

FISCAL YEAR
2020 - 2021

Annual
Comprehensive
Financial Report



CUPERTINO

**CITY OF CUPERTINO, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

Prepared by the City of Cupertino Administrative Services Department
Finance Division

CITY OF CUPERTINO, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the year ended June 30, 2021

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COMMUNITY PROFILE



CITY OF CUPERTINO

CITY HALL

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

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) for the City of Cupertino (the City) for the fiscal year ended June 30, 2021. The report is prepared in accordance with generally accepted accounting principles (GAAP) set by the Governmental Accounting Standards Board (GASB). The report presents City information on an entity-wide basis and on a more detailed fund level basis. The fund-level reports emphasize the City's major funds. A Management Discussion and Analysis (MD&A) presents a comparative analysis of current and prior year results, changes in financial position, a comparison of actual versus budget, financial highlights, trends, and disclosure of any known significant events or decisions that affect the financial condition of the City. This transmittal letter is designed to complement the MD&A and should therefore be read in conjunction with it. The MD&A is required supplementary information and is found in the Financial Section of the ACFR.

The accuracy of the data presented and the completeness and fairness of the presentations, including all disclosures, are the responsibility of the management of the City. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to protect the City's assets and provide sufficient, reliable information for the proper preparation of these financial statements. We believe the data is accurate in all material respects and is presented in a manner that fairly sets forth the City's financial position. Furthermore, we believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

REPORTING ENTITY

This ACFR includes all component units and funds of the City. It reports all activities for which the City is considered to be financially accountable. The general governmental funds support a full range of services, including law enforcement, community development, recreation, public works, public and environmental affairs, and general administration. Enterprise funds account for recreation and solid waste operations supported by user fees. This financial report incorporates data for the City of Cupertino and its component unit, the Cupertino Public Facilities Corporation.

The City operates under a Council-City Manager form of government. There are five council members, including the Mayor, who serve staggered four-year terms. The City Council appoints the City Manager who is responsible for the daily administration of City affairs. The City Council also appoints the City Attorney and the City Treasurer via resolution. All other employees are appointed by the City Manager.

ECONOMIC CONDITIONS

The City of Cupertino is located in Santa Clara County at the southern end of the San Francisco Bay Peninsula. The City is comprised of 13-square miles and is bordered by the cities of San Jose, Saratoga, Sunnyvale, Santa Clara, and Los Altos. It has a residential population of 66,274.

Situated at the west end of Silicon Valley, Cupertino has earned the reputation of a balanced community with a healthy climate for business and well-maintained residential neighborhoods, community parks and public facilities. The excellent reputation of Cupertino's schools is a major attraction for families wishing to settle in close proximity to high paying jobs in Silicon Valley. The City recognizes the importance of quality school facilities and programs to all Cupertino residents, and works in partnership with the schools in many programs affecting education and youth. National surveys rank the City high in education levels, average household incomes, and registered patent numbers, as well as one of the best cities in which to live and raise a family.

Because Cupertino is a mature, 93% built-out city, the City of Cupertino focuses on business retention and revitalization. Cupertino is world renowned as the home of high-tech giants, such as Apple, Inc., and as a community with stellar public schools. De Anza College, one of the largest single-campus community colleges in the country, is another major employer and a magnet for attracting local and international students. The City's proactive economic development efforts have resulted in an innovative environment for start-ups and growing companies to thrive. The City strives to retain and attract local companies through active outreach and a responsive and customer-oriented entitlement process.

Cupertino approved a new mixed-use development project, Westport Cupertino, on the site of the former Oaks Shopping Center. The new development will include 88 townhome/rowhouses, 128 senior assisted living units, as well as 48 Senior Below Market Rate apartments. Further, the development will continue to provide approximately 20,000 square feet of retail open to the public.

The Main Street and Nineteen800 mixed-use developments continue to provide a vibrant downtown area for Cupertino, offering a large selection of restaurants and retailers, including Alexander's Steakhouse, Eureka!, Oren's Hummus, Lazy Dog, Ippudo, HaiDiLao Hot Pot Restaurant, Pressed Juicery, Orangetheory, 85 Degree Bakery, Somi Somi, Sul & Beans, Kura Sushi, La Pizzeria, Boiling Point and Jin Tea, Koja Kitchen, Bishops Cuts & Colors, Capezio, Howard's Shoes, Tan Cha, and Meet Fresh. Housing, office, and the Residence Inn by Marriott are available to support the thriving area. Benihana, Bowlmor, and Ice Center Cupertino also serve as long-time anchors of the remaining portion of Vallco.

The existing retail and commercial developments, many of which have been recently redeveloped, strengthens existing popular venues in Cupertino, including The Marketplace, Cupertino Village, Crossroads, and Homestead Square. The Marketplace has a variety of stores and restaurants popular with students, families, and working professionals. They include Galpao Gaucho, Daiso, Marukai Groceries, Harumi Sushi, La Patisserie Bakery, Beard Papa's, Legend's Pizza, while Cupertino Village continues to be home to 99 Ranch Market, Duke of Edinburgh Pub & Restaurant, JSJ Street Kitchen, Kira Kira Beauty, MOD Pizza, Ten Ren Tea, Fantasia Coffee & Tea, , and many other Asian restaurants, bakeries, and shops.

Homestead Square Shopping Center, located at Homestead Road and De Anza Boulevard, includes a 24-hour Safeway, Ulta Beauty, Ross Stores, Stein Mart, Pet Club, Michael's, Rite Aid, FedEx, and numerous restaurants, such as Fish's Wild, Pho Hoa Noodle Soup, Yayoi Teishoku Japanese Restaurant, Starbucks, and Chipotle.

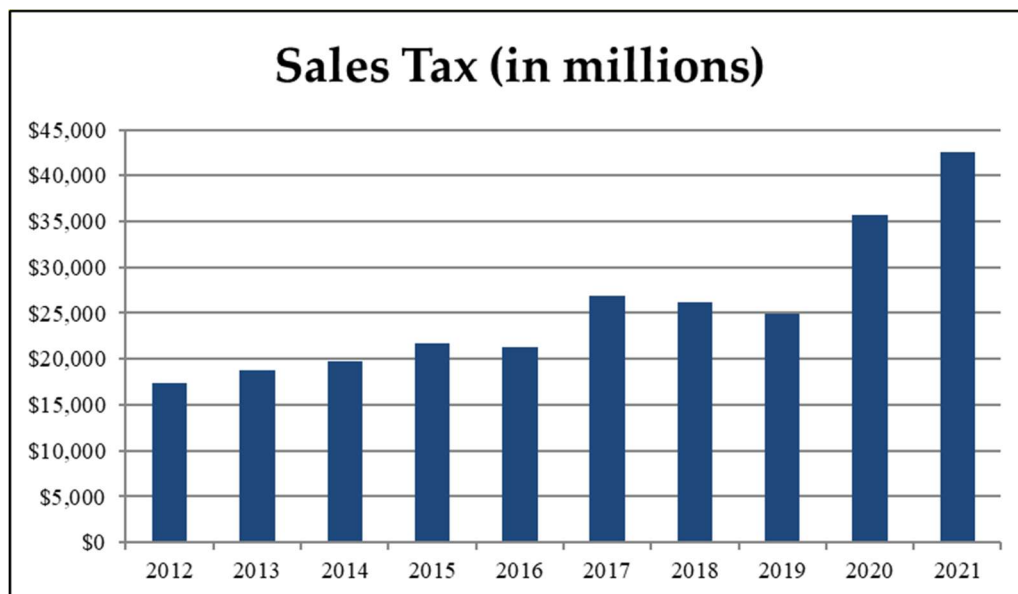
Cupertino features many other retail opportunities, including TJ Maxx and Home Goods, Whole Foods, Target, Party City, and over 180 restaurants to serve residents and the local workforce. There are now seven

hotels providing over 1,000 rooms, to serve the area: The Aloft Cupertino, Cupertino Hotel, Hilton Garden Inn, Juniper Hotel operated by Curio, Marriott Courtyard, the Residence Inn by Marriott, and the Hyatt House. Two hotel sites have been approved since 2019, which include the De Anza Hotel at 10931 N. De Anza Blvd. and the Cupertino Village Hotel at 10801 N. Wolfe Road.

According to the 2020-2021 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased over \$1.8 billion, or 6.95%, from the prior year. Approximately \$802 million was attributable to residential use values and \$782 million were attributable to unsecured asset increases such as business fixtures and personal property.

The City's sales tax revenues are generated from five principal economic categories: business-to-business (includes electronic equipment and software manufacturers and distributors), state and county pools 20%, restaurants and hotels 2%, general retail 2%, and fuel and service stations 1%.

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. Due to taxpayer confidentiality constraints, the City is unable to disclose the amounts of sales tax reported for these businesses. The top taxpayers' corporate and business technology spending has driven growth in this sector. Sales tax activity has increased across most sectors with a decrease primarily in construction. This decrease is attributed to the winding down of construction projects in the City, particularly, the Apple Park campus development. Given these trends, the City's FY 2020-21 sales tax revenue is projected to show a more modest increase going forward.



Continued economic growth driven primarily by the business-to-business sector continued through FY 2014-15 until a slight \$400,000 decline in FY 2015-16 due to a one-time clean up payment from the previous year received in FY 2016-17. FY 2016-17 increased significantly with a \$3.5 million "triple-flip" close-out payment. There was a modest decrease in FY 2017-18 which was again attributable to the one-time "triple-flip" close-out payment from FY 2016-17 that was not received in FY 2017-18. Despite the fluctuation, the sales tax base experienced strong growth. FY 2018-19 experienced a slight decrease due to the tapering of localized sales tax dollars from construction and completion of Apple Campus 2 which further indicates a return to normalcy in respect to previous years. Additionally, the City received a one-time quarterly clean-up payment in FY 2017-18 of \$1.6 million that contributed to the comparative decrease in FY 2018-19. In FY 2019-20, the City's sales taxes experienced growth due to a one-time double payment

from Apple. Additionally, a change in estimate in which the City adjusted its accrual practice to include the full remittance amounts from July and August 2020 contributed to approximately \$9.0 million of the increase over the previous fiscal year. This change in estimate will be applied prospectively and consistently moving forward. Though much uncertainty remains during the course of the pandemic, the City has seen continued increases in FY 2020-21 due to the telework transition, the state-wide need for additional electronic equipment and infrastructure, and the Wayfair decision.

With the economic recovery and easing of credit, commercial development activity picked up considerably in 2012-13 and 2013-14 led by plan reviews of the new Apple Campus 2. Plans for the redevelopment of the Marina shopping center into a mixed-use project, Marina Plaza, was approved in 2016. This project will include 23,000 SF of retail and restaurant use, a 122-room boutique hotel, and 188 residential units including 16 below market rate units. Construction of a five story, 148-room Hyatt House hotel was completed in April 2019 and includes a full-service restaurant and meeting rooms. Through the City's new General Plan Amendment (GPA) Authorization Process applications for two development projects were authorized by City Council during FY 2019-20 with the De Anza Hotel and the Cupertino Village Hotel.

The City's pension and retiree medical (also referred to as OPEB, Other Post-Employment Benefits) unfunded actuarial accrued liabilities are discussed in the Notes to the Basic Financial Statements. The City must pay CalPERS, the state's government pension system, annually to reduce its long-term liability for pensions. Cupertino's CalPERS actuarial valuation report as of June 30, 2020 reported a pension unfunded accrued liability of \$49.2 million with annual payments to CalPERS of 31.9% and 32.6% of projected payroll for 2022-23 and 2023-24, respectively, with ongoing increases after that because of actuarial assumption changes. CalPERS recently experienced strong performance in FY 20-21 with a return of 21.3% that ultimately triggered a reduction in the discount rate from 7% to 6.8%. To address long-term rising costs, Cupertino and state law has reduced pension benefits for new hires and increased employee contributions. As of June 30, 2021, the City has a Net OPEB Asset of \$9.4 million with annual payments to a retiree health plan trust at -40.7% of payroll. The negative percentage of payroll further represents an over-funded status.

In addition to the City's Section 115 OPEB Investment Trust established in 2010, in fiscal year 2017-18, the City Council approved the establishment of a Section 115 Pension Investment Trust as part of a pension rate stabilization program. An initial investment of \$8,000,000 was made in FY 2018-19 and an additional contribution of \$4 million and \$2 million was made in FY 2019-20 and FY 2020-21, respectively.

Because the City contracts out police services to the County Sheriff and because fire protection is handled by a special district, the City avoids the high pension, capital, and operating costs of a City-operated public safety function. The City caps its contributions to employee health insurance premiums that benefit both the City and employees. A build-up of operating reserves from strong revenue years, such as 2013-14, along with a traditional under-spending of budgets, enables the City to withstand weak revenue years that occur periodically, such as in 2009-10.

On March 11, 2021, the American Rescue Plan Act (ARP) of 2021 was signed into law and established the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Funds, which together make up the Coronavirus State and Local Fiscal Recovery Funds ("SLFRF").

The ARP is a \$1.9 trillion economic stimulus bill. Within the ARP, the Coronavirus Local Fiscal Recovery Fund provided \$350 billion for states, municipalities, counties, tribes, and territories, including \$130 billion for local governments split evenly between municipalities and counties. California cities are expected to receive more than \$7 billion dollars in much needed assistance to help offset the billions of dollars in revenue shortfalls due to the shutdown of local economies and the billions spent protecting public health,

delivering essential services, protecting vulnerable populations, and helping small businesses survive during the pandemic.

The City of Cupertino is expected to receive two payments totaling \$9,694,773 in SLFRF funding. The first payment was received in May 2021 in the amount of \$4,847,386.50 and the second payment is expected in May 2022. The City may use SLFRF funds to cover these eligible costs incurred during the period that begins on March 3, 2021 and ends on December 31, 2024, as long as the award funds for the obligations incurred by December 31, 2024 are spent by December 31, 2026.

As a recipient of the SLFRF award, the City has substantial discretion to use the award funds in the ways that best suit the needs of the City's constituents – as long as such use fits into one of the following four statutory categories determined by the U.S. Department of the Treasury:

- **Public Health/Negative Economic Impacts:** Recipients may use SLFRF award funds to provide assistance to households – such as rent, mortgage, or utility assistance – for costs incurred by the household prior to March 3, 2021, provided that the City did not incur the cost of providing such assistance prior to March 3, 2021.
- **Premium Pay:** Recipients may provide premium pay retrospectively for work performed at any time since the start of the COVID-19 public health emergency. Such premium pay must be “in addition to” wages and remuneration already received and the obligation to provide such pay must not have been incurred by the recipient prior to March 3, 2021.
- **Revenue Loss:** Treasury's Final Rule gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue. While calculation of loss revenue begins with the recipient's revenue in the last full fiscal year prior to the COVID-19 public health emergency and includes the 12-month period ending December 31, 2020, use of funds for government services must be forward looking for costs incurred by the recipient after March 3, 2021.
- **Investments in Water, Sewer, and Broadband:** Recipients may use SLFRF award funds to make necessary investments in water, sewer, and broadband. Recipients may use SLFRF award funds to cover costs incurred for eligible projects planned or started prior to March 3, 2021, provided that the project costs covered by the SLFRF award funds were incurred after March 3, 2021.

On September 7, 2021, the Cupertino City Council approved a plan which allocated the ARP funding towards revenue loss which was estimated at approximately \$29 million. Additionally, the \$9.7 million in total ARP funding was approved to be spent on general government services in the General Fund, specifically, City Work Program and special project items. Subsequently, and in accordance with the Treasury's Final Rule, a \$10 million “standard allowance” may be taken which would relieve a jurisdiction's substantiation of revenue loss. Nevertheless, the City plans to continue using the ARP funding as originally authorized and will continue to monitor and report out on the estimated and actual revenue losses resulting from the pandemic.

ECONOMIC INITIATIVES

With the expanded Apple presence, and the on-going pandemic, the City's revenue base will remain concentrated among its top companies and top economic sector, the volatile business-to-business area. Past recessions and the historic departure of major tax providers including, but not limited to, Hewlett-Packard and Seagate, demonstrates the need for diversification of the City's revenue base and a long-term balance of revenues and expenditures. The City desires other revenues to mitigate the fluctuating nature of sales taxes, hotel taxes, user fees, and state grabs of local taxes in times of budget distress.

COVID-19 has had significant adverse impacts on the City's transient occupancy taxes, charges for services, and is sure to have long-lasting impacts on its sales tax. While the City's revenues remained strong in FY 2020-21 and are currently on pace with projections in FY 2021-22, the City's strong, untapped reserves afford the City to continue actively mitigating the impacts of the pandemic on the community. Efforts to reduce operating costs, additional allocations for tenants at risk of eviction and homeless assistance, public facility and area sanitation enhancements, and small business grant assistance are all examples in FY 2019-20 and FY 2020-21 of the City's on-going ability and commitment to overcome these challenges.

ACCOUNTING AND BUDGETARY CONTROL

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. The City's controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against losses from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the costs of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

The City's budget is a detailed operating plan that identifies estimated costs and results in relation to estimated revenues. The budget includes 1) the programs, projects, services and activities to be provided during the fiscal year; 2) estimated revenue and fund balance available to finance the operating plan; and 3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented and controlled.

INDEPENDENT AUDIT

City ordinance requires an annual audit of the financial records by an independent certified public accounting firm selected by the City Council and its audit committee. Crowe LLP audited the City's Basic Financial Statements, and their opinion thereon is included in the Financial Section of this report.

FRAUD INVESTIGATION

On September 5, 2018 the Santa Clara County Sheriff's Office arrested former City of Cupertino employee Jennifer "Yuen-Cheng" Chang, Senior Accountant, for her role in the embezzlement of public funds. It is believed that Ms. Chang issued and cashed numerous fraudulent checks between 2000 and 2014 for a total of \$791,494.

The scheme ended in September 2014 right before the implementation of an upgraded financial system in December 2014 that tightened internal controls. Ms. Chang, who was hired by the City in 1997, retired in July 2015.

The checks were uncovered earlier this year by staff during a multi-year, detailed review of several accounts—including payroll, bank reconciliations, and deposits—which began after the implementation of the new financial system in fiscal year 2014-2015. The checks were found debited against a liability account and deemed suspicious due to their nature, size, and lack of supporting documentation.

The Santa Clara County Sheriff's Office submitted its case to the Santa Clara County District Attorney's Office for the issuance of a warrant for Ms. Chang. The California Attorney General has brought forward 68 criminal charges against Ms. Chang. The City of Cupertino is seeking full restitution from Ms. Chang through upcoming criminal and civil proceedings.

At a Preliminary Hearing on December 10, 2019, Judge Pennypacker ruled that Ms. Chang will have to stand trial on 53 felony counts. The counts include Grand Theft and Computer Intrusion for the period September 28, 2000 to September 5, 2014, and Embezzlement for the period July 22, 2011 to September 5, 2014. Because Ms. Chang's bank does not save documents from prior to 2011, the State cannot prove an element of the crime of embezzlement. Currently, the Judge set the case for an arraignment for further decision. It is the City's position to support prosecution to the fullest extent of the law, including full restitution and jail time if criminal liability is found.

Among other internal controls maintained by the City over its financial records, in addition to the upgraded financial system in December 2014 that tightened internal controls, the City also hired additional accounting staff to enhance segregation of duties and established an internal audit function that was approved for implementation in fiscal year 2019-20. Lastly, the City has engaged Moss Adams, LLP to serve as its internal auditor.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cupertino for its ACFR for the year ended June 30, 2020. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized ACFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the current report continues to meet the Certificate of Achievement Program's requirements.

Respectfully submitted,

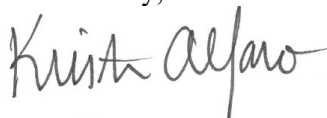


Zach Korach
Finance Manager

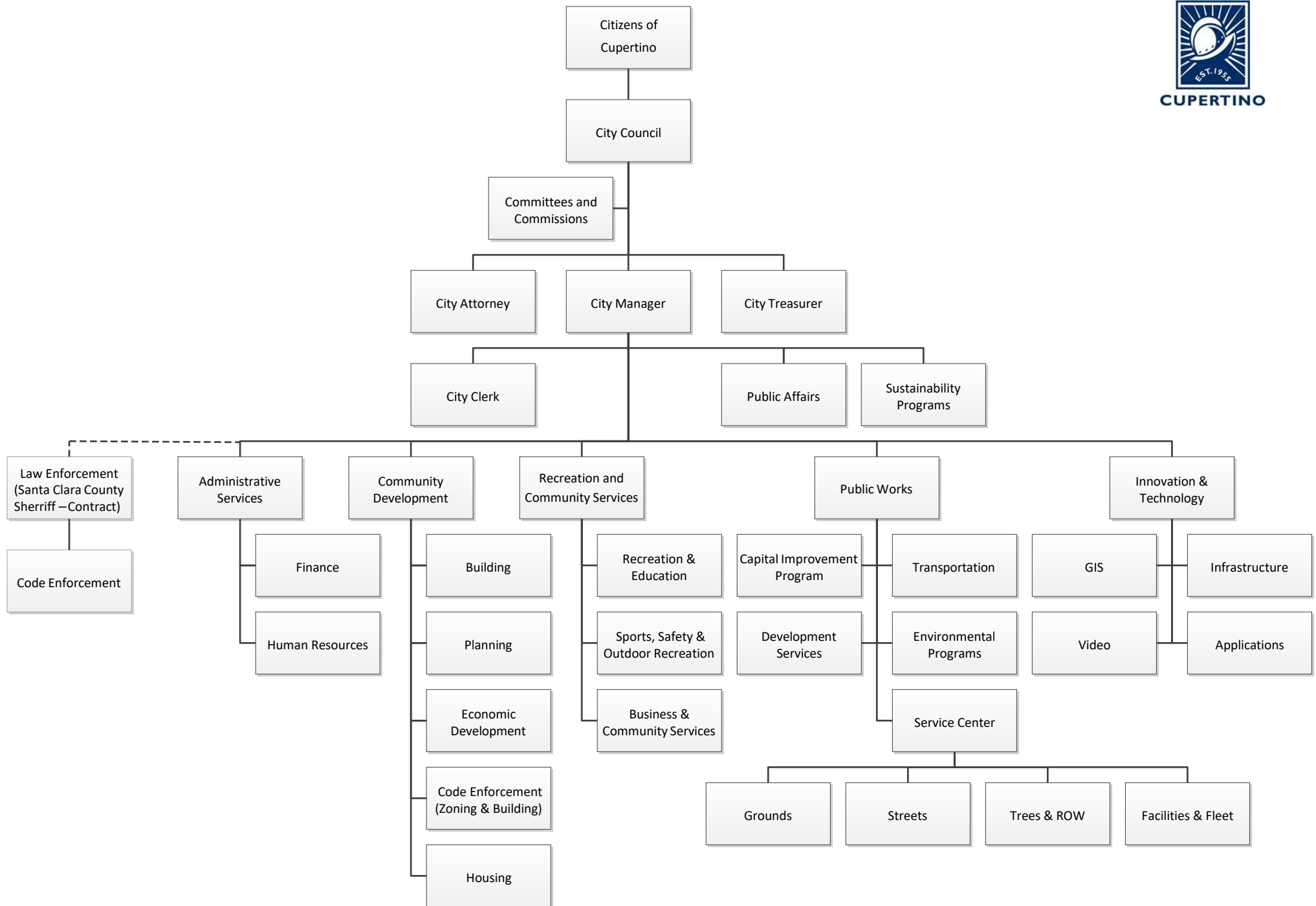
ACKNOWLEDGMENTS

I would like to express my appreciation to City employees, department heads, the City Manager, members of the Audit Committee, and members of City Council for their interest in conducting the financial operations of the City in a responsible manner. Special thanks go to, Thomas Leung, Zeng Wang, Min Zhao, Jumaini Judoprasertijo, Vi Tran, and Amber Chang of the Finance Division for their continued support and dedication. Special recognition to Beth Viajar, Richard Wong, and Giang Dinh for their efforts in the preparation and production of this report.

Reviewed by,



Kristina Alfaro
Director of Administrative Services



Directory of City Officials

City Council



Darcy Paul
Mayor



Liang Chao
Vice Mayor



Kitty Moore
Council member



Hung Wei
Council member



Jon Willey
Council member

Directory of City Officials

Deborah L. Feng – City Manager
Dianne Thompson – Assistant City Manager
Heather Minner – City Attorney (Contract)
Kristina Alfaro – Director of Administrative Services
Ben Fu – Director of Community Development
Roger Lee – Director of Public Works
Joanne Magrini – Director of Parks and Recreation
Bill Mitchell – Chief Technology Officer

Commissions and Committees

BICYCLE PEDESTRIAN COMMISSION

Gerhard Eschelbeck
Erik Lindskog
Jack Carter
Maanya Condamoor
Ilango Ganga

FINE ARTS COMMISSION

Diana Matley
Janki Chokshi
Satish Tare
Esha Rao
Sudha Kasamsetty

HOUSING COMMISSION

Govind Tatachari
Tess Parish
Sue Bose
Connie Cunningham
Siva Gandikota

LIBRARY COMMISSION

Archana Panda
Liyan Zhao
Sheela Sreekanth
Qin Pan
Rahul Vasanth

PARKS AND RECREATION COMMISSION

Carol Stanek
Xiangchen "Minna" Xu
Gopal Kumarappan
Neesha Tambe
Sashikala Begur

PLANNING COMMISSION

R "Ray" Wang
Vikram Saxena
Sanjiv Kapil
Muni Madhhipatla
Steven Scharf

PUBLIC SAFETY COMMISSION

Eric Shan
Hymanand Nellore
Lakshminarasimha
Ankireddipally
Tiffany Wang
Yvonne Chao

SUSTAINABILITY COMMISSION

Anna Weber
Gary Latshaw
Meera Ramanathan
Ram Mohan
Vignesh Swaminathan

TEEN COMMISSION

Arya Srivastava
Alden Gu
Rushil Jayant
Maple Leung
Zehra Naqvi
Samikshaa Natarajan
Anagaa Nathan
Jay Yeung
Alex Zhang

TECHNOLOGY, INFORMATION & COMMUNICATIONS COMMISSION

Eliza Du
Mukesh Garg
Naidu Bollineni
Rajaram Soundararajam
Prabir Mohanty

AUDIT COMMITTEE

Angela Chen
Mingming (Daisy) Liang
Yan (Sophie) Song
Liang Chao
Kitty Moore

DESIGN REVIEW COMMITTEE

Steven Scharf
Vikram Saxena
Muni Madhhipatla

ENVIRONMENTAL REVIEW COMMITTEE

Kitty Moore
R "Ray" Wang
Dianne Thompson
Ben Fu
Chad Mosley

LEGISLATIVE REVIEW COMMITTEE

Liang Chao
Kitty Moore



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Certificate of
Achievement
for Excellence
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Reporting

Presented to

**City of Cupertino
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Cupertino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cupertino, California (City) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Transportation Special Revenue Fund, and the Housing Development Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2021, the City implemented GASB Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. This change resulted in the previously reported fiduciary fund to no longer be considered a component unit or a fiduciary fund of the City and as such it is no longer included in the City's financial statements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information section on pages 4-21 and 77-81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information section, statistical section and community profile are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, statistical section and community profile has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated [REDACTED] on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

[REDACTED]

Costa Mesa, California

[REDACTED]

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

This section describes the City of Cupertino's financial performance for the year. Readers are encouraged to consider the following information in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

2020-21 FINANCIAL HIGHLIGHTS

- The COVID-19 pandemic, and the ensuing lockdowns, has negatively affected economies not only in the region, but around the world. Sales tax, transient occupancy tax, and charges for services were both positively and negatively impacted as explained further below. However, while much uncertainty remains regarding the length and magnitude of these impacts, the City stands well positioned with robust fund balance reserves that have been bolstered by strong sales tax performance, federal funding from the American Rescue Plan Act of 2021, and budget reduction strategies.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2020-21 by \$335.1 million (net position). Of this amount, \$92.8 million represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- City revenues have increased in 2020-21 with base governmental revenues showing a \$3.4 million increase, or 3%, over 2019-20. The primary fluctuations include an increase in property and sales tax and program revenues that are offset by decreases in transient occupancy tax and charges for services. According to the 2020-2021 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased \$1.8 billion million, or 6.95%, from the prior year. Approximately \$802 million was attributable to residential use values and \$782 million were attributable to unsecured asset increases.
- The City experienced an increase of approximately \$10.8 million, or 43.2%, in FY 2019-20 sales tax revenues compared to the previous year. This trend continued in FY 2020-21 with sales tax revenues increasing by \$6.9 million or 19.4% over the previous fiscal year. Although the City experienced declines in many of the sectors including autos and transportation, building and construction, fuel and service stations, general consumer goods, and restaurants and hotels over the last two year, these experiences were mitigated by strong performance in the business and industry sector and the City's county pool allocation. The COVID-19 pandemic has brought great uncertainty to the economy and although the business and industry sector has experienced significant growth due to the telework conversion and closure of brick-and-mortar retail, the City continues to monitor and forecast these sectors conservatively. COVID-19 and shelter-in-place orders brought the City's transient occupancy taxes to a near halt beginning in March of 2020. As a result, the City's experienced a \$5.1 million, or 70.6%, decrease in transient occupancy tax over the previous fiscal year.
- The City continued to make substantial investment into capital projects dedicated to street and transportation improvements, storm drain improvements, and maintenance of and improvements to City facilities, resulting in an increase in net capital assets of \$11.5 million, or 6%, after depreciation.
- The City's change in net position was \$32.0 million for governmental activities and \$34.3 million in total, reflecting the continued positive experience in sales tax and modest departmental spending.
- The City's Net Pension Liability for June 30, 2021, was \$48.5 million, up \$2.4 million from June 30, 2020, or 5.2%. The Plan Fiduciary Net Position as a Percentage of the Total Pension Liability for the City's pension plan with CalPERS maintained at 68.2%. During fiscal year 2020-21, the City Council approved an additional \$2 million contribution to the City's recently established pension rate stabilization program (Section 115 Trust). Annual contributions to this trust will continue on an annual basis and as part of the City's budget process. In accordance with guidance under GASB 67/68, the assets in the Section 115 Trust are reported as restricted cash and investments in the City's General Fund. While the Section 115 Trust qualifies as a "trust," the assets in the Section 115 Trust

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

are not used to directly pay benefits to beneficiaries; rather, they are used to pay CalPERS via the CERBT Trust and as a result, the activities are not required to be reported in a fiduciary fund. The Trust's ending balance as of June 30, 2021 was \$18.5 million.

- Business-type activities contributed \$4.9 million to citywide revenues totaling \$120.6 million, while the same activities contributed over \$5.5 million to citywide expenses of \$86.4 million.
- The City implemented the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2017-18. This statement requires governments to report a liability on the face of the financial statements for the OPEB provided by the City. During FY 2019-20, the City reduced the discount rate from 7.0% to 6.5% which consequently increased the Total OPEB Liability. As of June 30, 2020, the City reported a Net OPEB Liability of \$2.0 million. With strong investment performance during FY 2020-21, the City's actuarial valuation generated a Net OPEB Asset of \$9.4 million. The City also reported deferred outflows and inflows related to OPEB of \$1.6 million and \$9.8 million, respectively. As of June 30, 2021, the City's OPEB plan had a funding ratio or funded ratio or status of 132%.
- On September 29, 2020, the City of Cupertino'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 2020 COPs were very well received by investors due in large part to the well-regarded Cupertino name, the top-notch AA+ rating, the sizable annual principal amounts and short maturity, and favorable supply and demand dynamics in the California municipal market. 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.
- On March 11, 2021, the American Rescue Plan Act (ARP) of 2021 was signed into law and established the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Funds, which together make up the Coronavirus State and Local Fiscal Recovery Funds ("SLFRF").

The American Rescue Plan (ARP) Act of 2021 is a \$1.9 trillion economic stimulus bill. Within the ARP, the Coronavirus Local Fiscal Recovery Fund provided \$350 billion for states, municipalities, counties, tribes, and territories, including \$130 billion for local governments split evenly between municipalities and counties. California cities are expected to receive more than \$7 billion dollars in much needed assistance to help offset the billions of dollars in revenue shortfalls due to the shutdown of local economies and the billions spent protecting public health, delivering essential services, protecting vulnerable populations, and helping small businesses survive during the pandemic.

The City of Cupertino is expected to receive two payments totaling \$9,694,773 in SLFRF funding. The first payment was received in May 2021 in the amount of \$4,847,386.50 and the second payment is expected in May 2022. The City may use SLFRF funds to cover these eligible costs incurred during the period that begins on March 3, 2021 and ends on December 31, 2024, as long as the award funds for the obligations incurred by December 31, 2024 are spent by December 31, 2026.

