

# 2024-2025



City of Milpitas • California

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR FISCAL YEAR  
ENDED JUNE 30, 2025





**CITY OF MILPITAS, CALIFORNIA**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**Prepared by**

**THE CITY OF MILPITAS**



## **INTRODUCTORY SECTION**



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**for the Year Ended June 30, 2025**

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# CITY OF MILPITAS

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November 17, 2025

Honorable Mayor, Members of the City Council, and Residents of the City of Milpitas:

Submitted herewith is the Annual Comprehensive Financial Report (ACFR) of the City of Milpitas (City) for the fiscal year ended June 30, 2025 as prepared by the City Finance Department with support from other City departments. This report is consistent with generally accepted accounting principles. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. The data, as presented, is accurate in all material aspects, and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City financial affairs have been included. The organization of the financial report follows the guidelines set forth by the Government Finance Officers' Association of the United States and Canada.

## **The Reporting Entity and its Services**

This report combines the financial statements of the City, the Milpitas Public Financing Authority (MPFA), Milpitas Housing Authority (Housing Authority), the Milpitas Municipal Financing Authority (MMFA) and the Terrace Gardens Inc. (Terrace Gardens) to constitute a single reporting entity. The MPFA, Housing Authority, MMFA and Terrace Gardens are individual legal entities separate from the City and controlled by the City. The MPFA, Housing Authority and MMFA have the same governing board as the City and the City also has control of the Terrace Gardens' governing board. However, Terrace Gardens issues its own component unit financial statements. The purpose and authority of the MPFA, Housing Authority, the MMFA and Terrace Gardens are described in Note 1 of this ACFR.

Milpitas is a general law city of the State of California. The City was incorporated in 1954 and operates under a Council-Manager form of government. The City's political and legislative body is the City Council and is empowered by the general laws of the State of California to formulate Citywide policy, including a fiscal program, City services, and appointment of the City Manager and City Attorney. There are four City Council members who are elected at-large for staggered four-year terms, and the Mayor is selected every two years in a separate citywide election.

The City provides a full range of municipal services to the community through its departments such as Building Safety and Housing, Planning, Fire, Police, Public Works, and Recreation and Community Services. These departments are supported by internal service departments which include the City Manager's Office, City Attorney's Office, Finance, Human Resources, and Information Technology.

Community members of the City desiring to assist the City Council in forming government policy may do so by serving on a City commission or committee (commissions). The commissions act in an advisory capacity to the City Council. They are the Arts Commission; Community Housing Commission; Economic Development and Trade Commission; Energy and Environmental Sustainability Commission; Library and Education Advisory Commission; Parks, Recreation and Cultural Resources Commission; Planning Commission; Public Safety and Emergency Preparedness Commission; Science, Technology, and Innovation Commission; Senior Advisory Commission; Veterans Commission; Youth Advisory Commission, and Measure F Oversight Committee.

## **Economic Condition, Outlook and Activity**

Milpitas is situated within the Silicon Valley region, known throughout the world as the home of high technology, innovation and research. Milpitas is considered the “Crossroads of Silicon Valley,” with most of its 13.6 square miles of land situated between two major freeways, I-680 and I-880. Milpitas has experienced tremendous growth since its incorporation in 1954. Over the past 70 years, population has increased from 26,561 in 1970 to nearly 81,915 based on the latest Department of Finance data in 2025. The economy has experienced a slightly higher unemployment in August at the state and federal levels with State of California unemployment at 5.5% and national unemployment rate at 4.3% compared to 5.3% and 4.1% in the prior fiscal year, respectively. The California Employment Development Department (EDD) reported that between August 2024 and August 2025 for San José-Sunnyvale-Santa Clara metropolitan statistical area, in which Milpitas is included, employment decreased by 200 jobs. At the City level, the unemployment rate remained at 4.8% as compared to the prior year’s unemployment in the same month of August.

Several global and national factors are contributing to economic uncertainty, including the war in Ukraine, Middle East tensions, high interest rates, inflation, rising housing costs, income inequality, and unclear federal policies. U.S. credit rating downgrades and budget cuts from the HR-1 bill, which are affecting services like public health and housing, further complicate the landscape. Locally, Milpitas is affected by tech sector layoffs in Silicon Valley, which followed a pandemic-era hiring boom. From 2023 – 2024, the Bay Area lost 80,000 tech jobs. Companies are now prioritizing efficiency and investing in artificial intelligence (AI) and automation. General inflation remains above the Fed’s 2% target rate (2.9% as of August 2025), and certain sectors like healthcare and education continue to see increases at an even higher inflation rate. Ecommerce now makes up 22.7% of U.S. retail sales, reflecting a lasting shift in consumer behavior since the pandemic. Remote work and reduced in-person commerce continue to affect local revenues, particularly from sales and hotel taxes. While there are signs of recovery, hotel tax revenue may take years to fully rebound.

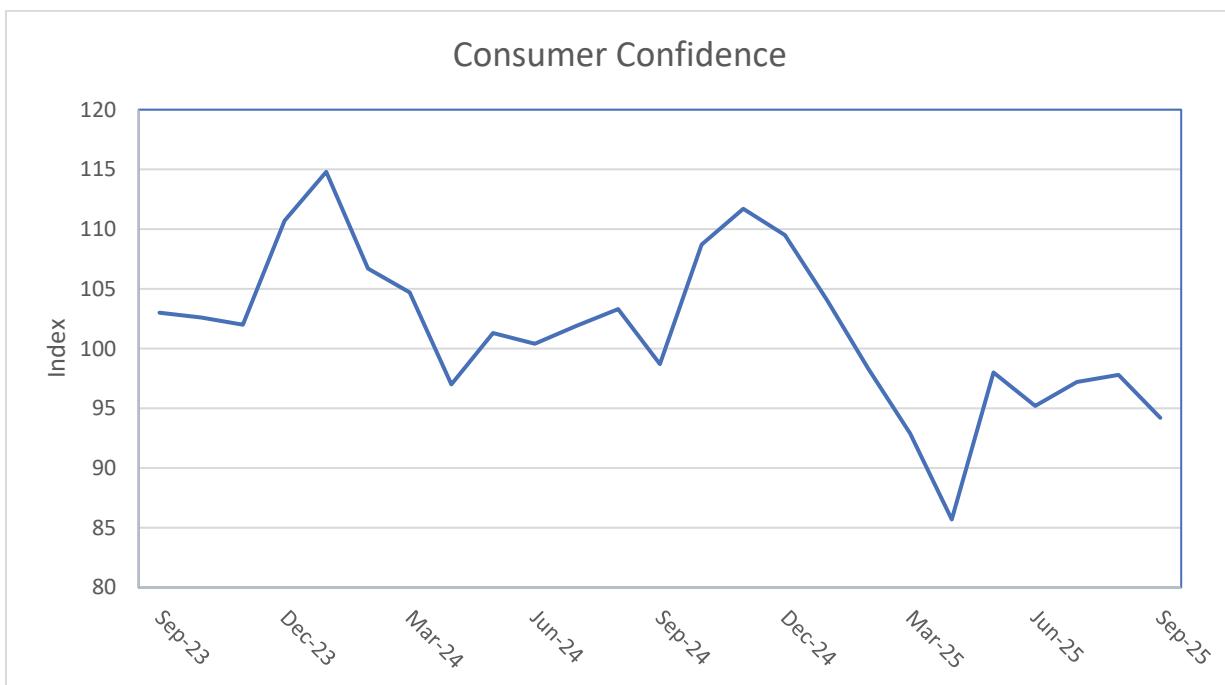
The national GDP (Gross Domestic Product, the value of goods and services less the value of the goods and services used up in production, the most popular indicator of the nation’s overall economic health) increased at an annual rate of 3.8 percent in the second quarter of 2025 from the previous quarter according to the Bureau of Economic Analysis (BEA) advance estimate. As of September 2025, the Federal Reserve Board projected change in median GDP growth is positive 1.8 percent for 2026 and positive 1.9 percent for 2027.

The CPI (Consumer Price Index) is used by the U.S. Bureau of Labor Statistics to measure inflation. The August 2025 CPI-U (Consumer Price index for all Urban Consumers) increased 2.9 percent over the last 12 months. Core CPI (CPI less food and energy) is 3.1 percent in August 2025 compared to 3.3 percent in September 2024. Core CPI represents a more accurate picture of underlying inflation trends since volatile food and energy products are excluded. When compared to San Francisco area, the August 2025 CPI-U increased 2.5 percent over the last 12 months and the Core CPI increased 2.4 percent. While the global economic activity remains uncertain, the U.S. Bureau of Labor Statistics Employment Projections for 2024-2025 shows a projected growth from 174.6 million to 175.2 million over the 2024-34 decade.

Although median home prices have risen year over year, the slowdown in development activity and the downturn in the commercial real estate market are troubling trends that could soon impact residential valuations negatively. Single family residential construction starts decreased 10% year-over-year while multi-family construction (5 units or more) starts increased 51% year-over-year. The median sale price of a single-family residential home in Milpitas was \$1.8 million as of August 2025, up approximately 5.9 percent from last year. Year-over-year price increases have ramped up in Santa Clara County. Santa Clara County had a 1.6 percent decrease in median sale price compared to 11.2 percent increase last year. The section below entitled “Major Development Activities in the City” will discuss some of the development activities occurring in Milpitas.

### Consumer Confidence Level

Consumer confidence is an indicator designed to measure the degree of optimism that consumers feel about the overall state of the economy and their personal financial situation. The Conference Board Consumer Confidence Index decreased to 94.2 in September 2025 from 97.8 in August 2025 and has continued to decline since then. Since consumer spending accounts for more than two-thirds of the U.S. Gross Domestic Product, this index is a good indicator that when consumers' confidence is on a potential downward trend, consumers would be less likely to make purchases, thus lowering overall consumption. Employment drives consumer spending, which in turn affects the economy. Nonfarm payroll employment increased by 22,000 in August 2025, and the national unemployment rate increased slightly to 4.3 percent in August 2025 compared to August 2024.

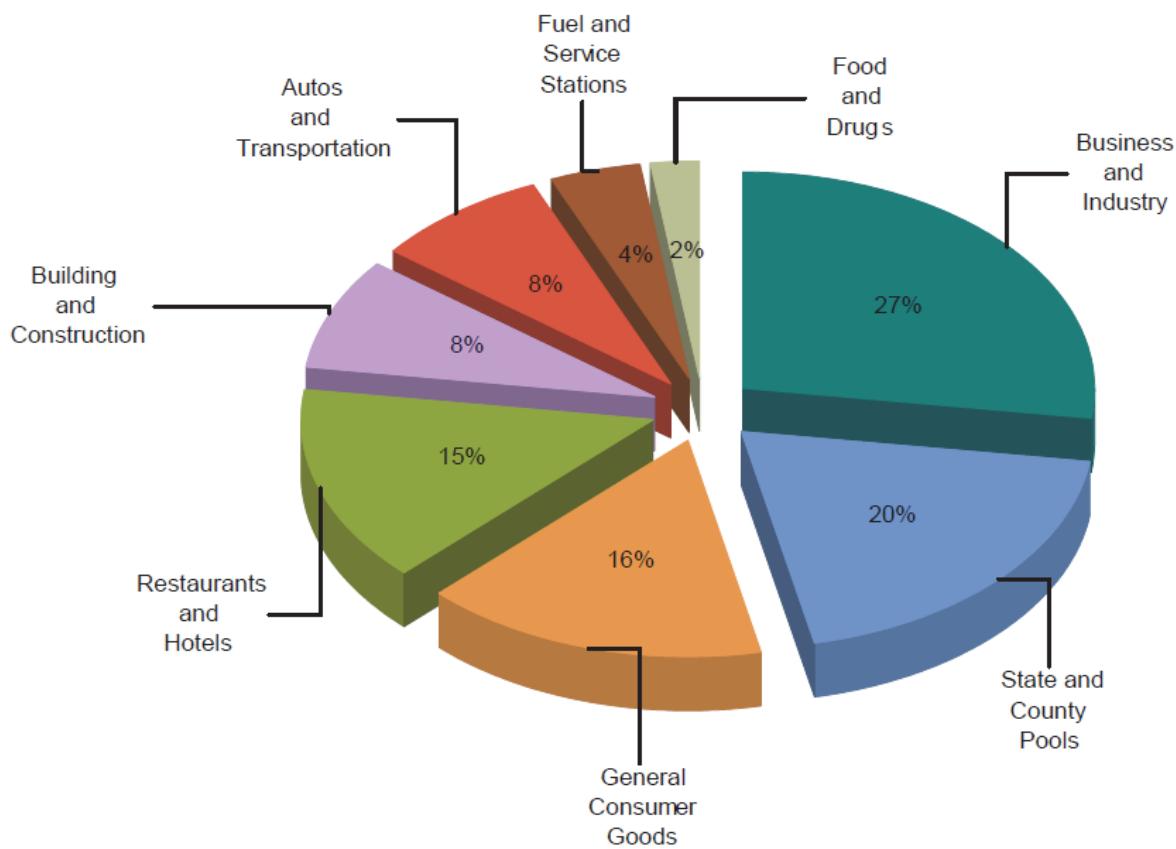


Source: The Conference Board

### Top Eight Sales Tax Generators by Economic Segment

Financial markets continue to remain volatile and inflationary trends in the economy remain high. According to Urban-Brookings Tax Policy Center, total state tax revenue collections rose 3.7 percent in nominal terms in the first three quarters of 2025, compared to the year prior. The chart below provides a snapshot of the City sales tax revenue by major industry groups. Total amount of sales tax revenue for the major industry groups generated about \$37.2 million. By and large, the sales tax revenue generated from major industry groups such as Fuel and Service Stations, Restaurants and Hotels, General Consumer Goods, Food and Drugs, and Autos and Transportation did not change significantly compared to the composition over a year ago.

**City Sales Tax Revenue (\$37.2 Million)  
Major Industry Groups**



Source: HDL FY2025 Major Business Categories

### Major Development Activities in the City

General Plan Update – Considered the blueprint for future development, the General Plan (Plan) defines a long-term vision for future growth, traffic circulation, economic development, health, housing and resource conservation. The Milpitas 2040 General Plan was unanimously adopted by the City Council on March 9, 2021; this policy document will guide City decision-making and priorities over the next 20 years. The Plan identifies opportunity sites where changes to land use and development patterns are likely to occur and prioritizes housing and economic growth in areas served by high-quality transit. The Plan also includes policies aimed at preserving the character of existing neighborhoods and protecting the City's hillsides and other natural resources. The City continues to implement General Plan policies and actions, which are summarized in annual progress reports to the California Department of Housing and Community Development.

Milpitas Metro Specific Plan – The City adopted the Milpitas Metro Specific Plan (and the associated Environmental Impact Report) in February 2023 with updated policies and programs to further enhance existing neighborhoods and provide new opportunities for future housing, retail, office, and hotel uses in the planning area. The new Metro Plan envisions a network of landscaped open space, parks, and trails that connect housing and jobs to high-quality transit and provide opportunities for active and passive recreation as well as social interaction. The new Plan also envisions development of an employment-oriented Innovation District near the Milpitas Transit Center to foster economic development based on the City’s excellent access to regional bus, light rail, and BART connections. The Office of Economic Development is currently partnering with a local public relations firm on the Innovation District Branding Initiative. The City is currently updating the Transit Area Development Impact Fee to fund the new public improvements identified in the new Plan.

Residential Development – The City continues to leverage public and private resources to support planning and development of new affordable housing. The City is recognized for its award-winning online resources and interactive tools that help residents navigate the development review process and find ADU designs that fit their property and needs. The City won an American Planning Association award at the regional and state levels in 2022 for Best Practices. For more information, visit [www.milpitas.gov/ADU/](http://www.milpitas.gov/ADU/). The City also continues to host the popular Accessory Dwelling Units (ADU) “ADU Mondays” program which unites staff from various departments to provide direct assistance to residents who wish to pursue an ADU on their property. City staff has presented information about these programs in regional and statewide forums.

In FY 2024-25, the Planning Commission and City Council approved permits for new housing developments, including a 75-unit affordable apartment building within the previously approved multifamily residential project at 1355 California Circle, 38 new apartment units within a previously approved mixed-use apartment building, and a new hillside home. The City adopted Housing Opportunity to streamlining the review process for affordable housing, create new by-right housing regulations, and incentivize mixed-use redevelopment in Milpitas’ aging shopping centers. In addition, the City received a \$500,000 Priority Development Area (PDA) grant from Association of Bay Area Governments (ABAG) to help fund the preparation of the Gateway/Main Street Specific Plan. The City also received \$142,700 from ABAG’s Regional Early Action Planning (REAP) grant program to help fund the preparation of the 2023-2031 Housing Element. Most recently, the City received an additional \$600,000 in funding through ABAG’s PDA grant program to prepare the Main Street Sense of Place Plan and Innovation District Parks and Trails Master Plan.

Non-residential Development – FY2024-25 was another busy year for commercial redevelopment and expansion. The Planning Commission approved a time extension for a preschool at 1000 Jacklin Road and a new banquet facility and food truck park at 200 Serra Way. In addition, conditional use permits have been granted for Altitude Trampoline Park, an indoor recreational facility, at the Great Mall, and The Little Gym, a children’s gymnastics facility, at 139 Ranch Drive. Furthermore, the City Zoning Administrator approved several commercial and industrial building remodels, alcohol sales at several existing businesses, and a new massage establishment.

### **Accounting System and Budgetary Control**

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurances regarding (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. The Finance Department staff remains committed to improving the City accounting system; to maintain the City's internal accounting controls to adequately safeguard assets; and to provide reasonable assurances of proper recording of financial transactions. Budgetary control is directed by the City Council by resolution when the budget is adopted each year. Expenditures may not legally exceed appropriations at the department level by fund. The City utilizes the encumbrance system as a management control technique to assist in controlling expenditures. The City Manager has limited budget appropriation authority to transfer appropriations among departments and projects within any one fund, provided that the amount of the amended appropriation is \$100,000 or less. Quarterly reports of revenue and expense are prepared and distributed to the City Council and City departments to monitor spending in relation to the adopted budget. At fiscal year-end, open encumbrances are reported under the "Assigned" fund balance classification. The City accounting records are organized and operated on a "fund" basis, which is the basic fiscal and accounting entity in governmental accounting. Each fund is classified by category and fund type:

Category and Fund Type

Governmental Funds:	General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds
Proprietary Funds:	Enterprise Funds and Internal Service Fund
Fiduciary Funds:	Private-Purpose Trust Fund and Agency Funds

**Governmental Funds:** The basic financial statements necessary to fairly present the financial position and operating results from major governmental funds are the balance sheet, and the statement of revenues, expenditures and changes in fund balance. These funds are maintained using the modified accrual basis of accounting, which is more thoroughly explained in the Notes to the Financial Statements.

**Proprietary Funds:** Generally accepted accounting principles applicable to private commercial business are applicable to proprietary funds of a government agency. The basic financial statements required to present the financial position and operating results from major proprietary funds are the statement of net position, statement of revenues, expenses, and changes in fund net position, and the statement of cash flows. The accrual basis of accounting is utilized as explained in the Notes to the Financial Statements.

**Fiduciary Funds:** Fiduciary funds are used to account for assets held by a government agency acting as a trustee or agent for individuals, assessment districts, organizations, other governmental units or other funds of the same entity. These funds are also identified in this report as a Private-Purpose Trust Fund and Custodial Funds. The full accrual basis of accounting is used as explained in the Notes to the Financial Statements.

**Financial Analysis**

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

**Long Term Financial Planning**

Each year the City adopts a balanced budget by June 30. The City has fiscal policies that include the use of one-time revenues for one-time expenditures, including capital outlay and reserves. The City also has adopted reserve policies that requires unassigned fund balance which is made up of the Contingency

Reserve to be at least 16.67% of the annual operating expenditures and the Budget Stabilization Reserve with a reserve target of 16.67% of the annual operating expenditures in the General Fund. Additional reserves are included in Note 12.

The City developed a five-year Capital Improvement Plan detailing specific budgeted capital projects. Each of the projects is consistent with the budget priorities of the City. The fiscal year 2024-25 Adopted Capital Improvement Program (CIP) Budget totaled \$33.2 million. The CIP included improvements to City infrastructure which includes community improvements, parks, streets, water, sewer and storm drain utilities.

In addition, the City produces an annual ten-year General Fund Forecast. The General Fund Forecast allows the City Council and the community to assess the financial sustainability of City services in the long term. The projection also identifies the type of commitments and resource demands in the next ten years as known and points out areas of both opportunity and risk as the City navigates through fiscal cycles. This long-term forecast provides an invaluable planning tool and is an indication of sound fiscal planning and strategy.

### **Independent Audit**

Each year the City requires an independent annual audit of the City's financial records, the results of its operations, and cash flows. This report includes the opinion of the City's independent auditors, Maze & Associates, for the basic financial statements of the City. In addition, the ACFR report also contains the auditors' report on Internal Control over Financial Reporting and on compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

### **Awards**

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. The City has received this award for the last thirty-six years.

### **Acknowledgments**

We extend our appreciation to the entire staff of the Finance Department and other City departments who assisted in the process of compiling the information for this report. In addition, we extend a special "thank you" to our external auditors who contributed to make this document possible. Their efforts and continued dedication are greatly appreciated. We sincerely thank the Mayor and members of the City Council for their support, interest, and integrity in directing the financial affairs of the City in a responsible and prudent manner.

Respectfully submitted,

Signed by:

Deanna J.. Santana

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Deanna J. Santana  
Interim City Manager

Signed by:

Luz Cofresí-Howe

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Luz Cofresí-Howe  
Finance Director

## **DIRECTORY OF OFFICIALS**

June 30, 2025

### **City Council**

Mayor	Carmen Montano
Vice-Mayor	Garry Barbadillo
Councilmember	William Lam
Councilmember	Hon Lien
Councilmember	Evelyn Chua

### **Interim City Manager**

Deanna Santana

**Assistant City Manager**  
Matt Cano

**Acting City Attorney**  
Christopher Creech

**City Clerk**  
Suzanne Guzzetta

**Public Information Officer**  
Charmaine Angelo

**Building Official**  
Bill Tott

**Housing Official**  
Vacant

**Finance Director**  
Luz Cofresí-Howe

**Human Resources Director**  
Kelli Parmley

**Economic Development & Strategic Initiatives Director**  
Alex Andrade

**Recreation & Community Services Director**  
Renee Lorentzen

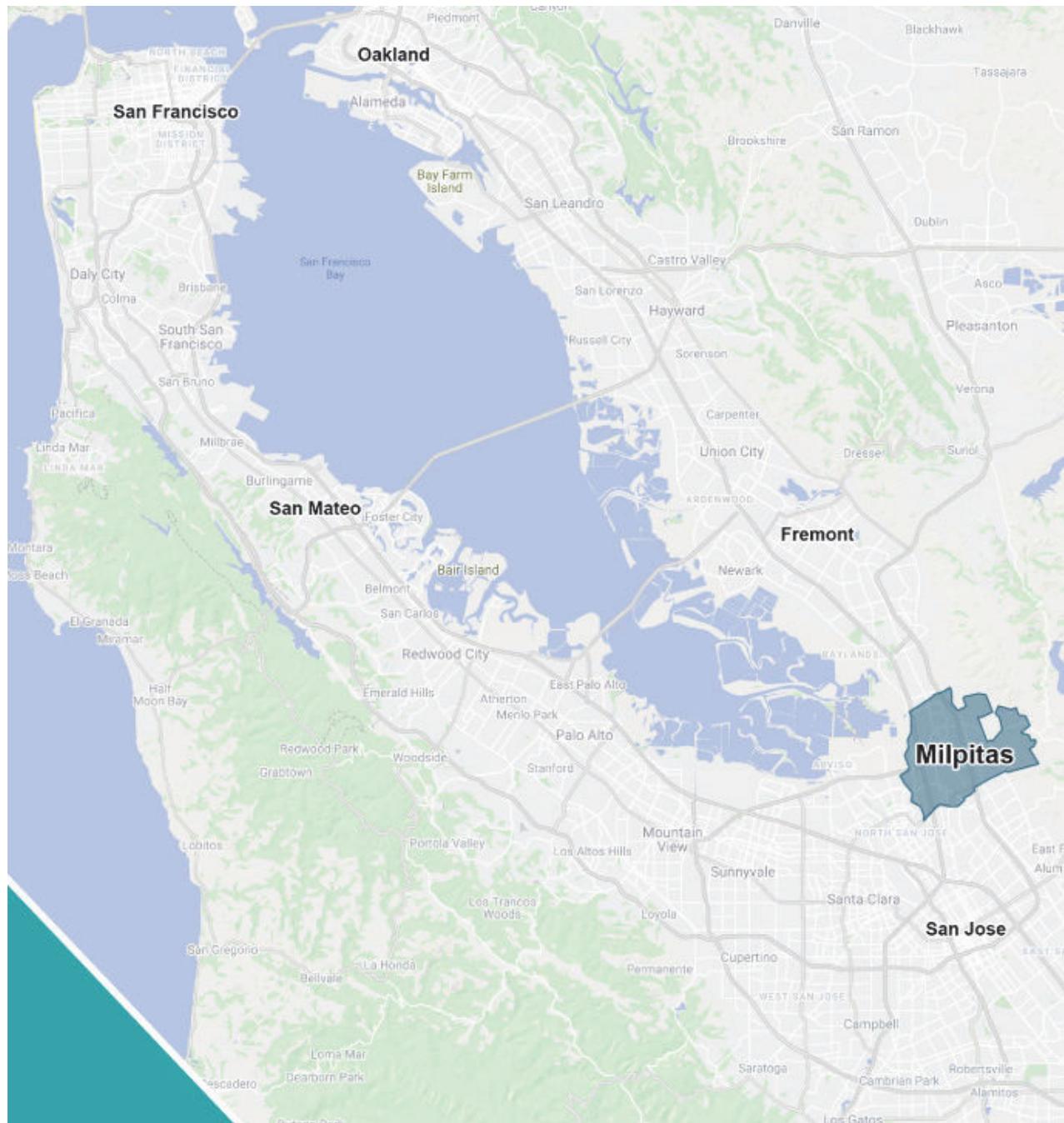
**Fire Chief**  
Jason Schoonover

**Police Chief**  
Jared Hernandez

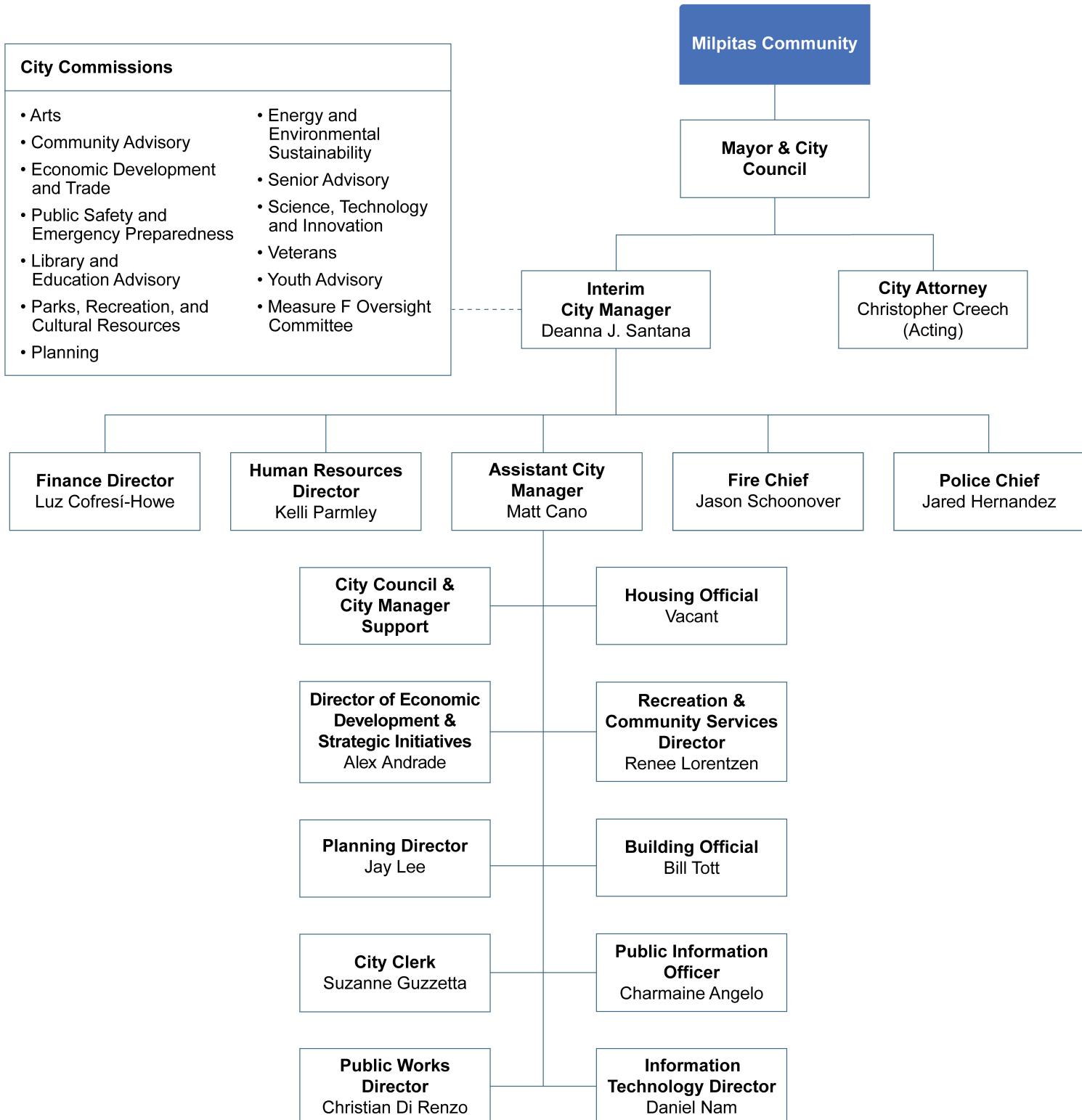
**Public Works Director**  
Christian Di Renzo

**Information Technology Director**  
Daniel Nam

**Planning Director**  
Jay Lee



The City of Milpitas is located near the southern tip of San Francisco Bay, forty-five miles south of San Francisco. Milpitas is often called the “Crossroads of Silicon Valley” with most of its 13.6 square miles of land situated between two major freeways (I-880 and I-680), State Route 237, and a county expressway. The light rail line opened for service in 2004 and an extension of BART, with a major multi-modal station, is in the planning stages.





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Milpitas  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2024

*Christopher P. Monell*

Executive Director/CEO



## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council  
City of Milpitas, California

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milpitas (City), California, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed in the Table of Contents as part of the basic financial statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit financial statements of Terrace Gardens, Inc. as of and for the year ended December 31, 2024, which represent 0.98%, 1.43%, and 2.12% of the assets, net position, and revenues, respectively, of the primary government. The financial statements of the Terrace Gardens, Inc. were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City, is based solely on the report of the other auditors.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section listed in the Table of Contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Maze & Associates". The signature is written in a cursive style with a ampersand between "Maze" and "Associates".

Pleasant Hill, California  
November 17, 2025



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion provides readers of the City of Milpitas (City) financial statements with a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. Please read this document in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

### **FISCAL YEAR 2025 FINANCIAL HIGHLIGHTS**

During Fiscal Year 2025, City revenues continued recovering gradually since the onset of the COVID-19 Pandemic (Pandemic) over five years ago. The unemployment rate in the San José-Sunnyvale-Santa Clara metropolitan area rose to 4.7%, up slightly from 4.2% in Fiscal Year 2024. General Fund revenues have slight increases compared to the previous year. There are revenue increases in Fiscal Year 2025 particularly in property tax, sales tax, Hotel/Motel taxes, and Licenses/Permits revenues. However, the increases are offset by a decrease in other taxes and intergovernmental revenue due to the reallocation of American Rescue Plan Act Fund in Fiscal Year 2024.

The rise in property taxes can be attributed to ongoing increases in secured and supplemental property tax, driven by higher property valuations. As travel has resumed following the Pandemic, hotel and motel tax revenues have shown signs of recovery, though they have not yet reached pre-Pandemic levels.

The economic impact of the COVID-19 pandemic remains uncertain and is influenced by factors such as the ongoing war in Ukraine, escalating conflict in the Middle East, a challenging real estate market, political uncertainty after the recent national elections, increasing income inequality, and continued layoffs in the tech sector. The pandemic's lasting effects on society continue to be felt, including reduced in-person commerce, a rise in online shopping, the normalization of remote work, and fewer conferences and leisure services. Although there are encouraging signs in the recovery of sales tax and transient occupancy (hotel) tax, we acknowledge that full recovery of these two sources of tax revenue may take several years.

Fiscal 2025 financial highlights include the following:

#### *City-wide:*

- The City's total net position was \$716.4 million on June 30, 2025. Of this total, \$457.6 million was Governmental and \$258.9 million was business-type, a net increase of total \$31.2 million from the prior year total of \$685.2 million primarily due to an increase in cash and investments of \$23.4 million.
- City-wide revenues include program revenues of \$125.40 million, general revenues and transfers of \$121.7 million, totaling \$247.1 million, an increase of \$19.4 million from the prior year total of \$227.7 million, primarily due to an increase in Capital Grants and Contributions, and general revenues.
- Total City-wide expenses were \$215.9 million, an increase of \$10 million from the prior year's \$205.9 million, primarily due to increases in governmental expenditures related to public safety and public works personnel costs and adjustments and business-type expenses related to water utility.

#### *Fund Level:*

- Governmental Fund balances were \$283.3 million, a net increase of \$18.9 million from Fiscal Year 2023-24, primarily due to revenues exceeding expenditures by \$6.6 million in the Other Government Funds, \$5.8 million in the Transit Area Impact Fee fund and \$4.3 million in General Fund.

- Governmental Fund revenues were \$173.3 million in FY 2024-25, up \$14.3 million from the prior year's \$159 million, primarily due to increase collection in impact fee in Transit Area Impact Fee and developer contributions in Other Governmental Funds.
- Governmental Fund expenditures were \$162.4 million compared to \$145.7 million in Fiscal Year 2023-24 primarily due to an increase in General Fund expenditures in personnel and cost adjustments, which is aligned with budget projections.
- General Fund revenues of \$134.5 million represented an increase of \$0.4 million from Fiscal Year 2023-24 revenues of \$134.1 million. This increase in property taxes, sales and use tax, Hotel taxes are offset by the decrease in intergovernmental revenue with the one time revenue recognition of American Rescue Plan Act (ARPA) from deferred revenue in Fiscal Year 2023-24.
- Net other financing uses of the General Fund were \$4.5 million in Fiscal Year 2024-25 while Fiscal Year 2023-24 had a total of other financing uses of \$(0.4) million. The variance was primarily due to less transfers out activities in General Fund when compared between Fiscal Year 2024-25 and Fiscal Year 2023-24.
- The General Fund balance of \$89.5 million at Fiscal Year 2024-25 was \$4.2 million more than the fund balance at Fiscal Year 2023-24.

## **OVERVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT**

This Annual Comprehensive Financial Report consists of eight parts:

- 1) Introductory section, which includes the Transmittal Letter and general information;
- 2) Management's Discussion and Analysis (this part);
- 3) The Basic Financial Statements, which include the Government-wide and the Fund financial statements, along with the Notes to these financial statements;
- 4) Required Supplementary Information;
- 5) Supplementary Information;
- 6) Combining statements for Non-major Governmental Funds and Fiduciary Funds;
- 7) Statistical information; and
- 8) Other report.

### **The Basic Financial Statements**

The Basic Financial Statements comprise the City-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and financial position – long- and short-term.

The City-wide Financial Statements provide a longer-term view of City activities as a whole and are comprised of the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the City, including all its capital assets and long-term liabilities on a full accrual basis like that used by corporations. The Statement of Activities provides information about all City revenues and expenses, also on a full accrual basis, with the emphasis on measuring net revenues or expenses of each of the City programs. The Statement of Activities explains in detail the change in net position for the year.

The Fund Financial Statements report City operations in more detail than the City-wide statements and focus primarily on the short-term activities of the City General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures, current assets, liabilities, deferred inflows/outflows of resources and fund balances, but exclude capital assets, long-term debt, and other long-term amounts.

Major Funds account for the major financial activities of the City and are presented individually, while the activities of Non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these Non-major funds. Major Funds are explained further below.

The City is the Successor Agency of the Milpitas Redevelopment Agency. It holds funds to make payments according to the enforceable obligations schedules and eventually dispose of other assets and properties of the former Redevelopment Agency for the benefits of the taxing agencies. The City is also the depository agent for Local Improvement Districts and certain other entities. The fiduciary statements provide information about the cash balances and activities of the Successor Agency, Local Improvement Districts, and other entities. These statements are separate from City financial statements and their balances are excluded from City fund balances.

Together, all these statements are called the Basic Financial Statements.

### ***The City-wide Financial Statements***

All of the City's basic services are considered to be governmental activities, including general government, building safety and inspection, public safety, public works maintenance, recreation, public improvements, planning and zoning, and general administration services. These services are supported by general City revenues such as taxes, and by specific program revenues such as fees. The City-wide financial statements can be found on pages 25-26 of this report.

All of the City's business-type activities include water and sewer, which are also reported in the basic financial statements. Unlike governmental services, these activities are supported by charges paid by users based on the amount of their service consumption.

The City's financial statements include the activities of four other separate legal entities, the Milpitas Public Financing Authority (MPFA), the Milpitas Housing Authority (Housing Authority), the Milpitas Municipal Financing Authority (MMFA) and Terrace Gardens, Inc., because the City is either financially accountable for these entities or has control of these entities' governing boards.

Citywide financial statements are prepared on an accrual basis, which means revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

### ***Fund Financial Statements***

Governmental Fund financial statements are prepared on a modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are presented only in the Citywide financial statements.

Enterprise and internal service fund financial statements are prepared on a full accrual basis and include all these funds' assets and liabilities, both current and long-term.

The Fund financial statements provide detailed information about each of the City's most significant funds, called Major Funds. Each Major Fund is presented individually, with all Non-major Funds summarized and presented in a single column. Subordinate schedules present the detail of these Non-major funds. Major Funds present the major activities of the City for the year. The General Fund is always a Major Fund, but other funds may change categorization of "Major Fund" from year to year, depending on City's activities.

The City has four other Major Governmental Funds in fiscal 2025 in addition to the General Fund. These are the Housing Authority Fund, the Street Improvement Fund, the Transit Area Impact Fee Fund, and the General Government Capital Projects Fund, each of which is discussed in detail below.

Both of the City's Enterprise Funds (Water Fund and Sewer Fund) are reported as Major Funds.

Comparisons of Budget and Actual financial information are presented only for the General Fund and other major governmental funds that are Special Revenue Funds. The City has one major Special Revenue Fund, the Housing Authority Fund.

#### *Fiduciary Statements*

The City is the Successor Agency of the former Redevelopment Agency and the agent for certain local improvement districts (Districts). The City holds property tax revenue distributed from the Redevelopment Property Tax Trust Fund (RPTTF) to pay outstanding recognized obligations for the Successor Agency. The City also holds amounts collected from property owners which await transfer to the Districts' bond trustees. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations. The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position and the custodial Funds Statement of Changes in Assets and Liabilities.

## CITYWIDE FINANCIAL ANALYSIS

This analysis focuses on the net position and changes in net position of the City as a whole. Comparisons of the current year's net position and activities with fiscal year 2024 are presented in table form. Any significant changes are analyzed and discussed.

### ***Governmental Activities***

Table 1  
Governmental Net Position at June 30  
(in Millions)

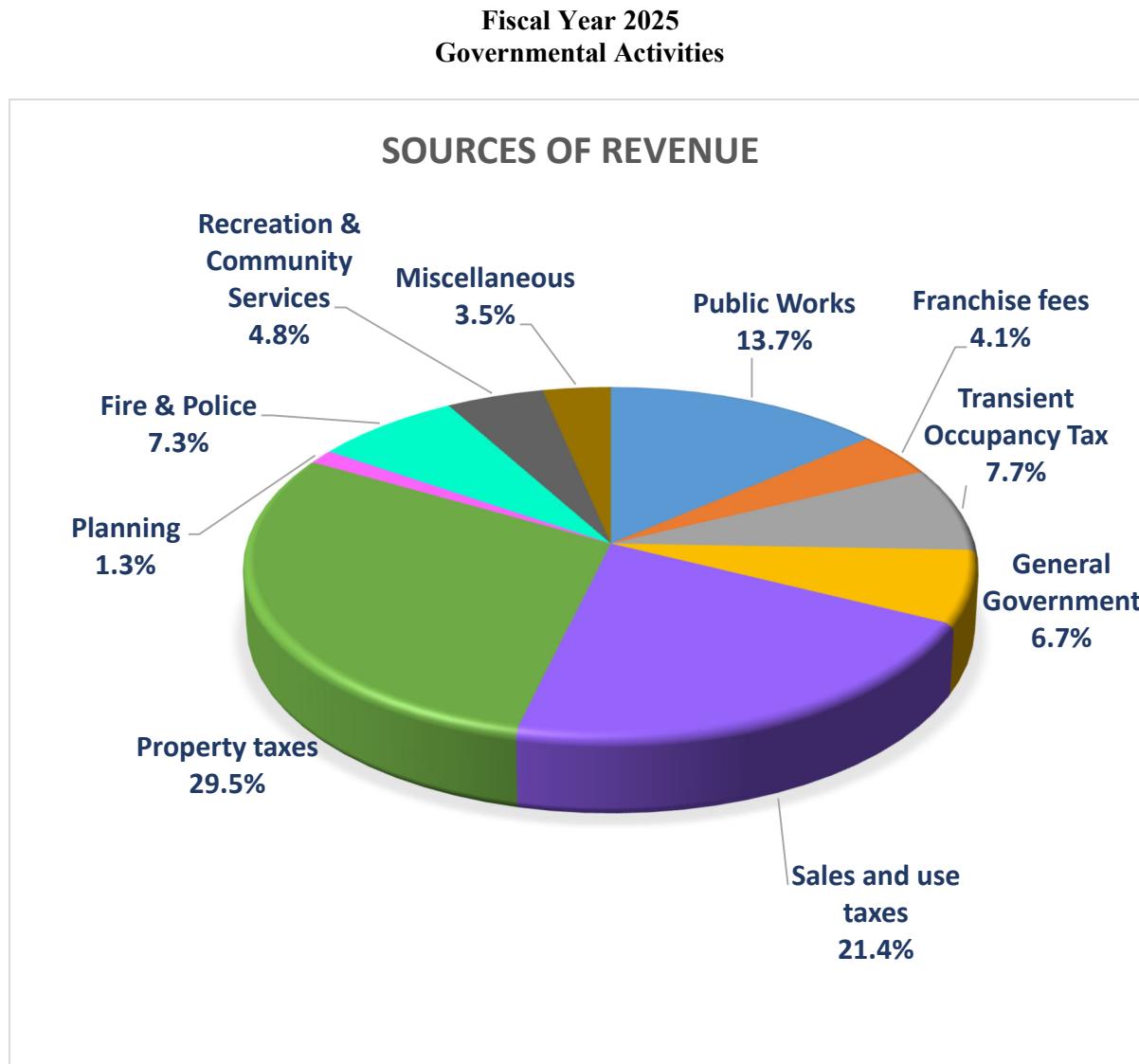
	<b>Governmental Activities</b>	
	2025	2024
Cash and investments	\$299.8	\$276.4
Restricted cash and investments	0.1	0.1
Other assets	73.5	75.0
Capital assets	390.7	387.4
<b>Total assets</b>	<b>\$764.1</b>	<b>\$738.9</b>
<b>Deferred Outflows of Resources</b>		
<b>-Related to pensions and OPEB</b>	<b>64.7</b>	<b>82.4</b>
Net Pension liabilities	247.4	254.9
Net OPEB liability	13.0	14.4
Total OPEB liability	30.9	29.3
Long-term debt outstanding	19.4	20.1
Other liabilities <sup>1</sup>	40.3	39.4
<b>Total liabilities</b>	<b>351.0</b>	<b>358.1</b>
<b>Deferred Inflows of Resources</b>		
<b>-Related to leases</b>	<b>12.0</b>	<b>12.5</b>
<b>-Related to pensions and OPEB<sup>2</sup></b>	<b>8.3</b>	<b>11.7</b>
Net position:		
Net investment in capital assets	370.0	367.0
Restricted	205.8	188.0
Unrestricted	(118.2)	(116.0)
<b>Total net position</b>	<b>\$ 457.6</b>	<b>\$ 439.0</b>

<sup>1</sup> Other liabilities include Accounts Payable, Accrued Payroll, Unearned Revenues and Compensated Absences incurred as of June 30, 2025

<sup>2</sup> Deferred Inflows of Resources – Related to pensions and OPEB refers to unrecognized liability changes due to plan experience which differs from what was assumed in the prior measurement period.

