

**CITY OF MILPITAS**

**MINUTES of: CITY COUNCIL (FINANCE) SUBCOMMITTEE**

**Date/Time: Monday, January 24, 2011 – 5:30 p.m.**

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**I. CALL TO ORDER:** Council Member Althea Polanski called the meeting to order at 5:35

**Attendance:**

City Council: Mayor Jose S. Esteves, Council Member Althea Polanski  
Staff: Tom Williams, Emma Karlen, Jane Corpus, Greg Armendariz, Dennis Graham, Bonnie Greiner, Carmen Valdez, Kathleen Phalen

**II. PUBLIC FORUM: Mr. Ed Riffle, Milpitas Resident** – Requested the Finance Subcommittee consider placing an item on the City Council’s agenda to possibly contract with Cal Fire to provide fire protection services for the City of Milpitas. It is his understanding that this may save the City 30% – 40% of the cost of firefighters’ salaries for an annual savings of \$3 - \$4 million and the level of service to the City would not change.

**Council Member Polanski – Indicated the Finance Subcommittee would take this request into consideration.**

**III. APPROVAL of MINUTES: The December 15, 2010 meeting minutes were approved.**

**IV. ITEMS FOR DISCUSSION**

**A. Request for Donation – Robotics Club**

The Robotics Club made an original donation request of \$1,500. After discussion with City staff the City would be able offer assistance of \$500. **Emma Karlen, Director of Financial Services** suggested that the Robotics Club consider contacting the City’s high-tech industry for assistance.

**Diana Barnhart, Economic Development** – Will assist the Robotics Club with contacts for financial assistance.

**Finance Subcommittee – Approved the recommendation for the \$500 donation. The recommendation will go to the City Council for final approval.**

**B. City Costs Associated With Milpitas Unified School District**

**Council Member Polanski** mentioned that all the programs are valuable resources. However, the City should look at the various programs in the budget process for cost effectiveness.

**Dennis Graham, Police Chief** – Presented information for the following programs:

- **Every 15 Minutes Program** – The requested budget allocation is \$7,000. Current budget allocation is \$5,000. During the year donations come in from the community which could reduce or increase the City's cost.
- **School Resource Officers (SRO)** – This program has been an important resource as it provides police presence at Milpitas High School. **Mayor Esteves** asked if the Citizen Volunteer program or the Explorer's program could carry out these services at Milpitas High School. **Police Chief Graham** felt this would not be possible because they would not be able to do what the Police do. The officers handle calls on campus, may make arrests and work with the school district to address gang behavior, which has reduced the number of aggravated assaults on campus. The Citizen Volunteers and Explorers are utilized to provide assistance at DARE graduations, finger printing and other various tasks.
- **Crossing Guards** – Are a valuable resource.
- **DARE Program** – The budget allocation is \$398,342. This program staffs two officers for nine months and provides supplies and equipment plus a Community Relation's Sgt. factoring half of nine months of his salary for supervising the program. The program offers students the opportunity to get to know police officers along with many other benefits to students. There may be other DARE type of programs that cost less or that could be provided by the school, depending on what is the goal.

**Mayor Jose Esteves** – Requested **Police Chief Graham** to provide a comparison of at least two other alternative programs to be able to make an objective cost evaluation of the DARE Program.

**Bonnie Greiner, Parks & Recreation Director** – presented information on the following programs:

- **After The Bell Program.** Cost allocation for After the Bell Program is \$276,000. The School District provides the space at the elementary schools and the City provides staffing and services. The program is very popular and there are waiting lists at all four of the sites. The program serves children ages 5-12 and has 99% Milpitas resident participation. The parent pays the City \$1,080 per student for the school year. The revenue vs. expenditure works out to around \$200,000 direct cost recovery.

**Council Member Polanski** – Requested staff provide the exact cost recovery for After the Bell program.

- **Raising a Reader Program.** Raising a Reader is a certified program with a specific reading list. The School District found that the Raising a Reader Program became expensive and decided to pull away from this program and started their own internal program called Children’s Literacy Program. It was more cost effective to run their own similar program, buy their own books and establish their own reading list. The City has allocated \$10,000 for the current fiscal year. The School District’s reading program will cost \$23,000 in FY 11-12, and they have made a request for \$15,000. **This request will be coming back to Council as an item in the upcoming FY budget.**

**C. Mid-Year Budget Adjustments**

**Emma Karlen, Director of Financial Services** – Presented seven items for consideration -- some Operating budget adjustments and CIP budget adjustments.

- **Senior Center Nutrition Program** – The City will receive an additional matching grant from the County that would allow the number of meals served daily to increase from 92 to 96 meals for the remainder of this fiscal year. The program is 50% subsidized by the county and is open to any senior. The seniors are asked for a donation of \$2.50/ meal; however, payment is voluntary. **The proposed matching fund cost increase is \$1,145 from the General Fund.**
- **Senior Center New Position** – Add a Recreation Leader II position to provide service and Chinese Mandarin translation. The funding would be reallocated from other various part-time positions currently budgeted from the Parks & Recreation operating budget. **No fiscal impact for this new temporary position.**
- **Fire Prevention Contractual Services** – Request is to increase the contractual services for CSG by \$10,000. The contract is based on the needs of the department. Sufficient revenue has been received to cover the cost. **Therefore, there is no fiscal impact.**
- **Veteran’s Commission Budget** – **Add \$1,000 to this newly-formed commission** budget to provide for their initial daily needs. The Commission will develop a work program to justify their needs, and the Commission will be re-evaluated for future budget appropriation of funds. The initial request was \$10,000, but is not in keeping with the standard allocation for commissions. There was an expenditure of \$300 for 500 color flyers. It was suggested to re-evaluate the amount used for this type of expense and try to get it done for less, maybe printing in black and white only.

