

# FY 2022-23 Third Quarter Report

The following is the Third Quarter Financial Report, submitted by the Administrative Services Department for the period July 1, 2022 to March 31, 2023 of Fiscal Year (FY) 2022-23. It has been prepared to inform the City Council, City leadership, and the public of the City's fiscal status.

This [Financial Report](#) is interactive. Click on a chart to learn more.

## Background

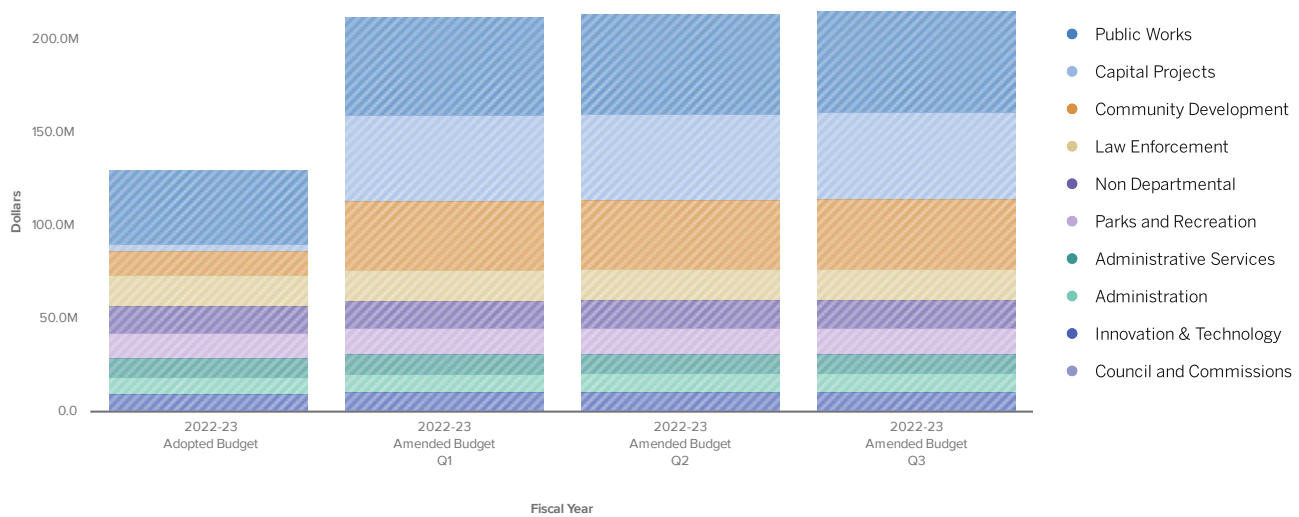
On June 9, 2022, the City Council adopted the Fiscal Year (FY) 2022-23 Budget, a \$130,587,325 spending plan funded by \$130,244,157 in revenue and \$343,168 in fund balance. The FY 2022-23 Adopted Budget reflected a \$5.1 million increase from the FY 2022-23 Proposed Budget, mainly due to operating changes, the City Work Program, and the Capital Improvement Program.

As described in the City Manager's First Quarter Financial Report presented to the City Council on November 15, 2022, the budget was revised to account for encumbrances and carryover appropriations. As part of the FY 2021-22 year-end close, additional funds were carried forward from FY 2021-22 to FY 2022-23 due to encumbrances of \$13,280,075 and carryover appropriations of \$65,916,968. The largest encumbrances were for capital projects (\$7.4 million) and The Rise (formerly known as Vallco Town Center) (\$2.3 million), while the largest carryovers were for capital projects (\$34.3 million) and The Rise (\$19.7 million).