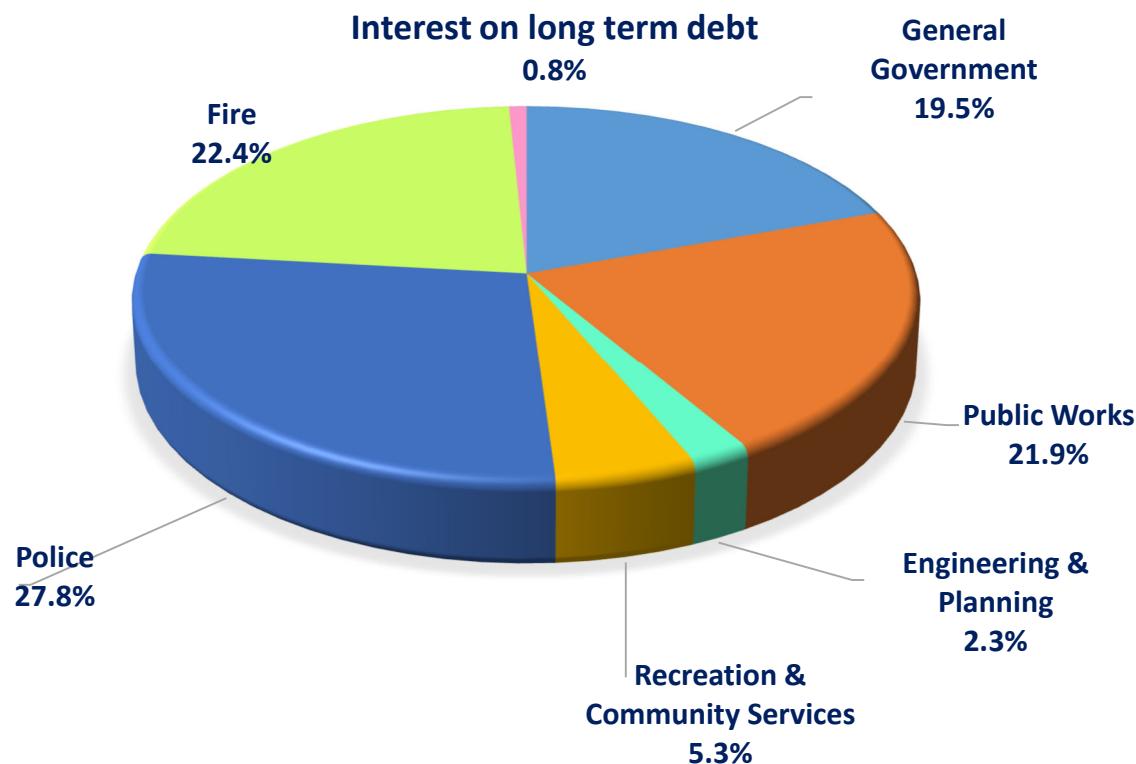
The City's governmental net position was \$457.6 million on June 30, 2025, an increase of \$18.6 million from 2024. This increase is reflected as Change in Net Position in the Governmental Activities column of the Statement of Activities and is also shown in Table 2 of this analysis:

- Cash and investments increased \$23.4 million principally due to the positive net operating result and net market gains from the City's investment portfolio.
- Other assets decreased \$1.5 million from last year due to the net activity between receivables and decrease in prepaids, materials, supplies and deposits.
- Capital assets increased \$3.3 million from last year, resulting from \$14.7 million of depreciation offset by \$18.7 million in asset additions, net of retirements in fiscal 2025. The most significant increases were from street improvement projects.
- Deferred outflows of resources related to pension and Other Post-Employment Benefits (OPEB) decreased \$17.7 million from last year due to changes in actuarial results.



As the Sources of Revenue Chart above shows, \$51.1 million or 29.5% came from property taxes, while \$37.0 million or 21.4% came from sales and use taxes. The remainder came from a variety of sources, including charges for services, grants and contributions, franchise fees, transient occupancy taxes, and building fees.

## FUNCTIONAL EXPENSE



The Functional Expenses Chart above includes only current year expenses, which are discussed in detail below. It does not include capital outlays, which are added to the City's capital assets. The composition of fiscal 2025 capital assets is shown in detail in Table 8.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All these are elements in the Changes in Governmental Net Position as summarized below.

**Table 2**  
**Changes in Governmental Net Position**  
**(in Millions)**

	<u>Governmental Activities</u>	
	<u>2025</u>	<u>2024</u>
<b>Expenses</b>		
General Government	\$31.3	\$28.3
Building, Safety and Housing	8.4	
Recreation and Community Services	8.6	8.5
Public Works	35.2	31.7
Planning	3.6	2.5
Police	44.7	46.1
Fire	36.1	31.8
Interest on long term debt	1.3	0.7
<b>Total expenses</b>	<b><u>160.8</u></b>	<b><u>158.0</u></b>
<b>Revenues</b>		
Program revenues:		
Charges for services	20.5	17.7
Operating contributions and grants	16.2	21.6
Capital Grants	22.0	12.3
<b>Total Program Revenues</b>	<b><u>58.7</u></b>	<b><u>51.6</u></b>
General revenues:		
Taxes:		
Property taxes	51.1	48.6
Sales and use taxes	37.0	34.6
Transient Occupancy taxes	13.4	11.5
Other taxes	0.6	0.8
Franchise fees	7.1	7.1
Investment earnings	4.8	5.6
Miscellaneous	0.8	1.4
<b>Total General Revenues</b>	<b><u>114.9</u></b>	<b><u>109.6</u></b>
<b>Total Revenues</b>	<b><u>173.6</u></b>	<b><u>161.2</u></b>
<b>Surplus (Deficit) before transfers</b>	<b><u>12.8</u></b>	<b><u>3.2</u></b>
Transfers in/(out), net	6.0	5.4
Gain (loss) on sale of Capital Assets	(0.2)	0.0
<b>Changes in net position</b>	<b><u>18.6</u></b>	<b><u>8.7</u></b>
<b>Beginning net position</b>	<b><u>439.0</u></b>	<b><u>430.3</u></b>
<b>Ending net position</b>	<b><u>\$457.6</u></b>	<b><u>\$439.0</u></b>

Table 2 compares fiscal 2025 expenses and revenues with those of fiscal 2024. Expenses increased by \$2.8 million in fiscal 2025 due to increased personal cost and contractual cost in Fire and Public Works.

Table 2 shows total governmental revenues increased \$12.4 million in fiscal 2025. Program revenues increased \$7.1 million, and general revenues increased \$5.3 million. The increase in program revenues was primarily due to increase in property taxes, sales and use taxes, and capital grants.

General revenue increased \$5.3 million from fiscal 2024, primarily due to an increase in property taxes and sales and use taxes. Property taxes increased \$2.5 million and sales and use taxes increased \$2.4 million.

Table 3 presents the net cost of each of the City's largest programs – general government, recreation and community services, public works, planning, police, and fire. Net cost is defined as total program cost less the revenues generated by those specific activities. The net cost of providing such programs in Fiscal Year 2024-25 was \$102.1 million.

**Table 3**  
**Governmental Activities**  
**(in Millions)**

	Net (Expenses) Revenue From Services	
	2025	2024
General Government	\$ (19.7)	\$ (16.8)
Recreation and Community Services	(0.2)	(5.4)
Public Works	(11.4)	(14.7)
Planning	(1.4)	(0.9)
Police	(37.2)	(38.7)
Fire	(30.9)	(29.2)
Interest on long term debt	(1.3)	(0.7)
<b>Totals</b>	<b>\$ (102.1)</b>	<b>\$ (106.4)</b>

***Business-type Activities***

**Table 4**  
**Business-Type Net Position at June 30**  
**(in Millions)**

	<b>Business-Type Activities</b>	
	<b>2025</b>	<b>2024</b>
Cash and investments	\$128.1	\$118.8
Other assets	6.2	6.0
Capital assets	<u>189.6</u>	<u>186.9</u>
<b>Total assets</b>	<b><u>323.9</u></b>	<b><u>311.7</u></b>
<b>Deferred Outflows of Resources – Related to Pensions and OPEB</b>	<b><u>2.0</u></b>	<b><u>2.5</u></b>
Other liabilities	6.2	5.0
Net pension liabilities	4.8	4.9
Net OPEB liability	4.2	4.2
Long-term Debt	<u>51.0</u>	<u>52.8</u>
<b>Total liabilities</b>	<b><u>66.2</u></b>	<b><u>66.9</u></b>
<b>Deferred Inflows of Resources – Related to Pensions and OPEB</b>	<b><u>0.8</u></b>	<b><u>1.0</u></b>
Net position:		
Net investment in capital assets	138.6	135.0
Restricted	100.1	83.6
Unrestricted	<u>20.2</u>	<u>27.6</u>
<b>Total net position</b>	<b><u>\$258.9</u></b>	<b><u>\$246.2</u></b>

The net position of business-type activities was \$258.9 million in fiscal 2025, an increase of \$12.7 million from fiscal 2024. The increase in net position was due to an increase in total assets of \$12.2 million. The increase in total assets is primarily comprised of an increase of \$2.7 million in capital assets and \$9.3 million in cash & investments.

**Table 5**  
**Changes in Business-Type Net Position**  
**(in Millions)**

	Business-Type Activities	
	2025	2024
<b>Expenses</b>		
Water Utility	\$36.0	\$30.0
Sewer Utility	19.1	17.8
Total expenses	<u>55.1</u>	<u>47.8</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	66.0	61.2
Operating grants	0.1	0.1
Capital grants	0.7	0.2
Total program revenues	<u>66.7</u>	<u>61.4</u>
General revenues:		
Investment earnings	7.1	5.1
Total general revenues	<u>7.1</u>	<u>5.1</u>
Total Revenues	<u>73.8</u>	<u>66.5</u>
Excess before transfers	18.7	18.7
Net Transfers	<u>(6.0)</u>	<u>(5.4)</u>
Changes in net position	12.7	13.3
Beginning net position	<u>246.2</u>	<u>232.9</u>
<b>Ending net position</b>	<b><u>\$258.9</u></b>	<b><u>\$246.2</u></b>

Table 5 compares fiscal 2025 expenses and revenues with those of fiscal year 2024. Total expenses increased by \$7.3 million in fiscal 2025 primarily due to an increase in water service and supplies. Total program revenues increased by \$5.3 million primarily due to an increase in charges for services. Total general revenue increased \$2.0 million from interest earnings primarily due to positive market returns on investment as of June 30, 2025. The net transfers represent reimbursements of administration costs to the General Fund.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Table 6 below summarizes activities and balances of the governmental funds at the fund level:

**Table 6**  
**Financial Highlights of Governmental Funds at Fund Level at June 30**  
**(in Millions)**

	2025	2024
Total assets	\$316.9	\$298.9
Total liabilities	21.6	22.0
Total deferred inflow of resources	12	12.5
Total fund balances	283.3	264.4
Total revenues	173.3	159.0
Total expenditures	162.4	145.7
Total other financing sources	7.9	5.1

At June 30, 2025, the City governmental funds reported combined fund balances of \$283.3 million, an increase of \$18.9 million from last year. The fund balances of Housing Authority, Street Improvement, Transit Area Impact Fee, and General Government, and other governmental funds increased \$0.7 million, \$0.7 million, \$5.8 million, \$0.8 million and \$6.6 million respectively. The General Fund increased \$4.3 million due to increase in cash and investment due to positive result in investment market and City's portfolio.

Revenues at the fund level totaled \$173.3 million, a net increase of \$14.3 million. Revenues received in Other Governmental Funds, Transit Area Impact Fee Fund, General Government Capital Project Fund, Street Improvement Fund, and General Fund increased \$6.4 million, \$4.7 million, \$1.7 million, \$1.1 million and \$0.4 million respectively.

Expenditures net increased \$16.7 million this year to \$162.4 million from last year's \$145.7 million. The expenditures of the General Fund, Transit Area Impact Fee Fund, Street Improvement Fund, Other Government Funds, and Housing Authority Fund increased \$12.8 million, \$3.4 million, \$0.9 million, \$0.4 million and \$0.1 million respectively, while General Government Capital projects fund decreased \$0.9 million.

### *Analyses of Major Governmental Funds*

#### General Fund

General Fund revenues (excluding transfers) increased to \$134.5 million this fiscal year, up \$0.4 million from the prior fiscal year. Intergovernmental Revenues were decreased by \$7.8 million from \$10.8 million in fiscal year 2024 to \$3.0 million in fiscal year 2025 due to revenue recognition of American Rescue Plan Act (ARPA) from deferred revenue in fiscal year 2024. Property tax revenue was increased by \$2.5 million from \$48.7 million in fiscal year 2024 to \$51.2 million in fiscal year 2025. Sales tax revenue was increased by \$2.3 million from \$35.8 million in fiscal year 2024 to \$38.1 million in fiscal year 2025.

General Fund expenditures (excluding transfers) increased to \$134.8 million without encumbrance this fiscal year, up \$12.8 million from the prior fiscal year. The increase is due primarily to anticipated increases in personnel cost and contractual services.

Total Other Financing Sources is 4.5 million net in fiscal 2025. Net Other Financing Sources increased by \$4.9 million compared to fiscal year 2024 Net Other Financing Sources of (0.4) million. Transfers out were approximately \$4 million in fiscal year 2025, as compared to Transfers out of \$8.6 million in fiscal 2024.

For the City's General Fund, actual revenues of \$134.5 million were \$6.3 million more than the final budgeted revenues of \$128.2 million. Use of money and property, Sales taxes and Property taxes exceeded budget by \$3.5 million, \$1.2 million and \$1.1 million respectively, primarily due to higher investment yield and property tax related to Educational Revenue Augmentation Fund (ERAF) which is subject to audit and litigation and may be adjusted in future periods. At the end of the year, actual General Fund expenditures were \$136.6 million including encumbrance, \$3.5 million less than the final budget of \$140.1 million.

In summary, the General Fund's fiscal year 2025 results showed strong budget performance, with revenues exceeding budget by \$6.3 million (4.9%) and expenditures coming in \$3.5 million (2.5%) under budget. This combined favorable variance of \$9.8 million was a key driver of the fund balance increase during the year.

### **Housing Authority**

This Fund accounts for the housing activities, assumed from the former Redevelopment Agency, designed to increase the amount of low and moderate-income housing available in the City. Total revenues were \$1 million in fiscal 2025, comprised of interest, rental income, and repayment of housing loans. Total expenditures were \$0.3 million for administration and management of commercial property with eight tenants.

### **Street Improvement Capital Project**

This Street Improvement Capital Project Fund accounts for the majority of the street capital projects activity in the City. The Fund's revenues were \$3.1 million in fiscal 2025, an increase of \$1.1 million from fiscal 2024. Fund expenditures were \$5.4 million in fiscal 2025, an increase of \$0.9 million from fiscal 2024, due to increase in public works and capital outlay. Net transfers were \$3.1 million in fiscal 2025, an increase of \$0.8 million from fiscal 2024 due to no monies transfers out activities in fiscal 2025.

### **Transit Area Impact Fee**

The Transit Area Impact Fee Fund was established in fiscal 2009 to account for impact fees revenue collected from developers and related capital expenditures in the Transit Area. In fiscal 2025, fund revenues were \$9.5 million, primarily from fees collected from developers. Expenditures were \$3.5 million, primarily consisting of capital improvement projects. The Fund also transferred out \$0.1 million in fiscal year 2025 to the General Government Fund for Capital Improvement Program (CIP) projects.

### **General Government Capital Projects**

The General Government Capital Projects Fund accounts for construction and maintenance of general government projects and assets in the City. In fiscal 2025, CIP project expenditures totaled \$11.3 million. The transfers in of \$9.9 million were primarily from the General Fund, Equipment Management International Service Fund, Gas Tax Fund. General Government Capital Projects funds also received funding from Public Art Fund, Transit Area Fund, Light & Landscape Maintenance Fund, Water Utility Enterprise Fund, Sewer Utility Enterprise Fund and Park Improvement Fund in an amount of approximately \$1.8 million. The transfers out of \$1.7 million were to the Street Improvement Capital Project Fund and Storm Drain Development Capital Projects Fund.

## **Other Governmental Funds**

These funds are not presented separately in the Basic Financial Statements but are individually presented as Supplemental Information.

### **Fund Balance Classifications**

Fund balances are classified in five categories: nonspendable, restricted, committed, assigned and unassigned based on a hierarchy of constraints. Further details on fund balance classifications can be found in Note 12.

Table 7 shows the classification of the fund balances of the major governmental funds.

**Table 7**  
**Fund Balances at June 30 – Major Governmental Funds**  
**(in Millions)**

	2025	2024
General Fund		
Non-spendable	\$5.2	\$5.0
Committed	12.7	16.5
Assigned	7.5	7.5
Unassigned	64.1	56.3
Total	<u>\$89.5</u>	<u>\$85.3</u>
Housing Authority Fund		
Restricted	<u>\$41.5</u>	<u>\$40.8</u>
Street Improvement Fund		
Restricted	<u>\$5.5</u>	<u>\$4.8</u>
Transit Area Impact Fee Fund		
Restricted	<u>\$71.6</u>	<u>\$65.8</u>
General Government Project Fund		
Assigned	\$28.3	\$27.5
Restricted	\$0.0	\$0.0
	<u>\$28.3</u>	<u>\$27.5</u>

On June 30, 2025, the fund balance of the General Fund was \$89.5 million. \$5.2 million was classified as nonspendable, comprised of \$1.0 million for prepaid materials and supplies, and \$4.2 million of property held for resale. \$12.7 million was classified as committed, comprised of \$7.3 million for PERS Rate Stabilization, \$1.9 million for Artificial turf replacement, \$0.4 million for Technology replacement and \$3.2 million for Facilities replacement. \$7.5 million was classified as Assigned, comprised of \$3.4 million for uninsured claims, \$2.3 million for other assigned and \$1.8 million for encumbrances. \$64.1 million was classified as unassigned, comprised of \$23.4 million of contingency reserve, \$23.4 million of budget stabilization reserve, \$0.9 million of future deficit reserve, \$3.6 million in ERAF reserve, \$0.7 million in Strategic Property Acquisition Revenue, \$2.0 million in Community Investment Programs and \$10.1 million of unassigned.

The fund balance of the General Government Capital Project Fund was \$28.3 million, classified as assigned due to Council's reserve policy.

Fund balances of the Housing Authority Fund, Street Improvement Fund and the Transit Area Impact Fee Fund were also classified as restricted because the amounts are restricted for specific purposes.

### ***Analyses of Major Proprietary Funds***

Total operating revenues of major proprietary funds increased \$4.8 million from last year, while operating expenses increased \$6.7 million. Total operating revenues and total operating expenses were \$66.0 million and \$52.8 million, respectively. Total non-operating revenues were \$4.8 million in fiscal 2025, an increase of \$1.4 million from the prior year. Capital contributions increased by \$0.5 million and net transfers out decreased by \$0.6 million.

#### **Water Utility**

Water Utility Fund revenues were \$39.5 million in fiscal 2025, an increase of \$3.4 million from prior year. The increase in revenues was primarily due to a 6% rate increase. Expenses were \$35.2 million in fiscal 2025, an increase of \$5.8 million from prior year, primarily due to an increase in wholesale water purchase rate. Net position of the Water Utility Fund increased \$3.6 million in the current year to a total of \$108.5 million. The increase is comprised of \$39.5 million of operating revenues and \$25.2 million of operating expenses, which resulted in \$4.2 million operating income before accounting for unrealized market loss and transfer out expenses. The Water Utility Fund also received \$0.1 million of grants, \$0.2 million of capital contributions, net of interest income of \$2.8 million and transfers of (\$3.7) million, resulting in an increase in net position of \$3.6 million. The net increase has been allocated per policy to infrastructure funding, rate stabilization, pension reserves and operating reserves.

The Water Utility Fund's Net Position includes \$53.1 million invested in capital assets, \$41.0 million in restricted net position, and \$14.4 million in unrestricted net position allocated per Council policy.

#### **Sewer Utility**

Sewer Utility Fund revenues were \$26.5 million in fiscal 2025, up \$1.4 million from the prior year. The increase in revenues was primarily due to a 4% rate increase. Expenses were \$17.6 million in fiscal 2025, an increase of \$0.9 million from the prior year. Non-operating revenues and expenses in fiscal year 2025 consisted of \$2.0 million interest income. There was \$26.5 million of operating revenues for the current year, \$17.6 million of operating expenses, which resulted in \$8.9 million operating income before accounting for unrealized market loss and transfer out expenses. The Sewer Utility Fund also received \$3.5 million in interest income, net of interest expense of \$1.5 million, \$0.5 million of capital contributions and net of transfers of (\$2.3) million.

The Sewer Utility Fund's Net Position includes \$85.5 million invested in capital assets, \$59.1 million in restricted net position, and \$5.8 million in unrestricted net position, totaling \$150.4 million in fiscal year 2025, allocated per Council policy.

## CAPITAL ASSETS

The City records the cost of all its infrastructure assets such as roads, bridges, signals, and similar assets used by the general population, and computes the amount of accumulated depreciation for these assets based on their original acquisition dates. At the end of fiscal 2025, the cost of infrastructure and other capital assets recorded on the City's financial statements was as shown in Table 8 below:

**Table 8**  
**Capital Assets at Year-end**  
**(in Millions)**

	2025	2024
<b><i>Governmental Activities:</i></b>		
Land	\$97.4	\$97.4
Construction in progress	83.2	77.4
Buildings and improvements	174.7	173.4
Other improvements	39.7	39.7
Machinery and equipment	52.9	53.2
Landscape system	31.4	31.3
Storm system	75.8	75.6
Street system	340.8	335.4
Traffic system	23.2	22.2
Intangible Right-to-use subscription asset	1.9	0.8
Less accumulated depreciation	<u>(531.1)</u>	<u>(518.9)</u>
<b>Totals</b>	<b><u>\$390.7</u></b>	<b><u>\$387.4</u></b>
 <b><i>Business-type Activities:</i></b>		
Land	\$1.1	\$1.1
Construction in progress	43.4	36.6
Distribution facilities	81.2	81.2
Water Service lines	18.4	18.4
Sewer lines	88.5	88.5
Capacity rights	129.3	126.6
Intangible Right-To use subscription assets	0.2	0.0
Less accumulated depreciation	<u>(172.4)</u>	<u>(165.5)</u>
<b>Totals</b>	<b><u>\$189.7</u></b>	<b><u>\$186.9</u></b>

The primary additions in fiscal 2025 were due to land and street improvement projects.

The City depreciates all its capital assets over their estimated useful lives. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so an allocable portion of the cost of the

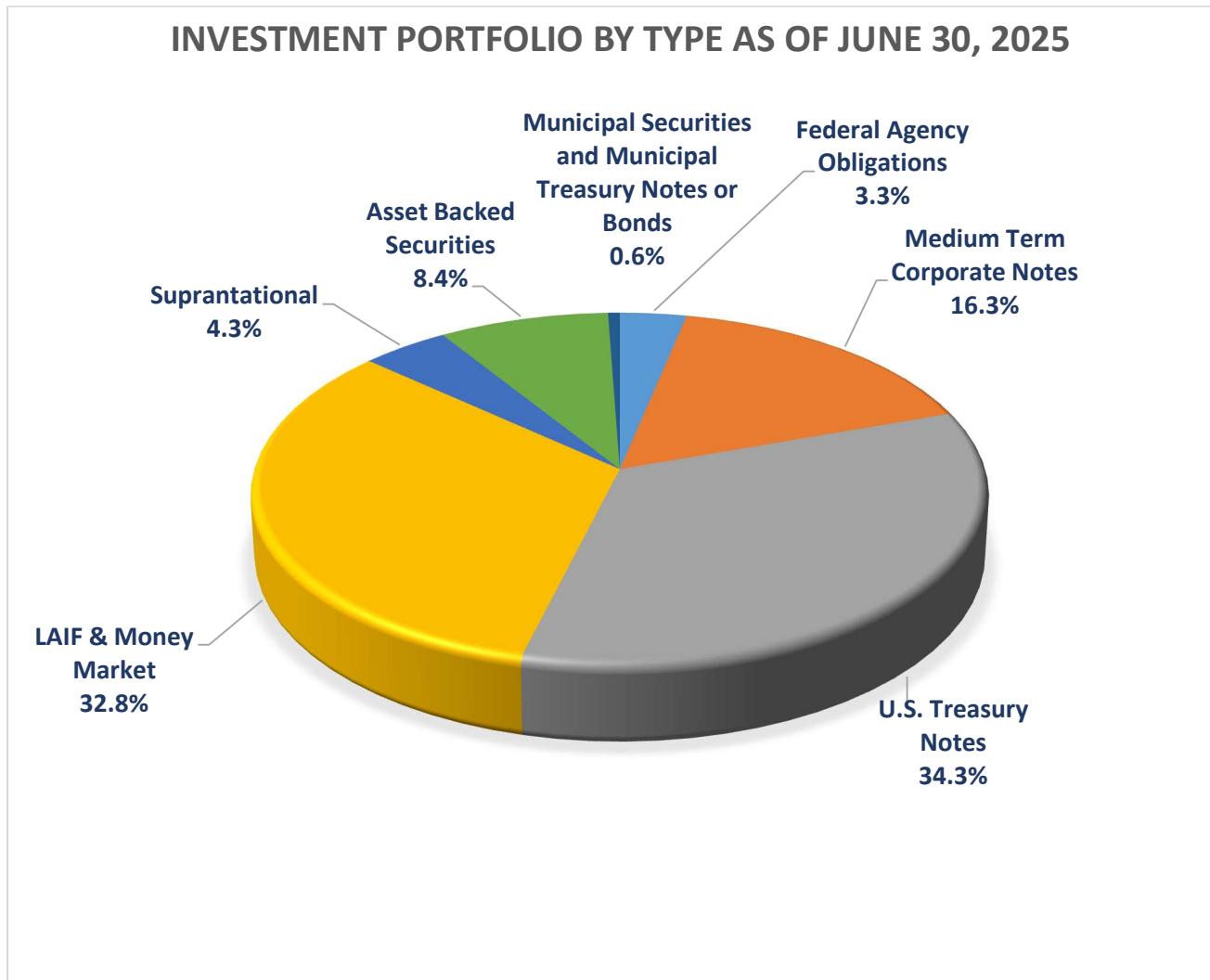
asset is borne by all users. Additional information on depreciable lives and current year activities may be found in Note 8.

## CASH AND INVESTMENTS

The City outsourced the management of the City's general investment pools to Chandler Asset Management effective June 1, 2020, and held in a custodial account with The Bank of New York. The City also established a Section 115 trust managed by PFM Asset Management. The managed portfolio consists of securities invested in accordance with respective City investment policies and California Government Code. Total cash and investments increased \$33.5 million from \$394.4 million to \$427.9 million. This increase was due to positive investment returns compared to the prior year's unrealized market loss.

Total investment earnings for fiscal year 2025 was \$3.2 million. The change in fair value for the portfolio for the fiscal year ending June 30, 2025 was an unrealized gain on investments of \$1.8 million.

The following graphs depict the investment portfolio of \$377.6 million cash and investments at June 30, 2025.



## DEBT ADMINISTRATION

The City has issued debt in prior fiscal periods to finance several City CIP projects include Sewer infrastructure, Water infrastructure, energy improvement projects and the replacement of Fire Station No. 2.

In fiscal 2018, the City refunded the 2006 Sewer Bonds with the 2017 Wastewater Revenue Refunding Bonds to reduce all-in interest costs over the life of the bonds. The 2017 Bonds are supported by pledges of net revenues from the City sewer system. In fiscal 2020, the Milpitas Municipal Financing Authority issued Wastewater Revenue Bonds, Series 2019 in an amount of \$29.8 million to fund certain improvements to the City wastewater system. The City also issued Water Revenue Bonds, Series 2019 in an amount of \$17.1 million fund for Water system improvement projects.

In fiscal 2021, Milpitas Municipal Financing Authority issued a Lease Revenue Bonds in an amount of \$18.4 million to provide funds to finance a portion of Fire Station No. 2 Replacement project and variety of energy improvement projects. Each of the City's debt issues are discussed in detail in Note 9 to the financial statements. At June 30, 2025 the City's debt is comprised of:

**Table 9**  
**Outstanding Debt**  
**(in Millions)**

	Balance June 30, 2025	Balance June 30, 2024
<b>Governmental Activity Debt:</b>		
<b>2020 General Fund Lease Revenue Bond</b>		
<b>4.0% due June 1, 2041</b>	16.6	17.1
Plus: Unamortized bond premium	2.8	3.0
<b>Total Governmental-type Activity Debt</b>	<b>\$19.4</b>	<b>\$20.1</b>
<b>Business-type Activity Debt:</b>		
<b>Wastewater Revenue Refunding Bonds, 2017 Series</b>		
2.0% - 5.0%, due November 1, 2026	1.2	1.8
Plus: Unamortized bond premium	0.1	0.2
<b>Wastewater Revenue Bonds, 2019 Series</b>		
4.0% - 5.0%, due November 1, 2049	27.3	27.9
Plus: Unamortized bond premium	4.4	4.6
<b>Water Revenue, 2019 Series</b>		
4.0% - 5.0%, due June 1, 2049	15.5	15.8
Plus: Unamortized bond premium	2.5	2.5
<b>Total Business-type Activity Debt</b>	<b>\$51.0</b>	<b>\$52.8</b>

## **LONG-TERM OBLIGATIONS**

In addition to bonded debt, the City has significant long-term obligations for pension and other post-employment benefits. Pension Obligations: The City participates in the California Public Employees' Retirement System (CalPERS). As of June 30, 2024 (measurement date), the City's net pension liability was \$252.2 million. The City made pension contributions of \$16.7 million during fiscal year 2025. The funded status of the pension plans is approximately 67%, and the City continues to make its full actuarially determined contribution each year. OPEB Obligations: The City provides post-employment health benefits to eligible retirees. As of June 30, 2025, the City's net OPEB liability was \$14.5 million, with an additional total OPEB liability of \$33.5 million for dependents. The City has established a Section 115 trust to pre-fund a portion of this obligation. Further information on the City's long-term obligations can be found in Notes 9, 13, and 14 to the financial statements.

## **ECONOMIC OUTLOOK AND MAJOR INITIATIVES**

The economy of the City and its major initiatives for the coming year are discussed in detail in the accompanying Transmittal Letter.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This Annual Comprehensive Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this Report should be directed to the Finance Department, at 455 East Calaveras Boulevard, Milpitas, CA 95035-5479, email us at [financecustomerservice@milpitas.gov](mailto:financecustomerservice@milpitas.gov) or at the City's website at [www.milpitas.gov](http://www.milpitas.gov).



## STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position reports the difference between the City's total assets and deferred outflows of resources and the City's total liabilities and deferred inflows of resources, including all the City's capital assets and all its long-term debt. The Statement of Net Position focuses the reader on the composition of the City's net position by subtracting total liabilities and deferred inflows of resources from total assets and deferred outflows of resources.

The Statement of Net Position summarizes the financial position of the City's Governmental Activities in a single column, and the financial position of all the City's Business-type Activities in a single column; these columns are followed by a Total column that presents the financial position of the primary government. This column is followed by a column that displays the discretely presented component unit.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It is prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, deferred inflows/outflows of resources, available revenues and measurable expenditures.

The Statement of Activities presents the City's expenses first, listed by the program, and follows these with the expenses of its Business-type Activities. Program revenues – that is, revenues which are generated directly by these programs – are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities, Business-type Activities or discretely presented component unit column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both of these Statements include the financial activities of the City and the blended component units: the Milpitas Public Financing Authority (MPFA), the Milpitas Economic Development Corporation (EDC), the City of Milpitas Housing Authority (Housing Authority) and the Milpitas Municipal Financing Authority (MMFA). The Financing Authorities and Housing Authority are legally separate component units of the City, because they are controlled by the City and the City is financially accountable for their activities. The EDC is a California nonprofit public benefit Corporation that is also a legally separate component unit of the City because it is governed by a board consisting of the members of the City Council. The EDC became inactive as of June 30, 2015. The balances and the activities of the discretely presented component unit of Terrace Gardens, Inc. are included in these statements as separate columns.

These financial statements along with the fund financial statements and footnotes are called *Basic Financial Statements*.



**CITY OF MILPITAS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

	Primary Government			Component Unit
				Terrace Gardens Inc.
	Governmental Activities	Business-Type Activities	Total	(As of December 31, 2024)
<b>ASSETS</b>				
Cash and investments available for operations (Note 3)	\$299,831,054	\$128,027,915	\$427,858,969	\$66,170
Restricted cash and investments (Note 3)	101,523	73,242	174,765	3,656,956
Receivables:				
Accounts	2,191,918	4,889,349	7,081,267	200,341
Due from other governments	9,569,373	131,986	9,701,359	
Interest	1,758,199	871,478	2,629,677	
Loans receivable (Note 5)	39,858,064		39,858,064	
Prepays, materials, supplies and deposits (Note 1E)	1,092,224	266,247	1,358,471	112,919
Property held for resale (Note 6)	6,000,000		6,000,000	
Leases receivable (Note 10)	13,037,476		13,037,476	
Capital assets and capacity rights (Note 8):				
Land and construction in progress	180,665,741	44,498,058	225,163,799	1,565,277
Depreciable capital assets, net	209,989,967	145,143,031	355,132,998	5,035,458
Total assets	764,095,539	323,901,306	1,087,996,845	10,637,121
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to pensions (Note 13D)	50,827,866	926,328	51,754,194	
Related to OPEB (Note 14E)	13,914,310	1,072,186	14,986,496	
Total deferred outflows of resources	64,742,176	1,998,514	66,740,690	
<b>LIABILITIES</b>				
Accounts payable	4,360,160	4,582,897	8,943,057	289,774
Accrued payroll	6,041,215	408,223	6,449,438	21,308
Accrued expenses				
Interest payable	55,367	552,058	607,425	
Refundable deposits	4,454,444	131,804	4,586,248	76,200
Unearned revenue	7,150,315	6,922	7,157,237	5,694
Uninsured claims payable (Note 15):				
Due within one year	1,949,115		1,949,115	
Due in more than one year	5,379,775		5,379,775	
Accrued vacation (Note 14F):				
Due within one year	3,193,367	303,110	3,496,477	17,743
Due in more than one year	4,249,923	62,031	4,311,954	
Sick leave payable (Note 14F):				
Due within one year	1,947,678		1,947,678	
Due in more than one year	71,364	112,482	183,846	
Leases payable (Note 10):				
Due within one year	110,860		110,860	
Due in more than one year	481,032		481,032	
Subscription liability (Note 11):				
Due within one year	518,467	89,856	608,323	
Due in more than one year	321,717		321,717	
Net pension liabilities (Note 13C):				
Due in more than one year	247,379,750	4,806,598	252,186,348	
Net OPEB liability (Note 14C):				
Due in more than one year	13,020,543	1,542,351	14,562,894	
Total OPEB liability (Note 14D)				
Due within one year	1,186,118	79,198	1,265,316	
Due in more than one year	29,691,253	2,568,281	32,259,534	
Long term debt (Note 9):				
Due within one year	625,000	1,530,000	2,155,000	
Due in more than one year	18,763,813	49,457,788	68,221,601	
Total liabilities	350,951,276	66,233,599	417,184,875	410,719
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to leases (Note 10)	11,986,496		11,986,496	
Related to OPEB (Note 14E)	8,349,406	815,673	9,165,079	
Total deferred inflows of resources	20,335,902	815,673	21,151,575	
<b>NET POSITION (Note 12)</b>				
Net investment in capital assets and capacity rights	369,936,342	138,636,687	508,573,029	6,600,735
Restricted for:				
Capital projects	110,521,913	100,062,614	210,584,527	
Redevelopment and community development activities	53,403,751		53,403,751	
Pension expenses	40,230,585		40,230,585	
Other programs	1,636,999		1,636,999	
Total restricted net position	205,793,248	100,062,614	305,855,862	
Unrestricted	(118,179,053)	20,151,247	(98,027,806)	3,625,667
Total net position	\$457,550,537	\$258,850,548	\$716,401,085	\$10,226,402

See accompanying notes to financial statements

**CITY OF MILPITAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2025**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Business-type Activities
<b>Primary Government:</b>						
Governmental Activities:						
General Government	\$31,295,637	\$8,054,237	\$3,366,995	\$212,507	(\$19,661,898)	
Recreation and Community Services	8,554,613	3,909,576	516,285	3,921,520	(207,232)	
Public Works	35,183,475	3,708,364	2,501,627	17,600,340	(11,373,144)	
Planning	3,628,302	488,766	1,448,886	298,230	(1,392,420)	
Police	44,724,903	1,596,100	5,944,991		(37,183,812)	
Fire	36,077,028	2,737,391	2,374,047		(30,965,590)	
Interest on long term debt	1,292,755				(1,292,755)	
Total Governmental Activities	160,756,713	20,494,434	16,152,831	22,032,597	(102,076,851)	
Business-type Activities:						
Water Utility	35,999,290	39,541,125	52,465	201,903		\$3,796,203
Sewer Utility	19,113,198	26,475,246		470,034		7,832,082
Total Business-type Activities	55,112,488	66,016,371	52,465	671,937		11,628,285
Total Primary Government	\$215,869,201	\$86,510,805	\$16,205,296	\$22,704,534	(102,076,851)	11,628,285
<b>Component Unit:</b>						
Terrace Gardens Inc.	\$2,629,733	\$2,434,528	\$199,939			
General revenues:						
Taxes:						
Property taxes					51,076,492	
Sales and use taxes					36,992,273	
Hotel/Motel taxes					13,398,674	
Other taxes					622,671	
Franchise fees, unrestricted					7,102,298	
Motor vehicle in-lieu, unrestricted					128,932	
Investment earnings					4,751,986	7,024,119
Miscellaneous					826,519	
Gain/(loss) on sale of Capital Assets					(231,758)	
Transfers (Note 4)					5,995,656	(5,995,656)
Total general revenues and transfers					120,663,743	1,028,463
Change in Net Position					18,586,892	12,656,748
Net position-Beginning					438,963,645	246,193,800
Net position-Ending					\$457,550,537	\$258,850,548

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Position	
Primary Government	Component Unit
	Terrace Gardens Inc. (year ended December 31, 2024)
(\$19,661,898)	
(207,232)	
(11,373,144)	
(1,392,420)	
(37,183,812)	
(30,965,590)	
(1,292,755)	
<u>(102,076,851)</u>	
	3,796,203
	<u>7,832,082</u>
	11,628,285
	<u>(90,448,566)</u>
	<u><u>\$4,734</u></u>
51,076,492	
36,992,273	
13,398,674	
622,671	
7,102,298	
128,932	
11,776,105	128,423
826,519	
(231,758)	
<u>121,692,206</u>	<u>128,423</u>
31,243,640	133,157
<u>685,157,445</u>	<u>10,093,245</u>
<u><u>\$716,401,085</u></u>	<u><u>\$10,226,402</u></u>



## **FUND FINANCIAL STATEMENTS**

The Fund Financial Statements present individual major funds, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between Fund types.

### **MAJOR GOVERNMENTAL FUNDS**

The funds described below were determined to be Major Funds by the City. Individual non-major funds may be found in the Supplemental section.

#### **GENERAL FUND**

The General Fund is used for all the general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The general fund accounts for all financial resources of a governmental unit, which are not accounted for in another fund.

#### **HOUSING AUTHORITY FUND**

Established to plan and address the housing needs of the City and to act as the Housing Successor Agency for the former Redevelopment Agency. The main source of the revenue for this fund is the repayment of loans restricted for housing activities.

#### **STREET IMPROVEMENT FUND**

Established to account for the construction and maintenance of the street system in Milpitas. Financing may be provided through state and federal grants.

#### **TRANSIT AREA IMPACT FEE FUND**

Established to account for capital projects in the transit area. A special transit area impact fee is imposed on developments to provide financing.

#### **GENERAL GOVERNMENT CAPITAL PROJECT FUND**

Established to account for the construction and maintenance of general government projects. Financing provided by the General Fund.





CITY OF MILPITAS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2025

	General	Housing Authority	Street Improvement	Transit Area Impact Fee
<b>ASSETS</b>				
Cash and investments available for operations (Note 3)	\$89,270,767	\$3,058,388	\$5,846,335	\$71,404,398
Restricted cash and investments (Note 3)	101,523			
Receivables:				
Accounts	2,185,131			
Due from other governments	7,722,972		63,262	89,333
Interest	588,389	20,463	36,296	481,708
Loans receivable, net (Note 5)			36,686,320	
Prepays, materials, supplies and deposits (Note 1E)	950,516			
Property held for resale (Note 6)	4,200,000	1,800,000		
Leases receivable (Note 10)	13,037,476			
<b>Total Assets</b>	<b>\$118,056,774</b>	<b>\$41,565,171</b>	<b>\$5,945,893</b>	<b>\$71,975,439</b>
<b>LIABILITIES</b>				
Accounts payable	\$1,882,588	\$19,711	\$434,614	\$321,747
Accrued payroll	5,671,634		9,495	35,009
Refundable deposits	4,424,473	11,100		
Unearned revenue	4,640,197	18		
<b>Total Liabilities</b>	<b>16,618,892</b>	<b>30,829</b>	<b>444,109</b>	<b>356,756</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Leases related (Note 10)	11,986,496			
<b>Total Deferred Inflows of Resources</b>	<b>11,986,496</b>			
<b>FUND BALANCES</b>				
Fund balances (Note 12):				
Nonspendable	5,150,516			
Restricted			41,534,342	5,501,784
Committed	12,730,974			71,618,683
Assigned	7,478,213			
Unassigned	64,091,683			
<b>TOTAL FUND BALANCES</b>	<b>89,451,386</b>	<b>41,534,342</b>	<b>5,501,784</b>	<b>71,618,683</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$118,056,774</b>	<b>\$41,565,171</b>	<b>\$5,945,893</b>	<b>\$71,975,439</b>

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

**CAPITAL ASSETS**

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.

**ALLOCATION OF INTERNAL SERVICE FUND NET POSITION**

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance, to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the Statement of Net Position.

