

FISCAL YEAR 2019-2020
COMPREHENSIVE ANNUAL
FINANCIAL REPORT



**CITY OF CUPERTINO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

Prepared by the City of Cupertino Administrative Services Department
Finance Division

CITY OF CUPERTINO, CALIFORNIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the year ended June 30, 2020

CONTENTS

INTRODUCTORY SECTION

TABLE OF CONTENTS	i
LETTER OF TRANSMITTAL	iii
ORGANIZATION CHART	ix
CITY COUNCIL AND DIRECTORY OF CITY OFFICIALS	x
COMMISSIONS AND COMMITTEES	xi
CERTIFICATE OF AWARD FOR EXCELLENCE IN FINANCIAL REPORTING	xii

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	23
STATEMENT OF ACTIVITIES	24
FUND FINANCIAL STATEMENTS:	
GOVERNMENTAL FUNDS:	
BALANCE SHEET	26
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION	27
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	28
RECONCILIATION OF NET CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	29
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES — BUDGET AND ACTUAL — GENERAL FUND	30
BUDGET AND ACTUAL — TRANSPORTATION SPECIAL REVENUE FUND	31
BUDGET AND ACTUAL — HOUSING DEVELOPMENT SPECIAL REVENUE FUND	32
PROPRIETARY FUNDS:	
STATEMENT OF NET POSITION	34
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	35
STATEMENT OF CASH FLOWS	36
FIDUCIARY FUND:	
STATEMENT OF FIDUCIARY NET POSITION	38
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	39
NOTES TO BASIC FINANCIAL STATEMENTS	40
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED):	
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS	77
SCHEDULE OF CONTRIBUTIONS — PENSION	78
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS	79
SCHEDULE OF CONTRIBUTIONS — OPEB	80
SCHEDULE OF INVESTMENT RETURNS — OPEB	81

CITY OF CUPERTINO, CALIFORNIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the year ended June 30, 2020

CONTENTS (Continued)

OTHER SUPPLEMENTARY INFORMATION:

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE — BUDGET AND ACTUAL - PUBLIC FACILITIES CORPORATION DEBT SERVICE FUND.....	83
NONMAJOR GOVERNMENTAL FUNDS:	
COMBINING BALANCE SHEET	85
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	86
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES — BUDGET AND ACTUAL	87
NONMAJOR ENTERPRISE FUND:	
COMBINING STATEMENT OF NET POSITION	91
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	92
COMBINING STATEMENT OF CASH FLOWS	93
INTERNAL SERVICE FUNDS:	
COMBINING STATEMENT OF NET POSITION	95
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	96
COMBINING STATEMENT OF CASH FLOWS	97

STATISTICAL SECTION

FINANCIAL TRENDS:

NET POSITION/ASSETS BY COMPONENT — LAST TEN FISCAL YEARS.....	100
CHANGES IN NET POSITION/ASSETS — LAST TEN FISCAL YEARS.....	101
FUND BALANCES OF GOVERNMENTAL FUNDS — LAST TEN FISCAL YEARS.....	103
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS — LAST TEN FISCAL YEARS.....	104

REVENUE CAPACITY:

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY — LAST TEN FISCAL YEARS	105
DIRECT AND OVERLAPPING PROPERTY TAX RATES — LAST TEN FISCAL YEARS.....	106
PRINCIPAL PROPERTY TAXPAYERS — CURRENT YEAR AND FIVE YEARS AGO.....	107
PROPERTY TAX LEVIES AND COLLECTIONS — LAST TEN FISCAL YEARS	108

DEBT CAPACITY:

RATIOS OF OUTSTANDING DEBT BY TYPE — LAST TEN FISCAL YEARS	109
DIRECT AND OVERLAPPING BONDED DEBT.....	110
LEGAL DEBT MARGIN INFORMATION — LAST TEN FISCAL YEARS.....	111
RATIO OF GENERAL BONDED DEBT — LAST TEN FISCAL YEARS	112

DEMOGRAPHIC AND ECONOMIC INFORMATION:

DEMOGRAPHIC AND ECONOMIC STATISTICS — LAST TEN FISCAL YEARS	113
2020 EMPLOYER RANKING	114

OPERATING INFORMATION:

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM — LAST TEN FISCAL YEARS	115
OPERATING INDICATORS BY FUNCTION/PROGRAM — LAST TEN FISCAL YEARS	116
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM — LAST TEN FISCAL YEARS.....	117

COMMUNITY PROFILE



CITY OF CUPERTINO

CITY HALL
10300 TORRE AVENUE • CUPERTINO, CA 95014-3202
(408) 777-CITY • WWW.CUPERTINO.ORG

March 8, 2021

To the Citizens of Cupertino, Honorable Mayor,
Members of the City Council, and City Manager

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the City of Cupertino (the City) for the fiscal year ended June 30, 2020. The report is prepared in accordance with generally accepted accounting principles (GAAP) set by the Governmental Accounting Standards Board (GASB). The report presents City information on an entity-wide basis and on a more detailed fund level basis. The fund-level reports emphasize the City's major funds. A Management Discussion and Analysis (MD&A) presents a comparative analysis of current and prior year results, changes in financial position, a comparison of actual versus budget, financial highlights, trends, and disclosure of any known significant events or decisions that affect the financial condition of the City. This transmittal letter is designed to complement the MD&A and should therefore be read in conjunction with it. The MD&A is required supplementary information and is found in the Financial Section of the CAFR.

The accuracy of the data presented and the completeness and fairness of the presentations, including all disclosures, are the responsibility of the management of the City. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to protect the City's assets and provide sufficient, reliable information for the proper preparation of these financial statements. We believe the data is accurate in all material respects and is presented in a manner that fairly sets forth the City's financial position. Furthermore, we believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

REPORTING ENTITY

This CAFR includes all component units and funds of the City. It reports all activities for which the City is considered to be financially accountable. The general governmental funds support a full range of services, including law enforcement, community development, recreation, public works, public and environmental affairs, and general administration. Enterprise funds account for recreation and solid waste operations supported by user fees. This financial report incorporates data for the City of Cupertino and its component unit, the Cupertino Public Facilities Corporation.

The City operates under a Council-City Manager form of government. There are five council members, including the Mayor, who serve staggered four-year terms. The City Council appoints the City Manager who is responsible for the daily administration of City affairs. The City Council also appoints the City Attorney and the City Treasurer. All other employees are appointed by the City Manager.

ECONOMIC CONDITIONS

The City of Cupertino is located in Santa Clara County at the southern end of the San Francisco Bay Peninsula. The City is comprised of 13-square miles and is bordered by the cities of San Jose, Saratoga, Sunnyvale, Santa Clara, and Los Altos. It has a residential population of 66,762 (based on 2020 Claritas estimated data).

Situated at the west end of Silicon Valley, Cupertino has earned the reputation of a balanced community with a healthy climate for business and well-maintained residential neighborhoods, community parks and public facilities. The excellent reputation of Cupertino's schools is a major attraction for families wishing to settle in close proximity to high paying jobs in Silicon Valley. The City recognizes the importance of quality school facilities and programs to all Cupertino residents, and works in partnership with the schools in many programs affecting education and youth. National surveys rank the City high in education levels, average household incomes, and registered patent numbers, as well as one of the best cities in which to live and raise a family.

Because Cupertino is a mature, 93% built-out city, the City of Cupertino focuses on business retention and revitalization. Cupertino is world renowned as the home of high-tech giants, such as Apple, Inc., and as a community with stellar public schools. De Anza College, one of the largest single-campus community colleges in the country, is another major employer and a magnet for attracting local and international students. The City's proactive economic development efforts have resulted in an innovative environment for start-ups and growing companies to thrive. The City strives to retain and attract local companies through active outreach and a responsive and customer-oriented entitlement process.

Cupertino is excited to have a number of new mixed-use development projects offering more retail and dining options, as well as provide additional housing opportunities to meet the needs of the growing community.

The Main Street and Nineteen800 mixed-use developments have created a vibrant downtown area for Cupertino, offering a large selection of restaurants and retailers, including Alexander's Steakhouse, Eureka!, Rootstock Wine Bar, Oren's Hummus, Lazy Dog, Ippudo, HaiDiLao Hot Pot Restaurant, Pressed Juicery, Orangetheory, 85 Degree Bakery, Somi Somi, Sul & Beans, Target Express, Kura Sushi, Vitality Bowls, Doppio Zero, Boiling Point and Jin Tea, Koja Kitchen, Bishops Cuts & Colors, Capezio, Howard's Shoes, Tan Cha, and Meet Fresh. Housing, office, and a new Residence Inn by Marriott are available to support the thriving area. Benihana, Bowlmor, and Ice Center Cupertino also serve as long-time anchors.

The construction of new retail and commercial development strengthens existing popular venues in Cupertino, including The Marketplace. The Marketplace has a variety of stores and restaurants popular with students, families, and working professionals. They include Galpao Gaucho, Daiso, Marukai Groceries, Harumi Sushi, La Patisserie Bakery, Beard Papa's, Legend's Pizza, Merlion Restaurant, Icicles, Kong's Tofu & BBQ, Rori Rice, One Pot Shabu Shabu, Olarn Thai, and Erik's DeliCafé to name a few.

Cupertino Village is undergoing renovations to upgrade existing buildings, construct new buildings, parking, and open-courtyard space. The shopping center is home to 99 Ranch Market, Duke of Edinburgh Pub & Restaurant, JSJ Street Kitchen, Kira Kira Beauty, MOD Pizza, Ten Ren Tea, Fantasia Coffee & Tea, Yoga Wave, Happy Lemon, Joy Luck Palace, Kee Wah Bakery, and many other Asian restaurants, bakeries, and shops.

Cupertino features many other retail opportunities, including TJ Maxx and Home Goods, Whole Foods, Target, Party City, and over 180 restaurants to serve residents and the local workforce. There are now seven hotels providing over 1,000 rooms, to serve the area: The Aloft Cupertino, Cupertino Hotel, Hilton Garden

Inn, Juniper Hotel operated by Curio, Marriott Courtyard, the Residence Inn by Marriott, and the newest addition is the Hyatt House.

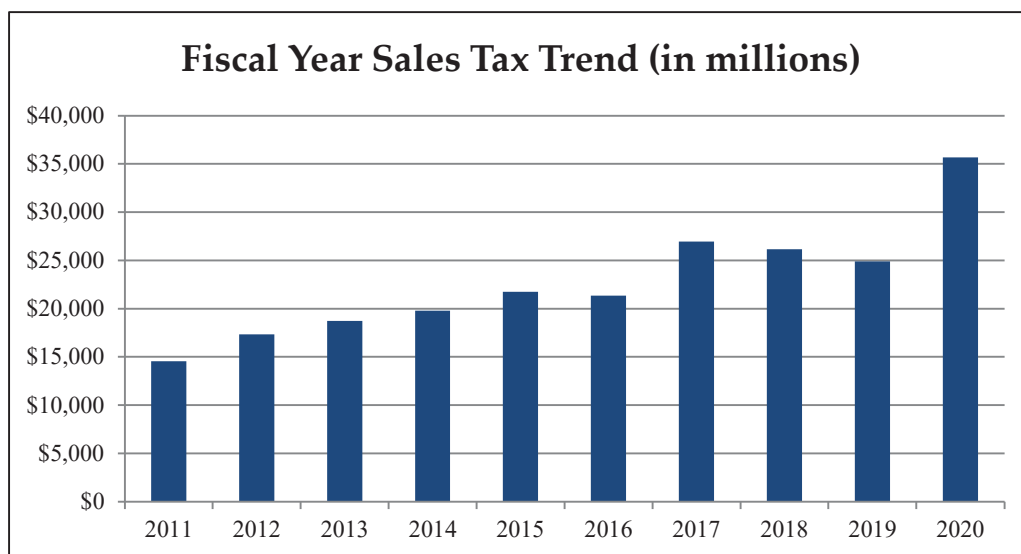
The redevelopment of the Homestead Square Shopping Center, located at Homestead Road and De Anza Boulevard, includes a 24-hour Safeway, Ulta Beauty, Ross Stores, Stein Mart, Pet Club, Michael's, Rite Aid, FedEx, and numerous restaurants, such as Fish's Wild, Pho Hoa Noodle Soup, Yayoi Teishoku Japanese Restaurant, Starbucks, and Chipotle.

Apple completed construction of its new corporate campus, Apple Park, which includes approximately 2.8 million square feet of office and R&D space north of Highway 280 between Wolfe Road and Tantau Avenue. A state-of-the-art Visitors Center, Observation Deck, flagship retail store and café are open to the public seven days a week.

According to the 2019-2020 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased nearly \$831 million, or 3.3%, from the prior year. Approximately \$470 million and \$46 million of the increase was attributable to changes in ownership for single family housing and multifamily housing, respectively. Approximately \$58 million and \$19 million of the increase was attributable to changes in new construction for single family housing and multifamily housing, respectively. Additionally, commercial and industrial increased by \$20.9 million, or 0.3%, and \$56.9 million, or 7.6%, respectively.

The City's sales tax revenues are generated from five principal economic categories: business-to-business 73.0% (includes electronic equipment and software manufacturers and distributors), state and county pools 21%, restaurants and hotels 2%, general retail 2%, and fuel and service stations 2%.

Our two largest sales taxpayers in the business-to-business category represent a large part of that sector and therefore can significantly affect sales tax trends. The top taxpayers' corporate and business technology spending has driven growth in this sector. Sales tax activity has increased across most sectors with a decrease primarily in construction. This decrease is attributed to the winding down of construction projects in the City, particularly, the Apple Park campus development. Given these trends, the City's FY 2019-20 sales tax revenue is projected to show a more modest increase going forward.



Continued economic growth driven primarily by the business to business sector continued through FY 2014-15 until a slight \$400,000 decline in FY 2015-16 due to a one-time clean up payment from the previous year received in FY 2016-17. FY 2016-17 increased significantly with a \$3.5 million “triple-flip” close-out payment. There was a modest decrease in FY 2017-18 which was again attributable to the one-time “triple-flip” close-out payment from FY 2016-17 that was not received in FY 2017-18. Despite the fluctuation, the sales tax base experienced strong growth. FY 2018-19 experienced a slight decrease due to the tapering of localized sales tax dollars from construction and completion of Apple Campus 2 which further indicates a return to normalcy in respect to previous years. Additionally, the City received a one-time quarterly clean-up payment in FY 2017-18 of \$1.6 million that contributed to the comparative decrease in FY 2018-19. In FY 2019-20, the City’s sales taxes experienced growth due to a one-time double payment from Apple. Additionally, a change in estimate in which the City adjusted its accrual practice to include the full remittance amounts from July and August 2020 contributed to approximately \$9.0 of the increase over the previous fiscal year. This change in estimate will be applied prospectively and consistently moving forward. Though much uncertainty remains during the course of the pandemic, the City has seen positive sales tax trends into FY 2020-21 due to the telework transition and the state-wide need for additional electronic equipment and infrastructure.

With the economic recovery and easing of credit, commercial development activity picked up considerably in 2012-13 and 2013-14 led by plan reviews of the new Apple Campus 2. Plans for the redevelopment of the Marina shopping center into a mixed-use project, Marina Plaza, was approved in 2016. This project will include 23,000 SF of retail and restaurant use, a 122-room boutique hotel, and 188 residential units including 16 below market rate units. Construction of a five story, 148-room Hyatt House hotel was completed in April 2019 and includes a full-service restaurant and meeting rooms. Through the City’s new General Plan Amendment (GPA) Authorization Process applications for two development projects were authorized by City Council during FY 2019-20 with the De Anza Hotel and the Cupertino Village Hotel.

The City’s pension and retiree medical unfunded actuarial accrued liabilities are discussed in the Notes to the Basic Financial Statements. The City must pay CalPERS, the state’s government pension system, annually to reduce its long-term liability for pensions. Cupertino’s CalPERS actuarial valuation report as of June 30, 2019 reported a pension unfunded accrued liability of \$49.2 million with annual payments to CalPERS of 31.3% and 29.8% of projected payroll for 2021-22 and 2020-19, respectively, with ongoing increases after that because of actuarial assumption changes. To address long-term rising costs, Cupertino and state law has reduced pension benefits for new hires and increased employee contributions. As of the June 30, 2020 GASB 74/75 report, the City has a retiree medical unfunded liability of \$2 million with annual payments to a retiree health plan trust at 9.1% of payroll.

In fiscal year 2017-18, the City Council approved the establishment of a Section 115 trust as part of a pension rate stabilization program. An initial investment of \$8,000,000 was made in FY 2018-19 and an additional contribution of \$4 million was made in FY 2019-20.

Because the City contracts out police services to the County Sheriff and because fire protection is handled by a special district, the City avoids the high pension, capital, and operating costs of a City-operated public safety function. The City caps its contributions to employee health insurance premiums that benefit both the City and employees. A build-up of operating reserves from strong revenue years, such as 2013-14, along with a traditional under-spending of budgets, enables the City to withstand weak revenue years that occur periodically, such as in 2009-10.

ECONOMIC INITIATIVES

With the expanded Apple presence, the City's revenue base will remain concentrated among its top companies and top economic sector, the volatile business-to-business area. Past recessions and the historic departure of a major tax provider, Hewlett-Packard, demonstrates the need for diversification of the City's revenue base and a long-term balance of revenues and expenditures. The City desires other revenues to mitigate the fluctuating nature of sales taxes, hotel taxes, user fees, and state grabs of local taxes in times of budget distress.

COVID-19 has had significant adverse impacts on the City's transient occupancy taxes, charges for services, and is sure to have long-lasting impacts on its sales tax. While the City's revenues remained strong in FY 2019-20 and are currently on pace with projections in FY 2020-21, the City's strong, untapped reserves afford the City to continue actively mitigating the impacts of the pandemic on the community. Efforts to reduce operating costs, additional allocations for tenants at risk of eviction and homeless assistance, public facility and area sanitation enhancements, and small business grant assistance are all examples in FY 2019-20 and FY 2020-21 of the City's on-going ability and commitment to overcome these challenges.

ACCOUNTING AND BUDGETARY CONTROL

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. The City's controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against losses from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the costs of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

The City's budget is a detailed operating plan that identifies estimated costs and results in relation to estimated revenues. The budget includes 1) the programs, projects, services and activities to be provided during the fiscal year; 2) estimated revenue and fund balance available to finance the operating plan; and 3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented and controlled.

INDEPENDENT AUDIT

City ordinance requires an annual audit of the financial records by an independent certified public accounting firm selected by the City Council and its audit committee. Crowe LLP audited the City's Basic Financial Statements, and their opinion thereon is included in the Financial Section of this report.

FRAUD INVESTIGATION

On September 5, 2018 the Santa Clara County Sheriff's Office arrested former City of Cupertino employee Jennifer "Yuen-Cheng" Chang, Senior Accountant, for her role in the embezzlement of public funds. It is believed that Ms. Chang issued and cashed numerous fraudulent checks between 2000 and 2014 for a total of \$791,494.

The scheme ended in September 2014 right before the implementation of an upgraded financial system in December 2014 that tightened internal controls. Ms. Chang, who was hired by the City in 1997, retired in July 2015.

The checks were uncovered earlier by staff during a multi-year, detailed review of several accounts—including payroll, bank reconciliations, and deposits—which began after the implementation of the new financial system in fiscal year 2014-2015. The checks were found debited against a liability account and deemed suspicious due to their nature, size, and lack of supporting documentation.

The Santa Clara County Sheriff's Office submitted its case to the Santa Clara County District Attorney's Office for the issuance of a warrant for Ms. Chang. The California Attorney General has brought forward 68 criminal charges against Ms. Chang. The City of Cupertino is seeking full restitution from Ms. Chang through upcoming criminal and civil proceedings.

At the Preliminary Hearing on December 10, 2019, Judge Pennypacker ruled that Ms. Chang will have to stand trial on 53 felony counts. The counts include Grand Theft and Computer Intrusion for the period September 28, 2000 to September 5, 2014, and Embezzlement for the period July 22, 2011 to September 5, 2014. Because Ms. Chang's bank does not save documents from prior to 2011, the State cannot prove an element of the crime of embezzlement. Currently, the Judge set the case for an arraignment for further decision. It is the City's position to support prosecution to the fullest extent of the law, including full restitution and jail time if criminal liability is found.

Among other internal controls maintained by the City over its financial records, in addition to the upgraded financial system in December 2014 that tightened internal controls, the City also hired additional accounting staff to enhance segregation of duties as well as internal audit function that has been approved for implementation in fiscal year 2019-20. Lastly, the City has engaged Moss Adams, LLP to serve as its internal auditor.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cupertino for its CAFR for the year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the current report continues to meet the Certificate of Achievement Program's requirements.

Respectfully submitted,

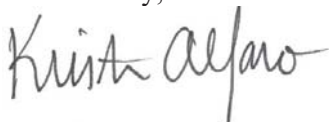


Zach Korach
Finance Manager

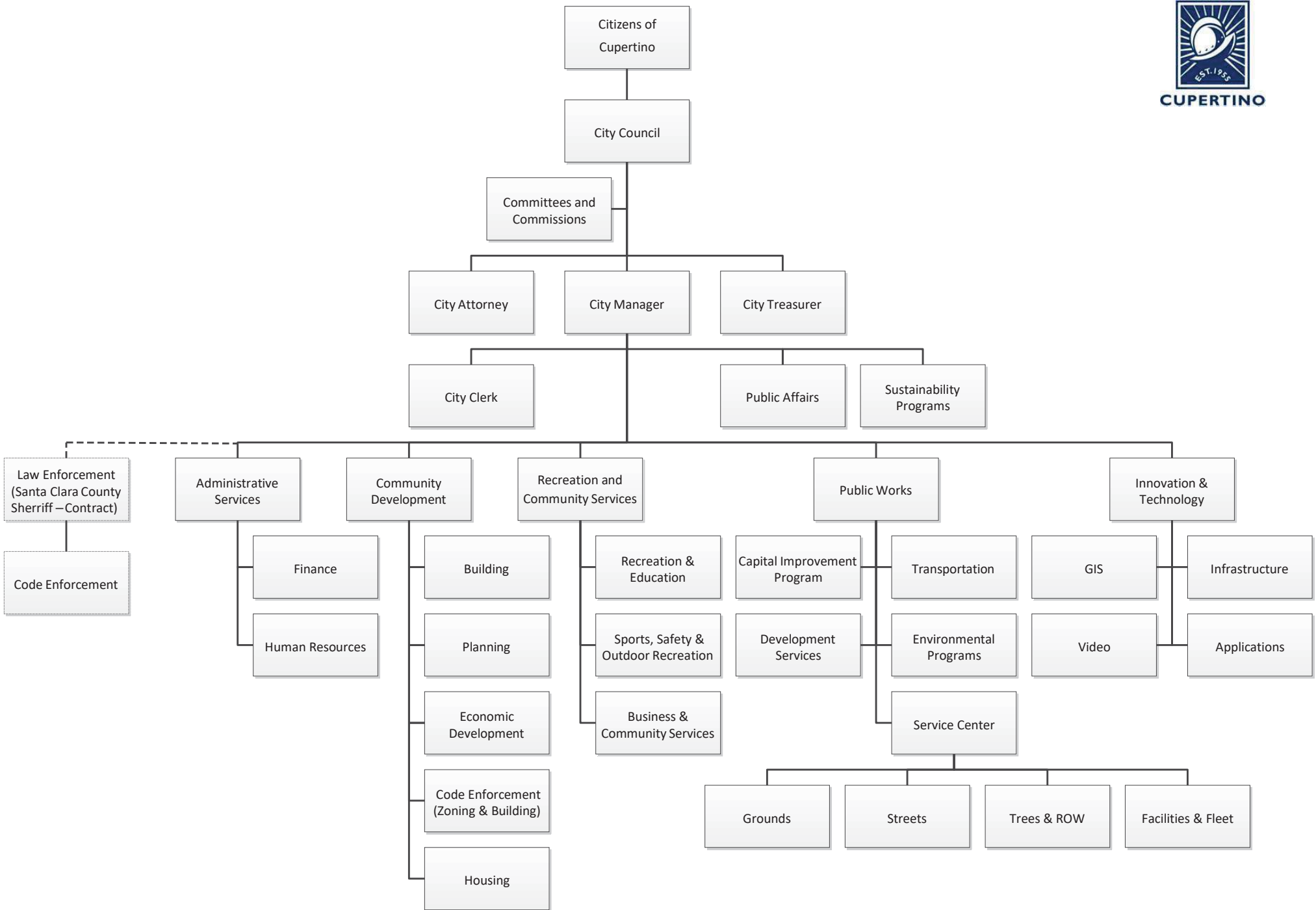
ACKNOWLEDGMENTS

I would like to express my appreciation to City employees, department heads, the City Manager, members of the Audit Committee, and members of City Council for their interest in conducting the financial operations of the City in a responsible manner. Special thanks go to, Thomas Leung, Zeng Wang, Min Zhao, Jumaini Judoprasetyo, Vi Tran, and Amber Chang of the Finance staff for their continued support and dedication. Special recognition to Beth Viagar, Richard Wong, Giang Dinh, and Mariela Vargas for their efforts in the preparation and production of this report.

Reviewed by,



Kristina Alfaro
Director of Administrative Services



CITY OF CUPERTINO, CALIFORNIA

Fiscal Year 2019-20

CITY COUNCIL



Steven Scharf
Mayor



Darcy Paul
Vice Mayor



Liang Chao
Council member



Rod Sinks
Council member



Jon Willey
Council member

DIRECTORY OF CITY OFFICIALS

- Deborah L. Feng – City Manager
- Dianne Thompson – Assistant City Manager
- Heather Minner – City Attorney (Contract)
- Bill Mitchell – Chief Technology Officer
- Kristina Alfaro – Director of Administrative Services
- Ben Fu – Director of Community Development
- Roger Lee – Director of Public Works
- Joanne Magrini – Director of Parks and Recreation

CITY OF CUPERTINO, CALIFORNIA
Fiscal Year 2019-20
COMMISSIONS AND COMMITTEES

**BICYCLE PEDESTRIAN
COMMISSION**

Erik Lindskog
Gerhard Eschelbeck
Ilango Ganga
Jennifer Shearin
Muni Madhhipatla

FINE ARTS COMMISSION

Diana Matley
Janki Chokshi
Rajeswari Mahalingam
Sonia Dhama
Sudha Kasamsetty

HOUSING COMMISSION

Connie Cunningham
Sanjiv Kapil
Siva Gandikota
Sue Bose
Tessa Parish

LIBRARY COMMISSION

Amando Wo
Christie Wang
Liana Crabtree
Qin Pan
Rahul Vasanth

**PARKS AND RECREATION
COMMISSION**

Carol Stanek
Gopal Kumarappan
Neesha Tambe
Sashikala Begur
Xiangchen Xu

PLANNING COMMISSION

Alan Takahashi
David Fung
Kitty Moore
R "Ray" Wang
Vikram Saxena

PUBLIC SAFETY COMMISSION

Eric Shan
Hymanand Nellore
Lakshminarasimha Ankireddipally
Tiffany Wang
Yvonne Chao

**SUSTAINABILITY
COMMISSION**

Anna Weber
Gary Latshaw
Meera Ramanathan
Ram Mohan
Vignesh Swaminathan

TEEN COMMISSION

Alden Gu
Anagaa Nathan
Jay Yeung
Kelly Tung
Krithika Venkatasubramanian
Nitya Devisetti
Rushil Jayant
Samikshaa Natarajan
Tanvi Khot

**TECHNOLOGY, INFORMATION
& COMMUNICATIONS
COMMISSION**

Eliza Du
Mukesh Garg
Naidu Bollineni
Prabir Mohanty
Rajaram Soundararajam

AUDIT COMMITTEE

Angela Chen
Darcy Paul
Eno Schmidt
Mingming (Daisy) Liang
Rod Sinks

DESIGN REVIEW COMMITTEE

David Fung
R "Ray" Wang

**ENVIRONMENTAL REVIEW
COMMITTEE**

Liang Chao
Kitty Moore
Dianne Thompson
Ben Fu
Chad Mosley

**LEGISLATIVE REVIEW
COMMITTEE**

Liang Chao
Steven Scharf



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Cupertino
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Cupertino, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cupertino, California (City) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Transportation Special Revenue Fund, and the Housing Development Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information section on pages 4-21 and 77-81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information section, statistical section and community profile are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, statistical section and community profile has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and stylized.

Crowe LLP

Costa Mesa, California
March 8, 2021

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

This section describes the City of Cupertino's financial performance for the year. Readers are encouraged to consider the following information in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

2019-20 FINANCIAL HIGHLIGHTS

- The COVID-19 pandemic, and the ensuing lockdowns, has negatively affected economies not only in the region, but around the world. Sales tax, transient occupancy tax, and charges for services were both positively and negatively impacted as explained further below. However, while much uncertainty remains regarding the length and magnitude of these impacts, the City stands well positioned with robust fund balance reserves and has implemented budget reduction strategies for the upcoming fiscal year.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2020 by \$300.9 million (net position). Of this amount, \$74.6 million represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- City revenues have increased in 2019-20 with base governmental revenues showing a \$16.4 million increase, or 17.1%, over 2018-19. The primary fluctuations include an increase in property and sales tax and program revenues that are offset by decreases in transient occupancy tax and other taxes. According to the 2019-2020 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased nearly \$831 million, or 3.3%, from the prior year. Approximately \$470 million and \$46 million of the increase was attributable to changes in ownership for single family housing and multifamily housing, respectively. Approximately \$58 million and \$19 million of the increase was attributable to changes in new construction for single family housing and multifamily housing, respectively. Although sales tax declined slightly year over year in FY 2018-19, the City experienced an increase of approximately \$10.8 million, or 43.2% over the previous year. This is primarily due to a change in estimate in which the City adjusted its accrual practice to include the full remittance amounts from July and August 2020. This change in estimate will be applied prospectively and consistently moving forward. This increase is also due to a one-time double payment received by Apple. Additionally, the City experienced declines in many of the sectors including autos and transportation, building and construction, fuel and service stations, general consumer goods, and restaurants and hotels; however, these experiences were mitigated by a strong performance in the business and industry and county pool allocation. The COVID-19 pandemic has brought great uncertainty to the economy and although the business and industry sector experiences significant increases due to the telework conversion, the City continues to monitor and forecast these sectors conservatively. COVID-19 and shelter-in-place orders brought the City's transient occupancy taxes to a near halt beginning in March of 2020. As a result, the City's experienced a \$1.6 million, or 18.1%, decrease in transient occupancy tax over the previous fiscal year.
- The City continued to make substantial investment into capital projects dedicated to street and transportation improvements, storm drain improvements, and maintenance of and improvements to City facilities, resulting in an increase in net capital assets of \$3.6 million, after depreciation.
- The City's change in net position was \$15.1 million for governmental activities and \$16.3 million in total, reflecting the continued growth of revenues and modest departmental spending.
- The City's Net Pension Liability for June 30, 2020, was \$46.1 million, up \$5.2 million from June 30, 2019, or 12.7%. The Plan Fiduciary Net Position as a Percentage of the Total Pension Liability for the City's pension plan with CalPERS decreased from 69.6% to 68.3%. During fiscal year 2019-20, the City Council approved an additional \$4 million contribution to the City's recently established

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

pension rate stabilization program (Section 115 Trust). Annual contributions to this trust will continue on an annual basis and as part of the City's budget process. In accordance with guidance under GASB 67/68, the assets in the Section 115 Trust are reported as restricted cash and investments in the City's General Fund. While the Section 115 Trust qualifies as a "trust," the assets in the Section 115 Trust are not used to directly pay benefits to beneficiaries; rather, they are used to pay CalPERS via the CERBT Trust and as a result, the activities are not required to be reported in a fiduciary fund. The Trust's ending balance as of June 30, 2020 was \$12.7 million.

- Business-type activities contributed \$6.6 million to citywide revenues totaling \$109.9 million, while the same activities contributed over \$8.9 million to citywide expenses of \$93.7 million.
- The City implemented the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during the fiscal year 2017-18. This statement requires governments to report a liability on the face of the financial statements for the OPEB provided by the City. During FY 2019-20, the City's reduced the discount rate from 7.0% to 6.5% which consequently increased the Total OPEB Liability. As of June 30, 2020, the City reported a Net OPEB Liability of \$2.0 million, Deferred Outflows of Resources of \$2.7 million, and Deferred Inflows of Resources of \$1.1 million. As of June 30, 2020, the City's OPEB plan had a funding ratio or funded ratio or status of 93.7%.
- On September 29, 2020, the City of Cupertino's 2020A Certificates of Participation (2020 COPs) were successfully sold in order to refund the City's 2012 Certificates of Participation for debt service savings. The 2020 COPs were very well received by investors due in large part to the well-regarded Cupertino name, the top-notch AA+ rating, the sizable annual principal amounts and short maturity, and favorable supply and demand dynamics in the California municipal market. The refunding generated net present value savings of approximately \$3.14 million, 11.61% of refunded par and a True Interest Cost of 0.72%. Savings to the City's General Fund amounts to approximately \$494,000 per year for the next 10 years, or almost \$5 million in total savings.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's Basic Financial Statements. The Basic Financial Statements are comprised of the City-wide Financial Statements, the Fund Financial Statements, and the notes to the Basic Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and positions.

The City-Wide Financial Statements provide a long-term view of the City's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. These statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the City as a whole. The accrual basis of accounting is similar to the accounting used by most private sector companies. The Statement of Net Position provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities. The Statement of Activities provides information about all the City's revenues and expenses, with the emphasis on measuring net revenues and expenses for each of the City's programs. The Statement of Activities explains in detail the change in net position for the year. Over time, increases or decreases in net position can be indicators of whether the financial condition of the City is improving or deteriorating.

All of the City's activities are grouped into Governmental activities and Business-type activities, as explained below. The Statement of Net Position and the Statement of Activities provide a summary of these two types of activities for the City as a whole.

