

City Council
Rich Tran, Mayor
Marsha Grilli, Vice Mayor
Garry Barbadillo, Councilmember
Bob Nuñez, Councilmember
Anthony Phan, Councilmember



CITY OF MILPITAS - NOTICE OF SPECIAL MEETING

NOTICE IS HEREBY GIVEN that a Special Meeting of the Milpitas City Council has been scheduled for Saturday, February 3, 2018 at 9:00 AM at the Barbara Lee Senior Center, 40 N. Milpitas Blvd., Milpitas, CA in rooms 140/141.

SPECIAL CITY COUNCIL MEETING

Saturday, February 3, 2018

9:00 AM

Milpitas Barbara Lee Senior Center
40 N. Milpitas Blvd., Milpitas, CA

AGENDA

- I. CALL TO ORDER / ROLL CALL / PLEDGE**
- II. PUBLIC FORUM** *Comments limited to 3 minutes or less*
- III. FY 2018-19 BUDGETARY STRATEGIC PLANNING WORKSHOP**
Presentations to be given by City of Milpitas Finance Director and staff along with consultant Management Partners
- IV. NEXT STEPS**
- V. ADJOURNMENT**

KNOW YOUR RIGHTS UNDER THE OPEN GOVERNMENT ORDINANCE

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and the City operations are open to the people's review.

Materials related to an item on this agenda submitted to the City Council after distribution of the agenda would be available for public inspection at the City Clerk's office at Milpitas City Hall 3rd floor, 455 E. Calaveras Blvd., Milpitas during normal business hours.

For more information on your rights under the Open Government Ordinance or to report a violation of the ordinance, contact the City Attorney at Milpitas City Hall, 455 E. Calaveras Blvd, Milpitas, CA
E-mail: cdiaz@ci.milpitas.ca.gov / Phone 408/586-3040

The Open Government Ordinance is codified in Milpitas Municipal Code as Title I Chapter 310 and is available at the City's website www.ci.milpitas.ca.gov by selecting the Milpitas Municipal Code link.



Milpitas Budget Priority Setting City Council Study Session

*Barbara Lee Senior Center
40 N. Milpitas Blvd., Rooms 140/141, Milpitas CA 95035*

Saturday, February 3, 2018, 9 a.m. to 2:00 p.m.

Objectives

- Review results from engagement with City Councilmembers, City staff, and community members
- Set priorities and provide direction to staff for next year's budget before the budget is prepared

Agenda

1. Introduction and Overview

- a. Project overview
- b. Council and staff's roles in this workshop

2. Fiscal Reality

- a. Review prior five-year financial forecast
- b. Fiscal trends/factors that will impact updated forecast
- c. Recap budget policies adopted by City Council

3. Results from Engagement with Council, Staff and Community

- a. What defines Milpitas?
- b. What services are most important for Milpitas?
- c. What are the most pressing priorities in the next 3-5 years?

4. Budget Priorities and Direction

- a. What are the budget priorities that should be considered for FY 2018-19 and the five-year forecast?
- b. What is the consensus of the Council on the prioritization for each strategy identified?
- c. Provide any additional direction to staff in preparation of the preliminary FY 2018-19 operating and capital budget

5. Conclusion

MEMORANDUM

Finance Department



To: Mayor & City Council
Through: Dianne Thompson, Interim City Manager
From: Will Fuentes, Director of Financial Services
Subject: FY 2016-17 General Fund Unassigned Fund Balance
Date: February 2, 2018

Enclosed, please find a report concerning the remaining Fiscal Year (FY) 2016-17 General Fund Unassigned Fund Balance. The report was previously submitted to City Council for its December 5, 2017 meeting, but was ultimately not heard due to length of the meeting.

As noted in the report, the General Fund Unassigned Fund Balance equals \$10.19 million as of the end of FY 2016-17. Council may wish to discuss use of these monies during the Budgetary Strategic Planning workshop scheduled for February 3, 2018. However, the main purpose of the workshop is to review results from recent budget engagement efforts with City Councilmembers, City staff, and community members and use the input received to set priorities and provide direction to staff for the preparation of the FY 2018-19 annual Operating Budget and five-year Capital Improvement Program.

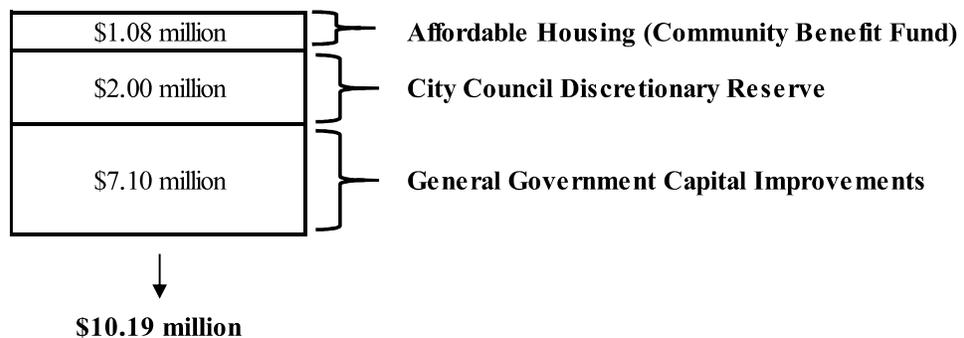
Thus, staff recommends that any discussions regarding the use of the remaining FY 2016-17 General Fund Unassigned Fund Balance be made in the context of overall priorities identified during the course of the Budgetary Strategic Planning workshop and after those priorities have been agreed to. Staff also now recommends, that unless urgent needs are identified, that the remaining FY 2016-17 General Fund Unassigned Fund Balance not be used in FY 2017-18. Instead, staff recommends that use of these monies be programmed into the FY 2018-19 Operating Budget and five-year Capital Improvement Program. This will provide Council and staff the opportunity to see all future needs and evaluate the ability to support their long-term impact as whole using all City funding sources available. Projections concerning the fund balance of all City funds will be provided during future City Council meetings, Finance Subcommittee meetings, budget workshops, and public hearings as the City moves towards adoption of the FY 2018-19 Operating Budget and five-year Capital Improvement Program.

XIII. UNFINISHED BUSINESS

4. **Adopt a Resolution Updating the City’s Fiscal Policies as they Relate to Reserves and Approving Transfer of \$10,185,208 from General Fund Unassigned Fund Balance to the Community Benefit Fund in the Amount of \$1,081,809, to the City Council Discretionary Reserve Account in the Amount of \$2,000,000, and to the General Government CIP Fund in the Amount of \$7,103,399 (Staff Contact: Will Fuentes, 408-586-3111)**

Background: The General Fund Unassigned Fund Balance equals **\$10.19 million** as of the end of Fiscal Year (FY) 2016-17. Council previously requested discussion to allocate these monies. Thus, in light of previous Council discussion in regards to priorities, staff presents the following potential uses. Council may wish to adopt these uses in their entirety or modify as they deem appropriate. Potential uses are detailed in both the chart and the text below:

Chart 1 - Potential Uses of General Fund Unassigned Fund Balance



- **Affordable Housing (Community Benefit Fund)** – Council has identified affordable housing as one of their primary priorities to address. Thus, staff proposes transferring 5% of the General Fund operating surplus (\$1.08 million) to the Community Benefit Fund. The Community Benefit Fund is primarily funded by developer impact fees and has more flexibility than the Housing Authority Fund to address affordable housing concerns. If this use is agreeable to Council, staff recommends revising the City’s Fiscal Policies as it relates to reserves and transferring 5% of any future General Fund operating surplus not needed to balance the budget or meet other reserve requirements to the Community Benefit Fund to address affordable housing concerns.

ATTACHMENT 1

- **City Council Discretionary Reserve** – Over the course of a fiscal year, unforeseen needs or opportunities may arise. Thus, rather than appropriating all of the General Fund for specific purposes and limiting City Council flexibility, staff proposes adjusting the City’s Fiscal Policies and establishing a City Council Discretionary Reserve of no more than \$2 million per fiscal year. This reserve would be funded at the beginning of the fiscal year by any remaining General Fund annual operating surpluses of the prior fiscal year not required to balance the operating budget and to meet other General Fund reserve requirements. Use of the reserve could occur at any time and at multiple times over the fiscal year, but would require City Council majority approval.

