

MEMORANDUM

Office of the City Manager



To: Honorable Mayor and City Council
From: Tom Williams, City Manager
Emma Karlen, Assistant City Manager
Subject: FY 2015-16 Budget Study Session
Date: April 1, 2015

In preparation for the Budget Study Session on April 7, 2015, staff has attached the draft budget summaries for FY 2015-16 and the Powerpoint presentation for your review and reference. During the Budget Study Session, staff will provide revenue and expenditure information on the upcoming FY 15-16 operating budget, budget objectives and challenges, and funding priority on staffing. The Budget Study Session will also provide an opportunity for staff to receive feedback and direction from the City Council before we finalize the budget.

General Fund - Budget Overview

The total budget request for the General Fund is approximately \$75.6 million. During the budget process, each department worked diligently to cut costs to ensure a balanced general budget so that expenditures are in balance with revenue. The draft General Fund budget reflected a 6.2% or \$4.4 million increase compared with the current fiscal year's adopted budget. Of the \$4.4 million increase, personnel costs increased by \$3.4 million due to increased employer's contribution to CalPERS; restoration of employees' concessions and salary increase pursuant to contracts negotiated with employee groups.

The total General Fund revenue and other financing sources for FY 15-16 is projected to be \$76.3 million, a 7.2% increase compared with the current fiscal year's adopted budget. The projected growth for property tax revenue and Transient Occupancy tax are 4.4% and 4.7% respectively while sales tax revenue is projected to increase 9.4% over FY 14-15 revised revenues. The reason for the 9.4% increase in sales tax revenue projection in FY 15-16 is related to the end of the "triple-flip" borrowing of sales tax revenue that originated from the State budget deficit 10 years ago. Beginning in October 2015, local agencies will receive its full share of 1% sales tax revenue instead of 0.75% thereby eliminating the timing difference of receiving the remaining 0.25% "true-up" sales tax revenue. Other revenues such as charges for services and permit and inspection fees are expected to remain at similar level as current fiscal year's revised revenues.

Additional Positions Funding Priority

During the budget process, various departments submitted their requests to fund additional positions. The projected FY 15-16 General Fund revenue versus expenditures results in approximately \$716,000 available to fund these positions. However, the funding requests totaling about \$1.8 million were not included in the General Fund budget requests of \$75.6

million indicated above. To balance the budget, staff must prioritize the funding of these positions. In the Budget Study Session, staff will present a list of the requested positions and staff's recommendations. The City Council will have an opportunity to inquire about these positions with the departments and provide input on their funding priorities.

Unfunded Liabilities for PERS Pension and Retiree Medical Benefits

The unfunded liability for the PERS pension and retiree medical benefits have increased over the years. Staff will discuss the reasons for the increase in the Budget Study Session.

Staff will also recommend changes to the fiscal policy to fund the "annual required contribution" for the PERS pension instead of contributions based on a percentage of employees' salaries. The "annual required contribution" funding method could result in either higher or lower pension expenditure in any given year than the percentage of salary method but is ultimately the correct way to fund the pension. Staff recommends any savings due to the difference of these two funding methods be returned to the PERS Rate Stabilization account. Conversely, any cost difference can also be funded by the PERS Rate Stabilization account. The General Fund currently has a \$5.4 million reserve in the PERS Rate Stabilization account which is sufficient to handle any funding differences in any given year.

Distributions of Property Tax revenue from the Redevelopment Property Tax Trust Fund

Pursuant to ABx1 26 that legislates the dissolution of the redevelopment agencies, all remaining property tax revenue attributing to the former RDA after satisfying the approved obligations of the RDA, will be distributed to the taxing entities within the RDA project area. The City of Milpitas is one of the taxing entities that will receive its estimated share of \$4.35 million next year. The funds are typically distributed to the taxing entities in January and June of each fiscal year. Due to the success of the 2003 Tax Allocation Bonds refinancing, the refunding bonds issued in 2015 saved the taxing entities approximately \$1.6 million annually. The City's share of the savings is approximately \$256,000 annually and is included in the \$4.35 million projection next year.

Draft Budget Summary 2015-2016

	GRAND TOTAL	GENERAL FUND	MEASURE I TOT FUND	HOUSING AUTHORITY	OTHER FUNDS	CAPITAL PROJECTS	WATER FUND	SEWER FUND
ESTIMATED REVENUES								
Property Taxes	24,680,000	24,680,000	0	0	0	0	0	0
Taxes Other Than Property	36,557,000	33,957,000	2,007,000	0	593,000	0	0	0
Licenses and Permits	6,347,808	6,347,808	0	0	0	0	0	0
Fines and Forfeits	408,000	408,000	0	0	0	0	0	0
Use of Money and Property	878,000	141,000	41,000	30,000	102,000	267,000	128,000	169,000
Intergovernmental	3,446,000	956,000	0	0	2,454,000	0	36,000	0
Charges For Current Services	46,527,442	5,712,000	0	0	3,315,442	0	23,300,000	14,200,000
Other Revenue	1,563,500	85,500	0	0	1,273,000	0	145,000	60,000
sub-total	120,407,750	72,287,308	2,048,000	30,000	7,737,442	267,000	23,609,000	14,429,000
Other Financing Sources								
(Increase) Decrease in Fund Balance	4,872,242	(716,116)	(1,281,721)	928,093	460,930	0	3,508,888	1,972,168
(Increase) Decrease in CIP Fund Balance	10,542,960	0	0	0	0	9,139,960	(15,000)	1,418,000
Operating Transfers In	7,585,000	4,360,000	0	0	300,000	2,925,000	0	0
Operating Transfers Out	(7,585,000)	(300,000)	(600,000)	0	(2,605,000)	0	(2,420,000)	(1,660,000)
sub-total	15,415,202	3,343,884	(1,881,721)	928,093	(1,844,070)	12,064,960	1,073,888	1,730,168
TOTAL	135,822,952	75,631,192	166,279	958,093	5,893,372	12,331,960	24,682,888	16,159,168
BUDGETED APPROPRIATIONS								
Personnel Services	68,286,637	60,843,396	55,279	331,093	1,437,355	0	3,072,345	2,547,169
Supplies & Contractual Services	43,104,400	14,777,796	111,000	627,000	3,381,233	150,000	17,447,958	6,609,413
Capital Outlay	1,249,955	10,000	0	0	1,074,784	0	162,585	2,586
sub-total	112,640,992	75,631,192	166,279	958,093	5,893,372	150,000	20,682,888	9,159,168
Capital Improvements	22,421,960	0	0	0	0	12,106,960	4,000,000	6,315,000
Debt Service	760,000	0	0	0	0	75,000	0	685,000
sub-total	23,181,960	0	0	0	0	12,181,960	4,000,000	7,000,000
TOTAL	135,822,952	75,631,192	166,279	958,093	5,893,372	12,331,960	24,682,888	16,159,168
FUND BALANCE								
Fund Balance 7/1/15	158,477,877	38,628,877	8,300,000	4,700,000	17,522,000	38,827,000	22,000,000	28,500,000
Net Changes in Fund Balance	(15,415,202)	716,116	1,281,721	(928,093)	(460,930)	(9,139,960)	(3,493,888)	(3,390,168)
Fund Balance 6/30/16	143,062,675	39,344,993	9,581,721	3,771,907	17,061,070	29,687,040	18,506,112	25,109,832
Restricted	34,602,807	18,279,480	5,000,000	3,771,907	7,551,420	0	0	0
Restricted for CIP	50,584,040	0	0	0	0	18,087,040	14,315,000	18,182,000
Committed for PERS	5,432,703	5,432,703	0	0	0	0	0	0
Assigned	19,019,415	2,816,694	4,581,721	0	21,000	11,600,000	0	0
Unassigned, Unrestricted	33,423,710	12,816,116	0	0	9,488,650	0	4,191,112	6,927,832
TOTAL	143,062,675	39,344,993	9,581,721	3,771,907	17,061,070	29,687,040	18,506,112	25,109,832

General Fund - Draft Budget Summary
Fiscal Year 2015-2016

Budget Unit	Personnel Services	Services & Supplies	Capital Outlay	Total
City Council	123,236	154,496	0	277,732
City Manager	968,679	184,289	0	1,152,968
City Clerk	355,180	33,200	0	388,380
City Attorney	723,240	295,800	0	1,019,040
Building and Safety	3,250,306	83,179	0	3,333,485
Information Services	1,430,854	941,301	0	2,372,155
Human Resources	573,497	448,012	0	1,021,509
Recreation	2,683,509	1,156,485	0	3,839,994
Finance	2,160,769	140,200	0	2,300,969
Public Works	2,256,330	3,230,360	0	5,486,690
Engineering	1,722,822	580,150	0	2,302,972
Planning & Neighborhood Svcs	1,637,177	666,947	0	2,304,124
Police	25,071,522	1,494,233	0	26,565,755
Fire	14,878,675	1,892,544	10,000	16,781,219
Non-Departmental	3,007,600	3,476,600	0	6,484,200
TOTAL	60,843,396	14,777,796	10,000	75,631,192

	Actual 2012-13	Actual 2013-14	Budget 2014-15	Draft 2015-16
PERSONNEL SERVICES				
4111 Permanent Salaries	54,295	54,267	54,274	56,994
4112 Temporary Salaries	2,925	3,075	4,400	4,400
4113 Overtime	85	0	0	0
4121 Allowances	38,721	38,700	38,700	38,700
4131 PERS	7,389	8,997	18,334	20,926
4132 Group Insurance	19,707	405	420	420
4133 Medicare	1,171	1,016	1,422	1,434
4135 Worker's Compensation	189	248	294	296
4139 PARS	577	565	66	66
4151 Compensation Reduction	(8,732)	(8,727)	(8,727)	0
4161 Retiree Medical Reserve	516	0	0	0
sub-total	<u>116,845</u>	<u>98,546</u>	<u>109,183</u>	<u>123,236</u>
SUPPLIES AND CONTRACTUAL SERVICES				
4200 Community Promotions, Grants & Loans	16,125	97,657	47,340	67,340
4220 Supplies	4,464	3,235	4,000	4,000
4230 Services	10,500	10,526	10,500	0
4410 Communications	101	0	0	0
4501 Memberships and Dues	51,021	46,349	53,579	54,656
4503 Training	1,066	1,605	10,400	10,500
4520 Commissions and Boards	4,984	2,931	14,116	18,000
sub-total	<u>88,259</u>	<u>162,302</u>	<u>139,935</u>	<u>154,496</u>
TOTAL	<u><u>205,104</u></u>	<u><u>260,847</u></u>	<u><u>249,118</u></u>	<u><u>277,732</u></u>

