



REGULAR MEETING OF THE MILPITAS CITY COUNCIL

For assistance in the following languages, you may call:

Đối với Việt Nam, gọi 408-586-3122
Para sa Tagalog, tumawag sa 408-586-3051
Para español, llame 408-586-3232

AGENDA

TUESDAY, DECEMBER 3, 2019
CITY COUNCIL CHAMBERS, 455 E CALAVERAS BLVD, MILPITAS, CA
6:00 PM (CLOSED SESSION)
7:00 PM (PUBLIC BUSINESS)

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

ADJOURN TO CLOSED SESSION

a) CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION

Pursuant to California Government Code Section 54956.9(d)(1)
County Sanitation District 2-3, West Valley Sanitation District, Burbank Sanitary District,
Cupertino Sanitary District, and City of Milpitas v. City of San Jose, City of Santa Clara
Santa Clara County Superior Court Case No. 18CV325480

b) PUBLIC EMPLOYMENT

Pursuant to California Government Code Section 54957
Position: City Manager

c) CONFERENCE WITH LABOR NEGOTIATORS

Pursuant to California Government Code Section 54957.6
Agency designated representatives: Christopher Diaz, City Attorney
Unrepresented Employee: City Manager

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

PLEDGE OF ALLEGIANCE

INVOCATION

PUBLIC FORUM

Those in the audience are invited to address City Council on any subject not on tonight's agenda. Speakers must come to the podium, state their name and city of residence for the Clerk's record, and limit spoken remarks to three minutes. As an item not listed on the agenda, no response is required from City staff or the Council and no action can be taken. Council may instruct the City Manager to place the item on a future meeting agenda.

ANNOUNCEMENTS

ANNOUNCEMENT OF CONFLICT OF INTEREST AND CAMPAIGN CONTRIBUTIONS

APPROVAL OF AGENDA

CONSENT CALENDAR

Consent calendar items are considered to be routine and will be considered for adoption by one motion. There will be no separate discussion of these items unless a City Councilmember, member of the audience or staff requests the Council to remove an item from (or be added to) the consent calendar. Any person desiring to speak on any item on the consent calendar should ask to have that item removed from the consent calendar.

C1. Receive City Council Calendar of Meetings for the Month of December 2019 (Staff Contact: Mary Lavelle, 408-586-3001)

C2. Approve City Council Meeting Minutes of November 12 and 19, 2019 (Staff Contact: Mary Lavelle, 408-586-3001)

Recommendation: Approve draft City Council meeting minutes of the special meeting on November 12, 2019 and regular meeting on November 19, 2019.

C3. Waive the Second Reading and Adopt Ordinance No. 38.839 Amending Milpitas Municipal Code Title XI (Zoning, Planning, and Annexation), Chapter 10 (Zoning) Relating to Massage Establishments (Staff Contact: Rozalynne Thompson, 408-586-3278)

Recommendation: Move to waive the second reading and adopt Ordinance No. 38.839 amending Milpitas Municipal Code Title X (Zoning, Planning, and Annexation, Chapter 10 (Zoning) relating to Massage Establishments.

C4. Adopt a Resolution Authorizing the Purchasing Agent to Purchase Vehicles and Equipment Approved as Part of the FY 2019/20 Budget through Two (2) Cooperative Procurement Contracts with Sourcewell for a Total Amount of \$627,552.97 (Staff Contact: Tony Ndah, 408-586-2602)

Recommendation: Adopt a Resolution authorizing the Purchasing Agent to purchase vehicles and equipment approved in the FY 2019-20 budget through two Cooperative Procurement Contracts with Sourcewell for (1) 6 police Department vehicles and 6 Public Works vehicles from the National Auto Fleet Group for \$458,684.53; and (2) one Caterpillar 430F2 HRC Backhoe Loader with Caterpillar WT-BHL Work Tools for the Public Works Department from Peterson Cat for \$168,868.44.

C5. Adopt a Resolution Approving Acceptance of the South Milpitas Boulevard Extension, Project No. 2004, and Water, Sewer, and Storm Drain Utility Improvements, Projects No. 3711, No. 6121 and No. 7125 Completed by the Santa Clara Valley Transportation Authority as part of the Bay Area Rapid Transit Extension (Staff Contact: Steve Erickson, 408-586-3301)

Recommendation: Adopt a Resolution approving acceptance of the South Milpitas Boulevard Extension, Project No. 2004, and Water, Sewer, and Storm Drain Utility Improvements, Projects No. 3711, No. 6121 and No. 7125 completed by the Santa Clara Valley Transportation Authority as part of the Bay Area Rapid Transit (BART) Extension.

C6. Adopt a Resolution to Approve Project Plans and Specifications, and Award Construction Contract to Ron Paris Construction Co., Inc. for the Temporary Fire Station No. 2 Tenant Improvements, Project No. 3447 (Staff Contact: Steve Erickson, 408-586-3301)

Recommendation: Adopt a Resolution to approve project plans and specifications for the temporary Fire Station No. 2 tenant improvements Project No. 3447, to award a construction contract for the Base Bid and to authorize the Interim City Manager to execute the contract with the lowest responsible bidder submitting a responsive bid, Ron Paris Construction Co., Inc., in the amount of \$207,198; and, to authorize the Engineering Director/City Engineer to negotiate and execute contract change order(s) in an aggregate amount not to exceed \$50,000 for the Project.

C7. Adopt a Resolution authorizing the City to join members of the Cities Association of Santa Clara County to form a housing collaborative and to provide funding for consultant services related to the housing collaborative (Staff Contact: Sharon Goei, 408-586-3260)

Recommendation: Adopt a Resolution authorizing the City to join members of the Cities Association of Santa Clara County to form a housing collaborative and to provide funding for consultant services related to the housing collaborative.

C8. Adopt a Resolution Authorizing Reimbursement of Fire Station No. 2 Capital Improvement Expenditures from the Proceeds of Future Tax-Exempt Obligations (Staff Contact: Walter Rossmann, 408-586-3111)

Recommendation: Adopt a Resolution authorizing reimbursement of Fire Station No. 2 Capital Improvement Expenditures from proceeds of future tax-exempt obligations.

C9. Adopt a Resolution Increasing Massage Permit Fee and Amending Master Fee Schedule (Staff Contact: Christopher Diaz, 408-586-3040)

Recommendation: Adopt a Resolution increasing the Massage Permit Fee and amending the FY 2019-20 Master Fee Schedule.

C10. Receive and Review the FY 2018-19 Annual Sole Source Report (Staff Contact: Chris Schroeder, Purchasing Agent, 408-586-3161)

Recommendation: Receive and review the FY 2018-19 Annual Sole Source Report for the year ending June 30, 2019.

C11. Accept the City's Comprehensive Annual Financial Report and Other Related Annual Audited Reports for Fiscal Year Ended June 30, 2019 (Staff Contact: Walter Rossmann, 408-586-3111)

Recommendation: Accept the City's Comprehensive Annual Financial Report and other related Annual Audited Reports for the Fiscal Year ended June 30, 2019.

C12. Accept the FY 2019 Car Break-In Prevention Grant of \$750,000 for the Milpitas Police Department (Staff Contact: Jared Hernandez, 408-586-2406)

Recommendation: Accept the 2019 Car Break-In Prevention Grant in the amount of \$750,000 and approve a budget appropriation into the Police Department's Operating Budget.

C13. Approve the Milpitas Public Safety and Emergency Preparedness Commission Work Plan for Fiscal Year 2019-20 (Staff Contact: Toni Charlop, 408-586-2801)

Recommendation: Approve proposed Public Safety and Emergency Preparedness Commission Fiscal Year 2019-20 Work Plan.

PUBLIC HEARINGS

- 14. Conduct a Public Hearing, Waive the Second Reading and Adopt Ordinance No. 113.25, Adopting by Reference with Certain Local Amendments the 2019 Edition of the California Fire Code (Staff Contact: Albert Zamora, 408-586-3371)**

Recommendation: Open the public hearing and move to close it following any comments; and, waive the second reading and adopt Ordinance No. 113.25, enacted as Chapter 300, Title V of the Milpitas Municipal Code.

- 15. Conduct a Public Hearing and Adopt Ordinance No. 65.147 Relating to Code Administration and Adopting by Reference the 2019 California Building Codes with Amendments (Staff Contact: Sharon Goei, 408-586-3260)**

Recommendations:

1. Open the public hearing; hear testimony, then move to close the public hearing.
2. Waive the second reading and adopt Ordinance No. 65.147 amending Chapters 1, 3, 3.5, 4, 5, 6, 7, 10, 13, 14, 150, and 170 of Title II of the Milpitas Municipal Code relating to Code Administration; adopting by reference the 2019 California Building Code, 2019 California Residential Code, 2018 International Property Maintenance Code, 2019 California Mechanical Code, 2019 California Electrical Code, 2019 California Plumbing Code, 2018 International Swimming Pool and Spa Code, 2019 California Existing Building Code, and 2019 California Historical Building Code, with amendments; and amending regulations pertaining to grading, excavation, paving, and erosion control, and gas shut-off devices.

- 16. Conduct a Public Hearing; Adopt Ordinance No. 65.148 Adopting by Reference the 2019 California Energy Code with Amendments; and Adopt Ordinance No. 65.149 Adopting by Reference the 2019 California Green Building Standards Code with Amendments (Staff Contact: Sharon Goei, 408-586-3260)**

Recommendations:

1. Open the public hearing; hear testimony, then move to close the public hearing.
2. Waive the second reading and adopt Ordinance No. 65.148 amending Chapter 11 of Title II of the Milpitas Municipal Code adopting by reference the 2019 California Energy Code with amendments.
3. Waive the second reading and adopt Ordinance No. 65.149 amending Chapter 19 of Title II of the Milpitas Municipal Code adopting by reference the 2019 California Green Building Standards Code with amendments.

LEADERSHIP AND SUPPORT SERVICES

- 17. Introduce Ordinance No. 120.49 Amending Title VIII, Chapter 1 of the Milpitas Municipal Code Relating to Discontinuance and Restoration of Water Service and Adopt a Resolution Approving a Policy on Discontinuance of Residential Water Service (Staff Contact: Walter Rossmann, 408-586-3111)**

Recommendations:

- 1) Following the City Attorney reading aloud the title, move to waive the first reading beyond the title and introduce Ordinance No. 120.49 amending Title VIII, Chapter 1 of the Milpitas Municipal Code relating to Discontinuance and Restoration of Water Service.
- 2) Adopt a Resolution approving a policy on Discontinuance of Residential Water Service.

REPORTS OF MAYOR & COUNCILMEMBERS - from assigned Commissions, Committees and Agencies

18. Receive Update on the Milpitas Sister Cities Program (Contact: Mayor Tran, 408-586-3029)

Recommendations:

1. Receive background information and preliminary analysis on Sister Cities Programming.
2. Consider request for a Sister Cities Memorandum of Understanding with the City of Dagupan, Philippines.

19. Upon Request of Mayor Tran, Consider Election of New Vice Mayor for 2020 (Contact: Mayor Tran, 408-586-3029)

Recommendation: At the November 19, 2019, Mayor Tran requested this item be added to the meeting agenda of December 3. If desired, City Council may vote to elect a new Vice Mayor of the City of Milpitas to serve for the year 2020.

NEXT AGENDA PREVIEW

20. Receive Preview List of Items on the December 17, 2019 City Council Agenda (Staff Contact: Mary Lavelle, 408-586-3001)

ADJOURNMENT

NEXT CITY COUNCIL MEETING
DECEMBER 17, 2019

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 agencies of the City exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and the 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: cdiaz@ci.milpitas.ca.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.ci.milpitas.ca.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.ci.milpitas.ca.gov/government/council/agenda_minutes.asp (select meeting date)

APPLY TO SERVE ON A CITY COMMISSION

Commission application forms are available online at www.ci.milpitas.ca.gov or at Milpitas City Hall. Contact the City Clerk's office at 408-586-3003 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 mlavelle@ci.milpitas.ca.gov prior to the meeting. You may request a larger font agenda or arrange for mobility assistance. For hearing assistance, headsets are available in the City Council Chambers for all meetings.

November 2019						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

Milpitas City Council Calendar

December 2019

January 2020						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1  6:30 PM Holiday Tree Lighting - Civic Center Plaza	2 7:00 PM -Parks, Recreation & Cultural Resources Commission (AP)	3 6:00 PM -Closed Session 7:00 PM -City Council	4 2:00 PM -Santa Clara VTA - Northeast group (Sta Clara) (RT) 5:30 PM -Veterans Commission (RT) 7:00 PM -Community Advisory Commission (BN)	5 5:30 PM -Milpitas Chamber of Commerce Board (CM) 5:00 PM -Santa Clara VTA Board of Directors (RT)	6 7:00 PM -City Council Rules Subcommittee (RT/KD)	7  10:00 AM Milk & Cookies w/Santa@ Community Center
8	9	10	11 7:00 PM -Silicon Valley Clean Energy Board of Directors (CM) (Cupertino) 7:00 PM -Planning Commission 7:00 PM -Project Sentinel Fair Housing Workshop	12 4:00 PM -Treatment Plant Advisory Committee-San Jose (CM) 4:00 PM -Santa Clara VTA Policy Advisory Committee (KD) 4:00 PM City Council/MUSD Collaborative Subcomm. (RT/CM) 7:00 PM -Youth Advisory Commission (AP) 7:00 PM -Cities Assoc of SCC (CM)	13 2:00 PM -City Council Finance Subcommittee (RT/CM)	14
15	16 7:00 PM -Science, Technology and Innovation Commission (BN)	17 6:00 PM -Closed Session 7:00 PM -City Council	18 6:00 PM -Energy and Environmental Sustainability Commission (BN)	19	20	21
22	23	24 CHRISTMAS EVE + CHRISTMAS DAY Holidays City Hall closed for Holiday 		26 City Hall Closed 		28
29	30	31				

*Finance Subcommittee will meet only as needed

Draft **MEETING MINUTES**
CITY OF MILPITAS

Minutes of:	Special Meeting of Milpitas City Council
Date:	Tuesday, November 12, 2019
Time:	5:30 PM
Location:	Barbara Lee Senior Center, Rooms 140/141, 40 N. Milpitas Blvd., Milpitas

**CALL TO ORDER
SPECIAL MEETING**

Mayor Tran called the special meeting to order at 5:40 PM. City Clerk Mary Lavelle called the roll. All present said the pledge of allegiance to the flag.

PRESENT: Mayor Tran, Vice Mayor Dominguez, Councilmembers Montano and Phan

ABSENT: Councilmember Nuñez was absent

Mayor Tran stated he would abstain from discussion for item no. 2 (due to the proximity of his residence) and he left the meeting when item no. 1 was concluded.

PUBLIC FORUM

Rob Means, resident, spoke of a PRT (personal rapid transit) conference he'd attended held the previous week.

Allysson McDonald, resident, asked the Council to consider amending an ordinance on just cause eviction protections by extending it to all on the first day of tenancy, or for landlords offer a one-year lease, in order to cover all tenants with the new state law.

Mayor Tran asked if there was a motion to do what she had requested, and none was offered.

Galen Boggs, Milpitas resident and from Congressman Ro Khanna's office, was present and introduced himself to all.

STUDY SESSION

1. Economic Development Strategy

Economic Development Director Alex Andrade reviewed the agenda for this topic along with the staff and consultants. He introduced Sujata Srivastava, Derek Braun and Evelyne St-Louis from the consulting firm of Strategic Economics.

Mr. Andrade displayed the Office of Economic Development vision statement and provided background on the plan for an economic development strategy for the City of Milpitas, which had not been updated in many years. Ms. Srivastava reviewed the five goals of the strategy and stated an Action Report would be provided to the city at the end. She reviewed strengths and challenges to city government, commercial spaces, amenities, and location and transportation. She summarized comments heard during outreach efforts including the workshops held.

Mayor Tran asked for data over the last five or ten years on employment and jobs. The consultant displayed American Community Survey data on education points across the Bay Area. She described development patterns over the years. A specialization niche in Milpitas was in R&D/Advanced Manufacturing, such as the companies located here: Flex, KLA, Cisco and View.

Councilmember Phan asked for more micro level comparison figures, when she displayed a map of 2018 Peninsula data of the location of jobs and higher education workforce alongside the Caltrain for transit.

Ms. Srivastava displayed some data given to the City on tax revenue by segments of the retail market, with shopping mall and auto markets at the top. The group was seeking ultimately for Council to review the strategic plan by early 2020.

Next, Mayor Tran invited any questions from the Council to the consultant. He appreciated the information on sales tax, however it was down more recently, and wondered why that was so, year over year. He asked for business-to-business sales tax and information on internet sales tax. The Mayor felt rents were a bargain in the valley, but the cost point was not driving new development, while

there was more going on in other cities. He wondered what separated Berryessa BART from the Milpitas BART station in terms of development.

Councilmember Montano inquired if the consultant could show - with BART coming in - where were the commuters coming to BART were going to go upon arrival, and how they would move around at that end of Milpitas.

Councilmember Phan, in regard to warehousing, wanted to know what revenue the city was getting from that. Ms. Srivastava would have to look into that, while Mr. Andrade responded, it depends. He emphasized shopping locally. Mr. Phan asked when the next update would come and staff replied via written memo to City Council in December. Staff was working with the consultant on future opportunity sites, and to mirror those in the General Plan, where it was most likely to turn over employment use (versus other use).

Mr. Andrade displayed overhead four discussion topics for the City Council, related to:

- 1) Technology and Manufacturing business success
- 2) Innovation District – having a proactive approach
- 3) Maximize potential around the Transit Center (new Milpitas BART station)
- 4) Collaborate with local small businesses

Councilmember Montano noticed there were not many manufacturing companies listed (on an earlier slide) and wanted to know how the City would deal with a downturn in the economy.

Councilmember Phan asked what was local government's role in recruiting companies to Milpitas. Staff responded that was the task of Economic Development staff, and its relationships built.

Vice Mayor Dominguez wanted companies coming in here to have a commitment to the City of Milpitas, and to understand Milpitas pride of its residents and workers in the city. City wide accessibility to the internet was needed.

Mayor Tran commented about prior industry in Milpitas, noting lots were gone in favor of residential building. He supported all the growth in the McCarthy Ranch area. He wanted to help existing industries to survive, to hang on and for the city to realize benefits from taxes that come in from businesses.

Vice Mayor Dominguez felt there needed to be a partnership with education. Tie education to jobs with job training to keep local residents from leaving Milpitas. She spoke of a computer coding program for students at Milpitas High, and finding ways to do so for Milpitas adults. Don't forget small businesses while planning. She noted a San Jose program that helped small businesses when a parking garage was built.

Councilmember Phan commented on a proactive approach and what was relative to what's going on around Milpitas. He wanted comparative data on what was happening with neighbor cities, to talk about retaining existing businesses in Milpitas. For example, how did the City reward local businesses that grow, i.e. help them with permits as they grow. He asked about streamlined processing systems to help businesses. Staff mentioned the monthly developer roundtables, out of which came the revised fee structure.

Councilmember Montano liked the idea of an "Innovation District" as described, east of the BART station parking lot.

Mayor Tran commented on parking at Valley Fair Mall, and the potential need for more parking at Great Mall in Milpitas to meet demand. Make the best use of the land there near BART noting any development in the TASP should be aligned with innovation. He would like to see development of business around BART, and have dollars come in to the city.

Mr., Andrade described a land banking practice of some property owners, who were waiting for the right time to sell acreage, in some cases of existing vacant R&D property.

Mayor Tran felt it was hard to connect Milpitas residents and maximizing the economic development efforts near transit. He did not think residents would use transit to get around. Item 3 on staff's list should not include residents. He urged a focus on daytime workers for access to the Milpitas Transit Center.

Vice Mayor Dominguez urged having place-making opportunities, outdoor markets, with art, a small bit of park, and thinking about what she'd seen in large cities. Provide service to Milpitas residents at the Transit Center. Prioritize residents while meeting needs of workers. Expand partnership with the Chamber of Commerce. She would like to see the Chamber have a home near or at the BART station. Also tap into philanthropy to get money.

Councilmember Phan suggested the need for some “cool bars” and more fun places in Milpitas, especially for millennials.

Councilmember Montano said that to maximize development, you get what you pay for. She wanted to see top notch businesses, near the Transit Center, such as Apple and to target millennials.

On the small business question, Mayor Tran felt that was important to this community. He spoke about the Chamber and the improved relationship. The City did not contribute to the Chamber as much as it should. The City should do more to support small businesses and promote business, as he did every day on Facebook. Use social media more, with interactive advertising.

The Mayor recommended when BART opens, to have a “welcome center” upon arrival in Milpitas. Commercial spaces should be open at the BART station and show the Bay Area that Milpitas is open for business.

Vice Mayor Dominguez agreed with the Mayor on Main St./MidTown and believed it was the right City Council to make it happen. Meantime, gentrification was a big concern. A plan to support the small businesses in Milpitas was needed.

Councilmember Phan said with regard to small business, some like convenience. Businesses were more mobile, with delivery service.

Councilmember Montano spoke of increasing costs for businesses, and asked if city businesses must go with the City’s service provider for garbage/trash collection. The City Manager replied yes, they do.

Mayor Tran addressed representatives of the Milpitas Chamber of Commerce, who were in the audience. He challenged the Chamber to come to the City with a big “ask” and to describe what it could do for business in the city. He suggested it come forward to ask for \$100,000 from the city in the next budget.

Councilmember Phan mentioned the cannabis industry, and the stimulus it brought to local economies.

Vice Mayor Dominguez acknowledged the need to be better with Chamber of Commerce, and mentioned an educational component to support small businesses.

Mr. Andrade explained the next step would be an information memo coming to the City Council in December, while he and staff continued to keep moving along on economic development strategy efforts.

2) Milpitas Gateway / Main Street (MidTown) Specific Plan

Vice Mayor Dominguez called on Planning Director Ned Thomas. Mayor Tran had departed the meeting.

Planning Director Mr. Thomas addressed ideas for a Milpitas Gateway Main St. Specific Plan, prior to going out to prepare an update to the MidTown Specific Plan, adopted in 2002. There was a need to keep up with current planning practices along with current conditions in that section of Milpitas. With the BART station opening, it would be a “game changer” as discussed. Partnerships were important including with MUSD and other schools alongside many economic development opportunities.

In the planning framework, five opportunities to address were listed on the overhead screen. Mr. Thomas identified three Focus Areas within the specific plan map area boundary including: I-880 frontage; Main Street; and Calaveras Blvd., along with other segments of the plan. It would seek to bring the old and the new together to gather, along the Main St corridor. Landscaping and architectural design were important as well as solutions to parking issues along Main Street.

Planning Manager Jessica Garner reviewed the Main Street catalyst site (a paper map was distributed to Councilmembers).

Councilmember Montano asked if the City was going to have historic preservation elements/efforts in the Main Street corridor.

Ms. Garner described Public Engagement ideas including a “Taste and Talk” concept, “Pop-up Planning” and the “Better Block” approach in order to gain input from the community on the updated plan.

Mr. Thomas reviewed the timeline for the specific plan process, with a goal for circulating Ran FP and selection of a new consultant by the spring in 2020. He asked Councilmembers if there were additional issues to address (no. 1), if they were comfortable with the focus areas, and any more ideas for public engagements.

Councilmember Montano said on economic development, she urged having restaurants to make sure those make an appealing place. Look at some of the nearby cities and look at their “old” town sections while including art and historic plaques.

Councilmember Phan recommended murals along the streetscape. Have an art museum feel, with all the restaurants allowing for “instagrammable” venues, with great photo opportunities. Mr. Phan asked about federal “opportunity zones” while staff responded that there were not any established for Milpitas.

Ms. Garner mentioned some property owners were interested to develop along the Main St corridor, near Serra Center. She also reported the plans for updating of water and wastewater plan updates, to help modernize this area.

City Manager Steve McHarris responded to the Council that business improvement districts (BIDs) could be looked into.

Councilmember Phan asked staff reach out to the Councilmember who was absent at this meeting (Mr. Nuñez) to seek his input on these two topics at this meeting.

Vice Mayor Dominguez suggested sending out text messages as was done recently during emergency for the power outage and fire emergency. She loved the dining idea concept for outreach and was excited about the food truck park concept along with other ideas.

Councilmember Montano said it was an excellent idea on the expanded circulation (as noted on the map in red and blue focus area), to allow for passage through Thompson Street to get out onto Main St.

Vice Mayor Dominguez recommended reverse texting, as much as that was possible, for public engagement efforts. See the big picture, with big vision and examples for participants. She spoke of various events she’d participated in with outside organizations in a few other cities that could be a model for Milpitas.

Councilmember Phan commented on the timeline, stating it was commendable while staff should take its time with this plan. He urged staff to take time for the engagement.

Vice Mayor Dominguez thanked staff for all the hard work on the beginning part of this plan in a vital part of Milpitas.

She invited comments from any speakers in the audience.

John Agg, resident, felt this was the most stimulating City Council meeting he had attended, and it was excellent work by the Planning staff. He was concerned about the linkage between the Transit Area and the Main Street/MidTown area.

Voltaire Montemayor, resident, familiar with the area and watched development there.

Galen Boggs, resident, was excited to see Main Street developed and become more social. Keep Milpitas as historically distinct, he recommended. If it was hard to reach the federal rail administration or other federal agencies, his office of Congressman Ro Khanna was available to help constituents to reach out. That office could write support letter when applying for grants.

ADJOURNMENT

At 9:02 PM, Vice Mayor Dominguez adjourned the meeting as the study sessions were concluded.

*Meeting minutes respectfully drafted and submitted by
Mary Lavelle, City Clerk*

Draft **MEETING MINUTES**
CITY OF MILPITAS

Minutes of: **Regular & Special Meeting of the Milpitas City Council**
Date: **Tuesday, November 19, 2019**
Time: **6:00 PM Closed Session**
7:00 PM Open Session
Location: **Council Chambers, Milpitas City Hall,**
455 East Calaveras Blvd., Milpitas

CALL TO ORDER

Mayor Tran called the meeting to order at 6:03 PM. City Clerk Mary Lavelle called the roll.

PRESENT: Mayor Tran, Vice Mayor Dominguez, Councilmembers Montano, Nuñez and Phan

ABSENT: None

CLOSED SESSION

City Council convened in Closed Session to discuss three matters listed on the agenda.

City Council convened at the dais for the Open Session regular agenda at 7:23 PM.

ANNOUNCEMENT

City Attorney Chris Diaz stated there was no reportable action by the City Council, out of Closed Session.

PLEDGE

Mayor Tran led all in the pledge of allegiance to the U.S. flag.

SPECIAL MEETING

The Special City Council Meeting (separate agenda with one item) was called to order at 7:25 PM. City Clerk called the roll and all members were present.

PG&E Update

Mayor Tran called Deputy Public Works Director Elaine Marshall to the podium. She gave a summary of the structure and bankruptcy proceedings of Pacific Gas & Electric utility company. She also described the role of the California Public Utilities Commission (CPUC). Common themes emerged recently: customer interest, access to lower cost capital, and transparency.

Mayor Tran commented, thanked staff for the report, and stated he did not want the City to take any steps toward becoming a publicly owned utility until a clearer path was known.

Councilmember Nuñez knew that Silicon Valley Clean Energy (SVCE) and other agencies had been talking about this concept for months. He stated that time will come to decide while monitoring what had been going on, and knowing things were changing daily. He wanted to know from staff what action would be next.

Councilmember Montano mentioned the Cities Association Legislative Board, which wanted to go along with the City of San Jose recommending a restructure of PG&E. She appreciated Mayor Liccardo's leadership on this idea.

Vice Mayor Dominguez agreed with Councilmember Montano. Several hearings were held on state legislation in Sacramento yesterday. She advocated for the City Council to consider joining the coalition being formed by Mayor Liccardo.

Councilmember Nuñez asked for guidance from the City Attorney and City Manager. City Attorney Diaz responded that the Council could explore joining the coalition as direction to staff, and come back with more information for the Council.

Councilmember Phan agreed with Mayor Tran, who'd expressed reservations about taking any action until he read more about the options on PG&E.

Councilmember Nuñez felt something could be brought back at one of the next regular meetings about the coalition being formed, with more details, so that City Council could then provide direction that staff was looking for.

Councilmember Montano asked for fact finding, on what public utilities were owned by the state or by the people, to compare benefits and the pros and cons. A majority of cities on the Boards of the two groups Mr. Nuñez mentioned had voted to join the coalition on PG&E.

Public Comments

Rob Means, resident, noted the cities of Palo Alto and Santa Clara were doing a better job than PG&E. He remarked this was not the first time that PG&E went bankrupt, noting past history. It was a balance of multiple factors.

Voltaire Montemayor, resident, spoke of saving everyone and for PG&E.

City Manager Steve McHarris commented how fast that this topic was placed on an agenda for the City Council, on very short notice. The Special Meeting Agenda went out late on Friday.

Mayor Tran thanked staff for the report and his fellow Councilmembers for comments provided, while staff agreed to continue monitoring this topic and to update the City Council.

ADJOURNMENT

The special meeting for this one item was adjourned by the Mayor at 7:56 PM.

INVOCATION

Vice Mayor Dominguez invited Pastor Richard Alvarez from the Cathedral of Faith in Milpitas, who gave an invocation to start the meeting. He honored the memory of Pastor Richard Mok, who had served over 30 years at the correctional institution chaplaincy and in the Milpitas community.

The Vice Mayor asked for moment of silence for Mr. Mok after the invocation.

PRESENTATION

Mayor Tran proclaimed, and Councilmembers presented, a proclamation for Sikh American Awareness and Appreciation Month in November 2019. It was accepted by Surinder Singh and Jaswant Singh Hothi from the Milpitas Sikh community, with many in attendance.

PUBLIC FORUM

Jim Arthur, Millpitas resident and veteran of the US Navy, remarked positively on the city's recent Veterans Day ceremony, stating it was one of the finer such events. He thanked the community band, the Veterans Commission, Recreation & Community Services staff led by Renee Lorentzen, and wanted to recognize them. He mentioned the Mayor's comment about flyover with his unit, and felt the Mayor's performance was superb at the ceremony. Bravo zulu (i.e. well done).

Mayor Tran thanked Mr. Arthur for his service and also thanked City staff for great work on veterans celebrations this year.

Rob Means, resident, discussed outreach for PRT (personal rapid transit).

Jackie Romero, resident, thanked the City Council for saving the children's theatre program. She was glad some of the youth were able to perform at Veterans luncheon the previous Saturday.

Tom Valore, resident, attended the grand opening of the new Floor & Decor store recently. He noted one lucky local resident won a brand new truck in a drawing.

Voltaire Montemayor, resident, spoke of his father and uncle, and could invite more veterans to attend the celebration next time.

ANNOUNCEMENTS

City Attorney Chris Diaz announced that one item was scheduled for a public hearing on this date (regarding 2001 Tarob Court development) but the applicant withdrew the reason for the request for exception so no public hearing was needed and the matter was on consent, as item no. C9.

Mayor Tran proposed for the next City Council meeting in December to place an item on the agenda related to the Sister City relationship with the city of Dagupan, Philippines to allow for a vote to renew the agreement and relationship anew.

A motion was made by the Mayor to put it on the December 3, 2019 agenda. Mr. Diaz said there could be no voting at this meeting while comments could indicate if the rest of the City Council wanted it on the next agenda. Four members were generally in favor.

Councilmember Nuñez asked if the agenda item was to bring back discussion of all of the lapsed Sister Cities to the Council. Mayor Tran answered that it had to do with Milpitas peoples' desire and that was known among the Filipino community. Mr. Nuñez wanted the report back from the Economic Development Director, who had been tasked to report on Sister Cities of Milpitas, status, update, timeline, etc.

Vice Mayor Dominguez wished to know the goals of Sister City relationships, the idea of trade, and commented on the Rules Subcommittee and how Council would follow agenda regulation. This topic was not the no. 1 priority, she felt, so she was not sure it must come back at the first meeting in December. Bring a full report back when staff was ready with complete information.

Councilmember Montano wanted to move ahead with what the Mayor asked, on the next agenda.

Next, Mayor Tran spoke of serving with two Vice Mayors since he took office as Mayor. He wanted to propose a new agenda item for the one year anniversary of the Vice Mayor and to consider a vote to have another Vice Mayor in the coming year.

Councilmember Montano liked that idea while discussing the idea of shared leadership.

Councilmember Phan asked for comment from the current Vice Mayor.

Vice Mayor Dominguez said there was no place she'd rather serve than with the team on the dais. She was open to the idea of changing the Vice Mayor. She thanked Councilmembers Nuñez and Phan for putting her in there last year. She would be honored to give the title to somebody else, and it was about shared leadership and shared values.

Councilmember Nuñez said he continued to do what the city had asked, by the Council or City Manager or others. He admired anyone who ran for office.

Mayor Tran asked Councilmembers Phan or Nuñez to consider serving as the Vice Mayor of Milpitas to share the opportunity in the next year. He wanted to have this on a future upcoming meeting agenda and specifically on the first meeting in December's agenda.

ANNOUNCEMENT OF CONFLICT OF INTEREST AND CAMPAIGN CONTRIBUTIONS

City Attorney Diaz asked Councilmembers if they had any personal conflicts of interest or reportable campaign contributions. By roll call, none were reported.

APPROVAL OF AGENDA

Motion: to approve the City Council meeting agenda, as amended

Vice Mayor Dominguez stepped away from the dais and left the Council Chambers.

Mayor Tran asked to remove items no. C4 and C9 for separate votes.

Councilmember Phan asked to move items no. 14 - 18 (Commission work plans) onto consent.

Motion/Second: Councilmember Phan/Councilmember Nuñez

Motion carried by a vote of:

AYES: 4
NOES: 0
ABSENT: 1 (Dominguez)

CONSENT CALENDAR

Motion: to approve the consent calendar including agenda items no. C1 – C3, C5-C8 and the added items no. 14 – 18

Mayor Tran requested to remove items no. C4 and no. C9 from consent in order to have a separate vote on those items.

Motion/Second: Councilmember Nuñez/Councilmember Phan

Motion carried by a vote of: AYES: 4
NOES: 0
ABSENT: 1 (Dominguez)

1. Council Calendars Received City Council calendars for November and December 2019.
- C2. Meeting Minutes Approved City Council meeting minutes of November 5, 2019.
- C3. Resolution Adopted Resolution No. 8921 authorizing access to state and federal level Summary Criminal History Information for employment, certification, and licensing purposes.
4. Resolution Mayor Tran asked for a separate vote on this agenda item.
- Motion: to adopt Resolution No. 8922 approving a Site Development Permit to develop a 5,807-square foot, one-story, single-family residence and certain accessory structures; and a Minor Site Development Permit to allow a portion of the ADU to be located within the front half of the property on a vacant 1.27-acre hillside lot at 898 Calaveras Ridge Drive
- Motion/Second: Councilmember Nuñez/Councilmember Montano
- Motion carried by a vote of: AYES: 3
NO: 1 (Tran)
ABSENT: 1 (Dominguez)
- C5. Agreement with Union Pacific Railroad Approved and authorized the Interim City Manager to execute a Public Highway At-Grade Rail Crossing Agreement with Union Pacific Railroad Company for South Milpitas Boulevard rail crossing and signal improvements and authorized payment to Union Pacific Railroad not to exceed \$750,000 for the cost of the improvements.
- C6. FY 2019-20 1st Quarter Reviewed the FY 2019-20 Quarterly Financial Status Report for the quarter ending September 30, 2019.
- C7. Additional COPS grant Accepted the additional FY 2019 COPS grant funding in the amount of \$63,658.27 for the Police Department, approved the addition to the spending plan and approved a budget amendment.
- C8. 2 Fee Waivers Waived the fees to rent the Milpitas Community Center Auditorium for the Kiwanis Club of Milpitas (\$1,200) and for the non-profit organization Pragnya (\$1,000).
9. Follow-up Report on 2001 Tarob Court Mayor Tran asked for a separate vote on this item.
- Motion: to receive a follow-up report from staff on the affordable housing requirements for a 40-unit residential condominium building located at 2001 Tarob Court
- Motion/Second: Councilmember Nuñez/Councilmember Montano
- Motion carried by a vote of: AYES: 3
ABSTAIN: 1 (Tran)
ABSENT: 1 (Dominguez)

PUBLIC HEARINGS

10. Ordinance No. 38.839 – Massage Regulations

Senior Planner Rozalynne Thompson addressed the City Council expressing three purposes for the proposed ordinance on massage establishment regulation: (1) to comply with state law, (2) seek consistency, and (3) for language and technical edits.

The public hearing was opened for any comments from the public.

Voltaire Montemayor, resident, was not sure of massage establishments.

Motion: to close the public hearing, following one speaker

Motion/Second: Councilmember Phan/Councilmember Nuñez

Motion carried by a vote of: AYES: 4
NOES: 0
ABSENT: 1 (Dominguez)

City Attorney Diaz read aloud the title of Ordinance No. 38.839, “An Ordinance of the City Council of the City of Milpitas Amending Milpitas Municipal Code Title XI (Zoning, Planning and Annexation), Chapter 10 (Zoning Relating to Massage Establishments).”

Motion: to waive the first reading beyond the title and introduce Ordinance No. 38.839

Motion/Second: Councilmember Nuñez/Councilmember Phan

Motion carried by a vote of: AYES: 4
NOES: 0
ABSENT: 1 (Dominguez)

11. Resolution to Update TASP TADIF fees

First, Mayor Tran re-opened the public hearing.

Vice Mayor Dominguez returned to the dais shortly after discussion of this agenda item began.

Transit Area Specific Plan (TASP) Manager and consulting planner Kevin Riley gave a presentation to Council following the original report and public hearing on this topic held in October. He defined new proposed Tiers 1, 2 and 3 for development project fees based on dates when building permits were issued for a project.

Planning Director Ned Thomas discussed the purpose of TASP Development Impact Fees, as a partnership with the development community and described the Basic Infrastructure Plan (BIP).

Mr. Riley reviewed with a chart overhead listing the BIP costs and overall increases, at 23.5% in total over the past five years for residential development. He explained the TASP update and Fee Nexus study, as those related to needed infrastructure and costs. Mr. Riley identified one correction in one figure of fees, stating the amount of \$40,487 per unit as the correct figure for residential development in section 4 of the Resolution for adoption.

Mayor Tran called speakers to the podium.

Kyle Zaylor of the Core Companies of San Jose had a project on Main Street in the TASP area and was soon to pull permits to build the approved project. He said his project was in the pipeline for over three years, while it was approved by the City last year. He spoke of costs of the project, which would be burdensome to accept the new TASP fees, despite the tiered fee structure staff proposed to the City Council. He noted that deferred payment of fees could be a significant measure in making the project economically viable.

Voltaire Montemayor, resident, spoke of permitting, development time, effect of additional costs on the developer, city needed impact fees.

Councilmember Nuñez asked how many projects were in the pipeline, and Mr. Riley replied that twelve were entitled, representing 1,964 units, that had not yet obtained permits.

Councilmember Phan appreciated staff efforts to phase in the fees, as that was very helpful to developers. He wanted Tiers 1 and 2 to be included into the deferral of payments, and then wanted to make a motion.

Councilmember Montano referred to a letter the City Council had received from the Core Companies that requested to defer payment of the new TASP fees. She agreed with Councilmember Phan and what he requested regarding the tiers.

Councilmember Nuñez agreed with Councilmember Phan, with a payment deferral not having a significant negative impact to developments in the TASP, and would second the motion.

Motion: to adopt Resolution No. 8923 authorizing the City Manager to adjust the Transit Area Development Impact Fees (TADIF) based on cost estimates for infrastructure items listed in the TASP Basic Infrastructure Program (BIP), and to establish a graduated fee program and the deferral of TADIF payments until occupancy, with these provisions in effect for 12 months from the date of adoption

and including an amendment with Tiers 1 and 2 allowed to defer payments until obtaining an Occupancy Permit, for 12 months from the date of adoption

Motion/Second: Councilmember Phan/Councilmember Nuñez

Motion carried by a vote of: AYES: 3
NOES: 1 (Dominguez)
ABSTAIN: 1 (Tran)

At 9:58 PM, Vice Mayor Dominguez left the dais.

LEADERSHIP

12. Facility Use Manual

Recreation Director Renee Lorentzen described the proposed updated Facility Use Manual. On April 30, City Council requested that staff return with modifications to the manual, and bring updates to respond to Council direction regarding the use of facilities by Councilmembers. She highlighted the changes, wherein Councilmembers would be added to the “Priority 1” group of facility users. A new City Council Facility Use Request Form would be developed and used for any Council use of facilities or staff time needed.

Councilmember Montano asked how many times a Councilmember could ask for use and staff replied there were no restrictions proposed. Ms. Montano suggested to put something in there. Ms. Lorentzen explained why the manual edit was suggested, based on last year’s discussion at the Council’s budget meeting.

Councilmember Nuñez felt there should be a budget every time a request for an event came to the Council, at that time, and not as staff proposed at the budget mid-year report.

Councilmember Phan would like scrutiny applied to any application for use of facilities, as for Council, and to have a level playing field.

Councilmember Montano would not support this proposal. The City put on a lot of programs already, and did not need to add Council ones to that. There was the question of campaigning at these type of events, and getting their names out there in the community.

Mayor Tran asked for public comments.

Resident Jackie Romero, of Milpitas Parent Coalition, said one member was concerned about this issue. The concern was about an alleged effort by two Councilmembers to move out the Children's Theatre from the Community Center Auditorium. She was concerned about the Priority levels and change suggested by staff.

Mayor Tran responded to her comments.

Councilmember Nuñez needed to gather input from the community. Find out about the 40+ events that Recreation was doing, and find out what the community wanted the City to do. This was a good attempt at the manual update, while there may be a better way to do it, along with community input.

Councilmember Phan felt there was a way to address transparency and assure a fair process, without Councilmembers competing with community requests. It was okay for the Council to be lower on a priority level than other parts of the community.

Mayor Tran commented about the proposed manual changes. He looked forward to Councilmembers hosting their own events for the community. Mr. Tran wanted to make a motion to approve the manual.

Councilmember Montano commented further, and remained not in favor of manual changes.

Councilmember Nuñez felt that this was just a first shot, similar to the next agenda item. He suggested combining agenda items no. 12 and 13 together, and to bring those back at a future Council meeting.

Vice Mayor Dominguez returned to the dais at 10:39 PM.

Mayor Tran invited comments and resident Voltaire Montemayor said nothing was wrong to add the update to the manual.

13. Policy on Training and Events

Assistant City Manager Ashwini Kantak said staff sought feedback from the Council on the draft policies for events and training. Feedback was needed on the types of events, amounts, costs, etc. on the two policies – one for Council training opportunities and another one on Council events.

For trainings, she presented a draft policy for training activity for the Mayor and Councilmembers, with \$5000 for each member in the City's adopted budget.

For events, the new policy would allow for individual Councilmembers to potentially hold events at city facilities, in order to reach out to and meet with constituents.

Staff proposed an allocation of \$10,000 for non-profit group fee waivers or donations, and then allow \$3000 allocated for each City Councilmember (for a total of \$25,000 as allocated in the FY 2019-20 budget). Funds could be for facility use, refreshments, contractual services, but no gifts or alcohol. Ms. Kantak displayed a list of topics for input on an events policy (7 bullets).

Vice Mayor Dominguez wanted all travel detail information made available to the public, in a report made available online. On the number of events for each Councilmember, she wanted to put in a cap of 7 – 10 per year for each member. She brought up the use of the City logo and city imagery, related to campaigning. She spoke of sponsorship and the City logo on banners with no allowance for campaigning. Her view was that staff support should be limited for any events, to avoid giving them extra work.

Ms. Dominguez wanted a report to include the number of times the local Assembly member partnered with the City or City Councilmember.

Councilmember Phan asked if this matter came to the Rules Subcommittee. Ms. Kantak replied this had started at the budget discussion time, money was in the budget, so now the policy was

requested for Council input. Mr. Phan stated he was completely indifferent on the topic of this one and the prior item on the agenda.

No action was taken, while staff received the feedback stated by Councilmembers and could return in the future with updated policies along with the proposed updated Facilities Use Manual.

REPORTS

No reports were made by the Mayor & Councilmembers of outside Committees, Commissions and outside bodies to which Councilmember were assigned.

COMMISSION WORK PLANS

Five Milpitas Commission work plans were approved, after items no. 14 – 19 were added to the consent calendar regarding the Arts, Library, Senior, Community Advisory and Planning Commissions.

NEXT AGENDA

19. Preview next agenda

Council received a list of anticipated agenda items for the December 3, 2019 City Council meeting. City Manager Steve McHarris stated he would send the line-up for the next few City Council meetings to the City Council, as the end of the calendar year approached.

ADJOURNMENT

Mayor Tran adjourned the meeting at 11:08 PM in honor of Pastor Richard Mok, a Milpitas community member who had recently passed away.

*Meeting minutes respectfully drafted and submitted by
Mary Lavelle, City Clerk*



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Waive the Second Reading and Adopt Ordinance No. 38.839 Amending Milpitas Municipal Code Title XI (Zoning, Planning, and Annexation), Chapter 10 (Zoning) Relating to Massage Establishments
Category:	Consent Calendar-Community Development
Meeting Date:	12/3/2019
Staff Contact:	Rozalynne Thompson, Senior Planner, 408-586-3278
Recommendation:	Move to waive the second reading and adopt Ordinance No. 38.839 amending Milpitas Municipal Code Title X (Zoning, Planning, and Annexation, Chapter 10 (Zoning) relating to Massage Establishments

Background:

This Ordinance was introduced at the November 19, 2019 City Council meeting. The Ordinance is now ready for its second reading and adoption.

Fiscal Impact:

There is no fiscal impact to the proposed Ordinance adoption.

California Environmental Quality Act:

Adoption of the proposed Ordinance would not be an activity with potential to cause significant effect on the environment because it amends existing massage establishment regulations and does not alter where such businesses are allowed or conditionally allowed to be located, and, therefore, is exempt from CEQA pursuant to CEQA Guidelines Section 15063(b)(3) ("common sense" exemption).

Recommendation:

Move to waive the second reading and adopt Ordinance No. 38.839 amending Milpitas Municipal Code Title X (Zoning, Planning, and Annexation, Chapter 10 (Zoning) relating to Massage Establishments.

Attachments:

1. Ordinance No. 38.839

REGULAR

NUMBER: 38.839

TITLE: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MILPITAS AMENDING MILPITAS MUNICIPAL CODE TITLE XI (ZONING, PLANNING AND ANNEXATION), CHAPTER 10 (ZONING) RELATING TO MASSAGE ESTABLISHMENTS

HISTORY: This Ordinance was introduced (first reading) by the City Council at its meeting of November 19, 2019, upon motion by Councilmember Nuñez, and was adopted (second reading) by the City Council at its meeting of _____, upon motion by _____. The Ordinance was duly passed and ordered published in accordance with law by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Mary Lavelle, City Clerk

Rich Tran, Mayor

APPROVED AS TO FORM:

Christopher J. Diaz, City Attorney

RECITALS AND FINDINGS:

WHEREAS, the California State Legislature, through AB 1147 (2014) and AB 2194 (2016), has amended the Massage Therapy Act (California Business and Professions Code, § 4600 et seq.) and returned certain regulatory authority over the business of massage to the local level and clarified its intent; and

WHEREAS, the Massage Therapy Act enables consumers and local governments to more easily identify certified massage professionals, provides for consistent statewide certification and oversight of massage professionals, ensures that approved schools of massage provide a high level of training, and assists local governments and law enforcement in meeting their duty to maintain the highest standards of conduct in massage establishments by vetting and disciplining certificate holders, among other things; and

WHEREAS, the Massage Therapy Act requires local governments to impose and enforce only reasonable and necessary fees and regulations on massage businesses and massage establishments, in keeping with the requirements of existing law and being mindful of the need to protect legitimate business owners and massage professionals, particularly sole providers; and

WHEREAS, the City of Milpitas (hereafter, “City”) identified changes needed in Title III, Chapter 6 of the Milpitas Municipal Code (Massage Establishments and Practitioners”) to meet revised State law, to eliminate obsolete language, and to improve clarity, efficiency, and efficacy to the City’s regulations; and

WHEREAS, those changes to Title III, Chapter 6 (“Massage Establishments and Practitioners”) were introduced as Ordinance No. 172.6 to the City Council on June 18, 2019, adopted by the City Council on August 20, 2019, and effective September 19, 2019; and

WHEREAS, the City has prepared a Zoning Amendment (“Amendment”) to the City’s Municipal Code, including refinements to Section XI-10-2 (“Definitions”), Section 5 (“Commercial Zones and Standards”), Section 6 (“Mixed Use Zones and Standards”), Section 10 (“Overlay Districts and Standards”), Section 13 (“Special Uses”), and Section 53 (“Off-Street Parking Regulations”) to ensure consistency with the amended Title III, Chapter 6 “Massage Establishments and Practitioners”; and

WHEREAS, on October 23, 2019, the Planning Commission of the City of Milpitas held a lawfully noticed public hearing to solicit public comment and consider the proposed Amendment, take public testimony, and make a recommendation to the City Council on the proposed Amendment, and following such hearing recommended by a vote of 6-0 (with one member absent) that the City Council adopt the proposed Amendment.

NOW, THEREFORE, the City Council of the City of Milpitas does ordain as follows:

SECTION 1. RECORD AND BASIS FOR ACTION

The City Council has duly considered the full record before it, which may include but is not limited to such things as the City staff report, testimony by staff and the public, and other materials and evidence submitted or provided to the City Council. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.

SECTION 2. CALIFORNIA ENVIRONMENTAL QUALITY ACT

Based on its review of the entire record, including the staff report, public comments and testimony presented to the Planning Commission and City Council, and the facts outlined below, the City Council hereby finds and determines that this Ordinance has been assessed in accordance with the California Environmental Quality Act (Cal. Pub. Res. Code, § 21000 et seq.) (“CEQA”) and the State CEQA Guidelines (14 Cal. Code Regs. § 15000 et seq.) and is categorically exempt from CEQA under CEQA Guidelines, § 15061(b)(3), which exempts from CEQA any project where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. Adoption of the proposed Ordinance would not be an activity with potential to cause significant effect on the environment because it amends existing massage business regulations and does not alter where such businesses are allowed or conditionally allowed to be located, and therefore is exempt from CEQA. Therefore, it can be seen with certainty that there is no possibility that the

Ordinance in question may have a significant effect on the environment; accordingly, the Ordinance is categorically exempt from CEQA.

SECTION 3. GENERAL PLAN CONSISTENCY

The proposed Zoning Amendment to amend regulations related to massage establishments is an implementation action that will continue to promote a strong economy and provide economic opportunities because the amendment continues to allow massage establishments as conditionally permitted uses in the City and does not change the zoning districts where massage establishments are conditionally permitted. Further, the proposed Ordinance ensures that massage establishments are compatible with the intent of the zoning districts in which they are located by introducing operating standards and review requirements to maintain neighborhood character and to protect the public health, safety, and welfare. This is consistent with Land Use Implementing Policy 2.a-I-5, which aims to promote a strong economy which provides economic opportunities for all Milpitas residents within existing environmental, social, fiscal, and land use constraints. Amending regulations related to massage establishments will not conflict with or impede achievement of any of the goals, policies, or land use designations established in the General Plan. Therefore, this Zoning Amendment is consistent with the General Plan, specifically, Land Use Guiding Principle 2.a-I-5.

SECTION 4. AMENDMENT OF MILPITAS MUNICIPAL CODE TITLE XI, CHAPTER 10, SECTION 2

The following entry in Title XI, Chapter 10, Section 2 “Definitions,” Subsection XI-10-2.02 “General Definitions,” of the Milpitas Municipal Code is hereby amended to read as follows:

"Massage Establishment" means any establishment having a fixed place of business where any person, firm, association, partnership, corporation or other entity engages in, conducts, or carries on, or permits to be engaged in, conducted or carried on, any massage for compensation. For the purpose of this Chapter, the term “massage establishment” shall also include, but not be limited to, any business providing off-premises massage services.

SECTION 5. AMENDMENT OF MILPITAS MUNICIPAL CODE TITLE XI, CHAPTER 10, SECTION 2

Title XI, Chapter 10, Section 2 “Definitions,” Subsection XI-10-2.03 “Definitions” of the Milpitas Municipal Code is hereby amended to add the following definition to read as follows:

"Massage establishment, accessory" means an establishment that provides massage which is incidental to the primary business, where the owner of the primary business is responsible for the massage services and conduct of the massage technician(s) employed at the location.

SECTION 6. AMENDMENT OF MILPITAS MUNICIPAL CODE TITLE IX, CHAPTER 10, SECTION 5, TABLE XI-10-5.02-1

Title XI, Chapter 10, Section 5 “Commercial Zones and Standards,” Table XI-10-5 “Commercial Zones Uses” of the Milpitas Municipal Code is hereby amended, at Subsection 3. Health and Veterinarian Uses, to read as follows:

**Table XI-10-5.02-1
Commercial Zone Uses**

Use	CO	C1	C2	HS	TC
3. Health and Veterinarian Uses					
Animal grooming (no boarding)	NP	P	P	P	P
Hospital	C	NP	C	C	C
Kennel	NP	NP	C	NP	NP
Massage establishment ¹⁵	NP	NP	MC	MC	MC
Massage establishment, accessory ¹⁵	NP	NP	MCS	MCS	MCS

Medical and dental office	P	P	P	NP	P
Medical and dental clinic	P	C	C	NP	P
Medical support laboratories	P	C	C	C	C
Optician and optometrist shop	P	P	P	NP	P
Pharmacy or drug store	NP	P	P	P	P
Sauna and steam bath	NP	NP	NP	P	NP
Veterinary clinic	NP	NP	P	P	P

¹ Refer to the definition for "Commercial Services" in Section 2, Definitions, of this Chapter.

² Provided that all incidental equipment and supplies, including fertilizer and empty cans, are kept within a building.

³ Refer to XI-10-5.04, Commercial Zone Special Development Standards, of this Chapter.

⁴ In accordance with the Title III, Chapter 4, Adult Business Ordinance, and Subsection 13.04, Adult Businesses, of this Chapter.

⁵ For conditionally permitted uses, refer to Subsection 57.04(C) (9), Certain Industrial Uses within Commercial Districts, of this Chapter.

⁶ Refer to Subsection 57.03, Site Development Permits and Minor Site Development Permits, of this Chapter.

⁷ When intended to serve the occupants and patrons of the permitted use (office, etc.) and conducted and entered from within the building and provided there is no exterior display of advertising.

⁸ Refer to Subsection 5.02-1, Commercial Zone Special Uses, of this Section.

⁹ Refer to XI-10-13.14, Special Uses, Emergency Shelters, of this Chapter.

¹⁰ Refer to XI-10-13.13, Special Uses, Single Room Occupancy Residences, of this Chapter.

¹¹ Refer to Subsection XI-10-6.02-2, Special Uses, of this Chapter, for standards. Service stations shall follow the "General development policy: Gasoline service stations, and automotive service centers" adopted by the City Council on December 19, 1995.

¹² Not including warehouses on the same site as the permitted use.

¹³ No tract sign shall be permitted within 600 feet of a Santa Clara County Expressway.

¹⁴ Refer to Section 13.11, Temporary Uses and Structures, of this Chapter.

¹⁵ Massage establishments are subject to Title III, Chapter 6 of the Milpitas Municipal Code and Subsection XI-10-13.16 of this title. Refer to Subsection XI-10-13.16, of this Title, for special provisions for massage establishments.

SECTION 7. AMENDMENT OF MILPITAS MUNICIPAL CODE TITLE XI, CHAPTER 10, SECTION 6, SUBSECTION .02(A)(2)

The following entry in Title XI, Chapter 10, Section 6 "Mixed Use Zones and Standards," Subsection XI-10-6.02(A)(2) "Accessory Uses" of the Milpitas Municipal Code is hereby deleted as follows:

SECTION 8. AMENDMENT OF MILPITAS MUNICIPAL CODE TITLE XI, CHAPTER 10, SECTION 6, TABLE XI-10-6.02-1

Title XI, Chapter 10, Section 6 "Mixed Use Zones and Standards," Table XI-10-6.02-1 "Mixed Use Zone Uses" of the Milpitas Municipal Code, at Subsection 3. Health and Veterinarian Uses, is hereby amended to read as follows:

**Table XI-10-6.02-1
Mixed Use Zone Uses**

Use	MXD	MXD2		MXD3
		Ground Level (Facing Retail street)	Upper Floor	
3. Health and Veterinarian Uses				
Animal grooming (no boarding)	P	P	NP	P
Hospitals or sanitariums ⁴	C	C	C	C
Massage establishment ¹⁷	MC	MC	MC	MC
Massage establishment, accessory ¹⁷	MCS	MCS	MCS	MCS
Medical or dental offices and clinics	P	NP	P	P

Medical support laboratories	P	P	P	P
Optician and optometrist shop	P	P	P	P
Pharmacy or drug store	P	P	P	P
Veterinarian clinic	P	P	P	P

¹ Refer to Subsection XI-10-6.02-1(B), Performance standards for certain uses, of this Chapter, for standards.

² Refer to Subsection XI-10-6.02-1, Special Uses, of this Chapter, for standards.

³ Refer to Subsection XI-10-6.02-1(B) Performance standards for certain uses, of this Chapter.

⁴ Refer to Subsection XI-10-6.02-2, Quasi-Public Uses, of this Chapter, for standards.

⁵ For parks, playgrounds or community center owned and operated by a government agency or a nonprofit community organization.

⁶ Refer to XI-10-13.14, Special Uses, Emergency Shelters, of this Chapter

⁷ Ground level residential is prohibited in the Ground Level Commercial Area as shown on the Midtown Specific Plan Land Use Map, Figure 3.1.

⁸ Refer to XI-10-13.13, Special Uses, Single Room Occupancy Residences, of this Chapter

⁹ Uses serving upper-floor residential uses, such as common gathering space, lobby, and resident services, may be allowed as ground floor uses where residential uses would otherwise not be permitted.

¹⁰ Reserved

¹¹ Refer to Subsection XI-10-13.11(E), Model Home Complexes and Sales Offices, of this Chapter for temporary tract offices.

¹² Which include only permitted uses.

¹³ Refer to Section XI-10-54.07, Planned Unit Developments, of this Chapter, for standards.

¹⁴ Refer to Section XI-10-13.11(D), Temporary Seasonal Sales, of this Chapter.

¹⁵ New and used auto, recreational vehicle and boat sales, excluding commercial vehicles, trucks, buses, vans, and farm equipment, with accessory repairs and services, only allowed if fully enclosed within a building. Bicycle and auto rental agency, excluding commercial vehicles, trucks, buses, vans, boats and RV rentals, only if fully enclosed within a building.

¹⁶ Refer to Subsection XI-10-6.02-2, Special Uses, of this Chapter, for standards. Service stations shall follow the "General development policy: Gasoline service stations, and automotive service centers" adopted by the City Council on December 19, 1995.

¹⁷ Massage establishments are subject to Title III, Chapter 6 of the Milpitas Municipal Code and Subsection XI-10-13.16 of this title. Refer to Subsection XI-10-13.16, of this Title, for special provisions for massage establishments.

SECTION 9. AMENDMENT OF MILPITAS MUNICIPAL CODE TITLE XI, CHAPTER 10, SECTION 12, TABLE XI-10-12.07-1

Title XI, Chapter 10, Section 12 "Overlay Districts and Standards," Table XI-10-12.07-1 "Recreation and Entertainment Overlay District Uses" of the Milpitas Municipal Code, at Subsection 3. Health and Veterinarian Uses, is hereby amended to read as follows:

**Table XI-12.07-1
Recreation & Entertainment Overlay District Uses**

Use	C2	HS	MP	M1
3. Health and Veterinarian Uses				
Animal grooming (no boarding)	P	P	NP	NP
Commercial athletic facilities	P	P	P	P
Hospitals	C	C	C	NP
Kennel	C	NP	NP	P
Massage establishment ¹¹	MC	MC	NP	NP
Massage establishment, accessory ¹¹	MCS	MCS	NP	NP
Medical and dental clinic	C	NP	NP	P
Medical and dental office	P	NP	NP	P
Medical support laboratories	P	P	P	P
Optician and optometrist shop	P	NP	NP	NP
Pharmacy or drug store	P	P	NP	NP
Sauna and steam bath	C	P	NP	NP

Tanning salon	P	P	NP	NP
Veterinary clinic	C	C	P	P

¹ Not including stand alone off-sale alcoholic beverage outlets (such as liquor stores).

² Refer to the definition for "Commercial services" in Section XI-10-2, Definitions, of this Chapter.

³ Refer to Subsection XI-10-47.04(C)(9), Certain Industrial Uses within Commercial Districts, of this Chapter.

⁴ Assembling, packaging, or distribution from previously prepared materials, such as cloth, plastic, paper, leather, precious or semi-precious metals or stones, electric or electronic instruments and devices such as televisions, radios, and pharmaceutical products.

⁵ Refer to Subsection XI-10-57.03, Site Development Permits and Minor Site Development Permits, of this Chapter.

⁶ Entrances to the service bays shall not be open to the street, but shall be so designed to face the rear or interior side property line.

⁷ Within MP zones, rental and repair may be considered only when ancillary to new auto dealerships.

⁸ Entrances to the service bays shall not be open to the street, but shall be so designed to face the rear or interior side property line. Service stations shall follow the

"General development policy: Gasoline service stations, and automotive service centers" adopted by the City Council on December 19, 1995.

⁹ Within MP zones, boat and camper sales are prohibited. Dealerships shall be on property at least three (3) acres or greater in area.

¹⁰ Refer to Section XI-10-13.11(D), Temporary Seasonal Sales, of this Chapter.

¹¹ Massage establishments are subject to Title III, Chapter 6 of the Milpitas Municipal Code and Subsection XI-10-13.16 of this title. Refer to Subsection XI-10-13.16, of this Title, for special provisions for massage establishments.

SECTION 10. AMENDMENT OF MILPITAS MUNICIPAL CODE TITLE XI, CHAPTER 10, SECTION 13, SUBSECTION .03

The following entry in Title XI, Chapter 10, Section 13 "Special Uses," Subsection XI-10-13.03 "Accessory Uses" of the Milpitas Municipal Code is hereby amended to read as follows:

XI-10-13.03 – Reserved

SECTION 11. AMENDMENT OF MILPITAS MUNICIPAL CODE TITLE XI, CHAPTER 10, SECTION 13, SUBSECTION .05(B)(9)

The following entry in Title XI, Chapter 10, Section 13 "Special Uses," Subsection XI-10-13.05(B)(9) "Home Occupations" of the Milpitas Municipal Code is hereby amended to read as follows:

9. The occupations listed below shall not be considered incidental and secondary to the residence because they will change the residential character of the dwelling and because they change the character of the neighborhood:

- a. Barber and beauty shops or similar cosmetology establishments;
- b. Kennels and other boarding for pets;
- c. Massage establishments;
- d. Mechanical and auto repair;
- e. Medical and dental offices;
- f. Retail sales (excluding retail sales in which all products are sold over the phone or internet and shipped to the customer);
- g. Commercial cannabis uses. See Subsection XI-10-13.15.

SECTION 12. AMENDMENT OF MILPITAS MUNICIPAL CODE TITLE XI, CHAPTER 10, SECTION 13, SUBSECTION .12(E)(1)(d)

The following entry in Title XI, Chapter 10, Section 13 "Special Uses," Subsection XI-10-13.12(E)(1)(d) "Live-Work Units" of the Milpitas Municipal Code is hereby amended to read as follows:

- E. Prohibited Uses.
 1. Any use not permitted within the underlying zoning district is prohibited along with the following:
 - a. Adult-oriented businesses;
 - b. Astrology;

- c. Palmistry;
- d. Massage establishments;

SECTION 13. AMENDMENT OF MILPITAS MUNICIPAL CODE TITLE XI, CHAPTER 10, SECTION 13

Title XI, Chapter 10, Section 13 “Massage Establishments,” is hereby amended to add Subsection XI-10-16 “Massage Establishments” to the Milpitas Municipal Code to read as follows:

XI-10-13.16 – Massage Establishments

- A. Purpose. The purpose of this Subsection, in conjunction with Title III, Chapter 6 “Massage Establishments and Practitioners” of the City of Milpitas Municipal Code, is to regulate the establishment, location, and operation of massage establishments and accessory massage establishments in compliance with State law.
- B. Definitions. For purposes of this Subsection, the following definitions shall apply:
 - 1. “Act” means the Massage Therapy Act (Business and Professions (B&P) Code Section 4600, et seq.), as amended.
 - 2. “California Massage Therapy Council” or “CAMTC” means the California Massage Therapy Council established under Business and Professions Code section 4602.
 - 3. “Certified massage practitioner” or “massage practitioner” means a person who is currently certified as a massage practitioner by the CAMTC pursuant to Business and Professions Code sections 4604.1 and/or 4604.2.
 - 4. “Certified massage therapist” or “massage therapist” means a person who is currently certified as a massage therapist by the CAMTC pursuant to Business and Professions Code section 4604.
 - 5. “Compensation” means the payment, loan, advance, donation, contribution, deposit, exchange, or gift of money or anything of value. In addition to accepting other forms of compensation, a person may be deemed to have received compensation for performing a massage when the massage is offered as part of a membership, as part of a package of services or as incidental to the purchase of a product.
 - 6. “Employee” means any person hired by a massage establishment who renders any service for the business/owner in exchange for any form of compensation from the business, including independent contractors.
 - 7. “Managing officer/employee” means a person that can or does have or share ultimate control over the day-to-day operations of a business.
 - 8. “Massage” means any method of treating the external parts of the body, usually with the hands, so as to stimulate circulation and make muscles or joints supple, or relieve tension, for remedial, or health purposes offered in return for any form of compensation. Methods of massage include, but are not limited to, stroking, kneading, rubbing, tapping, pounding, or stimulating the external parts of the body with or without the aid of any mechanical or electrical apparatus or appliances. Massage may occur with or without supplementary aids, such as rubbing alcohol, liniments, antiseptics, oils, powders, creams, lotions, ointments, or other similar preparations commonly used in this practice; or by baths, including but not limited to, Turkish, Russian, Swedish, Japanese, vapor, shower, electric tub, sponge, mineral, fomentation, or any other type of bath. Massage includes the application of various manipulation or touch techniques to the muscular structure and soft tissues of the human body as defined in the Act, Business and Professions Code section 4601(e), and recognized as legitimate by CAMTC.
 - 9. “Massage establishment” means any establishment having a fixed place of business where any person, firm, association, partnership, corporation or other entity engages in, conducts, or carries on, or permits to be engaged in, conducted or carried on, any massage for compensation. For the purpose of this Chapter, the term “massage establishment” shall also include, but not be limited to, any business providing off-premises massage services.

10. "Massage Establishment, Accessory" means an establishment that provides massage which is incidental to the primary business, where the owner of the primary business is responsible for the massage services and conduct of the massage technician(s) employed at the location.

11. "Massage technician" means and includes both a "massage practitioner" and a "massage therapist" as defined by this Chapter.

12. "Off-premises massage service" means any business where a function of such business is to engage in or carry on massage, not at a fixed location but at a location designated by the customer, massage technician, or other person, and sometimes known as an out-call massage service.

13. "Owner" means any individual who has any direct or indirect ownership interest in a massage establishment.

14. "Sole provider" means a massage business where the owner owns 100 percent of the business, is the only person who provides massage for compensation at or for that business, and has no other employees, independent contractors or rent-space massage therapists.

C. Applicability.

1. This section applies to Massage Establishments as defined in Title III, Chapter 6 "Massage Establishments and Practitioners" and Subsection XI-10-2.03 "Definitions" and Subsection XI-10-13.16 "Massage Establishments of this Chapter (Zoning) and to Accessory Massage Establishments" as defined in Subsection XI-10-2.03 "Definitions" and Subsection XI-10-13.16 "Massage Establishments" of this Chapter (Zoning).

2. Preexisting Massage Establishments. Any legally established massage establishments must comply with the provisions of this Subsection and the provisions of Title III, Chapter 6 "Massage Establishments and Practitioners".

3. Exemptions. The requirements of this Subsection do not apply to the following establishments or classes of individuals who perform massage while employed in their professional capacities:

- a. Physicians, surgeons, chiropractors, osteopaths, nurses, physical therapists, or acupuncturists, who are duly licensed to practice their respective professions in the State of California and persons working directly under the supervision of such licensed persons. "Working directly under the supervision" means that the person is an employee of the licensed person, is working at the same location as the licensed person, has his or her work supervised by the licensed person, and that the licensed person is present when the employee is performing massage. This exemption shall not apply if the business performs massage on persons for whom the licensed person does not provide professional services.
- b. Barbers, beauticians, cosmetologists, manicurists, and other persons licensed to practice any healing art under the provisions of Division 2 (commencing with Section 500) of the California Business and Professions Code while engaging in practices within the scope of their licenses, and who perform massage only on the neck, face, scalp, hands, arms, or lower limbs up to the knee of their customers.
- c. Personal fitness training centers, gymnasiums, athletic facilities or health clubs, when the giving of massage for compensation is not a principal function of such businesses.
- d. Hospitals, nursing homes, sanitariums, or any other healthcare facilities duly licensed by the State of California.
- e. Accredited high schools, junior colleges, and colleges or universities whose coaches and trainers are acting within the scope of their employment.
- f. Trainers of amateur, semi-professional or professional athletes or athletic teams, while engaging in their training responsibilities for and with athletes; and trainers working in conjunction with a specific athletic event such as an outdoor road or bike race.
- g. Sole providers, including sole providers operating an off-premise massage service, who have a valid certificate issued by the CAMTC pursuant to the Act, either as a certified massage practitioner or a certified massage therapist, and who are practicing consistent with the qualifications established by such certificate.

D. General Requirements.

1. **Required Permits.** Prior to the operation of a massage establishment, the owner or managing officer/employee must obtain a Massage Establishment Permit pursuant to Title III, Chapter 6 "Massage Establishments and Practitioners", a Minor Conditional Use Permit issued by the Zoning Administrator pursuant to Section XI-10-57.04 "Conditional Use Permits and Minor Conditional Use Permits", and a business license pursuant to Title III, Chapter 1 "Business Licenses" of the Milpitas Municipal Code. Prior to the operation of an accessory massage establishment, the owner must obtain a Massage Establishment Permit pursuant to Title III, Chapter 6 "Massage Establishments and Practitioners", a Minor Conditional Use Permit pursuant to Section XI-10-57.04 "Conditional Use Permits and Minor Conditional Use Permits", and a business license pursuant to Title III, Chapter 1 "Business Licenses" of the Milpitas Municipal Code. A Massage Establishment Permit, and any renewal thereof, shall be filed with the Chief of Police, pursuant to Title III, Chapter 6 "Massage Establishments and Practitioners" of the Municipal Code. The Minor Conditional Use Permit issued by the Zoning Administrator, or, in the case of an Accessory Massage Establishment, a Minor Conditional Use Permit, shall not be granted until a Massage Establishment Permit is issued by the Chief of Police.
2. **Compliance with Codes.** Prior to the operation of a massage establishment or accessory massage establishment, the massage establishment must comply with all applicable codes regarding fire, building and safety, health and safety, and other relevant laws.
3. **Permitted Zoning Districts.** Massage establishments and accessory massage establishments are allowed in the C2, HS, TC, MXD, MXD2, MXD3 zoning districts, subject to a Minor Conditional Use Permit issued by the Zoning Administrator or Minor Conditional Use Permit issued by staff, respectively.
4. **Operational Standards.** In addition to the restrictions specifically required in the Massage Establishment Permit issued by the Chief of Police and pursuant to Title III, Chapter 6 "Massage Establishments and Practitioners", all massage establishments must comply with the regulations applicable to the zoning district in which it is located and with the following operating requirement:
 - a. **Hours of Operation.** Massage Establishments shall operate and massage services shall be provided between the hours of 7:00 a.m. and 10:00 p.m. Massage services begun before 10:00 p.m. must terminate at 10:00 p.m. No customer shall be in such massage establishment between the hours of 10:00 p.m. and 7:00 a.m. No massage establishment shall be open between the hours of 10:30 p.m. and 7:00 a.m.
5. **Off-Street Parking Requirement.** Two (2) off-street parking spaces per treatment room must be provided. If there are no treatment rooms, then one (1) space for every two (2) massage chairs or two (2) massage tables must be provided. The parking space must comply with all development standards set forth in Section 53 "Off-Street Parking Regulations".
6. **Commercial Purposes Only.** A massage establishment must be used for commercial purposes only. Use of the massage establishments for residential or lodging purposes is prohibited.
7. **Off-Premises Massage Businesses.** No off-premises massage business shall conduct massage in a hotel or motel room, vehicle, or in the residence of the massage technician. No off-premises massage service may be provided in a private residence or business between the hours of 10:00 p.m. and 7:00 a.m. However, a massage technician is permitted to provide off-premises massage services at a private residence so long as it is the not the private residence of the massage technician and is not provided between the hours of 10:00 p.m. and 7:00 a.m.
8. **Recreational or Special Events.** Persons administering massages to other persons who are participating in a recreational or special event that has been approved pursuant to Section XI-10-15 "Special Events and Activities" and the Chief of Police shall be CAMTC certified but will not be required to hold a Massage Establishment Permit provided the following conditions are met:
 - a. The massage technician shall be registered with the City of Milpitas Police Department;
 - b. Massage services are equally available to all participants in the event;
 - c. The massage services are provided during the event in an open area at the site of the event;
 - d. The sponsors of the event have approved the provision of massage services at the event;
 - e. Massage services were included in the project description in the application for a Special Event Permit pursuant to Subsection XI-10-15.12 "Permit Application."

9. Signs. A recognizable and legible sign complying with the requirements of Section XI-10-24 "Signs" must be posted at the main entrance of the massage establishment identifying the location as a licensed massage establishment.

E. Application Procedure.

1. Minor Conditional Use Permit issued by the Zoning Administrator Required for Massage Establishments. The owner of a massage establishment must apply for and obtain a Minor Conditional Use Permit issued by the Zoning Administrator before operating massage establishment. The Minor Conditional Use Permit issued by the Zoning Administrator is subject to the provisions of and issued pursuant to the Minor Conditional Use Permit process in Section XI-10-57.04 "Conditional Use Permits and Minor Conditional Use Permits".
2. Minor Conditional Use Permit Required for Accessory Massage Establishments. The owner of an accessory massage establishment must apply for and obtain a Minor Conditional Use Permit reviewed by Planning Department staff before operating an accessory massage establishment. The Minor Conditional Use Permit is subject to the provisions of and issued pursuant to the Minor Conditional Use Permit process in Section XI-10-57.04 "Conditional Use Permits and Minor Conditional Use Permits".
3. Compliance Review. The Planning Director or his or her designee will review the Minor Conditional Use Permits issued by the Zoning Administrator for massage establishments and Minor Conditional Use Permits for accessory massage establishments within one (1) year after issuance for compliance with this Subsection and Conditions of Approval. The Planning Director or his or her designee will conduct a similar compliance review of Conditional Use Permits issued by the Zoning Administrator for massage establishments and Minor Conditional Use Permits issued by Planning staff on an annual basis concurrent with review of the Massage Establishment Permit and renewal of the Business License for each use. Any failure to conduct a review does not waive any noncompliance or the City's right to conduct a review in the future.
4. Change in Ownership. If there is a change of property ownership, change of Owner's agent or representative, or any other change in material facts pertaining to the information contained in the Conditional Use Permit issued by the Zoning Administrator application for a massage establishment or the Minor Conditional Use Permit application for an accessory massage establishment, the new owner or new owner's authorized agent or representative shall notify the City prior to continuing to operate the massage establishment. The Planning Director or his or her designee will conduct a compliance review of the Conditional Use Permit issued by the Zoning Administrator for the massage establishment or the Minor Conditional Use Permit for the accessory massage establishment the for the subject property in conjunction with the application for a Business License by the new property owner.

- F. Violation of Regulations. Violation of any provision of this Chapter may result in the revocation of the after notice and an opportunity for a hearing has been given to the permittee, in accordance with Subsection XI-10-63.06 "Revocation, Suspension, Modification."

SECTION 14. AMENDMENT OF MILPITAS MUNICIPAL CODE TITLE XI, CHAPTER 10, SECTION 53, TABLE 53.09-1

The following entries in Title XI, Chapter 10, Section 53 "Off-Street Parking Regulations," Table 53.09-1 "Number of Parking Spaces Required" of the Milpitas Municipal Code at Subsection C. Health and Veterinarian Uses, are hereby amended to read as follows:

**Table 53.09-1
Number of Parking Spaces Required**

Use	Minimum Parking Spaces Required
C. Health and Veterinarian Uses	
Convalescent Homes	1 per 2 beds or 1 per 1,000 sq. ft, whichever is greater
Hospital	1 per bed or 1 per 220 sq. ft., whichever is greater
Kennel, indoor	1 per 1,000
Massage Establishments	Two per treatment room or if no treatment room, one per 2 chairs or 2 tables

Medical and dental Clinic and Office	1 per 225 sq. ft.
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SECTION 15. SEVERABILITY

The provisions of this Ordinance are separable, and the invalidity of any phrase, clause, provision, or part has no effect on the validity of the remainder.

SECTION 16. EFFECTIVE DATE AND POSTING

In accordance with Section 36937 of the Government Code of the State of California, this Ordinance takes effect 30 days from the date of its passage. The City Council hereby directs the City Clerk to cause this Ordinance or a summary thereof to be published in accordance with Section 36933 of the Government Code of the State of California.



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Adopt a Resolution Authorizing the Purchasing Agent to Purchase Vehicles and Equipment Approved as Part of the FY 2019/20 Budget through Two (2) Cooperative Procurement Contracts with Sourcwell for a Total Amount of \$627,552.97
Category:	Consent Calendar-Community Services and Sustainable Infrastructure
Meeting Date:	12/3/2019
Staff Contact:	Tony Ndah, Public Works Director, 408-586-2602
Recommendation:	Adopt a Resolution Authorizing the Purchasing Agent to Purchase Vehicles and Equipment Approved as Part of the FY 2019/20 Budget through Two (2) Cooperative Procurement Contracts with Sourcwell as follows: (1) Six (6) Police Department vehicles and Six (6) Public Works vehicles from the National Auto Fleet Group for \$458,684.53; and (2) One (1) Caterpillar 430F2 HRC Backhoe Loader with Caterpillar WT-BHL Work Tools for the Public Works Department from Peterson Cat for \$168,868.44.

Background:

As part of the Fiscal Year 2019/20 budget, Council approved the purchase of six (6) vehicles for the Police Department and six (6) pick-up trucks and one (1) heavy equipment for the Public Works Department to replace existing vehicles. The approved purchase of the vehicles and equipment supports the ongoing and enhanced operational needs for the City.

The City of Milpitas Municipal Code Section I-2-3.08 ("Cooperative Procurement") specifically authorizes the Purchasing Agent to make such purchases based on an agreement or cooperative purchasing program entered into by a public agency, as defined by Government Code Section 6500, regardless of whether the City is a named party to the agreement or an actual participant in such a program, provided that the underlying purchase was made using competitive negotiation or bidding procedures at least as restrictive as the City's, and that the supplies or general services purchased must be the same and be offered at the same price as the supplies and general services subject to the agreement or program.

Staff recommends acquiring the vehicles through Sourcwell (previously National Joint Powers Alliance) as part the City's cooperative procurement program. Sourcwell is a local government unit, public corporation and public agency under the laws of the state of Minnesota. Sourcwell is authorized to establish competitively awarded cooperative purchasing contracts on behalf of itself and its member agencies. The City of Milpitas has been a member of National Joint Powers Alliance (NJPA) since 2008 and on June 6, 2018, NJPA changed its organization name to Sourcwell and all prior agreements entered into with NJPA have continued without impact.

Analysis:

The table below provides a list of the vehicles and equipment that were approved by Council for the Police and Public Works Department, as part of the FY 2019/20 budget.

Table 1. FY 2019/20 Approved Vehicles and Equipment

Police and Public Works Department

Number	Department	Description	Cost
1.	Police	2020 Ford Explorer XLT RWD	\$37,992.15
2.	Police	2020 Toyota Tacoma 2WD SR5 Double Cab 5' Bed I4 AT	\$31,575.37
3.	Police	2020 Toyota Camry Hybrid SE CVT	\$34,178.35
4.	Police	2020 Ford Police Interceptor Utility AWD	\$51,524.13
5.	Police	2020 Ford Police Interceptor Utility AWD	\$51,524.13
6.	Police	2020 Ford Police Interceptor Utility AWD	\$51,524.13
7.	Public Works	2020 F250 Regular Cab with Tommy Gate Lift	\$33,378.01
8.	Public Works	2020 F250 Regular Cab with Tommy Gate Lift	\$33,378.01
9.	Public Works	2020 F250 Regular Cab with Tommy Gate Lift	\$33,378.01
10.	Public Works	2020 F250 Regular Cab with Tommy Gate Lift	\$33,378.01
11.	Public Works	2020 F250 Regular Cab with Tommy Gate Lift	\$33,378.01
12.	Public Works	2020 T250 Transit Connect Regular Cab	\$33,476.22
13.	Public Works	Caterpillar 430F2 HRC Backhoe Loader and Caterpillar WT-BHL Work Tools	\$168,868.44
TOTAL AMOUNT			\$627,552.97

The Purchasing Agent reviewed all of the documentation from the Sourcwell Request for Proposal No. 120716 entitled "Vehicles, Cars, Vans, SUVs, and Light Trucks with Related Equipment, Accessories, and Services" and has determined that the underlying purchase was made using competitive bidding procedures at least as restrictive as the City of Milpitas' Purchasing Division. Contract #120716-NAF is current through January 17, 2021. The purchase of the police vehicles and pick-up trucks would be made through the National Auto Fleet Group.

In addition, the Purchasing Agent reviewed all of the documentation from the Sourcwell Request for Proposal No. #032119-CAT entitled "Heavy Construction Equipment with Related Accessories, Attachments and Supplies" and has determined that the underlying purchase was made using competitive bidding procedures at least as restrictive as the City of Milpitas' Purchasing Division. Contract #032119-CAT is current through May 13, 2023. The purchase of the Caterpillar 430F2 HRC Backhoe Loader with Caterpillar WT-BHL Work would be made through Peterson Cat.

Six (6) Police Department vehicles and Six (6) Public Works Department vehicles would be purchased from the National Auto Fleet Group for \$458,684.53. One (1) Caterpillar 430F2 HRC Backhoe Loader with Caterpillar WT-BHL Work Tools would be purchased from Peterson Cat for \$168,868.44 for the Public Works Department.

Policy Alternative:

Alternative: Purchase vehicles and equipment using a request for proposal (RFP).

Pros: Allows City to test the market for pricing

Cons: Cooperative purchases allow for economies of scale by bringing together multiple organizations and their purchasing requirements, allow for more buying and negotiating power and the ability to obtain a better commercial deal than through a City RFP process.

Reason for Not Recommending: Pricing under the cooperative procurement have already been negotiated under an RFP and reviewed by the Purchasing Agent as the best option for the City. Additionally, the acquisition would be delayed if the City issues its own solicitation.

Fiscal Impact:

The total cost for the purchase of the vehicles and equipment under the two cooperative procurement contracts is \$627,552.97. Cost for Public Works' vehicles is \$369,234.71 with a replacement fund allocation of \$337,134.00. The balance of \$32,100.71 will come from the Public Works General Fund generated through vacancy savings. Cost for the Police Department vehicles is \$258,318.26 with sufficient funds in the City's equipment replacement fund.

California Environmental Quality Act:

By the definition provided in the California Environmental Quality Act (CEQA) Guidelines Section 15378, this action does not qualify as a “project” for the purpose of CEQA as this action has no potential to result in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

Recommendation:

Adopt a Resolution Authorizing the Purchasing Agent to Purchase Vehicles and Equipment Approved as Part of the FY 2019/20 Budget, through Two (2) Cooperative Procurement Contracts with Sourcewell as follows:

- (1) Six (6) Police Department vehicles and Six (6) Public Works vehicles from the National Auto Fleet Group for \$458,684.53; and
- (2) One (1) Caterpillar 430F2 HRC Backhoe Loader with Caterpillar WT-BHL Work Tools for Public Works from Peterson Cat for \$168,868.44

Attachment:

1. Resolution Authorizing Purchase of Vehicles and Equipment from Sourcewell

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS AUTHORIZING THE PURCHASE OF SIX POLICE VEHICLES AND SIX PUBLIC WORKS VEHICLES FROM THE NATIONAL AUTO FLEET GROUP AND ONE CATERPILLAR 430F2 HRC BACKHOE LOADER WITH WT-BHL WORK TOOLS FROM PETERSON POWER SYSTEMS THROUGH TWO COOPERATIVE PROCUREMENT CONTRACTS WITH SOURCEWELL

WHEREAS, Milpitas Municipal Code Section I-2-3.08 (“Cooperative Procurement”) authorizes the City Council to award contracts without competition, when the purchase is pursuant to a cooperative agreement by another public agency in California that used competitive negotiation or bidding procedures at least as restrictive as the City’s; and

WHEREAS, Municipal Code Section I-2-3.08 specifically authorizes the Purchasing Agent to make such purchases based on an agreement or cooperative purchasing program entered into by a public agency, as defined by Government Code Section 6500, regardless of whether the City is a named party to the agreement or an actual participant in such a program, provided that the underlying purchase was made using competitive negotiation or bidding procedures at least as restrictive as the City’s, and that the supplies or general services purchased must be the same and be offered at the same price as the supplies and general services subject to the agreement or program; and

WHEREAS, on January 16, 2017, contract No. 120716-NAF was awarded to National Auto Fleet Group pursuant to the National Joint Powers Alliance Request for Proposal (RFP) No. 120716 entitled “Vehicles, Cars, Vans, SUV’s, and Light Trucks with Related Equipment, Accessories and Services,” and is current through January 17, 2021, and

WHEREAS, the City of Milpitas has been a member of National Joint Powers Alliance (NJPA) since 2008. On June 6, 2018, NJPA changed its organization name to Sourcewell and all prior agreements entered into with NJPA have and will continue without impact. Sourcewell is a local government unit, public corporation and public agency pursuant to the Minnesota Constitution and enabling law Minn. Stat. § 123A.21. Sourcewell cooperative purchasing contracts are made available through the joint exercise of powers law Minn. Stat. § 471.59 to all member agencies.

WHEREAS, twelve (12) City vehicles have reached the end of their useful life and, accordingly, staff wishes to purchase replacement vehicles as follows: six (6) Milpitas Police Department vehicles, including three (3) 2020 Ford Police Interceptor Utility AWD vehicles for \$51,524.13 each, one (1) 2020 Ford Explorer XLT for \$37,992.15, one (1) 2020 Toyota Tacoma 2WD SR5 Double Cab for \$31,575.37, and one (1) 2020 Toyota Camry Hybrid SE CVT for \$34,178.35 for a total Police Department vehicle purchase price of \$258,318.20; and six (6) Public Works Department vehicles, including five (5) 2020 F250 Regular Cab with Tommy Gate Lift trucks for \$33,378.01 each, and one (1) 2020 T250 Transit Connect Regular Cab for \$33,476.22, for a total Public Works vehicle purchase price of \$200,366.27, and for a combined total vehicle purchase price of \$458,684.53; and

WHEREAS, on May 23, 2019, contract No. 032119-CAT was awarded to Caterpillar, Inc., pursuant to the Sourcewell RFP No. 032119 entitled “Heavy Construction Equipment with Related Accessories, Attachments and Supplies,” and is current through May 23, 2023; and

WHEREAS, one (1) Public Works Department tractor/backhoe has reached the end of its useful life and, accordingly, staff wishes to purchase a replacement vehicle and equipment as follows: one (1) Caterpillar 430F2 HRC Backhoe Loader with Caterpillar WT-BHL Work Tools for \$168,868.44; and

WHEREAS, the Purchasing Agent has reviewed all of the documentation related to RFP No. 120716 by NJPA, (now Sourcewell), and that of the original contract awarded to National Auto Fleet Group, and all of the documentation related to RFP No. 032119 and that of the original contract awarded to Caterpillar Inc., and has determined that the underlying purchases were made using competitive bidding procedures at least as restrictive as those of the City of Milpitas and that the prices for the vehicles and equipment are the same as those offered in the two original contracts.

NOW, THEREFORE, the City Council of the City of Milpitas hereby finds, determines, and resolves as follows:

1. The City Council has duly considered the full record before it, which may include but is not limited to such things as the City staff report, testimony by staff and the public, and other materials and evidence submitted or provided to it. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.
2. The City Purchasing Agent is authorized to purchase twelve (12) Police and Public Works vehicles for a combined total purchase price of \$458,684.53, from National Auto Fleet Group through a cooperative procurement contract with Sourcewell.
3. The City Purchasing Agent is authorized to purchase one (1) Caterpillar 430F2 HRC Backhoe Loader with Caterpillar WT-BHL Work Tools for a total purchase price of \$168,868.44, from Peterson Cat through a cooperative procurement contract with Sourcewell.

PASSED AND ADOPTED this _____ day of _____, 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Mary Lavelle, City Clerk

Rich Tran, Mayor

APPROVED AS TO FORM:

Christopher J. Diaz, City Attorney



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Adopt a Resolution Approving Acceptance of the South Milpitas Boulevard Extension, Project No. 2004, and Water, Sewer, and Storm Drain Utility Improvements, Projects No. 3711, No. 6121 and No. 7125 Completed by the Santa Clara Valley Transportation Authority as part of the Bay Area Rapid Transit Extension
Category:	Consent Calendar-Community Development
Meeting Date:	12/3/2019
Staff Contact:	Steve Erickson, City Engineer, 408-586-3301
<u>Recommendation:</u>	Adopt a Resolution approving acceptance of the South Milpitas Boulevard Extension, Project No. 2004, and Water, Sewer, and Storm Drain Utility Improvements, Projects No. 3711, No. 6121 and No. 7125 completed by the Santa Clara Valley Transportation Authority as part of the Bay Area Rapid Transit Extension.

Background:

On August 3, 2010, the City Council approved an agreement with the Santa Clara Valley Transportation Authority (VTA) for construction of the extension of South Milpitas Boulevard from Montague Expressway to Capital Avenue as part of the VTA's Bay Area Rapid Transit (BART) extension and transit station project. VTA was to complete the engineering design, right of way acquisition, and construction of the roadway extension, with City reimbursement to VTA for the cost of the South Milpitas Extension improvements. City Capital Improvement Program (CIP) Project No. 2004 was created and is included in the 2019-2024 CIP for reimbursement to VTA as required by the August 3, 2010 Agreement.

The extension of BART through Milpitas also required the relocation and improvement of City underground water, sewer, and storm drain utilities that conflicted with the alignment of the new BART rails. As part of the utility relocation work, VTA contractors upgraded and improved City utilities. City CIP Project Nos. 3711, 6121 and 7125 are included in the 2019-2024 CIP to provide reimbursement to VTA for the additional water, sanitary sewer, and storm drain utility upgrade and improvement work requested by the City.

The VTA has successfully completed construction of the South Milpitas Boulevard extension and underground utility improvements requested by the City associated with the VTA's BART extension. The improvements completed by VTA are now ready for City acceptance, operation, and perpetual maintenance.

Analysis:

The VTA anticipates opening the new BART Station and Transit Center in early 2020, and the City's acceptance of the South Milpitas Boulevard extension improvements should occur prior to the opening of the roadway for public use and access to the new BART station and Transit Center.

Now that construction of the South Milpitas Boulevard extension and related City utility improvements as part of the VTA BART extension have been successfully completed, it is recommended the City Council adopt a resolution approving acceptance of the work associated with City CIP Project Nos. 2004, 3711, 6121, and 7125.

Policy Alternative:

Alternative: Deny project acceptance and deny issuance of the notice of acceptance.

Pro: None

Con: The project improvements have been successfully completed in accordance with the contract documents and the August 3, 2010 agreement with the VTA. The opening of the new BART station is anticipated to occur by the end of December 2019. The opening of the new South Milpitas Boulevard extension for public use is required for access to the new BART Station and transit center.

Reason not Recommended: Failure to adopt the resolution would result in the projects not being accepted which could potentially impact the anticipated opening of the BART Station.

Fiscal Impact:

The project has been successfully completed on-time and within budget. No additional funds are required to close-out the project.

Recommendation:

Adopt a Resolution approving acceptance of the South Milpitas Boulevard Extension, Project No. 2004, and Water, Sewer, and Storm Drain Utility Improvements, Projects No. 3711, No. 6121 and No. 7125 completed by the Santa Clara Valley Transportation Authority as part of the Bay Area Rapid Transit extension.

Attachment:

Resolution

RESOLUTION NO. ____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS APPROVING
ACCEPTANCE OF SOUTH MILPITAS BOULEVARD EXTENSION PROJECT NO. 2004, AND
WATER, SEWER, AND STORM DRAIN UTILITY IMPROVEMENTS, PROJECT NOS. 3711,
6121 AND 7125, COMPLETED BY SANTA CLARA VALLEY TRANSPORTATION
AUTHORITY AS PART OF THE BAY AREA RAPID TRANSIT EXTENSION**

WHEREAS, the City of Milpitas has heretofore entered into an agreement with Santa Clara Valley Transportation Authority for construction of the South Milpitas Boulevard Extension Project, Project No. 2004, and Water, Sewer, and Storm Drain Utility Improvements, Project Nos. 3711, 6121 and 7125, which was constructed by the Santa Clara Valley Transportation Authority as part of its Bay Area Rapid Transit Extension (BART Project), and the Director of Engineering/City Engineer of the City of Milpitas has recommended acceptance of said improvements as completed in accordance with plans, specifications and approved change orders and correction lists, and in accordance with the final inspection of said City Engineer.

NOW, THEREFORE, the City Council of the City of Milpitas hereby finds, determines, and resolves as follows:

1. The City Council has considered the full record before it, which may include but is not limited to such things as the staff report, testimony by staff and the public, and other materials and evidence submitted or provided to it. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.
2. The City of Milpitas does hereby accept the Project as completed on this 3rd day of December 2019.

PASSED AND ADOPTED this ____ day of _____, 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Mary Lavelle, City Clerk

Rich Tran, Mayor

APPROVED AS TO FORM:

Christopher J. Diaz, City Attorney



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Adopt a Resolution to Approve Project Plans and Specifications, and Award Construction Contract to Ron Paris Construction Co., Inc. for the Temporary Fire Station No. 2 Tenant Improvements, Project No. 3447
Category:	Consent Calendar-Community Services and Sustainable Infrastructure
Meeting Date:	12/3/2019
Staff Contact:	Steve Erickson, City Engineer, 408-586-3301
Recommendation:	Adopt a Resolution to approve project plans and specifications for the temporary Fire Station No. 2 tenant improvements Project No. 3447, to award a construction contract for the Base Bid and to authorize the Interim City Manager to execute the contract with the lowest responsible bidder submitting a responsive bid, Ron Paris Construction Co., Inc., in the amount of \$207,198; and, to authorize the Engineering Director/City Engineer to negotiate and execute contract change order(s) in an aggregate amount not to exceed \$50,000 for the Project.

Background:

The 2019-2024 Capital Improvement Program includes Project No. 3447 for the replacement of Fire Station No. 2 located at 1263 Yosemite Drive. The Fire Station project is in the design phase, and construction of new Fire Station No. 2 is anticipated to start summer 2020.

The new Fire Station No. 2 will be constructed on the same location as the current station. Relocation of Station No. 2 staff and equipment to a temporary facility is required prior to the demolition of the old station building and construction of the new building and site work. It is anticipated that temporary station facilities will be required for up to two years. The temporary station facility will be located at 1126 Yosemite Drive, and the City entered into a lease agreement with the property owner for use of the industrial building on August 13, 2019. Construction of minor tenant improvements will be required to convert the building into a fire station facility ("Tenant Improvement Project"). The Engineer's construction estimate for the Tenant Improvement Project is \$285,000, and the improvements to be constructed include:

- ADA compliant restroom and shower facilities
- Dorm room and kitchen facilities
- Electrical upgrades and emergency generation facilities

The City's design architect completed plans and specifications for the Tenant Improvement Project (**Attachment 2**). The Tenant Improvement Project plans and specifications were advertised in the Milpitas Post for bid proposals on October 18 and 25, 2019. Bid opening was held on November 14, 2019 and three contractors submitted bid proposals.

Analysis:

The Engineer's construction estimate for the Tenant Improvement Project is \$285,000. Bid opening was on November 14, 2019 and three bids were received ranging from \$207,198 to \$320,000. The lowest responsible bidder submitting a responsive bid is Ron Paris Construction Co., Inc. in the amount of \$207,198, which is lower than the Engineer's Estimate by \$77,802 (27%). No bid protests were filed with the City regarding this bid. The Summary of Bid Results is shown as follows and is included in the agenda as **Attachment 3**.

Bidder	Location	Base Bid
Engineers Estimate		\$ 285,000
Ron Paris Construction Co., Inc.	Santa Clara, CA	\$ 207,198
Alex Kushner General, Inc.	San Francisco, CA	\$ 215,000
Evra Construction Inc	San Francisco, CA	\$ 320,000

Staff recommends the City Council adopt a Resolution (**Attachment 1**) to approve the plans and specifications for the Tenant Improvement Project, and to award a construction contract to Ron Paris Construction Co., Inc. for the Base Bid contract amount of \$207,198 for construction of the Tenant Improvement Project. There is enough funding available within the Tenant Improvement Project budget to award this contract, and no additional funding appropriation is required.

As previously approved for the successful completion of complicated projects with tight completion schedules, staff is requesting the use of the same change order policy (**Attachment 4**). This policy allows for the timely completion of the Tenant Improvement Project, while addressing the need to respond swiftly to construction conditions and approve necessary change orders in order to limit potential claims or risks to the City. The construction contingency established for the Tenant Improvement Project is \$50,000, which is approximately 25% of the total contract value.

Policy Alternative:

Alternative: Not approve the plans and specifications and not adopt a resolution to award a construction contract for completion of the Tenant Improvement Project.

Pros: None

Cons: Not approving the Tenant Improvement Project will prevent the relocation of Station No. 2 crew and equipment from the old building and will delay completion of the new Fire Station No 2 facilities.

Reason not Recommended: The completion of temporary station facilities to allow for the relocation of Station No. 2 staff and equipment is required to move forward with the construction phase of the new Fire Station No. 2 building and site work. Staff recommends the completion of the temporary facilities to allow the Fire Station No. 2 project to proceed on schedule.

Fiscal Impact:

There is sufficient funding available in the budget for Project No. 3447 to award the construction contract to Ron Paris Construction Co., Inc. As of September 30, 2019, the available Project funding is as follows:

Available Project Budget	\$ 4,074,431.00
---------------------------------	------------------------

Summary of Estimated Tenant Improvement Cost

Construction Contract	\$ 207,198
25% Construction Contingency	\$ 50,000
Administration and Inspection	\$ 80,000
Total Estimated Cost	\$ 337,198

California Environmental Quality Act: This Tenant Improvement Project is exempt under section 15301, Existing Facilities

Recommendation:

Adopt a Resolution to approve project plans and specifications for the Tenant Improvement Project, to award a construction contract for the Base Bid for the Tenant Improvement Project and to authorize the Interim City Manager to execute the contract with the lowest responsible bidder submitting a responsive bid, Ron Paris

Construction Co., Inc., in the amount of \$207,198; and, to authorize the Engineering Director/City Engineer to negotiate and execute contract change order(s) in an aggregate amount not to exceed \$50,000 for the Tenant Improvement Project.

Attachments:

- 1: Resolution
- 2: Constructions Plans & Specifications
- 3: Bid Results
- 4: Change Order Policy

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS APPROVING THE PROJECT PLANS AND SPECIFICATIONS, AWARDING A CONSTRUCTION CONTRACT TO AND AUTHORIZING THE INTERIM CITY MANAGER TO EXECUTE THE CONTRACT WITH THE LOWEST RESPONSIBLE BIDDER SUBMITTING A RESPONSIVE BID, RON PARIS CONSTRUCTION CO., INC., IN THE AMOUNT OF \$ 207,198 FOR THE TEMPORARY FIRE STATION NO. 2 TENANT IMPROVEMENTS, PROJECT NO. 3447, AND AUTHORIZING THE ENGINEERING DIRECTOR/CITY ENGINEER TO NEGOTIATE AND EXECUTE CONTRACT CHANGE ORDER(S) IN AN AGGREGATE AMOUNT NOT TO EXCEED \$50,000 FOR THE PROJECT

WHEREAS, the Temporary Fire Station No. 2 Tenant Improvements, Project No. 3447, provides for the tenant improvements of an existing building located at 1126 Yosemite Drive (the “Project”); and

WHEREAS, the Project was advertised for bid in the Milpitas Post on October 18 and 25, 2019, with a lump sum bid; and

WHEREAS, the Engineer’s Estimate for the base bid for the Project is \$ 285,000; and

WHEREAS, the bid opening on November 14, 2019, resulted in the City receiving three sealed bid proposals, which ranged in pricing from \$207,198 to \$320,000; and

WHEREAS, the lowest responsible bidder submitting a responsive bid is Ron Paris Construction Co., Inc., with a total bid amount of \$207,198; and

WHEREAS, no bid protest was filed with the City within five (5) days of the bid opening as set forth in the Project specifications; and

WHEREAS, staff recommends the City Council award a construction contract to Ron Paris Construction Co., Inc., the lowest responsible bidder submitting a responsive bid for the Project, and authorize the Interim City Manager to execute a contract for the lump sum Base Bid in the amount of \$207,198 in accordance with State law; and

WHEREAS, sufficient funds are available in the Project budget to award a construction contract in the amount of \$207,198; and

WHEREAS, staff recommends the City Council authorize the Engineering Director/City Engineer to negotiate and execute change order(s) in an amount not to exceed \$50,000, 25% percent of the total contract value, due to the Project’s tight completion schedule and staff’s capability to respond swiftly to unanticipated construction conditions to limit potential claims or risk to the City.

NOW, THEREFORE, the City Council of the City of Milpitas hereby finds, determines, and resolves as follows:

1. The City Council has considered the full record before it, which may include but is not limited to such things as the staff report, testimony by staff and the public, and other materials and evidence submitted or provided to it. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.
2. The City Council hereby approves the Project Plans and Specifications.

3. The City Council hereby awards the construction contract to and authorizes the City Manager to execute the contract and related documents with the lowest responsible bidder submitting a responsive bid, Ron Paris Construction Co., Inc., in the amount of \$207,198 for the Project.
4. The Engineering Director/City Engineer is hereby authorized to negotiate and execute contract change order(s) in an aggregate amount not to exceed \$50,000 for the Project.

PASSED AND ADOPTED this _____ day of _____, 2019 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Mary Lavelle, City Clerk

Rich Tran, Mayor

APPROVED AS TO FORM:

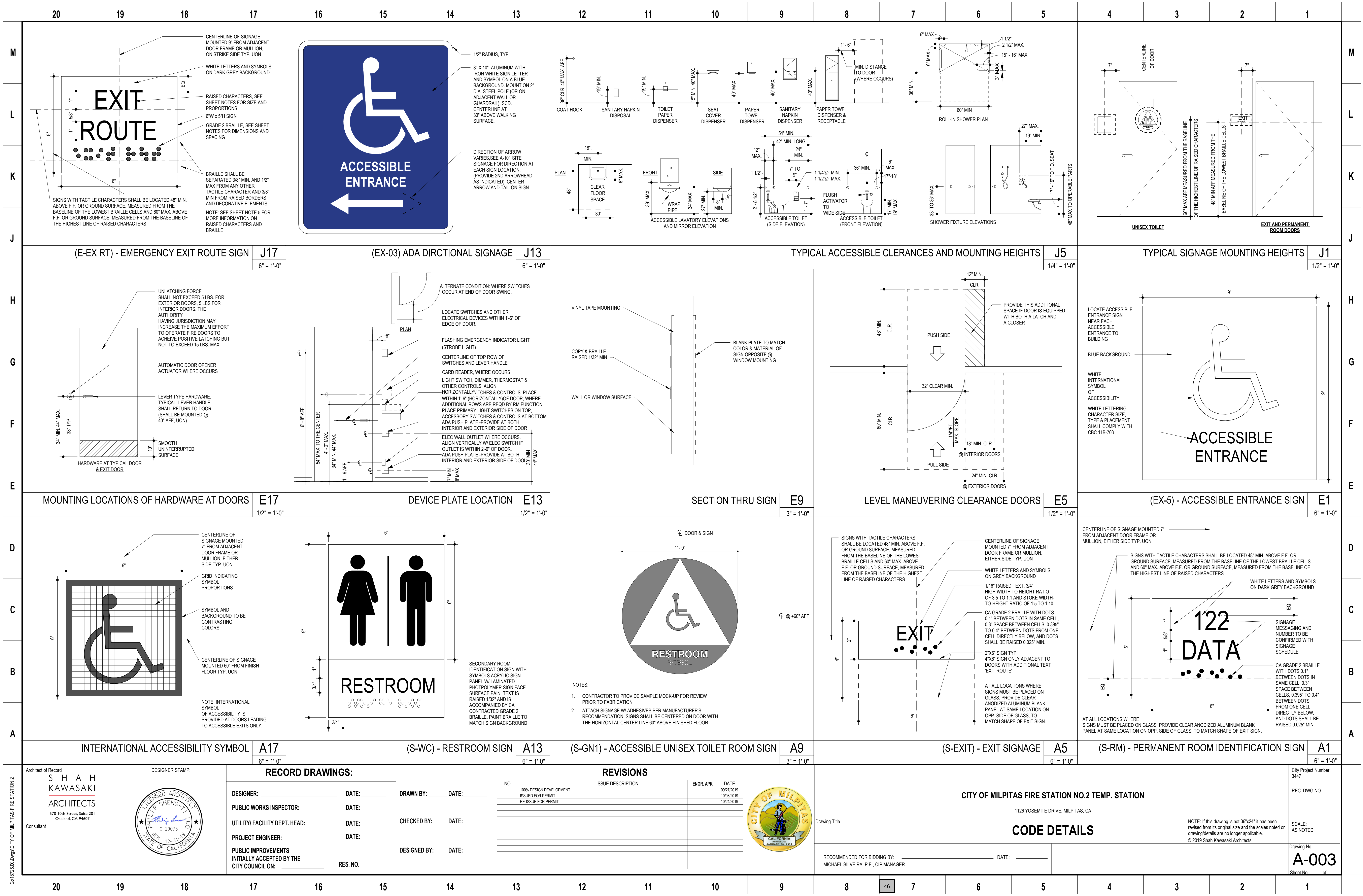
Christopher J. Diaz, City Attorney

	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1	
M	CITY OF MILPITAS TEMPORARY FIRE STATION 2 1126 YOSEMITE DRIVE, MILPITAS, CA (PROJECT 3447)																				M
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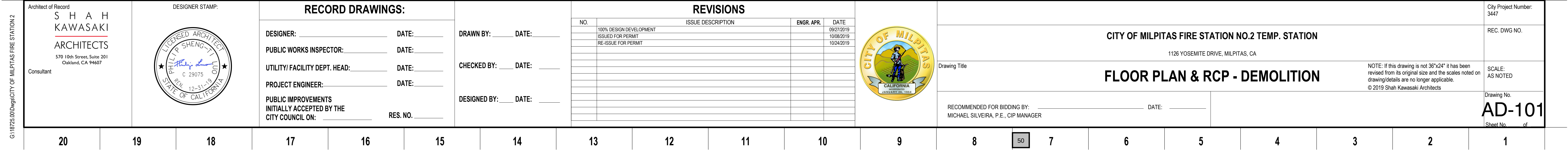
725.00 Dwg's CITY OF MILPITAS FIRE STATION 2	Architect of Record S H A H KAWASAKI ARCHITECTS 570 10th Street, Suite 201 Oakland, CA 94607 Consultant	DESIGNER STAMP: 	RECORD DRAWINGS:		REVISIONS			CITY OF MILPITAS ENGINEERING DIVISION			City Project Number: 3447
			DESIGNER: _____ DATE: _____ PUBLIC WORKS INSPECTOR: _____ DATE: _____ UTILITY/FACILITY DEPT. HEAD: _____ DATE: _____ PROJECT ENGINEER: _____ DATE: _____ PUBLIC IMPROVEMENTS INITIALLY ACCEPTED BY THE CITY COUNCIL ON: _____ RES. NO. _____	DRAWN BY: _____ DATE: _____ CHECKED BY: _____ DATE: _____ DESIGNED BY: _____ DATE: _____	NO. ISSUE DESCRIPTION ENGR. APR. DATE 100% DESIGN DEVELOPMENT 09/27/2019 ISSUED FOR PERMIT 10/08/2019 RE-ISSUE FOR PERMIT 10/24/2019 RESPONSE TO CITY PERMIT 11/11/2019	CITY OF MILPITAS FIRE STATION NO.2 TEMP. STATION		REC. DWG NO.			
						1126 YOSEMITE DRIVE, MILPITAS, CA					
						Drawing Title		COVER SHEET	NOTE: If this drawing is not 36"x24" it has been revised from its original size and the scales noted on drawing/details are no longer applicable. © 2019 Shah Kawasaki Architects	SCALE: AS NOTED	
								RECOMMENDED FOR BIDDING BY: _____ DATE: _____ MICHAEL SILVEIRA, P.E., CIP MANAGER	APPROVED FOR BIDDING BY: _____ DATE: _____ STEVE P. ERICKSON, P.E. CITY ENGINEER	Drawing No. A-001 Sheet No. ____ of ____	

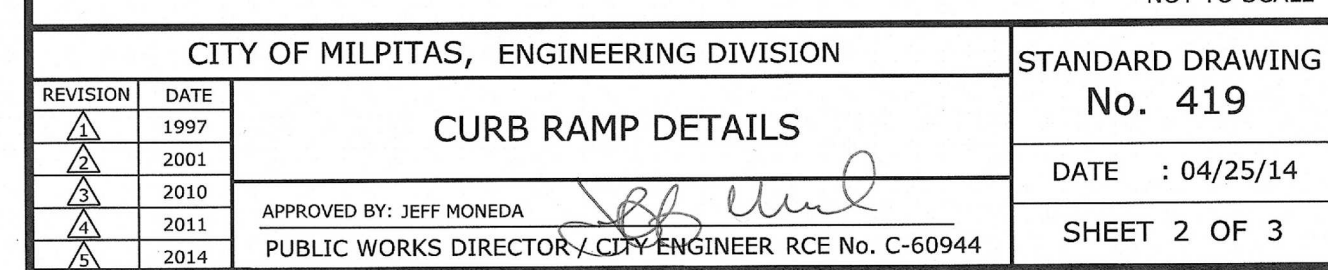
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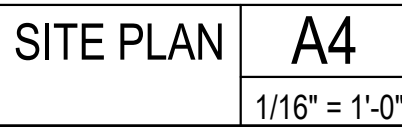
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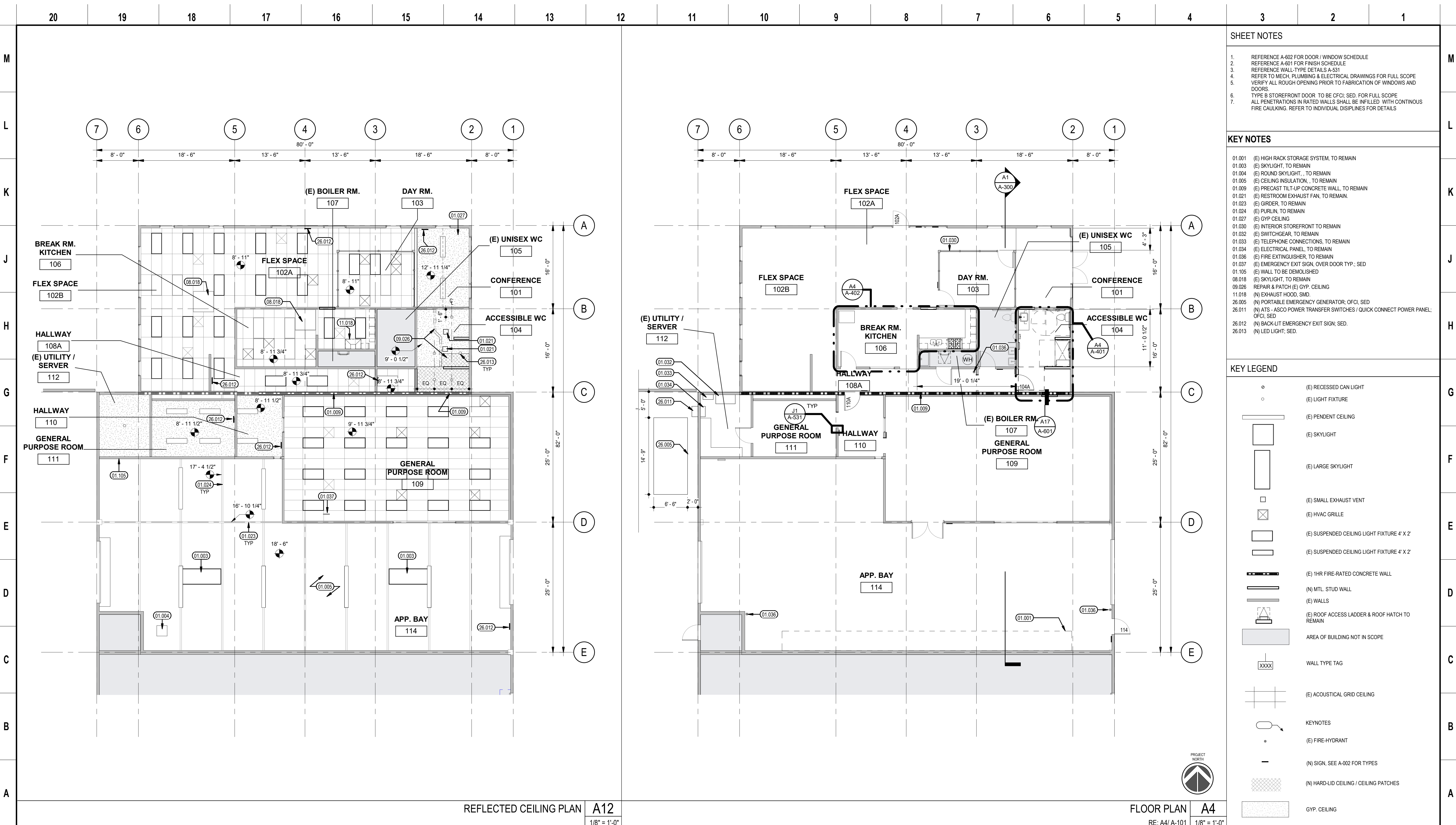
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RECORD DRAWINGS:	
_____	DATE: _____
WORKS INSPECTOR: _____	DATE: _____
CITY DEPT. HEAD: _____	DATE: _____
ENGINEER: _____	DATE: _____
IMPROVEMENTS ACCEPTED BY THE CITY ENGINEER: _____	
RES. NO.	_____





- SHEET NOTES**
- REFERENCE A-602 FOR DOOR / WINDOW SCHEDULE
 - REFERENCE A-601 FOR FINISH SCHEDULE
 - REFERENCE WALL-TYPE DETAILS A-531
 - REFER TO MECH. PLUMBING & ELECTRICAL DRAWINGS FOR FULL SCOPE
 - VERIFY ALL ROUGH OPENING PRIOR TO FABRICATION OF WINDOWS AND DOORS.
 - TYPE B STOREFRONT DOOR TO BE CFCI, SED. FOR FULL SCOPE
 - ALL PENETRATIONS IN RATED WALLS SHALL BE INFILLED WITH CONTINUOUS FIRE CAULKING. REFER TO INDIVIDUAL DISCIPLINES FOR DETAILS

- KEY NOTES**
- 01.001 (E) HIGH RACK STORAGE SYSTEM, TO REMAIN
 - 01.003 (E) SKYLIGHT, TO REMAIN
 - 01.004 (E) ROUND SKYLIGHT, TO REMAIN
 - 01.005 (E) CEILING INSULATION, TO REMAIN
 - 01.009 (E) PRECAST TILT-UP CONCRETE WALL, TO REMAIN
 - 01.021 (E) RESTROOM EXHAUST FAN, TO REMAIN.
 - 01.023 (E) GIRDER, TO REMAIN
 - 01.024 (E) PURLIN, TO REMAIN
 - 01.027 (E) GYP CEILING
 - 01.030 (E) INTERIOR STOREFRONT TO REMAIN
 - 01.032 (E) SWITCHGEAR, TO REMAIN
 - 01.033 (E) TELEPHONE CONNECTIONS, TO REMAIN
 - 01.034 (E) ELECTRICAL PANEL, TO REMAIN
 - 01.036 (E) FIRE EXTINGUISHER, TO REMAIN
 - 01.037 (E) EMERGENCY EXIT SIGN, OVER DOOR TYP.; SED
 - 01.105 (E) WALL TO BE DEMOLISHED
 - 08.018 (E) SKYLIGHT, TO REMAIN
 - 09.026 REPAIR & PATCH (E) GYP. CEILING
 - 11.018 (N) EXHAUST HOOD, SMD.
 - 26.005 (N) PORTABLE EMERGENCY GENERATOR; OFCI, SED
 - 26.011 (N) ATS - ASCO POWER TRANSFER SWITCHES / QUICK CONNECT POWER PANEL; OFCI, SED
 - 26.012 (N) BACK-LIT EMERGENCY EXIT SIGN; SED.
 - 26.013 (N) LED LIGHT; SED.

