



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020



Milpitas Transit Center and BART Station



City Hall



Future Development: 355 Sango Court
(100% Affordable Housing)



Creighton Park

City of Milpitas
California



CITY OF MILPITAS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

Prepared by
THE FINANCE DEPARTMENT



INTRODUCTORY SECTION



CITY OF MILPITAS
Comprehensive Annual Financial Report
For the Year Ended June 30, 2020

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CITY OF MILPITAS

455 EAST CALAVERAS BOULEVARD, MILPITAS, CALIFORNIA 95035-5479 www.ci.milpitas.ca.gov

November 25, 2020

Honorable Mayor and Members of the City Council:

Submitted herewith is the Comprehensive Annual Financial Report (CAFR) of the City of Milpitas (the City) for the fiscal year ended June 30, 2020 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.

General Information: 408-586-3000

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 66 years, the population growth has increased from 26,561 in 1970 to nearly 84,196. 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. Since 2016, the local labor market has improved such that employment has surpassed its pre-recession peak in the Silicon Valley. However, as a result of the COVID-19 related impact, as of September 2020, the City’s unemployment rate was 7.9% while the State of California’s unemployment rate was 10.8% and the national unemployment rate was 7.9%. Similarly, most major economic indicators, as discussed below, are in recession territory.

The City is actively managing the worst economic downturn since the Great Depression, which has resulted in a projected long-term annual deficit of \$9 million in the General Fund. The City has implemented several major budget strategies such as non-personnel expenditure reductions, deferral of capital projects, a managed hiring freeze and placing a ballot measure for a ¼ Cent Sales Tax Measure for voter consideration on November 3, 2020. Additionally, the City is considering service and related position reductions and engaging with its bargaining units to achieve wage and benefits reductions. During the past years, the City has set aside reserves to help mitigate the fiscal impact of the inevitable recession, which has served the City well.

The national GDP (Gross Domestic Product) growth decreased at an annual rate of 31.4 percent in the second quarter of 2020 from the previous quarter (according to the BEA, or Bureau of Economic Analysis’ Advanced estimate), and increased 1.5 percent in 2019 from the 2018 annual level. The sharp decline in the second quarter GDP is attributed to COVID-19, with shelter-in-place orders issued in March 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. The downturn in the economic activity due to the COVID-19 pandemic is worse than any recession since World War II in terms of severity, scope, and speed. As of June 2020, the Federal Reserve Board’s advanced projection shows GDP growth to increase to 5.0 percent in 2021, 3.5 percent in 2022.

The CPI (Consumer Price Index), is used by the U.S. Bureau of Labor Statistics to measure inflation. The September 2020 CPI-U (Consumer Price index for all Urban Consumers) increased 1.4 percent over the last 12 months. Core CPI (CPI less food and energy) is 1.7 percent compared to 2.4 percent in September 2019. 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 2019-2020 shows a projected growth from 162.8 million to 168.8 million over the 2019-29 decade. Overall inflation for items others than food and energy is running below 2 percent, therefore the FOMC (Federal Open Market Committee) decided to lower the target range for federal funds rate to 0-0.25 percent at its September 2020 meeting due to the economic hardship across the nation and world caused by the COVID-19 pandemic. The FOMC noted that inflation continues to run below the 2.0 percent target, as there is weaker demand and lower oil prices which are holding down consumer prices.

The housing market has remained strong during the COVID-19 Pandemic. Single family starts increased 4.1 percent while multi-family starts decreased 22.7 percent. Total housing starts increased 2.8 percent in August compared to the prior year. The median sale price of a single family residential home in Milpitas was \$1.0 million as of September 2020, down approximately 0.1% from last year. Year-over-year prices significantly increased throughout some Bay Area Counties. San Mateo had an increase of 19 percent, 18.6 percent increase in Santa Clara, 18.6 percent increase in Contra Costa, and 13.4 percent increase in Alameda. The C.A.R (California Association of Realtors) forecasts an increase of 3.3 percent to reach 392,510 units in 2021, up from the 2020 projection of 380,060 units. Residential use values increased 8.7 percent, a total of \$1.07 billion, and represented 72% of all growth experienced in the City. Construction for New multi-family residential complexes are the main driver of the growth. 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 increased to 101.8 in September, up from 86.3 in August. Although the Consumer Confidence Index increased in September from prior monthly declines, it remains below pre-pandemic levels. 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 661,000 in September 2020, and the unemployment rate declined to 7.9 percent from 8.4 percent in August 2020.



Source: The Conference Board

Top Ten Sales Tax Generators by Economic Segment

The shelter-in-place orders and business closures due to the COVID-19 pandemic and social distancing requirements led to a 21% nationwide decline in sales tax revenues through May, compared to 2019 according to the Urban-Brookings Tax Policy Center. The chart below provides a snapshot of the City’s sales tax revenue by economic segment. Total amount of sales tax revenue for the latest benchmark year was about \$20 million, with the top ten economic segments generating about \$16.5 million. Total sales tax receipts decreased by 5.7 percent from 2019. The sales tax revenue generated from economic segments such as Drug Stores, Florist/Nursery, Food Markets, Office Equipment, Electronic Equipment, Energy Sales, Leasing, and Miscellaneous Other, increased over a year ago, while all other segments decreased such as Apparel Stores, Recreation Products, Miscellaneous Retail, Auto Sales – Used, Service Stations, and Health & Government, which had more than a 20 percent decrease from the prior year.



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. In 1994, the General Plan was adopted and has not been comprehensively updated since then. The General Plan update process commenced in late 2016. The current update to the Plan targets land uses that may be outdated or insufficient and identifies opportunity sites where changes to land uses and development patterns may be appropriate over the next 20 years. With input from the community, stakeholders, appointed and elected officials, the Plan update is anticipated to be completed in 2020, with an anticipated adoption by the City Council in late 2020.

Milpitas Metro Specific Plan – The City adopted a Transit Area Specific Plan 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 intent of the Milpitas Metro Specific Plan (Plan) is to encourage the development of housing and neighborhood amenities such as parks, retail and restaurants and to foster economic development and employment opportunities in the area.

In March 2020, staff and consultants kicked off an update to the Plan to identify opportunities for additional housing units, a renewed emphasis on office, retail, restaurant and other uses in an Adopted Innovation District, and a particular emphasis on improvements to public amenities such as open space and trails. Staff expects to complete the Plan update in early 2021.

Residential Development – Until the COVID-19 Pandemic brought economic uncertainty to the region, a robust economy and high median home prices led to heightened interest in residential development. Outside of the Midtown and Transit Area, several residential developments have been approved and are either under building permit review, under construction, or completed and occupied. These projects include a single-family home development for 38 lots, including ten ADUs (Accessory Dwelling Units), at 1005 Park Victoria Drive and several small-scale infill projects throughout the City.

Non-residential Development – FY 2019-20 was a busy year for commercial development and expansion. The new Legoland Discovery Center is expected to open at the Great Mall in spring 2021. 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 has two new delivery stations and Bridge Pointe Silicon Valley has a new warehouse/office building under development near the McCarthy Ranch area. The H.L. Peninsula Chinese dim sum restaurant is also expected to open in the McCarthy Ranch retail area. Celia's Event Center is expected to open on Dempsey Road, and several new hotels are in various stages of development.

Property owners of the former LifeScan campus and Tasman Tech Park invested in revamping their buildings and outdoor spaces in order to attract new tenants. The City has also approved expansion plans for several ethnic grocery stores and other small businesses in the Midtown area and along the Calaveras Boulevard gateway corridor.

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 in an amount not to exceed 1% of the total General Fund budget, although the appropriations must be reported to the City Council on a periodic basis. 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 as an assignment of fund balance. 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 requires unassigned fund balance which is made up of the Contingency Reserve to be at least 16.67% of the annual operating expenditures and the Budget Stabilization Reserve with a reserve target of 16.67% of the annual operating expenditures in the General Fund. Additional reserves are included in Note 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 2019-20 Adopted Capital Improvement Project (CIP) Budget totaled \$62.5 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 Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. 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-five 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


Walter C. Rossman
Deputy City Manager/Director of Finance

DIRECTORY OF OFFICIALS

June 30, 2020

City Council

| | |
|---------------|---------------------|
| Mayor | Rich Tran |
| Vice-Mayor | Bob Nuñez |
| Councilmember | Karina R. Dominguez |
| Councilmember | Carmen Montano |
| Councilmember | Anthony Phan |

City Manager

Steven G. McHarris

Assistant City Manager

Ashwini Kantak

Deputy City Manager

Walter C. Rossmann

Building & Housing Director

Sharon Goei

City Attorney

Christopher Diaz

City Clerk

Mary Lavelle

Director of Finance

Vacant

Director of Recreation & Community Services

Renee Lorentzen

Economic Development Director

Alex Andrade

Engineering Director/City Engineering

Steve Erickson

Fire Chief

Brian Sherrard

Human Resources Director

Jeannine Seher

Information Services Director

Mike Luu

Planning & Neighborhood Services Director

Ned Thomas

Police Chief

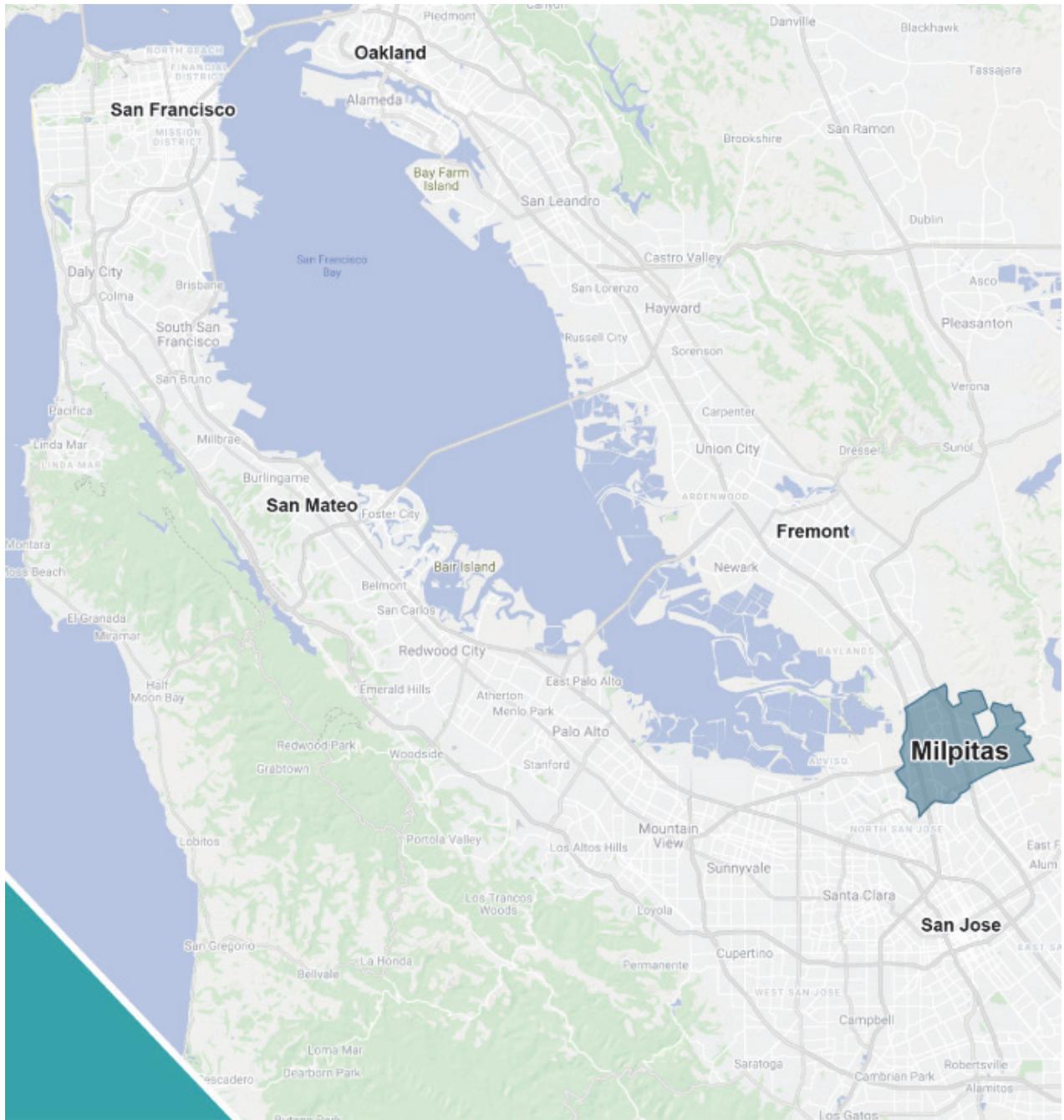
Armando Corpuz

Public Information Officer

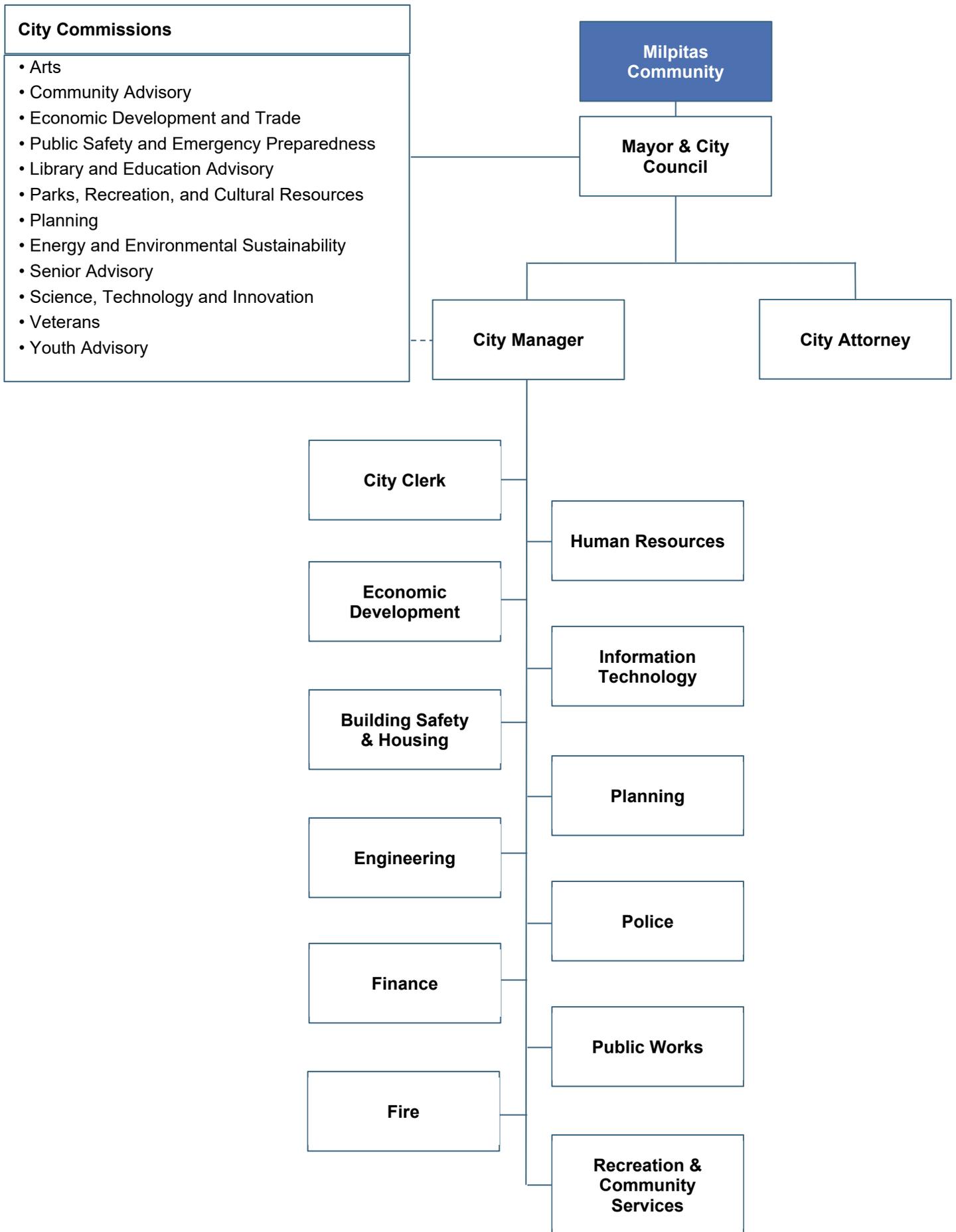
Charmaine Angelo

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
Reporting

Presented to

**City of Milpitas
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

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, 2020, 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, 2019, which represent 1.10%, 1.62%, and 1.15% 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, 2020, 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 4, 2020, 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 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 4, 2020



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, 2020. Please read this document in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FISCAL YEAR 2020 FINANCIAL HIGHLIGHTS

The City's revenues in Fiscal Year 2020 reflect a declining local economy growth due to COVID-19 in the South Bay region. The unemployment rate for the San Jose-Sunnyvale-Santa Clara metropolitan area in June 2020 was at 7.6%, a significant increase of 4.9% from last year's 2.7%. The property tax revenue and franchise fee has increased slightly, however, sales taxes, hotel/motel taxes and other taxes have shown a decrease in revenue due to the Shelter-in-Place order implemented by the State on March 12, 2020.

Fiscal 2020 financial highlights include the following:

City-wide:

- The City's total net position was \$619.7 million at June 30, 2020. Of this total, \$409.3 million were Governmental and \$210.4 million were Business-type, a net increase of total \$9.7 million from prior year's total of \$610 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 increased pension liabilities.
- City-wide revenues include program revenues of \$112.8 million, general revenues and transfers of \$84.9 million, totaling \$198 million, a decrease of \$18.2 million from the prior year's total of \$215.9 million primarily due to COVID-19 impact which resulted in slowing down project activities and collecting less developer fees as well as decreased sales tax, hotel/motel tax, and other tax receipts.
- Total City-wide expenses were \$188 million, an increase of \$22 million from the prior year's \$166 million primarily due to increase in personnel and benefit cost.

Fund Level:

- Governmental Fund balances were \$279.9 million, a net increase of \$7.4 million from fiscal 2019 primarily due to an increase of \$13.9 million in the Transit Area Impact Fee Fund offset with a decrease of \$5.9 million in the General Fund.
- Governmental Fund revenues were \$141.2 million in fiscal 2020, down \$20.1 million from the prior year's \$161.3 million, primarily due to COVID-19 related impacts which resulted in slowing down project activities causing the City to collect less developer fees compared to the prior year as well as decreased sales tax, hotel/motel tax, and other tax receipts.
- Governmental Fund expenditures were \$139.1 million in fiscal 2020, an increase of \$17.2 million from fiscal 2019 level of \$121.9 million primarily due to increases in capital outlay and personnel and benefits cost.
- General Fund revenues of \$99.4 million represented a decrease of \$8.7 million from fiscal 2019 revenues of \$108.1 million caused primarily by decreased sales tax, hotel/motel tax, and other tax receipts.
- Net other financing uses of the General Fund were (\$2.5) million in fiscal 2020 while fiscal 2019 had a total other financing uses of (\$6.9) million. The decrease is due to less General Fund funds being transferred out to fund capital projects in fiscal year 2020.
- General Fund balance of \$95 million at the fiscal 2020 year-end was \$5.9 million less than the fund balance at fiscal 2019 year-end primarily to offset loss in revenue caused by COVID-19.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual 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 21-23 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 2020 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 2019 are presented in table form. Any significant changes are analyzed and discussed.

Governmental Activities

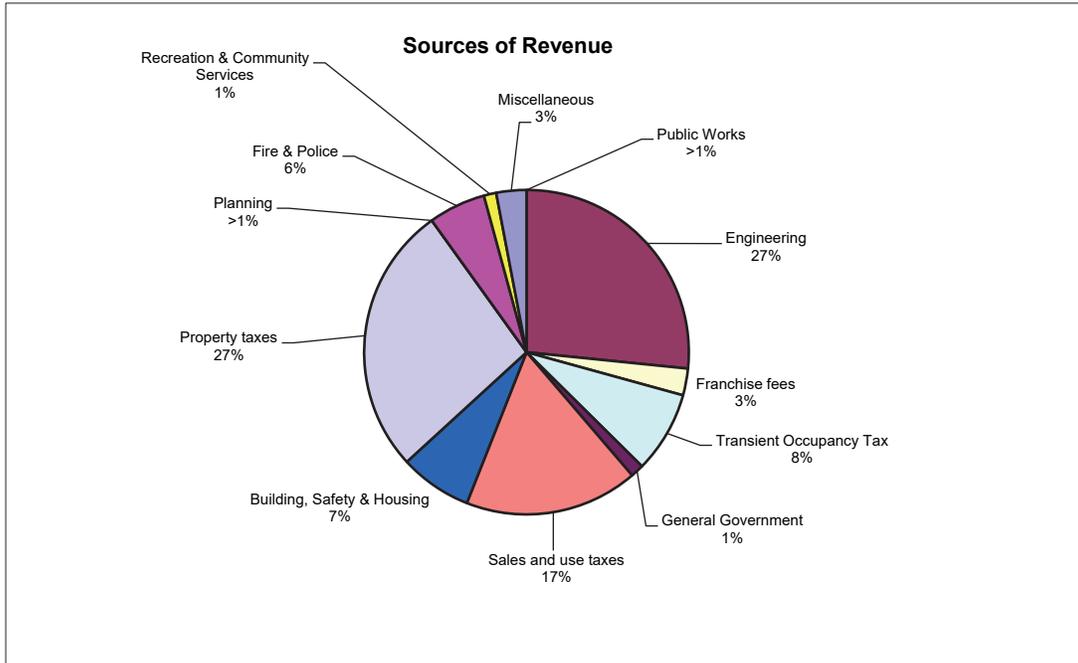
Table 1
Governmental Net Position at June 30
(in Millions)

| | Governmental Activities | |
|---|-------------------------|----------------|
| | 2020 | 2019 |
| Cash and investments | \$267.0 | \$252.7 |
| Other assets | 48.7 | 52.6 |
| Capital assets | 344.5 | 327.3 |
| Total assets | 660.2 | 632.6 |
| Deferred Outflows of Resources –Related to pensions and OPEB | 35.9 | 32.8 |
| Net Pension liabilities | 196.2 | 182.4 |
| Net OPEB liability | 12.5 | 40.0 |
| Total OPEB liability | 26.2 | 0 |
| Other liabilities | 37.1 | 32.7 |
| Total liabilities | 272.2 | 255.1 |
| Deferred Inflows of Resources –Related to pensions and OPEB | 14.6 | 3.6 |
| Net position: | | |
| Net investment in capital assets | 344.5 | 326.5 |
| Restricted | 158.7 | 146.0 |
| Unrestricted | (93.9) | (65.8) |
| Total net position | \$409.3 | \$406.7 |

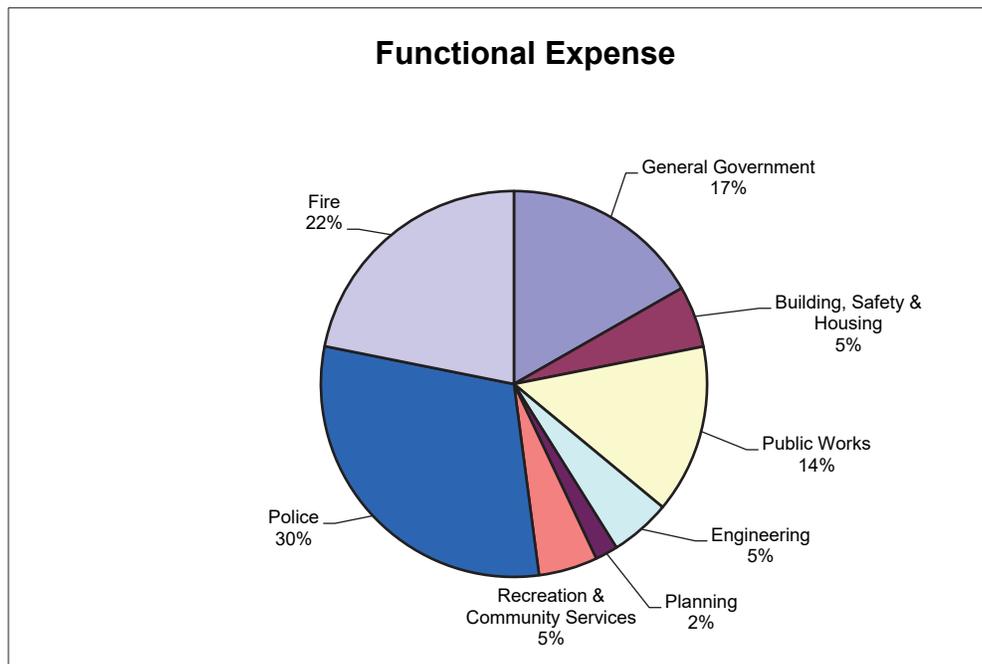
The City's governmental net position was \$409.3 million at June 30, 2020, an increase of \$2.6 million from 2019. This increase is reflected as Change in Net Position in the Governmental Activities column of the Statement of Activities and is also shown in Table 2 of this analysis:

- Cash and investments increased \$14.3 million principally due to increased revenue from property tax.
- Other assets decreased \$3.9 million from last year due to the net activity between receivables and decrease in prepaids, materials, supplies and deposits.
- Capital assets increased \$17.2 million from last year, resulting from \$15.4 million of depreciation, offset by \$34 million in asset additions, net of retirements in fiscal 2020.
- Deferred outflows of resources related to pension and OPEB increased \$3.1 million from last year due to changes in actuarial results.

Fiscal Year 2020 Governmental Activities



As the Sources of Revenue Chart above shows, \$37.3 million or 26% of the City's fiscal 2020 governmental activities revenue came from impact fees, \$37.7 million or 26% came from property taxes, while \$24.2 million or 17% 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.



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 2020'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>2020</u> | <u>2019</u> |
| Expenses | | |
| General Government | \$24.0 | \$25.3 |
| Building, Safety and Housing | 7.4 | 5.4 |
| Recreation and Community Services | 7.1 | 7.0 |
| Public Works | 20.3 | 20.1 |
| Engineering | 7.3 | 6.5 |
| Planning | 2.7 | 1.9 |
| Police | 43.5 | 35.9 |
| Fire | 31.5 | 26.5 |
| Total expenses | <u>143.8</u> | <u>128.6</u> |
| Revenues | | |
| Program revenues: | | |
| Charges for services | 15.6 | 20.6 |
| Operating contributions and grants | 10.6 | 8.3 |
| Capital Grants | 33.4 | 47.2 |
| Total program revenues | <u>59.6</u> | <u>76.1</u> |
| General revenues: | | |
| Taxes: | | |
| Property taxes | 37.7 | 33.8 |
| Sales and use taxes | 24.2 | 28.0 |
| Transient Occupancy taxes | 11.4 | 14.5 |
| Other taxes | 0.8 | 0.8 |
| Franchise fees | 5.2 | 5.1 |
| Investment earnings | 2.8 | 4.5 |
| Miscellaneous | 0.5 | 0.4 |
| Total general revenues | <u>82.6</u> | <u>87.1</u> |
| Total Revenues | <u>142.2</u> | <u>163.2</u> |
| Surplus (Deficit) before transfers | (1.6) | 34.6 |
| Transfers | 4.2 | 2.5 |
| Changes in net position | <u>2.6</u> | <u>37.1</u> |
| Beginning net position | <u>406.7</u> | <u>369.6</u> |
| Ending net position | <u><u>\$409.3</u></u> | <u><u>\$406.7</u></u> |

Table 2 compares fiscal 2020 expenses and revenues with those of fiscal 2019. Expenses increased by \$15.2 million in fiscal 2020, due to an increase in positions and increases in salaries and benefits costs.

Table 2 shows that total governmental revenues decreased 21million in fiscal 2020. Program revenues decreased \$16.5 million while general revenues decreased \$4.5 million. The program revenues decreased \$16.5 million from fiscal 2019, the net activity was due to decreases of \$5 million in charges for services, \$13.8 million decrease in capital grants and \$2.3 million increases in operating contributions. The general revenue decreased \$4.5 million from fiscal 2019, the net activity was due to decreases of \$3.8 million in sales and uses taxes, decreases of \$3.1 million in hotel/motel taxes, and decreases of \$1.7 million in investment earnings due to COVID-19 impact to the economy. The decreases are offset with \$3.9 million increases in Property tax, \$0.1 million increases in Franchise Fee and Miscellaneous Revenue respectively.

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 similar programs was \$84.3 million.

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

| | Net (Expenses) Revenue From Services | |
|--------------------------------------|---|-----------------|
| | 2020 | 2019 |
| General Government | \$(22.2) | \$(22.8) |
| Building, Safety and Housing | 2.7 | 6.9 |
| Recreation and Community Services | (5.4) | (3.0) |
| Public Works | (20.3) | (20.1) |
| Engineering | 30.0 | 43.5 |
| Planning | (2.0) | (1.1) |
| Police | (39.1) | (32.4) |
| Fire | (28.0) | (23.4) |
| Totals | \$(84.3) | \$(52.4) |

Business-type Activities

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

| | Business-Type Activities | |
|--|--------------------------|----------------|
| | 2020 | 2019 |
| Cash and investments | \$118.7 | \$74.6 |
| Other assets | 3.9 | 4.4 |
| Capital assets | 158.8 | 139.8 |
| Total assets | 281.4 | 218.8 |
| Deferred Outflows of Resources – Related to Pensions and OPEB | 1.2 | 1.1 |
| Other liabilities | 3.6 | 3.0 |
| Net pension liabilities | 4.3 | 4.7 |
| Net OPEB liability | 3.8 | 4.0 |
| Long-term Debt | 59.4 | 4.8 |
| Total liabilities | 71.1 | 16.5 |
| Deferred Inflows of Resources – Related to Pensions and OPEB | 1.1 | 0.2 |
| Net position: | | |
| Net investment in capital assets | 99.3 | 135.0 |
| Restricted | 63.1 | 59.2 |
| Unrestricted | 48.0 | 8.9 |
| Total net position | \$210.4 | \$203.1 |

The net position of business-type activities were \$210.4 million in fiscal 2020, an increase of \$7.3 million from fiscal 2019. Total assets increased \$62.6 million, deferred outflows increased \$0.1 million and deferred inflows increased \$0.9 million in 2020. The increase in net position was due to increase in total assets of \$62.7 million. The increase in total assets is comprised of \$44.1million increase in cash due to the bond proceed received from water and sewer bond issuance, decrease of \$0.5 million in other assets and \$19 million increases in capital assets. The increases are offset by additional liability of \$55.5 million recorded in fiscal year 2020 in which the \$54.6 million is an additional debt balance recorded for water and sewer revenue bond.

