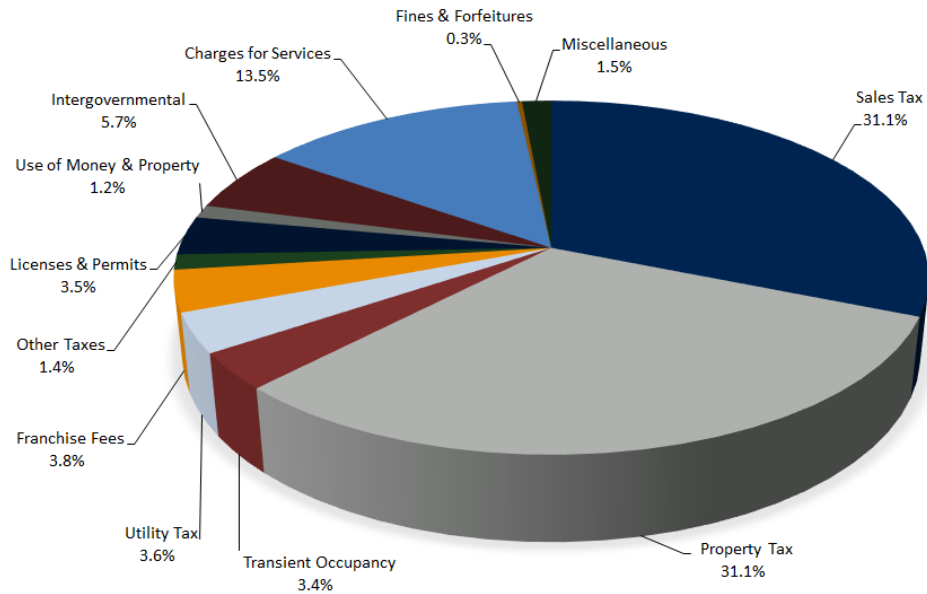
Estimates for the FY 2021-22 beginning fund balance and General Fund revenue sources are based upon a careful examination of collection history and patterns as they relate to such factors as seasonality and performance in the economic environment that the City is most likely to encounter in the coming year. FY 2021-22 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 2021-22 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 2021-22 revenues are estimated at \$89.5 million, a 13.2% increase over the FY 2020-21 Adopted Budget.

GENERAL FUND REVENUE SUMMARY					
REVENUES	2018-19 Actuals	2019-20 Actuals	2020-21 Adopted	2021-22 Proposed	Percent Change
Sales Tax	24,901,779	35,657,215	20,910,889	27,855,559	33.2%
Property Tax	25,301,094	26,606,844	25,353,783	27,840,341	9.8%
Transient Occupancy	8,901,337	7,286,083	7,546,884	3,000,000	-60.2%
Utility Tax	3,089,921	3,182,087	3,223,712	3,245,447	0.7%
Franchise Fees	3,445,253	3,418,909	3,280,447	3,380,986	3.1%
Other Taxes	1,659,916	1,402,002	1,212,939	1,248,720	2.9%
Licenses & Permits	4,102,665	4,692,845	3,139,473	3,140,195	0.0%
Use of Money & Property	2,680,997	4,189,877	1,246,510	1,072,220	-14.0%
Intergovernmental	473,942	747,942	335,567	5,093,946	1418.0%
Charges for Services	10,977,805	11,986,328	11,091,064	12,047,922	8.6%
Fines & Forfeitures	511,472	327,833	425,000	225,000	-47.1%
Miscellaneous	2,783,761	11,681,108	1,293,857	1,320,555	2.1%
<b>TOTAL REVENUES</b>	<b>88,829,941</b>	<b>111,179,073</b>	<b>79,060,125</b>	<b>89,470,891</b>	<b>13.2%</b>

The majority of Cupertino’s General Fund operating revenues are generated by property taxes (31%) and sales taxes (31%), followed by charges for services (14%) and intergovernmental (6%). The chart on the next page illustrates the sources of General Fund revenue by category.

### General Fund Revenues By Category



The FY 2021-22 General Fund revenue estimates are discussed by category in the material that follows.

SALES & USE TAX	
FY 19-20 Actual	35,657,215
FY 20-21 Adopted	20,910,889
FY 20-21 Estimate	29,508,509
FY 21-22 Proposed	27,855,559
% of General Fund	31.13%
% Change from FY 20-21 Adopted	33.21%

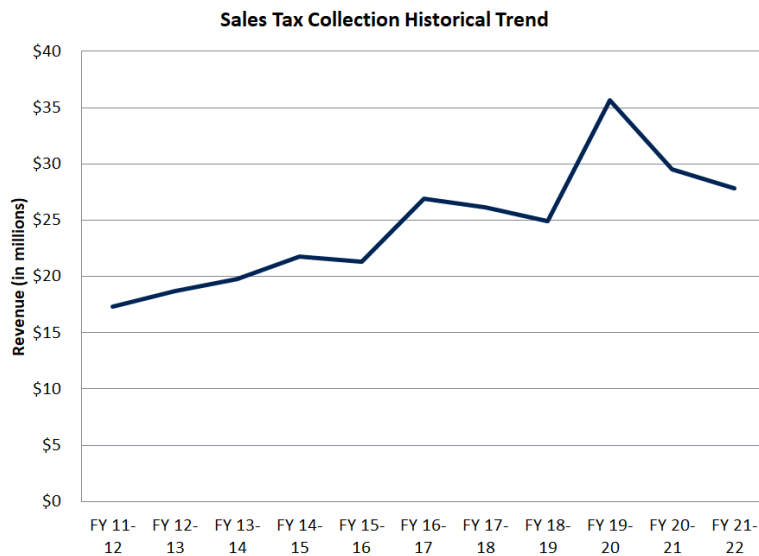
Agency	Sales Tax Distribution
State	6.000%
VTA	1.125%
City of Cupertino	1.000%
County General Purpose	0.625%
County Transportation	0.250%
<b>Total:</b>	<b>9.000%</b>

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 above. Staff will continue to monitor competing interests for the City’s ¼ cent sales tax imposed on local governments as a potential new source of revenue for affordable housing and transportation. 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 taxpayers 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. Historically, sales tax receipts increased by 26.1% in FY 2016-17 due to a one-time \$3.5 million payment related to the closeout of the triple flip and took a slight dip of 2.8% in FY 2017-18. Additionally, the City’s sales tax revenues spiked to historic highs in both FY 2019-20 and FY 2020-21; however, the City is considering this to be a one-time experience. Sales tax revenues are estimated to generate \$27.9 million in FY 2021-22, which is up 33.2% from the FY 2020-21 Adopted Budget.

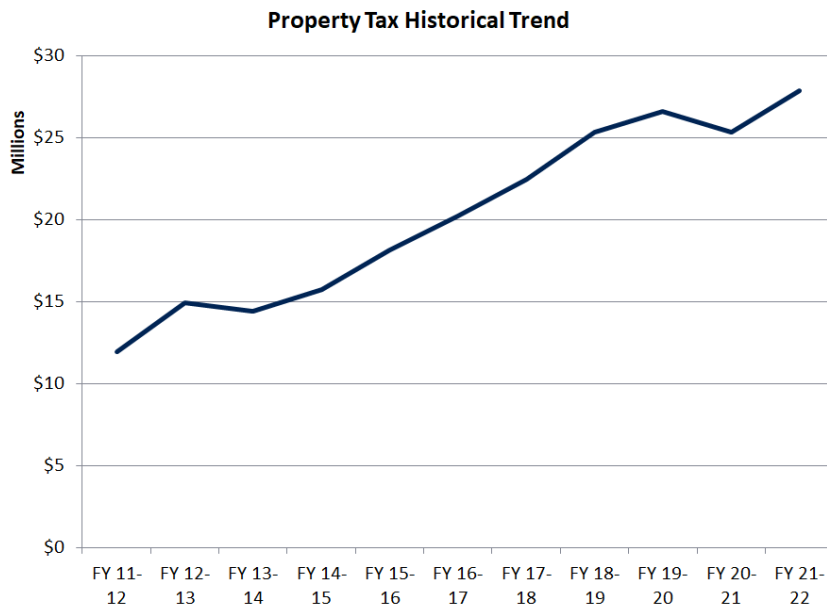


The swift reaction by consumers and businesses to the outbreak of COVID-19 in 2020 created significant fluctuations for the City’s industry groups. While restaurants and hotels, general consumer goods, and automotive industry groups were severely impacted, the City’s business-to-business and County pool allocation share increased substantially. This was brought on by shelter-in-place mandates throughout the State, which reduced the sales tax revenue for restaurants and brick and mortar retail, thereby increasing online sales. Additionally, the conversion to a telework environment increased the demand for computer and electronics equipment, which also increased the City’s sales tax revenues. As the State continues toward

recovery and businesses continue their opening, it is anticipated the City’s restaurant and hotels, general consumer goods, and automotive industry groups will recover and increase as well. However, these increases will only slightly mitigate the anticipated declines in the City’s business-to-business and County pool share allocation as online sales fall from recent historic highs. Although much uncertainty about where the City’s new sales tax base will land at the end of the recovery period, the City anticipates positive annual sales tax increases into the future. As information and data continue to become available, staff will bring forth updates and adjustments on a regular basis as necessary.

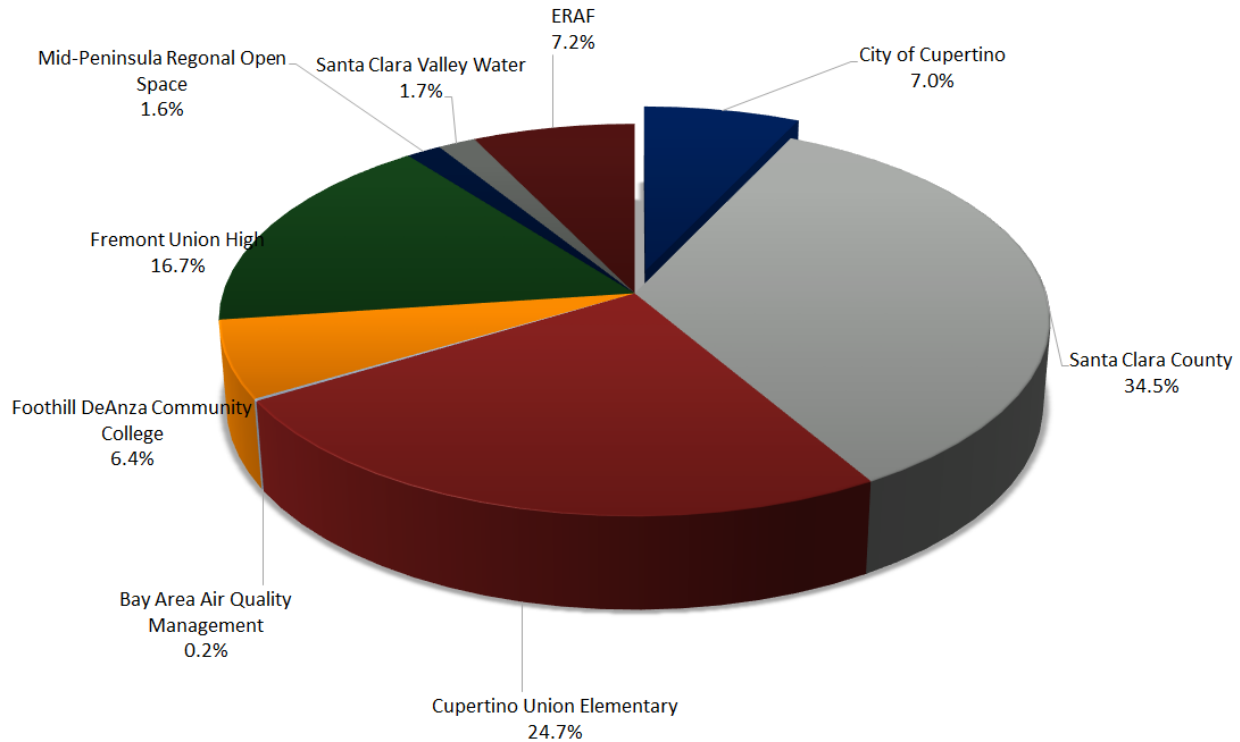
<b>PROPERTY TAX</b>	
FY 19-20 Actual	26,606,844
FY 20-21 Adopted	25,353,783
FY 20-21 Estimate	25,353,783
FY 21-22 Proposed	27,840,341
% of General Fund	31.12%
% Change from FY 20-21 Adopted	9.81%

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. The Property Tax Historical Trend indicates a slight dip in FY 2020-21, which reflects budgeted amounts rather than actuals.



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.

**Property Tax Allocation FY 21-22**



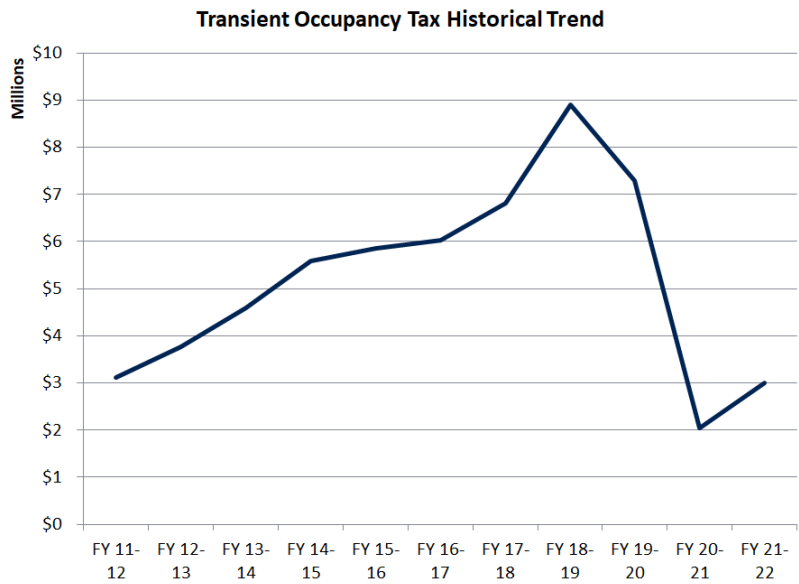
In FY 2006-07 West Valley cities won the passage of State legislation which restored a portion of TEA property tax revenue. This TEA change provided an additional \$1.35 million in property tax annually and increased the City’s share of property taxes to 5.6%. Cupertino, in conjunction with three other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

The City experienced a net taxable value increase of 6.95% for the 2020-2021 tax roll. The bulk of the increase was due to increases in residential properties by \$802 million, or 5%. This category makes up 60.3% of the net taxable value. Unsecured property tax increased by \$782 million, or 47.6%. This category makes up 8.7% of the net taxable value. Lastly, increases in commercial property values increased by \$169 million, or 2.3%. This

category makes up 27.2% of the net taxable value. The effects of COVID-19 on housing prices in Cupertino and the Bay Area have yet to be felt. Although values continue to increase, staff will monitor the potential impact of long-term and even permanent telework environments in the City and region.

TRANSIENT OCCUPANCY TAX	
FY 19-20 Actual	7,286,083
FY 20-21 Adopted	7,546,884
FY 20-21 Estimate	2,046,884
FY 21-22 Proposed	3,000,000
% of General Fund	3.35%
% Change from FY 20-21 Adopted	-60.25%

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 2020-21 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.

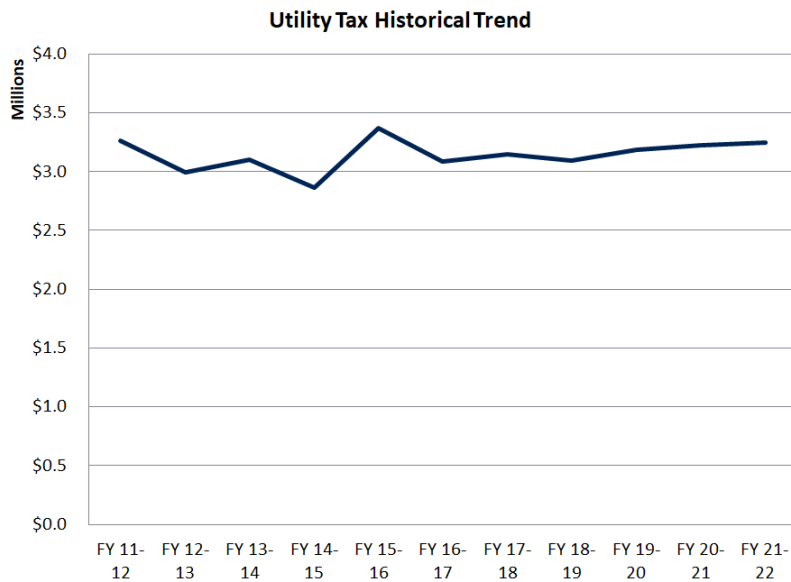


TOT is projected to decrease 60.3% in FY 2021-22. The City anticipates a “full-recovery” of TOT by FY 23-24; however, the extent of the recovery is uncertain as the decision for long-term and even permanent telework environments remain to be determined. Currently, a recovery to a \$7.5 million level is anticipated by FY 23-24. With a Proposed Budget amount in FY 21-22 of \$3 million, it is clear the recovery will not take place

overnight; however, staff is cautiously optimistic that this recovery could be accelerated through the continued roll-out of COVID-19 vaccinations. Staff will continue to monitor these activities and bring forward adjustments and recommendations as necessary.

<b>UTILITY TAX</b>	
FY 19-20 Actual	3,182,087
FY 20-21 Adopted	3,223,712
FY 20-21 Estimate	3,223,712
FY 21-22 Proposed	3,245,447
% of General Fund	3.63%
% Change from FY 20-21 Adopted	0.67%

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.



	<b>Utility User Tax Comparison</b>			
	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%

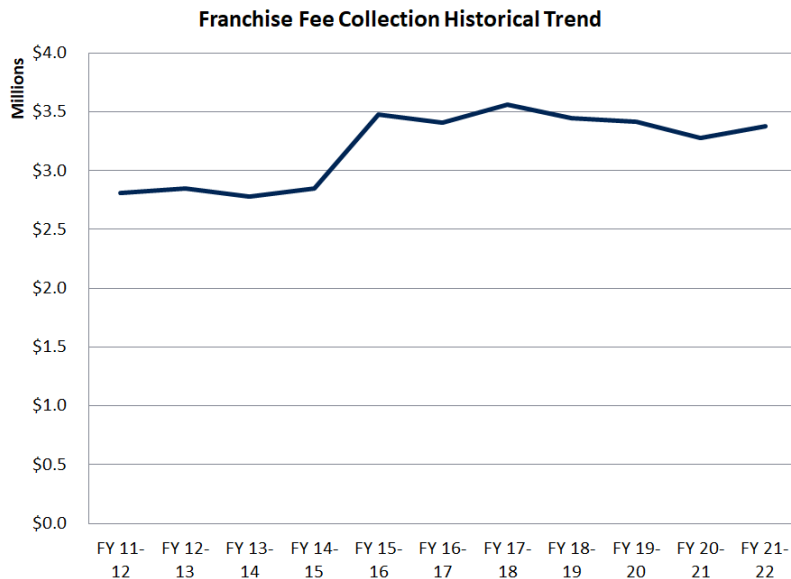


The City's tax rate is generally lower than that of other cities within Santa Clara County, as shown in the chart above. In March 2002, voters approved extending the utility tax's sunset date from 2015 to 2030. This extension corresponded with the extended debt maturity date resulting from the refinancing 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 2019-20, UUT revenues increased by 2.9% compared to FY 2018-19 and are estimated to increase 1.3% in FY 2020-21. Budgeted revenues are expected to remain at \$3.2 million for FY 2021-22 and beyond. This revenue source will be monitored closely as the fiscal year progresses.