- ***Governmental activities***—Most of the City's basic services are considered to be governmental activities, including public works, law enforcement, community development, recreation, public & environmental affairs, and general administration. These services are supported by general City revenues such as property, sales and other taxes, and by specific program revenues such as developer fees and grants.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

The City's governmental activities include the activities of a separate legal entity, the Cupertino Public Facilities Corporation (the "Corporation"), because the City is considered to be financially accountable for the Corporation. The City leases its major facilities from the Corporation, which then uses the lease payments to pay principal and interest on the Corporation's long-term debt.

- **Business-type activities**—All of the City's enterprises are reported here, including solid waste management and most of the City's recreational operations. Unlike governmental services, these services are supported by charges paid by users based on the amount of services used.

The Fund Financial Statements report the City's operations in more detail than the City-wide Financial Statements and focus primarily on the short-term activities of the City's General Fund and other major funds. The Fund Financial Statements measure only current revenues, expenditures, assets, liabilities, and deferred inflows and outflows of resources; they exclude long-term assets and liabilities. Because these statements focus on the near-term inflows and outflows of spendable resources, such information may be useful in evaluating near-term financing requirements.

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called *major funds*. Cupertino's Fund Financial Statements include governmental, enterprise and internal service funds as discussed below. Each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules, which follow the Notes to Basic Financial Statements, present the detail of these non-major funds. Major funds present the significant activities of the City for the year, and may change from year to year as a result of changes in the pattern of City's activities and public interest. For example, the Capital Improvement Projects Fund may or may not appear as a major fund depending on the volume of construction activity in a certain year.

Governmental Fund financial statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. They present essentially the same functions reported as governmental activities in the city-wide financial statements. However, capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund financial statements. Reconciliations are provided to facilitate a comparison between governmental funds and governmental activity statements to allow a better understanding of the long-term impact of the government's near-term financial decisions.

Comparisons of budget and actual financial information are included in the Basic Financial Statements for the General Fund and other major Special Revenue Funds. For other nonmajor funds, budgetary comparison schedules for these funds are included in this document as supplemental information only.

Enterprise and Internal Service Fund financial statements are prepared on the full accrual basis and include current and long-term assets and liabilities and deferred outflows and inflows of resources. Enterprise funds are used to report the same functions presented as business-type activities in the City-wide Financial Statements, and in more detail in the Fund Financial Statements.

Since the City's Internal Service funds provide goods and services only to the City's governmental and business-type activities, their activities are reported only in total at the fund level. Internal Service funds may not be major funds because their revenues are derived from other City funds. These revenues are eliminated in the City-wide financial statements and any related profits or losses are returned to the activities which created them, along with any residual net position of the Internal Service funds. For this City, internal service activities predominantly benefit governmental rather than business-type functions, and are therefore included within governmental activities in the City-wide Financial Statements.

Fiduciary Fund financial statements are prepared on the full accrual basis and include current and long-term assets and liabilities and deferred outflows and inflows of resources. Fiduciary funds are used to

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

account for resources held for the benefit of parties outside the government. Fiduciary funds activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its own operations.

The City maintains an OPEB Pension Trust Fund that is used to account for the assets and liabilities held in trust for the retirees' post-employment health benefits.

The Notes to Basic Financial Statements provide important additional detail that is essential to a full understanding of the data reported in the City-wide and Fund Financial Statements.

CITY-WIDE FINANCIAL ACTIVITIES

This analysis focuses on the net position and changes in net position of the City's Governmental Activities (Tables 1 and 2) and Business-Type Activities (Tables 3 and 4) as presented in the City-wide Statement of Net Position and the Statement of Activities.

Governmental Activities

Table 1
Condensed Statement of Net Position at June 30
(in thousands)

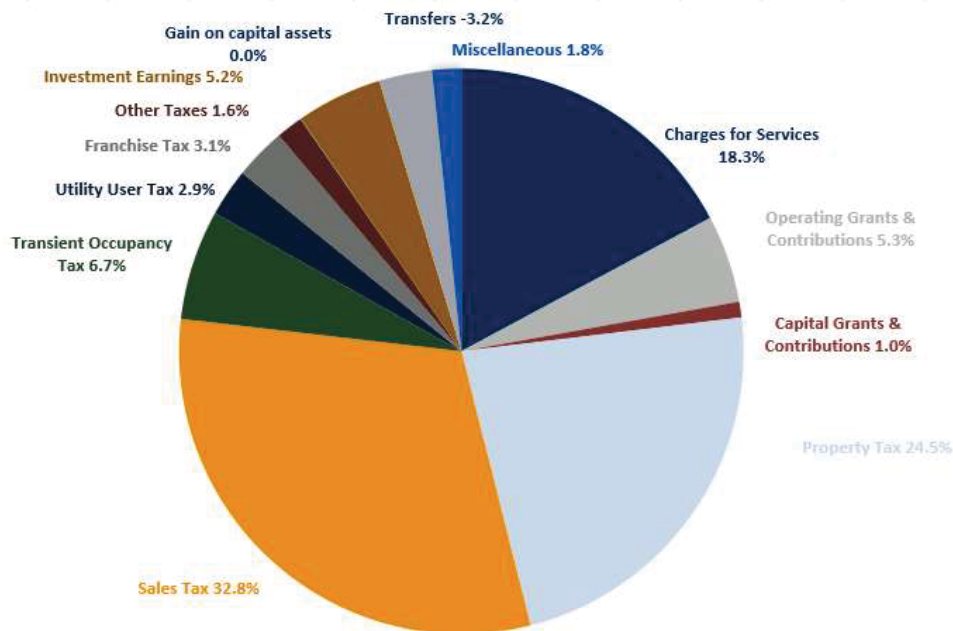
	Governmental Activities	
	2020	2019
Assets:		
Cash and investments	\$ 147,608	\$ 132,532
Restricted cash and investments	17,088	12,412
Other assets	17,150	9,851
Capital assets	199,776	195,971
Total assets	381,622	350,766
Deferred Outflows of Resources:		
Related to Pension (Note 10)	9,050	8,088
Related to OPEB (Note 11)	2,590	-
Total deferred outflows of resources	11,640	8,088
Liabilities:		
Long term debt	27,010	29,300
Other liabilities	72,819	59,662
Total liabilities	99,829	88,962
Deferred Inflows of Resources:		
Related to Pension (Note 10)	774	638
Related to OPEB (Note 11)	1,032	1,685
Total deferred inflows of resources	1,806	2,323
Net Position:		
Net Investment in capital assets	177,128	170,974
Restricted	48,006	45,405
Unrestricted	66,493	51,190
Total net position	291,627	267,569

CITY OF CUPERTINO
 Management’s Discussion and Analysis (Unaudited)
 For the Year Ended June 30, 2020

The City’s change in net position from governmental activities was \$24.1 million. The following significant changes within assets, liability, and net position categories occurred:

- The City made an additional \$4 million contribution to its Section 115 Trust as part of the City’s pension rate stabilization program. Cash held by fiscal agents for debt service is also included in the \$17.1 million of restricted cash and investments. In accordance with guidance under GASB 67/68, the assets in the Section 115 Trust are reported as restricted cash and investments in the City’s General Fund. While the Section 115 Trust qualifies as a “trust,” the assets in the Section 115 Trust are not used to directly pay benefits to beneficiaries; rather, they are used to pay CalPERS via the CERBT Trust and as a result, the activities are not required to be reported in a fiduciary fund.
- Other assets increased by approximately \$7.3 million, primarily due to the actuarially-derived Net OPEB Liability of \$2.0 million. In FY 2018-19, the City reported a Net OPEB Asset of \$1.1 million; however, during FY 2019-20, the City reduced the discount rate from 7.0% to 6.5% which resulted in an increase to the Net OPEB Liability. Additionally, the City made a change in estimate for its sales tax accrual. Accruing the full remittance in July and August 2020 contributed to \$9.0 million of the increase.
- Capital assets increased approximately \$3.8 million. This consisted of continued significant capital investment into capital projects dedicated to street and transportation improvements, storm drain improvements, and maintenance of and improvements to City facilities that was offset with current year depreciation expense.
- Other liabilities increased by approximately \$13.2 million, primarily due to a \$5 million increase in deposit liability balance resulting from an agreement with San Jose Water Company to complete infrastructure upgrades. Additionally, the City’s Net Pension Liability and Net OPEB Liability increased approximately \$7.9 million over the previous fiscal year.
- Deferred Outflows Related to Pension and OPEB increased \$3.6 million primarily due to actuarial changes of assumptions. Deferred Inflows of Resources Related to Pension and OPEB decreased approximately \$517,000 primarily due to actuarial changes of assumptions.

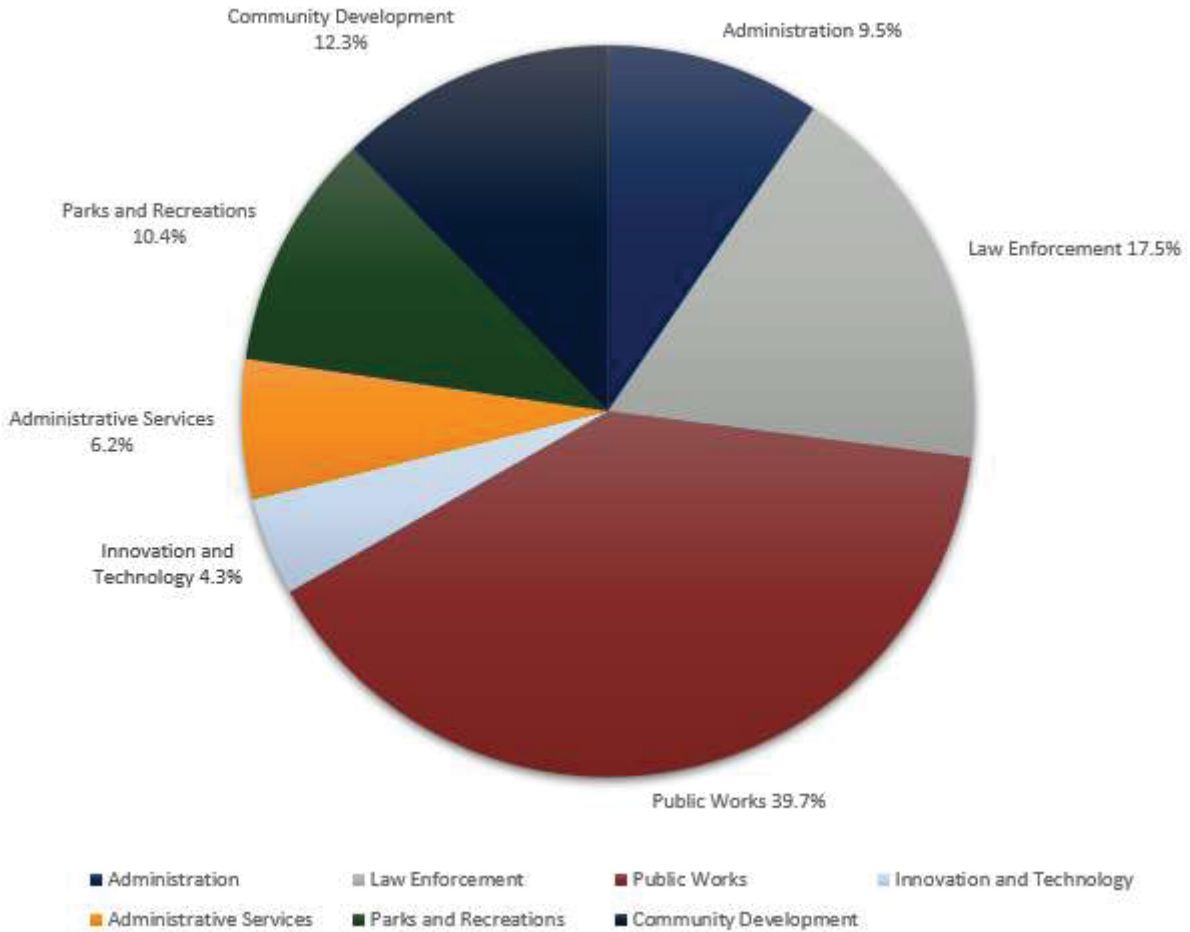
**Sources of Revenue, Governmental Activities
 2019-20**



CITY OF CUPERTINO
 Management's Discussion and Analysis (Unaudited)
 For the Year Ended June 30, 2020

In 2019-20, the City experienced continued trends toward a return to normalcy, until COVID-19 began in March of 2020. While program revenues experienced immediate declines in the final quarter, the City's general tax revenues remained strong. Revenues decreased \$0.1 million from the prior year, primarily due to decreases in functional program revenues offset with increases in general revenues.

**Functional Expenses, Governmental Activities
 2019-20**



The Statement of Activities presents program revenues, expenses, general revenues, and the resulting change in net position as summarized in the next table.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

Table 2
Condensed Statement of Activities for the Year Ended June 30
(in thousands)

Expenses	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Administration	\$7,975	\$ 6,849
Law enforcement	14,698	13,381
Innovation & technology	3,637	3,210
Administrative services	5,176	4,290
Recreation and community services	8,763	7,390
Community development	10,286	10,471
Public works	33,339	31,872
Interest on long-term debt	883	949
Total expenses	84,757	78,412
Revenues		
Program revenues:		
Charges for services	19,911	18,861
Operating grants and contributions	5,794	2,557
Capital grants and contributions	1,047	1,082
Total program revenues	26,752	22,500
General revenues:		
Taxes:		
Property tax	18,117	17,082
Property tax in-lieu of motor vehicle fee	8,490	8,219
Sales tax	35,657	24,902
Transient occupancy tax	7,286	8,901
Utility user tax	3,182	3,090
Franchise tax	3,419	3,445
Other taxes	1,774	3,300
Intergovernmental, unrestricted:		
Motor vehicle license fee	47	29
Investment earnings	5,691	3,259
Gain on sale of capital assets	-	4
Miscellaneous	1,922	1,187
Total general revenues	85,586	73,418
Total revenues	112,338	95,918
Excess of revenues over expenses,		
before transfers	27,581	17,506
Transfers (Note 4)	(3,523)	(75)
	24,058	17,431
 Change in net position		
Beginning net position	267,569	250,138
Ending net position	\$ 291,627	\$ 267,569

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

City-wide Governmental Activities Revenues

Table 2 shows that revenues from governmental activities increased \$16.4 million or 17.1% from last year, finishing at \$112.3 million. The increases in functional program revenues are most attributable to \$2.8 million receives from Apple Inc. for Bicycle Transportation Plan projects. General revenues also experienced a net increase namely, property tax, sales tax, transient occupancy tax, and investment earnings as further discussed below.

Increases in the City's general revenues are attributable to a \$1.3 million increase in property tax over the prior year. According to the 2019-2020 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased nearly \$831 million, or 3.3%, from the prior year. Approximately \$470 million and \$46 million of the increase was attributable to changes in ownership for single family housing and multifamily housing, respectively. Approximately \$58 million and \$19 million of the increase was attributable to changes in new construction for single family housing and multifamily housing, respectively.

Although sales tax declined slightly year over year in FY 2018-19, the City experienced an increase of approximately \$10.8 million, or 43.2% over the previous year. This is attributable to a \$9.0 million change in estimate for sales tax accruals. And also due to a one-time double payment received by Apple. Additionally, the City experienced declines in many of the sectors including autos and transportation, building and construction, fuel and service stations, general consumer goods, and restaurants and hotels; however, these experiences were mitigated by a strong performance in the business and industry and county pool allocation. The COVID-19 pandemic has brought great uncertainty to the economy and although the business and industry sector experiences significant increases due to the telework conversion, the City continues to monitor and forecast these sectors conservatively.

Transient occupancy tax has decreased \$1.6 million, or 18.1%, over the prior year due to the COVID-19 and related shelter in place orders. Although the declines in this category are significant, the City has experienced significant growth in the sales tax category from the pandemic as the State has transitioned to a work-from-home telecommuting environment. These declines have been incorporated into the City's FY 2020-21 Budget and forecast and staff will continue to monitor the activities throughout the course of the pandemic.

Investment earnings saw an increase of \$2.4 million, or 74.6%, over the prior year. This was due to the City's portfolio's total rate of return of 5.52% (net of fee) for the fiscal year.

Program revenues showed an increase of \$4.3 million, or 19%, and is primarily attributable to \$2.8 million received in project funding donations from Apple Inc. for the Bicycle Transportation Plan projects.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

City-wide Governmental Activities Expenses

City-wide governmental activities expenses increased by \$6.3 million, or 8%. The City's cost allocation plan created fluctuations from one department to the next and special project and capital outlay spending fluctuated as well; however, base expenses remained relatively consistent over the prior year with increases predominantly related to negotiated salary and benefits.

Change in Net Position

The City-wide governmental net position increase of \$15.1 million was slightly down compared to the increase of \$17.4 million in 2018-19 and can be best explained by continued relative stabilization in general revenues paired with consistent and conservative spending.

Business Type Activities

Business-type activities in the City-wide Financial Statements include the City's four enterprise funds. Enterprise funds are used to account for recreational and solid waste management operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services and facilities to the general public on a continuing basis be financed or recovered primarily through user fees. The major proprietary funds section of this report provides more information on business-type results.

As shown in Table 3 and Table 4, the business-type net position totaled \$9.3 million at June 30, 2020, an increase of \$1.2 million, or 14.9%, from the prior year with unrestricted net position increasing \$1.4 million and the net investment in capital assets decreasing by \$200,000. Business-type activities transferred in (net) \$3.5 million, an increase of \$3.4 million over the prior year, which contributed to the increase in net position. Few capital asset additions offset with \$275,000 in depreciation expense resulted in a net decrease of \$200,000 over the prior year. Enterprise activities experienced an overall increase in assets due primarily to investment income which increased cash and cash equivalents. Liabilities for business-type activities decreased by \$81,000 due to increases in accounts payable, OPEB liability and net pension liability which were offset by decreases in unearned revenue.

In Table 4, revenues for all business-type activities decreased \$97,000 and operating expenses increased by \$562,000, primarily attributable to the restructuring of the City's waste recovery contract which eliminated pass-through costs for the entire fiscal year.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

Table 3
Condensed Statement of Net Position at June 30
(in thousands)

	Business Type Activities	
	2020	2019
Assets:		
Cash and investments	\$ 11,524	\$ 10,396
Other assets	348	407
Capital assets	1,119	1,319
Total assets	12,991	12,122
Deferred Outflows of Resources:		
Related to pension	598	539
Related to OPEB	156	-
Total deferred outflows of resources	754	539
Other Liabilities:		
Total liabilities	4,365	4,447
Deferred Inflows of Resources:		
Related to pension	51	43
Related to OPEB	75	114
Total deferred inflows of resources	126	157
Net Position:		
Net Investment in capital assets	1,119	1,319
Unrestricted	8,135	6,738
Total net position	\$ 9,254	\$ 8,057

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

Table 4
Condensed Statement of Activities for the Year Ended June 30
(in thousands)

Expenses	<u>Business Type Activities</u>	
	<u>2020</u>	<u>2019</u>
Resource recovery	\$ 2,213	\$ 1,736
Blackberry farm	664	645
Cupertino sports center	2,884	3,036
Recreation programs	3,141	2,923
Total expenses	8,902	8,340
Revenues		
Program revenues:		
Charges for services	6,114	6,403
General revenues:		
Investment earnings	462	270
Total revenues	6,576	6,673
Excess of revenues over expenses, before extraordinary item and transfers	(2,326)	(1,667)
Transfers	3,523	75
Change in net position	1,197	(1,592)
Beginning net position	8,057	9,649
Ending net position	\$ 9,254	\$ 8,057

MAJOR GOVERNMENTAL FUNDS

General Fund

General Fund Revenues

General Fund actual revenues of \$101.1 million ended \$13.9 million, or 16.2%, above the original budget and \$10.6 million, or 11.9%, above the final budget. Actual revenues were up \$12.3 million or 14% when compared to 2018-19 actuals. Table 5 displays the variations in actual revenues, while Table 6 shows budgeted revenues compared to actuals.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

Property taxes increased \$1.3 million, or 5%, over the prior year due to continued roll-growth. According to the 2019-2020 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased nearly \$831 million, or 3.3%, from the prior year.

Sales tax increased \$10.8 million, or 43%, over the prior year due to strong business and industry and county pool allocation growth. \$9.0 million of the increase was also attributable to a change in estimate in which the full remittances for July and August 2020 were accrued.

Transient occupancy tax decreased \$1.6 million, or 18%, due to the COVID-19 and the related shelter-in-place orders which brought transient occupancy tax revenues to a near halt beginning in March 2020.

Charges for services remained relatively consistent in total, decreasing by \$210,000 over the previous year. Decreases in refundable deposit revenues of \$1.2 million and planning fees of \$976,000 were offset by increases in engineering fees of \$220,000 and cost allocation charges of \$2.1 million.

Licenses and permits increased \$590,000, or 14%, due to increased construction plan check services that were offset by slight decreases in building inspection and general building licenses and permits.

Table 5
Revenue Changes
General Fund, Fiscal 2020 vs. 2019
(in thousands)

Revenue by Source	Fiscal 2020		Increase/(Decrease) From Fiscal 2019	
	Amount	% of Total	Amount	Percent
Taxes:				
Property	\$ 26,607	26%	\$ 1,306	5%
Sales	35,657	35%	10,755	43%
Transient occupancy	7,286	7%	(1,615)	-18%
Utility user	3,182	3%	92	3%
Franchise	3,419	3%	(26)	-1%
Other	1,402	2%	(258)	-16%
Use of money & property	4,078	4%	1,424	54%
Intergovernmental	748	1%	274	58%
Licenses and permits	4,693	5%	590	14%
Charges for services	12,435	12%	(210)	-2%
Fines and forfeitures	328	0%	(183)	-36%
Other	1,218	1%	116	11%
Total revenues	\$ 101,053	100%	\$ 12,265	14%
Other financing sources:				
Transfers in	\$ 10,012	100%	\$ 10,008	250200%
Proceeds from sale of land	\$ -	0%	\$ (10)	-100%
Total other financing sources	\$ 10,012	100%	\$ 9,998	71414%

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

Table 6
Revenue, Budget and Actual Comparisons
General Fund 2019-20
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		<u>Final</u>
Taxes:				
Property	\$ 24,703	\$ 24,703	\$ 26,607	\$ 1,904
Sales	25,637	25,637	35,657	10,020
Transient occupancy	9,666	9,666	7,286	(2,380)
Utility user	3,199	3,199	3,182	(17)
Franchise	3,162	3,162	3,419	257
Other	1,181	1,181	1,402	221
Use of money & property	1,333	1,333	4,078	2,745
Intergovernmental	355	355	748	393
Licenses and permits	2,524	2,524	4,693	2,169
Charges for services	13,826	16,560	12,435	(4,125)
Fines and forfeitures	615	615	328	(287)
Other	882	1,474	1,218	(256)
Total revenues	<u>\$ 87,083</u>	<u>\$ 90,409</u>	<u>\$ 101,053</u>	<u>\$ 10,644</u>
Transfers in	<u>\$ 12</u>	<u>\$ 10,012</u>	<u>\$ 10,012</u>	<u>\$ -</u>

General Fund Expenditures

Fiscal 2019-20 overall expenditures, at \$64.6 million, were \$1.6 million higher than last year. This result came in 16.7% or \$13.0 million under the final budget. Year-over-year and budget-versus-actual results for General Fund programs are described below and in Tables 7 and 8.

Administration increased \$657,000, or 10%, from 2018-19 and is primarily due to the contracting out of the Economic Development function, increases in City Attorney contract services, and negotiated salary and benefit increases.

Law Enforcement was higher by approximately \$1.0 million, or 8%, which was the automatic increase in the existing contract with the Santa Clara County Sheriff's Office triggered by increases in the lease and CalPERS costs.

Innovation & Technology remained relatively consistent from 2018-19 to 2019-20. Some notable special projects that commenced included, but were not limited to, ProjectDox Upgrade, Legistar and Vision Integration, City Facility Security and Video, Laserfiche Data Replication, and Plotter and Scanner Replacement.

Administrative Services' expenditures increased approximately \$420,000, or 10%, over the prior year due to negotiated increases in salary and benefits. This increase also reflected the addition of a full-time benefitted employee.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

Parks & Recreation General Fund expenditures experienced a 15% decrease, or \$1.3 million, across its programs. The majority of this decrease was due to COVID-19 and the inability to hold related program activities and events in the final quarter of FY 2019-20.

Community Development expenditures in the General Fund decreased \$131,000 or 2% due to the reorganization of the Economic Development Division to the City Manager's Office.

Public Works expenditures increased approximately \$1.2 million or 7%. This is primarily represented by an increase in compensation and benefits. While various divisions and programs fluctuated over the prior year, the notable special projects and fluctuations include, but are not limited to, Shuttle Bus Pilot Program, office reconfigurations, field maintenance, and streetlight LED upgrades.

Transfers out of the General Fund increased from \$19.4 million in 2018-19 to \$30.9 million. This increase represented a \$10 million net transfer of excess fund balance to the Capital Reserve.

Table 7
Expenditure Changes
General Fund, Fiscal 2020 vs. 2019
(in thousands)

Function/Program	Fiscal 2020		Increase/(Decrease) From Fiscal 2019	
	Amount	% of Total	Amount	Percent
Administration	\$ 6,950	11%	\$ 657	10%
Law enforcement	14,151	22%	1,042	8%
Innovation and technology	3,223	5%	379	13%
Administrative services	4,618	7%	420	10%
Parks and recreation	7,689	12%	(1,306)	-15%
Community development	8,423	13%	(131)	-2%
Public works	18,829	29%	1,162	7%
Capital outlay	705	1%	(649)	-48%
Total expenditures	<u>\$ 64,588</u>	<u>100%</u>	<u>\$ 1,574</u>	<u>2%</u>
Transfers out	<u>\$ 30,892</u>	<u>100%</u>	<u>\$ 11,516</u>	<u>59%</u>

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

Table 8
Expenditure Changes
General Fund 2019-20
(in thousands)

	Budgeted Amounts		Actual	(Over)/Under
	Original	Final		Final
Administration	\$ 7,548	\$ 8,010	\$ 6,950	\$ 1,060
Law enforcement	14,078	14,081	14,151	(70)
Innovation and technology	3,231	3,512	3,223	289
Administrative services	4,790	5,085	4,618	467
Parks and recreation	8,574	8,753	7,689	1,064
Community development	9,605	9,032	8,423	609
Public works	21,513	24,444	18,829	5,615
Capital outlay	221	4,646	705	3,941
Total expenditures	\$ 69,560	\$ 77,563	\$ 64,588	\$ 12,975
Transfers out	\$ 10,540	\$ 30,892	\$ 30,892	\$ -

General Fund - Fund Balance

The General Fund carried a June 30, 2020, ending fund balance of \$74.5 million, up 26.4% or \$15.6 million from beginning of the fiscal year. Loan receivables totaled \$449,341 of non-spendable fund balance. The City committed \$19.0 million for general economic uncertainty and \$127,891 for sustainability. The City assigned \$3,176,882 for encumbrances. \$1,368,789 was restricted for public access television purposes, \$13,193 for CASp certification training, \$217,551 for Public safety power shutoff, and \$12,725,224 for the pension rate stabilization program (Section 115 Trust). \$34,526,942 was classified as unassigned.

Transportation

The Transportation Special Revenue Fund carried a June 30, 2020, ending fund balance of \$5,174,514, down 48.3%, or \$4.8 million from the beginning of the fiscal year. In recent years this fund has accumulated fund balance year over year. In an effort to reduce the amount of accumulated non-discretion balance, the City reduced the operating subsidy for FY 2019-20 relied on existing fund balance and current year non-discretionary revenues to fund the various transportation projects.

Housing Development

The Housing Development Special Revenue Fund carried a June 30, 2020, ending fund balance of \$8.5 million, 2%, or \$176,000 from the beginning of the fiscal year. The activities in this fund remained relatively consistent with the previous fiscal year.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

Public Facilities Corporation

A transfer of \$3,172,838 was made from the General Fund to the Public Facilities Corporation Debt Service Fund to cover principal and interest on the 2012 Certificates of Participation lease payments. See Notes 4 and 6 to the Basic Financial Statements and the Debt Administration section of this analysis for more information.

Capital Improvement Projects

The Capital Improvement Projects Capital Projects Fund carried a June 30, 2020, ending fund balance of \$40,354,087, up 22.2%, or \$7.3 million from the beginning of the fiscal year. During fiscal year 2019-20, a \$10 million transfer in from the General Fund was received for purposes of fund capital-related projects. The following capital projects incurred the highest expenditures: Library Expansion, McClellan West Parking Lot Improvements, and 2016 Bike Plan Implementation.

MAJOR PROPRIETARY FUNDS

Resource Recovery

The City has a solid waste franchise agreement with Recology that shares collection, landfill disposal, and recycling revenues and costs. This fund receives revenues from Recology with the funds going toward landfill costs, regulatory fees, and staffing costs that the City incurs to manage its solid waste, recycling, and household hazardous waste programs. Total operating revenue increased from \$1.75 million last year to \$1.82 million this year, while expenses increased by approximately \$478,000 due to increased contractual costs as well as the Waste Characterization Study and Franchise Agreement Request for Proposal special projects on the City Work Program. Net position decreased by approximately \$152,000. The fund ended the year with a \$5.3 million in net position.

Recreation Programs

This enterprise operates the Quinlan Community Center, Monta Vista Recreation Center, McClellan Ranch, Creekside Park building, eight school sites, and various parks. While the economy and enhanced marketing helped cultural events, youth and teen programs, sports, dance and fitness classes generate increasing revenues in recent years, fiscal year 2019-20 saw a slight decline. These programs generated approximately \$1.6 million in revenues that were \$398,000, or 20% lower than last year. Ongoing program expenses of approximately \$3.1 million included full-time administrative and programming staff, part-time activity leaders, and class instructors on contract. This resulted in a net operating loss of \$1.5 million as compared to an operating loss of \$869,000 a year ago. After the \$690,000 transfer, the fund ended up with a decrease in net position of \$783,000. The fund ended the year with a net position of \$1.1 million.

Cupertino Sports Center

Tennis lesson, membership, fitness class and rent revenues of \$2.4 million and increased by \$16,000 or 0.7% over last year, remaining relatively stagnant over the previous year. In addition, expenses decreased by \$152,134 or 5%, due to decreased activities in the final quarter because of COVID-19 and

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

shelter-in-place orders resulting in a net operating loss of \$518,000. In 2018-19, net operating income was (\$648,000). This fund's net position was \$2.6 million as of June 30, 2020 and increased significantly due to a \$948,000 operating subsidy from the General Fund as well as a \$1.28 million transfer from the Capital Reserve to fund its capital improvement program capital project.

NONMAJOR PROPRIETARY FUNDS

Blackberry Farm

City employees, with a teaching professional contractor, staff the City-owned Blackberry Farm golf course and pro shop. Operating revenues increased 7% in 2019-20 from \$317,000 to \$338,000. Operating expenses decreased by \$18,000, or 2.8%, to \$664,000 this year. The golf course's operating loss decreased from \$328,000 last year to \$325,000 this year. After a transfer in from the General Fund of \$610,000, net position increased \$307,000. As of June 30, 2020, this fund's net position was \$291,098.

CAPITAL ASSETS

At June 30, 2020, the City had \$200.9 million, net of depreciation, invested in a broad range of capital assets used in governmental and business-type activities, as shown in Table 9 and in Note 5 to the Basic Financial Statements. This reflects the City's continued investment into capital projects dedicated to street and transportation improvements, storm drain improvements, and maintenance of and improvements to City facilities, resulting in an increase in net capital assets of \$3.6 million, after depreciation.

Table 9
Capital Assets, Net of Depreciation, at June 30
(in thousands)

	2020	2019
Governmental Activities:		
Land	\$ 62,046	\$ 62,046
Easements	19,615	19,615
Construction in Progress	5,530	3,566
Buildings	16,015	17,723
Improvements other than buildings	17,483	18,912
Machinery and equipment	4,793	4,912
Roads, curbs, gutters, sidewalks, medians and bridges	67,713	62,171
Streetlights	1,589	1,489
Storm drain structures and mains	4,263	4,695
Traffic signals	729	842
Total Governmental Activities	199,776	195,971
Business-Type Activities		
Buildings	574	634
Improvements other than buildings	437	628
Machinery and equipment	108	56
Total Business-Type Activities	1,119	1,319
Total City	\$ 200,895	\$ 197,290

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020

DEBT ADMINISTRATION

The City's only long-term debt liability at June 30, 2020, comes from \$43,940,000 in Certificates of Participation (COPs) issued in May 2012 by the Cupertino Public Facilities Corporation. The certificates refunded previously issued COPs that financed Wilson Park, Blackberry Farm, and Creekside Park purchases, the Memorial Park expansion, the Quinlan Community Center construction, the City Hall remodel, and the new library opened in 2004. The serial fixed rate debt ranging from 0.35% to 3.125% requires annual debt payments of approximately \$3,170,379 that are covered by the General Fund. The June 30, 2020, outstanding principal of \$27,010,000 is due to be paid off by July 1, 2030. More information can be found in Note 6 to the Basic Financial Statements and in the Public Facilities Corporation discussion earlier in this analysis.

On September 29, 2020, the City of Cupertino's 2020A Certificates of Participation (2020 COPs) were successfully sold in order to refund the City's 2012 Certificates of Participation for debt service savings. The 2020 COPs were very well received by investors due in large part to the well-regarded Cupertino name, the top-notch AA+ rating, the sizable annual principal amounts and short maturity, and favorable supply and demand dynamics in the California municipal market. The refunding generated net present value savings of approximately \$3.14 million, 11.61% of refunded par and a True Interest Cost of 0.72%. Savings to the City's General Fund amounts to approximately \$494,000 per year for the next 10 years, or almost \$5 million in total savings.