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

| | Business-Type Activities | |
|----------------------------|--------------------------|-----------------------|
| | 2020 | 2019 |
| Expenses | | |
| Water Utility | \$28.7 | \$25.2 |
| Sewer Utility | 15.2 | 12.2 |
| Total expenses | <u>43.9</u> | <u>37.4</u> |
| Revenues | | |
| Program revenues: | | |
| Charges for services | 52.4 | 47.2 |
| Operating grants | 0.2 | 0.1 |
| Capital grants | 0.6 | 2.7 |
| Total program revenues | <u>53.1</u> | <u>50.0</u> |
| General revenues: | | |
| Investment earnings | 2.3 | 2.7 |
| Total general revenues | <u>2.3</u> | <u>2.7</u> |
| Total Revenues | <u>55.5</u> | <u>52.7</u> |
| Excess before transfers | 11.6 | 15.3 |
| Net Transfers | <u>(4.2)</u> | <u>(2.5)</u> |
| Changes in net position | 7.2 | 12.8 |
| Beginning net position | <u>203.1</u> | <u>190.3</u> |
| Ending net position | <u>\$210.3</u> | <u>\$203.1</u> |

Table 5 compares fiscal 2020 expenses and revenues with those of fiscal year 2019. Total expenses increased by \$6.5 million in fiscal 2020 due to an increase in personnel services and an increase in water purchase and contractual services. Total program revenues increased by \$3.1 million primarily due to an increase in charges for services related to a rate increase and an increase in operating grants. Total general revenue decreased \$0.4 million from interest earnings. 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)

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|-------------|-------------|
| Total assets | \$308.5 | \$297.5 |
| Total liabilities | 26.9 | 23.0 |
| Total deferred inflows of resources | 1.7 | 1.5 |
| Total fund balances | 279.9 | 272.5 |
| Total revenues | 141.2 | 161.4 |
| Total expenditures | 139.1 | 121.9 |
| Total other financing sources | 5.4 | 3.3 |

At June 30, 2020, the City's governmental funds reported combined fund balances of \$279.9 million, an net increase of \$7.4 million from last year. The fund balances of the Housing Authority Fund, Street Improvement Fund, Transit Area Impact Fee Fund and General Government Capital Improvement Fund increased \$0.1 million, \$1.7 million, \$13.9 million, and \$0.7 million respectively. General Fund and Other Governmental Funds decreased \$5.9 and \$3.1 million, respectively.

Revenues at the fund level totaled \$141.2 million, a net decrease of \$20.2 million. Revenues for the Street Improvement Fund, General Government Capital Improvement and Other Governmental Funds increased \$2.2 million, \$0.4 million and \$1.6 million, respectively while General Fund, Housing Authority and Transit Area Impact Fee decreased \$8.7 million, \$0.1 million and \$15.8 million, respectively.

Expenditures net increased \$17.2 million this year to \$139.1 million from last year's \$121.9 million. The expenditures of the General Fund, Transit Area Impact Fee Fund, General Government Capital Improvement Fund and Other Government Fund increased \$9.4 million, \$2 million, \$2.2 million and \$6.9 million, respectively while the Housing Authority Fund and Street Improvement Fund decreased \$1.4 million and \$2 million respectively.

Analyses of Major Governmental Funds

General Fund

General Fund revenues decreased to \$99.4 million this fiscal year, down \$8.7 million from the prior fiscal year. Increases came from property tax revenue, franchise fee, and intergovernmental revenue. Property tax revenue increased \$4.0 million due to the continued demand in the housing market thus increasing the assessed valuation of properties throughout the City.

Sales tax, hotel/motel taxes, licenses and permits, charges for services experienced significant decreases in fiscal year 2020. Sales tax reduced from \$28.9 million in fiscal year 2019 to \$25.1 million. COVID-19 virus causing sales tax generating business to close since March 12, 2020 to comply with the Shelter-in-Place order which was partially offset with residents shopping online.

General Fund expenditures increased \$9.4 million to \$102.8 million in fiscal 2020 primarily due to an increase in salary and benefits costs.

Net Other Financing Sources decreased by \$4.4 million. Transfers out were approximately \$8.5 million, as compared to Transfers out of \$13.9 million in fiscal 2019 due to transfers to fund future capital projects, affordable housing and equipment fund. Transfers in consisted of \$6 million from other funds for operating costs.

For the City's General Fund, actual revenues of \$99.4 million were \$6.7 million less than the final budgeted revenues of \$106.1 million. Property taxes and Use of Money and Property exceeded budget by \$1.1 million and \$1.4 million respectively. However, budgeted Sales taxes, Hotel/Motel taxes, Franchise Fees, Licenses and fines, Intergovernmental, Charges of Services and Other Revenue exceeded Actuals by \$2 million, \$0.8 million, \$0.2 million, \$4.1 million, \$0.3 million and \$1.8 million, respectively.

At the end of the year, actual General Fund expenditures were \$105.6 million, \$12.2 million less than final budget of \$117.8 million. Savings were primarily in Non-departmental \$5.7 million for decreased payroll, benefits and utility expenditures, Recreation and Community Services \$1.3 million, Police \$1.3 million, City Manager \$0.8 million, Information Services \$0.5 million, Fire \$0.9 million.

The difference in General Fund original expenditure budget and final expenditure budget was \$0.6 million. The additional appropriations consisted of \$0.6 million of expenditures funded by additional grants.

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 \$0.9 million in fiscal 2020, comprised of \$0.9 million of interest, rental income and repayment of housing loans. Total expenditures were \$0.7 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 that is not developed in the Transit Area. The Fund's revenues were \$3.8 million in fiscal 2020, an increase of \$2.2 million from fiscal 2019. The increase in revenues was mainly due to reimbursement Measure B local monies from VTA. Fund expenditures were \$6.1 million in fiscal 2020, a decrease of \$2 million from fiscal 2019, due to decreased in capital outlay. Net transfers were \$4.0 million in fiscal 2020, an increase in \$1.9 million from fiscal 2019 due to increase funding in street projects from Gas Tax Fund. Transfers in of \$6.3 million were from the General Fund, Gas Tax Special Revenue Fund, and Transit Area Impact Fee Capital Projects Fund provided funding for street capital improvement project.

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 2020, fund revenues were \$24.2 million, primarily from fees collected from developers. Expenditures were \$10.2 million, consisting of \$10 million capital improvement project, \$0.1 interest expense and fees and \$0.03 million general government. The transfers out of \$0.5 million to the Street Improvement Capital Project fund, Water Utility Capital Project Fund and the Park Improvement Capital Project fund provided funding to capital projects.

General Government Capital Projects

The General Government Capital Projects Fund accounts for construction and maintenance of general government projects and assets in the City. In fiscal 2020, expenditures of \$8.1 million consisted of \$7.4 million of capital improvement project expenditures and \$0.7 million debt service. The transfers in of \$9.4 million were primarily from the General Fund, Gas Tax Fund, Lighting and Landscape Maintenance District Fund, Park Improvement Fund, Community Planning Fund, and Equipment Management fund for the purpose of capital project funding. The transfers out of \$1.5 million were to the Park Improvement Fund, and Storm Drain Development to fund capital project.

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>2020</u> | <u>2019</u> |
|---------------------------------|---------------|----------------|
| General Fund | | |
| Nonspendable | \$ 10.2 | \$ 10.2 |
| Committed | 44.0 | 43.9 |
| Assigned | 6.1 | 5.9 |
| Unassigned | 34.4 | 40.7 |
| Total | <u>\$94.8</u> | <u>\$100.7</u> |
| | | |
| Housing Authority Fund | | |
| Restricted | <u>\$39.4</u> | <u>\$39.3</u> |
| | | |
| Street Improvement Fund | | |
| Restricted | <u>\$9.1</u> | <u>\$7.4</u> |
| | | |
| Transit Area Impact Fee Fund | | |
| Restricted | <u>\$62.2</u> | <u>\$48.3</u> |
| | | |
| General Government Project Fund | | |
| Nonspendable | \$ 0.0 | \$ 0.1 |
| Assigned | 28.5 | 27.8 |
| Total | <u>\$28.5</u> | <u>\$27.9</u> |

At June 30, 2020, the fund balance of the General Fund was \$94.8 million: \$10.2 million was classified as nonspendable, comprised of \$0.6 for prepaid materials and supplies, \$4.2 million of property held for resale, and \$5.4 million for advances to other funds; \$33.9 million for PERS Rate Stabilization \$1.2 million for Artificial turf replacement, \$2 million for Technology replacement and \$7 million for Facilities replacement were classified as committed; \$6.1 million of the fund balance comprised of \$1 million of changes in investment market value, \$2 million for uninsured claims and \$3 million for encumbrances, was classified as assigned; \$34.4 million of the fund balance comprised of \$17.3 million for contingency reserve and \$17.1 million for budget stabilization.

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 \$28.5 million: \$28.5 million classified as assigned due to Council's reserve policy.

Analyses of Major Proprietary Funds

Total operating revenues of major proprietary funds increased \$5.2 million from last year, while operating expenses increased \$5.8 million. Total operating revenues and total operating expenses were \$52.4 million and \$43.1 million, respectively. Non-operating revenues were \$1.6 million in fiscal 2020, a decrease of \$1.1 million from the prior year. Capital contributions decreased by \$2.1 million and net transfers out decreased by \$1.8 million.

Water Utility

Water fund revenues were \$32.8 million in fiscal 2020, an increase of \$3.4 million from prior year. . The increase in revenues was primarily due to rate increase in the water utility. Expenses were \$28.7 million in fiscal 2020, up \$3.5 million from prior year, primarily due to increased purchased water expense of \$0.7 million ,personnel services of \$0.5 million and \$1.5 million in services and supplies. Net position of the Water Utility Fund increased \$2.9 million in the current year to a total of \$86.9 million. The increase comprised of \$32.7 million of operating revenues for the current year, \$28.7 million of operating expenses, which result in \$4.0 million operating income. The water fund also received \$1.3 million in interest income, \$0.1 million of grants, \$0.2 million of capital contributions and net of transfers of -\$2.7 million, and this resulted in increase of net position of \$2.9 million.

This Fund's Net Position includes \$29.2 million invested in capital assets, \$32.9 million in restricted net position, and \$24.8 million in unrestricted net position.

Sewer Utility

Sewer fund revenues were \$19.6 million in fiscal 2020, up \$1.8 million from the prior year due to an increase in usage. Expenses were \$14.4 million in fiscal 2020, an increase of \$2.3 million from the prior year due to an increase in sewer treatment services. Non-operating revenues and expenses in fiscal year 2020 consisted of \$1.1 million interest income, and \$0.9 million interest expense. Net position of the Sewer Utility Fund increased \$4.3 million in the current year to a total of \$123.5 million. The increase comprised of \$19.6 million of operating revenues for the current year, \$14.4 million of operating expenses, which result in \$5.2 million operating income. The sewer fund also received \$1.1 million in interest income, net of interest expense of \$0.9 million, \$0.3 million of capital contributions and net of transfers of -\$1.5 million, and this resulted in increase of net position of \$4.3 million.

\$23.1 million of the Fund's Net Position in the amount of \$123.5 million was unrestricted at the fiscal year end. Of the remainder, \$70.2 million was invested in capital assets and \$30.2 million was restricted as to use.

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 2020, 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)

| | 2020 | 2019 |
|---|----------------|----------------|
| <i>Governmental Activities:</i> | | |
| Land | \$ 73.7 | \$ 68.4 |
| Construction in progress | 81.2 | 62.9 |
| Buildings and improvements | 173.4 | 173.4 |
| Other improvements | 30.6 | 30.6 |
| Machinery and equipment | 46.5 | 45.2 |
| Landscape system | 30.0 | 30.0 |
| Storm system | 74.3 | 74.3 |
| Street system | 276.7 | 271.2 |
| Traffic system | 19.9 | 19.3 |
| Less accumulated depreciation | (461.9) | (448.0) |
| Totals | \$344.5 | \$327.3 |
| <i>Business-type Activities:</i> | | |
| Land | \$ 1.1 | \$ 1.1 |
| Construction in progress | 12.3 | 12.8 |
| Distribution facilities | 81.2 | 80.5 |
| Water Service lines | 17.0 | 16.9 |
| Sewer lines | 86.1 | 84.0 |
| Capacity rights | 100.6 | 78.0 |
| Less accumulated depreciation | (139.5) | (133.5) |
| Totals | \$158.8 | \$139.8 |

The principal additions in fiscal 2020 were to the land, construction-in-progress, machinery and equipment, landscape system, street system, traffic system, and capacity rights activities. Construction in progress included the Montague Pedestrian Overcrossing at Piper Drive, Police Department Communications, Fire Station number 2 replacement, Street Resurfacing Project, and Sports Center Skate Park.

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.

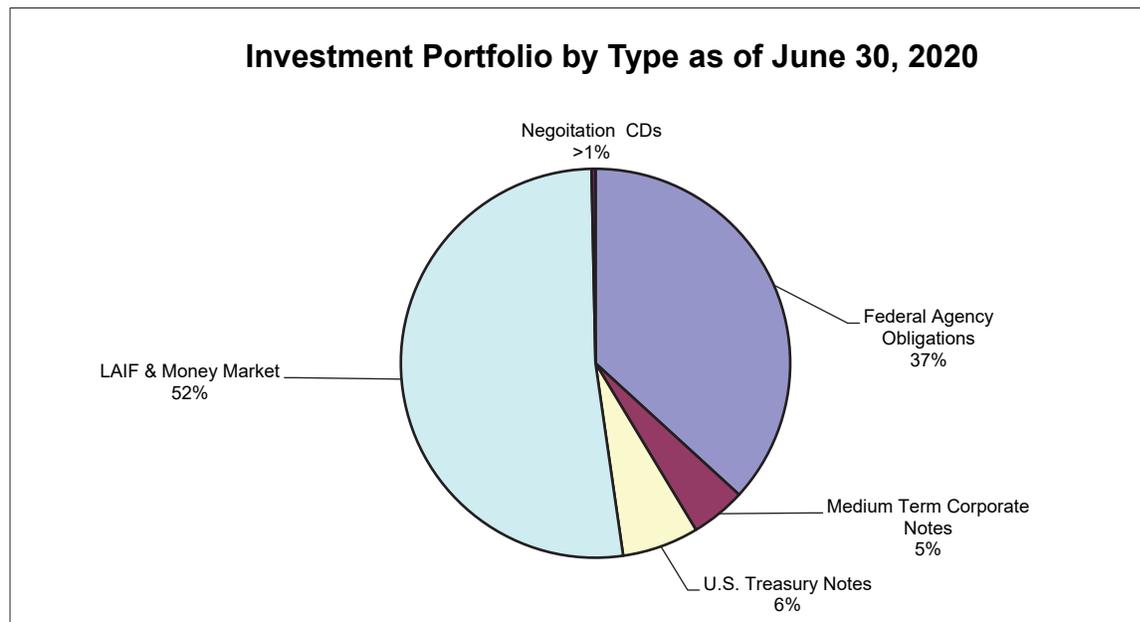
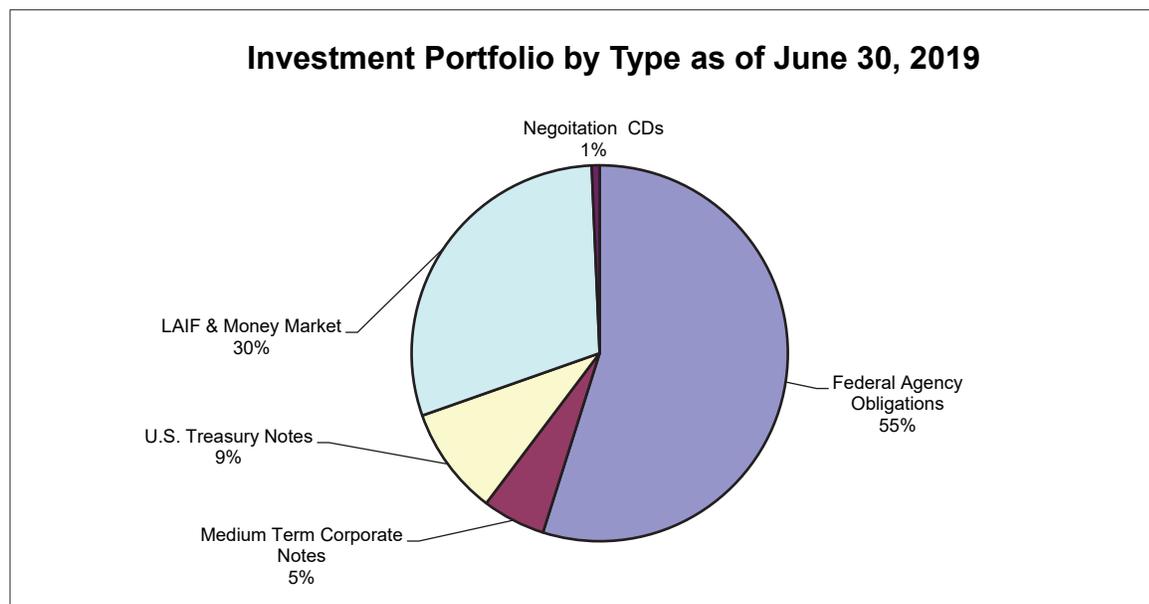
CASH AND INVESTMENTS

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 \$59.3 million from \$326.4 million to \$385.7 million. This increase was due to proceeds from the debt issuance of water and sewer revenue bond.

Total investment earnings for fiscal year 2020 were \$5.1 million. City's investment income from interest and dividends on investments was \$1.2 million in 2020. The change in fair value for the portfolio for the fiscal year ending June 30, 2020 was an unrealized gain on investments of \$3.9 million.

The following graphs depict the make-up of \$383.6 million cash and investments at June 30, 2020 and \$334.2 million at June 30, 2019.



DEBT ADMINISTRATION

The City's debt was issued to finance Sewer infrastructure improvements. This debt issue is secured by sewer revenue. 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. In fiscal 2020, Milpitas Municipal Financing Authority issued Wastewater Revenue Bonds, Series 2019 and Water Revenue Bonds, Series 2019 in an amount of \$29.8 million and \$17.2 million respectively. Each of the City's debt issues are discussed in detail in Note 9 to the financial statements. At June 30, 2020 the City's debt is comprised of:

Table 9
Outstanding Debt
(in Millions)

| | Balance June 30, 2020 | Balance June 30, 2019 |
|--|--------------------------|--------------------------|
| Governmental Activity Debt: | | |
| Capital Lease (Network Upgrade) | \$0.0 | \$0.7 |
| 4.25%, due January 21, 2023 | | |
| Total Governmental-type Activity Debt | \$ 0.0 | \$ 0.7 |
| Business-type Activity Debt: | | |
| Wastewater Revenue Refunding Bonds, 2017 Series | | |
| 2.0% - 5.0%, due November 1, 2026 | 3.8 | 4.2 |
| Plus: Unamortized bond premium | 0.5 | 0.6 |
| Wastewater Revenue Bonds, 2019 Series | | |
| 4.0% - 5.0%, due November 1, 2049 | 29.8 | 0.0 |
| Plus: Unamortized bond premium | 5.3 | 0.0 |
| Water Revenue, 2019 Series | | |
| 4.0% - 5.0%, due June 1, 2049 | 17.1 | 0.0 |
| Plus: Unamortized bond premium | 2.9 | 0.0 |
| Total Business-type Activity Debt | \$ 59.4 | \$ 4.8 |

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 Comprehensive Annual 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, 2020

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|----------------------|---|
| | Governmental Activities | Business-Type Activities | Total | Terrace Gardens Inc. (As of December 31, 2019) |
| ASSETS | | | | |
| Cash and investments available for operations (Note 3) | \$266,994,623 | \$83,469,754 | \$350,464,377 | \$99,922 |
| Restricted cash and investments (Note 3) | | 35,183,496 | 35,183,496 | 2,693,631 |
| Receivables: | | | | |
| Accounts | 2,358,017 | 3,377,375 | 5,735,392 | 3,974 |
| Due from other governments | 5,431,034 | 88,808 | 5,519,842 | |
| Interest | 1,127,386 | 346,254 | 1,473,640 | |
| Loans receivable (Note 5) | 32,514,834 | | 32,514,834 | |
| Prepays, materials, supplies and deposits (Note 1E) | 744,149 | 178,699 | 922,848 | 58,645 |
| Property held for resale (Note 6) | 6,533,018 | | 6,533,018 | |
| Capital assets and capacity rights (Note 8): | | | | |
| Land and construction in progress | 154,940,979 | 13,443,024 | 168,384,003 | 1,565,277 |
| Depreciable capital assets, net | 189,529,867 | 145,336,153 | 334,866,020 | 5,905,551 |
| Total assets | <u>660,173,907</u> | <u>281,423,563</u> | <u>941,597,470</u> | <u>10,327,000</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Related to pensions (Note 11D) | 30,298,664 | 643,311 | 30,941,975 | |
| Related to OPEB (Note 12E) | 5,601,555 | 540,883 | 6,142,438 | |
| Total deferred outflows of resources | <u>35,900,219</u> | <u>1,184,194</u> | <u>37,084,413</u> | |
| LIABILITIES | | | | |
| Accounts payable | 4,824,955 | 2,534,756 | 7,359,711 | 185,444 |
| Accrued payroll | 3,825,444 | 134,550 | 3,959,994 | 7,867 |
| Interest payable | | 316,163 | 316,163 | |
| Uninsured claims payable (Note 13): | | | | |
| Due within one year | 1,172,486 | | 1,172,486 | |
| Due in more than one year | 6,002,189 | | 6,002,189 | |
| Refundable deposits | 2,918,014 | 88,739 | 3,006,753 | 76,200 |
| Unearned revenue | 9,658,173 | 6,922 | 9,665,095 | 6,865 |
| Accrued vacation (Note 12F): | | | | |
| Due within one year | 2,790,494 | 161,610 | 2,952,104 | 18,309 |
| Due in more than one year | 3,327,531 | 136,475 | 3,464,006 | |
| Sick leave payable (Note 12F): | | | | |
| Due within one year | 936,941 | 54,262 | 991,203 | |
| Due in more than one year | 1,908,264 | 134,732 | 2,042,996 | |
| Net pension liabilities (Note 11C): | | | | |
| Due in more than one year | 196,207,535 | 4,276,403 | 200,483,938 | |
| Net OPEB liability (Note 12C): | | | | |
| Due in more than one year | 12,496,648 | 1,500,257 | 13,996,905 | |
| Total OPEB liability (Note 12D) | | | | |
| Due in more than one year | 26,173,174 | 2,331,698 | 28,504,872 | |
| Long term debt (Note 9): | | | | |
| Due within one year | | 1,210,000 | 1,210,000 | |
| Due in more than one year | | 58,238,333 | 58,238,333 | |
| Total liabilities | <u>272,241,848</u> | <u>71,124,900</u> | <u>343,366,748</u> | <u>294,685</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Related to pensions (Note 11D) | 3,108,185 | 62,297 | 3,170,482 | |
| Related to OPEB (Note 12E) | 11,448,264 | 1,038,254 | 12,486,518 | |
| Total deferred inflows of resources | <u>14,556,449</u> | <u>1,100,551</u> | <u>15,657,000</u> | |
| NET POSITION (Note 10) | | | | |
| Net investment in capital assets and capacity rights | 344,470,846 | 99,330,844 | 443,801,690 | 7,470,828 |
| Restricted for: | | | | |
| Capital projects | 107,224,518 | 63,084,429 | 170,308,947 | |
| Redevelopment and community development activities | 49,729,435 | | 49,729,435 | |
| Other programs | 1,762,001 | | 1,762,001 | |
| Total restricted net position | <u>158,715,954</u> | <u>63,084,429</u> | <u>221,800,383</u> | |
| Unrestricted | <u>(93,910,971)</u> | <u>47,967,033</u> | <u>(45,943,938)</u> | <u>2,561,487</u> |
| Total net position | <u>\$409,275,829</u> | <u>\$210,382,306</u> | <u>\$619,658,135</u> | <u>\$10,032,315</u> |

See accompanying notes to financial statements

CITY OF MILPITAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|--------------------------------------|---------------|-------------------------|--|--|--|-----------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | |
| | | | | | Governmental Activities | Business-type Activities |
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | \$24,049,645 | \$1,808,856 | \$47,605 | | (\$22,193,184) | |
| Building, Safety and Housing | 7,417,540 | 6,620,733 | 3,460,748 | | 2,663,941 | |
| Recreation and Community Services | 7,095,913 | 1,144,805 | 577,816 | | (5,373,292) | |
| Public Works | 20,342,422 | | | | (20,342,422) | |
| Engineering | 7,314,207 | 2,131,684 | 1,711,111 | \$33,423,034 | 29,951,622 | |
| Planning | 2,741,169 | 451,739 | 360,803 | | (1,928,627) | |
| Police | 43,504,697 | 1,087,176 | 3,342,045 | | (39,075,476) | |
| Fire | 31,472,283 | 2,402,518 | 1,142,995 | | (27,926,770) | |
| Interest on long term debt | 36,710 | | | | (36,710) | |
| Total Governmental Activities | 143,974,586 | 15,647,511 | 10,643,123 | 33,423,034 | (84,260,918) | |
| Business-type Activities: | | | | | | |
| Water Utility | 28,749,785 | 32,792,346 | 140,154 | 281,064 | | \$4,463,779 |
| Sewer Utility | 15,240,501 | 19,565,623 | 30,745 | 319,763 | | 4,675,630 |
| Total Business-type Activities | 43,990,286 | 52,357,969 | 170,899 | 600,827 | | 9,139,409 |
| Total Primary Government | \$187,964,872 | \$68,005,480 | \$10,814,022 | \$34,023,861 | (84,260,918) | 9,139,409 |
| Component Unit: | | | | | | |
| Terrace Gardens Inc. | \$2,368,820 | \$2,220,123 | \$12,263 | | | |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes | | | | | 37,684,295 | |
| Sales and use taxes | | | | | 24,173,315 | |
| Hotel/Motel taxes | | | | | 11,376,522 | |
| Other taxes | | | | | 835,720 | |
| Franchise fees, unrestricted | | | | | 5,173,191 | |
| Motor vehicle in-lieu, unrestricted | | | | | 60,333 | |
| Investment earnings | | | | | 2,808,428 | 2,261,236 |
| Gain from sale of property | | | | | 42,754 | |
| Miscellaneous | | | | | 445,967 | |
| Transfers (Note 4) | | | | | 4,187,368 | (4,187,368) |
| Total general revenues and transfers | | | | | 86,787,893 | (1,926,132) |
| Change in Net Position | | | | | 2,526,975 | 7,213,277 |
| Net position-Beginning | | | | | 406,748,854 | 203,169,029 |
| Net position-Ending | | | | | \$409,275,829 | \$210,382,306 |

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, 2019) |
|----------------------|--|
| Total | |
| (\$22,193,184) | |
| 2,663,941 | |
| (5,373,292) | |
| (20,342,422) | |
| 29,951,622 | |
| (1,928,627) | |
| (39,075,476) | |
| (27,926,770) | |
| (36,710) | |
| <u>(84,260,918)</u> | |
| 4,463,779 | |
| <u>4,675,630</u> | |
| <u>9,139,409</u> | |
| <u>(75,121,509)</u> | |
| | <u>(\$136,434)</u> |
| 37,684,295 | |
| 24,173,315 | |
| 11,376,522 | |
| 835,720 | |
| 5,173,191 | |
| 60,333 | |
| 5,069,664 | 40,263 |
| 42,754 | |
| 445,967 | |
| <u>84,861,761</u> | <u>40,263</u> |
| 9,740,252 | (96,171) |
| <u>609,917,883</u> | <u>10,128,486</u> |
| <u>\$619,658,135</u> | <u>\$10,032,315</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, 2020

| | General | Housing Authority | Street Improvement | Transit Area Impact Fee |
|---|----------------------|----------------------|-----------------------|----------------------------|
| ASSETS | | | | |
| Cash and investments available for operations (Note 3) | \$96,110,257 | \$8,223,834 | \$9,304,902 | \$68,387,298 |
| Receivables: | | | | |
| Accounts | 979,460 | | | 1,378,557 |
| Due from other governments | 5,074,187 | | | |
| Interest | 418,524 | 34,091 | 39,977 | 291,330 |
| Loans receivable, net (Note 5) | | 28,855,124 | | |
| Prepays, materials, supplies and deposits (Note 1E) | 594,977 | 4,110 | | |
| Property held for resale (Note 6) | 4,200,000 | 2,333,018 | | |
| Advances to other funds (Note 4B) | 5,394,208 | | | |
| Total Assets | \$112,771,613 | \$39,450,177 | \$9,344,879 | \$70,057,185 |
| LIABILITIES | | | | |
| Accounts payable | \$2,446,074 | \$12,490 | \$240,805 | \$655,195 |
| Accrued payroll | 3,720,608 | 12,492 | 3,420 | 1,705 |
| Refundable deposits | 2,886,205 | 12,100 | | 438,806 |
| Unearned revenue | 8,667,844 | | | |
| Advances from other funds (Note 4B) | | | | 5,394,208 |
| Total Liabilities | 17,720,731 | 37,082 | 244,225 | 6,489,914 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - accounts receivable (Note 7D) | | | | 1,378,557 |
| Unavailable revenue - interest on advances to other funds | 274,458 | | | |
| Total Deferred Inflows of Resources | 274,458 | | | 1,378,557 |
| FUND BALANCES | | | | |
| Fund balances (Note 10): | | | | |
| Nonspendable | 10,189,185 | 4,110 | | |
| Restricted | | 39,408,985 | 9,100,654 | 62,188,714 |
| Committed | 44,081,915 | | | |
| Assigned | 6,118,015 | | | |
| Unassigned | 34,387,309 | | | |
| TOTAL FUND BALANCES | 94,776,424 | 39,413,095 | 9,100,654 | 62,188,714 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$112,771,613 | \$39,450,177 | \$9,344,879 | \$70,057,185 |