City Manager

	Actual 2012-13	Actual 2013-14	Budget 2014-15	Draft 2015-16
PERSONNEL SERVICES				
4111 Permanent Salaries	319,839	330,620	723,915	719,014
4112 Temporary Salaries	0	3,375	30,000	30,000
4113 Overtime	(446)	(295)	0	0
4121 Allowances	2,015	1,800	0	0
4124 Leave Cashout	30,481	9,601	0	0
4131 PERS	65,390	76,511	167,614	195,670
4132 Group Insurance	36,269	38,879	88,656	84,912
4133 Medicare	5,116	4,941	10,859	10,919
4135 Worker's Compensation	1,027	1,336	3,556	3,722
4138 Deferred Comp-Employer	0	0	3,600	3,600
4139 PARS	0	50	450	450
4161 Retiree Medical Reserve	14,810	15,936	34,092	35,748
sub-total	<u>474,501</u>	<u>482,754</u>	<u>1,062,742</u>	<u>1,084,035</u>
SUPPLIES AND CONTRACTUAL SERVICES				
4200 Community Promotions, Grants & Loans	0	0	0	5,000
4211 Equip Replacement Amortization	2,632	2,950	3,146	3,309
4220 Supplies	6,971	5,256	5,000	7,000
4230 Services	1,058	88,716	150,000	135,000
4501 Memberships and Dues	0	670	4,180	23,480
4503 Training	2,706	1,333	4,000	10,500
sub-total	<u>13,367</u>	<u>98,925</u>	<u>166,326</u>	<u>184,289</u>
TOTAL	<u><u>487,868</u></u>	<u><u>581,679</u></u>	<u><u>1,229,068</u></u>	<u><u>1,268,324</u></u>

	Actual 2012-13	Actual 2013-14	Budget 2014-15	Draft 2015-16
PERSONNEL SERVICES				
4111 Permanent Salaries	285,546	230,806	230,586	239,766
4113 Overtime	846	0	0	0
4121 Allowances	2,458	1,800	0	0
4124 Leave Cashout	3,264	0	0	0
4131 PERS	25,225	27,261	37,600	54,460
4132 Group Insurance	60,202	45,104	44,328	42,456
4133 Medicare	2,910	2,039	1,910	3,504
4135 Worker's Compensation	1,039	947	1,144	1,196
4138 Deferred Comp-Employer	0	0	1,800	1,800
4161 Retiree Medical Reserve	15,082	11,309	11,530	11,998
sub-total	<u>396,570</u>	<u>319,267</u>	<u>328,898</u>	<u>355,180</u>
SUPPLIES AND CONTRACTUAL SERVICES				
4220 Supplies	1,101	1,485	3,000	3,000
4230 Services	12,471	22,372	25,000	25,000
4280 Elections	58,163	0	70,000	0
4501 Memberships and Dues	405	906	1,200	1,200
4503 Training	1,831	1,613	4,000	4,000
sub-total	<u>73,970</u>	<u>26,375</u>	<u>103,200</u>	<u>33,200</u>
TOTAL	<u><u>470,541</u></u>	<u><u>345,642</u></u>	<u><u>432,098</u></u>	<u><u>388,380</u></u>

	Actual 2012-13	Actual 2013-14	Budget 2014-15	Draft 2015-16
PERSONNEL SERVICES				
4111 Permanent Salaries	367,388	435,253	454,420	475,732
4112 Temporary Salaries	1,920	672	0	0
4121 Allowances	2,140	1,800	0	0
4124 Leave Cashout	37,879	9,159	0	0
4131 PERS	69,508	96,131	121,456	148,610
4132 Group Insurance	52,070	70,420	66,492	63,684
4133 Medicare	5,915	6,448	6,630	6,944
4135 Worker's Compensation	1,497	1,872	2,262	2,326
4138 Deferred Comp-Employer	105	905	2,700	2,700
4139 PARS	29	10	0	0
4161 Retiree Medical Reserve	21,468	22,200	22,644	23,244
sub-total	559,918	644,871	676,604	723,240
SUPPLIES AND CONTRACTUAL SERVICES				
4220 Supplies	14,131	13,062	14,000	14,000
4230 Services	260,701	638,902	272,000	273,000
4410 Communications	1,040	1,740	1,400	1,400
4501 Memberships and Dues	410	1,150	1,150	1,700
4503 Training	2,956	3,339	4,500	5,700
sub-total	279,237	658,193	293,050	295,800
TOTAL	839,156	1,303,064	969,654	1,019,040

Building and Safety

	Actual 2012-13	Actual 2013-14	Budget 2014-15	Draft 2015-16
PERSONNEL SERVICES				
4111 Permanent Salaries	1,364,439	1,599,085	1,689,889	1,814,286
4112 Temporary Salaries	218,036	281,852	205,168	307,752
4113 Overtime	22,835	17,710	55,000	55,000
4124 Leave Cashout	54,732	47,318	0	0
4131 PERS	102,242	173,802	278,717	500,659
4132 Group Insurance	245,173	313,998	398,954	424,575
4133 Medicare	22,482	27,845	27,525	31,012
4135 Worker's Compensation	20,625	36,347	38,596	27,044
4138 Deferred Comp-Employer	1,800	1,800	1,800	15,300
4139 PARS	720	1,343	0	0
4161 Retiree Medical Reserve	73,956	88,824	84,310	105,908
sub-total	<u>2,127,040</u>	<u>2,589,925</u>	<u>2,779,959</u>	<u>3,281,536</u>
SUPPLIES AND CONTRACTUAL SERVICES				
4211 Equip Replacement Amortization	22,197	21,595	23,392	24,224
4220 Supplies	13,619	8,767	26,525	27,675
4230 Services	128,227	39,439	54,550	65,550
4501 Memberships and Dues	1,371	1,321	1,530	1,530
4503 Training	4,395	10,125	20,650	26,500
sub-total	<u>169,809</u>	<u>81,246</u>	<u>126,647</u>	<u>145,479</u>
TOTAL	<u><u>2,296,849</u></u>	<u><u>2,671,171</u></u>	<u><u>2,906,606</u></u>	<u><u>3,427,015</u></u>

Information Services

	Actual 2012-13	Actual 2013-14	Budget 2014-15	Draft 2015-16
PERSONNEL SERVICES				
4111 Permanent Salaries	1,096,762	1,052,092	1,140,484	1,032,350
4112 Temporary Salaries	4,838	15,968	0	75,000
4113 Overtime	182	(243)	0	0
4124 Leave Cashout	34,659	68,492	0	0
4131 PERS	65,133	91,188	158,946	248,600
4132 Group Insurance	154,292	149,945	221,640	191,052
4133 Medicare	16,496	16,463	16,638	15,090
4135 Worker's Compensation	4,366	4,596	5,686	5,142
4138 Deferred Comp-Employer	6,081	5,858	6,300	8,100
4139 PARS	73	240	0	0
4161 Retiree Medical Reserve	62,840	54,584	56,852	51,440
sub-total	<u>1,445,720</u>	<u>1,459,183</u>	<u>1,606,546</u>	<u>1,626,774</u>
SUPPLIES AND CONTRACTUAL SERVICES				
4211 Equip Replacement Amortization	7,048	8,208	8,754	9,207
4220 Supplies	18,104	15,662	13,200	14,520
4230 Services	597,965	508,107	733,979	973,382
4410 Communications	149,981	148,634	167,500	212,857
4501 Memberships and Dues	0	80	0	0
4503 Training	3,478	3,807	3,850	4,260
sub-total	<u>776,575</u>	<u>684,498</u>	<u>927,283</u>	<u>1,214,226</u>
CAPITAL OUTLAY				
4920 Machinery Tools & Equipment	140,836	207,482	150,000	150,000
sub-total	<u>140,836</u>	<u>207,482</u>	<u>150,000</u>	<u>150,000</u>
TOTAL	<u><u>2,363,131</u></u>	<u><u>2,351,163</u></u>	<u><u>2,683,829</u></u>	<u><u>2,991,000</u></u>

Human Resources

	Actual 2012-13	Actual 2013-14	Budget 2014-15	Draft 2015-16
PERSONNEL SERVICES				
4111 Permanent Salaries	300,890	348,563	374,332	369,388
4112 Temporary Salaries	19,028	25,748	25,600	25,600
4113 Overtime	115	0	1,000	1,000
4121 Allowances	2,213	2,507	0	0
4124 Leave Cashout	3,490	8,210	0	0
4131 PERS	29,858	40,290	59,480	85,010
4132 Group Insurance	40,658	50,266	66,492	63,684
4133 Medicare	4,686	5,528	5,833	5,761
4135 Worker's Compensation	1,217	1,584	1,880	1,934
4138 Deferred Comp-Employer	0	0	2,700	2,700
4139 PARS	285	385	384	384
4161 Retiree Medical Reserve	16,680	17,460	17,460	18,036
sub-total	<u>419,121</u>	<u>500,542</u>	<u>555,161</u>	<u>573,497</u>
SUPPLIES AND CONTRACTUAL SERVICES				
4200 Community Promotions, Grants & Loans	0	7,044	6,000	6,000
4220 Supplies	3,135	4,965	2,000	3,000
4230 Services	355,898	356,600	412,300	429,800
4501 Memberships and Dues	750	205	2,212	2,212
4503 Training	2,584	3,128	4,000	7,000
sub-total	<u>362,366</u>	<u>371,942</u>	<u>426,512</u>	<u>448,012</u>
TOTAL	<u><u>781,487</u></u>	<u><u>872,484</u></u>	<u><u>981,673</u></u>	<u><u>1,021,509</u></u>