FRANCHISE FEES	
FY 19-20 Actual	3,418,909
FY 20-21 Adopted	3,280,447
FY 20-21 Estimate	3,280,447
FY 21-22 Proposed	3,380,986
% of General Fund	3.78%
% Change from FY 20-21 Adopted	3.06%

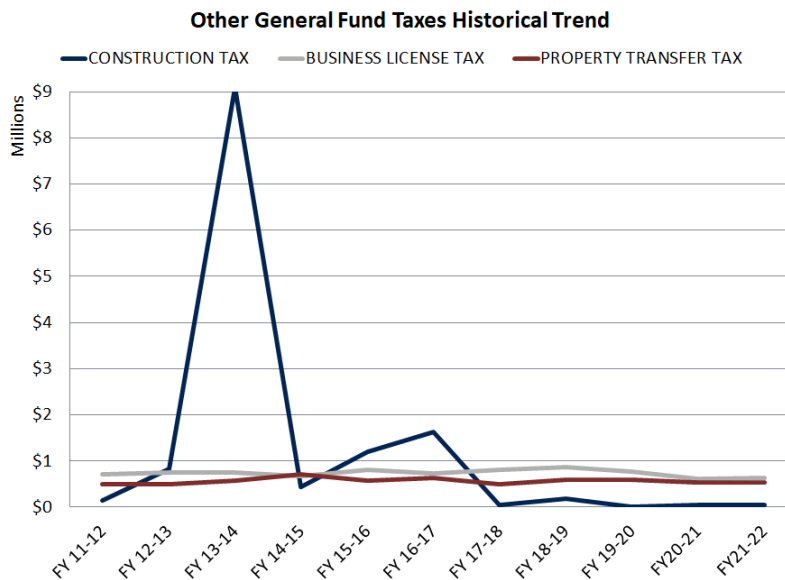
Franchise fees are received from cable, solid waste, water, gas and electricity franchisees that operate in the City. The fees range from 1% to 12% of the franchisee's gross revenues depending on each particular agreement. As shown in the graph below, these revenues are relatively steady and not sensitive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



Franchise fee revenues decreased by 0.8% in FY 2019-20 from the prior year. In FY 2020-21, franchise fee revenues are trending down 4.0% 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 2021-22. This revenue source will be monitored closely as the fiscal year progresses.

OTHER TAXES	
FY 19-20 Actual	1,402,002
FY 20-21 Adopted	1,212,939
FY 20-21 Estimate	1,212,939
FY 21-22 Proposed	1,248,720
% of General Fund	1.40%
% Change from FY 20-21 Adopted	2.95%

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.

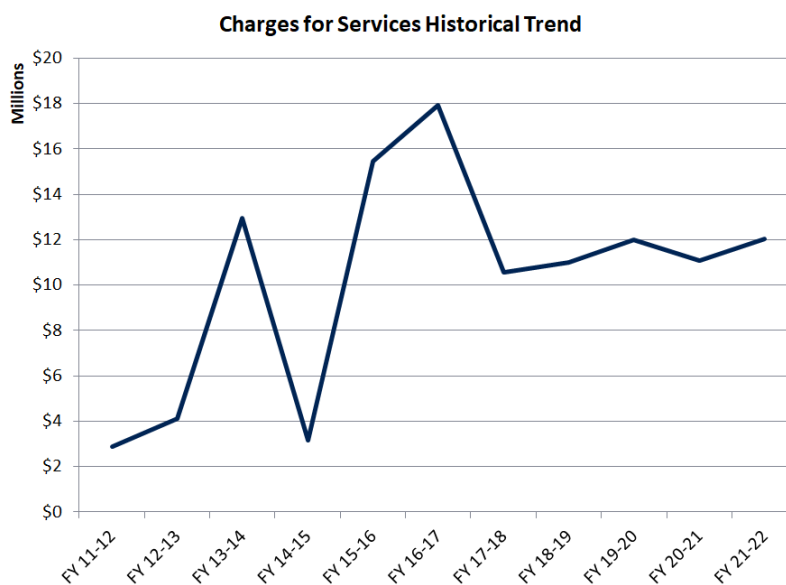


With the influx of several major construction projects beginning in 2012, revenues began increasing. The largest of the projects included the Apple Park and Main Street developments. These projects coupled with a strong housing recovery created a record year for revenues in FY 2013-14. These revenues have since returned to historic levels. In FY 2021-22, these revenues are expected to remain at \$1.2 million.

CHARGES FOR SERVICES	
FY 19-20 Actual	11,986,328
FY 20-21 Adopted	11,091,064
FY 20-21 Estimate	13,392,301
FY 21-22 Proposed	12,047,922
% of General Fund	13.47%
% Change from FY 20-21 Adopted	8.63%

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.

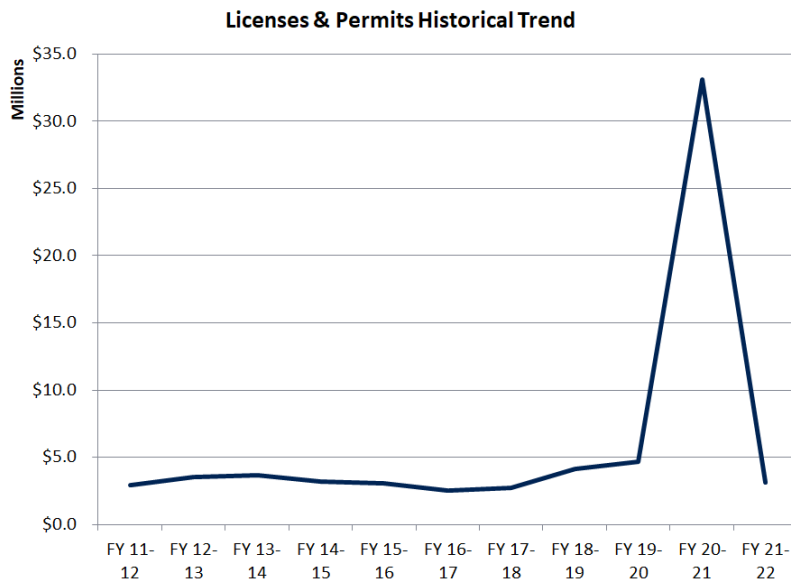


Current year actuals will come in higher compared to budgeted levels due to the uncertainty of the COVID-19 pandemic impact causing the City’s recreation facilities to shut down by way of the shelter-in-place orders

of the Santa Clara County Public Health Department. Increases to the City fees (effective July 3, 2021) would represent additional revenues of approximately \$551,000. As the City moves toward a recovery, growth in charges for services revenues is anticipated in FY 2021-22, with a full recovery achieved in FY 2022-23.

<b>LICENCES AND PERMITS</b>	
FY 19-20 Actual	4,692,845
FY 20-21 Adopted	3,139,473
FY 20-21 Estimate	33,123,003
FY 21-22 Proposed	3,140,195
% of General Fund	3.51%
% Change from FY 20-21 Adopted	0.02%

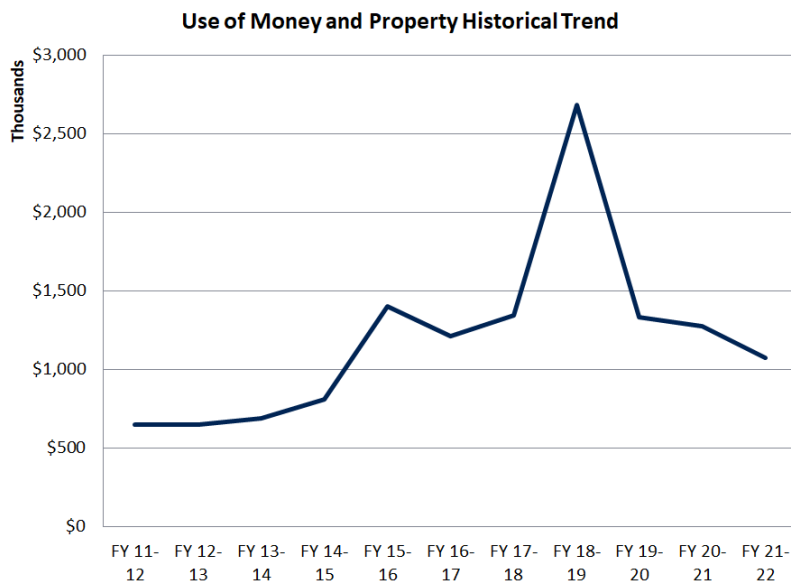
Licenses and permits include fees for reviewing building plans, building inspections, construction, tenant improvements, and commercial/residential installations for compliance with state and municipal building codes.



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 when revenues came in 48.8% higher. Although this revenue source is relatively consistent from year to year, fluctuations may occur depending on the timing of projects being completed. The \$33.1 million estimated amount in FY 2020-21 is due to Vallco Town Center and its scheduled commencement in FY 2020-21 and FY 2021-22. These revenues will be carried forward and recognized as the project progresses to completion. This revenue category is expected to remain at \$3.1 million in FY 2021-22.

USE OF MONEY AND PROPERTY	
FY 19-20 Actual	4,189,877
FY 20-21 Adopted	1,246,510
FY 20-21 Estimate	1,246,510
FY 21-22 Proposed	1,072,220
% of General Fund	1.20%
% Change from FY 20-21 Adopted	-13.98%

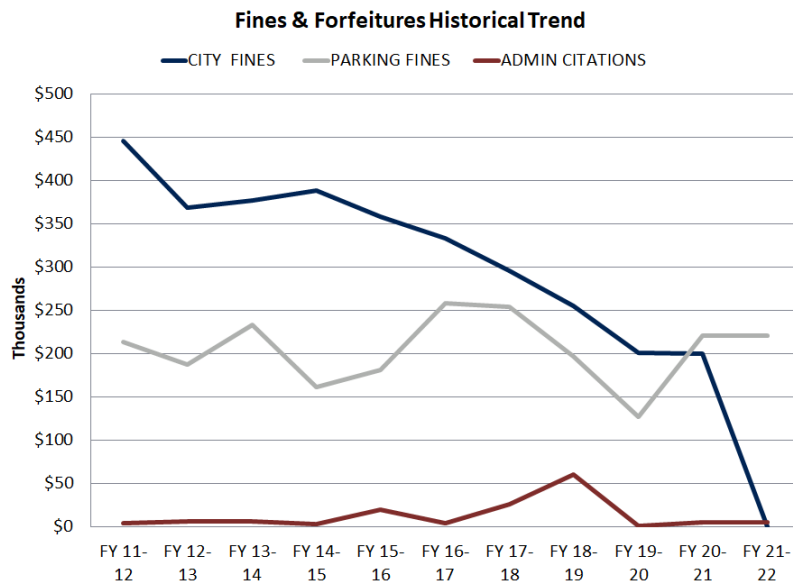
The use of money and property category is comprised of General Fund interest earnings as well as facility and concession rental income of City-owned property. The City's portfolio is approximately \$154.9 million. Fluctuations in this revenue category are a result of investment earnings, as rental income 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. The Federal Open Market Committee kept monetary policy unchanged at their March 2021 meeting as expected, with the fed funds target rate in the range of 0.0% to 0.25%. The Fed intends to remain accommodative until the labor market has made a strong recovery and inflation is sustainably on track to achieve their 2.0% longer-run target. The majority of Fed policymakers expect to keep the fed funds rates unchanged through 2023. Through inflation rates are likely to increase in the coming months, the Fed believes the increase will be transitory and the Fed intends to remain on the sidelines. Fed Chair Powell emphasized that policymakers will clearly telegraph their outlook for monetary policy well in advance of any future policy changes. The yield curve has steepened. Year-to-date, the yield on 2-year Treasuries is about four basis points higher while the yield on 10-year Treasuries is nearly 83 basis points higher, as of March month-end. In April, we have seen a modest retreat in longer-term Treasury yields. Nevertheless, it is believed the Treasury yield curve is poised to modestly steepen further as the year progresses, which would be consistent with an improving economic outlook, more widespread vaccine

distribution, the anticipation of ongoing fiscal spending, and a moderate pick-up inflation. City staff will continue to monitor interest rates as well as economic factors in both the local as well as the national economy.

<b>FINES AND FORFEITURES</b>	
FY 19-20 Actual	327,833
FY 20-21 Adopted	425,000
FY 20-21 Estimate	425,000
FY 21-22 Proposed	225,000
% of General Fund	0.25%
% Change from FY 20-21 Adopted	-47.06%



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 2020-21. In FY 2021-22 revenues are expected to decrease by 47% based on a trending decrease in city fines.

<b>INTERGOVERNMENTAL</b>	
FY 19-20 Actual	747,942
FY 20-21 Adopted	335,567
FY 20-21 Estimate	1,079,033
FY 21-22 Proposed	5,093,946
% of General Fund	5.69%
% Change from FY 20-21 Adopted	1418.01%

Intergovernmental revenues are made up of federal, state, and regional grants, including miscellaneous intergovernmental revenue. In FY 2021-22, revenues of \$5,093,946 are anticipated. This significant increase in revenue is due to the receipt of COVID-19 relief dollars as part of the American Rescue Plan Act of 2021. The City is receiving \$4,852,301 in FY 2020-21 and \$4,852,301 in FY 2021-22.

<b>MISCELLANEOUS REVENUE</b>	
FY 19-20 Actual	1,217,670
FY 20-21 Adopted	1,003,857
FY 20-21 Estimate	1,507,457
FY 21-22 Proposed	1,000,555
% of General Fund	1.12%
% Change from FY 20-21 Adopted	-0.33%

Miscellaneous revenues account for unanticipated revenues such as donations and administrative fees. FY 2021-22 miscellaneous revenue remains relatively consistent with FY 2020-21 Adopted Budget. FY 2020-21 miscellaneous revenue is estimated to come in higher than budgeted due to a \$500,000 increase in administrative fees for Community Development Department projects. The majority of the General Fund's miscellaneous revenues are due to Apple's annual donation for additional sheriff services at Apple Park.

<b>OTHER FINANCING SOURCES</b>	
FY 19-20 Actual	451,439
FY 20-21 Adopted	275,000
FY 20-21 Estimate	1,839,432
FY 21-22 Proposed	275,000
% of General Fund	0.31%
% Change from FY 20-21 Adopted	0.00%

Other Financing Sources generally account for refundable deposit revenues within the Community Development Department. With significant fluctuations year-over-year, staff conservatively estimate these revenues. This revenue source is expected to remain at \$275,000 in FY 2021-22.

<b>TRANSFERS IN</b>	
FY 19-20 Actual	10,012,000
FY 20-21 Adopted	15,000
FY 20-21 Estimate	507,832
FY 21-22 Proposed	45,000
% of General Fund	0.05%
% Change from FY 20-21 Adopted	200.00%

Transfers In represent the movement of funds from one City fund to another; the General Fund in this case. The City estimates between \$15,000 and \$45,000 in transfers in from the City's Tree Fund into the General Fund to support ongoing tree maintenance operations. In FY 2019-20, and as part of the Mid-Year Financial Report, staff recommended and Council approved a \$20 million transfer to the Capital Reserve to fund future capital projects. Immediately subsequent to this transfer, the COVID-19 pandemic sparked unprecedented uncertainty and as part of the FY 2019-20 3<sup>rd</sup> Quarter Financial Report, staff recommended and Council approved \$10 million of the \$20 million be transferred back to the General Fund. The FY 2020-21 estimate of \$507,832 is unusually higher due to the refinancing of the City's certificates of participation in the fall of 2020. Savings in the first year of approximately \$492,000 were transferred back to the General Fund as part of the Mid-Year Financial Report.



# General Fund Expenditures

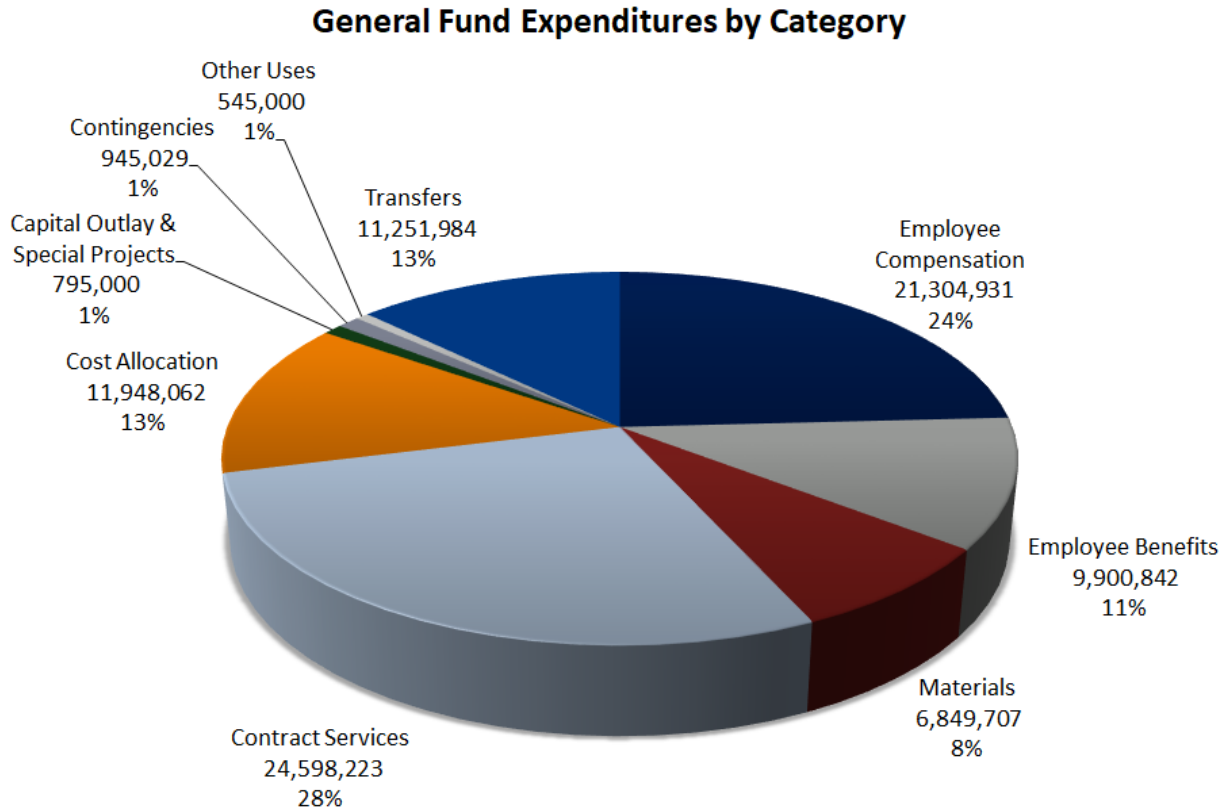
Estimates for the FY 2021-22 General Fund expenditures are based upon anticipated personnel and non-personnel cost increases. This year, department budgets reflect a base budget with justified ongoing expenses, accounting for changes in personnel costs and any other anticipated/known increased costs in FY 2021-22. In addition, most budgets were given additional funds for any unexpected expenditures that are accounted for in the contingency account, which remained at 2.5% of base materials and contract services. Lastly, per the City’s Reserve policy, an unassigned General Fund balance above the \$500,000 maximum balance will be recommended for transfer to the Capital Reserve Fund for future capital and infrastructure projects, after year-end close and as part of the mid-year financial report.