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:

- Deposits payable
- Unavailable revenue
- 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 |
|--|--------------------------------|--------------------------------|
| \$28,594,225 | \$43,916,684 | \$254,537,200 |
| | | 2,358,017 |
| | 356,847 | 5,431,034 |
| 118,257 | 173,290 | 1,075,469 |
| | 3,659,710 | 32,514,834 |
| | 16,008 | 615,095 |
| | | 6,533,018 |
| | | 5,394,208 |
| <u>\$28,712,482</u> | <u>\$48,122,539</u> | <u>\$308,458,875</u> |
| \$182,440 | \$1,145,722 | \$4,682,726 |
| 8,183 | 45,169 | 3,791,577 |
| | 18,843 | 3,355,954 |
| | 990,329 | 9,658,173 |
| | | 5,394,208 |
| <u>190,623</u> | <u>2,200,063</u> | <u>26,882,638</u> |
| | | 1,378,557 |
| | | 274,458 |
| | | <u>1,653,015</u> |
| | 16,008 | 10,209,303 |
| | 44,660,338 | 155,358,691 |
| | | 44,081,915 |
| 28,521,859 | 1,246,130 | 35,886,004 |
| | | 34,387,309 |
| <u>28,521,859</u> | <u>45,922,476</u> | <u>279,923,222</u> |
| <u>\$28,712,482</u> | <u>\$48,122,539</u> | |
| | | 344,470,846 |
| | | 12,357,668 |
| | | 438,000 |
| | | 1,653,015 |
| | | (169,017,056) |
| | | (12,496,648) |
| | | (26,173,174) |
| | | (5,846,709) |
| | | (8,858,660) |
| | | (7,174,675) |
| | | <u>\$409,275,829</u> |

CITY OF MILPITAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>General</u> | <u>Housing Authority</u> | <u>Street Improvement</u> | <u>Transit Area Impact Fee</u> |
|--|---------------------|------------------------------|-------------------------------|------------------------------------|
| REVENUES | | | | |
| Property taxes | \$37,799,083 | | | |
| Sales taxes | 25,058,325 | | | |
| Hotel /Motel taxes | 11,376,522 | | | |
| Franchise fees | 5,173,191 | | | |
| Other taxes | 1,049,047 | | | |
| Licenses and fines | 9,039,341 | | | |
| Use of money and property | 3,060,413 | \$857,422 | \$171,643 | \$2,080,274 |
| Intergovernmental | 1,582,302 | | 3,608,409 | |
| Charges for services | 4,891,110 | | | |
| Developer contributions | | | 11,087 | 22,158,628 |
| Other | 392,536 | | | |
| | <u>99,421,870</u> | <u>857,422</u> | <u>3,791,139</u> | <u>24,238,902</u> |
| Total Revenues | | | | |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 17,900,376 | 745,198 | | 27,774 |
| Building, Safety and Housing | 5,633,523 | | | |
| Recreation and Community Services | 5,226,706 | | | |
| Public Works | 8,202,655 | | | |
| Engineering | 3,412,607 | | | |
| Planning | 1,950,945 | | | |
| Police | 34,029,212 | | | |
| Fire | 26,415,595 | | | |
| Capital outlay | | | 6,099,040 | 10,035,284 |
| Debt service: | | | | |
| Principal | | | | |
| Interest and fees | | | | 103,958 |
| | <u>102,771,619</u> | <u>745,198</u> | <u>6,099,040</u> | <u>10,167,016</u> |
| Total Expenditures | | | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(3,349,749)</u> | <u>112,224</u> | <u>(2,307,901)</u> | <u>14,071,886</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in (Note 4A) | 6,019,566 | | 6,289,458 | 380,000 |
| Transfers (out) (Note 4A) | (8,549,721) | | (2,290,509) | (545,000) |
| | <u>(2,530,155)</u> | | <u>3,998,949</u> | <u>(165,000)</u> |
| Total Other Financing Sources (Uses) | | | | |
| NET CHANGE IN FUND BALANCES | (5,879,904) | 112,224 | 1,691,048 | 13,906,886 |
| Fund balances at beginning of year | 100,656,328 | 39,300,871 | 7,409,606 | 48,281,828 |
| FUND BALANCES AT END OF YEAR | <u>\$94,776,424</u> | <u>\$39,413,095</u> | <u>\$9,100,654</u> | <u>\$62,188,714</u> |

See accompanying notes to financial statements

| General Government Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|--------------------------------|--------------------------------|
| | | \$37,799,083 |
| | | 25,058,325 |
| | | 11,376,522 |
| | | 5,173,191 |
| | \$3,583,106 | 4,632,153 |
| | | 9,039,341 |
| \$896,127 | 1,025,913 | 8,091,792 |
| 29,000 | 3,869,246 | 9,088,957 |
| | 336,920 | 5,228,030 |
| | 2,514,772 | 24,684,487 |
| | 590,338 | 982,874 |
| <u>925,127</u> | <u>11,920,295</u> | <u>141,154,755</u> |
| | 472,731 | 19,146,079 |
| | 150,000 | 5,783,523 |
| | | 5,226,706 |
| | 1,385,699 | 9,588,354 |
| | 146,819 | 3,559,426 |
| | 164,988 | 2,115,933 |
| | 272,138 | 34,301,350 |
| | | 26,415,595 |
| 7,367,537 | 8,603,681 | 32,105,542 |
| 728,307 | | 728,307 |
| 50,729 | | 154,687 |
| <u>8,146,573</u> | <u>11,196,056</u> | <u>139,125,502</u> |
| <u>(7,221,446)</u> | <u>724,239</u> | <u>2,029,253</u> |
| 9,389,070 | 4,821,418 | 26,899,512 |
| <u>(1,500,000)</u> | <u>(8,626,914)</u> | <u>(21,512,144)</u> |
| <u>7,889,070</u> | <u>(3,805,496)</u> | <u>5,387,368</u> |
| 667,624 | (3,081,257) | 7,416,621 |
| <u>27,854,235</u> | <u>49,003,733</u> | <u>272,506,601</u> |
| <u>\$28,521,859</u> | <u>\$45,922,476</u> | <u>\$279,923,222</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, 2020

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 \$7,416,621

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 \$2,680,785 have already been added to capital assets) 29,866,254

Depreciation expense is deducted from the fund balance
 (Depreciation expense is net of internal service fund depreciation of \$1,091,230 which has already been allocated to serviced funds.) (14,277,738)

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.
 Capital contributions and repayment of debt principal are added back to fund balance 728,307

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 | 14,019 |
| Non-current portion of accrued vacation and sick leave | (1,041,532) |
| Non-current portion of uninsured claims payable | (960,002) |
| Net pension liabilities and pension-related deferred outflows/inflows of resources | (13,505,033) |
| Net OPEB liability | (27,461,506) |
| Total OPEB liability | 26,173,174 |
| Deferred outflows/inflows of resources related to OPEB liabilities | (5,625,747) |
| Unavailable revenue | 103,959 |

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 1,096,199

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$2,526,975

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, 2020

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Budget Positive (Negative) |
|--|----------------------|-----------------------|-----------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Property taxes | \$34,914,700 | \$36,686,700 | \$37,799,083 | \$1,112,383 |
| Sales taxes | 26,971,932 | 27,146,932 | 25,058,325 | (2,088,607) |
| Hotel /Motel taxes | 19,547,938 | 12,164,938 | 11,376,522 | (788,416) |
| Franchise fees | 4,937,000 | 5,337,000 | 5,173,191 | (163,809) |
| Other taxes | 1,128,000 | 1,128,000 | 1,049,047 | (78,953) |
| Licenses and fines | 15,250,296 | 13,186,296 | 9,039,341 | (4,146,955) |
| Use of money and property | 1,708,000 | 1,708,000 | 3,060,413 | 1,352,413 |
| Intergovernmental | 1,327,927 | 1,846,077 | 1,582,302 | (263,775) |
| Charges for services | 6,534,914 | 6,647,914 | 4,891,110 | (1,756,804) |
| Other | 226,000 | 226,000 | 392,536 | 166,536 |
| Total Revenues | 112,546,707 | 106,077,857 | 99,421,870 | (6,655,987) |
| Expenditures | | | | |
| Current: | | | | |
| General Government: | | | | |
| City Manager | 4,674,006 | 4,624,006 | 3,823,609 | 800,397 |
| City Attorney | 1,190,364 | 1,315,364 | 1,214,130 | 101,234 |
| Finance | 4,549,580 | 4,411,880 | 4,186,013 | 225,867 |
| Human Resources | 2,110,798 | 2,059,161 | 1,930,344 | 128,817 |
| Information Services | 3,803,383 | 3,539,760 | 3,076,248 | 463,512 |
| Non-departmental | 8,160,673 | 10,580,506 | 4,872,199 | 5,708,307 |
| Building, Safety and Housing | 6,778,951 | 6,280,695 | 5,847,333 | 433,362 |
| Recreation and Community Services | 6,653,545 | 6,570,305 | 5,236,551 | 1,333,754 |
| Public Works | 9,514,192 | 9,267,781 | 8,790,242 | 477,539 |
| Engineering | 4,105,381 | 3,879,807 | 3,590,207 | 289,600 |
| Planning | 1,998,445 | 1,991,866 | 1,991,864 | 2 |
| Police | 36,693,472 | 35,619,579 | 34,327,695 | 1,291,884 |
| Fire | 26,787,133 | 27,551,725 | 26,688,026 | 863,699 |
| Debt service: | | | | |
| Principal | 100,000 | 100,000 | | 100,000 |
| Total Expenditures | 117,119,923 | 117,792,435 | 105,574,461 | 12,217,974 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (4,573,216) | (11,714,578) | (6,152,591) | 5,561,987 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 6,019,566 | 6,019,566 | 6,019,566 | |
| Transfers (out) | (6,800,000) | (8,549,721) | (8,549,721) | |
| Total Other Financing Sources (Uses) | (780,434) | (2,530,155) | (2,530,155) | |
| NET CHANGE IN FUND BALANCE | (\$5,353,650) | (\$14,244,733) | (8,682,746) | \$5,561,987 |
| Adjustment to budgetary basis: | | | | |
| Encumbrance expenditures | | | 2,802,842 | |
| Fund balance at beginning of year | | | 100,656,328 | |
| FUND BALANCE AT END OF YEAR | | | \$94,776,424 | |

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, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts Budgetary Basis</u> | <u>Variance with Budget Positive (Negative)</u> |
|------------------------------------|-------------------------|----------------------|---|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Use of money and property | \$741,000 | \$185,000 | \$857,422 | \$672,422 |
| Total Revenues | <u>741,000</u> | <u>185,000</u> | <u>857,422</u> | <u>672,422</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government: | | | | |
| City Manager | | 86,234 | 3,598 | 82,636 |
| City Attorney | | 12,025 | 12,025 | |
| Finance | 311,912 | 88,686 | 55,765 | 32,921 |
| Non-departmental | 260,632 | 7,862,729 | 673,810 | 7,188,919 |
| Planning | <u>228,780</u> | | | |
| Total Expenditures | <u>801,324</u> | <u>8,049,674</u> | <u>745,198</u> | <u>7,304,476</u> |
| NET CHANGE IN FUND BALANCE | <u>(\$60,324)</u> | <u>(\$7,864,674)</u> | 112,224 | <u>\$7,976,898</u> |
| Fund balances at beginning of year | | | <u>39,300,871</u> | |
| FUND BALANCE AT END OF YEAR | | | <u>\$39,413,095</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.

NON-MAJOR INTERNAL SERVICE FUND

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.



CITY OF MILPITAS
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2020

| | Business-type Activities-Enterprise Funds | | | Governmental Activities- Equipment Management Internal Service Fund |
|--|---|----------------------|----------------------|--|
| | Water Utility | Sewer Utility | Totals | |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and investments | | | | |
| available for operations (Note 3) | \$43,363,539 | \$40,106,215 | \$83,469,754 | \$12,457,423 |
| Restricted cash and investments (Note 3) | 19,272,990 | 15,910,506 | 35,183,496 | |
| Receivables: | | | | |
| Accounts | 2,104,523 | 1,272,852 | 3,377,375 | |
| Due from other governments | 52,240 | 36,568 | 88,808 | |
| Interest | 179,681 | 166,573 | 346,254 | 51,917 |
| Prepays, materials, supplies and deposits (Note 1E) | 162,065 | 16,634 | 178,699 | 129,054 |
| Total current assets | 65,135,038 | 57,509,348 | 122,644,386 | 12,638,394 |
| Noncurrent assets: | | | | |
| Capital assets and capacity rights (Note 8): | | | | |
| Land and construction in progress | 12,033,231 | 1,409,793 | 13,443,024 | |
| Depreciable capital assets, net | 37,160,486 | 108,175,667 | 145,336,153 | 8,392,395 |
| Total noncurrent assets | 49,193,717 | 109,585,460 | 158,779,177 | 8,392,395 |
| Total assets | 114,328,755 | 167,094,808 | 281,423,563 | 21,030,789 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Related to pensions (Note 11D) | 365,445 | 277,866 | 643,311 | |
| Related to OPEB (Note 12E) | 282,970 | 257,913 | 540,883 | |
| Total deferred outflows of resources | 648,415 | 535,779 | 1,184,194 | |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 2,388,891 | 145,865 | 2,534,756 | 142,229 |
| Accrued payroll | 89,002 | 45,548 | 134,550 | 33,867 |
| Interest payable | 224,242 | 91,921 | 316,163 | |
| Refundable deposits | 88,695 | 44 | 88,739 | 60 |
| Unearned revenue | 3,461 | 3,461 | 6,922 | |
| Accrued vacation (Note 12F) | 80,805 | 80,805 | 161,610 | 56,687 |
| Sick leave payable (Note 12F) | 27,131 | 27,131 | 54,262 | 8,090 |
| Certificates of Participation (Note 9) | | 475,000 | 475,000 | |
| Revenue Bonds (Note 9) | 290,000 | 445,000 | 735,000 | |
| Total current liabilities | 3,192,227 | 1,314,775 | 4,507,002 | 240,933 |
| Non-current liabilities: | | | | |
| Accrued vacation (Note 12F) | 85,407 | 51,068 | 136,475 | 28,214 |
| Sick leave payable (Note 12F) | 68,976 | 65,756 | 134,732 | 11,579 |
| Net pension liabilities (Note 11C): | 2,429,292 | 1,847,111 | 4,276,403 | |
| Net OPEB liability (Note 12C) | 741,864 | 758,393 | 1,500,257 | |
| Total OPEB liability (Note 12D) | 1,248,513 | 1,083,185 | 2,331,698 | |
| Certificates of Participation (Note 9) | | 3,622,809 | 3,622,809 | |
| Revenue Bonds (Note 9) | 19,725,061 | 34,890,463 | 54,615,524 | |
| Total non-current liabilities | 24,299,113 | 42,318,785 | 66,617,898 | 39,793 |
| Total liabilities | 27,491,340 | 43,633,560 | 71,124,900 | 280,726 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Related to pensions (Note 11D) | 35,389 | 26,908 | 62,297 | |
| Related to OPEB (Note 12E) | 553,020 | 485,234 | 1,038,254 | |
| Total deferred inflows of resources | 588,409 | 512,142 | 1,100,551 | |
| NET POSITION (Note 10) | | | | |
| Net investment in capital assets and capacity rights | 29,178,656 | 70,152,188 | 99,330,844 | 8,392,395 |
| Restricted for capital projects | 32,869,666 | 30,214,763 | 63,084,429 | |
| Unrestricted | 24,849,099 | 23,117,934 | 47,967,033 | 12,357,668 |
| Total net position | \$86,897,421 | \$123,484,885 | \$210,382,306 | \$20,750,063 |

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, 2020

| | <u>Business-type Activities-Enterprise Funds</u> | | | Governmental Activities- Equipment Management Internal Service Fund |
|--|--|--------------------------|----------------------|--|
| | <u>Water Utility</u> | <u>Sewer Utility</u> | <u>Totals</u> | |
| OPERATING REVENUES | | | | |
| Charges for services | \$32,665,458 | \$19,293,825 | \$51,959,283 | \$4,242,517 |
| Developer contributions | | 17,760 | 17,760 | |
| Other operating revenue | 126,888 | 254,038 | 380,926 | 1,696 |
| Total Operating Revenues | <u>32,792,346</u> | <u>19,565,623</u> | <u>52,357,969</u> | <u>4,244,213</u> |
| OPERATING EXPENSES | | | | |
| Purchased water | 18,612,316 | | 18,612,316 | |
| Sewer treatment services | | 5,947,282 | 5,947,282 | |
| Personnel services | 3,910,585 | 1,947,744 | 5,858,329 | 1,491,370 |
| Services and supplies | 3,404,396 | 2,264,643 | 5,669,039 | 875,572 |
| Depreciation | 1,830,330 | 4,135,891 | 5,966,221 | 1,091,230 |
| Repairs and maintenance | 992,158 | 75,794 | 1,067,952 | 596,873 |
| Total Operating Expenses | <u>28,749,785</u> | <u>14,371,354</u> | <u>43,121,139</u> | <u>4,055,045</u> |
| Operating Income (Loss) | <u>4,042,561</u> | <u>5,194,269</u> | <u>9,236,830</u> | <u>189,168</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Gain on sale of capital assets | | | | 42,754 |
| Interest income | 1,161,908 | 1,099,328 | 2,261,236 | 295,048 |
| Interest expense | | (869,147) | (869,147) | |
| Subventions and grants | 140,154 | 30,745 | 170,899 | |
| Total Nonoperating Revenues (Expenses) | <u>1,302,062</u> | <u>260,926</u> | <u>1,562,988</u> | <u>337,802</u> |
| Income (Loss) Before Contributions and Transfers | 5,344,623 | 5,455,195 | 10,799,818 | 526,970 |
| Capital contributions | | | | 1,769,229 |
| Capital contributions - connection fees | 281,064 | 319,763 | 600,827 | |
| Transfers in (Note 4A) | 3,089 | 119,879 | 122,968 | 300,000 |
| Transfers (out) (Note 4A) | <u>(2,741,851)</u> | <u>(1,568,485)</u> | <u>(4,310,336)</u> | <u>(1,500,000)</u> |
| Change in net position | 2,886,925 | 4,326,352 | 7,213,277 | 1,096,199 |
| Net position-beginning | <u>84,010,496</u> | <u>119,158,533</u> | <u>203,169,029</u> | <u>19,653,864</u> |
| Net position-ending | <u>\$86,897,421</u> | <u>\$123,484,885</u> | <u>\$210,382,306</u> | <u>\$20,750,063</u> |

See accompanying notes to financial statements

CITY OF MILPITAS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2020

| | Business-type Activities-Enterprise Funds | | | Governmental Activities- Equipment Management Internal Service Fund |
|---|---|---------------------|----------------------|--|
| | Water Utility | Sewer Utility | Totals | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$32,644,312 | \$19,672,349 | \$52,316,661 | \$4,244,213 |
| Payments to suppliers | (22,402,902) | (8,352,971) | (30,755,873) | (777,975) |
| Payments to employees for salaries and benefits | (3,651,166) | (1,961,499) | (5,612,665) | (1,468,530) |
| Net cash provided by operating activities | <u>6,590,244</u> | <u>9,357,879</u> | <u>15,948,123</u> | <u>1,997,708</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Subventions and grants | 140,154 | 30,745 | 170,899 | |
| Transfers in | 3,089 | 119,879 | 122,968 | 300,000 |
| Transfers (out) | (2,741,851) | (1,568,485) | (4,310,336) | (1,500,000) |
| Cash Flows from Noncapital Financing Activities | <u>(2,598,608)</u> | <u>(1,417,861)</u> | <u>(4,016,469)</u> | <u>(1,200,000)</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | | | |
| Proceeds from issuance of debt | 17,210,000 | 29,840,000 | 47,050,000 | |
| Bond premium | 3,062,132 | 5,495,463 | 8,557,595 | |
| Principal paid on long-term debt | (155,000) | (460,000) | (615,000) | |
| Interest paid | 122,171 | (1,062,514) | (940,343) | |
| Proceeds from sale of capital assets | | | | 42,754 |
| Acquisition of capital assets | (1,701,065) | (23,184,856) | (24,885,921) | (911,556) |
| Capital contributions - connection fees | 281,064 | 319,763 | 600,827 | |
| Cash Flows from Capital and Related Financing Activities | <u>18,819,302</u> | <u>10,947,856</u> | <u>29,767,158</u> | <u>(868,802)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received | 1,172,666 | 1,110,742 | 2,283,408 | 304,196 |
| Cash Flows from Investing Activities | <u>1,172,666</u> | <u>1,110,742</u> | <u>2,283,408</u> | <u>304,196</u> |
| Net increase (decrease) in cash and cash equivalents | 23,983,604 | 19,998,616 | 43,982,220 | 233,102 |
| Cash and investments at beginning of period | 38,652,925 | 36,018,105 | 74,671,030 | 12,224,321 |
| Cash and investments at end of period | <u>\$62,636,529</u> | <u>\$56,016,721</u> | <u>\$118,653,250</u> | <u>\$12,457,423</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$4,042,561 | \$5,194,269 | \$9,236,830 | \$189,168 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Depreciation | 1,830,330 | 4,135,891 | 5,966,221 | 1,091,230 |
| Change in assets and liabilities: | | | | |
| Receivables, net | (131,059) | 106,682 | (24,377) | |
| Materials, supplies and deposits | 306,457 | 5,034 | 311,491 | 676,633 |
| Accrued payroll | 25,671 | 5,953 | 31,624 | |
| Accounts and other payables | 278,701 | (59,058) | 219,643 | 40,677 |
| Due to retirement system | (92,232) | (317,032) | (409,264) | |
| Due to OPEB | 329,815 | 286,140 | 615,955 | |
| Net cash provided by operating activities | <u>\$6,590,244</u> | <u>\$9,357,879</u> | <u>\$15,948,123</u> | <u>\$1,997,708</u> |
| NONCASH TRANSACTIONS: | | | | |
| Contributions and transfers of capital assets | | | | <u>\$1,769,229</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.

AGENCY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments.



CITY OF MILPITAS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2020

| | Successor Agency to the Milpitas Redevelopment Agency Private-purpose Trust Fund | Agency Funds |
|--|--|-----------------|
| ASSETS | | |
| Cash and investments (Note 3) | \$9,683,730 | \$771,757 |
| Restricted cash and investments (Note 3) | 2,156 | |
| Total Assets | 9,685,886 | \$771,757 |
| LIABILITIES | | |
| Accounts payable | 12,364 | \$492 |
| Interest payable | 1,582,250 | |
| Refundable deposits | | 771,265 |
| Long-term obligations (Note 15C): | | |
| Due in one year | 9,818,669 | |
| Due in more than one year | 108,061,422 | |
| Total Liabilities | 119,474,705 | \$771,757 |
| NET POSITION (DEFICIT) | | |
| Held in trust for other governments | (\$109,788,819) | |

See accompanying notes to financial statements

CITY OF MILPITAS
 FIDUCIARY FUND
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2020

| | Successor Agency to the Milpitas Redevelopment Agency Private-purpose Trust Fund <hr style="border: 0.5px solid black;"/> |
|------------------------------------|--|
| Additions: | |
| Property taxes | \$17,704,410 |
| Use of money and property | 70,621 |
| | <hr style="border: 0.5px solid black;"/> |
| Total additions | 17,775,031 |
| | <hr style="border: 0.5px solid black;"/> |
| Deductions: | |
| General and administrative | 35,985 |
| Debt service: | |
| Interest and fees | 6,725,810 |
| | <hr style="border: 0.5px solid black;"/> |
| Total deductions | 6,761,795 |
| | <hr style="border: 0.5px solid black;"/> |
| Net change in net position | 11,013,236 |
| Net position (deficit) - beginning | (120,802,055) |
| | <hr style="border: 0.5px solid black;"/> |
| Net position (deficit) - ending | (\$109,788,819) |
| | <hr style="border: 0.5px solid black;"/> |

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS



CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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, 2020

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. As of June 30, 2019, no financial activities have been undertaken by the Municipal Financing Authority.

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, 2019 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, 2020

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, 2020

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, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City also reports the following fund types:

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 the online permit development system on a cost reimbursement basis.

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.

Agency funds are used to account for assets held by the City as an agent for negotiated employee benefits, the Senior Advisory Commission, and Local Improvement Districts. The financial activities of these funds are excluded from the City-wide financial statements, but are 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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, 2020

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. Prepaids, 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.

Prepaids, 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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Property Tax*

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

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

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

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

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

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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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, 2020

NOTE 3 – CASH AND INVESTMENTS

The City pools cash from all sources and all funds except Cash and Investments held by Trustees, certain investments of the Successor Agency to the Milpitas Redevelopment Agency, and Terrace Gardens, Inc. 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 | \$350,464,377 |
| Restricted Cash and Investments | 35,183,496 |
| Total Primary Government cash and investments | 385,647,873 |
| Cash and investments available for operations | 99,922 |
| Restricted Cash | 2,693,631 |
| Total Component Unit cash and investments | 2,793,553 |
| Cash and investments in Fiduciary Funds (separate statement) | 10,457,643 |
| Total cash and investments | \$398,899,069 |

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, 2020

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% | No Limit |
| Bankers Acceptances | 180 Days | | 40% | 30% |
| 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 |
| Time Certificates of Deposit – Banks or Savings and Loans (Non-negotiable) | 5 Years | | 100% | No Limit |
| Medium-Term Corporate Notes | 5 Years | A | 30% | (A) |
| 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% |
| Security Swaps | N/A | | 100% | No Limit |

(A) Eligible Commercial Paper and Medium-Term Corporate Notes combined may not represent more than 10% of outstanding paper of an issuing corporation.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 3 – CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt 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% | No Limit |
| Time Certificates of Deposit – Banks or Savings and Loans | 5 Years | | 100% | No Limit |
| Bankers Acceptances | 180 Days | A | 20% | \$5,000,000 or 10% |
| 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% | (A) |
| 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 and medium-term corporate notes may not represent more than 10% of the outstanding paper and notes of an issuing corporation.

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, 2020

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 bond 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 | \$49,490,357 | \$63,073,701 | \$28,588,545 | \$141,152,603 | 35.37% |
| Medium-Term Corporate Notes | 7,090,805 | 7,282,823 | 3,163,184 | 17,536,812 | 4.40% |
| U.S. Treasury Notes | 12,029,881 | 12,367,110 | | 24,396,991 | 6.12% |
| California Local Agency Investment Fund | 182,197,528 | | | 182,197,528 | 45.68% |
| Mutual Funds (U.S. Securities) | 17,050,112 | | | 17,050,112 | 4.27% |
| Negotiable Certificates of Deposit | 1,263,793 | | | 1,263,793 | 0.32% |
| <i>Terrace Gardens, Inc.:</i> | | | | | |
| Nonnegotiable Certificates of Deposit | 2,396,792 | | | 2,396,792 | 0.60% |
| Total Investments | <u>\$271,519,268</u> | <u>\$82,723,634</u> | <u>\$31,751,729</u> | 385,994,631 | |
| <i>Demand Deposits - City of Milpitas</i> | | | | 12,507,677 | 3.14% |
| <i>Demand Deposits - Terrace Gardens</i> | | | | 396,761 | 0.10% |
| Total Cash and Investments | | | | <u>\$398,899,069</u> | <u>100.00%</u> |

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Each regular LAIF account is permitted to have up to 15 transactions per month, with a minimum transaction amount of \$5,000, a maximum transaction amount of \$75 million 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, 2020 these investments matured in an average of 191 days.

Mutual funds are available for withdrawal on demand and at June 30, 2020 matured in an average of 13 days.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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, 2020 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- | Total |
|--|--------------------|----------------------|--------------------|----------------------|
| Federal Agency Obligations | | \$141,152,603 | | \$141,152,603 |
| Medium-Term Corporate Notes | \$2,034,731 | 9,254,288 | \$6,247,793 | 17,536,812 |
| Totals | <u>\$2,034,731</u> | <u>\$150,406,891</u> | <u>\$6,247,793</u> | 158,689,415 |
| <i>Not rated:</i> | | | | |
| California Local Agency Investment Fund | | | | 182,197,528 |
| Mutual Funds (U.S. Securities) | | | | 17,050,112 |
| Negotiable Certificates of Deposit | | | | 1,263,793 |
| <i>Exempt from credit rate disclosure:</i> | | | | |
| U.S. Treasury Notes | | | | <u>24,396,991</u> |
| Total Investments | | | | <u>\$383,597,839</u> |

All of the unrated negotiable certificates of deposit were fully insured by Federal Deposit Insurance at June 30, 2020.