Recreation

	Actual 2012-13	Actual 2013-14	Budget 2014-15	Draft 2015-16
PERSONNEL SERVICES				
4111 Permanent Salaries	919,726	883,507	1,085,389	1,067,374
4112 Temporary Salaries	788,930	843,090	839,854	909,037
4113 Overtime	4,867	10,690	7,000	7,000
4124 Leave Cashout	20,198	15,537	0	0
4131 PERS	72,620	104,432	182,141	286,426
4132 Group Insurance	217,951	221,702	304,752	291,979
4133 Medicare	24,090	24,152	26,946	28,317
4135 Worker's Compensation	10,878	13,360	16,693	16,533
4138 Deferred Comp-Employer	1,543	1,800	2,700	12,600
4139 PARS	10,081	10,357	10,530	11,363
4161 Retiree Medical Reserve	50,988	46,790	55,983	52,880
sub-total	<u>2,121,871</u>	<u>2,175,417</u>	<u>2,531,988</u>	<u>2,683,509</u>
SUPPLIES AND CONTRACTUAL SERVICES				
4200 Community Promotions, Grants & Loans	9,089	7,886	10,265	10,265
4211 Equip Replacement Amortization	26,605	26,051	44,033	58,434
4220 Supplies	164,967	214,460	229,833	245,871
4230 Services	758,470	672,792	902,925	871,690
4501 Memberships and Dues	1,910	1,910	1,580	2,495
4503 Training	1,905	1,690	5,750	5,750
4600 Ins, Settlements & Contgcy	1,010	1,113	1,600	1,980
sub-total	<u>963,955</u>	<u>925,903</u>	<u>1,195,986</u>	<u>1,196,485</u>
CAPITAL OUTLAY				
4870 Machinery & Equipment	1,566	16,717	0	0
4920 Machinery Tools & Equipment	0	5,430	0	0
sub-total	<u>1,566</u>	<u>22,147</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>3,087,393</u></u>	<u><u>3,123,467</u></u>	<u><u>3,727,974</u></u>	<u><u>3,879,994</u></u>

	Actual 2012-13	Actual 2013-14	Budget 2014-15	Draft 2015-16
PERSONNEL SERVICES				
4111 Permanent Salaries	1,768,157	1,764,743	1,932,004	1,953,960
4112 Temporary Salaries	40,122	59,834	65,000	65,000
4113 Overtime	3,766	(512)	19,000	5,000
4121 Allowances	8,365	5,700	0	0
4124 Leave Cashout	80,020	36,437	0	0
4125 Accrued Leave	2,371	(13,764)	0	0
4131 PERS	138,387	190,080	295,540	476,250
4132 Group Insurance	319,883	356,272	476,532	456,408
4133 Medicare	27,322	26,808	29,070	29,521
4135 Worker's Compensation	9,829	12,093	15,035	13,271
4138 Deferred Comp-Employer	210	3,609	7,200	17,100
4139 PARS	494	451	585	585
4143 Charged to CIPs	0	0	(40,000)	(45,000)
4161 Retiree Medical Reserve	92,676	94,692	96,036	97,116
sub-total	<u>2,491,603</u>	<u>2,536,443</u>	<u>2,896,002</u>	<u>3,069,211</u>
SUPPLIES AND CONTRACTUAL SERVICES				
4211 Equip Replacement Amortization	9,347	14,054	15,133	14,161
4220 Supplies	81,262	91,467	99,650	103,450
4230 Services	217,971	246,596	214,060	216,250
4501 Memberships and Dues	1,888	1,789	2,700	2,500
4503 Training	2,480	4,127	9,000	10,100
sub-total	<u>312,947</u>	<u>358,033</u>	<u>340,543</u>	<u>346,461</u>
CAPITAL OUTLAY				
4850 Vehicles	0	0	0	5,171
4870 Machinery & Equipment	0	11,963	0	0
4910 Office Furniture & Fixtures	0	365	0	0
4920 Machinery Tools & Equipment	0	4,749	0	0
4930 Hydrants & Meters	0	15,991	30,000	30,000
sub-total	<u>0</u>	<u>33,068</u>	<u>30,000</u>	<u>35,171</u>
TOTAL	<u><u>2,804,550</u></u>	<u><u>2,927,544</u></u>	<u><u>3,266,545</u></u>	<u><u>3,450,843</u></u>

Public Works

	Actual 2012-13	Actual 2013-14	Budget 2014-15	Draft 2015-16
PERSONNEL SERVICES				
4111 Permanent Salaries	2,511,731	2,744,802	3,097,183	3,441,427
4112 Temporary Salaries	126,203	216,341	118,850	150,000
4113 Overtime	138,450	156,145	119,002	127,002
4121 Allowances	79,425	81,305	118,960	113,500
4124 Leave Cashout	81,237	115,116	0	0
4125 Accrued Leave	(11,791)	69,768	0	0
4131 PERS	493,566	582,789	757,190	956,879
4132 Group Insurance	826,157	848,725	908,724	870,348
4133 Medicare	39,706	45,339	44,139	49,191
4135 Worker's Compensation	66,434	82,782	105,236	76,285
4138 Deferred Comp-Employer	0	788	1,800	3,600
4139 PARS	751	1,276	1,589	2,475
4141 Adjustments-Payroll	358	0	0	0
4161 Retiree Medical Reserve	125,898	130,746	144,877	157,008
sub-total	<u>4,478,125</u>	<u>5,075,923</u>	<u>5,417,550</u>	<u>5,947,715</u>
SUPPLIES AND CONTRACTUAL SERVICES				
4200 Community Promotions, Grants & Loans	0	0	14,000	0
4211 Equip Replacement Amortization	395,862	495,085	557,760	569,598
4220 Supplies	950,776	1,014,222	1,048,594	1,089,194
4230 Services	3,143,226	3,174,305	3,664,545	3,842,590
4410 Communications	1,151	1,009	1,390	1,250
4420 Utilities	94,998	95,592	102,200	122,200
4501 Memberships and Dues	1,485	3,537	4,850	6,550
4503 Training	18,127	27,331	33,200	32,500
sub-total	<u>4,605,624</u>	<u>4,811,080</u>	<u>5,426,539</u>	<u>5,663,882</u>
CAPITAL OUTLAY				
4850 Vehicles	43,227	63,376	0	0
4870 Machinery & Equipment	0	21,882	0	0
4920 Machinery Tools & Equipment	16	3,308	0	0
4930 Hydrants & Meters	1,098	142,691	70,000	130,000
sub-total	<u>44,341</u>	<u>231,257</u>	<u>70,000</u>	<u>130,000</u>
TOTAL	<u><u>9,128,091</u></u>	<u><u>10,118,259</u></u>	<u><u>10,914,089</u></u>	<u><u>11,741,597</u></u>

Engineering

	Actual 2012-13	Actual 2013-14	Budget 2014-15	Draft 2015-16
PERSONNEL SERVICES				
4111 Permanent Salaries	1,620,945	1,691,138	2,340,750	2,628,035
4112 Temporary Salaries	15,305	56,272	358,150	285,168
4113 Overtime	3,650	2,495	61,900	61,900
4121 Allowances	4,940	4,064	0	0
4124 Leave Cashout	66,963	35,763	0	0
4125 Accrued Leave	(17,332)	103,945	0	0
4131 PERS	114,872	155,237	389,613	669,116
4132 Group Insurance	283,048	330,270	531,939	530,710
4133 Medicare	23,301	24,246	37,564	40,794
4135 Worker's Compensation	7,363	10,376	16,400	16,349
4138 Deferred Comp-Employer	3,110	3,255	7,200	20,700
4139 PARS	204	316	2,294	4,278
4143 Charged to CIPs	0	0	(870,522)	(977,752)
4161 Retiree Medical Reserve	105,133	121,083	120,472	140,903
sub-total	<u>2,231,502</u>	<u>2,538,460</u>	<u>2,995,760</u>	<u>3,420,201</u>
SUPPLIES AND CONTRACTUAL SERVICES				
4200 Community Promotions, Grants & Loans	106,405	99,915	174,700	201,700
4211 Equip Replacement Amortization	14,815	14,788	18,199	0
4220 Supplies	5,587	8,828	19,750	22,350
4230 Services	1,221,417	981,289	1,036,030	1,341,650
4410 Communications	0	0	240	0
4501 Memberships and Dues	14,442	11,897	17,450	18,500
4503 Training	1,901	4,422	24,450	27,200
sub-total	<u>1,364,566</u>	<u>1,121,139</u>	<u>1,290,819</u>	<u>1,611,400</u>
TOTAL	<u><u>3,596,068</u></u>	<u><u>3,659,599</u></u>	<u><u>4,286,579</u></u>	<u><u>5,031,601</u></u>

Planning & Neighborhood Svcs

	Actual 2012-13	Actual 2013-14	Budget 2014-15	Draft 2015-16
PERSONNEL SERVICES				
4111 Permanent Salaries	903,687	935,196	1,190,891	1,223,366
4112 Temporary Salaries	11,015	78,289	106,080	128,080
4113 Overtime	315	1,441	2,500	8,000
4121 Allowances	900	900	0	0
4124 Leave Cashout	13,799	90,082	0	0
4131 PERS	65,952	101,013	164,598	289,450
4132 Group Insurance	150,774	166,327	243,804	233,508
4133 Medicare	13,673	16,098	18,901	19,750
4135 Worker's Compensation	3,507	4,630	6,453	6,717
4138 Deferred Comp-Employer	1,535	2,748	4,500	9,900
4139 PARS	166	1,152	1,591	1,591
4161 Retiree Medical Reserve	50,508	53,184	59,340	60,944
sub-total	<u>1,215,831</u>	<u>1,451,060</u>	<u>1,798,658</u>	<u>1,981,306</u>
SUPPLIES AND CONTRACTUAL SERVICES				
4200 Community Promotions, Grants & Loans	570,699	430,752	375,646	625,646
4211 Equip Replacement Amortization	4,649	8,358	12,076	12,701
4220 Supplies	11,891	11,291	11,400	13,100
4230 Services	517,109	437,884	471,938	775,781
4501 Memberships and Dues	1,270	2,363	3,055	3,055
4503 Training	1,215	9,404	12,725	19,310
sub-total	<u>1,106,833</u>	<u>900,052</u>	<u>886,840</u>	<u>1,449,593</u>
TOTAL	<u><u>2,322,664</u></u>	<u><u>2,351,112</u></u>	<u><u>2,685,498</u></u>	<u><u>3,430,899</u></u>

