JOINT MEETING OF THE MILPITAS CITY COUNCIL AND HOUSING AUTHORITY

AGENDA

TUESDAY, DECEMBER 3, 2024
CITY COUNCIL CHAMBER, 455 E. CALAVERAS BLVD, MILPITAS, CA
6:00 PM (CLOSED SESSION)
7:00 PM (PUBLIC BUSINESS)

For assistance in the following languages, you may call:
Đối với Việt Nam, gọi 408-586-2400
Para sa Tagalog, tumawag sa 408-586-3051
Para español, llame 408-586-3072

** To access written translation during the meeting, scan the QR Code.*

The City Council meeting is held in the City Council Chamber at City Hall, 455 E. Calaveras Blvd., Milpitas and via teleconference/Zoom webinar.
You may watch the Council meeting without providing public comment by accessing it via links here.

Meeting shall be livestreamed - Go to:
Facebook: https://www.facebook.com/CityofMilpitas/
YouTube: https://www.milpitas.gov/youtube
Web Streaming: https://www.milpitas.gov/webstreaming

PUBLIC COMMENT INSTRUCTIONS

Oral public comments may only be provided live during the City Council meeting in person, unless the City Council approves remote public comment. All comments provided shall be limited to three minutes or less as determined by the Mayor. All members of the public will be limited to one comment per agenda item, and one comment for non-agenda items. Members of the public may submit written comments by email to CityClerk@milpitas.gov

The meeting will be streamed via Zoom for viewing purposes only unless the City Council approves remote public comment. To watch via Zoom, please register at:

https://ci-milpitas-ca-gov.zoom.us/webinar/register/WN_pjMeA0yNR_i6Y9xUt2dIXw

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

MILPITAS CITY COUNCIL CODE OF CONDUCT

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

CALL MEETING TO ORDER by Mayor and ROLL CALL by City Clerk (6:00 PM)

ADJOURN TO CLOSED SESSION

(a) CONFERENCE WITH LEGAL COUNSEL

Existing Litigation Pursuant to Government Code § 54956.9(d)(2):
Brian Bruce v. City of Milpitas, WCAB case number ADJ 13140823.

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 (Councilmember Lien)

PRESENTATIONS (7:05 PM)

1. Receive Report on Manufacturing Day 2024 and Issue Commendation Certificates (Staff Contact: Alex Andrade, Economic Development and Strategic Initiatives Director, 408-586-3046)

Recommendation: Receive report on Manufacturing Day 2024 and issue commendation certificates to event collaborators.

PUBLIC FORUM (7:20 PM)

Members of the public are invited to speak on any item that does not appear on today's agenda. Comments will be limited to three minutes or less at the Mayor's discretion. When called to speak, you are encouraged to state your name for the record. As an item not listed on the agenda, no action can be taken, however the City Council may instruct the City Manager to place the item on a future meeting agenda.

ANNOUNCEMENT OF CONFLICT OF INTEREST AND CAMPAIGN CONTRIBUTIONS

READING OF THE CITY COUNCIL CODE OF CONDUCT

APPROVAL OF AGENDA

CONSENT CALENDAR (7:25 PM)

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.

C2. Receive City Council Calendar of Meetings for December 2024 (Staff Contact: Suzanne Guzzetta, City Clerk, 408-586-3001)

Recommendation: Receive City Council Calendar of Meetings for December 2024.

C3. Approve City Council Special and Regular Meeting Minutes of November 19, 2024 (Staff Contact: Suzanne Guzzetta, City Clerk, 408-586-3001)

Recommendation: Approve City Council Special and Regular Meeting minutes of November 19, 2024.

C4. Receive the Preview List of Anticipated Items for the Next Regular City Council Meeting (Staff Contact: Suzanne Guzzetta, City Clerk, 408-586-3001)

Recommendation: Receive the list of anticipated agenda items for the next regular City Council meeting.

C5. Receive and Review the List of Agenda Items Requested by City Councilmembers (Staff Contact: Suzanne Guzzetta, City Clerk, 408-586-3001)

Recommendation: Review the list of items that have been requested by City Councilmembers and provide direction to staff as necessary. No substantive discussion about any specific item shall occur and the City Council shall hold all debate about the item until it is scheduled as a full agenda item.

C6. Adopt a Resolution Delegating Authority to the City Manager or Designee to Approve and Execute Project-Related Documents and Urgent Administrative Items During the City Council Winter Recess (Staff Contact: Matt Cano, Assistant City Manager, 408-586-3012)

Recommendation: Adopt a resolution delegating authority to the City Manager, or their designee, to approve and execute project-related documents, including contract documents and urgent administrative items during the City Council and City of Milpitas Housing Authority winter recess from the last City Council meeting held on December 10, 2024 through January 7, 2025.

C7. Adopt a Resolution Updating the Conflict of Interest Code and Amending the List of Designated Positions Requiring Disclosure (Staff Contact: Suzanne Guzzetta, City Clerk, 408-586-3001; and Michael Mutalipassi, City Attorney, 408-586-3041)

Recommendation: Adopt a resolution updating the City of Milpitas Conflict of Interest Code, including the list of designated positions required to annually file the FPPC Form 700 Statement of Economic Interests.

C8. Approve and Authorize the City Manager to Execute Amendment No. 3 to the Professional Services Agreement with Liebert Cassidy Whitmore to Provide Essential Labor Relations and Other Services (Staff Contact: Kelli Parmley, Human Resources Director, 408-586-3086)

Recommendation: Approve and authorize the City Manager to execute Amendment No.3 to the Professional Services Agreement with Liebert Cassidy Whitmore (LCW) for an additional agreement amount of $200,000, subject to the annual appropriation of funds.

C9. Adopt a Resolution to Approve a Cost-of-Living Salary Adjustment for the City Manager as Directed by the City Council (Staff Contact: Kelli Parmley, Human Resources Director, 408-586-3086)

Recommendation: Adopt a resolution to approve a 3% Cost-of-Living (COLA) salary adjustment for the City Manager as directed by the City Council.

C10. Consider Personnel Realignment to Support Department Operations (Staff Contact: Jay Lee, Planning Director, 408-586-3077)

Recommendation: Adopt a resolution to approve the deletion of a vacant Associate Planner position and the addition of a Junior/Assistant Planner position in the Planning Department.

C11. Adopt a Resolution to Accept the Grant Award from and Approve an Agreement with the County of Santa Clara Public Health Department to Implement an Ordinance to Prevent Youth Access to Tobacco Products (Staff Contact: Jay Lee, Planning Director, 408-586-3077)

Recommendation: Adopt a resolution to accept a grant award of $22,997 from the County of Santa Clara Public Health Department and authorize the City Manager to execute an Agreement with the Santa Clara County Public Health Department for the Healthy Cities Program in the amount of $22,997.

C12. Adopt a Resolution Granting Acceptance of the Street Resurfacing Project 2024 and Project Nos. 4283, 4304, and 4305, Authorizing the City Engineer to File a Notice of Completion and Issue a Notice of Final Acceptance After the One-Year Warranty (Staff Contact: Christian Di Renzo, Public Works Director, 408-586-2602; and Michael Silveira, City Engineer, 408-586-3303)

Recommendation: (1) Adopt a resolution granting acceptance of the Street Resurfacing Project 2024 and Project Nos. 4283, 4304, and 4305; and (2) Authorize the City Engineer to file a Notice of Completion and issue a Notice of Final Acceptance after the one-year warranty.

C13. Receive an Update on the Security Improvements at the McCarthy Ranch Sewer Lift Station (Main Lift) and Determine that the Condition Continues to Constitute an Emergency (Staff Contact: Christian Di Renzo, Public Works Director, 408-586-2602)

Recommendation: (1) Receive an update on the security improvements at the McCarthy Ranch Sewer Lift Station; and (2) Determine by a four-fifths vote that the condition continues to constitute an emergency.

LEADERSHIP AND SUPPORT SERVICES (7:30 PM)

14. Accept the City of Milpitas Annual Comprehensive Financial Report and Other Related Annual Audited Reports for the Fiscal Year Ended June 30, 2024 (Staff Contact: Luz Cofresí-Howe, Finance Director, 408-586-3111)

Recommendation: Accept the City of Milpitas Annual Comprehensive Financial Report and other related annual audited reports for the fiscal year ended June 30, 2024.

ANNOUNCEMENTS AND FUTURE AGENDA ITEMS (8:00 PM)

Members of the City Council or City Manager may make brief announcements at this time. Members of the City Council may also suggest future agenda items. For future agenda items, the City Council shall not debate the topic or engage in discussion but shall simply state a "yes" or "no" as whether to move the item forward. If a majority of the City Council agrees to move the item forward, the City Manager shall place the item on a future agenda.

ADJOURNMENT (8:05 PM)

KNOW YOUR RIGHTS UNDER THE OPEN GOVERNMENT ORDINANCE

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

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

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

APPLY TO SERVE ON A CITY COMMISSION

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

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

CITY OF MILPITAS
AGENDA REPORT
(AR)

Item Title:	**Receive Report on Manufacturing Day 2024 and Issue Commendation Certificates (Staff Contact: Alex Andrade, Economic Development and Strategic Initiatives Director, 408-586-3046)**
Category:	Presentations
Meeting Date:	12/3/2024
Recommendation:	Receive report on Manufacturing Day 2024 and issue commendation certificates to event collaborators.

BACKGROUND:

Manufacturing Day is an initiative of The Manufacturing Institute to inspire and build the future manufacturing workforce and generate awareness about the manufacturing industry among high school students in Milpitas. This event is celebrated on the first Friday of October, but communities around the country celebrate Manufacturing Day (MFG Day) throughout October via various events including facility tours, town hall events, educational fairs, hiring events, and classroom visits.

The City of Milpitas and Milpitas Unified School District (MUSD) hosted Milpitas' first Manufacturing Day event in 2017 in partnership with Flex, KLA Corporation and Cordis to convene students, educators, and local manufacturers. This event introduces high school students to career opportunities in the manufacturing industry and exposes employers to members of Milpitas' future labor force. The City and MUSD have collaborated with local manufacturers and industry partners as outlined below. The 2023 event marked the first in-person event since 2019 due to COVID-19 pandemic restrictions resulting in webinars from 2020 to 2022. This year's event was an in-person event occurring at BD Biosciences and Corsair Gaming, which both hosted MFG Day for the first time.

Previous Site Hosts and Collaborators

2017: Cordis, Flex, KLA, and MUSD
2018: Nanosys, View Inc., and MUSD
2019: Flex, Onanon, TDK Headway Technologies, and MUSD
2020: Onanon, Flex, Evergreen Valley College, and MUSD
2021: NOVAworks, TDK Headway Technologies, SEMI Foundation, and MUSD
2022: Flex, NOVAworks, SEMI Foundation, and MUSD
2023: Flex, KLA, and MUSD

The Office of Economic Development has implemented *Action 17.1.* of the City Council-adopted Economic Development Strategy and Implementation Actions which includes continued support for MFG Day and to introduce youth to potential social and economic mobility opportunities through jobs in manufacturing. This Agenda Report summarizes the planning, preparation, execution, and results of the 2024 event, and recognizes the collaborators for their contributions to this successful event.

ANALYSIS:

On October 4, 2024, the Office of Economic Development in collaboration with MUSD, BD Biosciences and Corsair Gaming hosted 90 people including 55 high school students, City and school district officials, teachers, the Milpitas Chamber of Commerce, and community members during the eighth annual event. Students represented Calaveras Hills High School, MUSD Innovation Campus, Milpitas High School, and Milpitas Middle College along with MUSD Board of Education members Minh Ngo, Kelly Yip-Chuan, Anu Nakka, Chris Norwood, and Robert Jung, as well as Superintendent Cheryl Jordan. City representatives included Mayor

Carmen Montano, Vice Mayor Evelyn Chua, and Council Members Hon Lien and Anthony Phan, as well as Economic Development and Trade Commissioners Chris Norwood and Jacob Sanchez, City Manager Ned Thomas, Assistant City Manager Matt Cano, as well as members of the executive leadership team and economic development staff.

The event engaged students and guests in engineering activities, manufacturing games, facility tours, product and process demonstrations, video game play, and a panel discussion and Q&A session with employees. Event participants included BD Biosciences Vice President of Global Operations Juan Pablo Solis, Director of Operations Strategy Adam Chiasson and Senior Director Gerald Llorach. Corsair participants included Co-Founder Andy Paul and Senior Managers Bhawna Gauba and Joseph Ocbina. One guest speaker, David Bagaoisan, serves as Corsair Gaming's vice president of global manufacturing and is a Milpitas High School alumnus. Students participated in a simulated manufacturing efficiency activity and physics activity at BD Biosciences while at Corsair Gaming, students learned how to build a gaming computer, use gaming products, and play video games including a race car simulator.

City staff surveyed students about their MFG Day experience via an online form to which 20 students responded (36% response rate). Response rates between 20% and 25% are considered acceptable for online surveys. Respondents represented students from 9th through 12th grade and three high schools and MUSD Innovation Campus.

Student Event Survey Summary

- 95% (19 respondents) stated the event provided insights into each company's work and the technology and biosciences sectors as a whole, very well, or somewhat well.
- 85% (17 respondents) stated the event influenced their understanding of career opportunities in technology and advanced manufacturing positively.
- 65% (13 respondents) stated that they feel more excited to pursue a career in technology and advanced manufacturing.
- 95% (19 respondents) stated that they would encourage a friend to attend next year's MFG Day event.

These responses indicate that most students' experiences were educational and enjoyable with suggestions for enhancing the student experience at future MFG Day events. All respondent data (Attachment A) is included in this Agenda Report.

Over a 12-week period, City staff collaborated with MUSD, The Manufacturing Institute, site hosts and local businesses on the following tasks in planning and executing the 2024 event:

- Drafting, issuing, and collecting waiver and release documentation;
- Student transportation;
- Event scheduling, logistics, and materials;
- Designing, ordering and distributing event t-shirts and banners;
- Coordinating catered lunches;
- Coordinating photography and videography services.

As a gesture of the City's appreciation, staff recommends the City Council issue Certificates of Commendation to Milpitas Unified School District, BD Biosciences, Corsair Gaming, Simon Properties and City staff for their professional, efficient and collaborative execution in successfully engaging MUSD students in Manufacturing Day 2024.

FISCAL IMPACT:

While there are no costs associated with adopting the recommended action, costs were realized for student t-shirts, event staff lunches, event banners, and videography and photography services. The Office of Economic Development shared costs with event partners for event-branded t-shirts for students ($288) and covered the full cost of videography and photography services ($2,500) provided by the City's contracted media service provider Polarlight Productions, which included a four-minute video capturing the event. The Office of

Economic Development also covered event banner costs ($150) and lunch costs ($467) for BD Biosciences and Corsair Gaming staff involved with event planning and execution. Event costs covered by the Office of Economic Development totaled $3,405. Simon Properties, owner of the Great Mall of Milpitas, underwrote the entire cost of student and guest lunches ($2,021) provided by Milpitas delicatessen Crust Sourdough. The City appreciates the generous collaboration among this year's event partners.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA):
This item is not a project under the California Environmental Quality Act (CEQA) Guideline 15378(b).

RECOMMENDATION:
Receive report on Manufacturing Day 2024 and issue certificates of commendation to event collaborators.

ATTACHMENT(S):
(a) Student Survey Responses
(b) 2024 Manufacturing Day Event Photos

Manufacturing Day Student Survey Responses

Response Data

- Survey Distributed to 55 Students
- 20 Respondents
- Response Rate: 36%
- Respondents by Grade Level:
    - 9th Grade: 5 respondents
    - 10th Grade: 2 respondents
    - 11th Grade: 7 respondents
    - 12th Grade: 2 respondents
    - Did not provide grade level: 4 respondents

Reponses

1. How well did the event provide insights into each company's work and the technology and biosciences sectors as a whole?

Very well	12
Somewhat well	7
Neutral	0
Poor	0
Very poor	1

2. How do you feel the event influenced your understanding of career opportunities in technology and advanced manufacturing?

Positively	17
Indifferent	3
Negatively	0

3. In one or two sentences, what was the most interesting part of the day for you and why?

The video games were fun.
Corsair was interesting and fun
The most interesting part of the day was seeing how all the companies work.
The biotech device explanation
I liked playing video games
The most interesting part was the gaming activity since it inspired me to work hard to be able to afford one like that.
The most interesting part of the day was during lunch, when I was able to sit down with Robert Jung and talk about the future of AI and the engineering field.
The Corsair gaming experience
It was really engaging and wholesome to see people talk about their journey and ways to pursue their career pathways. Seeing the game room was awesome, the bright colors, every room of the building is organized and clean. Overall, everything was interesting, and I am grateful for the opportunity to engage and enjoy this experience.
Seeing the parts of the computer at Corsair and their functions.
Gaming room because it's fun.
The most interesting part was when we played “Fall Guys” in Corsair’s video game room. The second most interesting thing is when we dissected the computers at Corsair.
The most important part of the day was when BD Biosciences led us into their testing facility. I found it fascinating how their production and testing process worked even though the product itself didn’t particularly interest me.
Learning Computer parts and playing PC games.
The most interesting part was playing “Fall Guys” and playing with catapults.
BD’s product assembly was very insightful on what medical importance has on procedures.
Learning about the cell laser process at BD.
Corsair explaining the PC compartments was pretty interesting. The PC's were impressive and made it interesting.
The part where we got do hands on things and see some of the products made there. It was also interesting to hear how these products work on the inside.
I enjoyed looking at the parts of the machinery at BD, and then listening to the presenter talk about the different PC parts and their functions.

4. Do you feel more excited to pursue a career in these sectors?

5. Would you encourage a friend to attend next year's Manufacturing Day?

Yes	19
No	0
Not sure	1

6. What is one suggestion that you have for improving Manufacturing Day in the future?

Show more of the product creation process.
More time for video games.
Provide more time for us to explore the rooms.
Have the students design the shirts for extra credit.
I would say more hands on activity, however how everything is processed is wonderful still. :)
More interactive activities.
Make the explanations simple and less wordy.
Give us more games to play in Corsair
There's nothing I can think of. It was pretty good.
Make it more interactive with more fun games and things to do instead of a lot of lectures.
No suggestions Event went very well.
More gaming.
Maybe more hands on activities to get students engaged. For example, I like to work on things rather than seeing them on the screen. It would get students more engaged.

Manufacturing Day Event Photos

Images 1, 2 and 3 taken at BD Biosciences and courtesy of Polarlight Productions

Images 4, 5 and 6 taken at Corsair and courtesy of Corsair

November 2024

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 2024

January 2025

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	2	3 **6:00 PM**-Closed Session **7:00 PM**-City Council	4 **1:00 PM**-Santa Clara VTA Monthly Briefing - Northeast Group (CM) **7:00 PM**-Community Housing Commission (EC)	5 **5:30 PM**-Santa Clara VTA Board of Directors (CM) **7:00 PM**-City of Milpitas Annual Tree Lighting Event, Civic Plaza	6	7
8	9 **6:00 PM**- Housing Opportunity District Community Meeting	10 **5:30 PM**- Special Council Meeting	11 **7:00 PM**-Silicon Valley Clean Energy Board of Directors (EC) (Cupertino)	12 **4:00 PM**-Treatment Plant Advisory Committee (CM) (San Jose) **5:30 PM**-CASCC Legislative Action Committee (CM) **6:00 PM**-Youth Advisory Commission (HL) **7:00 PM**-Cities Assoc of SCC (CM)	13	14
15	16	17	18 **6:00 PM**-Energy and Environmental Sustainability Commission (EC)	19 **10:00 AM**-VTA CMPP Meeting (CM)	20	21
22	23	24 **City Hall and City Facilities Closed (Fire and Police are not affected)**	25	26	27	28
29	30 **City Hall and City Facilities Closed (Fire and Police are not affected)**	31				

SPECIAL MEETING OF THE MILPITAS CITY COUNCIL

MINUTES

TUESDAY, NOVEMBER 19, 2024

The City Council of the City of Milpitas convened in a Special Meeting of the Milpitas City Council on November 19, 2024, in the City Council Chamber, 455 E. Calaveras Blvd, Milpitas, CA, and via teleconference/Zoom webinar.

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

Mayor Montano called the Special City Council meeting to order at 5:36 PM. Roll Call was taken by City Clerk Guzzetta.

PRESENT:	Mayor Montano, Councilmember Barbadillo, Councilmember Lien, Councilmember Phan
ABSENT:	Vice Mayor Chua

PLEDGE OF ALLEGIANCE

Councilmember Lien led the Pledge of Allegiance.

PUBLIC FORUM

There were no public speakers.

ANNOUNCEMENT OF CONFLICT OF INTEREST

Assistant City Attorney Creech asked the Mayor and City Councilmembers if they had any personal conflicts of interest. By roll call, there were no conflicts of interest (Absent: Chua).

DAGUPAN DELEGATION RECOGNITION

Mayor Montano and the Milpitas City Council recognized members of the Dagupan Sister City Delegation.

ADJOURNMENT

Mayor Montano adjourned the Special City Council meeting at 6:04 PM.

Draft meeting minutes submitted by City Clerk, Suzanne Guzzetta

REGULAR MEETING OF THE MILPITAS CITY COUNCIL

MINUTES

TUESDAY, NOVEMBER 19, 2024

The City Council of the City of Milpitas convened in a Regular Meeting on November 19, 2024, in the City Council Chamber, 455 E. Calaveras Blvd, Milpitas, CA, and via teleconference/Zoom webinar.

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

Mayor Montano called the Regular City Council meeting to order at 7:00 PM. Roll Call was taken by City Clerk Guzzetta.

PRESENT:	Mayor Montano, Vice Mayor Chua, Councilmember Barbadillo, Councilmember Lien, Councilmember Phan
ABSENT:	None

PLEDGE OF ALLEGIANCE

Mayor Montano led the pledge of allegiance.

INVOCATION

Vice Mayor Chua provided the invocation.

PRESENTATIONS

Mayor Montano, joined by the City Council, presented proclamations in recognition of Nurse Practitioner Week and Small Business Saturday.

PUBLIC FORUM

There were the following public speakers:
1. Michael Tsai
2. Voltaire Montemayor

ANNOUNCEMENT OF CONFLICT OF INTEREST AND CAMPAIGN CONTRIBUTIONS

Assistant City Attorney Creech asked the Mayor and City Councilmembers if they had any personal conflicts of interest. By roll call, there were no conflicts of interest. Assistant City Attorney Creech asked the Mayor and City Councilmembers if they had any reportable campaign contributions. By roll call, there were no reportable campaign contributions.

READING OF THE CITY COUNCIL CODE OF CONDUCT

Mayor Montano read the City Council Code of Conduct.

APPROVAL OF AGENDA

After discussion, motion: to approve the agenda.

Motion/Second: Vice Mayor Chua/Councilmember Lien
Motion carried by the following:

AYES: Mayor Montano, Vice Mayor Chua, Councilmember Barbadillo, Councilmember Lien, Councilmember Phan
NOES: None

CONSENT CALENDAR

There were the following public speakers:
1. Voltaire Montemayor
2. Michael Tsai
3. Gabe Borland, IAFF President

After discussion, motion: to approve the consent calendar, hearing Item C20 separately but as part of the consent calendar.

Motion/Second: Vice Mayor Chua / Councilmember Lien
Motion carried by the following:
AYES: Mayor Montano, Vice Mayor Chua, Councilmember Barbadillo, Councilmember Lien, Councilmember Phan
NOES: None

1. Receive City Council Calendar of Meetings for November and December 2024 (Staff Contact: Suzanne Guzzetta, City Clerk, 408-586-3001)

Received City Council Calendar of Meetings for November and December 2024.

2. Approve City Council City Council Meeting Minutes of November 5, 2024 (Staff Contact: Suzanne Guzzetta, City Clerk, 408-586-3001)

Approved City Council Meeting minutes of November 5, 2024.

3. Receive the Preview List of Anticipated Items for the Next Regular City Council Meeting (Staff Contact: Suzanne Guzzetta, City Clerk, 408-586-3001)

Received the list of anticipated agenda items for the next regular City Council meeting.

4. Receive and Review the List of Agenda Items Requested by City Councilmembers (Staff Contact: Suzanne Guzzetta, City Clerk, 408-586-3001)

Reviewed the list of items that have been requested by City Councilmembers.

5. Consider Recommendations from Mayor Montano for Appointments to City Commissions (Contact: Mayor Carmen Montano, 408-586-3024)

Received recommendations from Mayor Montano and approved recommendations for appointments to City Commissions:

Arts Commission
1. Appoint Ashraya Siruvole as a Non-Voting Student member with a full term ending October 2027.
2. Reappoint Giuliana Brahim to a full term ending October 2027.
3. Reappoint Jamie Hekkelman to a full term ending October 2027.

Energy and Environmental Sustainability Commission
1. Reappoint Jared Acosta as the Schools Representative to an unexpired term ending October 2026.
2. Reappoint Lisa Oliver to a full term ending October 2027.