Terrace Gardens, Inc. invests only in Nonnegotiable Certificates of Deposit. At December 31, 2019, all of Terrace Gardens' Nonnegotiable Certificates of Deposit totaling \$2,396,792 were fully insured by Federal Deposit Insurance.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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, 2020:

| | Level 2 | Total |
|--|---------------|---------------|
| <i>Investments by Fair Value Level:</i> | | |
| Federal Agency Obligations | \$141,152,603 | \$141,152,603 |
| Medium-Term Corporate Notes | 17,536,812 | 17,536,812 |
| U.S. Treasury Notes | 24,396,991 | 24,396,991 |
| Negotiable Certificates of Deposit | 1,263,793 | 1,263,793 |
| Subtotal | \$184,350,199 | 184,350,199 |
| <i>Investments Measured at Amortized Cost:</i> | | |
| Mutual Funds (U.S. Securities) | | 17,050,112 |
| <i>Investments Measured at Cost:</i> | | |
| <i>Terrace Gardens, Inc.</i> | | |
| Nonnegotiable Certificates of Deposit | | 2,396,792 |
| <i>Investments Exempt from Fair Value Hierarchy:</i> | | |
| California Local Agency Investment Fund | | 182,197,528 |
| Total Investments | | \$385,994,631 |

Federal Agency Obligations totaling \$141.2 million, Medium Term Corporate Notes of \$17.5 million, U.S. Treasury Notes totaling \$24.4 million, and Negotiable Certificates of Deposit of \$1.3 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, 2020:

| Issuer | Investment Type | Amount |
|--|----------------------------|--------------|
| Federal Farm Credit Bank | Federal Agency Obligations | \$72,232,500 |
| Federal Home Loan Bank | Federal Agency Obligations | 34,333,467 |
| Federal Home Loan Mortgage Corporation | Federal Agency Obligations | 20,424,934 |
| Federal Bational Mortgage Association | Federal Agency Obligations | 14,161,702 |

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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, 2020 were as follows:

| Fund Receiving Transfers | Fund Making Transfers | Amount Transferred |
|--|--|---------------------|
| Governmental Funds: | | |
| General Fund | Street Improvement Capital Projects Fund | \$26,564 (A) |
| General Fund | Water Utility Enterprise Fund | 2,725,061 (B) |
| General Fund | Sewer Utility Enterprise Fund | 1,568,485 (B) |
| General Fund | Solid Waste Reduction and Services Special Revenue Fund | 99,456 (B) |
| General Fund | Community Facility District Special Revenue Fund | 1,600,000 (B) |
| Street Improvement Capital Projects Fund | General Fund | 1,600,000 (C) |
| Street Improvement Capital Projects Fund | Transit Area Impact Fee Capital Projects Fund | 245,000 (C) |
| Street Improvement Capital Projects Fund | Gas Tax Special Revenue Fund | 4,444,458 (C) |
| Transit Area Impact Fee Capital Projects Fund | Street Improvement Capital Projects Fund | 380,000 (A) |
| General Government Capital Projects Fund | General Fund | 4,149,721 (C) |
| General Government Capital Projects Fund | Street Improvement Capital Projects Fund | 1,256,349 (A) |
| General Government Capital Projects Fund | Gas Tax Special Revenue Fund | 800,000 (C) |
| General Government Capital Projects Fund | Lighting & Landscape Maintenance District Special Revenue Fund | 108,000 (C) |
| General Government Capital Projects Fund | Community Planning Special Revenue Fund | 500,000 (C) |
| General Government Capital Projects Fund | Park Improvement Capital Projects Fund | 75,000 (C) |
| General Government Capital Projects Fund | Storm Drain Development Capital Projects Fund | 1,000,000 (A) |
| General Government Capital Projects Fund | Equipment Management Internal Service Fund | 1,500,000 (C) |
| Gas Tax Special Revenue Fund | Street Improvement Capital Projects Fund | 521,418 (A) |
| Affordable Housing Unrestricted Special Revenue Fund | General Fund | 2,000,000 (B) |
| Park Improvement Capital Projects Fund | Transit Area Impact Fee Capital Projects Fund | 300,000 (C) |
| Park Improvement Capital Projects Fund | General Government Capital Projects Fund | 1,250,000 (C) |
| Storm Drain Development Capital Projects Fund | General Fund | 500,000 (C) |
| Storm Drain Development Capital Projects Fund | General Government Capital Projects Fund | 250,000 (C) |
| | Governmental Funds Subtotal | <u>26,899,512</u> |
| Proprietary Funds: | | |
| Water Utility Enterprise Fund | Street Improvement Capital Projects Fund | 3,089 (A) |
| Sewer Utility Enterprise Fund | Street Improvement Capital Projects Fund | 103,089 (A) |
| Sewer Utility Enterprise Fund | Water Utility Enterprise Fund | 16,790 (A) |
| | Enterprise Funds Subtotal | <u>122,968</u> |
| Equipment Management Internal Service Fund | General Fund | <u>300,000</u> (B) |
| | Total Interfund Transfers | <u>\$27,322,480</u> |

- (A) To Return Unexpended Project Funds
- (B) Transfer for Operating Cost
- (C) To Fund capital projects

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 will be repaid when the fund collects sufficient impact fees from developers. The advance bears simple interest at the monthly investment return of the City's portfolio. At June 30, 2020, the balance of the advance was \$5,394,208.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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, 2020:

| | |
|--|--------------|
| Housing and Community Development Loans: | |
| Rehabilitation Loans | \$3,659,710 |
| Housing Authority Loans: | |
| Milpitas Housing Associates | 3,274,500 |
| Parc Metropolitan Housing Development | 56,101 |
| Parc North Associates LLC | 530,222 |
| Mid-Peninsula Milpitas Affordable Housing Associates | 17,570,908 |
| KB Home South Bay Inc. | 1,272,900 |
| Western Pacific Housing Inc. | 1,820,203 |
| Shapell Industries | 800,000 |
| MIL Aspen Associates, Ltd. | 3,370,473 |
| Resources for Community Development | 159,817 |
| Total Housing Authority Loans Receivable | 28,855,124 |
| Total Loans Receivable | \$32,514,834 |

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, 2020, the City had outstanding rehabilitation loans of \$3,659,710 in its Housing and Community Development Special Revenue Fund. During the year ended June 30, 2020, the City received principal payment of \$89,343 from all participants and accrued interest of \$8,973.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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 2020, interest of \$91,500 was accrued, and as of June 30, 2020, principal and accrued interest outstanding totaled \$3,274,500.

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, 2020, the Housing Authority received principal payments of \$2,053 and as of June 30, 2020, there were \$56,101 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 2020, principal of \$133,564 was paid and as of June 30, 2020, there were \$530,222 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 2020, interest of \$288,789 was accrued, and as of June 30, 2020, principal and accrued interest outstanding totaled \$17,570,908.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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, 2020, there were \$1,004,900 of loans to Parcel C households outstanding. As of June 30, 2020 subsidies totaling \$1,272,900 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 \$1,162 was repaid in fiscal year 2020 and as of June 30, 2020 there were \$623,203 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, 2020, there were \$1,197,000 of silent second loans outstanding.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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, 2020, 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, 2020, interest of \$161,813 accrued, and as of June 30, 2020, principal and accrued interest totaled \$3,370,473.

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, 2020, \$892 of interest was accrued, and as of June 30, 2020, principal and accrued interest totaled \$159,817.

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, 2020, 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, 2020

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, 2020, 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, 2020, 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, 2020

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. No reimbursement was made to the developer during fiscal year 2018, 2019 or 2020.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 7 – DEVELOPMENT AND TAX SHARING AGREEMENTS (Continued)

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 \$111,350 of sales tax to the corporation during fiscal year 2020.

C. Tax Rebate Agreement

In March 2015, the City entered into a Tax Rebate Agreement with a corporation that provides high performance computing. Under the terms of the agreement, in return for the corporation moving its headquarters into downtown Milpitas the City agreed to pay the corporation 50% of the real and personal property taxes paid by the corporation, excluding special assessments, 50% of the sales and use tax paid by the corporation, and 50% of the transient occupancy taxes received by the City arising from payment from hotel guests staying in a Milpitas hotel booked/reserved by the corporation. The City paid \$5,946 to the corporation during fiscal year 2017, which represented the second installment for fiscal year 2016 property taxes. The City has not made any additional payments to the corporation or recorded an associated liability for fiscal years 2016-2017, 2017-2018, 2018-2019 or 2019-2020, because the corporation has not provided the tax information to the City for the fiscal year 2017, 2018, 2019 and 2020 property tax or for any of the sales and use or transient occupancy taxes.

D. 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.

During fiscal year 2016 one of the developers began construction on one of the shared infrastructure projects and expended \$5,019,701 during fiscal year 2016 and \$489,829 during fiscal year 2017. That developer received TASP fee credits to date of \$3,085,337, which is payable from the other two developers as discussed above. One of those developers began pulling permits during fiscal year 2016, which resulted in repayment of \$1,785,122 to date. The balance due from the two developers was \$1,378,557 as of June 30, 2020.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 7 – DEVELOPMENT AND TAX SHARING AGREEMENTS (Continued)

E. 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, 2020, 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.

F. 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, 2020, no reimbursements were issued, and total reimbursements of \$5,910,221 have been issued to date.

G. 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, 2020, no reimbursements were issued, and total reimbursements of \$3,136,544 have been issued to date.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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, 2020

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, 2019 | Additions | Retirements | Transfers | Balance at June 30, 2020 |
|---|-----------------------------|--------------|---------------|-----------|-----------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$68,435,083 | \$5,204,321 | | \$100,000 | \$73,739,404 |
| Construction in progress | 62,885,415 | 18,416,160 | | (100,000) | 81,201,575 |
| Total capital assets not being depreciated | 131,320,498 | 23,620,481 | | | 154,940,979 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 173,371,133 | | | | 173,371,133 |
| Other improvements | 30,558,026 | | | | 30,558,026 |
| Machinery and equipment | 45,236,876 | 2,680,784 | (\$1,434,342) | | 46,483,318 |
| Landscape system | 29,937,853 | 114,994 | | | 30,052,847 |
| Storm system | 74,340,148 | | | | 74,340,148 |
| Street system | 271,210,745 | 5,515,443 | | | 276,726,188 |
| Traffic system | 19,300,485 | 615,337 | | | 19,915,822 |
| Total capital assets being depreciated | 643,955,266 | 8,926,558 | (1,434,342) | | 651,447,482 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (81,419,095) | (6,153,695) | | | (87,572,790) |
| Other improvements | (21,960,780) | (872,512) | | | (22,833,292) |
| Machinery and equipment | (35,818,666) | (1,575,571) | 1,434,342 | | (35,959,895) |
| Landscape system | (15,277,885) | (598,548) | | | (15,876,433) |
| Storm system | (72,434,362) | (288,718) | | | (72,723,080) |
| Street system | (205,907,774) | (5,391,630) | | | (211,299,404) |
| Traffic system | (15,164,427) | (488,294) | | | (15,652,721) |
| Total accumulated depreciation | (447,982,989) | (15,368,968) | 1,434,342 | | (461,917,615) |
| Net capital assets being depreciated | 195,972,277 | (6,442,410) | | | 189,529,867 |
| Governmental activities capital assets, net | \$327,292,775 | \$17,178,071 | | | \$344,470,846 |

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 8 – CAPITAL ASSETS (Continued)

Governmental activities construction in progress comprised the following at June 30, 2020:

| Project | Total Budget | Actual Costs | Unexpended Budget |
|---|----------------------|---------------------|----------------------|
| S Milpitas Blvd Extension | \$17,000,000 | \$17,000,000 | |
| Alviso Adobe Renovation | 8,159,272 | 6,693,654 | \$1,465,618 |
| Park Irrigation System | 400,000 | 276,086 | 123,914 |
| McCandless Park | 12,154,820 | 2,834,212 | 9,320,608 |
| Sports Fields Turf Rehabilitation Program | 450,000 | 50,874 | 399,126 |
| Creighton Park Renovation | 3,300,000 | 1,690,300 | 1,609,700 |
| Sandalwood Park Renovation | 2,325,000 | 182,322 | 2,142,678 |
| Sports Center Skate Park | 6,325,000 | 4,866,549 | 1,458,451 |
| Carlo Park | 1,100,000 | 99,458 | 1,000,542 |
| Minor Sports Courts Rehabilitation | 450,000 | 227,222 | 222,778 |
| McCarthy Blvd Landscape | 947,256 | 473,370 | 473,886 |
| Fire Station Improvements | 1,820,000 | 739,332 | 1,080,668 |
| City Building Improve | 3,525,000 | 2,296,534 | 1,228,466 |
| Sinclair LMD Improvements | 117,000 | 84,650 | 32,350 |
| City Building, Exterior Painting | 900,000 | 78,858 | 821,142 |
| Police Department Communications | 4,455,000 | 2,865,999 | 1,589,001 |
| Replacement Fire Station Alert System | 393,000 | 233,215 | 159,785 |
| City Building Roofing | 900,000 | 148,053 | 751,947 |
| Police Records Management | 849,721 | 271,108 | 578,613 |
| Citywide Park Playground | 850,000 | 346,329 | 503,671 |
| Annual Sidewalk, Curb & Gutter Repair | 1,556,840 | 1,153,047 | 403,793 |
| Technology Projects | 1,100,000 | 936,166 | 163,834 |
| Midtown Street Light | 300,000 | 263,937 | 36,063 |
| 2017-19 Finance System Upgrade | 1,150,000 | 626,743 | 523,257 |
| Annual Tree Replacement Program | 679,000 | 91,173 | 587,827 |
| Fire Station #2 Replacement | 5,520,000 | 1,442,648 | 4,077,352 |
| LAN/WAN Network Upgrade | 952,245 | 789,143 | 163,102 |
| Storm Drain System Rehabilitation | 1,190,000 | 853,037 | 336,963 |
| Dempsey Road Storm Drain | 3,090,000 | 230,962 | 2,859,038 |
| BART Project-Storm Improvement | 33,000 | | 33,000 |
| Minor Storm Drain Projects 2016 | 100,000 | 36,914 | 63,086 |
| Trash Removal Devices | 600,000 | 449,006 | 150,994 |
| Flap Gate Replacement | 175,000 | | 175,000 |
| Storm Drain Systems Rehab 17-19 | 1,400,000 | 514,818 | 885,182 |
| Minor Storm Projects | 100,000 | 100,000 | |
| Storm Supervisory Control & Data Acquisition | 200,000 | | 200,000 |
| Light Rail Median Landscaping | 6,005,000 | 3,938,826 | 2,066,174 |
| Second SCVWD Water Reservoir & Pump Station | 200,000 | 825 | 199,175 |
| Lower Penitencia Creek | 1,825,000 | 335,188 | 1,489,812 |
| Montague Pedestrian Overcrossing at Piper Drive | 8,000,000 | 7,801,221 | 198,779 |
| SCVWD Second Water Supply Turnout #2 | 100,000 | 643 | 99,357 |
| Transit Area Police Substation | 310,000 | | 310,000 |
| TASP Linear Trails | 3,270,000 | | 3,270,000 |
| Trade Zone/Montague Park - North | 3,100,000 | | 3,100,000 |
| S. Milpitas Imprv - Gibraltar to UPRR | 850,000 | 850,000 | |
| S. Milpitas Blvd. Vehicle Bridge at Penitencia | 1,025,000 | 10,004 | 1,014,996 |
| TASP On-Street Parking Program | 330,000 | 137,683 | 192,317 |
| Montague Ped. Overcrossing at Penitencia | 1,010,000 | | 1,010,000 |
| TASP Recycled Water Distribution | 800,000 | | 800,000 |
| SCVWD Zone 1 Pressure Red. Valve | 100,000 | | 100,000 |
| 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>\$130,673,620</u> | <u>\$81,201,575</u> | <u>\$49,472,045</u> |

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 8 – CAPITAL ASSETS (Continued)

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

| | Balance at June 30, 2019 | Additions | Transfers | Balance at June 30, 2020 |
|--|-----------------------------|--------------|---------------|-----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$1,133,079 | | | \$1,133,079 |
| Construction in progress | 12,813,915 | \$2,269,771 | (\$2,773,741) | 12,309,945 |
| Total capital assets not being depreciated | 13,946,994 | 2,269,771 | (2,773,741) | 13,443,024 |
| Capital assets being depreciated: | | | | |
| Distribution facilities | 80,461,211 | | 735,830 | 81,197,041 |
| Water Service lines | 16,935,579 | | 27,136 | 16,962,715 |
| Sewer lines | 84,046,733 | | 2,010,775 | 86,057,508 |
| Capacity rights | 77,977,190 | 22,616,150 | | 100,593,340 |
| Total capital assets being depreciated | 259,420,713 | 22,616,150 | 2,773,741 | 284,810,604 |
| Less accumulated depreciation for: | | | | |
| Distribution facilities | (52,344,911) | (1,442,112) | | (53,787,023) |
| Water Service lines | (6,824,029) | (388,218) | | (7,212,247) |
| Sewer lines | (49,571,066) | (1,371,493) | | (50,942,559) |
| Capacity rights | (24,768,224) | (2,764,398) | | (27,532,622) |
| Total accumulated depreciation | (133,508,230) | (5,966,221) | | (139,474,451) |
| Net capital assets being depreciated | 125,912,483 | 16,649,929 | | 145,336,153 |
| Business-type activities capital assets, net | \$139,859,477 | \$18,919,700 | | \$158,779,177 |

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 8 – CAPITAL ASSETS (Continued)

Business-type activities construction in progress comprised the following at June 30, 2020:

| Project | Total Budget | Actual Costs | Unexpended Budget |
|--|---------------------|---------------------|----------------------|
| TASP Sewer Line Replacement | \$2,500,000 | \$129 | \$2,499,871 |
| CCTV Sanitary Sewer | 407,472 | 20,578 | 386,894 |
| BART Project-Sewer Improvements | 243,323 | 229,730 | 13,593 |
| Sanitary Sewer Overflow Improvement | 205,745 | 204,335 | 1,410 |
| Sewer Pump Station Rehabilitation | 400,000 | 151,074 | 248,926 |
| Sewer Pump Station Treatment Improvement | 550,000 | 341,426 | 208,574 |
| Minor Sewer Projects | 150,000 | 42,079 | 107,921 |
| Sanitary Supervisory Control | 450,000 | | 450,000 |
| Main Lift Station Odor Emissions Control | 2,250,000 | 121,467 | 2,128,533 |
| Sanitary Sewer Cathodic Protection Improvement | 1,525,000 | 102,979 | 1,422,021 |
| Sewer System Replacement | 500,000 | 194,495 | 305,505 |
| Well Upgrade Project | 12,475,000 | 4,005,277 | 8,469,723 |
| Water System Seismic Improvement | 4,887,951 | 966,774 | 3,921,177 |
| Hydrant Replacement | 386,360 | 167,487 | 218,873 |
| 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 Replacement | 5,671,700 | 967,355 | 4,704,345 |
| BART Project-Water Improvements | 2,503,920 | 1,820,243 | 683,677 |
| Water Conservation Program | 1,400,000 | 1,096,891 | 303,109 |
| Supervisory Control | 1,050,000 | | 1,050,000 |
| Recycled Water Pipeline Infill | 300,000 | 104,896 | 195,104 |
| Minor Water Projects | 300,000 | 295,759 | 4,241 |
| Water O & M Database Management | 150,000 | 137,725 | 12,275 |
| Water Leak Detection | 300,000 | 54,864 | 245,136 |
| | <u>\$47,404,243</u> | <u>\$12,309,945</u> | <u>\$35,094,298</u> |

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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, 2019:

| | Balance December 31, 2018 | Additions | Deletions/ transfer | Balance December 31, 2019 |
|--|------------------------------|---------------------------|-------------------------|------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$1,565,277 | | | \$1,565,277 |
| Construction in progress | 7,000 | | (\$7,000) | |
| Total capital assets not being depreciated | <u>1,572,277</u> | | <u>(7,000)</u> | <u>1,565,277</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 11,967,991 | \$139,944 | | 12,107,935 |
| Furniture | 352,148 | 12,695 | | 364,843 |
| Office equipment | 65,096 | | | 65,096 |
| Improvements | 2,527,390 | 73,860 | | 2,601,250 |
| Total capital assets being depreciated | <u>14,912,625</u> | <u>226,499</u> | | <u>15,139,124</u> |
| Less accumulated depreciation | <u>(8,791,023)</u> | <u>(442,550)</u> | | <u>(9,233,573)</u> |
| Net capital assets being depreciated | <u>6,121,602</u> | <u>(216,051)</u> | | <u>5,905,551</u> |
| Total capital assets, net | <u><u>\$7,693,879</u></u> | <u><u>(\$216,051)</u></u> | <u><u>(\$7,000)</u></u> | <u><u>\$7,470,828</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:

Governmental Activities:

| | |
|--------------------------------------|----------------------------|
| General Government | \$2,311,783 |
| Public Works | 7,388,151 |
| Engineering | 2,527,795 |
| Recreation and Community Services | 1,219,743 |
| Police | 508,927 |
| Fire | 321,339 |
| Internal Service Fund | 1,091,230 |
| Total Governmental Activities | <u><u>\$15,368,968</u></u> |

Business-Type Activities:

| | |
|---------------------------------------|---------------------------|
| Water Utility | \$1,830,330 |
| Sewer Utility | 4,135,891 |
| Total Business-Type Activities | <u><u>\$5,966,221</u></u> |

Discretely Presented Component Unit:

| | |
|-----------------------|-------------------------|
| Terrace Gardens, Inc. | <u><u>\$442,550</u></u> |
|-----------------------|-------------------------|

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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 \$100,593,341. The operation and maintenance costs are calculated based upon actual sewage flow and strengths. In fiscal year 2020 the City’s operation and maintenance share was approximately 6.196% 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, 2019 | Additions | Retirements | Balance June 30, 2020 | Current Portion |
|---|--------------------------|--------------------------|---------------------|------------------|--------------------------|--------------------|
| Governmental Activities Debt - Direct Borrowing: | | | | | | |
| Capital Lease (Network Upgrade Project) | | | | | | |
| 4.25%, due January 21, 2023 | \$952,245 | \$728,307 | | \$728,307 | | |
| Business-type Activities Debt | | | | | | |
| Wastewater Revenue Refunding Bonds, 2017 Series | | | | | | |
| 2.0% - 5.0%, due November 1, 2026 | \$4,725,000 | \$4,245,000 | | \$460,000 | \$3,785,000 | \$475,000 |
| Plus: Unamortized bond premium | | 566,847 | | 70,856 | 495,991 | |
| Wastewater Revenue Bonds, 2019 Series | | | | | | |
| 4.0% - 5.0%, due November 1, 2049 | 29,840,000 | | \$29,840,000 | | 29,840,000 | 445,000 |
| Plus: Unamortized bond premium | | | 5,495,463 | 183,182 | 5,312,281 | |
| Water Revenue Bonds, 2019 Series | | | | | | |
| 4.0% - 5.0%, due June 1, 2049 | 17,210,000 | | 17,210,000 | 155,000 | 17,055,000 | 290,000 |
| Plus: Unamortized bond premium | | | 3,062,132 | 102,071 | 2,960,061 | |
| Total Business-Type Activities | \$51,775,000 | \$4,811,847 | \$55,607,595 | \$971,109 | \$59,448,333 | \$1,210,000 |

B. Network Upgrade Project Capital Lease

In December 2018, the City entered into a lease purchase agreement in the amount of \$952,245 at 4.25% interest with Key Government Finance, Inc. to finance the purchase and installation of the City’s Network Upgrade Project. The agreement includes a provision that in an event of default, all funds are to be disbursed to Key Government Finance, Inc. in accordance with the agreement, and the agreement terminates. Principal and interest payments of \$202,222 are due each January 21st through January 21, 2023. The lease was paid off as of June 30, 2020.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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 2020, net revenues amounted to \$10,429,488 which represented coverage of 8.22 over the \$1,268,477 debt service of both bond issues.

E. *Water Revenue Bonds, Series 2019*

On October 24, 2019, the Milpitas Municipal Financing Authority issued Water Revenue Bonds, Series 2019, in the original principal amount of \$17,210,000 to provide funds to the City for certain improvements to the City's water system. The Bonds bear interest of 4.0% to 5.0% and interest is payable every June 1 and December 1 beginning on June 1, 2020. Principal on the bonds will be payable on June 1 beginning on June 1, 2020 through 2039, followed by term bonds that are due June 1, 2044 and June 1, 2049 respectively. The Bonds were structured with a par optional redemption date of June 1, 2029. Bonds maturing on June 1, 2044 and June 1, 2049 are subject to mandatory redemption. The Bonds contain a provision that in an event of default, the Trustee may declare the principal of the bonds, together with all accrued interest at the date of default, immediately due and payable, or exercise any and all rights and remedies available to it under applicable law, including the right to enforce from the City all payments due on the Bonds, and the City will pay all reasonable fees and expenses incurred by the Trustee and those of its attorneys.

The Bonds are collateralized by net revenues from the City's Water System. For the fiscal year 2020, net revenues amounted to \$7,034,799 which represented coverage of 12.26 over the \$574,018 debt service.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 9 – LONG-TERM DEBT (Continued)

F. Debt Service Requirements

Annual debt service requirements are shown below:

| Year Ending June 30 | Business-Type Activities | |
|--------------------------------|--------------------------|-------------------|
| | Revenue Bonds | |
| | Total Principal | Total Interest |
| 2021 | \$1,210,000 | \$2,254,175 |
| 2022 | 1,280,000 | 2,199,925 |
| 2023 | 1,335,000 | 2,143,325 |
| 2024 | 1,395,000 | 2,081,400 |
| 2025 | 1,460,000 | 2,013,650 |
| 2026 - 2027 | 44,000,000 | 26,916,800 |
| | 50,680,000 | \$37,609,275 |
| Plus: Unamortized bond premium | 8,768,333 | |
| | <u>\$59,448,333</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:

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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

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, 2020

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City’s Fund Balances, as of June 30, 2020, are below:

| Fund Balance Classifications | General Fund | Major | Major | | General Government Projects Fund | Other Governmental Funds | Total |
|---|---------------------|--|-------------------------|------------------------------|----------------------------------|--------------------------|----------------------|
| | | Special Revenue Fund Housing Authority | Street Improvement Fund | Transit Area Impact Fee Fund | | | |
| Nonspendable: | | | | | | | |
| Loans receivable | | | | | | | |
| Prepays, materials, supplies and deposits | \$594,977 | \$4,110 | | | | \$16,008 | \$615,095 |
| Property held for resale | 4,200,000 | | | | | | 4,200,000 |
| Advance to other funds | 5,394,208 | | | | | | 5,394,208 |
| Subtotal Nonspendable | 10,189,185 | 4,110 | | | | 16,008 | 10,209,303 |
| Restricted for: | | | | | | | |
| Redevelopment Projects and Programs and Maintenance | | | \$9,100,654 | | | 2,112,602 | 11,213,256 |
| Housing and community development | | 39,408,985 | | | | 3,805,685 | 43,214,670 |
| Law enforcement services | | | | | | 157,854 | 157,854 |
| Solid waste reduction and services | | | | | | 1,868,940 | 1,868,940 |
| Assessment district services | | | | | | 1,957,640 | 1,957,640 |
| Hetch-Hetchy ground lease | | | | | | 1,604,147 | 1,604,147 |
| Community planning | | | | | | 783,767 | 783,767 |
| Community benefits | | | | | | 266,971 | 266,971 |
| Affordable housing | | | | | | 3,289,971 | 3,289,971 |
| Affordable housing unrestricted | | | | | | 2,165,406 | 2,165,406 |
| Park improvement projects | | | | | | 19,444,935 | 19,444,935 |
| Storm drain projects | | | | | | 7,202,420 | 7,202,420 |
| Transit area capital projects | | | | \$62,188,714 | | | 62,188,714 |
| Subtotal Restricted | | 39,408,985 | 9,100,654 | 62,188,714 | | 44,660,338 | 155,358,691 |
| Committed to: | | | | | | | |
| PERS stabilization | 33,871,915 | | | | | | 33,871,915 |
| Artificial turf replacement | 1,210,000 | | | | | | 1,210,000 |
| Technology replacement | 2,000,000 | | | | | | 2,000,000 |
| Facilities replacement | 7,000,000 | | | | | | 7,000,000 |
| Subtotal Restricted | 44,081,915 | | | | | | 44,081,915 |
| Assigned to: | | | | | | | |
| Change in investment market values | 1,086,531 | | | | | | 1,086,531 |
| Uninsured claims payable | 2,000,000 | | | | | | 2,000,000 |
| Public art projects | | | | | | 1,246,130 | 1,246,130 |
| Other contracts | 3,031,484 | | | | | | 3,031,484 |
| General government capital projects | | | | | \$28,521,859 | | 28,521,859 |
| Subtotal Assigned | 6,118,015 | | | | 28,521,859 | 1,246,130 | 35,886,004 |
| Unassigned: | | | | | | | |
| General Fund | | | | | | | |
| Contingency reserve | 17,300,000 | | | | | | 17,300,000 |
| Budget stabilization | 17,087,309 | | | | | | 17,087,309 |
| Subtotal Unassigned | 34,387,309 | | | | | | 34,387,309 |
| Total fund balances (deficit) | \$94,776,424 | \$39,413,095 | \$9,100,654 | \$62,188,714 | \$28,521,859 | \$45,922,476 | \$279,923,222 |

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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 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 Comprehensive Annual Financial Report (CAFR) are known. For the year ended June 30, 2020, the reserve is set at 17.3 million and classified in the unassigned fund balance.
- 2) 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 Comprehensive Annual Financial Report (CAFR) are known. For the year ended June 30, 2020, the reserve is set at \$17.1 million and classified in the unassigned fund balance.
- 3) The City will maintain in the General Fund and the Water and Sewer Utility Enterprise Funds or in a Section 115 Trust a Public Employees Retirement (PERS) Rate Stabilization Reserve 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.
- 4) 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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

- 5) 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.
- 6) 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.
- 7) 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.
- 8) 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.
- 9) Other reserves designated in the General Fund for investment portfolio market gain and uninsured claims payable will be calculated adjusted annually at appropriate levels.
- 10) 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 Comprehensive Annual Financial Report (CAFR) are known. For the year ended June 30, 2020, the capital reserve for the Water Operating Fund is set at \$8.3 million and for the Sewer Operating Fund at \$3.1 million.
- 11) 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 Comprehensive Annual Financial Report (CAFR) 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, 2020

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

- 12) 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.
- 13) 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, 2020

NOTE 11 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2020, 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 | 10.040% | 10.040% | 10.040% |
| Required Unfunded Actuarial Liability Contribution | \$5,501,100 | | |
| | 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% | 10% |
| Required employer contribution rates | 19.318% | 19.318% | 19.318% |
| Required Unfunded Actuarial Liability Contribution | \$7,480,263 | | |

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, 2020 were \$5,501,100 and \$7,480,263, 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, 2018 and measurement date of June 30, 2019:

| | 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 | 383 | | | 238 | | |
| Inactive employees entitled to but not yet receiving benefits | 320 | | | 30 | | |
| Active employees | 116 | 11 | 75 | 106 | 6 | 28 |
| Total | 819 | 11 | 75 | 374 | 6 | 28 |

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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.