Police

	Actual 2012-13	Actual 2013-14	Budget 2014-15	Draft 2015-16
PERSONNEL SERVICES				
4111 Permanent Salaries	11,680,672	12,346,567	13,914,235	14,636,205
4112 Temporary Salaries	257,938	389,474	449,446	449,446
4113 Overtime	497,806	505,619	693,283	693,283
4121 Allowances	120,584	159,373	141,720	141,720
4124 Leave Cashout	863,116	521,478	0	0
4131 PERS	3,322,861	3,756,573	4,619,135	5,478,280
4132 Group Insurance	1,760,898	1,971,458	2,390,688	2,307,408
4133 Medicare	180,625	191,853	207,346	220,877
4135 Worker's Compensation	386,131	469,402	569,143	493,652
4138 Deferred Comp-Employer	2,795	4,275	4,500	5,400
4139 PARS	3,728	5,601	6,349	6,349
4161 Retiree Medical Reserve	588,564	593,090	607,111	638,902
sub-total	<u>19,665,716</u>	<u>20,914,763</u>	<u>23,602,956</u>	<u>25,071,522</u>
SUPPLIES AND CONTRACTUAL SERVICES				
4200 Community Promotions, Grants & Loans	500	0	500	500
4211 Equip Replacement Amortization	405,090	414,560	467,197	534,329
4220 Supplies	118,434	121,816	152,521	152,521
4230 Services	665,078	556,576	685,086	690,826
4410 Communications	13,045	13,775	24,820	24,820
4501 Memberships and Dues	3,151	3,112	3,583	3,583
4503 Training	47,613	56,775	77,654	87,654
sub-total	<u>1,252,912</u>	<u>1,166,614</u>	<u>1,411,361</u>	<u>1,494,233</u>
CAPITAL OUTLAY				
4850 Vehicles	13,154	0	55,021	6,669
4870 Machinery & Equipment	0	43,940	0	0
4910 Office Furniture & Fixtures	0	3,907	0	0
4920 Machinery Tools & Equipment	59,096	79,259	60,000	0
sub-total	<u>72,250</u>	<u>127,106</u>	<u>115,021</u>	<u>6,669</u>
TOTAL	<u><u>20,990,878</u></u>	<u><u>22,208,483</u></u>	<u><u>25,129,338</u></u>	<u><u>26,572,424</u></u>

Fire

	Actual 2012-13	Actual 2013-14	Budget 2014-15	Draft 2015-16
PERSONNEL SERVICES				
4111 Permanent Salaries	7,914,836	7,567,246	8,163,476	8,523,921
4112 Temporary Salaries	21,742	9,720	38,985	38,985
4113 Overtime	1,553,908	577,986	720,800	1,130,000
4121 Allowances	58,137	55,178	57,768	57,768
4124 Leave Cashout	765,615	664,197	0	0
4131 PERS	1,829,901	1,952,224	2,265,024	3,030,924
4132 Group Insurance	1,259,687	1,289,112	1,307,460	1,249,668
4133 Medicare	127,337	120,140	110,391	117,183
4135 Worker's Compensation	259,602	290,060	358,078	301,576
4138 Deferred Comp-Employer	39,345	36,293	38,400	39,300
4139 PARS	326	146	225	0
4161 Retiree Medical Reserve	382,940	355,951	370,318	389,350
sub-total	<u>14,213,377</u>	<u>12,918,251</u>	<u>13,430,925</u>	<u>14,878,675</u>
SUPPLIES AND CONTRACTUAL SERVICES				
4200 Community Promotions, Grants & Loans	0	153	0	0
4211 Equip Replacement Amortization	605,307	932,673	1,120,131	1,164,479
4220 Supplies	136,737	285,827	326,600	367,975
4230 Services	343,336	313,892	334,020	294,920
4410 Communications	102	0	0	0
4501 Memberships and Dues	3,746	6,132	13,515	16,370
4503 Training	19,883	21,772	50,638	64,800
sub-total	<u>1,109,110</u>	<u>1,560,449</u>	<u>1,844,904</u>	<u>1,908,544</u>
CAPITAL OUTLAY				
4870 Machinery & Equipment	0	38,046	0	0
4920 Machinery Tools & Equipment	97,237	70,385	10,000	10,000
sub-total	<u>97,237</u>	<u>108,431</u>	<u>10,000</u>	<u>10,000</u>
TOTAL	<u><u>15,419,724</u></u>	<u><u>14,587,131</u></u>	<u><u>15,285,829</u></u>	<u><u>16,797,219</u></u>

Non-Departmental

	100 General Fund	150 RDA Admin	102 Measure I TOT	211/237 H-H Lease CFD
PERSONNEL SERVICES				
4124 Leave Cashout	650,000	0	0	0
4131 PERS	11,200	0	0	0
4132 Group Insurance	45,000	0	0	0
4136 Unemployment	90,000	0	0	0
4137 MOU Contractual Agreements	442,400	0	0	0
4139 PARS	9,000	0	0	0
4141 Adjustments-Payroll	440,000	0	0	0
4161 Retiree Medical Reserve	1,320,000	0	0	0
sub-total	<u>3,007,600</u>	<u>0</u>	<u>0</u>	<u>0</u>
SUPPLIES & CONTRACTUAL SERVICES				
4205 Miscellaneous Grants	0	0	0	0
4220 Supplies	8,000	0	0	0
4237 Contractual Services	72,800	12,500	0	10,000
4239 Audit Fees	67,500	8,000	0	0
4241 Repair & Maintenance	0	0	0	0
4242 Rents & Leases	0	0	0	37,000
4253 ABAG Attorney's Fees	22,000	0	0	0
4254 ABAG Settlements	75,000	0	0	0
4421 Utilities-Gas	181,000	1,000	0	0
4422 Utilities-Electric	1,372,200	6,000	40,000	0
4423 Utilities-Water	764,600	4,000	16,000	0
4424 SFWD, Wholesale Water Purchase	0	0	0	0
4425 SCVWD, Wholesale Water Purchase	0	0	0	0
4426 Utilities - Solid Waste	0	0	0	0
4427 Recycled Water Purchase	0	0	0	0
4429 Treatment Plant, M&O	0	0	0	0
4503 Training and Registration	13,000	0	0	0
4509 Tuition Reimbursement	24,000	0	0	0
4600 Insurance & Settlements	367,000	2,000	0	0
4610 Uncollectible Accounts	51,000	0	0	0
4640 Contingent Reserve	425,000	0	0	0
sub-total	<u>3,443,100</u>	<u>33,500</u>	<u>56,000</u>	<u>47,000</u>
DEBT SERVICE				
4701 Retirement of Principal	0	0	0	0
4711 Interest Expense	0	0	0	0
sub-total	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
CAPITAL OUTLAY				
4850 Vehicles	0	0	0	0
4870 Machinery & Equipment	0	0	0	0
sub-total	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>6,450,700</u>	<u>33,500</u>	<u>56,000</u>	<u>47,000</u>

Non-Departmental

213/250 Public Art HCD Fund	280 Solid Waste Fund	295 Housing Authority	400 Water Fund	450 Sewer Fund	350/500 TASP/Eqmt Replacement	Draft 2015-16
0	0	0	25,000	25,000	0	700,000
0	0	0	1,900	1,900	0	15,000
0	0	0	2,500	2,500	0	50,000
0	0	0	5,000	5,000	0	100,000
0	0	0	24,800	24,800	0	492,000
0	0	0	500	500	0	10,000
0	2,500	0	32,500	25,000	0	500,000
0	8,000	0	160,000	112,000	0	1,600,000
0	10,500	0	252,200	196,700	0	3,467,000
0	0	500,000	0	0	0	500,000
0	0	0	500	500	0	9,000
22,000	0	93,000	2,100	8,100	0	220,500
7,000	0	0	25,000	12,500	0	120,000
0	0	20,000	0	0	0	20,000
0	0	0	0	0	0	37,000
0	0	0	8,000	30,000	0	60,000
0	0	0	20,000	70,000	0	165,000
0	2,000	0	8,000	8,000	0	200,000
0	21,600	0	540,000	216,000	0	2,195,800
0	8,700	3,000	78,300	17,400	0	892,000
0	0	0	11,250,000	0	0	11,250,000
0	0	0	3,600,000	0	0	3,600,000
0	0	4,000	0	0	0	4,000
0	0	0	850,000	0	0	850,000
0	0	0	0	5,700,000	0	5,700,000
0	0	0	1,000	1,000	0	15,000
0	0	0	3,000	3,000	0	30,000
0	0	0	31,000	95,000	45,000	540,000
0	0	0	37,000	37,000	0	125,000
0	0	0	0	0	0	425,000
29,000	32,300	620,000	16,453,900	6,198,500	45,000	26,958,300
0	0	0	0	435,000	0	435,000
0	0	0	0	250,000	75,000	325,000
0	0	0	0	685,000	75,000	760,000
0	0	0	0	0	798,125	798,125
0	0	0	0	0	119,990	119,990
0	0	0	0	0	918,115	918,115
29,000	42,800	620,000	16,706,100	7,080,200	1,038,115	32,103,415



*City Of Milpitas
Budget Study Session
April 7, 2015*

Accomplishments

- **Balanced General Fund budget without use of any General Fund reserve (since FY08-09)**
- **Received general credit rating of AAA from S&P – combination of strong local economy and strong management and budgetary flexibility**
- **Completed contract negotiation with all union groups by providing either restoration of pay or benefits or salary enhancements**
- **Issued 2015 TABs Refunding Bonds – saved the City about \$256,000 annually**
- **Business retention & recruitment / Service delivery – Enhanced economic development program**

