

City of Milpitas

Measure F Oversight Committee

AGENDA

Wednesday, May 26, 2021
5:30 P.M. - 6:45 P.M.

Measure F Oversight Committee meeting is held via teleconference/ Zoom webinar only (no physical meeting space). You may watch the meeting without providing public comments by accessing it via links below.

Meeting shall be livestreamed – Go to:

Facebook: <https://www.facebook.com/CityofMilpitas/>

YouTube: <https://www.ci.milpitas.ca.gov/youtube>

Web Streaming : <https://www.ci.milpitas.ca.gov/webstreaming>

PUBLIC COMMENT INSTRUCTIONS

Oral public comments may be provided live during the Measure F Oversight Committee meeting by first registering for the zoom meeting in advance by: providing email address (not disclosed) and a name. Here is the link to register for this meeting only:

https://ci-milpitas-ca-gov.zoom.us/webinar/register/WN_hulx-oPISNuCdoZzJAa8lg

A link will be sent to you to join the Measure F Oversight Committee (“MFOC” or “Committee”) meeting in order to give your comments. All registered meeting attendees who wish to speak must click on the “raise hand” icon when the Chair calls for public comments. If participating by calling in on your phone, dial *9 to use the “raise hand” feature, and when you are called upon, hit *6 to unmute your phone. Your phone number will be displayed in the live meeting. The Chair or staff will call the speakers to begin.

All comments provided shall be limited to three minutes or less as determined by the Chair. All members of the public will be limited to one comment per agenda item, and one comment for non-agenda items. Online written comment form previously used is no longer available for public comment. Any submitted comments that contain profanity or vulgar language will not be read.

- I. **Call to Order**
- II. **Pledge of Allegiance**
- III. **Roll Call**
- IV. **Seating of Alternates**
- V. **Approval of Agenda**
- VI. **Approval of Minutes**
- VII. **Public Forum- Please limit remarks to three minutes or less**

Those interested are invited to address Measure F Oversight Committee on any subject not on tonight’s agenda, orally via zoom webinar (instructions on page 1). Speakers may provide their name and city of residence for the Staff’s record, and comments may be limited to three minutes or less. As an item not listed on the agenda, no response is required from the City staff or Committee and no action can be taken. The Committee may instruct the City staff to place the item on a future meeting agenda.

VIII. Business Items

- a. Tax Revenue Informational Report
- b. Discuss Measure F Oversight Committee Scope and Roles
- c. Proposed Quarterly Meeting Dates and Time

IX. Staff and/or Liaison Reports

X. Adjournment at 6:45pm

KNOW YOUR RIGHTS UNDER THE OPEN GOVERNEMENT 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. For more information on your rights under the Open Government Ordinance or to report a violation, contact the City

Attorney's office at ~~Milpitas City Hall, 455 E. Calaveras Blvd., Milpitas, CA 95035~~
e-mail: cdiaz@ci.milpitas.ca.gov / Phone: 408-586-3040

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

Materials related to an item on this agenda submitted to the Measure F Oversight Committee after initial distribution of the agenda packet are available for public inspection on the City website. The committee agendas and related materials can be viewed online at:

<https://www.ci.milpitas.ca.gov/milpitas/departments/finance/measure-f-oversight/> (select meeting date).

If you need assistance, per the Americans with Disabilities Act, for any City of Milpitas public meeting, call Rosanne Yamashita at 408-586-3162 or send an email to ryamashita@ci.milpitas.ca.gov prior to the meeting. You may request a larger font agenda.



**CITY OF MILPITAS
MEASURE F OVERSIGHT COMMITTEE (MFOC)
Meeting Minutes
Monday, April 26, 2021
5:30 p.m.**

**Via Teleconference
Milpitas, CA 95035**

- I. **CALL TO ORDER:** Finance Director Lauren Lai called the meeting to order at 5:36 p.m.
- II. **PLEDGE OF ALLEGIANCE:** Committee Member Jade Hall led the Committee in the Pledge of Allegiance
- III. **ROLL CALL:**
Present: Joyita Ghose, Harsh Patel, Neal Osborn, Siok (Jade) Hall, Tanmay Patel, Daniel Sullivan, Nicholas Dold, Ranjith Kumar, Dhanwant Dhaliwal
Committee Members Absent: None
Committee Members Late: None
City Staff Present: Assistant City Manager Ashwini Kantak, Deputy City Manager Walter C. Rossmann, Finance Director Lauren Lai, Administrative Assistant Rosanne Yamashita
- IV. **SEATING OF ALTERNATES:** None
- V. **APPROVAL OF AGENDA: April 26, 2021**
M/S: Osborn/ Sullivan AYES: All
- VI. **APPROVAL OF MINUTES:** There were no minutes to approval
- VII. **PUBLIC FORUM:** None
- VIII. **BUSINESS ITEMS:**
 - a. **Selection of Chair and Vice Chair**
Committee member Neal Osborn was elected as Chair. Committee member Harsh Patel was elected as Vice Chair.

