



CUPERTINO

Budget Message



May 1, 2015

To the Citizens of Cupertino, Honorable Mayor and Members of the City Council:

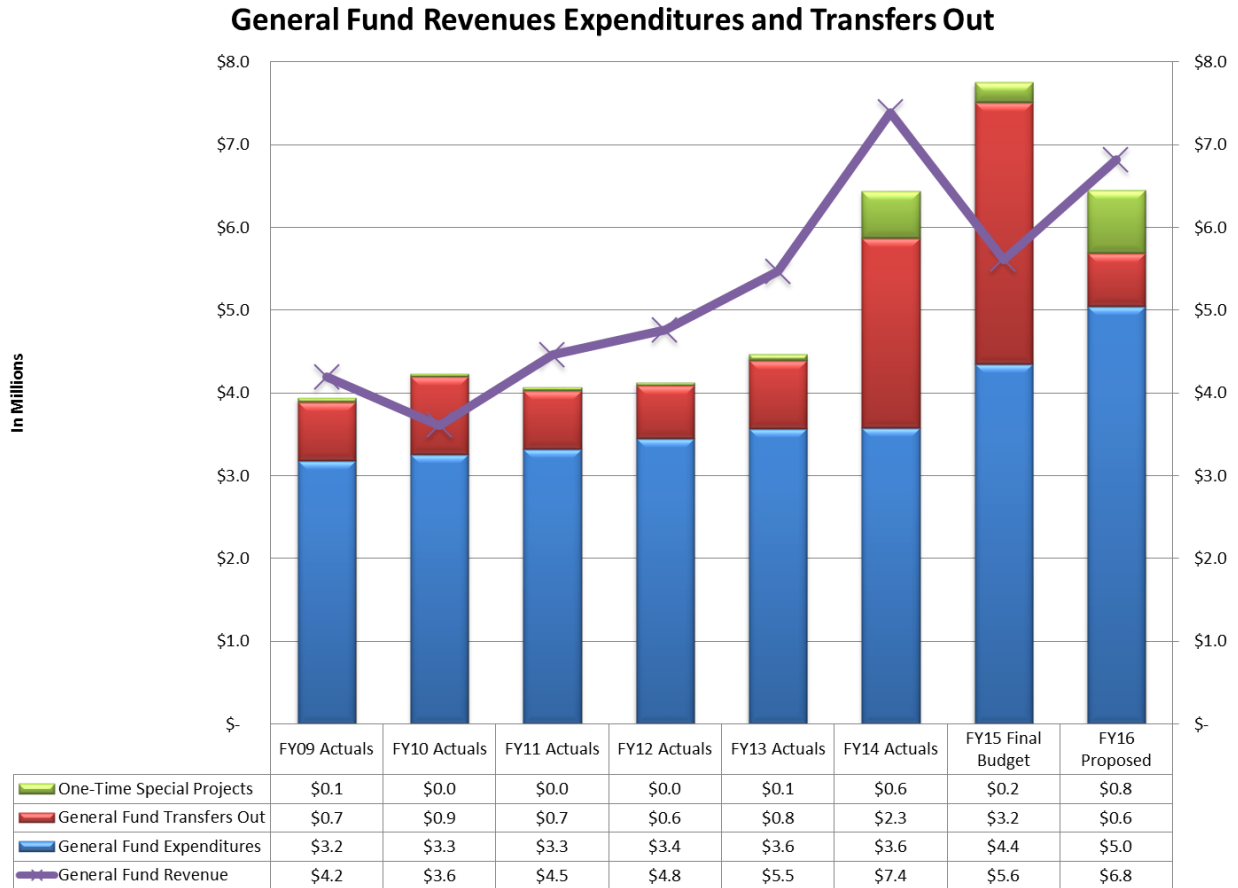
Last year marked the second year of a major overhaul in the City's budget process. In Fiscal Year (FY) 2013-14 at Council's direction, staff created a budget that was more detailed and transparent. Staff continues to focus on accountability and transparency through revamped quarterly budget reporting that builds on the work completed in the FY 2013-14 Adopted Budget.

Last year marked a budget milestone for the City with the receipt of several large one-time dollars from the Apple Campus 2 Development Agreement as reflected in the spike in revenues shown in the graph below. In FY 2014-15, this one-time windfall was used to make strategic one-time investments in capital infrastructure, transportation, and an unfunded retiree medical liability to improve the City's financial health long-term. This is reflected in the large transfer out of unassigned fund balance to the Capital Reserve, Transportation and Retiree Medical Liability in FY 2014-15.