With a projected increase in unassigned fund balance for FY 2021-22 and an unexpected increase in revenues during FY 2019-20 and FY 2020-21, the Proposed Budget is recommending to add back a number of prior year materials and contract services requests that were deferred to mitigate the impacts of COVID-19. Additionally, financial updates will be provided on a quarterly basis to effectively communicate the City's progress toward a financial recovery from COVID-19.

As shown in the chart on the next page, FY 2021-22 expenditures are estimated at \$88.1 million, which represents a 9% 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 as well as increased retirement costs. There is also an increase in Materials primarily attributed to an increase in software expenses, electrical, and water service charges in FY 2021-22. Additionally, there is an increase in Contract Services primarily attributed to the annual increase to the City’s Law Enforcement contract with Santa Clara County Sheriff. Part of the increase in Contract Services is due to the inclusion of one-time special projects that will be broken out and reported in the special project classification as part of the Adopted Budget. These one-time projects are driven by the add-back of previously deferred items as a result of COVID-19 as well as an increase in City Work Program items compared to the previous year.

GENERAL FUND EXPENDITURE SUMMARY					
EXPENDITURES	2018-19 Actuals	2019-20 Actuals	2020-21 Adopted	2021-22 Proposed	Percent Change
Employee Compensation	17,232,957	18,153,833	20,295,000	21,304,931	5%
Employee Benefits	6,963,384	7,732,290	8,903,632	9,900,842	11%
<b>Total Personnel Costs</b>	<b>24,196,341</b>	<b>25,886,123</b>	<b>29,198,632</b>	<b>31,205,773</b>	<b>7%</b>
Non-Personnel Costs					
Materials	4,494,677	4,860,223	6,058,121	6,849,707	13%
Contract Services	20,361,957	21,528,698	22,051,314	24,598,223	12%
Cost Allocation	9,368,223	9,786,477	10,473,534	11,948,062	14%
Capital Outlay & Special Projects	4,211,639	2,245,576	1,448,852	795,000	-45%
Contingencies	-	40	824,350	945,029	15%
Other Uses	381,262	282,038	525,000	545,000	4%
<b>Total Non-Personnel</b>	<b>38,817,758</b>	<b>38,703,053</b>	<b>41,381,171</b>	<b>45,681,021</b>	<b>10%</b>
<b>Transfers</b>	<b>19,376,087</b>	<b>30,892,276</b>	<b>9,948,689</b>	<b>11,251,984</b>	<b>13%</b>
<b>TOTAL EXPENDITURES</b>	<b>82,390,187</b>	<b>95,481,452</b>	<b>80,528,492</b>	<b>88,138,778</b>	<b>9%</b>

The largest General Fund operating expenditure categories include Employee Compensation and Benefits (35%), Contract Services (28%), Cost Allocation (13%), and Transfers Out (13%) as illustrated in the FY 2021-22 General Fund Expenditures by Category chart.



**Personnel Costs**

Personnel costs total \$31.2 million in FY 2021-22, comprising 35% of General Fund expenditures. These costs are made up of salaries and compensation for benefitted and part-time staff (68%), retirement benefits (20%), and other fringe benefits (11%), including health coverage.

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

CalPERS retirement rates are projected to increase 6.1%, 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 204.75 FTEs are budgeted in FY 2021-22, up from 203.75 in FY 2020-21. The increase of 1.0 FTEs represents a 0.5% increase in staffing. The change in positions is summarized below:

<b>FY 2020-21 Adopted Budget</b>	<b>203.75</b>
Limited Term Recreation Coordinator	-1.00
<b>FY 2021-22 Proposed Budget</b>	
Emergency Management Analyst	1.00
Environmental Programs Assistant	1.00
<b>FY 2021-22 Benefitted Positions</b>	<b>204.75</b>

### Non-Personnel

Non-personnel costs total \$45.7 million in FY 2021-22, comprising 52% of General Fund budgeted appropriations. These costs are primarily made up of Contract Services (28%), Cost Allocation charges (13%), Materials (8%), Capital Outlays and Special Projects (1%), and Contingencies (1%). Costs were developed from the base budget created in FY 2020-21 with justified ongoing expenses and adjustments for any other anticipated/known increased costs in FY 2021-22. 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 a projected increase in total unassigned fund balance for FY 2021-22, the City is able to add back a number of FY 2020-21 materials and contract services that were cut due to COVID-19 which is reflected in the 10% increase in non-personnel costs compared to the prior year. Although program contingencies will remain 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 2021-22, budgets have been established for the following transfers.

Transfer Out from General Fund	Description	Amount
Special Revenue Funds	Sidewalk, Curb and Gutter Maintenance	\$6,457,824
Debt Service Funds	Annual Debt Payment	\$2,621,000
Enterprise Funds	Blackberry Farm Golf Course, Outdoor Recreation	\$886,801
Internal Service Funds	IT Infrastructure, General Fund Subsidy of Compensated Absences and Retiree Medical	\$1,286,359
<b>TOTAL</b>		<b>\$11,251,984</b>

# 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.

## General Fund Classification of Fund Balance

CLASSIFICATION	Actuals 2018-19	Actuals 2019-20	Adopted Budget 2020-21	Year End Projection 2020-21	Proposed 2021-22
<u>Non Spendable</u>					
Loans Receivable	454,188	449,341	446,000	446,000	441,000
Advance to Other Funds	-	3,000,000	-	3,000,000	3,000,000
<b>Total Non Spendable</b>	<b>454,188</b>	<b>3,449,341</b>	<b>446,000</b>	<b>3,446,000</b>	<b>3,441,000</b>
<u>Restricted</u>					
Public Safety Power Shutoff	-	217,551	-	-	-
CASp Certification and Training	13,982	13,193	13,982	13,982	13,982
PRSP Section 115 Trust	8,109,521	12,725,224	12,000,000	17,177,347	19,177,347
Public Access Television	1,346,167	1,368,789	1,346,167	1,368,789	1,368,789
<b>Total Restricted</b>	<b>9,469,670</b>	<b>14,324,757</b>	<b>13,360,149</b>	<b>18,560,118</b>	<b>20,560,118</b>
<u>Committed</u>					
Economic Uncertainty	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Sustainability Reserve	123,397	127,891	123,397	127,891	127,891
<b>Total Committed</b>	<b>19,123,397</b>	<b>19,127,891</b>	<b>19,123,397</b>	<b>19,127,891</b>	<b>19,127,891</b>
<u>Assigned</u>					
Reserve for Encumbrances	1,979,202	3,176,882	3,000,000	3,000,000	3,000,000
<b>Total Assigned</b>	<b>1,979,202</b>	<b>3,176,882</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>
<b>Total Unassigned</b>	<b>27,896,128</b>	<b>34,426,942</b>	<b>16,040,633</b>	<b>39,125,447</b>	<b>38,462,560</b>
<b>TOTAL FUND BALANCE</b>	<b>58,922,585</b>	<b>74,505,813</b>	<b>51,970,179</b>	<b>83,259,456</b>	<b>84,591,569</b>

# All Funds Summary

This section provides information on the FY 2021-22 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 2021-22 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 2021-22 revenue estimates are built on the assumption that the economy will experience conservative growth toward a recovery from COVID-19.

## 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	2019-20 Actuals	2020-21 Projected	2021-22 Proposed Budget
Other Taxes	372,233	3,102,882	3,691,092
Use of Money & Property	1,246,997	4,205	4,208
Intergovernmental	3,296,199	4,831,834	3,401,236
Charges for Services	1,501,776	1,526,471	1,547,078
Miscellaneous Revenue	704,734	1,443,723	87,057
Fines and Forfeitures	16,175	10,000	10,000
Transfers In	1,318,792	4,200,000	6,457,824
<b>Total Revenue Sources</b>	<b>\$8,456,905</b>	<b>\$15,119,115</b>	<b>\$15,198,495</b>

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.

Qualifying projects in the Capital Improvement Program Capital Projects Fund will be using Measure B funds. A reduction in miscellaneous revenues is due to one-time capital project donations from Apple Inc., that will be carried over from previous fiscal years until the project is completed and the revenues are recognized.

### Expenditures

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

EXPENDITURE USES	2019-20	2020-21	2021-22
	Actuals	Projected	Proposed Budget
Employee Compensation	1,172,476	1,576,185	1,772,223
Employee Benefits	559,156	780,434	905,260
Materials	724,637	1,415,605	893,053
Contract Services	597,338	1,848,259	1,451,016
Cost Allocation	486,532	1,046,834	1,325,945
Capital Outlays	3,612,522	5,514,354	1,000,000
Special Projects	3,572,148	5,995,259	4,100,000
Contingencies	-	34,044	36,733
Transfers Out	12,000	15,000	381,000
<b>Total Expenditures Uses</b>	<b>\$10,736,810</b>	<b>\$18,225,974</b>	<b>\$11,865,230</b>

Expenditures are projected to decrease by \$6.4 million dollars primarily due to the Capital Improvement Program not being incorporated in the Proposed Budget due to the timing of preparation of the documents. 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 2021-22.

### 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	2019-20	2020-21	2021-22
	Actuals	Projected	Proposed Budget
Beginning Balance	34,275,079	31,995,174	28,888,315
Net Increase (Decrease) in Fund Balance	(2,279,905)	(3,106,859)	3,333,265
<b>Ending Balance</b>	<b>\$31,995,174</b>	<b>\$28,888,315</b>	<b>\$32,221,580</b>

### 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.

On September 29, 2020, the City's 2020A Certificates of Participation (2020 COPs) were successfully sold in order to refund the City's 2012 Certificates of Participation for debt service savings. The refunding generated net present value savings of approximately \$3.14 million, 11.61% of refunded par and a True Interest Cost of 0.72%. Savings to the City's General Fund amounts to approximately \$494,000 per year for the next 10 years, or almost \$5 million in total savings.



## Revenue

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

REVENUE SOURCES	2019-20 Actuals	2020-21 Projected	2021-22 Proposed Budget
Use of Money & Property	26,611	332	-
Other Financing Sources	-	25,918,704	-
Transfers In	3,172,838	3,169,138	2,621,000
<b>Total Revenue Sources</b>	<b>\$3,199,449</b>	<b>\$29,088,174</b>	<b>\$2,621,000</b>

Revenues experienced significant increased activity in FY 2020-21 due to the refinancing. Annual transfers in from the General Fund are anticipated to decrease as a result of the savings from the refinancing.

## Expenditures

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

EXPENDITURE USES	2019-20 Actuals	2020-21 Projected	2021-22 Proposed Budget
Debt Service	3,174,337	30,719,030	2,676,000
Transfers Out	-	492,832	-
<b>Total Expenditures Uses</b>	<b>\$3,174,337</b>	<b>\$30,719,030</b>	<b>\$2,676,000</b>

Expenditures experienced significant increased activity in FY 2020-21 due to the refinancing. Annual debt service payments are expected to decrease in respect to years past as a result of the savings achieved from the refinancing.

## 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	2019-20 Actuals	2020-21 Projected	2021-22 Proposed Budget
Beginning Balance	1,660,760	1,685,872	55,016
Net Increase (Decrease) in Fund Balance	25,112	(1,630,856)	(55,000)
<b>Ending Balance</b>	<b>\$1,685,872</b>	<b>\$55,016</b>	<b>\$16</b>

## 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	2019-20	2020-21	2021-22
	Actuals	Projected	Proposed Budget
Use of Money and Property	907,854	-	-
Intergovernmental	55,000	1,460,000	-
Charges for Services	-	-	-
Miscellaneous	2,789,450	4,967,967	-
Transfers In	35,363,157	6,430,000	-
<b>Total Revenue Sources</b>	<b>\$ 39,115,461</b>	<b>\$ 12,857,967</b>	<b>\$ -</b>

Revenue is projected to decrease by \$12.9 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	2019-20	2020-21	2021-22
	Actuals	Projected	Proposed Budget
Employee Compensation	280,911	-	-
Employee Benefits	107,386	-	-
Contract Services	127,856	4,157,446	175,000
Capital Outlays	5,202,398	7,709,581	-
Cost Allocation	-	168,274	-
Transfers Out	26,057,719	1,989,449	-
<b>Total Expenditures Uses</b>	<b>\$ 31,776,270</b>	<b>\$ 14,024,750</b>	<b>\$ 175,000</b>

Expenditures are projected to decrease by \$13.8 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	2019-20	2020-21	2021-22
	Actuals	Projected	Proposed Budget
Beginning Balance	33,211,943	40,551,134	39,384,351
Net Increase (Decrease) in Fund Balance	7,339,191	(1,166,783)	(175,000)
<b>Ending Balance</b>	<b>\$40,551,134</b>	<b>\$39,384,351</b>	<b>\$39,209,351</b>

## 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	2019-20	2020-21	2021-22
	Actuals	Projected	Proposed Budget
Use of Money & Property	824,304	290,000	693,000
Intergovernmental	14,950	15,000	14,000
Charges for Services	5,727,442	4,440,333	5,217,578
Miscellaneous Revenue	9,819	-	10,000
Transfers In	3,523,000	2,849,000	886,801
<b>Total Revenue Sources</b>	<b>\$10,099,515</b>	<b>\$7,594,333</b>	<b>\$6,821,379</b>

Revenue is projected to decrease by \$773,000; however, the proposed revenues are consistent with the FY 2020-21 Adopted Budget. Although revenues are projected to outperform estimates in FY 2020-21, the timing and extent of recovery from COVID-19 is difficult to measure. As a result, conservative revenue estimates are being applied to the FY 2021-22 Proposed Budget.

### Expenditures

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

EXPENDITURE USES	2019-20	2020-21	2021-22
	Actuals	Projected	Proposed Budget
Employee Compensation	1,663,896	1,601,475	1,871,811
Employee Benefits	779,705	531,530	647,092
Materials	328,368	378,322	417,242
Contract Services	3,935,926	3,787,295	4,967,179
Contingencies	-	128,141	134,527
Cost Allocation	1,651,322	923,089	1,034,107
Special Projects	267,823	2,270,909	-
Transfers Out	275,158	291,445	275,159
<b>Total Expense Uses</b>	<b>\$8,902,199</b>	<b>\$9,912,206</b>	<b>\$9,347,117</b>

Expenditures are projected to decrease by approximately \$565,000, largely in part to the Capital Improvement Program not being incorporated into the FY 2021-22 Proposed Budget.

### Retained Earnings

Enterprise funds carry retained earnings 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	2019-20	2020-21	2021-22
	Actuals	Projected	Proposed Budget
Beginning Balance	8,056,506	9,253,822	6,935,949
Net Increase (Decrease) in Retained Earnings	1,197,316	(2,317,873)	(2,525,738)
<b>Ending Balance</b>	<b>\$9,253,822</b>	<b>\$6,935,949</b>	<b>\$4,410,211</b>

### 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	2019-20	2020-21	2021-22
	Actuals	Projected	Proposed Budget
Use of Money & Property	367,522	-	-
Charges for Services	4,264,832	4,540,868	4,678,201
Transfers In	3,573,000	490,000	1,652,359
Other Financing Uses	307,569	246,385	356,839
<b>Total Revenue Sources</b>	<b>\$8,512,923</b>	<b>\$5,277,253</b>	<b>\$6,687,399</b>

Revenues are projected to increase by \$1.4 million due to increased transfers from the General Fund for equipment replacement, compensated absence, and retiree medical payments for FY 2021-22.

### Expenditures

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

EXPENDITURE USES	2019-20	2020-21	2021-22
	Actuals	Projected	Proposed Budget
Employee Compensation	1,523,779	1,636,794	1,736,052
Employee Benefits	2,013,354	1,896,696	2,015,467
Materials	858,289	1,061,810	1,220,956
Contract Services	1,220,989	1,549,979	1,696,641
Contingencies	-	59,947	72,910
Cost Allocation	1,816,928	52,343	60,817
Special Projects	(29,686)	886,730	1,058,200
Transfers Out	-	897,684	969,469
<b>Total Expenditures Uses</b>	<b>\$7,403,653</b>	<b>\$8,041,983</b>	<b>\$8,830,512</b>

Total expenditures is projected to increase approximately \$789,000 as a result of negotiated labor increases and additional I&T-related one-time special projects slated for FY 2021-22.

