



City of Milpitas

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The Milpitas City Council Considers Proposed Budget for FY 2020-21 And Prepares for Worse Revenue Losses

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At a May 12, 2020 Special City Council Meeting, City staff presented the [Proposed FY 20-21 Budget](#) and Three-Year Fiscal Strategy to counter the projected revenue loss related to COVID-19.

The City's overall budget, including the General Fund, Capital Improvement Projects (CIP), and Water and Sewer funds, is \$220.4 million. The General Fund is balanced with expected revenues of \$112.5 million, use of \$4.5 million in reserves, and expenditures of \$117 million. Interim City Manager Steve McHarris said he was very pleased to bring forward a balanced budget that continues to fund the existing high level of services being provided to the Milpitas community and despite the current economic climate, does not envision any reduction in services or employees at this time.

"I fully support the City's Proposed Budget for Fiscal Year 2020-2021 and believe it makes smart financial sense. Due to our City's prudent fiscal planning over the past several years, we are now prepared to deal with this downturn while making sure our residents and businesses continue to have the services they need and deserve," said Milpitas Mayor Rich Tran.

Major revenue sources for the City of Milpitas' General Fund include Property Tax (32.8%), Sales Tax (25.2%), Transient Occupancy Tax (TOT) (12.0%) derived from hotel stays, and fee revenue (8.8%) related to construction activity. Together, these sources comprise 79% of the General Fund's Revenues estimated for FY 2020-2021. Due to the economic downturn caused by COVID-19 and the regional Shelter-In-Place order that went into effect on March 17, 2020, in early April staff projected a drastic reduction from these revenue sources, based on past recessions. These projections resulted in an estimated shortfall of 10.6 million for FY 2020-21, or over 9% of General Fund revenues, and \$25 million over the next three years.

Through a combination of strategies such as implementation of refined budgeting methodologies, reduction of non-personnel expenditures, and delay of non-essential projects, the City has been able to reduce the shortfall for the next three fiscal years from \$25 million to \$10 million. Staff is recommending the use of reserves to address this \$10 million shortfall over the next three years, after which time a slight surplus is projected in FY 2023-24. Balancing the budget through the use of reserves has been possible because of the City Council's leadership in setting aside nearly \$63 million in reserves during the past three years in preparation for recessionary periods.

As more economic data has become available, staff is concerned that the impact to the City's revenues may be deeper and last longer and discussed the potential need to address additional shortfalls over the next 6-24 months. The City Council reviewed potential budget strategies to address deeper deficits than currently projected including increasing the funding requirement of the General Fund Budget Stabilization Reserve from one month of operating expenses to two; service reductions; working with Labor Groups to reduce salary and benefits costs; and/or placing a $\frac{1}{4}$ cent sales tax measure on the ballot.

Changes in the Proposed Budget focus on responding to community priorities by enhancing the service delivery capacity of the Police Department; funding four neighborhood clean-up days for the community; providing for the purchase of portable back-up generators for water and sewer pump stations in case the City experiences power outages; and after school program enhancements.

The City gathered community feedback on budget and funding priorities through an online survey, which was offered in English, Chinese, Spanish, and Vietnamese and received 260 responses. The survey was available from January 18 to April 30. In the survey, respondents were asked to allocate imaginary money to fund the Council Priority Areas, creating a clear picture of the top priorities for residents and community members. The top three priorities were Public Safety (25%), Community Wellness and Open space (16.9%), and Transportation and Transit (16.7%). Based on prior Council direction, staff was planning to hold in-person budget community meetings during March and April however, due to the shelter-in-place order, these meetings were cancelled. Public engagement has still been occurring through multiple budget study sessions and public hearings.

The proposed FY 2020-21 Budget is scheduled for a public hearing and adoption on June 2, 2020.

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About the City of Milpitas

Located at the southern end of San Francisco Bay, Milpitas is a progressive community that is an integral part of Silicon Valley. A full-service city with water utility, sewer utility, police and fire services, Milpitas celebrates a diverse population of nearly 80,000. Under a Council-Manager

form of government, the City Council has established the following seven priority areas of service and policy: public safety, environment, transportation and transit, economic development and job growth, neighborhoods and housing, community wellness and open space, and governance and administration.

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

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

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