



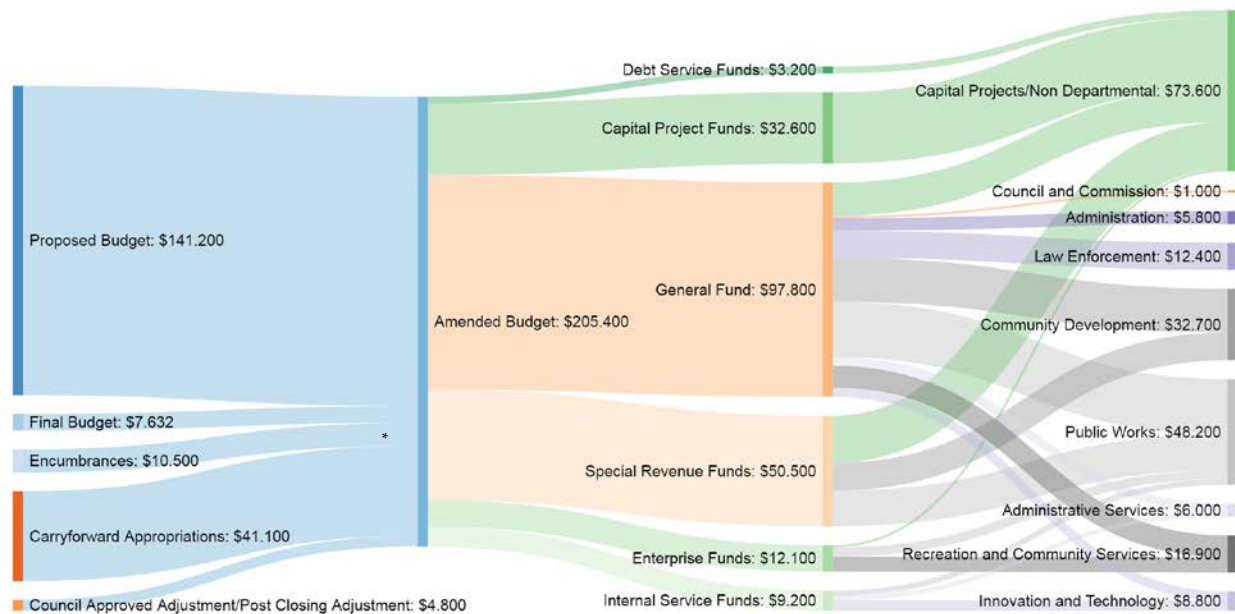
FY 2017-18

# MID-YEAR REPORT

The following is the Mid-Year Financial Report, submitted by the Administrative Services Department for the period of October 1, 2017 to December 31, 2017 for the 2017-2018 Fiscal Year. It has been prepared to inform the City Council, City leadership and the public of the City's fiscal status.

**BACKGROUND** - On June 20, 2017, the City Council adopted the Fiscal Year 2017-18 Final Budget for the City of Cupertino. On December 5, 2017, Council received an update on the City's spending plan as part of the City Manager's First Quarter Financial Report, which revised the budget to account for encumbrances of \$10,532,154 and carryover appropriations of \$41,133,535 from FY 2016-17. In the first two quarters of FY 2017-18, Council approved \$4,815,182 in adjustments mostly related to the acquisition of property on Byrne Road, the Vallco Specific Plan, and a donation to the Bike Plan Implementation. In addition, there was a decrease of \$3,925,080 in the Internal Service fund (ISF) mostly related to an operating transfer to the General Fund in order to consolidate the City Channel/Web internal service fund with the City's General Fund. This resulted in an amended budget of \$205,349,050.

## Proposed Budget through the Mid-Year | Amended Budget FY 2017-18 | Flow of Funds Chart (in Millions)



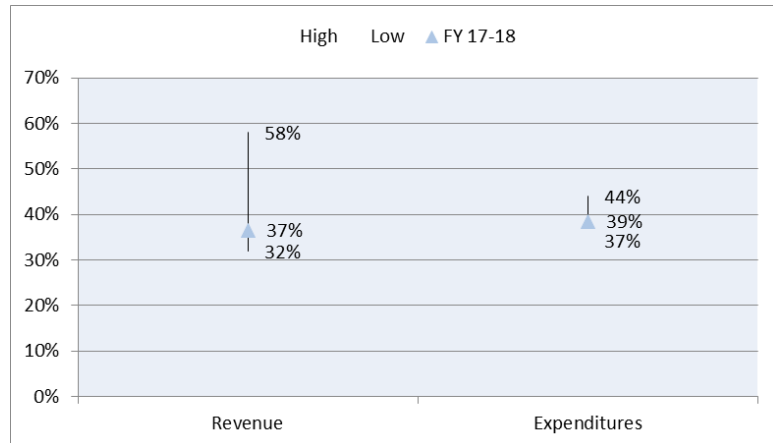
## GENERAL FUND UPDATE - General Fund Revenue, Expenditures and Fund Balance



## GENERAL FUND UPDATE (continued)

### General Fund Expenditure and Revenue Trends

As of December 31, 2017, General Fund expenditures are \$37.7 million; this represents 39% of the budgeted appropriations. Expenditures at the Mid-Year point of the prior three years were between 37% and 44% of the final actual expenditures, placing this year within the range. General Fund departments are requesting adjustments totaling \$12,068,805. These requests would be funded by increases in projected tax revenue and the use of General Fund unassigned fund balance.