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, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 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, 2019 measurement date were determined using the following actuarial assumptions:

| | Miscellaneous (1) | Safety (1) |
|----------------------------------|--|--|
| Valuation Date | June 30, 2018 | June 30, 2018 |
| Measurement Date | June 30, 2019 | June 30, 2019 |
| 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 | .40% - 8.50% (2) | .97% - 17.00% (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.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2018 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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 11 – PENSION PLANS (Continued)

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 rate 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>100.0%</u> | | |

- (a) In the System’s CAFR, 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, 2020

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, 2018 (Measurement Date) | \$230,556,047 | \$163,919,915 | \$66,636,132 |
| Changes in the year: | | | |
| Service cost | 3,361,140 | | 3,361,140 |
| Interest on the total pension liability | 16,517,342 | | 16,517,342 |
| Differences between actual and expected experience | 4,569,776 | | 4,569,776 |
| Changes in assumptions | | | |
| Changes in benefit terms | | | |
| Contribution - employer | | 6,864,376 | (6,864,376) |
| Contribution - employee | | 1,569,027 | (1,569,027) |
| Net Plan to Plan Resource Movement | | | |
| Net investment income | | 10,774,536 | (10,774,536) |
| Administrative expenses | | (116,977) | 116,977 |
| Other Miscellaneous Income/(Expense) | | 381 | (381) |
| Benefit payments, including refunds of employee contributions | (11,589,225) | (11,589,225) | |
| Net changes | <u>12,859,033</u> | <u>7,502,118</u> | <u>5,356,915</u> |
| Balance at June 30, 2019 (Measurement Date) | <u>\$243,415,080</u> | <u>\$171,422,033</u> | <u>\$71,993,047</u> |
| | | | |
| | Safety Plan | | |
| | Increase (Decrease) | | |
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability/(Asset) |
| Balance at June 30, 2018 (Measurement Date) | \$344,599,333 | \$224,139,384 | \$120,459,949 |
| Changes in the year: | | | |
| Service cost | 6,211,449 | | 6,211,449 |
| Interest on the total pension liability | 24,560,414 | | 24,560,414 |
| Differences between actual and expected experience | 4,563,968 | | 4,563,968 |
| Changes in assumptions | | | |
| Changes in benefit terms | | | |
| Contribution - employer | | 10,288,856 | (10,288,856) |
| Contribution - employee | | 2,441,763 | (2,441,763) |
| Net Plan to Plan Resource Movement | | | |
| Net investment income | | 14,733,700 | (14,733,700) |
| Administrative expenses | | (159,951) | 159,951 |
| Other Miscellaneous Income/(Expense) | | 521 | (521) |
| Benefit payments, including refunds of employee contributions | (17,533,455) | (17,533,455) | |
| Net changes | <u>17,802,376</u> | <u>9,771,434</u> | <u>8,030,942</u> |
| Balance at June 30, 2019 (Measurement Date) | <u>\$362,401,709</u> | <u>\$233,910,818</u> | <u>\$128,490,891</u> |
| Grand Totals - Both Plans | <u>\$605,816,789</u> | <u>\$405,332,851</u> | <u>\$200,483,938</u> |

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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:

| | Miscellaneous | Safety |
|-----------------------|----------------------|---------------|
| 1% Decrease | 6.15% | 6.15% |
| Net Pension Liability | \$103,876,949 | \$176,725,838 |
| Current Discount Rate | 7.15% | 7.15% |
| Net Pension Liability | \$71,993,047 | \$128,490,891 |
| 1% Increase | 8.15% | 8.15% |
| Net Pension Liability | \$45,596,001 | \$88,701,151 |

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, 2020, the City recognized pension expense of \$11,235,713 for the Miscellaneous Plan and \$21,937,424 for the Safety Plan, for total pension expense of \$33,173,137. At June 30, 2020, 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 | \$8,337,504 | |
| Differences between actual and expected experience | 2,492,605 | |
| Changes in assumptions | | |
| Net differences between projected and actual earnings on plan investments | | (\$1,048,762) |
| Total | \$10,830,109 | (\$1,048,762) |

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 11 – PENSION PLANS (Continued)

| | Safety Plan | |
|--|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions after the measurement date | \$11,739,849 | |
| Differences between actual and expected experience | 4,681,328 | (\$467,352) |
| Changes in assumptions | 3,690,689 | (172,672) |
| Net differences between projected and actual earnings on plan investments | | (1,481,696) |
| Total | <u>\$20,111,866</u> | <u>(\$2,121,720)</u> |
| Grand Totals - Both Plans | <u>\$30,941,975</u> | <u>(\$3,170,482)</u> |

\$20,077,353 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, 2021. 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 |
| 2021 | \$2,633,436 | \$6,322,974 |
| 2022 | (1,073,388) | (\$960,500) |
| 2023 | (278,737) | \$669,781 |
| 2024 | 162,532 | \$218,042 |

Subsequent Event - CalPERS Pension Contribution Rates – The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. As a result of these changes, the City’s contribution rates for the Miscellaneous and Safety Plans for the fiscal year ended June 30, 2021 are expected to increase 0.105% and 1.152% over the fiscal year 2020 contribution rates.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 11 – PENSION PLANS (Continued)

E. Public Agency Retirement System

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

The City'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 \$32,350 and the employee's required contributions of \$129,395 were made during the fiscal year ending June 30, 2020.

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, 2020, 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, 2020

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

- 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, 2020

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 |
| | | | Less than 1 | PEMHCA Minimum Only |
| | | After February 20, 2007 | 1 but less than 10 | Up to 50% of the lesser of the Retiree Cap and the premium rate |
| | At least 10 | | Up to 100% of the lesser of the Retiree Cap and the premium rate | |
| | Less than 1 | | PEMHCA Minimum Only | |
| | 1 but less than 10 | | Up to 25% of the Benefit Cap | |
| | After December 31, 1994 | Before February 21, 2007 | 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 1 | PEMHCA Minimum Only |
| | | After February 20, 2007 | 1 but less than 10 | 25% of the lesser of the Retiree Cap and the premium rate |
| | | | 10 but less than 15 | 50% of the lesser of the Retiree Cap and the premium |
| | | | 15 but less than 20 | 75% of the lesser of the Retiree Cap and the premium |
| | | | At least 20 | 100% of the lesser of the Retiree Cap and the premium |

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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 |
| | | | At least 5 | Any employee only medical premium rate |
| | | After June 30, 2003 | Less than 5 | PEMHCA Minimum Only |
| | At least 5 | | Up to the Retiree Cap | |
| | After December 31, 1995 | 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 |
| | | After June 30, 2003 | At least 19 | 100% of any employee only premium |
| | | | Less than 1 | PEMHCA Minimum Only |
| | | | 1 but less than 9 | Up to 25% of the Retiree Cap |
| | | | 9 but less than 14 | Up to 50% of the Retiree Cap |
| | | | 14 but less than 19 | Up to 75% of the Retiree Cap |
| At least 19 | | | Up to 100% of the Retiree Cap | |
| 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 |
| | At least 5 | | Benefit Cap | |
| | After June 30, 1996 | Any | 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 |

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 12 – EMPLOYEE BENEFITS (Continued)

Medical benefits for retirees (continued):

| | Hire/Retirement Date | Date of Retirement | Eligibility Rule | City Contribution Requirement |
|--|----------------------|--|-------------------------------|--|
| | | | (Continuous Years of Service) | |
| 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 |
| | | | At least 5 | Benefit Cap |
| | | After June 29, 1995 | After November 27, 2007 | Less than 5 |
| | 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, 2020

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 |
| | | | 5 but less than 9 | Up to 25% of the family/dependent premium |
| | After June 30, 1995 | After December 4, 2006 | 9 but less than 14 | Up to 50% of the family/dependent premium |
| | | | 14 but less than 19 | Up to 75% of the family/dependent premium |
| | | At least 19 | Up to 100% of the family/dependent premium | |
| Mid-Management and Confidential (LIUNA) | Before July 1, 1995 | After January 1, 2007 | At least 5 | Up to 100% of family/dependent premium |
| | | | 5 but less than 9 | Up to 25% of the family/dependent premium |
| | After June 30, 1995 | After January 1, 2007 | 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 |
| | | | 5 but less than 9 | Up to 25% of the family/dependent premium |
| | After December 31, 1995 | After June 30, 2003 | 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 |
| | | | 5 but less than 9 | Up to 25% of the family/dependent premium |
| | After December 31, 1995 | After September 4, 2007 | 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 |
| | | | 5 but less than 9 | Up to 25% of the family/dependent premium |
| | After December 31, 1995 | After June 30, 2018 | 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, 2020

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 | |
| Police (MPOA) | 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 |
| | After December 31, 1995 | After June 30, 2003 | 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, 2020, the City’s contributions to the Plan were \$4,528,174.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2019:

| | |
|--|-----|
| Active employees | 372 |
| Inactive employees or beneficiaries currently receiving benefit payments | 295 |
| Inactive employees entitled to but not yet receiving benefit payments | 92 |
| Total | 759 |

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 12 – EMPLOYEE BENEFITS (Continued)

Actuarial Methods and Assumptions – The City’s net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2018, that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2019, based on the following actuarial methods and assumptions:

| | Actuarial Assumptions |
|---------------------------|---|
| Valuation Date | July 1, 2019 |
| Measurement Date | June 30, 2019 |
| 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 | 6.85% |
| Mortality Rate | MacLeod Watts Scale of 2020 applied generationally |
| Healthcare Trend Rate | 5.40% grading down to 4.90% 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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 12 – EMPLOYEE BENEFITS (Continued)

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 | 100.0% |

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%.

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%.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 12 – EMPLOYEE BENEFITS (Continued)

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, 2019 | \$87,921,496 | \$44,016,612 | \$43,904,884 |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | 2,423,566 | | 2,423,566 |
| Interest on the total OPEB liability | 5,462,138 | | 5,462,138 |
| Changes in benefit terms | (17,098,878) | | (17,098,878) |
| Differences between expected and actual experience | | | |
| Changes of assumptions | (1,624,371) | | (1,624,371) |
| Contributions from the employer | | 4,651,743 | (4,651,743) |
| Net investment income | | 2,834,217 | (2,834,217) |
| Other Expenses | | | |
| Plan Experience | (11,594,216) | | (11,594,216) |
| Administrative expenses | | (9,742) | 9,742 |
| Benefit payments | (3,183,858) | (3,183,858) | |
| Net changes | (25,615,619) | 4,292,360 | (29,907,979) |
| Balance at June 30, 2020 (Measurement Date) | <u>\$62,305,877</u> | <u>\$48,308,972</u> | <u>\$13,996,905</u> |

The benefit payments and refunds include implied subsidy benefit payments in the amount of \$1,158,935.

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% |
| <u>\$21,867,673</u> | <u>\$13,996,905</u> | <u>\$7,431,761</u> |

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

| Net OPEB Liability/(Asset) | | |
|--------------------------------|---------------------|---------------------|
| Healthcare Cost Trend Rates | | |
| 1% Decrease | (5.40%-4.00%) | 1% Increase |
| <u>\$6,815,988</u> | <u>\$13,996,905</u> | <u>\$22,735,601</u> |

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 12 – EMPLOYEE BENEFITS (Continued)

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, 2019:

| | |
|---|-----|
| Active employees | 372 |
| Inactive dependents of retirees currently receiving benefit payments | 149 |
| Inactive employees entitled to but not yet receiving benefit payments | 28 |
| Total | 549 |

Actuarial Methods and Assumptions – The Union Dependent Funds’ total OPEB liability was measured as of June 30, 2019 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, 2019 based on the following actuarial methods and assumptions:

| | Actuarial Assumptions |
|---------------------------|--|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2019 |
| Actuarial Cost Method | Entry Age Normal Cost, level percent of pay |
| Actuarial Assumptions: | |
| Discount Rate | 3.13% as of June 30, 2019 |
| Inflation | 2.50% |
| Salary Increase | 3.00% |
| Investment Rate of Return | 6.85% |
| Mortality Rate | MacLeod Watts Scale of 2020 applied generationally |
| 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, 2020

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, 2019 | - |
| Changes Recognized for the Measurement Period: | |
| Service Cost | |
| Interest on the total OPEB liability | |
| Changes in benefit terms | 28,504,872 |
| Differences between expected and actual experience | |
| Changes of assumptions | |
| Contributions from the employer | |
| Net investment income | |
| Other Expenses | |
| Plan Experience | |
| Administrative expenses | |
| Benefit payments | |
| | 28,504,872 |
| Net changes | 28,504,872 |
| Balance at June 30, 2020 (Measurement Date) | \$28,504,872 |

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% | 3.13% | Discount Rate +1% |
| \$33,069,057 | \$28,504,872 | \$24,807,977 |

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 |
| \$24,682,743 | \$28,504,872 | \$33,322,489 |

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 12 – EMPLOYEE BENEFITS (Continued)

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

For the year ended June 30, 2020, the City recognized Retiree Medical Benefits OPEB Plan and Dependent Fund OPEB Plan recognized expense of \$15,009,463 and \$28,504,872, respectively. At June 30, 2020, 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 | \$4,528,174 | |
| Differences between actual and expected experience | | (\$9,686,107) |
| Changes of assumptions | 177,063 | (2,297,264) |
| Net differences between projected and actual earnings on plan investments | | (503,147) |
| Total | \$4,705,237 | (\$12,486,518) |
| Dependent Fund OPEB Plan | | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Employer contributions made subsequent to the measurement date | \$1,437,201 | |
| Differences between actual and expected experience | | |
| Changes of assumptions | | |
| Net differences between projected and actual earnings on plan investments | | |
| Total | \$1,437,201 | |
| Grand Total, Both Plans | \$6,142,438 | (\$12,486,518) |

\$5,965,375 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, 2021. 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 |
| 2021 | (\$2,673,833) | |
| 2022 | (2,673,834) | |
| 2023 | (2,416,397) | |
| 2024 | (2,299,834) | |
| 2025 | (1,784,170) | |
| Thereafter | (461,387) | |

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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, 2020, sick leave benefits payable decreased by \$157,290 and vacation benefits payable increased by \$1,214,838. 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, 2019 | \$4,876,906 | \$324,366 | \$3,036,125 | \$155,364 |
| Additions | 3,681,683 | 147,647 | 1,154,131 | 94,032 |
| Payments and adjustments | (2,440,564) | (173,928) | (1,345,051) | (60,402) |
| Balance as of June 30, 2020 | <u>\$6,118,025</u> | <u>\$298,085</u> | <u>\$2,845,205</u> | <u>\$188,994</u> |
| General Government | \$593,017 | | \$108,892 | |
| Building | 226,321 | | 38,351 | |
| Public Works | 416,296 | | 272,166 | |
| Engineering | 250,727 | | 62,359 | |
| Planning | 134,139 | | 0 | |
| Recreation | 162,652 | | 30,090 | |
| Police | 2,955,925 | | 1,008,618 | |
| Fire | 1,294,047 | | 1,305,060 | |
| Water Utility | | \$166,211 | | \$96,107 |
| Sewer Utility | | 131,874 | | 92,887 |
| Internal Service | 84,901 | | 19,669 | |
| Total | <u>\$6,118,025</u> | <u>\$298,085</u> | <u>\$2,845,205</u> | <u>\$188,994</u> |
| Long-Term Portion: | | | | |
| Governmental activities | \$3,327,531 | | \$1,908,264 | |
| Business-type activities | | \$136,475 | | \$134,732 |
| Total long term portions | <u>\$3,327,531</u> | <u>\$136,475</u> | <u>\$1,908,264</u> | <u>\$134,732</u> |
| Current Portion: | | | | |
| Governmental activities | \$2,790,494 | | \$936,941 | |
| Business-type activities | | \$161,610 | | \$54,262 |
| Total current portions | <u>\$2,790,494</u> | <u>\$161,610</u> | <u>\$936,941</u> | <u>\$54,262</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, 2020

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, 2020, the City contributed \$897,225 for the 2019/20 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 polices 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, 2020 the City paid \$821,964 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, 2020

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:

| | 2020 | | | 2019 |
|---|--------------------------|----------------------|-------------|-------------|
| | Worker’s Compensation | General Liability | Total | |
| Beginning balance | \$5,856,080 | \$358,593 | \$6,214,673 | \$6,417,534 |
| Liability for current fiscal year claims | 1,090,109 | 161,236 | 1,251,345 | 1,115,722 |
| Increase (decrease) in estimated liability for prior fiscal year claims and claims incurred but not reported (IBNR) | 765,148 | 161,625 | 926,773 | 29,732 |
| Claims paid | (895,255) | (322,861) | (1,218,116) | (1,348,315) |
| Ending balance | \$6,816,082 | \$358,593 | \$7,174,675 | \$6,214,673 |
| Due in one year | \$970,556 | \$201,930 | \$1,172,486 | \$1,117,952 |

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, 2020

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, 2020 were as follows:

| | |
|------------------------------|--------------|
| Major Governmental Funds: | |
| General Fund | \$3,031,484 |
| Housing Authority Fund | 6,500,000 |
| Transit Area Impact Fee Fund | 1,272,464 |
| Non-Major Governmental Funds | 168,688 |
| Total Encumbrances | \$10,972,636 |

D. Silicon Valley Rapid Transit Program Berryessa Extension Project

In September 2010, as amended, the City entered into a Master Agreement with the Santa Clara Valley Transportation Authority (VTA) to define the respective rights and obligations of each party and to ensure future cooperation between the City and VTA in connection with the Silicon Valley Rapid Transit Program Berryessa Extension Project. The Project is funded in part with funds made available to VTA by the Federal Transit Administration, and VTA will perform all acquisition, design and construction activities related to the Project.

Under the terms of the Master Agreement, VTA is entitled to reimbursement from the City’s Transit Area Specific Plan (TASP) developer fees for a portion of the costs related to the eastern segment of the Milpitas Boulevard extension. The City’s reimbursement commitment for this phase of the Project is not to exceed \$17.0 million and is repayable as the TASP developer fees become available. Although the VTA has first priority to the available TASP funds, the payment is subordinated to the City’s existing interfund advances to the Transit Area Impact Fee Capital Projects Fund.

The Milpitas Boulevard extension project began in fiscal year 2014 and the VTA has billed the City for project costs in the amount of \$17 million through June 30, 2020, and as of June 30, 2020, all project costs have been paid.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

E. 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.

F. 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.

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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 14 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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 \$995,514 during fiscal year 2020, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2021 is estimated to be \$993,732.

G. *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.

H. *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.

I. *COVID-19 Impact*

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. However, the ultimate financial impact and duration cannot be reasonably estimated at this time.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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, 2020 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2020.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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, 2019 | Retirements | Balance June 30, 2020 | Current Portion |
|---|--------------------------|---------------------|--------------------------|--------------------|
| Installment Purchase Agreement with the County of Santa Clara - Direct Borrowing due June 30, 2023 | \$10,745,676 | \$2,886,103 | \$7,859,573 | \$2,748,669 |
| 2015 Tax Allocation Bonds | | | | |
| 2%-5%, due September 1, 2032 | 101,670,000 | 6,735,000 | 94,935,000 | 7,070,000 |
| Plus: Unamortized bond premium | 16,276,480 | 1,190,962 | 15,085,518 | |
| Total | \$128,692,156 | \$10,812,065 | \$117,880,091 | \$9,818,669 |

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

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 \$7,859,573 at June 30, 2020, 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.

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 |
| 2021 | \$2,748,669 | \$3,251,331 | \$7,070,000 | \$4,570,000 |
| 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 |
| 2025-2029 | | | 41,270,000 | 8,399,250 |
| 2030-2033 | | | 14,590,000 | 946,500 |
| | <u>\$7,859,573</u> | <u>\$10,140,427</u> | 94,935,000 | <u>\$28,385,625</u> |
| Plus: Unamortized bond premium | | | 15,085,518 | |
| | | | <u>\$110,020,518</u> | |

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2020

NOTE 15 – SUCCESSOR AGENCY ACTIVITIES (Continued)

5. *Defeased Bonds*

As of June 30, 2020, the outstanding balance of defeased debt was \$9,740,000 for the Redevelopment Agency 1997 Tax Allocation Bonds.

D. *Commitments and Contingencies*

1. *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.

NOTE 16 – SUBSEQUENT EVENT

2020 General Fund Lease Revenue Bonds

On November 10, 2020, the Milpitas Municipal Financing Authority will issue 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 2041. Interest on the 2020 Bonds was capitalized in full through June 1, 2021. Therefore, the City will start making debt service payments in Fiscal Year 2021-22.

REQUIRED SUPPLEMENTARY INFORMATION



City of Milpitas
Required Supplementary Information

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Retiree Medical Benefits (OPEB) Plan

Last 10 fiscal years*

| Measurement Date | 6/30/17 | 6/30/18 | 6/30/19 |
|---|----------------------------|----------------------------|----------------------------|
| Total OPEB Liability | | | |
| Service Cost | \$2,386,392 | \$2,356,491 | \$2,423,566 |
| Interest | 4,794,071 | 5,155,080 | 5,462,138 |
| 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) |
| Benefit payments | (3,325,081) | (2,994,247) | (3,183,858) |
| Net change in total OPEB liability | <u>2,591,535</u> | <u>4,403,390</u> | <u>(25,615,619)</u> |
| Total OPEB liability - beginning | <u>80,926,571</u> | <u>83,518,106</u> | <u>87,921,496</u> |
| Total OPEB liability - ending (a) | <u><u>\$83,518,106</u></u> | <u><u>\$87,921,496</u></u> | <u><u>\$62,305,877</u></u> |
| Plan fiduciary net position | | | |
| Contributions - employer | \$4,959,756 | \$4,803,893 | \$4,651,743 |
| Contributions - employee | | | |
| Net investment income | 3,708,342 | 3,175,844 | 2,834,217 |
| Administrative expense | (18,732) | (21,490) | (9,742) |
| Benefit payments | (3,325,081) | (2,994,247) | (3,183,858) |
| Other Expenses | | (51,721) | |
| Net change in plan fiduciary net position | <u>5,324,285</u> | <u>4,912,279</u> | <u>4,292,360</u> |
| Plan fiduciary net position - beginning | <u>33,780,048</u> | <u>39,104,333</u> | <u>44,016,612</u> |
| Plan fiduciary net position - ending (b) | <u><u>\$39,104,333</u></u> | <u><u>\$44,016,612</u></u> | <u><u>\$48,308,972</u></u> |
| Net OPEB liability - ending (a)-(b) | <u><u>\$44,413,773</u></u> | <u><u>\$43,904,884</u></u> | <u><u>\$13,996,905</u></u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 46.82% | 50.06% | 77.54% |
| Covered-employee payroll | <u>\$42,017,236</u> | <u>\$43,375,678</u> | <u>\$48,788,854</u> |
| Net OPEB liability as a percentage of covered-employee payroll | <u>105.70%</u> | <u>101.22%</u> | <u>28.69%</u> |

* Fiscal year 2018 was the first year of implementation.

City of Milpitas
Required Supplementary Information

SCHEDULE OF CONTRIBUTIONS

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) | \$ - | \$593,096 | \$593,096 | \$ - | \$544,372 | \$544,372 |
| Covered-employee payroll | \$43,375,678 | \$43,375,678 | \$43,375,678 | \$48,788,854 | \$48,788,854 | \$48,788,854 |
| 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 | | |
|--|---------------|--------------|---------------|
| | Explicit | Implicit | Total |
| Actuarially determined contribution | \$788,831 | \$1,545,113 | \$2,333,944 |
| Contributions in relation to the actuarially determined contribution | 3,478,018 | 1,050,156 | 4,528,174 |
| Contribution deficiency (excess) | (\$2,689,187) | \$494,957 | (\$2,194,230) |
| Covered-employee payroll | \$52,202,907 | \$52,202,907 | \$52,202,907 |
| Contributions as a percentage of covered-employee payroll | 6.66% | 2.01% | 8.67% |

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 | 6.9% |
| 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 | <u>6/30/19</u> |
|---|----------------------------|
| Total OPEB Liability | |
| Service Cost | \$ - |
| Interest | |
| Changes in benefit terms | 28,504,872 |
| Differences between expected and actual experience | |
| Changes of assumptions | |
| Benefit payments | |
| Net change in total OPEB liability | <u>28,504,872</u> |
| Total OPEB liability - beginning | |
| Total OPEB liability - ending (a) | <u><u>\$28,504,872</u></u> |
| Plan fiduciary net position | |
| Contributions - employer | |
| Contributions - employee | |
| Net investment income | |
| Administrative expense | |
| Benefit payments | |
| Other Expenses | |
| Net change in plan fiduciary net position | <u>-</u> |
| Plan fiduciary net position - beginning | |
| Plan fiduciary net position - ending (b) | <u><u>-</u></u> |
| Net OPEB liability - ending (a)-(b) | <u><u>\$28,504,872</u></u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% |
| Covered-employee payroll | <u><u>\$48,788,854</u></u> |
| Net OPEB liability as a percentage of covered-employee payroll | <u><u>58.42%</u></u> |

*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.

