

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR FISCAL YEAR ENDED
JUNE 30, 2021



City of Milpitas • California





CITY OF MILPITAS, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

Prepared by
THE FINANCE DEPARTMENT



INTRODUCTORY SECTION



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CITY OF MILPITAS

455 EAST CALAVERAS BOULEVARD, MILPITAS, CALIFORNIA 95035-5479
PHONE: 408-586-3000, www.ci.milpitas.ca.gov

November 15, 2021

Honorable Mayor and Members of the City Council:

Submitted herewith is the Annual Comprehensive Financial Report (ACFR) of the City of Milpitas (the City) for the fiscal year ended June 30, 2021 as prepared by the City's 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's 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 Milpitas Public Financing Authority (MPFA), Milpitas Housing Authority (Housing Authority), the Milpitas Municipal Financing Authority (MMFA) and the Terrace Gardens Inc. with those of the City to constitute a single reporting entity. The MPFA, Housing Authority, MMFA and Terrace Gardens are separate legal entities from the City and are 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, the Terrace Gardens Inc. issues its own component unit financial statements. The purpose and authority of the Milpitas Public Financing Authority (MPFA), Milpitas Housing Authority (Housing Authority), the Milpitas Municipal Financing Authority (MMFA) and the Terrace Gardens Inc. are described in Note 1 of this report.

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 contract 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, Engineering, Fire, Police, Public Works, and Recreation and Community Services. These departments are supported by the internal 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. The commissions act in an advisory capacity to the City Council. They are: Art Commission; Community Advisory 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; and Youth Advisory Commission.

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 67 years, the population growth has increased from 26,561 in 1970 to nearly 80,273 based on the latest Census data. Milpitas is the 4th fastest-growing city in the nation between 2010 and 2019 and the 2nd fastest-growing city (small city category) according to WalletHub.com’s 2020’s Fastest-Growing Cities in America. The economy has improved since 2020 such that unemployment rate is slowly approaching pre-pandemic levels. As of September 2021, the City’s unemployment rate was 5.3% while the State of California’s unemployment rate was 7.5% and the national unemployment rate was 4.8%.

The COVID-19 pandemic continued to impact the City, however, highly effective vaccines were developed and has since favorably altered the pandemic’s trajectory. Approximately 85% of eligible residents in Santa Clara County were fully vaccinated, 61% vaccinated statewide. As of June 15, 2021, the Governor lifted the executive orders that put into place the Stay Home Order and Blueprint for a Safer Economy. He also phased out most of the executive actions put in place since March 2020 as part of the pandemic response, leaving a subset of provisions that facilitate the ongoing recovery. The aforementioned developments lessened but did not eliminate the Fiscal Year 2020-21 budget deficit in the General Fund. Consequently, the City has implemented several major budget strategies such as defunding 13.75 FTEs at Mid-Year, establishing a Future Deficit Reserve, advancing repayment of loans to TASP Fund, and one-time transfer in from General Government Capital Project Fund Balance.

The national GDP (Gross Domestic Product) growth increased at an annual rate of 6.7 percent in the second quarter of 2021 from the previous quarter (according to the BEA, or Bureau of Economic Analysis’ Advanced estimate). The national GDP decreased 3.5 percent in 2020 from the 2019 at the annual level. The decline in the 2020 annual GDP is attributed to COVID-19, with shelter-in-place orders issued in March 2020 and limited re-openings of businesses and services in May and June. GDP is the value of goods and services less the value of the goods and services used up in production and is the most popular indicator of the nation’s overall economic health. As of September 2021, the Federal Reserve Board’s advanced projection shows GDP growth to increase to 3.8 percent in 2022 and 2.5 percent in 2023.

The CPI (Consumer Price Index), is used by the U.S. Bureau of Labor Statistics to measure inflation. The September 2021 CPI-U (Consumer Price index for all Urban Consumers) increased 5.4 percent over the last 12 months. Core CPI (CPI less food and energy) is 4.0 percent compared to 1.7 percent in September 2020. Core CPI represents a more accurate picture of underlying inflation trends since volatile food and energy products are excluded. While the global economic activity remains uncertain and is largely dependent on the course of the pandemic, the U.S. Bureau of Labor Statistics’ Employment Projections for 2020-2021 shows a projected growth from 153.5 million to 165.4 million over the 2020-30 decade. Overall inflation for items others than food and energy is running at 4 percent, however, the FOMC (Federal Open Market Committee) chose to maintain the target range for federal funds rate at 0-0.25 percent for now.

The housing market has remained strong in 2021. Single family residential construction starts turned positive at 31 percent above one year prior in the six-month phase ending June 2021, while 26 percent more multi-family construction starts occurred during the same period a year earlier. After over a year of social distancing restrictions and tightened lines of credit, builders are re-starting construction to meet rising demand. The median sale price of a single family residential home in Milpitas was \$1.35 million as of September 2021, up approximately 14.4 percent from last year. Year-over-year prices significantly increased throughout Santa Clara County.

Santa Clara County had a 16.2 percent increase in median sale price from September 2020. The California Association of Realtors reported an increase in value of 21.7 percent throughout the Bay Area region. The section below entitled “Major Development Activities in the City” will discuss some of the development activities that are occurring in Milpitas.

Consumer Confidence Level

The Conference Board Consumer Confidence Index decreased to 109.3 in September, down from 115.2 in August. 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. Since consumer spending accounts for more than two-thirds of the U.S. Gross Domestic Product, the index is a good indicator that when consumers’ confidence is high, consumers would likely make more purchases thus further boosting the economy. Employment drives consumer spending, which in turn impacts the economy greatly. Nonfarm payroll employment increased 194,000 in September 2021, and the unemployment rate declined to 4.6 percent from 4.8 percent in August 2021.

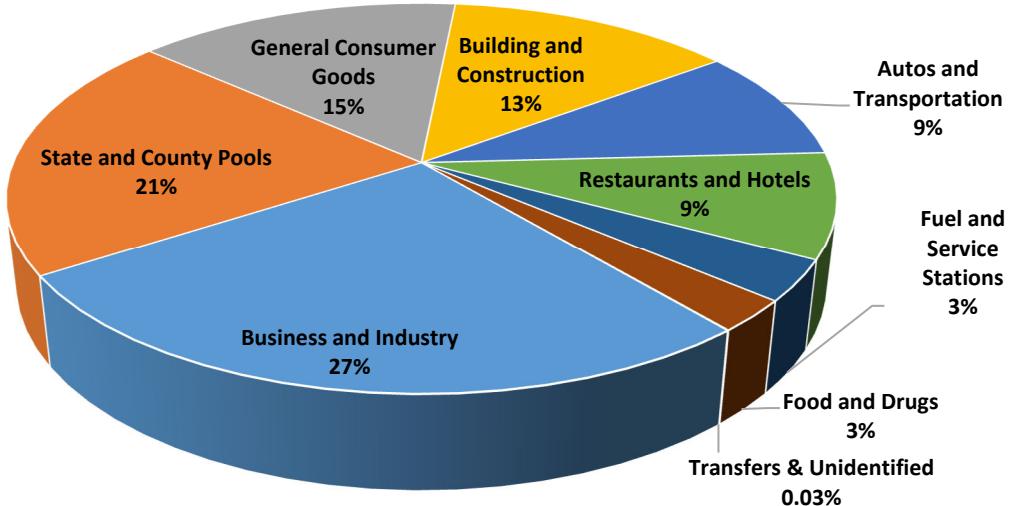


Source: The Conference Board

Top Ten Sales Tax Generators by Economic Segment

The economic impact of the COVID-19 pandemic continues to hinder growth of sales tax revenues nationwide. The nation is slowly recovering, with state sales tax revenues growing by \$2.7 billion or 3.2 percent in the first quarter of 2021, according to the Urban's Brookings Tax Policy Center. The chart below provides a snapshot of the City’s sales tax revenue by major industry groups. Total amount of sales tax revenue for the major industry groups generate about \$23.0 million. Total sales tax receipts decreased by 7.1 percent from 2020. The sales tax revenue generated from major industry groups such as Building and Construction, Autos and Transportation, and Food and Drugs, increased over a year ago, while all other segments decreased such as Business and Industry, State and County Pools, General Consumer Goods, Restaurants and Hotels, Fuel and Service Stations, and Transfers & Unidentified, which collectively had more than a 9 percent decrease from the prior year.

City Sales Tax Revenues (\$23.0 million) Major Industry Groups



Source: HdL FY21 Major Business Categories

Major Development Activities in the City

General Plan Update – Considered the blueprint for future development, the General 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. The Plan identifies opportunity sites where changes to land use and development patterns may occur over the next 20 years. The Plan also provides a policy framework for targeted housing and economic growth in areas served by high-quality transit while preserving the character of existing neighborhoods and protecting the City's hillsides and other natural resources.

Milpitas Metro Specific Plan – The City adopted a Transit Area Specific Plan (TASP) in June 2008 to encourage medium to high density development surrounding the new Milpitas Transit Center. The Plan was last updated in 2011. The Milpitas Transit Center, which opened to regional bus service in early 2020, includes direct connections to two existing Santa Clara Valley Transportation Authority (VTA) light rail stations and BART service, which opened up mid-June 2020. The City is now engaged in updating the TASP to further enhance existing neighborhoods with new public amenities and to provide additional opportunities for new housing, retail, office, and hotel uses in areas that have yet to realize their full potential. The new Milpitas 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 a new Innovation District near the Milpitas Transit Center to foster economic development and employment opportunities based on access to regional bus, light rail, and BART connections. A draft of the new Milpitas Metro Plan was completed in Fall 2021, and the City anticipates final adoption of the new Plan and the associated Environmental Impact Report in June 2022.

Residential Development – The City continues to leverage public and private resources to support planning and development of new affordable housing. The City created a new “ADU Corner” webpage (www.ci.milpitas.ca.gov/adu/) with information and interactive tools to help residents learn more about Accessory Dwelling Units and find and sketch ADU designs that fit their property and needs. The City also established the popular “ADU Mondays” program to bring staff from various departments together and provide direct assistance to residents who wish to pursue an ADU on their property and need assistance navigating the permitting process. In summer 2020, the Planning Commission approved various permits for a mixed-use development located at 600 Barber Lane with 372 residential units, including 56 units affordable to very-low and low-income families. In late 2020, the City Council approved the addition of 44 residential units with seven units reserved for extremely low-income households within the existing 171-unit Sunnyhills apartment community. Construction activity is underway at Finch Hollow, a 38-unit single-family residential subdivision located at 1004 North Park Victoria. This development includes four below-market-rate units, 10 accessory dwelling units (ADUs) above detached garages, and a small “tot-lot” park. The City received \$300,000 in state grant funding to streamline the review process for affordable housing and create new by-right housing regulations. In addition, the City will receive \$500,000 from ABAG’s Priority Development Area (PDA) grant to help fund the preparation of the Gateway/Main Street Specific Plan and \$142,700 from ABAG’s Regional Early Action Planning (REAP) grant to help fund the preparation of the 2023-2031 Housing Element.

Non-residential Development – FY 2020-21 was a busy year for commercial development and expansion. The new Legoland Discovery Center opened at the Great Mall in mid-2021, marking the first Discovery Center in California. In fall 2020, Trader Joe’s opened a new Milpitas location on the ground-floor of the Turing Building, a mixed-use development project located at the intersection of Great Mall Parkway and McCandless Drive.

Amazon opened two new delivery stations near the McCarthy Ranch area in mid-2020 and fall 2021, and the City also approved development of a new 491,040-square foot tilt-up concrete distribution center at 1000 Gibraltar Drive.

Celia’s Event Center opened on Dempsey Road in May 2021, and the H.L. Peninsula Chinese dim sum restaurant is expected to open in the McCarthy Ranch retail area in early 2022.

Construction work is nearly complete on a new 194-room Element Hotel at 521 Alder Drive, and plans have been approved for a 216-room business hotel at 1851 McCarthy Blvd and a 162-room extended stay hotel at 1320 McCandless Drive. Construction work is also underway to convert an existing office building at 25 Corning Avenue into a new Stratford School facility for up to 576 students, kindergarten through 5th Grade. This project includes a seismic upgrade, a 2,383-square foot addition, and other tenant improvement.

Construction is underway on a new Chick-fil-A restaurant, with drive-through service, at 273 West Calaveras Blvd. in the Town Center shopping center. The City has also approved expansion plans for several ethnic grocery stores and other small businesses, including a new automatic carwash, and adult daycare facility, and a veterinary clinic on South Main Street.

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's 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 budget. At fiscal year-end, open encumbrances are reported under the "Assigned" fund balance classification. The City's 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 Agency Funds. The full accrual basis of accounting is used as explained in the Notes to the Financial Statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 only, including capital outlay and reserves. The City also adopted reserve policies that require 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 10.

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 20-21 Adopted Capital Improvement Project (CIP) Budget totaled \$39.7 million. The CIP included improvements to the City's 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 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 document 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, 2020. 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 twenty-six years.

Acknowledgments

We extend our appreciation to the entire staff in the Finance Department and other 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 in preparation for the inevitable economic downturn and during this economic crisis.

Respectfully submitted,



Steven G. McHarris
City Manager



Lauren Lai
Director of Finance/Risk Manager

DIRECTORY OF OFFICIALS

June 30, 2021

City Council

Mayor	Rich Tran
Vice-Mayor	Carmen Montano
Councilmember	Karina R. Dominguez
Councilmember	Anthony Phan
Councilmember	Evelyn Chua

City Manager

Steven G. McHarris

Assistant City Manager

Ashwini Kantak

Deputy City Manager

Walter C. Rossmann

Building Safety & Housing Director
Sharon Goei

City Attorney
Christopher Diaz

City Clerk
Wendy Wood

Director of Recreation & Community Services
Renee Lorentzen

Economic Development Director
Alex Andrade

Engineering Director/City Engineering
Steve Erickson

Finance Director
Lauren Lai

Fire Chief
Brian Sherrard

Human Resources Director
Jeannine Seher

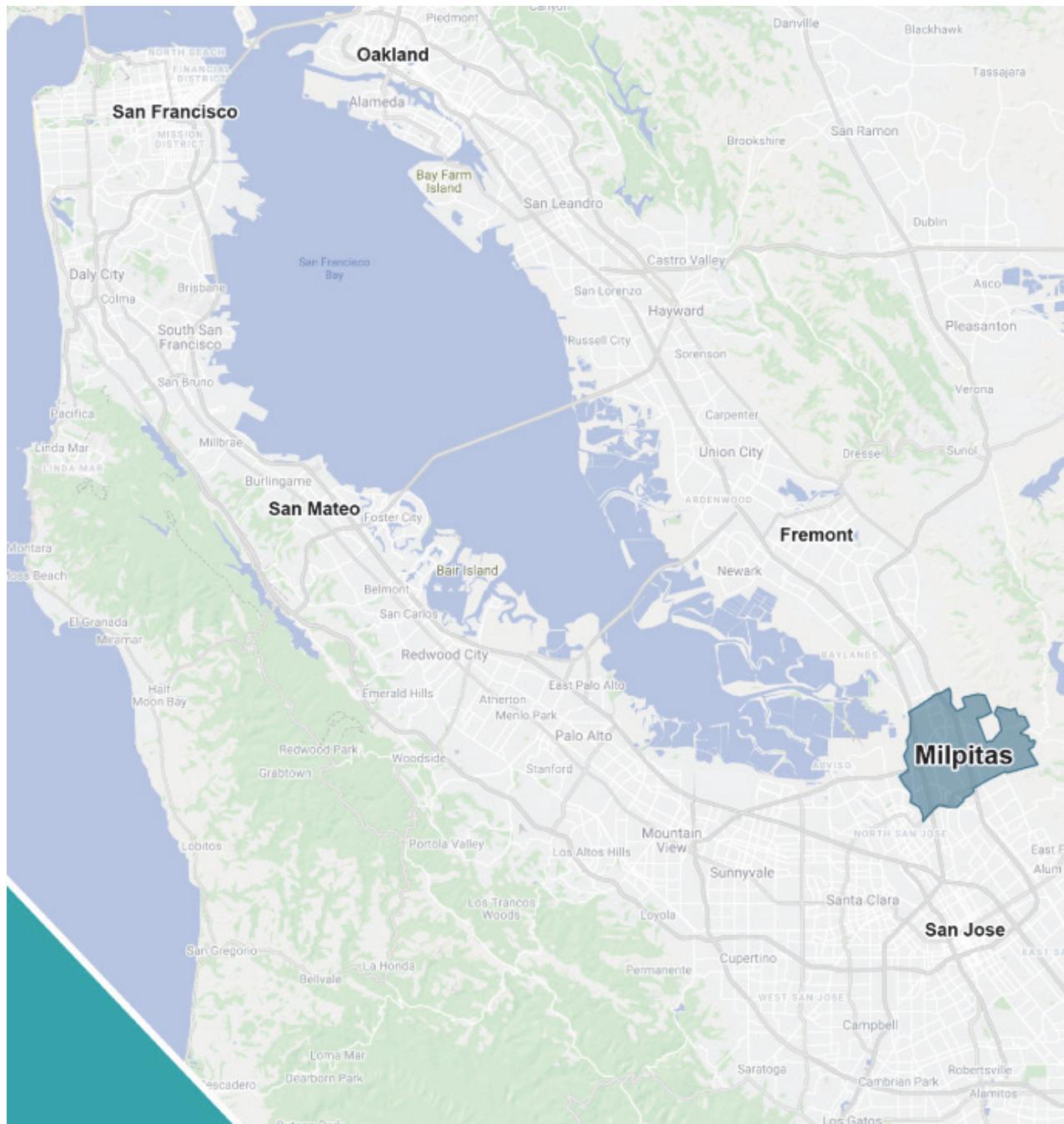
Interim Information Technology Director
Daniel Nam

Planning Director
Ned Thomas

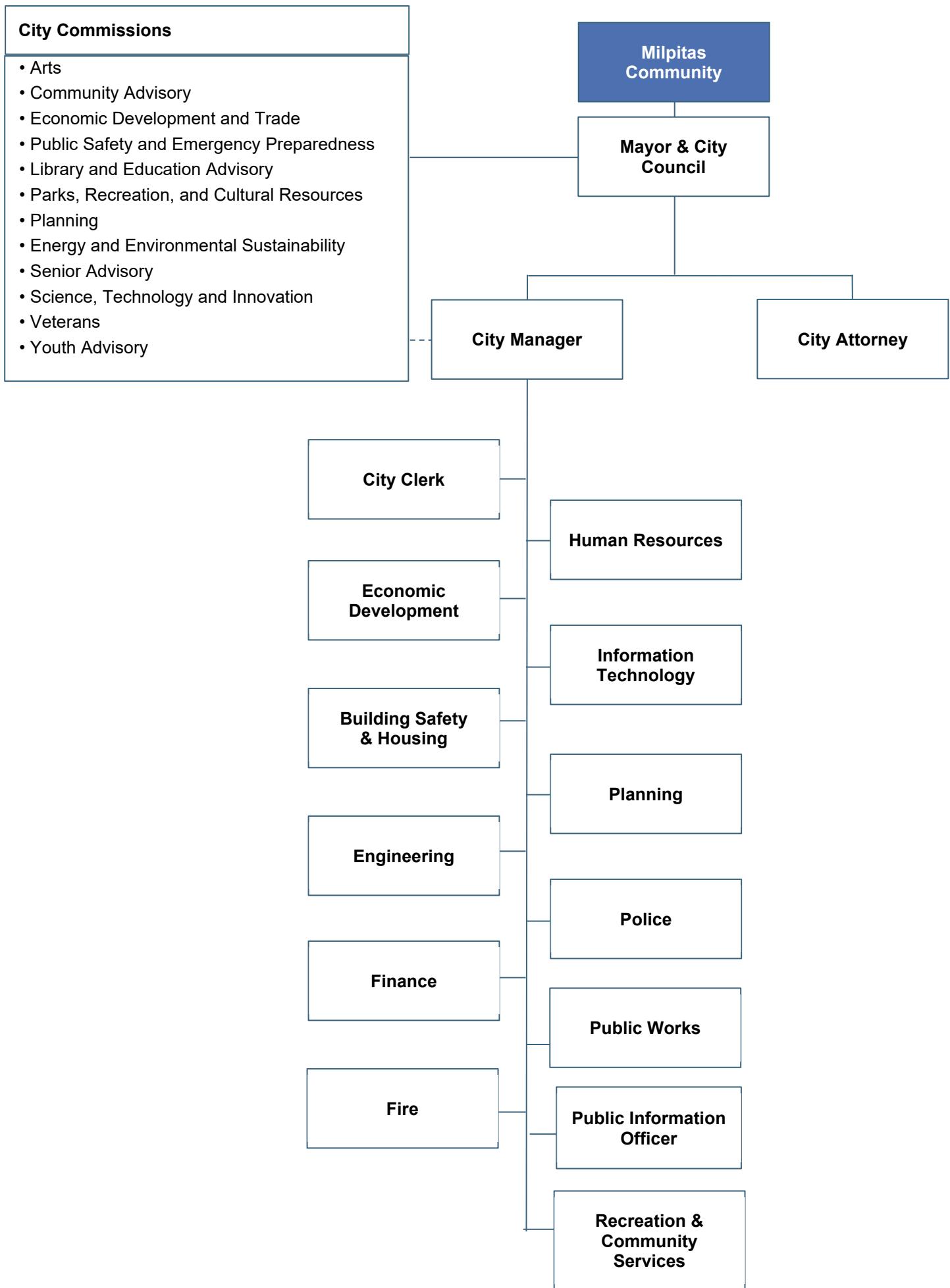
Police Chief
Jared Hernandez

Public Information Officer
Charmaine Angelo

Public Works Director
Tony Ndah



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
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Presented to

**City of Milpitas
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Monill

Executive Director/CEO



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

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, California, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component unit financial statements of Terrace Gardens, Inc. as of and for the year ended December 31, 2020, which represent 1.05%, 1.62%, and 1.26% of the assets, net position, and revenues, respectively, of the primary government. These component unit financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of the other auditors.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, 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, the aggregate remaining fund information, and discretely presented component unit of the City as of June 30, 2021, and the respective changes in the 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental 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 Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, 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 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.

Maze & Associates

Pleasant Hill, California

November 15, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion provides readers of the City of Milpitas' financial statements a narrative overview and analysis of the financial activities of the City of Milpitas for the fiscal year ended June 30, 2021. Please read this document in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FISCAL YEAR 2021 FINANCIAL HIGHLIGHTS

The City's revenues in Fiscal Year 2021 continues with a slow local economy growth due to COVID-19 in the South Bay region. The unemployment rate for the San Jose-Sunnyvale-Santa Clara metropolitan area shows a slight improvement in June 2021 when compared to Fiscal Year 2020. The unemployment rate was at 5.2%, a decrease of 2.4% from last year's 7.6%. While there were increases in Sales and Uses Taxes and property tax revenue in Fiscal year 2021, Hotel/motel taxes, Franchise Fee and investment earnings have shown a decrease in revenue.

The main reason of declining revenue in Hotel/Motel taxes, Franchise Fee and Investment earnings is due to the COVID-19 restrictions. Closure in businesses result in decreasing of commercial waste which has caused a decrease in Franchise Fee. COVID-19 restrictions also reduced business and leisure travel which reduced Hotel/motel taxes. A reduction in investment earnings is due to the unrealized losses in investment as of June 30, 2021.

The increase in Property taxes are due to an one-time increase in Excess Educational Revenue Augmentation Fund (ERAFF). Sales and Use taxes also show an increase due to newly imposed Measure F $\frac{1}{4}$ sales tax effective as of April 1, 2021. Measure F tax will sunset in 8 years and help maintain city's finances and prevent reduction in services such as local 911 fire and emergency responses services, preparing for future public health / natural disaster response, improving work environments for Milpitas firefighters and paramedics, maintaining police response services, assisting local business during pandemic and maintaining youth and senior services.

The COVID restriction and uncertainty required the use of one-time revenues to balance the General Fund budget including the usage of \$4.5 million of the Budget Stabilization Reserve, \$4 million transfer out from General Government Capital Improvement Program, and \$5.4 million Transit Area Impact Fee Capital Project Fund loan repayment to General Fund.

Moreover, the City is required to defund 13.75 full-time equivalent (FTE) positions. The fiscal year 2020-21 expenditures savings are primarily due to vacancy savings and CalPERS budgetary savings and non-personnel savings (i.e., supplies and services) due to reduced COVID-19 restrictions upon City operations. Consequently, it is prudent to deem this as one-time expenditure variance that provides additional fund balance resources, instead of on-going reductions of General Fund operating budget.

Fiscal 2021 financial highlights include the following:

City-wide:

- The City's total net position was \$621.1 million at June 30, 2021. Of this total, \$404.8 million were Governmental and \$216.3 million were Business-type, a net increase of total \$1.4 million from prior year's total of \$619.7 million primarily due to a net increase in assets over liabilities. Net asset increases were primarily due to increases in cash and investments and capital assets offset by net liability increases primarily due to increases in pension liabilities.
- City-wide revenues include program revenues of \$105.7 million, general revenues and transfers of \$82.8 million, totaling \$188.5 million, a decrease of \$9.2 million from the prior year's total of \$198 million primarily due to decrease in capital grants and contributions. The COVID-19 restrictions have caused a slowdown in project activities and less developer fee was being collected.

- Total City-wide expenses were \$183.2 million, a decrease of \$4.8 million from the prior year's \$188 million primarily due to defund in 13.75 vacant positions resulted in decrease in personnel and benefits cost.

Fund Level:

- Governmental Fund balances were \$252.8 million, a net decrease of \$27.1 million from fiscal 2020 primarily due to a transfer out of \$33.9 million to create the Pension Section 115 Internal Service Fund in fiscal year 2021 and offset with an increase of \$9.8 million in the General Government Capital Project Fund.
- Governmental Fund revenues were \$126.8 million in fiscal 2021, down \$14.4 million from the prior year's \$141.2 million, primarily due to COVID-19 restrictions, which resulted in reductions in Franchise Fees, Hotel/Motel taxes and investment earnings.
- Governmental Fund expenditures were \$146.6 million in fiscal 2021, an increase of \$14.7 million from fiscal 2020 level of \$131.9 million primarily due to increases in capital outlay in major capital project funds.
- General Fund revenues of \$98.1 million represented a decrease of \$1.3 million from fiscal 2020 revenues of \$99.4 million caused primarily by decrease in hotel/motel taxes, offset with increases in Property Taxes, Sales and Use taxes, Licenses and Fines and Intergovernmental revenue.
- Net other financing uses of the General Fund were (\$23) million in fiscal 2021 while fiscal 2020 had a total of other financing uses in (\$2.5) million. General Fund balance of \$62.7 million at the fiscal 2021 was \$32.3 million less than the fund balance at fiscal 2020. The decrease is due to creation of Pension Section 115 Internal Service Fund in fiscal year 2021.

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,
- 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-term and short-term.

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

The Fund Financial Statements report the City's operations in more detail than the City-wide statements and focus primarily on the short-term activities of the City's 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 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 the City's financial statements and their balances are excluded from the City's 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 in pages 24-26 of this report.

All of the City's business-type activities includes 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 the accrual basis, which means they measure the flow of all economic resources of the City as a whole.

Fund Financial Statements

Governmental Fund financial statements are prepared on the 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 the 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 only 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 from year to year as a result of changes in the pattern of the City's activities.

The City has four other Major Governmental Funds in fiscal 2021 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 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 Agency 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 2021 are presented in table form. Any significant changes are analyzed and discussed.

