



MID-YEAR REPORT

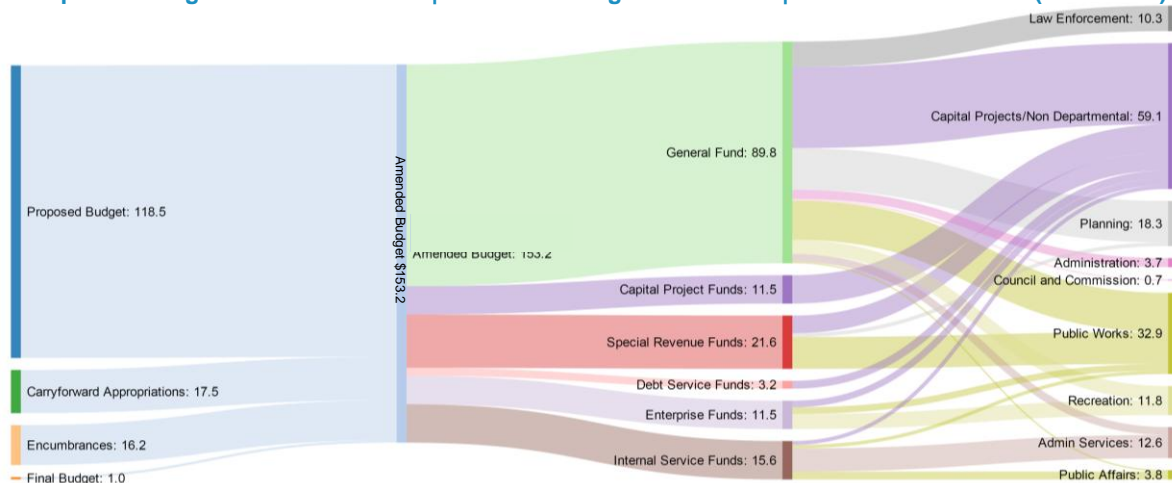
CUPERTINO

The following is the Mid-Year Financial Report for the period of July 2014-December 2014 for the 2014-2015 Fiscal Year. It has been prepared to inform the City Council, City leadership and the public of the City's financial status at the mid-point of this fiscal year. The report provides revenue and expenditure summaries and recommends adjustments to City budgets needed since the adoption of the Final Budget in June 2014.

BACKGROUND

On July 1, 2014, the City Council adopted the Fiscal Year 2014-15 Final Budget for the City of Cupertino. This spending plan of \$119,476,412 for all funds reflected a 0.8% or \$969,890 increase from the 2014-15 Proposed Budget of \$118,506,522. This is due to changes recommended by Council at the final budget hearing and adoption, mainly as a result of the \$1 million in additional funding for pavement projects. The Final Budget is adjusted throughout the year. These adjustments include carrying forward appropriations and encumbrances for obligations from the previous fiscal year as well as adjustments approved as part of any separate Council agenda item. Combined, these adjustments result in the amended operating budget of \$153,127,573.

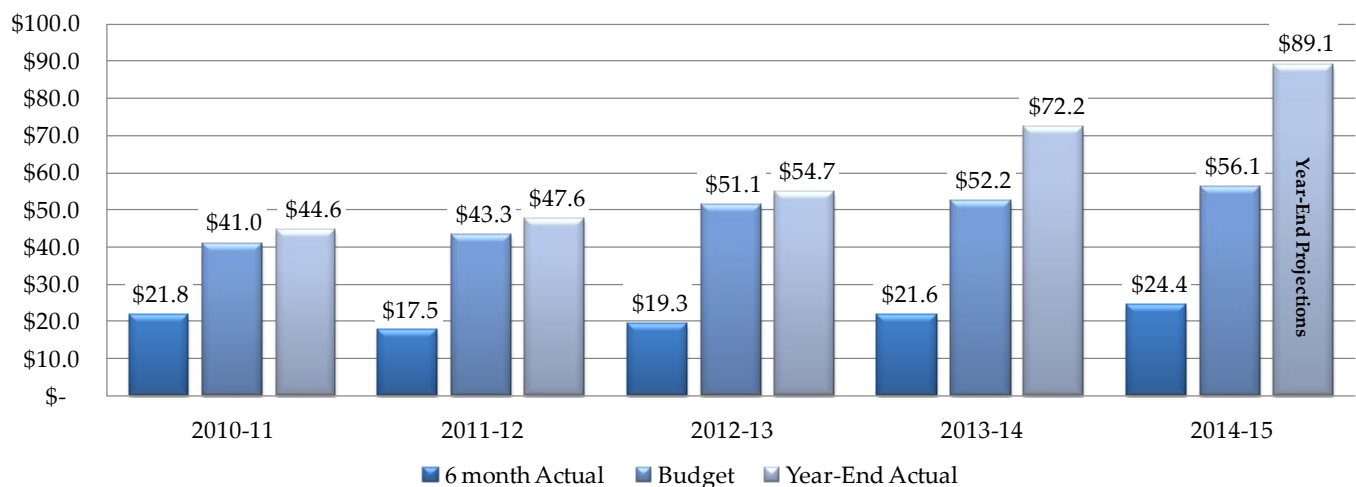
Proposed Budget thru the Mid-Year | Amended Budget FY 2014-15 | Flow of Funds Chart (in Millions)



