



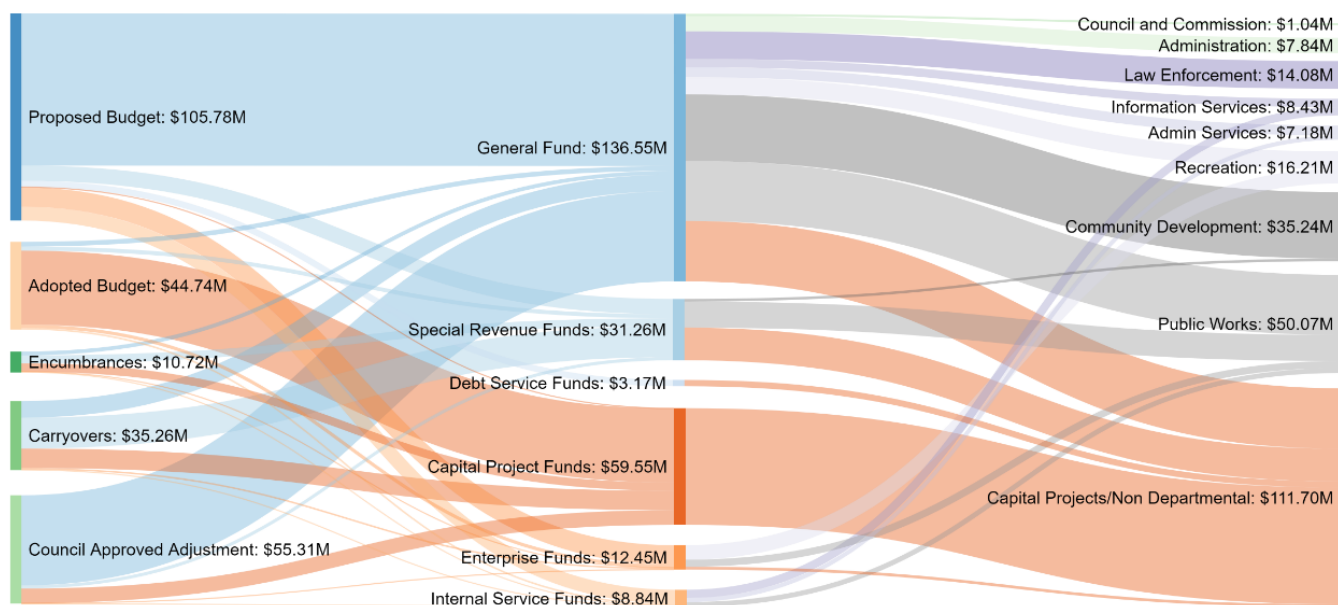
CUPERTINO

THIRD QUARTER REPORT

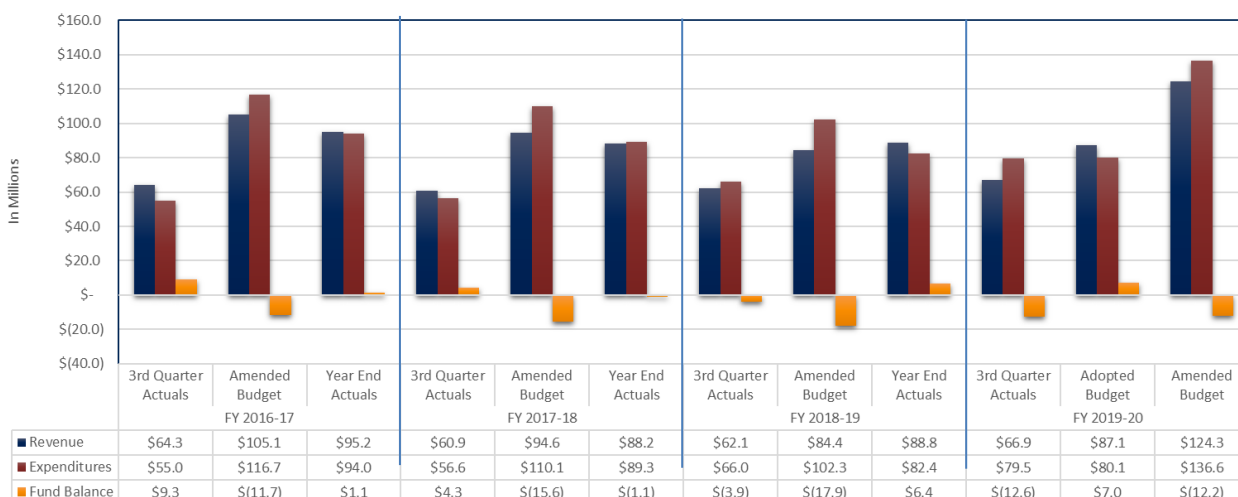
The following is the Third Financial Report, submitted by the Administrative Services Department for the period of January 1, 2020 to March 31, 2020 for the 2019-2020 Fiscal Year. It has been prepared to inform the City Council, City leadership and the public of the City's fiscal status.

