



SPECIAL MEETING OF THE MILPITAS CITY COUNCIL

AGENDA

TUESDAY, MAY 23, 2023

CITY COUNCIL CHAMBERS, 455 E CALAVERAS BLVD, MILPITAS, CA
5:30 PM

For assistance in the following languages, you may call:

Đối với Việt Nam, gọi 408-586-2400

Para sa Tagalog, tumawag sa 408-586-3051

Para español, llame 408-586-3072

The City Council meeting is held in the City Council Chamber at City Hall, 455 E. Calaveras Blvd., Milpitas and via teleconference/Zoom webinar.

You may watch the Council meeting without providing public comment by accessing it via links here.

Meeting shall be livestreamed - Go to:

Facebook: <https://www.facebook.com/CityofMilpitas/>

YouTube: <https://www.milpitas.gov/youtube>

Web Streaming: <https://www.milpitas.gov/webstreaming>

PUBLIC COMMENT INSTRUCTIONS

Oral public comments may be provided live during the City Council meeting in person or by registering for the zoom meeting in advance. To register you will need to provide an email address (not disclosed) and a name. To minimize technical difficulties, please make sure that you have the latest version of the Zoom Application. Below is the link to register for this meeting only:

https://ci-milpitas-ca-gov.zoom.us/webinar/register/WN_TitpvL0URLeDucEPPfStfg

After you register a link will be sent to you to join the City Council meeting in order to give your comments. All Zoom meeting attendees who wish to speak must click on the "raise hand" icon when the Mayor calls for public comments. If participating via phone, dial *9 to use the "raise hand" feature, and when called to speak, dial *6 to unmute your phone. Your phone number will be displayed in the live meeting. The Mayor will call speakers by name to address the City Council.

All comments provided shall be limited to three minutes or less as determined by the Mayor. All members of the public will be limited to one comment per agenda item, and one comment for non-agenda items.

NOTE: If a member of the public wishes to share any presentation materials for Council consideration, they must be submitted to the Clerk's Office by email to CityClerk@milpitas.gov by 12:00 p.m. on the day of the meeting. No presentations will be accepted in person in the Council Chambers.

MILPITAS CITY COUNCIL CODE OF CONDUCT

- Be respectful and courteous (words, tone, and body language).
- Model civility.
- Avoid surprises.
- Praise publicly and criticize privately.
- Focus on the issue, not the person.
- Refrain from using electronic devices while on the Council dais.
- Disclose conflicts of interest and affiliations related to agenda items.
- Separate governing from campaigning.
- The Council speaks with one voice after making policy on issues.
- Respect the line between policy and administration.
- Council will hold one another accountable to comply with this Code of Conduct.

CALL MEETING TO ORDER by Mayor and ROLL CALL by City Clerk

PLEDGE OF ALLEGIANCE

PUBLIC FORUM

Members of the public are invited to address the City Council on the agenda item listed below only. Comments will be limited to three minutes or less at the Mayor's discretion. When called to speak, you are encouraged to state your name for the record.

ANNOUNCEMENT OF CONFLICT OF INTEREST

READING OF THE CITY COUNCIL CODE OF CONDUCT

APPROVAL OF AGENDA

AGENDA ITEMS

- 1.** Receive Supplemental Presentation on the FY 2023-24 Proposed City of Milpitas Operating Budget and Provide Feedback (Staff Contact: Matt Cano, Deputy City Manager, 408-586-3012; Lauren Lai, Finance Director, 408-586-3111)

Recommendation: Receive a supplemental presentation on the FY 2023-24 Proposed City of Milpitas Operating Budget and provide feedback to staff.

ANNOUNCEMENTS

ADJOURN TO CLOSED SESSION

- (a) **PUBLIC EMPLOYEE PERFORMANCE EVALUATION**
Pursuant to California Government Code Section 54957
Position: City Attorney

CLOSED SESSION ANNOUNCEMENT:

Report on action taken in Closed Session, if required per Government Code Section 54957.1, including the vote or abstention of each member present.

ADJOURNMENT

KNOW YOUR RIGHTS UNDER THE OPEN GOVERNMENT ORDINANCE

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions and other City agencies exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and City operations are open to the people's review. For more information on your rights under the Open Government Ordinance or to report a violation, contact the City Attorney's office at Milpitas City Hall, 455 E. Calaveras Blvd., Milpitas, CA 95035
e-mail: mmutalipassi@milpitas.gov / Phone: 408-586-3040

The Open Government Ordinance is codified in the Milpitas Municipal Code as Title I Chapter 310 and is available online at the City's website www.milpitas.gov by selecting the Milpitas Municipal Code link.

Materials related to an item on this agenda submitted to the City Council after initial distribution of the agenda packet are available for public inspection at the City Clerk's office at Milpitas City Hall, 3rd floor 455 E. Calaveras Blvd., Milpitas and on City website. City Council agendas and related materials can be viewed online: www.milpitas.gov/government/council/agenda_minutes.asp (select meeting date)

APPLY TO SERVE ON A CITY COMMISSION

Commission application forms are available online at www.milpitas.gov or at Milpitas City Hall. Contact the City Clerk's Office at 408-586-3001 for more information.