One potential use of the Council Discretionary Reserve could be to fund a rate assistance program for low-income and senior customers that had demonstrated difficulty paying their water utility bills. However, staff recommends waiting until 2018 to see how the State implements AB 401 (Dodd. Low-Income Water Rate Assistance Program). The State program may be sufficient to fully or partially fund a rate assistance program within Milpitas and pre-funding such a program with Milpitas monies could jeopardize eligibility. In addition, staff does not recommend making General Fund transfers in to the Water Utility Fund to reduce rates for all water utility customers. Such an action would not be sustainable long-term and would be looked upon unfavorably by debt rating agencies and the bond market. The City tentatively plans to issue approximately \$24 million in bonds to fund critical water infrastructure projects in the upcoming calendar year. In order to secure the best possible interest rates though, the City must demonstrate to debt rating agencies and the bond market that operating, maintenance, and capital needs can be supported by customer rates alone and that there are approved plans in place for annual rate adjustments. Absent these items, the City risks higher interest costs than necessary.

- **General Government Capital Improvements** – Current City Fiscal Policies allow the City Council the discretion to direct any portion of the General Fund reserves that are not required to balance the operating budget or meet other reserve requirements to the General Government Capital Improvement Fund. The City has a \$332.88 million Capital Improvement Program over the next 5 years; \$68.37 million of which is currently unfunded. Thus, staff proposes that \$7.10 million be transferred from the General Fund to the General Government Capital Improvement Fund. Deferred maintenance and capital replacement costs grow at an exponential rate and the City can either address these needs now or risk paying much more in the future due to inflation and rising costs of maintenance.

In conclusion, staff feels that the proposed actions presented above meet best practices and allow the Council to both preserve future flexibility and to address identified community priorities. Again, Council may wish to adopt staff proposals in their entirety or modify as they deem appropriate.

Fiscal Impact: Staff proposals would allocate the \$10.19 million General Fund unassigned fund balance as of the end of Fiscal Year (FY) 2016-17.

Recommendations: Adopt a resolution updating the City’s Fiscal Policies as those relate to reserves and approving transfer of \$10,185,208 from the General Fund Unassigned Fund Balance to the Community Benefit Fund in the amount of \$1,081,809, to the City Council Discretionary Reserve Account in the amount of \$2,000,000, and to the General Government CIP Fund in the amount of \$7,103,399.

MEMORANDUM

Finance Department



To: Mayor & City Council
Through: Dianne Thompson, Interim City Manager
From: Will Fuentes, Director of Financial Services
Subject: City Council Operating Budget
Date: February 2, 2018

Enclosed, please find the City Council's Operating Budget for FY 2017-18 compared against actual expenditures through December 31, 2017. Summary and detail level reports are provided. The summary report is commonly referred to as a monthly Management Report and it was provided to Council previously. However, please note that several journal entries have been made since you were provided the last monthly Management Report through December 31, 2017. These journal entries resulted in a \$2,910 increase in expenditures from \$142,513 to \$145,423. Journal entries are typically made to correct account coding errors or to properly reflect current month payments made for prior month activities. None of the journal entries are material, but are made nonetheless to ensure accuracy. The enclosed detail report reconciles fully to the revised Management Report.

Please note that these reports are being provided for information purposes only and their discussion is not the main purpose of the Budgetary Strategic Planning workshop scheduled for February 3, 2018. The main purpose of the workshop is to review results from recent budget engagement efforts with City Councilmembers, City staff, and community members and use the input received to set priorities and provide direction to staff for the preparation of the FY 2018-19 annual Operating Budget and five-year Capital Improvement Program. As such, Council may wish to discuss modifications to their own Operating Budget for FY 2018-19. However, staff recommends that these discussions be made in the context of overall priorities identified during the course of the Budgetary Strategic Planning workshop and after those priorities have been agreed to. Staff will use Council's guidance to develop both the City Council Operating Budget and citywide Operating Budget and Capital Improvement Program. Further opportunities for review and input will also be available over the next several months until budget adoption. These include City Council meetings, Finance Subcommittee meetings, budget workshops, and public hearings.

ATTACHMENT 1

GL787 GT-3.1 City Manager Rep Report Format 503

December 1, 2017 through December 31, 2017

Transaction status 2

50% of year completed

Rounding to Whole Dollars

Dpt 0001 Policy Planning & Implement

Account Description	18 Rep Bud	Current Period Exp	YTD Expenditures	Unexpensed Balance	Encumbered Expense	Uncommitted Balance	Percent Used
Fnc 100 City Council							
Fnd 100 General Fund							
Acc 410 PERSONNEL SERVICES							
100 1004111 CC Permanent	63,584	4,383	28,489	35,095		35,095	44.8
100 1004112 CC Temporary	4,800	125	1,400	3,400		3,400	29.2
100 1004121 CC Allowances	50,700	2,889	18,297	32,403		32,403	36.1
100 1004131 CC PERS	26,638	566	3,540	23,098		23,098	13.3
100 1004132 CC Group Insurance	107,520	5,106	29,334	78,186		78,186	27.3
100 1004133 CC Medicare-Employer	1,774	105	633	1,142		1,142	35.7
100 1004135 CC Worker's Compensa	410	34	205	205		205	50.0
100 1004139 CC PARS	288	50	375	87-		87-	130.1
Acc 410 PERSONNEL SERVICES	255,714	13,258	82,273	173,441		173,441	32.2
Acc 420 SERVICES & SUPPLIES							
100 1004202 CC Com Promotions-Al	25,440	585	8,125	17,315		17,315	31.9
100 1004203 CC Com Promotions-Un	24,000		4,764	19,236		19,236	19.9
100 1004221 CC Office Supplies	4,500		128	4,372		4,372	2.9
100 1004237 CC Contractual Servi	31,600		4,636	26,964		26,964	14.7
Acc 420 SERVICES & SUPPLIES	85,540	585	17,653	67,887		67,887	20.6
Acc 450 MEM, MEETINGS & TRAINING							
100 1004501 CC Memberships & Due	57,145		36,109	21,036		21,036	63.2
100 1004503 CC Training	10,000	478	5,289	4,711		4,711	52.9
100 1004506 CC Meetings/Meals	1,500	767	1,437	63		63	95.8
100 1004522 CC Non-Conference Ex	19,200		2,663	16,537		16,537	13.9
Acc 450 MEM, MEETINGS & TRAINING	87,845	1,245	45,496	42,349		42,349	51.8
Fnd 100 General Fund	429,099	15,088	145,423	283,676		283,676	33.9
Fnd 102 Measure I TOT Fund							
Acc 420 SERVICES & SUPPLIES							
102 1004237 CC Com Contractual S	470,052			470,052		470,052	
Acc 420 SERVICES & SUPPLIES	470,052			470,052		470,052	
Fnd 102 Measure I TOT Fund	470,052			470,052		470,052	
Fnc 100 City Council	899,151	15,088	145,423	753,728		753,728	16.2
Dpt 0001 Policy Planning & Implementati	899,151	15,088	145,423	753,728		753,728	16.2
Report Final Totals	899,151	15,088	145,423	753,728		753,728	16.2