General Fund revenues are at \$33.6 million; this represents 37% of the budgeted revenue. Revenues at the Mid-Year point of the prior three years were between 32% and 58%, placing this year within the range. Sales Tax, Property Tax, and Transient Occupancy Taxes are all expected to come in higher than originally projected. In total, staff is recommending to increase budgeted revenues in the General Fund by \$2.6 million.

### General Fund Classification of Fund Balance

Based on unaudited final numbers, the City anticipates ending FY 2017-18 with \$50.11 million in fund balance in the General Fund. This results in a decrease of \$5.66 million under the first quarter projections due to an increase in FY 2017-18 expenditures over revenues.

CLASSIFICATION	Year End Projections 2016-17	Actuals 2016-17	Adopted Budget 2017-18	First Quarter 2017-18	Mid-Year Projections 2017-18
Non Spendable	0.94	0.88	1.10	0.94	0.94
Restricted	0.69	1.02	0.76	0.69	1.01
Committed	11.60	19.00	- *	10.43	19.00
Assigned	20.50	4.64	36.80	23.86	15.95
UnAssigned	11.28	28.05	6.75	19.85	13.21
<b>TOTAL FUND BALANCE</b>	<b>45.01</b>	<b>53.59</b>	<b>45.41</b>	<b>55.77</b>	<b>50.11</b>

\* FY 2017-18 adopted budget reported an Economic Uncertainty reserve in "assigned" fund balance. The FY 2017-18 First Quarter Report incorrectly classified encumbrances as "committed" fund balance. The FY 2017-18 Mid-Year Report corrected these classifications by reporting the Economic Uncertainty reserve as "committed" fund balance and encumbrances as "assigned" fund balance.

## RECOMMENDED MID-YEAR ADJUSTMENTS

Fund	Department	Expenditure	Revenue	Fund Balance	Description
General Fund	Administrative Services	\$ 384,820	\$ -	\$ (384,820)	Contract Adjustment - Sales Tax Consultant Muni Services
General Fund	Administrative Services	\$ 29,185	\$ -	\$ (29,185)	FT Permanent Account Clerk I/II position
General Fund	City Manager's Office	\$ 9,900	\$ -	\$ (9,900)	Matching Funds to Remove Barrier to Fish Passage
General Fund	City Manager's Office	\$ 4,400	\$ -	\$ (4,400)	FT Community Outreach Specialist position
General Fund	Innovation and Technology	\$ 43,400	\$ -	\$ (43,400)	Disaster Modeling and Planning for Seismic Activity
General Fund	Law Enforcement	\$ 60,000	\$ 69,000	\$ 9,000	Sheriff Pass Thru Expenses, Revenue, and Admin. Fee
General Fund	Recreation and Community S	\$ 37,100	\$ -	\$ (37,100)	Part-Time staff costs for Neighborhood Events Planning
General Fund	Public Works	\$ 100,000	\$ -	\$ (100,000)	Carmen Road Ped/Bike Bridge Study
General Fund	Non-Departmental	\$ -	\$ 2,600,000	\$ 2,600,000	Increase in projected Sales Tax and Property Tax Revenue
General Fund	Non-Departmental	\$ 1,400,000	\$ -	\$ (1,400,000)	Transfer out fund balance to Retiree Health Fund
General Fund	Non-Departmental	\$ 10,000,000	\$ -	\$ (10,000,000)	Transfer out fund balance to the Capital Reserve
<b>Total General Fund</b>		<b>\$ 12,068,805</b>	<b>\$ 2,669,000</b>	<b>\$ (9,399,805)</b>	
Capital Fund	Non-Departmental	\$ -	\$ 10,000,000	\$ 10,000,000	Transfer in fund balance to the Capital Reserve
Internal Service Fund	Administrative Services	\$ -	\$ 1,400,000	\$ 1,400,000	Transfer in fund balance to Retiree Health Fund
Internal Service Fund	Administrative Services	\$ 75,900	\$ 75,900	\$ -	Short Disability Budget in the ISF Funds
<b>Total Other Funds</b>		<b>\$ 75,900</b>	<b>\$ 11,475,900</b>	<b>\$ 11,400,000</b>	
<b>Total All Funds</b>		<b>\$ 12,144,705</b>	<b>\$ 14,144,900</b>	<b>\$ 2,000,195</b>	

## SUMMARY

The Mid-Year Financial Report shows the City is well-positioned to move forward. City staff recommends adjustments of \$12,144,705 in appropriations and \$14,144,900 in projected revenue resulting in \$2,000,195 added to fund balance across all funds. Staff will continue to monitor the FY 2017-18 Amended Budget and be prepared to make recommendations and changes based on business needs and Council priorities before June 30, 2018 to ensure that the City ends the year within budgeted appropriations.