If you need assistance, per the Americans with Disabilities Act, for any City of Milpitas public meeting, please call the City Clerk at 408-586-3001 or send an e-mail to CityClerk@milpitas.gov prior to the meeting. You may request a larger font agenda.



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Receive Supplemental Presentation on the FY 2023-24 Proposed City of Milpitas Operating Budget and Provide Feedback (Staff Contact: Matt Cano, Deputy City Manager, 408-586-3012, Lauren Lai, Finance Director, 408-586-3111)
Category:	Leadership and Support Services
Meeting Date:	5/23/2023
	<u>Recommendation:</u> Receive a supplemental presentation on the FY 2023-24 Proposed City of Milpitas Operating Budget and provide feedback to staff.

Background:

This agenda report is supplemental to the [FY2023-24 Proposed Operating Budget](#) (Proposed Budget) and Acting City Manager transmittal letter.

At the FY 2023-24 Preliminary Budget Study Session held on January 31, 2023, the City Council received the preliminary ten-year General Fund Financial Forecast, the budget community engagement plan, and reports on accomplishments and workplans by City Service Areas.

On April 28, the Acting City Manager released a balanced [FY2023-24 Proposed Operating Budget](#) and [Supplemental Material](#), available on the City's website, consistent with her duties as Acting City Manager as outlined in the City's Municipal Code. The Proposed FY 2023-24 Budget in the amount of \$231.7 million continues to transition the City towards fiscal stability with tempered optimism. We are optimistic about the future but remain tempered by possible near term economic impacts that may stem from the continued war in Europe, high interest rates, high inflation rates, continued supply chain challenges, tech company layoffs, and banking sector uncertainty.

On May 9, 2023, a [City Council Study Session](#) was held for the FY 2023-2024 Proposed Operating Budget. The Mayor and City Council indicated overall support for the Proposed Budget, including the consolidations of Public Works and Engineering as well as of Planning, Building, and Code Enforcement.

Additionally, the City Council provided feedback on potential changes to the Proposed Budget as noted below:

- Consider not consolidating Economic Development and Housing
- Consider increasing Council travel allowance by \$5,000 for each Councilmember
- Consider adding Maintenance Workers in Public Works (Streets and Trees, Parks, Landscape)
- Consider adding a City event for Black April and continue Lunar New Year and Lantern Festival
- Consider appropriating funding for City Attorney office CIP project
- Consider not defunding a vacant Building Inspector
- Consider using partial funding from 2 vacant IT Analyst positions until they are filled

The purpose of this report is to present additional information and alternatives to the City Council to receive additional feedback prior to staff presenting the Proposed Fiscal Year 2023-2024 Operating Budget for adoption on June 6, 2023.

Analysis:

At the May 9, 2023 Study Session, Staff indicated that \$848,400 in additional one-time funding is available for allocation as part of this budget process. This funding consists of the following sources:

- \$298,400 in unallocated American Rescue Plan Act (ARPA) funding
- \$100,000 Library savings
- \$450,000 CIP savings

Based upon Council feedback regarding the potential to keep the \$450,000 reserved in the CIP Budget for potential office improvements, \$398,400 in one-time funding remains available for allocation.

As discussed at the May 9 Study Session, the Proposed Budget is structurally balanced and has been developed with input from the City Council, community, and staff, and is further informed by legal mandates, safety considerations, operational and infrastructure needs, and ongoing efforts to improve efficiencies and enhance service levels.

Thus, when reviewing the feedback from the Mayor and Councilmembers and evaluating potential changes to this structurally balanced budget, Staff considered several critical factors. These factors are noted below to help guide the Council deliberation process.

- The General Fund forecast shows a minimal surplus of 1% for FY 2024-2025;
- Economic uncertainty continues to be a significant consideration;
- Employee labor agreement negotiations are underway;
- Caution should be used when adding on-going services with one-time funding;
- Operational priorities and needs should be considered when adding or reducing staffing levels noted in the Proposed Budget;
- Potential impacts to critical services should be considered so as to manage risk;
- An overall balanced approach must be taken to deliver high quality programs and services.

As listed above, there are a number of factors to consider when determining what additional positions or programs can be added to the operating budget. In particular, caution must be used when adding on-going services with one-time funding. The current ten-year General Fund financial forecast shows a balanced budget over a 5-year period, with an annual minimal surplus ranging from \$0 to 1.9% through Fiscal Year 2027-2028. That is a minimal surplus forecast especially given current economic conditions. Moreover, the \$848,000 in current savings available for allocation is “one-time” savings. In balancing fiscal conservatism and Council’s feedback to potentially enhance services, Staff believes it is reasonable to use \$330,000 of one-time resources to add two (2) positions and other services summarized in Table 1. However, Staff does not feel it is fiscally prudent to add additional on-going positions such as the 3rd and 4th Maintenance Workers or Building Inspector, as discussed further below.

