

# General Fund Financial Schedules

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# General Fund Contribution Schedule

Fund Type/Budget Unit	Description	Adopted Budget Revenues	Adopted Budget Expenditures	Adopted Budget Change in Fund Balance/Net Position	Adopted Budget General Fund Contribution
<b>GENERAL FUND</b>					
<b>10 City Council</b>					
100-10-100	City Council	104,305	546,800	-	442,495
100-10-101	Community Funding	-	33,108	-	33,108
100-10-104	Historical Society	-	40,000	-	40,000
100-10-110	Sister Cities	-	59,011	-	59,011
<b>11 Commissions</b>					
100-11-131	Telecommunication Commission	-	23,351	-	23,351
100-11-140	Library Commission	-	27,848	-	27,848
100-11-142	Arts and Culture Commission	-	32,036	-	32,036
100-11-150	Public Safety Commission	-	36,569	-	36,569
100-11-155	Bike/Ped Safety Commission	-	40,421	-	40,421
100-11-160	Recreation Commission	-	26,481	-	26,481
100-11-165	Teen Commission	-	15,571	-	15,571
100-11-170	Planning Commission	-	122,410	-	122,410
100-11-175	Housing Commission	-	60,997	-	60,997
100-11-180	Sustainability Commission	-	17,744	-	17,744
100-11-190	Audit Committee	-	31,571	-	31,571
<b>12 City Manager</b>					
100-12-120	City Manager	1,552,614	2,177,621	-	625,007
100-12-122	Sustainability	-	-	-	-
100-12-126	Office of Communications	545,188	416,779	-	(128,409)
100-12-305	Video	-	-	-	-
100-12-307	Public Access Support	-	-	-	-
100-12-632	Comm Outreach & Neigh Watch	-	224,749	-	224,749
100-12-633	Disaster Preparedness	152,678	645,629	-	492,951
100-12-705	Economic Development	-	541,075	-	541,075
<b>13 City Clerk</b>					
100-13-130	City Clerk	201,273	828,734	-	627,461
100-13-132	Duplicating/Mail Services	28,829	43,031	-	14,202
100-13-133	Elections	-	142,116	-	142,116
<b>14 City Manager Discretionary</b>					
100-14-123	City Manager Contingency	-	50,000	-	50,000
<b>15 City Attorney</b>					
100-15-141	City Attorney	344,544	1,484,229	-	1,139,685
<b>20 Law Enforcement</b>					
100-20-200	Law Enforcement SC Sheriff	1,790,408	18,648,806	-	16,858,398
100-20-201	Interoperability Project	-	-	-	-
<b>31 I&amp;T Video</b>					
100-31-305	Video	85,679	1,179,061	-	1,093,382
<b>32 I&amp;T Applications</b>					
100-32-308	Applications	1,666,729	1,943,932	-	277,203
<b>40 Administrative Services</b>					
100-40-400	Admin Services Administration	35,714	386,090	-	350,376
<b>41 Finance</b>					
100-41-405	Accounting	1,626,339	1,915,780	-	289,441
100-41-406	Business Licenses	-	325,067	-	325,067
100-41-425	Purchasing	321,408	424,809	-	103,401
100-41-426	Budgeting	507,316	572,882	-	65,566
<b>44 Human Resources</b>					
100-44-412	Human Resources	1,000,511	1,467,527	-	467,016
100-44-417	Insurance Administration	1,612,194	2,444,954	-	832,760
<b>60 Recreation &amp; Community Service</b>					
100-60-601	Recreation Administration	-	1,423,593	-	1,423,593
100-60-634	Park Planning and Restoration	-	-	-	-
100-60-636	Library Services	-	160,427	-	160,427

Fund Type/Program	Description	Adopted Budget Revenues	Adopted Budget Expenditures	Adopted Budget Change in Fund Balance/Net Position	Adopted Budget General Fund Contribution
<b>61 Business and Community Services</b>					
100-61-602	Administration	-	538,711	-	538,711
100-61-605	Cultural Events	29,500	327,822	-	298,322
100-61-630	Facilities	162,000	278,602	-	116,602
<b>62 Recreation and Education</b>					
100-62-608	Administration	42,000	798,851	-	756,851
100-62-623	Youth, Teen and Senior Adult Rec	220,000	686,501	-	466,501
100-62-639	Youth and Teen Programs	8,670	263,802	-	255,132
100-62-640	Neighborhood Events	6,000	106,286	-	100,286
<b>63 Sports, Safety &amp; Outdoor Rec</b>					
100-63-612	Park Facilities	200,020	1,541,846	-	1,341,826
100-63-615	Administration	-	-	-	-
<b>70 Planning &amp; Community Development</b>					
100-70-700	Community Development Admin	-	413,577	-	413,577
<b>71 Planning</b>					
100-71-701	Current Planning	1,222,673	3,334,528	-	2,111,855
100-71-702	Mid Long Term Planning	138,750	1,227,227	-	1,088,477
100-71-704	Annexations	-	-	-	-
100-71-705	Economic Development	-	-	-	-
<b>72 Housing Services</b>					
100-72-712	Human Services Grants	50,000	130,496	-	80,496
<b>73 Building</b>					
100-73-713	General Building	315,000	1,081,716	-	766,716
100-73-714	Construction Plan Check	1,200,000	2,296,591	-	1,096,591
100-73-715	Building Inspection	2,120,000	1,397,461	-	(722,539)
100-73-718	Muni-Bldg Code Enforcement	-	72,297	-	72,297
<b>74 Code Enforcement</b>					
100-74-202	Code Enforcement	225,258	1,571,411	-	1,346,153
<b>80 PW Admin</b>					
100-80-800	Public Works Admin	80,580	1,311,650	-	1,231,070
<b>81 Environmental Programs</b>					
100-81-122	Sustainability Division	-	399,263	-	399,263
100-81-803	Environment Management	-	-	-	-
<b>82 Developmental Services</b>					
100-82-804	Plan Review	1,489,466	1,377,257	-	(112,209)
100-82-806	CIP Administration	-	1,068,064	-	1,068,064
<b>83 Service Center</b>					
100-83-807	Service Center Administration	111,874	1,059,147	-	947,273
<b>84 Grounds</b>					
100-84-808	McClellan Ranch Park	-	159,471	-	159,471
100-84-809	Memorial Park	-	796,286	-	796,286
100-84-811	BBF Ground Maintenance	-	284,818	-	284,818
100-84-812	School Site Maintenance	196,469	1,373,426	-	1,176,957
100-84-813	Neighborhood Parks	-	2,110,853	-	2,110,853
100-84-814	Sport Fields Jollyman, Creekside	-	745,000	-	745,000
100-84-815	Civic Center Ground Maint	174,161	218,943	-	44,782
<b>85 Streets</b>					
100-85-818	Storm Drain Maintenance	-	-	-	-
100-85-848	Street Lighting	38,906	939,273	-	900,367
100-85-850	Environmental Materials	-	188,657	-	188,657
<b>86 Trees and Right of Way</b>					
100-86-261	Trail Maintenance	-	263,167	-	263,167
100-86-824	Overpasses and Medians	-	1,665,540	-	1,665,540
100-86-825	Street Tree Maintenance	50,251	1,945,921	-	1,895,670
100-86-826	Sheriff Work Program	-	537,491	-	537,491
<b>87 Facilities and Fleet</b>					
100-87-827	Bldg Maint City Hall	265,226	510,637	-	245,411
100-87-828	Bldg Maint Library	1,032,625	1,338,128	-	305,503
100-87-829	Bldg Maint Service Center	-	341,264	-	341,264
100-87-830	Bldg Maint Quinlan Center	-	526,991	-	526,991

Fund Type/Budget Unit	Description	Adopted Budget Revenues	Adopted Budget Expenditures	Adopted Budget Change in Fund Balance/Net Position	Adopted Budget General Fund Contribution
100-87-831	Bldg Maint Senior Center	-	336,976	-	336,976
100-87-832	Bldg Maint McClellan Ranch	1,461	235,801	-	234,340
100-87-833	Bldg Maint Monta Vista Ct	-	185,905	-	185,905
100-87-834	Bldg Maint Wilson	-	102,304	-	102,304
100-87-835	Bldg Maint Portal	-	31,899	-	31,899
100-87-837	Bldg Maint Creekside	-	110,478	-	110,478
100-87-838	Comm Hall Bldg Maint	-	245,470	-	245,470
100-87-839	Teen Center Bldg Maint	-	-	-	-
100-87-840	Park Bathrooms	-	158,061	-	158,061
100-87-841	BBF Facilities Maintenance	-	464,367	-	464,367
100-87-852	Franco Traffic Operations Center	-	43,742	-	43,742
100-87-857	City Hall Annex	-	3,601	-	3,601
<b>88 Transportation</b>					
100-88-265	Community Shuttle	2,711,855	3,853,958	-	1,142,103
100-88-844	Traffic Engineering	-	1,539,854	-	1,539,854
100-88-845	Traffic Signal Maintenance	11,027	697,556	-	686,529
100-88-846	Safe Routes 2 School	90,000	869,179	-	779,179
<b>TOTAL DEPARTMENTAL</b>		<b>\$ 23,769,501</b>	<b>\$ 82,668,932</b>	<b>\$ -</b>	<b>\$ 58,899,431</b>
100-90-001	No Department	66,034,967	7,372,862	-	(58,662,105)
<b>TOTAL NON-DEPARTMENTAL</b>		<b>\$ 66,034,967</b>	<b>\$ 7,372,862</b>	<b>\$ -</b>	<b>\$ (58,662,105)</b>
<b>CHANGE IN FUND BALANCE</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ (237,326)</b>	<b>\$ (237,326)</b>
<b>TOTAL GENERAL FUND</b>		<b>\$ 89,804,468</b>	<b>\$ 90,041,794</b>	<b>\$ (237,326)</b>	<b>\$ -</b>

**SPECIAL REVENUE FUNDS**

210-90-001	No Department	11,000	-	11,000	-
215-90-001	No Department	143,604	-	143,604	-
230-81-802	Non Point Source	1,885,000	1,482,747	402,253	-
230-81-853	Storm Drain Fee	-	-	-	-
230-81-854	General Fund Subsidy	-	-	-	-
230-81-855	Storm Drain Maintenance	-	429,726	(429,726)	-
230-90-001	No Department	10,000	-	289,000	279,000
260-72-707	CDBG General Admin	38,131	185,643	(147,512)	-
260-72-709	CDBG Capital/Housing Projects	159,650	460,487	(300,837)	-
260-72-710	CDBG Public Service Grants	28,600	55,028	(26,428)	-
260-90-001	No Department	13,000	-	13,000	-
265-72-711	BMR Affordable Housing Fund	4,532,926	722,539	3,810,387	-
265-90-001	No Department	125,000	-	125,000	-
270-85-820	Sidewalk Curb and Gutter	15,000	1,323,980	(1,308,980)	-
270-85-821	Street Pavement Maintenance	3,393,531	4,465,079	(1,071,548)	-
270-85-822	Street Sign Marking	-	722,319	(722,319)	-
270-90-001	No Department	2,101,253	-	3,601,253	1,500,000
270-99-270	Bollinger Rd Corridor Design	425,600	532,000	-	106,400
270-99-271	Rdway Safety Improvements - HSIP	3,205,620	3,561,800	-	356,180
271-90-001	No Department	20,000	-	20,000	-
280-90-001	No Department	478,000	-	478,000	-
281-90-001	No Department	2,000	15,000	(13,000)	-
<b>TOTAL SPECIAL REVENUE FUNDS</b>		<b>\$ 16,587,915</b>	<b>\$ 13,956,348</b>	<b>\$ 4,873,147</b>	<b>\$ 2,241,580</b>

**DEBT SERVICE FUNDS**

365-90-001	No Department	-	-	2,676,200	2,676,200
365-90-500	Facility Lease	-	2,676,200	(2,676,200)	-
<b>TOTAL DEBT SERVICE FUNDS</b>		<b>\$ -</b>	<b>\$ 2,676,200</b>	<b>\$ -</b>	<b>\$ 2,676,200</b>

**CAPITAL PROJECTS FUNDS**

420-99-007	ADA Improvements	-	100,000	-	100,000
420-99-047	CIP Prelim Planning & Design	-	125,000	(125,000)	-
420-99-048	Capital Project Support	-	50,000	(50,000)	-
420-99-056	St Light Install - Annual Infill	-	35,000	-	35,000
420-99-085	Playground EQ (Creekside&Varian)	-	300,000	-	300,000

Fund Type/Budget Unit	Description	Adopted Budget Revenues	Adopted Budget Expenditures	Adopted Budget Change in Fund Balance/Net Position	Adopted Budget General Fund Contribution
420-99-272	EVCS Expansion - Service Center	-	560,000	-	560,000
420-99-273	McClellan Rd Bridge Replacement	5,850,000	5,850,000	-	-
420-99-274	PV Systems Design & Installation	-	6,300,000	-	6,300,000
420-99-275	Vai Avenue Outfall	-	490,000	-	490,000
429-90-001	No Department	-	8,247,580	(8,247,580)	-
<b>TOTAL CAPITAL PROJECTS FUNDS</b>		<b>\$ 5,850,000</b>	<b>\$ 22,057,580</b>	<b>\$ (8,422,580)</b>	<b>\$ 7,785,000</b>
<b>ENTERPRISE FUNDS</b>					
520-81-801	Resources Recovery	1,659,000	3,222,990	(1,563,990)	-
520-90-001	No Department	125,000	-	125,000	-
560-63-616	BBF Golf Course	688,000	566,423	121,577	-
560-87-260	BBF Golf Maintenance	-	121,007	(121,007)	-
560-84-268	Golf Grounds Maintenance	-	355,187	(355,187)	-
560-90-001	No Department	23,000	-	136,000	113,000
570-63-621	Sports Center Operation	1,445,000	1,659,888	(214,888)	-
570-87-836	Bldg Maint Sports Center	-	787,112	(787,112)	-
570-90-001	No Department	31,000	-	432,000	401,000
580-62-613	Youth Teen Recreation	1,155,500	1,592,949	(437,449)	-
580-63-620	Outdoor Recreation	886,000	965,666	(79,666)	-
580-90-001	No Department	82,000	-	82,000	-
<b>TOTAL ENTERPRISE FUNDS</b>		<b>\$ 6,094,500</b>	<b>\$ 9,271,222</b>	<b>\$ (2,662,722)</b>	<b>\$ 514,000</b>
<b>INTERNAL SERVICE FUNDS</b>					
610-30-300	Administration	191,672	77,806	113,866	-
610-34-310	Infrastructure	1,745,011	2,079,379	(137,368)	197,000
610-35-986	GIS	1,424,495	1,443,249	(18,754)	-
610-90-001	No Department	77,000	-	77,000	-
620-44-418	Workers Compensation Insurance	468,984	571,410	(102,426)	-
620-90-001	No Department	90,000	-	90,000	-
630-85-849	Equipment Maintenance	1,356,136	1,565,283	(209,147)	-
630-90-001	No Department	29,000	-	29,000	-
630-90-985	Fixed Assets Acquisition	-	459,111	(459,111)	-
641-44-419	Long Term Disability	-	110,329	(110,329)	-
641-44-420	Compensated Absence	-	727,737	(136,737)	591,000
641-90-001	No Department	22,000	-	22,000	-
642-44-414	HR Retiree Benefits	-	1,609,045	(16,647)	1,592,398
<b>TOTAL INTERNAL SERVICE FUNDS</b>		<b>\$ 5,404,298</b>	<b>\$ 8,643,349</b>	<b>\$ (858,653)</b>	<b>\$ 2,380,398</b>
<b>TOTAL ALL FUNDS</b>		<b>\$ 123,741,181</b>	<b>\$ 146,646,493</b>	<b>\$ (7,308,134)</b>	<b>\$ 15,597,178</b>

# General Fund Summary

The General Fund is the City's main operating fund, responsible for providing essential services such as law enforcement, public works, community development, park maintenance, code enforcement, and administrative support. It is funded by discretionary sources such as property tax, sales tax, transient occupancy tax, and utility tax. The General Fund is typically reserved for operations that lack other dedicated funding sources, while operations such as street maintenance, solid waste collection, and recreation are funded from other sources, detailed in the All Funds Summary section of this document.

For FY 2024-25, General Fund revenues are estimated to be \$89.8 million, reflecting a \$9.5 million or 11.9% increase from the previous year's Adopted Budget. General Fund expenditures are estimated to be \$90.0 million, a \$3.9 million or 4.6% increase from the previous year's Adopted Budget. Since revenues are slightly short of expenditures, the estimated use of fund balance is \$0.2 million. The budget is just short of balancing and staff recommends using unassigned fund balance to fill the small gap in funding this year. The General Fund's ending fund balance is projected to be \$149.9 million.

GENERAL FUND OPERATING SUMMARY					
	2021-22	2022-23	2023-24	2024-25	Percent
	Actual	Actual	Adopted	Adopted	Change
<b>Beginning Fund Balance</b>	\$ 96,850,790	\$ 110,169,541	\$ 113,496,269	\$ 150,056,723	32.2%
Operating Revenues	110,030,148	112,596,103	80,281,229	89,804,468	11.9%
Operating Expenditures	96,711,396	83,937,913	86,062,998	90,041,794	4.6%
<b>Net Revenues - Expenditures</b>	\$ 13,318,751	\$ 28,658,191	\$ (5,781,769)	\$ (237,326)	-95.9%
Unassigned	51,804,288	73,864,369	48,332,873	22,830,029	-52.8%
All Other Classifications	58,365,253	64,963,363	56,319,373	127,113,373	125.7%
<b>Total Ending Fund Balance</b>	\$ 110,169,541	\$ 138,827,732	\$ 104,652,246	\$ 149,943,402	43.3%

# General Fund Revenues

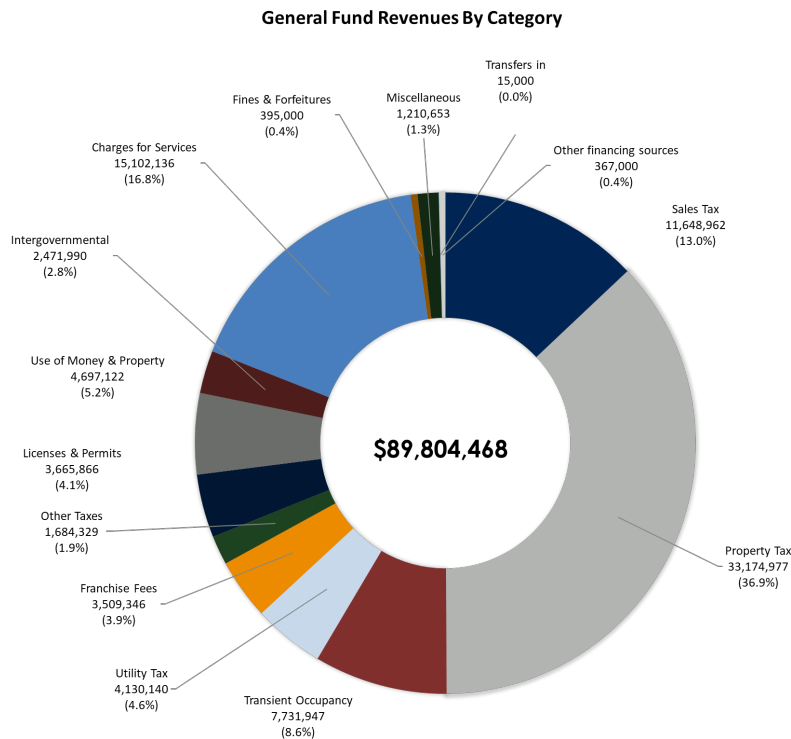
FY 2024-25 General Fund revenue sources have been carefully evaluated by considering collection history, seasonal patterns, and economic performance. These estimates are based on projected increases or decreases in activity and receipts in the upcoming year. It is important to note that each revenue source can be affected by external or internal factors beyond the City's control.