M/S: None AYES: All
 - b. **MFOC Bylaws and Responsibilities**
Finance Director Lai briefed the Committee on the bylaws and responsibilities set forth by the City Council.

The Committee received public comment from Urvishkumar Mehta.

Motion: Review Measure F Oversight Committee Bylaws and Responsibilities

M/S: Sullivan/ Patel AYES: All

c. Review and confirm that the services recommended to be maintained with Measure F funding are an allowable expenditure consistent with Measure F

Finance Director Lai provided the Committee with a presentation and then opened the floor up for discussion. The committee discussed the items presented and offered suggestions for future funding topics.

The Committee received public comment from Urvishkumar Mehta.

M/S: Ghose/ Patel

Ayes: H. Patel, Ghose, Dold, Hall **No:** Sullivan, Osborn, T. Patel

d. Proposed Quarterly Meeting Dates and Time

Was not discussed due to time constraints

IX. **STAFF, LIAISON REPORTS:** None

X. **ADJOURNMENT:** As the committee ran out of time, the meeting was adjourned at 6:50p.m. The next scheduled meeting would be determined at a later date.



CITY OF MILPITAS MEASURE F OVERSIGHT COMMITTEE AGENDA REPORT (AR)

| | |
|------------------------|--|
| Item Title: | Sales Tax Informational Report |
| Meeting Date: | 5/26/2021 |
| Staff Contact: | Lauren Lai, 408-586-3111 |
| Recommendation: | Receive Sales Tax Informational Report |

Overview:

The Milpitas Measure F tax is a local ¼ cent sales tax that Milpitas voters approved on November 2020 under the Transactions and Use Tax Law. This informational item provides information on State Sales Tax legislations, allocations, and sales tax generation by business sectors as well as by residents and non-residents.

Analysis:

Tax Legislations - Statewide sales and use tax rate of 7.25% includes 1% that is allocated to the City of Milpitas. This tax is imposed under the Bradley-Burns Uniform Sales and Use Tax Law. The basic statewide sales and use tax rate is 7.25% and is divided as follows:

- 6.00% State
- 1.00% Local Jurisdiction (City or county of place of sale or use)
- 0.25% Local Transportation Fund (County of place of sale or use)