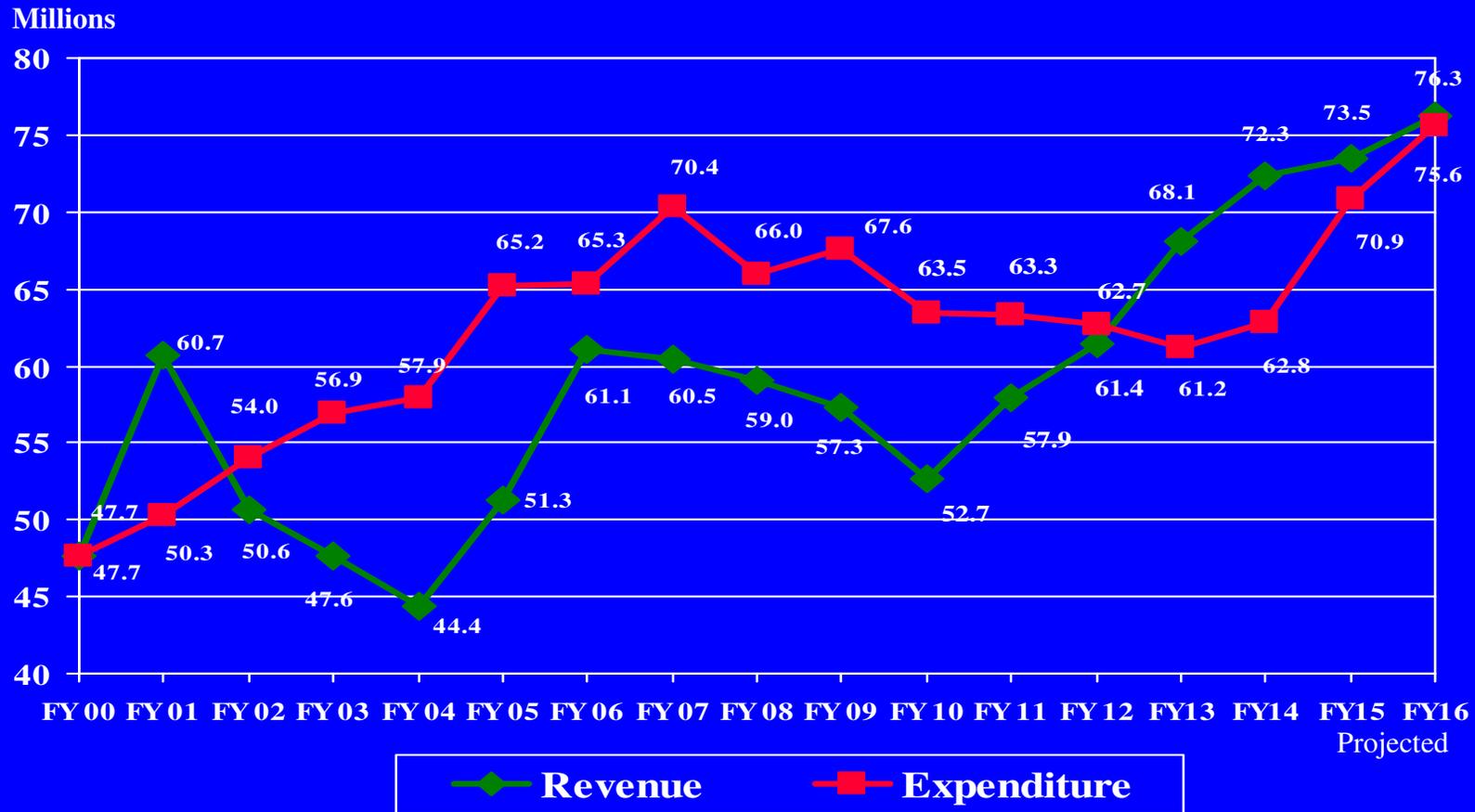
Accomplishments (continued)

- **Continued to wind down the affairs of the former RDA – received a Finding of Completion on the asset transfer and approval of the Long Term Property Management Plan from the State DOF**
- **Negotiated with MUSD to sell McCandless park land to enable MUSD's construction of a new elementary school and City Park**
- **Continued to work with VTA on the BART extension project**

How We Eliminated \$12 Million Deficit - Background

- **Contribution from all employee groups including City Council**
 - **City Council: eliminated medical benefits & 10% compensation reduction**
 - **Police: Furlough, equivalent to 7% wage concession**
 - **Fire: 7% employer PERS contribution and eliminate 3% salary increase**
 - **Unrepresented: 7% employer PERS contribution**
 - **MEA: 16% base salary reduction**
 - **ProTech and Mid-Mgmt: 15.4% and 14.8% employer PERS contribution, respectively**
- **Other cost cutting initiatives taken:**
 - **Control Fire Dept. overtime by browning out 1 Fire engine when allocated overtime is exceeded**
 - **Eliminated approx. 69 funded positions – attritions, layoffs and outsource Park and Tree & Landscape Maintenance**
 - **Contract maintenance work continues to save \$1.2 million annually**

Historical General Fund Revenues and Expenditures before RDA Transfers



* FY14 Revenue does not include one time RDA distribution of \$6.3M

Challenges - Overview

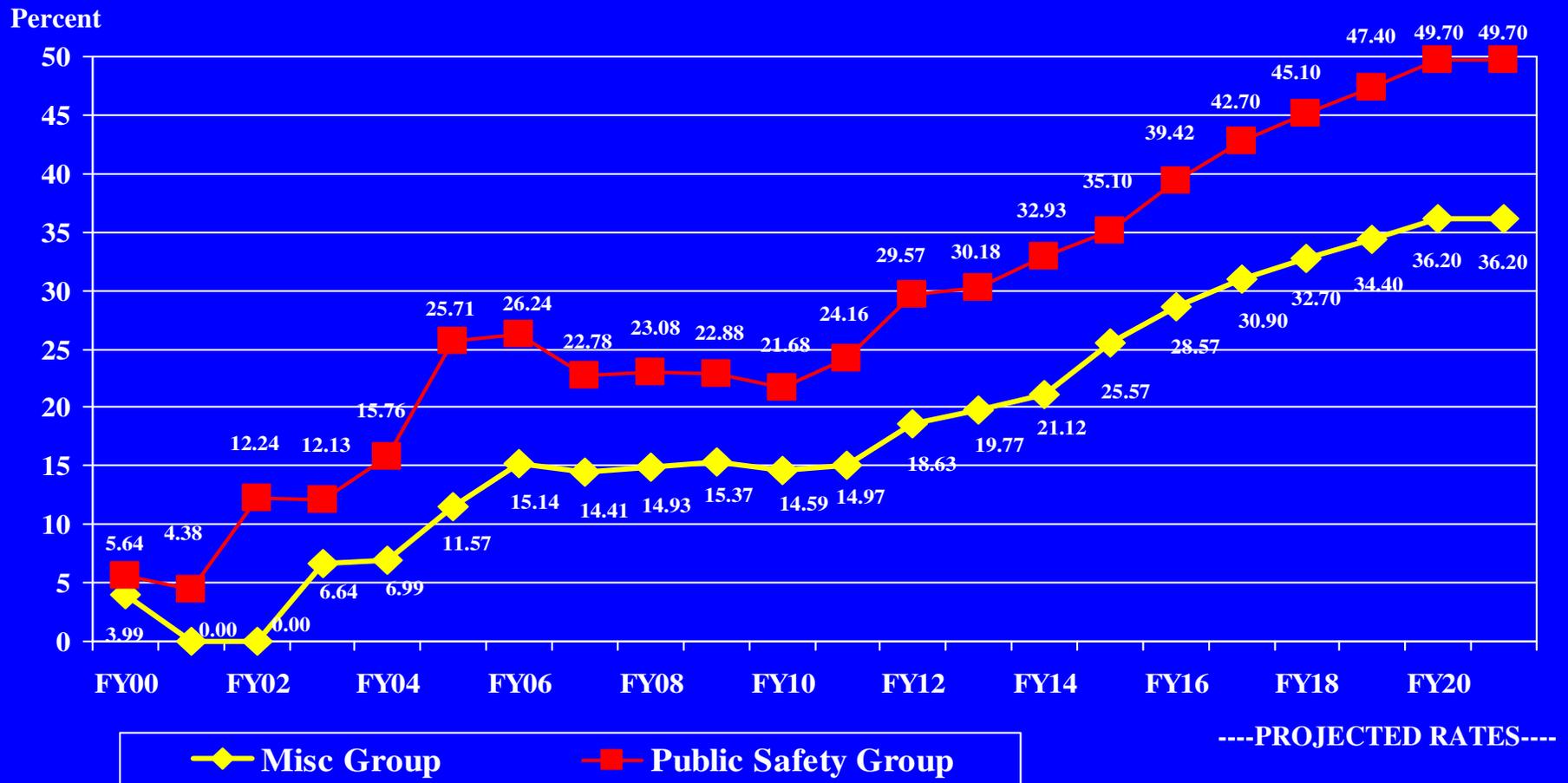
- **Unfunded PERS liabilities**
- **Unfunded Retiree Medical benefits liability**
- **High cost of benefits as compared to base salary**
- **Need to replace lost RDA revenue for capital improvement projects – CIP Program identified \$50.6 million of CIPs without funding sources in the next four years**
- **Increased water rates from SCVWD and SFPUC**
- **Funding needs of the SJ/SC Waste Water Treatment Plant**
- **Quality of Life – Odor issue and traffic congestion**

Challenges - Employee Cost Benefits as a % of Base Salary

Union/Group	Base Salary (in thousands)	Benefits (in thousands)	% of Benefits to Base Salary
Fire	6,368	5,528	86.8%
MEA	2,864	2,415	84.3%
MPOA	11,771	11,339	96.3%
ProTech	5,372	3,409	63.6%
Mid-Mgmt	3,828	2,268	59.2%
Unrep-Misc	2,498	1,180	47.2%
Unrep-Safety	1,997	1,257	62.9%
Total	34,698	27,396	78.9%

**PERS Cost = \$12.3 million / Group Insurance Cost = \$6.7 million
represent 35% and 19% of base salary respectively**

Challenges - Employer PERS Contribution rates are expected to increase and remain high



