

## OUR MISSION

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*The mission of the City of Cupertino is to provide exceptional service, encourage all members of the community to take responsibility for one another, and support the values of education, innovation, and collaboration.*

# Elements of the Budget Document

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The budget is the City's fundamental policy document. It describes the City's goals and details how resources are allocated to achieve these goals. In addition, the budget serves as the annual financial plan, an operations guide and a communications tool.

The budget guide provides an overview of the elements of the budget document. It includes a glossary of budget terminology. The budget document includes the following key elements:

1. **Budget Message:** This section includes the City Manager's transmittal letter submitting the budget to the City Council. The Budget Message also summarizes the City's current and long-term financial position, highlights new programs and organizational changes addressed in the budget and outlines both short and long-term goals of our city government.
2. **Fiscal Strategic Plan:** The Fiscal Strategic Plan Committee was formed to analyze current funding gaps and present a more accurate financial picture. The committee identifies one-time, non-recurring revenue.
3. **Budget Guide:** This section includes the City's Mission and other tools to assist the reader in identifying key terminology in the budget document.
4. **Community Profile:** This section describes Cupertino's history, the economic and city profiles, community statistics, recreation and community services, education, and additional areas of interest in the city.
5. **Financial Policies and Schedules:** This section provides financial information on projected revenues, expenditures, fund balances and reserves. It includes the Budget Summary of Funds as well as detailed fund descriptions and information on all revenue sources and expenditure projections.

This section also includes fund balance trends and detailed revenue and expenditure projections for the next five years.

Additionally, this section includes an analysis of all City revenues by category. Our major revenue projections are based on trends, current economic indicators and other agency input. Sales tax projections are based on input from our sales tax consultants, industry trends and major company forecasts. Property tax revenues are projected by the county and adjusted by staff based on known trends. Park dedication fees are estimated based on current development projects and other taxes are reviewed quarterly and budgets are based on this trend analysis.

6. **Departmental Operating Budgets:** This section details historical and proposed expenditures by operating department. The City is organized into seven key operating functions, including Administration, Law Enforcement, Innovation Technology, Administrative Services, Parks and Recreation, Community Development, and Public Works. Each department budget includes a summary narrative, financial information regarding the department and each of its major divisions, and personnel information.

Expenditures for employee compensation and benefits are based on negotiated contracts. The materials categories of expenditures are based on trends. Contract services and capital outlay are justified each year by the departments. Special Projects include any one-time projects or costs.

Departmental expenditures are divided into the following categories:

Employee Compensation represents permanent full-time and part-time salary costs and overtime.

Employee Benefits represents PERS retirement, health insurance costs, and other benefits.

Materials represents items purchased for repair and maintenance, operational activities such as books, uniforms and recreation supplies, and office supplies.

Contract Services represents legal, consulting and other professional services, contract repair and maintenance, utility charges, training and memberships, equipment rentals, insurance and employment services.

Cost Allocation represents Cost Allocation and Internal Service charges to user departments

Contingencies represent 2.5% of total budgeted materials and contract costs and is designed for unexpected expenditures and/or emergencies.

Capital Outlay represents expenditures for tangible fixed assets including land, buildings, furniture, equipment and City vehicles.

Special Projects represent any one-time projects or costs.

Debt Service/Other represents principal and interest payments on outstanding debt and interfund transfers.

7. **Non-Departmental Operating Budgets:** This section details historical and proposed expenditures for the functions of interfund transfers and debt service.

8. **Capital Improvements:** The Capital Improvements section is in a separate document called Capital Improvement Program that details the proposed capital projects for the next five fiscal years. These projects are organized into five categories: Parks, Buildings, Streets, Traffic Facilities, and Storm Drainage. The five-year budget denotes funding sources and a description of each project. The City Council approves funding of Capital Improvements on a total project basis. The project may expend the funds over multiple years.

## Glossary of Budget Terminology

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The City's budget contains specialized and technical terminology that is unique to public finance and budgeting. To help the reader understand the terms, a glossary of budgetary terminology is found below.

**Accrual** – A basis of accounting in which revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period in which they are incurred.

**Adopted Budget** – Revenues and appropriations approved by the City Council in June for the following fiscal year.

**Allocated Costs** – An expense charged by one department/division to another for services performed or expenditures of a general nature that are charged to one main account and allocated to other departments/divisions by a specified formula.

**Appropriation** – An authorization made by the City Council that permits the City to incur obligations and to make expenditures of resources.