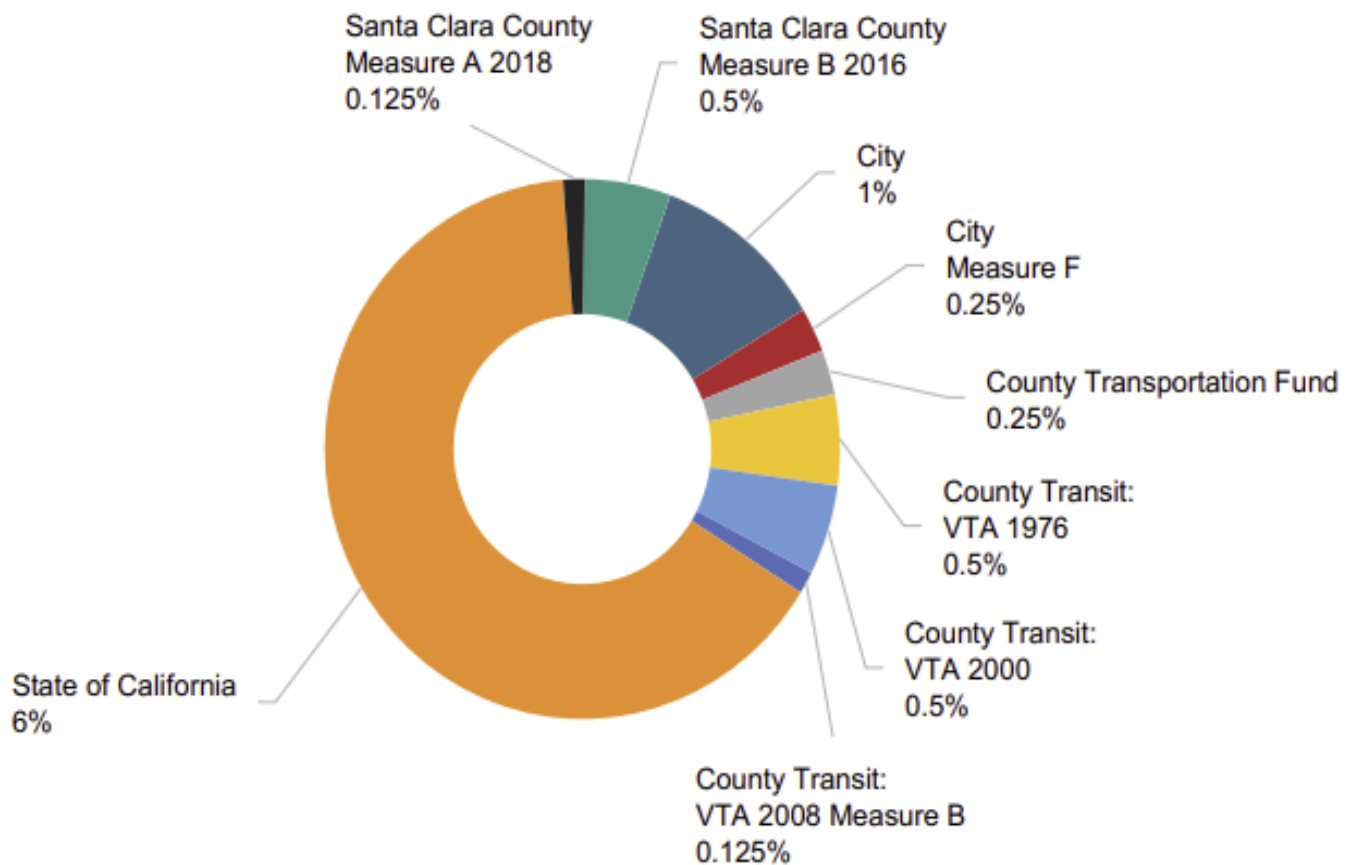
Whereas, the City's Measure F ¼ cent sales tax is imposed locally under the Transactions and Use Tax Law. The various district sales taxes within Santa Clara County are as follows:

- 0.25% Measure F
- 0.5% Santa Clara County Measure B 2016
- 0.125% Santa Clara County Measure A 2018
- 0.5% County Transit: VTA 1976
- 0.5% County Transit: VTA 2000
- 0.125% County Transit: VTA 2008 Measure B
- Totals 2.00% countywide district tax

State law limits the total district taxes within a county at 2.00%. Given the above Santa Clara countywide district sales taxes, the 2.00% county cap is met, and no additional district tax sales tax is available.

Chart 1. 9.25% Sales Tax Allocation by Percentage Points among various Governmental Entities

