



# CITY OF MILPITAS

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9/01/2020

Agenda Item No. 11



## ATTACHMENT RELATED TO AGENDA ITEM RECEIVED AFTER AGENDA PACKET DISTRIBUTION





# MEMORANDUM

City Manager's Office

**DATE:** August 31, 2020  
**TO:** Mayor and Council  
**THROUGH:** Steve McHarris, City Manager  
**FROM:** Walter C. Rossmann, Deputy City Manager/Finance Director  
**SUBJECT:** Supplemental Information #11 COVID-19 Fiscal Response Strategies and Guidelines

## **Background:**

On Friday August 28, staff released a staff report titled "Resolution to Approve and Direct the City Manager to Implement the COVID-19 Fiscal Response Strategies and Guidelines" as part of the September 1, 2020 Council Agenda packet.

## **Analysis:**

Based on the latest information from the County of Santa Clara regarding property tax revenue estimates, which was received on Friday August 28, staff is finalizing the updated FY 2021-2030 Ten-Year General Fund Financial Forecast (Forecast). Based on the updated Forecast, staff projects a structural deficit over the Forecast period, which means that for the next ten years estimated revenues are insufficient to cover the projected expenditures.

Therefore, staff recommends adding another statement (see statement #3) to the COVID-19 Fiscal Response Strategies and Guidelines giving direction to the City Manager to eliminate the structural deficit by FY 2022-23.

Below, please find the updated COVID-19 Fiscal Response Strategies and Guidelines. The updated Resolution is attached.

## COVID-19 Fiscal Response Strategies and Guidelines

1. Set aside FY 2019-20 expenditure savings in accordance with the Council approved General Fund Reserve Policies with a focus on meeting the target of the Budget Stabilization Reserve.
2. Bring forward to the Council an updated FY 2021-2030 General Fund Financial Forecast based on newly available data assuming a return to regular activities by the end of Fiscal Year 2020-21 and by the end of 2021 present potential budget balancing strategies.
3. Eliminate the structural deficit by FY 2022-23.
4. Institute a hiring freeze except for essential positions needed to deliver critical services to the community and to respond to the pandemic and its economic and financial impact.
5. Review existing vacancies for opportunities to reorganize work groups and realize cost savings or to achieve current service level demands through alternative means.

6. Focus on business process redesign to improve employee productivity and the quality, flexibility, and cost effectiveness of service delivery (e.g., streamlining, simplifying, reorganizing functions, and reallocating resources).
7. Identify and bring forward for Council consideration City policy and ordinance changes, as applicable, that would enable/facilitate service delivery improvements or other budget balancing strategies.
8. Analyze non-personnel expenditures for cost savings opportunities.
9. Continue to track and apply for grants to offset expenditures incurred related to COVID-19 and other City services to preserve General Fund dollars.
10. Inform our residents regarding the ¼ cent Sales Tax Measure and its need to maintain financial stability and City services paid by the General Fund. Educate the community through virtual events to establish a forum for dialogue and feedback.
11. Recommend for Council approval the structure and responsibilities of the citizens' oversight committee for the ¼ cent Sales Tax Measure revenue late September/early October.
12. Include employees in department and/or City-wide budget reduction idea development.
13. Provide monthly updates on the financial status of the City's General Fund.

**Attachment:**  
Updated Resolution

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS APPROVING AND DIRECTING THE CITY MANAGER TO IMPLEMENT THE COVID-19 FISCAL STRATEGIES AND GUIDELINES IN RESPONSE TO THE ECONOMIC CRISIS AND RELATED IMPACT ON THE CITY'S FINANCES CAUSED BY THE PANDEMIC**

**WHEREAS**, on March 13, 2020, the President of the United States declared a National Emergency concerning the Novel Coronavirus Disease (COVID-19) outbreak; and

**WHEREAS**, on Monday, March 16, 2020, the County of Santa Clara, and six of the most populous counties in the region, announced a shelter-in-place order in light of the increased number of cases of COVID-19 that have been confirmed in Santa Clara County; and