Governmental Activities

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

	Governmental Activities	
	2021	2020
Cash and investments	\$264.2	\$267.0
Restricted cash and investments	16.3	0.0
Other assets	52.0	48.7
Capital assets	<u>364</u>	<u>344.5</u>
Total assets	<u>\$696.5</u>	<u>660.2</u>
Deferred Outflows of Resources		
-Related to pensions and OPEB	<u>35</u>	<u>35.9</u>
Net Pension liabilities	209.4	196.2
Net OPEB liability	6.5	12.5
Total OPEB liability	29.7	26.2
Long-term debt outstanding	21.9	0.0
Other liabilities ¹	<u>46.0</u>	<u>37.1</u>
Total liabilities	<u>313.5</u>	<u>272.2</u>
Deferred Inflows of Resources		
-Related to pensions and OPEB²	<u>13.2</u>	<u>14.6</u>
Net position:		
Net investment in capital assets	358.4	344.5
Restricted	189	158.7
Unrestricted	<u>(142.7)</u>	<u>(93.9)</u>
Total net position	<u>\$404.7</u>	<u>\$409.3</u>

The City's governmental net position was \$404.7 million at June 30, 2021, a decrease of \$4.8 million from 2020. This decrease 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 decreased \$2.8 million principally due to decreased revenue from Hotel and Motel taxes.

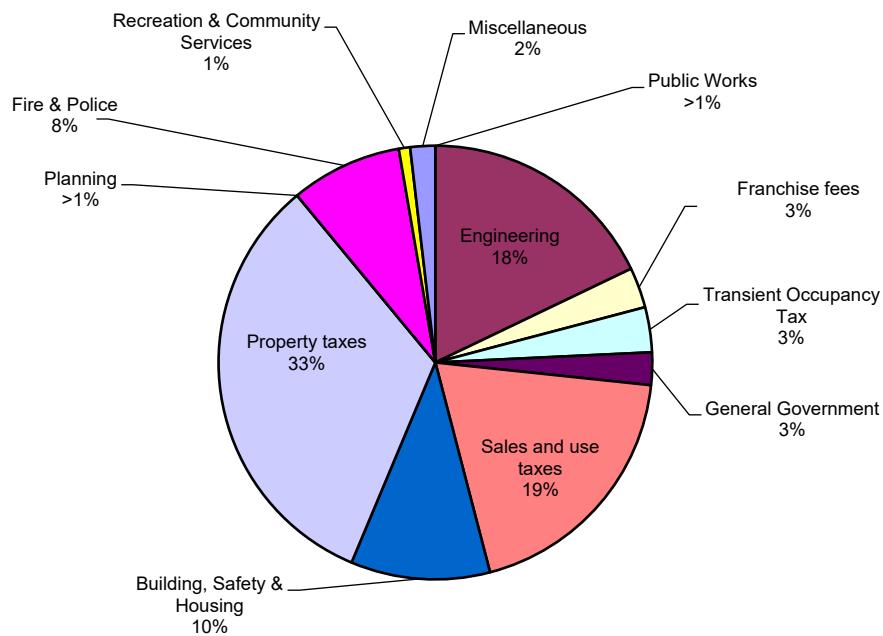
¹ Other liabilities include Accounts Payable, Unearned Revenues and Compensated Absences incurred as of June 30, 2021

² 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.

- Restricted cash and investment increased by \$16.3 million due to Bond proceeds monies received from the Lease Revenue Bond.
- Other assets increased \$3.3 million from last year due to the net activity between receivables and decrease in prepaids, materials, supplies and deposits.
- Capital assets increased \$19.5 million from last year, resulting from \$14.7 million of depreciation, offset by \$35.4 million in asset additions, net of retirements in fiscal 2021.
- Deferred outflows of resources related to pension and OPEB decreased \$0.9 million from last year due to changes in actuarial results.

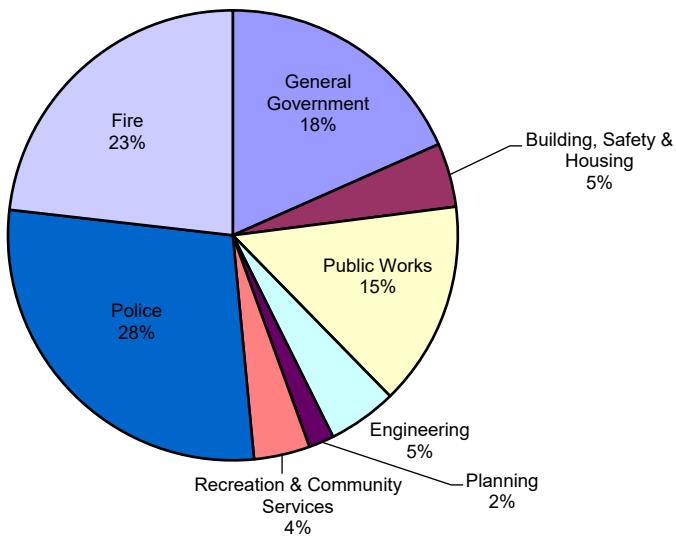
Fiscal Year 2021 Governmental Activities

Sources of Revenue



As the Sources of Revenue Chart above shows, \$41 million or 32% came from property taxes, while \$24.2 million or 19% 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 2021's capital assets is shown in detail at 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>2021</u>	<u>2020</u>
Expenses		
General Government	\$25.2	\$24.0
Building, Safety and Housing	6.7	7.4
Recreation and Community Services	5.2	7.1
Public Works	20.2	20.3
Engineering	6.8	7.3
Planning	2.5	2.7
Police	38.9	43.5
Fire	31.9	31.5
Interest on long term debt	0.8	0.0
Total expenses	<u>138.1</u>	<u>143.8</u>
Revenues		
Program revenues:		
Charges for services	16.9	15.6
Operating contributions and grants	15.0	10.6
Capital Grants	19.0	33.4
Total Program Revenues	<u>50.9</u>	<u>59.6</u>
General revenues:		
Taxes:		
Property taxes	41.0	37.7
Sales and use taxes	24.21	24.2
Transient Occupancy taxes	4.2	11.4
Other taxes	0.8	0.8
Franchise fees	5.0	5.2
Investment earnings	1.0	2.8
Miscellaneous	0.6	0.5
Total General Revenues	<u>77.8</u>	<u>82.6</u>
Total Revenues	<u>127.7</u>	<u>142.2</u>
Surplus (Deficit) before transfers	<u>(10.4)</u>	<u>(1.6)</u>
Transfers	6.1	4.2
Changes in net position	<u>(4.3)</u>	<u>2.6</u>
Beginning net position	<u>409.3</u>	<u>369.6</u>
Ending net position	<u>\$405.0</u>	<u>\$409.3</u>

Table 2 compares fiscal 2021 expenses and revenues with those of fiscal 2020. Expenses decreased by \$5.7 million in fiscal 2021, due to a one time defund of 13.5 Full Time Equivalent (FTE) position in fiscal year 2021. The City has also experienced savings primarily due to vacancy savings, CalPERS budgetary savings and non-personnel savings due to reduced COVID-19 restrictions upon City Operations.

Table 2 shows that total governmental revenues decreased 13.6 million in fiscal 2021. Program revenues decreased \$8.7 million while general revenues decreased \$4.9 million. The decrease in program revenues was due to \$14.4 million decrease in capital grants. However, there is an increase of \$1.3 million in charges for services and \$4.4 million in operating contribution to offset the losses.

The general revenue decreased \$4.9 million from fiscal 2020, the net activity was due to decreases of \$7.2 million in hotel/motel taxes, \$0.2 million in Franchise Fee, and \$1.8 million in investment earnings. The decreases are offset with \$3.3 million increases in Property tax, \$0.9 million increases in Sales and Uses taxes, and \$0.1 million increases in Miscellaneous Revenue.

The transfers increased \$1.9 million from fiscal 2020. The increase in transfer was due to one-time transfers from General Government Capital Project Fund to balance fiscal year 2021 budget impacted by COVID19 negative economic situation.

Table 3 presents the net cost of each of the City's largest programs—general government, building safety and housing, recreation and community services, public works, engineering, 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 was \$87.3 million.

Table 3
Governmental Activities
(in Millions)

	Net (Expenses) Revenue From Services	
	2021	2020
General Government	\$ (22.2)	\$ (22.2)
Building, Safety and Housing	6.3	2.7
Recreation and Community Services	(4.1)	(5.4)
Public Works	(20.2)	(20.3)
Engineering	15.6	30
Planning	(1.6)	(2.0)
Police	(34.1)	(39.1)
Fire	(26.2)	(28.0)
Interest on long term debt	(0.8)	0.0
Totals	\$ (87.3)	\$ (84.3)

Business-type Activities

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

	Business-Type Activities	
	2021	2020
Cash and investments	\$122.3	\$118.7
Other assets	4.8	3.9
Capital assets	<u>162.8</u>	<u>158.8</u>
Total assets	289.9	281.4
Deferred Outflows of Resources – Related to Pensions and OPEB	1.1	1.2
Other liabilities	8.2	3.6
Net pension liabilities	3.8	4.3
Net OPEB liability	3.7	3.8
Long-term Debt	<u>57.90</u>	<u>59.4</u>
Total liabilities	73.6	71.1
Deferred Inflows of Resources – Related to Pensions and OPEB	1.1	1.1
Net position:		
Net investment in capital assets	125.2	99.3
Restricted	72.6	63.1
Unrestricted	<u>18.5</u>	<u>48.0</u>
Total net position	\$216.3	\$210.4

The net position of business-type activities was \$216.3 million in fiscal 2021, an increase of \$5.9 million from fiscal 2020. The increase in net position was due to increase in total assets of \$8.5 million. The increase in total assets is comprised of \$3.6 million increase in cash, increase of \$0.9 million in other assets and \$4 million increases in capital assets. The increases are offset by additional liability of \$2.5 million recorded in fiscal year 2021.

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

	Business-Type Activities	
	2021	2020
Expenses		
Water Utility	\$29.0	\$28.7
Sewer Utility	<u>16.0</u>	<u>15.2</u>
Total expenses	<u>45.0</u>	<u>43.9</u>
Revenues		
Program revenues:		
Charges for services	55.0	52.4
Operating grants	0.1	0.2
Capital grants	<u>1.4</u>	<u>0.6</u>
Total program revenues	<u>56.5</u>	<u>53.1</u>
General revenues:		
Investment earnings	<u>0.6</u>	<u>2.3</u>
Total general revenues	<u>0.6</u>	<u>2.3</u>
Total Revenues	<u>57.1</u>	<u>55.5</u>
Excess before transfers	12.1	11.6
Net Transfers	<u>(6.1)</u>	<u>(4.2)</u>
Changes in net position	6.0	7.2
Beginning net position	<u>210.3</u>	<u>203.1</u>
Ending net position	<u>\$216.3</u>	<u>\$210.3</u>

Table 5 compares fiscal 2021 expenses and revenues with those of fiscal year 2020. Total expenses increased by \$1.1 million in fiscal 2021 due to an increase in personnel services and an increase in water purchase and contractual services. Total program revenues increased by \$3.4 million primarily due to an increase in charges for services related to a rate increase and an increase in capital grants and contributions. Total general revenue decreased \$1.7 million from interest earnings due to a decrease in unrealized gain and loss in investment as of June 30, 2021. 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)

	2021	2020
Total assets	\$284.6	\$308.5
Total liabilities	29.9	26.6
Total deferred inflow of resources	1.8	1.7
Total fund balances	252.8	279.9
Total revenues	126.8	141.2
Total expenditures	146.6	139.1
Total other financing sources	(7.3)	5.4

At June 30, 2021, the City's governmental funds reported combined fund balances of \$252.8 million, a decrease of \$27.1 million from last year. The fund balances of the Housing Authority Fund, Transit Area Impact Fee Fund and General Government Capital Improvement Fund increased \$0.4 million, \$1.0 million, and \$9.8 million respectively. General Fund, Street Improvement Fund and Other Governmental Funds decreased \$32.1 million, \$0.3 million and \$5.9 million, respectively. The decrease in General Fund balance is due to establishment of a Section 115 Pension Trust in fiscal year 2021.

Revenues at the fund level totaled \$126.8 million, a net decrease of \$14.4 million. Revenues received in General Fund, Housing Authority, Street Improvement Fund, Transit Area Impact Fee Fund, and General Government Capital Improvement decreased \$1.3 million, \$0.2 million, \$1.5 million, \$11.1 million and \$0.8 million respectively while Other Governmental Funds has an increase of \$0.5 million in fiscal year 2021.

Expenditures net increased \$7.5 million this year to \$146.6 million from last year's \$139.1 million. The expenditures of the General Fund, Transit Area Impact Fee Fund, and General Government Capital Improvement Fund increased \$4.4 million, \$2.2 million, and \$6.2 million, respectively while the Housing Authority Fund, Street Improvement Fund and Other Governmental Funds decreased \$0.3 million, \$3.4 million and \$1.6 million respectively.

Analyses of Major Governmental Funds

General Fund

General Fund revenues decreased to \$98.1 million this fiscal year, down \$1.3 million from the prior fiscal year. Hotel/Motel taxes were decreased by \$7.2 million from \$11.4 million in fiscal year 2020 to \$4.2 million in fiscal year 2021. The decrease is due to continuous COVID-19 economic impacting the business travelers to travel and stay in Milpitas for work purposes.

However, there were increases in Property tax revenue of \$3.3 million, Licenses and Permit of \$2.0 million, Intergovernmental Revenue of \$3.4 million, and Sales and Use taxes of \$0.9 million has offset losses. The ¼ Measure F sales tax contribute to the increase in sales and uses taxes. The Measure F was effective on April 1, 2021 for 8 years, and has become a new revenue source for the City.

General Fund expenditures increased \$4.4 million to \$107.2 million in fiscal 2021. The increase is due primarily to personnel cost and contractual services.

Net Other Financing Sources increases by \$20.5 million. Transfers out were approximately \$34.3 million, as compared to Transfers out of \$8.5 million in fiscal 2020. The reason of the increase was due to transfers out of \$33.1 million to fund the establishment of the Pension Section 115 Internal Service Fund in fiscal year 2021.

For the City's General Fund, actual revenues of \$99 million were \$7.7 million more than the final budgeted revenues of \$91.3 million. Property taxes, Sales taxes, Licenses and Fines, and Intergovernmental exceeded budget by \$4.2 million, \$0.8 million, \$1.6 million, and \$1.4 million respectively. The COVID-19 impact on the City budget was unprecedented and difficult to assess. Moreover, these net revenue increases are primarily one-time, such as property tax education relief augment fund (ERAF), and/or not in the City's control, such as the timing of development related revenues.

At the end of the year, actual General Fund expenditures were \$109.3 million, \$4.1 million less than final budget of \$113.4 million. The \$4.1 million was primarily due to vacancy savings, CalPERS budgetary savings, and non-personnel savings in supplies and services category.

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 \$0.7 million in fiscal 2021, comprised of \$0.7 million of interest, rental income and repayment of housing loans. Total expenditures were \$0.4 million for administration, interest forgiveness related to a restructure of an affordable housing loan, management of two affordable housing units and one 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 \$2.3 million in fiscal 2021, a decrease of \$1.5 million from fiscal 2020. The decrease in revenues was mainly due to receiving less reimbursement from Measure B local monies from Valley Transportation Authority (VTA) due to reduced activity in the projects. Fund expenditures were \$2.7 million in fiscal 2021, a decrease of \$3.4 million from fiscal 2020, due to decreased in capital outlay. Net transfers were \$0.1 million in fiscal 2021, a decrease of \$3.8 million from fiscal 2020 due to decrease funding in street projects from the General Fund, Gas Tax Special Revenue Fund, and Transit Area Impact Fee Capital Projects Fund.

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 2021, fund revenues were \$13.1 million, primarily from fees collected from developers. Expenditures were \$12.4 million, primarily consist of \$12.3 million capital improvement projects. The fund also receives transfer in of \$0.4 million in fiscal year 2021 from to the Street Improvement Capital Project fund to fund Transit Area capital project activity. The fund also repaid a loan advances of \$5.4 million to General Fund to help with balance the fiscal year 2021 budget.

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 2021, expenditures of \$14.3 million consisted of \$14.0 million of capital improvement project expenditures. The transfers in of \$7.8 million were primarily from capital project defunds from Street Improvement Capital Project Fund, Park Improvement Project Fund and Storm Drain Project Fund in total of \$3.5 million. General Government Capital Projects funds also received funding from Community Planning Fund, Street Improvement Capital Fund, Park Improvement Fund, and Internal Service Fund in an amount of approximately \$3.4 million. The transfers out of \$5.0 million were to the General Fund. This includes \$4 million one-time transfer out to the General Fund to balance fiscal year 2021 budget due to negative economic impact from COVID-19.

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 constraint. Further details on fund balance classifications can be found in Note 10B.

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)

	<u>2021</u>	<u>2020</u>
General Fund		
Nonspendable	\$4.8	\$10.2
Committed	13.3	44.0
Assigned	6.5	6.1
Unassigned	38.1	34.4
Total	<u>\$62.7</u>	<u>\$94.8</u>
Housing Authority Fund		
Restricted	<u>\$39.8</u>	<u>\$39.4</u>
Street Improvement Fund		
Restricted	<u>\$8.8</u>	<u>\$9.1</u>
Transit Area Impact Fee Fund		
Restricted	<u>\$63.2</u>	<u>\$62.2</u>
General Government Project Fund		
Assigned	<u>\$38.3</u>	<u>\$28.5</u>

At June 30, 2021, the fund balance of the General Fund was \$62.7 million. \$4.8 million was classified as nonspendable, comprised of \$0.6 million for prepaid materials and supplies, and \$4.2 million of property held for resale. \$13.2 million was classified as committed, comprised of \$2.8 million for PERS Rate Stabilization \$1.4 million for Artificial turf replacement, \$2 million for Technology replacement and \$7 million for Facilities replacement. \$6.5 million was classified as Assigned, comprised of \$2.3 million for uninsured claims and \$2.4 million for encumbrances, and \$1.8 million of other assigned. \$38.1 million was classified as unassigned, comprised of \$18.3 million of contingency reserve, \$18.3 million of budget stabilization reserve, \$1.4 million of future deficit reserve, and \$0.1 million of unassigned.

The 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 were restricted for specific purposes.

The fund balance of the General Government Capital Project Fund was \$38.3 million: \$38.3 million classified as assigned due to Council's reserve policy.

Analyses of Major Proprietary Funds

Total operating revenues of major proprietary funds increased \$2.4 million from last year, while operating expenses decreased \$0.4 million. Total operating revenues and total operating expenses were \$54.8 million and \$42.7 million, respectively. Total of non-operating expenses were \$1.5 million in fiscal 2021, a decrease of \$3.1 million from the prior year. Capital contributions increased by \$0.8 million and net transfers out decreased by \$3.6 million.

Water Utility

Water fund revenues were \$34.7 million in fiscal 2021, an increase of \$1.9 million from prior year. The increase in revenues was primarily due to rate increase in the water utility. Expenses were \$28.4 million in fiscal 2021, decrease \$0.3 million from prior year, primarily due to decrease in personnel services. Net position of the Water Utility Fund increased \$3.6 million in the current year to a total of \$90.5 million. The increase comprised of \$34.7 million of operating revenues for the current year, \$28.3 million of operating expenses, which result in \$6.2 million operating income. The water fund also received \$0.3 million in interest income, \$0.1 million of grants, \$0.3 million of capital contributions and net of interest expense of (\$0.5) million and transfers of (\$2.7) million, and this resulted in increase of net position of \$3.6 million.

The Water Fund's Net Position includes \$48.6 million invested in capital assets, \$34.4 million in restricted net position, and \$7.5 million in unrestricted net position.

Sewer Utility

Sewer fund revenues were \$20.2 million in fiscal 2021, up \$0.6 million from the prior year due to an increase in usage. Expenses were \$14.4 million in fiscal 2021, a decrease of \$0.1 million from the prior year due to a decrease in services and supplies. Non-operating revenues and expenses in fiscal year 2021 consisted of \$0.3 million interest income, and \$1.7 million interest expense. Net position of the Sewer Utility Fund increased \$2.4 million in the current year to a total of \$125.8 million. The increase comprised of \$20.1 million of operating revenues for the current year, \$14.3 million of operating expenses, which result in \$5.8 million operating income. The sewer fund also received \$0.3 million in interest income, net of interest expense of \$1.7 million, \$1.1 million of capital contributions and net of transfers of (\$3.3) million, and this resulted in increase of net position of \$2.4 million. In fiscal year 2021, sewer fund also received a credit of \$1.4 million. This is a true-up of actual expenditure from previous fiscal year budget for both operation and capital improvement program for the San Jose Santa Clara Regional Waste Facility.

The Sewer Fund's Net Position includes \$76.6 million invested in capital assets, \$38.2 million in restricted net position, and \$11 million in unrestricted net position.

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 2021, 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)

	2021	2020
<i>Governmental Activities:</i>		
Land	\$84.8	\$ 73.7
Construction in progress	74.8	81.2
Buildings and improvements	173.4	173.4
Other improvements	30.8	30.6
Machinery and equipment	48.7	46.5
Landscape system	30.1	30.0
Storm system	74.5	74.3
Street system	302.4	276.7
Traffic system	20.2	19.9
Less accumulated depreciation	<u>(475.7)</u>	<u>(461.9)</u>
Totals	<u>\$364.0</u>	<u>\$344.5</u>
 <i>Business-type Activities:</i>		
Land	\$1.1	\$1.1
Construction in progress	18.8	12.3
Distribution facilities	81.2	81.2
Water Service lines	17.1	17.0
Sewer lines	87.5	86.1
Capacity rights	102.7	100.6
Less accumulated depreciation	<u>(145.7)</u>	<u>(139.5)</u>
Totals	<u>\$162.7</u>	<u>\$158.8</u>

The primary additions in fiscal 2021 were to the land, machinery and equipment, landscape system, street system, traffic system, construction in progress in business types activities, sewer lines and capacity rights activities. Construction in progress included Automated water meter replacement program, Installation of Supervisory Control and Data Acquisition (SCADA) system to the City's water infrastructure, and Well Upgrade Project at McCandless Park site.

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 that 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

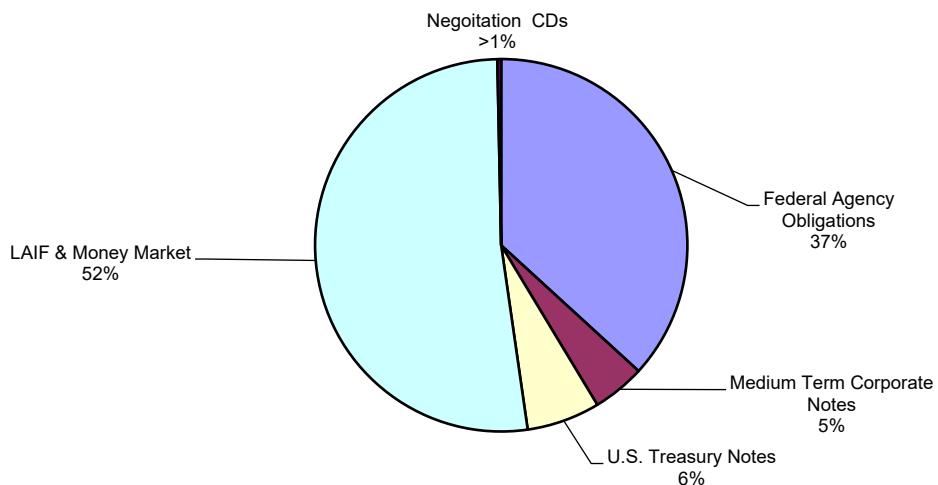
The City outsourced the management of the City's investments to Chandler Asset Management effective June 1, 2020 and held in a custodial account with The Bank of New York. The managed portfolio consists of securities invested in accordance with City's investment policy and the California Government Code.

Total cash and investments increased \$17.1 million from \$385.7 million to \$402.8 million. This increase was due to proceeds from the debt issuance of Lease Revenue bond.

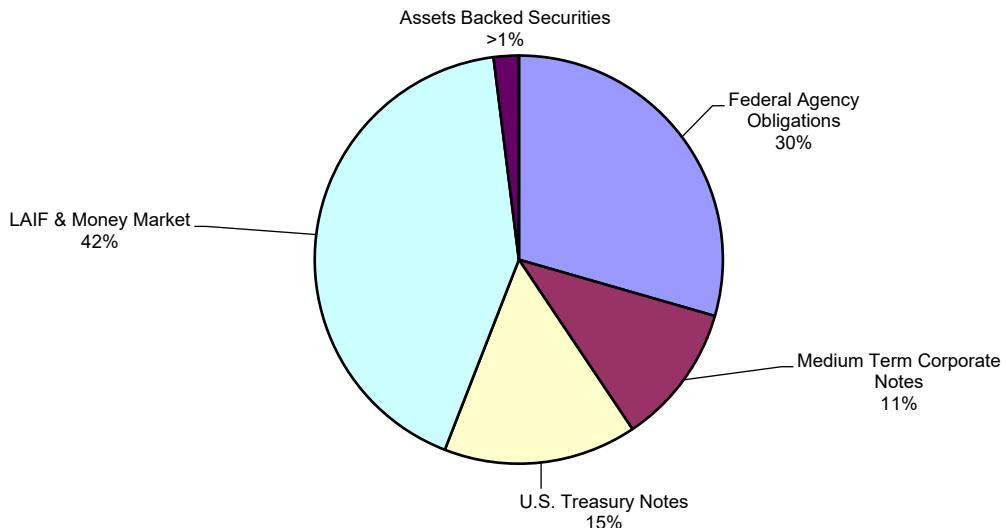
Total investment earnings for fiscal year 2021 was \$1.4 million. City's investment income from interest and dividends on investments was \$0.7 million in 2021. The change in fair value for the portfolio for the fiscal year ending June 30, 2021 was an unrealized gain on investments of \$0.7 million.

The following graphs depict the investment portfolio of \$352.0 million cash and investments at June 30, 2021 and \$383.6 million at June 30, 2020.

Investment Portfolio by Type as of June 30, 2020



Investment Portfolio by Type as of June 30, 2021



DEBT ADMINISTRATION

The City's debt was issued to finance a few City's projects include Sewer infrastructure, Water infrastructure, energy improvement projects and replacement for Fire Station.

