



Budget Guide

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Budget Guide

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City of Cupertino

MISSION STATEMENT

The Mission of the City of Cupertino is to provide exceptional service, encourage all members of the community to take responsibility for one another, and support the values of education, innovation and collaboration.

ELEMENTS OF THE BUDGET DOCUMENT

The budget is the City's fundamental policy document. It describes the City's goals and details how resources are allocated to achieve these goals. In addition, the budget serves as the annual financial plan, an operations guide and a communications tool.

The budget guide provides an overview of the elements of the budget document. It includes a glossary of budget terminology.

ELEMENTS OF THE BUDGET DOCUMENT

The budget document includes the following key elements:

1. **Budget Message:** The Budget Message is the City Manager's transmittal letter submitting the budget to the City Council. The Budget Message summarizes the City's current and long-term financial position, highlights new programs and organizational changes addressed in the budget and outlines both short and long-term goals of our city government.
2. **Fiscal Strategic Plan:** The Fiscal Strategic Plan Committee was formed to analyze current funding gaps and present a more accurate financial picture. The committee identifies one-time, non-recurring revenue.
3. **Budget Guide:** The Budget Guide includes the City's Mission Statement and other tools to assist the reader in identify key terminology in the budget document.
4. **Community Profile:** This section describes Cupertino's history, the economic and city profiles, community statistics, recreation and community services, education, and additional areas of interest in the city.
5. **Financial and Personnel Summaries:** The Financial Summaries section provides financial information on projected revenues, expenditures, fund balances and reserves. This section includes the Budget Summary of Funds as well as detailed fund descriptions and information on all revenue sources and expenditure projections.

This section includes fund balance trends and detailed revenue and expenditure projections for the next five years.

This section includes an analysis of all City revenues by category. Our major revenue projections are based on trends, current economic indicators and other agency input. Sales tax projections are based on input from our sales tax consultants, industry trends and major company forecasts. Property tax revenues are projected by the county and adjusted by staff based on known trends. Park dedication fees are estimated based on current development

projects and other taxes are reviewed quarterly and budgets are based on this trend analysis.

7. **Departmental Operating Budgets:** The Departmental Operating Budgets section details historical and proposed expenditures by operating department. The City is organized into seven key operating functions, including Administration, Law Enforcement, Public and Environmental Affairs, Administrative Services, Recreation and Community Services, Community Development and Public Works. Each department budget includes a summary narrative, financial information regarding the department and each of its major divisions and personnel information.

Expenditures for employee compensation and benefits are based on negotiated contracts. The materials categories of expenditures are based on trends. Contract services and capital outlay are justified each year by the departments. Special Projects include any one time project or cost.

Departmental expenditures are divided into eight categories, which include the following charges:

Employee Compensation represents permanent full-time and part-time salary costs and overtime.

Employee Benefits represents PERS retirement, health insurance costs, and other benefits.

Materials represents items purchased for repair and maintenance, operational activities such as books, uniforms and recreation supplies, and office supplies.

Contract Services represents legal, consulting and other professional services, contract repair and maintenance, utility charges, training and memberships, equipment rentals, insurance and employment services.

Cost Allocation represents Cost Allocation and Internal Service charges to user departments

Appropriations for Contingency represent 10% of total budgeted materials and contract costs and is place for unexpected expenditures and/or emergencies.

Capital Outlay represents expenditures for tangible fixed assets including land, buildings, furniture, equipment and City vehicles.

Special Projects represent any one time projects or costs.

Debt Service/Other represents principal and interest payments on outstanding debt and interfund transfers.

8. **Non-Departmental Operating Budgets:** The Non-Departmental Operating Budgets section details historical and proposed expenditures for the functions of interfund transfers and debt service.
9. **Capital Improvements:** The Capital Improvements section details the proposed capital projects for 2015-16 through 2019-20. These projects are organized into five categories: Parks, Buildings, Streets, Traffic Facilities, and Storm Drainage. The five-year budget denotes funding sources and a description of each project.

The City Council approves funding of Capital Improvements on a total project basis. The project may expend the funds over multiple years.