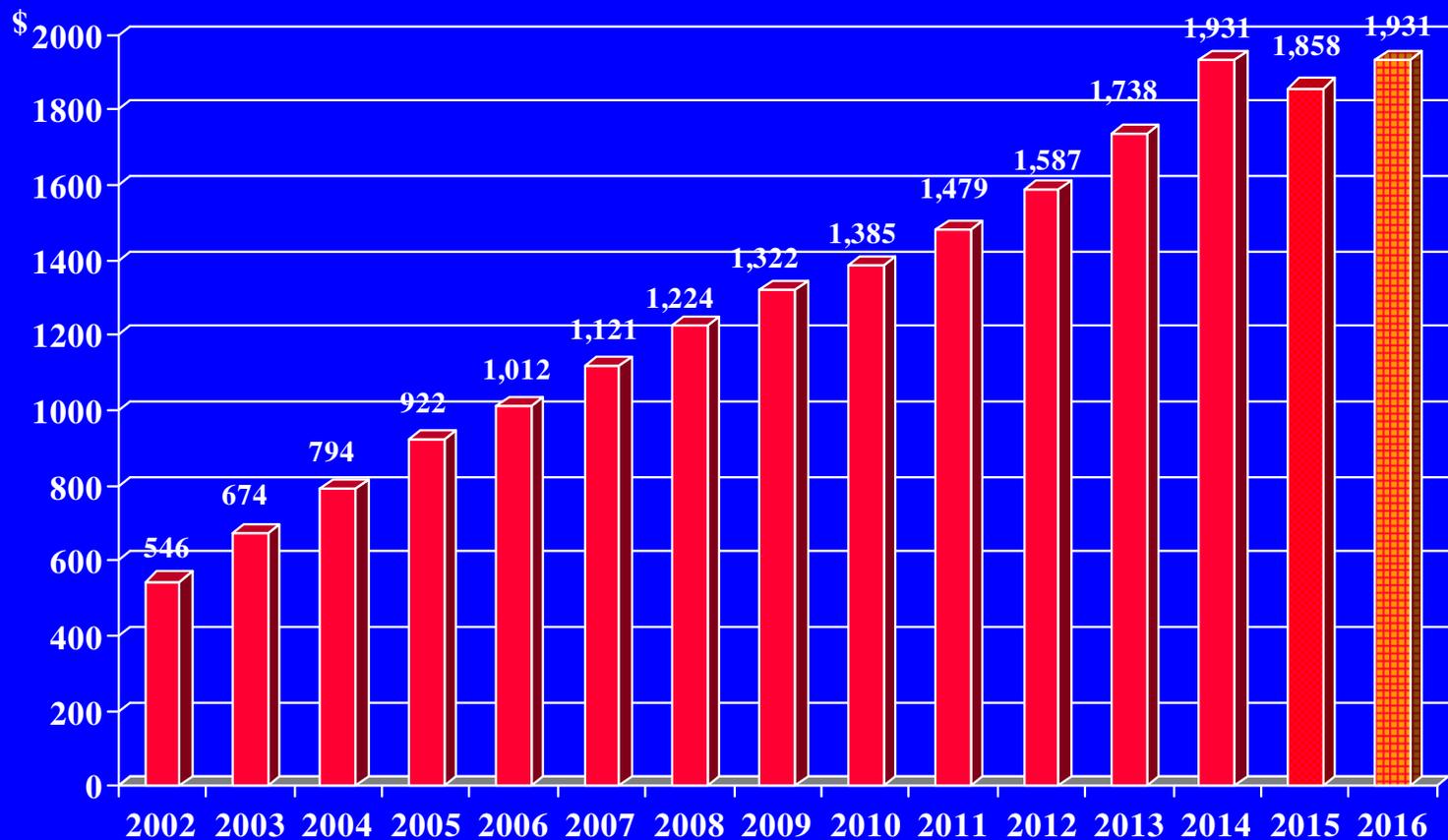
Challenges - PERS Rate Increase

- **PERS Board lowered assumed rate of return in 2012 (7.75% to 7.50%)**
- **Actual investment return last 10 years below assumption (7.00% versus reduced assumption of 7.50%)**
- **Contribution shortfall for past obligations**
 - PERS assumed payroll will increase 3% each year
 - City's Payroll decreased due to attritions, layoffs and reorganization
- **Mortality Rate – people live longer**
- **Circa year 2000, enhanced formula applied retroactively to active employees**
 - From 2% at 50 to 3% at 50 for safety
 - From 2% at 55 to 2.7% at 55 for non-safety

Challenges - Kaiser Medical Insurance Premium

Averages 10% Increase Per Year Since 2002

Monthly premium
family coverage



Estimate 8%
increase 10

Challenges - Retiree Medical Benefits Unfunded Liability

- **Medical insurance increased higher than inflation and higher than investment return**
- **Increased number of retirees**
 - 2005 - 125 retirees
 - 2007 - 156 retirees
 - 2009 – 178 retirees
 - 2011 – 206 retirees
 - 2013 – 271 retirees
- **Began pre-funding in FY 2006-07 – on the right track**

**Challenges – CIP Program
without Funding Sources
FY 2016-17 through FY 2019-20
(in millions)**

Parks Improvement Projects	\$ 17.93
Storm Drains Improvement projects	10.68
Water System Replacements	8.10
Street Improvement projects	7.70
Sewer System Replacements	3.00
Community Improvement – City facilities	<u>3.20</u>
Total	\$ 50.61

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

Challenges – CIP Program without Funding Sources

- Increase sales tax rate by 0.25% can generate approximately \$5 million annually**
- Increase TOT (hotel tax) rate by 2% can generate approximately \$2 million annually**
- Implement a storm drain fee sufficient to fund storm drain operation and CIP**
- Pay-as-you go whenever the General Fund/Utility funds have excess revenues**

FY 15-16 Budget Objectives

- **Improve City's Core Services by responsibly restoring staffing level**
- **Maximize overall organizational efficiency and continue to look for opportunities for cost savings**
- **Balance General Fund budget without using any reserves and provide \$716,000 to fund additional positions**
- **Utilize General Fund revenue excess for CIP**

Historical Staffing Level (Funded Permanent Positions)

(FTE)



Position Funding Requests

Dept	Request	Cost	Cost Savings/ Offset	Net GF Fiscal Impact
Public Works	Adjust Seasonal Maintenance employees Pay Range	\$150,000	\$60,000 funded by Utility Funds	\$90,000
Fire	HazMat Inspector	\$230,246	Generate \$150,000 Inspection Fees & reduce consultants by \$80,000	\$246
Attorney	Deputy City Attorney	\$193,534	Reduce outside counsel by \$167,000	\$26,534
Finance	Fiscal Assistant	\$113,441	50% funded by Utility Funds	\$56,721

Position Funding Requests (continued)

Dept	Request	Cost	Cost Savings/ Offsets	Net GF Fiscal Impact
Building & Safety	Permit Technician	\$120,991		\$120,991
Planning	Assistant Planner	\$147,165		\$147,165
City Manager	Administrative Analyst II (Grant)	\$150,000		\$150,000
Recreation	Rec Svcs Supervisor	\$150,047		\$150,047
Recreation	Rec Assistant II	\$78,069	\$50,000 rental rev & \$27,007 temp staff cost	\$1,069
Human Resources	HR Assistant	\$105,298		\$105,298

Position Funding Requests (continued)

Dept	Request	Cost	Cost Savings/ Offsets	Net GF Fiscal Impact
Human Resources	HR Analyst	\$150,047		\$150,047
Police	3 Police officers	\$624,453		\$624,453
Police	Dispatcher	\$165,152		\$165,152
TOTAL		\$2,378,443	\$590,720	\$1,787,723
AVAILABLE FUNDING				\$716,116
PROJECTED SHORTFALL (If all requests are funded)				(\$1,071,607)

Position Funding Recommendations

Funding Recommendations	Justification	Net GF Fiscal Impact
Adjust Seasonal Maintenance employees Pay Range	Increase pay to align with Maintenance Worker I	\$90,000
1 Police Officer	To maintain response time and improve crime prevention	\$208,151
1 Fire HazMat Inspector	Cost neutral as position is funded by inspection fees	\$246
1 Recreation Assistant II	Improve customer service & service delivery and position will generate additional rental revenue	\$1,069

Position Funding Recommendations

(continued)

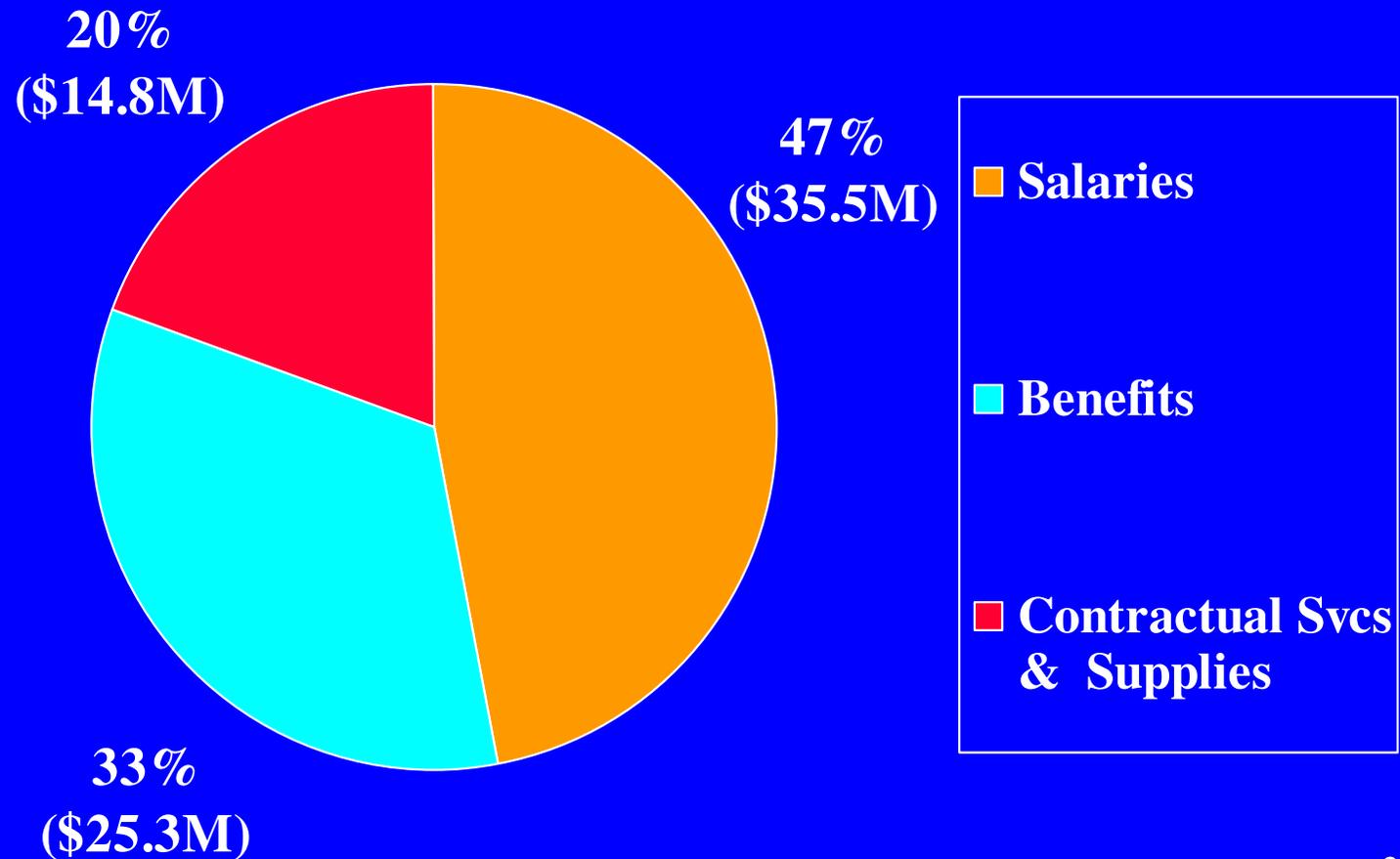
Funding Recommendations	Justification	Net GF Fiscal Impact
1 Deputy City Attorney	Minimize outside counsel costs	\$26,534
1 Fiscal Assistant	To improve customer service & service delivery and to provide cross-training of Finance staff	\$56,721
1 Building Permit Technician	Improve customer service & service delivery	\$120,991
1 HR Analyst	Restore essential HR programs and to improve customer service & service delivery	\$150,047

