

FY 2023-24 Third Quarter Report

The following is the Third Quarter Financial Report, submitted by the Administrative Services Department for the period July 1, 2023 to March 31, 2024 of Fiscal Year (FY) 2023-24. It has been prepared to inform the City Council, City leadership, and the public of the City's fiscal status.

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

Background

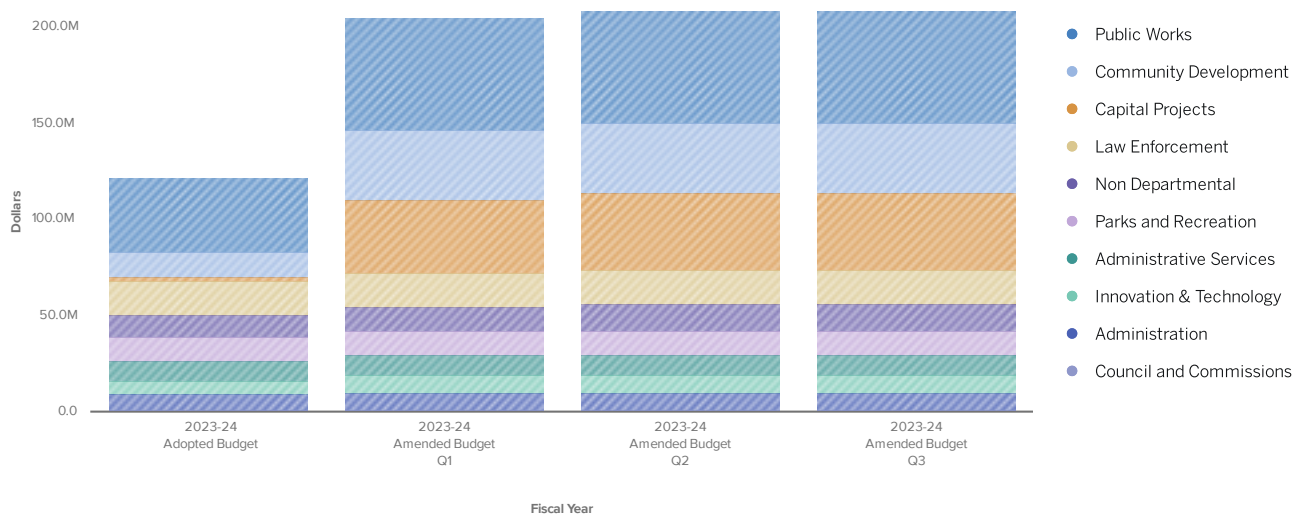
On June 6, 2023, the City Council adopted the FY 2023-24 Adopted Budget, a \$121.8 million spending plan funded by \$110.2 million in revenue and \$11.6 million in fund balance. The adopted budget reflected a \$4.0 million increase from the proposed budget, mainly due to the Capital Improvement Program, which was presented in parallel with the Operating Budget and combined once both were approved.

As described in the City Manager's First Quarter Financial Report, the budget was revised to account for encumbrances and budget carryovers. As part of the FY 2022-23 year-end close, additional funds were carried forward to FY 2023-24, amounting to \$17.1 million in encumbrances and \$64.0 million in budget carryovers. The largest encumbrances were for capital projects (\$3.8 million), while the largest carryovers were also for capital projects (\$31.0 million) and The Rise (\$19.1 million).