**LONG-TERM ASSETS AND LIABILITIES**

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

- Long-term debt
- Leases liability
- Subscription liability
- Net pension liability and pension-related deferred outflows/inflows of resources
- OPEB liability and related deferred outflows/inflows of resources
- Non-current portion of accrued vacation and sick leave
- Non-current portion of uninsured claims payable

**NET POSITION OF GOVERNMENTAL ACTIVITIES**

See accompanying notes to financial statements

General Government Capital Projects	Other Governmental Funds	Total Governmental Funds
\$28,805,246	\$45,158,922	\$243,544,056
		101,523
6,787		2,191,918
304,075	1,389,731	9,569,373
191,568	330,987	1,649,411
	3,171,744	39,858,064
	30,615	981,131
		6,000,000
		13,037,476
<u>\$29,307,676</u>	<u>\$50,081,999</u>	<u>\$316,932,952</u>
\$976,489	\$454,521	\$4,089,670
68,994	190,665	5,975,797
	18,859	4,454,432
	2,510,100	7,150,315
<u>1,045,483</u>	<u>3,174,145</u>	<u>21,670,214</u>
 	 	<u>11,986,496</u>
 	 	<u>11,986,496</u>
30,615	5,181,131	
45,564,728	164,219,537	
	12,730,974	
28,262,193	1,312,511	37,052,917
		64,091,683
<u>28,262,193</u>	<u>46,907,854</u>	<u>283,276,242</u>
<u>\$29,307,676</u>	<u>\$50,081,999</u>	
		379,801,701
		66,941,922
(19,444,180)		
(591,892)		
(840,184)		
(196,551,884)		
(38,333,010)		
(9,379,288)		
(7,328,890)		
<u></u>	<u></u>	<u>\$457,550,537</u>

**CITY OF MILPITAS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	General	Housing Authority	Street Improvement	Transit Area Impact Fee
<b>REVENUES</b>				
Property taxes	\$51,181,370			
Sales taxes	38,101,357			
Hotel /Motel taxes	13,379,253			
Franchise fees	6,179,373			
Other taxes	1,007,266			
Licenses and fines	8,920,936			
Use of money and property	4,632,616	\$1,006,013	\$284,683	\$3,800,242
Intergovernmental	3,032,608		2,779,529	89,333
Charges for services	7,450,514			
Developer contributions			48,316	5,574,477
Other	574,362			
 Total Revenues	 134,459,655	 1,006,013	 3,112,528	 9,464,052
 <b>EXPENDITURES</b>				
Current:				
General Government	30,108,077	290,385		221
Recreation and Community Services	7,125,959			
Public Works	15,446,619		411,572	4,274
Planning	3,094,214			
Police	41,971,325			
Fire	35,223,955			
Capital outlay			5,028,676	3,475,536
Debt service:				
Principal	1,069,560			
Interest and fees	710,771			
 Total Expenditures	 134,750,480	 290,385	 5,440,248	 3,480,031
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(290,825)	715,628	(2,327,720)	5,984,021
 <b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of property	5,135			
Transfers in (Note 4A)	8,478,722		3,072,724	
Transfers (out) (Note 4A)	(3,991,706)			(144,000)
 Total Other Financing Sources (Uses)	 4,492,151		 3,072,724	 (144,000)
 <b>NET CHANGE IN FUND BALANCES</b>				
Fund balances at beginning of year	85,250,060	40,818,714	4,756,780	65,778,662
 <b>FUND BALANCES AT END OF YEAR</b>	 \$89,451,386	 \$41,534,342	 \$5,501,784	 \$71,618,683

See accompanying notes to financial statements

General Government Capital Projects	Other Governmental Funds	Total Governmental Funds
		\$51,181,370
		38,101,357
		13,379,253
	\$922,925	7,102,298
	6,240,381	7,247,647
		8,920,936
\$2,380,926	1,836,330	13,940,810
1,333,179	6,981,771	14,216,420
71,198	295,121	7,816,833
	4,850,337	10,473,130
	343,066	917,428
<u>3,785,303</u>	<u>21,469,931</u>	<u>173,297,482</u>
	2,598,013	32,996,696
	20,346	7,146,305
4,668,805	3,000,674	23,531,944
	462,551	3,556,765
	464,435	42,435,760
		35,223,955
6,389,085	577,428	15,470,725
		1,069,560
<u>258,000</u>		<u>968,771</u>
<u>11,315,890</u>	<u>7,123,447</u>	<u>162,400,481</u>
<u>(7,530,587)</u>	<u>14,346,484</u>	<u>10,897,001</u>
		5,135
9,957,886	895,645	22,404,977
<u>(1,699,565)</u>	<u>(8,628,475)</u>	<u>(14,463,746)</u>
<u>8,258,321</u>	<u>(7,732,830)</u>	<u>7,946,366</u>
727,734	6,613,654	18,843,367
<u>27,534,459</u>	<u>40,294,200</u>	<u>264,432,875</u>
<u>\$28,262,193</u>	<u>\$46,907,854</u>	<u>\$283,276,242</u>

**CITY OF MILPITAS**  
 Reconciliation of the  
**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS**  
 with the  
**STATEMENT OF ACTIVITIES**  
 FOR THE YEAR ENDED JUNE 30, 2025

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$18,843,367

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

**CAPITAL ASSETS TRANSACTIONS**

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital expenditures are therefore added back to fund balance  
 (Internal service fund additions of \$2,139,230 have already been added to capital assets) 16,483,057

Retirements of capital assets are deducted from fund balance  
 (Internal service fund retirements of \$365,582 have already been deducted from capital assets) (236,893)

Depreciation expense is deducted from the fund balance  
 (Depreciation expense is net of internal service fund depreciation of \$1,289,220 which has already been allocated to serviced funds.)" (13,245,841)

**LONG-TERM DEBT PROCEED AND PAYMENTS**

Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of lease principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Proceeds from issuance of capital lease  
 repayment of debt principal and SBITA liabilities are added back to fund balance 743,676

**ACCRUAL OF NON-CURRENT ITEMS**

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Interest payable	1,900
Non-current portion of accrued vacation and sick leave	(907,805)
Non-current portion of uninsured claims payable	831,330
Lease payable	(591,892)
Subscription liability	(427,058)
Net pension liabilities and pension-related deferred outflows/inflows of resources	(7,539,912)
Net OPEB liabilities and OPEB-related deferred outflows/inflows of resources	645,887

**ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY**

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds.

The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Position - All Internal Service Funds 3,987,076

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES**

\$18,586,892

See accompanying notes to financial statements

**CITY OF MILPITAS  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)  
FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Variance with Budget Final Positive (Negative)	
	Original	Final	Actual Amounts Budgetary Basis	
<b>Revenues</b>				
Property taxes	\$50,091,338	\$50,091,338	\$51,181,370	\$1,090,032
Sales taxes	36,902,855	36,902,855	38,101,357	1,198,502
Hotel /Motel taxes	13,032,550	13,032,550	13,379,253	346,703
Franchise fees	5,990,422	5,990,422	6,179,373	188,951
Other taxes	1,135,518	1,135,518	1,007,266	(128,252)
Licenses and fines	9,231,118	9,231,118	8,920,936	(310,182)
Use of money and property	1,179,198	1,179,198	4,632,616	3,453,418
Intergovernmental	399,201	2,280,961	3,032,608	751,647
Charges for services	7,957,721	8,053,571	7,450,514	(603,057)
Other	288,309	288,309	574,362	286,053
<b>Total Revenues</b>	<b>126,208,230</b>	<b>128,185,840</b>	<b>134,459,655</b>	<b>6,273,815</b>
<b>Expenditures</b>				
Current:				
General Government:				
City Manager	10,217,614	10,407,078	10,098,172	308,906
City Attorney	1,214,142	1,192,719	1,193,199	(480)
Finance	5,205,109	5,242,914	5,017,861	225,053
Human Resources	2,348,798	2,351,123	2,214,939	136,184
Information Services	5,135,405	5,266,266	4,263,436	1,002,830
Non-departmental	5,714,306	9,509,944	8,557,986	951,958
Recreation and Community Services	6,981,057	7,054,105	7,219,197	(165,092)
Public Works	16,430,917	16,589,196	15,840,252	748,944
Planning	3,346,853	3,377,605	3,100,327	277,278
Police	45,836,039	42,564,425	41,996,039	568,386
Fire	31,442,612	35,289,923	35,289,153	770
Debt service:				
Principal	570,000	570,000	1,069,560	(499,560)
Interest	687,200	687,200	710,771	(23,571)
<b>Total Expenditures</b>	<b>135,130,052</b>	<b>140,102,498</b>	<b>136,570,892</b>	<b>3,531,606</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(8,921,822)</b>	<b>(11,916,658)</b>	<b>(2,111,237)</b>	<b>9,805,421</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of property			5,135	5,135
Proceeds from issuance of long term debt				
Transfers in	8,478,722	8,478,722	8,478,722	
Transfers (out)	(3,345,645)	(3,991,706)	(3,991,706)	
<b>Total Other Financing Sources (Uses)</b>	<b>5,133,077</b>	<b>4,487,016</b>	<b>4,492,151</b>	<b>5,135</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(\$3,788,745)</b>	<b>(\$7,429,642)</b>	<b>2,380,914</b>	<b>\$9,810,556</b>
Adjustments to budgetary basis:				
Encumbrance expenditures			1,820,412	
Fund balance at beginning of year			85,250,060	
<b>FUND BALANCE AT END OF YEAR</b>			<b>\$89,451,386</b>	

See accompanying notes to financial statements

**CITY OF MILPITAS  
 HOUSING AUTHORITY  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Budget Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$117,241	\$117,241	\$1,006,013	\$888,772
Total Revenues	117,241	117,241	1,006,013	888,772
Expenditures				
Current:				
General Government:				
General Government	233,100	389,698	248,971	140,727
City Attorney	8,240	8,240		8,240
Non-departmental	83,447	124,447	41,414	83,033
Total Expenditures	324,787	522,385	290,385	232,000
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property				
NET CHANGE IN FUND BALANCE	(\$207,546)	(\$405,144)	715,628	\$1,120,772
Fund balances at beginning of year			40,818,714	
FUND BALANCE AT END OF YEAR			\$41,534,342	

See accompanying notes to financial statements

## **MAJOR PROPRIETARY FUNDS**

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of *major funds* extends to Proprietary Funds. The City has identified the funds below as major proprietary funds.

Financial reporting standards do not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds that are major funds.

### **WATER UTILITY FUND**

Accounts for the provision of water services to residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, billing and collection.

### **SEWER UTILITY FUND**

Accounts for the provision of sewer services to residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, financing, billing and collection.



**CITY OF MILPITAS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

	<u>Business-type Activities-Enterprise Funds</u>			<u>Governmental Activities-Internal Service Funds</u>
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Totals</u>	
<b>ASSETS</b>				
Current Assets				
Cash and investments				
available for operations (Note 3)	\$60,884,886	\$67,143,029	\$128,027,915	\$56,286,998
Restricted cash and investments (Note 3)	2,161	71,081	73,242	
Receivables:				
Accounts	2,942,979	1,946,370	4,889,349	
Due from other governments	77,639	54,347	131,986	
Interest	412,470	459,008	871,478	108,788
Prepays, materials, supplies and deposits (Note 1E)	230,152	36,095	266,247	111,093
Total current assets	64,550,287	69,709,930	134,260,217	56,506,879
Noncurrent assets:				
Capital assets and capacity rights (Note 8):				
Land and construction in progress	40,369,256	4,128,802	44,498,058	
Depreciable capital assets, net	30,737,840	114,405,191	145,143,031	10,854,007
Total noncurrent assets	71,107,096	118,533,993	189,641,089	10,854,007
Total assets	135,657,383	188,243,923	323,901,306	67,360,886
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to pensions (Note 13D)	538,525	387,803	926,328	
Related to OPEB (Note 14E)	594,833	477,353	1,072,186	
Total deferred outflows of resources	1,133,358	865,156	1,998,514	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	4,175,017	407,880	4,582,897	270,490
Accrued payroll	257,431	150,792	408,223	65,418
Interest payable	116,325	435,733	552,058	
Refundable deposits	131,804		131,804	12
Unearned revenue	3,461	3,461	6,922	
Accrued vacation (Note 14F)	151,555	151,555	303,110	24,235
Sick leave payable (Note 14F)	44,926	44,930	89,856	
SBITA liability (Note 11)	47,072	32,126	79,198	
Total OPEB liability (Note 14D)	355,000	1,175,000	1,530,000	
Revenue Bonds (Note 9)				
Total current liabilities	5,282,591	2,401,477	7,684,068	360,155
Non-current liabilities:				
Accrued vacation (Note 14F)	42,349	19,682	62,031	33,863
Sick leave payable (Note 14F)	56,602	55,880	112,482	24,946
Net pension liabilities (Note 13C)	2,794,337	2,012,261	4,806,598	
Net OPEB liability (Note 14C)	766,741	775,610	1,542,351	
Total OPEB liability (Note 14D)	1,380,927	1,187,354	2,568,281	
Revenue Bonds (Note 9)	17,579,706	31,878,082	49,457,788	
Total non-current liabilities	22,620,662	35,928,869	58,549,531	58,809
Total liabilities	27,903,253	38,330,346	66,233,599	418,964
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to OPEB (Note 14E)	425,892	389,781	815,673	
Total deferred inflows of resources	425,892	389,781	815,673	
<b>NET POSITION (Note 12)</b>				
Net investment in capital assets and capacity rights	53,129,625	85,507,062	138,636,687	10,854,007
Restricted for capital projects	40,974,930	59,087,684	100,062,614	
Restricted for pension expenses				40,230,585
Unrestricted	14,357,041	5,794,206	20,151,247	15,857,330
Total net position	\$108,461,596	\$150,388,952	\$258,850,548	\$66,941,922

See accompanying notes to financial statements

**CITY OF MILPITAS  
PROPRIETARY FUNDS  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Business-type Activities-Enterprise Funds</u>			Governmental Activities- Internal Service Funds
	Water Utility	Sewer Utility	Totals	
<b>OPERATING REVENUES</b>				
Charges for services	\$39,237,728	\$26,221,208	\$65,458,936	\$4,993,125
Other operating revenue	303,397	254,038	557,435	3,213,822
<b>Total Operating Revenues</b>	<b>39,541,125</b>	<b>26,475,246</b>	<b>66,016,371</b>	<b>8,206,947</b>
<b>OPERATING EXPENSES</b>				
Purchased water	25,356,752		25,356,752	
Sewer treatment services		7,363,556	7,363,556	
Personnel services	4,676,174	2,823,386	7,499,560	1,179,078
Services and supplies	3,377,315	1,966,834	5,344,149	1,649,231
Depreciation	1,624,411	5,277,544	6,901,955	1,415,133
Repairs and maintenance	200,734	159,970	360,704	665,837
<b>Total Operating Expenses</b>	<b>35,235,386</b>	<b>17,591,290</b>	<b>52,826,676</b>	<b>4,909,279</b>
<b>Operating Income (Loss)</b>	<b>4,305,739</b>	<b>8,883,956</b>	<b>13,189,695</b>	<b>3,297,668</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income(loss)	3,494,680	3,529,439	7,024,119	2,019,686
Interest expense	(763,904)	(1,521,908)	(2,285,812)	
Subventions and grants	52,465		52,465	
Gain (Loss) on disposal of property				126,150
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,783,241</b>	<b>2,007,531</b>	<b>4,790,772</b>	<b>2,145,836</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>7,088,980</b>	<b>10,891,487</b>	<b>17,980,467</b>	<b>5,443,504</b>
Capital contributions				489,147
Capital contributions - connection fees	201,903	470,034	671,937	
Transfers in (Note 4A)				929,850
Transfers (out) (Note 4A)	(3,725,508)	(2,270,148)	(5,995,656)	(2,875,425)
Change in net position	3,565,375	9,091,373	12,656,748	3,987,076
<b>Net position-beginning</b>	<b>104,896,221</b>	<b>141,297,579</b>	<b>246,193,800</b>	<b>62,954,846</b>
<b>Net position-ending</b>	<b>\$108,461,596</b>	<b>\$150,388,952</b>	<b>\$258,850,548</b>	<b>\$66,941,922</b>

See accompanying notes to financial statements

**CITY OF MILPITAS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Business-type Activities-Enterprise Funds</u>			<u>Governmental Activities-Internal Service Funds</u>
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Totals</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$39,402,906	\$26,537,088	\$65,939,994	\$8,206,947
Payments to suppliers	(28,442,739)	(9,309,598)	(37,752,337)	(1,198,771)
Payments to employees for salaries and benefits	(4,408,664)	(2,765,804)	(7,174,468)	(1,128,295)
Net cash provided by operating activities	<u>6,551,503</u>	<u>14,461,686</u>	<u>21,013,189</u>	<u>5,879,881</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Subventions and grants	52,465		52,465	
Transfers in				929,850
Transfers (out)	(3,725,508)	(2,270,148)	(5,995,656)	(2,875,425)
Cash Flows from Noncapital Financing Activities	<u>(3,673,043)</u>	<u>(2,270,148)</u>	<u>(5,943,191)</u>	<u>(1,945,575)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Principal paid on long-term debt	(340,000)	(1,120,000)	(1,460,000)	
Interest paid	(808,521)	(1,472,890)	(2,281,411)	
Acquisition of capital assets	(5,494,668)	(4,108,230)	(9,602,898)	(1,160,176)
Proceeds from sale of assets				126,150
Capital contributions - connection fees	201,903	470,034	671,937	
Cash Flows from Capital and Related Financing Activities	<u>(6,441,286)</u>	<u>(6,231,086)</u>	<u>(12,672,372)</u>	<u>(1,034,026)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	<u>3,450,096</u>	<u>3,423,915</u>	<u>6,874,011</u>	<u>2,002,407</u>
Cash Flows from Investing Activities	<u>3,450,096</u>	<u>3,423,915</u>	<u>6,874,011</u>	<u>2,002,407</u>
Net increase (decrease) in cash and cash equivalents	<u>(112,730)</u>	<u>9,384,367</u>	<u>9,271,637</u>	<u>4,902,687</u>
Cash and investments at beginning of period	<u>60,999,777</u>	<u>57,829,743</u>	<u>118,829,520</u>	<u>51,384,311</u>
Cash and investments at end of period	<u>\$60,887,047</u>	<u>\$67,214,110</u>	<u>\$128,101,157</u>	<u>\$56,286,998</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$4,305,739	\$8,883,956	\$13,189,695	\$3,297,668
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,624,411	5,277,544	6,901,955	1,415,133
Change in assets and liabilities:				
Receivables, net	(138,375)	61,842	(76,533)	
Materials, supplies and deposits	13,912	(11,533)	2,379	970,749
Accrued payroll	150,807	80,321	231,128	
Accounts and other payables	432,870	124,554	557,424	196,331
Due to retirement system	187,771	62,495	250,266	
Due to OPEB	(25,632)	(17,493)	(43,125)	
Net cash provided by operating activities	<u>\$6,551,503</u>	<u>\$14,461,686</u>	<u>\$21,013,189</u>	<u>\$5,879,881</u>
<b>NONCASH TRANSACTIONS:</b>				
Contributions and transfers of capital assets				<u>\$489,147</u>

See accompanying notes to financial statements



## **FIDUCIARY FUNDS**

### **FIDUCIARY FUNDS**

These funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

### **SUCCESSOR AGENCY TO THE MILPITAS REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND**

The Successor Agency to the Milpitas Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used to make payments that are on the Recognized Obligation Payment Schedule and to dispose of assets and property of the former Redevelopment Agency for the benefit of the taxing agencies.



**CITY OF MILPITAS**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2025**

Successor Agency  
 to the Milpitas  
 Redevelopment Agency  
 Private-purpose  
 Trust Fund

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**ASSETS**

Cash and investments (Note 3)	\$19,046,473
Restricted cash and investments (Note 3)	<u>1,684</u>
<b>Total Assets</b>	<b><u>19,048,157</u></b>

**LIABILITIES**

Accounts payable	10,672
Interest payable	2,005,250
Long-term obligations (Note 17C):	
Due in one year	9,025,000
Due in more than one year	<u>55,965,708</u>
<b>Total Liabilities</b>	<b><u>67,006,630</u></b>

**NET POSITION (DEFICIT)**

Restricted for:	
Held in trust for other governments	<u>(\$47,958,473)</u>

See accompanying notes to financial statements

**CITY OF MILPITAS**  
**FIDUCIARY FUND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2025**

Successor Agency  
 to the Milpitas  
 Redevelopment Agency  
 Private-purpose  
 Trust Fund

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Additions:	
Property taxes	\$14,846,033
Use of money and property	<u>510,183</u>
	<u><u>15,356,216</u></u>
Deductions:	
General and administrative	2,021,028
Debt service:	
Interest and fees	<u>2,747,913</u>
	<u><u>4,768,941</u></u>
Net change in net position	10,587,275
Net position (deficit) - beginning	<u>(58,545,748)</u>
Net position (deficit) - ending	<u><u>(\$47,958,473)</u></u>

See accompanying notes to financial statements

## **NOTES TO FINANCIAL STATEMENTS**



**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Milpitas was incorporated as a general law city on January 26, 1954. The City operates under the Council-Manager form of government and provides the following services: public safety; fire and building inspection; engineering; public works; water; sewer; sanitation; recreation services; building and safety; planning and zoning; general administration services and economic development.

The financial statements and accounting policies of the City conform with generally accepted accounting principles applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

**A. Reporting Entity**

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, *blended* component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. Each discretely presented component unit, on the other hand, is reported in a separate column in the basic financial statements to emphasize it is legally separate from the government.

**PRIMARY GOVERNMENT**

The financial statements of the primary government of the City of Milpitas include the activities of the City as well as the Milpitas Public Financing Authority, the Milpitas Economic Development Corporation, the City of Milpitas Housing Authority and the Milpitas Municipal Financing Authority, all of which are controlled by and dependent on the City. While these are separate legal entities, their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed “blended”) with those of the primary government of the City in the accompanying financial statements.

**Blended Component Units**

The Milpitas Public Financing Authority is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital improvements within the City. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the Sewer Utility Enterprise Fund.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Milpitas Economic Development Corporation, (Corporation) formed in February 2011, is a California nonprofit public benefit Corporation formed by the City and the former Milpitas Redevelopment Agency under the laws of the State of California. As discussed in Note 17, the Redevelopment Agency was dissolved effective January 31, 2012. The Corporation was organized for the purpose of encouraging and facilitating the City's economic development, affordable housing and other community programs. The Corporation is governed by a board of directors consisting of the members of the City Council. Under an operating agreement with the Redevelopment Agency, the Corporation received funding from the Agency and will use the funds for redevelopment purposes consistent with the California Community Redevelopment Law, Health and Safety Code Section 33000 and to implement and carry out the Redevelopment Plans. The Corporation also entered into a Service Agreement with the City under which the City will perform the necessary services on an independent contractor basis to eliminate blight, provide affordable housing, improve the public realm, facilitate public and private developments, stimulate economic development, and create jobs. The Corporation is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Corporation. The Corporation became inactive as of June 30, 2015.

The City of Milpitas Housing Authority, formed in February 2011, is a separate government entity whose purpose is to assist with housing City low and moderate income residents. The Housing Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Housing Authority. The Financial activities of the Housing Authority are included in the Housing Authority Special Revenue Fund.

The Milpitas Municipal Financing Authority, formed in March 2016, is a separate government entity whose purpose is to assist with the financing and refinancing of public programs, projects and capital improvements for the benefit of the City and the Housing Authority. The Municipal Financing Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Municipal Financing Authority is controlled by the City and the Housing Authority and has the same governing body as the City, which also performs all accounting and administrative functions for the Municipal Financing Authority. The Financial activities of the Municipal Financing Authority are included in the General Government Capital Projects Fund.

Separate financial statements are not issued for the Milpitas Public Financing Authority, Milpitas Economic Development Corporation, City of Milpitas Housing Authority and Milpitas Municipal Financing Authority.

**Discretely Presented Component Unit**

Terrace Gardens, Inc. is a non-profit public benefit corporation organized in September 1986 for the purpose of developing and managing the operations of a residential complex known as Terrace Gardens, which is located in the City of Milpitas and dedicated to the needs of elderly persons. The former Milpitas Redevelopment Agency funded the construction of Terrace Gardens. City Council can appoint a voting majority of the governing board and approves the annual budget. The City Council exercises control over the Board of Terrace Gardens. Therefore, the financial activities of Terrace Gardens, Inc. as of and for the year ended December 31, 2023, are discretely presented in the Terrace Gardens Inc. Component Unit column of the Statement of Net Position and the Statement of Activities.

Financial statements for Terrace Gardens, Inc. may be obtained from Terrace Gardens, Inc., 186 Beresford Court, Milpitas, CA 95035.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***B. Basis of Presentation***

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Standards require that the financial statements described below be presented.

***Government-wide Statements:*** The Statement of Net Position and the Statement of Activities display information about the primary government, the City and its blended and discretely presented component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, except for interfund services provided and used, which are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including franchise fees that are based on gross receipts and all taxes, are presented as general revenues.

***Fund Financial Statements:*** The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category-*governmental*, *proprietary*, and *fiduciary*-are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues and expenses, such as charges for services and the related costs, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues and expenses, such as subsidies, investment earnings and any related costs, result from nonexchange transactions or ancillary activities.

***C. Major Funds***

Major funds are defined as funds that have either assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City reported the following major governmental funds in the accompanying financial statements:

**General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The major revenue sources for this Fund are sales taxes, property taxes, hotel taxes, unrestricted revenues from the State, fines and forfeitures and interest income. Expenditures are incurred for public safety, public works, recreation services and the other governmental services described above.

**Housing Authority Fund** – Established to plan and address the housing needs of the City and to act as the Housing Successor of the former Redevelopment Agency. The main source of the revenue for this fund is the repayment of loans restricted for housing activities.

**Street Improvement Fund** – Established to account for the construction and maintenance of the street system in Milpitas. Financing is provided through State and Federal grants.

**Transit Area Impact Fee Fund** – Established to account for the capital projects in the transit area. A special transit area impact fee is imposed on developments to provide financing.

**General Government Capital Projects Fund** – Established to account for the construction and maintenance of general government projects. Financing is provided by the General Fund.

The City reported all its enterprise funds as major funds in the accompanying financial statements:

**Water Utility Fund** – Accounts for the provision of water services to residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, billing and collection.

**Sewer Utility Fund** – Accounts for the provision of sewer services to residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, capital improvements, maintenance, financing, and billing and collection.

The City also reports the following fund types:

**Internal Service Funds** – The Equipment Management Internal Service Fund is used to finance and account for the replacement of equipment used by City departments and the maintenance of the online permit development system on a cost reimbursement basis. The Pension Section 115 Internal Service Fund is used to accumulate funds to pay down the City CalPERS Unfunded Accrued Liability.

**Fiduciary Funds** – Trust funds account for assets held by the City as an agent for various functions. The Successor Agency to the Milpitas Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. This fund accounts for winding down the affairs of the former Milpitas Redevelopment Agency and makes payments on the Enforceable Obligation Schedule and disposes of assets and property of the former Redevelopment Agency for the benefit of taxing agencies. The financial activities of this fund are excluded from the City-wide financial statements but is presented in separate Fiduciary Fund financial statements.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Basis of Accounting***

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, including lease liabilities, claims and judgments, and accumulated unpaid vacation, sick pay and other employee benefit amounts, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as *expenditures* in governmental funds. Proceeds of general long-term debt, financing through leases and acquisitions under leases are reported as *other financing sources*.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Other revenues susceptible to accrual are sales taxes, significant building permit fees, and interest revenue. Forfeitures, licenses, other permits and miscellaneous revenue are not susceptible to accrual because they are not measurable until received in cash. Grant funding received in advance of the related expenditure is accounted for as unearned revenue.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by unrestricted resources if necessary.

***E. Prepays, Materials, Supplies and Deposits***

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed, rather than when purchased.

Materials and supplies are valued at cost on a first-in first-out basis. Supplies in the enterprise and internal funds consist principally of materials and supplies for utility and internal operations. Materials and supplies of the governmental funds consist of expendable supplies and materials held for consumption. The cost is recorded as an expense or expenditure in the funds at the time individual inventory items are consumed.

Prepays, materials, supplies and deposits in governmental funds are equally offset by nonspendable fund balance which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***F. Deferred Inflows and Deferred Outflows of Resources***

In addition to assets, the statement of net position or balance sheet reports a separate section for deferred outflows of resources. This separate net statement element, deferred outflows of resources, represents a consumption of net assets or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has pension-related deferred outflows of resources arising from certain changes in the collective net pension liability.

In addition to liabilities, the statement of net position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows of resources arising from certain changes in the collective net pension liability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the City reports deferred amounts related to leases and deferred amounts related to pension and OPEB.

***G. Property Tax***

Santa Clara County assesses properties and bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. Collection of delinquent accounts is the responsibility of the County, which retains all penalties.

The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

***H. Revenue Recognition for Water Utility and Sewer Utility***

Revenues are recognized based on cycle billings rendered to customers. Revenues for services provided but not billed at the end of a fiscal period are not material and are not accrued.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***I. Fair Value Measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

***J. Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***K. Subscription-Based Information Technology Arrangements (SBITAs) Accounting***

A Subscription-Based Information Technology Arrangement (SBITA) is a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

At the commencement of a SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the contract term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets. The City recognizes SBITA liabilities with an initial, individual value of \$500,000 or more for all funds, except for Capital Project Funds which the threshold is set lower at \$300,000, based on the future SBITA payments remaining at the start of the contract.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments as follows:

- The City uses the interest rate charged by the IT vendor as the discount rate. When the interest rate charged by the IT vendor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for subscription liabilities.
- The subscription term includes the noncancelable period of the subscription.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with liabilities on the statement of net position.

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING**

*A. Budgets and Budgetary Accounting*

The City adopts an annual operating budget on or before June 30 of the previous fiscal year, except for the General Government Projects, the Street Improvement, the Park Improvement, the Transit Area Impact Fee and Storm Drain Capital Projects Funds which are budgeted on a project basis. The operating budget takes the form of a one-year financial plan which is adopted in its entirety by the City Council by resolution. As Milpitas is a general law city, it is not subject to a budgetary process prescribed by statute or charter.

The operating budget is subject to supplemental appropriations throughout its term to provide flexibility to meet changing needs and conditions. The City Manager's budget control remains at the level of department and/or project within any one fund. The City Manager may approve supplemental appropriations in the General Fund providing the total increase does not exceed 1% of the original total General Fund expenditure budget subject to the following: All additional appropriations that require the use of reserves must be approved by City Council. Expenditures cannot exceed the appropriated budget at the department level within each fund without City Council approval.

The City Manager is authorized to amend appropriations within the various departments and projects within a fund, provided that the amount of the amended appropriation is \$100,000 or less. Interfund transfers or transfers of an appropriation amount within a fund in which any single instance exceeds \$100,000 require prior approval of the City Council.

Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were amended.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)**

***B. Adjustments to GAAP Basis from Budgetary Basis***

The City Manager budget control remains at the level of department and/or project within any one fund. The City Manager has discretion over an unanticipated reserve (approximately 1% of the General Fund operating budget), adopted by Council during the budget process. All additional appropriations that require the use of reserves must be approved by City Council. Expenditures cannot exceed the appropriated budget at the department level within each fund without City Council approval.

The City Manager is authorized to amend appropriations within the various departments and projects within a fund, provided the amount of the amended appropriation is \$100,000 or less and does not affect the overall appropriations of a fund. Interfund transfers or transfers of an appropriation amount within a fund in which any single instance exceeds \$100,000 require prior approval of the City Council.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 3 – CASH AND INVESTMENTS**

The City pools cash from all sources and all funds except Cash and Investments held by Trustees, so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

**A. Policies**

The City invests in individual investments, money market mutual funds, and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. To increase security, the City employs the Trust and Custody Department of a bank as the custodian of certain City managed investments, regardless of their form.

California Law requires banks and savings and loan institutions to pledge government securities with a fair value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a fair value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

**B. Classification**

Cash and investments are classified in the financial statements as shown below, based on whether their use is restricted under the terms of City debt instruments or other agreements.

Cash and investments available for operations	\$427,858,969
Restricted Cash and Investments	174,765
<b>Total Primary Government cash and investments</b>	<b>428,033,734</b>
Cash and investments available for operations	66,170
Restricted Cash	3,656,956
<b>Total Component Unit cash and investments</b>	<b>3,723,126</b>
Cash and investments in Fiduciary Funds (separate statement)	19,046,473
Restricted Cash and Investments in Fiduciary Funds (separate account)	1,684
<b>Total Fiduciary cash and investments</b>	<b>19,048,157</b>
<b>Total cash and investments</b>	<b>\$450,805,017</b>

Cash and Investments Available for Operations is used in preparing proprietary fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**C. Investments Authorized by the California Government Code and the City's Investment Policy**

The California Government Code and the City's Investment Policy, adopted in September 2024 and updated on an annual basis, and the California allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the City's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality*	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U. S. Treasury Bonds, Notes and Bills	5 Years		100%	No Limit
Federal Agency Obligations	5 Years		100%	30%
Bankers Acceptances	180 Days		40%	5%
Commercial Paper – Pooled Funds	270 Days	A	40%	(A)
Commercial Paper – Non-Pooled Funds	270 Days	A	25%	(A)
Negotiable Certificates of Deposit	5 Years		30%	5%
Repurchase Agreements	1 Year		100%	No Limit
Time Certificates of Deposit – Banks or Savings and Loans (Non- negotiable)	5 Years		100%	No Limit
Medium-Term Corporate Notes	5 Years	A	30%	5%
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand		100%	No Limit
Money Market Funds of Government Securities	Upon Demand	Top Rating Category	20%	10%
Municipal Securities and Municipal Treasury Notes or Bonds	5 Years	A	30%	5%
Mortgage Pass-Through and Asset Backed Securities	5 Years	AA	20%	5%
Collateralized Bank Deposits	Upon Demand		100%	No Limit
Supranational Securities	5 Years	AA	30%	10%

(A) Eligible Commercial Paper may not represent more than 5% of outstanding paper of an issuing corporation.

\*At time of purchase

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**D. Investments Authorized by Debt Agreements and Trust Agreements**

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality*	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U. S. Treasury Bonds, Notes and Bills	5 Years		100%	No Limit
Federal Agency Obligations	5 Years		100%	30%
Time Certificates of Deposit – Banks or Savings and Loans	5 Years		100%	No Limit
Bankers Acceptances	180 Days	A	20%	5%
Commercial Paper – Pooled Funds	270 Days	A	40%	(A)
Commercial Paper – Non-Pooled Funds	270 Days	A	25%	(A)
Negotiable Certificates of Deposit	5 Years		30%	No Limit
Repurchase Agreements	1 Year		100%	No Limit
Medium-Term Corporate Notes	5 Years	AA	30%	5%
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand		No Limit	No Limit
Money Market and Mutual Funds	Upon Demand	Aaa/AAm	20%	10%

(A) The combined total of commercial paper may not represent more than 10% of the outstanding paper and notes of an issuing corporation.

\*At time of purchase

During the fiscal year ended June 30, 2022, the City also implemented investment guidelines for its Section 115 Pension Trust, which authorize investments in a diversified portfolio, including equities and mutual funds, to achieve a 3% to 6% investment earnings goal during the next 5 to 10 years.

**E. Investments Authorized for Terrace Gardens Inc.**

Terrace Gardens, Inc. investments conform with the California Government Code.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**F. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the City's investments (including investments held by trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

Investment Type	12 Months or less	13 to 36 Months	36 to 60 Months	Total	Percentage of Portfolio
<b><i>City and Successor Agency:</i></b>					
Federal Agency Obligations		\$5,350,370	\$7,013,242	\$12,363,612	2.74%
Medium-Term Corporate Notes	\$4,618,775	25,861,059	31,217,146	61,696,980	13.69%
U.S. Treasury Notes	2,955,396	53,633,398	72,917,539	129,506,333	28.73%
California Local Agency Investment Fund	85,170,243			85,170,243	18.89%
Supranationals			16,419,023	16,419,023	3.64%
Mutual Funds (U.S. Securities)	38,597,477			38,597,477	8.56%
Asset Backed Securities	3,658,077	7,954,207	20,052,780	31,665,064	7.02%
Municipal Securities and Municipal Treasury Notes or Bonds			2,186,571	2,186,571	0.49%
<b><i>Terrace Gardens, Inc.:</i></b>					
Nonnegotiable Certificates of Deposit	3,416,525			3,416,525	0.76%
Total Investments	<u>\$138,416,493</u>	<u>\$92,799,034</u>	<u>\$149,806,301</u>	<u>381,021,828</u>	
<b><i>Demand Deposits - City of Milpitas</i></b>				69,476,588	15.41%
<b><i>Demand Deposits - Terrace Gardens</i></b>				306,601	0.07%
Total Cash and Investments				<u>\$450,805,017</u>	<u>100.00%</u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Each regular LAIF account is permitted to have up to 15 transactions per month, with a minimum transaction amount of \$5,000, no maximum transaction amount, and at least 24 hours advance notice for withdrawals of \$10 million or more. Bond proceeds accounts are subject to a one-time deposit with no cap and are set up with a monthly draw down schedule. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2025 these investments matured in an average of 248 days.

Mutual funds are available for withdrawal on demand and at June 30, 2025 matured in an average of 47 days.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**G. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2025 for each of the Primary Government's investment types as provided by Standard and Poor's investment rating system:

Investment Type	AAA/AAAm	AA+/AA/AA-	A+/A/A-	BBB+/BBB	Total
Federal Agency Obligations	\$1,982,438	\$10,381,173			\$12,363,611
Medium-Term Corporate Notes		16,300,327	\$41,037,656	\$4,358,997	61,696,980
Asset Backed Securities	31,665,065				31,665,065
Supranational	16,419,023				16,419,023
Mutual Funds (U.S. Securities)	38,597,477				38,597,477
Municipal Securities and Municipal Treasury Notes or Bonds		2,186,571			2,186,571
<b>Totals</b>	<b>\$88,664,003</b>	<b>\$28,868,071</b>	<b>\$41,037,656</b>	<b>\$4,358,997</b>	<b>\$162,928,727</b>
<i>Not rated:</i>					
California Local Agency Investment Fund				\$85,170,243	\$85,170,243
<i>Terrace Gardens, Inc.:</i>					
Nonnegotiable Certificates of Deposit					3,416,525
<i>Exempt from credit rate disclosure:</i>					
U.S. Treasury Notes				129,506,333	129,506,333
Total Investments				<b>\$214,676,576</b>	<b>\$381,021,828</b>

Terrace Gardens, Inc. invests only in Nonnegotiable Certificates of Deposit. At December 31, 2024, all of Terrace Gardens' Nonnegotiable Certificates of Deposit totaling \$3,416,525 were fully insured by Federal Deposit Insurance.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**H. Fair Value Hierarchy**

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the City's investments as of June 30, 2025:

	Level 2	Total
<i>Investments by Fair Value Level:</i>		
Federal Agency Obligations	\$12,363,612	\$12,363,612
Medium-Term Corporate Notes	61,696,980	61,696,980
U.S. Treasury Notes	129,506,333	129,506,333
Supranational	16,419,023	16,419,023
Asset Backed Securities	31,665,064	31,665,064
Municipal Securities and Municipal Treasury Notes or Bonds	<u>2,186,571</u>	<u>2,186,571</u>
Subtotal	<u><u>\$253,837,583</u></u>	<u><u>253,837,583</u></u>
<i>Investments Measured at Amortized Cost:</i>		
Mutual Funds (U.S. Securities)		38,597,477
<i>Investments Measured at Cost:</i>		
Terrace Gardens, Inc.		
Nonnegotiable Certificates of Deposit		3,416,525
<i>Investments Exempt from Fair Value Hierarchy:</i>		
California Local Agency Investment Fund		<u><u>85,170,243</u></u>
Total Investments		<u><u>\$381,021,828</u></u>

Federal Agency Obligations totaling \$12.4 million, Medium Term Corporate Notes of \$61.7 million, U.S. Treasury Notes totaling \$129.5 million, Supranational totaling \$16.4 million, and Asset Backed Securities of \$31.7 million, classified in Level 2 of the fair value hierarchy, are valued using pricing techniques of matrix pricing or market corroborated pricing, with inputs such as yield curves or indices. These prices are obtained from various pricing sources by our custodian bank.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**I. Significant Investments**

Investments in the securities of any individual issuers, other than U. S. Treasury securities, mutual funds and the California Local Agency Investment Fund, that represent 5% or more of total entity-wide investments are as follows at June 30, 2025:

Issuer	Investment Type	Amount
Federal Home Loan Bank	Federal Agency Obligations	\$5,350,370

**NOTE 4 – INTERFUND TRANSACTIONS**

**A. Transfers Between Funds**

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to move resources from one fund to another. Less often, a transfer may be made to open or close a fund.

Transfers between funds during the fiscal year ended June 30, 2025 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
<b>Governmental Funds:</b>		
General Fund	Community Facilities District Special Revenue Fund	\$3,675,000 (A)
General Fund	Solid Waste Reduction and Services Special Revenue Fund	182,066 (A)
General Fund	Water Utility Enterprise Fund	3,038,508 (A)
General Fund	Sewer Utility Enterprise Fund	1,583,148 (A)
Street Improvement Capital Projects Fund	General Government Capital Projects Fund	719,715 (A) (B) (C)
Street Improvement Capital Projects Fund	Gas Tax Special Revenue Fund	2,353,009 (B)
General Government Capital Projects Fund	General Fund	3,146,061 (B)
General Government Capital Projects Fund	Transit Area Impact Fee Fund	144,000 (B)
General Government Capital Projects Fund	Water Utility Enterprise Fund	687,000 (B)
General Government Capital Projects Fund	Sewer Utility Enterprise Fund	687,000 (B)
General Government Capital Projects Fund	Gas Tax Special Revenue Fund	2,110,000 (B)
General Government Capital Projects Fund	Lighting & Landscape Maintenance District Special Revenue Fund	98,400 (B)
General Government Capital Projects Fund	Public Art Capital Projects Fund	60,000 (B)
General Government Capital Projects Fund	Park Improvement Capital Projects Fund	150,000 (B)
General Government Capital Projects Fund	Equipment Management Internal Service Fund	2,875,425 (B)
Lighting & Landscape Maintenance District Special Revenue Fund	General Fund	45,645 (A)
Storm Drain Development Capital Projects Fund	General Fund	500,000 (A)
Storm Drain Development Capital Projects Fund	General Government Capital Projects Fund	350,000 (B)
	Governmental Funds Subtotal	<b>22,404,977</b>
<b>Internal Service Funds:</b>		
Equipment Management Internal Service Fund	General Fund	300,000 (A)
Equipment Management Internal Service Fund	General Government Capital Projects Fund	629,850 (C)
	Internal Service Funds Subtotal	<b>929,850</b>
	Total Interfund Transfers	<b>\$23,334,827</b>

(A) To Transfer for Operating Cost

(B) To Fund Capital Project

(C) To Return Unexpended Project Funds

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 5 – LOANS RECEIVABLE**

The City and former Redevelopment Agency entered into the loan programs below to improve the quality of housing and to increase the availability of affordable housing, and for other purposes. With the dissolution of the Redevelopment Agency as discussed in Note 17, the City agreed to become the successor to the Redevelopment Agency's housing activities. As a result, the City of Milpitas Housing Authority assumed the loans receivable of the Redevelopment Agency's Housing Reserve Special Revenue Fund as of February 1, 2012.

These loans were comprised of the following at June 30, 2025:

Housing and Community Development Loans:

Rehabilitation Loans	<u>\$3,171,744</u>
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Housing Authority Loans:

Milpitas Housing Associates	3,326,640
Parc Metropolitan Housing Development	45,256
Parc North Associates LLC	483,381
Mid-Peninsula Milpitas Affordable Housing Associates	18,402,495
KB Home South Bay Inc.	1,222,900
Western Pacific Housing Inc.	1,778,529
Shapell Industries	750,000
MIL Aspen Associates, Ltd.	3,512,516
Sango Court, L.P.	<u>7,164,603</u>
Total Housing Authority Loans Receivable	<u>36,686,320</u>
Total Loans Receivable	<u><u>\$39,858,064</u></u>

**A. Rehabilitation Loans**

The City administers a housing rehabilitation program using Housing and Community Development Act funds. Under the Program, individuals with incomes below a certain level are eligible to receive low- or no-interest loans, secured by deeds of trust, for construction work on their homes. On June 30, 2025, the City had outstanding rehabilitation loans of \$3,171,744 in its Housing and Community Development Special Revenue Fund. During the year ended June 30, 2025, the City did not receive any principal payment from all participants and accrued interest of \$8,972.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 5 – LOANS RECEIVABLE (Continued)**

**B. *Milpitas Housing Associates Loan***

In fiscal 1997, the former Redevelopment Agency loaned the Milpitas Housing Associates, a partnership of Bridge Housing and a developer, \$3,000,000 to assist in the financing of the construction of a 306-unit apartment complex. Fifty percent of the units were made available to very low and low income tenants. The Loan bore interest at the rate of 5.45% per year, compounded annually and is repayable in 2040, subject to certain conditions. The loan is secured by a subordinated deed of trust in the third position on the property. In January 2020, the City Council and the Housing Authority Commission approved a restructuring of the loan, which, 1) lowered the interest rate from 5.45% to a simple interest of 3.05% effective July 1, 2017, 2) forgave accrued interest of \$1,541,074 through fiscal year 2017, and 3) approved the foregoing of residual receipts totaling \$200,000 annually. As a result, fiscal year 2018 interest was recalculated to be \$91,500 and accrued and the prior fiscal year 2018 accrued interest of \$247,489 was written off. During fiscal year 2025, interest of \$91,500 was accrued, and as of June 30, 2025, principal and accrued interest outstanding totaled \$3,326,640.

**C. *Parc Metropolitan Housing Development Loans***

The Housing Authority provides loans to eligible low-income families for the purchase of townhome units at the Parc Metropolitan Housing Development. During the year ended June 30, 2025, the Housing Authority received principal payments of \$2,426 and as of June 30, 2025, there were \$45,256 in loans outstanding.

**D. *Parc North Associates LLC Loan***

In September 2003, the former Redevelopment Agency entered into an Owner Participation Agreement with Parc North Associates LLC for the development of 285 town homes and condominiums. Eighteen of the units were made available to very low income households, six of the units were made available to low income households, and thirty-four units were made available to moderate income households. In exchange, the Agency provided a grant of \$1,823,480 to the Developer for permits, fees, and infrastructure, along with silent-second loans to eligible low-income families for the purchase of these town homes and condominium. Interest of 5% begins on the 61<sup>st</sup> month after the recordation of the deeds of trust and continues until the loans are paid in full. During fiscal year 2025, principal of \$11,303 was paid and as of June 30, 2025, there were \$483,381 of such loans outstanding.