As a recipient of the SLFRF award, the City has substantial discretion to use the award funds in the ways that best suit the needs of the City's constituents – as long as such use fits into one of the following four statutory categories determined by the U.S. Department of the Treasury:

- Public Health/Negative Economic Impacts: Recipients may use SLFRF award funds to provide assistance to households – such as rent, mortgage, or utility assistance – for costs incurred by the household prior to March 3, 2021, provided that the City did not incur the cost of providing such assistance prior to March 3, 2021.
- Premium Pay: Recipients may provide premium pay retrospectively for work performed at any time since the start of the COVID-19 public health emergency. Such premium pay must be "in addition to" wages and remuneration already received and the obligation to provide such pay must not have been incurred by the recipient prior to March 3, 2021.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

- Revenue Loss: Treasury's Final Rule gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue. While calculation of lost revenue begins with the recipient's revenue in the last full fiscal year prior to the COVID-19 public health emergency and includes the 12-month period ending December 31, 2020, use of funds for government services must be forward looking for costs incurred by the recipient after March 3, 2021.
- Investments in Water, Sewer, and Broadband: Recipients may use SLFRF award funds to make necessary investments in water, sewer, and broadband. Recipients may use SLFRF award funds to cover costs incurred for eligible projects planned or started prior to March 3, 2021, provided that the project costs covered by the SLFRF award funds were incurred after March 3, 2021.

On September 7, 2021, the Cupertino City Council approved a plan which allocated the ARP funding towards revenue loss which was estimated at approximately \$29 million. Additionally, the \$9.7 million in total ARP funding was approved to be spent on general government services in the General Fund, specifically, City Work Program and special project items. Subsequently, and in accordance with the Treasury's Final Rule, a \$10 million "standard allowance" may be taken which would relieve a jurisdiction's substantiation of revenue loss. Nevertheless, the City plans to continue using the ARP funding as originally authorized and will continue to monitor and report out on the estimated and actual revenue losses resulting from the pandemic.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's Basic Financial Statements. The Basic Financial Statements are comprised of the City-wide Financial Statements, the Fund Financial Statements, and the notes to the Basic Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and positions.

The City-Wide Financial Statements provide a long-term view of the City's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. These statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole. The accrual basis of accounting is similar to the accounting used by most private sector companies. The Statement of Net Position provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities. The Statement of Activities provides information about all the City's revenues and expenses, with the emphasis on measuring net revenues and expenses for each of the City's programs. The Statement of Activities explains in detail the change in net position for the year. Over time, increases or decreases in net position can be indicators of whether the financial condition of the City is improving or deteriorating.

All of the City's activities are grouped into Governmental activities and Business-type activities, as explained below. The Statement of Net Position and the Statement of Activities provide a summary of these two types of activities for the City as a whole.

- ***Governmental activities***—Most of the City's basic services are considered to be governmental activities, including public works, law enforcement, community development, recreation, public & environmental affairs, and general administration. These services are supported by general City revenues such as property, sales and other taxes, and by specific program revenues such as developer fees and grants.

The City's governmental activities include the activities of a separate legal entity, the Cupertino Public Facilities Corporation (the "Corporation"), because the City is considered to be financially accountable for the Corporation. The City leases its major facilities from the Corporation, which then uses the lease payments to pay principal and interest on the Corporation's long-term debt.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

- ***Business-type activities***—All of the City's enterprises are reported here, including solid waste management and most of the City's recreational operations. Unlike governmental services, these services are supported by charges paid by users based on the amount of services used.

The Fund Financial Statements report the City's operations in more detail than the City-wide Financial Statements and focus primarily on the short-term activities of the City's General Fund and other major funds. The Fund Financial Statements measure only current revenues, expenditures, assets, liabilities, and deferred inflows and outflows of resources; they exclude long-term assets and liabilities. Because these statements focus on the near-term inflows and outflows of spendable resources, such information may be useful in evaluating near-term financing requirements.

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called *major funds*. Cupertino's Fund Financial Statements include governmental, enterprise and internal service funds as discussed below. Each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules, which follow the Notes to Basic Financial Statements, present the detail of these non-major funds. Major funds present the significant activities of the City for the year, and may change from year to year as a result of changes in the pattern of City's activities and public interest. For example, the Capital Improvement Projects Fund may or may not appear as a major fund depending on the volume of construction activity in a certain year.

Governmental Fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. They present essentially the same functions reported as governmental activities in the city-wide financial statements. However, capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund financial statements. Reconciliations are provided to facilitate a comparison between governmental funds and governmental activity statements to allow a better understanding of the long-term impact of the government's near-term financial decisions.

Comparisons of budget and actual financial information are included in the Basic Financial Statements for the General Fund and other major Special Revenue Funds. For other nonmajor funds, budgetary comparison schedules for these funds are included in this document as supplemental information only.

Enterprise and Internal Service Fund financial statements are prepared on the full accrual basis and include current and long-term assets and liabilities and deferred outflows and inflows of resources. Enterprise funds are used to report the same functions presented as business-type activities in the City-wide Financial Statements, and in more detail in the Fund Financial Statements.

Since the City's Internal Service funds provide goods and services only to the City's governmental and business-type activities, their activities are reported only in total at the fund level. Internal Service funds may not be major funds because their revenues are derived from other City funds. These revenues are eliminated in the City-wide financial statements and any related profits or losses are returned to the activities which created them, along with any residual net position of the Internal Service funds. For this City, internal service activities predominantly benefit governmental rather than business-type functions, and are therefore included within governmental activities in the City-wide Financial Statements.

The Notes to Basic Financial Statements provide important additional detail that is essential to a full understanding of the data reported in the City-wide and Fund Financial Statements.

CITY-WIDE FINANCIAL ACTIVITIES

This analysis focuses on the net position and changes in net position of the City's Governmental Activities (Tables 1 and 2) and Business-Type Activities (Tables 3 and 4) as presented in the City-wide Statement of Net Position and the Statement of Activities.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

Governmental Activities

Table 1
Condensed Statement of Net Position at June 30
(in thousands)

	Governmental Activities	
	2021	2020
Assets:		
Cash and investments	\$ 167,810	\$ 147,608
Restricted cash and investments	18,499	17,088
Other assets	17,260	17,150
Net OPEB assets	8,958	-
Capital assets	210,273	199,776
Total assets	422,800	381,622
Deferred Outflows of Resources:		
Loss on refunding	239	-
Related to Pension (Note 10)	8,623	9,050
Related to OPEB (Note 11)	1,468	2,590
Total deferred outflows of resources	10,330	11,640
Liabilities:		
Long term debt	23,348	27,010
Other liabilities	77,687	72,819
Total liabilities	101,035	99,829
Deferred Inflows of Resources:		
Related to Pension (Note 10)	100	774
Related to OPEB (Note 11)	8,323	1,032
Total deferred inflows of resources	8,423	1,806
Net Position:		
Net Investment in capital assets	186,503	177,128
Restricted	53,711	48,006
Unrestricted	83,458	66,493
Total net position	\$ 323,672	\$ 291,627

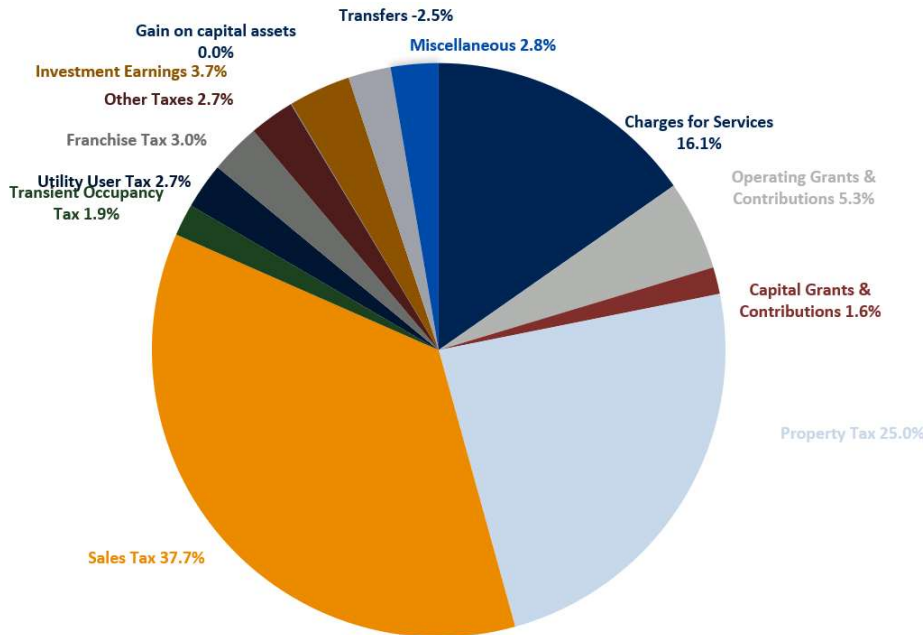
The City's change in net position from governmental activities was \$32.0 million. The following significant changes within assets, liability, and net position categories occurred:

- The City made an additional \$2 million contribution to its Section 115 Trust as part of the City's pension rate stabilization program. In accordance with guidance under GASB 67/68, the assets in the Section 115 Trust are reported as restricted cash and investments in the City's General Fund. While the Section 115 Trust qualifies as a "trust," the assets in the Section 115 Trust are not used to directly pay benefits to beneficiaries; rather, they are used to pay CalPERS via the CERBT Trust and as a result, the activities are not required to be reported in a fiduciary fund.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

- Cash and investments increased by \$20.2 million, or 13.7%, over the previous fiscal year. This was due to continued positive performance of the City's sales tax, receiving of the 1st tranche of American Rescue Plan Act funding (\$4.8 million), and reduced departmental spending in an effort to mitigate the fiscal impacts brought on by the pandemic.
- With strong investment performance in the City's Section 115 OPEB Investment Trust, the City's Net OPEB Liability was converted to a Net OPEB Asset in FY 2020-21 and was reported at \$9.4 million.
- Capital assets increased approximately \$10.5 million. This consisted of continued significant capital investment into capital projects dedicated to street and transportation improvements, storm drain improvements, and maintenance of and improvements to City facilities that were offset with current year depreciation expense.
- Long-term debt decreased by \$3.7 million or 13.6% over the previous year and resulted from the successful refunding of the City's 2012 Certificates of Participation in September 2020.
- Other liabilities increased by approximately \$4.9 million, primarily due to an increase in the City's Net Pension Liability as well as a \$4.8 million unearned revenue related to the American Rescue Plan Act of 2021.
- Deferred Outflows Related to Pension and OPEB decreased \$1.6 million primarily due to actuarial changes of assumptions. Deferred Inflows of Resources Related to Pension and OPEB increased approximately \$6.6 million primarily due to actuarial changes of assumptions.

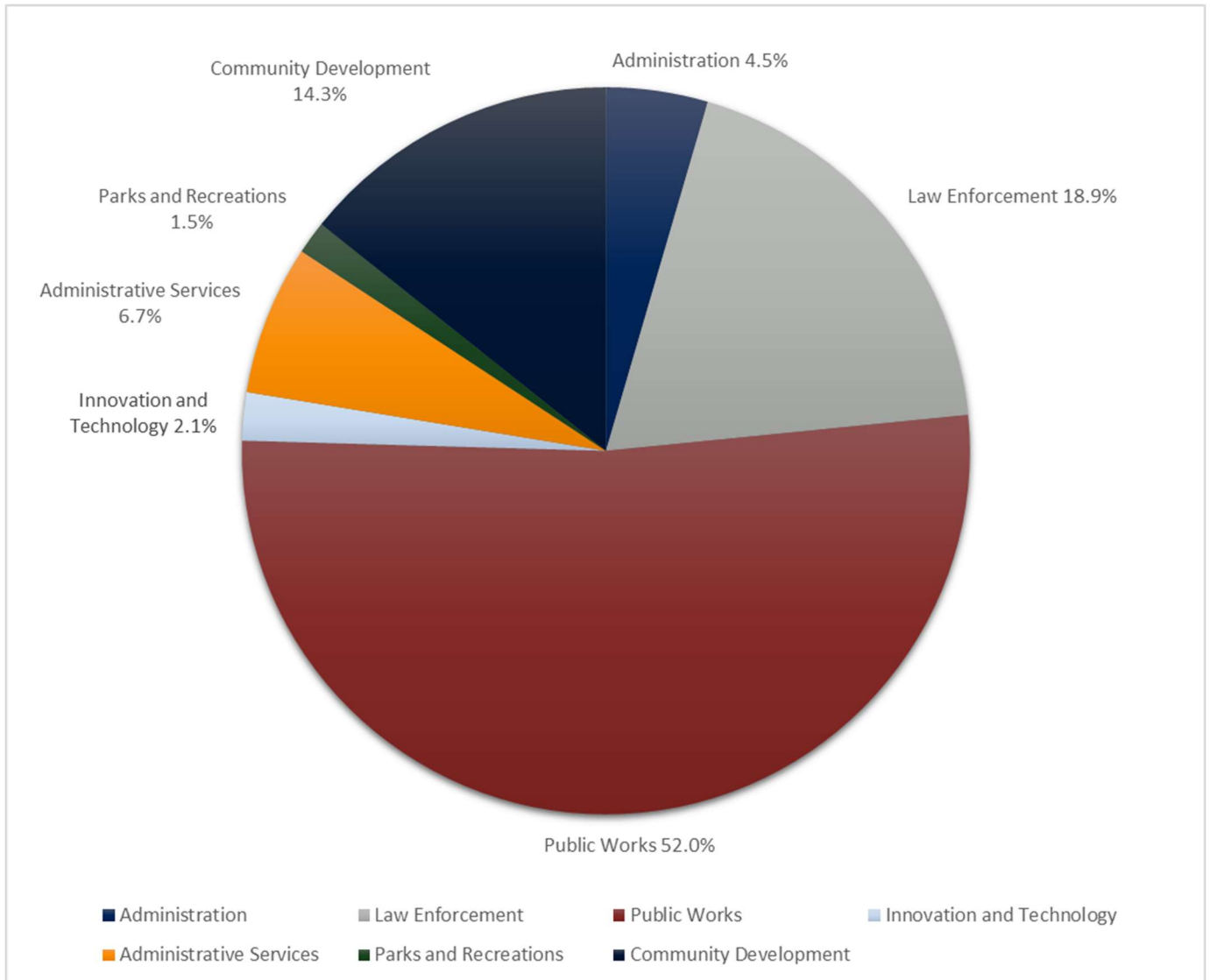
**Sources of Revenue, Governmental Activities
2020-21**



Program revenues experienced consistent performance year-over-year as the pandemic has had significant adverse impact on charges for services, particularly in the Parks and Recreation department. With the exception of transient occupancy taxes, the City's general tax revenues remained strong with sales tax continuing its unprecedented positive performance throughout the pandemic. Revenues increased \$3.4 million from the prior year, primarily due to decreases in functional program revenues offset with increases in general revenues.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

**Functional Expenses, Governmental Activities
2020-21**



The Statement of Activities presents program revenues, expenses, general revenues, and the resulting change in net position as summarized in the next table.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

Table 2
Condensed Statement of Activities for the Year Ended June 30
(in thousands)

	<u>Governmental Activities</u>	
Expenses	<u>2021</u>	<u>2020</u>
Administration	\$3,637	\$7,975
Law enforcement	15,212	14,698
Innovation & technology	1,722	3,637
Administrative services	5,358	5,176
Recreation and community services	1,183	8,763
Community development	11,496	10,286
Public works	41,870	33,339
Interest on long-term debt	398	883
	<u>80,876</u>	<u>84,757</u>
Revenues		
Program revenues:		
Charges for services	18,137	19,911
Operating grants and contributions	5,998	5,794
Capital grants and contributions	1,792	1,047
Total program revenues	<u>25,928</u>	<u>26,752</u>
General revenues:		
Taxes:		
Property tax	19,198	18,117
Property tax in-lieu of motor vehicle fee	9,080	8,490
Sales tax	42,581	35,657
Transient occupancy tax	2,141	7,286
Utility user tax	3,074	3,182
Franchise tax	3,368	3,419
Other taxes	3,022	1,774
Intergovernmental, unrestricted:		
Motor vehicle license fee	44	47
Investment earnings	4,148	3,259
Gain on sale of capital assets	-	4
Miscellaneous	3,185	1,187
Total general revenues	<u>89,842</u>	<u>85,586</u>
Total revenues	<u>115,770</u>	<u>112,338</u>
Excess of revenues over expenses,		
before transfers	34,894	27,581
Transfers (Note 4)	(2,849)	(3,523)
Change in net position	32,045	24,058
Beginning net position	291,627	267,569
Ending net position	\$ 323,672	\$ 291,627

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

City-wide Governmental Activities Revenues

Table 2 shows that revenues from governmental activities increased \$3.4 million or 3.1% from last year, finishing at \$115.8 million. General revenues also experienced a net increase namely, property tax, sales tax, and other taxes as further discussed below.

Increases in the City's general revenues are attributable to a \$1.6 million increase in property tax over the prior year. According to the 2020-2021 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased \$1.8 billion million, or 6.95%, from the prior year. Approximately \$802 million was attributable to residential use values and \$782 million were attributable to unsecured asset increases.

The City experienced an increase of approximately \$10.8 million, or 43.2%, in FY 2019-20 sales tax revenues compared to the previous year. This trend continued in FY 2020-21 with sales tax revenues increasing by \$6.9 million or 19.4% over the previous fiscal year. Although the City experienced declines in many of the sectors including autos and transportation, building and construction, fuel and service stations, general consumer goods, and restaurants and hotels over the last two year, these experiences were mitigated by strong performance in the business and industry sector and the City's county pool allocation. The COVID-19 pandemic has brought great uncertainty to the economy and although the business and industry sector has experienced significant growth due to the telework conversion and closure of brick-and-mortar retail, the City continues to monitor and forecast these sectors conservatively.

In FY 2019-20, transient occupancy tax had decreased \$1.6 million, or 18.1%, over the prior year due to the COVID-19 and related shelter in place orders. FY 2020-21 experienced similar trends, but were extrapolated for the entire year. Total transient occupancy taxes amounted to \$2.1 million and were down \$5.1 million, or 70.6%. The road to recovery for this tax source is anticipated to take longer than other areas as employers' long-term and permanent telework policies will have substantial impact on the timing and extent of recovery.

Other taxes experienced a \$1.2 million, or 70.3% increase which was primarily driven by \$735,259 in federal funding received from the CARES Act. While the revenue was not recognized in FY 2020-21, it is important to note that \$4.8 million in federal funding was received from the American Rescue Plan Act of 2021. This amount, in addition to the second payment of \$4.8 million to be received in May 2022 will all be recognized in FY 2021-22.

Investment earnings saw a decrease of \$1.5 million, or 27.1%, over the prior year. This was due to the City's portfolio's total rate of return of 0.27% (net of fee) for the fiscal year (source: Chandler Asset Management).

Program revenues showed a decrease of \$824,000, or 3%, and is primarily attributable to a decline in charges for services within the Parks & Recreation department.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

City-wide Governmental Activities Expenses

City-wide governmental activities expenses decreased by \$3.9 million, or 5%. This was primarily driven by budget reduction strategies that were incorporated as part of the FY 2020-21 Adopted Budget in response to the COVID-19 pandemic.

Change in Net Position

The City-wide governmental net position increase of \$32 million was significantly up compared to the increase in 2019-20 and can be best explained by continued positive sales tax performance, federal funding assistance, and budget reduction strategies.

Business Type Activities

Business-type activities in the City-wide Financial Statements include the City's four enterprise funds. Enterprise funds are used to account for recreational and solid waste management operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services and facilities to the general public on a continuing basis be financed or recovered primarily through user fees. The major proprietary funds section of this report provides more information on business-type results.

As shown in Table 3 and Table 4, the business-type net position totaled \$11.5 million at June 30, 2021, an increase of \$2.2 million, or 23.9%, from the prior year with unrestricted net position increasing \$1.2 million and the net investment in capital assets increasing by \$972,000. Business-type activities transferred in (net) \$2.8 million, a decrease of \$674,000 over the prior year. An increase in capital asset additions offset with \$178,000 in depreciation expense resulted in a net increase of \$972,000 over the prior year. Enterprise activities experienced an overall increase in assets due primarily to investment income which increased cash and cash equivalents. Liabilities for business-type activities remained consistent over the previous year, increasing by \$24,000, or 0.5%.

In Table 4, revenues for all business-type activities decreased \$1.7 million and operating expenses decreased by \$3.4 million, primarily attributable the impacts set forth by the pandemic.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

Table 3
Condensed Statement of Net Position at June 30
(in thousands)

	Business Type Activities	
	2021	2020
Assets:		
Cash and investments	\$ 12,961	\$ 11,524
Other assets	577	348
Capital assets	2,091	1,119
Total assets	15,629	12,991
Deferred Outflows of Resources:		
Related to pension	579	598
Related to OPEB	101	156
Total deferred outflows of resources	680	754
Other Liabilities:	4,389	4,365
Total liabilities	4,389	4,365
Deferred Inflows of Resources:		
Related to pension	21	51
Related to OPEB	434	75
Total deferred inflows of resources	455	126
Net Position:		
Net Investment in capital assets	2,091	1,119
Unrestricted	9,374	8,135
Total net position	\$ 11,465	\$ 9,254

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

Table 4
Condensed Statement of Activities for the Year Ended June 30
(in thousands)

	<u>Business Type Activities</u>	
Expenses	<u>2021</u>	<u>2020</u>
Resource recovery	\$ 1,670	\$ 2,213
Blackberry farm	535	664
Cupertino sports center	2,183	2,884
Recreation programs	1,117	3,141
Total expenses	<u>5,505</u>	<u>8,902</u>
Revenues		
Program revenues:		
Charges for services	4,831	6,114
General revenues:		
Investment earnings	36	462
Total revenues	<u>4,867</u>	<u>6,576</u>
Excess of revenues over expenses, before extraordinary item and transfers	(638)	(2,326)
Transfers	2,849	3,523
Change in net position	2,211	1,197
Beginning net position	9,254	8,057
Ending net position	<u><u>\$ 11,465</u></u>	<u><u>\$ 9,254</u></u>

MAJOR GOVERNMENTAL FUNDS

General Fund

General Fund Revenues

General Fund actual revenues of \$105.7 million ended \$26.7 million, or 33.7%, above the original budget and \$20.4 million, or 16.2%, below the final budget. Conservative estimates were applied to the original budget due to the pandemic. The final budget reflected a \$30 million revenue estimate related to Vallco Town Center which will be carried forward and recognized over multiple years. Actual revenues were up \$4.7 million or 5% when compared to 2019-20 actuals. Table 5 displays the variations in actual revenues, while Table 6 shows budgeted revenues compared to actuals.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

Property taxes increased \$1.7 million, or 6%, over the prior year due to continued roll-growth. According to the 2020-2021 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased nearly \$1.8 billion, or 6.95%, from the prior year.

Sales tax increased \$6.9 million, or 19%, over the prior year due to strong business and industry and county pool allocation growth due primarily to the impact of the pandemic state-wide.

Transient occupancy tax decreased \$5.1 million, or 71%, due to the COVID-19 and the related shelter-in-place orders which brought transient occupancy tax revenues to a near halt beginning in March 2020.

Charges for services remained relatively consistent in total, decreasing by \$553,000 over the previous year. The decrease was primarily driven by a reduction of programming in the Parks & Recreation department.

Licenses and permits decreased \$625,000, or 13%, due to decreased construction plan check building permits.

Table 5
Revenue Changes
General Fund, Fiscal 2021 vs. 2020
(in thousands)

Revenue by Source	Fiscal 2021		Increase/(Decrease) From Fiscal 2020	
	Amount	% of Total	Amount	Percent
Taxes:				
Property	\$ 28,278	27%	\$ 1,671	6%
Sales	42,581	40%	6,924	19%
Transient occupancy	2,141	2%	(5,145)	-71%
Utility user	3,074	3%	(108)	-3%
Franchise	3,368	3%	(51)	-1%
Other	2,640	2%	1,238	88%
Use of money & property	4,838	5%	760	19%
Intergovernmental	1,447	1%	699	93%
Licenses and permits	4,068	4%	(625)	-13%
Charges for services	11,882	11%	(553)	-4%
Fines and forfeitures	129	0%	(199)	-61%
Other	1,263	1%	45	4%
Total revenues	<u>\$ 105,710</u>	<u>100%</u>	<u>\$ 4,657</u>	<u>5%</u>
Other financing sources:				
Transfers in	\$ 508	100%	\$ (9,504)	-95%
Total other financing sources	<u>\$ 508</u>	<u>100%</u>	<u>\$ (9,504)</u>	<u>-95%</u>

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

Table 6
Revenue, Budget and Actual Comparisons
General Fund 2020-21
(in thousands)

	Budgeted Amounts			Over/(Under)
	Original	Final	Actual	Final
Taxes:				
Property	\$ 25,354	\$ 25,354	\$ 28,278	\$ 2,924
Sales	20,911	33,523	42,581	9,058
Transient occupancy	7,547	2,047	2,141	94
Utility user	3,224	3,224	3,074	(150)
Franchise	3,280	3,280	3,368	88
Other	1,213	1,213	2,640	1,427
Use of money & property	1,249	1,249	4,838	3,589
Intergovernmental	336	5,931	1,447	(4,484)
Licenses and permits	3,139	33,123	4,068	(29,055)
Charges for services	11,364	15,229	11,882	(3,347)
Fines and forfeitures	425	425	129	(296)
Other	1,004	1,507	1,263	(244)
 Total revenues	 \$ 79,046	 \$ 126,105	 \$ 105,710	 \$ (20,395)
Transfers in	\$ 15	\$ 508	\$ 508	\$ -

General Fund Expenditures

Fiscal 2020-21 overall expenditures, at \$68.7 million, were \$4.1 million, or 6%, higher than last year. This result came in \$10.5 million, or 13.3%, under the final budget. Year-over-year and budget-versus-actual results for General Fund programs are described below and in Tables 7 and 8.

Administration increased \$599,000, or 9%, from 2019-20 and is primarily due to the Economic Development and Video functions moving from Community Development and Innovation & Technology departments, respectively.

Law Enforcement was higher by approximately \$625,000, or 4%, which was the automatic increase in the existing contract with the Santa Clara County Sheriff's Office triggered by increases in the lease and CalPERS costs.

Innovation & Technology decreased by \$1.4 million, or 43%, over the prior year. This was driven by the Video division moving to the Administration department.

Administrative Services' expenditures increased approximately \$578,000, or 13%, over the prior year due to negotiated increases in salary and benefits. This increase also reflected the establishment of the internal audit function.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

Parks & Recreation General Fund expenditures experienced a 38% decrease, or \$2.9 million, across its programs. The majority of this decrease was due to COVID-19 and the inability to hold related program activities and events in FY 2020-21.

Community Development expenditures in the General Fund increased \$1.3 million, or 15%, and resulted primarily from increases in cost allocation charges.

Public Works expenditures increased approximately \$1.2 million or 6%. This is primarily represented by an increase in compensation and benefits. Various divisions and programs fluctuated over the prior year due to the addition and completion of one-time special projects.

Transfers out of the General Fund decreased from \$30.9 million in 2019-20 to \$15.1 million. This was due to a reduction in one-time transfers from the General Fund to the Capital Reserve.

Table 7
Expenditure Changes
General Fund, Fiscal 2021 vs. 2020
(in thousands)

Function/Program	Fiscal 2021		Increase/(Decrease) From Fiscal 2020	
	Amount	% of Total	Amount	Percent
Administration	\$ 7,549	11%	\$ 599	9%
Law enforcement	14,776	22%	625	4%
Innovation and technology	1,837	3%	(1,386)	-43%
Administrative services	5,196	8%	578	13%
Parks and recreation	4,788	7%	(2,901)	-38%
Community development	9,679	14%	1,256	15%
Public works	20,025	29%	1,196	6%
Capital outlay	4,872	7%	4,167	591%
Total expenditures	<u>\$ 68,722</u>	<u>100%</u>	<u>\$ 4,134</u>	<u>6%</u>
Transfers out	<u>\$ 15,149</u>	<u>189%</u>	<u>\$ (15,743)</u>	<u>-51%</u>

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

Table 8
Expenditure Changes
General Fund 2020-21
(in thousands)

Function/Program	Budgeted Amounts		Actual	(Over)/Under Final
	Original	Final		
Administration	\$ 9,183	\$ 9,190	\$ 7,549	\$ 1,641
Law enforcement	14,792	14,792	14,776	16
Innovation and technology	1,981	1,950	1,837	113
Administrative services	4,956	5,314	5,196	118
Parks and recreation	6,805	6,725	4,788	1,937
Community development	9,801	12,158	9,679	2,479
Public works	22,559	23,627	20,025	3,602
Capital outlay	503	5,498	4,872	626
Total expenditures	<u>\$ 70,580</u>	<u>\$ 79,254</u>	<u>\$ 68,722</u>	<u>\$ 10,532</u>
Transfers out	<u>\$ 9,949</u>	<u>\$ 15,149</u>	<u>\$ 15,149</u>	<u>\$ -</u>

General Fund - Fund Balance

The General Fund carried a June 30, 2021, ending fund balance of \$96.9 million, up 30% or \$22.4 million from beginning of the fiscal year. Loan receivables totaled \$444,346 of non-spendable fund balance. The City committed \$19 million for general economic uncertainty and \$127,891 for sustainability. The City assigned \$4,906,139 million for encumbrances. \$1,418,472 million was restricted for public access television purposes, \$13,392 for CASp certification training, \$217,551 for Public safety power shutoff, and \$18,491,004 for the pension rate stabilization program (Section 115 Trust). \$49,231,996 was classified as unassigned.

Transportation

The Transportation Special Revenue Fund carried a June 30, 2021, ending fund balance of \$9,409,837, up 81.8%, or \$4.2 million from the beginning of the fiscal year. In recent years this fund has accumulated fund balance year over year. The increase was primarily driven by a reduction of spending due to the pandemic as well as an accumulation of SB1 revenues which will be used for transportation projects in FY 2021-22.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

Housing Development

The Housing Development Special Revenue Fund carried a June 30, 2021, ending fund balance of \$7.9 million, down 6%, or \$500,000, from the beginning of the fiscal year. The activities in this fund remained relatively consistent with the previous fiscal year.

Public Facilities Corporation

On September 29th, the City of Cupertino 2020A Certificates of Participation (2020 COPs) were successfully sold at very attractive interest rates in order to refund the City's 2012 Certificates of Participation for debt service savings. The 2020 COPs were very well received by investors due in large part to the well-regarded Cupertino name, the top-notch AA+ rating, the sizable annual principal amounts and short maturity, and favorable supply and demand dynamics in the California municipal market.

At the end of the order period, there were nearly eight times as many orders as there were bonds for sale. This strong investor demand enabled the underwriter to further lower yields. The refunding ultimately generated net present value savings of approximately \$3.14 million, or 11.61% of refunded par (compared to \$2.26 million, or 8.36% of refunded par, when presented to Council on September 1st) 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. Fund balance as of June 30, 2021 was \$63,350, substantially lower than the previous year, due to the reserve fund requirement being removed from the new issuance.

Capital Improvement Projects

The Capital Improvement Projects Capital Projects Fund carried a June 30, 2021, ending fund balance of \$36,859,117, down 8.7%, or \$3.5 million from the beginning of the fiscal year. During fiscal year 2020-21, a \$5 million transfer in from the General Fund was received for purposes of fund capital-related projects. The following capital projects incurred the highest expenditures: Library Expansion and 2016 Bike Plan Implementation projects.

MAJOR PROPRIETARY FUNDS

Resource Recovery

The City has a solid waste franchise agreement with Recology that shares collection, landfill disposal, and recycling revenues and costs. This fund receives revenues from Recology with the funds going toward landfill costs, regulatory fees, and staffing costs that the City incurs to manage its solid waste, recycling, and household hazardous waste programs. Total operating revenue and expenses remained steady at \$1.82 million and \$1.7 million, respectively. Net position increased by approximately \$164,000. The fund ended the year with \$5.5 million in net position.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

Recreation Programs

This enterprise operates the Quinlan Community Center, Monta Vista Recreation Center, McClellan Ranch, Creekside Park building, eight school sites, and various parks. Recreation Programs experienced the severe impacts of the pandemic with revenue and expense reductions of over 60%. These programs generated approximately \$591,000 in revenues and program expenses of approximately \$1.1 million. This resulted in a net operating loss of \$519,000. After the \$1.7 million transfer from the General Fund, the fund ended up with an increase in net position of \$1.1 million. The fund ended the year with a net position of \$2.2 million.

Cupertino Sports Center

Tennis lesson, membership, fitness class and rent revenues of \$1.5 million and decreased by \$900,000 over last year and were also heavily impacted by COVID-19. As a result of the reduction in programming and availability, expenses decreased by \$701,000 or 24%, resulting in a net operating loss of \$361,000. This fund's net position was \$2.9 million as of June 30, 2021.