**Balanced Budget** – A balanced budget requires that the amount of budgeted expenditures be equal to or less than the amount of projected revenues for the budget year.

**Budget** – A financial plan for a specific period of time (fiscal year) that matches all planned revenues and expenditures with various municipal services.

**Budget Amendment** – A legal procedure utilized by the City Manager to revise a budget appropriation. Adjustments to expenditures within or between departmental budgets may be accomplished administratively. City Council approval is required for additional appropriations from fund balances or from new revenue sources.

**Capital Improvement Program** – A plan for capital expenditures to provide for the acquisition, expansion or rehabilitation of an element of the City's physical plant to be incurred over a fixed period of several future years.

**Capital Outlay** – Expenditures relating to the purchase of equipment, land and other fixed assets.

**Cost Allocation Plan** – A plan that details how indirect costs are calculated and allocated to user departments.

**Cost Recovery** – The establishment of user fees that is equal to the full cost of providing services.

**Department** – A major administrative segment of the City that indicates overall management responsibility for an operation or a group of related operations within a functional area.

**Division** – A unit of organization that reports to a department.

**Enterprise Fund** – A fund established to account for activities that are financed and operated in a manner similar to private business enterprises, in which costs of providing services are primarily recovered through user fees.

**Estimated Budget** – The status of appropriations between July 1 and June 30 includes the adopted budget, budget amendments, prior year encumbrances, approved carryovers, and transfers between objects, divisions and departments.

**Expenditure** – Utilization of fund resources. Expenditures include operating expenses, debt service and capital outlays.

**Expenditure Category** – A basis for distinguishing types of expenditures. The major expenditure categories used by the City are employee compensation, employee benefits, materials, contract services, appropriations for contingency, special projects, capital outlay and debt service.

**Fiscal Year** – A twelve-month time period signifying the beginning and ending period for recording financial transactions. The City has specified July 1 through June 30 for its fiscal year.

**Full-Time Equivalent (FTE)** – The ratio of a position in comparison to the amount of time a regular, full-time employee normally works in a year. A full-time employee (1.00 FTE) is paid for 2,080 hours a year. Positions budgeted to work less than full-time are expressed as a percent of full-time.

**Fund** – A fiscal and accounting entity for which the recording of financial transactions is made for the purpose of carrying on specific activities in accordance with the requirements placed upon the use of financial resources.

**Fund Balance** – The net effect of assets less liabilities at any given point in time.

**General Fund** – The fund used to account for the major operating revenues and expenditures of the City, except for those financial resources that are required to be accounted for in another fund category. General Fund revenues are derived primarily from property and other taxes.

**Goal** – Broad mission statements that define the purpose of a department.

**Governmental Fund** – Account for activities that are primarily tax-supported operations or other mandatory payments. Reported using the current financial resources measurement focus and the modified accrual basis of accounting.

**Infrastructure** – Long lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples include roadways, bridges, and drainage systems.

**Internal Service Fund** – A fund used to account for the services provided by one department to other departments on a cost-reimbursement basis.

**Modified Accrual** – Under the modified accrual basis of accounting, revenues are recognized in the period in which they become available and measurable, and expenditures are recognized at the time a liability is incurred pursuant to appropriation authority.

**Operating Budget** – A financial plan for the provision of direct service and support functions that provide basic governmental services. The operating budget contains appropriations for such expenditures as employee compensation, materials, contract services, capital outlay and debt service. It does not include Capital Improvement Project expenditures.

**Reserve** – An account used to designate a portion of the fund balance for a specific future use and is, therefore, not available for general appropriation.

**Revenue** – Increases in fund resources. Revenues include income from user fees, taxes, permits, and other sources.

**Section** – A unit or organization that reports to a division.

**Self-Supporting Activity** – An enterprise activity where all service costs (including principal and interest debt payments) are primarily covered solely from the earnings of the enterprise.

**Subsidy** – Supplemental resources provided to ensure adequate funding when anticipated expenditures exceed revenues.

**Transfer Out** – Amounts transferred from one fund to another to assist in financing the services for the recipient fund.