CURRENTLY KNOWN FACTS AND CONDITIONS

The COVID-19 pandemic has had significant impacts on the City, both financially as well as operationally. Although revenues in transient occupancy tax, charges for services, and sales tax are projected to decline in FY 2020-21, the City has put forth efforts to reduce its operating costs to mitigate the future impacts. Additionally, preliminary sales tax data indicate for FY 2020-21 indicate a much more positive experience than originally expected and will also assist in the mitigation. The City's reserves remain intact and the City does not anticipate requiring the use of these Committed and Restricted funds. Lastly, and as discussed above, the COPs refinancing is anticipated to have approximately \$494,000 in annual savings to the General Fund

Aside from the pandemic and subsequent year refinancing, the City is unaware of any other facts or conditions or decisions that are expected to have a significant effect on net position or results of operations.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide a general overview of the City's finances. Further information can be provided by the City of Cupertino Finance Department, 10300 Torre Avenue, Cupertino CA 95014, phone (408) 777-3280, or by the City website at www.cupertino.org.

This Page Left Intentionally Blank

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis - the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows and the City's total liabilities and deferred inflows, including all the City's capital assets and all its long term debt.

The Statement of Net Position summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column which presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business Type Activities include all of its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The format of the Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues, that are revenues which are generated directly by these programs, are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City and the Cupertino Public Facilities Corporation, which is a legally separate component unit of the City because it is controlled by and financially accountable to the City.

CITY OF CUPERTINO, CALIFORNIA
STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash investments (Note 2)	\$ 147,607,536	\$ 11,523,616	\$ 159,131,152
Restricted cash and investments (Note 2)	17,087,541	-	17,087,541
Receivables			
Accounts	12,375,945	348,347	12,724,292
Interest	70,264	-	70,264
Loans (Note 3)	4,701,781	-	4,701,781
Prepaid expenses and other assets	3,884	-	3,884
Capital assets (Note 5):			
Non-depreciable	87,190,844	-	87,190,844
Depreciable, net of accumulated depreciation	112,584,973	1,118,882	113,703,855
Total assets	<u>381,622,768</u>	<u>12,990,845</u>	<u>394,613,613</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension (Note 10)	9,049,898	597,721	9,647,619
Related to OPEB (Note 11)	<u>2,589,672</u>	<u>156,328</u>	<u>2,746,000</u>
Total deferred outflows of resources	<u>11,639,570</u>	<u>754,049</u>	<u>12,393,619</u>
LIABILITIES			
Accounts payable and accruals	7,849,740	506,751	8,356,491
Accrued payroll and benefits	1,405,342	289	1,405,631
Deposits	11,605,717	-	11,605,717
Unearned revenue	174,811	536,599	711,410
Compensated absences (Note 1):			
Due in one year	531,203	52,043	583,246
Due in more than one year	4,616,589	311,475	4,928,064
Claims payable (Note 9):			
Due in one year	274,000	-	274,000
Due in more than one year	1,253,000	-	1,253,000
Long-term debt (Note 6):			
Due in one year	2,355,000	-	2,355,000
Due in more than one year	24,655,000	-	24,655,000
Net pension liability (Note 10)	43,246,621	2,851,909	46,098,530
Net OPEB liability (Note 11)	<u>1,861,871</u>	<u>106,129</u>	<u>1,968,000</u>
Total liabilities	<u>99,828,894</u>	<u>4,365,195</u>	<u>104,194,089</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pension (Note 10)	773,701	51,346	825,047
Related to OPEB (Note 11)	<u>1,032,473</u>	<u>74,527</u>	<u>1,107,000</u>
Total deferred inflows of resources	<u>1,806,174</u>	<u>125,873</u>	<u>1,932,047</u>
NET POSITION (Note 7)			
Net investment in capital assets	<u>177,128,134</u>	<u>1,118,882</u>	<u>178,247,016</u>
Restricted for:			
Special revenue projects	37,860,800	-	37,860,800
Affordable housing	8,459,128	-	8,459,128
Debt service	<u>1,685,872</u>	<u>-</u>	<u>1,685,872</u>
Total restricted net position	<u>48,005,800</u>	<u>-</u>	<u>48,005,800</u>
Unrestricted	<u>66,493,336</u>	<u>8,134,944</u>	<u>74,628,280</u>
Total net position	<u>\$ 291,627,270</u>	<u>\$ 9,253,826</u>	<u>\$ 300,881,096</u>

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business-Type Activities
Governmental activities:							
Administration	\$ 7,974,520	\$ 2,091,811	\$ -	\$ -	\$ (5,882,709)	\$ -	\$ (5,882,709)
Law enforcement	14,698,130	1,102,888	155,948	-	(13,439,294)	-	(13,439,294)
Public and environmental affairs	3,637,354	-	-	-	(3,637,354)	-	(3,637,354)
Administrative services	5,175,596	3,889,180	-	-	(1,286,416)	-	(1,286,416)
Recreation services	8,763,194	1,309,906	-	-	(7,453,288)	-	(7,453,288)
Community development	10,286,317	5,859,847	417,650	-	(4,008,820)	-	(4,008,820)
Public works	33,339,191	5,657,315	5,220,845	1,046,756	(21,414,275)	-	(21,414,275)
Interest on long - term debt	882,837	-	-	-	(882,837)	-	(882,837)
Total governmental activities	<u>84,757,139</u>	<u>19,910,947</u>	<u>5,794,443</u>	<u>1,046,756</u>	<u>(58,004,993)</u>	<u>-</u>	<u>(58,004,993)</u>
Business-type activities:							
Resource recovery	2,213,404	1,821,677	-	-	-	(391,727)	(391,727)
Blackberry farm	663,663	338,212	-	-	-	(325,451)	(325,451)
Cupertino sports center	2,883,903	2,365,667	-	-	-	(518,236)	(518,236)
Recreation programs	3,141,225	1,588,576	-	-	-	(1,552,649)	(1,552,649)
Total business-type activities	<u>8,902,195</u>	<u>6,114,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,788,063)</u>	<u>(2,788,063)</u>
Total	<u>\$ 93,659,334</u>	<u>\$ 26,025,079</u>	<u>\$ 5,794,443</u>	<u>\$ 1,046,756</u>	<u>(58,004,993)</u>	<u>(2,788,063)</u>	<u>(60,793,056)</u>
General revenues:							
Taxes:							
Property taxes					18,117,304	-	18,117,304
Property tax in lieu of motor vehicle fee					8,489,541	-	8,489,541
Sales taxes					35,657,214	-	35,657,214
Transient occupancy tax					7,286,083	-	7,286,083
Utility user tax					3,182,086	-	3,182,086
Franchise tax					3,418,908	-	3,418,908
Other taxes					1,774,235	-	1,774,235
Intergovernmental, unrestricted:							
Motor vehicle license fee					47,391	-	47,391
Investment earnings					5,690,723	462,387	6,153,110
Miscellaneous					1,922,356	-	1,922,356
Transfers (Note 4)					(3,523,000)	3,523,000	-
Total general revenues and transfers					<u>82,062,841</u>	<u>3,985,387</u>	<u>86,048,228</u>
Change in Net Position					<u>24,057,848</u>	<u>1,197,324</u>	<u>25,255,172</u>
Net Position, beginning of year					<u>267,569,422</u>	<u>8,056,502</u>	<u>275,625,924</u>
Net Position, end of year					<u>\$ 291,627,270</u>	<u>\$ 9,253,826</u>	<u>\$ 300,881,096</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

In the Fund Financial Statements only individual major funds are presented, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City for fiscal 2019-20. Individual non-major funds may be found in the Supplementary section.

General Fund: The general fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Transportation Special Revenue Fund: Accounts for the City's gas tax, vehicle registration fees and grant revenues and expenditures related to the maintenance and construction of City streets. All revenue in this fund is restricted exclusively for street and road purposes including related engineering and administrative expenditures.

Housing Development Special Revenue Fund: Accounts for the Federal Housing and Community Development Grant Program activities administered through the County. Monies collected from developers that mitigate the impact of housing needs are also included. Monies in this fund are governed by the program's rules.

Public Facilities Corporation Debt Service Fund: This fund accounts for the payments of principal and interest on certificates of participation issued to provide for the financing of the Civic Center, Library, Wilson Park, Memorial Park, and other City facilities.

Capital Improvement Projects Capital Projects Fund: This fund accounts for activities related to the acquisition or construction of major capital facilities.

CITY OF CUPERTINO, CALIFORNIA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2020

	General	Special Revenue Funds		Public Facilities Corporation Debt Service Fund	Capital Improvement Projects Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
		Transportation	Housing Development				
ASSETS							
Cash and investments (Note 2)	\$ 63,176,565	\$ 5,169,837	\$ 7,953,120	\$ 54,974	\$ 43,497,586	\$ 18,517,883	\$ 138,369,965
Restricted cash and investments (Note 2)	12,725,224	-	-	4,362,317	-	-	17,087,541
Receivables:							
Accounts	11,952,435	191,575	175,586	-	-	49,349	12,368,945
Interest	70,264	-	-	-	-	-	70,264
Loans (Note 3)	449,341	-	4,252,440	-	-	-	4,701,781
Due from other funds (Note 4)	539,204	-	-	-	-	-	539,204
Advances to other funds (Note 4)	3,000,000	-	-	-	-	-	3,000,000
Other assets	3,884	-	-	-	-	-	3,884
Total assets	<u>\$ 91,916,917</u>	<u>\$ 5,361,412</u>	<u>\$ 12,381,146</u>	<u>\$ 4,417,291</u>	<u>\$ 43,497,586</u>	<u>\$ 18,567,232</u>	<u>\$ 176,141,584</u>
LIABILITIES							
Accounts payable and accruals	\$ 4,225,306	\$ 186,898	\$ 209,898	\$ 2,731,419	\$ 143,499	\$ 8,659	\$ 7,505,679
Accrued payroll and benefits	1,405,270	-	-	-	-	-	1,405,270
Advances from other funds (Note 4)	-	-	-	-	3,000,000	-	3,000,000
Deposits	11,605,717	-	-	-	-	-	11,605,717
Unearned revenue	174,811	-	-	-	-	-	174,811
Total liabilities	<u>17,411,104</u>	<u>186,898</u>	<u>209,898</u>	<u>2,731,419</u>	<u>3,143,499</u>	<u>8,659</u>	<u>23,691,477</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - loans	-	-	3,712,120	-	-	-	3,712,120
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>3,712,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,712,120</u>
FUND BALANCES (Note 7)							
Nonspendable	3,449,341	-	-	-	-	-	3,449,341
Restricted	14,324,757	5,174,514	8,459,128	1,685,872	-	18,361,529	48,005,800
Committed	19,127,891	-	-	-	-	-	19,127,891
Assigned	3,176,882	-	-	-	40,354,087	197,044	43,728,013
Unassigned	34,426,942	-	-	-	-	-	34,426,942
Total fund balances	<u>74,505,813</u>	<u>5,174,514</u>	<u>8,459,128</u>	<u>1,685,872</u>	<u>40,354,087</u>	<u>18,558,573</u>	<u>148,737,987</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 91,916,917</u>	<u>\$ 5,361,412</u>	<u>\$ 12,381,146</u>	<u>\$ 4,417,291</u>	<u>\$ 43,497,586</u>	<u>\$ 18,567,232</u>	<u>\$ 176,141,584</u>

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
June 30, 2020

Total fund balances reported on the governmental funds balance sheet \$ 148,737,987

Amounts reported for governmental activities in the statement of net position are different from those reported in the governmental funds because of the following:

Capital assets used in governmental activities are not current assets or financial resources and therefore are not reported in the governmental funds. 196,120,886

Internal service funds are used by management to charge the costs of activities such as information technology, insurance, equipment acquisition and maintenance, and certain employee benefits to governmental funds. The assets and liabilities of the internal service funds are therefore included in the governmental activities of the statement of net position. 7,959,447

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the governmental funds. 3,712,120

The liabilities, deferred inflows of resources and deferred outflows of resources are not related to the current period and therefore are not reported in the governmental funds:

Long-term debt	(27,010,000)
Net pension liability	(40,488,773)
Net OPEB liability	(1,730,132)
Pension-related deferred outflows of resources	8,478,140
Pension-related deferred inflows of resources	(721,803)
OPEB-related deferred outflows of resources	2,403,803
OPEB-related deferred inflows of resources	(972,787)
Compensated absences	<u>(4,861,618)</u>

Net position for governmental activities \$ 291,627,270

CITY OF CUPERTINO, CALIFORNIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the year ended June 30, 2020

	General	Special Revenue Funds		Public Facilities Corporation Debt Service Fund	Capital Improvement Projects Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
		Transportation	Housing Development				
Revenues							
Taxes	\$ 77,553,138	\$ -	\$ 39,000	\$ -	\$ -	\$ 333,233	\$ 77,925,371
Use of money and property	4,077,882	243,244	311,905	26,612	903,753	695,946	6,259,342
Intergovernmental	747,941	2,938,672	357,527	-	2,844,450	-	6,888,590
Licenses and permits	4,692,847	-	-	-	-	-	4,692,847
Charges for services	12,435,382	61,900	1,443	-	-	1,439,225	13,937,950
Fines and forfeitures	327,833	-	-	-	-	16,175	344,008
Other revenue	1,217,623	703,218	1,515	-	-	-	1,922,356
Total revenues	<u>101,052,646</u>	<u>3,947,034</u>	<u>711,390</u>	<u>26,612</u>	<u>3,748,203</u>	<u>2,484,579</u>	<u>111,970,464</u>
Expenditures							
Current:							
Administration	6,950,041	-	-	1,500	-	-	6,951,541
Law enforcement	14,151,413	-	-	-	-	-	14,151,413
Public and environmental affairs	3,223,185	-	-	-	-	-	3,223,185
Administrative services	4,617,787	-	-	-	-	-	4,617,787
Recreation services	7,688,935	-	-	-	-	-	7,688,935
Community development	8,423,300	-	887,527	-	-	-	9,310,827
Public works	18,829,328	2,841,815	-	-	-	774,805	22,445,948
Capital outlay	705,153	6,165,631	-	-	5,709,314	64,275	12,644,373
Debt service:							
Principal	-	-	-	2,290,000	-	-	2,290,000
Interest and fiscal charges	-	-	-	882,837	-	-	882,837
Total expenditures	<u>64,589,142</u>	<u>9,007,446</u>	<u>887,527</u>	<u>3,174,337</u>	<u>5,709,314</u>	<u>839,080</u>	<u>84,206,846</u>
Excess (deficiency) of revenues over expenditures	<u>36,463,504</u>	<u>(5,060,412)</u>	<u>(176,137)</u>	<u>(3,147,725)</u>	<u>(1,961,111)</u>	<u>1,645,499</u>	<u>27,763,618</u>
Other financing sources (uses)							
Transfers in (Note 4)	10,012,000	221,000	-	3,172,838	20,705,438	1,097,000	35,208,276
Transfers (out) (Note 4)	(30,892,276)	-	-	-	(11,400,000)	(12,000)	(42,304,276)
Total other financing sources (uses)	<u>(20,880,276)</u>	<u>221,000</u>	<u>-</u>	<u>3,172,838</u>	<u>9,305,438</u>	<u>1,085,000</u>	<u>(7,096,000)</u>
Net change in fund balances	15,583,228	(4,839,412)	(176,137)	25,113	7,344,327	2,730,499	20,667,618
Beginning fund balances	<u>58,922,585</u>	<u>10,013,926</u>	<u>8,635,265</u>	<u>1,660,759</u>	<u>33,009,760</u>	<u>15,828,074</u>	<u>128,070,369</u>
Ending fund balances	<u>\$ 74,505,813</u>	<u>\$ 5,174,514</u>	<u>\$ 8,459,128</u>	<u>\$ 1,685,872</u>	<u>\$ 40,354,087</u>	<u>\$ 18,558,573</u>	<u>\$ 148,737,987</u>

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
 GOVERNMENTAL FUNDS
 RECONCILIATION OF NET CHANGES IN FUND BALANCES –
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the year ended June 30, 2020

The schedule below reconciles the net changes in fund balances reported on the governmental funds statement of revenues, expenditures and changes in fund balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the change in net position of governmental activities reported in the statement of activities, which is prepared on the full accrual basis.

Total net changes in fund balances reported on the governmental funds balance sheet	\$ 20,667,618
---	---------------

Amounts reported for governmental activities in the statement of activities are different from those reported in the governmental funds because of the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are capitalized and depreciated over their estimated useful lives, which is reported as depreciation expense. Expenditures for capital assets reported as:

Capital outlay	11,317,866
Depreciation expense	(7,472,456)
Net retirements	(12,380)

Long term debt principal payments are reported as expenditures in the governmental funds but are not reported as expenses in the statement of activities.	2,290,000
---	-----------

The changes in the amounts below do not provide or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds:

Compensated absences	(316,029)
Net pension liability	(4,579,619)
Net OPEB liability (asset)	(2,725,069)
Pension-related deferred outflows of resources	895,881
Pension-related deferred inflows of resources	(126,805)
OPEB-related deferred outflows of resources	2,403,803
OPEB-related deferred inflows of resources	605,768

Internal service funds are used by management to charge the costs of activities such as information technology, insurance, equipment acquisition and maintenance, and certain employee benefits to governmental funds. The portion of the net expense of these internal service funds arising out of their transactions with governmental funds is reported with governmental activities because they service those activities.	<u>1,109,270</u>
---	------------------

Change in net position of governmental activities	<u>\$ 24,057,848</u>
---	----------------------

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 67,548,518	\$ 67,548,518	\$ 77,553,138	\$ 10,004,620
Use of money and property	1,333,079	1,333,079	4,077,882	2,744,803
Intergovernmental	354,547	354,547	747,941	393,394
Licenses and permits	2,524,000	2,524,000	4,692,847	2,168,847
Charges for services	13,825,725	16,559,545	12,435,382	(4,124,163)
Fines and forfeitures	615,000	615,000	327,833	(287,167)
Other revenue	<u>882,283</u>	<u>1,474,015</u>	<u>1,217,623</u>	<u>(256,392)</u>
Total revenues	<u>87,083,152</u>	<u>90,408,704</u>	<u>101,052,646</u>	<u>10,643,942</u>
Expenditures				
Current				
Administration	7,547,520	8,009,767	6,950,041	1,059,726
Law enforcement	14,077,937	14,080,543	14,151,413	(70,870)
Public and environmental affairs	3,230,880	3,512,186	3,223,185	289,001
Administrative services	4,790,420	5,085,300	4,617,787	467,513
Recreation services	8,574,403	8,753,432	7,688,935	1,064,497
Community development	9,604,789	9,031,527	8,423,300	608,227
Public works	21,512,912	24,443,890	18,829,328	5,614,562
Capital outlay	<u>221,050</u>	<u>4,646,388</u>	<u>705,153</u>	<u>3,941,235</u>
Total expenditures	<u>69,559,911</u>	<u>77,563,033</u>	<u>64,589,142</u>	<u>12,973,891</u>
Excess of revenues over expenditures	<u>17,523,241</u>	<u>12,845,671</u>	<u>36,463,504</u>	<u>23,617,833</u>
Other financing sources (uses)				
Transfers in	12,000	10,012,000	10,012,000	-
Transfers (out)	<u>(10,539,557)</u>	<u>(30,892,276)</u>	<u>(30,892,276)</u>	<u>-</u>
Total other financing sources (uses)	<u>(10,527,557)</u>	<u>(20,880,276)</u>	<u>(20,880,276)</u>	<u>-</u>
Net change in fund balance	<u>\$ 6,995,684</u>	<u>\$ (8,034,605)</u>	15,583,228	<u>\$ 23,617,833</u>
Beginning fund balance			<u>58,922,585</u>	
Ending fund balance			<u>\$ 74,505,813</u>	

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
TRANSPORTATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Use of money and property	\$ -	\$ -	\$ 243,244	\$ 243,244
Intergovernmental	7,192,936	6,423,936	2,938,672	(3,485,264)
Charges for services	-	-	61,900	61,900
Other revenue	<u>2,198,521</u>	<u>841,855</u>	<u>703,218</u>	<u>(138,637)</u>
Total revenues	<u>9,391,457</u>	<u>7,265,791</u>	<u>3,947,034</u>	<u>(3,318,757)</u>
Expenditures				
Current				
Public works	3,002,883	2,992,268	2,841,815	150,453
Capital outlay	<u>5,035,000</u>	<u>6,197,940</u>	<u>6,165,631</u>	<u>32,309</u>
Total expenditures	<u>8,037,883</u>	<u>9,190,208</u>	<u>9,007,446</u>	<u>182,762</u>
Deficiency of revenues under expenditures	<u>1,353,574</u>	<u>(1,924,417)</u>	<u>(5,060,412)</u>	<u>(3,135,995)</u>
Other financing sources (uses)				
Transfers in	<u>221,000</u>	<u>221,000</u>	<u>221,000</u>	<u>-</u>
Total other financing sources (uses)	<u>221,000</u>	<u>221,000</u>	<u>221,000</u>	<u>-</u>
Net change in fund balance	<u>\$ 1,574,574</u>	<u>\$ (1,703,417)</u>	(4,839,412)	<u>\$ (3,135,995)</u>
Beginning fund balance			<u>10,013,926</u>	
Ending fund balance			<u>\$ 5,174,514</u>	

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
HOUSING DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,000	\$ 3,000	\$ 39,000	\$ 36,000
Use of money and property	14,800	14,800	311,905	297,105
Intergovernmental	361,597	361,597	357,527	(4,070)
Charges for services	-	-	1,443	1,443
Other revenue	-	-	1,515	1,515
Total revenues	<u>379,397</u>	<u>379,397</u>	<u>711,390</u>	<u>331,993</u>
Expenditures				
Current				
Community development	<u>1,044,216</u>	<u>986,694</u>	<u>887,527</u>	<u>99,167</u>
Total expenditures	<u>1,044,216</u>	<u>986,694</u>	<u>887,527</u>	<u>99,167</u>
Net change in fund balance	<u>\$ (664,819)</u>	<u>\$ (607,297)</u>	(176,137)	<u>\$ 431,160</u>
Beginning fund balance			<u>8,635,265</u>	
Ending fund balance			<u>\$ 8,459,128</u>	

See accompanying notes to financial statements.

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City has identified the funds below as major proprietary funds for fiscal 2019 - 20.

Resources Recovery Fund: This fund accounts for activity related to the collection, disposal, and recycling of solid waste. A private company has been issued an exclusive franchise to perform these services.

Recreation Programs Fund: This fund accounts for activities of the City's community centers and park facilities.

Cupertino Sports Center Fund: This fund accounts for the operation and maintenance of the Cupertino Sports Center.

CITY OF CUPERTINO, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 June 30, 2020

	Business-type Activities - Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Resources Recovery	Recreation Programs	Cupertino Sports Center	Nonmajor Enterprise Fund		
ASSETS						
Current assets						
Cash and cash investments (Note 2)	\$ 6,184,319	\$ 1,796,544	\$ 3,000,252	\$ 542,501	\$ 11,523,616	\$ 9,237,571
Accounts receivable	348,287	-	60	-	348,347	7,000
Total current assets	<u>6,532,606</u>	<u>1,796,544</u>	<u>3,000,312</u>	<u>542,501</u>	<u>11,871,963</u>	<u>9,244,571</u>
Noncurrent assets						
Capital assets (Note 5):						
Nondepreciable	-	-	-	-	-	214,666
Depreciable, net of accumulated depreciation	7,141	664,745	420,459	26,537	1,118,882	3,440,265
Total noncurrent assets	<u>7,141</u>	<u>664,745</u>	<u>420,459</u>	<u>26,537</u>	<u>1,118,882</u>	<u>3,654,931</u>
Total assets	<u>6,539,747</u>	<u>2,461,289</u>	<u>3,420,771</u>	<u>569,038</u>	<u>12,990,845</u>	<u>12,899,502</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pension (Note 10)	223,874	186,269	127,822	59,756	597,721	571,758
Related to OPEB (Note 11)	58,740	41,283	48,184	8,121	156,328	185,869
Total deferred outflows of resources	<u>282,614</u>	<u>227,552</u>	<u>176,006</u>	<u>67,877</u>	<u>754,049</u>	<u>757,627</u>
LIABILITIES						
Current liabilities						
Accounts payable and accruals	168,295	299,334	9,420	29,702	506,751	344,061
Accrued payroll and benefits	289	-	-	-	289	72
Due to other funds (Note 4)	-	-	-	-	-	539,204
Compensated absences (Note 1):	22,630	20,661	8,348	404	52,043	29,530
Claims payable (Note 9)	-	-	-	-	-	274,000
Unearned revenue	-	234,845	278,669	23,085	536,599	-
Total current liabilities	<u>191,214</u>	<u>554,840</u>	<u>296,437</u>	<u>53,191</u>	<u>1,095,682</u>	<u>1,186,867</u>
Noncurrent liabilities						
Compensated absences (Note 1)	135,436	123,656	49,963	2,420	311,475	256,644
Claims payable (Note 9)	-	-	-	-	-	1,253,000
Net pension liability (Note 10)	1,074,514	889,060	612,730	275,605	2,851,909	2,757,848
Net OPEB liability (Note 11)	35,777	29,586	36,031	4,735	106,129	131,739
Total noncurrent liabilities	<u>1,245,727</u>	<u>1,042,302</u>	<u>698,724</u>	<u>282,760</u>	<u>3,269,513</u>	<u>4,399,231</u>
Total liabilities	<u>1,436,941</u>	<u>1,597,142</u>	<u>995,161</u>	<u>335,951</u>	<u>4,365,195</u>	<u>5,586,098</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pension (Note 10)	19,154	15,159	11,863	5,170	51,346	51,898
Related to OPEB (Note 11)	32,598	20,677	16,556	4,696	74,527	59,686
Total deferred inflows of resources	<u>51,752</u>	<u>35,836</u>	<u>28,419</u>	<u>9,866</u>	<u>125,873</u>	<u>111,584</u>
NET POSITION (Note 7)						
Net investment in capital assets	7,141	664,745	420,459	26,537	1,118,882	3,654,931
Unrestricted	5,326,527	391,118	2,152,738	264,561	8,134,944	4,304,516
Total Net Position	<u>\$ 5,333,668</u>	<u>\$ 1,055,863</u>	<u>\$ 2,573,197</u>	<u>\$ 291,098</u>	<u>\$ 9,253,826</u>	<u>\$ 7,959,447</u>

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 For the year ended June 30, 2020

	Business-type Activities - Enterprise Funds				Totals	Governmental Activities - Internal Service Funds
	Resources Recovery	Recreation Programs	Cupertino Sports Center	Nonmajor Enterprise Fund		
Operating revenues						
Charges for services	\$ 1,796,908	\$ 1,525,850	\$ 2,099,163	\$ 305,525	\$ 5,727,446	\$ 4,495,541
Other	24,769	62,726	266,504	32,687	386,686	-
Total operating revenue	<u>1,821,677</u>	<u>1,588,576</u>	<u>2,365,667</u>	<u>338,212</u>	<u>6,114,132</u>	<u>4,495,541</u>
Operating expenses						
Salaries and benefits	746,414	896,130	641,910	159,143	2,443,597	3,543,748
Materials and supplies	225,510	1,150,435	433,912	172,317	1,982,174	1,913,950
Contractual services	1,238,166	883,232	1,753,699	326,168	4,201,265	274,224
Insurance and claims and premium	-	-	-	-	-	702,266
Depreciation (Note 5)	3,314	211,428	54,382	6,035	275,159	969,469
Total operating expenses	<u>2,213,404</u>	<u>3,141,225</u>	<u>2,883,903</u>	<u>663,663</u>	<u>8,902,195</u>	<u>7,403,657</u>
Operating income (loss)	<u>(391,727)</u>	<u>(1,552,649)</u>	<u>(518,236)</u>	<u>(325,451)</u>	<u>(2,788,063)</u>	<u>(2,908,116)</u>
Nonoperating revenues						
Investment Income	239,701	79,759	120,087	22,840	462,387	367,523
Gain on sale of capital assets	-	-	-	-	-	76,863
Total nonoperating revenues	<u>239,701</u>	<u>79,759</u>	<u>120,087</u>	<u>22,840</u>	<u>462,387</u>	<u>444,386</u>
Income (loss) before transfers	(152,026)	(1,472,890)	(398,149)	(302,611)	(2,325,676)	(2,463,730)
Transfers in (Note 4)	-	690,000	2,223,000	610,000	3,523,000	3,573,000
Changes in net position	<u>(152,026)</u>	<u>(782,890)</u>	<u>1,824,851</u>	<u>307,389</u>	<u>1,197,324</u>	<u>1,109,270</u>
Net position - beginning of year	<u>5,485,694</u>	<u>1,838,753</u>	<u>748,346</u>	<u>(16,291)</u>	<u>8,056,502</u>	<u>6,850,177</u>
Net position - end of year	<u>\$ 5,333,668</u>	<u>\$ 1,055,863</u>	<u>\$ 2,573,197</u>	<u>\$ 291,098</u>	<u>\$ 9,253,826</u>	<u>\$ 7,959,447</u>

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the year ended June 30, 2020

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Resources <u>Recovery</u>	Recreation <u>Programs</u>	Cupertino	Nonmajor	<u>Totals</u>	
			Sports <u>Center</u>	Enterprise <u>Fund</u>		
Cash flows from operating activities						
Cash received from customers	\$ 1,713,201	\$ 1,177,069	\$ 2,240,151	\$ 345,135	\$ 5,475,556	\$ 4,488,541
Cash payments to suppliers for goods and services	(1,305,571)	(1,857,210)	(2,401,221)	(481,458)	(6,045,460)	(2,079,815)
Cash payments to employees for salaries and benefits	(636,988)	(808,137)	(581,640)	(185,719)	(2,212,484)	(3,203,921)
Cash payments for judgment and claims	-	-	-	-	-	(728,543)
Net cash provided (used) by operating activities	<u>(229,358)</u>	<u>(1,488,278)</u>	<u>(742,710)</u>	<u>(322,042)</u>	<u>(2,782,388)</u>	<u>(1,523,738)</u>
Cash flows from noncapital financing activities						
Transfers in	-	690,000	2,223,000	610,000	3,523,000	3,701,660
Cash flows from noncapital financing activities	-	690,000	2,223,000	610,000	3,523,000	3,701,660
Cash flows from capital and related financing activities						
Acquisition of capital assets	-	-	(75,297)	-	(75,297)	(941,206)
Sale of capital assets	-	-	-	-	-	76,863
Cash flows from capital and related financing activities	-	-	(75,297)	-	(75,297)	(864,343)
Cash Flows from investing activities						
Interest received	239,701	79,759	120,087	22,840	462,387	367,523
Cash flows from investing activities	239,701	79,759	120,087	22,840	462,387	367,523
Net cash flows	10,343	(718,519)	1,525,080	310,798	1,127,702	1,681,102
Cash and investments at beginning of year	6,173,976	2,515,063	1,475,172	231,703	10,395,914	7,556,469
Cash and investments at end of year	<u>\$ 6,184,319</u>	<u>\$ 1,796,544</u>	<u>\$ 3,000,252</u>	<u>\$ 542,501</u>	<u>\$ 11,523,616</u>	<u>\$ 9,237,571</u>
Reconciliation of operating income (loss) to to net cash provided by operating activities:						
Operating income (loss)	\$ (391,727)	\$ (1,552,649)	\$ (518,236)	\$ (325,451)	\$ (2,788,063)	\$ (2,908,116)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	3,314	211,428	54,382	6,035	275,159	\$ 969,469
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources						
Accounts receivable	(108,476)	95,858	-	-	(12,618)	(7,000)
Due to retirement system	87,751	83,519	58,727	21,431	251,428	280,530
Due to OPEB system	(6,952)	(4,886)	(5,703)	(961)	(18,502)	(21,996)
Accounts payable and accruals	158,105	176,457	(213,610)	17,027	137,979	108,359
Unearned revenue	-	(507,365)	(125,516)	6,923	(625,958)	-
Compensated absences	28,627	9,360	7,246	(47,046)	(1,813)	81,293
Claims payable	-	-	-	-	-	(26,277)
Net cash provided (used) by operating activities	<u>\$ (229,358)</u>	<u>\$ (1,488,278)</u>	<u>\$ (742,710)</u>	<u>\$ (322,042)</u>	<u>\$ (2,782,388)</u>	<u>\$ (1,523,738)</u>

See accompanying notes to financial statements.

FIDUCIARY FUND

Fiduciary funds account for activities where the City holds related resources in trust for specific purposes but cannot claim the resources with those that belong to the City.

Other Post-Employment Benefits Trust Fund: This fund accounts for activity related the City's OPEB plan administered through a qualified trust.

CITY OF CUPERTINO, CALIFORNIA
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2020

	Other Post- Employment Benefits Trust Fund
ASSETS	
Cash and equivalents	\$ 910,970
Investments:	
Mutual funds:	
Fixed income	18,088,348
Equity	9,519,169
Real estate	<u>851,762</u>
 Total assets	 <u>29,370,249</u>
 LIABILITIES	 <u>-</u>
 NET POSITION	
Restricted for post-employment benefits other than pensions	<u>\$ 29,370,249</u>

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the year ended June 30, 2020

	Other Post- Employment Benefits <u>Trust Fund</u>
ADDITIONS	
Employer contributions	\$ 1,140,063
Investment income:	
Net decrease in fair value of investments	(410,344)
Interest and dividends	683,065
Less investment expense	<u>(53,326)</u>
 Total additions	 <u>1,359,458</u>
DEDUCTIONS	
Benefit payments	1,140,063
Administrative expense	<u>67,381</u>
 Total deductions	 <u>1,207,444</u>
 Change in net position	 152,014
 Net position - beginning of year	 <u>29,218,235</u>
 Net position - end of year	 <u>\$ 29,370,249</u>

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The City of Cupertino, California (the City) was incorporated on October 3, 1955, under the laws of the State of California. The City operates under a Council - City Manager form of government and provides services through the following departments: Administrative Services, Community Development, City Manager, Parks and Recreation, Public and Environmental Affairs, and Public Works. Fire services are provided by the Santa Clara County Fire District, and the City contracts with the Santa Clara County Sheriff's Department for police services, and with Recology for garbage and recycling services.