GENERAL FUND UPDATE

Revenues

General Fund—General Fund Revenue Five Year Comparison

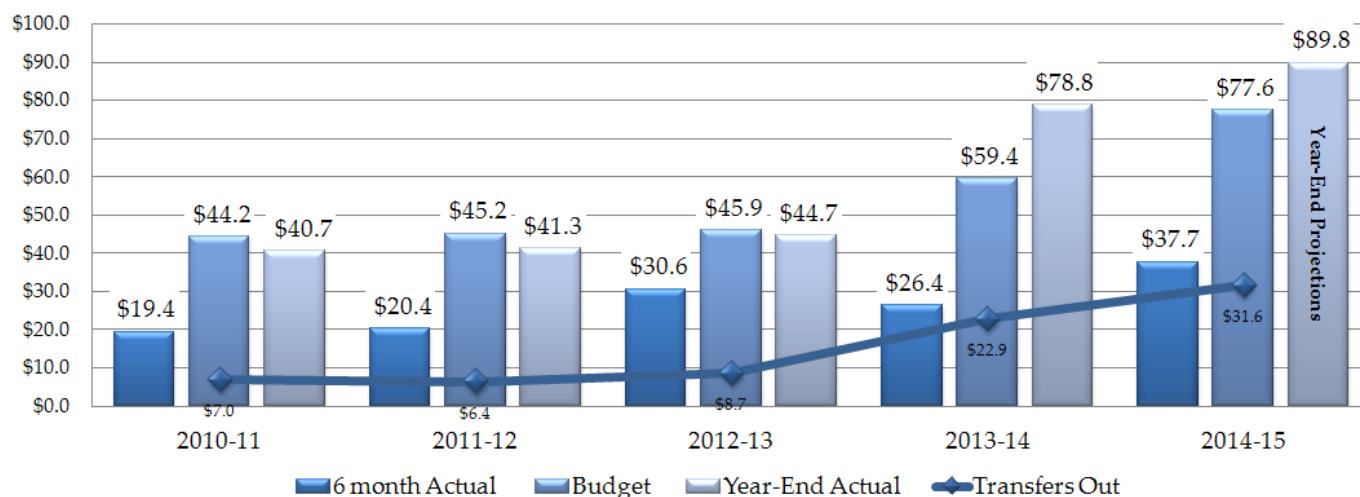


GENERAL FUND UPDATE (continued)

General fund revenue is expected to the end the fiscal year within projected revenue in all but one category. The increase in miscellaneous revenue is driven by the sale of Pruneridge Avenue to Apple Inc. as part of the Apple Campus 2 development agreement. The sale price of the property is \$23,814,257 and escrow on the property was expected to close sometime in April 2014 but unexpected delays resulted in the sale closing in December 2014. It is recommended that the City update revenue projections to include an additional \$23,814,257 in miscellaneous revenue for total General fund revenue of \$89,103,546.