### Retained Earnings

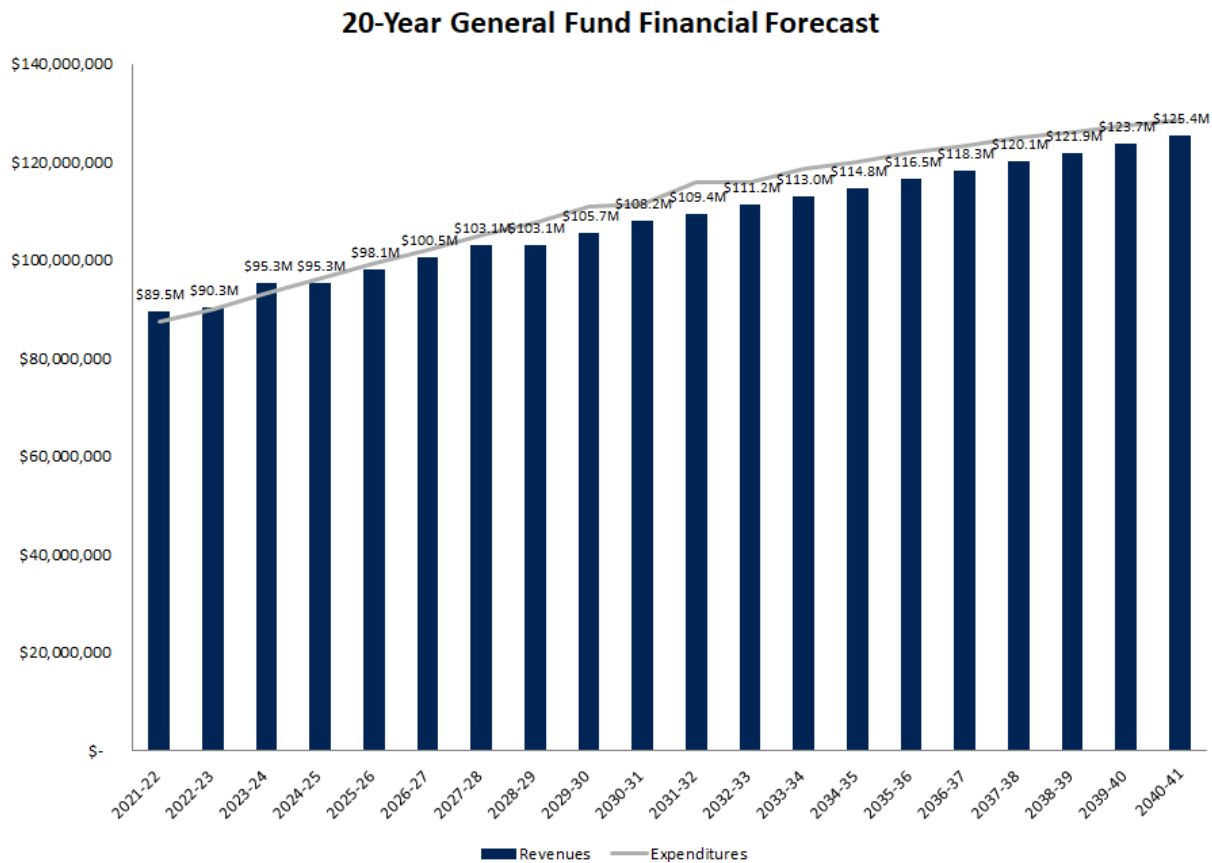
Internal Service Funds carry retained earning instead of fund balance. Retained earnings are calculated in the same manner as fund balance, taking the beginning balance and then adding the difference between revenue and expenditures to arrive at the ending retained earnings. However, some of the resources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

CHANGES TO RETAINED EARNINGS	2019-20	2020-21	2021-22
	Actuals	Projected	Proposed Budget
Beginning Balance	6,850,179	7,959,449	5,194,719
Net Increase (Decrease) in Retained Earnings	1,109,270	(2,764,730)	(2,143,113)
<b>Ending Balance</b>	<b>\$7,959,449</b>	<b>\$5,194,719</b>	<b>\$3,051,606</b>

# General Fund Forecast

## Overview

City staff develops 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 early. As shown in the following chart, projections show increasing operating deficits in the next 20 years due to revenues growing slower than expenditures.

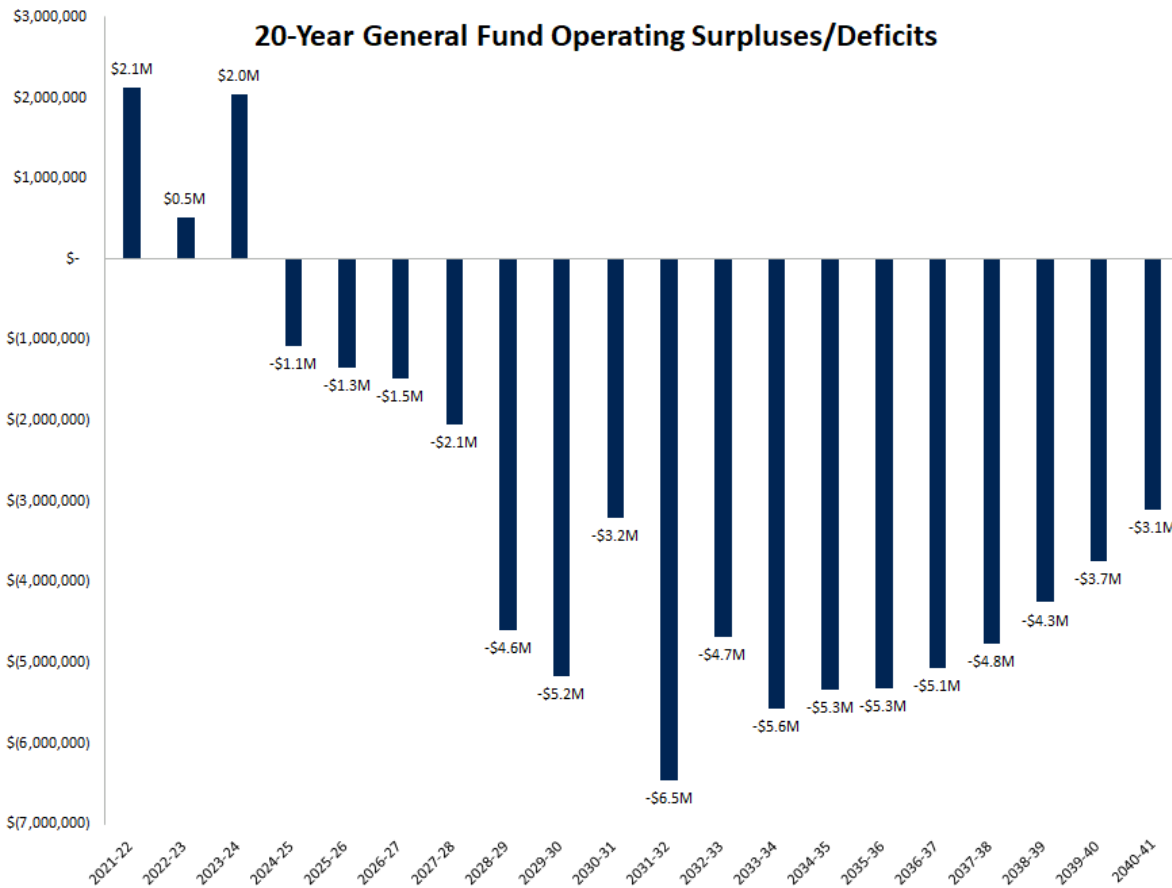


Revenue growth is primarily driven by sales, property, and transient occupancy taxes. Revenues are expected to decrease in FY 2021-22 for a few reasons:

- Sales tax revenues experienced tremendous growth in FY 2019-20 and FY 2020-21 due to increases in business-to-business and online sales. In FY 2021-22, sales tax revenue is expected to decline as businesses begin to open and online sales decrease.
- Property tax--while stable currently--could be affected as new telecommute policies impact property values in the Bay Area.
- Transient occupancy tax is not expected to fully recover until FY 2023-24. And the extent of a “full recovery” is unknown. Like property taxes, we do not fully understand how telecommuting policies will impact the demand for City hotels.

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. To mitigate the impacts of COVID-19, the City is continuing to maintain reduced contingency amounts, which the City reduced by 50% in FY 2020-21.

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. While we continue on the road to recovery and return to a “new normal,” staff will continue to monitor the situation and adjust when necessary. Staff fully intend on keeping the City Council and community informed with regular updates. Having the latest information and up-to-date data will allow for informed decision-making.

### Forecast Methodology

A financial forecast is a planning tool that helps staff identify 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 updated regularly as new information becomes available. Of these components, cost projections, which are based on known costs, are relatively reliable. On the other hand, revenue forecasts 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, staff updates the forecast 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 related to seasonality and the economic environment the City is most likely to encounter in the future. Staff also considered potential COVID-19 impacts 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 create 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 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 an 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 2020, the U.S. economy continued to show steady growth. U.S. Gross Domestic Product (GDP) increased by 4.0% in 2020 according to the Bureau of Economic Analysis, compared with an increase of 2.1% in 2019. The increase in fourth quarter GDP reflected both the continued economic recovery from the sharp declines earlier in the year and the ongoing impact of the COVID-19 pandemic, including new restrictions and closures that took effect in some areas of the United States.

Economic growth is poised to accelerate meaningfully in the current quarter as vaccine distribution becomes more widespread in the U.S. amid an ongoing backdrop of robust fiscal support, low interest rates, and accommodative monetary policy. The vaccine rollout has been faster than expected, and roughly 20% of the U.S. population is now fully vaccinated, and more than one-third has received at least one dose. Meanwhile, robust fiscal spending along the Federal Reserve's highly accommodative monetary policy continues to provide support for the economic and financial markets.

As we move forward through the pandemic and more information becomes available, staff will bring forward updates and adjustments to City Council regularly 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 resulting from the virus.

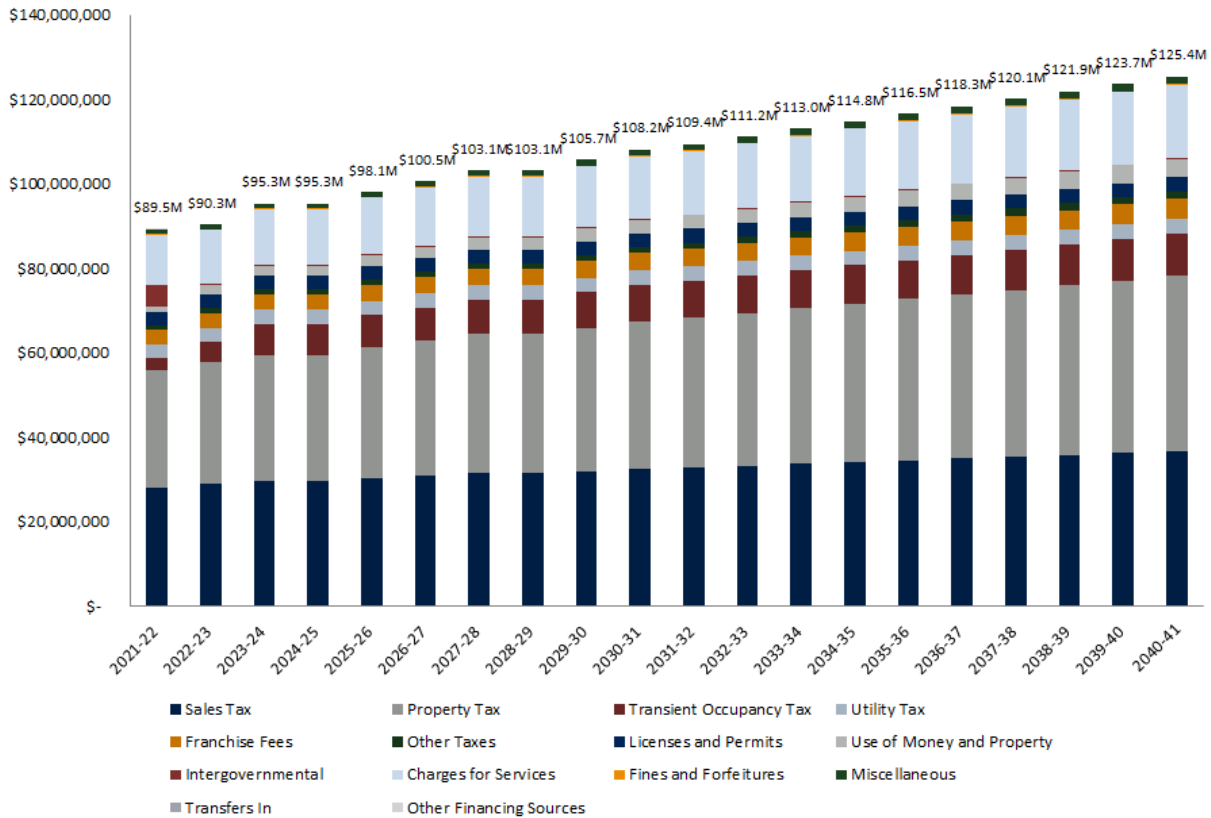
Due to the timing of property appraisals entering the assessor's role, the City does not anticipate significant impacts to property tax revenues in FY 2021-22. Property tax, while stable currently, could be affected as new telecommute policies impact property values in the Bay Area. Although strong in previous years, construction activity will continue to flatten out as recent large development projects, notably Apple Park, are now complete. 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 positively impact 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). While this will continue to be true, the City will not see the same level of revenue as in recent years.

As shown in the chart below, General Fund revenues are expected to decrease from \$96.3 million in FY 2020-21 to \$89.5 million in FY 2021-22 and increase each year in the forecast. Sales tax is projected to decrease from the highs of FY 2020-21. Transient occupancy tax is projected to recover to a new normal gradually. Property tax is anticipated to be stable in FY 2021-22. Other revenue sources consider assumptions ranging from no growth to conservative growth.

## 20-Year General Fund Revenue Forecast by Category

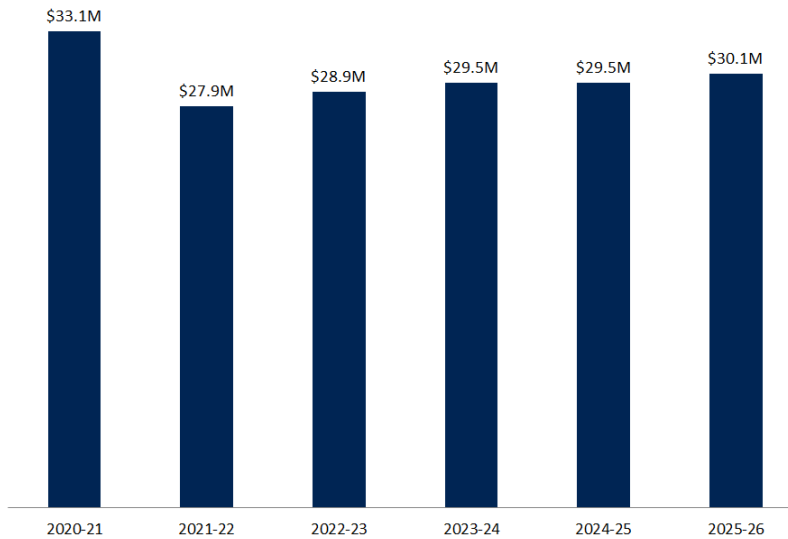


FIVE-YEAR GENERAL FUND REVENUES FORECAST						
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
<b>REVENUES</b>						
Sales Tax	33,089,302	27,855,559	28,887,849	29,496,684	29,496,684	30,115,742
Property Tax	27,821,317	27,840,341	28,773,396	29,875,736	29,875,736	31,041,188
Transient Occupancy Tax	2,000,000	3,000,000	5,000,000	7,500,000	7,500,000	7,750,155
Utility Tax	3,223,712	3,245,448	3,267,283	3,289,218	3,289,218	3,311,208
Franchise Fees	3,280,447	3,380,985	3,481,524	3,582,062	3,582,062	3,679,856
Other Taxes	1,849,167	1,248,720	1,284,309	1,323,480	1,323,480	1,359,876
Licenses and Permits	3,139,473	3,140,195	3,155,896	3,171,675	3,171,675	3,187,534
Use of Money and Property	1,246,510	1,072,220	2,276,165	2,406,553	2,406,553	2,582,586
Intergovernmental	5,906,902	5,093,946	242,853	244,067	244,067	245,288
Charges for Services	13,392,301	12,047,922	12,704,896	13,065,634	13,065,634	13,401,909
Fines and Forfeitures	150,000	225,000	225,000	225,000	225,000	225,000
Miscellaneous	1,085,482	1,000,555	1,050,635	1,101,679	1,101,679	1,152,918
Transfers In	15,000	45,000	-	-	-	-
Other Financing Sources	100,000	275,000	-	-	-	-
<b>TOTAL REVENUES</b>	<b>96,299,613</b>	<b>89,470,891</b>	<b>90,349,806</b>	<b>95,281,789</b>	<b>95,281,789</b>	<b>98,053,260</b>

### Sales Tax

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.

### 5-Year Sales Tax Forecast



Sales tax revenues increased significantly in FY 2019-20 and FY 2020-21 due to increases in the City’s business-to-business industry group and online sales. This is directly related to COVID-19 and State-wide efforts to convert to a remote work environment. Additionally, with Shelter-in-Place orders in effect, there was a reduction in brick and mortar retail sales, resulting in increased online sales that also increased the City’s tax base. However, we believe this to be a one-time experience due to State-wide shelter-in-place mandates.

In FY 2021-22, sales tax is projected to be \$28.9 million in FY 2021-22, a decrease from the highs achieved in FY 2019-20 and FY 2020-21. Sales tax is projected to grow by an average annual growth rate of 1.4% in the forecast. Staff used conservative estimates for business and industry, general consumer goods, restaurants and hotels, and state and county pools.

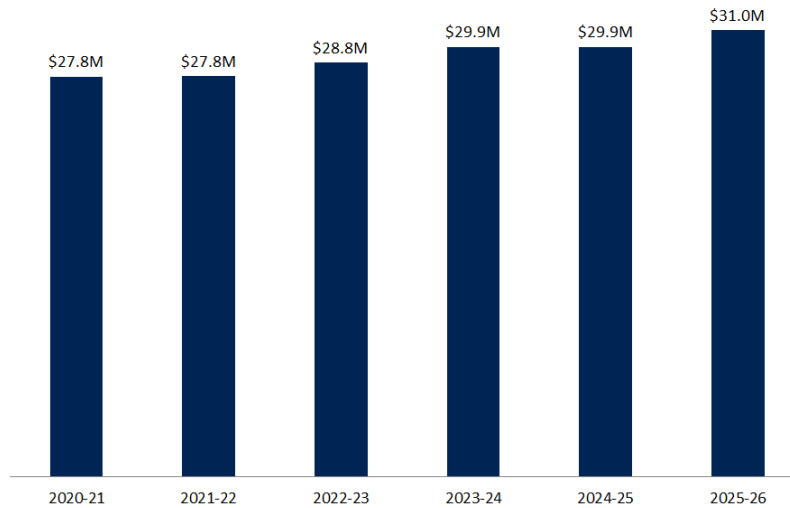
Business-to-business (B2B) revenue is the largest portion of the City’s sales tax base, so the City’s sales tax revenue is sensitive to economic forces. In particular, the City’s two largest sales tax sources—both technology companies—account for a large portion of the City’s total sales tax base. Sales tax revenue is reported two quarters in arrears, 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

Property taxes are anticipated to remain stable in the near term, but we have yet to identify how potential telework structures might impact these revenues in the long term.