Position Funding Recommendations

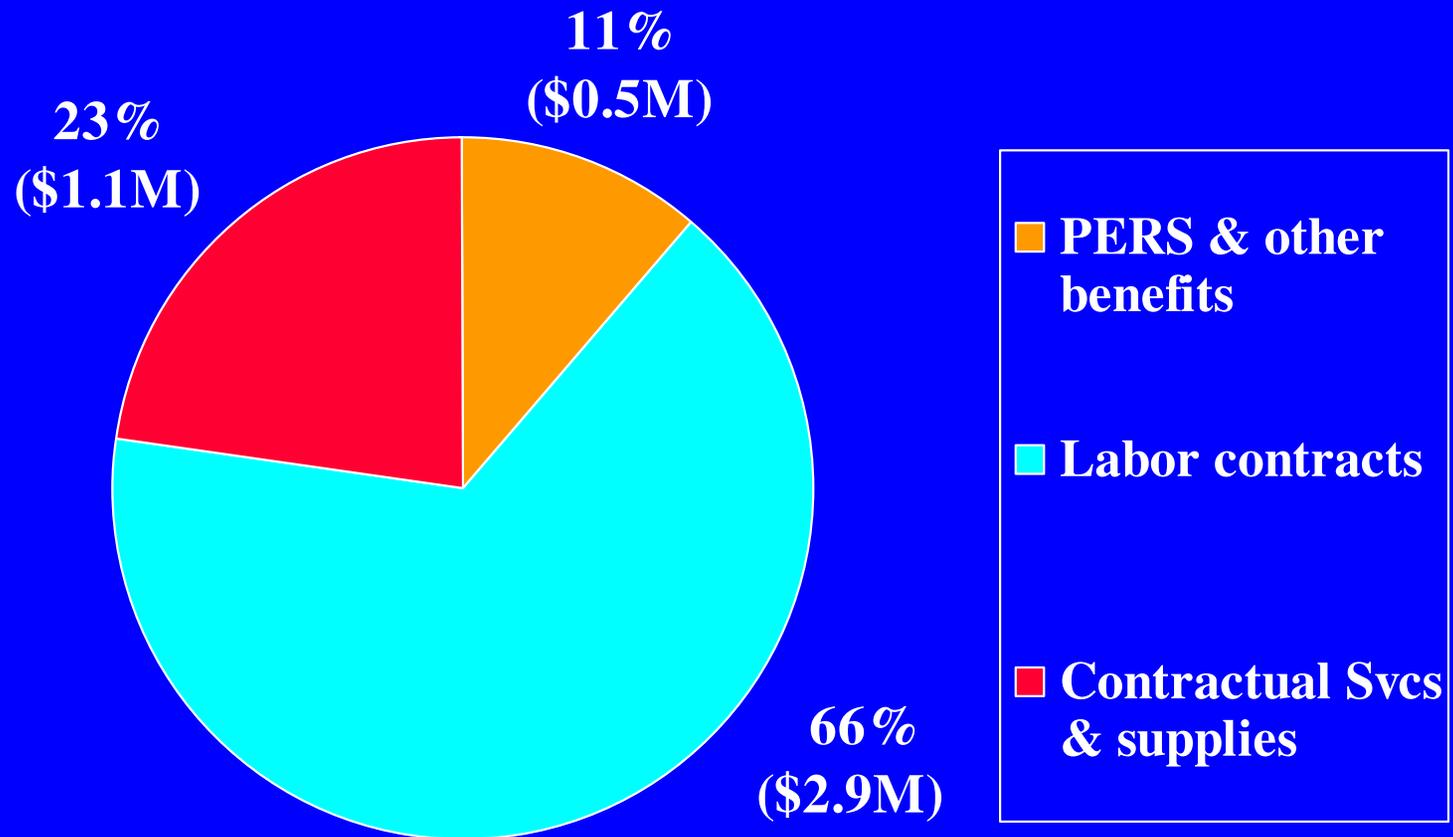
(continued)

Funding Recommendations	Justification	Net GF Fiscal Impact
Total General Fund Fiscal Impact		\$653,759
Funding Available for Hiring of Grant Consultant		\$62,357

Draft General Fund FY 15-16 Budget (\$75.6 Millions) Expenditures by Category



Draft General Fund FY 15-16 Budget Increased by \$4.4 Millions



Draft FY15-16 Budget Summary

General Fund

<u>Estimated Revenues</u>	<u>(in thousands)</u>
Property Tax	\$ 24,680
Sales Tax	21,490
TOT & Other taxes	12,467
Other Revenue	13,650
Net Operating Transfers	<u>4,060</u>
Total Estimated Revenues	\$ 76,347
<u>Estimated Expenditures</u>	
Personnel Services	\$ 60,843
Contractual Services & Supplies	<u>14,788</u>
Total Estimated Expenditures	\$ 75,631
Funding available for additional positions	\$ 716

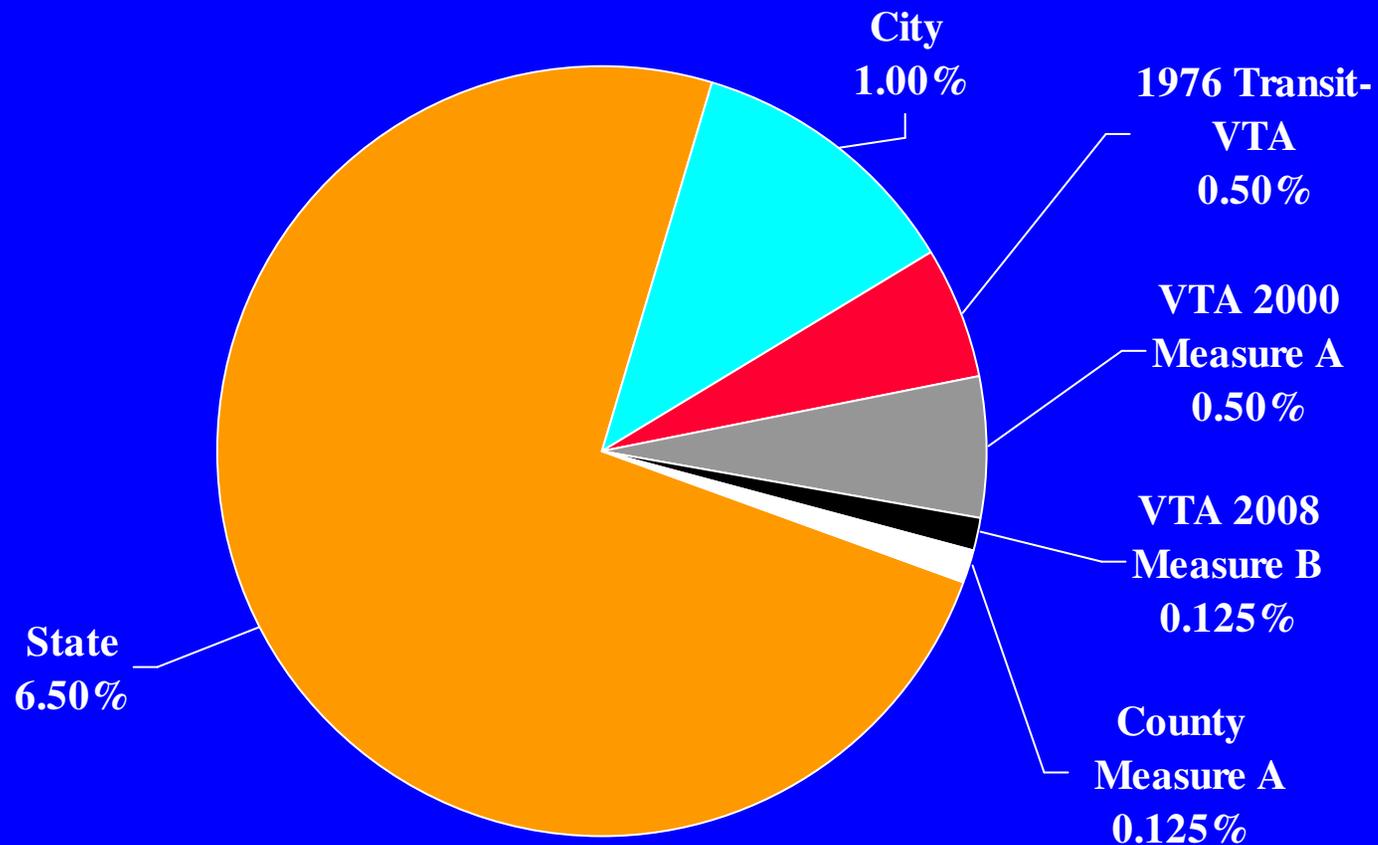
Sales Tax Cash Receipts By Fiscal Year (Not Adjusted for Inflation) FY 15-16 Projected Sales Tax \$21.5 million

(In millions)



Allocation of Sales Tax

(Current Sales Tax Rate 8.75%)



Sales Tax Rate – Surrounding Cities

City	Rate
Milpitas	8.75%
Mountain View	8.75%
Sunnyvale	8.75%
San Jose*	8.75%
Campbell	9.00%
Fremont	9.50%
Union City	10.00%
Hayward	10.00%

* San Jose is considering placing a ¼ cent sales tax measure in 2016

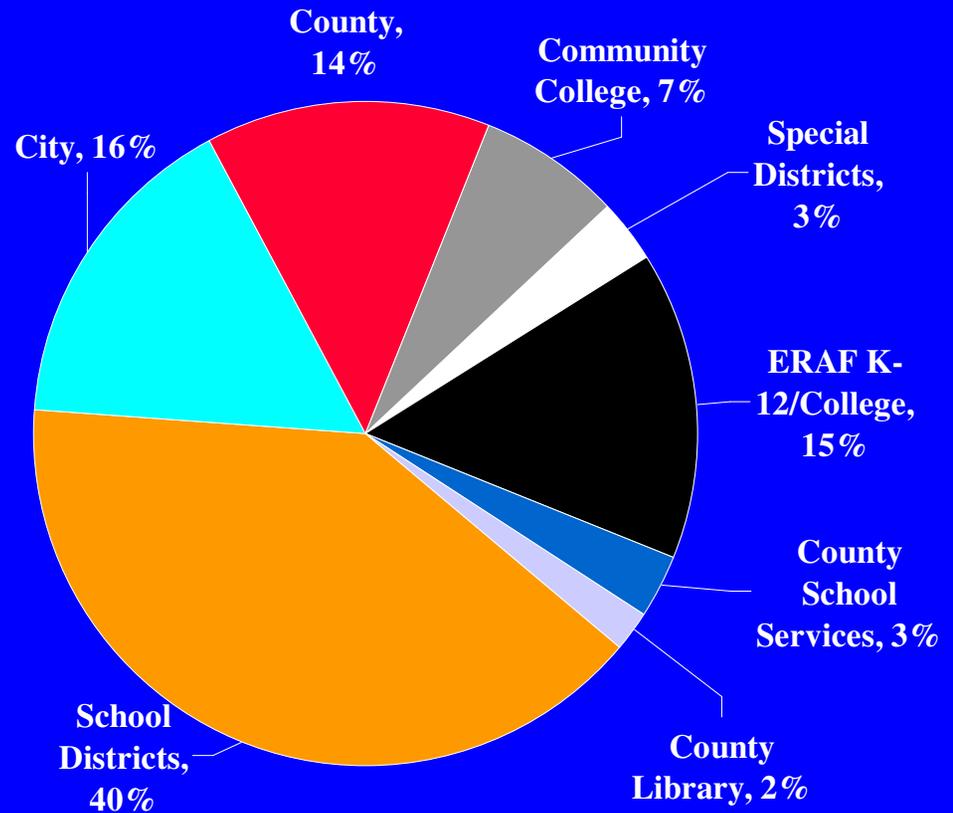
Property Tax Revenue By Fiscal Year (Not including RPTTF distributions) FY 15-16 Projected Property Tax \$20.3 million