ATTACHMENT 2

CITY COUNCIL

Management Report - Detail

December 31, 2017 YTD

<u>Account #</u>	<u>Account Title</u>	<u>Budget</u>	<u>Actual</u>	<u>% Used</u>	<u>Comments</u>
GENERAL FUND (100)					
Personnel Services					
100 1004111	Permanent				
<i>Garry Barbadillo</i>		10,852	5,426	50.0%	Councilmember Base Pay
<i>Marsha Grilli</i>		10,852	5,426	50.0%	Councilmember Base Pay
<i>Robert Nuñez</i>		10,852	5,426	50.0%	Councilmember Base Pay
<i>Anthony Phan</i>		10,852	5,426	50.0%	Councilmember Base Pay
<i>Richard Tran</i>		13,569	6,784	50.0%	Mayor Base Pay
<i>Other</i>		6,607	-	0.0%	Error. Can be removed or shifted in FY 18-19. Impacts PERS and Medicare budgets as well.
Sub-Total 100 1004111 Permanent		63,585	28,489	44.8%	
100 1004112	Temporary				
<i>Meetings- 24 @ \$25 x 8 ppl</i>		4,800	1,400	29.2%	Planning Commissioner Pay
100 1004121	Allowances				
<i>Garry Barbadillo</i>	<i>Auto Allowance</i>	6,600	3,300	50.0%	
<i>Marsha Grilli</i>	<i>Auto Allowance</i>	6,600	3,300	50.0%	
<i>Robert Nuñez</i>	<i>Auto Allowance</i>	6,600	3,300	50.0%	
<i>Anthony Phan</i>	<i>Auto Allowance</i>	6,600	3,300	50.0%	
<i>Richard Tran</i>	<i>Auto Allowance</i>	6,600	3,300	50.0%	
<i>Garry Barbadillo</i>	<i>Cell Phone and Data</i>	1,140	570	50.0%	Varies based on choice for cell and data service.
<i>Marsha Grilli</i>	<i>Cell Phone and Data</i>	1,140	570	50.0%	Varies based on choice for cell and data service.
<i>Robert Nuñez</i>	<i>Cell Phone and Data</i>	1,140	-	0.0%	Varies based on choice for cell and data service.
<i>Anthony Phan</i>	<i>Cell Phone and Data</i>	1,140	88	7.7%	Varies based on choice for cell and data service.
<i>Richard Tran</i>	<i>Cell Phone and Data</i>	1,140	570	50.0%	Varies based on choice for cell and data service.
<i>Other</i>		12,000	-	0.0%	Error. Can be removed in FY 18-19 or shifted to other accounts per Council desire.
Sub-Total 100 1004121 Allowances		50,700	18,297	36.1%	
100 1004131	PERS				
<i>All Council - City Retirement Contributions</i>		26,638	3,540	13.3%	Budget conservatively based on highest potential cost. May decrease due to pay error.

ATTACHMENT 2

CITY COUNCIL

Management Report - Detail

December 31, 2017 YTD

<u>Account #</u>	<u>Account Title</u>	<u>Budget</u>	<u>Actual</u>	<u>% Used</u>	<u>Comments</u>
100 1004132	Group Insurance				
	<i>All Council - City Healthcare Contributions</i>	107,520	29,334	27.3%	Budget conservatively based on highest potential cost.
100 1004133	Medicare-Employer				
	<i>All Council - City Medicare Contributions</i>	1,774	633	35.7%	Budget conservatively based on highest potential cost. May decrease due to pay error.
100 1004135	Worker's Compensation				
	<i>All Council - City Work. Comp. Contributions</i>	410	205	50.0%	
100 1004139	PARS				
	<i>All Council - City Work. Comp. Contributions</i>	288	375	130.2%	Supplemental retirement. Offset by lower than expected PERS costs.
Personnel Services Sub-Total		255,715	82,274	32.2%	
Services & Supplies					
100 1004202	Community Promotions - Allocated				
	<i>Sister Cities Program</i>	6,240	3,385	54.2%	
	<i>LAC Essay Contest</i>	4,500	-	0.0%	
	<i>Plaques/Awards/Commendations</i>	3,500	-	0.0%	
	<i>Other</i>	8,000	4,740	59.2%	LAC Essay Contest costs for FY 16-17 paid in FY 17-18.
	<i>Budget Adjustment</i>	3,200	-	0.0%	Carry over of a purchase order for invoice budgeted in FY 16-17, but not paid until FY 17-18.
Sub-Total 100 1004202 Comm. Promo.-Allocated		25,440	8,125	31.9%	
100 1004203	Community Promotions - Unallocated				
	<i>Korean Alphabet Day Donation</i>	500	500	100.0%	
	<i>L. Voellger Arts Scholarship Program 17</i>	1,000	1,000	100.0%	
	<i>Mid-Autumn Festival 10-07-17</i>	500	500	100.0%	
	<i>Relay for Life Fee Waiver</i>	1,500	1,500	100.0%	
	<i>St. Elizabeth Parish Festival Fee Waiver</i>	774	774	100.0%	
	<i>Girl Scout Troup #6115 Fee Waiver</i>	60	60	100.0%	
	<i>Sunnyhills Neighborhood Halloween Fee Waiver</i>	430	430	100.0%	
	<i>Remaining Unallocated Budget</i>	19,236	-	0.0%	Can be allocated throughout the fiscal year based on requests to Council.
Sub-Total 100 1004203 Comm. Promo.-Unalloc.		24,000	4,764	19.8%	

ATTACHMENT 2

CITY COUNCIL

Management Report - Detail

December 31, 2017 YTD

<u>Account #</u>	<u>Account Title</u>	<u>Budget</u>	<u>Actual</u>	<u>% Used</u>	<u>Comments</u>
100 1004221	Office Supplies				
	<i>Garry Barbadillo</i>	900	-	0.0%	
	<i>Marsha Grilli</i>	900	-	0.0%	
	<i>Robert Nuñez</i>	900	-	0.0%	
	<i>Anthony Phan</i>	900	128	14.2%	Business cards purchased to date.
	<i>Richard Tran</i>	900	-	0.0%	
Sub-Total 100 1004221 Office Supplies		4,500	128	2.8%	
100 1004237	Contractual Services				
	<i>MCTV Upgrade</i>	25,000	-	0.0%	Budgeted too low. Cannot be implemented FY 17-18. Actual cost approx. \$130,000.
	<i>Translation services</i>	6,600	4,636	70.2%	May need to be increased based on Council desire and community need for translations.
Sub-Total 100 1004237 Contractual Services		31,600	4,636	14.7%	
Services & Supplies Sub-Total		85,540	17,653	20.6%	
Memberships, Meetings and Training					
100 1004501	Membership & Dues				
	<i>ABAG</i>	14,000	15,423	110.2%	
	<i>Cities Association of SCC</i>	6,100	6,367	104.4%	
	<i>LOCC Peninsula Division</i>	150	-	0.0%	
	<i>Milpitas Chamber</i>	395	-	0.0%	
	<i>National League of CA Cities</i>	5,500	5,401	98.2%	
	<i>LOCC</i>	20,000	-	0.0%	
	<i>LAFCO</i>	10,000	7,918	79.2%	
	<i>Silicon Valley Organization</i>	1,000	1,000	100.0%	
Sub-Total 100 1004501 Membership & Dues		57,145	36,109	63.2%	

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CITY COUNCIL

Management Report - Detail

December 31, 2017 YTD

<u>Account #</u>	<u>Account Title</u>	<u>Budget</u>	<u>Actual</u>	<u>% Used</u>	<u>Comments</u>
100 1004503	Training				
<i>Garry Barbadillo</i>		2,000	-	0.0%	
<i>Marsha Grilli</i>		2,000	-	0.0%	
<i>Robert Nuñez</i>		2,000	3,459	173.0%	\$1,000 reimbursed January 2018. Pending airline credit for \$1,036. Reduces to \$1,422 total.
<i>Anthony Phan</i>		2,000	1,277	63.8%	
<i>Richard Tran</i>		2,000	553	27.6%	
Sub-Total 100 1004503 Training		10,000	5,289	52.9%	
100 1004203	Community Promotions - Unallocated				
<i>Closed Session & Sp Mtgs Meals</i>		1,500	1,437	95.8%	May need to be increased in the future.
100 1004552	Non-Conference Expenses				
<i>Community Adv</i>		1,000	245	24.5%	Misc. Commission Expenses
<i>PRCRC</i>		1,000	116	11.6%	Misc. Commission Expenses
<i>Planning</i>		6,200	730	11.8%	Misc. Commission Expenses
<i>BPAC</i>		1,000	35	3.5%	Misc. Commission Expenses
<i>Econ Dev</i>		1,000	-	0.0%	Misc. Commission Expenses
<i>Sister Cities</i>		1,000	68	6.8%	Misc. Commission Expenses
<i>Telecom</i>		1,000	-	0.0%	Misc. Commission Expenses
<i>Arts</i>		1,000	-	0.0%	Misc. Commission Expenses
<i>Senior Advisory</i>		1,000	-	0.0%	Misc. Commission Expenses
<i>RSRAC</i>		1,000	-	0.0%	Misc. Commission Expenses
<i>Library</i>		1,000	614	61.4%	Misc. Commission Expenses
<i>Veteran Commission</i>		1,000	118	11.8%	Misc. Commission Expenses
<i>EPC</i>		1,000	736	73.6%	Misc. Commission Expenses
<i>Youth Advisory</i>		1,000	-	0.0%	Misc. Commission Expenses
Sub-Total 100 1004552 Non-Conference Expenses		19,200	2,662	13.9%	
Memberships, Meetings and Training Sub-Total		87,845	45,496	51.8%	
GENERAL FUND TOTAL		429,100	145,423	33.9%	