I'm pleased to submit a balanced FY 2015-16 Proposed Budget. The budget for FY 2015-16 reflects a total City budget of \$113.6 million (all funds), a decrease of \$5.8 million or 5% when compared to the FY 2014-15 Final Budget. The City's proposed General Fund expenditure is \$64.5 million, a decrease of \$13.1 million or 17% compared to the FY 2014-15 Adopted Budget. The General Fund is expected to generate \$68.2 million in revenue in FY 2015-16 and is projected to end FY 2015-16 with approximately \$3.6 million dollars in unassigned fund balance that will be transferred to the Capital Reserve per the Reserve and One Time Use Policy as part of the City's year-end budget process. The transfer is not reflected in the Proposed Budget.

FY 2015-16 continues the trend of large one-time development-related revenues and healthy growth in the General Fund's ongoing revenue streams. Expenditures reflect continued development activity and demand for City services, while transfers out to fund capital projects

have stabilized. With healthy reserves, multiple years of budget surplus, and increased demand for service, our focus in this budget has changed to meeting operational and community needs. The graph¹ below summarizes the changes in the City's General Fund for an eight-year period:



As demands for service grow, the City has struggled to maintain its high level of public service with limited growth in staffing. To resolve this challenge the City has begun taking a closer look at our current service delivery models and determining how best to achieve organizational and community-wide objectives over the long-term.

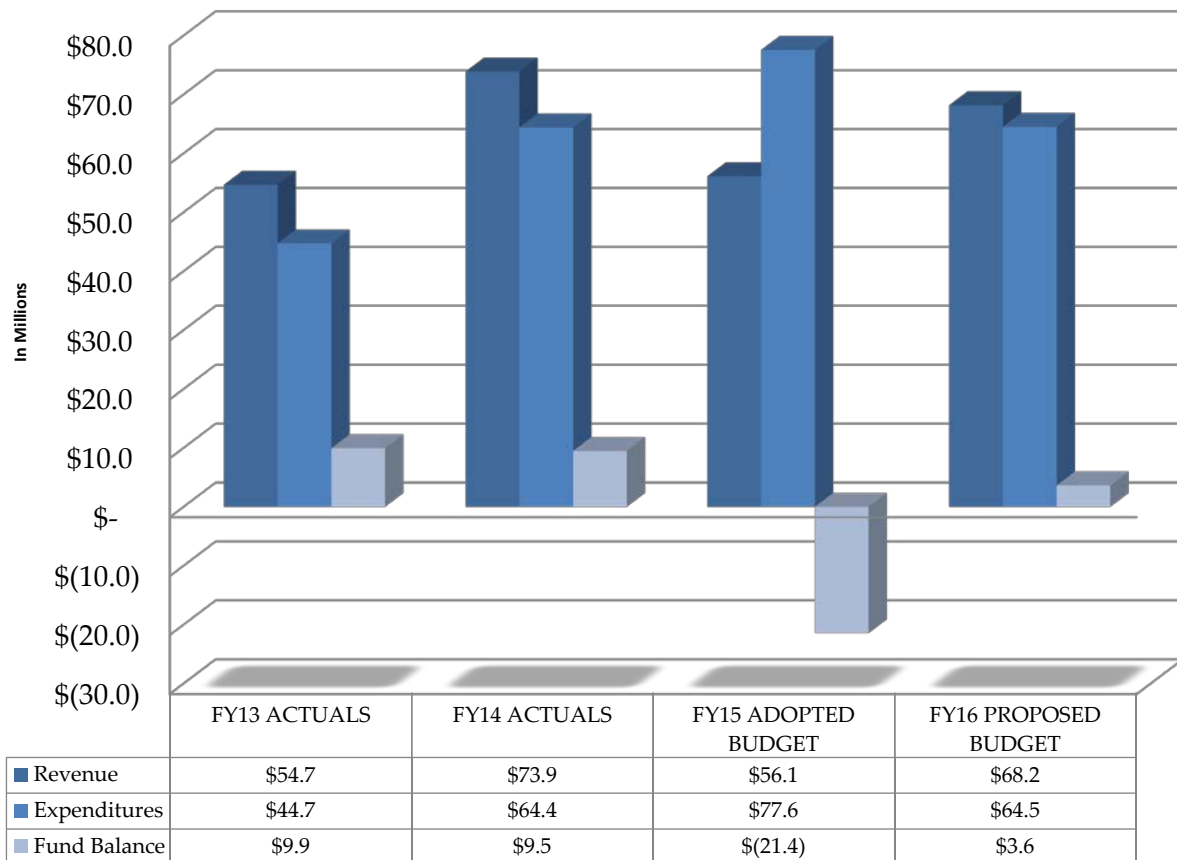
This budget continues to recommend strategic investments in capital infrastructure and also seeks to meet increasing demands for service by recommending investments in service delivery, including staffing to achieve lasting benefits for our City. In recognizing that Cupertino has a higher standard for innovation across all sectors, including those that are public serving, the

