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*City Of Milpitas*  
*Budget Study Session*  
*April 1, 2014*

# Accomplishments

- **Eliminated General Fund budget deficit from \$12 million 2 years ago to a balanced budget – combination of revenue increases and stringent cost reduction**
- **Managed the dissolution of RDA and took initial steps to replace lost funding for CIP by allocating any excess RDA property tax redistributions and General Fund revenue to a CIP Fund**
- **Business retention & recruitment / Service delivery**
  - **Flextronics & Nanosys expanded their businesses within Milpitas**
  - **New businesses relocated to Milpitas – SGI, Micron, FireEye**
- **Transit Area Plan**
  - **Updated Transit Area Impact Fee to finance the infrastructure needed in the area**
  - **Established Community Facilities District assessment to mitigate the fiscal impact of development on public services**

# **FY 14-15 Budget Objectives**

- **Maintain City's Core Services**
- **Maximize overall organizational efficiency and cost savings**
- **Balance General Fund budget without using any reserves by working with departments to reduce costs by \$3.2 million from original budget requests**
- **Continue to develop a Strategic Plan to update City's missions, values and goals to guide departments' work plans**

# Fiscal Year 2014-15

## Changes in Funded Positions

### Fund:

- ◆ 2 Police Officers (Partially funded by 2008 CFD)
- ◆ 1 Police Property Clerk
- ◆ 1 Fire Prevention Inspector (Funded by permit & inspection fees)
- ◆ 1 Assistant City Manager
- ◆ 1 Economic Development Manager
- ◆ 1 Recreation Services Manager
- ◆ 1 IS Director
- ◆ 1 Assistant Housing Planner (Funded by Housing Fund)
- ◆ 1 Maintenance Worker III (Funded by Water & Sewer Fund)

### Defund:

- ◆ 1 System Administrator
- ◆ 1 Maintenance Worker II

# **Reorganization and Potential Program Change**

- **Public Work Inspection – Reassigned to Public Works/Engineering to maximize overall work efficiency.**
- **Preschool Program**
  - **Enrollment numbers trending down**
  - **Increased competition**
  - **Increased turn-over rate resulting in the increase of staff administration costs**

# Fair Share Funding Proposal

- **Services Provided to School District**
  - **School Resource Officer (SRO) - \$208,000**
  - **Crossing Guards - \$439,000**
  - **Maintenance of Russell school field - \$72,000**
  - **Use of Sport Center Large Gym – estimated \$34,000**
  - **Misc. facility and park rentals - \$5,000**

# Challenges

- **Dissolution of RDA**
- **Unfunded PERS liabilities (as of 6/30/12)**
  - **Public Safety - \$85 million**
  - **Non-Safety - \$52 million**
- **Unfunded Retiree Medical benefits (as of 6/30/13)**
  - **\$36 million**
- **CIP projects in the next 4 years without identified funding sources**
  - **Storm Drain projects - \$12 million**
  - **Street projects - \$10 million**
  - **Others - \$11 million**
- **Benefits as a percentage of base salary remains high and rising**

## RPTTF Distributions To Date

Taxing Entities	Percentage	Amount (in thousand)
<b>Santa Clara County</b>	<b>14.3%</b>	<b>\$ 5,851</b>
<b>County Library</b>	<b>2.6%</b>	<b>1,046</b>
<b>City of Milpitas</b>	<b>15.8%</b>	<b>6,449</b>
<b>Milpitas Unified School District</b>	<b>39.8%</b>	<b>16,285</b>
<b>SJ Evergreen Community College</b>	<b>6.5%</b>	<b>2,641</b>
<b>County School Services</b>	<b>3.1%</b>	<b>1,285</b>
<b>Santa Clara Valley Water District</b>	<b>2.5%</b>	<b>1,040</b>
<b>Bay Area Air Quality Mgmt District</b>	<b>0.2%</b>	<b>75</b>
<b>ERAF</b>	<b>15.2%</b>	<b>6,234</b>
<b>TOTAL</b>	<b>100.0%</b>	<b>\$ 40,906</b>

# Employee Cost Benefits as a % of Base Salary

Union/Group	Base Salary (in thousands)	Benefits (in thousands)	% of Benefits to Base Salary
Fire	5,994	4,889	81.6%
MEA	2,572	2,213	86.0%
MPOA	11,136	10,575	95.0%
ProTech	5,393	2,919	54.1%
Mid-Mgmt	3,686	1,812	49.2%
Unrep-Misc	2,216	1,089	49.1%
Unrep-Safety	1,985	1,238	62.4%
<b>Total</b>	<b>32,982</b>	<b>24,735</b>	<b>75.0%</b>