Balancing the above critical factors and Council feedback for service enhancement, proposed changes to the Proposed Fiscal Year 2023-2024 budget, are summarized in Table 1 below. Staff believes these recommendations best address and balance the consolidated feedback of the Mayor and City Council from the May 9, 2023, Study Session.

Table 1: Proposed Changes to Fiscal Year 2023-2024 Operating Budget

No.	Proposed Changes	Costs	Notes/Considerations
1	Keep Economic Development as-is. Move Housing to the City Manager's Office under the Deputy City Manager	\$0	Cost neutral for the General Fund, partially fund Deputy City Manager with Housing Fund
2	Increase travel allowance by \$5,000 for Mayor, Vice Mayor and each Councilmember	\$25,000	Funded by one-time funding
3	Add a City event for Black April	\$5,000	Funded by one-time funding
4	Add One (1) additional Maintenance Worker (II) in Public Works (Streets)	\$150,000	Ongoing personnel costs funded by one-time funding sources
5	Add One (1) additional Maintenance Worker (II) in Public Works (Trees/Parks/Landscape)	\$150,000	
	Total On-Going Annual Costs	\$330,000	Funding Sources: \$100,000 General Fund (Library Savings) \$298,400 ARPA (2 Maintenance Workers for 15 months)
6	One-time Costs: Appropriate \$450,000 of funding for City Attorney Office CIP project	\$450,000	Funding Source: General Gov CIP Council direction on 4/18 to delete from FY23-24 Adopted CIP. CIP would be amended to include CIP project appropriation and staff will evaluate cost effective options

Based on operational needs and the continued economic uncertainty, Staff is not recommending the alternatives noted below for inclusion in the Fiscal Year 2023-2024 Proposed Operating Budget.

- Continue funding vacant building inspector:** Trend data for inspections demonstrates that a Milpitas inspector currently conducts an average of six (6) inspections daily, which is 33% to 44% less than the industry standard of nine (9) to ten (10) inspections daily. The City projects a 30% reduction in building inspection revenue, based on current year activity. For these reasons, we believe we are adequately staffed for the current and anticipated workload. If we foresee an increase in inspection activity and associated revenues in the new budget year, we can adjust staffing at mid-year or in the next budget cycle. Thus, based on current and projected workload and service levels, we do not see the need to fill the vacant building inspector position. Keeping this position funded would require a reduction of \$194,700 in other on-going services.
- Public Works additional staffing (3rd and 4th Maintenance Worker positions):** Adding seven (7) new non-management staff is a significant enhancement to the City's Public Works team. With this number of new positions, the department will need to ensure adequate time and effort are directed towards recruiting and seamlessly onboarding the new team members. Furthermore, the Director of Public Works, being relatively new in his role, is still completing his evaluation of various functional areas and staffing levels so as to identify process improvements and optimize service delivery. Thus, while it is possible that additional staff members may be requested in future budget cycles, Staff is not recommending adding a third and fourth Maintenance Worker position in FY 23-24.
- Partially defund 2 vacant Information Technology Analyst positions:** The Information Technology department supports critical City infrastructure and services. Such critical services and risk management include ensuring cybersecurity and mitigating threats upon the City networks and supporting the 24/7 public safety operations. Recruitments are currently underway, and several temporary staff are being onboarded in the interim. If funding is committed to other uses, the City will be unable to fill these critical positions. Additionally, if staff had to return to Council to appropriate additional funding when qualified candidates were identified, the delay could result in

losing these candidates in the current competitive market. Thus, any defunding of vacant IT positions would negatively impact the department and citywide operations.

Next Steps

Adoption of the FY 2023-24 Budget is scheduled during a public hearing on June 6, 2023. In preparation for the public hearing, Staff will bring forward any amendments to the Proposed Budget, budget and position related resolutions, Gann Limit calculation, and request authorization for award of contracts related to the approval of the FY 2023-24 Budget.

Policy Alternative:

Not applicable

Fiscal Impact:

The FY 2023-24 Citywide Proposed Budget of \$231.7 million includes 448.0 funded positions (full time equivalent FTEs), with the General Fund proposed budget estimate at \$128.9 million. Any changes will be incorporated into the FY2023-24 budget for Council approval on June 6, 2023.

California Environmental Quality Act:

This item is not a Project under CEQA in accordance with CEQA Guidelines Section 15061(b)(3) (Common Sense Exemption) as it can be seen with certainty that a general discussion of funding priorities by the City Council will not have a significant effect on the environment. Further, the item is also not a Project pursuant to CEQA Guidelines Section 15378(b)(2) as an administrative activity which is defined in the CEQA Guidelines to include the purchase of supplies and personnel related actions. It is further exempt under CEQA Guideline 15378(b)(4) as it is a government fiscal activity that does not involve a commitment to any specific project which may result in a potentially significant physical impact on the environment. Although the use of funding will be discussed for various potential projects, future environmental analysis will be conducted for the various potential projects prior to the City making any commitment or approval of any project, or it is covered by the CEQA Guideline 15061(b)(3) and/or 15378(b)(2).

Recommendation:

Receive supplemental presentation on the FY 2023-24 Proposed City of Milpitas Operating Budget and provide feedback to staff.

Attachments:

None