**E. *Mid-Peninsula Milpitas Affordable Housing Associates***

In December 2005, the former Redevelopment Agency entered into a Disposition and Development Agreement with Mid-Peninsula Milpitas Affordable Housing Associates for the development of a 103-unit senior housing project with long-term affordability to extremely low and very low income seniors. Under the terms of the Agreement, the Agency provided a grant of \$1 million to the Developer and will provide a development loan up to \$14.6 million to the Developer. No interest is accrued on the first \$5 million of loan proceeds. The remaining \$9.6 million bears simple interest of 3.00% annually. Repayment of interest and principal is payable from surplus operating cash subject to certain conditions as defined in the Agreement, and unpaid principal and accrued interest is due in December 2062. The loan is secured by a second deed of trust on the property. Construction began in fiscal year 2006 and was completed in December 2008. During fiscal year 2025, \$288,000 was accrued, respectively, and as of June 30, 2025, principal and accrued interest outstanding totaled \$18,402,495.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 5 – LOANS RECEIVABLE (Continued)**

**F. KB Home South Bay Inc. Loans**

In January 2005, the former Redevelopment Agency entered into a Disposition and Development Agreement with KB Home South Bay Inc. for the development of a public park and approximately 700 housing units on two parcels (Parcels C and D). In addition, the former Redevelopment Agency would provide a total of \$4,250,000 of silent-second mortgages to eighty-five moderate income households on Parcel C, approximately \$5,000,000 of subsidies to twenty-five moderate income households on Parcel D. The silent-second mortgages are not due for 45 years or upon the sale, renting or leasing of the property. Interest begins on the 37<sup>th</sup> month after the recordation of the Deed of Trust and continues until the loans are paid in full.

Due to changes in the housing market and stricter lending requirements which had created unforeseen challenges in finding qualified buyers for the affordable units, the former Redevelopment Agency amended the Agreement in February 2009 to establish an in-lieu housing payment of \$1,702,000 to remove the affordable restrictions on 46 of the 67 remaining unsold affordable units (\$37,000 for each unit). This amount was paid in equal parts to the Agency and to the County. In addition, the commitment for silent-second mortgages was reduced \$2,300,000 to \$1,950,000, and the total number of affordable units was reduced from 110 to 64.

As of June 30, 2025, there were \$954,900 of loans to Parcel C households outstanding. As of June 30, 2025 subsidies totaling \$1,222,900 had been provided.

**G. Western Pacific Housing Inc., Loans**

In August 2005, the former Redevelopment Agency entered into an Owner Participation Agreement with Fairfield Development, LLC for the development of a 464- unit residential apartment project called Centria, of which 93 units will be deed-restricted for very low- to moderate- income households. In November 2005, the project was purchased by Western Pacific Housing Inc. and obligations of the Owner Participation Agreement were assigned to Western Pacific Housing Inc. The former Redevelopment Agency will provide a grant of \$379,480 for permits, fees, and infrastructure. The former Redevelopment Agency also will provide a total of \$770,000 for silent-second down payment assistance loans for the 22 very-low income units. The loans are not due for 25 years or upon the sale, renting or leasing of the property. Interest will begin on the 61<sup>st</sup> month after the recordation of the Deed of Trust and continues until the loans are paid in full. Principal of \$1,476 was repaid in fiscal year 2025 and as of June 30, 2025 there were \$581,529 such loans outstanding.

In August 2008 the Owner Participation Agreement was amended to reduce the number of units to be constructed by Western Pacific Housing Inc. to 137 and provide for the conversion of 7 of the moderate-income units to low-income units. In addition, in August 2008, the 327 unconstructed units of the project were sold to Lyon Milpitas LLC and the Agency entered into a new Owner Participation Agreement with Lyon Milpitas LLC to complete the construction of the affordable housing units.

In September 2006, the former Redevelopment Agency entered into an Owner Participation Agreement with Western Pacific Housing, Inc. for the development of a 147-unit townhome project called Paragon that includes nine units deed-restricted to very low-income residents and twenty units deed-restricted to moderate income residents. The Agency will provide silent-second loans of \$133,333 to each of the very low income households. Interest will begin on the date of the promissory note but will be forgiven on the fourth anniversary of the date the Deed of Trust recorded at a rate of 20% per year, and principal is due 45 years from the date the Deed of Trust was recorded. As of June 30, 2025, there were \$1,197,000 of silent second loans outstanding.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 5 – LOANS RECEIVABLE (Continued)**

**H. Shapell Industries**

In June 2004, the former Redevelopment Agency entered into an Agreement with Shapell Industries of Northern California for the development of a 65-unit townhome development, which will include twenty deed-restricted affordable housing units for very low- and moderate-income units. In August 2005 the Agency entered into an Owner Participation Agreement with the Developer that, in exchange for the development of housing units, the Agency will provide a total of \$800,000 silent-second mortgages to sixteen moderate-income households. In addition, under the terms of the Agreement, the Agency assisted in the rehabilitation of four existing very low-income units in fiscal 2006. Interest will begin on the date of the promissory note, but will be forgiven on the fourth anniversary of the date the Deed of Trust recorded at a rate of 20% per year, and principal is due 45 years from the date the Deed of Trust was recorded. As of June 30, 2025, there were \$750,000 of silent second loans outstanding.

**I. MIL Aspen Associates, Ltd.**

In April 2007, the former Redevelopment Agency entered into an Owner Participation Agreement with MIL Aspen Associates, Ltd. for the development of a 101-unit multi-family project, of which 100 units will be deed-restricted for very low-income households. Under the terms of the Agreement, during fiscal year 2011 the Agency provided a \$2,300,000 loan to the Developer. The loan bears 5% interest compounded annually on outstanding principal balance, and is repayable in April 17, 2037. Upon June 1 of the year following the issuance of the final certificate of occupancy of the project and the first day of each June during the term of the loan, the Developer shall pay 50% of Surplus Cash generated by the Project, as defined in the Agreement, during the previous calendar year. During the year ended June 30, 2025, interest of \$152,548 and \$174,527 was paid and accrued, and as of June 30, 2025, principal and accrued interest totaled \$3,512,516.

**J. Sango Court, L.P.**

In May 2019, the Housing Authority entered into a development loan agreement with Sango Court, L.P. for construction of affordable housing at 355 Sango Court Apartments of which 101 will be affordable and 1 will be an above moderate income (AMI) managers unit. Under the terms of the Agreement, during fiscal year 2022 the Agency provided a \$6,500,000 loan to the Developer. The loan bears 3% interest compounded annually on outstanding principal balance and must be paid on the earlier of: (a) fifty-five (55) years from the date of conversion, or (b) December 31, 2079, or (c) by acceleration of the loan following a default. During the year ended June 30, 2025, interest of \$664,603 was accrued, and as of June 30, 2025, principal and accrued interest totaled \$7,164,603.

**NOTE 6 – PROPERTY HELD FOR RESALE OR REDEVELOPMENT**

**A. General Fund**

Pursuant to the terms of a settlement agreement between the City, Economic Development Corporation, Housing Authority, Santa Clara County Auditor-Controller, State Controller and other parties, a land parcel was transferred from the Successor Agency to the Housing Authority in June 2014. However, that parcel was not subject to housing-related provisions and was transferred to the City from the Housing Authority in June 2014.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 6 – PROPERTY HELD FOR RESALE OR REDEVELOPMENT (Continued)**

The land parcel is accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer.

As of June 30, 2025, property totaling \$4,200,000 is held by the General Fund.

**B. *Housing Authority***

The former Redevelopment Agency had purchased parcels of land as part of its efforts to develop or redevelop blighted properties within the Redevelopment areas. Such land parcels are accounted for at the lower of cost or net realizable value or agreed-upon sales price if a disposition agreement has been made with a developer. The City agreed to become the successor to the Redevelopment Agency's housing activities. As a result, the City of Milpitas Housing Authority assumed the property held for resale of the Redevelopment Agency's Housing Reserve Fund as of February 1, 2012.

In fiscal year 2010 the Agency purchased five housing units for \$1,503,718 in the Parc Metro Subdivision. During fiscal year 2011, the Agency purchased one additional Parc Metro Subdivision unit for \$305,095, one Centria Subdivision housing unit for \$248,056, and four KB Home Subdivision housing units for \$1,273,892. One of the KB Home Subdivision units with a book value of \$374,253 was sold in August 2011. Two of the KB Home Subdivision units with a book value of \$376,795 and \$294,921 were sold in December 2012 and February 2013, respectively. Four of the Parc Metro Subdivision units were sold in fiscal year 2013, with a total book value of \$1,245,559, and one unit with a book value of \$258,160 was sold in fiscal year 2019. The Centria unit was sold in fiscal year 2017 for \$296,000. In fiscal year 2023, two units were sold with a book value of \$305,095 and \$227,924. The units were purchased to retain them as affordable housing units and are being held for future resale.

In February 2011, the Agency purchased additional property along South Main Street in the amount of \$1,800,000 which is intended to be incorporated into the Midtown Specific Plan for housing development. The purchase of this property had been funded by a loan from the Housing Reserve Special Revenue Fund to the Redevelopment Capital Projects Fund, and with the dissolution of the Agency as of February 1, 2012, the State Department of Finance approved the property as a housing asset and the property was transferred to the Housing Authority as the successor housing agency.

As of June 30, 2025, property totaling \$1,800,000 is held by the Housing Authority. The Housing Authority is required to develop or sell the properties on or before August 31, 2022.

As of the end of 2022, the Housing Authority has completed a Phase II Environmental Site Assessment Study, Asbestos, and Lead-based-Paint Analysis, a property appraisal, and retained broker representation to prepare Parcel 1 for sale. In June 2023, the City Council directed the Office of Economic Development to pause the potential sale of Parcel 1 to explore the potential development of Parcels 1-3. The City will be issuing a Request for Proposals in the spring of 2026 for high-density residential opportunities for Parcels 1-3.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 7 – DEVELOPMENT AND TAX SHARING AGREEMENTS**

The City and former Redevelopment Agency have entered into the development agreements below to provide incentives to develop new businesses, new tax revenues and affordable housing.

**A. *South Main Senior Lifestyles, LLC.***

In August 2009, the former Redevelopment Agency entered into a Disposition and Development Agreement with the South Main Senior Lifestyles, LLC (SMSL) to develop 180 units of “Continuum of Care Senior Housing” (Phase 1 Parcel), of which 63 units will be for very low and low-income households, and 207 units of family housing (Phase 2 Parcel) which will be market rate units. In accordance with the terms of the Agreement, the Agency will acquire the properties and resell them in two phases to the developer prior to construction, subject to certain conditions in the Agreement. In November 2009, the Agency purchased the properties along South Main Street in the amount of \$12,443,137. The sales price for the Phase 1 Parcel will be \$5,022,129, and the sales price for the Phase 2 Parcel will equal the greater of the fair market value of the Phase 2 Parcel as defined in the Agreement or \$7,377,871. In addition, the former Agency’s Housing Reserve Special Revenue Fund was to provide a grant in the amount of \$7.7 million to support the development and operation of the Phase 1 Parcel project.

In March 2011, the Economic Development Corporation assumed the obligations of the Disposition and Development Agreement and on October 18, 2011, a two-year extension to the Agreement was approved to include a more extensive high density residential development plan of sixty-three residential units available at affordable housing cost to income-qualified very low and low income households.

In November 2013, the Housing Authority amended the Disposition and Development Agreement. The amendment states the Authority will convey the properties with a carrying value of \$12,443,137 to the developer as a grant after certain requirements are fulfilled. In addition, the amendment also eliminates the \$7.7 million grant obligation included in the initial agreement. It further amended the number of affordable units from 63 to 48, all at the very low income level for seniors.

In June 2015, the Housing Authority amended the Disposition and Development Agreement to extend the deadline to convey the properties to the developer from November 19, 2015, to June 30, 2017. In April 2017, the Housing Authority amended the Disposition and Development Agreement to extend the deadline from June 30, 2017, to December 31, 2017. On April 5, 2018, the agreement was again amended to extend the deadline to the date on which the grant deed conveying the Phase 1 Parcel to the developer is recorded. In April 2018, the terms of the agreement were fulfilled and the properties were transferred to the developer.

In February 2018, the City entered into a reimbursement agreement with the developer to reimburse the developer for the full actual cost of the design and improvement to replace an existing 8-inch sanitary sewer pipe with a 12-inch pipe. As of June 30, 2025, the City has issued \$702,252 in reimbursements.

**B. *Sales Tax Sharing Agreement***

In June 2009, the City entered into a Sales Tax Sharing Agreement with a corporation that provides process control for the semiconductor and related industries. Under the terms of the Agreement, the City agreed to pay the corporation 50% of the calendar year sales and use tax revenues paid by the corporation and collected by the State Board of Equalization for the City that exceed the tax base. The tax base is defined in the Agreement as the average amount of annual sales tax increment received by the City from the corporation for calendar years 2006, 2007 and 2008. The agreement terminates at the end of calendar year 2025. During the year ended June 30, 2025, the City issued \$200,257 of sales tax to the corporation during fiscal year 2025.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 7 – DEVELOPMENT AND TAX SHARING AGREEMENTS (Continued)**

**C. *Piper Montague Infrastructure Payment Cost Sharing Agreement***

In August 2009, the City entered into a four-party agreement with three developers in the Piper/Montague Subdistrict in which the developers agreed to share in the costs of infrastructure improvements, including street improvements, storm drain installation and a traffic signal, and certain storm water management facilities. Under the terms of the agreement, when one of the developers undertakes a project related to the shared infrastructure improvements or storm water facilities project, that developer receives TASP fee credits equal to the other two developers pro-rata share of the improvements. The other two developers are then to reimburse the City for those TASP fee credits through the payment of the Piper Montague Infrastructure Fee Payment (PMIP), when building permits are issued, as a surcharge to the TASP fee. In the event the developers do not pay the PMIP fees within seven years of the completion date of the improvements, then the City may levy assessments or collect Mello-Roos special taxes from the applicable properties for the applicable share of the improvements. The cost of the shared infrastructure improvements and storm water facilities project is estimated to total \$9.8 million. If a developer's TASP fee credits resulting from the installation of the shared infrastructure exceed its aggregate TASP Fee obligations, the developer is not entitled to a cash payment from the City, but they may be entitled to a credit against other development fees.

The developers completed the shared infrastructure of \$8,690,752 as of June 30, 2025.

**D. *Milpitas Station (San Jose) Venture, LLLP***

In June 2014, the City entered into a Fee Credit Agreement with Milpitas Station (San Jose) Venture, LLLP, which requires the developer to pay TASP fees of \$9,932,643 to defray all or a portion of the improvements and facilities costs associated with the Milpitas Station Project. Under the terms of the agreement, the developer will be entitled to reimbursements totaling \$1,500,000 for construction costs for roadway improvements, pole relocation improvements, and railroad crossing improvements and a park land fee credit totaling \$4,244,486 for the park land dedication to be applied against projected TASP fees. During the year ended June 30, 2025, total reimbursements of \$5,986,485 have been issued to date.

**E. *Anton Milpitas 730 LLC and 750 LLC***

In April 2018, the City entered into a Fee Reimbursement Agreement with Anton Milpitas 750 LLC and Anton Milpitas 730 LLC, which requires the developer to pay TASP fees of \$19,351,735 to defray all or a portion of the improvements and facilities costs associated with the 730 E. Capitol and 750 E. Capitol apartment complexes. Under the terms of the agreement, the developer will be entitled to reimbursements totaling \$7,443,619 for construction costs for parking and a variety of site improvements, including a public park. During the year ended June 30, 2025, the City did not issue park improvement credits; total fee credits of \$7,220,719 have been issued to date.

**F. *LMC Milpitas Holdings I, LLC and Lennar Homes of California***

In July 2017, the City entered into a Fee Reimbursement Agreement with LMC Milpitas Holdings I LLC and Lennar Homes of California, which requires the developer to pay TASP fees of \$16,029,909 to defray all or a portion of the costs of public parks and public recycled water system. Under the terms of the agreement, the developer will be entitled to reimbursements totaling \$4,689,574 for construction and design costs for Montague Expressway and East Penitencia Creek. During the year ended June 30, 2025, no reimbursements were issued, and total reimbursements of \$4,030,688 have been issued to date.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 8 – CAPITAL ASSETS**

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available, except for intangible right to use lease assets, the measurement of which is discussed in **Note 10** below. Contributed capital assets are valued at their estimated acquisition value on the date contributed. The City's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

The City has recorded all its public domain (infrastructure) capital assets, which include landscape, storm, street, and traffic systems.

All capital assets with limited useful lives and the right to use leased assets are required to be depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets. Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years is reported on the statement of net position as a reduction in the book value of capital assets.

Depreciation is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The general capitalization threshold is \$5,000. The City has assigned the useful lives below to capital assets:

	Useful Lives Years
Buildings and improvements	30
Other improvements	20
Machinery and equipment	10
Landscape system	50
Storm system	15-25
Street system	25
Traffic system	20
Water system	30-61
Sewer system	50
Capacity rights	32

Terrace Gardens, Inc. has assigned the following useful lives to its capital assets: Buildings, 50 years; Building improvements, 10-50 years; and Equipment, 5-7 years.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 8 – CAPITAL ASSETS (Continued)**

**A. Governmental Capital Asset Additions, Retirements and Balances**

	Balance at June 30, 2024	Additions	Retirements/ Adjustments	Transfers	Balance at June 30, 2025
Capital assets not being depreciated:					
Land	\$97,439,105				\$97,439,105
Construction in progress	77,357,235	\$7,979,005	(\$572,372)	(\$1,537,232)	83,226,636
Total capital assets not being depreciated	<u>174,796,340</u>	<u>7,979,005</u>	<u>(572,372)</u>	<u>(1,537,232)</u>	<u>180,665,741</u>
Capital assets being depreciated:					
Buildings and improvements	173,371,133			1,278,692	174,649,825
Other improvements	39,689,988				39,689,988
Machinery and equipment	53,224,672	1,750,580	(2,141,385)		52,833,867
Landscape system	31,270,018	94,351			31,364,369
Storm system	75,570,189			258,540	75,828,729
Street system	335,407,887	5,419,271			340,827,158
Traffic system	22,204,595	1,140,472	(130,500)		23,214,567
Intangible Right-to-use subscription asset	823,502	1,484,231	(426,508)		1,881,225
Intangible Right-to-use lease asset		831,707			831,707
Total capital assets being depreciated	<u>731,561,984</u>	<u>10,720,612</u>	<u>(2,271,885)</u>	<u>1,537,232</u>	<u>741,121,435</u>
Less accumulated depreciation for:					
Buildings and improvements	(108,831,020)	(3,656,484)			(112,487,504)
Other improvements	(26,576,943)	(965,745)			(27,542,688)
Machinery and equipment	(40,299,465)	(1,681,092)	2,040,127		(39,940,430)
Landscape system	(18,301,264)	(630,781)			(18,932,045)
Storm system	(73,585,978)	(170,716)			(73,756,694)
Street system	(233,495,803)	(6,001,160)			(239,496,963)
Traffic system	(17,556,008)	(507,333)			(18,063,341)
Intangible Right-to-use subscription asset	(290,648)	(881,322)	426,508		(745,462)
Intangible Right-to-use leased asset		(166,341)			(166,341)
Total accumulated depreciation	<u>(518,937,129)</u>	<u>(14,660,974)</u>	<u>2,040,127</u>		<u>(531,131,468)</u>
Net capital assets being depreciated	<u>212,624,855</u>	<u>(3,940,362)</u>	<u>(231,758)</u>	<u>1,537,232</u>	<u>209,989,967</u>
Governmental activities capital assets, net	<u>\$387,421,195</u>	<u>\$4,038,643</u>	<u>(\$804,130)</u>		<u>\$390,655,708</u>

In fiscal year 2023, the City implemented the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, which required the City to record an intangible right-to-use subscription asset. As a result, a right-to-use subscription asset was recorded in the amount of \$1,881,225. As of June 30, 2025, the City has recorded a net intangible right-to-use subscription asset amounting to \$1,135,763 with accumulated amortization of \$745,461. The subscription asset is offset with a subscription liability as discussed in Note 11.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 8 – CAPITAL ASSETS (Continued)**

Governmental activities construction in progress comprised the following at June 30, 2025:

Project	Total Budget	Actual Costs	Unexpended Budget
Light Rail Median Landscaping	\$5,996,000	\$3,946,346	\$2,049,654
Second SCVWD Water Reservoir & Pump Station	200,000	2,165	197,835
Lower Penitencia Creek	2,425,000	635,639	1,789,361
Montague Pedestrian Overcrossing at Piper Drive	8,750,000	6,189,979	2,560,021
SCVWD Second Water Supply Turnout #2	100,000	689	99,311
Metro Area Police Substation	310,000	47,398	262,602
(Rmb) TASP Linear Trails	3,270,000	499,261	2,770,739
S. Milpitas Blvd. Veh. Bridge at Penitencia	6,400,000	2,816,817	3,583,183
Montague Ped. Overcrossing at Penitencia	3,500,000	2,699,930	800,070
(Rmb) Metro Recycled Water Distribution	605,000	605,000	
SCVWD Zone 1 Pressure Red. Valve	100,000	47	99,953
Trade Zone/Montague Park - Central	600,000	294,136	305,864
McCarthy Blvd Landscape	1,173,756	813,337	360,419
Fire Station Improvements	1,850,000	1,284,229	565,771
City Building Improvement	6,951,061	4,383,035	2,568,026
Sinclair LMD Improvements	276,625	154,234	122,391
City Building, Exterior Painting	600,000	239,992	360,008
PD Communications	3,001,000	2,955,072	45,928
City Building Roofing	1,250,000	900,298	349,702
Police Records Management	988,777	564,425	424,352
Citywide Park Playground	2,703,497	2,041,038	662,459
Annual Sidewalk, Curb & Gutter Repair	4,301,840	3,227,556	1,074,284
Technology Projects	2,015,000	1,683,123	331,877
Midtown Street Light	300,000	264,037	35,963
2017-19 Finance System Upgrade	1,250,000	1,100,549	149,451
Annual Tree Replacement Program	544,000	349,160	194,840
Fire Station #2 Replacement	13,302,800	13,300,328	2,472
Fire Station No. 1 Modular Building	1,120,000	466,398	653,602
Median Conversion Project	600,000	43,015	556,985
Citywide Electronic Record Management System	150,000		150,000
Community Center Roof Renovation	500,000	78	499,922
Community and Senior Center Energy Resilience Project	5,107,597	4,421,115	686,482
Cardoza Park Softball Fields Improvement	800,000	253,835	546,165
City Hall Air Handlers Replacement	2,500,000		2,500,000
Council Chamber AV System Replacement	800,000	799,876	124
Land Management System Replacement	1,500,000		1,500,000
Sport Center Football Bleacher Replacement	200,000	174,213	25,787
Gateway Signage	250,000	40,726	209,274
Bart Project-Storm Improvement	33,000	31,497	1,503
Flap Gate Replacement	500,000	29,132	470,868
Storm Drain System Rehab 17-19	2,616,410	1,237,134	1,379,276
Storm Supervisory Control & Data Acquisition	2,416,590	2,400,000	16,590
Alviso Adobe Renovation	8,359,272	8,307,847	51,425
McCandless Park	12,154,820	11,103,115	1,051,705
Sports Fields Turf Rehabilitation Program	776,000	170,892	605,108
Sandalwood Park Renovation	475,000	417,899	57,101
Minor Sports Courts Rehabilitation	1,200,000	808,558	391,442
Pickleball Improvement	100,000	27,208	72,792
Tyler Implementaion Stage (SBITA)	5,360,500	1,496,278	3,864,222
Total construction in progress	<u><u>\$120,283,545</u></u>	<u><u>\$83,226,636</u></u>	<u><u>\$37,056,909</u></u>

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 8 – CAPITAL ASSETS (Continued)**

**B. Business-Type Capital Asset Additions, Retirements and Balances**

	Balance at June 30, 2024	Additions	Balance at June 30, 2025
Capital assets not being depreciated:			
Land	\$1,133,079		\$1,133,079
Construction in progress	36,600,390	\$6,764,589	43,364,979
Total capital assets not being depreciated	<u>37,733,469</u>	<u>6,764,589</u>	<u>44,498,058</u>
Capital assets being depreciated:			
Distribution facilities	81,197,041		81,197,041
Water Service lines	18,427,501		18,427,501
Sewer lines	88,483,504		88,483,504
Capacity rights	126,645,826	2,661,657	129,307,483
Intangible Right to use subscription asset		176,652	176,652
Total capital assets being depreciated	<u>314,753,872</u>	<u>2,838,309</u>	<u>317,592,181</u>
Less accumulated depreciation for:			
Distribution facilities	(58,631,516)	(1,192,283)	(59,823,799)
Water Service lines	(8,719,101)	(387,965)	(9,107,066)
Sewer lines	(56,629,563)	(1,259,877)	(57,889,440)
Capacity rights	(41,567,015)	(3,973,504)	(45,540,519)
Intangible Right to use subscription asset		(88,326)	(88,326)
Total accumulated depreciation	<u>(165,547,195)</u>	<u>(6,901,955)</u>	<u>(172,449,150)</u>
Net capital assets being depreciated	<u>149,206,677</u>	<u>(4,063,646)</u>	<u>145,143,031</u>
Business-type activities capital assets, net	<u>\$186,940,146</u>	<u>\$2,700,943</u>	<u>\$189,641,089</u>

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 8 – CAPITAL ASSETS (Continued)**

Business-type activities construction in progress comprised the following at June 30, 2025:

Project	Total Budget	Actual Costs	Unexpended Budget
Bart Project-Sewer Improvement	\$243,323	\$242,704	\$619
Sewr Pump Station Rehab. Prgm	2,052,000	775,790	1,276,210
Minor Sewer Projects	313,000	144,501	168,499
Sanitary Supervisory Control & Data	316,600	300,000	16,600
Main Lift Stattion Odor Emissions Control	2,450,000	2,415,808	34,192
Sanitary Sewer CCTV Inspections & Improvements	1,517,996	8,451	1,509,545
Forcemain "A" Project	2,940,000	240,048	2,699,952
Well Upgrade Program	15,990,000	7,129,441	8,860,559
Water Syst Seismic Im	4,382,781	2,056,048	2,326,733
Hydrant Replacement	836,360	658,248	178,112
Demsey Rd Water Line	7,857,772	3,340,981	4,516,791
Automated Water Meter Replace	14,380,661	14,379,467	1,194
BART Project-Water Improvement	2,503,920	2,319,357	184,563
Supervisory Control & Data Acquisition	6,516,600	6,425,785	90,815
Minor Water Projects	3,446,000	2,541,972	904,028
Water Leak Detection & Condition Assessment Program	600,000	386,378	213,622
Asset Renewal and Replacement Program	500,000		500,000
Pinewood Well Facility Rehabilitation Project	500,000		500,000
Pressure Reducing Valve Station Relocation Project	465,000		465,000
Sunnyhills Turnout Rehabilitation Project	1,165,000		1,165,000
	<u>\$68,977,013</u>	<u>\$43,364,979</u>	<u>\$25,612,034</u>

**C. Terrace Gardens, Inc.'s Capital Assets**

The following is a summary of Terrace Gardens Inc.'s changes in capital assets for the fiscal year ended December 31, 2024:

	Balance December 31, 2023	Additions	Retirement	Balance December 31, 2024
Capital assets not being depreciated:				
Land	\$1,565,277			\$1,565,277
Total capital assets not being depreciated	<u>1,565,277</u>			<u>1,565,277</u>
Capital assets being depreciated:				
Buildings	12,107,935			12,107,935
Furniture	793,080		(\$351,991)	441,089
Office equipment	72,216			72,216
Improvements	2,803,128	\$719,191		3,522,319
Total capital assets being depreciated	<u>15,776,359</u>	<u>719,191</u>	<u>(351,991)</u>	<u>16,143,559</u>
Less accumulated depreciation	(10,744,262)	(363,839)		(11,108,101)
Net capital assets being depreciated	<u>5,032,097</u>	<u>355,352</u>	<u>(351,991)</u>	<u>5,035,458</u>
Total capital assets, net	<u>\$6,597,374</u>	<u>\$355,352</u>	<u>(\$351,991)</u>	<u>\$6,600,735</u>

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 8 – CAPITAL ASSETS (Continued)**

**D. Depreciation Allocation**

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

General Government	\$593,256
Public Works	7,692,248
Engineering	2,282,149
Recreation and Community Services	1,271,472
Police	31,948
Fire	327,106
Internal Service Fund	1,415,133
Intangible Right-to-use subscription asset	881,321
Intangible Right-to-use leased asset	<u>166,341</u>
<b>Total Governmental Activities</b>	<b><u>\$14,660,974</u></b>

***Business-Type Activities:***

Water Utility	\$1,624,411
Sewer Utility	5,189,218
Intangible Right-to-use subscription asset	<u>88,326</u>
<b>Total Business-Type Activities</b>	<b><u>\$6,901,955</u></b>

***Discretely Presented Component Unit:***

Terrace Gardens, Inc.	<u>\$355,968</u>
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**E. Sewer Treatment Capacity Rights**

The City has a contract with the San Jose/Santa Clara Wastewater Treatment Plant, known as the Regional Wastewater Facility (RWF), which gives Milpitas and other tributary agencies rights to a percentage of the capacity of their sewage treatment facilities. The contract terminates in 2031 and requires the City to pay its share of operations, capital expenses and debt service on the treatment plant. The City also pays capital costs based on allocated flow capacity rights of 14.25 million gallons per day or about 8.53% of the total plant capacity, 167 million gallons per day. The City has capitalized its share in the amount of \$129,307,484. The operation and maintenance costs are calculated based upon actual sewage flow and strengths. In fiscal year 2025, the City's operation and maintenance share was approximately 5.745% of the total RWF operations.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 9 – LONG-TERM DEBT**

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

**A. Current Year Transactions and Balances**

The City's debt issues and transactions are summarized below and discussed in detail thereafter.

	Original Issue Amount	Balance June 30, 2024	Retirements	Balance June 30, 2025	Current Portion
<b>Governmental Activities Debt - Direct Borrowing:</b>					
<b>2020 General Fund Lease Revenue Bonds</b>					
4.0%, due June 1, 2041	\$18,445,000	\$17,180,000	\$570,000	\$16,610,000	\$625,000
Plus: Unamortized bond premium	2,952,489	173,676	2,778,813		
	<u><u>\$18,445,000</u></u>	<u><u>\$20,132,489</u></u>	<u><u>\$743,676</u></u>	<u><u>\$19,388,813</u></u>	<u><u>\$625,000</u></u>
<b>Business-type Activities Debt</b>					
<b>Wastewater Revenue Refunding Bonds, 2017 Series</b>					
2.0% - 5.0%, due November 1, 2026	\$4,725,000	\$1,765,000	\$560,000	\$1,205,000	\$590,000
Plus: Unamortized bond premium	212,567	70,855	141,712		
<b>Wastewater Revenue Bonds, 2019 Series</b>					
4.0% - 5.0%, due November 1, 2049	29,840,000	27,870,000	560,000	27,310,000	585,000
Plus: Unamortized bond premium	4,579,553	183,182	4,396,371		
<b>Water Revenue Bonds, 2019 Series</b>					
4.0% - 5.0%, due June 1, 2049	17,210,000	15,825,000	340,000	15,485,000	355,000
Plus: Unamortized bond premium	2,551,777	102,071	2,449,706		
<b>Total Business-Type Activities</b>	<u><u>\$51,775,000</u></u>	<u><u>\$52,803,897</u></u>	<u><u>\$1,816,108</u></u>	<u><u>\$50,987,788</u></u>	<u><u>\$1,530,000</u></u>

**B. 2020 General Fund Lease Revenue Bonds**

On November 10, 2020, the Milpitas Municipal Financing Authority issued the 2020 Lease Revenue Bonds (Capital Projects) in the original principal amount of \$18,445,000 to provide funds to finance a portion of the Fire Station No. 2 Replacement project and variety of energy improvement projects. The Bonds bear interest rates of 4.0 %. Interest is payable every June 1 and December 1 beginning on June 1, 2021. Principal on the bonds will be payable on June 1 beginning on June 1, 2022 through 2037, followed by a term bond which will be due June 1, 2041. The Bonds were structured with a par optional redemption date of June 1, 2030. Bonds maturing on June 1, 2041 are subject to mandatory redemption.

**C. Wastewater Revenue Refunding Bonds, Series 2017**

On December 4, 2017, the City issued Wastewater Revenue Refunding Bonds, Series 2017, in the original principal amount of \$4,725,000 to provide funds to prepay an Installment Sale Agreement between the City and the Milpitas Public Financing Authority, thereby defeasing and prepaying all the Certificates of Participation (COP) 2006 Series A and to pay the cost of issuing the 2017 Bonds. The 2006 COPs were called in January 2018. Principal on the 2017 Bonds is payable annually and interest is payable semi-annually through 2027. The 2017 Bonds contain a provision that in an event of default, the Trustee may declare the principal of the bonds, together with all accrued interest at the date of default, immediately due and payable, or exercise any and all rights and remedies available to it under applicable law, including the right to enforce from the City all payments due on the 2017 Bonds, and the City will pay all reasonable fees and expenses incurred by the Trustee and those of its attorneys.

The 2017 Bonds are pledged by net revenues from the City Sewer System.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 9 – LONG-TERM DEBT (Continued)**

**D. *Wastewater Revenue Bonds, Series 2019***

On October 22, 2019, the Milpitas Municipal Financing Authority issued Wastewater Revenue Bonds, Series 2019, in the original principal amount of \$29,840,000 to provide funds for certain improvements to the City's wastewater system. The Bonds bear interest rates of 4.0% to 5.0%. Interest is payable every May 1 and November 1 beginning on May 1, 2020. Principal on the bonds will be payable on November 1 beginning on November 1, 2020 through 2039, followed by a term bond which will be due on November 1, 2049. The Bonds were structured with a par optional redemption date of May 1, 2029. Bonds maturing on May 1, 2049 are subject to mandatory redemption. The Bonds contain a provision that in an event of default, the Trustee may declare the principal of the bonds, together with all accrued interest at the date of default, immediately due and payable, or exercise any and all rights and remedies available to it under applicable law, including the right to enforce from the City all payments due on the Bonds, and the City will pay all reasonable fees and expenses incurred by the Trustee and those of its attorneys.

The 2019 Bonds are pledged by net revenues from the City's Wastewater System and are on parity with the 2017 Bonds. For the fiscal year 2025, net revenues amounted to \$17,680,137 which represented coverage of 7.27 over the \$2,427,200 debt service of both bond issues.

**E. *Water Revenue Bonds, Series 2019***

On October 24, 2019, the Milpitas Municipal Financing Authority issued Water Revenue Bonds, Series 2019, in the original principal amount of \$17,210,000 to provide funds to the City for certain improvements to the City's water system. The Bonds bear interest of 4.0% to 5.0% and interest is payable every June 1 and December 1 beginning on June 1, 2020. Principal on the bonds will be payable on June 1 beginning on June 1, 2020 through 2039, followed by term bonds that are due June 1, 2044 and June 1, 2049 respectively. The Bonds were structured with a par optional redemption date of June 1, 2029. Bonds maturing on June 1, 2044 and June 1, 2049 are subject to mandatory redemption.

The Bonds contain a provision that in an event of default, the Trustee may declare the principal of the bonds, together with all accrued interest at the date of default, immediately due and payable, or exercise any and all rights and remedies available to it under applicable law, including the right to enforce from the City all payments due on the Bonds, and the City will pay all reasonable fees and expenses incurred by the Trustee and those of its attorneys.

The Bonds are collateralized by net revenues from the City's Water System. For fiscal year 2025, net revenues amounted to \$9,433,132 which represented coverage of 9.04 over the \$1,046,450 debt service.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 9 – LONG-TERM DEBT (Continued)**

**F. Debt Service Requirements**

Annual debt service requirements are shown below:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Revenue Bonds		Revenue Bonds	
	Total Principal	Total Interest	Total Principal	Total Interest
2026	\$625,000	\$664,400	\$1,530,000	\$1,939,275
2027	735,000	639,400	1,605,000	1,861,400
2028	830,000	610,000	1,040,000	1,795,775
2029	870,000	576,800	1,095,000	1,742,900
2030	900,000	542,000	1,150,000	1,687,275
2031-2035	5,075,000	2,139,600	6,660,000	7,501,375
2036-2040	6,190,000	1,038,800	8,490,000	5,633,500
2041-2045	1,385,000	55,400	10,595,000	3,539,500
2046-2050			11,835,000	1,215,800
	16,610,000	<u>\$6,266,400</u>	44,000,000	<u>\$26,916,800</u>
Plus: Unamortized bond premium	<u>2,778,813</u>		<u>6,987,788</u>	
	<u><u>\$19,388,813</u></u>		<u><u>\$50,987,788</u></u>	

**NOTE 10 – LEASES**

**A. Policies**

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. The City recognizes lease receivable or liabilities with an initial, individual value of \$500,000 or more for all funds, except for Capital Project Funds which the threshold is set lower at \$300,000, based on the future lease payments remaining at the start of the lease.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 10 – LEASES (Continued)**

**Lessor**

The City is a lessor for noncancelable leases of buildings and facilities. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts as follows:

- The City uses bond interest rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**Lessee**

The City is a lessee for miscellaneous leases. If the lease is over the threshold, the City will recognize a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments as follows:

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, City generally uses bond interest rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that City is reasonably certain to exercise.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 10 – LEASES (Continued)**

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

As of June 30, 2025, the City has one lease for an Automated License Plate Reader (ALPR) Camera subject to GASB 87 as a lessee.

**B. Leases Receivable (City as Lessor)**

The summary for the leases details and balances related to leases receivable and deferred inflows of resources recorded in the General Fund as of June 30, 2025 were:

Property Location	Original Lease Date	Original Term (Years)	Extension (Years)	Expiration Date Including Options	Monthly Revenue as of June 30,	Lease Receivable Balance at June 30, 2025	Deferred Inflow of Resources at June 30, 2025
Fire Station No. 1 Grounds, 777 So. Main Street, Milpitas, CA 95035	6/6/2012	15	25	6/6/2052	\$2,190	\$837,392	\$751,770
HWY680 on CALAVERAS Freeway Sign on 950	2/1/2019	5	20	2/1/2044	2,893	702,073	633,438
Advertising display on the property	8/17/2010	10	30	8/17/2050	8,827	2,062,104	2,015,037
	7/30/2013	30	30	7/30/2073	15,090	9,435,907	8,586,251
				<b>Total</b>	<b>\$29,000</b>	<b>\$13,037,476</b>	<b>\$11,986,496</b>

The future principal and interest lease receivables as of June 30, were as follows:

For the Year Ended June 30	Principal	Interest	Total
2026	\$74,208	\$276,992	\$351,200
2027	82,442	275,332	357,774
2028	91,034	273,493	364,527
2029	99,997	271,467	371,464
2030	109,343	269,246	378,589
2031 - 2035	701,294	1,305,517	2,006,811
2036 - 2040	1,000,611	1,215,693	2,216,304
2041 - 2045	1,276,734	1,091,897	2,368,631
2046 - 2050	1,439,797	950,749	2,390,546
2051 - 2055	1,116,867	808,922	1,925,789
2056 - 2060	1,337,678	683,783	2,021,461
2061 - 2065	1,767,585	519,511	2,287,096
2066 - 2070	2,282,518	305,121	2,587,639
2071 - 2074	1,657,368	55,699	1,713,067
<b>Totals</b>	<b>\$13,037,476</b>	<b>\$8,303,422</b>	<b>\$21,340,898</b>

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 10 – LEASES (Continued)**

**Fire Station No. 1 Grounds**

As shown in the summary table, the City leases a portion of the Tower Leases Area at 777 South Main Street to Capital Telecom Acquisition LLC. The original lease terms were 15 years with a 25-year extension. As of June 30, 2025, the leases had 27 years remaining. The City recognized \$7,613 in lease revenue and \$17,926 in interest revenue during the current fiscal year related to these leases. Also, the City has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term.

**HWY 680 on CALAVERAS**

As shown in the summary table, the City leases a portion of the parcel at 1325 E. Calaveras Blvd. to American Tower. The original lease terms were five years with a 20-year extension. As of June 30, 2025, the leases had 19 years remaining. The City recognized \$19,287 in lease revenue and \$15,179 in interest revenue during the current fiscal year related to these leases. Also, the City has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term.

**Freeway Sign on 950 Thompson**

As shown in the summary table, the City leases the Piercy Toyota dealership site at 950 Thompson Street to Milpitas Auto Properties LLC. The original lease terms were 10 years with a 30-year extension. As of June 30, 2025, the leases had 25 years remaining. The City recognized \$61,291 in lease revenue and \$44,632 in interest revenue during the current fiscal year related to these leases. Also, the City has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term.

**Advertising display on the property**

As shown in the summary table, the City leases parcels for purpose of advertising to be visible from the US interstate 880 to Clear Channel. The original lease terms were 30 years with a 30 year extension. As of June 30, 2025, the leases had 48 years remaining. The City recognized \$178,872 in rental revenue related to these leases. Also, the City has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term.

**C. Leases Payable (City as Lessee)**

A summary of the lease payable transactions for the fiscal year ended June 30, 2025, are as follows:

	Balance	Additions	Retirements	Balance	Current Portion
	June 30, 2024			June 30, 2025	
<b>Governmental Activities</b>					
Automated License Plate Readers (ALPR)	\$0	\$831,707	\$239,815	\$591,892	\$110,860
Total Leases Payable	\$0	\$831,707	\$239,815	\$591,892	\$110,860

**Automated License Plate Readers (ALPR)**

The City entered into a five-year lease agreement as lessee for the use of automated license plate reader cameras that commenced in July 2024. An initial lease liability was recorded in the amount of \$831,707. As of June 30, 2025, the value of the lease liability was \$591,892. The City is required to make annual principal and interest payments of \$127,500. The lease bears the City's incremental borrowing rate of 3.043%. The value of the right-to-use asset as of the end of the current fiscal year was \$665,366, which is net of accumulated amortization of \$166,341.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 10 – LEASES (Continued)**

The future principal and interest lease payments as of June 30, 2025, were as follows:

For the Year Ended June 30	Governmental Activities		
	Principal	Interest	Total
2026	\$110,860	\$16,640	\$127,500
2027	114,281	13,219	127,500
2028	117,808	9,692	127,500
2029	248,943	6,057	255,000
Total	<u>\$591,892</u>	<u>\$45,608</u>	<u>\$637,500</u>

**NOTE 11 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

A summary of subscription-based information technology arrangements (SBITA) transactions for the fiscal year ended June 30, 2025, are as follows:

	Balance June 30, 2024	Remeasurement / Adjustment	Additions	Retirements	Balance June 30, 2025	Current Portion
<b>Governmental Activities</b>						
Subscription Liabilities						
Microsoft 365 - CDW Government LLC	\$413,126	(\$269,842)		(\$143,284)		
Microsoft 365 - SHI International Corp.			\$501,820	(168,815)	\$333,005	\$164,244
Cayenta			392,656	(186,810)	205,846	205,846
Mark 43			986,749	(685,416)	301,333	148,377
Subtotal	<u>\$413,126</u>	<u>(\$269,842)</u>	<u>\$1,881,225</u>	<u>(\$1,184,325)</u>	<u>\$840,184</u>	<u>\$518,467</u>
<b>Business Activities</b>						
Subscription Liabilities						
Cayenta			\$176,653	(\$86,797)	\$89,856	\$89,856
Total	<u>\$413,126</u>	<u>(\$269,842)</u>	<u>\$2,057,878</u>	<u>(\$1,271,122)</u>	<u>\$930,040</u>	<u>\$608,323</u>

In March 2022, the City entered into a three-year SBITA for the purchases of software and software services for Microsoft 365. An initial subscription liability was recorded in the amount of \$842,113 during fiscal year 2023, at the time the subscription was placed into service. Implementation costs and prepayments made on the subscription were included in the measurement of the liability during the year ended June 30, 2023. The contract with CDW Government, LLC ended in February 2025, and the City decided not to renew.

In March 2025, the City entered into a three-year SBITA agreement with SHI International Corporation for the purchase of software and related services for Microsoft 365. An initial subscription liability of \$501,820 was recorded. Implementation costs and prepayments made on the subscription were included in the measurement of the liability during fiscal year 2025.