In fiscal 2018, the City refunded the 2006 Sewer Bonds with the 2017 Wastewater Revenue Refunding Bonds to reduce interest rate cost over the life of the bond issuance. The 2017 Bonds are pledges by net revenue from the City's sewer system. In fiscal 2020, Milpitas Municipal Financing Authority issued Wastewater Revenue Bonds, Series 2019 in an amount of \$29.8 million to fund for certain improvement to the City's 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, 2021 the City's debt is comprised of:

Table 9
Outstanding Debt
(in Millions)

	Balance June 30, 2021	Balance June 30, 2020
Governmental Activity Debt:		
2020 General Fund Lease Revenue Bond		
4.0% due June 1, 2041	\$18.4	0.0
Plus: Unamortized bond premium	3.5	0.0
Total Governmental-type Activity Debt	\$21.9	\$ 0.0
Business-type Activity Debt:		
Wastewater Revenue Refunding Bonds, 2017 Series		
2.0% - 5.0%, due November 1, 2026	3.3	3.8
Plus: Unamortized bond premium	0.4	0.5
Wastewater Revenue Bonds, 2019 Series		
4.0% - 5.0%, due November 1, 2049	29.4	29.8
Plus: Unamortized bond premium	5.1	5.3
Water Revenue, 2019 Series		
4.0% - 5.0%, due June 1, 2049	16.8	17.1
Plus: Unamortized bond premium	2.9	2.9
Total Business-type Activity Debt	\$57.9	\$ 59.4

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 or to the City's website at www.ci.milpitas.ca.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, 2021

	Primary Government			Component Unit
				Terrace Gardens Inc. (As of December 31, 2020)
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and investments available for operations (Note 3)	\$264,205,209	\$101,955,807	\$366,161,016	\$74,817
Restricted cash and investments (Note 3)	16,335,485	20,323,475	36,658,960	2,956,140
Receivables:				
Accounts	2,986,344	4,289,395	7,275,739	87,734
Due from other governments	8,503,860	165,834	8,669,694	
Interest	567,213	222,997	790,210	
Loans receivable (Note 5)	32,588,119		32,588,119	
Prepays, materials, supplies and deposits (Note 1E)	730,267	187,040	917,307	64,097
Property held for resale (Note 6)	6,533,018		6,533,018	
Capital assets and capacity rights (Note 8):				
Land and construction in progress	159,644,576	19,971,984	179,616,560	1,565,277
Depreciable capital assets, net	204,383,815	142,792,629	347,176,444	5,645,002
Total assets	<u>696,477,906</u>	<u>289,909,161</u>	<u>986,387,067</u>	<u>10,393,067</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions (Note 11D)	29,014,682	580,511	29,595,193	
Related to OPEB (Note 12E)	5,985,752	565,381	6,551,133	
Total deferred outflows of resources	<u>35,000,434</u>	<u>1,145,892</u>	<u>36,146,326</u>	
LIABILITIES				
Accounts payable	7,776,807	6,943,147	14,719,954	211,195
Accrued payroll	3,773,017	217,257	3,990,274	11,551
Interest payable	61,483	308,321	369,804	
Uninsured claims payable (Note 13):				
Due within one year	1,410,489		1,410,489	
Due in more than one year	5,490,085		5,490,085	
Refundable deposits	3,315,570	141,496	3,457,066	74,800
Unearned revenue	15,315,784	6,922	15,322,706	9,525
Accrued vacation (Note 12F):				
Due within one year	2,893,740	108,464	3,002,204	12,259
Due in more than one year	3,706,658	339,992	4,046,650	
Sick leave payable (Note 12F):				
Due within one year	838,357	50,250	888,607	
Due in more than one year	1,443,013	153,382	1,596,395	
Net pension liabilities (Note 11C):				
Due in more than one year	209,397,184	3,775,949	213,173,133	
Net OPEB liability (Note 12C):				
Due in more than one year	6,545,542	1,120,806	7,666,348	
Total OPEB liability (Note 12D)				
Due in more than one year	29,659,001	2,553,960	32,212,961	
Long term debt (Note 9):				
Due within one year	275,000	1,280,000	1,555,000	
Due in more than one year	21,643,516	56,602,224	78,245,740	
Total liabilities	<u>313,545,246</u>	<u>73,602,170</u>	<u>387,147,416</u>	<u>319,330</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pensions (Note 11D)	207,713		207,713	
Related to OPEB (Note 12E)	12,958,826	1,134,570	14,093,396	
Total deferred inflows of resources	<u>13,166,539</u>	<u>1,134,570</u>	<u>14,301,109</u>	
NET POSITION (Note 10)				
Net investment in capital assets and capacity rights	358,445,360	125,205,864	483,651,224	7,210,279
Restricted for:				
Capital projects	100,095,667	72,629,181	172,724,848	
Redevelopment and community development activities	51,802,248		51,802,248	
Pension expenses	35,387,011		35,387,011	
Other programs	1,744,583		1,744,583	
Total restricted net position	<u>189,029,509</u>	<u>72,629,181</u>	<u>261,658,690</u>	
Unrestricted	<u>(142,708,314)</u>	<u>18,483,268</u>	<u>(124,225,046)</u>	<u>2,863,458</u>
Total net position	<u>\$404,766,555</u>	<u>\$216,318,313</u>	<u>\$621,084,868</u>	<u>\$10,073,737</u>

See accompanying notes to financial statements

CITY OF MILPITAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
					Primary Government	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Primary Government:						
Governmental Activities:						
General Government	\$25,246,565	\$1,710,529	\$1,337,503		(\$22,198,533)	
Building, Safety and Housing	6,704,650	8,628,822	4,394,426		6,318,598	
Recreation and Community Services	5,173,586	761,935	288,127		(4,123,524)	
Public Works	20,219,243				(20,219,243)	
Engineering	6,826,074	1,792,327	1,754,407	\$18,896,585	15,617,245	
Planning	2,489,586	408,061	397,451	100,000	(1,584,074)	
Police	38,918,887	1,055,244	3,744,174		(34,119,469)	
Fire	31,859,119	2,552,896	3,069,818		(26,236,405)	
Interest on long term debt	784,828				(784,828)	
Total Governmental Activities	<u>138,222,538</u>	<u>16,909,814</u>	<u>14,985,906</u>	<u>18,996,585</u>	<u>(87,330,233)</u>	
Business-type Activities:						
Water Utility	28,959,161	34,657,719	111,568	309,506		\$6,119,632
Sewer Utility	15,982,008	20,151,541	13,761	1,124,754		5,308,048
Total Business-type Activities	<u>44,941,169</u>	<u>54,809,260</u>	<u>125,329</u>	<u>1,434,260</u>		<u>11,427,680</u>
Total Primary Government	<u>\$183,163,707</u>	<u>\$71,719,074</u>	<u>\$15,111,235</u>	<u>\$20,430,845</u>	<u>(87,330,233)</u>	<u>11,427,680</u>
Component Unit:						
Terrace Gardens Inc.	<u>\$2,369,426</u>	<u>\$2,302,086</u>	<u>\$90,338</u>			
General revenues:						
Taxes:						
Property taxes					40,979,462	
Sales and use taxes					24,169,738	
Hotel/Motel taxes					4,213,325	
Other taxes					790,879	
Franchise fees, unrestricted					5,035,476	
Motor vehicle in-lieu, unrestricted					57,179	
Investment earnings					964,708	587,536
Gain from sale of property					27,543	
Miscellaneous					503,440	
Transfers (Note 4)					<u>6,079,209</u>	<u>(6,079,209)</u>
Total general revenues and transfers					<u>82,820,959</u>	<u>(5,491,673)</u>
Change in Net Position					(4,509,274)	5,936,007
Net position-Beginning					<u>409,275,829</u>	<u>210,382,306</u>
Net position-Ending					<u>\$404,766,555</u>	<u>\$216,318,313</u>

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, 2020)

(\$22,198,533)
6,318,598
(4,123,524)
(20,219,243)
15,617,245
(1,584,074)
(34,119,469)
(26,236,405)
(784,828)

(87,330,233)

6,119,632
5,308,048

11,427,680

(75,902,553)

\$22,998

40,979,462	
24,169,738	
4,213,325	
790,879	
5,035,476	
57,179	
1,552,244	18,424
27,543	
503,440	
<u>77,329,286</u>	<u>18,424</u>
1,426,733	41,422
<u>619,658,135</u>	<u>10,032,315</u>
<u>\$621,084,868</u>	<u>\$10,073,737</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, 2021

	<u>General</u>	<u>Housing Authority</u>	<u>Street Improvement</u>	<u>Transit Area Impact Fee</u>
ASSETS				
Cash and investments available for operations (Note 3)	\$71,420,969	\$8,339,145	\$10,025,888	\$63,194,302
Restricted cash and investments (Note 3)	280,738			
Receivables:				
Accounts	1,173,014			1,813,330
Due from other governments	7,754,048		225,373	
Interest	220,961	17,990	21,529	140,259
Loans receivable, net (Note 5)		29,101,316		
Prepays, materials, supplies and deposits (Note 1E)	582,658	2,000		
Property held for resale (Note 6)	4,200,000	2,333,018		
Total Assets	<u>\$85,632,388</u>	<u>\$39,793,469</u>	<u>\$10,272,790</u>	<u>\$65,147,891</u>
LIABILITIES				
Accounts payable	\$2,168,481	\$13,304	\$1,002,070	\$74,940
Accrued payroll	3,554,901		8,088	6,817
Refundable deposits	3,284,431	12,100		3,227
Unearned revenue	13,904,026		500,245	
Total Liabilities	<u>22,911,839</u>	<u>25,404</u>	<u>1,510,403</u>	<u>84,984</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - accounts receivable (Note 7C)				1,813,330
Total Deferred Inflows of Resources				<u>1,813,330</u>
FUND BALANCES				
Fund balances (Note 10):				
Nonspendable	4,782,658	2,000		
Restricted		39,766,065	8,762,387	63,249,577
Committed	13,266,484			
Assigned	6,543,065			
Unassigned	38,128,342			
TOTAL FUND BALANCES	<u>62,720,549</u>	<u>39,768,065</u>	<u>8,762,387</u>	<u>63,249,577</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$85,632,388</u>	<u>\$39,793,469</u>	<u>\$10,272,790</u>	<u>\$65,147,891</u>

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:

- Unavailable revenue
- Long-term debt
- Net pension liability and pension-related deferred outflows/inflows of resources
- Net OPEB liability
- Total OPEB liability
- Deferred outflows/inflows of resources related to OPEB liabilities
- 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
\$26,103,253	\$37,374,388	\$216,457,945
16,054,747		16,335,485
		2,986,344
	524,439	8,503,860
56,934	83,005	540,678
	3,486,803	32,588,119
	25,992	610,650
		6,533,018
<hr/>	<hr/>	<hr/>
\$42,214,934	\$41,494,627	\$284,556,099

\$3,947,147	\$393,149	\$7,599,091
13,129	125,210	3,708,145
	18,843	3,318,601
	911,513	15,315,784
<hr/>	<hr/>	<hr/>
3,960,276	1,448,715	29,941,621
<hr/>	<hr/>	<hr/>
		1,813,330
		1,813,330

	25,992	4,810,650
	38,766,442	150,544,471
		13,266,484
38,254,658	1,253,478	46,051,201
<hr/>		<hr/>
38,254,658	40,045,912	252,801,148
<hr/>		<hr/>
\$42,214,934	\$41,494,627	

364,028,391

47,458,913

1,813,330
(21,979,999)
(180,590,215)
(6,545,542)
(29,659,001)
(6,973,074)
(8,690,049)
(6,900,574)

\$404,766,555

CITY OF MILPITAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Housing Authority</u>	<u>Street Improvement</u>	<u>Transit Area Impact Fee</u>
REVENUES				
Property taxes	\$41,093,301			
Sales taxes	25,114,095			
Hotel /Motel taxes	4,213,326			
Franchise fees	5,035,476			
Other taxes	1,046,894			
Licenses and fines	10,993,296			
Use of money and property	683,993	\$712,550	\$3,680	\$20,523
Intergovernmental	4,934,324		2,307,826	
Charges for services	4,573,639			
Developer contributions			314	13,065,471
Other	<u>442,411</u>			<u>9,625</u>
Total Revenues	<u>98,130,755</u>	<u>712,550</u>	<u>2,311,820</u>	<u>13,095,619</u>
EXPENDITURES				
Current:				
General Government	20,602,496	357,580		4,129
Building, Safety and Housing	5,523,319			
Recreation and Community Services	3,661,454			
Public Works	8,769,370			
Engineering	3,624,913		122,124	
Planning	1,984,099			
Police	34,381,690			
Fire	28,200,271			
Capital outlay			2,620,601	12,360,484
Debt service:				
Interest and fees	<u>411,938</u>			<u>36,949</u>
Total Expenditures	<u>107,159,550</u>	<u>357,580</u>	<u>2,742,725</u>	<u>12,401,562</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(9,028,795)</u>	<u>354,970</u>	<u>(430,905)</u>	<u>694,057</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	2,500			
Issuance of long term debt	692,538			
Transfers in (Note 4A)	10,618,990		1,903,299	366,806
Transfers (out) (Note 4A)	<u>(34,341,108)</u>		<u>(1,810,661)</u>	
Total Other Financing Sources (Uses)	<u>(23,027,080)</u>		<u>92,638</u>	<u>366,806</u>
NET CHANGE IN FUND BALANCES	<u>(32,055,875)</u>	<u>354,970</u>	<u>(338,267)</u>	<u>1,060,863</u>
Fund balances at beginning of year	<u>94,776,424</u>	<u>39,413,095</u>	<u>9,100,654</u>	<u>62,188,714</u>
FUND BALANCES AT END OF YEAR	<u>\$62,720,549</u>	<u>\$39,768,065</u>	<u>\$8,762,387</u>	<u>\$63,249,577</u>

See accompanying notes to financial statements

General Government Capital Projects	Other Governmental Funds	Total Governmental Funds
		\$41,093,301
		25,114,095
		4,213,326
		5,035,476
	\$3,841,899	4,888,793
		10,993,296
\$13,616	70,410	1,504,772
	5,334,298	12,576,448
	242,047	4,815,686
	2,813,784	15,879,569
86,125	103,857	642,018
<u>99,741</u>	<u>12,406,295</u>	<u>126,756,780</u>
346,658	1,591,489	22,902,352
	564,517	6,087,836
		3,661,454
	1,901,360	10,670,730
	99,342	3,846,379
	309,165	2,293,264
	420,755	34,802,445
		28,200,271
13,976,671	4,690,370	33,648,126
		448,887
<u>14,323,329</u>	<u>9,576,998</u>	<u>146,561,744</u>
(14,223,588)	2,829,297	(19,804,964)
21,225,978		2,500
7,775,174	821,312	21,918,516
(5,044,765)	(9,527,173)	21,485,581
<u>23,956,387</u>	<u>(8,705,861)</u>	<u>(50,723,707)</u>
9,732,799	(5,876,564)	(7,317,110)
<u>28,521,859</u>	<u>45,922,476</u>	<u>279,923,222</u>
<u>\$38,254,658</u>	<u>\$40,045,912</u>	<u>\$252,801,148</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, 2021

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 (\$27,122,074)

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 \$2,363,427 have already been added to capital assets) 31,990,186

Retirements of capital assets are deducted from fund balance
 (Internal service fund retirements of \$12,656 have already been deducted from capital assets) (99,458)

Depreciation expense is deducted from the fund balance
 (Depreciation expense is net of internal service fund depreciation of \$1,146,222 which has already been allocated to serviced funds.) (13,537,732)

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 (21,918,516)

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	(61,483)
Non-current portion of accrued vacation and sick leave	168,611
Non-current portion of uninsured claims payable	274,101
Net pension liabilities and pension-related deferred outflows/inflows of resources	(11,573,159)
Net OPEB liability	(5,951,106)
Total OPEB liability	3,485,827
Deferred outflows/inflows of resources related to OPEB liabilities	3,804,193
Unavailable revenue	(274,458)

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 36,305,794

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (\$4,509,274)

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, 2021**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$36,872,241	\$36,872,241	\$41,093,301	\$4,221,060
Sales taxes	28,371,951	24,277,643	25,114,095	836,452
Hotel /Motel taxes	13,452,683	4,100,000	4,213,326	113,326
Franchise fees	5,514,787	5,514,787	5,035,476	(479,311)
Other taxes	1,196,860	1,196,860	1,046,894	(149,966)
Licenses and fines	9,907,120	9,419,120	10,993,296	1,574,176
Use of money and property	1,364,000	1,000,000	1,555,192	555,192
Intergovernmental	808,597	3,509,875	4,934,324	1,424,449
Charges for services	7,814,500	4,949,500	4,573,639	(375,861)
Other	258,000	481,014	442,411	(38,603)
Total Revenues	105,560,739	91,321,040	99,001,954	7,680,914
Expenditures				
Current:				
General Government:				
City Manager	4,513,120	4,237,751	4,000,364	237,387
City Attorney	1,340,302	1,454,316	1,454,316	
Finance	4,377,992	4,273,163	4,243,595	29,568
Human Resources	2,101,657	2,131,331	1,896,862	234,469
Information Services	3,721,547	3,574,980	3,562,991	11,989
Non-departmental	5,624,683	9,015,109	6,349,144	2,665,965
Building, Safety and Housing	6,948,858	5,674,981	5,600,989	73,992
Recreation and Community Services	6,304,106	4,296,034	3,674,167	621,867
Public Works	9,155,209	9,355,086	9,344,173	10,913
Engineering	4,154,819	3,832,998	3,631,709	201,289
Planning	1,931,383	2,164,849	2,152,186	12,663
Police	38,296,020	34,727,419	34,712,158	15,261
Fire	28,280,292	28,263,767	28,263,767	
Debt service:				
Interest		411,938	411,938	
Total Expenditures	116,749,988	113,413,722	109,298,359	4,115,363
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(11,189,249)	(22,092,682)	(10,296,405)	11,796,277
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property			2,500	2,500
Proceeds from issuance of long term debt		411,938	692,538	280,600
Transfers in	7,013,990	10,618,990	10,618,990	
Transfers (out)	(300,000)	(34,171,915)	(34,341,108)	(169,193)
Total Other Financing Sources (Uses)	6,713,990	(23,140,987)	(23,027,080)	113,907
NET CHANGE IN FUND BALANCE	(\$4,475,259)	(\$45,233,669)	(33,323,485)	\$11,910,184
Adjustments to budgetary basis:				
Encumbrance expenditures			2,138,809	
Change in market value of investments			(871,199)	
Fund balance at beginning of year			94,776,424	
FUND BALANCE AT END OF YEAR			\$62,720,549	

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, 2021**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Budget Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$292,000	\$292,000	\$712,550	\$420,550
Total Revenues	292,000	292,000	712,550	420,550
Expenditures				
Current:				
General Government:				
City Attorney			20,128	(20,128)
Non-departmental	742,200	7,242,200	337,452	6,904,748
Total Expenditures	742,200	7,242,200	357,580	6,884,620
NET CHANGE IN FUND BALANCE	<u><u>(\$450,200)</u></u>	<u><u>(\$6,950,200)</u></u>	354,970	<u><u>\$7,305,170</u></u>
Fund balances at beginning of year			39,413,095	
FUND BALANCE AT END OF YEAR			<u><u>\$39,768,065</u></u>	

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, 2021**

	Business-type Activities-Enterprise Funds			Governmental Activities-Internal Service Funds	
	Water Utility	Sewer Utility	Totals		
ASSETS					
Current Assets					
Cash and investments					
available for operations (Note 3)	\$49,852,729	\$52,103,078	\$101,955,807	\$47,747,264	
Restricted cash and investments (Note 3)	13,946,701	6,376,774	20,323,475		
Receivables:					
Accounts	2,631,920	1,657,475	4,289,395		
Due from other governments	126,608	39,226	165,834		
Interest	107,309	115,688	222,997	26,535	
Prepays, materials, supplies and deposits (Note 1E)	171,849	15,191	187,040	119,617	
Total current assets	<u>66,837,116</u>	<u>60,307,432</u>	<u>127,144,548</u>	<u>47,893,416</u>	
Noncurrent assets:					
Capital assets and capacity rights (Note 8):					
Land and construction in progress	18,673,266	1,298,718	19,971,984		
Depreciable capital assets, net	35,620,833	107,171,796	142,792,629	9,596,944	
Total noncurrent assets	<u>54,294,099</u>	<u>108,470,514</u>	<u>162,764,613</u>	<u>9,596,944</u>	
Total assets	<u>121,131,215</u>	<u>168,777,946</u>	<u>289,909,161</u>	<u>57,490,360</u>	
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions (Note 11D)	336,940	243,571	580,511		
Related to OPEB (Note 12E)	297,241	268,140	565,381		
Total deferred outflows of resources	<u>634,181</u>	<u>511,711</u>	<u>1,145,892</u>		
LIABILITIES					
Current liabilities:					
Accounts payable	6,190,845	752,302	6,943,147	177,716	
Accrued payroll	144,597	72,660	217,257	64,872	
Interest payable	62,004	246,317	308,321		
Refundable deposits	141,005	491	141,496	196	
Unearned revenue	3,461	3,461	6,922		
Accrued vacation (Note 12F)	54,232	54,232	108,464	67,793	
Sick leave payable (Note 12F)	25,125	25,125	50,250	7,009	
Revenue Bonds (Note 9)	300,000	980,000	1,280,000		
Total current liabilities	<u>6,921,269</u>	<u>2,134,588</u>	<u>9,055,857</u>	<u>317,586</u>	
Non-current liabilities:					
Accrued vacation (Note 12F)	208,392	131,600	339,992	99,243	
Sick leave payable (Note 12F)	141,097	12,285	153,382	17,674	
Net pension liabilities (Note 11C):	2,191,633	1,584,316	3,775,949		
Net OPEB liability (Note 12C)	520,818	599,988	1,120,806		
Total OPEB liability (Note 12D)	1,377,990	1,175,970	2,553,960		
Revenue Bonds (Note 9)	19,322,990	37,279,234	56,602,224		
Total non-current liabilities	<u>23,762,920</u>	<u>40,783,393</u>	<u>64,546,313</u>	<u>116,917</u>	
Total liabilities	<u>30,684,189</u>	<u>42,917,981</u>	<u>73,602,170</u>	<u>434,503</u>	
DEFERRED INFLOWS OF RESOURCES					
Related to pensions (Note 11D)	609,128	525,442	1,134,570		
Related to OPEB (Note 12E)	609,128	525,442	1,134,570		
Total deferred inflows of resources					
NET POSITION (Note 10)					
Net investment in capital assets and capacity rights	48,617,810	76,588,054	125,205,864	9,596,944	
Restricted for capital projects	34,390,217	38,238,964	72,629,181		
Restricted for pension expenses				35,387,011	
Unrestricted	7,464,052	11,019,216	18,483,268	12,071,902	
Total net position	<u>\$90,472,079</u>	<u>\$125,846,234</u>	<u>\$216,318,313</u>	<u>\$57,055,857</u>	

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, 2021**

	Business-type Activities-Enterprise Funds			Governmental Activities-Internal Service Funds
	Water Utility	Sewer Utility	Totals	
OPERATING REVENUES				
Charges for services	\$34,529,115	\$19,897,503	\$54,426,618	\$4,051,122
Developer contributions	16,912		16,912	
Other operating revenue	111,692	254,038	365,730	148,690
Total Operating Revenues	34,657,719	20,151,541	54,809,260	4,199,812
OPERATING EXPENSES				
Purchased water	18,728,872		18,728,872	
Sewer treatment services		5,873,775	5,873,775	
Personnel services	3,621,555	1,872,544	5,494,099	1,641,982
Services and supplies	2,745,496	1,848,217	4,593,713	953,781
Depreciation	1,644,548	4,556,774	6,201,322	1,146,222
Repairs and maintenance	1,625,277	177,777	1,803,054	697,793
Total Operating Expenses	28,365,748	14,329,087	42,694,835	4,439,778
Operating Income (Loss)	6,291,971	5,822,454	12,114,425	(239,966)
NONOPERATING REVENUES (EXPENSES)				
Gain on sale of capital assets				25,043
Interest income	253,805	333,731	587,536	5,850
Interest expense	(593,413)	(1,652,921)	(2,246,334)	
Subventions and grants	111,568	13,761	125,329	
Total Nonoperating Revenues (Expenses)	(228,040)	(1,305,429)	(1,533,469)	30,893
Income (Loss) Before Contributions and Transfers	6,063,931	4,517,025	10,580,956	(209,073)
Capital contributions		702,252	702,252	1,197,532
Capital contributions - connection fees	309,506	422,502	732,008	
Transfers in (Note 4A)				35,717,335
Transfers (out) (Note 4A)	(2,798,779)	(3,280,430)	(6,079,209)	(400,000)
Change in net position	3,574,658	2,361,349	5,936,007	36,305,794
Net position-beginning	86,897,421	123,484,885	210,382,306	20,750,063
Net position-ending	\$90,472,079	\$125,846,234	\$216,318,313	\$57,055,857

See accompanying notes to financial statements

**CITY OF MILPITAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

	Business-type Activities-Enterprise Funds			Governmental Activities-Internal Service Funds
	Water Utility	Sewer Utility	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$34,108,264	\$19,764,707	\$53,872,971	\$4,199,812
Payments to suppliers	(19,307,475)	(7,291,889)	(26,599,364)	(1,606,514)
Payments to employees for salaries and benefits	(3,693,708)	(2,137,997)	(5,831,705)	(1,523,828)
Net cash provided by operating activities	<u>11,107,081</u>	<u>10,334,821</u>	<u>21,441,902</u>	<u>1,069,470</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Subventions and grants	111,568	13,761	125,329	
Transfers in				35,717,335
Transfers (out)	(2,798,779)	(3,280,430)	(6,079,209)	(400,000)
Cash Flows from Noncapital Financing Activities	<u>(2,687,211)</u>	<u>(3,266,669)</u>	<u>(5,953,880)</u>	<u>35,317,335</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Principal paid on long-term debt	(290,000)	(920,000)	(1,210,000)	
Interest paid	(857,722)	(1,752,563)	(2,610,285)	
Proceeds from sale of capital assets				37,699
Acquisition of capital assets	(6,744,930)	(2,739,576)	(9,484,506)	(1,165,895)
Capital contributions - connection fees	<u>309,506</u>	<u>422,502</u>	<u>732,008</u>	
Cash Flows from Capital and Related Financing Activities	<u>(7,583,146)</u>	<u>(4,989,637)</u>	<u>(12,572,783)</u>	<u>(1,128,196)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	326,177	384,616	710,793	31,232
Cash Flows from Investing Activities	<u>326,177</u>	<u>384,616</u>	<u>710,793</u>	<u>31,232</u>
Net increase (decrease) in cash and cash equivalents	1,162,901	2,463,131	3,626,032	35,289,841
Cash and investments at beginning of period	<u>62,636,529</u>	<u>56,016,721</u>	<u>118,653,250</u>	<u>12,457,423</u>
Cash and investments at end of period	<u>\$63,799,430</u>	<u>\$58,479,852</u>	<u>\$122,279,282</u>	<u>\$47,747,264</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$6,291,971	\$5,822,454	\$12,114,425	(\$239,966)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,644,548	4,556,774	6,201,322	1,146,222
Change in assets and liabilities:				
Receivables, net	(601,765)	(387,281)	(989,046)	
Materials, supplies and deposits	(9,784)	1,443	(8,341)	9,437
Accrued payroll	55,595	27,112	82,707	
Accounts and other payables	4,020,791	605,366	4,626,157	153,777
Due to retirement system	(244,543)	(255,408)	(499,951)	
Due to OPEB	<u>(49,732)</u>	<u>(35,639)</u>	<u>(85,371)</u>	
Net cash provided by operating activities	<u>\$11,107,081</u>	<u>\$10,334,821</u>	<u>\$21,441,902</u>	<u>\$1,069,470</u>
NONCASH TRANSACTIONS:				
Contributions and transfers of capital assets		<u>\$702,252</u>	<u>\$702,252</u>	<u>\$1,197,532</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, 2021

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

ASSETS

Cash and investments (Note 3)	\$9,558,703
Restricted cash and investments (Note 3)	<u>9</u>
Total Assets	<u>9,558,712</u>

LIABILITIES

Accounts payable	7,895
Interest payable	1,464,417
Refundable deposits	
Long-term obligations (Note 15C):	
Due in one year	10,042,780
Due in more than one year	<u>96,827,680</u>
Total Liabilities	<u>108,342,772</u>

NET POSITION (DEFICIT)

Held in trust for other governments	<u>(\$98,784,060)</u>
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See accompanying notes to financial statements

CITY OF MILPITAS
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

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

Additions:	
Property taxes	\$17,539,910
Use of money and property	<u>2,694</u>
	<u>17,542,604</u>
Deductions:	
General and administrative	25,309
Debt service:	
Interest and fees	<u>6,512,536</u>
	<u>6,537,845</u>
Net change in net position	11,004,759
Net position (deficit) - beginning	<u>(109,788,819)</u>
Net position (deficit) - ending	<u>(\$98,784,060)</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, 2021

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, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Milpitas Economic Development 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 15, 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 the housing for the City's 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 or 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 is 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, 2020 are discretely presented in the Terrace Gardens Inc. Component Unit column of the Statement of Net Position and the Statement of Activities.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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's 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 is excluded from the City-wide financial statements, but is presented in separate Fiduciary Fund financial statements.

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, 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 are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital 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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 position 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 position 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.

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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. Fund Reclassification

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which became effective during the year ended June 30, 2021. In January 2017, GASB issued Statement No. 84 and the objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. As part of the implementation of this Statement, it was determined that the Employee Benefit Fund, previously reported as an Agency Fund, should be reported as part of the General Fund.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. New and Closed Funds

The City established the Pension Section 115 Internal Service Fund to accumulate funds that will be deposited into a Section 115 Trust to pay down the City's CalPERS Unfunded Accrued Liability.

The Senior Advisory Commission Fund, previously reported as an Agency Fund, was closed as of June 30, 2021.

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 Park Improvement 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. Because 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 in order 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.