¹ The City received one-time revenue related to the sale of Pruneridge Ave in FY 2014-15. These dollars are not reflected in this graph as they had originally been expected in FY 2013-14. Actual dollars received are not normally shown until the fiscal year has closed.

City is also advancing a variety of technology and sustainability projects that will help us adapt to both economic and environmental realities and ensure the health and vitality of our agency and community alike. This Proposed Budget invests in the implementation of the Council-approved Climate Action Plan (CAP), a strategic document that provides a roadmap for our community and municipal government to accelerate our environmental leadership by strategically working to abate our climate impacts. This ambitious blueprint through an array of actions can reduce costs across all sectors, safeguard finite and increasingly scarce resources, and, ultimately, improve our quality of life. The Proposed budget also invests in staff and programming to support the new Environmental Education Center and Blacksmith Shop designed for Cupertino students to enrich their knowledge.

The following chart shows four years of total revenue, expenditures and changes to fund balance for the General Fund:

City of Cupertino
General Fund Revenue, Expenditures and Changes in Fund Balance



CHANGES TO THE BUDGET AND POLICIES

The FY 2015-16 budget marks the third year of a revamped budget and budget process. The document and process are very similar to those of the past two years with the addition of Performance Measures as requested by Council.

Performance Measures

In partnership with Stanford University's Public Policy Practicum Program, staff developed a method to assign performance measures. Stanford students conducted research and reported their findings and recommendations to City staff. Staff used this framework to embark on City-wide performance measure development. This year's budget includes updated and new performance measures that align with government and private industry best practices. In addition, a status report on performance measures will be included in quarterly budget reports beginning in FY 2015-16.

New Enterprise Resource Planning System

In FY 2013-14, Council approved additional funding for a new Enterprise Resource Planning (ERP) System that included Human Resources, Payroll, Finance and Budget software. After selecting New World Systems as the vendor, implementation of the financial modules began in July and went live on December 19, 2014 exactly as scheduled. Although City staff is adjusting to the new system, they've already gained valuable reporting tools that were unavailable in our previous system. The payroll and human resources modules also went live as scheduled on April 20, 2015, with the first paycheck being issued from the new system on April 24, 2015. The most visible changes in payroll and HR will occur when the City implements electronic time cards and online self-service for employees.

Financial Policies, City Policies and Schedules

The budget contains the following new/revised policies and schedules as listed below:

- Revised Community Funding Policy with online fillable form
- Sankey Chart – Addition of a flow of funds Sankey chart to the financial schedules.
- The following changes in summary to the City's Administrative Rules and Regulations and Administrative Procedures:
 - Sponsorship Policy – City sponsorship of special events by outside entities will continue subject to execution of an appropriate Sponsorship Agreement by the City Manager.
 - Limited Term Position Conversions – Allow incumbents in limited-term positions to be converted to full time benefitted employees prior to the expiration of the limited term, subject to budget authority.

- o Leave Time – Granting of additional leave time for exempt employees in recognition of extraordinary efforts on particular assignments.
- o Exempt Appointments - Remove the provision that allows the City to hire a full-time benefitted employee without going through the City’s recruitment process.

The City also complies with the following additional policies and limits not listed in the Financial Policy section but are updated and/or approved annually:

Investment Policy

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

GANN Appropriations Limit

The City’s appropriations limit for FY 2015-16 of \$80,979,979 is \$5,134,997, or 6.77% higher than the FY 2014-15 limit of \$75,844,982. For FY 2014-15, the City’s estimated appropriations of proceeds from taxes, less statutory exclusions, are \$40,835,000. This is 50.43% of the legal limit. If a city exceeds the legal limit, excess tax revenue must be returned to the State or citizens through a process of refunds, rebates, or other means that may be determined at that time. The appropriations limit is not expected to present a constraint on current or future budget deliberations. This reflects the prior year limit and will not be updated until the Adopted Budget when the information required for this calculation is available.

SPECIAL PROJECTS

The FY 2015-16 Proposed Budget includes funding for several one-time Special Projects. These projects are identified as part of the Special Project section within each program and are summarized in the table below. This list exclude one-time capital outlays and ongoing pavement management costs.