### 5-Year Property Tax Forecast



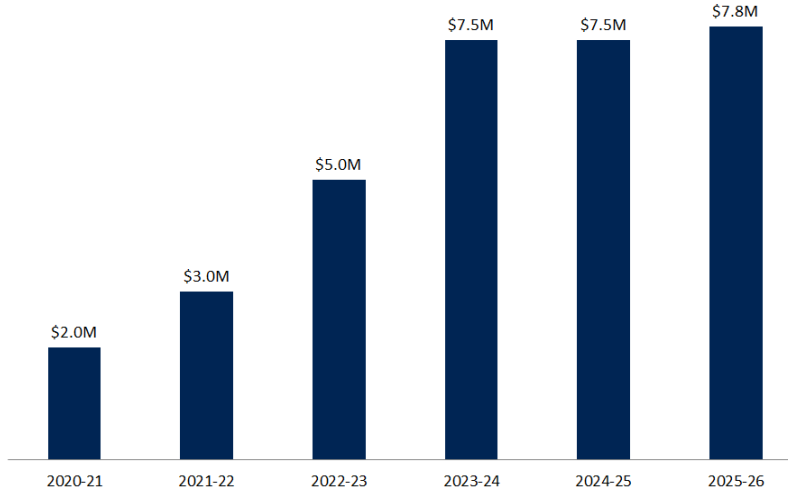
Property tax revenues are projected to increase by an average annual growth rate of 2% in our forecast. This moderate forecast is based on various factors, including historical trends for the City and projections for the region. Historically, property tax has increased at an average annual growth rate of 11%. However, this moderate forecast projects a much lower growth rate because 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

Transient occupancy tax (TOT) revenues experienced a significant decrease due to reduced travel and increased remote work during the pandemic. TOT revenues were \$8.9 million in FY 2018-19 and \$7.3 million in FY 2019-20. TOT revenues are projected to be \$2.0 million in FY 2020-21 and \$3.0 million in FY 2021-22. Transient occupancy taxes rely heavily on local business' employees being at the workplace. As a result, potential telework structures will also have a significant impact on these revenues.

The City anticipates a recovery of TOT revenues by FY 2023-24; however, the extent of the recovery is uncertain as decisions regarding long-term teleworking remain to be determined. This forecast assumes that TOT revenues will recover to 75% of pre-COVID levels, or \$7.5 million, in FY 2023-24 and gradually increase from the new normal. Until COVID-19 impacts are reduced and employees begin returning to their workplaces, TOT revenues will suffer greatly. Staff is cautiously optimistic that the continued roll-out of COVID-19 vaccinations could accelerate the recovery.

### 5-Year Transient Occupancy Tax Forecast

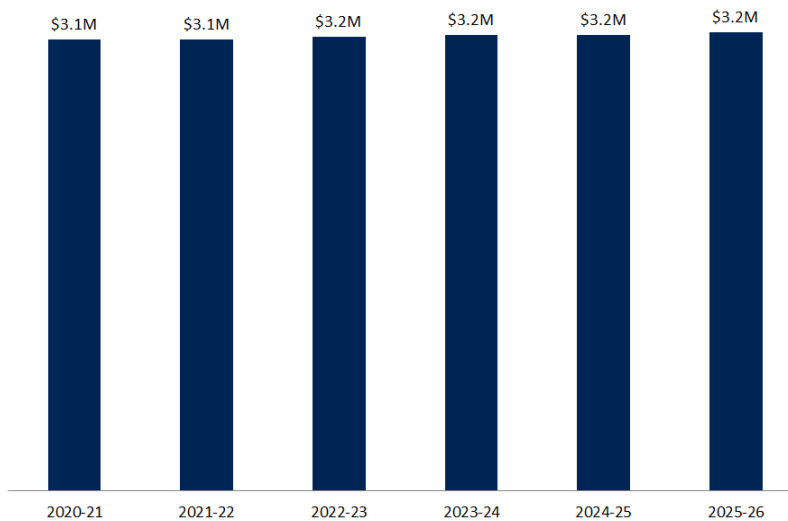


In the forecast, TOT is projected to increase at an average annual growth rate of 4.4%. Beginning in FY 2023-24, the City used a moderate forecast based on historical tax collections. This moderate forecast assumes slower growth than historical trends, given that no additional hotels are expected to open. 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 a large amount of business travel in the City, a decline in the economy could significantly impact this revenue source.

### Licenses and Permits

#### 5-Year Licenses & Permits Forecast

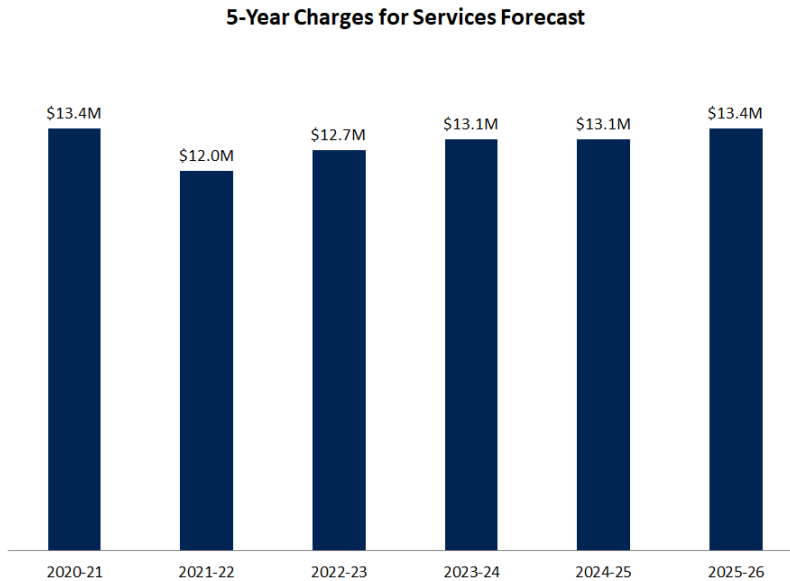


Licenses and permits are forecasted to decrease in FY 2020-21 due to reduced development activity but increase slightly in the out-years. Licenses and permits revenue is projected to grow at a rate of 0.5% each year in the out-years. The forecasts were based on forecasts of California residential building 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, staff will update this forecast accordingly.

**Charges for Services**

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



In FY 2020-21, revenues from charges for services will decrease due to Parks & Recreation Department’s programs being affected by the COVID-19 pandemic. During the COVID-19 pandemic, the City’s recreation facilities have been shut down due to the Stay-at-Home order issued by the Santa Clara County Public Health Department in mid-March 2020. As COVID-19 vaccinations become available to more groups, the City hopes to resume these programs and events safely.

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**

**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.

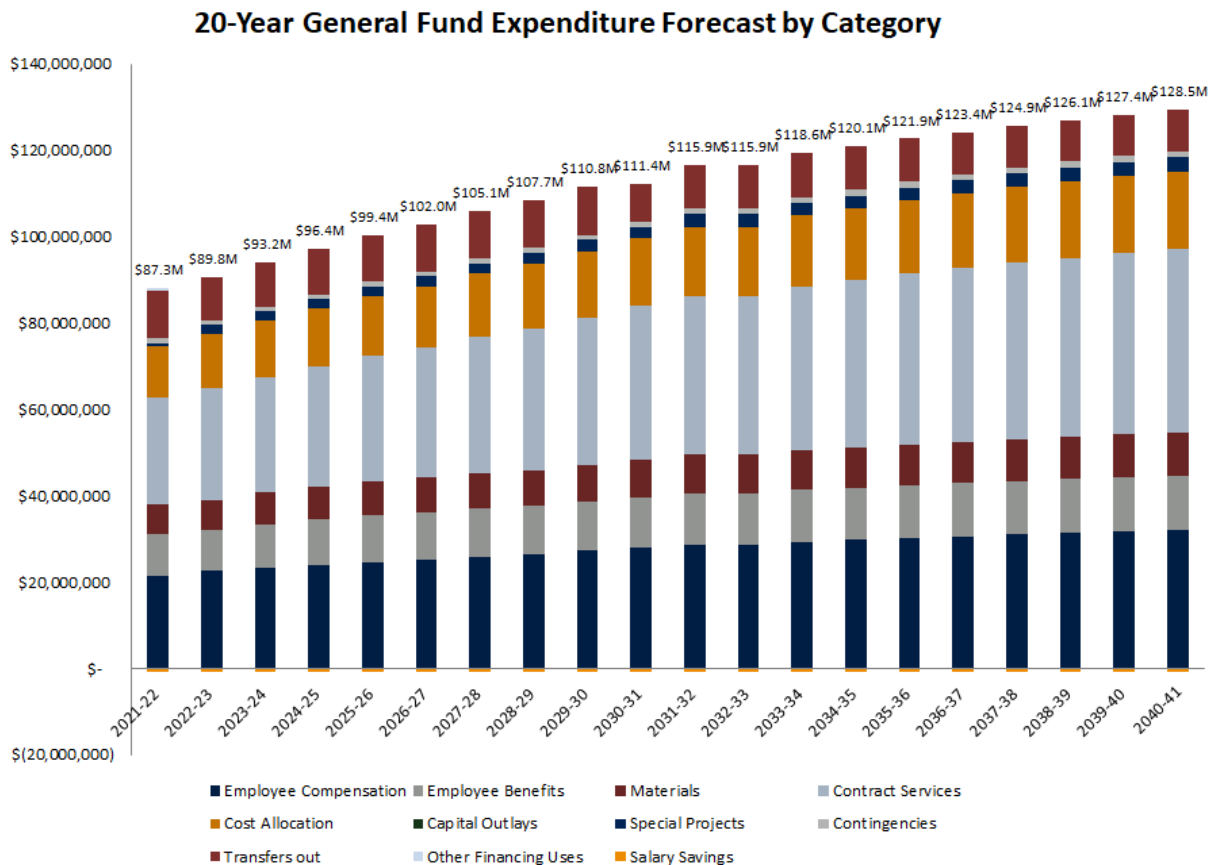
**Non-operational revenues (Transfers and Other Financing Sources)** are not assumed in the forecast.

## Expenditures

For FY 2021-22, the City developed a zero-base budget for which departments were asked to justify all expenses. The process started from a “zero base,” and staff analyzed every function of the City for its needs and costs. Staff then built the budget 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 2021-22 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.

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 number of special projects and capital outlay spending.



FIVE-YEAR GENERAL FUND EXPENDITURES FORECAST						
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
<b>EXPENDITURES</b>						
Employee Compensation	20,430,826	21,304,931	22,551,331	23,168,066	23,801,645	24,452,573
Employee Benefits	8,903,632	9,900,846	9,488,137	10,254,609	10,775,037	11,187,466
Salary Savings	-	(800,000)	(800,000)	(800,000)	(800,000)	(800,000)
<b>Personnel Costs</b>	<b>29,334,458</b>	<b>30,405,777</b>	<b>31,239,468</b>	<b>32,622,675</b>	<b>33,776,682</b>	<b>34,840,039</b>
Materials	6,058,121	6,849,707	7,044,924	7,259,794	7,466,698	7,672,032
Contract Services	24,638,571	24,598,223	25,678,667	26,796,144	27,928,297	29,083,212
Cost Allocation	10,473,540	11,948,062	12,652,998	13,000,955	13,358,481	13,725,840
Capital Outlay	68,470	-	-	-	-	-
Special Projects	3,000,000	795,000	2,117,682	2,182,271	2,244,466	2,306,188
Contingencies	721,559	945,029	1,000,635	1,031,155	1,060,542	1,089,707
Other Uses	611,656	545,000	-	-	-	-
<b>Non-Personnel Costs</b>	<b>45,571,917</b>	<b>45,681,021</b>	<b>48,494,905</b>	<b>50,270,318</b>	<b>52,058,484</b>	<b>53,876,979</b>
<b>Transfers</b>	<b>10,148,689</b>	<b>11,251,984</b>	<b>10,099,747</b>	<b>10,343,509</b>	<b>10,519,676</b>	<b>10,680,976</b>
<b>TOTAL EXPENDITURES</b>	<b>85,055,064</b>	<b>87,338,782</b>	<b>89,834,119</b>	<b>93,236,501</b>	<b>96,354,843</b>	<b>99,397,995</b>

Note: In FY 2021-22, forecasted expenditures are \$800,000 lower than budgeted because the forecast includes \$800,000 in vacancy savings. The City expects to realize the vacancy savings due to attrition.

As displayed in the chart above, General Fund expenditures are projected to increase from \$85.1 million in FY 2020-21 to \$87.3 million in FY 2021-22 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 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 were below the market's median, the position would receive an adjustment, from 1% to 15%, until the base salary is aligned with the market's median. 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 of 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, 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 slower than full-time salaries.



## Health Benefits

In FY 2021-22, health benefits account for about 8% of all personnel costs in the General Fund, primarily due to health insurance costs. The City pays employees a fixed amount for health and dental insurance costs instead of covering a percentage of premiums. In October 2016, City Council approved labor contracts that significantly increased the City’s health insurance contributions to align the City with the median offerings of our comparator cities. For the duration of the contract, cost increases in health and dental premiums above the negotiated amounts are fully absorbed by employees. The City is expected to be in negotiations with its bargaining groups, CEA and OE3, in the Fall and Winter of FY 2021-22.

## 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).

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.

	Projected CalPERS Contributions					
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
<b>Projected Payroll</b>	\$ 19,703,312	\$ 20,245,154	\$ 20,801,895	\$ 21,373,947	\$ 21,961,731	\$ 22,565,678
<b>Normal Cost (%)</b>	10.4%	10.1%	9.8%	9.4%	9.1%	8.8%
<b>Normal Cost</b>	\$ 2,057,026	\$ 2,044,761	\$ 2,038,586	\$ 2,009,151	\$ 1,998,518	\$ 1,985,780
<b>UAL Payment</b>	\$ 4,107,747	\$ 4,513,000	\$ 4,803,000	\$ 5,093,000	\$ 4,881,000	\$ 5,039,000
<b>Total Contribution</b>	\$ 6,164,773	\$ 6,557,761	\$ 6,841,586	\$ 7,102,151	\$ 6,879,518	\$ 7,024,780
<b>Total Contribution (%)</b>	31.3%	32.4%	32.9%	33.2%	31.3%	31.1%

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 three 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	88	2.7% @ 55	Highest Year	31.29%	8.00%	39.29%
II	14	2% @ 60	Highest 3 Year Average	31.29%	7.00%	38.29%
III	95	2% @ 62	Highest 3 Year Average	31.29%	7.00%	38.29%

## 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. The City is continuing to maintain reduced contingency amounts, which the City reduced by 50% in FY 2020-21 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 except for 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%. Increases in CalPERS costs drive increases to contracts with the Santa Clara County Sheriff's Office that they then pass 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.

## **Pension**

### **CalPERS**

The City provides a defined benefit pension to its employees through the California Public Employees' Retirement System (CalPERS). Retirement benefits are calculated using a formula based on an employee's age, earnings, and years of service. These are funded by a combination of investment earnings (58%), employer contributions (29%), and employee contributions (13%).

Each year, CalPERS determines an employer's contributions based on actual investment returns and actuarial assumptions, including expected investment returns (discount rates), inflation rates, salaries, retirement ages, and life expectancies.

### **CalPERS Discount Rate**

The City's pension plan is sensitive to the discount rate assumption set by CalPERS. The discount rate is the expected rate of return of the plan's assets over the long term. It depends on the plan's size, asset allocation, time horizon, and other considerations. From the City's perspective, the discount rate is important. It is used to determine the City's annual contributions to the plan, its unfunded liability, and its funded status.

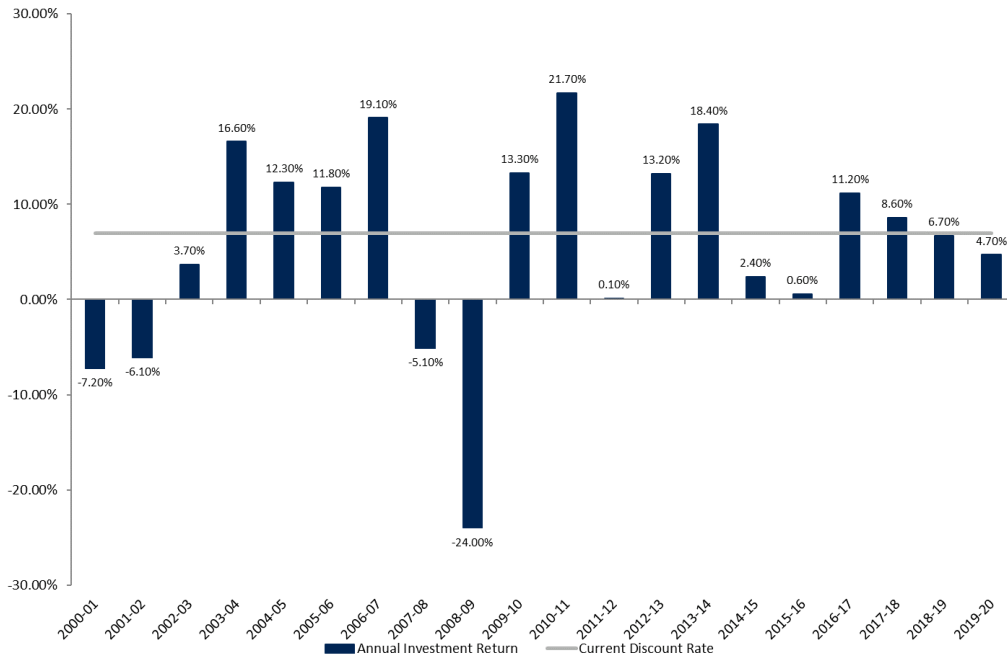
The discount rate is important in assessing whether a plan has enough assets to meet its future obligations. The discount rate must be realistic to allow the City to foresee funding issues that may impact future operating budgets and future generations of retirees and plan members. If the discount rate assumption is too high and investments earn less than expected, the City or CalPERS members may need to make greater contributions than expected to account for the shortfall.

### **CalPERS Investment Earnings**

Since investment earnings fund nearly 60% of retirement benefits, the City's pension plan is sensitive to the investment returns of the CalPERS fund. Investment returns affect how much of the retirement benefits can be funded by investment earnings rather than contributions. If investment returns are lower than the discount rate, contributions must increase to make up the difference. As a result, pension plans need accurate return assumptions to ensure fiscal sustainability.

Currently, CalPERS assumes it will earn investment returns of 7% each year. As illustrated in the following chart, over the last 20 years, CalPERS has earned investment returns below the 7% assumption approximately half of the time. Individual fiscal year investment returns have ranged between -24.0% and +21.7%. In particular, CalPERS earned negative investment returns in 2001 and 2002 due to the dot-com crash and 2008 and 2009 due to the Great Recession.