3. Reappoint Tara Tony as a Non-Voting Student member with a full term ending October 2027.
4. Appoint Anuradha Sankaran to an unexpired term ending October 2025.

Library and Education Advisory Commission
1. Reappoint Therese Hoang to a full term ending June 2027.
2. Appoint Barbara Martens as Alternate No. 2 with a full term ending June 2027.

Parks, Recreation, and Cultural Resources Commission
1. Appoint Olania Castillo to an unexpired term ending June 2026.

Public Safety and Emergency Preparedness Commission:
1. Appoint Norma Morales to a full term ending June 2027.

Veterans Commission
1. Promote Leo Garcia to Alternate No. 1 with an unexpired term ending February 2028.

Youth Advisory Commission:
1. Appoint Samyuktha Rangarajan to an unexpired term ending September 2025.

6. Approve City Council Meeting Schedule for 2025 (Staff Contact: Suzanne Guzzetta, City Clerk, 408-586-3001)

Approved the 2025 Milpitas City Council meeting schedule.

7. Accept the FY 2023-24 Commissioners Annual Report for Six (6) Commissions and Approve Commission Work Plans for FY 2024-25 (Staff Contact: Suzanne Guzzetta, City Clerk, 408-586-3001)

(1) Accepted the 2023-24 Commissioners Annual Report; and (2) Approved proposed Fiscal Year 2024-25 Work Plans for (a) Community Housing Commission, (b) Economic Development and Trade Commission, (c) Energy and Environmental Sustainability Commission, (d) Planning Commission, (e) Public Safety and Emergency Preparedness Commission, and (f) Science, Technology, and Innovation Commission.

8. FY 2024-25 1st Quarter Financial Status Report for the Quarter Ended September 30, 2024 (Staff Contact: Luz Cofresí-Howe, Finance Director, 408-586-3111)

Reviewed the FY 2024-25 Quarterly Financial Status Report for the quarter ended September 30, 2024.

9. Authorize the City Manager to Execute an Agreement with ClearSource Financial Consulting for a Comprehensive Fee Study for Implementation in FY 2025-2026 (Staff Contact: Luz Cofresí-Howe, Finance Director, 408-586-3111)

Authorized the City Manager to execute an agreement with ClearSource Financial Consulting for a Comprehensive Fee Study for implementation in FY 2025-2026 for an amount not-to-exceed $77,520 without the need for further competitive procurement.

10. Approve and Authorize the City Manager or Designee to Execute a Two-Year Professional Services Agreement with TDG Engineering, Inc. for a Milpitas Gateway-Main Street Sense of Place Plan (Staff Contact: Luz Cofresí-Howe, Finance Director, 408-586-3111; and Jay Lee, Planning Director, 408-586-3077)

(1) Adopted **Resolution No. 9363** to accept a grant award of $600,000 from the Metropolitan Transportation Commission, RFP No. 24-134, (2) Approved and authorized the City Manager or

designee to negotiate and execute, with the approval of the City Attorney, a two-year Professional Services Agreement with TDG Engineering, Inc. for a Milpitas Gateway-Main Street Sense of Place Plan in an amount not to exceed $420,000; and (3) Delegated authority to the City Manager or designee to extend the term of the Agreement and execute amendments up to 10% as required for work completion.

11. Adopt a Resolution Approving a Memorandum of Understanding Between the City of Milpitas and International Association of Firefighters Local 1699 (IAFF) (Staff Contact: Kelli Parmley, Human Resources Director, 408-586-3086)

Adopted **Resolution No. 9364** approving a Memorandum of Understanding between the City of Milpitas and International Association of Firefighters Local 1699 (IAFF) covering the period of July 1, 2024 through June 30, 2027.

12. Adopt a Resolution to Approve Project Plans and Award the Construction Contract to WestRock Engineering for the Water Valves Project for the Dempsey Road Water Line Replacement, Project Nos. 7100 and 7118 (Staff: Christian Di Renzo, Public Works Director, 408-586-2602; and Michael Silveira, City Engineer, 408-586-3303)

(1) Adopted **Resolution No. 9365** to approve Water Valves Project plans and specifications; (2) Awarded the construction contract to WestRock Engineering in a total amount of $445,000; (3) Authorized the City Manager to execute a construction contract with WestRock Engineering; and (4) Authorized the Public Works Director to negotiate and execute contract change order(s) in an aggregate amount not to exceed $89,000 for the Water Valves Project for the Dempsey Road Water Line Replacement, Project Nos. 7100 and 7118.

13. Adopt a Resolution to Approve Project Specifications and Award Construction Contract to Sterndahl Enterprises, Inc. for the 2024 Annual Street Pavement Restriping Project, CIP No. 4295 (Staff Contact: Christian Di Renzo, Public Works Director, 408-586-2602)

Adopted **Resolution No. 9366** to (1) Approve project contract documents and specifications, (2) Award a construction contract to the lowest responsible and responsive bidder, Sterndahl Enterprises, Inc. in an amount not to exceed $862,506 for the 2024 Annual Street Pavement Restriping Project, (3) Authorize the City Manager to execute the construction contract with Sterndahl Enterprises, Inc.; and (4) Authorize the Public Works Director to negotiate and execute contract change order(s) in an aggregate amount not-to-exceed $86,250 and total project cost of $948,756.

14. Authorize the City Manager to Execute an Agreement with MISCOwater for the Purchase and Rebuild of Channel Monster Grinders (Staff Contact: Christian Di Renzo, Public Works Director, 408-586-2602)

(1) Authorized the City Manager to execute an agreement with MISCOwater for the purchase and rebuild of Channel Monster Grinders in the amount of $308,090; and (2) Authorized the City Manager to negotiate and execute contract change order(s) in an aggregate amount not to exceed $30,809, for a total contract amount not to exceed $338,899.

15. Authorize the City Manager to Negotiate and Execute Necessary Documents to Effectuate the Purchase of Fleet Vehicles (Staff Contact: Luz Cofresí-Howe, Finance Director, 408-586-3111; and Christian Di Renzo, Public Works Director, 408-586-2602)

(1) Approved a one-time waiver of the City of Milpitas Municipal Code Municode Section I-2-3.01(c) – Selection of Solicitation Method Procurements; and (2) Authorized the City Manager to engage with local dealerships and execute any documents necessary to effectuate the purchase of approved FY24-25 fleet vehicles in an amount not-to-exceed $822,500.

16. Receive an Update on the Security Improvements at the McCarthy Ranch Sewer Lift Station (Main Lift) and Determine that the Condition Continues to Constitute an Emergency (Staff Contact: Christian Di Renzo, Public Works Director, 408-586-2602)

(1) Received an update on the security improvements at the McCarthy Ranch Sewer Lift Station; and
(2) Determined by a four-fifths vote that the condition continues to constitute an emergency.

17. Approve Milpitas Arts and Culture Grant Request for Sunnyhills Neighborhood Association Juneteenth Event (Staff Contact: Renee Lorentzen, Recreation and Community Services Director, 408-586-3409; and Tegan McLane, Assistant Recreation and Community Services Director, 408-586-3212)

Approved a Milpitas Arts and Culture in-kind grant request from Sunnyhills Neighborhood Association for the use of Sunnyhills Albert Augustine Jr. Memorial Park for a Juneteenth Celebration on June 21, 2025.

18. Approve Parks and Recreation and Community Services Programs Donation for a Memorial Bench in Honor of David Volberg (Staff Contact: Renee Lorentzen, Recreation and Community Services Director, 408-586-3409)

Approved the Parks and Recreation donation for a memorial bench for David Volberg at Sunnyhills Albert Augustine Jr. Memorial Park.

19. Approve Parks and Recreation and Community Services Programs Donation for a Memorial Bench in Honor of Paul Michael Schooss (Staff Contact: Renee Lorentzen, Recreation and Community Services Director, 408-586-3409)

Approved the Parks and Recreation donation for a memorial bench for Paul Michael Schooss at Murphy Park.

20. Consider One Donation Request from the Knights of Columbus (Staff Contact: Renee Lorentzen, Recreation and Community Services Director, 408-586-3409)

Councilmember Barbadillo disclosed his membership in the Knights of Columbus and recused himself from the discussion and stepped out at 7:41 pm.

After discussion, motion: to approve a donation request of $500 for the Knights of Columbus Annual Thanksgiving Dinner and Food Distribution event on November 28, 2024.

Motion/Second: Vice Mayor Chua / Mayor Montano
Motion carried by the following:
AYES: Mayor Montano, Vice Mayor Chua, Councilmember Lien, Councilmember Phan
NOES: None
ABSTAIN: Councilmember Barbadillo

PUBLIC HEARINGS

21. Adopt a Resolution Certifying Election Results and Adding the Properties Located at 470, 480, 490 and 500 Wool Drive into Community Facilities District No. 2005-1 (Annexation No. 24) (Staff Contact: Christian di Renzo, Public Works Director, 408-586-2602; and Michael Silveira, City Engineer, 408-586-3303)

City Manager Thomas introduced the item. Principal Civil Engineer Valderrama presented the report.

Mayor Montano opened the public hearing.

There were the following public speakers:
1. Voltaire Montemayor

Mayor Montano closed the public hearing.

City Clerk Guzzetta canvassed the vote and reported that all votes were in favor of the annexation and all the propositions approved.

After discussion, motion: to receive election results from the City Clerk, adopt **Resolution No. 9367** certifying election results and adding the properties located at 470, 480, 490 and 500 Wood Drive into Community Facilities District No. 2005-1 (Annexation No. 24)..

Motion/Second: Vice Mayor Chua / Councilmember Lien
Motion carried by the following:
AYES: Mayor Montano, Vice Mayor Chua, Councilmember Barbadillo, Councilmember Lien, Councilmember Phan
NOES: None

COMMUNITY DEVELOPMENT

22. Economic Development Strategy and Economic Indicators Update (Staff Contact: Alex Andrade, Economic Development & Strategic Initiatives Director, 408-586-3046; and Kal Zubair, Economic Development Specialist, 408-586-3008)

City Manager Thomas introduced the item. Economic Development and Strategic Initiatives Director Andrade presented the report.

Vice Mayor Chua asked for clarification on the next steps after the annexation and getting site development/building permits and expressed frustration about lack of clear checklists/timelines for permit processes based on resident feedback. She requested a study/analysis be done on improving and streamlining the permit process

Council Member Lien asked for an explanation of the differences between Class A, B, and C commercial real estate and what the plan is to grow and balance jobs and housing in the city.

Council Member Barbadillo questioned if the 2020 Economic Development Strategy was effectively implemented based on the presented indicators. He asked how the Economic Development office works with Planning to preserve employment lands when rezoning happens and wanted to see comparisons to neighboring cities' financial performance metrics like sales tax. The Councilmember followed up by suggesting the Economic Development office should have more say when Planning makes zoning changes that convert employment lands.

Mayor Montano expressed concern that the city relies too heavily on property tax over sales tax for revenue and requested comparisons to other similarly-sized cities to benchmark revenue sources. She suggested "out of the box" thinking with incentives and marketing to attract more businesses and making Main Street an "entertainment district" as a draw for businesses.

There were the following public speakers:
1. Michael Tsai
2. Voltaire Montemayor
3. Ray Magalang
4. Dexter Lat

ANNOUNCEMENTS AND FUTURE AGENDA ITEMS

There were the following announcements and requests for future agenda items:

Vice Mayor Chua made the following requests:
1) Bring back a study or analysis of the permit process. There was unanimous consensus to add the item to the prioritization list.
2) Staff organize a job fair for City job openings. There was unanimous consensus to add the item to the prioritization list.

Councilmember Lien thanked residents for their support of Measure J.

Councilmember Barbadillo requested an update on the library renaming process. City Manager Thomas noted that a report would be coming to the City Council in December.

Mayor Montano asked that staff look into potential impact fees for heavy vehicle transportation using city roads. There was consensus to add the item to the prioritization list (4-1. Noes: Phan).

ADJOURNMENT

Mayor Montano adjourned the meeting at 9:26 PM.

Draft meeting minutes submitted by City Clerk, Suzanne Guzzetta

TENTATIVE CITY COUNCIL AGENDA ITEM LIST

as of 11/27/2024

December 10, 2024 – *Special Meeting* (5:30 PM Start)

CLOSED SESSION

INVOCATION (Councilmember Lien)

PRESENTATION

AGENDA ITEMS

1. Certification of Election Results (City Clerk)
2. Presentation to Outgoing Officials
3. Swear in Newly Elected Officials

Adjourn to Reception

AGENDA ITEMS

4. Elect New Vice Mayor

CONSENT CALENDAR

5. Receive City Council calendar for December 2024 and January 2025 (City Clerk)
6. Approve City Council meeting minutes of December 3, 2024 (City Clerk)
7. Preview list of items for January 7, 2025 (City Clerk)
8. Councilmember Request List (City Clerk)
9. Commission Appointments (City Clerk)
10. FY 2023-24 Development and Storm Impact Fees Annual Report (AB1600) (Finance)
11. Fee Waiver (Recreation)

LEADERSHIP AND SUPPORT SERVICES

12. Municipal Code Changes for the FY 24-25 Department Realignments (City Manager)

MILPITAS CITY COUNCIL
AGENDA ITEM REQUESTS

OPEN ITEMS

Request No.	Topic	Submitted by:	Date Requested	STATUS and/or DATE scheduled on City Council meeting agenda:
1	Look into potential impact fees for heavy vehicle transportation using city roads	Montano	11/19/2024	An update on this item will be inlcuded in the next quarterly prioritization update.
2	Staff organize a job fair for City job openings	Chua	11/19/2024	An update on this item will be inlcuded in the next quarterly prioritization update.
3	Bring back a study or analysis of the permit process	Chua	11/19/2024	An update on this item will be inlcuded in the next quarterly prioritization update.
4	Feasibility study for a potential pickleball field at Dixon Landing Park	Montano	10/15/2024	An update on this item will be inlcuded in the next quarterly prioritization update.
5	Review the area near Rose Elementary School at the intersection of Edsel and Roswell for unsafe traffic conditions and possible traffic control measures.	Montano	10/1/2024	An update on this item will be inlcuded in the next quarterly prioritization update.
6	Bring forward the costs regarding the library renaming project to clarify costs and design by December of this year	Phan	10/1/2024	An update on this item will be inlcuded in the next quarterly prioritization update.
7	Invite the HR Director to a future meeting to present on hiring processes and vacancies	Lien	10/1/2024	City staff is workng on an update to this item to be provided to the City Council in the next few months.
8	Explore updating the city's business tax rate schedule	Chua	10/1/2024	An update on this item will be inlcuded in the next quarterly prioritization update.
9	Explore funding options for new signage following the decision to rename the Milpitas Library to the Milpitas Jose Esteves Library	Barbadillo	9/3/2024	An update on this item will be inlcuded in the next quarterly prioritization update.
10	Send a letter to Supervisory Otto Lee regarding the weeds on Montague Expressway	Montano	8/13/2024	An update on this item will be inlcuded in the next quarterly prioritization update.

ACTIVE ITEMS

Request No.	Topic	Submitted by:	Date Requested	STATUS and/or DATE scheduled on City Council meeting agenda:
11	Update the animal control ordinance to include other animals such as horses and cats	Chua	9/3/2024	This item was approved to move forward at the 9/17/2024 City Council prioritization.
12	Look into a property for sale on Main Street to investigate the cost and feasibility of creating a museum for downtown or Old Town Main Street as part of the revitalization efforts.	Montano	8/13/2024	This item was approved to move forward at the 9/17/2024 City Council prioritization.
13	Look into adopting an ordinance similar to San Jose allowing ADUs (Accessory Dwelling Units) to have a separate title and be sold separately.	Chua	8/13/2024	This item was approved to move forward at the 9/17/2024 City Council prioritization.
14	Conduct a traffic study on Escuela Parkway to address circulation concerns	Montano	5/7/2024	An update on this item will be inlcudd in the next quarterly prioritization update.
15	Explore the possibility of augmenting the Planning Commission stipend	Barbadillo	4/16/2024	An update on this item will be inlcudd in the next quarterly prioritization update.
16	Consideration of the 20% Low Income Below Market Rate Housing	Montano	12/5/2023	An update on this item will be inlcudd in the next quarterly prioritization update.
17	Bring back Bingo and the Tour at the Senior Center	Chua	11/7/2023	An update on this item will be inlcudd in the next quarterly prioritization update.
18	Referral for utility infrastructure cost on Main Street from Carlo to Corning Streets	Montano	10/17/2023	An update on this item will be inlcudd in the next quarterly prioritization update.
19	Main Street International Festival	Lien	10/3/2023	An update on this item will be inlcudd in the next quarterly prioritization update.
20	Explore taking steps towards becoming a Charter City	Phan	9/5/2023	An update on this item will be inlcudd in the next quarterly prioritization update.
21	Pickleball Pilot Project	Chua	2/28/2023	An update on this item will be inlcudd in the next quarterly prioritization update.
22	Main Street Infrastructure Projects	Montano	2/28/2023	An update on this item will be inlcudd in the next quarterly prioritization update.

NOTE: Deferred and Completed Items are not listed

MILPITAS CITY COUNCIL
AGENDA ITEM REQUESTS

ACTIVE ITEMS				
Request No.	**Topic**	**Submitted by:**	**Date Requested**	**STATUS and/or DATE scheduled on City Council meeting agenda:**
23	Main Street Flooding at Library	Chua	2/28/2023	An update on this item will be inlcudd in the next quarterly prioritization update.
24	Have the City look into the possibility of a Citywide Senior Discount	Barbadillo	2/7/2023	An update on this item will be inlcudd in the next quarterly prioritization update.
25	City Manager to look into defining either a standalone teen center or updating information to	Chua	9/20/2022	An update on this item will be inlcudd in the next quarterly prioritization update.
26	City Manager look into implementing a workshop for small businesses on the bidding process for projects in the city	Chua	8/9/2022	An update on this item will be inlcudd in the next quarterly prioritization update.
27	Quarterly or Monthly crime statistics on Homekey Project	Chua	6/7/2022	An update on this item will be inlcudd in the next quarterly prioritization update.
28	Memorial Plaque in honor of youth skateboarder that passed away	Montano	6/7/2022	An update on this item will be inlcudd in the next quarterly prioritization update.
29	Evaluate reopening the childcare center with a non-profit organization running the center	Montano	2/1/2022	An update on this item will be inlcudd in the next quarterly prioritization update.
30	Staff to look into mural Art on Great Mall Parkway on the VTA owned Light rail pillars	Montano	11/16/2021	An update on this item will be inlcudd in the next quarterly prioritization update.
31	Have a picture of Albert Vogel Sr. put up in the Senior Center	Montano	10/19/2021	An update on this item will be inlcudd in the next quarterly prioritization update.
32	Include a bust of Maria Lemire on the Mural in front of the Senior Center	Montano	8/17/2021	An update on this item will be inlcudd in the next quarterly prioritization update.
33	Consider Community Museum and Park on Main St.	Phan	8/20/2019	Discussions with the property owner of this site are ongoing.

NOTE: Deferred and Completed Items are not listed

CITY OF MILPITAS
AGENDA REPORT
(AR)

Item Title:	**Adopt a Resolution Delegating Authority to the City Manager or Designee to Approve and Execute Project-Related Documents and Urgent Administrative Items during the City Council Winter Recess (Staff Contact: Matt Cano, Assistant City Manager, 408-586-3012)**
Category:	Consent Calendar-Leadership and Support Services
Meeting Date:	12/3/2024
Recommendation:	Adopt a resolution delegating authority to the City Manager, or their designee, to approve and execute project-related documents, including contract documents and urgent administrative items during the City Council and City of Milpitas Housing Authority winter recess from the last City Council meeting held on December 10, 2024 through January 7, 2025.

BACKGROUND:
The City Council and City of Milpitas Housing Authority have a scheduled recess between the last City Council meeting on December 10, 2024 and January 7, 2025, during which no City Council meetings are scheduled to take place. To ensure that critical services and projects continue and are completed on time, it may be necessary to take action during Council recess. Therefore, it is requested the City Council and City of Milpitas Housing Authority authorize the City Manager, or their designee, to take appropriate action during the recess.

ANALYSIS:
Authorizing the City Manager, or their designee, to take appropriate actions, including signing contracts within City Council financial authority under the Municipal Code, will ensure projects stay on schedule and that the City continues to provide vital services to the community. Deferring these actions until after the Council recess could lead to additional costs or delays to projects or services. A report summarizing any actions taken during the recess by the City Manager or their designee under this delegated authority will be presented to the City Council on January 7, 2025.

POLICY ALTERNATIVE(S):
Alternative: Do not approve the requested delegation of authority

Pros: Retains Council approval authority

Cons: Will not enable timely action on urgent project and administrative needs to ensure continued provision of vital services to the community.

Reason for not Recommending: Will not allow timely action to ensure the continued delivery of services to the community and time sensitive actions on projects during the Council recess.

FISCAL IMPACT:
Approval of any potential agreements or contracts are anticipated to be within the Council approved budget; therefore, there is no fiscal impact.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA):
The City Council delegation of authority is exempt from CEQA pursuant to CEQA Guideline 15061(b)(3) as it can be seen with certainty that the delegation does not have the potential to cause a significant effect on the environment as it does not involve the approval of any particular project. Further, this action is exempt pursuant to CEQA Guideline 15378(b)(4) as a governmental fiscal activity which does not involve any commitment to any specific project. Although the delegation may involve various projects, those projects received sufficient and appropriate CEQA review at the time of approval.

RECOMMENDATION:

Adopt a resolution delegating authority to the City Manager, or their designee, to approve and execute project-related documents, including contract documents and urgent administrative items during the City Council and City of Milpitas Housing Authority winter recess from the last City Council meeting held on December 10, 2024 through January 7, 2025.

ATTACHMENT(S):

(a) Resolution Designating City Manager Authority

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS AND THE HOUSING AUTHORITY TEMPORARILY DELEGATING AUTHORITY TO THE CITY MANAGER OR DESIGNEE TO APPROVE AND EXECUTE PROJECT-RELATED DOCUMENTS AND URGENT ADMINISTRATIVE ITEMS DURING THE CITY COUNCIL WINTER RECESS

WHEREAS, the City Council and the Housing Authority have a scheduled recess between the last City Council meeting on December 10, 2024 and January 7, 2025, during which no regular City Council meetings will take place; and

WHEREAS, it is necessary to ensure that critical services and projects continue and are completed on time during the Council recess; and

WHEREAS, authorizing the City Manager, or their designee, to take appropriate actions, including signing contracts within the City Council's financial authority under the Municipal Code, will ensure projects stay on schedule and that the City continues to provide vital services to the community; and

WHEREAS, deferring these actions until after the Council recess could lead to additional costs or delays to projects or services; and

WHEREAS, a report summarizing any actions taken by the City Manager or their designee during the recess under this delegated authority will be presented to the City Council on January 7, 2025; and

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

1. The City Manager, or their designee, is authorized to take appropriate actions, including the approval and execution of project-related documents and urgent administrative items exceeding $100,000, during the City Council and Housing Authority winter recess from the last City Council meeting held in December 2024 through January 7, 2025.

2. A report summarizing any actions taken by the City Manager or their designee during the recess under this delegated authority will be presented to the City Council on January 7, 2025.

PASSED AND ADOPTED this 3rd day of December 2024, by the following vote:

AYES: (0)

NOES: (0)

ABSENT: (0)

ABSTAIN: (0)

ATTEST:

_____
Suzanne Guzzetta, City Clerk

APPROVED:

_____
Carmen Montano, Mayor

APPROVED AS TO FORM:

_____
Michael Mutalipassi, City Attorney

CITY OF MILPITAS
AGENDA REPORT
(AR)

Item Title:	**Adopt a Resolution Updating the Conflict of Interest Code and Amending the List of Designated Positions Requiring Disclosure (Staff Contact: Suzanne Guzzetta, City Clerk, 408-586-3001; and Michael Mutalipassi, City Attorney, 408-586-3041)**
Category:	Consent Calendar-Leadership and Support Services
Meeting Date:	9/20/2022
Recommendation:	Adopt a resolution updating the City of Milpitas Conflict of Interest Code, including the list of designated positions required to annually file the FPPC Form 700 Statement of Economic Interests.

BACKGROUND:

The Political Reform Act (Government Code § 81000, et seq.) requires state and local agencies adopt conflict of interest codes identifying all officials and employees within the agency who make governmental decisions based on the positions they hold. Individuals in those designated positions are obligated to disclose their financial interests as specified in the agency's conflict of interest code.

The City of Milpitas is required to review its Conflict of Interest Code biennially in even years to determine if amendments to the Code are necessary. Amendments include adding newly created qualifying positions, deleting obsolete positions, and revising job titles of existing positions and disclosure categories.

The City Conflict of Interest Code was last amended on September 20, 2022 as memorialized in City Council Resolution No. 9027. Together with Human Resources and the City Attorney, the City Clerk reviewed the existing code and list of designated positions to make applicable amendments to the Code.