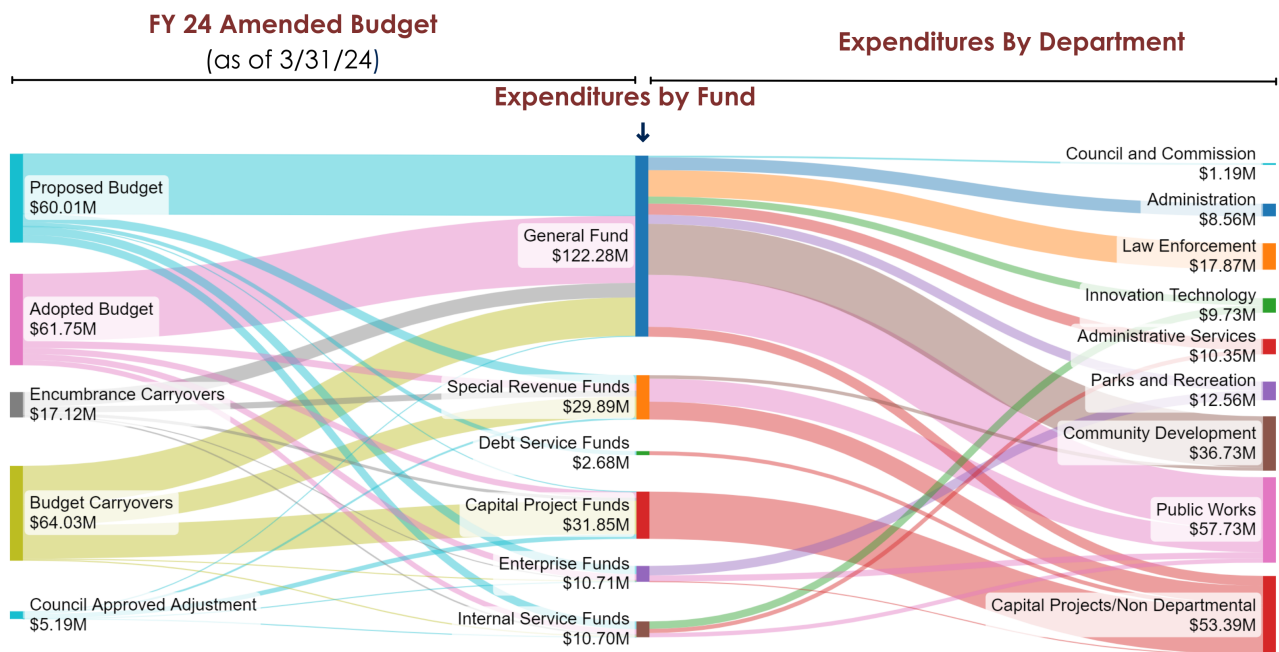
Furthermore, the FY 2023-24 Amended Budget includes Council-approved budget adjustments from July 1 to March 31, 2024, totaling \$5.2 million. It included \$0.5 million in first-quarter adjustments, \$0.2 million for a community resilience grant for EV chargers, and \$4.4 million for capital projects and transfers.

The amended budget at the end of the third quarter is \$208.1 million, funded with \$152.8 million in revenue and \$55.3 million in fund balance.

Amended Budget



Flow of Funds Chart (in Millions)