City of Milpitas
Required Supplementary Information

SCHEDULE OF CONTRIBUTIONS

Dependent Fund (OPEB) Plan

Last 10 fiscal years*

| Fiscal Year Ended June 30, | <u>2020</u> |
|--|---------------------|
| | <u>Explicit</u> |
| Actuarially required contribution | N/A (a) |
| Contributions in relation to the actuarially required contributions | <u>\$1,437,201</u> |
| Contribution deficiency (excess) | <u>N/A (a)</u> |
| Covered-employee payroll | <u>\$48,788,854</u> |
| Contributions as a percentage of covered-employee payroll | N/A (a) |

(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) | - | 12,475,424 |
| 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, and 2019, 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 |
|--|-----------------------------|-----------------------------|
| Total Pension Liability | | |
| Service Cost | \$3,042,853 | \$3,361,140 |
| Interest | 15,647,110 | 16,517,342 |
| Differences between expected and actual experience | 1,831,444 | 4,569,776 |
| Changes in assumptions | (1,404,854) | |
| Changes in benefits | - | |
| Benefit payments, including refunds of employee contributions | (10,906,398) | (11,589,225) |
| Net change in total pension liability | <u>8,210,155</u> | <u>12,859,033</u> |
| Total pension liability - beginning | <u>222,345,892</u> | <u>230,556,047</u> |
| Total pension liability - ending (a) | <u><u>\$230,556,047</u></u> | <u><u>\$243,415,080</u></u> |
| Plan fiduciary net position | | |
| Contributions - employer | \$5,762,448 | \$6,864,376 |
| Contributions - employee | 1,473,732 | 1,569,027 |
| Net investment income | 13,123,448 | 10,774,536 |
| Administrative expense | (241,795) | (116,977) |
| Benefit payments, including refunds of employee contributions | (10,906,398) | (11,589,225) |
| 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> |
| Plan fiduciary net position - beginning | <u>155,168,033</u> | <u>163,919,915</u> |
| Plan fiduciary net position - ending (b) | <u><u>\$163,919,915</u></u> | <u><u>\$171,422,033</u></u> |
| Net pension liability - ending (a)-(b) | <u><u>\$66,636,132</u></u> | <u><u>\$71,993,047</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 71.10% | 71.10% |
| Covered payroll | <u><u>\$18,846,066</u></u> | <u><u>\$22,079,190</u></u> |
| Net pension liability as percentage of covered payroll | 382.47% | 382.47% |

* 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 | <u>3,252,668</u> | <u>4,236,931</u> | <u>5,082,638</u> | <u>6,243,904</u> |
| 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, and 2.875% for 2020 | | | |
| Salary increases | Varies by Entry Age and Service | | | |
| Investment rate of return | 7.50% for 2015 to 2018, 7.375% for 2019 and 7.25% for 2020, net of pension plan investment expense, including inflation. | | | |
| Retirement age | The probabilities of Retirement are based on the 2014 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 and 2020, 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 | | | |

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

| <u>2019</u> | <u>2020</u> |
|------------------|------------------|
| \$6,863,508 | \$8,337,504 |
| <u>6,863,508</u> | <u>8,337,504</u> |
| <u>\$0</u> | <u>\$0</u> |
| \$22,079,190 | \$19,463,309 |
| 31.09% | 42.84% |
| 6/30/2016 | 6/30/2017 |

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, and 2019, 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.

| <u>2017-18</u> | <u>2018-19</u> |
|----------------------|----------------------|
| \$5,975,378 | \$6,211,449 |
| 23,331,989 | 24,560,414 |
| 626,935 | 4,563,968 |
| (986,630) | |
| - | |
| <u>(16,083,729)</u> | <u>(17,533,455)</u> |
| 12,863,943 | 17,802,376 |
| <u>331,735,390</u> | <u>344,599,333</u> |
| <u>\$344,599,333</u> | <u>\$362,401,709</u> |
| | |
| \$8,866,550 | \$10,288,856 |
| 2,240,962 | 2,441,763 |
| 17,931,642 | 14,733,700 |
| (330,577) | (159,951) |
| (521) | |
| (627,771) | 521 |
| <u>(16,083,729)</u> | <u>(17,533,455)</u> |
| 11,996,556 | 9,771,434 |
| <u>212,142,828</u> | <u>224,139,384</u> |
| <u>\$224,139,384</u> | <u>\$233,910,818</u> |
| | |
| <u>\$120,459,949</u> | <u>\$128,490,891</u> |
| | |
| 65.04% | 64.54% |
| <u>\$21,698,152</u> | <u>\$23,314,576</u> |
| | |
| 555.16% | 551.12% |

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 |
|---|------------------|------------------|------------------|------------------|-------------------|-------------------|
| Actuarially determined contribution | \$5,904,019 | \$7,346,983 | \$8,741,506 | \$9,247,165 | \$10,289,680 | \$11,739,849 |
| 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> |
| Contribution deficiency (excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Covered payroll | \$18,810,920 | \$20,170,400 | \$21,078,669 | \$21,698,152 | \$23,314,576 | \$21,136,130 |
| Contributions as a percentage of covered payroll | 31.39% | 36.42% | 41.47% | 42.62% | 44.13% | 55.54% |
| Notes to Schedule | | | | | | |
| Valuation date: | 6/30/2012 | 6/30/2013 | 6/30/2014 | 6/30/2015 | 6/30/2016 | 6/30/2017 |

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age |
| 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% |
| Salary increases | |
| | 3.0% depending on Age, Service, and type of employment. |
| Investment rate of return | 7.375%, 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 and 2020, 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, 2020

| | 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 | \$1,902,947 | \$129,000 | \$1,138,056 | \$1,848,382 | \$33,412 | \$1,929,388 |
| Receivables: | | | | | | |
| Due from other governments | 201,619 | 68,202 | | 72,761 | | 14,265 |
| Interest | 8,036 | | 1,243 | 7,781 | 140 | 8,110 |
| Loans receivable | | 3,659,710 | | | | |
| Prepays, materials, supplies and deposits | | 2,196 | | 1,603 | 2,386 | 7,479 |
| Total Assets | <u>\$2,112,602</u> | <u>\$3,859,108</u> | <u>\$1,139,299</u> | <u>\$1,930,527</u> | <u>\$35,938</u> | <u>\$1,959,242</u> |
| LIABILITIES | | | | | | |
| Accounts payable | | \$51,227 | \$23,162 | \$119 | \$58 | \$9,912 |
| Accrued payroll | | | | 8,976 | 3,752 | 13,953 |
| Unearned revenue | | | 958,283 | 32,046 | | |
| Refundable deposits | | | | 18,843 | | |
| Total Liabilities | | <u>51,227</u> | <u>981,445</u> | <u>59,984</u> | <u>3,810</u> | <u>23,865</u> |
| FUND BALANCE | | | | | | |
| Fund Balances: | | | | | | |
| Nonspendable | | 2,196 | | 1,603 | 2,386 | 7,479 |
| Restricted | \$2,112,602 | 3,805,685 | 157,854 | 1,868,940 | 29,742 | 1,927,898 |
| Assigned | | | | | | |
| Total Fund Balances | <u>2,112,602</u> | <u>3,807,881</u> | <u>157,854</u> | <u>1,870,543</u> | <u>32,128</u> | <u>1,935,377</u> |
| Total Liabilities and Fund Balances | <u>\$2,112,602</u> | <u>\$3,859,108</u> | <u>\$1,139,299</u> | <u>\$1,930,527</u> | <u>\$35,938</u> | <u>\$1,959,242</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 | |
| \$1,604,147 | \$786,053 | \$266,971 | \$3,279,778 | \$2,156,297 | \$1,240,948 | \$20,367,534 | \$7,233,771 | \$43,916,684 |
| | 4,428 | | 14,069 | 9,109 | 5,182 | 84,990 | 30,202 | 356,847 |
| | 2,344 | | | | | | | 173,290 |
| | | | | | | | | 3,659,710 |
| | | | | | | | | 16,008 |
| <u>\$1,604,147</u> | <u>\$792,825</u> | <u>\$266,971</u> | <u>\$3,293,847</u> | <u>\$2,165,406</u> | <u>\$1,246,130</u> | <u>\$20,452,524</u> | <u>\$7,263,973</u> | <u>\$48,122,539</u> |
| | \$6,714 | | \$3,876 | | | \$996,546 | \$60,822 | \$1,145,722 |
| | | | | | | 11,043 | 731 | 45,169 |
| | | | | | | | | 990,329 |
| | | | | | | | | 18,843 |
| | 6,714 | | 3,876 | | | 1,007,589 | 61,553 | 2,200,063 |
| | 2,344 | | | | | | | 16,008 |
| \$1,604,147 | 783,767 | \$266,971 | \$3,289,971 | \$2,165,406 | | 19,444,935 | 7,202,420 | 44,660,338 |
| | | | | | \$1,246,130 | | | 1,246,130 |
| <u>1,604,147</u> | <u>786,111</u> | <u>266,971</u> | <u>3,289,971</u> | <u>2,165,406</u> | <u>1,246,130</u> | <u>19,444,935</u> | <u>7,202,420</u> | <u>45,922,476</u> |
| <u>\$1,604,147</u> | <u>\$792,825</u> | <u>\$266,971</u> | <u>\$3,293,847</u> | <u>\$2,165,406</u> | <u>\$1,246,130</u> | <u>\$20,452,524</u> | <u>\$7,263,973</u> | <u>\$48,122,539</u> |

CITY OF MILPITAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020

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 | | | | \$66,122 | \$400,187 | \$3,116,797 |
| Use of money and property | \$38,849 | \$9,508 | \$20,060 | 37,019 | 1,345 | 34,180 |
| Intergovernmental | 3,060,004 | 397,259 | 272,354 | 139,629 | | |
| Charges for services | | | | | | |
| Developer contributions | | | | | | |
| Other | | 37 | | | | |
| Total Revenues | 3,098,853 | 406,804 | 292,414 | 242,770 | 401,532 | 3,150,977 |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| General Government | | 397,265 | | | | 4,201 |
| Building, Safety and Housing | | | | | | |
| Public Works | | | | 143,746 | 286,033 | 955,920 |
| Engineering | | | | | 146,819 | |
| Planning | | | | | | |
| Police | | | 272,138 | | | |
| Capital outlay | | | | | | |
| Total Expenditures | | 397,265 | 272,138 | 143,746 | 432,852 | 960,121 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 3,098,853 | 9,539 | 20,276 | 99,024 | (31,320) | 2,190,856 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 521,418 | | | | | |
| Transfers (out) | (5,244,458) | | | (99,456) | (108,000) | (1,600,000) |
| Total Other Financing Sources (Uses) | (4,723,040) | | | (99,456) | (108,000) | (1,600,000) |
| NET CHANGE IN FUND BALANCES | (1,624,187) | 9,539 | 20,276 | (432) | (139,320) | 590,856 |
| Fund balances at beginning of year | 3,736,789 | 3,798,342 | 137,578 | 1,870,975 | 171,448 | 1,344,521 |
| FUND BALANCES AT END OF YEAR | <u>\$2,112,602</u> | <u>\$3,807,881</u> | <u>\$157,854</u> | <u>\$1,870,543</u> | <u>\$32,128</u> | <u>\$1,935,377</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 | |
| | | | | | | | | \$3,583,106 |
| \$32,063 | \$16,292 | \$5,209 | \$63,989 | \$50,516 | \$32,012 | \$469,391 | \$215,480 | 1,025,913 |
| | 336,920 | | | | | | | 3,869,246 |
| | | | 1,801,632 | | | 607,401 | 105,739 | 336,920 |
| | | | | 114,890 | 475,411 | | | 2,514,772 |
| | | | | | | | | 590,338 |
| <u>32,063</u> | <u>353,212</u> | <u>5,209</u> | <u>1,865,621</u> | <u>165,406</u> | <u>507,423</u> | <u>1,076,792</u> | <u>321,219</u> | <u>11,920,295</u> |
| | | | | | | | | |
| 35,258 | | | 26,420 | | 9,587 | | | 472,731 |
| | | | 150,000 | | | | | 150,000 |
| | | | | | | | | 1,385,699 |
| | 164,988 | | | | | | | 146,819 |
| | | | | | | | | 164,988 |
| | | | | | | | | 272,138 |
| | | | | | | 7,731,573 | 872,108 | 8,603,681 |
| <u>35,258</u> | <u>164,988</u> | | <u>176,420</u> | | <u>9,587</u> | <u>7,731,573</u> | <u>872,108</u> | <u>11,196,056</u> |
| | | | | | | | | |
| (3,195) | 188,224 | 5,209 | 1,689,201 | 165,406 | 497,836 | (6,654,781) | (550,889) | 724,239 |
| | | | | | | | | |
| | | | | 2,000,000 | | 1,550,000 | 750,000 | 4,821,418 |
| | (500,000) | | | | | (75,000) | (1,000,000) | (8,626,914) |
| | | | | | | | | |
| | (500,000) | | | 2,000,000 | | 1,475,000 | (250,000) | (3,805,496) |
| (3,195) | (311,776) | 5,209 | 1,689,201 | 2,165,406 | 497,836 | (5,179,781) | (800,889) | (3,081,257) |
| 1,607,342 | 1,097,887 | 261,762 | 1,600,770 | | 748,294 | 24,624,716 | 8,003,309 | 49,003,733 |
| <u>\$1,604,147</u> | <u>\$786,111</u> | <u>\$266,971</u> | <u>\$3,289,971</u> | <u>\$2,165,406</u> | <u>\$1,246,130</u> | <u>\$19,444,935</u> | <u>\$7,202,420</u> | <u>\$45,922,476</u> |

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, 2020

| | GAS TAX | | | HOUSING AND COMMUNITY DEVELOPMENT | | |
|--|-----------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------------------------|------------------------------------|
| | Budget | Actual Amounts Budgetary Basis | Variance Positive (Negative) | Budget | Actual Amounts Budgetary Basis | Variance Positive (Negative) |
| REVENUES | | | | | | |
| Other taxes | | | | | | |
| Use of money and property | \$42,000 | \$38,849 | (\$3,151) | \$1,000 | \$9,508 | \$8,508 |
| Intergovernmental | 3,202,629 | 3,060,004 | (142,625) | 450,000 | 397,259 | (52,741) |
| Charges for services | | | | | | |
| Developer contributions | | | | | | |
| Other | | | | | 37 | 37 |
| Total Revenues | 3,244,629 | 3,098,853 | (145,776) | 451,000 | 406,804 | (44,196) |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General Government: | | | | | | |
| City Manager | | | | | | |
| City Attorney | | | | | | |
| Finance | | | | 15,000 | 15,000 | |
| Non-departmental | | | | 700,734 | 382,265 | 318,469 |
| Building, Safety and Housing | | | | | | |
| Public Works | | | | | | |
| Engineering | | | | | | |
| Planning | | | | | | |
| Police | | | | | | |
| Total Expenditures | | | | 715,734 | 397,265 | 318,469 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 3,244,629 | 3,098,853 | (145,776) | (264,734) | 9,539 | 274,273 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 521,418 | 521,418 | | | | |
| Transfers (out) | (5,244,458) | (5,244,458) | | | | |
| Total Other Financing Sources (Uses) | (4,723,040) | (4,723,040) | | | | |
| NET CHANGE IN FUND BALANCES | <u>(\$1,478,411)</u> | <u>(1,624,187)</u> | <u>(\$145,776)</u> | <u>(\$264,734)</u> | <u>9,539</u> | <u>\$274,273</u> |
| ADJUSTMENT TO BUDGETARY BASIS: | | | | | | |
| Expenditures capitalized for GAAP purposes | | | | | | |
| Capital Outlay | | | | | | |
| Encumbrance adjustments | | | | | | |
| Fund balances at beginning of year | | <u>3,736,789</u> | | | <u>3,798,342</u> | |
| Fund balances at end of year | | <u><u>\$2,112,602</u></u> | | | <u><u>\$3,807,881</u></u> | |

| LAW ENFORCEMENT SERVICES | | | SOLID WASTE REDUCTION AND SERVICES | | | LIGHTING AND LANDSCAPING MAINTENANCE DISTRICT | | |
|--------------------------|--------------------------------|------------------------------|------------------------------------|--------------------------------|------------------------------|---|--------------------------------|------------------------------|
| Budget | Actual Amounts Budgetary Basis | Variance Positive (Negative) | Budget | Actual Amounts Budgetary Basis | Variance Positive (Negative) | Budget | Actual Amounts Budgetary Basis | Variance Positive (Negative) |
| | | | | \$66,122 | \$66,122 | \$404,000 | \$400,187 | (\$3,813) |
| \$2,000 | \$20,060 | \$18,060 | \$29,000 | 37,019 | 8,019 | 1,000 | 1,345 | 345 |
| 276,116 | 272,354 | (3,762) | 200,327 | 139,629 | (60,698) | | | |
| <u>278,116</u> | <u>292,414</u> | <u>14,298</u> | <u>229,327</u> | <u>242,770</u> | <u>13,443</u> | <u>405,000</u> | <u>401,532</u> | <u>(3,468)</u> |
| | | | 811,115 | 290,726 | 520,389 | 306,410 | 286,033 | 20,377 |
| | | | | | | 168,066 | 150,888 | 17,178 |
| 389,074 | 329,777 | 59,297 | | | | | | |
| 389,074 | 329,777 | 59,297 | 811,115 | 290,726 | 520,389 | 474,476 | 436,921 | 37,555 |
| (110,958) | (37,363) | 73,595 | (581,788) | (47,956) | 533,832 | (69,476) | (35,389) | 34,087 |
| | | | (99,456) | (99,456) | | (108,000) | (108,000) | |
| | | | (99,456) | (99,456) | | (108,000) | (108,000) | |
| <u>(\$110,958)</u> | <u>(37,363)</u> | <u>\$73,595</u> | <u>(\$681,244)</u> | <u>(147,412)</u> | <u>\$533,832</u> | <u>(\$177,476)</u> | <u>(143,389)</u> | <u>\$34,087</u> |
| | 57,639 | | | 146,980 | | | 4,069 | |
| | <u>137,578</u> | | | <u>1,870,975</u> | | | <u>171,448</u> | |
| | <u>\$157,854</u> | | | <u>\$1,870,543</u> | | | <u>\$32,128</u> | |

(Continued)

CITY OF MILPITAS
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)
 FOR THE YEAR ENDED JUNE 30, 2020

| | <u>COMMUNITY FACILITIES DISTRICT</u> | | | <u>HETCH-HETCHY GROUND LEASE</u> | | |
|--|--------------------------------------|---|---|----------------------------------|---|---|
| | <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 | \$2,900,000 | \$3,116,797 | \$216,797 | | | |
| Use of money and property | 12,000 | 34,180 | 22,180 | \$1,000 | \$32,063 | \$31,063 |
| Intergovernmental | | | | | | |
| Charges for services | | | | | | |
| Developer contributions | | | | | | |
| Other | | | | | | |
| | <u>2,912,000</u> | <u>3,150,977</u> | <u>238,977</u> | <u>1,000</u> | <u>32,063</u> | <u>31,063</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General Government: | | | | | | |
| City Manager | | | | | | |
| City Attorney | | | | | | |
| Finance | | | | | | |
| Non-departmental | 6,500 | 4,201 | 2,299 | \$35,258 | 35,258 | |
| Building, Safety and Housing | | | | | | |
| Public Works | 1,212,608 | 955,920 | 256,688 | | | |
| Engineering | | | | | | |
| Planning | | | | | | |
| Police | | | | | | |
| | <u>1,219,108</u> | <u>960,121</u> | <u>258,987</u> | <u>35,258</u> | <u>35,258</u> | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>1,692,892</u> | <u>2,190,856</u> | <u>497,964</u> | <u>(34,258)</u> | <u>(3,195)</u> | <u>31,063</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | | | | | | |
| Transfers (out) | <u>(1,600,000)</u> | <u>(1,600,000)</u> | | | | |
| Total Other Financing Sources (Uses) | <u>(1,600,000)</u> | <u>(1,600,000)</u> | | | | |
| NET CHANGE IN FUND BALANCES | <u>\$92,892</u> | 590,856 | <u>\$497,964</u> | <u>(\$34,258)</u> | (3,195) | <u>\$31,063</u> |
| ADJUSTMENT TO BUDGETARY BASIS: | | | | | | |
| Expenditures capitalized for GAAP purposes | | | | | | |
| Capital Outlay | | | | | | |
| Encumbrance adjustments | | | | | | |
| Fund balances at beginning of year | | <u>1,344,521</u> | | | <u>1,607,342</u> | |
| Fund balances at end of year | | <u>\$1,935,377</u> | | | <u>\$1,604,147</u> | |

| COMMUNITY PLANNING | | | COMMUNITY BENEFITS | | | AFFORDABLE HOUSING | | |
|--------------------|-----------------------------------|------------------------------------|--------------------|-----------------------------------|------------------------------------|--------------------|-----------------------------------|------------------------------------|
| Budget | Actual Amounts Budgetary Basis | Variance Positive (Negative) | Budget | Actual Amounts Budgetary Basis | Variance Positive (Negative) | Budget | Actual Amounts Budgetary Basis | Variance Positive (Negative) |
| \$15,000 | \$16,292 | \$1,292 | | \$5,209 | \$5,209 | | \$63,989 | \$63,989 |
| 298,000 | 336,920 | 38,920 | | | | \$2,000,000 | 1,801,632 | (198,368) |
| <u>313,000</u> | <u>353,212</u> | <u>40,212</u> | | <u>5,209</u> | <u>5,209</u> | <u>2,000,000</u> | <u>1,865,621</u> | <u>(134,379)</u> |
| | | | | | | 26,420 | 26,420 | |
| | | | \$200,000 | | 200,000 | 255,000 | 150,000 | 105,000 |
| 258,250 | 164,988 | 93,262 | | | | | | |
| <u>258,250</u> | <u>164,988</u> | <u>93,262</u> | <u>200,000</u> | | <u>200,000</u> | <u>281,420</u> | <u>176,420</u> | <u>105,000</u> |
| 54,750 | 188,224 | 133,474 | (200,000) | 5,209 | 205,209 | 1,718,580 | 1,689,201 | (29,379) |
| <u>(500,000)</u> | <u>(500,000)</u> | | | | | | | |
| <u>(500,000)</u> | <u>(500,000)</u> | | | | | | | |
| <u>(\$445,250)</u> | <u>(311,776)</u> | <u>\$133,474</u> | <u>(\$200,000)</u> | 5,209 | <u>\$205,209</u> | <u>\$1,718,580</u> | 1,689,201 | <u>(\$29,379)</u> |
| | <u>1,097,887</u> | | | <u>261,762</u> | | | <u>1,600,770</u> | |
| | <u>\$786,111</u> | | | <u>\$266,971</u> | | | <u>\$3,289,971</u> | |

(Continued)

CITY OF MILPITAS
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP LEGAL BASIS)
 FOR THE YEAR ENDED JUNE 30, 2020

| | AFFORDABLE HOUSING UNRESTRICTED | | | PUBLIC ART | | |
|--|------------------------------------|-----------------------------------|------------------------------------|--------------------|-----------------------------------|------------------------------------|
| | Budget | Actual Amounts Budgetary Basis | Variance Positive (Negative) | Budget | Actual Amounts Budgetary Basis | Variance Positive (Negative) |
| REVENUES | | | | | | |
| Other taxes | | | | | | |
| Use of money and property | | \$50,516 | \$50,516 | \$5,000 | \$32,012 | \$27,012 |
| Intergovernmental | | | | | | |
| Charges for services | | | | | | |
| Developer contributions | | | | | 475,411 | 475,411 |
| Other | | 114,890 | 114,890 | | | |
| Total Revenues | | 165,406 | 165,406 | 5,000 | 507,423 | 502,423 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General Government: | | | | | | |
| City Manager | | | | | | |
| City Attorney | | | | | | |
| Finance | | | | | | |
| Non-departmental | | | | 132,500 | 30,587 | 101,913 |
| Building, Safety and Housing | | | | | | |
| Public Works | | | | | | |
| Engineering | | | | | | |
| Planning | | | | | | |
| Police | | | | | | |
| Total Expenditures | | | | 132,500 | 30,587 | 101,913 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | 165,406 | 165,406 | (127,500) | 476,836 | 604,336 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | \$2,000,000 | 2,000,000 | | | | |
| Transfers (out) | | | | | | |
| Total Other Financing Sources (Uses) | 2,000,000 | 2,000,000 | | | | |
| NET CHANGE IN FUND BALANCES | \$2,000,000 | 2,165,406 | \$165,406 | (\$127,500) | 476,836 | \$604,336 |
| ADJUSTMENT TO BUDGETARY BASIS: | | | | | | |
| Expenditures capitalized for GAAP purposes | | | | | | |
| Capital Outlay | | | | | | |
| Encumbrance adjustments | | | | | 21,000 | |
| Fund balances at beginning of year | | | | | 748,294 | |
| Fund balances at end of year | | <u>\$2,165,406</u> | | | <u>\$1,246,130</u> | |

| TOTALS | | |
|--------------------|---|---|
| <u>Budget</u> | <u>Actual Amounts Budgetary Basis</u> | <u>Variance Positive (Negative)</u> |
| \$3,304,000 | \$3,583,106 | \$279,106 |
| 108,000 | 341,042 | 233,042 |
| 4,129,072 | 3,869,246 | (259,826) |
| 298,000 | 336,920 | 38,920 |
| 2,000,000 | 2,277,043 | 277,043 |
| | 114,927 | 114,927 |
| <u>9,839,072</u> | <u>10,522,284</u> | <u>683,212</u> |
| 26,420 | 26,420 | |
| 15,000 | 15,000 | |
| 1,074,992 | 452,311 | 622,681 |
| 255,000 | 150,000 | 105,000 |
| 2,330,133 | 1,532,679 | 797,454 |
| 168,066 | 150,888 | 17,178 |
| 258,250 | 164,988 | 93,262 |
| 389,074 | 329,777 | 59,297 |
| <u>4,516,935</u> | <u>2,822,063</u> | <u>1,694,872</u> |
| <u>5,322,137</u> | <u>7,700,221</u> | <u>2,378,084</u> |
| 2,521,418 | 2,521,418 | |
| (7,551,914) | (7,551,914) | |
| <u>(5,030,496)</u> | <u>(5,030,496)</u> | |
| <u>\$291,641</u> | <u>2,669,725</u> | <u>\$2,378,084</u> |
| | 229,688 | |
| | <u>16,375,708</u> | |
| | <u>\$19,275,121</u> | |



AGENCY FUNDS

Financial reporting standards require that Agency Funds be presented separately from the Government-wide and Fund financial statements.

Agency Funds account for assets held by the City as agent for individuals, government entities, and non-public organizations. These funds include the following:

EMPLOYEE BENEFITS FUND

Established to account for specific negotiated employee benefits.

SENIOR ADVISORY COMMISSION FUND

Established to account for the fund raising activities of the Commission.



CITY OF MILPITAS
 AGENCY FUNDS
 STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2020

| | Balance June 30, 2019 | Additions | Deductions | Balance June 30, 2020 |
|---|--------------------------|-----------------|------------------|--------------------------|
| <hr/> <u>Employee Benefit</u> <hr/> | | | | |
| <u>Assets</u> | | | | |
| Cash and investments available for operations | \$1,344,806 | \$19,031 | \$599,981 | \$763,856 |
| Total Assets | <u>\$1,344,806</u> | <u>\$19,031</u> | <u>\$599,981</u> | <u>\$763,856</u> |
| <u>Liabilities</u> | | | | |
| Accounts Payable | | \$492 | | \$492 |
| Refundable deposits | \$1,344,806 | 18,539 | \$599,981 | 763,364 |
| Total Liabilities | <u>\$1,344,806</u> | <u>\$19,031</u> | <u>\$599,981</u> | <u>\$763,856</u> |
| <hr/> <u>Senior Advisory Commission</u> <hr/> | | | | |
| <u>Assets</u> | | | | |
| Cash and investments available for operations | \$8,089 | \$975 | \$1,163 | \$7,901 |
| Total Assets | <u>\$8,089</u> | <u>\$975</u> | <u>\$1,163</u> | <u>\$7,901</u> |
| <u>Liabilities</u> | | | | |
| Refundable deposits | \$8,089 | \$975 | \$1,163 | \$7,901 |
| Total Liabilities | <u>\$8,089</u> | <u>\$975</u> | <u>\$1,163</u> | <u>\$7,901</u> |
| <hr/> <u>TOTAL AGENCY FUNDS</u> <hr/> | | | | |
| <u>Assets</u> | | | | |
| Cash and investments available for operations | \$1,352,895 | \$20,006 | \$601,144 | \$771,757 |
| Total Assets | <u>\$1,352,895</u> | <u>\$20,006</u> | <u>\$601,144</u> | <u>\$771,757</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable | | \$492 | | \$492 |
| Refundable deposits | \$1,352,895 | 19,514 | \$601,144 | 771,265 |
| Total Liabilities | <u>\$1,352,895</u> | <u>\$20,006</u> | <u>\$601,144</u> | <u>\$771,757</u> |



STATISTICAL SECTION

This part of the City's Comprehensive Annual 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:

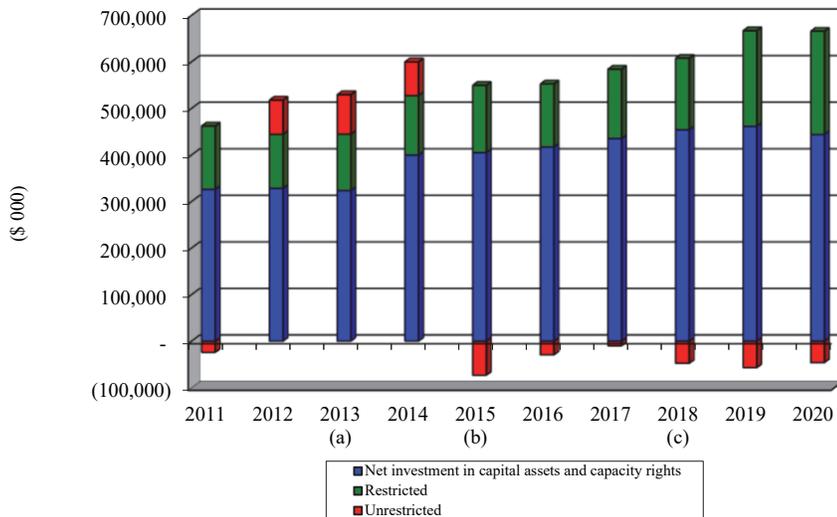
- Authorized Full-Time Equivalent Employees by Function/Program – Schedule 22
- Operating Indicators by Function/Program – Schedule 23
- Capital Asset Statistics by Function/Program – Schedule 24

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual 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 | | | | |
|--|---------------------------|------------------|------------------|------------------|------------------|
| | 2011 | 2012 | 2013 (a) | 2014 | 2015 (b) |
| Governmental activities | | | | | |
| Net investment in capital assets and capacity rights | \$218,116 | \$219,034 | \$217,002 | \$291,704 | \$291,500 |
| Restricted | 115,474 | 90,878 | 88,147 | 90,758 | 103,829 |
| Unrestricted | (44,592) | 53,417 | 64,876 | 51,315 | (84,598) |
| Total governmental activities net position | <u>\$288,998</u> | <u>\$363,329</u> | <u>\$370,025</u> | <u>\$433,777</u> | <u>\$310,731</u> |
| Business-type activities | | | | | |
| Net investment in capital assets and capacity rights | \$107,707 | \$109,146 | \$106,489 | \$107,816 | \$113,232 |
| Restricted | 20,743 | 25,239 | 32,889 | 37,254 | 40,867 |
| Unrestricted | 20,577 | 19,838 | 19,799 | 20,880 | 11,586 |
| Total business-type activities net position | <u>\$149,027</u> | <u>\$154,223</u> | <u>\$159,177</u> | <u>\$165,950</u> | <u>\$165,685</u> |
| Primary government | | | | | |
| Net investment in capital assets and capacity rights | \$325,823 | \$328,180 | \$323,491 | \$399,520 | \$404,732 |
| Restricted | 136,217 | 116,117 | 121,036 | 128,012 | 144,696 |
| Unrestricted | (24,015) | 73,255 | 84,675 | 72,195 | (73,012) |
| Total primary government net position | <u>\$438,025</u> | <u>\$517,552</u> | <u>\$529,202</u> | <u>\$599,727</u> | <u>\$476,416</u> |
| | | | | | |
| | Fiscal Year Ended June 30 | | | | |
| | 2016 | 2017 | 2018 (c) | 2019 | 2020 |
| Governmental activities | | | | | |
| Net investment in capital assets and capacity rights | \$298,321 | \$312,138 | \$323,239 | \$326,564 | \$344,471 |
| Restricted | 100,327 | 108,630 | 109,726 | 145,983 | 158,716 |
| Unrestricted | (44,368) | (30,091) | (63,405) | (65,799) | (93,911) |
| Total governmental activities net position | <u>\$354,280</u> | <u>\$390,677</u> | <u>\$369,560</u> | <u>\$406,748</u> | <u>\$409,276</u> |
| Business-type activities | | | | | |
| Net investment in capital assets and capacity rights | \$118,588 | \$122,937 | \$130,736 | \$135,048 | \$99,331 |
| Restricted | 35,130 | 40,311 | 43,834 | 59,191 | 63,084 |
| Unrestricted | 15,261 | 20,254 | 15,784 | 8,930 | 47,967 |
| Total business-type activities net position | <u>\$168,979</u> | <u>\$183,502</u> | <u>\$190,354</u> | <u>\$203,169</u> | <u>\$210,382</u> |
| Primary government | | | | | |
| Net investment in capital assets and capacity rights | \$416,909 | \$435,075 | \$453,975 | \$461,612 | \$443,802 |
| Restricted | 135,457 | 148,941 | 153,560 | 205,174 | 221,800 |
| Unrestricted | (29,107) | (9,837) | (47,621) | (56,869) | (45,944) |
| Total primary government net position | <u>\$523,259</u> | <u>\$574,179</u> | <u>\$559,914</u> | <u>\$609,917</u> | <u>\$619,658</u> |

