



City of Milpitas

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City of Milpitas Releases Preliminary Fiscal Impact Related to Covid-19 Pandemic City estimates a \$16 - \$20 Million Revenue Loss over 16 months

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New projections from the City of Milpitas found that it is likely to face a \$12 to \$14 million loss in revenue for the next fiscal year and \$4 to \$6 million dollars loss in revenue for the current fiscal year. The City's fiscal year starts on July 1 and ends the following year on June 30.

Current major revenue sources for the City of Milpitas include Property Tax, Transient Occupancy Tax (TOT) derived from hotel stays, Sales Tax, and fee revenue related to construction activity. Together, these sources comprise 81% of the General Fund's Revenues in FY 2019-2020. General Fund revenues pay for many of the City's essential operating services such as Police, Fire, Recreation, Parks, Streets, Facilities Maintenance and Administration. Given the regional and national shelter-in-place orders, staff expects immediate negative impacts to economically sensitive revenue sources such as TOT, Sales Tax, and fee revenue related to construction activity.

In January 2020, as part of the Preliminary Budget Study Session for FY 2020-21, staff projected a slight General Fund Budget surplus of \$1.2 million for the next fiscal year based on \$123.5 million in revenues and \$122.3 million in expenditures. With the Covid-19 Pandemic, this slight surplus is eroded. Based on updated revenue projections showing a decline of \$12 to \$14 million in economically sensitive revenues, staff is now projecting a General Fund shortfall between \$11 and \$13 million or about 10% of the City's General Fund expenditures between now and Summer 2021. The estimated revenue reductions are based on revenue declines experienced during the Great Recession reflecting plummeted travel activity and decreased consumer spending and construction activity.

"We are committed to protecting our residents first and foremost. As we work to ensure their safety, we are also taking measures to stay fiscally responsible," says Interim City Manager Steve McHarris. "The economic impacts of the pandemic are not only impacting our residents and businesses; they are also impacting our City's revenues. We are preparing in the best ways possible as this downturn takes us into uncertain times."

To address the sudden and unexpected revenue shortfall for FY 2020-21, the City will review all expenditures and defer equipment and capital expenditures to the extent possible with the goal of minimally impacting the services the City provides to its residents and businesses. The remaining shortfall will be addressed with expected savings from the current year and use of the Budget Stabilization Reserve, which the Council established to cover sudden drops in revenues and/or unforeseen major expenditures.

For the current fiscal year, just a month ago, staff projected a General Fund surplus of \$2.5 million. With expenditure savings, the City expects to offset the newly projected revenue shortfall of \$4-6 million and shore up reserves for the next fiscal year. Interim City Manager Steve McHarris is instituting a hiring and expenditure freeze except for essential functions and emergency activities in response to the Covid-19 pandemic.

The City's forecast model assumes that economic activity will not return to previous levels until at least Summer 2021, followed by a substantial recovery. At this time, City staff expect a shorter recession than the one caused by the 2008 financial crisis, due to the massive monetary and financial stimulus packages implemented and/or deliberated at federal and state levels. As economic data becomes available during the next few weeks and months and the economic impact is better understood, staff will likely revise revenue projections and further evaluate its impact on the City's budget.

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About the City of Milpitas

Located at the southern end of San Francisco Bay, Milpitas is a progressive community that is an integral part of Silicon Valley. A full-service city with water utility, sewer utility, police and fire services, Milpitas celebrates a diverse population of nearly 80,000. Under a Council-Manager form of government, the City Council has established the following seven priority areas of service and policy: public safety, environment, transportation and transit, economic development and job growth, neighborhoods and housing, community wellness and open space, and governance and administration.

More information at: <http://www.ci.milpitas.ca.gov/>

Stay informed. Information is changing frequently:

MUSD Coronavirus Webpage: [MUSD Coronavirus Webpage with Updates](#)

City of Milpitas Coronavirus Webpage: [City of Milpitas Coronavirus Updates](#)

Public Health Website: <http://sccphd.org/coronavirus>

Public Health Facebook: <https://www.facebook.com/sccpublichealth/>

Public Health Instagram: @scc_publichealth

Public Health Twitter: @HealthySCC

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