NONMAJOR PROPRIETARY FUNDS

Blackberry Farm

City employees, with a teaching professional contractor, staff the City-owned Blackberry Farm golf course and pro shop. Operating revenues increased 81% in 2020-21 from \$338,000 to \$611,000. Operating expenses decreased by \$129,000, or 19%, to \$535,000 this year. The golf course's operating loss decreased from \$325,000 last year to a surplus of \$77,000 this year. After a transfer in from the General Fund of \$450,000 and \$50,000 from the Capital Reserve, net position increased \$577,000. As of June 30, 2021, this fund's net position was \$868,510.

CAPITAL ASSETS

At June 30, 2021, the City had \$212.4 million, net of depreciation, invested in a broad range of capital assets used in governmental and business-type activities, as shown in Table 9 and in Note 5 to the Basic Financial Statements. This reflects the City's continued investment into capital projects dedicated to street and transportation improvements, storm drain improvements, and maintenance of and improvements to City facilities, resulting in an increase in net capital assets of \$11.5 million, after depreciation.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

Table 9
Capital Assets, Net of Depreciation, at June 30
(in thousands)

	<u>2021</u>	<u>2020</u>
Governmental Activities:		
Land	\$ 64,787	\$ 62,046
Easements	19,615	19,615
Construction in Progress	15,951	5,530
Buildings	14,578	16,015
Improvements other than buildings	17,753	17,483
Machinery and equipment	4,621	4,793
Roads, curbs, gutters, sidewalks, medians and bridges	66,900	67,713
Streetlights	1,620	1,589
Storm drain structures and mains	3,831	4,263
Traffic signals	617	729
Total Governmental Activities	<u>210,273</u>	<u>199,776</u>
Business-Type Activities		
Construction in Progress	125	-
Buildings	1,546	574
Improvements other than buildings	337	437
Machinery and equipment	83	108
Total Business-Type Activities	<u>2,091</u>	<u>1,119</u>
Total City	<u>\$ 212,364</u>	<u>\$ 200,895</u>

DEBT ADMINISTRATION

On September 29, 2020, the City of Cupertino'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 2020 COPs were very well received by investors due in large part to the well-regarded Cupertino name, the top-notch AA+ rating, the sizable annual principal amounts and short maturity, and favorable supply and demand dynamics in the California municipal market. 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.

The June 30, 2021, outstanding principal of \$19,900,000 is due to be paid off by June 1, 2030. More information can be found in Note 6 to the Basic Financial Statements and in the Public Facilities Corporation discussion earlier in this analysis.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2021

CURRENTLY KNOWN FACTS AND CONDITIONS

The COVID-19 pandemic has had significant impacts on the City, both financially as well as operationally. Although revenues in transient occupancy tax and charges for services have experienced declines since the start of the pandemic, the City has put forth efforts to reduce its operating costs to mitigate the future impacts. Additionally, through the assistance of the CARES Act and American Rescue Plan Act, the City anticipates these funds will mitigate much of the revenue loss and fiscal impact of the pandemic over the short- and long-term. The City's reserves remain intact and the City does not anticipate requiring the use of these Committed and Restricted funds.

Aside from the pandemic, the City is unaware of any other facts or conditions or decisions that are expected to have a significant effect on net position or results of operations.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide a general overview of the City's finances. Further information can be provided by the City of Cupertino Finance Department, 10300 Torre Avenue, Cupertino CA 95014, phone (408) 777-3280, or by the City website at www.cupertino.org.

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STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis - the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows and the City's total liabilities and deferred inflows, including all the City's capital assets and all its long term debt.

The Statement of Net Position summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column which presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business Type Activities include all of its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The format of the Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues, that are revenues which are generated directly by these programs, are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City and the Cupertino Public Facilities Corporation, which is a legally separate component unit of the City because it is controlled by and financially accountable to the City.

CITY OF CUPERTINO, CALIFORNIA
STATEMENT OF NET POSITION
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash investments (Note 2)	\$ 167,810,281	\$ 12,961,371	\$ 180,771,652
Restricted cash and investments (Note 2)	18,499,337	-	18,499,337
Receivables			
Accounts	12,546,432	135,982	12,682,414
Interest	17,148	-	17,148
Loans (Note 3)	4,691,177	-	4,691,177
Prepaid expenses and other assets	3,884	-	3,884
Net OPEB asset (Note 11)	8,957,782	441,219	9,399,001
Capital assets (Note 5):			
Non-depreciable	100,352,704	125,331	100,478,035
Depreciable, net of accumulated depreciation	109,920,783	1,965,199	111,885,982
Total assets	<u>422,799,528</u>	<u>15,629,102</u>	<u>438,428,630</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	239,216	-	239,216
Related to pension (Note 10)	8,623,265	578,778	9,202,043
Related to OPEB (Note 11)	1,467,924	101,075	1,568,999
Total deferred outflows of resources	<u>10,330,405</u>	<u>679,853</u>	<u>11,010,258</u>
LIABILITIES			
Accounts payable and accruals	7,139,329	367,435	7,506,764
Accrued payroll and benefits	1,872,821	289	1,873,110
Deposits	11,554,041	-	11,554,041
Unearned revenue	4,892,867	833,213	5,726,080
Compensated absences (Note 1):			
Due in one year	652,810	17,611	670,421
Due in more than one year	4,642,386	216,127	4,858,513
Claims payable (Note 9):			
Due in one year	245,000	-	245,000
Due in more than one year	1,129,000	-	1,129,000
Long-term debt (Note 6):			
Due in one year	1,880,000	-	1,880,000
Due in more than one year	21,467,737	-	21,467,737
Net pension liability - noncurrent (Note 10)	45,558,458	2,954,562	48,513,020
Total liabilities	<u>101,034,449</u>	<u>4,389,237</u>	<u>105,423,686</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pension (Note 10)	99,671	21,417	121,088
Related to OPEB (Note 11)	8,323,358	433,642	8,757,000
Total deferred inflows of resources	<u>8,423,029</u>	<u>455,059</u>	<u>8,878,088</u>
NET POSITION (Note 7)			
Net investment in capital assets	186,503,116	2,090,530	188,593,646
Restricted for:			
Special revenue projects	45,699,577	-	45,699,577
Affordable housing	7,948,113	-	7,948,113
Debt service	63,350	-	63,350
Total restricted net position	<u>53,711,040</u>	<u>-</u>	<u>53,711,040</u>
Unrestricted	83,458,299	9,374,129	92,832,428
Total net position	<u>\$ 323,672,455</u>	<u>\$ 11,464,659</u>	<u>\$ 335,137,114</u>

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
Governmental activities:							
Administration	\$ 3,637,467	\$ 2,387,412	\$ -	\$ -	\$ (1,250,055)	\$ -	\$ (1,250,055)
Law enforcement	15,211,646	550,051	156,727	-	(14,504,868)	-	(14,504,868)
Public and environmental affairs	1,721,729	-	-	-	(1,721,729)	-	(1,721,729)
Administrative services	5,358,183	5,232,679	-	-	(125,504)	-	(125,504)
Recreation services	1,182,662	264,426	-	-	(918,236)	-	(918,236)
Community development	11,495,788	5,736,587	618,292	-	(5,140,909)	-	(5,140,909)
Public works	41,870,240	3,966,206	5,223,190	1,792,376	(30,888,468)	-	(30,888,468)
Interest on long - term debt	397,682	-	-	-	(397,682)	-	(397,682)
Total governmental activities	80,875,397	18,137,361	5,998,209	1,792,376	(54,947,451)	-	(54,947,451)
Business-type activities:							
Resource recovery	1,670,261	1,819,861	-	-	-	149,600	149,600
Blackberry farm	535,274	610,603	-	-	-	75,329	75,329
Cupertino sports center	2,182,900	1,810,194	-	-	-	(372,706)	(372,706)
Recreation programs	1,117,244	590,871	-	-	-	(526,373)	(526,373)
Total business-type activities	5,505,679	4,831,529	-	-	-	(674,150)	(674,150)
Total	\$ 86,381,076	\$ 22,968,890	\$ 5,998,209	\$ 1,792,376	(54,947,451)	(674,150)	(55,621,601)
General revenues:							
Taxes:							
Property taxes					19,197,994	-	19,197,994
Property tax in lieu of motor vehicle fee					9,079,845	-	9,079,845
Sales taxes					42,581,070	-	42,581,070
Transient occupancy tax					2,141,058	-	2,141,058
Utility user tax					3,074,358	-	3,074,358
Franchise tax					3,368,286	-	3,368,286
Other taxes					3,022,333	-	3,022,333
Intergovernmental, unrestricted:							
Motor vehicle license fee					43,675	-	43,675
Investment earnings					4,147,907	35,983	4,183,890
Miscellaneous					3,185,110	-	3,185,110
Transfers (Note 4)					(2,849,000)	2,849,000	-
Total general revenues and transfers					86,992,636	2,884,983	89,877,619
Change in Net Position					32,045,185	2,210,833	34,256,018
Net Position, beginning of year					291,627,270	9,253,826	300,881,096
Net Position, end of year					\$ 323,672,455	\$ 11,464,659	\$ 335,137,114

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

In the Fund Financial Statements only individual major funds are presented, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City for fiscal 2020-20. Individual non-major funds may be found in the Supplementary section.

General Fund: The general fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Transportation Special Revenue Fund: Accounts for the City's gas tax, vehicle registration fees and grant revenues and expenditures related to the maintenance and construction of City streets. All revenue in this fund is restricted exclusively for street and road purposes including related engineering and administrative expenditures.

Housing Development Special Revenue Fund: Accounts for the Federal Housing and Community Development Grant Program activities administered through the County. Monies collected from developers that mitigate the impact of housing needs are also included. Monies in this fund are governed by the program's rules.

Public Facilities Corporation Debt Service Fund: This fund accounts for the payments of principal and interest on certificates of participation issued to provide for the financing of the Civic Center, Library, Wilson Park, Memorial Park, and other City facilities.

Capital Improvement Projects Capital Projects Fund: This fund accounts for activities related to the acquisition or construction of major capital facilities.

CITY OF CUPERTINO, CALIFORNIA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2021

		Special Revenue Funds		Public Facilities Corporation Debt Service Fund	Capital Improvement Projects Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General	Transportation	Housing Development				
ASSETS							
Cash and investments (Note 2)	\$ 87,894,638	\$ 8,816,300	\$ 7,345,602	\$ 55,017	\$ 39,673,656	\$ 16,315,922	\$ 160,101,135
Restricted cash and investments (Note 2)	18,491,004	-	-	8,333	-	-	18,499,337
Receivables:							
Accounts	9,919,781	683,815	259,168	-	1,661,507	22,161	12,546,432
Interest	17,148	-	-	-	-	-	17,148
Loans (Note 3)	444,346	-	4,246,831	-	-	-	4,691,177
Due from other funds (Note 4)	539,204	-	-	-	-	-	539,204
Advances to other funds (Note 4)	3,000,000	-	-	-	-	-	3,000,000
Other assets	3,884	-	-	-	-	-	3,884
Total assets	<u>\$ 120,310,005</u>	<u>\$ 9,500,115</u>	<u>\$ 11,851,601</u>	<u>\$ 63,350</u>	<u>\$ 41,335,163</u>	<u>\$ 16,338,083</u>	<u>\$ 199,398,317</u>
LIABILITIES							
Accounts payable and accruals	\$ 5,139,557	\$ 90,278	\$ 191,368	\$ -	\$ 1,476,046	\$ 9,705	\$ 6,906,954
Accrued payroll and benefits	1,872,749	-	-	-	-	-	1,872,749
Advances from other funds (Note 4)	-	-	-	-	3,000,000	-	3,000,000
Deposits	11,554,041	-	-	-	-	-	11,554,041
Unearned revenue	4,892,867	-	-	-	-	-	4,892,867
Total liabilities	<u>23,459,214</u>	<u>90,278</u>	<u>191,368</u>	<u>-</u>	<u>4,476,046</u>	<u>9,705</u>	<u>28,226,611</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - loans	-	-	3,712,120	-	-	-	3,712,120
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>3,712,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,712,120</u>
FUND BALANCES (Note 7)							
Nonspendable	3,444,346	-	-	-	-	-	3,444,346
Restricted	20,140,419	9,409,837	7,948,113	63,350	-	16,149,321	53,711,040
Committed	19,127,891	-	-	-	-	-	19,127,891
Assigned	4,906,139	-	-	-	36,859,117	179,057	41,944,313
Unassigned	49,231,996	-	-	-	-	-	49,231,996
Total fund balances	<u>96,850,791</u>	<u>9,409,837</u>	<u>7,948,113</u>	<u>63,350</u>	<u>36,859,117</u>	<u>16,328,378</u>	<u>167,459,586</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 120,310,005</u>	<u>\$ 9,500,115</u>	<u>\$ 11,851,601</u>	<u>\$ 63,350</u>	<u>\$ 41,335,163</u>	<u>\$ 16,338,083</u>	<u>\$ 199,398,317</u>

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
June 30, 2021

Total fund balances reported on the governmental funds balance sheet	\$ 167,459,586
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Amounts reported for governmental activities in the statement of net position are different from those reported in the governmental funds because of the following:

Capital assets used in governmental activities are not current assets or financial resources and therefore are not reported in the governmental funds.	206,927,675
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Internal service funds are used by management to charge the costs of activities such as information technology, insurance, equipment acquisition and maintenance, and certain employee benefits to governmental funds. The assets and liabilities of the internal service funds are therefore included in the governmental activities of the statement of net position.	6,313,071
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Certain receivables are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	3,712,120
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The liabilities, deferred inflows of resources and deferred outflows of resources are not related to the current period and therefore are not reported in the governmental funds:

Long-term debt	(23,347,737)
Net pension liability	(42,634,977)
Net OPEB asset	8,331,162
Deferred loss on refunding	239,216
Pension-related deferred outflows of resources	8,082,073
Pension-related deferred inflows of resources	(96,065)
OPEB-related deferred outflows of resources	1,360,524
OPEB-related deferred inflows of resources	(7,753,657)
Compensated absences	<u>(4,920,536)</u>

Net position for governmental activities	<u>\$ 323,672,455</u>
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CITY OF CUPERTINO, CALIFORNIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the year ended June 30, 2021

		Special Revenue Funds		Public Facilities Corporation Debt Service Fund	Capital Improvement Projects Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General	Transportation	Housing Development				
Revenues							
Taxes	\$ 82,081,611	\$ -	\$ 197,661	\$ -	\$ -	\$ 185,672	\$ 82,464,944
Use of money and property	4,838,319	24,106	23,553	332	(470,353)	32,013	4,447,970
Intergovernmental	1,446,593	3,481,620	559,010	-	2,347,037	-	7,834,260
Licenses and permits	4,068,238	-	-	-	-	-	4,068,238
Charges for services	11,882,349	8,970	7,269	-	-	1,702,714	13,601,302
Fines and forfeitures	129,394	-	-	-	-	5,065	134,459
Other revenue	1,263,174	1,921,336	-	-	-	600	3,185,110
Total revenues	<u>105,709,678</u>	<u>5,436,032</u>	<u>787,493</u>	<u>332</u>	<u>1,876,684</u>	<u>1,926,064</u>	<u>115,736,283</u>
Expenditures							
Current:							
Administration	7,549,386	-	-	-	-	-	7,549,386
Law enforcement	14,776,409	-	-	-	-	-	14,776,409
Public and environmental affairs	1,836,725	-	-	-	-	-	1,836,725
Administrative services	5,196,299	-	-	-	-	-	5,196,299
Recreation services	4,787,914	-	-	-	-	-	4,787,914
Community development	9,679,182	-	1,498,508	-	-	-	11,177,690
Public works	20,025,442	3,164,395	-	-	-	1,378,318	24,568,155
Capital outlay	4,872,485	2,036,314	-	-	9,812,205	2,762,941	19,483,945
Debt service:							
Principal	-	-	-	2,140,000	-	-	2,140,000
Interest and fiscal charges	-	-	-	798,747	-	-	798,747
Total expenditures	<u>68,723,842</u>	<u>5,200,709</u>	<u>1,498,508</u>	<u>2,938,747</u>	<u>9,812,205</u>	<u>4,141,259</u>	<u>92,315,270</u>
Excess (deficiency) of revenues over expenditures	<u>36,985,836</u>	<u>235,323</u>	<u>(711,015)</u>	<u>(2,938,415)</u>	<u>(7,935,521)</u>	<u>(2,215,195)</u>	<u>23,421,013</u>
Other financing sources (uses)							
Proceeds from debt issuance	-	-	-	22,040,000	-	-	22,040,000
Proceeds from debt issuance premium	-	-	-	3,878,704	-	-	3,878,704
Payments to refunding agent	-	-	-	(27,279,118)	-	-	(27,279,118)
Transfers in (Note 4)	507,831	4,000,000	200,000	3,169,138	5,000,000	-	12,876,969
Transfers (out) (Note 4)	(15,148,689)	-	-	(492,831)	(559,449)	(15,000)	(16,215,969)
Total other financing sources (uses)	<u>(14,640,858)</u>	<u>4,000,000</u>	<u>200,000</u>	<u>1,315,893</u>	<u>4,440,551</u>	<u>(15,000)</u>	<u>(4,699,414)</u>
Net change in fund balances	<u>22,344,978</u>	<u>4,235,323</u>	<u>(511,015)</u>	<u>(1,622,522)</u>	<u>(3,494,970)</u>	<u>(2,230,195)</u>	<u>18,721,599</u>
Beginning fund balances	<u>74,505,813</u>	<u>5,174,514</u>	<u>8,459,128</u>	<u>1,685,872</u>	<u>40,354,087</u>	<u>18,558,573</u>	<u>148,737,987</u>
Ending fund balances	<u>\$ 96,850,791</u>	<u>\$ 9,409,837</u>	<u>\$ 7,948,113</u>	<u>\$ 63,350</u>	<u>\$ 36,859,117</u>	<u>\$ 16,328,378</u>	<u>\$ 167,459,586</u>

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
GOVERNMENTAL FUNDS
RECONCILIATION OF NET CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

The schedule below reconciles the net changes in fund balances reported on the governmental funds statement of revenues, expenditures and changes in fund balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the change in net position of governmental activities reported in the statement of activities, which is prepared on the full accrual basis.

Total net changes in fund balances reported on the governmental funds balance sheet	\$ 18,721,599
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Amounts reported for governmental activities in the statement of activities are different from those reported in the governmental funds because of the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are capitalized and depreciated over their estimated useful lives, which is reported as depreciation expense. Expenditures for capital assets reported as:

Capital outlay	18,448,448
Depreciation expense	(7,641,656)
Net retirements	1

Long term debt principal payments are reported as expenditures in the governmental funds but are not reported as expenses in the statement of activities.	2,140,000
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Bonds issued	(22,040,000)
Premium on bonds issued	(3,878,704)
Payment to escrow agent	27,279,118
Amortization of premium	430,967
Amortization of deferred loss on refunding	(29,902)

The changes in the amounts below do not provide or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds:

Compensated absences	(58,919)
Net pension liability	(2,146,205)
Net OPEB liability (asset)	10,061,292
Pension-related deferred outflows of resources	(396,067)
Pension-related deferred inflows of resources	625,738
OPEB-related deferred outflows of resources	(1,043,279)
OPEB-related deferred inflows of resources	(6,780,870)

Internal service funds are used by management to charge the costs of activities such as information technology, insurance, equipment acquisition and maintenance, and certain employee benefits to governmental funds. The portion of the net expense of these internal service funds arising out of their transactions with governmental funds is reported with governmental activities because they service those activities.

(1,646,376)

Change in net position of governmental activities	<u>\$ 32,045,185</u>
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See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the year ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 61,528,654	\$ 68,640,655	\$ 82,081,611	\$ 13,440,956
Use of money and property	1,249,010	1,249,010	4,838,319	3,589,309
Intergovernmental	335,567	5,931,334	1,446,593	(4,484,741)
Licenses and permits	3,139,473	33,123,003	4,068,238	(29,054,765)
Charges for services	11,363,564	15,229,233	11,882,349	(3,346,884)
Fines and forfeitures	425,000	425,000	129,394	(295,606)
Other revenue	1,003,857	1,507,457	1,263,174	(244,283)
Total revenues	<u>79,045,125</u>	<u>126,105,692</u>	<u>105,709,678</u>	<u>(20,396,014)</u>
Expenditures				
Current				
Administration	9,183,155	9,190,291	7,549,386	1,640,905
Law enforcement	14,792,448	14,792,448	14,776,409	16,039
Public and environmental affairs	1,981,299	1,949,807	1,836,725	113,082
Administrative services	4,955,568	5,314,437	5,196,299	118,138
Recreation services	6,804,768	6,725,248	4,787,914	1,937,334
Community development	9,801,449	12,157,549	9,679,182	2,478,367
Public works	22,558,616	23,627,089	20,025,442	3,601,647
Capital outlay	502,500	5,497,792	4,872,485	625,307
Total expenditures	<u>70,579,803</u>	<u>79,254,661</u>	<u>68,723,842</u>	<u>10,530,819</u>
Excess of revenues over expenditures	<u>8,465,322</u>	<u>46,851,031</u>	<u>36,985,836</u>	<u>(9,865,195)</u>
Other financing sources (uses)				
Transfers in	15,000	507,832	507,831	(1)
Transfers (out)	<u>(9,948,689)</u>	<u>(15,148,689)</u>	<u>(15,148,689)</u>	<u>-</u>
Total other financing sources (uses)	<u>(9,933,689)</u>	<u>(14,640,857)</u>	<u>(14,640,858)</u>	<u>(1)</u>
Net change in fund balance	<u>\$ (1,468,367)</u>	<u>\$ 32,210,174</u>	22,344,978	<u>\$ (9,865,196)</u>
Beginning fund balance			<u>74,505,813</u>	
Ending fund balance			<u>\$ 96,850,791</u>	

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
TRANSPORTATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the year ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues				
Use of money and property	\$ -	\$ -	\$ 24,106	\$ 24,106
Intergovernmental	2,898,325	3,880,625	3,481,620	(399,005)
Charges for services	3,978	3,978	8,970	4,992
Other revenue	87,057	1,443,723	1,921,336	477,613
Total revenues	<u>2,989,360</u>	<u>5,328,326</u>	<u>5,436,032</u>	<u>107,706</u>
Expenditures				
Current				
Public works	3,875,600	3,700,019	3,164,395	535,624
Capital outlay	<u>1,000,000</u>	<u>4,565,929</u>	<u>2,036,314</u>	<u>2,529,615</u>
Total expenditures	<u>4,875,600</u>	<u>8,265,948</u>	<u>5,200,709</u>	<u>3,065,239</u>
Deficiency of revenues under expenditures	<u>(1,886,240)</u>	<u>(2,937,622)</u>	<u>235,323</u>	<u>3,172,945</u>
Other financing sources (uses)				
Transfers in	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>-</u>
Total other financing sources (uses)	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>-</u>
Net change in fund balance	<u>\$ 2,113,760</u>	<u>\$ 1,062,378</u>	4,235,323	<u>\$ 3,172,945</u>
Beginning fund balance			<u>5,174,514</u>	
Ending fund balance			<u>\$ 9,409,837</u>	

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
HOUSING DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the year ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues				
Taxes	\$ 3,025,898	\$ 3,025,898	\$ 197,661	\$ (2,828,237)
Use of money and property	3,300	3,300	23,553	20,253
Intergovernmental	397,270	951,209	559,010	(392,199)
Charges for services	-	-	7,269	7,269
Total revenues	<u>3,426,468</u>	<u>3,980,407</u>	<u>787,493</u>	<u>(3,192,914)</u>
Expenditures				
Current				
Community development	<u>1,083,266</u>	<u>1,951,844</u>	<u>1,498,508</u>	<u>453,336</u>
Total expenditures	<u>1,083,266</u>	<u>1,951,844</u>	<u>1,498,508</u>	<u>453,336</u>
Deficiency of revenues under expenditures	<u>2,343,202</u>	<u>2,028,563</u>	<u>(711,015)</u>	<u>(2,739,578)</u>
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net change in fund balance	<u>\$ 2,343,202</u>	<u>\$ 2,228,563</u>	(511,015)	<u>\$ (2,739,578)</u>
Beginning fund balance			<u>8,459,128</u>	
Ending fund balance			<u>\$ 7,948,113</u>	

See accompanying notes to financial statements.

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City has identified the funds below as major proprietary funds for fiscal 2020 - 21.

Resources Recovery Fund: This fund accounts for activity related to the collection, disposal, and recycling of solid waste. A private company has been issued an exclusive franchise to perform these services.

Recreation Programs Fund: This fund accounts for activities of the City's community centers and park facilities.

Cupertino Sports Center Fund: This fund accounts for the operation and maintenance of the Cupertino Sports Center.

CITY OF CUPERTINO, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 June 30, 2021

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Resources <u>Recovery</u>	Recreation <u>Programs</u>	Cupertino Sports <u>Center</u>	Nonmajor Enterprise <u>Fund</u>	<u>Totals</u>	
ASSETS						
Current assets						
Cash and cash investments (Note 2)	\$ 6,369,452	\$ 2,818,076	\$ 2,636,289	\$ 1,137,554	\$ 12,961,371	\$ 7,709,146
Accounts receivable	132,839	1,863	1,280	-	135,982	-
Total current assets	6,502,291	2,819,939	2,637,569	1,137,554	13,097,353	7,709,146
Noncurrent assets						
Net OPEB asset (Note 11)	127,693	134,939	178,587	-	441,219	626,620
Capital assets (Note 5):						
Nondepreciable	-	88,031	37,300	-	125,331	-
Depreciable, net of accumulated depreciation	3,827	560,087	1,377,579	23,706	1,965,199	3,345,812
Total noncurrent assets	131,520	783,057	1,593,466	23,706	2,531,749	3,972,432
Total assets	6,633,811	3,602,996	4,231,035	1,161,260	15,629,102	11,681,578
DEFERRED OUTFLOWS OF RESOURCES						
Related to pension (Note 10)	217,859	179,490	122,119	59,310	578,778	541,192
Related to OPEB (Note 11)	42,749	24,385	25,820	8,121	101,075	107,400
Total deferred outflows of resources	260,608	203,875	147,939	67,431	679,853	648,592
LIABILITIES						
Current liabilities						
Accounts payable and accruals	73,514	162,336	120,003	11,582	367,435	232,375
Accrued payroll and benefits	289	-	-	-	289	72
Due to other funds (Note 4)	-	-	-	-	-	539,204
Compensated absences (Note 1):	5,219	7,907	4,274	211	17,611	46,188
Claims payable (Note 9)	-	-	-	-	-	245,000
Unearned revenue	-	278,161	496,440	58,612	833,213	-
Total current liabilities	79,022	448,404	620,717	70,405	1,218,548	1,062,839
Noncurrent liabilities						
Compensated absences (Note 1)	64,045	97,037	52,451	2,594	216,127	328,472
Claims payable (Note 9)	-	-	-	-	-	1,129,000
Net pension liability (Note 10)	1,107,110	925,796	643,636	278,020	2,954,562	2,923,481
Total noncurrent liabilities	1,171,155	1,022,833	696,087	280,614	3,170,689	4,380,953
Total liabilities	1,250,177	1,471,237	1,316,804	351,019	4,389,237	5,443,792
DEFERRED INFLOWS OF RESOURCES						
Related to pension (Note 10)	9,651	4,448	2,852	4,466	21,417	3,606
Related to OPEB (Note 11)	136,528	130,506	161,912	4,696	433,642	569,701
Total deferred inflows of resources	146,179	134,954	164,764	9,162	455,059	573,307
NET POSITION (Note 7)						
Net investment in capital assets	3,827	648,118	1,414,879	23,706	2,090,530	3,345,812
Unrestricted	5,494,236	1,552,562	1,482,527	844,804	9,374,129	2,967,259
Total Net Position	\$ 5,498,063	\$ 2,200,680	\$ 2,897,406	\$ 868,510	\$ 11,464,659	\$ 6,313,071

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 For the year ended June 30, 2021

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Resources <u>Recovery</u>	Recreation <u>Programs</u>	Cupertino Sports <u>Center</u>	Nonmajor Enterprise <u>Fund</u>	<u>Totals</u>	
Operating revenues						
Charges for services	\$ 1,804,945	\$ 508,838	\$ 1,537,387	\$ 564,126	\$ 4,415,296	\$ 4,689,465
Other	<u>14,916</u>	<u>82,033</u>	<u>272,807</u>	<u>46,477</u>	<u>416,233</u>	<u>9,799</u>
Total operating revenue	<u>1,819,861</u>	<u>590,871</u>	<u>1,810,194</u>	<u>610,603</u>	<u>4,831,529</u>	<u>4,699,264</u>
Operating expenses						
Salaries and benefits	344,248	462,437	491,686	107,567	1,405,938	3,604,711
Materials and supplies	301,234	320,895	241,872	174,183	1,038,184	1,321,229
Contractual services	1,021,465	229,254	1,382,540	250,692	2,883,951	201,964
Insurance and claims and premium	-	-	-	-	-	862,225
Depreciation (Note 5)	<u>3,314</u>	<u>104,658</u>	<u>66,802</u>	<u>2,832</u>	<u>177,606</u>	<u>968,791</u>
Total operating expenses	<u>1,670,261</u>	<u>1,117,244</u>	<u>2,182,900</u>	<u>535,274</u>	<u>5,505,679</u>	<u>6,958,920</u>
Operating income (loss)	<u>149,600</u>	<u>(526,373)</u>	<u>(372,706)</u>	<u>75,329</u>	<u>(674,150)</u>	<u>(2,259,656)</u>
Nonoperating revenues						
Investment Income	14,795	7,190	11,915	2,083	35,983	33,299
Gain on sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,981</u>
Total nonoperating revenues	<u>14,795</u>	<u>7,190</u>	<u>11,915</u>	<u>2,083</u>	<u>35,983</u>	<u>123,280</u>
Income (loss) before transfers	164,395	(519,183)	(360,791)	77,412	(638,167)	(2,136,376)
Transfers in (Note 4)	<u>-</u>	<u>1,664,000</u>	<u>685,000</u>	<u>500,000</u>	<u>2,849,000</u>	<u>490,000</u>
Changes in net position	<u>164,395</u>	<u>1,144,817</u>	<u>324,209</u>	<u>577,412</u>	<u>2,210,833</u>	<u>(1,646,376)</u>
Net position - beginning of year	<u>5,333,668</u>	<u>1,055,863</u>	<u>2,573,197</u>	<u>291,098</u>	<u>9,253,826</u>	<u>7,959,447</u>
Net position - end of year	<u>\$ 5,498,063</u>	<u>\$ 2,200,680</u>	<u>\$ 2,897,406</u>	<u>\$ 868,510</u>	<u>\$ 11,464,659</u>	<u>\$ 6,313,071</u>

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the year ended June 30, 2021

	Business-type Activities - Enterprise Funds					Governmental
	Cupertino		Nonmajor			Activities -
	Resources	Recreation	Sports	Enterprise		Internal Service
	<u>Recovery</u>	<u>Programs</u>	<u>Center</u>	<u>Fund</u>	<u>Totals</u>	<u>Funds</u>
Cash flows from operating activities						
Cash received from customers	\$ 2,035,309	\$ 632,323	\$ 2,026,745	\$ 646,130	\$ 5,340,507	\$ 4,706,264
Cash payments to suppliers for goods and services	(1,417,480)	(687,146)	(1,513,828)	(442,996)	(4,061,450)	(1,634,879)
Cash payments to employees for salaries and benefits	(447,491)	(506,804)	(512,572)	(110,164)	(1,577,031)	(3,538,193)
Cash payments for judgment and claims	-	-	-	-	-	(1,015,225)
Net cash provided (used) by operating activities	<u>170,338</u>	<u>(561,627)</u>	<u>345</u>	<u>92,970</u>	<u>(297,974)</u>	<u>(1,482,033)</u>
Cash flows from noncapital financing activities						
Transfers in	-	1,664,000	685,000	500,000	2,849,000	490,000
Cash flows from noncapital financing activities	-	<u>1,664,000</u>	<u>685,000</u>	<u>500,000</u>	<u>2,849,000</u>	<u>490,000</u>
Cash flows from capital and related financing activities						
Acquisition of capital assets	-	(88,031)	(1,061,223)	-	(1,149,254)	(661,449)
Sale of capital assets	-	-	-	-	-	91,758
Cash flows from capital and related financing activities	-	<u>(88,031)</u>	<u>(1,061,223)</u>	-	<u>(1,149,254)</u>	<u>(569,691)</u>
Cash Flows from investing activities						
Interest received	14,795	7,190	11,915	2,083	35,983	33,299
Cash flows from investing activities	<u>14,795</u>	<u>7,190</u>	<u>11,915</u>	<u>2,083</u>	<u>35,983</u>	<u>33,299</u>
Net cash flows	<u>185,133</u>	<u>1,021,532</u>	<u>(363,963)</u>	<u>595,053</u>	<u>1,437,755</u>	<u>(1,528,425)</u>
Cash and investments at beginning of year	<u>6,184,319</u>	<u>1,796,544</u>	<u>3,000,252</u>	<u>542,501</u>	<u>11,523,616</u>	<u>9,237,571</u>
Cash and investments at end of year	<u>\$ 6,369,452</u>	<u>\$ 2,818,076</u>	<u>\$ 2,636,289</u>	<u>\$ 1,137,554</u>	<u>\$ 12,961,371</u>	<u>\$ 7,709,146</u>
Reconciliation of operating income (loss) to to net cash provided by operating activities:						
Operating income (loss)	\$ 149,600	\$ (526,373)	\$ (372,706)	\$ 75,329	\$ (674,150)	\$ (2,259,656)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	3,314	104,658	66,802	2,832	177,606	\$ 968,791
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources						
Accounts receivable	215,448	(1,864)	(1,220)	-	212,364	7,000
Due to retirement system	29,108	32,804	27,598	2,157	91,667	147,907
Due to OPEB system	(43,549)	(37,798)	(46,898)	(4,735)	(132,980)	(169,875)
Accounts payable and accruals	(94,781)	(136,997)	110,584	(18,121)	(139,315)	(111,686)
Unearned revenue	-	43,316	217,771	35,527	296,614	-
Compensated absences	(88,802)	(39,373)	(1,586)	(19)	(129,780)	88,486
Claims payable	-	-	-	-	-	(153,000)
Net cash provided (used) by operating activities	<u>\$ 170,338</u>	<u>\$ (561,627)</u>	<u>\$ 345</u>	<u>\$ 92,970</u>	<u>\$ (297,974)</u>	<u>\$ (1,482,033)</u>

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The City of Cupertino, California (the City) was incorporated on October 3, 1955, under the laws of the State of California. The City operates under a Council - City Manager form of government and provides services through the following departments: Administrative Services, Community Development, City Manager, Parks and Recreation, Public and Environmental Affairs, and Public Works. Fire services are provided by the Santa Clara County Fire District, and the City contracts with the Santa Clara County Sheriff's Department for police services, and with Recology for garbage and recycling services.