- (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, | | | |
|--|----------------------------|-------------------|-------------------|-------------------|
| | 2011 | 2012 | 2013 | (c) 2014 |
| Expenses | | | | |
| Governmental activities | | | | |
| General Government | \$21,474 (a) | \$17,418 (b) | \$15,329 | \$21,074 |
| Building and Safety | 1,984 | 2,029 | 2,293 | 2,684 |
| Building, Housing and Safety | | | | |
| Recreation and Community Services | | | | |
| Public Works | 16,777 | 21,787 | 17,700 (d) | 18,664 |
| Engineering | | | | |
| Planning and Neighborhood Services | 2,155 | 2,144 | 2,553 | 2,119 |
| Planning | | | | |
| Parks and Recreation | 6,529 | 5,823 | 3,107 (d) | 3,012 |
| Police | 22,661 | 22,620 | 21,702 | 23,373 |
| Fire | 15,085 | 14,904 | 15,810 | 15,159 |
| Interest on Long Term Debt | 9,536 | 2,050 | 227 | 240 |
| Total governmental activities expenses | <u>96,201</u> | <u>88,775</u> | <u>78,721</u> | <u>86,325</u> |
| Business-type activities | | | | |
| Water Utility | 12,766 | 15,229 | 17,195 | 17,369 |
| Recycled Water Utility | 470 | 599 | (e) | (e) |
| Sewer Utility | 9,240 | 8,399 | 9,418 | 11,008 |
| Total business-type activities expenses | <u>22,476</u> | <u>24,227</u> | <u>26,613</u> | <u>28,377</u> |
| Total primary government expenses | <u>\$118,677</u> | <u>\$113,002</u> | <u>\$105,334</u> | <u>\$114,702</u> |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General Government | \$1,071 | \$1,349 | \$1,700 | \$1,819 |
| Building and Safety | 2,823 | 3,436 | 4,554 | 6,445 |
| Building, Housing and Safety | | | | |
| Recreation and Community Services | | | | |
| Public Works | 1,826 | 2,440 | 2,668 | 2,472 |
| Engineering | | | | |
| Planning and Neighborhood Services | 139 | 237 | 301 | 432 |
| Planning | | | | |
| Parks and Recreation | 1,662 | 1,833 | 1,987 | 1,958 |
| Police | 1,263 | 1,134 | 1,051 | 1,091 |
| Fire | 1,210 | 1,292 | 1,508 | 2,120 |
| Operating grants and contributions | 4,869 | 6,146 | 7,487 | 6,195 |
| Capital grants and contributions | 5,704 | 8,294 | 8,286 | 15,483 |
| Total government activities program revenues | <u>20,567</u> | <u>26,161</u> | <u>29,542</u> | <u>38,015</u> |
| Business-type activities | | | | |
| Charges for services: | | | | |
| Water Utility | 15,201 | 16,773 | 19,801 | 21,354 |
| Recycled Water Utility | 1,300 | 1,447 | (e) | (e) |
| Sewer Utility | 11,406 | 12,445 | 12,632 | 12,753 |
| Operating grants and contributions | 70 | 43 | 111 | 57 |
| Capital grants and contributions | 163 | 1,629 | 1,975 | 1,402 |
| Total business-type activities program revenue | <u>28,140</u> | <u>32,337</u> | <u>34,519</u> | <u>35,566</u> |
| Total primary government program revenues | <u>\$48,707</u> | <u>\$58,498</u> | <u>\$64,061</u> | <u>\$73,581</u> |
| Net (Expense)/Revenue | | | | |
| Governmental activities | (\$75,634) | (\$62,614) | (\$49,179) | (\$48,310) |
| Business-type activities | 5,664 | 8,110 | 7,906 | 7,189 |
| Total primary government net expense | <u>(\$69,970)</u> | <u>(\$54,504)</u> | <u>(\$41,273)</u> | <u>(\$41,121)</u> |

- (a) In 2011, the Redevelopment Agency began reporting tax increment gross of pass-through payments and administrative fees withheld by the County. Years prior to 2010 have not been restated to reflect this change in presentation.
- (b) The Redevelopment Agency was dissolved as of January 31, 2012.
- (c) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."
- (d) The parks division is part of the Public Works department beginning in fiscal year 2013.
- (e) Beginning in fiscal year 2013, the Recycled Water Utility is part of the Water Utility.
- (f) 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.
- (g) Public Works and Engineering are separate departments beginning in fiscal year 2016.
- (h) Neighborhood Services is a component of Building, Housing and Safety, and Planning is a separate department beginning in fiscal year 2019.

| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$18,118 | \$18,614 | \$21,174 | \$19,111 | \$25,281 | \$24,050 |
| 2,617 | 2,513 | 3,389 | 4,148 | (h) 5,449 | (h) 7,418 |
| | | | (h) 5,890 | 7,020 | 7,095 |
| 17,509 | 12,761 | 16,266 | 15,903 | 20,053 | 20,342 |
| | 5,790 (g) | 6,249 (g) | 5,712 (g) | 6,459 (g) | 7,314 (g) |
| 2,372 | 2,649 (g) | 3,103 (g) | 3,586 (g) | (h) 1,851 | (h) 2,741 |
| 3,098 | 4,090 | 4,949 | | | |
| 24,699 | 24,556 | 30,270 | 33,840 | 35,868 | 43,505 |
| 16,301 | 16,400 | 20,499 | 24,194 | 26,535 | 31,472 |
| 67 | 56 | 48 | | 17 | 37 |
| <u>84,781</u> | <u>87,429</u> | <u>105,947</u> | <u>112,384</u> | <u>128,533</u> | <u>143,974</u> |
| 18,344 | 19,743 | 20,666 | 23,742 | 25,232 | 28,750 |
| (e) 10,426 | (e) 10,872 | (e) 9,969 | (e) 12,715 | (e) 12,231 | (e) 15,240 |
| <u>28,770</u> | <u>30,615</u> | <u>30,635</u> | <u>36,457</u> | <u>37,463</u> | <u>43,990</u> |
| <u>\$113,551</u> | <u>\$118,044</u> | <u>\$136,582</u> | <u>\$148,841</u> | <u>\$165,996</u> | <u>\$187,964</u> |
| \$1,063 | \$2,065 | \$1,970 | \$2,088 | \$2,347 | \$1,809 |
| 5,128 | 5,963 | 7,814 | 10,093 | (h) 9,718 | (h) 6,621 |
| | | | 2,559 | 2,655 | 1,145 |
| 2,644 | (g) 2,863 (g) | (g) 2,720 (g) | (g) 2,465 (g) | (g) 2,379 (g) | (g) 2,132 (g) |
| 700 | 747 | 292 | 418 | (h) 226 | (h) 452 |
| 2,060 | 1,981 | 2,301 | | | |
| 1,151 | 1,138 | 1,184 | 1,089 | 1,130 | 1,087 |
| 1,885 | 2,440 | 3,224 | 3,326 | 2,172 | 2,402 |
| 6,201 | 7,320 | 7,880 | 6,521 | 8,277 | 10,643 |
| 14,711 | 35,195 | 32,256 | 34,003 | 47,194 | 33,423 |
| <u>35,543</u> | <u>59,712</u> | <u>59,641</u> | <u>62,562</u> | <u>76,098</u> | <u>59,714</u> |
| 21,136 | 18,709 | 26,318 | 29,667 | 29,355 | 32,792 |
| (e) 14,453 | (e) 15,964 | (e) 16,803 | (e) 17,139 | (e) 17,830 | (e) 19,566 |
| 127 | 63 | 89 | 124 | 114 | 171 |
| 710 | 1,103 | 4,937 | 2,507 | 2,755 | 601 |
| <u>36,426</u> | <u>35,839</u> | <u>48,147</u> | <u>49,437</u> | <u>50,054</u> | <u>53,130</u> |
| <u>\$71,969</u> | <u>\$95,551</u> | <u>\$107,788</u> | <u>\$111,999</u> | <u>\$126,152</u> | <u>\$112,844</u> |
| (\$49,238) | (\$27,717) | (\$46,306) | (\$49,822) | (\$52,435) | (\$84,260) |
| 7,656 | 5,224 | 17,512 | 12,980 | 12,591 | 9,140 |
| <u>(\$41,582)</u> | <u>(\$22,493)</u> | <u>(\$28,794)</u> | <u>(\$36,842)</u> | <u>(\$39,844)</u> | <u>(\$75,120)</u> |

(Continued)

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

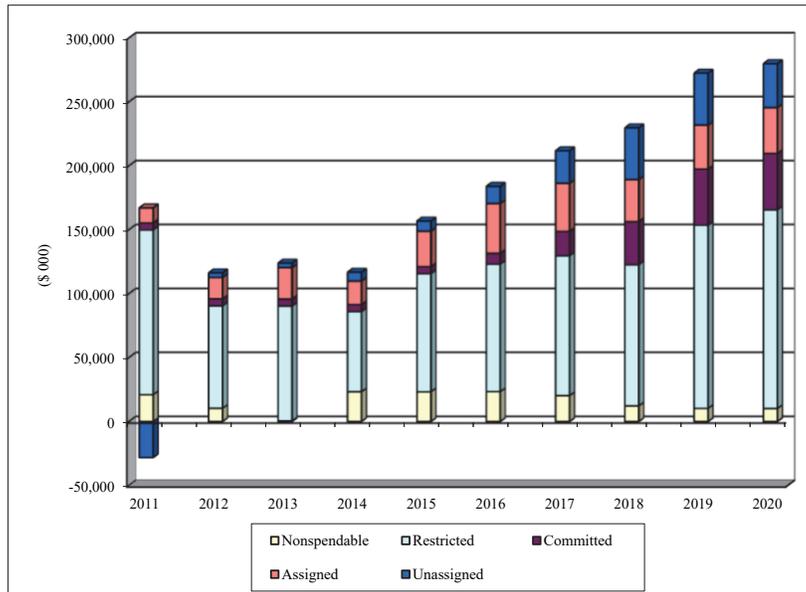
| | Fiscal Year Ended June 30, | | | |
|---|----------------------------|------------------|-----------------|------------------|
| | 2011 | 2012 | 2013 | (c) 2014 |
| General Revenues and Other Changes in Net Position | | | | |
| Governmental activities | | | | |
| Taxes: | | | | |
| Property taxes | \$55,655 (a) | \$34,029 | \$20,469 | \$27,607 |
| Sales and use taxes | 16,429 | 18,758 | 20,196 | 19,014 |
| Hotel/Motel taxes | 6,124 | 7,068 | 7,933 | 9,336 |
| Other taxes | 380 | 491 | 516 | 672 |
| Franchise fees | 3,083 | 3,218 | 3,270 | 3,453 |
| Motor vehicle in lieu | 323 | 35 | 37 | 31 |
| Investment earnings | 399 | 1,093 | 260 | 844 |
| Gain on sale of capital assets/property | | | 46 | |
| Miscellaneous | 62 | 67 | 103 | 200 |
| Redevelopment expense | | | | |
| Transfers | 3,374 | 3,304 | 3,045 | 3,402 |
| Extraordinary item | | 68,882 (b) | | |
| Special Item | | | | 49,799 |
| Total governmental activities | <u>85,829</u> | <u>136,945</u> | <u>55,875</u> | <u>114,358</u> |
| Business-type activities | | | | |
| Investment earnings | 455 | 390 | 94 | 690 |
| Transfers | (3,374) | (3,304) | (3,045) | (3,402) |
| Total business-type activities | <u>(2,919)</u> | <u>(2,914)</u> | <u>(2,951)</u> | <u>(2,712)</u> |
| Total primary government | <u>\$82,910</u> | <u>\$134,031</u> | <u>\$52,924</u> | <u>\$111,646</u> |
| Change in net position | | | | |
| Governmental activities | \$10,195 | \$74,331 | \$6,696 | \$66,048 |
| Business-type activities | 2,745 | 5,196 | 4,955 | 4,477 |
| Total primary government | <u>\$12,940</u> | <u>\$79,527</u> | <u>\$11,651</u> | <u>\$70,525</u> |

- (a) In 2011, the Redevelopment Agency began reporting tax increment gross of pass-through payments and administrative fees withheld by the County. Years prior to 2010 have not been restated to reflect this change in presentation.
- (b) The Redevelopment Agency was dissolved as of January 31, 2012.
- (c) The City implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position."
- (d) The parks division is part of the Public Works department beginning in fiscal year 2013.
- (e) Beginning in fiscal year 2013, the Recycled Water Utility is part of the Water Utility.
- (f) 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.
- (g) Public Works and Engineering are separate departments beginning in fiscal year 2016.
- (h) Neighborhood Services is a component of Building, Housing and Safety, and Planning is a separate department beginning in fiscal year 2019.

| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|----------|----------|----------|--------------|----------|----------|
| \$24,927 | \$27,068 | \$30,262 | \$31,893 | \$33,811 | \$37,684 |
| 18,779 | 23,924 | 25,392 | 26,991 | 27,983 | 24,173 |
| 10,917 | 11,757 | 11,858 | 12,122 | 14,503 | 11,377 |
| 664 | 822 | 803 | 814 | 808 | 836 |
| 3,659 | 3,841 | 3,871 | 4,678 | 5,127 | 5,173 |
| 29 | 29 | 34 | 39 | 36 | 60 |
| 379 | 913 | 118 | 301 | 4,474 | 2,808 |
| | | 7,324 | | 4 | 43 |
| 333 | 287 | 118 | 186 | 390 | 446 |
| 1,627 | 2,625 | 2,923 | 2,511 | 2,489 | 4,187 |
| | | | (12,432) (f) | | |
| 61,314 | 71,266 | 82,703 | 67,103 | 89,625 | 86,787 |
| 383 | 695 | (65) | 171 | 2,712 | 2,261 |
| (1,627) | (2,625) | (2,923) | (2,511) | (2,489) | (4,187) |
| (1,244) | (1,930) | (2,988) | (2,340) | 223 | (1,926) |
| \$60,070 | \$69,336 | \$79,715 | \$64,763 | \$89,848 | \$84,861 |
| \$12,076 | \$43,549 | \$36,397 | \$17,281 | \$37,190 | \$2,527 |
| 6,412 | 3,294 | 14,524 | 10,640 | 12,814 | 7,214 |
| \$18,488 | \$46,843 | \$50,921 | \$27,921 | \$50,004 | \$9,741 |



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



| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|----------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| General Fund | | | | | | | | | | |
| Nonspendable | \$20,970 | \$577 | \$468 | \$23,279 | \$23,265 | \$23,387 | \$20,209 | \$10,043 | \$10,234 | \$10,189 |
| Restricted | 24,555 | | | | | | | | | |
| Committed | 5,433 | 5,433 | 5,433 | 5,433 | 5,433 | 8,440 | 19,026 | 33,643 | 43,852 | 44,082 |
| Assigned | 9,698 | 13,904 | 10,434 | 6,658 | 7,013 | 9,052 | 8,067 | 8,629 | 5,916 | 6,118 |
| Unassigned | 15,448 | 15,800 | 16,444 | 13,521 | 13,864 | 13,410 | 25,440 | 40,496 | 40,655 | 34,387 |
| Total General Fund | <u>\$76,104</u> | <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> (a) |
| All Other Governmental Funds | | | | | | | | | | |
| Nonspendable | \$23 | \$9,788 | \$11 | \$32 | \$11 | \$13 | \$15 | \$2,229 | \$85 | \$20 |
| Restricted | 104,290 | 80,112 | 89,821 | 62,661 | 92,347 | 99,701 | 109,416 | 110,418 | 143,232 | 155,359 |
| Assigned | 2,127 | 2,892 | 14,244 | 11,808 | 20,806 | 29,956 | 29,635 | 24,284 | 28,532 | 29,768 |
| Unassigned | (43,624) | (12,234) | (12,955) | (6,610) | (5,932) | | | | | |
| Total all other governmental funds | <u>\$62,816</u> | <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> (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, | | | | |
|---|----------------------------|-------------------|----------------|-----------------|-----------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Revenues | | | | | |
| Property taxes | \$55,655 (a) | \$34,029 (b) | \$20,466 | \$27,608 | \$24,927 |
| Sales taxes | 16,994 | 19,403 | 20,908 | 19,766 | 19,572 |
| Hotel/Motel taxes | | | | | |
| Franchise fees | | | | | |
| Other taxes | 10,917 | 12,230 | 13,343 | 14,992 | 17,505 |
| Licenses and fines | 4,309 | 4,956 | 5,875 | 8,193 | 6,971 |
| Use of money and property | 3,948 | 5,303 | 1,538 | 2,964 | 2,032 |
| Intergovernmental | 5,082 | 4,834 | 5,842 | 5,216 | 5,482 |
| Charges for services | 4,020 | 4,725 | 5,550 | 5,735 | 6,449 |
| Developer contributions | 3,360 | 7,549 | 7,987 | 13,975 | 11,614 |
| Other | 1,039 | 578 | 715 | 1,144 | 205 |
| Total Revenues | 105,324 | 93,607 | 82,224 | 99,593 | 94,757 |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 19,003 (a) | 12,753 (b) | 11,871 | 13,204 | 12,814 |
| Building and Safety | 1,975 | 2,060 | 2,278 | 2,658 | 2,706 |
| Building, Housing and Safety | | | | | |
| Recreation and Community Services | | | | | |
| Human Resources and Recreation | | | 3,087 | 3,124 | 3,329 |
| Parks and Recreation | 5,688 | 5,261 | (c) | (c) | (c) |
| Public Works | 7,960 | 8,772 | 9,124 | 8,535 | 9,199 |
| Engineering | | | | | |
| Planning and Neighborhood Services | 2,267 | 2,196 | 2,030 | 2,202 | 2,570 |
| Planning | | | | | |
| Police | 21,682 | 21,733 | 20,978 | 22,165 | 24,193 |
| Fire | 14,994 | 14,562 | 15,420 | 14,587 | 15,605 |
| Supplemental educational revenue augmentation fund payment | 2,424 | | | | |
| Capital outlay | 12,940 | 28,876 | 7,510 | 10,035 | 14,376 |
| Debt service: | | | | | |
| Principal | 8,225 | 13,153 | 4,209 | 3,828 | 6,000 |
| Interest and fees | 12,386 | 6,823 | 668 | 223 | 61 |
| Total Expenditures | 109,544 | 116,189 | 77,175 | 80,561 | 90,853 |
| Excess (deficiency) of revenues over (under) expenditures | (4,220) | (22,582) | 5,049 | 19,032 | 3,904 |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from debt issuance | | 21,780 | | | |
| Payments to refunded debt escrow agent | | | 46 | | |
| Proceeds/gain from sale of properties | 5 | 8 | | 6 | 4 |
| Loss from sale/conveyance of property | | | (512) | | |
| Transfers in | 119,213 | 34,994 | 13,780 | 7,499 | 25,558 |
| Transfers (out) | (115,839) | (31,690) | (10,735) | (4,098) | (19,305) |
| Total other financing sources (uses) | 3,379 | 25,092 | 2,579 | 3,407 | 6,257 |
| 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 | (\$841) | (\$22,647) | \$7,628 | \$22,439 | \$10,161 |
| Debt service as a percentage of noncapital expenditures | 22.2% | 18.5% | 10.1% | 5.5% | 7.4% |

(a) In 2011, the Redevelopment Agency began reporting tax increment gross of pass-through payments and administrative fees withheld by the County.

(b) Years prior to 2010 have not been restated to reflect this change in presentation.

b(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.

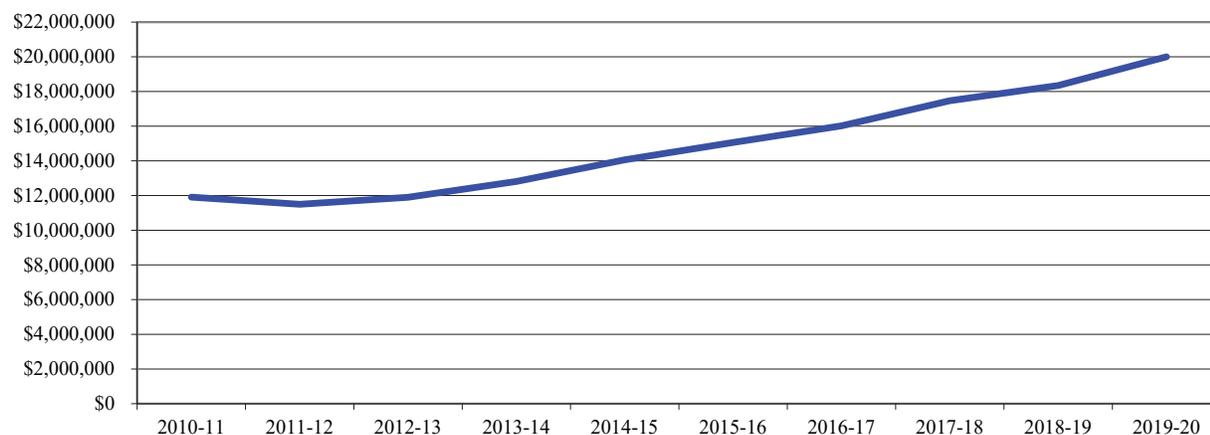
(e) Human Resources is a component of General Government and Recreation is a separate department beginning in fiscal year 2016.

(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 | | | | |
|---------------------------|-----------------|-----------------|-----------------|----------------|
| 2016 | 2017 | 2018 | 2019 | 2020 |
| \$27,068 | \$30,261 | \$31,893 | \$33,811 | \$37,799 |
| 24,719 | 26,214 | 27,854 | 28,890 | 25,058 |
| | | | | 11,377 (g) |
| | | | | 5,173 (g) |
| 18,737 | 19,349 | 20,429 | 23,386 | 4,632 (g) |
| 8,051 | 10,497 | 12,758 | 11,757 | 9,039 |
| 3,037 | 2,180 | 2,719 | 8,452 | 8,092 |
| 6,104 | 4,696 | 6,228 | 6,019 | 9,089 |
| 7,196 | 7,238 | 6,981 | 6,969 | 5,228 |
| 29,410 | 25,637 | 29,065 | 41,153 | 24,684 |
| 113 | 310 | 568 | 926 | 983 |
| <u>124,435</u> | <u>126,382</u> | <u>138,495</u> | <u>161,363</u> | <u>141,154</u> |
| 13,771 | 17,089 | 15,397 | 21,352 | 19,146 |
| 2,885 | 3,148 | 3,633 | (f) | (f) |
| | | | 5,038 | 5,784 |
| 3,383 | 3,876 | 4,497 | 5,144 | 5,227 |
| (e) | (e) | (e) | (e) | (e) |
| (c) | (c) | (c) | (c) | (c) |
| 6,020 | 6,839 | 6,983 | 8,151 | 9,588 |
| 3,257 | 3,527 | 3,103 | 3,201 | 3,559 |
| 2,805 | 2,978 | 3,153 | (f) | (f) |
| | | | 1,648 | 2,116 |
| 26,124 | 27,247 | 27,880 | 30,389 | 34,301 |
| 17,470 | 18,456 | 21,034 | 23,225 | 26,416 |
| 24,811 | 26,151 | 27,243 | 23,435 | 32,106 |
| | | | 199 | 728 |
| 54 | 48 | 69 | 104 | 155 |
| <u>100,580</u> | <u>109,359</u> | <u>112,992</u> | <u>121,886</u> | <u>139,126</u> |
| <u>23,855</u> | <u>17,023</u> | <u>25,503</u> | <u>39,477</u> | <u>2,028</u> |
| | | | 952 | |
| 160 | 7,324 | | 1 | |
| | | (12,437) | (152) | |
| 23,001 | 18,405 | 19,505 | 37,936 | 27,164 |
| (19,864) | (14,903) | (14,637) | (35,449) | (21,777) |
| <u>3,297</u> | <u>10,826</u> | <u>(7,569)</u> | <u>3,288</u> | <u>5,387</u> |
| <u>\$27,152</u> | <u>\$27,849</u> | <u>\$17,934</u> | <u>\$42,765</u> | <u>\$7,415</u> |
| 0.1% | 0.1% | 0.1% | 0.3% | 0.7% |

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



| Fiscal Year | Real Property | | | | Unsecured | Less: Tax-Exempt Property (c) | Total Taxable Assessed Value (a) | Total Direct Tax Rate (b) |
|-------------|----------------------|---------------------|---------------------|-----------|-------------|-------------------------------|----------------------------------|---------------------------|
| | Residential Property | Commercial Property | Industrial Property | Other (c) | | | | |
| 2010-11 | \$6,169,631 | \$1,347,861 | \$2,772,798 | \$346,493 | \$1,557,639 | (\$282,326) | \$11,912,096 | 1% |
| 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% |

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 |
| 2010-11 | \$1.00 | \$1.00 | \$0.0507 | \$0.1389 | \$0.0072 |
| 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 |

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 2019-20 and 2010-11

| Taxpayer | 2019-2020 | | | 2010-2011 | | |
|------------------------------------|------------------------|------|--|------------------------|------|---|
| | 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. | \$886,371,787 | 1 | 4.43% | \$584,277,379 | | 4.90% |
| KLA Tencor Corporation | 422,312,113 | 2 | 2.11% | 203,516,223 | | 1.71% |
| Milpitas Mills LP | 337,889,378 | 3 | 1.69% | 318,591,678 | | 2.67% |
| Sandbox Expansion LLC | 237,179,988 | 4 | 1.19% | | | |
| Western Digital Technologies | 223,729,541 | 5 | 1.12% | | | |
| Milpitas-District Owner LLC | 203,447,281 | 6 | 1.02% | | | |
| McCarthy Center Holdings LLC | 189,588,451 | 7 | 0.95% | | | |
| Amalfi Milpitas LLC | 167,847,713 | 8 | 0.84% | | | |
| Essex Portfolio Lp | 161,316,189 | 9 | 0.81% | | | |
| Diversifield Real Estate Investors | | | | 185,839,684 | | 1.56% |
| Silicon Valley California, Inc. | | | | 175,255,293 | | 1.47% |
| Headway Technologies | 158,592,564 | 10 | 0.79% | 123,824,481 | | 1.04% |
| Bre Milpitas LLC | | | | 115,567,449 | | 0.97% |
| Linear Technology Corporation | | | | 107,655,795 | | 0.90% |
| Solyndra Inc | | | | 82,207,448 | | 0.69% |
| Lifesan Inc | | | | 80,419,329 | | 0.68% |
| Subtotal | <u>\$2,988,275,005</u> | | <u>14.94%</u> | <u>\$1,977,154,759</u> | | <u>16.60%</u> |
| | | | Fiscal Year 2018-2019 Total Net Assessed Valuation | | | \$19,999,026,000 |
| | | | Fiscal Year 2009-2010 Total Net Assessed Valuation | | | \$11,912,096,000 |

Source: Hdl, Coren & Cone, Santa Clara County Assessor 2018/19 Combined Tax Rolls

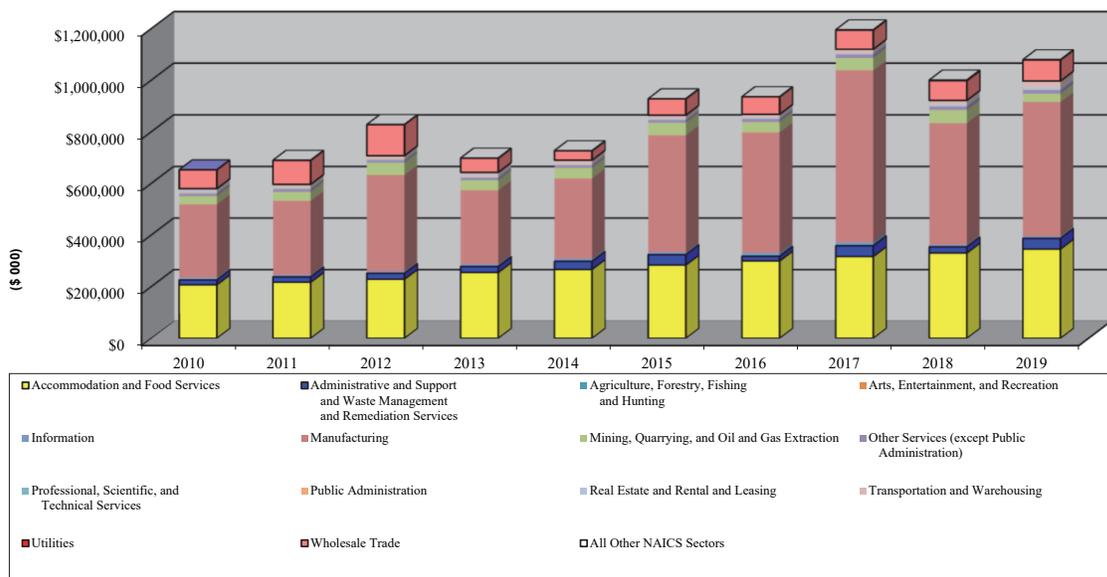
CITY OF MILPITAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Dollars in thousands)

| Fiscal Year | Taxes Levied (a) | Current Collections (a) | Percent of Levy Collected | Delinquent Tax Collections | Total Taxes Collected (a) | Percent of Levy |
|----------------|---------------------|----------------------------|---------------------------------|----------------------------------|---------------------------------|--------------------|
| 2010-11 | (b) \$55,655 | \$55,655 | 100.00% | 0 | \$55,655 | 100.00% |
| 2011-12 | (c) 34,029 | 34,029 | 100.00% | 0 | 34,029 | 100.00% |
| 2012-13 | (c) 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% |