**PERS Cost = \$9.3 million / Medical Cost = \$6.9 million  
represent 28% and 21% of base salary respectively**

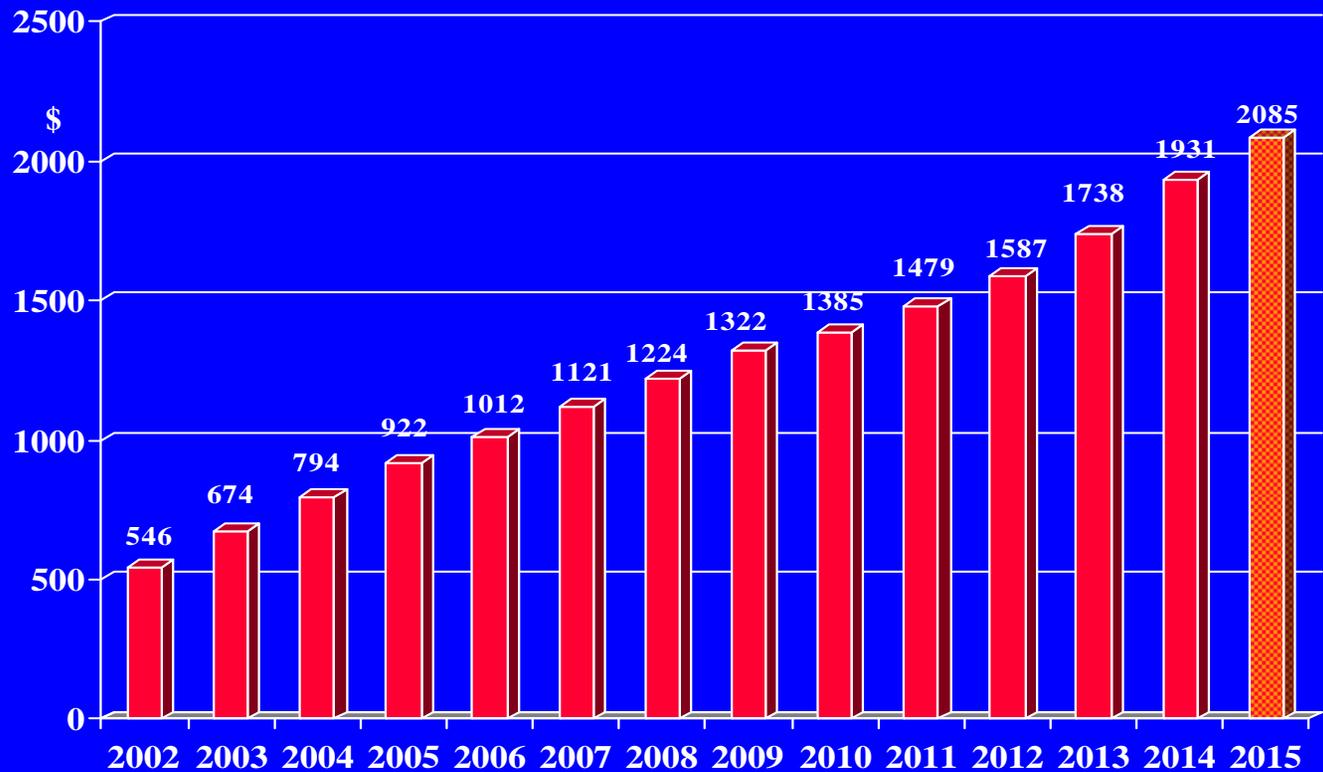
# Employer PERS Contribution rates are expected to increase and remain high

