



CITY MANAGER'S OFFICE

CITY HALL

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CITY COUNCIL STAFF REPORT

Meeting: March 3, 2015

Subject

Consideration and approval of the Mid-Year Financial Report and recommended budget adjustments for fiscal year (FY) 2014-2015

Recommended Action

1. Accept the City Manager's Mid-Year Financial Report
2. Approve the Mid-Year adjustments for fiscal year 2014-2015 as described in the Mid-Year Financial Report
3. Adopt resolution approving Mid-Year budget adjustments

Background

On July 1, 2014, the City Council adopted a \$119.5 million spending plan for the City of Cupertino as part of the FY 2014-15 Budget. Council received an update on City's spending plan as of September 30, 2014 as part of the City Manager's First Quarter Financial Report, which revised the budget to account for carryover expenditure appropriations and encumbrances from FY 2013-14, the majority of which is related to Apple Campus 2 development activity (\$9.1 million) that is offset by revenue. In addition, Council approved \$7.6 million in additional expenditures in the first two quarters of the fiscal year. These FY 2014-15 budget adjustments are summarized in the table below:

Fund	FY14-15 Final Adopted	Carryovers	Encumbrances	Adjustments Approved in 1 st -2 nd Quarter	FY14-15 Amended Budget as Dec 31, 2014
General	\$77,551,969	\$1,237,993	\$11,016,733	\$21,831	\$89,828,526
Special Revenue	16,264,869	382,609	1,694,861	3,188,922	21,531,261
Debt Service	3,171,838	0	0	0	3,171,838
Capital Projects	4,968,000	0	3,181,177	3,373,359	11,522,535
Enterprise	10,228,239	104,959	189,787	1,017,564	11,540,549
Internal Service	7,291,497	8,183,456	157,910	0	15,632,863
Total All Funds	\$119,476,412	\$9,909,017	\$16,240,468	\$7,601,676	\$153,227,573

Discussion

The Mid-Year Report primarily deals with the status of the City's budget as of December 31, 2014 and recommends adjustments to ensure the budget reflects the

City's current revenue outlook and is responsive to changing spending priorities. As shown in the chart below, \$18.8 million in budget adjustments are being requested as part of the Mid-Year Financial Report. It is important to note that \$15.1 million of this requested adjustment represents a General Fund transfer to Special Revenue and Capital funds. If approved, the City's new spending plan would total \$172.0 million.

Mid-Year Expenditure Requests by Fund

Fund	Amended Budget as of Dec 31, 2013	Requested Mid-Year Adjustments	Year End Projections
General Fund	\$89,828,526	\$8,961,000	\$98,789,526
Special Revenue	21,531,261	7,995,000	29,526,261
Debt Service	3,171,838	0	\$3,171,838
Capital Projects	11,522,535	1,785,000	\$13,307,535
Enterprise	11,540,549	0	\$11,540,549
Internal Service	15,632,863	50,000	\$15,682,863
Total All Funds	\$153,227,573	\$18,791,000	\$172,018,573

General Fund Update

Revenue

Year-end projections for all revenue accounts are completed based on a rolling 5-year average of actual revenue collected as of the mid-way point of the year and at year end. If any new revenues are identified they are added to the revenue projections and if a valid trend line is not identified further research is conducted to determine a year-end projection. The sale of Pruneridge Avenue to Apple Inc. closed in December 2014, resulting in a \$23.8 million increase to the City's Miscellaneous Revenue category and increasing the General Fund revenue projection to \$89.1 million.

Category	FY2013-14 Amended Budget	FY2013-14 Requested Adjustment	FY2013-14 Year End Projections
Sales Tax	\$18,288,000	\$0	\$18,288,000
Property Tax	15,067,000		15,067,000
Transient Occupancy	4,510,000	0	4,510,000
Utility Tax	3,100,000	0	3,100,000
Franchise Fees	2,897,000	0	2,897,000
Other Taxes	5,020,000	0	5,020,000
Licenses & Permits	1,074,000	0	1,074,000
Use of Money & Property	724,000	0	724,000
Intergovernmental Revenue	791,000	0	791,000
Charges for Services	13,251,289	0	13,251,289
Fines & Forfeitures	550,000	0	550,000
Miscellaneous /Non-Op	17,000	23,814,257	23,831,257
TOTAL REVENUE	\$56,112,500	\$32,991,046	\$89,103,546

Expenditures

As of mid-year, several departments are requesting adjustments totaling \$9.0million, most of which is needed for infrastructure improvements. Of this amount, \$7.5 million represents a transfer from the General Fund to the Transportation Fund for pavement maintenance projects in FY 2015-16. This adjustment will allow the Public Works Department to attract early competitive bids in spring as most nearby cities will compete for pavement maintenance bids in the summer after their FY 2015-16 budgets are finalized.

These requests are funded by increases in revenue and General Fund unassigned fund balance. These requests are summarized in the Mid-Year Report.

Fund Balance

As part of the Mid-Year Financial Report the City projects unassigned fund balance for Fiscal Year 2013-14 is estimated to total \$795,287, a decrease of \$40,932 or 4.8% over the first quarter projection.

Sustainability Impact

No sustainability impact

Fiscal Impact

The Mid-Year Financial Report shows the City is well-positioned to move forward. City staff will continue to monitor the 2014-15 Fiscal Year Amended Budget and be prepared to make recommendations and changes based on business needs and Council priorities before June 30, 2015. The City will continue to prudently use one-time development-related revenues for one-time infrastructure investments and projects that address business needs or improve the quality of life of Cupertino residents.

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Approved for Submission by: David Brandt, City Manager

Attachments:

A: Mid-Year Financial Report for Fiscal Year 2014-2015

B: Mid-Year Budget Resolution

C: Budget Journals