### CalPERS Historical Annual Investment Returns



Note: Beginning in 2002, investment returns are reported as gross of fees.

For FY 2019-20, CalPERS reported an investment return of 4.7%, bringing the average investment return to 6.3% for five years, 8.5% for ten years, 5.5% for 20 years, and 8.0% for 30 years. Given that returns in a given year are volatile, it can be more instructive to look at returns over longer time horizons.

Time Period	Total Investment Return
1 Year	4.7%
5 Year	6.3%
10 Year	8.5%
20 Year	5.5%
30 Year	8.0%

### CalPERS Plan Status

As of the most recent actuarial valuation on June 30, 2019, the City’s pension plan had assets of \$99.4 million and liabilities of \$148.5 million, resulting in an unfunded liability of \$49.2 million and a funded ratio of 66.9%. The unfunded liability is the difference between assets and liabilities, while the funded ratio is the ratio of assets to liabilities.

The City also funds a Section 115 Trust, or pension rate stabilization program, which has a balance of \$17.2 million. When we factor in the City’s balance in the Section 115 Trust, the funded status of the City’s pension fund is closer to 78.5%.

CalPERS Plan Status		
	June 30, 2018	June 30, 2019
Present Value of Projected Benefits	\$ 167,128,950	\$ 174,248,022
Entry Age Normal Accrued Liability	\$ 141,033,621	\$ 148,525,073
Market Value of Assets	\$ 93,550,299	\$ 99,363,109
Unfunded Accrued Liability	\$ 47,483,322	\$ 49,161,964
Funded Ratio	66.3%	66.9%

A defined-benefit plan is considered adequately funded if its assets equal or exceed the value of its future liabilities. When the funded ratio is lower than 100%, the plan has insufficient assets to pay all future liabilities. Poor investment returns during the Great Recession significantly decreased the plan's assets. In addition, enhanced benefits and actuarial assumption changes due to increased life expectancies increased the plan's liabilities. These two factors increased the gap between the plan's assets and liabilities, resulting in the overall funded status of the system falling significantly. 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.

Over the past few years, CalPERS has taken steps to improve the long-term financial sustainability of the system. In December 2016, the CalPERS board voted to reduce the discount rate, also known as the assumed rate of return for investments, from 7.5% to 7.0% over three years from FY 2018-19 to FY 2020-21. In February 2018, the CalPERS board also voted to decrease the amortization period for new pension liabilities from 30 years to 20 years, effective July 1, 2019. While these changes will provide long-term benefits to the pension plan, they will also increase the City's pension contributions.

#### Impacts of CalPERS Investment Returns

The financial market volatility in FY 2019-20 is projected to impact the City's pension costs significantly. Since FY 2019-20 investment returns are reported as of June 30, 2020, they reflect both the bull market in the first half of FY 2019-20 and the COVID-19-related volatility in the second half.

CalPERS assumes it will earn investment returns of 7% each year. Because the investment return for FY 2019-20 was below the 7% discount rate, the City's required pension contributions will increase to make up for the difference. Due to the timing of actuarial valuations, the annual investment return for FY 2019-20 will affect the City's pension contributions starting in FY 2022-23. The contribution increase will be amortized over 20 years and phased in over five years.

If the FY 2019-20 investment return were lower than the 7% discount rate by one percentage point, the City's pension contributions would increase by up to \$0.13 million per year. Since the FY 2019-20 investment return was 4.7%, the City's pension plan experienced a 2.3% (7% - 4.7%) investment loss. As a result, the City's pension contributions are estimated to increase according to the following schedule:

Fiscal Year	Estimated Contribution Impact
FY 2022-23	\$0.06 million
FY 2023-24	\$0.12 million
FY 2024-25	\$0.18 million
FY 2025-26	\$0.24 million
FY 2026-27 to FY 2041-42	\$0.30 million

The impact is estimated to be \$0.06 million in FY 2022-23 and increase to \$0.30 million in FY 2026-27, continuing until FY 2041-42.

### **Impacts of CalPERS Discount Rate Changes**

While CalPERS currently uses a discount rate of 7%, market experts project lower returns for the next several decades due to lower-than-historical interest rates and economic growth. The Pew Research Center forecasts a long-term investment return of 6.4%, while J.P. Morgan and Wilshire Associates forecast a long-term investment return of 6.5% for typical pension fund portfolios.

If the discount rate is less than 7%, the City's CalPERS contributions will increase. If CalPERS lowers the discount rate by 0.5 percentage points, the City's contributions will increase by up to \$1.2 million per year in the City's forecast.

This analysis would show the potential contribution impacts if CalPERS lowered the discount rate based on lower expected investment returns.

### **Section 115 Trust**

A Section 115 Trust is a tax-exempt investment tool that allows local governments to pre-fund pension and retiree health costs. Once contributions are placed into the trust, the City can only use assets from the trust for retirement plan purposes. The City may make withdrawals to either reimburse the City for retirement system contributions or to pay CalPERS directly. The benefits of a Section 115 Trust include the following:

- Local control over assets: The City controls the contributions, withdrawals, investment strategy, and risk level of assets in the Trust.
- Pension rate stabilization: Assets can be transferred to CalPERS at the City's discretion to pay for Normal Cost or UAL contributions and can be used to reduce or eliminate large fluctuations in the City's pension costs.
- Potential for higher investment returns than General Fund: Investment requirements applicable to the City's General Fund assets under Government Code 53601 do not apply to Trust assets.
- Diversification: Trust assets will be diversified from CalPERS investments.

### **City Strategies**

Given that pension obligations are one of the City's largest financial obligations, the City has taken proactive steps to reduce the impacts of pension cost volatility. In March 2018, the City provided options to Council to address rising pension costs. In April 2018, the City presented a long-term pension funding strategy to the Fiscal Strategic Plan Committee. In May 2018, the City implemented a Pension Rate Stabilization Program (PRSP), also known as a Section 115 Trust, to reduce pension rate volatility on the City's budget. The City contributed \$8 million in FY 2018-19, \$4 million in FY 2019-20, and \$2 million in FY 2020-21, bringing total contributions to \$14.0 million. The Section 115 Trust has a balance of \$17.2 million.

As a fiscal sustainability measure, the City funds the Section 115 Trust using a more conservative discount rate of 6.25%. The City plans to accumulate sufficient funds in the Section 115 Trust to fund the difference between a 6.25% and a 7% discount rate. The funding strategy proposed \$8 million in initial funding to achieve this goal, along with additional funding of \$10 million over the first five years. Using a more conservative discount rate than CalPERS, the City can allocate more towards pension funding each year than required by CalPERS.

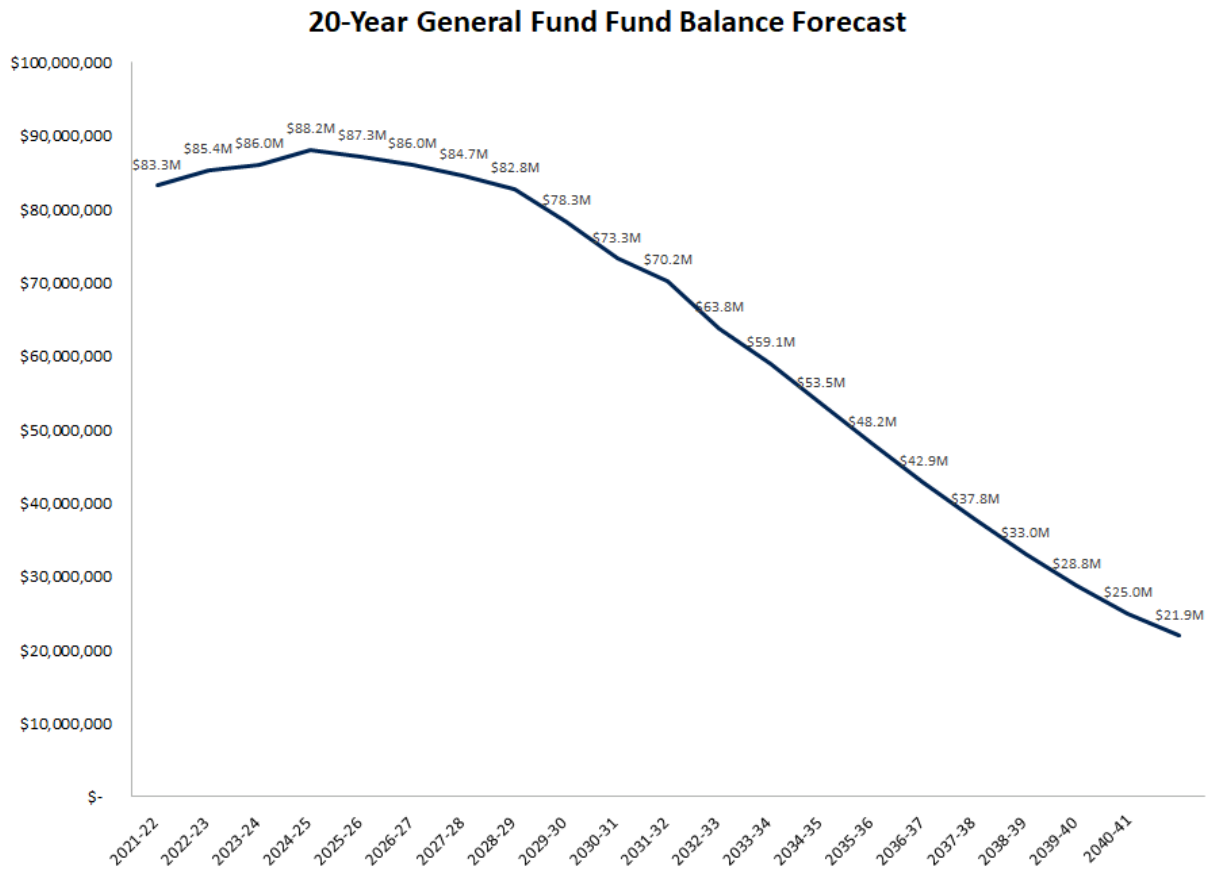
Given this strategy and the \$17.2 million currently set aside for pension funding, the City is in a solid position to withstand the effects of pension cost increases. If CalPERS investment returns fall short of assumptions, the City will be better prepared for future pension cost increases. If the discount rate is lowered in the future, which is a distinct possibility, the City will be better prepared to absorb these costs.

## Fund Balance

The foresight of the City Council and staff in previous years to focus on ensuring healthy reserves is paying off in full. Increases in sales tax revenues and budget reductions in FY 2020-21 have contributed to this planning strategy and will provide additional resources for the City into the future.

The City’s Economic Uncertainty Reserve remains intact, with \$19.0 million, and may be used to mitigate potential shortfalls in future fiscal years. The City’s Section 115 Pension Trust (\$17.2 million) could also be used to mitigate potential increases to CalPERS’s annual required contribution rate or further reductions in the discount rate set by CalPERS. The City’s unassigned fund balance remains healthy and will be able to assist in addressing funding gaps.

The General Fund’s fund balance is projected to be \$85.4 million in FY 2021-22. It is projected to increase to \$88.2 million in FY 2023-24 and then decrease due to increasing operating deficits.



FIVE-YEAR GENERAL FUND FUND BALANCE FORECAST						
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
<b>Beginning Fund Balance</b>	74,505,813	83,259,456	85,391,569	86,031,069	88,203,948	87,258,485
Operating Revenue	96,299,613	89,470,891	90,349,806	95,281,789	95,281,789	98,053,260
Operating Expenditures	89,629,944	87,338,778	89,834,116	93,236,498	96,354,839	99,397,992
<b>Net Revenues - Expenditures</b>	<b>6,669,669</b>	<b>2,132,113</b>	<b>515,689</b>	<b>2,045,291</b>	<b>(1,073,050)</b>	<b>(1,344,732)</b>
Unassigned	39,125,447	39,262,560	40,913,060	41,768,354	39,422,583	36,720,745
All Other Classifications	44,134,009	46,129,009	45,118,009	46,435,593	47,835,901	49,324,104
<b>TOTAL FUND BALANCE</b>	<b>83,259,456</b>	<b>85,391,569</b>	<b>86,031,069</b>	<b>88,203,948</b>	<b>87,258,485</b>	<b>86,044,849</b>

FIVE-YEAR GENERAL FUND FUND BALANCE FORECAST						
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
<b>Non-Spendable</b>						
Loans Receivable	446,000	441,000	430,000	424,000	418,000	412,000
Prepaid Items	3,000,000	3,000,000	-	-	-	-
<b>Total Non-Spendable</b>	<b>3,446,000</b>	<b>3,441,000</b>	<b>430,000</b>	<b>424,000</b>	<b>418,000</b>	<b>412,000</b>
<b>Restricted</b>						
Debt Service	13,982	13,982	13,982	13,982	13,982	13,982
Section 115 Trust	17,177,347	19,177,347	21,177,347	22,500,931	23,907,239	25,401,442
Public Access Television	1,368,789	1,368,789	1,368,789	1,368,789	1,368,789	1,368,789
<b>Total Restricted</b>	<b>18,560,118</b>	<b>20,560,118</b>	<b>22,560,118</b>	<b>23,883,702</b>	<b>25,290,010</b>	<b>26,784,213</b>
<b>Committed</b>						
Economic Uncertainty	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000	19,000,000
Sustainability Reserve	127,891	127,891	127,891	127,891	127,891	127,891
<b>Total Committed</b>	<b>19,127,891</b>	<b>19,127,891</b>	<b>19,127,891</b>	<b>19,127,891</b>	<b>19,127,891</b>	<b>19,127,891</b>
<b>Assigned</b>						
Reserve for Encumbrances	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
<b>Total Assigned</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>
<b>Total Unassigned</b>	<b>39,125,447</b>	<b>39,262,560</b>	<b>40,913,060</b>	<b>41,768,354</b>	<b>39,422,583</b>	<b>36,720,745</b>
<b>TOTAL FUND BALANCE</b>	<b>83,259,456</b>	<b>85,391,569</b>	<b>86,031,069</b>	<b>88,203,948</b>	<b>87,258,485</b>	<b>86,044,849</b>

Note: In FY 2021-22, forecasted fund balance is \$800,000 higher than budgeted because the forecast includes \$800,000 in vacancy savings. The City expects to realize the vacancy savings due to attrition.

It is anticipated that the City will transfer any unassigned fund balance over the \$500,000 threshold 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 can 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, the City has transferred the excess fund balance 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 2024-25. 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
<b>Expenditures</b>		
Section 115 Trust	The City established a Section 115 Trust, or Pension Rate Stabilization Program, to reduce pension rate volatility when CalPERS investment returns are below the discount rate or when CalPERS changes assumptions.  The City can also use it to offset pension costs in any given year.	The fund is currently at \$17 million.
Economic Uncertainty Reserve	The City has \$19 million in its Economic Uncertainty Reserve (General Fund).	The fund is currently at \$19 million.

### Additional Potential Strategies

Although not recommended at this time, the City may consider the following potential strategies in future years if sharp declines in revenues or increases in expenditures cause large structural deficits.

Potential Strategy	Description	Potential Impact
<b>Revenues</b>		
Transaction and Use Tax (1/4 cent)	Voter approval required, could bring sales tax from 9% to 9.25% for the City.	\$4 million
Transient Occupancy Tax Measure	Voter approval required, could bring rate from 12% to 14%	<ul style="list-style-type: none"> <li>•\$1.7M @ \$10M base</li> <li>•\$1.25M at \$7.5M base</li> <li>•\$833k at \$5M base</li> </ul>

Parcel Tax	Voter approval required	<ul style="list-style-type: none"> <li>•\$3.5M flat rate per parcel</li> <li>•\$3.6M variable rate per SF</li> </ul>
<b>Expenditures</b>		
Salary and benefit savings through attrition	Keep non-essential positions unfilled as they become vacant.	Approximately \$180,000 per position on average
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. Deferring or eliminating negotiated increases 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 appropriate and service level needs in the City.	Approximately \$180,000 per position on average
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

# All Funds Forecast Schedules

## General Fund Revenues

Classification	2019-20	2020-21	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Actual	Adopted	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
Sales Tax	35,657,215	20,910,889	33,089,302	27,855,559	28,887,849	29,496,684	29,496,684	30,115,742
Property Tax	26,606,844	25,353,783	27,821,317	27,840,341	28,773,396	29,875,736	29,875,736	31,041,188
Transient Occupancy Tax	7,286,083	7,546,884	2,000,000	3,000,000	5,000,000	7,500,000	7,500,000	7,750,155
Utility Tax	3,182,087	3,223,712	3,223,712	3,245,448	3,267,283	3,289,218	3,289,218	3,311,208
Franchise Fees	3,418,909	3,280,447	3,280,447	3,380,985	3,481,524	3,582,062	3,582,062	3,679,856
Other Taxes	1,402,002	1,212,939	1,849,167	1,248,720	1,284,309	1,323,480	1,323,480	1,359,876
Licenses and Permits	4,692,845	3,139,473	3,139,473	3,140,195	3,155,896	3,171,675	3,171,675	3,187,534
Use of Money and Property	4,189,877	1,246,510	1,246,510	1,072,220	2,151,165	2,406,553	2,406,553	2,582,586
Intergovernmental	747,942	335,567	5,906,902	5,093,946	242,853	244,067	244,067	245,288
Charges for Services	11,986,328	11,091,064	13,392,301	12,047,922	12,704,896	13,065,634	13,065,634	13,401,909
Fines and Forfeitures	327,833	425,000	150,000	225,000	225,000	225,000	225,000	225,000
Miscellaneous	1,217,670	1,003,857	1,085,482	1,000,555	1,050,635	1,101,679	1,101,679	1,152,918
Transfers In	10,012,000	15,000	15,000	45,000	-	-	-	-
Other Financing Sources	451,439	275,000	100,000	275,000	-	-	-	-
<b>TOTAL REVENUES</b>	<b>111,179,073</b>	<b>79,060,125</b>	<b>96,299,613</b>	<b>89,470,891</b>	<b>90,224,806</b>	<b>95,281,789</b>	<b>95,281,789</b>	<b>98,053,260</b>

## General Fund Expenditures

Classification	2019-20	2020-21	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Actual	Adopted	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
Employee Compensation	18,153,833	20,295,000	20,430,826	21,304,931	22,551,331	23,168,066	23,801,645	24,452,573
Employee Benefits	7,732,290	8,903,632	8,903,632	9,900,846	9,488,137	10,254,609	10,775,037	11,187,466
Salary Savings	-	-	-	(800,000)	(800,000)	(800,000)	(800,000)	(800,000)
<b>Personnel Costs</b>	<b>25,886,123</b>	<b>29,198,632</b>	<b>29,334,458</b>	<b>30,405,777</b>	<b>31,239,468</b>	<b>32,622,675</b>	<b>33,776,682</b>	<b>34,840,039</b>
Materials	4,860,223	6,058,121	6,058,121	6,849,707	7,044,924	7,259,794	7,466,698	7,672,032
Contract Services	21,528,698	22,051,314	24,638,571	24,598,223	25,678,667	26,796,144	27,928,297	29,083,212
Cost Allocation	9,786,477	10,473,534	10,473,540	11,948,062	12,652,998	13,000,955	13,358,481	13,725,840
Capital Outlays	-	-	68,470	-	-	-	-	-
Special Projects	2,245,576	1,448,852	3,000,000	795,000	2,117,682	2,182,271	2,244,466	2,306,188
Contingencies	40	824,350	721,559	945,029	1,000,635	1,031,155	1,060,542	1,089,707
Other Financing Uses	282,038	525,000	611,656	545,000	-	-	-	-
<b>Non-Personnel Costs</b>	<b>38,703,053</b>	<b>41,381,171</b>	<b>45,571,917</b>	<b>45,681,021</b>	<b>48,494,905</b>	<b>50,270,318</b>	<b>52,058,484</b>	<b>53,876,979</b>
<b>Transfers</b>	<b>30,892,276</b>	<b>9,948,689</b>	<b>10,148,689</b>	<b>11,251,984</b>	<b>10,099,747</b>	<b>10,343,509</b>	<b>10,519,676</b>	<b>10,680,976</b>
<b>TOTAL EXPENDITURES</b>	<b>95,481,452</b>	<b>80,528,492</b>	<b>85,055,064</b>	<b>87,338,782</b>	<b>89,834,119</b>	<b>93,236,501</b>	<b>96,354,843</b>	<b>99,397,995</b>

Note: In FY 2021-22, forecasted expenditures are \$800,000 lower than budgeted because the forecast includes \$800,000 in vacancy savings. The City expects to realize the vacancy savings due to attrition.