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CITY COUNCIL

Management Report - Detail

December 31, 2017 YTD

<u>Account #</u>	<u>Account Title</u>	<u>Budget</u>	<u>Actual</u>	<u>% Used</u>	<u>Comments</u>
MEASURE I TOT FUND (102)					
Services & Supplies					
102 1004237	Contractual Services	470,052	-	0.0%	Additional Library Hours. Paid January 2018. County requesting \$16,811 adjustment 17-18.
MEASURE I TOT FUND TOTAL		470,052	-	0.0%	
GRAND TOTAL ALL FUNDS		899,152	145,423	16.2%	

Milpitas Budget Priority Setting

City Council Study Session
February 3, 2018



Why Are We Here?

- **Objectives**
 - Review results from engagement with City Councilmembers, City staff, and community members
 - Set priorities and provide direction to staff for preparation of the FY 2018-19 annual operating and five-year capital improvement program



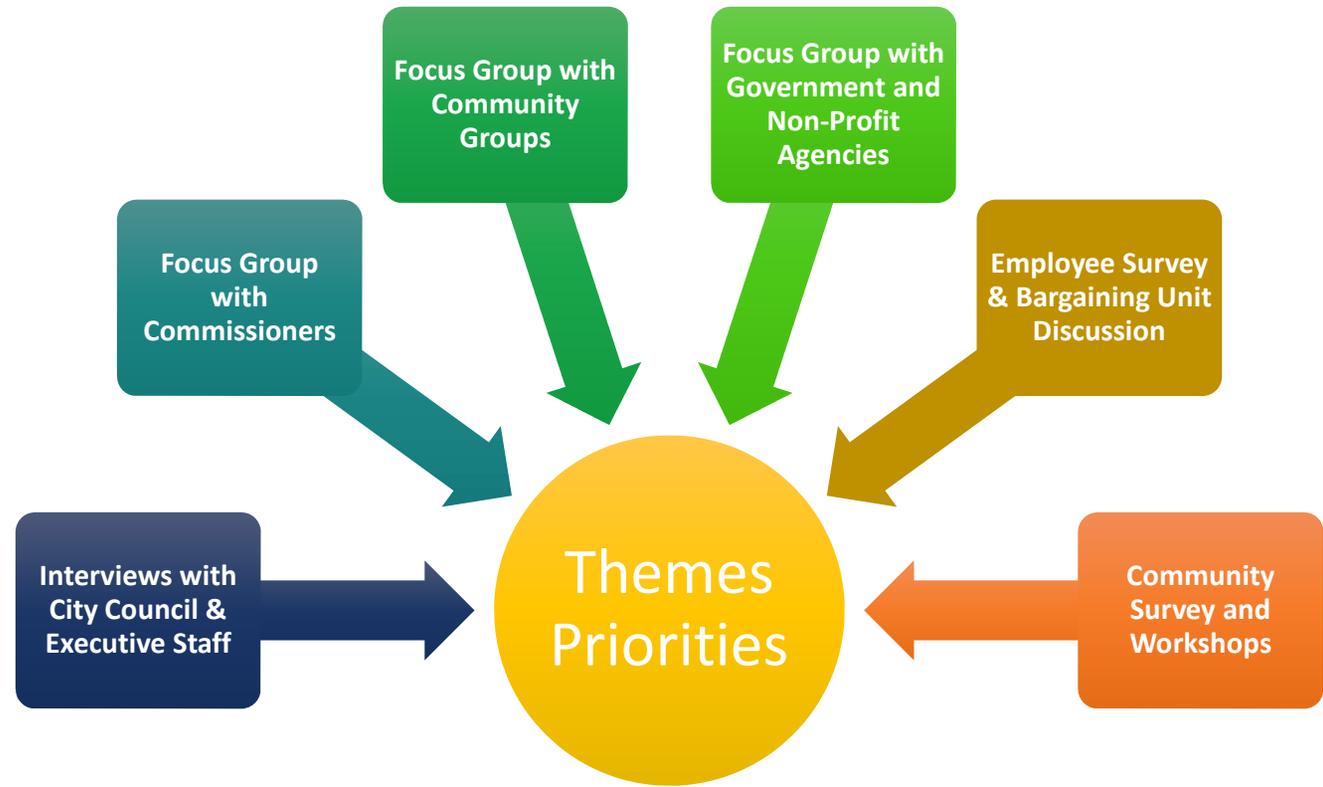
What Are We Going to Do?

- **Introduction and Overview**
- **Fiscal Reality**
- **Results from Engagement with Council, Staff and Community**
- **Budget Priorities and Direction**
- **Conclusion and Next Steps**

Project Timeline



Stakeholder Engagement to Date



Roles for Today's Workshop

Council

- Review results from community and employee engagement
- Identify budget priorities
- Reach consensus on budget priorities

City Staff

- Review results from community and employee engagement
- Listen to priorities raised
- Clarify ideas raised where requested

Members of the Public

- Review results from community and employee engagement
- Listen to priorities from Council
- Provide input as requested by Council

Management Partners

- Present results from engagement activities
- Facilitate workshop discussion
- Record outcomes from the workshop
- Manage time



Ground Rules

Be present and participate

Be open to exploring ideas

Be willing to hear everyone's opinions

Keep distractions to a minimum (i.e., set cell phones to vibrate)



Do you have any questions?

Management
Partners



What Is Our Fiscal Reality?

1. Five-Year Forecast
2. Fiscal Trends and Factors for Consideration
3. Budget Policies



How Are Cities Typically Funded?

Cities only get a small portion of your taxes (statewide norms)

Only 1% of the 9% paid in sales taxes

+

Only 16% of the property taxes paid

+

Fees for services (planning, building, recreation, utilities, etc.)