**User Fees** – Fees charged to users of a particular service provided by the City.

# Commonly Used Acronyms

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<b>ABAG</b>	Association of Bay Area Governments
<b>AYSO</b>	American Youth Soccer Organization
<b>B/PAC</b>	Bicycle/Pedestrian Advisory Committee
<b>BAAQMD</b>	Bay Area Air Quality Management District
<b>BMR</b>	Below Market Rate
<b>CAFR</b>	Comprehensive Annual Financial Report
<b>CAP</b>	Cost Allocation Plan
<b>CMTA</b>	California Municipal Treasures Association
<b>CPI</b>	Consumer Price Index
<b>CPUC</b>	California Public Utilities Commission
<b>CSMFO</b>	California Society of Municipal Finance
<b>CYSA</b>	California Youth Soccer Association
<b>EAP</b>	Employee Assistance Program
<b>EIR</b>	Environmental Impact Statement
<b>EOC</b>	Emergency Operations Center
<b>ERAF</b>	Education Revenue Augmentation Fund
<b>FEMA</b>	Federal Emergency Management Agency
<b>FLSA</b>	Fair Labor Standards Act
<b>FPPC</b>	Fair Political Practices Commission
<b>FSA</b>	Flexible Spending Account
<b>GASB</b>	Governmental Accounting Standards Board
<b>GFOA</b>	Governmental Finance Officers Association
<b>HVAC</b>	Heating Ventilation and Air Conditioning
<b>IPM</b>	Integrated Pest Management
<b>JPA</b>	Joint Powers Authority
<b>LTD</b>	Long Term Disability
<b>MOU</b>	Memorandum of Understanding
<b>MTC</b>	Metropolitan Transportation Commission
<b>OES</b>	Office of Emergency Services
<b>OPEB</b>	Other-Post Employment Benefits
<b>PC</b>	Planning Commission
<b>PEMHCA</b>	Public Employees' Medical and Hospital Care Act
<b>PERS</b>	(aka CalPERS) Public Employees' Retirement Systems
<b>PIO</b>	Public Information Officer
<b>PTA</b>	Parent Teacher Association
<b>RDA</b>	Redevelopment Agency
<b>RFP</b>	Request for Proposals
<b>RFQ</b>	Requests for Qualifications
<b>RHNA</b>	Regional Housing Needs Allocation
<b>RMS</b>	Records Management System

**RWQCB** Regional Water Quality Control Board  
**UBC** Uniform Building Code  
**YAC** Youth Advisory Commission  
**VSP** Vision Service Plan



# Revenues, Expenditures, and Fund Balance Table

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## Example

Category	2018 Actual	2019 Actual	2020 Adopted Budget	2021 Adopted Budget
<b>Revenues</b>				
Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Use of Money and Property	-	-	-	-
Intergovernmental Revenue	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous Revenue	-	-	-	-
Interdepartmental Revenue	-	-	-	-
<b>Total Revenues</b>	-	-	-	-
<b>Expenditures</b>				
Employee Compensation	-	-	-	-
Employee Benefits	-	-	-	-
Materials	-	-	-	-
Contract Services	-	-	-	-
Cost Allocation	-	-	-	-
Capital Outlay	-	-	-	-
Special Projects	-	-	-	-
Contingencies	-	-	-	-
<b>Total Expenditures</b>	-	-	-	-
<b>Fund Balance (Usage)</b>	-	-	-	-
<b>General Fund Costs</b>	-	-	-	-

## Glossary

**Taxes** – Money received from tax revenue

**Licenses and Permits** – Money received from license and permit fees

**Use of Money and Property** – Interest earnings, facility and concession rents

**Intergovernmental Revenue** – Funds received from Federal, State or Local government such as grants

**Charges for Services** – Fees collected for services provided by the department

**Fines and Forfeitures** – Money received from fines and penalties

**Miscellaneous Revenue** – Money received from various sources such as donations, salvage and legal settlement

**Interdepartmental Revenue** – Interdepartmental service charges and transfers

**Total Revenues** – Total of all revenue categories

**Employee Compensation** – Full-time and part-time salaries

**Employee Benefits** – Employee benefits including health insurance and retirement

**Materials** – All material, conference and training costs

**Contract Services** – All contracted goods and services

**Cost Allocation** – Cost of services from other City departments and depreciation expenses

**Capital Outlay** – Land, buildings, vehicles, infrastructure and assets used in operation beyond one year

**Special Projects** – One-time projects or costs

**Contingencies** – Funds for unexpected expenses and emergencies

**Total Expenditures** – Total of all expenditure categories

**Fund Balance** – The net effect of assets less liabilities at any given point in time

**General Fund Contribution** – Total Expenditures minus Total Revenues minus Fund Balance