The accompanying basic financial statements include all funds and boards and commissions that are controlled by the City Council. The basic financial statements include the City's blended component unit entity for which the City is considered to be financially accountable. A blended component unit, although a legally separate entity, is in substance, part of the City's operations and so data from this unit is combined with the City.

Blended Component Unit: The Cupertino Public Facilities Corporation (the Corporation) was incorporated in May 1986, under the Nonprofit Public Benefit Corporation Law of the State of California. The Corporation was organized as a nonprofit corporation solely for the purpose of assisting the City in the acquisition, construction, and financing of public improvements which are of public benefit to the City. The Corporation, after acquiring certain properties from the City, leases these back to the City. The lease money provides the funds for the debt service for the Certificates of Participation issued by the Corporation to acquire the properties. The Corporation does not issue separate financial statements, since it is reported separately in the City's basic financial statements.

Fiduciary Component Unit: The City participates in the Public Agency Retirement System (PARS) Public Agencies Post Retirement Health Care Plan Trust Program (PARS Trust), an agent-multiple employer irrevocable trust established to fund other postemployment benefits. The PARS Trust functions for the benefit of the employees. The City funds all PARS Trust costs based on actuarial valuations for its specific portion of the PARS Trust as opposed to the PARS Trust as a whole.

Effective July 1, 2016, the City reported in its fiduciary fund financial statements the PARS Trust that pertains to the City as well as OPEB benefit payments of the Plan initiated by the City but reimbursed to the PARS Trust are required to be recognized under applicable standards due to a change in the reporting entity. With the implementation of GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, the City reviewed the PARS Trust separately issued financial statements and determined that inclusion of the City OPEB Plan component unit financial statements and related disclosures as a City trust fund were necessary as omission would have been misleading.

Measurement Focus, Basis of Accounting and Basis of Presentation: The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States. The Government Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government and distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Expenses include direct and indirect types. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses such as depreciation, information technology, insurance and equipment replacement are included in expenses for individual activities and functions. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital needs of a particular program. Revenues that are not classified as program revenues, including taxes, are presented as general revenues. Program revenues and direct expenses related to interfund services are included and indirect expenses funded by interfund transfers are excluded from the Statement of Activities. The Statement of Net Position eliminates interfund balances between governmental funds and interfund balances between proprietary funds.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category — governmental, proprietary, and fiduciary — are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Funds: The City's major governmental and enterprise funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund type.

Major funds are defined as funds, which have either assets (plus deferred outflows), liabilities (plus deferred inflows), revenues or expenditures in excess of 10 percent of their fund-type total and five percent of the aggregate total for both governmental funds and enterprise funds. The General Fund is always a major fund. The City may select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

- *The General Fund* is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund.
- *The Transportation Special Revenue Fund* accounts for the City's gas tax, vehicle registration fees and grant revenues and expenditures related to the maintenance and construction of City streets. All revenue in this fund is restricted exclusively for street and road purposes including related engineering and administrative expenses. Management considers this fund qualitatively major and has elected to present this fund as such, even if mathematically it does not qualify per applicable GASB requirements.
- *The Housing Development Special Revenue Fund* accounts for the Federal Housing and Community Development Grant Program activities administered through the County. Monies collected from developers that mitigate the impact of housing needs are also included. Monies in this fund are governed by the program's rules.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *The Public Facilities Corporation Debt Service Fund* accounts for the payments of principal and interest on certificates of participation issued to provide for the financing of City Hall, Library, Wilson Park, Memorial Park, and other City facilities.
- *Capital Improvement Projects Capital Projects Fund* Accounts for activities related to the acquisition or construction of major capital facilities.

The City reports the following enterprise funds as major funds in the accompanying financial statements:

- *The Resources Recovery Fund* accounts for activity related to the collection, disposal, and recycling of solid waste. A private company has been issued an exclusive franchise to perform these services.
- *The Recreation Programs Fund* accounts for activities of the City's community centers and park facilities.
- *The Cupertino Sports Center Fund* accounts for activities of the City's sports center facility.

The City also reports the following fund types:

- *Internal Service Funds.* These funds account for workers' compensation, management information systems maintenance and replacement, equipment maintenance and replacement, retiree health costs, accrued leave payouts, and long-term disability coverage which are provided to other departments on a cost-reimbursement basis.
- *Fiduciary Fund.* The City's Other Post-Employment Benefits (OPEB) Trust fund is established in accordance with GASB Statement No. 74 for the defined benefit OPEB plan administered through trusts that meet the specified criteria.

Basis of Accounting: The government-wide, proprietary and fiduciary financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recognized as expenditures to the extent the City has provided financial resources to a debt service fund for payment of these liabilities that mature early in the following year. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

Unearned revenues are considered on a full accrual basis, while unavailable revenues are based on the modified accrual measure.

Property taxes, transient occupancy taxes, utility taxes, franchise taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes are recognized as revenue when the cash is received. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Sales tax consultant payments which are contingent on revenues collected are netted against the related revenues.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the terms of grant agreements, the City may fund certain programs with a combination of cost reimbursement grants, categorical block grants, and general revenue. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary. Grant revenues are recognized after eligibility and billing occurs, but may be a deferred inflow if not received within sixty days of year-end. Because of the cost-reimbursement and recognition nature of some grants, certain capital project funds may carry deficit fund balances until billing and receipt of grants. The City may also front the capital outlays with cash advances from other funds.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants is recognized as described above. Entitlement and donation revenues are recognized when cash is received.

Budgetary Practices: The budget of the City is a detailed operating plan which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services and activities to be provided during the fiscal year; (2) estimated revenue available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented and controlled. The City prohibits expending funds for which there is no legal appropriation. Operating appropriations lapse at fiscal year end.

In May of each year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning July 1. Public hearings on the proposed budget are held during the month of June and the budgets for all fund types are legally adopted by Resolution prior to June 30. Original budget amounts are presented on the accompanying budgetary statements include these legally adopted amounts.

The City's legal level of budgetary control is at the functional level for the general fund and at the fund level for other funds. The City Manager is responsible for controlling the City's expenditures in accordance with the adopted budget. The City Manager is authorized to administer and transfer appropriations between budget accounts within the operating budget when in his opinion such transfers become necessary for administrative purposes. Any revision which increases total appropriations must be approved by the City Council. Requests for additional personnel or capital outlay also require the approval of the City Council.

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles. Budget information is presented for the general, special revenue and debt service funds only. Capital projects funds are budgeted on a long-term project-by-project basis and, hence, budgets for these funds are not presented in the basic financial statements. The Traffic Impact Fund does not have a legally adopted budget. During the fiscal year, expenditures exceeded appropriations as follows:

<u>Fund/Department</u>	<u>Excess of Expenditures Over Appropriations</u>
Public Facilities Corporation Debt Service Fund	\$ 1,499

Cash and Investments: The City pools its cash resources, consisting of cash and investments, of all funds for investment except for restricted funds generally held by an outside fiscal agent. Cash amounts are reported net of outstanding warrants. Investments are stated at fair value, except for money market mutual funds which are reported at amortized cost.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value on the date donated. Public domain (infrastructure) capital assets consisting of roads, bridges, curbs, gutters, medians, sidewalks, drainage and lighting systems have been capitalized and depreciated. Capital assets are defined as assets with an initial individual cost of more than \$5,000 for general capital assets and \$100,000 for intangible assets.

Depreciation is recorded using the straight-line method over the following useful lives:

Buildings	15 – 25 years
Improvements	10 – 15 years
Vehicles	4 – 10 years
Street equipment	3 – 20 years
Water equipment	3 – 50 years
Office equipment	3 – 5 years
Road, curbs, gutters, sidewalks, medians and bridges	30 – 40 years
Streetlights	20 years
Storm drain structure and mains	40 years
Traffic signals	20 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. For enterprise funds, interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Some capital assets may be acquired using federal and state grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

Claims and Judgment Payable: Claims and judgments payable are accrued when the liability is incurred and the amount can be reasonably estimated. Claims and judgments payable are recorded in an internal service fund for workers' compensation and long-term disability, and other claims and judgments are recorded in the General Fund or enterprise funds, as appropriate.

Compensated Absences: Compensated absences comprise vested accumulated vacation and sick leave. The City's liability for compensated absences is recorded in governmental or business-type activities as appropriate. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be "permanently liquidated," such as what is due to be paid because of a realized employment action, are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Position.

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences are liquidated primarily by the General Fund, using the Compensated Absences and Long-Term Disability internal service fund to account for termination payouts.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes in compensated absences for the year ended June 30, 2020 were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning balance	\$ 4,750,470	\$ 365,331	\$ 5,115,801
Additions	982,983	45,758	1,028,741
Reductions	<u>(585,661)</u>	<u>(47,571)</u>	<u>(633,232)</u>
Ending balance	<u>\$ 5,147,792</u>	<u>\$ 363,518</u>	<u>\$ 5,511,310</u>
Current portion	<u>\$ 531,203</u>	<u>\$ 52,043</u>	<u>\$ 583,246</u>
Non-current portion	<u>\$ 4,616,589</u>	<u>\$ 311,475</u>	<u>\$ 4,928,064</u>

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports differences between expected and actual experience, changes in pension and OPEB assumptions, loss on pension and OPEB investments, and contributions made subsequent to the measurement date as well. Differences between expected and actual experience and changes in pension and OPEB plan assumptions are deferred and amortized over the average of the expected remaining service lives of employees who are provided with benefits through the pension and OPEB plans. Loss on pension and OPEB investments are deferred and amortized over five years. Employer contributions made subsequent to the measurement date and change in proportionate share are deferred and recognized as a reduction of the net pension and net OPEB liability in the subsequent reporting year.

In addition to liabilities, the statement of financial position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Under the accrual basis of accounting differences between expected and actual experience are deferred and amortized over the average of the expected remaining service lives of all employees who are provided with benefits through the pension and OPEB plans.

Property Tax Calendar: All property taxes are levied and collected by the County of Santa Clara. Secured taxes are levied on July 1, are due in two installments on November 1 and February 1 and become delinquent after December 10 and April 10. Unsecured taxes are levied on July 1 and become delinquent on August 31. The lien date for secured and unsecured property taxes is January 1.

The City, in fiscal year 1993-94, adopted an alternative method of property tax distribution (the "Teeter Plan"). Under this method, the City receives 100 percent of its secured property tax levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The City receives remittances as a series of advances made by the County during the year.

Interfund Transactions: Transactions constituting reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Cash Flows: For purposes of reporting cash flows for the City's proprietary funds, pooled cash and investments are considered cash equivalents as the proprietary funds can access pooled cash and investments in a manner similar to a demand deposit account.

Prepaid Items: Prepaid items are reported under the consumption method, which recognizes the expenditures/expense in the period associated with the service rendered or goods consumed.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of Governmental Accounting Standards Board (GASB) Pronouncements: Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2018.

In May 2020, the GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement postpones the effective date of certain pending GASB pronouncements and implementation guides due to the impacts of the COVID-19 pandemic. The requirements of this Statement are effective immediately. As such, the City has implemented this standard for its fiscal year ended June 30, 2020, and has postponed the implementation of certain future standards to comply with this standard.

Fair Value Measurements: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs — other than quoted prices included within level 1 — that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 2 – CASH AND INVESTMENTS

Primary Government: The City's pooled idle funds are invested pursuant to investment policy guidelines adopted by the City Council. The objectives of the policy are to invest funds to the fullest extent possible and to invest in accordance with the provisions of the California Government Code with the priority of safety, liquidity and yield. The policy addresses the safekeeping of securities, types of investment instruments, diversification, maturities, reporting requirements, and internal control. The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Statement of Net Position and the balance sheet as "cash and investments."

Policies: California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110 percent of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150 percent of the deposit, as collateral for these deposits. Under California Law, this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. Security instruments owned by the City are held in safekeeping by a third party custodian acting as agent for the City under the terms of a custody agreement.

The City's investments are carried at fair value with the exception of money market mutual funds, which are carried at amortized cost. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in investment income for that fiscal year.

Classification: The City's total cash and investments, at fair value, are presented on the financial statements in the following allocation:

	<u>Primary Government</u>
Cash and investments	\$ 159,131,152
Restricted cash and investments:	
Held by fiscal agent for pension	12,725,224
Held by fiscal agent for bond repayments	<u>4,362,317</u>
 Total cash and investments	 <u>\$ 176,218,693</u>

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 2 – CASH AND INVESTMENTS (Continued)

Authorized Investments by the City: The City's Investment Policy and the California Government Code allow the City to invest its pooled idle funds in the following, under limits and provisions that address interest rate risk, credit risk, and concentration of credit risk. This does not include the City's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the City.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Agency Securities *	5 years	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	N/A	Up to \$65 million	None
Non-negotiable Certificates of Deposits (time deposits)	5 years	N/A	30%***	10% of portfolio; 5% of issuer's net worth **
State of California registered state warrants, treasury notes, or bonds	5 years	N/A	None	None
California local agency bonds, notes, warrants, or other obligations	5 years	N/A	None	None
Bond issued by the local agency	5 years	N/A	None	None
Bankers' Acceptances	180 days	N/A	40%	None
Commercial Paper	270 days	A-1+P-1	25%	10% of portfolio; 5% of issuer's net worth; 10% of outstanding paper of Issuer. **
Negotiable Certificates of Deposit	5 years	N/A	30%	10% of portfolio; 5% of issuer's net worth. **
Repurchase Agreements	1 year	N/A	None	10% of portfolio; 5% of issuer's net worth. **
Medium Term Corporate Notes	5 years	A or better	30%	10% of portfolio; 5% of issuer's net worth. **
Money market mutual funds investing in U.S. Treasury, Government Agency securities or repurchase agreements collateralized by U.S. Treasury or Government Agency securities	5 years	Aaa/AAA	20%	None
Supranationals	5 years	AA or better	30%	10% of portfolio

* Securities issued by agencies of the federal government such as the Government National Mortgage Association (GNMA), the Federal Farm Credit System (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), the Student Loan Marketing Association (SLMA), and the Federal Home Loan Mortgage Association (FHLMC).

** Represents restriction in which the City's investment policy is more restrictive than the California Government Code.

*** 30% maximum percent of portfolio if using a private sector entity to assist in the placement of the time deposits. No maximum for others.

Authorized Investments by Debt Agreements: The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinances, bond indentures or State statutes. The City's Investment Policy allows investments of bond proceeds to be governed by provisions of the related bond indentures. The following identifies the investment types that are authorized for investments held by fiscal agents under the terms of the bond indentures of the related debt issue:

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 2 – CASH AND INVESTMENTS (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>
Cash or obligations of the U.S. including U.S. Treasury obligations	N/A	N/A	None
Federal agencies obligations which represent full faith and credit of the U.S.	N/A	N/A	None
Direct federal agencies obligations which are not fully guaranteed by the full faith and credit of the U.S.	N/A	N/A	None
U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks	360 days	P-1, A-1+, A-1	None
Commercial Paper	270 days	P-1, A-1	None
Money market funds	N/A	Aaam or AAAM-G	None
Pre-refunded municipal obligations that are not callable prior to maturity or as to which irrevocable instructions have been given to call on the date specified in the notice	N/A	Highest rating category	None
Municipal obligations or General obligations of states	N/A	Aaa, AAA, A2, A	None
California Local Agency Investment Fund (LAIF)	N/A	N/A	Up to \$65 million
Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter of the California Government Code, as it may be amended.	N/A	N/A	None

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

<u>Investment Type</u>	<u>12 Months or less</u>	<u>13 to 24 Months</u>	<u>More than 24 Months</u>	<u>Total</u>
U.S. Treasury Securities	\$ 2,418,852	\$ 8,202,760	\$ 17,421,510	\$ 28,043,122
U.S. Agency Notes				
Federal Home Loan Mortgage Corporation	-	1,550,010	6,140,693	7,690,703
Federal National Mortgage Association	2,211,506	-	11,717,112	13,928,618
Federal Home Loan Banks	-	2,049,600	7,034,330	9,083,930
Federal Farm Credit Banks	-	1,370,527	4,334,280	5,704,807
Corporate Notes	2,891,546	2,047,960	23,953,184	28,892,690
Local Agency Investment Fund	20,824,714	-	-	20,824,714
Municipal Bonds	-	-	805,487	805,487
Asset Backed Securities	-	-	10,358,047	10,358,047
Collateralized Mortgage Obligations	-	-	3,237,400	3,237,400
Money Market Mutual Funds	6,630,849	-	-	6,630,849
Total investments	<u>\$ 34,977,467</u>	<u>\$ 15,220,857</u>	<u>\$ 85,002,043</u>	<u>135,200,367</u>
Cash in banks and on hand				28,293,102
Restricted for Pension (PARS)				<u>12,725,224</u>
Total cash and investments				<u>\$ 176,218,693</u>

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 2 – CASH AND INVESTMENTS (Continued)

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are U.S. Treasuries, Federal Agency obligations, time deposits, negotiable certificates of deposits, commercial paper, corporate bonds, and security loans. These investments had weighted average maturity of 191 days.

Money market mutual funds are available for withdrawal on demand. At June 30, 2020, money market mutual funds, used for pooled investment and held by fiscal agent purposes, had a weighted average maturity of 46 days or less.

Fair Value Hierarchy: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2020:

<u>Investments by Fair Value Level</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
U.S. Treasury Securities	\$ -	\$ 28,043,122	\$ 28,043,122
U.S. Agency Notes			
Federal Home Loan Mortgage Corporation	-	7,690,703	7,690,703
Federal National Mortgage Association	-	13,928,618	13,928,618
Federal Home Loan Banks	-	9,083,930	9,083,930
Federal Farm Credit Banks	-	5,704,807	5,704,807
Corporate Notes	-	28,892,690	28,892,690
Municipal Bonds	-	805,487	805,487
Asset Backed Securities	-	10,358,047	10,358,047
Collateralized Mortgage Obligations	-	3,237,400	3,237,400
Total investments	<u>\$ -</u>	<u>\$ 107,744,804</u>	107,744,804
Investments Measured at Amortized Cost:			
Money Market Mutual Funds			6,630,849
Investments Exempt from Fair Value Hierarchy:			
Local Agency Investment Fund			20,824,714
Cash in banks and on hand			28,293,102
Investments Held in Trust:			
Restricted for Pension (PARS)			<u>12,725,224</u>
Total cash and investments			<u>\$ 176,218,693</u>

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments classified in Level 1 of the fair value hierarchy include securities valued using quoted prices in active markets. Federal Agency Securities and other U.S. Treasury Securities, classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank. The California Local Agency Investment Fund (LAIF) is valued using factors provided in the Pooled Money Investment Account (PMIA) Performance Report by the State Treasurer's Office. Money market funds and negotiable certificates of deposit are exempt from fair value measurement and are reported at amortized cost.

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2020 for each investment type, including those with fiscal agents, as provided by Moody's ratings:

<u>Investment Type</u>	<u>Ratings</u>	<u>Total</u>
Money Market Mutual Funds	Aaa	\$ 6,630,849
Corporate Notes	A1	28,892,690
U.S. Agency Notes		
Federal Home Loan Mortgage Corporation	Aaa	7,690,703
Federal National Mortgage Association	Aaa	13,928,618
Federal Home Loan Banks	Aaa	9,083,930
Federal Farm Credit Banks	Aaa	5,704,807
Municipal Bonds	Aa2	805,487
Asset Backed Securities	Aaa	10,358,047
Collateralized Mortgage Obligations	Aaa	3,237,400
U.S. Treasury Securities	Aaa	28,043,122
Not rated:		
Local Agency Investment Fund	Not Rated	<u>20,824,714</u>
Total investments		<u>\$ 135,200,367</u>

Concentration of Credit Risk: The City's investment policy contains certain limitations on the amount that can be invested in any one issuer. In certain categories, these limitations are more restrictive than those required by California Government Code Sections 53600 et seq. Excluding those issued or explicitly guaranteed by the U.S. government and investments in the local agency investment fund and mutual funds, the City had the following investments that represent five percent or more of total City-wide investments:

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
Federal Home Loan Mortgage Corporation (FHLMC)	U.S. Agency Notes	\$ 7,690,703
Federal Home Loan Banks (FHLB)	U.S. Agency Notes	9,083,930
Federal National Mortgage Association (FNMA)	U.S. Agency Notes	13,928,618

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 2 – CASH AND INVESTMENTS (Continued)

OPEB Trust: The OPEB Trust's pooled idle funds are invested pursuant to investment policy guidelines adopted by the Plan. The objectives of the policy are to invest funds to the fullest extent possible and to invest in accordance with the provisions of the California Government Code with the priority of safety, liquidity and yield. The policy addresses the safekeeping of securities, types of investment instruments, diversification, maturities, reporting requirements, and internal control. The Plan maintains a cash and investment pool that is available for use only by the plan and not any other City funds.

Policies: California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110 percent of the Plan's cash on deposit, or first trust deed mortgage notes with a market value of 150 percent of the deposit, as collateral for these deposits. Under California Law, this collateral is held in a separate investment pool by another institution in the Plans name and places the Plan ahead of general creditors of the institution.

The Plan and its fiscal agent invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. Security instruments owned by the Plan are held in safekeeping by a third party custodian acting as agent for the City under the terms of a custody agreement.

The Plan's investments are carried at fair value with the exception of money market mutual funds which are carried at amortized cost. The Plan adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in investment income for that fiscal year.

Classification: The Plan's total cash and investments, at fair value, are presented on the fiduciary fund financial statements.

Authorized Investments: The Plan's Investment Policy and the California Government Code allow the Plan to invest its pooled idle funds in the following, under limits and provisions that address interest rate risk, credit risk, and concentration of credit risk. Specifics of the policy are:

Fixed Income Assets - The fixed income investments are to maintain intermediate-term average weighted duration, between three-seven years. At the time of purchase, no single fixed income issuer shall exceed two percent of the total market value of the Portfolio, with the exception of U.S. Treasury or Agency obligations. The direct high-yield portion shall constitute no more than 10 percent of the total market value of the Portfolio.

Equity & Growth Assets - The domestic equity investments are expected to be diversified at all times by size, industry, sector, and style (Large Cap, Mid Cap, and Small Cap). At the time of purchase, no individual equity security shall exceed two percent of the total market value of the Portfolio. The international equity investments (including emerging markets) shall constitute no more than 20 percent of the total market value of the Portfolio. The real estate investments shall be captured through the use of diversified mutual funds or ETFs investing in REITs; and shall constitute no more than 15 percent of the total market value of the Portfolio. The commodities investments shall be captured through the use of diversified mutual funds or ETFs; and shall constitute no more than 10 percent of the total market value of the Portfolio.

(Continued)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Permitted Asset Classes and Security Types

- Fixed Income & Cash Equivalent Investments:
 - Domestic Certificates of Deposit (rated A-1/P-1 or better)
 - Domestic Commercial Paper (rated A-1/P-1 or better)
 - Floating Rate Notes
 - Money Market Mutual Funds
 - U.S. Treasury Bonds, Bills and Notes
 - U.S. Agency (and Instrumentality) Discount Notes, Notes, and Bonds
 - Treasury Inflation-Protected Securities (TIPS)
 - Municipal Bonds and Notes
 - Corporate Bonds
 - Mortgage-Backed Bonds (MBS)
 - Asset-Backed Bonds (ABS)
 - High-Yield Bonds (rated B-/B3 or better)
 - Dollar denominated Foreign Bonds and Notes
 - Bond Mutual Funds

- Equity Investments:
 - Common & Preferred Stocks
 - American Depository Receipts (ADRs)
 - Domestic and International Equity Mutual Funds (Open and Closed)
 - Emerging Market Equity Funds or Exchange Traded Funds (ETFs)

- Alternative Investments:
 - Commodities Mutual Funds or Exchange Traded Notes (ETNs)
 - REIT Investment or Pooled Strategy or Fund of REITs
 - Registered Hedge Funds or Hedge Fund of Funds

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. All of the Plan's investments are held in mutual fund securities with a maturity of less than 12 months.

Money market mutual funds are available for withdrawal on demand. At June 30, 2020, money market mutual funds, used for investment and held by fiscal agent purposes, had a weighted average maturity of 43 days or less.

Fair Value Hierarchy: The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Plan's investments in mutual funds are valued at fair value and are considered Level 1 investments.

(Continued)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As the Plan is invested in mutual funds, there are no available credit risk ratings.

Concentration of Credit Risk: The Plan's investment policy contains certain limitations on the amount that can be invested in any one issuer. In certain categories, these limitations are more restrictive than those required by California Government Code Sections 53600 et seq. Excluding those issued or explicitly guaranteed by the U.S. government and investments in the local agency investment fund and mutual funds, the Plan did not have investments that represent five percent or more of total Plan investments.

NOTE 3 – LOANS RECEIVABLE

Housing Program Loans: On June 30, 1995, the City loaned \$821,000 to Community Housing Developers, a California nonprofit public benefit corporation. The note bears interest at three percent per annum, compounded annually, payable to the extent of surplus cash, and all unpaid principal and interest due June 30, 2035. At June 30, 2020, the balance remaining on the loan was \$821,000. The loan was issued using resources in the Housing Development Fund and is considered governmental activities.

On June 6, 1996, the City loaned \$320,000 to Cupertino Community Services, a California nonprofit public benefit corporation. The note bears interest at three percent per annum and due on July 14, 2026. At June 30, 2020, the balance on the loan was \$168,661. The loan was issued using resources in the Housing Development Fund and is considered governmental activities.

On September 11, 2017 the City loaned \$3,672,000 to Stevens Creek, L.P., a California limited partnership. The note bears interest at three percent per annum for 55 years. After the completion of construction of the development, no later than April 30th of each calendar year, the Developer shall make repayments of the loan in an amount equal to the City loan percentage of the lenders' share of residual receipts. The payments shall be credited first against accrued interest and then against outstanding principal of the loan, and shall be accompanied by the developer's report of residual receipts. At June 30, 2020, the balance remaining on the loan was \$3,672,000. The loan was issued using resources in the Housing Development Fund and is considered governmental activities.

In addition to these loans, the City has \$40,120 in housing and other loans receivable at June 30, 2020. These loans bear interest at three to six percent and are due by June 30, 2025. The loan was issued using resources in the Housing Development Fund and is considered governmental activities.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2020

NOTE 4 – INTERFUND TRANSACTIONS

Transfers between funds during the fiscal year ended June 30, 2020 were as follows:

<u>Fund Making Transfers</u>	<u>Fund Receiving Transfers</u>	<u>Amount Transferred</u>
General Fund	Transportation Special Revenue Fund	\$ 221,000 (A)
	Public Financing Corporation Debt Service Fund	3,172,838 (B,D)
	Capital Improvement Projects Capital Projects Fund	20,705,438 (A)
	Non-major Governmental Funds	1,097,000 (C)
	Non-major Enterprise Funds	610,000 (D)
	Cupertino Sports Center Fund	948,000 (D)
	Recreation Programs Fund	565,000 (D)
	Internal Service Funds	3,573,000 (E)
Capital Improvements Projects Capital Projects Fund	General Fund	10,000,000 (A)
	Cupertino Sports Center Fund	1,275,000 (A)
	Recreation Programs Fund	125,000 (C)
Non-major Governmental Funds	General Fund	<u>12,000 (F)</u>
Total Interfund Transfers		<u>\$ 42,304,276</u>

The reasons for these transfers are set forth below:

- (A) To fund capital projects.
- (B) For annual lease payment for 2012 Certificates of Participation debt service.
- (C) To support state-mandated activities including complaint response and enforcement programs.
- (D) Operating subsidy from General Fund.
- (E) To fund IT operations, personnel costs associated with staffing special project, and compensated absences and retiree health.
- (F) To fund purchase of trees

Current Interfund Balances: Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2020, the Equipment Revolving Internal Service Fund owed the General Fund \$539,204.

Interfund Advances: Interfund advances are balances between funds that are not expected to be repaid within the current fiscal year. As of June 30, 2020, the General Fund advanced \$3,000,000 to the Capital Improvement Projects Capital Projects Fund for advance funding of planned projects that will be repaid in subsequent years.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 5 – CAPITAL ASSETS

A summary of changes in governmental activities capital assets is as follows:

	Balance at <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance at <u>June 30, 2020</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 62,045,969	\$ -	\$ -	\$ -	\$ 62,045,969
Easements	19,615,039	-	-	-	19,615,039
Construction in progress	<u>3,556,011</u>	<u>11,317,866</u>	<u>(12,380)</u>	<u>(9,546,327)</u>	<u>5,315,170</u>
Total general government capital assets not being depreciated	<u>85,217,019</u>	<u>11,317,866</u>	<u>(12,380)</u>	<u>(9,546,327)</u>	<u>86,976,178</u>
Capital assets being depreciated:					
Buildings	46,154,679	-	-	53,248	46,207,927
Improvements other than buildings	57,704,166	-	-	853,679	58,557,845
Machinery and equipment	3,705,886	-	(26,038)	469,559	4,149,407
Roads, curbs, gutters, sidewalks, medians and bridges	170,021,047	-	-	7,950,226	177,971,273
Streetlights	8,838,715	-	-	219,615	9,058,330
Storm drain structure and mains	37,373,158	-	-	-	37,373,158
Traffic signals	<u>6,418,246</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,418,246</u>
Total capital assets being depreciated	<u>330,215,897</u>	<u>-</u>	<u>(26,038)</u>	<u>9,546,327</u>	<u>339,736,186</u>
Less accumulated depreciation for:					
Buildings	(28,431,668)	(1,762,190)	-	-	(30,193,858)
Improvements other than buildings	(38,792,488)	(2,283,155)	-	-	(41,075,643)
Machinery and equipment	(2,466,624)	(355,065)	26,038	-	(2,795,651)
Roads, curbs, gutters, sidewalks, medians and bridges	(107,849,619)	(2,408,644)	-	-	(110,258,263)
Streetlights	(7,350,244)	(118,898)	-	-	(7,469,142)
Storm drain structure and mains	(32,678,455)	(431,927)	-	-	(33,110,382)
Traffic signals	<u>(5,575,962)</u>	<u>(112,577)</u>	<u>-</u>	<u>-</u>	<u>(5,688,539)</u>
Total accumulated depreciation	<u>(223,145,060)</u>	<u>(7,472,456)</u>	<u>26,038</u>	<u>-</u>	<u>(230,591,478)</u>
Total general government capital assets being depreciated, net	<u>107,070,837</u>	<u>(7,472,456)</u>	<u>-</u>	<u>9,546,327</u>	<u>109,144,708</u>
Internal service fund capital assets:					
Capital assets not being depreciated:					
Construction in progress	<u>10,045</u>	<u>941,206</u>	<u>-</u>	<u>(736,585)</u>	<u>214,666</u>
Total internal fund capital assets not being depreciated	<u>10,045</u>	<u>941,206</u>	<u>-</u>	<u>(736,585)</u>	<u>214,666</u>
Capital assets being depreciated:					
Machinery and equipment	10,988,245	-	(302,613)	736,585	11,422,217
Less accumulated depreciation	<u>(7,315,096)</u>	<u>(969,469)</u>	<u>302,613</u>	<u>-</u>	<u>(7,981,952)</u>
Total internal fund capital assets being depreciated, net	<u>3,673,149</u>	<u>(969,469)</u>	<u>-</u>	<u>736,585</u>	<u>3,440,265</u>
Governmental activities capital assets, net	<u>\$195,971,050</u>	<u>\$ 3,817,147</u>	<u>\$ (12,380)</u>	<u>\$ -</u>	<u>\$199,775,817</u>

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance at <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance at <u>June 30, 2020</u>
Business-type activities:					
Capital assets not being depreciated:					
Construction in progress	\$ -	\$ 75,297	\$ -	\$ (75,297)	\$ -
Total capital assets not being depreciate	<u>-</u>	<u>75,297</u>	<u>-</u>	<u>(75,297)</u>	<u>-</u>
Capital assets being depreciated:					
Buildings	1,006,002	-	-	-	1,006,002
Improvements other than buildings	2,089,743	-	-	-	2,089,743
Machinery and equipment	<u>635,822</u>	<u>-</u>	<u>-</u>	<u>75,297</u>	<u>711,119</u>
Total capital assets being depreciated	<u>3,731,567</u>	<u>-</u>	<u>-</u>	<u>75,297</u>	<u>3,806,864</u>
Less accumulated depreciation for:					
Buildings	(371,575)	(60,461)	-	-	(432,036)
Improvements other than buildings	(1,461,742)	(191,679)	-	-	(1,653,421)
Machinery and equipment	<u>(579,506)</u>	<u>(23,019)</u>	<u>-</u>	<u>-</u>	<u>(602,525)</u>
Total accumulated depreciation	<u>(2,412,823)</u>	<u>(275,159)</u>	<u>-</u>	<u>-</u>	<u>(2,687,982)</u>
Total capital assets being depreciated	<u>1,318,744</u>	<u>(275,159)</u>	<u>-</u>	<u>75,297</u>	<u>1,118,882</u>
Business-type activity capital assets, net	<u>\$ 1,318,744</u>	<u>\$ (199,862)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,118,882</u>

Depreciation expense was charged to functions and programs based on their usage of the related assets.
Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Administration	\$ 183,075
Public and Environment Affairs	15,692
Administrative Services	28,395
Parks and Recreation	162,899
Public Works	<u>7,082,395</u>
Total	<u>\$ 7,472,456</u>

Depreciation expense was charged to the business-type activities as follows:

Business-Type Activities	
Resources Recovery	\$ 3,314
Blackberry Farm	6,035
Cupertino Sports Center	54,382
Recreation Program	<u>211,428</u>
Total	<u>\$ 275,159</u>

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2020

NOTE 6 – LONG-TERM DEBT

Cupertino Public Facilities Corporation Certificates of Participation:

	<u>Original Issue Amount</u>	<u>Balance June 30, 2019</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>	<u>Current Portion</u>
2012 Refinancing Certificates of Participation:					
0.350-3.125%, due 07/01/2030	\$ 43,940,000	\$ 29,300,000	\$ 2,290,000	\$ 27,010,000	\$ 2,355,000
Total long-term debt		<u>\$ 29,300,000</u>	<u>\$ 2,290,000</u>	<u>\$ 27,010,000</u>	<u>\$ 2,355,000</u>

The Cupertino Public Facilities Corporation issued Certificates of Participation to provide financing for the construction of the Community Center, improvements of the City Hall and the Library in July 1986; purchase of Wilson Park in 1989; finance the Memorial Park Expansion in 1990; and purchase the Blackberry Farm and Fremont Older site in 1991. The Cupertino Public Facilities Corporation, as lessor, leased real property to the City (under the Lease Agreement with the lessee) and assigned the base rental payments to the trustee for the benefit of the owners of the certificates of participation. The rental payments which represent the pledged revenues are scheduled to be sufficient in both time and amount, when the principal and interest of the certificates are due, which was the case for the year ended June 30, 2020.