In July 2020, the City entered into a six-year agreement for Cayenta support and maintenance services with N. Harris Computer Corporation. The first amendment took place in November 2023, extending the contract for another year. The second and current amendment was entered into as of October 2024, extending the contract for an additional two years. An initial subscription liability was recorded in the amount of \$569,309, with \$392,656 in governmental fund and \$176,653 in proprietary fund.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 11 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (Continued)**

In June 2021, the City entered into a six-year agreement for software license and services with Mark 43, Incorporated. The first amendment took place on June 2022, and the second and current amendment was entered into as of October 2022 to add additional software services. An initial subscription liability was recorded in the amount of \$986,749.

As of June 30, 2025, the value of the subscription liability was \$930,043, with \$840,184 in governmental fund and \$89,856 in proprietary fund. The City is required to make annual principal and interest payments throughout the life of the subscription. The subscription has an interest rate of 2.72%. As part of the subscription, the City has recorded an intangible right to use subscription asset and accumulated amortization as disclosed in Note 8.

The future subscription and interest subscription payments as of June 30, 2025 follows:

Governmental Activities:

For the Year Ended June 30	Principal	Interest	Total
2026	\$518,467	\$17,829	\$536,296
2027	321,717	7,800	329,517
Subtotal	<u>\$840,184</u>	<u>\$25,629</u>	<u>\$865,813</u>

Business Activities:

For the Year Ended June 30	Principal	Interest	Total
2026	\$89,856	\$407	\$90,263
Totals	<u>\$930,040</u>	<u>\$26,036</u>	<u>\$956,076</u>

**NOTE 12 – NET POSITION AND FUND BALANCES**

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash, receivables and deferred outflows of resources, less its liabilities and deferred inflows of resources. Portions of a fund's balance may be restricted, committed or assigned for future expenditure.

Net Position is measured on the full accrual basis while Fund Balance is measured on the modified accrual basis, as explained in Note 1D.

**A. Net Position**

Net Position is the excess of all assets and deferred outflows of resources over all liabilities and deferred inflows of resources. Net Position is divided into three captions. These captions apply only to Net Position, which is determined only for proprietary funds and at the Government-wide level, and are described below:

*Net Investment in Capital Assets and Capacity Rights*, describes the portion of Net Position which is represented by the current net book value of the City's capital assets and capacity rights, less the outstanding balance of any debt issued to finance these assets.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 12 – NET POSITION AND FUND BALANCES (Continued)**

*Restricted* describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects and redevelopment funds restricted for community development activities.

*Unrestricted* describes the portion of Net Position which is not restricted as to use.

**B. Fund Balances**

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash, receivables and deferred outflows of resources, less its liabilities and deferred inflows of resources.

The City fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

*Nonspendable* represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Assets not expected to be converted to cash, such as prepaids, notes receivable, and property held for resale are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

*Restricted* fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

*Committed* fund balances have constraints imposed by resolution of the City Council which may be altered only by formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

*Assigned* fund balances are amounts constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. Intent is expressed by the City Council and may be changed at the discretion of the City Council. This category includes encumbrances; nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose; and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

*Unassigned* fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual General Fund balance and residual fund deficits, if any, of other governmental funds.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 12 – NET POSITION AND FUND BALANCES (Continued)**

Detailed classifications of the City's Fund Balances, as of June 30, 2025, are below:

Fund Balance Classifications	Major		Major			Other Governmental Funds	Total		
	Special		Capital Projects						
	Revenue Fund	Housing Authority	Street Improvement Fund	Transit Area Impact Fee Fund	General Government Projects Fund				
General Fund									
<b>Nonspendable:</b>									
Loans receivable									
Prepays, materials, supplies and deposits	\$950,516					\$30,615	\$981,131		
Property held for resale	4,200,000						4,200,000		
<b>Subtotal Nonspendable</b>	<b>5,150,516</b>					<b>30,615</b>	<b>5,181,131</b>		
<b>Restricted for:</b>									
Programs and Maintenance			\$5,501,784			8,733,382	14,235,166		
Housing and community development		\$41,534,342				3,824,563	45,358,905		
Law enforcement services						99,421	99,421		
Solid waste reduction and services						2,474,794	2,474,794		
Assessment district services						3,926,092	3,926,092		
Hetch-Hetchy ground lease						1,537,578	1,537,578		
Community planning						218,820	218,820		
Community benefits						450,566	450,566		
Affordable housing						4,063,295	4,063,295		
Affordable housing unrestricted						3,305,287	3,305,287		
Park improvement projects						8,978,783	8,978,783		
Storm drain projects						7,952,147	7,952,147		
General government projects									
Transit area capital projects				\$71,618,683			71,618,683		
<b>Subtotal Restricted</b>		<b>41,534,342</b>	<b>5,501,784</b>	<b>71,618,683</b>		<b>45,564,728</b>	<b>164,219,537</b>		
<b>Committed to:</b>									
PERS stabilization	7,252,035						7,252,035		
Artificial turf replacement	1,900,000						1,900,000		
Technology replacement	400,000						400,000		
Facilities replacement	3,178,939						3,178,939		
<b>Subtotal Committed</b>	<b>12,730,974</b>						<b>12,730,974</b>		
<b>Assigned to:</b>									
Change in investment market values									
Uninsured claims payable	3,408,154						3,408,154		
Public art projects						1,312,511	1,312,511		
Contracts	1,820,411						1,820,411		
General government capital projects				\$28,262,193			28,262,193		
Other assigned	2,249,648						2,249,648		
<b>Subtotal Assigned</b>	<b>7,478,213</b>			<b>28,262,193</b>		<b>1,312,511</b>	<b>37,052,917</b>		
<b>Unassigned:</b>									
General Fund									
Contingency reserve	23,431,786						23,431,786		
Budget stabilization	23,431,786						23,431,786		
Future deficit	920,172						920,172		
ERAF reserve	2,764,788						2,764,788		
Strategic Property Acquisition Revenue	710,248						710,248		
Community Investment Program	1,970,801						1,970,801		
Unassigned	10,862,102						10,862,102		
<b>Subtotal Unassigned</b>	<b>64,091,683</b>						<b>64,091,683</b>		
<b>Total fund balances</b>	<b>\$89,451,386</b>	<b>\$41,534,342</b>	<b>\$5,501,784</b>	<b>\$71,618,683</b>	<b>\$28,262,193</b>	<b>\$46,907,854</b>	<b>\$283,276,242</b>		

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 12 – NET POSITION AND FUND BALANCES (Continued)**

**C. Fund Balance Policies**

The City's Fiscal Policies, which are annually approved as part of the adoption of the budget, prescribes the City's fund balance requirements and targets.

- 1) The City will fund the following reserves as follows with any General Fund audited year end operating surplus after the General Fund Contingency Reserve and General Fund Budget Stabilization Reserve requirements are met and pension budgetary surplus are allocated to the PERS Rate Stabilization Reserve:
  - **Part I**
    - Contingency Reserve (Policy Statement #41)
    - General Fund Budget Stabilization Reserve (Policy Statement #42)
  - **Part II (any remaining balance)**
    - Pension budgetary surplus allocated to the PERS Rate Stabilization Reserve (Policy Statement #43)
  - **Part III (any remaining balance)**
    - Artificial Turf Replacement (\$230,000) (Policy Statement #54)
  - **Part IV (any remaining balance)**
    - 30% General Government Capital Improvement Fund
    - 20% Storm Drain Fund
    - 10% Affordable Housing
    - 10% Transportation/transit
    - 15% Technology Replacement
    - 10% SPAR (Strategic Property Acquisition Revenue) (Policy #57)
    - 5% Unassigned

- 2) The City will maintain a Contingency Reserve of at least 16.67% or two months of the annual operating expenditures in the General Fund to be used only in the case of dire need as a result of physical or financial emergencies and disasters as determined by the City Council. The City Council will set the reserve amount annually after the results of the prior fiscal year's Annual Comprehensive Financial Report (ACFR) are known. For the year ended June 30, 2025, the reserve is set at \$20,809,168 and classified in the unassigned fund balance.
- 3) The City will maintain a General Fund Budget Stabilization Reserve with a target of 16.67%, or two months, of annual operating expenditures. The purpose of this reserve is to provide budget stability when there are fluctuations that result in lower than projected revenues and or higher than projected expenditures that cannot be rebalanced within existing budget resources in any given fiscal year. This reserve is intended to provide a buffer, or bridge funding, to protect against reducing service levels when these fluctuations occur. This reserve will be funded only after General Fund Contingency Reserve requirements have been met. The City Council will set the reserve amount annually after the results of the prior fiscal year's Annual Comprehensive Financial Report (ACFR) are known. For the year ended June 30, 2025, the reserve is set at \$20,809,168 and classified in the unassigned fund balance.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 12 – NET POSITION AND FUND BALANCES (Continued)**

- 4) The City will maintain in the General Fund and the Water and Sewer Utility Enterprise Funds or in a Section 115 Trust a Public Employees Retirement (PERS) Rate Stabilization Reserve. The City actuary has determined that the General Fund portion of the Unfunded Actuarial Liability for the Miscellaneous Retirement Plan is 84.9%, and for the Water and Sewer Utility Enterprise Funds portion of the Unfunded Actuarial Liability for the Miscellaneous Retirement Plan is 8.5% and 6.6%, respectively. The contributions to the PERS Rate Stabilization Reserve from the Utility Funds shall be consistent with the General Fund contributions. If confirmed by City actuary that contributions are advised for that respective year, then any savings resulting from the pension budgeting methodologies shall be contributed to the PERS Rate Stabilization Reserve. However, the General Fund portion of any pension savings shall only be allocated to the PERS Rate Stabilization Reserve after the General Fund Contingency Reserve and the General Fund Budget Stabilization Reserve requirements have been met. The Utility Funds portion of any pension savings shall only be allocated to the PERS Rate Stabilization Reserve after the Capital Reserve and Rate Stabilization Reserve (RSR) requirements in the Water and Sewer utility funds have been met. If confirmed by City actuary that contributions are advised for that respective year, then additionally, 20% of any General Fund or Enterprise Funds annual operating surpluses shall be allocated to the PERS Rate Stabilization Reserve.
- 5) The City will maintain a capital reserve for artificial turf replacement with a target of \$2 million and an annual set-aside amount of at least \$230,000 until the target is reached. This reserve shall be used to accrue funding for the normal depreciation expense of the City's artificial turf fields over their useful life. Eligible uses of this reserve may include the replacement of the City's artificial turf fields to eliminate large spikes in capital expenses and normalize annual costs.
- 6) Annually, the City will endeavor to transfer \$300,000 from the General Fund to the Technology Replacement Fund set aside in a reserve with a target of \$5 million. This reserve shall be used to accrue funding for technology projects such as the major rehabilitation or replacement of the City's technology infrastructure or new technology initiatives.
- 7) The City will maintain a capital reserve for Facilities Replacement with a target of \$10 million. This reserve shall be used to accrue funding for major rehabilitation or replacement of City facilities (buildings/structures). Eligible uses of this reserve may include both the direct funding of public facility improvements and the servicing of related debt.
- 8) The City will maintain a Storm Drain replacement reserve to replace and repair storm drain pump stations. The City will endeavor to transfer \$500,000 annually from the General Fund to the Storm Drain Fund for this purpose.
- 9) The City will maintain a General Liability and Workers' Compensation Claims Reserve of \$2 million in the General Fund, which will be reviewed for adjustments annually.
- 10) Other reserves designated in the General Fund for investment portfolio market gain and uninsured claims payable will be calculated adjusted annually at appropriate levels.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 12 – NET POSITION AND FUND BALANCES (Continued)**

- 11) The City will maintain capital reserves in the Water and Sewer utility enterprise funds to provide for future capital projects and unanticipated emergencies, such as water main break repairs, pump station repairs. The City will attempt to maintain a capital reserve of approximately 30% of the annual operating and maintenance expenses for the Water utility fund and 25% of the annual operating and maintenance expenses for the Sewer utility fund. The City Council will set the reserve amounts annually after the results of the prior fiscal year's Annual Comprehensive Financial Report (ACFR) are known. For the year ended June 30, 2025, the capital reserve for the Water Operating Fund is set at \$8,638,318 and for the Sewer Operating Fund at \$4,794,755.
- 12) The City will maintain a Rate Stabilization Reserve (RSR) in the Water and Sewer utility enterprise funds with a goal of at least 16.67% or two months of the respective annual operating expenditures after the Capital Reserve requirements have been met. The RSR shall be used to mitigate the effects of occasional shortfalls in revenue or unanticipated expenditures that cannot be re-balanced within existing budgeted resources in any given fiscal year. Revenue shortfalls may result from a number of events such as weather factors (wet weather or drought events and natural disasters), increased water conservation, and poor regional economic conditions. The Rate Stabilization Reserves should be used to assist in smoothing out revenue variability resulting from these factors and ensure that adequate resources are available during such times that might otherwise require large rate increases to utility customers. The City Council will set the reserve amounts annually after the results of the prior fiscal year's Annual Comprehensive Financial Report (ACFR) are known. The RSR funding will be phased within five years, or sooner, as part of the fiscal year end closing process. Thereafter, the replenishment of these reserves may also be incorporated into the annual Adopted Operating Budget if resources are available to replenish the reserves.
- 13) The City will maintain \$2 million infrastructure replacement funds in both the Water and Sewer Utility Enterprise Funds. The goal is to accumulate at least \$2 million a year from each utility fund to set aside for replacement of infrastructure as the infrastructure reaches the end of its useful life.
- 14) The City will maintain a capital reserve in the Equipment Management Internal Service Fund to enable the timely replacement of vehicles and depreciable equipment as cost. The City will maintain a minimum fund balance of at least 30% of the replacement costs for equipment accounted for in this fund.

**D. Net Investment In Capital Assets**

The balances related to Net Investment in Capital Assets are comprised of the following as of June 30, 2025:

	Governmental Activities	Business-Type Activities	Total
Capital Asset, Net of Accumulated Depreciation	\$390,655,708	\$189,641,089	\$580,296,797
Less Capital Debt	(20,820,889)	(50,987,788)	(71,808,677)
Plus Unspent Bond Proceeds	101,523	73,242	174,765
	<hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/>
	\$369,936,342	\$138,726,543	\$508,662,885

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 13 – PENSION PLANS**

**A. General Information**

**Plan Descriptions** – All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2025, are summarized as follows:

	<b>Miscellaneous</b>		
	Classic Tier I	Classic Tier II	PEPRA
	Prior to October 9, 2011	After October 9, 2011	On or after January 1, 2013
Hire date			
Benefit formula	2.7% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% - 2.7%	1.092% - 2.418%	1.0% - 2.5%
Required employee contribution rates	8.0%	7.0%	7.5%
Required employer contribution rates	10.37%	10.37%	10.37%
Required Unfunded Actuarial Liability Contribution	\$7,893,441		
	<b>Safety</b>		
	Classic Tier I	Classic Tier II	PEPRA
	Prior to April 8, 2012	After April 8, 2012	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2.4% - 3%	2.0% - 2.7%
Required employee contribution rates	9%	9%	11.75%
Required employer contribution rates	20.19%	20.19%	20.19%
Required Unfunded Actuarial Liability Contribution	\$12,643,155		

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 13 – PENSION PLANS (Continued)**

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts are billed on a monthly basis, or the City can elect a lump sum payment option. The City's required contributions for the unfunded liability in the Miscellaneous and Safety Plans for the year ended June 30, 2025, were \$7,893,441 and \$12,643,155, respectively, which were made under the lump sum payment option.

**Employees Covered** – The following employees were covered by the benefit terms for each Plan as of the most recent actuarial valuation date of June 30, 2023 and measurement date of June 30, 2024:

	Miscellaneous			Safety		
	Classic Tier I	Classic Tier II	PEPRA Tier	Classic Tier I	Classic Tier II	PEPRA Tier
Inactive employees or beneficiaries currently receiving benefits	474			270		
Inactive employees entitled to but not yet receiving benefits	386			29		
Active employees	74	10	167	63	9	79
Total	934	10	167	362	9	79

**Contributions** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. If the City made additional UAL payments in FY21, FY22 or FY23, CalPERS may have issued letters subsequent to the FY21 Actuarial Valuation to revise the required UAL payment amounts.

In May 2021, the City established a Section 115 irrevocable trust to set aside funds to meet the City's future pension contributions or unfunded liabilities. The Trust is owned and monitored by the City but externally managed by investment professionals. In June 2021, the City transferred \$35.4 million to the Trust, and as of June 30, 2025, the City reported the account balance of the trust of \$40,247,522. This amount has been reported as cash and investments in the Pension Section 115 Internal Service Fund.

**B. Net Pension Liability**

The City's net pension liability for each Plan is measured as the total pension liability less the pension plan's fiduciary net position. The net pension liability of each Plan is measured as of June 30, 2024, using an annual actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 13 – PENSION PLANS (Continued)**

***Actuarial Assumptions*** – The total pension liabilities as of the June 30, 2024 measurement date were determined using the following actuarial assumptions:

	Miscellaneous and Safety (1)
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	(2)
Investment Rate of Return	6.90% (3)
Mortality	Derived using CalPERS Membership Data for all Funds (4)
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

(1) Actuarial assumptions are the same for all benefit tiers (Classic Tier I, Classic Tier II, and PEPRA)

(2) Varies by entry age and service

(3) Net of pension plan investment expenses, including inflation

(4) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2023 valuation was based on the results of a November 2021 actuarial experience study for the period 2001 to 2019. Further details of the Experience Study can be found on the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

***Discount Rate*** – The discount rate used to measure the total pension liability for each Plan was 6.90%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 13 – PENSION PLANS (Continued)**

The expected real rates of return by asset class are as follows:

Asset Class (1)	Assumed Asset Allocation	Real Return (1), (2)
Global Equity-Cap Weighted	30.0%	4.54%
Global Equity-Non-Cap Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
<b>Total</b>	<b>100.00%</b>	

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021 Asset Liability Management study.

**C. Changes in the Net Pension Liability**

The changes in the Net Pension Liability for each Plan follows:

	<b>Miscellaneous Plan</b>		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2023 (Measurement Date)</b>	<b>\$299,465,454</b>	<b>\$204,941,414</b>	<b>\$94,524,040</b>
<b>Changes in the year:</b>			
Service cost	4,906,642		4,906,642
Interest on the total pension liability	20,495,673		20,495,673
Differences between actual and expected experience	3,449,920		3,449,920
Changes of assumptions			
Changes in benefit terms			
Contribution - employer		10,021,582	(10,021,582)
Contribution - employee		2,380,561	(2,380,561)
Net Plan to Plan Resource Movement			
Net investment income		19,635,969	(19,635,969)
Administrative expenses		(166,761)	166,761
Other Miscellaneous Income/(Expense)			
Benefit payments, including refunds of employee contributions	(16,659,881)	(16,659,881)	
<b>Net changes</b>	<b>12,192,354</b>	<b>15,211,470</b>	<b>(3,019,116)</b>
<b>Balance at June 30, 2024 (Measurement Date)</b>	<b>\$311,657,808</b>	<b>\$220,152,884</b>	<b>\$91,504,924</b>

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 13 – PENSION PLANS (Continued)**

	<b>Safety Plan</b>		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2023 (Measurement Date)</b>	<b>\$442,473,974</b>	<b>\$277,199,543</b>	<b>\$165,274,431</b>
<b>Changes in the year:</b>			
Service cost	7,878,824		7,878,824
Interest on the total pension liability	30,227,860		30,227,860
Differences between actual and expected experience	3,842,917		3,842,917
Changes of assumptions			
Changes in benefit terms			
Contribution - employer	16,708,481		(16,708,481)
Contribution - employee	3,369,456		(3,369,456)
Net Plan to Plan Resource Movement			
Net investment income	26,690,229		(26,690,229)
Administrative expenses	(225,558)		225,558
Other Miscellaneous Income/(Expense)			
Benefit payments, including refunds of employee contributions	(24,342,730)		(24,342,730)
<b>Net changes</b>	<b>17,606,871</b>	<b>22,199,878</b>	<b>(4,593,007)</b>
<b>Balance at June 30, 2024 (Measurement Date)</b>	<b>\$460,080,845</b>	<b>\$299,399,421</b>	<b>\$160,681,424</b>
<b>Grand Totals - Both Plans</b>	<b>\$771,738,653</b>	<b>\$519,552,305</b>	<b>\$252,186,348</b>

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate*** – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<b>Miscellaneous</b>	<b>Safety</b>
1% Decrease	5.90%	5.90%
Net Pension Liability	\$131,591,499	\$221,681,328
Current Discount Rate	6.90%	6.90%
Net Pension Liability	\$91,504,924	\$160,681,424
1% Increase	7.90%	7.90%
Net Pension Liability	\$58,395,776	\$110,525,732

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 13 – PENSION PLANS (Continued)**

**D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2025, the City recognized pension expense of \$14,683,606 for the Miscellaneous Plan and \$22,764,745 for the Safety Plan, for total pension expense of \$37,448,351. On June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Miscellaneous Plan</b>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions after the measurement date	\$11,363,676	
Differences between actual and expected experience	3,223,746	
Changes of assumptions		
Net differences between projected and actual earnings on plan investments	3,047,405	
<b>Total</b>	<b>\$17,634,827</b>	<b>\$0</b>

General Fund typically has been used in prior years to liquidate pension liabilities.

	<b>Safety Plan</b>	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions after the measurement date	\$18,294,494	
Differences between actual and expected experience	6,957,695	
Changes of assumptions		
Net differences between projected and actual earnings on plan investments	4,055,917	
<b>Total</b>	<b>\$34,119,367</b>	<b>\$0</b>
<b>Grand Totals - Both Plans</b>	<b>\$51,754,194</b>	<b>\$0</b>

\$29,658,170 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization	
	Miscellaneous	Safety
2025	\$2,086,099	\$5,458,776
2026	6,219,237	11,041,329
2027	(903,105)	442,128
2028	(1,131,080)	(1,117,360)
	<b>\$6,271,151</b>	<b>\$15,824,873</b>

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 13 – PENSION PLANS (Continued)**

***E. Public Agency Retirement System***

The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by either Social Security or an alternative plan.

The City part-time, seasonal and temporary employees are covered under the Public Agency Retirement System (PARS), a defined contribution plan, which requires these employees to contribute 6% and the City to contribute 1.5% of the employees pay plus administration costs.

The City required contributions of \$28,018 and the employee's required contributions of \$18,458 were made during the fiscal year ending June 30, 2025.

**NOTE 14 – EMPLOYEE BENEFITS**

***A. Deferred Compensation Plan***

City employees may defer a portion of their compensation under a City sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this Plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not City property and not subject to City control, they are excluded from these financial statements.

***B. Retiree Medical Benefits***

The liability for explicit subsidy benefits for the dependents of City retirees were previously included together with other City plan OPEB liabilities. However, the City was also contributing directly toward the cost of these dependent benefits by making negotiated contributions determined as a percentage of payroll for active employees in each bargaining group, effectively contributing twice. Beginning with fiscal year 2020, the total OPEB liability for these dependent fund benefits is now being determined and reported separately. Further discussion is included in Note 13C and 13D.

The City provides postretirement health care benefits through its defined benefit Retiree Medical Benefits Agent Multiple-employers Plan to employees who retire in good standing from the City after attaining the age of 50 and to certain employees who retire due to disability. As of June 30, 2025, there were 347 participants receiving these health care benefits.

The City joined the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CALPERS, consisting of an aggregation of single-employer plans. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 14 – EMPLOYEE BENEFITS (Continued)**

To qualify for postemployment medical and dental benefits an employee must retire from the City and maintain enrollment in one of the City eligible health plans. In addition, there are eligibility rules and contribution requirements defined in the Memorandum of Understanding (MOU) with each employee group. In the MOUs, the Benefit Cap is defined as not more than the single medical premium rate paid by the City for active employees, and the Retiree Cap is 15% above the single Kaiser medical premium rate. The eligibility rules for each MOU are summarized below, starting with benefits for retirees, followed by benefits for dependents.

Medical Benefit for Retirees:

Hire/Retirement Date		Date of Retirement	Eligibility Rule (Continuous Years of Service)	City Contribution Requirement
Professional / Technical (PROTECH)	Before July 1, 1995	Before June 30, 1989	n/a	PEMHCA Minimum Only
		After July 1, 1990 but before September 1, 2002	Less than 5	PEMHCA Minimum Only
			At least 5	Any employee only medical premium rate
		After August 31, 2002	Less than 5	PEMHCA Minimum Only
	After June 30, 1995	Any	At least 5	Benefit Cap
			Less than 5	PEMHCA Minimum Only
			5 but less than 9	Up to 25% of the Benefit cap
			9 but less than 14	Up to 50% of the Benefit Cap
			14 but less than 19	Up to 75% of the Benefit Cap
			At least 19	Up to 100% of the Benefit Cap
Mid-Management and Confidential (LIUNA) (Began 9/2003)	Before July 1, 1995	Any	Less than 5	PEMHCA Minimum Only
			At least 5	Benefit cap
	After June 30, 1995	Any	Less than 5	PEMHCA Minimum Only
			5 but less than 9	Up to 25% of the Benefit Cap
			9 but less than 14	Up to 50% of the Benefit Cap
			14 but less than 19	Up to 75% of the Benefit Cap
			At least 19	Up to 100% of the Benefit Cap
			Before January 1, 1989	n/a
			Less than 5	PEMHCA Minimum Only
			At least 5	Any employee only medical premium rate
Unrepresented Miscellaneous and Fire*	Before July 1, 1995	After August 31, 2002	Less than 5	PEMHCA Minimum Only
			At least 5	Benefit cap
			Less than 5	PEMHCA Minimum Only
			5 but less than 10	Up to 25% of the Benefit Cap
	After June 30, 1995	Any	10 but less than 15	Up to 50% of the Benefit Cap
			15 but less than 20	Up to 75% of the Benefit Cap
			At least 20	Up to 100% of the Benefit Cap

- In the grid above and on the following pages, “Benefit Cap” refers to the single medical premium rate paid by the City for active employees, currently Kaiser.
- “Retiree Cap” refers to 115% of the Benefit Cap.
- Upon reaching Medicare, the City contributes up to 100% of the employee only Medicare rates. “Vesting” percentages still apply.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 14 – EMPLOYEE BENEFITS (Continued)**

Medical benefits for retirees (continued):

Hire/Retirement Date		Date of Retirement	Eligibility Rule (Continuous Years of Service)	City Contribution Requirement
Unrepresented Police ONLY*	Before July 1, 1995	Before January 1, 1989	n/a	PEMHCA Minimum Only
		After December 31, 1988 but before July 1, 2003	Less than 5	PEMHCA Minimum Only
		After June 30, 2003	At least 5	Any employee only medical premium rate
		After June 30, 2003	Less than 5	PEMHCA Minimum Only
		After June 30, 2003	At least 5	Retiree Cap
	After June 30, 1995	Any	Less than 5	PEMHCA Minimum Only
		Any	5 but less than 10	Up to 25% of the Retiree Cap
		Any	10 but less than 15	Up to 50% of the Retiree Cap
		Any	15 but less than 20	Up to 75% of the Retiree Cap
		Any	At least 20	Up to 100% of the Retiree Cap
Fire Safety (IAFF)	Before January 1, 1995	Before January 1, 1990	n/a	PEMHCA Minimum Only
		After December 31, 1989 but before January 1, 1995	Less than 1	PEMHCA Minimum Only
		After December 31, 1994 but before February 21, 2007	At least 1	Any employee only premium
		After February 20, 2007	Less than 1	PEMHCA Minimum Only
		After February 20, 2007	1 but less than 10	Up to 50% of the lesser of the Retiree Cap and the premium rate
		After February 20, 2007	At least 10	Up to 100% of the lesser of the Retiree Cap and the premium rate
	After December 31, 1994	Before February 21, 2007	Less than 1	PEMHCA Minimum Only
		Before February 21, 2007	1 but less than 10	Up to 25% of the Benefit Cap
		Before February 21, 2007	10 but less than 15	Up to 50% of the Benefit Cap
		Before February 21, 2007	15 but less than 20	Up to 75% of the Benefit Cap
		Before February 21, 2007	At least 20	Up to 100% of the Benefit Cap
		After February 20, 2007	Less than 1	PEMHCA Minimum Only
		After February 20, 2007	1 but less than 10	25% of the lesser of the Retiree Cap and the premium rate
		After February 20, 2007	10 but less than 15	50% of the lesser of the Retiree Cap and the premium rate
		After February 20, 2007	15 but less than 20	75% of the lesser of the Retiree Cap and the premium rate
		After February 20, 2007	At least 20	100% of the lesser of the Retiree Cap and the premium rate

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 14 – EMPLOYEE BENEFITS (Continued)**

Medical benefits for retirees (continued):

Hire/Retirement Date	Date of Retirement	Eligibility Rule	
		(Continuous Years of Service)	City Contribution Requirement
Police (MPOA)	Before January 1, 1996	Before January 1, 1989	n/a
		After December 31, 1988 but before July 1, 2003	Less than 5 At least 5
		After June 30, 2003	Less than 5 At least 5
	After December 31, 1995	Before July 1, 2003	Less than 1 1 but less than 9 9 but less than 14 14 but less than 19 At least 19
		After June 30, 2003	Less than 1 1 but less than 9 9 but less than 14 14 but less than 19 At least 19
		Before July 16, 1989	n/a
		After July 17, 1989 but before March 19, 2003	Less than 5 At least 5
	After June 30, 1996	After March 18, 2003	Less than 5 At least 5
Employee Association (MEA)		Any	Less than 1 1 but less than 10 10 but less than 15 15 but less than 20 At least 20
Before July 1, 1996	Before July 1, 1996	n/a	
	After June 30, 1996 and before November 27, 2007	Less than 5 At least 5	
	After November 26, 2007	Less than 5 At least 5	
	After November 27, 2007	Less than 5 5 but less than 9 9 but less than 14 14 but less than 19 At least 19	
Supervisors (MSA) (Ended June, 30, 2012)	After June 29, 1995	Before July 1, 1996	n/a
		After June 30, 1996 and before November 27, 2007	Less than 5 At least 5
		After November 26, 2007	Less than 5 At least 5
		After November 27, 2007	Less than 5 Up to 25% of the Benefit Cap Up to 50% of the Benefit Cap Up to 75% of the Benefit Cap Up to 100% of the Benefit Cap
		After November 27, 2007	Less than 5 Up to 25% of the Benefit Cap Up to 50% of the Benefit Cap Up to 75% of the Benefit Cap Up to 100% of the Benefit Cap

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 14 – EMPLOYEE BENEFITS (Continued)**

Medical benefits for dependents:

<b>Group</b>	<b>Date of Hire</b>	<b>Date of Retirement</b>	<b>Minimum Years of Continuous Service</b>	<b>City Contribution for Dependent Medical Premiums<sup>1</sup></b>
Professional / Technical (PROTECH)	Before July 1, 1995	After December 4, 2006	At least 5	Up to 100% of family/dependent premium
	5 but less than 9		Up to 25% of the family/dependent premium	
	9 but less than 14		Up to 50% of the family/dependent premium	
	14 but less than 19		Up to 75% of the family/dependent premium	
	At least 19		Up to 100% of the family/dependent premium	
Mid-Management and Confidential (LIUNA)	Before July 1, 1995	After January 1, 2007	At least 5	Up to 100% of family/dependent premium
	5 but less than 9		Up to 25% of the family/dependent premium	
	9 but less than 14		Up to 50% of the family/dependent premium	
	14 but less than 19		Up to 75% of the family/dependent premium	
	At least 19		Up to 100% of the family/dependent premium	
Unrepresented (UNREP-Police) <sup>2</sup>	Before January 1, 1996	After June 30, 2003	At least 5	100% of family/dependent premiums
	5 but less than 9		Up to 25% of the family/dependent premium	
	9 but less than 14		Up to 50% of the family/dependent premium	
	14 but less than 19		Up to 75% of the family/dependent premium	
	At least 19		Up to 100% of the family/dependent premium	
Unrepresented (UNREP-Fire) <sup>3</sup>	Before January 1, 1996	After September 4, 2007	At least 5	100% of family/dependent premiums
	5 but less than 9		Up to 25% of the family/dependent premium	
	9 but less than 14		Up to 50% of the family/dependent premium	
	14 but less than 19		Up to 75% of the family/dependent premium	
	At least 19		Up to 100% of the family/dependent premium	

<sup>1</sup> Family/Dependent Medical Premium is active employee Single OR Family medical premium rate less retiree's Single medical reimbursement.

<sup>2</sup> If the UNREP-Police fund is depleted, MPOA will provide funding for the dependent benefits. Effective September 1, 2019, MPOA will Administer dependent medical benefits for Unrep Police.

<sup>3</sup> The Fire Chief is ineligible for dependent fund benefits.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 14 – EMPLOYEE BENEFITS (Continued)**

Medical benefits for dependents (continued):

Group	Date of Hire	Date of Retirement	Minimum Years of Continuous Service	City Contribution for Dependent Medical Premiums <sup>1</sup>
Unrepresented (UNREP-Misc) <sup>5</sup>	Before January 1, 1996  After December 31, 1995	After June 30, 2018	At least 5	100% of family/dependent premiums
			5 but less than 9	Up to 25% of the family/dependent premium
			9 but less than 14	Up to 50% of the family/dependent premium
			14 but less than 19	Up to 75% of the family/dependent premium
			At least 19	Up to 100% of the family/dependent premium
Fire Safety (IAFF) <sup>4</sup>	Before January 1, 1995  After December 31, 1994	After February 19, 2007	5 but less than 9	50% of family/dependent medical premiums
			At least 10	100% of family/dependent medical premiums
			5 but less than 9	Up to 25% of the family/dependent premium
			9 but less than 14	Up to 50% of the family/dependent premium
			14 but less than 19	Up to 75% of the family/dependent premium
			At least 19	Up to 100% of the family/dependent premium
Police (MPOA)	Before January 1, 1996  After December 31, 1995	After June 30, 2003	At least 5	100% of family/dependent premiums
			5 but less than 9	Up to 25% of the family/dependent premium
			9 but less than 14	Up to 50% of the family/dependent premium
			14 but less than 19	Up to 75% of the family/dependent premium
			At least 19	Up to 100% of the family/dependent premium
Employee Association (MEA)	Before June 30, 1996  After June 29, 1996	After June 30, 2003	At least 5	100% of any family/dependent medical premiums
			5 but less than 10	Up to 25% of the lowest family/dependent premium
			10 but less than 15	Up to 50% of the lowest family/dependent premium
			15 but less than 20	Up to 75% of the lowest family/dependent premium
			At least 20	Up to 100% of the lowest family/dependent premium

<sup>1</sup> Family/Dependent Medical Premium is active employee Single+1 OR Family medical premium rate less retiree's Single medical reimbursement.

<sup>4</sup> The amounts paid for dependents are adjusted to keep the fund viable. Currently, the IAFF dependent fund pays the following amounts:

- \$300 per month for 1 dependent

- \$500 per month for two or more dependents

<sup>5</sup> The Fire Chief is eligible for dependent fund benefits in Unrep Misc group.

**C. Net OPEB Liability**

**Funding Policy and Contributions** – The City policy is to prefund these benefits by accumulating assets with CERBT discussed above pursuant to the City's annual budget approved by Council. For the year ended June 30, 2025, the City's contributions to the Plan were \$2,795,021.

**Employees Covered by Benefit Terms** – Membership in the plan consisted of the following at the measurement date of June 30, 2024:

Active employees	393
Inactive employees or beneficiaries currently receiving benefit payments	336
Inactive employees entitled to but not yet receiving benefit payments	102
<b>Total</b>	<b>831</b>

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 14 – EMPLOYEE BENEFITS (Continued)**

**Actuarial Methods and Assumptions** – The City net OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2024, that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2025, based on the following actuarial methods and assumptions:

Actuarial Assumptions	
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.50%
Salary Increase	3.00%
Investment Rate of Return	6.25%
Mortality Rate	MacLeod Watts Scale of 2022 applied generationally
Healthcare Trend Rate	6.5 in 2025, fluctuates until ultimate rate of 3.9% in 2075

The underlying mortality assumptions were based on the Macleod Watts Scale 2022, which is a two-dimensional mortality improvement scale reflecting both age and year of mortality improvement. The underlying base scale is Scale MP-2021 which has two segments: (1) historical improvement rates for the period 1951-2017 and (2) an estimate of future mortality improvement for years 2018-2020 using the Scale MP-2021 methodology but utilizing the assumptions obtained from Scale MP-2015. The Macleod Watts scale then transitions from the 2020 improvement rate to the Social Security Administration (SSA) Intermediate Scale linearly over the 10-year period 2021-2030. After this transition period, the Macleod Watts Scale uses the constant mortality improvement rate from the SSA Intermediate Scale from 2028-2042. The SSA's Intermediate Scale has a final step down in 2045 which is reflected in the Macleod Watts scale for years 2045 and thereafter. Over the ages 95 to 117, the SSA improvement rate is graded to zero.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The City's accumulated assets are allocated using one of three diversified allocation strategies offered by CERBT. The target allocation for each major asset class using Strategy 2 is summarized in the following table:

Asset Class	Target Allocation
Global Equities	49.0%
Fixed Income	23.0%
Global Real Estate (REITs)	20.0%
Treasury Inflation Protected Securities	5.0%
Commodities	3.0%
Total	<u>100.0%</u>

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 14 – EMPLOYEE BENEFITS (Continued)**

***Discount Rate***

*Explicit Subsidy Liability* – The City expects the trust assets to yield 6.15 over the long term, based on information published by CalPERS as of the June 30, 2025 valuation date. Net contributions to the trust in recent years have been set at a level to prefund the explicit portion of benefits, with no advance funding of the implicit subsidy liability. Accordingly, the discount rate used for the City's explicit OPEB liability is 6.15%.

*Implicit Subsidy Liability* – The City expects to continue to fund the implicit subsidy liability on a pay-as-you-go basis. Therefore, the Fidelity 20 year AA General Obligation Municipal Bond Index was used in determining the discount rates used to calculate the implicit subsidy liability. As of the end of the Measurement Period, the discount rates for the Fidelity index were 3.86%.

***Changes in Net OPEB Liability*** – The changes in the net OPEB liability follows:

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability/(Asset) (a) - (b)</b>
Balance at June 30, 2024	\$71,999,930	\$55,933,812	\$16,066,118
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	2,122,257		2,122,257
Interest on the total OPEB liability	4,439,933		4,439,933
Changes in benefit terms			
Differences between expected and actual experience			
Changes of assumptions	(881,178)		(881,178)
Contributions from the employer		2,123,941	(2,123,941)
Net investment income		6,079,033	(6,079,033)
Plan Experience	1,000,491		1,000,491
Administrative expenses		(18,247)	18,247
Benefit payments	(3,856,305)	(3,856,305)	
Net changes	2,825,198	4,328,422	(1,503,224)
Balance at June 30, 2025 (Measurement Date 6/30/24)	<u>\$74,825,128</u>	<u>\$60,262,234</u>	<u>\$14,562,894</u>

The benefit payments and refunds include implied subsidy benefit payments in the amount of \$2,618,349.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 14 – EMPLOYEE BENEFITS (Continued)**

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates***

– The following presents the net OPEB liability of the City, as well as what the City net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate		
Discount Rate -1%	(6.25%)	Discount Rate +1%
<u><u>\$24,187,423</u></u>	<u><u>\$14,562,894</u></u>	<u><u>\$661,400</u></u>

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability/(Asset)		
Healthcare Cost		
Trend Rates		
<u><u>1% Decrease</u></u>	<u><u>(5.40%-4.00%)</u></u>	<u><u>1% Increase</u></u>
<u><u>\$5,844,717</u></u>	<u><u>\$14,562,894</u></u>	<u><u>\$25,304,054</u></u>

**D. Dependent Fund Post Employment Benefit (OPEB) Plan (Total OPEB Liability)**

**Plan Description** – The City provides continuation of medical coverage to its retiring employees and their eligible dependents, through its defined benefit Retiree Medical Benefits Agent Multiple-employers plan. Pursuant to various bargaining agreements with different employee groups, the City contributes a percent of total payroll toward the cost of medical coverage for the eligible dependents of retirees. The City does not define the eligibility for or amount of any such benefits paid, nor is it legally obligated to make any payments to these dependents. The extent of the City's obligation is to make the negotiated contributions to the funds. However, the City has determined that a liability for the projected cost of these benefits must be reported in its financial statements in accordance with current accounting standards. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

**Employees Covered by Benefit Terms** – Membership in the plan consisted of the following at the measurement date of June 30, 2024:

Active employees	393
Inactive dependents of retirees currently receiving benefit payments	137
Inactive employees entitled to but not yet receiving benefit payments	31
<b>Total</b>	<b>561</b>

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 14 – EMPLOYEE BENEFITS (Continued)**

**Actuarial Methods and Assumptions** – The Union Dependent Funds’ total OPEB liability was measured as of June 30, 2024 and the total OPEB liability was determined by an actuarial valuation dated June 30, 2024, that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2024 based on the following actuarial methods and assumptions:

Actuarial Assumptions	
Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Actuarial Assumptions:	
Discount Rate	3.86% as of June 30, 2024
Inflation	2.50%
Salary Increase	3.00%
Investment Rate of Return	3.86%
Mortality Rate	MacLeod Watts Scale of 2022 applied generationally from 2015
Healthcare Trend Rate	6.0% in 2026 fluctuating to 3.9% for years 2076 and thereafter

**Changes in Total OPEB Liability** – The changes in the total OPEB liability follows:

	Increase (Decrease)
	Total OPEB
	Liability
	(a)
Balance at June 30, 2023	<u>\$31,841,662</u>
Changes Recognized for the Measurement Period:	
Service Cost	1,079,540
Interest on the total OPEB liability	1,248,402
Changes in benefit terms	
Differences between expected and actual experience	809,405
Changes of assumptions	(295,776)
Contributions from the employer	
Net investment income	
Other Expenses	
Plan Experience	
Administrative expenses	
Benefit payments	<u>(1,158,383)</u>
Net changes	<u>1,683,188</u>
Balance at June 30, 2024 (Measurement Date)	<u>\$33,524,850</u>

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 14 – EMPLOYEE BENEFITS (Continued)**

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86%) or 1-percentage point higher (4.86%) than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate		
Discount Rate -1%	3.93%	Discount Rate +1%
<u><u>\$38,157,413</u></u>	<u><u>\$33,524,850</u></u>	<u><u>\$29,704,768</u></u>

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability/(Asset)		
Healthcare Cost		
Trend Rates		
1% Decrease	(6.00% - 3.90%)	1% Increase
<u><u>\$29,440,369</u></u>	<u><u>\$33,524,850</u></u>	<u><u>\$38,618,358</u></u>

***E. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB***

For the year ended June 30, 2025, the City recognized Retiree Medical Benefits OPEB Plan and Dependent Fund OPEB Plan recognized expense of \$1,089,558 and \$2,281,767 respectively, for total OPEB expense of \$3,371,325. At June 30, 2025, the Retiree Medical Benefits OPEB plan and Union Dependent Funds reported deferred outflows and inflows of resources related to OPEB from the following sources:

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 14 – EMPLOYEE BENEFITS (Continued)**

**Retiree Medical Benefits OPEB Plan**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$2,795,021	
Differences between actual and expected experience	2,921,861	(\$1,382,139)
Changes of assumptions	2,434,015	(1,704,987)
Net differences between projected and actual earnings on plan investments	579,652	
<b>Total</b>	<b>\$8,730,549</b>	<b>(\$3,087,126)</b>

**Dependent Fund OPEB Plan**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$1,265,316	
Differences between actual and expected experience	2,611,740	(\$778,027)
Changes of assumptions	2,378,891	(5,299,926)
Net differences between projected and actual earnings on plan investments	\$6,255,947	(\$6,077,953)
<b>Total</b>	<b>\$14,986,496</b>	<b>(\$9,165,079)</b>

Deferred outflows of resources related to contributions after the measurement date, amounting to \$4,060,337 will be recognized as a reduction of the OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization	
	Retiree Medical Benefits Plan	Dependent Fund
2026	(\$482,439)	(\$46,175)
2027	2,706,560	(46,175)
2028	137,947	(302,098)
2029	6,006	(465,716)
2030	465,523	(527,777)
Thereafter	14,805	300,619
<b>Total</b>	<b>\$2,848,402</b>	<b>(\$1,087,322)</b>

General Fund has been primarily used in prior years to liquidate OPEB liabilities.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 14 – EMPLOYEE BENEFITS (Continued)**

**F. Accrued Vacation and Sick Leave Liabilities**

Employees accrue vacation up to certain maximums, based on employee classification. Employees may elect to be paid a portion of their vacation at various times according to the applicable memorandum of understanding. Sick leave may be accumulated without limit. Vested sick leave may be paid upon separation from service in good standing and is based on a vesting schedule determined by years of service.