- KEY LEGEND**
- (E) RECESSED CAN LIGHT
 - (E) LIGHT FIXTURE
 - (E) PENDENT CEILING
 - (E) SKYLIGHT
 - (E) LARGE SKYLIGHT
 - (E) SMALL EXHAUST VENT
 - (E) HVAC GRILLE
 - (E) SUSPENDED CEILING LIGHT FIXTURE 4' X 2'
 - (E) SUSPENDED CEILING LIGHT FIXTURE 4' X 2'
 - (E) 1HR FIRE-RATED CONCRETE WALL
 - (N) MTL. STUD WALL
 - (E) WALLS
 - (E) ROOF ACCESS LADDER & ROOF HATCH TO REMAIN
 - AREA OF BUILDING NOT IN SCOPE
 - WALL TYPE TAG
 - (E) ACOUSTICAL GRID CEILING
 - KEYNOTES
 - (E) FIRE-HYDRANT
 - (N) SIGN, SEE A-002 FOR TYPES
 - (N) HARD-LID CEILING / CEILING PATCHES
 - GYP. CEILING

Architect of Record
SHAH KAWASAKI ARCHITECTS
570 10th Street, Suite 201
Oakland, CA 94607
Consultant

DESIGNER STAMP:

RECORD DRAWINGS:

DESIGNER:	DATE:	DRAWN BY:	DATE:
PUBLIC WORKS INSPECTOR:	DATE:	CHECKED BY:	DATE:
UTILITY/FACILITY DEPT. HEAD:	DATE:	DESIGNED BY:	DATE:
PROJECT ENGINEER:	DATE:		
PUBLIC IMPROVEMENTS INITIALLY ACCEPTED BY THE CITY COUNCIL ON:	RES. NO.		

REVISIONS

NO.	ISSUE DESCRIPTION	ENGR. APR.	DATE
100%	DESIGN DEVELOPMENT		08/27/2019
	ISSUED FOR PERMIT		10/08/2019
	RE-ISSUE FOR PERMIT		10/24/2019
	RESPONSE TO CITY PERMIT		11/11/2019

CITY OF MILPITAS
JANUARY 21, 1994

CITY OF MILPITAS FIRE STATION NO.2 TEMP. STATION
1126 YOSEMITE DRIVE, MILPITAS, CA

FLOOR PLAN & RCP

NOTE: If this drawing is not 36"x24" it has been revised from its original size and the scales noted on drawing/details are no longer applicable.
© 2019 Shah Kawasaki Architects

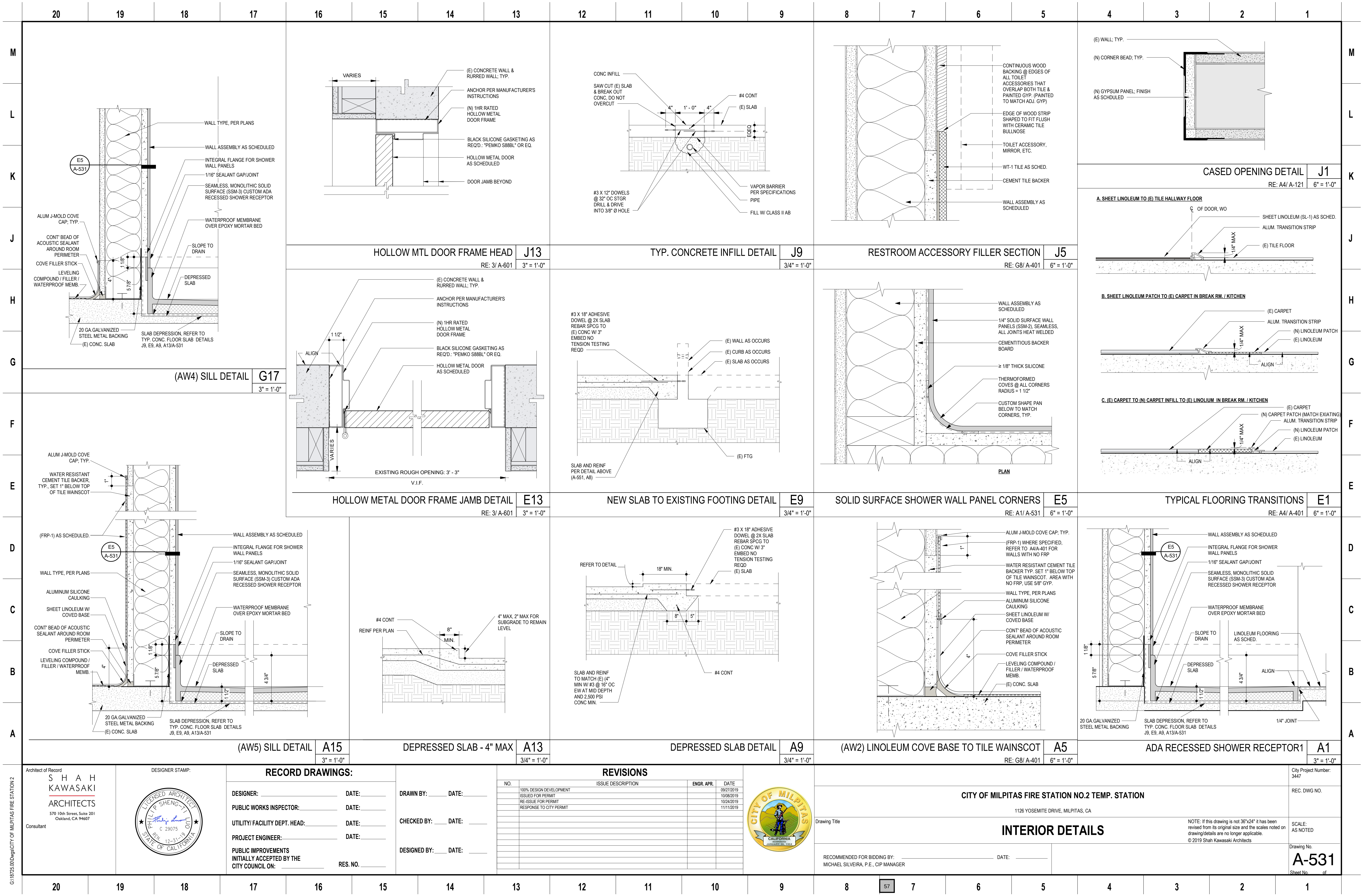
RECOMMENDED FOR BIDDING BY: _____ DATE: _____
MICHAEL SILVEIRA, P.E., CIP MANAGER

City Project Number:
3447

REC. DWG NO.

SCALE:
AS NOTED

Drawing No.
A-121
Sheet No. of

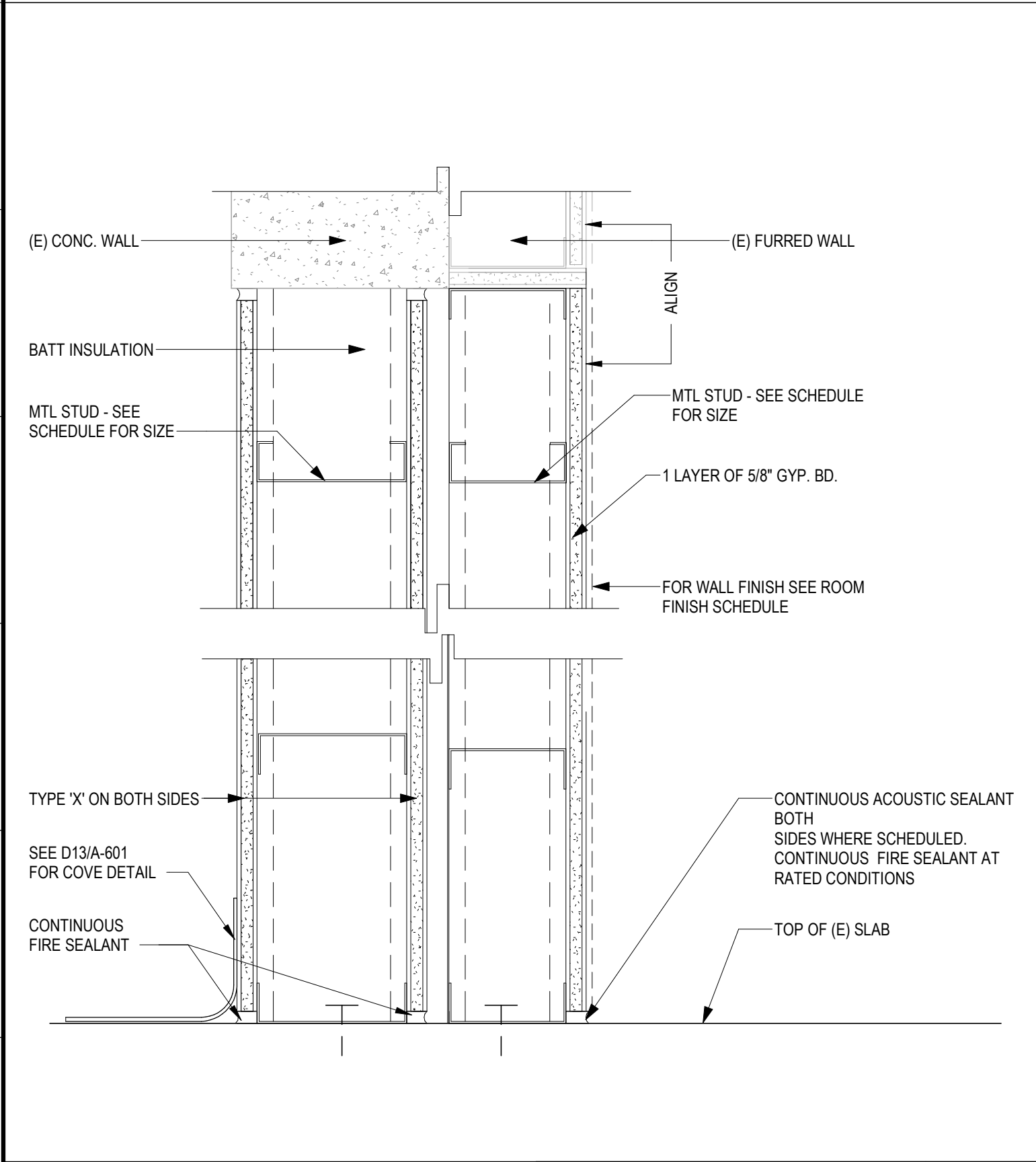


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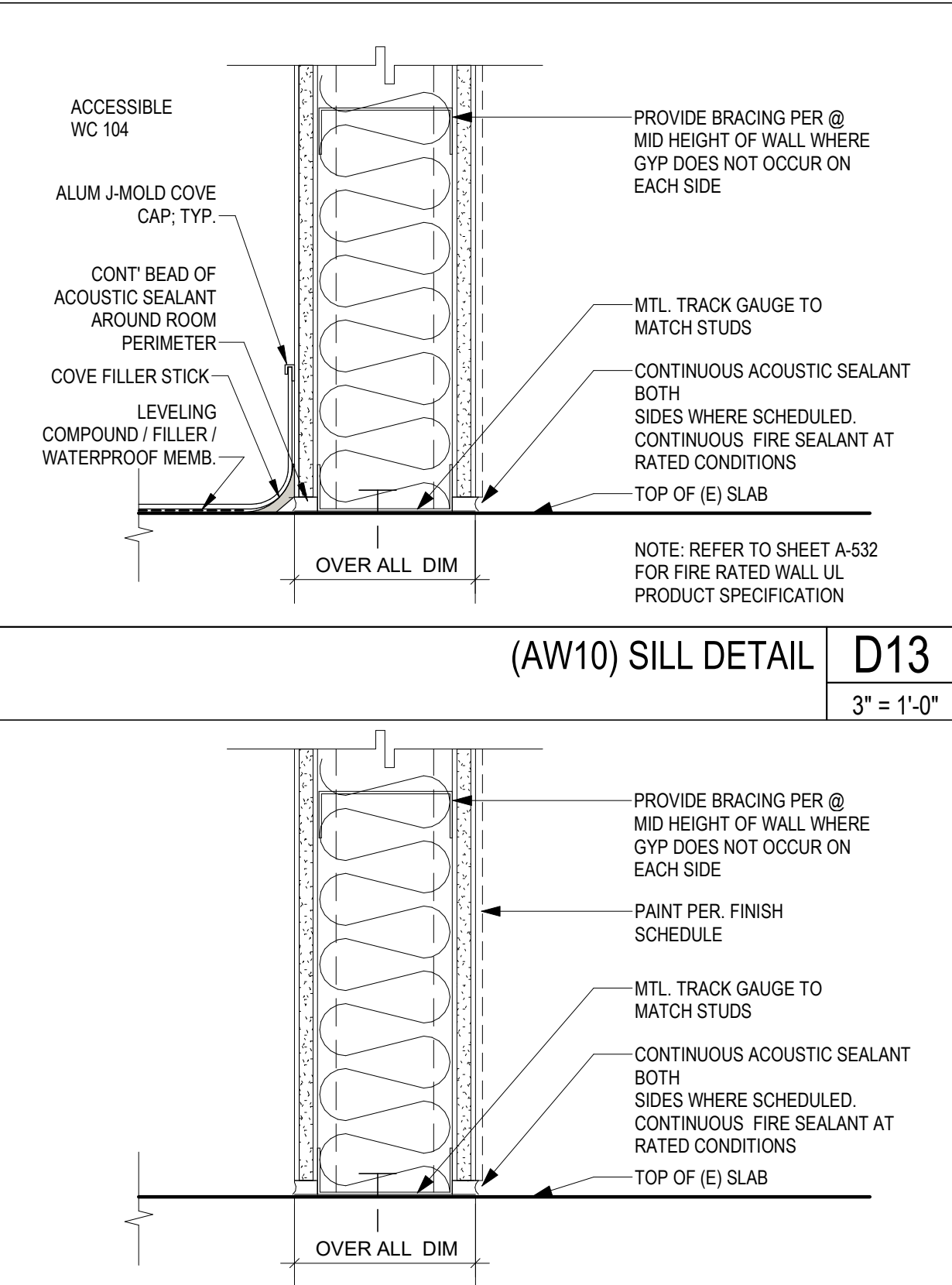
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20	19	18	17	16	15	14	13	12	11
ROOM FINISH SCHEDULE									
ROOM NO.	ROOM NAME	FLOOR FINISH	WALL BASE	WALL FINISH	CEILING FINISH	REMARKS			
101	CONFERENCE	EXISTING	EXISTING	EXISTING	EXISTING	PAINT PATCHED WALL W/ PT-1			
102A	FLEX SPACE	EXISTING	EXISTING	EXISTING	EXISTING				
102B	FLEX SPACE	EXISTING	EXISTING	EXISTING	EXISTING	PATCH RESILIENT BASE / CARPET/ ACT CEILING WHERE WALL IS REMOVED			
103	DAY RM.	EXISTING	EXISTING	EXISTING	EXISTING				
104	ACCESSIBLE WC	SL-1	SL-1	PT-2 / FRP-1	PT-2	REFER TO A4/A-401 FOR AREA WITHOUT FRP WAINSCOTING			
105	(E) UNISEX WC	EXISTING	EXISTING	EXISTING	EXISTING				
106	BREAK RM. KITCHEN	EXISTING	RB-1	PT-1	EXISTING	PATCH RESILIENT BASE / LINOLEUM/ ACT CEILING WHERE WALL IS REMOVED			
107	(E) BOILER RM.	EXISTING	EXISTING	EXISTING	EXISTING				
108A	HALLWAY	EXISTING	EXISTING	EXISTING	EXISTING				
109	GENERAL PURPOSE ROOM	EXISTING	EXISTING	EXISTING	EXISTING				
110	HALLWAY	EXISTING	EXISTING	EXISTING	EXISTING				
111	GENERAL PURPOSE ROOM	EXISTING	EXISTING	EXISTING	EXISTING				
112	(E) UTILITY / SERVER	EXISTING	EXISTING	EXISTING	EXISTING				
114	APP. BAY	EXISTING	EXISTING	EXISTING	EXISTING				

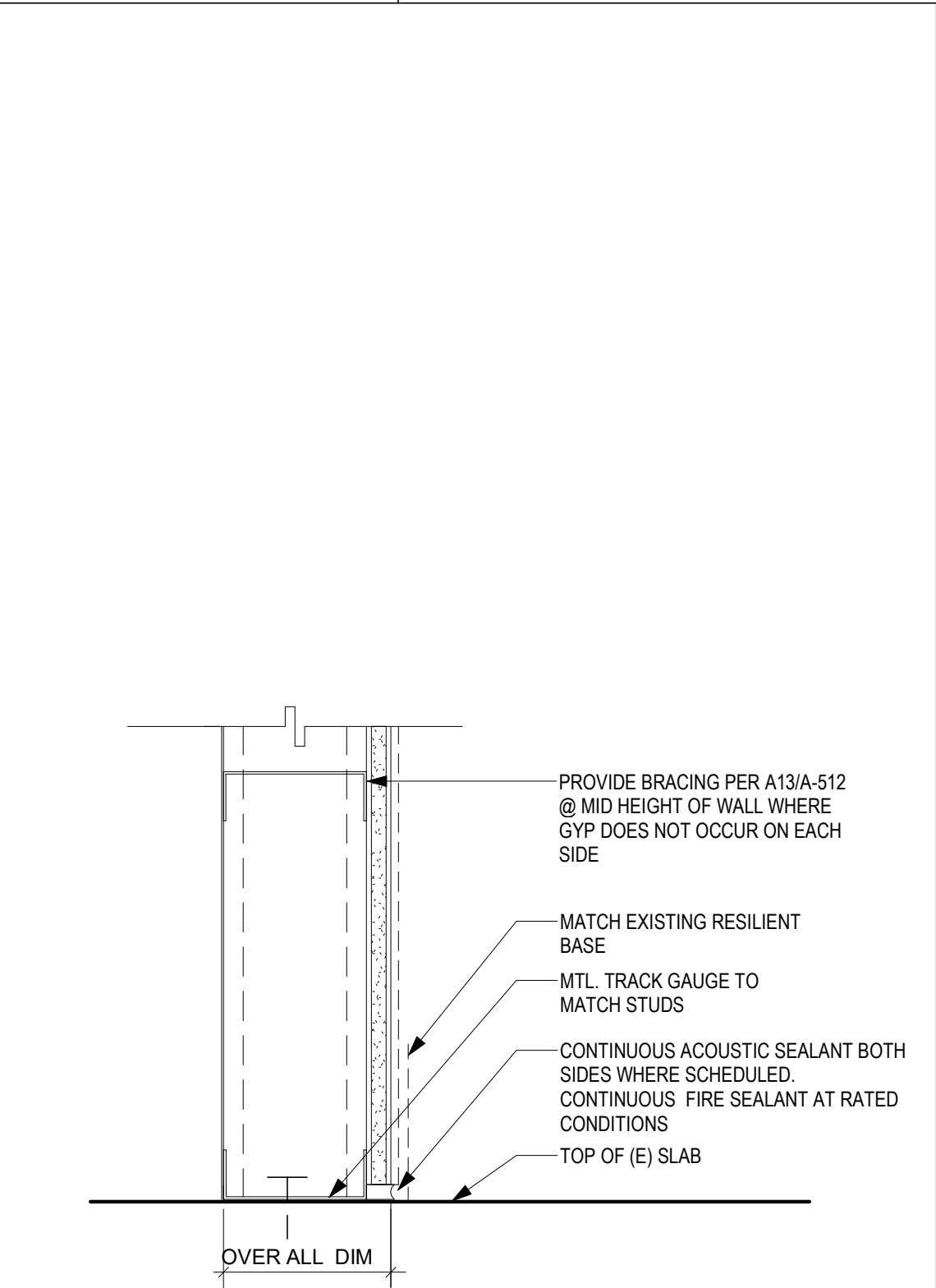
DOOR SCHEDULE															
DOOR NO.	FIRE RATING	HW SET	DOOR ACCESS CONTROL	TYPE	OPENING		THICK	DOOR		FINISH	MAT'L	MATCH	FRAME		DETAILS
					WIDTH	HEIGHT		MAT'L	FINISH				PUSH	PULL	JAMB
102A	-	-	-	B	3'-0"	7'-0"					EXISTING				
104A	-	-	-	A	3'-0"	7'-0"	2"								
110A	1 HR	-	-	A	3'-0"	7'-0"	2"	HM	PT-2	HM			PT-2	PT-2	E13-A535
114	-	-	-	-	3'-0"	7'-0"	2"								
REMARK															
DOOR HANDLE: DORMAKABA L1011, SIMPLEX HEAVY DUTY MECHANICAL PUSHBUTTON LEVER LOCK															
DOOR CLOSER: LCN 4040XP SERIES CLOSER, PER. SPECIFICATIONS															
DOOR CLOSER: LCN 4040XP SERIES CLOSER, PER. SPECIFICATIONS, DOOR AND FRAME TO BE LISTED AND LABELED BY UNDERWRITERS LABORATORIES AND TESTED IN ACCORDANCE WITH UL 9, UL 10B, AND UL 10C															
EXISTING DOOR, TO REMAIN															



RATED INFILL WALL	A17
RE: A4/ A-121	3" = 1'-0"

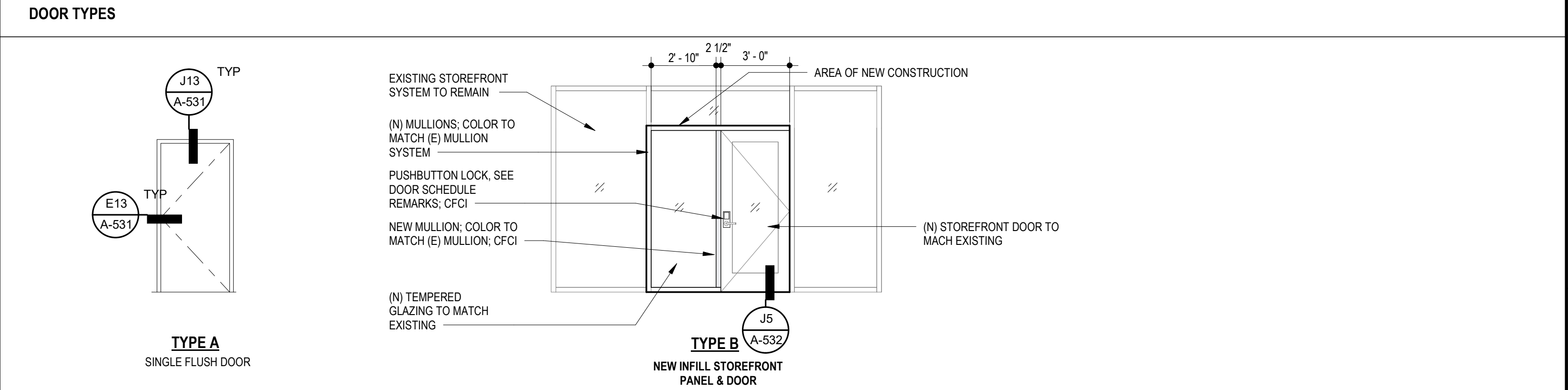


(AW-1) SILL DETAIL	A13
	3" = 1'-0"



(DW2) SILL DETAIL	A9
	3" = 1'-0"

INTERIOR FINISH LEGEND					
	MATERIAL	MANUFACTURER	MODEL/STYLE	SPECIES/COLOR/FINISH	SIZE
SSM-1	SOLID SURFACE	DUPONT	CORIAN	RAIN CLOUD	1/2" THICK
SSM-2	SOLID SURFACE	DUPONT	CORIAN	RAIN CLOUD	1/4" THICK
SSM-3	SOLID SURFACE SHOWER PAN	DUPONT	CORIAN	RAIN CLOUD	SEE PLANS, DETAILS, SPECS
FRP-1	FRP	MARLITE	INDURO FRP	D381 FASION GREY	3/32" THICK
RB-1	RUBBER WALL BASE	ROPPE	PINNACLE, STANDARD 5/8" TOE BASE	150 DARK GRAY	4" H X 5/8" W
ACT-1	ACOUSTIC-TILE CEILING	ARMSTRONG	ULTIMA OPEN SQUARE LAY-IN	FACTORY-APPLIED WHITE LATEX PAINT	24" X 24"
AL-1	ALUMINUM DOOR FRAME			ANODIZED ALUMINUM	
PL-1	PLASTIC LAMINATE	WILSONART	LAMINATE	KENSINGTON MAPLE 10776-60 (FINISH 60 MATTE)	EXTERIOR CABINET FACE
PL-2	PLASTIC LAMINATE	WILSONART	LAMINATE	D431-60 ALABASTER	INTERIOR CABINET FACE
WD-3	WOOD DOOR VENEER	MASONITE	NATURAL BIRCH (QUARTER SAWN)	CLEAR STAIN	
PT-1	INTERIOR PAINT	KELLY MOORE	-	WHITE SHADOW 45, EGGSHELL	-
PT-2	INTERIOR PAINT	KELLY MOORE	-	WHITE SHADOW 45, SEMI-GLOSS	-
SL-1	SHEET LINOLEUM W/ INTEGRAL COVE BASE	FORBO	ETERNAL STEP / AQUA	180092 / ELEPHANT LRV 17	2MM THICK
					COVE TO BE FORMED USING FORBO'S ACC06 COVE STICK



WALL STUD TYPE	STUD SIZE	WIDTH	FIRE RATING	STC	LISTING	INSULATION	COMMENTS
DW2	4"	4 1/8"				ACOUSTIC	SILL DETAIL - A9/A-601

STUD TYPE	STUD SIZE	WIDTH	FIRE RATING	STC	LISTING	INSULATION	COMMENTS
AW2	4"	4 3/4"				ACOUSTIC	SILL DETAIL - A5/A-531
AW4	4"	4 3/4"				ACOUSTIC	SILL DETAIL - G17/A-531
AW5	4"	5"				ACOUSTIC	SILL DETAIL - A15/A-531
AW10	6"	6 3/4"	1HR		U419	ACOUSTIC	SILL DETAIL - D13/A-601
AW-1	4"	4 3/4"				ACOUSTIC	SILL DETAIL - A13/A-601

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RESPONSE TO CITY PERMIT

ENGR. APR. _____ DATE: _____
08/27/2019
10/09/2019
10/24/2019
11/11/2019

CITY OF MILPITAS FIRE STATION NO.2 TEMP. STATION
1126 YOSEMITE DRIVE, MILPITAS, CA

Drawing Title
FINISHES, DOOR, PARTITIONS & WINDOWS

RECOMMENDED FOR BIDDING BY: _____ DATE: _____
MICHAEL SILVEIRA, P.E., CIP MANAGER

City Project Number: 3447
REC. DWG NO.
SCALE: AS NOTED
Drawing No. **A-601**
Sheet No. _____ of _____

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MECHANICAL LEGEND

SYMBOL	ABBREVIATION	DESCRIPTION
Ø	DIA	DIAMETER
⊕		ELECTRICAL PHASE
☒		CEILING MOUNTED SUPPLY OR OUTSIDE AIR DIFFUSER
☒		CEILING MOUNTED RETURN AIR GRILLE
☒		CEILING MOUNTED EXHAUST AIR GRILLE
▬		SIDEWALL MOUNTED SUPPLY AIR DIFFUSER, RETURN AIR GRILLE, LOUVER
	24X12, 24X12 FO	RECTANGULAR, FLAT OVAL DUCT
	24X12L, 12ØL	LINED DUCT
		RECTANGULAR SUPPLY / OA, RETURN, EXHAUST / RELIEF DUCT PASSING THROUGH PLAIN OF VIEW
		RECTANGULAR SUPPLY / OA, RETURN, EXHAUST / RELIEF DUCT TURNING DOWN
	12Ø	ROUND DUCT
		ROUND DUCT TURNING DOWN, ROUND DUCT TURNING UP
		90° ELBOW WITH TURNING VAINS
	FSD	COMBINATION FIRE/SMOKE DAMPER
	FSC	FAN SPEED CONTROLLER, SUBSCRIT INDICATES ASSOCIATED FAN
		SINGLE POLE SWITCH, SUBSCRIPT INDICATES ASSOCIATED FAN
		ROOF CAP
		CEILING EXHAUST FAN
	POC OR POD	POINT OF CONNECTION, POINT OF DISCONNECTION

MECHANICAL ABBREVIATIONS

AC	AIR CONDITION, AIR CONDITIONING, AIR CONDITIONED	HZ	HERTZ
ABV	ABOVE	IDU	INDOOR UNIT
AFF	ABOVE FINISHED FLOOR	IWC	INCHES OF WATER COLUMN
AFUE	ANNUAL FUEL UTILIZATION EFFICIENCY	KW	KILOWATT
AHJ	AUTHORITY HAVING JURISDICTION	LBS	POUNDS
AHU	AIR HANDLING UNIT	LWT	LEAVING WATER TEMPERATURE
ALUM	ALUMINUM	MBH	1000 BRITISH THERMAL UNITS PER HOUR
AMB	AMBIENT	MCA	MINIMUM CIRCUIT AMPS
ARCH	ARCHITECT, ARCHITECTURAL	MFG	MANUFACTURE OR MANUFACTURER
ARI	AMERICAN REFRIGERATION INSTITUTE	MIN	MINIMUM
ASHRAE	AMERICAN SOCIETY OF HEATING, REFRIGERATION, AND AIR CONDITIONING ENGINEERS	MUA	MAKE-UP AIR
BDD	BACK DRAFT DAMPER	(N)	NEW
BOD	BASIS OF DESIGN	NL	NOT LISTED
BEL	BELOW	NOM	NOMINAL
BHP	BREAK HORSE POWER	NTS	NOT TO SCALE
BLDG	BUILDING	OA	OUTSIDE AIR
BTUH	BRITISH THERMAL UNIT PER HOUR	OAI	OUTSIDE AIR INTAKE
CA	COMBUSTION AIR	ODD	OPPOSED BLADE DAMPER
CD	CONDENSATE DRAIN	ODU	OUTDOOR UNIT
CFD	CEILING FIRE DAMPER	OSHPD	OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT
CFM	CUBIC FEET PER MINUTE	PD	PRESSURE DROP
CONT	CONTINUATION	PSI	POUNDS PER SQUARE INCH
CSD	CEILING SMOKE DAMPER	RA	RETURN AIR
DB	DRY BULB TEMPERATURE	REFRIG	REFRIGERANT, REFRIGERATION
DN	DOWN	RM	ROOM
DSA	DIVISION OF THE STATE ARCHITECT	RPM	REVOLUTIONS PER MINUTE
(E)	EXISTING	SA	SUPPLY AIR
EA	EXHAUST AIR	SEER	SEASONAL ENERGY EFFICIENCY RATION
EC	EVAPORATIVE COOLER	SHT	SHEET
EDB	ENTERING DRY BULB TEMPERATURE	SMACNA	SHEET METAL AND AIR CONDITIONING CONTRACTORS NATIONAL ASSOCIATION
EER	ENERGY EFFICIENCY RATIO	SOV	SHUT OFF VALVE
EFF	EFFICIENCY	SP	STATIC PRESSURE
ELEC	ELECTRICAL	SS	STAINLESS STEEL
ESP	EXTERNAL STATIC PRESSURE	SSE	STEADY STATE EFFICIENCY
EWB	ENTERING WET BULB	SST	SATURATED SUCTION TEMPERATURE
EWT	ENTERING WATER TEMPERATURE	TEMP	TEMPORARY, TEMPERATURE
FA	FROM ABOVE	TSP	TOTAL STATIC PRESSURE
FC	FLEXIBLE CONNECTION	TYP	TYPICAL
FD	FIRE DAMPER	TXV	THERMAL EXPANSION VALVE
FLA	FULL LOAD AMPS	UON	UNLESS OTHERWISE NOTED
FPM	FEET PER MINUTE	UTR	UP TO OR UP THROUGH ROOF
FSC	FAN SPEED CONTROLLER	VD	VOLUME DAMPER
FSD	FIRE/SMOKE DAMPER	VES	VEHICLE EXHAUST SYSTEM
GAGE	GAGE, GAUGE	VRF	VARIABLE REFRIGERANT VOLUME
GALV	GALVANIZED	WB	WET BULB TEMPERATURE
GPM	GALLONS PER MINUTE	WC	WATER COLUMN
GYP	GYPSUM	WG	WATER GAUGE
HD	HEAD	WT	WEIGHT EXPRESSED IN POUNDS
HP	HORSE POWER		

MECHANICAL GENERAL NOTES

1

THESE DRAWINGS ARE A GENERAL GRAPHIC PRESENTATION OF THE WORK. DUCTWORK, PIPING, AND EQUIPMENT, AS SHOWN, ARE SCHEMATIC. FABRICATE AND INSTALL BASED ON ACTUAL FIELD MEASUREMENT. COORDINATE WITH OTHER TRADES. ADHERE TO LOCATIONS AS CLOSELY AS POSSIBLE. VARY RUNS OR SHAPE OF DUCTWORK AS REQUIRED TO MEET STRUCTURAL AND OTHER INTERFERENCES AS REQUIRED BY THE ARCHITECT. PROVIDE A COMPLETE SET OF SHOP DRAWINGS REFLECTING ACTUAL DIMENSIONS, ACCESS REQUIREMENTS, AND DETAILS BASED UPON THE ACTUAL EQUIPMENT PROCURED. MAINTAIN AN UP TO DATE SET OF AS-BUILT DRAWINGS AT THE JOB SITE.

2

THE MECHANICAL CONTRACTOR SHALL COORDINATE ALL ITEMS RELATED TO MECHANICAL SYSTEMS WITH THE WORK OF OTHER TRADES BEFORE PROCEEDING WITH PROCURING OR FABRICATION OF EQUIPMENT, DUCTWORK, PIPING ETC. ITEMS TO BE COORDINATED SHALL INCLUDE BUT ARE NOT LIMITED TO THE FOLLOWING:

GRILLS, REGISTERS AND DIFFUSERS SHALL BE COORDINATED WITH THE REFLECTED CEILING PLAN.

DUCTWORK LOCATIONS AND POTENTIAL INTERFERENCES WITH STRUCTURAL MEMBERS, FRAMING, FIRE SPRINKLER LINES, PLUMBING WASTE LINES, CABLE TRAYS AND CONDUIT.

OPENINGS REQUIRED IN WALLS, FLOORS OR CEILINGS SHALL BE COORDINATED WITH THE GENERAL CONTRACTOR AND/OR FRAMING CONTRACTOR PRIOR TO THE START OF CONSTRUCTION TO AVOID REWORK. ANY REWORK REQUIRED SHALL BE AT NO ADDITIONAL COST TO THE OWNER.

PRIOR TO BIDDING THE PROJECT THE MECHANICAL CONTRACTOR SHALL COORDINATE WITH THE ELECTRICAL CONTRACTOR TO DETERMINE WHO WILL BE RESPONSIBLE FOR PROCURING AND INSTALLING MOTOR STARTERS, CONDUIT FOR LOW VOLTAGE CONTROLS AND LINE VOLTAGE CONTROL DEVICES, SUCH AS SINGLE POLE SWITCHES.

ACCESS TO VOLUME DAMPERS FOR BALANCING. ACCESS TO ALL EQUIPMENT, AS WELL AS PLATFORM AND CURB LOCATIONS.

CONSTRUCTION OF PLATFORMS AND SHAPED RUNNERS OR OTHER MEANS TO MOUNT CURBS LEVEL. ALL PLATFORMS AND CURBS SHALL BE LEVEL UNLESS OTHERWISE NOTED OR DETAILED ON THE MECHANICAL PLANS.

3

COMPLY WITH THE REQUIREMENTS OF THE FOLLOWING CODES:

2016 CALIFORNIA ADMINISTRATIVE CODE (CAC); PART 1, TITLE 24, CALIFORNIA CODE OF REGULATIONS (CCR)
2016 CALIFORNIA BUILDING CODE (CBC); PART 2, TITLE 24 CCR
2016 CALIFORNIA ELECTRICAL CODE (CEC); PART 3, TITLE 24 CCR
2016 CALIFORNIA MECHANICAL CODE (CMC); PART 4, TITLE 24 CCR
2016 CALIFORNIA PLUMBING CODE (CPC); PART 5, TITLE 24 CCR
2016 CALIFORNIA ENERGY CODE (CEN); PART 6, TITLE 24 CCR
2016 CALIFORNIA FIRE CODE (CFC); PART 9, TITLE 24 CCR
2016 CALIFORNIA GREEN BUILDING STANDARDS CODE (CAL GREEN); PART 11, TITLE 24 CCR

REPORT DEFICIENCIES WITHIN THIRTY (30) DAYS UPON AUTHORIZATION TO PROCEED.

4

REVIEW ALL DRAWINGS AND SPECIFICATIONS INCLUDING ARCHITECTURAL, STRUCTURAL, CIVIL, MECHANICAL, PLUMBING, AND ELECTRICAL. ANY QUESTIONS SHALL BE BROUGHT UP, IN WRITING, TO THE ATTENTION OF THE ENGINEER BEFORE THE START OF CONSTRUCTION.

5

ALL EQUIPMENT SHALL BE INSTALLED WITH SUFFICIENT ACCESS TO CONTROLS, FILTERS, ELECTRIC MOTORS, ETC. ACCESS CLEARANCE SHALL BE 30" OR AS REQUIRED BY THE EQUIPMENT MANUFACTURER, WHICH EVER IS GREATER. CONTRACTORS SHALL PROVIDE ACCESS PANELS WHERE REQUIRED. WHERE VERTICAL SPACE ALLOWS, INSTALL DUCTWORK THAT IS IN CLOSE PROXIMITY TO MECHANICAL, ELECTRICAL OR ANY OTHER ITEM THAT REQUIRES ACCESS HIGH IN THE SPACE FOR EASE OF ACCESS.

6

HANDLE, STORE AND INSTALL EQUIPMENT PER MANUFACTURER'S INSTRUCTIONS.

7

BRACE AND SUPPORT PIPES, CONDUIT, AND DUCTWORK IN ACCORDANCE TO SMACNA GUIDELINES FOR SEISMIC RESTRAINTS OF MECHANICAL AND PLUMBING PIPING SYSTEM.

8

REFER TO ARCHITECTURAL REFLECTED CEILING PLAN FOR EXACT LOCATION OF DIFFUSERS, REGISTERS, GRILLES, AND ACCESS PANELS.

9

ALL DUCT DIMENSIONS, AS SHOWN ON MECHANICAL DRAWINGS ARE CLEAR INSIDE DIMENSIONS. INCREASE OUTER DUCT DIMENSION AS REQUIRED TO ACCOUNT FOR THE THICKENESS OF INTERNAL LINING WHERE APPLICABLE.

10

INSULATION AND FLEXIBLE DUCT SHALL COMPLY WITH STATE FIRE MARSHALL CRITERIA AND SHALL NOT EXCEED FLAME SPREAD OF 25 AND SMOKE DEVELOPED OF 50 PER ASTM-84, NFPA-223, AND UL 723.

11

INSULATE PIPING AND DUCTWORK IN ACCORDANCE TO THE GOVERNING CODES.

12

COMMISSION AND START-UP THE MECHANICAL SYSTEMS TO ASSURE A COMPLETE AND OPERATIONAL HVAC SYSTEM IN ACCORDANCE WITH ASHRAE AND NEBB.

13

ALL SQUARE ELBOWS IN SUPPLY DUCTWORK SHALL HAVE TURNING VANES. PROVIDE MANUAL VOLUME DAMPER AT EACH BRANCH DUCT TAKE-OFF SERVING EACH AIR TERMINAL DEVICE. PROVIDE BALANCING DAMPERS FOR EACH MAIN DUCT TAKE-OFF IN ACCORDANCE TO SMACNA IN ORDER TO ASSURE A COMPLETELY BALANCED SYSTEM.

14

CONTROLS AND SWITCHES INTENDED TO BE USED BY THE OCCUPANT OF A ROOM OR AREA TO CONTROL COOLING, HEATING AND VENTILATING EQUIPMENT SHALL BE MOUNTED AT THE HEIGHTS GIVEN BY SECTION 11B-308.1 OF THE 2016 CBC. NOTIFY THE ARCHITECT IMMEDIATELY IF THE MOUNTING HEIGHTS REQUIRED BY THE 2016 CBC CANNOT BE OBTAINED AT THE LOCATION WHERE THE CONTROL DEVICE IS SHOWN ON THE MECHANICAL FLOOR PLANS.

15

ALL EQUIPMENT SHALL BE LABELED AS TO THE SPACE THEY ARE SERVING.

16

HABITABLE SPACE SHALL BE PROVIDED WITH A HEATING SYSTEM CAPABLE OF MAINTAINING A MINIMUM INDOOR TEMPERATURE OF 68°F AT A POINT 3 FEET ABOVE THE FLOOR PER 2016 CBC 1204.
17 MATERIALS EXPOSED WITHIN ANY SPACE BEING USED AS AN AIR PLENUM SHALL BE NON COMBUSTIBLE OR SHALL HAVE A FLAME SPREAD INDEX NOT GREATER THAN 25 AND A SMOKE DEVELOPED INDEX NOT GREATER THAN 50, WHEN TESTED AS A COMPOSITE PRODUCT IN ACCORDANCE WITH ONE OF THE FOLLOWING TEST METHODS: NFPA 255, METHOD OF TEST OF SURFACE BURNING CHARACTERISTICS OF BUILDING MATERIALS, ASTM E84, SURFACE BURNING CHARACTERISTICS OF BUILDING MATERIALS, OR UL 723, TEST FOR SURFACE BURNING CHARACTERISTIC OF BUILDING MATERIALS.

18

ANY MECHANICAL EQUIPMENT THAT PROVIDES POWER TO A ENERGIZED ACCESSORY MUST BE PROVIDED WITH A NAMEPLATE THAT REFLECTS THE ELECTRICAL CHARACTERISTICS OF THE COMPLETE SYSTEM AS INSTALLED WITH THE ENERGIZED ACCESSORY. NO EXCEPTIONS.

PROJECT TEAM LIST

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SHEET INDEX

SHEET NUMBER	SHEET TITLE
M-001	MECHANICAL GENERAL
M-002	MECHANICAL DETAILS
M-121	MECHANICAL FLOOR PLAN

Architect of Record

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REVISIONS

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	RESPONSE TO CITY PERMIT		11/11/2019

CITY OF MILPITAS FIRE STATION NO.2 TEMP. STATION

1126 YOSEMITE DRIVE, MILPITAS, CA

Drawing Title

MECHANICAL GENERAL

RECOMMENDED FOR BIDDING BY: _____ DATE: _____

WOO JAE KIM, PE, MDA, CIP MANAGER

City Project Number: 3447

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Drawing No. **M-001**
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POTTORFF®
The following installation details apply to model FSD-12SR

A. Concrete or masonry fire partition shown in Figure 1a and 1b. Wood or steel stud fire partition shown in Figure 2. See Wood Stud and/or Steel Stud Framing for Fire Dampers in Drywall and/or Cavity Shallow Partitions Supplemental Installation Instructions for further vertical installation details. The square or round opening shall be a minimum 1/4" larger than the damper sleeve/frame. Damper must be installed with the leading edge of the closed blade within the partition. Damper may be installed with the blade a maximum of 15 degrees from horizontal. For mounting angles that are up to and including 1°-11°, the opening shall be a maximum of 1/4" larger than the overall damper and sleeve assembly. When openings are larger than 1/4" (19), but less than 6" (152) the mounting angles must be a minimum of 16 gauge (15) and must be tall enough to overlap the opening by a minimum of 1" (25).

B. The connecting duct shall not be continuous, and shall terminate at the sleeve/frame using one or more of commonly used break-away style connections. Refer to Sleeve Termination Supplemental Installation Instructions for further details. Damper sleeve shall not extend more than 16" (406) beyond the rated partition on the actuator side. The opposite side extension shall be a maximum of 6" (152) unless an access door is installed in the sleeve which then permits the extension to be a maximum of 16" (406).

C1. Dual Side Mounting Plates - Holding Plate and Guide Plate
The holding plate (on operator side) must be flush with the partition. Seal the holding plate (see Figures 4A and B) into the mounting groove on operator side of damper and place damper in the partition. Place the guide plate (see Figure 4A) around opposite side of damper sleeve and slide forward until it touches the partition. Secure both plates with joinder clips (see figure 3) using four #10 (M6) sheet metal screws, bolts or 1/4" (3) rivets or welds per joinder clip minimum. A minimum of three 1" x 1" x 2" x 20 GA. (25 x 25 x 51 x 1) clip angles shall be arranged symmetrically around the damper and fastened to the damper sleeve flush with the guide plate. Fasteners shall be a minimum of #10 (M6) screws, bolts, 1/4" (3) rivets or welds. The guide plate shall be attached to the partition with a minimum of four fasteners, at the corners of square plates (for square openings) or equally spaced around the circumference of round plates (for round openings).
For horizontal installation of the damper in a concrete floor, the holding plate must be installed on the top side of the floor opening.

C2. As an alternative to C1, for dampers ≤ 8" (203) O.C. in diameter the guide and holding plates must be attached only to the sleeve, with clip angles spaced a maximum of 8" (203) O.C. For dampers > 8" (203) and ≤ 12" (305) in diameter, the clip angles must be spaced a maximum of 4" (102) O.C. The clip angles must be staggered on either side of the partition.

C3. As a further option for round openings either or both plates may be replaced by 1-1/2" x 1-1/2" x 20 GA. (38 x 38 x 1) minimum angle rings. The ring shall be fastened to the damper sleeve and not the partition at 6" (152) on center maximum with a minimum of 3 fasteners using #10 (M6) sheet metal screws, bolts, masonry anchors, 1/4" (3) diameter rivets or welds.

C4. Single Side Mounting Plate
Single side mounting plates can be used for vertical masonry or steel stud partitions. The mounting plate must be 20 GA. (1) minimum, the clamping brackets must be 2" x 1" x 1/4" x 14 GA. (61 x 25 x 13 x 2) minimum, and the clamping bolt shall be a 1/2"-20 x 3" (M6 x 76) bolt minimum. Each clamping bracket must be secured to the mounting plate with a minimum of two 1/4" (3) diameter rivets or welds. The mounting plate hinges on a 1/4" (3) minimum diameter rivet. The mounting plate can be installed on either side of the partition. The mounting plate must be positioned with the retaining bolt and nut facing AWAY from the wall. The mounting plate may be placed into the mounting groove or placed around the damper sleeve/frame. See Sheet 2 for mounting plate hole diameters. Tighten clamping bolt to ensure the mounting plate is secured to the damper. The mounting plate and for dampers 12" (305) or larger must engage the steel stud by 1/4" (3) minimum.
Fasteners must be a minimum of 1/2" (13) from the corner of each side using a minimum of #10 (M6) screws, concrete anchors, 1/4" (3) rivets or welds. Fasteners must be a minimum of 1/2" (13) from the edge of the plate and must engage the steel stud by 1/4" (3) minimum.

D. Fire/leakage rated damper and qualified operators are tested together by Underwriters Laboratories and are factory installed to qualify for standard damper/operator warranties. Damper operator/actuator must be tested prior to system start-up to ensure proper operation. Before applying power to the actuator, the power must be verified.

Model - FSD-12SR
For Use in Dynamic or Static Systems.
1-1/2 Hour Rated
Vertical or horizontal mounting.
Galvanized and Stainless Steel construction.
Information is subject to change without notice or obligation.
POTTORFF® 5101 Blue Mound Road, Fort Worth, Texas 76106

UL LISTED SEE DETAIL IN UL CLASSIFICATION ENCLOSED PRODUCT

NOTE: Dimensions in parentheses () are millimeters.
www.pottorff.com

POTTORFF®
The following installation details apply to model FSD-12SF

A - FSD-12SR Combination Fire Smoke Damper
B - Holding Plate, 20 ga (1) steel.
(Dual Side Plate Shown; Single Side Plate Similar)
C - Guide Plate, 20 ga (1) steel (For Dual Sided Plates Only)
D - Joinder Clip, 20 ga (1) steel, typical both sides.
(For Dual Sided Plates Only)
E - Raised Partition, (steel stud, wood stud or masonry)
F - 1/4" (3) Dia. Steel Pop Rivet, or #10 (M6) x 1/2" (13) Sheet Metal Screw, (For Dual Sided Plates Only)

Figure 3
Joinder Clip - 20 GA., (1) Galv. Steel

Figure 4A (Round Openings)
Guide Plate & Holding Plate Detail

* Note: If wood, opening must be lined with drywall

Figure 4B (Square Openings)
Guide Plate & Holding Plate Detail

Figure 5
Dual Side Mounting Partition Detail

Figure 6 - Mounting Plate

Figure 6A - Mounting Plate

Figure 6B - Mounting Plate

Single Side Mounting Plate

Blade Orientation

Normal 15° Off Horizontal (Maximum) 15° Off Horizontal (Maximum)

model FSD-12SR
1-1/2 hour • UL class 1 — combination fire smoke damper round blade

Application
The FSD-12SR combination fire smoke damper employs a single round blade for point-of-origin control of fire and smoke in static and dynamic smoke management systems. This unique damper comes standard with mounting plates for interface to round or square openings in masonry, metal stud, or wood stud assemblies and is ideal for all round duct applications. The FSD-12SR, standard construction, is qualified to 2000 fpm (152 m/m) and 4 in. wg. (1.0 kPa) at 250° F (121°C). Optional construction is qualified to 3000 fpm (183 m/m) and 4 in. wg. (1.0 kPa) at 350° F (177°C) and may be installed in vertical walls or partitions, or horizontally in floors or assemblies with fire resistance ratings up to 2 hours.

Standard Construction
SleeveFrame: Integral 16" x 20 gauge (406 x 1.0) galvanized steel with reinforcing bracing.
Retaining Plates: Dual sided system suitable for round or square penetrations.
Blade: 14 gauge (2.0) equivalent galvanized steel — round.
Axes: 1/2" (13) diameter plated steel, D=48" (203), 1/4" (19), D≤8" (203).
Linkage: In the air-stream.
Bearings: Bronze oilite, sleeve-type.
Seal: Silicone blade edge seal.
Actuator: 120 VAC, power-open, spring-close, external mount.
Fire Closure Device: HS-10 (electric actuators)
PPV pneumatic actuators
Fire Closure Temperature: 165°F (75°C).
Minimum Size: 6" Ø (152 Ø)
Maximum Size: 24" Ø (610 Ø)

Options
☐ Alternate actuator:
☐ 24 VAC ☐ 230 VAC ☐ Pneumatic
☐ DR5-30 — Two temperature fire closure device. (Includes actuator with auxiliary switches)
☐ Alternate sleeve/frame length:
☐ 20' (6m) ☐ 24' (6m)
☐ Single-sided mounting plate.
☒ Direct access door factory mounted to sleeve/frame.
☐ Alternate fire closure temperature:
☐ 212°F (100°C) ☐ 250°F (121°C) ☐ 350°F (177°C)
☐ Remote control stations:
☐ RCP-1 (single) ☐ RCP-1K (single, key controlled) ☐ RCP-1M (single, momentary switch)
☐ Type - 304 stainless steel construction.

Listings
UL 555 Fire Resistance Rating: 1½ hour (vertical and horizontal)
UL 555 Leakage Class: [8 dm³/sec.ft. @ 4 in.wg.] [0.04 m³/min/ft. @ 1.0 kPa]
Maximum Dynamic Closure Velocity: 3,000 fpm (153 m/m)
Maximum UL555 Rated Pressure: 4 in. wg. (1.0 kPa)
Maximum Temperature: 350°F (177°C)

CSFM listing: 3225-0368-112 and 3230-0368-113
New York City MEA listing: 795-96-E
Meets NFPA Standards: 90A, 90A, 92B and 101
Meets Building Code Standards: IBC, NBC, NFPA, SBC and UBC

Model FSD-12SR
Damper dimensions furnished approximately 3/8" (3) overdimension.
Outside diameter including reinforcing bracing is approximately 24" x 18" (75) and while under the normal working load and heads in approximately 24" x 30" (15).

Information is subject to change without notice or obligation.
POTTORFF® 5101 Blue Mound Road, Fort Worth, Texas 76106

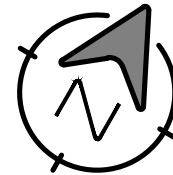
NOTE: Dimensions in parentheses () are millimeters.
www.pottorff.com

THRU THE WALL COMBINATION FIRE/SMOKE DAMPER
NTS

S:\Shared\Jobs\Consulting Engineering Jobs\Milpitas FS No. 2 Temp Station\Engineering\Milpitas Temp Station Mechanical Plans.dwg In: 15/20/19 9:08am

1 MECHANICAL FLOOR PLAN

SCALE: 1/8" = 1'-0"

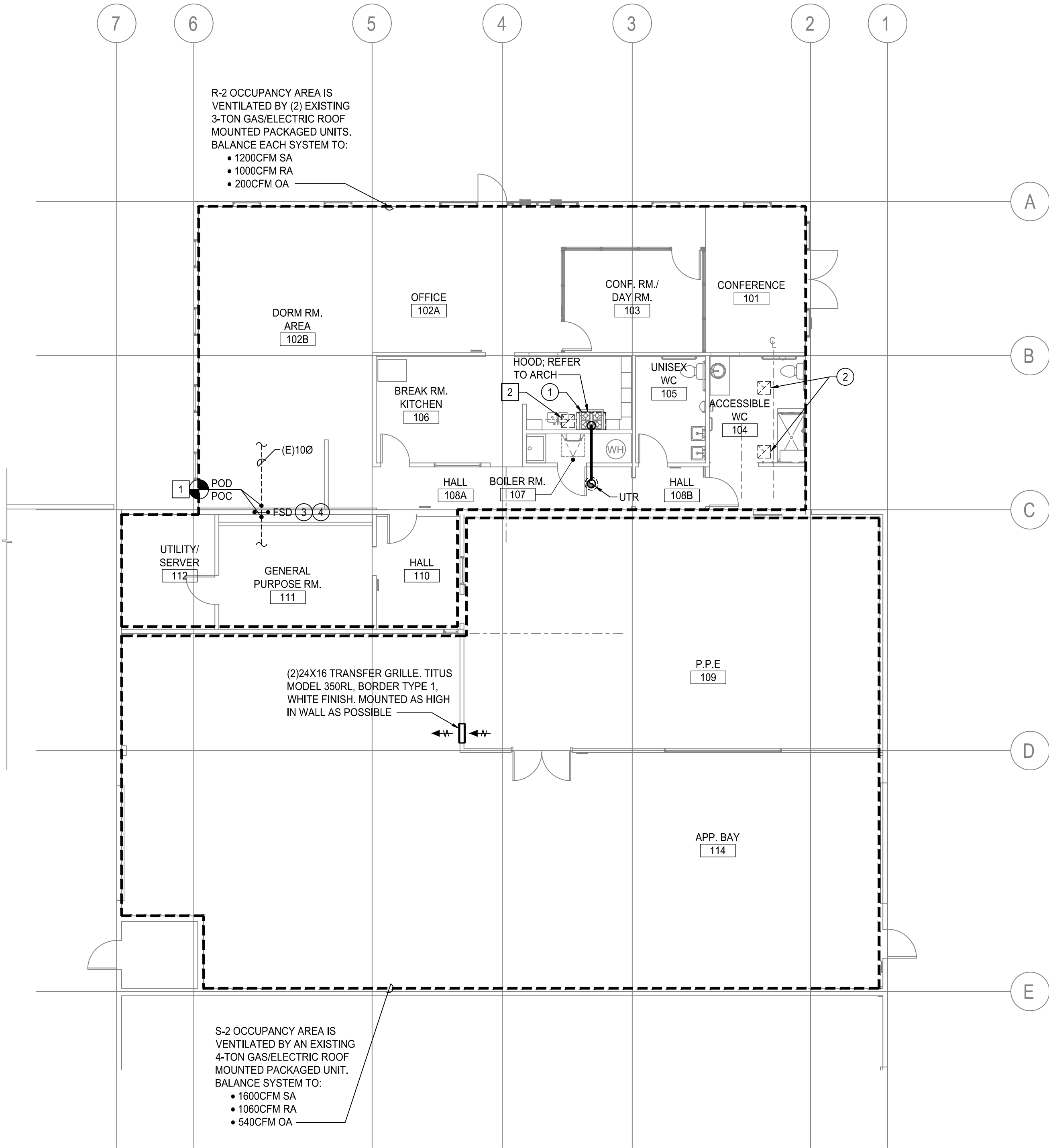


Architect of Record S H A H KAWASAKI ARCHITECTS 570 10th Street, Suite 201 Oakland, CA 94607 Consultant 3C ENGINEERING	DESIGNER STAMP:	RECORD DRAWINGS:		DRAWN BY: _____ DATE: _____ CHECKED BY: _____ DATE: _____ DESIGNED BY: _____ DATE: _____	REVISIONS									City Project Number: 3447							
		DESIGNER: _____ DATE: _____			PUBLIC WORKS INSPECTOR: _____ DATE: _____						REC. DWG NO.										
		UTILITY/ FACILITY DEPT. HEAD: _____ DATE: _____			PROJECT ENGINEER: _____ DATE: _____						SCALE: AS NOTED										
		PUBLIC IMPROVEMENTS INITIALLY ACCEPTED BY THE CITY COUNCIL ON: _____ RES. NO. _____									Drawing No. M-121 Sheet No. _____ of _____										
CITY OF MILPITAS FIRE STATION NO.2 TEMP. STATION 1126 YOSEMITE DRIVE, MILPITAS, CA										Drawing Title				MECHANICAL FLOOR PLAN NOTE: If this drawing is not 36"x24" it has been revised from its original size and the scales noted on drawing/details are no longer applicable. © 2019 Shah Kawasaki Architects							
RECOMMENDED FOR BIDDING BY: _____ DATE: _____ WOO JAE KIM, PE, MDA, CIP MANAGER																					

DEMOLITION KEY NOTES	
APPLICABLE TO THIS SHEET ONLY	
1	REMOVE ENOUGH DUCT TO ACCOMMODATE THE INSTALLATION OF THE FIRE/SMOKE DAMPER.
2	REMOVE CEILING EXHAUST FAN AND ASSOCIATED DUCTING.
KEY NOTES	
APPLICABLE TO THIS SHEET ONLY	
1	KITCHEN EXHAUST HOOD, INSTALL PER MANUFACTURERS REQUIREMENTS. TERMINATE PER DETAIL 1/M-002.
2	EXISTING EXHAUST TO REMAIN.
3	THRU THE WALL COMBINATION FIRE/SMOKE DAMPER, REFER TO 2/M-002 FOR REQUIREMENTS.
4	PROVIDE WITH MODEL D4120 DUCT MOUNTED SMOKE DETECTOR. INSTALL DETECTOR UP-STREAM FROM THE FIRE/SMOKE DAMPER. REFER TO ELECTRICAL DRAWING FOR POWER.
HVAC GENERAL NOTES	
APPLICABLE TO THIS SHEET ONLY	
1	EXHAUST TERMINATIONS WILL BE NO CLOSER THAN 10' FROM OUTSIDE AIR INLET AND 3' FROM OPENINGS BACK INTO THE BUILDING.

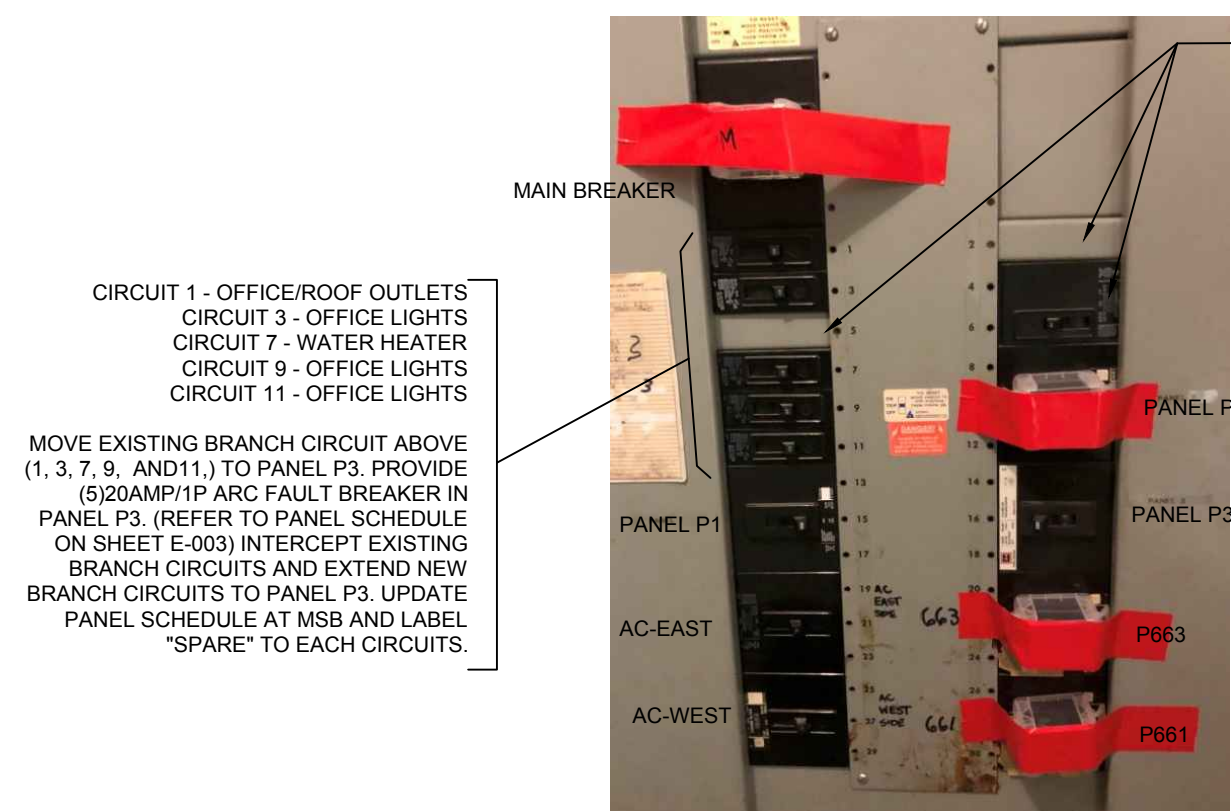
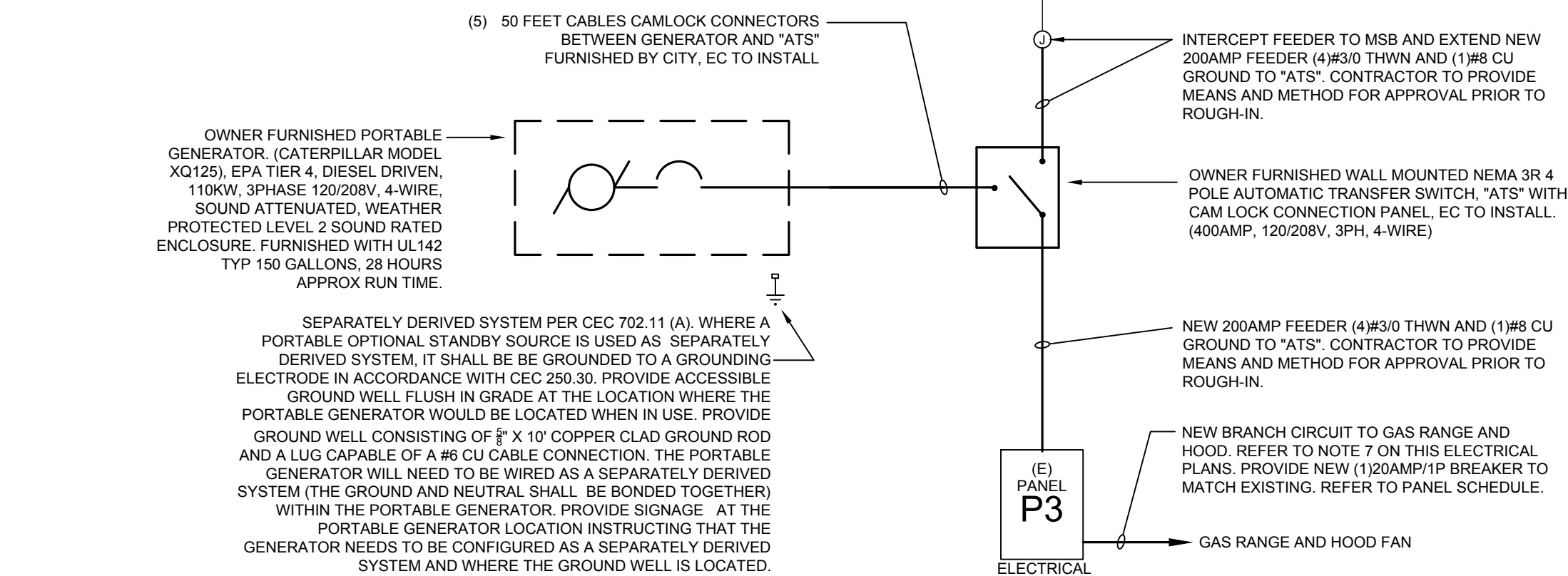
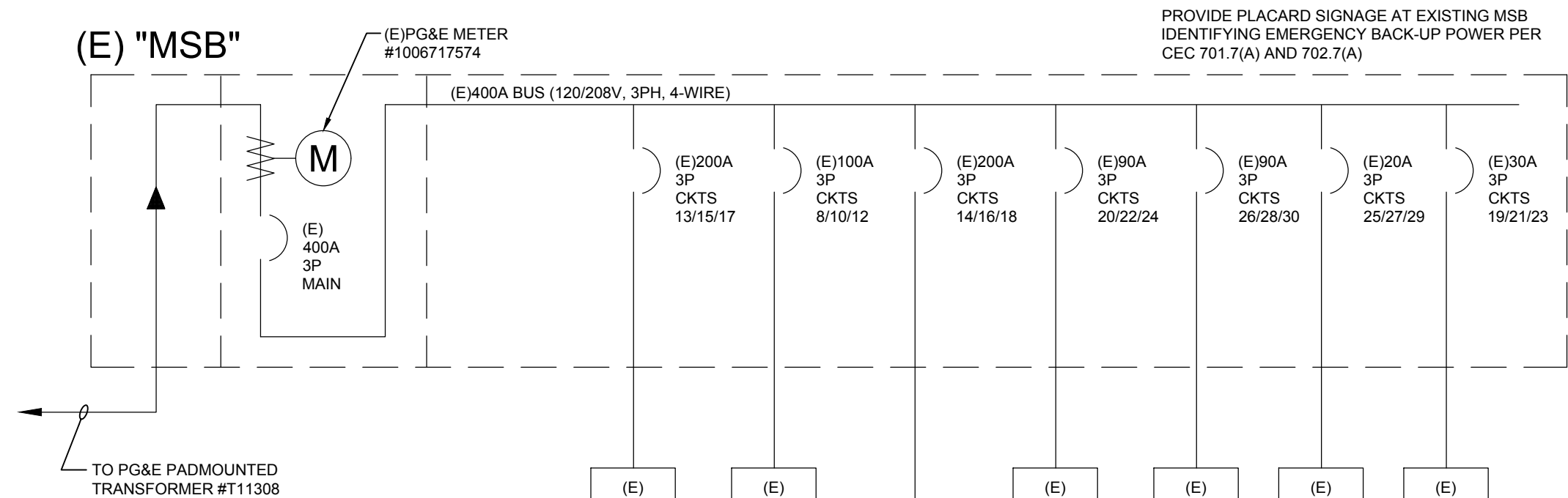
NON-RES VENTILATION CALCULATIONS	
APPLICABLE TO S-2 OCCUPANCY	
MECHANICAL CODE METHOD EQUATION 403.2.1 VBZ = RP X PZ + RA X AZ AZ = ZONE FLOOR AREA - 3594 SQ FT PZ = ZONE POPULATION - 18 (FROM CODE SUMMARY ON SHEET A-002) RP = OUTDOOR AIRFLOW RATE PER PERSON FROM TABLE 402.1 RA = OUTDOOR AIRFLOW RATE REQUIRED PER UNIT AREA FROM TABLE 402.1 RP = 10 CFM PER OCCUPANT FOR WAREHOUSE USE RA = 0.06 CFM PER FT² VBZ = 10(18) + 3594(0.06) VBZ = 180 +215.6 VBZ = 395.6 USE 400 CFM	
ENERGY CODE METHOD FROM CENC SECTION 120.1(b)2 METHOD A FLOOR AREA X VENTILATION RATE FROM TABLE 120.1(b)2 3594 X 0.15 = 539.1 CFM USE 540 CFM METHOD B 15 CFM PER PERSON X EXPECTED NUMBER OF OCCUPANTS 15x18 = 270 CFM	
ENERGY CODE METHOD A RESULTS IN THE HIGHEST VENTILATION RATE. CONTRACTOR SHALL BALANCE THE OUTSIDE AIR INTAKE ON THE EXISTING AC UNIT TO 540 CFM. THE EXISTING UNIT IS SUFFICIENT.	

RESIDENTIAL VENTILATION CALCULATIONS	
APPLICABLE TO R-2 OCCUPANCY	
MECHANICAL CODE METHOD EQUATION 403.2.1 VBZ = RP X PZ + RA X AZ AZ = ZONE FLOOR AREA - 2498 SQ FT PZ = ZONE POPULATION - 15 (FROM CODE SUMMARY ON SHEET A-002) RP = OUTDOOR AIRFLOW RATE PER PERSON FROM TABLE 402.1 RA = OUTDOOR AIRFLOW RATE REQUIRED PER UNIT AREA FROM TABLE 402.1 RP = 5 CFM PER OCCUPANT FOR WAREHOUSE USE RA = 0.06 CFM PER FT² VBZ = 5(15) + 2498(0.06) VBZ = 75 +149.9 VBZ = 224.9 USE 225 CFM	
ENERGY CODE METHOD FROM CENC SECTION 120.1(B)2 METHOD A FLOOR AREA X VENTILATION RATE FROM TABLE 120.1(B)2 2498 X 0.15 = 374.7 CFM USE 375 CFM METHOD B 15 CFM PER PERSON X EXPECTED NUMBER OF OCCUPANTS 15x15 = 225 CFM	
ENERGY CODE METHOD A RESULTS IN THE HIGHEST VENTILATION RATE. CONTRACTOR SHALL BALANCE THE OUTSIDE AIR INTAKE ON THE EXISTING AC UNIT TO 400 CFM. THE EXISTING UNIT IS SUFFICIENT.	

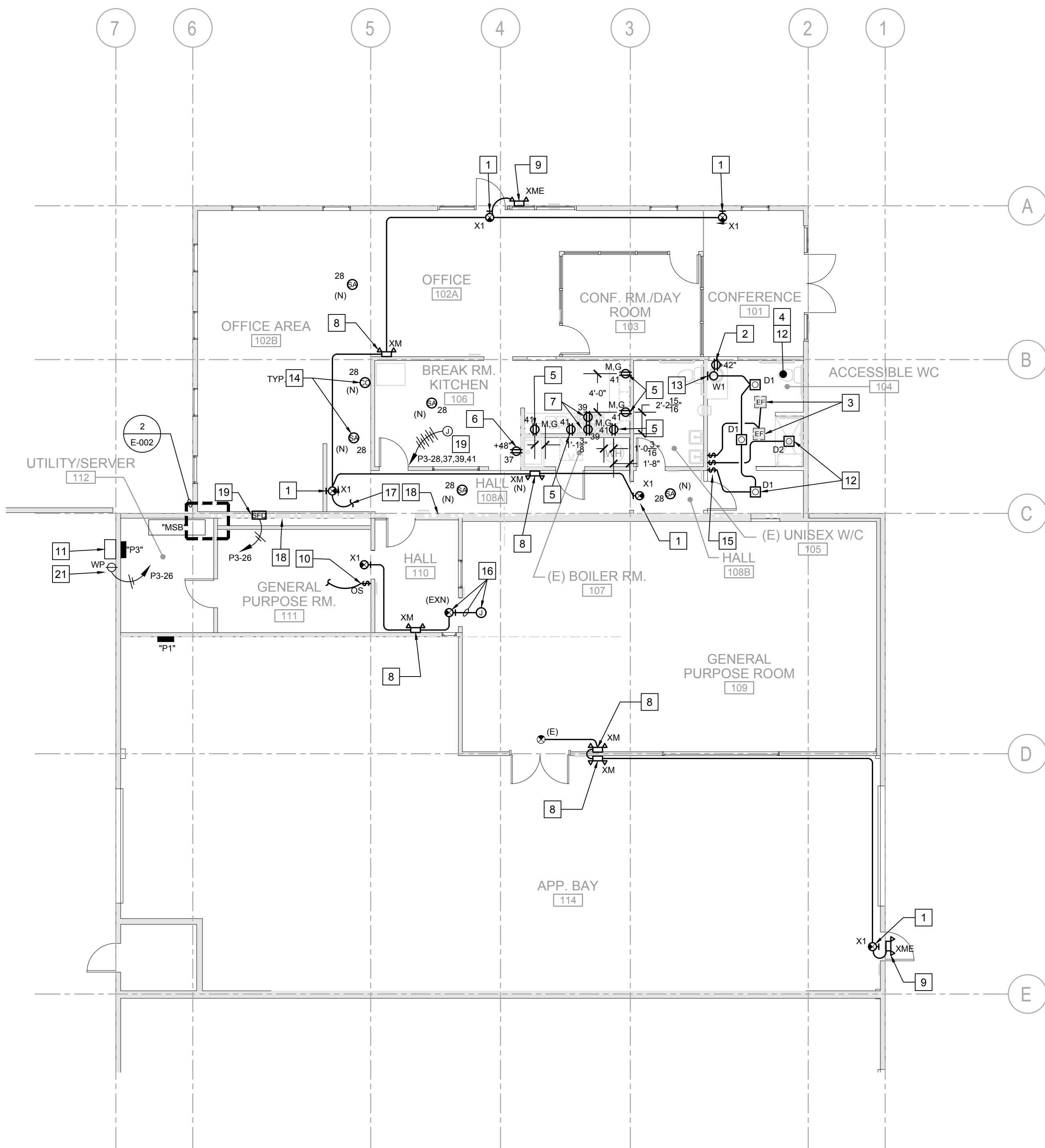


[illegible]

[illegible]



- A. EXISTING ELECTRICAL SERVICE HAS BEEN INVESTIGATED AND FOUND TO HAVE ADEQUATE CAPACITY FOR THE PROPOSED LOAD ADDITION AS SHOWN ON THESE PLANS.
- B. ALL CONDUCTORS SHALL BE COPPER WITH TYPE [THHN/THWN] INSULATION UNLESS OTHERWISE NOTED.
- C. ALL SWITCHES, CIRCUIT BREAKERS AND OTHER EQUIPMENT, AS SPECIFIED, SHALL HAVE TERMINATION PROVISIONS LISTED AND IDENTIFIED FOR USE WITH 75 DEG. CONDUCTORS, AND ALL FEEDER CONDUCTORS, AND CONDUITS, ARE SIZE BASED ON USE OF 75 DEG. C COPPER WIRES TYPE THHN/THHN.
- D. ALL EQUIPMENT SHALL HAVE AN APPROVED TESTING LABORATORY LABEL ATTACHED [UL, CSA, ETC.] (CEC 110-2).
- E. ALL BOXES AND ENCLOSURES (INCLUDING TRANSFER SWITCHES, GENERATORS, AND POWER PANELS) FOR EMERGENCY CIRCUITS SHALL BE PERMANENTLY MARKED SO THEY WILL BE READILY IDENTIFIED AS A COMPONENT OF AN EMERGENCY CIRCUIT OR SYSTEM, PER NEC 700-9(A).



1. NEW COMBINATION EXIT AND EMERGENCY LIGHTING FIXTURE TYPE X1 WITH 90 MINUTE BATTERY BACK-UP. (LITHONIA #ECC M MR OR APPROVED EQUAL).
2. EXTEND EXISTING RECEPTACLE BRANCH CIRCUIT FROM ROOM 105 TO NEW RECEPTACLE. MOUNT AT +42" AFF.
3. CONNECT TO EXISTING EXHAUST FAN PER MECHANICAL PLANS.
4. EXTEND EXISTING LIGHTING BRANCH CIRCUIT FROM ROOM 105 TO NEW LIGHTS.
5. PROVIDE NEW BRANCH CIRCUIT FOR NEW COUNTER RECEPTACLES.
6. PROVIDE NEW BRANCH CIRCUIT FOR NEW REFRIGERATOR RECEPTACLE.
7. PROVIDE NEW BRANCH CIRCUIT TO NEW STOVE/FAN FROM PANEL "P3". COORDINATE EXACT LOCATION OF RECEPTACLE FOR HOOD/FAN PRIOR TO ROUGH-IN.
8. NEW EMERGENCY LIGHTING WITH 90 MINUTE BATTERY BACK UP. (LITHONIA #ELM2L M12 OR APPROVED EQUAL)
9. NEW EXTERIOR RATED EMERGENCY LIGHTING WITH 90 MINUTE BATTERY BACK UP (LITHONIA #ELTU-MR OR APPROVED EQUAL).
10. PROVIDE NEW WALL SWITCH AT EXISTING WALL. CONNECT TO EXISTING LIGHTS IN THE ROOM.
11. NEW OWNER FURNISHED AUTOMATIC TRANSFER SWITCH WITH CAM LOCK CONNECTION EC TO INSTALL. CONTRACTOR TO PROVIDE A COMPLETE WORKING SYSTEM. INTERCEPT EXISTING FEEDERS AND NEW FEEDERS FROM "ATS" TO PANEL P3 PER SINGLE LINE DIAGRAM.
12. PROVIDE A DAMP RATED LED 4IN ROUND WITH IC RATED HOUSING AND (JUNO #C1LED-4-09LM 30K 90CRI 120FRPC OR APPROVED EQUAL). PROVIDE 4" DOWNLIGHT WHITE TRIM #17CWH FOR AT "D1" AND ONE SINGLE DROP OPAL TRIM AT SHOWER #11WH FOR "D2".
13. FIXTURE TYPE W1: PROVIDE 2' LED VANITY LIGHT MOUNTED ABOVE MIRROR. (LITHONIA #FMVTSL 24" MVOLT 30K 90CRI BN OR APPROVED EQUAL)
14. PROVIDE 120V SMOKE ALARM AND CARBON MONOXIDE. REFER TO GENERAL NOTES ON SHEET E-001.
15. PROVIDE VACANCY SWITCH.
16. EXISTING EXIT SIGN AT NEW LOCATION. INTERCEPT EXISTING BRANCH CIRCUIT FROM PREVIOUS LOCATION AND EXTEND TO NEW WITH 1/2" (2)#12 AWG AND (1)#12 CU GROUND.
17. INTERCEPT EXISTING LIGHTING BRANCH CIRCUIT IN THIS ROOM WITH A CONTINUOUS HOT.
18. ANY CONDUIT PENETRATION TO EXISTING WALL AT GRID "C" REFER TO DETAIL 1/E-002.
19. CONNECT TO 120V SMOKE FIRE DAMPER PER MECHANICAL PLANS. PROVIDE NEW HOMERUN TO PANEL P3 WITH 1/2" (2)#12 AWG AND (1)#12 CU GROUND.
20. NEW BRANCH CIRCUIT HOMERUN TO PANEL P3 FOR REFRIGERATOR, STOVE, KITCHEN APPLIANCES, AND SMOKE ALARM. REFER TO PANEL SCHEDULE. PROVIDE 3°C. (EMT) WITH (8)#12 THHN AND (1)#12 CU GROUND.
21. PROVIDE A 30AMP, 125V NEMA L5-30 FOR PORTABLE GENERATOR BATTERY CHARGER AND BLOCK HEATER. PROVIDE WHILE USE COVER. PROVIDE 1/2" (EMT) WITH (2)#10 THHN AND (1)#10 CU GROUND

A.	INSTALL SEPARATE NEUTRALS FOR EACH BRANCH CIRCUIT SERVING ISOLATED GROUND RECEPTACLES.
B.	DEVICE LOCATIONS SHOWN ARE SCHEMATIC AND APPROXIMATE. EXACT LOCATION SHALL BE FIELD VERIFIED DURING RUGH-IN WITH ARCHITECTURAL ELEVATIONS, CASEWORK SHOP DRAWINGS, FURNITURE, ETC. AND SHALL BE COORDINATED WITH OTHER TRADES TO AVOID CONFLICT WITH OTHER EQUIPMENT.
C.	ALL NEW OUTLETS SHOWN AT R-2 OCCUPANCY PROVIDE TAMPER-PROOF OUTLETS PER CEC 406.12 AND AFCI CEC 210.12. REFER TO CODE DIAGRAM ON SHEET A-002 FOR R-2 OCCUPANCY.

RECOMMENDED FOR BIDDING BY: _____ DATE:
MICHAEL SILVERA, P.E.



CITY OF MILPITAS
ENGINEERING DIVISION
BID SUMMARY

Project Name: Temporary Fire Station No. 2 Tenant Improvements
Project No. : 3447
Bid Date: November 14, 2019 at 2 p.m.

DESCRIPTION	Engineer's Estimate Cost	Apparent Low Bidder	Alex Kushner General, Inc. Cost	EVRA Construction, Inc. Cost
		Ron Paris Construction Company, Inc. Cost		
Base Contract Work (Labor, material, services, equipment)	\$285,000.00	\$207,198.00	\$215,000.00	\$320,000.00

List of Sub-Contractors				
Description	Ron Paris Construction Company, Inc.	Alex Kushner General, Inc.	EVRA Construction, Inc.	
Storefront	Lincoln Glass			
Concrete	Bressani Construction			
Electrical	Rhino Power Inc.	K & I Electrical	NPG El.	
HVAC	Foothill HVAC		GY & Co., Inc.	
Flooring	RE Cuddie Company	Harry L Murphy Inc.		
Stripping	Compass Engineering			
Cabinets	BK Mill	BK Mill		
Plumbing	ABC Plumbing		EPS	
Roofing	Legacy Roofing			
Painting	Satellite Paint			
Haz Mat Support		Janus Corporation		

Construction Change Order Policy for Temporary Fire Station No.2 Tenant Improvements , Project No. 3447.

2007 City Council Approved Construction Change Order Policy

<u>Construction Award Award Amount</u>	<u>Individual Administrative Change Order Authority</u>	<u>Cumulative Change Order Authority</u>
Under \$50,000	\$5,000	\$7,500
Over \$50,000	10% of Award or \$25,000 whichever is small	15% of Award or \$100,000 whichever is smaller

Temporary Fire Station No.2 Tenant Improvements Project Change Order Policy

<u>Construction Award Award Amount</u>	<u>Individual Administrative Change Order Authority</u>	<u>Cumulative Change Order Authority</u>
\$207,198	N/A	\$50,000



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Adopt a Resolution authorizing the City to join members of the Cities Association of Santa Clara County to form a housing collaborative and to provide funding for consultant services related to the housing collaborative (Staff Contact: Sharon Goei, 408-586-3260)
Category:	Consent Calendar-Community Development
Meeting Date:	12/3/2019
Staff Contact:	Sharon Goei, 408-586-3260
Recommendation:	Adopt a Resolution authorizing the City to join members of the Cities Association of Santa Clara County to form a housing collaborative and to provide funding for consultant services related to the housing collaborative

Background:

The process for determining each jurisdiction's projected housing need is called the Regional Housing Needs Allocation (RHNA). The process begins with the State – the California Department of Housing and Community Development (HCD) – which estimates the existing housing need and determines the projected statewide growth in households. Through the RHNA process, HCD allocates housing demand by region to the regional council of governments (COG). In turn, each regional COG allocates the projected regional growth to local jurisdictions within the region. Each jurisdiction produces a Housing Element that demonstrates the jurisdiction's ability to accommodate the housing need identified in its RHNA during each eight-year planning cycle. The nine-county Bay Area's COG is the Association of Bay Area Governments (ABAG), which works closely with the Metropolitan Transportation Commission (MTC) to assign housing allocations and distribute RHNA objectives to each local jurisdiction in the Bay Area.

Most jurisdictions throughout the state have challenges meeting their RHNA objectives, including those in the Bay Area. As a result, agencies have sought better, more flexible methods to accomplish RHNA objectives. To improve the implementation of regional affordable housing production, the creation of a Subregion would provide the flexibility to trade allocations and allow redistribution within a Subregion. In early 2019, the Council supported the formation of a RHNA Subregion and supported Milpitas to join the Subregion with other cities in Santa Clara County.

Analysis:

It was the intent to formally create the RHNA Subregion at the Cities Association of Santa Clara County ("Cities Association") Board meeting in September 2019. However, updates to state law, HCD process, and ABAG process rendered the Subregion process, cost, and timeline originally envisioned by the 16 jurisdictions of Santa Clara County infeasible.

Multiple options were evaluated by the Cities Association Board. One option was to accept ABAG's number as a starting point, followed by creating a reallocation process as the Subregion's methodology. Consultant and attorney services would be much costlier than anticipated, and the Subregion would have to submit its final methodology prior to ABAG finishing its final methodology. Another option was for the Subregion to create its own methodology entirely. Consultant and attorney services would be costly and take much longer, making it infeasible to meet the Subregion final methodology submittal timeline.

The option that was moved forward was the formation of a regional housing collaborative via the Cities Association to embrace the goals of jurisdictions working together as a region to address the critical hous

and homeless needs in Santa Clara County. The original anticipated RHNA Subregion funds from member jurisdictions of the Cities Association would instead be used to provide consultant services to support the housing collaborative regarding the RHNA process, RHNA methodology, recently enacted housing laws, proposed or pending housing legislation, and other affordable housing matters. The Cities Association voted to support the formation of a housing collaborative for \$50,000 for one year where this cost would be shared equally among participating members. If all 16 jurisdictions (15 cities/towns and the County itself) joined the housing collaborative, the cost would be \$3,125 per jurisdiction. The Cities Association Board capped the cost per jurisdiction at \$5,000, which means that at least 10 jurisdictions must join to form the housing collaborative. The collaborative would be a one-year trial. The Cities Association Board is hopeful that participation and collaboration will assist all cities through the rapidly changing legislative landscape of housing and land use.

The City of Milpitas is an active member of the Cities Association where city representatives gather to discuss and seek solutions to regional problems and advocate on issues of mutual interest. While each jurisdiction is responsible to plan for its share of housing, if cities join other members of the Cities Association to form the housing collaborative and provide funding for consultant services to support the collaborative, all members will benefit by having a unified voice regarding the upcoming RHNA process and proposed legislation that may lead to higher affordable housing production and greater positive impact on the region.

Instead of creating a RHNA Subregion, the housing collaborative will focus on regional affordable housing solutions through collaboration among the participating jurisdictions. The \$50,000 funding will be used for shared technical support to assist jurisdictions in meeting the region's housing needs and RHNA allocation with a focus on lower income housing, new housing laws, and housing element updates. Tasks could include receiving guidance from experts on the RHNA process, identifying sites and development capacity based on new state housing laws, and providing assistance on housing element compliance. As housing production is a regional challenge that transcends city boundaries and barriers, shared housing strategies would benefit all communities in the area. The housing collaborative would foster a more cohesive approach to plan for housing growth and provide opportunities to work together on legislative advocacy.

Staff recommends Council adopt the Resolution to join members of the Cities Association to form the housing collaborative. Depending on the number of jurisdictions joining the housing collaborative, the City will provide Cities Association \$3,125 to \$5,000 of funding toward consultant services related to the housing collaborative.

Policy Alternative:

Alternative: The City does not join to form the housing collaborative.

Pros: There will be no cost or staff time.

Cons: The City will lose opportunities to collaborate or participate in regional discussions.

Reason for Not Recommending: It is beneficial for cities to work collaboratively to respond to the region's housing needs.

Fiscal Impact:

Depending on the number of jurisdictions joining the housing collaborative, the funding the City will provide to the Cities Association will range from \$3,125 to \$5,000. There is sufficient funding in the Department's FY 2019-20 operating budget and there is no additional fiscal impact.

California Environmental Quality Act:

The action being considered has no potential for causing a significant effect on the environment and is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3).

Recommendation:

Adopt a Resolution authorizing the City to join members of the Cities Association of Santa Clara County to form a housing collaborative and to provide funding for consultant services related to the housing collaborative.

Attachment:

Resolution

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS AUTHORIZING
THE CITY TO JOIN MEMBERS OF THE CITIES ASSOCIATION OF SANTA CLARA
COUNTY TO FORM A HOUSING COLLABORATIVE AND TO PROVIDE FUNDING FOR
CONSULTANT SERVICES TO SUPPORT THE HOUSING COLLABORATIVE**

WHEREAS, the City of Milpitas is a member of the Cities Association of Santa Clara County; and

WHEREAS, the members of the Cities Association of Santa Clara County will benefit from consultant services to assist in the evaluation of the Regional Housing Needs Allocation (RHNA) methodology, proposed or pending housing legislation, and other related housing matters; and

WHEREAS, the members of the Cities Association of Santa Clara County recognize that each jurisdiction has a responsibility to plan for its fair share of housing; and

WHEREAS, the members have agreed to work collaboratively to produce more housing in the region; and

WHEREAS, the members have agreed that having a unified voice regarding the upcoming RHNA process, proposed or pending housing legislation, and other housing implementation could result in greater effectiveness on housing issues.

NOW, THEREFORE, the City Council of the City of Milpitas hereby finds, determines, declares, and resolves as follows:

1. The City Council has considered the full record before it, which includes, but is not limited to, the supporting documentation, testimony by staff and the public, and other materials and evidence submitted or provided to it. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.
2. The City Council supports the formation of a housing collaborative and authorizes the City to join members of the Cities Association of Santa Clara County to form such a collaborative acting through the Cities Association of Santa Clara County.
3. The City Council approves the appropriation of funds as set forth below to contribute toward consultant services to support the housing collaborative.
4. The City Council agrees to enter into a funding agreement and provide to the Cities Association of Santa Clara County a funding amount of \$3,125 if all sixteen member jurisdictions join the housing collaborative, or a funding amount not to exceed \$5,000 if ten or more member jurisdictions join the housing collaborative, for the purpose of funding consultant services to housing collaborative members regarding the RHNA process, RHNA methodology, recently enacted State housing laws, proposed or pending housing legislation, and other affordable housing matters.
5. The Interim City Manager is hereby authorized to enter into such agreements as necessary to carry out the direction in this Resolution.

PASSED AND ADOPTED this _____ day of _____, 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Mary Lavelle, City Clerk

Rich Tran, Mayor

APPROVED AS TO FORM:

Christopher J. Diaz, City Attorney



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Adopt a Resolution Authorizing Reimbursement of Fire Station No. 2 Capital Improvement Expenditures from the Proceeds of Future Tax-Exempt Obligations
Category:	Consent Calendar-Leadership and Support Services
Meeting Date:	12/3/2019
Staff Contact:	Walter C. Rossmann, 408-586-3111
Recommendation:	Adopt a Resolution Authorizing Reimbursement of Fire Station No. 2 Capital Improvement Expenditures from the Proceeds of Future Tax-Exempt Obligations

Background:

The 2019-2024 Adopted 5-year Capital Improvement Program as approved by the Council assumes the issuance of lease revenue bonds in Fiscal Year 2020-21 for the replacement of Fire Station No. 2 in the amount of \$13 million to fund about two-thirds of the anticipated cost of nearly \$21 million. The lease revenue bonds would be repayable over time from payments made by the City from the General Fund. The remaining cost of the project would be paid by the General Fund. Bond financing allows the City to fund this important capital project taking advantage of low interest rates and spreading the cost and benefit of the improvement to taxpayers over 30 years.

Fire Station No. 2, located on Yosemite Drive, was constructed in the late 1960s and has exceeded its design life. The new fire station will be designed to meet the current "Essential Services Buildings" requirements as well as current building and fire codes. It will be designed to provide for an additional fire apparatus bay as well as providing sustainable elements, gender equality/privacy, and operational efficiencies to improve response times. Work also includes construction of a temporary fire station, building demolition, site cleanup, furnishings, fixtures, & equipment (FF&E), and new site improvements.

Analysis:

The City Council is being asked to adopt a reimbursement resolution (Resolution) to allow the General Fund to be reimbursed from future tax-exempt bond proceeds for Fire Station No. 2 capital improvement costs incurred prior to closing of the bond sale. This will allow the City to optimize the timing of the bond sale at a later date. Council is not being asked to approve any bond sales at this time; passing this Resolution does not obligate the City to any action in the future. Staff anticipates returning to Council for approval to issue the lease revenue bonds in April 2020, when all of the necessary bond documents are ready for Council consideration and approval.

The use of tax-exempt bond proceeds must comply with Internal Revenue Service (IRS) guidelines. Tax-exempt bonds typically save the City and taxpayers money, as they typically come with lower interest costs. In general, tax-exempt bonds can only be used to pay for capital improvement expenditures made following the issuance of the bonds. However, if a "reimbursement resolution," like the one being recommended for Council approval is adopted, then the tax-exempt bonds may pay for capital improvement costs incurred up to 60 days prior to the adoption of the reimbursement resolution.

Policy Alternatives:

Alternative 1: Do not approve the Resolution.

Pros: None

Cons: The City will not be able to reimburse itself in order to recover cash it spent on capital improvement costs related to the Fire Station No. 2 capital project up until the closing of the bond sale.

Reason not recommended: The 2019-2024 Adopted 5-year Capital Improvement Program as approved by the Council assumes the issuance of lease revenue bonds in Fiscal Year 2020-21 for the construction of Fire Station No. 2. The design phase has proceeded to the point that relocation to a temporary fire station and construction of the new Fire Station No. 2 is anticipated to start summer 2020.

Fiscal Impact:

Not applicable.

Recommendation:

Adopt a Resolution Authorizing Reimbursement of Fire Station No. 2 Capital Improvement Expenditures from the Proceeds of Future Tax-Exempt Obligations

Attachment:

Resolution

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS DECLARING
INTENTION TO REIMBURSE EXPENDITURES RELATING TO FIRE STATION NO. 2
REPLACEMENT PROJECT FROM THE PROCEEDS OF TAX-EXEMPT OBLIGATIONS**

WHEREAS, the City of Milpitas (the “City”) owns and operates various fire stations; and

WHEREAS, the City Council approved the Fire Station No. 2 Replacement Project (“Project”) as part of the approval of the FY 2019-20 Adopted Budget with an estimated cost of nearly \$21 million; and

WHEREAS, in order to provide funds to finance the Project, the City Council intends to issue and sell tax-exempt lease revenue bonds through the Municipal Financing Authority, a joint-powers agency (the “Authority”) of which the City is a member, in an expected maximum principal amount of approximately \$13,000,000, which are expected to be payable from General Fund revenues (the “General Fund Lease Revenue Bonds”); and

WHEREAS, in order to use the proceeds of the General Fund Lease Revenue Bonds to reimburse advances made by the City for the Project before the date of issuance of such bonds, but not more than 60 days before the date of adoption of this Resolution, Section 1.150-2 of the Regulations of the United States Department of Treasury (the “Regulations”) requires that the City Council declare its intention to reimburse such advances from the proceeds of the General Fund Lease Revenue Bonds, respectively; and

WHEREAS, it is in the public interest and for the public benefit that the City Council declare its official intent to reimburse the expenditures referenced herein.

NOW, THEREFORE, the City Council of the City of Milpitas hereby finds, determines, and resolves as follows:

Section 1. Declaration of Intent – General Fund Lease Revenue Bonds. The City Council hereby declares that it reasonably expects to issue the General Fund Lease Revenue Bonds and to use a portion of the proceeds thereof to reimburse expenditures made by the City for the Project before the date of issuance of the General Fund Lease Revenue Bonds, and not more than 60 days before the date of adoption of this Resolution. It is intended that this Resolution shall constitute a declaration of “official intent” within the meaning of Section 1.150-2 of the Regulations. The adoption of this Resolution shall not bind the City to proceed with the execution and delivery of the General Fund Lease Revenue Bonds until and unless all other necessary action and approvals are taken or received in accordance with all applicable laws.

Section 2. Expected Maximum Principal Amount. The General Fund Lease Revenue Bonds shall be issued in an aggregate principal amount which is sufficient to raise funds for the Project, which is expected to be in the maximum principal amount of \$13,000,000. The General Fund Lease Revenue Bonds are expected to be issued by the Authority for the purpose of providing tax-exempt financing for the Project.

Section 3. Fund Accounting. The City reasonably expects as of the date hereof that the expenditures to be made with respect to the Project from the funds of the City will be made from the City’s General Fund.

Section 4. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED AND ADOPTED this _____ day of _____, 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

Mary Lavelle, City Clerk

APPROVED:

Rich Tran, Mayor

APPROVED AS TO FORM:

Christopher J. Diaz, City Attorney



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Adopt a Resolution Increasing Massage Permit Fee and Amending Master Fee Schedule
Category:	Consent Calendar-Public Safety
Meeting Date:	12/3/2019
Staff Contact:	Christopher Diaz, City Attorney, 408-586-3040
Recommendation:	Adopt a Resolution increasing the Massage Permit Fee and amending the FY 2019-20 Master Fee Schedule.

Background:

On May 15, the City Council approved the FY 2019-20 Master Fee Schedule which included a Massage Permit Fee of \$200. On August 20, 2019, the City Council adopted Ordinance No. 172.6 to amend and update the City's regulations relating to massage establishments and practitioners. Ordinance No. 172.6 regulates individuals and businesses practicing massage therapy, as well as massage establishments, effective on and after January 1, 2020. Section III-6-4 of Ordinance No. 172.6 requires that massage establishments further obtain permits from the City of Milpitas. The purpose of this Resolution is to increase the fee for issuing such permits. If adopted, the increased massage permit fee will be applicable to any massage establishment wishing to operate on or after January 1, 2020, in accordance with Ordinance No. 172.6.

Analysis:

Fees and charges imposed by local governments in California are subject to article XIII C, section 1(e) of the California Constitution ("Proposition 26"). Proposition 26 provides that any fee or charge imposed by a local government is a tax requiring voter approval, unless it is explicitly exempt. The proposed massage permit fee is exempt from the definition of a tax under article XIII C, section 1(e)(3):

A charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof.

The proposed massage permit fee is \$1,000 resulting in a cost recovery level of about 52%. Staff has determined that the actual cost of service is closer to about \$2,000 to process each permit. This is based on the cost for a detective, at \$248.11 per hour with an estimated 6.5 hours necessary to process the permit application, plus a sergeant for one hour at \$314.20. This totals \$1,926.92. The full methodology is attached as Exhibit "A" to the proposed Resolution.

Typically, regulatory fees such as the massage permit fee are set at 100% cost recovery. Staff is recommending a lower cost recovery level at this time due to the significant increase from the current fee of \$200 to \$1,000. Further, staff is also evaluating to assign the process of reviewing an application for a massage permit to a Community Service Officer (CSO) once a vacant CSO position is filled. Therefore, as part of future budget cycles, staff intends to bring forth increases to the fee to achieve a 100% cost recovery level while reducing the cost for processing a permit.

Policy Alternative:

Alternative: Do not adopt the increased massage permit fees. This would mean that the fee would remain at \$200 with a cost recovery level of 10%.

Pros: The existing fee would remain in place.

Cons: Failure to adopt the increased massage permit fee would prevent increased cost recovery.

Reason not recommended: The proposed fee helps the City to recover its costs for issuing massage permits. Failure to adopt the increased fee would mean that the City must cover more of the cost for issuing permits as opposed to recovering such costs from the applicant.

Fiscal Impact:

If the massage permit fee is adopted, the City will generate additional revenue, equaling approximately half of the cost of considering massage permit applications.

California Environmental Quality Act:

This action is exempt from CEQA as there will be no physical change to the environment.

Recommendation:

Adopt a resolution increasing the massage permit fee and amending the FY 2019-20 Master Fee Schedule.

Attachment:

Resolution approving Massage Permit Fee and Exhibit A

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS INCREASING THE MESSAGE PERMIT FEE AND AMENDING THE FY 2019-20 MASTER FEE SCHEDULE

WHEREAS, the City of Milpitas (the “City”) allows operation of massage establishment subject to compliance with applicable law, including City codes and ordinances; and

WHEREAS, the City adopted Ordinance No. 172.6 on August 20, 2019 amending the Milpitas Municipal Code, Title III, Chapter 6 relating to massage establishments and practitioners (the “Ordinance”); and

WHEREAS, Section III-6-6 of the Ordinance provides that any person desiring to obtain a massage establishment permit must file a written application with the Chief of Police of the City on forms provided by the City, and, at the time of said filing, shall pay a non-refundable fee in an amount established by resolution of the City Council, which shall be in addition to any license, permit or fee required under any chapter of the Municipal Code or under any other regulation; and

WHEREAS, in order to recover the regulatory costs associated with issuing massage establishment permits, the City Council now wishes to increase the massage establishment permit fee (“Fee”) accordingly, which shall be in addition to business license fees set forth in Title III, Chapter 1 of the Municipal Code, all as described more fully in Exhibit “A” hereto; and

WHEREAS, to determine the appropriate rate for the Fee, the City analyzed the total amount of staff time necessary for the issuance of such permits, and the fully burdened rate for such members of staff, and determined the total cost of issuing such permits, including all investigatory work required therewith, to be \$1,926.92; and

WHEREAS, based on this analysis, the City now wishes to increase the Fee to \$1,000, in order to partially recover the minimum cost of providing such permits; and

WHEREAS, the Fee is reasonable and necessary to regulate massage businesses and massage establishments, and is imposed to recover a portion of the reasonable regulatory costs to the City for issuing such permits, and for performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; and

WHEREAS, the Fee is imposed at a rate lower than the full cost of providing the regulatory activity for which it is imposed, and as such, the Fee does not exceed the amount necessary to recover the reasonable costs of the governmental activity, and are allocated in a manner that bears a fair and reasonable relationship to the applicant’s burdens on and benefits received from the City; and

WHEREAS, in accordance with Government Code section 66016, the City has made available to the public, at least ten (10) days prior to the date of this meeting, data supporting the Fee, and notice of this meeting has been mailed to all interested persons that have requested such notice; and

WHEREAS, on May 15, the City Council approved the FY 2019-20 Master Fee Schedule which included the Fee; and

NOW, THEREFORE, the City Council of the City of Milpitas hereby finds, determines, and resolves as follows:

1. The above Recitals are true and correct and by this reference incorporated herein.
2. The City Council hereby amends the FY 2019-20 Master Fee Schedule and increases the Fee from \$200 to \$1,000.00. The Fee will be imposed as provided in the Ordinance, and will be effective immediately for applications for permits for businesses that will be operational on or after January 1, 2020. The Fee shall be in addition to any other business license fee or any other fee or charge applicable to massage businesses and establishments. To the extent any other resolution of the City conflicts with the provisions herein, such resolution is superseded to the extent of such conflict.

3. The City Council has considered the full record before it, which may include but is not limited to such things as the staff report, testimony by staff and the public, and other materials and evidence submitted or provided to it. Based upon such consideration, the City Council finds and determines that:

(a) The Fee established by this Resolution:

(1) is imposed for the reasonable regulatory costs to the City for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof.

(2) is no more than necessary to cover the reasonable costs of the governmental activity for which the Fee is imposed; and

(3) the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity for which the Fee is imposed.

(b) The Fee is not a tax within the meaning of California Constitution article XIII C, section 1(e).

4. This Resolution shall take effect immediately, and the Fee shall take effect as provided in Section 2 hereof.

PASSED AND ADOPTED this _____ day of _____, 2019 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Mary Lavelle, City Clerk

Rich Tran, Mayor

APPROVED AS TO FORM:

Christopher J. Diaz, City Attorney

MEMORANDUM

Milpitas Police Department



Armando Corpuz
Chief of Police

DATE: November 19, 2019
TO: John Torrez, Lieutenant
FROM: Brian Thanh, Detective ~~BT~~ 297
SUBJECT: Revision of Massage Establishment Permitting Fees

The Milpitas Police Department currently charges a non-refundable fee of \$200 for both first time and renewal massage permit applications. I surveyed the massage permit fee schedules for Santa Clara County agencies and learned fees varied from \$200 to \$1236 for first time massage permit applications, and fees for renewal massage permit applications varied from \$107 to \$1169.

Currently the process at the Police Department is to have a Detective and Sergeant in the Special Investigations Unit process all massage permit applications. The Detective will have a pre and post application meeting with the applicant (1.5 hours), document processing and permit recommendation (2 hours), fingerprinting (.5 hour), background check (2.5 hours), and the Special Investigations Unit Sergeant reviews the entire application packet (1 hour); which incurs the following personnel costs:

(1 Detective @ 6.5 hours)	x 254.00 =	\$1651.00
(1 Sergeant @ 1 hour)	x 307.00 =	<u>\$ 307.00</u>
Total	=	\$1958.00

Bearing in mind the need to protect legitimate business owners and massage professionals, state law allows for local governments to impose and enforce reasonable necessary fees. Police Department staff recommends that the massage permitting fees be increased from \$200 to \$1000, which will allow the department to have a partial cost recovery for application processed by the Police Department. The \$1000 fee does not include any City of Milpitas business licensing or administrative fees.



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Receive and Review the FY 2018-19 Annual Sole Source Report
Category:	Consent Calendar-Leadership and Support Services
Meeting Date:	12/3/2019
Staff Contact:	Chris Schroeder, Purchasing Agent, 408-586-3161
Recommendation:	Receive and review the FY 2018-19 Annual Sole Source Report for the Year Ending June 30, 2019.

Background:

Per Title I, Chapter 310, Section 3.70 of the Milpitas Municipal Code, staff shall provide annually to the City Council a list of all sole source contracts entered into or renewed during the past fiscal year not later than July 15. In compliance with the Code, this memorandum transmits the required information. Due to staffing shortages, the compilation of this report was delayed.

Per Title I, Chapter 2, Section 3.09 of the Milpitas Municipal Code, the Purchasing Agent is authorized to make sole source determinations after conducting a good faith review of available sources and concluding that only one procurement source (vendor) for the desired product or service is available. Following past practice, the Purchasing Agent approves sole source purchases up to \$100,000 and the Council approves sole source purchases above \$100,000 based on the Purchasing Agent's recommendation. Per the Code, Sole Source purchases are approved for five years.

Analysis:

During the reporting period, 55 sole source purchases amounting to \$3,677,521.62 were active. Of the 55 sole source purchases, 27 sole source purchases were approved in FY 2018-19 in the amount of \$3,027,881.22. Of the 55 reported sole source purchases, 48 sole source purchases were approved by the Purchasing Agent totaling \$996,417.51 in FY 2018-19 or previously and seven sole source purchases were previously approved by City Council totaling \$2,681,104.11. The attached report groups approved sole source purchases by department and provides relevant information for each sole source purchase such as the purchase order issuance date, vendor name, short product description, sole source approval date, and dollar amount.

Sole Source purchases are approved for various reasons. Some of these reasons are outlined below with some examples for these Sole Source purchases.

1. The product is a "one of a kind," the manufacturer or distributor is the only authorized source for the product. Notable examples:
 - a. International Code (ICC) 2019 California Code Council Books
 - b. NO-DES, Inc. (Water Main Flushing Truck)
2. There are unique performance features of the product that are not available from any other source. Notable example:
 - a. Pierce Velocity All-Wheel Steer Fire Pumper Engine. Pierce is the only manufacturer that utilizes Oshkosh TAK-4 T3 tight Turning Technology with rear mechanical steering.
3. The sole source justification is based on matching existing equipment for the proper operation of the equipment or City Program. Notable examples:
 - a. Access Control and Alarm Monitoring System (ACAMS) manufactured exclusively by Sielo

b. Badger Water Meters

Fiscal Impact:

Not applicable.

California Environmental Quality Act:

Not applicable.

Recommendation:

Receive and review the FY 2019-20 Annual Sole Source Report for the Year Ending on June 30, 2019.

Attachment:

FY 2018-19 Sole Source Report for Fiscal Year Ending on June 30, 2019

Sole Source List - Fiscal Year 18-19 (7/1/18 through 6/30/19)

	Purchase Order Issuance Date	Vendor Name	Product Description/ Name	Sole Source Start Date	Current Year	Purchase Type	Amount	Department
1	6/28/2019	ICC	2019 California Code Book	6/14/2019	Year 1 of 5	One-time purchase	\$19,834.71	Building
\$19,834.71 Total								
2	5/10/2019	Storm Water Inspection & Maintenance Services, Inc	Trash removal devices	2/15/2019	Year 1 of 5	One-time purchase	\$290,435.00	Engineering
3	1/18/2019	Trafficware Group (2)	ATMS Medium Server maintenance and support	12/14/2018	Year 1 of 5	Maint. & Support	\$16,350.00	Engineering
4	10/25/2018	Trafficware Group (1)	ATMS system maintenance and support	9/19/2018	Year 1 of 5	Maint. & Support	\$37,500.00	Engineering
\$344,285.00 Total								
5	1/17/2019	OpenGov	Town Hall	2/6/2018	Year 2 of 5	License Fee	\$10,800.00	Finance
6	11/29/2018	GovInvest	OPEB Actuarial Analysis	6/29/2017	Year 1 of 5	One-time purchase	\$10,000.00	Finance
7	3/28/2018	Cayenta	Financial and Utility Billing Software	11/28/2018	Year 1 of 5	One-time purchase	\$419,892.00	Finance
8	3/16/2018	Kronos Inc.	Kronos Workforce Telestaff Upgrade	3/16/2018	Year 2 of 5	Maint. & Support	\$625.00	Finance
9	8/23/2017	GovInvest	Pension Liability Calculator (SaaS)	6/29/2017	Year 3 of 5	Maint. & Support	\$20,000.00	Finance
10	8/18/2017	Advance Systems Inc.	eTimesheet Software	8/18/2017	Year 3 of 5	Maint. & Support	\$5,975.50	Finance
11	6/29/2017	HdL Companies	Business License Software	6/29/2017	Year 3 of 5	Maint. & Support	\$13,961.42	Finance
12	8/8/2016	Finite Matters Ltd.	Budget Publishing Software	8/8/2016	Year 3 of 5	Maint. & Support	\$9,995.00	Finance
\$491,248.92 Total								
13	6/18/2019	Tritech Software Systems, Inc	Fire Station Alerting System	6/7/2019	Year 1 of 5	One time purchase + maint.	\$29,648.00	Fire
14	6/17/2019	SuperLogics	Microbox PC (4)	6/7/2019	Year 1 of 5	One-time purchase	\$6,306.84	Fire
15	6/7/2019	Physio Control	LUCAS 3 v3.1 Chest Compression System	4/29/2019	Year 1 of 5	One time purchase + maint.	\$20,293.83	Fire
16	3/7/2019	LN Curtis	Paratech Hydraulic Rescue Struts	3/1/2019	Year 1 of 5	One-time purchase	\$7,118.03	Fire
17	1/24/2019	Golden State Fire Apparatus	(1) Pierce Velocity All-Wheel Steer Fire Pumper	12/21/2018	Year 1 of 5	One-time purchase	\$870,279.24	Fire
18	1/4/2019	Pulse Point	Annual license for (CPR/ first responder civilian app)	2/22/2019	Year 1 of 5	One-time purchase	\$8,000.00	Fire
19	12/14/2018	Locution Systems Inc	Fire Station Alerting System	11/21/2018	Year 1 of 5	One-time purchase	\$309,939.00	Fire
20	11/15/2018	Physio Control	LIFEPAK Cardiac Monitor and LUCAS Device	7/18/2016	Year 3 of 5	Maint. & Support	\$71,933.40	Fire
21	9/14/2018	LN Curtis	Hurst Hydraulic Extrication Tool	8/2/2018	Year 3 of 5	one time purchase	\$24,522.82	Fire
22	7/27/2015	Physio Control Inc. (1)	Two (2) LIFEPAK Defibrillators	7/27/2015	Year 4 of 5	Yr 4 of 4 Yr Maint. Contract	\$2,856.00	Fire
\$1,350,897.16 Total								

	Purchase Order Issuance Date	Vendor Name	Product Description/ Name	Sole Source Start Date	Current Year	Purchase Type	Amount	Department
23	1/12/2018	Superion, LLC (1)	Trakit API for projectDox License fee	1/30/2018	Year 2 of 5	One time purchase + maint.	\$2,000.00	Information Technology
24	5/6/2017	Sungard	TRAKiT IVR-Voice software license	5/6/2017	Year 4 of 5	Maint. & Support	\$6,500.00	Information Technology
25	11/17/2016	Tritech Software Systems (1)	Records Management System Upgrade + 1 yr. support	11/17/2016	Year 3 of 5	Maint. & Support	\$50,022.00	Information Technology
26	4/6/2016	Tritech Software Systems (2)	Software License Fees ESRI ArcGIS	4/6/2016	Year 4 of 5	Maint. & Support	\$1,275.00	Information Technology
27	6/30/2019	Monsido, Inc	Web Governance Software	5/2/2019	Year 1 of 5	Maint. & Support	\$3,570.00	Information Technology
28	6/30/2019	Tritech Software Systems, Inc	Computer Aided Dispatching software	4/3/2019	Year 1 of 5	Maint. & Support	\$112,630.50	Information Technology
29	6/28/2019	Portford Solutions Group, Inc	DocuNEXT Virtual Printer Driver	6/10/2019	Year 1 of 5	One time purchase + maint.	\$18,842.27	Information Technology
30	2/7/2019	Broadcast Microwave Services	Data 911 System	1/25/2019	Year 1 of 5	One-time purchase	\$6,994.26	Information Technology
31	12/6/2018	OpenGov	Transparency and Intelligence	2/6/2018	Year 2 of 5	Annual License Fee	\$19,290.28	Information Technology
							\$221,124.31 Total	

32	2/7/2017	Taser International	Tasers, cameras and assoc. equip. and software	2/7/2017	Year 3 of 5	Maint. \$ Support	\$83,783.70	Police
33	6/2/2015	Sytech Corp.	ADACS4 Digital Pen Register System	5/28/2015	Year 5 of 5	One time purchase + maint.	\$10,308.00	Police
34	6/30/2019	Security Lines US	US i4-POD-PIP Surveillance system	6/26/2019	Year 1 of 5	One-time purchase	\$15,999.00	Police
35	6/30/2019	Crime Point	HD HermitCam	6/21/2019	Year 1 of 5	One-time purchase	\$11,053.41	Police
36	6/22/2019	Axon Enterprises, Inc	Axon Officer Safety Plan	2/24/2017	Year 3 of 5	One time purchase + maint.	\$84,536.04	Police
37	6/3/2019	San Diego Police Department	Federal Brand Ammunition	10/6/2015	Year 4 of 5	Recurring/Various	\$18,457.52	Police
38	3/8/2019	San Diego Police Department	Federal Ammunition	3/13/2019	Year 4 of 5	Recurring/Various	\$18,679.14	Police
39	3/8/2019	San Diego Police Department	Hornady Ammunition	3/13/2019	Year 4 of 5	Recurring/Various	\$6,221.25	Police
40	11/29/2018	IDEMIA	LiveScan Station	11/6/2018	Year 1 of 5	One-time purchase + yr. 2 extended warranty	\$16,802.28	Police
41	11/29/2018	SyTech	Digital Pen Register System	5/8/2015	Year 5 of 5	Maint. & Support	\$10,308.00	Police
42	9/4/2018	CJ's Police K9	Police canines	8/22/2018	Year 1 of 5	One-time purchase	\$19,080.00	Police
43	8/31/2018	SpeakWrite	SpeakWrite VoiceReports	6/15/2015	Year 5 of 5	Maint. & Support	\$8,000.00	Police
							\$303,228.34 Total	

	Purchase Order Issuance Date	Vendor Name	Product Description/ Name	Sole Source Start Date	Current Year	Purchase Type	Amount	Department
44	6/30/2019	National Meter & Automation	Water Meters and ancillary equipment/parts.	7/20/2018	Year 2 of 5	Recurring/Various	\$29,909.60	Public Works
45	6/30/2019	National Meter & Automation	Water Meters and ancillary equipment/parts.	7/20/2018	Year 2 of 5	Recurring/Various	\$12,962.80	Public Works
46	6/30/2019	Peterson Caterpillar	Pump station repair	6/21/2019	Year 1 of 5	One-time purchase	\$16,899.40	Public Works
47	6/28/2019	Smart Energy Systems	Drought Respones Package	5/10/2019	Year 1 of 5	One-time purchase + annual liscense	\$18,820.00	Public Works
48	6/17/2019	SeeClickFix, Inc	Subscription and Training	4/30/2019	Year 1 of 5	Annual Subscription	\$18,000.00	Public Works
49	5/15/2019	NO-DES, Inc	NO-DES Water Main Flushing Truck	3/21/2019	Year 1 of 5	One-time purchase	\$509,580.77	Public Works
50	4/26/2019	Owen Equipment Co	Vactor 2100 Chassis repair	4/18/2019	Year 1 of 5	One-time purchase	\$45,665.08	Public Works
51	11/2/2018	SmartCover Systems	Smartlevel Monitoring System	8/24/2018	Year 1 of 5	One time purchase + maint.	\$168,347.60	Public Works
52	10/11/2018	National Meter & Automation	Water Meters and ancillary equipment/parts.	7/25/2018	Year 2 of 5	Recurring/Various	\$25,326.97	Public Works
53	9/28/2018	National Meter & Automation	Water Meters and ancillary equipment/parts.	7/20/2018	Year 2 of 5	Recurring/Various	\$69,390.96	Public Works
54	4/12/2017	Tecogen	Cogenerator Maintenance and Repair	4/12/2017	Year 3 of 5	Yr 3 of 3 Yr Contract	\$26,000.00	Public Works
55	8/22/2016	Telstar Instruments, Inc.	Annual maintenance for ClorTech System for City Hall pond	8/22/2016	Year 3 of 5	Maint. & Support	\$6,000.00	Public Works
							\$946,903.18 Total	

\$3,677,521.62 Grand Total

\$2,681,104.11 over \$100k
\$996,417.51 under \$100k



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Accept the City's Comprehensive Annual Financial Report and Other Related Annual Audited Reports for the Fiscal Year Ended June 30, 2019
Category:	Consent Calendar-Leadership and Support Services
Meeting Date:	12/3/2019
Staff Contact:	Walter C. Rossmann, 408-586-3111
Recommendations:	Accept the City's Comprehensive Annual Financial Report and other Related Annual Audited Reports for the Fiscal Year ended June 30, 2019.