The accompanying basic financial statements include all funds and boards and commissions that are controlled by the City Council. The basic financial statements include the City's blended component unit entity for which the City is considered to be financially accountable. A blended component unit, although a legally separate entity, is in substance, part of the City's operations and so data from this unit is combined with the City.

Blended Component Unit: The Cupertino Public Facilities Corporation (the Corporation) was incorporated in May 1986, under the Nonprofit Public Benefit Corporation Law of the State of California. The Corporation was organized as a nonprofit corporation solely for the purpose of assisting the City in the acquisition, construction, and financing of public improvements which are of public benefit to the City. The Corporation, after acquiring certain properties from the City, leases these back to the City. The lease money provides the funds for the debt service for the Certificates of Participation issued by the Corporation to acquire the properties. The Corporation does not issue separate financial statements, since it is reported separately in the City's basic financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation: The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States. The Government Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government and distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Expenses include direct and indirect types. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses such as depreciation, information technology, insurance and equipment replacement are included in expenses for individual activities and functions. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital needs of a particular program. Revenues that are not classified as program revenues, including taxes, are presented as general revenues. Program revenues and direct expenses related to interfund services are included and indirect expenses funded by interfund transfers are excluded from the Statement of Activities. The Statement of Net Position eliminates interfund balances between governmental funds and interfund balances between proprietary funds.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements: The fund financial statements provide information about the City's funds, including blended component units. Separate statements for each fund category — governmental and proprietary — are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Funds: The City's major governmental and enterprise funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund type.

Major funds are defined as funds, which have either assets (plus deferred outflows), liabilities (plus deferred inflows), revenues or expenditures in excess of 10 percent of their fund-type total and five percent of the aggregate total for both governmental funds and enterprise funds. The General Fund is always a major fund. The City may select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

- *The General Fund* is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund.
- *The Transportation Special Revenue Fund* accounts for the City's gas tax, vehicle registration fees and grant revenues and expenditures related to the maintenance and construction of City streets. All revenue in this fund is restricted exclusively for street and road purposes including related engineering and administrative expenses. Management considers this fund qualitatively major and has elected to present this fund as such, even if mathematically it does not qualify per applicable GASB requirements.
- *The Housing Development Special Revenue Fund* accounts for the Federal Housing and Community Development Grant Program activities administered through the County. Monies collected from developers that mitigate the impact of housing needs are also included. Monies in this fund are governed by the program's rules.
- *The Public Facilities Corporation Debt Service Fund* accounts for the payments of principal and interest on certificates of participation issued to provide for the financing of City Hall, Library, Wilson Park, Memorial Park, and other City facilities.
- *Capital Improvement Projects Capital Projects Fund* Accounts for activities related to the acquisition or construction of major capital facilities.

The City reports the following enterprise funds as major funds in the accompanying financial statements:

- *The Resources Recovery Fund* accounts for activity related to the collection, disposal, and recycling of solid waste. A private company has been issued an exclusive franchise to perform these services.
- *The Recreation Programs Fund* accounts for activities of the City's community centers and park facilities.
- *The Cupertino Sports Center Fund* accounts for activities of the City's sports center facility.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City also reports the following fund types:

- *Internal Service Funds.* These funds account for workers' compensation, management information systems maintenance and replacement, equipment maintenance and replacement, retiree health costs, accrued leave payouts, and long-term disability coverage which are provided to other departments on a cost-reimbursement basis.

Basis of Accounting: The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recognized as expenditures to the extent the City has provided financial resources to a debt service fund for payment of these liabilities that mature early in the following year. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

Unearned revenues are considered on a full accrual basis, while unavailable revenues are based on the modified accrual measure.

Property taxes, transient occupancy taxes, utility taxes, franchise taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes are recognized as revenue when the cash is received. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Sales tax consultant payments which are contingent on revenues collected are netted against the related revenues.

Under the terms of grant agreements, the City may fund certain programs with a combination of cost reimbursement grants, categorical block grants, and general revenue. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary. Grant revenues are recognized after eligibility and billing occurs, but may be a deferred inflow if not received within sixty days of year-end. Because of the cost-reimbursement and recognition nature of some grants, certain capital project funds may carry deficit fund balances until billing and receipt of grants. The City may also front the capital outlays with cash advances from other funds.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants is recognized as described above. Entitlement and donation revenues are recognized when cash is received.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Practices: The budget of the City is a detailed operating plan which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services and activities to be provided during the fiscal year; (2) estimated revenue available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented and controlled. The City prohibits expending funds for which there is no legal appropriation. Operating appropriations lapse at fiscal year end.

In May of each year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning July 1. Public hearings on the proposed budget are held during the month of June and the budgets for all fund types are legally adopted by Resolution prior to June 30. Original budget amounts are presented on the accompanying budgetary statements include these legally adopted amounts.

The City's legal level of budgetary control is at the functional level for the general fund and at the fund level for other funds. The City Manager is responsible for controlling the City's expenditures in accordance with the adopted budget. The City Manager is authorized to administer and transfer appropriations between budget accounts within the operating budget when in his opinion such transfers become necessary for administrative purposes. Any revision which increases total appropriations must be approved by the City Council. Requests for additional personnel or capital outlay also require the approval of the City Council.

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles. Budget information is presented for the general, special revenue and debt service funds only. Capital projects funds are budgeted on a long-term project-by-project basis and, hence, budgets for these funds are not presented in the basic financial statements. The Traffic Impact Fund does not have a legally adopted budget. During the fiscal year, no funds had expenditures which exceeded appropriations.

Cash and Investments: The City pools its cash resources, consisting of cash and investments, of all funds for investment except for restricted funds generally held by an outside fiscal agent. Cash amounts are reported net of outstanding warrants. Investments are stated at fair value, except for money market mutual funds which are reported at amortized cost. Adjustments to fair value, as well as dividend and interest income received is recorded by the City in its governmental funds in the Use of money and property caption while proprietary funds report these items as Investment income.

Capital Assets: Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value on the date donated. Public domain (infrastructure) capital assets consisting of roads, bridges, curbs, gutters, medians, sidewalks, drainage and lighting systems have been capitalized and depreciated. Capital assets are defined as assets with an initial individual cost of more than \$5,000 for general capital assets and \$100,000 for intangible assets.

Depreciation is recorded using the straight-line method over the following useful lives:

Buildings	15 – 25 years
Improvements	10 – 15 years
Vehicles	4 – 10 years
Street equipment	3 – 20 years
Water equipment	3 – 50 years
Office equipment	3 – 5 years
Road, curbs, gutters, sidewalks, medians and bridges	30 – 40 years
Streetlights	20 years
Storm drain structure and mains	40 years
Traffic signals	20 years

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. For enterprise funds, interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Some capital assets may be acquired using federal and state grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

Claims and Judgment Payable: Claims and judgments payable are accrued when the liability is incurred and the amount can be reasonably estimated. Claims and judgments payable are recorded in an internal service fund for workers' compensation and long-term disability, and other claims and judgments are recorded in the General Fund or enterprise funds, as appropriate.

Compensated Absences: Compensated absences comprise vested accumulated vacation and sick leave. The City's liability for compensated absences is recorded in governmental or business-type activities as appropriate. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be "permanently liquidated," such as what is due to be paid because of a realized employment action, are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Position.

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences are liquidated primarily by the General Fund, using the Compensated Absences and Long-Term Disability internal service fund to account for termination payouts.

The changes in compensated absences for the year ended June 30, 2021 were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning balance	\$ 5,147,792	\$ 363,518	\$ 5,511,311
Additions	824,175	(102,841)	721,334
Reductions	<u>(676,771)</u>	<u>(26,940)</u>	<u>(703,711)</u>
Ending balance	<u>\$ 5,295,199</u>	<u>\$ 233,737</u>	<u>\$ 5,528,934</u>
Current portion	<u>\$ 652,810</u>	<u>\$ 17,611</u>	<u>\$ 670,421</u>
Non-current portion	<u>\$ 4,642,386</u>	<u>\$ 216,127</u>	<u>\$ 4,858,513</u>

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports differences between expected and actual experience, changes in pension and OPEB assumptions, loss on pension and OPEB investments, and contributions made subsequent to the measurement date as well. Differences between expected and actual experience and changes in pension and OPEB plan assumptions are deferred and amortized over the average of the expected remaining service lives of employees who are provided with benefits through the pension and OPEB plans. Loss on pension and OPEB investments are deferred and amortized over five years. Employer contributions made subsequent to the measurement date and change in proportionate share are deferred and recognized as a reduction of the net pension and net OPEB liability in the subsequent reporting year.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Under the accrual basis of accounting differences between expected and actual experience are deferred and amortized over the average of the expected remaining service lives of all employees who are provided with benefits through the pension and OPEB plans.

Property Tax Calendar: All property taxes are levied and collected by the County of Santa Clara. Secured taxes are levied on July 1, are due in two installments on November 1 and February 1 and become delinquent after December 10 and April 10. Unsecured taxes are levied on July 1 and become delinquent on August 31. The lien date for secured and unsecured property taxes is January 1.

The City, in fiscal year 1993-94, adopted an alternative method of property tax distribution (the "Teeter Plan"). Under this method, the City receives 100 percent of its secured property tax levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The City receives remittances as a series of advances made by the County during the year.

Interfund Transactions: Transactions constituting reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Statement of Cash Flows: For purposes of reporting cash flows for the City's proprietary funds, pooled cash and investments are considered cash equivalents as the proprietary funds can access pooled cash and investments in a manner similar to a demand deposit account.

Prepaid Items: Prepaid items are reported under the consumption method, which recognizes the expenditures/expense in the period associated with the service rendered or goods consumed.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of Governmental Accounting Standards Board (GASB) Pronouncements: Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2021.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is now effective for the City's fiscal year ended June 30, 2021. The implementation of this standard specifically impacted the financial statement presentation of the fiduciary fund financial statements. The City participates in the Public Agency Retirement System (PARS) Public Agencies Post Retirement Health Care Plan Trust Program (PARS Trust), an agent-multiple employer irrevocable trust established to fund other postemployment benefits.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The PARS Trust functions for the benefit of the employees. The City funds all PARS Trust costs based on actuarial valuations for its specific portion of the PARS Trust as opposed to the PARS Trust as a whole. Previously, the City reported in its fiduciary fund financial statements the PARS Trust that pertains to the City as well as OPEB benefit payments of the Plan initiated by the City but reimbursed to the PARS Trust in accordance with GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as the City reviewed the PARS Trust separately issued financial statements and determined that inclusion of the City OPEB Plan component unit financial statements and related disclosures as a City trust fund were necessary as omission would have been misleading. However, with the implementation of GASB Statement 84, this is no longer considered applicable. As such, the fiduciary fund financial statements are no longer included in the financial statements of the City.

Fair Value Measurements: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs — other than quoted prices included within level 1 — that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS

Primary Government: The City's pooled idle funds are invested pursuant to investment policy guidelines adopted by the City Council. The objectives of the policy are to invest funds to the fullest extent possible and to invest in accordance with the provisions of the California Government Code with the priority of safety, liquidity and yield. The policy addresses the safekeeping of securities, types of investment instruments, diversification, maturities, reporting requirements, and internal control. The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Statement of Net Position and the balance sheet as "cash and investments."

Policies: California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110 percent of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150 percent of the deposit, as collateral for these deposits. Under California Law, this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. Security instruments owned by the City are held in safekeeping by a third party custodian acting as agent for the City under the terms of a custody agreement.

The City's investments are carried at fair value with the exception of money market mutual funds, which are carried at amortized cost. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in investment income for that fiscal year.

Classification: The City's total cash and investments, at fair value, are presented on the financial statements in the following allocation:

	<u>Primary Government</u>
Cash and investments	\$ 180,771,652
Restricted cash and investments:	
Held by fiscal agent for pension	18,491,004
Held by fiscal agent for bond repayments	<u>8,333</u>
Total cash and investments	<u>\$ 199,270,989</u>

The bank value of the City's cash deposits is \$19,281,316 with cash per books of \$19,459,827. All deposits in excess of FDIC coverage limits were collateralized with securities at year end.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

Authorized Investments by the City: The City's Investment Policy and the California Government Code allow the City to invest its pooled idle funds in the following, under limits and provisions that address interest rate risk, credit risk, and concentration of credit risk. This does not include the City's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the City.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Agency Securities *	5 years	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	N/A	Up to \$65 million	None
Non-negotiable Certificates of Deposits (time deposits)	5 years	N/A	30%***	10% of portfolio; 5% of issuer's net worth **
State of California registered state warrants, treasury notes, or bonds	5 years	N/A	None	None
California local agency bonds, notes, warrants, or other obligations	5 years	N/A	None	None
Bond issued by the local agency	5 years	N/A	None	None
Bankers' Acceptances	180 days	N/A	40%	None
Commercial Paper	270 days	A-1+P-1	25%	10% of portfolio; 5% of issuer's net worth; 10% of outstanding paper of issuer. **
Negotiable Certificates of Deposit	5 years	N/A	30%	10% of portfolio; 5% of issuer's net worth. **
Repurchase Agreements	1 year	N/A	None	10% of portfolio; 5% of issuer's net worth. **
Medium Term Corporate Notes	5 years	A or better	30%	10% of portfolio; 5% of issuer's net worth. **
Money market mutual funds investing in U.S. Treasury, Government Agency securities or repurchase agreements collateralized by U.S. Treasury or Government Agency securities	5 years	Aaa/AAA	20%	None
Supranationals	5 years	AA or better	30%	10% of portfolio

* Securities issued by agencies of the federal government such as the Government National Mortgage Association (GNMA), the Federal Farm Credit System (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), the Student Loan Marketing Association (SLMA), and the Federal Home Loan Mortgage Association (FHLMC).

** Represents restriction in which the City's investment policy is more restrictive than the California Government Code.

*** 30% maximum percent of portfolio if using a private sector entity to assist in the placement of the time deposits. No maximum for others.

Authorized Investments by Debt Agreements: The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinances, bond indentures or State statutes. The City's Investment Policy allows investments of bond proceeds to be governed by provisions of the related bond indentures. The following identifies the investment types that are authorized for investments held by fiscal agents under the terms of the bond indentures of the related debt issue:

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>
Cash or obligations of the U.S. including U.S. Treasury obligations	N/A	N/A	None
Federal agencies obligations which represent full faith and credit of the U.S.	N/A	N/A	None
Direct federal agencies obligations which are not fully guaranteed by the full faith and credit of the U.S.	N/A	N/A	None
U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks	360 days	P-1, A-1+, A-1	None
Commercial Paper	270 days	P-1, A-1	None
Money market funds	N/A	Aaam or AAAm-G	None
Pre-refunded municipal obligations that are not callable prior to maturity or as to which irrevocable instructions have been given to call on the date specified in the notice	N/A	Highest rating category	None
Municipal obligations or General obligations of states	N/A	Aaa, AAA, A2, A	None
California Local Agency Investment Fund (LAIF)	N/A	N/A	Up to \$65 million
Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter of the California Government Code, as it may be amended.	N/A	N/A	None

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

<u>Investment Type</u>	<u>12 Months or less</u>	<u>13 to 24 Months</u>	<u>More than 24 Months</u>	<u>Total</u>
U.S. Treasury Securities	\$ 1,275,250	\$ 4,098,360	\$ 27,757,105	\$ 33,130,715
Corporate Notes	-	7,328,970	20,629,828	27,958,798
U.S. Agency Notes				
Federal Home Loan Mortgage Corporation	1,518,360	2,343,312	7,886,280	11,747,952
Federal National Mortgage Association	-	-	15,806,748	15,806,748
Federal Home Loan Banks	1,305,733	2,045,180	5,472,576	8,823,489
Federal Farm Credit Banks	1,339,986	-	4,239,160	5,579,146
Local Agency Investment Fund	21,001,116	-	-	21,001,116
Municipal Bonds			796,570	796,570
Asset-Backed Securities	-	1,367,843	9,836,186	11,204,029
Negotiable Certificates of Deposit	3,352,320	-	-	3,352,320
Supranationals	7,283,885	-	-	7,283,885
Collateralized Mortgage Obligations	-	-	3,170,720	3,170,720
Money Market Mutual Funds - Restricted for Pension (PARS)	18,491,004	-	-	18,491,004
Money Market Mutual Funds	11,464,670	-	-	11,464,670
Total Investments	\$ 67,032,324	\$ 17,183,665	\$ 95,595,173	179,811,162
Cash in banks and on hand				<u>19,459,827</u>
Total Cash and Investments				\$ 199,270,989

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are U.S. Treasuries, Federal Agency obligations, time deposits, negotiable certificates of deposits, commercial paper, corporate bonds, and security loans. These investments had weighted average maturity of 191 days.

Money market mutual funds are available for withdrawal on demand. At June 30, 2021, money market mutual funds, used for pooled investment and held by fiscal agent purposes, had a weighted average maturity of 46 days or less.

Fair Value Hierarchy: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2021:

<u>Investments by Fair Value Level</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
U.S. Treasury Securities	\$ -	\$ 33,130,715	\$ 33,130,715
Corporate Notes	-	27,958,798	27,958,798
U.S. Agency Notes	-		
Federal Home Loan Mortgage Corporation	-	11,747,952	11,747,952
Federal National Mortgage Association	-	15,806,748	15,806,748
Federal Home Loan Banks	-	8,823,489	8,823,489
Federal Farm Credit Banks	-	5,579,146	5,579,146
Asset-Backed Securities	-	11,204,029	11,204,029
Collateralized Mortgage Obligations	-	3,170,720	3,170,720
Supranationals	-	7,283,885	7,283,885
Negotiable Certificates of Deposit	-	3,352,320	3,352,320
Municipal Bonds	-	796,570	796,570
	<u>-</u>	<u>128,854,372</u>	<u>128,854,372</u>
Total Investments	\$ -	\$ 128,854,372	128,854,372
Investments Measured at Amortized Cost:			
Money Market Mutual Funds			11,464,670
Money Market Mutual Funds - Restricted for Pension (PARS)			18,491,004
Investments Exempt from Fair Value Hierarchy:			
Local Agency Investment Fund			21,001,116
Cash in banks and on hand			<u>19,459,827</u>
Total Cash and Investments			\$ 199,270,989

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments classified in Level 1 of the fair value hierarchy include securities valued using quoted prices in active markets. Federal Agency Securities and other U.S. Treasury Securities, classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank. The California Local Agency Investment Fund (LAIF) is valued using factors provided in the Pooled Money Investment Account (PMIA) Performance Report by the State Treasurer's Office. Money market funds and negotiable certificates of deposit are exempt from fair value measurement and are reported at amortized cost.

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2021 for each investment type, including those with fiscal agents, as provided by Moody's ratings:

<u>Investment Type</u>	<u>Ratings</u>	<u>Total</u>
Money Market Mutual Funds	Aaa	\$ 29,955,674
Corporate Notes	A1,A2,A3	27,958,798
U.S. Agency Notes		
Federal Home Loan Mortgage Corporation	Aaa	11,747,952
Federal National Mortgage Association	Aaa	15,806,748
Federal Home Loan Banks	Aaa	8,823,489
Federal Farm Credit Banks	Aaa	5,579,146
Asset-Backed Securities	Aaa	11,204,029
Collateralized Mortgage Obligations	Aaa	3,170,720
Negotiable Certificates of Deposit	Aaa	3,352,320
Supranationals	Aaa	7,283,885
Municipal Bonds	Aa2	796,570
U.S. Treasury Securities	Aaa	33,130,715
Not Rated:		
Local Agency Investment Fund	Not Rated	<u>21,001,116</u>
Total Investments		<u>\$179,811,162</u>

Concentration of Credit Risk: The City's investment policy contains certain limitations on the amount that can be invested in any one issuer. In certain categories, these limitations are more restrictive than those required by California Government Code Sections 53600 et seq. Excluding those issued or explicitly guaranteed by the U.S. government and investments in the local agency investment fund and mutual funds, the City had the following investments that represent five percent or more of total City-wide investments:

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
Federal Home Loan Mortgage Corporation (FHLMC)	U.S. Agency Notes	\$11,747,952
Federal Home Loan Banks (FHLB)	U.S. Agency Notes	8,823,489
Federal National Mortgage Association (FNMA)	U.S. Agency Notes	15,806,748

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 3 – LOANS RECEIVABLE

Housing Program Loans: On June 30, 1995, the City loaned \$821,000 to Community Housing Developers, a California nonprofit public benefit corporation. The note bears interest at three percent per annum, compounded annually, payable to the extent of surplus cash, and all unpaid principal and interest due June 30, 2035. As of June 30, 2021, the balance remaining on the loan was \$821,000. The loan was issued using resources in the Housing Development Fund and is considered governmental activities.

On June 6, 1996, the City loaned \$320,000 to Cupertino Community Services, a California nonprofit public benefit corporation. The note bears interest at three percent per annum and due on July 14, 2026. As of June 30, 2021, the balance on the loan was \$158,057. The loan was issued using resources in the Housing Development Fund and is considered governmental activities.

On September 11, 2017 the City loaned \$3,672,000 to Stevens Creek, L.P., a California limited partnership. The note bears interest at three percent per annum for 55 years. After the completion of construction of the development, no later than April 30th of each calendar year, the Developer shall make repayments of the loan in an amount equal to the City loan percentage of the lenders' share of residual receipts. The payments shall be credited first against accrued interest and then against outstanding principal of the loan, and shall be accompanied by the developer's report of residual receipts. As of June 30, 2021, the balance remaining on the loan was \$3,672,000. The loan was issued using resources in the Housing Development Fund and is considered governmental activities.

In addition to these loans, the City has \$40,120 in housing and other loans receivable as of June 30, 2021. These loans bear interest at three to six percent and are due by June 30, 2025. The loan was issued using resources in the Housing Development Fund and is considered governmental activities.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 4 – INTERFUND TRANSACTIONS

Transfers between funds during the fiscal year ended June 30, 2021 were as follows:

<u>Fund Making Transfers</u>	<u>Fund Receiving Transfers</u>	<u>Amount Transferred</u>
General Fund	Transportation Special Revenue Fund	\$3,800,000 (D)
	Housing Special Revenue Fund	200,000 (G)
	Public Financing Corporation Debt Service Fund	3,169,138 (B,D)
	Capital Improvement Projects Capital Projects Fund	5,000,000 (A)
	Non-major Enterprise Funds	450,000 (D)
	Cupertino Sports Center Fund	660,000 (D)
	Recreation Programs Fund	1,379,551 (D)
	Internal Service Funds	490,000 (E)
Public Facilities Corporation Debt Service Fund	General Fund	492,831
Capital Improvements Projects Capital Projects Fund	Transportation Special Revenue Fund	200,000 (A)
	Cupertino Sports Center Fund	25,000 (A)
	Recreation Programs Fund	284,449 (C)
	Non-Major Enterprise Funds	50,000 (A)
Non-major Governmental Funds	General Fund	<u>15,000</u> (F)
Total Interfund Transfers		<u>\$16,215,969</u>

The reasons for these transfers are set forth below:

- (A) To fund capital projects.
- (B) For annual lease payment for 2012 Certificates of Participation debt service.
- (C) To support state-mandated activities including complaint response and enforcement programs.
- (D) Operating subsidy from General Fund.
- (E) To fund IT operations, personnel costs associated with staffing special project, and compensated absences and retiree health.
- (F) To fund purchase of trees
- (G) To fund Homelessness Encampment Services.

Current Interfund Balances: Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. As of June 30, 2021, the Equipment Revolving Internal Service Fund owed the General Fund \$539,204.

Interfund Advances: Interfund advances are balances between funds that are not expected to be repaid within the current fiscal year. As of June 30, 2021, the General Fund advanced \$3,000,000 to the Capital Improvement Projects Capital Projects Fund for advance funding of planned projects that will be repaid in subsequent years.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 5 – CAPITAL ASSETS

A summary of changes in governmental activities capital assets is as follows:

	Balance at July 1, 2020	Additions	Deletions	Transfers	Balance at June 30, 2021
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 62,045,969	\$ 2,740,700	\$ -	\$ -	\$ 64,786,669
Easements	19,615,039	-	-	-	19,615,039
Construction in progress	<u>5,315,170</u>	<u>15,707,748</u>	<u>-</u>	<u>(5,071,922)</u>	<u>15,950,996</u>
Total general government capital assets not being depreciated	<u>86,976,178</u>	<u>18,448,448</u>	<u>-</u>	<u>(5,071,922)</u>	<u>100,352,704</u>
Capital assets being depreciated:					
Buildings	46,207,927	-	-	332,630	46,540,557
Improvements other than buildings	58,557,845	-	-	2,571,857	61,129,702
Machinery and equipment	4,149,407	-	(12,773)	203,807	4,340,441
Roads, curbs, gutters, sidewalks, medians and bridges	177,971,273	-	-	1,802,320	179,773,593
Streetlights	9,058,330	-	-	161,308	9,219,638
Storm drain structure and mains	37,373,158	-	-	-	37,373,158
Traffic signals	<u>6,418,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,418,246</u>
Total capital assets being depreciated	<u>339,736,186</u>	<u>-</u>	<u>(12,773)</u>	<u>5,071,922</u>	<u>344,795,335</u>
Less accumulated depreciation for:					
Buildings	(30,193,858)	(1,768,781)	-	-	(31,962,639)
Improvements other than buildings	(41,075,643)	(2,301,680)	-	-	(43,377,323)
Machinery and equipment	(2,795,651)	(282,140)	12,772	-	(3,065,019)
Roads, curbs, gutters, sidewalks, medians and bridges	(110,258,263)	(2,613,878)	-	-	(112,872,141)
Streetlights	(7,469,142)	(130,676)	-	-	(7,599,818)
Storm drain structure and mains	(33,110,382)	(431,927)	-	-	(33,542,309)
Traffic signals	<u>(5,688,539)</u>	<u>(112,576)</u>	<u>-</u>	<u>-</u>	<u>(5,801,115)</u>
Total accumulated depreciation	<u>(230,591,478)</u>	<u>(7,641,658)</u>	<u>12,772</u>	<u>-</u>	<u>(238,220,364)</u>
Total general government capital assets being depreciated, net	<u>109,144,708</u>	<u>(7,641,658)</u>	<u>(1)</u>	<u>5,071,922</u>	<u>106,574,971</u>
Internal service fund capital assets:					
Capital assets not being depreciated:					
Construction in progress	<u>214,666</u>	<u>661,449</u>	<u>-</u>	<u>(876,115)</u>	<u>-</u>
Total internal fund capital assets not being depreciated	<u>214,666</u>	<u>661,449</u>	<u>-</u>	<u>(876,115)</u>	<u>-</u>
Capital assets being depreciated:					
Machinery and equipment	11,422,217	-	(80,081)	876,115	12,218,251
Less accumulated depreciation	<u>(7,981,952)</u>	<u>(968,791)</u>	<u>78,304</u>	<u>-</u>	<u>(8,872,439)</u>
Total internal fund capital assets being depreciated, net	<u>3,440,265</u>	<u>(968,791)</u>	<u>(1,777)</u>	<u>876,115</u>	<u>3,345,812</u>
Governmental activities capital assets, net	<u>\$199,775,817</u>	<u>\$ 10,499,448</u>	<u>\$ (1,778)</u>	<u>\$ -</u>	<u>\$210,273,487</u>

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance at <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance at <u>June 30, 2021</u>
Business-type activities:					
Capital assets not being depreciated:					
Construction in progress	\$ -	\$ 1,149,254	\$ -	\$ (1,023,923)	\$ 125,331
Total capital assets not being depreciated	<u>-</u>	<u>1,149,254</u>	<u>-</u>	<u>(1,023,923)</u>	<u>125,331</u>
Capital assets being depreciated:					
Buildings	1,006,002	-	-	1,023,923	2,029,925
Improvements other than buildings	2,089,743	-	-	-	2,089,743
Machinery and equipment	711,119	-	-	-	711,119
Total capital assets being depreciated	<u>3,806,864</u>	<u>-</u>	<u>-</u>	<u>1,023,923</u>	<u>4,830,787</u>
Less accumulated depreciation for:					
Buildings	(432,036)	(52,398)	-	-	(484,434)
Improvements other than buildings	(1,653,421)	(99,788)	-	-	(1,753,209)
Machinery and equipment	(602,525)	(25,420)	-	-	(627,945)
Total accumulated depreciation	<u>(2,687,982)</u>	<u>(177,606)</u>	<u>-</u>	<u>-</u>	<u>(2,865,588)</u>
Total capital assets being depreciated, net	<u>1,118,882</u>	<u>(177,606)</u>	<u>-</u>	<u>1,023,923</u>	<u>1,965,199</u>
Business-type activity capital assets, net	<u>\$ 1,118,882</u>	<u>\$ 971,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,090,530</u>

Depreciation expense was charged to functions and programs based on their usage of the related assets.
Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Administration	\$ 187,220
Public and Environment Affairs	16,047
Administrative Services	29,038
Parks and Recreation	166,588
Public Works	<u>7,242,765</u>
Total	<u>\$ 7,641,658</u>

Depreciation expense was charged to the business-type activities as follows:

Business-Type Activities	
Resources Recovery	\$ 3,314
Blackberry Farm	2,832
Cupertino Sports Center	66,802
Recreation Program	<u>104,658</u>
Total	<u>\$ 177,606</u>

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 6 – LONG-TERM DEBT

Cupertino Public Facilities Corporation Certificates of Participation:

	Original Issue Amount	Balance June 30, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion
2012 Refinancing Certificates of Participation						
0.350-3.125%, due 07/01/2030	\$43,940,000	\$27,010,000	\$ -	\$27,010,000	\$ -	\$ -
2020A Certificates of Participation						
4%, due 06/01/2030	\$22,040,000	-	22,040,000	2,140,000	19,900,000	1,880,000
Issuance Premium		-	3,878,704	430,967	3,447,737	-
Total long-term debt		<u>\$27,010,000</u>	<u>\$25,918,704</u>	<u>\$29,580,967</u>	<u>\$23,347,737</u>	<u>\$1,880,000</u>

The Cupertino Public Facilities Corporation issued Certificates of Participation to provide financing for the construction of the Community Center, improvements of the City Hall and the Library in July 1986; purchase of Wilson Park in 1989; finance the Memorial Park Expansion in 1990; and purchase the Blackberry Farm and Fremont Older site in 1991. The Cupertino Public Facilities Corporation, as lessor, leased real property to the City (under the Lease Agreement with the lessee) and assigned the base rental payments to the trustee for the benefit of the owners of the certificates of participation. The rental payments which represent the pledged revenues are scheduled to be sufficient in both time and amount, when the principal and interest of the certificates are due, which was the case for the year ended June 30, 2021.