Program Budget	Project Name	Expenditure	Funding Source
701 Current Planning	Main Street	\$111,000	Pass Thru Revenues
	The Hamptons	\$321,310	
	City Center Office	\$518,500	
	Cupertino Inn	\$463,500	
	Marina Foods	\$463,500	
	Apple 2 Phase 2	\$240,000	

Program Budget	Project Name	Expenditure	Funding Source
	Development Applications	\$319,000	
702 Mid Long Term Planning	Parking Ordinance	\$71,950	General Fund
	Vallco Mall Redevelopment & Specific Plan	\$1,045,500	Pass Thru Revenues
	Oaks Shopping Center	\$469,000	
	Foothill Market	\$175,500	
	Senior Housing BMR	\$115,000	
714 Construction Plan Check	Digital Records conversion	\$60,000	General Fund
715 Building Code Enforcement	Apple Campus 2	\$1,761,153	Pass Thru Revenues
	Main Street	\$60,000	
	Hyatt House Hotel	\$238,000	
807 Service Center Administration	Citywide Office Improvement	\$70,000	General Fund
808 McClellan Ranch Park	Parking Lot Lights Energy Efficiency Upgrade Project	\$8,500	General Fund
809 Memorial Park	Drip Irrigation and Re-Landscape Project	\$5,000	General Fund
812 School Site Maintenance	Rebuild Kennedy Lower Baseball Field & Renovate the Garden Gate Soccer Field	\$90,000	General Fund
814 Sport Fields Jollyman CRK	Replace Irrigation Booster Pump	\$46,000	General Fund
848 Street Lighting	900.990 - Special Projects - PW	\$130,000	General Fund
825 Street Tree Maintenance	Tree and Tree Badges	\$30,000	General Fund
828 Bldg. Maint. Library	CCTV Cameras	\$5,000	General Fund
	Windows	\$10,000	
	Roof Restoration	\$ 135,000	
	Cove Base (Base Boards) Replacement	\$2,000	
	Sloan Valves Replacement	\$2,000	
829 Bldg. Maint. Service Center	Epoxy floor resurfacing	\$20,000	General Fund
	Insulation	\$5,000	
	Radio Battery Replacement	\$3,000	
	Roof Restoration	\$115,000	
	Epoxy floor resurfacing	\$ 20,000	
830 Bldg. Maint. Quinlan Center	Bollard Replacement	\$2,500	General Fund
	Mirrors Replacement	\$7,000	
	Cupertino Room Painting	\$10,000	
	Windows Replacement	\$10,000	
831 Bldg. Maint. Senior Center	Bollard Replacement	\$5,000	General Fund
832 Bldg. Maint. McClellan Ranch	Miscellaneous Improvement	\$50,000	General Fund
833 Bldg. Maint. Monta Vista Ct	Monta Vista Wall Insulation	\$15,000	General Fund

Program Budget	Project Name	Expenditure	Funding Source
	installation		
837 Bldg. Maint. Creekside	Replace Air Conditioning Unit	\$20,000	General Fund
838 Comm. Hall Bldg. Maint.	Roof Restoration	\$90,000	General Fund
	Sand Filter	\$4,500	
	UV Lights	\$3,000	
841 BBF Facilities Maintenance	Epoxy Floor	\$14,000	General Fund
	HVAC Swamp Cooler	\$3,000	
	Roof Replacement	\$50,000	
	Pool Sweep	\$6,000	
845 Traffic Signal Maintenance	Traffic Control Modification and Installation	\$150,000	General Fund
	Traffic Operations Center Furniture Upgrade	\$15,000	
711 BMR Housing	Affordable Housing Study	\$40,000	Grant Funds
836 Bldg Maint Sports Center	Pre-filters HVAC	\$2,000	Fund Balance
	Sanding Gym Floor	\$15,000	
986 GIS	City Works Asset Management System	\$8,000	Fund Balance
Total		\$7,649,413.00	