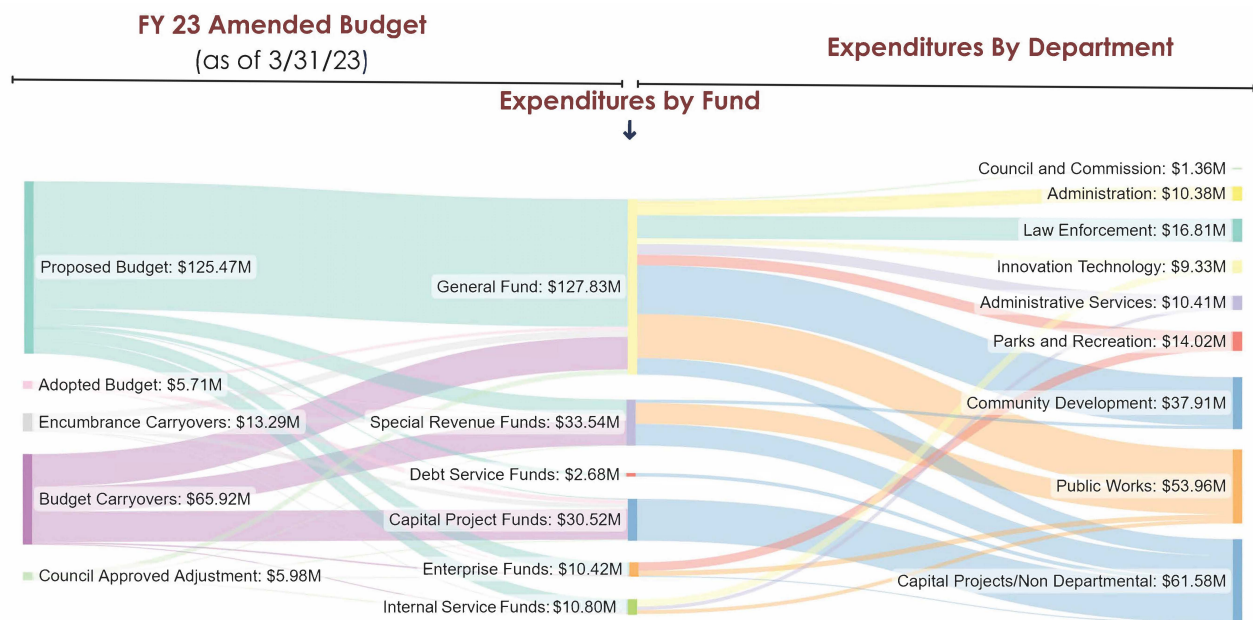
The City Council approved \$6.0 million in additional appropriations during the first three quarters of FY 2022-23. This includes \$2.4 million for negotiated amendments to the City's employee compensation programs, \$0.7 million for the Memorial Park Specific Plan, \$0.7 million for vehicle and equipment replacement as part of the First Quarter Financial Report, and \$0.6 million for the Housing Element.

As a result of these budget adjustments, encumbrances, and carryovers, the amended budget as of March 31, 2023, totaled \$215,768,924.