On May 9, 2012, \$43,940,000 principal amount of 2012 Refinancing Certificates of Participation (2012 COPs) were issued to refund the 2002 COPs, to fund a reserve fund for the 2012 COPs, and pay costs incurred in connection with issuance.

The 2012 COPs are payable by a pledge of revenues from the lease payments payable by the City pursuant to the Lease Agreement between the Cupertino Public Facilities Corporation and the City for the use and possession of the Site and Facility as described in the Lease Agreement. The City also covenanted in the Lease Agreement to include all lease payments in its annual budget. Total debt service payments remaining on the 2012 COPs is \$31,702,271 payable through July 1, 2030. For the year ended June 30, 2020, the bonds had \$2,290,000 of principal and \$882,837 interest due.

Annual debt service requirements for the 2012 COPS are shown below:

<u>For the Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 2,355,000	\$ 814,138
2022	2,425,000	743,486
2023	2,500,000	670,738
2024	2,575,000	595,738
2025	2,655,000	518,488
2026-2030	<u>14,500,000</u>	<u>1,349,683</u>
Total	<u>\$ 27,010,000</u>	<u>\$ 4,692,271</u>

(Continued)

NOTE 7 – NET POSITION AND FUND BALANCES

Net Position is measured on the full accrual basis while Fund Balance is measured on the modified accrual basis.

Net Position: The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as follows:

Net investment in capital assets - This category groups all capital assets including, infrastructure, into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted - This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This category represents net position of the City that do not meet the definition of "net investment in capital assets" or "restricted."

Fund Balances: As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for governmental funds are made up of the followings:

Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: prepaid items, property held for resale and long term notes receivable.

Restricted Fund Balance - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action (resolution) that imposed the constraint originally.

Assigned Fund Balance - comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by the City Council or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes. Through the adopted budget, the City Council establishes assigned fund balance policy levels and also sets the means and priority for the City Manager to fund these levels.

Unassigned Fund Balance - is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure may be made for which amounts are available in multiple fund balance classifications, the fund balance in General Fund will generally be used in the order of restricted, unassigned, and then assigned reserves. In other governmental funds, the order will generally be restricted and then assigned.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 7 – NET POSITION AND FUND BALANCES (Continued)

Fund balances for all major and nonmajor governmental funds as of June 30, 2020, were distributed as follows:

	General	Transportation	Housing Development	Public Facilities Corporation	Capital Improvements Projects	Other Governmental Funds	Total
Nonspendable:							
Loans receivable	\$ 449,341	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 449,341
Advances to other funds	3,000,000	-	-	-	-	-	3,000,000
Subtotal	<u>3,449,341</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,449,341</u>
Restricted for:							
Public access television	1,368,789	-	-	-	-	-	1,368,789
Debt service	13,193	-	-	1,685,872	-	-	1,699,065
PRSP Section 115 Trust	12,725,224	-	-	-	-	-	12,725,224
Public safety power shutoff	217,551	-	-	-	-	-	217,551
Storm drain system	-	-	-	-	-	3,994,007	3,994,007
Parks and open space	-	-	-	-	-	12,345,423	12,345,423
Environmental management	-	-	-	-	-	1,780,980	1,780,980
Streets and road projects	-	5,174,514	-	-	-	241,119	5,415,633
Housing programs	-	-	8,459,128	-	-	-	8,459,128
Subtotal	<u>14,324,757</u>	<u>5,174,514</u>	<u>8,459,128</u>	<u>1,685,872</u>	<u>-</u>	<u>18,361,529</u>	<u>48,005,800</u>
Committed for:							
Economic uncertainty I	19,000,000	-	-	-	-	-	19,000,000
Sustainability Reserve	127,891	-	-	-	-	-	127,891
Subtotal	<u>19,127,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,127,891</u>
Assigned to:							
Encumbrances	3,176,882	-	-	-	-	-	3,176,882
Capital projects	-	-	-	-	40,354,087	197,044	40,551,131
Subtotal	<u>3,176,882</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,354,087</u>	<u>197,044</u>	<u>43,728,013</u>
Unassigned	<u>34,426,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,426,942</u>
Total	<u>\$ 74,505,813</u>	<u>\$ 5,174,514</u>	<u>\$ 8,459,128</u>	<u>\$ 1,685,872</u>	<u>\$ 40,354,087</u>	<u>\$ 18,558,573</u>	<u>\$ 148,737,987</u>

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Federal and State Grant: The City participates in a number of federal and state grant programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs, including those for the year ended June 30, 2020, have yet to be conducted. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. Management believes that such disallowances, if any, would not have a material effect on the financial statements.

Encumbrances: The City uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities, but as restricted, or assigned fund balance.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2020

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

As of June 30, 2020, the City had the following encumbrances outstanding:

Governmental Funds:	
General Fund	\$ 3,176,882
Transportation Special Revenue Fund	486,221
Housing Development Special Revenue Fund	10,318
Capital Improvements Projects Capital Projects Fund	1,697,733
Other Governmental Funds	<u>93,459</u>
Total Encumbrances	<u>\$ 5,464,613</u>

Lease Agreement with County of Santa Clara: The City has an agreement (commitment), expired in 2019 but still being honored, to lease a building to the County of Santa Clara for the purpose of providing library service to the City's residents. The lease requires a minimum annual payment of \$120,000 adjusted for Cupertino's portion of book circulation and increase of assessed valuation. This is an operating lease with a renewable option. The City is currently negotiating the terms with the Santa Clara County Library District JPA to renew the operating lease. At June 30, 2020, the cost and carrying value of the building which opened in October 2004, is \$21,952,133 and \$8,060,185 respectively, with \$13,891,948 in accumulated depreciation.

Consulting Agreement for Sales Taxes: The City entered into agreements (commitments) with two companies to provide services consisting of the assessment and creation of new sales and use tax revenue sources for the City. The City agreed to pay the companies based on a sliding scale payment schedule dependent on the level of new sales tax revenue realized by the City as defined in the consulting agreements. These agreements qualify as tax abatements under the provisions of GASB Statement 77. However, due to legal restrictions per the California Revenue and Taxation Code, Section 7056, additional disclosures cannot be provided.

Santa Clara County Vehicle Registration Fee (VRF): The City is required to report VRF revenues, expenditures and fund balances as of the year ended June 30, 2020:

VRF Balance as of July 1, 2019	\$ -
VRF Revenue	401,249
VRF Interest	-
VRF Expended	<u>401,249</u>
VRF Balance as of June 30, 2020	<u>\$ -</u>

NOTE 9 – LIABILITIES UNDER SELF-INSURANCE AND RISK MANAGEMENT

General and Property Liability: The City is self-insured for the first \$250,000 of general and property liability for each occurrence, and the excess (up to \$10,000,000 for each occurrence and annual aggregate) is covered through the City's participation in the Association of Bay Area Governments Pooled Liability Assurance Network (ABAG PLAN). The risk pool consists of 30 agencies within the San Francisco Bay Area. The stated purpose of the ABAG PLAN is to provide certain levels of liability insurance coverage, claims management, risk management services, and legal defense to its participating members. ABAG PLAN is governed by a Board of Directors, which comprises officials appointed by each participating member. Premiums paid to ABAG are subject to possible refund based on the results of actuarial studies and approval by the Board of Directors. Complete financial statements for ABAG PLAN may be obtained from their offices at the following address: ABAG PLAN, Finance Department, P.O. Box 2050, Oakland, CA 94604. Premiums are revised each year based on the City's claims experience and risk exposure. For the year ended June 30, 2020, the City paid ABAG PLAN premiums of \$14,150.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2020

NOTE 9 – LIABILITIES UNDER SELF-INSURANCE AND RISK MANAGEMENT (Continued)

Workers' Compensation Liability: The City belongs to the CSAC Excess Insurance Authority (EIA), a joint power authority which provides excess workers' compensation liability claims coverage above the City's self-insured retention of \$500,000 per occurrence. Losses above the self-insured retention are pooled with excess reinsurance purchased to a \$50,000,000 statutory limit. EIA was established in 1979 for the purpose of creating a risk management pool for all California public entities. EIA is governed by a Board of Directors consisting of representatives of its member public entities. Complete financial statements for ETA may be obtained from their offices at the following address: CSAC Excess Insurance Authority, Finance Department, EIA 75 Iron Point Circle, Suite 200, Folsom, CA 95630. For the year ended June 30, 2020, the City paid premiums of \$104,514.

It is the City's practice to obtain biennial actuarial studies for the self-insured workers' compensation liability. The claims liabilities included in the workers' compensation internal service fund is based on the results of actuarial studies and include amounts for claims incurred but not reported and loss adjustment expenses. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. Inflation of 2.5 percent, annual rate of return of two percent, claim severity increase at 2.5 percent were assumed. In the current year, management used actuarial estimates based on a 90 percent confidence level.

Settlements have not exceeded insurance coverage in the past three years.

Changes in the balances of workers' compensation and general claims liabilities during the years ended June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Claims liability, beginning of year	\$ 1,553,277	\$ 1,369,165
Incurred claims and changes in estimate	127,471	419,279
Claim payments and credits	<u>(153,478)</u>	<u>(235,167)</u>
Total claims liability, end of year	1,527,000	1,553,277
Less current portion	<u>(274,000)</u>	<u>(313,291)</u>
Non-current portion	<u>\$ 1,253,000</u>	<u>\$ 1,239,986</u>

NOTE 10 – DEFINED BENEFIT PENSION PLAN

Plan Descriptions and Summary of Balances by Plan: The City has one defined benefit pension plan. The Miscellaneous Plan (Plan) is an Agent-Multiple Employer Plan. Benefit provisions under the Plan is established by State statute and City Ordinance. All qualified permanent and probationary employees are eligible to participate in the Plan for which they are an eligible member based on their employment position with the City.

The Plan is administered by the California Public Employees' Retirement System (CalPERS) which acts as a common investment and administrative agent for its participating member employers. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2020

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Miscellaneous Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Below is a summary of the deferred outflows of resources, net pension liabilities and deferred inflows of resources by Plan:

	<u>Deferred Outflows of Resources</u>	<u>Net Pension Liability</u>	<u>Deferred Inflows of Resources</u>
Miscellaneous	\$ 9,647,619	\$ 46,098,530	\$ 825,047

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012. The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>Hire date</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Minimum retirement age	50	52
Monthly benefits, as a % of eligible compensation	2% to 2.7%	1% to 2%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	23.54%	25.653%

Employees Covered: As of the June 30, 2018 actuarial valuation date (most current), the following employees were covered by the benefit terms of the Plan:

Inactive employees or beneficiaries currently receiving benefits	227
Inactive employees entitled to but not yet receiving benefits	139
Active employees	196
Total	562

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2020

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability: The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions: The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service (1)
Investment Rate of Return	7.375% (2)
Derived using CalPERS' Membership	
Mortality	Data for all Funds (3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses and administrative expenses, including inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2017 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions: None in 2019.

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2020

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100.00%</u>		

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

The table above reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return (presented as geometric means) are net of administrative expenses.

Changes in Net Pension Liability: The changes in the Net Pension Liability for the City's Miscellaneous Plan are as follows:

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2018	\$ 134,356,434	\$ 93,476,845	\$ 40,879,589
Changes in the year:			
Service cost	3,324,361	-	3,324,361
Interest on the total pension liability	9,800,245	-	9,800,245
Change of Assumptions	-	-	-
Differences between actual and expected experience	4,144,384	-	4,144,384
Contribution - employer	-	4,654,841	(4,654,841)
Contribution - employee	-	1,364,731	(1,364,731)
Net investment income	-	6,096,968	(6,096,968)
Administrative expenses	-	(66,707)	66,707
Other miscellaneous income/(expenses)	-	216	(216)
Benefit payments, including refunds of employee contributions	(6,193,271)	(6,193,271)	-
Net changes	<u>11,075,719</u>	<u>5,856,778</u>	<u>5,218,941</u>
Balance at June 30, 2019	<u>\$ 145,432,153</u>	<u>\$ 99,333,623</u>	<u>\$ 46,098,530</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the City, calculated using the discount rate for the Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease Net Pension Liability	6.15% \$ 65,372,004
Current Discount Rate Net Pension Liability	7.15% \$ 46,098,530
1% Increase Net Pension Liability	8.15% \$ 30,149,053

Pension Plan Fiduciary Net Position: Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2020, the City recognized pension expense of \$9,671,506. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 5,308,577	\$ -
Differences between actual and expected experience	3,500,740	21,459
Changes in assumptions	838,302	363,260
Net differences between projected and actual earnings on plan investments	-	440,328
Total	\$ 9,647,619	\$ 825,047

The \$5,308,577 of contributions for the fiscal year ended June 30, 2020 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2020	\$ 2,396,183
2021	438,453
2022	566,893
2023	112,466
	\$ 3,513,995

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: Permanent employees who retire under the City's CalPERS retirement plan are, pursuant to their respective collective bargaining agreements, eligible to have their medical insurance premiums paid by the City. Retirees receive the amount necessary to pay the cost of his/her enrollment, including the enrollment of his/her family members, in a health benefit plan provided by CalPERS up to the maximum received by active employees in their respective bargaining unit.

The City contracts with CalPERS for this insured-benefit plan established under the state Public Employees' Medical and Hospital Care Act (PEMHCA). The plan offers employees and retirees three CalPERS' self-funded options, setup as insurance risk pools, or offers various third-party insured health plans. The plan's medical benefits and premium rates are established by CalPERS and the insurance providers. The City contribution is established by City resolution. Retirees and active employees pay the difference between the premium rate and the City's contribution. Premiums and City contributions are based on the plan and coverage selected by actives and retirees, with the City's potential contribution ranging from zero to \$1,605 per month per employee or retiree. The responsibility for benefit payments has transferred to the insurers and the City does not guarantee the benefits in the event of default by the insurers. A comprehensive annual financial report of CalPERS, inclusive of their benefit plans, is available at www.calpers.ca.gov.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The City participates in the Public Agency Retirement System (PARS) Public Agencies Post Retirement Health Care Plan Trust Program (PARS Trust), an agent-multiple employer irrevocable trust established to fund other postemployment benefits. The City Council adopted the PARS Public Agencies Post-Retirement Health Care Plan Trust, including the PARS Public Agencies Post-Retirement Health Care Plan, to fund medical insurance costs for its retired employees, effective February 17, 2010. The City Council appointed the City Treasurer, or his/her successor or his/her designee as the City's plan administrator. The plan administrator is authorized to execute the PARS legal documents on behalf of the City and to take whatever additional actions necessary to maintain the City's participation in the Program and to maintain compliance of any relevant regulation issued or as may be issued; therefore, authorizing him/her to take whatever additional actions are required to administer the City's PARS Plan. The PARS Trust is approved by the Internal Revenue Code Section 115 and invests funds in equity, bond, and money market mutual funds. Copies of PARS Trust annual financial report is available at the City's Finance Department. However, as the City is the plan administrator and has ultimate responsibility for the plan, the City considered the plan to be a single employer plan with PARS as the trust administrator only (with no special funding situation or nonemployer contributing entity). As such, in accordance with the requirements of GASB Statement 74, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*, the City has elected to present the PARS Trust as a fiduciary fund and include the required disclosures and required supplementary information in its annual financial statements.

An employee is eligible for lifetime medical benefits under the OPEB Plan, along with his/her spouse or declared domestic partner at the time of retirement, if all criteria listed below are met:

- The employee was hired or the City Council member was elected prior to August 1, 2004, and the employee has five or more full-time years of service and the City Council member has five or more years of elected service with the City of Cupertino; or
- The employee was hired or the City Council member was elected on or after August 1, 2004, and the employee has ten or more full-time and/or elected years of CalPERS service, five years of which must be from the City of Cupertino; and
- The employee is eligible for retirement as defined under the CalPERS retirement system; and the employee retires from the City of Cupertino.

In addition, the eligible employee's dependent children at the time of retirement who are under 23 years old are eligible for medical benefits. In addition to extending the eligibility of dependents from age 23 to age 26 in accordance with the recent healthcare reform act, effective July 1, 2010, employees that retire or resign from service with the City of Cupertino and who are not eligible for retiree medical benefits can continue on the City's medical and dental plans provided that they pay the premiums in full.

Plan membership: At January 1, 2019 (the latest information available), Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	138
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>176</u>
	<u>314</u>

Contributions: OPEB Plan contributions are set by the adopted budget. The cost of the benefits provided by the OPEB Plan is currently being paid by the City on a fully pre-funded basis. Based on the actuarial valuation date of January 1, 2019, the annual required contribution rate is 7.41 percent of annual covered payroll. For the year ended June 30, 2020, the City paid \$1,140,063 in healthcare premium payments. Plan members are not required to contribute to the plan.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2020

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Net OPEB Liability of the City: The components of the net OPEB liability of the City at June 30, 2020 (expressed in thousands) were as follows:

Total OPEB liability	\$ 31,338
Plan fiduciary net position	<u>29,370</u>
City's net OPEB liability	<u>\$ 1,968</u>

Plan fiduciary net position as a percentage of the total OPEB liability 93.72%

Investment rate of return: The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income – core	1.52%
Fixed income – high yield	3.96%
Fixed income – inflation protected	1.96%
Fixed income – hedged	2.59%
Equities – domestic	5.85%
Equities – developed foreign	7.42%
Equities – emerging foreign	8.58%
Real estate	4.17%
Commodities	3.37%
Cash	2.19%

Investment policy: The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Plan's Board by a majority vote of its members. It is the policy of the Plan Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	29%
Equities	62%
Real estate	6%
Commodities	2%
Cash	<u>1%</u>
Total	<u>100%</u>

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Concentrations: The Plan did not have investments outside of mutual funds that comprise five percent or more of the Plan's total fiduciary net position.

Rate of return: For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 4.68 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of January 1, 2019, using the previously listed actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. Mortality rates were based on the CalPERS mortality assumptions.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

The other significant actuarial assumptions used to prepare the City's January 1, 2019 actuarial valuation include the following:

Valuation date:	January 1, 2019
Measurement date:	June 30, 2020
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percent of pay closed
Amortization Period:	10 year
Asset Valuation Method:	Market value
Actuarial Assumptions:	
Discount Rate	6.50%
Payroll Growth	3.00%
Ultimate Rate of Medical Inflation	4.50%
Mortality (1)	CalPERS mortality assumptions
Health Care Trend	The annual cost of healthcare is expected to decrease from 7.0% in 2019 to 4.5% from 2076 and later.

(1) 2017 CalPERS Experience Study, Recipients with attained age of 50

Discount rate: The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the Net OPEB Liability: The changes in the City's net OPEB liability (asset) are (in thousands):

Total OPEB	Net Increase (Decrease)		
	<u>Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability (Asset)</u>
Balance at July 1, 2019	\$ 28,073	\$ 29,218	\$ (1,145)
Changes in the year			
Service cost	1,009	-	1,009
Interest on the total OPEB liability	1,985	-	1,985
Change of assumptions	1,412	-	1,412
Differences between actual and expected experience	-	-	-
Contribution – employer	-	1,141	(1,141)
Contribution – employee	-	-	-
Net investment income	-	219	(219)
Administrative expenses	-	(67)	67
Benefit payments, including refunds of Employee contributions	(1,141)	(1,141)	-
Net changes	<u>3,265</u>	<u>152</u>	<u>3,113</u>
Balance at June 30, 2020	<u>\$ 31,338</u>	<u>\$ 29,370</u>	<u>\$ 1,968</u>

Sensitivity of the net OPEB liability (asset) to changes in the discount rate: The following presents the net OPEB asset of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.5 percent) or one-percentage-point higher (7.5 percent) than the current discount rate (expressed in thousands):

	1% Decrease <u>5.50%</u>	Current Discount Rate <u>6.50%</u>	1% Increase <u>7.50%</u>
City of Cupertino's net OPEB liability (asset) for the plan	\$ 6,040	\$ 1,968	\$ (1,396)

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rates: The following presents the net OPEB asset of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower (decreasing to 3.5 percent) or one-percentage-point higher (increasing to 5.5 percent) than the current healthcare cost trend rates (expressed in thousands):

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
City of Cupertino's net OPEB liability (asset) for the plan	\$ (1,772)	\$ 1,968	\$ 6,571

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2020

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Expense and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2020, the City recognized OPEB expense of \$392,000. At June 30, 2020, the City reported deferred inflows of resources related to OPEB from the following sources (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on investments	\$ 1,337	\$ -
Differences between expected and actual experience	-	1,085
Changes in assumption	<u>1,409</u>	<u>22</u>
	<u>\$ 2,746</u>	<u>\$ 1,107</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (in thousands):

<u>Year Ended June 30</u>	<u>Deferred Inflows of Resources</u>
2021	\$ 92
2022	364
2023	478
2024	<u>705</u>
Total	<u>\$ 1,639</u>

NOTE 12 – CONCENTRATION RISK

The City has an economic dependency on revenues generated directly or indirectly from one company. For the year ended June 30, 2020, more than 10 percent of the City General Fund's total revenues are derived from the company. The City's operations would be adversely impacted if there are any significant declines in taxes received from the company.

NOTE 13 – UPCOMING GASB PRONOUNCEMENTS

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is now effective for the City's fiscal year ended June 30, 2021 due to the postponement impacts of GASB Statement 95. Management has not determined what impact, if any, this statement will have on its financial statements.

(Continued)

NOTE 13 – UPCOMING GASB PRONOUNCEMENTS (Continued)

In June 2017, the GASB issued Statement 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is now effective for the City's fiscal year ended June 30, 2022 due to the postponement impacts of GASB Statement 95. Management has not determined what impact, if any, this statement will have on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement is now effective for the City's fiscal year ended June 30, 2022 due to the postponement impacts of GASB Statement 95. Management has not determined what impact, if any, this statement will have on its financial statements."

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. This Statement is effective for the City's fiscal year ended June 30, 2020. Management has not determined what impact, if any, this statement will have on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement is effective for the City's fiscal year ended June 30, 2022. Management has not determined what impact, if any, this statement will have on its financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. Upon the City's adoption of GASB Statement No 95, effective date for the Statement was delayed for the City until their fiscal year ended June 30, 2022, with the exception of paragraphs 11 and 13 which are now effective and the City has implemented with no material impact to the City's financial statements. Management has not yet determined the impact of the remainder of this statement on the City's financial statements.

(Continued)

NOTE 13 – UPCOMING GASB PRONOUNCEMENTS (Continued)

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objectives of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Upon the City's adoption of GASB Statement No 95, effective date for the Statement was delayed for the City until their fiscal year ended June 30, 2022. Management has not yet determined the impact of this statement on the City's financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objectives of this Statement is improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payments arrangements. The requirements of this Statement are effective for the City's fiscal year ended June 30, 2023. Management has not yet determined the impact of this statement on the City's financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for the City's fiscal year ended June 30, 2023. Management has not yet determined the impact of this statement on the City's financial statements.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for the City's fiscal year ended June 30, 2022, with the exception of paragraphs 4 and 5 which are now effective and the City has implemented with no material impact to the City's financial statements. Management has not yet determined the impact of the remainder of this statement on the City's financial statements.

NOTE 14 – COVID-19 IMPACT

The spread of the novel strain of coronavirus called SARS-CoV-2 that causes the disease known as COVID-19 ("COVID-19"), and local, state and federal actions in response to COVID-19, are having a significant impact on the economy and on the City's operations and finances. In response to the increasing number of cases of COVID-19 and fatalities, health officials and experts are recommending, and some governments are mandating, a variety of responses ranging from travel bans and social distancing practices, to complete shutdowns of certain services and facilities. On March 4, 2020, as part of the State's response to address the outbreak, the Governor declared a state of emergency. On March 13, President Donald Trump declared a national emergency, freeing up funding for federal assistance to state and local governments. On March 19, 2020, the Governor issued Executive Order N-33-20, a mandatory statewide shelter-in-place order applicable to all nonessential services.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 14 – COVID-19 IMPACT (Continued)

In May 2020, the Governor outlined a phased approach to re-opening businesses in California. As a result of State and local actions taken to slow the spread of COVID-19, a number of businesses have had to close and other businesses, such as restaurants, have been permitted to stay open subject to certain conditions. These circumstances, among other market factors, have led to increased unemployment since the beginning of the COVID-19 outbreak in the United States. In addition to increased unemployment, financial markets in the United States and globally have been volatile, with significant declines attributed to coronavirus concerns.

On July 13, 2020, the Governor issued another order requiring all counties within the State to close indoor operations in certain sectors, including dine-in restaurants, wineries and tasting rooms, movie theatres, family entertainment centers, zoos and museums and cardrooms. The Governor's July 13, 2020 order also required certain counties on the Governor's Monitoring List, which as of August 17, 2020 included Santa Clara County, to shut down additional industries and activities, including gyms and fitness centers, places of worship and cultural ceremonies (such as wedding and funerals), offices for non-critical infrastructure sectors, personal care services (such as nail salons, body waxing and tattoo parlors) and shopping malls.

On August 28, 2020, the State released further guidance regarding re-opening certain types of businesses based on a county-by-county approach where each county is assigned a tier based on COVID-19 case rates within each County. Based on the initial assessment from the State, Santa Clara County is in the "Widespread" tier as of September 4, 2020. For counties in the "Widespread" tier, certain non-essential indoor businesses are required to remain closed. Consistent with the state-wide loosening of certain restrictions, however, certain indoor business operations in the County, including hair salons and barbershops, shopping malls, retail businesses, and grocery stores, may reopen subject to certain operating capacity and other restrictions.

While the effects of COVID-19 may be temporary, the outbreak and governmental actions responsive to it are altering the behavior of businesses and people in a manner that is having significant negative impacts on global and local economies. In addition, stock markets in the U.S. and globally have seen significant declines attributed to coronavirus concerns. CalPERS has reportedly lost significant value in its investments as a result of declines in the stock market and elsewhere, which could result in a significant increase in the City's unfunded pension liability and future pension costs, commencing in Fiscal Year 2022-23. The outbreak has resulted in increased pressure on State finances, as budgetary resources are directed towards containing the pandemic and tax revenues sharply decline. Identified cases of COVID-19 and deaths attributable to the COVID-19 outbreak are continuing to increase throughout the United States, including the City. The COVID-19 outbreak is expected to result in material declines in major General Fund revenues. In addition, Governor Newsom extended the deadline to file and pay first quarter sales and use tax returns by 90 16 days for all but the very largest taxpayers, and up to 361,000 California businesses with less than \$5 million in taxable annual sales will be allowed to defer up to \$50,000 in sales tax and enter into 12-month payment plans at zero interest. This will result in delays in the receipt by the City of its portion of the delayed payments.

In response to the pandemic, the City has taken actions to activate its emergency operations center, temporarily close all non-essential City services, introduce teleworking as and where appropriate, and abide by all federal, state, and regional orders. The City actively monitors the COVID-19 situation in the community and acts swiftly to issue additional emergency orders to mitigate both the spread of the virus and economic impacts to the community.

(Continued)

NOTE 14 – COVID-19 IMPACT (Continued)

Since the onset of the COVID-19 pandemic, the County Health Officer has issued a series of orders regulating activities throughout the County, including within the City. The County's orders are more strict in certain respects than federal guidelines and state orders related to COVID-19. The most recent order, issued July 2, 2020, continues to urge all County residents to stay home as much as possible, requires workers to do their jobs from home whenever possible, and prohibits indoor dining and bars, but permits certain indoor gatherings (up to 20 people) and outdoor gatherings (up to 60 people).

In an effort to assist residential tenants and small business commercial tenants, the County temporarily banned evictions for non-payment of rent or no-fault evictions when the tenant has suffered a substantial loss of income and/or substantial out-of-pocket medical expense due to the COVID-19 pandemic. The County's eviction moratorium expired August 31, 2020. Based on the County's evaluation of the State's August 31, 2020 statewide eviction and foreclosure protections, the County may extend or revise its legislation.

The City has also taken certain measures to protect and mitigate impacts to the public and businesses in the community, including adoption of emergency orders requiring individuals to wear a face covering when they need to leave their home to work or obtain essential goods and services; allowing outdoor dining and retail services with a special permit; adoption of an urgency ordinance to extend certain permit deadlines and requirements; offering loans and grants to income-qualified Cupertino residents to assist with residential rental payments; and establishing a small business emergency relief grant program. The City is considering orders to waive sign fees and permit requirements for retail and restaurant "open for business" signs.

As a result of COVID-19, the City forecasts a budget deficit of \$2.8 million in Fiscal Year 2020-21 (although the City has available fund balance reserves if needed). The City has also identified significant unfunded needs (defined as items the City has planned for but have not funded with current resources) in its Capital Improvement Program (CIP), including substantial investments in the City's capital infrastructure. In response, the City has already implemented several budget balancing strategies, including: reduced recreation programming; hiring freeze, with limited exceptions; furloughing approximately 65% of temporary staffing, approximately 80 positions; limiting travel and training; and reducing various other expenditure categories including materials, contracts, contingencies, and special projects. Additional measures that the City is considering include: continue to reduce recreation programming; reduce library hours and/or programming; longer planning, code enforcement, and public safety response times; fewer community events and grants; reduced or deferred capital infrastructure maintenance; reduced administrative staff and continued evaluation of staffing needs.

On March 27, Congress passed and the President signed the \$2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act ("CARES Act") that provides, among other measures, \$150 billion in financial assistance to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by COVID-19. The City expects to receive approximately \$735,259 in CARES Act funds through the State by the end of calendar year 2020, which has not required any financial statement adjustment for the year ended June 30, 2020.