FY 2014-15 FISCAL OUTLOOK

Overview

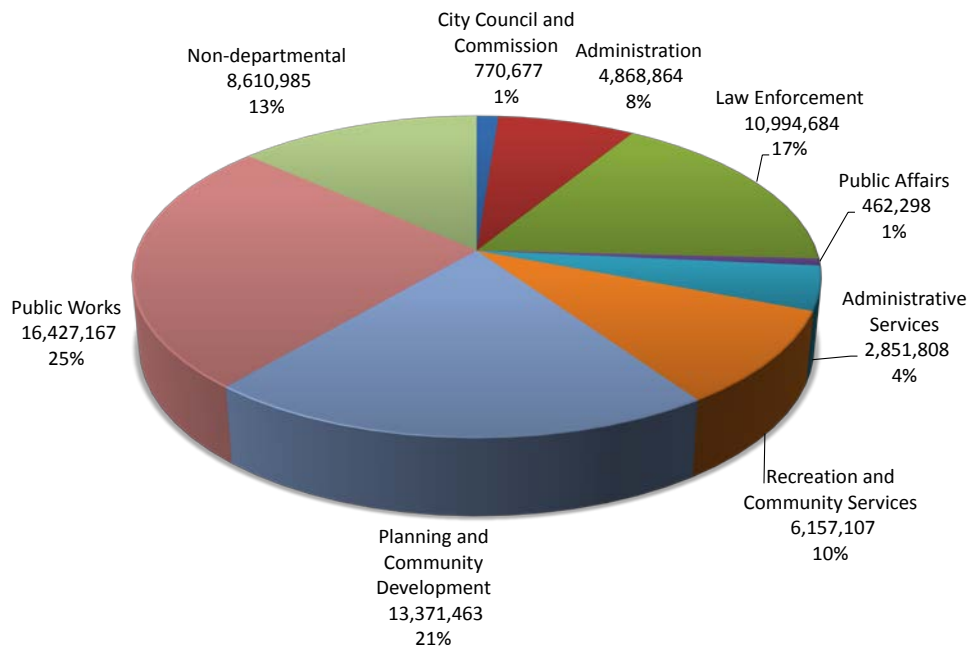
As shown in the chart below, the Final Budget is largely funded by the General Fund (76%).

Fund Type	Total Proposed Expenditures	Total Proposed Revenue	Fund Balance & One Time Funding Required
General	64,515,053	68,162,303	(3,647,250)
Special Revenue	18,466,961	10,064,966	8,401,995
Debt Service	3,171,538	0	3,171,538
Capital Projects	9,522,000	0	9,522,000
Enterprise	9,577,071	7,098,855	2,478,216
Internal Service	8,401,015	4,672,444	3,728,571
Total	\$113,653,638	\$89,998,568	\$23,655,070

Proposed Budget by Fund

General Fund

The General Fund pays for core services such as public safety, recreation and community services, planning and community development, streets and trees, and a host of other vital services. The revenue used to pay for these services comes primarily from local taxes such as property tax and sales tax, franchise fees, charges for services, and a variety of other discretionary sources. As illustrated in the chart below, the majority of General Fund revenue supports funding for Public Works, Planning and Community Development and Law Enforcement.



General Fund revenue is estimated at \$64.5 million in the FY 2015-16 Proposed Budget (excluding fund balance). This is an overall increase of \$13.0 million (17%) when compared to the FY 2014-15 Adopted Budget. One-time revenues related to the several development projects account for the substantial increase in revenue, along with slight increases in Sales and Property Taxes.

The General Fund unassigned fund balance is projected to increase from the current year estimate of \$795,287 to \$13.4 million in FY 2015-16. As shown in the chart below, the FY 2015-16 ending fund balance is estimated to be \$38.0 million, or 6% higher than the FY 2014-15 year end estimate as presented in the FY 2014-15 Mid-Year Budget Report. The increase in unassigned fund balance is due to increases in revenue sources and decreases in expenditures mostly related to the timing of transfers out to the capital reserve. These transfers were previously included as part of the budget but will now be included as part of the year end close process to ensure only unassigned fund balance above the \$400,000 maximum is transferred.

GENERAL FUND BALANCE					
Classification	2013-14 Actual	2014-15 Final	2014-15 Estimate	2015-16 Proposed	Percent Change
Unassigned	\$18,331,549	\$836,219	\$795,287	\$13,442,537	(1590%)
All other classification	\$27,348,847	\$32,165,401	\$35,194,129	\$22,831,064	(30%)
Total Fund Bal.	\$45,680,396	\$33,001,620	\$35,194,129	\$37,972,604	(6%)

Special Revenue Funds

Special Revenue Funds are a fund type used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Special Revenue Funds account for 8% of the citywide expenditure budget. The largest Special Revenue Fund is the one for streets, roads, and transportation. Other funds account for storm drain management, affordable housing programs, and park development. The proposed Budget for Special Revenue Funds for FY 2014-15 is \$18.5 million, an increase of \$2.2 million from FY 2014-15 Adopted Budget. The increase is primarily due to several proposed capital projects including the \$8.3 million Lawrence Mitty Park.