Background:

Annually, Maze and Associates, the City's external auditor audits the City's books and staff prepares the Comprehensive Annual Financial Report (CAFR) of the City of Milpitas. In conjunction with the CAFR for the fiscal year ended June 30, 2019, this staff report also presents the Bicycle/Pedestrian Projects Financial Statements, Agreed Upon Procedures Report on Compliance with the Appropriations Limit Increment, Required Communications, and the Memorandum on Internal Control (MOIC) to the City Council for review.

Analysis:

Comprehensive Annual Financial Report

The CAFR presents the operations and financial activity of all the City's various funds, including the General Fund. It includes an unqualified ("clean") audit opinion from Maze & Associates which means that the financial statements present fairly the results of operations for the fiscal year ended June 30, 2019, in conformance with Generally Accepted Accounting Principles (GAAP).

Highlights and items to note from the CAFR for the fiscal year ended June 30, 2019 are summarized below:

City-wide (Governmental and Business-type activities)

- The City's total net position was \$609.9 million at June 30, 2019. Of this total, \$406.7 million were for Governmental and \$203.2 million Business-type activities.
- City-wide revenues include program revenues of \$126.1 million, general revenues and transfers of \$89.8 million, totaling \$215.9 million, an increase of \$39.2 million from the prior year's total of \$176.7 million.
- Total City-wide expenses were \$166 million, an increase of \$17.2 million from the prior year's \$148.8 million.

Fund Level

- Governmental Fund balances were \$272.5 million, an increase of \$42.8 million from fiscal 2018.
- Governmental Fund revenues were \$161.3 million in fiscal 2019, up \$23 million from the prior year's \$138.5 million.
- Governmental Fund expenditures were \$121.9 million in fiscal 2019, an increase of \$8.9 million from fiscal 2018's level of \$113 million.

- General Fund revenues of \$108.1 million represented an increase of \$9 million from fiscal 2018's revenues of \$99.1 million.
- General Fund balance of \$100.7 million at the fiscal 2019 year-end was \$7.8 million more than the fund balance at fiscal 2018 year-end.

General Fund Surplus

For the fiscal year ended June 30, 2019, the City's General Fund realized revenues of \$108,104,033, other financing sources of \$6,910,105 (indirect cost payments of transfer in from utility funds offset by transfers out to capital projects, affordable housing, and equipment maintenance funds), and expenditures of \$93,348,742. This resulted in a one-time General Fund net surplus of \$7,845,186 and is shown on page 28 of the CAFR as Net Change in Fund Balance. The surplus resulted from slightly better than expected economic conditions, vacancy savings in several departments related to difficulties in filling positions and a tightening labor supply, and overall fiscal restraint citywide.

General Fund revenues that significantly exceeded expectations include the following:

- Property Taxes: \$0.5 million over budgetary estimates
- Sales Taxes: \$0.6 million over budgetary estimates
- Use of money and property: \$3.2 million (including \$0.7 million in investment market gain) over budgetary estimates

General fund expenditures that were significantly under budgetary appropriations by department include the following:

- Building and Safety: under budget by \$1.3 million
- Engineering: under budget by \$1.0 million
- Police: under budget by \$2.0 million
- Non-Departmental (includes utilities, contingency reserve expenditures, leave payouts, insurance settlements, etc.): under budget by \$4.0 million

Consistent with the General Fund Reserve Policies, staff allocated the FY 2018-19 budget surplus of \$11.9 million as outlined in the table below:

	General Fund Surplus Allocation	Reserve Policy and other Adjustments
FY 2018-19 Budget Surplus prior to allocations	\$11.9 million	
	(\$2.0 million)	CalPERS Savings allocated to CalPERS Rate Stabilization Reserve
Subtotal	\$9.9 million	
	(\$1.9 million)	20% transfer to the PERS Stabilization Reserve
	(\$1.9 million)	20% transfer to the General Government CIP Fund
	(\$1.0 million)	10% transfer to the Affordable Housing Fund
	(\$1.0 million)	10% transfer to the Transportation/Transit Fund
	(\$0.1 million)	Adjustment for SAFER Grant
	(\$4.0 million)	Allocation to the Unassigned General Fund Reserve
FY 2018-19 Budget Surplus fully allocated	\$0	

Bicycle/Pedestrian Projects Financial Statements – The Bicycle/Pedestrian Projects Financial Statements includes Projects that were developed using Transportation Development Act (TDA) grant. The auditor issued an unqualified opinion on these statements.

Memorandum on Internal Control (MOIC) - Under generally accepted auditing standards, the City's auditors are encouraged to report certain matters regarding the City's internal control structure. The City's auditors have provided such a report in their Memorandum on Internal Control ("MOIC") for the Year Ended June 30, 2019. This report includes management's response to the auditor's recommendations on:

- Reconciliation of Parking Citations to Collections: The City's Police Department contracts with a third-party administrator to process and collect fees associated with parking citations. The City mails out the original parking citations to the third-party administrator for the processing of collections and delinquencies. On a monthly basis, the third-party will send a report along with the collected fees to the Finance Department. The parking citations provided to administrator should be reconciled to the collection fees remitted to the City on a monthly, or at least quarterly, basis.
Management Response: Finance has worked with the Police Department to develop a monthly reconciliation process effective April 2019 to ensure tickets and receipts are accounted for on a timely basis.
- Compliance with CAL-Card Manual and Procedures over Review and Approval of Monthly Statements: The City's CAL-Card Manual dated August 25, 2017 requires that monthly Statement of Accounts must be reviewed, reconciled and approved by the Cardholder and Approving Official within a maximum of 10 working days from the Cardholder's receipt of the Statement of Account. The auditor selected two billing cycles, a total of six Statements for testing, and five out of the six were not reviewed within the 10-working day as required by the Manual. Delays in reviewing and approving Statements results in a delay in Accounts Payable processing the Statement for payment to the U.S. Bank, and potential fraudulent charges not being reported timely.
Management Response: Staff is developing a process to improve timely submittal of approved monthly statements

These two items discussed above are identified as Schedule of Other Matters on the report. There are no items reported as significant deficiencies and material weakness by the auditors regarding the City's internal control structure. 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. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and correct on a timely basis.

Required Communications Report – Our auditors are required to communicate information related to our audit and financial statements under generally accepted auditing standards and *Government Auditing Standards*. The City's auditors have provided such a report in their Required Communications for the Year Ended June 30, 2019. Please note the following from the Required Communications Report:

- 1) The City's auditors noted no transactions entered into the by the City during the year for which there was a lack of guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
- 2) The City's auditors encountered no significant difficulties in dealing with management in performing and completing their audit.
- 3) The City's auditors discovered no material misstatements, either individually or in their aggregate, to each opinion unit's financial statements taken as a whole.
- 4) The City's auditors encountered no disagreements with management during the course of their audit.

Agreed Upon Procedures Report on Compliance with the Appropriations Limit Increment - This report shows that the auditor applied specific procedures to validate the City's Appropriations Limit ("Gann Limit") calculations. The appropriations limitation imposed by Propositions 4 (1979) and later amended by Proposition 111 (1990) creates a restriction on the amount of government revenue which may be appropriated in any fiscal year. The Appropriations Limit is based on actual appropriations during the base year (1986-87 or the first full year of operation), and increases each year using specified growth factors. The Appropriations Limit applies only to those revenues defined as "proceeds of taxes." Certain expenditures of tax proceeds do not count as Appropriations Subject to Limit including those for voter approved debt, qualified capital outlay, and the costs of complying with court orders and federal mandates. Staff prepares an updated Appropriations Limit in May of each year and presents to Council for review and approval during the budget preparation process.

Policy Alternative(s):

Not applicable.

Fiscal Impact:

There is no fiscal impact from this report other than staff time to prepare the report. The General Fund surplus in the amount of \$7,845,186 was allocated in accordance with the City Council reserve policy.

California Environmental Quality Act:

Not applicable.

Recommendations:

Accept the City's Comprehensive Annual Financial Report and other Related Annual Audited Reports for the Fiscal Year ended June 30, 2019.

Attachments:

1. Comprehensive Annual Financial Report for FY 2018-19
2. Bicycle/Pedestrian Projects financial Statements Report for FY 2018-19
3. Memorandum on Internal Control for FY 2018-19
4. Required Communications for FY 2018-19
5. Agreed Upon Procedures report on Compliance with the Appropriations Limit Increment FY 2018-19

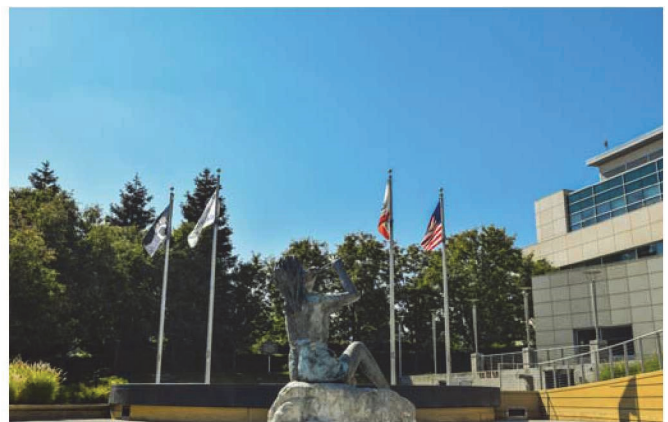


Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019



Jose Higuera Adobe Park



City Hall



Milpitas Public Library



New Fire Engine

City of Milpitas
CALIFORNIA



CITY OF MILPITAS, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

Prepared by
THE FINANCE DEPARTMENT



INTRODUCTORY SECTION



CITY OF MILPITAS
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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CITY OF MILPITAS

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

November 18, 2019

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, 2019 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 Inc.'s governing board. However, the Terrace Gardens Inc. issues its own component unit financial statements. The purpose and authority of the MPFA, Housing Authority, the 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 Police, Fire, Building Safety and Housing, Planning, Engineering, 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, Human Resources, Information Technology and Finance.

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: Planning Commission; Community Advisory Commission; Library and Education Advisory Commission; Parks, Recreation and Cultural Resources Commission; Science, Technology, and Innovation Commission; Arts Commission, Public Safety and Emergency Preparedness Commission; Senior Advisory Commission; Energy and Environmental Sustainability Commission; Youth Advisory Commission; Economic Development and Trade Commission, and Veterans Commission.

Economic Condition, Outlook and Activity

Milpitas is situated within the Silicon Valley region, known throughout the world as the home of high technology, innovation and research. Milpitas is considered the “Crossroads of Silicon Valley,” with most of its 13.6 square miles of land situated between two major freeways, I-680 and I-880. Milpitas has experienced tremendous growth since its incorporation in 1954. Over the past 48 years, the population growth has increased from 26,561 in 1970 to nearly 80,000. Between 2000 and 2017, more than 13,000 residents were added. Milpitas was the 8th fastest growing city in the nation between July 2014 and July 2015 and the 6th fastest growing city (small city category) in 2019 according to WalletHub.com. Since 2016, the local labor market has improved such that employment has surpassed its pre-recession peak in the Silicon Valley. Currently, with over 47,000 jobs and 35,000 employed residents, Milpitas is a jobs rich community. As of July 2019, the preliminary unemployment rate in the local area is 2.2 percent, below the national rate of 3.4 percent and the preliminary California rate of 4.2 percent. We are cautiously managing this economic road to recovery while cognizant of the need to remain in a state of fiscal readiness. As discussed above, the City has set aside reserves to mitigate a mild economic downturn.

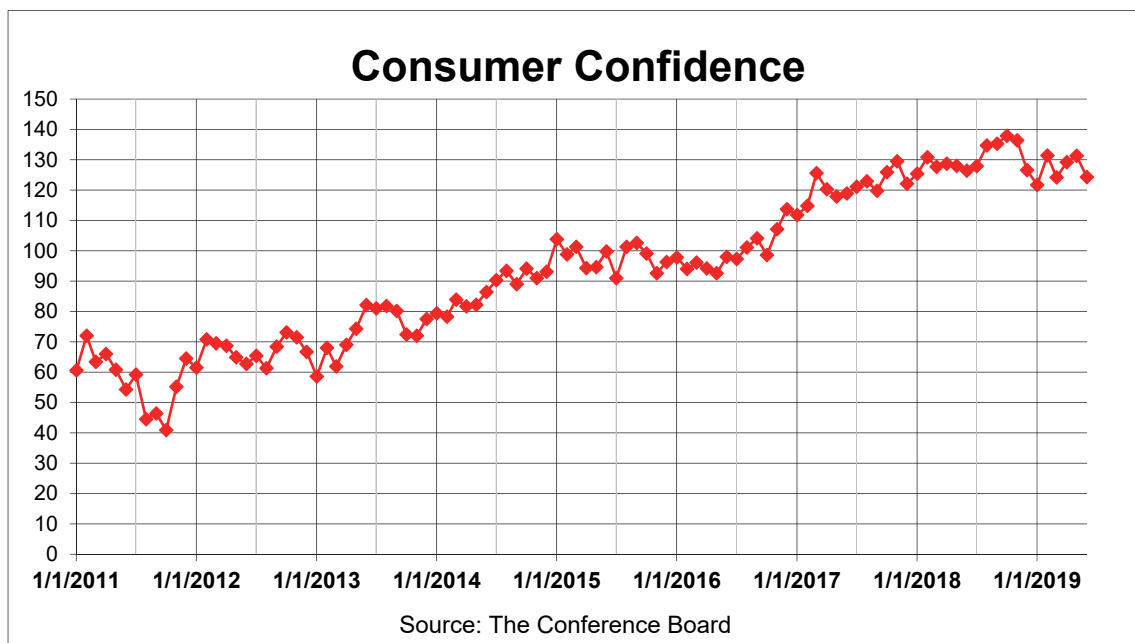
The national GDP (Gross Domestic Product) growth increased at an annual rate of 2.1 percent in the second quarter of 2019 from the previous quarter (according to the BEA, or Bureau of Economic Analysis’ Advanced estimate), and 2.9 percent in 2018 from the 2017 annual level. GDP is the value of goods 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. It should be noted that while this growth rate is the fastest in recent years, half of that expansion comes from highly transitional sources, including a large drop in imports and a build-up in business inventories. As of June 2019, the Federal Reserve Board’s advanced projection shows this growth to slow to 2.1% in 2019, 2.0% in 2020, 1.8% in 2021, with a longer run projection beyond 2021 of 1.9%.

The CPI (Consumer Price Index), is used by the U.S. Bureau of Labor Statistics to measure inflation. The June 2019 CPI-U (Consumer Price index for all Urban Consumers) increased 1.6% over the last 12 months. Core CPI (CPI less food and energy) was 2.1% year-over-year in June. Core CPI represents a more accurate picture of underlying inflation trends since volatile food and energy products are excluded. While economic activity has been rising at a moderate rate, the labor market continues to remain strong, and overall inflation for items others than food and energy is running below 2 percent, the FOMC (Federal Open Market Committee) decided to lower the target range for federal funds rate to 1.75-2.00% at its September 2019 meeting due to muted inflation pressures and recent implications from global developments on the economic outlook.

Growth in the South Bay housing market has also been an important contributor to the strength of the local economy. The median sale price of a single family residential home in Milpitas was \$1.0 million as of August 2019, down approximately 3.3% from last year. Sales fell 8.8 percent in the San Francisco Bay Area, with only Napa County recording a non-seasonally adjusted sales increase at 19.2 percent. The seven remaining counties experienced declines ranging from the low single-digits in Marin to a 21 percent dip in San Francisco. Median home prices also declined 8.1 percent in the San Francisco Bay Area, with only San Francisco County recording an 8.8 percent year-over-year price increase, following the statewide trend of cooling price growth. However, with mortgage rates expected to stay low in the upcoming months, the CAR (California Association of Realtors) has revised its 2019 housing market outlook upward for home sales. Between 2000 and 2010, the City’s housing stock increased roughly 14% to 19,806 units, with an additional 8.3% increase from 2010 to 2017 (total: 22,215 units). As of April 2019, there were approximately 6,100 new residential units under construction, entitled, or pending approval. Beyond the residential equation, much is happening in Milpitas from a perspective of private investment. The section below entitled “Major Development Activities in the City” will discuss some of the development activities that are occurring in Milpitas.

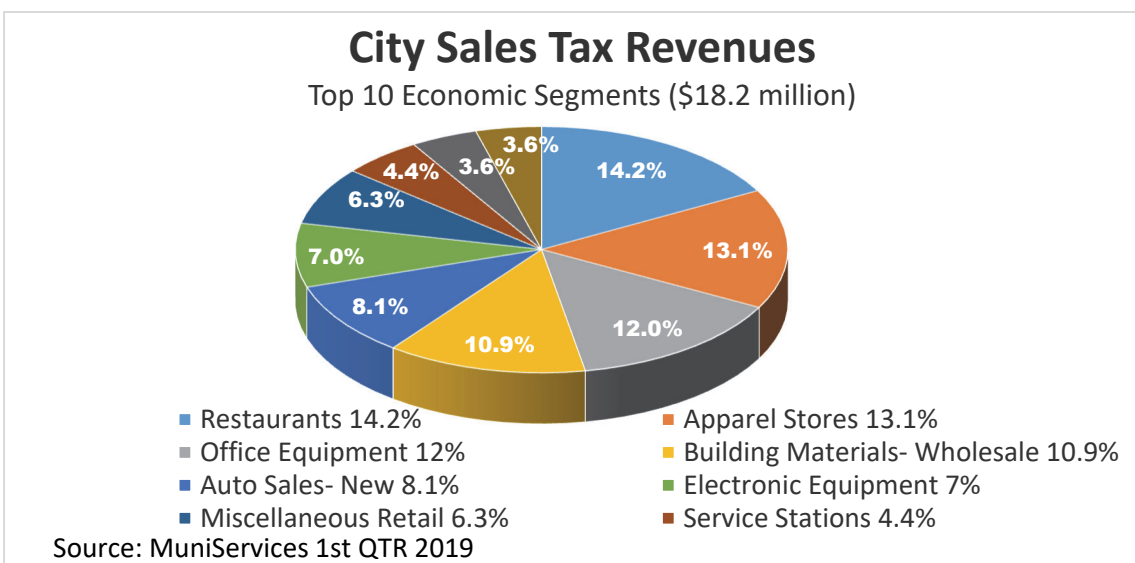
Consumer Confidence Level

The latest consumer confidence survey report showed that the U.S. consumer sentiment in June 2019 continues to stay high this past year. 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.



Top Ten Sales Tax Generators by Economic Segment

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 \$21.8 million, with the top ten economic segments generating about \$18.2 million. The sales tax revenue generated from economic segments such as restaurants, apparel stores, building materials -wholesale, miscellaneous retail, service stations, light industry increased over a year ago, while office equipment, auto sales, electronic equipment, and department store segments decreased.



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, public safety, and resource conservation. The General Plan update process kicked off in late 2016, approximately two decades after the current General Plan was adopted in 1994. Based on extensive input from residents and leaders in the community, the Plan update identifies 14 opportunity sites around the city where changes to land uses and development patterns may be appropriate over the next 20 years. With an anticipated adoption date in mid-2020, the City's new General Plan will provide policy guidance to achieve a collective vision for future development of the City.

Transit Area Specific Plan – The City adopted a Transit Area Specific Plan in June 2008, and updated it in 2011, to provide a long-term land use regulatory environment that supports medium to high density residential development around the new Milpitas Transit Center and BART station. The intent of the Plan is to foster economic development of the area, strengthen and expand retail uses to increase sales tax revenues, attract major retailers and provide housing and amenities such as parks, retail and restaurants. As of June 2019, the TASP has come very close to the residential unit cap imposed and requires an update. Staff and consultants are updating the Plan to address additional housing units, as well as minor changes to park locations and housing densities. The Plan update is expected to be complete in late 2020.

Residential Development – An improving economy and high median home prices led to a continued interest in residential development. Outside of the Midtown and Transit Area, several residential developments are approved, under construction, or completed and occupied. These projects include a proposed single-family residential development for 46 homes, including ten accessory dwelling units (ADUs), at 1005 Park Victoria Drive, a new townhome development by KB Homes that is nearing completion at 1210 California Circle, and various small-scale infill projects throughout the City.

Non-residential Development – FY 2018-19 was a busy year for commercial development and expansion. Several projects were approved and are underway, including the Legoland Discovery Center at the Great Mall, a new employee amenity building at the KLA corporate campus (1 Technology Drive), redevelopment and new buildings at Public Storage (1600 Watson Ct), and the completion of five new industrial/manufacturing buildings with over 600,000 square feet in the McCarthy Creekside Industrial Center. Additionally, various businesses throughout the City placed significant financial investments in tenant improvements of their buildings. Big Al's opened for business this year, and various small businesses in Midtown expanded their spaces. 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. Micron, a local company, has expanded at the Tasman Tech Park. In addition, several hotel projects are either under consideration or in various stages of development: the Element Hotel is under construction and AC hotel was approved for construction at Alder Drive and Barber Lane near Tasman, Holiday Inn was completed and Home2Suites is approved and under construction on California Circle, La Quinta Hotel is proposed for 1000 Jacklin Road, and the proposed hotel at the District in the TASP will likely go before the Planning Commission in 2020.

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 in the General Fund to be at least 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 2018-19 Adopted Capital Improvement Project (CIP) Budget totaled \$43.8 million. The CIP included improvements to the City's infrastructure which includes parks, streets, water, sewer and storm drain utilities.

In addition, the City produces an annual five-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 five 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, 2018. 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-four years.

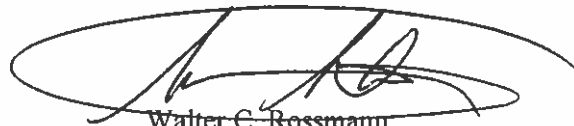
Acknowledgments

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.

Respectfully submitted,



Steven G. McHarris
Interim City Manager



Walter C. Rossmann
Director of Finance

Directory of Officials

June 30, 2019

City Council

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

Interim City Manager

Steven G. McHarris

City Attorney

Christopher Diaz

Assistant City Manager

Ashwini Kantak

Deputy City Manager

Vacant

Building & Housing Director

Sharon Goei

City Clerk

Mary Lavelle

Economic Development Director

Alex Andrade

Engineering Director

Steven Erickson

Finance Director

Walter C. Rossmann

Fire Chief

Brian Sherrard

Human Resources Director

Liz Brown

Information Technology Director

Mike Luu

Planning Director

Ned Thomas

Police Chief

Armando Corpuz

Public Information Officer

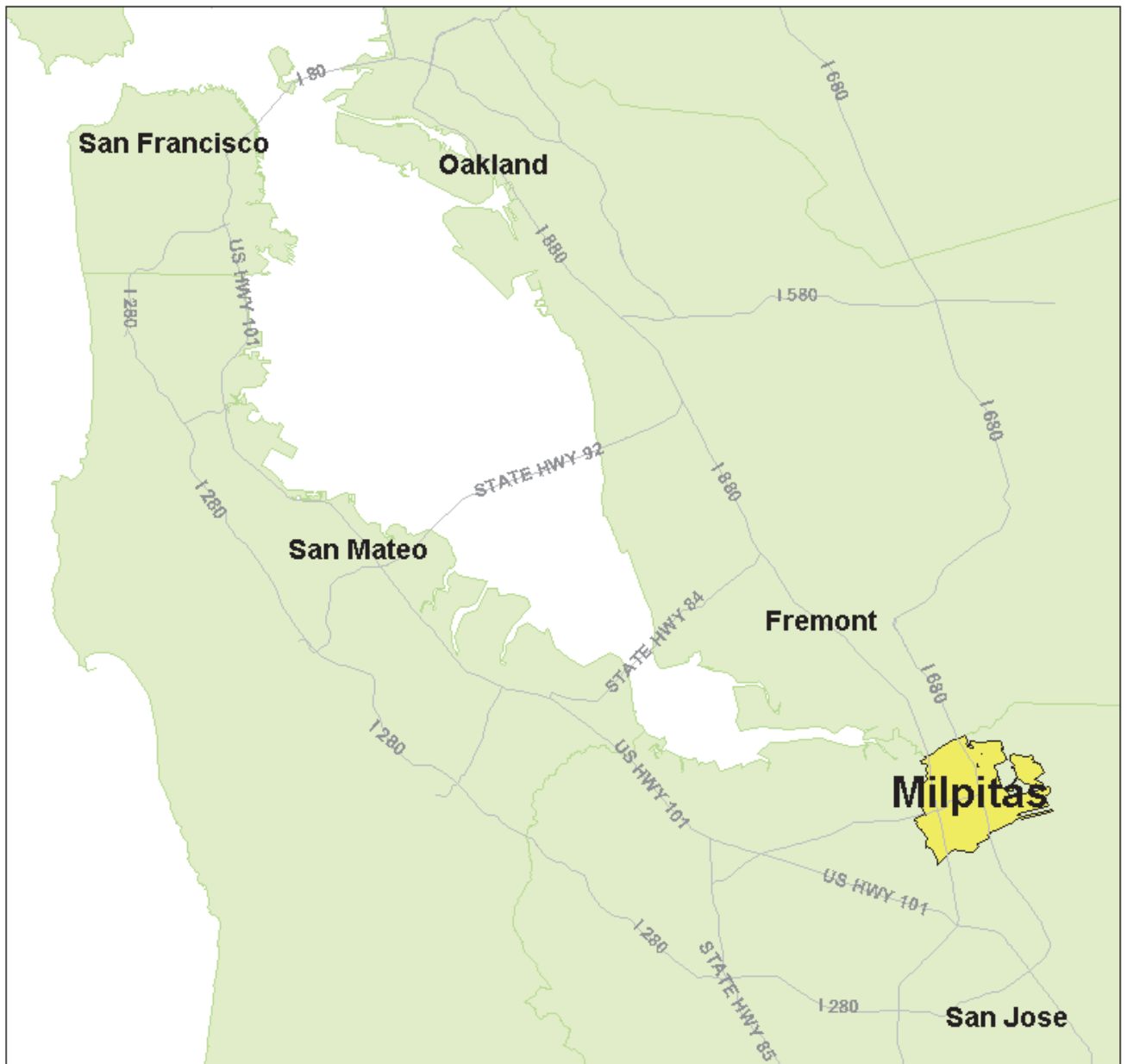
Jennifer Yamaguma

Public Works Director

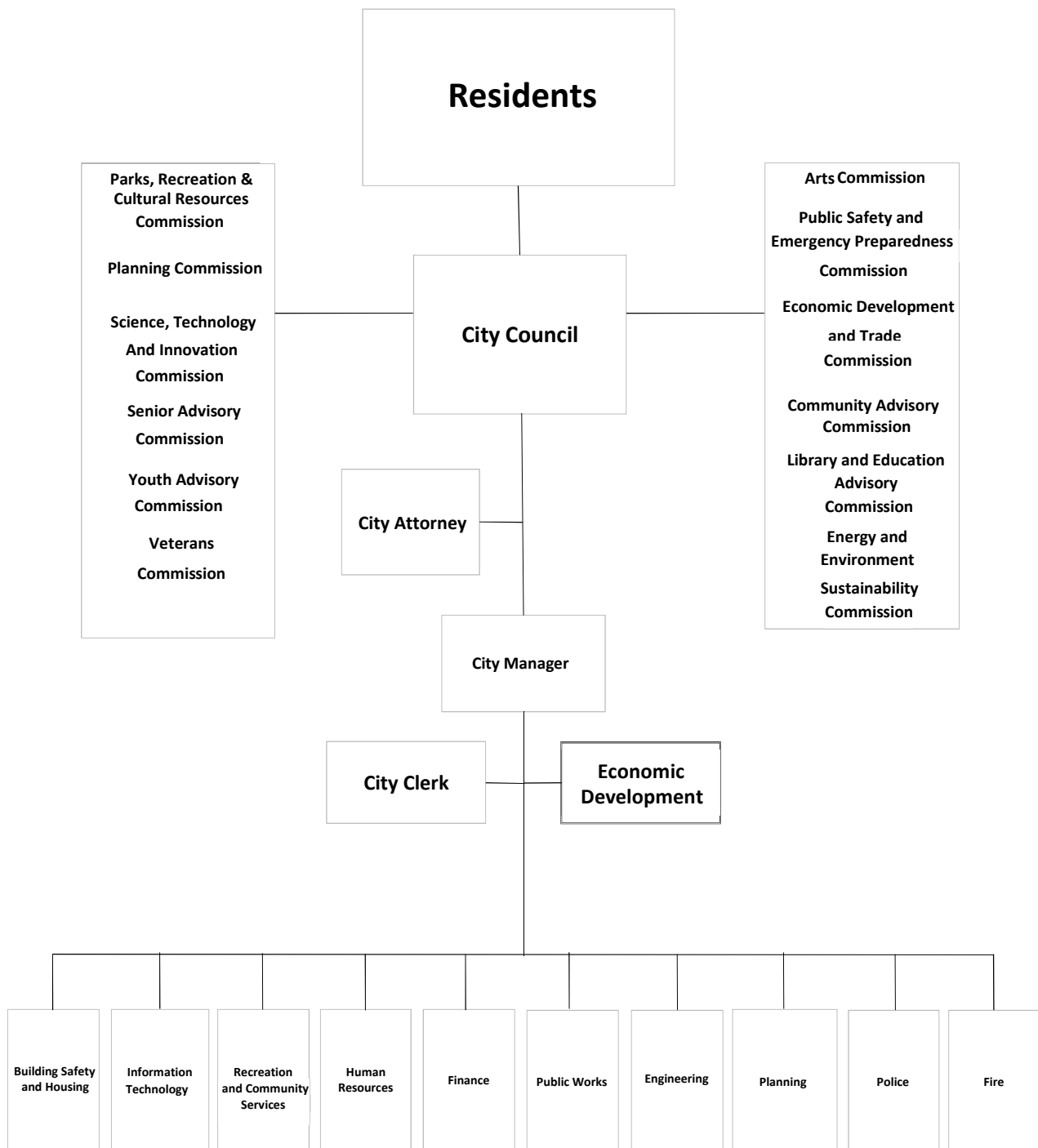
Tony Ndah

Recreation and Community Director

Renee Lorentzen



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 13.66 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 expected to open in the coming year.





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, 2018

Christopher P. Morrell

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, 2019, 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, 2018, which represent 1.22%, 1.66%, and 1.02% 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, 2019, 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 18, 2019, 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.

Maye & Associates

Pleasant Hill, California
November 18, 2019



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, 2019. Please read this document in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FISCAL YEAR 2019 FINANCIAL HIGHLIGHTS

The City's revenues in Fiscal Year 2019 reflect continued economic growth in the South Bay region. The unemployment rate for the San Jose-Sunnyvale-Santa Clara metropolitan area in June 2019 was at 2.7%, a slight increase of .2% from last year's 2.5%. The property tax revenue has shown substantial growth due to double digit increases in median home prices. Transient Occupancy Tax revenues were better than last fiscal year, reflecting a steadily improving economy and a Council approved increase of the tax rate from 10% to 14% effective January 1, 2019.

Fiscal 2019 financial highlights include the following:

City-wide:

- The City's total net position was \$609.9 million at June 30, 2019. Of this total, \$406.7 million were Governmental and \$203.2 million were Business-type.
- City-wide revenues include program revenues of \$126.1 million, general revenues and transfers of \$89.8 million, totaling \$215.9 million, an increase of \$39.2 million from the prior year's total of \$176.7 million.
- Total City-wide expenses were \$166 million, an increase of \$17.2 million from the prior year's \$148.8 million.

Fund Level:

- Governmental Fund balances were \$272.5 million, an increase of \$42.8 million from fiscal 2018.
- Governmental Fund revenues were \$161.3 million in fiscal 2019, up \$23 million from the prior year's \$138.5 million.
- Governmental Fund expenditures were \$121.9 million in fiscal 2019, an increase of \$8.9 million from fiscal 2018's level of \$113 million.
- General Fund revenues of \$108.1 million represented an increase of \$9 million from fiscal 2018's revenues of \$99.1 million.
- Net other financing uses of the General Fund were (\$6.9) million in fiscal 2019 while fiscal 2018 had a total other financing uses of \$3.7 million.
- General Fund balance of \$100.7 million at the fiscal 2019 year-end was \$7.8 million more than the fund balance at fiscal 2018 year-end.

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 2019 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 2018 are presented in table form. Any significant changes are analyzed and discussed.

Governmental Activities

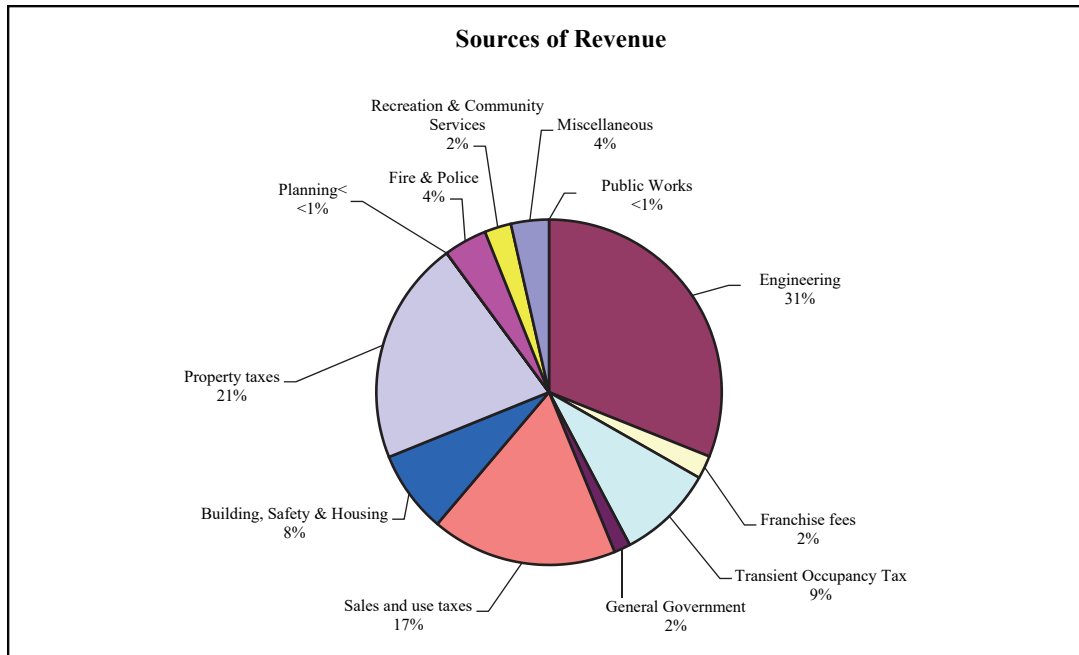
Table 1
Governmental Net Position at June 30
(in Millions)

	Governmental Activities	
	2019	2018
Cash and investments	\$252.7	\$211.6
Other assets	52.6	51.8
Capital assets	327.3	323.3
Total assets	632.6	586.7
Deferred Outflows of Resources		
–Related to pensions and OPEB	32.8	44.4
Net Pension liabilities	182.4	181.7
Net OPEB liability	40.0	40.4
Other liabilities	32.7	34.6
Total liabilities	255.1	256.7
Deferred Inflows of Resources		
–Related to pensions and OPEB	3.6	4.8
Net position:		
Net investment in capital assets	326.5	323.2
Restricted	146	109.7
Unrestricted	(65.8)	(63.3)
Total net position	\$406.7	\$369.6

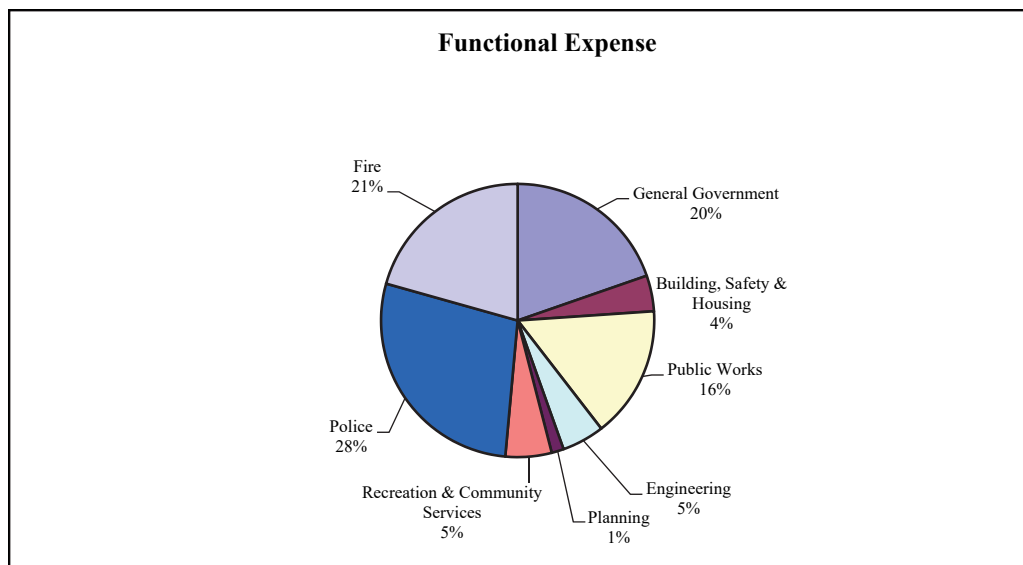
The City's governmental net position was \$406.7 million at June 30, 2019, an increase of \$37.2 million from 2018. This increase is reflected as Change in Net Position in the Governmental Activities column of the Statement of Activities and is also shown in Table 2 of this analysis:

- Cash and investments increased \$41.1 million principally due to increased revenue from property tax, sales and use tax, hotel/motel taxes, franchise fees and developer fees.
- Other assets increased \$0.8 million from last year due to the net activity between receivables and property held for resale.
- Capital assets increased \$4 million from last year, resulting from \$16 million of depreciation, offset by \$20.1 million in asset additions, net of retirements in fiscal 2019.
- Deferred outflows of resources related to pension and OPEB decreased \$11.6 million from last year due to changes in actuarial results.

Fiscal Year 2019 Governmental Activities



As the Sources of Revenue Chart above shows, \$49.9 million or 31% of the City's fiscal 2019 governmental activities revenue came from impact fees, \$33.8 million or 21% came from property taxes, while \$28 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 2019'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>2019</u>	<u>2018</u>
Expenses		
General Government	\$25.3	\$19.1
Building and Safety	0.0	4.1
Building, Safety and Housing	5.4	0.0
Recreation and Community Services	7.0	5.9
Public Works	20.1	15.9
Engineering	6.5	5.7
Planning & Neighborhood Svcs	0.0	3.6
Planning	1.9	0.0
Police	35.9	33.8
Fire	26.5	24.2
Total expenses	<u>128.6</u>	<u>112.3</u>
Revenues		
Program revenues:		
Charges for services	20.6	22.0
Operating contributions and grants	8.3	6.5
Capital Grants	47.2	34.0
Total program revenues	<u>76.1</u>	<u>62.5</u>
General revenues:		
Taxes:		
Property taxes	33.8	31.9
Sales and use taxes	28.0	27.0
Transient Occupancy taxes	14.5	12.1
Other taxes	0.8	0.8
Franchise fees	5.1	4.7
Investment earnings	4.5	0.3
Miscellaneous	0.4	0.2
Total general revenues	<u>87.1</u>	<u>77.0</u>
Total Revenues	<u>163.2</u>	<u>139.5</u>
Surplus (Deficit) before transfers	34.6	27.2
Transfers	2.5	2.5
Special Item	0	(12.4)
Changes in net position	<u>37.1</u>	<u>17.3</u>
Beginning net position	<u>369.6</u>	<u>352.3</u>
Ending net position	<u>\$406.7</u>	<u>\$369.6</u>

Table 2 compares fiscal 2019 expenses and revenues with those of fiscal 2018. Expenses increased by \$16.3 million in fiscal 2019, due to an increase in positions and increases in salaries and benefits costs.

Table 2 shows that total governmental revenues increased \$23.7 million in fiscal 2019. Program revenues increased \$13.6 million while general revenues increased \$10.1 million. The program revenues increased \$13.6 million from fiscal 2018, the net activity was due to decreases of \$1.4 million in charges for services, \$1.8 million increase in operating grants and \$13.2 million increase in capital grants. The increase in general revenues was mainly due to property tax, sales and use tax revenue, and Transient Occupancy taxes. Property tax revenue was \$1.9 million more than last year due to increase in housing and assessed valuation. Sales tax revenue in fiscal 2019 was \$1 million more than fiscal 2018, due to economic growth and the Wayfair decision. Transient Occupancy Tax (TOT) increased \$2.4 million in fiscal 2019 due to the increase in the TOT rate increase from 10% to 14% effective January 2019. The increase of investment earnings by \$4.2 million in fiscal 2019 was due to the net activity of investment earning and market value gain on investments.

Table 3 presents the net cost of each of the City's largest programs—general government, building, safety and housing recreation, public works, engineering, planning & neighborhood services, 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 \$49.8 million.

Table 3
Governmental Activities
(in Millions)

	Net (Expenses) Revenue From Services	
	2019	2018
General Government	\$(22.8)	\$(16.5)
Building and Safety	0.0	5.9
Building, Safety and Housing	6.9	0.0
Recreation and Community Services	(3.0)	(3.2)
Public Works	(20.1)	(15.9)
Engineering	43.5	32.0
Planning	(1.1)	(0.7)
Police	(32.4)	(30.6)
Fire	(23.4)	(20.8)
Totals	\$(52.4)	\$(49.8)

Business-type Activities

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

	Business-Type Activities	
	2019	2018
Cash and investments	\$74.6	\$67.0
Other assets	4.4	3.3
Capital assets	139.8	136.1
Total assets	218.8	206.4
Deferred Outflows of Resources		
– Related to Pensions and OPEB	1.1	1.4
Other liabilities	3.0	2.9
Net pension liabilities	4.7	5.1
Net OPEB liability	4.0	4.0
Long-term Debt	4.8	5.3
Total liabilities	16.5	17.3
Deferred Inflows of Resources		
– Related to Pensions and OPEB	0.2	0.2
Net position:		
Net investment in capital assets	135.0	130.7
Restricted	59.2	43.8
Unrestricted	8.9	15.8
Total net position	\$203.1	\$190.3

The net position of business-type activities were \$203.1 million in fiscal 2019, an increase of \$12.8 million from fiscal 2018. Total assets increased \$12.4 million, deferred outflows decreased \$0.3 million and inflows were flat in 2019. The increase in net position was due to the increased customer service charges and capital contributions for the Sewer Fund.

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

	Business-Type Activities	
	2019	2018
Expenses		
Water Utility	\$25.2	\$23.8
Sewer Utility	12.2	12.7
Total expenses	<u>37.4</u>	<u>36.5</u>
Revenues		
Program revenues:		
Charges for services	47.2	46.8
Operating grants	0.1	0.1
Capital grants	2.7	2.5
Total program revenues	<u>50.0</u>	<u>49.4</u>
General revenues:		
Investment earnings	2.7	0.2
Total general revenues	<u>2.7</u>	<u>0.2</u>
Total Revenues	<u>52.7</u>	<u>49.6</u>
Excess before transfers	15.3	13.1
Net Transfers	<u>(2.5)</u>	<u>(2.5)</u>
Changes in net position	12.8	10.6
Beginning net position	<u>190.3</u>	<u>179.7</u>
Ending net position	<u>\$203.1</u>	<u>\$190.3</u>

Table 5 compares fiscal 2019 expenses and revenues with those of fiscal year 2018. Total expenses increased by \$0.9 million in fiscal 2019 due to an increase in personnel services and an increase in water purchases and contractual services. Total program revenues increased by \$0.6 million primarily due to an increase in charges for services related to a rate increase and an increase in capital grants. Total general revenue increased \$2.5 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)

	2019	2018
Total assets	\$297.5	\$257.4
Total liabilities	23.5	25.8
Total deferred inflows of resources	1.5	1.8
Total fund balances	272.5	229.7
Total revenues	161.4	138.5
Total expenditures	121.9	113.0
Total other financing sources	3.3	(7.6)

At June 30, 2019, the City's governmental funds reported combined fund balances of \$272.5 million, an increase of \$42.81 million from last year. The fund balances of the Housing Authority and Street Improvement Capital Projects decreased \$1.2 million, \$4.5 million, respectively, while the fund balances of the General Fund, Transit Area Impact Fee, General Government and Other Funds increased \$7.8 million, \$22.0 million, \$1.6 million, and \$17.0 million, respectively.

Revenues at the fund level totaled \$161.4 million, an increase of \$22.9 million. Revenues for the General Fund, Street Improvement Fund, Transit Area Impact Fee Fund, General Government Capital Improvement and Other Governmental Funds increased \$8.9 million, \$0.3 million and \$10.6 million, \$0.2 million and \$2.7 million respectively while Housing Authority remained at the same level as last year's approximately \$1.0 million.

Expenditures increased \$8.9 million this year to \$121.9 million from last year's \$113 million. The expenditures of the General Fund, Housing Authority, Street Improvement, and General Government Fund increased \$10.6 million, \$1.8 million, \$1.8 million and \$3.0 million, respectively while the Transit Area Impact Fee Fund, and Other Governmental Funds decreased \$7.0 million and \$1.3 million respectively.

Analyses of Major Governmental Funds

General Fund

General Fund revenues increased to \$108.1 million this fiscal year, up \$8.9 million from the prior fiscal year. Increases came from property tax revenue, sales taxes, other taxes, use of money and property, intergovernmental revenue, charges for services and other revenue. Property tax revenue increased \$1.9 million due to the continued demand in the housing market thus increasing the assessed valuation of properties throughout the City.

Sales tax increased by approximately \$1.0 million due to an increase in consumer spending. Other taxes increased by \$3.0 million primarily due to increased Transient Occupancy Tax revenue and franchise fees. Licenses and permits decreased \$1.0 million primarily from the building permit and inspection fees as a result of service delivery delay in the Building, Safety and Housing Department. Intergovernmental revenue increased by \$0.1 million due to the reimbursement for mutual aid fire overtime from the State Office of Emergency.

General Fund expenditures increased \$10.6 million to \$93.3 million in fiscal 2019 primarily due to an increase in salary and benefits costs.

Net Other Financing Sources decreased by \$10.6 million. Transfers out were approximately \$13.9 million, as compared to Transfers out of \$1.9 million in fiscal 2018 due to transfers to fund future capital projects, affordable housing and equipment fund. Transfers in consist of \$7 million from other funds for operating costs.

For the City's General Fund, actual revenues of \$108.1 million were \$3.3 million more than the final budgeted revenues of \$104.8 million. Property taxes, Sales taxes, Use of Money and property, Intergovernmental, Charges for services, and Other revenue exceeded budget by \$0.5 million, \$0.6 million, \$3.2 million, \$0.3 million, \$0.2 million and \$0.2 million, respectively.

At the end of the year, actual General Fund expenditures were \$96.0 million, \$9.8 million less than final budget of \$105.8 million. Savings were primarily in Non-departmental \$4 million for decreased payroll, benefits and utility expenditures, Recreation and Community Services \$0.4 million, Police \$2 million, Engineering \$1 million, City Manager \$0.5 million, Information Services \$0.2 million, Fire \$0.2 million, Building, Safety and Housing \$1.3 million due to delays in hiring personnel.

The difference in General Fund original expenditure budget and final expenditure budget was \$3.0 million. The additional appropriations consisted of \$1.5 million of expenditures funded by additional grants, donations, and developer fees.

Housing Authority

This Fund accounts for the housing activities assumed from the former Redevelopment Agency designed to increase the amount of low and moderate-income housing available in the City. Total revenues were \$1.0 million in fiscal 2019, comprised of \$1.0 million of interest, rental income and repayment of housing loans. Total expenditures were \$2.1 million for administration, interest forgiveness related to a restructure of an affordable housing loan, management of four 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 \$1.5 million in fiscal 2019, an increase of \$0.3 million from fiscal 2018. The increase in revenues was due to interest income, and one-time developer contributions. Fund expenditures were \$8.1 million in fiscal 2019, an increase of \$1.8 million from fiscal 2018, attributed to capital outlay increases. Net transfers were \$2.1 million in fiscal 2019, a decrease \$2.7 million from fiscal 2018 due returning unexpended capital improvement project funds back to the General Fund and Gas Tax Fund. Transfers in of \$4.3 million were from the General Fund, Gas Tax Special Revenue Fund, Transit Area Impact Fee Capital Projects Fund, Sewer Utilities Fund and Parks Improvement 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 2019, fund revenues were \$40.0 million, primarily from fees collected from developers. Expenditures were \$8.1 million, consisting of \$7.4 million capital improvement project, \$0.1 interest expense and fees and \$0.6 million general government. The transfers out of \$10.3 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 2019, expenditures of \$5.9 million consisted of \$5.7 million of capital improvement project expenditures and \$0.2 million debt service. The transfers in of \$11.6 million were primarily from the General 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 \$5.5 million were to the General Fund, Street Improvement Fund, Gas Tax, and the Park Improvement Fund, to return unexpended project funds.

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)

	2019	2018
General Fund		
Nonspendable	\$ 10.2	\$ 10.0
Committed	43.9	33.6
Assigned	5.9	8.7
Unassigned	40.7	40.5
Total	<u>\$100.7</u>	<u>\$92.8</u>
 Housing Authority Fund		
Restricted	<u>\$39.3</u>	<u>\$40.5</u>
 Street Improvement Fund		
Restricted	<u>\$7.4</u>	<u>\$11.9</u>
 Transit Area Impact Fee Fund		
Restricted	<u>\$48.3</u>	<u>\$26.3</u>
 General Government Project		
Fund		
Nonspendable	\$ 0.1	\$ 2.2
Assigned	27.8	24.0
Total	<u>\$27.9</u>	<u>\$26.2</u>

At June 30, 2019, the fund balance of the General Fund was \$100.7 million: \$10.2 million was classified as nonspendable, comprised of \$0.7 for prepaid materials and supplies, \$4.2 million of property held for resale, and \$5.3 million for advances to other funds; \$33.9 million for PERS Rate Stabilization \$1 million for Artificial turf replacement, \$2 million for Technology replacement and \$7 million for Facilities replacement were classified as committed; \$6 million of the fund balance comprised of \$2.8 million for uninsured claims and \$3.1 million for encumbrances, was classified as assigned; \$40.8 million of the fund balance comprised of \$9.4 million for budget stabilization and \$31.2 million was classified as unassigned.

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

The fund balance of the General Government Fund was \$27.9 million: \$0.1 million was classified as nonspendable and \$27.8 million classified as assigned due to Council's reserve policy.

Analyses of Major Proprietary Funds

Total operating revenues of Business-type Activities increased \$0.4 million from last year, while operating expenses increased \$1.1 million. Total operating revenues and total operating expenses were \$47.2 million and \$37.3 million, respectively. Non-operating revenues were \$2.7 million in fiscal 2019, an increase of \$2.7 million from the prior year. Capital contributions increased by \$0.5 million while net transfers out decreased by \$0.2 million.

Water Utility

Water fund revenues were \$29.4 million in fiscal 2019, a decrease of \$0.3 million from prior year. The decrease in revenues was primarily due to rate decrease in the capital surcharge resulting in \$0.2 million less. Expenses were \$25.2 million in fiscal 2019, up \$1.5 million from prior year, primarily due to increased purchased water expense and an increase in personnel services of \$1.3 million. Net position of the Water Utility Fund increased \$6.2 million in the current year to a total of \$84.0 million. The increase comprised of \$4.1 million operating income for the current year, \$1.5 million in non-operating revenues, \$1.5 million capital contributions from developers, offset by net transfers out of -\$0.9 million. The transfer out of \$3.2 million reimbursed administration costs incurred by the General Fund and the transfer in of \$2.3 million funded a capital project.

This Fund's Net Position includes \$49.3 million invested in capital assets, \$30.4 million in restricted net position, and \$4.3 million in unrestricted net position.

Sewer Utility

Sewer fund revenues were \$17.8 million in fiscal 2019, up \$0.7 million from the prior year due to an increase in usage. Expenses were \$12.1 million in fiscal 2019, a decrease of \$0.3 million from the prior year due to a decrease in personnel services. Non-operating revenues and expenses in fiscal year 2019 consisted of \$1.3 million interest income, and \$0.1 million interest expense. Net position of the Sewer Utility Fund increased \$6.5 million in the current year to a total of \$119.2 million. This increase comprised of \$5.7 million in operating income, \$1.2 million in interest income and interest expense, \$1.2 million in capital contributions by developers offset by \$1.7 million net transfers out. The transfers out of \$1.7 million reimbursed administration costs incurred by the General Fund.

\$4.6 million of the Fund's Net Position in the amount of \$119.1 million was unrestricted at the fiscal year end. Of the remainder, \$85.7 million was invested in capital assets and \$28.8 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 2019, 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)

	2019	2018
<i>Governmental Activities:</i>		
Land	\$ 68.4	\$ 65.4
Construction in progress	62.9	64.1
Buildings and improvements	173.4	166.4
Other improvements	30.6	30.0
Machinery and equipment	45.2	42.5
Landscape system	30.0	29.8
Storm system	74.3	74.3
Street system	271.2	264.4
Traffic system	19.3	19.1
Less accumulated depreciation	(448.0)	(432.7)
Totals	\$327.3	\$323.3
<i>Business-type Activities:</i>		
Land	\$ 1.1	\$ 1.1
Construction in progress	12.8	11.6
Distribution facilities	80.5	80.5
Water Service lines	16.9	15.2
Sewer lines	84.0	84.0
Capacity rights	78.0	71.8
Less accumulated depreciation	(133.5)	(128.1)
Totals	\$139.8	\$136.1

The principal additions in fiscal 2019 were to the construction-in-progress, machinery and equipment, street system, and capacity rights activities. Construction in progress included the Calaveras Road Repair, street resurfacing, McCandless Park, Fire Apparatus Replacement, South Milpitas Blvd Extension, and TASP infrastructure improvements.

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.

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. Each of the City's debt issues are discussed in detail in Note 9 to the financial statements. At June 30, 2019 the City's debt is comprised of:

Table 9
Outstanding Debt
(in Millions)

	<u>Balance</u> <u>June 30, 2019</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental Activity Debt:		
Capital Lease (Network Upgrade)	\$0.7	\$0.0
4.25%, due January 21, 2023		
Total Governmental-type Activity Debt	<u>\$ 0.7</u>	<u>\$ 0.0</u>
Business-type Activity Debt:		
Wastewater Revenue Refunding Bonds, 2017 Series		
2.0% - 5.0%, due November 1, 2026	<u>4.2</u>	<u>4.7</u>
Plus: Unamortized bond premium	<u>0.6</u>	<u>0.6</u>
Total Business-type Activity Debt	<u>\$ 4.8</u>	<u>\$ 5.3</u>

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, 2019

	Primary Government			Component Unit Terrace Gardens Inc. (As of December 31, 2018)
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and investments available for operations (Note 3)	\$251,708,136	\$74,671,030	\$326,379,166	\$239,968
Restricted cash and investments (Note 3)	951,504		951,504	2,355,586
Receivables:				
Accounts	4,103,278	3,356,257	7,459,535	13,751
Due from other governments	6,696,652	85,549	6,782,201	
Interest	1,275,429	368,426	1,643,855	
Loans receivable (Note 5)	32,424,989		32,424,989	
Prepays, materials, supplies and deposits (Note 1E)	1,634,756	490,190	2,124,946	49,685
Property held for resale (Note 6)	6,533,018		6,533,018	
Capital assets and capacity rights (Note 8):				
Land and construction in progress	131,320,498	13,946,994	145,267,492	1,572,277
Depreciable capital assets, net	195,972,277	125,912,483	321,884,760	6,121,602
Total assets	632,620,537	218,830,929	851,451,466	10,352,869
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions (Note 11D)	28,591,249	662,917	29,254,166	
Related to OPEB (Note 12B)	4,232,799	418,944	4,651,743	
Total deferred outflows of resources	32,824,048	1,081,861	33,905,909	
LIABILITIES				
Accounts payable	3,451,751	2,305,531	5,757,282	115,317
Accrued payroll	3,038,982	102,926	3,141,908	5,301
Interest payable	14,019	31,250	45,269	
Uninsured claims payable (Note 13):				
Due within one year	1,117,952		1,117,952	
Due in more than one year	5,096,721		5,096,721	
Refundable deposits	2,874,757	105,670	2,980,427	74,300
Unearned revenue	8,521,688	6,922	8,528,610	14,438
Accrued vacation (Note 12C):				
Due within one year	2,254,455	175,324	2,429,779	15,027
Due in more than one year	2,622,451	149,042	2,771,493	
Sick leave payable (Note 12C):				
Due within one year	982,326	18,734	1,001,060	
Due in more than one year	2,053,799	136,630	2,190,429	
Net pension liabilities (Note 11C):				
Due in more than one year	182,378,243	4,717,838	187,096,081	
Net OPEB liability (Note 12B):				
Due in more than one year	39,958,154	3,946,730	43,904,884	
Long term debt (Note 9):				
Due within one year	170,659	460,000	630,659	
Due in more than one year	557,648	4,351,847	4,909,495	
Total liabilities	255,093,605	16,508,444	271,602,049	224,383
DEFERRED INFLOWS OF RESOURCES				
Related to pensions (Note 11D)	1,725,029	49,732	1,774,761	
Related to OPEB (Note 12B)	1,877,097	185,585	2,062,682	
Total deferred inflows of resources	3,602,126	235,317	3,837,443	
NET POSITION (Note 10)				
Net investment in capital assets and capacity rights	326,564,468	135,047,630	461,612,098	7,693,879
Restricted for:				
Capital projects	98,178,542	59,190,915	157,369,457	
Redevelopment and community development activities	46,059,632		46,059,632	
Other programs	1,744,920		1,744,920	
Total restricted net position	145,983,094	59,190,915	205,174,009	
Unrestricted	(65,798,708)	8,930,484	(56,868,224)	2,434,607
Total net position	\$406,748,854	\$203,169,029	\$609,917,883	\$10,128,486

See accompanying notes to financial statements

CITY OF MILPITAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

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	\$25,281,543	\$2,346,724	\$114,067	\$25,000	(\$22,795,752)	
Building, Safety and Housing	5,448,555	9,717,686	2,047,783	\$607,307	6,924,221	
Recreation and Community Services	7,019,543	2,654,676	576,525	777,709	(3,010,633)	
Public Works	20,052,608				(20,052,608)	
Engineering	6,459,278	2,379,612	1,822,224	45,776,752	43,519,310	
Planning	1,851,164	225,625	494,782	7,343	(1,123,414)	
Police	35,868,561	1,129,868	2,310,316		(32,428,377)	
Fire	26,535,301	2,171,814	911,696		(23,451,791)	
Interest on long term debt	17,303				(17,303)	
Total Governmental Activities	128,533,856	20,626,005	8,277,393	47,194,111	(52,436,347)	
Business-type Activities:						
Water Utility	25,232,231	29,355,459	113,897	1,528,120		\$5,765,245
Sewer Utility	12,230,981	17,829,929		1,227,189		6,826,137
Total Business-type Activities	37,463,212	47,185,388	113,897	2,755,309		12,591,382
Total Primary Government	\$165,997,068	\$67,811,393	\$8,391,290	\$49,949,420	(52,436,347)	12,591,382
Component Unit:						
Terrace Gardens Inc.	\$2,116,203	\$2,171,858	\$31,307			
General revenues:						
Taxes:						
Property taxes					33,811,010	
Sales and use taxes					27,983,152	
Hotel/Motel taxes					14,502,736	
Other taxes					807,670	
Franchise fees, unrestricted					5,127,312	
Motor vehicle in lieu, unrestricted					35,936	
Investment earnings					4,474,446	2,711,477
Gain from sale of property					3,571	
Miscellaneous					390,303	
Transfers (Note 4)					2,488,913	(2,488,913)
Total general revenues and transfers					89,625,049	222,564
Change in Net Position					37,188,702	12,813,946
Net position-Beginning					369,560,152	190,355,083
Net position-Ending					\$406,748,854	\$203,169,029

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, 2018)
Total	
(\$22,795,752)	
6,924,221	
(3,010,633)	
(20,052,608)	
43,519,310	
(1,123,414)	
(32,428,377)	
(23,451,791)	
(17,303)	
(52,436,347)	
5,765,245	
6,826,137	
12,591,382	
(39,844,965)	
	\$86,962
33,811,010	
27,983,152	
14,502,736	
807,670	
5,127,312	
35,936	
7,185,923	24,242
3,571	
390,303	
89,847,613	24,242
50,002,648	111,204
559,915,235	10,017,282
\$609,917,883	\$10,128,486



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, 2019

	General	Housing Authority	Street Improvement	Transit Area Impact Fee
ASSETS				
Cash and investments available for operations (Note 3)	\$96,896,785	\$8,298,621	\$8,021,293	\$53,890,347
Restricted cash and investments (Note 3)				
Receivables:				
Accounts	2,724,722			1,378,556
Due from other governments	6,272,633		155	
Interest	509,759	41,478	43,104	278,069
Loans receivable, net (Note 5)		28,684,909		
Prepays, materials, supplies and deposits (Note 1E)	743,932	3,594		
Property held for resale (Note 6)	4,200,000	2,333,018		
Advances to other funds (Note 4B)	5,290,250			
Total Assets	<u>\$116,638,081</u>	<u>\$39,361,620</u>	<u>\$8,064,552</u>	<u>\$55,546,972</u>
LIABILITIES				
Accounts payable	\$1,741,813	\$42,701	\$646,585	\$156,662
Accrued payroll	2,982,178	5,948	8,361	870
Refundable deposits	2,842,948	12,100		438,806
Unearned revenue	8,244,314			
Advances from other funds (Note 4B)				5,290,250
Total Liabilities	<u>15,811,253</u>	<u>60,749</u>	<u>654,946</u>	<u>5,886,588</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - accounts receivable (Note 7E)				1,378,556
Unavailable revenue - interest on advances to other funds	170,500			
Total Deferred Inflows of Resources	<u>170,500</u>			<u>1,378,556</u>
FUND BALANCES				
Fund balances (Note 10):				
Nonspendable	10,234,182	3,594		
Restricted		39,297,277	7,409,606	48,281,828
Committed	43,851,915			
Assigned	5,915,559			
Unassigned	40,654,672			
TOTAL FUND BALANCES	<u>100,656,328</u>	<u>39,300,871</u>	<u>7,409,606</u>	<u>48,281,828</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$116,638,081</u>	<u>\$39,361,620</u>	<u>\$8,064,552</u>	<u>\$55,546,972</u>

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

CAPITAL ASSETS

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

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

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

LONG TERM ASSETS AND LIABILITIES

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

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

NET POSITION OF GOVERNMENTAL ACTIVITIES

See accompanying notes to financial statements

General Government Capital Projects	Other Governmental Funds	Total Governmental Funds
\$26,947,008	\$45,429,761	\$239,483,815
951,504		951,504
		4,103,278
	423,864	6,696,652
125,647	216,307	1,214,364
	3,740,080	32,424,989
70,279	11,264	829,069
		6,533,018
		5,290,250
<u>\$28,094,438</u>	<u>\$49,821,276</u>	<u>\$297,526,939</u>
\$236,479	\$503,119	\$3,327,359
3,724	18,207	3,019,288
	18,843	3,312,697
	277,374	8,521,688
		5,290,250
<u>240,203</u>	<u>817,543</u>	<u>23,471,282</u>
		1,378,556
		170,500
		1,549,056
70,279	11,264	10,319,319
	48,244,175	143,232,886
		43,851,915
27,783,956	748,294	34,447,809
		40,654,672
<u>27,854,235</u>	<u>49,003,733</u>	<u>272,506,601</u>
<u>\$28,094,438</u>	<u>\$49,821,276</u>	
		327,292,775
		12,851,024
		438,000
		1,549,056
		(742,326)
		(155,512,023)
		(37,602,452)
		(7,817,128)
		(6,214,673)
		<u>\$406,748,854</u>

CITY OF MILPITAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General	Housing Authority	Street Improvement	Transit Area Impact Fee
REVENUES				
Property taxes	\$33,811,009			
Sales taxes	28,889,785			
Other taxes	20,872,163			
Licenses and fines	11,757,117			
Use of money and property	4,446,580	\$1,019,066	\$373,061	\$1,003,507
Intergovernmental	1,501,243		479,814	
Charges for services	6,510,806			
Developer contributions			550,578	38,984,248
Other	315,330		136,854	
Total Revenues	<u>108,104,033</u>	<u>1,019,066</u>	<u>1,540,307</u>	<u>39,987,755</u>
EXPENDITURES				
Current:				
General Government	18,206,286	2,103,092		662,346
Building, Safety and Housing	5,038,327			
Recreation and Community Services	5,143,600			
Public Works	7,048,172			
Engineering	2,858,064			
Planning	1,648,282			
Police	30,180,922			
Fire	23,225,089			
Capital outlay			8,083,867	7,381,431
Debt service:				
Principal				
Interest and fees				101,208
Total Expenditures	<u>93,348,742</u>	<u>2,103,092</u>	<u>8,083,867</u>	<u>8,144,985</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>14,755,291</u>	<u>(1,084,026)</u>	<u>(6,543,560)</u>	<u>31,842,770</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	1,315			
Loss from sale of property		(151,800)		
Issuance of capital lease				
Transfers in (Note 4A)	6,996,682		4,318,464	480,643
Transfers (out) (Note 4A)	(13,908,102)		(2,256,789)	(10,305,000)
Total Other Financing Sources (Uses)	<u>(6,910,105)</u>	<u>(151,800)</u>	<u>2,061,675</u>	<u>(9,824,357)</u>
NET CHANGE IN FUND BALANCES	7,845,186	(1,235,826)	(4,481,885)	22,018,413
Fund balances (deficits) at beginning of year	<u>92,811,142</u>	<u>40,536,697</u>	<u>11,891,491</u>	<u>26,263,415</u>
FUND BALANCES AT END OF YEAR	<u>\$100,656,328</u>	<u>\$39,300,871</u>	<u>\$7,409,606</u>	<u>\$48,281,828</u>

See accompanying notes to financial statements

General Government Capital Projects	Other Governmental Funds	Total Governmental Funds
		\$33,811,009
		28,889,785
	\$2,513,468	23,385,631
		11,757,117
\$461,744	1,148,255	8,452,213
	4,038,255	6,019,312
	458,577	6,969,383
	1,617,935	41,152,761
	473,961	926,145
<u>461,744</u>	<u>10,250,451</u>	<u>161,363,356</u>
	380,477	21,352,201
		5,038,327
		5,143,600
	1,102,676	8,150,848
	342,951	3,201,015
		1,648,282
	207,848	30,388,770
		23,225,089
5,680,939	2,288,890	23,435,127
198,938		198,938
3,284		104,492
<u>5,883,161</u>	<u>4,322,842</u>	<u>121,886,689</u>
<u>(5,421,417)</u>	<u>5,927,609</u>	<u>39,476,667</u>
		1,315
		(151,800)
952,245		952,245
11,554,579	14,585,740	37,936,108
<u>(5,469,151)</u>	<u>(3,510,153)</u>	<u>(35,449,195)</u>
<u>7,037,673</u>	<u>11,075,587</u>	<u>3,288,673</u>
1,616,256	17,003,196	42,765,340
<u>26,237,979</u>	<u>32,000,537</u>	<u>229,741,261</u>
<u>\$27,854,235</u>	<u>\$49,003,733</u>	<u>\$272,506,601</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, 2019

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	\$42,765,340
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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 outlay expenditures are therefore added back to fund balance (Internal service fund additions of \$3,073,834 have already been added to capital assets)	17,012,226
Retirements of capital assets are deducted from fund balance (Internal service fund retirements of \$11,015 have already been deducted from capital assets)	(200)
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of \$1,003,587 which has already been allocated to serviced funds.)	(15,017,570)

LONG TERM DEBT PROCEED AND PAYMENTS

Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of lease principal is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.	
Proceeds from issuance of capital lease	(952,245)
Capital contributions and repayment of debt principal are added back to fund balance	223,938

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	(623,451)
Non-current portion of uninsured claims payable	202,861
Net pension liabilities and pension-related deferred outflows/inflows of resources	(11,314,768)
Net OPEB liability and OPEB-related deferred outflows/inflows of resources	693,660
Unavailable revenue	137,550

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	4,075,380

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$37,188,702
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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, 2019

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$31,385,000	\$33,281,136	\$33,811,009	\$529,873
Sales taxes	28,393,445	28,307,591	28,889,785	582,194
Other taxes	18,843,851	21,473,400	20,872,163	(601,237)
Licenses and fines	10,253,214	12,897,019	11,757,117	(1,139,902)
Use of money and property	1,271,500	1,271,500	4,446,580	3,175,080
Intergovernmental	440,500	1,221,198	1,501,243	280,045
Charges for services	6,952,454	6,271,911	6,510,806	238,895
Other	26,000	31,000	315,330	284,330
Total Revenues	97,565,964	104,754,755	108,104,033	3,349,278
Expenditures				
Current:				
General Government:				
City Manager	4,710,508	4,904,399	4,393,913	510,486
City Attorney	748,932	1,281,657	1,260,893	20,764
Finance	3,724,578	3,874,578	3,771,087	103,491
Human Resources	1,460,751	1,582,314	1,485,762	96,552
Information Services	3,182,507	3,182,507	2,974,761	207,746
Non-departmental	9,446,248	8,216,726	4,260,233	3,956,493
Building, Safety and Housing	5,112,953	6,601,441	5,350,290	1,251,151
Recreation and Community Services	5,752,060	5,752,060	5,353,200	398,860
Public Works	7,273,035	7,598,035	7,581,384	16,651
Engineering	4,133,636	4,133,636	3,140,477	993,159
Planning	2,935,681	1,818,664	1,788,518	30,146
Police	32,771,018	33,018,359	30,977,865	2,040,494
Fire	21,510,880	23,837,107	23,678,811	158,296
Total Expenditures	102,762,787	105,801,483	96,017,194	9,784,289
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,196,823)	(1,046,728)	12,086,839	13,133,567
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property			1,315	1,315
Transfers in	6,502,208	6,996,682	6,996,682	
Transfers (out)	(2,950,000)	(15,508,102)	(13,908,102)	1,600,000
Total Other Financing Sources (Uses)	3,552,208	(8,511,420)	(6,910,105)	1,601,315
NET CHANGE IN FUND BALANCE	(\$1,644,615)	(\$9,558,148)	5,176,734	\$14,734,882
Adjustment to budgetary basis:				
Encumbrance expenditures			2,668,452	
Fund balance at beginning of year			92,811,142	
FUND BALANCE AT END OF YEAR			\$100,656,328	

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, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Budget Positive (Negative)
Revenues				
Use of money and property	\$741,000	\$741,000	\$1,019,066	\$278,066
Total Revenues	741,000	741,000	1,019,066	278,066
Expenditures				
Current:				
General Government:				
Finance	311,912	85,164	52,843	32,321
Non-departmental	260,632	7,216,160	2,050,249	5,165,911
Planning	228,780			
Total Expenditures	801,324	7,301,324	2,103,092	5,198,232
OTHER FINANCING SOURCES (USES)				
Loss from sale of property	(151,800)	(151,800)	(151,800)	
NET CHANGE IN FUND BALANCE	(\$212,124)	(\$6,712,124)	(1,235,826)	\$5,476,298
Fund balances at beginning of year			40,536,697	
FUND BALANCE AT END OF YEAR			\$39,300,871	

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, 2019

	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)	\$38,652,925	\$36,018,105	\$74,671,030	\$12,224,321
Receivables:				
Accounts	1,975,381	1,380,876	3,356,257	
Due from other governments	50,323	35,226	85,549	
Interest	190,439	177,987	368,426	61,065
Prepays, materials, supplies and deposits (Note 1E)	468,522	21,668	490,190	805,687
Total current assets	41,337,590	37,633,862	78,971,452	13,091,073
Noncurrent assets:				
Capital assets and capacity rights (Note 8):				
Land and construction in progress	11,095,132	2,851,862	13,946,994	
Depreciable capital assets, net	38,227,850	87,684,633	125,912,483	6,802,840
Total noncurrent assets	49,322,982	90,536,495	139,859,477	6,802,840
Total assets	90,660,572	128,170,357	218,830,929	19,893,913
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions (Note 11D)	353,930	308,987	662,917	
Related to OPEB (Note 12B)	217,678	201,266	418,944	
Total deferred outflows of resources	571,608	510,253	1,081,861	
LIABILITIES				
Current liabilities:				
Accounts payable	2,089,380	216,151	2,305,531	124,392
Accrued payroll	63,331	39,595	102,926	19,694
Interest payable		31,250	31,250	
Refundable deposits	105,670		105,670	60
Unearned revenue	3,461	3,461	6,922	
Accrued vacation (Note 12C)	87,662	87,662	175,324	46,006
Sick leave payable (Note 12C)	9,367	9,367	18,734	11,225
Certificates of Participation (Note 9)		460,000	460,000	
Total current liabilities	2,358,871	847,486	3,206,357	201,377
Non-current liabilities:				
Accrued vacation (Note 12C)	100,811	48,231	149,042	34,010
Sick leave payable (Note 12C)	68,314	68,316	136,630	4,662
Net pension liabilities (Note 11C):	2,518,846	2,198,992	4,717,838	
Net OPEB liability (Note 12B)	2,051,834	1,894,896	3,946,730	
Certificates of Participation (Note 9)		4,351,847	4,351,847	
Total non-current liabilities	4,739,805	8,562,282	13,302,087	38,672
Total liabilities	7,098,676	9,409,768	16,508,444	240,049
DEFERRED INFLOWS OF RESOURCES				
Related to pensions (Note 11D)	26,552	23,180	49,732	
Related to OPEB (Note 12B)	96,456	89,129	185,585	
Total deferred inflows of resources	123,008	112,309	235,317	
NET POSITION (Note 10)				
Net investment in capital assets and capacity rights	49,322,982	85,724,648	135,047,630	6,802,840
Restricted for capital projects	30,368,119	28,822,796	59,190,915	
Unrestricted	4,319,395	4,611,089	8,930,484	12,851,024
Total net position	\$84,010,496	\$119,158,533	\$203,169,029	\$19,653,864

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, 2019

	Business-type Activities-Enterprise Funds			Governmental Activities- Equipment Management Internal Service Fund
	Water Utility	Sewer Utility	Totals	
OPERATING REVENUES				
Charges for services	\$29,307,618	\$17,521,841	\$46,829,459	\$4,193,177
Developer contributions		225,724	225,724	
Other operating revenue	47,841	82,364	130,205	50
Total Operating Revenues	29,355,459	17,829,929	47,185,388	4,193,227
OPERATING EXPENSES				
Purchased water	17,850,061		17,850,061	
Sewer treatment services		4,680,887	4,680,887	
Personnel services	3,430,431	2,519,102	5,949,533	1,112,941
Services and supplies	1,910,470	1,140,211	3,050,681	800,741
Depreciation	1,767,813	3,664,679	5,432,492	1,003,587
Repairs and maintenance	273,456	87,688	361,144	453,001
Total Operating Expenses	25,232,231	12,092,567	37,324,798	3,370,270
Operating Income (Loss)	4,123,228	5,737,362	9,860,590	822,957
NONOPERATING REVENUES (EXPENSES)				
Gain on sale of capital assets				2,256
Interest income	1,377,911	1,333,566	2,711,477	451,701
Interest expense		(138,414)	(138,414)	
Subventions and grants	113,897	4,998	118,895	
Total Nonoperating Revenues (Expenses)	1,491,808	1,200,150	2,691,958	453,957
Income (Loss) Before Contributions and Transfers	5,615,036	6,937,512	12,552,548	1,276,914
Capital contributions	599,610		599,610	2,796,466
Capital contributions - connection fees	928,510	1,222,191	2,150,701	
Transfers in (Note 4A)	2,343,444	13,444	2,356,888	300,000
Transfers (out) (Note 4A)	(3,186,527)	(1,659,274)	(4,845,801)	(298,000)
Change in net position	6,300,073	6,513,873	12,813,946	4,075,380
Net position-beginning	77,710,423	112,644,660	190,355,083	15,578,484
Net position-ending	\$84,010,496	\$119,158,533	\$203,169,029	\$19,653,864

See accompanying notes to financial statements

CITY OF MILPITAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	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	\$29,058,048	\$17,511,853	\$46,569,901	\$4,248,465
Payments to suppliers	(20,152,744)	(5,996,099)	(26,148,843)	(2,028,080)
Payments to employees for salaries and benefits	(3,285,722)	(2,549,257)	(5,834,979)	(1,144,814)
Net cash provided by operating activities	5,619,582	8,966,497	14,586,079	1,075,571
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Subventions and grants	113,897	4,998	118,895	
Transfers in	2,343,444	13,444	2,356,888	300,000
Transfers (out)	(3,186,527)	(1,659,274)	(4,845,801)	(298,000)
Cash Flows from Noncapital Financing Activities	(729,186)	(1,640,832)	(2,370,018)	2,000
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Principal paid on long-term debt		(480,000)	(480,000)	
Interest paid		(263,156)	(263,156)	
Proceeds from sale of capital assets				13,271
Acquisition of capital assets	(881,689)	(7,711,664)	(8,593,353)	(277,168)
Capital contributions - connection fees	928,510	1,222,191	2,150,701	
Cash Flows from Capital and Related Financing Activities	46,821	(7,232,629)	(7,185,808)	(263,897)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1,311,540	1,288,402	2,599,942	432,785
Cash Flows from Investing Activities	1,311,540	1,288,402	2,599,942	432,785
Net increase (decrease) in cash and cash equivalents	6,248,757	1,381,438	7,630,195	1,246,459
Cash and investments at beginning of period	32,404,168	34,636,667	67,040,835	10,977,862
Cash and investments at end of period	\$38,652,925	\$36,018,105	\$74,671,030	\$12,224,321
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$4,123,228	\$5,737,362	\$9,860,590	\$822,957
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,767,813	3,664,679	5,432,492	1,003,587
Change in assets and liabilities:				
Receivables, net	(295,113)	(313,078)	(608,191)	55,238
Materials, supplies and deposits	(254,411)	3,173	(251,238)	(689,921)
Accrued payroll	16,180	1,989	18,169	
Accounts and other payables	226,776	(54,642)	172,134	(116,290)
Unearned revenue	(4,998)	(4,998)	(9,996)	
Due to retirement system	74,368	(37,340)	37,028	
Due to OPEB	(34,261)	(30,648)	(64,909)	
Net cash provided by operating activities	\$5,619,582	\$8,966,497	\$14,586,079	\$1,075,571
NONCASH TRANSACTIONS:				
Contributions and transfers of capital assets	\$599,610		\$599,610	\$2,796,466
Retirement of capital assets				(\$11,015)

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, 2019

	Successor Agency to the Milpitas Redevelopment Agency Private-purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and investments (Note 3)	\$9,605,621	\$1,352,895
Restricted cash and investments (Note 3)	401	
	<u> </u>	<u> </u>
Total Assets	<u>9,606,022</u>	<u><u>\$1,352,895</u></u>
LIABILITIES		
Refundable deposits		\$1,352,895
Accounts payable	21,421	
Interest payable	1,694,500	
Long-term obligations (Note 15C):		
Due in one year	9,621,103	
Due in more than one year	119,071,053	
	<u> </u>	<u> </u>
Total Liabilities	<u>130,408,077</u>	<u><u>\$1,352,895</u></u>
NET POSITION (DEFICIT)		
Held in trust for other governments	<u><u>(\$120,802,055)</u></u>	

See accompanying notes to financial statements

CITY OF MILPITAS
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Successor Agency to the Milpitas Redevelopment Agency Private-purpose Trust Fund
Additions:	
Property taxes	\$17,733,781
Use of money and property	<u>151,235</u>
Total additions	<u>17,885,016</u>
Deductions:	
General and administrative	55,079
Debt Service:	
Interest and fees	<u>6,948,463</u>
Total deductions	<u>7,003,542</u>
Net change in net position	10,881,474
Net position (deficit) - beginning	<u>(131,683,529)</u>
Net position (deficit) - ending	<u><u>(\$120,802,055)</u></u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS



CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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; police; fire and building inspection; engineering; public works; water; sewer; sanitation; recreation services; building and safety; planning and zoning; general administration services, redevelopment 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, 2019

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, 2018 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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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. 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 \$20,000 or less. Interfund transfers or transfers of an appropriation amount within a fund in which any single instance exceed \$20,000 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.

C. *Expenditures in the Excess of Budget*

The Housing and Community Development Special Revenue Fund had planning and neighborhood services expenditures in excess of budget in the amount of \$15,980. Sufficient resources were available within the fund to finance the expenditures.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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 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 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	\$326,379,166
Restricted Cash	951,504
Total Primary Government cash and investments	<u>327,330,670</u>
Cash and investments available for operations	239,968
Restricted investments	2,355,586
Total Component Unit cash and investments	<u>2,595,554</u>
Cash and investments in Fiduciary Funds (separate statement)	10,958,917
Total cash and investments	<u><u>\$340,885,141</u></u>

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

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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%	\$65,000,000 per account
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 the outstanding paper of an issuing corporation.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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, 2019

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 24 Months	25 to 60 Months	Total	Percentage of Portfolio
City and Successor Agency:					
Federal Agency Obligations	\$45,887,780	\$49,178,150	\$88,343,829	\$183,409,759	53.79%
Medium Term Corporate Notes	3,996,230	7,040,570	7,081,880	18,118,680	5.32%
U.S. Treasury Notes	13,945,800	7,001,530	10,191,714	31,139,044	9.13%
California Local Agency Investment Fund	89,853,548			89,853,548	26.36%
Mutual Funds (U.S. Securities)	9,428,039			9,428,039	2.77%
Negotiable Certificates of Deposit	998,821	1,255,122		2,253,943	0.66%
Terrace Gardens, Inc.:					
Nonnegotiable Certificates of Deposit	1,961,879			1,961,879	0.58%
Total Investments	<u>\$166,072,097</u>	<u>\$64,475,372</u>	<u>\$105,617,423</u>	336,164,892	
Demand Deposits - City of Milpitas				4,086,574	1.20%
Demand Deposits - Terrace Gardens				633,675	0.19%
Total Cash and Investments				<u>\$340,885,141</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 \$65 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, 2019 these investments matured in an average of 173 days.

Mutual funds are available for withdrawal on demand and at June 30, 2019 matured in an average of 13 days.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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, 2019 for each of the Primary Government's investment types as provided by Standard and Poor's investment rating system:

Investment Type	AAA	AA+/AA/AA-	A+/A/A-	BBB+/BBB	Total
Federal Agency Obligations		\$183,409,759			\$183,409,759
Medium Term Corporate Notes	\$2,006,390	14,107,910	\$2,004,380		18,118,680
Mutual Funds (U.S. Securities)	9,428,039				9,428,039
Negotiable Certificates of Deposit		249,621	1,004,236	\$500,314	1,754,171
Totals	<u>\$11,434,429</u>	<u>\$197,767,290</u>	<u>\$3,008,616</u>	<u>\$500,314</u>	<u>212,710,649</u>
<i>Not rated:</i>					
California Local Agency Investment Fund					89,853,548
Negotiable Certificates of Deposit					499,772
<i>Exempt from credit rate disclosure:</i>					
U.S. Treasury Notes					31,139,044
Total Investments					<u>\$334,203,013</u>

All the rated and unrated negotiable certificates of deposit were fully insured by Federal Deposit Insurance at June 30, 2019.

Terrace Gardens, Inc. invests only in Nonnegotiable Certificates of Deposit. At December 31, 2018, all of Terrace Gardens' Nonnegotiable Certificates of Deposit totaling \$1,961,879 were fully insured by Federal Deposit Insurance.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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, 2019:

	Level 1	Level 2	Total
<i>Investments by Fair Value Level:</i>			
Federal Agency Obligations		\$183,409,759	\$183,409,759
Medium Term Corporate Notes		18,118,680	18,118,680
U.S. Treasury Notes	\$31,139,044		31,139,044
Negotiable Certificates of Deposit		2,253,943	2,253,943
Subtotal	<u>\$31,139,044</u>	<u>\$203,782,382</u>	234,921,426
<i>Investments Measured at Amortized Cost:</i>			
Mutual Funds (U.S. Securities)			9,428,039
<i>Investments Measured at Cost:</i>			
<i>Terrace Gardens, Inc.</i>			
Nonnegotiable Certificates of Deposit			1,961,879
<i>Investments Exempt from Fair Value Hierarchy:</i>			
California Local Agency Investment Fund			<u>89,853,548</u>
Total Investments			<u>\$336,164,892</u>

U.S. Treasury Notes totaling \$31.1 million classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Federal Agency Obligations totaling \$183.4 million, Medium Term Corporate Notes of \$18.1 million and Negotiable Certificates of Deposit of \$2.2 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, 2019:

Issuer	Investment Type	Amount
Federal Farm Credit Bank	Federal Agency Obligations	\$57,753,848
Federal Home Loan Bank	Federal Agency Obligations	51,284,402
Federal Home Loan Mortgage Corporation	Federal Agency Obligations	28,852,969

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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, 2019 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
Major Funds:		
General Fund	Street Improvement Capital Projects Fund	\$146,776 (A)
General Fund	Street Improvement Capital Projects Fund	1,600,000 (B)
General Fund	Water Utility Enterprise Fund	2,705,884 (C)
General Fund	Sewer Utility Enterprise Fund	1,544,274 (C)
General Fund	Solid Waste Reduction and Services Special Revenue Fund	99,748 (C)
General Fund	Community Facilities District Special Revenue Fund	900,000 (A)
Street Improvement Capital Projects Fund	General Fund	993,464 (C)
Street Improvement Capital Projects Fund	Transit Area Impact Fee Capital Projects Fund	1,400,000 (B)
Street Improvement Capital Projects Fund	Sewer Utility Enterprise Fund	100,000 (B)
Street Improvement Capital Projects Fund	Gas Tax Special Revenue Fund	1,775,000 (B)
Street Improvement Capital Projects Fund	Park Improvement Capital Projects Fund	50,000 (B)
Transit Area Impact Fee Capital Projects Fund	Water Utility Enterprise Fund	480,643 (A)
General Government Capital Projects Fund	General Fund	10,821,174 (B)
General Government Capital Projects Fund	Lighting and Landscape Maintenance District Special Revenue Fund	95,000 (B)
General Government Capital Projects Fund	Community Planning Special Revenue Fund	250,000 (B)
General Government Capital Projects Fund	Park Improvement Capital Projects Fund	90,405 (A), (B)
General Government Capital Projects Fund	Equipment Management Internal Service Fund	298,000 (B)
Water Utility Enterprise Fund	Street Improvement Capital Projects Fund	13,444 (A)
Water Utility Enterprise Fund	Transit Area Impact Fee Capital Projects Fund	2,330,000 (B)
Sewer Utility Enterprise Fund	Street Improvement Capital Projects Fund	13,444 (A)
Non-Major Funds:		
Gas Tax Special Revenue Fund	Street Improvement Capital Projects Fund	483,125 (A)
Solid Waste Reduction and Services Special Revenue Fund	General Government Capital Projects Fund	134,151 (B)
Affordable Housing Special Revenue Fund	General Fund	993,464 (C)
Affordable Housing Special Revenue Fund	Community Planning Special Revenue Fund	250,000 (C)
Park Improvement Capital Projects Fund	General Fund	800,000 (B)
Park Improvement Capital Projects Fund	Transit Area Impact Fee Capital Projects Fund	6,575,000 (A), (B)
Park Improvement Capital Projects Fund	General Government Capital Projects Fund	5,085,000 (B)
Storm Drain Development Capital Projects Fund	General Government Capital Projects Fund	250,000 (B)
Storm Drain Development Capital Projects Fund	Sewer Utility Enterprise Fund	15,000 (B)
Equipment Management Internal Service Fund	General Fund	300,000 (C)
	Total Interfund Transfers	\$40,592,996

(A) To return unexpended project funds

(B) To fund capital projects

(C) Transfer for operating costs

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, 2019, the balance of the advance was \$5,290,250.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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, 2019:

Housing and Community Development Loans:

Rehabilitation Loans	\$3,740,080
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Housing Authority Loans:

Milpitas Housing Associates	3,183,000
Parc Metropolitan Housing Development	58,153
Parc North Associates LLC	663,786
Mid-Peninsula Milpitas Affordable Housing Associates	17,418,121
KB Home South Bay Inc.	1,372,900
Western Pacific Housing Inc.	1,821,364
Shapell Industries	800,000
MIL Aspen Associates, Ltd.	3,208,660
Resources for Community Development	158,925
Total Housing Authority Loans Receivable	28,684,909
Total Loans Receivable	\$32,424,989

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, 2019, the City had outstanding rehabilitation loans of \$3,740,080 in its Housing and Community Development Special Revenue Fund. During the year ended June 30, 2019, the City received principal payment of \$8,177 from all participants, accrued interest of \$3,737 and made new loans totaling \$315,077.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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 2019, 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 2019, interest of \$91,500 was accrued, and as of June 30, 2019, principal and accrued interest outstanding totaled \$3,183,000.

C. *Parc Metropolitan Housing Development Loans*

The Housing Authority provides loans to eligible low-income families for the purchase of townhome units at the Parc Metropolitan Housing Development. During the year ended June 30, 2019, the Housing Authority received principal payments of \$33,667 and as of June 30, 2019, there were \$58,153 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 2019, principal of \$96,315 was paid and as of June 30, 2019, there were \$663,786 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 2019, interest of \$288,000 was accrued, and as of June 30, 2019, principal and accrued interest outstanding totaled \$17,418,121.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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, 2019, there were \$1,372,900 of loans to Parcel C households outstanding. As of June 30, 2019 subsidies totaling \$4,707,542 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 \$1,129 was repaid in fiscal year 2019 and as of June 30, 2019, there were \$624,364 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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 5 - LOANS RECEIVABLE (Continued)

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, 2019, there were \$1,197,000 of silent second loans outstanding.

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, 2019, 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, 2019, total payments of \$93,654 were received, interest of \$157,134 accrued, and as of June 30, 2019, principal and accrued interest totaled \$3,208,660.

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 November 29, 2019. During the year ended June 30, 2019, a principal payment of \$2,231 was received, \$8,063 of interest was accrued, and as of June 30, 2019, principal and accrued interest totaled \$158,925.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 5 - LOANS RECEIVABLE (Continued)

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, 2019, the developer had not finalized project funding and therefore had not drawn down on the loan.

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, 2019, 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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 6 - PROPERTY HELD FOR RESALE OR REDEVELOPMENT

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.

In March 2018, the Housing Authority purchased an additional property on South Main Street in the amount of \$456,826. The property was sold in fiscal year 2019 for \$353,184.

As of June 30, 2019, 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.

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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 7 - DEVELOPMENT AND TAX SHARING AGREEMENTS (Continued)

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 or 2019.

B. *D.R. Horton Bay, Inc.*

In November 2012, the City entered into an Acquisition and Reimbursement Agreement with D.R. Horton Bay, Inc., which requires the developer to pay Transit Area Specific Plan (TASP) and park in lieu developer impact fees of \$8,007,312 to defray all or a portion of the costs of sewer facilities and to mitigate other impacts of the Harmony Project. Under the terms of the Agreement, D.R. Horton will receive estimated fee credits totaling \$4,355,645 for impact fees for constructing trail improvements, road improvements to the east side of McCandless Road and sewer line 11A and 11B installation. No fee credits were issued during the year ended June 30, 2019 and to date, the City has issued fee credits of \$4,355,645.

C. *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 \$151,932 of sales tax to the corporation during fiscal year 2019.

D. *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 or 2018-2019, because the corporation has not provided the tax information to the City for the fiscal year 2017, 2018 and 2019 property tax or for any of the sales and use or transient occupancy taxes.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 7 - DEVELOPMENT AND TAX SHARING AGREEMENTS (Continued)

E. *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 \$1,378,556 as of June 30, 2019.

F. *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 an improvement fee credit 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, 2019, the City issued fee credits in the amount of \$504,295 and fee credits of \$4,160,436 have been issued to date.

G. *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 an improvement fee credit totaling \$5,910,221 for construction costs for parking and a variety of site improvements, including a public park. No fee credits have been issued under the agreement through the year ended June 30, 2019.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 7 - DEVELOPMENT AND TAX SHARING AGREEMENTS (Continued)

H. 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 an improvement fee credit totaling \$3,689,574 for construction and design costs for bridge improvements for Montague Expressway and East Penitencia Creek. During the year ended June 30, 2019, no fee credits were issued, and fee credits of \$2,536,935 have been issued to date.

NOTE 8 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated acquisition value on the date contributed. The City's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

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

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

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

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

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

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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, 2018	Additions	Retirements	Transfers	Balance at June 30, 2019
Capital assets not being depreciated:					
Land	\$65,352,778			\$3,082,305	\$68,435,083
Construction in progress	64,125,363	\$9,881,945	(\$200)	(11,121,693)	62,885,415
Total capital assets not being depreciated	129,478,141	9,881,945	(200)	(8,039,388)	131,320,498
Capital assets being depreciated:					
Buildings and improvements	166,365,304			7,005,829	173,371,133
Other improvements	29,976,059			581,967	30,558,026
Machinery and equipment	42,534,909	3,073,634	(823,259)	451,592	45,236,876
Landscape system	29,744,298	193,555			29,937,853
Storm system	74,340,148				74,340,148
Street system	264,447,128	6,763,617			271,210,745
Traffic system	19,127,376	173,109			19,300,485
Total capital assets being depreciated	626,535,222	10,203,915	(823,259)	8,039,388	643,955,266
Less accumulated depreciation for:					
Buildings and improvements	(75,338,712)	(6,080,383)			(81,419,095)
Other improvements	(21,073,805)	(886,975)			(21,960,780)
Machinery and equipment	(34,432,973)	(2,197,937)	812,244		(35,818,666)
Landscape system	(14,683,273)	(594,612)			(15,277,885)
Storm system	(72,120,096)	(314,266)			(72,434,362)
Street system	(200,494,965)	(5,412,809)			(205,907,774)
Traffic system	(14,630,252)	(534,175)			(15,164,427)
Total accumulated depreciation	(432,774,076)	(16,021,157)	812,244		(447,982,989)
Net capital assets being depreciated	193,761,146	(5,817,242)	(11,015)	8,039,388	195,972,277
Governmental activities capital assets, net	\$323,239,287	\$4,064,703	(\$11,215)		\$327,292,775

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 8 - CAPITAL ASSETS (Continued)

Governmental activities construction in progress comprised the following at June 30, 2019:

Project	Total Budget	Actual Costs	Unexpended Budget
S Milpitas Blvd Extension	\$17,000,000	\$16,920,749	\$79,251
Alviso Adobe Renovation	8,159,272	5,939,842	2,219,430
Park Irrigation System	400,000	248,304	151,696
McCandless Park	12,154,820	2,170,638	9,984,182
Sports Fields Turf Rehabilitation Program	450,000	50,874	399,126
Creighton Park Renovation	3,300,000	274,206	3,025,794
Sandalwood Park Renovation	2,175,000	88,995	2,086,005
Sports Center Skate Park	6,325,000	516,278	5,808,722
Carlo Park	225,000	92,445	132,555
Minor Sports Courts Rehabilitation	225,000	3,451	221,549
McCarthy Blvd Landscape	862,256	473,370	388,886
Fire Station Improvements	1,095,000	675,087	419,913
City Building Improve	2,475,000	1,873,810	601,190
Sinclair LMD Improvements	94,000	84,650	9,350
City Building, Exterior Painting	900,000	1,103	898,897
Police Department Communications	4,455,000	1,367,005	3,087,995
Replacement Fire Station Alert System	363,000	464	362,536
City Building Roofing	700,000	93,965	606,035
Police Records Management	700,000	259,954	440,046
Citywide Park Playground	775,000	107,768	667,232
Annual Sidewalk, Curb & Gutter Repair	1,206,840	574,052	632,788
Technology Projects	700,000	455,822	244,178
Midtown Street Light	2,650,000	262,428	2,387,572
2017-19 Finance System Upgrade	1,150,000	152,988	997,012
Annual Tree Replacement Program	350,000	78,750	271,250
Fire Station #2 Replacement	1,220,000	264,750	955,250
LAN/WAN Network Upgrade	952,245	9,643	942,602
Storm Drain System Rehabilitation	1,145,000	827,537	317,463
Dempsey Road Storm Drain	2,830,000	225,222	2,604,778
Bart Project-Storm Improvement	33,000		33,000
Minor Storm Drain Projects 2016	100,000		100,000
Trash Removal Devices	600,000	294,054	305,946
Flap Gate Replacement	175,000		175,000
Storm Drain System Rehabilitation 17-19	1,400,000	259	1,399,741
Minor Storm Projects	100,000	71,463	28,537
Light Rail Median Landscaping	6,005,000	3,938,150	2,066,850
Second SCVWD Water Reservoir & Pump Station	200,000	825	199,175
Lower Penitencia Creek	1,665,000	305,641	1,359,359
Montague Pedestrian Overcrossing at Piper Drive	10,700,000	4,984,178	5,715,822
SCVWD Second Water Supply Turnout #2	100,000	643	99,357
TASP Citation-SCS	11,214,995	11,214,995	
TASP Pulte	4,160,436	4,160,436	
TASP Lennar	2,536,935	2,536,935	
TASP Sango Court	100,000	100,000	
TASP Falcon	1,183,686	1,183,686	
Total construction in progress	<u>\$115,311,485</u>	<u>\$62,885,415</u>	<u>\$52,426,070</u>

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 8 - CAPITAL ASSETS (Continued)

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

	Balance at June 30, 2018	Additions	Transfers	Balance at June 30, 2019
Capital assets not being depreciated:				
Land	\$1,133,079			\$1,133,079
Construction in progress	11,605,634	\$2,391,465	(\$1,183,184)	12,813,915
Total capital assets not being depreciated	12,738,713	2,391,465	(1,183,184)	13,946,994
Capital assets being depreciated:				
Distribution facilities	80,461,211			80,461,211
Water Service lines	15,193,903	599,610	1,142,066	16,935,579
Sewer lines	84,005,615		41,118	84,046,733
Capacity rights	71,775,302	6,201,888		77,977,190
Total capital assets being depreciated	251,436,031	6,801,498	1,183,184	259,420,713
Less accumulated depreciation for:				
Distribution facilities	(50,910,157)	(1,434,754)		(52,344,911)
Water Service lines	(6,490,970)	(333,059)		(6,824,029)
Sewer lines	(48,220,503)	(1,350,563)		(49,571,066)
Capacity rights	(22,454,108)	(2,314,116)		(24,768,224)
Total accumulated depreciation	(128,075,738)	(5,432,492)		(133,508,230)
Net capital assets being depreciated	123,360,293	1,369,006	1,183,184	125,912,483
Business-type activities capital assets, net	\$136,099,006	\$3,760,471		\$139,859,477

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 8 - CAPITAL ASSETS (Continued)

Business-type activities construction in progress comprised the following at June 30, 2019:

Project	Total Budget	Actual Costs	Unexpended Budget
Sewer System Replacement 1	\$1,450,000	\$1,195,714	\$254,286
Sewer System Replacement	1,250,000	815,062	434,938
TASP Sewer Line Replacement	2,500,000	129	2,499,871
CCTV Sanitary Sewer	357,472	20,578	336,894
BART Project-Sewer Improvements	243,323	229,730	13,593
Sanitary Sewer Overflow Improvement	205,745	198,469	7,276
Sewer Pump Station Rehabilitation	300,000	151,074	148,926
Sewer Pump Station Treatment Improvement	550,000	115,176	434,824
Minor Sewer Projects	100,000	32,237	67,763
Sanitary Supervisory Control	450,000		450,000
Main Lift Station Odor Emmissions Control	300,000	53,509	246,491
Sanitary Sewer Cathodic Protection Improvement	625,000	37,571	587,429
Sewer System Replacement	500,000	1,113	498,887
Well Upgrade Project	8,975,000	3,131,500	5,843,500
Water System Seismic Improvement	4,887,951	935,103	3,952,848
Hydrant Replacement	312,100	167,487	144,613
Cathodic Protection Improvements	850,000	735,830	114,170
Abel St Pipeline Extension	440,000	43,138	396,862
Dempsey Road Water Line	4,607,772	1,225,605	3,382,167
Automated Water Meter Replacement	2,771,700	831,026	1,940,674
BART Project-Water Improvements	2,503,920	1,820,243	683,677
Water Conservation Program	1,400,000	872,528	527,472
Supervisory Control	50,000		50,000
Recycled Water Pipeline Infill	300,000	71,214	228,786
Recycled Water Pipeline Segment 1	3,750,000		3,750,000
Annual Water Distribution	1,200,000	27,136	1,172,864
Minor Water Projects	200,000	20,318	179,682
Water O & M Database Management	150,000	82,425	67,575
Water Leak Detection	150,000		150,000
	<u>\$41,379,983</u>	<u>\$12,813,915</u>	<u>\$28,566,068</u>

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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, 2018:

	Balance December 31, 2017	Additions	Balance December 31, 2018
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	1,565,277	7,000	1,572,277
Capital assets being depreciated:			
Buildings	11,956,729	11,262	11,967,991
Furniture	336,393	\$15,755	352,148
Office equipment	65,096		65,096
Improvements	2,476,919	50,471	2,527,390
Total capital assets being depreciated	14,835,137	77,488	14,912,625
Less accumulated depreciation	(8,345,615)	(445,408)	(8,791,023)
Net capital assets being depreciated	6,489,522	(367,920)	6,121,602
Total capital assets, net	\$8,054,799	(\$360,920)	\$7,693,879

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	\$2,782,244
Public Works	7,473,965
Engineering	2,605,822
Parks and Recreation	1,160,403
Police	672,076
Fire	323,060
Internal Service Fund	1,003,587
Total Governmental Activities	\$16,021,157

Business-Type Activities:

Water Utility	\$1,767,813
Sewer Utility	3,664,679
Total Business-Type Activities	\$5,432,492

Discretely Presented Component Unit:

Terrace Gardens, Inc.	\$445,408
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CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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 \$77,977,190. The operation and maintenance costs are calculated based upon actual sewage flow and strengths. In fiscal year 2019 the City's operation and maintenance share was approximately 5.659% 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, 2018	Additions	Retirements	Balance June 30, 2019	Current Portion
Governmental Activities Debt - Direct Borrowing:						
Capital Lease (Network Upgrade Project)						
4.25%, due January 21, 2023	\$952,245		\$952,245	\$223,938	\$728,307	\$170,659
Business-type Activities Debt						
Wastewater Revenue Refunding Bonds, 2017 Series						
2.0% - 5.0%, due November 1, 2026	\$4,725,000	\$4,725,000		\$480,000	\$4,245,000	\$460,000
Plus: Unamortized bond premium		637,703		70,856	566,847	
Total Business-Type Activities	<u>\$4,725,000</u>	<u>\$5,362,703</u>		<u>\$550,856</u>	<u>\$4,811,847</u>	<u>\$460,000</u>

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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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 collateralized by net revenues from the City's Sewer System. For the fiscal year 2019, net revenues amounted to \$10,735,607 which represented coverage of 16.51 over the \$650,273 debt service.

D. Debt Service Requirements

Annual debt service requirements are shown below:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Capital Lease		2017 Wastewater Refunding Bonds	
	Total Principal	Total Interest	Total Principal	Total Interest
2020	\$170,659	\$31,564	\$460,000	\$187,500
2021	178,055	24,167	475,000	173,700
2022	185,771	16,451	495,000	154,700
2023	193,822	8,400	515,000	134,900
2024			535,000	115,000
2025 - 2027			1,765,000	179,250
	<u>\$728,307</u>	<u>\$80,582</u>	4,245,000	<u>\$945,050</u>
Plus: Unamortized bond premium			566,847	
			<u>\$4,811,847</u>	

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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.

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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

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, 2019

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City's Fund Balances, as of June 30, 2019, are below:

Fund Balance Classifications	General Fund	Major Special Revenue Fund	Major Capital Projects				Total
		Housing Authority	Street Improvement Fund	Transit Area Impact Fee Fund	General Government Project Fund	Other Governmental Funds	
Nonspendable:							
Loans receivable							
Prepays, materials, supplies and deposits	\$743,932	\$3,594			\$70,279	\$11,264	\$829,069
Property held for resale	4,200,000						4,200,000
Advance to other funds	5,290,250						5,290,250
Subtotal Nonspendable	10,234,182	3,594			70,279	11,264	10,319,319
Restricted for:							
Redevelopment Projects and Programs and Maintenance			\$7,409,606			3,736,789	11,146,395
Housing and community development		39,297,277				3,797,312	43,094,589
Law enforcement services						137,578	137,578
Solid waste reduction and services						1,869,841	1,869,841
Assessment district services						1,509,786	1,509,786
Hetch-Hetchy ground lease						1,604,425	1,604,425
Community planning						1,097,887	1,097,887
Community benefits						261,762	261,762
Affordable housing						1,600,770	1,600,770
Park improvement projects						24,624,716	24,624,716
Storm drain projects						8,003,309	8,003,309
Transit area capital projects				\$48,281,828			48,281,828
Subtotal Restricted		39,297,277	7,409,606	48,281,828		48,244,175	143,232,886
Committed to:							
PERS stabilization	33,871,915						33,871,915
Artificial turf replacement	980,000						980,000
Technology replacement	2,000,000						2,000,000
Facilities replacement	7,000,000						7,000,000
Subtotal Restricted	43,851,915						43,851,915
Assigned to:							
Uninsured claims payable	2,816,694						2,816,694
Public art projects						748,294	748,294
Other contracts	3,098,865						3,098,865
General government capital projects					27,783,956		27,783,956
Subtotal Assigned	5,915,559				27,783,956	748,294	34,447,809
Unassigned:							
General Fund							
Budget stabilization	9,450,000						9,450,000
Unassigned	31,204,672						31,204,672
Subtotal Unassigned	40,654,672						40,654,672
Total fund balances (deficit)	\$100,656,328	\$39,300,871	\$7,409,606	\$48,281,828	\$27,854,235	\$49,003,733	\$272,506,601

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

C. Minimum Fund Balance Policies

The City's Budget Guidelines and Fiscal Policies document the City effort to maintain the following fund balances:

- 1) 16.67% of the annual operating expenditures in the General Fund's Unassigned Fund Balance for emergencies and unforeseen operating or capital needs.
- 2) The City will maintain a Budget Stabilization Reserve in the General Fund with a target of \$8.3 million. 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 re-balanced 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. Any use of the General Fund Budget Stabilization Reserve shall require majority vote by the City Council through the adoption of the Operating Budget or by appropriation action during the fiscal year. 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. The replenishment of this reserve may also be incorporated into the annual Adopted Operating Budget, as resources are available to replenish the reserve.
- 3) Maintain a \$5 million Public Employees Retirement Rate Stabilization Reserve in the General Fund. This reserve may be drawn on if the required employee contribution rates exceed previous year's contribution rates by more than 3% of payroll. The City Council must approve utilization of this reserve at the time of the budget hearing. This reserve will be replenished from unassigned fund balance after the 16.67% requirement of the operating expenditures has been met.
- 4) Maintain an artificial turf replacement reserve to provide funding for the cost of replacing artificial turf fields, such as the field installed at the Milpitas Sports Center. The initial reserve is \$750,000, with an annual set-aside amount of at least \$230,000 in the General Fund and a long-term target of \$2 million. The City Council must approve utilization of this reserve at the time of the budget hearing or by appropriation action during the fiscal year.
- 5) Maintain a technology replacement reserve to provide funding for major rehabilitation or replacement of the City's technology infrastructure or new technology initiatives. The initial reserve is \$1 million, with a long-term target for this reserve of \$5 million, and will endeavor to set-aside an annual amount of \$300,000 in the Equipment Management Internal Service Fund. The City Council must approve utilization of this reserve at the time of the budget hearing or by appropriation action during the fiscal year.
- 6) Maintain a facilities replacement reserve to provide funding for major rehabilitation or replacement of City facilities (buildings/structures). The initial reserve is \$2 million, with a long-term target for this reserve of \$10 million. The City Council must approve utilization of this reserve at the time of the budget hearing or by appropriation action during the fiscal year.
- 7) Maintain a Storm Drain replacement reserve to replace and repair storm drain pump stations. The City will endeavor to set-aside \$500,000 annually from the General Fund reserve for this purpose.
- 8) Other reserves designated in the General Fund for investment portfolio market gain and uninsured claims payable will be calculated and adjusted annually at appropriate levels.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 10 – NET POSITION AND FUND BALANCES (Continued)

- 9) Maintain working capital in the Water and Sewer Utility Enterprise Funds to provide for future capital projects and unanticipated emergencies, such as water main break repairs and pump station repairs. The City will attempt to maintain a working capital reserve of approximately 30% and 25% of the annual operating and maintenance expenses in the Water Utility Fund and Sewer Utility Fund, respectively.
- 10) 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.
- 11) 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, 2019

NOTE 11 - PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2019, 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%	5.75%
Required employer contribution rates	9.800%	9.800%	9.800%
Required Unfunded Actuarial Liability Contribution	\$4,727,847		

	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	18.361%	18.361%	18.361%
Required Unfunded Actuarial Liability Contribution	\$6,321,144		

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 were \$4,727,847 and \$6,321,144, 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, 2017 and measurement date of June 30, 2018:

	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	369			226		
Inactive employees entitled to but not yet receiving benefits	315			31		
Active employees	132	2	49	111	5	21
Total	816	2	49	368	5	21

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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 of the Plans is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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, 2018 measurement date were determined using the following actuarial assumptions:

	Miscellaneous (1)	Safety (1)
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2018	June 30, 2018
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	3.0%	3.0%
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	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter	Contract COLA up to 2.00% 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 table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the CalPERS December 2017 experience study report available on CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 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.

Change of Assumptions – For the measurement date of June 30, 2018, the inflation rate reduced from 2.75% to 2.50%.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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 best-estimate ranges of 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 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 equivalent 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. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

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%	- %	-0.92%
Total	100.0%		

- (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, 2019

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, 2017 (Measurement Date)	\$222,345,892	\$155,168,033	\$67,177,859
Changes in the year:			
Service cost	3,042,853		3,042,853
Interest on the total pension liability	15,647,110		15,647,110
Differences between actual and expected experience	1,831,444		1,831,444
Changes in assumptions	(1,404,854)		(1,404,854)
Changes in benefit terms			
Contribution - employer		5,762,448	(5,762,448)
Contribution - employee		1,473,732	(1,473,732)
Net Plan to Plan Resource Movement		(381)	381
Net investment income		13,123,448	(13,123,448)
Administrative expenses		(241,795)	241,795
Other Miscellaneous Income/(Expense)		(459,172)	459,172
Benefit payments, including refunds of employee contributions	(10,906,398)	(10,906,398)	
Net changes	8,210,155	8,751,882	(541,727)
Balance at June 30, 2018 (Measurement Date)	\$230,556,047	\$163,919,915	\$66,636,132

	Safety Plan		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2017 (Measurement Date)	\$331,735,390	\$212,142,828	\$119,592,562
Changes in the year:			
Service cost	5,975,378		5,975,378
Interest on the total pension liability	23,331,989		23,331,989
Differences between actual and expected experience	626,935		626,935
Changes in assumptions	(986,630)		(986,630)
Changes in benefit terms			
Contribution - employer		8,866,550	(8,866,550)
Contribution - employee		2,240,962	(2,240,962)
Net Plan to Plan Resource Movement		(521)	521
Net investment income		17,931,642	(17,931,642)
Administrative expenses		(330,577)	330,577
Other Miscellaneous Income/(Expense)		(627,771)	627,771
Benefit payments, including refunds of employee contributions	(16,083,729)	(16,083,729)	
Net changes	12,863,943	11,996,556	867,387
Balance at June 30, 2018 (Measurement Date)	\$344,599,333	\$224,139,384	\$120,459,949
Grand Totals - Both Plans	\$575,155,380	\$388,059,299	\$187,096,081

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 11 - PENSION PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City for each Plan, calculated using the discount rate for each Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	6.15%	6.15%
Net Pension Liability	\$97,065,689	\$166,810,801
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$66,636,132	\$120,459,949
1% Increase	8.15%	8.15%
Net Pension Liability	\$41,462,940	\$82,271,486

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, 2019, the City recognized pension expense of \$28,504,984. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions after the measurement date	\$6,863,508	
Differences between actual and expected experience	915,722	
Changes in assumptions		(\$702,427)
Net differences between projected and actual earnings on plan investments	245,823	
Total	<u>\$8,025,053</u>	<u>(\$702,427)</u>

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 11 - PENSION PLANS (Continued)

	Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions after the measurement date	\$10,289,680	
Differences between actual and expected experience	1,280,536	(\$345,343)
Changes in assumptions	9,362,657	(726,991)
Net differences between projected and actual earnings on plan investments	296,240	
Total	<u>\$21,229,113</u>	<u>(\$1,072,334)</u>
Grand Totals - Both Plans	<u>\$29,254,166</u>	<u>(\$1,774,761)</u>

\$19,145,673 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Miscellaneous Plan:

Year Ended June 30	Annual Amortization
2020	\$2,158,002
2021	393,735
2022	(1,651,352)
2023	(441,267)

Safety Plan:

Year Ended June 30	Annual Amortization
2020	\$7,882,687
2021	4,934,685
2022	(2,348,789)
2023	(601,484)

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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 11 - PENSION PLANS (Continued)

The City's required contributions of \$31,435 and the employee's required contributions of \$125,740 were made during the fiscal year ending June 30, 2019.

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 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, 2019 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.