Expenditures

General Fund—General Fund Expenditure Five Year Comparison



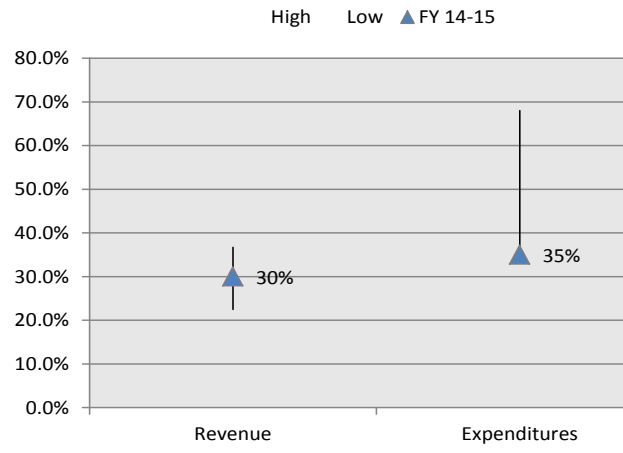
As of mid-year, several departments have identified necessary budget adjustments to ensure they end the year within budgeted appropriations. The requests across all funds totaled \$18,791,000. The bulk of these requests are funded with general fund revenue and total \$8,961,000. The Year-End Projected expenditures for 2014-15 above (\$89.8 million) do not include these requests, but do include adjustments made throughout the year as referenced on page 1. If approved, projected General Fund expenditures would increase to \$98,789,526. The majority of these adjustments are related to a request to prefund FY2016 pavement maintenance costs of \$7.5 million. These requests are summarized below:

Department	Expenditure	Fund Source		Description
		Revenue	Fund Balance	
Administration-City Attorney	47,000	-	47,000	Litigation matters that commenced after the start of the fiscal year, and legal costs related to the Climate Action Plan.
Public Affairs	70,000	-	70,000	Part time costs for City Hall front desk coverage (\$15k) and increased contract costs for project-related services, including a second Commissioner Dinner and expanded Wi-fi to the Service Center (\$55k)
Administration-Economic Development	120,000	-	120,000	Missed carryover costs from prior year for Economic Development Strategic Plan study
Public Works-Blackberry Farm Maintenance	70,000	-	70,000	Emergency sand filter and pump repairs at the BBF pool and staff overtime charges to address the repair work
Public Works-City Hall Building Maintenance	100,000	-	100,000	Repair work needed for two chiller pump motors and two gas pressure relief valves that failed unexpectedly in addition to rising electrical charges
Recreation and Community Services	(92,484)	-	-	Transfer out of a vacant Maintenance Worker I/II to Public Works
Public Works	92,484	-	-	Transfer in of a Maintenance Worker I/II from Recreation

Department	Expenditure	Fund Source		Description
		Revenue	Fund Balance	
Recreation and Community Services-Facilities and Events	128,500	-	128,500	\$14,500 repairs and precautions for 4th of July program; \$114,000 to furnish Quinlan improvements
Recreation and Community Services-Park Master Plan	500,000	-	500,000	Citywide Park Master Plan
Recreation and Community Services-Blackberry Farm	36,000	-	36,000	Blue Pheasant Restaurant - \$22k for HVAC replacement and \$14k for other repairs
Recreation and Community Services-Parks	33,000	-	33,000	\$33k for two appraisals and soil testing on the Lawrence Mitty parcel
Recreation and Community Services-Parks	55,000	-	55,000	Corridor Master Plan Additional Analysis - \$20k wetlands delineation study at McClellan Ranch, \$20k Grade Separation study linking Stevens Creek Trail to the north and south, and \$15k for Golf Course analysis
Admin Services - Insurance Administration	251,500	-	251,500	Insurance administration and increased claims costs
Non-Departmental Transfer Out	7,550,000	-	7,550,000	Transfer out to various funds, including Transportation for street pavement maintenance (\$7.5m) and Internal Service Funds (\$50k)
Total General Fund	\$ 8,961,000	\$ -	\$ 8,961,000	

General Fund Trends and Fund Balance

As of December 31, 2014, General Fund expenditures are \$37.7 million; this represents 35% of the budgeted appropriations. Expenditures at the mid-year point of the prior three years were between 34% and 68% of the final actual expenditures, placing this year within the range. General Fund revenues are at \$79.9 million; this represents 30% of the budgeted revenue. Revenues at the mid-year point of the prior three years were between 22% and 36%, placing this year within the range.