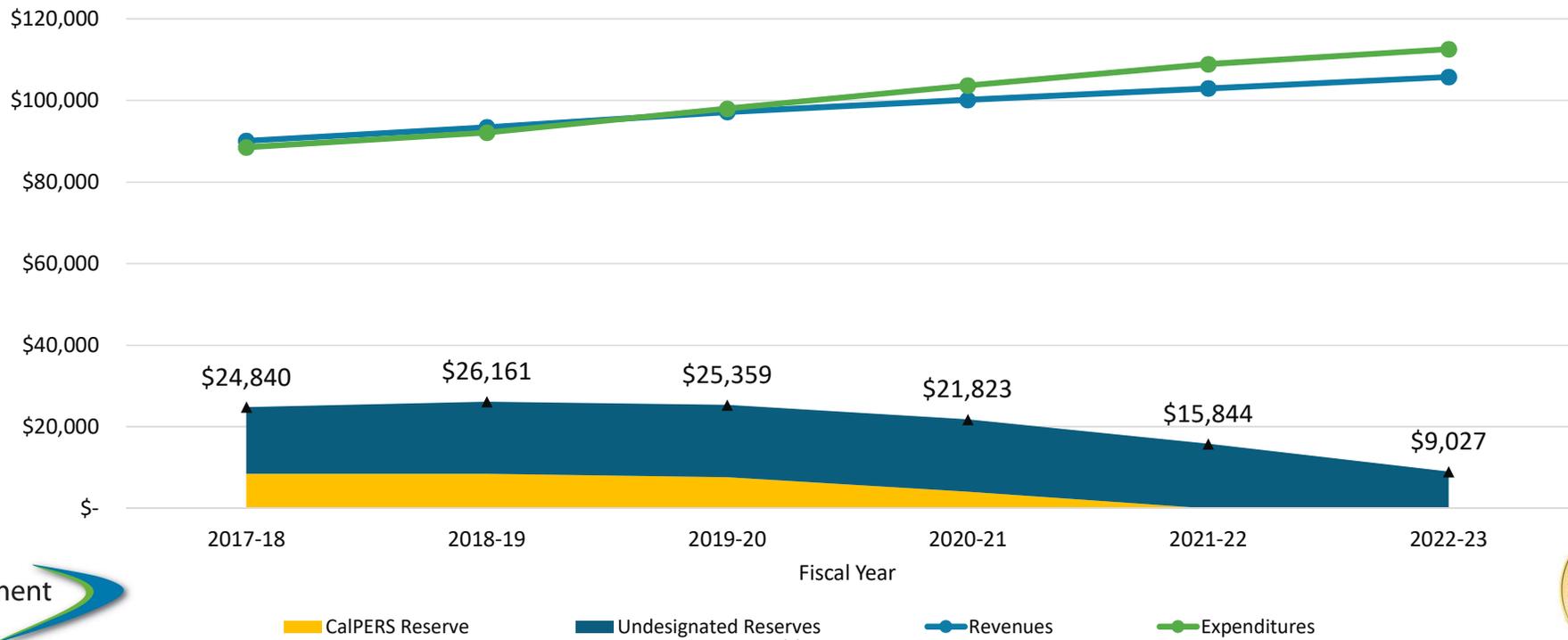
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Police, fire, parks and recreation, streets, land use development



Milpitas General Fund Five-Year Financial Forecast (as of June 2017)

Milpitas General Fund Five-Year Forecast
FY 2018-19 to FY 2022-23
(FY 2017-18 as Baseline)



Milpitas Five-Year Financial Forecast

• Opportunities

- Continued growth and development
- BART station opening June 2018 (tentative)
- Sales taxes trending positively

• Threats

- Aging infrastructure
- Rising CalPERS costs
- The next recession

Budget Policies in Place

Fiscal Policies

- Financial goals
- Operating budget
- Revenues and expenditures
- Utility rates and fees
- Capital budget
- Debt
- Investment
- General accounting

Reserve Policies *(impacting General Fund)*

- **Emergencies/Contingency**
17% of annual operating expenditures
- **CalPERS Rate Stabilization**
\$19 million reserve
- **Storm Drain Replacement**
\$500,000 contribution from General Fund annually
- **OPEB**
fund required contributions annually
- **Equipment/technology reserves**
contributions to maintain desired levels



Results of Community and Employee Engagement

What defines Milpitas?

What is most important for Milpitas?

What are the most pressing priorities in the next three to five years?



Community Values (Focus Groups, Workshops)

Highlighted During Community Workshops

Transportation Accessibility

- Major transportation corridors
- Increasing transit solutions
- Challenging traffic issues

Safe and Peaceful

- Police and fire responsiveness
- Quiet
- Strong neighborhoods
- Emergency preparedness (including utility infrastructure)

Responsibility

- Environmental preservation
- Hillside, opens space and parks
- Government transparency
- Fiscal planning and management

Cultural and Ethnic Diversity

- Connectedness, sense of community
- Acceptance, inclusivity, openness, welcoming
- Compassionate
- Respect

Family Focus

- Education system
- Small-town feel
- Youth
- Age-friendly

Economic Opportunity

- Jobs
- Entrepreneurial spirit
- Affordability
- Small business retention
- Retail and shopping



What Should We Focus On?

(Survey Results)

Community Survey

- Total Responses = 568
 - 79% live in Milpitas
 - 14% shop/do business in Milpitas
 - 8% work in Milpitas

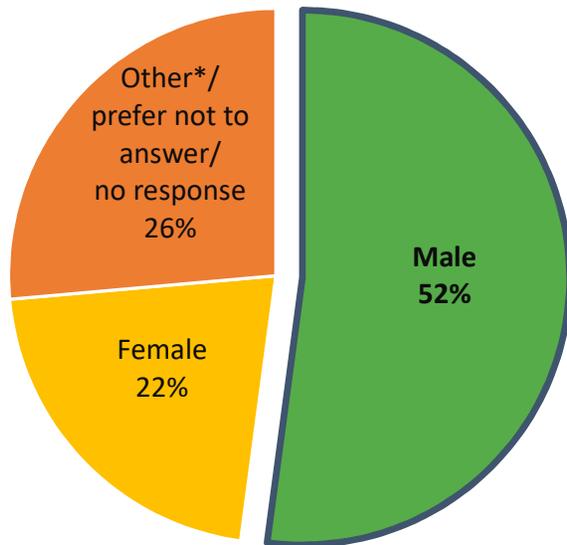
Employee Survey

- Total responses = 148

Respondent Characteristics

(Community Survey)

Gender



*Four respondents identified as "other."

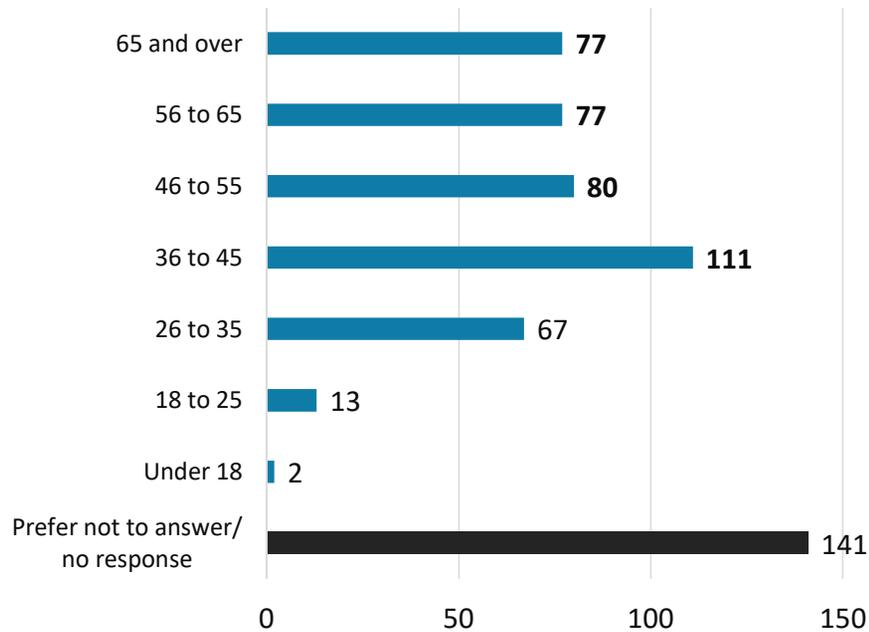
Ethnicity

Answer Choices	Count	Percent
American/Native American	8	1%
Asian/Pacific Islander	197	35%
Black/African American	3	1%
Hispanic/Latino	11	2%
White/Caucasian	127	22%
Other	18	3%
Prefer not to answer/no response	204	36%