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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 12 - EMPLOYEE BENEFITS (Continued)

Medical Benefit for Retirees:

	Hire/Retirement Date	Eligibility Rule (Continuous Years of Service)	City Contribution Requirement
Professional / Technical (PROTECH)	Hired before July 1, 1995	N/A or Less than 5 At least 5 Less than 5	If retirement occurred before June 30, 1989: - PEMHCA Minimum Only If retirements occurs after July 1, 1990 but before September 1, 2002: -Any employee only medical premium rate If retirement occurs after August 31, 2002: -Benefit cap If retirements occurs after July 1, 1990 but before September 1, 2002: - PEMHCA Minimum Only
	Hired after June 30, 1995 and retired after August 31, 2002	Less than 5 5 but less than 9 9 but less than 14 14 but less than 19 At least 19	PEMHCA Minimum Only Up to 25% of the benefit cap Up to 50% of the benefit cap Up to 75% of the benefit cap Up to 100% of the benefit cap
Mid-Management and Confidential (LIUNA) (Began 9/2003)	Hired before July 1, 1995	Less than 5 At least 5	PEMHCA Minimum Only Benefit cap
	Hired after June 30, 1995	Less than 5 5 but less than 9 9 but less than 14 14 but less than 19 At least 19	PEMHCA Minimum Only Up to 25% of the benefit cap Up to 50% of the benefit cap Up to 75% of the benefit cap Up to 100% of the benefit cap
Unrepresented Miscellaneous and Fire	Hired before July 1, 1995	N/A or Less than 5 At Least 5	If retirement occurred January 1, 1989: - PEMHCA Minimum Only If retirements occurs after July 1, 1990 but before September 1, 2002: -PEMHCA Minimum Only If retirement occurs after August 31, 2002: -PEMHCA Minimum Only If retirements occurs after July 1, 1990 but before September 1, 2002: -Any employee only medical premium rate If retirement occurs after August 31, 2002: -benefit cap
	Hired after June 30, 1995	Less than 5 5 but less than 10 10 but less than 15 15 but less than 20 At least 20	PEMHCA Minimum Only Up to 25% of the benefit cap Up to 50% of the benefit cap Up to 75% of the benefit cap Up to 100% of the benefit cap

- 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, 2019

NOTE 12 - EMPLOYEE BENEFITS (Continued)

Medical benefits for retirees (continued):

	Hire/Retirement Date	Eligibility Rule (Continuous Years of Service)	City Contribution Requirement
Unrepresented Police	Hired before July 1, 1995	N/A or Less than 5 At Least 5	If retirement occurred January 1, 1989: - PEMHCA Minimum Only If retirements occurs after December 31, 1988 but before July 1, 2003: -PEMHCA Minimum Only If retirement occurs after June 30, 2003: -PEMHCA Minimum Only If retirements occurs after December 31, 1988 but before July 1, 2003: -Any employee only medical premium rate If retirement occurs after June 30, 2003: -retiree cap
	Hired after June 30, 1995	Less than 5 5 but less than 10 10 but less than 15 15 but less than 20 At least 20	PEMHCA Minimum Only Up to 25% of the benefit cap Up to 50% of the benefit cap Up to 75% of the benefit cap Up to 100% of the benefit cap
Fire Safety (IAFF)	Hired before January 1, 1995 and retired before January 1, 1990	N/A	PEMHCA Minimum Only
	Hired before January 1, 1995 and retired after December 31, 1989 but before January 1, 1995	Less than 1 At least 11	PEMHCA Minimum Only Any employee only premium
	Hired before January 1, 1995 and retired after December 31, 1994 but before February 21, 2007	Less than 1 1 but less than 10 At least 10	PEMHCA Minimum Only 50% of the benefit cap 100% of the benefit cap
	Hired before January 1, 1995 and retired after February 20, 2007	Less than 1 1 but less than 10 At least 10	PEMHCA Minimum Only Up to 50% of the lesser of the retiree cap and the premium rate Up to 100% of the lesser of the retiree cap and the premium rate
	Hired after December 31, 1994 and retired before February 21, 2007	Less than 1 1 but less than 10 10 but less than 15 15 but less than 20 At least 20	PEMHCA Minimum Only Up to 25% of the benefit cap Up to 50% of the benefit cap Up to 75% of the benefit cap Up to 100% of the benefit cap
	Hired after December 31, 1994 and retired after February 21, 2007	Less than 1 1 but less than 10 10 but less than 15 15 but less than 20 At least 20	PEMHCA Minimum Only 25% of the lesser of the retiree cap and premium rate 50% of the lesser of the retiree cap and premium rate 75% of the lesser of the retiree cap and premium rate 100% of the lesser of the retiree cap and premium rate

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 12 – EMPLOYEE BENEFITS (Continued)

Medical benefits for retirees (continued):

	Hire/Retirement Date	Eligibility Rule (Continuous Years of Service)	City Contribution Requirement
Police (MPOA)	Hired before January 1, 1996 and retired before January 1, 1989	N/A	PEMHCA Minimum Only
	Hired before January 1, 1996 and retired after December 31, 1988 but before July 1, 2003	Less than 5	PEMHCA Minimum Only
		At least 5	Any employee only medical premium rate
	Hired before January 1, 1996 and retired after July 1, 2003	Less than 5	PEMHCA Minimum Only
		At least 5	Up to the Retiree Cap
	Hired after December 31, 1995 and retired before June 30, 2003	Less than 1	PEMHCA Minimum Only
		1 but less than 9	Up to 25% of any employee only premium
		9 but less than 14	Up to 50% of any employee only premium
		14 but less than 19	Up to 75% of any employee only premium
		At least 19	Up to 100% of any employee only premium
	Hired after December 31, 1995 and retired after June 30, 2003	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)	Hired before July 1, 1996	N/A or Less than 5	If retirement occurred before July 16, 1989: - PEMHCA Minimum Only If retirements occurs after July 17, 1989 but before March 19, 2003: -PEMHCA Minimum Only If retirement occurs after March 18, 2003: -PEMHCA Minimum Only
		At Least 5	If retirements occurs after July 17, 1989 but before March 19, 2003: -Any employee only medical premium rate If retirement occurs after March 18, 2003: -benefit cap
	Hired after June 30, 1996	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, 2019

NOTE 12 – EMPLOYEE BENEFITS (Continued)

Medical benefits for retirees (continued):

	Hire/Retirement Date	Eligibility Rule (Continuous Years of Service)	City Contribution Requirement
Supervisors (MSA) (Ended June 30, 2012)	Hired before June 30, 1995	N/A or Less than 5 At Least 5	If retirement occurred before July 1, 1996: - PEMHCA Minimum Only If retirements occurs after June 30, 1996 but before November 27, 2007: -PEMHCA Minimum Only If retirement occurs after November 26, 2007: -PEMHCA Minimum Only If retirements occurs after June 30, 1996 but before November 27, 2007: -Any employee only medical premium rate If retirement occurs after November 26, 2007: -benefit cap
	Hired after June 29, 1995 and retired after November 27, 2007	Less than 5 5 but less than 10 10 but less than 15 15 but less than 20 At least 20	PEMHCA Minimum Only Up to 25% of the benefit cap Up to 50% of the benefit cap Up to 75% of the benefit cap Up to 100% of the benefit cap

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 12 – EMPLOYEE BENEFITS (Continued)

Medical benefits for dependents:

Group	Date of Hire	Date of Retirement	Minimum Years of Continuous Service	City Contribution for Dependent Medical Premiums ¹
Professional / Technical (PROTECH)	Before July 1, 1995	After December 4, 2006	At least 5	Up to 100% of family/dependent premium
	After June 30, 1995	After December 4, 2006	5 but less than 9	Up to 25% of the family/dependent premium
			9 but less than 14	Up to 50% of the family/dependent premium
			14 but less than 19	Up to 75% of the family/dependent premium
			At least 19	Up to 100% of the family/dependent premium
Mid-Management and Confidential (LIUNA)	Before July 1, 1995	After January 1, 2007	At least 5	Up to 100% of family/dependent premium
	After June 30, 1995	After January 1, 2007	5 but less than 9	Up to 25% of the family/dependent premium
			9 but less than 14	Up to 50% of the family/dependent premium
			14 but less than 19	Up to 75% of the family/dependent premium
			At least 19	Up to 100% of the family/dependent premium
Unrepresented (UNREP-Police) ²	Before January 1, 1996	After June 30, 2003	At least 5	100% of family/dependent premiums
	After December 31, 1995	After June 30, 2003	5 but less than 9	Up to 25% of the family/dependent premium
			9 but less than 14	Up to 50% of the family/dependent premium
			14 but less than 19	Up to 75% of the family/dependent premium
			At least 19	Up to 100% of the family/dependent premium
Unrepresented (UNREP-Fire) ³	Before January 1, 1996	After September 4, 2007	At least 5	100% of family/dependent premiums
	After December 31, 1995	After September 4, 2007	5 but less than 9	Up to 25% of the family/dependent premium
			9 but less than 14	Up to 50% of the family/dependent premium
			14 but less than 19	Up to 75% of the family/dependent premium
			At least 19	Up to 100% of the family/dependent premium
Unrepresented (UNREP-Misc) ⁴	Before January 1, 1996	After June 30, 2018	At least 5	100% of family/dependent premiums
	After December 31, 1995	After June 30, 2018	5 but less than 9	Up to 25% of the family/dependent premium
			9 but less than 14	Up to 50% of the family/dependent premium
			14 but less than 19	Up to 75% of the family/dependent premium
			At least 19	Up to 100% of the family/dependent premium

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

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

³ The Fire Chief is ineligible for dependent fund benefits.

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

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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
	After December 31, 1995	After June 30, 2003	5 but less than 9	Up to 25% of the family/dependent premium
			9 but less than 14	Up to 50% of the family/dependent premium
			14 but less than 19	Up to 75% of the family/dependent premium
			At least 19	Up to 100% of the family/dependent premium

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

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, 2019, the City’s contributions to the Plan were \$4,651,743.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2018:

Active employees	310
Inactive employees or beneficiaries currently receiving benefit payments	277
Inactive employees entitled to but not yet receiving benefit payments	6
Total	593

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 12 - EMPLOYEE BENEFITS (Continued)

Actuarial Methods and Assumptions – The City’s net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2017, that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2018, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	July 1, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Actuarial Assumptions:	
Discount Rate	7.0% (explicit subsidies) and 3.62% (implicit subsidies)
Inflation	2.75%
Salary Increase	3.25%
Assumed Wage Inflation	3.0%
Investment Rate of Return	7.0%
Mortality Rate	MacLeod Watts Scale of 2017 applied generationally
Healthcare Trend Rate	7.5% grading down to 5% for years 2024 and thereafter

The underlying mortality assumptions were based on the mortality table published by CalPERS in their 2014 study, adjusted to back out 20 years of Scale BB to central year 2008 and all other actuarial assumptions used in the July 1, 2017 valuation were based on the results of a June 30, 2016 actuarial experience study for the period 1997 to 2011, 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, 2019

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	57.0%
Fixed Income	27.0%
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 7.0% over the long term, based on information published by CalPERS as of the June 30, 2017 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 7.0%.

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 3.62%.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 12 - EMPLOYEE BENEFITS (Continued)

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2017	\$83,518,106	\$39,104,333	\$44,413,773
Changes Recognized for the Measurement Period:			
Service Cost	2,356,491		2,356,491
Interest on the total OPEB liability	5,155,080		5,155,080
Changes in benefit terms			0
Differences between expected and actual experience			0
Changes of assumptions	(113,934)		(113,934)
Contributions from the employer		4,803,893	(4,803,893)
Net investment income		3,175,844	(3,175,844)
Other Expenses		(51,721)	51,721
Administrative expenses		(21,490)	21,490
Benefit payments	(2,994,247)	(2,994,247)	0
Net changes	4,403,390	4,912,279	(508,889)
Balance at June 30, 2018 (Measurement Date)	\$87,921,496	\$44,016,612	\$43,904,884

The benefit payments and refunds include implied subsidy benefit payments in the amount of \$1,059,545.

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 -1%	Discount Rate	Discount Rate +1%
(6.0%-2.62%)	(7.0%-3.62%)	(8.0%-4.62%)
\$54,406,479	\$43,904,884	\$35,108,475

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		
1% Decrease	Trend Rates	1% Increase
(6.5%-4.0%)	(7.5%-5.0%)	(8.5%-6.0%)
\$32,810,544	\$43,904,884	\$58,277,043

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 12 - EMPLOYEE BENEFITS (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB - For the year ended June 30, 2019, the City recognized OPEB expense of \$3,893,174. At June 30, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$4,651,743	
Differences between actual and expected experience		
Changes of assumptions		\$988,161
Net differences between projected and actual earnings on plan investments		1,074,521
Total	\$4,651,743	\$2,062,682

\$4,651,743 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, 2020. 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
2020	\$536,201
2021	536,201
2022	536,202
2023	278,765
2024	162,203
Thereafter	13,110

C. *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, 2019, sick leave benefits payable increased by \$291,525 and vacation benefits payable increased by \$425,579. 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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 12 - EMPLOYEE BENEFITS (Continued)

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, 2018	\$4,533,723	\$241,970	\$2,786,470	\$113,494
Additions	5,159,649	410,149	1,026,060	77,245
Payments and adjustments	(4,816,466)	(327,753)	(776,405)	(35,375)
Balance as of June 30, 2019	<u>\$4,876,906</u>	<u>\$324,366</u>	<u>\$3,036,125</u>	<u>\$155,364</u>
General Government	\$412,547		\$143,933	
Building	161,840		35,282	
Public Works	271,920		145,308	
Engineering	140,314		49,300	
Planning	88,508			
Recreation	139,243		79,697	
Police	2,504,557		992,238	
Fire	1,077,961		1,574,480	
Water Utility		\$188,473		\$77,681
Sewer Utility		135,893		77,683
Internal Service	80,016		15,887	
Total	<u>\$4,876,906</u>	<u>\$324,366</u>	<u>\$3,036,125</u>	<u>\$155,364</u>
Long-Term Portion:				
Governmental activities	\$2,622,451		\$2,053,799	
Business-type activities		\$149,042		\$136,630
Total long term portions	<u>\$2,622,451</u>	<u>\$149,042</u>	<u>\$2,053,799</u>	<u>\$136,630</u>
Current Portion:				
Governmental activities	\$2,254,455		\$982,326	
Business-type activities		\$175,324		\$18,734
Total current portions	<u>\$2,254,455</u>	<u>\$175,324</u>	<u>\$982,326</u>	<u>\$18,734</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, 2019

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, 2019, the City contributed \$696,868 for the 2018/19 program year.

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

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

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

B. Workers Compensation

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

C. Dental

The City is self-insured for dental care for miscellaneous employees up to a maximum of \$14,000 per family, based on years of service. Claims are funded on a pay-as-you-go basis. During the year ended June 30, 2019 the City paid \$997,993 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, 2019

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:

	2019			2018
	Worker's Compensation	General Liability	Total	
Beginning balance	\$5,919,722	\$497,812	\$6,417,534	\$6,278,372
Liability for current fiscal year claims	993,628	122,094	1,115,722	774,846
Increase (decrease) in estimated liability for prior fiscal year claims and claims incurred but not reported (IBNR)	(50,978)	80,710	29,732	677,948
Claims paid	(1,006,292)	(342,023)	(1,348,315)	(1,313,632)
Ending balance	<u>\$5,856,080</u>	<u>\$358,593</u>	<u>\$6,214,673</u>	<u>\$6,417,534</u>
Due in one year	<u>\$928,097</u>	<u>\$189,855</u>	<u>\$1,117,952</u>	<u>\$1,070,347</u>

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

NOTE 14 - COMMITMENTS AND CONTINGENT LIABILITIES

A. Litigation

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

B. Federal and State Grant Programs

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

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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, 2019 were as follows:

Major Governmental Funds:	
General Fund	\$3,098,865
Housing Authority Fund	6,500,000
Street Improvement Fund	1,347,491
Transit Area Impact Fee Fund	8,061,476
Non-Major Governmental Funds	<u>9,576,565</u>
Total Encumbrances	<u><u>\$28,584,397</u></u>

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 \$16.9 million through June 30, 2019. During fiscal year 2017, the City paid \$5.1 million to VTA, but the Transit Area Impact Fee Capital Projects Fund did not have TASP funds available for the payment of the remaining balance due, therefore the City has recorded a liability in the amount of \$9.7 million in the Transit Area Impact Fee Capital Projects Fund as of June 30, 2017. During fiscal year 2018, the City paid \$4 million to VTA and again the Transit Area Impact Fee Capital Projects Fund did not have TASP funds available for the payment of the remaining balance due, therefore the City has recorded a liability in the amount of \$4.4 million in the Transit Area Impact Fee Capital Projects Fund as of June 30, 2018. During fiscal year 2019, the City paid \$7.8 million.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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 5.817% 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, 2019

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 \$1,052,392 during fiscal year 2019, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2020 is estimated to be \$995,676.

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.

The Housing Authority Special Revenue Fund serves as the housing successor and as of July 1, 2018 had an excess surplus balance of \$3,711,791. As discussed in Note 5K, the Housing Authority approved a loan agreement in the amount of \$6.5 million that encumbered the excess surplus as of June 30, 2019. The loan is expected to be disbursed to the developer in fiscal year 2020.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 15 –SUCCESSOR AGENCY ACTIVITIES

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, 2019 are discussed in Note 3 above. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2019.

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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 15 –SUCCESSOR AGENCY ACTIVITIES

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, 2018	Retirements	Balance June 30, 2019	Current Portion
Installment Purchase Agreement with the County of Santa Clara - Direct Borrowing				
due June 30, 2023	\$13,776,084	\$3,030,408	\$10,745,676	\$2,886,103
2015 Tax Allocation Bonds				
2%-5%, due September 1, 2032	108,145,000	6,475,000	101,670,000	6,735,000
Plus: Unamortized bond premium	17,467,442	1,190,962	16,276,480	
Total	<u>\$139,388,526</u>	<u>\$10,696,370</u>	<u>\$128,692,156</u>	<u>\$9,621,103</u>

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(1) above. As discussed in Note 15B (1), 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 \$10,745,676 at June 30, 2019, 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.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 15 –SUCCESSOR AGENCY ACTIVITIES

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
2020	\$2,886,103	\$3,113,897	\$6,735,000	\$4,915,125
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
2025-2029			43,300,000	10,513,500
2030-2033			21,155,000	1,840,125
	<u>\$10,745,676</u>	<u>\$13,254,324</u>	101,670,000	<u>\$33,300,750</u>
Plus: Unamortized bond premium			16,276,480	
			<u>\$117,946,480</u>	

5. Defeased Bonds

As of June 30, 2019, the outstanding balance of defeased debt was \$11,865,000 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 EVENTS

2019 Wastewater Revenue Bonds

On November 13, 2019, the Milpitas Municipal Financing Authority issued Wastewater Revenue Bonds, Series 2019, in the original principal amount of \$29,840,000, generating proceeds in the amount of \$35,335,463, to provide funds for certain improvements to the City's wastewater system and to pay the cost of issuing the 2019 Bonds. 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 2049. The Bonds were structured with a par optional redemption date of June 1, 2029. The Bonds are collateralized by net revenues from the City's Sewer System, on parity with the 2017 Bonds.

CITY OF MILPITAS
Notes to Basic Financial Statements
For the Year Ended June 30, 2019

NOTE 16 –SUBSEQUENT EVENTS (Continued)

2019 Water Revenue Bonds

On November 13, 2019, the Milpitas Municipal Financing Authority issued Water Revenue Bonds, Series 2019, in the original principal amount of \$17,210,000, generating proceeds in the amount of \$20,272,132, to provide funds for certain improvements to the City's water system and to pay the cost of issuing the 2019 Bonds. 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 2049. The Bonds were structured with a par optional redemption date of June 1, 2029. The Bonds are collateralized by net revenues from the City's Water System.

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
Total OPEB Liability		
Service Cost	\$2,386,392	\$2,356,491
Interest	4,794,071	5,155,080
Changes in benefit terms		
Differences between expected and actual experience		
Changes of assumptions	(1,263,847)	(113,934)
Benefit payments	(3,325,081)	(2,994,247)
Net change in total OPEB liability	2,591,535	4,403,390
Total OPEB liability - beginning	80,926,571	83,518,106
Total OPEB liability - ending (a)	\$83,518,106	\$87,921,496
Plan fiduciary net position		
Contributions - employer	\$4,959,756	\$4,803,893
Contributions - employee		
Net investment income	3,708,342	3,175,844
Administrative expense	(18,732)	(21,490)
Benefit payments	(3,325,081)	(2,994,247)
Other Expenses		(51,721)
Net change in plan fiduciary net position	5,324,285	4,912,279
Plan fiduciary net position - beginning	33,780,048	39,104,333
Plan fiduciary net position - ending (b)	\$39,104,333	\$44,016,612
 Net OPEB liability - ending (a)-(b)	 \$44,413,773	 \$43,904,884
 Plan fiduciary net position as a percentage of the total OPEB liability	 46.82%	 50.06%
 Covered-employee payroll	 \$42,017,236	 \$43,375,678
 Net OPEB liability as a percentage of covered-employee payroll	 105.70%	 101.22%

* 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)	\$0	\$593,096	\$593,096	\$0	\$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%

Notes to Schedule

Valuation date:

Methods and assumptions used to determine contribution rates:

Valuation Date	July 1, 2017
Actuarial Assumptions:	
Discount Rate	7.0% (explicit subsidies) and 3.62% (implicit subsidies)
Inflation	2.75%
Salary Increase	3.25%
Assumed Wage Inflation	3.0%
Investment Rate of Return	7.0%
Mortality Rate	MacLeod Watts Scale of 2017 applied generationally
Healthcare Trend Rate	7.5% grading down to 5% for years 2024 and thereafter

* Fiscal year 2018 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	2013-14	2014-15	2015-16	2016-17	2017-18
Total Pension Liability					
Service Cost	\$2,652,510	\$2,664,628	\$2,666,665	\$3,008,973	\$3,042,853
Interest	13,600,615	14,114,152	14,689,192	15,078,047	15,647,110
Differences between expected and actual experience	-	(982,598)	(18,301)	(1,238,427)	1,831,444
Changes in assumptions	-	(3,463,459)	-	12,475,424	(1,404,854)
Changes in benefits	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(8,381,334)	(8,930,516)	(9,558,779)	(10,236,837)	(10,906,398)
Net change in total pension liability	7,871,791	3,402,207	7,778,777	19,087,180	8,210,155
Total pension liability - beginning	184,205,937	192,077,728	195,479,935	203,258,712	222,345,892
Total pension liability - ending (a)	\$192,077,728	\$195,479,935	\$203,258,712	\$222,345,892	\$230,556,047
Plan fiduciary net position					
Contributions - employer	\$3,356,909	\$4,076,975	\$4,519,744	\$5,048,143	\$5,762,448
Contributions - employee	1,439,932	1,326,989	1,333,019	1,266,956	1,473,732
Net investment income	22,034,637	3,281,429	775,183	16,109,364	13,123,448
Administrative expense	-	(164,523)	(89,109)	(211,414)	(241,795)
Benefit payments, including refunds of employee contributions	(8,381,334)	(8,930,516)	(9,558,779)	(10,236,837)	(10,906,398)
Other Miscellaneous Income/Expense	-	-	-	-	(459,172)
Net Plan to Plan Resource Movement	-	-	(370)	(370)	(381)
Net change in plan fiduciary net position	18,450,144	(409,646)	(3,020,312)	11,975,842	8,751,882
Plan fiduciary net position - beginning	128,172,005	146,622,149	146,212,503	143,192,191	155,168,033
Plan fiduciary net position - ending (b)	\$146,622,149	\$146,212,503	\$143,192,191	\$155,168,033	\$163,919,915
Net pension liability - ending (a)-(b)	\$45,455,579	\$49,267,432	\$60,066,521	\$67,177,859	\$66,636,132
Plan fiduciary net position as a percentage of the total pension liability	76.33%	74.80%	70.45%	69.79%	71.10%
Covered payroll	\$15,682,538	\$16,009,660	\$16,161,589	\$16,418,123	\$18,846,066
Net pension liability as percentage of covered payroll	289.85%	307.74%	371.66%	409.17%	382.47%

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2017. 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. GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. In 2018, there were no changes. In 2017, the accounting discount rate reduced from 7.65% to 7.15%. In 2016 and 2018, 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. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 and 2016 measurement dates.

* 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	2019
Actuarially determined contribution	\$3,252,668	\$4,236,931	\$5,082,638	\$6,243,904	\$6,863,508
Contributions in relation to the actuarially determined contributions	3,252,668	4,236,931	5,082,638	6,243,904	6,863,508
Contribution deficiency (excess)	<u>\$0</u>	<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	\$22,079,190
Contributions as a percentage of covered payroll	20.32%	26.22%	30.96%	33.13%	31.09%
Notes to Schedule					
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016
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	3.30% to 14.20% depending on Age, Service, and type of employment.				
Investment rate of return	7.50% for 2015 to 2018 and 7.375% for 2019, net of pension plan investment expense, including inflation.				
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.				
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale AA published by the Society of Actuaries.				

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

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	2017-18
Total Pension Liability					
Service Cost	\$4,932,970	\$4,808,751	\$5,094,318	\$5,934,642	\$5,975,378
Interest	19,838,662	20,535,893	21,663,378	22,434,283	23,331,989
Differences between expected and actual experience	-	(2,363,470)	3,274,330	(690,685)	626,935
Changes in assumptions	-	(5,052,089)	-	18,725,315	(986,630)
Changes in benefits	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(13,076,629)	(13,656,196)	(14,390,575)	(14,864,837)	(16,083,729)
Net change in total pension liability	11,695,003	4,272,889	15,641,451	31,538,718	12,863,943
Total pension liability - beginning	268,587,329	280,282,332	284,555,221	300,196,672	331,735,390
Total pension liability - ending (a)	\$280,282,332	\$284,555,221	\$300,196,672	\$331,735,390	\$344,599,333
Plan fiduciary net position					
Contributions - employer	\$5,856,270	\$6,604,951	\$7,230,399	\$7,887,539	\$8,866,550
Contributions - employee	1,839,234	1,887,408	2,064,277	2,233,341	2,240,962
Net investment income	30,157,647	4,420,615	1,031,136	22,090,936	17,931,642
Administrative expense	-	(224,227)	(121,445)	(288,028)	(330,577)
Net Plan to Plan Resource Movement	-	-	-	-	(521)
Other Miscellaneous Income/Expense	-	-	-	-	(627,771)
Benefit payments, including refunds of employee contributions	(13,076,629)	(13,656,196)	(14,390,575)	(14,864,837)	(16,083,729)
Net change in plan fiduciary net position	24,776,522	(967,449)	(4,186,208)	17,058,951	11,996,556
Plan fiduciary net position - beginning	175,461,012	200,237,534	199,270,085	195,083,877	212,142,828
Plan fiduciary net position - ending (b)	\$200,237,534	\$199,270,085	\$195,083,877	\$212,142,828	\$224,139,384
Net pension liability - ending (a)-(b)	\$80,044,798	\$85,285,136	\$105,112,795	\$119,592,562	\$120,459,949
Plan fiduciary net position as a percentage of the total pension liability	71.44%	70.03%	64.99%	63.95%	65.04%
Covered payroll	\$18,310,535	\$18,810,920	\$20,170,400	\$21,078,669	\$21,698,152
Net pension liability as percentage of covered payroll	437.15%	453.38%	521.12%	567.36%	555.16%

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, 2017. 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. GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. In 2018, there were no changes. In 2017, the accounting discount rate reduced from 7.65% to 7.15%. In 2016 and 2018, 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 reported were based on the 7.5% discount rate. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 and 2016 measurement dates.

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

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
Actuarially determined contribution	\$5,904,019	\$7,346,983	\$8,741,506	\$9,247,165	\$10,289,680
Contributions in relation to the actuarially determined contributions	5,904,019	7,346,983	8,741,506	9,247,165	10,289,680
Contribution deficiency (excess)	<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
Contributions as a percentage of covered payroll	31.39%	36.42%	41.47%	42.62%	44.13%
Notes to Schedule					
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016
Methods and assumptions used to determine contribution rates:					
Actuarial cost method	Entry age				
Amortization method	Level percentage of payroll				
Remaining amortization period	27 Years as of the Valuation Date				
Asset valuation method	Market Value of Assets				
Inflation	2.75%				
Salary increases	3.30% to 14.20% depending on Age, Service, and type of employment.				
Investment rate of return	7.50% for 2015 to 2018 and 7.375% for 2019, net of pension plan investment expense, including inflation.				
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.				
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale AA 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.

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, 2019

	SPECIAL REVENUE FUNDS				
	Gas Tax	Housing and Community Development	Law Enforcement Services	Solid Waste Reduction and Services	Lighting and Landscape Maintenance District
ASSETS					
Cash and investments available for operations	\$3,474,277	\$17,991	\$387,694	\$1,890,735	\$172,280
Receivables:					
Due from other governments	245,020	138,361	8,371	23,602	
Interest	17,492		1,542	8,428	850
Loans receivable		3,740,080			
Prepays, materials, supplies and deposits		1,030		1,134	2,677
Total Assets	<u>\$3,736,789</u>	<u>\$3,897,462</u>	<u>\$397,607</u>	<u>\$1,923,899</u>	<u>\$175,807</u>
LIABILITIES					
Accounts payable		\$98,868	\$1,322	\$13,515	\$494
Accrued payroll		252		1,899	3,865
Unearned revenue			258,707	18,667	
Refundable deposits				18,843	
Total Liabilities		<u>99,120</u>	<u>260,029</u>	<u>52,924</u>	<u>4,359</u>
FUND BALANCE					
Fund Balances:					
Nonspendable		1,030		1,134	2,677
Restricted	\$3,736,789	3,797,312	137,578	1,869,841	168,771
Assigned					
Total Fund Balances	<u>3,736,789</u>	<u>3,798,342</u>	<u>137,578</u>	<u>1,870,975</u>	<u>171,448</u>
Total Liabilities and Fund Balances	<u>\$3,736,789</u>	<u>\$3,897,462</u>	<u>\$397,607</u>	<u>\$1,923,899</u>	<u>\$175,807</u>

SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUNDS			Total Nonmajor Governmental Funds
Community Facilities District	Hetch-Hetchy Ground Lease	Community Planning	Community Benefits	Affordable Housing	Public Art	Park Improvement	Storm Drain Development	
\$1,342,363	\$1,604,425	\$1,091,416	\$261,762	\$1,597,728	\$744,571	\$24,791,183	\$8,053,336	\$45,429,761
8,510								423,864
7,185		6,811		3,042	3,723	126,689	40,545	216,307
								3,740,080
3,506	2,917							11,264
<u>\$1,361,564</u>	<u>\$1,607,342</u>	<u>\$1,098,227</u>	<u>\$261,762</u>	<u>\$1,600,770</u>	<u>\$748,294</u>	<u>\$24,917,872</u>	<u>\$8,093,881</u>	<u>\$49,821,276</u>
\$9,325		\$17				\$289,230	\$90,348	\$503,119
7,718		323				3,926	224	18,207
								277,374
								18,843
17,043		340				293,156	90,572	817,543
3,506	\$2,917							11,264
1,341,015	1,604,425	\$1,097,887	\$261,762	\$1,600,770		24,624,716	8,003,309	48,244,175
					\$748,294			748,294
1,344,521	1,607,342	1,097,887	261,762	1,600,770	748,294	24,624,716	8,003,309	49,003,733
<u>\$1,361,564</u>	<u>\$1,607,342</u>	<u>\$1,098,227</u>	<u>\$261,762</u>	<u>\$1,600,770</u>	<u>\$748,294</u>	<u>\$24,917,872</u>	<u>\$8,093,881</u>	<u>\$49,821,276</u>

CITY OF MILPITAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	SPECIAL REVENUE FUNDS				
	Gas Tax	Housing & Community Development	Law Enforcement Services	Solid Waste Reduction and Services	Lighting and Landscape Maintenance District
REVENUES:					
Other taxes					\$380,161
Use of money and property	\$58,920	\$4,520	\$6,795	32,806	2,140
Intergovernmental	2,909,600	657,731	246,355	224,569	
Charges for services					
Developer contributions					
Other				576	
Total Revenues	2,968,520	662,251	253,150	257,951	382,301
EXPENDITURES:					
Current:					
General Government		339,146			
Public Works					290,612
Engineering				332,165	10,786
Police			207,848		
Capital outlay					
Total Expenditures		339,146	207,848	332,165	301,398
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,968,520	323,105	45,302	(74,214)	80,903
OTHER FINANCING SOURCES (USES)					
Transfers in	483,125			134,151	
Transfers (out)	(1,775,000)			(99,748)	(95,000)
Total Other Financing Sources (Uses)	(1,291,875)			34,403	(95,000)
NET CHANGE IN FUND BALANCES	1,676,645	323,105	45,302	(39,811)	(14,097)
Fund balances at beginning of year	2,060,144	3,475,237	92,276	1,910,786	185,545
FUND BALANCES AT END OF YEAR	\$3,736,789	\$3,798,342	\$137,578	\$1,870,975	\$171,448

SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUNDS			
Community Facilities District	Hetch-Hetchy Ground Lease	Community Planning	Community Benefits	Affordable Housing	Public Art	Park Improvement	Storm Drain Development	Total Nonmajor Governmental Funds
\$2,133,307 22,530	\$41,094	\$21,205	\$7,343	\$6,398	\$19,951	\$777,708	\$146,845	\$2,513,468
		458,577						1,148,255
				600,908				4,038,255
					473,385		1,017,027	458,577
								1,617,935
								473,961
2,155,837	41,094	479,782	7,343	607,306	493,336	777,708	1,163,872	10,250,451
5,598 812,064	34,110				1,623			380,477
								1,102,676
								342,951
								207,848
						1,985,759	303,131	2,288,890
817,662	34,110				1,623	1,985,759	303,131	4,322,842
1,338,175	6,984	479,782	7,343	607,306	491,713	(1,208,051)	860,741	5,927,609
(900,000)		(250,000)	(250,000)	1,243,464		12,460,000 (140,405)	265,000	14,585,740 (3,510,153)
(900,000)		(250,000)	(250,000)	1,243,464		12,319,595	265,000	11,075,587
438,175	6,984	229,782	(242,657)	1,850,770	491,713	11,111,544	1,125,741	17,003,196
906,346	1,600,358	868,105	504,419	(250,000)	256,581	13,513,172	6,877,568	32,000,537
\$1,344,521	\$1,607,342	\$1,097,887	\$261,762	\$1,600,770	\$748,294	\$24,624,716	\$8,003,309	\$49,003,733

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, 2019

	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	\$23,000	\$58,920	\$35,920	\$1,000	\$4,520	\$3,520
Intergovernmental	3,172,310	2,909,600	(262,710)	427,800	657,731	229,931
Charges for services						
Developer contributions						
Other						
Total Revenues	<u>3,195,310</u>	<u>2,968,520</u>	<u>(226,790)</u>	<u>428,800</u>	<u>662,251</u>	<u>233,451</u>
EXPENDITURES						
Current:						
General Government:						
City Manager						
Finance				17,800	17,775	25
Non-departmental				726,000	620,464	105,536
Building, Safety and Housing					15,980	(15,980)
Public Works						
Engineering						
Police						
Total Expenditures				<u>743,800</u>	<u>654,219</u>	<u>89,581</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,195,310</u>	<u>2,968,520</u>	<u>(226,790)</u>	<u>(315,000)</u>	<u>8,032</u>	<u>323,032</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	483,125	483,125				
Transfers (out)	<u>(1,775,000)</u>	<u>(1,775,000)</u>				
Total Other Financing Sources (Uses)	<u>(1,291,875)</u>	<u>(1,291,875)</u>				
NET CHANGE IN FUND BALANCES	<u>\$1,903,435</u>	<u>1,676,645</u>	<u>(\$226,790)</u>	<u>(\$315,000)</u>	<u>8,032</u>	<u>\$323,032</u>
ADJUSTMENT TO BUDGETARY BASIS:						
Expenditures capitalized for GAAP purposes					315,073	
Capital Outlay						
Encumbrance adjustments						
Fund balances at beginning of year		<u>2,060,144</u>			<u>3,475,237</u>	
Fund balances at end of year		<u>\$3,736,789</u>			<u>\$3,798,342</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)
\$2,000	\$6,795	\$4,795	\$19,000	\$32,806	\$13,806	\$383,178	\$380,161	(\$3,017)
212,104	246,355	34,251	228,112	224,569	(3,543)	2,000	2,140	140
				576	576			
214,104	253,150	39,046	247,112	257,951	10,839	385,178	382,301	(2,877)
						356,685	290,612	66,073
			400,279	400,170	109	81,065	12,995	68,070
279,989	207,848	72,141						
279,989	207,848	72,141	400,279	400,170	109	437,750	303,607	134,143
(65,885)	45,302	111,187	(153,167)	(142,219)	10,948	(52,572)	78,694	131,266
			134,151	134,151				
			(99,748)	(99,748)		(95,000)	(95,000)	
			34,403	34,403		(95,000)	(95,000)	
(\$65,885)	45,302	\$111,187	(\$118,764)	(107,816)	\$10,948	(\$147,572)	(16,306)	\$131,266
				68,005			2,209	
	92,276			1,910,786			185,545	
	\$137,578			\$1,870,975			\$171,448	

(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, 2019

	COMMUNITY FACILITIES DISTRICT			HETCH-HETCHY GROUND LEASE		
	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
REVENUES						
Other taxes	\$1,979,896	\$2,133,307	\$153,411			
Use of money and property	7,000	22,530	15,530	\$1,000	\$41,094	\$40,094
Intergovernmental						
Charges for services						
Developer contributions						
Other						
Total Revenues	<u>1,986,896</u>	<u>2,155,837</u>	<u>168,941</u>	<u>1,000</u>	<u>41,094</u>	<u>40,094</u>
EXPENDITURES						
Current:						
General Government:						
City Manager						
Finance						
Non-departmental	8,000	5,598	2,402	\$35,000	34,110	890
Building, Safety and Housing						
Public Works	1,228,353	812,064	416,289			
Engineering						
Police						
Total Expenditures	<u>1,236,353</u>	<u>817,662</u>	<u>418,691</u>	<u>35,000</u>	<u>34,110</u>	<u>890</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>750,543</u>	<u>1,338,175</u>	<u>587,632</u>	<u>(34,000)</u>	<u>6,984</u>	<u>40,984</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	<u>(900,000)</u>	<u>(900,000)</u>				
Total Other Financing Sources (Uses)	<u>(900,000)</u>	<u>(900,000)</u>				
NET CHANGE IN FUND BALANCES	<u>(\$149,457)</u>	438,175	<u>\$587,632</u>	<u>(\$34,000)</u>	6,984	<u>\$40,984</u>
ADJUSTMENT TO BUDGETARY BASIS:						
Expenditures capitalized for GAAP purposes						
Capital Outlay						
Encumbrance adjustments						
Fund balances at beginning of year		<u>906,346</u>			<u>1,600,358</u>	
Fund balances at end of year		<u>\$1,344,521</u>			<u>\$1,607,342</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)
\$8,000	\$21,205	\$13,205		\$7,343	\$7,343		\$6,398	\$6,398
250,000	458,577	208,577					600,908	600,908
258,000	479,782	221,782		7,343	7,343		607,306	607,306
258,000	479,782	221,782		7,343	7,343		607,306	607,306
(250,000)	(250,000)			(250,000)	(250,000)	\$993,464	1,243,464	250,000
(250,000)	(250,000)			(250,000)	(250,000)	993,464	1,243,464	250,000
<u>\$8,000</u>	229,782	<u>\$221,782</u>	<u></u>	(242,657)	<u>(\$242,657)</u>	<u>\$993,464</u>	1,850,770	<u>\$857,306</u>
	868,105			504,419			(250,000)	
	<u>\$1,097,887</u>			<u>\$261,762</u>			<u>\$1,600,770</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, 2019

	PUBLIC ART			TOTALS		
	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
REVENUES						
Other taxes				\$2,363,074	\$2,513,468	\$150,394
Use of money and property	\$3,000	\$19,951	\$16,951	66,000	223,702	157,702
Intergovernmental				4,040,326	4,038,255	(2,071)
Charges for services				250,000	458,577	208,577
Developer contributions		473,385	473,385		1,074,293	1,074,293
Other					576	576
Total Revenues	3,000	493,336	490,336	6,719,400	8,308,871	1,589,471
EXPENDITURES						
Current:						
General Government:						
City Manager						
Finance				17,800	17,775	25
Non-departmental	127,500	31,623	95,877	896,500	691,795	204,705
Building, Safety and Housing					15,980	(15,980)
Public Works				1,585,038	1,102,676	482,362
Engineering				481,344	413,165	68,179
Police				279,989	207,848	72,141
Total Expenditures	127,500	31,623	95,877	3,260,671	2,449,239	811,432
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(124,500)	461,713	586,213	3,458,729	5,859,632	2,400,903
OTHER FINANCING SOURCES (USES)						
Transfers in				617,276	1,860,740	1,243,464
Transfers (out)				(3,119,748)	(3,369,748)	(250,000)
Total Other Financing Sources (Uses)				(2,502,472)	(1,509,008)	993,464
	<u>(\$124,500)</u>	461,713	<u>\$586,213</u>	<u>\$956,257</u>	4,350,624	<u>\$3,394,367</u>
Expenditures capitalized for GAAP purposes					315,073	
Capital Outlay						
Encumbrance adjustments		30,000			100,214	
Fund balances at beginning of year		<u>256,581</u>			<u>11,609,797</u>	
Fund balances at end of year		<u>\$748,294</u>			<u>\$16,375,708</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, 2019

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Employee Benefit				
<u>Assets</u>				
Cash and investments available for operations	\$1,284,679	\$62,212	\$2,085	\$1,344,806
Receivables:				
Interest	4,860		4,860	
Total Assets	<u>\$1,289,539</u>	<u>\$62,212</u>	<u>\$6,945</u>	<u>\$1,344,806</u>
<u>Liabilities</u>				
Refundable deposits	<u>\$1,289,539</u>	<u>\$62,212</u>	<u>\$6,945</u>	<u>\$1,344,806</u>
Total Liabilities	<u>\$1,289,539</u>	<u>\$62,212</u>	<u>\$6,945</u>	<u>\$1,344,806</u>
Senior Advisory Commission				
<u>Assets</u>				
Cash and investments available for operations	\$7,884	\$2,131	\$1,926	\$8,089
Receivables:				
Interest	30		30	
Total Assets	<u>\$7,914</u>	<u>\$2,131</u>	<u>\$1,956</u>	<u>\$8,089</u>
<u>Liabilities</u>				
Refundable deposits	<u>\$7,914</u>	<u>\$2,131</u>	<u>\$1,956</u>	<u>\$8,089</u>
Total Liabilities	<u>\$7,914</u>	<u>\$2,131</u>	<u>\$1,956</u>	<u>\$8,089</u>
TOTAL AGENCY FUNDS				
<u>Assets</u>				
Cash and investments available for operations	\$1,292,563	\$64,343	\$4,011	\$1,352,895
Receivables:				
Interest	4,890		4,890	
Total Assets	<u>\$1,297,453</u>	<u>\$64,343</u>	<u>\$8,901</u>	<u>\$1,352,895</u>
<u>Liabilities</u>				
Refundable deposits	<u>\$1,297,453</u>	<u>\$64,343</u>	<u>\$8,901</u>	<u>\$1,352,895</u>
Total Liabilities	<u>\$1,297,453</u>	<u>\$64,343</u>	<u>\$8,901</u>	<u>\$1,352,895</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

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 17
- Demographic and Economic Statistics – Schedule 18
- Principal Employers – Schedule 19

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 20
- Operating Indicators by Function/Program – Schedule 21
- Capital Asset Statistics by Function/Program – Schedule 22

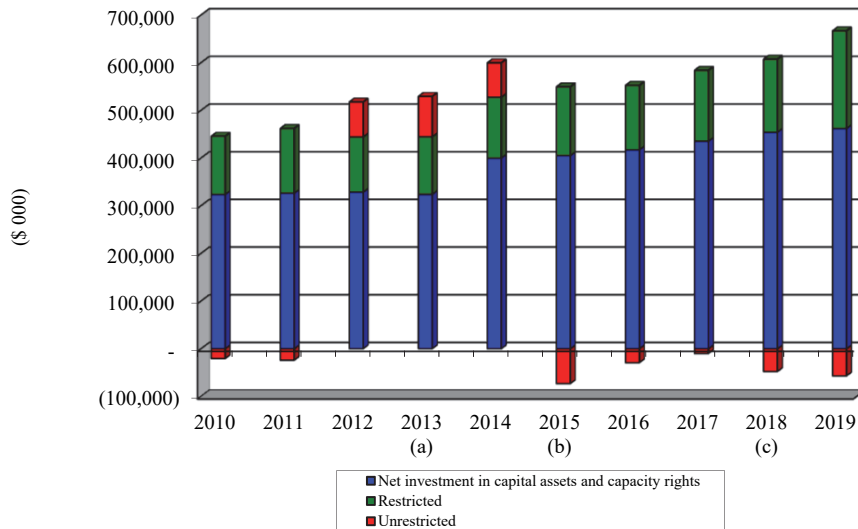
Sources

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)

Schedule 1



Fiscal Year Ended June 30					
	2010	2011	2012	2013 (a)	2014
Governmental activities					
Net investment in capital assets and capacity rights	\$218,878	\$218,116	\$219,034	\$217,002	\$291,704
Restricted	98,426	115,474	90,878	88,147	90,758
Unrestricted	(38,500)	(44,592)	53,417	64,876	51,315
Total governmental activities net position	<u>\$278,804</u>	<u>\$288,998</u>	<u>\$363,329</u>	<u>\$370,025</u>	<u>\$433,777</u>
Business-type activities					
Net investment in capital assets and capacity rights	\$104,370	\$107,707	\$109,146	\$106,489	\$107,816
Restricted	24,059	20,743	25,239	32,889	37,254
Unrestricted	17,851	20,577	19,838	19,799	20,880
Total business-type activities net position	<u>\$146,280</u>	<u>\$149,027</u>	<u>\$154,223</u>	<u>\$159,177</u>	<u>\$165,950</u>
Primary government					
Net investment in capital assets and capacity rights	\$323,248	\$325,823	\$328,180	\$323,491	\$399,520
Restricted	122,485	136,217	116,117	121,036	128,012
Unrestricted	(20,649)	(24,015)	73,255	84,675	72,195
Total primary government net position	<u>\$425,084</u>	<u>\$438,025</u>	<u>\$517,552</u>	<u>\$529,202</u>	<u>\$599,727</u>
Fiscal Year Ended June 30					
	2015 (b)	2016	2017	2018 (c)	2019
Governmental activities					
Net investment in capital assets and capacity rights	\$291,500	\$298,321	\$312,138	\$323,239	\$326,564
Restricted	103,829	100,327	108,630	109,726	145,983
Unrestricted	(84,598)	(44,368)	(30,091)	(63,405)	(65,799)
Total governmental activities net position	<u>\$310,731</u>	<u>\$354,280</u>	<u>\$390,677</u>	<u>\$369,560</u>	<u>\$406,748</u>
Business-type activities					
Net investment in capital assets and capacity rights	\$113,232	\$118,588	\$122,937	\$130,736	\$135,048
Restricted	40,867	35,130	40,311	43,834	59,191
Unrestricted	11,586	15,261	20,254	15,784	8,930
Total business-type activities net position	<u>\$165,685</u>	<u>\$168,979</u>	<u>\$183,502</u>	<u>\$190,354</u>	<u>\$203,169</u>
Primary government					
Net investment in capital assets and capacity rights	\$404,732	\$416,909	\$435,075	\$453,975	\$461,612
Restricted	144,696	135,457	148,941	153,560	205,174
Unrestricted	(73,012)	(29,107)	(9,837)	(47,621)	(56,869)
Total primary government net position	<u>\$476,416</u>	<u>\$523,259</u>	<u>\$574,179</u>	<u>\$559,914</u>	<u>\$609,917</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,			
	2010	2011	2012	2013 (c)
Expenses				
Governmental activities				
General Government	\$33,535 (a)	\$21,474 (a)	\$17,418 (b)	\$15,329
Building and Safety	1,972	1,984	2,029	2,293
Building, Housing and Safety				
Recreation and Community Services				
Public Works	22,843	16,777	21,787	17,700 (d)
Engineering				
Planning and Neighborhood Services	2,874	2,155	2,144	2,553
Planning				
Parks and Recreation	6,096	6,529	5,823	3,107 (d)
Police	22,771	22,661	22,620	21,702
Fire	14,748	15,085	14,904	15,810
Interest on Long Term Debt	9,570	9,536	2,050	227
Total governmental activities expenses	114,409	96,201	88,775	78,721
Business-type activities				
Water Utility	11,788	12,766	15,229	17,195
Recycled Water Utility	476	470	599	(e)
Sewer Utility	8,730	9,240	8,399	9,418
Total business-type activities expenses	20,994	22,476	24,227	26,613
Total primary government expenses	\$135,403	\$118,677	\$113,002	\$105,334
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	\$1,165	\$1,071	\$1,349	\$1,700
Building and Safety	2,031	2,823	3,436	4,554
Building, Housing and Safety				
Recreation and Community Services				
Public Works	2,571	1,826	2,440	2,668
Engineering				
Planning and Neighborhood Services	182	139	237	301
Planning				
Parks and Recreation	1,642	1,662	1,833	1,987
Police	1,091	1,263	1,134	1,051
Fire	1,137	1,210	1,292	1,508
Operating grants and contributions	3,892	4,869	6,146	7,487
Capital grants and contributions	8,840	5,704	8,294	8,286
Total government activities program revenues	22,551	20,567	26,161	29,542
Business-type activities				
Charges for services:				
Water Utility	14,051	15,201	16,773	19,801
Recycled Water Utility	1,260	1,300	1,447	(e)
Sewer Utility	10,393	11,406	12,445	12,632
Operating grants and contributions	79	70	43	111
Capital grants and contributions	6,406	163	1,629	1,975
Total business-type activities program revenue	32,189	28,140	32,337	34,519
Total primary government program revenues	\$54,740	\$48,707	\$58,498	\$64,061
Net (Expense)/Revenue				
Governmental activities	(\$91,858)	(\$75,634)	(\$62,614)	(\$49,179)
Business-type activities	11,195	5,664	8,110	7,906
Total primary government net expense	(\$80,663)	(\$69,970)	(\$54,504)	(\$41,273)

(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.

2014	2015	2016	2017	2018	2019
\$21,074	\$18,118	\$18,614	\$21,174	\$19,111	\$25,281
2,684	2,617	2,513	3,389	4,148	(h)
				(h)	5,449
				5,890	7,020
18,664	17,509	12,761	16,266	15,903	20,053
		5,790 (g)	6,249 (g)	5,712 (g)	6,459 (g)
2,119	2,372	2,649	3,103	3,586	(h)
					1,851
3,012	3,098	4,090	4,949		
23,373	24,699	24,556	30,270	33,840	35,868
15,159	16,301	16,400	20,499	24,194	26,535
240	67	56	48		17
86,325	84,781	87,429	105,947	112,384	128,533
17,369	18,344	19,743	20,666	23,742	25,232
(e)	(e)	(e)	(e)	(e)	(e)
11,008	10,426	10,872	9,969	12,715	12,231
28,377	28,770	30,615	30,635	36,457	37,463
\$114,702	\$113,551	\$118,044	\$136,582	\$148,841	\$165,996
\$1,819	\$1,063	\$2,065	\$1,970	\$2,088	\$2,347
6,445	5,128	5,963	7,814	10,093	(h)
					9,718
				2,559	2,655
2,472	2,644	(g)	(g)	(g)	(g)
		2,863 (g)	2,720 (g)	2,465 (g)	2,379 (g)
432	700	747	292	418	(h)
					226
1,958	2,060	1,981	2,301		
1,091	1,151	1,138	1,184	1,089	1,130
2,120	1,885	2,440	3,224	3,326	2,172
6,195	6,201	7,320	7,880	6,521	8,277
15,483	14,711	35,195	32,256	34,003	47,194
38,015	35,543	59,712	59,641	62,562	76,098
21,354	21,136	18,709	26,318	29,667	29,355
(e)	(e)	(e)	(e)	(e)	(e)
12,753	14,453	15,964	16,803	17,139	17,830
57	127	63	89	124	114
1,402	710	1,103	4,937	2,507	2,755
35,566	36,426	35,839	48,147	49,437	50,054
\$73,581	\$71,969	\$95,551	\$107,788	\$111,999	\$126,152
(\$48,310)	(\$49,238)	(\$27,717)	(\$46,306)	(\$49,822)	(\$52,435)
7,189	7,656	5,224	17,512	12,980	12,591
(\$41,121)	(\$41,582)	(\$22,493)	(\$28,794)	(\$36,842)	(\$39,844)

(Continued)

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

	Fiscal Year Ended June 30,			
	2010	2011	2012	2013 (c)
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes:				
Property taxes	\$58,012 (a)	\$55,655 (a)	\$34,029	\$20,469
Sales and use taxes	14,725	16,429	18,758	20,196
Hotel/Motel taxes	5,297	6,124	7,068	7,933
Other taxes	407	380	491	516
Franchise fees	2,993	3,083	3,218	3,270
Motor vehicle in lieu	209	323	35	37
Investment earnings	700	399	1,093	260
Gain on sale of capital assets/property	171			46
Miscellaneous	85	62	67	103
Redevelopment expense				
Transfers	(2,570)	3,374	3,304	3,045
Extraordinary item			68,882 (b)	
Special Item				
Total governmental activities	80,029	85,829	136,945	55,875
Business-type activities				
Investment earnings	857	455	390	94
Transfers	2,570	(3,374)	(3,304)	(3,045)
Total business-type activities	3,427	(2,919)	(2,914)	(2,951)
Total primary government	\$83,456	\$82,910	\$134,031	\$52,924
Change in net position				
Governmental activities	(\$11,829)	\$10,195	\$74,331	\$6,696
Business-type activities	14,622	2,745	5,196	4,955
Total primary government	\$2,793	\$12,940	\$79,527	\$11,651

(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.

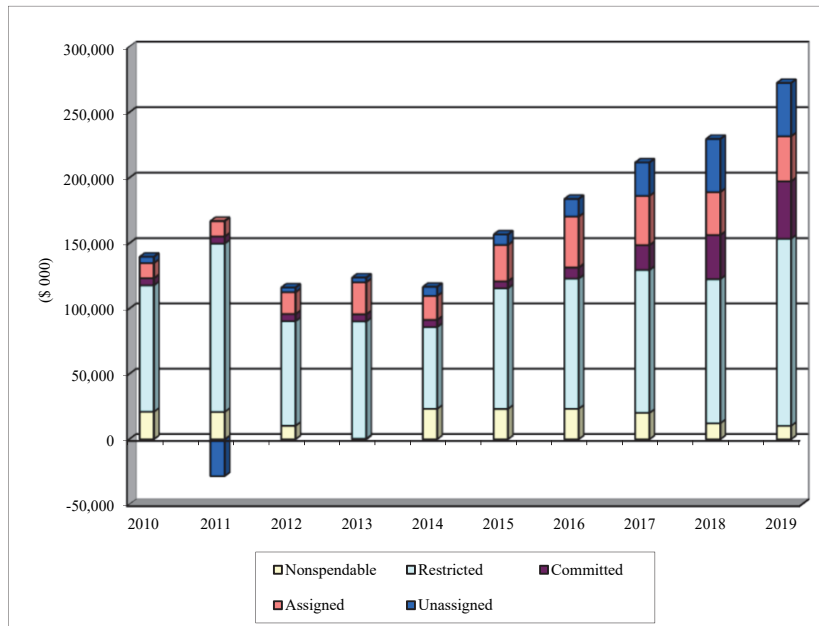
(h) Neighborhood Services is a component of Building, Housing and Safety, and Planning is a separate department beginning in fiscal year 2019.

2014	2015	2016	2017	2018	2019
\$27,607	\$24,927	\$27,068	\$30,262	\$31,893	\$33,811
19,014	18,779	23,924	25,392	26,991	27,983
9,336	10,917	11,757	11,858	12,122	14,503
672	664	822	803	814	808
3,453	3,659	3,841	3,871	4,678	5,127
31	29	29	34	39	36
844	379	913	118	301	4,474
			7,324		4
200	333	287	118	186	390
3,402	1,627	2,625	2,923	2,511	2,489
49,799				(12,432) (f)	
114,358	61,314	71,266	82,703	67,103	89,625
690	383	695	(65)	171	2,712
(3,402)	(1,627)	(2,625)	(2,923)	(2,511)	(2,489)
(2,712)	(1,244)	(1,930)	(2,988)	(2,340)	223
\$111,646	\$60,070	\$69,336	\$79,715	\$64,763	\$89,848
\$66,048	\$12,076	\$43,549	\$36,397	\$17,281	\$37,190
4,477	6,412	3,294	14,524	10,640	12,814
\$70,525	\$18,488	\$46,843	\$50,921	\$27,921	\$50,004



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

Schedule 3



	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable	\$20,977	\$20,970	\$577	\$468	\$23,279	\$23,265	\$23,387	\$20,209	\$10,043	\$10,234
Restricted		24,555								
Committed	5,433	5,433	5,433	5,433	5,433	5,433	8,440	19,026	33,643	43,852
Assigned	9,465	9,698	13,904	10,434	6,658	7,013	9,052	8,067	8,629	5,916
Unassigned	14,920	15,448	15,800	16,444	13,521	13,864	13,410	25,440	40,496	40,655
Total General Fund	<u>\$50,795</u>	<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> (a)
All Other Governmental Funds										
Nonspendable	\$115	\$23	\$9,788	\$11	\$32	\$11	\$13	\$15	\$2,229	\$85
Restricted	96,873	104,290	80,112	89,821	62,661	92,347	99,701	109,416	110,418	143,232
Assigned	2,196	2,127	2,892	14,244	11,808	20,806	29,956	29,635	24,284	28,532
Unassigned	(10,219)	(43,624)	(12,234)	(12,955)	(6,610)	(5,932)				
Total all other governmental funds	<u>\$88,965</u>	<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> (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,				
	2010	2011	2012	2013	2014
Revenues					
Property taxes	\$58,012 (a)	\$55,655 (a)	\$34,029 (b)	\$20,466	\$27,608
Sales taxes	15,268	16,994	19,403	20,908	19,766
Other taxes	9,495	10,917	12,230	13,343	14,992
Licenses and fines	3,481	4,309	4,956	5,875	8,193
Use of money and property	7,168	3,948	5,303	1,538	2,964
Intergovernmental	6,362	5,082	4,834	5,842	5,216
Charges for services	3,704	4,020	4,725	5,550	5,735
Developer contributions	4,739	3,360	7,549	7,987	13,975
Other	933	1,039	578	715	1,144
Total Revenues	109,162	105,324	93,607	82,224	99,593
Expenditures					
Current:					
General Government	20,602 (a)	19,003 (a)	12,753 (b)	11,871	13,204
Building and Safety	1,992	1,975	2,060	2,278	2,658
Building, Housing and Safety					
Recreation and Community Services					
Human Resources and Recreation				3,087	3,124
Parks and Recreation	6,052	5,688	5,261	(c)	(c)
Public Works	13,619	7,960	8,772	9,124	8,535
Engineering					
Planning and Neighborhood Services	2,180	2,267	2,196	2,030	2,202
Planning					
Police	22,071	21,682	21,733	20,978	22,165
Fire	14,249	14,994	14,562	15,420	14,587
Supplemental educational revenue augmentation fund payment	11,774	2,424			
Capital outlay	16,938	12,940	28,876	7,510	10,035
Debt service:					
Principal	8,169	8,225	13,153	4,209	3,828
Interest and fees	11,982	12,386	6,823	668	223
Total Expenditures	129,628	109,544	116,189	77,175	80,561
Excess (deficiency) of revenues over (under) expenditures	(20,466)	(4,220)	(22,582)	5,049	19,032
Other Financing Sources (Uses)					
Proceeds from debt issuance			21,780		
Payments to refunded debt escrow agent				46	
Proceeds/gain from sale of properties	4	5	8		6
Loss from sale/conveyance of property				(512)	
Transfers in	23,590	119,213	34,994	13,780	7,499
Transfers (out)	(23,259)	(115,839)	(31,690)	(10,735)	(4,098)
Total other financing sources (uses)	335	3,379	25,092	2,579	3,407
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	<u>(\$20,131)</u>	<u>(\$841)</u>	<u>(\$22,647)</u>	<u>\$7,628</u>	<u>\$22,439</u>
Debt service as a percentage of noncapital expenditures	17.9%	18.5%	22.9%	7.0%	5.7%

(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.

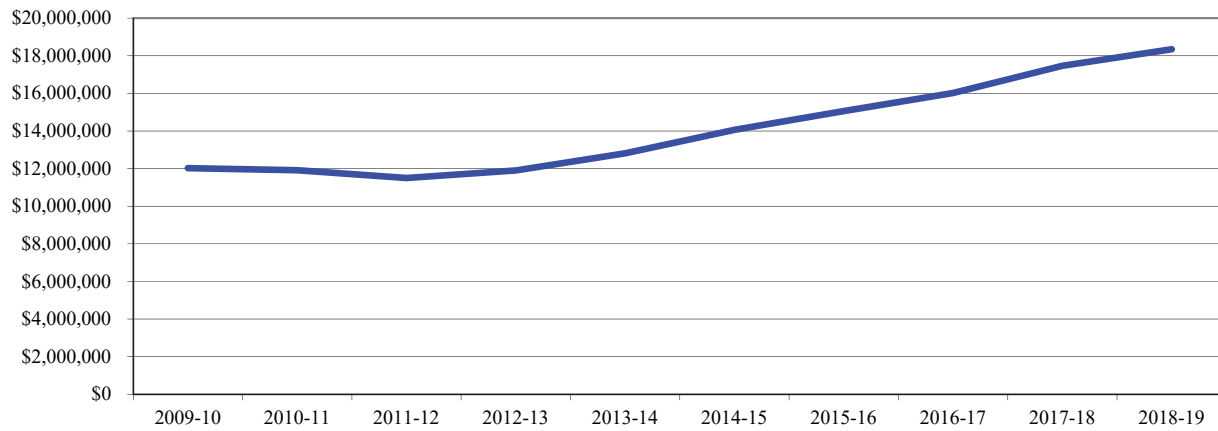
(e) Human Resources is a component of General Government and Recreation is a separate department beginning in fiscal year 2016.

(f) Neighborhood Services is a component of Building, Housing and Safety, and Planning is a separate department beginning in fiscal year 2019.

Fiscal Year Ended June 30				
2015	2016	2017	2018	2019
\$24,927	\$27,068	\$30,261	\$31,893	\$33,811
19,572	24,719	26,214	27,854	28,890
17,505	18,737	19,349	20,429	23,386
6,971	8,051	10,497	12,758	11,757
2,032	3,037	2,180	2,719	8,452
5,482	6,104	4,696	6,228	6,019
6,449	7,196	7,238	6,981	6,969
11,614	29,410	25,637	29,065	41,153
205	113	310	568	926
94,757	124,435	126,382	138,495	161,363
12,814	13,771	17,089	15,397	21,352
2,706	2,885	3,148	3,633	(f)
				5,038
	3,383	3,876	4,497	5,144
3,329	(e)	(e)	(e)	(e)
(c)	(c)	(c)	(c)	(c)
9,199	6,020	6,839	6,983	8,151
	3,257	3,527	3,103	3,201
2,570	2,805	2,978	3,153	(f)
				1,648
24,193	26,124	27,247	27,880	30,389
15,605	17,470	18,456	21,034	23,225
14,376	24,811	26,151	27,243	23,435
6,000				199
61	54	48	69	104
90,853	100,580	109,359	112,992	121,886
3,904	23,855	17,023	25,503	39,477
				952
4	160	7,324		1
			(12,437)	(152)
25,558	23,001	18,405	19,505	37,936
(19,305)	(19,864)	(14,903)	(14,637)	(35,449)
6,257	3,297	10,826	(7,569)	3,288
\$10,161	\$27,152	\$27,849	\$17,934	\$42,765
7.5%	0.1%	0.1%	0.1%	0.3%

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

Schedule 5



Fiscal Year	Real Property				Unsecured	Less: Tax-Exempt Property	Total Taxable Assessed Value (a)	Total Direct Tax Rate (b)
	Residential Property	Commercial Property	Industrial Property	Other				
2009-10	\$6,199,167	\$1,368,086	\$2,904,523	\$352,408	\$1,446,827	(\$245,778)	\$12,025,233	1%
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	405,531	1,764,760	(161,341)	12,813,359	1%
2014-15	7,728,283	1,427,474	2,628,858	464,106	1,887,428	(75,363)	14,060,786	1%
2015-16	8,629,667	1,445,665	2,788,984	583,379	1,844,591	(233,528)	15,058,758	1%
2016-17	9,386,926	1,493,922	3,248,012	606,042	1,529,223	(245,315)	16,018,810	1%
2017-18	10,143,815	1,581,140	3,563,327	710,746	1,710,357	(244,027)	17,465,358	1%
2018-19	10,997,080	1,619,668	3,504,633	719,876	1,761,094	(258,452)	18,343,899	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.

CITY OF MILPITAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate per \$100 of assessed value)

Schedule 6

Fiscal Year	City Direct Rates		Overlapping Rates (a)		
	Basic Rate (b)	Total Direct	County of Santa Clara	School Districts	Special Districts
2009-10	\$1.00	\$1.00	\$0.0412	\$0.1238	\$0.0074
2010-11	1.00	1.00	0.0412	0.1389	0.0072
2011-12	1.00	1.00	0.0412	0.1490	0.0064
2012-13	1.00	1.00	0.0412	0.1140	0.0069
2013-14	1.00	1.00	0.0412	0.0961	0.0070
2014-15	1.00	1.00	0.0412	0.0750	0.0065
2015-16	1.00	1.00	0.0412	0.0817	0.0057
2016-17	1.00	1.00	0.0412	0.0734	0.0086
2017-18	1.00	1.00	0.0412	0.0880	0.0062
2018-19	1.00	1.00	0.0412	0.0850	0.0042

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.

CITY OF MILPITAS
PRINCIPAL PROPERTY TAX PAYERS
FISCAL YEARS 2018-19 and 2009-10

Taxpayer	2018-2019			2009-2010		
	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.	\$885,075,098	1	4.82%	\$488,396,789	1	4.06%
KLA Tencor Corporation	396,159,591	2	2.16%	211,996,269	3	1.76%
Milpitas Mills LP	329,690,347	3	1.80%	304,656,097	2	2.53%
Sandbox Expansion LLC	232,529,400	4	1.27%			
Amalfi Milpitas LLC	182,011,948	5	0.99%			
McCarthy Center Holdings LLC	179,921,637	6	0.98%			
Essex Portfolio Lp	158,021,722	7	0.86%			
Western Digital Technologies	155,866,489	8	0.85%			
Hudson Campus Center LLC	147,905,707	9	0.81%			
Milpitas-District Owner LLC	146,898,636	10	0.80%			
Silicon Valley California, Inc.				205,662,096	4	1.71%
Diversifield Real Estate Investors				186,281,172	5	1.55%
Bre Milpitas LLC				115,842,000	6	0.96%
Headway Technologies				109,699,393	7	0.91%
Linear Technology Corporation				109,235,459	8	0.91%
Lifesan Inc				102,379,831	9	0.85%
A and P Children Investment LLC				87,330,399	10	0.73%
Subtotal	<u>\$2,814,080,575</u>		<u>15.34%</u>	<u>\$1,921,479,505</u>		<u>15.98%</u>
Fiscal Year 2018-2019 Total Net Assessed Valuation			\$18,343,899,000			
Fiscal Year 2009-2010 Total Net Assessed Valuation			\$12,025,233,000			

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)

Schedule 8

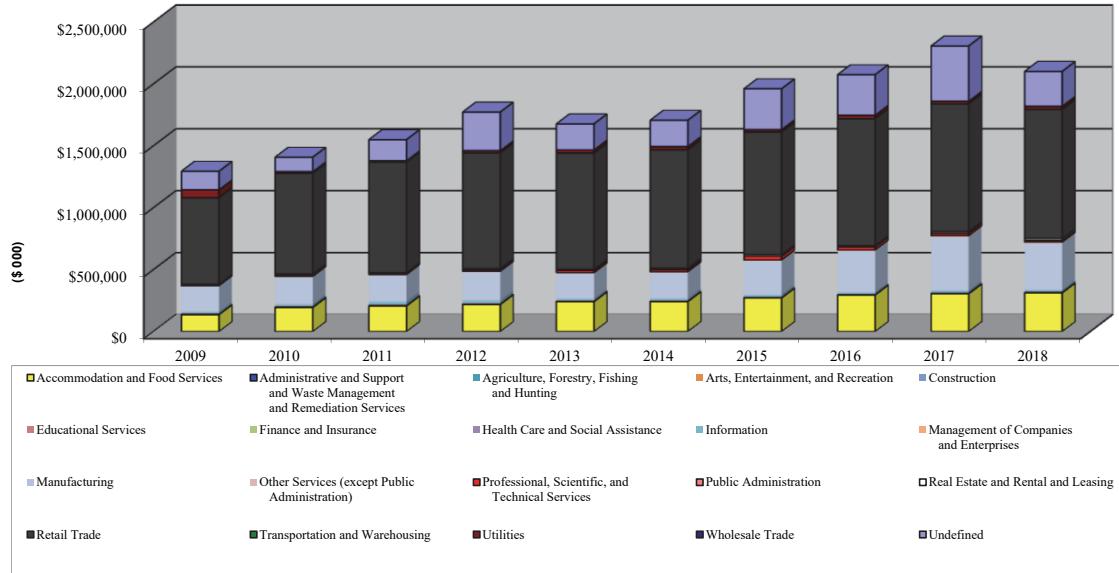
<u>Fiscal Year</u>		<u>Taxes Levied (a)</u>	<u>Current Collections (a)</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Taxes Collected (a)</u>	<u>Percent of Levy</u>
2009-10	(b)	\$58,012	\$58,012	100.00%	0	\$58,012	100.00%
2010-11	(b)	55,655	55,655	100.00%	0	55,655	100.00%
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%

- (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)

Schedule 9



	CALENDAR YEARS									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Accommodation and Food Services	\$135,892	\$193,460	\$206,343	\$217,553	\$240,611	\$240,820	\$270,320	\$294,245	\$303,929	\$311,938
Administrative and Support and Waste Management and Remediation Services	2,956	4,413	3,532	3,902	3,532	3,694	3,627	3,308	4,165	4,312
Agriculture, Forestry, Fishing and Hunting	66	-	-	-	-	2	-	6	13	3
Arts, Entertainment, and Recreation	1,907	2,444	2,611	2,866	3,214	3,188	3,564	3,574	3,507	3,421
Construction	3,821	4,230	2,831	3,241	2,528	1,943	2,751	3,942	7,652	4,267
Educational Services	1,690	2,924	2,837	2,989	2,737	2,337	262	370	476	229
Finance and Insurance	73	94	-	-	-	-	(2)	-	(19)	(5)
Health Care and Social Assistance	1,798	1,601	1,829	2,666	1,162	1,195	1,283	1,332	1,350	1,422
Information	10,703	10,894	22,163	18,502	11,461	14,326	13,982	9,194	9,767	10,139
Management of Companies and Enterprises	-	-	2	-	7	23	8	8	209	1
Manufacturing	203,933	213,959	207,597	224,511	198,765	203,288	269,436	329,399	428,504	370,727
Other Services (except Public Administration)	7,805	11,484	11,259	10,595	11,915	12,403	12,897	14,041	15,197	16,473
Professional, Scientific, and Technical Services	4,848	10,263	10,839	14,742	17,319	17,837	30,003	23,584	20,111	13,824
Public Administration	-	-	-	-	-	-	-	360	362	346
Real Estate and Rental and Leasing	5,604	8,327	3,727	6,448	9,544	10,365	12,344	10,536	13,866	14,890
Retail Trade	698,345	812,884	891,853	933,926	937,633	955,223	989,402	1,024,136	1,028,892	1,041,114
Transportation and Warehousing	888	1,111	1,652	1,788	1,514	1,545	1,088	989	1,124	1,483
Utilities	64,812	12,927	11,022	17,142	25,292	26,037	20,012	28,357	20,768	25,675
Wholesale Trade	-	11	16	11	171	746	237	213	504	295
Undefined	149,029	116,881	169,819	311,485	209,833	211,042	329,216	326,789	446,093	280,790
Total	\$1,294,170	\$1,407,907	\$1,549,932	\$1,772,367	\$1,677,238	\$1,706,014	\$1,960,430	\$2,074,383	\$2,306,470	\$2,101,344
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

Schedule 10

Fiscal Year	City Direct Rate	Santa Clara County	State of California
2009-10	1.00	1.00	7.25
2010-11	1.00	1.00	7.25
2011-12	1.00	1.00	6.25 (a)
2012-13	1.00	1.25 (b)	6.50 (c)
2013-14	1.00	1.25	6.50
2014-15	1.00	1.25	6.50
2015-16	1.00	1.25	6.50
2016-17	1.00	1.75	6.25 (d)
2017-18	1.00	1.75	6.25
2018-19	1.00	1.75	6.25

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%.

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 2018 and 2008
IN ALPHABETICAL ORDER

Schedule 11

2018	2008
7-Eleven Food Stores	Arco AM/PM Mini Mars
Acme Construction Supply	Best Buy Stores
Best Buy Stores	Burlington Coat Factory
Burlington Coat Factory	Chevron Service Stations
Chevron	Contract Office Group
Cisco Systems Inc.	Credence System Corp
Coach Stores	Dave & Busters
Consolidated Electrical Distributors	Headway Technologies
Eplus Technology	Home Depot
Flextronics	KLA Tencor Corporation
Home Depot	Kohl's Department Stores
Hoya Corporation USA	Life Scan
Independent Electric Supply	Marshall's Store
KLA Tencor	Mervyn's Department Store
Marshall's Store	Milpitas Materials Company
McDonald's Restaurant	Neiman Marcus Department Store
Michael Kors Stores	One Workplace L Ferrari
Milpitas Materials Company	Orchard Supply Hardware
Nike Factory Store	Piercey Toyota
Piercey Toyota	Saks Fifth Avenue
Shell Service Stations	Shell Service Stations
South Bay Honda	Solectron Corporation
Union 76 Service Stations	Sportmart
Veeco Process Equipment	Tesoro Service Stations
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)

Schedule 12

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)			
2009-10	\$174,180	\$36,963	\$0	\$0	\$8,460	\$0	\$219,603	0.01%	\$3,101
2010-11	168,940	33,978	0	0	8,090	0	211,008	0.01%	2,949
2011-12	0 (b)	0 (b)	14,037	0	7,710	0	21,747	0.00%	325
2012-13	0	0	9,828	360	7,315	0	17,503	0.00%	258
2013-14	0	0	6,000	274	6,910	0	13,184	0.00%	188
2014-15	0	0	0	186	6,490	0	6,676	0.00%	96
2015-16	0	0	0	94	6,055	0	6,149	0.00%	81
2016-17	0	0	0	0	5,605	0	5,605	0.00%	74
2017-18	0	0	0	0	0	5,363	5,363	0.00%	71
2018-19	0	0	0	728	0	4,812	5,540	(c)	73

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.

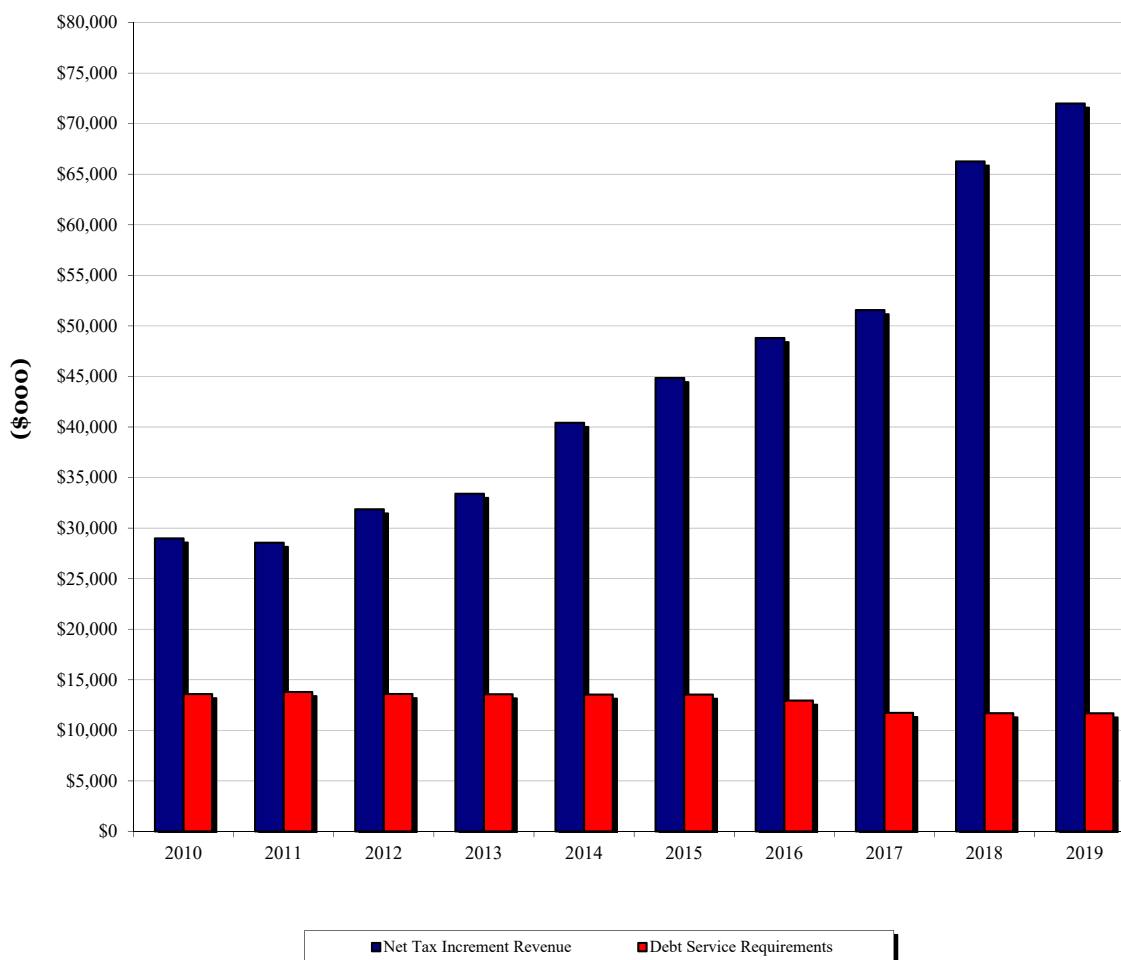
(b) The Redevelopment Agency was dissolved as of January 31, 2012 and its debt was assumed by a Successor Agency.

(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

Schedule 13



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	
2010	\$37,162,281	\$8,175,650	\$28,986,631	\$5,035,000	\$8,548,558	\$13,583,558	2.13
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

- (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, 2019

Schedule 14

JURISDICTION	PERCENTAGE APPLICABLE TO CITY OF MILPITAS (1)	AMOUNT APPLICABLE TO CITY OF MILPITAS
2018-19 Assessed Valuation, Direct and Overlapping Debt		\$18,343,899,235
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>		
Santa Clara County	3.799%	\$35,984,888
San Jose- Evergreen Community College District	12.154%	56,718,537
Milpitas Unified School District	99.108%	169,786,870
East Side Union High School District	0.456%	4,252,402
Berryessa Union School District	2.989%	2,443,598
Santa Clara Valley Water District Benefits Assessment District	3.799%	2,794,924
City of Milpitas 1915 Act Bonds	100%	0
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		271,981,219
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT</u>		
Santa Clara County General Fund Obligations	3.799%	26,993,381
Santa Clara County Pension Obligations	3.799%	13,386,874
Santa Clara County Board of Education Certificates of Participation	3.799%	161,647
San Jose- Evergreen Community College District OPEB Bonds	12.154%	5,767,073
Milpitas Unified School District Certificates of Participation	99.108%	12,664,745
East Side Union High School District OPEB Bonds	0.456%	128,615
Berryessa Union School District Certificates of Participation	2.989%	130,621
City of Milpitas	100%	0
Santa Clara County Vector District Certifications of Participations	3.799%	85,288
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		59,318,244
Less: Santa Clara County supported obligations		(12,227,783)
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$47,090,461
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency)</u>	100%	\$101,670,000
TOTAL DIRECT DEBT		\$0
TOTAL GROSS OVERLAPPING DEBT		\$432,969,463
TOTAL NET OVERLAPPING DEBT		\$420,741,680
GROSS COMBINED TOTAL DEBT		\$432,969,463 (2)
NET COMBINED TOTAL DEBT		\$420,741,680

- (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.

<u>Ratios to 2018-19 Assessed Valuation:</u>	
Total Overlapping Tax and Assessment Debt	1.48%
<u>Ratios to Assessed Valuation:</u>	
Direct Debt %	0.00%
Total Gross Debt %	2.36%

Source: California Municipal Statistics, Inc.

CITY OF MILPITAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Dollars in Thousands)

Schedule 15

Legal Debt Margin Calculation for Fiscal Year 2018-19

Assessed value (net) - June 30, 2019	<u>\$18,343,899</u>
Debt limit: 3.75% of assessed value (a)	\$687,896
Debt applicable to limit	
Total Bonded Debt	\$0
Less: Tax Allocation Bonds	
not subject to limit	0
Amount of Debt subject to limit	<u>0</u>
Legal debt margin	<u>\$687,896</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
2009-10	\$450,946	\$0	\$450,946	0.0%
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%

(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

Schedule 16

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Installment Payments			Coverage
				Principal	Interest	Total	
2009-10	\$10,896,264	\$6,196,015	\$4,700,249	\$355,000	\$331,793	\$686,793	6.84
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

NOTE: The Certificates of Participation were issued on November 28, 2006 and called on January 5, 2018.
 The Wastewater Revenue Refunding Bonds were issued on December 4, 2017.

- (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
BIMONTHLY SEWER RATES BY CUSTOMER CLASS
LAST TEN FISCAL YEARS

Schedule 17

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)
2009-10	\$65.08	\$46.49	\$28.73	\$10.99	0.97 - 6.52
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

Source: City of Milpitas, Engineering Department

(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)

Schedule 18

Calendar Year	Population	Population Density (Sq. Mile)	Total Personal Income	Per Capita Personal Income	School Enrollment	Unemployment Rate (%)	Land Area (Sq. Mile)
2009	70,812	5,184	\$2,606,712	\$36,812	9,802	11.30%	13.66
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

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

CITY OF MILPITAS
PRINCIPAL EMPLOYERS
FISCAL YEAR 2018-19 and 2009-2010

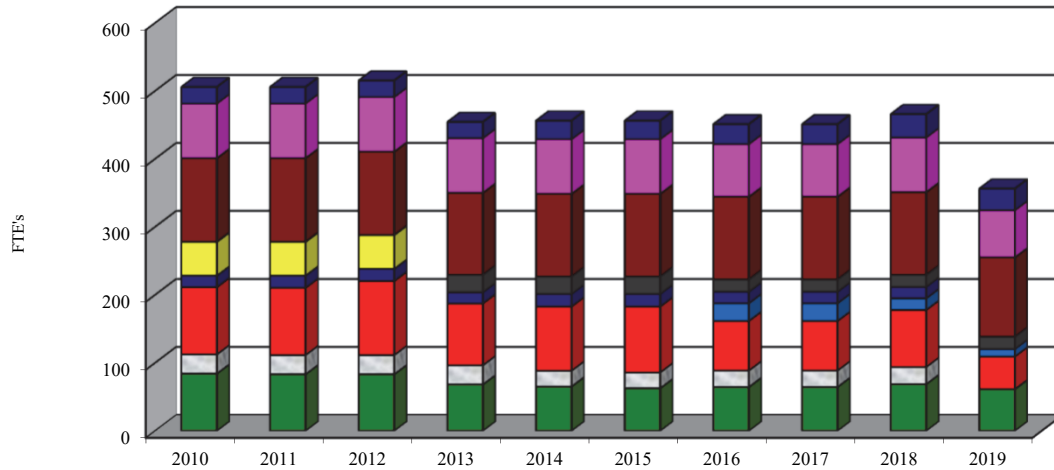
Schedule 19

Employer	2018-19			2009-10		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Cisco Systems, Inc.	3,647	1	8.70%	4,339	1	5.31%
KLA-Tencor Corporation	2,212	2	5.28%	2,000	2	2.45%
San Disk Corporation	1,888	3	4.51%	1,200	6	1.47%
Flextronics International	1,411	4	3.37%	1,850	4	2.27%
Linear Technology Corporation	1,288	5	3.07%	1,100	7	1.35%
Headway Technologies	722	6	1.72%			
Milpitas Unified School District	707	7	1.69%	808	8	0.99%
Wal-Mart	454	8	1.08%			
Hewlett Packard Enterprise	400	9	0.95%			
Nanometrics Inc	262	10	0.63%			
Great Mall				3,500	2	4.29%
LSI Logic Corporation				1,320	7	1.62%
Lifescan, Inc.				800	9	0.98%
JDS Uniphase Corporation				800	10	0.98%
Subtotal	<u>12,991</u>		<u>31.00%</u>	<u>17,717</u>		<u>21.70%</u>
Total Labor Force			41,900			81,646

Source: California Municipal Statistics, Inc.

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

Schedule 20



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

	Fiscal Year Ended June 30									
Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government	84.5	83.5	83.5	68.5	65.5	63.0	64.8	64.8	69.0	61.50
Building and Safety	28.0	28.0	28.0	28.0	23.0	23.0	24.0	24.0	25.0	(c)
Building, Housing and Safety										18.0
Public Works	99.0	99.0	109.0	91.0	94.5	97.0	73.0	73.0	84.0	48.0
Engineering							26.0	(b)	26.0	11.0
Planning and Neighborhood Services	17.0	18.0	18.0	16.5	18.5	18.5	17.0	(b)	17.0	(c)
Planning										15.0
Recreation				25.5 (a)	25.5	25.5	18.0	18.0	17.5	18.00
Parks and Recreation	49.5	49.5	49.5	(a)						
Police:										
Sworn Police	94.5	94.5	94.0	91.5	92.0	92.0	92.0	93.0	93.0	90.0
Civilians	29.0	29.0	29.0	29.5	30.0	30.0	30.0	29.0	29.0	27.0
Fire:										
Firefighters and Safety										
Officers	70.0	70.0	70.0	70.0	70.0	68.0	66.0	66.0	68.0	58.0
Civilians	10.0	10.0	10.0	10.0	10.0	12.0	11.0	11.0	12.0	11.0
Utilities	24.5	24.5	24.5	24.0	27.5	27.5	29.5	29.5	34.5	32.0
Total	<u>506.0</u>	<u>506.0</u>	<u>515.5</u>	<u>454.5</u>	<u>456.5</u>	<u>456.5</u>	<u>451.3</u>	<u>451.3</u>	<u>466.0</u>	<u>389.5</u>

(a) Beginning in fiscal year 2013, parks maintenance division is now under public works department and recreation division is part of human resources department, but it is reported separately here.

(b) Beginning in fiscal year 2016, Public Works and Engineering are separate departments.

(c) Neighborhood Services is a component of Building, Housing and Safety, and Planning is a separate department beginning in fiscal year 2019.

Source: City of Milpitas, final budget

CITY OF MILPITAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Schedule 21

	Fiscal Year Ended June 30				
	2010	2011	2012	2013	2014
Function/Program					
Building and Safety					
Building permits issued	2,700	2,800	2,800	3,400	4,300
Plan checked performed	800	800	800	1,100	1,500
Public Works					
Street miles maintained	139	139	139	139	139
Customer Service Requests	3,900	3,000	3,350	3,500	2,880
Development projects reviewed	118	225	200	200	205
Planning and Neighborhood Services					
Customer Service Requests/Violations abated	980	800	725	725	725
Applications to Planning Commission	84	45	96	106	159
Parks and Recreation					
Sports Center members	10,000	1,200	1,400	1,600	1,450
Senior nutrition meals served	24,056	23,076	23,304	22,090	20,656
Athletic Field maintenance (hours)	2,100	1,641	n/a	n/a	n/a
Police					
Avg response time to emergency calls (minutes)	2:47	2:49	2:42	2:32	2:33
Number of anti-terrorist patrol checks	1,469	1,469	1,693	1,996	2,550
Crime prevention presentations	266	281	235	201	200
Number of vehicle citations issued	11,391	8,544	6,901	4,120	3,516
DARE presentations: schools/students	12/850	11/845	12/770	0	0
Fire					
Emergency calls for service	4,400	4,400	4,075	4,356	4,356
Public education events	90	80	120	45	45
Permits Inspections	4,000	4,000	4,334	4,510	4,510
Plan Review	1,000	900	671	807	807
Utility					
Clean sewer lines (feet)	500,000	550,000	500,000	329,313	640,255
Repair, replace or set water meters	500	380	491	149	298
Average daily consumption (thousands of gallons)	9,200	8,100	8,200	9,340	9,300

Source: City of Milpitas, final budget

Fiscal Year Ended June 30				
2015	2016	2017	2018	2019
4,300	4,200	4,090	4,200	4,300
1,400	1,500	1,610	1,700	1,600
139	139	139	298	298
2,800	2,794	2,800	3,000	2,384
190	178	158	160	225
755	755	800	850	900
236	92	92	100	419
1,504	1,600	1,325	1,450	1,575
21,231	20,158	18,678	17,206	18,322
n/a	n/a	n/a		
2:32	2:40	2:44	2:50	2:54
2,300	2,400	2,200	2,200	1,949
200	125	70	70	70
3,600	5,900	5,720	5,900	5,895
0	0	0	0	0
4,950	5,000	5,000	5,200	5,640
80	100	112	200	223
4,666	7,600	7,322	7,400	7,606
983	1,200	1,550	1,600	1,750
500,000	500,000	500,000	491,244	528,051
279	189	152	115	147
9,300	7,800	5,800	6,590	8,394

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

Schedule 22

Function/Program	Fiscal Year Ended June 30				
	2010	2011	2012	2013	2014
Public Works					
Miles of streets	139	139	287	287	287
Street lights	4,496	4,496	4,500	4,500	4,500
Square feet of buildings maintained (in thousands)	350	427	376	376	376
City vehicles	622	622	247	242	252
Signs	8,363	8,363	8,534	8,534	5,500
Signal lights	71	71	72	72	72
City Parks	29	31	31	33	34
Acres of Parkland	179	178	179	179	180
Playgrounds	33	33	33	24	25
Parks and recreation					
Community centers	1	1	1	1	1
Senior centers	1	1	1	1	1
Sports centers	1	1	1	1	1
Satellite centers	0	0	0	0	0
Swimming pools	4	4	3	3	3
Tennis courts	20	17	20	20	20
Football field	1	1	1	1	1
Baseball/softball fields	15	15	12	8	8
Soccer fields	5	2	3	9	9
Basketball courts	5	5	4	8	8
Volleyball courts / Horse Shoe Pits / Bocce Ball / Cricket Field / Par Course	5	4	5	4	9
Handball courts	4	4	4	5	5
Joint use:					
Russell Bobbysocks Fields	0	0	0	0	0
Soccer fields	0	0	0	0	0
Police					
Police stations	2	2	2	2	2
Police patrol vehicles	28	28	27	27	29
Fire					
Fire stations	4	4	4	4	4
Fire Apparatus	13	15	13	22	19
Fire hydrants	1,840	1,840	1,840	1,840	1,847
Utility					
Miles of water mains	213	213	213	213	214
Water Tank Storage capacity (million of gallons)	16	16	16	16	16
Miles of sanitary sewers	178	178	179	179	179
Miles of storm drain	110	110	110	110	110
Miles of recycled water main	3	3	4	4	4

Source: City of Milpitas, final budget

Fiscal Year Ended June 30				
2015	2016	2017	2018	2019
298	298	298	298	298
4,577	4,577	4,581	5,119	5,141
376	376	376	322	473
260	264	264	269	271
5,700	5,700	6,000	10,000	10,000
70	71	72	72	74
34	33	32	32	32
180	180	195	195	195
34	34	33	30	33
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
0	0	2	2	1
3	3	3	3	3
21	21	21	21	21
1	1	1	1	1
9	9	7	7	9
12	13	13	13	8
7	9	10	10	10
7	10	13	12	10
5	5	6	6	6
0	0	3	3	3
0	0	2	2	8
2	2	2	2	2
28	34	29	29	29
4	4	4	4	4
19	13	11	11	12
2,033	2,033	2,039	2,039	2,039
213	203	203	206	206
16	16	16	16	16
179	173	173	175	173
110	99	99	105	99
23	23	21	23	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, 2019, and have issued our report thereon dated November 18, 2019. 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. We did identify certain deficiencies in internal control we consider to be significant deficiencies listed as item 2015-02 on the Status of Prior Year Significant Deficiencies included as part of our separately issued Memorandum on Internal Control dated November 18, 2019, which is an integral part of our audit and should be read in conjunction with this report.

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*.

City's Response to Findings

The City's response to the findings identified in our audit is described in our separately issued Memorandum on Internal Control dated November 18, 2019, which is an integral part of our audit and should be read in conjunction with this report. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mary & Associates". The script is cursive and fluid, with the "M" and "A" being particularly large and stylized.

Pleasant Hill, California
November 18, 2019

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES FOR
COMPLIANCE WITH THE PROPOSITION 111
2018-2019 APPROPRIATIONS LIMIT INCREMENT**

Honorable Mayor and Members of the City Council
City of Milpitas, California

We have performed the procedures below, which were agreed to by the City of Milpitas, on the Appropriations Limit Worksheet (Worksheet) for the year ended June 30, 2019. The City's management is responsible for the Worksheet. These procedures, which were suggested by the League of California Cities and presented in their Article XIII B Appropriations Limitation Uniform Guidelines, were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures you requested us to perform and our findings were as follows:

- A. We obtained the Worksheet (Attachment No. 1 to the Resolution) and determined that the 2018-2019 Appropriations Limit of \$101,169,019 and annual adjustment factors were adopted by Resolution of the City Council. We also determined that the population and inflation options were selected by a recorded vote of the City Council.
- B. We recomputed the 2018-2019 Appropriations Limit by multiplying the 2017-2018 Prior Year Appropriations Limit by the Total Growth Factor. We recomputed the Total Growth Factor by multiplying the population option by the inflation option.
- C. For the Worksheet, we agreed the Per Capita Income Factor, City Population and County Population Factors to California State Department of Finance Worksheets.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Worksheet. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and the City Council and is not intended to be and should not be used by anyone other than those specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Maze & Associates

Pleasant Hill, California
April 17, 2019

Accountancy Corporation
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Pleasant Hill, CA 94523

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CITY OF MILPITAS
BICYCLE/PEDESTRIAN PROJECTS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2019

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CITY OF MILPITAS
Bicycle/Pedestrian Projects
Financial Statement
For the Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the City Council
City of Milpitas, California

Report on Financial Statements

We have audited the financial statements of the City of Milpitas Bicycle/Pedestrian Projects (Projects) of the City of Milpitas, California, as of and for the year ended June 30, 2019, and the related notes to the 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 an opinion on these financial statements based on our audit. 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 Projects' 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 Projects' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Projects as of June 30, 2019, and the change in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Projects and do not purport to, and do not present fairly the financial position of the City as of June 30, 2019, or the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2019, on our consideration of the Projects' 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 Projects' internal control over financial reporting and compliance.



Pleasant Hill, California
November 18, 2019

CITY OF MILPITAS
BICYCLE/PEDESTRIAN PROJECTS
BALANCE SHEET
JUNE 30, 2019

	<u>2019</u>
ASSETS	
Receivable from MTC	<u>\$0</u>
Total Assets	<u><u>\$0</u></u>
LIABILITIES	
Due to the City	<u>\$0</u>
FUND BALANCE	
Unassigned	<u>0</u>
Total Liabilities and Fund Balance	<u><u>\$0</u></u>

See accompanying notes to financial statements

CITY OF MILPITAS
BICYCLE/PEDESTRIAN PROJECTS
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>
REVENUES	
TDA Article 3.0 (Note 2)	<u>\$108,083</u>
Total Revenues	<u>108,083</u>
EXPENDITURES	
Construction of ADA Curb Ramps (17001022)	<u>108,083</u>
Total Expenditures	<u>108,083</u>
Net change in fund balance	0
Fund balance at beginning of year	<u>0</u>
Fund balance at end of year	<u><u>\$0</u></u>

See accompanying notes to financial statements

**CITY OF MILPITAS
BICYCLE/PEDESTRIAN PROJECTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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The City of Milpitas has developed the Bicycle/Pedestrian Projects (Projects) under the Transportation Development Act (TDA), Article 3.0 for the construction of pedestrian pathways and wheelchair ramps and bicycle master plan studies. The Projects are funded by TDA grants.

The TDA Fund is distributed through the Metropolitan Transportation Commission (MTC) which is the agency responsible for allocation of funds to eligible claimants within the greater San Francisco Bay Area.

The following is a summary of significant accounting policies applicable to the Projects which conform to generally accepted accounting principles as applicable to governments.

A. *Fund Accounting*

The Projects are accounted for as part of the General Government Capital Projects Fund of the City of Milpitas. This fund is a set of self-balancing accounts which comprise its assets, deferred inflows/outflows of resources, liabilities, fund balance, revenues and expenditures.

B. *Basis of Accounting*

Basis of accounting refers to when revenues and expenditures are recognized. The Projects are accounted for in a governmental fund type and the modified accrual basis of accounting is used. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. The Projects considers all revenues reported in the governmental funds to be available if the revenues are collected within forty-five days after year-end. Expenditures are recognized when they are incurred.

C. *Deferred Inflows and Deferred Outflows of Resources*

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**CITY OF MILPITAS
BICYCLE/PEDESTRIAN PROJECTS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 2 - TDA ARTICLE 3.0 REVENUE

For the year ended June 30, 2019 the City had allocation instructions from the Metropolitan Transportation Commission for the following projects:

Instruction Number	Project Name	Grant Award	Expended in June 30, 2019	Revenue in Fiscal Year 2019
17001022	Construction of ADA Curb Ramps	\$108,083	\$108,083	\$108,083
19001050	ADA Curb Ramp Transition Program 2019	127,587		
		<u>\$235,670</u>	<u>\$108,083</u>	<u>\$108,083</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING, ON COMPLIANCE WITH THE TRANSPORTATION
DEVELOPMENT ACT 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 financial statements of the City of Milpitas Bicycle/Pedestrian Projects (Projects) as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Projects' 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 Projects' internal control. Accordingly, we do not express an opinion on the effectiveness of Projects' 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 Projects' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Projects' 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. Our procedures included the applicable audit procedures contained in §6666 of Title 21 of California Code of Regulations and tests of compliance with the applicable provisions of the Transportation Development Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission. 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 or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated November 18, 2019 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Projects' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Project's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Metropolitan Transportation Commission, management, City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.



Pleasant Hill, California
November 18, 2019

CITY OF MILPITAS
MEMORANDUM ON INTERNAL CONTROL
FOR THE YEAR ENDED
JUNE 30, 2019

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**CITY OF MILPITAS
MEMORANDUM ON INTERNAL CONTROL**

For the Year Ended June 30, 2019

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MEMORANDUM ON INTERNAL CONTROL

To the City Council of
the City of Milpitas, California

We have audited the basic financial statements of the City of Milpitas, California, for the year ended June 30, 2019, and have issued our report thereon dated November 18, 2019. Our opinions on the basic financial statements and this report, insofar as they relate to Terrace Gardens, Inc., are based solely on the report of other auditors. In planning and performing our audit of the basic financial statements of the City, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies in internal control included as item 2015-02 on the Status of Prior Year Significant Deficiencies to be a significant deficiency.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Management responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, City Council, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Maye & Associates

Pleasant Hill, California
November 18, 2019

**CITY OF MILPITAS
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

2019-01 Reconciliation of Parking Citations to Collections

The City's Police Department contracts with Phoenix, a third-party administrator, to process and collect fees associated with parking citations. The City mails out the original parking citations to Phoenix for the processing of collections and delinquencies. On a monthly basis, the third-party will send a report along with the collected fees to the Finance Department. The parking citations provided to Phoenix should be reconciled to the collection fees remitted to the City on a monthly, or at least quarterly, basis.

Per inquiry with Police department and Finance department personnel, it appears the City does not perform a reconciliation between citations sent to Phoenix and citation fees remitted to the City from Phoenix.

Without a reconciliation and review process, there is an increased risk of cash receipt interception and uncollectible receivables.

The Police Department and the Finance Department should develop a reconciliation process to ensure all citation collections are properly captured and recorded by the City.

Management's Response:

Finance has worked with the Police Department to develop a monthly reconciliation process. Once Police sends the citation tickets to a third party for processing, a listing of citations will then be submitted to Finance and Finance will compare the information to the remittances in the Phoenix software. This process was effective April 2019.

2019-02 Compliance with CAL-Card Manual and Procedures over Review and Approval of Monthly Statements

The City's CAL-Card Manual dated August 25, 2017 requires that monthly Statement of Accounts must be reviewed, reconciled, and approved by the Cardholder and Approving Official within a maximum of 10 working days from the Cardholder's receipt of the Statement of Account.

We reviewed the Statements of Accounts for the City Manager and two Department Heads for two billing cycles each, for a total of six Statements, and noted that although the Statements did include documentation that they had been reviewed, five out of the six were not reviewed within the 10 working day requirement as follows:

- City Manager: the periods ending 9/24/18 and 10/22/18 were not signed and reviewed until 2/7/19 and 2/6/19, respectively.
- Building and Housing Director: the period ending 9/24/18 was not signed until 12/4/18.
- Planning Director: the periods ending 12/24/18 and 2/22/19 were not reviewed until 1/17/19 and 4/2/19, respectively.

**CITY OF MILPITAS
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

2019-02 Compliance with CAL-Card Manual and Procedures over Review and Approval of Monthly Statements (Continued)

In addition, for the City Manager's two statements we understand the Finance Department was initially provided with photocopies of the statements so payment could be processed, but the approved statements were not remitted until February 2019.

Delays in reviewing and approving Statements results in a delay in Accounts Payable processing the Statements for payment to the U.S. Bank, and potential fraudulent charges not being reported timely.

The City should ensure all employees with CAL-Cards submit their Statement of Accounts and supporting documents to within 10 working days of receipt of the statement. In addition, follow-ups and reminders must be made to applicable employees to ensure compliance is maintained.

Management's Response:

The City is developing a process to improve timely submittal of approved monthly statements.

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We cite them here to keep you informed of developments:

EFFECTIVE FISCAL YEAR 2019/20:

GASB 84 – Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

**CITY OF MILPITAS
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

GASB 84 – *Fiduciary Activities (Continued)*

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

GASB 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

**CITY OF MILPITAS
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2020/21:

GASB 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

**CITY OF MILPITAS
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2021/22:

GASB 91 – Conduit Debt Obligations

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved:
 - (1) an issuer
 - (2) a third-party obligor, and
 - (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

**CITY OF MILPITAS
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

GASB 91 – Conduit Debt Obligations (Continued)

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

How the Changes in this Statement will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

**CITY OF MILPITAS
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
SIGNIFICANT DEFICIENCIES**

2015-02 Vendor Database Review

Good internal controls require that employees with access to the City's assets not have access to the City's accounting records for the same assets. As an example, employees with access to the vendor database should not also have access to processing accounts payable. If segregation of those duties is not possible, changes to the vendor database should be reviewed and approved by another employee who does not process accounts payable.

During our review of the Accounts Payable process, we noted the Accounts Payable clerks who process disbursements also have access to makes changes to the vendor database, but the changes are not reviewed and approved by a second appropriate employee.

We understand that the City has not designated staff to review the vendor database changes. Without an independent review, the City is exposed to the risk of ghost vendors and/or unauthorized changes to vendor accounts.

The City should remove the access to the vendor database from the Accounts Payable clerks. In the event this segregation of duties is not feasible, then changes to the vendor database should be reviewed and approved by an employee who does not have access to the database on a regular basis, such as prior to each check run.

Current Status:

The City worked with the Financial system Vendor to create a new vendor log so that the Senior Accountant in charge of Accounts Payable was able to develop a process to review the new vendor log on a weekly basis. This new process was implemented effective June 2019.

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**CITY OF MILPITAS
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
OTHER MATTERS**

2018-01 Timely Review of Monthly Treasurer's Reports

Timely review and approval is an important element of the City's internal control structure. In order to be an effective control, the Treasurer's Report should be prepared and subsequently reviewed for accuracy in within 30-45 days after month-end.

We reviewed the October 2017 and January 2018 Treasurer's Reports and noted that they were not reviewed until January 26, 2018 and April 9, 2018, respectively, which is more than 45 days after month-end. And, the date of preparation was not documented, so we were unable to determine if they were prepared timely.

Update for June 30, 2019 Audit:

We reviewed the July 2018 and January 2019 Treasurer's Reports and noted that they were prepared timely, but not reviewed until October 18, 2018 and March 2, 2019, respectively, which is more than 45 days after month-end.

A delay in the review and approval of investment reconciliations increases the risk of errors and other misstatements not being detected and corrected in a timely manner. The City should develop procedures to ensure investment reconciliations are reviewed in a timely manner, and the date of preparation should be documented.

Current Status:

Currently, the monthly Treasurer's Report is prepared and reviewed by City staff. Finance has transitioned the review of the monthly Treasurer's Report from one Senior Accountant to another Senior Accountant to align with staff capacity. Further, as approved in the FY 2019-20 Adopted Operating Budget, Finance issued a Request for Proposal to outsource Investment Services which includes the preparation of the monthly Treasurer's Report. If the contract for outsourcing the investment function is approved by Council, then Finance staff will only have to review the monthly report.

**CITY OF MILPITAS
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
OTHER MATTERS**

2018-02 Quarterly Review of Investment Securities and Documentation of the Review

The Safekeeping of Securities Section of the City's Investment Policy adopted on August 1, 2017 requires that securities held in custody for the City be reviewed and verified quarterly by Finance staff that has not been assigned to the investment function.

We understand that the monthly investment reports are reviewed by a Senior Accountant that is not involved with the investment function for 8 months of the year; however, we also understand approval of the reports is made verbally and no written documentation is provided to support the review and approval. And, the four quarter-end reports are not reviewed by the Senior Accountant due to the short amount of time between completion of the investment report and inclusion of the report on the City Council agenda.

Finance staff indicated that the time constraints to present the quarterly Treasurer's Reports to Council prevent the review of those reports by a staff member that is not assigned to the investment function. In addition, formal documentation of the review of the reports throughout the year by that staff member is not in place.

The City is not in compliance with the Safekeeping of Securities review provision of the Investment Policy. The City should develop procedures to ensure the investments held in custody for the City are reviewed and verified quarterly by a staff member that is not involved with the investment function, and that evidence of the review is documented in a formal manner.

Current Status:

Currently, the monthly Treasurer's Report is prepared and reviewed by City staff. Finance has transitioned the review of the monthly Treasurer's Report from one Senior Accountant to another Senior Account to align with staff capacity. Further, as approved in the FY 2019-20 Adopted Operating Budget, Finance issued a Request for Proposal to outsource Investment Services which includes the preparation of the monthly Treasurer's Report. If the contract for outsourcing the investment function is approved by Council, then Finance staff will only have to review the monthly report.

**CITY OF MILPITAS
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
OTHER MATTERS**

2018-03 Compliance with CAL-Card Manual – Periodic Audits of Credit Card Statements

The City has a Manual and a number of Standard Operating Procedures (SOPs) that govern the use of City-issued credit cards. In response to the prior year issues related to the City's CAL-Card program, the City adopted a new CAL-Card Manual dated August 25, 2017. The new Manual requires that the Finance Department periodically perform audits on all credit card statements to determine compliance with City of Milpitas policies and procedures

We inquired about whether City staff is performing the periodic audits on credit card statements and we understand that outside of the monthly review completed by the Approving Officials and Accounts Payable staff, no such audits are being performed. However, we also understand that the Accounts Payable staff were unaware that the review of each credit card statement was supposed to serve as the audit required by the Manual.

Without a periodic audit of the credit card statements, there is an increased risk that prohibited purchases may be made and not caught in a timely manner, and the City is not in compliance with the provisions of its CAL-Card Manual.

The City should develop procedures to ensure the periodic audits of all credit card statements are completed and documented, or revise the CAL-Card Manual to reflect current procedures in place.

Current Status:

The City is developing a process to improve timely submittal of approved monthly statements.

2018-04 Retention of Retiree Personnel Files to Support Pension and Other Post-Employment Benefits (OPEB) Census Data File

The City must maintain personnel records to ensure the accuracy of pension and OPEB census data files.

We selected fifty-three active personnel for the pension plans and twenty-five active and retiree personnel for testing of eligibility to receive benefits and inclusion in the census data files based on various criteria, including newly eligible employees during the period to the census data, active employees and retirees in the census data and active employees in the payroll register to trace to census data.

During our testing, we noted that 21 former employee personnel files could not be located.

The 21 missing personnel files could not be located by the Human Resources Department, because the files were beyond the records retention policy. However, City staff located information to support that the retiree or separated employee had been previously employed by the City.

**CITY OF MILPITAS
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
OTHER MATTERS**

2018-04 Retention of Retiree Personnel Files to Support Pension and Other Post-Employment Benefits (OPEB) Census Data File (Continued)

The City must develop record keeping, review and reconciliation procedures to ensure the pension and OPEB census data is supported, up to date and accurate. In the event the City records retention policy does not provide for retention of personnel files for retirees still receiving benefits, at a minimum, the policy should be revised to require the retention of personnel data to support the documentation of eligibility to receive the benefits.

Current Status:

The City will develop procedures to ensure the pension and OPEB census data is supported, up to date and accurate. All personnel who were separated from the City after January 1999 will be kept in the City's Enterprise Resource Planning (ERP) system.

2016-05 Information Systems Best Practices

We conducted an Information Systems Review with our audit which encompassed the City's financial information system and the network environment that houses it. We expanded our work in previous years beyond simply looking at financial information systems as a result of greater risks of unauthorized access caused by overall industry growth of web-based commerce and internet based financial systems. Internal controls that are present in the overall network environment have become more important and relevant to understanding the internal controls over the financial system. We believe Information System controls must be continuously improved and enhanced to stay ahead of the ever increasing sophistication of hackers and criminals.

Currently, there are no Information Systems standards to which local governments are required to conform. Indeed there are a wide variety of informal guidelines and suggested controls from many different organizations which local governments can use to implement appropriate controls to ensure adequate security over information technology. A voluntary risk-based Cybersecurity Framework has been developed by the National Institute of Standards and Technology (NIST) per Presidential Executive Order 13636 (12 FEB 2013). The *Framework for Improving Critical Infrastructure Cybersecurity* version 1.0 (12 FEB 2014) offers a number of appropriate standards. Our Information Systems auditors have reviewed the voluntary framework and concluded that the risk management framework developed by NIST for the Federal Information Security Management Act (FISMA) is the most appropriate for local governments¹. The NIST risk management framework represents the minimum security requirements for federal government agencies and recommends these controls for private industry and state and local governments.

While the results of our work did not indicate material weaknesses, we noted a few areas which could be improved. A summary of these recommendations which we believe are "best practices" are as follows:

¹ "State, local, and tribal governments, as well as private sector organizations are encouraged to consider using these guidelines, as appropriate." NIST SP 800-37 Rev 1 pg 11

**CITY OF MILPITAS
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
OTHER MATTERS**

2016-05 Information Systems Best Practices (Continued)

Payment Card Industry Compliance

The City is not in compliance with the Payment Card Industry Data Security Standard (PCI-DSS). Any organization that processes credit cards is required to comply with PCI-DSS, even if the processing is outsourced. Failure to meet compliance requirements results in higher transaction fees and liability if a security breach is found. Because the City accepts credit cards as a form of payment, the City must be compliant with the applicable controls.

Business Continuity Planning with Regards to Information Technology

The City does not have a formal written information technology business continuity policy. As organizations rely more and more on information technology and electronic data storage for an increasingly wider scope of processes, it becomes more and more important to develop a plan to make those resources available during and after some form of disaster. A formal disaster recovery business continuity policy serves to show management's intent and due diligence for the continuity of operations. A disaster recovery policy or contingency plan should address what to do in case of a disaster and how to prepare for a disaster that cripples or closes the computer center such as a fire, flood, natural or manmade disaster. The City should consider developing and implementing an IT contingency plan which would include procedures for periodic information backup and offsite storage, along with an alternative processing site that would allow the City to continue to operate in the event of a disaster.²

Current Status:

Payment Card Industry Compliance – Implemented.

Business Continuity Planning with Regards to Information Technology – The City implemented its Business Continuity Plan in December 2018. But since then, the City implemented some major changes to its infrastructure, like moving Exchange and Office applications to Office 365. The City is currently working on moving servers and data services to virtualization and to the Cloud. Due to these changes, the City will be working with Mission Critical Partners on developing and implementing new Disaster Recovery and Business Continuity Plan.

2015-05 Finance Personnel Super-User Rights

Good internal controls are based a segregation of duties, and no one finance employee should have access to an asset and the controlling documentation that supports that asset. Ideally, one employee should retain authorization to use an asset and another employee should maintain the records over that asset. Super-user rights give an individual the potential to obtain both of these functions. Due to the reasons mentioned above, Finance staff should not normally be allowed to have super-user rights in the City's general ledger system.

We understand that the City is in the process of upgrading the Cayenta general ledger system and the Accounting Manager was granted with Super-User rights for the convenience of system implementation. However, we recommend the City remove the Super-User login access to Finance staff immediately upon completion of the upgrade. And, additional review/approval procedures may be necessary to mitigate any potential control risks during the time those staff have such rights.

² For more information see "Contingency Planning Guide for Information Technology Systems" NIST SP 800-34.

**CITY OF MILPITAS
MEMORANDUM ON INTERNAL CONTROL**

**STATUS OF PRIOR YEAR
OTHER MATTERS**

2015-05 Finance Personnel Super-User Rights (Continued)

In the future, City should review the necessity of granting any employee the super-user rights to the financial system. For any module within the financial system that these employees do not need to edit, their access should be limited to read-only.

Current Status:

City reviews on a regular basis a few processes in order to make sure that staff with super-user rights are unable to create new vendors or increase their own pay rate.

2015-06 Periodic Review of the General Ledger Access Log

Employee access to the various modules of the General Ledger must be monitored periodically to ensure that the access of each individual is appropriate according to their specific job duties.

As we recommended in 2011 and 2013, due to the new system implementation in 2011, City staff found that the Access Log was not readily available in one document in the system. A document as important as this should be readily available to City staff throughout the year. The Access Log is an important tool for the City to monitor employee access to the financial system.

We understand that the City has worked with the software provider, Cayenta, to provide an Access Log from the financial system and it was expected to be available as of May 2013. However, the Log is still in the testing phase and the City is still working with Cayenta to determine how a concise report of employee access to the key financial functions and duties can be produced.

A designated managerial staff should review the system access periodically to ensure that access to the various system modules is authorized and appropriate.

Current Status:

The City has dedicated a staff member to work with the financial system vendor to provide a security access report.

CITY OF MILPITAS
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED
JUNE 30, 2019

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CITY OF MILPITAS
REQUIRED COMMUNICATIONS
For the Year Ended June 30, 2019

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REQUIRED COMMUNICATIONS

To the City Council of
the City of Milpitas, California

We have audited the basic financial statements of the City of Milpitas, California, for the year ended June 30, 2019. We did not audit the discretely presented component unit financial statements of Terrace Gardens, Inc. as of and for the year ended December 31, 2018, which represent 1.22%, 1.66%, and 1.02% of the assets, net position and revenues, respectively, of the primary government. These component unit financial statements were audited by another auditor, 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 auditor.

Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards and *Government Auditing Standards* and Uniform Guidance.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

GASB 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The pronouncement became effective and resulted in revisions to the debt-related disclosures in Note 9 to the financial statements.

The following pronouncement became effective, but did not have a material effect on the financial statements:

GASB 83 – Certain Asset Retirement Obligations

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were as follows:

Estimated Fair Value of Investments: As of June 30, 2019, the City held approximately \$340.9 million of cash and investments as measured by fair value as disclosed in Note 3 to the Financial Statements. Fair value is essentially market pricing in effect as of June 30, 2019. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2019.

Estimated Depreciation: Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 8 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 11 to the financial statements and are based on accounting valuations determined by the California Public Employees Retirement System, which are based on the experience of the City. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net OPEB Liability and OPEB-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net OPEB liability are disclosed in Note 12B to the financial statements and is based on actuarial study determined by a consultant, which is based on the experience of the City. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Compensated Absences: Accrued compensated absences, which are comprised of accrued vacation and sick leave, is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year, and are disclosed in Note 12C to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Claims Liabilities: Management's estimate of the claims liabilities payable is disclosed in Note 13 to the financial statements and is based on estimates determined by the City's risk pool and third party claims administrator, which are based on the claims experience of the City. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the City Council.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated November 18, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplementary information, which accompanies the financial statements but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory and Statistical Sections which accompany the financial statements, but are not required supplementary information. Such information has 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.

This information is intended solely for the use of City Council and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Maize & Associates

Pleasant Hill, California
November 18, 2019



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Accept the FY 2019 Car Break-In Prevention Grant
Category:	Consent Calendar-Public Safety
Meeting Date:	12/3/2019
Staff Contact:	Captain Jared Hernandez, 408-586-2406
Recommendation:	Accept the 2019 Car Break-In Prevention Grant in the amount of \$750,000 and Approve a Budget Appropriation into the Police Department's Operating Budget

Background:

Over the past several years, a surge in automobile burglaries at hotel, movie, restaurant, and shopping center parking lots has plagued cities across the San Francisco Bay Area. From 2016 to 2018, the City of Milpitas experienced a 31.5% increase in automobile burglaries. The 2019 auto burglary statistics have already surpassed 2018.

Due to the increase of automobile burglaries and the crimes impact on quality of life, California State Assemblymember Kansen Chu requested State funding to combat these burglaries. The Legislature designated funding to the cities of Milpitas, Fremont, Santa Clara, San Jose, and Newark. Each city was granted \$750,000 for car break-in prevention per the Budget Act of 2019.

The City of Milpitas received grant funding in accordance with Assembly Bill 74, Chapter 23, Statutes of 2019, Item 5227-107-0001, and Provision 1(d), which provides that the City of Milpitas receive \$750,000 for car break-in prevention. No City matching funds are required.

The Police Department is required to request City Council to accept the grant and approve the budget appropriation, per City of Milpitas Grant SOP 26-2a.

Analysis:

This funding will be used to facilitate enforcement efforts, enhance our ability to solve automobile burglaries through technology and investigation, and prevent these burglaries through community education and outreach.

The Milpitas Police Department has identified three key strategies to effect change and stop the rise in automobile burglaries. Our strategy is to utilize this funding for Prevention and Education, Deterrence, and Enforcement. We believe this well-rounded approach will contribute to a decrease in crimes of opportunity, help to identify suspects, and support perpetrator prosecution.

In addition, funds will be used to expand community awareness and partnerships, further analytical capabilities from which to base our policing efforts, procure equipment and technology to enhance our ability to deter, prevent, and solve automobile burglaries, and support participation in multi-agency efforts to identify and prosecute these sophisticated criminal enterprise crews.

Policy Alternatives:

Alternative 1: Refuse the 2019 Grant of \$750,000.00.

Pros: There are no identified benefits to this alternative.

Cons: The Police Department would not be able to purchase needed equipment or fund additional staff time to combat automobile burglaries without impacting the operational budget and affecting core services.