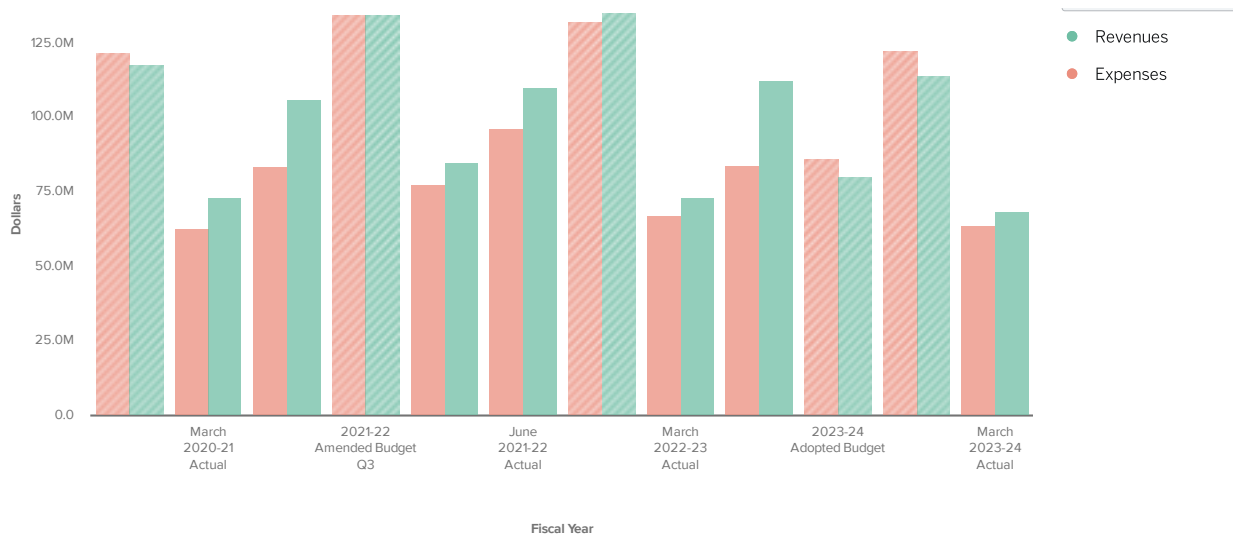


General Fund Revenues, Expenditures, and Fund Balance

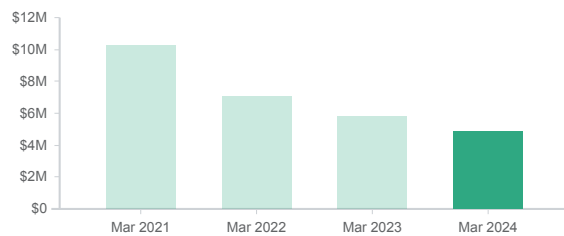
The chart below shows amended budget, third quarter, and year-end revenues and expenditures.

The General Fund's historical financial data indicates that amended expenditures have often exceeded amended revenues, leading to a decrease in fund balance. However, when we look at actual revenues and expenditures, we have historically seen an increase in fund balance.

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



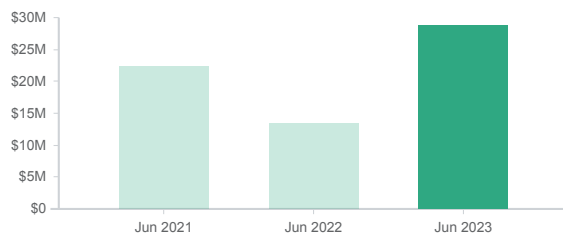
General Fund Revenues Less Expenses at Third-Quarter



\$4,901,875.18

Revenues Less Expenses in Mar 2024

General Fund Revenues Less Expenses at Year End



\$28,658,190.73

Revenues Less Expenses in Jun 2023

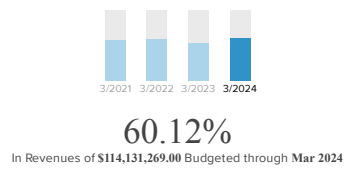
General Fund Revenue and Expenditure Trends

As of March 31, 2024, General Fund revenues are \$68.6 million, which represents 60% of the budgeted revenue. This revenue level is higher than the range of revenues at the Third Quarter point of the prior three years, which were between 54% and 59% of the budgeted revenues.

General Fund expenditures are \$63.6 million, which accounts for 52% of the total budgeted appropriations. This spending level is lower than the range of expenditures at the Third Quarter point of the prior three years, which were between 67% and 73% of the budgeted expenditures.

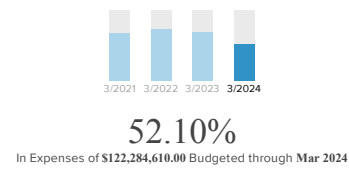
General Fund Revenues - Third Quarter Budget vs Actuals

Data Updated May 14, 2024, 12:04 PM



General Fund Expenditures - Third Quarter Budget vs Actuals

Data Updated May 14, 2024, 12:04 PM



As of third quarter, revenue was \$4.6 million, or 6% lower than last year, primarily attributed to drops in sales tax, transient occupancy tax, intergovernmental revenue, and transfers, while expenditures were \$3.8 million, or 6% lower than last year, primarily due to decreases in transfers and salaries and benefits.