Filers with job titles specified as designated positions are required to file the FPPC Form 700, Statement of Economic Interests, with the City Clerk within thirty days of assuming their designated position, annually by April 1, and within thirty days of leaving their designated position. In addition, Government Code §87200 identifies certain City officers such as mayors, city managers, city attorneys, city treasurers, chief administrative officers, members of city councils of cities, and planning commissioners as statutory filers required to file the Form 700.

Since January 2020, all City filers have the option to file their Form 700 through either one of two methods. The first method is to submit an original or "wet signature" hard copy form to the City Clerk's Office. The second method is to file electronically via Netfile – an online platform approved by the Secretary of State for accepting electronic filings of Statements of Economic Interests. As of January 2025, all Government Code §87200 filers will be required to file their statements electronically directly with the FPPC through their online filing portal pursuant to AB 1170.

ANALYSIS:

The City Attorney and City Clerk have identified the appropriate City of Milpitas employee classifications to be added to the 2024 City of Milpitas Conflict of Interest Code and Appendix and appear in redline form as attached. Newly created qualifying classifications have been added, obsolete positions removed, and titles of several positions amended. The list of designated positions additionally includes Council-appointed volunteer Commissioners and Alternates of six City Commissions.

It is recommended the City Council adopt a resolution approving the updated 2024 City of Milpitas Conflict of Interest Code and Appendix. Upon adoption of the resolution, the City Clerk will file a copy of the updated Code and list of filers with the Fair Political Practices Commission office in Sacramento by the end of the year.

POLICY ALTERNATIVE:
Alternative**:** Do not adopt a resolution updating the list of designated positions required to file the FPPC Form 700 Statement of Economic Interests

Pros: None

Cons: By not adopting the resolution, the City of Milpitas Conflict of Interest Code would be out of date, resulting in the City being out of compliance with state law.

Reason not recommended: Failure to adopt a resolution to update the City of Milpitas Conflict of Interest Code will result in having an outdated Conflict of Interest Code, and the City will be out of compliance with FPPC Regulations.

FISCAL IMPACT:
None

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA):
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.

RECOMMENDATION:
Adopt a resolution updating the City of Milpitas Conflict of Interest Code, including the list of designated positions required to annually file the FPPC Form 700 Statement of Economic Interests.

ATTACHMENTS:
(a) Resolution
(b) Exhibit A: 2024 City of Milpitas Conflict of Interest Code with Appendix

RESOLUTION NO. ____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS AMENDING THE CITY OF MILPITAS CONFLICT OF INTEREST CODE, AS REQUIRED BY THE POLITICAL REFORM ACT

WHEREAS, the State of California enacted the Political Reform Act of 1974, Government Code Section 81000 *et seq.* (the "Act"), which contains provisions relating to conflicts of interest which partially affect all officers, employees and consultants of the City and requires all public agencies to adopt and promulgate a Conflict of Interest Code; and

WHEREAS, The Political Reform Act requires every local government agency to review its conflict of interest code biennially; and

WHEREAS, pursuant to Government Code Sections 87300 and 87302, the City Council of the City of Milpitas has adopted and incorporated by reference the terms of the standard model conflict of interest code adopted by the Fair Political Practices Commission by Title 2, Division 6, California Code of Regulations, Section 18730; and

WHEREAS, there have been personnel changes that require revisions to the City of Milpitas Conflict of Interest Code; and

WHEREAS, the City Council of the City of Milpitas has determined the attached Exhibit A accurately sets forth the updated positions that should be designated and the disclosure categories for each listed position.

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 terms of Section 18730 of the Regulations, and any amendments to Section 18730 or to the Regulations, taken with appendices attached to this Resolution and incorporated by reference constitute the Conflict of Interest Code for all City of Milpitas departments and commissions.

3. The City Council does hereby adopt the proposed amended Conflict of Interest Code, a copy of which is attached hereto as **Exhibit A** and shall be on file with the City Clerk and available to the public for inspection and copying.

3. The amended Conflict of Interest Code of the City of Milpitas shall supersede the Conflict of Interest Code adopted on September 20, 2022, and shall become effective at the time of its adoption and approval.

PASSED AND ADOPTED this ___ day of _____, 2024, by the following vote:

AYES: ( )

NOES: ( )

ABSENT: ( )

ABSTAIN: ( )

ATTEST:

Suzanne Guzzetta, City Clerk

APPROVED:

Carmen Montano, Mayor

APPROVED AS TO FORM:

Michael Mutalipassi, City Attorney

EXHIBIT A

EXHIBIT A to
Resolution No._____

CONFLICT OF INTEREST CODE
OF THE
CITY OF MILPITAS

The California Political Reform Act (Government Code section 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation that contains the terms of a standard conflict of interest code which can be incorporated by reference in an agency's code. After public notice and hearing, Section 18730 may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This regulation and the attached Appendix [or Appendices], designating positions and establishing disclosure categories, shall constitute the conflict of interest code of the City of Milpitas (City).

All officials and designated positions are required to submit a statement of economic interests and shall file their statements with the City Clerk as the City Filing Officer. The City Clerk shall make and retain a copy of all original statements filed by the Mayor, City Councilmembers and Planning Commissioners, the City Manager, City Attorney and City Treasurer, and shall forward the originals of paper-filed original statements to the Fair Political Practices Commission, as required by Government Code section 87200. The City Clerk shall retain the original statements filed by all other officials and designated positions, and will make all retained statements available for public inspection and reproduction during regular business hours per Government Code section 81008. Beginning in the filing year 2020, the City Clerk is authorized to permit electronic filing of Statements of Economic Interest, using an electronic filing system authorized by the Fair Political Practices Commission.

Adopted by Milpitas City Council on December xx, 2024

APPENDIX

CONFLICT OF INTEREST CODE OF THE CITY OF MILPITAS

Adopted December xx, 2024

PART A

The phrase “Section 87200 Filer” means each person holding one of the positions defined by California Government Code Section 87200, including each of the following positions:

a. Mayor
b. City Councilmember
c. Planning Commissioner
d. City Manager
e. City Attorney
f. City Treasurer (Director of Finance)
g. Any City official who manages public investments

Those holding one of the positions above may contact the Fair Political Practices Commission for assistance or written advice regarding their filing obligation if they believe their position has been categorized incorrectly. The Fair Political Practices Commission makes the final determination as to whether a position is a required filer consistent with Section 87200.

Effective January 1, 2025, all 87200 filers must submit their filings electronically via the FPPC electronic filing portal, in accordance with AB 1170.

DESIGNATED POSITIONS GOVERNED BY THE CONFLICT OF INTEREST CODE

The term “designated position” means any position with the City that is either: (a) identified in this Exhibit “A”; or (b) involves the making or participation in making of governmental decisions which may foreseeably have a material effect on economic interests.

Each of the following positions shall be deemed a Designated Position:

DESIGNATED POSITIONS	DISCLOSURE CATEGORIES
Administrative Analyst II	5
Assistant City Attorney	1, 2
Assistant City Engineer	2, 3, 5
Assistant City Manager	1, 2
Assistant Director of Recreation and Community Services	1, 2, 7
Assistant Finance Director	1, 2
Assistant Fire Marshal	2, 3
Assistant Chief of Police	5
Associate Civil Engineer	2, 3, 5
Associate Planner	2, 3, 5, 6
Budget Manager	4
Building Inspection Manager	2, 3, 5, 6
Building/Neighborhood Preservation Inspector	2, 3, 5, 6
Building Official	2, 3, 5, 6
Business Systems Analyst/Dev	5
Buyer	4
Capital Improvement Projects Manager	2, 3, 5, 6
City Clerk	5, 6
City Engineer	1, 2
Deputy City Attorney	1, 2
Deputy City Clerk	5, 6
Deputy City Manager	1, 2
Deputy Director of Information Technology	5
Deputy Fire Chief	5
Deputy Public Works Director	1, 2
Economic Development & Strategic Initiatives Director	1, 2
Finance Manager	1, 2
Financial Analyst II	5
Fire Battalion Chief	5
Fire Chief	5, 6
Fire Captain, Prevention/Hazmat Inspector	3, 6

Fire Marshal	2, 3, 5, 6
Housing Official	1, 2, 7
Human Resources Director	5
Human Resources Manager	5
Information Technology Director	5
Information Technology Manager	5
Plan Review Manager	5
Plan Check Engineer	5
Plan Checker	5
Planning Director	1, 2
Planning Manager	2, 3, 5
Police Captain	5
Police Chief	5
Principal Civil Engineer	1, 2
Principal Planner	1, 2
Public Information Officer	5
Public Works Division Manager	1, 2
Public Works Director	1, 2
Public Works Inspector	6
Purchasing Manager	4
Recreation and Community Services Director	5
Recreation Services Supervisor	5
Risk Analyst II	5
Senior Administrative Analyst	5
Senior Accountant	4
Senior Building Inspector	5, 6
Senior Buyer	4
Senior Code Enforcement Officer	6
Senior Human Resources Analyst	5
Senior Plan Check Engineer	5
Senior Planner	1, 2
Senior Public Works Inspector	2, 5, 6
Transportation and Traffic Engineer	2, 3, 5
CITY OF MILPITAS COMMISSIONS	
Arts Commission	5, 7
Community Advisory Commission	1, 2
Economic Development & Trade Commission	1, 2
Energy and Environmental Sustainability Commission	1, 2
Parks, Recreation & Cultural Resources Commission	1, 2
Science, Technology & Innovation Commission	1, 2

CONSULTANTS and NEW POSITIONS

Individuals serving as a consultant as defined in FPPC Regulation 18700.3, or in a new position as defined in Regulation 18734 created since this Code was last approved, who make, or participate in making, decisions must file under the broadest disclosure category set forth in this Code, subject to the following limitation: The City Manager may determine, that due to the range of duties or contractual obligations, it is more appropriate to assign a limited disclosure requirement. A clear explanation of the duties and a statement of the extent of the disclosure requirements must be a written document (Gov. Code § FPPC Regulations 18219 and 18734). The City Manager determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict of Interest Code (Gov. Code §81008).

PART B - DISCLOSURE CATEGORIES

Disclosure categories identify the types of economic interests that the designated position must disclose for each disclosure category to which he or she is assigned. “Investment” means financial interest in any business entity (including a consulting business or other independent contracting business) and are reportable if they are either located in, doing business in, planning to do business in, or have done business in during the previous two years in the jurisdiction of the City of Milpitas.

This Conflict of Interest Code does not require the reporting of gifts from outside this City’s jurisdiction if the source does not have some connection with or bearing upon the functions or duties of the position, per FPPC Regulation 18730.1.

Following is the list of seven disclosure categories, defined:

Category 1: all investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that are located in, doing business in, or that own real property within the City of Milpitas.

Category 2: all interests in real property which is located in whole or in part within, or not more than two miles outside the boundaries of the City of Milpitas, including any leasehold, beneficial or ownership interest or option to acquire property.

Category 3: all investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that are engaged in land development, construction or the acquisition or sale of real property within the jurisdiction of the City of Milpitas.

Category 4: all investments and business positions in business entities, and sources of income, including gifts, loans and travel payments that provide services, products, materials, machinery, vehicles or equipment of a type purchased or leased by the City of Milpitas.

Category 5: all investments and business positions in business entities, and sources of income, including gifts, loans and travel payments that provide services, products, materials, machinery, vehicles or equipment of a type purchased or leased by the designated positions’ department, unit or division.

Category 6: all investments and business positions in business entities, and sources of income, from, business entities subject to the regulatory, permit, or licensing authority of the designated positions’ department, unit or division.

Category 7: all investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, and income from a nonprofit or other organization, if the source is of the type to receive grants or other monies from or through the City of Milpitas or its subdivisions.

CITY OF MILPITAS
AGENDA REPORT
(AR)

Item Title:	**Approve and Authorize the City Manager to Execute Amendment No. 3 to the Professional Services Agreement with Liebert Cassidy Whitmore to Provide Essential Labor Relations and Other Services (Staff Contact: Kelli Parmley, Human Resources Director, 408-586-3086)**
Category:	Consent Calendar-Leadership and Support Services
Meeting Date:	12/3/2024
Recommendation:	Approve and authorize the City Manager to execute Amendment No. 3 to the Professional Services Agreement with Liebert Cassidy Whitmore (LCW) for an additional agreement amount of $200,000, subject to the annual appropriation of funds.

BACKGROUND:
LCW is a premier labor, education, and employment law firm that specializes in providing services to hundreds of public agencies, educational institutions, and nonprofit organizations across the state of California.

On April 1, 2023, the City entered into a Professional Services Agreement (Agreement) with Liebert Cassidy Whitmore (LCW) to provide essential labor relations and other legal services to the City, including but not limited to negotiations, training, advice, investigations, and representation in the amount of $100,000.

On September 19, 2023, the City Council approved an amendment to the original contract for an additional $200,000 for ongoing legal services and extend the contract through June 30, 2026.

ANALYSIS:
The additional legal services with LCW from July 1 – October 2024 has resulted in essential support for on-demand and specialized employee relations advice and critical support leading to the completion of four negotiated successor agreements for Milpitas Employees Association (MEA), Milpitas Professional And Technical Group (PROTECH), Milpitas Police Officers Association (MPOA), and the International Association of Firefighters Local 1699 (IAFF).

Through June 30, 2025, the City is required to negotiate successor agreements for three units as well as ongoing needs for more complex employee relations and investigations situations. Staff recommends amending the agreement to add an additional $200,000 for ongoing legal services and through June 30, 2026.

POLICY ALTERNATIVE(S):
Alternative 1: Do not approve and authorize the City Manager to execute the amendment with LCW for two years.

Pros: There is no benefit to discontinuing LCW's services while the City is in active labor negotiations and investigations are still underway.

Cons: The City will not have adequate resources to assist with labor negotiations and investigations.

FISCAL IMPACT:
The contract will be paid from the City Manager's unanticipated expenditure reserve account. Currently, there is sufficient balance to cover this expenditure from this account.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA):
Approval of the recommendation is not an activity defined as a “project” under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines 15061(b)(3) and 15378(b)(4) either because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and/or because the action is financial and/or administrative and does not directly impact the environment.

RECOMMENDATION:
Approve and authorize the City Manager to execute Amendment No.3 to the Professional Services Agreement with Liebert Cassidy Whitmore (LCW) for an additional agreement amount of $200,000, subject to the annual appropriation of funds.

ATTACHMENT(S):
(a) Amended LCW Contract
(b) Amendment No. 3 to LCW’s Professional Services Agreement

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CITY OF MILPITAS
PROFESSIONAL SERVICES AGREEMENT

This Agreement is made and entered into as of Apr-01-2023 ("Effective Date") by and between the City of Milpitas, a municipal corporation organized and operating under the laws of the State of California with its principal place of business at 455 E. Calaveras Boulevard, Milpitas, California 95035 ("City"), and **Liebert Cassidy Whitmore**, a corporation with its principal place of business at **135 Main Street, San Francisco, CA 94105** (hereinafter referred to as "Consultant"). City and Consultant are sometimes individually referred to as "Party" and collectively as "Parties" in this Agreement.

RECITALS

A. City is a public agency of the State of California and is in need of professional services for the following project:

LABOR CONTRACT NEGOTIATIONS AND OTHER LEGAL SERVICES
(hereinafter referred to as "the Project").

B. Consultant is duly licensed and has the necessary qualifications to provide such services.

C. The Parties desire by this Agreement to establish the terms for City to retain Consultant to provide the services described herein.

AGREEMENT

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. Services.

Consultant shall provide the City with the services described in the Scope of Services attached hereto as Exhibit A.

2. Compensation.

a. Subject to paragraph 2(b) below, the City shall pay for such services in accordance with the Schedule of Charges set forth in Exhibit B.

b. In no event shall the total amount paid for services rendered by Consultant under this Agreement exceed the sum of **One Hundred Thousand Dollars and Zero Cents ($100,000.00)**. This amount is to cover all printing and related costs, and the City will not pay any additional fees for printing expenses. Periodic payments shall be made within thirty (30) days of receipt of an invoice which includes a detailed description of the work performed. Payments to Consultant for work performed will be made on a monthly billing basis.

3. Additional Work.

If changes in the work seem merited by Consultant or the City, and informal consultations with the other party indicate that a change is warranted, it shall be processed in the following manner: a letter outlining the changes shall be forwarded to the City by Consultant with a statement of estimated changes in fee or time schedule. An amendment to this Agreement shall be prepared by the City and executed by both Parties before performance of such services, or the City will not be required to pay for the changes in

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the scope of work. Such amendment shall not render ineffective or invalidate unaffected portions of this Agreement.

4. Maintenance of Records.

Books, documents, papers, accounting records, and other evidence pertaining to costs incurred shall be maintained by Consultant and made available at all reasonable times during the Agreement term and for four (4) years from the date of final payment under the Agreement for inspection by City.

5. Term.

The term of this Agreement shall be from **April 1, 2023** to **June 30, 2024**, unless earlier terminated as provided herein. The City reserves the right to review the Consultant's performance at the end of each year and cancel all or part of the Agreement.

6. Delays in Performance.

a. Neither City nor Consultant shall be considered in default of this Agreement for delays in performance caused by circumstances beyond the reasonable control of the non-performing party. For purposes of this Agreement, such circumstances include but are not limited to, abnormal weather conditions; floods; earthquakes; fire; epidemics; war; riots and other civil disturbances; strikes, lockouts, work slowdowns, and other labor disturbances; sabotage or judicial restraint.

b. Should such circumstances occur, the non-performing party shall, within a reasonable time of being prevented from performing, give written notice to the other party describing the circumstances preventing continued performance and the efforts being made to resume performance of this Agreement.

7. Compliance with Law.

a. Consultant shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local government, including Cal/OSHA requirements.

b. If required, Consultant shall assist the City, as requested, in obtaining and maintaining all permits required of Consultant by federal, state and local regulatory agencies.

c. If applicable, Consultant is responsible for all costs of clean up and/ or removal of hazardous and toxic substances spilled as a result of his or her services or operations performed under this Agreement.

8. Standard of Care

Consultant's services will be performed in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions.

9. Assignment and Subconsultant

Consultant shall not assign, sublet, or transfer this Agreement or any rights under or interest in this Agreement without the written consent of the City, which may be withheld for any reason. Any

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attempt to so assign or so transfer without such consent shall be void and without legal effect and shall constitute grounds for termination. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement. Nothing contained herein shall prevent Consultant from employing independent associates, and subconsultants as Consultant may deem appropriate to assist in the performance of services hereunder.

10. Independent Consultant

Consultant is retained as an independent contractor and is not an employee of City. No employee or agent of Consultant shall become an employee of City. The work to be performed shall be in accordance with the work described in this Agreement, subject to such directions and amendments from City as herein provided.

11. Insurance. Consultant shall not commence work for the City until it has provided evidence satisfactory to the City it has secured all insurance required under Exhibit D (Insurance Requirements), attached hereto and incorporated herein by this reference. In addition, Consultant shall not allow any subcontractor to commence work on any subcontract until it has secured all insurance required therein.

12. Indemnification.

a. To the fullest extent permitted by law, Consultant shall defend (with counsel of City's choosing), indemnify and hold the City, its officials, officers, employees, volunteers, and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or incident to any negligent acts, errors or omissions, or willful misconduct of Consultant, its officials, officers, employees, subcontractors, consultants or agents in connection with the performance of the Consultant's services, the Project or this Agreement, including without limitation the payment of all damages, expert witness fees and attorney's fees and other related costs and expenses. Consultant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by Consultant, the City, its officials, officers, employees, agents, or volunteers.

b. If Consultant's obligation to defend, indemnify, and/or hold harmless arises out of Consultant's performance of "design professional" services (as that term is defined under Civil Code section 2782.8), then, and only to the extent required by Civil Code section 2782.8, which is fully incorporated herein, Consultant's indemnification obligation shall be limited to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant, and, upon Consultant obtaining a final adjudication by a court of competent jurisdiction, Consultant's liability for such claim, including the cost to defend, shall not exceed the Consultant's proportionate percentage of fault.

13. California Labor Code Requirements.

a. Consultant is aware of the requirements of California Labor Code Sections 1720 et seq. and 1770 et seq., which require the payment of prevailing wage rates and the performance of other requirements on certain "public works" and "maintenance" projects ("Prevailing Wage Laws"). If the services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and if the total compensation is One Thousand Dollars and Zero Cents ($1,000.00) or more, Consultant agrees to fully comply with such Prevailing Wage Laws. Consultant shall defend, indemnify and hold the City, its officials, officers, employees and agents free and harmless from any claims, liabilities, costs, penalties or interest arising out of any failure or alleged failure to

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comply with the Prevailing Wage Laws. It shall be mandatory upon the Consultant and all subconsultants to comply with all California Labor Code provisions, which include but are not limited to prevailing wages (Labor Code Sections 1771, 1774 and 1775), employment of apprentices (Labor Code Section 1777.5), certified payroll records (Labor Code Sections 1771.4 and 1776), hours of labor (Labor Code Sections 1813 and 1815) and debarment of contractors and subcontractors (Labor Code Section 1777.1). The requirement to submit certified payroll records directly to the Labor Commissioner under Labor Code section 1771.4 shall not apply to work performed on a public works project that is exempt pursuant to the small project exemption specified in Labor Code Section 1771.4.

b. If the services are being performed as part of an applicable "public works" or "maintenance" project, then pursuant to Labor Code Sections 1725.5 and 1771.1, the Consultant and all subconsultants performing such services must be registered with the Department of Industrial Relations. Consultant shall maintain registration for the duration of the Project and require the same of any subconsultants, as applicable. Notwithstanding the foregoing, the contractor registration requirements mandated by Labor Code Sections 1725.5 and 1771.1 shall not apply to work performed on a public works project that is exempt pursuant to the small project exemption specified in Labor Code Sections 1725.5 and 1771.1.

c. This Agreement may also be subject to compliance monitoring and enforcement by the Department of Industrial Relations. It shall be Consultant's sole responsibility to comply with all applicable registration and labor compliance requirements. Any stop orders issued by the Department of Industrial Relations against Consultant or any subcontractor that affect Consultant's performance of services, including any delay, shall be Consultant's sole responsibility. Any delay arising out of or resulting from such stop orders shall be considered Consultant caused delay and shall not be compensable by the City. Consultant shall defend, indemnify and hold the City, its officials, officers, employees and agents free and harmless from any claim or liability arising out of stop orders issued by the Department of Industrial Relations against Consultant or any subcontractor.

14. Verification of Employment Eligibility.

By executing this Agreement, Consultant verifies that it fully complies with all requirements and restrictions of state and federal law respecting the employment of undocumented aliens, including, but not limited to, the Immigration Reform and Control Act of 1986, as may be amended from time to time, and shall require all subconsultants and sub-subconsultants to comply with the same.

15. City Material Requirements. [Reserved]

16. Laws and Venue.

This Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in a state or federal court situated in the County of Santa Clara, State of California.

17 Termination or Abandonment

a. City has the right to terminate or abandon any portion or all of the work under this Agreement by giving ten (10) calendar days written notice to Consultant. In such event, City shall be immediately given title and possession to all original field notes, drawings and specifications, written reports and other documents produced or developed for that portion of the work completed and/or being abandoned. City shall pay Consultant the reasonable value of services rendered for any portion of the work completed prior to termination. If said termination occurs prior to completion of any task for the

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Project for which a payment request has not been received, the charge for services performed during such task shall be the reasonable value of such services, based on an amount mutually agreed to by City and Consultant of the portion of such task completed but not paid prior to said termination. City shall not be liable for any costs other than the charges or portions thereof which are specified herein. Consultant shall not be entitled to payment for unperformed services, and shall not be entitled to damages or compensation for termination of work.

b. Consultant may terminate its obligation to provide further services under this Agreement upon thirty (30) calendar days' written notice to City only in the event of substantial failure by City to perform in accordance with the terms of this Agreement through no fault of Consultant.

c. The Consultant understands and accepts that at all times; the Agreement is subject to appropriation of funds by the Milpitas City Council. The Agreement may terminate without penalty, liability or expense of any kind to the City at the end of Agreement term. The City has no obligation to make appropriations for the Agreement in lieu of appropriations for new or other contracts. City budget decisions are subject to the discretion of the Mayor and City Council. Consultant's assumption of risk of possible non-appropriation is a part of the consideration for the Agreement. This section controls against any and all other provisions of the Agreement.

18 Documents. Except as otherwise provided in "Termination or Abandonment," above, all original field notes, written reports, Drawings and Specifications and other documents, produced or developed for the Project shall, upon payment in full for the services described in this Agreement, be furnished to and become the property of the City.

19. Organization

Consultant shall assign **Morin Jacob** as Project Manager. The Project Manager shall not be removed from the Project or reassigned without the prior written consent of the City.

20. Limitation of Agreement.

This Agreement is limited to and includes only the work included in the Project described above.