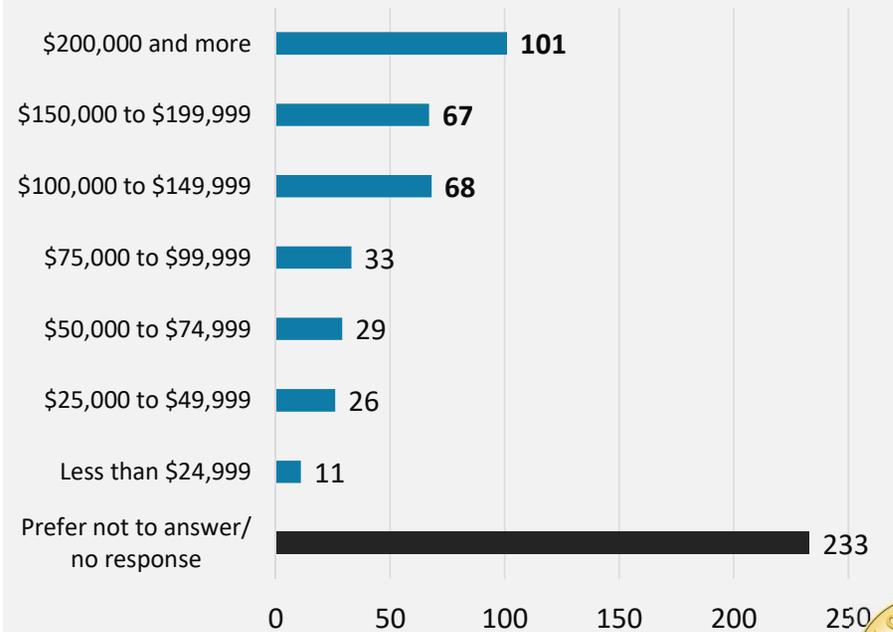
Respondent Characteristics

(Community Survey)

Age



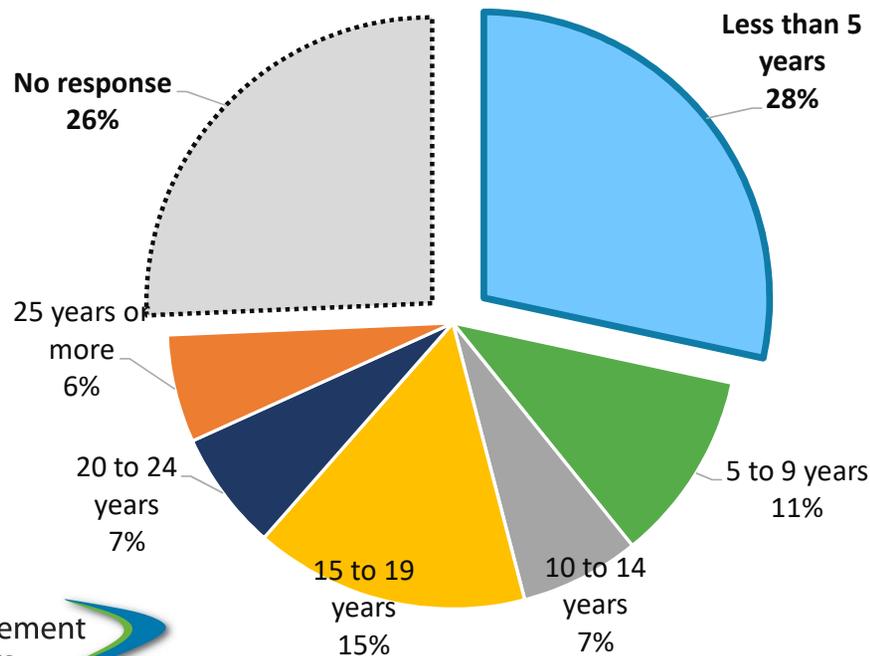
Median Income



Respondent Characteristics

(Employee Survey)

How long have you been employed with the City of Milpitas?



Please identify the department you work in.

Answer Choices	Count	Percent
Building and Safety	5	3%
City Attorney	0	0%
City Clerk	1	1%
City Manager	0	0%
Economic Development	4	3%
Engineering	8	5%
Finance	4	3%
Fire	31	21%
Human Resources	1	1%
Information Services	4	3%
Planning and Neighborhood Services	5	3%
Police	25	17%
Public Works	5	3%
Recreation Services	8	5%
No response	47	32%

What Should We Focus On?

(Overall Survey Results)

Community Survey Rank	Employee Survey Rank
1. Community Wellness and Open Space	1. Public Safety
2. Public Safety	2. Infrastructure and Community Facilities Maintenance
3. Transportation and Transit	3. Economic Development and Job Growth
4. Infrastructure and Community Facilities Maintenance	4. Fiscal Responsibility
5. Economic Development and Job Growth	5. Neighborhoods and Housing
6. Fiscal Responsibility	6. Transportation and Transit
7. Neighborhoods and Housing	7. Community Wellness and Open Space
8. Environment	8. Customer Service/Community Connections
9. Technology and Telecommunications	9. Recreation, Senior-Oriented Programs
10. Recreation, Senior-Oriented Programs	10. Technology and Telecommunications
11. Customer Service/Community Connections	11. Environment
12. Arts and Culture	12. Arts and Culture

Public Safety

What does it mean?

Community Survey Rank

2 out of 12

Employee Survey Rank

1 out of 12

Objective	Community Survey Score	Employee Survey Score
Increase police patrols/presence	4.1	3.8
Increase crime prevention programs	4.0	2.8
Improve fire emergency responses	2.5	3.5
Increase community engagement on public safety issues	2.3	2.5
Increase fire prevention programs	2.0	2.4
<i>Total Respondents</i>	206/568	85/148
<i>Percent</i>	(36%)	(57%)

Qualitative Themes

- Focus on crime prevention initiatives (e.g., neighborhood watch, mail/package theft)
- Increase police presence (e.g., in BART station area)
- Use cameras to deter and detect criminal activity
- Improve emergency preparedness programs

Highlighted During Community Group/Commissioner Focus Group

Highlighted During Community Workshop

Community Wellness and Open Space

What does it mean?

Community Survey Rank

1 out of 12

Employee Survey Rank

7 out of 12

Objective	Community Survey Score	Employee Survey Score
Reduce pervasive odor events	6.5	3.4
Maintain cleanliness throughout the community	5.2	4.8
Improve neighborhood parks	5.2	5.4
Create more open space and community gardens	4.7	5.1
Increase and/or improve walkways, bike lanes and trails	4.7	3.9
Improve existing recreational facilities	3.9	5.1
Create new recreational facilities	3.0	3.8
Increase community health and wellness programs	2.9	4.4
<i>Total Respondents</i>	<i>225/568</i>	<i>25/148</i>
<i>Percent</i>	<i>(40%)</i>	<i>(17%)</i>

Qualitative Themes

- Address landfill odor problem
- Make parks improvements (e.g., shaded areas, enhanced landscaping and trees, benches, playgrounds)
- Construct bike/pedestrian overpass to Great Mall
- Create more pedestrian and bike friendly access
- Maintain open spaces in hillside
- Increase health care options (e.g., hospital, long-term care)



Infrastructure and Community Facilities Maintenance

What does it mean?

Community Survey Rank

4 out of 12

Employee Survey Rank

2 out of 12

Objective	Community Survey Score	Employee Survey Score
Maintain and improve water systems	5.2	5.1
Maintain and improve sewer systems	5.1	4.8
Maintain and improve street trees and landscaping throughout the community	4.4	3.7
Maintain and improve storm drains	4.2	4.4
Maintain and improve other public facilities	3.3	4.2
Increase lighting in public spaces	3.2	2.9
Ensure that public facilities and related infrastructure are energy efficient	2.6	3.0
<i>Total Respondents</i>	<i>183/568</i>	<i>60/148</i>
<i>Percent</i>	<i>(32%)</i>	<i>(41%)</i>

Qualitative Themes

- Replace and repair aging infrastructure, (e.g., water and sewer)
- Address water system improvements (e.g., reduce potable water losses, water testing)
- Repair and improve street surfaces (e.g., potholes, cracks)
- Repair sidewalks
- Find alternative landfill site
- Improve parks infrastructure (e.g., landscaping, maintenance, tennis courts)

Highlighted During Community Group/Commissioner Focus Group

Transportation and Transit

What does it mean?