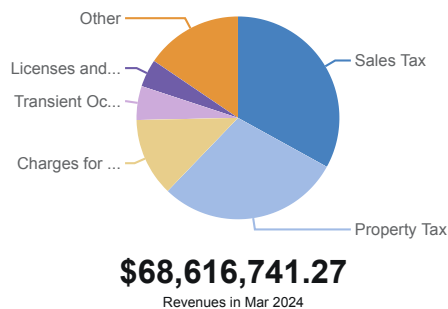
General Fund Revenues - Third Quarter vs Year End Actual



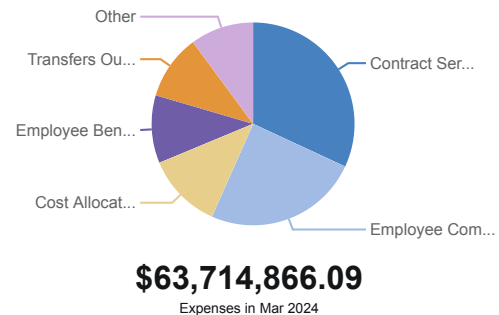
General Fund Expenditures - Third Quarter vs Year End Actual



General Fund Revenues by Type



General Fund Expenditures by Type



General Fund Classification of Fund Balance

The General Fund ended FY 2021-22 with total fund balance of \$110.2 million. Staff anticipates the General Fund will end FY 2022-23 with \$138.8 million in fund balance, an increase of \$28.7 million from the prior year due to FY 2022-23 ending with revenues higher than expenditures.

As of third quarter, staff anticipates the General Fund will end FY 2023-24 with \$160.7 million in fund balance. It's important to note that the only portion available for use, according to City policy, is unassigned funds. Committed funds, such as the Sales Tax Repayment Reserve, are set aside for specific purposes determined by City Council resolution. Restricted funds, such as the Section 115 Pension Trust, are allocated for specific purposes stipulated by external resource providers. Assigned funds are reserved for encumbrances. Of the total fund balance, \$37.3 million is unassigned and available to be used.

Classification	2021-22 Actual	2022-23 Year End Projection	2023-24 Adopted Budget	2023-24 1st Quarter Year End Projection	2023-24 Mid-Year Year End Projection	2023-24 3rd Quarter Year End Projection
<u>Nonspendable</u>						
Loans Receivable	439,199	433,896	435,000	433,896	433,896	433,896
Advance to Other Funds	-	-	-	-	-	-
Total Nonspendable	439,199	433,896	435,000	433,896	433,896	433,896
<u>Restricted</u>						
CASp Certification and Training	23,621	12,377	23,621	12,377	12,377	12,377
Section 115 Pension Trust	17,240,051	19,088,859	17,240,051	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	1,565,153
Public Art In-Lieu	-	-	-	-	-	-
Total Restricted	18,756,482	20,666,389	18,756,482	18,817,580	20,666,389	20,666,389
<u>Committed</u>						
Economic Uncertainty Reserve	24,000,000	24,000,000	24,000,000	24,000,000	18,000,000	18,000,000
Sales Tax Repayment Reserve	-	-	-	-	56,500,000	74,500,000
Capital Projects Reserve	10,000,000	10,000,000	10,000,000	10,000,000	-	-
Sustainability Reserve	127,891	127,891	127,891	127,891	127,891	127,891
Total Committed	34,127,891	34,127,891	34,127,891	34,127,891	74,627,891	92,627,891
<u>Assigned</u>						
Reserve for Encumbrances	5,041,681	9,735,187	7,000,000	9,735,187	9,735,187	9,735,187
Total Assigned	5,041,681	9,735,187	7,000,000	9,735,187	9,735,187	9,735,187
Total Unassigned	51,804,288	73,864,369	44,090,588	77,002,877	36,680,446	37,280,415
TOTAL FUND BALANCE	110,169,541	138,827,732	104,409,960	140,117,431	142,143,808	160,743,778

Recommended Adjustments

As of the third quarter, some departments are requesting budget adjustments to ensure that they stay within their budget appropriations by year-end. In addition, staff is also recommending defunding some projects and adjusting sales tax to align the budget with year-end actuals. The recommended adjustments are summarized below.