## Amended Budget



## Flow of Funds Chart (in Millions)

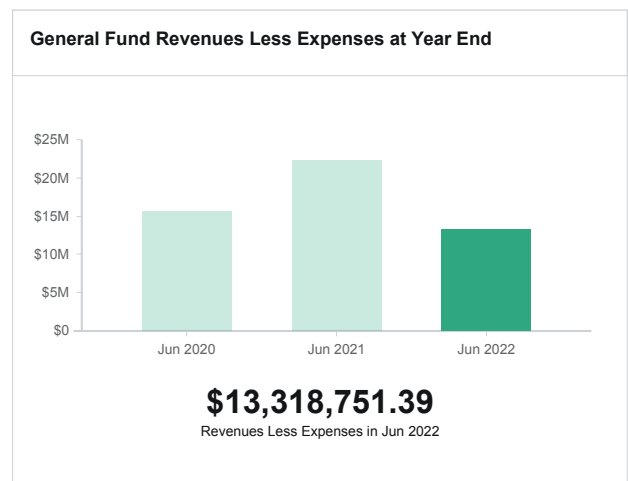
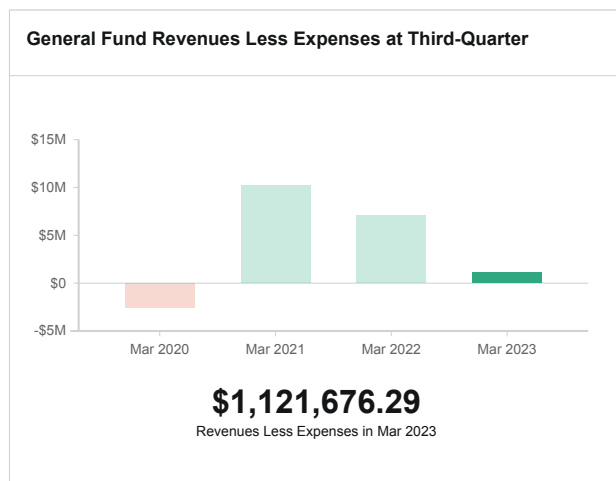
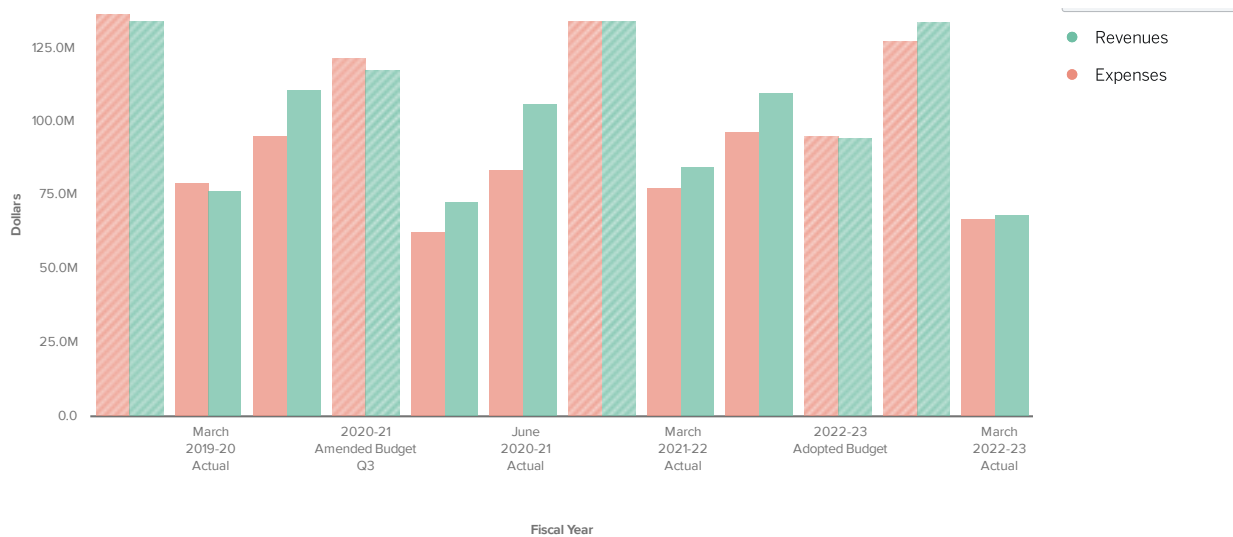


## General Fund Revenues, Expenditures, and Fund Balance

The chart below shows amended budget, third quarter, and year-end revenues and expenditures.

The General Fund's historical financial data indicates that amended expenditures have often exceeded amended revenues, leading to a decrease in fund balance. This decrease in fund balance was not due to a structural deficit; rather, the City transferred excess fund balance from the General Fund to the Capital Reserve as part of its Fund Balance Policy. The City's encumbrance and budget carryover process has resulted in increases to fund balance at the end of most fiscal years.

By continuing to monitor and manage its financial resources effectively, the City can ensure that it maintains a healthy fund balance in the General Fund.



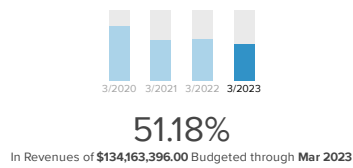
## General Fund Revenue and Expenditure Trends

As of March 31, 2023, the General Fund has spent \$67.5 million, which accounts for 53% of the total budgeted appropriations. This spending level is lower than the range of expenditures at the Third Quarter point of the prior three years, which were between 67% and 75% of the budgeted expenditures.

On the revenue side, the General Fund has generated \$68.7 million, which represents 51% of the budgeted revenue. This revenue level is also lower than the range of revenues at the Third Quarter point of the prior three years, which were between 58% and 77% of the budgeted revenues.

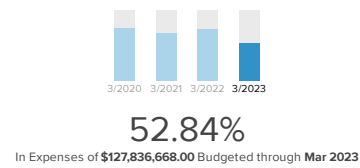
### General Fund Revenues - Third Quarter Budget vs Actuals

Data Updated Apr 28, 2023, 12:05 PM



### General Fund Expenditures - Third Quarter Budget vs Actuals

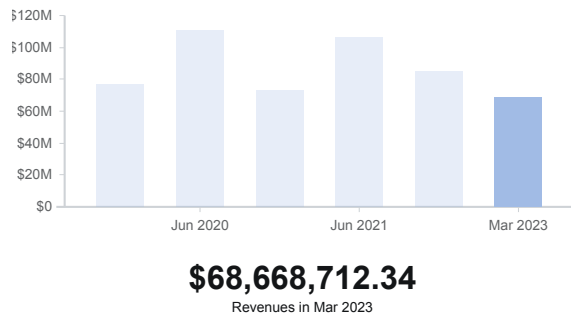
Data Updated Apr 28, 2023, 12:05 PM



As of March 31, 2023, General Fund revenue is tracking at \$16.3 million, or 19%, lower than the same time last year primarily due to decreases in sales tax revenue and the recognition of American Rescue Plan Act revenue last year.