B. Adjustments to GAAP Basis from Budgetary Basis

City budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) except that encumbrances are considered budgetary expenditures in the year of the commitment to purchase, and capital projects expenditures are budgeted on a project length basis rather than a fiscal year. The effects of these differences are shown as encumbrance adjustments, expenditures capitalized for GAAP purposes and capital outlay in the budget and actual statements. The Street Improvement, Park Improvement, General Government Project, Storm Drain Development and Transit Area Impact Fee Capital Projects Funds are budgeted on a project length basis and therefore are not comparable on an annual basis.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

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. In order 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 market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market 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's 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 or not their use is restricted under the terms of City debt instruments or other agreements.

Cash and investments available for operations	\$366,161,016
Restricted Cash and Investments	<u>36,658,960</u>
Total Primary Government cash and investments	<u>402,819,976</u>
Cash and investments available for operations	74,817
Restricted Cash	<u>2,956,140</u>
Total Component Unit cash and investments	<u>3,030,957</u>
Cash and investments in Fiduciary Funds (separate statement)	9,558,703
Restricted Cash and Investments in Fiduciary Funds (separate account)	9
Total cash and investments	<u><u>\$415,409,645</u></u>

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, 2021

NOTE 3 – CASH AND INVESTMENTS (Continued)

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

The City's Investment Policy, updated or adopted on an annual basis, and the California Government Code 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

(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, 2021

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%
California Asset Management Program (CAMP)	Upon Demand		No Limit	No Limit

(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, 2021, the City also implemented investment guidelines for its Section 115 Pension Trust, which authorize investments in a diversified portfolio, including equities and mutual funds, in order 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, 2021

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
<i>City and Successor Agency:</i>					
Federal Agency Obligations	\$34,882,671	\$40,016,915	\$28,799,376	\$103,698,962	24.94%
Medium-Term Corporate Notes	4,672,615	14,565,677	19,984,178	39,222,470	9.44%
U.S. Treasury Notes	7,589,280	9,470,683	36,841,326	53,901,289	12.98%
California Local Agency Investment Fund	137,626,591			137,626,591	33.13%
Mutual Funds (U.S. Securities)	10,572,500			10,572,500	2.55%
Asset Backed Securities		1,242,731	5,767,728	7,010,459	1.69%
<i>Terrace Gardens, Inc.:</i>					
Nonnegotiable Certificates of Deposit	2,364,847			2,364,847	0.57%
Total Investments	\$197,708,504	\$65,296,006	\$91,392,608	354,397,118	
<i>Demand Deposits - City of Milpitas</i>					
				60,346,417	14.54%
<i>Demand Deposits - Terrace Gardens</i>					
Total Cash and Investments				666,110	0.16%
				\$415,409,645	100.00%

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, 2021 these investments matured in an average of 291 days.

Mutual funds are available for withdrawal on demand and at June 30, 2021 matured in an average of 25 days.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

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, 2021 for each of the Primary Government's investment types as provided by Standard and Poor's investment rating system:

Investment Type	AAA	AA+/AA/AA-	A+/A/A-	BBB+/BBB	Total
Federal Agency Obligations		\$103,698,962			\$103,698,962
Medium-Term Corporate Notes	\$1,012,212	9,940,988	\$25,609,897	\$2,659,373	39,222,470
Asset Backed Securities	3,928,357				3,928,357
Mutual Funds (U.S. Securities)	10,572,500				10,572,500
Totals	\$15,513,069	\$113,639,950	\$25,609,897	\$2,659,373	157,422,289
<i>Not rated:</i>					
California Local Agency Investment Fund				\$137,626,591	137,626,591
Asset Backed Securities				\$3,082,102	3,082,102
<i>Exempt from credit rate disclosure:</i>					
U.S. Treasury Notes				53,901,289	53,901,289
Total Investments		\$194,609,982			\$352,032,271

All of the unrated negotiable certificates of deposit were fully insured by Federal Deposit Insurance at June 30, 2021.

Terrace Gardens, Inc. invests only in Nonnegotiable Certificates of Deposit. At December 31, 2020, all of Terrace Gardens' Nonnegotiable Certificates of Deposit totaling \$2,364,847 were fully insured by Federal Deposit Insurance.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

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, 2021:

	Level 2	Total
<i>Investments by Fair Value Level:</i>		
Federal Agency Obligations	\$103,698,962	\$103,698,962
Medium-Term Corporate Notes	39,222,470	39,222,470
U.S. Treasury Notes	53,901,289	53,901,289
Negotiable Certificates of Deposit	<u>7,010,459</u>	<u>7,010,459</u>
 Subtotal	 <u>\$203,833,180</u>	 203,833,180
<i>Investments Measured at Amortized Cost:</i>		
Mutual Funds (U.S. Securities)		10,572,500
<i>Investments Measured at Cost:</i>		
<i>Terrace Gardens, Inc.</i>		
Nonnegotiable Certificates of Deposit		2,364,847
<i>Investments Exempt from Fair Value Hierarchy:</i>		
California Local Agency Investment Fund		<u>137,626,591</u>
Total Investments		<u>\$354,397,118</u>

Federal Agency Obligations totaling \$103.7 million, Medium Term Corporate Notes of \$39.2 million, U.S. Treasury Notes totaling \$53.9 million, and Negotiable Certificates of Deposit of \$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.

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, 2021:

Issuer	Investment Type	Amount
Federal Farm Credit Bank	Federal Agency Obligations	\$49,071,606
Federal Home Loan Mortgage Corporation	Federal Agency Obligations	22,153,218
Federal Bational Mortgage Association	Federal Agency Obligations	25,471,246

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

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 reimburse a fund which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund.

Transfers between funds during the fiscal year ended June 30, 2021 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
Governmental Funds:		
General Fund	Community Facility District Special Revenue Fund	\$2,175,000 (A)
General Fund	Solid Waste Reduction and Services Special Revenue Fund	109,778 (A)
General Fund	General Government Capital Projects Fund	4,000,000 (A)
General Fund	Water Utility Enterprise Fund	2,748,779 (A)
General Fund	Sewer Utility Enterprise Fund	1,585,433 (A)
Street Improvement Capital Projects Fund	General Fund	42,298 (A)
Street Improvement Capital Projects Fund	General Government Capital Projects Fund	264,432 (B)
Street Improvement Capital Projects Fund	Gas Tax Special Revenue Fund	1,596,569 (B)
Transit Area Impact Fee Capital Projects Fund	Street Improvement Capital Projects Fund	366,806 (C)
General Government Capital Projects Fund	General Fund	84,597 (A)
General Government Capital Projects Fund	Street Improvement Capital Projects Fund	1,414,841 (B), (C)
General Government Capital Projects Fund	Water Utility Enterprise Fund	50,000 (B)
General Government Capital Projects Fund	Sewer Utility Enterprise Fund	179,910 (B)
General Government Capital Projects Fund	Gas Tax Special Revenue Fund	395,090 (B)
General Government Capital Projects Fund	Lighting & Landscape Maintenance District Special Revenue Fund	97,500 (B)
General Government Capital Projects Fund	Community Facilities District Special Revenue Fund	50,000 (B)
General Government Capital Projects Fund	Community Planning Special Revenue Fund	600,000 (B)
General Government Capital Projects Fund	Public Art Capital Projects Fund	97,500 (B)
General Government Capital Projects Fund	Park Improvement Capital Projects Fund	2,825,736 (B), (C)
General Government Capital Projects Fund	Storm Drain Development Capital Projects Fund	1,580,000 (C)
General Government Capital Projects Fund	Equipment Management Internal Service Fund	400,000 (B)
Community Planning Special Revenue Fund	General Government Capital Projects Fund	750,000 (A)
Affordable Housing Unrestricted Special Revenue Fund	General Fund	42,298
Park Improvement Capital Projects Fund	Street Improvement Capital Projects Fund	29,014 (C)
		Governmental Funds Subtotal
		21,485,581
Internal Service Funds:		
Equipment Management Internal Service Fund	General Fund	300,000 (A)
Equipment Management Internal Service Fund	General Government Capital Projects Fund	30,333 (C)
Pension Section 115 Internal Service Fund	General Fund	33,871,915 (D)
Pension Section 115 Internal Service Fund	Sewer Utility Enterprise Fund	1,515,087 (D)
		Internal Service Funds Subtotal
		35,717,335
		Total Interfund Transfers
		\$57,202,916

(A) To Transfer for Operating Cost

(B) To Fund Capital Project

(C) To Return Unexpended Project Funds

(D) To Fund Pension Section 115 Trust Fund

B. Long-Term Interfund Advance

In June 2014, the General Fund advanced \$5,000,000 to the Transit Area Impact Fee Capital Projects Fund. The advance was repaid as of June 30, 2021.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

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 15, the City agreed to become the successor to the Redevelopment Agency's housing activities and 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, 2021:

Housing and Community Development Loans:

Rehabilitation Loans	<u>\$3,486,803</u>
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Housing Authority Loans:

Milpitas Housing Associates	3,366,000
Parc Metropolitan Housing Development	54,105
Parc North Associates LLC	551,611
Mid-Peninsula Milpitas Affordable Housing Associates	17,735,130
KB Home South Bay Inc.	1,222,900
Western Pacific Housing Inc.	1,784,009
Shapell Industries	800,000
MIL Aspen Associates, Ltd.	3,423,244
Resources for Community Development	<u>164,317</u>
Total Housing Authority Loans Receivable	<u>29,101,316</u>
Total Loans Receivable	<u><u>\$32,588,119</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. At June 30, 2021, the City had outstanding rehabilitation loans of \$3,486,803 in its Housing and Community Development Special Revenue Fund. During the year ended June 30, 2021, the City received principal payment of \$181,855 from all participants and accrued interest of \$8,948.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

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 2021, interest of \$91,500 was accrued, and as of June 30, 2021, principal and accrued interest outstanding totaled \$3,366,000.

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, 2021, the Housing Authority received principal payments of \$1,996 and as of June 30, 2021, there were \$54,105 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 61st month after the recordation of the deeds of trust and continues until the loans are paid in full. During fiscal year 2021, new loans totaling \$50,000 were made, principal of \$28,613 was paid and as of June 30, 2021, there were \$551,611 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 2021, interest of \$288,000 and \$123,779 was accrued and paid, respectively, and as of June 30, 2021, principal and accrued interest outstanding totaled \$17,735,130.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

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 the 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 37th 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, 2021, there were \$954,900 of loans to Parcel C households outstanding. As of June 30, 2021 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 61st month after the recordation of the Deed of Trust and continues until the loans are paid in full. Principal of \$36,194 was repaid in fiscal year 2021 and as of June 30, 2021 there were \$587,009 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, 2021, there were \$1,197,000 of silent second loans outstanding.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

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, 2021, there were \$800,000 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, 2021, interest of \$167,704 was accrued, and as of June 30, 2021, principal and accrued interest totaled \$3,423,244.

J. Resources for Community Development

In November 2017, the Housing Authority entered into a predevelopment loan agreement with Resources for Community Development for certain predevelopment costs necessary for the development of a 102-unit affordable rental housing project, 355 Sango Court Apartments, of which 101 will be affordable and 1 will be an above moderate income (AMI) managers unit. The unit mix will include 40 units with project based subsidy providing supportive housing for chronically homeless veterans and individuals at or below 30% AMI, 31 units that will provide permanent housing to households with incomes at or below 30% AMI, and 30 units providing permanent housing to households with incomes at or below 60% AMI. Under the terms of the agreement, the City provided a \$147,768 loan to the Developer. The loan bears interest of 3% and is repayable on May 30, 2022. During the year ended June 30, 2021, \$4,500 of interest was accrued, and as of June 30, 2021, principal and accrued interest totaled \$164,317.

K. Sango Court, L.P.

In May 2019, the Housing Authority authorized a development loan to Sango Court, L.P. in the amount of \$6,500,000 for construction of affordable housing at 355 Sango Court Apartments. However, the loan and regulatory documents will not be fully executed until the developer has finalized all other funding sources for the development. As of June 30, 2021, the developer had not finalized project funding and therefore had not drawn down on the loan.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

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.

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, 2021, 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 and 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. The units were purchased in order to retain them as affordable housing units and are being held for future resale. The remaining units are rented to tenants.

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, 2021, property totaling \$2,333,018 is held by the Housing Authority. The Housing Authority is required to develop or sell the properties on or before August 31, 2022.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 7 – DEVELOPMENT AND TAX SHARING AGREEMENTS

The City and former Redevelopment Agency have entered into the development agreements below in an effort 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, 2021, the City has issued a total of \$702,252 reimbursements to date.

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 in 2025. The City paid \$105,443 of sales tax to the corporation during fiscal year 2021.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

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 have constructed \$9,332,087 of shared infrastructure to date. The balance due from the two developers was \$1,813,330 as of June 30, 2021.

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, 2021, the City issued park land fee credits in the amount of \$84,050 and improvement fee credits of \$850,000, and total fee credits of \$5,744,486 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 \$19,358,035 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 \$8,910,221 for construction costs for parking and a variety of site improvements, including a public park. During the year ended June 30, 2021, no reimbursements were issued, and total reimbursements of \$5,910,221 have been issued to date.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 7 – DEVELOPMENT AND TAX SHARING AGREEMENTS (Continued)

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, 2021, \$584,174 in reimbursements were issued, and total reimbursements of \$3,720,718 have been issued to date.

NOTE 8 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. 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 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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 8 – CAPITAL ASSETS (Continued)

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.

A. Governmental Capital Asset Additions, Retirements and Balances

	Balance at June 30, 2020	Additions	Retirements	Transfers	Balance at June 30, 2021
Capital assets not being depreciated:					
Land	\$73,739,404	\$11,090,198			\$84,829,602
Construction in progress	81,201,575	12,902,681	(\$99,458)	(\$19,189,824)	74,814,974
Total capital assets not being depreciated	<u>154,940,979</u>	<u>23,992,879</u>	<u>(99,458)</u>	<u>(19,189,824)</u>	<u>159,644,576</u>
Capital assets being depreciated:					
Buildings and improvements	173,371,133				173,371,133
Other improvements	30,558,026			276,086	30,834,112
Machinery and equipment	46,483,318	2,363,427	(903,599)	789,143	48,732,289
Landscape system	30,052,847	22,869			30,075,716
Storm system	74,340,148			136,914	74,477,062
Street system	276,726,188	7,674,850		17,987,681	302,388,719
Traffic system	19,915,822	299,588			20,215,410
Total capital assets being depreciated	<u>651,447,482</u>	<u>10,360,734</u>	<u>(903,599)</u>	<u>19,189,824</u>	<u>680,094,441</u>
Less accumulated depreciation for:					
Buildings and improvements	(87,572,790)	(5,811,758)			(93,384,548)
Other improvements	(22,833,292)	(833,761)			(23,667,053)
Machinery and equipment	(35,959,895)	(1,560,066)	890,943		(36,629,018)
Landscape system	(15,876,433)	(601,847)			(16,478,280)
Storm system	(72,723,080)	(250,489)			(72,973,569)
Street system	(211,299,404)	(5,132,234)			(216,431,638)
Traffic system	(15,652,721)	(493,799)			(16,146,520)
Total accumulated depreciation	<u>(461,917,615)</u>	<u>(14,683,954)</u>	<u>890,943</u>		<u>(475,710,626)</u>
Net capital assets being depreciated	<u>189,529,867</u>	<u>(4,323,220)</u>	<u>(12,656)</u>	<u>19,189,824</u>	<u>204,383,815</u>
Governmental activities capital assets, net	<u>\$344,470,846</u>	<u>\$19,669,659</u>	<u>(\$112,114)</u>		<u>\$364,028,391</u>

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 8 – CAPITAL ASSETS (Continued)

Governmental activities construction in progress comprised the following at June 30, 2021:

Project	Total Budget	Actual Costs	Unexpended Budget
Alviso Adobe Renovation	\$8,159,272	\$6,955,571	\$1,203,701
McCandless Park	12,154,820	3,763,747	8,391,073
Sports Fields Turf Rehabilitation Program	151,000	50,874	100,126
Creighton Park Renovation	3,228,920	3,150,412	78,508
Sandalwood Park Renovation	475,000	294,872	180,128
Sports Center Skate Park	6,325,000	5,716,339	608,661
Minor Sports Courts Rehabilitation	450,000	358,157	91,843
McCarthy Blvd Landscape	1,032,256	473,595	558,661
Fire Station Improvements	1,300,000	771,009	528,991
City Building Improvement	2,815,000	2,583,491	231,509
Sinclair LMD Improvements	256,750	85,764	170,986
City Building Exterior Painting	600,000	109,164	490,836
PD Communications	3,155,000	2,910,084	244,916
Replacement Fire Station Alert System	393,000	344,420	48,580
City Building Roofing	900,000	205,015	694,985
Police Records Management	1,599,721	340,177	1,259,544
Citywide Park Playground	1,703,497	1,433,212	270,285
Annual Sidewalk, Curb & Gutter Repair	1,826,840	1,352,309	474,531
Technology Projects	1,400,000	1,136,870	263,130
Midtown Street Light	300,000	263,937	36,063
2017-19 Finance System Upgrade	1,250,000	947,431	302,569
Annual Tree Replacement Program	419,000	162,403	256,597
Fire Station #2 Replacement	15,820,000	5,243,855	10,576,145
Fire Stations Security	200,000		200,000
Facilities Water Fixtures Retrofit Project	670,000	631,475	38,525
Community and Senior Center Energy Resilience Project	4,406,895	890,235	3,516,660
Safe Facilities	375,000		375,000
Storm Drain System Rehabilitation	1,190,000	909,422	280,578
Dempsey Road Storm Drain	1,660,000	230,962	1,429,038
Bart Project-Storm Improvement	33,000		33,000
Trash Removal Devices	500,000	469,471	30,529
Flap Gate Replacement	100,000		100,000
Storm Drain System Rehab 17-19	1,058,410	576,922	481,488
Storm Supervisory Control & Data Acquisition	2,416,590	480,000	1,936,590
Light Rail Median Landscaping	5,996,000	3,946,346	2,049,654
Second SCVWD Water Reservoir & Pump Station	200,000	825	199,175
Lower Penitencia Creek	1,825,000	350,486	1,474,514
Montague Pedestrian Overcrossing at Piper Drive	8,750,000	7,821,539	928,461
SCVWD Second Water Supply Turnout #2	100,000	642	99,358
Transit Area Police Substation	310,000		310,000
(Rmb) TASP Linear Trails	3,270,000		3,270,000
(Rmb) Trade Zone/Montague Park - North	3,100,000		3,100,000
S. Milpitas Blvd. Veh. Bridge at Penitencia	2,400,000	166,502	2,233,498
Montague Ped. Overcrossing at Penitencia	1,010,000	495,975	514,025
(Rmb) TASP Recycled Water Distribution	200,391		200,391
SCVWD Zone 1 Pressure Red. Valve	100,000		100,000
Trade Zone/Montague Park - Central	600,000	9,998	590,002
TASP Citation-SCS	12,400,047	12,400,047	
TASP Pulte	4,244,485	4,244,485	
TASP Lennar	2,536,934	2,536,934	
Total construction in progress	<u>\$125,367,828</u>	<u>\$74,814,974</u>	<u>\$50,552,854</u>

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 8 – CAPITAL ASSETS (Continued)

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

	Balance at June 30, 2020	Additions	Transfers	Balance at June 30, 2021
Capital assets not being depreciated:				
Land	\$1,133,079			\$1,133,079
Construction in progress	12,309,945	\$7,374,241	(\$845,281)	18,838,905
Total capital assets not being depreciated	<u>13,443,024</u>	<u>7,374,241</u>	<u>(845,281)</u>	<u>19,971,984</u>
Capital assets being depreciated:				
Distribution facilities	81,197,041			81,197,041
Water Service lines	16,962,715		104,896	17,067,611
Sewer lines	86,057,508	702,252	740,385	87,500,145
Capacity rights	100,593,340	2,110,265		102,703,605
Total capital assets being depreciated	<u>284,810,604</u>	<u>2,812,517</u>	<u>845,281</u>	<u>288,468,402</u>
Less accumulated depreciation for:				
Distribution facilities	(53,787,023)	(1,267,645)		(55,054,668)
Water Service lines	(7,212,247)	(376,904)		(7,589,151)
Sewer lines	(50,942,559)	(1,406,026)		(52,348,585)
Capacity rights	(27,532,622)	(3,150,747)		(30,683,369)
Total accumulated depreciation	<u>(139,474,451)</u>	<u>(6,201,322)</u>		<u>(145,675,773)</u>
Net capital assets being depreciated	<u>145,336,153</u>	<u>(3,388,805)</u>		<u>142,792,629</u>
Business-type activities capital assets, net	<u><u>\$158,779,177</u></u>	<u><u>\$3,985,436</u></u>		<u><u>\$162,764,613</u></u>

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 8 – CAPITAL ASSETS (Continued)

Business-type activities construction in progress comprised the following at June 30, 2021:

Project	Total Budget	Actual Costs	Unexpended Budget
CCTV Sanitary Sewer	\$283,472	\$256,739	\$26,733
BART Project-Sewer Improvement	243,323	229,730	13,593
Sewr Pump Station Rehabilitation Program	252,000	156,798	95,202
Minor Sewer Projects	113,000	89,335	23,665
Sanitary Supervisory Control & Data	316,600	60,000	256,600
Main Lift Stattion Odor Emmissions Control	2,450,000	150,739	2,299,261
Sanitary Sewer Cathodic Protection Improvement	2,025,000	353,877	1,671,123
Well Up grade Program	12,475,000	5,277,336	7,197,664
Water System Seismic Imp rovement	4,887,951	970,179	3,917,772
Hydrant Replacement	386,360	374,992	11,368
Abel St Pipeline Extension	940,000	44,061	895,939
Dempsey Road Water Line	7,857,772	1,240,321	6,617,451
Automated Water Meter	14,047,700	5,934,867	8,112,833
BART Project-Water Improvements	2,503,920	1,820,243	683,677
Supervisory Control & Data	6,516,600	1,303,619	5,212,981
Minor Water Projects	600,000	309,050	290,950
Water O&M Database Management	150,000	137,725	12,275
Water Leak Detection	450,000	129,294	320,706
	\$56,498,698	\$18,838,905	\$37,659,793

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 8 – CAPITAL ASSETS (Continued)

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, 2020:

	Balance December 31, 2019	Additions	Balance December 31, 2020
Capital assets not being depreciated:			
Land	\$1,565,277	_____	\$1,565,277
Total capital assets not being depreciated	<u>1,565,277</u>	<u>_____</u>	<u>1,565,277</u>
Capital assets being depreciated:			
Buildings	12,107,935	_____	12,107,935
Furniture	364,843	\$16,358	381,201
Office equipment	65,096	_____	65,096
Improvements	2,601,250	141,034	2,742,284
Total capital assets being depreciated	<u>15,139,124</u>	<u>157,392</u>	<u>15,296,516</u>
Less accumulated depreciation	(9,233,573)	(417,941)	(9,651,514)
Net capital assets being depreciated	<u>5,905,551</u>	<u>(260,549)</u>	<u>5,645,002</u>
Total capital assets, net	<u><u>\$7,470,828</u></u>	<u><u>(\$260,549)</u></u>	<u><u>\$7,210,279</u></u>

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:

<i>Governmental Activities:</i>	
General Government	\$2,316,455
Public Works	7,006,815
Engineering	2,438,832
Recreation and Community Services	1,174,996
Police	294,917
Fire	305,717
Internal Service Fund	<u>1,146,222</u>
Total Governmental Activities	<u><u>\$14,683,954</u></u>

<i>Business-Type Activities:</i>	
Water Utility	\$1,644,548
Sewer Utility	<u>4,556,774</u>
Total Business-Type Activities	<u><u>\$6,201,322</u></u>

<i>Discretely Presented Component Unit:</i>	
Terrace Gardens, Inc.	<u><u>\$417,941</u></u>

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 8 – CAPITAL ASSETS (Continued)

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 \$102,703,609. The operation and maintenance costs are calculated based upon actual sewage flow and strengths. In fiscal year 2021, the City's operation and maintenance share was approximately 6.099% of the total RWF operations.

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, 2020	Additions	Retirements	Balance June 30, 2021	Current Portion
Governmental Activities Debt - Direct Borrowing:						
2020 General Fund Lease Revenue Bonds						
4.0%, due June 1, 2041	\$18,445,000		\$18,445,000		\$18,445,000	\$275,000
Plus: Unamortized bond premium			3,473,516		3,473,516	
	<u>\$18,445,000</u>	<u>=====</u>	<u>\$21,918,516</u>	<u>=====</u>	<u>\$21,918,516</u>	<u>\$275,000</u>
Business-type Activities Debt						
Wastewater Revenue Refunding Bonds, 2017 Series						
2.0% - 5.0%, due November 1, 2026	\$4,725,000	\$3,785,000		\$475,000	\$3,310,000	\$495,000
Plus: Unamortized bond premium		495,991		70,856	425,135	
Wastewater Revenue Bonds, 2019 Series						
4.0% - 5.0%, due November 1, 2049	29,840,000	29,840,000		445,000	29,395,000	485,000
Plus: Unamortized bond premium		5,312,281		183,182	5,129,099	
Water Revenue Bonds, 2019 Series						
4.0% - 5.0%, due June 1, 2049	17,210,000	17,055,000		290,000	16,765,000	300,000
Plus: Unamortized bond premium		2,960,061		102,071	2,857,990	
Total Business-Type Activities	<u>\$51,775,000</u>	<u>\$59,448,333</u>	<u>=====</u>	<u>\$1,566,109</u>	<u>\$57,882,224</u>	<u>\$1,280,000</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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 9 – LONG-TERM DEBT (Continued)

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 of the Certificates of Participation 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's Sewer System.

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 2021, net revenues amounted to \$10,677,320 which represented coverage of 4.41 over the \$2,418,525 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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 9 – LONG-TERM DEBT (Continued)

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 the fiscal year 2021, net revenues amounted to \$8,140,592 which represented coverage of 7.79 over the \$1,045,650 debt service.

F. Debt Service Requirements

Annual debt service requirements are shown below:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Revenue Bonds	Revenue Bonds	Revenue Bonds	Revenue Bonds
2022	\$275,000	\$737,800	\$1,280,000	\$2,199,925
2023	470,000	726,800	1,335,000	2,143,325
2024	520,000	708,000	1,395,000	2,081,400
2025	570,000	687,200	1,460,000	2,013,650
2026	625,000	664,400	1,530,000	1,939,275
2027-2031	4,270,000	2,874,200	6,095,000	8,716,250
2032-2036	5,285,000	1,936,600	6,990,000	7,163,250
2037-2041	6,430,000	791,200	8,910,000	5,215,525
2042-2046			11,020,000	3,110,400
2047-2050			9,455,000	772,100
	<u>18,445,000</u>	<u>\$9,126,200</u>	<u>49,470,000</u>	<u>\$35,355,100</u>
Plus: Unamortized bond premium	<u>3,473,516</u>		<u>8,412,224</u>	
	<u><u>\$21,918,516</u></u>		<u><u>\$57,882,224</u></u>	

NOTE 10 – 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:

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

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.