On May 9, 2012, \$43,940,000 principal amount of 2012 Refinancing Certificates of Participation (2012 COPs) were issued to refund the 2002 COPs, to fund a reserve fund for the 2012 COPs, and pay costs incurred in connection with issuance.

On September 29, 2020, \$22,040,000 principal amount of 2020A Certificates of Participation (2020 COPs) were issued to refund the 2012 COPs and pay costs incurred in connection with issuance. The proceeds were placed into an escrow account, along with funds from the City's 2012 COPs Reserve and on October 30, 2020, the 2012 COPS were prepaid, resulting no amounts outstanding as of June 30, 2021 for the 2012 COPs. The result of the transaction was an economic gain of \$3,133,819.

The 2020A COPs are payable by a pledge of revenues from the lease payments payable by the City pursuant to the Lease Agreement between the Cupertino Public Facilities Corporation and the City for the use and possession of the Site and Facility as described in the Lease Agreement. The City also covenanted in the Lease Agreement to include all lease payments in its annual budget. Total debt service payments remaining on the 2020 COPs is \$24,088,000 payable through June 1, 2030. For the year ended June 30, 2021, the bonds had \$2,140,000 of principal and \$799,047 interest due.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 6 – LONG-TERM DEBT (Continued)

Annual debt service requirements for the 2020A COPS are shown below:

For the Year Ending June 30	Governmental Activities	
	Principal	Interest
2022	\$ 1,880,000	\$ 796,000
2023	1,955,000	720,800
2024	2,035,000	642,600
2025	2,115,000	561,200
2026	2,200,000	476,600
2027-2030	9,715,000	990,800
Total	<u>\$ 19,900,000</u>	<u>\$ 4,188,000</u>

NOTE 7 – NET POSITION AND FUND BALANCES

Net Position is measured on the full accrual basis while Fund Balance is measured on the modified accrual basis.

Net Position: The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as follows:

Net investment in capital assets - This category groups all capital assets including, infrastructure, into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted - This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This category represents net position of the City that do not meet the definition of "net investment in capital assets" or "restricted."

Fund Balances: 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 followings:

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.

(Continued)

NOTE 7 – NET POSITION AND FUND BALANCES (Continued)

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. Only the General Fund reports unassigned positive fund balance. A governmental fund other than the General Fund may report a negative unassigned fund balance if expenditures incurred for a specific purpose exceed the amounts that are restricted, committed or assigned to those purposes.

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.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 7 – NET POSITION AND FUND BALANCES (Continued)

Fund balances for all major and nonmajor governmental funds as of June 30, 2021, were distributed as follows:

	General	Transportation	Housing Development	Public Facilities Corporation	Capital Improvements Projects	Other Governmental Funds	Total
Nonspendable:							
Loans receivable	\$ 444,346	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 444,346
Advances to other funds	3,000,000	-	-	-	-	-	3,000,000
Subtotal	3,444,346	-	-	-	-	-	3,444,346
Restricted for:							
Public access television	1,418,472	-	-	-	-	-	1,418,472
Debt service	13,392	-	-	-	-	-	13,392
PRSP Section 115 Trust	18,491,004	-	-	-	-	-	18,491,004
Public safety power shutoff	217,551	-	-	-	-	-	217,551
Debt service	-	-	-	63,350	-	-	63,350
Storm drain system	-	-	-	-	-	4,084,025	4,084,025
Parks and open space	-	-	-	-	-	9,708,675	9,708,675
Environmental management	-	-	-	-	-	1,887,623	1,887,623
Streets and road projects	-	9,409,837	-	-	-	468,998	9,878,835
Housing programs	-	-	7,948,113	-	-	-	7,948,113
Subtotal	20,140,419	9,409,837	7,948,113	63,350	-	16,149,321	53,711,040
Committed for:							
Economic uncertainty I	19,000,000	-	-	-	-	-	19,000,000
Sustainability Reserve	127,891	-	-	-	-	-	127,891
Subtotal	19,127,891	-	-	-	-	-	19,127,891
Assigned to:							
Encumbrances	4,906,139	-	-	-	-	-	4,906,139
Capital projects	-	-	-	-	36,859,117	179,057	37,038,174
Subtotal	4,906,139	-	-	-	36,859,117	179,057	41,944,313
Unassigned	49,231,996	-	-	-	-	-	49,231,996
Total	<u>\$ 96,850,791</u>	<u>\$ 9,409,837</u>	<u>\$ 7,948,113</u>	<u>\$ 63,350</u>	<u>\$ 36,859,117</u>	<u>\$ 16,328,378</u>	<u>\$ 167,459,586</u>

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Federal and State Grant: The City participates in a number of federal and state grant programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs, including those for the year ended June 30, 2021, have yet to be conducted. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. Management believes that such disallowances, if any, would not have a material effect on the financial statements.

Encumbrances: The City uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities, but as restricted, or assigned fund balance.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

As of June 30, 2021, the City had the following encumbrances outstanding:

Governmental Funds:	
General Fund	\$ 4,906,139
Transportation Special Revenue Fund	2,313,039
Housing Development Special Revenue Fund	13,933
Capital Improvements Projects Capital Projects Fund	9,149,569
Other Governmental Funds	87,145
Total Encumbrances	<u>\$ 16,469,824</u>

Lease Agreement with County of Santa Clara: The City has an agreement (commitment), expired in 2020 but still being honored, to lease a building to the County of Santa Clara for the purpose of providing library service to the City's residents. The lease requires a minimum annual payment of \$120,000 adjusted for Cupertino's portion of book circulation and increase of assessed valuation. This is an operating lease with a renewable option. The City is currently negotiating the terms with the Santa Clara County Library District JPA to renew the operating lease. At June 30, 2021, the cost and carrying value of the building which opened in October 2004, is \$21,952,133 and \$7,182,100 respectively, with \$14,770,033 in accumulated depreciation.

Consulting Agreement for Sales Taxes: The City entered into agreements (commitments) with two companies to provide services consisting of the assessment and creation of new sales and use tax revenue sources for the City. The City agreed to pay the companies based on a sliding scale payment schedule dependent on the level of new sales tax revenue realized by the City as defined in the consulting agreements. These agreements qualify as tax abatements under the provisions of GASB Statement 77. However, due to legal restrictions per the California Revenue and Taxation Code, Section 7056, additional disclosures cannot be provided.

Santa Clara County Vehicle Registration Fee (VRF): The City is required to report VRF revenues, expenditures and fund balances as of the year ended June 30, 2021:

VRF Balance as of July 1, 2020	\$ -
VRF Revenue	382,102
VRF Interest	-
VRF Expended	<u>(382,102)</u>
VRF Balance as of June 30, 2021	<u>\$ -</u>

NOTE 9 – LIABILITIES UNDER SELF-INSURANCE AND RISK MANAGEMENT

General and Property Liability: The City is self-insured for the first \$250,000 of general and property liability for each occurrence, and the excess (up to \$10,000,000 for each occurrence and annual aggregate) is covered through the City's participation in the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA – formerly the Association of Bay Area Governments Pooled Liability Assurance Network or ABAG PLAN). The risk pool consists of 28 agencies within the San Francisco Bay Area. The stated purpose of the PLAN JPA is to provide certain levels of liability insurance coverage, claims management, risk management services, and legal defense to its participating members. PLAN JPA is governed by a Board of Directors, which comprises officials appointed by each participating member. Premiums paid to PLAN JPA are subject to possible refund based on the results of actuarial studies and approval by the Board of Directors. Complete financial statements for PLAN JPA may be obtained from their offices at the following address: PLAN JPA, c/o Sedgwick, 1750 Creekside Oaks Drive Suite 200, Sacramento, CA, 95833. Premiums are revised each year based on the City's claims experience and risk exposure. For the year ended June 30, 2021, the City paid ABAG PLAN premiums of \$639,636.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 9 – LIABILITIES UNDER SELF-INSURANCE AND RISK MANAGEMENT (Continued)

Workers' Compensation Liability: The City belongs to the CSAC Excess Insurance Authority (EIA), a joint power authority which provides excess workers' compensation liability claims coverage above the City's self-insured retention of \$500,000 per occurrence. Losses above the self-insured retention are pooled with excess reinsurance purchased to a \$50,000,000 statutory limit. EIA was established in 1979 for the purpose of creating a risk management pool for all California public entities. EIA is governed by a Board of Directors consisting of representatives of its member public entities. Complete financial statements for ETA may be obtained from their offices at the following address: CSAC Excess Insurance Authority, Finance Department, EIA 75 Iron Point Circle, Suite 200, Folsom, CA 95630. For the year ended June 30, 2021, the City paid premiums of \$100,967.

It is the City's practice to obtain biennial actuarial studies for the self-insured workers' compensation liability. The claims liabilities included in the workers' compensation internal service fund is based on the results of actuarial studies and include amounts for claims incurred but not reported and loss adjustment expenses. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. Inflation of 2.5 percent, annual rate of return of two percent, claim severity increase at 2.5 percent were assumed. In the current year, management used actuarial estimates based on a 90 percent confidence level.

Settlements have not exceeded insurance coverage in the past three years.

Changes in the balances of workers' compensation and general claims liabilities during the years ended June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Claims liability, beginning of year	\$ 1,527,000	\$ 1,553,277
Incurred claims and changes in estimate	(117,896)	127,471
Claim payments and credits	<u>(35,104)</u>	<u>(153,478)</u>
Total claims liability, end of year	1,374,000	1,527,000
Less current portion	<u>(245,000)</u>	<u>(274,000)</u>
Non-current portion	<u>\$ 1,129,000</u>	<u>\$ 1,253,000</u>

NOTE 10 – DEFINED BENEFIT PENSION PLAN

Plan Descriptions and Summary of Balances by Plan: The City has one defined benefit pension plan. The Miscellaneous Plan (Plan) is an Agent-Multiple Employer Plan. Benefit provisions under the Plan is established by State statute and City Ordinance. All qualified permanent and probationary employees are eligible to participate in the Plan for which they are an eligible member based on their employment position with the City.

The Plan is administered by the California Public Employees' Retirement System (CalPERS) which acts as a common investment and administrative agent for its participating member employers. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Miscellaneous Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Below is a summary of the deferred outflows of resources, net pension liabilities and deferred inflows of resources by Plan:

	<u>Deferred Outflows of Resources</u>	<u>Net Pension Liability</u>	<u>Deferred Inflows of Resources</u>
Miscellaneous	\$ 9,202,043	\$ 48,513,020	\$ 121,088

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012. The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	<u>Hire date</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Minimum retirement age	50	52
Monthly benefits, as a % of eligible compensation	2% to 2.7%	1% to 2%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	23.54%	25.653%

Employees Covered: As of the June 30, 2020 actuarial valuation date (most current), the following employees were covered by the benefit terms of the Plan:

Inactive employees or beneficiaries currently receiving benefits	239
Inactive employees entitled to but not yet receiving benefits	150
Active employees	<u>197</u>
Total	<u>586</u>

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability: The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2020 using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions: The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.63%
Payroll Growth	2.88%
Projected Salary Increase	Varies by Entry Age and Service (1)
Investment Rate of Return	7.25% (2)
Derived using CalPERS' Membership	
Mortality	Data for all Funds (3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses and administrative expenses, including inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2017 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions: None in 2021.

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	<u>1.00%</u>	0.00%	-0.92%
Total	<u>100.00%</u>		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

The table above reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return (presented as geometric means) are net of administrative expenses.

Changes in Net Pension Liability: The changes in the Net Pension Liability for the City's Miscellaneous Plan are as follows:

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2019	\$ 145,432,153	\$ 99,333,623	\$ 46,098,530
Changes in the year:			
Service cost	3,241,719	-	3,241,719
Interest on the total pension liability	10,302,395	-	10,302,395
Change of Assumptions	-	-	-
Differences between actual and expected experience	444,188	-	444,188
Contribution - employer	-	5,308,580	(5,308,580)
Contribution - employee	-	1,429,446	(1,429,446)
Net investment income	-	4,975,822	(4,975,822)
Administrative expenses	-	(140,036)	140,036
Other miscellaneous income/(expenses)	-	-	-
Benefit payments, including refunds of employee contributions	(6,815,494)	(6,815,494)	-
Net changes	<u>7,172,808</u>	<u>4,758,318</u>	<u>2,414,490</u>
Balance at June 30, 2020	<u>\$ 152,604,961</u>	<u>\$ 104,091,941</u>	<u>\$ 48,513,020</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the City, calculated using the discount rate for the Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	\$ 68,586,079
Current Discount Rate	7.15%
Net Pension Liability	\$ 48,513,020
1% Increase	8.15%
Net Pension Liability	\$ 31,903,241

Pension Plan Fiduciary Net Position: Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2021, the City recognized pension expense of \$8,113,684. As of June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 5,957,573	\$ -
Differences between actual and expected experience	2,331,941	-
Changes in assumptions	-	121,088
Net differences between projected and actual earnings on plan investments	<u>912,519</u>	<u>-</u>
Total	<u>\$ 9,202,043</u>	<u>\$ 121,088</u>

The \$5,957,573 of contributions for the fiscal year ended June 30, 2021 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2021	\$ 983,031
2022	1,111,471
2023	607,690
2024	<u>421,191</u>
	<u>\$ 3,123,382</u>

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: Permanent employees who retire under the City's CalPERS retirement plan are, pursuant to their respective collective bargaining agreements, eligible to have their medical insurance premiums paid by the City. Retirees receive the amount necessary to pay the cost of his/her enrollment, including the enrollment of his/her family members, in a health benefit plan provided by CalPERS up to the maximum received by active employees in their respective bargaining unit.

The City contracts with CalPERS for this insured-benefit plan established under the state Public Employees' Medical and Hospital Care Act (PEMHCA). The plan offers employees and retirees three CalPERS' self-funded options, setup as insurance risk pools, or offers various third-party insured health plans. The plan's medical benefits and premium rates are established by CalPERS and the insurance providers. The City contribution is established by City resolution. Retirees and active employees pay the difference between the premium rate and the City's contribution. Premiums and City contributions are based on the plan and coverage selected by actives and retirees, with the City's potential contribution ranging from zero to \$1,605 per month per employee or retiree. The responsibility for benefit payments has transferred to the insurers and the City does not guarantee the benefits in the event of default by the insurers. A comprehensive annual financial report of CalPERS, inclusive of their benefit plans, is available at www.calpers.ca.gov.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The City participates in the Public Agency Retirement System (PARS) Public Agencies Post Retirement Health Care Plan Trust Program (PARS Trust), an agent-multiple employer irrevocable trust established to fund other postemployment benefits. The City Council adopted the PARS Public Agencies Post-Retirement Health Care Plan Trust, including the PARS Public Agencies Post-Retirement Health Care Plan, to fund medical insurance costs for its retired employees, effective February 17, 2010. The City Council appointed the City Treasurer, or his/her successor or his/her designee as the City's plan administrator. The plan administrator is authorized to execute the PARS legal documents on behalf of the City and to take whatever additional actions necessary to maintain the City's participation in the Program and to maintain compliance of any relevant regulation issued or as may be issued; therefore, authorizing him/her to take whatever additional actions are required to administer the City's PARS Plan. The PARS Trust is approved by the Internal Revenue Code Section 115 and invests funds in equity, bond, and money market mutual funds. Copies of PARS Trust annual financial report is available at the City's Finance Department.

An employee is eligible for lifetime medical benefits under the OPEB Plan, along with his/her spouse or declared domestic partner at the time of retirement, if all criteria listed below are met:

- The employee was hired or the City Council member was elected prior to August 1, 2004, and the employee has five or more full-time years of service and the City Council member has five or more years of elected service with the City of Cupertino; or
- The employee was hired or the City Council member was elected on or after August 1, 2004, and the employee has ten or more full-time and/or elected years of CalPERS service, five years of which must be from the City of Cupertino; and
- The employee is eligible for retirement as defined under the CalPERS retirement system; and the employee retires from the City of Cupertino.

In addition, the eligible employee's dependent children at the time of retirement who are under 23 years old are eligible for medical benefits. In addition to extending the eligibility of dependents from age 23 to age 26 in accordance with the recent healthcare reform act, effective July 1, 2010, employees that retire or resign from service with the City of Cupertino and who are not eligible for retiree medical benefits can continue on the City's medical and dental plans provided that they pay the premiums in full.

Plan membership: At January 1, 2021 (the latest information available), Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	148
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	<u>173</u>
	<u>321</u>

Contributions: OPEB Plan contributions are set by the adopted budget. The cost of the benefits provided by the OPEB Plan is currently being paid by the City on a fully pre-funded basis. Based on the actuarial valuation date of January 1, 2021, the annual required contribution rate is 0.54 percent of annual covered payroll. For the year ended June 30, 2021, the City paid \$1,550,000 in healthcare premium payments. Plan members are not required to contribute to the plan.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Net OPEB Liability of the City: The components of the net OPEB liability of the City as of June 30, 2021 (expressed in thousands) were as follows:

Total OPEB liability	\$ 28,626
Plan fiduciary net position	<u>38,025</u>
City's net OPEB liability (asset)	<u>\$ (9,399)</u>

Plan fiduciary net position as a percentage of the total OPEB liability 133%

Investment rate of return: The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income – core	0.69%
Fixed income – high yield	3.06%
Equities – domestic	6.88%
Equities – developed foreign	6.73%
Equities – emerging foreign	8.60%
Real estate	4.89%
Commodities	3.37%
Cash	0.44%

Investment policy: The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Plan's Board by a majority vote of its members. It is the policy of the Plan Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	29%
Equities	62%
Real estate	6%
Commodities	2%
Cash	<u>1%</u>
Total	<u>100%</u>

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Concentrations: The Plan did not have investments outside of mutual funds that comprise five percent or more of the Plan's total fiduciary net position.

Rate of return: For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 5.28 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of January 1, 2021, using the previously listed actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. Mortality rates were based on the CalPERS mortality assumptions.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

The other significant actuarial assumptions used to prepare the City's January 1, 2021 actuarial valuation include the following:

Valuation date:	January 1, 2021
Measurement date:	June 30, 2021
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percent of pay closed
Amortization Period:	10 year
Asset Valuation Method:	Market value
Actuarial Assumptions:	
Discount Rate	6.50%
Payroll Growth	3.00%
Ultimate Rate of Medical Inflation	4.50%
Mortality (1)	CalPERS mortality assumptions
Health Care Trend	The annual cost of healthcare is expected to decrease from 6.5% in 2020 to 4.5% from 2076 and later.

(1) 2017 CalPERS Experience Study, Recipients with attained age of 50

Discount rate: The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the Net OPEB Liability: The changes in the City's net OPEB liability (asset) are (in thousands):

Total OPEB	Net Increase (Decrease)		
	<u>Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability (Asset)</u>
Balance at July 1, 2020	\$ 31,338	\$ 29,370	\$ 1,968
Changes in the year			
Service cost	844	-	844
Interest on the total OPEB liability	2,042	-	2,042
Change of assumptions	640	-	640
Differences between actual and expected experience	(4,688)	-	(4,688)
Contribution – employer	-	1,550	(1,550)
Contribution – employee	-	-	-
Net investment income	-	8,776	(8,776)
Administrative expenses	-	(121)	121
Benefit payments, including refunds of Employee contributions	(1,550)	(1,550)	-
Net changes	(2,712)	8,655	(11,367)
Balance at June 30, 2021	\$ 28,626	\$ 38,025	\$ (9,399)

Sensitivity of the net OPEB liability (asset) to changes in the discount rate: The following presents the net OPEB asset of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.5 percent) or one-percentage-point higher (7.5 percent) than the current discount rate (expressed in thousands):

	1% Decrease <u>5.50%</u>	Current Discount Rate <u>6.50%</u>	1% Increase <u>7.50%</u>
City of Cupertino's net OPEB liability (asset) for the plan	\$ (5,806)	\$ (9,399)	\$ (12,383)

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rates: The following presents the net OPEB asset of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower (decreasing to 3.5 percent) or one-percentage-point higher (increasing to 5.5 percent) than the current healthcare cost trend rates (expressed in thousands):

	1% Decrease <u>3.50%</u>	Current Healthcare Cost Trend Rate <u>5.00%</u>	1% Increase <u>6.50%</u>
City of Cupertino's net OPEB liability (asset) for the plan	\$ (12,598)	\$ (9,399)	\$ (5,469)

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Expense and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2021, the City recognized OPEB expense of \$(990,000). As of June 30, 2021, the City reported deferred inflows of resources related to OPEB from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on investments	\$ -	\$ 4,269
Differences between expected and actual experience	-	4,473
Changes in assumption	<u>1,569</u>	<u>15</u>
	<u>\$ 1,569</u>	<u>\$ 8,757</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (in thousands):

<u>Year Ended June 30</u>	<u>Deferred Inflows of Resources</u>
2022	\$ (1,820)
2023	(1,706)
2024	(1,479)
2025	<u>(2,183)</u>
Total	<u>\$ (7,188)</u>

NOTE 12 – CONCENTRATION RISK

The City has an economic dependency on revenues generated directly or indirectly from one company. For the year ended June 30, 2021, more than 10 percent of the City General Fund's total revenues are derived from the company. The City's operations would be adversely impacted if there are any significant declines in taxes received from the company.

NOTE 13 – UPCOMING GASB PRONOUNCEMENTS

In June 2017, the GASB issued Statement 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is now effective for the City's fiscal year ended June 30, 2022 due to the postponement impacts of GASB Statement 95. Management has not determined what impact, if any, this statement will have on its financial statements.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 13 – UPCOMING GASB PRONOUNCEMENTS (Continued)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement is now effective for the City's fiscal year ended June 30, 2022 due to the postponement impacts of GASB Statement 95. Management has not determined what impact, if any, this statement will have on its financial statements."

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement is effective for the City's fiscal year ended June 30, 2022. Management has not determined what impact, if any, this statement will have on its financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2021*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. Upon the City's adoption of GASB Statement No 95, effective date for the Statement was delayed for the City until their fiscal year ended June 30, 2022, with the exception of paragraphs 11 and 13 which are now effective and the City has implemented with no material impact to the City's financial statements. Management has not yet determined the impact of the remainder of this statement on the City's financial statements.

In March 2021, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objectives of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Upon the City's adoption of GASB Statement No 95, effective date for the Statement was delayed for the City until their fiscal year ended June 30, 2022. Management has not yet determined the impact of this statement on the City's financial statements.

In March 2021, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objectives of this Statement is improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payments arrangements. The requirements of this Statement are effective for the City's fiscal year ended June 30, 2023. Management has not yet determined the impact of this statement on the City's financial statements.

In May 2021, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for the City's fiscal year ended June 30, 2023. Management has not yet determined the impact of this statement on the City's financial statements.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 13 – UPCOMING GASB PRONOUNCEMENTS (Continued)

In June 2021, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for the City's fiscal year ended June 30, 2022, with the exception of paragraphs 4 and 5 which are now effective and the City has implemented with no material impact to the City's financial statements. Management has not yet determined the impact of the remainder of this statement on the City's financial statements.

NOTE 14 – COVID-19 IMPACT

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments have adversely affected workforces, customers, economies, and financial markets globally. It has also disrupted the normal operations of many governments, including the City of Cupertino. The City expects this outbreak to impact the City's operations for future reporting periods; however, it is not possible for the City to predict the duration or magnitude of the adverse results of the outbreak and its effects on the City's operations. In response to the global pandemic, the Federal government initiated two federal relief programs designed to provide direct funding to states and cities.

The first program, the Coronavirus Aid, Relief, and Economic Security (CARES) Act established a \$150 billion Coronavirus Relief Fund. Federal law specifies that these funds may only be used for unbudgeted costs incurred between March 1, 2020 and December 31, 2020. Control Section 11.90 of the 2021 Budget Act extended the expenditures deadline for cities, counties and community colleges to September 1, 2021. The Budget Act authorized the California Department of Finance to allocate \$1,289,065,000 to address the public health and public safety impacts of COVID19, including homelessness. Pursuant to the provisions of Control Section 11.90, cities with populations between 300,000 and 500,000 were allocated \$225 million and cities with populations less than 300,000 were allocated \$275 million. Allocations generally for cities were derived using the proportional share of the State population. The City of Cupertino's nonrecurring allocation of \$735,259 was received in July 2020. The CARES Act established six eligible expense categories, as follows: (A) Medical Expenses; (B) Public Health Expenses; (C) Substantially Dedicated Payroll Expenses; (D) Comply with Public Health Measures and Mitigate the Effects of COVID19; (E) Economic Support; or (F) Other.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 14 – COVID-19 IMPACT (Continued)

The entire CARES Act amount of the \$759,259 was recognized as revenue in FY 2020/21 and categorized as Operating Grants and Contributions in the Statement of Activities Schedule, and Intergovernmental Revenues in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance Schedule. On March 11, 2021, the second program, the American Rescue Plan Act (ARPA) was signed into law by President Biden. The \$1.9 trillion package (the Act) provides financial aid to families, governments, businesses, schools, nonprofits and others impacted by the COVID-19 public health crisis. Of the \$1.9 trillion, \$350 billion is being directed toward state and local governments. All 19,000 municipal governments are entitled to a direct, noncompetitive federal formula grant from the U.S. Treasury Department. The portion allocated to cities, towns, and villages totals \$65.1 billion. The Act will allocate \$9,694,773 to the City over a two year period. The first tranche payment of \$4,847,387 was received on May 19, 2021, and the second payment no earlier than 12 months after the first payment. Section 603. CORONAVIRUS LOCAL FISCAL RECOVERY FUND of the Act identified four eligible uses for funding, as follows: (A) to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality; (B) to respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the metropolitan city, non-entitlement unit of local government, or county that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work; (C) for the provision of government services to the extent of the reduction in revenue of such metropolitan city, non-entitlement unit of local government, or county due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the metropolitan city, non-entitlement unit of local government, or county prior to the emergency; or (D) to make necessary investments in water, sewer, or broadband infrastructure. Initial revenue loss estimates amounted to \$29 million through December 31, 2023 and as a result, the Cupertino City Council approved the use of ARP funds for revenue loss. As of and for the fiscal year ending June 30, 2021, the \$4.8 million received in May 2021 was recorded as unearned revenue. The City plans to recognize revenues for both tranches of payment in FY 21/22. In accordance with the Treasury's Final Rule, a standard allowance for revenue loss of up to \$10 million may be elected. Recipients that select the standard allowance may use that amount for government services. The City anticipates recognizing these revenues in the General Fund and using them to support continued government services.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CITY OF CUPERTINO, CALIFORNIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
For the year ended June 30, 2021

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan
Last 10 years*

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Total Pension Liability							
Service Cost	\$ 2,504,228	\$ 2,444,939	\$ 2,525,314	\$ 2,895,549	\$ 3,058,629	\$ 3,324,361	\$ 3,241,719
Interest	7,349,943	7,789,134	8,253,983	8,619,588	9,065,322	9,800,245	10,302,395
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	-	372,917	696,347	(182,397)	1,184,340	4,144,384	444,188
Changes in assumptions	-	(1,883,633)	-	7,125,558	(847,606)	-	-
Benefit payments, including refunds of employee contributions	(4,351,614)	(4,637,005)	(5,151,298)	(5,346,890)	(6,051,845)	(6,193,271)	(6,815,494)
Net change in total pension liability	5,502,557	4,086,352	6,324,346	13,111,408	6,408,840	11,075,719	7,172,808
Total pension liability - beginning	98,922,931	104,425,488	108,511,840	114,836,186	127,947,594	134,356,434	145,432,153
Total pension liability - ending (a)	\$ 104,425,488	\$ 108,511,840	\$ 114,836,186	\$ 127,947,594	\$ 134,356,434	\$ 145,432,153	\$ 152,604,961
Plan fiduciary net position							
Contributions - employer	\$ 2,891,986	\$ 3,301,642	\$ 3,659,170	\$ 4,183,822	\$ 4,263,020	\$ 4,654,841	\$ 5,308,580
Contributions - employee	1,061,884	1,149,894	1,169,921	1,236,052	1,506,888	1,364,731	1,429,446
Net investment income	11,379,985	1,724,204	466,704	8,749,288	7,347,936	6,096,968	4,975,822
Benefit payments, including refunds of employee contributions	(4,351,614)	(4,637,005)	(5,151,298)	(5,346,890)	(6,051,845)	(6,193,271)	(6,815,494)
Administrative expense	-	(87,780)	(47,536)	(115,304)	(392,346)	(66,707)	(140,036)
Other miscellaneous Income/(Expense)	-	-	-	-	-	216	-
Net change in plan fiduciary net position	10,982,241	1,450,955	96,961	8,706,968	6,673,653	5,856,778	4,758,318
Plan fiduciary net position - beginning	65,566,067	76,548,308	77,999,263	78,096,224	86,803,192	93,476,845	99,333,623
Plan fiduciary net position - ending (b)	\$ 76,548,308	\$ 77,999,263	\$ 78,096,224	\$ 86,803,192	\$ 93,476,845	\$ 99,333,623	\$ 104,091,941
 Net pension liability - ending (a)-(b)	 \$ 27,877,180	 \$ 30,512,577	 \$ 36,739,962	 \$ 41,144,402	 \$ 40,879,589	 \$ 46,098,530	 \$ 48,513,020
 Plan fiduciary net position as a percentage of the total pension liability	 73.30%	 71.88%	 68.01%	 67.84%	 69.57%	 68.30%	 68.21%
 Covered payroll	 \$ 13,080,327	 \$ 13,504,966	 \$ 14,336,969	 \$ 15,595,136	 \$ 16,809,349	 \$ 19,664,057	 \$ 19,871,414
Net pension liability as percentage of covered payroll	213.12%	225.94%	256.26%	263.83%	243.20%	234.43%	244.13%

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. None in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions from December 2017. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* - Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

Source: CalPERS Accounting Valuation

CITY OF CUPERTINO, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS - PENSION
For the year ended June 30, 2021

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan
Last 10 years*

	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$ 3,608,853	\$ 3,659,170	\$ 4,183,821	\$ 4,263,020	\$ 4,654,841	\$ 5,308,577	\$ 5,957,573
Contributions in relation to the actuarially determined contributions	(3,608,853)	(3,659,170)	(4,183,821)	(4,263,020)	(4,654,841)	(5,308,577)	(5,957,573)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 13,504,966	\$ 14,336,969	\$ 15,595,136	\$ 16,809,349	\$ 19,664,057	\$ 19,871,414	\$ 20,103,210
Contributions as a percentage of covered payroll	26.72%	25.52%	26.83%	25.36%	23.67%	26.71%	29.63%
Notes to Schedule							
Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
Methods and assumptions used to determine contribution rates:							
Actuarial cost method	Entry age						
Amortization method	Level percentage of payroll, closed						
Remaining amortization period	19 Years as of the Valuation Date						
Asset valuation method	15 Year Smoothed Market						
Inflation	2.65%						
Salary increases	Varies by Entry age and Service						
Investment rate of return	7.25% Net of Pension Plan						
Retirement age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.						
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.						

* - Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

Source: City of Cupertino's general ledger and CalPERS Actuarial Valuation

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. None in 2019 or 2020. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions from December 2017. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

Source: CalPERS Accounting Valuation

CITY OF CUPERTINO, CALIFORNIA
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
AND RELATED RATIOS
For the year ended June 30, 2021

Single Employer Defined Benefit OPEB Plan
Last 10 years*
Expressed in thousands

	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Total OPEB liability					
Service cost	\$ 908	\$ 1,008	\$ 865	\$ 1,009	\$ 844
Interest	1,781	1,876	2,005	1,985	2,042
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	-	(1,808)	-	(4,688)
Changes of assumptions	-	-	(37)	1,412	640
Benefit payments	(1,333)	(1,419)	(1,423)	(1,141)	(1,550)
Net change in total OPEB liability	1,356	1,465	(398)	3,265	(2,712)
Total OPEB liability - beginning	25,650	27,006	28,471	28,073	31,338
Total OPEB liability - ending (a)	<u>\$ 27,006</u>	<u>\$ 28,471</u>	<u>\$ 28,073</u>	<u>\$ 31,338</u>	<u>\$ 28,626</u>
Plan fiduciary net position					
Contributions - employer	1,333	1,419	1,423	1,141	1,550
Net investment income	2,960	2,365	1,259	219	8,776
Benefit payments	(1,333)	(1,419)	(1,423)	(1,141)	(1,550)
Administrative expense	(49)	(54)	(97)	(67)	(121)
Net change in fiduciary net position	2,911	2,311	1,162	152	8,655
Plan fiduciary net position - beginning	22,834	25,745	28,056	29,218	29,370
Plan fiduciary net position - ending (b)	<u>\$ 25,745</u>	<u>\$ 28,056</u>	<u>\$ 29,218</u>	<u>\$ 29,370</u>	<u>\$ 38,025</u>
	2.65%				
Net OPEB liability (asset) - ending (a-b)	\$ 1,261	\$ 415	\$ (1,145)	\$ 1,968	\$ (9,399)
Plan fiduciary net position as a percentage of the total OPEB liability	95.33%	98.54%	104.08%	93.72%	132.83%
Covered payroll	\$ 17,255	\$ 19,153	\$ 20,086	\$ 21,643	\$ 23,082
Net OPEB liability (asset) as a percentage of covered payroll	7.31%	2.17%	-5.70%	9.09%	-40.72%

Notes to schedule:

* - Fiscal year 2017 was the 1st year of implementation, therefore only five years are shown.