21. Notice

Any notice or instrument required to be given or delivered by this Agreement may be given or delivered by depositing the same in any United States Post Office, certified mail, return receipt requested, postage prepaid, addressed to:

CITY:	CONSULTANT:
City of Milpitas	Liebert Cassidy Whitmore
455 E. Calaveras Boulevard	135 Main Street, 7th floor
Milpitas, California 95035	San Francisco, CA 94105
Attn: Steven G. McHarris, City Manager	Attn: Richard Bolanos, Partner

and shall be effective upon receipt thereof.

22. Third Party Rights

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Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than the City and the Consultant.

23. Equal Opportunity Employment.

Consultant represents that it is an equal opportunity employer and that it shall not discriminate against any employee or applicant for employment because of race, religion, color, national origin, ancestry, sex, age or other interests protected by the State or Federal Constitutions. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination.

24. Entire Agreement

This Agreement, with its exhibits, represents the entire understanding of City and Consultant as to those matters contained herein, and supersedes and cancels any prior or contemporaneous oral or written understanding, promises or representations with respect to those matters covered hereunder. Each party acknowledges that no representations, inducements, promises or agreements have been made by any person which are not incorporated herein, and that any other agreements shall be void. This Agreement may not be modified or altered except in writing signed by both Parties hereto. This is an integrated Agreement.

25. Severability

The unenforceability, invalidity or illegality of any provision(s) of this Agreement shall not render the provisions unenforceable, invalid or illegal.

26. Successors and Assigns

This Agreement shall be binding upon and shall inure to the benefit of the successors in interest, executors, administrators and assigns of each party to this Agreement. However, Consultant shall not assign or transfer by operation of law or otherwise any or all of its rights, burdens, duties or obligations without the prior written consent of City. Any attempted assignment without such consent shall be invalid and void.

27. Non-Waiver

None of the provisions of this Agreement shall be considered waived by either party, unless such waiver is specifically specified in writing.

28. Time of Essence

Time is of the essence for each and every provision of this Agreement.

29. City's Right to Employ Other Consultants

City reserves its right to employ other consultants, including engineers, in connection with this Project or other projects.

30. Prohibited Interests

Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement.

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Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, City shall have the right to rescind this Agreement without liability. For the term of this Agreement, no director, official, officer or employee of City, during the term of his or her service with City, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

31. Wage Theft Prevention

a. Consultant, and any subconsultant it employs to complete work under this Agreement, shall comply with all applicable federal, state and local wage and hour laws. Applicable laws may include, but are not limited to, the Federal Fair Labor Standards Act, the California Labor Code and the Milpitas Minimum Wage Ordinance.

b. BY SIGNING THIS AGREEMENT, CONSULTANT AFFIRMS THAT IT HAS DISCLOSED ANY FINAL JUDGMENTS, DECISIONS OR ORDERS FROM A COURT OR INVESTIGATORY GOVERNMENT AGENCY, FINDING IN THE FIVE (5) YEARS PRIOR TO EXECUTING THIS AGREEMENT THAT CONSULTANT OR ITS SUBCONSULTANTS HAS VIOLATED ANY APPLICABLE WAGE AND HOUR LAWS. CONSULTANT FURTHER AFFIRMS THAT IT OR ITS SUBCONSULTANT(S) HAS EITHER FULLY SATISFIED EACH JUDGMENT, DECISION OR ORDER, OR, IF ANY JUDGMENT, DECISION OR ORDER HAS NOT BEEN FULLY SATISFIED, CONSULTANT AFFIRMS THAT IT OR ITS SUBCONSULTANT(S) IS CURRENTLY SATISFYING SAID JUDGMENT, DECISION OR ORDER THROUGH A PAYMENT OR ALTERNATIVE PLAN APPROVED BY THE APPLICABLE COURT/GOVERNMENT AGENCY AND THAT CONSULTANT OR ITS SUBCONSULTANT(S) ARE IN COMPLIANCE WITH SAID PLAN AS OF THE DATE OF EXECUTING THIS AGREEMENT.

c. If at any time during the term of this Agreement, a court or investigatory government agency issues a final judgment, decision or order finding that Consultant or a subconsultant it employs to perform work under this Agreement has violated any applicable wage and hour law, or Consultant learns of such a judgment, decision, or order that was not previously disclosed in its bid/proposal, Consultant shall inform the City no more than fifteen (15) calendar days after the judgment, decision or order becomes final or from the date of learning of the final judgment, decision or order. Consultant or its subconsultant(s) shall, within thirty (30) calendar days after notifying the City, either (i) fully satisfy any such judgment, decision, or order and provide the City with documentary evidence of satisfying said judgment, decision or order; or (ii) provide the City documentary evidence of a payment or other alternative plan approved by the court/government agency to satisfy the judgment, decision or order. If the Consultant or its subconsultant is subject to a payment or other alternative plan, the Consultant or its subconsultant shall continue to submit documentary evidence every thirty (30) calendar days during the term of the Agreement demonstrating continued compliance with the plan until the judgment, decision or order has been fully satisfied.

d. For purposes of this Section, a "final judgment, decision, or order" refers to one for which all appeals have been exhausted or the time period to appeal has expired. Relevant investigatory government agencies include: the United States Department of Labor, the California Division of Labor Standards Enforcement, the City, or any other governmental entity or division tasked with the investigation and enforcement of wage and hour laws.

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e. Failure to comply with any part of this Section constitutes a material breach of this Agreement. Such breach may serve as a basis for immediate termination of this Agreement and/or any other remedies available under this Agreement and/or law.

f. Notice provided to the City shall be addressed to: Attention: Finance Director, 455 E. Calaveras Blvd. Milpitas, CA 95035. The Notice provisions of this Section are separate from any other notice provisions in this Agreement and, accordingly, only notice provided to the above address satisfies the notice requirements in this Section.

[SIGNATURES ON FOLLOWING PAGE]

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SIGNATURE PAGE FOR PROFESSIONAL SERVICES AGREEMENT BETWEEN THE CITY OF MILPITAS AND LIEBERT CASSIDY WHITMORE

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

CITY OF MILPITAS

Approved By:

DocuSigned by:
Ashwini Kantak
0C5420A9D804EB...

Steven G. McHarris, City Manager

Apr-01-2023

Date

Approved As To Form:

DocuSigned by:

Michael Mutalipassi, City Attorney

Approved:

DocuSigned by:
807[illegible]18B7434...

Lauren Lai, CPA, MPA
Finance Director/Risk Manager

Approved As To Content:

DocuSigned by:
Nick Raisch
[illegible]

Nick Raisch, Human Resources Director

LIEBERT CASSIDY WHITMORE

DocuSigned by:
Morin Jacob
[illegible]306AAA041F...

Signature

Morin Jacob

Name

Mj

Title

Mar-29-2023

Date

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EXHIBIT A

Scope of Services

The Consultant offers the City a broad range of experienced labor relations and legal services including but not limited to negotiations, training, advice, investigations, and representation. The services offered by the Consultant are generally as follows, subject to the preferences of the City, which can and do bring about modifications to the Consultant's role.

The Consultants services shall include:

1. Meet with City staff and elected officials prior to commencement of negotiations in order to best understand (and perhaps formulate) the goals and objectives of the City in addressing the potential bargaining issues, and to be made aware of the financial/political limitations upon reaching those goals and objectives.

2. Provide leadership in formulating the strategies, which will be employed in meeting the goals and objectives at the bargaining table. (This may include asking that various City negotiation team members or resource personnel prepare budget presentations, detailed cost/revenue analyses or other financial data that may be discussed during negotiations).

3. Administer and/or oversee classification and compensation studies to gather the data necessary to formulate and present the agency's bargaining objectives and proposals.

4. Upon request and as needed, oversee administrative investigations, retain the appropriate outside investigators for the City, and advise the City based on the findings of the investigations.

5. Review and analyze all pertinent charter provisions, codes, ordinances, rules and regulations, and existing memoranda of understanding, in order to verify their impact upon the goals and objectives that are being pursued.

6. Act as principal spokesperson and strategist during the bargaining process.

7. Participate in closed sessions to provide guidance to and receive direction from elected officials.

8. Represent the City at impasse proceedings (including preparation and representation through the impasse process, preparation of press releases, supervising media relations, meeting with elected officials, and making those appearances provided for by the City employee relations ordinance, as requested by the City). The Consultant typically attempts to schedule meetings with various units back to back as to reduce travel time. The Consultant will also work carefully with City staff to ensure that negotiations with multiple units are coordinated to be consistent where necessary but different, where differing issues so require.

Labor Relations Consulting

In addition to conducting negotiations for public employers, the Consultant will continually work with the City's staff to do their own negotiations, if desired, and provide ongoing advice away from the table. This arrangement can involve all aspects of consultation and related services, including:
1. preparation of initial bargaining proposals
2. reviewing counter-proposals
3. providing training and advice concerning negotiating strategies

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4. representation through impasse procedures
5. and giving general advice when problems arise.

These services include:
a. MOU reviews/audits to identify issues for legal compliance, provide suggestions to increase clarity and reduce ambiguity by improving contract language, and offer suggestions/alternatives to be considered in contract negotiations.
b. Training on costing labor contracts, compiling demographic data, preparing for impasse processes, and other training programs to develop skills for internal staff.
c. Strategy development and advice on key areas including FLSA items, cost restructuring, pension issues, employee benefits, and discipline/appeal processes. Provide advice and consultation on the scope of meet and confer subjects and alternative approaches to manage meet and confer obligations.
d. Drafting contract language compliant with legal parameters and consulting on the preparation and presentation of proposals.

Additional Services

As a best practice, the Consultant recommends completing an MOU audit prior to the start of negotiations if the City has not reviewed/updated the MOU for best practices, legal compliance and to ensure the elimination of ambiguous language since the last round of negotiations. An audit ensures that contract language accurately reflects changes in the law since the contract was last negotiated [e.g. new state laws regarding sick leave (AB1522), health insurance (ACA), retirement (PEPRA), unlawful discrimination, leave rights (Labor Code Section 230.4, pregnancy disability leave), arbitration and release time for union representatives.] It also ensures that contract language not only complies with state and federal laws, but that it maximizes the City's opportunity for cost effectiveness. The audit will reveal all the changes the Consultant suggests for legal compliance, to eliminate ambiguities and ensure best practices. The analysis also includes the identification of MOU language/provisions to target during the upcoming negotiations. Careful preparation allows the City to set the bargaining agenda, rather than being reactive as well as avoids the inefficiencies of an ad hoc approach where disputes and mistakes often occur. Audits are billed on an hourly basis and can be scheduled whether or not Consultant conducts the negotiations. Any other legal services provided by Consultant per the rate sheet attached.

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EXHIBIT B

Schedule of Charges/Payments

Consultant will invoice City on a monthly cycle. Consultant will include with each invoice a detailed progress report that indicates the amount of budget spent on each task. Consultant will inform City regarding any out-of-scope work being performed by Consultant. This is a time-and-materials Agreement.

Rate and Service Structure
The Consultant bills in increments of one tenth of an hour. Invoices are payable upon receipt and due within 30 days. Consultant rates reflect the nature of our public sector work and take into consideration the inherent budgetary limitations of our public sector clients.
The Consultant evaluates its rates on an annual basis and occasionally makes modest rate increases. The Consultant understands the need to manage the cost of legal services and frequently work with clients to create budgets and cost strategies that suit them.

The Consultants practice is statewide, and they will share briefs, motions, points and authorities, research memos and opinion letters so that they do not research nuances in the law and issues that other members of the firm have recently worked on.

Pricing offered on a time-and-materials basis would be based on the standard hourly rates listed below:

Staff	Rate per Hour
Partner	$425.00
Senior Counsel	$355.00
Associate	$240.00 - 335.00
Labor Relations/Human Resources Consultant	$270.00
Paralegals	$145.00
E-Discovery Specialists	$145.00
Law Clerks	$145.00 - $185.00

Expenses

The Consultant utilizes the most up-to-date technology to aid in the delivery of legal services. For example, they utilize Sharefile, a document-sharing portal, for the secure and quick transmission of material. Documents are sent electronically, through Sharefile or email, unless specifically requested otherwise, or when electronic transmission is not an option.

Should the Consultant need to send a fax, these are billed at the rate of $.25 per page for outgoing faxes. Likewise, if needed copying is charged at fifteen cents ($.15) per page. Additional prints, postage and special deliveries (i.e. Fed-Ex, UPS, DHL, messenger service), and other hired deliveries completed at the request of the client or necessary to comply with court or other deadlines will also be billed to the client.

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EXHIBIT C

Activity Schedule

[Reserved]

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EXHIBIT D

INSURANCE REQUIREMENTS

Please refer to the insurance requirements listed below. **Those that have an "X" indicated in the space before the requirement apply to Contractor's or Consultant's Agreement.**

Contractor or Consultant shall procure and maintain for the duration of the Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder and the results of that work by the Contractor or Consultant, its agents, representatives, employees or subcontractors.

Contractor or Consultant shall provide its insurance broker(s)/agent(s) with a copy of these requirements and request that they provide Certificates of Insurance complete with copies of all required endorsements.

Contractor or Consultant shall furnish City with copies of original endorsements affecting coverage required by this Exhibit D. The endorsements are to be signed by a person authorized by that insurer to bind coverage on its behalf. All endorsements and certificates are to be received and approved by City before work commences. City has the right to require Contractor's or Consultant's insurer to provide complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by these specifications.

Commercial General Liability (CGL):

___ Coverage at least as broad as Insurance Services Office ("ISO") Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury and personal and advertising injury with limits no less than $2,000,000.00 per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

_X_ Coverage at least as broad as ISO Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury and personal and advertising injury with limits no less than $1,000,000.00 per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

___ Coverage at least as broad as ISO Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury and personal and advertising injury with limits no less than $5,000,000.00 per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.

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Automobile Liability:

_X_ Coverage at least as broad as ISO Form Number CA 0001 covering, Code 1 (any auto), of if Contractor or Consultant has no owned autos, Code 8 (hired) and 9 (non-owned), with limits no less than $1,000,000.00 combined single limit for bodily injury and property damage.

___ Coverage at least as broad as ISO Form Number CA 0001 covering, Code 1 (any auto), with limits no less than $5,000,000.00 combined single liit for bodily injury and property damage.

___ Garage keepers' extra liability endorsement to extend coverage to all vehicles in the care, custody and control of the Contractor or Consultant, regardless of where the vehicles are kept or driven.

Professional Liability (Errors and Omissions):

_X_ Insurance appropriates to the Contractor or Consultant's profession, with limit no less than $1,000,000.00 per occurrence or claim, $2,000,000.00 aggregate.

___ (If Design/Build), with limits no less than $1,000,000.00 per occurrence or claim, and $2,000,000.00 policy aggregate.

___ Insurance appropriates to the Contractor or Consultant's profession, with limit no less than _____ per occurrence or claim, _____ aggregate

Workers' Compensation Insurance:

_X_ Insurance as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than $1,000,000.00 per accident for bodily injury or disease. *(Not required if Contractor or Consultant provides written verification it has no employees)*

The Employer's Liability policy shall be endorsed to waive any right of subrogation as respects the City, its elected and appointed officials, officers, attorneys, agents, and employees.

Builder's Risk (Course of Construction):

___ Insurance utilizing an "All Risk" (Special Perils) coverage form, with limits equal to the completed value of the project and no coinsurance penalty provisions. If the project does not involve new or major reconstruction, at the option of the City, an Installation Floater may be acceptable. For such projects, a Property Installation Floater shall be obtained that provides for the improvement, remodel, modification, alteration, conversion or adjustment to existing buildings, structures, processes, machinery and equipment. The Property Installation Floater shall provide property damage coverage for any building, structure, machinery or equipment damaged, impaired, broken, or destroyed during the performance of the Work, including during transit, installation, and testing at the City's site.

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Contractor's or Consultant's Pollution Legal Liability:

___ Contractor's or Consultant's pollution legal liability and/or Asbestos Legal Liability and/or Errors and Omissions (if project involves environmental hazards) with limits no less than $1,000,000.00 per occurrence or claim and $2,000,000.00 policy aggregate.

If the Contractor or Consultant maintains higher limits than the minimums shown above, the City requires and shall be entitled to coverage for the higher limits maintained by the Contractor or Consultant. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to City.

Cyber Liability Insurance

___ Cyber Liability Insurance with limits not less than $1,000,000 per claim.

Coverage shall be sufficiently broad to respond to the duties and obligations as is undertaken by Contractor or Consultant in this Agreement and shall include, but not be limited to, claims involving infringement of intellectual property, including but not limited to infringement of copyright, trademark, trade dress, invasion of privacy violations, information theft, damage to or destruction of electronic information, release of private information, alteration of electronic information, extortion, and network security.

The policy shall provide coverage for breach response costs as well as regulatory fines and penalties, and credit monitoring expenses with limits sufficient to respond to these obligations.

Surety Bonds:

Contractor shall provide the following Surety Bonds:

____ Bid Bond
____ Performance Bond
____ Payment Bond

The Payment Bond and Performance Bond shall be in a sum equal to the contract price. Bonds shall be duly executed by a responsible corporate surety, authorized to issue such bonds in the State of California and secured through an authorized agent with an office in California.

Other Insurance Provisions:

The insurance policies are to contain, or be endorsed to contain the following provisions:

_X_ Additional Insured Status and Primary/Non-Contributory Language:

Contractor's general liability and automobile liability policies shall be primary and shall not seek contribution from the City's coverage and be endorsed to add the City and its elected and

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appointed officials, officers, attorneys, agents employees and volunteers as additional insureds under such policies using Insurance Services Office form CG 20 10 (or equivalent) on the general liability policy. For construction projects, an endorsement providing completed operations coverage for the additional insured on the general liability policy, ISO form CG 20 37 (or equivalent), is also required.

The limits of insurance required in this Agreement may be satisfied by a combination of primary and umbrella or excess insurance. Any umbrella or excess insurance shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and non-contributory basis for the benefit of City (if agreed to in a written contract or agreement) before the City's own insurance or self-insurance shall be called upon to protect it as a named insured.

___ Loss Payee Status – Builder's Risk/Course of Construction Insurance (applicable to Construction Contracts only)

Contractor or Consultant may submit evidence of Builder's Risk insurance in the form of Course of Construction coverage. Such coverage shall name the City as a loss payee as their interest may appear.

_X_ Notice of Cancellation, Suspension or Otherwise Voiding Policies:

Each insurance policy required above shall contain or be endorsed to contain that coverage shall not be suspended, voided, canceled or reduced in coverage or in limits except with thirty (30) days' prior written notice by certified mail, return receipt requested to the City.

_X_ Waiver of Subrogation:

Contractor or Consultant hereby grants to City a waiver of any right to subrogation which any insurer of said Contractor or Consultant may acquire against the City by virtue of the payment of any loss under such insurance. Contractor or Consultant agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the City has received a waiver of subrogation endorsement from the insurer. The Workers' Compensation Policy shall be endorsed with a waiver of subrogation in favor of the City for all work performed by Contractor or Consultant, its employees, agents and subcontractors.

___ Completed Operations

For Construction Agreements, Contractor shall maintain insurance as required by this Agreement to the fullest amount allowed by law and shall maintain insurance for a minimum of five (5) years following the completion of this project. In the event Contractor fails to obtain or maintain completed operations coverage as required by this Agreement, the City at its sole discretion may purchase the coverage required and the cost will be paid by Contractor.

<u>THE FOLLOWING PROVISIONS APPLY TO ALL AGREEMENTS</u>

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Deductibles and Self-Insured Retentions ("SIR"):

Any deductibles or self-insured retentions must be declared to and approved by City. The City may require the Contractor or Consultant to purchase coverage with a lower deductible or retention or provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention. At the option of the City, either (1) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the City, its elected and appointed officials, officers, attorneys, agents, and employees; or (2) the Contractor or Consultant shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses.

All SIRs must be disclosed to Risk Management for approval and shall not reduce the limits of liability.

Policies containing any SIR provision shall provide or be endorsed to provide that the SIR may be satisfied by either the named insured or the City.

City reserves the right to obtain a full-certified copy of any insurance policy and endorsements. Failure to exercise this right shall not constitute a waiver of right to exercise later.

Acceptability of Insurers:

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A-:VII, unless otherwise acceptable to City.

Claims Made Policies: (note - should be applicable only to professional liability, see below)

1. The Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work.

2. Insurance must be maintained, and evidence of insurance must be provided for at least five (5) years after completion of contract of work.

3. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a Retroactive Date prior to the contract effective date, the Contractor or Consultant must purchase "extended reporting" coverage for a minimum of five (5) years after completion of work.

4. A copy of the claims reporting requirements must be submitted to the City for review.

5. If the services involve lead-based paint or asbestos identification/remediation, the Contractor's Pollution Liability Policy shall not contain lead-based paint or asbestos exclusions. If the services involve mold identification/remediation, the

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Contractors Pollution Liability Policy shall not contain a mold exclusion, and the definition of Pollution shall include microbial matter, including mold.

Subcontractors:

Contractor or Consultant shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein, and Contractor shall ensure that City is an additional insured on insurance required from subcontractors.

Subcontractor agrees to be bound to Contractor and City in the same manner and to the same extent as Contractor is bound to City under this Agreement and any other contract documents. Subcontractor further agrees to include the same requirements and provisions of this Agreement, including the indemnity and insurance requirements, with any sub-subcontractor to the extent they apply to the scope of the sub-subcontractor's work. A copy of the City indemnity and insurance provisions will be furnished to the subcontractor upon request.

Verification of Coverage:

Contractor or Consultant shall furnish the City with original certificates and amendatory endorsements or copies of the applicable policy language effecting coverage required by this clause. All certificates and endorsements are to be received and approved by the City before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the Contractor or Consultant's obligation to provide them. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

Special Risks or Circumstances

City reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage or other special circumstances.

Failure to Comply:

Each insurance policy required above shall contain or be endorsed to contain that any failure to comply with reporting provisions of the policies shall not affect coverage provided to the City, its elected and appointed officials, officers, attorneys, agents, and employees.

Applicability of Coverage:

Each insurance policy required above shall contain or be endorsed to contain that the Contractor's or Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

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AMENDMENT NO. 1 TO
PROFESSIONAL SERVICES AGREEMENT
WITH
LIEBERT CASSIDY WHITMORE
FOR
LABOR CONTRACT NEGOTIATIONS AND OTHER LEGAL SERVICES

This Amendment No. 1 is entered into as of Oct-09-2023, (the "Effective Date") by and between the City of Milpitas, a municipal corporation of the State of California (hereinafter referred to as "City") and **Liebert Cassidy Whitmore**, a corporation (hereinafter referred to as "Consultant"). City and Consultant are sometimes individually referred to as "Party" and collectively as "Parties" in this Amendment No. 1.

RECITALS:

WHEREAS, on April 1, 2023, the Parties entered into a Professional Services Agreement (the "Agreement") for labor contract negotiations and other legal services for the not-to-exceed compensation amount of One Hundred Thousand Dollars and Zero Cents ($100,00.00), and with an initial term period from April 1, 2023 to June 30, 2024 (the Agreement); and

WHEREAS, the Parties now wish to amend the Agreement to increase the not-to-exceed total by two hundred thousand dollars and zero cents ($200,000.00) for a new not-to-exceed total of three hundred thousand dollars and zero cents ($300,000.00) and extend the term by two (2) years for a new term end date of June 30, 2026.

NOW THEREFORE, in consideration of the mutual covenants and conditions herein contained, the Parties agree to amend the Agreement as follows:

1. Section 2b Compensation. is hereby deleted in its entirety and replaced with:

   In no event shall the total amount paid for services rendered by Consultant under this Agreement exceed the sum of **Three Hundred Thousand Dollars and Zero Cents ($300,000.00).** This amount is to cover all printing and related costs, and the City will not pay any additional fees for printing expenses. Periodic payments shall be made within thirty (30) days of receipt of an invoice which includes a detailed description of the work performed. Payments to Consultant for work performed will be made on a monthly billing basis.

2. Section 5. Term. is hereby deleted in its entirety and replaced with:

   The term of this Agreement shall be from **April 1, 2023 through June 30, 2026**, unless earlier terminated as provided herein. The City reserves the right to review the Consultant's performance at the end of each year and cancel all or part of the Agreement.

3. All other provisions of the Agreement not amended by this Amendment No. 1 shall remain in full force and effect.

[SIGNATURES ON FOLLOWING PAGE]

SIGNATURE PAGE TO AMENDMENT NO. 1
TO THE PROFESSIONAL SERVICES AGREEMENT
WITH LIEBERT CASSIDY WHITMORE
FOR LABOR NEGOTIATIONS AND OTHER LEGAL SERVICES

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 1 as of the date first written above.

CITY OF MILPITAS

Approved By:

DocuSigned by:
Ned Thomas
12338583A68C9429...

Ned Thomas, Acting City Manager

Oct-09-2023

Date

Approved As To Form:

DocuSigned by:
7485D3D5776413...

Michael Mutalipassi, City Attorney

Approved:

DocuSigned by:
8C79D83218B7424...

Lauren Lai, CPA, MPA
Finance Director/Risk Manager

Approved As to Content:

DocuSigned by:
Nick Raisch
146D8B73AB4594B4...