Budgets within the Special Revenue Funds are funded by \$10.1 million in restricted department revenue, and \$128,679 transfers from the General Fund, bringing total funding sources for the fund to \$10.2 million. This will result in a use of fund balance of \$8.3 million. The Special Revenue Funds are projected to end the year with fund balances of \$11.3 million.

Capital Projects Funds

The Capital Improvement Project Fund, Stevens Creek Corridor Park, and Capital Reserve are currently in the Capital Projects Fund type category. This fund type is typically used to account for financial resources that are used for the acquisition or construction of major capital facilities or to provide facilities for City departments, and are identified in the five-year Capital Improvement Program (CIP).

The proposed budget for the Capital Projects Funds for FY 2015-16 is \$9.5 million, comprised of \$3.3 million in new capital projects and \$6.3 million in transfers out to the Special Revenue and Enterprise funds to fund capital projects in those funds. The \$9.5 million total budget is \$4.6 million higher than FY 2014-15 final budget expenditures based on the cost of the recommended capital projects.

Enterprise Funds

Enterprise Funds are set up for specific services that are funded directly by fees charged for goods or services. Enterprise Funds consist of Resource Recovery for the solid waste collection franchise, Blackberry Farm for the City-owned golf course, the Cupertino Sports Center, and Recreation Programs for cultural, youth, teen, sports, and physical recreation programs.

The proposed budget for Enterprise Funds for FY 2015-16 is \$9.6 million, a decrease of \$0.6 million, or 6% from the FY 2014-15 Adopted Budget. The decrease in expenditures is primarily driven by a decrease in parks capital projects.

Budgets within the Enterprise Funds are funded by \$7 million in program revenue and \$113,657 in transfers from the general fund. The Enterprise Funds also rely on \$3.1 million of prior year fund balance, bringing total funding sources for the funds to \$10.2 million. The Enterprise Funds are projected to begin the fiscal year with \$10.7 million in fund balances and are projected to end the year with fund balances of \$7.1 million.

Internal Service Funds

Internal Service Funds are used for areas where goods or services are provided to other City departments or governments on a cost-reimbursement basis. Internal Service Funds include funds and programs for information technology, City Channel, website, workers' compensation, equipment, compensated absence, long-term disability, and retiree medical insurance.

The proposed budget for the Internal Service Funds is \$8.4 million, which is \$1.1 million, 15% higher than the FY 2014-15 Final Budget. This increase is primarily attributed to the purchase of several pieces of replacement equipment and vehicles and increased workers' compensation costs.

Budgets within Internal Service Funds are funded by \$4.7 million in department revenue, \$1.4 from the General Fund, and \$2.3 million from depreciation reserves bringing total funding sources for the funds to \$7.6 million.

CURRENT ECONOMIC UPDATE AND STATE FINANCIAL CONDITION

National Economic Conditions

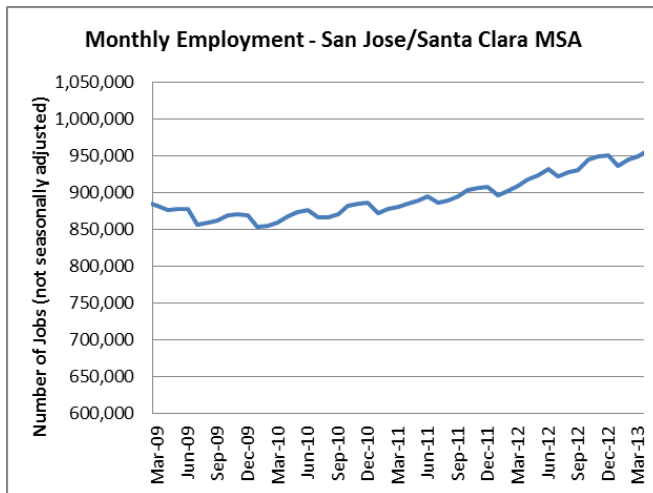
The U.S. economy is continuing to experience slow and steady growth. US Gross Domestic Product (GDP) increased 2.4% in 2014, which is the strongest growth since the recession, according to the Bureau of Economic Analysis. The increase in real GDP in 2014 primarily reflected positive contributions from personal consumption, exports, residential and nonresidential fixed investment, and private inventory investments.

Consumer confidence, as reflected by The Conference Board Consumer Confidence Index, has increased in March but declined in April and now stands at 95.2 down from 101.4 last month. This month's retreat was prompted by a softening in current conditions, likely sparked by the recent lackluster performance of the labor market, and apprehension about the short-term outlook.