Fiscal Impact:

It is recommended that the Council appropriate \$750,000 in one-time grant funds to combat auto burglaries. No matching funds are required.

California Environmental Quality Act:

N/A

Recommendations:

1. Accept the 2019 Car Break-In Grant in the amount of \$750,000.00.
2. Approve a budget appropriation in the amount of \$750,000.00 to the Police Department's operating budget.

Attachments:

- a) Car Break-In grant 2019 spending plan
- b) Budget change form

MEMORANDUM

Milpitas Police Department



Armando Corpuz
Chief of Police

DATE: October 3, 2019
TO: Kevin Moscuzza, Assistant Chief of Police
FROM: Jared Hernandez, Captain
SUBJECT: BSCC Car Break-In Prevention Grant

The City of Milpitas received grant funding from the state in accordance with Assembly Bill 74, Chapter 23, Statutes of 2019, Item 5227 107 0001, Provision 1(d), which provides that the City of Milpitas receive \$750,000 for car break-in prevention. No city matching funds are required.

Staff has identified three (3) key strategies to reduce automobile burglaries in the City of Milpitas. Funding should be allocated towards prevention and education, deterrence, and enforcement to affectively impact the automobile burglary epidemic occurring in our region. Using this multifaceted approach will aid in the identification, apprehension, and prosecution of automobile burglary suspects as well as promote public safety through community education and deterrence.

Further specifics on the spending areas are as follows:

1. Prevention/Education

The Milpitas Police Department relies on community partnership as a cornerstone of maintaining a safe city and low crime rate. Minimizing opportunities for citizens to become victims is the most effective way to prevent crime. The purchase of relevant equipment, such as signboards, and services, such as distribution pamphlets or advertisement, will allow us to provide safety tips to the community and encourage cooperation to report suspicious activity and crime.

2. Deterrence

Police presence and sanctions are some of the most effective forms of deterrence. The Milpitas Police Department deploys police officers in problem areas as a general deterrent to criminals. Additionally, staff from specialized units are deployed to address crime trends within the City and to deter crime through proactive enforcement. The allocation of funds towards overtime staffing for the purposes of general deterrence and conducting operations to address criminal activity pertaining to auto burglaries will ensure core police services are not impacted by automobile burglary prevention efforts. Proactive enforcement operations may be conducted solely by the Milpitas Police Department or in conjunction with other law enforcement agencies. Cost sharing for joint operations and the sharing of personnel resources will ensure a coordinated, regional approach to the automobile burglary epidemic in our region. Other forms of deterrence may include the presence of overt trailer mounted surveillance systems and POD cameras.

3. Enforcement

Automobile burglary suspects rely on technology to help identify potential targets. They are often brazen and place the public at significant risk when fleeing from the scene after committing a crime. To maximize public safety while also optimizing the potential to identify automobile burglary suspects and hold them accountable for their crimes, the Milpitas Police Department currently

deploys various technology and equipment to aid in the identification and apprehension of automobile burglary suspects. Equipment, such as remote camera systems, have been used as a force multiplier and allowed the simultaneous monitoring of high target areas while limiting the number of personnel needed to monitor these areas. Automated License Plate Read (ALPR) Technology has aided in the identification of suspect vehicles, the sharing of information with regional partners, and the apprehension of suspects. Funding should be allocated for the purchase of equipment, as well as the maintenance of existing equipment, that will enable officers to conduct automobile burglary investigations and operations more efficiently while maximizing our effectiveness and decreasing the risk to the public.

Additionally, providing reward money has been an effective method of identifying suspects in criminal cases. Funds for the purposes of rewarding people for information leading to the arrest and conviction of suspects involved in auto burglaries should be available for use in those circumstances where other methods of identification have failed.

RECOMMENDATION:

I do not recommend specific dollar amounts be allocated within the three (3) spending areas; Crime trends often shift and depending on the circumstances, focus and funding may need to shift rapidly to be effective. Additionally, I recommend the entire grant fund be tracked on a single budget account code. The Chief of Police, or his designee, should have discretionary spending of the funding in any area of the plan to effectively combat evolving crime trends. Although the State of California has not imposed reporting requirements for expenditures, we should track all expenses regardless.

211 11/7/19

- APPROVED -
11/7/2019


City of Milpitas, California

BUDGET CHANGE FORM

Type of Change	From*		To*	
	Account	Amount	Account	Amount
Check one: ☒ Budget Appropriation ☐ Budget Transfer	268-3567	\$750,000	268-721-4237	\$750,000

Accept the 2019 Car Break-In Prevention Grant in the amount of \$750,000 and Approve a Budget Appropriation into the Police Department's Operating Budget.

Background:

Over the past several years, a surge in automobile burglaries at hotel, movie, restaurant, and shopping center parking lots have plagued cities across the San Francisco Bay Area. From 2016 to 2018, the City of Milpitas experienced a 31.5% increase in automobile burglaries. The 2019 auto burglary statistics have already surpassed 2018.

Due to the increase of automobile burglaries and the crimes impact on quality of life, California State Assemblymember Kansen Chu requested State funding to combat these burglaries. The legislature designated funding to the cities of Milpitas, Fremont, Santa Clara, San Jose, and Newark. Each city was granted \$750,000 for car break-in prevention per the Budget Act of 2019.

The City of Milpitas received grant funding in accordance with Assembly Bill 74, Chapter 23, Statutes of 2019, Item 5227-107-0001, and Provision 1(d), which provides that the City of Milpitas receive \$750,000 for car break-in prevention. No city matching funds are required.

The Police Department is required to request City Council to accept the grant and approve the budget appropriation, per City of Milpitas Grant SOP 26-2a.

Analysis:

This funding will be used to facilitate enforcement efforts, enhance our ability to solve automobile burglaries through technology and investigation, and prevent these burglaries through community education and outreach.

The Milpitas Police Department has identified three key strategies to effect change and stop the rise in automobile burglaries. Our strategy is to utilize this funding for Prevention and Education, Deterrence, and Enforcement. We believe this well-rounded approach will contribute to a decrease in crimes of opportunity, help to identify suspects, and support perpetrator prosecution.

This funding will be used to expand community awareness and partnerships, further analytical capabilities from which to base our policing efforts, procure equipment and technology to enhance our ability to deter, prevent, and solve automobile burglaries, and support participation in multi-agency efforts to identify and prosecute these sophisticated criminal enterprise crews.

Policy Alternatives:

Alternative 1: Refuse the 2019 Grant of \$750,000.00.

Pros: There are no identified benefits to this alternative.

Cons: The police department would not be able to purchase needed equipment or fund additional staff time to combat automobile burglaries without impacting the operational budget and affecting core services.

Fiscal Impact:

It is recommended that the Council appropriate \$750,000 in one-time grant funds to combat auto burglaries. No matching funds are required.

California Environmental Quality Act:

N/A

Recommendations:

1. Accept the 2019 Car Break-In Grant in the amount of \$750,000.00.
2. Approve a budget appropriation in the amount of \$750,000.00 to the Police Department's operating budget.

Attachments:

- a) Car Break-In grant 2019 spending plan
- b) Budget change form

☒ **Check if City Council Approval required.****Meeting Date:** December 03, 2019

Requested by:	Department Head: Armando Corpuz	Date: December 03, 2019
Reviewed by:	Finance Director: Walter C. Rossmann 	Date: December 03, 2019
Date approved by City Council, if required:		Confirmed by:

FI/24786/V

Form 30-222 (Rev. 1/92)



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Approve the Milpitas Public Safety and Emergency Preparedness Commission Work Plan for Fiscal Year 2019-20 (Staff Contact: Toni Charlop, 408-586-2801)
Category:	Consent Calendar-Leadership and Support Services
Meeting Date:	12/3/2019
Staff Contact:	Toni Charlop
Recommendation:	Approve proposed Public Safety and Emergency Preparedness Commission Fiscal Year 2019-20 Work Plan.

Background:

The Milpitas Emergency Preparedness Commission (established 2008), was retitled the Public Safety and Emergency Preparedness Commission (PS&EPC) in August 2018. The Commission serves in an advisory capacity to the City Council on a variety of topics, as directed by the City Council. The Commission's Fiscal Year (FY) 2019-20 Work Plan identifies goals, projects and ongoing tasks that the Commission plans to accomplish in this fiscal year.

At the November 21, 2019 PS&EP Commission meeting, the Commission submitted its 2019-20 Work Plan for approval of the Milpitas City Council.

Analysis:

The Public Safety and Emergency Preparedness Commission's Fiscal Year 2019-20 Work Plan aligns with existing programs and recommendations from the Milpitas Police Department, Fire Department and Office of Emergency Services.

The plan for the FY 2019–20 Work Plan includes the following (see work plan for descriptions):

1. Explore the benefits of the "Neighborfest" Program to the Milpitas Community.
2. Enhance social media presence, increase and improve collaboration with City departments and functions and conduct outreach for involvement with community organizations and businesses.
3. Increase community participation in the Map Your Neighborhood Program.
4. Develop and present the Business Emergency Preparedness Program.

Fiscal Impact:

Fiscal impact will be minimal. All expenditures will be from the allotted Commission budget.

Recommendation:

Receive and approve proposed Public Safety & Emergency Preparedness Commission FY 2019-20 Work Plan.

Attachment

Draft Public Safety & Emergency Preparedness Commission FY 2019-20 Work Plan

Public Safety & Emergency Preparedness Commission
Work Plan 2020 Proposed

	Task	Description	Goal/Objective	Commissioners
1.	Neighborfest	Neighborfest is a locally organized gathering, also known as a block party, that offers neighborhoods the chance to come together, have fun, and build a stronger, more connected community.	Explore the benefits of this program and determine how it would complement the existing Map Your Neighborhood (MYN) Program.	Don, Paul, Vicki & Jon
2.	Technology and Collaboration Initiative	Increased social media presence and increased use of existing City functions (PD, Fire, Rec) as well as improved collaboration with private entities such as HOA's, faith-based organizations and local businesses.	Improve social media presence and use existing functions to reach a larger audience.	Hon, Paul & Mercedes
3.	Increase Map Your Neighborhood Program	This program began in Milpitas in 2017 in effort to promote neighbors talking and preparing their neighborhood, for an emergency. This serves as an enhancement to the Milpitas CERT program.	Minimum of 6 new neighborhoods/year. Identify resources and vulnerable populations.	Vicki & Don
4.	Develop Business Emergency Preparedness Program	The recovery of the Milpitas business community is integral to recovery for the City of Milpitas. PS&EPC will put together a program to help prepare the business community prepare for a disaster. Resources to include FEMA literature and presentation.	Work with Tim to determine status of initiative. Define and identify critical function businesses-focus on employers with fewer than 100-20 employees.	Jon, Don & Mercedes



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Conduct a Public Hearing, Waive the Second Reading and Adopt Ordinance No. 113.25, Adopting by Reference with Certain Local Amendments the 2019 Edition of the California Fire Code
Category:	Public Hearings-Public Safety
Meeting Date:	12/3/2019
Staff Contact:	Albert Zamora, Fire Marshal/Deputy Fire Chief, 408-586-3371
Recommendations:	1. Open the public hearing and move to close it following any comments. 2. Waive the second reading and adopt Ordinance No. 113.25, enacted as Chapter 300, Title V of the Milpitas Municipal Code.

Background:

Ordinance No. 113.25 was introduced at its first reading during the November 5, 2019 City Council meeting. The Ordinance repeals and replaces Chapter 300 of Title V of the Milpitas Municipal Code, adopting by reference the 2019 California Fire Code along with specified local amendments.

The City Council did not request any changes to the Ordinance at the first reading and directed staff to notice a public hearing for this meeting date. Staff made very minor typographical corrections to the Ordinance following the first reading. Ordinance No. 113.25 has been updated and is ready for its second reading and adoption.

At the first reading, the City Council did request that portions of the Milpitas Municipal Code that are being updated and revised from the last code cycle in 2016 in this 2019 code cycle be presented in track changes. For informational purposes, a copy of the Ordinance with those changes tracked is included in the City Council agenda packet.

Fiscal Impact

None

Recommendations

1. Open the public hearing and move to close it following any comments.
2. Waive the second reading and adopt Ordinance No. 113.25, enacted as Chapter 300, Title V of the Milpitas Municipal Code.

Attachments

1. Ordinance No. 113.25 for adoption.
2. Copy of Ordinance No. 113.25 with track changes for informational purposes

REGULAR

NUMBER: 113.25

TITLE: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MILPITAS REPEALING AND REPLACING CHAPTER 300 OF TITLE V OF THE MILPITAS MUNICIPAL CODE AND ADOPTING BY REFERENCE THE 2019 EDITION OF THE CALIFORNIA FIRE CODE WITH SPECIFIED LOCAL AMENDMENTS**

HISTORY: This Ordinance was introduced (first reading) by the City Council at its meeting of November 5, 2019, upon motion by Councilmember Nuñez, and was adopted (second reading) by the City Council at its meeting of _____ upon motion by Councilmember _____. The Ordinance was duly passed and ordered published in accordance with law by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Mary Lavelle, City Clerk

Rich Tran, Mayor

APPROVED AS TO FORM:

Christopher J. Diaz, City Attorney

RECITALS AND FINDINGS:

WHEREAS, the City Council of the City of Milpitas intends to adopt by reference into the Milpitas Municipal Code the 2019 California Fire Code; and

WHEREAS, in doing so, the City Council wishes to amend portions of the California Fire Code to better address local concerns and to be consistent with amendments made by the other cities and counties in the San Francisco East Bay, San Francisco Peninsula and Monterey Bay areas; and

WHEREAS, Health and Safety Code Sections 17958.5, 17958.7, and 18941.5 require such amendments to be reasonably necessary because of local climatic, geological or topographical conditions; and

WHEREAS, the City Council hereby makes the following findings with respect to the amendments to the 2019 California Fire Code:

A. The local climatic conditions of the City of Milpitas can affect the acceleration, intensity, and size of fires. Average annual rainfall for the City of Milpitas (approximately 14.9 inches per year), and drought conditions in the State of California require water-use restrictions and may also limit access to water during emergencies. Prevailing winds from the Northwest have velocities ranging from 5-mph to 15-mph, but the region has experienced extreme winds up to 60 mph. Times of little rainfall and high winds can exacerbate and spread fires.

B. The local geological and topographical conditions of the City of Milpitas can affect the response time of emergency service providers. The San Francisco Bay area region is densely populated and located in an area of high seismic activities. In particular, the City of Milpitas is located near the San Andreas Fault zone, which is capable of producing major earthquakes. Should a significant seismic event occur, hazardous materials and gases may be leaked and expose members of the public to significant health risks. Severe seismic events could disrupt communications, damage gas mains, and cause extensive electrical hazards that may exacerbate the size and number of emergencies, and consequently hinder the Fire Department's ability to respond to emergencies effectively and in a timely manner.

NOW, THEREFORE, the City Council of the City of Milpitas does ordain as follows:

SECTION 1. RECORD AND BASIS FOR ACTION

The City Council has duly considered the full record before it, which may include but is not limited to such things as the City staff report, testimony by staff and the public, and other materials and evidence submitted or provided to the City Council. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.

The City Council finds that the above-listed findings correspond with the following amendments to the 2019 California Fire Code:

Amendment	Finding(s)
101.1	Administrative
102.3	Administrative
102.4	Administrative
102.5	Administrative
103.2	Administrative
104.10	Administrative
105.1	Administrative
105.2	Administrative
105.4.2.2	Administrative
105.6-105.6.62	Administrative
105.7-105.7.26	Administrative
106.2	Administrative
107.1-107.7	Administrative

109.1-109.3	Administrative
110.1.1-110.1.8	Administrative
202	Findings A & B
311.5	Finding A
315.8-315.8.10	Finding A
316.7	Finding A
321-321.3.13	Finding A
503-503.1	Finding A
503.2.1	Finding A
503.7	Finding A
504.3.1	Finding A
504.5	Finding A
504.6	Finding A
505.3	Finding A
507.5.1.1	Finding A
507.5.7	Finding A
508.1-508.1.2	Finding A
508.1.6	Finding A
510.1	Finding B
510.1.1	Finding B
510.2	Finding B
510.3-510.3.1	Finding B
510.4	Finding B
510.4.1.1-510.4.1.2	Finding B
510.4.2.5-510.4.2.5.1	Finding B
605.18	Findings A & B
606.1.1	Findings A & B
903.1.2	Findings A & B
903.2	Findings A & B
903.3.1.1	Findings A & B
903.3.1.4	Findings A & B
903.3.5.3-903.3.5.7	Findings A & B
907.2.9.1	Findings A & B
913.7	Findings A & B
914.2.1	Findings A & B
914.3.1	Findings A & B
914.3.9-914.3.10	Findings A & B
914.4.1	Findings A & B
914.6.1	Findings A & B
914.12	Findings A & B
916.8	Findings A & B
1103.2	Findings A & B
1206.2.1	Administrative
1206.2.11.3	Findings A & B
1206.2.11.5	Findings A & B
1206.2.12.1-1206.2.12.2	Findings A & B
1206.2.12.5	Findings A & B
1206.2.12.6	Findings A & B
2807.6	Findings A & B
2808.11	Findings A & B

3103.2	Findings A & B
3304.8	Findings A & B
3311.1-3311.1.1	Findings A & B
5001.2.2.2	Finding B
5001.5.1-5001.5.1.1	Finding B
5003.1.3.1	Finding B
5003.1.5	Finding B
5003.1.6	Finding B
5003.2.2.1-5003.2.2.2	Finding B
5003.3.1	Finding B
5003.5.2-5003.5.3	Finding B
5003.9.8	Finding B
5003.9.11	Finding B
5003.10.4.3	Finding B
5004.2.1	Findings A & B
5004.2.2	Findings A & B
5004.2.2.2	Findings A & B
5004.2.2.5	Findings A & B
5004.2.3	Findings A & B
5005.4.4	Findings A & B
5303.5.3	Finding B
5601.1.3	Findings A & B
5704.2.7.5.8-5704.2.7.5.9	Finding B
5707	Finding B
5707	Finding B
5707.3.3	Finding B
5707.3-5707.4	Finding B
5707.5.5	Finding B
5707.6.4-5707.6.7	Finding B
5809.3.4	Finding B
6004-6004.1.1.14	Finding B
6004.2-6004.2.2.104	Finding B
6004.3-6004.3.3	Finding B
6405.3.1	Finding B
D103.1	Finding A
D104.1-D104.2	Finding A
D105.2	Finding A
D106.1	Findings A & B
D106.2	Findings A & B
D107.1	Findings A & B
H103, Appendix H	Finding B
H3, Appendix H	Finding B

SECTION 2. CALIFORNIA ENVIRONMENTAL QUALITY ACT

The City Council hereby finds and determines that this Ordinance has been assessed in accordance with the California Environmental Quality Act (Cal. Pub. Res. Code, § 21000 et seq.) (“CEQA”) and the State CEQA Guidelines (14 Cal. Code Regs. § 15000 et seq.) and is categorically exempt from CEQA under CEQA Guidelines, § 15061(b)(3), which exempts from CEQA any project where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. Adoption of the proposed Ordinance would not be an activity with potential to cause significant effect on the environment because the changes made to the California Building Standard Code within are enacted to mitigate the threats posed to public peace, health and safety from earthquakes, high winds and fire, and therefore is exempt from CEQA. Therefore, it can be seen with certainty that there is no possibility that the Ordinance in question

may have a significant effect on the environment; accordingly, the Ordinance is categorically exempt from CEQA.

SECTION 3. AMENDMENT OF MILPITAS MUNICIPAL CODE TITLE V, CHAPTER 300

Chapter 300 of Title V of the Milpitas Municipal Code is hereby repealed in its entirety and replaced with the text below to read as follows:

Chapter 300

FIRE CODE

Sections:

V-300-1 Adoption of the California Fire Code, 2019 Edition

V-300-2 Amendments to the 2019 California Fire Code

Section 1 Adoption of the California Fire Code, 2019 Edition

V-300-1.01

An Ordinance of the City of Milpitas adopting the 2019 edition of the *California Fire Code*, regulating and governing the safeguarding of life and property from fire and explosion hazards arising from the storage, handling and use of hazardous substances, materials and devices, and from conditions hazardous to life or property in the occupancy of buildings and premises in the City of Milpitas providing for the issuance of permits and collection of fees. That a certain document, except as herein amended, one (1) copy of which is on file in the office of the City Clerk, known as the California Fire Code, including Chapter 1, Chapter 4, and Appendices B, BB, C, CC, D, H and K as published by the International Code Council, based on the International Fire Code, 2018 Edition, is hereby adopted by reference as the Fire Code for the City of Milpitas in the State of California regulating and governing the safeguarding of life and property from fire and explosion hazards arising from the storage, handling and use of hazardous substances, materials and devices, and from conditions hazardous to life or property in the occupancy of buildings and premises as herein provided; providing for the issuance of permits and collection of fees therefore; and each and all of the regulations, provisions penalties, conditions and terms of said Fire Code on file in the office of the City Clerk are hereby referred to, adopted, and made a part hereof, as if fully set out in this Ordinance, with the additions, insertions, deletions and changes, if any, prescribed in Section 2 of this Ordinance.

Section 2 Amendments to the 2019 California Fire Code

V-300-2.01

Chapter 1, Scope and Administration, of the California Fire Code, 2019 Edition, is hereby adopted and amended as follows:

V-300-2.02

Section 101.1 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

101.1 Title. These regulations shall be known as the Fire Code of the City of Milpitas, herein referred to as ‘this Code.’

V-300-2.03

Section 102.3 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

102.3 Changes in use or occupancy. No change shall be made in the use or occupancy of any structure that would place the structure in a different division of the same group or occupancy or in a different group of occupancies, unless such structure is made to comply with the requirements of this Code and the City of Milpitas Building Codes adopted under Title II of the Milpitas Municipal Code. Subject to the approval of the fire code official, the use or occupancy of an existing structure shall be allowed to be changed and the structure is allowed to be occupied for purposes in other groups without conforming to all of the requirements of this Code and the City of Milpitas Building Codes for those groups, provided the new or proposed use is less hazardous, based on life and fire risk, than the existing use.

V-300-2.04

Section 102.4 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

102.4 Application of Building Code. The design and construction of new structures shall comply with the City of Milpitas Building Codes adopted under Title II of the Milpitas Municipal Code, and any alterations, additions, changes in use or changes in structures required by this Code, which are within the scope of the City of Milpitas Building Codes, shall be made in accordance therewith.

V-300-2.05

Section 102.5 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

102.5 Application of Residential Code. Where structures are designed and constructed in accordance with the City of Milpitas Building Codes adopted under Title II of the Milpitas Municipal Code, the provisions of this Code shall apply as follows:

1. Construction and design provisions: Provisions of this Code pertaining to the exterior of the structure shall apply, including, but not limited to premises identification, fire apparatus access and water supplies. Where interior or exterior systems or devise are installed, construction permits required by Section 105.7 of this Code shall also apply.
2. Administrative, operational and maintenance provisions: All such provision of this Code shall apply.

V-300-2.06

Section 103.2 of the California Fire Code, 2019 Edition, is deleted in its entirety.

V-300-2.07

Section 104.10 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

104.10 Fire Investigations. The fire code official, the fire department or other responsible authority shall have the authority to investigate the cause, origin and circumstances of any fire, explosion or other hazardous condition. Information that could be related to trade secrets or processes shall not be made part of the public record except as directed by a court of law.

The fire code official and authorized members of the fire department shall have the powers of a peace officer pursuant to Penal Code Section 830.37. Other members of the fire department, as designated by the Fire Chief, may issue citations for violations of fire-related laws and ordinances pursuant to Penal Code Section 836.5.

V-300-2.08

Section 105.1 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

105.1 General. Permits shall be in accordance with Sections 105.1.1 through 105.7.26.

V-300-2.09

Section 105.2 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

105.2 Application. Applications for a permit required by this Code shall be made to the fire code official in such form and detail as prescribed by the fire code official. Applications for permits shall be accompanied by such plans as prescribed by the fire code official. Said application shall be accompanied by a fee in the amount set by Section 106.2 of this Code.

V-300-2.10

Section 105.4.2.2 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.4.2.2 Electronic documents. The fire code official may require electronic base documents for all construction documents, operational permits, and/or modified drawings for the need of Fire Department inspections and/or operations. The fire code official shall designate the software base format for the electronic documents.

V-300-2.11

Section 105.6 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

105.6 Required operational permits. The fire code official is authorized to issue operational permits for the operations set forth in Sections 105.6.1 through 105.6.62.

V-300-2.12

Table 105.6.8 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

TABLE 105.6.8
PERMIT AMOUNTS FOR COMPRESSED GASES¹

TYPE OF GAS	AMOUNT (cubic feet) ²
	X 0.0283 for m ³
Corrosive	200
Flammable (except cryogenic and liquefied petroleum gases)	200
Highly toxic	Any amount
Inert and simple asphyxiant ³	200
Irritant	200
Moderately toxic	20
Other health hazards	200
Oxidizing (including oxygen)	200
Pyrophoric	Any amount
Radioactive	Any amount
Sensitizer	200
Toxic	Any Amount
Unstable (reactive)	Any amount

For SI: 1 cubic foot = 0.02832m³.

- 1 Refer to Chapters 27, 30, 32, 35, 37, 40 and 41 for additional requirements and exceptions.
- 2 Cubic feet measured at normal temperature and pressure.
- 3 For Carbon dioxide systems used in beverages dispensing see Section 105.6.4.

V-300-2.13

Table 105.6.10 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

TABLE 105.6.10
PERMIT AMOUNTS FOR CRYOGENIC FLUIDS

TYPE OF CRYOGENIC FLUID	INSIDE BUILDING (gallons)	OUTSIDE BUILDING (gallons)
Flammable	More than 1	55
Inert	55	55
Oxidizing (includes oxygen)	10	50
Physical or health hazard not indicated above	Any Amount	Any Amount

For SI: 1 gallon = 3.785 L

V-300-2.14

Section 105.6.16, subsections (3.), (10.) and (11.) of the California Fire Code, 2019 Edition, are amended to read as follows:

3. To store, handle or use Class II or Class IIIA liquids in excess of 25 gallons (95L) in a building or in excess of 55 gallons (227 L) outside a building, except for fuel oil used in connection with oil-burning equipment.

10. To engage in the dispensing of liquid fuels into the fuel tanks of motor vehicles at commercial, industrial, governmental or manufacturing establishments in accordance with Section 5706.5.4 or to engage in on-demand mobile fueling operations in accordance with Section 5707.
11. To utilize a site for the dispensing of liquid fuels from tank vehicle into the fuel tanks of motor vehicles, marine craft and other special equipment at commercial, industrial, governmental or manufacturing establishments in accordance with Section 5706.5.4 or to utilize a site for on-demand mobile fueling operations in accordance with Section 5707.

V-300-2.15

Table 105.6.20 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

TABLE 105.6.20
PERMIT AMOUNTS FOR HAZARDOUS MATERIALS¹

TYPE OF MATERIAL	AMOUNT
Carcinogens	10 pounds
Combustible liquids	
Inside	25 gallons
Outside	55 gallons
Corrosive materials:	
Gases	See Table 105.6.8
Liquids	55 gallons
Solids	500 pounds
Cryogenics	See Table 105.6.10
Explosive materials	Any Amount
Flammable materials:	
Gases	See Table 105.6.8
Liquids	See Section 105.6.16
Solids	10 pounds
Highly toxic materials:	
Gases	Any amount
Liquids	Any amount
Solids	Any amount
Moderately toxic gas	20 cubic feet
Organic peroxides:	
Liquids: Class I-II	Any Amount
Liquids: Class III	1 gallon
Liquids: Class IV	2 gallons
Liquids: Class V	No Permit Required
Solids: Class I-II	Any Amount
Solids: Class III	10 pounds
Solids: Class IV	20 pounds
Solids: Class V	No Permit Required
Oxidizing materials:	
Gases	See Table 105.6.8
Liquids: Class 4	Any amount
Liquids: Class 3	1 gallon
Liquids: Class 2	10 gallons
Liquids: Class 1	55 gallons
Solids: Class 4	Any amount
Solids: Class 3	10 pounds
Solids: Class 2	100 pounds
Solids: Class 1	500 pounds
Other health hazards:	

TYPE OF MATERIAL	AMOUNT
Liquids	55 gallons
Solids	500 pounds
Pyrophoric materials:	
Gases	Any amount
Liquids	Any amount
Solids	Any amount
Radioactive materials:	
Gases	Any Amount
Liquids	See Section 105.6.48
Solids	See Section 105.6.48
Toxic materials:	
Gases	Any amount
Liquids	10 gallons
Solids	100 pounds
Unstable (reactive) materials:	
Liquids	
Class 4 & 3	Any Amount
Class 2	5 gallons
Class 1	10 gallons
Solids	
Class 4 & 3	Any Amount
Class 2	50 pounds
Class 1	100 pounds
Water-reactive materials:	
Liquids	
Class 3	Any amount
Class 2	5 gallons
Class 1	55 gallons
Solids	
Class 3	Any Amount
Class 2	50 pounds
Class 1	500 pounds

For SI: 1 gallon = 3.785 L, 1 pound = 0.454kg.

V-300-2.16

Section 105.6.47 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

105.6.47 Temporary membrane structures, tents and canopies. An operational permit is required to operate an air-supported temporary membrane structure or a tent having an area in excess of 200 square feet (19 m²), or a canopy in excess of 400 square feet (37 m²). Smaller tents or canopies set side by side are considered as one, unless separated from each other by 10 feet on all sides.

Exceptions:

1. Tents used exclusively for recreational camping purposes.

V-300-2.17

Section 105.6.52 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.6.52 Radioactive materials. To store or handle at any installation more than one microcurie (37,000 becquerel) of radioactive material not contained in a sealed source or more than 1 millicurie (37,000,000 becquerel) of radioactive material in a sealed source or sources, or any amount of radioactive material for which a specific license(s) from the Nuclear Regulatory Commission is required.

V-300-2.18

Section 105.6.53 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.6.53 Day care facility. An operational permit is required to operate a large family day care home facility, a Group E day care facility or a Group I-4 day care facility.

V-300-2.19

Section 105.6.54 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.6.54 Emergency responders radio coverage system. An operational permit is required to operate an emergency responders radio coverage system in accordance with Section 510.

V-300-2.20

Section 105.6.55 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.6.55 Woodworking. An operational permit is required to conduct woodworking operations involving mass production or involving more than one of each type of machine, or where machines are used continuously (as opposed to intermittently) or substantial products of sawdust may be a problem.

V-300-2.21

Section 105.6.56 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.6.56 Private school. An operational permit is required to operate a private school Group E or a heritage school (CA Education Code Section 33195.4).

V-300-2.22

Section 105.6.57 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.6.57 Additive manufacturing. An operational permit is required to conduct additive manufacturing operations as covered in Section 321.3.

V-300-2.23

Section 105.6.58 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.6.58 Battery systems. An operational permit is required to operate stationary storage battery systems regulated by Section 1206.2.

V-300-2.24

Section 105.6.59 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.6.59 Lithium batteries. An operational permit is required to handle or store more than 1,000 pounds (454 kg) of lithium batteries not otherwise covered by Section 105.6.58.

V-300-2.25

Section 105.6.60 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.6.60 B Occupancy restaurants. An operational permit is required to operate a B Occupancy restaurant.

V-300-2.26

Section 105.6.61 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.6.61 Water base fire protection systems. An operational permit is required to conduct inspections, testing and maintenance of a water base fire protection system in conformance with the CA Code of Regulations, Title 19, Division 1, Chapter 5.

V-300-2.27

Section 105.6.62 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.6.62 On-demand mobile fueling operations. An operational permit is required to conduct on-demand mobile fueling operations. An independent permit is required for the site and the vendor/mobile fuel operator.

V-300-2.28

Section 105.7 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

105.7 Required construction permits. The fire code official is authorized to issue construction permits for work as set forth in Sections 105.7.1 through 105.7.26.

V-300-2.2.29

Section 105.7.5 of the California Fire Code, 2019 Edition, is amended to read as follows:

105.7.5 Cryogenic fluids. A construction permit is required for the installation of or alteration to stationary cryogenic fluid storage systems where the system capacity exceeds the amounts listed in Table 105.6.10. Maintenance performed in accordance with this Code is not considered to be an alteration and does not require a construction permit.

V-300-2.30

Section 105.7.25 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

105.7.25 Temporary membrane structures, tents and canopies. A construction permit is required to erect an air-supported temporary membrane structure or a tent having an area in excess of 200 square feet (19 m²), or a canopy in excess of 400 square feet (37 m²). Smaller tents or canopies set side by side are considered as one, unless separated from each other by 10 feet on all sides.

Exceptions:

1. Tents used exclusively for recreational camping purposes

V-300-2.31

Section 105.7.26 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.7.26 Other building permits. The Building Department shall transmit to the Fire Department a copy of each plan submitted for construction, alteration, or change of use or occupancy for all occupancy classifications for review and approval for conformance to the fire code of the City of Milpitas. The fee for each permit shall be as set by Section 106.2 of this Code.

V-300-2.32

Section 106.2 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

106.2 Schedule of permit fees. The fee for each permit shall be as set forth by resolution of the City of Milpitas City Council. The City Council may establish fees sufficient to recover its costs in administering this Code and no permit shall be issued until such fees have been paid. For work not disclosed in the fee schedule set by Council, the fire code official has the right to assess the necessary fees to recover the Fire Department's cost.

Operational Permits. All fees for annual operational fire permits under the provision of Section 105.6 of this Chapter shall be due and payable at the time of commencement of occupancy and said permit shall expire by December 31 of the same year. Fees for the renewal of such permit(s) shall be due and payable upon the expiration of the prior permit. No permit fee hereunder shall be refundable by reason of the cessation of occupancy during the permit period. Every annual permit fee that is not paid within a period of thirty (30) days from the time the same become due is hereby declared to be delinquent, and a penalty of 100% shall be added to said fee.

V-300-2.33

Section 107.1 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

107.1 Inspection authority. The fire code official is authorized to inspect, as often as necessary, buildings and premises, including such other hazards or appliances designated by the fire code official for the purposes of ascertaining and causing to be corrected any conditions which would reasonably tend to cause fire or contribute to its spread, result in an unauthorized discharge of hazardous materials, or any violation of this Code or any other law or standard affecting fire and life safety. The fee for each inspection shall be as set forth by resolution of the City Council. The City may establish fees sufficient to recover its costs in administering this Chapter.

V-300-2.34

Section 107.5 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

107.5 Documents. Any person or party who prevents or attempts to prevent any fire code official from examining any relevant books or records in the conduct of his or her official duties under this Code shall be in violation of this Code.

V-300-2.35

Section 107.6 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

107.6 Evidence. Any person or party who prevents or interferes with the preservation of evidence of any violation of any of the provisions of this Code or of the rules and regulations promulgated pursuant to this Code or any other Federal, State, or local law, rule, or regulation shall be in violation of this Code.

V-300-2.36

Section 107.7 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

107.7 Interference. Any person or party who willfully prevents, interferes with, or attempts to hinder in any way the work of the fire code official in the lawful enforcement of any provision of this Code, or fails to promptly permit entry for the purpose of inspection and examination pursuant to this Code shall be in violation of this Code.

V-300-2.37

Section 109.1 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

109.1 Appeals. Whenever the Fire Chief or his or her designee disapproves an application or refuses to grant a permit applied for, or when it is claimed that the provisions of this Code do not apply or that the true intent and meaning of this Code have been misconstrued or wrongly interpreted, the applicant may appeal from the decision of the Fire Chief to the City Council or designee within ten (10) calendar days from the date of the decision appealed. Appeals shall be carried out pursuant to the provisions of Section 5 Appeals to Council of Chapter 20 Standard Procedures of Title I of the Milpitas Municipal Code. An appeal shall stay all proceedings in furtherance of the act or decision appealed unless the Fire Chief or his or her designee whose act is appealed shall certify in writing that a stay would, in his or her opinion, cause peril to life or property. Said certificate shall contain a detailed statement of the facts of which said peril arises and of the reasons for said opinion. The decision of the City Council or designee shall be final.

V-300-2.38

Section 109.2 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

109.2 Limitations on authority. An application for appeal shall be based on a claim that the intent of this Code or the rules legally adopted hereunder have been incorrectly interpreted, the provisions of this Code do not fully apply, or an equivalent method of protection or safety is proposed.

V-300-2.39

Section 109.3 of the California Fire Code, 2019 Edition, is deleted in its entirety.

109.3 Qualifications. This section is deleted.

V-300-2.40

Section 110.1.1 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

110.1.1 Abatement of fire and life safety hazards by fire code official. If any person fails to comply with the orders of the fire code official, or if the fire code official is unable to locate the owner, operator, occupant or other person responsible within a reasonable time, the fire code official or any authorized representative may take such steps as are necessary to abate the hazard for the protection of the public safety. In no event is notice necessary before abatement, when the hazard is a clear and present danger to the public welfare. All costs related to such abatement shall become a lien or special assessment on the subject property.

V-300-2.41

Section 110.1.2 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

110.1.2 Criminal or civil penalty for violation; payment of funds to account. Pursuant to the City's prosecutorial discretion, the City may enforce violations of the provisions of this Code in any manner authorized by this section or by any other law, including but not limited to issuance of criminal citations, referral to the District Attorney, referral to the City Attorney, referral to other appropriate agencies, administrative actions and civil actions.

V-300-2.42

Section 110.1.3 hereby added to the California Fire Code, 2019 Edition, to read as follows:

110.1.3 Misdemeanors – continuing violations. Any person who violates any of the provisions of this Code, any of the provisions of any written authority of the City Manager or his or her duly authorized agents and representatives or any provision of any permit issued pursuant to this Code shall be guilty of an infraction/misdemeanor. Each and every day, or any part thereof, during which any such violation is committed, continued or allowed shall be a separate offense. Penalties for violations shall be as set forth by resolution of the City Council.

V-300-2.43

Section 110.1.4 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

110.1.4 Prosecution. Every violation of this Code shall be a misdemeanor; provided, however, that where the City Attorney or his or her duly authorized agents has determined that such action would be in the best interest of justice, the City Attorney may specify in the accusatory pleading, citation or amendment thereto that the violation shall be prosecuted as an infraction.

V-300-2.44

Section 110.1.5 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

110.1.5 Penalty for infraction. Each and every violation of this Code, which is deemed an infraction, is punishable by:

- (1) A fine not exceeding one hundred dollars (\$100.00) for the first violation;
- (2) A fine not exceeding two hundred dollars (\$200.00) for the second violation of the same provision within one-year period; or,
- (3) A fine not exceeding five hundred dollars (\$500.00) for each additional violation, after the second, of the same provision of this Chapter within a one-year period of the first violation.

V-300-2.45

Section 110.1.6 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

110.1.6 Penalty for misdemeanor. Each and every violation of this Code, which is deemed a misdemeanor, is punishable by a penalty of not more than one thousand dollars (\$1,000.00) or by imprisonment in the City or County jail for a period not exceeding six (6) months, or, by both penalty and imprisonment.

V-300-2.46

Section 110.1.7 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

110.1.7 Enforcement authority. The following designated employee positions may enforce the provisions of this Code by issuance of citations. Peace officers and persons employed in such positions are authorized to exercise the authority

provided in Penal Code Section 836.5 and are authorized to issue citations for violations of this Code. The designated employee positions are: the City Manager or his or her duly authorized agents and representatives.

V-300-2.47

Section 110.1.8 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

110.1.8 Civil penalties. Any person who intentionally, accidentally or negligently violates any provision of this Code, any written authority of the City Manager or his or her duly authorized agents and representatives, or any provision of any permit issued pursuant to this Code may be civilly liable to the City in the sum of not less than one hundred dollars (\$100.00) but not to exceed one thousand dollars (\$1,000.00) per day for each day in which such violation occurs or continues. The City may petition the municipal or superior court to impose, assess, and recover such sums. The civil penalty provided in this Section excludes inspection costs and abatement costs, is cumulative and not exclusive, and shall be in addition to all other remedies available to the City under state and federal law and local ordinances. Funds collected pursuant to this Section shall be paid to the City's Fire Prevention account, which shall be a holding account to be used solely for Fire Code enforcement, fire prevention and hazardous materials training, and for the purchase of equipment as needed for the performance of the fire code official duties.

V-300-2.48

Section 202 of the California Fire Code, 2019 Edition, is amended by adding the following definitions:

CARCINOGEN is a substance that causes the development of cancerous growths in living tissue. A chemical is considered a carcinogen if:

1. It has been evaluated by the International Agency for Research on Cancer and found to be a carcinogen or potential carcinogen,
2. It is listed as a carcinogen or potential carcinogen in the latest edition of the Annual Report on Carcinogens published by the National Toxicology program, or
3. It is regulated by OSHA as a carcinogen.

CORROSIVE LIQUID. Corrosive liquid is:

1. any liquid which, when in contact with living tissue, will cause destruction or irreversible alteration of such tissue by chemical action;
2. any liquid having a pH of 2 or less or 12.5 or more;
3. any liquid classified as corrosive by the U.S. Department of Transportation; or
4. any material exhibiting the characteristics of corrosivity in accordance with Title 22, California Code of Regulations §66261.22.

DEVICE is an appliance or piece of equipment that plays an active part in the proper functioning of the regulated systems. Examples include, but are not limited to the following: smoke detectors, heat detectors, flame detectors, manual pull stations, horns, alarms, bells, warning lights, hydrants, risers, FDCs, standpipes, strobes, control panels, transponders, and other such equipment used to detect, transmit, initiate, annunciate, alarm, or respond according to the system design criteria.

MAXIMUM THRESHOLD QUANTITY (MAX TQ). Maximum Threshold Quantity (Max TQ) is the maximum quantity of a moderately toxic or toxic gas, which may be stored in a single vessel before a more stringent category of regulation is applied.

MINIMUM THRESHOLD QUANTITY. Minimum threshold quantity is the aggregate quantity of highly toxic, toxic or moderately toxic gas in a control area which, due to the minimum aggregate quantities, need only comply with the requirements set forth in Section 6004.1.

MODERATELY TOXIC GAS. A chemical or substance that has a median lethal concentration (LC50) in air more than 2000 parts per million but not more than 5000 parts per million by volume of gas or vapor, when administered by continuous inhalation for an hour, or less if death occurs within one hour, to albino rats weighing between 200 and 300 grams each.

OTHER HEALTH HAZARD MATERIAL is a material which is an irritant, sensitizer, or carcinogen or a material which affects target organs of the body, including but not limited to, those materials which produce liver damage, kidney damage, damage to the nervous system, act on the blood to decrease hemoglobin function, deprive the body tissue of oxygen or affect reproductive capabilities, including mutations (chromosomal damage) or teratogens (effect on fetuses).

SECONDARY CONTAINMENT. Secondary containment is that level of containment that is external to and separate from primary containment and is capable of safely and securely containing the material, without discharge, for a period of time reasonably necessary to ensure detection and remedy of the primary containment failure.

SENSITIZER is a chemical that causes a substantial proportion of exposed people or animals to develop an allergic reaction in normal tissue after repeated exposure to the chemical.

SPILL CONTROL. That level of containment that is external to and separate from the primary containment and is capable of safely and securely containing the contents of the largest container and prevents the materials from spreading to other parts of the room.

TEMPORARY shall not exceed one year.

WORKSTATION is a defined space or independent principal piece of equipment using hazardous materials with a hazard rating of 3 or 4 in accordance with NFPA 704 where a specific function, laboratory procedure or research activity occurs. Approved or listed hazardous materials storage cabinets, flammable liquid storage cabinets or gas cabinets serving a workstation are included as part of the workstation. A workstation is allowed to contain ventilation equipment, fire protection devices, electrical devices, and other processing and scientific equipment.

V-300-2.49

Chapter 3, General Requirements, of the California Fire Code, 2019 Edition is hereby adopted and amended as follows:

V-300-2.50

Section 311.5 of the California Fire Code, 2019 Edition, is hereby amended as follows:

The following sections are deleted:

Section 311.5 Placards.

Section 311.5.1 Placard Location.

Section 311.5.2 Placard Size And Color.

Section 311.5.3 Placard Date.

Section 311.5.4 Placard Symbols.

Section 311.5.5 Informational Use.

V-300-2.51

Sections 315.8 to 315.8.10 are hereby added to the California Fire Code, 2019 Edition, as follows:

315.8 Lithium battery storage and handling. The storage and handling of lithium ion and lithium metal batteries or cells in quantities exceeding 1,000 pounds (4086 kg) shall comply with Section 315.8.1 through 315.8.10, and Chapter 32 where applicable.

315.8.1 Permits. Permits shall be required as set forth in Section 105.6.59.

315.8.2 Maximum quantity in a fire area. The aggregate amount of lithium batteries stored and handled in a single fire area shall not exceed 9,000 pounds (4086 kg).

315.8.3 Construction requirements. Fire areas shall be separated from each other by fire barriers having not less than 2-hour fire resistance rating constructed in accordance with Section 707 of the Building Code and horizontal assemblies constructed in accordance with Section 711 of the Building Code.

315.8.4 Number of fire areas. The maximum number of fire areas within a building shall be four.

315.8.5 Group H, Division 2 occupancy. Storage and handling of more than 9,000 pounds of lithium batteries per fire area shall be in an approved Group H, Division 2 occupancy constructed in accordance with the Building Code and provided throughout with approved automatic smoke detection and radiant-energy detection systems.

315.8.6 Automatic sprinkler system. Buildings containing fire areas used for lithium battery storage or handling shall be equipped throughout with an approved automatic sprinkler system in accordance with Section 903.3.1.1. The design of the sprinkler system within each fire area shall not be less than that required for Extra Hazard Group 2 with a minimum design area of 2,500 square feet. Where the storage arrangement is required by other provisions of this code to be provided with a higher level of sprinkler system protection, the higher level of sprinkler system protection shall be provided.

315.8.7 Automatic smoke detection system. An approved automatic smoke detection system that activates an approved occupant notification system shall be provided throughout each fire area in accordance with Section 907.

315.8.8 Radiant energy detection. An approved radiant-energy detection system that activates an approved occupant notification system shall be installed throughout each fire area in accordance with Section 907.

315.8.9 Collection containers. Containers used to collect, or store lithium batteries shall be noncombustible and shall not have an individual capacity exceeding 30 gallons (113.6 L) or be approved for transportation in accordance with the Department of Transportation (DOTn).

315.8.10 Storage configuration. Lithium batteries shall be considered a high-hazard commodity in accordance with Chapter 32 and where applicable, lithium battery storage shall comply with Chapter 32 in addition to Section 315.8.

V-300-2.52

Section 316.7 is hereby added to the California Fire Code, 2019 Edition, as follows:

316.7 Roof guardrails at interior courts. Roof openings into interior courts that are bounded on all sides by building walls shall be protected with guardrails. The top of the guardrail shall not be less than 42 inches in height above the adjacent roof surface that can be walked on. Intermediate rails shall be designed and spaced such that a 12-inch diameter sphere cannot pass through.

Exception: Where the roof opening is greater than 600 square feet in area.

V-300-2.53

Sections 321 to 321.3.4 are hereby added to the California Fire Code, 2019 Edition, as follows:

SECTION 321 Additive manufacturing.

321.1 General. Additive manufacturing equipment and operations shall comply with Section 321.

321.1.1 Scope. Additive manufacturing shall comply with one of the following:

1. Non-industrial additive manufacturing shall comply with Section 321.2.
2. Industrial additive manufacturing shall comply with Section 321.3.

321.1.2 Installation, operation and maintenance. 3D printers and associated additive manufacturing equipment shall be installed, operated and maintained in accordance with this Code, the listing and the manufacturer's instructions.

321.1.3 Production materials. Only the production materials listed for use with the equipment and included in the manufacturer's instructions shall be used.

321.2 Non-industrial additive manufacturing. Non-industrial additive manufacturing equipment and operations shall comply with Section 321.2.1 through 321.2.4. Additive manufacturing equipment and operations that do not comply with Section 321.2 shall comply with Section 321.3.

321.2.1 Listing. 3D printers used in non-industrial additive manufacturing shall be listed and labeled in accordance with UL 60950-1, UL 62368-1 or UL 2011. The listing shall also verify:

1. The 3D printers are self-contained and utilize maximum 30-liter pre-packaged production materials.
2. The operation of the 3D printers shall not create a hazardous (classified) electrical area outside of the unit.
3. If any hazardous (classified) electrical area or zone exists inside of the unit's outer enclosure, the area shall be protected by intrinsically safe electrical construction or other acceptable protection methods.
4. The 3D printers shall not utilize inert gas or an external combustible dust collection.

321.2.2 Occupancies. Non-industrial additive manufacturing shall be permitted in all occupancy groups.

321.3 Industrial additive manufacturing. Industrial additive manufacturing equipment and operations shall comply with Section 321.3.1 through 321.3.13.

321.3.1 Permits required. Permits shall be obtained from the fire code official in accordance with Section 105.6 prior to engaging in industrial additive manufacturing operations.

321.3.2 Listing. 3D printers used in industrial additive manufacturing shall be listed and labeled in accordance with UL 2011 or approved for the application based on a field evaluation conducted by an approved agency.

321.3.3 Combustible dusts and metals. Industrial additive manufacturing operations that store, use or produce combustible dust, combustible particulate solids or combustible metals shall comply with Chapter 22 and this code.

321.3.4 Powder evaluation. Printing powders used in industrial additive manufacturing operations shall be tested for combustibility in accordance with NFPA 484 or NFPA 652 as applicable. A copy of test reports shall be provided to the fire code official upon request.

V-300-2.54

Section 503 of the California Fire Code, 2019 Edition is adopted and Section 503.1 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

503.1 Where required. Fire apparatus access roads shall be provided and maintained in accordance with Sections 503.1.1 through 503.7, Appendix D of this Code, and or as directed by the fire code official.

V-300-2.55

Section 503.2.1 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

503.2.1 Dimensions. Fire apparatus access roads shall have an unobstructed width of not less than 20 feet (6096 mm) or as required by Appendix D, except for approved security gates in accordance with Section 503.6, and an unobstructed vertical clearance of 13 feet 6 inches (4115 mm).

Exception: When there are not more than two Group R, Division 3 or Group U occupancies less than 3 stories, the access road width may be modified by the fire code official.

V-300-2.56

Section 503.7 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

503.7 Adjacent access. No source of access from lands adjoining a property to be developed shall be considered fire apparatus access roads, unless there is obtained the irrevocable and unobstructed rights and recorded as an ingress/egress access easement with the Country of Santa Clara.

V-300-2.57

Section 504.3.1 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

504.3.1 Number of stairways. The fire code official shall determine the required number and location of stairway(s) to the roof.

V-300-2.58

Section 504.5 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

504.5 Enclosed courts. Buildings with enclosed courts shall be provided with readily accessible access for fire department personnel to bring in a 36 feet long ground ladder into the court. The access height and width shall be large enough to accommodate the ladder and the personnel carrying the ladder.

V-300-2.59

Section 504.6 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

504.6 Access Control Devices. When access control devices including bars, grates, gates, electric or magnetic locks or similar devices, which would inhibit rapid fire department emergency access to the building, are installed, such devices shall be approved by the fire code official. All access control devices shall be provided with an approved means for deactivation or unlocking by the fire department. Access control devices shall also comply with Chapter 10 Egress.

V-300-2.60

Section 505.3 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

505.3 Address illumination. All required address numbers shall be provided with illumination.

V-300-2.61

Section 507.5.1.1 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

507.5.1.1 Hydrant for automatic fire sprinkler and or standpipe systems. Buildings equipped with an automatic fire sprinkler system and or a standpipe system installed in accordance with Sections 903 and or 905 shall have a fire hydrant within 50 feet of the fire department connections.

Exception: The distance shall be permitted to exceed 50 feet (30 m) where approved by the fire code official.

V-300-2.62

Section 507.5.7 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

507.5.7 Private hydrants. Private hydrants shall have the bottom 6 inches of the hydrant painted, with a weather resistive paint, white in color.

V-300-2.63

Section 508.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

508.1 General. Where required by other sections of this Code and in all R-1 buildings with more than 200 rooms, R-2 buildings with more than 100 dwellings, and buildings classified as high-rise buildings by the California Building Code and Group I-2 occupancies having occupied floors located more than 75 feet above the lowest level of fire department vehicle access, a fire command center for fire department operations shall be provided and shall comply with Sections 508.1.1 through 508.1.7.

V-300-2.64

Section 508.1.2 of the California Fire Code, 2019 Edition, is amended to read as follows:

508.1.2 Separation. The fire command center shall be separated from the remainder of the building by not less than a 2-hour fire barrier constructed in accordance with Section 707 of the California Building Code or horizontal assembly constructed in accordance with Section 711 of the California Building Code, or both.

V-300-2.65

Section 508.1.6 of the California Fire Code, 2019 Edition, is amended by adding the following:

20. A locking key box, approved by the fire code official, large enough for ten (10) sets of master keys.

21. Ten (10) sets of master keys for the building.

22. A complete set of architectural, electrical, mechanical and plumbing plans for the building.

V-300-2.66

Section 510.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

510.1 Emergency responder radio coverage in new buildings. Approved radio coverage for emergency responders shall be provided within all buildings meeting any one of the following conditions:

1. There are more than 3 stories above grade plane (as defined by the Building Code Section 202);
2. The total building area is 30,000 square feet or more;
3. The total basement area is 5,000 square feet or more;
4. Where required by the fire code official and radio coverage signal strength levels are not consistent with the minimum levels set forth in Section 510.4.1

Exceptions:

1. Where approved by the fire code official, a wired communication system in accordance with Section 907.2.12.2 shall be permitted to be installed or maintained in lieu of an approved radio coverage system.
2. Where it is determined by the fire code official that the radio coverage system is not needed.
3. In facilities where emergency responder radio coverage is required and such systems, components or equipment required could have a negative impact on the normal operations of that facility, the fire code official shall have the authority to accept an automatically activated emergency responder radio coverage system.
4. Buildings and areas of buildings that have minimum radio coverage signal strength levels of the Silicon Valley Regional Interoperability Authority (SVRIA) P25 Phase 2 700 MHz Digital Trunked Radio System within the building in accordance with Section 510.4.1 without the use of an indoor radio coverage system.

The radio coverage system shall be installed and maintained in accordance with Sections 510.4 through 510.6.4 of this Code and with the applicable provisions of NFPA 1221, Standard for the Installation, Maintenance and Use of Emergency Services Communications Systems.

The coverage shall be based upon the existing coverage levels of the public safety communication systems of the jurisdiction at the exterior of the building. This section shall not require improvement of the existing public safety communication systems.

V-300-2.67

Section 510.1.1 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

510.1.1 Obstruction by new buildings. No obstruction of the public safety system backhaul shall be allowed without an approved mitigating plan.

V-300-2.68

Section 510.2 of the California Fire Code, 2019 Edition, is deleted.

V-300-2.69

Section 510.3 of the California Fire Code, 2019 Edition, is amended to read as follows:

510.3 Permit required. A construction permit for the installation of or modification to emergency responder radio coverage systems and related equipment is required as specified in Section 105.7.6. Maintenance performed in accordance with this Code is not considered a modification and does not require a permit. A frequency change made to an existing system is considered to be new construction and will require a construction permit.

An operational permit may be required by the authority having jurisdiction to maintain an emergency responder radio coverage system.

V-300-2.70

Section 510.3.1 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

501.3.1 California registered professional. The plans and specifications shall be wet stamped and signed by a California professional engineer or architect per the California Business and Professional Code Sections 5538 and 6745, in addition to a valid California FCC registered licensee.

V-300-2.71

Section 510.4 of the California Fire Code, 2019 Edition, is amended to read as follows:

510.4 Technical requirements. Systems, components, and equipment required to provide emergency responder radio coverage systems shall comply with the current Emergency Responders Radio Coverage Systems Standard Details and Specifications enforced by the Milpitas Fire Department.

V-300-2.72

Section 510.4.1.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

510.4.1.1 Minimum signal strength into the building. A minimum inbound signal strength shall be sufficient to provide usable voice communications throughout the coverage area as specified by the fire code official. The inbound signal level shall be sufficient to provide not less than a Delivered Audio Quality (DAQ) of 3.0 for analog communications and DAQ of 3.4 for digital communications systems or an equivalent Signal-to-Interference-Plus-Noise Ratio (SINR) applicable to the technology.

V-300-2.73

Section 510.4.1.2 of the California Fire Code, 2019 Edition, is amended to read as follows:

510.4.1.2 Minimum signal strength out of the building. The minimum outbound signal strength shall be sufficient to provide usable voice communications throughout the coverage area as specified by the fire code official. The outbound signal level shall be sufficient to provide not less than a DAQ of 3.0 for analog communications and DAQ of 3.4 for digital communications systems or an equivalent SINR applicable to the technology.

V-300-2.74

Section 510.4.2.5 of the California Fire Code, 2019 Edition, is amended to read as follows:

501.4.2.5 System monitoring. The emergency responder radio enhancement system shall be monitored as required below:

1. By a listed fire alarm control unit installed with the protected building. Automatic supervisory signals to the fire alarm shall include all the following:
 - 1.1. Loss of normal AC power supply.
 - 1.2. System battery charger(s) failure.

- 1.3. Malfunction of the donor antenna(s).
 - 1.4. Malfunction of area antenna(s).
 - 1.5. Failure of active RF-emitting device(s).
 - 1.6. Low-battery capacity at 70-percent reduction of operating capacity.
 - 1.7. Failure of critical system components.
 - 1.8. The communications link between the fire alarm system and the emergency responder radio enhancement system.
2. System performance shall be continuously monitored by an approved third-party monitoring company capable of monitoring the performance of the ERRC system and initiating an appropriate response if the system begins to operate outside of the established system parameters.

V-300-2.75

Section 510.4.2.5.1 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

501.4.2.5.1 Remote off-switch. The emergency responder radio coverage system shall be equipped with a remote off-switch that can be initiated by the third-party monitoring company with approval of the fire department if the system begins to operate outside of established system parameters.

V-300-2.76

Section 510.5 of the California Fire Code, 2019 Edition, is amended to read as follows:

510.5 Installation requirements. The installation of the emergency responder radio coverage system shall be in accordance with NFPA 1221 and the current Emergency Responder Radio Coverage Systems Standard Details and Specification enforced by the Milpitas Fire Department.

V-300-2.77

Section 510.5.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

510.5.1 Approval prior to installation. Amplification systems capable of operating on frequencies licensed to any public safety agency by the FCC or other radio licensing authority shall not be installed without prior coordination and approval of the fire code official and the agency FCC license holder or systems administrator.

V-300-2.78

Section 510.5.3 first paragraph of the California Fire Code, 2019 Edition, is amended to read as follows:

510.5.3 Acceptance test procedure and system certification. Where an emergency responder radio coverage system is required, and upon completion of installation, the building owner shall have the radio system tested to verify that two-way coverage on each floor of the building is not less than 95 percent. Final system acceptance will require ERRCS power level and DAQ testing with agency FCC license holder, systems administrators, or designee. The test procedure shall be conducted as follows:

V-300-2.79

Section 605.18 hereby added to the California Fire Code, 2019 Edition, to read as follows:

605.18 Immersion heaters. All electrical immersion heaters used in dip tanks, sinks, vats and similar operations shall be provided with approved over-temperature controls and low liquid level electrical disconnects. Manual reset of required protection devices shall be provided.

V-300-2.80

Section 606.1.1 hereby added to the California Fire Code, 2019 Edition, to read as follows:

606.1.1 New elevators. All new passenger service elevators shall meet the medical service elevator requirements in the California Building Code, 2019 Edition, Chapter 30.

V-300-2.81

Section 903.1.2 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

903.1.2 Fire Walls and Fire Barriers. Fire walls and fire barriers shall not be considered to create separate buildings for the purpose of automatic fire sprinkler requirements as set forth in Chapter 9 of this Code.

Exception: Buildings separated by continuous fire wall of 4-hour fire resistive construction without openings or penetrations. Buildings required to have automatic fire sprinkler protection as set forth in Section 13113 of Health and Safety Code are prohibited from using fire walls in lieu of automatic fire sprinkler protection.

V-300-2.82

Section 903.2 of the California Fire Code, 2019 Edition, is amended to read as follows:

903.2 Where Required. Approved automatic sprinkler systems in new and existing buildings and structures shall be provided in the locations described in this Section or per the requirements set forth in Sections 903.2.1 through 903.2.20, whichever is the more restrictive:

1. In other than residential buildings which require the installation of fire sprinkler for all new buildings according to the California Residential Code, an automatic sprinkler system shall be provided throughout all new buildings and structures greater than 1,000 square feet of building area.

Exception: Group S-2 or U occupancies used exclusively for vehicle parking and which meet all of the following:

- a. Noncombustible construction.
 - b. Maximum building area not to exceed 5,000 square feet. Structures with less than 10' horizontal separation are considered as one.
 - c. Structure is open on three (3) or more side.
 - d. Minimum of 10 feet separation from existing buildings unless area is separated by fire walls complying with California Building Code.
2. An automatic fire sprinkler system shall be provided throughout existing Group A, B, E, F, L, M, S and U buildings and structures, when additions are made that increase the building area to more than 3,600 square feet or that create conditions described in Sections 903.2.1 through 903.2.20.
 3. An automatic sprinkler system shall be provided throughout existing Group R occupancies when additions are made that increase the building area to more than 3,600 square feet, or when the Building Department determines that the home needs to comply with the current CA Building Codes due to extensive remodel/renovation.
 4. An automatic sprinkler system shall be provided throughout all new basements regardless of size and throughout existing basements that are expanded by more than 50%.
 5. Any change in the character of occupancy or in use of any building with a building area equal to or greater than 3,600 square feet which, in the opinion of the fire code official or building official, would place the building into a more hazardous division of the same occupancy group or into a different group of occupancies and constitutes a greater degree of life safety¹ or increased fire risk², shall require the installation of an approved fire automatic fire sprinkler system.

1. Life Safety – Increased occupant load, public assembly areas, public meeting areas, churches, indoor amusement attractions, buildings with complex exiting systems due to increased occupant loads, large schools/day-care facilities, large residential care facilities with non-ambulatory

2. Fire Risks – High-piled combustible storage, woodworking operations, hazardous operations using hazardous materials, increased fuel loads (storage of moderate to highly combustible materials), increased sources of ignition (welding, automotive repair with the use of flammable liquids and open flames).

V-300-2.83

Section 903.3.1.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

903.3.1.1 NFPA 13 sprinkler systems. Where the provisions of this Code require that a building or portion thereof be equipped throughout with an automatic sprinkler system in accordance with this section, sprinklers shall be installed throughout in accordance with NFPA 13 as amended in Chapter 80 except as provided in Section 903.3.1.1.1 and 903.3.1.1.2.

For a new building having no designated use or tenant, the minimum sprinkler design density shall be Ordinary Hazard Group 2. Where future use or tenant is determined to require a higher density, the sprinkler system shall be augmented to meet the higher density.

V-300-2.84

Section 903.3.1.4 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

903.3.1.4 One sprinkler design. One sprinkler head design shall not be permitted.

V-300-2.85

Section 903.3.5.3 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

903.3.5.3. Riser location. The fire sprinkler system riser shall not be located within electrical rooms or storage closets and shall be provided with clear access and working clearance. The fire sprinkler system riser location shall be approved by the fire code official.

V-300-2.86

Section 903.3.5.4 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

903.3.5.4 Number of water supplies. For buildings and or structures over 200,000 square feet, the fire code official may require more than one source of water supply.

V-300-2.87

Section 903.3.5.5 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

903.3.5.5 Sprinkler riser system. The sprinkler riser system shall be a manifold type system and shall meet the design requirements of the NFPA 13 Standards.

V-300-2.88

Section 903.3.5.6 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

903.3.5.6 Water supply safety margin. Hydraulic design for the automatic fire sprinkler system shall provide a minimum of 20% safety margin.

Exception: The fire code official may grant a reduction in the required safety margin for existing buildings but not less than 10%.

V-300-2.89

Section 903.3.5.7 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

903.3.5.7 Sprinkler pipe velocity. The automatic fire sprinkler system shall be designed to a maximum 20 feet per second water flow.

Exception: The fire code official may grant higher water velocity for existing buildings when supported by mechanical engineering design done by a California registered engineer.

V-300-2.90

Section 907.2.9.1 of the California Fire Code, 2016 Edition, is amended to delete the following:

907.2.9.1 Manual fire alarm system. Exception 3. is deleted.

V-300-91

Section 913.7 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

913.7 Fire Pump standby power. Power supply from local utility provider is not considered a reliable source of power. Standby power is required for electrical or natural gas fire pumps.

V-300-2.92

Section 914.2.1 of the California Fire Code, 2019 Edition, is amended to delete the exception:

914.2.1 Automatic sprinkler systems exception is deleted.

V-300-2.93

Section 914.3.1 of the California Fire Code, 2019 Edition, is amended to delete the exception:

914.3.1 Automatic sprinkler systems exception is deleted.

V-300-2.94

Section 914.3.9 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

914.3.9 Anchor devices. Anchor repelling devices meeting the Fire department requirements shall be placed on the roof for Fire department use.

V-300-2.95

Section 914.3.10 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

914.3.10 Helicopter pad. High-rise buildings greater than 150' in height (above the lowest level of Fire department access) may be required to provide a helicopter pad, which meets the requirements of the Fire department.

V-300-2.96

Section 914.4.1 of the California Fire Code, 2019 Edition, is amended to delete the exceptions:

914.4.1 Automatic sprinkler systems exceptions 1 and 2 are deleted.

V-300-2.97

Section 914.6.1 of the California Fire Code, 2019 Edition, is amended to delete the exceptions:

914.6.1 Automatic Sprinkler Systems exceptions 1 and 2 are deleted.

V-300-2.98

Section 914.12 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

914.12 Special Provisions For Group B office Buildings and Group R Division 1 and 2 Occupancies. All Group B office buildings and Group R, Division 1 & 2 Occupancies, each having floor used for human occupancy located more than 60 feet above the lowest level of Fire Department vehicle access, or more than 4 stories in height shall provide the following:

1. Equipment cache rooms shall be located on the 1st floor above the ground floor, and every other floor thereafter, or as directed by the fire code official.
 - a. Cache rooms shall be located and accessible from within the rated stair enclosures.
 - b. Prior to the purchase of the fire department cache room equipment and or materials a complete list of the equipment and or materials with all necessary cut-sheets shall be submitted to the fire department for review and approval.

- c. Due to operational needs, the fire code official reserves the right to make changes to the required equipment and or materials listed under item 2 below.
2. Each equipment storage room size should be a minimum of 4' deep, full height (8' to 9'), with a door the minimum width of 43". A roll-up door can be used provided it has a 43" minimum width and unobstructed access. It shall have a power outlet to provide electricity, a light (connected to a 'timer'), be sprinklered, and be locked with a 'break-away' type lock. Fixed shelving¹ shall be provided in a configuration approved by the fire agency to store items that may include, but not be limited to:

Item	ITEM DESCRIPTION	PART NUMBER	PER ROOM
1)a	2.5 Inch Hose Pack Straps	Turning Out Solutions	24
1)b	2.5X50 Foot Durabuilt Hose	DB25X50YEN NAFH	8
1)c	Straight Tip 1-1/8 X 1.5 NH	FSS10TFT	2
1)d	Ball Valve 2.5 Female X 1.5 Male	J140F	2
1)e	Universal Spanner Wrench	00100001 AKR	2
1)f	Gated Wye	AYNJNF TFT	2
1)g	2 1/2 x 1 1/2 reducer	3725N15N	2
2)a	50' banded hose roll	DF817X50R15NH NAFH	2
2)b	Red Hose Ret. Bands	HRRBARC	2
3)	15' Stinger length hose	DF3X15Y25NH NAFH	2
4)	Halligan Style Tool	HAL1P36	1
5)a	Pick head axe	6PH36W	1
5)b	Flat head axe	6FH32W	1
6)	Attic ladder	10102LG LITTLE GIANT	1
7)	Ames Wrecking bar	75036	1
8)	Open door industries stops	WIY ODI	24
9)	Salvage Cover	14VSC1214GR GOS	4
10)	Spare Sprinkler heads (3) each type per bldg	To be Determined	3
11)	Sprinkler wrench	To be Determined	1
12)	Push cart for SCBA cylinders	MBR16 GROVES	1
13)a	RIT Pack	TRUE NORTH L-2 RIT BAG	1
13)b	Facemask	R56424 DRAGER	1
13)c	McGuire Diaper	RICTARP MCGUIRE	1
14)	Evacuation Chair	6252 STRYKER	2
15)a	Air Bottles 45 min Carbon Cylinder Clear	4058992 DRAEGER	8
15)b	Air Bottles 60 min Carbon Cylinder Clear	4058993 DRAEGER	1
15)c	Quick Release Adapter	3357114 DRAEGER	8
15)d	Weather Guard Gasket	4058936 DRAEGER	9
15)e	Pneumatic Dual Line w/ Whistle	4059628 DRAEGER	1
15)f	LVD Assembly	3355679 DRAEGER	1
16)	Red Webbing	200103 CMC	4
17)	D lock Carabiner	300221 CMC	2

¹ Shelving shall be every 16" after ladder placement is determined.

Item	ITEM DESCRIPTION	PART NUMBER	PER ROOM
18)	Wagan LED Flare	WAGAN EL2639-3 FRED	2
19)	Cable Cutter	UPB41 BEN NAW	1
20)	18 Inch Pipe Wrench	5862074118 Irwin	1
21)	30 Degree Elbow Adapter 2.5'	E253025N25N	4
22)	Encased Line Gauge 2.5 Redhead	155225N RH	2
23)	Speed Swivel	480-NST	1
24)	Adapter 1.5NHFRLX2.5NHM	3715N25N	2
25)	16" Large Mouth Tool Bag	67126-02 HUSKY	2
26)	Polytac Flashlight	88853 STRMLIT	2

3. Equipment maintenance, inspections, replacement and or equipment update and required certification(s) shall be the responsibility of the building owner and or owner's association.

*The fire code official may require, an air bottle filling system shall have the fill access port located at a reasonable distance from each structure that takes into account debris fall out & collapse zones. A 'monument-type' fill station port should be located near a public roadway, not adjacent to the structure. The underground piping system, designed and installed with stainless steel welded fittings and piping, should terminate at this monument. A weather tight access panel with Knox-box key entry should also be provided. The storage system should be designed to provide enough air @ 4500 psig for up to fifty 45 minute bottles, prior to augmentation by an outside air source.

V-300-2.99

Section 916.8 of the California Fire Code, 2019 Edition, is amended to read as follows:

916.8 System activation. A gas detection alarm shall be initiated where any sensor detects a concentration of gas exceeding the following thresholds:

1. For flammable gases, a gas concentration exceeding 25 percent of the lower flammability limit (LFL).
2. For nonflammable gases, a gas concentration exceeding one-half of the 1DLH, unless a different threshold is specified by the section of this code requiring a gas detection system.

Upon activation of a gas detection alarm, alarm signals or other required responses shall be as specified by the section of this code requiring a gas detection system. Audible and visible alarm signals associated with a gas detection alarm shall be distinct from fire alarm and carbon monoxide alarm signals.

The audible alarm signals shall be in accordance with 907.5.2.1.1 and 907.5.2.1.2. The visual alarm notification appliances shall be in accordance with 907.5.2.3.

V-300-2.100

Section 1103.2 of the California Fire Code, 2019 Edition, is hereby adopted.

V-300-2.101

Section 1206.2.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

1206.2.1 Permits. Permits shall be obtained for the installation and operation of stationary battery systems in accordance with Sections 105.6.58 and 105.7.2.

V-300-2.102

Section 1206.2.11.3 of the California Fire Code, 2019 Edition, is amended to read as follows:

1206.2.11.3 Ventilation. Where required by Section 1206.2.3 or 1206.2.12, ventilation of rooms containing stationary storage battery systems shall be provided in accordance with the California Mechanical Code and one of the following:

1. The ventilation system shall be designed to limit the maximum concentration of flammable gas to 25 percent of the lower flammable limit, or for hydrogen, 1.0 percent of the total volume of the room.
2. Continuous ventilation shall be provided at a rate of not less than 1 cubic foot per minute (cfm) per square foot [0.00508 m³/ (s · m²)] of the floor area, but not less than 150 cfm (4 m³/min).
3. Failure of the ventilation system shall automatically disengage the charging system.

The exhaust system shall be designed to provide air movement across all parts of the floor for gases having a vapor density greater than air and across all parts of the vault ceiling for gases having a vapor density less than air.

V-300-2.103

Section 1206.2.11.5 of the California Fire Code, 2019 Edition, is amended to read as follows:

1206.2.11.5 Spill control and neutralization. Where required by Section 1206.2.12, approved methods and materials shall be provided for the control and neutralization of spills of electrolyte or other hazardous materials in areas containing stationary storage batteries as follows:

1. For batteries with free flowing electrolyte, the method and materials shall be capable of neutralizing a spill of the total capacity from the largest cell or block to a pH between 5.0 and 9.0.
2. For batteries with immobilized electrolyte, the method and material shall be capable of neutralizing a spill of 3.0 percent of the capacity of the largest cell or block in the room to a pH between 5.0 and 9.0.

The spill control shall be designed and constructed in accordance with 5004.2.1.

V-300-2.104

Section 1206.2.12.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

1206.2.12.1 Lead-acid storage batteries. Stationary storage battery systems utilizing lead-acid storage batteries shall comply with the following:

1. Ventilation shall be provided in accordance with Section 1206.2.11.3.
2. Spill control and neutralization shall be in accordance with Section 1206.2.11.5.
3. The spill control system shall be monitored in accordance with 5004.2.2.5.
4. Thermal runaway protection shall be provided for valve-regulated lead-acid (VRLA) storage batteries in accordance with Section 1206.2.10.7.
5. The signage in Section 1206.2.8.6 shall indicate that the room contains lead-acid batteries

V-300-2.105

Section 1206.2.12.2 of the California Fire Code, 2019 Edition, is amended to read as follows:

1206.2.12.2 Nickel-cadmium (Ni-Cd) storage batteries. Stationary storage battery systems utilizing nickel-cadmium (Ni-Cd) storage batteries shall comply with the following:

1. Ventilation shall be provided in accordance with Section 1206.2.11.3.
 2. Spill control and neutralization shall be in accordance with Section 1206.2.11.5.
 3. The spill control system shall be monitored in accordance with 5004.2.2.5.
 4. Thermal runaway protection shall be provided for valve-regulated sealed nickel-cadmium storage batteries in accordance with Section 1206.2.10.7.
 5. The signage in Section 1206.2.8.6 shall indicate the room contains nickel-cadmium batteries.
- 1206.2.12.3 Lithium-ion storage batteries.

V-300-2.106

Section 1206.2.12.5 of the California Fire Code, 2019 Edition, is amended to read as follows:

1206.2.12.5 Flow storage batteries. Stationary storage battery systems utilizing flow storage batteries shall comply with the following:

1. Ventilation shall be provided in accordance with Section 1206.2.11.3.
2. Spill control and neutralization shall be in accordance with Section 1206.2.11.5.
3. The spill control system shall be monitored in accordance with 5004.2.2.5.
4. The signage required in Section 1206.2.8.6 shall indicate the type of flow batteries in the room.

V-300-2.107

Section 1206.2.12.6 of the California Fire Code, 2019 Edition, is amended to read as follows:

1206.2.12.6 Other battery technologies. Stationary storage battery systems utilizing battery technologies other than those described in Sections 1206.2.12.1 through 1206.2.12.5 shall comply with the following:

1. Gas detection systems complying with Section 916 shall be provided in accordance with Section 1206.2.11.4 where the batteries have the potential to produce toxic or highly toxic gas in the storage room or cabinet in excess of the permissible exposure limits (PEL) during charging, discharging and normal system operation.
2. Mechanical ventilation shall be provided in accordance with Section 1206.2.11.3.
3. Spill control and neutralization shall be in accordance with Section 1206.2.11.5.
4. The spill control system shall be monitored in accordance with 5004.2.2.5.
5. In addition to the signage required in Section 1206.2.8.6, the marking shall identify the type of batteries present, describe the potential hazards associated with the battery type, and indicate that the room contains energized electrical circuits.

V-300-2.108

Section 2807.6 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

2807.6 Fire protection water supply system. An approved fire protection water supply and hydrant system suitable for the fire hazard involved shall be provided for open storage yards and processing areas. Hydrant systems shall be installed in accordance with NFPA 24 adopted by this Code.

V-300-2.109

Section 2808.11 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

2808.11 Fire protection water supply system. An approved fire protection water supply and hydrant system suitable for the fire hazard involved shall be provided for open storage yards and processing areas. Hydrant systems shall be installed in accordance with NFPA 24 adopted by this Code.

V-300-2.110

Section 3103.2 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

3103.2 Approval required. Tents and membrane structures having an area in excess of 200 square feet (19 m²) and canopies in excess of 400 square feet (37 m²) shall not be erected, operated or maintained for any purpose without first obtaining a permit and approval from the fire code official. Smaller tents or canopies set side by side are considered as one, unless separated from each other by 10 feet on all sides.

Exceptions:

1. Tents used exclusively for recreational camping purposes.

V-300-2.111

Section 3304.8 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

3304.8 Fire Walls. When fire walls are required, the wall construction shall be completed (with all openings protected) immediately after the building is sufficiently weather-protected at the location of the wall(s).

V-300-2.112

Section 3311.1 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

3311.1 Stairways required. Each level above the first story in new multi-story buildings that requires two (2) exit stairways shall be provided with at least two (2) usable exit stairways after the floor decking is installed. The stairways shall be continuous and discharge to grade level. Stairways serving more than two (2) floor levels shall be enclosed (with openings adequately protected) after the exterior walls/windows are in place. Exit stairs in new and in existing, occupied buildings shall be lighted and maintained clear of debris and construction materials at all times.

Exception: For new multi-story buildings, one of the required exit stairs may be obstructed on not more than two (2) contiguous floor levels for the purposes of stairway construction (i.e., installation of gypsum board, painting, flooring, etc.).

V-300-2.113

Section 3311.1.1 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

3311.1.1 Required means of egress. All new buildings under construction shall have a least one unobstructed means of egress. All means of egress shall be identified in the prefire plan per Section 3308.2.

V-300-2.114

Section 5001.2.2.2 of the California Fire Code, 2019 Edition, is amended to read as follows:

5001.2.2.2 Health hazards. The material categories listed in this section are classified as health hazards. A material with a primary classification as a health hazard can also pose a physical hazard.

1. Highly toxic and toxic materials.
2. Corrosive materials.
3. Moderately toxic gas.
4. Other health hazards.

V-300-2.115

Section 5001.5.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

5001.5.1 Hazardous materials management plan (HMMP). Where required by the fire code official, an application for a hazardous materials permit in accordance with Section 105.6 of this code shall include a Hazardous Materials Management Plan (HMMP).

The HMMP shall include the following:

- a. Information consistent with that outlined in Sections H103 and H3 of Appendix H of this code.
- b. A facility site plan designating the following:
 1. Access to each storage and use area.
 2. Location of emergency equipment.
 3. Location where liaison will meet emergency responders.
 4. Facility evacuation meeting point locations.
 5. The general purpose of other areas within the building.
 6. Location of all above-ground and underground tanks and their appurtenances including, but not limited to, sumps, vaults, below-grade treatment systems and piping.
 7. The hazard classes in each area.
 8. Locations of all control areas and Group H occupancies.
 9. Emergency exits.

The HMMP shall be readily available onsite.

[For SFM] The HMMP shall comply with Health and Safety Code, Chapter 6.95, Sections 25500 through 25545, and Title 19, Division 2, Chapter 4.

V-300-2.116

Section 5001.5.1.1 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

5001.5.1.1 Submittal frequency. Facilities required to maintain a hazardous materials permit shall submit an updated or recertified HMMP within 12 months of the previous submittal, or within 30 days of a change, whichever occurs first.

Exceptions: The following facilities may submit an updated HMMP within 36 months of the previous submittal if no reportable changes have occurred:

1. Cell tower sites with no hazardous materials related permits other than a permit for a battery system.
2. Facilities with no hazardous materials related permits other than a permit for carbon dioxide used in an insulated liquid carbon dioxide beverage dispensing system.
3. Dental offices with no other hazardous materials related permits other than a permit for a fixed medical gas system.

V-300-2.117

Section 5003.1.3.1 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

5003.1.3.1 highly toxic, toxic, moderately toxic gases and similarly used or handled materials. The storage, use and handling of highly toxic, toxic and moderately toxic gases in amounts exceeding Table 6004.1 shall be in accordance with this Chapter and Chapter 60. Any highly toxic, toxic or moderately toxic material that is used or handled as a gas or vapor shall be in accordance with the requirements for highly toxic, toxic or moderately toxic gases.

V-300-2.118

Section 5003.1.5 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

5003.1.5 Other health hazards. The storage, use and handling of materials classified as other health hazards in amounts exceeding 810 cubic feet for gases, 55 gallons for liquids and 5,000 pounds for solids shall be in accordance with Section 5003.

V-300-2.119

Section 5003.1.6 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

5003.1.6 Additional spill control and secondary containment requirements. In addition to the requirements set forth in Section 5004.2, an approved spill control and containment system is required for any quantity of hazardous materials that are liquids or solids at normal temperature and pressure (NTP), where a spill is determined to be a plausible event and where such an event would endanger people, property or the environment. The approved containment system may be required to include a combination of spill control and secondary containment meeting the design and construction requirements set forth in Section 5004.2.

V-300-2.120

Section 5003.2.2.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

5003.2.2.1 Design and construction. Piping, tubing, valves, fittings and related components used for hazardous materials shall be in accordance with the following:

1. Piping, tubing, valves, fittings and related components shall be designed and fabricated from materials compatible with the material to be contained and shall be of adequate strength and durability to withstand the pressure, structural and seismic stress, and exposure to which they are subject.
2. Piping and tubing shall be identified in accordance with ASME A13.1 and Santa Clara County Fire Chiefs Marking Requirements and Guidelines for Hazardous Materials and the Hazardous Waste to indicate the material conveyed.
3. Manual valves or automatic remotely activated fail-safe emergency shutoff valves shall be installed on supply piping and tubing, and provided with ready access at the following locations:
 1. The point of use.
 2. The tank, cylinder or bulk source.
4. Manual emergency shutoff valves and controls for remotely activated emergency shutoff valves shall be identified and the location shall have access clearly visible and indicated by means of a sign.
5. Backflow prevention or check valves shall be provided when the backflow of hazardous materials could create a hazardous condition or cause the unauthorized discharge of hazardous materials.

6. Where gases or liquids having a hazard ranking of:

Health hazard Class 3 or 4

Flammability Class 4

Reactivity Class 4

in accordance with NFPA 704 are carried in pressurized piping above 15 pounds per square inch gauge (psig)(103 Kpa), an approved means of leak detection, emergency shutoff or excess flow control shall be provided. Where the piping originates from within a hazardous material storage room or area, the excess flow control shall be located within the storage room or area. Where the piping originates from a bulk source, the excess flow control shall be located as close to the bulk source as practical.

Exceptions:

1. Piping for inlet connections designed to prevent backflow.
2. Piping for pressure relief devices.

7. Secondary containment or equivalent protection from spills or leaks shall be provided for piping for liquid hazardous materials and for highly toxic and toxic corrosive gases above threshold quantities listed in Table 6004.1. Secondary containment includes, but is not limited to double walled piping.

Exceptions:

1. Secondary containment is not required for toxic corrosive gases if the piping is constructed of inert materials.
2. Piping under sub-atmospheric conditions if the piping is equipped with an alarm and fail-safe-to-close valve activated by a loss of vacuum.

V-300-2.121

Section 5003.2.2.2 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

5003.2.2.2 Additional regulation for supply piping for health hazard materials. Supply piping and tubing for gases and liquids having a health hazard ranking of 3 or 4 in accordance with NFPA 704 shall be in accordance with ASME B31.3 and the following:

1. Piping and tubing utilized for the transmission of highly toxic, toxic or highly volatile corrosive liquids and gases shall have welded or brazed connections throughout except for connections within an exhausted enclosure if the material is a gas, or an approved method of drainage or containment is provided for connections if the material is a liquid.
2. Piping and tubing shall not be located within corridors, within any portion of a means of egress required to be enclosed in fire-resistance-rated construction or in concealed spaces in areas not classified as Group H Occupancies.

Exception: Piping and tubing within the space defined by the walls of corridors and the floor or roof above or in concealed space above other occupancies when installed in accordance with Section 415.11.6.4 of the California Building Code as required for Group H, Division 5 Occupancies.

3. All primary piping for highly toxic, toxic and moderately toxic gases shall pass a helium leak test of 1×10^{-9} cubic centimeters/second where practical, or shall pass testing in accordance with an approved, nationally recognized standard. Tests shall be conducted by a qualified "third party" not involved with the construction of the piping and control systems.

V-300-2.122

Section 5003.3.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

5003.3.1 Unauthorized discharges. In the event hazardous materials are released in quantities reportable under state, federal or local regulations or when there is a release or a threatened release that presents a threat to health, property or the environment, the fire code official shall be notified immediately in an approved manner and the following procedures required in accordance with Sections 5003.3.1.1 through 5003.3.1.4.

V-300-2.123

Section 5003.5.2 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

5003.5.2 Ventilation ducting. Ducts for venting hazardous materials operations shall be labeled with the hazard class of the material being vented and the direction of flow.

V-300-2.124

Section 5003.5.3 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

5003.5.3 "H" Occupancies. In "H" occupancies, all piping and tubing may be required to be identified when there is any possibility of confusion with hazardous materials transport tubing or piping. Flow direction indicators are required.

V-300-2.125

Section 5003.9.8 of the California Fire Code, 2019 Edition, is amended to read as follows:

5003.9.8 Separation of incompatible materials. Incompatible materials in storage and storage of materials that are incompatible with materials in use shall be separated. When the stored materials are in containers having a capacity of more than 5 pounds (2 kg), 0.5 gallon (2 L), or any amount of compressed gases, separation shall be accomplished by:

1. Segregating incompatible materials in storage by a distance of not less than 20 feet (6096 mm) and in an independent containment system.
2. Isolating incompatible materials in storage by a noncombustible partition extending not less than 18 inches (457 mm) above and to the sides of the stored material.
3. Storing liquid and solid materials in hazardous material storage cabinets.
4. Storing compressed gases in gas cabinets or exhausted enclosures in accordance with Sections 5003.8.5 and 5003.8.6. Materials that are incompatible shall not be stored within the same cabinet or exhausted enclosure.

V-300-2.126

Section 5003.9.11 is hereby added to the California Fire Code, 2019 Edition to read as follows:

5003.9.11 Fire extinguishing systems for workstations dispensing, handling or using hazardous materials. Combustible and non-combustible workstations, which dispense, handle or use hazardous materials, shall be protected by an approved automatic fire extinguishing system in accordance with Section 2703.10.

Exception: Internal fire protection is not required for Biological Safety Cabinets that carry NSF/ANSI certification where quantities of flammable liquids in use or storage within the cabinet do not exceed 500 ml.

V-300-2.127

Section 5003.10.4.3 of the California Fire Code, 2019 Edition, is amended to read as follows:

5003.10.4.3 Highly toxic, toxic, moderately toxic, gases shall be limited to a container of a maximum water capacity of 1 lb.

V-300-2.128

Section 5004.2.1 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

5004.2.1 Spill control for hazardous material liquids. Rooms, buildings or areas used for storage of hazardous material liquids, shall be provided with spill control to prevent the flow of liquids to adjoining areas. Floors in indoor locations and similar surfaces in outdoor locations shall be constructed to contain a spill from the largest single vessel by one of the following methods:

1. Liquid-tight sloped or recessed floors in indoor locations or similar areas in outdoor locations.
2. Liquid-tight floors in indoor and/ or outdoor locations or similar areas provided with liquid-tight raised or recessed sills or dikes.
3. Sumps and collection systems, including containment pallets in accordance with Section 5004.2.3.
4. Other approved engineered systems.

Except for surfacing, the floors, sills, dikes, sumps and collection systems shall be constructed of noncombustible material, and the liquid-tight seal shall be compatible with the material stored. When liquid-tight sills or dikes are provided, they are not required at perimeter openings having an open-grate trench across the opening that connects to an approved collection system.

V-300-2.129

Section 5004.2.2 of the California Fire Code, 2019 Edition, is amended to read as follows:

5004.2.2 Secondary containment for hazardous material liquids and solids. Buildings, rooms or areas used for the storage of hazardous materials liquids or solids shall be provided with secondary containment in accordance with this section.

V-300-2.130

Table 5004.2.2 of the California Fire Code, 2019 Edition is hereby deleted.

V-300-2.131

Section 5004.2.2.2 is hereby amended to the California Fire Code, 2019 Edition, to read as follows:

5004.2.2.2 Incompatible materials. Incompatible materials shall be separated from each other in independent secondary containment systems.

V-300-2.132

Section 5004.2.2.5 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

5004.2.2.5 Monitoring. An approved monitoring method shall be provided to detect hazardous materials in the spill control and secondary containment systems and to verify that the provisions of this Code for the storage and handling of hazardous materials are addressed. Monitoring shall be recorded at least once per week. The monitoring method is allowed to be visual inspection of the primary or secondary containment, or other approved means. Where secondary containment is subject to the instruction of water, a monitoring method for detecting water shall be provided. Where monitoring devices are provided, they shall be connected to approved visual or audible alarms.

V-300-2.133

Section 5004.2.3 of the California Fire Code, 2019 Edition, is amended to read as follows:

5004.2.3 Containment pallets. Combustible containment pallets shall not be used inside buildings to comply with Section 5004.2 where the individual container capacity exceeds 55 gallons (208 L) or an aggregate capacity of multiple containers exceeds 1,000 gallons (3785 L) for liquids or where the individual container capacity exceeds 550 pounds (250 kg) or an aggregate of multiple containers exceeds 10,000 pounds (4540 kg) for solids.

Where used as an alternative to spill control and secondary containment for outdoor storage in accordance, with the exception in Section 5004.2, containment pallets shall comply with all of the following:

1. A liquid-tight sump accessible for visual inspection shall be provided;
2. The sump shall be designed to contain not less than 66 gallons (250L);
3. Exposed surfaces shall be compatible with material stored;
4. Containment pallets shall be protected to prevent collection of rainwater within the sump of the containment pallet.

V-300-2.134

Section 5005.4.4 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

5005.4.4 Emergency alarm. When hazardous materials having a hazard ranking of 3 or 4 in accordance with NFPA 704, or toxic or moderately toxic gases exceeding 405 cu. ft. and any amount of highly toxic compressed gases are transported through corridors or exit enclosures, there shall be an emergency telephone system, a local manual alarm station or an approved alarm-initiating device at not more than 150-foot (45,720 mm) intervals and at each exit and exit-access

doorway throughout the transport route. The signal shall be relayed to an approved central, proprietary or remote station service or constantly attended on-site location and shall also initiate a local audible alarm.

V-300-2.135

Section 5303.5.3, method 1. of the California Fire Code, 2019 Edition, is amended to read as follows:

1. Securing containers, cylinders and tanks to a fixed object with one or more noncombustible restraints.

V-300-2.136

Section 5601.1.3 of the California Fire Code 2019 Edition, is amended to read in its entirety as follows:

5601.1.3 Fireworks. The possession, manufacture, storage, sale, handling, and use of fireworks, including those fireworks classified as Safe and Sane by the California State Fire Marshal, are prohibited.

Exception: The use of fireworks for fireworks displays as allowed in Section 5608.

V-300-2.137

Section 5704.2.7.5.8 of the California Fire Code, 2019 Edition, is amended to read as follows:

5704.2.7.5.8 Overfill prevention. An approved means or method in accordance with Section 5704.2.9.7.5 shall be provided to prevent the overfill of all Class I, II and IIIA liquid storage tanks. Storage tanks in refineries, bulk plants or terminals regulated by Sections 5706.4 or 5706.7 shall have overfill protection in accordance with API 2350.

Exception: Outside aboveground tanks with a capacity of 1320 gallons (5000 L) or less need only comply with Section 5704.2.9.7.5, item 1, sub-item (1.1)

An approved means or method in accordance with Section 5704.2.9.7.5 shall be provided to prevent the overfilling of Class IIIB liquid storage tanks connected to fuel-burning equipment inside buildings.

V-300-2.138

Section 5704.2.7.5.9 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

5704.2.7.5.9 Automatic filling of tanks. Systems that automatically fill flammable or combustible liquid tanks shall be equipped with overfill protection, approved by the fire code official that sends an alarm signal to a constantly attended location and immediately stops the filling of the tank. The alarm signal and automatic shutoff shall be tested on an annual basis and records of such testing shall be maintained on-site for a period of five (5) years.

V-300-2.139

Section 5707 of the California Fire Code, 2019 Edition, is hereby adopted and amended as follows:

V-300-2.140

Section 5707.3.3 of the California Fire Code, 2019 Edition, is amended as follows:

5707.3.3 Site plan. A site plan shall be developed for each location at which mobile fueling occurs. The site plan shall be in sufficient detail to indicate: all buildings, structures, lot lines, property lines, light fixtures and appurtenances on site and their use or function; all uses adjacent to the lot lines of the site; fueling locations, the locations of all storm drain openings and adjacent waterways or wetlands; information regarding slope, natural drainage, curbing, impounding and how a spill will be retained upon the site property; and the scale of the site plan.

V-300-141

Section 5707.4 of the California Fire Code, 2019 Edition, is amended to read as follows:

5707.4 Mobile fueling areas. Mobile fueling shall not occur on public streets, public ways, any residential street, or inside buildings. Fueling on the roof level of parking structures or other buildings is prohibited.

V-300-2.142

Section 5707.5.5 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

5707.5.5 Break-away device. A listed break-away device shall be provided at the nozzle.

Exception: Mobile fueling vehicles equipped with an approved brake interlock tied to the nozzle holder that prohibits movement of the mobile fueling vehicle when the nozzle is removed from its holder.

V-300-2.143

Sections 5707.6.4 to 5707.6.7 are hereby added to the California Fire Code, 2019 Edition, to read as follows:

5707.6.4 Nighttime deliveries. Nighttime deliveries shall only be made in areas deemed adequately lighted by the fire code official.

5707.6.5 Vehicle lights. The mobile fueling vehicle flasher lights shall be in operation while dispensing operations are in progress.

5707.6.6 Safety cones. Safety cones or barriers shall be employed as warning devices to highlight the vehicle fueling area.

5707.6.7 Bonding. A means for bonding the mobile fueling vehicle to the motor vehicle shall be provided. Such bonding means shall be employed during fueling operations.

V-300-2.144

Section 5809.3.4 is hereby amended to the California Fire Code, 2019 Edition, to read as follows:

5809.3.4 Site plan. For other than emergency roadside service, a site plan shall be developed for each location at which mobile gaseous hydrogen fueling occurs. The site plan shall be in sufficient detail to indicate: all buildings, structures, lot lines, property lines and appurtenances on site and their use and function, and the scale of the site plan.

V-300-2.145

Section 6004 of the California Fire Code, 2019 Edition, is amended to read as follows:

HIGHLY TOXIC, TOXIC AND MODERATELY TOXIC GASES

V-300-2.146

Section 6004.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.1 General. Materials stored or used as a gas whether or not the material meets the definition of a compressed gas, and meets the definition of a highly toxic, toxic and moderately toxic gas shall comply with Section 6004.

The minimum threshold quantity for highly toxic, toxic and moderately toxic gases, vapors and mists for indoor and exterior storage and use are set forth in Table 6004.1.

Table 6004.1 Minimum Threshold Quantities for Highly Toxic, Toxic and Moderately Toxic Gases	
Highly Toxic	20
Toxic	405 cubic feet
Moderately Toxic	405 cubic feet

V-300-2.147

Section 6004.1.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.1.1 Special limitations for indoor storage and use by occupancy. The indoor storage and use of highly toxic, toxic and moderately toxic gases in certain occupancies shall be subject to the limitations contained in Sections 6004.1.1.1 through 6004.1.1.3.

V-300-2.148

Section 6004.1.1.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.1.1.1 Group A, E, I or U occupancies. Highly toxic, toxic and moderately toxic gases shall not be stored or used within Group A, E, I or U occupancies.

Exception: Cylinders not exceeding 20 cubic feet (0.556m³) at normal temperature and pressure (NTP) are allowed within gas cabinets or fume hoods.

V-300-2.149

Section 6004.1.1.2 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.1.1.2 Group R occupancies. Highly toxic, toxic and moderately toxic gases shall not be stored or used in Group R occupancies.

V-300-2.150

Section 6004.1.1.3 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.1.1.3 Offices, retail sales and classrooms. Highly toxic, toxic and moderately toxic gases shall not be stored or used in offices, retail sales or classroom portions of Group B, F, M or S occupancies.

Exception: In classrooms of Group B occupancies, cylinders with a capacity not exceeding 20 cubic feet (0.566 m³) at NTP are allowed in gas cabinets or fume hoods.

V-300-2.151

Section 6004.1.2 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.1.2 Gas cabinets. Gas cabinets containing highly toxic, toxic and moderately toxic gases shall comply with Section 5003.8.6 and the following requirements:

1. The average ventilation velocity at the face of gas cabinet access ports or windows shall not be less than 200 cubic feet per minute (1.02 m/s) with a minimum of 150 feet per minute (0.76 m/s) at any point of the access port or window.
2. Gas cabinets shall be connected to an exhaust system.
3. Gas cabinets shall not be used as the sole means of exhaust for any room or area.
4. The maximum number of cylinders located in a single gas cabinet shall not exceed three, except that cabinets containing cylinders not exceeding 1 pound (0.454 kg) net contents are allowed to contain up to 100 cylinders.
5. Gas cabinets required by Section 6004.2 or 6004.3 shall be equipped with an approved automatic sprinkler system in accordance with Section 903.3.1.1. Alternative fire-extinguishing systems shall not be used.

V-300-2.152

Section 6004.1.3 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.1.3 Exhausted enclosures. Exhausted enclosures containing highly toxic, toxic or moderately toxic gases shall comply with Section 5003.8.5 and the following requirements:

1. The average ventilation velocity at the face of the enclosure shall not be less than 200 feet per minute (1.02 m/s) with a minimum of 150 feet per minute (0.76 m/s).
2. Exhausted enclosures shall be connected to an exhaust system.
3. Exhausted enclosures shall not be used as the sole means of exhaust for any room or area.

Exhausted enclosures required by Section 6004.2 or 6004.3 shall be equipped with an approved automatic sprinkler system in accordance with Section 903.3.1.1. Alternative fire-extinguishing system shall not be used.

V-300-2.153

Section 6004.1.4 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.1.4 Automatic shut-off valve. If gas monitoring is not provided, an automatic shut-off valve, which is of a fail-safe to close design, shall be provided to shutoff the supply of toxic and moderately toxic gases upon failure of the required gas cabinet or exhausted enclosure ventilation.

An automatic shut-off valve, which is of a fail-safe to close design, shall be provided to shut off the supply of highly toxic gases for any of the following:

1. Activation of a manual fire alarm system.
2. Activation of the gas detection system.
3. Failure of emergency power.
4. Failure of primary containment.
5. Seismic activity.
6. Failure of required ventilation.
7. Manual activation at an approved remote location.

An automatic shutoff valve is not required if a manual shutoff valve at the source is readily accessible and the process is continuously attended and supervised by a qualified individual.

V-300-2.154

Section 6004.1.5 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

6004.1.5 Emergency control station. Signals from emergency equipment used for highly toxic gases shall be transmitted to an approved location.

V-300-2.155

Section 6004.1.6 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

6004.1.6 Maximum threshold quantity. Toxic gases stored or used in quantities exceeding the maximum threshold quantity in a single vessel per control area or outdoor control area shall comply with the additional requirements for highly toxic gases of Section 6004 of this Code.

Moderately toxic gases stored or used in quantities exceeding the maximum threshold quantity. in a single vessel per control area or outdoor control area shall comply with the additional requirements for toxic gases of Section 6004 of this Code.

The following formula shall be used to calculate the maximum threshold quantity:

Max TQ (pounds) = LC₅₀ (ppm) x 2 lb.

V-300-2.156

Section 6004.1.7 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

6004.1.7 Reduced flow valve. All containers of highly toxic and toxic materials other than lecture bottles containing highly toxic material and having a vapor pressure exceeding 29 psia shall be equipped with a reduced flow valve when available. If a reduced flow valve is not available, the container shall be used with a flow-limiting device. All flow limiting devices shall be part of the valve assembly and visible to the eye when possible; otherwise, they shall be installed as close as possible to the cylinder source.

V-300-2.157

Section 6004.1.8 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

6004.1.8 Fire extinguishing systems. Buildings and areas for the storage and use of materials regulated by this Chapter shall be protected by an automatic fire sprinkler system in accordance with NFPA 13. The design of the sprinkler system for any room or area where highly toxic, toxic and moderately toxic gases are stored, handled or used shall be in accordance with Section 5004.5.

V-300-2.158

Section 6004.1.9 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

6004.1.9 Local gas shut off. Manual activation controls shall be provided for highly toxic and toxic gases at locations near the point of use and near the source, as approved by the fire code official. The fire code official may require additional controls at other places, including, but not limited to, the entry to the building, storage or use areas, and emergency control stations. Manual activated shut-off valves shall be of a fail-safe-to-close design.

V-300-2.159

Section 6004.1.10 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

6004.1.10 Exhaust ventilation monitoring. For highly toxic and toxic gases exceeding threshold quantities, a continuous monitoring system shall be provided to assure that the required exhaust ventilation rate is maintained. The monitoring system shall initiate a local alarm. The alarm shall be both visual and audible and shall be designed to provide warning both inside and outside of the interior storage, use, or handling area.

V-300-2.160

Section 6004.1.11 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

6004.1.11 Emergency response plan. If the preparation of an emergency response plan for the facility is not required by any other law, responsible persons shall prepare, or cause to be prepared, and filed with the fire code official, a written emergency response plan. If the preparation of an emergency response plan is required by other law, a responsible person shall file a copy of the plan with the fire code official.

V-300-2.161

Section 6004.1.12 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

6004.1.12 Cylinder leak testing. Cylinders shall be tested for leaks immediately upon delivery and again immediately prior to departure. Testing shall be approved by the fire code official in accordance with appropriate nationally recognized industry standards and practices, if any. Appropriate remedial action shall be immediately undertaken when leaks are detected.

V-300-2.162

Section 6004.1.13 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

6004.1.13 Inert gas purge system. Gas systems shall be provided with dedicated inert gas purge systems. A dedicated inert gas purge system may be used to purge more than one gas, provided the gases are compatible. Purge gas systems shall be located in an approved gas cabinet unless the system operates by vacuum demand.

V-300-2.163

Section 6004.1.14 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

6004.1.14 Seismic shutoff valve. An automatic seismic shut-off valve, which is of a fail-safe to close design, shall be provided to shutoff the supply of highly toxic, toxic and moderately toxic gases with an LC₅₀ less than or equal to 3000 parts per million upon a seismic event within 5 seconds of a horizontal sinusoidal oscillation having a peak acceleration of 0.3G (1.47 m/sec²) and a period of 0.4 seconds.

V-300-2.164

Section 6004.2 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.2 Indoor storage and use. The indoor storage or use of highly toxic, toxic and moderately toxic compressed gases shall be in accordance with Sections 6004.2.1 through 6004.2.2.10.4.

V-300-2.165

Section 6004.2.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.2.1 Applicability. The applicability of regulations governing the indoor storage and use of highly toxic, toxic, and moderately toxic gases shall be as set forth in Sections 6004.2.1.1 through 6004.2.1.5.

V-300-2.166

Section 6004.2.1.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.2.1.1 Quantities not exceeding the maximum allowable quantity per control area. The indoor storage or use of highly toxic, toxic and moderately toxic gases in amounts exceeding the maximum allowable quantity per control area set forth in Table 5003.1.1(2) shall be in accordance with Sections 5001, 5003, 6001, 6004.2.1.4 and 6004.2.1.5.

V-300-2.167

Section 6004.2.1.4 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

6004.2.1.4 Quantities not exceeding minimum threshold quantity per control area. The indoor storage or use of highly toxic, toxic and moderately toxic gases in amounts not exceeding the minimum threshold quantity per control area set forth in Table 6004.1 shall be in accordance with Sections 6001, 6004.1 and Chapter 50.

V-300-2.168

Section 6004.2.1.5 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

6004.2.1.5 Quantity exceeding the minimum threshold quantity per control area. The indoor storage or use of highly toxic, toxic and moderately gases in amounts exceeding the minimum threshold quantity per control area set forth in Table 6004.1 shall be in accordance with Sections 6001, 6004.1, 6004.2 and Chapter 50.

V-300-2.169

Section 6004.2.2 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.2.2 General indoor requirements. The general requirements applicable to the indoor storage and use of highly toxic and toxic compressed gases shall be in accordance with Sections 6004.2.2.1 through 6004.2.2.10.4.

Moderately toxic gases with an LC₅₀ less than or equal to 3000 parts per million shall comply with the requirements for toxic gases in Sections 6004.2.2.1 through 6004.2.2.10.3.

Moderately toxic gases with an LC₅₀ more than 3000 parts per million but not greater than 5000 parts per million and exceeding the maximum threshold quantity, as determined by 6004.1.6, shall comply with the requirements for toxic gases in Sections 6004.2.2.1 through 6004.2.2.7.

Moderately toxic gases shall not be considered as toxic gases for maximum allowable quantities determinations under Table 5003.1.1(2).

V-300-2.170

Section 6004.2.2.7 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.2.2.7 Treatment systems. The exhaust ventilation from gas cabinets, exhausted enclosures, gas rooms and local exhaust systems required in Section 6004.2.2.4 and 6004.2.2.5 shall be directed to a treatment system. The treatment system shall be utilized to handle the accidental release of gas and to process exhaust ventilation. The treatment system shall be designed in accordance with Sections 6004.2.2.7.1 through 6004.2.2.7.5 and Section 510 of the California Mechanical Code.

Exceptions:

1. Highly toxic, toxic and moderately toxic gases storage. A treatment system is not required for cylinders, containers and tanks in storage when all of the following are provided:
 - 1.1. Valve outlets are equipped with gas-tight outlet plug or caps.
 - 1.2. Hand wheel-operated valves have handles secured to prevent movement.
 - 1.3. Approved containment vessels or containment systems are provided in accordance with Section 6004.2.2.3.

V-300-2.171

Section 6004.2.2.8 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.2.2.8 Emergency power. For highly toxic and toxic gas systems, emergency power, in accordance with Section 1203, shall be provided for the following:

1. Exhaust ventilation system.
2. Treatment system.
3. Gas detection system.
4. Smoke detection system.
5. Temperature control system.
6. Fire alarm system.
7. Emergency alarm system.

V-300-2.172

Section 6004.2.2.10 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.2.2.10 Gas detection system. A gas detection system complying with Section 916 shall be provided to detect the presence of a highly toxic or toxic gas at or below the PEL or ceiling limit of the gas for which detection is provided. In occupied areas where gas cabinets or exhausted enclosures are not provided, the fire code official may require a cyclical basis at intervals not to exceed 5 minutes.

The system shall be capable of monitoring the discharge from the treatment system at or below one-half the IDLH limit and shall initiate a response in accordance with Sections 6004.2.2.10.1 through 6004.2.2.10.3 if the gas detection system is activated.

Exception: A gas detection system is not required for toxic gases when the physiological warning threshold level for the gas is at a level below the accepted PEL for the gas.

V-300-2.173

Section 6004.2.2.10.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.2.2.10.1 Alarms. The gas detection system shall initiate a local alarm and transmit a signal to an approved location when a short-term hazard condition is detected. The alarm shall be both visual and audible and shall provide warning both inside and outside the area where the gas is detected. The audible alarm shall be distinct from all other alarms.

Exception: Signal transmission to a constantly attended control station is not required where not more than one cylinder of highly toxic, toxic or moderately toxic gas is stored.

V-300-2.174

Section 6004.2.2.10.2 of the California Fire Code, 2019 Edition is amended to read as follows:

6004.2.2.10.2 Shut off of gas supply. The gas detection system shall automatically close the shutoff valve at the source on gas supply piping and tubing related to the system being monitored for whichever gas is detected.

Exception: An automatic shutdown is not required for reactors utilized for the production of highly toxic, toxic or moderately toxic compressed gases where such reactors are:

1. Operated at pressures less than 15 pounds per square inch gauge (psig) (103.4kPa).
2. Constantly attended.
3. Provided with emergency shutoff valves that have ready access.

V-300-2.175

Section 6004.2.2.10.4 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

6004.2.2.10.4 Emergency alarm. The indoor storage or use of highly toxic or toxic gases in amounts exceeding the minimum threshold quantity per control area set forth in Table 6004.1 shall also comply with Sections 5004.9 and 5005.4.4.

V-300-2.176

Section 6004.3 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.3 Outdoor storage and use. The outdoor storage or use of highly toxic, toxic and moderately toxic compressed gases shall be in accordance with Sections 6004.3.1 through 6004.3.4.

V-300-2.177

Section 6004.3.1 of the California Fire Code, 2016 Edition, is amended to read as follows:

6004.3.1 Applicability. The applicability of regulations governing the outdoor storage and use of highly toxic, toxic, and moderately toxic gases shall be as set forth in Sections 6004.3.1.1 through 6004.3.1.5.

V-300-2.178

Section 6004.3.1.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.3.1.1 Quantities not exceeding the maximum allowable quantity per control area. The outdoor storage or use of highly toxic and toxic gases in amounts exceeding the threshold quantity per control area set forth in Table 5003.1.1(4) shall be in accordance with Sections 5001, 5003, 6001, 6004.1, and 6004.3.1.4 and 6004.3.1.5.

V-300-2.179

Section 6004.3.1.4 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

6004.3.1.4 Quantities not exceeding minimum threshold quantity per control area. The outdoor storage or use of highly toxic, toxic and moderately toxic gases in amounts not exceeding the minimum threshold quantity per control area set for in Table 6004.1 shall be in accordance with Sections 6001, 6004.1 and Chapter 50.

V-300-2.180

Section 6004.3.1.5 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

6004.3.1.5 Quantity exceeding the minimum threshold quantity per control area. The outdoor storage or use of highly toxic, toxic and moderately toxic gases in amounts exceeding the minimum threshold quantity per control area set forth in Table 6004.1 shall be in accordance with Sections 6001, 6004.1, 6004.3 and Chapter 50.

V-300-2.181

Section 6004.3.2 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.3.2 General outdoor requirements. The general requirements applicable to the outdoor storage and use of highly toxic, toxic and moderately toxic gases shall be in accordance with Sections 6004.3.2.1 through 6004.3.2.4.

Moderately toxic gases with an LC₅₀ equal to or less than 3000 parts per million shall comply with the requirements for toxic gases in Sections 5001, 5003, 6001, 6004.1 and 6004.3.

Moderately toxic gases with an LC₅₀ more than 3000 parts per million but not greater than 5000 parts per million and exceeding the maximum threshold quantity, as determined by 6004.1.6, shall comply with the requirements for toxic gases in Sections 5001, 5003, 6001, 6004.1 and 6004.3.2.1 through 6004.3.2.4.

Moderately toxic gases shall not be considered as toxic gases for maximum allowable quantities determinations under Table 5003.1.1(4).

V-300-2.182

Section 6004.3.3 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.3.3 Outdoor storage weather protection for portable tanks and cylinders. Weather protection in accordance with Section 5004.13 and this section shall be provided for portable tanks and cylinders located outdoors and not within gas cabinets or exhausted enclosures. The storage area shall be equipped with an approved automatic sprinkler system in accordance with Section 903.3.1.1.

V-300-2.183

Section 6405.3.1 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

6405.3.1 Silane distribution systems automatic shutdown. Silane distribution systems shall automatically shut down at the source upon activation of the gas detection system at levels above the alarm level and/or failure of the ventilation system for the silane distribution system.

V-300-2.184

Section D101.1 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

D101.1 Scope. Fire apparatus access roads shall be in accordance with this appendix and all other applicable requirements of this Code.

V-300-2.185

Section D103.1 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

D103.1 Access road width with a hydrant. Where a fire hydrant is located on a fire apparatus access road, the minimum road width shall be 26 feet (7925 mm). See Figure D103.1. Only conditions with 26 feet roads are applicable.

Exception: The fire code official may approve other condition that provides equivalent access.

V-300-2.186

Section D104.1 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

D104.1 Buildings with two or more fire apparatus access roads. Buildings or facilities exceeding 30 feet (9144 mm), or three stories in height, or 50,000 square feet (5760m²) shall be provided with at least two means of fire apparatus access for each structure.

V-300-2.187

Section D104.2 of the California Fire Code, 2019 Edition, is deleted in its entirety.

V-300-2.188

Section D105.2 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

D105.2 Width. Fire apparatus access roads shall have a minimum unobstructed width of 26 feet (7925 mm) in the immediate vicinity of any building or portion of building more than 30 feet (9144) in height.

Exception: The Fire Code Official may approve the use of other usable space/area that provides equivalent required width.

V-300-2.189

Section D106.1 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

D106.1 Projects having more than 50 dwelling units. Multiple-family residential projects having more than 50 dwelling units shall be equipped throughout with two separate and approved fire apparatus access roads.

V-300-2.190

Section D106.2 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

D106.2 Projects having more than 200 dwelling units. For Multiple-family residential projects having more than 200 units, the fire code official may require more than two fire apparatus access roads.

V-300-2.191

Section D107.1 of the California Fire Code, 2019 Edition, exceptions No. 1 and No. 2 are deleted.

SECTION 4. SEVERABILITY

The provisions of this Ordinance are separable, and the invalidity of any phrase, clause, provision or part shall not affect the validity of the remainder.

SECTION 5. EFFECTIVE DATE AND POSTING

In accordance with Section 36937 of the Government Code of the State of California, this Ordinance shall take effect thirty (30) days from and after the date of its passage. The City Clerk of the City of Milpitas shall cause this Ordinance or a summary thereof to be published in accordance with Section 36933 of the Government Code of the State of California.

PLEASE NOTE:

This copy of Ordinance No. 113.25 is a “redlined” version for your convenience. Text additions are designated by an underline and text deletions are designated with a strikethrough.

REGULAR

NUMBER: 113.25

TITLE: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MILPITAS REPEALING AND REPLACING CHAPTER 300 OF TITLE V OF THE MILPITAS MUNICIPAL CODE AND ADOPTING BY REFERENCE THE 2019 EDITION OF THE CALIFORNIA FIRE CODE WITH SPECIFIED LOCAL AMENDMENTS

HISTORY: This Ordinance was introduced (first reading) by the City Council at its meeting of November 5, 2019, upon motion by Councilmember Nuñez, and was adopted (second reading) by the City Council at its meeting of _____ upon motion by Councilmember _____. The Ordinance was duly passed and ordered published in accordance with law by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Mary Lavelle, City Clerk

Rich Tran, Mayor

APPROVED AS TO FORM:

Christopher J. Diaz, City Attorney

RECITALS AND FINDINGS:

WHEREAS, the City Council of the City of Milpitas intends to adopt by reference into the Milpitas Municipal Code the 2019 California Fire Code; and

WHEREAS, in doing so, the City Council wishes to amend portions of the California Fire Code to better address local concerns and to be consistent with amendments made by the other cities and counties in the San Francisco East Bay, San Francisco Peninsula and Monterey Bay areas; and

WHEREAS, Health and Safety Code Sections 17958.5, 17958.7, and 18941.5 require such amendments to be reasonably necessary because of local climatic, geological or topographical conditions; and

WHEREAS, the City Council hereby makes the following findings with respect to the amendments to the 2019 California Fire Code:

A. The local climatic conditions of the City of Milpitas can affect the acceleration, intensity, and size of fires. Average annual rainfall for the City of Milpitas (approximately 14.9 inches per year), and drought conditions in the State of California require water-use restrictions and may also limit access to water during emergencies. Prevailing winds from the Northwest have velocities ranging from 5-mph to 15-mph, but the region has experienced extreme winds up to 60 mph. Times of little rainfall and high winds can exacerbate and spread fires.

B. The local geological and topographical conditions of the City of Milpitas can affect the response time of emergency service providers. The San Francisco Bay area region is densely populated and located in an area of high seismic activities. In particular, the City of Milpitas is located near the San Andreas Fault zone, which is capable of producing major earthquakes. Should a significant seismic event occur, hazardous materials and gases may be leaked and expose members of the public to significant health risks. Severe seismic events could disrupt communications, damage gas mains, and cause extensive electrical hazards that may exacerbate the size and number of emergencies, and consequently hinder the Fire Department's ability to respond to emergencies effectively and in a timely manner.

NOW, THEREFORE, the City Council of the City of Milpitas does ordain as follows:

SECTION 1. RECORD AND BASIS FOR ACTION

The City Council has duly considered the full record before it, which may include but is not limited to such things as the City staff report, testimony by staff and the public, and other materials and evidence submitted or provided to the City Council. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.