Nick Raisch, Human Resources Director

LIEBERT CASSIDY WHITMORE

DocuSigned by:
Morin Jacob
48ED6806AAA041F...

Signature

Morin Jacob

Name

Mj

Title

Oct-05-2023

Date

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AMENDMENT NO. 2 TO
PROFESSIONAL SERVICES AGREEMENT
WITH
LIEBERT CASSIDY WHITMORE
FOR
LABOR CONTRACT NEGOTIATIONS AND OTHER LEGAL SERVICES

This Amendment No. 2 is entered into as of Oct-06-2023, (the "Effective Date") by and between the City of Milpitas, a municipal corporation of the State of California (hereinafter referred to as "City") and **Liebert Cassidy Whitmore**, a corporation (hereinafter referred to as "Consultant"). City and Consultant are sometimes individually referred to as "Party" and collectively as "Parties" in this Amendment No. 2.

RECITALS:

WHEREAS, on April 1, 2023, the Parties entered into a Professional Services Agreement (the "Agreement") for labor contract negotiations and other legal services for the not-to-exceed compensation amount of One Hundred Thousand Dollars and Zero Cents ($100,00.00), and with an initial term period from April 1, 2023 to June 30, 2024 (the Agreement); and

WHEREAS, on Oct-06-2023 the Parties entered into Amendment 1 to add additional funds for a new not-to-exceed exceed total of three hundred thousand dollars and zero cents ($300,000.00) and extend the term by two (2) years for a new term end date of June 30, 2026; and

WHEREAS, the Parties now wish to amend the Agreement to revise Exhibit B, Schedule of Charges/Payments.

NOW THEREFORE, in consideration of the mutual covenants and conditions herein contained, the Parties agree to amend the Agreement as follows:

1. Exhibit B, Schedule of Charges/Payments is hereby deleted in its entirety and replaced with Exhibit B-1 Schedule of Charges/Payments (October 2023), attached hereto and incorporated herein.

2. All other provisions of the Agreement not amended by this Amendment No. 2 shall remain in full force and effect.

[SIGNATURES ON FOLLOWING PAGE]

SIGNATURE PAGE TO AMENDMENT NO. 2
TO THE PROFESSIONAL SERVICES AGREEMENT
WITH LIEBERT CASSIDY WHITMORE
FOR LABOR NEGOTIATIONS AND OTHER LEGAL SERVICES

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 2 as of the date first written above.

CITY OF MILPITAS

Approved By:

DocuSigned by:
Ned Thomas
12B38593A68C0429...

Ned Thomas, City Manager

Oct-06-2023

Date

Approved As To Form:

DocuSigned by:

Michael Mutalipassi, City Attorney

Approved:

DocuSigned by:

Lauren Lai, CPA, MPA
Finance Director/Risk Manager

Approved As to Content:

DocuSigned by:
Nick Raisch
...

Nick Raisch, Human Resources Director

LIEBERT CASSIDY WHITMORE

DocuSigned by:
Morin Jacob
...ED5306AAA041F...

Signature

Morin Jacob

Name

Mj

Title

Oct-05-2023

Date

DocuSign Envelope ID: AA3A1E3C-2BD6-4CC7-A66B-66079C8F7781

Exhibit B-1

Schedule of Charges/Payments

(October 2023)

Consultant will invoice City on a monthly cycle. Consultant will include with each invoice a detailed progress report that indicates the amount of budget spent on each task. Consultant will inform City regarding any out-of-scope work being performed by Consultant. This is a time-and-materials Agreement.

Rate and Service Structure

The Consultant bills in increments of one tenth of an hour. Invoices are payable upon receipt and due within 30 days. Consultant rates reflect the nature of our public sector work and take into consideration the inherent budgetary limitations of our public sector clients.

The Consultant evaluates its rates on an annual basis and occasionally makes modest rate increases. The Consultant understands the need to manage the cost of legal services and frequently work with clients to create budgets and cost strategies that suit them.

The Consultants practice is statewide, and they will share briefs, motions, points and authorities, research memos and opinion letters so that they do not research nuances in the law and issues that other members of the firm have recently worked on.

Pricing offered on a time-and-materials basis would be based on the standard hourly rates listed below:

Staff	Rate per Hour
Partner	$435.00
Senior Counsel	$365.00
Associate	$260.00 - 345.00
Labor Relations/Human Resources Consultant	$280.00
Paralegals	$145.00
E-Discovery Specialists	$145.00
Law Clerks	$145.00 - $185.00

Expenses

The Consultant utilizes the most up-to-date technology to aid in the delivery of legal services. For example, they utilize Sharefile, a document-sharing portal, for the secure and quick transmission of material. Documents are sent electronically, through Sharefile or email, unless specifically requested otherwise, or when electronic transmission is not an option.

Should the Consultant need to send a fax, these are billed at the rate of $.25 per page for outgoing faxes. Likewise, if needed copying is charged at fifteen cents ($.15) per page. Additional prints, postage and special deliveries (i.e. Fed-Ex, UPS, DHL, messenger service), and other hired deliveries completed at the request of the client or necessary to comply with court or other deadlines will also be billed to the client.

AMENDMENT NO. 321 TO
PROFESSIONAL SERVICES AGREEMENT
WITH
LIEBERT CASSIDY WHITMORE
FOR
LABOR CONTRACT NEGOTIATIONS AND OTHER LEGAL SERVICES

This Amendment No. 321 is entered into as of_____, (the "Effective Date") by and between the City of Milpitas, a municipal corporation of the State of California (hereinafter referred to as "City") and **Liebert Cassidy Whitmore**, a corporation (hereinafter referred to as "Consultant"). City and Consultant are sometimes individually referred to as "Party" and collectively as "Parties" in this Amendment No. 321.

RECITALS:

WHEREAS, on April 1, 2023, the Parties entered into a Professional Services Agreement (the "Agreement") for labor contract negotiations and other legal services for the not-to-exceed compensation amount of One Hundred Thousand Dollars and Zero Cents ($100,00.00), and with an initial term period from April 1, 2023 to June 30, 2024 (the Agreement); and

WHEREAS, on October 6, 2023, the parties entered into Amendment 2 and the Agreement was amended on XXXX to increase the not-to-exceed total by two hundred thousand dollars and zero cents ($200,000.00) for a new not-to-exceed total of three hundred thousand dollars and zero cents ($300,000.00) and extend the term by two (2) years for a new term end date of June 30, 2026; and.

WHEREAS, the Parties now wish to amend the Agreement to increase the not-to-exceed total by two hundred thousand dollars and zero cents ($200,000.00) for a new not-to-exceed total of three hundred thousand dollars and zero cents ($300,000.00) and extend the term by two (2) years for a new term end date of June 30, 2026. on _____ tThe Parties now wish to amend the Agreement to increase the not-to-exceed total by two hundred thousand dollars and zero cents ($200,000) for a new not-to-exceed total of five hundred thousand dollars and zero cents ($500,000).

NOW THEREFORE, in consideration of the mutual covenants and conditions herein contained, the Parties agree to amend the Agreement as follows:

1. Section 2b Compensation. is hereby deleted in its entirety and replaced with:

   In no event shall the total amount paid for services rendered by Consultant under this Agreement exceed the sum of **Three HundredFive Hundred Thousand Dollars and Zero Cents ($5300,000.00).** This amount is to cover all printing and related costs, and the City will not pay any additional fees for printing expenses. Periodic payments shall be made within thirty (30) days of receipt of an invoice which includes a detailed description of the work performed. Payments to Consultant for work performed will be made on a monthly billing basis.

2. Section 5. Term. is hereby deleted in its entirety and replaced with:

The term of this Agreement shall be from **April 1, 2023 through June 30, 2026**, unless earlier terminated as provided herein. The City reserves the right to review the Consultant's performance at the end of each year and cancel all or part of the Agreement.

3.2. All other provisions of the Agreement not amended by this Amendment No. 321 shall remain in full force and effect.

[SIGNATURES ON FOLLOWING PAGE]

SIGNATURE PAGE TO AMENDMENT NO. 2~~1~~

TO THE PROFESSIONAL SERVICES AGREEMENT WITH LIEBERT CASSIDY WHITMORE FOR LABOR NEGOTIATIONS AND OTHER LEGAL SERVICES

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 3~~2~~~~1~~ as of the date first written above.

CITY OF MILPITAS

Approved By:

_____
Ned Thomas, ~~Acting~~ City Manager

_____
Date

Approved As To Form:

_____
Michael Mutalipassi, City Attorney

Approved:

_____
~~Lauren Lai, CPA, MPA~~Luz Cofresíi~~-~~Howe
Finance Director~~/Risk Manager~~

Approved As to Content:

_____
~~Nick Raisch~~Kelli Parmley, Human Resources Director

LIEBERT CASSIDY WHITMORE

_____
_____Signature

_____
Name

_____
Title

_____
Date

CITY OF MILPITAS
AGENDA REPORT
(AR)

Item Title:	**Adopt a Resolution to Approve a 3% Cost-of-Living (COLA) Salary Adjustment for the City Manager as Directed by the City Council (Staff Contact: Kelli Parmley, Human Resources Director, 408-586-3086)**
Category:	Leadership and Support Services
Meeting Date:	12/3/2024
Recommendation:	Adopt a resolution to approve a 3% Cost-of-Living (COLA) salary adjustment for the City Manager as directed by the City Council.

BACKGROUND:
The City Manager was hired on October 4, 2023, and the City Manager's employment agreement (Agreement) states:

> "Whenever a cost of living adjustment or other non-merit based salary increase is provided to other miscellaneous unrepresented executive staff, the City Council shall consider whether it is reasonable and appropriate to grant the highest cost of living increase received by any miscellaneous unrepresented employee groups to the Employee's Base Salary to avoid compaction."

ANALYSIS:
The Agreement allows at the sole discretion of City Council to provide the City Manager the same level of cost-of-living adjustment (COLA) as provided to unrepresented management employees. At the City Manager's one-year evaluation on October 18, 2024, the City Council approved a 3% COLA salary adjustment effective in the pay period associated with the October 4, 2024 anniversary date.

FISCAL IMPACT:
After the above City Council authorized actions are applied, the City Managers new annual salary will be $287,370.02. Funds for this action is available within the FY 2024-25 Adopted Operating Budget.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA):
Approval of the recommendation is not an activity defined as a "project" under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines 15061(b)(3) and 15378(b)(4) either because it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment and/or because the action is financial and/or administrative and does not directly impact the environment.

RECOMMENDATION:
Adopt a resolution to approve a 3% Cost-of-Living (COLA) salary adjustment for the City Manager as directed by the City Council.

ATTACHMENT(S):
(a) Resolution

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS APPROVING COMPENSATION CHANGES RELATED TO ANNUAL PERFORMANCE EVALUATION FOR THE CITY MANAGER

WHEREAS, the City and the City Manager have an executed employment agreement which is in place through June 30, 2025; and

WHEREAS, the employment agreement states "Whenever a cost of living adjustment or other non-merit based salary increase is provided to other miscellaneous unrepresented executive staff, the City Council shall consider whether it is reasonable and appropriate to grant the highest cost of living increase received by any miscellaneous unrepresented employee groups to the Employee's Base Salary to avoid compaction."; and

WHEREAS, on October 18, 2024, the City Council conducted the City Manager's performance evaluation and approved a 3% cost-of living salary adjustment.

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 authorizes a 3% cost-of-living adjustment increase effective October 4, 2024.

3. The City Council hereby authorizes the City Manager's new annual salary to be $287,370.02 after the above increases are applied.

PASSED AND ADOPTED this _____ day of _____, 2024, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

_____
Suzanne Guzzetta, City Clerk

APPROVED:

_____
Carmen Montano, Mayor

APPROVED AS TO FORM:

_____
Michael Mutalipassi, City Attorney

CITY OF MILPITAS
AGENDA REPORT
(AR)

Item Title:	**Consider Personnel Realignment to Support Planning Department Operations (Staff Contact: Jay Lee, Planning Director, 408-586-3077)**
Category:	Consent Calendar-Community Development
Meeting Date:	12/3/2024
Recommendation:	Adopt a resolution to approve the deletion of a vacant Associate Planner position and the addition of a Junior/Assistant Planner position in the Planning Department.

BACKGROUND:

Neighborhoods and housing, and economic development and job growth are priorities for Council. Considering recent State law aimed at increasing housing production and streamlining permitting processes, maintaining service levels in these key areas poses an increasing challenge for the Planning Department. In 2021, the Planning Department received City Council approval to reclassify 1.0 Assistant Planner to 1.0 Associate Planner in the FY 2021-22 Adopted Budget to meet the needs of the Department at the time. As such, the Planning Department currently has 3.0 Associate Planner positions and no Junior or Assistant Planners. Due to recent staff attrition, one of the Associate Planner positions remains vacant. This presents an opportunity, with budgetary savings and a net-zero full-time equivalent (FTE) impact, to reallocate resources within the Planning Department to better meet service level demands and community needs related to planning counter service and permitting at the One-Stop Permit Center and development review of planning entitlement applications.

ANALYSIS:

The Planning Department develops and implements land use and zoning policies to guide the physical and economic development of the City. One of the Department's primary functions is to review and process various City license, permit, and planning entitlement applications. The Planning Department also provides and updates planning permit fees, submittal requirements, checklists, and resources to support a streamlined permit application and development review process.

The Planning Department is currently staffed by a team of twelve (12) FTE, consisting of a Planning Director, a Principal Planner, two (2) Senior Planners, three (3) Associate Planners, a Planning Technician, two (2) Senior Code Enforcement Officers, a Code Enforcement Officer, and an Administrative Assistant. This staffing structure is lean but has been efficient and capable of meeting service demands. Given that one (1) Associate Planner position is vacant, the Department sees an opportunity to realign its staffing resources to better support Planning Department functions.

Replacing the vacant Associate Planner position with an entry-level Junior/Assistant Planner position would allow the Department to achieve better operational balance. The Junior/Assistant Planner would work alongside the Planning Technician to provide planning services and improve customer service at the One-Stop Permit Center. While Associate Planners provide support to the One-Stop Permit Center, their primary responsibility is to process complex, significant development applications. The Junior/Assistant Planner would focus on answering zoning inquiries and processing permits for minor projects such as home renovations and new businesses, which would most benefit Milpitas' residents and small business owners.

This realignment would also provide a clear and feasible career growth path for entry-level positions within the City and improve staff retention within the Department. Currently, without a budgeted Junior/Assistant Planner position, there is a gap in the structural hierarchy of the Department between the Planning Technician, which is an entry-level position, and Associate Planners, which are journey-level positions. Unlike the City of Milpitas,

most other jurisdictions have positions at the Junior or Assistant Planner level to maintain customer service levels at the front counter and process a high volume of minor permits.

Furthermore, this realignment is needed to adapt to the changing nature of planning and development review. To increase housing production in light of the ongoing housing crisis, recent State law has prioritized streamlining the permitting process for housing developments. As a result, cities are receiving higher volumes of development applications that are reviewed and approved at staff level without public hearings. Therefore, the needs of the Department and development community are expected to shift towards processing administrative applications, which the Junior/Assistant Planner position is intended to support.

POLICY ALTERNATIVE(S):

Alternative 1: Do not approve reallocation of funding for a vacant Associate Planner position to fund a Junior/Assistant Planner position in the Planning Department.

Pros: None.

Cons: If the conversion of the vacant Associate Planner into a Junior/Assistant position is not approved, the Planning Department will see high turnover at the Planning Technician classification as there will be no path for career advancement within the City. The Department may also continue to see high turnover at the Associate Planner position as they will have to provide additional support at the front counter relative to other cities. Furthermore, the City will miss out on the opportunity to improve customer service for Milpitas' residents and small business owners.

Reason for Not Recommending: The conversion of the vacant Associate Planner into a Junior/Assistant position will allow the Planning Department to achieve better operational balance, provide opportunities for professional advancement, retain staff, and adapt to the changing nature of development review, and consequently, the evolving needs of the Department.

FISCAL IMPACT:
The estimated fiscal impact from this recommendation is a $49,500 net savings for FY2024-2025. The estimated impacts are as follow:

Delete	
Position Cost	**Fully Loaded Cost**
Associate Planner	($257,583)
Budget Impact (savings)	**($257,583)**

Add	
Position Cost	**Fully Loaded Cost**
Junior/Assistant Planner	$208,083
Additional Funds Needed	**$208,083**

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA):
This action is exempt pursuant to CEQA Guideline 15378(b)(4) as a governmental fiscal activity which does not involve any commitment to any specific project.

RECOMMENDATION:
Adopt a resolution to approve the deletion of a vacant Associate Planner position and the addition of a Junior/Assistant Planner position in the Planning Department.

ATTACHMENT(S):
Resolution

RESOLUTION NO. ____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS TO AMEND BUDGETED ALLOCATED POSITIONS IN THE PLANNING DEPARTMENT

WHEREAS, the City Council approved the reclassification of an Assistant Planner position to an Associate Planner position as part of the adopted FY 2021-22 operating budget; and

WHEREAS, the adopted Fiscal Year 2024-25 operating budget included funding for three (3) Associate Planner positions, one (1) of which has remained vacant following staff attrition; and

WHEREAS, neighborhoods and housing, and economic development and job growth are priorities for City Council.

WHEREAS, recent State law aims to increase housing production and streamline permitting processes, thereby changing the nature of development review and the needs of the Planning Department.

WHEREAS, the Junior/Assistant Planner position would allow the Planning Department to improve customer service at the front counter and process a higher volume of administrative permits.

NOW THEREFORE, the City Council of the City of Milpitas hereby finds, determines, and resolves to amend the budgeted allocated positions in the Planning Department by:

1. Deleting an Associate Planner position; and

2. Reallocating funding from the deleted Associated Planner position to fund a Junior/Assistant Planner position.

PASSED AND ADOPTED this _____day of _____, 2024, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

_____
Suzanne Guzzetta, City Clerk

APPROVED:

_____
Carmen Montano, Mayor

APPROVED AS TO FORM:

_____
Michael Mutalipassi, City Attorney

CITY OF MILPITAS
AGENDA REPORT
(AR)

Item Title:	**Adopt a Resolution to Accept the Grant from and Approve an Agreement with the Santa Clara County Public Health Department to Implement an Ordinance to Prevent Youth Access to Tobacco Products (Staff Contact: Jay Lee, Planning Director, 408-586-3077)**
Category:	Consent Calendar-Community Development
Meeting Date:	12/3/2024
Recommendation:	Adopt a resolution to accept a grant award of $22,997 from the Santa Clara County Public Health Department and authorize the City Manager to execute an Agreement with the Santa Clara County Public Health Department for the Healthy Cities Program in the amount of $22,997.

BACKGROUND:

The Santa Clara County Healthy Cities Program seeks to address tobacco-related health concerns by promoting policies and practices to provide tobacco-free and smoke-free communities. The Santa Clara County Public Health Department has provided funding to cities to support tobacco prevention strategies. Following the City Council request to explore policies to discourage tobacco use and vaping by teens, on July 20, 2020, the City executed a grant agreement in the amount of $37,560 with the Santa Clara County Public Health Department (PHD) to explore tobacco prevention policies shown to reduce youth access and exposure to tobacco products. The City of Milpitas had previously adopted ordinances to prohibit smoking in parks and trails in 2012 and outdoor dining areas in 2017. In June 2021, the City adopted an ordinance to prohibit smoking in multi-unit residences and many outdoor areas to reduce exposure to secondhand smoke.

State and Federal Laws

On August 28, 2020, California passed a law prohibiting the sale of most flavored tobacco products (SB 793). The state law contains three exemptions:

1. Hookah and shisha products (if sold by an adult-only hookah tobacco retailer);
2. Premium cigars with a wholesale price of no less than $12; and
3. Loose leaf tobacco (other than tobacco for roll-your-own-cigarettes).

On November 8, 2022, California voters upheld SB 793, prohibiting a tobacco retailer, or any of the tobacco retailer's agents or employees, from selling, offering for sale, or possessing with the intent to sell or offer for sale, most flavored tobacco products including flavored e-cigarettes and menthol cigarettes, as well as tobacco product flavor enhancers in retail locations. On October 7, 2023, Governor Newsom signed into law AB 935, strengthening the enforcement of the flavored tobacco retail law, and broadening the definition of a retail location.

ANALYSIS:

On March 29, 2024, the City was awarded a grant of $22,997 from the Santa Clara County Public Health Department Tobacco-Free Communities Program to reduce the density of tobacco retailers and location of tobacco retailers near sensitive areas within the city.

Specifically, City staff will draft an ordinance aimed at reducing the number of tobacco retailers within the City. The ordinance will codify buffers to prevent new licenses to retailers within 1,000 feet of sensitive receptors[1], and within 500 feet of other tobacco retailers. If the ordinance is adopted by the City Council, staff will

[1] Sensitive receptors refer to locations or populations particularly vulnerable or susceptible to negative impacts, such as noise, pollution, or other environmental hazards. Examples of sensitive receptors typically include residential areas, schools, hospitals, daycare centers, and parks.

implement the ordinance through the business license and permitting processes. Staff will also explore other methods of reducing the overall concentration of tobacco retailers.

POLICY ALTERNATIVE(S):

Alternative 1: Do not execute the Agreement with the Santa Clara County Public Health Department.

Pros: None

Cons: The City would not receive funds to reimburse staff time to implement an ordinance to prevent youth access to tobacco products.

Reason for Not Recommending: Policies to regulate tobacco retailers would reduce youth access to tobacco products and demonstrate the City's commitment to protecting the health of its residents. Without the implementation of the ordinance, the City would not be able to regulate the density of tobacco retailers.

FISCAL IMPACT:
If approved, the City will receive $22,997 from the County to cover the costs of the development and implementation of the proposed tobacco regulations.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA):
Not applicable. The selection and contractual arrangement do not constitute a project in accordance with Section 15378 of the CEQA Guidelines.

RECOMMENDATION:
Adopt a resolution to accept a grant award of $22,997 from the Santa Clara County Public Health Department and authorize the City Manager to execute an Agreement with the Santa Clara County Public Health Department to Implement an Ordinance to Prevent Youth Access to Tobacco Products.

ATTACHMENT(S):
(a) Resolution
(b) Agreement with the Santa Clara County Public Health Department

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS ACCEPTING THE GRANT AWARD OF $22,997 FROM THE COUNTY OF SANTA CLARA PUBLIC HEALTH DEPARTMENT, AND APPROVING AND AUTHORIZING THE CITY MANAGER OR DESIGNEE TO EXECUTE AN AGREEMENT WITH THE COUNTY OF SANTA CLARA PUBLIC HEALTH DEPARTMENT TO IMPLEMENT AN ORDINANCE TO PREVENT YOUTH ACCESS TO TOBACCO PRODUCTS FOR AN AMOUNT NOT TO EXCEED $22,997

WHEREAS, the City of Milpitas, California (the "City") is a municipal corporation, duly organized under the constitution and laws of the State of California; and

WHEREAS, the County of Santa Clara Public Health Department's (PHD) mission is to protect and improve the health and well-being of the community; and

WHEREAS, PHD's Healthy Cities Program seeks to address tobacco-related health concerns by promoting policies and practices to provide tobacco-free and smoke-free communities; and

WHEREAS, PHD provides funding to cities to support tobacco prevention strategies; and

WHEREAS, on March 25, 2024, the City submitted an application to the PHD through the Healthy Cities Program to request funding to implement an ordinance to prevent youth access to tobacco products; and

WHEREAS, on March 29, 2024, PHD awarded a grant of $22,997 to the City to reduce the density of tobacco retailers and location of tobacco retailers near sensitive areas within the city; and

WHEREAS, staff recommends the City Council accept the grant award from the PHD and authorize the City Manager to execute an Agreement with PHD to implement an ordinance to prevent youth access to tobacco products; and

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

SECTION 1. Recitals

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 publish, 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 incorporated herein by reference.

SECTION 2. City Council Approval

The City Council hereby accepts the grant award of $22,997 from the County of Santa Clara Public Health Department and authorize the City Manager to execute an Agreement with the County of Santa Clara Public Health Department, for the Healthy Cities Program, for an amount not to exceed $22,997.

PASSED AND ADOPTED this 3rd day of December 2024, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

Suzanne Guzzetta, City Clerk

APPROVED:

Carmen Montano, Mayor

APPROVED AS TO FORM:

Michael Mutalipassi, City Attorney

COUNTY OF SANTA CLARA
SERVICE AGREEMENT
Version 5.28.2024

SECTION I: GENERAL INFORMATION

Contractor Name: (As Displayed in SAP)	City of Milpitas		
Purchase Order Number:			
Agency/Department Name:	Public Health Department	Department Number:	0410
Brief Description of Services	City of Milpitas will conduct research, prevention strategies, and develop recommendations to prevent youth access to tobacco products by reducing the number of tobacco retailers in communities.		

Maximum Financial Obligation

The maximum amount payable to this Contractor under this agreement shall not exceed:	$ 22,997.00

Term of Agreement

Start Date:	End Date: 06/30/2025
Note: When left blank, start date will be the date executed by Authorized County Representative.	