The City measures and adjusts the liability for vacation and sick leave annually at its fiscal year end. During the year ended June 30, 2025, sick leave benefits payable increased by \$848,065 and vacation benefits payable increased by \$125,751. For all governmental funds, amounts expected to be paid out for permanent liquidation are recorded as fund liability; the long-term portion is recorded in the Statement of Net Position.

The changes of the Accrued Vacation and Sick Leave Liabilities and the allocation of each liability among the departments are as follows:

	Accrued Vacation		Sick Leave	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Balance as of June 30, 2024	\$7,199,906	\$482,774	\$1,343,593	\$108,026
Additions	3,907,643	243,191	3,688,567	162,305
Payments and adjustments	(3,664,259)	(360,824)	(2,844,958)	(157,849)
Balance as of June 30, 2025	<u>\$7,443,290</u>	<u>\$365,141</u>	<u>\$2,187,202</u>	<u>\$112,482</u>
General Government	\$733,833		\$246,429	
Building	221,305		58,693	
Public Works	507,166		112,942	
Engineering	284,202		81,953	
Planning	112,509		47,490	
Recreation	277,810		103,826	
Police	3,726,143		776,982	
Fire	1,522,223		733,941	
Water Utility		\$193,904		\$56,602
Sewer Utility		171,237		55,880
Internal Service	58,099		24,946	
Total	<u>\$7,443,290</u>	<u>\$365,141</u>	<u>\$2,187,202</u>	<u>\$112,482</u>
Long-Term Portion:				
Governmental activities	\$4,249,923		\$239,524	
Business-type activities		\$303,110		\$112,482
Total long term portions	<u>\$4,249,923</u>	<u>\$303,110</u>	<u>\$239,524</u>	<u>\$112,482</u>
Current Portion:				
Governmental activities	\$3,193,367		\$1,947,678	
Business-type activities		\$62,031		
Total current portions	<u>\$3,193,367</u>	<u>\$62,031</u>	<u>\$1,947,678</u>	

Accrued Vacation and Sick Leave are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 15 – RISK MANAGEMENT**

**A. Risk Pool**

The City participates in the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA), a joint powers authority established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. PLAN JPA provides \$5,000,000 of self-funded general liability and auto coverage and \$30,000,000 excess liability coverage per occurrence and is responsible for paying claims in excess of the City's \$100,000 deductible. PLAN JPA also provides \$2,000,000 employee theft coverage in excess of the City's \$10,000 deductible, and \$2,000,000 of government crime coverage (with various sub-limits depending on the type of crime) in excess of the City's \$10,000 deductible. PLAN JPA provides coverage for property damage up to \$1 billion. The City retains a self-insured amount of \$5,000 for each property and \$5,000 for each vehicle per occurrence.

PLAN JPA is governed by a Board of Directors consisting of representatives from member municipalities. The Board controls the operations of PLAN JPA, consisting of funding policies and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's annual contributions to PLAN JPA are calculated based on the ratio of the City's payroll to the total payrolls of all entities participating in the program and the City's loss experience. Actual surpluses or losses are shared according to a formula developed from overall costs and spread to member entities on a percentage basis.

Financial statements may be obtained from PLAN JPA, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

**B. Workers Compensation**

The City has a commercial insurance policy which provides workers compensation coverage up to a maximum of \$20,000,000. The City has a deductible or uninsured liability of up to \$750,000 per claim for miscellaneous employees and \$1,000,000 for public safety employees.

**C. Dental**

The City is self-insured for dental care for miscellaneous employees up to a maximum of \$14,000 per family, based on years of service. Claims are funded on a pay-as-you-go basis. During the year ended June 30, 2025 the City paid \$1,162,534 in dental claims and administrative fees. Public safety employees are insured under various dental care insurance plans.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 15 – RISK MANAGEMENT (Continued)**

**D. Liability for Uninsured Claims**

The City provides for the uninsured portion of claims and judgments, including a provision for claims incurred but not reported when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable.

The City's liability for uninsured claims is limited to worker's compensation and general liability claims, as discussed above, and was computed as follows based on claims experience:

	2025			
	Worker's Compensation	General Liability	Total	2024
Beginning balance	\$7,310,017	\$850,204	\$8,160,221	\$6,352,745
Liability for current fiscal year claims	1,688,149	237,051	1,925,200	2,355,003
Increase (decrease) in estimated liability				
for prior fiscal year claims and claims incurred but not reported (IBNR)	(223,930)	(310,954)	(534,884)	1,303,985
Claims paid	<u>(2,114,530)</u>	<u>(107,117)</u>	<u>(2,221,647)</u>	<u>(1,851,512)</u>
Ending balance	<u>\$6,659,706</u>	<u>\$669,184</u>	<u>\$7,328,890</u>	<u>\$8,160,221</u>
Due in one year	<u>\$1,695,709</u>	<u>\$253,406</u>	<u>\$1,949,115</u>	<u>\$1,748,408</u>

Settlements have not exceeded insurance coverage in the past three fiscal years.

**NOTE 16 – COMMITMENTS AND CONTINGENT LIABILITIES**

**A. Litigation**

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

**B. Federal and State Grant Programs**

The City participates in several Federal and State grant programs. These programs are subject to audit by the City's independent accountants in accordance with the provisions of the federal Single Audit Act as amended and applicable State requirements. No cost disallowances have been proposed as a result of audits completed to date; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 16 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

**C. Encumbrances**

The City uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as assigned fund balance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding by fund as of June 30, 2025 were as follows:

Major Governmental Funds:	
General Fund	\$1,820,411
Housing Authority Fund	100,500
Non-Major Governmental Funds	<u>323,269</u>
Total Encumbrances	<u><u>\$2,244,180</u></u>

**D. South Bay Water Recycling System Facility Replacement**

As required by the Water Pollution Control Plant's National Pollutant Discharge Elimination System (NPDES) permit, the regional partner agencies are responsible for maintenance and operation of the South Bay Water Recycling System. The regional partner agencies, which includes the City of Milpitas, are also responsible for the planned \$2 billion rehabilitation/replacement of the facility over the next thirty years. The City's share of the project is approximately 6.196% as discussed in Note 8E.

**E. Bay Area Water Supply and Conservation Agency Revenue Bonds Surcharge**

The City contracts with the City and County of San Francisco for the purchase of water from the Hetch Hetchy System operated by the San Francisco Public Utilities Commission (SFPUC). The City is also a member of the Bay Area Water Supply and Conservation Agency (BAWSCA) which represents the interests of all the 24 cities and water districts, as well as two private utilities, that purchase wholesale water from the SFPUC.

In 2009 the City entered into a new 25-year agreement with the SFPUC that includes a minimum water delivery level of 5.341MGD. One of the ways that the new agreement differs from the old is in how facilities constructed by the SFPUC that benefit the regional customers are treated from a rate and financial perspective. Under the old agreement, facilities were built, capitalized, and added to the rate base with a rate of return (interest), and then paid for over their useful lives through wholesale rates. Under the new agreement, the SFPUC issues revenue bonds and the debt service (which also includes an interest component) is paid for through rates over the life of the bonds.

During the transition from the old to the new contracts, one of the issues addressed was the \$370 million in assets still being paid for by the wholesale customers under the old agreement. The assets were transferred to the new agreement, assigned a life with an agreed upon rate of return of 5.13%. Also negotiated was a provision to allow the wholesale customers to prepay any remaining existing assets' unpaid principal balance without penalty or premium. This prepayment was executed through the issuance of bonds by BAWSCA which provided a better interest rate given the favorable rate environment.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 16 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

BAWSCA issued Revenue Bonds in the principal amount of \$335,780,000 in January 2013 to prepay the capital cost recovery payment obligation and fund a stabilization fund. The Bonds mature in October 2034 and are secured by surcharges to the monthly water purchase charges imposed upon the participating members. The Bonds are not a debt obligation of any member, and BAWSCA's failure to pay its Bonds would not constitute a default by any participating member.

Should any participating member fail to pay its share, BAWSCA will rely on the stabilization fund and will pursue all legal remedies to collect the shortfall from the delinquent member. In the interim, other participating members may have their portion adjusted to insure the continued payment of the debt service surcharge.

The risk of bearing the debt service expense of a defaulting member is not significantly different than the risk each member assumes currently for fluctuations in water purchase charges. Under the Bond indenture, BAWSCA maintains a stabilization fund. If surcharge revenues collected are less than needed (due to a member's failure to pay timely), BAWSCA uses the stabilization fund to fund the debt service deficiency and increases the surcharge in the subsequent year to make up for the prior year shortfall and reimburse the stabilization fund account. Also, given that each participating agency's governing body adopted a Resolution to participate in the Bond issue, Management believes that default is generally very unlikely.

The annual debt service surcharges are a fixed amount for each participant and calculated by taking the subsequent fiscal year's debt service, multiplied by each participant's actual water purchase as a percent of total wholesale customer water purchases from the prior fiscal year. One-twelfth of the annual surcharge is included in the monthly bill from SFPUC. Because each participant's share of the debt service surcharge is proportional to the amount of water purchased during the prior fiscal year, the City's share of the debt service will fluctuate from year to year.

The City paid its surcharge of \$791,844 during fiscal year 2025, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2026 is estimated to be \$1,077,492.

***F. Housing Successor Excess Surplus***

Health and Safety Code (HSC) Section 34176.1(d) defines an excess surplus as an unencumbered balance held by the housing successor that exceeds the greater of \$1,000,000 or the aggregate amount deposited into the housing successor fund during the housing successor's preceding four fiscal years, whichever is greater. If a housing successor has an excess surplus, the HSC Section requires that the housing successor encumber the excess surplus for eligible purposes described in the HSC Section 34176.1(a)(3) or transfer the funds to another local housing successor within three fiscal years. If the housing successor fails to comply with this provision, the housing successor, within 90 days of the end of the third fiscal year, is required to transfer any excess surplus to the Department of Housing and Community Development for expenditure pursuant to the Multifamily Housing Program or the Joe Serna, Jr. Farmworker Housing Grant Program.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 17 – SUCCESSOR AGENCY ACTIVITIES**

***A. Redevelopment Dissolution***

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, amended by AB1484 on June 27, 2012, which suspended all new redevelopment activities except for limited specified activities as of that date and dissolved redevelopment agencies on January 31, 2012.

The suspension provisions prohibited all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26.

Effective January 31, 2012, the Redevelopment Agency was dissolved. Certain assets of the Redevelopment Agency Housing Reserve Fund were distributed to a Housing Successor; and all remaining Redevelopment Agency assets and liabilities were distributed to a Successor Agency. The Successor Agency received a finding of completion on June 27, 2014.

Under the provisions of AB 1484, the City can elect to become the Housing Successor and retain the housing assets. The City's Housing Authority elected to become the Housing Successor and on February 1, 2012 and certain housing assets were transferred to the City's Housing Authority Special Revenue Fund.

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established on March 26, 2012. The activities of the Successor Agency were subject to review and approval of the Oversight Board, which was comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

On July 1, 2018, the duties of the Milpitas Oversight Board transferred to a new Santa Clara Countywide Consolidated Oversight Board, which is now responsible for overseeing the winddown affairs of all Successor Agencies in Santa Clara County, including the Successor Agency to the Milpitas Redevelopment Agency.

The activities of the Housing Successor are reported in the Housing Authority Special Revenue Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the County Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

Cash and investments of the Successor Agency as of June 30, 2024 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2025.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 17 – SUCCESSOR AGENCY ACTIVITIES (Continued)**

***B. Development Agreements***

The Successor Agency assumed the obligations of the former Redevelopment Agency's Disposition and Development Agreements as follows:

***Installment Purchase Agreement***

The Redevelopment Agency agreed to purchase two parcels of land comprising thirty-five acres surrounding the County Correctional Facility for \$57,750,000 in cash and \$135,000,000 payable over eighteen years at no interest.

The Agency also agreed to re-sell this land to developers for a total of \$57,750,000, of which \$40,000,000 was received in fiscal 2005 and the remainder was received on the close of escrow on the second parcel in fiscal 2006. The Agency's intent in purchasing this land was to simultaneously re-sell it for development.

In addition, starting in 2025 the Agency is required to pay the County the greater of \$2,000,000 or 50% of the sales tax revenue arising out of sales originating on certain properties that are in the Midtown Area, but not to exceed \$5,000,000 annually, until the earlier of either June 30, 2038, the date that tax increment revenue allocated to the Agency has reached its limit or the termination of the Redevelopment Plan.

***C. Long-Term Obligations***

***1. Current Year Transactions and Balances***

The Successor Agency's debt issues and transactions are summarized below and discussed in detail thereafter.

	Balance June 30, 2024	Retirements	Balance June 30, 2025	Current Portion
<b>2015 Tax Allocation Bonds</b>				
2%-5%, due September 1, 2032	\$64,455,000	\$8,595,000	\$55,860,000	\$9,025,000
Plus: Unamortized bond premium	<u>10,321,670</u>	<u>1,190,962</u>	<u>9,130,708</u>	
Total	<u><u>\$74,776,670</u></u>	<u><u>\$9,785,962</u></u>	<u><u>\$64,990,708</u></u>	<u><u>\$9,025,000</u></u>

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 17 – SUCCESSOR AGENCY ACTIVITIES (Continued)**

**2. 2015 Tax Allocation Refunding Bonds**

In March 2015, the Successor Agency issued Tax Allocation Refunding Bonds in the original principal amount of \$127,790,000. The proceeds of the Bonds were used to advance refund and defease the outstanding balance of the 2003 Tax Allocation Bonds, which were redeemed on March 23, 2015. The Bonds are secured by Redevelopment Property Tax Trust Fund (RPTTF) revenues. In lieu of a reserve fund, the 2015 Bonds are secured by a reserve insurance policy in the amount of \$11,822,000, issued by Assured Guaranty Municipal Corp. Principal is payable annually and the interest is payable semi-annually through 2032. The 2015 Bonds contain a provision that in an event of default, the Trustee may declare the principal of the bonds, together with all accrued interest at the date of default, immediately due and payable, or (b) exercise any and all rights and remedies available to it under applicable law, including right to enforce from the Successor Agency all payments due on the Bonds, and the Successor Agency will pay all reasonable fees and expenses incurred by the Trustee and those of its attorneys. On August 27, 2021, S&P Global Ratings (formerly Standard & Poor's Financial Services, LLC) upgraded its Local Currency Long-Term Ratings on the Bonds from 'AA- to AA'.

**3. Debt Service Requirements**

Debt service requirements are shown below for all long-term debt:

<b>2015 Tax Allocation Bonds</b>		
<b>Year Ending</b> <b>June 30</b>	<b>Total</b> <b>Principal</b>	<b>Total</b> <b>Interest</b>
2026	\$9,025,000	\$2,567,375
2027	9,475,000	2,104,875
2028	9,950,000	1,619,250
2029	6,255,000	1,214,125
2030	6,565,000	893,625
2030-2033	<u>14,590,000</u>	<u>946,500</u>
	<u>55,860,000</u>	<u>\$9,345,750</u>
Plus: Unamortized bond premium	<u>9,130,708</u>	
	<u><u>\$64,990,708</u></u>	

**4. Defeased Bonds**

During fiscal year 2023-24, the Agency paid off the debt in full for the Redevelopment Agency 1997 Tax Allocation Bonds.

**CITY OF MILPITAS**  
**Notes to Basic Financial Statements**  
**for the Year Ended June 30, 2025**

**NOTE 17 – SUCCESSOR AGENCY ACTIVITIES (Continued)**

**D. Commitments and Contingencies**

***State Approval of Enforceable Obligations***

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the County Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.



**REQUIRED SUPPLEMENTARY INFORMATION**



**City of Milpitas**  
**Required Supplementary Information**

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**  
Agent Multiple-Employer Retiree Medical Benefits (OPEB) Plan  
Last 10 fiscal years\*

Measurement Date	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/22	6/30/23	6/30/24
<b>Total OPEB Liability</b>								
Service Cost	\$2,386,392	\$2,356,491	\$2,423,566	\$1,958,563	\$1,503,917	\$2,077,984	\$2,140,324	\$2,122,257
Interest	4,794,071	5,155,080	5,462,138	3,581,088	4,100,155	3,916,381	4,070,218	4,439,933
Changes in benefit terms			(17,098,878)					
Differences between expected and actual experience			(11,594,216)		(3,161,213)			
Changes of assumptions	(1,263,847)	(113,934)	(1,624,371)	(5,621,298)	4,971,305		691,182	(881,178)
Plan experience							2,919,973	1,000,491
Benefit payments	(3,325,081)	(2,994,247)	(3,183,858)	(3,122,284)	(3,221,642)	(3,382,910)	(3,727,690)	(3,856,305)
<b>Net change in total OPEB liability</b>	<b>2,591,535</b>	<b>4,403,390</b>	<b>(25,615,619)</b>	<b>(3,203,931)</b>	<b>4,192,522</b>	<b>2,611,455</b>	<b>6,094,007</b>	<b>2,825,198</b>
<b>Total OPEB liability - beginning</b>	<b>80,926,571</b>	<b>83,518,106</b>	<b>87,921,496</b>	<b>62,305,877</b>	<b>59,101,946</b>	<b>63,294,468</b>	<b>65,905,923</b>	<b>71,999,930</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$83,518,106</b>	<b>\$87,921,496</b>	<b>\$62,305,877</b>	<b>\$59,101,946</b>	<b>\$63,294,468</b>	<b>\$65,905,923</b>	<b>\$71,999,930</b>	<b>\$74,825,128</b>
<b>Plan fiduciary net position</b>								
Contributions - employer	\$4,959,756	\$4,803,893	\$4,651,743	\$4,528,174	\$1,743,593	\$1,757,265	\$2,267,207	\$2,123,941
Contributions - employee								
Net investment income	3,708,342	3,175,844	2,834,217	1,745,028	14,164,474	(8,452,324)	3,401,636	6,079,033
Administrative expense	(18,732)	(21,490)	(9,742)	(24,292)	(19,480)	(16,234)	(15,681)	(18,247)
Benefit payments	(3,325,081)	(2,994,247)	(3,183,858)	(3,122,284)	(3,221,642)	(3,382,910)	(3,727,690)	(3,856,305)
Other Expenses		(51,721)						
<b>Net change in plan fiduciary net position</b>	<b>5,324,285</b>	<b>4,912,279</b>	<b>4,292,360</b>	<b>3,126,626</b>	<b>12,666,945</b>	<b>(10,094,203)</b>	<b>1,925,472</b>	<b>4,328,422</b>
<b>Plan fiduciary net position - beginning</b>	<b>33,780,048</b>	<b>39,104,333</b>	<b>44,016,612</b>	<b>48,308,972</b>	<b>51,435,598</b>	<b>64,102,543</b>	<b>54,008,340</b>	<b>55,933,812</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$39,104,333</b>	<b>\$44,016,612</b>	<b>\$48,308,972</b>	<b>\$51,435,598</b>	<b>\$64,102,543</b>	<b>\$54,008,340</b>	<b>\$55,933,812</b>	<b>\$60,262,234</b>
Net OPEB liability (asset) - ending (a)-(b)	<b>\$44,413,773</b>	<b>\$43,904,884</b>	<b>\$13,996,905</b>	<b>\$7,666,348</b>	<b>(\$808,075)</b>	<b>\$11,897,583</b>	<b>\$16,066,118</b>	<b>\$14,562,894</b>
Plan fiduciary net position as a percentage of the total OPEB liability	46.82%	50.06%	77.54%	87.03%	101.28%	81.95%	77.69%	80.54%
Covered-employee payroll	\$42,017,236	\$43,375,678	\$48,788,854	\$52,202,907	\$59,134,552	\$59,298,425	\$63,840,691	\$70,982,435
Net OPEB liability as a percentage of covered-employee payroll	105.70%	101.22%	28.69%	14.69%	-1.36%	20.06%	25.17%	20.52%

\* Fiscal year 2018 was the first year of implementation.

**City of Milpitas**  
**Required Supplementary Information**

## **SCHEDULE OF CONTRIBUTIONS**

## Agent Multiple-Employer Retiree Medical Benefits (OPEB) Plan

Last 10 fiscal years\*

**Fiscal Year Ended June 30,**

2018			2019			2020		
Explicit	Implicit	Total	Explicit	Implicit	Total	Explicit	Implicit	Total
\$3,387,020	(\$219,104)	\$3,167,916	\$3,492,808	(\$546,593)	\$2,946,215	\$788,831	\$1,545,113	\$2,333,944
3,387,020	1,416,873	4,803,893	3,492,808	1,158,935	4,651,743	3,478,018	1,050,156	4,528,174
\$0	(\$1,635,977)	(\$1,635,977)	\$0	(\$1,705,528)	(\$1,705,528)	(\$2,689,187)	\$494,957	(\$2,194,230)
<b>\$43,375,678</b>	<b>\$43,375,678</b>	<b>\$43,375,678</b>	<b>\$48,788,854</b>	<b>\$48,788,854</b>	<b>\$48,788,854</b>	<b>\$52,202,907</b>	<b>\$52,202,907</b>	<b>\$52,202,907</b>
7.81%	3.27%	11.08%	7.16%	2.38%	9.53%	6.66%	2.01%	8.67%

**Fiscal Year Ended June 30,**

2021			2022			2023		
Explicit	Implicit	Total	Explicit	Implicit	Total	Explicit	Implicit	Total
\$655,377	\$1,552,190	\$2,207,567	\$655,377	\$1,611,861	\$2,267,238	\$1,723,519	\$1,232,729	\$2,956,248
655,377	1,088,216	1,743,593	682,866	1,074,399	1,757,265	1,034,478	1,232,729	2,267,207
\$0	\$463,974	\$463,974	(\$27,489)	\$537,462	\$509,973	\$689,041	\$0	\$689,041
\$59,134,552	\$59,134,552	\$59,134,552	\$59,298,425	\$59,298,425	\$59,298,425	\$59,298,425	\$59,298,425	\$59,298,425
1.11%	1.84%	2.95%	1.15%	1.81%	2.96%	1.74%	2.08%	3.82%

**Fiscal Year Ended June 30,**

2024			2025		
Explicit	Implicit	Total	Explicit	Implicit	Total
\$1,660,923	\$1,208,956	\$2,869,879	\$2,361,754	\$1,236,710	\$3,598,464
885,985	1,237,956	2,123,941	1,557,898	1,237,123	2,795,021
\$774,938	(\$29,000)	\$745,938	\$803,856	(\$413)	\$803,443
\$63,840,691	\$63,840,691	\$63,840,691	\$70,982,435	\$70,982,435	\$70,982,435

## **Notes to Schedule**

Valuation date:

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2025
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.50%
Salary Increase	3.00%
Investment Rate of Return	6.25%
Mortality Rate	MacLeod Watts Scale of 2022 applied generationally
Healthcare Trend Rate	5.8% grading down to 3.9% for years 2076 and thereafter

\* Fiscal year 2018 was the first year of implementation.

**City of Milpitas**  
**Required Supplementary Information**

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**

Dependent Fund (OPEB) Plan

Last 10 fiscal years\*

<b>Measurement Date</b>	<b>6/30/2019</b>	<b>6/30/20</b>	<b>6/30/21</b>	<b>6/30/22</b>	<b>6/30/23</b>	<b>6/30/24</b>
<b>Total OPEB Liability</b>						
Service Cost		\$1,139,508	\$1,402,597	\$1,767,339	\$1,183,959	\$1,079,540
Interest		905,377	810,987	687,094	1,069,943	1,248,402
Changes in benefit terms	\$28,504,872					
Differences between expected and actual experience			(1,465,027)		2,397,223	809,405
Changes of assumptions		3,100,405	2,591,371	(7,639,426)	(105,254)	(295,776)
Benefit payments		(1,437,201)	(1,028,064)	(1,012,052)	(1,031,989)	(1,158,383)
<b>Net change in total OPEB liability</b>	<b>28,504,872</b>	<b>3,708,089</b>	<b>2,311,864</b>	<b>(6,197,045)</b>	<b>3,513,882</b>	<b>1,683,188</b>
<b>Total OPEB liability - beginning</b>	<b>28,504,872</b>	<b>32,212,961</b>	<b>34,524,825</b>	<b>34,524,825</b>	<b>28,327,780</b>	<b>31,841,662</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$28,504,872</b>	<b>\$32,212,961</b>	<b>\$34,524,825</b>	<b>\$28,327,780</b>	<b>\$31,841,662</b>	<b>\$33,524,850</b>
<b>Plan fiduciary net position</b>						
Contributions - employer		\$1,437,201			\$1,012,052	\$1,031,989
Contributions - employee						\$1,158,383
Net investment income						
Administrative expense						
Benefit payments		(1,437,201)			(1,012,052)	(1,031,989)
Other Expenses						(1,158,383)
<b>Net change in plan fiduciary net position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - beginning</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net OPEB liability - ending (a)-(b)</b>	<b>\$28,504,872</b>	<b>\$32,212,961</b>	<b>\$34,524,825</b>	<b>\$28,327,780</b>	<b>\$31,841,662</b>	<b>\$33,524,850</b>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$48,788,854	\$52,202,907	\$59,134,552	\$59,298,425	\$62,201,383	\$63,793,790
Net OPEB liability as a percentage of covered-employee payroll	58.42%	61.71%	58.38%	47.77%	51.19%	52.55%

\*The liability of this Plan had been previously included together with other City plan OPEB Liabilities.

Beginning with fiscal year 2020, the City began to report the liability of this plan separately.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

**City of Milpitas**  
**Required Supplementary Information**

**SCHEDULE OF CONTRIBUTIONS**

Dependent Fund (OPEB) Plan

Last 10 fiscal years\*

**Fiscal Year Ended June 30,**

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
	Explicit	Explicit	Explicit	Explicit	Explicit	Explicit
Actuarially required contribution	N/A (a)					
Contributions in relation to the actuarially required contributions	\$1,028,064	\$0	\$1,012,052	\$1,158,383	\$0	\$0
Contribution deficiency (excess)	N/A (a)					
Covered-employee payroll	<u>\$48,788,854</u>	<u>\$52,202,907</u>	<u>\$59,298,425</u>	<u>\$59,298,425</u>	<u>\$62,201,383</u>	<u>\$63,793,790</u>
Contributions as a percentage of covered-employee payroll	N/A (a)					

\*No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

(a) Due to the nature of the Plan, actuarially required contribution is not available.

See Note 12D for contribution requirements.



**City of Milpitas**  
**Required Supplementary Information**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

Miscellaneous Plan - Agent Multiple-Employer Defined Pension Plan  
 Last 10 Years

Measurement Period	2014-15	2015-16	2016-17	2017-18
<b>Total Pension Liability</b>				
Service Cost	\$2,664,628	\$2,666,665	\$3,008,973	\$3,042,853
Interest	14,114,152	14,689,192	15,078,047	15,647,110
Differences between expected and actual experience	(982,598)	(18,301)	(1,238,427)	1,831,444
Changes of assumptions	(3,463,459)		12,475,424	(1,404,854)
Changes in benefits				
Benefit payments, including refunds of employee contributions	(8,930,516)	(9,558,779)	(10,236,837)	(10,906,398)
<b>Net change in total pension liability</b>	<b>3,402,207</b>	<b>7,778,777</b>	<b>19,087,180</b>	<b>8,210,155</b>
<b>Total pension liability - beginning</b>	<b>192,077,728</b>	<b>195,479,935</b>	<b>203,258,712</b>	<b>222,345,892</b>
<b>Total pension liability - ending (a)</b>	<b>\$195,479,935</b>	<b>\$203,258,712</b>	<b>\$222,345,892</b>	<b>\$230,556,047</b>
 <b>Plan fiduciary net position</b>				
Contributions - employer	\$4,076,975	\$4,519,744	\$5,048,143	\$5,762,448
Contributions - employee	1,326,989	1,333,019	1,266,956	1,473,732
Net investment income	3,281,429	775,183	16,109,364	13,123,448
Administrative expense	(164,523)	(89,109)	(211,414)	(241,795)
Benefit payments, including refunds of employee contributions	(8,930,516)	(9,558,779)	(10,236,837)	(10,906,398)
Other Miscellaneous Income/Expense				(459,172)
Net Plan to Plan Resource Movement		(370)	(370)	(381)
<b>Net change in plan fiduciary net position</b>	<b>(409,646)</b>	<b>(3,020,312)</b>	<b>11,975,842</b>	<b>8,751,882</b>
<b>Plan fiduciary net position - beginning</b>	<b>146,622,149</b>	<b>146,212,503</b>	<b>143,192,191</b>	<b>155,168,033</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$146,212,503</b>	<b>\$143,192,191</b>	<b>\$155,168,033</b>	<b>\$163,919,915</b>
 Net pension liability - ending (a)-(b)	 <b>\$49,267,432</b>	 <b>\$60,066,521</b>	 <b>\$67,177,859</b>	 <b>\$66,636,132</b>
 Plan fiduciary net position as a percentage of the total pension liability	 74.80%	 70.45%	 69.79%	 71.10%
 Covered payroll	 <b>\$16,009,660</b>	 <b>\$16,161,589</b>	 <b>\$16,418,123</b>	 <b>\$18,846,066</b>
 Net pension liability as percentage of covered payroll	 307.74%	 371.66%	 409.17%	 382.47%

**Benefit changes.** The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes in assumptions.** In 2022, the accounting discount rate reduced from 7.15% to 6.90%. In 2016, 2018, 2019, 2020, 2021, 2023, 2024 and 2025, there were no changes. In 2022, the accounting discount rate reduced from 7.15% to 6.90%. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts were based on the 7.5% discount rate.

<b>2018-19</b>	<b>2019-20</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
\$3,361,140	\$3,777,335	\$4,262,309	\$4,859,903	\$4,745,953	\$4,906,642
16,517,342	17,295,222	18,046,275	18,711,899	19,679,002	20,595,673
4,569,776	2,592,349	1,466,976	1,596,580	5,257,874	3,449,920
			8,099,828		272,125
(11,589,225)	(12,009,750)	(12,545,846)	(14,478,741)	(15,578,919)	(16,659,881)
12,859,033	11,655,156	11,229,714	18,789,469	14,376,035	12,292,354
230,556,047	243,415,080	255,070,236	266,299,950	285,089,419	299,465,454
<b>\$243,415,080</b>	<b>\$255,070,236</b>	<b>\$266,299,950</b>	<b>\$285,089,419</b>	<b>\$299,465,454</b>	<b>\$311,757,808</b>
\$6,864,376	\$7,965,270	\$8,925,250	\$9,800,794	\$9,432,683	\$10,021,582
1,569,027	1,772,996	1,998,174	1,861,769	2,143,742	2,380,561
10,774,536	8,527,794	40,453,566	(16,338,954)	12,287,794	19,635,969
(116,977)	(241,663)	(177,248)	(134,612)	(144,718)	(166,761)
(11,589,225)	(12,009,750)	(12,545,846)	(14,478,741)	(15,578,919)	(16,659,881)
381					
7,502,118	6,014,647	38,653,896	(19,289,744)	8,140,582	15,211,470
163,919,915	171,422,033	177,436,680	216,090,576	196,800,832	204,941,414
<b>\$171,422,033</b>	<b>\$177,436,680</b>	<b>\$216,090,576</b>	<b>\$196,800,832</b>	<b>\$204,941,414</b>	<b>\$220,152,884</b>
<b>\$71,993,047</b>	<b>\$77,633,556</b>	<b>\$50,209,374</b>	<b>\$88,288,587</b>	<b>\$94,524,040</b>	<b>\$91,604,924</b>
71.10%	69.56%	81.15%	69.03%	68.44%	70.62%
<b>\$22,079,190</b>	<b>\$19,463,309</b>	<b>\$25,754,131</b>	<b>\$27,165,471</b>	<b>\$27,088,772</b>	<b>\$29,033,384</b>
382.47%	398.87%	194.96%	325.00%	348.94%	315.52%

**City of Milpitas**  
**Required Supplementary Information**

**SCHEDULE OF CONTRIBUTIONS**

Miscellaneous Plan - Agent Multiple-Employer Defined Pension Plan  
 Last 10 Years

<b>Fiscal Year Ended June 30</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Actuarially determined contribution	\$4,236,931	\$5,082,638	\$6,243,904	\$6,863,508
Contributions in relation to the actuarially determined contributions	<u>4,236,931</u>	<u>5,082,638</u>	<u>6,243,904</u>	<u>6,863,508</u>
Contribution deficiency (excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Covered payroll	\$16,161,589	\$16,418,123	\$18,846,066	\$22,079,190
Contributions as a percentage of covered payroll	26.22%	30.96%	33.13%	31.09%

**Notes to Schedule**

Valuation date: 6/30/2014 6/30/2015 6/30/2016 6/30/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percentage of payroll
Asset valuation method	Fair Value of Assets.
Inflation	2.75% for 2015 to 2019, 2.625% for 2020, 2.50% for 2021 and 2022, and 2.30% for 2023, 2024 and 2025.
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.5% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, 7.00% for 2021 and 2022, and 6.80% for 2023, 2024 and 2025, net of administrative expenses, including inflation.
Retirement age	The probabilities of Retirement are base on the CalPERS Experience Study.

Mortality The probabilities of mortality are based on the CalPERS Experience Study. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale AA published by the Society of Actuaries for 2015 to 2018. For 2019, 2020, 2021 and 2022, pre-retirement and post-retirement mortality rates include 15 years of projected mortality using 90% of Scale MP-2016 published by the Society of Actuaries. For 2023, 2024 and 2025, pre-retirement and post-retirement mortality rates include generational mortality using 80% of Scale MP-2020 published by the Society of Actuaries.

<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
\$8,337,504	\$8,916,157	\$9,799,723	\$9,421,792	\$10,017,840	\$11,363,676
<u>8,337,504</u>	<u>8,916,157</u>	<u>9,799,723</u>	<u>9,421,792</u>	<u>10,017,840</u>	<u>11,363,676</u>
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
\$19,463,309	\$21,793,252	\$25,754,131	\$27,165,471	\$27,088,772	\$29,033,384
42.84%	40.91%	38.05%	34.68%	36.98%	39.14%
6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023

**City of Milpitas**  
**Required Supplementary Information**

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

Safety Plan - Agent Multiple-Employer Defined Pension Plan  
 Last 10 Years

Measurement Period	2014-15	2015-16	2016-17	2017-18
<b>Total Pension Liability</b>				
Service Cost	\$4,808,751	\$5,094,318	\$5,934,642	\$5,975,378
Interest	20,535,893	21,663,378	22,434,283	23,331,989
Differences between expected and actual experience	(2,363,470)	3,274,330	(690,685)	626,935
Changes of assumptions	(5,052,089)		18,725,315	(986,630)
Changes in benefits				
Benefit payments, including refunds of employee contributions	(13,656,196)	(14,390,575)	(14,864,837)	(16,083,729)
<b>Net change in total pension liability</b>	<u>4,272,889</u>	<u>15,641,451</u>	<u>31,538,718</u>	<u>12,863,943</u>
<b>Total pension liability - beginning</b>	<u>280,282,332</u>	<u>284,555,221</u>	<u>300,196,672</u>	<u>331,735,390</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$284,555,221</u></u>	<u><u>\$300,196,672</u></u>	<u><u>\$331,735,390</u></u>	<u><u>\$344,599,333</u></u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$6,604,951	\$7,230,399	\$7,887,539	\$8,866,550
Contributions - employee	1,887,408	2,064,277	2,233,341	2,240,962
Net investment income	4,420,615	1,031,136	22,090,936	17,931,642
Administrative expense	(224,227)	(121,445)	(288,028)	(330,577)
Net Plan to Plan Resource Movement				(521)
Other Miscellaneous Income/Expense				(627,771)
Benefit payments, including refunds of employee contributions	(13,656,196)	(14,390,575)	(14,864,837)	(16,083,729)
<b>Net change in plan fiduciary net position</b>	<u>(967,449)</u>	<u>(4,186,208)</u>	<u>17,058,951</u>	<u>11,996,556</u>
<b>Plan fiduciary net position - beginning</b>	<u>200,237,534</u>	<u>199,270,085</u>	<u>195,083,877</u>	<u>212,142,828</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$199,270,085</u></u>	<u><u>\$195,083,877</u></u>	<u><u>\$212,142,828</u></u>	<u><u>\$224,139,384</u></u>
Net pension liability - ending (a)-(b)	<u><u>\$85,285,136</u></u>	<u><u>\$105,112,795</u></u>	<u><u>\$119,592,562</u></u>	<u><u>\$120,459,949</u></u>
Plan fiduciary net position as a percentage of the total pension liability	70.03%	64.99%	63.95%	65.04%
Covered payroll	<u><u>\$18,810,920</u></u>	<u><u>\$20,170,400</u></u>	<u><u>\$21,078,669</u></u>	<u><u>\$20,840,464</u></u>
Net pension liability as percentage of covered payroll	453.38%	521.12%	567.36%	578.01%

**Notes to Schedule:**

**Benefit changes.** The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**Changes in assumptions.** In 2017, the accounting discount rate reduced from 7.65% to 7.15%. In 2016, 2018, 2019, 2020, 2021, 2023, 2024, and 2025, there were no changes. In 2022, the accounting discount rate reduced from 7.15% to 6.90%. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts were based on the 7.5% discount rate.

<b>2018-19</b>	<b>2019-20</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
\$6,211,449	\$6,711,730	\$7,266,789	\$7,801,769	\$7,938,634	\$7,878,824
24,560,414	25,568,359	26,671,979	27,775,910	29,060,359	30,227,860
4,563,968	981,131	2,106,663	1,878,012	5,485,493	3,842,917
			14,433,785		117,478
(17,533,455)	(18,278,539)	(20,179,552)	(21,827,081)	(23,440,654)	(24,342,730)
17,802,376	14,982,681	15,865,879	30,062,395	19,161,310	17,606,871
344,599,333	362,401,709	377,384,390	393,250,269	423,312,664	442,473,974
<b>\$362,401,709</b>	<b>\$377,384,390</b>	<b>\$393,250,269</b>	<b>\$423,312,664</b>	<b>\$442,473,974</b>	<b>\$460,080,845</b>
\$10,288,856	\$12,104,306	\$13,294,083	\$14,258,505	\$15,458,966	\$16,708,481
2,441,763	2,748,961	2,834,054	2,853,307	3,246,156	3,369,456
14,733,700	11,689,024	55,066,837	(22,163,861)	16,573,120	26,690,229
(159,951)	(329,757)	(241,588)	(182,284)	(195,278)	(225,558)
521					
(17,533,455)	(18,278,539)	(20,179,552)	(21,827,081)	(23,440,654)	(24,342,730)
9,771,434	7,933,995	50,773,834	(27,061,414)	11,642,310	22,199,878
224,139,384	233,910,818	241,844,813	292,618,647	265,557,233	277,199,543
<b>\$233,910,818</b>	<b>\$241,844,813</b>	<b>\$292,618,647</b>	<b>\$265,557,233</b>	<b>\$277,199,543</b>	<b>\$299,399,421</b>
<b>\$128,490,891</b>	<b>\$135,539,577</b>	<b>\$100,631,622</b>	<b>\$157,755,431</b>	<b>\$165,274,431</b>	<b>\$160,681,424</b>
64.54%	64.08%	74.41%	62.73%	62.65%	65.08%
<b>\$21,681,207</b>	<b>\$23,703,982</b>	<b>\$26,167,767</b>	<b>\$26,110,338</b>	<b>\$26,756,435</b>	<b>\$26,890,185</b>
592.64%	571.80%	384.56%	604.19%	617.70%	597.55%

**City of Milpitas**  
**Required Supplementary Information**

**SCHEDULE OF CONTRIBUTIONS**

Safety Plan - Agent Multiple-Employer Defined Pension Plan  
 Last 10 Years

<b>Fiscal Year Ended June 30</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Actuarially determined contribution	\$7,230,399	\$7,887,539	\$8,866,550	\$10,288,856
Contributions in relation to the actuarially determined contributions	<u>7,346,983</u>	<u>7,887,539</u>	<u>8,866,550</u>	<u>10,288,856</u>
Contribution deficiency (excess)	<u><u>(\$116,584)</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
 Covered payroll	 \$20,170,400	 \$21,078,669	 \$21,698,152	 \$20,840,464
Contributions as a percentage of covered payroll	36.42%	37.42%	40.86%	49.37%

**Notes to Schedule**

Valuation date: 6/30/2014 6/30/2015 6/30/2016 6/30/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percentage of payroll
Asset valuation method	Fair Value of Assets.
Inflation	2.75% for 2015 to 2019, 2.625% for 2020, 2.50% for 2021 and 2022, and 2.30% for 2023, 2024 and 2025.
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.5% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, 7.00% for 2021 and 2022, and 6.80% for 2023, 2024 and 2025, net of administrative expenses, including inflation.
Retirement age	The probabilities of Retirement are base on the CalPERS Experience Study.
Mortality	The probabilities of mortality are based on the CalPERS Experience Study. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale AA published by the Society of Actuaries for 2015 to 2018. For 2019, 2020, 2021 and 2022, pre-retirement and post-retirement mortality rates include 15 years of projected mortality using 90% of Scale MP-2016 published by the Society of Actuaries. For 2023, 2024 and 2025, pre-retirement and post-retirement mortality rates include generational mortality using 80% of Scale MP-2020 published by the Society of Actuaries.

<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
\$12,104,306	\$13,294,083	\$14,258,505	\$15,469,857	\$16,708,481	\$18,294,494
12,104,306	13,294,083	14,258,505	15,469,857	16,708,481	18,294,494
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$21,681,207	\$23,707,982	\$26,167,767	\$26,110,338	\$26,756,435	\$26,890,185
55.83%	56.07%	54.49%	59.25%	62.45%	68.03%
6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023



## **NON-MAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS:**

#### **GAS TAX FUND**

Established to account for the City's share of state gasoline taxes which are restricted for use on construction and maintenance of the street system in Milpitas.

#### **HOUSING AND COMMUNITY DEVELOPMENT FUND**

Established to account for community development block grants and expenditures.

#### **LAW ENFORCEMENT SERVICES FUND**

Established to account for the proceeds from Federal and State asset seizures. This fund also accounts for the Supplemental Law Enforcement Services grant, Local Law Enforcement Block grant, Justice Assistance grant and expenditures. These funds must be used only for specified law enforcement purposes.

#### **SOLID WASTE REDUCTION AND SERVICES FUND**

Established to account for landfill tipping fees allocated by Santa Clara County. The County allocates a fee of \$1 per ton to each City to be used in relation to the State of California Waste Reduction Act. Revenue is used for the implementation of waste reduction programs to meet the State required landfill deposits percentage reduction. The fund also accounts for special charges built into garbage rates specifically for community promotions and household hazardous waste activities.

#### **LIGHTING AND LANDSCAPE MAINTENANCE DISTRICT FUND**

Established to account for assessments collected within the district. Revenue is used for servicing and maintaining the public landscaping and additional lighting for the district.

#### **COMMUNITY FACILITIES DISTRICT FUND**

Established to account for assessments collected within the district. Revenue is used for providing City services for the district.

#### **HETCH-HETCHY GROUND LEASE FUND**

Established to account for the lease payment to the City and County of San Francisco for the permitted use of the Hetch-Hetchy land.

#### **COMMUNITY PLANNING FUND**

Established to account for fees collected to fund the General Plan update, zoning ordinance update and other long range planning documents.

#### **COMMUNITY BENEFITS FUND**

Established to account for fees collected from developers to fund Public Benefits for the Community.

#### **AFFORDABLE HOUSING FUND**

Established to account for fees collected from developers to fund Affordable Housing activities.

#### **AFFORDABLE HOUSING UNRESTRICTED FUND**

Established to account for Affordable Housing unrestricted activities funded by General Fund Surplus.

### **CAPITAL PROJECTS FUNDS:**

#### **PUBLIC ART FUND**

Established to account for the acquisition and installation of public art. Financing provided by a percentage of eligible project expenditures within the City's Annual Capital Improvement Program.

#### **PARK IMPROVEMENT FUND**

Established to account for the construction and maintenance of City parks. A special park improvement fee is imposed on developments to provide financing.

#### **STORM DRAIN DEVELOPMENT FUND**

Established to account for the construction and maintenance of storm drain projects. A special storm drain fee is imposed on developments to provide financing.