The City Council finds that the above-listed findings correspond with the following amendments to the 2019 California Fire Code:

Amendment	Finding(s)
101.1	Administrative
102.3	Administrative
102.4	Administrative
102.5	Administrative
103.2	Administrative
104.10	Administrative
105.1	Administrative
105.2	Administrative
105.4.2.2	Administrative
105.6-105.6.62	Administrative
105.7-105.7.26	Administrative
106.2	Administrative
107.1-107.7	Administrative

109.1-109.3	Administrative
110.1.1-110.1.8	Administrative
202	Findings A & B
311.5	Finding A
315.8-315.8.10	Finding A
316.7	Finding A
321-321.3.13	Finding A
503-503.1	Finding A
503.2.1	Finding A
503.7	Finding A
504.3.1	Finding A
504.5	Finding A
504.6	Finding A
505.3	Finding A
507.5.1.1	Finding A
507.5.7	Finding A
508.1-508.1.2	Finding A
508.1.6	Finding A
510.1	Finding B
510.1.1	Finding B
510.2	Finding B
510.3-510.3.1	Finding B
510.4	Finding B
510.4.1.1-510.4.1.2	Finding B
510.4.2.5-510.4.2.5.1	Finding B
605.18	Findings A & B
606.1.1	Findings A & B
903.1.2	Findings A & B
903.2	Findings A & B
903.3.1.1	Findings A & B
903.3.1.4	Findings A & B
903.3.5.3-903.3.5.7	Findings A & B
907.2.9.1	Findings A & B
913.7	Findings A & B
914.2.1	Findings A & B
914.3.1	Findings A & B
914.3.9-914.3.10	Findings A & B
914.4.1	Findings A & B
914.6.1	Findings A & B
914.12	Findings A & B
916.8	Findings A & B
1103.2	Findings A & B
1206.2.1	Administrative
1206.2.11.3	Findings A & B
1206.2.11.5	Findings A & B
1206.2.12.1-1206.2.12.2	Findings A & B
1206.2.12.5	Findings A & B
1206.2.12.6	Findings A & B
2807.6	Findings A & B
2808.11	Findings A & B

3103.2	Findings A & B
3304.8	Findings A & B
3311.1-3311.1.1	Findings A & B
5001.2.2.2	Finding B
5001.5.1-5001.5.1.1	Finding B
5003.1.3.1	Finding B
5003.1.5	Finding B
5003.1.6	Finding B
5003.2.2.1-5003.2.2.2	Finding B
5003.3.1	Finding B
5003.5.2-5003.5.3	Finding B
5003.9.8	Finding B
5003.9.11	Finding B
5003.10.4.3	Finding B
5004.2.1	Findings A & B
5004.2.2	Findings A & B
5004.2.2.2	Findings A & B
5004.2.2.5	Findings A & B
5004.2.3	Findings A & B
5005.4.4	Findings A & B
5303.5.3	Finding B
5601.1.3	Findings A & B
5704.2.7.5.8-5704.2.7.5.9	Finding B
5707	Finding B
5707	Finding B
5707.3.3	Finding B
5707.3-5707.4	Finding B
5707.5.5	Finding B
5707.6.4-5707.6.7	Finding B
5809.3.4	Finding B
6004-6004.1.1.14	Finding B
6004.2-6004.2.2.104	Finding B
6004.3-6004.3.3	Finding B
6405.3.1	Finding B
D103.1	Finding A
D104.1-D104.2	Finding A
D105.2	Finding A
D106.1	Findings A & B
D106.2	Findings A & B
D107.1	Findings A & B
H103, Appendix H	Finding B
H3, Appendix H	Finding B

SECTION 2. CALIFORNIA ENVIRONMENTAL QUALITY ACT

The City Council hereby finds and determines that this Ordinance has been assessed in accordance with the California Environmental Quality Act (Cal. Pub. Res. Code, § 21000 et seq.) (“CEQA”) and the State CEQA Guidelines (14 Cal. Code Regs. § 15000 et seq.) and is categorically exempt from CEQA under CEQA Guidelines, § 15061(b)(3), which exempts from CEQA any project where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. Adoption of the proposed Ordinance would not be an activity with potential to cause significant effect on the environment because the changes made to the California Building Standard Code within are enacted to mitigate the threats posed to public peace, health and safety from earthquakes, high winds and fire, and therefore is exempt from CEQA. Therefore, it can be seen with certainty that there is no possibility that the Ordinance in c

may have a significant effect on the environment; accordingly, the Ordinance is categorically exempt from CEQA.

SECTION 3. AMENDMENT OF MILPITAS MUNICIPAL CODE TITLE V, CHAPTER 300

Chapter 300 of Title V of the Milpitas Municipal Code is hereby repealed in its entirety and replaced with the text below to read as follows:

Chapter 300

FIRE CODE

Sections:

V-300-1 Adoption of the California Fire Code, ~~2016~~2019 Edition

V-300-2 Amendments to the ~~2016~~2019 California Fire Code

Section 1 Adoption of the California Fire Code, ~~2016~~2019 Edition

V-300-1.01

An Ordinance of the City of Milpitas adopting the ~~2016~~2019 edition of the *California Fire Code*, regulating and governing the safeguarding of life and property from fire and explosion hazards arising from the storage, handling and use of hazardous substances, materials and devices, and from conditions hazardous to life or property in the occupancy of buildings and premises in the ~~city~~City of Milpitas providing for the issuance of permits and collection of fees. That a certain document, except as herein amended, one (1) copy of which is on file in the office of the City Clerk, known as the California Fire Code, including ~~Appendix Chapters~~Chapter 1, and ~~Appendices~~ Chapter 4, B, BB, C, CC, D, ~~H~~ and K ~~with California State amendments~~ as published by the International Code Council ~~being particularly, based on the 2016 edition~~International Fire Code, 2018 Edition, is hereby adopted by reference as the Fire Code for the City of Milpitas in the State of California regulating and governing the safeguarding of life and property from fire and explosion hazards arising from the storage, handling and use of hazardous substances, materials and devices, and from conditions hazardous to life or property in the occupancy of buildings and premises as herein provided; providing for the issuance of permits and collection of fees therefore; and each and all of the regulations, provisions penalties, conditions and terms of said Fire Code on file in the office of the City Clerk are hereby referred to, adopted, and made a part hereof, as if fully set out in this Ordinance, with the additions, insertions, deletions and changes, if any, prescribed in Section 2 of this Ordinance.

Section 2 Amendments to the ~~2016~~2019 California Fire Code

V-300-2.01

Chapter 1, Scope and Administration, ~~International of the California~~ Fire Code, ~~2015~~2019 Edition, ~~with California State amendments~~ is hereby adopted and amended as follows:

V-300-2.02

Section 101.1 of the ~~International~~California Fire Code, ~~2015~~2019 Edition, is amended to read in its entirety as follows:

101.1 Title. These regulations shall be known as the Fire Code of the City of Milpitas, herein referred to as ‘this ~~code~~Code.’

V-300-2.03

Section 102.3 of the California Fire Code, ~~2016~~2019 Edition, is amended to read in its entirety as follows:

102.3 Changes in use or occupancy. No change shall be made in the use or occupancy of any structure that would place the structure in a different division of the same group or occupancy or in a different group of occupancies, unless such structure is made to comply with the requirements of this ~~code~~Code and the City of Milpitas ~~building codes~~Building Codes adopted under ~~Title II of the~~ Milpitas, ~~California, Code of Ordinances, Title II~~ Municipal Code. Subject to the approval of the fire code official, the use or occupancy of an existing structure shall be allowed to be changed and the structure is allowed to be occupied for purposes in other groups without conforming to all of the requirements of

this ~~codeCode~~ and the City of Milpitas Building Codes for those groups, provided the new or proposed use is less hazardous, based on life and fire risk, than the existing use.

V-300-2.04

Section 102.4 of the California Fire Code, ~~2016~~2019 Edition, is amended to read in its entirety as follows:

102.4 Application of ~~building-code~~Building Code. The design and construction of new structures shall comply with the City of Milpitas Building Codes adopted under Title II of the Milpitas, ~~California, Municipal Code of Ordinances, Title II~~, and any alterations, additions, changes in use or changes in structures required by this ~~codeCode~~, which are within the scope of the City of Milpitas Building Codes, shall be made in accordance therewith.

V-300-2.05

Section 102.5 of the California Fire Code, ~~2016~~2019 Edition, is amended to read in its entirety as follows:

102.5 Application of ~~residential-code~~Residential Code. Where structures are designed and constructed in accordance with the City of Milpitas Building Codes adopted under Title II of the Milpitas, ~~California, Municipal Code of Ordinances, Title II~~, the provisions of this ~~codeCode~~ shall apply as follows:

1. Construction and design provisions: Provisions of this ~~codeCode~~ pertaining to the exterior of the structure shall apply, including, but not limited to premises identification, fire apparatus access and water supplies. Where interior or exterior systems or devise are installed, construction permits required by Section 105.7 of this ~~codeCode~~ shall also apply.
2. Administrative, operational and maintenance provisions: All such provision of this ~~codeCode~~ shall apply.

V-300-2.06

Section 103.2 of the ~~International~~California Fire Code, ~~2015~~2019 Edition, is deleted in its entirety.

V-300-2.07

Section 104.10 of the California Fire Code, ~~2016~~2019 Edition, is amended to read in its entirety as follows:

104.10 Fire Investigations. The fire code official, the fire department or other responsible authority shall have the authority to investigate the cause, origin and circumstances of any fire, explosion or other hazardous condition. Information that could be related to trade secrets or processes shall not be made part of the public record except as directed by a court of law.

The fire code official and authorized members of the fire department shall have the powers of a peace officer pursuant to Penal Code Section 830.37. Other members of the fire department, as designated by the Fire Chief, may issue citations for violations of fire-related laws and ordinances pursuant to Penal Code Section 836.5.

V-300-2.08

Section 105.1 of the California Fire Code ~~2016, 2019~~ Edition, is amended to read in its entirety as follows:

105.1 General. Permits shall be in accordance with Sections 105.1.1 through 105.7.~~2026~~.

V-300-2.09

Section 105.~~1.4 is hereby added to 2 of~~ the California Fire Code, ~~2016 Edition, to read as follows:~~

~~**105.1.4 Permits required.** The fee for each permit shall be as set forth by resolution of the City of Milpitas City Council. The City Council may establish fees sufficient to recover its costs in administering this code and no permit shall be issued until such fees have been paid. For work not disclosed in the fee schedule set by Council, the fire code official has the right to assess the necessary fees to recover the Fire Department's cost.~~

~~**Operational Permits.** All fees for annual operational fire permits under the provision of Section 105.6 of this Chapter shall be due and payable at the time of commencement of occupancy and said permit shall expire by December 31 of the~~

~~same year. Fees for the renewal of such permit(s) shall be due and payable upon the expiration of the prior permit. No permit fee hereunder shall be refundable by reason of the cessation of occupancy during the permit period. Every annual permit fee that is not paid within a period of thirty (30) days from the time the same become due is hereby declared to be delinquent, and a penalty of 100% shall be added to said fee.~~

2019

~~V-300-2.10~~

~~—Section 105.2 of the California Fire Code, 2016~~ Edition, is amended to read in its entirety as follows:

105.2 Application. Applications for a permit required by this ~~code~~Code shall be made to the fire code official in such form and detail as prescribed by the fire code official. Applications for permits shall be accompanied by such plans as prescribed by the fire code official. Said application shall be accompanied by a fee in the amount set by Section ~~105.1.4~~106.2 of this Code.

~~V-300-2.110~~

Section 105.4.2.2 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

105.4.2.2 Electronic documents. The fire code official may require electronic base documents for all construction documents ~~and~~, operational permits, and/or modified drawings for the need of Fire Department inspections and/or operations. The fire code official shall designate the software base format for the electronic documents.

~~V-300-2.12~~

V-300-2.11

Section 105.6 of the California Fire Code ~~2016, 2019~~ Edition, is amended to read in its entirety as follows:

105.6 Required operational permits. The fire code official is authorized to issue operational permits for the operations set forth in Sections 105.6.1 through 105.6.~~5462~~.

V-300-2.12

~~V-300-2.13~~

Table 105.6.~~98~~ of the California Fire Code, ~~2016~~2019 Edition, is amended to read in its entirety as follows:

TABLE 105.6.~~98~~
PERMIT AMOUNTS FOR COMPRESSED GASES¹

TYPE OF GAS	AMOUNT (cubic feet) ²
	X 0.0283 for m ³
Corrosive	200
Flammable (except cryogenic and liquefied petroleum gases)	200
Highly toxic	Any amount
Inert and simple asphyxiant ³	200
Irritant	200
Moderately toxic	20
Other health hazards	200
Oxidizing (including oxygen)	200
Pyrophoric	Any amount
Radioactive	Any amount
Sensitizer	200
Toxic	Any Amount
Unstable (reactive)	Any amount

For SI: 1 cubic foot = 0.02832m³.

- 1 Refer to Chapters 27, 30, 32, 35, 37, 40 and 41 for additional requirements and exceptions.
- 2 Cubic feet measured at normal temperature and pressure.
- 3 For Carbon dioxide systems used in beverages dispensing see Section 105.6.4.

V-300-2.1413

Table 105.6.1410 of the California Fire Code, 20162019 Edition, is amended to read in its entirety as follows:

**TABLE 105.6.1410
PERMIT AMOUNTS FOR CRYOGENIC FLUIDS**

TYPE OF CRYOGENIC FLUID	INSIDE BUILDING (gallons)	OUTSIDE BUILDING (gallons)
Flammable	More than 1	55
Inert	55	55
Oxidizing (includes oxygen)	10	50
Physical or health hazard not indicated above	Any Amount	Any Amount

For SI: 1 gallon = 3.785 L

V-300-2.1514

Section 105.6.1716, subsections (3.), (10.) and (11.) of the InternationalCalifornia Fire Code, 20152019 Edition, are amended to read as follows:

3. To store, handle or use Class II or Class IIIA liquids in excess of 25 gallons (95L) in a building or in excess of 55 gallons (227 L) outside a building, except for fuel oil used in connection with oil-burning equipment.
10. To engage in the dispensing of liquid fuels into the fuel tanks of motor vehicles at commercial, industrial, governmental or manufacturing establishments in accordance with Section 5706.5.4 or to engage in on-demand mobile fueling operations in accordance with Section 5707.
11. To utilize a site for the dispensing of liquid fuels from tank vehicle into the fuel tanks of motor vehicles, marine craft and other special equipment at commercial, industrial, governmental or manufacturing establishments in accordance with Section 5706.5.4 or to utilize a site for on-demand mobile fueling operations in accordance with Section 5707.

V-300-2.1615

Table 105.6.2420 of the California Fire Code, 20162019 Edition, is amended to read in its entirety as follows:

**TABLE 105.6.2420
PERMIT AMOUNTS FOR HAZARDOUS MATERIALS¹**

TYPE OF MATERIAL	AMOUNT
Carcinogens	10 pounds
Combustible liquids	
Inside	25 gallons
Outside	55 gallons
Corrosive materials:	
Gases	See Table 105.6.8
Liquids	55 gallons
Solids	500 pounds
Cryogenics	See Table 105.6.10
Explosive materials	Any Amount
Flammable materials:	
Gases	See Table 105.6.8
Liquids	See Section 105.6.16
Solids	10 pounds
Highly toxic materials:	
Gases	Any amount
Liquids	Any amount
Solids	Any amount

TYPE OF MATERIAL	AMOUNT
Moderately toxic gas	20 cubic feet
Organic peroxides: Liquids: Class I-II Liquids: Class III Liquids: Class IV Liquids: Class V Solids: Class I-II Solids: Class III Solids: Class IV Solids: Class V	Any Amount 1 gallon 2 gallons No Permit Required Any Amount 10 pounds 20 pounds No Permit Required
Oxidizing materials: Gases Liquids: Class 4 Liquids: Class 3 Liquids: Class 2 Liquids: Class 1 Solids: Class 4 Solids: Class 3 Solids: Class 2 Solids: Class 1	See Table 105.6.8 Any amount 1 gallon 10 gallons 55 gallons Any amount 10 pounds 100 pounds 500 pounds
Other health hazards: Liquids Solids	55 gallons 500 pounds
Pyrophoric materials: Gases Liquids Solids	Any amount Any amount Any amount
Radioactive materials: Gases Liquids Solids	Any Amount See Section 105.6.48 See Section 105.6.48
Toxic materials: Gases Liquids Solids	See Table 105.6.8 Any amount 10 gallons 100 pounds
Unstable (reactive) materials: Liquids Class 4 & 3 Class 2 Class 1 Solids Class 4 & 3 Class 2 Class 1	Any Amount 5 gallons 10 gallons Any Amount 50 pounds 100 pounds
Water-reactive materials: Liquids Class 3 Class 2 Class 1 Solids Class 3 Class 2 Class 1	Any amount 5 gallons 55 gallons Any Amount 50 pounds 500 pounds

For SI: 1 gallon = 3.785 L, 1 pound = 0.454kg.

V-300-2.1716

Section 105.6.4547 of the California Fire Code, 20162019 Edition, is amended to read in its entirety as follows:

105.6.4547 Temporary membrane structures, tents and canopies. An operational permit is required to operate an air-supported temporary membrane structure or a tent having an area in excess of 200 square feet (19 m²), or a canopy in excess of 400 square feet (37 m²). Smaller tents or canopies set side by side are considered as one, unless separated from each other by 10 feet on all sides.

Exceptions:

1. Tents used exclusively for recreational camping purposes.

V-300-2.1817

Section 105.6.5052 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

105.6.5052 Radioactive Materials. To store or handle at any installation more than one microcurie (37,000 becquerel) of radioactive material not contained in a sealed source or more than 1 millicurie (37,000,000 becquerel) of radioactive material in a sealed source or sources, or any amount of radioactive material for which a specific license(s) from the Nuclear Regulatory Commission is required.

V-300-2.1918

Section 105.6.5153 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

105.6.5153 Day care facility. An operational permit is required to operate a large family day care home facility, a Group E day care facility or a Group I-4 day care facility.

V-300-2.2019

Section 105.6.5254 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

105.6.5254 Emergency responders radio coverage system. An operational permit is required to operate an emergency responders radio coverage system in accordance with Section 510.

V-300-2.2120

Section 105.6.5355 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

105.6.5355 Woodworking. An operational permit is required to conduct woodworking operations involving mass production or involving more than one of each type of machine, or where machines are used continuously (as opposed to intermittently) or substantial products of sawdust may be a problem.

V-300-2.2221

Section 105.6.5456 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

105.6.54 — ~~Outdoors sales.~~56 Private school. An operational permit is required to operate a private school Group E or a heritage school (CA Education Code Section 33195.4).

V-300-2.22

Section 105.6.57 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.6.57 Additive manufacturing. An operational permit is required to conduct ~~outdoors sales for commercial establishments~~ additive manufacturing operations as covered in Section 321.3.

V-300-2.23

Section 105.6.58 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.6.58 **Battery systems.** An operational permit is required to operate stationary storage battery systems regulated by Section 1206.2.

V-300-2.24

Section 105.6.59 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.6.59 **Lithium batteries.** An operational permit is required to handle or store more than 1,000 pounds (454 kg) of lithium batteries not otherwise covered by Section 105.6.58.

V-300-2.25

Section 105.6.60 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.6.60 **B Occupancy restaurants.** An operational permit is required to operate a B Occupancy restaurant.

V-300-2.26

Section 105.6.61 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.6.61 **Water base fire protection systems.** An operational permit is required to conduct inspections, testing and maintenance of a water base fire protection system in conformance with the CA Code of Regulations, Title 19, Division 1, Chapter 5.

V-300-2.27

Section 105.6.62 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

105.6.62 **On-demand mobile fueling operations.** An operational permit is required to conduct on-demand mobile fueling operations. An independent permit is required for the site and the vendor/mobile fuel operator.

V-300-2.28

Section 105.7 of the California Fire Code, ~~2016~~2019 Edition, is amended to read in its entirety as follows:

105.7 Required construction permits. The fire code official is authorized to issue construction permits for work as set forth in Sections 105.7.1 through 105.7.~~2026~~.

V-300-2.242.29

Section 105.7.~~485~~ of the California Fire Code, 2019 Edition, is amended to read as follows:

105.7.5 **Cryogenic fluids.** A construction permit is required for the installation of or alteration to stationary cryogenic fluid storage systems where the system capacity exceeds the amounts listed in Table 105.6.10. Maintenance performed in accordance with this Code is not considered to be an alteration and does not require a construction permit.

V-300-2.30

~~2046~~ Section 105.7.25 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

105.7.~~1825~~ Temporary membrane structures, tents and canopies. A construction permit is required to erect an air-supported temporary membrane structure or a tent having an area in excess of 200 square feet (19 m²), or a canopy in excess of 400 square feet (37 m²). Smaller tents or canopies set side by side are considered as one, unless separated from each other by 10 feet on all sides.

Exceptions:

1. Tents used exclusively for recreational camping purposes

V-300-2.2531

Section 105.7.~~4926~~ is hereby added to the California Fire Code, ~~2046~~2019 Edition, to read as follows:

~~105.7.19~~ ~~Cryogenic Fluids.~~ Except where federal or state regulations apply and except for fuel systems of the vehicle, to produce, store or handle cryogenics in excess of the amounts listed in Table 105.6.10, to install a cryogenic vessel or piping system for the storage or distribution of cryogenics 105.7.2626

~~Section 105.7.20 is hereby added to the California Fire Code, 2016 Edition, to read as follows:~~

~~105.7.20~~ **Other building permits.** The Building Department shall transmit to the Fire Department a copy of each plan submitted for construction, alteration, or change of use or occupancy for all occupancy classifications for review and approval for conformance to the fire code of the City of Milpitas. The fee for each permit shall be as set by Section ~~105.1.4106.2~~ of this Code.

V-300-2.32

~~V-300-2.27~~

~~Section 106.12 of the International California Fire Code, 20152019 Edition, is amended to read in its entirety as follows:~~

106.2 Schedule of permit fees. The fee for each permit shall be as set forth by resolution of the City of Milpitas City Council. The City Council may establish fees sufficient to recover its costs in administering this Code and no permit shall be issued until such fees have been paid. For work not disclosed in the fee schedule set by Council, the fire code official has the right to assess the necessary fees to recover the Fire Department's cost.

Operational Permits. All fees for annual operational fire permits under the provision of Section 105.6 of this Chapter shall be due and payable at the time of commencement of occupancy and said permit shall expire by December 31 of the same year. Fees for the renewal of such permit(s) shall be due and payable upon the expiration of the prior permit. No permit fee hereunder shall be refundable by reason of the cessation of occupancy during the permit period. Every annual permit fee that is not paid within a period of thirty (30) days from the time the same become due is hereby declared to be delinquent, and a penalty of 100% shall be added to say fee.

V-300-2.33

~~Section 107.1 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:~~

107.1 Inspection Authority~~authority.~~ The fire code official is authorized to inspect, as often as necessary, buildings and premises, including such other hazards or appliances designated by the fire code official for the purposes of ascertaining and causing to be corrected any conditions which would reasonably tend to cause fire or contribute to its spread, result in an unauthorized discharge of hazardous materials, or any violation of this ~~codeCode~~ or any other law or standard affecting fire and life safety. The fee for each inspection shall be as set forth by resolution of the City Council. The City may establish fees sufficient to recover its costs in administering this Chapter.

V-300-2.2834

Section 106107.5 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

106107.5 Documents. Any person or party who prevents or attempts to prevent any fire code official from examining any relevant books or records in the conduct of his or her official duties under this ~~codeCode~~ shall be in violation of this ~~codeCode~~.

V-300-2.2935

Section 106107.6 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

106107.6 Evidence. Any person or party who prevents or interferes with the preservation of evidence of any violation of any of the provisions of this ~~codeCode~~ or of the rules and regulations promulgated pursuant to this ~~codeCode~~ or any other Federal, State, or local law, rule, or regulation shall be in violation of this ~~codeCode~~.

V-300-2.36

~~V-300-2.30~~

Section ~~106107~~.7 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

~~106107~~.7 **Interference.** Any person or party who willfully prevents, interferes with, or attempts to hinder in any way the work of the fire code official in the lawful enforcement of any provision of this ~~codeCode~~, or fails to promptly permit entry for the purpose of inspection and examination pursuant to this ~~codeCode~~ shall be in violation of this ~~codeCode~~.

~~V-300-2.3137~~

Section ~~108109~~.1 of the ~~InternationalCalifornia~~ Fire Code, ~~2015~~2019 Edition, is amended to read in its entirety as follows:

~~108109~~.1 **Appeals.** Whenever the Fire Chief or his or her designee disapproves an application or refuses to grant a permit applied for, or when it is claimed that the provisions of this Code do not apply or that the true intent and meaning of this Code have been misconstrued or wrongly interpreted, the applicant may appeal from the decision of the Fire Chief to the City ~~ManagerCouncil~~ or designee within ten (10) calendar days from the date of the decision appealed. Appeals shall be carried out pursuant to the provisions of Section 5 Appeals to Council of ~~theChapter 20~~ Standard Procedures ~~Chapter of Title I~~ of the Milpitas Municipal Code. An appeal shall stay all proceedings in furtherance of the act or decision appealed unless the Fire Chief or his or her designee whose act is appealed shall certify in writing that a stay would, in his or her opinion, cause peril to life or property. Said certificate shall contain a detailed statement of the facts of which said peril arises and of the reasons for said opinion. The decision of the City ~~ManagerCouncil~~ or designee shall be final.

~~V-300-2.38~~

~~V-300-2.32~~

Section ~~108109~~.2 of the ~~InternationalCalifornia~~ Fire Code, ~~2015~~2019 Edition, is amended to read in its entirety as follows:

~~108109~~.2 **Limitations on authority.** An application for appeal shall be based on a claim that the intent of this ~~codeCode~~ or the rules legally adopted hereunder have been incorrectly interpreted, the provisions of this ~~codeCode~~ do not fully apply, or an equivalent method of protection or safety is proposed.

~~V-300-2.39~~

~~V-300-2.33~~

Section ~~108109~~.3 of the ~~InternationalCalifornia~~ Fire Code, ~~2015~~2019 Edition, is deleted in its entirety.

~~108109~~.3 **Qualifications.** This section is deleted.

~~V-300-2.40~~

~~V-300-2.34~~

Section ~~109110~~.1.1 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

~~109110~~.1.1 **~~Abatement Of Fire And Life Safety Hazards By Fire Code Official~~of fire and life safety hazards by fire code official.** If any person fails to comply with the orders of the fire code official, or if the fire code official is unable to locate the owner, operator, occupant or other person responsible within a reasonable time, the fire code official or any authorized representative may take such steps as are necessary to abate the hazard for the protection of the public safety. In no event is notice necessary before abatement, when the hazard is a clear and present danger to the public welfare. All costs related to such abatement shall become a lien or special assessment on the subject property.

~~V-300-2.3541~~

Section ~~109110~~.1.2 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

~~109110~~.1.2 **~~Criminal Or Civil Penalty For Violation; Payment Of Funds To Account~~or civil penalty for violation; payment of funds to account.** Pursuant to the City's prosecutorial discretion, the City may enforce violations of the provisions of this ~~codeCode~~ in any manner authorized by this section or by any other law, including but not limited to

issuance of criminal citations, referral to the District Attorney, referral to the City Attorney, referral to other appropriate agencies, administrative actions and civil actions.

V-300-2.42

~~V-300-2.36~~

Section ~~109110~~.1.3 hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

~~109110.1.3~~ Misdemeanors – ~~Continuing Violations~~continuing violations. Any person who violates any of the provisions of this ~~codeCode~~, any of the provisions of any written authority of the City Manager or his or her duly authorized agents and representatives or any provision of any permit issued pursuant to this ~~codeCode~~ shall be guilty of an infraction/misdemeanor. Each and every day, or any part thereof, during which any such violation is committed, continued or allowed shall be a separate offense. Penalties for violations shall be as set forth by resolution of the City Council.

~~V-300-2.37~~43

Section ~~109110~~.1.4 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

~~109110.1.4~~ Prosecution. Every violation of this ~~codeCode~~ shall be a misdemeanor; provided, however, that where the City Attorney or his or her duly authorized agents has determined that such action would be in the best interest of justice, the City Attorney may specify in the accusatory pleading, citation or amendment thereto that the violation shall be prosecuted as an infraction.

V-300-2.44

~~V-300-2.38~~

Section ~~109110~~.1.5 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

~~109110.1.5~~ Penalty ~~For Infraction~~for infraction. Each and every violation of this ~~codeCode~~, which is deemed an infraction, is punishable by:

- (1) A fine not exceeding one hundred dollars (\$100.00) for the first violation;
- (2) A fine not exceeding two hundred dollars (\$200.00) for the second violation of the same ~~or similar~~ provision within one-year period; or,
- (3) A fine not exceeding five hundred dollars (\$500.00) for each additional violation, after the second, of the same ~~or similar~~ provision of this Chapter within a one-year period of the first violation.

~~V-300-2.39~~

V-300-2.45

Section ~~109110~~.1.6 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

~~109110.1.6~~ Penalty ~~For Misdemeanor~~for misdemeanor. Each and every violation of this ~~codeCode~~, which is deemed a misdemeanor, is punishable by a penalty of not more than one thousand dollars (\$1,000.00) or by imprisonment in the City or County jail for a period not exceeding six (6) months, or, by both penalty and imprisonment.

~~V-300-2.40~~

V-300-2.46

Section ~~109110~~.1.7 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

~~109110.1.7~~ Enforcement ~~Authority~~authority. The following designated employee positions may enforce the provisions of this ~~codeCode~~ by issuance of citations. Peace officers and persons employed in such positions are authorized to exercise the authority provided in Penal Code Section 836.5 and are authorized to issue citations for violations of this ~~codeCode~~. The designated employee positions are: the City Manager or his or her duly authorized agents and representatives.

~~V-300-2.41~~47

Section ~~109110~~.1.8 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

~~109110~~.1.8 Civil ~~Penalties~~penalties. Any person who intentionally, accidentally or negligently violates any provision of this ~~code~~Code, any written authority of the City Manager or his or her duly authorized agents and representatives, or any provision of any permit issued pursuant to this ~~code~~Code may be civilly liable to the City in the sum of not less than one hundred dollars (\$100.00) but not to exceed one thousand dollars (\$1,000.00) per day for each day in which such violation occurs or continues. The City may petition the municipal or superior court to impose, assess, and recover such sums. The civil penalty provided in this Section excludes inspection costs and abatement costs, is cumulative and not exclusive, and shall be in addition to all other remedies available to the City under state and federal law and local ordinances. Funds collected pursuant to this Section shall be paid to ~~the~~ City's Fire ~~Code Training~~Prevention account, which shall be a holding account to be used solely for Fire ~~code~~Code enforcement, fire prevention and hazardous materials training, and for the purchase of equipment as needed for the performance of the fire code official duties.

~~V-300-2.42~~

V-300-2.48

Section 202 of the California Fire Code, ~~2016~~2019 Edition, is amended by adding the following definitions:

CARCINOGEN is a substance that causes the development of cancerous growths in living tissue. A chemical is considered a carcinogen if:

1. It has been evaluated by the International Agency for Research on Cancer and found to be a carcinogen or potential carcinogen, ~~or~~
2. It is listed as a carcinogen or potential carcinogen in the latest edition of the Annual Report on Carcinogens published by the National Toxicology program, or
3. It is regulated by OSHA as a carcinogen.

~~—CONTINUOUS GAS DETECTION SYSTEM. A gas detection system where the analytical instrument is maintained in continuous operation and sampling is performed without interruption. Analysis is allowed to be performed on a cyclical basis at intervals not to exceed 30 minutes. In occupied areas where air is re-circulated and not exhausted to a treatment system (e.g. breathing zone), the fire code official may require a cyclical basis at intervals not to exceed 5 minutes. The gas detection system shall be able to detect the presence of a gas at or below the permissible exposure limit in occupiable areas and at or below ½ IDLH (or 0.05 LC 50 if no established IDLH) in unoccupiable areas.~~

CORROSIVE LIQUID. Corrosive liquid is:

1. any liquid which, when in contact with living tissue, will cause destruction or irreversible alteration of such tissue by chemical action; ~~or~~
2. any liquid having a -pH of 2 or less or 12.5 or more; ~~or~~
3. any liquid classified as corrosive by the U.S. Department of Transportation; or
4. any material exhibiting the characteristics of corrosivity in accordance with Title 22, California Code of Regulations §66261.22.

DEVICE is an appliance or piece of equipment that plays an active part in the proper functioning of the regulated systems. Examples include, but are not limited to the following: smoke detectors, heat detectors, flame detectors, manual pull stations, horns, alarms, bells, warning lights, hydrants, risers, FDCs, standpipes, strobes, control panels, transponders, and other such equipment used to detect, transmit, initiate, annunciate, alarm, or respond according to the system design criteria.

MAXIMUM THRESHOLD QUANTITY (MAX TQ). Maximum Threshold Quantity (Max TQ) is the maximum quantity of a moderately toxic or toxic gas, which may be stored in a single vessel before a more stringent category of regulation is applied.

MINIMUM THRESHOLD QUANTITY. Minimum threshold quantity is the aggregate quantity of highly toxic, toxic or moderately toxic gas in a control area which, due to the minimum aggregate quantities, need only comply with the requirements set forth in Section 6004.1.

MODERATELY TOXIC GAS. A chemical or substance that has a median lethal concentration (LC50) in air more than 2000 parts per million but not more than 5000 parts per million by volume of gas or vapor, when administered by continuous inhalation for an hour, or less if death occurs within one hour, to albino rats weighing between 200 and 300 grams each.

OTHER HEALTH HAZARD MATERIAL is a ~~hazardous material which is an irritant, sensitizer, or carcinogen or a~~ material which affects target organs of the body, including but not limited to, those materials which produce liver damage, kidney damage, damage to the nervous system, act on the blood to decrease hemoglobin function, deprive the body tissue of oxygen or affect reproductive capabilities, including mutations (chromosomal damage) or teratogens (effect on fetuses).

SECONDARY CONTAINMENT. Secondary containment is that level of containment that is external to and separate from primary containment and is capable of safely and securely containing the material, without discharge, for a period of time reasonably necessary to ensure detection and remedy of the primary containment failure.

SENSITIZER is a chemical that causes a substantial proportion of exposed people or animals to develop an allergic reaction in normal tissue after repeated exposure to the chemical.

SPILL CONTROL. That level of containment that is external to and separate from the primary containment and is capable of safely and securely containing the contents of the largest container and prevents the materials from spreading to other parts of the room.

TEMPORARY shall not exceed one year.

WORKSTATION is a defined space or independent principal piece of equipment using hazardous materials with a hazard rating of 3 or ~~higher as ranked by~~ 4 in accordance with NFPA 704 where a specific function, laboratory procedure or research activity occurs. Approved or listed hazardous materials storage cabinets, flammable liquid storage cabinets or gas cabinets serving a workstation are included as part of the workstation. A workstation is allowed to contain ventilation equipment, fire protection devices, electrical devices, and other processing and scientific equipment.

V-300-2.4349

Chapter 3, General Requirements, of the ~~International California~~ Fire Code, 20152019 Edition, ~~with California State amendments~~ is hereby adopted and amended as follows:

~~V-300-2.44~~

V-300-2.50

Section ~~3.11311~~.5 of the ~~International California~~ Fire Code, 20152019 Edition, is hereby amended as follows:

The following sections are deleted:

Section 311.5 Placards.

Section 311.5.1 Placard Location.

Section 311.5.2 Placard Size And Color.

Section 311.5.3 Placard Date.

Section 311.5.4 Placard Symbols.

Section 311.5.5 Informational Use.

V-300-2.4551

Sections 315.8 to 315.8.10 are hereby added to the California Fire Code, 2019 Edition, as follows:

315.8 Lithium battery storage and handling. The storage and handling of lithium ion and lithium metal batteries or cells in quantities exceeding 1,000 pounds (4086 kg) shall comply with Section 315.8.1 through 315.8.10, and Chapter 32 where applicable.

315.8.1 Permits. Permits shall be required as set forth in Section 105.6.59.

315.8.2 Maximum quantity in a fire area. The aggregate amount of lithium batteries stored and handled in a single fire area shall not exceed 9,000 pounds (4086 kg).

315.8.3 Construction requirements. Fire areas shall be separated from each other by fire barriers having not less than 2-hour fire resistance rating constructed in accordance with Section 707 of the Building Code and horizontal assemblies constructed in accordance with Section 711 of the Building Code.

315.8.4 Number of fire areas. The maximum number of fire areas within a building shall be four.

315.8.5 Group H, Division 2 occupancy. Storage and handling of more than 9,000 pounds of lithium batteries per fire area shall be in an approved Group H, Division 2 occupancy constructed in accordance with the Building Code and provided throughout with approved automatic smoke detection and radiant-energy detection systems.

315.8.6 Automatic sprinkler system. Buildings containing fire areas used for lithium battery storage or handling shall be equipped throughout with an approved automatic sprinkler system in accordance with Section 903.3.1.1. The design of the sprinkler system within each fire area shall not be less than that required for Extra Hazard Group 2 with a minimum design area of 2,500 square feet. Where the storage arrangement is required by other provisions of this code to be provided with a higher level of sprinkler system protection, the higher level of sprinkler system protection shall be provided.

315.8.7 Automatic smoke detection system. An approved automatic smoke detection system that activates an approved occupant notification system shall be provided throughout each fire area in accordance with Section 907.

315.8.8 Radiant energy detection. An approved radiant-energy detection system that activates an approved occupant notification system shall be installed throughout each fire area in accordance with Section 907.

315.8.9 Collection containers. Containers used to collect, or store lithium batteries shall be noncombustible and shall not have an individual capacity exceeding 30 gallons (113.6 L) or be approved for transportation in accordance with the Department of Transportation (DOTn).

315.8.10 Storage configuration. Lithium batteries shall be considered a high-hazard commodity in accordance with Chapter 32 and where applicable, lithium battery storage shall comply with Chapter 32 in addition to Section 315.8.

V-300-2.52

Section 316.7 is hereby added to the California Fire Code, ~~2016~~2019 Edition, ~~to read~~ as follows:

316.7 Roof ~~Guardrails At Interior Courts~~guardrails at interior courts. Roof openings into interior courts that are bounded on all sides by building walls shall be protected with guardrails. The top of the guardrail shall not be less than 42 inches in height above the adjacent roof surface that can be walked on. Intermediate rails shall be designed and spaced such that a 12-inch diameter sphere cannot pass through.

Exception: Where the roof opening is greater than 600 square feet in area.

V-300-2.4653

—Section 503.1 of the — Sections 321 to 321.3.4 are hereby added to the California Fire Code, 2019 Edition, as follows:

SECTION 321 Additive manufacturing.

321.1 General. Additive manufacturing equipment and operations shall comply with Section 321.

321.1.1 Scope. Additive manufacturing shall comply with one of the following:

1. Non-industrial additive manufacturing shall comply with Section 321.2.
2. Industrial additive manufacturing shall comply with Section 321.3.

321.1.2 Installation, operation and maintenance. 3D printers and associated additive manufacturing equipment shall be installed, operated and maintained in accordance with this Code, the listing and the manufacturer's instructions.

321.1.3 Production materials. Only the production materials listed for use with the equipment and included in the manufacturer's instructions shall be used.

321.2 Non-industrial additive manufacturing. Non-industrial additive manufacturing equipment and operations shall comply with Section 321.2.1 through 321.2.4. Additive manufacturing equipment and operations that do not comply with Section 321.2 shall comply with Section 321.3.

321.2.1 Listing. 3D printers used in non-industrial additive manufacturing shall be listed and labeled in accordance with UL 60950-1, UL 62368-1 or UL 2011. The listing shall also verify:

1. The 3D printers are self-contained and utilize maximum 30-liter pre-packaged production materials.
2. The operation of the 3D printers shall not create a hazardous (classified) electrical area outside of the unit.
3. If any hazardous (classified) electrical area or zone exists inside of the unit's outer enclosure, the area shall be protected by intrinsically safe electrical construction or other acceptable protection methods.
4. The 3D printers shall not utilize inert gas or an external combustible dust collection.

321.2.2 Occupancies. Non-industrial additive manufacturing shall be permitted in all occupancy groups.

321.3 Industrial additive manufacturing. Industrial additive manufacturing equipment and operations shall comply with Section 321.3.1 through 321.3.13.

321.3.1 Permits required. Permits shall be obtained from the fire code official in accordance with Section 105.6 prior to engaging in industrial additive manufacturing operations.

321.3.2 Listing. 3D printers used in industrial additive manufacturing shall be listed and labeled in accordance with UL 2011 or approved for the application based on a field evaluation conducted by an approved agency.

321.3.3 Combustible dusts and metals. Industrial additive manufacturing operations that store, use or produce combustible dust, combustible particulate solids or combustible metals shall comply with Chapter 22 and this code.

321.3.4 Powder evaluation. Printing powders used in industrial additive manufacturing operations shall be tested for combustibility in accordance with NFPA 484 or NFPA 652 as applicable. A copy of test reports shall be provided to the fire code official upon request.

V-300-2.201654

Section 503 of the California Fire Code, 2019 Edition is adopted and Section 503.1 of the California Fire Code, 2019 Edition, is amended to read in its entirety as follows:

503.1 Where required. Fire apparatus access roads shall be provided and maintained in accordance with Sections 503.1.1 through 503.67, Appendix D of this ~~code~~Code, and or as directed by the fire code official.

V-300-2.4755

Section 503.2.1 of the California Fire Code, ~~2016~~2019 Edition, is amended to read in its entirety as follows:

503.2.1 Dimensions. Fire apparatus access roads shall have an unobstructed width of not less than 20 feet (6096 mm) or as required by Appendix D, except for approved security gates in accordance with Section 503.6, and an unobstructed vertical clearance of 13 feet 6 inches (4115 mm).

Exception: When there are not more than two Group R, Division 3 or Group U occupancies less than 3 stories, the access road width may be modified by the fire code official.

V-300-2.4856

Section 503.7 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

503.7 Adjacent ~~Aeeess~~access. No source of access from lands adjoining a property to be developed shall be considered fire apparatus access roads, unless there is obtained the irrevocable and unobstructed rights and recorded as an ingress/egress access easement with the Country of Santa Clara.

V-300-2.4957

Section 504.3.1 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

504.3.1 Number of stairways. The fire code official shall determine the required number and location of stairway(s) to the roof.

V-300-2.5058

Section 504.5 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

504.5 Enclosed courts. Buildings with enclosed courts shall be provided with readily accessible access for fire department personnel to bring in a 36 feet long ground ladder into the court. The access height and width shall be large enough to accommodate the ladder and the personnel carrying the ladder.

V-300-2.5159

Section 504.6 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

504.6 Access Control Devices. When access control devices including bars, grates, gates, electric or magnetic locks or similar devices, which would inhibit rapid fire department emergency access to the building, are installed, such devices shall be approved by the fire code official. All access control devices shall be provided with an approved means for deactivation or unlocking by the fire department. Access control devices shall also comply with Chapter 10 Egress.

V-300-2.5260

Section 505.3 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

505.3 Address illumination. All required address numbers shall be provided with illumination.

V-300-2.53—61

Section 507.5.1.1 of the California Fire Code, ~~2016~~2019 Edition, is amended to read in its entirety as follows:

507.5.1.1 Hydrant for automatic fire sprinkler and or standpipe systems. Buildings equipped with an automatic fire sprinkler system and or a standpipe system installed in accordance with Sections 903 and or 905 shall have a fire hydrant within 50 feet of the fire department connections.

Exception: The distance shall be permitted to exceed 50 feet (30 m) where approved by the fire code official.

V-300-2.5462

Section 507.5.7 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

507.5.7 Private hydrants. Private hydrants shall have the bottom 6 inches of the hydrant painted, with a weather resistive paint, white in color.

V-300-2.5563

Section 508.1 of the California Fire Code, ~~2016~~2019 Edition, is amended to read as follows:

508.1 General. Where required by other sections of this ~~code~~Code and in all R-1 buildings with more than 200 rooms, R-2 buildings with more than 100 dwellings, and buildings classified as high-rise buildings by the California Building Code and Group I-2 occupancies having occupied floors located more than 75 feet above the lowest level of fire department vehicle access, a fire command center for fire department operations shall be provided and shall comply with Sections 508.1.1 through 508.1.7.

V-300-2.5664

Section 508.1.2 of the California Fire Code, 2019 Edition, is amended to read as follows:

508.1.2 Separation. The fire command center shall be separated from the remainder of the building by not less than a 2-hour fire barrier constructed in accordance with Section 707 of the California Building Code or horizontal assembly constructed in accordance with Section 711 of the California Building Code, or both.

V-300-2.65

Section 508.1.6 of the California Fire Code, ~~2016~~2019 Edition, is amended by adding the following:

20. A locking key box, approved by the fire code official, large enough for ten (10) sets of master keys.
21. Ten (10) sets of master keys for the building.
22. A complete set of architectural, electrical, mechanical and plumbing plans for the building.

V-300-2.57—66

Section 510.1 of the California Fire Code, ~~2013~~2019 Edition, is amended to read as follows:

510—EMERGENCY RESPONDER RADIO COVERAGE

510.1 Emergency responder radio coverage in new buildings. Approved radio coverage for emergency responders shall be provided within all buildings meeting any one of the following conditions:

1. There are more than 3 stories above grade plane (as defined by the Building Code Section 202);
2. The total building area is 30,000 square feet or more;
3. The total basement area is 5,000 square feet or more;
4. Where required by the fire code official and radio coverage signal strength levels are not consistent with the minimum levels set forth in Section 510.4.1

Exceptions:

1. Where approved by the fire code official, a wired communication system in accordance with Section 907.2.1312.2 shall be permitted to be installed or maintained in lieu of an approved radio coverage system.
2. Where it is determined by the fire code official that the radio coverage system is not needed.
3. In facilities where emergency responder radio coverage is required and such systems, components or equipment required could have a negative impact on the normal operations of that facility, the fire code official shall have the authority to accept an automatically activated emergency responder radio coverage system.
- 4.- Buildings and areas of buildings that have minimum radio coverage signal strength levels of the Silicon Valley Regional Interoperability Authority (SVRIA) P25 Phase 2 700 MHz Digital Trunked Radio System within the building in accordance with Section 510.4.1 without the use of an indoor radio coverage system.

The radio coverage system shall be installed and maintained in accordance with Sections 510.4 through 510.76.4 of this ~~code~~Code and with the applicable provisions of NFPA 1221, Standard for the Installation, Maintenance and Use of Emergency Services Communications Systems.

The coverage shall be based upon the existing coverage levels of the public safety communication systems of the jurisdiction at the exterior of the building. This section shall not require improvement of the existing public safety communication systems.

V-300-2.67

Section 510.1.1 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

510.1.1 Obstruction by new buildings. No obstruction of the public safety system backhaul shall be allowed without an approved mitigating plan.

~~510.2 Emergency responder radio coverage in existing buildings.~~ Existing buildings shall be provided with approved radio coverage for emergency responders as required in Chapter 11.

V-300-2.68

Section 510.2 of the California Fire Code, 2019 Edition, is deleted.

V-300-2.69

Section 510.3 of the California Fire Code, 2019 Edition, is amended to read as follows:

510.3 Permit required. A construction permit for the installation of or modification to emergency responder radio coverage systems and related equipment is required as specified in Section 105.7.56. Maintenance performed in accordance with this ~~code~~Code is not considered a modification and does not require a permit. A frequency change made to an existing system is considered to be new construction and will require a construction permit.

An operational permit may be required by the authority having jurisdiction to maintain an emergency responder radio coverage system.

V-300-2.70

~~Section 510.3.1 SVRIA system registration.~~ Prioris hereby added to issuance of a construction permit, systems must be the California Fire Code, 2019 Edition, to read as follows:

501.3.1 California registered with the SVRIA professional. The plans and proof of registrationspecifications shall be submitted to wet stamped and signed by a California professional engineer or architect per the fire code official upon plan submittal. California Business and Professional Code Sections 5538 and 6745, in addition to a valid California FCC registered licensee.

V-300-2.71

Section 510.4 of the California Fire Code, 2019 Edition, is amended to read as follows:

510.4 Technical requirements. Systems, components, and equipment required to provide emergency responder radio coverage systems shall comply with ~~Section 510.4.1 through 510.4.2.5~~the current Emergency Responders Radio Coverage Systems Standard Details and Specifications enforced by the Milpitas Fire Department.

V-300-2.72

Section 510.4.1.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

510.4.1.1 Minimum signal strength into the building. ~~510.4.1 Radio~~ A minimum inbound signal strength. The building shall be consideredsufficient to have acceptable emergency responder radio provide usable voice communications throughout the coverage when signal strength measurements in 90 percent of all areas on each floor of the building meet the signal strength requirements in Sections 510.4.1.1 and 510.4.1.2.

Exception: Critical areas, such as the fire command center(s), the fire pump room(s), interior exit stairways, exit passageways, elevator lobbies, standpipe cabinets, rescue air filling stations, sprinkler sectional valve locations, and other areas requiredarea as specified by the fire code official,. The inbound signal level shall be provided with 99 percent floor

area radio coverage sufficient to provide not less than a Delivered Audio Quality (DAQ) of 3.0 for analog communications and DAQ of 3.4 for digital communications systems or an equivalent Signal-to-Interference-Plus-Noise Ratio (SINR) applicable to the technology.

~~510.4.1.1 Minimum signal strength into the building.~~ A minimum signal strength of 95 dBm shall be receivable in 90% of the area of each floor within the building when transmitted from the Silicon Valley Regional Interoperability Authority (SVRIA) P25 Phase 2 700 MHz Digital Trunked Radio System.

V-300-2.73

Section 510.4.1.2 of the California Fire Code, 2019 Edition, is amended to read as follows:

510.4.1.2 ~~Maximum~~Minimum signal strength out of the building. A maximum signal strength of 95 dBm shall be received by the Silicon Valley Regional Interoperability Authority (SVRIA) P25 Phase 2 700 MHz Digital Trunked Radio. The minimum outbound signal strength shall be sufficient to provide usable voice communications throughout the coverage area as specified by the fire code official. The outbound signal level shall be sufficient to provide not less than a DAQ of 3.0 for analog communications and DAQ of 3.4 for digital communications systems or an equivalent SINR applicable to the technology.

V-300-2.74

Section 510.4.2.5 of the California Fire Code, 2019 Edition, is amended to read as follows:

501.4.2.5 System monitoring. The emergency responder radio enhancement system shall be monitored as required below:

1. By a listed fire alarm control unit installed with the protected building. Automatic supervisory signals to the fire alarm shall include all the following:
 - 1.1. Loss of normal AC power supply.
 - 1.2. System at battery charger(s) failure.
 - ~~1.1.1.3. Malfunction of the donor site when transmitted from 90% of the area of each floor within the building.~~
 - ~~1.1.1.3. Malfunction of the donor site when transmitted from 90% of the area of each floor within the building.~~
 - 1.4. ~~510.4.1.3 Signal strength differential.~~ The system shall be designed to ensure that there is a minimum 15 dBm difference ~~Malfunction of area antenna(s).~~
 - 1.5. Failure of active RF-emitting device(s).
 - 1.6. Low-battery capacity at 70-percent reduction of operating capacity.
 - 1.7. Failure of critical system components.

~~The communications link between the interior and exterior signal strength.~~

~~510.4.1.4 Delivered audio quality.~~ The radio coverage fire alarm system shall provide a minimum delivered audio quality of level 3.4 (DAQ “3.4”) on each floor of and the building or structure. DAQ 3.4 constitutes audio quality that makes speech understandable with repetition only rarely required with some noise and distortion.

~~510.4.1.5 Building conduit and pathway survivability.~~ All new buildings shall be constructed with not less than a two-inch (2”) conduit having a minimum two-hour fire resistive rating installed between the first floor or the bottom subterranean floor to the roof.

~~Installed riser cable shall be protected by a 2-hour rated enclosure.~~

~~Exception:~~ In existing buildings, riser cable mechanically protected by metal conduit can be routed through a sprinkler-protected, 1-hour rated enclosure, including the door.

~~All feeder cable shall be either protected by an automatic sprinkler system in accordance with NFPA 13 or installed within approved metal raceway.~~

~~All radio cable (riser and feeder) is required to be plenum rated. Cable other than radio cable is allowed to comeingle with the radio cable in the conduit provided it is listed, shielded cable that will not interfere with the radio cable.~~

~~At each floor and the roof, an opening shall be made to allow easy access to the conduit from the ceiling.~~

~~Access in either the form of a drop ceiling or access panel shall be made along hallways and through firewalls.~~

~~All floors of the subterranean parking garages shall have a similar conduit installation and access.~~

~~1.2.1.8.~~ ~~510.4.2~~ ~~System design.~~ The emergency responder radio coverage system shall be designed in accordance with Sections 510.4.2.1 through 510.4.2.5 enhancement system.

~~510.4.2.1 Amplification systems allowed.~~ Buildings and structures that cannot support the required level of radio coverage shall be equipped with a radiating cable system, a distributed antenna system with Federal Communications Commission (FCC) certified, Class A channelized (spectrum agile) public safety grade signal boosters (amplifiers) designed for the frequencies specified by the fire code official, in order to achieve the required adequate radio coverage.

~~510.4.2.2 Technical criteria.~~ The fire code official shall provide the various frequencies required, the location of radio sites, effective radiated power of radio sites, and other supporting technical information upon request by the building owner or owner's representative.

2. ~~510.4.2.2.1~~ System performance shall be continuously monitored by an approved third-party monitoring company capable of monitoring the performance of the ERRC system and initiating an appropriate response if the system begins to operate outside of the established system parameters.

V-300-2.75

Section 510.4.2.5.1 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

501.4.2.5.1 Remote off-switch. The Public Safety radio system, extending from the head-end amplifier to the distributed antennas shall not be combined with other DAS systems installed in the building.

~~510.4.2.2.2~~ A single antenna system is allowed provided the antennas are capable of passively distributing all frequencies between 698MHz and 2.7GHz and the hardware for both Public Safety and wireless carrier frequencies are completely separate with necessary filters. The single antenna system must also be tested and certified by a qualified contractor.

~~510.4.2.2.3~~ Where fiber distribution systems are used to extend the Public Safety radio system throughout the building or to other buildings, the horizontal fiber runs shall be enclosed in conduit meeting at least the building conduit requirements in Section 510.4.1.5.

~~510.4.2.3~~ **Power supply sources.** Emergency responder radio coverage systems shall be provided with at least two independent and reliable power supply sources conforming to NFPA 72 and the Electrical Code, one primary and one secondary. The standby power supply shall be an approved UPS system capable of operating the emergency responder radio coverage system for shall be equipped with a duration remote off-switch that can be initiated by the third-party monitoring company with approval of not less than 24 hours. When primary power is lost, the power supply the fire department if the system begins to operate outside of established system parameters.

V-300-2.76

Section 510.5 of the California Fire Code, 2019 Edition, is amended to read as follows:

510.5 Installation requirements. ~~The installation of the emergency responder radio coverage system shall automatically transfer to the standby power supply be in accordance with NFPA 1221 and the current Emergency Responder Radio Coverage Systems Standard Details and Specification enforced by the Milpitas Fire Department.~~

~~— 510.4.2.3.1 Emergency power off (EPO).~~ The UPS system shall be equipped with an emergency power off (EPO) switch in a location approved by the fire code official. The EPO shall disconnect both the circuit breaker and secondary power supply simultaneously.

~~— 510.4.2.4 Signal booster requirements.~~ If used, signal boosters shall meet the following requirements:

- ~~1. All signal booster components shall be contained in a National Electrical Manufacturer's Association (NEMA) 4-type waterproof cabinet.~~
- ~~2. Battery systems used for the emergency power source shall be contained in a NEMA 4 type waterproof cabinet.~~
- ~~3. The signal booster system and power supply(ies) shall be electrically supervised and monitored in accordance with NFPA 1221. For buildings without a fire alarm system, a dedicated monitoring panel in accordance with NFPA 72 shall be provided to annunciate automatic supervisory and trouble signals for the signal booster system and power supply(ies) and sound an audible signal at a constantly attended location.~~
- ~~4. Equipment shall have FCC certification prior to installation.~~

~~— 510.4.2.5 Additional frequencies and change of frequencies.~~ The emergency responder radio coverage system shall be capable of modification or expansion in the event frequency changes are required by the FCC or additional frequencies are made available by the FCC.

~~— 510.5 Installation requirements.~~ The installation of the public safety radio coverage system shall be in accordance with Sections 510.5.1 through 510.5.6.

V-300-2.77

Section 510.5.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

510.5.1 Approval prior to installation. Amplification systems capable of operating on frequencies licensed to any public safety agency by the FCC or other radio licensing authority shall not be installed without prior coordination and approval of the fire code official and the agency FCC license holder or systems administrator.

~~— 510.5.2 Minimum qualifications of personnel.~~ The minimum qualifications of the system designer, lead installation personnel and personnel conducting radio system testing shall include possession of both of the following:

- ~~1. A valid FCC issued general radio operators license; and~~
- ~~2. Certification of in-building system training issued by one of the following:~~
 - ~~a. Associated Public Safety Communications Officials (APCO);~~
 - ~~b. National Association of Business Education Radio (NABER);~~
 - ~~c. Personal Communications Industry Association (PCIA) or;~~
 - ~~d. the manufacturer of the equipment being installed.~~

~~All design documents and all tests shall be documented and signed by a person meeting the minimum qualification noted in this section.~~

V-300-2.78

Section 510.5.3 first paragraph of the California Fire Code, 2019 Edition, is amended to read as follows:

510.5.3 Acceptance test procedure and system certification. ~~When~~Where an emergency responder radio coverage system is required, and upon completion of installation, the building owner shall have the radio system tested to verify that two-way coverage on each floor of the building is ~~in accordance with Section 510.4.1, not less than 95 percent.~~ Final system acceptance will require ERRCS power level and DAQ testing with agency FCC license holder, systems administrators, or designee. The test procedure shall be conducted as follows:

V-300-2.79

- ~~1. Talk back testing from a site to the Silicon Valley Regional Interoperability Authority (SVRIA) P25 Phase 2 700 MHz Digital Trunked Radio System shall use Milpitas Fire and Police Departments Public Safety radio(s) on the designated control channel and may be witnessed by representatives of the Milpitas Fire and Police Departments Public Safety.~~
- ~~2. Each floor of the building shall be divided into a grid of 20 approximately equal test areas.~~
- ~~3. The test shall be conducted using a calibrated portable radio of the latest brand and model used by the agency talking through the agency's radio communications system.~~
- ~~4. In the event that three of the test areas on a floor fail the talk back test, in order to be more statistically accurate, the floor shall be permitted to be divided into 40 equal test areas. If the system fails the 90% coverage requirement for the 40 area test, the emergency responder radio system shall be altered to meet the 90 percent coverage requirement.~~
~~—Exception: Critical areas shall be provided with 99 percent floor area coverage.~~
- ~~5. A test location approximately in the center of each test area shall be selected for the test, with the radio enabled to verify two way communications to and from the outside of the building through the Silicon Valley Regional Interoperability Authority (SVRIA) P25 Phase 2 700 MHz Digital Trunked Radio System. Once the test location has been selected that location shall represent the entire test area. Failure in the selected test location shall be considered failure of that test area.~~
- ~~6. The test for emergency responder radio coverage will be considered passed when 90% of the test locations on each floor are able to pass two way communications to and from the outside of the building.~~
~~—Exception: Critical areas shall be provided with 99 percent floor area radio coverage.~~
- ~~7. The gain values/output levels of all amplifiers shall be measured and the test measurement results shall be kept on file with the building owner so that the measurements can be verified during annual tests. In the event that the measurement results become lost, the building owner shall be required to rerun the acceptance test to reestablish the gain values.~~
- ~~8. As part of the installation a spectrum analyzer or other suitable test equipment shall be utilized to ensure spurious oscillations are not being generated by the subject signal booster. This test shall be conducted at time of installation and subsequent annual inspections.~~

9. ~~Individuals conducting initial benchmark and system acceptance tests shall meet the minimum qualifications in accordance with Section 510.5.2. All test results are required to be validated by an approved third party, independent of the system designer and installer.~~

~~Prior to issuance of the building Certificate of Occupancy, a system acceptance test report shall be submitted to the fire code official, maintained on the premises and be made available to the public safety department upon request. The report shall verify compliance with Section 510.5.4, and include the emergency responder radio coverage system equipment data sheets, diagram showing device locations and wiring schematic, and a copy of the electrical permit and system certification letter.~~

~~— 510.5.4 — FCC Compliance.~~ The emergency responder radio coverage system installation and components shall also comply with all applicable federal regulations, including, but not limited to, FCC 47 CFR Part 90.219.

~~— 510.5.5 — Location of equipment.~~ For buildings without a fire command center the communications control equipment shall be located inside the building near the fire alarm control panel, or other approved location.

~~— 510.5.6 — Signage.~~ Buildings equipped with an emergency responder radio coverage system shall be identified by an approved sign located above or near the building key box stating: “Radio System Installed.”

~~— 510.6 — Maintenance.~~ The emergency responder radio coverage system shall be maintained operational at all times in accordance with Sections 510.6.1 through 510.6.5.

~~— 510.6.1 — Testing and proof of compliance.~~ The emergency responder radio coverage system shall be inspected and tested annually or whenever structural changes occur including additions or remodels that could materially change the original field performance tests. Individuals conducting the tests shall meet the minimum qualifications in accordance with Section 510.5.2. All test results are required to be validated by an approved third party, independent of the system designer and installer. Testing shall consist of the following:

- ~~1. In building coverage test as described in Section 510.5.3.~~
- ~~2. Signal boosters shall be tested to verify that the gain/output level is the same as it was upon initial installation and acceptance.~~
- ~~3. Backup batteries and power supplies shall be tested under load of a period of 1 hour to verify that they will properly operate during an actual power outage. If within the 1 hour test period the battery exhibits symptoms of failure, the test shall be extended for additional 1 hour periods until the integrity of the battery can be determined.~~
- ~~4. All other active components shall be checked to verify operation within the manufacturer’s specifications.~~
- ~~5. At the conclusion of the testing, a report, which shall verify compliance with Sections 510.5.3 and 510.6 shall be submitted to the fire code official and a copy maintained on the premises and made available to the authority having jurisdiction upon request.~~

~~— 510.6.2 — Additional frequencies.~~ The building owner shall modify or expand the emergency responder radio coverage system at their expense in the event frequency changes are required by the FCC or additional frequencies are made available by the FCC. Prior approval of a public safety radio coverage system on previous frequencies does not exempt this section.

~~— 510.6.3 — Field testing.~~ Agency personnel shall have the right to enter onto the property at any reasonable time to conduct field testing to verify the required level of radio coverage.

~~— 510.6.4 — Qualifications of testing personnel.~~ All tests shall be documented and signed by a person meeting the minimum qualifications set forth in Section 510.5.2.

~~— 510.6.5 Continuing operation/supervision.~~ The occurrence of any fault in an emergency responder radio coverage system where the system function is decreased shall result in the transmission of a supervisory signal to a supervisory service. Systems that are out of service for more than 8 hours require notification to the fire code official.

~~Design Details for Approved Building Signage Required in Section 510.5.6:~~

**~~6" x 8" Sign
½" Lettering
2" x 4" Graphic
Red Background with White
Letters and Graphic~~**



Radio System Installed

~~V-300-2.58~~

Section 605.~~13~~18 hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

605.~~13-18~~ Immersion Heaters~~heaters~~. All electrical immersion heaters used in dip tanks, sinks, vats and similar operations shall be provided with approved over-temperature controls and low liquid level electrical disconnects. Manual reset of required protection devices shall be provided.

V-300-2.~~59~~80

Section ~~607606~~.1.1 hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

~~607606~~.1.1 New elevators. All new passenger service elevators shall meet the medical service elevator requirements in the California Building Code, ~~2016~~2019 Edition, Chapter 30.

V-300-2.81

~~V-300-2.60~~

~~Section 608.6.1.1 is hereby added to the California Fire Code, 2016 Edition, to read as follows:~~

~~**608.6.1.1 Failure of Ventilation System.** Failure of the ventilation system shall automatically disengage the charging system.~~

~~V-300-2.61~~

Section 903.1.2 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

903.1.2 Fire Walls and Fire Barriers. Fire walls and fire barriers shall not be considered to create separate buildings for the purpose of automatic fire sprinkler requirements as set forth in Chapter 9 of this ~~code~~Code.

Exception: Buildings separated by continuous fire wall of 4-hour fire resistive construction without openings or penetrations. Buildings required to have automatic fire sprinkler protection as set forth in Section 13113 of Health and Safety Code are prohibited from using fire walls in lieu of automatic fire sprinkler protection.

~~V-300-2.62~~82

Section 903.2 of the California Fire Code, ~~2016~~2019 Edition, is amended to read as follows:

903.2 Where Required. Approved automatic sprinkler systems in new and existing buildings and structures shall be provided in the locations described in this Section or per the requirements set forth in Sections 903.2.1 through 903.2.~~1920~~, whichever is the more restrictive:

1. In other than residential buildings which require the installation of fire sprinkler for all new buildings according to the California Residential Code, an automatic sprinkler system shall be provided throughout all new buildings and structures greater than 1,000 square feet of building area.

Exception:

Group S-2 or U occupancies used exclusively for vehicle parking and which meet all of the following:

- a. Noncombustible construction.
 - b. Maximum building area not to exceed 5,000 square feet. Structures with less than 10' horizontal separation are considered as one.
 - c. Structure is open on three (3) or more side.
 - d. Minimum of 10 feet separation from existing buildings unless area is separated by fire walls complying with California Building Code ~~706~~.
2. An automatic fire sprinkler system shall be provided throughout existing Group A, B, E, F, L, M, S and U buildings and structures, when additions are made that increase the building area to more than 3,600 square feet or that create conditions described in Sections 903.2.1 through 903.2.~~1920~~.
 3. An automatic sprinkler system shall be provided throughout existing Group R occupancies when additions are made that increase the building area to more than 3,600 square feet, or when the Building Department determines that the home needs to comply with the current CA Building Codes due to extensive remodel/renovation.

4. An automatic sprinkler system shall be provided throughout all new basements regardless of size and throughout existing basements that are expanded by more than 50%.
5. Any change in the character of occupancy or in use of any building with a building area equal to or greater than 3,600 square feet which, in the opinion of the fire code official or building official, would place the building into a more hazardous division of the same occupancy group or into a different group of occupancies and constitutes a greater degree of life safety¹ or increased fire risk², shall require the installation of an approved fire automatic fire sprinkler system.

1. Life Safety – Increased occupant load, public assembly areas, public meeting areas, churches, indoor amusement attractions, buildings with complex exiting systems due to increased occupant loads, large schools/day-care facilities, large residential care facilities with non-ambulatory

2. Fire Risks – High-piled combustible storage, woodworking operations, hazardous operations using hazardous materials, increased fuel loads (storage of moderate to highly combustible materials), increased sources of ignition (welding, automotive repair with the use of flammable liquids and open flames).

V-300-2.6383

Section 903.3.1.1 of the California Fire Code, 20162019 Edition, is amended to read as follows:

903.3.1.1 NFPA 13 sprinkler systems. Where the provisions of this ~~code~~Code require that a building or portion thereof be equipped throughout with an automatic sprinkler system in accordance with this section, sprinklers shall be installed throughout in accordance with NFPA 13 as amended in Chapter 80 except as provided in Section 903.3.1.1.1 and 903.3.1.1.2.

For a new building having no designated use or tenant, the minimum sprinkler design density shall be Ordinary Hazard Group 2. Where future use or tenant is determined to require a higher density, the sprinkler system shall be augmented to meet the higher density.

V-300-2.6484

Section 903.3.1.4 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

903.3.1.4 One sprinkler design. One sprinkler head design shall not be permitted.

~~V-300-2.65~~

V-300-2.85

Section 903.3.5.3 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

903.3.5.3. Riser ~~Location~~location. The fire sprinkler system riser shall not be located within electrical rooms or storage closets and shall be provided with clear access and working clearance. The fire sprinkler system riser location shall be approved by the fire code official.

V-300-2.6686

Section 903.3.5.4 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

903.3.5.4 Number of water supplies. For buildings and or structures over 200,000 square feet, the fire code official may require more than one source of water supply.

V-300-2.6787

Section 903.3.5.5 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

903.3.5.5 Sprinkler ~~Riser~~riser system. The sprinkler riser system shall be a manifold type system and shall meet the design requirements of the NFPA 13 Standards.

V-300-2.6888

Section 903.3.5.6 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

903.3.5.6 Water supply safety margin. Hydraulic design for the automatic fire sprinkler system shall provide a minimum of 20% safety margin.

Exception: The fire code official may grant a reduction in the required safety margin for existing buildings but not less than 10%.

V-300-2.6989

Section 903.3.5.7 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

903.3.5.7 Sprinkler pipe velocity. The automatic fire sprinkler system shall be designed to a maximum 20 feet per second water flow.

Exception: The fire code official may grant higher water velocity for existing buildings when supported by mechanical engineering design done by a California registered engineer.

V-300-2.7090

Section 907.2.9.1 of the California Fire Code, 2016 Edition, is amended to delete the following:

907.2.9.1 Manual fire alarm system. Exception 3. ~~Is~~ deleted.

~~V-300-2.71~~

V-300-91

Section 913.7 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

913.7 Fire Pump standby power. Power supply from local utility provider is not considered a reliable source of power. Standby power is required for electrical or natural gas fire pumps.

V-300-2.92

Section 914.2.1 of the California Fire Code, ~~2016~~2019 Edition, is amended to delete the exception:

914.2.1 Automatic sprinkler systems exception ~~under item number 2 (open parking garages) is~~ is deleted.

V-300-2.93

~~V-300-2.72~~

Section 914.3.1 of the California Fire Code, ~~2016~~2019 Edition, is amended to delete the exception:

914.3.1 Automatic sprinkler systems exception is deleted.

~~V-300-2.7394~~

Section 914.3.9 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

914.3.9 Anchor devices. Anchor repelling devices meeting the Fire department requirements shall be placed on the roof for Fire department use.

~~V-300-2.7495~~

Section 914.3.10 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

914.3.10 Helicopter pad. High-rise buildings greater than 150' in height (above the lowest level of Fire department access) may be required to provide a helicopter pad, which meets the requirements of the Fire department.

~~V-300-2.7596~~

Section 914.4.1 of the California Fire Code, ~~2016~~2019 Edition, is amended to delete the exceptions:

914.4.1 Automatic ~~Sprinkler Systems~~sprinkler systems exceptions 1 and 2 are deleted.

~~V-300-2.76~~

V-300-2.97

Section 914.6.1 of the California Fire Code, ~~2016~~2019 Edition, is amended to delete the exceptions:

914.6.1 Automatic Sprinkler Systems exceptions 1 and 2 are deleted.

V-300-2.7798

Section 914.12 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

914.12 Special Provisions For Group B office Buildings and Group R Division 1 and 2 Occupancies. All Group B office buildings and Group R, Division 1 & 2 Occupancies, each having floor used for human occupancy located more than 60 feet above the lowest level of Fire Department vehicle access, or more than 4 stories in height shall provide the following:

1. Equipment cache rooms shall be located on the 1st floor above the ground floor, and every other floor thereafter, or as directed by the fire code official.
 - a. Cache rooms shall be located and accessible from within the rated stair enclosures.
 - b. Prior to the purchase of the fire department cache room equipment and or materials a complete list of the equipment and or materials with all necessary cut-sheets shall be submitted to the fire department for review and approval.
 - c. Due to operational needs, the fire code official reserves the right to make changes to the required equipment and or materials listed under item 2 below.
2. Each equipment storage room size should be a minimum of 4' deep, full height (8' to 9'), with a door the minimum width of 43". A roll-up door can be used provided it has a 43" minimum width and unobstructed access. It shall have a power outlet to provide electricity, a light (connected to a 'timer'), be sprinklered, and be locked with a 'break-away' type lock. Fixed shelving¹ shall be provided in a configuration approved by the fire agency to store items that may include, but not be limited to:

Item	ITEM DESCRIPTION	PART NUMBER	PER ROOM
1)a	2.5 Inch Hose Pack Straps	Turning Out Solutions	24
1)b	2.5X50 Foot Durabuilt Hose	DB25X50YEN NAFH	8
1)c	Straight Tip 1-1/8 X 1.5 NH	FSS10TFT	2
1)d	Ball Valve 2.5 Female X 1.5 Male	J140F	2
1)e	Universal Spanner Wrench	00100001 AKR	2
1)f	Gated Wye	AYNJNF TFT	2
1)g	2 1/2 x 1 1/2 reducer	3725N15N	2
2)a	50' banded hose roll	DF817X50R15NH NAFH	2
2)b	Red Hose Ret. Bands	HRRBARC	2
3)	15' Stinger length hose	DF3X15Y25NH NAFH	2
4)	Halligan Style Tool	HAL1P36	1
5)a	Pick head axe	6PH36W	1
5)b	Flat head axe	6FH32W	1
6)	Attic ladder	10102LG LITTLE GIANT	1
7)	Ames Wrecking bar	75036	1
8)	Open door industries stops	WIY ODI	24
9)	Salvage Cover	14VSC1214GR GOS	4

¹ Shelving shall be every 16" after ladder placement is determined.

Item	ITEM DESCRIPTION	PART NUMBER	PER ROOM
10)	Spare Sprinkler heads (3) each type per bldg	To be Determined	3
11)	Sprinkler wrench	To be Determined	1
12)	Push cart for SCBA cylinders	MBR16 GROVES	1
13)a	RIT Pack	TRUE NORTH L-2 RIT BAG	1
13)b	Facemask	R56424 DRAGER	1
13)c	McGuire Diaper	RICTARP MCGUIRE	1
14)	Evacuation Chair— Each side of Cache Room	6252 STRYKER	2
15)a	Air Bottles 45 min Carbon Cylinder Clear	4058992 DRAGER	8
15)b	Air Bottles 60 min Carbon Cylinder Clear	4058993 DRAGER	1
15)c	Quick Release Adapter	4046162 DRAGER	8
15)d	Weather Guard Gasket	4058936 DRAGER	9
15)e	<u>Pneumatic Dual Line w/ Whistle</u>	<u>4058936 DRAGER</u>	<u>1</u>
15)f	<u>LVD Assembly</u>	<u>3355679 DRAGER</u>	<u>1</u>
16)	Red Webbing	200103 CMC	4
17)	D lock Carabiner	300221 CMC	2
18)	Wagan LED Flare	WAGAN EL2639-3 FRED	2
19)	Cable Cutter	UPB41 BEN NAW	1
20)	18 Inch Pipe Wrench	5862074118 Irwin	1
21)	30 Degree Elbow Adapter 2.5'	E253025N25N	4
22)	Encased Line Gauge 2.5 Redhead	155225N RH	2
23)	Speed Swivel	480-NST	1
24)	Adapter 1.5NHFRLX2.5NHM	3715N25N	2
25)	16" Large Mouth Tool Bag	88598N1467126-02 HUSKY	2
26)	Yellow -Polytac Flash <u>Flashlight</u>	88853 STRMLIT	2
27)	<u>LED Flashing Lights</u>	<u>TBD by MFD</u>	<u>3</u>

3. Equipment maintenance, inspections, replacement and or equipment update and required certification(s) shall be the responsibility of the building owner and or owner's association.

*The fire code official may require, an air bottle filling system shall have the fill access port located at a reasonable distance from each structure that takes into account debris fall out & collapse zones. A 'monument-type' fill station port should be located near a public roadway, not adjacent to the structure. The underground piping system, designed and installed with stainless steel welded fittings and piping, should terminate at this monument. A weather tight access panel with Knox-box key entry should also be provided. The storage system should be designed to provide enough air @ 4500 psig for up to fifty 45 minute bottles, prior to augmentation by an outside air source.

V-300-2.7899

Section 916.8 of the California Fire Code, 2019 Edition, is amended to read as follows:

916.8 System activation. A gas detection alarm shall be initiated where any sensor detects a concentration of gas exceeding the following thresholds:

1. For flammable gases, a gas concentration exceeding 25 percent of the lower flammability limit (LFL).
2. For nonflammable gases, a gas concentration exceeding one-half of the 1DLH, unless a different threshold is specified by the section of this code requiring a gas detection system.

Upon activation of a gas detection alarm, alarm signals or other required responses shall be as specified by the section of this code requiring a gas detection system. Audible and visible alarm signals associated with a gas detection alarm shall be distinct from fire alarm and carbon monoxide alarm signals.

The audible alarm signals shall be in accordance with 907.5.2.1.1 and 907.5.2.1.2. The visual alarm notification appliances shall be in accordance with 907.5.2.3.

V-300-2.100

Section 1103.2 of the ~~International~~California Fire Code, ~~2015~~2019 Edition, is hereby adopted.

V-300-2.101

Section 1206.2.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

1206.2.1 Permits. Permits shall be obtained for the installation and operation of stationary battery systems in accordance with Sections 105.6.58 and 105.7.2.

V-300-2.102

Section 1206.2.11.3 of the California Fire Code, 2019 Edition, is amended to read as follows:

1206.2.11.3 Ventilation. Where required by Section 1206.2.3 or 1206.2.12, ventilation of rooms containing stationary storage battery systems shall be provided in accordance with the California Mechanical Code and one of the following:

1. The ventilation system shall be designed to limit the maximum concentration or flammable gas to 25 percent of the lower flammable limit, or for hydrogen, 1.0 percent of the total volume of the room.
2. Continuous ventilation shall be provided at a rate of not less than 1 cubic foot per minute (cfm) per square foot [0.00508 m³/ (s · m²)] of the floor area, but not less than 150 cfm (4 m³/min).
3. Failure of the ventilation system shall automatically disengage the charging system.

The exhaust system shall be designed to provide air movement across all parts of the floor for gases having a vapor density greater than air and across all parts of the vault ceiling for gases having a vapor density less than air.

V-300-2.103

~~V-300-2.79~~

Section 1206.2.11.5 of the California Fire Code, 2019 Edition, is amended to read as follows:

1206.2.11.5 Spill control and neutralization. Where required by Section 1206.2.12, approved methods and materials shall be provided for the control and neutralization of spills of electrolyte or other hazardous materials in areas containing stationary storage batteries as follows:

1. For batteries with free flowing electrolyte, the method and materials shall be capable of neutralizing a spill of the total capacity from the largest cell or block to a pH between 5.0 and 9.0.
2. For batteries with immobilized electrolyte, the method and material shall be capable of neutralizing a spill of 3.0 percent of the capacity of the largest cell or block in the room to a pH between 5.0 and 9.0.

The spill control shall be designed and constructed in accordance with 5004.2.1.

V-300-2.104

Section 1206.2.12.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

1206.2.12.1 Lead-acid storage batteries. Stationary storage battery systems utilizing lead-acid storage batteries shall comply with the following:

1. Ventilation shall be provided in accordance with Section 1206.2.11.3.
2. Spill control and neutralization shall be in accordance with Section 1206.2.11.5.
3. The spill control system shall be monitored in accordance with 5004.2.2.5.
4. Thermal runaway protection shall be provided for valve-regulated lead-acid (VRLA) storage batteries in accordance with Section 1206.2.10.7.
5. The signage in Section 1206.2.8.6 shall indicate that the room contains lead-acid batteries

V-300-2.105

Section 1206.2.12.2 of the California Fire Code, 2019 Edition, is amended to read as follows:

1206.2.12.2 Nickel-cadmium (Ni-Cd) storage batteries. Stationary storage battery systems utilizing nickel-cadmium (Ni-Cd) storage batteries shall comply with the following:

1. Ventilation shall be provided in accordance with Section 1206.2.11.3.
 2. Spill control and neutralization shall be in accordance with Section 1206.2.11.5.
 3. The spill control system shall be monitored in accordance with 5004.2.2.5.
 4. Thermal runaway protection shall be provided for valve-regulated sealed nickel-cadmium storage batteries in accordance with Section 1206.2.10.7.
 5. The signage in Section 1206.2.8.6 shall indicate the room contains nickel-cadmium batteries.
- 1206.2.12.3 Lithium-ion storage batteries.

V-300-2.106

Section 1206.2.12.5 of the California Fire Code, 2019 Edition, is amended to read as follows:

1206.2.12.5 Flow storage batteries. Stationary storage battery systems utilizing flow storage batteries shall comply with the following:

1. Ventilation shall be provided in accordance with Section 1206.2.11.3.
2. Spill control and neutralization shall be in accordance with Section 1206.2.11.5.
3. The spill control system shall be monitored in accordance with 5004.2.2.5.
4. The signage required in Section 1206.2.8.6 shall indicate the type of flow batteries in the room.

V-300-2.107

Section 1206.2.12.6 of the California Fire Code, 2019 Edition, is amended to read as follows:

1206.2.12.6 Other battery technologies. Stationary storage battery systems utilizing battery technologies other than those described in Sections 1206.2.12.1 through 1206.2.12.5 shall comply with the following:

1. Gas detection systems complying with Section 916 shall be provided in accordance with Section 1206.2.11.4 where the batteries have the potential to produce toxic or highly toxic gas in the storage room or cabinet in excess of the permissible exposure limits (PEL) during charging, discharging and normal system operation.
2. Mechanical ventilation shall be provided in accordance with Section 1206.2.11.3.
3. Spill control and neutralization shall be in accordance with Section 1206.2.11.5.
4. The spill control system shall be monitored in accordance with 5004.2.2.5.
5. In addition to the signage required in Section 1206.2.8.6, the marking shall identify the type of batteries present, describe the potential hazards associated with the battery type, and indicate that the room contains energized electrical circuits.

V-300-2.108

Section 2807.6 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

2807.6 Fire protection water supply system. An approved fire protection water supply and hydrant system suitable for the fire hazard involved shall be provided for open storage yards and processing areas. Hydrant systems shall be installed in accordance with NFPA 24 adopted by this ~~2807.6 Fire Protection Water Supply System.Code.~~

V-300-2.109

Section 2808.11 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

2808.11 Fire protection water supply system. An approved fire protection water supply and hydrant system suitable for the fire hazard involved shall be provided for open storage yards and processing areas. Hydrant systems shall be installed in accordance with NFPA 24 adopted by this ~~code~~Code.

V-300-2.80110

~~Section 2808.11 is hereby added to the California Fire Code, 2016 Edition, to read as follows:~~

~~**2808.11 Fire Protection Water Supply System.** An approved fire protection water supply and hydrant system suitable for the fire hazard involved shall be provided for open storage yards and processing areas. Hydrant systems shall be installed in accordance with NFPA 24 adopted by this ~~code~~.~~

~~V-300-2.81~~

Section 3103.2 of the California Fire Code, 20162019 Edition, is amended to read in its entirety as follows:

3103.2 Approval required. Tents and membrane structures having an area in excess of 200 square feet (19 m²) and canopies in excess of 400 square feet (37 m²) shall not be erected, operated or maintained for any purpose without first obtaining a permit and approval from the fire code official. Smaller tents or canopies set side by side are considered as one, unless separated from each other by 10 feet on all sides.

Exceptions:

1. Tents used exclusively for recreational camping purposes.

V-300-2.82111

Section 3304.8 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

3304.8 Fire Walls. When fire walls are required, the wall construction shall be completed (with all openings protected) immediately after the building is sufficiently weather-protected at the location of the wall(s).

V-300-2.83112

Section 3311.1 of the California Fire Code, 20162019 Edition, is amended to read in its entirety as follows:

~~[B]~~**3311.1 Stairways Requiredrequired.** Each level above the first story in new multi-story buildings that requires two (2) exit stairways shall be provided with at least two (2) usable exit stairways after the floor decking is installed. The stairways shall be continuous and discharge to grade level. Stairways serving more than two (2) floor levels shall be enclosed (with openings adequately protected) after the exterior walls/windows are in place. Exit stairs in new and in existing, occupied buildings shall be lighted and maintained clear of debris and construction materials at all times.

Exception: For new multi-story buildings, one of the required exit stairs may be obstructed on not more than two (2) contiguous floor levels for the purposes of stairway construction (i.e., installation of gypsum board, painting, flooring, etc.).

V-300-2.84113

Section 3311.1.1 -is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

3311.1.1 Required Means Of Egressmeans of egress. All new buildings under construction shall have a least one unobstructed means of egress. All means of egress shall be identified in the prefire plan per Section 3308.2.

V-300-2.85114

Section 5001.~~1 first paragraph~~2.2.2 of the California Fire Code, 20162019 Edition, is amended to read as follows:

~~**5001.1 Scope.** Prevention, control and mitigation of dangerous conditions related to the storage, dispensing, use and handling of hazardous materials shall be in accordance with this chapter. Additionally, prevention, control and mitigation of dangerous conditions related to the storage, use and handling of lithium ion batteries shall be in accordance with Section 5001.1.2.~~

V-300-2.86

Section 5001.1.2 is hereby added to the California Fire Code, 2016 Edition, to read as follows:

5001.1.2 — Lithium ion battery storage, use and handling. Rooms or areas where lithium ion batteries are stored, used or handled shall comply with the following:

1. Rooms or areas where lithium ion batteries are stored or handled shall be protected throughout by an approved smoke detection system.

Indoor storage of lithium ion batteries in excess of 6,000 pounds shall be confined to a Group H Division 2 Occupancy designed and constructed in accordance with the Building Code.

5001.2.2.2 Health hazards.

V-300-2.87

—Section 5001.1.3 is hereby added to the California Fire Code, 2016 Edition, to read as follows:

—**5001.1.3 — Other Requirements.** This chapter shall include those parts of Chapter 6.95 (commencing with Section 25500) and Chapter 6.7 (commencing with Section 25280) of the Health and Safety code which impose additional requirements or are more restrictive.

Any person who violates Health and Safety Code SS 25507 shall be subject to the penalties specified in Health and Safety Code SS 25515. The violation of any other Health and Safety Code Sections specified in this paragraph shall constitute a misdemeanor.

V-300-2.88

—Section 5001.2.2.2 of the California Fire Code, 2016 Edition, is amended to read as follows:
5001.2.2.2 — Health Hazards. The material categories listed in this section are classified as health hazards. A material with a primary classification as a health hazard can also pose a physical hazard.

1. Highly toxic and toxic materials.
2. Corrosive materials.
3. Moderately toxic gas.
4. Other health hazards.

V-300-2.89

Section 5001.5.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

5001.5.1 Hazardous materials management plan (HMMP). Where required by the fire code official, an application for a hazardous materials permit in accordance with Section 105.6 of this code shall include a Hazardous Materials Management Plan (HMMP).

The HMMP shall include the following:

- a. Information consistent with that outlined in Sections H103 and H3 of Appendix H of this code.
- b. A facility site plan designating the following:
 1. Access to each storage and use area.
 2. Location of emergency equipment.
 3. Location where liaison will meet emergency responders.
 4. Facility evacuation meeting point locations.
 5. The general purpose of other areas within the building.
 6. Location of all above-ground and underground tanks and their appurtenances including, but not limited to, sumps, vaults, below-grade treatment systems and piping.
 7. The hazard classes in each area.
 8. Locations of all control areas and Group H occupancies.
 9. Emergency exits.

The HMMP shall be readily available onsite.

[For SFM] The HMMP shall comply with Health and Safety Code, Chapter 6.95, Sections 25500 through 25545, and Title 19, Division 2, Chapter 4.

V-300-2.116

Section 5001.5.1.1 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

5001.5.1.1 Submittal frequency. Facilities required to maintain a hazardous materials permit shall submit an updated or recertified HMMP within 12 months of the previous submittal, or within 30 days of a change, whichever occurs first.

Exceptions: The following facilities may submit an updated HMMP within 36 months of the previous submittal if no reportable changes have occurred:

1. Cell tower sites with no hazardous materials related permits other than a permit for a battery system.
2. Facilities with no hazardous materials related permits other than a permit for carbon dioxide used in an insulated liquid carbon dioxide beverage dispensing system.
3. Dental offices with no other hazardous materials related permits other than a permit for a fixed medical gas system.

V-300-2.117

Section 5003.1.3.1 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

5003.1.3.1 ~~Toxic, Highly Toxic, Moderately Toxic~~ highly toxic, toxic, moderately toxic gases and similarly used or handled materials. The storage, use and handling of highly toxic, ~~highly~~ toxic and moderately toxic gases in amounts exceeding Table 6004.1 shall be in accordance with this ~~chapter~~Chapter and Chapter 60. Any highly toxic, ~~highly~~ toxic or moderately toxic material that is used or handled as a gas or vapor shall be in accordance with the requirements for highly toxic, ~~highly~~ toxic or moderately toxic gases.

V-300-2.90118

Section 5003.1.5 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

5003.1.5 Other ~~Health Hazards~~ health hazards. The storage, use and handling of materials classified as other health hazards ~~including carcinogens, irritants and sensitizers~~ in amounts exceeding 810 cubic feet for gases, 55 gallons for liquids and 5,000 pounds for solids shall be in accordance with Section 5003.

V-300-2.91119

Section 5003.1.6 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

5003.1.6 Additional ~~Spill—Control~~ spill control and ~~Secondary—Containment—Requirements~~ secondary containment requirements. In addition to the requirements set forth in Section 5004.2, an approved spill control and containment system is required for any quantity of hazardous materials that are liquids or solids at normal temperature and pressure (NTP), where a spill is determined to be a plausible event and where such an event would endanger people, property or the environment. The approved containment system may be required to include a combination of spill control and secondary containment meeting the design and construction requirements set forth in Section 5004.2.

V-300-2.92120

Section 5003.2.2.1 of the California Fire Code, ~~2016~~2019 Edition, is amended to read ~~in its entirety~~ as follows:

5003.2.2.1 Design ~~And Construction~~ and construction. Piping, tubing, valves, fittings and related components used for hazardous materials shall be in accordance with the following:

1. Piping, tubing, valves, fittings and related components shall be designed and fabricated from materials compatible with the material to be contained and shall be of adequate strength and durability to withstand the pressure, structural and seismic stress, and exposure to which they are subject.
2. Piping and tubing shall be identified in accordance with ASME A13.1 and Santa Clara County Fire Chiefs Marking Requirements and Guidelines for Hazardous Materials and the Hazardous Waste to indicate the material conveyed.
3. ~~Readily accessible manual~~Manual valves or automatic remotely activated fail-safe emergency shutoff valves shall be installed on supply piping and tubing, and provided with ready access at the following locations:

1. The point of use.
2. The tank, cylinder or bulk ~~usesource~~.
4. Manual emergency shutoff valves and controls for remotely activated emergency shutoff valves shall be identified and the location shall ~~behave access~~ clearly visible ~~accessible~~ and indicated by means of a sign.
5. Backflow prevention or check valves shall be provided when the backflow of hazardous materials could create a hazardous condition or cause the unauthorized discharge of hazardous materials.
6. Where gases or liquids having a hazard ranking of:
 - Health hazard Class 3 or 4
 - Flammability Class 4
 - Reactivity Class 4
 in accordance with NFPA 704 are carried in pressurized piping above 15 pounds per square inch gauge (psig)(103 Kpa), an approved means of leak detection, emergency shutoff or excess flow control shall be provided. Where the piping originates from within a hazardous material storage room or area, the excess flow control shall be located within the storage room or area. Where the piping originates from a bulk source, the excess flow control shall be located as close to the bulk source as practical.

Exceptions:

1. Piping for inlet connections designed to prevent backflow.
2. Piping for pressure relief devices.
7. Secondary containment or equivalent protection from spills or leaks shall be provided for piping for liquid hazardous materials and for highly toxic and toxic corrosive gases above threshold quantities listed in ~~TablesTable~~ 6004.2 and ~~6004.31~~. Secondary containment includes, but is not limited to double walled piping.

Exceptions:

1. Secondary containment is not required for toxic corrosive gases if the piping is constructed of inert materials.
2. Piping under sub-atmospheric conditions if the piping is equipped with an alarm and fail-safe-to-close valve activated by a loss of vacuum.

~~8. Expansion chambers shall be provided between valves whenever the regulated gas may be subjected to thermal expansion. Chambers shall be sized to provide protection for piping and instrumentation and to accommodate the expansion of regulated materials.~~

~~V-300-2.93~~

V-300-2.121

Section 5003.2.2.2 of the California Fire Code, ~~2016~~2019 Edition, is amended to read in its entirety as follows:

5003.2.2.2 Additional ~~Regulation—regulation for supply piping for Supply Piping for Health Hazard Materials.health hazard materials.~~ Supply piping and tubing for gases and liquids having a health hazard ranking of 3 or 4 in accordance with ~~NFPA 704 shall be in accordance with~~ ASME B31.3 and the following:

1. Piping and tubing utilized for the transmission of ~~toxic~~, highly toxic, ~~toxic~~ or highly volatile corrosive liquids and gases shall have welded or brazed connections throughout except for connections within an exhausted enclosure if the material is a gas, or an approved method of drainage or containment is provided for connections if the material is a liquid.
2. Piping and tubing shall not be located within corridors, within any portion of a means of egress required to be enclosed in fire-resistance-rated construction or in concealed spaces in areas not classified as Group H Occupancies.

Exception: Piping and tubing within the space defined by the walls of corridors and the floor or roof above or in concealed space above other occupancies when installed in accordance with Section 415.4011.6.4 of the California Building Code as required for Group H, Division 5 Occupancies.
3. All primary piping for ~~highly~~ toxic, ~~highly~~ toxic and moderately toxic gases shall pass a helium leak test of 1x10-9 cubic centimeters/second where practical, or shall pass testing in accordance with an approved, nationally recognized standard. Tests shall be conducted by a qualified "third party" not involved with the construction of the piping and control systems.

V-300-2.94122

Section 5003.3.1 of the California Fire Code, ~~2016~~2019 Edition, is amended to read ~~in its entirety~~ as follows:

5003.3.1 Unauthorized Discharges. ~~When discharges.~~ In the event hazardous materials are released in quantities reportable under state, federal or local regulations or when there is a release or a threatened release ~~or~~ that presents a threat to health, property or the environment, the fire code official shall be notified immediately in an approved manner and the following procedures required in accordance with Sections 5003.3.1.1 through 5003.3.1.4.

V-300-2.95123

Section 5003.5.2 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

5003.5.2 Ventilation Ducting. ~~Product conveying ducts~~ ducting. Ducts for venting hazardous materials operations shall be labeled with the hazard class of the material being vented and the direction of flow.

V-300-2.96124

Section 5003.5.3 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

5003.5.3 "H" Occupancies. In "H" occupancies, all piping and tubing may be required to be identified when there is any possibility of confusion with hazardous materials transport tubing or piping. Flow direction indicators are required.

V-300-2.97125

Section 5003.9.8 of the California Fire Code, 20162019 Edition, is amended to read ~~in its entirety~~ as follows:

5003.9.8 Separation of Incompatible Materials. ~~incompatible materials.~~ Incompatible materials in storage and storage of materials that are incompatible with materials in use shall be separated. When the stored materials are in containers having a capacity of more than 5 pounds (2 kg) or, 0.5 gallon (2 L), or any amount of compressed gases, separation shall be accomplished by:

1. Segregating incompatible materials in storage by a distance of not less than 20 feet (6096 mm) and in an independent containment system.
2. Isolating incompatible materials in storage by a noncombustible partition extending not less than 18 inches (457 mm) above and to the sides of the stored material.
3. Storing liquid and solid materials in hazardous material storage cabinets.
4. Storing compressed gases in gas cabinets or exhausted enclosures in accordance with Sections 5003.8.5 and 5003.8.6. Materials that are incompatible shall not be stored within the same cabinet or exhausted enclosure.

V-300-2.98126

Section 5003.9.11 is hereby added to the California Fire Code, 20162019 Edition to read as follows:

5003.9.11 Fire Extinguishing Systems For Workstations Dispensing, Handling ~~extinguishing systems for workstations dispensing, handling or Using Hazardous Materials~~ using hazardous materials. Combustible and non-combustible workstations, which dispense, handle or use hazardous materials, shall be protected by an approved automatic fire extinguishing system in accordance with Section 2703.10.

Exception: Internal fire protection is not required for Biological Safety Cabinets that carry NSF/ANSI certification where quantities of flammable liquids in use or storage within the cabinet do not exceed 500 ml.

V-300-2.99127

Section 5003.10.4.3 of the California Fire Code, 20162019 Edition, is amended to read ~~in its entirety~~ as follows:

5003.10.4.3 Toxic, Highly toxic, toxic, moderately toxic, ~~highly toxic, asphyxiate gases, and corrosive~~ gases shall be limited to a container of a maximum water capacity of 1 lb.

V-300-2.128

V-300-2.100

Section 5004.2.1 of the California Fire Code, 20162019 Edition, is amended to read in its entirety as follows:

5004.2.1 Spill ~~Control~~control for Hazardous Material Liquids Rooms, buildings or areas used for storage of hazardous material liquids ~~in individual vessels having a capacity of more than 55 gallons (208 L) or in which aggregate capacity of multiple vessels exceed 1,000 gallons (3785 L),~~ shall be provided with spill control to prevent the flow of liquids to adjoining areas. Floors in indoor locations and similar surfaces in outdoor locations shall be constructed to contain a spill from the largest single vessel by one of the following methods:

1. Liquid-tight sloped or recessed floors in indoor locations or similar areas in outdoor locations.
2. Liquid-tight floors in indoor and/ or outdoor locations or similar areas provided with liquid-tight raised or recessed sills or dikes.
3. Sumps and collection systems, including containment pallets in accordance with Section 5004.2.3.
4. Other approved engineered systems.

Except for surfacing, the floors, sills, dikes, sumps and collection systems shall be constructed of noncombustible material, and the liquid-tight seal shall be compatible with the material stored. When liquid-tight sills or dikes are provided, they are not required at perimeter openings having an open-grate trench across the opening that connects to an approved collection system.

V-300-2.101129

Section 5004.2.2 of the California Fire Code, 20162019 Edition, is amended to read ~~in its entirety~~ as follows:

5004.2.2 Secondary ~~Containment~~containment for Hazardous Material Liquids Buildings, rooms or areas used for the storage of hazardous materials liquids or solids shall be provided with secondary containment in accordance with this section.

V-300-2.102130

Table 5004.2.2 of the California Fire Code, 20162019 Edition is hereby deleted.

~~V-300-2.103~~

V-300-2.131

Section 5004.2.2.2 is hereby amended to the California Fire Code, 20162019 Edition, to read as follows:

5004.2.2.2 Incompatible ~~Materials~~materials. Incompatible materials shall be separated from each other in independent secondary containment systems.

V-300-2.104132

Section 5004.2.2.5 of the California Fire Code, 20162019 Edition, is amended to read in its entirety as follows:

5004.2.2.5 Monitoring. An approved monitoring method shall be provided to detect hazardous materials in the spill control and secondary containment ~~systems~~systems and to verify that the provisions of this ~~code~~Code for the storage and handling of hazardous materials are addressed. Monitoring shall be recorded at least once per week. The monitoring method is allowed to be visual inspection of the primary or secondary containment, or other approved means. Where secondary containment is subject to the instruction of water, a monitoring method for detecting water shall be provided. Where monitoring devices are provided, ~~the~~they shall be connected to approved visual or audible alarms.

V-300-2.133

~~V-300-2.105~~

Section 5004.2.3 of the California Fire Code, 20162019 Edition, is amended to read ~~in its entirety~~ as follows:

5004.2.3 Containment pallets. Combustible containment pallets shall not be used inside buildings to comply with Section 5004.2 where the individual container capacity exceeds 55 gallons (208 L) or an aggregate capacity of multiple containers exceeds 1,000 gallons (3785 L) for liquids or where the individual container capacity exceeds 550 pounds (250 kg) or an aggregate of multiple containers exceeds 10,000 pounds (4540 kg) for solids.

Where used as an alternative to spill control and secondary containment for outdoor storage in accordance, with the exception in Section 5004.2, containment pallets shall comply with all of the following:

1. A liquid-tight sump accessible for visual inspection shall be provided;
2. The sump shall be designed to contain not less than 66 gallons (250L);
3. Exposed surfaces shall be compatible with material stored;
4. Containment pallets shall be protected to prevent collection of rainwater within the sump of the containment pallet.

V-300-2.106134

Section 5005.4.4 of the California Fire Code, 20162019 Edition, is amended to read in its entirety as follows:

5005.4.4 Emergency Alarmalarm. When hazardous materials having a hazard ranking of 3 or 4 in accordance with NFPA 704, or toxic or moderately toxic gases exceeding 40405 cu. ft. and any amount of highly toxic compressed gases are transported through corridors or exit enclosures, there shall be an emergency telephone system, a local manual alarm station or an approved alarm-initiating device at not more than 150-foot (45,720 mm) intervals and at each exit and exit-access doorway throughout the transport route. The signal shall be relayed to an approved central, proprietary or remote station service or constantly attended on-site location and shall also initiate a local audible alarm.

V-300-2.107135

Section 5303.5.3, method 1. of the California Fire Code, 20162019 Edition, is amended to read ~~in its entirety~~ as follows:

1. Securing containers, cylinders and tanks to a fixed object with one or more noncombustible restraints.

V-300-2.108136

Section 5601.1.3 of the California Fire ~~Code~~2016Code 2019 Edition, is amended to read in its entirety as follows:

5601.1.3 Fireworks. The possession, manufacture, storage, sale, handling, and use of fireworks, including those fireworks classified as Safe and Sane by the California State Fire Marshal, are prohibited.

Exceptions:

- ~~1. The storage and handling of fireworks as allowed in Section 5604.~~
- ~~2. Manufacture, assembly and testing of fireworks as allowed in Section 5605, and Health and Safety Code Division 11.~~

3.Exception: The use of fireworks for fireworks displays, ~~pyrotechnics before a proximate audience and pyrotechnic special effects in motion pictures television, theatrical or group entertainment productions as allowed in Title 19, Division 1, Chapter 6 Fireworks reprinted in Section~~ as allowed in Section 5608, ~~and Health and Safety Code Division 11.~~

V-300-2.137

~~V-300-2.109~~

Section 5704.2.7.5.8 of the California Fire Code, 20162019 Edition, is amended to read ~~in its entirety~~ as follows:

5704.2.7.5.8 Overfill ~~Prevention~~prevention. An approved means or method in accordance with Section 5704.2.9.7.5 shall be provided to prevent the overfill of all Class I, II and IIIA liquid storage tanks. Storage tanks in refineries, bulk plants or terminals regulated by Sections 5706.4 or 5706.7 shall have overfill protection in accordance with API 2350.

— **Exception:** Outside aboveground tanks with a capacity of 1320 gallons (5000 L) or less need only comply with Section 5704.2.9.7.5, item 1, sub-item (1.1)

An approved means or method in accordance with Section 5704.2.9.7.65 shall be provided to prevent the overfilling of Class IIIB liquid storage tanks connected to fuel-burning equipment inside buildings.

V-300-2.140138

Section 5704.2.7.5.9 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

5704.2.7.5.9 Automatic Fillingfilling of Tankstanks. Systems that automatically fill flammable or combustible liquid tanks shall be equipped with overfill protection, approved by the fire code official that sends an alarm signal to a constantly attended location and immediately stops the filling of the tank. The alarm signal and automatic shutoff shall be tested on an annual basis and records of such testing shall be maintained on-site for a period of five (5) years.

V-300-2.141139

Section 5707 is hereby added to of the California Fire Code, 20162019 Edition, to readis hereby adopted and amended as follows:

—5707 MOBILE FUELING OPERATIONS

—5707.1 General. On-demand mobile fueling operations that dispense Class I, II, and III liquids into the fuel tanks of motor vehicles shall comply with Sections 5707.1 through 5707.7.

Exception: Fueling from an approved portable container in cases of an emergency or for personal use.

—5707.1.1 Approval required. Mobile fueling operations shall not be conducted without first obtaining a permit and approval from the fire code official. Mobile fueling operations shall occur only at approved locations.

—5707.2 Mobile fueling vehicle. An on-demand mobile fueling vehicle shall be one of the following:

1. A tank vehicle complying with NFPA 385 that has chassis-mounted tanks or containers where the aggregate cargo capacity does not exceed 1200 gallons (4542 L).
2. A vehicle with one or more chassis-mounted tanks or containers that do not exceed 110 gallons (415 L) individual capacity and having an aggregate capacity that does not exceed 1200 gallons (4542 L).
3. A vehicle that carries a maximum of 60 gallons (227 L) of motor fuel in metal safety cans listed in accordance with UL 30 or other approved metal containers each not to exceed 5 gallons (19 L) in capacity.

The mobile fueling vehicle shall comply with the requirements of all local, state and federal requirements.

Mobile fueling vehicles with a chassis-mounted tank in excess of 110 gallons (415 L) shall comply with the requirements of Section 5706.6, Section 5707, and NFPA 385.

The mobile fueling vehicle and its equipment shall be maintained in good repair.

Safety cans and approved metal containers shall be secured to the mobile fueling vehicle except when in use.

—5707.3 Required documents. Documents developed to comply with Sections 5707.3.1 through 5707.3.3 shall be updated as necessary by the owner of the mobile fueling operation and shall be maintained in compliance with Section 107.3.

—5707.3.1 Safety and emergency response plan. Mobile fueling operators shall have an approved written safety and emergency response plan that establishes policies and procedures for fire safety, spill prevention and control, personnel training and compliance with other applicable requirements of this code.

—5707.3.2 Training records. Training records of operators shall be maintained. Mobile fueling vehicle operators shall possess evidence of training on proper fueling procedures and the safety and emergency response plan.

V-300-2.140

Section 5707.3.3 of the California Fire Code, 2019 Edition, is amended as follows:

5707.3.3 Site plan. A site plan shall be developed for each location at which mobile fueling occurs. The site plan shall be in sufficient detail to indicate: all buildings, structures, lot lines, property lines, light fixtures and appurtenances on site and their use or function; all uses adjacent to the lot lines of the site; fueling locations, the locations of all storm drain openings and adjacent waterways or wetlands; information regarding slope, natural drainage, curbing, impounding and how a spill will be retained upon the site property; and the scale of the site plan.

V-300-141

Section 5707.4 of the California Fire Code, 2019 Edition, is amended to read as follows:

5707.4 Mobile fueling areas. Mobile fueling shall not occur on public streets, public ways, any residential street, or inside buildings. Fueling on the roof level of parking structures or other buildings is prohibited.

~~—5707.4.1 Separation.~~ Mobile fueling shall not take place within 25 feet (7620 mm) of buildings, property lines, or combustible storage.

~~**Exception:** The fire code official shall be authorized to decrease the separation distance for dispensing from metal safety cans or other approved metal containers in accordance with Section 5707.2.~~

~~When dispensing operations occur within 15 feet (4572 mm) of a storm drain, an approved storm drain cover or an approved equivalent method that will prevent any fuel from reaching the drain shall be used.~~

V-300-2.142

Section 5707.5.5 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

~~**5707.4.2 Sources of ignition.** Smoking, open flames, and other sources of ignition shall be prohibited within 25 feet (7620 mm) of fuel dispensing activities. Signs prohibiting smoking or open flames within 25 feet (7620 mm) of the vehicle and the point of fueling shall be prominently posted on the mobile fueling vehicle. The engines of vehicles being fueled shall be shut off during fueling.~~

~~—5707.5 Equipment.~~ Mobile fueling equipment shall comply with Sections 5707.5.1 through 5707.5.5.

~~—5707.5.1 Dispensing hoses and nozzles.~~ Where equipped, the dispensing hose shall not exceed 50 feet (15 240 mm) in length. The dispensing nozzles, and hoses and appurtenances shall be of an approved and listed type.

~~—5707.5.2 Break-away device.~~ A listed break-away device shall be provided at the nozzle.

Exception: Mobile fueling vehicles equipped with an approved brake interlock tied to the nozzle holder that prohibits movement of the mobile fueling vehicle when the nozzle is removed from its holder.

~~—5707.5.3 Shut off valve and fuel limit.~~ Mobile fueling vehicles shall be equipped with a listed shutoff valve assembly and a fuel limit switch set to a maximum of 30 gallons (116 L).

~~—5707.5.4 Fire extinguisher.~~ An approved portable fire extinguisher complying with Section 906 with a minimum rating of 4 A:80 B:C shall be provided on the mobile fueling vehicle with signage clearly indicating its location.

~~—5707.5.5 Spill kit.~~ Mobile fueling vehicles shall contain a minimum 5 gallon (19 L) spill kit of an approved type. Contaminated absorbent shall be removed from the property, by the mobile fueler, and disposed in accordance with the applicable hazardous waste regulations.

~~—5707.6 Operations.~~ Mobile fueling vehicles shall be constantly attended during fueling operations with brakes set and warning lights in operation. Mobile fueling vehicles shall not obstruct emergency vehicle access roads.

~~—5707.6.1 Dispensing hose.~~ Where equipped, mobile fueling vehicles shall be positioned in a manner to preclude traffic from driving over the dispensing hose. The dispensing hose shall be placed on an approved reel or in an approved compartment prior to moving the mobile fueling vehicle.

~~— 5707.6.2 **Drip control.** Operators shall place a drip pan or an absorbent pillow under the nozzle to catch drips and under each fuel fill opening prior to and during dispensing operations. Contaminated absorbent shall be removed from the property, by the mobile fueler, and disposed in accordance with the applicable hazardous waste regulations.~~

~~— 5707.6.3~~ **V-3 00-2.143**

~~Sections 5707.6.4 to 5707.6.7 are hereby added to the California Fire Code, 2019 Edition, to read as follows:~~

5707.6.4 Nighttime deliveries. Nighttime deliveries shall only be made in areas deemed adequately lighted by the fire code official.

5707.6.45 Vehicle lights. The mobile fueling vehicle flasher lights shall be in operation while dispensing operations are in progress.

5707.6.56 Safety cones. Safety cones or barriers shall be employed as warning devices to highlight the vehicle fueling area.

5707.6.67 Bonding. A means for bonding the mobile fueling vehicle to the motor vehicle shall be provided. Such bonding means shall be employed during fueling operations.

~~5707.6.7 **Spill reporting.** Spills shall be reported in accordance with V-300-2.144~~

~~Section 50035809.3.1.~~

~~— 5707.7 **Training.** Mobile fueling vehicles shall be operated only by designated personnel who are trained on proper fueling procedures and the safety and emergency response plan. The vehicle operator training shall be approved by the fire code official.~~

V-300-2.112

~~— Section 5803.3 is hereby added to the California Fire Code, 2016 Edition, to read as follows:~~

~~— **Section 5803.3 Mobile fueling of hydrogen vehicles.** Mobile fueling of hydrogen vehicles is prohibited unless approved by the fire code official.~~

V-300-2.113

~~— Section 6004.4 is hereby amended to the California Fire Code, 2019 Edition, to read as follows:~~

~~**5809.3.4 Site plan.** For other than emergency roadside service, a site plan shall be developed for each location at which mobile gaseous hydrogen fueling occurs. The site plan shall be in sufficient detail to indicate: all buildings, structures, lot lines, property lines and appurtenances on site and their use and function, and the scale of the site plan.~~

V-300-2.145

~~2016~~ Section 6004 of the California Fire Code, 2019 Edition, is amended to read as follows:

HIGHLY TOXIC, TOXIC AND MODERATELY TOXIC ~~COMPRESSED GASES INCLUDING THOSE USED AS REFRIGERANTS.~~

V-300-2.146

Section 6004.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.1 General. Materials stored ~~and/or~~ used as a gas whether or not the material meets the definition of a compressed gas, and meets the definition of a highly toxic, toxic and moderately toxic gas shall comply with Section 6004.

The minimum threshold quantity for highly toxic, toxic and moderately toxic gases, vapors and mists for indoor and exterior storage and use are set forth in Table 6004.1.

Table 6004.1 Minimum Threshold Quantities for Highly Toxic, Toxic and Moderately Toxic Gases	
Highly Toxic	0 20
Toxic	10 405 cubic feet
Moderately Toxic	20 405 cubic feet

V-300-2.147

Section 6004.1.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.1.1 Special limitations for indoor storage and use by occupancy. The indoor storage and use of highly toxic, toxic and moderately toxic gases in certain occupancies shall be subject to the limitations contained in Sections 6004.1.1.1 through 6004.1.1.3.

V-300-2.148

Section 6004.1.1.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.1.1.1 Group A, E, I or U occupancies. ~~Toxic, highly~~Highly toxic, toxic and moderately toxic gases shall not be stored or used within Group A, E, I or U occupancies.

Exception: Cylinders not exceeding 20 cubic feet (0.556m³) at normal temperature and pressure (NTP) are allowed within gas cabinets or fume hoods.

V-300-2.149

Section 6004.1.1.2 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.1.1.2 Group R occupancies. ~~Toxic, highly~~Highly toxic, toxic and moderately toxic gases shall not be stored or used in Group R occupancies.

V-300-2.150

Section 6004.1.1.3 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.1.1.3 Offices, retail sales and classrooms. ~~Toxic, highly~~Highly toxic, toxic and moderately toxic gases shall not be stored or used in offices, retail sales or classroom portions of Group B, F, M or S occupancies.

Exception: In classrooms of Group B occupancies, cylinders with a capacity not exceeding 20 cubic feet (0.566 m³) at NTP are allowed in gas cabinets or fume hoods.

V-300-2.151

Section 6004.1.2 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.1.2 Gas cabinets. Gas cabinets containing highly toxic, toxic and moderately toxic gases shall comply with Section 5003.8.6 and the following requirements:

1. The average ventilation velocity at the face of gas cabinet access ports or windows shall not be less than 200 cubic feet per minute (1.02 m/s) with a minimum of 150 feet per minute (0.76 m/s) at any point of the access port or window.
2. Gas cabinets shall be connected to an exhaust system.
- ~~3.~~ Gas cabinets shall not be used as the sole means of exhaust for any room or area.
- ~~3.4.~~ The maximum number of cylinders located in a single gas cabinet shall not exceed three, except that cabinets containing cylinders not exceeding 1 pound (0.454 kg) net contents are allowed to contain up to 100 cylinders.
5. Gas cabinets required by Section 6004.2 or 6004.3 shall be equipped with an approved automatic sprinkler system in accordance with Section 903.3.1.1. Alternative fire-extinguishing systems shall not be used.

V-300-2.152

Section 6004.1.3 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.1.3 Exhausted enclosures. Exhausted enclosures containing highly toxic, toxic or moderately toxic gases shall comply with Section 5003.8.5 and the following requirements:

1. The average ventilation velocity at the face of the enclosure shall not be less than 200 feet per minute (1.02 m/s) with a minimum of 150 feet per minute (0.76 m/s).
2. Exhausted enclosures shall be connected to an exhaust system.
3. Exhausted enclosures shall not be used as the sole means of exhaust for any room or area.

Exhausted enclosures required by Section 6004.2 or 6004.3 shall be equipped with an approved automatic sprinkler system in accordance with Section 903.3.1.1. Alternative fire-extinguishing system shall not be used.

~~6004.1.4 Automatic Shut-Off Valve.~~ V-300-2.153

Section 6004.1.4 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.1.4 Automatic shut-off valve. If gas monitoring is not provided, an automatic shut-off valve, which is of a fail-safe to close design, shall be provided to shutoff the supply of toxic and moderately toxic gases upon failure of the required gas cabinet or exhausted enclosure ventilation.

An automatic shut-off valve, which is of a fail-safe to close design, shall be provided to shut off the supply of highly toxic gases for any of the following:

1. Activation of a manual fire alarm system.
2. Activation of the gas detection system.
3. Failure of emergency power.
4. Failure of primary containment.
5. Seismic activity.
6. Failure of required ventilation.
7. Manual activation at an approved remote location.

An automatic shutoff valve is not required if a manual shutoff valve at the source is readily accessible and the process is continuously attended and supervised by a qualified individual.

~~V-300-2.114~~154

Section 6004.1.5 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

6004.1.5 Emergency ~~Control Station.~~control station. Signals from emergency equipment used for highly toxic gases shall be transmitted to an ~~emergency control station or other~~ approved ~~monitoring station, which is continually staffed by trained personnel.~~location.

~~V-300-2.115~~155

Section 6004.1.6 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

6004.1.6 Maximum ~~Threshold Quantity~~threshold quantity. Toxic gases stored or used in quantities exceeding the maximum threshold quantity in a single vessel per control area or outdoor control area shall comply with the additional requirements for highly toxic gases of Section 6004 of this ~~code~~Code.

Moderately toxic gases stored or used in quantities exceeding the maximum threshold quantity. in a single vessel per control area or outdoor control area shall comply with the additional requirements for toxic gases of Section 6004 of this ~~code~~Code.

The following formula shall be used to calculate the maximum threshold quantity:

$$\text{Max TQ (pounds)} = \text{LC}_{50} \text{ (ppm)} \times 2 \text{ lb.}$$

V-300-2.116156

Section 6004.1.7 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

6004.1.7 Reduced ~~Flow Valve~~flow valve. All containers of highly toxic and toxic materials other than lecture bottles containing ~~Highly Toxic~~highly toxic material and having a vapor pressure exceeding 29 psia shall be equipped with a reduced flow valve when available. If a reduced flow valve is not available, the container shall be used with a flow-limiting device. All flow limiting devices shall be part of the valve assembly and visible to the eye when possible; otherwise, they shall be installed as close as possible to the cylinder source.

V-300-2.117157

Section 6004.1.8 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

6004.1.8 Fire ~~Extinguishing Systems~~extinguishing systems. Buildings and ~~covered exterior~~ areas for the storage and use ~~areas~~ of materials regulated by this Chapter shall be protected by an automatic fire sprinkler system in accordance with NFPA 13. The design of the sprinkler system for any room or area where highly toxic, toxic and moderately toxic gases are stored, handled or used shall be in accordance with Section 5004.5.