Fund	Department	Revenue	Expense	Change in Fund Balance	Proposal
GENERAL FUND					
100 General Fund	Non-Dept.	19,382,332	-	19,382,332	Adjust Sales Tax Revenue
100 General Fund	Law Enf.	327,762	250,000	77,762	Supplemental Law Enforcement Services
100 General Fund	CAO	-	200,000	(200,000)	Increased Legal Costs
100 General Fund	ASD	-	(22,450)	22,450	Defund - CWP Analyze Potential Revenue Measures
100 General Fund	I&T	-	(500,000)	500,000	Defund - FY 2022-23 Software Budget Carryover
100 General Fund	I&T	-	(16,896)	16,896	Defund - FY 2022-23 Training Budget Carryover
100 General Fund	I&T	-	(32,000)	32,000	Defund - Performance Management App Special Project
100 General Fund	I&T	-	(30,274)	30,274	Defund - Project Dox Special Project
100 General Fund	I&T	-	(375,000)	375,000	Defund - ERP Phase III
100 General Fund	PW	-	(40,000)	40,000	Defund - Overpasses and Medians Trench Work
100 General Fund	PW	-	(9,500)	9,500	Defund - City Hall Electrical Preventative Maintenance
100 General Fund	PW	-	(10,574)	10,574	Defund - Shuttle Pilot Program
100 General Fund	PW	-	(5,970)	5,970	Defund - Traffic Engineering Adaptive Traffic Signaling
100 General Fund	PW	-	(16,042)	16,042	Defund - Traffic Signal Maint Adaptive Traffic Signaling
100 General Fund	PW	-	(10,000)	10,000	Defund - Sustainable Infrastructure Audit
100 General Fund	PW	-	(5,400)	5,400	Defund - 4H Fence
TOTAL GENERAL FUND		19,710,094	(624,106)	20,334,200	
SPECIAL REVENUE FUNDS					
210 Storm Drain	CIP	-	300,000	(300,000)	Transfer from Storm Drain Improvement to Capital Reserve
265 BMR Housing	CDD	-	(50,000)	50,000	Defund - Support for the Unhoused
TOTAL SPECIAL REVENUE FUNDS		-	250,000	(250,000)	
CAPITAL PROJECTS					
429 Capital Reserve	CIP	300,000	-	300,000	Transfer from Storm Drain Improvement to Capital Reserve
TOTAL CAPITAL PROJECTS FUNDS		300,000	-	300,000	
ENTERPRISE FUNDS					
570 Sports Center	P&R	-	(691)	691	Defund - Windscreens
TOTAL ENTERPRISE FUNDS		-	(691)	691	
INTERNAL SERVICE FUNDS					
610 Innovation & Technology	I&T	-	(6,183)	6,183	Defund - CWP Cyber Security Public Education
610 Innovation & Technology	I&T	-	(30,000)	30,000	Defund - Security Framework and Audit
610 Innovation & Technology	I&T	-	(32,000)	32,000	Defund - Council Voting System and Timer
610 Innovation & Technology	I&T	-	(2,000)	2,000	Defund - Public Bike Smart Rack DockTech
610 Innovation & Technology	I&T	-	(20,000)	20,000	Defund - Facility Battery
TOTAL INTERNAL SERVICE FUNDS		-	(90,183)	90,183	
TOTAL ALL FUNDS		\$20,010,094	\$ (464,980)	\$ 20,475,074	

Summary

The Third Quarter Financial Report shows the City is positioned as anticipated. City staff recommends a \$0.5 million decrease in appropriations, a \$20.0 million increase in revenues, and a \$20.5 million increase in fund balance. The City will continue to monitor its revenue and expenditure trends closely to ensure it remains on track toward achieving its budgetary goals and objectives.

City of Cupertino, California

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