As shown in the chart below, FY 2024-25 revenues are estimated at \$89.8 million, a \$9.5 million or 11.9% increase from the FY 2023-24 Adopted Budget. This increase is primarily due to an increase in Charges for Services related to Cost Allocation expenses, an increase in Other Service Fees related to the City's community shuttle program revenue, and an increase in the City's investment earnings. These revenue categories will be discussed in greater detail in the following sections.

GENERAL FUND REVENUE SUMMARY					
REVENUES	2021-22 Actuals	2022-23 Actuals	2023-24 Adopted	2024-25 Adopted	Percent Change
Sales Tax	42,175,218	34,819,341	11,428,930	11,648,962	1.9%
Property Tax	29,724,411	31,889,638	31,736,834	33,174,977	4.5%
Transient Occupancy	4,404,958	7,062,150	7,500,000	7,731,947	3.1%
Utility Tax	3,356,389	4,103,906	3,304,742	4,130,140	25.0%
Franchise Fees	3,479,555	3,995,018	3,443,574	3,509,346	1.9%
Other Taxes	1,905,393	1,471,789	1,641,486	1,684,329	2.6%
Licenses & Permits	4,141,902	4,093,631	4,265,081	3,665,866	-14.0%
Use of Money & Property	-5,341,211	3,005,895	2,328,336	4,697,122	101.7%
Intergovernmental	4,417,903	7,771,411	807,624	2,471,990	206.1%
Charges for Services	14,299,032	11,639,763	11,894,786	15,102,136	27.0%
Fines & Forfeitures	370,160	303,573	405,000	395,000	-2.5%
Miscellaneous	1,940,935	1,306,454	1,142,836	1,210,653	5.9%
Transfers in	4,862,387	861,140	15,000	15,000	0.0%
Other financing sources	293,116	272,396	367,000	367,000	0.0%
<b>TOTAL REVENUES \$</b>	<b>110,030,148</b>	<b>\$ 112,596,103</b>	<b>\$ 80,281,229</b>	<b>\$ 89,804,468</b>	<b>11.9%</b>

The majority of Cupertino's General Fund operating revenues are generated by property taxes (37%), charges for services (17%), sales taxes (13%), and transient occupancy taxes (9%). The chart below illustrates the sources of General Fund revenue by category.





The FY 2024-25 General Fund revenue estimates are discussed by category below.

### Sales Tax

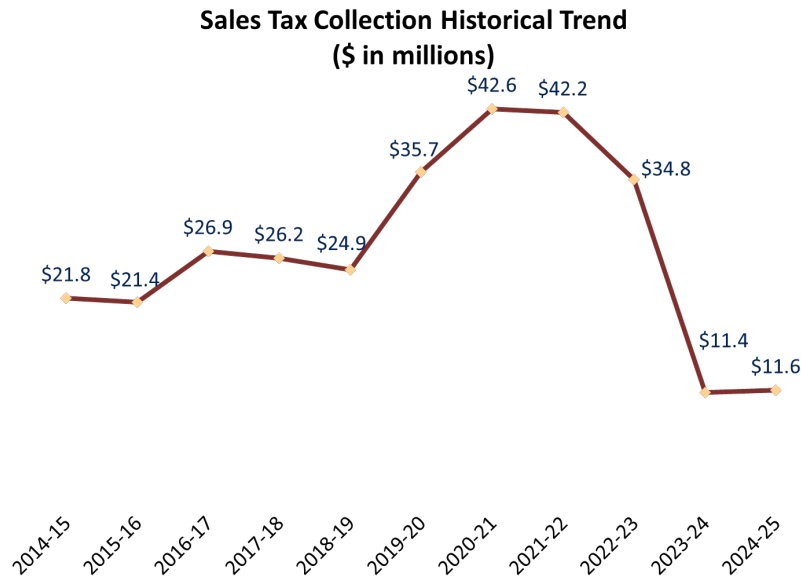
Sales and Use Tax, commonly known as the "sales tax," consists of two components: an excise tax levied on retailers for selling tangible personal property, and an excise tax applied to purchases from out-of-state vendors that are not required to collect tax on their sales. The revenue generated from sales and use taxes collected within Cupertino's boundaries is allocated by the State to various agencies, with the City receiving one percent, as depicted in the chart to the right. The City considered the ¼ cent sales tax revenue source imposed on local governments. However, the City decided not to proceed with this item for the 2024 election due to unknown conflicting proposals.

Agency	Sales Tax Distribution
State	6.000%
VTA	1.125%
City of Cupertino	1.000%
County General Purpose	0.750%
County Transportation	0.250%
<b>Total:</b>	<b>9.125%</b>

The City's sales tax revenue comes from five primary economic categories: business-to-business (including electronic equipment and software manufacturers and distributors), state and county pools, restaurants and hotels, general consumer goods, and fuel and service stations and other. The California Department of Tax and Fee Administration (CDTFA) manages the collection and administration of sales and use taxes, which is a significant source of revenue for the state and local governments. Businesses are required to register for a sales tax permit and collect taxes from their customers, and the collected taxes are then remitted to the CDTFA for distribution to the relevant local governments. In addition, the CDTFA conducts audits to ensure tax compliance by businesses. The City receives a portion of the sales tax revenue generated within its boundaries, which funds a wide range of City services and programs.

In December 2021, the CDTFA informed the City of an audit that would be conducted on one of its taxpayers. The City was verbally informed in March 2023 of the CDTFA's preliminary determination that tax dollars had been misallocated to the City, and potential impacts on City funds were provided. The CDTFA is expected to provide the City with a formal letter in the next four to six months, including the final results of the audit and the actual amount of money lost.

Following discussions with the affected taxpayer and the CDTFA, an updated forecast was presented to the Council on April 13, 2023. The impact was estimated to be a 73% decline in sales tax revenue, equating to an ongoing \$30 million decrease. This shifted the City's financial outlook from a surplus to a structural deficit, where ongoing expenses exceed revenue. In particular, sales tax revenues are anticipated to amount to \$11.4 million in FY 2023-24, marking a decline of 67% from FY 2022-23 actuals.



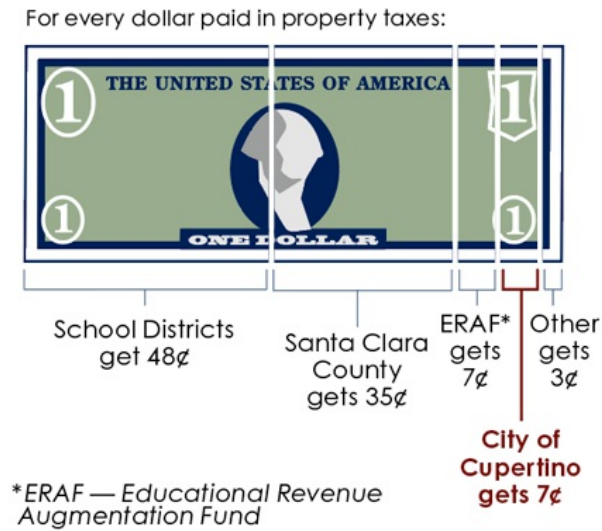
SALES & USE TAX	
FY 22-23 Actual	34,819,341
FY 23-24 Adopted	11,428,930
FY 23-24 Estimate	11,428,930
FY 24-25 Adopted	11,648,962
% of General Fund	12.97%
% Change from FY 23-24 Adopted	1.93%

**Property Tax**

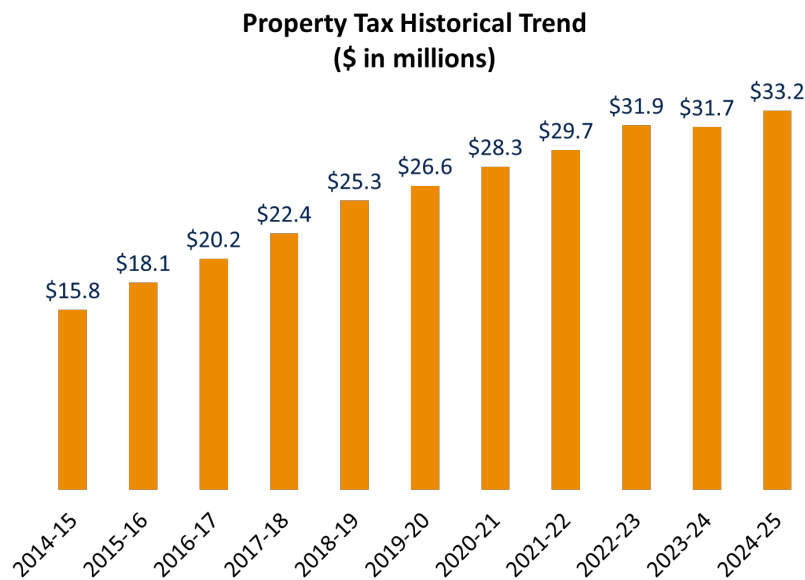
Under current law, property is assessed at actual full cash value, with the maximum levy being 1% of the assessed valuation. The assessed value of real property that has not changed ownership can be adjusted by the change in the California Consumer Price Index (CCPI) up to a maximum of 2% per year. Property that changes ownership, property that is substantially altered, newly-constructed property, State-assessed property, and personal property are assessed at the full market value in the first year and subject to the two percent cap thereafter.

In 1978, voters approved the passage of Proposition 13, which froze property tax rates and limited the amount that rates could increase each year. Cupertino had one of the lowest property tax rates in Santa Clara County, receiving only \$0.02 for every \$1.00 paid. Subsequent legislation required Counties to provide "no/low tax" cities with a Tax Equity Allocation (TEA) equal to 7% of the property tax share. However, the property tax

distribution for the no/low tax cities in Santa Clara County was limited to 55% of what other TEA cities in the State received.



In FY 2006-07, West Valley cities won the passage of State legislation which restored a portion of TEA property tax revenue. This TEA change provided an additional \$1.35 million in property tax annually and increased the City's share of property taxes to 5.6%. In conjunction with three other West Valley cities, Cupertino continued legislative efforts to gain parity with other no/low property tax cities in the State. In FY 2015-16, Governor Brown agreed to restore TEA revenues over a five-year period. In FY 2019-20 TEA was fully restored, and Cupertino kept approximately 7.0% of property tax revenues in FY 2019-20 compared to 6.72% in FY 2018-19. Additionally, the Educational Revenue Augmentation Fund (ERAF), enacted in July of 1992 by the State Legislature to shift local tax revenues from cities, counties, and special districts to a State control ERAF, absorbs the shift-back of the TEA.



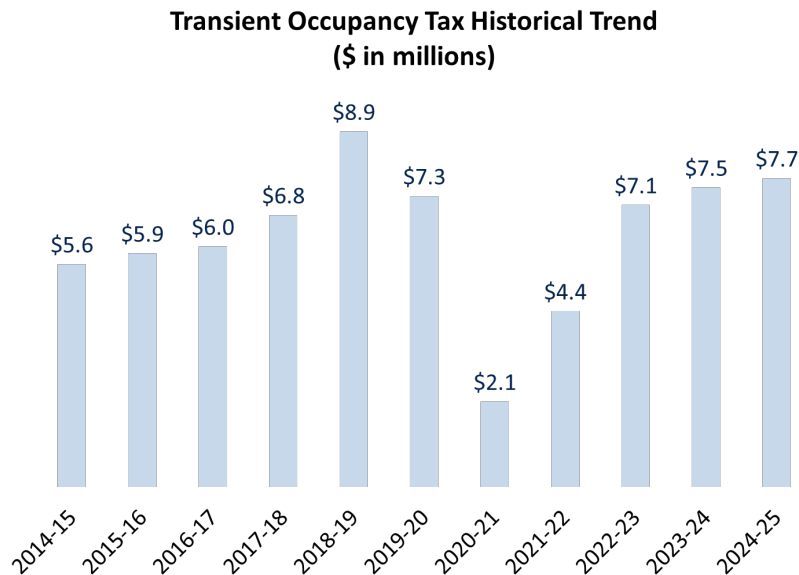
PROPERTY TAX	
FY 22-23 Actual	31,889,638
FY 23-24 Adopted	31,736,834
FY 23-24 Estimate	31,736,834
FY 24-25 Adopted	33,174,977
% of General Fund	36.94%
% Change from FY 23-24 Adopted	4.53%

The City experienced a net taxable value increase of 4.6% for the FY 2023-24 tax roll. The bulk of the increase was due to increases in residential properties by \$1.3 billion, or 6.8%. This category makes up 62.4% of the net taxable value. Unsecured property tax increased by \$76 million, or 7.1%. This category makes up 3.5% of the net taxable value. Lastly, commercial property values decreased by \$91.5 million, or 1%. This category makes up 28.3% of the net taxable value.

The FY 2024-25 Property Tax revenue estimate is based on 2023-24 values and estimated changes according to HdL, the City's property tax consultant. HdL also provides insight into real estate trends for calendar year 2023, the year that influences the 2024-25 property values enrolled. In this calendar year, there were continued interest rate increases and a continuation of the downturn in the real estate cycle when interest rate increases were implemented to slow the rate of inflation. Throughout the 2023 calendar year, the number of properties offered for sale in comparison to those offered in 2022 trend down by 25%-30%. Homes are sold for more than the currently taxed value but the differential between the assessor's enrolled value for taxation the prior year and the sale price paid in the 2023 calendar year is not as high as it has historically been for the past 3-year period.

### Transient Occupancy Taxes

Transient occupancy taxes (TOT) are levied on hotels and short-term room rentals located in the City at 12% of room revenues. In November 2011, 83% of voters approved increasing the rate from 10% to 12%. This rate increase contributed to the upward trend shown in the TOT Historical Trend graph.



TOT is budgeted to end FY 2023-24 at \$7.5 million, a 6.2% increase from FY 2022-23 actuals. The anticipated increase is due to increased travel and the return of employees to their places of work. An increase to \$7.7 million is anticipated in FY 2024-25, a 3.1% increase from the FY 2023-24 Adopted Budget. Historical growth in TOT revenues is due to new hotels. Since 2015, the following hotels have been added to the City: Marriott at Main Street and Hyatt House at Vallco. Staff will continue to monitor this revenue source and bring forward adjustments and recommendations as necessary.

TRANSIENT OCCUPANCY TAX	
FY 22-23 Actual	7,062,150
FY 23-24 Adopted	7,500,000
FY 23-24 Estimate	7,500,000
FY 24-25 Adopted	7,731,947
% of General Fund	8.61%
% Change from FY 23-24 Adopted	3.09%

### Utility Tax

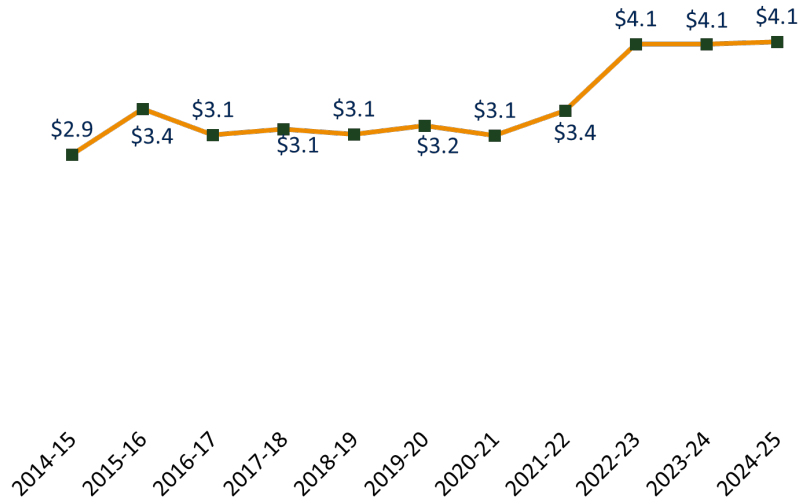
The utility user tax (UUT), approved by voters in 1990, is assessed on gas, electricity, and telecommunication services provided within the City's jurisdiction at a rate of 2.4% of billed charges. Revenues generated from this tax can be used for general City purposes.

Utility User Tax Comparison				
	Gas/Electric	Cable	Water	Telecom
Sunnyvale	2.0%	-	-	2.0%
Cupertino	2.4%	-	-	2.4%
Mountain View	3.0%	-	-	3.0%
Los Altos	3.5%	3.2%	3.5%	3.2%
Palo Alto	5.0%	-	5.0%	4.8%
Gilroy	5.0%	5.0%	-	5.0%
San Jose	5.0%	-	5.0%	4.5%

The City's tax rate is generally lower than that of other cities within Santa Clara County, as shown in the chart above. In March 2002, voters approved extending the utility tax's sunset date from 2015 to 2030. This extension corresponded with the extended debt maturity date resulting from the refinancing of debt for capital improvement projects. To maintain tax revenues received from telecom services, voters passed a measure in 2009 to update the ordinance to the changing technology in this area.

In FY 2024-25, budgeted revenues are expected to increase 25.0% to \$4.1 million compared to the FY 2023-24 Adopted Budget. This is primarily driven by a rate increase for Silicon Valley Clean Energy. This revenue source will be monitored closely as the fiscal year progresses.