V-300-2.118158

Section 6004.1.9 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

6004.1.9 Local ~~Gas Shut-Off~~gas shut off. Manual activation controls shall be provided for highly toxic and toxic gases at locations near the point of use and near the source, as approved by the fire code official. The fire code official may require additional controls at other places, including, but not limited to, the entry to the building, storage or use areas, and emergency control stations. Manual activated shut-off valves shall be of a fail-safe-to-close design.

V-300-2.119159

Section 6004.1.10 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

6004.1.10 Exhaust ~~Ventilation Monitoring~~ventilation monitoring. For highly toxic ~~gases~~ and toxic gases exceeding threshold quantities, a continuous monitoring system shall be provided to assure that the required exhaust ventilation rate is maintained. The monitoring system shall initiate a local alarm. The alarm shall be both visual and audible and shall be designed to provide warning both inside and outside of the interior storage, use, or handling area.

V-300-2.120160

Section 6004.1.11 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

6004.1.11 Emergency ~~Response Plan~~response plan. If the preparation of an emergency response plan for the facility is not required by any other law, responsible persons shall prepare, or cause to be prepared, and filed with the fire code official, a written emergency response plan. If the preparation of an emergency response plan is required by other law, a responsible person shall file a copy of the plan with the fire code official.

V-300-2.121161

Section 6004.1.12 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

6004.1.12 Cylinder ~~Leak Testing~~leak testing. Cylinders shall be tested for leaks immediately upon delivery and again immediately prior to departure. Testing shall be approved by the fire code official in accordance with appropriate nationally recognized industry standards and practices, if any. Appropriate remedial action shall be immediately undertaken when leaks are detected.

V-300-2.122162

Section 6004.1.13 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

6004.1.13 Inert ~~Gas Purge System~~gas purge system. Gas systems shall be provided with dedicated inert gas purge systems. A dedicated inert gas purge system may be used to purge more than one gas, provided the gases are compatible. Purge gas systems shall be located in an approved gas cabinet unless the system operates by vacuum demand.

V-300-2.123163

Section 6004.1.14 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

6004.1.14 Seismic ~~Shutoff Valve~~shutoff valve. An automatic seismic shut-off valve, which is of a fail-safe to close design, shall be provided to shutoff the supply of highly toxic, toxic and moderately toxic gases with an LC₅₀ less than or equal to 3000 parts per million upon a seismic event within 5 seconds of a horizontal sinusoidal oscillation having a peak acceleration of 0.3G (1.47 m/sec²) and a period of 0.4 seconds.

V-300-2.124164

Section 6004.2 of the California Fire Code, 20162019 Edition, is amended to read ~~in its entirety~~ as follows:

6004.2 Indoor ~~Storage~~storage and ~~Use~~use. The indoor storage or use of highly toxic, toxic and moderately toxic compressed gases shall be in accordance with Sections 6004.2.1 through 6004.2.2.10.4. ~~The threshold quantity for highly toxic, toxic and moderately toxic gases for indoor storage and use are set forth in Table 6004.1.~~

V-300-2.125165

Section 6004.2.1 of the California Fire Code, 20162019 Edition, is amended to read ~~in its entirety~~ as follows:

6004.2.1 Applicability. The applicability of regulations governing the indoor storage and use of highly toxic, toxic, and moderately toxic gases shall be as set forth in Sections 6004.2.1.1 through 6004.2.1.5.

V-300-2.126166

Section 6004.2.1.1 of the California Fire Code, 20162019 Edition, is amended to read ~~in its entirety~~ as follows:

6004.2.1.1 Quantities ~~Not Exceeding~~not exceeding the ~~Maximum Allowable Quantity~~maximum allowable quantity per ~~Control Area~~control area. The indoor storage or use of highly toxic, toxic and moderately toxic gases in amounts exceeding the maximum allowable quantity per control area set forth in Table 5003.1.1(2) shall be in accordance with Sections 5001, 5003, 6001, 6004.2.1.4 and 6004.2.1.5.

V-300-2.127167

Section 6004.2.1.4 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

6004.2.1.4 Quantities not exceeding minimum threshold quantity per control area. The indoor storage or use of highly toxic, toxic and moderately toxic gases in amounts not exceeding the minimum threshold quantity per control area set ~~for~~forth in Table 6004.1 shall be in accordance with Sections 6001, 6004.1 and Chapter 50.

~~V-300-2.128~~

V-300-2.168

Section 6004.2.1.5 is hereby added to the California Fire Code, 20162019 Edition, to read as follows:

6004.2.1.5 Quantity exceeding the minimum threshold quantity per control area. The indoor storage or use of highly toxic, toxic and moderately gases in amounts exceeding the minimum threshold quantity per control area set forth in Table 6004.1 shall be in accordance with Sections 6001, 6004.1, 6004.2 and Chapter 50.

V-300-2.129169

Section 6004.2.2 of the California Fire Code, 20162019 Edition, is amended to read ~~in its entirety~~ as follows:

6004.2.2 General indoor requirements. The general requirements applicable to the indoor storage and use of highly toxic and toxic compressed gases shall be in accordance with Sections 6004.2.2.1 through 6004.2.2.10.4.

Moderately toxic gases with an LC₅₀ less than or equal to 3000 parts per million shall comply with the requirements for toxic gases in Sections 6004.2.2.1 through 6004.2.2.10.43.

Moderately toxic gases with an LC₅₀ more than 3000 parts per million but not greater than 5000 parts per million and exceeding the maximum threshold quantity, as determined by 6004.1.6, shall comply with the requirements for toxic gases in Sections 6004.2.2.1 through 6004.2.2.7.

Moderately toxic gases shall not be considered as toxic gases for maximum allowable quantities determinations under Table 5003.1.1(2).

V-300-2.130170

Section 6004.2.2.7 of the California Fire Code, 20162019 Edition, is amended to read ~~in its entirety~~ as follows:

6004.2.2.7 Treatment Systems~~systems~~. The exhaust ventilation from gas cabinets, exhausted enclosures, gas rooms and local exhaust systems required in Section 6004.2.2.4 and 6004.2.2.5 shall be directed to a treatment system. The treatment system shall be utilized to handle the accidental release of gas and to process exhaust ventilation. The treatment system shall be designed in accordance with Sections 6004.2.2.7.1 through 6004.2.2.7.5 and Section 510 of the California Mechanical Code.

Exceptions:

1. Highly toxic, toxic and moderately toxic gases storage. A treatment system is not required for cylinders, containers and tanks in storage when all of the following are provided:
 - 1.1. Valve outlets are equipped with gas-tight outlet plug or caps.
 - 1.2. Hand wheel-operated valves have handles secured to prevent movement.
 - 1.3. Approved containment vessels or containment systems are provided in accordance with Section 6004.2.2.3.

V-300-2.131171

Section 6004.2.2.10.28 of the California Fire Code, 20162019 Edition, is amended to read ~~in its entirety~~ as follows:

6004.2.2.8 Emergency power. For highly toxic and toxic gas systems, emergency power, in accordance with Section 1203, shall be provided for the following:

1. Exhaust ventilation system.
2. Treatment system.
3. Gas detection system.
4. Smoke detection system.
5. Temperature control system.
6. Fire alarm system.
7. Emergency alarm system.

V-300-2.172

Section 6004.2.2.10 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.2.2.10 Gas detection system. A gas detection system complying with Section 916 shall be provided to detect the presence of a highly toxic or toxic gas at or below the PEL or ceiling limit of the gas for which detection is provided. In occupied areas where gas cabinets or exhausted enclosures are not provided, the fire code official may require a cyclical basis at intervals not to exceed 5 minutes.

The system shall be capable of monitoring the discharge from the treatment system at or below one-half the IDLH limit and shall initiate a response in accordance with Sections 6004.2.2.10.1 through 6004.2.2.10.3 if the gas detection system is activated.

Exception: 2A gas detection system is not required for toxic gases when the physiological warning threshold level for the gas is at a level below the accepted PEL for the gas.

V-300-2.173

Section 6004.2.2.10.1 of the California Fire Code, 2019 Edition, is amended to read as follows:

6004.2.2.10.1 Alarms. The gas detection system shall initiate a local alarm and transmit a signal to ~~a constantly attended control station~~ an approved location when a short-term hazard condition is detected. The alarm shall be both visual and audible and shall provide warning both inside and outside the area where the gas is detected. The audible alarm shall be distinct from all other alarms.

Exception: Signal transmission to a constantly attended control station is not required where not more than one cylinder of highly toxic, toxic or moderately toxic gas is stored.

V-300-2.132174

Section 6004.2.2.10.2 of the California Fire Code, 2019 Edition is amended to read as follows:

6004.2.2.10.2 Shut off of gas supply. The gas detection system shall automatically close the shutoff valve at the source on gas supply piping and tubing related to the system being monitored for whichever gas is detected.

Exception: An automatic shutdown is not required for reactors utilized for the production of highly toxic, toxic or moderately toxic compressed gases where such reactors are:

1. Operated at pressures less than 15 pounds per square inch gauge (psig) (103.4kPa).
2. Constantly attended.
3. Provided with emergency shutoff valves that have ready access.

V-300-2.175

Section 6004.2.2.10.4 is hereby added to the California Fire Code, 2019 Edition, to read as follows:

6004.2.2.10.4 Emergency alarm. The indoor storage or use of highly toxic or toxic gases in amounts exceeding the minimum threshold quantity per control area set forth in Table 6004.1 shall also comply with Sections 5004.9 and 5005.4.4.

V-300-2.176

Section 6004.3 of the California Fire Code, ~~2016~~2019 Edition, is amended to read ~~in its entirety~~ as follows:

6004.3 Outdoor ~~Storage~~ and ~~Use~~. The outdoor storage or use of highly toxic, toxic and moderately toxic compressed gases shall be in accordance with Sections 6004.3.1 through 6004.3.4. ~~The minimum threshold quantity for highly toxic, toxic and moderately toxic gases for outdoor storage and use are set forth in Table 6004.1.~~

~~V-300-2.133~~

V-300-2.177

Section 6004.3.1 of the California Fire Code, 2016 Edition, is amended to read ~~in its entirety~~ as follows:

6004.3.1 Applicability. The applicability of regulations governing the outdoor storage and use of highly toxic, toxic, and moderately toxic gases shall be as set forth in Sections 6004.3.1.1 through 6004.3.1.5.

V-300-2.134178

Section 6004.3.1.1 of the California Fire Code, ~~2016~~2019 Edition, is amended to read ~~in its entirety~~ as follows:

6004.3.1.1 Quantities ~~Not Exceeding The Maximum Allowable Quantity Per Control Area~~ not exceeding the maximum allowable quantity per control area. The outdoor storage or use of highly toxic and toxic gases in amounts exceeding the threshold quantity per control area set forth in Table 5003.1.1(4) shall be in accordance with Sections 5001, 5003, 6001, 6004.1, and 6004.3.1.4 and 6004.3.1.5.

V-300-2.135179

Section 6004.3.1.4 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

6004.3.1.4 Quantities not exceeding minimum threshold quantity per control area. The outdoor storage or use of highly toxic, toxic and moderately toxic gases in amounts not exceeding the minimum threshold quantity per control area set for in Table 6004.1 shall be in accordance with Sections 6001, 6004.1 and Chapter 50.

~~V-300-2.136~~180

Section 6004.3.1.5 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

6004.3.1.5 Quantity exceeding the minimum threshold quantity per control area. The outdoor storage or use of highly toxic, toxic and moderately gases in amounts exceeding the minimum threshold quantity per control area set forth in Table 6004.1 shall be in accordance with Sections 6001, 6004.1, 6004.3 and Chapter 50.

~~V-300-2.137~~

~~V-300-2.181~~

Section 6004.3.2 of the California Fire Code, ~~2016~~2019 Edition, is amended to read as follows:

6004.3.2 General outdoor requirements. The general requirements applicable to the outdoor storage and use of highly toxic, toxic and moderately toxic gases shall be in accordance with Sections 6004.3.2.1 through 6004.3.2.4.

Moderately toxic gases with an LC₅₀ equal to or less than 3000 parts per million shall comply with the requirements for toxic gases in Sections 5001, 5003, 6001, 6004.1 and 6004.3.

Moderately toxic gases with an LC₅₀ more than 3000 parts per million but not greater than 5000 parts per million and exceeding the maximum threshold quantity, as determined by 6004.1.6, shall comply with the requirements for toxic gases in Sections 5001, 5003, 6001, 6004.1 and 6004.3.2.1 through 6004.3.2.4.

Moderately toxic gases shall not be considered as toxic gases for maximum allowable quantities determinations under Table 5003.1.1(4).

~~V-300-2.138~~182

Section 6004.3.3 of the California Fire Code, ~~2016~~2019 Edition, is amended to read ~~in its entirety~~ as follows:

6004.3.3 Outdoor storage weather protection for portable tanks and cylinders. Weather protection in accordance with Section 5004.13 and this section shall be provided for portable tanks and cylinders located outdoors and not within gas cabinets or exhausted enclosures. The storage area shall be equipped with an approved automatic sprinkler system in accordance with Section ~~5004.5903.3.1.1~~.

~~V-300-2.139~~183

Section 6405.3.1 is hereby added to the California Fire Code, ~~2016~~2019 Edition, to read as follows:

6405.3.1 Silane distribution systems automatic shutdown. Silane distribution systems shall automatically shut down at the source upon activation of the gas detection system at levels above the alarm level and/or failure of the ventilation system for the silane distribution system.

~~V-300-2.140~~184

~~Chapter 80 Referenced Standards is hereby amended as follows:~~

~~CGA~~

~~G-7 (2014) — Guide to Labeling and Marking of Compressed Gas~~

~~G-13 (2015) — Storage and Handling of Silane and Silane Mixtures.~~

~~ANSI/P-18 (2013) — Standard for Bulk Inert Gas Systems~~

~~S 1.2 (2009) — Pressure Relief Device Standards — Part 2 Portable Containers for Compressed Gases~~

~~V 1 (2013) — Standard for Compressed Gas Cylinder Valve Outlet and Inlet Connections~~

~~V-300-2.141~~

Section D101.1 of the ~~International~~California Fire Code, ~~2015~~2019 Edition, is amended to read in its entirety as follows:

D101.1 Scope. Fire apparatus access roads shall be in accordance with this appendix and all other applicable requirements of this ~~code~~Code.

~~V-300-2.142~~185

Section D103.1 of the ~~International~~California Fire Code, ~~2015~~2019 Edition, is amended to read in its entirety as follows:

D103.1 Access road width with a hydrant. Where a fire hydrant is located on a fire apparatus access road, the minimum road width shall be 26 feet (7925 mm). See Figure D103.1. Only conditions with 26 feet roads are applicable.

Exception: The ~~Fire Code Official~~fire code official may approve other condition that provides equivalent access.

~~V-300-2.143~~186

Section D104.1 of the ~~International~~California Fire Code, ~~2015~~2019 Edition, is amended to read in its entirety as follows:

D104.1 Buildings with two or more fire apparatus access roads. Buildings or facilities exceeding 30 feet (9144 mm), or three stories in height, or 50,000 square feet (5760m2) shall be provided with at least two means of fire apparatus access for each structure.

~~V-300-2.144~~187

Section D104.2 of the ~~International~~California Fire Code, ~~2015~~2019 Edition, is deleted in its entirety.

~~V-300-2.145~~

V-300-2.188

Section D105.2 of the ~~International~~California Fire Code, ~~2015~~2019 Edition, is amended to read in its entirety as follows:

D105.2 Width. Fire apparatus access roads shall have a minimum unobstructed width of 26 feet (7925 mm) in the immediate vicinity of any building or portion of building more than 30 feet (9144) in height.

Exception: The Fire Code Official may approve the use of other usable space/area that provides equivalent required width.

~~V-300-2.146~~189

Section D106.1 of the ~~International~~California Fire Code, ~~2015~~2019 Edition, is amended to read in its entirety as follows:

D106.1 Projects having more than 50 dwelling units. Multiple-family residential projects having more than 50 dwelling units shall be equipped throughout with two separate and approved fire apparatus access roads.

~~V-300-2.147~~190

Section D106.2 of the ~~International~~California Fire Code, ~~2016~~2019 Edition, is amended to read in its entirety as follows:

D106.2 Projects having more than 200 dwelling units. For Multiple-family residential projects having more than 200 units, the fire code official may require more than two fire apparatus access roads.

~~V-300-2.148~~191

Section D107.1 of the ~~International~~California Fire Code, ~~2016~~2019 Edition, exceptions No. 1 and No. 2 are deleted.

SECTION 4. SEVERABILITY

The provisions of this Ordinance are separable, and the invalidity of any phrase, clause, provision or part shall not affect the validity of the remainder.

SECTION 5. EFFECTIVE DATE AND POSTING

In accordance with Section 36937 of the Government Code of the State of California, this Ordinance shall take effect thirty (30) days from and after the date of its passage. The City Clerk of the City of Milpitas shall cause this Ordinance or a summary thereof to be published in accordance with Section 36933 of the Government Code of the State of California.



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Conduct a Public Hearing and Adopt Ordinance No. 65.147 Relating to Code Administration and Adopting by Reference the 2019 California Building Codes with Amendments
Category:	Public Hearings-Community Development
Meeting Date:	12/3/2019
Staff Contacts:	Sharon Goei, Director of Building Safety and Housing, 408-586-3260 Bill Tott, Building Official, 408-586-3263
Recommendations:	1. Open the public hearing; hear testimony, then move to close the public hearing. 2. Waive the second reading and adopt Ordinance No. 65.147 amending Chapters 1, 3, 3.5, 4, 5, 6, 7, 10, 13, 14, 150, and 170 of Title II of the Milpitas Municipal Code relating to Code Administration; adopting by reference the 2019 California Building Code, 2019 California Residential Code, 2018 International Property Maintenance Code, 2019 California Mechanical Code, 2019 California Electrical Code, 2019 California Plumbing Code, 2018 International Swimming Pool and Spa Code, 2019 California Existing Building Code, and 2019 California Historical Building Code, with amendments; and amending regulations pertaining to grading, excavation, paving, and erosion control, and gas shut-off devices.

Background:

On November 5, 2019, the Council introduced Ordinance No. 65.147 and set a public hearing on December 3, 2019 for adoption of the ordinance pursuant to Government Code Section 50022.3. Notice of the public hearing was published on November 15 and 22, 2019 pursuant to Government Code Section 6066. There were no changes to the Ordinance from the first reading; the Ordinance has been updated and is ready for its second reading and adoption.

Analysis:

Adoption of the new 2019 codes will ensure that buildings and structures in Milpitas will safeguard the health, safety, and general welfare of the public. Staff recommends that the Council adopt Ordinance No. 65.147 adopting the new codes with amendments. Please refer to the November 5 Council meeting agenda report (Attachment B) for a brief description of the amendments.

Fiscal Impact:

There is no cost to the City other than administrative staff time and expense. Staff training on the new codes is needed and has been planned for in the budget. Training has begun and will be ongoing.

Recommendations:

1. Open the public hearing; hear testimony, then move to close the public hearing.
2. Waive the second reading and adopt Ordinance No. 65.147 amending Chapters 1, 3, 3.5, 4, 5, 6, 7, 10, 13, 14, 150, and 170 of Title II of the Milpitas Municipal Code relating to Code Administration; adopting by reference the 2019 California Building Code, 2019 California Residential Code, 2018 International Property Maintenance Code, 2019 California Mechanical Code, 2019 California Electrical Code, 2019 California Plumbing Code, 2018 International Swimming Pool and Spa Code, 2019 California Existing Building Code, and 2019 California Historical Building Code, with amendments; and amending regulations pertaining to grading, excavation, paving, and erosion control, and gas shut-off devices.

Attachments:

- A. Ordinance No. 65.147
- B. November 5, 2019 City Council Meeting Agenda Report

REGULAR

NUMBER: 65.147

TITLE: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MILPITAS AMENDING CHAPTERS 1, 3, 3.5, 4, 5, 6, 7, 10, 13, 14, 150, AND 170 OF TITLE II OF THE MILPITAS MUNICIPAL CODE RELATING TO CODE ADMINISTRATION; ADOPTING BY REFERENCE THE 2019 CALIFORNIA BUILDING CODE, 2019 CALIFORNIA RESIDENTIAL CODE, 2018 INTERNATIONAL PROPERTY MAINTENANCE CODE, 2019 CALIFORNIA MECHANICAL CODE, 2019 CALIFORNIA ELECTRICAL CODE, 2019 CALIFORNIA PLUMBING CODE, 2018 INTERNATIONAL SWIMMING POOL AND SPA CODE, 2019 CALIFORNIA EXISTING BUILDING CODE, AND 2019 CALIFORNIA HISTORICAL BUILDING CODE, WITH AMENDMENTS; AND AMENDING REGULATIONS PERTAINING TO GRADING, EXCAVATION , PAVING, AND EROSION CONTROL, AND GAS SHUT-OFF DEVICES

HISTORY: This Ordinance was introduced (first reading) by the City Council at its meeting of November 5, 2019, upon motion by Councilmember Nuñez, and was adopted (second reading) by the City Council at its meeting of _____, upon motion by _____. The Ordinance was duly passed and ordered published in accordance with law by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Mary Lavelle, City Clerk

Rich Tran, Mayor

APPROVED AS TO FORM:

Christopher J. Diaz, City Attorney

RECITALS:

WHEREAS, the California Building Standards Commission has adopted and published an updated Title 24 of the California Code of Regulations, also referred to as the 2019 California Building Standards Code, that will become effective statewide on January 1, 2020; and

WHEREAS, California Health and Safety Code Sections 17958, 17958.5, 17958.7 and 18941.5 establish the authority for a city to adopt and make local amendments and modifications to the building standards in the California Building Standards Code to establish more restrictive building standards than those contained in the California Building Standards Code; and

WHEREAS, California Health and Safety Code Sections 17958, 17958.5, 17958.7 and 18941.5 permit a city to make such local amendments and modifications as the city determines are reasonably necessary because of local climatic, geological or topographical conditions; and

WHEREAS, California Health and Safety Code Sections 17958, 17958.5, 17958.7 and 18941.5 require a city, before making any amendments and modifications to the California Building Standards Code, make an express finding that such amendments and modifications are reasonably necessary because of local climatic, geological or topographical conditions; and

WHEREAS, the City of Milpitas has reviewed and intends to adopt the 2019 California Building Standards Code; and

WHEREAS, the City Council wishes to amend portions of the California Building Standards Code to better address local conditions and makes express findings that such amendments are reasonably necessary because of local climatic, geological or topographical conditions as set forth in this Ordinance.

NOW, THEREFORE, the City Council of the City of Milpitas does ordain as follows:

SECTION 1. RECORD AND BASIS FOR ACTION

The City Council has duly considered the full record before it, which may include but is not limited to the staff report, testimony by staff and the public, and other materials and evidence submitted or provided to the City Council. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.

SECTION 2. CALIFORNIA ENVIRONMENTAL QUALITY ACT

The City Council hereby finds and determines that this Ordinance has been assessed in accordance with the California Environmental Quality Act (Cal. Pub. Res. Code, § 21000 et seq.) (“CEQA”) and the State CEQA Guidelines (14 Cal. Code Regs. § 15000 et seq.) and is categorically exempt from CEQA under CEQA Guidelines, § 15061(b)(3), which exempts from CEQA any project where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. Adoption of the proposed Ordinance would not be an activity with potential to cause significant effect on the environment because the changes made to the California Building Standards Code within are enacted to mitigate the threats posed to public peace, health and safety from earthquakes, storms, floods, high winds and fire, and therefore is exempt from CEQA. Therefore, it can be seen with certainty that there is no possibility that the Ordinance in question may have a significant effect on the environment; accordingly, the Ordinance is categorically exempt from CEQA.

SECTION 3. AMENDMENT OF MILPITAS MUNICIPAL CODE TITLE II

Chapters 1, 3, 3.5, 4, 5, 6, 7, 10, 13, 14, 150, and 170 of Title II of the Milpitas Municipal Code are hereby amended with the text below to read as follows:

Chapter 1 CODE ADMINISTRATION

Chapter 1 of Title II of the Milpitas Municipal Code is hereby repealed in its entirety and replaced with the text below to read as follows:

Section 1 Purpose

II-1-1.01

The purpose of this Chapter is to provide for the administration and enforcement of codes and municipal ordinances within the Milpitas Municipal Code, Title II. For each code adopted by reference in Title II, the administration chapter of each code provides for the code's scope and administration and is hereby adopted, unless specific sections for the administration and enforcement of the codes are provided under this Chapter. Collectively with the sections in this Chapter, they provide for the administration and enforcement of the codes and municipal ordinances in Title II.

Section 2 Definitions

II-1-2.01

For the administration of Title II, the following definition applies:

HILLSIDE as used in this Title is defined as all property east of North Park Victoria Drive, Evans Road, and Piedmont Road.

Section 3 Unsafe Buildings, Structures or Building Service Equipment

II-1-3.01 Scope

All building or structures regulated by this Title that are structurally inadequate or have inadequate means of egress, or inadequate light and ventilation, or which constitute a fire hazard, or are otherwise dangerous to human life, for the purpose of this section shall be deemed in unsafe condition.

Building service equipment regulated by such codes, which constitute a fire, electrical or health hazard, or an unsanitary condition, or is otherwise dangerous to human life, for the purpose of this section, shall be deemed unsafe. Any use of buildings, structures or building service equipment constituting a hazard to safety, health or public welfare by reason of inadequate maintenance, dilapidation, obsolescence, fire hazard, disaster, damage or abandonment, for the purpose of this section, shall be deemed an unsafe use.

Parapet walls, cornices, spires, towers, tanks, statuary and other appendages or structural members which are supported by, attached to, or a part of a building and which are in deteriorated condition or otherwise unable to sustain the design loads which are specified in the Building Code are hereby designated as unsafe building appendages.

Unsafe buildings, structures or appendages and building service equipment are hereby declared to be public nuisances and shall be abated by repair, rehabilitation, demolition or removal in accordance with the procedures set forth in the latest edition of the Uniform Code for the Abatement of Dangerous Buildings or such alternate procedures as may be adopted by this jurisdiction. As an alternative, the Building Official or other employee or official of this jurisdiction as designated by the governing body may institute any other appropriate action as permitted by law to prevent, restrain, correct or abate the violation.

II-1-3.02 Notice of Correction or Abatement of Unsafe Structures

If an inspection shows a building or structure or portion thereof to be "Unsafe" as defined herein, the Building Official shall give the owner of said building or structure written notice stating the defects thereof.

Said notice may order the correction or abatement thereof by demolition, closing or repair within ninety days of the date said notice is given or such additional time as the Building Official may allow. If, in the opinion of the Building Official, such conditions can be corrected or abated by repair, the notice shall state the repair required. Notice hereunder may also be given to any mortgagee or beneficiary under any deed of trust of record.

II-1-3.03 Posting Notice of Hazardous Building

Every building which the Building Official causes to be vacated because of an immediate danger or hazard may be posted at each entrance with a notice which states: "Do Not Enter: Unsafe to Occupy: It is a misdemeanor to occupy the building or remove or deface the notice. Building Safety and Housing Department, City of Milpitas." Such notice may remain posted until the required repairs, improvements, demolition or removal are completed. Such notice shall not be removed without written permission of the Building Official, and all persons shall forthwith vacate said building and no person shall enter the building except for the purpose of making the required repairs, improvements, demolition or removal of the building.

II-1-3.04 Authority to Disconnect Utilities

The Building Official or his/her authorized representative shall have the authority to disconnect any utility service or energy supplied to the building, structure or building service equipment therein regulated by this Title in case of emergency where necessary to eliminate an immediate hazard to life or property. The Building Official shall whenever possible notify the serving utility, the owner and occupant of the building, structure or building service equipment of the decision to disconnect prior to taking such action, and shall notify such serving utility, owner and occupant of the building, structure or building service equipment, in writing, of such disconnection immediately thereafter.

This Title shall not be construed to relieve from or lessen the responsibility of any person owning, operating or controlling any building or structure for any damages to persons or property caused by defects, nor shall the City of Milpitas be held to have assumed any such liability by reasons of the inspections authorized by this Title.

II-1-3.05 Authority to Condemn Building Service Equipment

Whenever the Building Official ascertains that any building service equipment regulated in the codes has become hazardous to life, health, or property, or has become unsanitary, he/she shall order in writing that such equipment either be removed or restored to a safe or sanitary condition, as appropriate. The written notice itself shall fix a time limit for compliance with such order. Defective building service equipment shall not be maintained after receiving such notice.

When such equipment or installation is to be disconnected, a written notice of such disconnection and causes therefore will be given within 24 hours to the serving utility, the owner and occupant of such building, structure or premises.

When any building service equipment is maintained in violation of the codes and in violation of any notice issued pursuant to the provisions of this section, the Building Official shall institute any appropriate action as permitted by law to prevent, restrain, correct or abate the violation.

II-1-3.06 Connection After Order to Disconnect

No person shall make connections from any energy, fuel or power supply nor supply energy or fuel to any building service equipment which has been disconnected or ordered to be disconnected by the Building Official or the use of which has been ordered to be discontinued by the Building Official until the Building Official authorizes the reconnection and use of such equipment.

II-1-3.07 Withholding Permit

No Building or Occupancy Permit shall be issued for any building or structure unless and until:

1. All conditions imposed thereon or in connection with any development or subdivision of which it is a part (and which affect said building or structure) by the Milpitas Planning Commission or Milpitas City Council have been complied with;

2. Said building or structure and any development or subdivision of which it is a part shall be in compliance with all ordinances and statutes affecting said building or structure, development or subdivision.

II-1-3.08 Liability

Without limitation to the generality of any provision of the Milpitas Municipal Code, the duties imposed by this Title upon the Building Official, or his/her authorized representatives are discretionary and not mandatory. Neither said Official nor his/her representatives shall render himself/herself personally liable for any damage that may accrue to persons or property as a result of any act or by reason of any act or omission in the discharge of his/her duties.

The City of Milpitas, its officers or employees shall not be held to have assumed any liability by reason of the inspections authorized by such codes or approvals issued under such codes.

This Title shall not be construed to relieve or lessen the responsibility of any person owning, operating or controlling any building or structure to any damages to persons or property caused by defects, nor shall the City of Milpitas be held as assuming any liability by reasons of the inspections authorized by this Title.

II-1-3.09 Hearing

Any aggrieved person may request an informal hearing before the Building Official or his/her designee, with respect to any action taken or to be taken under the provisions of this section. Said request shall be in writing and said hearing shall be held within 2 working days of receipt of the request provided a request for a hearing shall not stay the operation of the Building Official's order unless the Building Official shall so order.

Section 4 Appeals

II-1-4.01

Appeals may be had under this Chapter, pursuant to the provisions of Section 5 of Chapter 20 of Title I – Standard Procedures Chapter of the Milpitas Municipal Code. An appeal shall stay all proceedings in furtherance of the act or decision appealed unless the Building Official whose act is appealed shall certify in writing that a stay would in his opinion cause peril to life or property. Said certificate shall contain a detailed statement of the facts out of which said peril arises and of the reasons for said opinion.

Section 5 Violations

II-1-5.01 Unlawful Acts

It shall be unlawful for any person, firm or corporation to erect, construct, enlarge, alter, repair, move, improve, remove, convert or demolish, equip, use, occupy or maintain any building structure, building service equipment, or cause or permit the same to be done in violation of this Title.

II-1-5.02 Notice of Code Violation

Whenever the Building Official has knowledge of a violation of the provisions of any Chapter of Title II of the Milpitas Municipal Code or any of the codes or appendices incorporated in any of the Chapters of said Title, or the provisions of Chapter 300, Title V of the Milpitas Municipal Code, or of the California Fire Code, California Fire Code Appendices and California Fire Code Standards adopted therein, or the State Housing Law in California Health and Safety Code, the Building Official may issue a Notice of Intent to record a Notice of Code Violation to the owner of the land where the violation is located. Notice shall be given to the owner at the address shown on the latest equalized assessment roll of the County of Santa Clara, California, or as is known to the City of Milpitas by posting on the property itself and by personal service or by certified mail, postage prepaid, and with return receipt requested.

Notice by mail may also be given (but shall not be required to be given) to any other owner of any interest in said land as may be known to the Building Official. The notice shall state that within 20 days of the date of notice, the owner may request a hearing with the Building Official to present evidence that a violation does not exist.

II-1-5.03 Recordation of Violation

Following a hearing and after consideration of the evidence presented, if the Building Official determines that a code violation in fact exists, the Building Official shall give notice either by personal service or by certified mail, postage prepaid and return receipt requested, to the owner at the address shown on the latest equalized assessment roll of the County of Santa Clara, California, or as is known to the City of Milpitas that if the violation is not corrected within 45 days of the date of personal service or mailing, or within such time as deemed appropriate by the Building Official, the Building Official shall record a Notice of Code Violation in the Office of the County Recorder of Santa Clara County, California. Unless an appeal from the Building Official's decision is filed, the Building Official shall record said notice of code violation after 45 days.

If no hearing was requested under Section II-1-5.02 and the violation continues, the Building Official shall inform the owner by personal service or certified mail that a notice of code violation shall be recorded with the County Recorder or Santa Clara County in 45 days. Unless presented with proof of complete correction, the Building Official shall record said notice of code violation after 45 days.

II-1-5.04 Civil Penalties

Any person who intentionally, accidentally or negligently violates any provision of this Title, any written authority of the Building Official or the City Manager or his or her duly authorized agents and representatives, or any provision of any permit issued pursuant to this Code may be civilly liable to the City in the sum of not less than \$100.00 but not to exceed \$1,000 per day for each day in which such violation occurs or continues. The City may petition the Superior Court to impose, assess, and recover such sums. The civil penalty provided in this Section excludes inspection costs and abatement costs, is cumulative and not exclusive, and shall be in addition to all other remedies available to the City under state and federal law and local ordinances.

Section 6 Nuisance

II-1-6.01

The erection, construction, enlarging, equipping, use, height, altering, repairing, moving, removing, conversing, demolishing, improving, occupying or maintaining of buildings or structures or the installation, alteration or repair of electrical wiring, devices, appliances, equipment, systems, or facilities, or the installation, alteration or repair of plumbing or drainage lines, equipment, systems or facilities, or the use, design, installation, alteration, repair and replacement of heating and comfort cooling equipment contrary to the provisions of this Title is unlawful and the same is hereby declared to be a public nuisance.

Section 7 Remedies

II-1-7.01

The remedies and penalties provided for by this Chapter shall be cumulative, and not exclusive, and shall be in addition to such other remedies or penalties as are provided.

Section 8 Permit Issuance

II-1-8.01 Issuance

The application, construction documents, specifications, computations and other data, filed by an applicant for permit shall be reviewed by the Building Official. Such documents may be reviewed by other departments of this jurisdiction to verify compliance with any applicable laws under their jurisdiction. If the Building Official finds that the work described in an application for a permit and the construction documents, specifications and other data filed therewith conform to the requirements of this Title and other pertinent laws and ordinances, and that the fees specified have been paid, the Building Official shall issue a permit therefore to the applicant.

The Building Official shall endorse in writing or stamp the required construction documents and specifications. Such approved construction documents and specifications shall not be changed, modified or altered without authorizations from the Building Official, and all work regulated by this Title shall be done in accordance with approved plans.

The Building Official may issue a permit for the construction of part of a building, structure or building service equipment before the entire construction documents and specifications for the whole building, structure or building service equipment have been submitted or approved, provided adequate information and detailed statements have been filed complying with all pertinent requirements of the codes. The holder of such permit shall proceed at his own risk without assurance that the permit for the entire building, structure or building service will be granted.

II-1-8.02 Retention of Construction Documents

One set of approved construction documents and computations shall be retained by the Building Official for a period of not less than 180 days from the date of completion of the permitted work covered therein; and one set of approved construction documents shall be returned to the applicant and shall be kept on the site of the building or work at all times during which the work authorized thereby is in progress.

II-1-8.03 Validity of Permit

The issuance of a permit or approval of construction documents, specifications and computations shall not be construed to be a permit for, or an approval of, any violation of any of the provisions of this Title, or any other ordinance of the jurisdiction. Permit presuming to give authority to violate or cancel the provisions of the codes shall not be valid.

The issuance of a permit based upon construction documents, specifications and other data shall not prevent the Building Official from thereafter requiring the correction of errors in said construction documents, specifications and other data, or from preventing building operations being carried on there under when in violation of this Title or of any other ordinances of this jurisdiction.

II-1-8.04 Expiration

Every permit issued by the Building Official under the provisions of this Title shall expire by limitation and become null and void, if the building or work authorized by such permit is not commenced or an inspection made within 12 months from the date of such permit, or if the building or work authorized by such permit is suspended or abandoned at any time after the work is commenced for a period of 180 days. Before such work can be recommenced, a new permit shall be first obtained and the fee therefore shall be one-half the amount required for a new permit for such work, provided no changes have been made or will be made in the original construction documents and specifications for such work; and provided further that such suspension or abandonment has not exceeded 360 days. If the suspension or abandonment exceeds 360 days, the permittee shall pay a new full permit fee for the issuance of a permit.

Any permittee holding an unexpired permit may apply for an extension of the time within which the permittee may commence work under that permit. Requests must be in writing and demonstrate that an extension is warranted because of circumstances beyond the control of the permittee. The Building Official may grant one or more extensions of time for periods not exceeding 180 days each. No permit shall be extended more than three times.

II-1-8.05 Suspension or Revocation

The Building Official may, in writing, suspend or revoke a permit issued under the provisions of this Title whenever the permit is issued in error or on the basis of incorrect information supplied, or in violation of any ordinance or regulation or any of the provisions of this Title.

Section 9 Fees

II-1-9.01 Permit Fees

The fee for each permit shall be as set forth by resolution of the City Council.

II-1-9.02 Plan Review Fees

When construction documents or other data are required to be submitted, a plan review fee shall be paid at the time of submitting construction documents and specifications for review. Said plan review fee shall be as set forth by resolution of the City Council.

When submittal documents are incomplete or changed so as to require additional plan review or when the project involves deferred submittal items, an additional plan review fee may be charged at the rate set by resolution of the City Council.

II-1-9.03 Fee Refunds

The Building Official may authorize the refunding of any fee paid hereunder when there are two permits for the same work (double permitting).

The Building Official may authorize the refunding of not more than 80 percent of the permit fee paid when no work has been done under a permit issued in accordance with this title.

The Building Official may authorize the refunding of not more than 80 percent of the plan review fee paid when an application for a permit for which a plan review fee has been paid is withdrawn or cancelled before any plan review is performed.

The Building Official shall not authorize the refunding of any fee paid except upon written application filed by the original permittee not later than 1 year after the date of fee payment.

Chapter 3 – BUILDING CODE

Chapter 3 of Title II of the Milpitas Municipal Code is hereby repealed in its entirety and replaced with the text below to read as follows:

Sections:

Section 1 – Adoption of the Building Code

Section 2 – Amendments to the Building Code

Section 1 Adoption of the Building Code

II-3-1.01

The 2019 California Building Code, published and copyrighted by the International Code Council, Inc. and the California Building Standards Commission in Part 2 of Title 24 of the California Code of Regulations, is hereby adopted and referred to, and by this reference expressly incorporated and made a part of this Chapter as though fully set forth herein. The 2019 California Building Code shall be designated and referred to as the “Building Code” for the City of Milpitas. There is one copy of said Code on file in the office of the Building Official for use and examination by the public.

Section 2 Amendments to the Building Code

II-3-2.01 Amendments: Chapter 4

Amend Section 402.5 of the California Building Code by deleting the exception.

Amend Section 403.3 of the California Building Code by deleting all exceptions.

Amend Section 404.3 of the California Building Code by deleting all exceptions.

Amend Section 410.6 of the California Building Code by deleting all exceptions.

II-3-2.02 Amendment: Section 1505.1.5

Amend Section 1505 of the California Building Code by adding Section 1505.1.5 to read as follows:

1505.1.5 Roofing requirements for hillside construction. Class A or Class B roof covering shall be required for all hillside construction.

II-3-2.03 Amendment: Section 1705.3 Exception 1

Amend Section 1705.3 Exception 1 of the California Building Code to read as follows:

1. Isolated spread concrete footings of buildings three stories or less above grade plane that are fully supported on earth or rock, where the structural design of the footing is based upon a specified compressive strength, f'_c , no greater than 2,500 pounds per square inch (psi) (17.2 MPa).

II-3-2.04 Amendment: Section 1808.1

Amend Section 1808.1 of the California Building Code by adding the following to the end of the section to read as follows:

All new foundations for building additions to R-3 occupancies shall be of the same type of foundation system as the existing structure, unless the foundation system is designed, and plans, calculations, and specifications are prepared, stamped and signed, by a California licensed engineer or architect.

Chapter 3.5 – RESIDENTIAL CODE

Chapter 3.5 of Title II of the Milpitas Municipal Code is hereby repealed in its entirety and replaced with the text below to read as follows:

Sections:

Section 1 – Adoption of the Residential Code

Section 2 – Amendments to the Residential Code

Section 1 Adoption of the Residential Code

II-3.5-1.01

The 2019 California Residential Code, published by the International Code Council, Inc. and the California Building Standards Commission in Part 2.5 of Title 24 of the California Code of Regulations, is hereby adopted and referred to, and by this reference expressly incorporated and made a part of this Chapter as though fully set forth herein. This adoption includes Appendix K. The 2019 California Residential Code shall be designated and referred to as the “Residential Code” for the City of Milpitas. There is one copy of said Code on file in the office of the Building Official for use and examination by the public.

Section 2 Amendments to the Residential Code

II-3.5-2.01 Amendment: Section R902.1.5

Amend Section R902 of the California Residential Code by adding Section R902.1.5 to read as follows:

R902.1.5 Roofing requirements for hillside construction. Class A or Class B roof covering shall be required for all hillside construction.

Chapter 4 – PROPERTY MAINTENANCE CODE

Chapter 4 of Title II of the Milpitas Municipal Code is hereby added to read as follows:

Sections:

Section 1 – Adoption of the Property Maintenance Code

Section 1 Adoption of the Property Maintenance Code

II-4-1.01

The 2018 International Property Maintenance Code, published by the International Code Council, Inc., is hereby adopted and referred to, and by this reference expressly incorporated and made a part of this Chapter as though fully set forth herein. The 2018 International Property Maintenance Code shall be designated and referred to as the “Property Maintenance Code” for the City of Milpitas. There is one copy of said Code on file in the office of the Building Official for use and examination by the public.

Chapter 5 – MECHANICAL CODE

Chapter 5 of Title II of the Milpitas Municipal Code is hereby repealed in its entirety and replaced with the text below to read as follows:

Sections:

Section 1 – Adoption of the Mechanical Code

Section 1 Adoption of the Mechanical Code

II-5-1.01

The 2019 California Mechanical Code, published and copyrighted by the International Association of Plumbing and Mechanical Officials and the California Building Standards Commission in Part 4 of Title 24 of the California Code of Regulations, is hereby adopted and referred to, and by this reference expressly incorporated and made a part of this Chapter as though fully set forth herein. The 2019 California Mechanical Code shall be designated and referred to as the “Mechanical Code” for the City of Milpitas. There is one copy of said Code on file in the office of the Building Official for use and examination by the public.

Chapter 6 – ELECTRICAL CODE

Chapter 6 of Title II of the Milpitas Municipal Code is hereby repealed in its entirety and replaced with the text below to read as follows:

Sections:

Section 1 – Adoption of the Electrical Code

Section 2 – Amendments to the Electrical Code

Section 1 Adoption of the Electrical Code

II-6-1.01

The 2019 California Electrical Code, published and copyrighted by the National Fire Protection Agency and the California Building Standards Commission in Part 3 of Title 24 of the California Code of Regulations, is hereby adopted and referred to, and by this reference expressly incorporated and made a part of this Chapter as though fully set forth herein. The adoption includes Annexes A, B, C, D, and F. The 2019 California Electrical Code shall be designated and referred to as the “Electrical Code” for the City of Milpitas. There is one copy of said Code on file in the office of the Building Official for use and examination by the public.

Section 2 Amendments to the Electrical Code

II-6-2.01

Amend Section 230.2 of the California Electrical Code by adding subsection (F) to read as follows:

230.2(F). Underground Service. All new electrical services shall be underground and installed per Section 230.30, Underground Service-Lateral Conductors. Exception: Relocation or replacement of existing electrical services at existing buildings.

II-6-2.02

Amend Section 230.70(A) of the California Electrical Code by adding subsection (4) to read as follows:

(4) Main Service Disconnect Location. The building main service disconnect and/or disconnects shall be installed on the first floor level of the building, in accordance with 230.70(A)(1), (A)(2), and (A)(3).

II-6-2.03

Amend Section 250.50 of the California Electrical Code by adding subsection (A) to read as follows:

250.50(A). Grounding System in New Buildings. Grounding electrode systems in all new buildings shall be an electrode encased by at least 50 mm (two inches) of concrete, located horizontally near the bottom or vertically, and within that portion of a concrete foundation or footing that is in direct contact with earth. The electrode shall consist of at least 6.0 m (20 feet) of one or more steel reinforcing bars or rods, of not less than 13 mm (½ inch) diameter, or consisting of at least 6.0 m (20 feet) of bare copper conductor not smaller than 4 AWG. The connection side of this concrete-encased electrode shall be located remotely away from the main electrical service equipment.

Chapter 7 – PLUMBING CODE

Chapter 7 of Title II of the Milpitas Municipal Code is hereby repealed in its entirety and replaced with the text below to read as follows:

Sections:

Section 1 – Adoption of the Plumbing Code

Section 1 Adoption of the Plumbing Code

II-7-1.01

The 2019 California Plumbing Code, published and copyrighted by the International Association of Plumbing and Mechanical Officials and the California Building Standards Commission in Part 5 of Title 24 of the California Code of Regulations, is hereby adopted and referred to, and by this reference expressly incorporated and made a part of this Chapter as though fully set forth herein. The adoption includes Appendices A, B, C, D, I, and M. The 2019 California Plumbing Code shall be designated and referred to as the “Plumbing Code” for the City of Milpitas. There is one copy of said code on file in the office of the Building Official for use and examination by the public.

Chapter 10 – SWIMMING POOL AND SPA CODE

Chapter 10 of Title II of the Milpitas Municipal Code is hereby added to read as follows:

Sections:

Section 1 – Adoption of the Swimming Pool and Spa Code

Section 1 Adoption of the Swimming Pool and Spa Code

II-10-1.01

The 2018 International Swimming Pool and Spa Code, published by the International Code Council, Inc., is hereby adopted and referred to, and by this reference expressly incorporated and made a part of this Chapter as though fully set forth herein. The 2018 International Swimming Pool and Spa Code shall be designated and referred to as the “Swimming Pool and Spa Code” for the City of Milpitas. There is one copy of said Code on file in the office of the Building Official for use and examination by the public.

Chapter 13 – GRADING, EXCAVATION, PAVING AND EROSION CONTROL

Chapter 13 Section II-13-39 subsection .02 is hereby amended to read as follows:

.02 The design guidelines for construction Best Management Practices and permanent stormwater quality protection shall conform to the City's Municipal Stormwater National Pollutant Discharge Elimination System (NPDES) permit, issued by the State of California Regional Water Quality Control Board by Order R2-2015-0049 for Municipal Regional Permit Number (MRP) CAS612008. Developers are responsible for reviewing and complying with the MRP conditions.

Chapter 14 – EXISTING BUILDING CODE

Chapter 14 of Title II of the Milpitas Municipal Code is hereby repealed in its entirety and replaced with the text below to read as follows:

Sections:

Section 1 – Adoption of the Existing Building Code

Section 1 Adoption of the Existing Building Code

II-14-1.01

The 2019 California Existing Building Code, published and copyrighted by the International Code Council, Inc. and the California Building Standards Commission in Part 10 of Title 24 of the California Code of Regulations, is hereby adopted and referred to, and by this reference expressly incorporated and made a part of this Chapter as though fully set forth herein. The adoption includes Appendices A1, A2, A3, and A5. The 2019 California Existing Building Code shall be designated and referred to as the “Existing Building Code” for the City of Milpitas. There is one copy of said Code on file in the office of the Building Official for use and examination by the public.

Chapter 150 – HISTORICAL BUILDING CODE

Chapter 150 of Title II of the Milpitas Municipal Code is hereby repealed in its entirety and replaced with the text below to read as follows:

Sections:

Section 1 – Adoption of Historical Building Code

Section 1 Adoption of the Historical Building Code

II-150-1.01

The 2019 California Historical Building Code, published and copyrighted by the International Code Council, Inc. and the California Building Standards Commission in Part 8 of Title 24 of the California Code of Regulations, is hereby adopted and referred to, and by this reference expressly incorporated and made a

part of this Chapter as though fully set forth herein. The 2019 California Historical Building Code shall be designated and referred to as the “Historical Building Code” for the City of Milpitas. There is one copy of said Code on file in the office of the Building Official for use and examination by the public.

Chapter 170 – GAS SHUT-OFF DEVICES

Chapter 170 Section II-170-2.00 is hereby amended to read as follows:

II-170-2.00 – Location of Installation

- (1) An approved Seismic Gas Shut-off Device (motion sensitive) or an approved Excess Flow Gas Shut-off Device (non-motion sensitive) shall be installed downstream of the gas utility meter where the gas line serves any new building (commercial, industrial or residential) containing fuel gas piping for which a building permit is first issued on or after the effective date of the ordinance codified in this Chapter.
- (2) An approved Seismic Gas Shut-off Device (motion sensitive) or an approved Excess Flow Gas Shut-off Device (non-motion sensitive) shall be installed downstream of gas utility meter when providing alteration or addition to the existing gas fuel line.

SECTION 4. EXPRESS FINDINGS

Pursuant to California Health and Safety Code Sections 17958.7 and 18941.5, the City Council hereby finds that the above amendments are necessary due to local climatic, geological or topographical conditions as set forth in **Exhibit A**.

SECTION 5. REPEAL OF CONFLICTING ORDINANCES

Upon adoption of each new California Building Standards Code, the Ordinance adopting the previously adopted California Building Standards Code is superseded in its entirety. This Ordinance does not repeal Ordinance No. 65.148, which adopts by reference and amends the 2019 California Energy Code, Ordinance No. 65.149, which adopts by reference and amends the 2019 California Green Building Standards Code, nor Ordinance No. 113.25, which adopts by reference and amends the 2019 California Fire Code.

SECTION 6. SEVERABILITY

The provisions of this Ordinance are separable, and the invalidity of any phrase, clause, provision or part shall not affect the validity of the remainder.

SECTION 7. EFFECTIVE DATE AND POSTING

In accordance with Section 36937 of the Government Code of the State of California, this Ordinance shall take effect thirty (30) days from and after the date of its final adoption by the City Council, but no sooner than January 1, 2020. The City Clerk of the City of Milpitas shall cause this Ordinance or a summary thereof to be published in accordance with Section 36933 of the Government Code of the State of California.

EXHIBIT A

FINDINGS IN SUPPORT OF AMENDMENTS TO TITLE 24 OF THE CALIFORNIA CODE OF REGULATIONS: LOCAL CLIMATIC, GEOLOGICAL OR TOPOGRAPHICAL CONDITIONS

Chapter 3 – BUILDING CODE

The proposed substantive amendments to the Building Code involve the following:

- (1) Automatic sprinkler systems
- (2) Roofing cover requirement for hillside areas
- (3) Special inspection exception
- (4) Foundations and foundation reinforcement

The following findings support that the above amendments and modifications are reasonably necessary because of local climatic, geological or topographical conditions:

(1) Automatic sprinkler systems

Amending the Code to remove exceptions where automatic sprinklers are not required is due to Milpitas being situated in an area of high seismic activities as indicated by the United States Geological Survey and the California Division of Mines and Geology. There is a higher level of risk for significant building damage and fire due to the higher incidence and magnitude of earthquakes in this area. Maintaining a higher level of life-safety of building occupants by providing removal of exceptions to installation of automatic fire sprinkler systems is therefore required.

(2) Roofing cover requirement for hillside areas

Amending the Code to require that the roof covering for structures in the hillside area is a minimum Class B is necessary due to the climatic conditions of the area. The hillside area has a long history of high winds, with an associated higher risk of accelerated and more significant structure damage and higher potential for related casualties.

(3) Special inspection exception

Amending the Code to require special inspection for isolated spread concrete footings of buildings of three stories or less where the structural design of the footing is based upon a specified compressive strength of concrete greater than 2,500 psi is necessary due to expansive (clay) soils and seismic activity common to this geological area.

(4) Foundations and foundation reinforcement

Amending the Code to require all new foundations for building additions to R-3 occupancies shall be of the same type of foundation system as the existing structure, unless the foundation system is designed, and plans, calculations, and specifications are prepared, stamped and signed, by a California licensed engineer or architect, is necessary due to expansive (clay) soils and seismic activity common to this geological area.

Chapter 3.5 – RESIDENTIAL CODE

The proposed substantive amendments to the Residential Code involve the following:

- (1) Roofing cover requirement for hillside areas

The following findings support that the above amendments and modifications are reasonably necessary because of local climatic, geological or topographical conditions:

(1) Roofing cover requirement for hillside areas

Amending the Code to require that the roof covering for structures in the hillside area is a minimum Class B is necessary due to the climatic conditions of the area. The hillside area has a long history of high winds, with an associated higher risk of accelerated and more significant structure damage and higher potential for related casualties.

Chapter 6 – ELECTRICAL CODE

The proposed substantive amendments to the Electrical Code involve the following:

- (1) Requirement for all new electrical services to be underground
- (2) Disconnects of electrical power for each building to be in a readily accessible location on the first floor
- (3) Grounding systems in new buildings shall be an electrode encased in concrete

The following findings support that the above amendments and modifications are reasonably necessary because of local climatic, geological or topographical conditions:

(1) Requirement for all new electrical services to be underground

Buildings in many areas of Milpitas are located in high wind areas and flood plains. Due to these local climatic conditions, amending the Code to provide for elimination of overhead services that are inherently less safe in the event of windstorms and floods will provide a higher level of safety.

(2) Disconnects of electrical power for each building to be in a readily accessible location on the first floor

Amending the Code provides for a quicker means of finding the location of the main power disconnects to buildings in the event of seismic events and related potential for fire and other emergencies. This is critical as Milpitas is located in an area of high seismic activities.

(3) Grounding systems in new buildings shall be an electrode encased in concrete

Amending the Code allows significantly higher assurances that the grounding of the building electrical system will not deteriorate and fail due to the acidic and expansive properties of local soils. Other types of grounding, such as rods, will be subject to deterioration in local soils, whereas an encased electrode will not be in contact with the soils.

Providing equipment grounding conductors enhances capability of keeping electrical systems grounded, which is important in high amperage electrical services common to the City of Milpitas.



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Introduce Ordinance No. 65.147 Relating to Code Administration and Adopting by Reference the 2019 California Building Codes with Amendments, and Set a Public Hearing on December 3, 2019 for Adoption of the Ordinance (Staff Contact: Sharon Goei, 408-586-3260)
Category:	Consent Calendar-Community Development
Meeting Date:	11/5/2019
Staff Contact:	Director of Building Safety & Housing Sharon Goei, 408-586-3260 Building Official Bill Tott, 408-586-3263
<u>Recommendations:</u>	1. Following the City Attorney's reading of the title, move to waive the first reading beyond the title and introduce Ordinance No. 65.147 amending Chapters 1, 3, 3.5, 4, 5, 6, 7, 10, 13, 14, 150, and 170 of Title II of the Milpitas Municipal Code relating to Code Administration; adopting by reference the 2019 California Building Code, 2019 California Residential Code, 2018 International Property Maintenance Code, 2019 California Mechanical Code, 2019 California Electrical Code, 2019 California Plumbing Code, 2018 International Swimming Pool and Spa Code, 2019 California Existing Building Code, and 2019 California Historical Building Code, with amendments; and amending regulations pertaining to grading, excavation, paving, and erosion control, and gas shut-off devices. 2. Set a public hearing on December 3, 2019, pursuant to California Government Code Section 50022.3, for adoption of the Ordinance.

Background:

Title 24 of the California Code of Regulations, also referred to as the California Building Standards Code, governs the design and construction of buildings and associated facilities and equipment throughout California. It is updated and published on a triennial basis by the California Building Standards Commission (CBSC) by order of the California legislature. Each code cycle update improves safety, sustainability, and resiliency, and incorporates new technology, design, and construction methods. Throughout each code adoption cycle, amendments to the codes are developed through an extensive public participation process. Milpitas staff serves on two of the six Code Advisory Committees that provide recommendations to the California Building Standards Commission. In July 2019, the CBSC published the 2019 edition of the California Building Standards Code, making this year a code adoption year.

The building regulations in the California Building Standards Code have the same force of law and take effect 180 days after their publication. On January 1, 2020, the 2019 California Building Standards Code will become effective statewide. This 2019 Code has prompted jurisdictions statewide to adopt the new code and complete local amendments as necessary.

In accordance with California Health and Safety Code, a city may establish more restrictive building standards than those in the California Building Standards Code if the city makes an express finding that each amendment is reasonably necessary because of local climatic, geological, or topographical conditions.

Analysis:

As part of the triennial code adoption cycle, and pursuant to California Health and Safety Code Sections 17958 and 18941.5, staff recommends that the City of Milpitas adopt the 2019 California Building Standards Code. The parts of the 2019 California Building Standards Code that are included in this proposed adoption

ordinance are: The California Building Code, Residential Code, Mechanical Code, Electrical Code, Plumbing Code, Existing Building Code, and Historical Building Code.

Staff also proposes several local amendments be adopted as part of the code adoption. The amendments along with the findings that support them are included in the proposed ordinance and briefly described below. If approved, the Building Official will file a copy of this ordinance with the California Building Standards Commission.

Title II Chapter 1 Code Administration:

Significant examination of current and prior referenced codes and Milpitas Municipal Code was performed. The main purpose was to remove provisions that are already contained in the referenced codes such as the Building Code, provide clarification to the administrative provisions in those referenced codes, and to carry forward or provide Milpitas-specific provisions regarding enforcement, violations, permit issuance, and fees. For each code adopted by reference in Title II (for example, the Building Code or the Mechanical Code), the administrative chapter of each code provides for the code's scope and administration. Several sections specific to Milpitas are provided under this Chapter regarding enforcement, violations, permit issuance, and fees. The administrative chapters of the referenced codes work collectively with those sections in Chapter 1 to provide for the administration and enforcement of the codes and municipal ordinances in Title II. For the section on permit issuance, language was amended to align with Assembly Bill 2913 regarding permit extension such that a permit would remain valid if the work is commenced within 12 months after permit issuance instead of 180 days under the prior code. As a result of revamping the entire administration chapter, the number of sections was reduced from 87 to 26 in Chapter 1.

Title II Chapter 3 Building Code:

The 2019 California Building Code is adopted by reference. Close examination of current and prior California Building Code and Municipal Code was performed. As for local amendments, four amendments are proposed that are necessary to address local conditions. One set of amendments is to parallel the sprinkler system amendments to the Fire Code by the Fire Prevention team. The second local amendment is to require higher classification roof covering for hillside construction to address a local climatic condition. Higher classification roof covering is effective against higher fire-test exposure. The hillside area has a history of high winds, with an associated risk of accelerated and more significant structure damage and higher potential for related casualties in a fire. The recent fire danger in the hillside makes this local amendment important. The third local amendment is to implement more stringent special inspection requirements for spread concrete footings due to the expansive (clay) soils and seismic activity common to this geological area. The fourth local amendment is to implement more stringent foundation requirements, again to address the expansive (clay) soils and seismic activity common to this geological area. Similar to Chapter 1, staff performed a thorough examination of Chapter 3 local amendments. Provisions that are already addressed in the referenced codes (including the California Building Code, Mechanical Code, and Plumbing Code) were deleted. All design methods such as national standards and all materials allowed under the California Building Code were amended to be allowed in Milpitas, as opposed to the prior Milpitas local amendments. The number of local amendment subsections was reduced from 18 to 4.

Title II Chapter 3.5 (Residential Code); Chapter 5 (Mechanical Code); Chapter 7 (Plumbing Code); Chapter 14 (Existing Building Code); and Chapter 150 (Historical Building Code):

The Residential Code was adopted and amended in a similar way as the Building Code. Same was done with the Mechanical, Plumbing, Existing Building, and Historical Building Codes.

Title II Chapter 6 Electrical Code:

The 2019 California Electrical Code is adopted by reference with three local amendments. All new electrical services are required to be underground. As some buildings in Milpitas are located in high wind areas or flood plains, amending the code to provide for elimination of overhead services that are inherently less safe in the event of disasters will provide a higher level of safety. Amending the Electrical Code to require the disconnects of electrical power for each building to be in a readily accessible location on the first floor will provide a quicker means of finding the main power disconnects in a seismic, fire, or other emergency event. Requiring grounding

systems in new buildings to be an electrode encased in concrete allows significantly higher assurances that the grounding of the building electrical system will not deteriorate and fail due to the acidic and expansive properties of local soils. Providing equipment grounding conductors enhances capability of keeping electrical systems grounded, which is important in high amperage electrical services common to the City of Milpitas.

Title II Chapter 4 (Property Maintenance Code); and Chapter 10 (Swimming Pool and Spa Code):

In addition to the California codes, the International Swimming Pool and Spa Code (ISPSC) and the International Property Maintenance Code (IPMC) are included. Staff determined that inclusion of the ISPSC is needed and deemed appropriate as it contains more detailed provisions regarding the plumbing and mechanical elements and is in line with the California Codes. The IPMC was also deemed needed and appropriate because the City Housing Code was repealed in 2007 and the City Neighborhood Preservation Ordinance does not have the requirements for housing habitability that are in the IPMC.

Title II Chapter 13 Grading, Excavation, Paving and Erosion Control:

One section was revised to update the California Regional Water Quality Control Board Order Number from R2-2009-0074 to R2-2015-0049 for the Municipal Stormwater National Pollutant Discharge Eliminations System Permit.

Title II Chapter 170 Gas Shut-off Devices:

Staff proposed to remove the requirement for excess flow valves at each gas appliance. The Milpitas Municipal Code already provides for seismic shut-off or excess flow valves at the gas meters, so this requirement to have an excess flow valve at every gas appliance outlet is redundant and in actuality, not that effective at reducing or eliminating a hazard associated with a ruptured gas line as the stipulated location of the excess flow valve is at the gas outlet for the appliance, which is immediately adjacent to, and upstream of the appliance flexible connector. The location at each gas appliance outlet does not provide protection for gas line ruptures that are upstream of the valve. An excess flow valve or seismic shut-off valve at the meter provides this protection for the entire gas piping system. In addition, manufacturers have significantly reduced their production of the smaller excess flow valves that are required at each gas appliance outlet. Local supplies have dwindled to a point where the sizes required for gas appliance outlets are so limited that the situation has caused a significant impact on the ability of developers to complete final inspections on hundreds of multi-family dwelling units and commercial projects. Furthermore, the standard gas line pressure and operating pressure of the majority of gas appliances is very low, averaging approximately $\frac{1}{4}$ pounds per square inch (psi). A seismic shut-off valve or excess flow valve located at the meter protects the entire gas piping system in the event of motion (seismic or other vibration) or non-motion events (pipe rupture). For the reasons above, staff proposed to remove the requirement for excess flow valves at each gas appliance outlet.

The California Energy Code and Green Building Standards Code are being adopted under separate ordinances due to the introduction of local amendments known as “reach codes” as part of the adoption of these codes.

Adoption of the new 2019 codes will ensure that buildings and structures in Milpitas will safeguard the health, safety, and general welfare of the public. Staff recommends that the Council introduce the proposed ordinance adopting the new codes with amendments and set a public hearing on December 3, 2019. This timeline will allow notice of the public hearing to be published once a week for two successive weeks pursuant to Government Code Section 6066.

Policy Alternatives:

Alternatives: Adopt the new codes with only a portion of the amendments; adopt the new codes without any of the amendments; or adopt the new codes with modifications to the amendments.

Pros: Adopting the new codes as base code would provide minimum safety standards.

Cons: Without the complete code adoption with amendments, the base code would provide only the minimum standards without considering local conditions in Milpitas.

Reason for Not Recommending: The alternatives would not provide the complete code adoption with amendments to address local conditions in Milpitas.

Fiscal Impact:

There is no cost to the City other than administrative staff time and expense. Staff training on the new codes is needed and has been planned for in the budget. Training has begun and will be ongoing.

California Environmental Quality Act:

The action being considered has no potential for causing a significant effect on the environment and is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3).

Recommendations:

1. Following the City Attorney's reading of the title, move to waive the first reading beyond the title and introduce Ordinance No. 65.147 amending Chapters 1, 3, 3.5, 4, 5, 6, 7, 10, 13, 14, 150, and 170 of Title II of the Milpitas Municipal Code relating to Code Administration; adopting by reference the 2019 California Building Code, 2019 California Residential Code, 2018 International Property Maintenance Code, 2019 California Mechanical Code, 2019 California Electrical Code, 2019 California Plumbing Code, 2018 International Swimming Pool and Spa Code, 2019 California Existing Building Code, and 2019 California Historical Building Code, with amendments; and amending regulations pertaining to grading, excavation, paving, and erosion control, and gas shut-off devices.
2. Set a public hearing on December 3, 2019, pursuant to California Government Code Section 50022.3, for adoption of the Ordinance.

Attachment:

Ordinance No. 65.147



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Conduct a Public Hearing; Adopt Ordinance No. 65.148 Adopting by Reference the 2019 California Energy Code with Amendments; and Adopt Ordinance No. 65.149 Adopting by Reference the 2019 California Green Building Standards Code with Amendments
Category:	Public Hearings-Community Development
Meeting Date:	12/3/2019
Staff Contact:	Sharon Goei, Director of Building Safety and Housing, 408-586-3260 Bill Tott, Building Official, 408-586-3263
Recommendation:	1. Open the public hearing; hear testimony, then move to close the public hearing. 2. Waive the second reading and adopt Ordinance No. 65.148 amending Chapter 11 of Title II of the Milpitas Municipal Code adopting by reference the 2019 California Energy Code with amendments. 3. Waive the second reading and adopt Ordinance No. 65.149 amending Chapter 19 of Title II of the Milpitas Municipal Code adopting by reference the 2019 California Green Building Standards Code with amendments.

Background:

On November 5, 2019, the Council introduced Ordinances No. 65.148 and No. 65.149 and set a public hearing on December 3, 2019 for adoption of the ordinances pursuant to Government Code Section 50022.3. Notice of the public hearing was published on November 15 and 22, 2019 pursuant to Government Code Section 6066. There were no changes to the Ordinances from the first reading; the Ordinances have been updated and are now ready for their second reading and adoption.

The City of Milpitas is participating in the Silicon Valley Clean Energy reach code grant offering, which will provide \$10,000 to the City for presenting reach codes to the City Council for consideration. After Council introduced the ordinances on November 5, 2019, staff submitted the request for the \$10,000 grant. Please see Attachment H for the SVCE Letter of Interest and the City's request.

Analysis:

The Council introduced the reach code ordinances as proposed at the November 5, 2019 Council meeting. The agenda report and attachments from that meeting are included for reference.

As noted in the November 5 agenda report, staff conducted a series of outreach and engagement meetings on the proposed reach codes with stakeholders, including developers, design professionals, the Building Industry Association, and community members. Since November 5, staff provided an update at the Community Development Roundtable on November 14 on the proposed reach codes and the outcome of the November 5 Council discussion. Support was expressed for the current staff proposal as introduced by Council on November 5, which the participants felt was a reasonable approach to increase energy efficiency, electrification-readiness, and electric vehicle charging infrastructure.

Since November 5, 2019, the International Brotherhood of Electrical Workers Local Union No. 332 forwarded an e-mail letter (Attachment J) to the City stating its support to adopt reach codes and its commitment to provide training which will yield the workforce needed to deliver services and install innovative technologies.

As noted in the November 5, 2019 agenda report, the California Energy Code amendments become effective and enforceable by the City on the date of approval by the California Energy Commission (CEC). If adopted

the City Council on December 3, 2019, staff projects that the Milpitas amendments to the Energy Code will become effective and enforceable in February or March 2020 given the 60-day public comment period required by the CEC review/approval process.

The California Green Building Standards Code (CALGreen) amendments pertaining to electric vehicle charging do not require submittal and approval by the CEC. If adopted by the City Council on December 3, 2019, these amendments will become effective on January 1, 2020 along with the 2019 CALGreen.

Fiscal Impact:

There is no cost to the City other than administrative staff time and expense. The City of Milpitas is participating in the Silicon Valley Clean Energy reach code grant offering, which will provide \$10,000 to the City for presenting reach codes to the City Council for consideration.

Recommendations:

1. Open the public hearing; hear testimony, then move to close the public hearing.
2. Waive the second reading and adopt Ordinance No. 65.148 amending Chapter 11 of Title II of the Milpitas Municipal Code adopting by reference the 2019 California Energy Code with amendments.
3. Waive the second reading and adopt Ordinance No. 65.149 amending Chapter 19 of Title II of the Milpitas Municipal Code adopting by reference the 2019 California Green Building Standards Code with amendments.

Attachments:

- A. Ordinance No. 65.148 – adopting by reference the 2019 California Energy Code with amendments
- B. Ordinance No. 65.149 – adopting by reference the 2019 California Green Building Standards Code with amendments
- C. Summary of proposed Energy reach codes (proposed amendments to the 2019 California Energy Code)
- D. Summary of proposed Green Building reach codes (proposed amendments to the 2019 California Green Building Standards Code)
- E. SummerHill comments, EV infrastructure proposal, Lyon Living comments, and The CORE Companies comments
- F. PG&E letter
- G. WPGA letter
- H. SVCE Letter of Interest (LOI) and City's Request for \$10,000 Reach Code Grant
- I. Reach Code Efforts in Other Cities
- J. IBEW letter
- K. November 5, 2019 City Council Meeting Agenda Report

REGULAR

NUMBER: 65.148

TITLE: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MILPITAS
AMENDING CHAPTER 11 OF TITLE II OF THE MILPITAS MUNICIPAL CODE
ADOPTING BY REFERENCE THE 2019 CALIFORNIA ENERGY CODE WITH
AMENDMENTS

HISTORY: This Ordinance was introduced (first reading) by the City Council at its meeting of November 5, 2019, upon motion by Councilmember Phan, and was adopted (second reading) by the City Council at its meeting of _____, upon motion by _____. The Ordinance was duly passed and ordered published in accordance with law by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Mary Lavelle, City Clerk

Rich Tran, Mayor

APPROVED AS TO FORM:

Christopher J. Diaz, City Attorney

RECITALS:

WHEREAS, the California Building Standards Commission has adopted and published an updated Title 24 of the California Code of Regulations, also referred to as the 2019 California Building Standards Code, that will become effective statewide on January 1, 2020; and

WHEREAS, California Health and Safety Code Sections 17958, 17958.5, 17958.7 and 18941.5 establish the authority for a city to adopt and make local amendments and modifications to the building standards in the California Building Standards Code to establish more restrictive building standards than those contained in the California Building Standards Code; and

WHEREAS, California Health and Safety Code Sections 17958, 17958.5, 17958.7 and 18941.5 permit a city to make such local amendments and modifications as the city determines are reasonably necessary because of local climatic, geological or topographical conditions; and

WHEREAS, California Health and Safety Code Sections 17958, 17958.5, 17958.7 and 18941.5 require a city, before making any amendments and modifications to the California Building Standards Code, make an express finding that such amendments and modifications are reasonably necessary because of local climatic, geological or topographical conditions; and

WHEREAS, the City of Milpitas has reviewed and intends to adopt the 2019 California Energy Code; and

WHEREAS, pursuant to Public Resources Code Section 25402.1(h)(2), Section 10-106 Locally Adopted Energy Standards of the California Administrative Code, Title 24 of the California Code of Regulations, Part I, and the California Energy Commission's submission and approval process, the City Council finds that the requirements below will save energy and are cost-effective within the City; and

WHEREAS, the City Council wishes to amend portions of the California Energy Code to better address local conditions and makes express findings that such amendments are reasonably necessary because of local climatic, geological or topographical conditions as set forth in this Ordinance; and

WHEREAS, the City Council affirms that such modifications will result in designs that consume no more energy than that permitted under the 2019 California Energy Code.

NOW, THEREFORE, the City Council of the City of Milpitas does ordain as follows:

SECTION 1. RECORD AND BASIS FOR ACTION

The City Council has duly considered the full record before it, which may include but is not limited to the staff report, testimony by staff and the public, and other materials and evidence submitted or provided to the City Council. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.

SECTION 2. CALIFORNIA ENVIRONMENTAL QUALITY ACT

The City Council hereby finds and determines that this Ordinance has been assessed in accordance with the California Environmental Quality Act (Cal. Pub. Res. Code, § 21000 et seq.) ("CEQA") and the State CEQA Guidelines (14 Cal. Code Regs. § 15000 et seq.) and is categorically exempt from CEQA under CEQA Guidelines, § 15061(b)(3), which exempts from CEQA any project where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. Adoption of the proposed Ordinance would not be an activity with potential to cause significant effect on the environment

because the changes made to the California Energy Code within are enacted to provide more protection to the environment, and therefore is exempt from CEQA. It is also exempt from CEQA pursuant to CEQA Guidelines, § 15038 which exempts actions taken by regulatory agencies for the enhancement and protection of the environment. As such, the Ordinance is categorically exempt from CEQA.

SECTION 3. AMENDMENT OF MILPITAS MUNICIPAL CODE TITLE II, CHAPTER 11

Chapter 11 of Title II of the Milpitas Municipal Code is hereby repealed in its entirety and replaced with the text below to read as follows:

Chapter 11 ENERGY CODE

Sections:

Section 1 – Adoption of the Energy Code

Section 2 – Amendments to the Energy Code

Section 1 Adoption of the Energy Code

II-11-1.01

The 2019 California Energy Code, published and copyrighted by the International Code Council, Inc. and the California Building Standards Commission in Part 6 of Title 24 of the California Code of Regulations, is hereby adopted and referred to, and by this reference expressly incorporated and made a part of this Chapter as though fully set forth herein. The adoption includes Appendices 1-A and 1-B. The 2019 California Energy Code shall be designated and referred to as the “Energy Code” for the City of Milpitas. There is one copy of said Code on file in the office of the Building Official for use and examination by the public.

Section 2 Amendments to the Energy Code

II-11-2.01

Amend Section 100.1(b) of the Energy Code by adding the following definitions to read as follows:

ALL-ELECTRIC BUILDING is a building that has no natural gas or propane plumbing installed within the building and that uses electricity as the only source of energy for space heating, water heating (including pools and spas), cooking appliances, and clothes drying appliances.

CERTIFIED ENERGY ANALYST is a person registered as a Certified Energy Analyst with the California Association of Building Energy Consultants as of the date of submission of a Certificate of Compliance as required under Section 10.103.

ELECTRICALLY HEATED MIXED-FUEL BUILDING is a mixed-fuel building that uses electricity as the source of energy for space heating and water heating appliances, including pools and spas, but uses gas or propane as fuel for cooking appliances or clothes drying appliances or is plumbed for such equipment.

FREE STANDING ACCESSORY DWELLING UNIT is a detached building that is not intended for sale separate from the primary residence, on a lot in any zoning district where a single-family detached primary dwelling or two-family dwelling has been legally established or is proposed to be established in conjunction with construction of an accessory dwelling unit, and does not exceed 50% of the existing living area or 800 square feet of total living area in the Non-Hillside Combining District, or 50% of the existing living area or 1,200 square feet in the Hillside Combining District, whichever is smaller.

MIXED-FUEL BUILDING is a building that is plumbed for the use of natural gas or propane as fuel for space heating, water heating (including pools and spas), cooking appliances or clothes drying appliances.

II-11-2.02

Amend Section 140.0(b) of the Energy Code to read as follows:

(b) The requirements of Sections 120.0 through 130.5 (mandatory measures for nonresidential, high-rise residential and hotel/motel buildings) and:

1. **Electric Readiness.** Mixed-fuel buildings shall include the following components for each gas terminal or stub-out for the appliance it is designed to serve:

A. Water Heating

- i. A dedicated 208 / 240-volt 30 amp or greater electrical receptacle that is connected to the electrical panel with conductors of adequate ampacity, installed within 3 feet from the water heater and accessible with no obstructions;
- ii. The ends of the conductors for this branch circuit terminating inside the electrical panel shall be labeled with the words “For Future Water Heating” and be electrically isolated;
- iii. A reserved double pole circuit breaker space in the electrical panel for the branch circuit above and labeled with the words “For Future Heat Pump Water Heater”;
- iv. All electrical components including conductors, receptacles, and other components related to this section shall be installed in accordance with the current California Electrical Code.

B. Clothes Drying

- i. A dedicated 208 / 240-volt, 40 amp or greater electrical receptacle that is connected to the electrical panel with conductors of adequate ampacity, installed within 3 feet of the appliance and accessible with no obstructions;
- ii. The ends of the conductors for this branch circuit terminating inside the electrical panel shall be labeled with the words “For Future Heat Pump Clothes Dryer” and be electrically isolated;
- iii. A reserved double pole circuit breaker space in the electrical panel for the branch circuit above and labeled with the words “For Future Heat Pump Clothes Dryer”;
- iv. All electrical components including conductors, receptacles, and other components related to this section shall be installed in accordance with the current California Electrical Code.

C. Cooktop or Range

- i. A dedicated 208 / 240-volt, 50 amp or greater electrical receptacle that is connected to the electrical panel with conductors of adequate ampacity, installed within 3 feet of the appliance and accessible with no obstructions;
- ii. The ends of the conductors for this branch circuit terminating inside the electrical panel shall be labeled with the words “For Future Electric Range” and be electrically isolated;
- iii. A reserved double pole circuit breaker space in the electrical panel adjacent to the branch circuit conductors and labeled with the words “For Future Electric Range”;

- iv. All electrical components including conductors, receptacles, and other components related to this section shall be installed in accordance with the current California Electrical Code.

D. Stand-Alone Cooking Oven

- i. A dedicated 208 / 240-volt, 50 amp or greater electrical receptacle that is connected to the electrical panel with conductors of adequate ampacity installed within 3 feet of the appliance and accessible with no obstructions;
- ii. The ends of the conductors for this branch circuit terminating inside the electrical panel shall be labeled with the words “For Future Electric Oven” and be electrically isolated;
- iii. A reserved double pole circuit breaker space in the electrical panel adjacent to the branch circuit conductors and labeled with the words “For Future Electric Oven”;
- iv. All electrical components including conductors, receptacles, and other components related to this section shall be installed in accordance with the current California Electrical Code.

2. Solar Photovoltaic Systems. Solar photovoltaics shall be installed as follows:

- A. New non-residential buildings with less than 10,000 square feet of gross floor area shall provide a minimum of a 3-kilowatt photovoltaic system.
- B. New non-residential buildings greater than or equal to 10,000 square feet of gross floor area shall provide a minimum of a 5-kilowatt photovoltaic system.

EXCEPTION to Section 140.0(b)2: As an alternative to a solar photovoltaic system, all of the building types listed above may provide a solar hot water system (solar thermal) with a minimum collector area of 40 square feet, additional to any other solar equipment otherwise required for compliance with Part 6.

II-11-2.03

Amend Section 140.1 of the Energy Code to read as follows:

An addition to an existing building or a newly constructed All-Electric Building complies with the performance approach if the energy budget calculated for the Proposed Design Building under Subsection (b) is no greater than the energy budget calculated for the Standard Design Building under Subsection (a).

A newly constructed Mixed-Fuel Building complies with the performance approach if the energy budget calculated for the Proposed Design Building under Subsection (b) has a compliance margin, relative to the energy budget calculated for the Standard Design Building under Subsection (a), of at least the value specified for the corresponding occupancy type in Table 140.1 below.

Table 140.1 MIXED FUEL BUILDING COMPLIANCE MARGINS

Occupancy Type	Compliance Margins
Office / Mercantile	14%
All other occupancies	6%

(a) Energy Budget for the Standard Design Building. The energy budget for the Standard Design Building is determined by applying the mandatory and prescriptive requirements to the Proposed Design Building. The energy budget is the sum of the TDV energy for space-conditioning, indoor lighting, mechanical ventilation, service water heating, and covered process loads.

(b) Energy Budget for the Proposed Design Building. The energy budget for a Proposed Design Building is determined by calculating the TDV energy for the Proposed Design Building. The energy budget is the sum of the TDV energy for space-conditioning, indoor lighting, mechanical ventilation and service water heating and covered process loads.

(c) Calculation of Energy Budget. The TDV energy for both the Standard Design Building and the Proposed Design Building shall be computed by Compliance Software certified for this use by the Commission. The processes for Compliance Software approval by the Commission are documented in the ACM Approval Manual.

EXCEPTION to Section 140.1: For newly constructed buildings, if the Certificate of Compliance is prepared by a Certified Energy Analyst and the energy budget for the Proposed Design Building is no greater than the Standard design Building, the required compliance margin is reduced by 1%.

II-11-2.04

Amend Section 140.2 of the Energy Code to read as follows:

To comply using the prescriptive approach, a building shall be designed with and shall have constructed and installed systems and components meeting the applicable requirements of Sections 140.3 through 140.9 and additionally the following measures as applicable, intended to exceed the prescriptive requirements:

- a) Mixed-Fuel Buildings of Hotel, Motel, and High-Rise Multifamily Occupancies
 - 1. Install fenestration with a solar heat gain coefficient no greater than 0.22.
 - 2. Design Variable Air Volume (VAV) box minimum airflows to be equal to the zone ventilation minimums.
 - 3. Include economizers and staged fan control in air handlers with a mechanical cooling capacity $\geq 33,000$ Btu/h.
 - 4. Reduce the total lighting power density (Watts/ft²) by ten percent (10%) from that required from Table 140.6-C.
 - 5. In common areas, without claiming any Power Adjustment Factor credits, do the following:
 - A. Control to daylight dimming plus off per Section 140.6(a)2H; and
 - B. Perform Institutional Tuning per Section 140.6(a)2J.
 - 6. Install one drain water heat recovery device per every three guest rooms that is field verified as specified in the Reference Appendix RA3.6.9.
- b) All Other Mixed-Fuel Nonresidential Buildings
 - 1. Install fenestration with a solar heat gain coefficient no greater than 0.22.
 - 2. Limit the fenestration area on east-facing and west-facing walls to one-half of the average amount of north-facing and south-facing fenestration.
 - 3. Design Variable Air Volume (VAV) box minimum airflows to be equal to the zone ventilation minimums.
 - 4. Include economizers and staged fan control in air handlers with a mechanical cooling capacity $\geq 33,000$ Btu/h.
 - 5. Reduce the total lighting power density (Watts/ft²) by ten percent (10%) from that required from Table 140.6-C.
 - 6. Improve lighting without claiming any Power Adjustment Factor credits:
 - A. In office spaces, control to daylight dimming plus off per Section 140.6(a)2H;
 - B. Install Occupant Sensing Controls in Large Open Plan Offices per Section 140.6(a)2I;
 - C. Perform Institutional Tuning per Section 140.6(a)2J.

II-11-2.05

Amend the first and second paragraph of Section 150.0 of the Energy Code to read as follows:

Low-rise residential buildings shall comply with the applicable requirements of Sections 150(a) through 150(s).

NOTE: The requirements of Sections 150.0(a) through 150.0(s) apply to newly constructed buildings, free standing accessory dwelling units, and additions. Sections 150.2(a) and 150.2(b) specify which requirements of Sections 150.0(a) through 150.0(s) also apply to additions or alterations.

II-11-2.06

Amend Section 150.0(h) of the Energy Code by adding item 5 to read as follows:

5. Systems using natural gas or propane space heating equipment shall include the following components:

- A. A designated exterior location for a future heat pump compressor unit with either a drain or natural drainage for condensate from possible future operation as cooling equipment.
- B. A dedicated 208/240 volt, 30 amp or greater electrical circuit that is connected to the electric panel with conductors of adequate capacity, terminating within 3 feet of the designated future location of the compressor unit, and accessible with no obstructions. In addition, all of the following:
 - i. The ends of the conductors for the branch circuit terminating inside the electrical panel shall be labeled with the words “For Future Heat Pump Space Heater” and be electrically isolated;
 - ii. A reserved double pole circuit breaker space in the electrical panel adjacent to the branch circuit conductors and labeled with the words “For Future Heat Pump Space Heater”;
 - iii. All electrical components including conductors, receptacles, and other components related to this section shall be installed in accordance with the current California Electrical Code.

EXCEPTION to Section 150.0(h)5. If a 240-volt 30 amp or greater electrical circuit and compressor unit location exists for space cooling equipment.

II-11-2.07

Amend Section 150.0(n) item 1.A. of the Energy Code to read as follows:

1. Systems using natural gas or propane water heaters to serve individual dwelling units shall include the following components:

- A. A dedicated 240-volt, 30 amp or greater electrical receptacle that is connected to the electric panel with a 240 volt 3 conductor, 10 AWG copper branch circuit, within 3 feet from the water heater and accessible to the water heater with no obstructions. In addition, all of the following:
 - i. The ends of the conductors for the branch circuit that terminates inside the electrical panel shall be labeled with the words “For Future Heat Pump Water Heater” and be electrically isolated;
 - ii. A reserved double pole circuit breaker space in the electrical panel adjacent to the circuit breaker for the branch circuit in A above and labeled with the words “For Future Heat Pump Water Heater”;

- iii. All electrical components including conductors, receptacles, and other components related to this section shall be installed in accordance with the current California Electrical Code.

II-11-2.08

Amend Section 150.0(n) of the Energy Code by adding item 5 to read as follows:

- 5. Systems using natural gas or propane water heaters to serve multiple dwelling units and/or common areas shall:
 - A. Be located in a space that can accommodate a heat pump water heating system of equivalent capacity and performance; and
 - B. Have a condensate drain that is no more than 2 inches higher than the base of the installed water heater, and allows natural draining without pump assistance; and
 - C. Include designated raceways and reserved capacity on the main electrical panel and subpanels, if applicable, sufficient to power a heat pump hot water heater of equivalent capacity and performance. Plans shall include calculations and installations for equivalent capacity and performance, electrical power, conductor sizes and panel capacities in accordance with the California Electrical Code.

II-11-2.09

Amend Section 150.0 of the Energy Code by adding Subsection (s) to read as follows:

- s) **Clothes Drying and Cooking.** Buildings plumbed for natural gas or propane clothes drying or cooking equipment shall include the following components for each gas terminal or stub out:
 - 1. Clothes Drying
 - A. A dedicated 208/240-volt, 40 amp or greater electrical receptacle that is connected to the electric panel with conductors of adequate capacity, within 3 feet of the appliance and accessible with no obstructions;
 - B. The ends of the conductors for the branch circuit terminating inside the electrical panel shall be labeled with the words, "For Future Heat Pump Clothes Dryer" and be electrically isolated;
 - C. A reserved double pole circuit breaker space in the electrical panel adjacent to the branch circuit conductors and labeled with the words, "For Future Heat Pump Clothes Dryer";
 - D. All electrical components including conductors, receptacles, and other components related to this section shall be installed in accordance with the current California Electrical Code.
 - 2. Cooktop
 - A. A dedicated 208/240-volt, 50 amp or greater electrical receptacle that is connected to the electric panel with conductors of adequate capacity, within 3 feet of the appliance and accessible with no obstructions;
 - B. The ends of the conductors for the branch circuit terminating inside the electrical panel shall be labeled with the words, "For Future Electric Range" and be electrically isolated;
 - C. A reserved double pole circuit breaker space in the electrical panel adjacent to the branch circuit conductors and labeled with the words, "For Future Electric Oven";
 - D. All electrical components including conductors, receptacles, and other components related to this section shall be installed in accordance with the current California Electrical Code.
 - 3. Stand Alone Cooking Oven
 - A. A dedicated 208/240-volt, 50 amp or greater receptacle within 3 feet of the appliance and accessible with no obstructions;

- B. The ends of the conductors for the branch circuit terminating inside the electrical panel shall be labeled with the words, “For Future Electric Oven” and be electrically isolated;
- C. A reserved double pole circuit breaker space in the electrical panel adjacent to the branch circuit conductors and labeled with the words, “For Future Electric Oven”;
- D. All electrical components including conductors, receptacles, and other components related to this section shall be installed in accordance with the current California Electrical Code.

II-11-2.10

Amend Section 150.1(b) item 1 through item 2 of the Energy Code to read as follows:

- b) **Performance Standards.** A building complies with the performance standards if the energy consumption calculated for the Proposed Design Building is no greater than the energy budget calculated for the Standard Design Building using Commission-certified compliance software as specified by the Alternative Calculation Methods Approval Manual. Additionally, Mixed-Fuel Buildings must reach an EDR margin above the Standard Design in order to comply with performance standards.
 - 1. **Newly Constructed Buildings.** The Energy Budget for newly constructed buildings is expressed in terms of the Energy Design Rating, which is based on TDV energy. The Energy Design Rating (EDR) has two components, the Energy Efficiency Design Rating, and the Solar Electric Generation and Demand Flexibility Design Rating. The Solar Electric Generation and Demand Flexibility Design Rating shall be subtracted from the Energy Efficiency Design Rating to determine the Total Energy Design Rating. The Proposed Building shall separately comply with the Energy Efficiency Design Rating and the Total Energy Design Rating in the following ways:
 - A. **All-Electric Building or a Free Standing Accessory Dwelling Unit.** All Electric Buildings or Free Standing Accessory Dwelling Units comply if both the Total Energy Design Rating and the Energy Efficiency Design Rating for the Proposed Design Building are no greater than the corresponding Energy Design Ratings for the Standard Design Building.
 - B. **Electrically-Heated Mixed-Fuel Buildings.** Buildings with a permanent supply of electricity as the only source of energy for water-heating and space-heating comply if:
 - a. **Single family.** The energy consumption calculated for the Proposed Design Building shall be at least 2 EDR points less than the Energy Efficiency Design Rating calculated for the Standard Design Building.
 - b. **Multifamily.** The energy consumption calculated for the Proposed Design Building shall be at least 1 EDR point less than the Energy Efficiency Design Rating calculated for the Standard Design Building.
 - C. **Mixed-Fuel Buildings:** A Mixed-fuel Building complies with the performance standards if the Energy Efficiency Design Rating of the Proposed Building is no greater than the Energy Efficiency Design Rating for the Standard Design Building and:
 - a. **Single family.** The energy consumption calculated for the Proposed Design Building shall be at least 10 EDR points less than the Total Energy Design Rating calculated for the Standard Design Building.
 - b. **Multifamily.** The energy consumption calculated for the Proposed Design Building shall be at least 11 EDR Points less than the Total Energy Design Rating calculated for the Standard Design Building.

EXCEPTION to Section 150.1(b)1.C. Buildings with limited solar access are excepted if all of the following are true:

- a. The Total Energy Design Rating for the Proposed Building is no greater than the Standard Design Building; and
- b. A photovoltaic (PV) system(s) meeting the minimum qualification requirements as specified in Joint Appendix JA11 is installed on all available areas of 80 contiguous square feet or more with effective annual solar access. Effective annual solar access shall be 70 percent or greater of the output of an unshaded PV array on an annual basis, wherein shade is due to existing permanent natural or manmade barriers external to the dwelling, including but not limited to trees, hills, and adjacent structures; and
- c. The Energy Efficiency Energy Design Rating for the Proposed Building is no greater than the respective value for the Standard Design Building by the EDR margin in Table 150.1(b)1 below.

Table 150(b)1

Building Type	Energy Efficiency EDR Margin
Single Family	2
Multifamily	1

EXCEPTION to Section 150.1(b)1. A community shared solar electric generation system, or other renewable electric generation system, and/or community shared battery storage system, which provides dedicated power, utility energy reduction credits, or payments for energy bill reductions, to the permitted building and is approved by the Energy Commission as specified in Title 24, Part 1, Section 10-115, may offset part or all of the solar electric generation system Energy Design Rating required to comply with the Standards, as calculated according to methods established by the Commission in the Residential ACM Reference Manual.

2. **Additions and Alterations to Existing Buildings.** The Energy Budget for additions and alterations is expressed in terms of TDV energy. A building complies with the performance standards if the energy consumption calculated for the Proposed Design Building is no greater than the energy budget calculated for the Standard Design Building.

II-11-2.11

Amend Section 150.1(b) item 3A of the Energy Code to read as follows (note that Exception remains):

3. **Compliance Demonstration Requirements for Performance Standards.**

- A. **Certificate of Compliance and Application for a Building Permit.** The application for a building permit shall include documentation pursuant to Sections 10-103(a)1 and 10-103(a)2 which demonstrates, using an approved calculation method, that the building has been designed so that its Energy Efficiency Design Rating and the total EDR meets or exceeds the Standard design EDR for the applicable Climate Zone. The Certificate of Compliance must be prepared and signed by a Certified Energy Analyst.

II-11-2.12

Amend Section 150.1(c) of the Energy Code by adding item 15 to read as follows:

15. **Additional Prescriptive Requirements for Mixed-Fuel Buildings.**

- A. **Mixed-Fuel Single Family**
 - a. Ducts shall comply with 2019 Reference Appendices RA3.1.4.1.3, which requires that all ductwork shall be located entirely in conditioned space and shall be confirmed to have

less than or equal to 25 cfm leakage to outside when measured as specified by Section RA3.1.4.3.8.

- b. Slab floor perimeter insulation shall be installed with an R-value equal to or greater than R10. The minimum depth of concrete-slab floor perimeter insulation shall be 16 inches or the depth of the footing of the building, whichever is less.
- c. Design the hot water distribution system to meet minimum requirements for the basic compact hot water distribution credit according to the procedures outlined in the 2019 Reference Appendices RA4.4.6.
- d. Central Fan Integrated Ventilation Systems. The duct distribution system shall be designed reduce external static pressure to meet a maximum fan efficacy equal to:
Gas Furnaces: 0.35 Watts per cfm
Heat Pumps: 0.45 Watts per cfm,
according to the procedures outlined in the 2019 Reference Appendices RA 3.3.
- e. Include either:
 - i. 5 kWh battery of battery storage, OR
 - ii. A solar water heating system with a minimum solar savings fraction of 0.20.

EXCEPTION to 150.1(c)15.A.e. Electrically-Heated Mixed-Fuel buildings do not need to include battery or solar water heating.

B. Mixed-Fuel Multifamily

- a. Slab floor perimeter insulation shall be installed with an R-value of equal to or greater than R10. The minimum depth of concrete-slab floor perimeter insulation shall be 16 inches or the depth of the footing of the building, whichever is less.
- b. Design the hot water distribution system to meet minimum requirements for the basic compact hot water distribution credit according to the procedures outlined in the 2019 Reference Appendices RA4.4.6.
- c. Central Fan Integrated Ventilation Systems. Central forced air system fans used to provide outside air, shall have an air-handling unit fan efficacy less than or equal to 0.35 W/CFM. The airflow rate and fan efficacy requirements in this section shall be confirmed through field verification and diagnostic testing in accordance with all applicable procedures specified in Reference Residential Appendix RA3.3. Central Fan Integrated Ventilation Systems shall be certified to the Energy Commission as Intermittent Ventilation Systems as specified in Reference Residential Appendix RA3.7.4.2.
- d. Include either:
 - i. 2.75 kWh of battery storage per dwelling unit, OR
 - ii. A solar water heating system with a minimum solar savings fraction of 0.20.

EXCEPTION to 150.1(c)15.B.d. Electrically Heated Mixed-Fuel buildings do not need to include battery or solar water heating.

- e. All ductwork shall be located entirely in conditioned space with ducts tested to have less than or equal to 25 cfm leakage to outside. Ductwork shall meet the requirements of Verified Low Leakage Ducts in Conditioned Space (VLLDCS) in the 2019 Reference Appendices RA3.1.4.3.8.
- f. Buildings with steep-sloped roofs shall have a minimum aged solar reflectance of 0.25.

II-11-2.13

Amend the first paragraph of Section 150.2 of the Energy Code to read as follows (note that Exceptions 1 through 7 remain):

- a) **Additions.** Additions to existing low-rise residential buildings shall meet the requirements of Sections 110.0 through 110.9, Sections 150.0(a) through (q) and 150.0(s), and either Section 150.2(a) 1 or 2.

SECTION 4. EXPRESS FINDINGS

Pursuant to California Health and Safety Code Sections 17958.7 and 18941.5, the City Council hereby finds that the above amendments are necessary due to local climatic, geological or topographical conditions as set forth in Exhibit A.

SECTION 5. REPEAL OF CONFLICTING ORDINANCES

Upon adoption of each new California Building Standards Code, the Ordinance adopting the previously adopted California Building Standards Code is superseded in its entirety. This Ordinance does not repeal Ordinance No. 65.147, which adopts by reference and amends parts of the 2019 California Building Standards Code, Ordinance No. 65.149, which adopts by reference and amends the 2019 California Green Building Standards Code, nor Ordinance No. 113.25, which adopts by reference and amends the 2019 California Fire Code.

SECTION 6. SEVERABILITY

The provisions of this Ordinance are separable, and the invalidity of any phrase, clause, provision or part shall not affect the validity of the remainder.

SECTION 7. EFFECTIVE DATE AND POSTING

In accordance with Section 36937 of the Government Code of the State of California, this Ordinance shall take effect thirty (30) days from and after the date of its final adoption by the City Council, and after approval of the City of Milpitas application to enforce its locally adopted energy standards by the California Energy Commission, but no sooner than January 1, 2020. The City Clerk of the City of Milpitas shall cause this Ordinance or a summary thereof to be published in accordance with Section 36933 of the Government Code of the State of California.

EXHIBIT A

FINDINGS IN SUPPORT OF AMENDMENTS TO TITLE 24 OF THE CALIFORNIA CODE OF REGULATIONS: LOCAL CLIMATIC, GEOLOGICAL OR TOPOGRAPHICAL CONDITIONS

Amendments to the Energy Code:

II-11-2.01	Section 100.1(b)	Definitions
II-11-2.02	Section 140.0(b)	1. Electric readiness; 2. Solar photovoltaic systems
II-11-2.03	Section 140.1	Energy budget calculations
II-11-2.04	Section 140.2	Prescriptive approach requirements for High-Rise buildings
II-11-2.05	Section 150.0	Prescriptive requirements for Low-Rise residential buildings
II-11-2.06	Section 150.0(h)	Space heating requirements
II-11-2.07	Section 150.0(n)1.A.	Water heater requirements
II-11-2.08	Section 150.0(n)	Water heater requirements
II-11-2.09	Section 150.0	Clothes drying and cooking
II-11-2.10	Section 150.1(b)	Performance standards for Low-Rise residential buildings
II-11-2.11	Section 150.1(b)3.A	Compliance demonstration requirements for performance standards
II-11-2.12	Section 150.1(c)	Additional prescriptive requirements for mixed-fuel buildings
II-11-2.13	Section 150.2	Additions

The following findings support that the above amendments and modifications are reasonably necessary because of local climatic, geological or topographical conditions:

Express Findings – Climatic

The effects of climate change caused by Green House Gas (GHG) emissions are increasingly self-evident, and very costly. Higher temperatures are contributing to record heat waves and droughts, rising sea levels, more intense storms, wildfires and floods.

Climate change is the fundamental design problem of our time. The threat that climate change poses is existential, and buildings together with transportation are large contributors.

Amending all of the above referenced code sections is necessary to combat the ever-increasing harmful effects of climate change. Implementation of the proposed code amendments will provide an accelerated path to reduce Green House Gas (GHG) emissions and carbonization in an effort to stem the tide of GHG emissions and the effects of global warming and climate change.

REGULAR

NUMBER: 65.149

**TITLE: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MILPITAS
AMENDING CHAPTER 19 OF TITLE II OF THE MILPITAS MUNICIPAL CODE
ADOPTING BY REFERENCE THE 2019 CALIFORNIA GREEN BUILDING
STANDARDS CODE WITH AMENDMENTS**

HISTORY: This Ordinance was introduced (first reading) by the City Council at its meeting of November 5, 2019, upon motion by Councilmember Phan, and was adopted (second reading) by the City Council at its meeting of _____, upon motion by _____. The Ordinance was duly passed and ordered published in accordance with law by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Mary Lavelle, City Clerk

Rich Tran, Mayor

APPROVED AS TO FORM:

Christopher J. Diaz, City Attorney

RECITALS:

WHEREAS, the California Building Standards Commission has adopted and published an updated Title 24 of the California Code of Regulations, also referred to as the 2019 California Building Standards Code, that will become effective statewide on January 1, 2020; and

WHEREAS, California Health and Safety Code Sections 17958, 17958.5, 17958.7 and 18941.5 establish the authority for a city to adopt and make local amendments and modifications to the building standards in the California Building Standards Code to establish more restrictive building standards than those contained in the California Building Standards Code; and

WHEREAS, California Health and Safety Code Sections 17958, 17958.5, 17958.7 and 18941.5 permit a city to make such local amendments and modifications as the city determines are reasonably necessary because of local climatic, geological or topographical conditions; and

WHEREAS, California Health and Safety Code Sections 17958, 17958.5, 17958.7 and 18941.5 require a city, before making any amendments and modifications to the California Building Standards Code, make an express finding that such amendments and modifications are reasonably necessary because of local climatic, geological or topographical conditions; and

WHEREAS, the City of Milpitas has reviewed and intends to adopt the 2019 California Green Building Standards Code; and

WHEREAS, the City Council wishes to amend portions of the California Green Building Standards Code to better address local conditions and makes express findings that such amendments are reasonably necessary because of local climatic, geological or topographical conditions as set forth in this Ordinance.

NOW, THEREFORE, the City Council of the City of Milpitas does ordain as follows:

SECTION 1. RECORD AND BASIS FOR ACTION

The City Council has duly considered the full record before it, which may include but is not limited to the staff report, testimony by staff and the public, and other materials and evidence submitted or provided to the City Council. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.

SECTION 2. CALIFORNIA ENVIRONMENTAL QUALITY ACT

The City Council hereby finds and determines that this Ordinance has been assessed in accordance with the California Environmental Quality Act (Cal. Pub. Res. Code, § 21000 et seq.) (“CEQA”) and the State CEQA Guidelines (14 Cal. Code Regs. § 15000 et seq.) and is categorically exempt from CEQA under CEQA Guidelines, § 15061(b)(3), which exempts from CEQA any project where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment. Adoption of the proposed Ordinance would not be an activity with potential to cause significant effect on the environment because the changes made to the California Green Building Standards Code are enacted to provide more protection to the environment, and therefore is exempt from CEQA. Therefore, it can be seen with certainty that there is no possibility that the Ordinance in question may have a significant effect on the environment; accordingly, the Ordinance is categorically exempt from CEQA.

SECTION 3. AMENDMENT OF MILPITAS MUNICIPAL CODE TITLE II, CHAPTER 19

Chapter 19 of Title II of the Milpitas Municipal Code is hereby repealed in its entirety and replaced with the text below to read as follows:

Chapter 19 GREEN BUILDING STANDARDS CODE

Sections:

Section 1 – Adoption of the Green Building Standards Code

Section 2 – Amendments to the Green Building Standards Code

Section 1 Adoption of the Green Building Standards Code

II-19-1.01

The 2019 Edition of the California Green Building Standards Code, published and copyrighted by the International Code Council, Inc. and the California Building Standards Commission in Part 11 of Title 24 of the California Code of Regulations, also known as the CALGreen Code is hereby adopted and referred to, and by this reference expressly incorporated and made a part of this Chapter as though fully set forth herein. The adoption includes Appendices A4, A5, and A6.1. The 2019 California Green Building Standards Code shall be designated and referred to as the “Green Building Standards Code” for the City of Milpitas. There is one copy of said Code on file in the office of the Building Official for use and examination by the public.

Section 2 Amendments to the Green Building Standards Code

II-19-2.01

Amend Section 202 of the Green Building Standards Code by adding the following definitions to read as follows:

EV Capable. A parking space that is to be served by a designated electrical panel with sufficient capacity to provide 110/120 volts at 20 amperes to the parking space, with raceways connecting the electrical panel and parking space that are installed in areas that will be inaccessible in the future, such as trenched underground or where penetrations to walls, floors, or other construction would otherwise be required for future installation of branch circuits. Raceways must be at least 1” in diameter and may be sized for multiple circuits as allowed by the California Electrical Code. The panel circuit directory shall identify the overcurrent protective device space(s) reserved for EV charging as “EV CAPABLE.” Construction documents shall indicate future completion of the raceway from the panel to the parking space, using the installed raceway sections in the inaccessible areas.

Level 1 EV Ready Circuit: A parking space served by a complete electric circuit with a minimum of 110/120 volt, 20-ampere capacity including; electrical panel capacity, overprotection device, a minimum 1” diameter raceway that may include multiple circuits as allowed by the California Electrical Code, properly sized conductors, grounding and bonding, and either a) a receptacle labelled “Electric Vehicle Outlet” with at least a ½” font adjacent to the parking space, or b) labelled Electric Vehicle Supply Equipment (EVSE).

Level 2 EV Ready Circuit: A parking space served by a complete 208/240 volt 40 ampere electric circuit including the required electrical panel capacity, overcurrent protection device, a minimum 1” diameter raceway that may include multiple circuits as allowed by the California Electrical Code, properly sized conductors, grounding, bonding and either a) a receptacle labelled “Electric Vehicle Outlet” with a minimum ½” font, adjacent to the parking space, or b) a blank labelled Electric Vehicle Supply Equipment (EVSE) with a minimum output of 30 amperes.

II-19-2.02

Amend Section 4.106.4 through Section 4.106.4.2.3 of the Green Building Standards Code to read as follows:

4.106.4 Electric vehicle (EV) charging for new construction. New construction shall comply with Sections 4.106.4.1 and 4.106.4.2 to facilitate future installation and use of EV chargers.

Exceptions:

1. Where there is no commercial power supply.
2. Accessory Dwelling Units (ADU) and Junior Accessory Dwelling Units (JADU) without additional parking spaces.

4.106.4.1 New one- and two-family dwellings and townhouses with attached private garages.

For each dwelling unit, install a Level 2 EV Ready Circuit and Level 1 EV Ready Circuit.

Exception: For each dwelling unit with only one parking space, install a Level 2 EV Ready Circuit.

4.106.4.2 New multifamily dwellings. The following requirements apply to all new multifamily dwellings:

1. When 20 or less multifamily dwelling units are constructed on a building site:
 - a. 15% of dwelling unit parking spaces shall be provided with access to at least one Level 2 EV Ready circuit.
 - b. 35% of dwelling unit parking spaces shall be provided with access to at least one Level 1 Capable circuit.
2. When more than 20 multifamily dwelling units are constructed on a building site:
 - a. 20% of dwelling unit parking spaces shall be provided with access to at least one Level 2 EV Ready Circuit.
 - b. 35% of dwelling unit with parking spaces shall be provided with access to at least one Level 1 Capable circuit.

Exception: For multifamily affordable housing projects:

For projects of ≤ 20 units, 5% of dwelling unit parking spaces shall be provided access to at least one Level 2 EV Ready circuit, and an additional 35% of dwelling unit parking spaces shall have access to at least one Level 1 EV Capable circuit.

For projects >20 units of multifamily affordable housing, 10% % of dwelling unit parking spaces shall be provided with access to at least one Level 2 EV Ready circuit and an additional 15% of dwelling unit parking spaces shall have access to at least one Level 1 EV Capable circuit.

Notes:

1. Load balancing systems may be installed to increase the number of EV chargers or the amperage or voltage beyond the minimum required. Load balancing does not allow installing less electrical panel capacity than would be required without load balancing.
2. Installation of Level 2 EV Ready Circuits above the minimum number required level may offset the minimum number Level 1 EV Ready Circuits required on a 1:1 basis.
3. The requirements apply to multifamily buildings with parking spaces including: a) assigned or leased to individual dwelling units, and b) unassigned residential parking.
4. The Building Official may consider allowing exceptions, on a case by case basis, to the requirements for EV infrastructure under this code section, if a building permit applicant submits documentation demonstrating that the increased cost of utility service and / or on-site transformer capacity would exceed an average of \$4,500 among parking spaces with Level 2 EV Ready Circuits and Level 1 EV Ready Circuits. If costs are found to exceed this level, the applicant shall provide EV infrastructure up to a level that would not exceed an average cost of \$4,500 per parking space for utility service, on-site transformer capacity, or a combination of both.

4.106.4.2.1 Electric Vehicle Charging Stations (EVCS). When EV chargers are installed, EV spaces required by Section 4.106.4.2.2, Item 3, shall comply with at least one of the following options:

1. The EV space shall be located adjacent to an accessible parking space meeting the requirements of the *California Building Code*, Chapter 11A, to allow use of the EV charger from the accessible parking space.
2. The EV space shall be located on an accessible route, as defined in the *California Building Code*, Chapter 2, to the building.

Exception: Electric vehicle charging stations designed and constructed in compliance with the *California Building Code*, Chapter 11B, are not required to comply with Section 4.106.4.2.1 and Section 4.106.4.2.2, Item 3.

Note: The Division of the State Architect provides guidance on exemptions from Chapter 11B EV infrastructure accessibility requirements, such as buildings that are not subject to Chapter 11B and assigned parking spaces at buildings that are subject to Chapter 11B.

4.106.4.2.2 Electric Vehicle Charging Space (EV space) dimensions. The EV spaces shall be designed to comply with the following:

1. The minimum length of each EV space shall be 18 feet (5486 mm).
2. The minimum width of each EV space shall be 9 feet (2743 mm).
3. One in every 25 EV spaces, but not less than one, shall also have an 8-foot (2438 mm) wide minimum aisle. A 5-foot (1524 mm) wide minimum aisle shall be permitted provided the minimum width of the EV space is 12 feet (3658 mm). Surface slope for this EV space and the aisle shall not exceed 1 unit vertical in 48 units (2.083 percent slope).

4.106.4.2.3 Design Requirements. For all projects subject to California Code of Regulations Title 24, Part 2, Chapter 11B, construction documents shall indicate how many accessible EVCS would be required as per Title 24, Chapter 11B to convert all Level 2 EV Ready Circuits required under section 4.106.4 to EVCS. Construction documents shall also demonstrate that the facility is designed such that compliance with accessibility standards, including Chapter 11B accessible routes, will be feasible for the required accessible EVCS at the time of EVCS installation. Surface slope for any area designated for accessible EVCS shall meet slope requirements in Chapter 11B and vertical clearance requirements in Chapter 11B at the time of original building construction.¹

Note: Section 11B-812 of the 2016 California Building Code requires that a facility providing EVCS for public and common use also provides one or more accessible EVCS as specified in Table 11B-228.3.2.1. Chapter 11B applies to certain facilities including, but not limited to, public accommodations and publicly funded housing (see Section 1.9 of Part 2 of the California Building Code). Section 11B-812 requires that “Parking spaces, access aisles and vehicular routes serving them shall provide a vertical clearance of 98 inches (2489 mm) minimum.” It also requires that parking spaces and access aisles meet maximum slope requirements of 1 unit vertical in 48 units horizontal (2.083 percent slope) in any direction at the time of new building construction or renovation. Section 11B-812.5 contains accessible route requirements. In addition, Title 24 Part 11 Section 4.106.4.2 requires that developers meet certain aspects of accessibility requirements at the time of new construction for a limited number of parking spaces.

II-19-2.03

Amend Section 5.106.5.3 through Section 5.106.5.3.3 of the Green Building Standards Code to read as follows:

5.106.5.3 Electric Vehicle (EV) Charging. New construction shall comply with Section 5.106.5.3.1 or Section 5.106.5.3.2 to facilitate future installation and use of EV chargers.

Exception: Where there is no commercial power supply.

Notes:

1. Load balancing systems may be installed to increase the number of EV chargers or the amperage or voltage beyond the minimum requirements in this code. The option does not allow for installing less electrical panel capacity than would be required without load balancing.

5.106.5.3.1 Office Buildings. In nonresidential new construction buildings designated primarily for office use, when 10 or more parking spaces are constructed:

1. 5% of the available parking spaces on site shall be equipped with Level 2 EVCS;
2. An additional 10% shall be provided with at least Level 1 EV Ready circuits; and
3. An additional 20% shall be at least EV Capable or EV Ready.

Calculations for the required minimum number of spaces equipped with Level 2 EVCS, Level 2 EV Ready spaces and EV Capable spaces shall all be rounded up to the nearest whole number.

Construction plans and specifications shall demonstrate that all raceways shall be a minimum of 1" and sufficient for installation of EVCS at all required Level 1 EV Ready and EV Capable spaces; Electrical calculations shall substantiate the design of the electrical system to include the rating of equipment and any on-site distribution transformers, and have sufficient capacity to simultaneously charge EVs at all required EV spaces including Level 1 EV Ready and EV Capable spaces; and service panel or subpanel(s) shall have sufficient capacity to accommodate the required number of dedicated branch circuit(s) for the future installation of the EVSE.

5.106.5.3.2 Other Nonresidential Buildings. In nonresidential new construction buildings that are not designated primarily for office use, such as retail or institutional uses, when 10 or more parking spaces are constructed:

1. 4% of the available parking spaces on site shall be equipped with Level 2 EVCS;
2. An additional 3% shall be at least Level 1 EV Capable.
3. Over 100 spaces: option for one 80kW Fast Charger per 100 spaces.

Exception: Installation of each Direct Current Fast Charger with the capacity to provide at least 80 kW output may substitute for 6 Level 2 EVCS and 5 EV Ready spaces after a minimum of 6 Level 2 EVCS and 5 Level 1 EV Capable spaces are installed.

Note: Calculations for the required minimum number of spaces equipped with Level 2 EVCS and Level 1 EV Capable spaces shall be rounded up to the nearest whole number.

5.106.5.3.3 Design Requirements. For all projects subject to Title 24, Part 2, Chapter 11B, construction documents shall indicate how many accessible EVCS would be required under the California Code of Regulations Title 24, Chapter 11B, if applicable, in order to convert Level 1 EV Ready infrastructure to EVCS. Construction documents shall also demonstrate that the facility is designed such that compliance with accessibility standards, including Chapter 11B accessible routes, will be feasible for the required accessible EVCS at the time of EVCS installation. Surface slope for any area designated for accessible EVCS shall meet slope requirements in Chapter 11B and vertical clearance requirements in Chapter 11B at the time of original building construction.

II-19-2.04

Amend Section 5.106.5.3.5 of the Green Building Standards Code to read as follows:

5.106.5.3.5 Clean Air Vehicle Parking Designation. EVCS qualify as designated parking as described in Section 5.106.5.2 Designated parking for clean air vehicles.

Notes:

1. The California Department of Transportation adopts and publishes the California Manual on Uniform Traffic Control Devices (California MUTCD) to provide uniform standards and specifications for all official traffic control devices in California. Zero Emission Vehicle Signs and Pavement Markings can be found in the New Policies & Directives number 13-01. www.dot.ca.gov/hq/traffops/policy/13-01.pdf.
2. See Vehicle Code Section 22511 for EV charging spaces signage in off-street parking facilities and for use of EV charging spaces.
3. The Governor's Office of Planning and Research published a Zero-Emission Vehicle Community Readiness Guidebook which provides helpful information for local governments, residents and businesses. www.opr.ca.gov/docs/ZEV_Guidebook.pdf.
4. Section 11B-812 of the 2016 California Building Code requires that a facility providing EVCS for public and common use also provide one or more accessible EVCS as specified in Table 11B-228.3.2.1. Chapter 11B applies to certain facilities including, but not limited to, public accommodations and publicly funded housing (see section 1.9 of Part 2 of the California Building Code). Section 11B-812 requires that "Parking spaces, access aisles and vehicular routes serving them shall provide a vertical clearance of 98 inches (2489 mm) minimum." It also requires that parking spaces and access aisles meet maximum slope requirements of 1 unit vertical in 48 units horizontal (2.083 percent slope) in any direction at the time of new building construction or renovation. Section 11B-812.5 contains accessible route requirements.

SECTION 4. EXPRESS FINDINGS

Pursuant to California Health and Safety Code Sections 17958.7 and 18941.5, the City Council hereby finds that the above amendments are necessary due to local climatic, geological or topographical conditions as set forth in **Exhibit A**.

SECTION 5. REPEAL OF CONFLICTING ORDINANCES

Upon adoption of each new California Building Standards Code, the Ordinance adopting the previously adopted California Building Standards Code is superseded in its entirety. This Ordinance does not repeal Ordinance No. 65.147, which adopts by reference and amends parts of the 2019 California Building Standards Code, Ordinance No. 65.148, which adopts by reference and amends the 2019 California Energy Code, nor Ordinance No. 113.25, which adopts by reference and amends the 2019 California Fire Code.

SECTION 6. SEVERABILITY

The provisions of this Ordinance are separable, and the invalidity of any phrase, clause, provision or part shall not affect the validity of the remainder.

SECTION 7. EFFECTIVE DATE AND POSTING

In accordance with Section 36937 of the Government Code of the State of California, this Ordinance shall take effect thirty (30) days from and after the date of its final adoption by the City Council, but no sooner than January 1, 2020. The City Clerk of the City of Milpitas shall cause this Ordinance or a summary thereof to be published in accordance with Section 36933 of the Government Code of the State of California.