Percent



# Medical Insurance Premium (Family) Averages 11% Increase Per Year Since 2002

Monthly premium

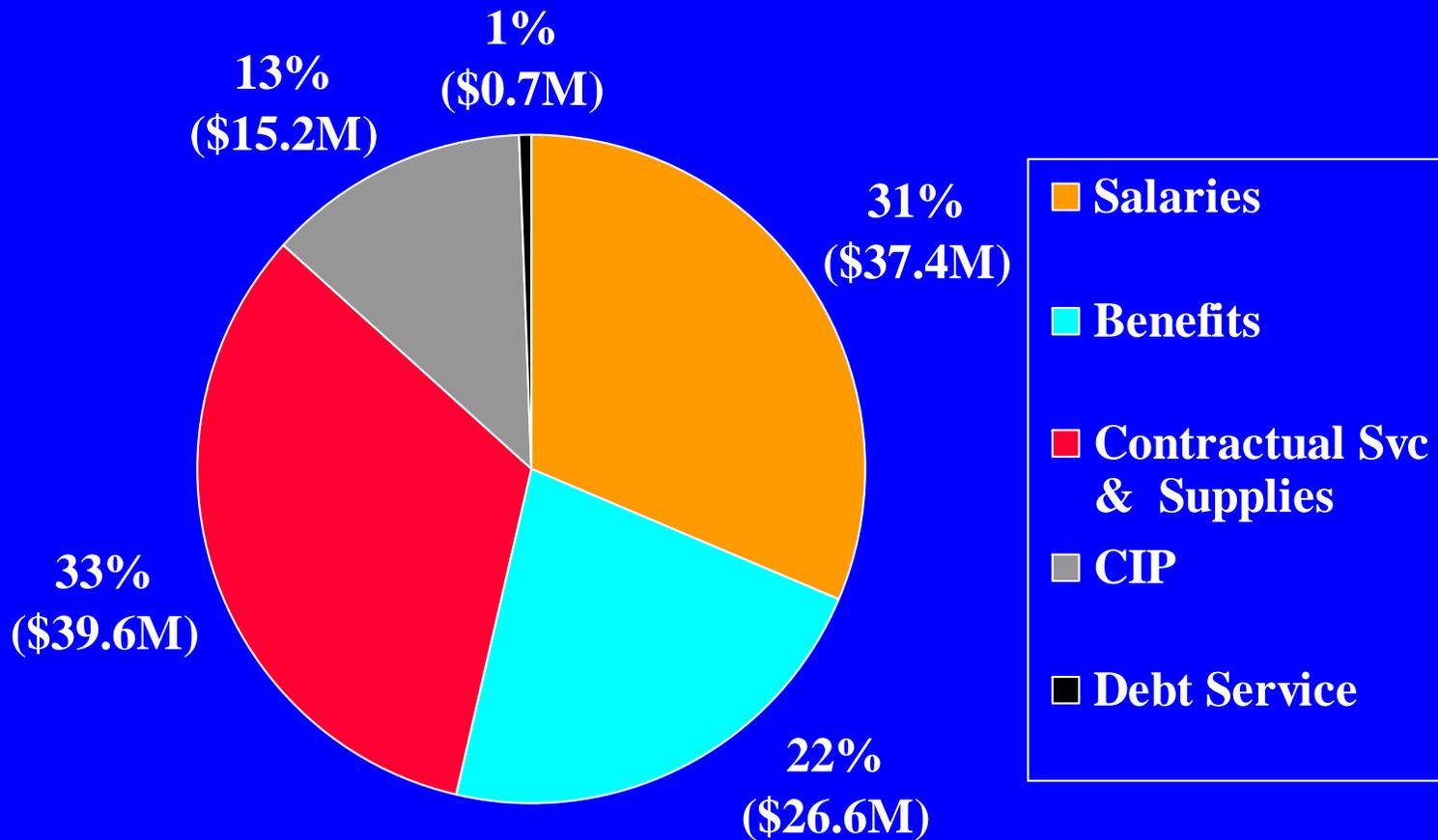


Estimate 8%  
increase

# Retiree Medical Benefits Unfunded Liability

- **Medical insurance increased higher than inflation and higher than investment return**
- **Investment return is also a major factor**
- **Increased number of retirees higher than expected enrolled in plan**
  - 2005 - 125 retirees
  - 2007 - 156 retirees
  - 2009 – 178 retirees
  - 2011 – 206 retirees
  - 2013 – 271 retirees
- **Only began funding in FY 2006-07 – on the right track**