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's 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, 2021

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City's Fund Balances, as of June 30, 2021, are below:

Fund Balance Classifications	Major		Major Capital Projects				Total	
	Special		Revenue Fund		General Government Projects Fund			
	General Fund	Housing Authority	Street Improvement Fund	Transit Area Impact Fee Fund	Other Governmental Funds			
Nonspendable:								
Prepays, materials, supplies and deposits	\$582,658	\$2,000			\$25,992		\$610,650	
Property held for resale	4,200,000						4,200,000	
Subtotal Nonspendable	4,782,658	2,000			25,992		4,810,650	
Restricted for:								
Programs and Maintenance			\$8,762,387			3,292,564	12,054,951	
Housing and community development		39,766,065				3,817,107	43,583,172	
Law enforcement services						169,352	169,352	
Solid waste reduction and services						1,563,598	1,563,598	
Assessment district services						2,005,326	2,005,326	
Hetch-Hetchy ground lease						1,572,229	1,572,229	
Community planning						873,132	873,132	
Community benefits						370,210	370,210	
Affordable housing						4,737,099	4,737,099	
Affordable housing unrestricted						2,229,472	2,229,472	
Park improvement projects						12,631,776	12,631,776	
Storm drain projects						5,504,577	5,504,577	
Transit area capital projects				\$63,249,577			63,249,577	
Subtotal Restricted		39,766,065	8,762,387	63,249,577		38,766,442	150,544,471	
Committed to:								
PERS stabilization		2,826,484					2,826,484	
Artificial turf replacement		1,440,000					1,440,000	
Technology replacement		2,000,000					2,000,000	
Facilities replacement		7,000,000					7,000,000	
Subtotal Committed	13,266,484						13,266,484	
Assigned to:								
Uninsured claims payable		2,344,962					2,344,962	
Public art projects						1,253,478	1,253,478	
Contracts		2,415,278					2,415,278	
General government capital projects					\$38,254,658		38,254,658	
Other assigned		1,782,825					1,782,825	
Subtotal Assigned	6,543,065				38,254,658	1,253,478	46,051,201	
Unassigned:								
General Fund								
Contingency reserve		18,253,286					18,253,286	
Budget stabilization		18,253,286					18,253,286	
Future deficit		1,452,576					1,452,576	
Unassigned		169,194					169,194	
Subtotal Unassigned	38,128,342						38,128,342	
Total fund balances	\$62,720,549	\$39,768,065	\$8,762,387	\$63,249,577	\$38,254,658	\$40,045,912	\$252,801,148	

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 10 – 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.
 - 20% to the PERS Rate Stabilization Reserve
 - 20% to the General Government Capital Improvement Fund
 - 10% to the Affordable Housing Community Benefit Fund
 - 10% to Transportation/Transit
 - 40% to the Unassigned General Fund Reserve.
- 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, 2021, the reserve is set at \$18.2 million 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, 2021, the reserve is set at \$18.2 million and classified in the unassigned fund balance.
- 4) The City will maintain in the Pension Section 115 Internal Service Fund a Public Employees Retirement (PERS) Rate Stabilization Reserve to be funded by 20% of any General Fund or Enterprise Funds annual operating surpluses. The City's 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 General Fund portion of the contribution to the PERS Rate Stabilization Reserve shall only be funded after General Fund Contingency Reserve and the General Fund Budget Stabilization Reserve requirements have been met. The Utility Funds' portion of the contribution to the PERS Rate Stabilization Reserve shall be consistent with the General Fund contributions and only be funded after the Capital Reserve and Rate Stabilization Reserve (RSR) requirements in the Water and Sewer utility funds have been met. The City may use the PERS Rate Stabilization Reserve to fund either the annual actuarially determined contribution amount in lieu of a contribution amount derived from a percentage of salary, pay down unfunded pension liabilities with CalPERS, or reduce the length of pension cost amortization schedules with CalPERS. Any savings or additional costs resulting from the budgeting methodologies shall benefit or be adjusted from the PERS Rate Stabilization Reserve. This reserve may also be drawn on if the required employer contribution rates exceed previous year's contribution rates by more than 3% of payroll. In this instance, the City Council must approve utilization of this reserve at the time of the budget hearing.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

- 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 so as 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.
- 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, 2021, the capital reserve for the Water Operating Fund is set at \$8.6 million and for the Sewer Operating Fund at \$3.7 million.
- 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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

- 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.

NOTE 11 – 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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 11 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous		
	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%	7%	6.25%
Required employer contribution rates	10.145%	10.145%	10.145%
Required Unfunded Actuarial Liability Contribution		\$6,111,834	

	Safety		
	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%
Required employer contribution rates	20.470%	20.470%	20.470%
Required Unfunded Actuarial Liability Contribution		\$8,345,404	

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, 2021 were \$6,111,834 and \$8,345,404, 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, 2019 and measurement date of June 30, 2020:

	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	398				242	
Inactive employees entitled to but not yet receiving benefits	342				29	
Active employees	114	9	89	102	6	42
Total	<u>854</u>	<u>9</u>	<u>89</u>	<u>373</u>	<u>6</u>	<u>42</u>

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 11 – PENSION PLANS (Continued)

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.

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, 2021, the City reported the account balance of the trust of \$35,387,011. 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, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities as of the June 30, 2020 measurement date were determined using the following actuarial assumptions:

	Miscellaneous (1)	Safety (1)
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.15	7.15
Inflation	2.50%	2.50%
Payroll Growth	2.75%	2.75%
Projected Salary Increase	(2)	(2)
Investment Rate of Return	7.15% (3)	7.15% (3)
Mortality	Derived using CalPERS Membership Data for all Funds (4)	Derived using CalPERS Membership Data for all Funds (4)
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

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

(2) Depending on age, service and type of employment

(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 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 11 – PENSION PLANS (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website at www.calpers.ca.gov.

Discount Rate – The discount rate used to measure the total pension liability for each Plan was 7.15%. 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 took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rates of return by asset class.

Asset Class (a)	Current Target Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u><u>100.0%</u></u>		

(a) In the CalPERS Comprehensive Annual Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 11 – PENSION PLANS (Continued)

C. Changes in the Net Pension Liability

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

Miscellaneous Plan			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2019 (Measurement Date)	\$243,415,080	\$171,422,033	\$71,993,047
Changes in the year:			
Service cost	3,777,335	3,777,335	
Interest on the total pension liability	17,295,222	17,295,222	
Differences between actual and expected experience	2,592,349	2,592,349	
Changes in assumptions			
Changes in benefit terms			
Contribution - employer	7,965,270	(7,965,270)	
Contribution - employee	1,772,996	(1,772,996)	
Net Plan to Plan Resource Movement	8,527,794	(8,527,794)	
Net investment income			
Administrative expenses	(241,663)	241,663	
Other Miscellaneous Income/(Expense)			
Benefit payments, including refunds of employee contributions	(12,009,750)	(12,009,750)	
Net changes	11,655,156	6,014,647	5,640,509
Balance at June 30, 2020 (Measurement Date)	\$255,070,236	\$177,436,680	\$77,633,556
Safety Plan			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2019 (Measurement Date)	\$362,401,709	\$233,910,818	\$128,490,891
Changes in the year:			
Service cost	6,711,730	6,711,730	
Interest on the total pension liability	25,568,359	25,568,359	
Differences between actual and expected experience	981,131	981,131	
Changes in assumptions			
Changes in benefit terms			
Contribution - employer	12,104,306	(12,104,306)	
Contribution - employee	2,748,961	(2,748,961)	
Net Plan to Plan Resource Movement			
Net investment income	11,689,024	(11,689,024)	
Administrative expenses	(329,757)	329,757	
Other Miscellaneous Income/(Expense)			
Benefit payments, including refunds of employee contributions	(18,278,539)	(18,278,539)	
Net changes	14,982,681	7,933,995	7,048,686
Balance at June 30, 2020 (Measurement Date)	\$377,384,390	\$241,844,813	\$135,539,577
Grand Totals - Both Plans	\$632,454,626	\$419,281,493	\$213,173,133

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 11 – PENSION PLANS (Continued)

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 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.15%	6.15%
Net Pension Liability	\$110,579,811	\$185,236,085
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$77,633,556	\$135,539,577
1% Increase	8.15%	8.15%
Net Pension Liability	\$50,303,549	\$94,484,737

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

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

For the year ended June 30, 2021, the City recognized pension expense of \$12,294,830 for the Miscellaneous Plan and \$20,453,307 for the Safety Plan, for total pension expense of \$32,748,137. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions after the measurement date	\$8,808,294	
Differences between actual and expected experience	1,829,443	
Changes in assumptions		
Net differences between projected and actual earnings on plan investments	1,297,583	
Total	<u><u>\$11,935,320</u></u>	<u><u>\$0</u></u>

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 11 – PENSION PLANS (Continued)

	Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions after the measurement date	\$12,866,635	
Differences between actual and expected experience	3,102,986	
Changes in assumptions		(\$207,713)
Net differences between projected and actual earnings on plan investments	1,690,252	
Total	<u><u>\$17,659,873</u></u>	<u><u>(\$207,713)</u></u>
Grand Totals - Both Plans	<u><u>\$29,595,193</u></u>	<u><u>(\$207,713)</u></u>

\$21,674,929 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, 2022. 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
2022	\$830,605	\$250,772
2023	682,585	1,881,053
2024	888,185	1,429,314
2025	725,651	1,024,386

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's 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's required contributions of \$13,100 and the employee's required contributions of \$52,395 were made during the fiscal year ending June 30, 2021.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 12 – 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 the City's property and are not subject to City control, they have been 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 12C and 12D.

The City provides postretirement health care benefits through its defined benefit Retiree Medical Benefits 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, 2021, there were 295 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, 2021

NOTE 12 – EMPLOYEE BENEFITS (Continued)

In order to qualify for postemployment medical and dental benefits an employee must retire from the City and maintain enrollment in one of City's 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
			n/a	PEMHCA Minimum Only	
Professional / Technical (PROTECH)	Before July 1, 1995	Before June 30, 1989	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	
			At least 5	Benefit Cap	
			Less than 5	PEMHCA Minimum Only	
	After June 30, 1995	After August 31, 2002	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	
			Less than 5	PEMHCA Minimum Only	
Mid-Management and Confidential (LIUNA) (Began 9/2003)	Before July 1, 1995	Any	At least 5	Benefit cap	
			Less than 5	PEMHCA Minimum Only	
	After June 30, 1995	Any	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	
			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	
Unrepresented Miscellaneous and Fire*	Before July 1, 1995	Before January 1, 1989	At least 5	Any employee only medical premium rate	
			Less than 5	PEMHCA Minimum Only	
		After August 31, 2002	Less than 5	PEMHCA Minimum Only	
			At least 5	Benefit cap	
			Less than 5	PEMHCA Minimum Only	
	After June 30, 1995	Any	5 but less than 10	Up to 25% of the Benefit Cap	
			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	
			Less than 5	PEMHCA Minimum Only	

- 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, 2021

NOTE 12 – 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
			At least 5	Any employee only medical premium rate
		After June 30, 2003	Less than 5	PEMHCA Minimum Only
			At least 5	Retiree Cap
	After June 30, 1995	Any	Less than 5	PEMHCA Minimum Only
			5 but less than 10	Up to 25% of the Retiree Cap
			10 but less than 15	Up to 50% of the Retiree Cap
			15 but less than 20	Up to 75% of the Retiree Cap
			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
			At least 1	Any employee only premium
		After December 31, 1994 but before February 21, 2007	Less than 1	PEMHCA Minimum Only
			1 but less than 10	50% of any employee only premium
			At least 10	100% of any employee only premium
		After February 20, 2007	Less than 1	PEMHCA Minimum Only
			1 but less than 10	Up to 50% of the lesser of the Retiree Cap and the premium rate
			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
			1 but less than 10	Up to 25% of the Benefit Cap
			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
		After February 20, 2007	Less than 1	PEMHCA Minimum Only
			1 but less than 10	25% of the lesser of the Retiree Cap and the premium rate
			10 but less than 15	50% of the lesser of the Retiree Cap and the premium rate
			15 but less than 20	75% of the lesser of the Retiree Cap and the premium rate
			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, 2021

NOTE 12 – 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	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
			Less than 5	PEMHCA Minimum Only
	After December 31, 1995		At least 5	Up to the Retiree Cap
		Before July 1, 2003	Less than 1	PEMHCA Minimum Only
			1 but less than 9	25% of any employee only premium
			9 but less than 14	50% of any employee only premium
			14 but less than 19	75% of any employee only premium
			At least 19	100% of any employee only premium
Employee Association (MEA)	Before July 1, 1996	Before July 16, 1989	n/a	PEMHCA Minimum Only
		After July 17, 1989 but before March 19, 2003	Less than 5	PEMHCA Minimum Only
			At least 5	Any employee only medical premium rate
		After March 18, 2003	Less than 5	PEMHCA Minimum Only
	After June 30, 1996	Any	At least 5	Benefit Cap
			Less than 1	PEMHCA Minimum Only
			1 but less than 10	Up to 25% of the Benefit Cap
			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
Supervisors (MSA) (Ended June 30, 2012)	Before June 30, 1995	Before July 1, 1996	n/a	PEMHCA Minimum Only
		After June 30, 1996 and before November 27, 2007	Less than 5	PEMHCA Minimum Only
			At least 5	Any employee only medical premium rate
		After November 26, 2007	Less than 5	PEMHCA Minimum Only
	After June 29, 1995	After November 27, 2007	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

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 12 – EMPLOYEE BENEFITS (Continued)

Medical benefits for dependents:

Group	Date of Hire	Date of Retirement	Minimum Years of Continuous Service	City Contribution for Dependent Medical Premiums ¹
Professional / Technical (PROTECH)	Before July 1, 1995	After December 4, 2006	At least 5	Up to 100% of family/dependent premium
	After June 30, 1995	After December 4, 2006	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
	After June 30, 1995	After January 1, 2007	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) ²	Before January 1, 1996	After June 30, 2003	At least 5	100% of family/dependent premiums
	After December 31, 1995	After June 30, 2003	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) ³	Before January 1, 1996	After September 4, 2007	At least 5	100% of family/dependent premiums
	After December 31, 1995	After September 4, 2007	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-Misc) ⁴	Before January 1, 1996	After June 30, 2018	At least 5	100% of family/dependent premiums
	After December 31, 1995	After June 30, 2018	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

¹ Family/Dependent Medical Premium is active employee Single+1 OR Family medical premium rate less active employee Single medical premium rate.

² If the UNREP-Police fund is depleted, MPOA will provide funding for the dependent benefits.

³ The Fire Chief is ineligible for dependent fund benefits.

⁴ The Fire Chief is eligible for dependent fund benefits in UNREP Misc group.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 12 – 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 ¹
Fire Safety (IAFF) ⁵	Before January 1, 1995	After February 19, 2007	5 but less than 9	50% of family/dependent medical premiums
			At least 10	100% of family/dependent medical premiums
	After December 31, 1994	After February 19, 2007	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
	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

¹ Family/Dependent Medical Premium is active employee Single+1 OR Family medical premium rate less active employee Single medical premium rate.

⁵ 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

C. Net OPEB Liability

Funding Policy and Contributions – The City's 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, 2021, the City's contributions to the Plan were \$1,743,593.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2020:

Active employees	372
Inactive employees or beneficiaries currently receiving benefit payments	295
Inactive employees entitled to but not yet receiving benefit payments	92
Total	<u><u>759</u></u>

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 12 – EMPLOYEE BENEFITS (Continued)

Actuarial Methods and Assumptions – The City’s net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2019, that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2020, based on the following actuarial methods and assumptions:

Actuarial Assumptions	
Valuation Date	July 1, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Actuarial Assumptions:	
Discount Rate	6.95% (explicit subsidies) and 3.13% (implicit subsidies)
Inflation	2.50%
Salary Increase	3.00%
Investment Rate of Return	6.95%
Mortality Rate	MacLeod Watts Scale of 2020 applied generationally
Healthcare Trend Rate	5.40% grading down to 4% for years 2076 and thereafter

The underlying mortality assumptions were based on the mortality table published by CalPERS in their 2017 study, adjusted to back out 15 years of Scale MP 2016 to central year 2015 and all other actuarial assumptions used in the July 1, 2019 valuation are based on based on the result of a June 30, 2019 actuarial experience study for the period from 1997 to 2015, except for a different basis used to project future mortality improvements.

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 are summarized in the following table:

Asset Class	Target Allocation
Global Equities	59.0%
Fixed Income	25.0%
Global Real Estate (REITs)	8.0%
Treasury Inflation Protected Securities	5.0%
Commodities	3.0%
Total	<u><u>100.0%</u></u>

Discount Rate

Explicit Subsidy Liability – The City expects the trust assets to yield 6.95 over the long term, based on information published by CalPERS as of the June 30, 2019 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 6.95%.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 12 – EMPLOYEE BENEFITS (Continued)

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 3.13%.

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
Balance at June 30, 2020	\$62,305,877	\$48,308,972	\$13,996,905
Changes Recognized for the Measurement Period:			
Service Cost	1,958,563		1,958,563
Interest on the total OPEB liability	3,581,088		3,581,088
Changes in benefit terms			
Differences between expected and actual experience			
Changes of assumptions	(5,621,298)		(5,621,298)
Contributions from the employer		4,528,174	(4,528,174)
Net investment income		1,745,028	(1,745,028)
Other Expenses			
Plan Experience			
Administrative expenses		(24,292)	24,292
Benefit payments	(3,122,284)	(3,122,284)	
Net changes	(3,203,931)	3,126,626	(6,330,557)
Balance at June 30, 2021 (Measurement Date)	\$59,101,946	\$51,435,598	\$7,666,348

The benefit payments and refunds include implied subsidy benefit payments in the amount of \$1,050,156.

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's 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%	(6.95%-3.13%)	Discount Rate +1%
\$15,229,698	\$7,666,348	\$1,388,277

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 12 – EMPLOYEE BENEFITS (Continued)

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	1% Increase
1% Decrease	(5.40%-4.00%)	1% Increase
\$755,608	\$7,666,348	\$16,107,105

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. 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, 2020:

Active employees	372
Inactive dependents of retirees currently receiving benefit payments	149
Inactive employees entitled to but not yet receiving benefit payments	28
Total	<u>549</u>

Actuarial Methods and Assumptions – The Union Dependent Funds' total OPEB liability was measured as of June 30, 2020 and the total OPEB liability was determined by an actuarial valuation dated June 30, 2019, that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2020 based on the following actuarial methods and assumptions:

Actuarial Assumptions	
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Actuarial Assumptions:	
Discount Rate	2.45% as of June 30, 2020
Inflation	2.50%
Salary Increase	3.00%
Investment Rate of Return	6.95%
Mortality Rate	MacLeod Watts Scale of 2020 applied generationaly
Healthcare Trend Rate	5.40% grading down to 4% for years 2076 and thereafter

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 12 – EMPLOYEE BENEFITS (Continued)

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

	Increase (Decrease)
	Total OPEB Liability
	(a)
Balance at June 30, 2020	\$28,504,872
Changes Recognized for the Measurement Period:	
Service Cost	1,139,508
Interest on the total OPEB liability	905,377
Changes in benefit terms	3,100,405
Differences between expected and actual experience	
Changes of assumptions	
Contributions from the employer	
Net investment income	
Other Expenses	
Plan Experience	
Administrative expenses	
Benefit payments	(1,437,201)
Net changes	3,708,089
Balance at June 30, 2021 (Measurement Date)	\$32,212,961

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 (2.13%) or 1-percentage point higher (4.13%) than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate		
Discount Rate -1%	2.45%	Discount Rate +1%
\$37,680,221	\$32,212,961	\$27,800,248

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	(5.40% - 4.00%)	1% Increase
\$27,893,626	\$32,212,961	\$37,657,283

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 12 – EMPLOYEE BENEFITS (Continued)

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

For the year ended June 30, 2021, the City recognized Retiree Medical Benefits OPEB Plan and Dependent Fund OPEB Plan recognized expense of \$1,117,053 and \$2,464,426, respectively, for total OPEB expense of \$3,581,479. At June 30, 2021, the Retiree Medical Benefits OPEB plan and Union Dependent Funds reported deferred outflows and inflows of resources related to OPEB from the following sources:

Retiree Medical Benefits OPEB Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$1,743,593	
Differences between actual and expected experience	(\$7,777,998)	
Changes of assumptions	(6,315,398)	
Net differences between projected and actual earnings on plan investments	1,098,611	
Total	\$2,842,204	(\$14,093,396)
Dependent Fund OPEB Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$1,028,064	
Differences between actual and expected experience	2,680,864	
Changes of assumptions	(3,708,928)	
Net differences between projected and actual earnings on plan investments	\$6,551,132	(\$14,093,396)
Grand Total, Both Plans		

\$2,771,657 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2022. 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
2022	(\$3,275,513)	\$419,541
2023	(3,018,076)	419,541
2024	(2,901,513)	419,541
2025	(2,701,673)	419,541
2026	(1,079,332)	419,541
Thereafter	(18,678)	583,159

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 12 – 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, 2021, sick leave benefits payable decreased by \$549,197 and vacation benefits payable increased by \$632,744. 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, 2020	\$6,118,025	\$298,085	\$2,845,205	\$188,994
Additions	2,937,911	310,265	938,575	56,570
Payments and adjustments	(2,455,538)	(159,894)	(1,502,410)	(41,932)
Balance as of June 30, 2021	<u>\$6,600,398</u>	<u>\$448,456</u>	<u>\$2,281,370</u>	<u>\$203,632</u>
General Government	\$749,113		\$135,275	
Building	218,346			
Public Works	386,564		344,040	
Engineering	314,069		76,527	
Planning	176,424			
Recreation	176,160		35,685	
Police	3,047,107		456,797	
Fire	1,365,577		1,208,364	
Water Utility		\$262,625		\$166,221
Sewer Utility		185,831		37,411
Internal Service	167,038		24,682	
Total	<u>\$6,600,398</u>	<u>\$448,456</u>	<u>\$2,281,370</u>	<u>\$203,632</u>
Long-Term Portion:				
Governmental activities	\$3,706,658		\$1,443,013	
Business-type activities		\$339,992		\$153,382
Total long term portions	<u>\$3,706,658</u>	<u>\$339,992</u>	<u>\$1,443,013</u>	<u>\$153,382</u>
Current Portion:				
Governmental activities	\$2,893,740		\$838,357	
Business-type activities		\$108,464		\$50,250
Total current portions	<u>\$2,893,740</u>	<u>\$108,464</u>	<u>\$838,357</u>	<u>\$50,250</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, 2021

NOTE 13 – 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.

During the fiscal year, ended June 30, 2021, the City contributed \$1,161,755 for the 2020/21 program year.

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, 2021 the City paid \$1,015,255 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, 2021

NOTE 13 – 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:

	2021		
	Worker's Compensation	General Liability	Total
Beginning balance	\$6,816,082	\$358,593	\$7,174,675
Liability for current fiscal year claims	1,876,955	101,634	1,978,589
Increase (decrease) in estimated liability for prior fiscal year claims and claims incurred but not reported (IBNR)	(667,994)	420,062	(247,932)
Claims paid	(1,483,062)	(521,696)	(2,004,758)
Ending balance	<u>\$6,541,981</u>	<u>\$358,593</u>	<u>\$6,900,574</u>
Due in one year	<u>\$1,121,283</u>	<u>\$289,206</u>	<u>\$1,410,489</u>
			<u>\$1,172,486</u>

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

NOTE 14 – 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, 2021

NOTE 14 – 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 in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, 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, 2021 were as follows:

Major Governmental Funds:	
General Fund	\$2,415,278
Housing Authority Fund	6,767,799
Non-Major Governmental Funds	<u>80,075</u>
Total Encumbrances	<u><u>\$9,263,152</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 how to deal with the \$370 million in assets that were 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 provide a better interest rate given the favorable rate environment.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 14 – 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 are 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 \$993,732 during fiscal year 2021, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2022 is estimated to be \$1,265,664.

F. Sunnyhills Apartment Complex

In October 2017, the City entered into an agreement with Sunnyhills Investors LLC to purchase affordability covenants for the Sunnyhills Apartment Complex, which has provided 149 affordable housing units to the City over the last 30 years. The City is required to pay \$250,000 per year, ending January 15, 2023, beginning in fiscal year 2019. The first payment under the agreement was made in April 2018, and was for fiscal year 2019. The City has paid a total of \$750,000 as of June 30, 2021.

G. 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, 2021

NOTE 15 – 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, 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, 2021 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2021.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 15 – 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 2024 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, 2020	Retirements	Balance June 30, 2021	Current Portion
Installment Purchase Agreement with the County of Santa Clara - Direct Borrowing				
due June 30, 2023	\$7,859,573	\$2,748,669	\$5,110,904	\$2,617,780
2015 Tax Allocation Bonds				
2%-5%, due September 1, 2032	94,935,000	7,070,000	87,865,000	7,425,000
Plus: Unamortized bond premium	<u>15,085,518</u>	<u>1,190,962</u>	<u>13,894,556</u>	<u> </u>
Total	<u>\$117,880,091</u>	<u>\$11,009,631</u>	<u>\$106,870,460</u>	<u>\$10,042,780</u>

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 15 – SUCCESSOR AGENCY ACTIVITIES (Continued)

2. *Installment Purchase Agreement with the County of Santa Clara*

The former Redevelopment Agency had a non-interest bearing Installment Purchase Agreement with the County of Santa Clara in the original principal amount of \$135,000,000, as mentioned in Note 15B. As discussed in Note 15B, under the Agreement, the former Redevelopment Agency purchased two parcels of land that were later sold to developers. The amount due under the Agreement does not bear interest and is payable annually through 2023. The Successor Agency has therefore recorded a liability of \$5,110,904 at June 30, 2021, representing the present value of future payments due under this Agreement.

3. *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'.

4. *Debt Service Requirements*

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

Year Ending June 30	Installment Purchase Agreement with the County of Santa Clara		2015 Tax Allocation Bonds	
	Total Principal	Total Interest	Total Principal	Total Interest
2022	\$2,617,780	\$3,382,220	\$7,425,000	\$4,207,625
2023	2,493,124	3,506,876	7,800,000	3,827,000
2024			8,185,000	3,427,375
2025			8,595,000	3,007,875
2026			9,025,000	2,567,375
2027-2031			39,140,000	6,389,000
2032-2033			7,695,000	389,375
	\$5,110,904	\$6,889,096	87,865,000	\$23,815,625
Plus: Unamortized bond premium			13,894,556	
			\$101,759,556	

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2021

NOTE 15 – SUCCESSOR AGENCY ACTIVITIES (Continued)

5. *Defeased Bonds*

As of June 30, 2021, the outstanding balance of defeased debt was \$7,495,000 for the Redevelopment Agency 1997 Tax Allocation Bonds.