CITY OF CUPERTINO, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS - OPEB
For the year ended June 30, 2021

Single Employer Defined Benefit OPEB Plan
Last 10 years*
Expressed in thousands

	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Actuarially determined contribution	\$ 1,117	\$ 1,362	\$ 1,300	\$ 1,401	\$ 124
Contributions in relation to the actuarially determined contributions	1,333	1,419	1,423	1,141	1,550
Contribution deficiency (excess)	<u>\$ (216)</u>	<u>\$ (57)</u>	<u>\$ (123)</u>	<u>\$ 260</u>	<u>\$ (1,426)</u>
Covered payroll	\$ 17,255	\$ 19,153	\$ 20,086	\$ 21,643	\$ 23,082
Contributions as a percentage of covered payroll	7.73%	7.41%	7.08%	5.27%	6.72%

Notes to schedule:

* - Fiscal year 2017 was the 1st year of implementation, therefore only five years are shown.

Valuation Date 1/1/2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	2.65%
Remaining amortization period	Varies by Entry age and Service
Asset valuation method	Market Value of Assets
Discount rate	6.50%
Amortization growth rate	2.75%
Ultimate rate of medical inflation	4.30%
Salary increases	2.75% plus merit component based on years of service
Mortality	CalPERS mortality assumptions

MAJOR GOVERNMENTAL FUNDS OTHER
THAN THE GENERAL FUND AND SPECIAL
REVENUE FUNDS

This section is provided for the presentation of budget-to-actual statements for the Public Facilities Corporation Debt Service Fund. Although the fund is considered to be a major government fund, budget-to-actual information in the basic financial statements is limited to the General Fund and major Special Revenue Funds. All other major governmental fund schedules with such information are therefore included as Supplemental Information. The Capital Projects Funds are budgeted on a major project length basis and therefore not comparable on an annual basis.

Public Facilities Corporation Debt Service Fund: This fund accounts for the payments of principal and interest on certificates of participation issued to provide for the financing of the Civic Center, Library, Wilson Park, Memorial Park, and other City facilities.

CITY OF CUPERTINO, CALIFORNIA
PUBLIC FACILITIES CORPORATION DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the year ended June 30, 2021

	Budgeted Amounts			Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Use of money and property	\$ -	\$ -	\$ 332	\$ 332
Total revenues	<u>-</u>	<u>-</u>	<u>332</u>	<u>332</u>
Expenditures				
Debt service:				
Principal	2,355,000	2,140,000	2,140,000	-
Interest and fiscal charges	<u>814,138</u>	<u>807,080</u>	<u>798,747</u>	<u>8,333</u>
Total expenditures	<u>3,169,138</u>	<u>2,947,080</u>	<u>2,938,747</u>	<u>8,333</u>
Excess (deficiency) of revenues over expenditures	<u>(3,169,138)</u>	<u>(2,947,080)</u>	<u>(2,938,415)</u>	<u>8,665</u>
Other financing sources (uses)				
Proceeds from debt issuance	-	22,040,000	22,040,000	-
Proceeds from debt issuance premium	-	3,878,704	3,878,704	-
Payment to refunding agent	-	(27,279,118)	(27,279,118)	-
Transfers in	3,169,138	3,169,138	3,169,138	-
Transfers out	<u>-</u>	<u>(492,832)</u>	<u>(492,831)</u>	<u>1</u>
Total other financing sources (uses)	<u>3,169,138</u>	<u>1,315,892</u>	<u>1,315,893</u>	<u>1</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,631,188)</u>	<u>(1,622,522)</u>	<u>\$ 8,666</u>
Beginning fund balance			<u>1,685,872</u>	
Ending fund balance			<u>\$ 63,350</u>	

NON-MAJOR GOVERNMENTAL FUNDS

All funds not considered as major funds on the Fund Financial Statements are consolidated in one column entitled "Other Governmental Funds." These non-major funds are identified and included in this supplementary section and includes the City's Special Revenue Funds and Capital Project Funds.

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Storm Drain Improvement — Accounts for the construction and maintenance of storm drain facilities including drainage and sanitary sewer facilities. Revenues were collected from developers as a result of connections to the storm drainage sewer system.

Park Dedication — Accounts for the activity granted by the business and professions code of the State of California in accordance with the open space and conservation element of the City's General Plan. Revenues of this fund are restricted for the acquisition, improvement, expansion and implementation of the City's parks and recreation facilities.

Environmental Management / Clean Creeks — Accounts for all activities related to operating the non-point source pollution program. A parcel tax provides revenues.

Traffic Impact — Accounts for development impact fees and related that ensure that new development and redevelopment projects pay their "fair share" to mitigate traffic impacts.

Capital Projects Funds account for the financial resources committed to the construction or improvement of major facilities.

Stevens Creek Corridor Park Capital Projects Fund — Accounts for the design and construction of the Stevens Creek Corridor Park projects.

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2021

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Storm Drain Improvement	Park Dedication	Environmental Management/ Clean Creeks	Traffic Impact	Stevens Creek Corridor Park	
Assets						
Cash and investments	\$ 4,084,025	\$ 9,708,075	\$ 1,874,887	\$ 468,998	\$ 179,937	\$ 16,315,922
Accounts receivable	-	600	21,561	-	-	22,161
Total assets	<u>\$ 4,084,025</u>	<u>\$ 9,708,675</u>	<u>\$ 1,896,448</u>	<u>\$ 468,998</u>	<u>\$ 179,937</u>	<u>\$ 16,338,083</u>
Liabilities						
Accounts payable and accruals	\$ -	\$ -	\$ 8,825	\$ -	\$ 880	\$ 9,705
Total liabilities	<u>-</u>	<u>-</u>	<u>8,825</u>	<u>-</u>	<u>880</u>	<u>9,705</u>
Fund balances						
Restricted	4,084,025	9,708,675	1,887,623	468,998	-	16,149,321
Assigned	-	-	-	-	179,057	179,057
Total fund balances	<u>4,084,025</u>	<u>9,708,675</u>	<u>1,887,623</u>	<u>468,998</u>	<u>179,057</u>	<u>16,328,378</u>
Total liabilities and fund balances	<u>\$ 4,084,025</u>	<u>\$ 9,708,675</u>	<u>\$ 1,896,448</u>	<u>\$ 468,998</u>	<u>\$ 179,937</u>	<u>\$ 16,338,083</u>

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the year ended June 30, 2021

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Storm Drain Improvement	Park Dedication	Environmental Management/ Clean Creeks	Traffic Impact	Stevens Creek Corridor Park	
Revenues						
Taxes	\$ 81,471	\$ 104,201	\$ -	\$ -	\$ -	\$ 185,672
Use of money and property	9,547	23,188	263	1,151	(2,136)	32,013
Charges for services	-	4	1,475,982	226,728	-	1,702,714
Fines and forfeitures	-	-	5,065	-	-	5,065
Other revenue	-	600	-	-	-	600
Total revenues	<u>91,018</u>	<u>127,993</u>	<u>1,481,310</u>	<u>227,879</u>	<u>(2,136)</u>	<u>1,926,064</u>
Expenditures						
Current:						
Public works	1,000	-	1,374,667	-	2,651	1,378,318
Capital outlay	-	2,749,741	-	-	13,200	2,762,941
Total expenditures	<u>1,000</u>	<u>2,749,741</u>	<u>1,374,667</u>	<u>-</u>	<u>15,851</u>	<u>4,141,259</u>
Excess of revenues over (under) expenditures	<u>90,018</u>	<u>(2,621,748)</u>	<u>106,643</u>	<u>227,879</u>	<u>(17,987)</u>	<u>(2,215,195)</u>
Other finances sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	-	(15,000)	-	-	-	(15,000)
Total other financing sources (uses)	<u>-</u>	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>
Net change in fund balances	90,018	(2,636,748)	106,643	227,879	(17,987)	(2,230,195)
Beginning fund balances	<u>3,994,007</u>	<u>12,345,423</u>	<u>1,780,980</u>	<u>241,119</u>	<u>197,044</u>	<u>18,558,573</u>
Ending fund balances	<u>\$ 4,084,025</u>	<u>\$ 9,708,675</u>	<u>\$ 1,887,623</u>	<u>\$ 468,998</u>	<u>\$ 179,057</u>	<u>\$ 16,328,378</u>

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended June 30, 2021

	Special Revenue Funds Storm Drain Improvement			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues				
Taxes	\$ 76,984	\$ 76,984	\$ 81,471	\$ 4,487
Use of money and property	-	-	9,547	9,547
Charges for services	-	-	-	-
Fines for forfeitures	-	-	-	-
Other revenue	-	-	-	-
Total revenues	<u>76,984</u>	<u>76,984</u>	<u>91,018</u>	<u>14,034</u>
Expenditures				
Current:				
Public works	1,000	1,000	1,000	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>75,984</u>	<u>75,984</u>	<u>90,018</u>	<u>14,034</u>
Other financing sources (uses)				
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 75,984</u>	<u>\$ 75,984</u>	90,018	<u>\$ 14,034</u>
Beginning fund balance			<u>3,994,007</u>	
Ending fund balance			<u>\$ 4,084,025</u>	

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended June 30, 2021

	Special Revenue Funds Park Dedication			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ 104,201	\$ 104,201
Use of money and property	-	-	23,188	23,188
Charges for services	-	-	4	4
Fines for forfeitures	-	-	-	-
Other revenue	-	-	600	600
Total revenues	-	-	127,993	127,993
Expenditures				
Current:				
Public works	-	-	-	-
Capital outlay	9,541	2,749,741	2,749,741	-
Total expenditures	9,541	2,749,741	2,749,741	-
Excess (deficiency) of revenues over expenditures	(9,541)	(2,749,741)	(2,621,748)	127,993
Other financing sources (uses)				
Transfers (out)	(15,000)	(15,000)	(15,000)	-
Total other financing sources (uses)	(15,000)	(15,000)	(15,000)	-
Net change in fund balance	\$ (24,541)	\$ (2,764,741)	(2,636,748)	\$ 127,993
Beginning fund balance			12,345,423	
Ending fund balance			\$ 9,708,675	

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended June 30, 2021

	Special Revenue Funds			
	Environmental Management/Clean Creeks			
	Original Budget	Final Budget	Actual	Variance Positive Positive (Negative)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Use of money and property	905	905	263	(642)
Charges for services	1,522,493	1,553,406	1,475,982	(77,424)
Fines for forfeitures	10,000	10,000	5,065	(4,935)
Other revenue	-	-	-	-
Total revenues	<u>1,533,398</u>	<u>1,564,311</u>	<u>1,481,310</u>	<u>(83,001)</u>
Expenditures				
Current:				
Public works	1,794,154	1,693,783	1,374,667	319,116
Capital outlay	-	-	-	-
Total expenditures	<u>1,794,154</u>	<u>1,693,783</u>	<u>1,374,667</u>	<u>319,116</u>
Excess (deficiency) of revenues over expenditures	<u>(260,756)</u>	<u>(129,472)</u>	<u>106,643</u>	<u>236,115</u>
Other financing sources (uses)				
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (260,756)</u>	<u>\$ (129,472)</u>	<u>106,643</u>	<u>\$ 236,115</u>
Beginning fund balance			<u>1,780,980</u>	
Ending fund balance			<u>\$ 1,887,623</u>	

NON-MAJOR ENTERPRISE FUND

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City has identified the fund below as a nonmajor proprietary fund for fiscal 2020-21.

Blackberry Farm Fund: This fund accounts for activities related to operating the City-owned golf course.

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
For the year ended June 30, 2021

	Blackberry Farm
ASSETS	
Current assets	
Cash and cash investments (Note 2)	\$ 1,137,554
Total current assets	<u>1,137,554</u>
Noncurrent assets	
Capital assets (Note 5):	
Depreciable, net of accumulated depreciation	<u>23,706</u>
Total non current assets	<u>23,706</u>
Total assets	<u>1,161,260</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension (Note 10)	59,310
Related to OPEB (Note 11)	<u>8,121</u>
Total deferred outflows of resources	<u>67,431</u>
LIABILITIES	
Current liabilities	
Accounts payable and accruals	11,582
Compensated absences (Note 1)	211
Unearned revenue	<u>58,612</u>
Total current liabilities	<u>70,405</u>
Noncurrent liabilities	
Compensated absences (Note 1)	2,594
Net pension liability (Note 10)	<u>278,020</u>
Total noncurrent liabilities	<u>280,614</u>
Total liabilities	<u>351,019</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pension (Note 10)	4,466
Related to OPEB (Note 11)	<u>4,696</u>
Total deferred inflows of resources	<u>9,162</u>
NET POSITION (Note 7)	
Net investment in capital assets	23,706
Unrestricted	<u>844,804</u>
Total Net Position	<u>\$ 868,510</u>

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR ENTERPRISE FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the year ended June 30, 2021

	Blackberry Farm
Operating revenues	
Charges for services	\$ 564,126
Other	<u>46,477</u>
Total operating revenue	<u>610,603</u>
Operating expenses	
Salaries and benefits	107,567
Materials and supplies	174,183
Contractual services	250,692
Depreciation (Note 5)	<u>2,832</u>
Total operating expenses	<u>535,274</u>
Operating income (loss)	<u>75,329</u>
Nonoperating revenues	
Investment income	<u>2,083</u>
Total nonoperating revenues	<u>2,083</u>
Income (loss) before transfers	77,412
Transfers in (Note 4)	<u>500,000</u>
Changes in net position	<u>577,412</u>
Net position - beginning of year	<u>291,098</u>
Net position - end of year	<u>\$ 868,510</u>

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2021

	Blackberry Farm
Cash flows from operating activities	
Cash received from customers	\$ 646,130
Cash payments to suppliers for goods and services	(442,996)
Cash payments to employees for salaries and benefits	(110,164)
Net cash provided (used) by operating activities	<u>92,970</u>
Cash flows from noncapital financing activities	
Transfers in	<u>500,000</u>
Cash flows from noncapital financing activities	<u>500,000</u>
Cash Flows from Investing Activities	
Interest received	<u>2,083</u>
Cash flows from investing activities	<u>2,083</u>
Net cash flows	<u>595,053</u>
Cash and investments at beginning of year	<u>542,501</u>
Cash and investments at end of year	<u>\$ 1,137,554</u>
Reconciliation of operating income (loss) to to net cash provided by operating activities:	
Operating income (loss)	\$ 75,329
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,832
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Due to retirement system	2,157
Due to OPEB system	(4,735)
Accounts payable and accruals	(18,121)
Unearned revenue	35,527
Compensated absences	<u>(19)</u>
Net cash provided (used) by operating activities	<u>\$ 92,970</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services provided by one department or program to other departments of the City on a cost reimbursement basis.

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues or expenses of each internal service fund are eliminated by netting them against the operations of the City departments that generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position. However, internal service funds are still presented separately in the Fund financial statements.

Information Technology - Accounts for the activities related to the maintenance and replacement of the City's technology infrastructure.

Workers' Compensation - Accounts for the activities in support of the self-insured workers' compensation program.

Equipment Revolving - Accounts for the activities related to the maintenance and replacement of the City's vehicle fleet and other equipment.

Compensated Absences and Long-Term Disability - Accounts for accrued leave payouts and the City's long term disability insurance program.

Retiree Medical - Accounts for funds set-aside for other post-employment retirement benefits.

CITY OF CUPERTINO, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
For the year ended June 30, 2021

	Information Technology	Workers' Compensation	Equipment Revolving	Compensated Absences and Long-Term Disability	Retiree Medical	Total
ASSETS						
Current assets:						
Cash and investments	\$ 2,497,050	\$ 3,976,757	\$ 408,079	\$ 669,671	\$ 157,589	\$ 7,709,146
Total current assets	2,497,050	3,976,757	408,079	669,671	157,589	7,709,146
Noncurrent assets:						
Net OPEB asset (Note 11)	474,902	5,001	146,717	-	-	626,620
Capital assets (Note 5):						
Capital assets, depreciable net of accumulated depreciation	868,003	-	2,477,809	-	-	3,345,812
Total noncurrent assets	1,342,905	5,001	2,624,526	-	-	3,972,432
Total assets	3,839,955	3,981,758	3,032,605	669,671	157,589	11,681,578
DEFERRED OUTFLOWS OF RESOURCES						
Related to pension (Note 10)	401,132	13,826	126,234	-	-	541,192
Related to OPEB (Note 11)	79,652	2,079	25,669	-	-	107,400
Total deferred outflows of resources	480,784	15,905	151,903	-	-	648,592
LIABILITIES						
Current liabilities						
Accounts payable and accruals	206,651	-	25,724	-	-	232,375
Accrued payroll and benefits	-	-	72	-	-	72
Due to other funds	-	-	539,204	-	-	539,204
Compensated absences	39,873	1,311	5,004	-	-	46,188
Claims payable	-	245,000	-	-	-	245,000
Total current liabilities	246,524	246,311	570,004	-	-	1,062,839
Noncurrent liabilities						
Compensated absences	283,554	9,336	35,582	-	-	328,472
Claims payable	-	1,129,000	-	-	-	1,129,000
Net pension liability (Note 10)	2,216,081	67,621	639,779	-	-	2,923,481
Total noncurrent liabilities	2,499,635	1,205,957	675,361	-	-	4,380,953
Total liabilities	2,746,159	1,452,268	1,245,365	-	-	5,443,792
DEFERRED INFLOWS OF RESOURCES						
Related to pension (Note 10)	2,878	189	539	-	-	3,606
Related to OPEB (Note 11)	428,063	4,860	136,778	-	-	569,701
Total deferred inflows of resources	430,941	5,049	137,317	-	-	573,307
NET POSITION						
Net investment in capital assets	868,003	-	2,477,809	-	-	3,345,812
Unrestricted	275,636	2,540,346	(675,983)	669,671	157,589	2,967,259
Total net position	\$ 1,143,639	\$ 2,540,346	\$ 1,801,826	\$ 669,671	\$ 157,589	\$ 6,313,071

CITY OF CUPERTINO, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the year ended June 30, 2021

	Information Technology	Workers' Compensation	Equipment Revolving	Compensated Absences and Long-Term Disability	Retiree Medical	Total
Operating revenues						
Charges for services	\$ 2,681,434	\$ 246,379	\$ 1,633,518	\$ 128,134	\$ -	\$ 4,689,465
Other	-	-	9,799	-	-	9,799
Total operating revenues	<u>2,681,434</u>	<u>246,379</u>	<u>1,643,317</u>	<u>128,134</u>	<u>-</u>	<u>4,699,264</u>
Operating expenses						
Salaries and related expenses	1,915,383	38,415	430,839	-	1,220,074	3,604,711
Materials and supplies	980,049	24,572	297,859	7,767	10,982	1,321,229
Contractual services	126,221	-	75,743	-	-	201,964
Insurance claims and premiums	-	35,104	-	827,121	-	862,225
Depreciation	299,745	-	669,046	-	-	968,791
Total operating expenses	<u>3,321,398</u>	<u>98,091</u>	<u>1,473,487</u>	<u>834,888</u>	<u>1,231,056</u>	<u>6,958,920</u>
Operating income (loss)	<u>(639,964)</u>	<u>148,288</u>	<u>169,830</u>	<u>(706,754)</u>	<u>(1,231,056)</u>	<u>(2,259,656)</u>
Nonoperating revenue (expenses)						
Interest income	9,344	9,914	2,033	4,157	7,851	33,299
Gain on sale of capital assets	-	-	89,981	-	-	89,981
Total nonoperating revenue (expenses)	<u>9,344</u>	<u>9,914</u>	<u>92,014</u>	<u>4,157</u>	<u>7,851</u>	<u>123,280</u>
Income (loss) before transfers	<u>(630,620)</u>	<u>158,202</u>	<u>261,844</u>	<u>(702,597)</u>	<u>(1,223,205)</u>	<u>(2,136,376)</u>
Transfers in	245,000	-	6,000	193,000	46,000	490,000
Change in net position	<u>(385,620)</u>	<u>158,202</u>	<u>267,844</u>	<u>(509,597)</u>	<u>(1,177,205)</u>	<u>(1,646,376)</u>
Beginning net position	<u>1,529,259</u>	<u>2,382,144</u>	<u>1,533,982</u>	<u>1,179,268</u>	<u>1,334,794</u>	<u>7,959,447</u>
Ending net position	<u>\$ 1,143,639</u>	<u>\$ 2,540,346</u>	<u>\$ 1,801,826</u>	<u>\$ 669,671</u>	<u>\$ 157,589</u>	<u>\$ 6,313,071</u>

CITY OF CUPERTINO, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2021

	Information Technology	Workers' Compensation	Equipment Revolving	Compensated Absences and Long-Term Disability	Retiree Medical	Total
Cash flows from operating activities						
Cash received from customers	\$ 2,681,434	\$ 253,379	\$ 1,643,317	\$ 128,134	\$ -	\$ 4,706,264
Cash payments to suppliers for goods and services	(1,131,712)	(24,572)	(445,563)	(22,050)	(10,982)	(1,634,879)
Cash payments to employees	(1,840,491)	(37,099)	(440,529)	-	(1,220,074)	(3,538,193)
Cash payment for judgment and claims	-	(188,104)	-	(827,121)	-	(1,015,225)
Net cash from operating activities	<u>(290,769)</u>	<u>3,604</u>	<u>757,225</u>	<u>(721,037)</u>	<u>(1,231,056)</u>	<u>(1,482,033)</u>
Cash flows from noncapital financing activities						
Transfers in	<u>245,000</u>	<u>-</u>	<u>6,000</u>	<u>193,000</u>	<u>46,000</u>	<u>490,000</u>
Net cash from noncapital financing activities	<u>245,000</u>	<u>-</u>	<u>6,000</u>	<u>193,000</u>	<u>46,000</u>	<u>490,000</u>
Cash flows from capital and related financing activities						
Acquisition of capital assets	(212,512)	-	(448,937)	-	-	(661,449)
Sale of capital assets	<u>-</u>	<u>-</u>	<u>91,758</u>	<u>-</u>	<u>-</u>	<u>91,758</u>
Net cash from capital and related financing activities	<u>(212,512)</u>	<u>-</u>	<u>(357,179)</u>	<u>-</u>	<u>-</u>	<u>(569,691)</u>
Cash flows from investing activities						
Interest received	<u>9,344</u>	<u>9,914</u>	<u>2,033</u>	<u>4,157</u>	<u>7,851</u>	<u>33,299</u>
Net cash flows from investing activities	<u>9,344</u>	<u>9,914</u>	<u>2,033</u>	<u>4,157</u>	<u>7,851</u>	<u>33,299</u>
Net cash flows	(248,937)	13,518	408,079	(523,880)	(1,177,205)	(1,528,425)
Cash and investments beginning of year	<u>2,745,987</u>	<u>3,963,239</u>	<u>-</u>	<u>1,193,551</u>	<u>1,334,794</u>	<u>9,237,571</u>
Cash and investments end of year	<u>\$ 2,497,050</u>	<u>\$ 3,976,757</u>	<u>\$ 408,079</u>	<u>\$ 669,671</u>	<u>\$ 157,589</u>	<u>\$ 7,709,146</u>

(Continued)

CITY OF CUPERTINO, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2021

	<u>Information Technology</u>	<u>Workers' Compensation</u>	<u>Equipment Revolving</u>	<u>Compensated Absences and Long-Term Disability</u>	<u>Retiree Medical</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash flows from operating activities						
Operating income (loss)	\$ (639,964)	\$ 148,288	\$ 169,830	\$ (706,754)	\$ (1,231,056)	\$ (2,259,656)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	299,745	-	669,046	-	-	968,791
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources						
Accounts receivable	-	7,000	-	-	-	7,000
Due to retirement system	116,645	2,587	28,675	-	-	147,907
Due to OPEB system	(124,054)	(2,851)	(42,970)	-	-	(169,875)
Accounts payable and accruals	(25,442)	-	(71,961)	(14,283)	-	(111,686)
Compensated absences	82,301	1,580	4,605	-	-	88,486
Claims payable	-	(153,000)	-	-	-	(153,000)
Cash flows from operating activities	<u>\$ (290,769)</u>	<u>\$ 3,604</u>	<u>\$ 757,225</u>	<u>\$ (721,037)</u>	<u>\$ (1,231,056)</u>	<u>\$ (1,482,033)</u>

This part of the City's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and wellbeing have changed over time:

1. Net Position/Assets by Component
2. Changes in Net Position/Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant own-source revenue, property tax.

1. Assessed and Estimated Actual Value of Taxable Property
2. Direct and Overlapping Property Tax Rates
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratios of Outstanding Debt by Type
2. Direct and Overlapping Bonded Debt
3. Legal Debt Margin Information
4. Ratio of General Bonded Debt Outstanding

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. 2021 Employer Ranking

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent Employees by Function/Program
2. Operating Indicators by Function/Program
3. Capital Assets Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

CITY OF CUPERTINO
Net Positions/Assets by Component
Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Governmental Activities										
Net investment in capital assets	\$ 117,440,257	\$ 116,343,918	\$ 122,081,223	\$ 131,425,677	\$ 148,168,074	\$ 153,239,534	\$ 167,606,366	\$ 170,973,897	\$ 177,128,134	\$ 186,503,116
Restricted	7,572,865	8,351,118	24,232,367	38,327,705	34,861,807	34,991,692	32,073,195	45,405,508	48,005,800	53,711,040
Unrestricted	<u>38,117,361</u>	<u>47,558,701</u>	<u>63,150,548</u>	<u>51,003,950</u>	<u>51,164,063</u>	<u>59,385,309</u>	<u>50,457,871</u>	<u>51,190,017</u>	<u>66,493,336</u>	<u>83,458,299</u>
Total governmental activities net position/assets	<u>163,130,483</u>	<u>172,253,737</u>	<u>209,464,138</u>	<u>220,757,332</u>	<u>234,193,944</u>	<u>247,616,535</u>	<u>250,137,432</u>	<u>267,569,422</u>	<u>291,627,270</u>	<u>323,672,455</u>
Business-Type Activities										
Net investment in capital assets	824,687	762,013	1,110,414	2,079,561	1,708,183	1,972,169	1,597,700	1,318,744	1,118,882	2,090,530
Unrestricted	<u>10,057,331</u>	<u>10,865,479</u>	<u>10,292,210</u>	<u>6,604,578</u>	<u>7,375,444</u>	<u>9,092,584</u>	<u>8,051,015</u>	<u>6,737,758</u>	<u>8,134,944</u>	<u>9,374,129</u>
Total business-type activities net position/assets	<u>10,882,018</u>	<u>11,627,492</u>	<u>11,402,624</u>	<u>8,684,139</u>	<u>9,083,627</u>	<u>11,064,753</u>	<u>9,648,715</u>	<u>8,056,502</u>	<u>9,253,826</u>	<u>11,464,659</u>
Primary Government										
Net investment in capital assets	118,264,944	117,105,931	123,191,637	133,505,238	149,876,257	155,211,703	169,204,066	172,292,641	178,247,016	188,593,646
Restricted	7,572,865	8,351,118	24,232,367	38,327,705	34,861,807	34,991,692	32,073,195	45,405,508	48,005,800	53,711,040
Unrestricted	<u>48,174,692</u>	<u>58,424,180</u>	<u>73,442,758</u>	<u>57,608,528</u>	<u>58,539,507</u>	<u>68,477,893</u>	<u>58,508,886</u>	<u>57,927,775</u>	<u>74,628,280</u>	<u>92,832,428</u>
(1), (2)	<u>\$ 174,012,501</u>	<u>\$ 183,881,229</u>	<u>\$ 220,866,762</u>	<u>\$ 229,441,471</u>	<u>\$ 243,277,571</u>	<u>\$ 258,681,288</u>	<u>\$ 259,786,147</u>	<u>\$ 275,625,924</u>	<u>\$ 300,881,096</u>	<u>\$ 335,137,114</u>

(1) Represents net assets thru June 30, 2012 and net position after that.

(2) Noted that restatements due to prior period adjustments and changes in accounting principles are not reflected in the prior year balances.