# Draft FY 14-15 Budget (Total of All Funds \$119.5 Millions) Expenditures by Category

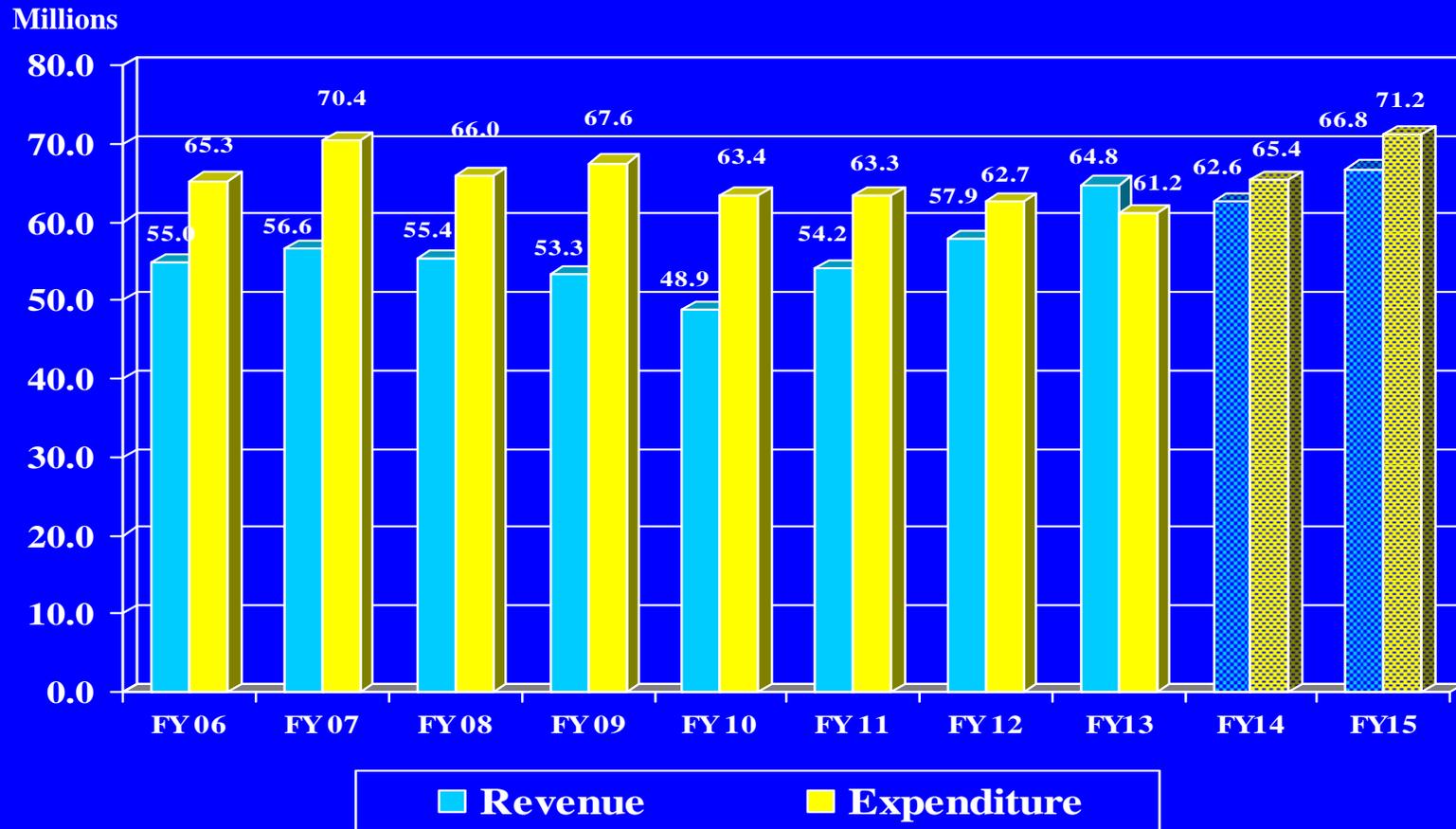


# Draft FY14-15 Budget Summary

## General Fund

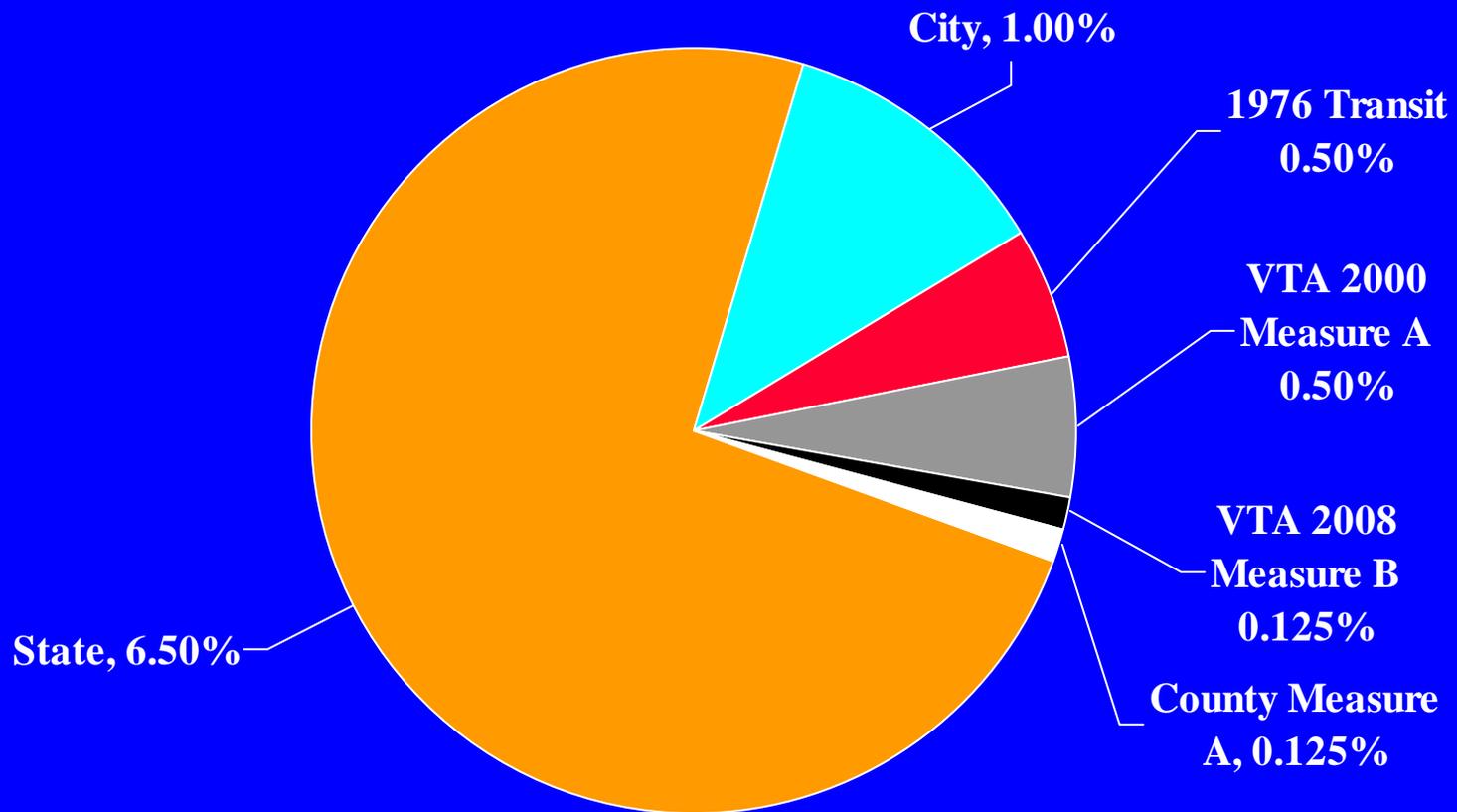
	<b>Amount</b>
<b><u>Estimated Revenues</u></b>	<b><u>(in thousands)</u></b>
Property Tax	\$ 21,849
Sales Tax	20,606
TOT & Other taxes	11,377
Other Revenue	12,940
Operating Transfers	<u>4,456</u>
<b>Total Estimated Revenues</b>	<b>\$ 71,228</b>
<b><u>Estimated Expenditures</u></b>	
Personnel Services	\$ 57,479
Contractual Services & Supplies	<u>13,749</u>
<b>Total Estimated Expenditures</b>	<b>\$ 71,228</b>