**CITY OF MILPITAS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**JUNE 30, 2025**

<b>SPECIAL REVENUE FUNDS</b>						
	Gas Tax	Housing and Community Development	Law Enforcement Services	Solid Waste Reduction and Services	Lighting and Landscape Maintenance District	Community Facilities District
<b>ASSETS</b>						
Cash and investments available for operations	\$8,087,769	\$297,023	\$603,600	\$2,831,225	\$503,473	\$3,442,959
Receivables:						
Accounts						
Due from other governments	587,580	616,746	147,332	21,079		16,994
Interest	58,033		295	19,577	4,167	49,822
Loans receivable		3,171,744				
Prepays, materials, supplies and deposits		1,115		4,014	3,087	16,059
Total Assets	<u>\$8,733,382</u>	<u>\$4,086,628</u>	<u>\$751,227</u>	<u>\$2,875,895</u>	<u>\$510,727</u>	<u>\$3,525,834</u>
<b>LIABILITIES</b>						
Accounts payable		\$260,950	\$31,555	\$101,642	\$498	
Accrued payroll				41,198	13,716	\$77,109
Unearned revenue			620,251	235,404		
Refundable deposits				18,843		
Total Liabilities		<u>260,950</u>	<u>651,806</u>	<u>397,087</u>	<u>14,214</u>	<u>77,109</u>
<b>FUND BALANCE</b>						
Fund Balances:						
Nonspendable		1,115		4,014	3,087	16,059
Restricted	\$8,733,382	3,824,563	99,421	2,474,794	493,426	3,432,666
Assigned						
Total Fund Balances	<u>8,733,382</u>	<u>3,825,678</u>	<u>99,421</u>	<u>2,478,808</u>	<u>496,513</u>	<u>3,448,725</u>
Total Liabilities and Fund Balances	<u>\$8,733,382</u>	<u>\$4,086,628</u>	<u>\$751,227</u>	<u>\$2,875,895</u>	<u>\$510,727</u>	<u>\$3,525,834</u>



**CITY OF MILPITAS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2025**

<b>SPECIAL REVENUE FUNDS</b>						
	Gas Tax	Housing & Community Development	Law Enforcement Services	Solid Waste Reduction and Services	Lighting and Landscape Maintenance District	Community Facilities District
<b>REVENUES:</b>						
Other taxes					\$499,884	\$5,740,497
Franchise Fees				\$922,925		
Use of money and property	\$256,315	\$8,971	\$26,085	89,557	15,402	139,562
Intergovernmental	4,510,336	1,087,006	458,677	129,175		
Charges for services				871		
Developer contributions						
Other						
<b>Total Revenues</b>	<b>4,766,651</b>	<b>1,095,977</b>	<b>484,762</b>	<b>1,142,528</b>	<b>515,286</b>	<b>5,880,059</b>
<b>EXPENDITURES:</b>						
Current:						
General Government		1,105,550		8,250		10,861
Recreation and Community Services						
Public Works				918,154	377,150	1,594,505
Planning			464,435			
Police						
Fire						
Capital outlay		4,794				
<b>Total Expenditures</b>		<b>1,105,550</b>	<b>469,229</b>	<b>926,404</b>	<b>377,150</b>	<b>1,605,366</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>4,766,651</b>	<b>(9,573)</b>	<b>15,533</b>	<b>216,124</b>	<b>138,136</b>	<b>4,274,693</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in				45,645		
Transfers (out)	(4,463,009)			(182,066)	(98,400)	(3,675,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(4,463,009)</b>			<b>(182,066)</b>	<b>(52,755)</b>	<b>(3,675,000)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>303,642</b>	<b>(9,573)</b>	<b>15,533</b>	<b>34,058</b>	<b>85,381</b>	<b>599,693</b>
Fund balances at beginning of year	8,429,740	3,835,251	83,888	2,444,750	411,132	2,849,032
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$8,733,382</b>	<b>\$3,825,678</b>	<b>\$99,421</b>	<b>\$2,478,808</b>	<b>\$496,513</b>	<b>\$3,448,725</b>

SPECIAL REVENUE FUNDS				CAPITAL PROJECTS FUNDS					Total Nonmajor Governmental Funds
Hetch-Hetchy Ground Lease	Community Planning	Community Benefits	Affordable Housing	Affordable Housing Unrestricted	Public Art	Park Improvement	Storm Drain Development		
\$85,055	\$14,978	\$19,556	\$176,002 796,577	\$107,930	\$62,618	\$405,143	\$429,156	\$6,240,381 922,925	1,836,330 6,981,771 295,121 4,850,337 343,066
		294,250				4,710,898 343,066	139,439		
85,055	309,228	19,556	972,579	107,930	405,684	5,116,041	568,595		21,469,931
41,764			1,406,236	25,352				2,598,013 20,346	
	325,183		137,368		20,346			110,865	3,000,674 462,551 464,435
41,764	325,183		1,543,604	25,352	20,346	368,744	203,890		577,428
43,291	(15,955)	19,556	(571,025)	82,578	385,338	4,747,297	253,840		14,346,484
					(60,000)	(150,000)		850,000	895,645 (8,628,475)
					(60,000)	(150,000)		850,000	(7,732,830)
43,291	(15,955)	19,556	(571,025)	82,578	325,338	4,597,297	1,103,840		6,613,654
1,494,287	237,934	431,010	4,636,924	3,222,709	987,750	4,381,486	6,848,307		40,294,200
\$1,537,578	\$221,979	\$450,566	\$4,065,899	\$3,305,287	\$1,313,088	\$8,978,783	\$7,952,147		\$46,907,854

**CITY OF MILPITAS**  
**BUDGETED NON-MAJOR FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	HOUSING AND COMMUNITY DEVELOPMENT					
	GAS TAX			HOUSING AND COMMUNITY DEVELOPMENT		
	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
<b>REVENUES</b>						
Other taxes						
Franchise Fees						
Use of money and property	\$77,586	\$256,315	\$178,729		\$8,971	\$8,971
Intergovernmental	4,399,881	4,510,336	110,455	\$862,507	1,087,006	224,499
Charges for services						
Developer contributions						
Other						
<b>Total Revenues</b>	<b>4,477,467</b>	<b>4,766,651</b>	<b>289,184</b>	<b>862,507</b>	<b>1,095,977</b>	<b>233,470</b>
<b>EXPENDITURES</b>						
Current:						
General Government:						
City Manager					1,093,757	(1,093,757)
City Attorney						
Finance					11,793	(11,793)
Non-departmental				19,172		19,172
Recreation and Community Services						
Public Works						
Engineering						
Planning						
Police						
Fire						
<b>Total Expenditures</b>	<b></b>	<b></b>	<b></b>	<b>19,172</b>	<b>1,105,550</b>	<b>(1,086,378)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>4,477,467</b>	<b>4,766,651</b>	<b>289,184</b>	<b>843,335</b>	<b>(9,573)</b>	<b>(852,908)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)	(4,938,372)	(4,463,009)	475,363			
<b>Total Other Financing Sources (Uses)</b>	<b>(4,938,372)</b>	<b>(4,463,009)</b>	<b>475,363</b>			
<b>NET CHANGE IN FUND BALANCES</b>	<b>(\$460,905)</b>	<b>303,642</b>	<b>\$764,547</b>	<b>\$843,335</b>	<b>(9,573)</b>	<b>(\$852,908)</b>
<b>ADJUSTMENT TO BUDGETARY BASIS:</b>						
Expenditures capitalized for GAAP purposes						
Capital Outlay						
Encumbrance adjustments						
Fund balances at beginning of year		8,429,740			3,835,251	
Fund balances at end of year		<b>\$8,733,382</b>			<b>\$3,825,678</b>	

LAW ENFORCEMENT SERVICES			SOLID WASTE REDUCTION AND SERVICES			LIGHTING AND LANDSCAPING MAINTENANCE DISTRICT		
Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
\$11,926 484,680	\$26,085 458,677	\$14,159 (26,003)	\$889,931 15,041 183,687	\$922,925 89,557 129,175 871	\$32,994 74,516 (54,512) 871	\$526,840 12,728	\$499,884 15,402	(\$26,956) 2,674
496,606	484,762	(11,844)	275,344		(275,344)			
573,020	464,435	108,585	9,166	8,250	916			
573,020	464,435	108,585	1,243,324	918,154	325,170	491,710	377,150	114,560
(76,414)	20,327	96,741	111,513	216,124	104,611	47,858	138,136	90,278
			(182,066)	(182,066)		45,645 (98,400)	45,645 (98,400)	
			(182,066)	(182,066)		(52,755)	(52,755)	
(\$76,414)	20,327	\$96,741	(\$70,553)	34,058	\$104,611	(\$4,897)	85,381	\$90,278
			(4,794)					
	83,888			2,444,750			411,132	
	\$99,421			\$2,478,808			\$496,513	

(Continued)

**CITY OF MILPITAS**  
**BUDGETED NON-MAJOR FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	COMMUNITY FACILITIES DISTRICT			HETCH-HETCHY GROUND LEASE		
	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
<b>REVENUES</b>						
Other taxes	\$5,448,531	\$5,740,497	\$291,966			
Franchise Fees						
Use of money and property	25,335	139,562	114,227	\$23,668	\$85,055	\$61,387
Intergovernmental						
Charges for services						
Developer contributions						
Other						
Total Revenues	<u>5,473,866</u>	<u>5,880,059</u>	<u>406,193</u>	<u>23,668</u>	<u>85,055</u>	<u>61,387</u>
<b>EXPENDITURES</b>						
Current:						
General Government:						
City Manager						
City Attorney						
Finance						
Non-departmental	13,748	10,861	2,887	43,100	41,764	1,336
Recreation and Community Services						
Public Works	2,102,942	1,734,505	368,437			
Engineering						
Planning						
Police						
Total Expenditures	<u>2,116,690</u>	<u>1,745,366</u>	<u>371,324</u>	<u>43,100</u>	<u>41,764</u>	<u>1,336</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>3,357,176</u>	<u>4,134,693</u>	<u>777,517</u>	<u>(19,432)</u>	<u>43,291</u>	<u>62,723</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)	<u>(3,675,000)</u>	<u>(3,675,000)</u>				
Total Other Financing Sources (Uses)	<u>(3,675,000)</u>	<u>(3,675,000)</u>				
<b>NET CHANGE IN FUND BALANCES</b>	<u>(\$317,824)</u>	459,693	<u>\$777,517</u>	<u>(\$19,432)</u>	43,291	<u>\$62,723</u>
<b>ADJUSTMENT TO BUDGETARY BASIS:</b>						
Expenditures capitalized for GAAP purposes						
Capital Outlay						
Encumbrance adjustments		140,000				
Fund balances at beginning of year		<u>2,849,032</u>				<u>1,494,287</u>
Fund balances at end of year		<u>\$3,448,725</u>				<u>\$1,537,578</u>

(Continued)

**CITY OF MILPITAS**  
**BUDGETED NON-MAJOR FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	AFFORDABLE HOUSING UNRESTRICTED			PUBLIC ART		
	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
<b>REVENUES</b>						
Other taxes						
Franchise Fees						
Use of money and property	\$39,155	\$107,930	\$68,775	\$17,599	\$62,618	\$45,019
Intergovernmental						
Charges for services						
Developer contributions					270,657	270,657
Other					72,409	72,409
Total Revenues	<u>39,155</u>	<u>107,930</u>	<u>68,775</u>	<u>17,599</u>	<u>405,684</u>	<u>388,085</u>
<b>EXPENDITURES</b>						
Current:						
General Government:						
City Manager		25,352	(25,352)			
City Attorney						
Finance						
Non-departmental						
Recreation and Community Services					20,346	(20,346)
Public Works						
Engineering						
Planning						
Police						
Total Expenditures	<u>                  </u>	<u>25,352</u>	<u>(25,352)</u>	<u>                  </u>	<u>20,346</u>	<u>(20,346)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>39,155</u>	<u>82,578</u>	<u>43,423</u>	<u>17,599</u>	<u>385,338</u>	<u>367,739</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Transfers (out)					(60,000)	(60,000)
Total Other Financing Sources (Uses)	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>(60,000)</u>	<u>(60,000)</u>	<u>                  </u>
NET CHANGE IN FUND BALANCES	<u>\$39,155</u>	<u>82,578</u>	<u>\$43,423</u>	<u>(\$42,401)</u>	<u>325,338</u>	<u>\$367,739</u>
<b>ADJUSTMENT TO BUDGETARY BASIS:</b>						
Expenditures capitalized for GAAP purposes						
Capital Outlay						
Encumbrance adjustments						
Fund balances at beginning of year		<u>3,222,709</u>				<u>987,750</u>
Fund balances at end of year		<u>\$3,305,287</u>				<u>\$1,313,088</u>

**TOTALS**

Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
\$5,975,371	\$6,240,381	\$265,010
889,931	922,925	32,994
320,336	1,002,031	681,695
6,727,332	6,981,771	254,439
200,000	295,121	95,121
2	270,657	270,655
275,344	72,409	(202,935)
 <u>14,388,316</u>	 <u>15,785,295</u>	 <u>1,396,979</u>

1,653,899	2,463,763	(809,864)
21,630	21,630	(21,630)
	11,793	(11,793)
244,974	122,457	122,517
	20,346	(20,346)
3,837,976	3,029,809	808,167
480,764	462,551	18,213
573,020	464,435	108,585
 <u>6,812,263</u>	 <u>6,575,154</u>	 <u>237,109</u>
 <u>7,576,053</u>	 <u>9,210,141</u>	 <u>1,634,088</u>

45,645	45,645	
(8,953,838)	(8,478,475)	475,363
(8,908,193)	(8,432,830)	475,363
 <u>(\$1,332,140)</u>	 <u>777,311</u>	 <u>\$2,109,451</u>

(4,794)	
140,000	
 <u>29,064,407</u>	
 <u>\$29,976,924</u>	



## **INTERNAL SERVICE FUNDS**

Internal Service Funds report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its components units, or to other governments, on a cost reimbursement basis. These funds include the following:

### **EQUIPMENT MANAGEMENT INTERNAL SERVICE FUND**

The Equipment Management Internal Service Fund is used to finance and account for the replacement of equipment used by City departments and the maintenance of computer systems on a cost reimbursement basis.

### **PENSION SECTION 115 INTERNAL SERVICE FUND**

The Pension Section 115 Internal Service Fund is used to accumulate funds which may be used to fund either the annual actuarially determined pension contribution amounts, pay down unfunded pension liabilities with CalPERS, or reduce the length of pension cost amortization schedules with CalPERS.



**CITY OF MILPITAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENTS OF NET POSITION**  
**JUNE 30, 2025**

	<u>Equipment Management</u>	<u>Pension Section 115</u>	<u>Totals</u>
<b>ASSETS</b>			
Current Assets			
Cash and investments	\$16,039,476	\$40,247,522	\$56,286,998
Interest receivable	108,788		108,788
Materials, supplies and deposits	<u>111,093</u>		<u>111,093</u>
Total current assets	<u>16,259,357</u>	<u>40,247,522</u>	<u>56,506,879</u>
Noncurrent Assets			
Capital assets (net of accumulated depreciation)	<u>10,854,007</u>		<u>10,854,007</u>
Total noncurrent assets	<u>10,854,007</u>		<u>10,854,007</u>
Total Assets	<u>27,113,364</u>	<u>40,247,522</u>	<u>67,360,886</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	253,553	16,937	270,490
Refundable deposit	12		12
Accrued payroll	65,418		65,418
Accrued vacation	24,235		24,235
Noncurrent Liabilities			
Accrued vacation	33,863		33,863
Sick leave payable	<u>24,946</u>		<u>24,946</u>
Total Liabilities	<u>402,027</u>	<u>16,937</u>	<u>418,964</u>
<b>NET POSITION</b>			
Invested in capital assets	10,854,007		10,854,007
Restricted for pension expenses		40,230,585	40,230,585
Unrestricted	<u>15,857,330</u>		<u>15,857,330</u>
Total Net Position	<u>\$26,711,337</u>	<u>\$40,230,585</u>	<u>\$66,941,922</u>

**CITY OF MILPITAS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2025**

	Equipment Management	Pension Section 115	Totals
<b>OPERATING REVENUES</b>			
Charges for services	\$4,993,125		\$4,993,125
Other	<u>396,318</u>	<u>\$2,817,504</u>	<u>3,213,822</u>
Total Operating Revenues	<u>5,389,443</u>	<u>2,817,504</u>	<u>8,206,947</u>
<b>OPERATING EXPENSES</b>			
Personal services	1,179,078		1,179,078
Services and supplies	1,545,988	103,243	1,649,231
Depreciation and amortization	1,415,133		1,415,133
Maintenance and repairs	<u>665,837</u>		<u>665,837</u>
Total Operating Expenses	<u>4,806,036</u>	<u>103,243</u>	<u>4,909,279</u>
Operating Income (Loss)	<u>583,407</u>	<u>2,714,261</u>	<u>3,297,668</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income(loss)	872,536	1,147,150	2,019,686
Gain (Loss) on disposal of property	<u>126,150</u>		<u>126,150</u>
Total Nonoperating Revenues (Expenses)	<u>998,686</u>	<u>1,147,150</u>	<u>2,145,836</u>
Income (Loss) Before Contributions and Transfers	1,582,093	3,861,411	5,443,504
Contributions	489,147		489,147
Transfer in	929,850		929,850
Transfer out	<u>(2,875,425)</u>		<u>(2,875,425)</u>
Change in net position	125,665	3,861,411	3,987,076
Net position-beginning	<u>26,585,672</u>	<u>36,369,174</u>	<u>62,954,846</u>
Net position-ending	<u>\$26,711,337</u>	<u>\$40,230,585</u>	<u>\$66,941,922</u>

**CITY OF MILPITAS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2025**

	Equipment Management	Pension Section 115	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$5,389,443	\$2,817,504	\$8,206,947
Payments to suppliers	(1,096,479)	(102,292)	(1,198,771)
Payments to employees	<u>(1,128,295)</u>		<u>(1,128,295)</u>
Net cash provided by operating activities	<u>3,164,669</u>	<u>2,715,212</u>	<u>5,879,881</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers in	929,850		929,850
Transfers out	<u>(2,875,425)</u>		<u>(2,875,425)</u>
Cash Flows from Noncapital Financing Activities	<u>(1,945,575)</u>		<u>(1,945,575)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(1,160,176)		(1,160,176)
Proceeds from sale of assets	<u>126,150</u>		<u>126,150</u>
Cash Flows from Capital and Related Financing Activities	<u>(1,034,026)</u>		<u>(1,034,026)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	<u>855,257</u>	<u>1,147,150</u>	<u>2,002,407</u>
Cash Flows from Investing Activities	<u>855,257</u>	<u>1,147,150</u>	<u>2,002,407</u>
Net increase (decrease) in cash and cash equivalents	1,040,325	3,862,362	4,902,687
Cash and investments at beginning of period	<u>14,999,151</u>	<u>36,385,160</u>	<u>51,384,311</u>
Cash and investments at end of period	<u>\$16,039,476</u>	<u>\$40,247,522</u>	<u>\$56,286,998</u>
<b>NONCASH TRANSACTIONS:</b>			
Contributions and transfers of capital assets, net	\$489,147		\$489,147
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	583,407	\$2,714,261	3,297,668
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,415,133		1,415,133
Change in assets and liabilities:			
Materials, supplies and deposits	970,749		970,749
Accounts and other payables	<u>195,380</u>	951	<u>196,331</u>
Net cash provided by operating activities	<u>\$3,164,669</u>	<u>\$2,715,212</u>	<u>\$5,879,881</u>



## STATISTICAL SECTION

This part of the City's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

### ***Financial Trends***

These schedules contain trend information to help the reader understand how the City's financial performance and wellbeing have changed over time:

- Net Position – Schedule 1
- Changes in Net Position – Schedule 2
- Fund Balances, Governmental Funds – Schedule 3
- Changes in Fund Balance, Governmental Funds – Schedule 4

### ***Revenue Capacity***

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

- Assessed Value and Actual Value of Taxable Property – Schedule 5
- Direct and Overlapping Property Taxes Rates – Schedule 6
- Principal Property Taxpayers – Schedule 7
- Property Tax Levies and Collections – Schedule 8
- Taxable Sales by Category – Schedule 9
- Direct and Overlapping Sales Tax Rates – Schedule 10
- Principal Sales Tax Payers – Schedule 11

### ***Debt Capacity***

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

- Ratios of Outstanding Debt by Type – Schedule 12
- Bonded Debt Pledged Revenue Coverage, Redevelopment Agency Tax Allocation Bonds – Schedule 13
- Computation of Direct and Overlapping Debt – Schedule 14
- Legal Debt Margin Information – Schedule 15
- Installment Payment Coverage, Sewer Certificates of Participation and Waste Water Revenue Refunding Bonds – Schedule 16
- Installment Payment Coverage, Water Revenue Bonds – Schedule 17

### ***Demographic and Economic Information***

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

- Bimonthly Sewer Rates by Customer Class – Schedule 18
- Bimonthly Water Rates by Customer Class – Schedule 19
- Demographic and Economic Statistics – Schedule 20
- Principal Employers – Schedule 21

### ***Operating Information***

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

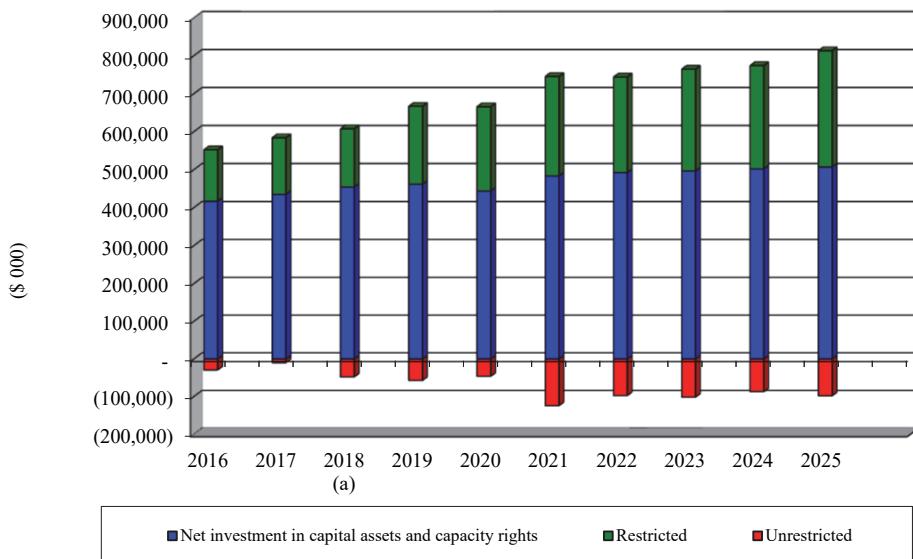
- Authorized Full-Time Equivalent Employees by Function/Program – Schedule 22
- Operating Indicators by Function/Program – Schedule 23
- Capital Asset Statistics by Function/Program – Schedule 24

### ***Sources***

Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.



**CITY OF MILPITAS**  
**NET POSITION**  
**LAST TEN FISCAL YEARS**  
 (Accrual basis of accounting)  
 (Dollars in Thousands)



	Fiscal Year Ended June 30,				
	2016	2017	2018 (a)	2019	2020
<b>Governmental activities</b>					
Net investment in capital assets and capacity rights	\$298,321	\$312,138	\$323,239	\$326,564	\$344,471
Restricted	100,327	108,630	109,726	145,983	158,716
Unrestricted	(44,368)	(30,091)	(63,405)	(65,799)	(93,911)
Total governmental activities net position	<u><u>\$354,280</u></u>	<u><u>\$390,677</u></u>	<u><u>\$369,560</u></u>	<u><u>\$406,748</u></u>	<u><u>\$409,276</u></u>
<b>Business-type activities</b>					
Net investment in capital assets and capacity rights	\$118,588	\$122,937	\$130,736	\$135,048	\$99,331
Restricted	35,130	40,311	43,834	59,191	63,084
Unrestricted	15,261	20,254	15,784	8,930	47,967
Total business-type activities net position	<u><u>\$168,979</u></u>	<u><u>\$183,502</u></u>	<u><u>\$190,354</u></u>	<u><u>\$203,169</u></u>	<u><u>\$210,382</u></u>
<b>Primary government</b>					
Net investment in capital assets and capacity rights	\$416,909	\$435,075	\$453,975	\$461,612	\$443,802
Restricted	135,457	148,941	153,560	205,174	221,800
Unrestricted	(29,107)	(9,837)	(47,621)	(56,869)	(45,944)
Total primary government net position	<u><u>\$523,259</u></u>	<u><u>\$574,179</u></u>	<u><u>\$559,914</u></u>	<u><u>\$609,917</u></u>	<u><u>\$619,658</u></u>
	2021	2022	2023	2024	2025
<b>Governmental activities</b>					
Net investment in capital assets and capacity rights	\$358,445	\$365,009	\$365,509	\$366,987	\$369,936
Restricted	189,030	176,451	179,036	188,018	205,793
Unrestricted	(142,708)	(118,570)	(114,218)	(116,040)	(118,179)
Total governmental activities net position	<u><u>\$404,767</u></u>	<u><u>\$422,890</u></u>	<u><u>\$430,327</u></u>	<u><u>\$438,965</u></u>	<u><u>\$457,550</u></u>
<b>Business-type activities</b>					
Net investment in capital assets and capacity rights	\$125,206	\$127,204	\$130,978	\$135,007	\$138,637
Restricted	72,629	75,083	89,091	83,642	100,063
Unrestricted	18,483	21,208	12,857	27,545	20,151
Total business-type activities net position	<u><u>\$216,318</u></u>	<u><u>\$223,495</u></u>	<u><u>\$232,926</u></u>	<u><u>\$246,194</u></u>	<u><u>\$258,851</u></u>
<b>Primary government</b>					
Net investment in capital assets and capacity rights	\$483,651	\$492,213	\$496,487	\$501,994	\$508,573
Restricted	261,659	251,534	268,127	271,660	305,856
Unrestricted	(124,225)	(97,362)	(101,361)	(88,495)	(98,028)
Total primary government net position	<u><u>\$621,085</u></u>	<u><u>\$646,385</u></u>	<u><u>\$663,253</u></u>	<u><u>\$685,159</u></u>	<u><u>\$716,401</u></u>

(a) The City implemented the provisions of GASB Statement 75 in fiscal year 2018 that required the restatement of net position. Amounts prior to 2018 have not been restated.

**CITY OF MILPITAS**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
 (accrual basis of accounting)  
 (Dollars in Thousands)

	Fiscal Year Ended June 30,			
	2016	2017	2018	2019
<b>Expenses</b>				
Governmental activities				
General Government	\$18,614	\$21,174	\$19,111	\$25,281
Building and Safety	2,513	3,389	4,148	(b)
Building, Housing and Safety			(b)	5,449
Recreation and Community Services			5,890	7,020
Public Works	12,761	16,266	15,903	20,053
Engineering	5,790 (a)	6,249 (a)	5,712 (a)	6,459 (a)
Planning and Neighborhood Services	2,649 (a)	3,103 (a)	3,586 (a)	(b)
Planning				1,851
Parks and Recreation	4,090	4,949		
Police	24,556	30,270	33,840	35,868
Fire	16,400	20,499	24,194	26,535
Interest on Long Term Debt	56	48		17
Total governmental activities expenses	<u>87,429</u>	<u>105,947</u>	<u>112,384</u>	<u>128,533</u>
Business-type activities				
Water Utility	19,743	20,666	23,742	25,232
Sewer Utility	10,872	9,969	12,715	12,231
Total business-type activities expenses	<u>30,615</u>	<u>30,635</u>	<u>36,457</u>	<u>37,463</u>
Total primary government expenses	<u><u>\$118,044</u></u>	<u><u>\$136,582</u></u>	<u><u>\$148,841</u></u>	<u><u>\$165,996</u></u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General Government	\$2,065	\$1,970	\$2,088	\$2,347
Building and Safety	5,963	7,814	10,093	(b)
Building, Housing and Safety			9,718	2,655
Recreation and Community Services			2,559	
Public Works	(a)	(a)	(a)	(a)
Engineering	2,863 (a)	2,720 (a)	2,465 (a)	2,379 (a)
Planning and Neighborhood Services	747	292	418 (b)	
Planning				226
Parks and Recreation	1,981	2,301		
Police	1,138	1,184	1,089	1,130
Fire	2,440	3,224	3,326	2,172
Operating grants and contributions	7,320	7,880	6,521	8,277
Capital grants and contributions	35,195	32,256	34,003	47,194
Total government activities program revenues	<u>59,712</u>	<u>59,641</u>	<u>62,562</u>	<u>76,098</u>
Business-type activities				
Charges for services:				
Water Utility	18,709	26,318	29,667	29,355
Sewer Utility	15,964	16,803	17,139	17,830
Operating grants and contributions	63	89	124	114
Capital grants and contributions	1,103	4,937	2,507	2,755
Total business-type activities program revenue	<u>35,839</u>	<u>48,147</u>	<u>49,437</u>	<u>50,054</u>
Total primary government program revenues	<u><u>\$95,551</u></u>	<u><u>\$107,788</u></u>	<u><u>\$111,999</u></u>	<u><u>\$126,152</u></u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	(\$27,717)	(\$46,306)	(\$49,822)	(\$52,435)
Business-type activities	5,224	17,512	12,980	12,591
Total primary government net expense	<u><u>(\$22,493)</u></u>	<u><u>(\$28,794)</u></u>	<u><u>(\$36,842)</u></u>	<u><u>(\$39,844)</u></u>

- (a) Public Works and Engineering are separate departments beginning in fiscal year 2016.
- (b) Neighborhood Services is a component of Building, Housing and Safety, and Planning is a separate department beginning in fiscal year 2019.
- (c) Under the terms of a settlement agreement with the County Auditor - Controller, Successor Agency to the Milpitas Redevelopment Agency and other parties, the City and Economic Development Corporation transferred cash and certain capital assets to the Successor Agency and received certain capital assets from the Successor Agency.
- (d) Beginning in fiscal year 2025, the Building, Housing and Safety Department was realigned to be separate component under City Manager Office. Code Enforcement is a component of Planning Department.

2020	2021	2022	2023	2024	2025
\$24,050 (b) 7,418 7,095 20,342 7,314 (a) (b) 2,741	\$25,247 (b) 6,705 5,174 20,219 6,826 (a) (b) 2,489	\$25,213 (b) 4,943 6,114 22,063 5,047 (a) (b) 1,851	\$25,711 (b) 7,940 8,410 23,657 6,006 (b) 2,638	\$28,302 (b) 8,376 8,514 31,702 (a) (b) 2,545	\$31,296 (b) (d) 8,555 35,183 (a) (b) 3,628
43,505 31,472 37 143,974	38,919 31,859 785 138,223	29,468 29,040 838 124,577	39,545 31,799 565 146,271	46,096 31,777 676 157,988	44,727 36,077 1,293 160,759
28,750 15,240 43,990 \$187,964	28,959 15,982 44,941 \$183,164	26,898 15,622 42,520 \$167,097	28,070 20,226 48,296 \$194,567	30,029 17,839 47,868 \$205,856	35,999 19,113 55,112 \$215,871
\$1,809 (b) 6,621 1,145 (a) 2,132 (a) (b) 452	\$1,710 (b) 8,629 762 (a) 1,792 (a) (b) 408	\$1,931 (b) 8,815 2,360 (a) 1,096 (a) (b) 474	\$1,400 (b) 7,815 3,328 81 2,960 (b) 505	\$1,299 (b) 5,358 2,910 3,678 (a) (a) (b) 566	\$8,054 (b) (d) 3,910 3,708 (a) (a) (b) 489
1,087 2,402 10,643 33,423 59,714	1,055 2,553 14,986 18,997 50,892	1,421 2,582 15,335 19,924 53,938	1,565 2,498 16,230 7,901 44,283	1,513 2,396 21,580 12,270 51,570	1,596 2,737 16,153 22,033 58,680
32,792 19,566 171 601 53,130 \$112,844	34,658 20,152 125 1,434 56,369 \$107,261	34,374 21,593 306 1,026 57,299 \$111,237	34,242 24,953 59 2,509 61,763 \$106,046	36,065 25,110 61 174 61,410 \$112,980	39,541 26,476 52 672 66,741 \$125,421
(\$84,260) 9,140 (\$75,120)	(\$87,331) 11,428 (\$75,903)	(\$70,639) 14,779 (\$55,860)	(\$101,988) 13,467 (\$88,521)	(\$106,418) 13,542 (\$92,876)	(\$102,079) 11,629 (\$90,450)

(Continued)

**CITY OF MILPITAS**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
 (accrual basis of accounting)  
 (Dollars in Thousands)

	Fiscal Year Ended June 30,			
	2016	2017	2018	2019

**General Revenues and Other Changes in Net Position**

## Governmental activities

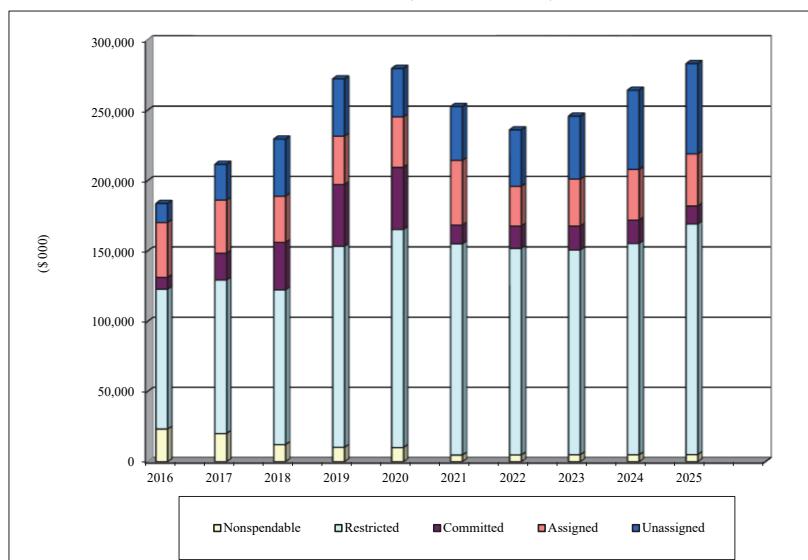
Taxes:				
Property taxes	\$27,068	\$30,262	\$31,893	\$33,811
Sales and use taxes	23,924	25,392	26,991	27,983
Hotel/Motel taxes	11,757	11,858	12,122	14,503
Other taxes	822	803	814	808
Franchise fees	3,841	3,871	4,678	5,127
Motor vehicle in lieu	29	34	39	36
Investment earnings	913	118	301	4,474
Gain on sale of capital assets/property		7,324		4
Miscellaneous	287	118	186	390
Transfers	2,625	2,923	2,511	2,489
Extraordinary item				
Special Item			(12,432) (c)	
Total government activities	<u>71,266</u>	<u>82,703</u>	<u>67,103</u>	<u>89,625</u>
Business-type activities				
Investment earnings	695	(65)	171	2,712
Transfers	(2,625)	(2,923)	(2,511)	(2,489)
Total business-type activities	<u>(1,930)</u>	<u>(2,988)</u>	<u>(2,340)</u>	<u>223</u>
Total primary government	<u>\$69,336</u>	<u>\$79,715</u>	<u>\$64,763</u>	<u>\$89,848</u>
<b>Change in net position</b>				
Governmental activities	\$43,549	\$36,397	\$17,281	\$37,190
Business-type activities	3,294	14,524	10,640	12,814
Total primary government	<u>\$46,843</u>	<u>\$50,921</u>	<u>\$27,921</u>	<u>\$50,004</u>

- (a) Public Works and Engineering are separate departments beginning in fiscal year 2016.
- (b) Neighborhood Services is a component of Building, Housing and Safety, and Planning is a separate department beginning in fiscal year 2019.
- (c) Under the terms of a settlement agreement with the County Auditor - Controller, Successor Agency to the Milpitas Redevelopment Agency and other parties, the City and Economic Development Corporation transferred cash and certain capital assets to the Successor Agency and received certain capital assets from the Successor Agency.

2020	2021	2022	2023	2024	2025
\$37,684	\$40,979	\$42,646	\$47,100	\$48,613	\$51,076
24,173	24,170	33,210	37,344	34,617	36,992
11,377	4,213	8,013	11,190	11,537	13,399
836	791	1,070	737	819	623
5,173	5,036	5,188	5,690	7,075	7,102
60	57	87	84	101	129
2,808	965	(7,560)	1,864	5,594	4,752
43	28	198	34		(232)
446	503	1,554	765	1,272	827
4,187	6,079	4,357	4,616	5,428	5,995
86,787	82,821	88,763	109,424	115,056	120,663
2,261	588	(3,246)	580	5,154	7,024
(4,187)	(6,079)	(4,357)	(4,616)	(5,428)	(5,996)
(1,926)	(5,491)	(7,603)	(4,036)	(274)	1,028
<u>\$84,861</u>	<u>\$77,330</u>	<u>\$81,160</u>	<u>\$105,388</u>	<u>\$114,782</u>	<u>\$121,691</u>
\$2,527	(\$4,510)	\$18,124	\$7,436	\$8,638	\$18,584
7,214	5,937	7,176	9,431	13,268	12,657
<u>\$9,741</u>	<u>\$1,427</u>	<u>\$25,300</u>	<u>\$16,867</u>	<u>\$21,906</u>	<u>\$31,241</u>



**CITY OF MILPITAS**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
 (modified accrual basis of accounting)  
 (Dollars in Thousands)



	Fiscal Year Ended June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund										
Nonspendable	\$23,387	\$20,209	\$10,043	\$10,234	\$10,189	\$4,783	\$4,866	\$4,924	\$4,970	\$5,151
Restricted										
Committed	8,440	19,026	33,643	43,852	44,082	13,266	15,766	16,972	16,495	12,730
Assigned	9,052	8,067	8,629	5,916	6,118	6,543	6,114	6,921	7,478	7,478
Unassigned	13,410	25,440	40,496	40,655	34,387	38,128	40,038	44,685	56,307	64,092
Total General Fund	<u>\$54,289</u>	<u>\$72,742</u>	<u>\$92,811</u>	<u>\$100,657</u>	<u>\$94,776</u>	<u>\$62,720</u>	<u>\$66,784</u>	<u>\$73,502</u>	<u>\$85,250</u>	<u>\$89,451</u>
All Other Governmental Funds										
Nonspendable	\$13	\$15	\$2,229	\$85	\$20	\$28	\$27	\$150	\$32	\$30
Restricted	99,701	109,416	110,418	143,232	155,359	150,544	147,231	145,894	150,629	164,220
Assigned	29,956	29,635	24,284	28,532	29,768	39,508	22,250	26,485	28,522	29,575
Unassigned										
Total all other governmental funds	<u>\$129,670</u>	<u>\$139,066</u>	<u>\$136,931</u>	<u>\$171,849</u>	<u>\$185,147</u>	<u>\$190,080</u>	<u>\$169,508</u>	<u>\$172,529</u>	<u>\$179,183</u>	<u>\$193,825</u>

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

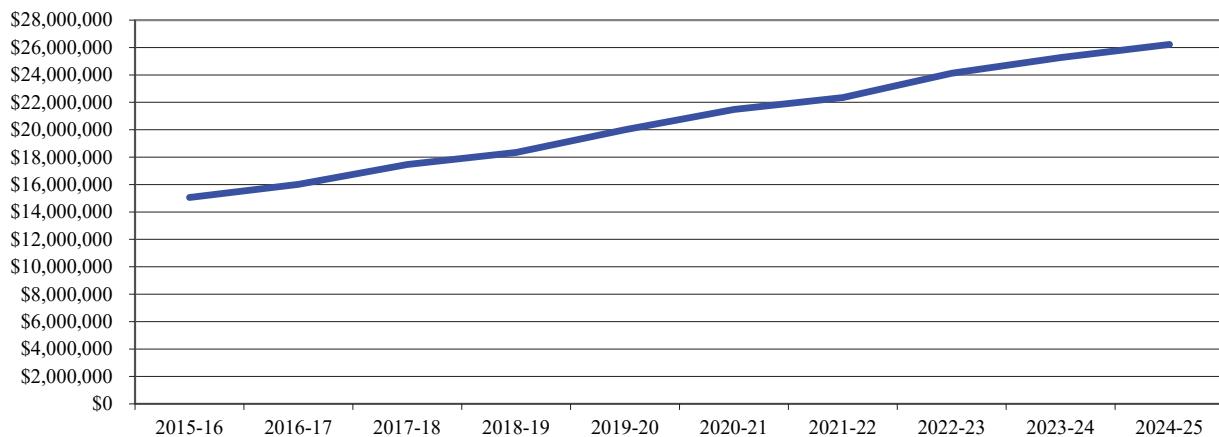
**CITY OF MILPITAS**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(modified accrual basis of accounting)  
(Dollars in Thousands)

	Fiscal Year Ended June 30,				
	2016	2017	2018	2019	2020
<b>Revenues</b>					
Property taxes	\$27,068	\$30,261	\$31,893	\$33,811	\$37,799
Sales taxes	24,719	26,214	27,854	28,890	25,058
Hotel/Motel taxes					11,377 (d)
Franchise fees					5,173 (d)
Other taxes	18,737	19,349	20,429	23,386	4,632 (d)
Licenses and fines	8,051	10,497	12,758	11,757	9,039
Use of money and property	3,037	2,180	2,719	8,452	8,092
Intergovernmental	6,104	4,696	6,228	6,019	9,089
Charges for services	7,196	7,238	6,981	6,969	5,228
Developer contributions	29,410	25,637	29,065	41,153	24,684
Other	113	310	568	926	983
<b>Total Revenues</b>	<b>124,435</b>	<b>126,382</b>	<b>138,495</b>	<b>161,363</b>	<b>141,154</b>
<b>Expenditures</b>					
Current:					
General Government	13,771	17,089	15,397	21,352	19,146
Building and Safety	2,885	3,148	3,633	(c)	(c)
Building, Housing and Safety				5,038	5,784
Recreation and Community Services	3,383	3,876	4,497	5,144	5,227
Human Resources and Recreation	(b)	(b)	(b)	(b)	(b)
Parks and Recreation	(a)	(a)	(a)	(a)	(a)
Public Works	6,020	6,839	6,983	8,151	9,588
Engineering	3,257	3,527	3,103	3,201	3,559
Planning and Neighborhood Services	2,805	2,978	3,153	(c)	(c)
Planning				1,648	2,116
Police	26,124	27,247	27,880	30,389	34,301
Fire	17,470	18,456	21,034	23,225	26,416
Capital outlay	24,811	26,151	27,243	23,435	32,106
Debt service:					
Principal				199	728
Interest and fees	54	48	69	104	155
<b>Total Expenditures</b>	<b>100,580</b>	<b>109,359</b>	<b>112,992</b>	<b>121,886</b>	<b>139,126</b>
Excess (deficiency) of revenues over (under) expenditures	23,855	17,023	25,503	39,477	2,028
<b>Other Financing Sources (Uses)</b>					
Proceeds from debt issuance				952	
Payments to refunded debt escrow agent					
Proceeds/gain from sale of properties	160	7,324		1	
Loss from sale/conveyance of property			(12,437)	(152)	
Transfers in	23,001	18,405	19,505	37,936	27,164
Transfers (out)	(19,864)	(14,903)	(14,637)	(35,449)	(21,777)
<b>Total other financing sources (uses)</b>	<b>3,297</b>	<b>10,826</b>	<b>(7,569)</b>	<b>3,288</b>	<b>5,387</b>
<b>Extraordinary Items</b>					
Assets transferred to Housing Successor					
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor					
<b>Special Item</b>					
Assets transferred to/from Successor Agency and County					
<b>Net Change in fund balances</b>	<b>\$27,152</b>	<b>\$27,849</b>	<b>\$17,934</b>	<b>\$42,765</b>	<b>\$7,415</b>
Debt service as a percentage of noncapital expenditures	0.1%	0.1%	0.1%	0.3%	0.7%

- (a) Beginning in fiscal year 2013, parks maintenance division is part of the public works department and the recreation division is part of human resources department. However starting in fiscal year 2016, the recreation was separated out from Human Resources as an individual department
- (b) Human Resources is a component of General Government and Recreation is a separate department beginning in fiscal year 2016.
- (c) Neighborhood Services is a component of Building, Housing and Safety, and Planning is a separate department beginning in fiscal year 2019.
- (d) Transient occupancy taxes and Franchise fees were reported separately from Other taxes beginning in fiscal year 2020.
- (e) Beginning in fiscal year 2025, the Building, Housing and Safety Department was realigned to be separate component under City Manager Office. Code Enforcement is a component of Planning Department.