CLASSIFICATION	Actual 2013-14	Adopted 2014-15	1st Quarter 2014-15	Mid Year 2014-15
<u>Non Spendable</u>	3,363,065	1,003,439	1,003,439	3,363,065
<u>Restricted</u>	-	695,564	695,564	-
<u>Committed</u>	-	-	-	-
<u>Assigned</u>				
Economic Uncertainty I	12,500,000	18,000,000	18,000,000	18,000,000
Economic Uncertainty II	1,400,000	-	-	-
Economic Fluctuation	2,000,000	1,400,000	1,400,000	1,400,000
PERS	500,000	100,000	100,000	100,000
Reserve for Encumbrances	1,267,233	172,659	172,659	11,081,064
Revenue Liability	3,920,000	8,940,000	8,940,000	-
General Building	1,148,549	603,739	603,739	-
I-280 Trail Study per Apple DA Agreement	250,000	250,000	250,000	250,000
Wolfe Road Transportation Study per Apple DA Agreement	1,000,000	1,000,000	1,000,000	1,000,000
Assigned	23,985,782	30,466,398	30,466,398	31,831,064
Unassigned	18,331,549	836,219	836,219	795,287
TOTAL FUND BALANCE	45,680,396	33,001,620	33,001,620	35,989,416

Changes in Fund Balance are due primarily to removal of the Revenue Liability assignment, a one-time revenue from the sale of Pruneridge Avenue, and a transfer to the CIP Fund to accelerate a street pavement project intended for next fiscal year to be completed this fiscal year.

Mid-Year Budget Adjustment Recommendations

Department	Expenditure	Fund Source		Description
		In From GF	Fund Balance	
Total General Fund	\$ 8,961,000	\$ -	\$ 8,961,000	
Community Development - BMR Housing	45,000	-	45,000	Missed carryover costs from prior year for Nexus Study
Public Works-Street Pavement Maintenance	200,000	Offset with revenue reimbursement	-	Up to \$200k adjustment for increased charges related to pavement maintenance project costs that will be reimbursed for work performed in the City of Los Altos and contractual items owed by utility companies
Bicycle and Pedestrian Facility Improvements	250,000	-	250,000	To implement priority improvements recommended as part of the proposed update to the Bicycle Transportation Plan
Public Works-Street Pavement Maintenance	7,500,000	7,500,000	-	Advance of anticipated FY16 Street Pavement maintenance budget due to information that most cities in the Valley are anticipating high levels of pavement maintenance this coming summer, and being the first contract to the bid market this spring will likely provide more competition and better value and more timely coordination of pavement improvements near schools
Total Special Revenue Funds	\$ 7,995,000	\$ 7,500,000	\$ 295,000	
Sport Center Tennis Court Paving Project	500,000	-	500,000	Advance Sport Center Lighting project funded in the FY16 CIP to FY15 and combine with Sport Center Tennis Court Paving project to allow for cost and effort efficiencies
Monta Vista Storm Drain System (Orange and Byrne)	1,190,000	-	1,190,000	Increased costs based on plans developed since the start of FY15 due to rising construction costs
Green Bike Lanes	95,000	-	95,000	City Council directed project to enhance 1,700 linear feet of bike lanes with green pavement treatment around the tri-school area and Cupertino High School
Total Capital Project Fund	\$ 1,785,000	\$ -	\$ 1,785,000	
Public Affairs - Information Technology	50,000	50,000	-	Increased Help Desk and network support to allow IT to complete approved Work Plan projects
Total Internal Service Funds	\$ 50,000	\$ 50,000	\$ -	
TOTAL ALL FUNDS	\$ 18,791,000	\$ 7,550,000	\$ 11,041,000	

SUMMARY

Recommendations contained in this report will result in additional appropriations of \$18.8 million in expenditures and \$24.0 million in revenues. These appropriations are needed to reflect revenue from the carryover of proceeds from Pruneridge (\$23.8 million) and reimbursement of \$0.2 million in special revenue, and to reflect expenditures resulting from the use of General Fund fund balance of \$9.0 million, use of fund balance of \$2.1 million in other Funds, and \$7.6 million for appropriations needed in other funds to document expenditures covered by transfers in from the General Fund. City staff will monitor the FY2014-15 Amended Budget and make appropriate recommendations and changes if necessary before June 30, 2015.