CITY OF CUPERTINO
Change in Net Positions/Assets
Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Expenses										
Governmental Activities:										
Administration	\$ 1,837,072	\$ 2,367,255	\$ 4,529,539	\$ 3,286,919	\$ 3,710,388	\$ 2,873,744	\$ 5,612,733	\$ 6,849,046	\$ 7,974,520	\$ 3,637,467
Law enforcement	8,776,633	9,274,536	10,062,192	10,705,328	11,316,271	12,528,328	12,674,042	13,381,113	14,698,130	15,211,646
Public and environmental affairs	1,743,151	1,595,982	512,895	649,442	575,260	1,884,165	3,244,846	3,210,343	3,637,354	1,721,729
Administrative services	4,309,503	4,171,440	2,662,008	4,300,336	2,994,611	5,898,479	4,415,647	4,290,818	5,175,596	5,358,183
Recreation services	4,577,243	4,473,861	4,866,974	5,365,282	5,758,194	10,651,557	9,352,551	7,389,915	8,763,194	1,182,662
Community development	4,922,237	4,676,273	9,108,949	5,976,797	6,259,734	13,775,591	16,789,351	10,470,973	10,286,317	11,495,788
Public works	20,387,508	22,149,063	21,143,331	27,893,361	31,313,396	32,491,244	28,995,382	31,870,165	33,339,191	41,870,240
Interest on long-term debt	1,837,655	1,256,922	1,130,428	1,120,138	1,077,538	1,035,738	993,038	949,438	882,837	397,682
Total governmental activities expense	48,391,002	49,965,332	54,016,316	59,297,603	63,005,392	81,138,846	82,077,590	78,411,811	84,757,139	80,875,397
Business-Type Activities:										
Resources recovery	1,566,229	1,764,993	2,159,047	2,548,461	2,997,200	2,991,177	2,594,511	1,735,885	2,213,404	1,670,261
Blackberry farm	460,698	463,336	571,000	547,185	576,177	597,406	656,112	645,469	663,663	535,274
Cupertino sports center	1,897,611	2,011,483	2,221,703	2,269,420	2,299,210	2,159,243	2,633,748	3,036,037	2,883,903	2,182,900
Recreation programs	1,985,618	2,025,416	2,730,765	2,342,457	3,136,011	2,351,501	3,232,593	2,923,336	3,141,225	1,117,244
Total business-type activities expense	5,910,156	6,265,228	7,682,515	7,707,523	9,008,598	8,099,327	9,116,964	8,340,727	8,902,195	5,505,679
Total primary government expense	54,301,158	56,230,560	61,698,831	67,005,126	72,013,990	89,238,173	91,194,554	86,752,538	93,659,334	86,381,076
Program Revenues										
Governmental Activities:										
Charges for services:										
Administration	6,454	5,676	1,087,393	322,534	369,069	3,992,716	5,062,988	1,319,395	2,091,811	2,387,412
Law enforcement	696,498	637,595	725,631	590,378	664,483	603,194	732,544	889,923	1,102,888	550,051
Public and environmental affairs	-	-	-	41,352	41,352	-	-	-	-	-
Administrative services	-	-	-	481,616	359,148	3,565,627	2,635,885	3,113,731	3,889,180	5,232,679
Recreation services	1,166,323	970,292	955,081	1,798,134	1,421,185	2,016,159	1,589,134	1,563,262	1,309,906	264,426
Community development	4,919,216	6,765,564	6,649,292	8,511,745	10,534,457	10,902,822	8,598,935	7,470,690	5,859,847	5,736,587
Public works	503,225	593,501	7,916,897	2,869,357	6,358,870	6,873,487	4,720,646	4,504,104	5,657,315	3,966,206
Operating grants and contributions	2,508,917	2,752,493	10,000,131	6,002,617	1,851,282	2,313,632	4,819,696	2,557,470	5,794,443	5,998,209
Capital grants and contributions	780,761	719,880	569,159	4,022,190	362,491	245,288	271,587	1,082,243	1,046,756	1,792,376
Total governmental activities program revenue	10,581,394	12,445,001	27,903,584	24,639,923	21,962,337	30,512,925	28,431,415	22,500,818	26,752,146	25,927,946
Business-Type Activities:										
Charges for services:										
Resources recovery	1,727,783	1,882,517	2,074,251	2,591,276	2,664,888	2,792,190	2,559,862	1,750,279	1,821,677	1,819,861
Blackberry farm	411,056	386,753	302,472	388,091	334,529	325,224	345,667	316,615	338,212	610,603
Cupertino sports center	1,965,684	2,150,139	2,188,127	2,152,498	2,224,146	2,238,023	2,403,665	2,349,468	2,365,667	1,810,194
Recreation programs	2,325,705	2,409,720	2,480,209	2,532,800	2,466,336	2,778,588	2,516,678	1,986,781	1,588,576	590,871
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenue	6,430,228	6,829,129	7,045,059	7,664,665	7,689,899	8,134,025	7,825,872	6,403,143	6,114,132	4,831,529
Total primary government program revenue	17,011,622	19,274,130	34,948,643	32,304,588	29,652,236	38,646,950	36,257,287	28,903,961	32,866,278	30,759,475

(continued)

CITY OF CUPERTINO
Change in Net Positions/Assets
Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net (Expense) Revenue:										
Governmental activities	\$ (37,809,608)	\$ (37,520,331)	\$ (26,112,732)	\$ (34,657,680)	\$ (41,043,055)	\$ (50,625,921)	\$ (53,646,175)	\$ (55,910,993)	\$ (58,004,993)	\$ (54,947,451)
Business-Type activities	520,072	563,901	(637,456)	(42,858)	(1,318,699)	34,698	(1,291,092)	(1,937,584)	(2,788,063)	(674,150)
Total primary government net expense	<u>(37,289,536)</u>	<u>(36,956,430)</u>	<u>(26,750,188)</u>	<u>(34,700,538)</u>	<u>(42,361,754)</u>	<u>(50,591,223)</u>	<u>(54,937,267)</u>	<u>(57,848,577)</u>	<u>(60,793,056)</u>	<u>(55,621,601)</u>
General Revenues and Transfers										
Governmental Activities:										
Taxes:										
Property taxes	7,479,132	8,793,110	9,169,183	-	11,864,027	13,251,840	14,881,533	17,082,005	18,117,304	19,197,994
Property taxes in lieu of motor vehicle fee	4,487,412	4,772,355	5,289,476	-	6,330,436	6,967,237	7,552,272	8,219,090	8,489,541	9,079,845
Incremental property tax	202,793	-	-	-	-	-	-	-	-	-
Sales tax	17,326	18,721,193	19,794,036	-	21,350,056	26,932,012	26,164,531	24,901,779	35,657,214	42,581,070
Transient occupancy tax	3,112,934	3,768,504	4,590,156	-	5,852,244	6,023,681	6,810,718	8,901,337	7,286,083	2,141,058
Utility user tax	3,264,896	2,994,526	3,098,639	-	3,370,830	3,082,407	3,146,398	3,089,922	3,182,086	3,074,358
Franchise tax	2,808,136	2,848,950	2,775,892	-	3,478,024	3,409,572	3,563,820	3,445,253	3,418,908	3,368,286
Other taxes	1,377,211	4,561,219	18,791,559	-	2,818,019	3,258,118	1,943,652	3,299,587	1,774,235	3,022,333
Intergovernmental (1)	29,064	30,256	25,294	-	24,111	26,118	31,013	28,844	47,391	43,675
Investment earnings	61,096	176,782	133,243	40,751	807,287	694,730	916,638	3,258,550	5,690,723	4,147,907
Miscellaneous	82,684	126,690	57,005	(2)	219,053	2,004,906	1,834,492	1,187,741	1,922,356	3,185,110
Gain on sale of capital assets	-	-	-	23,715,897	580	-	740,570	3,875	-	-
Extraordinary items (2)	(1,130,797)	-	-	-	-	-	-	-	-	-
Transfers - fund closings (3)	-	-	-	-	-	272,011	-	-	-	-
Transfers	207,000	(150,000)	(401,350)	872,340	(1,635,000)	(1,874,120)	107,030	(75,000)	(3,523,000)	(2,849,000)
Total governmental activities	<u>21,998,887</u>	<u>46,643,585</u>	<u>63,323,133</u>	<u>24,628,986</u>	<u>54,479,667</u>	<u>64,048,512</u>	<u>67,692,667</u>	<u>73,342,983</u>	<u>82,062,841</u>	<u>86,992,636</u>
Business-Type Activities:										
Investment earnings	12,338	31,573	11,238	42,531	82,187	59,012	75,663	270,371	462,387	35,983
Transfers	(207,000)	150,000	401,350	(872,340)	1,635,000	1,874,120	(107,030)	75,000	3,523,000	2,849,000
Total business-type activities	<u>(194,662)</u>	<u>181,573</u>	<u>412,588</u>	<u>(829,809)</u>	<u>1,717,187</u>	<u>1,933,132</u>	<u>(31,367)</u>	<u>345,371</u>	<u>3,985,387</u>	<u>2,884,983</u>
Total primary government	<u>21,804,225</u>	<u>46,825,158</u>	<u>63,735,721</u>	<u>23,799,177</u>	<u>56,196,854</u>	<u>65,981,644</u>	<u>67,661,300</u>	<u>73,688,354</u>	<u>86,048,228</u>	<u>89,877,619</u>
Change in Net Position/Assets (4)										
Governmental activities	(15,810,721)	9,123,254	37,210,401	(10,028,694)	13,436,612	13,422,591	14,046,492	17,431,990	24,057,848	32,045,185
Business-Type activities	325,410	745,474	(224,868)	(872,667)	398,488	1,967,830	(1,322,459)	(1,592,213)	1,197,324	2,210,833
Total primary government	<u>\$ (15,485,311)</u>	<u>\$ 9,868,728</u>	<u>\$ 36,985,533</u>	<u>\$ (10,901,361)</u>	<u>\$ 13,835,100</u>	<u>\$ 15,390,421</u>	<u>\$ 12,724,033</u>	<u>\$ 15,839,777</u>	<u>\$ 25,255,172</u>	<u>\$ 34,256,018</u>

(1) The 2006 state take-away of sales taxes, property taxes and vehicle license fees is reported in this category.

(2) Asset transfer to Successor to Redevelopment Agency fiduciary trust in 2012.

(3) Asset and liability transfer from the closed City Channel/Web Internal Service Fund in 2017.

(4) Represents changes in net assets thru fiscal year ended June 30, 2012 and changes in net position after that.

CITY OF CUPERTINO
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019 (2)</u>	<u>2020</u>	<u>2021</u>
General Fund										
Nonspendable	\$ 1,003,438	\$ 956,827	\$ 3,363,065	\$ 938,245	\$ 937,381	\$ 876,939	\$ 464,893	\$ 454,188	\$ 3,449,341	\$ 3,444,346
Restricted	695,564	725,903	-	761,653	888,374	1,016,771	1,254,578	9,469,670	14,324,757	20,140,419
Committed	-	-	-	-	-	19,000,000	19,122,754	19,123,397	19,127,891	19,127,891
Assigned	17,729,297	16,400,000	16,400,000	28,849,679	20,500,000	4,638,181	9,963,310	1,979,202	3,176,882	4,906,139
Unassigned	<u>6,669,379</u>	<u>17,961,579</u>	<u>23,197,378</u>	<u>8,774,966</u>	<u>29,869,085</u>	<u>28,057,799</u>	<u>21,704,922</u>	<u>27,896,128</u>	<u>34,426,942</u>	<u>49,231,996</u>
Total General Fund	<u>26,097,678</u>	<u>36,044,309</u>	<u>42,960,443</u>	<u>39,324,543</u>	<u>52,194,840</u>	<u>53,589,690</u>	<u>52,510,457</u>	<u>58,922,585</u>	<u>74,505,813</u>	<u>96,850,791</u>
All Other Governmental Funds										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	6,877,301	7,625,215	24,232,367	37,566,052	33,973,433	33,974,921	30,818,617	35,935,838	33,681,043	33,570,621
Committed	-	-	-	1,398,665	1,398,665	1,398,665	-	-	-	-
Assigned	3,646,073	5,299,904	7,619,534	20,671,116	15,344,191	25,305,974	29,129,616	33,211,946	40,551,131	37,038,174
Unassigned	<u>-</u>	<u>-</u>	<u>(2,280,961)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total All Other Governmental Funds	<u>10,523,374</u>	<u>12,925,119</u>	<u>29,570,940</u>	<u>59,635,833</u>	<u>50,716,289</u>	<u>60,679,560</u>	<u>59,948,233</u>	<u>69,147,784</u>	<u>74,232,174</u>	<u>70,608,795</u>
Total Governmental Funds	<u>\$ 36,621,052</u>	<u>\$ 48,969,428</u>	<u>\$ 72,531,383</u>	<u>\$ 98,960,376</u>	<u>\$ 102,911,129</u>	<u>\$ 114,269,250</u>	<u>\$ 112,458,690</u>	<u>\$ 128,070,369</u>	<u>\$ 148,737,987</u>	<u>\$ 167,459,586</u>

(1) The City implemented GASB Statement No. 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned and unassigned compared to reserved and unreserved

(2) The City established a trust to fund Other Post-Employment Benefit contributions, which is classified as a restriction in fund balance.

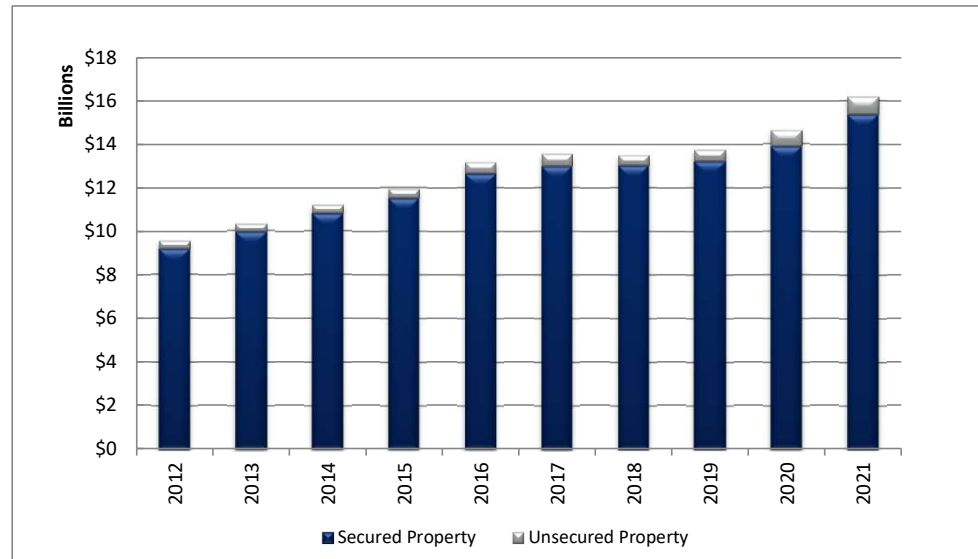
CITY OF CUPERTINO
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30									
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenues										
Taxes	\$ 40,265,944	\$ 48,382,570	\$ 72,211,724	\$ 55,134,238	\$ 55,462,956	\$ 62,924,867	\$ 64,062,924	\$ 68,938,973	\$ 77,925,371	\$ 82,464,944
Use of money and property	661,602	744,196	764,299	915,933	1,654,702	1,425,629	1,543,818	3,896,813	6,259,342	4,447,970
Intergovernmental	2,678,888	2,841,407	3,069,400	7,210,562	2,532,025	2,585,038	5,122,296	3,668,557	6,888,590	7,834,260
Licenses and permits	2,900,936	3,502,617	3,679,943	3,170,445	3,073,110	2,536,925	2,757,928	4,102,665	4,692,847	4,068,238
Charges for services	3,273,946	4,515,066	10,744,113	5,203,371	17,249,123	24,103,167	15,638,247	13,385,698	13,937,950	13,601,302
Fines and forfeitures	661,899	560,417	616,889	554,002	564,903	603,194	602,934	534,012	344,008	134,459
Other	264,302	57,828	545,052	542,429	1,289,013	2,004,904	1,834,492	1,187,741	1,922,356	3,185,110
Total revenues	<u>50,707,517</u>	<u>60,604,101</u>	<u>91,631,420</u>	<u>72,730,980</u>	<u>81,825,832</u>	<u>96,183,724</u>	<u>91,562,639</u>	<u>95,714,459</u>	<u>111,970,464</u>	<u>115,736,283</u>
Expenditures:										
Current:										
Administration	1,533,070	2,005,176	3,957,739	3,897,701	4,053,741	5,942,633	4,943,052	6,294,111	6,951,541	7,549,386
Law enforcement	8,445,917	8,783,885	9,626,121	10,283,772	10,988,735	11,939,095	12,362,621	13,108,732	14,151,413	14,776,409
Public and environmental affairs	1,659,856	1,486,910	477,852	624,295	544,718	1,864,746	2,835,768	2,843,540	3,223,185	1,836,725
Administrative services	4,103,982	3,772,714	2,444,670	3,226,164	2,811,117	5,054,539	4,430,300	4,197,582	4,617,787	5,196,299
Recreation services	4,319,983	4,083,822	4,536,519	5,047,548	5,441,200	9,361,934	8,686,076	8,996,118	7,688,935	4,787,914
Community development	4,762,229	4,395,601	8,424,254	5,180,659	6,102,820	7,431,292	12,907,086	9,359,835	9,310,827	11,177,690
Public works	12,528,194	13,996,516	17,469,627	14,625,038	15,078,174	18,623,585	18,191,714	19,955,579	22,445,948	24,568,155
Capital Outlay	3,523,047	4,684,676	7,110,974	21,760,899	26,171,127	18,731,165	23,395,112	10,528,246	12,644,373	19,483,945
Debt service:										
Principal repayment	-	1,920,000	2,040,000	2,055,000	2,090,000	2,135,000	2,180,000	2,220,000	2,290,000	2,140,000
Interest and fiscal charges	1,837,665	1,256,922	1,130,428	1,120,138	1,077,538	1,035,738	993,038	949,438	882,837	798,747
Payment to refunded debt escrow agent	44,897,800	-	-	-	-	-	-	-	-	-
Total expenditures	<u>87,611,743</u>	<u>46,386,222</u>	<u>57,218,184</u>	<u>67,821,214</u>	<u>74,359,170</u>	<u>82,119,727</u>	<u>90,924,767</u>	<u>78,453,181</u>	<u>84,206,846</u>	<u>92,315,270</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,904,226)</u>	<u>14,217,879</u>	<u>34,413,236</u>	<u>4,909,766</u>	<u>7,466,662</u>	<u>14,063,997</u>	<u>637,872</u>	<u>17,261,278</u>	<u>27,763,618</u>	<u>23,421,013</u>
Other Financing Sources (Uses)										
Proceeds from debt issuance	44,823,839	-	-	-	-	-	-	-	-	22,040,000
Proceeds from debt issuance premium	-	-	-	-	-	-	-	-	-	3,878,704
Payments to refunding agent	-	-	-	-	-	-	-	-	-	(27,279,118)
Proceeds from sale of capital assets	421	-	37,569	23,814,257	580	-	872,250	3,875	-	-
Transfers in	6,484,426	8,438,707	13,610,304	39,408,990	11,905,724	26,446,090	31,028,218	19,407,613	35,208,276	12,876,969
Transfers in - fund closing	-	-	-	-	-	260,374	-	-	-	-
Transfers out	(7,692,426)	(10,308,210)	(24,499,154)	(39,177,284)	(15,422,213)	(29,412,340)	(34,348,900)	(21,061,087)	(42,304,276)	(16,215,969)
Total other financing sources (uses)	<u>43,616,260</u>	<u>(1,869,503)</u>	<u>(10,851,281)</u>	<u>24,045,963</u>	<u>(3,515,909)</u>	<u>(2,705,876)</u>	<u>(2,448,432)</u>	<u>(1,649,599)</u>	<u>(7,096,000)</u>	<u>(4,699,414)</u>
Extraordinary Item										
Asset transferred to Successor Agencies	-	(1,130,797)	-	-	-	-	-	-	-	-
Change in fund balances	<u>\$ 6,712,034</u>	<u>\$ 11,217,579</u>	<u>\$ 23,561,955</u>	<u>\$ 28,955,729</u>	<u>\$ 3,950,753</u>	<u>\$ 11,358,121</u>	<u>\$ (1,810,560)</u>	<u>\$ 15,611,679</u>	<u>\$ 20,667,618</u>	<u>\$ 18,721,599</u>
Debt service as a percentage of noncapital expenditures (1)	55.6%	7.6%	6.3%	6.9%	6.6%	5.0%	4.7%	4.7%	4.4%	4.0%

(1) Noncapital expenditures is total expenditures less capital assets added each year to the statement of net position/assets.

CITY OF CUPERTINO
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Secured (a)	Unsecured (a)	State Board of Equalization Non-Unitary	Secured Exemptions	Total Assessed & Est. Full Market Valuation (a)	Direct Tax Rate
2012	\$ 13,219,574,367	\$ 527,310,319	\$ 1,390,000	\$ 96,081,912	\$ 13,748,274,686	6.24%
2013	13,882,147,291	738,243,050	1,390,000	108,468,872	14,621,780,341	6.20%
2014	15,391,656,690	813,117,019	1,390,000	113,744,809	16,206,163,709	5.62%
2015	16,133,637,244	965,141,148	-	119,476,276	17,098,778,392	5.61%
2016	18,308,720,226	1,086,786,901	-	114,223,063	19,395,507,127	5.59%
2017	20,196,258,418	1,150,311,942	-	118,257,368	21,346,570,360	5.98%
2018	22,024,906,420	1,114,123,426	-	122,805,695	23,139,029,846	6.19%
2019	23,402,123,229	1,779,936,377	-	125,245,819	25,182,059,606	6.38%
2020	24,370,718,536	1,641,863,322	-	138,025,761	26,012,581,858	6.50%
2021	25,397,331,860	2,423,984,683	-	145,644,653	27,821,316,543	6.46%



(a) Net of exemptions

Source: HdL, Coren & Cone

Data Source: Santa Clara County Assessor 2011-12 - 2020-21 Combined Tax Rolls

THE CITY OF CUPERTINO
Direct and Overlapping Property Tax Rates
(Rate per \$100 of taxable value)

Agency	Last 10 Fiscal Years									
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018-19	2019-20	2020-21
Basic Levy¹	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Co. Housing Bond 2016	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01266	0.01050	0.01000	0.00000
County Bond 2008 Hospital Facility	0.00470	0.00510	0.00350	0.00910	0.00880	0.00860	0.00820	0.00720	0.00690	0.00690
County Library Retirement Levy	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240
County Retirement Levy	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880
Cupertino Elementary	0.02900	0.05980	0.05250	0.05400	0.05190	0.05090	0.04960	0.03970	0.04150	0.04030
El Camino Hospital 2003	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01000	0.01000	0.01000	0.01000
Foothill De Anza College	0.02970	0.02870	0.02900	0.02760	0.02400	0.02340	0.02200	0.02170	0.02080	0.03640
Fremont High	0.04150	0.03900	0.04050	0.03960	0.05250	0.04030	0.04640	0.04300	0.04790	0.04780
Los Gatos-Saratoga High 1998	0.03810	0.03680	0.03510	0.05160	0.04230	0.04690	0.04570	0.03040	0.01770	0.01930
MidPeninsula Open Space 2014	0.00000	0.00000	0.00000	0.00000	0.00080	0.00060	0.00090	0.00180	0.00160	0.00150
Santa Clara Unified	0.08360	0.08190	0.07070	0.07040	0.09420	0.08180	0.08280	0.07070	0.11760	0.10450
Santa Clara Valley Water District	0.00640	0.00690	0.00700	0.00650	0.00570	0.00860	0.00620	0.00420	0.00410	0.00370
Saratoga Elementary	0.04440	0.04520	0.04500	0.04580	0.04490	0.04560	0.04580	0.04580	0.04640	0.04850
West Valley College	0.01370	0.02890	0.02550	0.01200	0.02320	0.01960	0.02000	0.01980	0.01860	0.03110
Total Direct & Overlapping² Tax Rates	1.34520	1.38640	1.36290	1.37070	1.40240	1.38040	1.39146	1.34600	1.39530	1.39120
City's Share of 1% Levy Per Prop 13³	0.05650	0.05652	0.05626	0.05617	0.05571	0.05962	0.06148	0.06320	0.06531	0.06515
General Obligation Debt Rate										
Redevelopment Rate⁴	1.04760									
Total Direct Rate⁵	0.06238	0.06204	0.05623	0.05610	0.05588	0.05976	0.06187	0.06381	0.06499	0.06463

Notes:

¹In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

²Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

³City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city.

ERAF general fund tax shifts may not be included in tax ratio figures.

⁴Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

⁵Total Direct Rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

Data Source: Santa Clara County Assessor 2011/12 - 2020/21 Tax Rate Table

CITY OF CUPERTINO
Principal Property Taxpayers
Current Year and Ten Years Ago
(Unaudited)

Taxpayer	2021 Assessed Valuation	Percentage of Total Assessed Valuation	2012 Assessed Valuation	Percentage of Total Assessed Valuation
Apple Inc.	\$ 7,092,034,206	25.49%	\$ 916,229,008	9.36%
Main Street Cupertino	368,688,300	1.33%	-	0.75%
Vallco Property Owner LLC	311,083,000	1.12%	92,759,700	1.63%
Cupertino City Center	276,811,408	0.99%	136,245,008	0.73%
Cupertino Property Development	208,775,727	0.75%	-	0.58%
Swift Results Way LLC	184,947,832	0.66%	-	0.00%
Mission West Properties LP II ETAL	143,225,274	0.51%	-	0.67%
PR Cupertino Gateway LLC	133,326,728	0.48%	-	-
Markham Apartments LP	106,337,637	0.38%	-	-
Cupertino Hotel Owner LLC	99,134,506	0.36%	-	-
Total	<u>\$ 8,924,364,618</u>	<u>32.07%</u>	<u>\$ 1,145,233,716</u>	<u>13.72%</u>

Source: HdL, Coren & Cone

CITY OF CUPERTINO
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected (1)	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2012	\$ 7,681,925	\$ 7,681,925	100.00%	\$ -	\$ 7,681,925	100.00%
2013	8,199,752	8,199,752	100.00%	-	8,199,752	100.00%
2014	9,169,183	9,169,183	100.00%	-	9,169,183	100.00%
2015	10,178,734	10,178,734	100.00%	-	10,178,734	100.00%
2016	11,864,026	11,864,026	100.00%	-	11,864,026	100.00%
2017	13,308,884	13,308,884	100.00%	-	13,308,884	100.00%
2018	13,172,425	13,172,425	100.00%	-	13,172,425	100.00%
2019	16,049,112	16,049,112	100.00%	-	16,049,112	100.00%
2020	18,117,304	18,117,304	100.00%	-	18,117,304	100.00%
2021	19,197,994	19,197,994	100.00%	-	19,197,994	100.00%

(1) Per the Teeter Plan, the City receives 100% of the tax levy, while the County receives delinquencies and penalties.

Source: City of Cupertino

CITY OF CUPERTINO
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Certificates of Participation	Percentage of Estimated Actual Market Value of Taxable Property	Per Capita	% of Personal Income
2012	\$ 43,940,000	0.27%	\$ 744	1.56%
2013	42,020,000	0.26%	705	1.41%
2014	39,980,000	0.23%	671	1.38%
2015	37,925,000	0.20%	633	1.28%
2016	35,835,000	0.18%	598	1.21%
2017	33,700,000	0.15%	579	1.02%
2018	31,520,000	0.12%	525	0.87%
2019	29,300,000	0.11%	488	0.81%
2020	27,010,000	0.10%	451	0.71%
2021	22,040,000	0.08%	370	0.54%

Source: City of Cupertino

CITY OF CUPERTINO
Direct and Overlapping Bonded Debt
June 30, 2021
(Unaudited)

2020-21 Assessed Valuation \$ 27,821,316,543

	Total Debt 6/30/2021	% Applicable (1)	City's Share of Debt 6/30/21
<u>Overlapping Tax and Assessment Debt:</u>			
Santa Clara County	\$ 991,587,000	5.096%	\$ 50,531,274
Santa Clara County General Fund Obligations	812,685,000	5.096%	41,414,428
Santa Clara County Pension Obligations	341,399,000	5.096%	17,397,693
Santa Clara County Board of Education Certificates of Participation	2,670,000	5.096%	136,063
Foothill-DeAnza Community College District	1,251,133,487	13.454%	168,327,499
West Valley Community College District	635,310,000	1.634%	10,380,965
West Valley-Mission Community College District General Fund Obligations	62,200,000	1.634%	1,016,348
Santa Clara Unified School District	1,081,495,000	3.813%	41,237,404
Santa Clara County Vector Control District Certificates of Participation	1,756,000	5.096%	89,486
Fremont Union High School District	617,160,088	29.883%	184,425,949
Cupertino Union School District	274,238,303	50.963%	139,760,066
El Camino Hospital District	116,290,000	1.056%	1,228,022
Midpeninsula Regional Open Space District and General Fund Obligations	192,400,600	8.134%	15,649,865
Santa Clara Valley Water District Benefit Assessment	65,000,000	5.096%	3,312,400
Total Overlapping Tax and Assessment Debt	6,445,324,478		674,907,463
 <u>Direct Debt: City of Cupertino Certificates of Participation</u>	 22,040,000	 100.000%	 22,040,000
Total Direct and Overlapping General Fund Debt	<u>22,040,000</u>		<u>22,040,000</u>
 <u>Totals by Category:</u>			
Total Direct Debt	22,040,000		22,040,000
Total Overlapping Debt	6,445,324,478		674,907,463
Combined Total Debt	\$ 6,467,364,478		\$ 696,947,463

(3)

Ratios to 2020-21 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.43%
	0.08%
Combined Total Debt	2.51%

- (1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable
(2) Principal amount as of 6/30/21.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Sources: HdL, Coren & Cone

CITY OF CUPERTINO
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a % of debt limit
2012	\$ 495,734,039	\$ -	\$ 495,734,039	\$ -
2013	520,580,523	-	520,580,523	-
2014	577,187,126	-	577,187,126	-
2015	605,011,397	-	605,011,397	-
2016	686,577,008	-	686,577,008	-
2017	757,359,691	-	757,359,691	-
2018	825,933,991	-	825,933,991	-
2019	877,579,621	-	877,579,621	-
2020	913,901,945	-	913,901,945	-
2021	952,399,945	-	952,399,945	-

Debt Limit:

Secured property assessed value, net of exempt real property \$ 25,397,331,860

Adjusted valuation - 25% of assessed valuation 6,349,332,965

Debt limit - 15% of adjusted valuation 952,399,945

Amount of Debt Subject to Limit:

Total Bonded Debt 22,040,000

Less: Certificates of Participation not subject to debt limit (22,040,000)

Amount of debt subject to limit -

Legal Debt Margin \$ 952,399,945

Note: The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City of Cupertino

CITY OF CUPERTINO
Ratio of General Bonded Debt
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population	Assessed Value	General Bonded Debt	Bonded Debt Per Capita	Ratio of General Bonded Debt to Assessed Value
2012	59,022	\$ 13,748,274,686	\$ -	\$ -	\$ -
2013	59,620	14,621,780,341	-	-	-
2014	59,946	17,098,778,392	-	-	-
2015	59,777	19,395,507,127	-	-	-
2016	58,185	19,395,507,127	-	-	-
2017	58,917	21,346,570,360	-	-	-
2018	60,091	23,139,029,846	-	-	-
2019	59,879	25,182,059,606	-	-	-
2020	59,549	27,821,316,543	-	-	-
2021	60,656	27,821,316,543	-	-	-

Sources: HdL, Coren & Cone

City of Cupertino

Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	City Population (1)	County Population (1)	City Population % of County	City Personal Income (2)	Per Capita Personal Income (2)	**Public School Enrollment	City Unemployment Rate (%) (3)	County Unemployment Rate (%) (3)	Median Age (4)	% of Population Over 25 with High School Degree	% of Population Over 25 with Bachelor's Degree
2011-12	59,022	1,809,378	3.26%	2,818,655,000	47,756	10,625	6.3%	-	39.2	97.0%	74.7%
2012-13	59,620	1,842,254	3.24%	2,985,829,000	50,081	29,699	4.1%	8.4%	39.5	96.7%	75.5%
2013-14	59,946	1,868,558	3.21%	3,090,636,000	51,557	29,904	3.4%	6.8%	40.0	96.2%	74.2%
2014-15	59,777	1,889,638	3.16%	3,186,772,000	53,311	29,871	4.2%	3.8%	40.0	96.5%	74.6%
2015-16	58,185	1,927,888	3.02%	3,340,132,000	57,405	29,684	3.4%	4.2%	40.2	96.5%	75.6%
2016-17	58,917	1,938,180	3.04%	3,486,805,000	59,181	29,467	3.0%	3.8%	40.6	96.7%	76.0%
2017-18	60,091	1,938,153	3.10%	3,620,255,000	60,246	29,255	3.3%	3.8%	40.7	97.1%	76.6%
2018-19	59,879	1,937,570	3.09%	3,821,320,000	63,817	29,240	2.6%	2.3%	41.1	97.1%	77.2%
2019-20	59,549	1,927,852	3.09%	4,114,967,000	69,102	29,550	2.4%	10.7%	41.1	97.2%	78.1%
2020-21	60,656	1,936,259	3.13%	4,378,045,000	74,485	30,900	4.9%	5.2%	41.6	97.2%	78.8%

Notes and Data Sources:

Population: California State Department of Finance. Unemployment Data: California Employment Development Department

Income, Age, and Education Data: ESRI - Demographic Estimates are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries

201- and later - Income, Age and education Data - US Census Bureau, most recent American Community Survey

**Reported Public School Enrollment reflects the total number of students in the Fremont Union High School District and Cupertino Union School District.

Previously published reports included Fremont Union High School District only.