## General Fund Fund Balance

Classification	2019-20	2020-21	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Actual	Adopted	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
<b>Beginning Balance</b>	<b>58,922,585</b>	<b>74,505,813</b>	<b>74,505,813</b>	<b>83,259,456</b>	<b>85,391,569</b>	<b>86,031,069</b>	<b>88,203,948</b>	<b>87,258,485</b>
Unassigned	34,426,942	16,040,633	39,125,447	39,262,560	40,913,060	41,768,354	39,422,583	36,720,745
All Other Classifications	40,078,871	35,929,546	44,134,009	46,129,009	45,118,009	46,435,593	47,835,901	49,324,104
<b>Ending Balance</b>	<b>74,505,813</b>	<b>51,970,179</b>	<b>83,259,456</b>	<b>85,391,569</b>	<b>86,031,069</b>	<b>88,203,948</b>	<b>87,258,485</b>	<b>86,044,849</b>

Note: In FY 2021-22, forecasted fund balance is \$800,000 higher than budgeted because the forecast includes \$800,000 in vacancy savings. The City expects to realize the vacancy savings due to attrition.

# Special Revenue Fund Revenues

Classification	2019-20	2020-21	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Actual	Adopted	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
<b>STORM DRAIN IMPROVEMENT (FUNDS 210, 215)</b>								
406-Taxes	87,233	76,984	76,984	79,237	79,237	79,237	79,237	79,237
420-Use of Money	152,482	-	-	-	-	-	-	-
421-Transfer In	437,000	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>676,715</b>	<b>76,984</b>	<b>76,984</b>	<b>79,237</b>	<b>79,237</b>	<b>79,237</b>	<b>79,237</b>	<b>79,237</b>
<b>ENVIRON. MGMT./CLEAN CREEKS/STORM DRAIN (FUND 230)</b>								
420-Use of Money	57,035	905	905	908	-	-	-	-
421-Transfer In	660,000	-	-	-	-	-	-	-
430-Fines and Forfeitures	16,175	10,000	10,000	10,000	10,000	10,000	10,000	10,000
450-Charges for Services	1,403,738	1,522,493	1,522,493	1,543,100	1,543,100	1,543,100	1,543,100	1,543,100
<b>TOTAL</b>	<b>2,136,948</b>	<b>1,533,398</b>	<b>1,533,398</b>	<b>1,554,008</b>	<b>1,553,100</b>	<b>1,553,100</b>	<b>1,553,100</b>	<b>1,553,100</b>
<b>HOUSING &amp; COMMUNITY DEVELOPMENT (FUNDS 260, 261, 265)</b>								
406-Taxes	39,000	3,025,898	3,025,898	3,611,855	3,611,855	3,611,855	3,611,855	3,611,855
420-Use of Money	311,905	3,300	3,300	3,300	3,300	3,300	3,300	3,300
421-Transfer In	-	-	200,000	-	-	-	-	-
440-Intergovernmental	357,527	397,270	951,209	397,202	397,202	397,202	397,202	397,202
450-Charges for Services	650	-	-	-	-	-	-	-
460-Refundable Deposit Revenue	792	-	-	-	-	-	-	-
480-Miscellaneous Revenue	1,515	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>711,389</b>	<b>3,426,468</b>	<b>4,180,407</b>	<b>4,012,357</b>	<b>4,012,357</b>	<b>4,012,357</b>	<b>4,012,357</b>	<b>4,012,357</b>
<b>TRANSPORTATION (FUND 270)</b>								
420-Use of Money	243,244	-	-	-	-	-	-	-
421-Transfer In	221,000	4,000,000	4,000,000	6,457,824	4,500,000	4,651,304	4,740,293	4,813,689
440-Intergovernmental	2,938,672	2,898,325	3,880,625	3,004,034	3,165,000	3,165,000	3,165,000	3,165,000
450-Charges for Services	61,900	3,978	3,978	3,978	-	-	-	-
480-Miscellaneous Revenue	703,218	87,057	1,443,723	87,057	-	-	-	-
<b>TOTAL</b>	<b>4,168,034</b>	<b>6,989,360</b>	<b>9,328,326</b>	<b>9,552,893</b>	<b>7,665,000</b>	<b>7,816,304</b>	<b>7,905,293</b>	<b>7,978,689</b>
<b>PARK DEDICATION (FUND 280)</b>								
406-Taxes	246,000	-	-	-	-	-	-	-
420-Use of Money	467,000	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>713,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TREE (FUND 281)</b>								
420-Use of Money	6,384	-	-	-	-	-	-	-
450-Charges for Services	900	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>7,284</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL SPECIAL REVENUE FUNDS</b>	<b>8,413,370</b>	<b>12,026,210</b>	<b>15,119,115</b>	<b>15,198,495</b>	<b>13,309,694</b>	<b>13,460,998</b>	<b>13,549,987</b>	<b>13,623,383</b>

# Special Revenue Fund Expenditures

Program	2019-20 Actual	2020-21 Adopted	2020-21 Estimate	2021-22 Proposed	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast
<b>STORM DRAIN IMPROVEMENT (FUND 210, 215)</b>								
210-90-978 Minor Storm Drain Impv	4,000	-	-	-	-	-	-	-
210-90-980 SD Master Plan Update	-	707	707	-	-	-	-	-
210-99-042 Strm Drn Improv-Fthill & Cup Rd	-	248	248	-	-	-	-	-
210-99-071 Storm Drain MP Implementation	-	45	45	-	-	-	-	-
<b>TOTAL</b>	<b>4,000</b>	<b>1,000</b>	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ENVIRON. MGMT./CLEAN CREEKS/STORM DRAIN (FUND 230)</b>								
230-81-802 Non Point Source	773,967	1,041,170	1,073,920	1,185,579	1,185,579	1,185,579	1,185,579	1,185,579
230-81-853 Storm Drain Fee	-	-	25,000	196	-	-	-	-
230-81-854 General Fund Subsidy	838	-	21,868	401	-	-	-	-
230-81-855 Storm Drain Maintenance	-	752,984	752,984	778,907	-	-	-	-
230-90-001 No Department	-	-	-	366,000	366,000	366,000	366,000	366,000
<b>TOTAL</b>	<b>774,805</b>	<b>1,794,154</b>	<b>1,873,772</b>	<b>2,331,083</b>	<b>1,551,579</b>	<b>1,551,579</b>	<b>1,551,579</b>	<b>1,551,579</b>
<b>HOUSING &amp; COMMUNITY DEVELOPMENT (FUND 260, 261, 265)</b>								
260-72-707 CDBG General Admin	84,686	97,195	651,134	124,376	124,376	124,376	124,376	124,376
260-72-709 CDBG Capital/Housing Projects	227,111	260,000	260,000	258,214	258,214	258,214	258,214	258,214
260-72-710 CDBG Public Service Grants	54,974	65,000	65,000	59,588	59,588	59,588	59,588	59,588
265-72-711 BMR Affordable Housing Fund	520,756	661,071	1,265,083	1,509,132	475,000	475,000	475,000	475,000
<b>TOTAL</b>	<b>887,527</b>	<b>1,083,266</b>	<b>2,241,217</b>	<b>1,951,310</b>	<b>917,178</b>	<b>917,178</b>	<b>917,178</b>	<b>917,178</b>
<b>TRANSPORTATION (FUND 270)</b>								
270-85-820 Sidewalk Curb and Gutter	1,328,675	1,511,071	1,628,008	1,868,903	1,868,903	1,868,903	1,868,903	1,868,903
270-85-821 Street Pavement Maintenance	4,343,750	2,247,004	7,825,557	4,797,069	4,797,069	4,797,069	4,797,069	4,797,069
270-85-822 Street Sign Marking	687,366	854,135	854,135	901,865	901,865	901,865	901,865	901,865
270-90-954 Monument Gateway Sign	-	90	25,949	-	-	-	-	-
270-90-958 Orange and Byrne Sidewalk Impv	2,165,426	12,725	2,540,282	-	-	-	-	-
270-90-960 Bridge Rehab Minor	43,794	10,068	527,927	-	-	-	-	-
270-90-961 St Median Irrg Plant Repl	316,037	20,501	20,501	-	-	-	-	-
270-90-962 Bicycle Ped Facility Impr	-	135	135	-	-	-	-	-
270-90-976 Ph 2 Md Sidewalk Improv	122,398	19,871	2,652,348	-	-	-	-	-
270-99-087 Traffic Calming	-	200,000	200,000	-	-	-	-	-
270-99-856 Homestead/DeAnza Signal Upgrade	-	-	213,300	-	-	-	-	-
<b>TOTAL</b>	<b>9,007,446</b>	<b>4,875,600</b>	<b>16,488,142</b>	<b>7,567,837</b>	<b>7,567,837</b>	<b>7,567,837</b>	<b>7,567,837</b>	<b>7,567,837</b>
<b>PARK DEDICATION (FUND 280)</b>								
280-99-009 Lawrence-Mitty Park	48,720	90	8,178,469	-	-	-	-	-
280-99-066 MRP Community Grdn Improv-Const	2,314	8,158	41,058	-	-	-	-	-
280-99-067 MRP EEC Aquatic Habitat	-	1,293	1,293	-	-	-	-	-
<b>TOTAL</b>	<b>51,034</b>	<b>9,541</b>	<b>8,220,820</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TREE FUND (FUND 281)</b>								
281-90-001 No Department	12,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
<b>TOTAL</b>	<b>12,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>
<b>TOTAL SPECIAL REVENUE FUNDS</b>	<b>10,736,812</b>	<b>7,778,561</b>	<b>28,839,951</b>	<b>11,865,230</b>	<b>10,051,594</b>	<b>10,051,594</b>	<b>10,051,594</b>	<b>10,051,594</b>

## Debt Service Fund Revenues

Classification	2019-20	2020-21	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Actual	Adopted	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
<b>PUBLIC FACILITIES CORPORATION (FUND 365)</b>								
420-Use of Money	26,611	-	-	-	-	-	-	-
421-Transfer In	3,172,838	3,169,138	3,169,138	2,621,000	2,675,800	2,677,600	2,676,200	2,676,600
490-Other Sources	-	-	25,918,704	-	-	-	-	-
<b>TOTAL</b>	<b>3,199,449</b>	<b>3,169,138</b>	<b>29,087,842</b>	<b>2,621,000</b>	<b>2,675,800</b>	<b>2,677,600</b>	<b>2,676,200</b>	<b>2,676,600</b>
<b>TOTAL DEBT SERVICE FUNDS</b>	<b>3,199,449</b>	<b>3,169,138</b>	<b>29,087,842</b>	<b>2,621,000</b>	<b>2,675,800</b>	<b>2,677,600</b>	<b>2,676,200</b>	<b>2,676,600</b>

## Debt Service Fund Expenditures

Program	2019-20	2020-21	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Actual	Adopted	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
<b>PUBLIC FACILITIES CORPORATION (FUND 365)</b>								
365-90-001 No Department	-	-	27,279,118	-	-	-	-	-
365-90-500 Facility Lease	3,174,337	3,169,138	3,439,912	2,676,000	2,675,800	2,677,600	2,676,200	2,676,600
<b>TOTAL</b>	<b>3,174,337</b>	<b>3,169,138</b>	<b>3,439,912</b>	<b>2,676,000</b>	<b>2,675,800</b>	<b>2,677,600</b>	<b>2,676,200</b>	<b>2,676,600</b>
<b>TOTAL DEBT SERVICE FUNDS</b>	<b>3,174,337</b>	<b>3,169,138</b>	<b>3,439,912</b>	<b>2,676,000</b>	<b>2,675,800</b>	<b>2,677,600</b>	<b>2,676,200</b>	<b>2,676,600</b>

## Capital Project Fund Revenues

Classification	2019-20	2020-21	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Actual	Adopted	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
<b>CAPITAL IMPROVEMENT PROJECTS (FUND 420)</b>								
420-Use of Money	736,375	-	-	-	-	-	-	-
421-Transfer In	15,010,438	1,430,000	1,430,000	-	-	-	-	-
440-Intergovernmental	55,000	-	1,460,000	-	-	-	-	-
480-Miscellaneous Revenue	2,789,450	-	4,967,967	-	-	-	-	-
<b>TOTAL</b>	<b>18,591,263</b>	<b>1,430,000</b>	<b>7,857,967</b>	-	-	-	-	-
<b>CAPITAL RESERVE (FUND 429)</b>								
420-Use of Money	167,380	-	-	-	-	-	-	-
421-Transfer In	20,352,719	-	5,000,000	-	-	-	-	-
<b>TOTAL</b>	<b>20,352,719</b>	-	<b>5,000,000</b>	-	-	-	-	-
<b>TOTAL CAPITAL PROJECT FUNDS</b>	<b>38,943,982</b>	<b>1,430,000</b>	<b>12,857,967</b>	-	-	-	-	-

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.

# Capital Project Fund Expenditures

Program	2019-20	2020-21	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Actual	Adopted	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
<b>CAPITAL IMPROVEMENT PROJECTS (FUND 420)</b>								
420-90-880 Env Edu Facility	-	185	185	-	-	-	-	-
420-90-898 SCCP Chain MP-MCLN TO SCB	-	405	204,132	-	-	-	-	-
420-90-904 Spt Ctr Resurf Tennis Cts	-	45	45	-	-	-	-	-
420-90-938 Pub Bldg Solar Service Center	-	180	25,535	-	-	-	-	-
420-90-969 DeAnza/McClellan Signal Maint	-	90	90	-	-	-	-	-
420-90-971 STLG/280 Ped Bridge Lighting	(8,017)	252	46,701	-	-	-	-	-
420-90-999 Green Bike Lanes	-	90	90	-	-	-	-	-
420-99-003 MR Construct Trash Enclosure	5,098	1,601	1,601	-	-	-	-	-
420-99-004 MR Community Garden Improvements	158,956	6,622	1,173,266	-	-	-	-	-
420-99-007 ADA Improvements	109,887	84,984	170,745	-	-	-	-	-
420-99-014 Stevens Crk Bank Repair Concept	-	90	100,090	-	-	-	-	-
420-99-017 Sports Center Exterior Upgrades	20,863	21,201	21,201	-	-	-	-	-
420-99-018 Sports Center Interior Upgrades	-	358	358	-	-	-	-	-
420-99-023 QCC Fire Alarm Control Panel Upg	4,697	5,626	5,626	-	-	-	-	-
420-99-030 McClellan West-Parking Lot Impro	376,164	17,406	85,242	-	-	-	-	-
420-99-031 Rec Facilities Monument Signs	-	3,609	3,609	-	-	-	-	-
420-99-033 City Hall - Turf Reduction	-	1,838	1,838	-	-	-	-	-
420-99-034 Svc Ctr - Shed No. 3 Improvement	-	10,921	10,921	-	-	-	-	-
420-99-036 2016 Bike Plan Implementation	3,907,891	785,782	11,812,213	-	-	-	-	-
420-99-040 Retaining Wall Repair-Cordova Rd	-	27,837	27,837	-	-	-	-	-
420-99-041 Retaining Wall Repl - Regnart Rd	-	180	180	-	-	-	-	-
420-99-045 Citywide Park & Recreation MP	60,341	3,321	3,321	-	-	-	-	-
420-99-047 CIP Prelim Planning & Design	12,380	128,039	128,039	125,000	-	-	-	-
420-99-048 Capital Project Support	25,855	50,145	31,435	50,000	-	-	-	-
420-99-051 Inclusive Play Area - Planning	32,237	652	5,474,914	-	-	-	-	-
420-99-054 Senior Ctr Walkway Replacement	-	270	16,303	-	-	-	-	-
420-99-056 St Light Install - Annual Infill	81,584	75,536	128,952	-	-	-	-	-
420-99-057 McClellan Sdwk-RB to Hwy85 Over	-	45	45	-	-	-	-	-
420-99-058 St Light Install-Randy & Larry	11,328	3,896	3,896	-	-	-	-	-
420-99-059 Senior Center Repairs	-	10,297	10,297	-	-	-	-	-
420-99-063 CW Bldg Condition Assess Impl	169,282	6,470	829,057	-	-	-	-	-
420-99-064 Creek Infall/Outfall Restoration	-	1,605	1,605	-	-	-	-	-
420-99-065 DeAnza Med Islnd Landscaping Ph2	23,719	14,867	14,867	-	-	-	-	-
420-99-068 Regnart Road Improvements	32,846	3,646	1,173,125	-	-	-	-	-
420-99-069 School Walk Audit Implementation	5,691	654	1,216,825	-	-	-	-	-
420-99-070 SCB/Bandley Signal & Median Imps	7,053	90	143,036	-	-	-	-	-
420-99-072 St Light Replacement CW (labor)	-	90	200,090	-	-	-	-	-
420-99-073 BBF Park Pool Improvements	-	446	446	-	-	-	-	-
420-99-074 Interim City Hall	-	1,162	466,174	-	-	-	-	-
420-99-075 New City Hall	1,349	90	3,498,740	-	-	-	-	-
420-99-077 Library Expansion	463,231	-	8,242,208	-	-	-	-	-
420-99-078 Civic Center Parking Analysis	71,517	-	928,483	-	-	-	-	-
420-99-079 Mary Ave Protected Bikeway	5,800	-	159,200	-	-	-	-	-
420-99-080 Bubbb Rd Separated Bikeway Improv	71,114	-	1,909,441	-	-	-	-	-
420-99-083 Citywide Community Garden	17,493	-	282,507	-	-	-	-	-
420-99-084 Linda Vista Trail	40,954	-	574,546	-	-	-	-	-
420-99-085 Playground EQ (Creekside&Varian)	-	300,000	300,000	-	-	-	-	-
420-99-086 Various Park Amenities	-	200,000	200,000	-	-	-	-	-
<b>TOTAL</b>	<b>5,709,313</b>	<b>1,770,623</b>	<b>39,629,057</b>	<b>175,000</b>	-	-	-	-
<b>STEVENS CREEK CORRIDOR PARK (FUND 427)</b>								
427-90-870 SC Corridor Park Ph 1	-	626	38,741	-	-	-	-	-
427-90-881 Phs II SC Corridor Park	9,240	2,025	36,656	-	-	-	-	-
<b>TOTAL</b>	<b>9,240</b>	<b>2,651</b>	<b>75,397</b>	-	-	-	-	-
<b>CAPITAL RESERVE (FUND 429)</b>								
429-90-001 No Department	26,057,719	1,989,449	1,989,449	-	-	-	-	-
<b>TOTAL</b>	<b>26,057,719</b>	<b>1,989,449</b>	<b>1,989,449</b>	-	-	-	-	-
<b>TOTAL CAPITAL PROJECT FUNDS</b>	<b>31,776,272</b>	<b>3,762,723</b>	<b>41,693,903</b>	<b>175,000</b>	-	-	-	-

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.