**Council Member Polanski** – Recommended that all commissions should be aware that they have a budget allocation to work with. There should be consistency throughout the various commissions and re-evaluate the budget needs for each commission appropriately.

- **Project Developer Fees** – Over the years the City has collected developer fees that need to be used. Request is to appropriate these developer fees into the various Capital Improvement Projects for the purpose that the fees were collected. **There is no fiscal impact.**
- **Banner Replacement** – This would be to replace torn or faded banners with a new business-type-of design with a new theme and new July 4<sup>th</sup> banners. **Proposed funding is \$55,000 from the RDA fund.**
- **Expansion of Citywide Wireless Service** – Expand the current Silicon Valley Unwired service throughout the City. **Proposed funding is \$49,490 from the RDA fund**

**TOTAL Mid-Year Request is \$1,598,728; TOTAL fiscal impact is \$116,000.**

**Finance Subcommittee – Approved the Mid-Year Budget Adjustment recommendation. This will go the City Council for final approval.**

**D. Recommended Rate Adjustments for the Water and Sewer Utilities**

**Kathleen Phalen, Principal Civil Engineer** – The last rate increase the City Council adopted was for 2 years of back-to-back 9% increases for sewer and water. If today's recommendation is approved, it would be effective this July 1, 2011 for FY11-12 through FY 14/15.

Staff presented an overview of the City's policies that guide the rate recommendations regarding what shall be funded, the reserves we need to maintain, other items that guide the process and the components that are looked at when developing the rate recommendations.

Cities that operate utilities need to be operated similar to not-for-profit businesses and work semi-independently within the city. We need to maintain reserves equal to 30% of the water operating budget in the water fund and 25% of the sewer operating budget in the sewer fund. We allocate funding each year for aging infrastructure and provide incentive for water conservation. It is important that the rate analysis for water and sewer correctly assess projected expenses and revenues, or by the end of the fourth year of projection the estimate can be quite off. The City follows an agreement with San Jose Water Pollution Control Plant that controls how our sewer rates are developed.

Other external expenses that affect our rates are: Increases from the San Francisco Public Utilities Commission will triple its wholesale rate, Santa Clara Valley Water District projects rate increases of 60% over the next five years and the San Jose/Santa Clara Water Pollution Control Plant has a \$2 billion project planned.

Internal expenses that affect our rates are: City operations to monitor and run the equipment, emergency response, preventative maintenance repair, regulatory compliance, coordination with outside agencies and utility usage and financial tracking. The City is preparing to improve our aging infrastructure to be prepared for the impact of a seismic event. Also included is City overhead for indirect departmental support.

Our costs are comparable to other cities in this area that are receiving water from San Francisco Hetch-Hetchy or that are part of the San Jose sewer treatment system. We need to have the revenue to pay for our wholesale water cost. Legally we need to fund public safety services and the City's infrastructure. If the increase is not passed, the money will need to come from another source. The City Council will need to decide to take the money from the City's General Fund. This would result in significant cuts in services to the community and discretionary programs.

Staff is recommending the following: Adopt a four-year rate plan. Adopt the single maximum rate (4<sup>th</sup> year rate) with the understanding that under Prop 218 the maximum rate will not be charged if not needed. Allow wholesale cost and inflation pass-through. Establish four tiers for residential water rates from the current two-tier. Adopt the proposed rate and sewer rate table. Recommend Council holds a public hearing on February 15, 2011 to introduce rate ordinances and start Prop 218 process. Prop 218 is not a vote process, but is a protest process.

**Tom Williams, City Manager** – A survey of other cities that have to follow the Prop 218 process shows that they do not provide a vote-type of form. However, cities provide an information pamphlet to the community. If the City gets into a significant \$17 - \$20 million shortfall, we may have to consider radical options similar to what the City of Vallejo and Los Angeles are contemplating. We may want to hold community workshops to discuss the need for rate increases so it is fully understood what the options are.

**Council Member Polanski** – It is important for staff to provide an informational insert to the community on the rate increase so they are completely aware of the situation. Requested staff to quantify any cost savings if rate increases are done every year versus the four-year rate plan.

**Mayor Jose Esteves** – Requested staff to change the term “not for profit” to avoid any kind of confusion or comparison with a non-profit organization.

**Finance Subcommittee** – **Recommended to bring this issue to City Council for further discussion and approval.**

**E. Determine Frequency, Date and Time of the Finance Subcommittee Meetings**

**Mayor Jose Esteves** – Requested to meet monthly on the third Thursday of the month at 5:30 pm.

**V. OTHER BUSINESS – Clarification of What the Finance Subcommittee Does**

The Finance Subcommittee is a recommending body and does not have the authority to act as a decision making body. The Finance Subcommittee reviews items that require minor adjustments of daily tasks with no additional expenditures, which may not need to go on to the full City Council. Those items that are expenditure or budget driven need to go to the full City Council for approval.

**Mayor Jose S. Esteves** – Recommended that along with budget issues, to also have Capital Improvement project issues brought to this subcommittee in order to have a total picture of our financial figures.

**Tom Williams, City Manager** – Mentioned that in essence the Finance Subcommittee acts as a budget subcommittee of the City Council. In preparation of the upcoming fiscal year budget it is important to first have a dialogue with the entire City Council, then any items that need further review can be redirected to the Finance Subcommittee and they can make recommendations back to the City Council for final decisions.

**VI. NEXT MEETING – Scheduled for February 17, 2011**

**VII. ADJOURNMENT**