**WHEREAS**, the FY 2020-21 Budget and Financial Plan assumed an economic recovery within 18 months based on data available at that time and the unprecedented federal fiscal and monetary economic stimuli injected into the economy; and

**WHEREAS**, on June 2, 2020, the City Council approved the FY 2020-21 Budget and Financial Plan with the adoption of Resolution No. 8976, solving a projected \$25 million shortfall over three fiscal years with ongoing expenditure reductions and the use of reserves; and

**WHEREAS**, the General Fund pays for important City services, such as police protection, fire and paramedic services, street operations and maintenance, library services, parks and recreation services and general municipal services to the public; and

**WHEREAS**, since the approval of the FY 2020-21 Budget and Financial Plan, the economic impact related to COVID-19 has worsened with local businesses still shuttered and hotel rooms remaining vacant; and

**WHEREAS**, this prolonged downturn has had an additional significant impact to the City's FY 2020-21 General Fund revenues, as estimated, and the City's financial outlook, as projected; and

**WHEREAS**, on August 4, 2020, the City Council placed a ¼ cent Sales Tax Measure on the November 3, 2020 ballot for voter consideration in order to maintain the General Fund's financial stability and maintain important City services, with a sunset of the tax in eight years requiring independent audits and a citizens' oversight committee; and

**NOW, THEREFORE**, the City Council of the City of Milpitas hereby finds, determines, and resolves as follows:

1. The City Council has considered the full record before it, which may include but is not limited to such things as the staff report, testimony by staff and the public, and other materials and evidence submitted or provided to it. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.
2. The City Manager is hereby directed to follow these fiscal strategies and guidelines to ensure an effective response to the economic crisis and related impact on the City's finances caused by COVID-19, while minimizing service cuts to our community:

- i. Set aside FY 2019-20 expenditure savings in accordance with the Council-approved General Fund Reserve Policies with a focus on meeting the target of the Budget Stabilization Reserve.
  - ii. Bring forward to the Council an updated FY 2021-2030 General Fund Financial Forecast based on newly-available data assuming a return to regular activities by the end of Fiscal Year 2020-21 and by the end of 2021 and present potential budget balancing strategies.
  - iii. Eliminate the structural deficit by FY 2022-23.
  - iv. Institute a hiring freeze except for essential positions needed to deliver critical services to the community and to respond to the pandemic and its economic and financial impact.
  - v. Review existing vacancies for opportunities to reorganize work groups and realize cost savings or to achieve current service level demands through alternative means.
  - vi. Focus on business process redesign to improve employee productivity and the quality, flexibility, and cost effectiveness of service delivery (e.g., streamlining, simplifying, reorganizing functions, and reallocating resources).
  - vii. Identify and bring forward for Council consideration City policy and ordinance changes, as applicable, that would enable/facilitate service delivery improvements or other budget balancing strategies.
  - viii. Analyze non-personnel expenditures for cost savings opportunities.
  - ix. Continue to track and apply for grants to offset expenditures incurred related to COVID-19 and other City services to preserve General Fund dollars.
  - x. Inform our residents regarding the ¼ cent Sales Tax Measure to maintain financial stability and City services paid by the General Fund. Educate the community through virtual events to establish a forum for dialogue and feedback.
  - xi. Recommend for Council approval the structure and responsibilities of the citizens' oversight committee for the ¼ cent Sales Tax Measure revenue by late September/early October.
  - xii. Include employees in department and/or City-wide budget reduction idea development.
  - xiii. Provide monthly updates on the financial status of the City's General Fund.
3. The approval of this resolution does not commit the City to any action that would have the potential for causing a significant effect on the environment as this resolution will implement financial reduction strategies with no clear commitment to any future project or elimination of any projects. As a result, there is no potential impact on the environment from this action per the California Environmental Quality Act ("CEQA") Guidelines Section 15061(b)(3). Further, this action is also exempt under CEQA Guidelines Section 15378(b)(4) as other governmental fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

PASSED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_ 2020, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

\_\_\_\_\_  
Mary Lavelle, City Clerk

\_\_\_\_\_  
Rich Tran, Mayor

APPROVED AS TO FORM:

\_\_\_\_\_  
Christopher J. Diaz, City Attorney