NOTE 15 – SUBSEQUENT EVENT

On September 29, 2020, the City's 2020A Certificates of Participation (2020 COPs) were successfully sold in order to refund the City's 2012 Certificates of Participation for debt service savings. The refunding generated net present value savings of approximately \$3.14 million, 11.61% of refunded par and a True Interest Cost of 0.72%. Savings to the City's General Fund amounts to approximately \$494,000 per year for the next 10 years, or almost \$5 million in total savings.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CITY OF CUPERTINO, CALIFORNIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
For the year ended June 30, 2020

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan
Last 10 years*

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
Total Pension Liability						
Service Cost	\$ 2,504,228	\$ 2,444,939	\$ 2,525,314	\$ 2,895,549	\$ 3,058,629	\$ 3,324,361
Interest	7,349,943	7,789,134	8,253,983	8,619,588	9,065,322	9,800,245
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	372,917	696,347	(182,397)	1,184,340	4,144,384
Changes in assumptions	-	(1,883,633)	-	7,125,558	(847,606)	-
Benefit payments, including refunds of employee contributions	(4,351,614)	(4,637,005)	(5,151,298)	(5,346,890)	(6,051,845)	(6,193,271)
Net change in total pension liability	5,502,557	4,086,352	6,324,346	13,111,408	6,408,840	11,075,719
Total pension liability - beginning	98,922,931	104,425,488	108,511,840	114,836,186	127,947,594	134,356,434
Total pension liability - ending (a)	\$ 104,425,488	\$ 108,511,840	\$ 114,836,186	\$ 127,947,594	\$ 134,356,434	\$ 145,432,153
Plan fiduciary net position						
Contributions - employer	\$ 2,891,986	\$ 3,301,642	\$ 3,659,170	\$ 4,183,822	\$ 4,263,020	\$ 4,654,841
Contributions - employee	1,061,884	1,149,894	1,169,921	1,236,052	1,506,888	1,364,731
Net investment income	11,379,985	1,724,204	466,704	8,749,288	7,347,936	6,096,968
Benefit payments, including refunds of employee contributions	(4,351,614)	(4,637,005)	(5,151,298)	(5,346,890)	(6,051,845)	(6,193,271)
Administrative expense	-	(87,780)	(47,536)	(115,304)	(392,346)	(66,707)
Other miscellaneous Income/(Expense)	-	-	-	-	-	216
Net change in plan fiduciary net position	10,982,241	1,450,955	96,961	8,706,968	6,673,653	5,856,778
Plan fiduciary net position - beginning	65,566,067	76,548,308	77,999,263	78,096,224	86,803,192	93,476,845
Plan fiduciary net position - ending (b)	\$ 76,548,308	\$ 77,999,263	\$ 78,096,224	\$ 86,803,192	\$ 93,476,845	\$ 99,333,623
Net pension liability - ending (a)-(b)	\$ 27,877,180	\$ 30,512,577	\$ 36,739,962	\$ 41,144,402	\$ 40,879,589	\$ 46,098,530
Plan fiduciary net position as a percentage of the total pension liability	73.30%	71.88%	68.01%	67.84%	69.57%	68.30%
Covered payroll	\$ 13,080,327	\$ 13,504,966	\$ 14,336,969	\$ 15,595,136	\$ 16,809,349	\$ 18,461,490
Net pension liability as percentage of covered payroll	213.12%	225.94%	256.26%	263.83%	243.20%	249.70%

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. None in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions from December 2017. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* - Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

Source: CalPERS Accounting Valuation

CITY OF CUPERTINO, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS - PENSION
For the year ended June 30, 2020

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan
Last 10 Years*

	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$ 3,608,853	\$ 3,659,170	\$ 4,183,821	\$ 4,263,020	\$ 4,654,841	\$ 5,308,577
Contributions in relation to the actuarially determined contributions	(3,608,853)	(3,659,170)	(4,183,821)	(4,263,020)	(4,654,841)	(5,308,577)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 13,504,966	\$ 14,336,969	\$ 15,595,136	\$ 16,809,349	\$ 19,664,057	\$ 19,871,414
Contributions as a percentage of covered payroll	26.72%	25.52%	26.83%	25.36%	23.67%	26.71%

Notes to Schedule

Valuation date: 6/30/2013 6/30/2014 6/30/2015 6/30/2016 6/30/2017 6/30/2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19 Years as of the Valuation Date
Asset valuation method	15 Year Smoothed Market
Inflation	2.75%
Salary increases	3%
Investment rate of return	7.375% Net of Pension Plan
Retirement age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

* - Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

Source: City of Cupertino's general ledger and CalPERS Actuarial Valuation

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. None in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions from December 2017. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

Source: CalPERS Accounting Valuation

CITY OF CUPERTINO, CALIFORNIA
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
AND RELATED RATIOS
For the year ended June 30, 2020

Single Employer Defined Benefit OPEB Plan
Last 10 years*
Expressed in thousands

	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Total OPEB liability				
Service cost	\$ 908	\$ 1,008	\$ 865	\$ 1,009
Interest	1,781	1,876	2,005	1,985
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	-	(1,808)	-
Changes of assumptions	-	-	(37)	1,412
Benefit payments	<u>(1,333)</u>	<u>(1,419)</u>	<u>(1,423)</u>	<u>(1,141)</u>
Net change in total OPEB liability	1,356	1,465	(398)	3,265
Total OPEB liability - beginning	<u>25,650</u>	<u>27,006</u>	<u>28,471</u>	<u>28,073</u>
Total OPEB liability - ending (a)	<u>\$ 27,006</u>	<u>\$ 28,471</u>	<u>\$ 28,073</u>	<u>\$ 31,338</u>
Plan fiduciary net position				
Contributions - employer	1,333	1,419	1,423	1,141
Net investment income	2,960	2,365	1,259	219
Benefit payments	(1,333)	(1,419)	(1,423)	(1,141)
Administrative expense	<u>(49)</u>	<u>(54)</u>	<u>(97)</u>	<u>(67)</u>
Net change in fiduciary net position	2,911	2,311	1,162	152
Plan fiduciary net position - beginning	<u>22,834</u>	<u>25,745</u>	<u>28,056</u>	<u>29,218</u>
Plan fiduciary net position - ending (b)	<u>\$ 25,745</u>	<u>\$ 28,056</u>	<u>\$ 29,218</u>	<u>\$ 29,370</u>
Net OPEB liability (asset) - ending (a-b)	\$ 1,261	\$ 415	\$ (1,145)	\$ 1,968
Plan fiduciary net position as a percentage of the total OPEB liability	95.33%	98.54%	104.08%	93.72%
Covered payroll	\$ 17,255	\$ 19,153	\$ 20,086	\$ 21,643
Net OPEB liability (asset) as a percentage of covered payroll	7.31%	2.17%	-5.70%	9.09%

Notes to schedule:

* - Fiscal year 2017 was the 1st year of implementation, therefore only four years are shown.

CITY OF CUPERTINO, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS - OPEB
For the year ended June 30, 2020

Single Employer Defined OPEB Plan
Last 10 years*
Expressed in thousands

	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Actuarially determined contribution	\$ 1,117	\$ 1,362	\$ 1,300	\$ 1,401
Contributions in relation to the actuarially determined contributions	<u>1,333</u>	<u>1,419</u>	<u>1,423</u>	<u>1,141</u>
Contribution deficiency (excess)	<u>\$ (216)</u>	<u>\$ (57)</u>	<u>\$ (123)</u>	<u>\$ 260</u>
Covered payroll	\$ 17,255	\$ 19,153	\$ 20,086	\$ 21,643
Contributions as a percentage of covered payroll	7.73%	7.41%	7.08%	5.27%

Notes to schedule:

* - Fiscal year 2017 was the 1st year of implementation, therefore only four years are shown.

Valuation Date 1/1/2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, closed
Remaining amortization period	12 years as of the valuation date
Asset valuation method	Fair value of assets
Discount rate	6.50%
Amortization growth rate	3.00%
Ultimate rate of medical inflation	4.50%
Salary increases	3.00% plus merit component based on years of service
Mortality	CalPERS mortality assumptions

CITY OF CUPERTINO, CALIFORNIA
SCHEDULE OF INVESTMENT RETURNS - OPEB
For the year ended June 30, 2020

Single Employer Defined OPEB Plan
Last 10 years*

	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>
Annual money-weighted rate of return, net of investment expense	10.74%	8.31%	6.32%	4.68%

Notes to schedule:

* - Fiscal year 2017 was the 1st year of implementation, therefore only four years are shown.

MAJOR GOVERNMENTAL FUNDS OTHER
THAN THE GENERAL FUND AND SPECIAL
REVENUE FUNDS

This section is provided for the presentation of budget-to-actual statements for the Public Facilities Corporation Debt Service Fund. Although the fund is considered to be a major government fund, budget-to-actual information in the basic financial statements is limited to the General Fund and major Special Revenue Funds. All other major governmental fund schedules with such information are therefore included as Supplemental Information. The Capital Projects Funds are budgeted on a major project length basis and therefore not comparable on an annual basis.

Public Facilities Corporation Debt Service Fund: This fund accounts for the payments of principal and interest on certificates of participation issued to provide for the financing of the Civic Center, Library, Wilson Park, Memorial Park, and other City facilities.

CITY OF CUPERTINO, CALIFORNIA
PUBLIC FACILITIES CORPORATION DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the year ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
Use of money and property	\$ -	\$ 26,612	\$ 26,612
Total revenues	<u>-</u>	<u>26,612</u>	<u>26,612</u>
Expenditures			
Administration	-	1,500	(1,500)
Debt service:			
Principal	2,290,000	2,290,000	-
Interest and fiscal charges	<u>882,838</u>	<u>882,837</u>	<u>1</u>
Total expenditures	<u>3,172,838</u>	<u>3,174,337</u>	<u>(1,499)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,172,838)</u>	<u>(3,147,725)</u>	<u>25,113</u>
Other financing sources (uses)			
Transfers in	<u>3,172,838</u>	<u>3,172,838</u>	<u>-</u>
Total other financing sources (uses)	<u>3,172,838</u>	<u>3,172,838</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	25,113	<u>\$ 25,113</u>
Beginning fund balance		<u>1,660,759</u>	
Ending fund balance		<u>\$ 1,685,872</u>	

NON-MAJOR GOVERNMENTAL FUNDS

All funds not considered as major funds on the Fund Financial Statements are consolidated in one column entitled "Other Governmental Funds." These non-major funds are identified and included in this supplementary section and includes the City's Special Revenue Funds and Capital Project Funds.

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Storm Drain Improvement — Accounts for the construction and maintenance of storm drain facilities including drainage and sanitary sewer facilities. Revenues were collected from developers as a result of connections to the storm drainage sewer system.

Park Dedication — Accounts for the activity granted by the business and professions code of the State of California in accordance with the open space and conservation element of the City's General Plan. Revenues of this fund are restricted for the acquisition, improvement, expansion and implementation of the City's parks and recreation facilities.

Environmental Management / Clean Creeks — Accounts for all activities related to operating the non-point source pollution program. A parcel tax provides revenues.

Traffic Impact — Accounts for development impact fees and related that ensure that new development and redevelopment projects pay their "fair share" to mitigate traffic impacts.

Capital Projects Funds account for the financial resources committed to the construction or improvement of major facilities.

Stevens Creek Corridor Park Capital Projects Fund — Accounts for the design and construction of the Stevens Creek Corridor Park projects.

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2020

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	<u>Storm Drain Improvement</u>	<u>Park Dedication</u>	<u>Environmental Management/ Clean Creeks</u>	<u>Traffic Impact</u>	<u>Stevens Creek Corridor Park</u>	
Assets						
Cash and investments	\$ 3,994,007	\$ 12,339,423	\$ 1,746,290	\$ 241,119	\$ 197,044	\$ 18,517,883
Accounts receivable	<u>-</u>	<u>6,000</u>	<u>43,349</u>	<u>-</u>	<u>-</u>	<u>49,349</u>
 Total assets	 <u>\$ 3,994,007</u>	 <u>\$ 12,345,423</u>	 <u>\$ 1,789,639</u>	 <u>\$ 241,119</u>	 <u>\$ 197,044</u>	 <u>\$ 18,567,232</u>
Liabilities						
Accounts payable and accruals	\$ -	\$ -	\$ 8,659	\$ -	\$ -	\$ 8,659
 Total liabilities	 <u>-</u>	 <u>-</u>	 <u>8,659</u>	 <u>-</u>	 <u>-</u>	 <u>8,659</u>
 Fund balances						
Restricted	3,994,007	12,345,423	1,780,980	241,119	-	18,361,529
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,044</u>	<u>197,044</u>
Total fund balances	 <u>3,994,007</u>	 <u>12,345,423</u>	 <u>1,780,980</u>	 <u>241,119</u>	 <u>197,044</u>	 <u>18,558,573</u>
 Total liabilities and fund balances	 <u>\$ 3,994,007</u>	 <u>\$ 12,345,423</u>	 <u>\$ 1,789,639</u>	 <u>\$ 241,119</u>	 <u>\$ 197,044</u>	 <u>\$ 18,567,232</u>

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the year ended June 30, 2020

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Storm Drain Improvement	Park Dedication	Environmental Management/ Clean Creeks	Traffic Impact	Stevens Creek Corridor Park	
Revenues						
Taxes	\$ 87,233	\$ 246,000	\$ -	\$ -	\$ -	\$ 333,233
Use of money and property	152,484	473,382	57,035	8,947	4,098	695,946
Charges for services	-	899	1,403,738	34,588	-	1,439,225
Fines and forfeitures	-	-	16,175	-	-	16,175
Total revenues	<u>239,717</u>	<u>720,281</u>	<u>1,476,948</u>	<u>43,535</u>	<u>4,098</u>	<u>2,484,579</u>
Expenditures						
Current:						
Public works	-	-	774,805	-	-	774,805
Capital outlay	<u>4,000</u>	<u>51,035</u>	<u>-</u>	<u>-</u>	<u>9,240</u>	<u>64,275</u>
Total expenditures	<u>4,000</u>	<u>51,035</u>	<u>774,805</u>	<u>-</u>	<u>9,240</u>	<u>839,080</u>
Excess of revenues over (under) expenditures	<u>235,717</u>	<u>669,246</u>	<u>702,143</u>	<u>43,535</u>	<u>(5,142)</u>	<u>1,645,499</u>
Other finances sources (uses)						
Transfers in	437,000	-	660,000	-	-	1,097,000
Transfers out	<u>-</u>	<u>(12,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,000)</u>
Total other financing sources (uses)	<u>437,000</u>	<u>(12,000)</u>	<u>660,000</u>	<u>-</u>	<u>-</u>	<u>1,085,000</u>
Net change in fund balances	672,717	657,246	1,362,143	43,535	(5,142)	2,730,499
Beginning fund balances	<u>3,321,290</u>	<u>11,688,177</u>	<u>418,837</u>	<u>197,584</u>	<u>202,186</u>	<u>15,828,074</u>
Ending fund balances	<u>\$ 3,994,007</u>	<u>\$ 12,345,423</u>	<u>\$ 1,780,980</u>	<u>\$ 241,119</u>	<u>\$ 197,044</u>	<u>\$ 18,558,573</u>

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended June 30, 2020

	Special Revenue Funds Storm Drain Improvement			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Taxes	\$ 74,741	\$ 74,741	\$ 87,233	\$ 12,492
Use of money and property	-	-	152,484	152,484
Charges for services	-	-	-	-
Fines for forfeitures	-	-	-	-
Other revenue	-	-	-	-
Total revenues	<u>74,741</u>	<u>74,741</u>	<u>239,717</u>	<u>164,976</u>
Expenditures				
Current:				
Public works	-	-	-	-
Capital outlay	-	88,828	4,000	84,828
Total expenditures	<u>-</u>	<u>88,828</u>	<u>4,000</u>	<u>84,828</u>
Excess (deficiency) of revenues over expenditures	<u>74,741</u>	<u>(14,087)</u>	<u>235,717</u>	<u>249,804</u>
Other financing sources (uses)				
Transfers in	437,000	437,000	437,000	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>437,000</u>	<u>437,000</u>	<u>437,000</u>	<u>-</u>
Net change in fund balance	<u>\$ 511,741</u>	<u>\$ 422,913</u>	672,717	<u>\$ 249,804</u>
Beginning fund balance			<u>3,321,290</u>	
Ending fund balance			<u>\$ 3,994,007</u>	

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended June 30, 2020

	Special Revenue Funds Park Dedication			Variance Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 375,663	\$ 375,663	\$ 246,000	\$ (129,663)
Use of money and property	-	-	473,382	473,382
Charges for services	21,045	21,045	899	(20,146)
Fines for forfeitures	-	-	-	-
Other revenue	-	-	-	-
Total revenues	<u>396,708</u>	<u>396,708</u>	<u>720,281</u>	<u>323,573</u>
Expenditures				
Current:				
Public works	-	-	-	-
Capital outlay	-	51,395	51,035	360
Total expenditures	<u>-</u>	<u>51,395</u>	<u>51,035</u>	<u>360</u>
Excess (deficiency) of revenues over expenditures	<u>396,708</u>	<u>345,313</u>	<u>669,246</u>	<u>323,933</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers (out)	12,000	12,000	(12,000)	-
Total other financing sources (uses)	<u>12,000</u>	<u>12,000</u>	<u>(12,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ 408,708</u>	<u>\$ 357,313</u>	657,246	<u>\$ 323,933</u>
Beginning fund balance			<u>11,688,177</u>	
Ending fund balance			<u>\$12,345,423</u>	

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended June 30, 2020

	Special Revenue Funds			Variance Positive (Negative)
	Environmental Management/Clean Creeks			
	Original Budget	Final Budget	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Use of money and property	900	900	57,035	56,135
Charges for services	370,000	370,000	1,403,738	1,033,738
Fines for forfeitures	10,000	10,000	16,175	6,175
Other revenue	-	-	-	-
Total revenues	<u>380,900</u>	<u>380,900</u>	<u>1,476,948</u>	<u>1,096,048</u>
Expenditures				
Current:				
Public works	743,278	905,483	774,805	130,678
Capital outlay	-	-	-	-
Total expenditures	<u>743,278</u>	<u>905,483</u>	<u>774,805</u>	<u>130,678</u>
Excess (deficiency) of revenues over expenditures	<u>(362,378)</u>	<u>(524,583)</u>	<u>702,143</u>	<u>1,226,726</u>
Other financing sources (uses)				
Transfers in	<u>660,000</u>	<u>660,000</u>	<u>660,000</u>	-
Total other financing sources (uses)	<u>660,000</u>	<u>660,000</u>	<u>660,000</u>	-
Net change in fund balance	<u>\$ 297,622</u>	<u>\$ 135,417</u>	1,362,143	<u>\$ 1,226,726</u>
Beginning fund balance			<u>418,837</u>	
Ending fund balance			<u>\$ 1,780,980</u>	

NON-MAJOR ENTERPRISE FUND

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City has identified the fund below as a nonmajor proprietary fund for fiscal 2019-20.

Blackberry Farm Fund: This fund accounts for activities related to operating the City-owned golf course.

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
For the year ended June 30, 2020

	<u>Blackberry Farm</u>
ASSETS	
Current assets	
Cash and cash investments (Note 2)	\$ 542,501
Total current assets	<u>542,501</u>
Noncurrent assets	
Capital assets (Note 5):	
Depreciable, net of accumulated depreciation	<u>26,537</u>
Total non current assets	<u>26,537</u>
Total assets	<u>569,038</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension (Note 10)	59,756
Related to OPEB (Note 11)	<u>8,121</u>
Total deferred outflows of resources	<u>67,877</u>
LIABILITIES	
Current liabilities	
Accounts payable and accruals	29,702
Compensated absences (Note 1)	404
Unearned revenue	<u>23,085</u>
Total current liabilities	<u>53,191</u>
Noncurrent liabilities	
Compensated absences (Note 1)	2,420
Net pension liability (Note 10)	275,605
Net OPEB liability (Note 11)	<u>4,735</u>
Total noncurrent liabilities	<u>282,760</u>
Total liabilities	<u>335,951</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pension (Note 10)	5,170
Related to OPEB (Note 11)	<u>4,696</u>
Total deferred inflows of resources	<u>9,866</u>
NET POSITION (Note 7)	
Net investment in capital assets	26,537
Unrestricted	<u>264,561</u>
Total Net Position	<u>\$ 291,098</u>

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR ENTERPRISE FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the year ended June 30, 2020

	Blackberry Farm
Operating revenues	
Charges for services	\$ 305,525
Other	<u>32,687</u>
Total operating revenue	<u>338,212</u>
Operating expenses	
Salaries and benefits	159,143
Materials and supplies	172,317
Contractual services	326,168
Depreciation (Note 5)	<u>6,035</u>
Total operating expenses	<u>663,663</u>
Operating income (loss)	<u>(325,451)</u>
Nonoperating revenues	
Investment income	<u>22,840</u>
Total nonoperating revenues	<u>22,840</u>
Income (loss) before transfers	(302,611)
Transfers in (Note 4)	<u>610,000</u>
Changes in net position	<u>307,389</u>
Net position - beginning of year	<u>(16,291)</u>
Net position - end of year	<u>\$ 291,098</u>

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2020

	<u>Blackberry Farm</u>
Cash flows from operating activities	
Cash received from customers	\$ 345,135
Cash payments to suppliers for goods and services	(481,458)
Cash payments to employees for salaries and benefits	<u>(185,719)</u>
Net cash provided (used) by operating activities	<u>(322,042)</u>
Cash flows from noncapital financing activities	
Transfers in	<u>610,000</u>
Cash flows from noncapital financing activities	<u>610,000</u>
Cash Flows from Investing Activities	
Interest received	<u>22,840</u>
Cash flows from investing activities	<u>22,840</u>
Net cash flows	<u>310,798</u>
Cash and investments at beginning of year	<u>231,703</u>
Cash and investments at end of year	<u>\$ 542,501</u>
Reconciliation of operating income (loss) to to net cash provided by operating activities:	
Operating income (loss)	\$ (325,451)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	6,035
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Due to retirement system	21,431
Due to OPEB system	(961)
Accounts payable and accruals	17,027
Unearned revenue	6,923
Compensated absences	<u>(47,046)</u>
Net cash provided (used) by operating activities	<u>\$ (322,042)</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services provided by one department or program to other departments of the City on a cost reimbursement basis.

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues or expenses of each internal service fund are eliminated by netting them against the operations of the City departments that generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position. However, internal service funds are still presented separately in the Fund financial statements.

Information Technology - Accounts for the activities related to the maintenance and replacement of the City's technology infrastructure.

Workers' Compensation - Accounts for the activities in support of the self-insured workers' compensation program.

Equipment Revolving - Accounts for the activities related to the maintenance and replacement of the City's vehicle fleet and other equipment.

Compensated Absences and Long-Term Disability - Accounts for accrued leave payouts and the City's long term disability insurance program.

Retiree Medical - Accounts for funds set-aside for other post-employment retirement benefits.

CITY OF CUPERTINO, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
For the year ended June 30, 2020

	<u>Information Technology</u>	<u>Workers' Compensation</u>	<u>Equipment Revolving</u>	<u>Compensated Absences and Long-Term Disability</u>	<u>Retiree Medical</u>	<u>Total</u>
ASSETS						
Current assets:						
Cash and investments	\$ 2,745,987	\$ 3,963,239	\$ -	\$ 1,193,551	\$ 1,334,794	\$ 9,237,571
Accounts receivable	-	7,000	-	-	-	7,000
Total current assets	<u>2,745,987</u>	<u>3,970,239</u>	<u>-</u>	<u>1,193,551</u>	<u>1,334,794</u>	<u>9,244,571</u>
Noncurrent assets:						
Capital assets (Note 5):						
Nondepreciable	79,434	-	135,232	-	-	214,666
Capital assets, depreciable net of accumulated depreciation	<u>875,799</u>	<u>-</u>	<u>2,564,466</u>	<u>-</u>	<u>-</u>	<u>3,440,265</u>
Total noncurrent assets	<u>955,233</u>	<u>-</u>	<u>2,699,698</u>	<u>-</u>	<u>-</u>	<u>3,654,931</u>
Total assets	<u>3,701,220</u>	<u>3,970,239</u>	<u>2,699,698</u>	<u>1,193,551</u>	<u>1,334,794</u>	<u>12,899,502</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pension (Note 10)	425,237	14,361	132,160	-	-	571,758
Related to OPEB (Note 11)	<u>139,122</u>	<u>2,705</u>	<u>44,042</u>	<u>-</u>	<u>-</u>	<u>185,869</u>
Total deferred outflows of resources	<u>564,359</u>	<u>17,066</u>	<u>176,202</u>	<u>-</u>	<u>-</u>	<u>757,627</u>
LIABILITIES						
Current liabilities						
Accounts payable and accruals	232,090	-	97,688	14,283	-	344,061
Accrued payroll and benefits	-	-	72	-	-	72
Due to other funds	-	-	539,204	-	-	539,204
Compensated absences	24,882	935	3,713	-	-	29,530
Claims payable	<u>-</u>	<u>274,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,000</u>
Total current liabilities	<u>256,972</u>	<u>274,935</u>	<u>640,677</u>	<u>14,283</u>	<u>-</u>	<u>1,186,867</u>
Noncurrent liabilities						
Compensated absences	216,244	8,132	32,268	-	-	256,644
Claims payable	-	1,253,000	-	-	-	1,253,000
Net pension liability (Note 10)	2,085,457	64,724	607,667	-	-	2,757,848
Net OPEB liability (Note 11)	<u>95,151</u>	<u>2,547</u>	<u>34,041</u>	<u>-</u>	<u>-</u>	<u>131,739</u>
Total noncurrent liabilities	<u>2,396,852</u>	<u>1,328,403</u>	<u>673,976</u>	<u>-</u>	<u>-</u>	<u>4,399,231</u>
Total liabilities	<u>2,653,824</u>	<u>1,603,338</u>	<u>1,314,653</u>	<u>14,283</u>	<u>-</u>	<u>5,586,098</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pension (Note 10)	40,962	1,034	9,902	-	-	51,898
Related to OPEB (Note 11)	<u>41,534</u>	<u>789</u>	<u>17,363</u>	<u>-</u>	<u>-</u>	<u>59,686</u>
Total deferred inflows of resources	<u>82,496</u>	<u>1,823</u>	<u>27,265</u>	<u>-</u>	<u>-</u>	<u>111,584</u>
NET POSITION						
Net investment in capital assets	955,233	-	2,699,698	-	-	3,654,931
Unrestricted	<u>574,026</u>	<u>2,382,144</u>	<u>(1,165,716)</u>	<u>1,179,268</u>	<u>1,334,794</u>	<u>4,304,516</u>
Total net position	<u>\$ 1,529,259</u>	<u>\$ 2,382,144</u>	<u>\$ 1,533,982</u>	<u>\$ 1,179,268</u>	<u>\$ 1,334,794</u>	<u>\$ 7,959,447</u>

CITY OF CUPERTINO, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the year ended June 30, 2020

	<u>Information Technology</u>	<u>Workers' Compensation</u>	<u>Equipment Revolving</u>	<u>Compensated Absences and Long-Term Disability</u>	<u>Retiree Medical</u>	<u>Total</u>
Operating revenues						
Charges for services	\$ 2,731,703	\$ 237,707	\$ 1,352,200	\$ 173,931	\$ -	\$ 4,495,541
Total operating revenues	<u>2,731,703</u>	<u>237,707</u>	<u>1,352,200</u>	<u>173,931</u>	<u>-</u>	<u>4,495,541</u>
Operating expenses						
Salaries and related expenses	1,891,486	52,162	457,307	-	1,142,793	3,543,748
Materials and supplies	1,467,517	23,142	412,706	4,323	6,262	1,913,950
Contractual services	213,827	-	60,397	-	-	274,224
Insurance claims and premiums	-	153,748	-	548,518	-	702,266
Depreciation	303,672	-	665,797	-	-	969,469
Total operating expenses	<u>3,876,502</u>	<u>229,052</u>	<u>1,596,207</u>	<u>552,841</u>	<u>1,149,055</u>	<u>7,403,657</u>
Operating income (loss)	<u>(1,144,799)</u>	<u>8,655</u>	<u>(244,007)</u>	<u>(378,910)</u>	<u>(1,149,055)</u>	<u>(2,908,116)</u>
Nonoperating revenue (expenses)						
Interest income	109,151	150,548	-	48,647	59,177	367,523
Gain on sale of capital assets	-	-	76,863	-	-	76,863
Total nonoperating revenue (expenses)	<u>109,151</u>	<u>150,548</u>	<u>76,863</u>	<u>48,647</u>	<u>59,177</u>	<u>444,386</u>
Income (loss) before transfers	<u>(1,035,648)</u>	<u>159,203</u>	<u>(167,144)</u>	<u>(330,263)</u>	<u>(1,089,878)</u>	<u>(2,463,730)</u>
Transfers in	72,000	-	-	1,109,000	2,392,000	3,573,000
Change in net position	<u>(963,648)</u>	<u>159,203</u>	<u>(167,144)</u>	<u>778,737</u>	<u>1,302,122</u>	<u>1,109,270</u>
Beginning net position	<u>2,492,907</u>	<u>2,222,941</u>	<u>1,701,126</u>	<u>400,531</u>	<u>32,672</u>	<u>6,850,177</u>
Ending net position	<u>\$ 1,529,259</u>	<u>\$ 2,382,144</u>	<u>\$ 1,533,982</u>	<u>\$ 1,179,268</u>	<u>\$ 1,334,794</u>	<u>\$ 7,959,447</u>

CITY OF CUPERTINO, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2020

	<u>Information Technology</u>	<u>Workers' Compensation</u>	<u>Equipment Revolving</u>	<u>Compensated Absences and Long-Term Disability</u>	<u>Retiree Medical</u>	<u>Total</u>
Cash flows from operating activities						
Cash received from customers	\$ 2,731,703	\$ 230,707	\$ 1,352,200	\$ 173,931	\$ -	\$ 4,488,541
Cash payments to suppliers for goods and services	(1,655,138)	(23,142)	(405,233)	9,960	(6,262)	(2,079,815)
Cash payments to employees	(1,622,143)	(44,696)	(394,289)	-	(1,142,793)	(3,203,921)
Cash payment for judgment and claims	-	(180,025)	-	(548,518)	-	(728,543)
Net cash from operating activities	<u>(545,578)</u>	<u>(17,156)</u>	<u>552,678</u>	<u>(364,627)</u>	<u>(1,149,055)</u>	<u>(1,523,738)</u>
Cash flows from noncapital financing activities						
Transfers in	<u>72,000</u>	<u>-</u>	<u>128,660</u>	<u>1,109,000</u>	<u>2,392,000</u>	<u>3,701,660</u>
Net cash from noncapital financing activities	<u>72,000</u>	<u>-</u>	<u>128,660</u>	<u>1,109,000</u>	<u>2,392,000</u>	<u>3,701,660</u>
Cash flows from capital and related financing activities						
Acquisition of capital assets	(186,880)	-	(754,326)	-	-	(941,206)
Sale of capital assets	-	-	76,863	-	-	76,863
Net cash from capital and related financing activities	<u>(186,880)</u>	<u>-</u>	<u>(677,463)</u>	<u>-</u>	<u>-</u>	<u>(864,343)</u>
Cash flows from investing activities						
Interest received	<u>109,151</u>	<u>150,548</u>	<u>-</u>	<u>48,647</u>	<u>59,177</u>	<u>367,523</u>
Net cash flows from investing activities	<u>109,151</u>	<u>150,548</u>	<u>-</u>	<u>48,647</u>	<u>59,177</u>	<u>367,523</u>
Net cash flows	(551,307)	133,392	3,875	793,020	1,302,122	1,681,102
Cash and investments beginning of year	<u>3,297,294</u>	<u>3,829,847</u>	<u>(3,875)</u>	<u>400,531</u>	<u>32,672</u>	<u>7,556,469</u>
Cash and investments end of year	<u>\$ 2,745,987</u>	<u>\$ 3,963,239</u>	<u>\$ -</u>	<u>\$ 1,193,551</u>	<u>\$ 1,334,794</u>	<u>\$ 9,237,571</u>

(Continued)

CITY OF CUPERTINO, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2020

	<u>Information Technology</u>	<u>Workers' Compensation</u>	<u>Equipment Revolving</u>	<u>Compensated Absences and Long-Term Disability</u>	<u>Retiree Medical</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash flows from operating activities						
Operating income (loss)	\$ (1,144,799)	\$ 8,655	\$ (244,007)	\$ (378,910)	\$ (1,149,055)	\$ (2,908,116)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	303,672	-	665,797	-	-	969,469
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources						
Accounts receivable	-	(7,000)	-	-	-	(7,000)
Prepaid expenses	-	-	-	-	-	-
Due to retirement system	219,823	5,700	55,007	-	-	280,530
Due to OPEB system	(16,465)	(320)	(5,211)	-	-	(21,996)
Accounts payable and accruals	26,206	-	67,870	14,283	-	108,359
Accrued payroll and benefits	-	-	-	-	-	-
Compensated absences	65,985	2,086	13,222	-	-	81,293
Claims payable	-	(26,277)	-	-	-	(26,277)
Cash flows from operating activities	<u>\$ (545,578)</u>	<u>\$ (17,156)</u>	<u>\$ 552,678</u>	<u>\$ (364,627)</u>	<u>\$ (1,149,055)</u>	<u>\$ (1,523,738)</u>

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and wellbeing have changed over time:

1. Net Position/Assets by Component
2. Changes in Net Position/Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant own-source revenue, property tax.

1. Assessed and Estimated Actual Value of Taxable Property
2. Direct and Overlapping Property Tax Rates
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratios of Outstanding Debt by Type
2. Direct and Overlapping Bonded Debt
3. Legal Debt Margin Information
4. Ratio of General Bonded Debt Outstanding

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. 2019 Employer Ranking

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent Employees by Function/Program
2. Operating Indicators by Function/Program
3. Capital Assets Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

CITY OF CUPERTINO
Net Positions/Assets by Component
Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Governmental Activities										
Net investment in capital assets	\$ 120,724,205	\$ 117,440,257	\$ 116,343,918	\$ 122,081,223	\$ 131,425,677	\$ 148,168,074	\$ 153,239,534	\$ 167,606,366	\$ 170,973,897	\$ 177,128,134
Restricted	7,721,962	7,572,865	8,351,118	24,232,367	38,327,705	34,861,807	34,991,692	32,073,195	45,405,508	48,005,800
Unrestricted	33,185,903	38,117,361	47,558,701	63,150,548	51,003,950	51,164,063	59,385,309	50,457,871	51,190,017	66,493,336
Total governmental activities net position/assets	<u>161,632,070</u>	<u>163,130,483</u>	<u>172,253,737</u>	<u>209,464,138</u>	<u>220,757,332</u>	<u>234,193,944</u>	<u>247,616,535</u>	<u>250,137,432</u>	<u>267,569,422</u>	<u>291,627,270</u>
Business-Type Activities										
Net investment in capital assets	777,521	824,687	762,013	1,110,414	2,079,561	1,708,183	1,972,169	1,597,700	1,318,744	1,118,882
Unrestricted	9,779,087	10,057,331	10,865,479	10,292,210	6,604,578	7,375,444	9,092,584	8,051,015	6,737,758	8,134,944
Total business-type activities net position/assets	<u>10,556,608</u>	<u>10,882,018</u>	<u>11,627,492</u>	<u>11,402,624</u>	<u>8,684,139</u>	<u>9,083,627</u>	<u>11,064,753</u>	<u>9,648,715</u>	<u>8,056,502</u>	<u>9,253,826</u>
Primary Government										
Net investment in capital assets	121,501,726	118,264,944	117,105,931	123,191,637	133,505,238	149,876,257	155,211,703	169,204,066	172,292,641	178,247,016
Restricted	7,721,962	7,572,865	8,351,118	24,232,367	38,327,705	34,861,807	34,991,692	32,073,195	45,405,508	48,005,800
Unrestricted	42,964,990	48,174,692	58,424,180	73,442,758	57,608,528	58,539,507	68,477,893	58,508,886	57,927,775	74,628,280
(1), (2)	<u>\$ 172,188,678</u>	<u>\$ 174,012,501</u>	<u>\$ 183,881,229</u>	<u>\$ 220,866,762</u>	<u>\$ 229,441,471</u>	<u>\$ 243,277,571</u>	<u>\$ 258,681,288</u>	<u>\$ 259,786,147</u>	<u>\$ 275,625,924</u>	<u>\$ 300,881,096</u>

(1) Represents net assets thru June 30, 2012 and net position after that.

(2) Noted that restatements due to prior period adjustments and changes in accounting principles are not reflected in the prior year balances.