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	6/30/17	6/30/18	6/30/19	6/30/20
Total OPEB Liability				
Service Cost	\$2,386,392	\$2,356,491	\$2,423,566	\$1,958,563
Interest	4,794,071	5,155,080	5,462,138	3,581,088
Changes in benefit terms			(17,098,878)	
Differences between expected and actual experience			(11,594,216)	
Changes of assumptions	(1,263,847)	(113,934)	(1,624,371)	(5,621,298)
Benefit payments	(3,325,081)	(2,994,247)	(3,183,858)	(3,122,284)
Net change in total OPEB liability	2,591,535	4,403,390	(25,615,619)	(3,203,931)
Total OPEB liability - beginning	80,926,571	83,518,106	87,921,496	62,305,877
Total OPEB liability - ending (a)	\$83,518,106	\$87,921,496	\$62,305,877	\$59,101,946
Plan fiduciary net position				
Contributions - employer	\$4,959,756	\$4,803,893	\$4,651,743	\$4,528,174
Contributions - employee				
Net investment income	3,708,342	3,175,844	2,834,217	1,745,028
Administrative expense	(18,732)	(21,490)	(9,742)	(24,292)
Benefit payments	(3,325,081)	(2,994,247)	(3,183,858)	(3,122,284)
Other Expenses		(51,721)		
Net change in plan fiduciary net position	5,324,285	4,912,279	4,292,360	3,126,626
Plan fiduciary net position - beginning	33,780,048	39,104,333	44,016,612	48,308,972
Plan fiduciary net position - ending (b)	\$39,104,333	\$44,016,612	\$48,308,972	\$51,435,598
Net OPEB liability - ending (a)-(b)	\$44,413,773	\$43,904,884	\$13,996,905	\$7,666,348
Plan fiduciary net position as a percentage of the total OPEB liability	46.82%	50.06%	77.54%	87.03%
Covered-employee payroll	\$42,017,236	\$43,375,678	\$48,788,854	\$52,202,907
Net OPEB liability as a percentage of covered-employee payroll	105.70%	101.22%	28.69%	14.69%

* 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		
	Explicit	Implicit	Total	Explicit	Implicit	Total
Actuarially determined contribution	\$3,387,020	\$1,652,641	\$5,039,661	\$3,492,808	\$1,703,307	\$5,196,115
Contributions in relation to the actuarially determined contribution	3,387,020	1,059,545	4,446,565	3,492,808	1,158,935	4,651,743
Contribution deficiency (excess)	\$0	\$593,096	\$593,096	\$0	\$544,372	\$544,372
Covered-employee payroll	<u>\$43,375,678</u>	<u>\$43,375,678</u>	<u>\$43,375,678</u>	<u>\$48,788,854</u>	<u>\$48,788,854</u>	<u>\$48,788,854</u>
Contributions as a percentage of covered-employee payroll	7.81%	2.44%	10.25%	7.16%	2.38%	9.53%

Fiscal Year Ended June 30,

	2020			2021		
	Explicit	Implicit	Total	Explicit	Implicit	Total
Actuarially determined contribution	\$788,831	\$1,545,113	\$2,333,944	\$655,377	\$1,552,190	\$2,207,567
Contributions in relation to the actuarially determined contribution	3,478,018	1,050,156	4,528,174	655,377	1,088,216	1,743,593
Contribution deficiency (excess)	(\$2,689,187)	\$494,957	(\$2,194,230)	\$0	\$463,974	\$463,974
Covered-employee payroll	<u>\$52,202,907</u>	<u>\$52,202,907</u>	<u>\$52,202,907</u>	<u>\$59,134,552</u>	<u>\$59,134,552</u>	<u>\$59,134,552</u>
Contributions as a percentage of covered-employee payroll	6.66%	2.01%	8.6 /%	1.11%	1.84%	2.95%

Notes to Schedule

Valuation date:

Methods and assumptions used to determine contribution rates:

Valuation Date	July 1, 2019
Actuarial Assumptions:	
Discount Rate	6.95% (explicit subsidies) and 3.13% (implicit subsidies)
Inflation	2.50%
Salary Increase	3.00%
Investment Rate of Return	6.95%
Mortality Rate	MacLeod Watts Scale of 2020 applied generationally
Healthcare Trend Rate	5.4% grading down to 4% 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*

Measurement Date	6/30/19	6/30/20
Total OPEB Liability		
Service Cost	\$1,139,508	
Interest	905,377	
Changes in benefit terms	\$28,504,872	
Differences between expected and actual experience		
Changes of assumptions	3,100,405	
Benefit payments	(1,437,201)	
Net change in total OPEB liability	28,504,872	3,708,089
Total OPEB liability - beginning	28,504,872	28,504,872
Total OPEB liability - ending (a)	\$28,504,872	\$32,212,961
 Plan fiduciary net position		
Contributions - employer	\$1,437,201	
Contributions - employee		
Net investment income		
Administrative expense		
Benefit payments	(1,437,201)	
Other Expenses		
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending (b)	-	-
 Net OPEB liability - ending (a)-(b)	\$28,504,872	\$32,212,961
 Plan fiduciary net position as a percentage of the total OPEB liability		
Covered-employee payroll	\$48,788,854	\$52,202,907
 Net OPEB liability as a percentage of covered-employee payroll	58.42%	61.71%

*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,	2020	2021
	Explicit	Explicit
Actuarially required contribution	N/A (a)	N/A (a)
Contributions in relation to the actuarially required contributions	\$1,028,064	\$0
Contribution deficiency (excess)	N/A (a)	N/A (a)
Covered-employee payroll	\$52,202,907	\$59,134,552
Contributions as a percentage of covered-employee payroll	N/A (a)	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	2013-14	2014-15	2015-16	2016-17
Total Pension Liability				
Service Cost	\$2,652,510	\$2,664,628	\$2,666,665	\$3,008,973
Interest	13,600,615	14,114,152	14,689,192	15,078,047
Differences between expected and actual experience		(982,598)	(18,301)	(1,238,427)
Changes in assumptions		(3,463,459)		
Changes in benefits				
Benefit payments, including refunds of employee contributions	(8,381,334)	(8,930,516)	(9,558,779)	(10,236,837)
Net change in total pension liability	7,871,791	3,402,207	7,778,777	19,087,180
Total pension liability - beginning	184,205,937	192,077,728	195,479,935	203,258,712
Total pension liability - ending (a)	\$192,077,728	\$195,479,935	\$203,258,712	\$222,345,892
 Plan fiduciary net position				
Contributions - employer	\$3,356,909	\$4,076,975	\$4,519,744	\$5,048,143
Contributions - employee	1,439,932	1,326,989	1,333,019	1,266,956
Net investment income	22,034,637	3,281,429	775,183	16,109,364
Administrative expense		(164,523)	(89,109)	(211,414)
Benefit payments, including refunds of employee contributions	(8,381,334)	(8,930,516)	(9,558,779)	(10,236,837)
Other Miscellaneous Income/Expense				
Net Plan to Plan Resource Movement			(370)	(370)
Net change in plan fiduciary net position	18,450,144	(409,646)	(3,020,312)	11,975,842
Plan fiduciary net position - beginning	128,172,005	146,622,149	146,212,503	143,192,191
Plan fiduciary net position - ending (b)	\$146,622,149	\$146,212,503	\$143,192,191	\$155,168,033
 Net pension liability - ending (a)-(b)	\$45,455,579	\$49,267,432	\$60,066,521	\$67,177,859
 Plan fiduciary net position as a percentage of the total pension liability	76.33%	74.80%	70.45%	69.79%
 Covered payroll	\$15,682,538	\$16,009,660	\$16,161,589	\$16,418,123
 Net pension liability as percentage of covered payroll	289.85%	307.74%	371.66%	409.17%

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, and 2020, there were no changes. 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.

* Fiscal year 2015 was the first year of implementation.

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	2017-18	2018-19	2019-20
Total Pension Liability			
Service Cost	\$3,042,853	\$3,361,140	\$3,777,335
Interest	15,647,110	16,517,342	17,295,222
Differences between expected and actual experience	1,831,444	4,569,776	2,592,349
Changes in assumptions	(1,404,854)		
Changes in benefits			
Benefit payments, including refunds of employee contributions	(10,906,398)	(11,589,225)	(12,009,750)
Net change in total pension liability	<u>8,210,155</u>	<u>12,859,033</u>	<u>11,655,156</u>
Total pension liability - beginning	<u>222,345,892</u>	<u>230,556,047</u>	<u>243,415,080</u>
Total pension liability - ending (a)	<u><u>\$230,556,047</u></u>	<u><u>\$243,415,080</u></u>	<u><u>\$255,070,236</u></u>
 Plan fiduciary net position			
Contributions - employer	\$5,762,448	\$6,864,376	\$7,965,270
Contributions - employee	1,473,732	1,569,027	1,772,996
Net investment income	13,123,448	10,774,536	8,527,794
Administrative expense	(241,795)	(116,977)	(241,663)
Benefit payments, including refunds of employee contributions	(10,906,398)	(11,589,225)	(12,009,750)
Other Miscellaneous Income/Expense	(459,172)	381	
Net Plan to Plan Resource Movement	(381)		
Net change in plan fiduciary net position	<u>8,751,882</u>	<u>7,502,118</u>	<u>6,014,647</u>
Plan fiduciary net position - beginning	<u>155,168,033</u>	<u>163,919,915</u>	<u>171,422,033</u>
Plan fiduciary net position - ending (b)	<u><u>\$163,919,915</u></u>	<u><u>\$171,422,033</u></u>	<u><u>\$177,436,680</u></u>
 Net pension liability - ending (a)-(b)	<u><u>\$66,636,132</u></u>	<u><u>\$71,993,047</u></u>	<u><u>\$77,633,556</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	71.10%	70.42%	69.56%
 Covered payroll	<u><u>\$18,846,066</u></u>	<u><u>\$22,079,190</u></u>	<u><u>\$19,463,309</u></u>
 Net pension liability as percentage of covered payroll	353.58%	326.07%	398.87%

* Fiscal year 2015 was the first year of implementation.

City of Milpitas
Required Supplementary Information

SCHEDULE OF CONTRIBUTIONS
 Miscellaneous Plan - Agent Multiple-Employer Defined Pension Plan
 Last 10 Years*

Fiscal Year Ended June 30	2015	2016	2017	2018
Actuarially determined contribution	\$3,252,668	\$4,236,931	\$5,082,638	\$6,243,904
Contributions in relation to the actuarially determined contributions	3,252,668	4,236,931	5,082,638	6,243,904
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 Covered payroll	 \$16,009,660	 \$16,161,589	 \$16,418,123	 \$18,846,066
Contributions as a percentage of covered payroll	20.32%	26.22%	30.96%	33.13%

Notes to Schedule

Valuation date: 6/30/2012 6/30/2013 6/30/2014 6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	15 Years as of the Valuation Date
Asset valuation method	Market Value of Assets
Inflation	2.75% for 2015 to 2019, 2.625% for 2020, and 2.50% for 2021
Salary increases	Varies by Entry Age and Service
 Investment rate of return	 7.50% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, and 7.00% for 2021, net of pension plan investment expense, including inflation.

Retirement age The probabilities of Retirement are based 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 BB published by the Society of Actuaries for 2015 to 2018. For 2019, 2020, and 2021, pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation.

2019	2020	2021
\$6,863,508	\$8,337,504	\$8,916,157
<u>6,863,508</u>	<u>8,337,504</u>	<u>8,916,157</u>
<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

\$22,079,190 \$19,463,309 \$21,793,252

31.09% 42.84% 40.91%

6/30/2016 6/30/2017 6/30/2018

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	2013-14	2014-15	2015-16	2016-17
Total Pension Liability				
Service Cost	\$4,932,970	\$4,808,751	\$5,094,318	\$5,934,642
Interest	19,838,662	20,535,893	21,663,378	22,434,283
Differences between expected and actual experience		(2,363,470)	3,274,330	(690,685)
Changes in assumptions		(5,052,089)		18,725,315
Changes in benefits				
Benefit payments, including refunds of employee contributions	(13,076,629)	(13,656,196)	(14,390,575)	(14,864,837)
Net change in total pension liability	11,695,003	4,272,889	15,641,451	31,538,718
Total pension liability - beginning	268,587,329	280,282,332	284,555,221	300,196,672
Total pension liability - ending (a)	\$280,282,332	\$284,555,221	\$300,196,672	\$331,735,390
 Plan fiduciary net position				
Contributions - employer	\$5,856,270	\$6,604,951	\$7,230,399	\$7,887,539
Contributions - employee	1,839,234	1,887,408	2,064,277	2,233,341
Net investment income	30,157,647	4,420,615	1,031,136	22,090,936
Administrative expense		(224,227)	(121,445)	(288,028)
Net Plan to Plan Resource Movement				
Other Miscellaneous Income/Expense				
Benefit payments, including refunds of employee contributions	(13,076,629)	(13,656,196)	(14,390,575)	(14,864,837)
Net change in plan fiduciary net position	24,776,522	(967,449)	(4,186,208)	17,058,951
Plan fiduciary net position - beginning	175,461,012	200,237,534	199,270,085	195,083,877
Plan fiduciary net position - ending (b)	\$200,237,534	\$199,270,085	\$195,083,877	\$212,142,828
 Net pension liability - ending (a)-(b)	 \$80,044,798	 \$85,285,136	 \$105,112,795	 \$119,592,562
Plan fiduciary net position as a percentage of the total pension liability	71.44%	70.03%	64.99%	63.95%
Covered payroll	\$18,310,535	\$18,810,920	\$20,170,400	\$21,078,669
Net pension liability as percentage of covered payroll	437.15%	453.38%	521.12%	567.36%

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, and 2020, there were no changes. 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.

* Fiscal year 2015 was the 1st year of implementation.

2017-18	2018-19	2019-20
\$5,975,378	\$6,211,449	\$6,711,730
23,331,989	24,560,414	25,568,359
626,935	4,563,968	981,131
(986,630)		
<u>(16,083,729)</u>	<u>(17,533,455)</u>	<u>(18,278,539)</u>
12,863,943	17,802,376	14,982,681
331,735,390	344,599,333	362,401,709
<u>\$344,599,333</u>	<u>\$362,401,709</u>	<u>\$377,384,390</u>
\$8,866,550	\$10,288,856	\$12,104,306
2,240,962	2,441,763	2,748,961
17,931,642	14,733,700	11,689,024
(330,577)	(159,951)	(329,757)
(521)		
(627,771)	521	
<u>(16,083,729)</u>	<u>(17,533,455)</u>	<u>(18,278,539)</u>
11,996,556	9,771,434	7,933,995
212,142,828	224,139,384	233,910,818
<u>\$224,139,384</u>	<u>\$233,910,818</u>	<u>\$241,844,813</u>
<u>\$120,459,949</u>	<u>\$128,490,891</u>	<u>\$135,539,577</u>
65.04%	64.54%	64.08%
<u>\$21,698,152</u>	<u>\$23,314,576</u>	<u>\$21,136,130</u>
555.16%	551.12%	641.27%

City of Milpitas
Required Supplementary Information

SCHEDULE OF CONTRIBUTIONS
 Safety Plan - Agent Multiple-Employer Defined Pension Plan
 Last 10 Years*

Fiscal Year Ended June 30	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$5,904,019	\$7,346,983	\$8,741,506	\$9,247,165	\$10,289,680	\$11,739,849	\$12,866,635
Contributions in relation to the actuarially determined contributions	<u>5,904,019</u>	<u>7,346,983</u>	<u>8,741,506</u>	<u>9,247,165</u>	<u>10,289,680</u>	<u>11,739,849</u>	<u>12,866,635</u>
Contribution deficiency (excess)	<u><u>\$0</u></u>						
Covered payroll	\$18,810,920	\$20,170,400	\$21,078,669	\$21,698,152	\$23,314,576	\$21,136,130	\$23,212,673
Contributions as a percentage of covered payroll	31.39%	36.42%	41.47%	42.62%	44.13%	55.54%	55.43%

Notes to Schedule

Valuation date: 6/30/2012 6/30/2013 6/30/2014 6/30/2015 6/30/2016 6/30/2017 6/30/2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	15 Years as of the Valuation Date
Asset valuation method	Market Value of Assets
Inflation	2.75% for 2015 to 2019, 2.625% for 2020, and 2.50% for 2021
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.50% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, and 7.00% for 2021, net of pension plan investment expense, including inflation.
Retirement age	The probabilities of Retirement are based 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 BB published by the Society of Actuaries for 2015 to 2018. For 2019, 2020, and 2021, pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation.

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, 2021

SPECIAL REVENUE FUNDS						
	Gas Tax	Housing and Community Development	Law Enforcement Services	Solid Waste Reduction and Services	Lighting and Landscape Maintenance District	Community Facilities District
ASSETS						
Cash and investments available for operations	\$3,022,657	\$257,861	\$1,053,813	\$1,607,756	\$20,801	\$2,022,682
Receivables:						
Due from other governments	263,372	213,232	6,445	27,352		14,038
Interest	6,535		298	3,455	263	9,165
Loans receivable		3,486,803				
Prepays, materials, supplies and deposits				989	1,999	12,839
Total Assets	<u>\$3,292,564</u>	<u>\$3,957,896</u>	<u>\$1,060,556</u>	<u>\$1,639,552</u>	<u>\$23,063</u>	<u>\$2,058,724</u>
LIABILITIES						
Accounts payable		\$140,789	\$7,299	\$8,364	\$14,195	\$2,762
Accrued payroll				20,150		5,993
Unearned revenue			883,905	27,608		38,673
Refundable deposits				18,843		
Total Liabilities		<u>140,789</u>	<u>891,204</u>	<u>74,965</u>	<u>20,188</u>	<u>41,435</u>
FUND BALANCE						
Fund Balances:						
Nonspendable				989	1,999	12,839
Restricted	\$3,292,564	3,817,107	169,352	1,563,598	876	2,004,450
Assigned						
Total Fund Balances	<u>3,292,564</u>	<u>3,817,107</u>	<u>169,352</u>	<u>1,564,587</u>	<u>2,875</u>	<u>2,017,289</u>
Total Liabilities and Fund Balances	<u>\$3,292,564</u>	<u>\$3,957,896</u>	<u>\$1,060,556</u>	<u>\$1,639,552</u>	<u>\$23,063</u>	<u>\$2,058,724</u>

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	
\$1,571,840	\$883,767	\$370,210	\$4,757,964	\$ 2,224,753	\$1,250,672	\$12,821,670	\$5,507,942	\$37,374,388
3,391	2,481		10,365	4,719	2,806	27,646	11,881	524,439
3,002	2,762		4,401					83,005
<u>\$1,578,233</u>	<u>\$889,010</u>	<u>\$370,210</u>	<u>\$4,772,730</u>	<u>\$2,229,472</u>	<u>\$1,253,478</u>	<u>\$12,849,316</u>	<u>\$5,519,823</u>	<u>3,486,803</u>
								<u>25,992</u>
\$3,002	\$13,116		\$1,862			\$201,601	\$13,275	\$393,149
			29,368			15,939	1,971	125,210
								911,513
								18,843
3,002	13,116		31,230			217,540	15,246	1,448,715
3,002	2,762		4,401					25,992
1,572,229	873,132	\$370,210	4,737,099	\$2,229,472	\$1,253,478	12,631,776	5,504,577	38,766,442
<u>1,575,231</u>	<u>875,894</u>	<u>370,210</u>	<u>4,741,500</u>	<u>2,229,472</u>	<u>1,253,478</u>	<u>12,631,776</u>	<u>5,504,577</u>	<u>40,045,912</u>
<u>\$1,578,233</u>	<u>\$889,010</u>	<u>\$370,210</u>	<u>\$4,772,730</u>	<u>\$2,229,472</u>	<u>\$1,253,478</u>	<u>\$12,849,316</u>	<u>\$5,519,823</u>	<u>\$41,494,627</u>

CITY OF MILPITAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021

SPECIAL REVENUE FUNDS						
	Gas Tax	Housing & Community Development	Law Enforcement Services	Solid Waste Reduction and Services	Lighting and Landscape Maintenance District	Community Facilities District
REVENUES:						
Other taxes					\$413,581	\$3,428,318
Use of money and property	\$27,421	\$9,227	\$12,450	\$16,923	980	32,632
Intergovernmental	3,144,200	1,473,732	419,803	296,563		
Charges for services						
Developer contributions						
Other						
Total Revenues	3,171,621	1,482,959	432,253	313,486	414,561	3,460,950
EXPENDITURES:						
Current:						
General Government			1,473,733			9,314
Building, Safety and Housing						
Public Works				503,090	253,546	1,144,724
Engineering				6,574	92,768	
Planning						
Police			420,755			
Capital outlay						
Total Expenditures		1,473,733	420,755	509,664	346,314	1,154,038
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,171,621	9,226	11,498	(196,178)	68,247	2,306,912
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)		(1,991,659)		(109,778)	(97,500)	(2,225,000)
Total Other Financing Sources (Uses)		(1,991,659)		(109,778)	(97,500)	(2,225,000)
NET CHANGE IN FUND BALANCES	1,179,962	9,226	11,498	(305,956)	(29,253)	81,912
Fund balances at beginning of year	2,112,602	3,807,881	157,854	1,870,543	32,128	1,935,377
FUND BALANCES AT END OF YEAR	\$3,292,564	\$3,817,107	\$169,352	\$1,564,587	\$2,875	\$2,017,289

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		
\$7,293	\$6,901	\$3,239	\$39,168	\$21,768	\$991	(\$84,446)	(\$24,137)	\$3,841,899	
242,047		100,000	2,049,111				664,673	70,410	5,334,298
					103,857			242,047	
								2,813,784	
								103,857	
7,293	248,948	103,239	2,088,279	21,768	104,848	(84,446)	640,536	12,406,295	
36,209				72,233				1,591,489	
				564,517				564,517	
								1,901,360	
								99,342	
309,165								309,165	
								420,755	
						3,931,991	758,379	4,690,370	
36,209	309,165		636,750			3,931,991	758,379	9,576,998	
(28,916)	(60,217)	103,239	1,451,529	21,768	104,848	(4,016,437)	(117,843)	2,829,297	
750,000				42,298		29,014		821,312	
(600,000)					(97,500)	(2,825,736)	(1,580,000)	(9,527,173)	
150,000				42,298	(97,500)	(2,796,722)	(1,580,000)	(8,705,861)	
(28,916)	89,783	103,239	1,451,529	64,066	7,348	(6,813,159)	(1,697,843)	(5,876,564)	
1,604,147	786,111	266,971	3,289,971	2,165,406	1,246,130	19,444,935	7,202,420	45,922,476	
\$1,575,231	\$875,894	\$370,210	\$4,741,500	\$2,229,472	\$1,253,478	\$12,631,776	\$5,504,577	\$40,045,912	

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, 2021

	GAS TAX			HOUSING AND COMMUNITY DEVELOPMENT		
	Budget	Actual Amounts		Budget	Actual Amounts	
		Budgetary Basis	Variance Positive (Negative)		Budgetary Basis	Variance Positive (Negative)
REVENUES						
Other taxes						
Use of money and property	\$63,000	\$27,421	(\$35,579)	\$2,000	\$9,227	\$7,227
Intergovernmental	3,353,426	3,144,200	(209,226)	1,480,732	1,473,732	(7,000)
Charges for services						
Developer contributions						
Total Revenues	3,416,426	3,171,621	(244,805)	1,482,732	1,482,959	227
EXPENDITURES						
Current:						
General Government:						
City Manager						
City Attorney						
Finance				15,000	15,000	
Non-departmental				1,465,732	1,458,733	6,999
Building, Safety and Housing						
Public Works						
Engineering						
Planning						
Police						
Total Expenditures				1,480,732	1,473,733	6,999
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	3,416,426	3,171,621	(244,805)	2,000	9,226	7,226
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)		(3,391,659)	(1,991,659)	1,400,000		
Total Other Financing Sources (Uses)		(3,391,659)	(1,991,659)	1,400,000		
NET CHANGE IN FUND BALANCES	\$24,767	1,179,962	\$1,155,195	\$2,000	9,226	\$7,226
ADJUSTMENT TO BUDGETARY BASIS:						
Expenditures capitalized for GAAP purposes						
Capital Outlay						
Encumbrance adjustments						
Fund balances at beginning of year		2,112,602			3,807,881	
Fund balances at end of year		\$3,292,564			\$3,817,107	

(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, 2021

	COMMUNITY FACILITIES DISTRICT			HETCH-HETCHY GROUND LEASE		
	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
REVENUES						
Other taxes	\$3,405,000	\$3,428,318	\$23,318			
Use of money and property	21,000	32,632	11,632	\$5,000	\$7,293	\$2,293
Intergovernmental						
Charges for services						
Developer contributions						
Total Revenues	3,426,000	3,460,950	34,950	5,000	7,293	2,293
EXPENDITURES						
Current:						
General Government:						
City Manager						
City Attorney						
Finance						
Non-departmental	10,500	9,314	1,186	36,500	36,209	291
Building, Safety and Housing						
Public Works	1,352,850	1,144,724	208,126			
Engineering						
Planning						
Police						
Total Expenditures	1,363,350	1,154,038	209,312	36,500	36,209	291
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	2,062,650	2,306,912	244,262	(31,500)	(28,916)	2,584
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(2,225,000)	(2,225,000)				
Total Other Financing Sources (Uses)	(2,225,000)	(2,225,000)				
NET CHANGE IN FUND BALANCES	(\$162,350)	81,912	\$244,262	(\$31,500)	(28,916)	\$2,584
ADJUSTMENT TO BUDGETARY BASIS:						
Expenditures capitalized for GAAP purposes						
Capital Outlay						
Encumbrance adjustments						
Fund balances at beginning of year		1,935,377				1,604,147
Fund balances at end of year		\$2,017,289				\$1,575,231

COMMUNITY PLANNING			COMMUNITY BENEFITS			AFFORDABLE HOUSING		
Budget	Actual Amounts	Variance	Budget	Actual Amounts	Variance	Budget	Actual Amounts	Variance
	Budgetary Basis	Positive (Negative)		Budgetary Basis	Positive (Negative)		Budgetary Basis	Positive (Negative)
\$19,000	\$6,901	(\$12,099)		\$3,239	\$3,239		\$39,168	\$39,168
300,000	242,047	(57,953)		100,000	100,000	\$2,000,000	2,049,111	49,111
319,000	248,948	(70,052)		103,239	103,239	2,000,000	2,088,279	88,279
						25,236	13,614	11,622
						7,062	7,062	
						91,166	51,557	39,609
						767,004	564,517	202,487
309,165	309,165					528		528
309,165	309,165					890,996	636,750	254,246
9,835	(60,217)	(70,052)		103,239	103,239	1,109,004	1,451,529	342,525
750,000	750,000							
(600,000)	(600,000)							
150,000	150,000							
\$159,835	89,783	(\$70,052)		103,239	\$103,239	\$1,109,004	1,451,529	\$342,525
	786,111			266,971			3,289,971	
	\$875,894			\$370,210			\$4,741,500	

(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, 2021

	AFFORDABLE HOUSING UNRESTRICTED			PUBLIC ART		
	<u>Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance Positive (Negative)</u>	<u>Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Other taxes						
Use of money and property		\$21,768	\$21,768	\$16,000	\$991	(\$15,009)
Intergovernmental						
Charges for services						
Developer contributions					103,857	103,857
Total Revenues		<u>21,768</u>	<u>21,768</u>	<u>16,000</u>	<u>104,848</u>	<u>88,848</u>
EXPENDITURES						
Current:						
General Government:						
City Manager						
City Attorney						
Finance						
Non-departmental						
Building, Safety and Housing						
Public Works						
Engineering						
Planning						
Police						
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		<u>21,768</u>	<u>21,768</u>	<u>16,000</u>	<u>104,848</u>	<u>88,848</u>
OTHER FINANCING SOURCES (USES)						
Transfers in		42,298	42,298			
Transfers (out)				(97,500)	(97,500)	
Total Other Financing Sources (Uses)		<u>42,298</u>	<u>42,298</u>	<u>(97,500)</u>	<u>(97,500)</u>	
NET CHANGE IN FUND BALANCES		<u>64,066</u>	<u>\$64,066</u>	<u>(\$81,500)</u>	<u>7,348</u>	<u>\$88,848</u>
ADJUSTMENT TO BUDGETARY BASIS:						
Expenditures capitalized for GAAP purposes						
Capital Outlay						
Encumbrance adjustments						
Fund balances at beginning of year		<u>2,165,406</u>			<u>1,246,130</u>	
Fund balances at end of year		<u>\$2,229,472</u>			<u>\$1,253,478</u>	

TOTALS		
Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
\$3,831,000	\$3,841,899	\$10,899
164,000	178,993	14,993
5,504,866	5,334,298	(170,568)
300,000	242,047	(57,953)
2,000,000	2,252,968	252,968
<u>11,799,866</u>	<u>11,850,205</u>	<u>50,339</u>

25,236	13,614	11,622
7,062	7,062	
15,000	15,000	
1,603,898	1,555,813	48,085
767,004	564,517	202,487
2,653,673	1,978,452	675,221
124,850	101,514	23,336
309,693	309,165	528
<u>502,370</u>	<u>442,648</u>	<u>59,722</u>
<u>6,008,786</u>	<u>4,987,785</u>	<u>1,021,001</u>

<u>5,791,080</u>	<u>6,862,420</u>	<u>1,071,340</u>
<u>(6,521,437)</u>	<u>(5,121,437)</u>	<u>792,298</u>
		<u>1,400,000</u>
<u>(6,521,437)</u>	<u>(4,329,139)</u>	<u>2,192,298</u>
<u><u>(\$730,357)</u></u>	<u><u>2,533,281</u></u>	<u><u>\$3,263,638</u></u>

101,157	
<u>19,275,121</u>	
<u><u>\$21,909,559</u></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, 2021