Fiscal Year Ended June 30,				
2021	2022	2023	2024	2025
\$41,093	\$42,759	\$47,210	\$48,724	\$51,181
25,114	34,364	38,476	35,836	38,101
4,213 (d)	8,012 (d)	11,189 (d)	11,529 (d)	13,379 (d)
5,036 (d)	5,188 (d)	5,690 (d)	7,075 (d)	7,102 (d)
4,889 (d)	5,940 (d)	6,154 (d)	7,141 (d)	7,248 (d)
10,993	11,287	10,147	7,663	8,921
1,505	(5,980)	3,432	9,937	13,941
12,576	15,403	16,062	20,079	14,217
4,816	6,114	6,908	7,418	7,817
15,880	9,331	2,399	2,288	10,473
642	621	935	1,315	917
<u>126,757</u>	<u>133,039</u>	<u>148,602</u>	<u>159,005</u>	<u>173,297</u>
22,902	24,657	22,390	25,212	32,997
(c)				
6,088	5,853	7,635	7,601	(e)
3,662	5,041	6,640	6,967	7,146
(b)				
(a)				
10,671	10,850	12,053	16,977	23,532
3,846	3,474	3,539		
(c)				
2,293	2,142	2,484	2,295	3,557
34,803	35,023	37,656	39,273	42,434
28,200	29,483	29,227	28,401	35,224
33,648	33,828	21,196	17,638	15,471
449	275	748	652	1,070
	737	740	719	969
<u>146,562</u>	<u>151,363</u>	<u>144,308</u>	<u>145,735</u>	<u>162,400</u>
<u>(19,805)</u>	<u>(18,324)</u>	<u>4,294</u>	<u>13,270</u>	<u>10,897</u>
21,919				
3	118	65	5	5
21,486	16,902	23,531	24,441	22,405
(50,724)	(13,225)	(20,131)	(19,313)	(14,464)
(7,316)	3,795	3,465	5,133	7,946
<u>(\$27,121)</u>	<u>(\$14,529)</u>	<u>\$7,759</u>	<u>\$18,403</u>	<u>\$18,843</u>
0.3%	0.7%	1.16%	1.08%	1.41%

**CITY OF MILPITAS**  
**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
(Dollars in Thousands)



Fiscal Year	Real Property				Unsecured	Less: Tax-Exempt Property (c)	Total Taxable Assessed Value (a)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other (c)				
2015-16	\$8,629,667	\$1,445,665	\$2,788,984	\$649,712	\$1,844,591	(\$299,860)	\$15,058,759	1%
2016-17	9,386,926	1,493,922	3,248,012	675,017	1,529,223	(314,291)	16,018,809	1%
2017-18	10,143,815	1,581,140	3,563,327	782,718	1,710,357	(315,999)	17,465,358	1%
2018-19	10,997,080	1,619,668	3,504,633	790,143	1,761,094	(328,719)	18,343,899	1%
2019-20	12,311,913	1,684,889	3,752,681	665,325	1,917,745	(333,527)	19,999,026	1%
2020-21	13,398,580	1,792,792	4,048,447	534,924	1,890,212	(186,858)	21,478,097	1%
2021-22	14,045,849	1,861,634	4,231,585	463,153	1,922,357	(178,163)	22,346,415	1%
2022-23	15,166,680	1,890,500	4,568,761	496,705	2,196,227	(193,979)	24,124,894	1%
2023-24	15,901,041	1,986,166	5,068,816	548,661	2,072,285	(307,593)	25,269,376	1%
2024-25	<b>16,609,743</b>	<b>2,053,553</b>	<b>5,379,908</b>	<b>509,272</b>	<b>1,981,849</b>	<b>(308,707)</b>	<b>26,225,618</b>	<b>1%</b>

Source: Hdl Coren & Cone, Santa Clara County Assessor Combined Tax Rolls

Notes:

- (a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.
- (b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.
- (c) Corrections were made for Fiscal Years 2013-14 through 2018-19 to correct the amounts for Other and Tax-Exempt Property. Total assessed value was unchanged.

**CITY OF MILPITAS**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**LAST TEN FISCAL YEARS**  
(Rate per \$100 of assessed value)

Fiscal Year	City Direct Rates		Overlapping Rates (a)		
	Basic Rate (b)	Total Direct	County of Santa Clara (c)	School Districts	Special Districts
2015-16	1.00	1.00	0.0503	0.0817	0.0057
2016-17	1.00	1.00	0.0498	0.0734	0.0086
2017-18	1.00	1.00	0.0621	0.0880	0.0062
2018-19	1.00	1.00	0.0589	0.0850	0.0042
2019-20	1.00	1.00	0.0581	0.1245	0.0410
2020-21	1.00	1.00	0.0412	0.1255	0.0037
2021-22	1.00	1.00	0.0412	0.1210	0.0051
2022-23	1.00	1.00	0.0412	0.1172	0.0044
2023-24	1.00	1.00	0.0412	0.1017	0.0041
<b>2024-25</b>	<b>1.00</b>	<b>1.00</b>	<b>0.0412</b>	<b>0.0875</b>	<b>0.0041</b>

Source: County of Santa Clara, Tax Rates & Information

Notes:

- (a) Overlapping rates are those of local and county governments that apply to property owners within the City of Milpitas. Not all overlapping rates apply to all Milpitas property owners. These are voter approved levies in addition to the 1% State levy.
- (b) The City's basic property tax rate can only be increased by a 2/3 vote of the City's residents.
- (c) The overlapping rates for the County of Santa Clara were corrected in prior years to include amounts that were previously omitted by mistake.

**CITY OF MILPITAS**  
**PRINCIPAL PROPERTY TAX PAYERS**  
**FISCAL YEARS 2024-25 and 2015-16**

Taxpayer	2024-2025			2015-2016		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Cisco Systems Inc.	\$862,834,650	1	3.29%	\$901,953,758	1	5.99%
KLA Tencor Corporation	693,736,044	2	2.65%	379,480,551	2	2.52%
Headway Technologies Inc	616,714,687	3	2.35%	114,487,120	10	0.76%
Milpitas-District 1 Owner LLC	450,768,179	4	1.72%			
Milpitas Mills LP	367,457,455	5	1.40%	310,981,136	3	2.07%
McCarthy Center Holding LLC	222,454,965	6	0.85%			
MG Eleanor Apartments LLC	196,900,473	7	0.75%			
WH Silicon Valley VI LP	193,282,324	8	0.74%			
WDMICA001 LP	192,450,000	9	0.73%			
Amalfi Milpitas LLC	183,060,160	10	0.70%			
Sandbox Expansion LLC				191,556,360	4	1.27%
California Diversified LLC				163,399,376	5	1.09%
Essex Portfolio LP				149,865,177	6	1.00%
Hudson Campus Center LLC				124,123,113	7	0.82%
Linear Technology Corporation				117,010,507	8	0.78%
Regency Tasman Holdings LLC				115,775,000	9	0.77%
Subtotal	<b><u>\$3,979,658,937</u></b>		<b><u>15.17%</u></b>	<b><u>\$2,568,632,098</u></b>		<b><u>17.06%</u></b>
Fiscal Year 2024-2025 Total Net Assessed Valuation			<b><u>\$26,225,617,897</u></b>			
Fiscal Year 2015-2016 Total Net Assessed Valuation			<b><u>\$15,058,758,945</u></b>			

Source: Hdl, Coren & Cone, Santa Clara County Assessor 2024/25 Combined Tax Rolls and the SBE Non Unitary Tax Roll

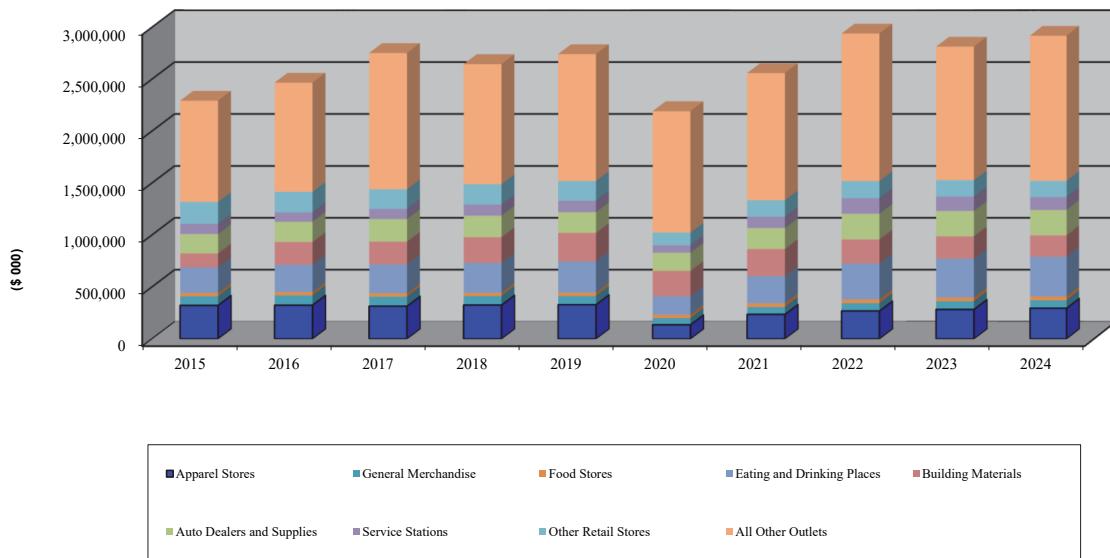
**CITY OF MILPITAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
(Dollars in thousands)

Fiscal Year	Taxes Levied (a)	Current Collections (a)	Percent of Levy Collected	Delinquent Tax Collections	Total Taxes Collected (a)	Percent of Levy
2015-16	27,068	27,068	100.00%	0	27,068	100.00%
2016-17	30,262	30,262	100.00%	0	30,262	100.00%
2017-18	31,893	31,893	100.00%	0	31,893	100.00%
2018-19	33,811	33,811	100.00%	0	33,811	100.00%
2019-20	37,684	37,684	100.00%	0	37,684	100.00%
2020-21	41,093	41,093	100.00%	0	41,093	100.00%
2021-22	42,759	42,759	100.00%	0	42,759	100.00%
2022-23	47,210	47,210	100.00%	0	47,210	100.00%
2023-24	48,578	48,578	100.00%	0	48,578	100.00%
<b>2024-25</b>	<b>51,065</b>	<b>51,065</b>	100.00%	0	51,065	100.00%

(a) The City elected to participate in the "Teeter" plan offered by the County whereby cities receive 100% of the taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes.

Source: City of Milpitas Annual Comprehensive Financial Report

**CITY OF MILPITAS**  
**TAXABLE SALES BY CATEGORY**  
**LAST TEN CALENDAR YEARS**  
(Dollars in Thousands)  
Adjusted for Economic Data (a)



	CALENDAR YEARS									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Apparel Stores	321,992	324,777	314,476	325,503	328,797	135,961	235,722	268,617	283,426	294,453
General Merchandise	86,475	92,857	90,725	86,646	83,422	63,773	70,819	73,747	77,462	76,432
Food Stores	32,178	32,093	32,541	31,109	31,569	33,193	35,305	37,525	36,134	36,760
Eating and Drinking Places	246,653	262,563	278,418	285,895	299,737	176,589	261,703	344,196	374,480	381,958
Building Materials	134,128	220,330	219,627	249,678	275,936	244,481	261,419	232,726	215,277	206,624
Auto Dealers and Supplies	185,769	193,977	216,532	206,111	198,918	173,853	200,670	246,783	244,645	244,277
Service Stations	98,981	90,355	97,579	107,423	110,708	73,176	109,650	149,625	137,297	123,886
Other Retail Stores	211,504	197,511	189,900	196,586	189,972	121,752	158,734	164,914	157,910	157,132
All Other Outlets	974,998	1,052,073	1,312,460	1,156,074	1,222,433	1,168,815	1,224,812	1,421,514	1,286,677	1,396,783
Total	<u>\$2,292,678</u>	<u>\$2,466,536</u>	<u>\$2,752,258</u>	<u>\$2,645,025</u>	<u>\$2,741,492</u>	<u>\$2,191,593</u>	<u>\$2,558,834</u>	<u>\$2,939,647</u>	<u>\$2,813,308</u>	<u>\$2,918,305</u>

Source: State Board of Equalization, California Department of Taxes and Fees Administration, State Controller's Office, The HdL Companies

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

(a) Adjusted for Economic Data - reflects adjustments for prior periods taxable sales in the appropriate quarters.

**CITY OF MILPITAS**  
**DIRECT AND OVERLAPPING SALES TAX RATES**  
**LAST TEN FISCAL YEARS**

Schedule 10

Fiscal Year	City Direct Rate	Santa Clara County (b)	State of California
2015-16	1.00	1.50	6.25
2016-17	1.00	2.00	6.00
2017-18	1.00	2.00	6.00 (a)
2018-19	1.00	2.00	6.00
2019-20	1.00	2.00	6.00
2020-21	1.25	2.00	6.00
2021-22	1.25	2.13	6.00
2022-23	1.25	2.13	6.00
2023-24	1.25	2.13	6.00
<b>2024-25</b>	<b>1.25</b>	<b>2.13</b>	<b>6.00</b>

Source: California State Board of Equalization

(a) On April 1, 2017, the County increased the rate 0.50% and on January 1, 2017 the State decreased the rate 0.25%.

(b) Corrections were made to the County and State rates in all years. 0.25% that is part of the County Transportation Fund was being counted as State rate by mistake.

Note: The City's sales tax rate may be changed only with approval of the State Legislature.

**CITY OF MILPITAS**  
**PRINCIPAL SALES TAX PAYERS**  
**FISCAL YEARS 2024-25 and 2015-16**  
**IN ALPHABETICAL ORDER**

<b>Fiscal Year 2024-2025</b>	<b>Fiscal Year 2015-2016</b>
Arco	Acme Construction Supply Co
Best Buy	Best Buy
Burlington	Burlington
Cisco Systems	Chevron
Coach	Cisco Systems
Consolidated Electrical Distributors	Coach
Envision Honda of Milpitas	Consolidated Electrical Distributors
Envision Toyota of Milpitas	Dave & Busters
Flextronics	Eplus Technology
Floor & Decor	Fireeye
Headway Technologies	Flextronics
Home Depot	Home Depot
Hoya Corporation Usa	Hoya Corporation Usa
Inspur Systems	Jacklin Shell
Jacklin Shell	KLA Tencor
KLA Tencor	Kohls
Kz Kitchen Cabinet & Stone	Marshalls
Lennox Industries	Mazak Corporation
Marshalls	Michael Kors
Milpitas Materials Company	Milpitas Materials Company
Nike Factory Store	Nike Factory Store
Teledyne Lecroy	Piercey Toyota
Uniqlo	South Bay Honda
Veeco Process Equipment Inc	Tommy Hilfiger
Walmart Supercenter	Walmart Supercenter

Sources: State Board of Equalization, California Department of Taxes and Fees Administration, State Controller's

**CITY OF MILPITAS**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
(Dollars in thousands, except per capita)

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	Lease Revenue Bonds	Purchase Agreement	Capital Lease	Certificates of Participation	Revenue Bonds (c)			
2015-16	0	0	94	6,055	0	6,149	0.26%	81
2016-17	0	0	0	5,605	0	5,605	0.22%	74
2017-18	0	0	0	0	5,363	5,363	0.20%	71
2018-19	0	0	728	0	4,812	5,540	0.19% (b)	73
2019-20	0	0	0	0	59,448	59,448	1.76%	763
2020-21	21,919	0	0	0	57,882	79,801	2.11%	1,262
2021-22	21,470	0	0	0	56,246	77,716	1.47%	949
2022-23	20,826	0	0	0	54,555	75,381	1.76%	930
2023-24	20,132	0	0	0	52,804	72,936	1.49%	892
2024-25	19,389	0	0	0	50,988	70,377	1.33%	859

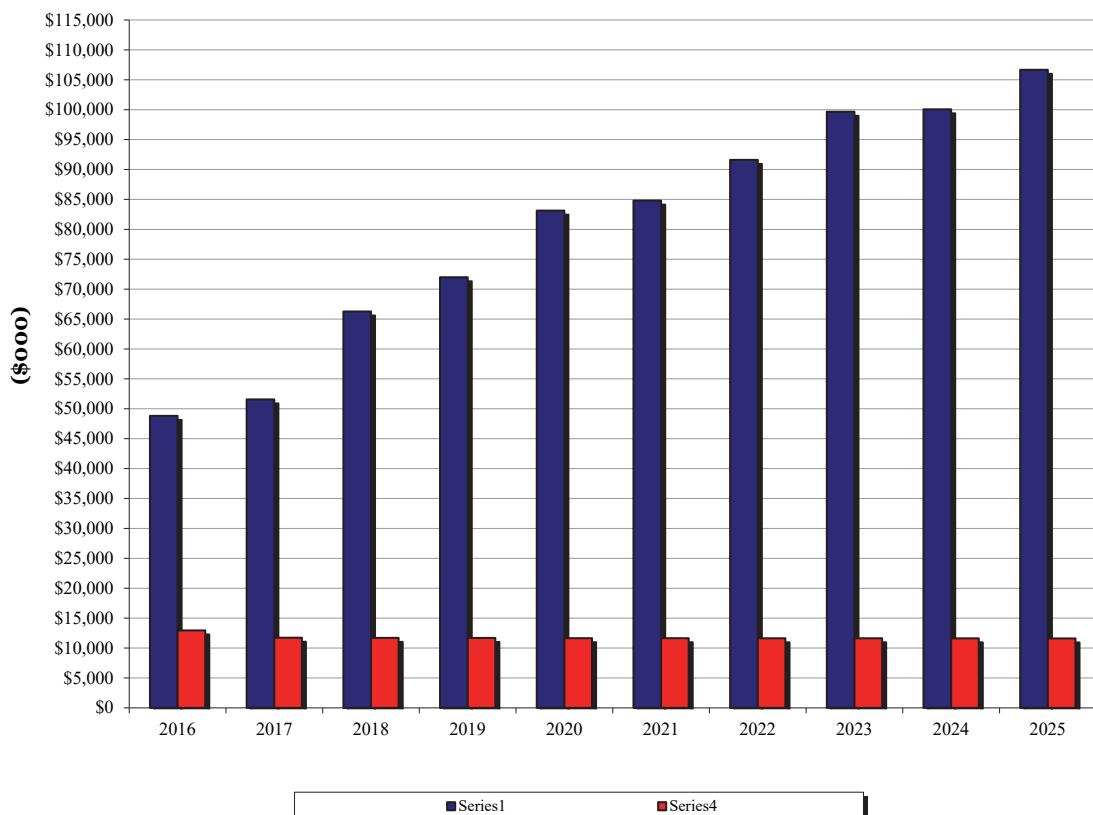
Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(a) See Schedule 20 for personal income and population data.

(b) The Redevelopment Agency was dissolved as of January 31, 2012 and its debt was assumed by a Successor Agency.

(c) Balance of Revenue Bonds includes unamortized Bond Premium

**CITY OF MILPITAS**  
**BONDED DEBT PLEDGED REVENUE COVERAGE**  
**REDEVELOPMENT AGENCY TAX ALLOCATION BONDS**  
**LAST TEN FISCAL YEARS**



Fiscal Year Ended June 30	Redevelopment Agency Property Tax Increments (a)	Less Housing Reserve Fund	Net Tax Increment Revenue	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2016	48,810,216 (d)	0 (b)	48,810,216	7,375,000 (d)	5,567,028 (d)	12,942,028	3.77
2017	51,563,292 (d)	0 (b)	51,563,292	6,045,000 (d)	5,682,175 (d)	11,727,175	4.40
2018	66,266,187 (d)	0 (b)	66,266,187	6,225,000 (d)	5,467,000 (d)	11,692,000	5.67
2019	71,988,412 (d)	0 (b)	71,988,412	6,475,000 (d)	5,213,000 (d)	11,688,000	6.16
2020	83,139,471	0 (b)	83,139,471	6,735,000 (d)	4,915,125 (d)	11,650,125	7.14
2021	84,805,793	0 (b)	84,805,793	7,070,000 (d)	4,570,000 (d)	11,640,000	7.29
2022	91,606,749	0 (b)	91,606,749	7,425,000 (d)	4,207,625 (d)	11,632,625	7.87
2023	99,657,121	0 (b)	99,657,121	7,800,000 (d)	3,827,000 (d)	11,627,000	8.57
2024	100,075,599	0 (b)	100,075,599	8,185,000 (d)	3,427,375 (d)	11,612,375	8.62
2025	106,669,005	0 (b)	106,669,005	8,595,000 (d)	3,007,875 (d)	11,602,875	9.19

- (a) Tax increments are net of pass-through payments and administrative fees withheld by the County prior to distribution to the Agency.
- (b) The Redevelopment Agency was dissolved as of January 31, 2012 and its debt was assumed by a Successor Agency. The Successor Agency collects Property Taxes, with no distinction between housing and non-housing revenues, which are used for the repayment of the former Redevelopment Agency's Bonds.
- (c) Includes debt service paid by the Redevelopment Agency prior to the dissolution and by the Successor Agency after the dissolution.
- (d) Tax increment reported in this table after the dissolution date is the amount calculated by the County Auditor-Controller as available for payment of enforceable obligations. Under the provisions of the laws dissolving the Redevelopment Agency, the Successor Agency only receives the funds necessary to fulfill its approved obligations. Debt service reported was paid by the Successor Agency.

**CITY OF MILPITAS**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**JUNE 30, 2025**

Schedule 14

JURISDICTION	PERCENTAGE APPLICABLE TO CITY OF MILPITAS	AMOUNT APPLICABLE TO CITY OF MILPITAS
2024-25 Assessed Valuation, Direct and Overlapping Debt		<u><u>\$26,227,211,781</u></u>
<b><u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>		
Santa Clara County		\$45,927,198
San Jose- Evergreen Community College District		115,161,058
Milpitas Unified School District		293,629,507
East Side Union High School District		7,672,603
Berryessa Union School District		10,501,949
Santa Clara Valley Water District Benefits Assessment District		940,487
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<u><u>473,832,802</u></u>
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT</u></b>		
Santa Clara County General Fund Obligations		\$37,802,726
Santa Clara County Pension Obligation Bonds		11,978,770
Santa Clara County Board of Education Certificates of Participation		455,251
San Jose-Evergreen Community College District OPEB Bonds		5,701,712
Milpitas Unified School District General Fund Obligations		7,090,100
East Side Union High School District OPEB Bonds		232,737
Berryessa Union School District General Fund Obligations		97,747
<b>City of Milpitas General Fund Obligations</b>	<b>100%</b>	<b><u><u>16,610,000</u></u></b>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<u><u>79,969,043</u></u>
Less: Santa Clara County supported obligations		91,258
<b>TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<u><u>\$79,877,785</u></u>
<b><u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency)</u></b>	<b>100%</b>	<b><u><u>\$55,860,000</u></u></b>
<b><u>TOTAL DIRECT DEBT</u></b>		
<b>TOTAL GROSS OVERLAPPING DEBT</b>		<b><u><u>\$593,051,845</u></u></b>
<b>TOTAL NET OVERLAPPING DEBT</b>		<b><u><u>\$592,960,587</u></u></b>
<b>GROSS COMBINED TOTAL DEBT</b>		<b><u><u>\$609,661,845</u></u></b> (2)
<b>NET COMBINED TOTAL DEBT</b>		<b><u><u>\$609,570,587</u></u></b>

(1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

<b><u>Ratios to 2024-25 Assessed Valuation:</u></b>		
Total Overlapping Tax and Assessment Debt		1.81%
<b><u>Ratios to Assessed Valuation:</u></b>		
Direct Debt %	0.06%	
Total Gross Debt %	2.32%	

Source: Avenu Insights & Analytics, California Municipal Statistics, Inc.

**CITY OF MILPITAS**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
(Dollars in Thousands)

Legal Debt Margin Calculation for Fiscal Year 2024-25

Assessed value (net) - June 30, 2025	<u><u>\$26,227,211,781</u></u>
Debt limit: 3.75% of assessed value (a)	\$983,520,442
Debt applicable to limit	
Total Bonded Debt	
Less: Tax Allocation Bonds	
not subject to limit	
Amount of Debt subject to limit	<u>0</u>
Legal debt margin	<u><u>\$983,520,442</u></u>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a percentage of Debt Limit
2015-16	564,703	0	\$564,703	0.0%
2016-17	600,705	0	\$600,705	0.0%
2017-18	654,951	0	\$654,951	0.0%
2018-19	687,896	0	\$687,896	0.0%
2019-20	749,963	0	\$749,963	0.0%
2020-21	805,429	0	\$805,429	0.0%
2021-22	837,991	0	\$837,991	0.0%
2022-23	904,669	0	\$904,669	0.0%
2023-24	947,601	0	\$947,601	0.0%
2024-25	983,520	0	\$983,520	0.0%

(a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in being assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

Source: City of Milpitas Finance Department  
Santa Clara County Tax Assessor's Office

**CITY OF MILPITAS**  
**INSTALLMENT PAYMENT COVERAGE**  
**SEWER CERTIFICATES OF PARTICIPATION AND**  
**WASTEWATER REVENUE REFUNDING BONDS**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Installment Payments			Coverage
				Principal	Interest	Total	
2015-16	16,408,718	7,687,848	8,720,870	435,000	249,348	684,348	12.74
2016-17	16,803,344	6,657,757	10,145,587	450,000	233,193	683,193	14.85
2017-18	17,245,001	9,031,729	8,213,272	470,000	216,055	686,055	11.97
2018-19	19,163,495	8,427,888	10,735,607	480,000	170,273	650,273	16.51
2019-20	20,664,951	10,235,463	10,429,488	460,000	808,477	1,268,477	8.22
2020-21	20,499,033	11,425,234	9,073,799	920,000	1,498,525	2,418,525	3.75
2021-22	21,592,843	9,373,484	12,219,359	980,000	1,455,875	2,435,875	5.02
2022-23	25,221,023	15,137,480	10,083,543	1,020,000	1,411,275	2,431,275	4.15
2023-24	27,580,979	12,562,514	15,018,465	1,070,000	1,361,950	2,431,950	6.18
2024-25	30,004,685	13,835,654	16,169,031	1,120,000	1,307,200	2,427,200	6.66

NOTE: The Certificates of Participation were issued on November 28, 2006 and called on January 5, 2018. The 2017 Wastewater Revenue Refunding Bonds were issued on December 4, 2017. The 2019 Wastewater Revenue Bonds were issued on October 22, 2019.

- (1) Gross Revenues include sewer service charges, other operating revenues, and interest income. Gross Revenues exclude connection fees and capital contributions.
- (2) Operating Expenses include sewer treatment services, personnel services, services and supplies, and repairs and maintenance expenses. Operating Expenses exclude depreciation and amortization expenses.

**CITY OF MILPITAS**  
**INSTALLMENT PAYMENT COVERAGE**  
**WATER REVENUE FUNDS**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Installment Payments			Coverage
				Principal	Interest	Total	
2015-16							
2016-17							
2017-18							
2018-19							
2019-20	\$33,954,254	\$26,919,455	\$7,034,799	\$155,000	\$419,018	\$574,018	12.26
2020-21	35,023,092	27,314,613	7,708,479	290,000	755,650	1,045,650	7.37
2021-22	32,732,692	24,593,074	8,139,618	300,000	744,050	1,044,050	7.80
2022-23	34,613,267	26,504,394	8,108,873	315,000	732,050	1,047,050	7.74
2023-24	38,808,876	28,449,404	10,359,472	325,000	719,450	1,044,450	9.92
2024-25	43,035,805	34,374,879	8,660,926	340,000	706,450	1,046,450	8.28

NOTE: The Water Revenue Bonds were issued on October 24, 2019.

- (1) Gross Revenues include water service charges, other operating revenues, and interest income.  
 Gross Revenues exclude connection fees and capital contributions.
- (2) Operating Expenses include wholesale water purchases, personnel services, services and supplies, and repairs and maintenance expenses.  
 Operating Expenses exclude depreciation and amortization expenses.

**CITY OF MILPITAS**  
**BIMONTHLY SEWER RATES BY CUSTOMER CLASS**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Residential			Commercial	
	Single Family Per Dwelling Unit	Multi-Family Per Dwelling Unit	Mobile Home Parks Per Dwelling Unit	Flat Rate	Quantity Charges (a)
2015-16	90.27	69.32	56.97	14.97	3.94 - 8.34
2016-17	90.27	69.32	56.97	14.97	3.94 - 8.34
2017-18	90.27	69.32	56.97	14.97	3.94 - 8.34
2018-19	102.52	78.73	64.70	24.30	4.21 - 9.63
2019-20	111.07	85.30	70.08	25.78	4.54 - 10.65
2020-21	118.34	90.88	74.66	26.55	4.91 - 11.48
2021-22	124.14	95.34	78.28	27.35	5.31-12.09
2022-23	128.44	97.96	84.42	29.25	4.95 - 11.58
2023-24	133.58	101.88	91.05	30.43	5.15 - 12.04
<b>2024-25</b>	<b>138.93</b>	<b>105.96</b>	<b>98.20</b>	<b>31.65</b>	<b>5.36 - 12.53</b>

Source: City of Milpitas, Ordinance 208.53

(a) For each one hundred cubic feet of water used. Charge varies depending on the business or type of business.

**CITY OF MILPITAS**  
**BIMONTHLY WATER RATES BY CUSTOMER CLASS**  
**LAST TEN FISCAL YEARS**

Schedule 19

Fiscal Year	Single Family Residential			Commercial	
	Potable Residential	Capital Surcharge	5/8 inch Meter Charge	Potable Commercial Industrial Institutional Construction	5/8 to 10 inch Meter Charge
2015-16	4.75		18.00	4.75	18.00 - 900.00
2016-17	5.13	1.30	19.44	5.13	19.44 - 972.00
2017-18	5.13	1.30	19.44	5.13	19.44 - 972.00
2018-19*	5.13 - 5.31	1.30 - 1.08	19.44 - 27.01	5.13 - 5.31	19.44 - 1,350.33
2019-20	5.63	1.08	28.63	5.63	26.83 - 1,431.35
2020-21	6.32	1.08	32.17	6.32	32.17-1608.26
2021-22	6.70	1.08	34.10	6.70	34.10-1704.76
2022-23	7.17	1.14	35.87	7.17	35.87-4700.56
2023-24	7.64	1.20	38.21	7.64	38.21-5006.10
<b>2024-25</b>	<b>8.14</b>	<b>1.26</b>	<b>40.70</b>	<b>8.14</b>	<b>40.70-5331.50</b>

Source: City of Milpitas, Ordinance 120.50

\*Rate effective Service Period April 1, 2019 to June 30, 2019 implemented on bill dated June 17, 2019. July 2018 rate listed first, and April rate listed second.

(a) For each one hundred cubic feet of water used. Charge varies depending on the business or type of business.

**CITY OF MILPITAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN CALENDAR YEARS**  
 (Personal Income in Thousands)

Calendar Year	Population	Population Density (Sq. Mile)	Total Personal Income	Per Capita Personal Income	School Enrollment	Unemployment Rate (%)	Land Area (Sq. Mile)
2015	75,521	5,529	2,374,221	31,437	10,291	3.90%	13.66
2016	75,410	5,520	2,528,663	33,532	10,260	3.50%	13.66
2017	75,410	5,520	2,721,275	36,086	10,318	3.60%	13.66
2018	76,231	5,581	2,966,362	38,912	10,172	2.80%	13.66
2019	77,961	5,707	3,373,340	43,269	10,308	2.70%	13.66
2020	75,663	5,539	3,787,034	50,051	10,413	7.50%	13.66
2021	80,839	5,918	3,744,971	46,326	10,072	5.30%	13.66
2022	81,067	5,935	4,289,458	52,912	9,967	2.70%	13.66
2023	81,773	5,986	4,889,914	59,798	10,199	3.90%	13.66
<b>2024</b>	<b>81,915</b>	<b>5,997</b>	<b>5,275,493</b>	<b>64,402</b>	<b>10,086</b>	<b>4.30%</b>	13.66

Sources: HdL, Coren & Cone  
 City of Milpitas Annual Budget

**CITY OF MILPITAS**  
**PRINCIPAL EMPLOYERS**  
**FISCAL YEARS 2024-25 and 2015-16**

Schedule 21

Employer	2024-25			2015-16		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Cisco Systems, Inc. (a)	3,600	1	8.29%	3,816	1	9.81%
KLA-Tencor Corporation	2,917	2	6.72%	1,922	2	4.94%
Western Digital Tech (SanDisk Corporation)	1,219	3	2.81%	1,876	3	4.82%
Flextronics International (aka Vista Point Technologies)	1,160	4	2.67%	1,400	4	3.60%
Milpitas Unified School District	959	5	2.21%	900	6	2.31%
Headway Technologies Inc. (2 Locations)	792	6	1.82%	600	8	1.54%
City of Milpitas	420	7	0.97%			
Amazon - Delivery & Corporate Office	311	8	0.72%			
Kaiser Permanente Medical Offices	245	9	0.56%	375	9	0.96%
Nanometrics, Inc.	243	10	0.56%			
Analog Devices (Linear Technology Corporation)				1,200	5	3.08%
FireEye, Inc				778	7	2.00%
Walmart Supercenter				350	10	0.90%
Total Top 10 Employers	11,866		27.34%	13,217		33.98%
Total City Labor Force (1)	43,400			38,900		

Source: MuniServices, LLC / Neumo

Source: City of Milpitas - ACFR FY2016 Publication Report

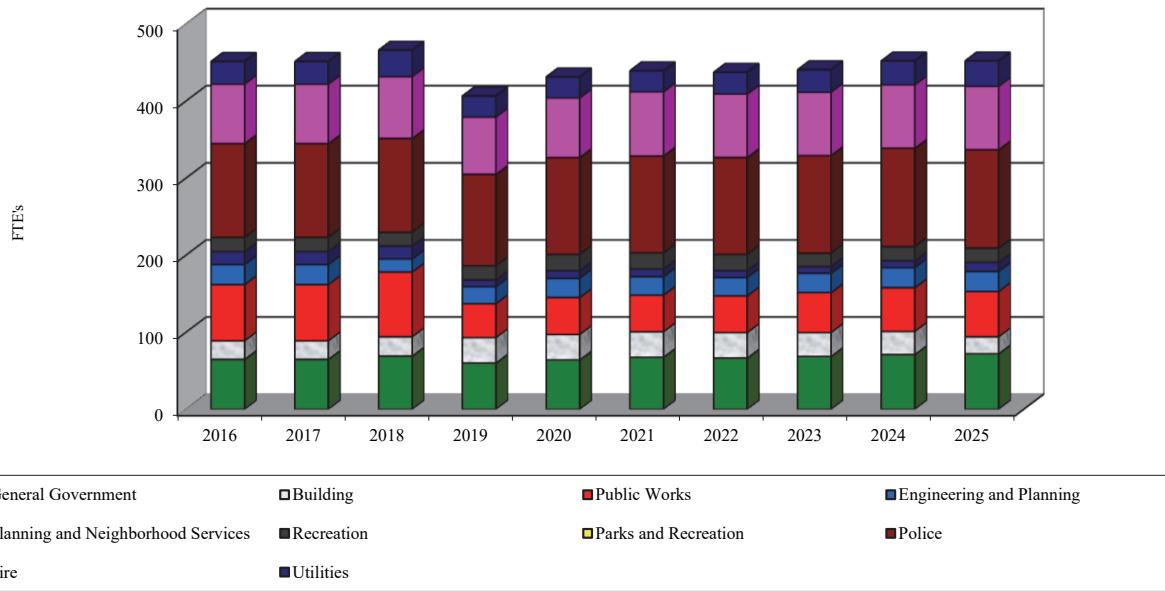
(1) Total City Labor Force provided by EDD Labor Force Data.

Notes:

*Results based on direct correspondence with city's local businesses.*

*(a) Employer has not responded to our employee count inquiries. Prior year count has been applied.*

**CITY OF MILPITAS**  
**AUTHORIZED FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**



Function	Fiscal Year Ended June 30										
	2016	2017	2018	2019 (d)	2020	2021	2022	2023	2024	2025	
General Government	64.8	64.8	69.0	60.0	64.0	67.5	66.5	68.5	71.0	72.0	
<b>Building, Safety</b>	24.0	24.0	25.0	33.0 (b)	33.0	33.0	33.0	31.0	<b>30.0</b>	22.0 (f)	
<b>Housing</b>										3.0 (f)	
Public Works	73.0 (a)	73.0	84.0	44.0	48.0	47.5	47.6	51.8	<b>56.8</b>	58.8 (e)	
Engineering	26.0 (a)	26.0	17.0	22.0	25.0	24.0	24.0	25.0	<b>26.0</b>	26.0 (e)	
<b>Planning</b>	17.0	17.0	17.0	9.0 (b)	10.0	10.0	9.0	9.0	<b>9.0</b>	12.0 (f)	
Recreation	18.0	18.0	17.5	18.0	20.75	20.75	20.75	17.00	<b>18.00</b>	18.00	
Parks and Recreation											
Police:											
Sworn Police	92.0	93.0	93.0	90.0	93.0	93.0	93.0	93.0	<b>94.0</b>	94.0	
Civilians	30.0	29.0	29.0	29.0	33.0	33.0	33.0	34.0	<b>34.0</b>	34.0	
Fire:											
Firefighters and Safety											
Officers	66.0	66.0	68.0	71.0	73.0	79.0	78.0	78.0	78.0	78.0	
Civilians	11.0	11.0	12.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	
Utilities (c)	<b>29.5</b>	<b>29.5</b>	<b>34.5</b>	<b>27.5</b>	<b>27.5</b>	<b>27.5</b>	<b>28.4</b>	<b>29.2</b>	<b>31.2</b>	<b>33.2</b>	
<b>Total</b>	<b>451.3</b>	<b>451.3</b>	<b>466.0</b>	<b>406.5</b>	<b>431.3</b>	<b>439.3</b>	<b>437.3</b>	<b>440.5</b>	<b>452.0</b>	<b>455.0</b>	

- (a) Beginning in fiscal year 2016, Public Works and Engineering are separate departments.
- (b) Neighborhood Services is a component of Building, Housing and Safety, and Planning is a separate department beginning in fiscal year 2019.
- (c) Utilities is comprised of employees from Public Works and Finance.
- (d) In Fiscal Year 2019, the City removed unfunded authorized positions.
- (e) As of December 2023, the Engineering and Public Works Departments were realigned into one department named Public Works Department.
- (f) Beginning in fiscal year 2025, the Building, Housing and Safety Department was realigned to be separate component under City Manager office. Code Enforcement is a component of Planning Department.

Source: City of Milpitas, final budget

**CITY OF MILPITAS**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Schedule 23

	Fiscal Year Ended June 30				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Function/Program</b>					
<b>Building Safety &amp; Housing</b>					
Building permits issued	4,200	4,090	4,200	4,300	4,000
Plan review performed	1,500	1,610	1,700	1,600	4,800
Code Customer Service Requests / Violations abated	755	800	714	784	600
<b>Public Works</b>					
Street miles maintained	139	139	298	298	298
Customer Service Requests	2,794	2,800	3,000	2,384	4,468
Development projects reviewed	178	158	160	225	134
<b>Planning</b>					
Applications to Planning Commission	92	92	100	419	37
<b>Recreation</b>					
Sports Center members	1,600	1,325	1,450	1,575	1,877
Senior nutrition meals served	20,158	18,678	17,206	18,322	20,145
<b>Police</b>					
Avg response time to emergency calls (minutes)	2:40	2:44	2:57	2:41	2:36
Number of anti-terrorist patrol checks	2,400	2,200	2,200	1,949	1,479
Crime prevention presentations	125	70	56	104	110
Number of vehicle citations issued	5,900	5,720	5,900	5,895	6,000
<b>Fire</b>					
Emergency calls for service	5,000	5,000	5,200	5,640	5,600
Public education events	100	112	200	223	134
Permits Inspections	7,600	7,322	7,577	7,824	7,772
Plan Review	1,200	1,550	1,700	1,600	1,575
<b>Utility</b>					
Clean sewer lines (feet)	500,000	500,000	491,244	528,051	432,022
Repair, replace or set water meters	189	152	115	147	219
Average daily consumption (thousands of gallons)	7,800	5,800	6,590	8,394	8,410

Source: City of Milpitas, final budget

Footnote: Statistic for DARE presentations: schools/students is removed from this schedule in 2022 due to no activity since 2013

Fiscal Year Ended June 30				
<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
3,000	3,000	3,800	4,300	3,800
4,900	4,900	5,200	5,700	5,200
600	600	600	1,054	709
303	303	308	308	308
3,353	4,652	5,176	6,000	6,586
48	24	15	10	16
31	60	60	50	50
506	1,024	1,104	1,104	1,666
39,783	28,699	21,112	21,112	21,723
2:40	2:49	2:55	2:49	3:05
958	490	233	544	249
105	47	28	45	29
6,300	4,230	3,829	3,838	3,254
5,390	6,164	6,782	6,782	6,891
0	2,082	5,079	5,079	6,336
2,949	1,652	1,668	1,668	939
1,884	1,401	1,448	1,448	1,261
636,681	331,232	234,040	234,040	260,602
113	25	18	18	15
7,440	6,895	6,490	6,490	6,769

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**CITY OF MILPITAS**  
**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

	Fiscal Year Ended June 30				
	2016	2017	2018	2019	2020
<b>Function/Program</b>					
<b>Public Works</b>					
Miles of streets	298	298	298	298	298
Street lights	4,577	4,581	5,119	5,141	4,418
Square feet of buildings maintained (in thousands)	376	376	322	473	473
City vehicles	264	264	269	271	258
Signs	5,700	6,000	10,000	10,000	6,000
Signal lights	71	72	72	74	78
City Parks	33	32	32	32	36
Acres of Parkland	180	195	195	195	154
Playgrounds	34	33	30	33	33
<b>Parks and recreation</b>					
Community centers	1	1	1	1	1
Senior centers	1	1	1	1	1
Sports centers	1	1	1	1	1
Satellite centers	0	2	2	1	2
Swimming pools	3	3	3	3	3
Tennis courts	21	21	21	21	21
Football field	1	1	1	1	1
Baseball/softball fields	9	7	7	9	9
Soccer fields	13	13	13	8	8
Basketball courts	9	10	10	10	10
Volleyball courts / Horse Shoe Pits / Bocce Ball / Cricket Field / Par Course	10	13	12	10	10
Handball courts	5	6	6	6	6
Skate Park					
Joint use:					
Russell Bobbysocks Fields	0	3	3	3	3
Soccer fields	0	2	2	8	2
Open Space - Number of School Sites	0	0	0	0	0
<b>Police</b>					
Police stations	2	2	2	2	2
Police patrol vehicles	34	29	29	29	29
<b>Fire</b>					
Fire stations	4	4	4	4	4
Fire Apparatus	13	11	11	12	13
Fire hydrants	2,033	2,039	2,039	2,039	2,308
<b>Utility</b>					
Miles of water mains	203	203	206	206	206
Water Tank Storage capacity (million of gallons)	16	16	16	16	16
Miles of sanitary sewers	173	173	175	173	173
Miles of storm drain	99	99	105	99	99
Miles of recycled water main	23	21	23	26	26

Source: City of Milpitas, final budget

		Fiscal Year Ended June 30		
2021	2022	2023	2024	2025
303	303	308	308	308
4,494	4,494	4,516	4,584	4,647
473	455	455	455	465
268	256	302	302	209
6,000	6,000	6,000	6,100	6,200
83	83	83	79	79
36	36	36	37	40
154	154	154	165	192
33	33	33	35	42
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
3	3	3	3	3
21	21	21	25	25
1	1	1	1	1
9	11	11	11	11
8	8	8	8	8
10	10	10	18	18
10	10	10	21	21
6	6	6	2	2
	1	1	1	1
3	0	0	0	0
2	0	0	0	0
0	13	13	13	13
2	2	2	2	2
30	30	30	30	30
4	4	4	4	4
13	13	13	13	13
2,308	2,308	2,308	2,308	2,308
206	206	206	183	183
16	16	16	16	16
173	173	160	160	160
99	99	99	112	112
26	24	24	24	24



**OTHER AUDIT REPORT**



**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Members of the City Council  
City of Milpitas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the City of Milpitas, California, as of and for the year ended June 30, 2025, and have issued our report thereon dated November 17, 2025. Our report includes a reference to other auditors who audited the financial statements of Terrace Gardens, Inc., as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or on compliance and other matters that are reported on separately by those auditors.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness or significant deficiencies may exist that have not been identified.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated November 17, 2025 which is an integral part of our audit and should be read in conjunction with this report.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Maze & Associates*

Pleasant Hill, California  
November 17, 2025