General Fund expenditures are down \$10.3 million, or 13%, when compared to the same time last year due to the one-time transfer of funds to General Fund departments as part of the American Rescue Plan Act funding strategy as well as a Mid-Year transfer to the Capital Reserve in FY 2021-22.

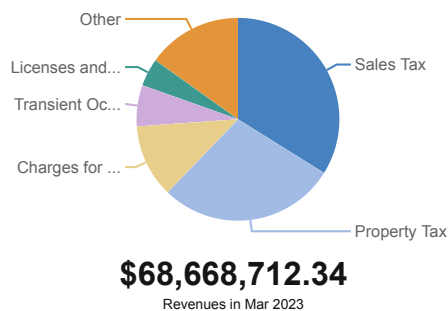
### General Fund Revenues - Third Quarter vs Year End Actual



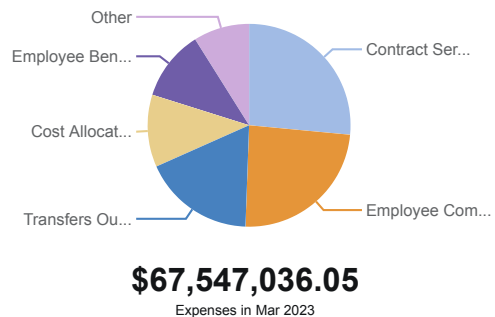
### General Fund Expenditures - Third Quarter vs Year End Actual



### General Fund Revenues by Type



### General Fund Expenditures by Type





## General Fund Classification of Fund Balance

The City's General Fund ended FY 2020-21 with \$96.9 million in total fund balance. Staff anticipates the General Fund will end FY 2021-22 with \$110.0 million in fund balance, an increase of \$13.1 million from the prior year, due to revenues being higher than expenditures. At mid-year, staff projected the General Fund to end FY 2022-23 with \$121.5 million in fund balance. As of third quarter, the General Fund is expected to end FY 2022-23 with \$122.4 million in fund balance, with \$64.1 million in unassigned fund balance.

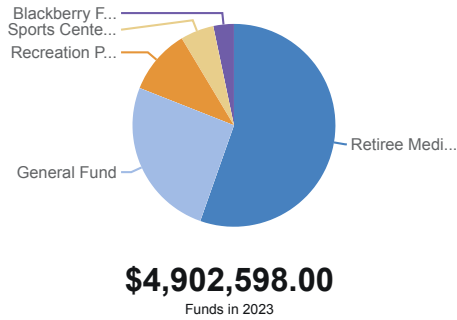
Classification	Actual 2020-21	Year End Projection 2021-22	Adopted Budget 2022-23	1st Quarter Year End Projection 2022-23	Mid-Year Year End Projection 2022-23	3rd Quarter Year End Projection 2022-23
Non Spendable	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4
Restricted	19.9	18.8	24.2	18.8	18.8	18.8
Committed	19.1	34.1	34.1	34.1	34.1	34.1
Assigned	4.9	5.0	3.0	5.0	5.0	5.0
Unassigned	52.4	51.6	48.3	63.2	63.1	64.1
<b>TOTAL FUND BALANCE</b>	<b>\$ 96.9</b>	<b>\$ 110.0</b>	<b>\$ 110.1</b>	<b>\$ 121.6</b>	<b>\$ 121.5</b>	<b>\$ 122.4</b>

## Recommended Adjustments

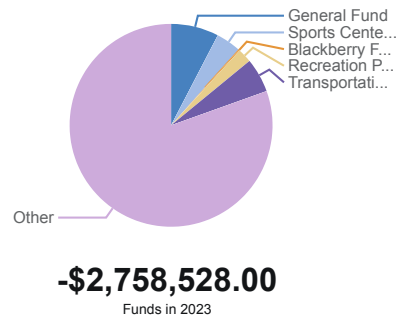
As of the third quarter, some departments are requesting budget adjustments to ensure that they stay within their budget appropriations by year-end. In addition, staff is also recommending defunding some Capital Improvement Program (CIP) projects and increasing revenue in some categories to better align year-end actuals with the budget. The recommended adjustments are summarized below.