**Utility Tax Historical Trend  
(\$ in millions)**

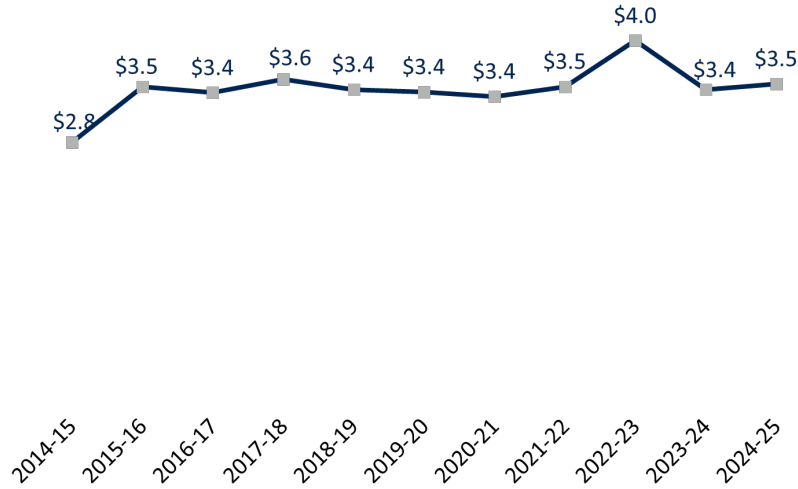


UTILITY TAX	
FY 22-23 Actual	4,103,906
FY 23-24 Adopted	3,304,742
FY 23-24 Estimate	4,100,000
FY 24-25 Adopted	4,130,140
% of General Fund	4.60%
% Change from FY 23-24 Adopted	24.98%

**Franchise Fees**

Franchise fees are received from cable, solid waste, water, gas, and electricity franchisees that operate in the City. The fees range from 1% to 12% of the franchisee's gross revenues, depending on each agreement. As shown in the graph below, these revenues are relatively steady and not sensitive to economic fluctuations, aside from a spike in revenue in FY 2022-23. This revenue spike is related to a combination of the new franchise agreement with associated rate increases plus the demolition of the Oaks shopping center, which increased the usage of Recology debris boxes.

**Franchise Fee Collection Historical Trend  
(\$ in million)**

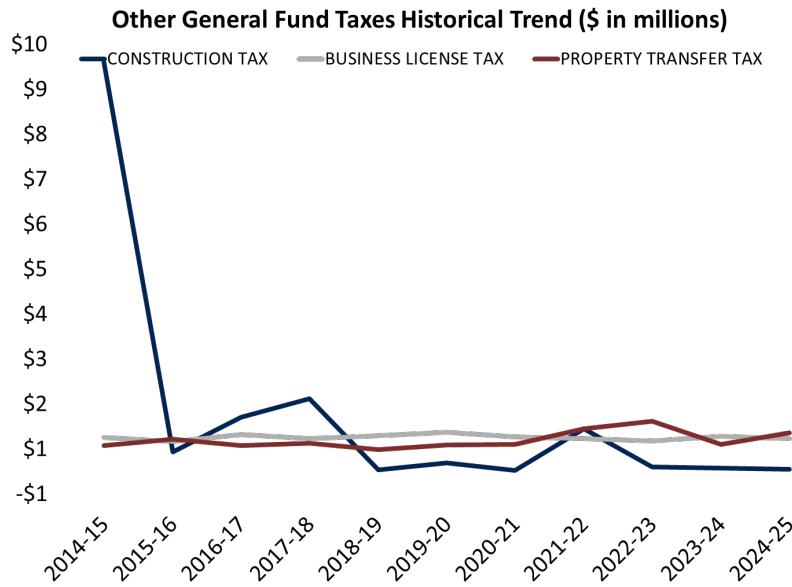


FRANCHISE FEES	
FY 22-23 Actual	3,995,018
FY 23-24 Adopted	3,443,574
FY 23-24 Estimate	3,443,574
FY 24-25 Adopted	3,509,346
% of General Fund	3.91%
% Change from FY 23-24 Adopted	1.91%

The FY 2023-24 estimated franchise fee revenues are trending down 13.8% from FY 2022-23 actuals primarily due to a decrease in rates and/or usage for solid waste, electricity, and water, offset by an increase in cable and telecommunication rates and/or usage. In FY 2024-25, budgeted revenues are expected to increase approximately 1.9% from the prior year adopted budget. This revenue source will be monitored closely as the fiscal year progresses.

**Other Taxes**

Other taxes are comprised mainly of business license taxes, construction taxes, and property transfer taxes. As shown in the graph, business license and property transfer taxes are relatively steady, while construction taxes are extremely volatile and sensitive to economic fluctuations.



OTHER TAXES	
FY 22-23 Actual	1,471,789
FY 23-24 Adopted	1,641,486
FY 23-24 Estimate	1,641,486
FY 24-25 Adopted	1,684,329
% of General Fund	1.88%
% Change from FY 23-24 Adopted	2.61%

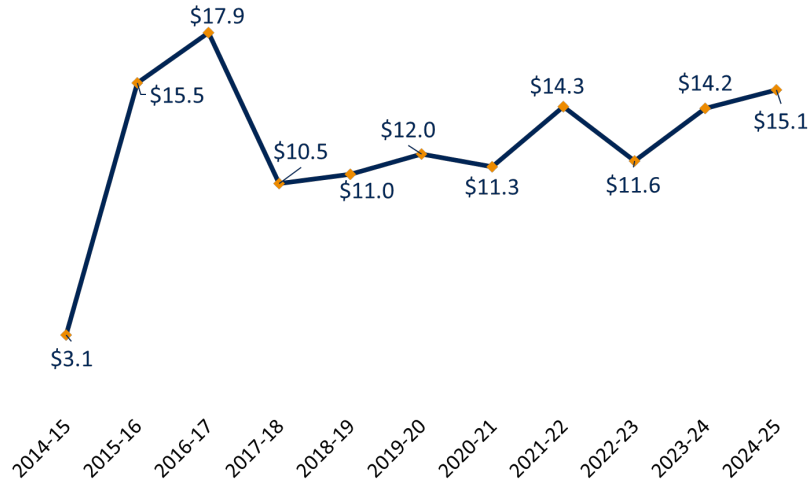
With the influx of several major construction projects beginning in 2012, revenues began increasing. The largest of the projects included the Apple Park and Main Street developments. These projects, coupled with a strong housing recovery, created a record year for revenues in FY 2013-14. These revenues have since returned to historic levels. In FY 2024-25, these revenues are expected to increase 2.6% from the prior year adopted budget. The projected increase is based on a 3-year historical trend of actuals for property tax transfers. According to HdL, for FY 2024-25, the projected increase from known 2023 transfers within the non-Successor Agency areas of City is used to estimate value growth, with possible adjustments for Prop 8 appeals activity on transferred parcels. For this scenario, the estimated growth from transfers in FY 2025-26 matches the percentage of real value in FY 2024-25. For FY 2026-27 and later, growth is based on the historical average rate of real property growth due to properties that have transferred ownership.

**Charges for Services**

Charges for Services account for charges to users of City services funded by the General Fund as well as internal City-wide overhead. The City attempts to recover the cost of the services, including planning, zoning, and engineering permit processing for new property development, as well as some recreation-related fees. As such, this revenue source is sensitive to economic fluctuations, as shown in the graph below.



**Charges for Services Historical Trend  
(\$ in millions)**



Apple Park and other large developments generated large one-time revenues in FY 2013-14 as well as FY 2015-16 and FY 2016-17. In addition, beginning in FY 2013-14, enterprise funds, internal service funds, and special funds began charging for overhead services previously subsidized by the General Fund. Some internal strategic support services (Human Resources, Finance, City Clerk, etc.) also began charging internal departments to capture the true cost of providing various programs and services within City operations. After a comprehensive Cost Allocation Plan was approved by Council in April 2016, internal strategic support services (City Council, Facilities, Maintenance, etc.) were included. In FY 2015-16, the City's administration changed its methodology for tracking developer deposits driven by increased developer activity, and, as a result, both budgets for revenues and expenses were increased by anticipated deposit amounts leading to another large increase in revenue.

CHARGES FOR SERVICES	
FY 22-23 Actual	11,639,763
FY 23-24 Adopted	11,894,786
FY 23-24 Estimate	14,207,507
FY 24-25 Adopted	15,102,136
% of General Fund	16.82%
% Change from FY 23-24 Adopted	26.96%

In FY 2023-24, estimated revenues are expected to come in roughly \$2.3 million higher compared to budgeted levels due to the Vallco Town Center (renamed the Rise) and its scheduled commencement in FY 2023-24, in which the applicant received approval of value-engineered and modified plans. Revenues are carried forward until project completion.

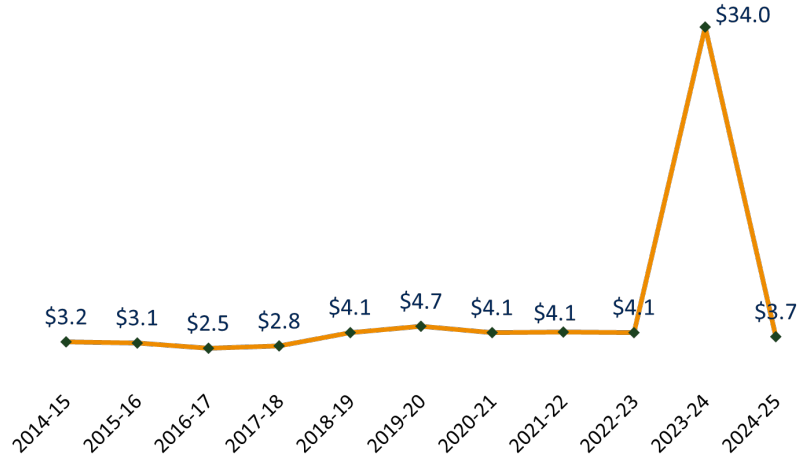
FY 2024-25 revenues are projected to be 27% higher than the prior year adopted budget due. This projected increase is also due to an increase in Cost Allocation expenses, in which Matrix Consulting Group updated the Cost Allocation Plan (CAP) based on a CAP study performed in 2023. Other contributing factors are an increase in Other Service Fees related to the City's community shuttle program revenue and a new technology fee.

**Licenses and Permits**

Licenses and permits include fees for reviewing building plans, building inspections, construction, tenant

improvements, and commercial/residential installations for compliance with state and municipal building codes.

**Licenses & Permits Historical Trend**  
(\$ in millions)



Apple Park and large residential projects (Rosebowl, Biltmore expansion, Main Street) generated significant permitting revenues in FY 2013-14 (not shown in the trend chart above). Since then, activity has slowed until FY 2018-19, when revenues came in 48.8% higher. Although this revenue source is relatively consistent from year to year, fluctuations may occur depending on the timing of projects being completed. The \$34 million estimated amount in FY 2023-24 is due to plan check fee revenues anticipated to be recognized for Vallco Town Center (renamed The Rise). In FY 2024-25, revenues are budgeted at \$3.7 million, a slight decrease from the prior year adopted budget.

LICENSES AND PERMITS	
FY 22-23 Actual	4,093,631
FY 23-24 Adopted	4,265,081
FY 23-24 Estimate	34,012,361
FY 24-25 Adopted	3,665,866
% of General Fund	4.08%
% Change from FY 23-24 Adopted	-14.05%

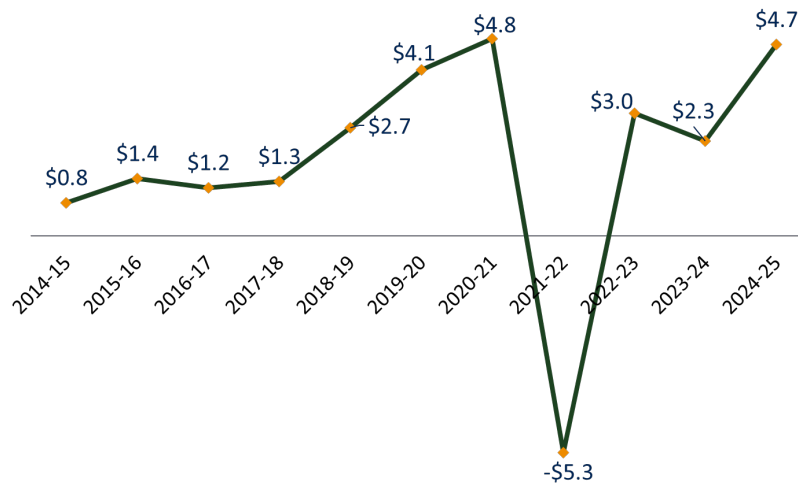
**Use of Money and Property**

The use of money and property category is comprised of General Fund interest earnings as well as facility and concession rental income of City-owned property. As of March 31, 2024, the City's portfolio included \$67.0 million invested with the Local Agency Investment Fund (LAIF) and \$149.6 million invested with Chandler Asset Management. As of March 31, 2023, the City also had \$19.1 million in its Section 115 Pension Trust, which is restricted for pension costs.

Fluctuations in this revenue category are a result of investment earnings, as rental income is fairly steady. Investment earnings were higher in FY 2019-20 and FY 2020-21 due to investment gains in the City's Section 115 Pension Trust. Investment earnings fell in FY 2021-22 due to mark-to-market adjustments to account for unrealized losses in the City's portfolio.

The portfolio's market value fluctuates depending on interest rates. When interest rates decrease after an investment is purchased, the market value of the investment increases. In contrast, when interest rates increase after an investment is purchased, the market value of the investment decreases. At the time of purchase, the City intends to hold all investments until maturity, meaning that changes in market value will not impact the City's investment principal. If the market value decreases, the City will incur an unrealized loss. However, the loss will only be realized if the City sells its investments before their maturity.

**Use of Money and Property Historical Trend  
(\$ in millions)**



USE OF MONEY AND PROPERTY	
FY 22-23 Actual	3,005,895
FY 23-24 Adopted	2,328,336
FY 23-24 Estimate	2,328,336
FY 24-25 Adopted	4,697,122
% of General Fund	5.23%
% Change from FY 23-24 Adopted	101.74%

Investment earnings are a function of the amount of cash available for investment, current interest rates, and the composition of investments. The City's investment objectives, in order of priority, are:

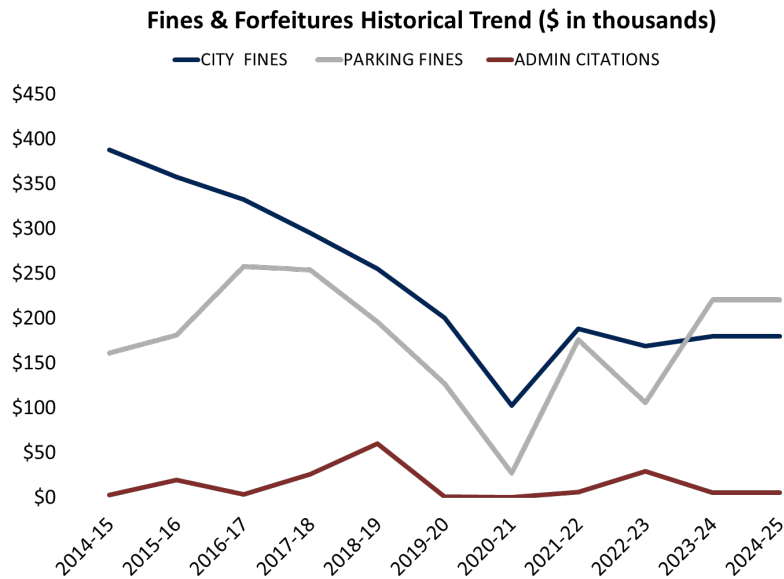
- Safety to ensure the preservation of capital
- Sufficient liquidity for cash needs
- A market rate of return consistent with the investment program

City staff will continue to monitor interest rates as well as economic factors in both the local as well as national economies. The \$4.7 million budget is based on estimated interest earnings for FY 2024-25, which marks a departure from the City's previous more conservative approach to budgeting interest earnings. City staff collaborated with the City's investment advisor, Chandler Asset Management, to estimate interest earnings for FY 2024-25.

**Fines and Forfeitures**

Fines and forfeitures account for revenues generated from vehicle, parking, and miscellaneous code violations issued by the County Sheriff and the City's Code Enforcement officers. Revenues in this category dropped significantly in FY 2020-21 due to pandemic related restrictions and have increased over the next few years as

society continued to rebound from the pandemic. In FY 2023-24, this revenue source is expected to reach \$405,000. Revenues in FY 2024-25 are expected to slightly decrease 2.4% from the prior year adopted budget.



<b>FINES AND FORFEITURES</b>	
FY 22-23 Actual	303,573
FY 23-24 Adopted	405,000
FY 23-24 Estimate	405,000
FY 24-25 Adopted	395,000
% of General Fund	0.44%
% Change from FY 23-24 Adopted	-2.47%

**Intergovernmental**

Intergovernmental revenues are made up of federal, state, and regional grants, including miscellaneous intergovernmental revenue.

<b>INTERGOVERNMENTAL</b>	
FY 22-23 Actual	7,771,411
FY 23-24 Adopted	807,624
FY 23-24 Estimate	1,571,820
FY 24-25 Adopted	2,471,990
% of General Fund	2.75%
% Change from FY 23-24 Adopted	206.08%

FY 2023-24 actuals are estimated to come in higher than budgeted levels due to the anticipated receipt of state grant revenues and other local revenues. FY 2024-25 revenues in this category are anticipated to be 206% higher than the prior year Adopted Budget due to an anticipated increase in grant revenues received, primarily due to a grant for the community shuttle.

**Miscellaneous Revenue**

Miscellaneous revenues account for unanticipated revenues such as donations and administrative fees.

MISCELLANEOUS REVENUE	
FY 22-23 Actual	1,306,454
FY 23-24 Adopted	1,142,836
FY 23-24 Estimate	1,160,642
FY 24-25 Adopted	1,210,653
% of General Fund	1.35%
% Change from FY 23-24 Adopted	5.93%

FY 2024-25 miscellaneous revenues are budgeted 5.9% higher than the prior year adopted budget. The majority of the General Fund's miscellaneous revenues are due to Sheriff services from Apple for Law Enforcement services at Apple Park.

#### Other Financing Sources

Other Financing Sources generally account for refundable deposit revenues within the Community Development Department. With significant fluctuations, year-over-year, staff conservatively estimate these revenues. In FY 2024-25, revenues are projected to be relatively consistent with the prior year adopted budget.