# Historical General Fund Revenues and Expenditures before Op. Transfers from other Funds



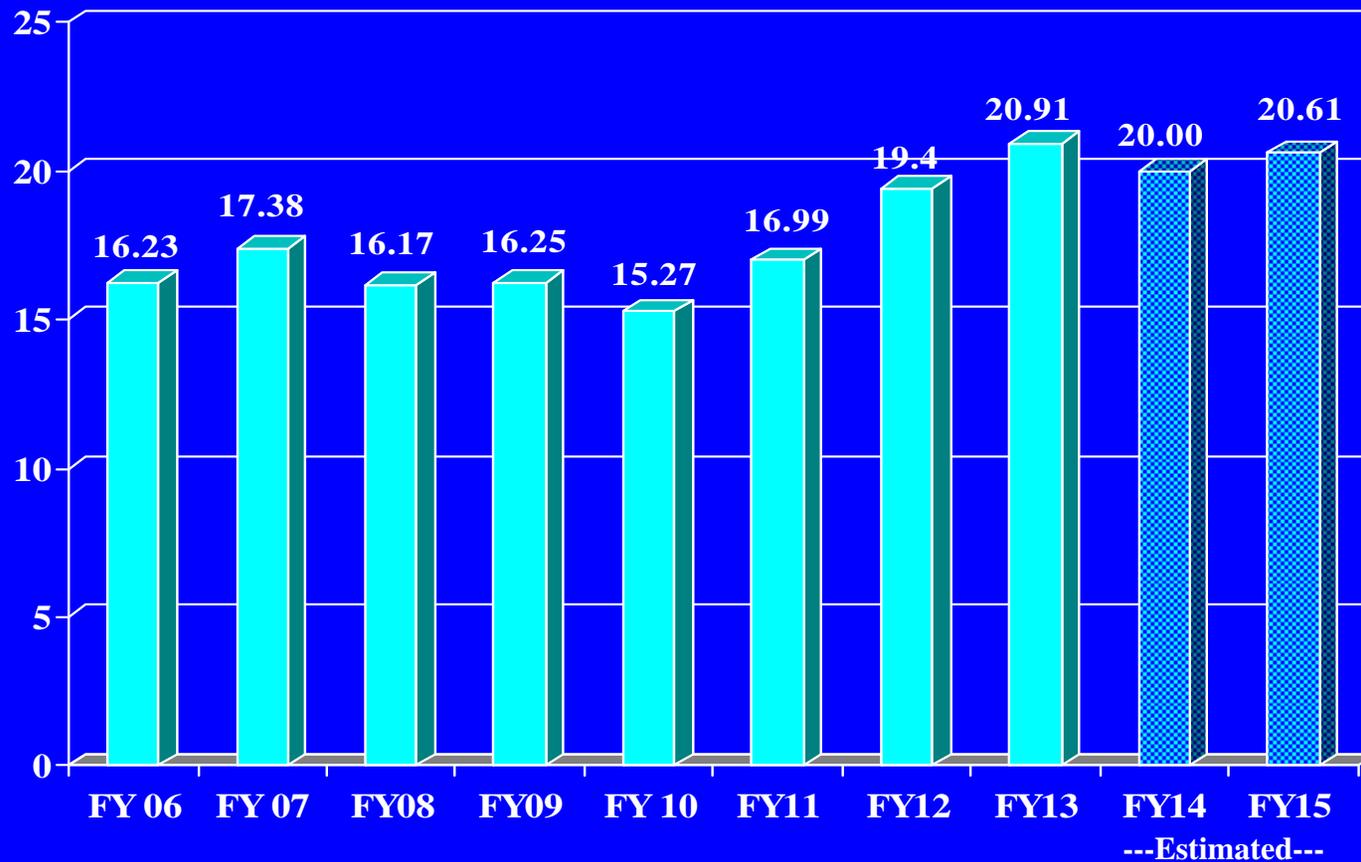
# Allocation of Sales Tax

(Current Sales Tax Rate 8.75%)



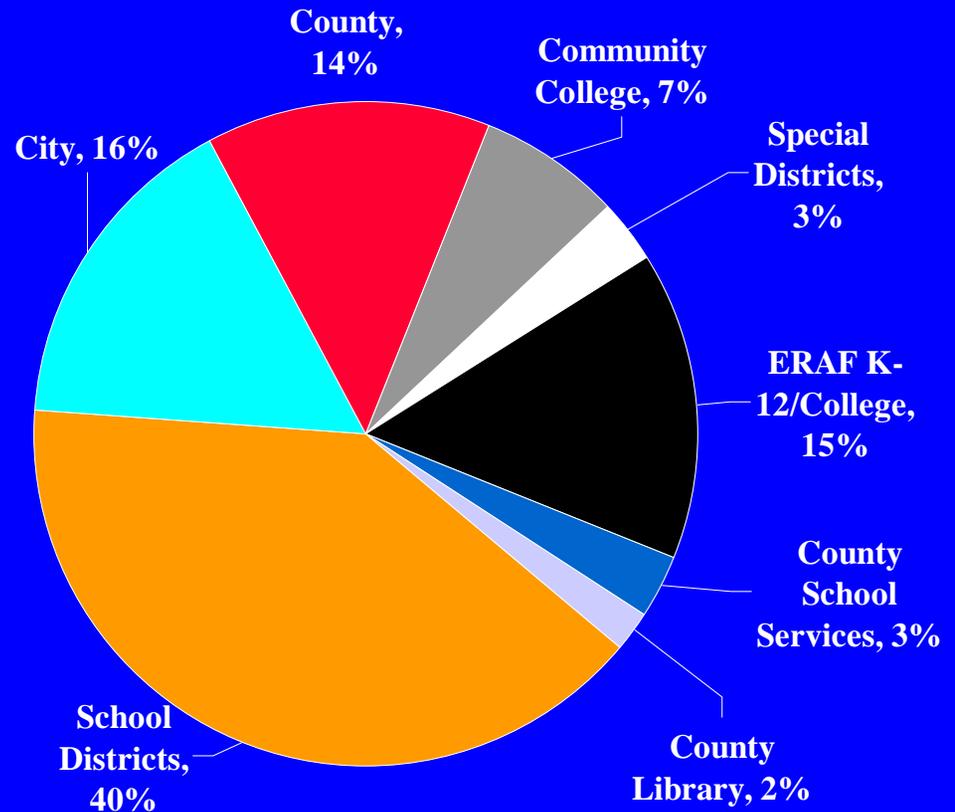
# Sales Tax Cash Receipts By Fiscal Year (Not Adjusted for Inflation) FY 14-15 Projected Sales Tax \$20.6 million

(In millions)