	Equipment Management	Pension Section 115	Totals
ASSETS			
Current Assets			
Cash and investments	\$12,360,253	\$35,387,011	\$47,747,264
Interest receivable	26,535		26,535
Total current assets	<u>12,386,788</u>	<u>35,387,011</u>	<u>47,773,799</u>
Noncurrent Assets			
Materials, supplies and deposits	119,617		119,617
Capital assets (net of accumulated depreciation)	9,596,944		9,596,944
Total noncurrent assets	<u>9,716,561</u>		<u>9,716,561</u>
Total Assets	<u>22,103,349</u>	<u>35,387,011</u>	<u>57,490,360</u>
LIABILITIES			
Current Liabilities			
Accounts payable	177,716		177,716
Interest payable			
Refundable deposit	196		196
Accrued payroll	64,872		64,872
Accrued vacation	67,793		67,793
Sick leave payable	7,009		7,009
Noncurrent Liabilities			
Accrued vacation	99,243		99,243
Sick leave payable	<u>17,674</u>		<u>17,674</u>
Total Liabilities	<u>434,503</u>		<u>434,503</u>
NET POSITION			
Invested in capital assets	9,596,944		9,596,944
Restricted for pension expenses		35,387,011	35,387,011
Unrestricted	<u>12,071,902</u>		<u>12,071,902</u>
Total Net Position	<u><u>\$21,668,846</u></u>	<u><u>\$35,387,011</u></u>	<u><u>\$57,055,857</u></u>

CITY OF MILPITAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Equipment Management</u>	<u>Pension Section 115</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$4,051,122		\$4,051,122
Other	148,690		148,690
 Total Operating Revenues	 4,199,812		 4,199,812
OPERATING EXPENSES			
Personal services	1,641,982		1,641,982
Services and supplies	953,781		953,781
Depreciation and amortization	1,146,222		1,146,222
Maintenance and repairs	697,793		697,793
 Total Operating Expenses	 4,439,778		 4,439,778
 Net income before contributions and transfers	 (239,966)		 (239,966)
 Gain on sale of capital assets	 25,043		 25,043
Interest	5,841	\$9	5,850
Subventions and grants			
Contributions	1,197,532		1,197,532
Interest expense			
Transfer in	330,333	35,387,002	35,717,335
Transfer out	(400,000)		(400,000)
 Change in net position	 918,783	 35,387,011	 36,305,794
 Net position-beginning	 20,750,063		 20,750,063
 Net position-ending	 \$21,668,846	 \$35,387,011	 \$57,055,857

CITY OF MILPITAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Equipment Management</u>	<u>Pension Section 115</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$4,199,812		\$4,199,812
Payments to suppliers	(1,606,514)		(1,606,514)
Payments to employees	(1,523,828)		(1,523,828)
Net cash provided by operating activities	<u>1,069,470</u>		<u>1,069,470</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	330,333	\$35,387,002	35,717,335
Transfers out	(400,000)		(400,000)
Cash Flows from Noncapital Financing Activities	<u>(69,667)</u>	<u>35,387,002</u>	<u>35,317,335</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(1,165,895)		(1,165,895)
Proceeds from sale of capital assets	37,699		37,699
Cash Flows from Capital and Related Financing Activities	<u>(1,128,196)</u>		<u>(1,128,196)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	<u>31,223</u>	<u>9</u>	<u>31,232</u>
Cash Flows from Investing Activities	<u>31,223</u>	<u>9</u>	<u>31,232</u>
Net increase (decrease) in cash and cash equivalents	(97,170)	35,387,011	35,289,841
Cash and investments at beginning of period	<u>12,457,423</u>		<u>12,457,423</u>
Cash and investments at end of period	<u>\$12,360,253</u>	<u>\$35,387,011</u>	<u>\$47,747,264</u>
NONCASH TRANSACTIONS:			
Contributions and transfers of capital assets, net	<u>\$1,197,532</u>		<u>\$1,197,532</u>
Retirement of capital assets, net	<u>(12,656)</u>		<u>(\$12,656)</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	(\$239,966)		(\$239,966)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,146,222		1,146,222
Change in assets and liabilities:			
Receivables, net	9,437		9,437
Materials, supplies and deposits	153,777		153,777
Accounts and other payables			
Net cash provided by operating activities	<u>\$1,069,470</u>		<u>\$1,069,470</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:

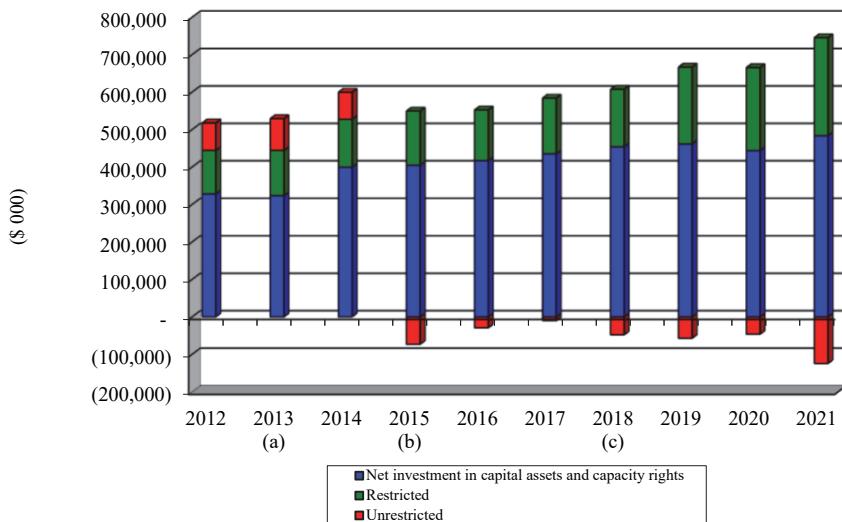
- Authorized Full-Time Equivalent Employees by Function/Program – Schedule 22
- Operating Indicators by Function/Program – Schedule 23
- Capital Asset Statistics by Function/Program – Schedule 24

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				
	2012	2013 (a)	2014	2015 (b)	2016
Governmental activities					
Net investment in capital assets and capacity rights	\$219,034	\$217,002	\$291,704	\$291,500	\$298,321
Restricted	90,878	88,147	90,758	103,829	100,327
Unrestricted	53,417	64,876	51,315	(84,598)	(44,368)
Total governmental activities net position	\$363,329	\$370,025	\$433,777	\$310,731	\$354,280
Business-type activities					
Net investment in capital assets and capacity rights	\$109,146	\$106,489	\$107,816	\$113,232	\$118,588
Restricted	25,239	32,889	37,254	40,867	35,130
Unrestricted	19,838	19,799	20,880	11,586	15,261
Total business-type activities net position	\$154,223	\$159,177	\$165,950	\$165,685	\$168,979
Primary government					
Net investment in capital assets and capacity rights	\$328,180	\$323,491	\$399,520	\$404,732	\$416,909
Restricted	116,117	121,036	128,012	144,696	135,457
Unrestricted	73,255	84,675	72,195	(73,012)	(29,107)
Total primary government net position	\$517,552	\$529,202	\$599,727	\$476,416	\$523,259
Fiscal Year Ended June 30					
	2017	2018 (c)	2019	2020	2021
Governmental activities					
Net investment in capital assets and capacity rights	\$312,138	\$323,239	\$326,564	\$344,471	\$358,445
Restricted	108,630	109,726	145,983	158,716	189,030
Unrestricted	(30,091)	(63,405)	(65,799)	(93,911)	(142,708)
Total governmental activities net position	\$390,677	\$369,560	\$406,748	\$409,276	\$404,767
Business-type activities					
Net investment in capital assets and capacity rights	\$122,937	\$130,736	\$135,048	\$99,331	\$125,206
Restricted	40,311	43,834	59,191	63,084	72,629
Unrestricted	20,254	15,784	8,930	47,967	18,483
Total business-type activities net position	\$183,502	\$190,354	\$203,169	\$210,382	\$216,318
Primary government					
Net investment in capital assets and capacity rights	\$435,075	\$453,975	\$461,612	\$443,802	\$483,651
Restricted	148,941	153,560	205,174	221,800	261,659
Unrestricted	(9,837)	(47,621)	(56,869)	(45,944)	(124,225)
Total primary government net position	\$574,179	\$559,914	\$609,917	\$619,658	\$621,085

(a) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

(b) The City implemented the provisions of GASB Statement 68 in fiscal year 2015 that required the restatement of net position. Amounts prior to 2015 have not been restated.

(c) 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,			
	2012	2013	(b)	2014
Expenses				
Governmental activities				
General Government	\$17,418	(a)	\$15,329	\$21,074
Building and Safety	2,029		2,293	2,684
Building, Housing and Safety				2,617
Recreation and Community Services				
Public Works	21,787		17,700	(c)
Engineering				18,664
Planning and Neighborhood Services	2,144		2,553	2,119
Planning				2,372
Parks and Recreation	5,823		3,107	(c)
Police	22,620		21,702	23,373
Fire	14,904		15,810	15,159
Interest on Long Term Debt	2,050		227	240
Total governmental activities expenses	<u>88,775</u>		<u>78,721</u>	<u>86,325</u>
Business-type activities				
Water Utility	15,229		17,195	17,369
Recycled Water Utility	599		(d)	18,344
Sewer Utility	8,399		9,418	(d)
Total business-type activities expenses	<u>24,227</u>		<u>26,613</u>	<u>11,008</u>
Total primary government expenses	<u><u>\$113,002</u></u>		<u><u>\$105,334</u></u>	<u><u>\$114,702</u></u>
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	\$1,349		\$1,700	\$1,819
Building and Safety	3,436		4,554	6,445
Building, Housing and Safety				5,128
Recreation and Community Services				
Public Works	2,440		2,668	2,472
Engineering				2,644
Planning and Neighborhood Services	237		301	432
Planning				700
Parks and Recreation	1,833		1,987	1,958
Police	1,134		1,051	1,091
Fire	1,292		1,508	2,120
Operating grants and contributions	6,146		7,487	6,195
Capital grants and contributions	8,294		8,286	15,483
Total government activities program revenues	<u>26,161</u>		<u>29,542</u>	<u>38,015</u>
Business-type activities				
Charges for services:				
Water Utility	16,773		19,801	21,354
Recycled Water Utility	1,447		(d)	(d)
Sewer Utility	12,445		12,632	12,753
Operating grants and contributions	43		111	57
Capital grants and contributions	1,629		1,975	1,402
Total business-type activities program revenue	<u>32,337</u>		<u>34,519</u>	<u>35,566</u>
Total primary government program revenues	<u><u>\$58,498</u></u>		<u><u>\$64,061</u></u>	<u><u>\$73,581</u></u>
Net (Expense)/Revenue				
Governmental activities	(\$62,614)		(\$49,179)	(\$48,310)
Business-type activities	8,110		7,906	7,189
Total primary government net expense	<u><u>(\$54,504)</u></u>		<u><u>(\$41,273)</u></u>	<u><u>(\$41,121)</u></u>
(a) The Redevelopment Agency was dissolved as of January 31, 2012.				
(b) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."				
(c) The parks division is part of the Public Works department beginning in fiscal year 2013.				
(d) Beginning in fiscal year 2013, the Recycled Water Utility is part of the Water Utility.				
(e) 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.				
(f) Public Works and Engineering are separate departments beginning in fiscal year 2016.				
(g) Neighborhood Services is a component of Building, Housing and Safety, and Planning is a separate department beginning in fiscal year 2019.				

2016	2017	2018	2019	2020	2021
\$18,614 2,513	\$21,174 3,389	\$19,111 4,148 (g) 5,890	\$25,281 5,449 7,020	\$24,050 7,418 7,095	\$25,247 6,705 5,174
12,761 5,790 (f) 2,649 (f)	16,266 6,249 (f) 3,103 (f)	15,903 5,712 (f) 3,586 (f)	20,053 6,459 (f) (g)	20,342 7,314 (f) (g)	20,219 6,826 (f) 2,489
4,090	4,949		1,851	2,741	
24,556	30,270	33,840	35,868	43,505	38,919
16,400	20,499	24,194	26,535	31,472	31,859
56	48		17	37	785
<u>87,429</u>	<u>105,947</u>	<u>112,384</u>	<u>128,533</u>	<u>143,974</u>	<u>138,223</u>
19,743 (d)	20,666 (d)	23,742 (d)	25,232 (d)	28,750 (d)	28,959
10,872	9,969	12,715	12,231	15,240	15,982
<u>30,615</u>	<u>30,635</u>	<u>36,457</u>	<u>37,463</u>	<u>43,990</u>	<u>44,941</u>
<u>\$118,044</u>	<u>\$136,582</u>	<u>\$148,841</u>	<u>\$165,996</u>	<u>\$187,964</u>	<u>\$183,164</u>
\$2,065 5,963	\$1,970 7,814	\$2,088 10,093 2,559	\$2,347 (g) 9,718 2,655	\$1,809 (g) 6,621 1,145	\$1,710 8,629 762
(f) 2,863 (f) 747	(f) 2,720 (f) 292	(f) 2,465 (f) 418	(f) 2,379 (f) (g) 226	(f) 2,132 (f) (g) 452	(f) 1,792 (f) 408
1,981	2,301				
1,138	1,184	1,089	1,130	1,087	1,055
2,440	3,224	3,326	2,172	2,402	2,553
7,320	7,880	6,521	8,277	10,643	14,986
35,195	32,256	34,003	47,194	33,423	18,997
<u>59,712</u>	<u>59,641</u>	<u>62,562</u>	<u>76,098</u>	<u>59,714</u>	<u>50,892</u>
18,709 (d)	26,318 (d)	29,667 (d)	29,355 (d)	32,792 (d)	34,658
15,964	16,803	17,139	17,830	19,566	20,152
63	89	124	114	171	125
1,103	4,937	2,507	2,755	601	1,434
35,839	48,147	49,437	50,054	53,130	56,369
<u>\$95,551</u>	<u>\$107,788</u>	<u>\$111,999</u>	<u>\$126,152</u>	<u>\$112,844</u>	<u>\$107,261</u>
(\$27,717) 5,224	(\$46,306) 17,512	(\$49,822) 12,980	(\$52,435) 12,591	(\$84,260) 9,140	(\$87,331) 11,428
<u>(\$22,493)</u>	<u>(\$28,794)</u>	<u>(\$36,842)</u>	<u>(\$39,844)</u>	<u>(\$75,120)</u>	<u>(\$75,903)</u>

(Continued)

CITY OF MILPITAS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
 (accrual basis of accounting)
 (Dollars in Thousands)

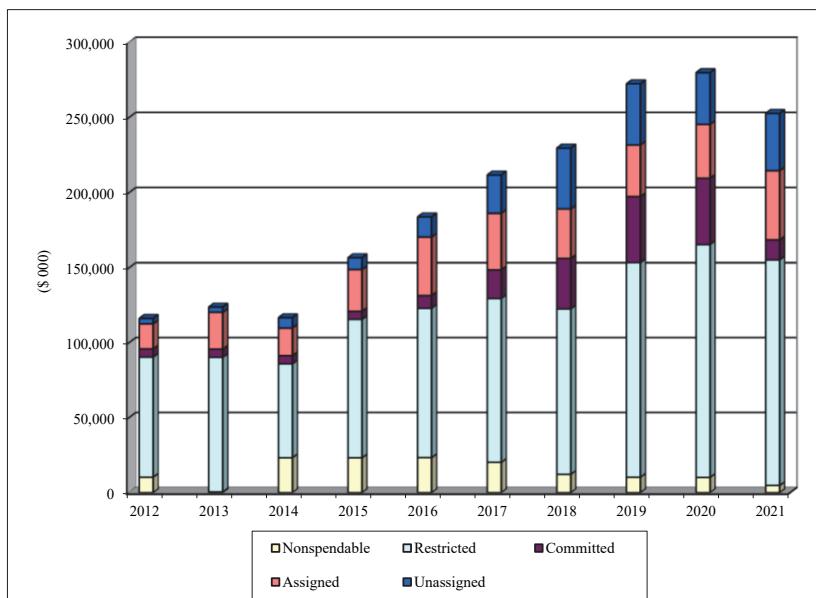
	Fiscal Year Ended June 30,				
	2012	2013	(b)	2014	2015
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes:					
Property taxes	\$34,029	\$20,469		\$27,607	\$24,927
Sales and use taxes	18,758	20,196		19,014	18,779
Hotel/Motel taxes	7,068	7,933		9,336	10,917
Other taxes	491	516		672	664
Franchise fees	3,218	3,270		3,453	3,659
Motor vehicle in lieu	35	37		31	29
Investment earnings	1,093	260		844	379
Gain on sale of capital assets/property		46			
Miscellaneous	67	103		200	333
Transfers	3,304	3,045		3,402	1,627
Extraordinary item	68,882	(a)			
Special Item			49,799		
Total government activities	<u>136,945</u>	<u>55,875</u>		<u>64,559</u>	<u>61,314</u>
Business-type activities					
Investment earnings	390	94		690	383
Transfers	(3,304)	(3,045)		(3,402)	(1,627)
Total business-type activities	<u>(2,914)</u>	<u>(2,951)</u>		<u>(2,712)</u>	<u>(1,244)</u>
Total primary government	<u>\$134,031</u>	<u>\$52,924</u>		<u>\$61,847</u>	<u>\$60,070</u>
Change in net position					
Governmental activities	\$74,331	\$6,696		\$16,249	\$12,076
Business-type activities	5,196	4,955		4,477	6,412
Total primary government	<u>\$79,527</u>	<u>\$11,651</u>		<u>\$20,726</u>	<u>\$18,488</u>

- (a) The Redevelopment Agency was dissolved as of January 31, 2012.
- (b) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."
- (c) The parks division is part of the Public Works department beginning in fiscal year 2013.
- (d) Beginning in fiscal year 2013, the Recycled Water Utility is part of the Water Utility.
- (e) 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.
- (f) Public Works and Engineering are separate departments beginning in fiscal year 2016.
- (g) Neighborhood Services is a component of Building, Housing and Safety, and Planning is a separate department beginning in fiscal year 2019.

2016	2017	2018	2019	2020	2021
\$27,068	\$30,262	\$31,893	\$33,811	\$37,684	\$40,979
23,924	25,392	26,991	27,983	24,173	24,170
11,757	11,858	12,122	14,503	11,377	4,213
822	803	814	808	836	791
3,841	3,871	4,678	5,127	5,173	5,036
29	34	39	36	60	57
913	118	301	4,474	2,808	965
	7,324		4	43	28
287	118	186	390	446	503
2,625	2,923	2,511	2,489	4,187	6,079
		(12,432) (e)			
71,266	82,703	67,103	89,625	86,787	82,821
695	(65)	171	2,712	2,261	588
(2,625)	(2,923)	(2,511)	(2,489)	(4,187)	(6,079)
(1,930)	(2,988)	(2,340)	223	(1,926)	(5,491)
<u>\$69,336</u>	<u>\$79,715</u>	<u>\$64,763</u>	<u>\$89,848</u>	<u>\$84,861</u>	<u>\$77,330</u>
\$43,549	\$36,397	\$17,281	\$37,190	\$2,527	(\$4,510)
3,294	14,524	10,640	12,814	7,214	5,937
<u>\$46,843</u>	<u>\$50,921</u>	<u>\$27,921</u>	<u>\$50,004</u>	<u>\$9,741</u>	<u>\$1,427</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,									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund										
Nonspendable	\$577	\$468	\$23,279	\$23,265	\$23,387	\$20,209	\$10,043	\$10,234	\$10,189	\$4,783
Restricted										
Committed	5,433	5,433	5,433	5,433	8,440	19,026	33,643	43,852	44,082	13,266
Assigned	13,904	10,434	6,658	7,013	9,052	8,067	8,629	5,916	6,118	6,543
Unassigned	<u>15,800</u>	<u>16,444</u>	<u>13,521</u>	<u>13,864</u>	<u>13,410</u>	<u>25,440</u>	<u>40,496</u>	<u>40,655</u>	<u>34,387</u>	<u>38,128</u>
Total General Fund	<u>\$35,714</u>	<u>\$32,779</u>	<u>\$48,891</u>	<u>\$49,575</u>	<u>\$54,289</u>	<u>\$72,742</u>	<u>\$92,811</u>	<u>\$100,657</u>	<u>\$94,776</u>	<u>\$62,720</u>
(a)										
All Other Governmental Funds										
Nonspendable	\$9,788	\$11	\$32	\$11	\$13	\$15	\$2,229	\$85	\$20	\$28
Restricted	80,112	89,821	62,661	92,347	99,701	109,416	110,418	143,232	155,359	150,544
Assigned	2,892	14,244	11,808	20,806	29,956	29,635	24,284	28,532	29,768	39,508
Unassigned	<u>(12,234)</u>	<u>(12,955)</u>	<u>(6,610)</u>	<u>(5,932)</u>						
Total all other governmental funds	<u>\$80,558</u>	<u>\$91,121</u>	<u>\$67,891</u>	<u>\$107,232</u>	<u>\$129,670</u>	<u>\$139,066</u>	<u>\$136,931</u>	<u>\$171,849</u>	<u>\$185,147</u>	<u>\$190,080</u>
(a)										

(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

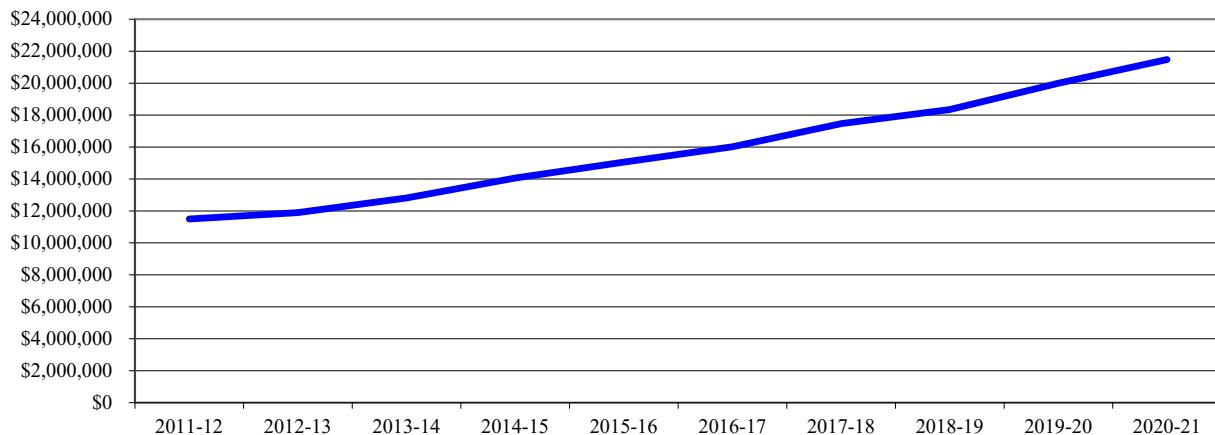
CITY OF MILPITAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year Ended June 30,				
	2012	2013	2014	2015	2016
Revenues					
Property taxes	\$34,029 (b)	\$20,466	\$27,608	\$24,927	\$27,068
Sales taxes	19,403	20,908	19,766	19,572	24,719
Hotel/Motel taxes					
Franchise fees					
Other taxes	12,230	13,343	14,992	17,505	18,737
Licenses and fines	4,956	5,875	8,193	6,971	8,051
Use of money and property	5,303	1,538	2,964	2,032	3,037
Intergovernmental	4,834	5,842	5,216	5,482	6,104
Charges for services	4,725	5,550	5,735	6,449	7,196
Developer contributions	7,549	7,987	13,975	11,614	29,410
Other	578	715	1,144	205	113
Total Revenues	<u>93,607</u>	<u>82,224</u>	<u>99,593</u>	<u>94,757</u>	<u>124,435</u>
Expenditures					
Current:					
General Government	12,753 (b)	11,871	13,204	12,814	13,771
Building and Safety	2,060	2,278	2,658	2,706	2,885
Building, Housing and Safety					
Recreation and Community Services					
Human Resources and Recreation		3,087	3,124	3,329	(e)
Parks and Recreation	5,261	(c)	(c)	(c)	(c)
Public Works	8,772	9,124	8,535	9,199	6,020
Engineering					
Planning and Neighborhood Services					
Planning	2,196	2,030	2,202	2,570	2,805
Police	21,733	20,978	22,165	24,193	26,124
Fire	14,562	15,420	14,587	15,605	17,470
Capital outlay	28,876	7,510	10,035	14,376	24,811
Debt service:					
Principal	13,153	4,209	3,828	6,000	
Interest and fees	6,823	668	223	61	54
Total Expenditures	<u>116,189</u>	<u>77,175</u>	<u>80,561</u>	<u>90,853</u>	<u>100,580</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,582)</u>	<u>5,049</u>	<u>19,032</u>	<u>3,904</u>	<u>23,855</u>
Other Financing Sources (Uses)					
Proceeds from debt issuance	21,780				
Payments to refunded debt escrow agent		46			
Proceeds/gain from sale of properties	8		6	4	160
Loss from sale/conveyance of property		(512)			
Transfers in	34,994	13,780	7,499	25,558	23,001
Transfers (out)	(31,690)	(10,735)	(4,098)	(19,305)	(19,864)
Total other financing sources (uses)	<u>25,092</u>	<u>2,579</u>	<u>3,407</u>	<u>6,257</u>	<u>3,297</u>
Extraordinary Items					
Assets transferred to Housing Successor	17,274 (b)				
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor	(42,431) (b)				
Special Item					
Assets transferred to/from Successor Agency and County			(27,261) (d)		
Net Change in fund balances					
Debt service as a percentage of noncapital expenditures	19.5%	18.5%	5.5%	7.4%	0.1%

- (a) In 2011, the Redevelopment Agency began reporting tax increment gross of pass-through payments and administrative fees withheld by the County.
- (b) The Redevelopment Agency was dissolved as of January 31, 2012.
- (c) 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.
- (d) 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.
- (e) Human Resources is a component of General Government and Recreation is a separate department beginning in fiscal year 2016.
- (f) Neighborhood Services is a component of Building, Housing and Safety, and Planning is a separate department beginning in fiscal year 2019.
- (g) Transient occupancy taxes and Franchise fees were reported separately from Other taxes beginning in fiscal year 2020.