# Enterprise Fund Revenues

Classification	2019-20 Actual	2020-21 Adopted	2020-21 Estimate	2021-22 Proposed	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast
<b>RESOURCE RECOVERY (FUND 520)</b>								
420-Use of Money	239,701	-	-	-	-	-	-	-
440-Intergovernmental	14,950	15,000	15,000	14,000	-	-	-	-
450-Charges for Services	1,796,907	1,420,188	1,420,188	1,470,578	1,470,578	1,470,578	1,470,578	1,470,578
480-Miscellaneous Revenue	9,819	-	-	10,000	-	-	-	-
<b>TOTAL</b>	<b>2,061,377</b>	<b>1,435,188</b>	<b>1,435,188</b>	<b>1,494,578</b>	<b>1,470,578</b>	<b>1,470,578</b>	<b>1,470,578</b>	<b>1,470,578</b>
<b>BLACKBERRY FARM GOLF COURSE (FUND 560)</b>								
420-Use of Money	55,527	30,000	30,000	30,000	30,000	30,000	30,000	30,000
421-Transfer In	610,000	500,000	500,000	79,992	79,992	79,992	79,992	79,992
450-Charges for Services	305,524	180,000	180,000	310,000	310,000	310,000	310,000	310,000
<b>TOTAL</b>	<b>971,051</b>	<b>710,000</b>	<b>710,000</b>	<b>419,992</b>	<b>419,992</b>	<b>419,992</b>	<b>419,992</b>	<b>419,992</b>
<b>SPORTS CENTER (FUND 570)</b>								
420-Use of Money	386,592	120,000	120,000	351,000	351,000	351,000	351,000	351,000
421-Transfer In	2,223,000	685,000	685,000	-	-	-	-	-
450-Charges for Services	2,099,161	761,112	761,112	2,350,000	2,350,000	2,350,000	2,350,000	2,350,000
<b>TOTAL</b>	<b>4,708,753</b>	<b>1,566,112</b>	<b>1,566,112</b>	<b>2,701,000</b>	<b>2,701,000</b>	<b>2,701,000</b>	<b>2,701,000</b>	<b>2,701,000</b>
<b>RECREATION PROGRAMS (FUND 580)</b>								
420-Use of Money	142,485	140,000	140,000	312,000	312,000	312,000	312,000	312,000
421-Transfer In	690,000	1,664,000	1,664,000	806,809	806,809	806,809	806,809	806,809
450-Charges for Services	1,525,850	1,451,742	1,451,742	1,087,000	1,087,000	1,087,000	1,087,000	1,087,000
<b>TOTAL</b>	<b>2,358,335</b>	<b>3,255,742</b>	<b>3,255,742</b>	<b>2,205,809</b>	<b>2,205,809</b>	<b>2,205,809</b>	<b>2,205,809</b>	<b>2,205,809</b>
<b>TOTAL ENTERPRISE FUNDS</b>	<b>10,099,516</b>	<b>6,967,042</b>	<b>6,967,042</b>	<b>6,821,379</b>	<b>6,797,379</b>	<b>6,797,379</b>	<b>6,797,379</b>	<b>6,797,379</b>

# Enterprise Fund Expenditures

Program	2019-20 Actual	2020-21 Adopted	2020-21 Estimate	2021-22 Proposed	2022-23 Forecast	2023-24 Forecast	2024-25 Forecast	2025-26 Forecast
<b>RESOURCE RECOVERY (FUND 520)</b>								
520-81-801 Resources Recovery	2,213,403	1,700,225	2,379,084	2,152,096	2,152,096	2,152,096	2,152,096	2,152,096
<b>TOTAL</b>	<b>2,213,403</b>	<b>1,700,225</b>	<b>2,379,084</b>	<b>2,152,096</b>	<b>2,152,096</b>	<b>2,152,096</b>	<b>2,152,096</b>	<b>2,152,096</b>
<b>BLACKBERRY FARM GOLF COURSE (FUND 560)</b>								
560-63-616 BBF Golf Course	585,904	684,232	688,030	679,646	679,646	679,646	679,646	679,646
560-90-001 No Department	-	-	-	404	-	-	-	-
560-99-061 BBF Entrnc Rd Improv-Feasibility	77,761	2,002	3,263	-	-	-	-	-
560-99-088 BBF Golf Renovation/Alt use	-	50,000	50,000	-	-	-	-	-
<b>TOTAL</b>	<b>663,665</b>	<b>736,234</b>	<b>741,293</b>	<b>680,050</b>	<b>679,646</b>	<b>679,646</b>	<b>679,646</b>	<b>679,646</b>
<b>SPORTS CENTER (FUND 570)</b>								
570-63-621 Sports Center Operation	2,421,886	1,356,862	1,392,755	2,902,360	2,902,360	2,902,360	2,902,360	2,902,360
570-87-836 Bldg Maint Sports Center	444,572	487,440	585,497	623,052	623,052	623,052	623,052	623,052
570-90-001 No Department	-	-	-	1,621	-	-	-	-
570-99-081 Sports Center Seismic Retrofit	17,447	-	1,259,592	-	-	-	-	-
570-99-089 Spt Ctr Community Needs Analysis	-	25,000	25,000	-	-	-	-	-
<b>TOTAL</b>	<b>2,883,905</b>	<b>1,869,302</b>	<b>3,262,844</b>	<b>3,527,033</b>	<b>3,525,412</b>	<b>3,525,412</b>	<b>3,525,412</b>	<b>3,525,412</b>
<b>RECREATION PROGRAMS (FUND 580)</b>								
580-62-613 Youth Teen Recreation	2,209,085	1,963,790	1,963,790	1,828,845	1,828,845	1,828,845	1,828,845	1,828,845
580-63-620 Outdoor Recreation	932,140	907,695	938,195	1,158,012	1,158,012	1,158,012	1,158,012	1,158,012
580-90-001 No Department	-	-	-	1,081	-	-	-	-
580-99-082 Quinlan Preschool Shade Structur	-	-	125,000	-	-	-	-	-
580-99-090 QCC Sustainable Infrastructure	-	502,000	502,000	-	-	-	-	-
<b>TOTAL</b>	<b>3,141,225</b>	<b>3,373,485</b>	<b>3,528,985</b>	<b>2,987,938</b>	<b>2,986,857</b>	<b>2,986,857</b>	<b>2,986,857</b>	<b>2,986,857</b>
<b>TOTAL ENTERPRISE FUNDS</b>	<b>8,902,198</b>	<b>7,679,246</b>	<b>9,912,206</b>	<b>9,347,117</b>	<b>9,344,011</b>	<b>9,344,011</b>	<b>9,344,011</b>	<b>9,344,011</b>

## Internal Service Fund Revenues

Classification	2019-20	2020-21	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Actual	Adopted	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
<b>INFORMATION TECHNOLOGY (FUND 610)</b>								
420-Use of Money	109,150	-	-	-	-	-	-	-
421-Transfer In	72,000	245,000	245,000	192,078	415,801	422,142	428,157	434,045
450-Charges for Services	2,731,701	2,681,431	2,681,431	2,959,603	2,959,603	2,959,603	2,959,603	2,959,603
<b>TOTAL</b>	<b>2,912,851</b>	<b>2,926,431</b>	<b>2,926,431</b>	<b>3,151,681</b>	<b>3,375,404</b>	<b>3,381,745</b>	<b>3,387,760</b>	<b>3,393,648</b>
<b>WORKERS' COMPENSATION (FUND 620)</b>								
420-Use of Money	150,548	-	-	-	-	-	-	-
450-Charges for Services	7,000	-	-	-	-	-	-	-
490-Other Sources	230,706	246,385	246,385	356,839	356,839	356,839	356,839	356,839
<b>TOTAL</b>	<b>388,254</b>	<b>246,385</b>	<b>246,385</b>	<b>356,839</b>	<b>356,839</b>	<b>356,839</b>	<b>356,839</b>	<b>356,839</b>
<b>VEHICLE/EQUIPMENT REPLACEMENT (FUND 630)</b>								
421-Transfer In	-	6,000	6,000	366,000	24,241	24,362	24,484	24,606
450-Charges for Services	1,352,200	1,633,518	1,633,518	1,718,598	1,718,598	1,718,598	1,718,598	1,718,598
490-Other Sources	76,863	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>1,429,063</b>	<b>1,639,518</b>	<b>1,639,518</b>	<b>2,084,598</b>	<b>1,742,839</b>	<b>1,742,960</b>	<b>1,743,082</b>	<b>1,743,204</b>
<b>COMPENSATED ABSENCE &amp; LONG-TERM DISABILITY (FUND 641)</b>								
420-Use of Money	48,647	-	-	-	-	-	-	-
421-Transfer In	1,109,000	193,000	193,000	21,570	22,843	23,471	24,116	24,779
450-Charges for Services	173,931	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>1,331,578</b>	<b>193,000</b>	<b>193,000</b>	<b>21,570</b>	<b>22,843</b>	<b>23,471</b>	<b>24,116</b>	<b>24,779</b>
<b>RETIREE MEDICAL (FUND 642)</b>								
420-Use of Money	59,177	-	-	-	-	-	-	-
421-Transfer In	2,392,000	46,000	46,000	1,072,711	1,402,222	1,453,495	1,504,193	1,554,163
<b>TOTAL</b>	<b>2,451,177</b>	<b>46,000</b>	<b>46,000</b>	<b>1,072,711</b>	<b>1,402,222</b>	<b>1,453,495</b>	<b>1,504,193</b>	<b>1,554,163</b>
<b>TOTAL INTERNAL SERVICE FUNDS</b>	<b>8,512,923</b>	<b>5,051,334</b>	<b>5,051,334</b>	<b>6,687,399</b>	<b>6,900,146</b>	<b>6,958,509</b>	<b>7,015,991</b>	<b>7,072,633</b>

## Internal Service Fund Expenditures

Program	2019-20	2020-21	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Actual	Adopted	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
<b>INFORMATION TECHNOLOGY (FUND 610)</b>								
610-30-300 Administration	238,010	356,506	446,506	252,124	252,124	252,124	252,124	252,124
610-34-310 Infrastructure	2,379,194	2,076,714	2,167,487	2,202,453	2,202,453	2,202,453	2,202,453	2,202,453
610-35-986 GIS	1,259,293	1,081,259	1,114,248	1,424,906	1,424,906	1,424,906	1,424,906	1,424,906
<b>TOTAL</b>	<b>3,876,497</b>	<b>3,514,479</b>	<b>3,728,241</b>	<b>3,879,483</b>	<b>3,879,483</b>	<b>3,879,483</b>	<b>3,879,483</b>	<b>3,879,483</b>
<b>WORKERS' COMPENSATION (FUND 620)</b>								
620-44-418 Workers Compensation Insurance	229,053	276,223	276,223	434,840	434,840	434,840	434,840	434,840
<b>TOTAL</b>	<b>229,053</b>	<b>276,223</b>	<b>276,223</b>	<b>434,840</b>	<b>434,840</b>	<b>434,840</b>	<b>434,840</b>	<b>434,840</b>
<b>VEHICLE/EQUIPMENT REPLACEMENT (FUND 630)</b>								
630-85-849 Equipment Maintenance	1,596,207	1,495,116	1,522,542	1,557,044	1,557,044	1,557,044	1,557,044	1,557,044
630-90-985 Fixed Assets Acquisition	-	384,022	511,752	1,001,017	1,001,017	1,001,017	1,001,017	1,001,017
<b>TOTAL</b>	<b>1,596,207</b>	<b>1,879,138</b>	<b>2,034,294</b>	<b>2,558,061</b>	<b>2,558,061</b>	<b>2,558,061</b>	<b>2,558,061</b>	<b>2,558,061</b>
<b>COMPENSATED ABSENCE &amp; LONG-TERM DISABILITY (FUND 641)</b>								
641-44-419 Long Term Disability	168,953	171,837	171,837	95,612	95,612	95,612	95,612	95,612
641-44-420 Compensated Absence	383,888	620,055	620,055	620,590	620,590	620,590	620,590	620,590
<b>TOTAL</b>	<b>552,841</b>	<b>791,892</b>	<b>791,892</b>	<b>716,202</b>	<b>716,202</b>	<b>716,202</b>	<b>716,202</b>	<b>716,202</b>
<b>RETIREE MEDICAL (FUND 642)</b>								
642-44-414 HR Retiree Benefits	1,149,055	1,211,333	1,211,333	1,241,926	1,241,926	1,241,926	1,241,926	1,241,926
<b>TOTAL</b>	<b>1,149,055</b>	<b>1,211,333</b>	<b>1,211,333</b>	<b>1,241,926</b>	<b>1,241,926</b>	<b>1,241,926</b>	<b>1,241,926</b>	<b>1,241,926</b>
<b>TOTAL INTERNAL SERVICE FUNDS</b>	<b>7,403,653</b>	<b>7,673,065</b>	<b>8,041,983</b>	<b>8,830,512</b>	<b>8,830,512</b>	<b>8,830,512</b>	<b>8,830,512</b>	<b>8,830,512</b>

# All Funds Fund Balance

Fund Type		2019-20	2020-21	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
		Actual	Adopted	Estimate	Proposed	Forecast	Forecast	Forecast	Forecast
<b>GENERAL FUNDS</b>									
	<b>Beginning Balance</b>	58,922,585	74,505,813	74,505,813	83,259,456	85,391,569	86,031,069	88,203,948	87,258,485
Assigned		34,426,942	16,040,633	39,125,447	39,262,560	40,913,060	41,768,354	39,422,583	36,720,745
Unassigned		40,078,871	35,929,546	44,134,009	46,129,009	45,118,009	46,435,593	47,835,901	49,324,104
	<b>Ending Balance</b>	74,505,813	51,970,179	83,259,456	85,391,569	86,031,069	88,203,948	87,258,485	86,044,849
<b>SPECIAL REVENUE FUNDS</b>									
	<b>Beginning Balance</b>	34,275,079	23,397,927	31,995,174	28,888,315	32,221,580	35,479,680	38,889,084	42,387,477
Assigned		34,275,080	27,645,576	28,888,315	32,221,580	35,479,680	38,889,084	42,387,477	45,959,266
Unassigned		-	-	-	-	-	-	-	-
	<b>Ending Balance</b>	34,275,080	27,645,576	28,888,315	32,221,580	35,479,680	38,889,084	42,387,477	45,959,266
<b>DEBT SERVICE FUNDS</b>									
	<b>Beginning Balance</b>	1,660,760	1,660,760	1,685,872	55,016	16	16	16	16
Assigned		1,685,872	1,660,760	1,660,760	16	16	16	16	16
Unassigned		-	-	-	-	-	-	-	-
	<b>Ending Balance</b>	1,685,872	1,660,760	1,660,760	16	16	16	16	16
<b>CAPITAL PROJECT FUNDS</b>									
	<b>Beginning Balance</b>	33,211,943	38,538,113	40,551,134	39,384,351	39,209,351	39,209,351	39,209,351	39,209,351
Assigned		40,551,134	36,205,390	39,384,351	39,209,351	39,209,351	39,209,351	39,209,351	39,209,351
Unassigned		-	-	-	-	-	-	-	-
	<b>Ending Balance</b>	40,551,134	36,205,390	39,384,351	39,209,351	39,209,351	39,209,351	39,209,351	39,209,351
<b>ENTERPRISE FUNDS</b>									
	<b>Beginning Balance</b>	8,056,506	5,001,676	9,253,822	6,935,949	4,410,211	1,863,579	(683,053)	(3,229,685)
Assigned		9,253,822	4,289,472	6,935,949	4,410,211	1,863,579	(683,053)	(3,229,685)	(5,776,317)
Unassigned		-	-	-	-	-	-	-	-
	<b>Ending Balance</b>	9,253,822	4,289,472	6,935,949	4,410,211	1,863,579	(683,053)	(3,229,685)	(5,776,317)
<b>INTERNAL SERVICE FUNDS</b>									
	<b>Beginning Balance</b>	6,850,179	6,825,172	7,959,449	5,194,719	3,051,606	1,121,240	(750,763)	(2,565,285)
Assigned		7,959,449	4,203,441	5,194,719	3,051,606	1,121,240	(750,763)	(2,565,285)	(4,323,164)
Unassigned		-	-	-	-	-	-	-	-
	<b>Ending Balance</b>	7,959,449	4,203,441	5,194,719	3,051,606	1,121,240	(750,763)	(2,565,285)	(4,323,164)
<b>TOTAL ALL FUNDS</b>		168,231,169	125,974,818	165,323,549	164,284,332	163,704,934	164,868,582	163,060,358	161,114,000

Note: In FY 2021-22, forecasted fund balance is \$800,000 higher than budgeted because the forecast includes \$800,000 in vacancy savings. The City expects to realize the vacancy savings due to attrition.

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