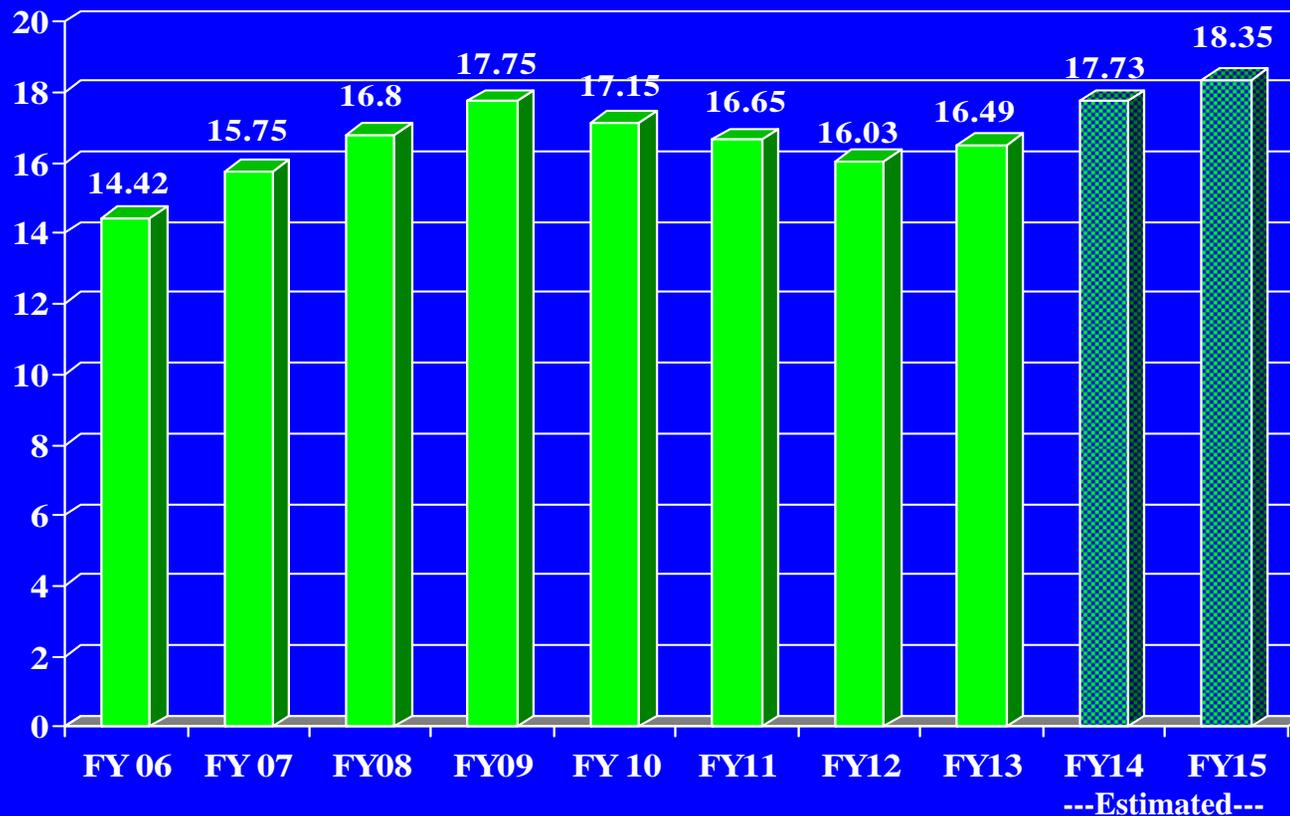
# Allocation of 1% Base Property Tax

1% base property tax for a home with assessed value of \$500,000:	
Assessed value	1% Tax
\$500,000	\$5,000
Homeowner exemption	
(\$7,000)	(\$70)
Net Property Tax	\$4,930
City's Share at 16%	\$789



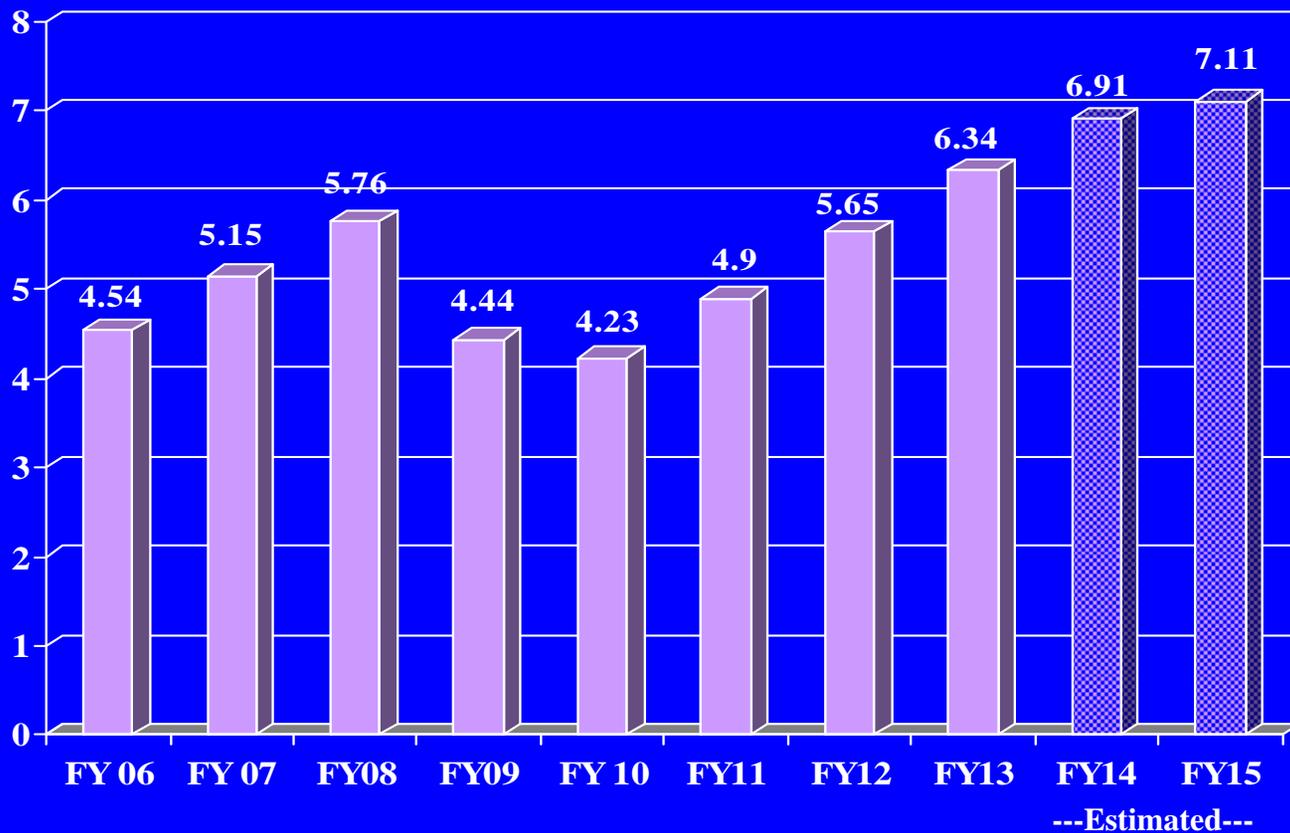
# Property Tax Revenue By Fiscal Year (Not including RPTTF distributions) FY 14-15 Projected Property Tax \$18.3 million