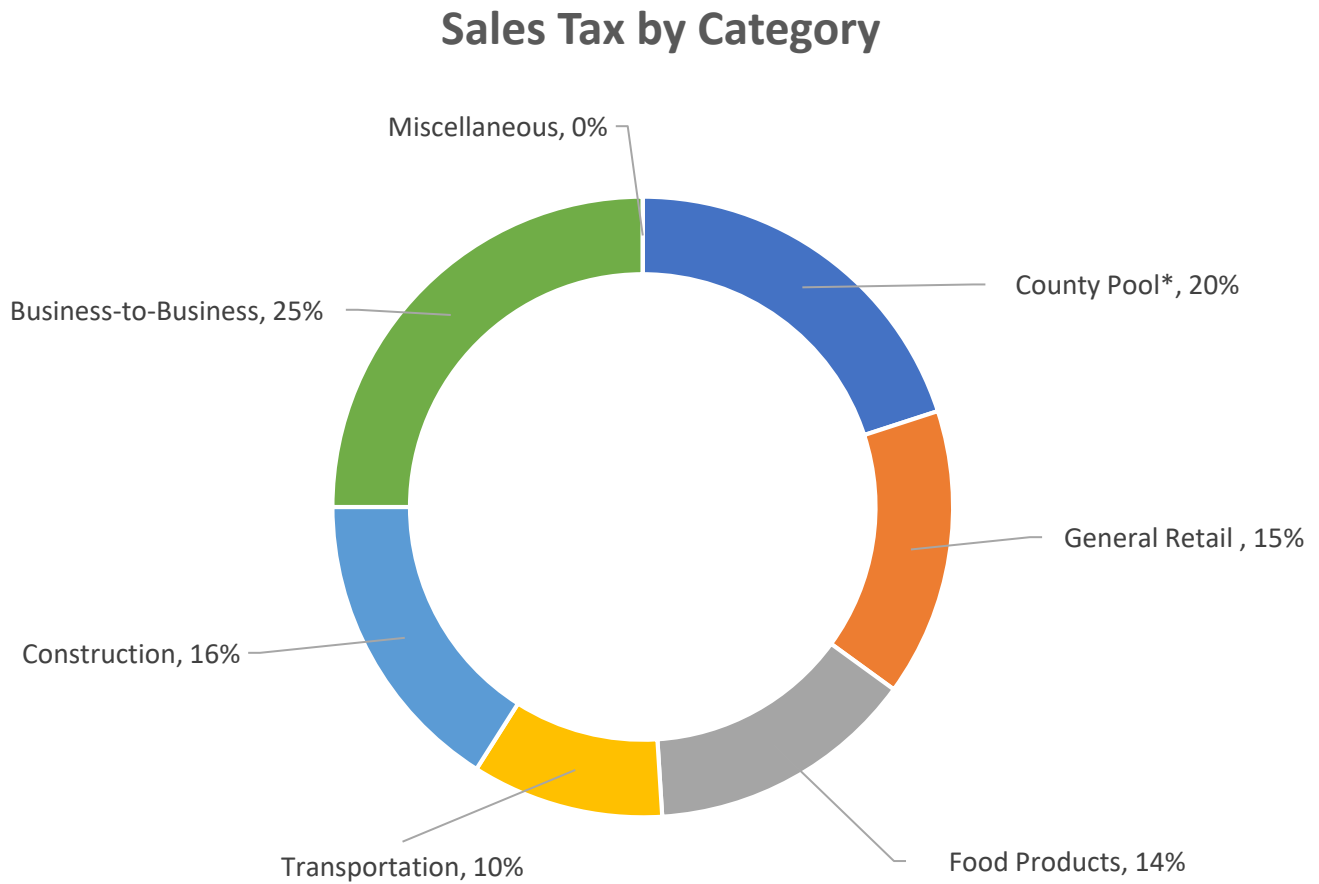
Allocation of Sales Tax - 9.25%



Revenue Allocation -- Milpitas Measure F is allocated 100% to the City without any revenue sharing with the State, County, schools or special districts. That is a significant contrast to the Statewide sales tax wherein the City only receives 13.8% (1 percentage point of the 7.25% rate) of the sales tax revenue.

Revenue sector diversity -- Sales tax economic sector diversity enhances revenue stability and growth. The Milpitas sales tax economic sector is fairly diverse and balanced. In particular, General Retail has been experiencing more volatility due to increasing online sales, which reduces sales tax allocation to the City. For the Statewide sales tax, online sales are put into the County pool and apportioned to the City on a weighted average. Whereas, with Milpitas Measure F district tax, the online sales are allocated 100% to the City. Staff can only provide information at the business sector level as sales tax information by business is confidential and State regulation prohibits disclosure.

Chart 2. Milpitas Sales Tax Revenue by Economic Sector



The COVID pandemic drastically reduced the City's sales tax revenues. In FY2018-19, the pre-pandemic sales tax revenue was \$28 million. The City sales tax consultant forecasts a road to revenue recovery as shown below with the expectation that 100% revenue recovery will be achieved in FY2025-26.

Chart 3: Milpitas Sales Tax Revenue Forecast (by Avenue consultant)

| Sales Tax Forecast (\$M) | | |
|--------------------------|--------|---------|
| Fiscal Year | \$ | % Y-O-Y |
| FY21-22 | \$24.7 | 12.2% |
| FY22-23 | \$26.3 | 6.6% |
| FY23-24 | \$27.0 | 2.7% |
| FY24-25 | \$27.6 | 2.2% |
| FY25-26 | \$28.2 | 2.1% |
| FY26-27 | \$28.7 | 2.0% |

Non-Resident Spending Summary - A metric of tax efficacy is the percentage of non-resident spending within the City. Specifically, this determines the amount non-residents pay towards the City sales tax revenues for the various general services they may receive and/or enjoy.