GLOSSARY OF BUDGET TERMINOLOGY

The City's budget contains specialized and technical terminology that is unique to public finance and budgeting. To help the reader understand the terms, a glossary of budgetary terminology has been included in the document.

Adopted Budget - Revenues and appropriations approved by the City Council in June for the following fiscal year.

Allocated Costs - An expense charged by one department/division to another for services performed or expenditures of a general nature that are charged to one main account and allocated to other departments/divisions by a specified formula.

Appropriation - An authorization made by the City Council that permits the City to incur obligations and to make expenditures of resources.

Budget - A financial plan for a specific period of time (fiscal year) that matches all planned revenues and expenditures with various municipal services.

Budget Amendment - A legal procedure utilized by the City Manager to revise a budget appropriation. Adjustments to expenditures within or between departmental budgets may be accomplished administratively. City Council approval is required for additional appropriations from fund balance or new revenue sources.

Capital Improvement Program - A plan for capital expenditures to provide for the acquisition, expansion or rehabilitation of an element of the City's physical plant to be incurred over a fixed period of several future years.

Capital Outlay - Expenditures relating to the purchase of equipment, land and other fixed assets.

Cost Allocation Plan – A plan that details how indirect costs are calculated and allocated to user departments.

Cost Recovery - The establishment of user fees that is equal to the full cost of providing services.

Department - A major administrative segment of the City that indicates overall management responsibility for an operation or a group of related operations within a functional area.

Division - A unit of organization that reports to a department.

Enterprise Fund - A fund established to account for activities that are financed and operated in a manner similar to private business enterprises, in which costs of providing services are primarily recovered through user fees.

Estimated Budget - The status of appropriations between July 1 and June 30 includes the adopted budget, budget amendments, prior year encumbrances, approved carryovers, and transfers between objects, divisions and departments.

Expenditure - Utilization of fund resources. Expenditures include operating expenses, debt service and capital outlays.

Expenditure Category - A basis for distinguishing types of expenditures. The major expenditure categories used by the City are: employee compensation, employee benefits, materials, contract services, appropriations for contingency, special projects, capital outlay and debt service.

Fiscal Year - A twelve-month time period signifying the beginning and ending period for recording financial transactions. The City has specified July 1 through June 30 for its fiscal year.

Fund - A fiscal and accounting entity for which the recording of financial transactions is made for the purpose of carrying on specific activities in accordance with the requirements placed upon the use of financial resources.

Fund Balance - The net effect of assets less liabilities at any given point in time.

General Fund - The fund used to account for the major operating revenues and expenditures of the City, except for those financial resources that are required to be accounted for in another fund category. General Fund revenues are derived primarily from property and other taxes.

Goal - Broad mission statements that define the purpose of a department.

Infrastructure – Long lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples include roadways, bridges, and drainage systems.

Internal Service Fund - A fund used to account for the services provided by one department to other departments on a cost-reimbursement basis.

Operating Budget - A financial plan for the provision of direct service and support functions that provide basic governmental services. The operating budget contains appropriations for such expenditures as employee compensation, materials, contract services, capital outlay and debt service. It does not include Capital Improvement Project expenditures.

Reserve - An account used to designate a portion of the fund balance for a specific future use and is, therefore, not available for general appropriation.

Revenue - Increases in fund resources. Revenues include income from user fees, taxes, permits, and other sources.

Section - A unit or organization that reports to a division.

Self-Supporting Activity - An enterprise activity where all service costs (including principal and interest debt payments) are primarily covered solely from the earnings of the enterprise.

Subsidy - Supplemental resources provided to ensure adequate funding when anticipated expenditures exceed revenues.

User Fees - Fees charged to users of a particular service provided by the City.