OTHER FINANCING SOURCES	
FY 22-23 Actual	272,396
FY 23-24 Adopted	367,000
FY 23-24 Estimate	483,779
FY 24-25 Adopted	367,000
% of General Fund	0.41%
% Change from FY 23-24 Adopted	0.00%

#### Transfers In

Transfers In represent the movement of funds from one City fund to another, the General Fund in this case.

TRANSFERS IN	
FY 22-23 Actual	861,140
FY 23-24 Adopted	15,000
FY 23-24 Estimate	111,000
FY 24-25 Adopted	15,000
% of General Fund	0.02%
% Change from FY 23-24 Adopted	0.00%

In FY 2022-23, actual transfers were high due to a transfer in from the Capital Reserve for the I-280/Wolfe project. FY 2023-24 is anticipated to come in higher than budgeted levels due to transfers in during the fiscal year for various projects. In FY 2024-25, the City plans to transfer \$15,000 from the City's Tree Fund to the General Fund to support ongoing tree maintenance operations.

# General Fund Expenditures

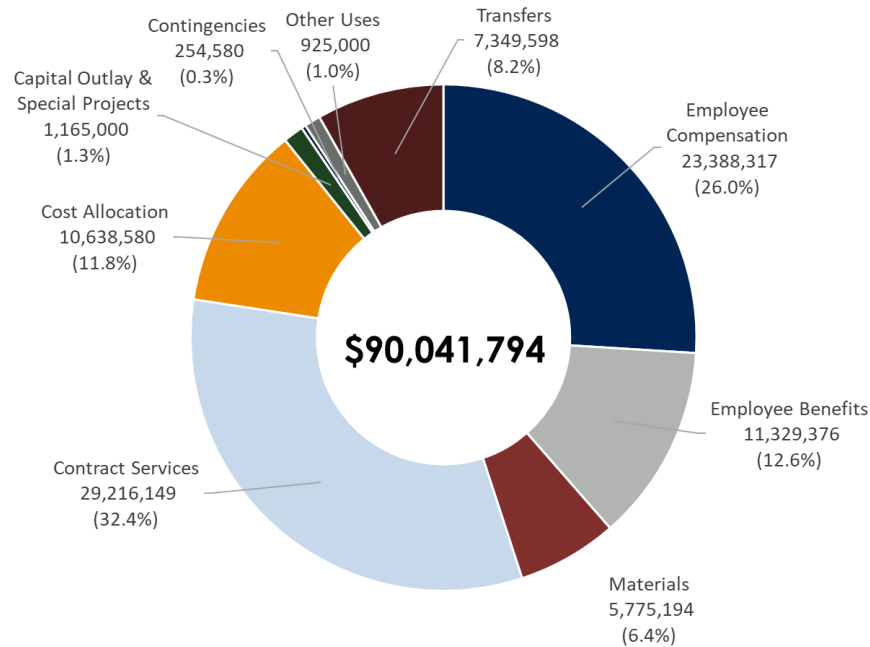
The estimates for FY 2024-25 General Fund expenditures are based on a thorough analysis of anticipated personnel and non-personnel costs. To create a more fiscally responsible budget, department budgets reflect a base budget with only justified ongoing expenses. This accounts for changes in personnel costs as well as any other anticipated or known increased costs in FY 2024-25.

As shown in the chart on the next page, FY 2024-25 expenditures are estimated at \$90.0 million, which represents a 4.6% increase compared to the adopted budget from the prior year. This budget reflects an increase in Contract Services primarily attributed to an increase in a general service agreement for the City's community shuttle program.

GENERAL FUND EXPENDITURE SUMMARY					
EXPENDITURES	2021-22 Actual	2022-23 Actual	2023-24 Adopted	2024-25 Adopted	Percent Change
Employee Compensation	19,749,109	21,760,345	24,781,492	23,388,317	-5.6%
Employee Benefits	9,086,959	8,464,077	11,004,730	11,329,376	3.0%
<b>Total Personnel Costs</b>	<b>28,836,068</b>	<b>30,224,422</b>	<b>35,786,222</b>	<b>34,717,693</b>	<b>-3.0%</b>
Non-Personnel Costs					
Materials	4,875,697	5,507,090	6,395,466	5,775,194	-9.7%
Contract Services	21,340,524	21,845,913	24,813,166	29,216,149	17.7%
Cost Allocation	11,948,062	10,385,961	10,257,656	10,638,580	3.7%
Capital Outlay & Special Projects	2,863,072	3,020,115	1,211,157	1,165,000	-3.8%
Contingencies	5,132	277	216,731	254,580	17.5%
Other Uses	569,977	619,687	925,000	925,000	0.0%
<b>Total Non-Personnel</b>	<b>41,602,464</b>	<b>41,379,044</b>	<b>43,819,176</b>	<b>47,974,503</b>	<b>9.5%</b>
<b>Transfers</b>	<b>26,272,864</b>	<b>12,334,447</b>	<b>6,457,600</b>	<b>7,349,598</b>	<b>13.8%</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 96,711,396</b>	<b>\$ 83,937,913</b>	<b>\$ 86,062,998</b>	<b>\$ 90,041,794</b>	<b>4.6%</b>

The largest General Fund operating expenditure categories include Employee Compensation and Benefits (39%), Contract Services (32%), Cost Allocation (12%), and Transfers (8%) as illustrated in the FY 2024-25 General Fund Expenditures by Category chart.

## General Fund Expenditures by Category



### Service Level Reductions

The table below illustrates service-level reductions made to the FY 2024-25 Budget. This budget was developed by taking the previous year's base budget and incorporating additional ongoing costs, while also adjusting material and contract expenses based on the Consumer Price Index (CPI), where applicable. Community benefit service level reductions were originally proposed at \$463,690. Based on Council direction, only \$123,343 in reductions remain for the 4th of July event, as staff was directed to secure alternate funding for the other items. Staff is working with non-profit and for-profit organizations, but nothing has been finalized to date. A detailed list can be found in the Budget Overview.

Grouping	Reductions
<b>Operations and Maintenance</b>	
Reduce sidewalk, curb, and gutter. Move some Public Works contract services in-house, extending maintenance timelines. Reduce Public Works PT staffing. Shift credit card fees to customers. Remove library extra hours from the base due to available State funding to cover these costs. Various other reductions.	(2,903,446)
<b>Infrastructure</b>	
Reduce funding to CIP of \$2M annually for the first 5 years of the forecast. Will utilize the existing fund balance to cover these costs. Lengthen tree trimming cycle, reduce frequency of median maintenance, shift focus of sidewalk maintenance	(2,947,764)
<b>Fiscal Accountability</b>	
Align law enforcement costs with prior year actual hours. Reduce applications used in the City, extend tech refresh cycles, and remove the new Enterprise Resource Planning (ERP) software from the budget.	(2,750,544)
<b>Community Benefit</b>	
Reduce 4 <sup>th</sup> of July Event, partnerships, City events/outreach, paid events, concerts and movies, select City Work Program projects.	(123,344)
<b>Total</b>	<b>\$(8,725,098)</b>

## Personnel Costs

In FY 2024-25, personnel costs are expected to reach \$34.7 million, accounting for 39% of the General Fund expenditures. These costs include salaries and compensation for benefitted and part-time staff (67%), retirement benefits (19%), and other fringe benefits (13%), such as health coverage.

To obtain these figures, the City extracted data from the payroll system and made necessary updates to account for vacant positions, new hires, salary adjustments, and reallocated positions. Furthermore, the projected costs of benefits for the upcoming year, such as retirement and health plans, were taken into consideration. A transfer to the Retiree Medical Fund for retiree healthcare, which is an ongoing expense, is budgeted in FY 2024-25.

The FY 2024-25 Adopted Budget includes funding for a total of 207 positions, representing a reduction of five positions from the FY 2023-24 Amended Budget. This reduction is due to revenue shortfalls resulting from the California Department of Taxes and Fee Administration (CDTFA) audit. It is important to note that the positions being eliminated are vacant positions that have not been filled for various reasons such as resignation, retirement, or the positions being left unfilled.

Position	Department	Description	FTE
<b>FY 2023-24 Amended Budget</b>			<b>212.00</b>
<b>FY 2024-25 Adopted Budget</b>			
Special Project Executive Limited-Term	Administration	Eliminating Position	-1.00
Public Works Project Manager	Public Works	Eliminating Position	-1.00
Public Works Project Manager	Public Works	Eliminating Position	-1.00
Maintenance Worker I/II	Public Works	Eliminating Position	-1.00
Innovation & Technology Manager	Innovation & Technology	Eliminating Position	-1.00
<b>FY 2024-25 Adopted Budget</b>			<b>207.00</b>

## Non-Personnel

In FY 2024-25, non-personnel costs make up 53% of the total at \$48 million. Contract services are the largest component at 32%, followed by cost allocation charges at 12%, materials at 6%, and capital outlays and special projects at 1%.

One-time projects were separated into a different category in FY 2013-14 to ensure expenditure trends reflect ongoing needs. In FY 2017-18, special projects and capital outlays were categorized separately from other costs.

Non-Personnel budgets were developed based on previous year's base budget and adjusted for the current year's needs. One-time projects were excluded to reflect ongoing expenditure needs. Materials and contract services were adjusted by CPI, where applicable.

### Contingencies

In FY 2013-14, a contingencies expenditure category was added to each program to provide a cushion for any unforeseen expenses. In FY 2020-21, the program contingencies and City Manager Contingency were reduced from 5% to 2.5%. To further reduce expenditures, in FY 2021-22, the City Manager Contingency was reduced to \$75,000. In FY 2022-23, program contingencies was reduced to 1.25%, and the City Manager Contingency was reduced to \$50,000. The City has a track record of underspending in this category. The program contingency budget may be used by departments to cover unanticipated expenses at their discretion, while the City Manager Contingency requires the approval of the City Manager and is reported to the City Council quarterly for transparency and accountability.



## General Fund Transfers

Transfers out represent transfers of monies out of the General Fund to various other funds. These transfers provide resources to the receiving fund to support operating and capital expenditures. Transfers from the General Fund are as follows:

Receiving Fund	Description	FY 2023-24	FY 2024-25
		Adopted Budget	Adopted Budget
Environmental Management Fund	Environmental Management	-	279,000
Transportation Fund	Sidewalk, Curb, and Gutter Maintenance	2,500,000	1,500,000
Debt Service Fund	Annual Debt Payment	2,677,600	2,676,200
Blackberry Farm Fund	Blackberry Farm Golf	-	113,000
Sports Center Fund	Sports Center	-	401,000
Innovation & Technology Fund	IT Infrastructure	900,000	197,000
Compensated Absence/LTD Fund	Compensated Absences	380,000	591,000
Retiree Medical Fund	Retiree Medical	-	1,592,398
<b>TOTAL</b>		<b>\$ 6,457,600</b>	<b>\$ 7,349,598</b>

For descriptions of funds, see Financial Policies: Fund Structure.

## General Fund Fund Balance

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 following:

**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 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. The 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. Only the General Fund reports a positive unassigned fund balance. A governmental fund other than the General Fund may report a negative unassigned fund balance if expenditures incurred for a specific purpose exceed the amounts that are restricted, committed, or assigned to those purposes.

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.

## General Fund Classification of Fund Balance

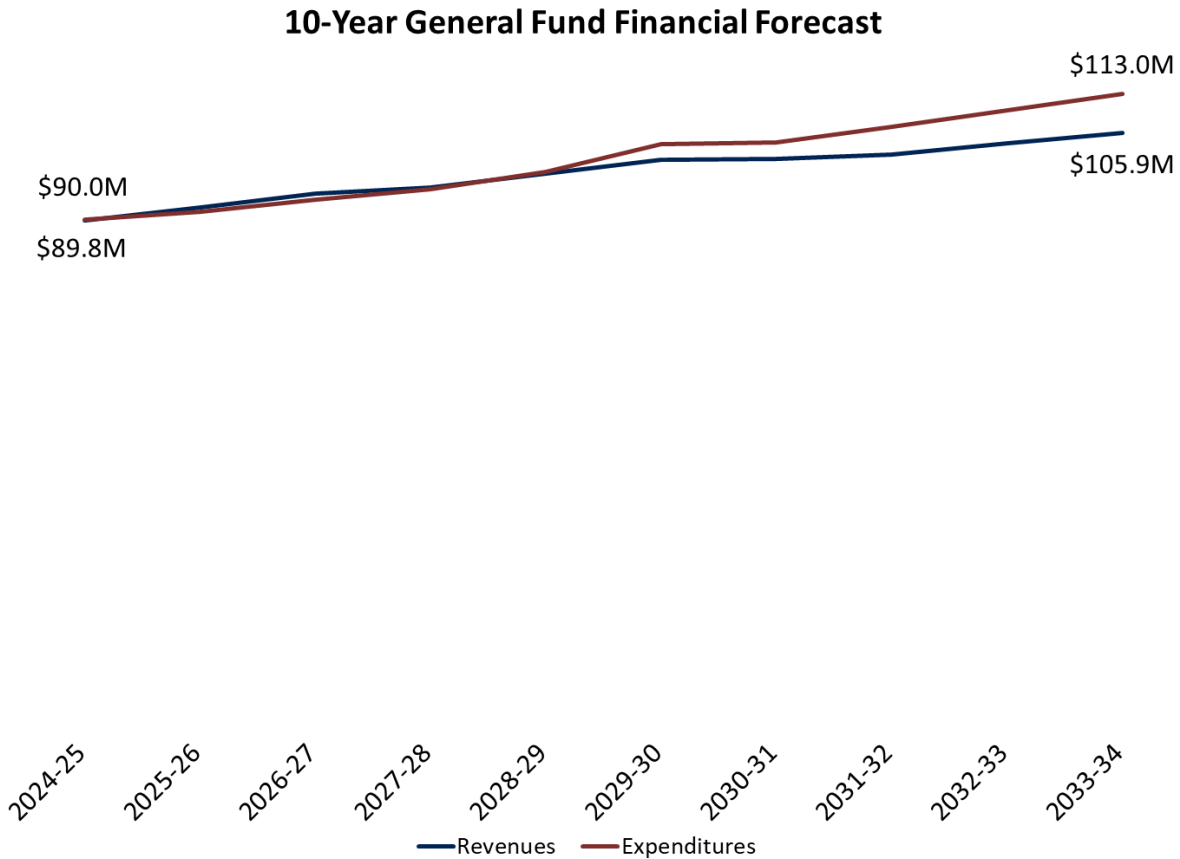
Classification	2021-22 Actual	2022-23 Actual	2023-24 Adopted Budget	2023-24 Year End Projected	2024-25 Adopted Budget
<b><u>Nonspendable</u></b>					
Loans Receivable	439,199	433,896	435,000	433,896	435,000
Advance to Other Funds	-	-	-	-	-
<b>Total Nonspendable</b>	<b>439,199</b>	<b>433,896</b>	<b>435,000</b>	<b>433,896</b>	<b>435,000</b>
<b><u>Restricted</u></b>					
CASp Certification and Training	23,621	12,377	23,621	12,377	12,377
Section 115 Pension Trust	17,240,051	19,088,859	17,240,051	19,088,859	19,088,859
Public Access Television	1,492,810	1,565,153	1,492,810	1,565,153	1,565,153
Public Art In-Lieu	-	-	-	-	-
<b>Total Restricted</b>	<b>18,756,482</b>	<b>20,666,389</b>	<b>18,756,482</b>	<b>20,666,389</b>	<b>20,666,388</b>
<b><u>Committed</u></b>					
Sales Tax Repayment Reserve	-	-	-	74,500,000	77,554,500
Economic Uncertainty Reserve	24,000,000	24,000,000	24,000,000	18,000,000	21,346,728
Capital Projects Reserve	10,000,000	10,000,000	10,000,000	-	-
Sustainability Reserve	127,891	127,891	127,891	127,891	127,891
<b>Total Committed</b>	<b>34,127,891</b>	<b>34,127,891</b>	<b>34,127,891</b>	<b>92,627,891</b>	<b>99,029,119</b>
<b><u>Assigned</u></b>					
Reserve for Encumbrances	5,041,681	9,735,187	3,000,000	9,735,187	7,000,000
<b>Total Assigned</b>	<b>5,041,681</b>	<b>9,735,187</b>	<b>3,000,000</b>	<b>9,735,187</b>	<b>7,000,000</b>
<b>Total Unassigned</b>	<b>51,804,288</b>	<b>73,854,471</b>	<b>48,332,873</b>	<b>27,535,330</b>	<b>23,630,860</b>
<b>TOTAL FUND BALANCE</b>	<b>\$ 110,169,541</b>	<b>\$ 138,817,833</b>	<b>\$ 104,652,246</b>	<b>\$ 150,998,693</b>	<b>\$ 150,761,367</b>

# General Fund Forecast

## Overview

Given the unknown final impact of the CDTFA audit appeal process, this budget focuses on the 10-year forecast. While long-term projections may be less precise than short-term projections, they can help identify potential structural budget issues in advance.

The following chart shows a structural deficit that begins in FY 2028-29 due to expenditures (2.6% average annual growth rate) growing at a faster rate than revenues (1.9% AAGR).



The California Department of Tax and Fee Administration (CDTFA) recently conducted an audit on one of the City's taxpayers. This will have a substantial impact on the City's finances, with a projected decline of \$30 million, or 73%, in sales tax revenues from the initial FY 2023-24 forecast provided by HdL, the City's sales tax consultant. As a result, the City's total revenues are also anticipated to decrease by \$30 million, or 28%, from the original FY 2023-24 forecast. In addition, the notice from the CDTFA indicated that the City may be required to pay back any disputed sales tax received since April 2021. While the ongoing impact of the audit is included in the forecast, the one-time impact is not.