EXHIBIT A

FINDINGS IN SUPPORT OF AMENDMENTS TO TITLE 24 OF THE CALIFORNIA CODE OF REGULATIONS: LOCAL CLIMATIC, GEOLOGICAL OR TOPOGRAPHICAL CONDITIONS

Amendments to the Green Building Standards Code:

II-19-2.01	Section 202	Definitions
II-19-2.02	Section 4.106.4 through 4.106.4.2.3	EV charging for single family, duplex, townhouse, and multi-family
II-19-2.03	Section 5.106.5.3 through 5.106.5.3.3	EV charging for new office, and other non-residential buildings
II-19-2.04	Section 5.106.5.3.5	Clean air vehicle parking

The following findings support that the above amendments and modifications are reasonably necessary because of local climatic, geological or topographical conditions:

Express Findings – Climatic

The effects of climate change caused by Green House Gas (GHG) emissions are increasingly self-evident, and very costly. Higher temperatures are contributing to record heat waves and droughts, rising sea levels, more intense storms, wildfires and floods.

Climate change is the fundamental design problem of our time. The threat that climate change poses is existential, and buildings together with transportation are large contributors.

Amending all of the above referenced code sections is necessary to combat the ever-increasing harmful effects of climate change. Implementation of the proposed reach code amendments will provide an accelerated path to reduce Green House Gas (GHG) emissions and carbonization in an effort to stem the tide of GHG emissions and the effects of global warming and climate change.

Attachment C

Milpitas 2019 Energy Reach Codes

SUMMARY

ALL CONSTRUCTION MANDATORY

To provide for future electrification, all newly constructed mixed-fuel buildings and additions must comply with the following mandatory requirements:

- Water heating: 240V/30A circuit, condensate drain
2019 California Energy Code (base code) requirement is for a 125V/20A circuit which would not be sufficient as currently available higher efficiency heat pump water heaters require a 240V/30A circuit.
- Clothes Drying: 240V/40A circuit
No requirement in 2019 California Energy Code (base code).
- Cooking: 240V/50A circuit
No requirement in 2019 California Energy Code (base code).
- Space-conditioning Equipment: Heat pump operation capability and / or 30A circuit if only space heating provided
No requirement in 2019 California Energy Code (base code).

RESIDENTIAL PERFORMANCE AND PRESCRIPTIVE COMPLIANCE APPROACHES

Explanatory Notes

1. The All-Electric Performance Paths given under item #1 below for all project types are not reach codes but new pathways for Energy Efficiency that have been made available per the 2019 California Energy Code.
2. Regarding Single, Two-Family, and Multi-Family construction of 3 stories or less, the Performance Path requirements for an energy budget are expressed as the EDR (Energy Design Rating) for the Proposed Design Building. All of the reach code EDR index numbers for the projects named below that are expressed in the following table represent higher efficiencies than the 2019 Energy Code Standard Design Building. These higher efficiency requirements were provided in the model reach code that Silicon Valley Clean Energy (SVCE) made available to local jurisdictions. These efficiency levels conform to requirements in the 2019 Cost-Effectiveness Study for Low-Rise Residential New Construction. Cost-effectiveness is one of two main criteria with which the California Energy Commission (CEC) uses to evaluate and approve reach codes. The other criteria that the CEC uses is that the reach codes must demonstrate higher levels of energy efficiency than the base 2019 California Energy Code.
3. Regarding Nonresidential construction, the Performance Path requirements are expressed as percentages of efficiency that are more than the base 2019 California Energy Code, instead of as an EDR. EDR is the required metric only for residential compliance starting Jan 1, 2020. So, to reflect that, the new code has to use EDR (as a number) rather than compliance margin (as a percentage) for residential requirements. Non-residential still uses compliance margin (in percentages).

Project Type and Size	Performance Path Requirements	Prescriptive Path Requirements
Single and Two-family New Construction	1. All Electric. Demonstrate that the proposed home will be all-electric, OR	Build All Electric and Meet 2019 California Energy Code.

Attachment C

	2. Electrically Heated Mixed Fuel Building (electric space and water heating). Proposed Design Building shall be at least 2 EDR points less than the Energy Efficiency Design Rating calculated for the Standard Design Building	Electrically Heated Mixed Fuel Building a. Low leakage ducts in conditioned space PER 2019 Reference Appendices RA3.1.4.3.8. b. Install R-10 perimeter slab insulation at a depth of 16-inches. c. Compact hot water distribution per 2019 Reference Appendices RA4.4.6. d. Maximum fan efficacy of 0.35 Watts/cfm and verification by a HERS rater according to 2019 Reference Appendices RA3.3.
	3. Mixed Fuel Building. Proposed Design Building shall be at least 10 EDR points less than the Total Energy Design Rating calculated for the Standard Design Building, OR	Mixed Fuel Building a. Low leakage ducts in conditioned space PER 2019 Reference Appendices RA3.1.4.3.8. b. Install R-10 perimeter slab insulation at a depth of 16-inches. c. Compact hot water distribution per 2019 Reference Appendices RA4.4.6. d. Maximum fan efficacy of 0.35 Watts/cfm and verification by a HERS rater according to 2019 Reference Appendices RA3.3. e. Either 1) 5 kWh battery OR 2) A solar water heating system with a minimum solar savings fraction of 0.20.
Multifamily New Construction 3 stories or less	1. All Electric. Demonstrate that the proposed building will be all-electric, OR	Build All Electric and Meet 2019 California Energy Code.
	2. Electrically Heated Mixed Fuel Building (electric space and water heating). Proposed Design Building be at least 1 EDR point less than the Energy Efficiency Design Rating calculated for the Standard Design Building,	Electrically Heated Mixed Fuel Building a. Install R-10 perimeter slab insulation at a depth of 16-inches. b. Compact hot water distribution per 2019 Reference Appendices RA4.4.6. c. Maximum fan efficacy of 0.35 Watts/cfm and verification by a HERS rater according to 2019 Reference Appendices RA3.3. d. Meet the requirements of Verified Low Leakage Ducts in Conditioned Space (VLLDCS) in the 2019 Reference Appendices RA3.1.4.3.8, with less than or equal to 25 cfm leakage to outside. e. Install a roofing product that's rated by the Cool Roof Rating Council to have an aged solar reflectance (ASR) of greater than or equal to 0.25.

Attachment C

	3. Mixed Fuel Buildings. Proposed Design Building shall be at least 11 EDR points less than the Total Energy Design Rating calculated for the Standard Design Building, OR	Mixed Fuel Building a. Install R-10 perimeter slab insulation at a depth of 16-inches. b. Compact hot water distribution per 2019 Reference Appendices RA4.4.6. c. Maximum fan efficacy of 0.35 Watts/cfm and verification by a HERS rater according to 2019 Reference Appendices RA3.3. d. Either 1) 2.75 kWh battery per dwelling unit OR 2) A solar water heating system with a minimum solar savings fraction of 0.20. e. Meet the requirements of Verified Low Leakage Ducts in Conditioned Space (VLLDCS) in the 2019 Reference Appendices RA3.1.4.3.8, with less than or equal to 25 cfm leakage to outside. f. Install a roofing product that's rated by the Cool Roof Rating Council to have an aged solar reflectance (ASR) of greater than or equal to 0.25.
Low Rise Res Alterations	Meet 2019 California Energy Code.	Meet 2019 California Energy Code.
Low Rise Res Additions	Meet 2019 California Energy Code.	Meet 2019 California Energy Code, including shall meet the requirements of Sections 110.0 through 110.9, Sections 150.0(a) through (q) and 150.0(s), and either Section 150.2(a) 1 or 2.

NONRESIDENTIAL PERFORMANCE AND PRESCRIPTIVE COMPLIANCE APPROACHES

Nonresidential New Construction	All Electric. Demonstrate that the proposed building will be all-electric, OR Mixed Fuel Buildings, All Occupancies Except Group B (office) and M (mercantile). Demonstrate that the energy use of the proposed building is 6% more efficient than the 2019 California Energy Code.	Build All Electric and Meet 2019 California Energy Code. Mixed Fuel Building, All Occupancies Except Office and Mercantile, as applicable: a. Install fenestration with a solar heat gain coefficient no greater than 0.22. b. Design Variable Air Volume (VAV) box minimum airflows to be equal to the zone ventilation minimums. c. Include economizers and staged fan control in air handlers with a mechanical cooling capacity $\geq 33,000$ Btu/h. d. Reduce the lighting power density (Watts/ft ²) by ten percent (10%) from that required from Table 140.6-C. e. In common areas, improve lighting: 1) Control to daylight dimming plus off per Section 140.6(a)2H 2) Perform Institutional Tuning per Section 140.6(a)2J f. Install one drain water heat recovery device per every three guest rooms that is field verified as specified in the Reference Appendix RA3.6.9.
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Attachment C

	Group B (office) and M (mercantile). Demonstrate that the energy use of the proposed building is 14% more efficient than the 2019 California Energy Code.	Mixed Fuel Buildings, Office and Mercantile, as applicable: a. Install fenestration with a solar heat gain coefficient no greater than 0.22. b. Limit the fenestration area on east-facing and west-facing walls to one-half of the average amount of north-facing and south-facing fenestration. c. Design Variable Air Volume (VAV) box minimum airflows to be equal to the zone ventilation minimums. d. Include economizers and staged fan control in air handlers with a mechanical cooling capacity $\geq 33,000$ Btu/h. e. Reduce the lighting power density (Watts/ft²) by ten percent (10%) from that required from Table 140.6-C. f. Improve lighting: 1) Control to daylight dimming plus off per Section 140.6(a)2H 2) Install Occupant Sensing Controls in Large Open Plan Offices per Section 140.6(a)2I 3) Perform Institutional Tuning per Section 140.6(a)2J
Mixed Occupancy	For buildings that do not fall under the exceptions of 100.0(f) of the 2019 California Energy Code, the building must meet the performance requirements under the residential and nonresidential sections in this table based on a weighted-average by floor area.	Meet the appropriate prescriptive requirements under the residential and nonresidential elsewhere in this table, as applicable.
Nonresidential Additions and Alterations	Meet 2019 California Energy Code.	Meet 2019 California Energy Code.

Attachment D

Milpitas 2019 Green Building Reach Codes

SUMMARY

EV Charging Proposed Reach Code for the 2019 California Green Building Standards Code

Unlike amendments to the California Energy Code, a cost-effectiveness study is not required for amendments to the California Green Building Standards Code (CALGreen), which covers items such as electric vehicle charging infrastructure. Staff worked closely with SVCE and the Statewide Program's team to establish new construction EV requirements which are more in line with local EV adoption trends, while providing flexibility for the developer and keeping construction costs as low as possible.

Electric Vehicle Charging Infrastructure Categories and 2019 CALGreen EV Requirements

Electric Vehicle charging requirements in California can generally be broken into three categories:

- EV Charging Installed: all supply equipment is installed at a parking space, such that an EV can charge without additional equipment.
- EV Ready: Parking space is provided with all power supply and associated outlet, such that a charging station can be plugged in and a vehicle can charge.
- EV Capable: Conduit is installed to parking space, and building electrical system has ample capacity to serve future load. An electrician would be required to complete the circuit before charging is possible.

EV charging capacity and speed can be summarized as three categories:

- Level 1: Capable of charging at 120V, 20A. This is the equivalent to a standard home outlet.
- Level 2: Capable of charging at 240V, 30-40A. This is the service capacity typically used for larger appliance loads in homes.
- Level 3 (DC Fast Charging): Capable of charging at 20-400kW. This is the type of charger used for Tesla Superchargers and DC Fast Chargers at some supermarkets.

The 2019 California Green Building Standards Code increases requirements for electric vehicle charging infrastructure in new construction, including the following:

- New one- and two-family dwellings and townhouses with attached private garages: must be Level 2 EV-capable.
- Multi-family dwellings: 10% of parking spaces must be Level 2 EV-capable.
- Non-residential: 6% of parking spaces must be Level 2 EV-capable.

Milpitas Proposed Reach Code for EV infrastructure for New Buildings in 2019 CALGreen

While the code amendment language can be found in the proposed ordinance, proposed reach code for EV infrastructure for new buildings is summarized below:

Residential Buildings

- Single Family Dwelling: One Level 1 EV Ready circuit, and one Level 2 EV Ready circuit.
- Multi-Family Dwelling: ≤20 units: 15% of dwelling unit parking spaces provided with access to at least one Level 2 EV Ready circuit and an additional 35% provided with access to at least one Level 1 Capable circuit
 - Exception: Not required for units without parking.
- Multi-Family Dwelling: >20 units: 20% of dwelling unit parking spaces provided with access to at least one Level 2 Ready circuit and an additional 35% of dwelling unit parking spaces provided with access to at least one Level 1 Capable circuit
 - Exception: Not required for units without parking.

Attachment D

- Exception: For multi-family affordable housing projects:
 - ≤ 20 units, 5% of parking spaces to be provided access to at least one Level 2 Ready circuit and an additional 35% of spaces shall have access to one Level 1 Capable circuit
 - < 20 units, 10% of parking spaces to be provided access to at least one Level 2 Ready circuit and an additional 15% of parking spaces shall have access to at least one Level 1 Capable circuit

Office Buildings

- 5% of the parking spaces, Level 2 Electric Vehicle Supply Equipment (EVSE) (complete charging infrastructure installed).
- 10% of the parking spaces, Level 1 EV Ready circuits.
- 20% of the parking spaces EV Capable at the “pinch points” utilizing at least Level 2-sized conduit with panel capacity for 2kW per EV capable parking space.

Other Nonresidential Buildings

- When 10 or more parking spaces are provided, 4% of the spaces shall be equipped with Level 2 Electric Vehicle Charging Stations (EVCS).
- An additional 3% shall be at least Level 1 Capable.
- Over 100 spaces: option for one 80kW Fast Charger per 100 spaces
 - NOTE: Installation of each DC Fast Charger with the capacity to provide at least 80 kW output may substitute for 6 Level 2 EVCS and 5 EV Ready spaces after a minimum of 6 Level 2 EVCS and 5 Level 1 EV Ready spaces are installed.

DRAFT

Attachment E

From: Aaron Barger <AaronBarger@lyonliving.com>
Sent: Thursday, October 10, 2019 16:47
To: Hansen, Eric <EHansen@shapartments.com>; Jason Earl <jearl@ci.milpitas.ca.gov>; Bill Tott <btott@ci.milpitas.ca.gov>; Sharon Goei <sgoei@ci.milpitas.ca.gov>
Cc: Richardson, Bracken <brichardson@shapartments.com>; Cole, Donovan <DCole@shapartments.com>
Subject: RE: Reminder - Stakeholder Engagement on Proposed Reach Codes to Promote Green Development SUMMERHILL RESPONSE

CAUTION: This email originated from outside your organization. Exercise caution when opening attachments or clicking links.

Eric and Bill

Thank you for putting forth this proposed alternative to the City of Milpitas' Reach Code to Promote Green Development. Based on the information gained at the Stakeholder meetings and the subsequent conversations about the impact the proposed Reach Codes will have, finding an alternative that has less impact on new project development is of the utmost importance.

Our belief is that the intent should be to develop a reach strategy that could handle the load requirements and design changes that either the City's proposal or your alternative would require without negatively affecting our residential unit count. Although we do not currently have a project that is either entitled, or in Plan Check, I believe that your proposal and methodology make sense as an alternative compromise to the City's Reach Code proposal. I believe this meets the intent of the Reach Code, and fits within a framework of the near term EV usage in the Bay Area.

Lyon Living would support the City's Reach Code proposal if it followed the SummerHill proposal as outlined in Eric's email below. Lyon also looks forward to continuing the working relationship with the City and the other stakeholders, such as SummerHill, on this matter.

Respectfully,

Aaron Barger | Development Director

4901 Birch St | Newport Beach CA 92660

T 408-640-1100

E aaronbarger@lyonliving.com

W www.lyonliving.com

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Attachment E

From: Hansen, Eric [<mailto:EHansen@shapartments.com>]
Sent: Thursday, October 10, 2019 12:03 PM
To: Jason Earl <jearl@ci.milpitas.ca.gov>; Bill Tott <btott@ci.milpitas.ca.gov>; Sharon Goei <sgoei@ci.milpitas.ca.gov>
Cc: Richardson, Bracken <brichardson@shapartments.com>; Cole, Donovan <DCole@shapartments.com>; Aaron Barger <AaronBarger@lyonliving.com>
Subject: RE: Reminder - Stakeholder Engagement on Proposed Reach Codes to Promote Green Development SUMMERHILL RESPONSE

Good Morning Bill,

I have been directing my correspondence on this matter primarily to the City because I recognize all the final decisions will be made by the City so I figured that you should decide how to engage your consultants. It is my understanding from our meeting on Monday that the City is looking for SummerHill to make a proposal for reasonable upgrades on EV Charging. I discussed this with our COO and VP of Asset Management who are actively leasing up our apartment projects and touring others throughout the SF Bay Area. Below is what we came up with in an effort to meet current EV charging demands and provide additional capacity for future demand in the market. I'm hopeful that the various stakeholders can see that 100% EV charging is not feasible and this is a good faith effort to provide a compromise solution.

LEVEL 2 (40 Amp circuit that provides about 25 miles of range per hour)

2019 CALGreen Code – 10% “Capable” (conduit and load capacity to add wire and receptacles later)

SUMMERHILL RECOMMENDATION – 10% “Ready” fully built ready to charge. This is essentially what we are trying to provide now as we think the demand is there or will be there in the near future. We are also willing to provide an additional 10% “Capable” which we would build out later if the demand is there. This would provide a total Level 2 EV charging capacity of 20%.

LEVEL 1 (20 Amp circuit that provides only 5 miles of range per hour)

2019 CALGreen Code – 0% Required but the City indicated from their research this will satisfy the needs of many SF Bay area's commuters.

SHAC RECOMMENDATION – 20% “Capable” to match the overall Level 2 capacity proposed above. The Level 1 chargers are common for single family development but new for apartment projects so we would like to provide the capacity but hold off on building them out as “ready” until we can verify the demand.

I would like to make it clear that even these recommendations will significantly increase the electrical capacity and costs for EV charging on a project. Below is a summary of these upgrades applied to Building A project at 1500 Centre Pointe (637 stalls) beyond the 10% Level 2 “capable” stalls required by the 2019 CALGreen code.

- Added load for 10% additional Level 2 chargers (64 stalls X 18.3 Amps/stall = 1,171.2 Amps). Added load for 20% additional Level 1 chargers (128 stalls X 6.7 Amps/stall = 857.6 Amps). **Total load added is 2,029 Amps.** This will result in one additional transformer with some load absorbed by transformers that were already planned. This could result in a unit being deleted from the project or at least reducing a 2 bedroom to a studio or 1 bedroom.
- The added transformer will cost about \$125K. Building out 10% Level 2 chargers will cost about \$192K (64 stalls X \$3,000 = \$192,000). Providing conduit for an additional 10% Level 2 chargers

Attachment E

as capable will cost \$32K (64 stalls X \$500 = \$32,000). Providing conduit for an additional 20% Level 1 chargers as capable will cost \$51K (128 stalls X \$400 = \$51,200). **This is a total added cost of \$400K**

We appreciate the dialogue with the City on this matter and are hopeful that this proposal meets with your approval.

Thanks,
Eric

ERIC HANSEN

VICE PRESIDENT OF CONSTRUCTION

SummerHill Apartment Communities

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Connect With Us:



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From: Kyle Zaylor <kzaylor@thecorecompanies.com>

Sent: Thursday, September 12, 2019 4:36 PM

To: Sharon Goei <sgoei@ci.milpitas.ca.gov>; Bill Tott <btott@ci.milpitas.ca.gov>

Cc: Aaron Barger <AaronBarger@lyonliving.com>

Subject: Thanks

Sharon and Bill,

Thank you for holding the reach code meeting this morning. It was very informative and a healthy dialogue with the group. I'll speak on behalf of the developers in the group by saying thank you for the open dialogue.

Best,
Kyle

Kyle Zaylor
Senior Project Manager



470 South Market Street, San Jose, CA 95113

Office: 408.292.7841 x31 Cell: 440.725.9239

www.thecorecompanies.com

Attachment F



Robert S. Kenney
Vice President
State and Regulatory Affairs

P. O. Box 77000
San Francisco, CA 94177-00001
Mail Code B23A
(415) 973-2500
Robert.Kenney@pge.com

September 23, 2019

VIA EMAIL TO: c/o CityClerk@ci.milpitas.ca.gov

Honorable Mayor Rich Tran and City Council
City Council Chambers
455 E. Calaveras Blvd.
Milpitas, CA 95035

Dear Honorable Mayor Tran and City Council:

Pacific Gas and Electric Company (PG&E) is proud to provide electric and natural gas service to the City of Milpitas. And we are committed to helping customers and the community achieve their energy goals. As part of this commitment, PG&E welcomes the opportunity to support the City of Milpitas's efforts to promote efficient, all-electric new construction, when it is cost-effective.

PG&E strongly supports California's climate and clean air goals. We recognize that achieving these goals requires a range of approaches and tools, including increasing the use of energy-efficient electric appliances in buildings when cost-effective. PG&E welcomes the opportunity to avoid investments in new gas assets that might later prove underutilized as local governments and the state work together to realize long-term decarbonization objectives. With all this in mind, PG&E supports local government policies that promote all-electric new construction when cost effective.

PG&E recognizes the need for a multi-faceted approach to address climate change, including electrification, as well as opportunities to decarbonize the gas system with renewable natural gas and hydrogen. As electrification policies are implemented and as large scale renewable gas options develop, PG&E will continue to ensure the safe and reliable operation of the existing gas system to continue supporting the customers that depend on it.

PG&E appreciates the partnership with the City of Milpitas during its policy development process, which allows us to prepare for the future and continue providing the best service possible to customers. PG&E remains ready to engage with our customers, local government, businesses, and community members to meet their needs safely, reliably, affordably, and with clean energy.

PG&E looks forward to continuing to work with the City of Milpitas to accomplish its policy goals.

Thank you, and have a safe day.

Sincerely,

A handwritten signature in blue ink that reads "Robert S. Kenney". The signature is written in a cursive, flowing style.

Robert S. Kenney
Vice President

cc: Elaine Marshall, Deputy Public Works Director at City of Milpitas (emarshall@ci.milpitas.ca.gov)
Sharon Goei, Director of Building and Housing (sgoei@ci.milpitas.ca.gov)
Bill Tott, Building Official (btott@ci.milpitas.ca.gov)
Anna Brooks, Sr. Manager, Public Affairs, PG&E (anna.brooks@pge.com)
Darin Cline, Sr. Manager, Government Relations, PG&E (Darin.Cline@pge.com)



October 15, 2019

Rich Tran, Mayor
City of Milpitas
Attn: Milpitas City Council
455 E. Calaveras Blvd.
Milpitas, CA 95035
rtran@ci.milpitas.ca.gov

SUBMITTED VIA EMAIL

RE: City of Milpitas Development of Reach Codes

Dear Mayor Rich Tran:

Thank you for the opportunity to comment on the City of Milpitas proposed Reach Codes aimed at reducing greenhouse gas emissions in the building sector. The Western Propane Gas Association (WPGA) seeks to be a valuable contributor in both the development of these codes and the policies and procedures that may emerge as a result of these discussions.

While we applaud efforts for building decarbonization, WPGA believes that Reach Codes disincentivizing propane as a complementary fuel source to electric are fundamentally misguided. WPGA hopes that regulators will look to the example that the City of San Luis Obispo is setting with the development of their Reach Codes and recognize the value that propane provides on a number of levels.

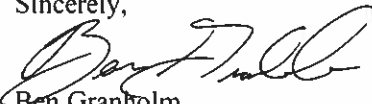
Propane provides affordable, clean energy for low income communities as well as a vital back-up power for solar powered homes when battery power is low. Disincentivizing propane as a complementary power to solar has an unintended consequence to make solar homes more expensive and less reliable when power generation is not at peak levels.

Furthermore, there has been numerous discussions throughout California regarding planned power outages and safety black-outs. In a recent article published by Politico ([PG&E begins massive power shut-off in California to avoid wildfires](#)) it is noted that the Public Safety Power Shutoff could affect 2.4 million electricity users. Propane delivers energy resiliency for communities facing safety black-outs which can be critical for those powering life-sustaining equipment. Vulnerable citizens such as people on dialysis or simply the many individuals using electric powered wheelchairs can use propane energy for reliable power.

When looking towards the future, our industry is investing in renewable propane, derived from sustainable sources like beef tallow or vegetable oil. We hope that regulators take a more holistic view of the complementary role propane plays alongside decarbonization efforts including solar, wind and other renewable fuels.

The Western Propane Gas Association appreciates your work in this area and looks forward to working with you as the City of Milpitas and the State strive to reduce greenhouse gas emissions through comprehensive clean energy solutions.

Sincerely,


Ben Granholm
Regulatory Affairs Specialist

cc: Steven McHarris, City Manager

Attachment H



333 W. El Camino Real, Ste. 290 | Sunnyvale, CA 94087 | SVCleanEnergy.org | 1-844-474-SVCE

Margaret Abe-Koga,
Chair
City of Mountain View

Howard Miller, Vice Chair
City of Saratoga

Liz Gibbons
City of Campbell

Rod Sinks
City of Cupertino

Fred M. Tovar
City of Gilroy

Jeannie Bruins
City of Los Altos

Courtenay C. Corrigan
Town of Los Altos Hills

Marico Sayoc
Town of Los Gatos

Bob Nuñez
City of Milpitas

Javed Ellahie
City of Monte Sereno

Yvonne Martinez Beltran
City of Morgan Hill

Susan Ellenberg
County of Santa Clara

Nancy Smith
City of Sunnyvale

SVCE Letter of Interest (LOI) for \$10,000 Reach Code Grant

Our organization requests this letter indicating your likely interest in receiving \$10,000 from SVCE to help defray costs associated with developing a local amendment to the energy code section of Title 24.

Background

With SVCE Board Approval, our organization partnered with Peninsula Clean Energy (PCE) and San Mateo County Office of Sustainability (OOS) to facilitate the adoption of an energy code in the 2019 Building Code (to be adopted as of January 1, 2020) supportive of all-electric buildings and/or electric vehicle (EV) infrastructure during the new construction process. SVCE has hired a consultant to provide technical support, draft model language and facilitate stakeholder engagement. SVCE recognizes additional staff time will be necessary during the pursuit of these amendments beyond the high level of support provided by our consultants.

Method for receipt of Grant

- Signed LOI returned to SVCE prior to July 2019
- City staff will present a valid amendment to Title 24 regarding buildings and/or EV infrastructure for a vote of their respective city council
- Regardless of outcome of the council vote, complete the Payment Request (to be released shortly) document and return to SVCE by November 30, 2019

We understand this letter is nonbinding and constitutes an indication of interest only.

Signed:

Printed Name:

Date:

[Signature] BILL TOTT 4.26.19

Organization:

Job Title:

Email Address:

BUDG & HOUSING
CITY OF MILPITAS

BUILDING OFFICIAL bjt@PCL.MILPITAS
CA.GOV

Please complete and sign a copy of this Letter, and send a scanned copy via email to john.supp@svcleanenergy.org or via [postal mail] to:

John Supp, SVCE Manager – Account Services
333 W. El Camino Real, Suite 290
Sunnyvale, CA 94087

Upon receipt, an email confirmation will be sent to the email address entered on the Letter of Interest. Please contact John at (408) 721-5301 x1014 with questions.

CITY OF MILPITAS
Building Safety & Housing Department
455 E. Calaveras Blvd.
Milpitas, CA 95035
408-586-3240
www.ci.milpitas.ca.gov



**Payment Request
Reach Code Grant
\$10,000**

Date: Nov. 8, 2019

To: Silicon Valley Clean Energy
From: City (Town) of MILPITAS

Re: \$10,000 Payment for Reach Code

Dear SVCE Staff,

We have introduced to our council an amendment to exceed the state provided requirements within Title 24, Part 6 of the energy code and/or electric vehicle infrastructure code. This letter confirms our request for payment from SVCE on behalf of that effort. We have attached a copy of the minutes from the associated council meeting and a copy of the amendment proposed at that meeting.

Type of reach code (circle one): Buildings only EV Charging only Both Buildings and EV Charging

Date of the council vote: 11-5-19

Project Contact name BILL TOTT
Project Contact title BUILDING OFFICIAL
Project Contact phone number 408 586-3263
Project Contact email btott@ci.milpitas.ca.gov

Payment will be made to the General Fund unless otherwise specified in writing hereafter.

I acknowledge the above to be true and accurate.

Sincerely,

BILL TOTT

Name

BUILDING OFFICIAL

Title

BILL TOTT

Signature

Attachment I
Reach Code Efforts in Other Cities

City	Building Electrification Requirement	Electric Vehicle Charging Infrastructure	Solar Requirements	Council Date (if known)
Fremont	TBD – Process ongoing, target Reach Code development for Spring 2020. Considering the following recommendations. Low Rise Residential: all-electric required, electric preferred. Non-residential: all-electric required, electric preferred (exemptions for industrial manufacturing, biotech, and commercial kitchens).	TBD – Process ongoing, target Reach Code development for Spring 2020. Considering the following. Single-Family/Duplex: meet 2019 California Energy code. Multi-family: 10% of all new parking spaces to be EV Ready. Non-residential: 10 – 20% of new parking spaces to be EV Ready.	TBD – Process ongoing, target Reach Code development for Spring 2020. Considering the following recommendations. Low Rise Residential: PV and battery required, meet 2019 California Energy code. Multi-family (4-6 stories): Mandatory PV sizing TBD based on cost-effectiveness. Non-residential: Mandatory PV sized to the Solar Zone, approximately 15% of roof space. *all building types that do not have PV batteries, must be battery ready.	Potentially in January or February of 2020, date not set.
Hayward	Low Rise Residential: all-electric required Non-residential: Favors all-electric, and has extra requirements for mixed-fuel buildings.	Single-Family/Duplex: Two Level 2 EV Ready (each dwelling unit with only one parking space install one Level 2 EV Ready ADU's). Multi-Unit: 0-20 Spaces 1 EV2 Ready, 20 or more Spaces, 75% EV2 Ready, remaining dwelling units with parking spaces shall be provided with at least a Level 2 EV Capable. Office Buildings: 10 or more parking spaces, 20% of parking shall have Level 2 EVCS, an additional 30% shall be at least level 2 EV Capable. Non-residential: 10 or more parking spaces, 15% Level 2 EV Ready,	Low Rise Residential: meet 2019 California Energy code. Non-residential: When using mixed-fuel must have solar panels on the entire Solar Zone (if this exceeds the annual electric load for the building, it may be reduced to meet the annual load).	Nov. 19, 2019

Attachment I

City	Building Electrification Requirement	Electric Vehicle Charging Infrastructure	Solar Requirements	Council Date (if known)
		(exception a Level 3 DC Fast charger with 80kW or greater output may substitute for 15 Level 2 EV Spaces after at least 15 Level 2 EV Ready spaces are installed.		
Mountain View	Low Rise Residential: All-electric required. Non-Residential: For-Profit Kitchens may appeal to use natural gas for cooking equipment (must prewire for electric appliances). Commercial: Natural Gas allowed in Factory, Hazardous Materials, and Laboratories (must prewire for electric appliances).	Single-Family/Duplex: One Level 1 EV Capable, One Level 2 EV Ready (excludes ADU's). Multi-Unit & Mixed-Use: 0-9 Spaces 1 EV2 Ready, 10 or more Spaces, 15% EV2 CS, 85% EV Ready, 1 Level 3 DC Fast Charger per every 100 spaces.	Single-Family/ Duplex: PV must accommodate annual all-electric building kWh offset. Multi-Family, Mixed-Use, Hotel/Motel, Commercial: PV installed on 50% of Roof Area, and meet Energy Code (low rise residential buildings are excluded from the 50% PV requirement).	1st Reading Oct. 22, 2019 2nd Reading Nov. 12, 2019
Oakland	TBD – Process ongoing, target Reach Code development for Spring 2020. Discussion on the following. Low Rise Residential: All-electric required. Non-Residential: Mixed fuel must be 10% more efficient. Or all-electric.	TBD – Process ongoing, target Reach Code development for Spring 2020. Discussion on the following Multi-family: 10% EV Ready, 10% EV Capable, rest of spaces with Conduit for future EV installation.	TBD – Process ongoing, target Reach Code development for Spring 2020.	Expected in 2020, no date set
Palo Alto	Single-Family/Duplex: Mixed fuel must be 14% more efficient and be electrification ready. Or all-electric. Multi-family low-rise: Mixed fuel 8% more efficient. Or all-electric. Office/Retail: Mixed fuel 14% more efficient. Or all-electric.	Single-Family/Duplex: Provide Conduit Only, EVSE Ready Level 2, or EVSE Installed Level 2 for each residence. Multi-Unit & Mixed-Use: Provide Conduit Only, EVSE Ready Level 2, or EVSE Installed Level 2 for each residential unit in the structure. Guest parking: Provide Conduit Only, EVSE Ready Level 2, or EVSE Installed	Single-family Residential*: At least 500 square feet of PV. Multi-family residential*: Install enough PV to at least result in 12% energy efficiency savings. Non-residential*: Install at least 5kW of PV.	Nov. 4, 2019

Attachment I

City	Building Electrification Requirement	Electric Vehicle Charging Infrastructure	Solar Requirements	Council Date (if known)
	Hotel low-rise: Mixed fuel 6% more efficient. Or all-electric.	Level 2 for at least 25% of guest parking spaces, and at least 5% (at least one) EVSE Level 2 Installed. Hotels (new): Provide Conduit Only, EVSE Ready Level 2, or EVSE Installed Level 2 for at least 30% of parking spaces, and at least 10% (at least one) EVSE Level 2 Installed. Non-residential: Provide Conduit Only, EVSE Ready Level 2, or EVSE Installed Level 2 for at least 25% of parking spaces, and at least 5% (at least one) EVSE Level 2 Installed.	<i>*All electric construction is exempt from PV requirements.</i> (this info is as of 2017 Palo Alto hasn't yet published new solar requirements.)	
San Jose	Single-Family/Duplex: Mixed fuel must be at least a 10 point EDR reduction and be electrification ready. Or all-electric. Multi-family low-rise: Mixed fuel must be at least a 10 point EDR reduction and be electrification ready. Or all-electric. High-rise Multi-family, Hotel/Motel: Mixed fuel 6% more efficient. Or all-electric. Non-residential: Office & Retail: Mixed fuel 14% more efficient. Or all-electric, all electrification ready. Industrial /Manufacturing: Mixed fuel 0% more efficient. Or all-electric, all electrification ready.	Single-Family/Duplex: One Level 2 EV Ready space (includes ADU if there is a parking space). Low-rise Multi-family: 10% EVSE, 20% EV Ready, 70% EV Capable. High-rise Multi-family: 10% EVSE, 20% EV Ready, 70% EV Capable. Hotel: 10% EVSE, 0% EV Ready, 50% EV Capable. Non-residential: 10% EVSE, 0% EV Ready, 40% EV Capable. (all EV is at least Level 2)	Low Rise Residential: PV to meet 2019 California Energy code. Battery with at least 5kWh shall be installed. Multi-family: PV sized to offset 100% of the estimated site electricity load. Battery storage with capacity equivalent to the PV system shall be installed.	Oct. 1, 2019

Attachment I

City	Building Electrification Requirement	Electric Vehicle Charging Infrastructure	Solar Requirements	Council Date (if known)
	All others: Mixed fuel 6% more efficient. Or all-electric, all electrification ready.			
San Mateo	Single-Family/Duplex: Mixed fuel must be at least 15% more efficient than the Energy code minimum efficiency. Or be all-electric. Office: Mixed fuel must be at least 10% more efficient than the Energy code minimum efficiency. Or all-electric. Multi-family: TBD likely mid-code cycle.	Single-Family/Duplex: One Level 2 EV Outlet installed. Multi-family: 15% Level 2 EV Capable spaces. Non-residential: 10% Level 2 EV Capable spaces, 5% Level 2 EVSE Installed spaces.	Single-family/Duplex & Multifamily (3 stories or less): Meet 2019 Energy Code. Multi-family (4 stories or more)*: Minimum 3kW PV system or solar thermal. Non-residential (<10,000 SF)*: Minimum 3kW PV system or solar thermal. Non-residential (>10,000 SF)*: Minimum 5kW PV system or solar thermal. *Exception: May provide a solar hot water system with a minimum collector area of 40 square feet.	1st Reading Aug. 19, 2019 2nd Reading Sept. 3, 2019
Santa Clara	Single-Family/Duplex: Mixed fuel must be at least a (TBD) point EDR reduction and be electrification ready. Or all-electric. Non-residential: Mixed fuel must be at least 5% more efficient and be electrification ready. Or all-electric.	Single-Family/Duplex: Considering 2 EV Ready spaces Multi-family (40 units or less): An EV Ready space per unit Multi-family (40 + units): 100% EV Ready (w/ load management) Non-residential: 10% EVSE, 10% EV Ready, 50% EV Capable.	Meet 2019 California Energy code.	TBD – estimated November 2019.
Sunnyvale	TBD – Process ongoing, target Reach Code development target date not set.	TBD – Process ongoing, target Reach Code development target date not set.	TBD – Process ongoing, target Reach Code development target date not set.	TBD – no target date set, anticipated in 2020

Attachment I

City	Building Electrification Requirement	Electric Vehicle Charging Infrastructure	Solar Requirements	Council Date (if known)
Milpitas	Single and two-family: Mixed fuel energy consumption must be at least a 10 point EDR reduction. Or electrically heated mixed-fuel shall be at least 2 EDR points less. Or all-electric. Multi-family low-rise: Mixed fuel must be at least a 11 point EDR reduction. Or electrically heated mixed-fuel shall be at least 1 EDR point less. Or all-electric. Non-residential except office and mercantile: Mixed fuel 6% more efficient. Or all-electric. Non-residential office and mercantile: Mixed fuel 14% more efficient. Or all-electric.	Single and two-family: install one Level 2 EV Ready circuit, and one Level 1 EV Ready circuit. Multi-family (20 units or less): 15% access to Level 2 EV Ready circuit. 35% access to Level 1 Capable circuit. Multi-family (20 + units): 20% access to Level 2 EV Ready circuit. 35% access to Level 1 Capable circuit. Office: 5% access to Level 2 EV Charger System installed. 10% access to Level 1 EV Ready. 20% access to Level 1 EV Capable or EV Ready. Other Non-residential: 4% access to Level 2 EV Charger System installed. 3% access to Level 1 EV Capable. Over 100 spaces, one 80kW Level 3 DC Fast charger per 100 spaces. Exception: Installation of each Direct Current Fast Charger with the capacity to provide at least 80 kW output may substitute for 6 Level 2 EVCS and 5 EV Ready spaces after a minimum of 6 Level 2 EVCS and 5 Level 1 EV Capable spaces are installed.	Residential: Meet 2019 California Energy code. Non-residential (<10,000 SF)*: Minimum 3kW PV system or solar thermal. Non-residential (≥10,000 SF)*: Minimum 5kW PV system or solar thermal. *Exception: May provide a solar hot water system with a minimum collector area of 40 square feet.	1st Reading Nov. 5, 2019 2nd Reading Dec. 3, 2019

**International
Electrical**



**Brotherhood
Workers**

AFL-CIO

Local Union No. 332

2125 CANOAS GARDEN AVENUE, SUITE 100

SAN JOSE, CALIFORNIA 95125

Telephone: (408) 269-4332

Fax: (408) 979-5500

November 7, 2019

Re: 2019 California Energy Code - Local Amendments (Reach Codes)

Dear City Council Member:

Each local government is required by law to adopt new changes to the California Building Standards Code every three years (known as code cycles) proposed by the State. The next code cycle will take effect January 1, 2020. This creates an opportunity to simultaneously adopt optional local building code amendments (known as Reach Codes) that exceed state code standards.

Historically, cities/counties sometimes adopt amendments to the Energy (Title 24, Part 6) and California Green Building Standards - CAL Green (Title 24, Part 11) codes to meet local environmental goals or aspirations.

This creates a significant Reach Code opportunity to reduce future GHG in new buildings by discouraging or eliminating the use of natural gas. This can be accomplished by incentivizing and/or requiring new buildings to use more electric appliances to utilize the clean renewable electricity available rather than natural gas.

Cities across the region are recognizing that all-electric homes and EVs reduce production of greenhouse gases (GHG) and provide healthier and safer homes and transportation at reduced cost.

Moving to all-electric homes is an important step for our economy and IBEW Local 332 is taking aggressive steps to ensure that we have trained workforce to address this need.

The IBEW Local 332 has been training men and women as electricians for over 100 years in Santa Clara County. The training requirements to become a journeyman electrician is based on a five (5) year apprenticeship program that focuses on installation, safety, compliance with Federal, State and County Codes and design of all electrical systems. As the future unfolds, IBEW Local 332 is transforming training objectives to meet with the innovations for electrification of homes with a conscious focus on controlling cost and energy. How is this being done? Through training in smarter, controlled based devices in lighting, which consumes 48% of the energy in a home. Through training and installation of advance designs and control of HYAC systems and home appliance, which are the highest consumers of energy in homes. Through training on the installation and maintenance of solar panels that can now be integrated into the roof designs of homes. Finally, through the installation of electric vehicle charging stations, since the growth of electric cars is predicted to increase from the current 3 million to 125 million cars by 2030 according to the International Energy Agency.



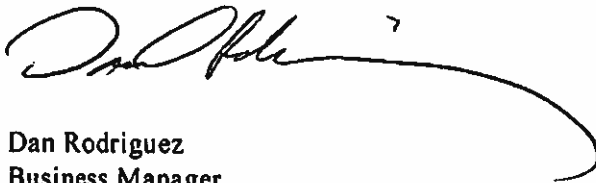
Each one of these areas represent only a small portion of the training each electrician receives as an apprentice and through journeymen upgrade courses. Additionally, IBEW Local 332 journeymen meet the State of California requirements for certification to work on homes, industrial/commercial buildings, and public transportation sites and receive added certifications for specialized training on lighting controls, electric vehicle charging stations, building automations, and the list goes on.

We are pleased to be at the forefront of the effort to ensure that Santa Clara County will have the workforce needed to deliver high quality electrical service and installation of innovative technologies such as heat-pump water heaters, induction stoves, and electric vehicle charging to meet these needs.

We encourage the City Council to adopt building reach codes to accelerate cleaner, safer and lower cost homes and transportation.

Thank you for your consideration of this request. If there is any way that IBEW 332 can be of assistance on this or other matters, please do not hesitate to call.

Thank you,

A handwritten signature in black ink, appearing to read 'Dan Rodriguez', with a long, sweeping horizontal line extending to the right.

Dan Rodriguez
Business Manager
IBEW Local 332



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Introduce Ordinance No. 65.148 Adopting by Reference the 2019 California Energy Code with Amendments; introduce Ordinance No. 65.149 Adopting by Reference the 2019 California Green Building Standards Code with Amendments; and Set a Public Hearing on December 3, 2019 for Adoption of the Ordinances
Category:	Community Development
Meeting Date:	11/5/2019
Staff Contact:	Sharon Goei, 408-586-3260; Bill Tott, 408-586-3263
Recommendation:	1. Following the City Attorney's reading of the title, move to waive the first reading beyond the title and introduce Ordinance No. 65.148 amending Chapter 11 of Title II of the Milpitas Municipal Code adopting by reference the 2019 California Energy Code with amendments. 2. Following the City Attorney's reading of the title, move to waive the first reading beyond the title and introduce Ordinance No. 65.149 amending Chapter 19 of Title II of the Milpitas Municipal Code adopting by reference the 2019 California Green Building Standards Code with amendments. 3. Set a public hearing on December 3, 2019, pursuant to California Government Code Section 50022.3, for adoption of the Ordinances.

Executive Summary:

Staff recommends adopting local amendments to the 2019 California Energy Code pertaining to building electrification, mixed fuel construction, and solar photovoltaic systems, and the 2019 California Green Building Standards Code pertaining to electric vehicle (EV) charging for new residential and non-residential construction. These local amendments, referred to as reach codes, would exceed the requirements in the 2019 state codes to more effectively combat climate change and meet established state targets for reducing greenhouse gas emissions (GHG). The proposed reach codes for Milpitas provide pathways/options and offer a balanced approach to new residential and non-residential construction. They were largely based on the model code amendment initiated by Silicon Valley Clean Energy and incorporate adjustments as a result of outreach and stakeholder input from the Milpitas community. Adopting the proposed reach codes will help reduce GHG emissions for new construction, improve indoor air quality and the safety of our building stock, support affordable housing, and stimulate the use of electric vehicles in the Milpitas community.

In order to make amendments to the California Building Standards Code, the City must make express findings that the amendments and modifications are reasonably necessary because of local climatic, geological or topographical conditions. These findings are contained in the proposed ordinance.

This report provides an overview of: 1) the reach code adoption process; 2) statewide cost-effectiveness studies for electrification reach codes for new residential and nonresidential buildings; 3) regional reach code focus and local engagement efforts; 4) benefits to low-income communities; and 5) proposed Milpitas reach code amendments to the California Energy Code and Green Building Standards Code (CALGreen) for the 2019 triennial code adoption cycle.

Background:

The City of Milpitas has demonstrated leadership in sustainability, especially over the past seven years in which the City installed 895 kW of solar photovoltaic panels at three City facilities including the Sports Center. The City adopted its first Climate Action Plan (CAP) for reducing greenhouse gas emissions (GHG) through 2020.

update is planned for 2020), and launched a community scale carbon-free electricity endeavor through participation in the Silicon Valley Clean Energy (SVCE) program.

Through the SVCE community choice energy provider of carbon-free electricity (with opt-up to 100% renewable electricity), almost 97% of Milpitas resident and businesses now enjoy receiving carbon-free electricity and over \$1.2 million savings in on-bill charges while significantly reducing GHG. While these savings and reductions in GHG represent significant actions, more needs to be done to minimize climate change and meet State established GHG reduction targets.

The most recent State target was set by Governor Brown's Executive Order EO B-55-18, signed on September 10, 2018, which establishes the goal for the state to be carbon neutral as soon as possible, and no later than 2045.

Based on the City and state goals to reduce GHG emissions, electrification retrofits will be necessary and ultimately required for renovation of existing buildings and new buildings constructed under current standards. Addressing electrification now in new buildings avoids hardships for tenants and retrofit costs for building owners in the future and acknowledges the GHG impacts under current construction practices, especially when considering the benefits of building and transportation electrification when paired with carbon-free electricity that is provided by SVCE.

Every three years, the State of California adopts new building standards that are organized in Title 24 of the California Code of Regulations, referred to as the California Building Standards Code. This regular update is referred to as a "code cycle." The last code cycle was adopted in 2016 and was effective on January 1, 2017. The next code cycle will be adopted in 2019 and will be effective January 1, 2020. Cities and counties have the authority to adopt local amendments ("reach codes") that require new development projects to exceed minimum requirements in the California Energy Code and California Green Building Standards Code (also known as CALGreen).

The City of Milpitas is participating in the Silicon Valley Clean Energy reach code grant offering, which will provide \$10,000 to the City for presenting reach codes to the City Council for consideration. Please see Attachment H for the SVCE Letter of Interest for the \$10,000 grant.

Analysis:

Proposed Code Amendments

A. Energy Code

New to the 2019 California Energy Code is an all-electric pathway for energy efficiency compliance. This all-electric pathway is NOT a reach code amendment but one of two general paths that developers and builders can choose from to provide enhanced electrification and GHG reduction. The other pathway is where reach codes can be provided, and utilizes mixed fuel construction in new buildings, with some paths using more electrification and some using less. Please see the proposed ordinance Attachment A for the Energy Code amendment language regarding the various mixed fuel options that can be found in the proposed ordinance. Staff has also prepared a summary of the reach code technical information in an easier-to-digest format in Attachment C. The summary shows the various performance and prescriptive pathways that are available under the proposed reach code amendments to the Energy Code.

Regarding solar photovoltaic mandatory requirements for non-residential buildings, new buildings with less than 10,000 square feet floor area need to provide a minimum 3-kW solar photovoltaic system. New buildings with 10,000 square feet floor area or more need to provide a minimum 5-kW solar photovoltaic system. The reach code also provides an alternative to the solar photovoltaic system by providing a solar hot water system (solar thermal) for non-residential buildings. These requirements were adapted as part of the model reach code to provide the ability for projects to offset added electrical load on the utility grid.

The proposed reach code is largely based on the model code amendment developed by Silicon Valley Clean Energy, which has been vetted through considerable research and public review. Staff also incorporated adjustments in the proposed reach code as a result of stakeholder input from the Milpitas community. The proposed reach codes for Milpitas provide pathways/options and offer a balanced approach to new residential and non-residential construction.

B. Green Building Standards Code (CALGreen)

It is widely known that availability of electric vehicle (EV) charging infrastructure is a critical component to EV adoption. Retrofitting existing buildings with EV charging infrastructure is significantly more expensive than it is during new construction.

EV reach codes will ensure that newly constructed buildings have ample EV charging capability to reduce long term costs of EV infrastructure installation while helping to increase EV adoption and decrease transportation related GHG emissions which account for approximately 50% of total GHG emissions.

The proposed reach code amendments will provide a higher percentage of charging infrastructure in new construction through a combination of Level 1 and Level 2 circuits with varying readiness. Please see Attachment B for the code amendment language and Attachment D - Summary of proposed Green Building reach codes for more details on the proposed EV charging reach code amendments.

Costs/Benefits of Proposed Amendments

A. Statewide Cost-Effectiveness Study

Funded by the California Investor-Owned Utilities (IOUs) such as Pacific Gas and Electric (PG&E), the California Statewide Codes and Standards Program (Statewide Program) completed cost-effectiveness studies for new residential and non-residential construction, for use statewide in the current building code cycle. The reach code cost-effectiveness study for nonresidential new construction is posted at <https://peninsulareachcodes.org/wp-content/uploads/2019/09/2019-NR-NC-Cost-Effectiveness-Study-2019-07-25.pdf>. The residential cost-effectiveness study is posted at <https://peninsulareachcodes.org/wp-content/uploads/2019/09/2019-Res-NC-Reach-Codes.pdf>. The proposed Milpitas reach codes are based on data in these studies, specific to Climate Zone 4. These studies are required for California Energy Commission (CEC) review and approval of amendments to the California Energy Code.

B. Project Feasibility

While the environmental benefits of reach codes for building electrification and EV charging have been well-documented, there have been concerns expressed by the development community on the financial impact on project feasibility due to increased construction costs associated with reach codes.

According to the statewide cost-effectiveness studies noted in the previous section, all-electric buildings offer savings on “first” construction costs for all building types when compared to mixed fuel buildings in all climate zones.

These same studies do account for the increased “first” construction costs for mixed fuel construction, but the Nonresidential and Low Rise Residential New Construction cost-effectiveness studies above found all mixed fuel building prototypes in Climate Zone 4 to be cost-effective when using the time dependent valuation of energy (TDV) methodology. This methodology intends to capture the “societal value” or cost of energy use including long term projected costs such as the cost of providing energy during peak periods of demand, projected costs for carbon emissions, and grid transmission impacts. Energy use is valued differently depending on the fuel (natural gas, electricity), time of day, and season. Electricity used (or saved) during peak periods has a much higher value than electricity used (or saved) during off-peak periods. This is the methodology used by the Energy Commission in evaluating cost-effectiveness for efficiency measures in reach codes.

C. Building Electrification

The interest in building electrification and renewable energy is partially derived from the impetus provided by Silicon Valley Clean Energy (SVCE) which has been providing 100% carbon-free electricity for the City of Milpitas since June 2018. Greenhouse gas emissions (GHG) has been reduced by 59.3 million pounds from June to September 2018. Further elimination of natural gas usage through building electrification would greatly reduce greenhouse gas emissions. Building emissions of GHG account for approximately 35% of total GHG emissions.

Other benefits of electrification and renewable energy include on-bill savings for SVCE customers, cleaner, healthier indoor air quality, and greater safety due to the elimination of toxic and potentially lethal products of gas combustion such as carbon monoxide. For these reasons, there is considerable interest in promoting higher levels of all-electric new construction, or “building electrification,” which is now available for the first time through the pathway provided by the 2019 Energy Code.

SVCE has taken the lead in Santa Clara County for researching and developing prototype standards for the reach codes. Staff have worked closely with SVCE and its consultants to interpret and apply the 2019 cost-effectiveness studies for low-rise residential and nonresidential new construction to the Milpitas reach code. The proposed electrification reach code for Milpitas is in alignment with the requirements of the California Energy Commission (CEC) for cost-effectiveness in terms of both construction costs and on-bill costs of consumers. In addition, the cost-effectiveness analysis show that all-electric buildings are usually less expensive to construct than mixed-fuel buildings.

D. Electric Vehicle Charging Infrastructure (EVCI)

Based on an analysis by consultants at the New Buildings Institute, of additional costs of implementing various EV infrastructure measures for a 92,000 square foot multi-family building and a 100,000 square foot office (nonresidential) building, each with 100 parking spaces, staff developed the table below for proposed EV infrastructure reach code requirements for Milpitas.

The table illustrates how additional EV infrastructure requirements could impact first construction costs as compared to the base 2019 CALGreen code using the proposed EV infrastructure reach code requirements for Milpitas. It also shows what the additional cost of the Milpitas EV infrastructure reach code would add to the project cost, expressed as a percentage of the total project cost. The result is a very low percentage.

EV Infrastructure Additional Construction Costs for a Multi-Family and a Non-Residential Office Building

	Multi-family 2019 CALGreen	Multi-family Reach Code	Non-Residential Office 2019 CALGreen	Non-Residential Office Reach Code
EV Capable Spaces ¹	10	35	6	20
EV Ready Spaces ¹	0	20	0	10
EV Installed Spaces ¹	0	0	0	5
Total Cost of EV Capable (w/ 8A capacity)	\$ 9,900	\$ 34,650	\$ 5,940	\$ 19,800
Total Cost of EV Ready	-	\$ 26,600	-	\$ 13,300
Total Cost of EV Installed	-	-	-	\$ 24,750
Total EVCI Cost	\$ 9,900	\$ 61,250	\$ 5,940	\$ 57,850
Total Cost less CALGreen		\$ 51,350		\$ 51,910
Total Project Cost ²		\$ 23,000,000		\$ 30,000,000
Additional Cost of reach code over 2019 CALGreen as a percentage of Total Project Cost ³		0.22%		0.17%

Notes:

¹Costs per space: Capable \$990; Ready \$1330; Installed \$4950.

²Assumed \$250/sf for a 92,000 sf MF development and \$300/sf for a 100,000 sf NR office building.

³Additional utility infrastructure costs may be incurred (transformer, switch gear) but are not included.

Note that while construction costs will be incurred, there are numerous state and federal incentive and rebate programs available to offset or reduce the “first” costs. One such program is posted at the Bay Area Air Quality Management District website <http://www.baaqmd.gov/funding-and-incentives/businesses-and-fleets/charge>.

Staff have worked closely with SVCE and the Statewide Program’s team to establish new construction EV requirements which are more in-line with local EV adoption trends, while providing flexibility for the developer and keeping construction costs as low as possible.

Documentation provided by SVCE indicates that transportation emissions of GHG are approximately 50% of total GHG emissions.

Local residents are showing a significant interest in electric vehicles. For example, the number of registered plug-in vehicles in Santa Clara County increased by 31% in 2018. By comparison, registrations for vehicles powered by fossil fuels shrank in 2018.

Recent data compiled through surveys of potential electric vehicle customers and other sources indicates that the availability of EV charging infrastructure is a critical component to EV adoption. It is significantly more expensive to install charging infrastructure as a retrofit than during new construction. As such, ensuring that newly constructed residential and non-residential parking has ample EV charging capability will reduce long-term costs of EV infrastructure installation, while helping to increase EV adoption and decrease transportation-related greenhouse gas emissions.

While California’s new minimum requirements are a step forward, it is unlikely that the requirements for multi-family dwellings and non-residential buildings are enough to keep pace with expected EV growth looking towards 2030. The Statewide Program’s team reviewed approaches to increase the amount of EV infrastructure in new construction, while keeping construction costs as low as possible.

E. Low-Income Communities

A recent study by U.S. Environmental Protection Agency (EPA) scientists shows that low-income communities are disproportionately affected by air pollution. It is imperative that clean fuel options such as electricity produced using solar, wind and hydro power are incorporated into Milpitas’ low-income housing community to promote reduction of indoor and outdoor air pollution.

EV charging requirements have been perceived by some to be incongruent with low-income housing needs; however, recent studies suggest otherwise. EVs and hybrids are becoming more affordable and their fuel costs are considerably lower than fossil fuel powered vehicles. Recent market research suggests that prices are falling at a dramatic rate due to lowering battery costs and government rebate programs. According to a CB Insights Report, the general industry consensus is that EVs will reach price analogy with fossil fuels, possibly as early as 2021. The report can be found at <https://www.cbinsights.com/research/report/electric-car-race/#8>.

Further lowering upfront costs, the California Clean Vehicle Rebate Project offers rebates of up to \$4,500 with additional rebates for low-income buyers for purchase or lease of new eligible battery electric vehicles. Compared with \$2,550 per year for fossil fuel vehicles, a similar EV will save the average user an estimated \$10,000 in fuel costs over 10 years at current fuel and PG&E utility rates.

For these reasons, accelerating the rate of EV charging access infrastructure through the proposed Milpitas reach codes is just as relevant if not more critical to low-income below market rate housing as market-based or commercial projects.

Reach Code Efforts in Other Jurisdictions

Current regional reach code efforts are focused on residential and non-residential new construction and electric vehicle infrastructure (EVCI), to incentivize or require the following:

- All-electric buildings for new construction
- Mixed fuel (e.g. natural gas and electric) buildings, including electrification readiness
- Additional EVCI requirements for all building types to further prepare for current and future anticipated electric vehicle (EV) uptake

Nineteen cities, including eight in the Bay Area including San Francisco, Oakland, and Fremont, adopted reach codes in the current 2016 code cycle for electrification, solar photovoltaic, and electric vehicle infrastructure.

According to the CEC, over 45 Bay Area cities have adopted or are considering reach codes, with a focus on encouraging or requiring building and/or transportation electrification for implementation in the 2019 building code cycle. Bay area cities include the following:

- 8 in Alameda County
- 19 in San Mateo County
- 14 in Santa Clara County
- 5 in Sonoma County

Please refer to Attachment I for a list and comparison of reach code efforts in other cities.

Milpitas Public Outreach

A. Comments at Community Meetings

Staff conducted a series of outreach and engagement meetings with stakeholders and community members on the proposed reach codes. These include the August 15 Community Development Roundtable initial discussion, August 21 presentation to the Energy and Environmental Sustainability Commission, and September 12 and October 7 in-depth discussions with Milpitas staff, SVCE representatives, developers, and community members.

The feedback from the outreach meetings was generally supportive, with most support garnered from design professionals who have done all-electric buildings, Milpitas residents who acknowledged the growing climate change crisis and applauded our reach code efforts. Support was expressed by others to promote electrification in construction practices.

However, larger developer/builders voiced general concerns over the possibility of increased construction costs and market forces that they felt are more favorable toward the use of natural gas appliances, particularly cooking appliances. Heightened concerns were expressed over the proposed EV charging infrastructure reach code initially proposed by City staff. In response, SummerHill Apartment Communities presented an alternative proposed EV reach code that was endorsed by Lyon Living. This proposal was reviewed by staff and the current version represents a blend of the initial staff proposal and the alternative developer proposal. These adjustments were felt to be a reasonable compromise given the real-world specific calculations and information provided by SummerHill and endorsed by Lyon Living.

See Attachment E for SummerHill's comments, their EV infrastructure proposal, and Lyon Living's comments.

B. Other Stakeholder Comments

Pacific Gas and Electric (PG&E) forwarded an e-mail letter (Attachment F) to the City stating its commitment to helping communities achieve their energy goals and welcomed the opportunity to support the City of Milpitas' efforts to promote efficient and cost-effective electrification in new construction.

The Western Propane Gas Association (WPGA) forwarded an e-mail letter (Attachment G) to the City stating the belief that reach codes disincentivize propane as a complementary fuel source to electric. The letter elaborates on the reasons why the WPGA holds this belief. In response, the proposed Milpitas Energy reach code includes mixed-fuel buildings, which includes propane and natural gas. The all-electric pathway is certainly there, but it is not mandated to use this option for any of the various buildings and occupancy types.

Effective Date of Code Amendments

The Energy Code amendments pertaining to building electrification and mixed fuel construction are required to be approved by the California Energy Commission (CEC). For these amendments to be approved by the CEC, they must: 1) be at least as stringent as the statewide code; 2) be cost effective as defined by standards set by the CEC; 3) be submitted and approved by the CEC; and 4) not preempt federal appliance regulations. Upon approval by the CEC, the Energy Code amendments are filed with the California Building Standards Commission (BSC). This portion is a ministerial review and documentation process only.

The Energy Code amendments become effective and enforceable by the City on the date of approval by the CEC. If adopted by the City Council on December 3, 2019, staff projects that the Milpitas amendments to the Energy Code will become effective and enforceable in February or March 2020 given the 60-day public comment period required by the CEC review/approval process.

The CALGreen amendments pertaining to EV charging do not require submittal and approval by the CEC. If adopted by the City Council on December 3, 2019, these amendments will become effective on January 1, 2020 along with the 2019 CALGreen.

Policy Alternative:

Alternative 1: Adopt the 2019 California Energy Code and/or Green Building Standards Code as written without local amendments (reach codes).

Pros: No additional work is needed. The section for amendments would be removed from each Ordinance.

Cons: Without reach codes, it would be increasingly difficult to achieve some of the established goals in the Milpitas Climate Action Plan that is slated to be upgraded in 2020. Also, the opportunity to participate with other local jurisdictions in the efforts to accelerate Energy and Green Building Code requirements to achieve the state mandated goals for greenhouse gas emission reductions by 2020, 2030, and 2050, would be lost.

Instituting accelerated levels of building electrification and electric vehicle charging requirements with this code cycle will have lasting impacts as buildings constructed under this code cycle will have significant carbon reductions for the 30-40-year life span of the buildings. An added benefit to enacting the reach codes now is the avoidance of the higher costs to retrofit buildings later, and the inconvenience to tenants.

Reason for Not Recommending: This alternative is not recommended because of the loss of opportunity to increase the City's efforts toward achieving a higher, earlier use of renewable energy, and the reduction of GHG emissions.

Fiscal Impact:

There is no cost to the City other than administrative staff time and expense.

California Environmental Quality Act:

The action being considered has no potential for causing a significant effect on the environment and is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3).

Recommendations:

1. Following the City Attorney's reading of the title, move to waive the first reading beyond the title and introduce Ordinance No. 65.148 amending Chapter 11 of Title II of the Milpitas Municipal Code adopting by reference the 2019 California Energy Code with amendments.
2. Following the City Attorney's reading of the title, move to waive the first reading beyond the title and introduce Ordinance No. 65.149 amending Chapter 19 of Title II of the Milpitas Municipal Code adopting by reference the 2019 California Green Building Standards Code with amendments.
3. Set a public hearing on December 3, 2019, pursuant to California Government Code Section 50022.3, for adoption of the Ordinances.

Attachments:

- A. Ordinance No. 65.148 – adopting by reference the 2019 California Energy Code with amendments
- B. Ordinance No. 65.149 – adopting by reference the 2019 California Green Building Standards Code with amendments
- C. Summary of proposed Energy reach codes (proposed amendments to the 2019 California Energy Code)
- D. Summary of proposed Green Building reach codes (proposed amendments to the 2019 California Green Building Standards Code)
- E. SummerHill comments, EV infrastructure proposal, and Lyon Living comments
- F. PG&E letter
- G. WPGA letter
- H. SVCE Letter of Interest (LOI) for \$10,000 Reach Code Grant
- I. Reach Code Efforts in Other Cities



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Introduce Ordinance No. 120.49 Amending Title VIII, Chapter 1 of the Milpitas Municipal Code Relating to Discontinuance and Restoration of Water Service and Adopt a Resolution Approving a Policy on Discontinuance of Residential Water Service
Category:	Leadership and Support Services
Meeting Date:	12/3/2019
Staff Contact:	Walter Rossman, 408-586-3111
Recommendations:	1) Following the City Attorney reading aloud the title, move to waive the first reading beyond the title, and introduce Ordinance No. 120.49 amending Title VIII, Chapter 1 of the Milpitas Municipal Code Relating to Discontinuance and Restoration of Water Service. 2) Adopt a Resolution approving a policy on Discontinuance of Residential Water Service.

Background:

In September 2018, Governor Brown approved Senate Bill 998 which regulates the discontinuance of residential water service for urban and community water systems.

SB 998 requires an urban and community water system such as the one operated by the City to have a written policy ("Policy") on discontinuation of water service to certain types of residences for nonpayment, available in prescribed languages. The bill requires the Policy to include certain components, be available on the system's Internet Website, and be provided to customers in writing, upon request.

In addition to the Policy the bill has certain other requirements as follows:

- prohibits the City from discontinuing residential service for nonpayment until a payment by a customer has been delinquent for at least 60 days;
- requires the City to contact the customer named on the account by phone or in writing and provide the customer with the City's policy on discontinuance of residential service for nonpayment no less than 7 business days before discontinuation of residential service;
 - if contacted in writing, the notice has to contain certain information such as the customer's name and address; the amount of the delinquency; the date by which a payment arrangement is necessary to avoid discontinuation of service; a description of the procedure to petition for bill review and appeal; and a description of the procedure by which the customer may request a deferred, reduced, or alternative payment schedule, including an amortization of the delinquent charges;
 - if contacted by phone, the City needs to provide the same information and offer to provide the City's policy on discontinuance of residential water service;
- provides all notices required under the Act in English, Spanish, Chinese, Tagalog, Vietnamese, and Korean, in addition to any other language spoken by ten percent or more people within the City;
- provides for an appeal procedure to contest delinquent bills or other reasons for discontinuance of water service;

- prohibits residential service from being discontinued if the customer is willing to enter into an amortization agreement, alternative payment schedule, or a plan for deferred or reduced payment with respect to all delinquent charges for residential customers who:
 - demonstrate household income below 200% of the federal poverty line the City will provide the customer with information on how to restore service and waive interest charges on delinquent bills for and limit the amount of a reconnection of service fee imposed on;
 - provide a certification from a primary care provider that the discontinuation of water service would be life threatening or pose a serious threat to the health and safety of a resident of the premises;
- requires that if the City furnishes individually metered residential service to residential occupants of a detached single-family dwelling, a multiunit structure, mobile home park, or permanent residential structure in a labor camp, and the owner, manager, or operator of the dwelling, structure, or park is the customer of record, that the City make every good faith effort to inform the residential occupants by written notice that service will be terminated and that the residential occupants have the right to become customers, as specified.

The bill requires that the City report the number of annual discontinuations of residential service for inability to pay on its Internet Web site and to the City Council. The bill requires that the City comply with the bill's provisions by February 1, 2020. Therefore, to comply with SB 998, staff recommends certain changes to Municipal Code Title VIII, Chapter 1, Section 6 titled Water Service Charges and the adoption of a resolution approving a policy on discontinuance of residential water service effective February 1, 2020.

Analysis:

In order for the City to be compliant with SB 998 staff recommends that the City Council approve certain amendments to the Milpitas Municipal Code governing the discontinuance of water service and adopt a policy on discontinuance of residential water service.

Water Service Discontinuation Ordinance Amendments

Currently, the discontinuance of water service for residential and non-residential is guided by Municipal Code Title VIII, Chapter 1, Section 6 titled Water Service Charges. Per the current code, a water bill becomes delinquent if not paid within 15 days of issuance of the bill. After 30 days of an account being delinquent for not paying its bill, the City shall discontinue water service. Prior to discontinuing service for delinquent accounts, a final notice shall be issued to delinquent accounts which includes a penalty fee equal to five percent of the amount due and payment within 15 days of the date of the final notice. If payment has not been received by 5:00 p.m. of the due date of the final notice, an additional late fee equal to five percent of the amount then due shall be imposed, and a twenty-four (24) hour warning notice shall be placed on an exterior door of the building where service is provided and for which payments are delinquent. If the City posts a warning notice, an additional service charge of ten dollars (\$10) shall be imposed on the delinquent account.

The table below summarizes the current process as outlined in the Municipal Code and the current practice for discontinuance of water service for residential and non-residential accounts as well as the recommended changes for residential accounts consistent with State law and non-residential accounts. It is important to note that the current practice is aligned to current State law which prescribes that payment on a bill must be delinquent for at least thirty-four days before the water system may terminate service (Gov. Code § 60373(a); Public Utilities Code § 10010.1(a)).

Therefore, staff recommends certain steps in the process for delinquent accounts which are consistent with State law, operationally feasible, and/or based on billing and collection data. SB 998 prescribes that at minimum 60 days after a utility bill is deemed delinquent, the City can shut off the water service. The City issues bills every Monday for eight weekly billing cycles with a payment due date within 21 days after bill issuance. Therefore, on Tuesdays, three weeks after issuance of a bill, a bill is deemed delinquent if not paid and a Notice is issued. With the minimum 60-day period before water service can be discontinued after a bill is deemed delinquent. Given the City's billing cycles, the 60th day falls on Saturdays. Therefore, the soonest staff can shut off the service is on Mondays. However, customers often get paid on Fridays and pay their overdue bills on Mondays. Therefore, staff recommends that water service for residential customers be discontinued on Tuesdays or 63 days after a bill is delinquent.

Currently, the City issues only one reminder notice, one day after a bill is delinquent. It is important to note that in FY 2018-19, the City issued 8,800 reminder notices to residential and non-residential customers, or 8.7% of bills issued (approximately 101,900 bills were issued last fiscal year). Specifically, for approximately 87,500 bills issued to residential customers, approximately 8,200 reminder notices were mailed or 9.4% of bills issued; for approximately 14,400 bills issued to non-residential customers, approximately 600 reminder notices were mailed or 4.3% of bills issued. It is important to note that throughout a year, certain customers receive more than one reminder notice. With the change in State law, the final notice will be issued 56 days after a bill is delinquent. Given that the City issues a reminder notice for every ten bills issued, staff recommends that an initial notice "Reminder Notice" be issued on the first day a bill is delinquent to encourage prompt payment. For both notices a 5% late charge is recommended to be assessed.

The City has approximately 14,600 residential customers and 2,400 non-residential customers (e.g.: commercial, industrial, governmental customers). The non-residential customers only account for approximately 14% of the customer base. Due to the substantially lower customer base and lower rate of delinquent bills, staff recommends adjusting the process for non-residential customers to the new process for residential customers.

	Process per Code	Current Practice	Recommended Process
Bill deemed delinquent	16th day after issuance	21 days from when the bill is mailed	21 days from when the bill is mailed
City issues Reminder Notice (late fee of 5% assessed)	N/A	N/A	1 day after bill is delinquent
Reminder Notice Due Date	N/A	N/A	22 days after bill is delinquent
City issues Final Notice (additional late fee of 5% assessed)	1 day after bill is delinquent	1 day after bill is delinquent	43 days after bill is delinquent
Final Notice Due Date	15 days from date of Final Notice issued	22 days after bill is delinquent	49 days after bill is delinquent
In Person or Telephonic Notice	N/A	N/A	52 days after bill is delinquent
Warning Notice (a service charge of \$10 assessed)	29 days after bill is delinquent	31 days after bill is delinquent	56 days after bill is delinquent
City discontinues water service	More than 30 days after bill is delinquent	35 days after bill is delinquent	63 days after bill is delinquent

The draft ordinance effective February 1, 2020 includes recommended changes aligning certain deadlines to SB 998 for delinquent residential accounts as outlined in the table above; referencing the policy for discontinuance of residential water service for nonpayment stating that to the extent the policy conflicts with any provisions of this chapter, the policy shall control; separating the process for non-residential delinquent accounts; and limits the reconnection fee for certain households as required by SB 998.

Staff recommends keeping the various charges related to delinquent accounts such as warning notice fee and water service restoration fees; however, removing them from the ordinance and approving them annually through the adoption of the Master Fee Schedule. Therefore, by February 1, 2020, staff will bring forward amendments to the FY 2019-20 Adopted Master Fee Schedule to include these charges.

Discontinuance of Residential Water Service Policy

One of the requirements of SB 998 is the adoption of Discontinuance of Residential Water Service Policy (Policy) by the Council. The recommended Policy (attached) , which is recommended to become effective

February 1, includes additional provisions concerning billing procedures, discontinuance of service, notification procedures, restoration of service, procedures to contest or appeal a water bill, extensions or other alternative payment arrangements, protections available to qualified low-income customers, procedures for tenants to becoming a customer of the city under specified circumstances, and related matters. Additionally, the Policy directs staff to implement a third-party notification service for seniors and dependent adults regarding delinquent bills.

Implementation of Ordinance Amendments and Policy

During the next two months, staff will implement the ordinance amendments and Policy. Specific work effort items include but are not limited to updating information on utility bills, reminder bills, and tags; research and implement automated reminder phone calls; online publication and translation of the Policy; implement a Third-Party Notification Service for Seniors and Dependent Adults; and training of staff. Additionally, in January, staff will bring forward amendments to the FY 2019-20 Master Fee Schedule to include the Warning Notice Fee and Water Service Restoration Fee.

Policy Alternative:

Alternative: Do not align the water service discontinuance process for non-residential accounts to the recommended 63-day period for residential accounts and return to Council with a shorter process to discontinue water service.

Pros: May result in prompter payment of delinquent non-residential accounts.

Cons: Need to establish a separate process.

Reason not recommended: The current process for discontinuance of water service is not consistent with state law and requires revision. Therefore, stretched staff resources would need to work with the billing system vendor to establish two processes within the next two months.

Fiscal Impact:

It is not possible to predict a fiscal impact at this time given the various recommended changes, however staff will monitor future impact and provide updates to Council through the budget process.

Recommendations:

- 1) Following the City Attorney reading aloud the title, move to waive the first reading beyond the title and introduce Ordinance No. 120.49 amending Title VIII, Chapter 1 of the Milpitas Municipal Code relating to Discontinuance and Restoration of Water Service.
- 2) Adopt a Resolution approving a policy on Discontinuance of Residential Water Service.

Attachments:

1. Draft Ordinance No. 120.49
2. Resolution to adopt Policy
3. Policy on Discontinuance of Residential Water Service

PLEASE NOTE:

This copy of Ordinance No. 120.49 is a “redlined” version for your convenience. Text additions are designated by an underline and text deletions are designated with a strikethrough.

REGULAR

NUMBER: 120.49

TITLE: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MILPITAS AMENDING TITLE VIII (PUBLIC WORKS), CHAPTER 1 (WATER SYSTEM) OF THE MILPITAS MUNICIPAL CODE RELATING TO DISCONTINUANCE AND RESTORATION OF WATER SERVICE**

HISTORY: This Ordinance was introduced (first reading) by the City Council at its meeting of _____, 2019, upon motion by _____ and was adopted (second reading) by the City Council at its meeting of _____, 2019 upon motion by _____. The Ordinance was duly passed and published in accordance with the law by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Mary Lavelle, City Clerk

Rich Tran, Mayor

APPROVED AS TO FORM:

Christopher J. Diaz, City Attorney

RECITALS:

WHEREAS, the City of Milpitas (“City”) is a municipal corporation, duly organized under the California Constitution and laws of the State of California; and

WHEREAS, the City operates a public water system that supplies water to residential, commercial, and industrial customers throughout the City’s jurisdiction; and

WHEREAS, in 2018, the California Legislature adopted Senate Bill 998 (“SB 998”) which adopted new and expanded protections regarding discontinuation of residential water service for nonpayment and related matters; and

WHEREAS, the City Council desires to amend the Title VIII, Chapter 1 of the Milpitas Municipal Code to ensure consistency with the requirements of SB 998, and for related purposes.

NOW, THEREFORE, the City Council of the City of Milpitas does ordain as follows:

SECTION 1. RECORD AND BASIS FOR ACTION

The City Council has duly considered the full record before it, which may include but is not limited to such things as the City staff report, testimony by staff and the public, and other materials and evidence submitted or provided to the City Council. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.

SECTION 2. AMENDMENT OF MILPITAS MUNICIPAL CODE TITLE VIII, CHAPTER 1, SECTION 6.10

Title VIII, Chapter 1, Section 6.10 of the Milpitas Municipal Code is hereby amended to read as follows:

VIII-1-6.10 - Discontinuance of Residential and Non-Residential Service

6.10-1 Residential Service may be discontinued for any infraction of City rules or regulations relating to the provision of water service and shall be discontinued for any account, which is more than ~~thirty-sixty-three (3063)~~ days delinquent. Prior to discontinuing service for delinquent accounts, ~~a final one or more notices~~ shall be issued to delinquent accounts. If payment has not been received by 5:00 p.m. of the due date of a bill, which is twenty-one (21) days from when the bill is mailed, a penalty fee equal to five percent of the amount then due shall be imposed and a “Reminder Notice” will be mailed. If payment has not been received by 5:00 p.m. of the forty-ninth (49th) day of delinquency, an additional late fee equal to five percent of the amount then due shall be imposed, and a Final Notice will be mailed. If payment has not been received by 5:00 p.m. on the fifty-sixth (56th) day of delinquency, a twentyfour (24) hour warning notice regarding the discontinuance of water service shall be placed on an exterior door of the building where service is provided and for which payments are delinquent. If the City posts a warning notice, an additional service charge of ten dollars (\$10) shall be imposed on the delinquent account.

Said warning notice shall state that water service will be discontinued if payment of the delinquent account is not received by 5:00 p.m. of the due date indicated on the warning notice. If payment has not been received by 5:00 p.m. of the due date on the warning notice, water service shall be discontinued.

The City Council may, by resolution, adopt a policy for discontinuance of residential water service for nonpayment. Such policy may include, but may not be limited to, additional provisions concerning billing procedures, discontinuance of service, notification procedures, restoration of service, procedures to contest or appeal a water bill, extensions or other alternative payment arrangements, protections available to qualified low-income customers, procedures for becoming a customer of the City under specified circumstances, and related matters. To the extent a policy adopted pursuant to this Section conflicts with any provisions of this Chapter, the policy shall control.

6.10-2 Non-Residential service may be discontinued for any infraction of City rules or regulations relating to the provision of water service and shall be discontinued for any account, which is more than sixty-three (63) days

delinquent. Prior to discontinuing service for delinquent accounts, one or more notices shall be issued to delinquent accounts. If payment has not been received by 5:00 p.m. of the due date of a bill, which is twenty-one (21) days from when the bill is mailed, a penalty fee equal to five percent of the amount then due shall be imposed and a Reminder Notice will be mailed. If payment has not been received by 5:00 p.m. of the forty-ninth (49th) day of delinquency, an additional late fee equal to five percent of the amount then due shall be imposed, and a Final Notice will be mailed. If payment has not been received by 5:00 p.m. on the fifty-sixth (56th) day of delinquency, a forty-eight (48) hour warning notice regarding the discontinuance of water service shall be placed on an exterior door of the building where service is provided and for which payments are delinquent. If the City posts a warning notice, an additional service charge shall be imposed on the delinquent account. Said warning notice shall state that water service will be discontinued if payment of the delinquent account is not received by 5:00 p.m. of the due date indicated on the warning notice. If payment has not been received by 5:00 p.m. of the due date on the warning notice, water service shall be discontinued.

SECTION 3. AMENDMENT OF MILPITAS MUNICIPAL CODE TITLE VIII, CHAPTER 1, SECTION 6.11

Title VIII, Chapter 1, Section 6.11 of the Milpitas Municipal Code is hereby amended to read as follows:

VIII-1-6.11 - Restoration of Discontinued Service

Restoration of service, which has been discontinued for nonpayment of a bill, may be had by payment of all outstanding charges to date plus a ~~fifty dollar (\$50.00)~~ restoration of service charge, at the offices of City. If restoration is requested outside of normal business hours, an additional service charge of ~~twenty-five (\$25)~~ shall be imposed. Restoration of service, which has been discontinued for any other infraction of a rule, may be had by presentation of evidence of compliance and payment of a ~~fifty dollar (\$50.00)~~ restoration of service charge at the offices of the City. The City Manager shall have authority to vary the strict application of this rule where he deems it necessary for the good of the City or to prevent undue hardship. In addition, the restoration of service charge and additional service charge for after-hours restoration as annually adopted by the Council shall be subject to the limits set forth in the City's policy on discontinuance of residential water service, or as otherwise required by law.

SECTION 4. SEVERABILITY

If any section, subsection, subdivision, sentence, clause, phrase, or portion of this Ordinance, or the application thereof to any person or place, is for any reason held to be invalid or unconstitutional by a court of competent jurisdiction, such decision shall not affect the validity of the remainder of this Ordinance. The City Council hereby declares that it would have adopted this Ordinance, and each and every section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more sections, subsections, subdivisions, sentences, clauses, phrases, or portions thereof be declared invalid or unconstitutional.

SECTION 5. EFFECTIVE DATE AND POSTING

This Ordinance shall take effect thirty (30) days from and after the date of its passage, or on February 1, 2020, whichever is later. The provisions of this Ordinance shall apply to all water bills issued after the effective date. The City Clerk of the City of Milpitas shall cause this Ordinance or a summary thereof to be published in accordance with Section 36933 of the Government Code of the State of California.

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS ADOPTING A POLICY ON
DISCONTINUANCE OF WATER SERVICE**

WHEREAS, the City of Milpitas (“City”) is a municipal corporation, duly organized under the California Constitution and laws of the State of California; and

WHEREAS, the City operates a public water system that supplies water to residential, commercial, and industrial customers; and

WHEREAS, in 2018, the California Legislature adopted Senate Bill 998, which imposes new and expanded customer protections regarding discontinuance of residential water service for nonpayment and related matters; and

WHEREAS, California Health and Safety Code Section 116906 requires each urban and community water system, including the City, to have a written policy on discontinuance of residential service for nonpayment, and such written policy must address specified subjects required by law; and

WHEREAS, the City Council desires to adopt the Policy for Discontinuance of Residential Water Service (“Policy”) attached to this Resolution as **Exhibit A**.

NOW, THEREFORE, the City Council of the City of Milpitas hereby finds, determines, and resolves as follows:

1. The City Council has considered the full record before it, which may include but is not limited to such things as the staff report, testimony by staff and the public, and other materials and evidence submitted or provided to it. Furthermore, the recitals set forth above are found to be true and correct and are incorporated herein by reference.

2. The City Council hereby adopts the attached Policy for Discontinuance of Residential Water Service (“Policy”) as set forth in **Exhibit A**.

3. If any section, subsection, clause or phrase in this Resolution or the Policy or the application thereof to any person or circumstances is for any reason held invalid, the validity of the remainder of this Resolution or the Policy or the application of such provisions to other persons or circumstances shall not be affected thereby. The City Council hereby declares that it would have adopted this Resolution and the Policy and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof to any person or circumstance be held invalid.

4. This Resolution shall become effective on February 1, 2020. The attached Policy shall apply to all water bills issued after that date.

PASSED AND ADOPTED this _____ day of _____ 2019, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Mary Lavelle, City Clerk

Rich Tran, Mayor

APPROVED AS TO FORM:

Christopher J. Diaz, City Attorney

CITY OF MILPITAS, CALIFORNIA
STANDARD OPERATING PROCEDURE

SUBJECT: POLICY ON DISCONTINUANCE OF RESIDENTIAL WATER SERVICE

1. **Application of Policy.** This Policy on Discontinuance of Residential Water Service (this “Policy”) shall apply to all City accounts for residential water service, but shall not apply to any accounts for non-residential service. To the extent this Policy conflicts with any other rules, regulations, or policies of the City, this Policy shall control.

2. **Contact Information.** For questions or assistance regarding your water bill, the City’s Customer Service staff can be reached at (408) 586-3100. Customers may also visit the City’s Customer Service desk in person Monday through Friday, from 8:00a.m. to 5:00p.m., except on City holidays.

3. **Billing Procedures.** Water service charges are payable to the City once every two months or at such other frequency as determined by the City Council from time to time. All bills for water service are due and payable within twenty-one (21) days after mailing or e-mailing by the City. Any bills not paid within such period are considered delinquent.

4. **Discontinuance of Water Service for Nonpayment.** If a bill is delinquent for at least sixty-three (63) days, the City may discontinue water service to the service address.

4.1 **Written Notice to Customer.** The City will provide mailed Reminder Notices to the customer of record at least fifteen (15) days before discontinuance of water service. The Reminder Notice will contain:

- (a) the name and address of the customer;
- (b) the amount of the delinquency;
- (c) the date by which payment or payment arrangements must be made to avoid discontinuance of service;
- (d) the procedure by which the customer may initiate a complaint or request an investigation or appeal concerning service or charges, unless included in the water bills;
- (e) a description of the procedure by which the customer may request an alternative payment arrangement, which may include an extension or alternative payment schedule;
- (f) the procedure for the customer to obtain information on financial assistance, if applicable; and
- (g) the telephone number where the customer may request a payment arrangement or receive additional information from the City.

4.2 Final Notice to Customers and Written Notice to Occupants or Tenants.

(a) The City will send Final Notices to the customer of record at least ten (10) days before discontinuance of water service.

(b) The City will also send a notice to the occupants living at the service address at least ten (10) days before discontinuance of water service under the following circumstances: (1) the City furnishes individually metered service to a single-family dwelling, multi-unit residential structure, mobile home park, or farm labor camp and the owner, manager, or operator is the customer of record; or (2) the customer of record's mailing address is not the same as the service address. The notice will be addressed to "Occupant," will contain the information required in Section 4.1 above, and will inform the residential occupants that they have the right to become customers of the City without being required to pay the amount due on the delinquent account. Terms and conditions for occupants to become customers of the City are provided in Section 8 below.

(c) If the City furnishes water through a master meter in a multi-unit residential structure, mobile home park, or permanent residential structures in a labor camp and the owner, manager, or operator is the customer of record, the City will make a good faith effort to inform the occupants, by means of written notice posted on the door of each residential unit at least fifteen (15) days prior to termination, that the account is in arrears and the service will be terminated on a date specified in the notice. If it is not reasonable or practicable to post the notice on the door of each unit, the City will post two (2) copies of the notice in each accessible common area and at each point of access to the structure or structures. The notice will inform the residential occupants that they have the right to become customers of the City without being required to pay the amount due on the delinquent account. The notice will also specify what the occupants are required to do in order to prevent termination of, or to reestablish service; the estimated monthly cost of service; the title, address, and telephone number of a representative of the City who can assist the occupants in continuing service; and the address or telephone number of a qualified legal services project that has been recommended by the local county bar association. Terms and conditions for occupants to become customers of the City are provided in Section 8 below.

(d) The City will assess a penalty of 5% at the time of issuance of the Reminder Notice and an additional penalty of 5% at the time of issuance of the Final Notice.

4.3 In-Person or Telephonic Notice. The City will also make a reasonable, good faith effort to contact the customer of record or adult person living at the premises of the customer in person or by telephone at least seven (7) business days before discontinuance of service. The City will offer to provide in writing a copy of this Policy and to discuss options to avert discontinuance of water service for nonpayment, including the possibility of an extension or other payment arrangement.

4.4 Posting of Notice at Service Address. If the City is unable to make contact with the customer or an adult person living at the service address in person or by telephone, the City will make a good faith effort to leave a notice of imminent discontinuance of residential service and a copy of this Policy in a conspicuous place at the service address. The notice and copy of

this Policy will be left at the residence at least forty-eight (48) hours before discontinuance of service. The City will assess a service charge for this notice. The notice will include:

- (a) the name and address of the customer;
- (b) the amount of the delinquency;
- (c) the date by which payment or payment arrangements must be made to avoid discontinuance of service;
- (d) the procedure for the customer to obtain information on financial assistance, if applicable; and
- (e) the telephone number where the customer may request a payment arrangement or receive additional information from the City.

4.5 Circumstances Under Which Service Will Not Be Discontinued. The City will not discontinue residential water service for nonpayment under the following circumstances:

- (a) During an investigation by the City of a customer dispute or complaint under Section 5.1 below;
- (b) During the pendency of an appeal to the City Council under Section 5.3 below; or
- (c) During the period of time in which a customer's payment is subject to a City-approved extension or alternative payment schedule under Section 6 below, and the customer remains in compliance with the approved payment arrangement.

4.6 Circumstances Under Which Service Through a Master Meter Will Not Be Discontinued. If the City furnishes water through a master meter in a multi-unit residential structure, mobile home park, or permanent residential structures in a labor camp and the owner, manager, or operator of the dwelling, structure, or park is the customer of record, the City will not discontinue residential water service for nonpayment under the following circumstances:

- (a) When the customer's indebtedness is owed to another public agency, or when the obligation represented by the delinquent account or indebtedness was incurred with any public agency other than the City's water utility;
- (b) If a delinquent account relates to another property owned, managed, or operated by the customer;
- (c) If a public health or building officer certifies that termination would result in a significant threat to the health or safety of the residential occupants or the public.

4.7 Special Medical and Financial Circumstances Under Which Services Will Not Be Discontinued.

- (a) The City will not discontinue water service if all of the following conditions are met:
 - (i) The customer, or a tenant of the customer, submits to the City the certification of a licensed primary care provider that discontinuance of water service will be life threatening to, or pose a serious threat to the health and safety of, a resident of the premises where residential service is provided;
 - (ii) The customer demonstrates that he or she is financially unable to pay for residential service within the City's normal billing cycle. The customer is deemed financially unable to pay during the normal billing cycle if: (a) any member of the customer's household is a current recipient of CalWORKs, CalFresh, general assistance, Medi-Cal, Supplemental Security Income/State Supplementary Payment Program, or California Special Supplemental Nutrition Program for Women, Infants, and Children, or (b) the customer declares under penalty of perjury that the household's annual income is less than 200 percent of the federal poverty level; and
 - (iii) The customer is willing to enter into an alternative payment arrangement, including an extension or alternative payment schedule with respect to the delinquent charges.
- (b) For any customers who meet all of the above conditions, the City shall offer the customer one of the following options, to be selected by the City in its discretion: (1) an extension of the payment period; or (2) an alternative payment schedule. The City's Finance Director will select the most appropriate payment arrangement, taking into consideration the information and documentation provided by the customer, as well as the City's payment needs.
- (c) The customer is responsible for demonstrating that the conditions in subsection (a) have been met. Upon receipt of documentation from the customer, the City will review the documentation within seven (7) days and: (1) notify the customer of the alternative payment arrangement selected by the City and request the customer's signed assent to participate in that alternative arrangement; (2) request additional information from the customer; or (3) notify the customer that he or she does not meet the conditions in subsection (a).
- (d) The City may discontinue water service if a customer who has been granted an alternative payment arrangement under this section fails to do any of the following for sixty (60) days or more: (a) to pay his or her unpaid charges

by the extended payment date; (b) to pay any amount due under an alternative payment schedule; or (c) to pay his or her current charges for water service. The City will post a warning notice of intent to disconnect service in a prominent and conspicuous location at the service address at least five (5) business days before discontinuance of service. The final notice will not entitle the customer to any investigation or review by the City.

4.8 Time of Discontinuance and Restoration of Service. The City will only discontinue water service during business hours.

4.9 Restoration of Service. Customers whose water service has been discontinued may contact the City by telephone or in person regarding restoration of service. Restoration shall be subject to payment of: (a) any past-due amounts, including applicable penalties; (b) any reconnection fees as approved by the City Council through the adoption of the Master Fee Schedule, subject to the limitations in Section 7.1, if applicable; (c) and a security deposit, if required by the City.

5. Procedures to Contest or Appeal a Bill.

5.1 Time to Initiate Complaint or Request an Investigation. A customer may protest the amount of a bill by submitting a written complaint or request for an investigation within fifteen (15) days after presentation or mailing of the bill to the customer, whichever is earlier.

5.2 Review by City. A timely complaint or request for investigation shall be reviewed by a manager of the Finance Department, who shall provide a written determination to the customer. The review will include consideration of whether the customer may receive an extension, or alternative payment schedule, under Section 6. The City may, in its discretion, review untimely complaints or requests for investigation; however, such complaints or requests are not subject to appeal.

5.3 Appeal to City Council. Any customer whose timely complaint or request for an investigation pursuant to this Section 5 has resulted in an adverse determination may appeal the determination to the City Council by filing a written notice of appeal with the City Clerk within ten (10) business days of the City's mailing of its determination. Upon receiving the notice of appeal, the City Clerk will set the matter to be heard at an upcoming City Council meeting and mail the customer written notice of the time and place of the hearing at least ten (10) days before the meeting. The decision of the City Council shall be final.

6. Extensions and Other Alternative Payment Arrangements.

6.1 Time to Request an Extension or Other Alternative Payment Arrangement. If a customer is unable to pay a bill during the normal payment period, the customer may request an extension or other alternative payment arrangement described in this Section 6. If a customer submits his or her request within thirteen (13) days after mailing of a written notice of discontinuance of service by the City, the request will be reviewed by a manager of the Finance Department. City decisions regarding extensions and other alternative payment arrangements are final and are not subject to appeal to the City Council.

6.2 Extension. If approved by the City, a customer's payment of his or her unpaid balance may be temporarily extended for a period not to exceed six (6) months after the balance was originally due. The City's Finance Director shall determine, in his or her discretion, how long an extension shall be provided to the customer. The customer shall pay the full unpaid balance plus penalties by the date set by the City and must remain current on all water service charges accruing during any subsequent billing periods. The extended payment date will be set forth in writing and provided to the customer.

6.3 Alternative Payment Schedule. If approved by the City, a customer may pay his or her unpaid balance plus penalties pursuant to an alternative payment schedule that will not exceed twelve (12) months, as determined by the City's Finance Director in his or her discretion. If approved, the alternative payment schedule may allow periodic lump-sum payments that do not coincide with the City's established payment date or may provide for payments made more or less frequently than the City's regular payment date. During the period of the alternative payment schedule, the customer must remain current on all water service charges accruing during any subsequent billing periods. The alternative payment schedule and amounts due will be set forth in writing and provided to the customer.

6.4 Failure To Comply. If a customer has been granted a payment arrangement under this Section 6 and fails to: (1) pay the unpaid charges by the extension date; or (2) pay an amount due under an alternative payment schedule; then the City may terminate water service. The City will post a final notice of intent to disconnect service in a prominent and conspicuous location at the service address at least five (5) business days before discontinuance of service. The final notice will not entitle the customer to any investigation or review by the City.

7. Specific Programs for Low-Income Customers.

7.1 Reconnection Fee Limits. For residential customers who demonstrate to the City a household income below 200 percent of the federal poverty line, the City will limit any service restoration charges during normal operating hours to fifty dollars (\$50), and during non-operational hours to one hundred fifty dollars (\$150) for 2020. The limits will only apply if the City's service restoration charges actually exceed these amounts. These limits are subject to an annual adjustment for changes in the Bureau of Labor Statistics' Consumer Price Index for All Urban Consumers (CPI-U) beginning January 1, 2021.

7.2 Qualifications. The City will deem a residential customer to have a household income below 200 percent of the federal poverty line if: (a) any member of the household is a current recipient of CalWORKs, CalFresh, general assistance, Medi-Cal, Supplemental Security Income/State Supplementary Payment Program, or California Special Supplemental Nutrition Program for Women, Infants, and Children, or (b) the customer declares under penalty of perjury that the household's annual income is less than 200 percent of the federal poverty level.

8. Procedures for Occupants or Tenants to Become Customers of the City.

8.1 Applicability. This Section 8 shall apply only when the property owner, landlord, manager, or operator of a residential service address is listed as the customer of record and has been issued a notice of intent to discontinue water service due to nonpayment.

8.2 Agreement to City Terms and Conditions of Service. The City will make service available to the actual residential occupants if each occupant agrees to the terms and conditions of service and meets the requirements of the City's ordinance. Notwithstanding, if one or more of the occupants are willing and able to assume responsibility for the subsequent charges to the account to the satisfaction of the City, or if there is a physical means, legally available to the City, of selectively discontinuing service to those occupants who have not met the requirements of the City's rules and regulations, the City shall make service available to the occupants who have met those requirements.

8.3 Verification of Tenancy. To be eligible to become a customer without paying the amount due on the delinquent account, the occupant shall verify that the delinquent account customer of record is or was the landlord, manager, or agent of the dwelling. Verification may include, but is not limited to, a lease or rental agreement, rent receipts, a government document indicating that the occupant is renting the property, or information disclosed pursuant to Section 1962 of the Civil Code, at the discretion of the City.

9. **Third Party Notification Service for Seniors and Dependent Adults.** The City will make available, to residential customers who are 65 years or older, or who are dependent adults (as defined in Welfare and Institutions Code Section 15610(b)(1)), a third-party notification service whereby the City will attempt to notify a person designated by the customer to receive notification when the customer's account is past-due and subject to termination. The notification will include information on what is required to prevent termination of service. The City will mail the notification to the designated third party at least ten (10) days before termination of service. To participate, the customer must submit a request for third-party notification on a form provided by the City, and must include the written consent of the designated third party. The notification service does not obligate the third party to pay any overdue charges, nor shall it prevent or delay termination of service.

10. **Language for Certain Written Notices.** All written notices under Section 4 and Section 6.6 of this Policy shall be provided in English, Spanish, Chinese, Tagalog, Vietnamese, Korean, and any other language spoken by ten percent (10%) or more people within the City's service area.

11. **Other Remedies.** In addition to discontinuance of water service, the City may pursue any other remedies available in law or equity for nonpayment of water service charges, including, but not limited to: securing delinquent amounts by filing liens on real property, filing a claim or legal action, or referring the unpaid amount to collections. In the event a legal action is decided in favor of the City, the City shall be entitled to the payment of all costs and expenses, including attorneys' fees, and accumulated interest.

12. **Discontinuance of Water Service for Other Customer Violations.** The City reserves the right to discontinue water service for any violations of City ordinances, rules, or regulations other than nonpayment.

13. **Fees and Charges Incurred.** Except as otherwise expressly stated in this Policy, any fees and charges incurred by a customer under any other rules, regulations, or policies of the City, including, but not limited to, delinquent charges, shall be due and payable as set forth therein.

14. **Decisions by City Staff.** Any decision which may be taken by the City's Finance Director under this Policy may be taken by his or her designee.



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Sister Cities Program
Category:	Community Development
Meeting Date:	12/3/2019
Staff Contact:	Rich Tran, Mayor, 408-586-3029
Recommendation:	1. Receive background information and preliminary analysis on Sister Cities Programming. 2. Consider request for a Sister Cities Memorandum of Understanding with the City of Dagupan (Philippines).

Background:

On November 19, 2019, City Council directed staff to include an agenda item on the December 3, 2019 Council meeting to consider renewing the expired Sister Cities MOU with the City of Dagupan, Philippines. In addition, there was general consensus by Council to review and discuss the matter further.

Analysis:

The previous City of Milpitas Sister Cities program was established on May 21, 1996. Through the years, the City has had relationships with various international cities. At the moment, the City is not engaged in any official Sister Cities partnerships. The most recent Sister Cities relationships included:

- Huizhou, China (since March 2004); the MOU expired October 15, 2018
- Dagupan, Philippines (since April 2003); MOU expired October 7, 2019
- Tsukuba, Japan (since October 2004; Town of Kukizaki - May 1996); MOU expired October 7, 2019

The City of Milpitas and community have enjoyed a long-lasting affiliation with the City of Dagupan. There is a strong desire from the community that the relationship be officially established once again through a renewed MOU (Attachment A).

Staff has completed preliminary research on various local Sister Cities programs to better understand their organizational structure, administration, funding, primary purpose, programmatic efforts, and partnerships. An Information Memorandum is attached which provides greater detail and background (Attachment B).

Fiscal Impact:

Although signing a Sister Cities MOU agreement will not in itself have a fiscal impact, re-establishing a City sponsored Sister Cities program would require some level of City resources in the future. Various approaches range from the former City staffed/Sister Cities Commission to a volunteer-based community driven Sister Cities program led by an entity other than the City. The fiscal impact to the General Fund will vary with Council direction and expectation for City support and resources.

California Environmental Quality Act:

By the definition provided in the California Environmental Quality Act (CEQA) Guidelines Section 15378, this action does not qualify as a “project” for the purpose of CEQA as this action has no potential to result in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

Recommendation:

1. Receive background information and preliminary analysis on Sister Cities Programing.
2. Consider request for a Sister Cities Memorandum of Understanding with the City of Dagupan (Philippines).

Attachments:

- A. Draft Memorandum of Understanding by and between the City of Milpitas and City of Dagupan
- B. Information Memorandum – City of Milpitas Sister Cities Program
 - Comparison Matrix of Sister Cities Programs (Preliminary Findings)

ATTACHMENT A



MEMORANDUM OF UNDERSTANDING

AGREEMENT FOR THE CONTINUATION OF A SISTER CITY RELATIONSHIP BETWEEN THE CITY OF MILPITAS AND CITY OF DAGUPAN

WHEREAS, the Cities of Milpitas and Dagupan executed their first memorandum of understanding on April 15, 2003, establishing a Sister City relationship between the City of Milpitas and City of Dagupan to enrich cultural understanding, create adult and student exchange opportunities and broaden cooperation to encourage goodwill between the Cities, and;

WHEREAS, the City of Milpitas and City of Dagupan support the promotion of mutual understanding, expansion of official and non-governmental exchanges, and friendship through promotion of peace, stability and prosperity in the Asia-Pacific Region and the world at large, and;

WHEREAS, in order to consolidate and further develop the friendship and cooperation between the City of Dagupan and the City of Milpitas, both cities agree to continue the Sister City relationship on the following terms:

1. To promote common prosperity and development, both cities will organize, on the basis of equality, mutual benefit and goodwill, cultural exchanges, contacts to support an electronic "pen pal" program for students, and other information sharing that may include art, business, commerce, science, technology, culture, history, education, sports, public health and administration.
2. Citizens, civic and business groups of each city are recognized as ambassadors of goodwill to organize cultural exchanges that may include art, history, education, health and sports interests, business and commerce, and other information sharing.
3. To the extent possible, one cultural exchange visit to each city shall be organized involving adults and students within the duration of this Memorandum of Understanding. Each visit shall be reviewed in advance between the Milpitas Sister Cities Commission and the City of Dagupan or its designee.

4. Cultural exchange visit details and activities shall be cooperatively agreed upon by organizing citizens and civic and business groups. Activities shall be provided with the objective to deepen cultural awareness and friendship between citizens, business leaders and government officials.
5. The leaders and top-level department administrators of both cities shall maintain and facilitate open channels of communication to expedite consultation, exchange and cooperation on questions and issues of common concern.
6. The effective term for this Memorandum of Understanding shall be for five years following the date of execution of the Memorandum. Prior to expiration of this Memorandum of Understanding, the Sister City Relationship shall be reviewed by the City of Milpitas Sister Cities Commission and City of Dagupan or its designee to evaluate the progress of the relationship, as well as recommend whether the relationship shall continue.
7. This agreement represents the entire agreement between the cities. It may not be changed or modified without a resolution signed by the leaders of both cities.

The City of Milpitas and City of Dagupan, by mutual agreement, hereby execute this renewed Memorandum of Understanding this 3rd day of December at Milpitas City Hall, California, United States of America. This agreement is for five years, set to expire on December 3, 2024.

DAGUPAN CITY
On its behalf

CITY OF MILPITAS
On its behalf

Marc Brian Lim, Mayor

Rich Tran, Mayor

ATTACHMENT B – INFORMATION MEMORANDUM

Sister Cities Program:

According to Sister Cities International, “At the foundation of every successful Sister City partnership lies a strong local program with volunteers who are willing to commit time, talent and resources to develop a long-term relationship with their counterparts abroad.” Generally, Sister City organizations are incorporated as 501(c)(3) nonprofits, although in some cases, municipal governments have representation or a formal relationship with the foreign city. Critical to the success of a Sister City program is its ability to develop beneficial, needs-specific projects that lead to deeper ties between the two communities, such as supporting educational and cultural exchange, promoting sustainability, cooperation and friendship, and in some cases, stimulating economic development.

The City of Milpitas’ Sister Cities program was established on May 21, 1996. The Sister Cities program has historically been a broad-based, long-term partnership between the City and various foreign cities. A relationship is officially recognized after both communities execute a mutually agreed upon Memorandum of Understanding (MOU) to become Sister Cities. Each Sister City organization is independent and pursues the activities and thematic areas that are important to them and their community including municipal, business, educational, and cultural exchanges and projects with their Sister City.

In Milpitas, the Sister Cities program was administered through a Sister Cities Commission with significant staff support. Over the years, community volunteer interest and support for active programming and visits waned, leading to expanded staff support. The more recent Sister Cities relationships included:

- Huizhou, China (since March 2004); *MOU expired October 15, 2018*
- Dagupan, Philippines (since April 2003); *MOU expired October 7, 2019*
- Tsukuba, Japan (since October 2004; Town of Kukizaki - May 1996); *MOU expired October 7, 2019*

In 2007, the Sister Cities Commission began an ePal Project with the Digital Business Academy (DBA) at Milpitas High School (MHS). Sophomores were matched with a Sister City student in the fall for one academic year to communicate using email. Students were engaged to learn about each other’s interests through assignments that keep conversations relevant and consistent.

Focus Areas and Activities

Milpitas’ Sister Cities program partnered with the aforementioned cities to ensure there was an engaged network. Below is information on specific focus areas and activities specific to Huizhou, Dagupan and Tsukuba.

Huizhou:

The City of Huizhou sends one group of appointed officials to Milpitas every 1-2 years. Huizhou and Milpitas participate in the ePal Project. The City of Huizhou desired coordinated support to open a trade office in Milpitas. City of Huizhou representatives requested that Milpitas officials visit Huizhou with delegations of students and officials. Only one visit by Milpitas representatives has occurred (April 2005).

Dagupan:

City of Dagupan participates in annual visits with approximately 10 students (attending MHS and home stays with MHS families) and 4-10 adult officials. The City of Dagupan has had sporadic participation in the ePal Project.

Tsukuba:

The City of Tsukuba preferred to conduct activities between students of high school age through annual holiday cards and art exchange, exchanges of community photos and information for display at public events and facilities. The City of Tsukuba participated in ePal Project with select students studying English. They did not desire to conduct visits and exchanges but was open to receiving Milpitas students visiting on a one-day basis.

Office of Economic Development

On August 21, 2018, the City Council approved a merger of the Economic Development Commission with the Sister Cities Commission topics to form the Economic Development and Trade Commission (EDTC), effectively incorporating a trade component of the former Sister Cities Commission.

The Office of Economic Development is actively incorporating “trade” into EDTC in various ways. On April 16, 2019, one former Sister Cities Commissioner was appointed to the EDTC by Council to integrate topics formerly associated with the Sister Cities Commission. Per Council direction, EDTC is now charged with enhancing relationships with Milpitas-based businesses that have a global presence for trade and commerce, business-to-business opportunities and workforce development, with potential business partnerships with View, Flex, KLA, Nanometrics, Infineon, Cisco and other businesses that have global offices throughout Western and Eastern Europe, Middle East, Asia, Latin America, Australia, Canada and Africa. The current objective is to establish new foreign relationships. On October 15, 2019, Casey McNeil (Flex) was appointed by Council and serves as EDTC’s technology and trade representative, which further aids staff in achieving Council’s direction on incorporating trade.

Concurrently, staff has established a relationship with Governor Gavin Newsom’s Office of Business and Economic Development via monthly calls with the International Affairs and Trade team to cover topics regarding state and federal resources, foreign direct investment, foreign trade shows, etc. And, the International Affairs and Trade team has pledged support in guiding staff in developing a successful City trade program.

The adoption of the 2019-20 City Operating Budget included \$25,863 funding for a one-time, part-time employee to evaluate the transition of the Sister Cities program and make recommendations on resources required for the potential continuation and success with various entities and improved community support. Staff expects a Consultant to assist the Office of Economic Development on the Sister Cities program evaluation and recommendations, as well as other economic development work plan items commencing the week of December 2, 2019.

Sister Cities Programming – Preliminary Research Results

Staff has completed preliminary research on various local Sister Cities programs to better understand their organizational structure, administration, funding, primary purpose, programmatic efforts, and partnerships. Results are as follows:

- Eight (8) Sister Cities researched (matrix below) - Campbell does not have a Sister Cities program and Fremont dissolved their Sister Cities program in 2009. The City of Milpitas has been included for reference only.
- One (1) of the eight (8) Sister Cities programs are administered through their respective cities: San Jose’s Sister Cities program starts with the Mayor and is administered through staff. Cupertino’s program also commenced with the Mayor, but is then administered through volunteers thereafter.

- Four (4) of eight (8) cities are administered through 501 C-3 non-profit organizations.
- Seven (7) Sister Cities programs are volunteer based.
- Five (5) Sister Cities programs receive donations, fundraise, receive corporate sponsorships and/or have membership fees for annual funding.
- The primary purpose for Sister Cities programs includes supporting education, culture, friendship, understanding and acceptance. The most common attributes were supporting educational and cultural exchange. One City includes commerce, while another is trying to stimulate economic development.
- Four (4) Sister Cities programs partner with either the Chamber and/or local school. Four (4) Sister Cities programs did not specify partnership status.

For more Sister Cities preliminary research details, see the Comparison Matrix below.

Conclusion

A strong Sister Cities program serves its community well. Sister Cities programs typically involves volunteer participation and can include nonprofits, municipal governments, private sector, and civic and social organizations. Should the Sister Cities program continue based on Council direction and leadership, the City of Milpitas will need to outline its goals and objectives clearly. Although staff has already conducted preliminary Sister Cities research, the Office of Economic Development is now prepared to commence a full evaluation and put forth program recommendations. Staff anticipates Council consideration of a Sister Cities report at the February 18, 2020 City Council meeting.

Comparison Matrix (Sister City Programs)

City	Org. Structure	Administered by	Funding	Primary Purpose	Chamber/School District Involvement
Fremont	Sister cities commission was dissolved in 2009 ¹	Previously administered through the Sister Cities Commission	N/A	N/A	N/A
Palo Alto	Non-profit Org	Administered through Neighbors Abroad, a volunteer community organization founded after Palo Alto City Council initiated a Sister City organization	Donations, membership fees, and business partnerships with local businesses and government agencies. Donations vary from \$25-\$1,000	Aims to support education, culture, commerce and sustainability	Palo Alto Chamber of Commerce and Palo Alto Adult School
Sunnyvale	Non-profit Org	Sunnyvale Sister Cities Association (SSCA), an all-volunteer 501 C3 organization ²	Receives funding through donations as well as sponsors and corporate matching. Sponsor amounts vary from \$500-\$2,000 p/yr.	The SSCA supports education beyond the classroom and idea exchange beyond the office—programs at home/abroad that allow participants to effect real change in the world	No, but they do have sponsorships from companies such as Google and Panasonic. Host events at local schools (unclear if they coordinate w/ school district)
Cupertino	Starts with the Mayor and his/her counterpart from the other city formalizing an MOU	Administered by Mayor	Not Specified	Celebrates and enhances the community through people-to-people international diplomacy, cooperation and friendship. ³	Not Specified
Mountain View	Non-profit Org	Administered by Board of Directors led by President Leslie Imai	Funding through membership fees: <u>Individual:</u> \$15 <u>Family:</u> \$30 <u>Corporate:</u> \$75	Promote international understanding and acceptance	Yes, through student exchange program with MV/Los Altos School District (educational and cultural exchange)
Milpitas	Evaluating	Economic Development (?)	TBD	Foster continuing relationships of mutual concern between City of Milpitas residents and	Former Sister Cities Commission coordinating w/ MUSD and other support groups

¹ <https://www.eastbaytimes.com/2009/10/07/fremont-dissolves-sister-cities-commission/>

² <https://sunnyvalesistercity.org/index.htm>

³ <https://www.cupertino.org/our-city/sister-friendship-cities>

				the people of established sister cities ⁴	
San Jose	Not Specified	Board of Directors, led by Chairman and Mayor Sam Liccardo	Funded through crowdfunding ⁵	To create and strengthen partnerships between two cities at a municipal level to promote cultural understanding and to stimulate economic development	Not Specified
Santa Clara	SCSCA (Santa Clara Sister Cities Assoc.) is a non-profit org, volunteer-based w/ board of directors	Board of Directors	SCSCA is funded through fundraising which they do year long, as well as membership fees. ⁶	Bring different cultures that work together with people to people relationship, as well as improving students' lives through cultural exchanges	Student exchange program is done in coordination with local schools

***Campbell – does not have a Sister Cities program**

Fremont Sister Cities: (1) Elizabeth, Australia (2) Fukaya, Japan

Palo Alto Sister Cities: (1) Palo, Philippines (2) Oaxaca, Mexico (3) Albi, France (4) Linkoping, Sweden (5) Enschede, Netherlands (6) Tsuchiura, Japan (7) Heidelberg, Germany (8) Yangpu District, Shanghai China

Sunnyvale Sister Cities: (1) Iizuka, Japan

Cupertino Sister Cities: (1) Copertino, Italy (2) Toyokawa, Japan (3) Hsinchu, Taiwan (4) Bhubaneswar, India

Mountain View Sister Cities: (1) Iwata, Japan (2) Hasselt, Belgium

Milpitas Sister Cities: (1) Dagupan, Philippines (2) Huizhou, China (3) Tsukuba, Japan

San Jose Sister Cities: (1) Okayama, Japan (2) San Jose, Costa Rica (3) Veracruz, Mexico (4) Tainan, Taiwan (5) Dublin, Ireland (6) Pune, India (7) Ekaterinburg, Russia (8) Guadalajara, Mexico

Santa Clara Sister Cities: (1) Coimbra, Portugal (2) Izumo, Japan, (3) Limerick, Ireland

⁴ <http://www.ci.milpitas.ca.gov/our-government/commission/sister-cities/>

⁵ <https://www.crowdrise.com/sistercitiesgivingtower2015>

⁶ <https://www.santaclarasistercities.org/fundraising>

MILPITAS CITY COUNCIL MEETING

PREVIEW OF AGENDA ITEMS

DECEMBER 17, 2019

PRESENTATION

Commendations to STEM student award winners, per Forrest Williams (Mayor)

CONSENT CALENDAR

- 1) Accept City Council calendars for December 2019
- 2) Approve City Council meeting minutes of December 3, 2019
- 3) 2nd reading/Adopt Ordinance No. 120.49 to Update Policy on outstanding utility bills (Walter Rossmann)
- 4) Adopt a Resolution to Nominate 4 new Priority Production Areas (PPA) + expand 1 existing Priority Development Area (PDA) for Metropolitan Transportation Commission/Association of Bay Area Governments (Avery Stark)
- 5) Adopt a Resolution Approving Sole Source Agreement with TriTech (Central Square) Software for Building Permitting System Upgrade (Mike Luu, Zachary DeVine)
- 6) Adopt a Resolution Amending Classification Plan to Add Community Services Specialist (Liz Brown)
- 7) Authorize City Engineer to record Final Map for The District 3 development (Steve Erickson)
- 8) Approve and Authorize the Interim City Manager to execute Agreement with MUSD for Phase 2 Mabel Mattos Elementary School Project and Completion of McCandless Dr. Street Widening Improvements (Steve Erickson)
- 9) Approve and Authorize the Interim City Manager to Execute Purchase & Sale Agreement with Santa Clara Valley Water District for N. McCarthy Blvd property (Kan Xu)
- 10) Approve Memorandum of Understanding with Library Joint Powers Agreement for funding allocated to Milpitas Library (Walter Rossmann)
- 11) Approve Unmanned Aircraft System Technology for Milpitas Police Dept. (Jared Hernandez)
- 12) Authorize City Manager to Execute Amendment No. 3 to Retired Annuitant Employment Agreement between the City of Milpitas and Joseph Minton for One Additional Year (Henry Kwong)
- 13) Authorize City Manager to Sign Agreement with Santa Clara County for UASI Grant Funds (\$2000) for Fire Dept. (Toni Charlop)
- 14) Receive Report of Bids and Award Construction Contract to American Asphalt Repair & Resurfacing Co. for \$123,930 to Repave Public Works/Police Depts. Parking Lots (Tony Ndah)
- 15) Receive Annual AB 1600 Report of Development Fees (Walter Rossmann)
- 16) Award Contract to Chandler for Investment Management Services per RFP (Walter Rossmann)
- 17) Approve Parks, Recreation and Cultural Resources Commission Work Plan (Renee Lorentzen)
- 18) Approve Veterans Commission Work Plan (Dale Flunoy)
- 19) Approve Youth Advisory Commission Work Plan (Rosana Cacao)

PUBLIC HEARING

- 20) Adopt a Resolution Approving Conditional Use Permit and Tentative Map to Subdivide Approved 72-unit Residential Development at 91 Montague Expressway into Condominiums (Michael Fossati)

COMMUNITY DEVELOPMENT

- 21) Update Report from Valley Transp. Authority Staff on the BART Extension Project (City Manager)

COMMUNITY SERVICES

- 22) Approve Joint Use Agreement and Operations & Maintenance Agreement with MUSD for McCandless Park (Renee Lorentzen)

PREVIEW NEXT AGENDA

- 23) Preview list of items for January 7, 2020 (Mary Lavelle)