For County Use Only

	Account Assignment	Plant Number	General Ledger (Expense Code)	Cost Center (Dept. Code)	Amount	WBS (Capital Project Code)	Internal Order ("PCA" code – optional)
Line 1	H	410	5255500	2919	$ 22,997.00	FY25	103159
Line 2	Select						
Line 3	Select						
Line 4	Select						
Line 5	Select						

SECTION II: PARTIES TO AGREEMENT

Legal notices and invoices pertaining to this Agreement shall be sent to the appropriate contact person listed below, except as otherwise specifically provided for herein. Notices shall be in writing and served either by personal delivery or sent by certified or registered mail, postage prepaid, addressed as follows. Notice shall be deemed effective on the date that the notice is personally delivered or, if mailed, three (3) days after deposit in the mail. Either party may designate a different person and/or address for the receipt of notices by sending written notice to the other party, which shall not require an amendment to this Agreement.

CONTRACTOR

Contractor Name: (As Displayed in SAP)	City of Milpitas				
Contact Person:	Lillian VanHua				
Street Address*:	455 E. Calaveras Blvd.				
City*:	Milpitas	State:	CA	Zip:	95035
Telephone Number*:	(408) 586-3073				
Email Address*:	lvanhua@milpitas.gov				
SCC Vendor Number: (As Assigned in SAP)	1002326				
*To be completed for Independent Contractors Only – DO NOT COMPLETE FOR DEPENDENT CONTRACTORS					

COUNTY OF SANTA CLARA

Agency/Department:	Public Health Department				
Program Manager/Contract Monitor Name:	Don Tran				
Street Address:	1775 Story Rd., Suite 120				
City:	San Jose	State:	CA	Zip:	95122
Telephone Number:	(669) 288-2789				
Fiscal Contact: (Accounts Payable Contact)	Mindy Mai				
Contract Preparer:	Ralitza Stankova				

SECTION III: CONTRACT AUTHORIZATION

It is agreed between County and Contractor that Contractor will, for the compensation described in this Agreement, perform the work described in Section V in accordance with all terms and conditions of this Agreement including all exhibits and attachments. In addition, County and Contractor assert that the tax withholding status and benefit documentation (Section IV) accurately reflect the anticipated working relationship between County and Contractor. Further, Independent Contractors shall comply with the County's insurance and indemnification requirements. Contractor certifies that any applicable insurance waiver information (Section VII, B) is true and correct. This Agreement may be executed in one or more counterparts, each of which will be considered an original, but all of which together will constitute one and the same instrument.

SIGNATURES
Contract is not valid until signed by Contractor, County Counsel and County's Authorized Representative.

County Agency/Department Manager:		Date:	
County Agency/Department Fiscal Officer:		Date:	
County Counsel Approval as to Form and Legality		Date:	
(*Signature required on all contracts before execution by Contractor and County Authorized Representative*)			
Contractor:		Date:	
County Authorized Representative:		Date:	
(Procurement Department; President, Board of Supervisors; or Delegated Authority)			
Office of the County Executive:		Date:	
(Signature required when Board approved contract by a delegation of authority)			
Signed and certified that a copy of this document has been delivered by electronic or other means to the President, Board of Supervisors.	Attest: Curtis Boone Acting Clerk of the Board of Supervisors *(Signature required when Board approved contract)*	Date:	

SECTION IV: DETERMINATION OF RELATIONSHIP STATUS

Dependent/Independent status is an important relationship distinction. It determines the contractor's eligibility for Medicare and Social Security, Public Employees' Retirement System benefits, and other benefits and affects how the contractor files tax returns and the contractor's responsibility for various federal and state taxes.

Questionnaire to be Completed by Contracting Department to Determine Relationship Status of Contractor	
Supervision: Will the County have the right to tell the contractor how to do the work, when to arrive or leave work, or when to take breaks? Do you have other employees performing similar work with a similar degree of supervision? **If the answer to any of these questions is YES, select YES from the dropdown.**	No
Training: Will the County instruct the contractor on how to do the job or pay for external training?	No
Incomplete Work: Will the Contractor be able to resign or terminate the contract without being held either financially or legally liable for unfinished work?	No
Place of Work/Tools: Will the County provide the Contactor with a place to work at a County location and tools to do the job, i.e. computers, telephones, etc.?	No
Length of Relationship: When the Contractor is hired to complete ongoing departmental duties or functions— **answer YES**. When the contractor is hired to complete a specific project that was not the regular tasks performed by County employees before— **answer NO**.	No
Other Customers: Does the County prevent the Contractor from performing similar services for other customers, either due to the amount of work (full-time), or by contractual provision?	No
Designation as Business Entity: If the Contractor has a business license or business certificate, or is a corporation, nonprofit organization, or school district, select "No" from the dropdown. (This does not pertain to professional licenses or certificates such as a license for a physician or architect.) **Enter below the business license number and the city/entity where issued.**	No
Bus. License #:	**Issued by:**
Payment Schedule: Will payments be made either as an hourly wage or as weekly/monthly salary? If payment is by commission or based on project milestones or deliverables, answer "NO" to this question. Be sure this answer matches the contract payment schedule in Section V.	No
Support Services: Will County employees or other independent contractors provide assistance to this Contractor? Assistance is defined as clerical, technical or professional support.	No
If at least 5 of the above questions were answered "NO", Contractor is an **Independent Contractor**.	☑
If 5 or more of the above questions were answered "YES", Contractor is a **Dependent Contractor,** where the relationship resembles that of employer/employee. Tax withholding is required, and benefits are provided. Complete and attach the following forms: Employee's Withholding Allowance Certificate—Federal Form W-4, State Withholding, Form DE-4, Determining PERS Eligibility and PERS Member Action Request. Visit www.ceo for more information regarding Dependent Contractors. County insurance requirements do not apply to Dependent Contractors.	☐

Contractor understands and agrees that the tax withholding and benefit status checked above is correct. Any changes to the contractor's tax withholding and benefit status require a new contract. Contractor is responsible for any penalties and liabilities assessed by any taxing authority, based on a change of tax withholding and benefit status.

Contractor's Initials:		**Dept. Fiscal Officer's Signature:**	

SECTION V: CONTRACT SPECIFICS

A. SERVICE DESCRIPTION AND EXPECTED OUTCOME (SCOPE OF SERVICE)

Or	☑	See Attachment:	A	incorporated by this reference.

B. DELIVERABLES, MILESTONES & TIMELINE FOR PERFORMANCE

Or	☑	See Attachment:	A	Incorporated by this reference.

C. PERFORMANCE STANDARDS

Or	☑	See Attachment:	A	Incorporated by this reference.

D. PAYMENT SCHEDULE

Note: Dependent contractors are not permitted to work in excess of 40 hours per week

Is contractor a Community Based Organization (CBO)?

Yes ☐
No ☑

Or	☑	See Attachment:	A	Incorporated by this reference.

SECTION VI: STANDARD PROVISIONS

Changes to the terms and conditions in this section require approval of County Counsel

A. ENTIRE AGREEMENT

This Agreement and its Appendices (if any) constitutes the final, complete and exclusive statement of the terms of the agreement between the parties. It incorporates and supersedes all the agreements, covenants and understandings between the parties concerning the subject matter hereof, and all such agreements, covenants and understandings have been merged into this Agreement. No prior or contemporaneous agreement or understanding, verbal or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in this Agreement.

B. AMENDMENTS

This agreement may only be amended by a written instrument signed by the Parties.

C. *CONFLICTS OF INTEREST; POLITICAL REFORM ACT*

Contractor shall comply, and require its employees, agents, and subcontractors to comply, with all (1) applicable requirements governing avoidance of impermissible client conflicts; and (2) federal, state and local conflict of interest and disclosure laws and regulations including, without limitation, California Government Code section 1090 et seq., the California Political Reform Act (California Government Code section 87100 et seq.) and the regulations of the Fair Political Practices Commission concerning disclosure and disqualification (2 California Code of Regulations section 18700 et seq.). Failure to do so constitutes a material breach of this Agreement and is grounds for immediate termination of this Agreement by County.

In accepting this Agreement, Contractor covenants that it presently has no interest, and will not acquire any interest, direct or indirect, financial or otherwise, which would conflict in any manner or degree with the performance of this Agreement. Contractor further covenants that, in the performance of this Agreement, it will not use any contractor or employ any person having such an interest. Contractor, including but not limited to Contractor's employees, agents, and subcontractors, may be subject to the disclosure and disqualification provisions of the California Political Reform Act of 1974 (the "Act"), that (1) requires such persons to disclose economic interests that may foreseeably be materially affected by the work performed under this Agreement, and (2) prohibits such persons from making or participating in making decisions that will foreseeably financially affect such interests.

If the disclosure provisions of the Act are applicable to any individual providing service under the Agreement, Contractor shall, upon execution of this Agreement, provide County with the names, description of individual duties to be performed, and email addresses of all individuals, including but not limited to Contractor's employees, agents and subcontractors, that could be substantively involved in "mak[ing] a governmental decision" or "serv[ing] in a staff capacity" and in that capacity participating in making governmental decisions or performing duties that would be performed by an individual in a designated position, (2 CCR 18700.3), as part of Contractor's service to County under this Agreement. Contractor shall immediately notify County of the names and email addresses of any additional individuals later assigned to provide such service to County under this Agreement in such a capacity. Contractor shall immediately notify County of the names of individuals working in such a capacity who, during the course of the Agreement, end their service to County. Contractor shall ensure that all such individuals identified pursuant to this paragraph understand that they are subject to the Act and shall conform to all requirements of the Act and other applicable conflict of interest and disclosure laws and regulations, and shall file Statements of Economic Interests within 30 days of commencing service pursuant to this Agreement, annually by April 1, and within 30 days of their termination of service pursuant to this Agreement.

D. LEVINE ACT COMPLIANCE

Contractor will comply, and will ensure that its agents (as that term is defined under 2 Cal. Code Regs. § 18438.3(a)) and its subcontractors identified in Contractor's proposal responding to a County solicitation and/or identified in this Agreement ("Subcontractors") comply, with California Government Code section 84308 ("Levine Act") and the applicable regulations of the Fair Political Practices Commission concerning campaign disclosure (2 California Code of Regulations sections 18438.1 – 18438.8), which (1) require a party to a proceeding involving a contract to disclose on the record of the proceeding any contribution, as defined by Government Code section 84308(a)(6), of more than $250 that the party or their agent has made within the prior 12 months, and (2) prohibit a party to a proceeding involving a contract from making a contribution, as defined by Government Code section 84308(a)(6), of more than $250 to any County officer during the proceeding and for 12 months following the final decision in the proceeding. Contractor agrees to submit any disclosures required to be made under the Levine Act at the Office of the Clerk of the

Board of Supervisors website at http://www.sccgov.org/levineact, and Contractor shall require Subcontractors to do the same. If this Agreement is to be considered or voted upon by the County's Board of Supervisors, Contractor shall complete the Levine Act Contractor Form: Identification of Subcontractors and Agents, and if applicable, shall ensure that any Subcontractor completes the Levine Act Subcontractor Form: Identification of Agents, and Contractor must submit all such forms to the County as a prerequisite to execution of the Agreement.

E. GOVERNING LAW, VENUE

This Agreement has been executed and delivered in, and shall be construed and enforced in accordance with, the laws of the State of California. Proper venue for legal action regarding this Agreement shall be in the County of Santa Clara.

F. ASSIGNMENT

No assignment of this Agreement or of the rights and obligations hereunder shall be valid without the prior written consent of the other party.

G. ASSIGNMENT OF CLAYTON ACT, CARTWRIGHT ACT CLAIMS

Contractor assigns to the County all rights, title, and interest in and to all causes of action it may have under Section 4 of the Clayton Act (15 U.S.C. Sec. 15) or under the Cartwright Act (Chapter 2 (commencing with Section 16700) of Part 2 of Division 7 of the Business and Professions Code), arising from purchases of goods, materials, or services by the Contractor for sale to the County pursuant to this Agreement.

H. WAIVER

No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance. Any waiver granted by a party shall be in writing and shall apply to the specific instance expressly stated.

I. TERMINATION

☑ Standard Termination Language

The County may, by written notice to Contractor, terminate all or part of this Agreement at any time for the convenience of the County. The notice shall specify the effective date and the scope of the termination. In the event of termination, Contractor shall deliver to County all documents prepared pursuant to the Agreement, whether complete or incomplete. Contractor may retain a copy for its records. Upon receipt of the documents, Contractor shall be compensated based on the completion of services provided, as solely and reasonably determined by County.

-OR-

☐ Alternate Termination Language Attached as Exhibit ____, incorporated by this reference. (Requires County Counsel Approval)

J. COMPLIANCE WITH ALL LAWS, INCLUDING NONDISCRIMINATION, EQUAL OPPORTUNITY, AND WAGE THEFT PREVENTION

(1) Compliance with All Laws. Contractor shall comply with all applicable Federal, State, and local laws, regulations, rules, and policies (collectively, "Laws"), including but not limited to the non-discrimination, equal opportunity, and wage and hour Laws referenced in the paragraphs below.

(2) Compliance with Non-Discrimination and Equal Opportunity Laws: Contractor shall comply with all applicable Laws concerning nondiscrimination and equal opportunity in employment and contracting, including but not limited to the following: Santa Clara County's policies for contractors on nondiscrimination and equal opportunity; Title VII of the Civil Rights Act of 1964 as amended; Americans with Disabilities Act of 1990; the Age Discrimination in Employment Act of 1967; the Rehabilitation Act of 1973 (Sections 503 and 504); the Equal Pay Act of 1963; California Fair Employment and Housing Act (Gov. Code § 12900 et seq.); California Labor Code sections 1101, 1102, and 1197.5; and the Genetic Information Nondiscrimination Act of 2008. In addition to the foregoing, Contractor shall not discriminate against any subcontractor, employee, or applicant for employment because of age, race, color, national origin, ancestry, religion, sex, gender identity, gender expression, sexual orientation, mental disability, physical disability, medical condition, political belief, organizational affiliation, or marital status

in the recruitment, selection for training (including but not limited to apprenticeship), hiring, employment, assignment, promotion, layoff, rates of pay or other forms of compensation. Nor shall Contractor discriminate in the provision of services provided under this contract because of age, race, color, national origin, ancestry, religion, sex, gender identity, gender expression, sexual orientation, mental disability, physical disability, medical condition, political beliefs, organizational affiliations, or marital status.

(3) Compliance with Wage and Hour Laws: Contractor shall comply with all applicable wage and hour Laws, which may include but are not limited to, the Federal Fair Labor Standards Act, the California Labor Code, and, if applicable, any local minimum wage, prevailing wage, or living wage Laws.

(4) Definitions: For purposes of this Subsection H, the following definitions shall apply. A "Final Judgment" shall mean a judgment, decision, determination, or order (a) which is issued by a court of law, an investigatory government agency authorized by law to enforce an applicable Law, an arbiter, or arbitration panel and (b) for which all appeals have been exhausted or the time period to appeal has expired. For pay equity Laws, relevant investigatory government agencies include the federal Equal Employment Opportunity Commission, the California Division of Labor Standards Enforcement, and the California Department of Fair Employment and Housing. Violation of a pay equity Law shall mean unlawful discrimination in compensation on the basis of an individual's sex, gender, gender identity, gender expression, sexual orientation, race, color, ethnicity, or national origin under Title VII of the Civil Rights Act of 1964 as amended, the Equal Pay Act of 1963, California Fair Employment and Housing Act, or California Labor Code section 1197.5, as applicable. For wage and hour Laws, relevant investigatory government agencies include the federal Department of Labor, the California Division of Labor Standards Enforcement, and the City of San Jose's Office of Equality Assurance.

(5) **Prior Judgments, Decisions or Orders against Contractor: By signing this Agreement, Contractor affirms that it has disclosed any final judgments that (A) were issued in the five years prior to executing this Agreement by a court, an investigatory government agency, arbiter, or arbitration panel and (B) found that Contractor violated an applicable wage and hour law or pay equity law. Contractor further affirms that it has satisfied and complied with – or has reached Agreement with the County regarding the manner in which it will satisfy – any such final judgments.**

(6) Violations of Wage and Hour Laws or Pay Equity Laws During Term of Contract: If at any time during the term of this Agreement, Contractor receives a Final Judgment rendered against it for violation of an applicable wage and hour Law or pay equity Law, then Contractor shall promptly satisfy and comply with any such Final Judgment. Contractor shall inform the Office of the County Executive-Office of Countywide Contracting Management (OCCM) of any relevant Final Judgment against it within 30 days of the Final Judgment becoming final or of learning of the Final Judgment, whichever is later. Contractor shall also provide any documentary evidence of compliance with the Final Judgment within 5 days of satisfying the Final Judgment. Any notice required by this paragraph shall be addressed to the Office of the County Executive-OCCM at 70 W. Hedding Street, East Wing, 11th Floor, San José, CA 95110. Notice provisions in this paragraph are separate from any other notice provisions in this Agreement and, accordingly, only notice provided to the Office of the County Executive-OCCM satisfies the notice requirements in this paragraph.

(7) Access to Records Concerning Compliance with Pay Equity Laws: In addition to and notwithstanding any other provision of this Agreement concerning access to Contractor's records, Contractor shall permit the County and/or its authorized representatives to audit and review records related to compliance with applicable pay equity Laws. Upon the County's request, Contractor shall provide the County with access to any and all facilities and records, including but not limited to financial and employee records, that are related to the purpose of this Subsection H, except where prohibited by federal or state laws, regulations or rules. County's access to such records and facilities shall be permitted at any time during Contractor's normal business hours upon no less than 10 business days' advance notice.

(8) Pay Equity Notification: Contractor shall (1) at least once in the first year of this Agreement and annually thereafter, provide each of its employees working in California and each person applying to Contractor for a job in California (collectively, "Employees and Job Applicants") with an electronic or paper copy of all applicable pay equity Laws or (2) throughout the term of this Agreement, continuously post an electronic copy of all applicable pay equity Laws in conspicuous places accessible to all of Contractor's Employees and Job Applicants.

(9) Material Breach: Failure to comply with any part of this Subsection H shall constitute a material breach of this Agreement. In the event of such a breach, the County may, in its discretion, exercise any or all remedies available

under this Agreement and at law. County may, among other things, take any or all of the following actions:

(i) Suspend or terminate any or all parts of this Agreement.

(ii) Withhold payment to Contractor until full satisfaction of a Final Judgment concerning violation of an applicable wage and hour Law or pay equity Law.

(iii) Offer Contractor an opportunity to cure the breach.

Subcontractors: Contractor shall impose all of the requirements set forth in this Subsection H on any subcontractors permitted to perform work under this Agreement. This includes ensuring that any subcontractor receiving a Final Judgment for violation of an applicable Law promptly satisfies and complies with such Final Judgment.

K. BUDGET CONTINGENCY

This Agreement is contingent upon the appropriation of sufficient funding by the County for the services covered by this Agreement. If funding is reduced or deleted by the County for the services covered by this Agreement, the County has the option to either terminate this Agreement with no liability occurring to the County or to offer an amendment to this Agreement indicating the reduced amount.

L. COUNTY NO-SMOKING POLICY

Contractor and its employees, agents and subcontractors, shall comply with the County's No-Smoking Policy, as set forth in the Board of Supervisors Policy Manual section 3.47 (as amended from time to time), which prohibits smoking: (1) at the Santa Clara Valley Medical Center Campus and all County-owned and operated health facilities,(2) within 30 feet surrounding County-owned buildings and leased buildings where the County is the sole occupant, and (3) in all County vehicles.

M. FOOD AND BEVERAGES STANDARDS

Except in the event of an emergency or medical necessity, the following nutritional standards shall apply to any foods and/or beverages purchased by Contractor with County funds for County-sponsored meetings or events.

If food is to be provided, healthier food options shall be offered. "Healthier food options" include (1) fruits, vegetables, whole grains, and low fat and low calorie foods; (2) minimally processed foods without added sugar and with low sodium; (3) foods prepared using healthy cooking techniques; and (4) foods with less than 0.5 grams of trans fat per serving. Whenever possible, Contractor shall (1) offer seasonal and local produce; (2) serve fruit instead of sugary, high calorie desserts; (3) attempt to accommodate special, dietary and cultural needs; and (4) post nutritional information and/or a list of ingredients for items served. If meals are to be provided, a vegetarian option shall be provided, and the Contractor should consider providing a vegan option.

If pre-packaged snack foods are provided, the items shall contain: (1) no more than 35% of calories from fat, unless the snack food items consist solely of nuts or seeds; (2) no more than 10% of calories from saturated fat; (3) zero trans-fat; (4) no more than 35% of total weight from sugar and caloric sweeteners, except for fruits and vegetables with no added sweeteners or fats; and (5) no more than 360 mg of sodium per serving.

If beverages are to be provided, beverages that meet the County's nutritional criteria are (1) water with no caloric sweeteners; (2) unsweetened coffee or tea, provided that sugar and sugar substitutes may be provided as condiments; (3) unsweetened, unflavored, reduced fat (either nonfat or 1% low fat) dairy milk; (4) plant-derived milk (*e.g.*, soy milk, rice milk, and almond milk) with no more than 130 calories per 8 ounce serving; (5) 100% fruit or vegetable juice (limited to a maximum of 8 ounces per container); and (6) other low-calorie beverages (including tea and/or diet soda) that do not exceed 40 calories per 8 ounce serving. Sugar-sweetened beverages shall not be provided.

N. CONTRACTING PRINCIPLES

All entities that contract with the County to provide services where the contract value is $100,000 or more per budget unit per fiscal year and/or as otherwise directed by the Board, shall be fiscally responsible entities and shall treat their employees fairly. To ensure compliance with these contracting principles, all contractors shall: (1) comply with all applicable federal, state and local rules, regulations and laws; (2) maintain financial records, and make those records available upon request; (3) provide to the County copies of any financial audits that have been completed during the term of the contract; (4) upon the County's request, provide the County reasonable access, through representatives of the Contractor, to facilities, financial and employee records that are related to the purpose of the contract, except where prohibited by federal or state laws, regulations or rules.

O. CALIFORNIA PUBLIC RECORDS ACT

The County is a public agency subject to the disclosure requirements of the California Public Records Act ("CPRA"). If Contractor's proprietary information is contained in documents or information submitted to County, and Contractor claims that such information falls within one or more CPRA exemptions, Contractor must clearly mark such information "CONFIDENTIAL AND PROPRIETARY," and identify the specific lines containing the information. In the event of a request for such information, the County will make best efforts to provide notice to Contractor prior to such disclosure. If Contractor contends that any documents are exempt from the CPRA and wishes to prevent disclosure, it is required to obtain a protective order, injunctive relief or other appropriate remedy from a court of law in Santa Clara County
before the County is required to respond to the CPRA request. If Contractor fails to obtain such remedy within the time the County is required to respond to the CPRA request, County may disclose the requested information.

Contractor further agrees that it shall defend, indemnify and hold County harmless against any claim, action or litigation (including but not limited to all judgments, costs, fees, and attorney's fees) that may result from denial by County of a CPRA request for information arising from any representation, or any action (or inaction), by the Contractor.

P. THIRD PARTY BENEFICIARIES

This agreement does not, and is not intended to, confer any rights or remedies upon any person or entity other than the parties.

Q. INTELLECTUAL PROPERTY RIGHTS

Ownership: County shall own all right, title and interest in and to the Deliverables. For purposes of this Agreement, the term "Deliverables" shall mean any documentation and deliverables created by Contractor during the performance of services that are identified in this Agreement. Contractor hereby assigns to the County all rights, title and interest in and to any and all intellectual property whether or not patentable or registrable under patent, copyright, trademark or similar statutes, made or conceived or reduced to practice or learned by Contractor, either alone or jointly with others, during the period of Contractor's agreement with the County or result from the use of premises leased, owned or contracted for by the County.

Contractor acknowledges that all original works of authorship which are made by Contractor (either solely or jointly with others) within the scope of this Agreement and which are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act (17 U.S.C. Section 101), and shall belong solely to County. Contractor agrees that the County will be the copyright owner in all copyrightable works of every kind and description created or delivered by Contractor, either solely or jointly with others, in connection with any agreement with the County.

R. INTELLECTUAL PROPERTY INDEMNITY

Contractor represents and warrants for the benefit of the County and its users that, to its knowledge, as of the effective date of this Agreement, Contractor is the exclusive owner of all rights, title and interest in the Deliverables and/or services provided pursuant to this Agreement. Contractor shall defend, indemnify and hold the County harmless against any claim, action or litigation (including but not limited to all judgments, costs, fees, and reasonable attorney's fees) by a third party alleging the Deliverables and/or services provided pursuant to this Agreement infringe upon any intellectual property rights of third parties. This indemnity and duty to defend is in addition to and does not supersede the requirements stated in VII of this agreement.