The Council and staff have demonstrated proactive fiscal stewardship in response to the evolving financial landscape. The FY 2023-24 Adopted Budget, which Council adopted on June 6, 2023, incorporated significant expenditure reductions of more than \$15 million dollars, including:

- Eliminating 14 vacant positions (\$2.6 million)
- Decreasing materials, contract services, special projects, capital outlays, and contingency expenditures

(\$5.9 million)

- Decreasing transfers from the General Fund to other funds (\$5.5 million)
- Using the City's Section 115 Trust to fund OPEB (Other Post-Employment Benefits) costs (\$1.4 million)

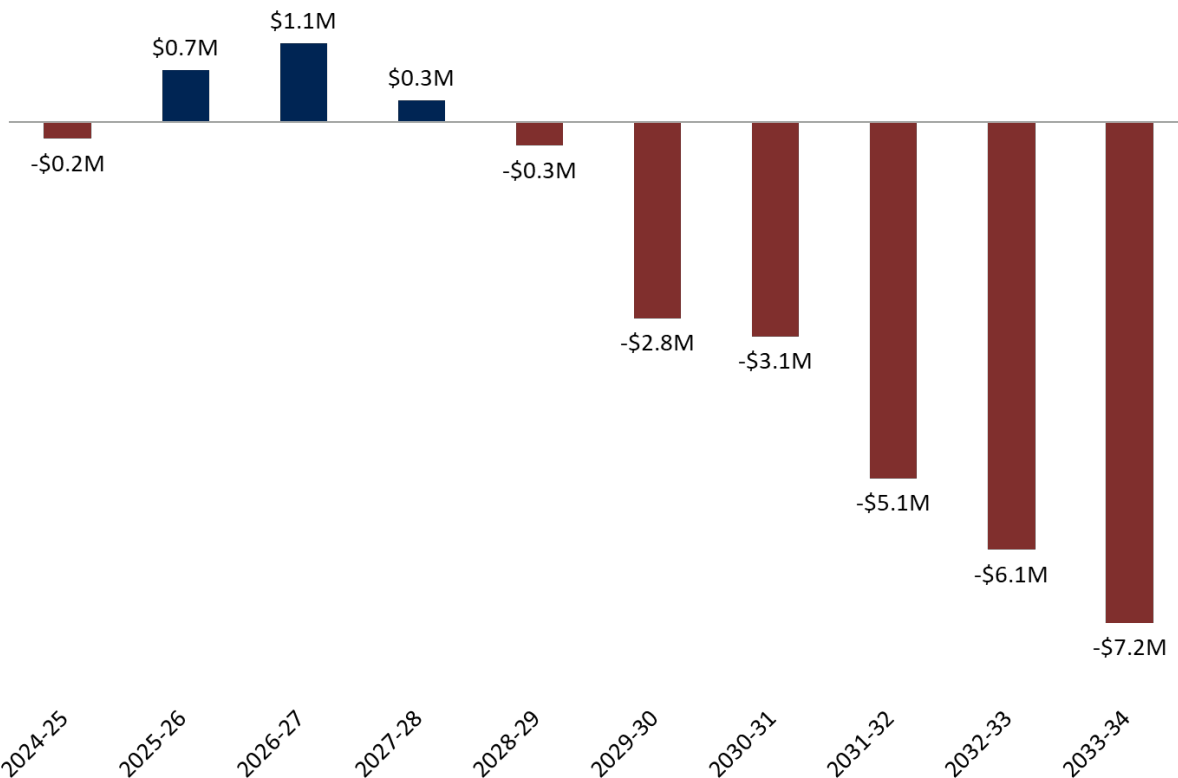
Additionally, on October 10, 2023, the Council established a committed Sales Tax Repayment Reserve with an initial allocation of \$56.5 million. This reserve was designed to address a potential adverse CDTEFA decision and the uncertain outcome of the anticipated legal challenge. Funding came from Unassigned fund balance, the Capital Projects Reserve, and the Economic Uncertainty Reserve. Staff will be going to Council on May 21, 2024 to increase the Sales Tax Repayment Reserve to \$74.5 million.

On January 17, 2024, staff sought Council direction on potential service-level reductions to help resolve the City's structural deficit. Council provided feedback and directed staff to provide additional information. On April 16, 2024, staff provided additional information to Council and received confirmation on the updated service-level reductions.

To address the structural deficit caused by recurring expenditures consistently surpassing recurring revenues, the City has been implementing cost-cutting measures while ensuring that essential services continue to be provided to the community.

The City is taking a proactive approach to minimize the impact on its staff and residents, and City staff will continue to keep the Council informed of any new developments related to the audit and its impact on the City's finances. It is crucial to note that the CDTEFA audit has resulted in an estimated structural deficit beginning in FY 2028-29 of the forecast, and the City will need to continue implementing long-term solutions to address this ongoing challenge.

### General Fund Annual Operating Surplus/Deficit



Despite the challenging times, the City's financial position remains strong with reserves that can be utilized to offset deficits until the City can align its ongoing expenditures with its revenues. It is important to note that these reserves are one-time funding, which cannot be relied upon to sustain the City's finances in the long run. In addition, reductions in FY 2023-24 and FY 2024-25, along with increases in charges for services and interest earnings, have positively impacted the forecast resulting in a modest surplus from FY 2025-26 to FY 2027-28.

In the out years, the deficit is primarily due to a recession scenario in FY 2027-28, the resumption of a \$2 million transfer to the Capital Reserve in FY 2029-30, and the sunset of the Utility Users Tax in FY 2030-31.

These resources give the City a buffer and more options to manage its finances effectively. With a solid financial footing and prudent planning, the City is well-positioned to navigate these uncertain times and maintain its commitment to its staff and community.

## Forecast Methodology

A financial forecast is a crucial tool for planning and budgeting, allowing staff to analyze trends and anticipate the long-term impacts of budget decisions. It plays a vital role in modeling the effects of various factors, such as retirement costs, employee compensation, and revenues, on the City's budget.

It is important to note that the forecast is not a plan but rather a model that relies on revenue and cost assumptions, which are updated regularly as new information becomes available. While cost projections, which are based on known costs, are relatively reliable, revenue forecasts are subject to uncertainties related to future economic conditions. Economic forecasts can change frequently, making it difficult to commit to a particular prediction of the future. As such, staff must update the forecast regularly to ensure it reflects the latest information and trends.

While economic conditions are the primary drivers for economically sensitive revenues such as sales tax and property tax, other factors drive non-economically sensitive categories such as utility user taxes and franchise fees. These revenue categories are more heavily impacted by utility rate changes, energy prices, and consumption levels. Revenues from local, state, and federal agencies are primarily driven by grant and reimbursement funding. As a result, these revenues experience no significant net gain or loss during economic expansions or slowdowns. All revenue projections are based upon trend analysis, including a careful examination of the collection history and patterns related to seasonality and the economic environment the City is most likely to encounter in the future. Staff also considered the potential impacts of the CDTFE audit in determining the sales tax estimates.

A discussion of the national and local economic outlooks used to develop the revenue estimates for the forecast is included below. To create the revenue forecasts, the City reviewed national, state, and regional economic forecasts from multiple sources, including the Congressional Budget Office, California's Legislative Analyst's Office (LAO), and the Center for Continuing Study of the California Economy (CCSCE). To develop the sales tax, property tax, and transient occupancy tax (TOT) revenue projections, the City worked with HdL Companies, a tax consultant.

The City's Consumer Price Index (CPI) forecasts are from:

- UCLA Anderson Forecast for the Nation and California
- California Department of Transportation's California County-Level Economic Forecast

In 2019, the City worked with UFI (Urban Futures, Inc.), a financial advisory and consulting firm, to:

- Review, update, and enhance the City's baseline financial forecast.
- Evaluate fiscal strategies, including potential local revenue measures.
- Develop capital financing options, structures, and estimates for identified projects.
- Prepare an analysis of city charter costs/benefits related to fiscal activities.

In 2024, the City worked with Baker Tilly to validate the City's financial forecast. In collaboration with Baker Tilly, the City has made the following updates to the forecast:

- Increased the sales tax growth rate.
- Adjusted the recession scenario from every 4 years to every 7 years to align with post-World War II patterns.
- Incorporated 2% salary savings to account for vacant positions.
- Updated CPI data source to UCLA Anderson Forecast.
- Adjusted interest earnings to align with current reserves and investment strategy.
- Implemented updates to the Economic Uncertainty Reserve level every year.

## National Economic Outlook

In the first quarter of 2024, the U.S. real gross domestic product (GDP) increased by 1.6% following a 3.4% rise in the previous quarter, propelled by heightened consumer spending, residential and nonresidential fixed investment, and state and local government expenditure, although dampened by a decrease in private inventory investment. This slower growth was primarily attributed to reduced consumer spending, exports, and government expenditure, alongside tightened financial conditions and restrictive monetary policies. Despite these factors, recent data suggests positive growth for the year, albeit below trend, with a slowing job market yet robust labor conditions and resilient consumer behavior.

With inflationary pressures easing but remaining above the Federal Reserve's target, expectations lean towards an anticipated softening of the economy and potential loosening of monetary policy in late 2024. Additionally, in March, the stabilization of the U.S. Treasury yield curve coincided with the Federal Open Market Committee (FOMC) maintaining the Federal Funds rate. The spread between the 2-year and 10-year Treasury yields widened slightly, indicating ongoing economic monitoring and potential adjustments.

## Cupertino Economic Outlook

The City does not anticipate significant impacts on property tax revenues in FY 2024-25. The City is optimistic about the future of transient occupancy tax (TOT) revenues, as the relaxation of pandemic-related restrictions has boosted business travel.

As more information becomes available, staff will bring forward updates and adjustments to City Council regularly as necessary.



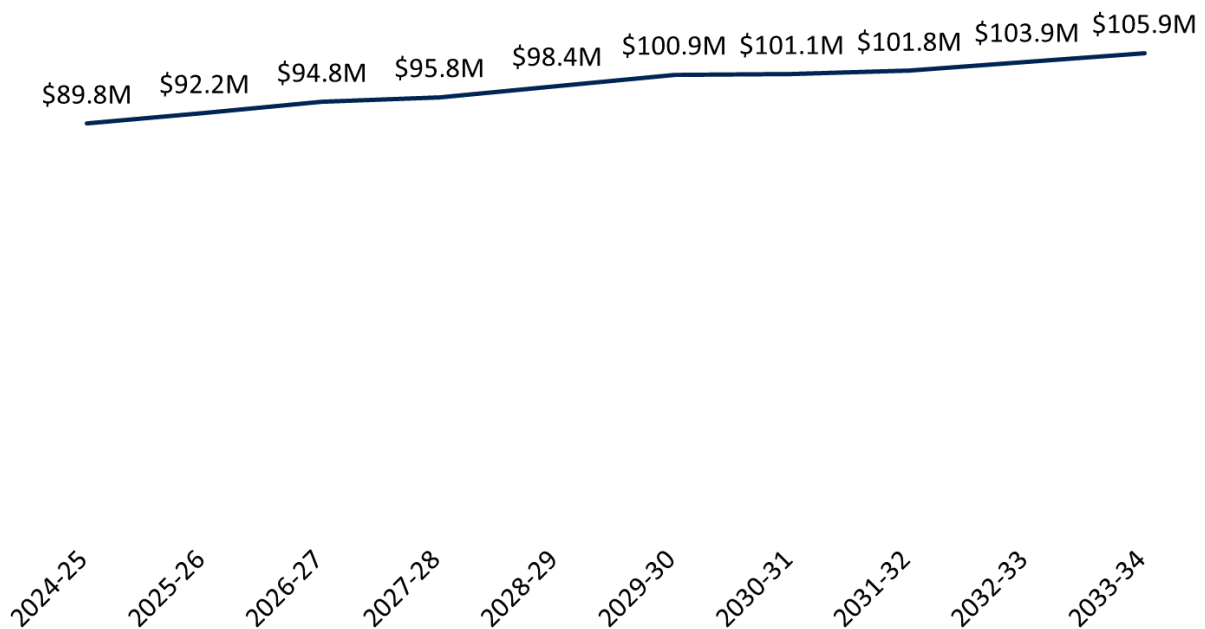
## Revenues

The City relies heavily on three revenue sources: property tax, sales tax, and transient occupancy tax (TOT), which together make up the majority of its General Fund revenues.

The City's General Fund revenues are projected to be \$89.8 million in FY 2024-25, and are expected to increase over the forecast period. Property tax and transient occupancy tax are expected to continue to be strong revenue sources, with projected increases. However, sales tax is projected to decrease significantly due to the CDTFA audit.

The National Bureau of Economic Research (NBER), an American private nonprofit research organization, defines the beginning and ending dates of recessions. The NBER defines a recession as "a significant decline in economic activity spread across the economy, lasting more than two quarters which is six months, normally visible in real gross domestic product (GDP), real income, employment, industrial production, and wholesale-retail sales. Since World War II, recessions have lasted an average of 10 months and have occurred, on average, about every 6.5 years. As a result, the forecast assumes a recession every seven years where most revenues remain flat while expenditures continue to increase. The forecast incorporates a recession scenario in FY 2027-28. This is a change from the previous recessionary assumption of every four years. The update was made based on a recommendation from Baker Tilly.

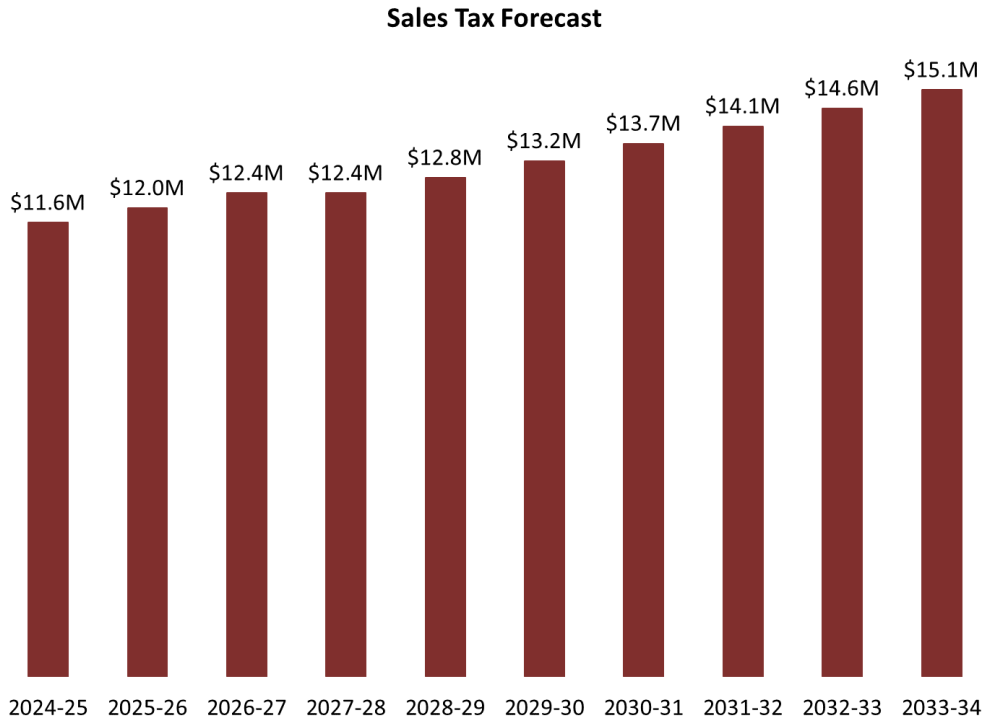
### 10-Year General Fund Revenue Forecast



GENERAL FUND REVENUES FORECAST (\$ IN THOUSANDS)										
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
	Adopted	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>REVENUES</b>										
Sales Tax	11,649	12,026	12,409	12,409	12,804	13,233	13,682	14,126	14,585	15,057
Property Tax	33,175	34,263	35,349	36,422	37,507	38,612	39,738	40,886	42,057	43,252
Transient Occupancy Tax	7,732	7,957	8,176	8,176	8,379	8,577	8,770	8,959	9,145	9,327
Utility Tax	4,130	4,160	4,191	4,191	4,221	4,252	1,784	-	-	-
Franchise Fees	3,509	3,575	3,641	3,641	3,706	3,770	3,835	3,900	3,964	4,029
Other Taxes	1,684	1,729	1,768	1,768	1,809	1,852	1,895	1,941	1,985	2,033
Licenses and Permits	3,666	3,684	3,703	3,703	3,721	3,740	3,758	3,777	3,796	3,815
Use of Money and Property	4,697	4,885	4,978	4,978	5,173	5,259	5,302	5,270	4,685	4,000
Intergovernmental	2,472	2,484	2,497	2,497	2,509	2,522	2,534	2,547	2,560	2,573
Charges for Services	15,102	15,726	16,312	16,312	16,843	17,397	17,968	18,559	19,169	19,802
Fines and Forfeitures	395	395	395	395	395	395	395	395	395	395
Miscellaneous	1,211	1,266	1,321	1,321	1,321	1,321	1,378	1,439	1,498	1,563
Transfers In	15	15	15	15	15	15	15	15	15	15
Other Financing Sources	367	-	-	-	-	-	-	-	-	-
<b>TOTAL REVENUES \$</b>	<b>89,804 \$</b>	<b>92,167 \$</b>	<b>94,754 \$</b>	<b>95,827 \$</b>	<b>98,403 \$</b>	<b>100,943 \$</b>	<b>101,054 \$</b>	<b>101,814 \$</b>	<b>103,855 \$</b>	<b>105,860 \$</b>

### Sales Tax

Prior to FY 2023-24, sales tax has been the City’s largest revenue source. Sales taxes are collected at the point of sale and remitted to the California Department of Tax and Fee Administration (CDTFA), formerly the Board of Equalization.

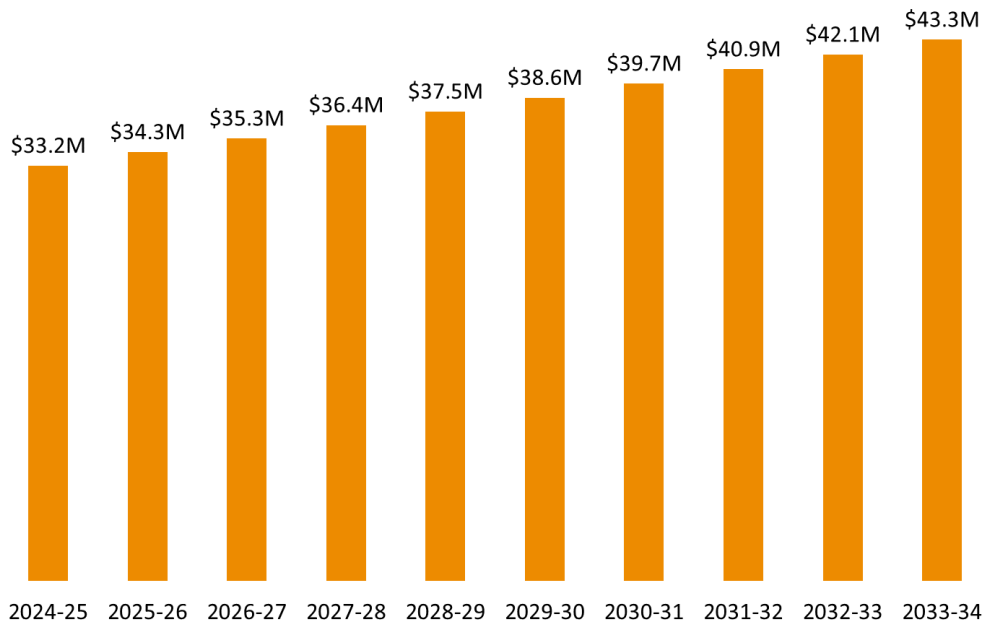


Sales tax revenues are projected to increase by an average annual growth rate of 2.9% in the forecast. Staff used moderate estimates for business and industry, general consumer goods, restaurants and hotels, and state and county pools.