CITY OF CUPERTINO
Change in Net Positions/Assets
Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

Fiscal Year Ended June 30

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Expenses										
Governmental Activities:										
Administration	\$ 1,860,451	\$ 1,837,072	\$ 2,367,255	\$ 4,529,539	\$ 3,286,919	\$ 3,710,388	\$ 2,873,744	\$ 5,612,733	\$ 6,849,046	\$ 7,974,520
Law enforcement	8,434,885	8,776,633	9,274,536	10,062,192	10,705,328	11,316,271	12,528,328	12,674,042	13,381,113	14,698,130
Public and environmental affairs	1,625,876	1,743,151	1,595,982	512,895	649,442	575,260	1,884,165	3,244,846	3,210,343	3,637,354
Administrative services	3,993,654	4,309,503	4,171,440	2,662,008	4,300,336	2,994,611	5,898,479	4,415,647	4,290,818	5,175,596
Recreation services	4,528,968	4,577,243	4,473,861	4,866,974	5,365,282	5,758,194	10,651,557	9,352,551	7,389,915	8,763,194
Community development	5,961,774	4,922,237	4,676,273	9,108,949	5,976,797	6,259,734	13,775,591	16,789,351	10,470,973	10,286,317
Public works	20,224,662	20,387,508	22,149,063	21,143,331	27,893,361	31,313,396	32,491,244	28,995,382	31,870,165	33,339,191
Interest on long-term debt	2,032,464	1,837,655	1,256,922	1,130,428	1,120,138	1,077,538	1,035,738	993,038	949,438	882,837
Total governmental activities expense	48,662,734	48,391,002	49,965,332	54,016,316	59,297,603	63,005,392	81,138,846	82,077,590	78,411,811	84,757,139
Business-Type Activities:										
Resources recovery	1,801,599	1,566,229	1,764,993	2,159,047	2,548,461	2,997,200	2,991,177	2,594,511	1,735,885	2,213,404
Blackberry farm	457,065	460,698	463,336	571,000	547,185	576,177	597,406	656,112	645,469	663,663
Cupertino sports center	1,716,741	1,897,611	2,011,483	2,221,703	2,269,420	2,299,210	2,159,243	2,633,748	3,036,037	2,883,903
Recreation programs	1,753,156	1,985,618	2,025,416	2,730,765	2,342,457	3,136,011	2,351,501	3,232,593	2,923,336	3,141,225
Total business-type activities expense	5,728,561	5,910,156	6,265,228	7,682,515	7,707,523	9,008,598	8,099,327	9,116,964	8,340,727	8,902,195
Total primary government expense	54,391,295	54,301,158	56,230,560	61,698,831	67,005,126	72,013,990	89,238,173	91,194,554	86,752,538	93,659,334
Program Revenues										
Governmental Activities:										
Charges for services:										
Administration	15,801	6,454	5,676	1,087,393	322,534	369,069	3,992,716	5,062,988	1,319,395	2,091,811
Law enforcement	797,757	696,498	637,595	725,631	590,378	664,483	603,194	732,544	889,923	1,102,888
Public and environmental affairs	-	-	-	-	41,352	41,352	-	-	-	-
Administrative services	-	-	-	-	481,616	359,148	3,565,627	2,635,885	3,113,731	3,889,180
Recreation services	1,020,159	1,166,323	970,292	955,081	1,798,134	1,421,185	2,016,159	1,589,134	1,563,262	1,309,906
Community development	4,149,620	4,919,216	6,765,564	6,649,292	8,511,745	10,534,457	10,902,822	8,598,935	7,470,690	5,859,847
Public works	549,065	503,225	593,501	7,916,897	2,869,357	6,358,870	6,873,487	4,720,646	4,504,104	5,657,315
Operating grants and contributions	2,351,287	2,508,917	2,752,493	10,000,131	6,002,617	1,851,282	2,313,632	4,819,696	2,557,470	5,794,443
Capital grants and contributions	1,972,951	780,761	719,880	569,159	4,022,190	362,491	245,288	271,587	1,082,243	1,046,756
Total governmental activities program revenue	10,856,640	10,581,394	12,445,001	27,903,584	24,639,923	21,962,337	30,512,925	28,431,415	22,500,818	26,752,146
Business-Type Activities:										
Charges for services:										
Resources recovery	1,931,076	1,727,783	1,882,517	2,074,251	2,591,276	2,664,888	2,792,190	2,559,862	1,750,279	1,821,677
Blackberry farm	447,797	411,056	386,753	302,472	388,091	334,529	325,224	345,667	316,615	338,212
Cupertino sports center	1,722,700	1,965,684	2,150,139	2,188,127	2,152,498	2,224,146	2,238,023	2,403,665	2,349,468	2,365,667
Recreation programs	2,260,296	2,325,705	2,409,720	2,480,209	2,532,800	2,466,336	2,778,588	2,516,678	1,986,781	1,588,576
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenue	6,361,869	6,430,228	6,829,129	7,045,059	7,664,665	7,689,899	8,134,025	7,825,872	6,403,143	6,114,132
Total primary government program revenue	17,218,509	17,011,622	19,274,130	34,948,643	32,304,588	29,652,236	38,646,950	36,257,287	28,903,961	32,866,278

(continued)

CITY OF CUPERTINO
Change in Net Positions/Assets
Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

Fiscal Year Ended June 30

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net (Expense) Revenue:										
Governmental activities	\$ (37,806,094)	\$ (37,809,608)	\$ (37,520,331)	\$ (26,112,732)	\$ (34,657,680)	\$ (41,043,055)	\$ (50,625,921)	\$ (53,646,175)	\$ (55,910,993)	\$ (58,004,993)
Business-Type activities	633,308	520,072	563,901	(637,456)	(42,858)	(1,318,699)	34,698	(1,291,092)	(1,937,584)	(2,788,063)
Total primary government net expense	<u>(37,172,786)</u>	<u>(37,289,536)</u>	<u>(36,956,430)</u>	<u>(26,750,188)</u>	<u>(34,700,538)</u>	<u>(42,361,754)</u>	<u>(50,591,223)</u>	<u>(54,937,267)</u>	<u>(57,848,577)</u>	<u>66,493,336</u>
General Revenues and Transfers										
Governmental Activities:										
Taxes:										
Property taxes	7,296,970	7,479,132	8,793,110	9,169,183	-	11,864,027	13,251,840	14,881,533	17,082,005	18,117,304
Property taxes in lieu of motor vehicle fee	4,404,795	4,487,412	4,772,355	5,289,476	-	6,330,436	6,967,237	7,552,272	8,219,090	8,489,541
Incremental property tax	1,251,777	202,793	-	-	-	-	-	-	-	-
Sales tax	14,539,243	17,326	18,721,193	19,794,036	-	21,350,056	26,932,012	26,164,531	24,901,779	35,657,214
Transient occupancy tax	2,536,501	3,112,934	3,768,504	4,590,156	-	5,852,244	6,023,681	6,810,718	8,901,337	7,286,083
Utility user tax	3,227,942	3,264,896	2,994,526	3,098,639	-	3,370,830	3,082,407	3,146,398	3,089,922	3,182,086
Franchise tax	2,841,344	2,808,136	2,848,950	2,775,892	-	3,478,024	3,409,572	3,563,820	3,445,253	3,418,908
Other taxes	1,491,316	1,377,211	4,561,219	18,791,559	-	2,818,019	3,258,118	1,943,652	3,299,587	1,774,235
Intergovernmental (1)	259,289	29,064	30,256	25,294	-	24,111	26,118	31,013	28,844	47,391
Investment earnings	259,217	61,096	176,782	133,243	40,751	807,287	694,730	916,638	3,258,550	5,690,723
Miscellaneous	1,144,429	82,684	126,690	57,005	(2)	219,053	2,004,906	1,834,492	1,187,741	1,922,356
Gain on sale of capital assets	-	-	-	-	23,715,897	580	-	740,570	3,875	-
Extraordinary items (2)	-	(1,130,797)	-	-	-	-	-	-	-	-
Transfers - fund closings (3)	-	-	-	-	-	-	272,011	-	-	-
Transfers	15	207,000	(150,000)	(401,350)	872,340	(1,635,000)	(1,874,120)	107,030	(75,000)	(3,523,000)
Total governmental activities	<u>39,252,838</u>	<u>21,998,887</u>	<u>46,643,585</u>	<u>63,323,133</u>	<u>24,628,986</u>	<u>54,479,667</u>	<u>64,048,512</u>	<u>67,692,667</u>	<u>73,342,983</u>	<u>82,062,841</u>
Business-Type Activities:										
Investment earnings	71,486	12,338	31,573	11,238	42,531	82,187	59,012	75,663	270,371	462,387
Transfers	(15)	(207,000)	150,000	401,350	(872,340)	1,635,000	1,874,120	(107,030)	75,000	3,523,000
Total business-type activities	<u>71,471</u>	<u>(194,662)</u>	<u>181,573</u>	<u>412,588</u>	<u>(829,809)</u>	<u>1,717,187</u>	<u>1,933,132</u>	<u>(31,367)</u>	<u>345,371</u>	<u>3,985,387</u>
Total primary government	<u>39,324,309</u>	<u>21,804,225</u>	<u>46,825,158</u>	<u>63,735,721</u>	<u>23,799,177</u>	<u>56,196,854</u>	<u>65,981,644</u>	<u>67,661,300</u>	<u>73,688,354</u>	<u>86,048,228</u>
Change in Net Position/Assets (4)										
Governmental activities	1,446,744	(15,810,721)	9,123,254	37,210,401	(10,028,694)	13,436,612	13,422,591	14,046,492	17,431,990	24,057,848
Business-Type activities	704,779	325,410	745,474	(224,868)	(872,667)	398,488	1,967,830	(1,322,459)	(1,592,213)	1,197,324
Total primary government	<u>\$ 2,151,523</u>	<u>\$ (15,485,311)</u>	<u>\$ 9,868,728</u>	<u>\$ 36,985,533</u>	<u>\$ (10,901,361)</u>	<u>\$ 13,835,100</u>	<u>\$ 15,390,421</u>	<u>\$ 12,724,033</u>	<u>\$ 15,839,777</u>	<u>\$ 25,255,172</u>

- (1) The 2006 state take-away of sales taxes, property taxes and vehicle license fees is reported in this category.
(2) Asset transfer to Successor to Redevelopment Agency fiduciary trust in 2012.
(3) Asset and liability transfer from the closed City Channel/Web Internal Service Fund in 2017.
(4) Represents changes in net assets thru fiscal year ended June 30, 2012 and changes in net position after that.

CITY OF CUPERTINO
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting
(Unaudited)

	Fiscal Year Ended June 30									
	<u>2011 (1)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019 (2)</u>	<u>2020</u>
General Fund										
Nonspendable	\$ 1,023,950	\$ 1,003,438	\$ 956,827	\$ 3,363,065	\$ 938,245	\$ 937,381	\$ 876,939	\$ 464,893	\$ 454,188	\$ 3,449,341
Restricted	663,254	695,564	725,903	-	761,653	888,374	1,016,771	1,254,578	9,469,670	14,324,757
Committed	-	-	-	-	-	-	19,000,000	19,122,754	19,123,397	19,127,891
Assigned	14,739,394	17,729,297	16,400,000	16,400,000	28,849,679	20,500,000	4,638,181	9,963,310	1,979,202	3,176,882
Unassigned	3,380,279	6,669,379	17,961,579	23,197,378	8,774,966	29,869,085	28,057,799	21,704,922	27,896,128	34,426,942
Total General Fund	<u>19,806,877</u>	<u>26,097,678</u>	<u>36,044,309</u>	<u>42,960,443</u>	<u>39,324,543</u>	<u>52,194,840</u>	<u>53,589,690</u>	<u>52,510,457</u>	<u>58,922,585</u>	<u>74,505,813</u>
All Other Governmental Funds										
Nonspendable	615,000	-	-	-	-	-	-	-	-	-
Restricted	6,314,106	6,877,301	7,625,215	24,232,367	37,566,052	33,973,433	33,974,921	30,818,617	35,935,838	33,681,043
Committed	-	-	-	-	1,398,665	1,398,665	1,398,665	-	-	-
Assigned	4,303,822	3,646,073	5,299,904	7,619,534	20,671,116	15,344,191	25,305,974	29,129,616	33,211,946	40,551,131
Unassigned	-	-	-	(2,280,961)	-	-	-	-	-	-
Total All Other Governmental Funds	<u>11,232,928</u>	<u>10,523,374</u>	<u>12,925,119</u>	<u>29,570,940</u>	<u>59,635,833</u>	<u>50,716,289</u>	<u>60,679,560</u>	<u>59,948,233</u>	<u>69,147,784</u>	<u>74,232,174</u>
Total Governmental Funds	<u>\$ 31,039,805</u>	<u>\$ 36,621,052</u>	<u>\$ 48,969,428</u>	<u>\$ 72,531,383</u>	<u>\$ 98,960,376</u>	<u>\$ 102,911,129</u>	<u>\$ 114,269,250</u>	<u>\$ 112,458,690</u>	<u>\$ 128,070,369</u>	<u>\$ 148,737,987</u>

(1) The City implemented GASB Statement No. 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned and unassigned compared to reserved and unreserved

(2) The City established a trust to fund Other Post-Employment Benefit contributions, which is classified as a restriction in fund balance.

CITY OF CUPERTINO
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenues										
Taxes	\$ 37,582,299	\$ 40,265,944	\$ 48,382,570	\$ 72,211,724	\$ 55,134,238	\$ 55,462,956	\$ 62,924,867	\$ 64,062,924	\$ 68,938,973	\$ 77,925,371
Use of money and property	792,035	661,602	744,196	764,299	915,933	1,654,702	1,425,629	1,543,818	3,896,813	6,259,342
Intergovernmental	3,543,641	2,678,888	2,841,407	3,069,400	7,210,562	2,532,025	2,585,038	5,122,296	3,668,557	6,888,590
Licenses and permits	2,901,944	2,900,936	3,502,617	3,679,943	3,170,445	3,073,110	2,536,925	2,757,928	4,102,665	4,692,847
Charges for services	2,311,216	3,273,946	4,515,066	10,744,113	5,203,371	17,249,123	24,103,167	15,638,247	13,385,698	13,937,950
Fines and forfeitures	695,666	661,899	560,417	616,889	554,002	564,903	603,194	602,934	534,012	344,008
Other	73,881	264,302	57,828	545,052	542,429	1,289,013	2,004,904	1,834,492	1,187,741	1,922,356
Total revenues	<u>47,900,682</u>	<u>50,707,517</u>	<u>60,604,101</u>	<u>91,631,420</u>	<u>72,730,980</u>	<u>81,825,832</u>	<u>96,183,724</u>	<u>91,562,639</u>	<u>95,714,459</u>	<u>111,970,464</u>
Expenditures:										
Current:										
Administration	1,528,070	1,533,070	2,005,176	3,957,739	3,897,701	4,053,741	5,942,633	4,943,052	6,294,111	6,951,541
Law enforcement	8,434,885	8,445,917	8,783,885	9,626,121	10,283,772	10,988,735	11,939,095	12,362,621	13,108,732	14,151,413
Public and environmental affairs	1,497,263	1,659,856	1,486,910	477,852	624,295	544,718	1,864,746	2,835,768	2,843,540	3,223,185
Administrative services	3,695,076	4,103,982	3,772,714	2,444,670	3,226,164	2,811,117	5,054,539	4,430,300	4,197,582	4,617,787
Recreation services	4,117,477	4,319,983	4,083,822	4,536,519	5,047,548	5,441,200	9,361,934	8,686,076	8,996,118	7,688,935
Community development	5,693,541	4,762,229	4,395,601	8,424,254	5,180,659	6,102,820	7,431,292	12,907,086	9,359,835	9,310,827
Public works	12,234,726	12,528,194	13,996,516	17,469,627	14,625,038	15,078,174	18,623,585	18,191,714	19,955,579	22,445,948
Capital Outlay	5,281,927	3,523,047	4,684,676	7,110,974	21,760,899	26,171,127	18,731,165	23,395,112	10,528,246	12,644,373
Debt service:										
Principal repayment	1,500,000	-	1,920,000	2,040,000	2,055,000	2,090,000	2,135,000	2,180,000	2,220,000	2,290,000
Interest and fiscal charges	2,032,464	1,837,665	1,256,922	1,130,428	1,120,138	1,077,538	1,035,738	993,038	949,438	882,837
Payment to refunded debt escrow agent	-	44,897,800	-	-	-	-	-	-	-	-
Total expenditures	<u>46,015,429</u>	<u>87,611,743</u>	<u>46,386,222</u>	<u>57,218,184</u>	<u>67,821,214</u>	<u>74,359,170</u>	<u>82,119,727</u>	<u>90,924,767</u>	<u>78,453,181</u>	<u>84,206,846</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,885,253</u>	<u>(36,904,226)</u>	<u>14,217,879</u>	<u>34,413,236</u>	<u>4,909,766</u>	<u>7,466,662</u>	<u>14,063,997</u>	<u>637,872</u>	<u>17,261,278</u>	<u>27,763,618</u>
Other Financing Sources (Uses)										
Bond proceeds	-	44,823,839	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	1,055,449	421	-	37,569	23,814,257	580	-	872,250	3,875	-
Transfers in	5,684,483	6,484,426	8,438,707	13,610,304	39,408,990	11,905,724	26,446,090	31,028,218	19,407,613	35,208,276
Transfers in - fund closing	-	-	-	-	-	-	260,374	-	-	-
Transfers out	(7,883,751)	(7,692,426)	(10,308,210)	(24,499,154)	(39,177,284)	(15,422,213)	(29,412,340)	(34,348,900)	(21,061,087)	(42,304,276)
Total other financing sources (uses)	<u>(1,143,819)</u>	<u>43,616,260</u>	<u>(1,869,503)</u>	<u>(10,851,281)</u>	<u>24,045,963</u>	<u>(3,515,909)</u>	<u>(2,705,876)</u>	<u>(2,448,432)</u>	<u>(1,649,599)</u>	<u>(7,096,000)</u>
Extraordinary Item										
Asset transferred to Successor Agencies	-	(1,130,797)	-	-	-	-	-	-	-	-
Change in fund balances	<u>\$ 741,434</u>	<u>\$ 5,581,237</u>	<u>\$ 12,348,376</u>	<u>\$ 23,561,955</u>	<u>\$ 28,955,729</u>	<u>\$ 3,950,753</u>	<u>\$ 11,358,121</u>	<u>\$ (1,810,560)</u>	<u>\$ 15,611,679</u>	<u>\$ 20,667,618</u>
Debt service as a percentage of noncapital expenditures (1)	8.7%	55.6%	7.6%	6.3%	6.9%	6.6%	5.0%	4.7%	4.7%	4.4%

(1) Noncapital expenditures is total expenditures less capital assets added each year to the statement of net position/assets.

CITY OF CUPERTINO
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Secured (a)	Unsecured (a)	State Board of Equalization Non-Unitary	Secured Exemptions	Total Assessed & Est. Full Market Valuation (a)	Direct Tax Rate
2011	13,017,910,372	476,332,025	1,390,000	96,704,811	13,495,632,397	6.51%
2012	13,219,574,367	527,310,319	1,390,000	96,081,912	13,748,274,686	6.24%
2013	13,882,147,291	738,243,050	1,390,000	108,468,872	14,621,780,341	6.20%
2014	15,391,656,690	813,117,019	1,390,000	113,744,809	16,206,163,709	5.62%
2015	16,133,637,244	965,141,148	-	119,476,276	17,098,778,392	5.61%
2016	18,308,720,226	1,086,786,901	-	114,223,063	19,395,507,127	5.59%
2017	20,196,258,418	1,150,311,942	-	118,257,368	21,346,570,360	5.98%
2018	22,024,906,420	1,114,123,426	-	122,805,695	23,139,029,846	6.19%
2019	23,402,123,229	1,779,936,377	-	125,245,819	25,182,059,606	6.38%
2020	24,370,718,536	1,641,863,322	-	138,025,761	26,012,581,858	6.50%



(a) Net of exemptions

Source: HdL, Coren & Cone

Data Source: Santa Clara County Assessor 2010-11 - 2019-20 Combined Tax Rolls

This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone

Prepared On 9/4/2020 by MV

THE CITY OF CUPERTINO
Direct and Overlapping Property Tax Rates
(Rate per \$100 of taxable value)

Last 10 Fiscal Years										
Agency	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018-19	2019-20
Basic Levy¹	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Co. Housing Bond 2016	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01266	0.01050	0.01000
County Bond 2008 Hospital Facility	0.00950	0.00470	0.00510	0.00350	0.00910	0.00880	0.00860	0.00820	0.00720	0.00690
County Library Retirement Levy	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240
County Retirement Levy	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880
Cupertino Elementary	0.03080	0.02900	0.05980	0.05250	0.05400	0.05190	0.05090	0.04960	0.03970	0.04150
El Camino Hospital 2003	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01000	0.01000	0.01000
Foothill De Anza College	0.03260	0.02970	0.02870	0.02900	0.02760	0.02400	0.02340	0.02200	0.02170	0.02080
Fremont High	0.03650	0.04150	0.03900	0.04050	0.03960	0.05250	0.04030	0.04640	0.04300	0.04790
Los Gatos-Saratoga High 1998	0.03770	0.03810	0.03680	0.03510	0.05160	0.04230	0.04690	0.04570	0.03040	0.01770
MidPeninsula Open Space 2014	0.00000	0.00000	0.00000	0.00000	0.00000	0.00080	0.00060	0.00090	0.00180	0.00160
Santa Clara Unified	0.05190	0.08360	0.08190	0.07070	0.07040	0.09420	0.08180	0.08280	0.07070	0.11760
Santa Clara Valley Water District	0.00720	0.00640	0.00690	0.00700	0.00650	0.00570	0.00860	0.00620	0.00420	0.00410
Saratoga Elementary	0.04370	0.04440	0.04520	0.04500	0.04580	0.04490	0.04560	0.04580	0.04580	0.04640
West Valley College	0.01390	0.01370	0.02890	0.02550	0.01200	0.02320	0.01960	0.02000	0.01980	0.01860
West Valley-Mission Ccd 2018	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01100
Total Direct & Overlapping² Tax Rates	1.31790	1.34520	1.38640	1.36290	1.37070	1.40240	1.38040	1.39146	1.34600	1.39530
City's Share of 1% Levy Per Prop 13³	0.05644	0.05650	0.05652	0.05626	0.05617	0.05571	0.05962	0.06148	0.06320	0.06531
General Obligation Debt Rate										
Redevelopment Rate⁴	1.04840	1.04760								
Total Direct Rate⁵	0.06507	0.06238	0.06204	0.05623	0.05610	0.05588	0.05976	0.06187	0.06381	0.06499

Notes:

¹In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

²Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

³City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city.

ERAF general fund tax shifts may not be included in tax ratio figures.

⁴Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

⁵Total Direct Rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

Data Source: Santa Clara County Assessor 2010/11 - 2019/20 Tax Rate Table

This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone

Prepared on 9/4/2020 by MV

CITY OF CUPERTINO
Principal Property Taxpayers
Current Year and Five Years Ago
(Unaudited)

Taxpayer	2020 Assessed Valuation	Percentage of Total Assessed Valuation	2015 Assessed Valuation	Percentage of Total Assessed Valuation
Apple Inc.	\$ 6,191,911,133	23.80%	\$ 1,596,975,041	9.34%
Main Street Cupertino	396,065,000	1.52%	-	-
Vallco Property Owner LLC	339,916,857	1.31%	157,741,957	0.92%
Cupertino City Center	201,051,525	0.77%	139,849,982	0.82%
BVK Perimeter Square Retail LLC ET AL	181,321,407	0.70%	-	-
Cupertino Property Development	180,164,643	0.69%	100,941,770	0.59%
Mission West Properties LP II ETAL	140,416,937	0.54%	127,777,488	0.75%
PR Cupertino Gateway LLC	130,693,479	0.50%	-	-
Markham Apartments LP	104,481,230	0.40%	-	-
Cupertino Hotel Owner LLC	97,799,908	0.38%	-	-
Total	<u>\$ 7,963,822,119</u>	<u>30.61%</u>	<u>\$ 2,123,286,238</u>	<u>12.42%</u>

Source: HdL, Coren & Cone

CITY OF CUPERTINO
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected (1)	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2011	8,497,119	8,497,119	100.00%	-	8,497,119	100.00%
2012	7,681,925	7,681,925	100.00%	-	7,681,925	100.00%
2013	8,199,752	8,199,752	100.00%	-	8,199,752	100.00%
2014	9,169,183	9,169,183	100.00%	-	9,169,183	100.00%
2015	10,178,734	10,178,734	100.00%	-	10,178,734	100.00%
2016	11,864,026	11,864,026	100.00%	-	11,864,026	100.00%
2017	13,308,884	13,308,884	100.00%	-	13,308,884	100.00%
2018	13,172,425	13,172,425	100.00%	-	13,172,425	100.00%
2019	16,049,112	16,049,112	100.00%	-	16,049,112	100.00%
2020	18,117,304	18,117,304	100.00%	-	18,117,304	100.00%

(1) Per the Teeter Plan, the City receives 100% of the tax levy, while the County receives delinquencies and penalties.

Source: City of Cupertino

CITY OF CUPERTINO
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Certificates of Participation	Percentage of Estimated Actual Market Value of Taxable Property	Per Capita	% of Personal Income
2011	44,010,000	0.30%	755	1.70%
2012	43,940,000	0.27%	744	1.56%
2013	42,020,000	0.26%	705	1.41%
2014	39,980,000	0.23%	671	1.38%
2015	37,925,000	0.20%	633	1.28%
2016	35,835,000	0.18%	598	1.21%
2017	33,700,000	0.15%	579	1.02%
2018	31,520,000	0.12%	525	0.87%
2019	29,300,000	0.11%	488	0.81%
2020	27,010,000	0.10%	451	0.71%

Source: City of Cupertino

CITY OF CUPERTINO
Direct and Overlapping Bonded Debt
June 30, 2020
(Unaudited)

2019-20 Assessed Valuation \$ 26,012,581,858

<u>Overlapping Tax and Assessment Debt:</u>	Total Debt 6/30/2020	% Applicable (1)	City's Share of Debt 6/30/20
Santa Clara County	\$ 947,220,000	5.096%	\$ 48,270,331
Santa Clara County General Fund Obligations	710,539,120	5.096%	36,209,074
Santa Clara County Pension Obligations	352,378,882	5.096%	17,957,228
Santa Clara County Board of Education Certificates of Participation	4,255,000	5.096%	216,835
Foothill-DeAnza Community College District	620,143,886	13.454%	83,434,158
West Valley Community College District	635,310,000	1.634%	10,380,965
West Valley-Mission Community College District General Fund Obligations	62,200,000	1.634%	1,016,348
Santa Clara Unified School District	1,081,495,000	3.813%	41,237,404
Santa Clara County Vector Control District Certificates of Participation	2,245,000	5.096%	114,405
Fremont Union High School District	562,210,088	29.883%	168,005,241
Cupertino Union School District	274,238,303	50.963%	139,760,066
El Camino Hospital District	124,490,000	1.056%	1,314,614
Midpeninsula Regional Open Space District and General Fund Obligations	209,910,600	8.134%	17,074,128
Santa Clara Valley Water District Benefit Assessment	73,570,000	5.096%	3,749,127
Total Overlapping Tax and Assessment Debt	5,660,205,879		568,739,926
<u>Direct Debt: City of Cupertino Certificates of Participation</u>	27,010,000	100.000%	27,010,000
Total Direct and Overlapping General Fund Debt	27,010,000		27,010,000
<u>Totals by Category:</u>			
Total Direct Debt	27,010,000		27,010,000
Total Overlapping Debt	5,660,205,879		568,739,926
Combined Total Debt	\$ 5,687,215,879		\$ 595,749,926

(3)

Ratios to 2019-20 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.19%
	0.10%
Combined Total Debt	2.29%

- (1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable
(2) Principal amount as of 6/30/20.

CITY OF CUPERTINO
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a % of debt limit
2011	488,171,639	-	488,171,639	-
2012	495,734,039	-	495,734,039	-
2013	520,580,523	-	520,580,523	-
2014	577,187,126	-	577,187,126	-
2015	605,011,397	-	605,011,397	-
2016	686,577,008	-	686,577,008	-
2017	757,359,691	-	757,359,691	-
2018	825,933,991	-	825,933,991	-
2019	877,579,621	-	877,579,621	-
2020	913,901,945	-	913,901,945	-
Debt Limit:				
	Secured property assessed value, net of exempt real property		\$ 24,370,718,536	
	Adjusted valuation - 25% of assessed valuation		6,092,679,634	
	Debt limit - 15% of adjusted valuation		913,901,945	
Amount of Debt Subject to Limit:				
	Total Bonded Debt		27,010,000	
	Less: Certificates of Participation not subject to debt limit		(27,010,000)	
	Amount of debt subject to limit		-	
	Legal Debt Margin		\$ 913,901,945	

Note: The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City of Cupertino

CITY OF CUPERTINO
Ratio of General Bonded Debt
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population	Assessed Value	General Bonded Debt	Bonded Debt Per Capita	Ratio of General Bonded Debt to Assessed Value
2011	56,431	13,495,632,397	-	-	-
2012	59,022	13,748,274,686	-	-	-
2013	59,620	14,621,780,341	-	-	-
2014	59,946	17,098,778,392	-	-	-
2015	59,777	19,395,507,127	-	-	-
2016	58,185	19,395,507,127	-	-	-
2017	58,917	21,346,570,360	-	-	-
2018	60,091	23,139,029,846	-	-	-
2019	59,879	25,182,059,606	-	-	-
2020	59,549	26,012,581,858	-	-	-

Sources: HdL, Coren & Cone

City of Cupertino

Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	City Population (1)	County Population (1)	City Population % of County	City Personal Income (2)	Per Capita Personal Income (2)	**Public School Enrollment	City Unemployment Rate (%) (3)	County Unemployment Rate (%) (3)	Median Age (4)	% of Population Over 25 with High School Degree	% of Population Over 25 with Bachelor's Degree
2010-11	56,431	1,781,642	3.17%	2,586,120,000	45,828	10,365	7.3%	-	39.1	96.3%	72.6%
2011-12	59,022	1,809,378	3.26%	2,818,655,000	47,756	10,625	6.3%	-	39.2	97.0%	74.7%
2012-13	59,620	1,842,254	3.24%	2,985,829,000	50,081	29,699	4.1%	8.4%	39.5	96.7%	75.5%
2013-14	59,946	1,868,558	3.21%	3,090,636,000	51,557	29,904	3.4%	6.8%	40.0	96.2%	74.2%
2014-15	59,777	1,889,638	3.16%	3,186,772,000	53,311	29,871	4.2%	3.8%	40.0	96.5%	74.6%
2015-16	58,185	1,927,888	3.02%	3,340,132,000	57,405	29,684	3.4%	4.2%	40.2	96.5%	75.6%
2016-17	58,917	1,938,180	3.04%	3,486,805,000	59,181	29,467	3.0%	3.8%	40.6	96.7%	76.0%
2017-18	60,091	1,938,153	3.10%	3,620,255,000	60,246	29,255	3.3%	3.8%	40.7	97.1%	76.6%
2018-19	59,879	1,937,570	3.09%	3,821,320,000	63,817	29,240	2.6%	2.3%	41.1	97.1%	77.2%
2019-20	59,549	1,927,852	3.09%	4,114,967,000	69,102	29,550	2.4%	10.7%	41.1	97.2%	78.1%

Notes and Data Sources:

Population: California State Department of Finance. Unemployment Data: California Employment Development Department

Income, Age, and Education Data: ESRI - Demographic Estimates are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries

201- and later - Income, Age and education Data - US Census Bureau, most recent American Community Survey

**Reported Public School Enrollment reflects the total number of students in the Fremont Union High School District and Cupertino Union School District.

Previously published reports included Fremont Union High School District only.