(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



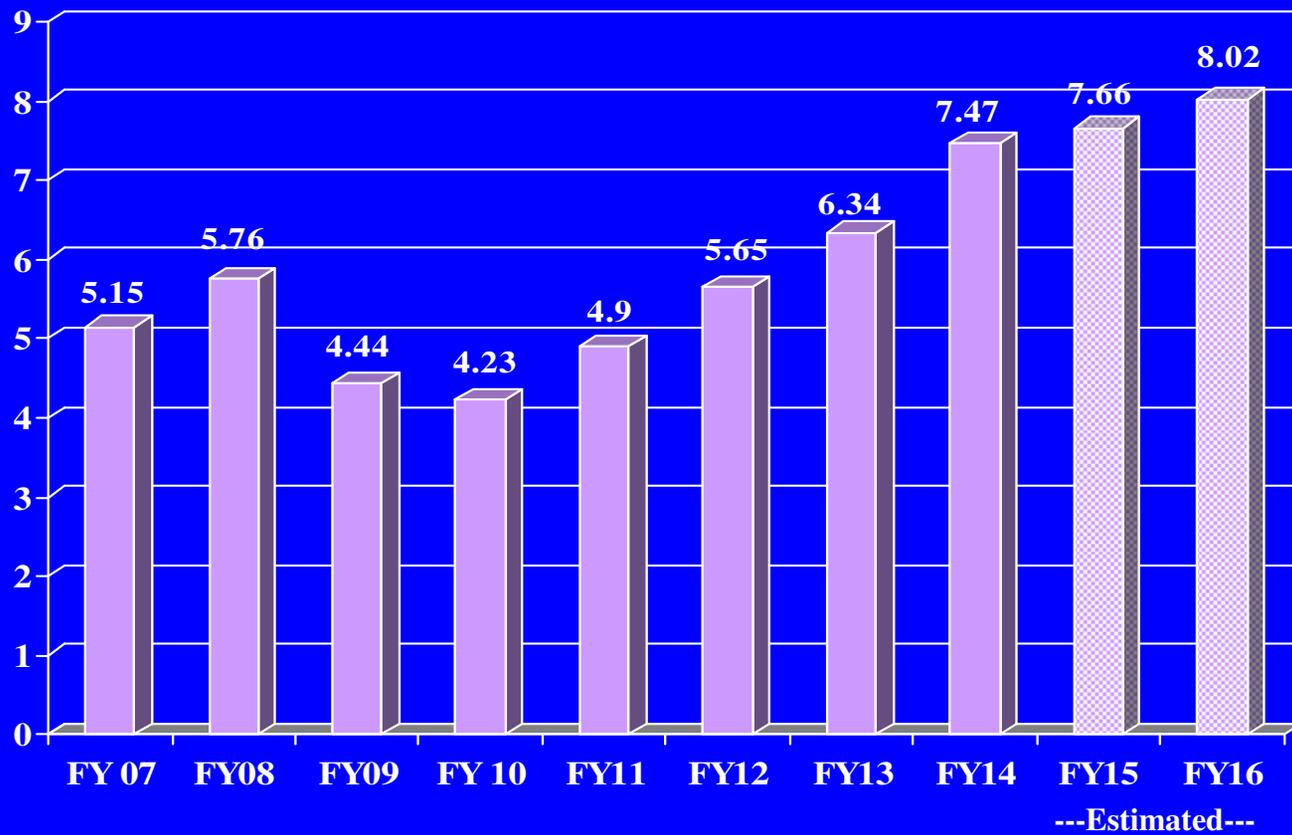
Property Tax Assessments (in non-CFD area)

Taxing Agency	Rate
1% Base Levy	1.0000%
Unified School District	0.0488%
County Retirement Levy	0.0412%
Community College	0.0262%
2008 County Hospital	0.0091%
SCVWD	0.0065%
City of Milpitas	None
Total Assessed Value Rate	1.1318%

Taxing Agency-Special Assessment Taxes	Amount
MUSD Parcel Tax	\$84.00
SCVWD	\$79.88
Vector Control/Mosquito Assmt	\$13.44
Library	\$33.66
City of Milpitas	None
Total Special Assessment Taxes	\$210.98

8% Transient Occupancy Tax By Fiscal Year (Not Adjusted for Inflation) FY 15-16 Projected TOT \$8.02 million

(In millions)



Transient Occupancy Tax (TOT) – Surrounding Cities

City	Rate
Milpitas	10.0%
Mountain View	10.0%
Fremont	10.0%
Sunnyvale	10.5%
Santa Clara	11.5%
Cupertino	12.0%
Palo Alto	14.0%
San Jose	14.0%

Five Year General Fund Forecast

(in millions)

	<u>FY16-17</u>	<u>FY17-18</u>	<u>FY18-19</u>	<u>FY19-20</u>	<u>FY20-21</u>
Revenues	\$ 75.6	\$ 78.1	\$ 80.4	\$ 82.8	\$ 84.9
Operating Transfers	<u>4.6</u>	<u>4.8</u>	<u>5.1</u>	<u>5.3</u>	<u>5.6</u>
Total Estimated Revenues	80.2	82.9	85.5	88.1	90.5
Salaries	\$ 39.5	\$40.7	\$ 41.9	\$ 43.1	\$ 44.4
Benefits	25.2	26.7	28.1	29.6	30.5
Supplies & Contractual Services	<u>15.1</u>	<u>15.4</u>	<u>15.8</u>	<u>16.2</u>	<u>16.5</u>
Total Estimated Expenditures	79.8	82.8	85.8	88.9	91.4
Available for CIP Funding	0.4	0.1	(0.3)	(0.8)	(0.9)

Reorganization/Reclassification

- **Separate the management of Engineering and Public Works into 2 departments to improve overall work efficiency and effectiveness**
- **With the hiring of a Recreation Services Manager, Recreation Services will report to the City Manager's office instead of Human Resources Department**
- **Reclassify one 40- hour BC Chief and one Fire Marshall to Deputy Fire Chiefs to improve span of control and service delivery and support succession planning efforts**
- **Reclassify the Sr. Code Enforcement Officer to Code Enforcement Program Supervisor to better align with the position's tasks and responsibilities**

Proposed Salary Adjustments

- **Seasonal Maintenance workers – increase pay to align with Maintenance Worker I**
 - Net FY15-16 fiscal impact – \$150,000 (General Fund impact \$90,000)
- **Increase minimum wage of temporary workers to comply with State minimum wage requirement – Lifeguards, Rec Leaders and Student Interns**
 - Net FY15-16 fiscal impact – Minimal

Classification	Current Range	Proposed Range
Seasonal MW	\$11.00 - \$14.89	\$23.98 - \$29.15
Lifeguard	\$8.58 - \$11.56	\$10.00 – \$12.15
Rec Leader III	\$8.64 - \$11.11	\$10.00 - \$12.15
Student Intern	\$9.18 - \$17.68	\$10.00 - \$18.56

Proposed Fiscal Policy Changes - PERS Stabilization Fund

- **Fund Annual Required Contribution “ARC” amount annually instead of based on a percentage of salary**
- **Any savings from the difference should be returned to PERS Rate Stabilization Account**
- **Conversely, additional cost due to payment of ARC can be funded from the PERS Rate Stabilization Account**
- **\$5.4 million current reserve in the PERS Rate Stabilization Account sufficient to handle any funding differences**

Proposed Ordinance - Signature Authority

- **City Manager signature authority currently in Purchasing Code**
- **Has not been updated since January 2006**
- **Compared with our neighboring cities, City Manager's signature authority is very low**
- **Recommended by the Finance Subcommittee**

Proposed Ordinance - Signature Authority - Contract

- **Survey of Neighboring Cities**
 - Fremont – up to \$100,000
 - Mountain View – up to \$100,000
 - Palo Alto – up to \$85,000 for consultants and & \$250,000 for goods and equipment
 - Santa Clara – up to \$50,000 (in the process to increase up to \$100,000)
 - Sunnyvale – up to \$100,000
 - Milpitas – currently City Manager up to \$20,000
- **Proposed Changes**
 - Increase City Manager's contract authority to \$100,000 with quarterly reporting to City Council of contracts executed that are over \$50,000

Proposed Ordinance

Signature Authority – A/R write-off

- **Survey of Neighboring Cities**
 - **Fremont – Finance Director up to \$50,000, City Manager up to \$100,000**
 - **Mountain View – Finance Director has the authority without limit**
 - **Palo Alto – Finance Director up to \$50,000, City Manager has the authority without limit**
 - **Santa Clara – no authority (in the process of requesting for delegated authority)**
 - **Sunnyvale – City Manager has the authority without limit after accounts have been outstanding for 7 years**
 - **Milpitas – No Authority**
- **Proposed Changes**
 - **City Manager and Finance Director jointly up to \$50,000 and Finance Director up to \$10,000 and no single account over \$10,000**

Proposed New Fee

Credit Card Transaction Fee

- **Customers would be charged a transaction fee when they use credit cards to make payments**
- **Goal is to recover costs charged by credit card companies**
- **Credit card fees paid by City last three years**
 - **FY14 - \$92,000**
 - **FY13 - \$91,000**
 - **FY12 - \$84,000**
- **Proposed fee: 1.5% on payments made by credit cards**
- **Recommended by the Finance Subcommittee**

Questions?