## Property Tax

Property taxes are projected to remain stable in the near term. However, the impact of potential remote work on property taxes in the long term is uncertain. The trend towards remote work has caused people to reconsider where they choose to live, which could lead to a decrease in demand for residential real estate. The high interest rate environment and a slow turnover rate of properties in the City may also impact this revenue category. Additionally, companies may need less office space if fewer employees are working at the office, which could decrease demand for commercial office space. This could result in a reduction of property tax revenue for the City.

### Property Tax Forecast



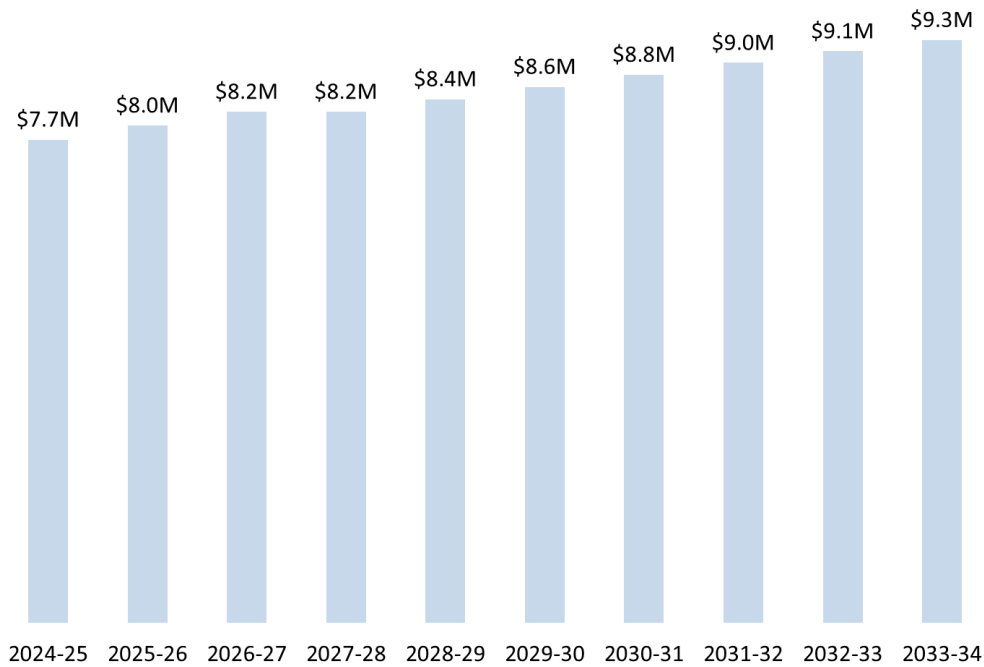
In FY 2024-25, property tax revenues are expected to reach \$33.2 million and increase at an average annual growth rate of 3.0% in the forecast. The moderate forecast is based on a range of factors, including historical trends for the City and projections for the region. While property tax has grown at an average annual rate of 11% historically, this projection assumes a lower growth rate. Historical property tax growth has been due to significant development projects such as Main Street and Apple Park, as well as the restoration of Tax Equity Allocation (TEA) revenues from FY 2015-16 to FY 2019-20.

The current projection does not assume any such developments in the near future, resulting in a more modest growth rate forecast. The City will continue to monitor economic and market trends to ensure that property tax revenue projections remain accurate.

## Transient Occupancy Tax

The City's current forecast assumes that TOT revenues will be \$7.7 million in FY 2024-25, and gradually increase. The forecast projects an average annual growth rate of 2.1% for TOT revenues. This moderate forecast is based on historical tax collections and assumes slower growth than historical trends. Historical growth in TOT revenues was primarily due to the addition of new hotels and a voter-approved increase in the TOT rate from 10% to 12% in 2012.

### Transient Occupancy Tax Forecast



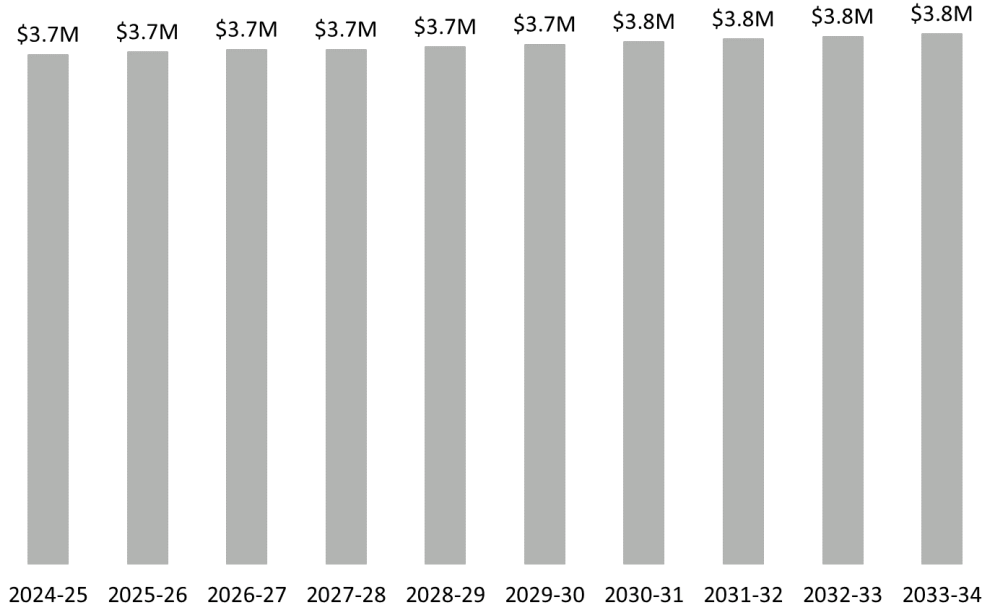
The TOT revenues are affected by the tax rate charged on hotels, occupancy rates, and average daily room rates (ADR). Given that TOT revenues in Cupertino are mainly driven by business travel, any shift in travel habits or economic conditions could significantly impact this revenue source.

#### Licenses and Permits

The City's forecast projects an average annual growth rate of 0.5% for licenses and permits revenue, based on forecasts of California residential building permits, non-residential building permits, and construction payrolls from the UCLA Anderson Forecast for the Nation and California.

It is important to note that this forecast does not take into account any significant development projects that are awaiting approval. If new development projects are approved, staff will update this forecast accordingly.

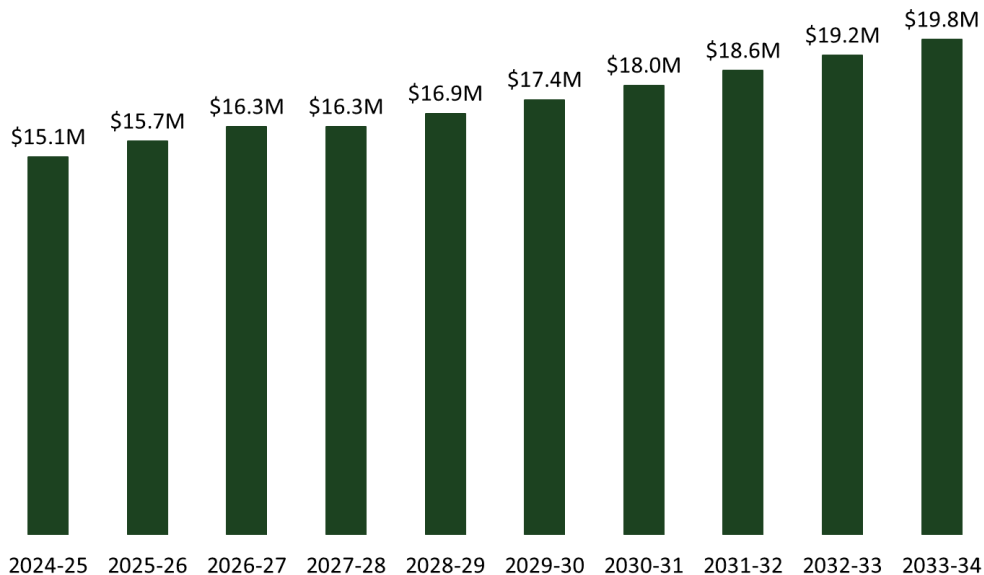
### Licenses & Permits Forecast



### Charges for Services

Charges for services revenues are projected to increase at an average annual growth rate of 3.1%. Other Service Fees, Cost Allocation Plan Charges for Services, and General Service Fees are expected to increase by the full-time salary growth rate. Planning Fees and Engineering Fees are forecasted based on construction and development factors, such as California residential and non-residential building permits, and construction payrolls from the UCLA Anderson Forecast for the Nation and California.

### Charges for Services Forecast



This forecast does not consider any significant development projects awaiting approval. The City will update the forecast if new projects are approved.

**Other Revenue**

**Utility taxes** are forecasted to be \$0 beginning in FY 2030-31, as the utility user tax expires in November 2030.

**Franchise fees** are projected to increase by an average annual growth rate of 1.6% based on a trend of historical data.

**Other taxes** are made up of construction, property transfer, and business license tax revenue. Revenue is projected to increase by an average of State and County CPI.

**Use of money and property** are projected based on the City's forecasted General Fund fund balance and the City's current investment strategy. The Section 115 Pension Trust is expected to grow at the discount rate of 6.25%.

**Intergovernmental revenues** are projected to grow at a rate of 0.4% each year.

**Fines and Forfeitures** are forecasted to remain constant in the forecast.

**Miscellaneous revenues** are forecasted to increase by CPI each year.

**Non-operational revenues (Transfers and Other Financing Sources)** are not assumed in the forecast.

## Expenditures

In FY 2019-20, the City developed a zero-based budget, which involved analyzing every function of the City for its needs and costs. As a result, all costs were justified, and base budget savings were achieved.

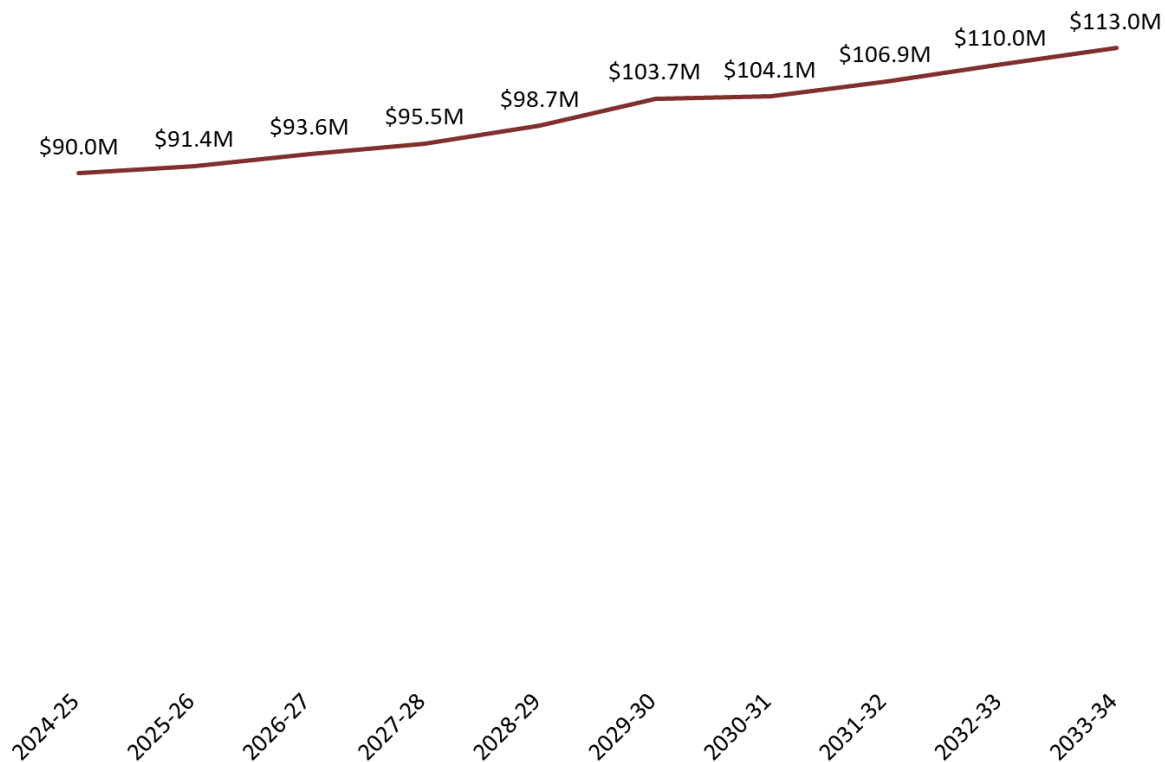
In FY 2023-24, the City implemented several budget-balancing strategies, including:

- Eliminating 14 vacant positions
- Decreasing expenditure on materials and contract services
- Reducing spending on special projects and capital outlays
- Reducing the City Manager's Discretionary Fund by \$25,000 and contingencies by 50%
- Decreasing the amount of transfers to other funds
- Utilizing the City's Section 115 Trusts to fund pension and OPEB (Other Post-Employment Benefits) costs

In FY 2024-25, the City is proposing further service-level reductions of \$8.7 million. Council reviewed these reductions in a January 17, 2024 study session, and confirmed the reductions for inclusion in the proposed budget on April 16, 2024.

To inform these decisions, the City developed a forecast based on actual expenditures in prior years and FY 2024-25 projections. The forecast also considered factors such as CPI, construction and development activity, and CalPERS Normal Cost and Unfunded Liability projections. The forecast will be adjusted throughout the year to account for one-time changes and budget adjustments.

### 10-Year General Fund Expenditure Forecast



GENERAL FUND EXPENDITURES FORECAST (\$ IN THOUSANDS)										
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
	Adopted	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>EXPENDITURES</b>										
Employee Compensation & Benefits	34,718	34,801	36,347	37,110	38,674	39,921	41,179	42,075	43,273	44,317
Personnel Costs \$	\$ 34,718	\$ 34,801	\$ 36,347	\$ 37,110	\$ 38,674	\$ 39,921	\$ 41,179	\$ 42,075	\$ 43,273	\$ 44,317
Materials	5,775	5,928	6,063	6,201	6,343	6,493	6,645	6,805	6,960	7,127
Contract Services	29,216	30,359	31,450	32,583	33,761	35,017	36,297	37,660	38,987	40,433
Cost Allocation	10,639	10,931	11,232	11,541	11,858	12,184	12,519	12,863	13,217	13,581
Capital Outlay & Special Projects	1,165	740	757	774	792	810	829	849	868	889
Contingencies	255	218	223	228	234	239	245	251	256	262
Other Uses	925	-	-	-	-	-	-	-	-	-
Non-Personnel Costs \$	\$ 47,975	\$ 48,176	\$ 49,725	\$ 51,326	\$ 52,988	\$ 54,744	\$ 56,535	\$ 58,428	\$ 60,289	\$ 62,293
Transfers \$	\$ 7,350	\$ 8,450	\$ 7,555	\$ 7,079	\$ 7,079	\$ 9,080	\$ 6,402	\$ 6,402	\$ 6,402	\$ 6,402
<b>TOTAL EXPENDITURES \$</b>	<b>\$ 90,042</b>	<b>\$ 91,427</b>	<b>\$ 93,628</b>	<b>\$ 95,516</b>	<b>\$ 98,741</b>	<b>\$ 103,744</b>	<b>\$ 104,115</b>	<b>\$ 106,905</b>	<b>\$ 109,964</b>	<b>\$ 113,011</b>

The chart above illustrates the projected General Fund expenditures, which are estimated to be \$90.0 million in FY 2024-25, with an expected increase over the forecast period. The forecasted expenditure growth is primarily driven by increasing Law Enforcement costs. To provide an in-depth understanding of the estimated expenditure categories in the General Fund Forecast, the following discussion focuses on the assumptions made for each category.

## Personnel Expenditures

### Salaries

FY 2024-25 salaries and benefits reflect the cost-of-living adjustments (COLA)s approved by the City Council in October 2023. In the forecast, full-time salaries are expected to increase by estimated payroll increases from the CalPERS valuation report. On the other hand, part-time salaries are forecasted to grow at a rate of 1.5%, because historically, part-time salaries have tended to grow at a slower rate than full-time salaries. A 2% vacancy rate has been included in the out-years of the forecast. This vacancy rate is new to the forecast, based on collaboration with Baker Tilly on the City's long-term forecast.

Employees who have yet to reach the top step in their classification's salary range are eligible to receive a step increase on their anniversary date. 39% of employees are below the top step. Typically, classifications have five steps, with each increase equivalent to a 5% increase in salary.

### Health Benefits

In FY 2024-25, health benefits account for about 10% of all personnel costs in the General Fund, primarily due to health insurance costs. The City pays employees a fixed amount for health and dental insurance costs instead of covering a percentage of premiums. In October 2016, City Council approved labor contracts that significantly increased the City's health insurance contributions to align the City with the median offerings of our comparator cities. For the duration of the contract, cost increases in health and dental premiums above the negotiated amounts were fully absorbed by employees. In November 2023, City Council approved additional increases to the City's health insurance contributions and a flat 6% increase to its contribution beginning in January 2025.



## Retirement Benefits

Rising retirement costs are driving the increase in employee benefits. The City provides a defined benefit pension to its employees through the California Public Employees' Retirement System (CalPERS). The table below illustrates the City's CalPERS costs over the next few years.