- (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) In 2011, the Redevelopment Agency began reporting tax increment gross of pass-through payments and administrative fees withheld by the County. Years prior to 2010 have not been restated to reflect this change in presentation.
- (c) 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 Comprehensive Financial Annual Report

CITY OF MILPITAS
 TAXABLE SALES BY CATEGORY
 LAST TEN CALENDAR YEARS
 (Dollars in Thousands)



| | CALENDAR YEARS | | | | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Accommodation and Food Services | \$207,388 | \$217,028 | \$228,669 | \$254,966 | \$266,893 | \$283,823 | \$299,502 | \$316,639 | \$330,496 | \$345,741 |
| Administrative and Support and Waste Management and Remediation Services | 18,785 | 21,090 | 22,923 | 22,930 | 31,270 | 40,434 | 18,183 | 41,625 | 23,808 | 41,319 |
| Agriculture, Forestry, Fishing and Hunting | 2,129 | 231 | 654 | 2,325 | 3,419 | 1,615 | 5,095 | 5,557 | 1,859 | 1,750 |
| Arts, Entertainment, and Recreation | 237 | 253 | 826 | 294 | 391 | 369 | 339 | 242 | 131 | - |
| Information | 6,622 | 6,783 | 6,361 | 6,680 | 6,953 | 7,444 | 8,034 | 7,896 | 6,649 | 7,055 |
| Manufacturing | 283,892 | 287,022 | 373,444 | 286,085 | 310,523 | 452,332 | 466,744 | 666,252 | 470,605 | 519,709 |
| Mining, Quarrying, and Oil and Gas Extraction | 31,304 | 34,733 | 46,844 | 38,479 | 40,494 | 48,890 | 39,887 | 47,834 | 50,470 | 31,657 |
| Other Services (except Public Administration) | 9,552 | 10,081 | 8,904 | 9,702 | 9,817 | 10,072 | 11,630 | 13,032 | 13,596 | 13,796 |
| Professional, Scientific, and Technical Services | 2,455 | 3,123 | 3,895 | 1,784 | 1,815 | 1,752 | 1,733 | 1,694 | 1,746 | 1,861 |
| Public Administration | 3,647 | 3,448 | 3,469 | 3,203 | 2,838 | 1,389 | 1,311 | 1,310 | 1,242 | 1,770 |
| Real Estate and Rental and Leasing | 7,088 | 3,883 | 2,899 | 6,901 | 4,023 | 3,592 | 3,504 | 4,507 | 6,288 | 8,355 |
| Retail Trade | 804,932 | 856,774 | 917,706 | 933,933 | 978,420 | 1,032,863 | 1,121,708 | 1,121,983 | 1,180,563 | 1,182,532 |
| Transportation and Warehousing | 6,551 | 8,532 | 8,479 | 9,607 | 11,752 | 12,736 | 11,818 | 13,411 | 15,032 | 23,952 |
| Utilities | - | - | - | 8 | - | - | - | - | - | - |
| Wholesale Trade | 73,175 | 93,560 | 120,653 | 55,034 | 36,458 | 63,621 | 68,188 | 74,425 | 76,539 | 81,577 |
| All Other NAICS Sectors | 9 | 29 | 61 | 159 | 97 | 56 | 169 | 752 | 2,167 | 976 |
| Total | \$1,457,766 | \$1,546,570 | \$1,745,787 | \$1,632,090 | \$1,705,163 | \$1,960,988 | \$2,057,845 | \$2,317,159 | \$2,181,191 | \$2,262,050 |
| City Direct sales tax rate | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |

Source: California Department of Tax and Fee Administration (CDTFA)
 Muni Services Avenu Insights and Analytics Company

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 |
|----------------|------------------------|---------------------------|------------------------|
| 2010-11 | 1.00 | 1.25 | 7.00 |
| 2011-12 | 1.00 | 1.25 | 6.00 (a) |
| 2012-13 | 1.00 | 1.50 (b) | 6.25 (c) |
| 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 |

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
 CALENDAR YEARS 2019 and 2009
 IN ALPHABETICAL ORDER

| 2019 | 2009 |
|--------------------------------------|--------------------------------|
| 7-Eleven Food Stores | Best Buy Stores |
| Acme Construction Supply | Burlington Coat Factory |
| Best Buy Stores | Chevron Service Stations |
| Burlington Coat Factory | Cisco Systems Inc. |
| Chevron Service Stations | Coach Stores |
| Cisco Systems Inc. | Dave & Busters |
| Coach Stores | H & M |
| Consolidated Electrical Distributors | Headway Technologies |
| Eplus Technology | Home Depot |
| Flextronics | KLA Tencor Corporation |
| Home Depot | Kohl's Department Stores |
| Hoya Corporation USA | LSI Logic |
| Independent Electric Supply | Marshall's Store |
| KLA Tencor | Milpitas Materials Company |
| Marshall's Stores | Nanometrics |
| McDonald's Restaurants | Neiman Marcus Department Store |
| Michael Kors Stores | One Workplace L Ferrari |
| Milpitas Materials Company | Piercey Toyota & Scion |
| Nike Factory Store | Ross Stores |
| Piercey Honda | Saks Fifth Avenue |
| Piercey Toyota & Scion | Shell Service Stations |
| Shell Service Stations | South Bay Honda |
| Teledyne Lecroy | Sportmart |
| Veeco Process Equipment | The GAP |
| Wal Mart Stores | Wal Mart Stores |

Source: MBIA MuniServices Company

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) |
|-------------|-------------------------|--------------------------------|--------------------|---------------|-------------------------------|-------------------|--------------------------|-----------------------------------|----------------|
| | Tax Allocation Bonds | Installment Purchase Agreement | Purchase Agreement | Capital Lease | Certificates of Participation | Revenue Bonds (d) | | | |
| 2010-11 | \$168,940 | \$33,978 | \$0 | \$0 | \$8,090 | \$0 | \$211,008 | 10.21% | \$2,949 |
| 2011-12 | 0 (b) | 0 (b) | 14,037 | 0 | 7,710 | 0 | 21,747 | 1.06% | 325 |
| 2012-13 | 0 | 0 | 9,828 | 360 | 7,315 | 0 | 17,503 | 0.82% | 258 |
| 2013-14 | 0 | 0 | 6,000 | 274 | 6,910 | 0 | 13,184 | 0.59% | 188 |
| 2014-15 | 0 | 0 | 0 | 186 | 6,490 | 0 | 6,676 | 0.29% | 96 |
| 2015-16 | 0 | 0 | 0 | 94 | 6,055 | 0 | 6,149 | 0.26% | 81 |
| 2016-17 | 0 | 0 | 0 | 0 | 5,605 | 0 | 5,605 | 0.22% | 74 |
| 2017-18 | 0 | 0 | 0 | 0 | 0 | 5,363 | 5,363 | 0.20% | 71 |
| 2018-19 | 0 | 0 | 0 | 728 | 0 | 4,812 | 5,540 | 0.19% (c) | 73 |
| 2019-20 | 0 | 0 | 0 | 0 | 0 | 59,448 | 59,448 | 1.76% | 763 |

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

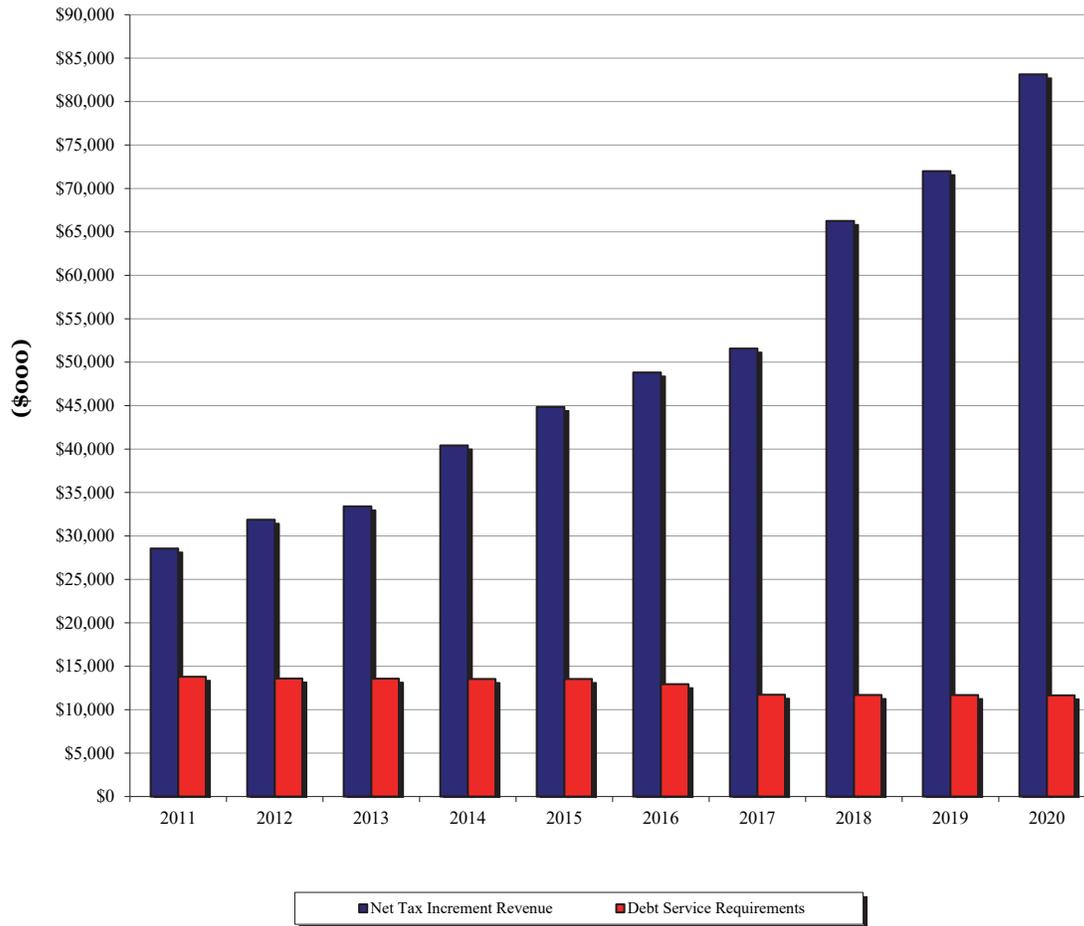
(a) See Schedule 18 for personal income and population data.

(b) The Redevelopment Agency was dissolved as of January 31, 2012 and its debt was assumed by a Successor Agency.

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

(d) 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 | |
| 2011 | \$36,353,737 | \$7,800,736 | \$28,553,001 | \$5,240,000 | \$8,548,559 | \$13,788,559 | 2.07 |
| 2012 | 31,866,464 (b) (d) | 0 (b) | 31,866,464 | 5,410,000 (c) | 8,182,883 (c) | 13,592,883 | 2.34 |
| 2013 | 33,401,413 (d) | 0 (b) | 33,401,413 | 5,595,000 (d) | 7,973,533 (d) | 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 |

- (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, 2020

| JURISDICTION | PERCENTAGE APPLICABLE TO CITY OF MILPITAS (1) | AMOUNT APPLICABLE TO CITY OF MILPITAS |
|---|--|--|
| 2019-20 Assessed Valuation, Direct and Overlapping Debt | | <u>\$19,999,026,235</u> |
| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u> | | |
| Santa Clara County | 3.799% | \$34,191,639 |
| San Jose- Evergreen Community College District | 12.154% | 105,568,606 |
| Milpitas Unified School District | 99.108% | 164,952,212 |
| East Side Union High School District | 0.456% | 5,440,712 |
| Berryessa Union School District | 2.989% | 3,238,617 |
| Santa Clara Valley Water District Benefits Assessment District | 3.799% | 2,540,551 |
| City of Milpitas 1915 Act Bonds | 100% | |
| TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT | | <u>315,932,337</u> |
| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT</u> | | |
| Santa Clara County General Fund Obligations | 3.799% | 37,499,267 |
| Santa Clara County Pension Obligations | 3.799% | 13,460,000 |
| Santa Clara County Board of Education Certificates of Participation | 3.799% | 134,989 |
| San Jose- Evergreen Community College District OPEB Bonds | 12.154% | 5,843,468 |
| Milpitas Unified School District Certificates of Participation | 99.108% | 11,903,497 |
| East Side Union High School District OPEB Bonds | 0.456% | 171,169 |
| Berryessa Union School District Certificates of Participation | 2.989% | 157,319 |
| City of Milpitas | 100% | 0 |
| Santa Clara County Vector District Certifications of Participations | 3.799% | 77,968 |
| TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT | | <u>69,247,677</u> |
| Less: Santa Clara County supported obligations | | <u>(2,845,481)</u> |
| TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT | | <u>\$66,402,196</u> |
| <u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency)</u> | 100% | <u>\$94,935,000</u> |
| TOTAL DIRECT DEBT | | <u>\$0</u> |
| TOTAL GROSS OVERLAPPING DEBT | | <u>\$480,115,014</u> |
| TOTAL NET OVERLAPPING DEBT | | <u>\$477,269,533</u> |
| GROSS COMBINED TOTAL DEBT | | <u>\$480,115,014 (2)</u> |
| NET COMBINED TOTAL DEBT | | <u>\$477,269,533</u> |

- (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 2018-19 Assessed Valuation:
Total Overlapping Tax and Assessment Debt 1.58%

Ratios to Assessed Valuation:
Direct Debt % 0.00%
Total Gross Debt % 2.40%

Source: 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 2019-20

| | | |
|--|----------------------------|-------------------------|
| Assessed value (net) - June 30, 2020 | <u><u>\$19,999,026</u></u> | |
| Debt limit: 3.75% of assessed value (a) | | \$749,963 |
| Debt applicable to limit | | |
| Total Bonded Debt | | |
| Less: Tax Allocation Bonds not subject to limit | | |
| Amount of Debt subject to limit | | <u>0</u> |
| Legal debt margin | | <u><u>\$749,963</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 |
|----------------|---------------|---------------------------------------|----------------------|--|
| 2010-11 | \$446,703 | \$0 | \$446,703 | 0.0% |
| 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% |

(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 | |
| 2010-11 | \$11,752,362 | \$6,420,615 | \$5,331,747 | \$370,000 | \$319,468 | \$689,468 | 7.73 |
| 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 |

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 | |
| 2010-11 | | | | | | | |
| 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 |

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) |
| 2010-11 | \$70.94 | \$50.68 | \$31.18 | \$11.98 | \$0.72 - \$7.61 |
| 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 |

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

| 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 |
| 2010-11 | \$1.77 - \$3.72* | | \$22.41 | \$4.04 | \$23.65 - \$577.47 |
| 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 |

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.

(a) For each one hundred cubic feet of water used. Charge varies depending on the business or type of business.

CITY OF MILPITAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN CALENDAR YEARS
 (Personal Income in Thousands)

| <u>Calendar Year</u> | <u>Population</u> | <u>Population Density (Sq. Mile)</u> | <u>Total Personal Income</u> | <u>Per Capita Personal Income</u> | <u>School Enrollment</u> | <u>Unemployment Rate (%)</u> | <u>Land Area (Sq. Mile)</u> |
|----------------------|-------------------|--------------------------------------|------------------------------|-----------------------------------|--------------------------|------------------------------|-----------------------------|
| 2010 | 71,552 | 5,238 | \$2,067,137 | \$28,890 | 9,887 | 11.50% | 13.66 |
| 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 |

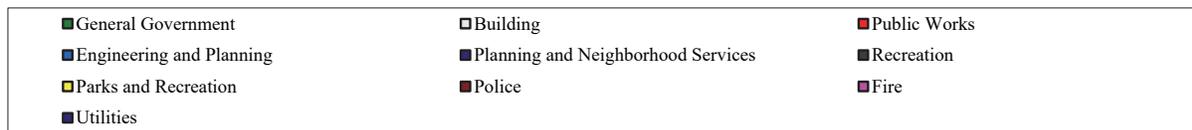
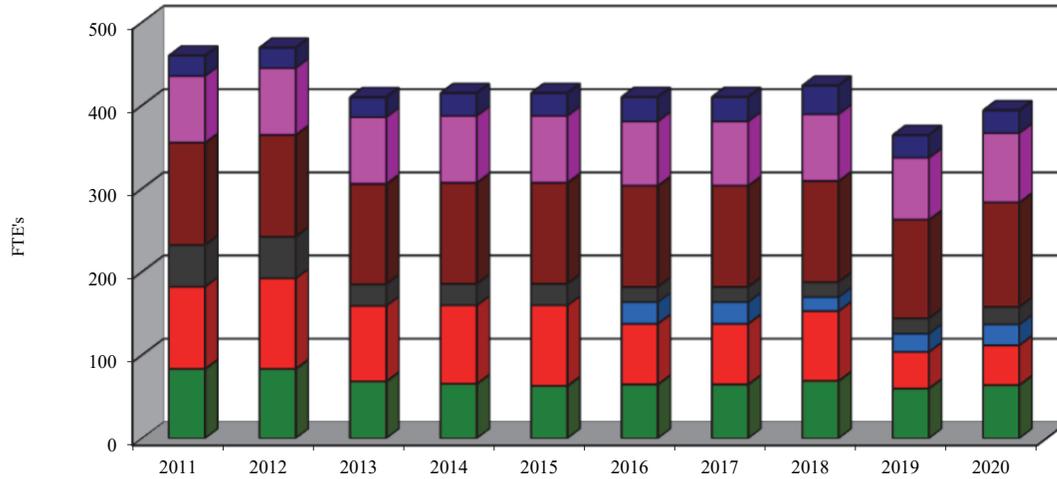
Sources: HdL, Coren & Cone
 City of Milpitas Annual Budget

CITY OF MILPITAS
PRINCIPAL EMPLOYERS
FISCAL YEAR 2019-20 and 2010-2011

| Employer | 2019-20 | | | 2010-11 | | |
|--|---------------------|------|-------------------------------------|---------------------|------|-------------------------------------|
| | Number of Employees | Rank | Percentage of Total City Employment | Number of Employees | Rank | Percentage of Total City Employment |
| Cisco Systems, Inc. | 3,347 | 1 | 7.95% | 2,947 | 1 | 3.61% |
| KLA-Tencor Corporation | 2,223 | 2 | 5.28% | 2,298 | 2 | 2.81% |
| Flextronics International | 2,732 | 3 | 6.49% | 915 | 5 | 1.12% |
| San Disk Corporation | 1,913 | 4 | 4.54% | 1,797 | 3 | 2.20% |
| Analog Devices (Linear Technology Corporation) | 1,283 | 5 | 3.05% | 1,348 | 4 | 1.65% |
| Milpitas Unified School District | 811 | 6 | 1.93% | 793 | 6 | |
| Headway Technologies | 735 | 7 | 1.75% | 362 | 10 | 0.44% |
| Fire-Eye, Inc. | 528 | 8 | 1.25% | | | |
| Wal-Mart | 439 | 9 | 1.04% | | | |
| Kaiser Permanente Medical Offices | 361 | 10 | 0.86% | | | |
| LSI Logic Corporation | | | | 726 | 7 | 0.89% |
| Lifescan, Inc. | | | | 640 | 8 | 0.78% |
| JDS Uniphase Corporation | | | | 619 | 9 | 0.76% |
| Subtotal | <u>14,372</u> | | <u>34.14%</u> | <u>12,445</u> | | <u>15.24%</u> |
| Total Labor Force | | | 42,100 | | | 81,646 |

Source: California Municipal Statistics, Inc.

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



Fiscal Year Ended June 30

| Function | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 (e) | 2020 |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General Government | 83.5 | 83.5 | 68.5 | 65.5 | 63.0 | 64.8 | 64.8 | 69.0 | 60.0 | 64.0 |
| Building, Housing and Safe | 28.0 | 28.0 | 28.0 | 23.0 | 23.0 | 24.0 | 24.0 | 25.0 | 33.0 (c) | 33.0 |
| Public Works | 99.0 | 109.0 | 91.0 | 94.5 | 97.0 | 73.0 (b) | 73.0 | 84.0 | 44.0 | 48.0 |
| Engineering | | | | | | 26.0 (b) | 26.0 | 17.0 | 22.0 | 25.0 |
| Planning | 18.0 | 18.0 | 16.5 | 18.5 | 18.5 | 17.0 | 17.0 | 17.0 | 9.0 (c) | 10.0 |
| Recreation | 49.5 | 49.5 | 25.5 (a) | 25.5 | 25.5 | 18.0 | 18.0 | 17.5 | 18.0 | 20.75 |
| Parks and Recreation | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Sworn Police | 94.5 | 94.0 | 91.5 | 92.0 | 92.0 | 92.0 | 93.0 | 93.0 | 90.0 | 93.0 |
| Civilians | 29.0 | 29.0 | 29.5 | 30.0 | 30.0 | 30.0 | 29.0 | 29.0 | 29.0 | 33.0 |
| Fire: | | | | | | | | | | |
| Firefighters and Safety | | | | | | | | | | |
| Officers | 70.0 | 70.0 | 70.0 | 70.0 | 68.0 | 66.0 | 66.0 | 68.0 | 71.0 | 79.0 |
| Civilians | 10.0 | 10.0 | 10.0 | 10.0 | 12.0 | 11.0 | 11.0 | 12.0 | 3.0 | 4.0 |
| Utilities (d) | 24.5 | 24.5 | 24.0 | 27.5 | 27.5 | 29.5 | 29.5 | 34.5 | 27.5 | 27.5 |
| Total | 506.0 | 515.5 | 454.5 | 456.5 | 456.5 | 451.3 | 451.3 | 466.0 | 406.5 | 437.3 |

- (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

| Function/Program | Fiscal Year Ended June 30 | | | | |
|---|---------------------------|---------|---------|---------|---------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Building Safety & Housing | | | | | |
| Building permits issued | 2,800 | 2,800 | 3,400 | 4,300 | 4,300 |
| Plan review performed | 800 | 800 | 1,100 | 1,500 | 1,400 |
| Code Customer Service Requests / Violations abated | 800 | 725 | 725 | 725 | 755 |
| Public Works | | | | | |
| Street miles maintained | 139 | 139 | 139 | 139 | 139 |
| Customer Service Requests | 3,000 | 3,350 | 3,500 | 2,880 | 2,800 |
| Development projects reviewed | 225 | 200 | 200 | 205 | 190 |
| Planning | | | | | |
| Applications to Planning Commission | 45 | 96 | 106 | 159 | 236 |
| Recreation | | | | | |
| Sports Center members | 1,200 | 1,400 | 1,600 | 1,450 | 1,504 |
| Senior nutrition meals served | 23,076 | 23,304 | 22,090 | 20,656 | 21,231 |
| Police | | | | | |
| Avg response time to emergency calls (minutes) | 2:49 | 2:42 | 2:32 | 2:33 | 2:32 |
| Number of anti-terrorist patrol checks | 1,469 | 1,693 | 1,996 | 2,550 | 2,300 |
| Crime prevention presentations | 281 | 235 | 201 | 200 | 200 |
| Number of vehicle citations issued | 8,544 | 6,901 | 4,120 | 3,516 | 3,600 |
| DARE presentations: schools/students | 11/845 | 12/770 | 0 | 0 | 0 |
| Fire | | | | | |
| Emergency calls for service | 4,400 | 4,075 | 4,356 | 4,356 | 4,950 |
| Public education events | 80 | 120 | 45 | 45 | 80 |
| Permits Inspections | 4,000 | 4,334 | 4,510 | 4,510 | 4,666 |
| Plan Review | 900 | 671 | 807 | 807 | 983 |
| Utility | | | | | |
| Clean sewer lines (feet) | 550,000 | 500,000 | 329,313 | 640,255 | 500,000 |
| Repair, replace or set water meters | 380 | 491 | 149 | 298 | 279 |
| Average daily consumption (thousands of gallons) | 8,100 | 8,200 | 9,340 | 9,300 | 9,300 |

Source: City of Milpitas, final budget

| Fiscal Year Ended June 30 | | | | |
|---------------------------|---------|---------|---------|---------|
| 2016 | 2017 | 2018 | 2019 | 2020 |
| 4,200 | 4,090 | 4,200 | 4,300 | 4,000 |
| 1,500 | 1,610 | 1,700 | 1,600 | 4,800 |
| 755 | 800 | 714 | 784 | 600 |
| 139 | 139 | 298 | 298 | 298 |
| 2,794 | 2,800 | 3,000 | 2,384 | 4,468 |
| 178 | 158 | 160 | 225 | 134 |
| 92 | 92 | 100 | 419 | 37 |
| 1,600 | 1,325 | 1,450 | 1,575 | 1,877 |
| 20,158 | 18,678 | 17,206 | 18,322 | 20,145 |
| 2:40 | 2:44 | 2:57 | 2:41 | 2:36 |
| 2,400 | 2,200 | 2,200 | 1,949 | 1,479 |
| 125 | 70 | 56 | 104 | 110 |
| 5,900 | 5,720 | 5,900 | 5,895 | 6,000 |
| 0 | 0 | 0 | 0 | |
| 5,000 | 5,000 | 5,200 | 5,640 | 5,600 |
| 100 | 112 | 200 | 223 | 134 |
| 7,600 | 7,322 | 7,577 | 7,824 | 7,772 |
| 1,200 | 1,550 | 1,700 | 1,600 | 1,575 |
| 500,000 | 500,000 | 491,244 | 528,051 | 432,022 |
| 189 | 152 | 115 | 147 | 219 |
| 7,800 | 5,800 | 6,590 | 8,394 | 8,410 |

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

| Function/Program | Fiscal Year Ended June 30 | | | |
|--|---------------------------|-------|-------|-------|
| | 2011 | 2012 | 2013 | 2014 |
| Public Works | | | | |
| Miles of streets | 139 | 287 | 287 | 287 |
| Street lights | 4,496 | 4,500 | 4,500 | 4,500 |
| Square feet of buildings maintained (in thousands) | 427 | 376 | 376 | 376 |
| City vehicles | 622 | 247 | 242 | 252 |
| Signs | 8,363 | 8,534 | 8,534 | 5,500 |
| Signal lights | 71 | 72 | 72 | 72 |
| City Parks | 31 | 31 | 33 | 34 |
| Acres of Parkland | 178 | 179 | 179 | 180 |
| Playgrounds | 33 | 33 | 24 | 25 |
| 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 | 4 | 3 | 3 | 3 |
| Tennis courts | 17 | 20 | 20 | 20 |
| Football field | 1 | 1 | 1 | 1 |
| Baseball/softball fields | 15 | 12 | 8 | 8 |
| Soccer fields | 2 | 3 | 9 | 9 |
| Basketball courts | 5 | 4 | 8 | 8 |
| Volleyball courts / Horse Shoe Pits / Bocce Ball / Cricket Field / Par Course | 4 | 5 | 4 | 9 |
| Handball courts | 4 | 4 | 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 | 28 | 27 | 27 | 29 |
| Fire | | | | |
| Fire stations | 4 | 4 | 4 | 4 |
| Fire Apparatus | 15 | 13 | 22 | 19 |
| Fire hydrants | 1,840 | 1,840 | 1,840 | 1,847 |
| Utility | | | | |
| Miles of water mains | 213 | 213 | 213 | 214 |
| Water Tank Storage capacity (million of gallons) | 16 | 16 | 16 | 16 |
| Miles of sanitary sewers | 178 | 179 | 179 | 179 |
| Miles of storm drain | 110 | 110 | 110 | 110 |
| Miles of recycled water main | 3 | 4 | 4 | 4 |

Source: City of Milpitas, final budget

| Fiscal Year Ended June 30 | | | | | |
|---------------------------|-------|-------|--------|--------|-------|
| 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| 298 | 298 | 298 | 298 | 298 | 298 |
| 4,577 | 4,577 | 4,581 | 5,119 | 5,141 | 4,418 |
| 376 | 376 | 376 | 322 | 473 | 473 |
| 260 | 264 | 264 | 269 | 271 | 258 |
| 5,700 | 5,700 | 6,000 | 10,000 | 10,000 | 6,000 |
| 70 | 71 | 72 | 72 | 74 | 78 |
| 34 | 33 | 32 | 32 | 32 | 36 |
| 180 | 180 | 195 | 195 | 195 | 154 |
| 34 | 34 | 33 | 30 | 33 | 33 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 0 | 0 | 2 | 2 | 1 | 2 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 21 | 21 | 21 | 21 | 21 | 21 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 9 | 9 | 7 | 7 | 9 | 9 |
| 12 | 13 | 13 | 13 | 8 | 8 |
| 7 | 9 | 10 | 10 | 10 | 10 |
| 7 | 10 | 13 | 12 | 10 | 10 |
| 5 | 5 | 6 | 6 | 6 | 6 |
| 0 | 0 | 3 | 3 | 3 | 3 |
| 0 | 0 | 2 | 2 | 8 | 2 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 28 | 34 | 29 | 29 | 29 | 29 |
| 4 | 4 | 4 | 4 | 4 | 4 |
| 19 | 13 | 11 | 11 | 12 | 13 |
| 2,033 | 2,033 | 2,039 | 2,039 | 2,039 | 2,308 |
| 213 | 203 | 203 | 206 | 206 | 206 |
| 16 | 16 | 16 | 16 | 16 | 16 |
| 179 | 173 | 173 | 175 | 173 | 173 |
| 110 | 99 | 99 | 105 | 99 | 99 |
| 23 | 23 | 21 | 23 | 26 | 26 |



OTHER AUDIT REPORT



**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the City of Milpitas, California, as of and for the year ended June 30, 2020, and have issued our report thereon dated November 4, 2020. 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 4, 2020 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.

Maze & Associates

Pleasant Hill, California
November 4, 2020