Unemployment is falling and jobs are being created. The U.S. unemployment rate stood at 5.5% in March 2015 representing a 0.8 percentage point drop compared to the March 2014 unemployment rate of 6.3%, according to the Bureau of Labor Statistics. While the unemployment rate has improved from a high of 9.6% in 2010, it remains above pre-recession levels of 4-5%. The economy generated about 157,000 new jobs each month in 2015.

California’s recovery spread to more sectors of the economy in 2014. The unemployment rate fell more quickly than the national rate, to 6.5% in March 2015 from 9.8% at the end of 2012. The housing recovery continues with the prices of single family homes up 7.2% compared to March of last year according to the California Association of Realtors, sales are up 7.3%.

Cupertino Economic Conditions



The economic performance in Silicon Valley and Cupertino continues to show strength. Data from the State of California Employment Development Department paints a similar picture. Employment in the San José/Sunnyvale/Santa Clara Metropolitan Statistical Area (MSA) continues to increase. The preliminary estimate of the March 2015 employment level in the MSA was 976,800, a 4.5% increase from the March 2013 level of

934,000. The March 2015 unemployment rate of 4.1% has dropped since January and is lower than 5.8% rate experienced a year ago. The March unemployment rate is lower than the national unemployment rate of 6.7%.

Housing prices remain strong since the same period in 2014. The February 2014 median single family home price of \$1.6 million is 15.4% higher than the February 2014 median home price of \$1.3 million. Property Tax revenue is expected to increase slightly compared to last year. Construction activity remains strong in Cupertino with Apple Campus 2 driving development growth.

KEY BUDGET ASSUMPTIONS

Revenue Assumptions

The FY 2015-16 Budget assumes healthy economic growth. Revenue projections for each category were 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. Revenue assumptions are discussed in detail in the Fund Summary section under Financial Policies and Schedules.

Personnel Assumptions

Budgeted expenditures are separated into several cost categories: personnel, non-personnel, and transfers. Budgeted personnel expenditures factor in salary step increases for approximately 29% of employees who have yet to reach top step in their respective classification's salary range. Typically, a step increase is equivalent to a five percent increase in salary with a range of five salary steps.

Personnel cost assumptions are completed at the employee level. Staff begins with current salaries and adjusts for any anticipated changes in compensation and benefits through the end of the current fiscal year. Once these increases have been factored in staff now has what base personnel costs will look like on July 1. Applied to this base are anticipated step, cost of living and equity increases as negotiated in the City's three year contracts with all bargaining units. Then benefit changes are added, this includes retirement rate increases which are projected to increase by 3.6% in FY 2014-15. Lastly, any newly requested positions are added.

A total of 180.75 positions are budgeted in FY 2015-16, up from 169.75 in FY 2014-15. The positions being requested are summarized below:

Department(s)	Classification	Salaries	Benefits	Total Costs	Funding Source/Purpose
City Attorney	Deputy City Attorney (1 Year Limited Term)	109,208	42,712	\$151,920	General Fund Transition to new City Attorney
City Manager	Analyst (Utility Analyst)	97,066	42,949	\$140,015	General Fund Implementation of Climate Action Plan
City Manager	Analyst (Sustainability Program Analyst 2 Year Limited Term)	97,066	42,949	\$140,015	General Fund Implementation of Climate Action Plan
Community	Plan Check Engineer	109,788	42,100	\$151,888	General Fund and

Department(s)	Classification	Salaries	Benefits	Total Costs	Funding Source/Purpose
Development	(3 Year Limited Term)				Pass Thru Revenues Increased demand for services driven by increased development in the City
Community Development and Public Works	Senior Code Enforcement Officer	85,228	36,005	\$121,233	General Fund Increased demand for inspections driven by increased development in the City
Public Affairs	GIS Technician	88,145	39,873	\$128,018	General Fund Replaces 2 part time employees
Public Works	Associate Civil Engineer (3 Year-Limited Term)	104,037	39,987	\$144,024	General Fund Focus on bicycle and pedestrian safety and the transportation impact fee
Recreation and Community Development	Recreation Coordinator	71,554	31,034	\$102,588	General Fund Service Enhancement
Recreation and Community Services	Case Manager	74,820	32,452	\$107,272	General Fund In lieu of contractor
TOTAL COST GENERAL FUND		\$974,584	\$412,492	\$1,387,076	
Public Works	Environmental Programs Assistant	81,725	33,878	\$115,603	Non-Point Source/Resource Recovery Fund Increased Regulatory Requirements
Public Works	Maintenance Worker I/II	55,947	28,553	\$84,500	Non-Point Source/Resource Recovery Fund Increased Regulatory Requirements
POSITIONS FUNDED BY OTHER FUNDS		\$137,672	\$62,431	\$84,500	
TOTAL COST ALL FUNDS		\$974,584	\$412,492	\$1,387,076	