Fund	Department	Expense	Revenue	Change in Fund Balance	Proposal
<b>GENERAL FUND</b>					
100 General Fund	PW	77,340	77,340	-	Apple Park Transportation Demand Monitoring Program
100 General Fund	PW	177,606	177,606	-	Library Utilities
100 General Fund	P&R	14,349	-	(14,349)	Hidden Treasures Proceeds
100 General Fund	Admin. Svcs.	-	1,000,000	1,000,000	Transient Occupancy Tax
100 General Fund	PW	5,878	-	(5,878)	Wilson Park Maintenance
<b>TOTAL GENERAL FUND</b>		<b>275,173</b>	<b>1,254,946</b>	<b>979,773</b>	
<b>SPECIAL REVENUE FUNDS</b>					
270 Transportation Fund	PW	(197,491)	-	197,491	CIP Project Defunding
280 Park Dedication	PW	(1,150,000)	-	1,150,000	CIP Project Defunding
<b>TOTAL SPECIAL REVENUE FUNDS</b>		<b>(1,347,491)</b>	<b>-</b>	<b>1,347,491</b>	
<b>CAPITAL IMPROVEMENT FUNDS</b>					
420 Capital Improvement Funds	PW	(1,755,555)	-	1,755,555	CIP Project Defunding
<b>TOTAL CAPITAL IMPROVEMENT FUNDS</b>		<b>(1,755,555)</b>	<b>-</b>	<b>1,755,555</b>	
<b>ENTERPRISE FUNDS</b>					
560 Blackberry Farm	P&R	6,843	161,000	154,157	Revenues and Bank Charges - Request for Additional Funds
570 Sports Center	P&R	71,093	261,000	189,907	Revenues and Bank Charges - Request for Additional Funds
570 Sports Center	P&R	72,853	-	(72,853)	Windscreens Replacement
580 Recreation Program	P&R	21,675	510,000	488,325	Revenues and Bank Charges - Request for Additional Funds
580 Recreation Program	PW	(103,119)	-	103,119	CIP Project Defunding
<b>TOTAL ENTERPRISE FUNDS</b>		<b>69,345</b>	<b>932,000</b>	<b>862,655</b>	
<b>INTERNAL SERVICE FUNDS</b>					
642 Retiree Medical	Admin. Svcs.	-	2,715,652	2,715,652	Retiree Health
<b>TOTAL INTERNAL SERVICE FUNDS</b>		<b>-</b>	<b>2,715,652</b>	<b>2,715,652</b>	
<b>TOTAL ALL FUNDS</b>		<b>\$ (2,758,528)</b>	<b>\$ 4,902,598</b>	<b>\$ 7,661,126</b>	

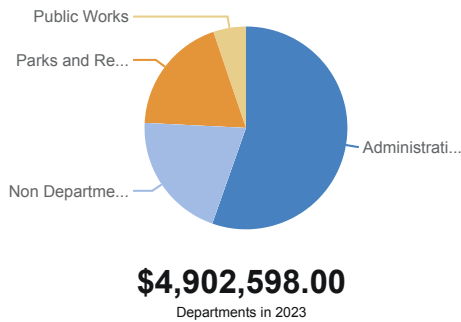
#### Revenue Adjustments by Fund



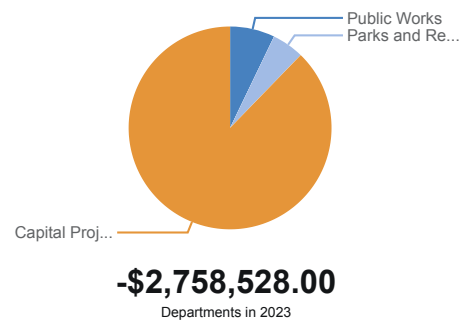
#### Expenditure Adjustments by Fund



#### Revenue Adjustments by Department



#### Expenditure Adjustments by Department



## Summary

Based on the Third Quarter Financial Report, the City's current financial position is stable. City staff recommends a decrease of \$2,758,528 to appropriations and an increase of \$4,902,598 to revenues, which would increase fund balance by \$7,661,126. The City will continue to monitor its revenue and expenditure trends closely to ensure it remains on track toward achieving its budgetary goals and objectives.

[City of Cupertino, California](#)

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