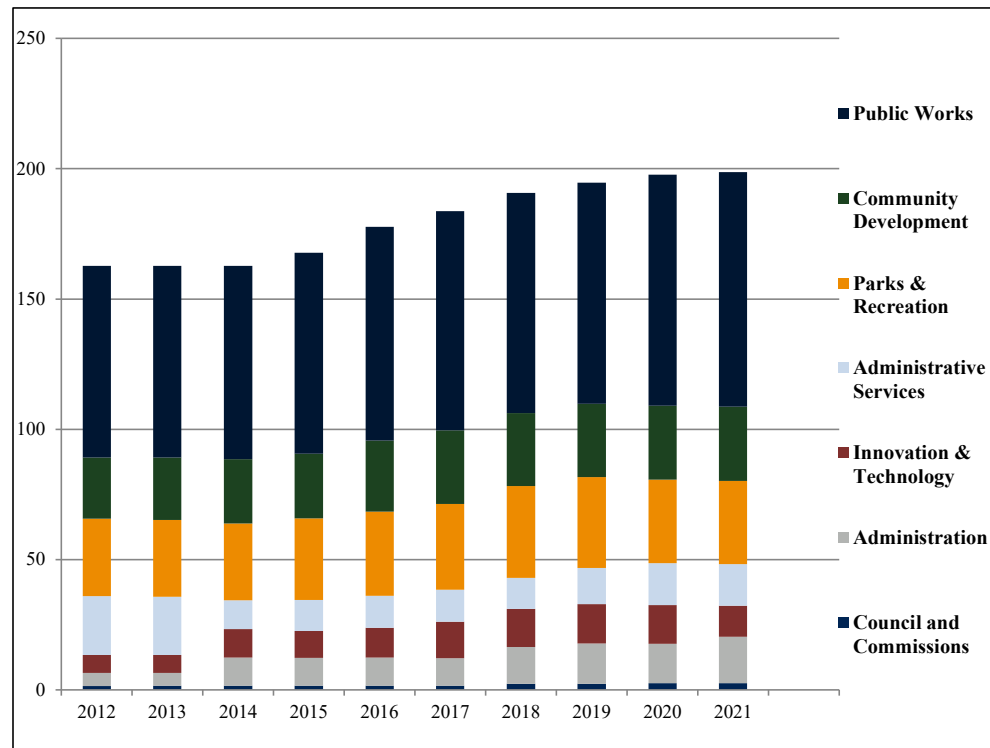
CITY OF CUPERTINO
2021 Employer Ranking
(Unaudited)

<u>Employer</u>	<u>Ranking</u>	<u>Employer</u>	<u>Ranking</u>
Apple	1	Panasonic Corporation	11
Cupertino Union School District	2	Pleasant View Convalescent Hospital	12
Corinthian International Parking Services	3	Sunny Retirement Home	13
Synophic Systems Inc.	4	City of Cupertino	14
De Anza Community College District	5	Ch Cupertino Owner LLC	15
Target Stores, Inc.	6	Zend Technologies Usa, Inc.	16
Fremont Union High School District	7	Mist Systems, Inc.	17
Forum Healthcare Center	8	County of Santa Clara	18
Whole Foods Market	9	Cupertino Lessee LLC	19
Mobileum, Inc.	10	Posh Bakery Inc.	20

Source: InfoUSA

CITY OF CUPERTINO
Full-Time Equivalent City Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Council and Commissions	1.47	1.52	1.57	1.55	1.60	1.55	2.35	2.35	2.51	2.53
Administration	5.05	5.05	10.75	10.75	10.85	10.57	14.12	15.47	15.15	17.85
Innovation & Technology	6.95	6.90	11.00	10.25	11.40	13.95	14.55	15.05	14.95	11.93
Administrative Services	22.48	22.26	11.00	12.00	12.30	12.30	12.00	14.00	16.00	15.90
Parks & Recreation	29.78	29.53	29.48	31.28	32.18	33.08	35.13	34.80	32.10	31.90
Community Development	23.43	23.90	24.83	24.80	27.30	28.18	28.08	28.13	28.29	28.49
Public Works	73.59	73.59	74.12	77.12	82.12	84.12	84.52	84.95	88.75	90.15
Law Enforcement	0.00	0.00	2.00	2.00	2.00	2.00	2.00	2.00	0.00	0.00
Total	162.75	162.75	164.75	169.75	179.75	185.75	192.75	196.75	197.75	198.75



Source: City of Cupertino Budget

CITY OF CUPERTINO
Operating Indicators by Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Law Enforcement Sheriff Response										
Priority One-Respond within 5 minutes	4.84 Min.	3.76 Min.	4.30 Min.	4.90 Min.	4.90 Min.	5.07 Min.	4.23 Min.	4.39 Min.	3.51 Min.	3.10 Min.
Priority Two-Respond within 9 minutes	6.44 Min.	5.98 Min.	6.39 Min.	6.56 Min.	6.56 Min.	8.00 Min.	7.49 Min.	6.23 Min.	6.37 Min.	5.96 Min.
Priority Three-Respond within 20 minutes	10.62 Min.	10.29 Min.	10.76 Min.	10.52 Min.	10.52 Min.	15.79 Min.	14.79 Min.	12.11 Min.	11.96 Min.	12.05 Min.
Public Works										
Street Sweeping	575 Curb Miles	575 Curb Miles	575 Curb Miles	575 Curb Miles	575 Curb Miles	534 Curb Miles	534 Curb Miles	534 Curb Miles	534 Curb Miles	534 Curb Miles
Street Maintenance	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call
Number of development permit applications received							428	434	428	230
Number of encroachment permits received							121	136	134	548
Storm Drain Inlets Inspected/Cleaned							815	1063	1638	1802
Roadway Signs Repaired/Replaced							404	721	346	1151
Number of trees planted vs. removed							53/67	155/192	164/190	197/187
Parks & Recreation										
Number of reservations at Quinlan Center							560	402	526	0
Number of rounds of golf at BBF Golf Course							28,193	27,205	28,952	43,650
Sports Center Memberships	1,776	1,852	1,950	2,000	1,989	2,015	1,850	1,952	1,802	1,792
Number of Senior Center classes offered							246	320	258	76
Senior Center Memberships	2,470	2,456	2,623	2,549	2,493	2,094	2,260	2,171	2,171	1,528
Quinlan Community Center Rental Revenue	\$133,000	\$120,000	\$109,342	\$110,033	\$104,150	\$128,778	\$72,948	\$139,590	\$139,590	\$0
Community Development										
Approved Building Plan Sets	93% Within 5 Days	92% Within 5 Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days
Discretionary Land Use Applications	99% Within 21 Days	99% Within 21 Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days
Public Notice of Upcoming Projects	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days
Number of preliminary reviews							82	90	110	163
Number of planning applications received							169	138	194	237
Number of permits received							2322	2,321	2,534	2,497
Number of inspections requested							16026	13,625	14,596	13,787
Administrative Services										
Accounts Payable Processing	7 Days	7 Days	7 Days	7 Days	7 Days	7 Days	7 Days	7 Days	7 Days	7 Days
Business License Renewal Certificates	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days
Number of regular recruitments							21	21	28	24
Number of new hires							26	16	14	21
Number of temporary new hires							101	105	38	17
Number of vendor checks processes							6793	6,536	5,906	4,457
Number of payroll checks process							10387	10,301	10,802	7,816
Number of business license applications							1294	1,154	1,032	1,061
Number of journal entries posted							2830	4,521	4,558	3,915
Number of receipts processed							9766	13,913	18,992	10,367
Library										
Volumes in Collection	-	-	-	361817	364,557	369,924	367,979	367,101	368,461	350,088
Annual Gate Count	-	-	-	869762	880,894	835,073	873,862	904,349	620,007	128,912
Annual Circulation Children's Items	-	-	-	1474996	1,544,095	1,448,265	1,453,173	1,535,842	1,192,880	1,207,878
Annual Circulation Adult and Teen Items	-	-	-	999766	1,032,326	950,453	980,609	1,049,166	831,114	750,602
Adult Classes and Events	-	-	-	209	215	242	206	207	396	459
Adult Classes and Events Attendance	-	-	-	11860	8,855	9,242	7,622	8,304	9,986	19,223
Teen Classes and Events	-	-	-	52	78	66	79	52	57	31
Teen Classes and Events Attendance	-	-	-	3393	3,135	2,571	2,495	1,283	8,495	7,151
Children's Classes and Events	-	-	-	458	493	440	426	424	477	464
Children's Classes and Events Attendance	-	-	-	25529	28,532	25,857	24,675	22,851	26,032	52,634
Volunteer Hours	-	-	-	11786	10,000	9,645	10,302	10,191	6,592	465

Sources: City of Cupertino and Santa Clara County Library District

CITY OF CUPERTINO
Capital Assets Statistics by Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Public Works										
Centerlane Miles of Streets	142	142	142	142	142	142	142	142	142	142
Streetlights	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950
Traffic Signals	39	48	48	48	48	48	52	52	52	52
Culture & Recreation										
Parks and Open Spaces	19	19	21	21	21	21	21	21	21	21
Park and Landscape Acreage	169	169	169	169	169	169	169	169	169	169
City Trails	1	1	3	3	3	3	3	3	3	3
Golf Courses	1	1	1	1	1	1	1	1	1	1
Community Center	1	1	1	1	1	1	1	1	1	1
Community Hall	1	1	1	1	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1	1	1	1	1
Sports Center	1	1	1	1	1	1	1	1	1	1
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	17	17	17	28	28	28	28	28	28	28
Sports Fields	41	41	41	41	41	41	41	41	41	41
City Library	1	1	1	1	1	1	1	1	1	1

Source: City of Cupertino

History

"This place of San Joseph Cupertino has good water and much firewood, but nothing suitable for a settlement because it is among the hills very near to the range of cedars which I mentioned yesterday, and lacks level lands."

When Spanish explorer San Juan Bautista De Anza traveled through California in 1776, he and his party documented these words about the land surrounding Stevens Creek, named back then as Arroyo San Joseph Cupertino. However, first impressions can often be misleading. Underneath the spiny, overgrown bush was a completely different land waiting to be uncovered. During this time, the area was populated by Native Americans who hunted and gathered, prospering from the abundant resources the land had to offer.

It wasn't until 1848 when the first American settler, Elijah Stephens, a blacksmith from South Carolina, moved to the area—at this time, named simply 'West Side' and primarily owned by the government. After crossing over the Sierra Nevada in wagons, he discovered the true value of the land underneath the bush, and proceeded to purchase over 300 acres of farmland to grow grapes and blackberries. Stephens pioneered the way for farmers, which established West Side as an agricultural hot spot. The land Stephens owned eventually became Blackberry Farm, and the road, creek, and reservoir were all named after him, although misspelled.

In early West Side, many of the newest advances in agriculture were being developed. Settlers were drawn to the land because of its rich earth, where they were able to grow products that competed on the world market. Once the bush had been cleared, they grew grapes, which covered the West Valley area with vineyards by the late 1800s. By the 1900s, a plant louse called Phylloxera spread throughout the vineyards, attacking the roots of the grape vines, killing the grapes and putting a halt to wine production. As a solution, nearly everything was replanted with fruit orchards. When the fruit trees blossomed, visitors would come to the orchards for "The Valley of Heart's Delight" festivals, which celebrated the prosperous agriculture of the West Valley area.

Apart from the farmland, West Side was primarily known as a crossroads, an intersection between Saratoga-Sunnyvale Road and Stevens Creek. This served as a way station for travelers to pass through while going from town to town. As more people came to West Side to take advantage of the rich farm land, more family holdings gathered around the cross-roads. Starting off as just a post office and home union store, West Side's humble cross-roads brought many diverse communities, all attracted by the preferable climate and profitable market for crops.

As more people were drawn to the area around the cross-roads, the orchards were gradually replaced with modern houses for workers. The population steadily grew, and the face of West Side changed, progressing to a more modern town. The community wanted to rename the city, as to not confuse it with other cities, as well as establish a unique identity. John T. Doyle, a

lawyer from San Francisco, and writer of historical anthologies on the area, chose the name “Cupertino” after the original name of the creek.

After the post-World War II population boom, the growing community petitioned for Cupertino to become an incorporated town. Members of the community were worried that the alternative to incorporation was to have parts of Cupertino annexed by surrounding cities, splitting up the community and erasing the local culture. To preserve the rural atmosphere, lower taxes for farmers, start a local government, and prepare for growth, Cupertino voted for incorporation. In 1955, Cupertino officially became the 13th city in Santa Clara County.

By the 1970s, Cupertino once again began to undergo dramatic changes. The growing community attracted several large technology corporations. Lockheed Martin, HP, Intel, and many other big names established themselves in the Silicon Valley. Apple Inc. was founded in Cupertino in 1976 and quickly grew into the tech giant it’s known for today.

In the late 20th century, Cupertino and the surrounding areas experienced another surge in population growth, this time due to the immigration of people from Asian countries. Immigration laws at the time were in the favor of families looking to move to the Silicon Valley. People immigrated here for a variety of reasons—whether they were aspiring for career prospects with major tech companies, or striving for a quality education for their children, everyone who immigrated here had a common goal: to find opportunities to work hard for a better life for themselves and their families.

2020 Community Economic Profile

Cupertino, with a population of 66,762 and City limits stretching across 13 square miles, is considered one of the most prestigious cities to live and work in the Bay Area.

Economic health is an essential component to maintaining a balanced city, which provides high-level opportunities and services that create and help sustain a sense of community and quality of life. Public and private interests must be mutual so that success as a partnership is a direct reflection of success as a community. The cornerstone of this partnership is a cooperative and responsive government that fosters residential and business prosperity and strengthens working relationships among all sectors of the community.

Because Cupertino is a mature, 93% built-out city, the City of Cupertino focuses on business retention and revitalization. Cupertino is world renowned as the home of high-tech giants, such as Apple, Inc. and Seagate Technologies, and as a community with stellar public schools. De Anza College, one of the largest single-campus community colleges in the country, is another major employer and a magnet for attracting local and international students. The City’s proactive economic development efforts have resulted in an innovative environment for start-ups and growing companies to thrive. The City strives to retain and attract local companies through active outreach and a responsive and customer-oriented entitlement process.

Cupertino is excited to have a number of new mixed-use development projects offering more retail and dining options, as well as provide additional housing opportunities to meet the needs of the growing community.



The Main Street and Nineteen800 mixed-use developments have created a vibrant downtown area for Cupertino, offering a large selection of restaurants and retailers, including Alexander's Steakhouse, Eureka!, Rootstock Wine Bar, Oren's Hummus, Lazy Dog, Ippudo, HaiDiLao Hot Pot Restaurant, Pressed Juicery, Orangetheory, 85 Degree Bakery, Somi Somi, Sul & Beans, Target Express, Kura Sushi, Vitality Bowls, Doppio Zero, Boiling Point and Jin Tea, Koja Kitchen, Bishops Cuts & Colors, Capezio, Howard's Shoes, Tan Cha, and Meet Fresh. Housing, office, and a new Residence Inn by Marriott are available to support the thriving area. Benihana, Bowlmor, and Ice Center Cupertino also serve as long-time anchors.

The construction of new retail and commercial development strengthens existing popular venues in Cupertino, including The Marketplace. The Marketplace has a variety of stores and restaurants popular with students, families, and working professionals. They include Galpao Gaucho, Daiso, Marukai Groceries, Harumi Sushi, La Patisserie Bakery, Beard Papa's, Legend's Pizza, Merlion Restaurant, Icicles, Kong's Tofu & BBQ, Rori Rice, One Pot Shabu Shabu, Olarn Thai, and Erik's DeliCafé to name a few.

Cupertino Village is undergoing renovations to upgrade existing buildings, construct new buildings, parking, and open-courtyard space. The shopping center is home to 99 Ranch Market, Duke of Edinburgh Pub & Restaurant, JSJ Street Kitchen, Kira Kira Beauty, MOD Pizza, Ten Ren Tea, Fantasia Coffee & Tea, Yoga Wave, Happy Lemon, Joy Luck Palace, Kee Wah Bakery, and many other Asian restaurants, bakeries, and shops.

Cupertino features many other retail opportunities, including TJ Maxx and Home Goods, Whole Foods, Target, Party City, and over 180 restaurants to serve residents and the local workforce. There are now seven hotels providing over 1,000 rooms, to serve the area: The Aloft Cupertino, Cupertino Hotel, Hilton Garden Inn, Juniper Hotel operated by Curio, Marriott Courtyard, the Residence Inn by Marriott, and the newest addition is the Hyatt House.

The redevelopment of the Homestead Square Shopping Center, located at Homestead Road and De Anza Boulevard, includes a 24-hour Safeway, Ulta Beauty, Ross Stores, Stein Mart, Pet Club, Michael's, Rite Aid, FedEx, and numerous restaurants, such as Fish's Wild, Pho Hoa Noodle Soup, Yayoi Teishoku Japanese Restaurant, Starbucks, and Chipotle.

Apple completed construction of its new corporate campus, Apple Park, which includes approximately 2.8 million square feet of office and R&D space north of Highway 280 between Wolfe Road and Tantau Avenue. A state-of-the-art Visitors Center, Observation



Deck, flagship retail store and café are open to the public seven days a week.

2020 City Profile

The City of Cupertino operates as a general law city with a City Council-City Manager form of government. Five council members serve four year, overlapping terms, with elections held every two years. The Council meets twice a month on the first and third Tuesday at 6:45 p.m. in Cupertino Community Hall. The meetings can be viewed on the City website.

The City has 197.75 authorized full-time benefited employee positions. Departments include:

- City Council & Commissions
- Administration (City Manager, City Clerk, City Attorney)
- Innovation Technology (GIS, Infrastructure, Applications)
- Administrative Services (Finance, Human Resources)
- Parks and Recreation (Business and Community Services, Recreation and Education, Sports, Safety, and Outdoor Recreation)
- Community Development (Planning, Building, Housing Services, Code Enforcement)
- Public Works (Environmental Programs, Developmental Services, Service Center, Grounds, Streets, Trees and Right of Way, Facilities and Fleet, Transportation, Storm Drain Management)
- Public Safety services are provided by the Santa Clara County Sheriff's Department and the Santa Clara County Fire District.

Assisting the City Council are several citizen advisory commissions and one committee including:

- | | |
|-----------------------------------|--------------------------------------------------------|
| • Audit Committee | • Planning Commission |
| • Fine Arts Commission | • Public Safety Commission |
| • Housing Commission | • Sustainability Commission |
| • Library Commission | • Teen Commission |
| • Parks and Recreation Commission | • Technology, Information and Communication Commission |

The Commissioners are appointed by Council and vacancies are announced so that interested residents can apply for the positions. For more information, visit cupertino.org/commissions.

Housing

Based on data from Corelogic the median sales price for an existing single-family home was \$2,080,000 in February 2020. For housing programs in Cupertino, please see "Programs & Applications."

Community Health Care Facilities

Cupertino is served by the Cupertino Medical Clinic, NovaCare Occupational Health Services. Nearby hospitals include Kaiser Permanente Medical Center in Santa Clara, El Camino Hospital in Mountain View, O'Connor Hospital in San Jose, Community Hospital of Los Gatos, Stanford Hospital in Palo Alto, and the Saratoga Walk-in Clinic in Saratoga.

Utilities

Gas & Electric

Pacific Gas and Electric, 800-743-5000

Phone

AT&T residential service, 800-894-2355

AT&T business service, 800-750-2355

Cable

Comcast, 800- 945-2288

Solid Waste & Recycling

Recology, 408-588-7200

Water

San Jose Water Company, 408-279-7900

California Water Service, 650-917-0152

Sewer Service

Cupertino Sanitary District, 408-253-7071

Tax Rates and Government Services

Residential, commercial, and industrial property is appraised at full market value as it existed on March 1, 1975, with increases limited to a maximum of 2% annually. Property created or sold since March 1, 1975 bears full cash value as of the time created or sold, plus the 2% annual increase. The basic tax rate is \$1.00 per \$100 (full cash value) plus any tax levied to cover bonded indebtedness for county, city, school, and other taxing agencies. Assessed valuations and tax rates are published annually after July 1.

Assessed Valuation (Secured and Unsecured)

Cupertino: \$26,013,180,424 (7/19)

County: \$516,068,803,614 (7/19)

Retail Sales Tax Distribution

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

Transportation

Rail: The CalTrain station is four miles north of Cupertino. The Amtrak station is 10 miles south.

Air: The San Francisco International Airport is located roughly 30 miles north, and the Mineta San Jose International Airport is located approximately 11 miles south.

Bus: Cupertino is served by the Santa Clara Valley Transportation Authority. The routes listed below pass through the City. For Cupertino-specific schedules and maps visit their online website:

Route 23 San Jose – Mountain View/Palo Alto

Route 25 San Jose – De Anza College

Route 26 Eastridge – Lockheed

Route 36 East San Jose – Vallco
Route 51 Vallco – Moffett/Ames
Route 53 Westgate – Sunnyvale
Route 55 De Anza – Great America
Route 81 East San Jose – Vallco
Express 101 Camden/Branham – Palo Alto
Express 501 Palo Alto – I.B.M Bailey

Car: The City of Cupertino is in the heart of the world-renowned Silicon Valley. The major highway transportation facilities are Interstate Route 280 and State Route 85 freeways. The City is linked internally by several principal arterials and Santa Clara County expressways. Principal arterials are De Anza Boulevard, Stevens Creek Boulevard, and Wolfe Road. Nearby expressways are Lawrence Expressway and Foothill Expressway.

Sister Cities

City of Cupertino recognizes the value of developing people-to-people contacts by strengthening the partnerships between the city and its four sister cities of Cupertino, Italy; Hsinchu, Taiwan; Toyokawa, Japan, and Bhubaneswar, India. Cupertino's Sister City partnerships have proven successful in fostering educational, technical, economic, and cultural exchanges. Over the years, there have been many delegations visiting both the cities as well as many local students participating in annual student exchange programs.

Education

Winners of numerous state and national awards for excellence, Cupertino's schools are widely acknowledged as models of quality instruction.

Cupertino Union School District serves over 18,000 students in a 26 square mile area that includes Cupertino and portions of five other cities. The district has 20 elementary schools and five middle schools, including several choice programs. Eighteen schools have received state and/or national awards for educational excellence.



Student achievement is exceptionally high. Historically, district test scores place Cupertino among the premier public school districts in California. The district is a leader in the development of standards-based system of education and is nationally recognized for leadership in the use of technology as an effective tool for learning. Quality teaching and parent involvement are the keys to the district's success.

The Fremont Union High School District serves 10,000 students in a 42 square mile area covering all of Cupertino, most of Sunnyvale, and portions of San Jose, Los Altos, Saratoga, and Santa Clara. The five high schools of the district have garnered many awards and recognition based on both the achievement of students and the programs designed to support student

achievements. Many high schools in the district exceed their established achievement targets for the State Academic Performance Index. District students are encouraged to volunteer and provide service to organizations within the community. During their senior year, if students complete 80 hours of service to a non-profit community organization, they are recognized with a "Community Service Award" medal that may be worn at their graduation ceremonies.

Building on its tradition of excellence and innovation, De Anza College challenges students of every background to develop their intellect, character, and abilities; to achieve their educational goals; and to serve their community in a diverse and changing world.



De Anza College offers a wide range of quality programs and services to meet the work force development needs of our region. The college prepares current and future employees of Silicon Valley in traditional classroom settings and customized training arranged by employers. Several De Anza programs encourage economic development through college credit courses, short-term programs, services for manufacturers, technical assistance, and/or recruitment and retention services.

Programs & Applications

Community Outreach Programs

Leadership 95014

Leadership 95014 is a program designed by the City of Cupertino, Wilfred Jarvis Institute, and other local sponsors to offer an exciting adult program that is guaranteed to enhance the participants' leadership skills. The ten full-day sessions feature inside looks at local governments, the social sector, local non-profit organizations, and educational institutions. This 9-month program is offered annually, September to May, and applications can be found online.

Neighborhood Block Leader Program



Good neighborhoods are those where neighbors work together on common issues and look out for each other. Block leaders take extra steps to connect neighbors and build community, making our neighborhoods safer and more harmonious. The Block Leader Program teaches residents how to get to know their neighbors and how to organize activities so neighbors can more easily communicate with each other. Block leaders are vital links between City Hall and the neighborhoods, and leaders gain the inside track on neighborhood development activities.

Neighborhood Watch

Neighborhood Watch is a crime prevention program that enlists the active participation of citizens in cooperation with law enforcement to reduce crime in our communities. The program involves: neighbors getting to know each other and working together in a program of mutual assistance; citizens being trained to recognize and report suspicious activities in their

neighborhoods; and implementation of crime prevention techniques such as home security and operation identification. To organize a Neighborhood Watch program in your neighborhood, please contact the Neighborhood Watch Coordinator at 408-777-3177.

eCAP

Email Community Alert Program (eCAP) was created by the Santa Clara County Sheriff's Office to prevent and reduce crime by raising community awareness, minimizing opportunities for crime, and increasing the possibility of solving crimes with the public's help. Cupertino residents may voluntarily register their email addresses with the Sheriff's Office for community alert messages. Citizens can sign-up at a Neighborhood Watch meeting or log-on to the City of Cupertino's eCAP online registration.

Affordable Housing: BMR (Below Market Rate) Program

The City of Cupertino requires 15% of all new construction be affordable to households below 120% of the County median income. Rental units are affordable to very low and low-income households while ownership units are affordable to median and moderate-income households.

The City of Cupertino contracts with West Valley Community Services (WVCS) to screen and place qualified households in most of the city's BMR units. WVCS maintains a waiting list of interested persons for these BMR units. If interested, please call 408-255-8033. More information can be found online.

Smart Phone Applications



Mobile 95014

City of Cupertino's Mobile 95014 app offers latest listing of Cupertino news and events as well as local parks, schools, and recreation offerings in the city. This app showcases environmental services and community services such as Block Leaders and Neighborhood Watch programs. Users can learn about public safety and contact City Council members and City officials. The app also offers links to Cupertino's social media sites.

Trees 95014

Trees 95014 is an iPhone/iPad and Android app which provides details about the city-planted trees in Cupertino. Users can search for trees by street name or by current location. The search results show the picture of the tree and details such as location, height, diameter, and species. Cupertino residents can also sign up their tree, name their tree, and request tree service through this app.

Eats 95014

Eats 95014 is the local restaurant app that showcases Cupertino's dining options such as restaurants, grocery stores, farmers' markets, and vineyards. The app provides information on the services offered at such eating places including store hours, parking information, noise level, directions, and website link.



Ready 95014

Ready 95014 is an app that puts safety information into the hands of Cupertino residents. Steps to prepare and respond to emergencies including earthquakes, floods, fires, and pandemics are outlined in an easy-to-understand format. The app also streams Cupertino's own AM radio station (1670 AM) and has a map of the City's Area Resource Centers, satellite locations opened after disasters to provide public assistance.

Website Applications

Cupertino.org/ShopAndDine

This interactive website app offers users mapping features of current Cupertino businesses and restaurants.

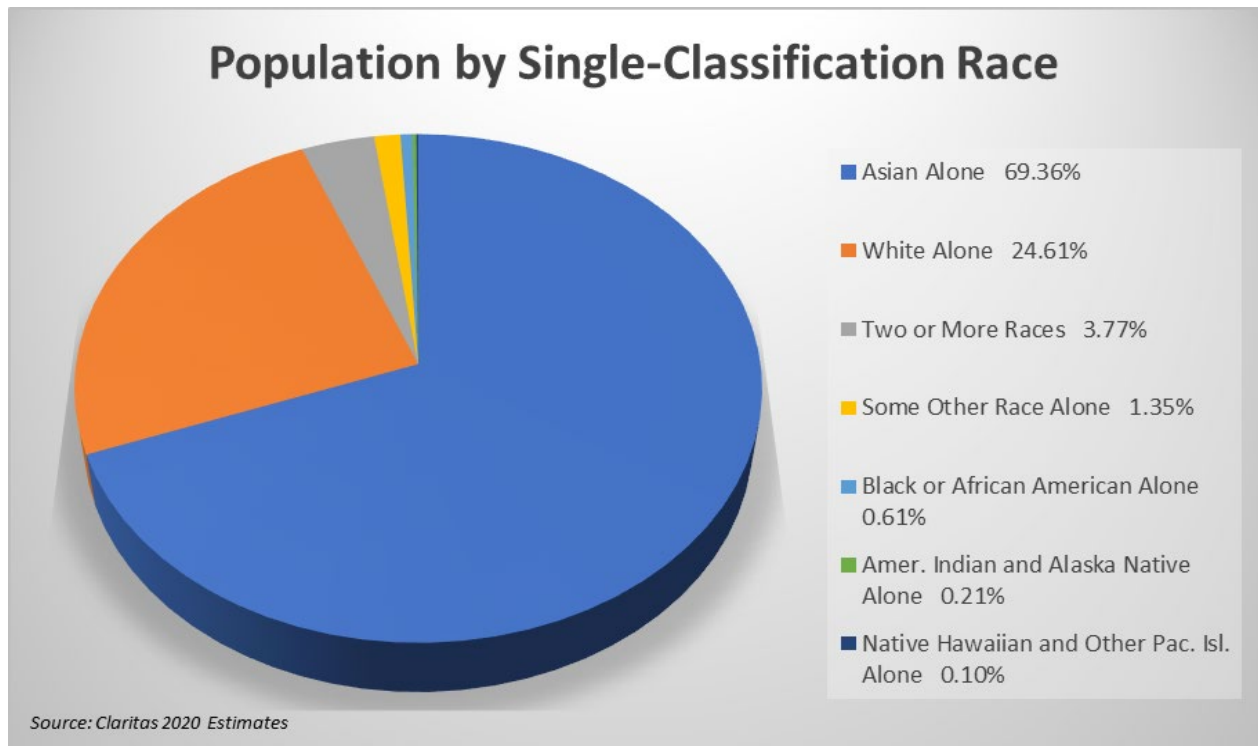
Community Statistics

Facts and Figures¹

Population in City Limits	66,762
Average Household Income	\$242,777
Average Age	40.4
Registered Voters	28,539
Democrats	11,113
Republicans	4,648
American Independent	402
Other	218
No Political Party Designated	12,158

¹ Claritas 2020 Estimates and California Statewide Direct Primary Election June 5, 2018

Top 25 Sales Tax Producers Fourth Quarter 2019 in Alphabetical Order			
7 Eleven	BJ's Restaurant & Brewhouse	Lazy Dog Cafe	TJ Maxx
99 Ranch Market	California Dental Arts	Rotten Robbie	Ulta Beauty
Alexander's Steak House	Chevron	Safeway	Valero
Alliance	Estel Group	Seagate Technology	Whole Foods Market
Apple	Galpao Gaucho	Shane Company	
Argonaut Window & Door	Haidilao Hot Pot	Shell	
Benihana	Insight Direct	Target	



Community and Recreation Services

Blackberry Farm

Blackberry Farm has been upgraded and restored to improve the natural habitat for native trees, animals, and fish. Improvements to the park include construction of a new ticket kiosk, replastered pools, a new water slide, bocce ball, horseshoe courts, and numerous upgrades to the west bank picnic area. The park is located at 21979 San Fernando Avenue. Telephone: 408-777-3140.

The Blackberry Farm Golf Course is located at 22100 Stevens Creek Boulevard. Telephone: 408-253-9200.

The Quinlan Community Center

The City of Cupertino's Quinlan Community Center is a 27,000 square foot facility that provides a variety of recreational opportunities.

Most prominent is the Cupertino Room - a multi-purpose room that can accommodate 300 people in a banquet format.

Telephone: 408-777-3120.

Cupertino Sports Center

The Sports Center is a great place to meet friends. The facility features 17 tennis courts, complete locker room facilities, and a fully-equipped fitness center featuring free weights, Cybex, and cardio equipment. A teen center and a child-watch center are also included. The center is located at the corner of Stevens Creek Boulevard and Stelling Road. Telephone: 408-777-3160.

Cupertino Senior Center

The Senior Center provides a welcome and friendly environment for adults over age 50. There is a full calendar of opportunities for learning, volunteering, and enjoying life. There are exercise classes, computer lab classes, and English as a second language classes, and cultural and special interest classes. The center also coordinates trips and socials.

The Senior Center is located at 21251 Stevens Creek Boulevard and is open Monday through Friday, 8 a.m. to 5 p.m. Telephone: 408-777-3150.

Civic Center and Library

The complex has a 6,000 square foot Community Hall, plaza with fountain, trees, and seating areas. City Council meetings, Planning Commission sessions, and Parks and Recreation Commission sessions are held in the Community Hall.

The 54,000 square foot library continues to be one of the busiest libraries in the Santa Clara County Library system. For more information, call 408-446-1677.

McClellan Ranch Park

A horse ranch during the 1930's and 40's, this 18-acre park has the appearance of a working ranch. Preserved on the property are the original ranch house, milk barn, livestock barn, and two historic buildings: Baer's Blacksmith Shop, originally located at DeAnza and Stevens Creek, and the old water tower from the Parish Ranch, now the site of Memorial Park. Rolling Hills 4-H Club members raise rabbits, chickens, sheep, swine, and cattle. The Junior Nature Museum, which features small live animal exhibits and dispenses information about bird, animal, and plant species of the area, is also located at the ranch. The newly opened Environmental Education Center has Open House hours on Friday, Saturday, and Sunday. McClellan Ranch is located at 22221 McClellan Road. Telephone: 408-777-3120.

Things to Do and See

Euphrat Museum of Art

The highly regarded Euphrat Museum of Art, at its new location next to the new Visual Arts and Performance Center at De Anza College, presents one-of-a-kind exhibitions, publications, and events reflecting the rich diverse heritage of our area. The Museum prides itself on its changing exhibitions of national and international stature emphasizing Bay Area artists. Museum hours are 10 a.m. – 3 p.m. Monday through Thursday. Telephone: 408-864-5464

Apple Park Visitor Center, Store & Café

A state-of-the-art Visitors Center, Observation Deck, flagship retail store and café are open to the public seven days a week. The Visitor Center is located at 10600 N Tantau Avenue. Free parking is available. For more information, visit the website at www.apple.com/retail/appleparkvisitorcenter or call 408-961-1560.

Fujitsu Planetarium

The Fujitsu Planetarium on the De Anza College campus is a must-visit Cupertino facility for stargazers. It hosts a variety of planetarium shows and events, including educational programs for school groups and family astronomy evenings. For more information, visit the website at <http://planetarium.deanza.edu> or call 408-864-8814.

Cupertino Historical Society

The Cupertino Historical Society was founded in 1966 by a group of 177 longtime residents and is dedicated to the preservation and exhibition of the city's history. Their museum, located at the Quinlan Community Center, develops and expands the learning opportunities that it offers to the ethnically diverse community of the City of Cupertino. Telephone: 408-973-1495.



Farmers' Markets

There are two farmers' markets located in the City of Cupertino. One is held on Fridays from 8:30 a.m. to 1:00 p.m. at Creekside Park located at 10455 Miller Avenue, and the other is held

every Sunday from 9:00 a.m. to 1:00 p.m. at The Oaks Shopping Center, 21275 Stevens Creek Blvd.

California History Center

The California History Center and Foundation is located on the De Anza College campus. The center has published 37 volumes on California history and has a changing exhibit program. The center's Stockmeir Library Archives boast a large collection of books, pamphlet files, oral history tapes, videotapes, and a couple thousand student research papers. The library's collection is for reference only. Heritage events focusing on California's cultural and/or natural history are offered by the center each quarter. For more information, call 408-864-8987. The center is open September through June, Tuesday through Thursday, from 9:30 a.m. to noon and 1:00 p.m. to 4:00 p.m.

Local Wineries

The Santa Cruz Mountains has played a pivotal role in the history of winemaking in California, with roots going back over 100 years, and including legendary winemakers such as Paul Masson, Martin Ray, David Bennion (Ridge), and David Bruce. The Santa Clara Valley Wine Trail features wineries in the southern portion of Santa Clara County, including Cupertino. Take some time to enjoy Cupertino-based wineries: Fellom Ranch Vineyards, Naumann Vineyards, Picchetti Winery, R&W Vineyards, Ridge Vineyards, and Vidovich Vineyards, as well as the breathtaking scenery of the surrounding foothills.



Photo courtesy of Ridge Vineyards