Non-Personnel Assumptions

Non-Personnel budgets were developed based on actual expenditures in prior years, and then adjusted for FY 2015-16 funding needs. In addition, one-time projects will be separated out in FY 2015-16 to ensure that expenditure trends reflect ongoing expenditure needs. Given this tightening of budgeted expenditures, contingencies totaling 15% of the total general fund budget for contractual services and supplies and materials have been established. This contingency level is recommended by the Government Finance Officers Association. Of the 15% contingency, 10% is allocated proportionately amongst operating programs based on each program's share of General Fund budget for contractual services and supplies and materials. The remaining 5% will be allocated to the City Manager's Discretionary Program. Program contingency budgets may be used to cover unanticipated program expenses at the department's discretion, while the use of the City Manager's Discretionary Program will require City Manager approval.

ONGOING CHALLENGES

Revenue Volatility

The City's revenue mix is heavily reliant on volatile business-to-business sales tax, which makes up approximately 25% of the City's annual general fund revenues when taking into account tax sharing agreements, up slightly from 24% a year ago. Business-to-business sales taxes are very sensitive to economic fluctuations as evidenced by Cupertino's experience during the dotcom bust from 2000-2004. Our heavy reliance on the volatile high tech industry also makes us vulnerable. The loss of one of our top three sales tax producers in FY 2013-14 has been partially offset by renegotiation in the Apple sales tax rebate agreement; however, it will only make the city more reliant on one single major tax producer, making us more vulnerable to its business volatility.

Health Benefits

There is uncertainty around how the implementation of the Affordable Care Act (ACA) will affect the City. Beginning in 2018, the so called "Cadillac Tax" will impose an excise tax for any employer-sponsored health coverage whose value exceeds \$10,200 per year for individuals and \$27,500 for families. A 40% excise tax will be imposed on the amount that exceeds the predetermined thresholds. Some of the City's current health plans would fall under the definition of a Cadillac plan, however, CalPERS has assured cities its plans will remain under the Cadillac Tax level.

Retirement Benefits

Significant investment losses experienced by CalPERS during the great recession resulted in overall funded status of the retirement system dropping to 60.0% for public agencies. Given the recovery, the funded status has improved to 70.5% for public agencies. The desired goal is 100%

funded status, where assets on hand are equal to the desired level of assets needed to pay pension benefits. After a thorough analysis, CalPERS actuaries determined the retirement system was at significant risk of falling to dangerously low funded status levels under existing actuarial policies.

This prompted the CalPERS Board to adopt revised actuarial policies that aim to return the system to 100% funded level within 30 years. The new method includes changing the asset smoothing period from 15 years to 5 years and paying gains and losses over a fixed 30 year period with a 5-year ramp up at the beginning of the 30-year period and a 5-year ramp down at the end. The new method is expected to increase public agency retirement contributions beginning in FY 2015-16. The CalPERS rate increase for FY 2015-16 is 4%, with an expected additional increase of at least 6% in FY 2016-17. In addition to CalPERS actuarial methods, forecasted increases could result from future asset returns, changing demographics, and salary increases.

UNMET NEEDS

As the City prepared its FY 2015-16 Proposed Budget, some issues surfaced for which funding had not yet been identified. These items include:

Capital Improvement Projects – Several Capital Projects as listed in the unfunded project section of the Capital Improvement Plan (CIP). Current estimate for these unfunded projects is approximately \$7.8 million.

CONCLUSION

The FY 2015-16 Proposed Budget is a balanced and fiscally responsible spending plan. This year continues to build on the added transparency and accountability that was included as part of the FY 2013-14 Proposed Budget. While we have met our goals to update many financial policies and schedules and have made the budget document easier to read, we continue to look for ways to improve our budget in the future.

I want to take this opportunity to thank the budget team for their enormous effort in preparing the budget for Council consideration this year. I also want to thank the department heads for their work on this year's budget. Last but not least, I want to thank the Council for their leadership, guidance and support in making Cupertino the best community to live, work, and enjoy.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'David Brandt', with a long horizontal flourish extending to the right.

David Brandt
City Manager