BACKGROUND – On November 19, 2019, City 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 \$10,718,669 and carryover appropriations of \$35,250,910 from FY 2018-19. In the first three quarters of FY 2019-20, Council approved \$55,304,706 in adjustments which include, but are not limited to: 1) \$22.1 million for Vallco Town Center construction plan check and inspections, 2) \$20 million transfer of excess fund balance to Capital Reserve, 3) 2.5 million for Regnart Creek Trail, and 4) \$3.7 million for the Library Expansion Project. This resulted in an amended budget of \$251,806,436.

Proposed Budget through Third Quarter | Amended Budget FY 2019-20 | Flow of Funds Chart (in Millions)



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



¹ To date the City's financial statement audit has yet to be issued and revenue, expenditure, and fund balance totals listed in this report are preliminary and subject to change after a full review by the City's auditors. City staff does not anticipate many if any changes from the auditors.

GENERAL FUND UPDATE (continued)

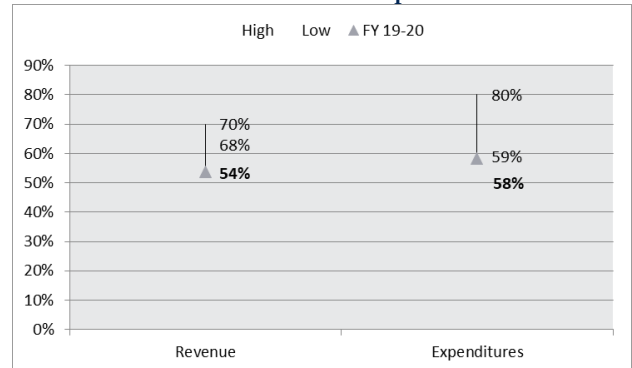
General Fund Classification of Fund Balance

CLASSIFICATION	Actuals 2018-19	Adopted Budget 2019-20	1st Quarter	Mid-Year End	3rd Quarter Year
			Year End Projection 2019-20	Projection 2019-20	End Projection 2019-20
Non Spendable	0.45	0.46	0.46	0.45	0.46
Restricted	9.47	9.24	9.47	14.02	13.58
Committed	19.12	19.12	19.12	19.12	19.12
Assigned	1.98	5.01	5.01	3.23	3.00
Unassigned	27.90	12.80	29.15	13.11	17.50
TOTAL FUND BALANCE	58.92	46.62	63.21	49.93	53.66

General Fund Revenue and Expenditure Trends

As of March 31, 2020, General Fund expenditures are \$79.0 million; this represents 58% of the budgeted appropriations. Expenditures at the Third Quarter point of the prior three years were between 59% and 80% of the final actual expenditures placing this year below the range. General Fund revenues are at \$67.0 million; this represents 54% of the budgeted revenue. Revenues at the Third Quarter point of the prior three years were between 68% and 70%, placing this year below the range. These low ranges are the result of Vallco Town Center adjustment that was approved at Mid-Year in FY 19-20.

Are General Fund Revenues and Expenditures on Trend?



RECOMMENDED THIRD QUARTER ADJUSTMENTS

Fund	GL Account	Expense	Revenue	Fund Balance	Proposal
GENERAL FUND					
100 General Fund	100-90-001-421-401	\$ -	\$ 10,000,000	\$ 10,000,000	Transfer from Capital Reserve (COVID-19 mitigation)
TOTAL GENERAL FUND		\$ -	\$ 10,000,000	\$ 10,000,000	
CAPITAL PROJECT FUNDS					
429 Capital Reserve	429-90-001-800-902	\$ 10,000,000	\$ -	\$ (10,000,000)	Transfer to General Fund (COVID-19 mitigation)
TOTAL CAPITAL PROJECT FUNDS		\$ 10,000,000	\$ -	\$ (10,000,000)	
TOTAL ALL FUNDS		\$ 10,000,000	\$ 10,000,000	\$ -	

SUMMARY

The Third Quarter Financial Report focuses on the status of the City's budget as of March 31, 2020 and recommends adjustments to ensure the budget reflects the City's current revenue outlook and is responsive to changing spending priorities. As a result of COVID-19's impact on the local, national, and global economies, the City can be sure of (1) sharp revenue drops; (2) an impending recessionary period, estimated at two-years; and, (3) unprecedented levels of uncertainty as the COVID-19 situation continues to evolve. Given the anticipated impacts of COVID-19 and the extreme uncertainty of what the future holds, staff are recommending that \$10 million be transferred back to the General Fund from the Capital Reserve to ensure any potential shortfalls in COVID-19 impact estimates can be sufficiently absorbed and funded. With the knowledge and confidence that the City's current position is built on a strong fiscal foundation, with healthy reserves and tempered historical growth, the City is well positioned for FY 2020-21.