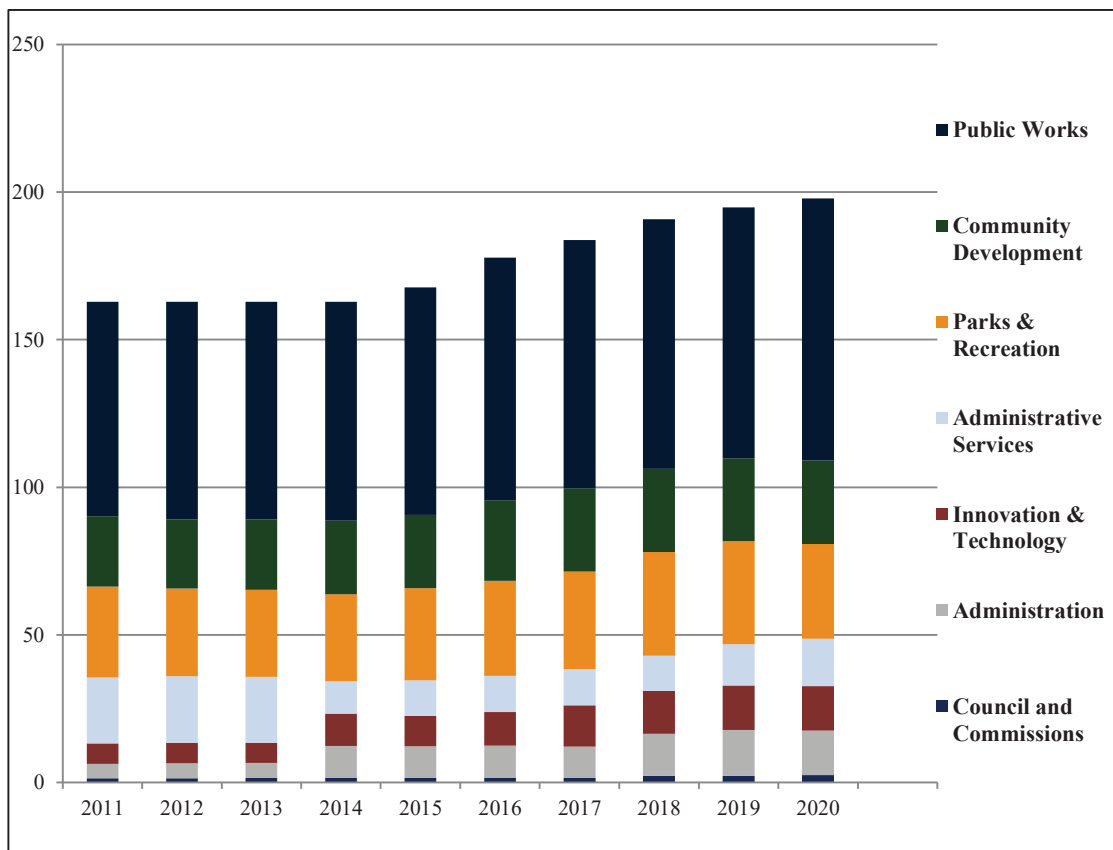
CITY OF CUPERTINO
2020 Employer Ranking
(Unaudited)

<u>Employer</u>	<u>Ranking</u>	<u>Employer</u>	<u>Ranking</u>
Apple	1	Panasonic Corporation	11
Cupertino Union School District	2	Pleasant View Convalescent Hospital	12
Corinthian International Parking Services,	3	Sunny Retirement Home	13
Synophic Systems Inc.	4	City of Cupertino	14
De Anza Community College District	5	Ch Cupertino Owner LLC	15
Target Stores, Inc.	6	Zend Technologies Usa, Inc.	16
Fremont Union High School District	7	Mist Systems, Inc.	17
Forum Healthcare Center	8	County of Santa Clara	18
Whole Foods Market	9	Cupertino Lessee LLC	19
Mobileum, Inc.	10	Posh Bakery Inc.	20

Source: InfoUSA

CITY OF CUPERTINO
Full-Time Equivalent City Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Council and Commissions	1.46	1.47	1.52	1.57	1.55	1.60	1.55	2.35	2.35	2.51
Administration	4.85	5.05	5.05	10.75	10.75	10.85	10.57	14.12	15.47	15.15
Innovation & Technology	6.95	6.95	6.90	11.00	10.25	11.40	13.95	14.55	15.05	14.95
Administrative Services	22.34	22.48	22.26	11.00	12.00	12.30	12.30	12.00	14.00	16.00
Parks & Recreation	30.78	29.78	29.53	29.48	31.28	32.18	33.08	35.13	34.80	32.10
Community Development	23.78	23.43	23.90	24.83	24.80	27.30	28.18	28.08	28.13	28.29
Public Works	72.59	73.59	73.59	74.12	77.12	82.12	84.12	84.52	84.95	88.75
Law Enforcement	0.00	0.00	0.00	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Total	162.75	162.75	162.75	164.75	169.75	179.75	185.75	192.75	196.75	197.75



Source: City of Cupertino Budget

CITY OF CUPERTINO
Operating Indicators by Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Law Enforcement Sheriff Response										
Priority One-Respond within 5 minutes	4.49 Min.	4.84 Min.	3.76 Min.	4.30 Min.	4.90 Min.	4.90 Min.	5.07 Min	4.23 Min.	3.95 Min.	3.96 Min.
Priority Two-Respond within 9 minutes	5.76 Min.	6.44 Min.	5.98 Min.	6.39 Min.	6.56 Min.	6.56 Min.	8.00 Min.	7.49 Min.	6.33 Min.	6.74 Min.
Priority Three-Respond within 20 minutes	9.79 Min.	10.62 Min.	10.29 Min.	10.76 Min.	10.52 Min.	10.52 Min.	15.79 Min	14.79 Min.	13.23 Min.	12.42 Min.
Public Works										
Street Sweeping	696 Curb Miles	575 Curb Miles	575 Curb Miles	575 Curb Miles	575 Curb Miles	575 Curb Miles	534 Curb Miles	534 Curb Miles	534 Curb Miles	534 Curb Miles
Street Maintenance	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call
Number of development permit applications received								428	434	428
Number of encroachment permits received								121	136	134
Storm Drain Inlets Inspected/Cleaned								815	1063	1638
Roadway Signs Repaired/Replaced								404	721	346
Number of trees planted vs. removed								53/67	155/192	164/190
Parks & Recreation										
Number of reservations at Quinlan Center								560	402	526
Number of rounds of golf at BBF Golf Course								28,193	27,205	28,952
Sports Center Memberships	1,598	1,776	1,852	1,950	2,000	1,989	2,015	1,850	1,952	1,802
Number of Senior Center classes offered								246	320	258
Senior Center Memberships	2,387	2,470	2,456	2,623	2,549	2,493	2,094	2,260	2,171	2,171
Quinlan Community Center Rental Revenue	\$91,000	\$133,000	\$120,000	\$109,342	\$110,033	\$104,150	\$128,778	\$72,948	\$139,590	\$139,590
Community Development										
Approved Building Plan Sets	97% Within 5 Days	93% Within 5 Days	92% Within 5 Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days
Discretionary Land Use Applications	100% Within 21 Days	99% Within 21 Days	99% Within 21 Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days
Public Notice of Upcoming Projects	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days
Number of preliminary reviews								82	90	110
Number of planning applications received								169	138	194
Number of permits received								2,322	2,321	2,534
Number of inspections requested								16,026	13,625	14,596
Administrative Services										
Accounts Payable Processing	5 Days	7 Days	7 Days	7 Days	7 Days	7 Days	7 Days	7 Days	7 Days	7 Days
Business License Renewal Certificates	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days
Number of regular recruitments								21	21	28
Number of new hires								26	16	14
Number of temporary new hires								101	105	38
Number of personnel payroll changes								702	938	1,094
Number of vendor checks processes								6,793	6,536	5,906
Number of payroll checks process								10,387	10,301	10,802
Number of business license applications								1,294	1,154	1,032
Number of journal entries posted								2,830	4,521	4,558
Number of receipts processed								9,766	13,913	18,992
Library										
Volumes in Collection	-	-	-	-	361,817	364,557	369,924	367,979	367,101	368,461
Annual Gate Count	-	-	-	-	869,762	880,894	835,073	873,862	904,349	620,007
Annual Circulation Children's Items	-	-	-	-	1,474,996	1,544,095	1,448,265	1,453,173	1,535,842	1,192,880
Annual Circulation Adult and Teen Items	-	-	-	-	999,766	1,032,326	950,453	980,609	1,049,166	831,114
Adult Classes and Events	-	-	-	-	209	215	242	206	207	396
Adult Classes and Events Attendance	-	-	-	-	11,860	8,855	9,242	7,622	8,304	9,986
Teen Classes and Events	-	-	-	-	52	78	66	79	52	57
Teen Classes and Events Attendance	-	-	-	-	3,393	3,135	2,571	2,495	1,283	8,495
Children's Classes and Events	-	-	-	-	458	493	440	426	424	477
Children's Classes and Events Attendance	-	-	-	-	25,529	28,532	25,857	24,675	22,851	26,032
Volunteer Hours	-	-	-	-	11,786	10,000	9,645	10,302	10,191	6,592

Sources: City of Cupertino and Santa Clara County Library District

CITY OF CUPERTINO
Capital Assets Statistics by Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Works										
Centerlane Miles of Streets	142	142	142	142	142	142	142	142	142	142
Streetlights	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950
Traffic Signals	39	39	48	48	48	48	48	52	52	52
Culture & Recreation										
Parks and Open Spaces	19	19	19	21	21	21	21	21	21	21
Park and Landscape Acreage	169	169	169	169	169	169	169	169	169	169
City Trails	1	1	1	3	3	3	3	3	3	3
Golf Courses	1	1	1	1	1	1	1	1	1	1
Community Center	1	1	1	1	1	1	1	1	1	1
Community Hall	1	1	1	1	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1	1	1	1	1
Sports Center	1	1	1	1	1	1	1	1	1	1
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	17	17	17	17	28	28	28	28	28	28
Sports Fields	41	41	41	41	41	41	41	41	41	41
City Library	1	1	1	1	1	1	1	1	1	1

Source: City of Cupertino

History

“This place of San Joseph Cupertino has good water and much firewood, but nothing suitable for a settlement because it is among the hills very near to the range of cedars which I mentioned yesterday, and lacks level lands.”

When Spanish explorer San Juan Bautista De Anza traveled through California in 1776, he and his party documented these words about the land surrounding Stevens Creek, named back then as Arroyo San Joseph Cupertino. However, first impressions can often be misleading. Underneath the spiny, overgrown bush was a completely different land waiting to be uncovered. During this time, the area was populated by Native Americans who hunted and gathered, prospering from the abundant resources the land had to offer.

It wasn't until 1848 when the first American settler, Elijah Stephens, a blacksmith from South Carolina, moved to the area—at this time, named simply 'West Side' and primarily owned by the government. After crossing over the Sierra Nevada in wagons, he discovered the true value of the land underneath the bush, and proceeded to purchase over 300 acres of farmland to grow grapes and blackberries. Stephens pioneered the way for farmers, which established West Side as an agricultural hot spot. The land Stephens owned eventually became Blackberry Farm, and the road, creek, and reservoir were all named after him, although misspelled.

In early West Side, many of the newest advances in agriculture were being developed. Settlers were drawn to the land because of its rich earth, where they were able to grow products that competed on the world market. Once the bush had been cleared, they grew grapes, which covered the West Valley area with vineyards by the late 1800s. By the 1900s, a plant louse called Phylloxera spread throughout the vineyards, attacking the roots of the grape vines, killing the grapes and putting a halt to wine production. As a solution, nearly everything was replanted with fruit orchards. When the fruit trees blossomed, visitors would come to the orchards for “The Valley of Heart's Delight” festivals, which celebrated the prosperous agriculture of the West Valley area.

Apart from the farmland, West Side was primarily known as a crossroads, an intersection between Saratoga-Sunnyvale Road and Stevens Creek. This served as a way station for travelers to pass through while going from town to town. As more people came to West Side to take advantage of the rich farm land, more family holdings gathered around the cross-roads. Starting off as just a post office and home union store, West Side's humble cross-roads brought many diverse communities, all attracted by the preferable climate and profitable market for crops.

As more people were drawn to the area around the cross-roads, the orchards were gradually replaced with modern houses for workers. The population steadily grew, and the face of West Side changed, progressing to a more modern town. The community wanted to rename the city, as to not confuse it with other cities, as well as establish a unique identity. John T. Doyle, a

lawyer from San Francisco, and writer of historical anthologies on the area, chose the name “Cupertino” after the original name of the creek.

After the post-World War II population boom, the growing community petitioned for Cupertino to become an incorporated town. Members of the community were worried that the alternative to incorporation was to have parts of Cupertino annexed by surrounding cities, splitting up the community and erasing the local culture. To preserve the rural atmosphere, lower taxes for farmers, start a local government, and prepare for growth, Cupertino voted for incorporation. In 1955, Cupertino officially became the 13th city in Santa Clara County.

By the 1970s, Cupertino once again began to undergo dramatic changes. The growing community attracted several large technology corporations. Lockheed Martin, HP, Intel, and many other big names established themselves in the Silicon Valley. Apple Inc. was founded in Cupertino in 1976 and quickly grew into the tech giant it’s known for today.

In the late 20th century, Cupertino and the surrounding areas experienced another surge in population growth, this time due to the immigration of people from Asian countries. Immigration laws at the time were in the favor of families looking to move to the Silicon Valley. People immigrated here for a variety of reasons—whether they were aspiring for career prospects with major tech companies, or striving for a quality education for their children, everyone who immigrated here had a common goal: to find opportunities to work hard for a better life for themselves and their families.

2020 Community Economic Profile

Cupertino, with a population of 66,762 and City limits stretching across 13 square miles, is considered one of the most prestigious cities to live and work in the Bay Area.

Economic health is an essential component to maintaining a balanced city, which provides high-level opportunities and services that create and help sustain a sense of community and quality of life. Public and private interests must be mutual so that success as a partnership is a direct reflection of success as a community. The cornerstone of this partnership is a cooperative and responsive government that fosters residential and business prosperity and strengthens working relationships among all sectors of the community.

Because Cupertino is a mature, 93% built-out city, the City of Cupertino focuses on business retention and revitalization. Cupertino is world renowned as the home of high-tech giants, such as Apple, Inc. and Seagate Technologies, and as a community with stellar public schools. De Anza College, one of the largest single-campus community colleges in the country, is another major employer and a magnet for attracting local and international students. The City’s proactive economic development efforts have resulted in an innovative environment for start-ups and growing companies to thrive. The City strives to retain and attract local companies through active outreach and a responsive and customer-oriented entitlement process.

Cupertino is excited to have a number of new mixed-use development projects offering more retail and dining options, as well as provide additional housing opportunities to meet the needs of the growing community.



The Main Street and Nineteen800 mixed-use developments have created a vibrant downtown area for Cupertino, offering a large selection of restaurants and retailers, including Alexander's Steakhouse, Eureka!, Rootstock Wine Bar, Oren's Hummus, Lazy Dog, Ippudo, HaiDiLao Hot Pot Restaurant, Pressed Juicery, Orangetheory, 85 Degree Bakery, Somi Somi, Sul & Beans, Target Express, Kura Sushi, Vitality Bowls, Doppio Zero, Boiling Point and Jin Tea, Koja Kitchen, Bishops Cuts & Colors, Capezio, Howard's Shoes, Tan Cha, and Meet Fresh. Housing, office, and a new Residence Inn by Marriott are available to support the thriving area. Benihana, Bowlmor, and Ice Center Cupertino also serve as long-time anchors.

The construction of new retail and commercial development strengthens existing popular venues in Cupertino, including The Marketplace. The Marketplace has a variety of stores and restaurants popular with students, families, and working professionals. They include Galpao Gaucho, Daiso, Marukai Groceries, Harumi Sushi, La Patisserie Bakery, Beard Papa's, Legend's Pizza, Merlion Restaurant, Icicles, Kong's Tofu & BBQ, Rori Rice, One Pot Shabu Shabu, Olarn Thai, and Erik's DeliCafé to name a few.

Cupertino Village is undergoing renovations to upgrade existing buildings, construct new buildings, parking, and open-courtyard space. The shopping center is home to 99 Ranch Market, Duke of Edinburgh Pub & Restaurant, JSJ Street Kitchen, Kira Kira Beauty, MOD Pizza, Ten Ren Tea, Fantasia Coffee & Tea, Yoga Wave, Happy Lemon, Joy Luck Palace, Kee Wah Bakery, and many other Asian restaurants, bakeries, and shops.

Cupertino features many other retail opportunities, including TJ Maxx and Home Goods, Whole Foods, Target, Party City, and over 180 restaurants to serve residents and the local workforce. There are now seven hotels providing over 1,000 rooms, to serve the area: The Aloft Cupertino, Cupertino Hotel, Hilton Garden Inn, Juniper Hotel operated by Curio, Marriott Courtyard, the Residence Inn by Marriott, and the newest addition is the Hyatt House.

The redevelopment of the Homestead Square Shopping Center, located at Homestead Road and De Anza Boulevard, includes a 24-hour Safeway, Ulta Beauty, Ross Stores, Stein Mart, Pet Club, Michael's, Rite Aid, FedEx, and numerous restaurants, such as Fish's Wild, Pho Hoa Noodle Soup, Yayoi Teishoku Japanese Restaurant, Starbucks, and Chipotle.

Apple completed construction of its new corporate campus, Apple Park, which includes approximately 2.8 million square feet of office and R&D space north of Highway 280 between Wolfe Road and Tantau Avenue. A state-of-the-art Visitors Center, Observation



Deck, flagship retail store and café are open to the public seven days a week.

2020 City Profile

The City of Cupertino operates as a general law city with a City Council-City Manager form of government. Five council members serve four year, overlapping terms, with elections held every two years. The Council meets twice a month on the first and third Tuesday at 6:45 p.m. in Cupertino Community Hall. The meetings can be viewed on the City website.

The City has 197.75 authorized full-time benefited employee positions. Departments include:

- City Council & Commissions
- Administration (City Manager, City Clerk, City Attorney)
- Innovation Technology (GIS, Infrastructure, Applications)
- Administrative Services (Finance, Human Resources)
- Parks and Recreation (Business and Community Services, Recreation and Education, Sports, Safety, and Outdoor Recreation)
- Community Development (Planning, Building, Housing Services, Code Enforcement)
- Public Works (Environmental Programs, Developmental Services, Service Center, Grounds, Streets, Trees and Right of Way, Facilities and Fleet, Transportation, Storm Drain Management)
- Public Safety services are provided by the Santa Clara County Sheriff's Department and the Santa Clara County Fire District.

Assisting the City Council are several citizen advisory commissions and one committee including:

- Audit Committee
- Fine Arts Commission
- Housing Commission
- Library Commission
- Parks and Recreation Commission
- Planning Commission
- Public Safety Commission
- Sustainability Commission
- Teen Commission
- Technology, Information and Communication Commission

The Commissioners are appointed by Council and vacancies are announced so that interested residents can apply for the positions. For more information, visit cupertino.org/commissions.

Housing

Based on data from Corelogic the median sales price for an existing single-family home was \$2,080,000 in February 2020. For housing programs in Cupertino, please see "Programs & Applications."

Community Health Care Facilities

Cupertino is served by the Cupertino Medical Clinic, NovaCare Occupational Health Services. Nearby hospitals include Kaiser Permanente Medical Center in Santa Clara, El Camino Hospital in Mountain View, O'Connor Hospital in San Jose, Community Hospital of Los Gatos, Stanford Hospital in Palo Alto, and the Saratoga Walk-in Clinic in Saratoga.

Utilities

Gas & Electric

Pacific Gas and Electric, 800-743-5000

Phone

AT&T residential service, 800-894-2355

AT&T business service, 800-750-2355

Cable

Comcast, 800- 945-2288

Solid Waste & Recycling

Recology, 408-588-7200

Water

San Jose Water Company, 408-279-7900

California Water Service, 650-917-0152

Sewer Service

Cupertino Sanitary District, 408-253-7071

Tax Rates and Government Services

Residential, commercial, and industrial property is appraised at full market value as it existed on March 1, 1975, with increases limited to a maximum of 2% annually. Property created or sold since March 1, 1975 bears full cash value as of the time created or sold, plus the 2% annual increase. The basic tax rate is \$1.00 per \$100 (full cash value) plus any tax levied to cover bonded indebtedness for county, city, school, and other taxing agencies. Assessed valuations and tax rates are published annually after July 1.

Assessed Valuation (Secured and Unsecured)

Cupertino: \$26,013,180,424 (7/19)

County: \$516,068,803,614 (7/19)

Retail Sales Tax Distribution

Agency	Sales Tax Distribution
• State	6.000%
• VTA	1.125%
• City of Cupertino	1.000%
• County General Purpose	0.625%
• County Transportation	0.250%
Total:	9.000%

Transportation

Rail: The CalTrain station is four miles north of Cupertino. The Amtrak station is 10 miles south.

Air: The San Francisco International Airport is located roughly 30 miles north, and the Mineta San Jose International Airport is located approximately 11 miles south.

Bus: Cupertino is served by the Santa Clara Valley Transportation Authority. The routes listed below pass through the City. For Cupertino-specific schedules and maps visit their online website:

Route 23 San Jose – Mountain View/Palo Alto

Route 25 San Jose – De Anza College

Route 26 Eastridge – Lockheed

Route 36 East San Jose – Vallco
Route 51 Vallco – Moffett/Ames
Route 53 Westgate – Sunnyvale
Route 55 De Anza – Great America
Route 81 East San Jose – Vallco
Express 101 Camden/Branham – Palo Alto
Express 501 Palo Alto – I.B.M Bailey

Car: The City of Cupertino is in the heart of the world-renowned Silicon Valley. The major highway transportation facilities are Interstate Route 280 and State Route 85 freeways. The City is linked internally by several principal arterials and Santa Clara County expressways. Principal arterials are De Anza Boulevard, Stevens Creek Boulevard, and Wolfe Road. Nearby expressways are Lawrence Expressway and Foothill Expressway.

Sister Cities

City of Cupertino recognizes the value of developing people-to-people contacts by strengthening the partnerships between the city and its four sister cities of Copertino, Italy; Hsinchu, Taiwan; Toyokawa, Japan, and Bhubaneswar, India. Cupertino's Sister City partnerships have proven successful in fostering educational, technical, economic, and cultural exchanges. Over the years, there have been many delegations visiting both the cities as well as many local students participating in annual student exchange programs.

Education

Winners of numerous state and national awards for excellence, Cupertino's schools are widely acknowledged as models of quality instruction.

Cupertino Union School District serves over 18,000 students in a 26 square mile area that includes Cupertino and portions of five other cities. The district has 20 elementary schools and five middle schools, including several choice programs. Eighteen schools have received state and/or national awards for educational excellence.



Student achievement is exceptionally high. Historically, district test scores place Cupertino among the premier public school districts in California. The district is a leader in the development of standards-based system of education and is nationally recognized for leadership in the use of technology as an effective tool for learning. Quality teaching and parent involvement are the keys to the district's success.

The Fremont Union High School District serves 10,000 students in a 42 square mile area covering all of Cupertino, most of Sunnyvale, and portions of San Jose, Los Altos, Saratoga, and Santa Clara. The five high schools of the district have garnered many awards and recognition based on both the achievement of students and the programs designed to support student

achievements. Many high schools in the district exceed their established achievement targets for the State Academic Performance Index. District students are encouraged to volunteer and provide service to organizations within the community. During their senior year, if students complete 80 hours of service to a non-profit community organization, they are recognized with a “Community Service Award” medal that may be worn at their graduation ceremonies.

Building on its tradition of excellence and innovation, De Anza College challenges students of every background to develop their intellect, character, and abilities; to achieve their educational goals; and to serve their community in a diverse and changing world.

De Anza College offers a wide range of quality programs and services to meet the work force development needs of our region. The college prepares current and future employees of Silicon Valley in traditional classroom settings and customized training arranged by employers. Several De Anza programs encourage economic development through college credit courses, short-term programs, services for manufacturers, technical assistance, and/or recruitment and retention services.



Programs & Applications

Community Outreach Programs

Leadership 95014

Leadership 95014 is a program designed by the City of Cupertino, Wilfred Jarvis Institute, and other local sponsors to offer an exciting adult program that is guaranteed to enhance the participants’ leadership skills. The ten full-day sessions feature inside looks at local governments, the social sector, local non-profit organizations, and educational institutions. This 9-month program is offered annually, September to May, and applications can be found online.

Neighborhood Block Leader Program

Good neighborhoods are those where neighbors work together on common issues and look out for each other. Block leaders take extra steps to connect neighbors and build community, making our neighborhoods safer and more harmonious. The Block Leader Program teaches residents how to get to know their neighbors and how to organize activities so neighbors can more easily communicate with each other. Block leaders are vital links between City Hall and the neighborhoods, and leaders gain the inside track on neighborhood development activities.



Neighborhood Watch

Neighborhood Watch is a crime prevention program that enlists the active participation of citizens in cooperation with law enforcement to reduce crime in our communities. The program involves: neighbors getting to know each other and working together in a program of mutual assistance; citizens being trained to recognize and report suspicious activities in their

neighborhoods; and implementation of crime prevention techniques such as home security and operation identification. To organize a Neighborhood Watch program in your neighborhood, please contact the Neighborhood Watch Coordinator at 408-777-3177.

eCAP

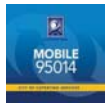
Email Community Alert Program (eCAP) was created by the Santa Clara County Sheriff's Office to prevent and reduce crime by raising community awareness, minimizing opportunities for crime, and increasing the possibility of solving crimes with the public's help. Cupertino residents may voluntarily register their email addresses with the Sheriff's Office for community alert messages. Citizens can sign-up at a Neighborhood Watch meeting or log-on to the City of Cupertino's eCAP online registration.

Affordable Housing: BMR (Below Market Rate) Program

The City of Cupertino requires 15% of all new construction be affordable to households below 120% of the County median income. Rental units are affordable to very low and low-income households while ownership units are affordable to median and moderate-income households.

The City of Cupertino contracts with West Valley Community Services (WVCS) to screen and place qualified households in most of the city's BMR units. WVCS maintains a waiting list of interested persons for these BMR units. If interested, please call 408-255-8033. More information can be found online.

Smart Phone Applications



Mobile 95014

City of Cupertino's Mobile 95014 app offers latest listing of Cupertino news and events as well as local parks, schools, and recreation offerings in the city. This app showcases environmental services and community services such as Block Leaders and Neighborhood Watch programs. Users can learn about public safety and contact City Council members and City officials. The app also offers links to Cupertino's social media sites.

Trees 95014

Trees 95014 is an iPhone/iPad and Android app which provides details about the city-planted trees in Cupertino. Users can search for trees by street name or by current location. The search results show the picture of the tree and details such as location, height, diameter, and species. Cupertino residents can also sign up their tree, name their tree, and request tree service through this app.

Eats 95014

Eats 95014 is the local restaurant app that showcases Cupertino's dining options such as restaurants, grocery stores, farmers' markets, and vineyards. The app provides information on the services offered at such eating places including store hours, parking information, noise level, directions, and website link.



Ready 95014

Ready 95014 is an app that puts safety information into the hands of Cupertino residents. Steps to prepare and respond to emergencies including earthquakes, floods, fires, and pandemics are outlined in an easy-to-understand format. The app also streams Cupertino's own AM radio station (1670 AM) and has a map of the City's Area Resource Centers, satellite locations opened after disasters to provide public assistance.

Website Applications

Cupertino.org/ShopAndDine

This interactive website app offers users mapping features of current Cupertino businesses and restaurants.

Community Statistics

Facts and Figures¹

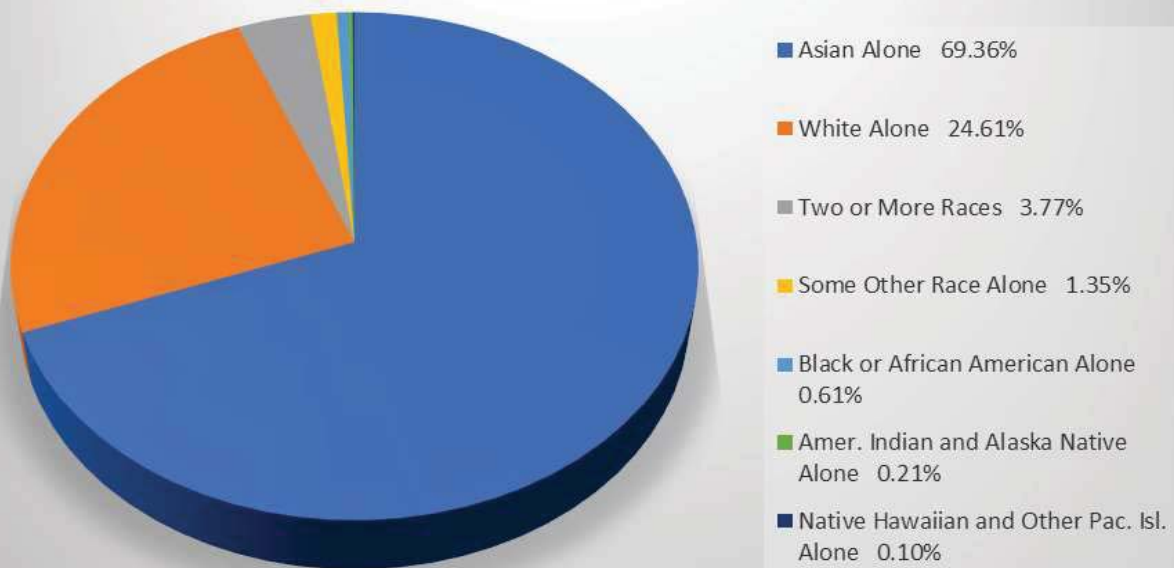
Population in City Limits	66,762
Average Household Income	\$242,777
Average Age	40.4
Registered Voters	28,539
Democrats	11,113
Republicans	4,648
American Independent	402
Other	218
No Political Party Designated	12,158

¹ Claritas 2020 Estimates and California Statewide Direct Primary Election June 5, 2018

Top 25 Sales Tax Producers Fourth Quarter 2019 in Alphabetical Order

7 Eleven	BJ's Restaurant & Brewhouse	Lazy Dog Cafe	TJ Maxx
99 Ranch Market	California Dental Arts	Rotten Robbie	Ulta Beauty
Alexander's Steak House	Chevron	Safeway	Valero
Alliance	Estel Group	Seagate Technology	Whole Foods Market
Apple	Galpao Gaucho	Shane Company	
Argonaut Window & Door	Haidilao Hot Pot	Shell	
Benihana	Insight Direct	Target	

Population by Single-Classification Race



Source: Claritas 2020 Estimates

Community and Recreation Services

Blackberry Farm

Blackberry Farm has been upgraded and restored to improve the natural habitat for native trees, animals, and fish. Improvements to the park include construction of a new ticket kiosk, replastered pools, a new water slide, bocce ball, horseshoe courts, and numerous upgrades to the west bank picnic area. The park is located at 21979 San Fernando Avenue. Telephone: 408-777-3140.

The Blackberry Farm Golf Course is located at 22100 Stevens Creek Boulevard. Telephone: 408-253-9200.

The Quinlan Community Center

The City of Cupertino's Quinlan Community Center is a 27,000 square foot facility that provides a variety of recreational opportunities.

Most prominent is the Cupertino Room - a multi-purpose room that can accommodate 300 people in a banquet format.

Telephone: 408-777-3120.

Cupertino Sports Center

The Sports Center is a great place to meet friends. The facility features 17 tennis courts, complete locker room facilities, and a fully-equipped fitness center featuring free weights, Cybex, and cardio equipment. A teen center and a child-watch center are also included. The center is located at the corner of Stevens Creek Boulevard and Stelling Road. Telephone: 408-777-3160.

Cupertino Senior Center

The Senior Center provides a welcome and friendly environment for adults over age 50. There is a full calendar of opportunities for learning, volunteering, and enjoying life. There are exercise classes, computer lab classes, and English as a second language classes, and cultural and special interest classes. The center also coordinates trips and socials.

The Senior Center is located at 21251 Stevens Creek Boulevard and is open Monday through Friday, 8 a.m. to 5 p.m. Telephone: 408-777-3150.

Civic Center and Library

The complex has a 6,000 square foot Community Hall, plaza with fountain, trees, and seating areas. City Council meetings, Planning Commission sessions, and Parks and Recreation Commission sessions are held in the Community Hall.

The 54,000 square foot library continues to be one of the busiest libraries in the Santa Clara County Library system. For more information, call 408-446-1677.

McClellan Ranch Park

A horse ranch during the 1930's and 40's, this 18-acre park has the appearance of a working ranch. Preserved on the property are the original ranch house, milk barn, livestock barn, and two historic buildings: Baer's Blacksmith Shop, originally located at DeAnza and Stevens Creek, and the old water tower from the Parish Ranch, now the site of Memorial Park. Rolling Hills 4-H Club members raise rabbits, chickens, sheep, swine, and cattle. The Junior Nature Museum, which features small live animal exhibits and dispenses information about bird, animal, and plant species of the area, is also located at the ranch. The newly opened Environmental Education Center has Open House hours on Friday, Saturday, and Sunday. McClellan Ranch is located at 22221 McClellan Road. Telephone: 408-777-3120.

Things to Do and See

Euphrat Museum of Art

The highly regarded Euphrat Museum of Art, at its new location next to the new Visual Arts and Performance Center at De Anza College, presents one-of-a-kind exhibitions, publications, and events reflecting the rich diverse heritage of our area. The Museum prides itself on its changing exhibitions of national and international stature emphasizing Bay Area artists. Museum hours are 10 a.m. – 3 p.m. Monday through Thursday. Telephone: 408-864-5464

Apple Park Visitor Center, Store & Café

A state-of-the-art Visitors Center, Observation Deck, flagship retail store and café are open to the public seven days a week. The Visitor Center is located at 10600 N Tantau Avenue. Free parking is available. For more information, visit the website at www.apple.com/retail/appleparkvisitorcenter or call 408-961-1560.

Fujitsu Planetarium

The Fujitsu Planetarium on the De Anza College campus is a must-visit Cupertino facility for stargazers. It hosts a variety of planetarium shows and events, including educational programs for school groups and family astronomy evenings. For more information, visit the website at <http://planetarium.deanza.edu> or call 408-864-8814.

Cupertino Historical Society

The Cupertino Historical Society was founded in 1966 by a group of 177 longtime residents and is dedicated to the preservation and exhibition of the city's history. Their museum, located at the Quinlan Community Center, develops and expands the learning opportunities that it offers to the ethnically diverse community of the City of Cupertino. Telephone: 408-973-1495.



Farmers' Markets

There are two farmers' markets located in the City of Cupertino. One is held on Fridays from 8:30 a.m. to 1:00 p.m. at Creekside Park located at 10455 Miller Avenue, and the other is held

every Sunday from 9:00 a.m. to 1:00 p.m. at The Oaks Shopping Center, 21275 Stevens Creek Blvd.

California History Center

The California History Center and Foundation is located on the De Anza College campus. The center has published 37 volumes on California history and has a changing exhibit program. The center's Stockmeir Library Archives boast a large collection of books, pamphlet files, oral history tapes, videotapes, and a couple thousand student research papers. The library's collection is for reference only. Heritage events focusing on California's cultural and/or natural history are offered by the center each quarter. For more information, call 408-864-8987. The center is open September through June, Tuesday through Thursday, from 9:30 a.m. to noon and 1:00 p.m. to 4:00 p.m.

Local Wineries

The Santa Cruz Mountains has played a pivotal role in the history of winemaking in California, with roots going back over 100 years, and including legendary winemakers such as Paul Masson, Martin Ray, David Bennion (Ridge), and David Bruce. The Santa Clara Valley Wine Trail features wineries in the southern portion of Santa Clara County, including Cupertino. Take some time to enjoy Cupertino-based wineries: Fellom Ranch Vineyards, Naumann Vineyards, Picchetti Winery, R&W Vineyards, Ridge Vineyards, and Vidovich Vineyards, as well as the breathtaking scenery of the surrounding foothills.



Photo courtesy of Ridge Vineyards