

Budget Guide

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Our Mission

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. 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. The budget document includes the following key elements:

Budget Message: This section includes the City Manager's transmittal letter submitting the budget to the City Council. The Budget Message also 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.

Budget Guide: This section includes the City's Mission and other tools to assist the reader in identifying key terminology in the budget document.

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.

Financial Policies: This section provides financial policies.

Financial Schedules: This section provides financial information on projected revenues, expenditures, fund balances, and reserves. It includes the Financial Overview by Fund as well as detailed fund descriptions and information on all revenues and expenditures.

This section also includes a forecast of revenues, expenditures, and fund balance for the next twenty years.

Additionally, this section includes an analysis of all City revenues by category. Revenue projections are based on trends, current economic indicators, and input from other agencies or consultants. 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.

Departmental Operating Budgets: This section details historical and proposed expenditures by operating department. The City is organized into eight key operating functions, including Council and Commissions, Administration, Law Enforcement, Innovation and Technology, Administrative Services, Parks and Recreation, Community Development, and Public Works. Each department budget includes a summary narrative, financial information for the department and each of its major divisions, and staffing information.

Expenditures for employee compensation and benefits are based on negotiated contracts. The materials categories of expenditures are based on a zero-base budget, with increases each year by the Consumer Price Index (CPI). Contract services are also based on a zero-based budget, with increases each year based on negotiated increases or CPI. Capital outlays are justified each year by the departments. Special Projects include any one-time projects or costs.

Departmental expenditures are divided into the following categories:

- Employee Compensation represents permanent full-time and part-time salary costs and overtime.
- Employee Benefits represents CalPERS retirement, health insurance costs, and other benefits.
- Materials and Supplies represent 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
- Contingencies, 2.5% of budgeted materials and contract costs, are designed 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 inter-fund transfers.

Non-Departmental Operating Budgets: This section details historical and proposed expenditures for the functions of inter-fund transfers and debt service.

Capital Improvement Program (CIP): The Capital Improvement Program is in a separate document, called Capital Improvement Program, that details the proposed capital projects for the next five fiscal years. These projects are organized into four categories: New Projects, Existing Projects - Multi-Year Funding, Existing Projects - Completely Funded, and Existing Projects - Externally Funded. The five-year plan denotes funding sources and a description of each project. The City Council approves funding for capital projects on a yearly basis based on the total project cost. 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 is found below.

Accrual – A basis of accounting in which revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period in which they are incurred.

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.

Amended 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.

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

Balanced Budget – A balanced budget requires that budgeted expenditures be equal to or less than projected revenues for the budget year.

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 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 balances or from 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.

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.

Full-Time Equivalent (FTE) – The ratio of a position in comparison to the amount of time a regular, full-time employee normally works in a year. A full-time employee (1.00 FTE) is paid for 2,080 hours a year. Positions budgeted to work less than full-time are expressed as a percent of full-time.

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.

Governmental Fund – Account for activities that are primarily tax-supported operations or other mandatory payments. Reported using the current financial resources measurement focus and the modified accrual basis of accounting.

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.

Modified Accrual – Under the modified accrual basis of accounting, revenues are recognized in the period in which they become available and measurable, and expenditures are recognized at the time a liability is incurred pursuant to appropriation authority.

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.

Program – A unit or organization that reports to a division.

Reserve – An account used to designate a portion of the fund balance for 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.

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.

Transfer Out – Amounts transferred from one fund to another to assist in financing the services for the recipient fund.

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

Commonly Used Acronyms

ABAG	Association of Bay Area Governments
ACFR	Annual Comprehensive Financial Report
ARPA	American Rescue Plan Act
B/PAC	Bicycle/Pedestrian Advisory Committee
BAAQMD	Bay Area Air Quality Management District
BMR	Below Market Rate
CAP	Cost Allocation Plan
CARES	Coronavirus Aid, Relief, and Economic Security Act
CDTFA	California Department of Tax and Fee Administration
CMTA	California Municipal Treasurers Association
CPI	Consumer Price Index
CPUC	California Public Utilities Commission
CSMFO	California Society of Municipal Finance Officers
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
FY	Fiscal Year
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 System
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
UAL	Unfunded Actuarial Liability
UBC	Uniform Building Code
VSP	Vision Service Plan

Revenues, Expenditures, and Fund Balance Table

Category	2020 Actual	2021 Actual	2022 Adopted Budget	2023 Proposed Budget
Revenues				
Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Use of Money and Property	-	-	-	-
Intergovernmental Revenue	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenue	-	-	-	-
Interdepartmental Revenue	-	-	-	-
Total Revenues	-	-	-	-
Expenditures				
Employee Compensation	-	-	-	-
Employee Benefits	-	-	-	-
Materials	-	-	-	-
Contract Services	-	-	-	-
Cost Allocation	-	-	-	-
Capital Outlay	-	-	-	-
Special Projects	-	-	-	-
Contingencies	-	-	-	-
Total Expenditures	-	-	-	-
Change in Fund Balance	-	-	-	-
General Fund Contribution	-	-	-	-

Taxes – Money received from tax revenue

Licenses and Permits – Money received from license and permit fees

Use of Money and Property – Interest earnings, facility, and concession rents

Intergovernmental Revenue – Funds received from federal, state, or local governments such as grants

Charges for Services – Fees collected for services provided by the department

Fines and Forfeitures – Money received from fines and penalties

Miscellaneous Revenue – Money received from various sources such as donations, salvage, and legal settlements

Interdepartmental Revenue – Interdepartmental service charges and transfers

Total Revenues – Total of all revenue categories

Employee Compensation – Full-time and part-time salaries

Employee Benefits – Employee benefits including health insurance and retirement

Materials – All material, conference, and training costs

Contract Services – All contracted goods and services

Cost Allocation – Cost of services from other City departments and depreciation expenses

Capital Outlay – Land, buildings, vehicles, infrastructure, and assets used in operation beyond one year

Special Projects – One-time projects or costs

Contingencies – Funds for unexpected expenses and emergencies

Total Expenditures – Total of all expenditure categories

Change in Fund Balance – Total Revenues minus Total Expenditures plus General Fund Contribution. Fund balance is the difference between assets and liabilities.

General Fund Contribution – Use of General Fund fund balance, for programs in the General Fund, or use of transfers from the General Fund, for programs not in the General Fund.

The inclusion of current and historical "actual" and "budget" information is a necessary component of the Government Finance Officer's Association (GFOA) reporting requirements. Due to the extensive amount of financial data, it is important to understand the meaning of these tables. "Actual" data represents actual revenues or expenditures that have been recognized or incurred in the respective fiscal year. Although amounts were budgeted in those years, these actual amounts are irrespective of the budget which should be taken into account when comparing historical actuals with current budgeted figures. Historical budget versus actual information for the last 4 fiscal years at the account detail level is available in the Proposed Budget Appendix on the City's budget website (cupertino.org/budget).