	Projected CalPERS Contributions					
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2028-29
<b>Projected Payroll</b>	\$ 24,352,479	\$ 25,034,349	\$ 25,735,310	\$ 26,455,899	\$ 27,196,665	\$ 27,958,170
<b>Normal Cost (%)</b>	10.5%	10.3%	10.1%	10.0%	9.8%	9.7%
<b>Normal Cost</b>	\$ 2,547,269	\$ 2,578,538	\$ 2,599,266	\$ 2,645,590	\$ 2,665,273	\$ 2,711,942
<b>UAL Payment (%)</b>	22.3%	21.7%	22.6%	20.6%	22.1%	22.0%
<b>UAL Payment</b>	\$ 5,441,780	\$ 5,441,000	\$ 5,807,000	\$ 5,443,000	\$ 6,013,000	\$ 6,138,000
<b>Total Contribution (%)</b>	32.8%	32.0%	32.7%	30.6%	31.9%	31.7%
<b>Total Contribution</b>	\$ 7,989,049	\$ 8,019,538	\$ 8,406,266	\$ 8,088,590	\$ 8,678,273	\$ 8,849,942

The City's retirement rates are based on a blend of all three tiers (2.7% @ 55, 2% @ 60, and 2% @ 62). Although employees pay a different rate depending on their tier, the City's costs are the same for all three tiers. The table below shows the current breakdown of City employees amongst the three retirement tiers. The majority of employees in the City are currently covered under Tier 3.

Tier	Number of Employees	Benefit Factor	CalPERS Plan Breakdown by Tier			Total Contribution
			Compensation Basis	Employer Share of Contribution	Employee Share of Contribution	
1	51	2.7% @ 55	Highest Year	32.81%	8.00%	40.81%
2	17	2% @ 60	Highest 3 Year Average	32.81%	7.00%	39.81%
3	120	2% @ 62	Highest 3 Year Average	32.81%	7.00%	39.81%

A retiree's highest monthly pension benefits are calculated by multiplying:

- Service credit: the number of years of CalPERS service.
- Benefit Factor: percentage of pay based on age.
- Compensation Basis: the highest monthly average salary for a defined period.

The retirement benefits are funded by:

- Investment earnings (56%)
- Employer contributions (33%)
- Employee contributions (11%)

Each year, CalPERS determines an employer's contributions based on actual investment returns and actuarial assumptions, including:

- Expected investment returns (discount rates)
- Inflation rates
- Salaries
- Retirement ages
- Life expectancies

Contributions to fund the pension plan are comprised of two components:

- Normal cost (the cost of the benefits earned in a respective year)
- Amortization of the unfunded accrued liability (UAL)

### CalPERS Discount Rate

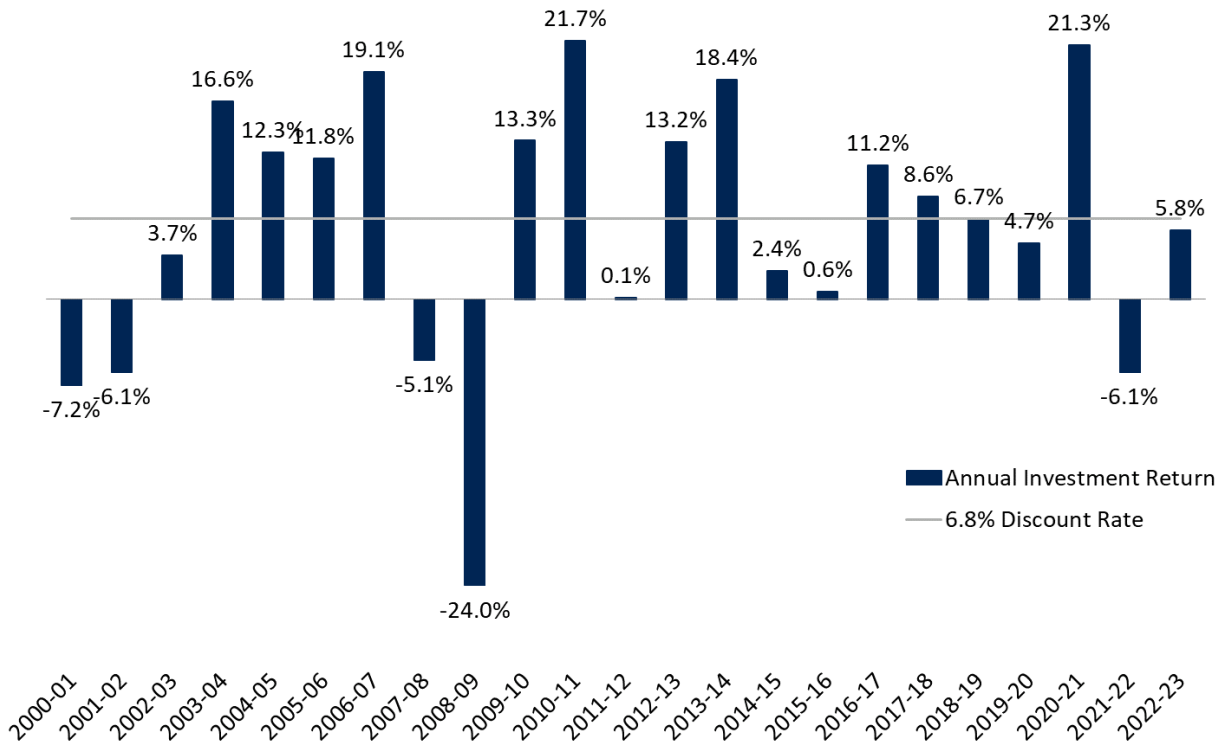
Defined benefit plans are highly sensitive to the discount rate assumption. The discount rate is the expected rate of return of the plan's assets over the long term. The discount rate will depend on the plan's size, asset allocation, time horizon, and other considerations. The discount rate is important as it is used to determine the City's annual contributions to the plan, the plan's unfunded liability, and the plan's funded status.

### CalPERS Investment Earnings

The City's pension plan heavily relies on investment earnings, which fund nearly 60% of retirement benefits. Thus, the plan is sensitive to the investment returns of CalPERS. When investment returns fall below the discount rate, contributions must increase to cover the shortfall.

Currently, CalPERS assumes an annual investment return of 6.8%. However, the investment returns earned by CalPERS have fallen short of the discount rate assumption approximately half the time over the past 20 years, as shown in the chart below. Investment returns for individual fiscal years have ranged between -24.0% and +21.7%. For instance, CalPERS suffered negative investment returns in 2001 and 2002 due to the dot-com crash and in 2008 and 2009 due to the Great Recession.

**CalPERS Historical Annual Investment Returns**



Note: Beginning in 2002, investment returns are reported as gross of fees.

For FY 2022-23, CalPERS reported an investment return of 5.8%. The average investment return is 6.1% for a 5-year period, 7.1% for a 10-year period, 7.0% for a 20-year period, and 7.5% for a 30-year period. As returns in a given year are volatile, it can be more instructive to look at returns over longer time horizons.

## CalPERS Update

### Asset Liability Management Process

In November 2021, CalPERS completed its quadrennial Asset Liability Management (ALM) process, which reviewed investment strategies and actuarial assumptions. At the November 15-17, 2021, meetings, the CalPERS Board approved a 6.8% discount rate, selected a new asset allocation for the fund's investment portfolio, and adopted new actuarial assumptions.

During the ALM process, the board examined different potential portfolios and their impact on the CalPERS fund. Ultimately, the board selected the portfolio with an assumed investment return of 6.8%.

Asset Class	Current Allocation	New Allocation
Global Equity	50%	42%
Fixed Income	28%	30%
Real Assets	13%	15%
Private Equity	8%	13%
Private Debt	0%	5%
Liquidity	1%	0%
<b>Total</b>	<b>100%</b>	<b>105%</b>

The new portfolio includes a 5% allocation to leverage. Leverage involves using borrowed funds or debt to amplify the potential returns of an investment. This increases the total amount of money available to invest to 105%.

### CalPERS Plan Status

As of the most recent actuarial valuation on June 30, 2022, the City's pension plan had assets of \$117.0 million and liabilities of \$177.3 million, resulting in an unfunded liability of \$60.3 million and a funded ratio of 66.0%. The unfunded liability is the difference between assets and liabilities, while the funded ratio is the ratio of assets to liabilities.

CalPERS Plan Status				
	June 30, 2021		June 30, 2022	
Present Value of Projected Benefits	\$	201,774,867	\$	214,305,212
Entry Age Normal Accrued Liability	\$	168,421,875	\$	177,277,147
Market Value of Assets	\$	127,113,891	\$	117,004,578
Unfunded Accrued Liability	\$	41,307,984	\$	60,272,569
Funded Ratio		75.5%		66.0%

A defined-benefit plan is considered adequately funded if its assets equal or exceed the value of its future liabilities. When the funded ratio is lower than 100%, the plan has insufficient assets to pay all future liabilities. The funded status of the system decreased because:

- Poor investment returns during the Great Recession significantly decreased the plan's assets.
- Enhanced benefits and actuarial assumption changes due to increased life expectancies increased the plan's liabilities.

Over the past few years, CalPERS has taken steps to improve the long-term financial sustainability of the system. In December 2016, the CalPERS board voted to reduce the discount rate, also known as the assumed rate of return for investments, from 7.5% to 7.0% over three years from FY 2018-19 to FY 2020-21. In February

2018, the CalPERS board also voted to decrease the amortization period for new pension liabilities from 30 years to 20 years, effective July 1, 2019. While these changes will provide long-term benefits to the pension plan, they will also increase the City's pension contributions.

### **Section 115 Trust**

A Section 115 Trust is a tax-exempt investment tool that allows local governments to pre-fund pension and retiree health costs. Once contributions are placed into the trust, the City can only use assets from the trust for retirement plan purposes. The City may make withdrawals to either reimburse the City for retirement system contributions or to pay CalPERS directly. The benefits of a Section 115 Trust include the following:

- Local control over assets: The City controls the contributions, withdrawals, investment strategy, and risk level of assets in the Trust.
- Pension rate stabilization: Assets can be transferred to CalPERS at the City's discretion to pay for Normal Cost or UAL contributions and can be used to reduce or eliminate large fluctuations in the City's pension costs.
- Potential for higher investment returns than General Fund: Investment requirements applicable to the City's General Fund assets under Government Code 53601 do not apply to Trust assets.
- Diversification: Trust assets will be diversified from CalPERS investments.

### **City Strategies**

Given that pension obligations are one of the City's largest financial obligations, the City has taken proactive steps to reduce the impact of pension cost volatility. In March 2018, the City provided options to Council to address rising pension costs. In April 2018, the City presented a long-term pension funding strategy to the Fiscal Strategic Plan Committee. In May 2018, the City established a Section 115 Pension Trust to reduce the effect of pension rate volatility on the City's budget. The Section 115 Pension Trust helps the City to:

- Grow assets for future pension contributions.
- Invest assets over appropriate time horizons.
- Earn higher investment returns than the General Fund.
- Reduce pension contribution volatility.
- Diversify funds from CalPERS investments.

As a fiscal sustainability measure, the City funds the Section 115 Pension Trust using a more conservative discount rate of 6.25%. The City's pension funding goal is to accumulate sufficient funds in the Pension Trust to fund the difference between a 6.25% and a 7% discount rate and achieve a funded ratio of 80% over 20 years. The City's projections indicated that the City would need to accumulate over \$42 million in the Pension Trust within 20 years to achieve its pension funding goal.

As a result, the funding strategy proposed \$8.0 million in initial funding, along with additional funding of \$10.0 million over the first five years. The City has contributed \$16.0 million, including:

- \$8 million in FY 2018-19
- \$4 million in FY 2019-20
- \$2 million in FY 2020-21
- \$2 million in FY 2021-22

As of June 30, 2023, the Section 115 Pension Trust had a balance of \$19.1 million and had earned an annualized investment return of 5.51% gross of fees since inception.

### **Other Benefits**

The forecast assumes health insurance increase by 6% for the second half of FY 2024-25 and then, dental

insurance, and vision insurance increase by CPI. No increases were forecasted for the following benefits: internet allowance, standby pay, Employee Assistance Program, and Deferred Compensation. Rec Bucks are assumed to increase at a 0.5% growth rate.

## Non-Personnel Expenditures

Non-Personnel budgets were developed based on the previous year's base budget and adjusted for the current year's needs. One-time projects were excluded to reflect ongoing expenditure needs. Materials and contract services were adjusted by CPI, where applicable. In response to the anticipated revenue shortfall resulting from the CDTFA audit, departments were asked to find ways to reduce the base budget. To balance the budget, various categories including materials, contract services, capital outlays, special projects, transfers to other funds, and contingencies were reduced.

**Materials** costs are forecasted to increase by CPI.

**Contract Services** costs are projected to grow by CPI except for the Law Enforcement contract with the Santa Clara County Sheriff's Office. Law Enforcement costs are projected to grow by CPI plus 2%. Per the terms of the contract, the annual increase is limited to the lesser of:

- Percentage increase in total compensation and annual CalPERS cost increase
- Annual CPI plus 2% and annual CalPERS cost increase

The City's current agreement with the Santa Clara County Sheriff's Office is set to expire in June 2024, and negotiations are ongoing for a new agreement. In anticipation of potential increases in Law Enforcement costs, a placeholder increase has been included in the forecast. These costs have been a significant driver of the City's expenditure growth in recent years, and it is expected that they will continue to increase in the coming years.

**Cost Allocation** is projected to grow by 2.8%.

**Capital Outlays** and **Special Projects** are projected to increase by CPI. Capital Outlays and Special Projects are being reduced as an expenditure-reduction strategy.

**Contingencies** are projected to increase by CPI. Program contingencies were reduced to 1.25% and the City Manager's Contingency Fund was reduced to \$50,000 in FY 2023-24. Program contingencies were cut in half to 2.5% in FY 2020-21, and the City Manager's Contingency Fund was reduced to \$75,000 in FY 2021-22. In prior years, program contingencies were 5% of Materials and Contract Services, and the City Manager's Contingency was 5% of General Fund Materials and Contract Services, excluding the law enforcement contract. It's worth noting that the City has historically underutilized contingencies, and the use of these funds would require pre-approval by the City Manager or their designee.

**Transfers** represent the General Fund's contributions to other City funds to support debt payments, pay retiree health costs, finance capital projects, replenish capital project reserves, acquire new equipment, and subsidize enterprises and operations. After the implementation of a comprehensive Cost Allocation Plan in FY 2015-16, General Fund expenses have been shifted to other City funds, causing some of those funds' revenues to fall short of expenses and necessitating the use of fund balances to cover expenses. The General Fund benefits in the near term from the cost shift; however, after fund balances in those other funds are drawn down to minimum levels and absent aggressive revenue or cost actions in those other funds, General Fund subsidies are necessary to maintain fund balance minimums.

Projected General Fund subsidies to each fund are based on the following assumptions:

- Special Revenue Funds: \$1.5 million annually.
- Debt Service Funds: \$2.7 million based on the 2012 COPS debt service schedule until FY 2030-31.

- Capital Reserve: \$0 million until FY 2028-29, then \$2 million annually.
- Retiree Medical Fund: Funding from FY 2024-25 to FY 2026-27 to restore OPEB plan to 100% funded. Funding normal cost in the subsequent years.
- Compensated Absences Fund: \$0.8 million annually.
- Innovation and Technology Fund: \$0.2 million annually.
- Enterprise Funds: \$1.8 million annually.

Transfers from the General Fund to other funds have been reduced as part of an expenditure reduction strategy aimed at decreasing General Fund subsidies of other funds.

The City is expected to complete its debt payments for city facilities by FY 2029-30. Until then, the City will pay approximately \$2.7 million annually in principal and interest on its Certificates of Participation for City Hall, Community Hall, and Library. These funds will be transferred from the General Fund to the Debt Service Funds.

## Fund Balance

The foresight of the City Council and staff in previous years to focus on ensuring healthy reserves is paying off in full.

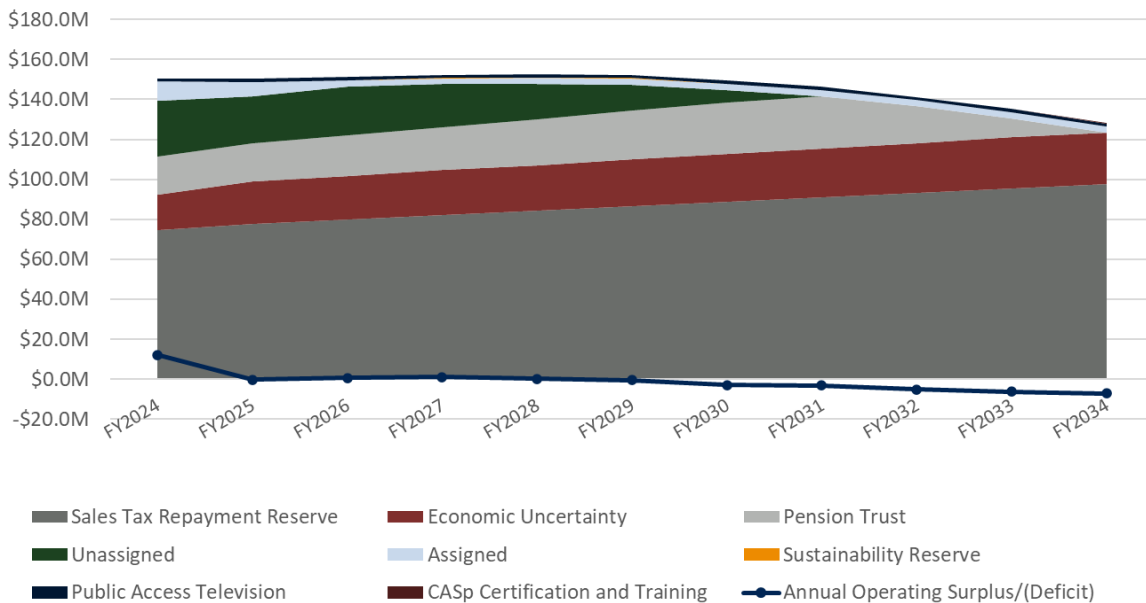
The General Fund’s Unassigned fund balance remains healthy and will be able to assist in addressing funding gaps. In addition, the General Fund's Committed and Restricted fund balance includes:

- Sales Tax Repayment Reserve: may be used for potential sales tax repayments to the CDTFB.
- Economic Uncertainty Reserve: may be used to mitigate potential shortfalls.
- Section 115 Pension Trust: may be used to fund pension costs. Funds in the Section 115 Pension Trust are restricted and can only be used to pay CalPERS or reimburse the City for pension contributions.