Fiscal Year Ended June 30				
2017	2018	2019	2020	2021
\$30,261	\$31,893	\$33,811	\$37,799	\$41,093
26,214	27,854	28,890	25,058	25,114
			11,377	4,213 (g)
			5,173	5,036 (g)
19,349	20,429	23,386	4,632	4,889 (g)
10,497	12,758	11,757	9,039	10,993
2,180	2,719	8,452	8,092	1,505
4,696	6,228	6,019	9,089	12,576
7,238	6,981	6,969	5,228	4,816
25,637	29,065	41,153	24,684	15,880
310	568	926	983	642
<u>126,382</u>	<u>138,495</u>	<u>161,363</u>	<u>141,154</u>	<u>126,757</u>
17,089	15,397	21,352	19,146	22,902
3,148	3,633	(f)	(f)	(f)
		5,038	5,784	6,088
3,876	4,497	5,144	5,227	3,662
(e)	(e)	(e)	(e)	(e)
(c)	(c)	(c)	(c)	(c)
6,839	6,983	8,151	9,588	10,671
3,527	3,103	3,201	3,559	3,846
2,978	3,153	(f)	(f)	(f)
		1,648	2,116	2,293
27,247	27,880	30,389	34,301	34,803
18,456	21,034	23,225	26,416	28,200
26,151	27,243	23,435	32,106	33,648
		199	728	
48	69	104	155	449
<u>109,359</u>	<u>112,992</u>	<u>121,886</u>	<u>139,126</u>	<u>146,562</u>
17,023	25,503	39,477	2,028	(19,805)
		952		21,919
7,324		1		3
	(12,437)	(152)		
18,405	19,505	37,936		
(14,903)	(14,637)	(35,449)	27,164	21,486
<u>10,826</u>	<u>(7,569)</u>	<u>3,288</u>	<u>(21,777)</u>	<u>(50,724)</u>
			5,387	(7,316)
<u>\$27,849</u>	<u>\$17,934</u>	<u>\$42,765</u>	<u>\$7,415</u>	<u>(\$27,121)</u>
0.1%	0.1%	0.3%	0.7%	0.3%

CITY OF MILPITAS
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Dollars in Thousands)



Fiscal Year	Real Property					Less: Tax-Exempt Property (c)	Total Taxable Assessed Value (a)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other (c)	Unsecured			
2011-12	\$6,237,714	\$1,325,735	\$2,474,543	\$327,933	\$1,415,065	(\$282,633)	\$11,498,357	1%
2012-13	6,291,949	1,348,591	2,507,227	355,453	1,706,657	(309,165)	11,900,712	1%
2013-14	6,793,845	1,388,236	2,622,328	540,230	1,764,760	(296,041)	12,813,358	1%
2014-15	7,728,283	1,427,474	2,628,858	654,879	1,887,428	(266,136)	14,060,786	1%
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	672,581	1,890,212	(324,516)	21,478,097	1%

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
2011-12	\$1.00	\$1.00	\$0.0459	\$0.1490	\$0.0064
2012-13	1.00	1.00	0.0463	0.1140	0.0069
2013-14	1.00	1.00	0.0437	0.0961	0.0070
2014-15	1.00	1.00	0.0503	0.0750	0.0065
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	0.0041
2020-21	1.00	1.00	0.0412	0.1156	0.0037

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 2020-21 and 2011-12

Taxpayer	2020-2021			2011-2012		
	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.	\$874,626,034	1	4.07%	\$426,047,061	1	3.71%
KLA Tencor Corporation	493,940,280	2	2.30%	200,388,156	3	1.74%
Milpitas Mills LP	342,671,781	3	1.60%	320,821,128	2	2.79%
Sandbox Expansion LLC	241,923,583	4	1.13%			
Campus 237 Owner LLC	238,100,000	5	1.11%			
Milpitas-District 1 Owner LLC	220,914,767	6	1.03%			
Western Digital Technologies Inc	218,586,577	7	1.02%			
Headway Technologies	212,742,384	8	0.99%	107,587,426	7	0.94%
McCarthy Center Holding LLC	195,633,059	9	0.91%			
Amalfi Milpitas LLC	171,056,332	10	0.80%			
California Diversified LLC				123,523,176	4	1.07%
BRE Milpitas LLC				116,437,669	5	1.01%
Linear Technology Corporation				108,712,826	6	0.95%
Solyndra Inc				94,210,095	8	0.82%
Sanbox Expansion LLC				88,639,838	9	0.77%
EQR Fresca 2009 LP				79,107,219	10	0.69%
Subtotal	<u>\$3,210,194,797</u>		<u>14.95%</u>	<u>\$1,665,474,594</u>		<u>14.48%</u>
Fiscal Year 2019-2020 Total Net Assessed Valuation			\$21,478,097,000			
Fiscal Year 2010-2011 Total Net Assessed Valuation			\$11,498,357,000			

Source: Hdl, Coren & Cone, Santa Clara County Assessor 2019/20 Combined Tax Rolls

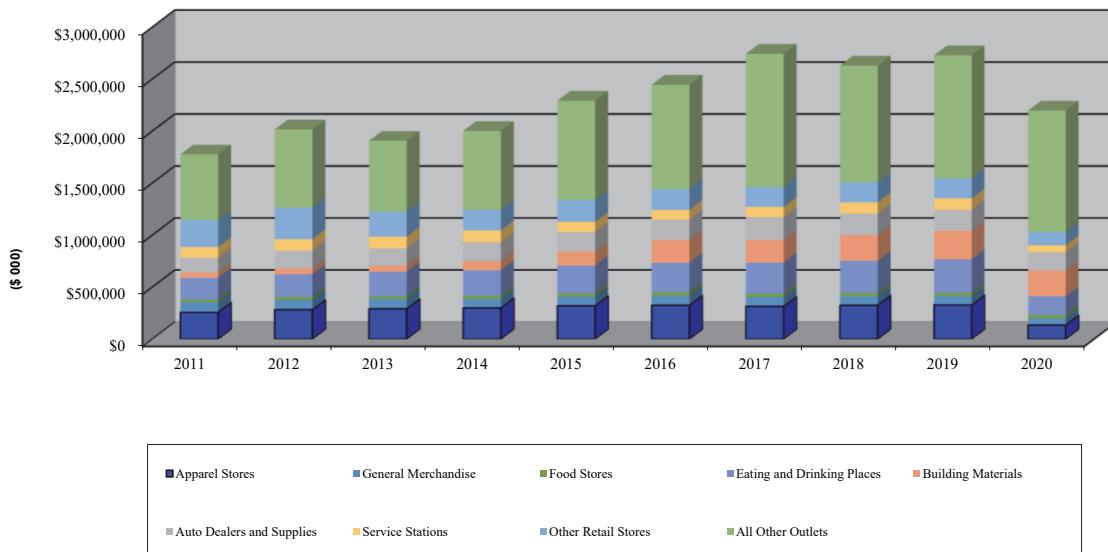
CITY OF MILPITAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Dollars in thousands)

Fiscal Year	Taxes Levied (a)	Current Collections (a)	Percent of Levy Collected	Delinquent Tax Collections	Total Taxes Collected (a)	Percent of Levy
2011-12 (b)	\$34,029	\$34,029	100.00%	0	\$34,029	100.00%
2012-13 (b)	20,469	20,469	100.00%	0	20,469	100.00%
2013-14	27,608	27,608	100.00%	0	27,608	100.00%
2014-15	24,927	24,927	100.00%	0	24,927	100.00%
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%

- (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.
- (b) The Redevelopment Agency was dissolved effective January 31, 2012 and collections of property tax increment ceased as of that date. Subsequent to that date, a Successor Agency collects property taxes of the former Redevelopment Agency.

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)



■ Apparel Stores	■ General Merchandise	■ Food Stores	■ Eating and Drinking Places	■ Building Materials
■ Auto Dealers and Supplies	■ Service Stations	■ Other Retail Stores	■ All Other Outlets	

	CALENDAR YEARS										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Apparel Stores	\$257,012	\$282,727	\$291,556	\$300,238	\$321,691	\$324,913	\$314,459	\$325,501	\$328,809	\$135,037	
General Merchandise	95,508	92,912	93,209	85,048	86,475	92,857	90,727	86,646	83,207	64,466	
Food Stores	27,581	28,345	27,962	30,876	32,076	32,093	32,541	31,103	31,552	33,127	
Eating and Drinking Places	209,170	220,142	234,971	245,202	266,172	283,033	298,257	309,295	323,513	179,247	
Building Materials	50,629	53,043	58,260	90,386	134,128	219,504	217,800	245,999	273,634	246,796	
Auto Dealers and Supplies	141,298	173,910	167,563	177,840	187,625	196,335	219,503	208,778	202,137	176,994	
Service Stations	104,189	109,768	110,453	115,979	99,194	93,395	97,830	107,744	110,422	67,310	
Other Retail Stores	260,016	303,237	241,302	197,320	210,406	198,009	191,295	193,995	192,340	125,577	
All Other Outlets	630,191	752,405	680,960	758,792	954,081	1,006,053	1,281,156	1,121,155	1,183,373	1,168,512	
Total	\$1,775,594	\$2,016,489	\$1,906,236	\$2,001,681	\$2,291,848	\$2,446,192	\$2,743,568	\$2,630,216	\$2,728,987	\$2,197,066	

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

Fiscal Year	City Direct Rate	Santa Clara County (e)	State of California	
2011-12	1.00	1.25	6.00	(a)
2012-13	1.00	1.50	(b)	6.25
2013-14	1.00	1.50		6.25
2014-15	1.00	1.50		6.25
2015-16	1.00	1.50		6.25
2016-17	1.00	2.00	6.00	(d)
2017-18	1.00	2.00	6.00	
2018-19	1.00	2.00	6.00	
2019-20	1.00	2.00	6.00	
2020-21	1.25	2.00	6.00	

Source: California State Board of Equalization

- (a) July 1, 2011 the State decreased the State Rate 1%
- (b) April 1, 2013 the County increased the rate 0.25%
- (c) On both July 1, 2012 and April 1, 2013 the State increased the State Rate 0.125%
- (d) On April 1, 2017, the County increased the rate 0.50% and on January 1, 2017 the State decreased the rate 0.25%.
- (e) 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 2020-21 AND 2011-12
IN ALPHABETICAL ORDER

Fiscal Year 2020-2021	Fiscal Year 2011-2012
Acme Construction Supply Co.	Best Buy
Autumn Information Systems	Burlington
Best Buy	Chevron
Burlington	Chevron
Cisco Systems	Cisco Systems
Consolidated Electrical Distributors	Coach
Eplus Technology	Dave & Busters
Flextronics	F5 Networks
Floor & Décor Outlets of America	Flextronics
Headway Technologies	Headway Technologies
Home Depot	Home Depot
Hoya Optics	KLA Tencor
Independent Electric Supply	Kohls
Jacklin Shell	Marshalls
KLA Tencor	Mazak Corporation
Lennox Industries	Milpitas Materials Company
Marshalls	Neiman Marcus last Call
Milpitas Materials Company	Nextg Networks Inc
Piercey Honda	Nike Factory Store
Piercey Toyota	One Workplace
Teledyne Lecroy	Piercey Toyota
United Rentals	Pivot Interiors
Veeco Process Equipment Inc	Shell
Walmart Supercenter	South Bay Honda
Western Digital Technologies	Walmart Supercenter

Source: HDL Coren & Cone

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)			
2011-12	\$0	\$14,037	\$0	\$7,710	\$0	\$21,747	1.06%	\$325
2012-13	0	9,828	360	7,315	0	17,503	0.82%	258
2013-14	0	6,000	274	6,910	0	13,184	0.59%	188
2014-15	0	0	186	6,490	0	6,676	0.29%	96
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%	1,055

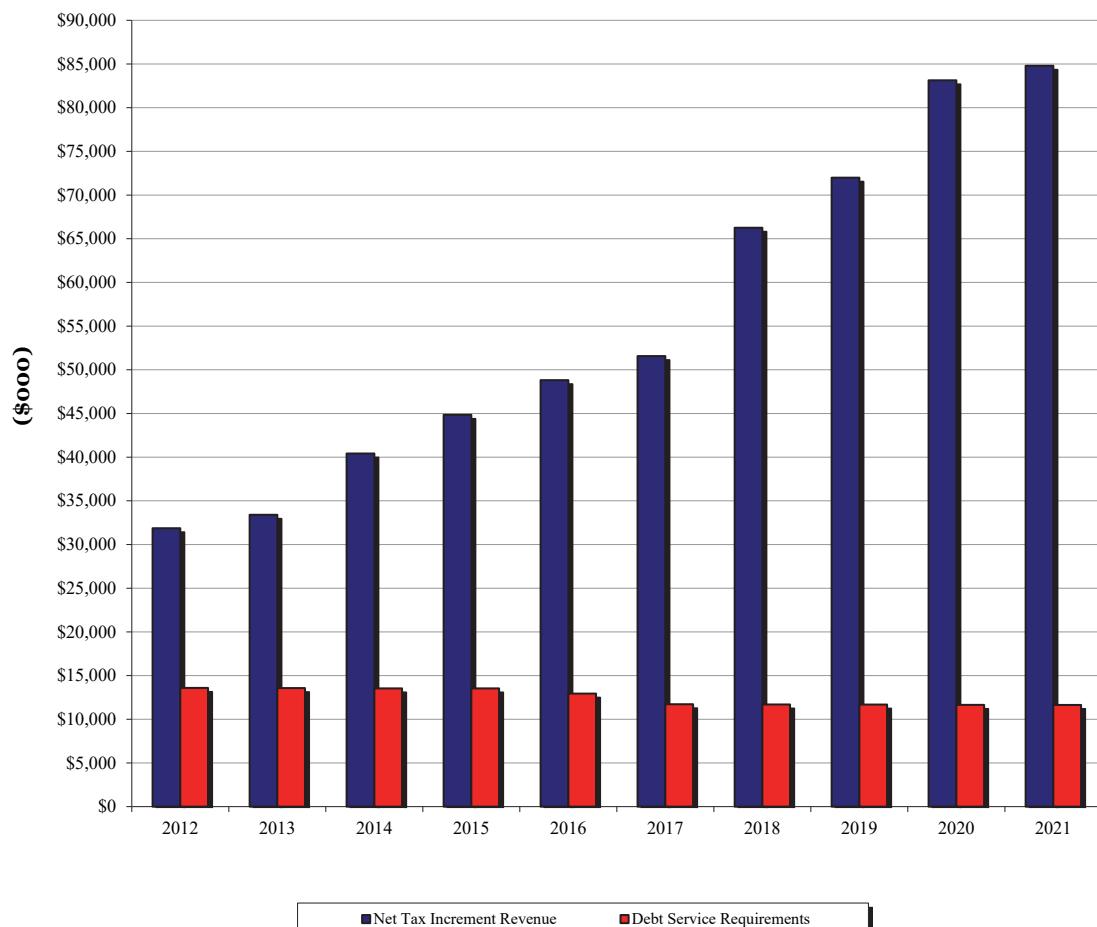
Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(a) See Schedule 20 for personal income and population data.

(b) Data for fiscal year 2018-19 not available until May of 2020.

(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	
2012	\$31,866,464 (b) (d)	\$0	\$31,866,464	\$5,410,000	\$8,182,883	\$13,592,883	2.34
2013	33,401,413 (d)	0 (b)	33,401,413	5,595,000 (c)	7,973,533 (c)	13,568,533	2.46
2014	40,418,284 (d)	0 (b)	40,418,284	5,825,000 (d)	7,713,234 (d)	13,538,234	2.99
2015	44,843,881 (d)	0 (b)	44,843,881	6,120,000 (d)	7,414,608 (d)	13,534,608	3.31
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

- (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, 2021

JURISDICTION	PERCENTAGE APPLICABLE TO CITY OF MILPITAS (1)	AMOUNT APPLICABLE TO CITY OF MILPITAS
2020-21 Assessed Valuation, Direct and Overlapping Debt		\$21,478,097,000
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Santa Clara County		\$31,678,461
San Jose- Evergreen Community College District		109,289,170
Milpitas Unified School District		152,824,974
East Side Union High School District		7,526,077
Berryessa Union School District		5,900,095
Santa Clara Valley Water District Benefits Assessment District		2,222,250
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		309,441,027
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT</u>		
Santa Clara County General Fund Obligations		35,665,057
Santa Clara County Pension Obligations		13,307,741
Santa Clara County Board of Education Certificates of Participation		104,077
San Jose- Evergreen Community College District OPEB Bonds		5,923,658
Milpitas Unified School District Certificates of Participation		11,076,905
East Side Union High School District OPEB Bonds		205,015
Berryessa Union School District Certificates of Participation		168,996
City of Milpitas	100%	18,445,000
Santa Clara County Vector District Certifications of Participations		68,800
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		84,965,249
Less: Santa Clara County supported obligations		985,309
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$83,979,940
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency)</u>		
	100%	\$87,865,000
<u>TOTAL DIRECT DEBT</u>		
		\$18,445,000
TOTAL GROSS OVERLAPPING DEBT		\$463,826,276
TOTAL NET OVERLAPPING DEBT		\$462,840,967
<u>GROSS COMBINED TOTAL DEBT</u>		
		\$482,271,276
NET COMBINED TOTAL DEBT		\$481,285,967

- (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, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2019-20 Assessed Valuation:

Ratios to Assessed Valuation:

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 2020-21

Assessed value (net) - June 30, 2021	<u><u>\$21,478,097</u></u>
Debt limit: 3.75% of assessed value (a)	\$805,429
Debt applicable to limit	
Total Bonded Debt	
Less: Tax Allocation Bonds	
not subject to limit	
Amount of Debt subject to limit	<u><u>0</u></u>
Legal debt margin	<u><u>\$805,429</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
2011-12	\$431,188	\$0	\$431,188	0.0%
2012-13	446,277	0	446,277	0.0%
2013-14	480,501	0	480,501	0.0%
2014-15	527,280	0	527,280	0.0%
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%

(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	
2011-12	\$12,757,123	\$5,405,936	\$7,351,187	\$380,000	\$304,267	\$684,267	10.74
2012-13	12,785,567	6,356,621	6,428,946	395,000	292,966	687,966	9.34
2013-14	13,235,908	7,834,220	5,401,688	405,000	278,965	683,965	7.90
2014-15	14,664,759	7,263,553	7,401,206	420,000	264,528	684,528	10.81
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

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	
2011-12							
2012-13							
2013-14							
2014-15							
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

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)
2011-12	72.95	51.06	33.36	12.82	2.38 - 6.99
2012-13	75.92	51.06	33.36	13.72	2.38 - 6.99
2013-14	75.92	51.06	33.36	13.72	2.38 - 6.99
2014-15	86.93	52.22	38.20	14.68	2.73 - 8.00
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

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
2011-12	1.77 - 4.17*		25.77	4.32		25.77 - 628.82
2012-13	2.02 - 4.50*		26.29	4.62		26.29 - 641.40
2013-14	2.30 - 4.86*		26.82	4.94		26.82 - 654.23
2014-15	2.62 - 5.29*		27.36	5.29		27.36 - 667.31
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 - 1,608.26

Source: City of Milpitas, Ordinance 120.48

*Residential rates were a range based on consumption amounts for the period. There were 4 levels with the lowest rate being for use under 10 hc, and the highest rate for use over 30 hcf in the period..

**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.

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)
2011	66,966	4,902	2,052,307	30,647	9,949	10.00%	13.66
2012	67,894	4,970	2,143,889	31,577	10,033	6.70%	13.66
2013	70,092	5,131	2,234,603	31,881	10,156	5.50%	13.66
2014	69,903	5,117	2,287,366	32,722	10,281	4.90%	13.66
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	6,519	3,787,034	50,051	10,413	7.50%	13.66

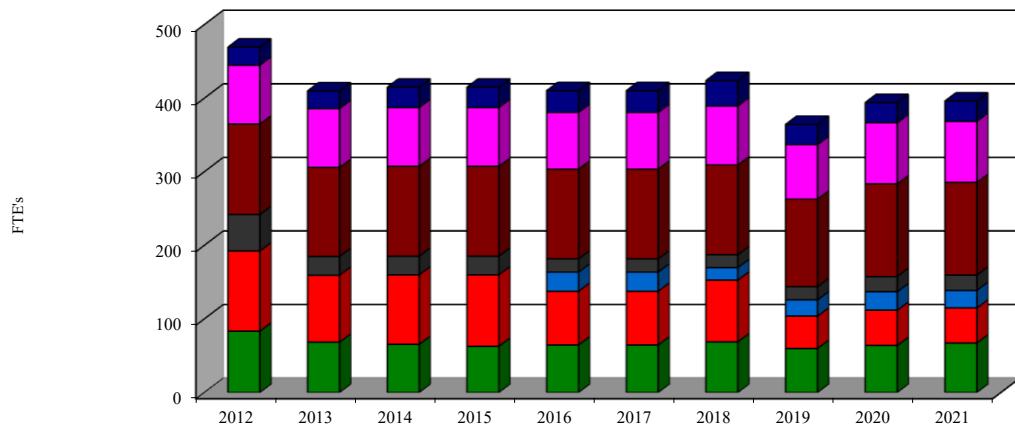
Sources: HdL, Coren & Cone
 City of Milpitas Annual Budget

CITY OF MILPITAS
PRINCIPAL EMPLOYERS
FISCAL YEAR 2020-21 and 2011-2012

Employer	2020-21			2011-12		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Cisco Systems, Inc.	3,347	1	7.57%	2,741	1	3.36%
KLA-Tencor Corporation	2,353	2	5.32%	2,099	2	2.57%
Wester Digital Tech (San Disk Corporation)	1,894	3	4.29%	1,485	3	1.82%
Analog Devices (Linear Technology Corporation)	1,283	4	2.90%	284	8	0.35%
Flextronics International	1,247	5	2.82%			0.00%
Milpitas Unified School District	815	6	1.84%			0.00%
Headway Technologies Inc. (2 Locations)	769	7	1.74%	825	4	1.01%
Wal-Mart Super Center	445	8	1.01%	394	5	0.48%
City of Milpitas	385	9	0.87%	268	10	0.33%
FireEye, Inc	374	10	0.85%			0.00%
Spectra Laboratories				358	6	0.44%
Vista Healthcare Corporation				320	7	0.39%
JDS Uniphase Corporation				277	9	0.34%
Subtotal	<u><u>12,912</u></u>		<u><u>29.21%</u></u>	<u><u>9,051</u></u>		<u><u>11.09%</u></u>
Total Labor Force	44,200			81,646		

Source: Muni Services LLC/Avenu Insights & Analytics

CITY OF MILPITAS
AUTHORIZED FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS



General Government	Building	Public Works	Engineering and Planning
Planning and Neighborhood Services	Recreation	Parks and Recreation	Police
Fire	Utilities		

Function	Fiscal Year Ended June 30									
	2012	2013	2014	2015	2016	2017	2018	2019 (e)	2020	2021
General Government	83.5	68.5	65.5	63.0	64.8	64.8	69.0	60.0	64.0	67.5
Building, Housing and Safety	28.0	28.0	23.0	23.0	24.0	24.0	25.0	33.0 (c)	33.0 (c)	33.0
Public Works	109.0	91.0	94.5	97.0	73.0 (b)	73.0	84.0	44.0	48.0	47.5
Engineering				26.0 (b)	26.0	17.0	22.0		25.0	24.0
Planning	18.0	16.5	18.5	18.5	17.0	17.0	17.0	9.0 (c)	10.0 (c)	10.0
Recreation	49.5	25.5 (a)	25.5	25.5	18.0	18.0	17.5	18.0	20.75	20.75
Parks and Recreation										
Police:										
Sworn Police	94.0	91.5	92.0	92.0	92.0	93.0	93.0	90.0	93.0	93.0
Civilians	29.0	29.5	30.0	30.0	30.0	29.0	29.0	29.0	33.0	33.0
Fire:										
Firefighters and Safety Officers	70.0	70.0	70.0	68.0	66.0	66.0	68.0	71.0	79.0	79.0
Civilians	10.0	10.0	10.0	12.0	11.0	11.0	12.0	3.0	4.0	4.0
Utilities (d)	24.5	24.0	27.5	27.5	29.5	29.5	34.5	27.5	27.5	27.5
Total	<u>515.5</u>	<u>454.5</u>	<u>456.5</u>	<u>456.5</u>	<u>451.3</u>	<u>451.3</u>	<u>466.0</u>	<u>406.5</u>	<u>437.3</u>	<u>439.3</u>

- (a) Beginning in fiscal year 2013, parks maintenance division is now under public works department and recreation division is part of human resources department, but it is reported separately here.
- (b) Beginning in fiscal year 2016, Public Works and Engineering are separate departments.
- (c) Neighborhood Services is a component of Building, Housing and Safety, and Planning is a separate department beginning in fiscal year 2019.
- (d) Utilities is comprised of employees from Public Works and Finance.
- (e) In Fiscal Year 2019, the City removed unfunded authorized positions.

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				
	2012	2013	2014	2015	2016
Function/Program					
Building Safety & Housing					
Building permits issued	2,800	3,400	4,300	4,300	4,200
Plan review performed	800	1,100	1,500	1,400	1,500
Code Customer Service Requests / Violations abated	725	725	725	755	755
Public Works					
Street miles maintained	139	139	139	139	139
Customer Service Requests	3,350	3,500	2,880	2,800	2,794
Development projects reviewed	200	200	205	190	178
Planning					
Applications to Planning Commission	96	106	159	236	92
Recreation					
Sports Center members	1,400	1,600	1,450	1,504	1,600
Senior nutrition meals served	23,304	22,090	20,656	21,231	20,158
Police					
Avg response time to emergency calls (minutes)	2:42	2:32	2:33	2:32	2:40
Number of anti-terrorist patrol checks	1,693	1,996	2,550	2,300	2,400
Crime prevention presentations	235	201	200	200	125
Number of vehicle citations issued	6,901	4,120	3,516	3,600	5,900
DARE presentations: schools/students	12/770	0	0	0	0
Fire					
Emergency calls for service	4,075	4,356	4,356	4,950	5,000
Public education events	120	45	45	80	100
Permits Inspections	4,334	4,510	4,510	4,666	7,600
Plan Review	671	807	807	983	1,200
Utility					
Clean sewer lines (feet)	500,000	329,313	640,255	500,000	500,000
Repair, replace or set water meters	491	149	298	279	189
Average daily consumption (thousands of gallons)	8,200	9,340	9,300	9,300	7,800

Source: City of Milpitas, final budget

Fiscal Year Ended June 30				
2017	2018	2019	2020	2021
4,090	4,200	4,300	4,000	3,000
1,610	1,700	1,600	4,800	4,900
800	714	784	600	600
139	298	298	298	303
2,800	3,000	2,384	4,468	3,353
158	160	225	134	48
92	100	419	37	31
1,325	1,450	1,575	1,877	506
18,678	17,206	18,322	20,145	39,783
2:44	2:57	2:41	2:36	2:40
2,200	2,200	1,949	1,479	958
70	56	104	110	105
5,720	5,900	5,895	6,000	6,300
0	0	0	0	0
5,000	5,200	5,640	5,600	5,800
112	200	223	134	4,200
7,322	7,577	7,824	7,592	7,772
1,550	1,700	1,600	1,644	1,575
500,000	491,244	528,051	432,022	549,693
152	115	147	219	113
5,800	6,590	8,394	8,410	7,440

CITY OF MILPITAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year Ended June 30			
	2012	2013	2014	2015
Function/Program				
Public Works				
Miles of streets	287	287	287	298
Street lights	4,500	4,500	4,500	4,577
Square feet of buildings maintained (in thousands)	376	376	376	376
City vehicles	247	242	252	260
Signs	8,534	8,534	5,500	5,700
Signal lights	72	72	72	70
City Parks	31	33	34	34
Acres of Parkland	179	179	180	180
Playgrounds	33	24	25	34
Parks and recreation				
Community centers	1	1	1	1
Senior centers	1	1	1	1
Sports centers	1	1	1	1
Satellite centers	0	0	0	0
Swimming pools	3	3	3	3
Tennis courts	20	20	20	21
Football field	1	1	1	1
Baseball/softball fields	12	8	8	9
Soccer fields	3	9	9	12
Basketball courts	4	8	8	7
Volleyball courts / Horse Shoe Pits / Bocce Ball / Cricket Field / Par Course	5	4	9	7
Handball courts	4	5	5	5
Joint use:				
Russell Bobbysocks Fields	0	0	0	0
Soccer fields	0	0	0	0
Police				
Police stations	2	2	2	2
Police patrol vehicles	27	27	29	28
Fire				
Fire stations	4	4	4	4
Fire Apparatus	13	22	19	19
Fire hydrants	1,840	1,840	1,847	2,033
Utility				
Miles of water mains	213	213	214	213
Water Tank Storage capacity (million of gallons)	16	16	16	16
Miles of sanitary sewers	179	179	179	179
Miles of storm drain	110	110	110	110
Miles of recycled water main	4	4	4	23

Source: City of Milpitas, final budget

Fiscal Year Ended June 30					
2016	2017	2018	2019	2020	2021
298	298	298	298	298	303
4,577	4,581	5,119	5,141	4,418	4,494
376	376	322	473	473	473
264	264	269	271	258	268
5,700	6,000	10,000	10,000	6,000	6,000
71	72	72	74	78	83
33	32	32	32	36	36
180	195	195	195	154	154
34	33	30	33	33	33
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
0	2	2	1	2	2
3	3	3	3	3	3
21	21	21	21	21	21
1	1	1	1	1	1
9	7	7	9	9	9
13	13	13	8	8	8
9	10	10	10	10	10
10	13	12	10	10	10
5	6	6	6	6	6
0	3	3	3	3	3
0	2	2	8	2	2
2	2	2	2	2	2
34	29	29	29	29	30
4	4	4	4	4	4
13	11	11	12	13	13
2,033	2,039	2,039	2,039	2,308	2,308
203	203	206	206	206	206
16	16	16	16	16	16
173	173	175	173	173	173
99	99	105	99	99	99
23	21	23	26	26	26



**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, 2021, and have issued our report thereon dated November 15, 2021. 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.

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) to determine 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified.

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 determination of 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 15, 2021 which is an integrate 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.

A handwritten signature in blue ink that reads "Maze & Associates". The signature is fluid and cursive, with "Maze" on the first line and "& Associates" on the second line.

Pleasant Hill, California
November 15, 2021