(In millions)



# 8% Transient Occupancy Tax By Fiscal Year (Not Adjusted for Inflation) FY 14-15 Projected TOT \$7.1 million

(In millions)



# Allocation to Gen Government CIP Fund To Mitigate the loss of RDA funding

		In millions
<b>Since dissolution</b>	<b>RPTTF distributions</b>	<b>\$ 6.4</b>
	<b>One-time RDA loan repayment</b>	<b>3.6*</b>
	<b>One-time settlement of Prop Tax Admin Fee</b>	<b>0.6</b>
	<b>General Fund revenue in FY 12-13</b>	<b>2.8**</b>
<b>FY 13-14</b>	<b>Estimated 2<sup>nd</sup> half of RPTTF distribution</b>	<b><u>1.6</u></b>
	<b>Subtotal</b>	<b>15.0</b>
	<b>Less: Funded CIP</b>	<b><u>(2.7)</u></b>
<b>6/30/14</b>	<b>Estimated Remaining Balance</b>	<b>\$12.3</b>
<b>6/30/14</b>	<b>Estimated 2% TOT Fund Available Balance</b>	<b>\$ 8.0</b>

\* Loan payment is being contested by the County.

\*\* Transfer to fund Streets projects in order to maintain PCI

# **CIP Projects Without Identified Funding FY 2014-15 through FY 2018-19**

**(in millions)**

<b>Storm Drains Improvements – various projects</b>	<b>\$ 12.05</b>
<b>Street Improvements – various projects</b>	<b>9.55</b>
<b>Parks Improvements – various projects</b>	<b>6.50</b>
<b>Community Improvement – Fire Station</b>	<b>2.50</b>
<b>Community Improvement – other facilities</b>	<b>0.70</b>
<b>Water System Replacements</b>	<b><u>1.60</u></b>
<b>Total</b>	<b>\$ 32.90</b>

**There are other long-term projects that are without funding sources that are not shown because they do not fall within the Five Year Plan**

# Five Year General Fund Forecast

(in millions)

	<u>FY15-16</u>	<u>FY16-17</u>	<u>FY17-18</u>	<u>FY18-19</u>	<u>FY19-20</u>
Revenues	\$ 68.9	\$ 71.0	\$ 72.7	\$ 74.7	\$ 76.7
Operating Transfers	<u>4.3</u>	<u>4.5</u>	<u>4.6</u>	<u>4.8</u>	<u>4.9</u>
Total Estimated Revenues	73.2	75.5	77.3	79.5	81.7
Salaries	\$ 37.4	\$ 38.3	\$ 39.3	\$ 40.3	\$ 41.3
Benefits	22.2	23.5	24.7	26.0	27.4
Supplies & Contractual Services	<u>14.0</u>	<u>14.3</u>	<u>14.6</u>	<u>15.0</u>	<u>15.2</u>
Total Estimated Expenditures	73.6	76.1	78.6	81.3	83.9
Operating Deficits	(0.4)	(0.6)	(1.3)	(1.8)	(2.2)