In FY 2024-25, the General Fund’s total fund balance is projected to be \$149.9 million, and the General Fund’s Unassigned fund balance is projected to be \$22.8 million. Fund balance is decreasing due to a persistent structural deficit that begins in FY 2028-29, resulting from ongoing expenses exceeding ongoing revenues. To address this, the City intends to utilize the fund balance to cover the shortfall until revenue and expenditure can be brought into alignment.

The Economic Uncertainty Reserve is increasing due to growth in the City’s revenues and expenditures. The Sales Tax Repayment Reserve is increasing due to interest earnings. Due to the structural deficit that begins in FY 2028-29, Unassigned and the Pension Trust are drawn down, with Unassigned being completely drawn down by FY 2030-31, and the Pension Trust being completely drawn down by FY 2033-34.

### 10-Year General Fund Fund Balance and Reserves



GENERAL FUND FUND BALANCE FORECAST (\$ IN THOUSANDS)										
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
	Adopted	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Operating Revenue	89,804	92,167	94,754	95,827	98,403	100,943	101,054	101,814	103,855	105,860
Operating Expenditures	90,042	91,427	93,628	95,516	98,741	103,744	104,115	106,905	109,964	113,011
Net Revenues - Expenditures \$	(237)	740	1,126	311	(338)	(2,801)	(3,061)	(5,091)	(6,110)	(7,151)
Unassigned	23,631	24,446	21,432	17,869	13,257	6,086	-	-	-	-
All Other Classifications	127,131	127,055	131,196	135,070	139,344	143,714	146,738	141,647	135,538	128,386
Ending Fund Balance \$	150,761	151,501	152,628	152,939	152,600	149,799	146,738	141,647	135,538	128,386

GENERAL FUND FUND BALANCE FORECAST (\$ IN THOUSANDS)										
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
	Adopted	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>Nonspendable</b>										
Loans Receivable	435	430	425	420	415	410	405	400	395	390
Prepaid Items										
Total Nonspendable \$	435	430	425	420	415	410	405	400	395	390

<b>Restricted</b>										
CASp Certification and Training	12	12	12	12	12	12	12	12	12	12
Section 115 Trust	19,089	20,282	21,550	22,896	24,327	25,848	26,269	18,484	9,424	-
Public Access Television	1,565	1,565	1,565	1,565	1,565	1,565	1,565	1,565	1,565	1,565
Public Art In-Lieu	-	-	-	-	-	-	-	-	-	-
Total Restricted \$	20,666	21,859	23,127	24,474	25,905	27,425	27,846	20,062	11,002	1,578

<b>Committed</b>										
Economic Uncertainty	21,347	21,563	22,279	22,755	23,496	24,190	24,585	25,014	25,643	25,537
Sales Tax Repayment Reserve	77,555	80,075	82,237	84,293	86,400	88,560	90,774	93,044	95,370	97,754
Capital Projects Reserve	-	-	-	-	-	-	-	-	-	-
Sustainability Reserve	128	128	128	128	128	128	128	128	128	128
Total Committed \$	99,029	101,766	104,644	107,176	110,024	112,878	115,487	118,185	121,141	123,419

<b>Assigned</b>										
Reserve for Encumbrances	7,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Total Assigned \$	7,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Total Unassigned \$	23,631	24,446	21,432	17,869	13,257	6,086	-	-	-	-

<b>TOTAL FUND BALANCE \$</b>	<b>150,761</b>	<b>151,501</b>	<b>152,628</b>	<b>152,939</b>	<b>152,600</b>	<b>149,799</b>	<b>146,738</b>	<b>141,647</b>	<b>135,538</b>	<b>128,386</b>
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## **Potential Budget-Balancing Strategies**

Historically, the City has maintained a structurally sound budget, with revenues surpassing expenditures in most fiscal years. During periods of excess revenue, the City has transferred the surplus fund balance to the Capital Reserve Fund in accordance with the City's Fund Balance and Use of One-Time Funds Policy.

However, the forecast shows a potential structural deficit resulting from the anticipated decrease in sales tax revenue due to the CDTFA audit. A structural deficit occurs when recurring expenditures consistently surpass recurring revenues, leading to an ongoing imbalance that cannot be remedied through short-term solutions.

The City began including these strategies in FY 2018-19 and updates them at least annually or as needed.

Potential Strategy	Description	Potential Impact	Currently Recommended
Section 115 Pension Trust	<p>In FY 2017-18, the City established a Section 115 Pension Trust to mitigate pension rate volatility when CalPERS investment returns are below the discount rate or when CalPERS changes assumptions. The City can also use it to offset pension costs in any given year.</p> <p>The City established a Section 115 Trust to reduce pension rate volatility when CalPERS investment returns are below the discount rate or when CalPERS changes assumptions. The City can also use it to offset pension costs.</p>	The fund has a balance of \$21.6 million. <sup>1</sup>	Yes
Section 115 OPEB Trust	<p>In FY 2009-10, the City established a Section 115 OPEB Trust to help fund its retiree health obligations, also known as other post-employment benefits (OPEB).</p> <p>The OPEB plan is fully funded. Starting in FY 2022-23, retiree health costs will be funded by the OPEB Trust rather than the General Fund.</p>	The fund has a balance of \$39.2 million. <sup>1</sup>	Yes
Sales Tax Repayment Reserve	On October 10, 2023, the Council established a committed Sales Tax Repayment Reserve with an initial allocation of \$56.5 million. This reserve was designed to address a potential adverse CDTFA decision and the uncertain outcome of the anticipated legal challenge.	The reserve has a balance of \$77.6 million. <sup>2</sup>	Yes
Economic Uncertainty Reserve	The General Fund Economic Uncertainty Reserve may be used to mitigate potential shortfalls.	The reserve has a balance of \$21.3 million. <sup>2</sup>	No

<sup>1</sup> Balance as of March 31, 2024

<sup>2</sup> Projected balance as of June 4, 2024

**Expenditure Reduction Strategies**

<b>Potential Strategy</b>	<b>Description</b>	<b>Potential Impact</b>	<b>Currently Recommended</b>
No new positions	Cost containment strategy	\$0	Yes
Vacancy control	Keep non-essential positions unfilled as they become vacant.	Approximately \$196,000 per position on average	Yes
Employee cost-sharing of increases to CalPERS	Negotiate to share costs of increases to CalPERS employer rates with employees. Would be subject to bargaining unit agreement.	\$250,000 approximate based on a 5% rate increase	No
Defer or eliminate negotiated increases	Would be subject to bargaining unit agreement.	Approximately \$0.4 million savings based on a 1% decrease	No
Furloughs	Employees would take up to a 10% decrease in pay in exchange for 1 unpaid furlough day per pay period. Would be subject to bargaining unit agreement.	Approximately \$4 million savings based on a 10% decrease	No
Reduction in force	Identify positions to be reduced (laid off) based on MOU provisions and service level needs.	Approximately \$196,000 per position on average	No
Reduction in capital outlays and special projects	Cost containment strategy	Varies	Yes
Reduction in contingencies	Cost containment strategy	Up to \$340,000	Yes
Defer or cancel capital projects	Cost reduction strategy	Varies	Yes

## Revenue Generation Strategies

Potential Strategy	Description	Potential Impact	Currently Recommended
¼ Cent Transaction and Use Tax (TUT)	Voter approval is required Could increase sales tax from 9.125% to 9.375%	\$5.4 million <sup>1</sup>	No
Transient Occupancy Tax (2% increase)	Voter approval is required Could increase transient occupancy tax from 12% to 14%	\$1.25M at \$7.5M base	No
Parcel Tax	Voter approval is required	\$3.7M flat rate per parcel \$3.8M variable rate per square foot	No
Business Operations Tax	Employee count tax	\$4.2 million	No
Increase fees and cost-recovery	Matrix Consulting Group conducted a fee study in 2023. The study assessed the potential for fee increases and cost recovery. City Council adopted the new fee schedule in May 2024.	Varies	Yes
Sale of City-owned Properties or Assets	The sale of city-owned assets would generate one-time revenue.	Varies	No

<sup>1</sup> HdL estimate as of July 2023

## Development Revenue Estimates

The City's current forecast does not incorporate potential significant development projects that are pending approval and permitting. However, once new development projects receive approvals and permits, staff will update the forecast accordingly.

The table below shows our best estimates of potential development revenue. These figures serve as rough approximations and are intended to give you a general idea of what to expect. The timeline for each project represents the Community Development department's best estimate of when commencement is anticipated. It is crucial to note that these estimates are subject to adjustments as we gather additional information over time.

Year Fee Paid (projects may pay fees in multiple years)

Project	Fund	Sub-Revenue	Year Fee Paid (projects may pay fees in multiple years)							Grand Total	
			2024	2025	2026	2027	2028	2029	2030		
<b>Apple VP1</b>											
Ongoing	General Fund	Property Tax Increase <sup>2</sup>		79,000	80,647	82,342	84,032	84,032	85,847	495,900	
Ongoing	General Fund	Sales Tax Increase <sup>3</sup>		9,000	9,811	10,078	10,505	10,505	10,810	60,710	
Ongoing	General Fund	Transient Occupancy Tax <sup>4</sup>								-	
One-time	General Fund	Permit Fees	Inspection/Plan Review	194,577						194,577	
One-time	General Fund	Planning Fee	Advanced Planning Fee	222,930						222,930	
One-time	BMR	Impact Fee	BMR	4,496,925						4,496,925	
One-time	Transportation	Impact Fee	Transportation	2,702,255						2,702,255	
One-time	Park Dedication	Impact Fee	Park	-						-	
One-time	General Fund	Construction Tax		552,753						552,753	
<b>Canyon Crossing</b>											
Ongoing	General Fund	Property Tax Increase		14,000	14,292	14,592	14,892	14,892	15,213	87,881	
Ongoing	General Fund	Sales Tax Increase		17,000	18,531	19,036	19,843	19,843	20,420	114,674	
Ongoing	General Fund	Transient Occupancy Tax								-	
One-time	General Fund	Permit Fees	Inspection/Plan Review	121,678						121,678	
One-time	General Fund	Planning Fee	Advanced Planning Fee	21,638						21,638	
One-time	BMR	Impact Fee	BMR	-						-	
One-time	Transportation	Impact Fee	Transportation	84,830						84,830	
One-time	Park Dedication	Impact Fee	Park	900,000						900,000	
One-time	General Fund	Construction Tax		39,971						39,971	
<b>Bateh Brother/Alan Row</b>											
Ongoing	General Fund	Property Tax Increase		8,000	8,000	8,167	8,338	8,510	8,510	8,693	58,218
Ongoing	General Fund	Sales Tax Increase								-	
Ongoing	General Fund	Transient Occupancy Tax								-	
One-time	General Fund	Permit Fees	Inspection/Plan Review							-	
One-time	General Fund	Planning Fee	Advanced Planning Fee							-	
One-time	BMR	Impact Fee	BMR							-	
One-time	Transportation	Impact Fee	Transportation							-	
One-time	Park Dedication	Impact Fee	Park							-	
One-time	General Fund	Construction Tax								-	
<b>Marina Plaza</b>											
Ongoing	General Fund	Property Tax Increase		125,000	127,606	130,289	132,961	132,961	135,834	784,652	
Ongoing	General Fund	Sales Tax Increase		206,000	224,554	230,677	240,453	240,453	247,439	1,389,576	
Ongoing	General Fund	Transient Occupancy Tax								-	
One-time	General Fund	Permit Fees	Inspection/Plan Review	230,473						230,473	
One-time	General Fund	Planning Fee	Advanced Planning Fee	226,480						226,480	
One-time	BMR	Impact Fee	BMR	\$0 (onsite)						-	
One-time	Transportation	Impact Fee	Transportation	792,420						792,420	
One-time	Park Dedication	Impact Fee	Park	10,152,000						10,152,000	
One-time	General Fund	Construction Tax		209,192						209,192	
<b>Westport</b>											
Ongoing	General Fund	Property Tax Increase		127,000	129,648	132,373	135,089	135,089	138,007	797,206	
Ongoing	General Fund	Sales Tax Increase		76,000						76,000	
Ongoing	General Fund	Transient Occupancy Tax								-	
One-time	General Fund	Permit Fees	Inspection/Plan Review	210,760						210,760	
One-time	General Fund	Planning Fee	Advanced Planning Fee	15,314						15,314	
One-time	BMR	Impact Fee	BMR							-	
One-time	Transportation	Impact Fee	Transportation							-	
One-time	Park Dedication	Impact Fee	Park							-	
One-time	General Fund	Construction Tax		387,497						387,497	
<b>Hamptons Apartments</b>											
Ongoing	General Fund	Property Tax Increase							253,000	253,000	
Ongoing	General Fund	Sales Tax Increase								-	
Ongoing	General Fund	Transient Occupancy Tax								-	
One-time	General Fund	Permit Fees	Inspection/Plan Review					415,424		415,424	
One-time	General Fund	Planning Fee	Advanced Planning Fee					654,226		654,226	
One-time	BMR	Impact Fee	BMR					128,999		128,999	
One-time	Transportation	Impact Fee	Transportation					1,800,000		1,800,000	
One-time	Park Dedication	Impact Fee	Park					30,805,920		30,805,920	
One-time	General Fund	Construction Tax						860,234		860,234	

		Year Fee Paid (projects may pay fees in multiple years)									
Project	Fund	Sub-Revenue	2024	2025	2026	2027	2028	2029	2030	Grand Total	
<b>De Anza Hotel</b>											
Ongoing	General Fund	Property Tax Increase							47,000	47,000	
Ongoing	General Fund	Sales Tax Increase								-	
Ongoing	General Fund	Transient Occupancy Tax							984,000	984,000	
One-time	General Fund	Permit Fees	Inspection/Plan Review					115,730		115,730	
One-time	General Fund	Planning Fee	Advanced Planning Fee					107,740		107,740	
One-time	BMR	Impact Fee	BMR					2,095,377		2,095,377	
One-time	Transportation	Impact Fee	Transportation					577,840		577,840	
One-time	Park Dedication	Impact Fee	Park					-		-	
One-time	General Fund	Construction Tax						100,589		100,589	
<b>1655 S. De Anza</b>											
Ongoing	General Fund	Property Tax Increase									
Ongoing	General Fund	Sales Tax Increase									
Ongoing	General Fund	Transient Occupancy Tax									
One-time	General Fund	Permit Fees	Inspection/Plan Review	107,517							
One-time	General Fund	Planning Fee	Advanced Planning Fee	36,993							
One-time	BMR	Impact Fee	BMR	-	-	-	-	-	-	-	
One-time	Transportation	Impact Fee	Transportation	97,734							
One-time	Park Dedication	Impact Fee	Park	1,740,000							
One-time	General Fund	Construction Tax		61,562							
<b>Cupertino Village</b>											
Ongoing	General Fund	Property Tax Increase							43,000	43,000	
Ongoing	General Fund	Sales Tax Increase								-	
Ongoing	General Fund	Transient Occupancy Tax							1,174,000	1,174,000	
One-time	General Fund	Permit Fees	Inspection/Plan Review					109,531		109,531	
One-time	General Fund	Planning Fee	Advanced Planning Fee					88,985		88,985	
One-time	BMR	Impact Fee	BMR					1,849,765		1,849,765	
One-time	Transportation	Impact Fee	Transportation					689,680		689,680	
One-time	Park Dedication	Impact Fee	Park					-		-	
One-time	General Fund	Construction Tax						94,890		94,890	
<b>Vallejo</b>											
Ongoing	General Fund	Property Tax Increase							1,538,000	1,538,000	
Ongoing	General Fund	Sales Tax Increase							1,621,000	1,621,000	
Ongoing	General Fund	Transient Occupancy Tax								-	
One-time	General Fund	Permit Fees	Inspection/Plan Review					4,136,525		4,136,525	
One-time	General Fund	Planning Fee	Advanced Planning Fee					1,886,668			
One-time	BMR	Impact Fee	BMR					-		-	
One-time	Transportation	Impact Fee	Transportation					-		-	
One-time	Park Dedication	Impact Fee	Park					-		-	
One-time	General Fund	Construction Tax						1,865,553		1,865,553	
<b>TOTAL ALL PROJECTS</b>											
Ongoing	General Fund	Property Tax Increase		8,000	353,000	360,361	367,935	375,483	375,483	2,264,594	4,104,856
Ongoing	General Fund	Sales Tax Increase		-	308,000	252,896	259,791	270,802	270,802	1,899,669	3,261,959
Ongoing	General Fund	Transient Occupancy Tax		-	-	-	-	-	-	2,158,000	2,158,000
One-time	General Fund	Permit Fees	Inspection/Plan Review	757,488	-	-	-	-	4,777,210	-	5,534,698
One-time	General Fund	Planning Fee	Advanced Planning Fee	486,362	-	-	-	-	2,737,619	-	3,223,981
One-time	BMR	Impact Fee	BMR	4,496,925	-	-	-	-	4,074,141	-	8,571,066
One-time	Transportation	Impact Fee	Transportation	3,579,505	-	-	-	-	3,067,520	-	6,647,025
One-time	Park Dedication	Impact Fee	Park	11,052,000	-	-	-	-	30,805,920	-	41,857,920
One-time	General Fund	Construction Tax		1,189,413	-	-	-	-	2,921,266	-	4,110,679
<b>Total Ongoing</b>				<b>8,000</b>	<b>661,000</b>	<b>613,256</b>	<b>627,726</b>	<b>646,285</b>	<b>646,285</b>	<b>6,322,263</b>	<b>9,524,815</b>
<b>Total One-Time</b>				<b>21,561,693</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,383,676</b>	<b>-</b>	<b>69,945,369</b>

<sup>1</sup>These estimates are intended to provide a general idea and should be considered rough approximations. The timing of projects represents the Community Development department's best estimate of when a project is anticipated to commence. It's important to note that these estimates are subject to change as additional information becomes available.

<sup>2</sup>The estimate assumes an increased value of the improvements but not an increased value of the land. The increased value of the improvements is based on the number of bedrooms for residential properties and square footage for hotels, retail, or office properties. The average market values of residential properties are from Zillow.

<sup>3</sup>The estimate is calculated by multiplying the proposed retail square footage by the average sales tax revenue per square foot of retail from HdL 2023 Q1 Sales Tax Reports.

<sup>4</sup>The estimate is calculated by multiplying the number of proposed rooms in the hotel by the RevPAR (Revenue Per Occupied Room) and Transient Occupancy Tax rate (12%). RevPAR is the Average Daily Rate (ADR) multiplied by the Occupancy Rate. The average ADR and Occupancy Rate over the last year for hotels in Cupertino are from HdL.

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