S. OWNERSHIP RIGHTS TO MATERIALS/RESTRICTIONS ON USE

All materials obtained, developed or prepared by Contractor in the course of performing services hereunder, including but not limited to videotapes, audio recordings, still photographs, ads or brochures, and the derivative works, patent, copyright, trademark, trade secret or other proprietary rights associated therewith (collectively "Deliverables"), shall be the sole and exclusive property of the County. To the extent Contractor owns or claims ownership rights to said Deliverables, Contractor hereby expressly assigns all said rights, title, and interest in and to the Deliverables to the County pursuant to the terms and conditions of this Agreement and at no additional cost. The County has the exclusive royalty-free irrevocable right to duplicate, publish or otherwise use for any purpose, all materials prepared under this Agreement. If Contractor wishes to use the materials prepared hereunder for any purpose including but not limited to promotional, educational or commercial purposes, the Contractor shall obtain prior written authorization from the

County, which consent may be withheld by the County in its sole discretion.

Contractor acknowledges that all original works of authorship which are made by Contractor (solely or jointly with others) within the scope of this Agreement and which are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act (17 U.S.C., Section 101), and shall belong solely to County.

Contractor agrees that the County will be the copyright owner in all copyrightable works of every kind and description created or developed by Contractor, solely or jointly with others, in connection with any agreement with the County. If requested to, and at no further expense to the County, Contractor will execute in writing any acknowledgments or assignments of copyright ownership of such copyrightable works as may be appropriate for preservation of the worldwide ownership in the County and its nominees of such copyrights. This section shall apply to the extent not otherwise provided under this agreement.

T. COUNTY DATA

(1) Definitions: "County Data" shall mean data and information received by Contractor from County. County Data includes any information or data that is transported across a County network, or that resides in a County-owned information system, or on a network or system under the control and management of a contractor for use by County. "County Confidential Information" shall include all material, non-public information (including material, non-public County Data) appearing in any form (including, without limitation, written, oral or displayed), that is disclosed, directly or indirectly, through any means of communication by County, its agents or employees, to Contractor, its agents or employees, or any of its affiliates or representatives.

(2) Contractor shall not acquire any ownership interest in County Data (including County Confidential Information). As between Contractor and County, all County Confidential Information and/or County Data shall remain the property of the County. Contractor shall not, without County's written permission, use or disclose County Data (including County Confidential Information) other than in the performance of its obligations under this Agreement.

(3) Contractor shall be responsible for establishing and maintaining an information security program that is designed to ensure the security and confidentiality of County Data, protect against any anticipated threats or hazards to the security or integrity of County Data, and protect against unauthorized access to or use of County Data that could result in substantial harm or inconvenience to County or any end users. Upon termination or expiration of this Agreement, Contractor shall seek and follow County's direction regarding the proper disposition of County Data.

(4) Contractor shall take appropriate action to address any incident of unauthorized access to County Data, including addressing and/or remedying the issue that resulted in such unauthorized access, and notifying County by phone or in writing within 24 hours of any incident of unauthorized access to County Data, or any other breach in Contractor's security that materially affects County or end users. If the initial notification is by phone, Contractor shall provide a written notice within 5 days of the incident. Contractor shall be responsible for ensuring compliance by its officers, employees, agents, and subcontractors with the confidentiality, privacy, and information security requirements of this Agreement. Should County Confidential Information and/or legally protected County Data be divulged to unauthorized third parties, Contractor shall comply with all applicable federal and state laws and regulations, including but not limited to California Civil Code sections 1798.29 and 1798.82 at Contractor's sole expense. Contractor shall not charge County for any expenses associated with Contractor's compliance with these obligations.

(5) Contractor shall defend, indemnify and hold County harmless against any claim, liability, loss, injury or damage arising out of, or in connection with, the unauthorized use, access, and/or disclosure of information by Contractor and/or its agents, employees or sub-contractors, excepting only loss, injury or damage caused by the sole negligence or willful misconduct of personnel employed by the County.

U. PAYMENT TERM

[NOT APPLICABLE TO COMMUNITY BASED ORGANIZATIONS – Describe payment terms for CBO's in Section V. (D) PAYMENT SCHEDULE]

The County's standard payment term shall be Net Thirty (30), unless otherwise agreed to by the parties. Payment shall be due Net Thirty (30) days from the date of receipt and approval of correct and proper invoices. Payment is deemed to have been made on the date the County mails the warrant or initiates the electronic funds transfer.

V. CONTRACT EXECUTION

Unless otherwise prohibited by law or County policy, the parties agree that an electronic copy of a signed contract, or an electronically signed contract, has the same force and legal effect as a contract executed with an original ink signature. The term "electronic copy of a signed contract" refers to a transmission by facsimile, electronic mail, or

other electronic means of a copy of an original signed contract in a portable document format. The term "electronically signed contract" means a contract that is executed by applying an electronic signature using technology approved by the County.

W. LIVING WAGE (IF APPLICABLE)

Unless otherwise exempted or prohibited by law or County policy, where applicable, Contractors that contract with the County to provide Direct Services developed pursuant to a formal Request for Proposals process, as defined in County of Santa Clara Ordinance Code Division B36 ("Division B36") and Board Policy section 5.5.5.5 ("Living Wage Policy"), and their subcontractors, where the contract value is $100,000 or more ("Direct Services Contract"), must comply with Division B36 and the Living Wage Policy and compensate their employees in accordance with Division B36 and the Living Wage Policy. Compliance and compensation for purposes of this provision includes, but is not limited to, components relating to fair compensation, earned sick leave, paid jury duty, fair workweek, worker retention, fair chance hiring, targeted hiring, local hiring, protection from retaliation, and labor peace. If Contractor and/or a subcontractor violates this provision, the Board of Supervisors or its designee may, at its sole discretion, take responsive actions including, but not limited to, the following:

(a) Suspend, modify, or terminate the Direct Services Contract.
(b) Require the Contractor and/or Subcontractor to comply with an appropriate remediation plan developed by the County.
(c) Waive all or part of Division B36 or the Living Wage Policy.

This provision shall not be construed to limit an employee's rights to bring any legal action for violation of the employee's rights under Division B36 or any other applicable law. Further, this provision does not confer any rights upon any person or entity other than the Board of Supervisors or its designee to bring any action seeking the cancellation or suspension of a County contract. By entering into this contract, Contractor certifies that it is currently complying with Division B36 and the Living Wage Policy with respect to applicable contracts and warrants that it will continue to comply with Division B36 and the Living Wage Policy with respect to applicable contracts.

X. COVID-19 REQUIREMENTS (IF APPLICABLE)

Contractor shall comply with all County requirements in effect relating to COVID-19 for persons who routinely perform services for County onsite and share airspace with or proximity to other people at a County facility as part of their services for County as set forth in a County Health Order (or similar directives) available at https://covid19.sccgov.org/home, and incorporated herein by this reference. Contractor shall comply with all reasonable requests by County for documentation demonstrating Contractor's compliance with this Section.

Y. SURVIVAL

All representations, warranties, and covenants contained in this Agreement, or in any instrument, certificate, exhibit, or other writing intended by the parties to survive this Agreement, shall survive the termination or expiration of this Agreement, including but not limited to all terms (1) providing for indemnification of County; (2) relating to the California Public Records Act; (3) relating to County Data; and (4) relating to Contractor's obligations upon termination or expiration of this Agreement.

SECTION VII: INSURANCE/INDEMNIFICATION

Independent Contractors shall comply with the County's insurance and indemnification requirements as indicated below. These requirements do not apply to Dependent Contractors.

A. TYPE OF INSURANCE LANGUAGE

☑ The following standard insurance and indemnification language is attached and incorporated into this agreement:

Insurance Exhibit Name: Exhibit B-2B

☐ Modification or Waiver Attached (if appropriate)

B. DETERMINATION OF INSURANCE REQUIREMENTS AND WAIVER DECLARATION

Workers Compensation: Does the contractor have employees? If "YES", then, WORKER'S COMPENSATION/EMPLOYER'S LIABILITY INSURANCE IS REQUIRED.	Yes
Owned Auto Insurance: Will the contractor use any owned autos in the provision of direct services, such as transporting clients in autos or operating autos in performance of the work itself? If "YES", then INSURANCE FOR OWNED AUTOS IS REQUIRED.	No
Hired Auto Insurance: Will the contractor use any hired autos in the provision of direct services, such as transporting clients in autos or operating autos in performance of the work itself? If "YES", then INSURANCE FOR HIRED AUTOS IS REQUIRED.	No
Non-owned Auto Insurance Will the contractor be using any non-owned autos in the provision of direct services, such as transporting clients in non-owned autos or operating non-owned autos in performance of the work itself? If "YES" then, INSURANCE FOR NON-OWNED AUTOS IS REQUIRED.	No

When "NO" is selected, this declaration will serve as a waiver for the specified type of insurance.

SECTION VIII: FEDERAL/STATE REQUIRED PROVISIONS

(Examples include Drug-free Workplace Activity, Health Insurance Portability and Accountability Act (HIPAA), Business Associate Language, etc.)

☐	**A. Federal Required Language Attached** Only add special language if services included in the contract require language different from or in addition to that in Section VI.	
	Exhibit Name:	
☐	**B. State Required Language Attached** Only add special language if services included in the contract require language different from or in addition to that in Section VI.	
	Exhibit Name:	

The Exhibits named above are attached and incorporated by this reference.

SECTION IX: ADDITIONAL ATTACHED EXHIBIT(S)

Attachments and exhibits that conflict with County standard provisions or require risk assessment must be approved by County Counsel. Examples of attachments that require County Counsel approval are:

1) Contractor's terms and conditions that are different than, or add to the standard provisions' language,
2) Any changes to the language in Section VI—Standard Provisions.

Exceptions to County Counsel review include attachments that further explain the Contract Specifics as outlined in Section V, and insurance exhibits.

☐	**Exhibit Name (s)**	

The Exhibits named above are attached and incorporated by this reference.

Exhibit A
Scope of Work and Payment Schedule
City of Milpitas
Healthy Cities Program – Tobacco-Free Communities

A. Introduction

City of Milpitas ("City") will conduct research, prevention strategies and develop recommendations to prevent youth access to tobacco products by reducing the density of tobacco retailers and location of tobacco retailers near sensitive areas in communities.

B. Reporting Requirements

1. Contractor will prepare a Quarterly Progress Report on their activities/progress and submit it to:

   Don Tran, Program Manager
   County of Santa Clara Public Health Department
   1775 Story Rd. Suite 120
   San Jose, CA 95122
   Email: don.tran@phd.sccgov.org

DUE: 15 days after the end of the calendar quarter (e.g., January – March report due by April 15)

2. Contractor can submit quarterly progress report with signed quarterly invoice via email. (PREFERRED)

C. Scope of Work - Phases and Task Description

Objective #1	**Overall Goal: 1. To prevent youth access to tobacco products by reducing the number of tobacco retailers in communities.** **Objective:** **By June 30, 2025, implement a city-level strategy to reduce the number of tobacco retailers within the City of Milpitas.**			
Task #1	**Task Description**	**Timeline**	**Responsible Staff**	**Key Deliverables**
1.1	City Staff will gather and research strategies to reduce the density of tobacco retailers by codifying buffers (e.g., no retailers within 1000 feet of sensitive areas or within 500 feet of other tobacco retailers) to prevent new licenses from being	Fall 2024	Principal Planner / Associate Planner	1.1a Summary of research findings.

	issued to tobacco retailers within the City of Milpitas. Extensive research, comparison and analysis will be conducted to examine how the proposed ordinance should be drafted.				
1.2	City Staff will develop Staff/Council Memo and Draft Ordinance for consideration. This may also include additional strategies for reducing density and concentration of tobacco retailers. Staff Report will be presented at an upcoming City Council and Planning Commission meeting(s).	Fall-Winter 2024	Principal Planner / Associate Planner	1.2a Staff/Council Memo 1.2b Draft Ordinance for reducing density and concentration of tobacco retailers 1.2c Presentation Materials	
1.3	Consistent with City Council direction, City Staff will develop an implementation and stakeholder outreach plan to notify businesses of new buffer requirements. Educational materials may include items such as: letters to businesses (i.e. tobacco retailers), legal notices, renewal forms, postings, and other types of collateral created to share new requirements.	Spring 2025	Principal Planner / Associate Planner	1.3a Implementation Plan 1.3b Copies of informational/educational materials 1.3c List of Tobacco Retailers	
1.4	City Staff will develop new mapping layers within City of Milpitas Geographic Information System (GIS) to implement new buffer strategies and ensure	Spring 2025	Associate Planner	1.4a Screenshots of Developed GIS Maps 1.4b List of Training Dates	

	compliance with new ordinance. Planning Staff will train other staff on new buffer requirements.			and number of Staff Trained

D. Position Description Reference

- Principal Planner: The Principal Planner will be responsible for writing the ordinance to codify buffer strategies to decrease access to tobacco products and taking it through the required public hearings (Planning Commission and City Council).

- Associate Planner: The Associate Planner will be responsible for working with the IT Department/GIS Manager to create and update new mapping layers to implement the new buffer strategies and ensure compliance with the new ordinance.

E. Performance Standards

Performance is expected to adhere to the following standards:

1. Quality - Deliverables and final products will be as described in the Scope of Work and will be of high quality.
2. Timeliness - Deliverables and final products will be completed as scheduled.
3. Achievement of Project Goals – Project will achieve its goals as described in the Scope of Work.

F. Invoices

1. Contractor will submit quarterly invoices and progress reports highlighting the status on tasks outlined within the developed scope of work. Invoices shall include Contractor's name and address; invoice number; contract purchase order number; date and description of services; total invoice amount; year-to-date expenditures and remaining contract balance.
2. Please note: Invoices covering services rendered in the final period of the fiscal year must be submitted no later than July 15. Progress Reports will include a narrative on what work was performed during the quarter and include any deliverables, collateral, and materials as appropriate.
3. If the invoice and supporting documents are in proper form, appropriately payable under this Agreement, and have been reviewed and approved by the appropriate Public Health Manager/Contract Monitor, the County shall make payment to Contractor following invoice review and approval.

   Payment is contingent upon Contractor providing the agreed-upon services according to the scope of services, contract requirements, deliverables and performance standards detailed herein.

4. If Contractor provides any tasks, deliverables, goods, services, or other work, other than as specified in this Agreement, the same will be deemed to be a gratuitous effort on the part of Contractor, and Contractor will have no claim whatsoever against the County.

G. Payment Schedule

Contractor will be reimbursed for staff time spent and costs incurred in performing the Scope of Work above, up to the amounts indicated below.

CATEGORY			
A.	**SALARIES**		
	Position/Title		**Hourly Rate**
	Principal Planner		$269.23
	Associate Planner		$244. 00
		Salary Subtotal:	**Up to $21,767**
B.	**Operating Expenses**		
	Public noticing for two hearings (PC and CC) and postage		$ 1,230
		Operating Subtotal:	**$ 1,230**
		Budget TOTAL (A+B):	**Up to $ 22,997**

EXHIBIT B-2B (revised)

INSURANCE REQUIREMENTS FOR STANDARD SERVICE CONTRACTS BETWEEN $10,001 AND $50,000

Indemnity

Notwithstanding any other provision of this Agreement, Contractor shall indemnify, release, hold harmless, and defend, with counsel approved by County of Santa Clara (hereinafter "County"), County and its officers, agents, and employees from any claim, demand, suit, judgment, liability, loss, injury, damage, or expense of any kind (including attorneys' fees and costs) arising out of, or in connection with, performance of this Agreement by Contractor and/or its officers, agents, employees, or sub-contractors, excepting only loss, injury, or damage caused by the sole negligence or willful misconduct of personnel employed by County. It is the intent of the parties to this Agreement to provide the broadest possible coverage for County as allowed by law. Contractor shall reimburse County for all costs, attorneys' fees, expenses, and liabilities incurred with respect to any litigation or process in which Contractor contests its obligation to indemnify, defend, and/or hold harmless County under this Agreement and does not prevail in that contest.

Insurance

Without limiting the Contractor's indemnification of the County, the Contractor shall provide and maintain at its own expense, during the term of this Agreement, or as may be further required herein, the following insurance coverages and provisions:

A. Evidence of Coverage

Prior to commencement of this Agreement, the Contractor shall provide a Certificate of Insurance certifying that coverage as required herein has been obtained. Individual endorsements executed by the insurance carrier shall accompany the certificate. In addition, a certified copy of the policy or policies shall be provided by the Contractor upon request.

This verification of coverage shall be sent to the requesting County department, unless otherwise directed. The Contractor shall not receive a Notice to Proceed with the work under the Agreement until it has obtained all insurance required and such insurance has been approved by the County. This approval of insurance shall neither relieve nor decrease the liability of the Contractor.

B. Qualifying Insurers

All coverages, except surety, shall be issued by companies which hold a current policy holder's alphabetic and financial size category rating of not less than A- V, according to the current Best's Key Rating Guide or a company of equal financial stability that is approved by the County's Insurance Manager.

C. Notice of Cancellation

All coverage as required herein shall not be canceled or changed so as to no longer meet the specified County insurance requirements without 30 days' prior written notice of such cancellation or change being delivered to the County of Santa Clara or their designated agent.

D. Insurance Required

1. Commercial General Liability Insurance - for bodily injury (including death) and property damage which provides limits as follows:

   a. Each occurrence - $500,000

   b. General aggregate - $500,000

   c. Products/Completed Operations aggregate - $500,000

   d. Personal Injury - $500,000

2. General liability coverage shall include:

   a. Premises and Operations

   b. Products/Completed

   c. Personal Injury liability

   d. Severability of interest

3. General liability coverage shall include the following endorsement, a copy of which shall be provided to the County:

   Additional Insured Endorsement, which shall read:

   > "County of Santa Clara, and members of the Board of Supervisors of the County of Santa Clara, and the officers, agents, and employees of the County of Santa Clara, individually and collectively, as additional insureds."

   Insurance afforded by the additional insured endorsement shall apply as primary insurance, and other insurance maintained by the County of Santa Clara, its officers, agents, and employees shall be excess only and not contributing with insurance provided under this policy. Public Entities may also be added to the

additional insured endorsement as applicable and the contractor shall be notified by the contracting department of these requirements.

4. Automobile Liability Insurance

For bodily injury (including death) and property damage which provides total limits of not less than one hundred thousand dollars ($100,000) combined single limit per occurrence applicable to all owned, non-owned and hired vehicles.

4a. Aircraft/Watercraft Liability Insurance (Required if Contractor or any of its agents or subcontractors will operate aircraft or watercraft in the scope of the Agreement)

For bodily injury (including death) and property damage which provides total limits of not less than one hundred thousand dollars ($100,000) combined single limit per occurrence applicable to all owned, non-owned and hired aircraft/watercraft.

5. Workers' Compensation and Employer's Liability Insurance

a. Statutory California Workers' Compensation coverage including broad form all-states coverage.

b. Employer's Liability coverage for not less than one million dollars ($1,000,000) per occurrence.

E. Special Provisions

The following provisions shall apply to this Agreement:

1. The foregoing requirements as to the types and limits of insurance coverage to be maintained by the Contractor and any approval of said insurance by the County or its insurance consultant(s) are not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by the Contractor pursuant to this Agreement, including but not limited to the provisions concerning indemnification.

2. The County acknowledges that some insurance requirements contained in this Agreement may be fulfilled by self-insurance on the part of the Contractor. However, this shall not in any way limit liabilities assumed by the Contractor under this Agreement. Any self-insurance shall be approved in writing by the County upon satisfactory evidence of financial capacity. Contractors obligation hereunder may be satisfied in whole or in part by adequately funded self-insurance programs or self-insurance retentions.

3. Should any of the work under this Agreement be sublet, the Contractor shall require each of its subcontractors of any tier to carry the aforementioned coverages, or Contractor may insure subcontractors under its own policies.

4. The County reserves the right to withhold payments to the Contractor in the event of material noncompliance with the insurance requirements outlined above.

F. Fidelity Bonds (Required only if contractor will be receiving advanced funds or payments)

Before receiving compensation under this Agreement, Contractor will furnish County with evidence that all officials, employees, and agents handling or having access to funds received or disbursed under this Agreement, or authorized to sign or countersign checks, are covered by a BLANKET FIDELITY BOND in an amount of AT LEAST fifteen percent (15%) of the maximum financial obligation of the County cited herein. If such bond is canceled or reduced, Contractor will notify County immediately, and County may withhold further payment to Contractor until proper coverage has been obtained. Failure to give such notice may be cause for termination of this Agreement, at the option of County.

CITY OF MILPITAS
AGENDA REPORT
(AR)

Item Title:	**Adopt a Resolution Granting Acceptance of the Street Resurfacing Project 2024 and Project Nos. 4283, 4304, and 4305, Authorizing the City Engineer to File a Notice of Completion and Issue a Notice of Final Acceptance After the One-Year Warranty (Staff Contact: Christian Di Renzo, Public Works Director, 408-586-2602; and Michael Silveira, City Engineer, 408-586-3303)**
Category:	Consent Calendar-Community Services and Sustainable Infrastructure
Meeting Date:	12/3/2024
Recommendation:	(1) Adopt a resolution granting acceptance of the Street Resurfacing Project 2024 and Project Nos. 4283, 4304, and 4305; and (2) Authorize the City Engineer to file a Notice of Completion and issue a Notice of Final Acceptance after the one-year warranty.

BACKGROUND:
On April 2, 2024, the City Council awarded a construction contract to McKim Corporation for Project No. 4283, 4304, and 4305, Street Resurfacing Project 2024, (Project) in the amount of $3,328,125.94. The Project included construction to repair localized asphalt concrete pavement and concrete pavement such as sidewalks, driveways, or curb and gutters; resurfacing of asphalt concrete pavement; and installation of Americans with Disabilities Act (ADA) compliant curb ramps, Class II bike lanes, and pavement delineation.

The following streets were approved by the City Council for this Project as part of the Adopted 2024-2028 Capital Improvement Program budget:

- Great Mall Parkway from I880 to McCandless Drive
- Thompson Street and Thompson Court

ANALYSIS:
The Project has been successfully completed within budget. Staff recommends the City Council adopt a Resolution (Attachment 1) granting acceptance of the Project and authorize the City Engineer to file a Notice of Completion in accordance with the provisions of Section 9204 of the Civil Code. Staff also recommends the City Council authorize the City Engineer to issue a notice of final acceptance after the one-year warranty period without further City Council action, provided that all warranty work is completed to the satisfaction of the City Engineer.

POLICY ALTERNATIVE(S):
Alternative 1: Deny the adoption of the Resolution granting acceptance of the Project and the filling the Notice of Completion to begin the one-year warranty.

Pros: None.

Cons: A denial would result in the City being unable to accept the completed improvements in accordance with the Contract Documents.

Reason not Recommended: The Contractor has completed the Project in accordance with the approved Contract Documents. A denial to accept the Project could be considered as a breach of contract and risk claim by the Contractor.

FISCAL IMPACT:
There is no fiscal impact as the Project has been completed within the approved budget.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA):
The project is exempt under Section 15301 (Existing Facilities) of the CEQA guidelines. A Notice of Exemption (NOE) was filed with the County of Santa Clara on January 9, 2024.

RECOMMENDATION:
(1) Adopt a resolution granting acceptance of the Street Resurfacing Project 2024 and Project Nos. 4283, 4304, and 4305; and
(2) Authorize the City Engineer to file a Notice of Completion and issue a Notice of Final Acceptance after the one-year warranty.

ATTACHMENT(S):
(a) Resolution
(b) Notice of Completion

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILPITAS APPROVING ACCEPTANCE OF STREET RESURFACING 2024, PROJECT NO. 4283, 4304, & 4305

WHEREAS, the City of Milpitas has heretofore entered into a contract with McKim Corporation, for Project No. 4283, 4304, & 4305, Street Resurfacing Project 2024 (Project), in the amount of $3,328,125.94, and the 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, 2024, and does hereby authorize and direct the City Engineer of the City of Milpitas to file a Notice of Completion in accordance with the provisions of Section 9204 of the Civil Code of the State of California, and does hereby authorize and direct the City Engineer to file a Certificate of Completion in accordance with the provisions of Section 4005 of the Government Code of the State of California, if said work was by day's labor or force account.

PASSED AND ADOPTED this _____ day of _____ 2024, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

_____
Suzanne Guzzetta, City Clerk

APPROVED:

_____
Carmen Montano, Mayor

APPROVED AS TO FORM:

_____
Michael Mutalipassi, City Attorney

Recording Requested by and
When Recorded Mail to:

City of Milpitas
455 East Calaveras Boulevard
Milpitas, CA 95035
Attention: City Clerk

Record without fee under
Section 6103 - Government Code
State of California

CITY OF MILPITAS

NOTICE OF COMPLETION
(Civil Code Section 9204)

NOTICE IS HEREBY GIVEN:

1. On or about December 3rd, 2024, the City Council of the City of Milpitas, a municipal corporation of the State of California, whose address is City Hall, 455 East Calaveras Boulevard, Milpitas, California, 95035 (as owner) entered into a contract for work of: **Street Resurfacing Project 2024, Project No. 4283, 4304, & 4305.**

2. A description of the site of which the City is co-owner for said work of improvement is: Great Mall Parkway from I880 to McCandless Drive; and entire lengths of Thompson Street and Thompson Court.

