

CITY OF MILPITAS

MINUTES of: **CITY COUNCIL (FINANCE) SUBCOMMITTEE**
Date/Time: **Wednesday, April 22, 2009 – 4:00 p.m.**

- I. CALL TO ORDER:** Council Member Debbie Giordano called the meeting to order at 4:05 pm

Attendance:

City Manager: Thomas C. Williams
City Council: Council Member Debbie Giordano, Council Member Armando Gomez
Staff: Emma Karlen, Jane Corpus-Takahashi, Flora Tzeng, Mike Ogaz, Bryan Otake, Carmen Valdez, Dennis Graham, Greg Armendariz, Kathleen Phalen, Ruben Grijalva, Bonnie Greiner, Rosana Cacao, Keyvan Irannejad, James Lindsay

- II. CITIZENS FORUM:** No Comments
III. APPROVAL of MINUTES: The March 18, 2009 meeting minutes were approved.
IV. ITEMS FOR DISCUSSION

A. Proposed Changes to Facility Use Rules and Regulations

Bonnie Greiner, Recreation Supervisor – The majority of the changes to the Facility Use Rules and Regulations Manual were recommended by the City Attorney’s office and ABAG in order to limit the City’s liabilities to facility rentals. There are two main proposed changes: 1) Implement a new rescheduling fee of \$100 to reschedule an event, provided staff and the new rental date are available. There must be at least 45 remaining days from the original event date; 2) Following a survey of other City facilities, the City of Milpitas is below in some fees. The recommendation is to increase the application fee by \$5 and also increase the rental deposit.

Council Member Debbie Giordano –There was no objection to the recommendation. The recommendation will go before the City Council for final approval.

B. Donation Request – Blind Children’s Camp

Emma Karlen, Director of Financial Services – Reported that this request was withdrawn by the applicant as he no longer works at this organization.

C. City Legal Cost Recovery Fees for Certain Planning and RDA Related Documents

Bryan Otake, Assistant City Attorney – Request to provide a minor update to modify the language for cost recovery of fee resolutions changing the wording: “**outside legal services**” may be charged to a private job account to “**legal services**” may be charged....

Council Member Debbie Giordano –There was no objection to the recommendation. The recommendation will go before the City Council for final approval.

D. SFPUC Water Contract

Kathleen Phalen, Principal Civil Engineer – The recommended action from the Finance Subcommittee is to approve two agreements – these agreements go hand in hand: 1) Water Supply Agreement with the San Francisco Public Utilities Commission 2) Individual water sales agreement between Milpitas and the San Francisco Public Utilities Commission. The agreements will be expiring at the end of June 2009.

The City of Milpitas, along with other agencies, contracted with the Bay Area Water Supply and Conservation Agency (BAWSCA) to negotiate a new agreement. Some of the terms of the new agreement are: The supply assurance remains unchanged at 184 million gallons per day non-revocable supply (excluding San Jose and Santa Clara). The principle is also unchanged whereby we pay for the water we use. The interim supply limitation and the power are new. The capital payment changes from a utility method to a cash method. SFPUC has committed to complete a \$4.3 billion Water System Improvement Program by 2015. The agreement is for 25 years with two options for additional five year extensions.

Council Member Debbie Giordano –**There was no objection to the recommendation. The recommendation will go before the City Council on June 2, 2009 for final approval.**

E. Preview of the FY 09-10 Proposed Operating Budget

Emma Karlen, Director of Financial Services – The City’s general fund has been faced with a structural budget deficit since 2001 where expenditures outpace revenue. Expenditures go up an average of 3.6% a year, revenue goes up an average of 3% a year. A major contribution to costs is the PERS rate. CALPERS investment portfolio has lost a significant amount of money so it is expected that in 2011-12 the PERS rate will increase 40%. Other important factors affecting cost increase is the medical costs for current employees and retiree medical benefits funding.

The general fund gap for FY2009-10 is \$8.75 million. Strategies to balance the budget are to request an RDA loan repayment of \$6 million and to defund 9 vacant positions for a savings of \$1.5 million. Additionally staff plans on meeting with the various union representatives to negotiate an increase of all employees’ PERS contribution by 2.5% for a savings of \$900,000. Long term there will be discussions addressing employees’ total compensation package and possibly discuss with the unions a modification to contracts for a tiered benefit package.

In many other cities and agencies employees have taken a pay reduction or furlough. By asking employees to contribute to their benefits it would only impact their net pay and would not affect their PERS retirement and salary. As challenging as the situation is, the City is obligated to honor the current contracts. If the unions and employees are not willing to be part of the solution, the only other option would be staffing reductions.

It is projected there will be a reduced general fund revenue of about 3.4% for next year due to lower property taxes revenue, a decrease in building permit/inspection fees and lower interest income in the City's portfolio. What has helped our budget situation is that sales tax revenue is about 3% higher than projected. Through the City's economic development outreach efforts, the City asked some of the larger companies to change their tax filing status so that the sales/use tax would come directly to the City. This has resulted in \$0.5 million since January. It is projected there will be a 4.9% decrease in expenditures for next year by using the strategies noted above.

The proposed FY2009-10 budget will not reduce program or service cuts or use of the general fund reserve. The projected reserve level by the end of next year is \$5.9 million for Library and Performance Arts, \$2.8 million for uninsured claims, \$5.4 million PERS rate stabilization and \$14.7 million unreserved/ undesignated. The five year projection does not look good. Revenue and salaries are projected at a modest increase. Services and supplies will be constant. However, it is projected benefits will have a huge increase of about 40% in 2011-2012 due to increased CalPERS contribution. The RDA loan balance will be exhausted if we use \$6 million every year without addressing the structural deficit.

Staff is also requesting Council to approve budget guidelines and fiscal policy changes:

- Review the yearly proposed budget prior to the budget hearing through budget study sessions or by going through the Finance Subcommittee.
- Change the format of the departmental presentations during the budget hearing to emphasize and resolve structural deficit details.
- Clarify wording – Ability to use the PERS stabilization reserve when employer contribution rate exceeds previous year's contribution rate by more than 3% **of payroll** with City Council's approval.
- Clarify wording – The City **will attempt to set aside \$500,000** annually from the general fund revenue for the storm drain replacement reserve
- Clarify wording – The City **will attempt to set aside \$250,000** annually from the general fund reserve for the technical equipment replacement reserve.
- Other minor verbiage changes.

Council Members Debbie Giordano and Armando Gomez – Approved the proposed budget recommendations. The recommendation will go before the City Council for approval.

V. OTHER BUSINESS

VI. NEXT MEETING – The next meeting will be scheduled _____, 2009

VII. ADJOURNMENT