The City enlisted sales tax experts to estimate the approximate amount of sales and use tax revenue generated by non-residents. Hereafter, individuals and businesses residing and located within the city will collectively be referred to as residents. While individuals and businesses residing and located outside of the city will collectively be referred to as non-residents. The table below summarizes the results of the analysis based on revenue estimates in 2019 calendar year, showing 49.4% of the 1% Bradley Burns Sales Tax is estimated to be paid by non-residents. Such a tax is based on where the sale is negotiated or the place where the order is taken. Below is the percentage of sales tax estimated from non-residents.

Chart 4: Milpitas Percentage of Sales Tax Estimated from Non-Residents (by HdL consultant)

| Economic Segment | Bradley Burns 1% Sales & Use Tax |
|---|---|
| Autos & Transportation | 20.6% |
| Building & Construction | 60.6% |
| Business & Industry | 72.4% |
| Food & Drugs | 43.5% |
| Fuel & Service Stations | 20.5% |
| General Consumer Goods | 41.9% |
| Restaurants & Hotels | 36.3% |
| Estimated Average Non-Resident Generated Revenue | 49.4% |

Estimated % of Sales Tax Revenue Generated from Non-Residents

Measure F Revenues --- Measure F revenue will be different than the local allocation (1%) of the Statewide sales tax because Measure F is governed by the Transaction and Use Tax Law. The tax legislation is complex and nuanced, but the primary difference is that Transaction and Use Tax Law focuses on use (i.e. place of delivery, place of registration) versus the Statewide tax which is focused on place of sales (i.e. place of sales such as store address or sales office address). The economic segments that have the most variances include: online sales (i.e. county pool versus 100% to the City), auto sales (i.e. dealership location versus place of registration) and business-to-business (i.e. sales office address versus place of delivery). For online purchases, the Statewide sales tax distribution to the City is a approximate 4% weighted average, which means of the total County pool generated from online sales and other transactions (i.e. motor vehicle sales, leases, etc) the City only received 4%. Whereas, with Measure F, these transactions are traced directly to the City and the ¼% sales tax revenue is allocated to the City accordingly. At this early date, Measure F is estimated at 25% of the City’s Statewide revenue tax estimate. As more data is gathered for Measure F revenues, variances between Measure F and Statewide sales tax allocations will be analyzed. Measure F revenue estimates will then be further refined.

Recommendation:

Receive the sales tax informational report.



CITY OF MILPITAS MEASURE F OVERSIGHT COMMITTEE AGENDA REPORT (AR)

| | |
|------------------------|--|
| Item Title: | Measure F Oversight Committee Proposed Quarterly Meetings |
| Meeting Date: | 5/26/2021 |
| Staff Contact: | Lauren Lai, 408-586-3111 |
| Recommendation: | <ol style="list-style-type: none">1. Approve Measure F Oversight Committee Proposed Quarterly Meetings2. Approve cancelling the June 17, 2021 Regular Meeting |

Background:

On October 6, 2020, the City Council established the Measure F Oversight Committee (“MFOC” or “Committee”) pending approval of the ballot measure. Council approved the Standardized City of Milpitas Commission By-Laws and approved the roles, responsibilities, and meeting requirements of the Committee as outlined in the addendum thereof ([Addendum to Bylaws](#)).

Analysis:

The Committee bylaw states:

Meetings: “The Measure F Oversight Committee shall hold quarterly meetings the 3rd Wednesdays of March, June, September, and December at 7:00 PM at the Committee Conference Room in City Hall, or at another designated location.

However, after further review of other City committee schedules, there is a conflict with the above Measure F Oversight Committee quarterly meeting schedule. Staff proposes to modify the quarterly meetings to the 3rd Thursday instead of 3rd Wednesday. Staff proposes the following:

Meetings: “The Measure F Oversight Committee shall hold quarterly meetings the 3rd Thursday of March, June, September, and December at 5:30 PM at the Committee Conference Room in City Hall, or at another designated location.

Should the Committee approve of this amendment, Council would need to approve an amendment to the Committee bylaw Addendum.

Furthermore, given the Committee meetings on April 26 and May 26, there may be minimal supplemental information for the regular June 17 meeting. Staff recommends cancelling the June 17 meeting.

Recommendation:

Approve Measure F Oversight Committee Proposed Quarterly Meetings