Community Survey Rank

3 out of 12

Employee Survey Rank

6 out of 12

Objective	Community Survey Score	Employee Survey Score
Address traffic issues*	5.1	4.8
Maintain roads, crosswalks, walkways, and bike lanes throughout the community	4.1	4.0
Improve/increase roads, crosswalks, walkways, and bike lanes	3.9	3.8
Improve safety of roads, crosswalks, walkways, and bike lanes throughout the community (e.g., Vision Zero program, Complete Streets program)	3.4	3.6
Improve traffic signage and wayfinding	2.4	3.0
Improve bus accessibility and reliability	2.0	1.8
<i>Total Respondents</i>	189/568	28/148
<i>Percent</i>	(33%)	(19%)

- Qualitative Themes**
- Enhance public transportation routes and availability
 - Make improvements to 237 to handle greater volume during morning commutes
 - Address major congestion points (e.g., 237 at 880, Tasman at Great Mall, Montague towards Capitol/Tasman)
 - Consider bypass to link 880 and 680
 - Prioritize residential traffic rather than east-west commute traffic
 - Improve bike safety (i.e., paint lanes, add lanes and signage)

*e.g., congestion relief, collaboration with CalTrans and County, public transportation including BART, Transportation Demand Management (TDM) which includes programs, infrastructure, and incentives to encourage multi-modal transportation alternatives

Highlighted During Community Workshop



Economic Development and Job Growth

What does it mean?

Community Survey Rank

5 out of 12

Employee Survey Rank

3 out of 12

Objective	Community Survey Score	Employee Survey Score
Support long-range and current planning for economic development and job growth	6.2	6.4
Support revitalization of shopping centers and Main Street	6.1	6.2
Increase high wage jobs in high tech/manufacturing	4.8	3.7
Support development of retail businesses	4.7	5.6
Promote small and/or minority owned businesses	4.4	4.2
Improve the city's image through positive marketing	3.7	3.7
Increase youth job training and work placement	3.2	2.8
Improve vocational training opportunities	3.1	3.3
<i>Total Respondents</i>	<i>161/568</i>	<i>36/148</i>
<i>Percent</i>	<i>(28%)</i>	<i>(24%)</i>

Qualitative Themes

- Attract high tech companies to improve wage opportunities
- Enhance business/office opportunities in civic center area and at BART station
- Develop economic development vision and strategic plan
- Increase small business presence

Highlighted During Community Group/Commissioner Focus Group

Fiscal Responsibility

What does it mean?

Community Survey Rank

6 out of 12

Employee Survey Rank

4 out of 12

Objective	Community Survey Score	Employee Survey Score
Reduce city expenditures	2.8	1.9
Review city employee compensation (salary, pension, fringe benefits)	2.5	2.1
Increase city budget transparency and outreach	2.4	2.6
Develop stronger revenue sources	2.3	3.4
<i>Total Respondents</i>	123/568	40/148
<i>Percent</i>	(22%)	(27%)

Qualitative Themes

- Reduce city fees and taxes; eliminate water surcharges
- Review/increase taxation on large businesses
- Reduce expenditures (e.g., multilingual translation, contracted services)
- Maintain/enhance responsiveness to community, transparency and effective management practices
- Provide assistance/incentives for homeless housing options
- Invest in infrastructure (especially related to utilities and public safety)

Highlighted During Community Group/Commissioner Focus Group

Neighborhoods and Housing

What does it mean?

Community Survey Rank

7 out of 12

Employee Survey Rank

5 out of 12

Objective	Community Survey Score	Employee Survey Score
Improve housing affordability	6.2	6.5
Support long-range and current planning for neighborhoods and housing	5.4	5.8
Improve housing conditions	4.7	3.7
Reduce housing overcrowding (e.g., lower-density housing)	4.6	3.6
Increase housing opportunities (e.g., new development, high-density housing)	4.0	4.8
Encourage greater accountability of landlords	3.9	3.4
Improve tenant rights	3.9	3.7
Increase code enforcement	3.4	4.5
<i>Total Respondents</i>	<i>93/568</i>	<i>25/148</i>
<i>Percent</i>	<i>(16%)</i>	<i>(17%)</i>

Qualitative Themes

- Focus on very-low and low-income housing
- Require inclusionary affordable housing for new developments
- Address overcrowding and higher population impacts (e.g., schools, traffic, noise)
- Increase senior housing
- Explore community land trusts to address housing issues
- Build community awareness and identity
- Beautify the City

Highlighted During Community Workshop

Highlighted During Community Group/Commissioner Focus Group

Environment

What does it mean?

Community Survey Rank

8 out of 12

Employee Survey Rank

11 out of 12

Objective	Community Survey Score	Employee Survey Score
Develop a comprehensive sustainability strategic action plan (climate action plan, green building, solid waste, water conservation/recycling)	5.7	6.5
Improve solid waste (garbage) handling	4.9	3.5
Increase recycling efforts	4.5	3.3
Encourage community-wide investment in solar power	4.2	5.2
Encourage investment in green building standards	4.2	5.9
Improve the city's water conservation efforts	4.2	2.3
Increase community-wide water conservation efforts	4.2	3.9
Develop and implement a community-wide climate action plan	4.0	5.5
<i>Total Respondents</i>	<i>89/568</i>	<i>11/148</i>
<i>Percent</i>	<i>(16%)</i>	<i>(7%)</i>

Qualitative Themes

- Address odor issues from landfill
- Focus on irrigating high-use parks, reducing irrigation in commercial areas
- Replace city vehicles with alternative fuel/electric/hybrid models
- Require solar panels and energy-efficient roofs for new construction
- Encourage investment in clean, efficient, and renewable energy (i.e., reduce CO2 emissions)
- Keep the City clean (e.g., sewage, water, garbage, streets)



Technology and Telecommunications

What does it mean?

Community Survey Rank

9 out of 12

Employee Survey Rank

10 out of 12

Objective	Community Survey Score	Employee Survey Score
Encourage improvement in community-wide availability of high-speed internet services	3.4	2.5
Encourage improvements in community-wide availability of wireless communications (e.g., cell phone service, 4G, wi-fi hotspots)	2.6	2.0
Modernize the city's technology for operations and customer service	2.1	2.9
Improve the city's use of existing technology	1.9	2.5
<i>Total Respondents</i>	<i>47/568</i>	<i>13/148</i>
<i>Percent</i>	<i>(8%)</i>	<i>(9%)</i>

Qualitative Themes

- Provide municipal internet
- Improve fiber availability (e.g., AT&T, Google)
- Update the City's use of technology for efficiency (e.g., manual timesheets)

Recreation, Senior-Oriented and Youth-Oriented Programs

What does it mean?

Community Survey Rank
10 out of 12

Employee Survey Rank
9 out of 12

Objective	Community Survey Score	Employee Survey Score
Improve/increase community centers, programs and events	5.7	7.1
Improve/increase sports and recreational facilities	5.3	6.6
Improve community educational resources	4.9	3.2
Increase youth-oriented classes and programs	4.6	4.0
Increase collaboration with schools for youth education and/or after-school programs	4.3	3.6
Increase outreach and engagement to seniors on matters impacting them	3.8	4.1
Increase senior-oriented classes and programs	3.8	3.6
Increase the outreach and engagement to youth on matters impacting them	3.7	3.9
<i>Total Respondents</i>	41/568	14/148
<i>Percent</i>	(7%)	(9%)

Qualitative Themes

- Create more opportunities for residents to exercise
- Ensure parks are well maintained
- Expand programs and hours for seniors
- Expand programs for youth (including music programs)
- Create separate Class A bike lanes
- Expand parks and recreational facilities and access (e.g., pools)
- Improve public use of facilities (including joint-use agreements)

Highlighted During Community Group/Commissioner Focus Group

Customer Service/Community Connections

What does it mean?