COMMONLY USED ACRONYMS

ABAG	Association of Bay Area Governments
AYSO	American Youth Soccer Organization
B/PAC	Bicycle/Pedestrian Advisory Committee
BAAQMD	Bay Area Air Quality Management District
BMR	Below Market Rate
CAFR	Comprehensive Annual Financial Report
CAP	Cost Allocation Plan
CMTA	California Municipal Treasures Association
CPI	Consumer Price Index
CPUC	California Public Utilities Commission
CSMFO	California Society of Municipal Finance
CYSA	California Youth Soccer Association
EAP	Employee Assistance Program
EIR	Environmental Impact Statement
EOC	Emergency Operations Center
ERAF	Education Revenue Augmentation Fund
FEMA	Federal Emergency Management Agency
FLSA	Fair Labor Standards Act
FPPC	Fair Political Practices Commission
FSA	Flexible Spending Account
GASB	Governmental Accounting Standards Board
GFOA	Governmental Finance Officers Association
HVAC	Heating Ventilation and Air Conditioning
IPM	Integrated Pest Management
JPA	Joint Powers Authority
LTD	Long Term Disability
MOU	Memorandum of Understanding
MTC	Metropolitan Transportation Commission
OES	Office of Emergency Services
OPEB	Other-Post Employment Benefits
PC	Planning Commission
PEMHCA	Public Employees' Medical and Hospital Care Act
PERS	(aka Calpers) Public Employees' Retirement Systems
PIO	Public Information Officer
PTA	Parent Teacher Association
RDA	Redevelopment Agency
RFP	Request for Proposals
RFQ	Requests for Qualifications
RHNA	Regional Housing Needs Allocation
RMS	Records Management System
RWQCB	Regional Water Quality Control Board
UBC	Uniform Building Code
YAC	Youth Advisory Commission
VSP	Vision Service Plan

WHAT IS A REVENUE, EXPENDITURE AND FUND BALANCE TABLE?

Administration - City Manager

Category	2010-2011	2011-2012	2012-2013	2013-2014
	Actual	Actual	Legal Budget	Recommended Budget
<u>Revenue</u>				
Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Use of Money and Property	-	-	-	-
Intergovernmental Revenue	-	-	-	-
Charges for Services	-	-	-	138,497
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenue	-	-	-	-
Interdepartmental Revenue	-	-	-	-
TOTAL REVENUE	\$ -	\$ -	\$ -	\$ 138,497
<u>Expenditures</u>				
Employee Compensation	240,187	253,346	267,696	341,585
Employee Benefits	74,550	83,477	89,514	136,310
Materials	35,838	24,391	51,750	32,203
Contract Services	313	-	10,000	10,000
Appropriations for Contingency	-	-	-	4,220
Cost Allocation	3,000	2,900	22,900	131,050
Capital Outlay	-	-	14,500	-
Special Projects	-	-	-	-
TOTAL EXPENDITURES	\$ 353,888	\$ 364,114	\$ 456,360	\$ 655,368
Fund Balance (Use of)	-	-	-	-
General Fund Costs	\$ 353,888	\$ 364,114	\$ 456,360	\$ 516,871

REVENUE	EXPENDITURE	TOTALS
Taxes – Money received from tax revenue	Employee Compensation – Full time and part time salaries	Total Revenue – Total all revenue categories
Licenses and Permits – Money received from these sources	Employee Benefits – Employee benefits including health insurance and retirement	Total Expenditures – Total all expenditure categories
Use of Money and Property – Interest earnings, facility and concession rents	Materials – All material, conference and training costs	Fund Balance – Revenue not spent in the previous year
Intergovernmental Revenue – Funds received from Federal, State or Local government such as grants	Contract Services – All contracted goods and services	General Fund Costs – Total Expenditures minus Total Revenue minus fund balance equals General Fund Costs
Charges for Services – Fees collected for services provided by the department	Appropriations for Contingency – Fund for unexpected expenses and emergencies	
Fines and Forfeitures – Money received from fines and penalties	Cost Allocation – Cost of services from other City departments and depreciation expenses	
Miscellaneous Revenue – Money received from various sources such as donations, salvage and legal settlement	Capital Outlay – Land, Buildings, vehicles, infrastructure & assets used in operation beyond 1 yr	
Interdepartmental Revenue – Interdepartmental service charges and transfers	Special Projects – One time projects or costs	