Community Survey Rank
11 out of 12

Employee Survey Rank
8 out of 12

Objective	Community Survey Score	Employee Survey Score
Improve transparency of policy- and decision-making actions	6.3	4.5
Improve information availability to residents	5.7	5.6
Develop employee knowledge and skills	4.7	5.5
Improve efficiency (streamline efforts, adopt best practices)	4.7	4.8
Improve connections with working families	4.4	3.1
Increase/improve online accessibility of city services	3.9	4.9
Improve accessibility in different languages	3.4	4.5
Improve efficiency in planning, building, and land development permitting	2.9	3.0
<i>Total Respondents</i>	<i>19/568</i>	<i>17/148</i>
<i>Percent</i>	<i>(3%)</i>	<i>(11%)</i>

Qualitative Themes

- Publicly recognize the contributions to community (individuals, groups, or staff)
- Prioritize responsiveness
- Improve employee customer service skills from a spirit of serving the public

Highlighted During Community Group/Commissioner Focus Group



Arts and Culture

What does it mean?

Community Survey Rank

12 out of 12

Employee Survey Rank

12 out of 12

Objective	Community Survey Score	Employee Survey Score
Increase support for art and cultural institutions, events, programs, local museums	4.4	3.6
Create a cultural center for youth	3.7	2.8
Encourage new murals and public art	3.6	3.8
Support culture and art reflective of the community's cultural diversity	3.5	3.0
Create opportunities to celebrate cultural diversity	2.9	4.2
Preserve the community's historic resources	2.9	3.6
<i>Total Respondents</i>	14/568	14/148
<i>Percent</i>	(2%)	(9%)

Qualitative Themes

- Support more community events to bring the community together (e.g., festival, sports events)
- Increase community gardens
- Support opportunities to celebrate diversity
- Create a place for City's cultural identity (e.g., downtown, arts and culture district)
- Support multi-cultural arts and entertainment events
- Support historic preservation
- Enhance nightlife opportunities

Highlighted During Community Group/Commissioner Focus Group

Higher for Community; Lower for Employees

- Community Wellness and Open Space

Higher for Community; Higher for Employees

- Public Safety
- Infrastructure and Community Facilities Maintenance
- Transportation and Transit
- Economic Development and Job Growth
- Fiscal Responsibility

**Higher if ranked as top 6;
Lower if ranked as bottom 6**

Lower for Community; Lower for Employees

- Recreation, Senior-Oriented Programs and Youth-Oriented Programs
- Technology and Telecommunications
- Environment
- Customer Service/Community Connections
- Arts and Culture

Lower for Community; Higher for Employees

- Neighborhoods and Housing

Community Workshop Exercise

Each participant was given \$100,000 to allocate among the 12 priority areas

Arts and Culture

Community Wellness and Open Space

Customer Service/Community Connections

Economic Development and Job Growth

Environment

Fiscal Responsibility

Infrastructure and Community Facilities Maintenance

Neighborhoods and Housing

Public Safety

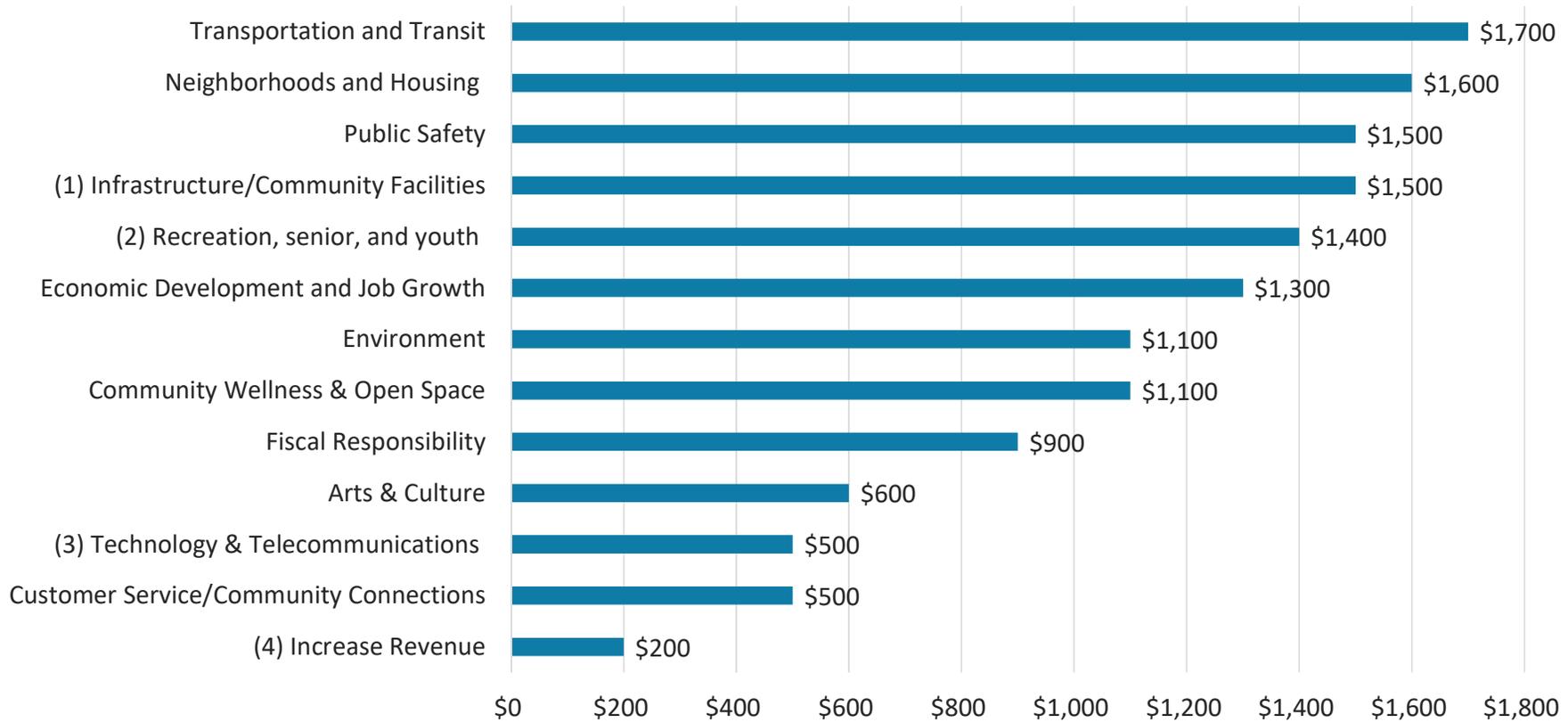
Recreation, Senior-Oriented Programs, and Youth-Oriented Programs

Technology and Telecommunications

Transportation and Transit



Community Workshop Exercise



¹Infrastructure and Community Facilities Maintenance

²Recreation, Senior-Oriented Programs, and Youth-Oriented Programs

³\$200 specifically allocated for emergency preparedness.

⁴specifically for state lobbying changing Prop 13 and charging pollution fees



Identifying Budget Priorities

What are the budget priorities that should be considered for FY 2018-19 and over the next five years?



Establishing Budget Priorities

What is the consensus of the Council on the prioritization for each strategy identified?

- Use dots to identify what you think should be a budget priority
- Place your dot in the column for when you think the priority should be worked upon:
 - FY 2018-19 (this year)
 - FY 2019-20 (next year)
 - Thereafter

PRIORITIES

- 1.
- 2.
- 3.



Final Direction

Does the City Council wish to provide any further direction to staff in preparing the preliminary FY 2018-19 annual budget and financial forecast?



Next Steps

- **Management Partners**
 - Prepare summary of City Council direction from today's workshop and provide to staff (February 6)
 - Prepare final project report (February 28)
- **City Staff**
 - Mid-year (2nd quarter) financial report (February 6)
 - Begin development of FY 2018-19 annual budget and financial forecast (February 6)
 - Operating budget
 - Capital Improvement Plan
 - Review preliminary FY 2018-19 annual budget and five-year CIP plan (April 10 and 12 – tentative)
 - Public hearing on annual budget (May 8 and 10 – tentative)
- **Future Budget Priority Sessions**
 - Consider annual vs. biennial budget priority sessions

Please complete the brief workshop evaluation form.



THANK YOU!!