3. The name and address of the direct contractor is: **McKim Corporation, 8505 Church Street, Unit 1, Gilroy, CA, 95020.**

4. A general statement of the kind of work done or materials furnished to the City is as follows: construction to repair of localized asphalt concrete pavement and concrete pavement such as sidewalk, curb and gutter, and driveway; resurface asphalt concrete pavement; and install of Americans with Disabilities Act (ADA) compliant curb ramps, Class II bike lanes, and pavement delineation.

5. Said work of improvement was accepted by the Milpitas City Council as complete on **December 3rd, 2024**.

****

I, the undersigned, declare that I am the **City Engineer** of the City of Milpitas and am authorized to execute the foregoing Notice of Completion and this Verification thereof. I have read the foregoing Notice of Completion. I declare under penalty of perjury that the foregoing Notice of Completion is true and correct. Executed on _____, 2024 at Milpitas, California.

_____
Michael Silveira, City Engineer,
City of Milpitas

NOTE: RECORD WITHIN 15 DAYS OF ACCEPTANCE WITH COUNTY RECORDER OF SANTA CLARA COUNTY

CITY OF MILPITAS
AGENDA REPORT
(AR)

Item Title:	**Receive an Update on the Security Improvements at the McCarthy Ranch Sewer Lift Station (Main Lift) and Determine that the Condition Continues to Constitute an Emergency (Staff Contact: Christian Di Renzo, Public Works Director, 408-586-2602)**
Category:	Consent Calendar-Community Services and Sustainable Infrastructure
Meeting Date:	12/3/2024
Recommendation:	(1) Receive an update on the security improvements at the McCarthy Ranch Sewer Lift Station; and (2) Determine by a four-fifths vote that the condition continues to constitute an emergency.

BACKGROUND:

Pursuant to Public Contract Code section 22050 and the attached Council Resolution No. 9134, the Director of Public Works, in the case of emergency, may authorize a repair of a public facility and procure the work without giving notice for bids. An emergency is defined as "a sudden, unexpected occurrence that poses a clear and imminent danger, requiring immediate action to prevent or mitigate the loss or impairment of life, health, property, or essential public services." Additionally, State law requires the Public Works Director, as the City official with delegated authority to take emergency action, to report any emergency authorization and the reason(s) for the authorization to the City Council not later than seven days after the action, or at its next regularly scheduled meeting if that meeting will occur not later than 14 days after the action. Further, the Public Works Director is required to report why the emergency would not permit a delay resulting from a competitive solicitation for bids and the City Council is required to review the emergency action at every regularly scheduled meeting thereafter until the emergency repair is completed. The City Council shall continue to review the emergency action at every regularly scheduled meeting thereafter until the action is terminated. At each review, the City Council shall determine, by a four-fifths vote, whether there is a need to continue the action.

Consistent with applicable State law and Council Resolution, on July 30, 2024, the Public Works Director declared an emergency and authorized the City to contract with Trofholz Technologies and Diamond Fencing to implement various security and access control improvements to the McCarthy Ranch Sewer Lift Station (Main Lift). Further, within the required timeframe the Public Works Director informed the City Council via Information Memorandum on July 31, 2024, regarding the emergency authorization, the reasons for the authorization, and the cost for repair in a not to exceed amount of $700,000.

PROJECT/STATUS UPDATE:

The installation of security enhancements by Trofholz Technologies, Inc. has been completed. The materials, hardware, and network connections necessary to operate security cameras, card readers, and motion sensors at the Main Lift facility are now installed and operational as of November 5, 2024. Staff will conduct a final inspection of the security enhancement features and conclude this portion of the security improvements project at Main Lift Station by November 27, 2024.

Diamond Fence Co., Inc. will demolish and properly dispose of the existing fence, and install approximately 1,760 linear feet of new, code-compliant fencing using ClearVU reinforced panels topped with ribbon wire, integrated into the current gate structure. Materials have been ordered and are anticipated for arrival on November 27, 2024. Fence installation is scheduled to begin in mid-December. The estimated project completion date is now anticipated in late January 2025.

FISCAL IMPACT:
Funding for these repairs is available in the City's Capital Improvement Program (CIP) budget. CIP Project 6124 – Sewer Pump Station Rehabilitation Project will fund the installation of security cameras, card readers, and motion sensors. The funding source of this CIP project is Sewer Infrastructure Fund. The available balance as of 11/22/2024 is $1,588,577. CIP 6130 – Main Lift Odor Emission Control Project will fund the removal and replacement of the perimeter fencing. The funding source of this CIP Project are Sewer Infrastructure Fund, and Sewer Treatment Fund. The available balance as of 11/22/2024 is $24,012.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA):
The emergency repair work is exempt from CEQA, per CEQA Guidelines Section 15301, Existing Facilities and 15302, Replacement or Reconstruction.

RECOMMENDATION:
1. Receive an update on the security improvements at the McCarthy Ranch Sewer Lift Station.
2. Determine by a four-fifths vote that the condition continues to constitute an emergency.

ATTACHMENT(S):
None.

CITY OF MILPITAS
AGENDA REPORT
(AR)

Item Title:	**Accept the City of Milpitas Annual Comprehensive Financial Report and Other Related Annual Audited Reports for the Fiscal Year Ended June 30, 2024 (Staff Contact: Luz Cofresí-Howe, Finance Director, 408-586-3111)**
Category:	Leadership and Support Services
Meeting Date:	12/3/2024
Recommendation:	Accept the City of Milpitas Annual Comprehensive Financial Report and other related annual audited reports for the fiscal year ended June 30, 2024

BACKGROUND:

Annually, Maze and Associates, the City external auditor, audits the City books and staff prepares the Annual Comprehensive Financial Report (ACFR) for the City of Milpitas. In conjunction with the ACFR for the fiscal year ended June 30, 2024, this staff reports presents, 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:

The ACFR presents the operations and financial activity of all the City's various funds, including the General Fund. The ACFR includes an unqualified ("clean") audit opinion from Maze & Associates meaning the financial statements fairly present the results of City operations for the fiscal year ended June 30, 2024, in conformance with Generally Accepted Accounting Principles (GAAP). The completion of the ACFR has met the debt reporting obligation requirement. The City also achieved the Government Finance Officer Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting Award for its ACFR for the fiscal year ended June 30, 2023. The City has won this GFOA award for 35 years, and already has applied for the award for the fiscal year ended June 30, 2024.

Highlights and items to note from the ACFR for the fiscal year ended June 30, 2024 are detailed below:

- During Fiscal Year 2024, City revenues continued recovering gradually since the onset of the COVID-19 Pandemic (Pandemic) over four years ago. The unemployment rate in the San José-Sunnyvale-Santa Clara metropolitan area rose to 4.2%, up slightly from 3.7% in Fiscal Year 2023. General Fund revenues increased compared to the previous year, particularly in property tax, sales tax, investment income, and intergovernmental revenues. These gains were largely driven by investment income and property tax related to the Educational Revenue Augmentation Funds (ERAF), which are subject to audit and litigation. Conversely, revenues from licenses, permits, and fines have continued to decline in Fiscal Year 2024 compared to Fiscal Year 2023.

- The rise in property taxes can be attributed to ongoing increases in secured and supplemental property tax, driven by higher property valuations. As travel has resumed following the Pandemic, hotel and motel tax revenues have shown signs of recovery, though they have not yet reached pre-pandemic levels.

- The economic impact of the COVID-19 pandemic remains uncertain and is influenced by factors such as the ongoing war in Ukraine, escalating conflict in the Middle East, a challenging real estate market, political uncertainty after the recent national elections, increasing income inequality, and continued layoffs in the tech sector. The pandemic's lasting effects on society continue to be felt, including reduced in-person commerce, a rise in online shopping, the normalization of remote work, and fewer conferences and leisure services. Although there are encouraging signs in the recovery of sales tax

and transient occupancy (hotel) tax, we contemplate full recovery of these two sources of tax revenue may take several years.

Analysis of financial highlights for City-wide and Fund Level statement

City-wide:

- The City total net position was $685.2 million as of June 30, 2024. Of this total, $439 million was Governmental and $246.2 million was business-type, a net increase totaling $21.9 million from the prior year total of $663.3 million primarily due to an increase in cash and investments of $24 million.
- City-wide revenues include program revenues of $113 million, general revenues and transfers of $114.8 million, totaling $227.7 million, an increase of $16.6 million from the prior year total of $211.1 million, primarily due to an increase in operating and capital grants, contributions, and general revenues.
- Total City-wide expenses were $205.9 million, an increase of $11.3 million from the prior year's $194.6 million, primarily due to increases in governmental expenditures related to public safety and public works personnel costs and adjustments.

Fund Level:

- Governmental Fund balances were $264.4 million, a net increase of $18.4 million from Fiscal Year 2022-23, primarily due to revenues exceeding expenditures by $12.2 million in the General Fund and $5 million in the Transit Area Impact Fee fund.
- Governmental Fund revenues were $159 million in FY 2023-24, up $10.4 million from the prior year's $148.6 million, primarily due to the recognition of American Rescue Plan Act (ARPA) deferred revenue and a positive return in Use of Money and Property.
- Governmental Fund expenditures were $145.7 million compared to $144.3 million in Fiscal Year 2022-23 primarily due to an increase in General Fund expenditures, aligned with budget projections.
- General Fund revenues of $134.1 million represented an increase of $7.8 million from Fiscal Year 2022- 23 revenues of $126.3 million caused primarily by recognition of ARPA deferred revenue and positive return in Use of Money and Property.
- Net other financing uses of the General Fund were $(0.4) million in FY 2023-24 while FY 2022-23 had a total of other financing uses of $(2.1) million. The variance was primarily due to use of reserves to fund General Government CIP projects. The General Fund balance of $85.3 million at fiscal year 2024 was $11.8 million more than the fund balance at fiscal year 2023.

Memorandum on Internal Control (MOIC). Under generally accepted auditing standards, the City auditors are encouraged to report certain matters regarding the City's internal control structure. The City auditors have provided such a report in their Memorandum on Internal Control for the year ended June 30, 2024.

In Fiscal Year ended June 30, 2024, the City auditor did not identify any material weakness and significant deficiency items during the audit. 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.

The City auditor disclosed an item under Schedule of Other Matters pertaining to timeliness of journal entries. Staff will enhance its journal entry tracking system and set up new workflows in Tyler Enterprise Resource Planning (ERP) system in the next fiscal year to prevent this issue from happening in the future.

Required Communications Report. Our auditors are required to communicate information related to the audit and financial statements under generally accepted auditing standards and *Government Auditing Standards*. The City auditors have provided such a report in their Required Communications for the year ended June 30, 2024. Please note the following from the Required Communications Report:

1) The City auditors noted no transactions effected by the City during the year for which there was a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
2) The City auditors encountered no significant difficulties in dealing with management in performing and completing their audit.
3) The City 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 auditors encountered no disagreements with management during their audit.

Agreed Upon Procedures Report on Compliance with the Appropriations Limit Increment - This report shows the City auditor applied specific procedures to validate the City 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):

Alternative 1: Do not accept the ACFR report.

Pros: None.

Cons: Not accepting this ACFR report may pose challenges as this report as required per City bond indentures and otherwise in the course of administering City finances.

Reason not recommended: Staff is presenting the Annual Comprehensive Financial Report to promote transparency and accountability in the City financial management practices, ensuring the public and City stakeholders can scrutinize how taxpayer money is used. The Annual Comprehensive Financial Report also helps assess the City's financial health, supports compliance with regulations and bond indentures, and enhances creditworthiness for potential borrowing.

FISCAL IMPACT:
There is no fiscal impact from this report.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA):
This item is not a Project under CEQA exempt under CEQA Guideline 15378(b)(4) as it is a government fiscal activity that does not involve a commitment to any specific project which may result in a potentially significant physical impact on the environment.

RECOMMENDATION:
Accept the City of Milpitas Annual Comprehensive Financial Report and other related annual audited reports for the fiscal year ended June 30, 2024.

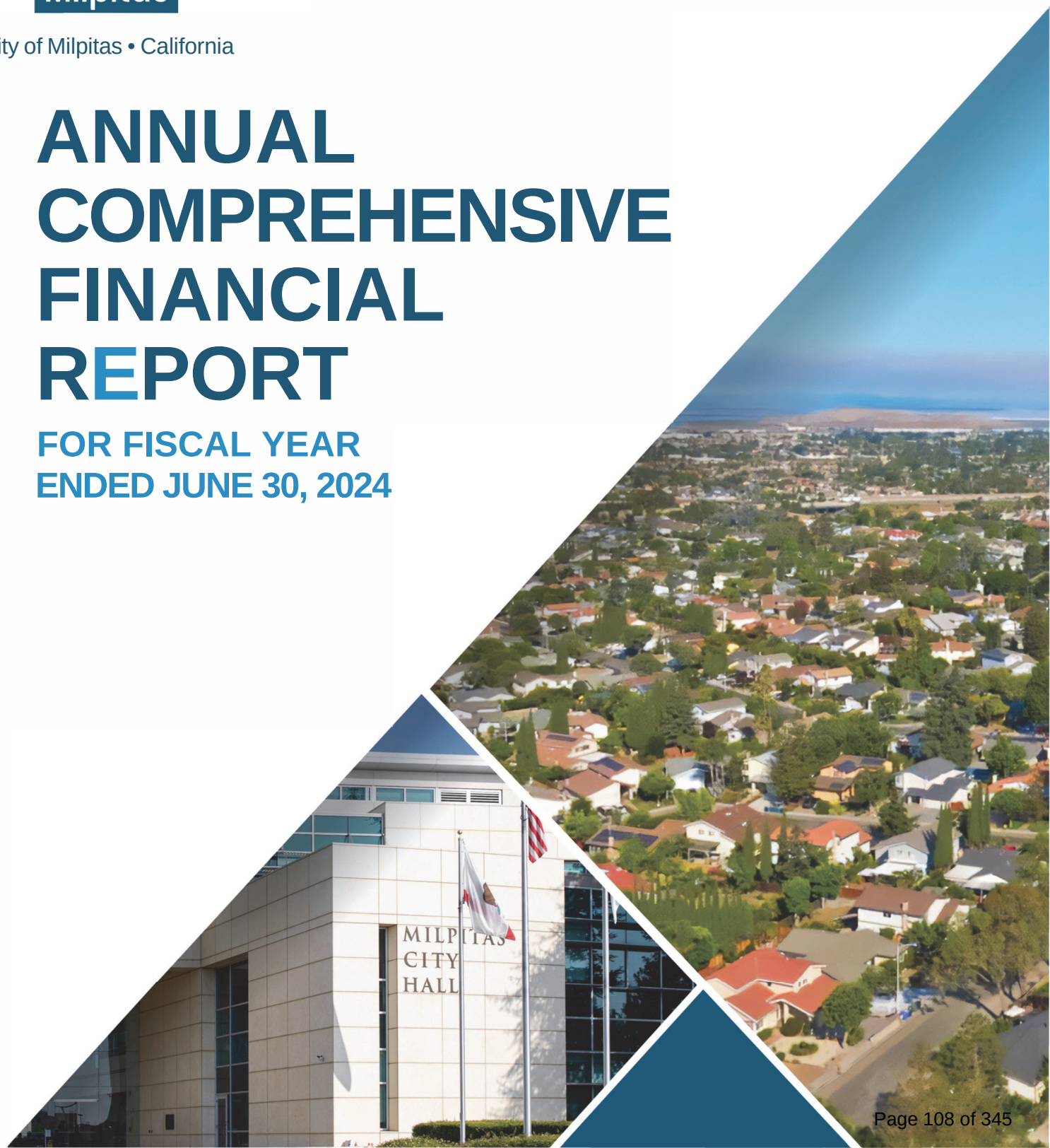
ATTACHMENT(S):
(a) Annual Comprehensive Financial Report for FY 2023-24
(b) Memorandum on Internal Control for FY 2023-24
(c) Required Communications for FY 2023-24
(d) Agreed Upon Procedures Report on Compliance with the Appropriations Limit Increment FY 2023-24

2023-2024

City of Milpitas • California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2024



Milpitas

CITY OF MILPITAS, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2024

Prepared by

THE CITY OF MILPITAS

Milpitas

INTRODUCTORY SECTION

Milpitas

CITY OF MILPITAS
Annual Comprehensive Financial Report
for the Year Ended June 30, 2024

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CITY OF MILPITAS

455 EAST CALAVERAS BOULEVARD, MILPITAS, CALIFORNIA 95035-5479
PHONE: 408-586-3000, WWW.MILPITAS.GOV

November 15, 2024

Honorable Mayor, Members of the City Council, and Residents of the City of Milpitas:

Submitted herewith is the Annual Comprehensive Financial Report (ACFR) of the City of Milpitas (City) for the fiscal year ended June 30, 2024, as prepared by the City 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 City, the Milpitas Public Financing Authority (MPFA), Milpitas Housing Authority (Housing Authority), the Milpitas Municipal Financing Authority (MMFA) and the Terrace Gardens Inc. (Terrace Gardens) to constitute a single reporting entity. The MPFA, Housing Authority, MMFA and Terrace Gardens are individual legal entities separate from the City and controlled by the City. The MPFA, Housing Authority, and MMFA have the same governing board as the City, and the City also has control of the Terrace Gardens' governing board. However, Terrace Gardens issues its own component unit financial statements. The purpose and authority of the MPFA, Housing Authority, the MMFA and Terrace Gardens are described in Note 1 of this ACFR.

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 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 Planning, Fire, Police, Public Works, and Recreation and Community Services. These departments are supported by internal service departments which include the City Manager's Office, City Attorney's office, Finance, Human Resources, and Information Technology. Additionally, the Offices of the City Clerk, Economic Development and Strategic Initiatives, Building Safety, and Housing all reside within the City Manager's Office.

Community members desiring to assist the City Council in forming government policy may do so by serving on a City commission or committee (commissions). The commissions act in an advisory capacity to the City Council. These include the Arts Commission; Community Housing Commission; Economic Development and Trade Commission; Energy and Environmental Sustainability Commission; Library and

Education Advisory Commission; Parks, Recreation, and Cultural Resources Commission; Planning Commission; Public Safety and Emergency Preparedness Commission; Science, Technology, and Innovation Commission; Senior Advisory Commission; Veterans Commission; Youth Advisory Commission, and Measure F Oversight Committee.

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 70 years, population has increased from 26,561 in 1970 to nearly 81,773 based on the latest Department of Finance data in 2024. The economy has experienced a slightly higher unemployment rate in August 2024, with State of California unemployment at 5.3% and national unemployment rate at 4.1% compared to 4.6% and 3.8% in the prior fiscal year, respectively. At the City level, the unemployment rate slightly increased by 0.4% compared to prior year's 4.3% to 4.8% in August. The California Employment Development Department (EDD) reported that between August 2023 and August 2024 for San José-Sunnyvale-Santa Clara metropolitan statistical area, employment rose by 7,300 jobs.

As the City continued to recover from the financial impacts of the worldwide COVID-19 pandemic, we remain optimistic about the future but watchful of near-term economic uncertainty arising from the continued war in Ukraine, ongoing conflict in the Middle East and other arenas, high interest rates, high to moderate inflation, growing income disparity, the high cost of housing, and political uncertainty at the national level. With the national inflation rate steadily declining, reaching 2.4% in September 2024, the Federal Reserve responded with a significant interest rate cut of 50 basis points. Layoffs in the technology sector, particularly in Silicon Valley, are noteworthy as companies increasingly shift their investments toward artificial intelligence research and development instead of personnel costs. Additionally, the pandemic's lasting effects on society continue to be felt, including reduced in-person commerce, a rise in online shopping, the normalization of remote work, and fewer conferences and leisure services. Although there are encouraging signs in the recovery of sales tax and transient occupancy tax, we acknowledge that fully recovering hotel tax revenue may take several years.

The national GDP (Gross Domestic Product, the value of goods and services less the value of the goods and services used up in production, the most popular indicator of the nation's overall economic health) increased at an annual rate of 3.0 percent in the second quarter of 2024 from the previous quarter (according to the Bureau of Economic Analysis (BEA) advance estimate. As of September 2024, the Federal Reserve Board projected change in median GDP growth is positive 2.0 percent for 2025 and positive 2.0 percent for 2026.

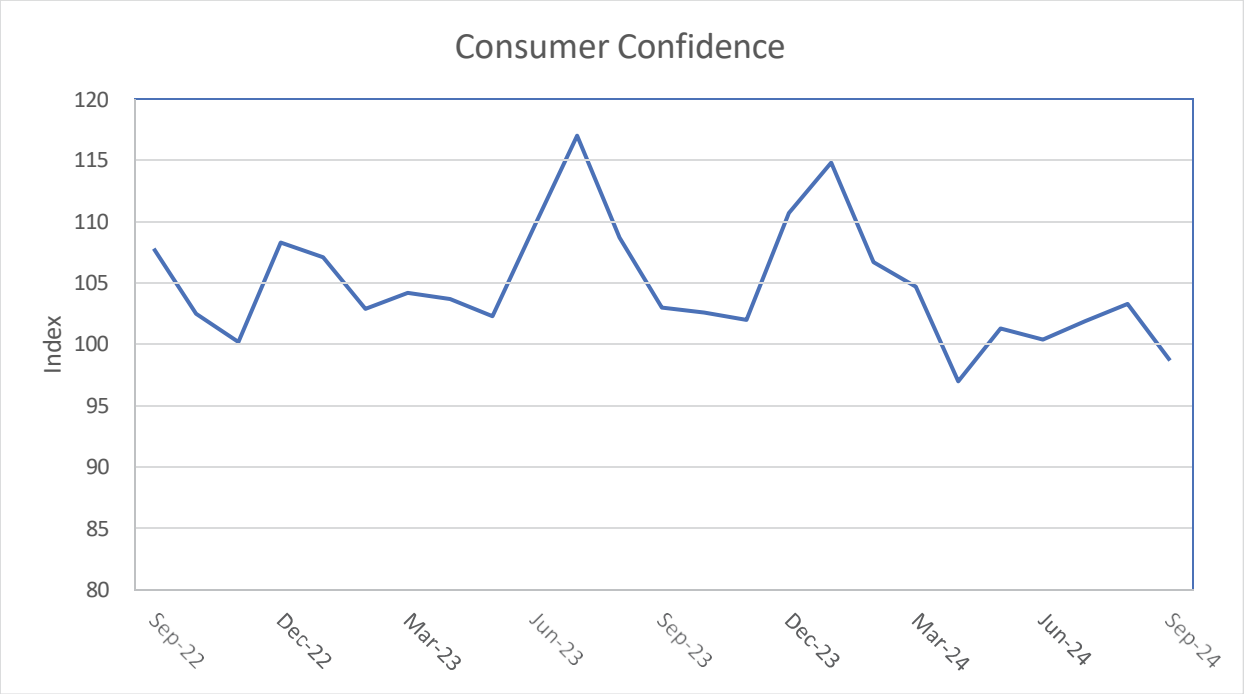
The CPI (Consumer Price Index) is used by the U.S. Bureau of Labor Statistics to measure inflation. The September 2024 CPI-U (Consumer Price index for all Urban Consumers) increased 2.4 percent over the last 12 months. Core CPI (CPI less food and energy) is 3.3 percent compared to 4.1 percent in September 2023. Core CPI represents a more accurate picture of underlying inflation trends since volatile food and energy products are excluded. When compared to San Francisco area, the August 2024 CPI-U increased 2.7 percent over the last 12 months and the Core CPI increased 2.9 percent. While the global economic activity remains uncertain, the U.S. Bureau of Labor Statistics Employment Projections for 2023-2024 shows a projected growth from 167.6 million to 174.6 million over the 2023-33 decade.

Although median home prices have risen year over year, the slowdown in development activity and the downturn in the commercial real estate market are troubling trends that could soon affect residential valuations negatively. Single family residential construction starts decreased 0.5% year-over-year while multi-family construction (5 units or more) starts decreased 16.8% year-over-year. The median sale price of a single-family residential home in Milpitas was $1.7 million as of August 2024, up approximately 2.7 percent from last year. Year-over-year price increases have ramped up in Santa Clara County. Santa Clara

County had an 11.2 percent increase in median sale price compared to 8.3 percent increase last year. The section below entitled "Major Development Activities in the City" will discuss some of the development activities occurring in Milpitas.

Consumer Confidence Level

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. The Conference Board Consumer Confidence Index decreased to 98.7 in September 2024 from 103.3 in August 2024. Since consumer spending accounts for more than two-thirds of the U.S. Gross Domestic Product, this index is a good indicator that when consumers' confidence is high, consumers would likely make more purchases, thus further boosting the economy. Employment drives consumer spending, which in turn affects the economy. Nonfarm payroll employment increased by 254,000 in September 2024, and the national unemployment rate decreased slightly to 4.1 percent compared to August 2024.

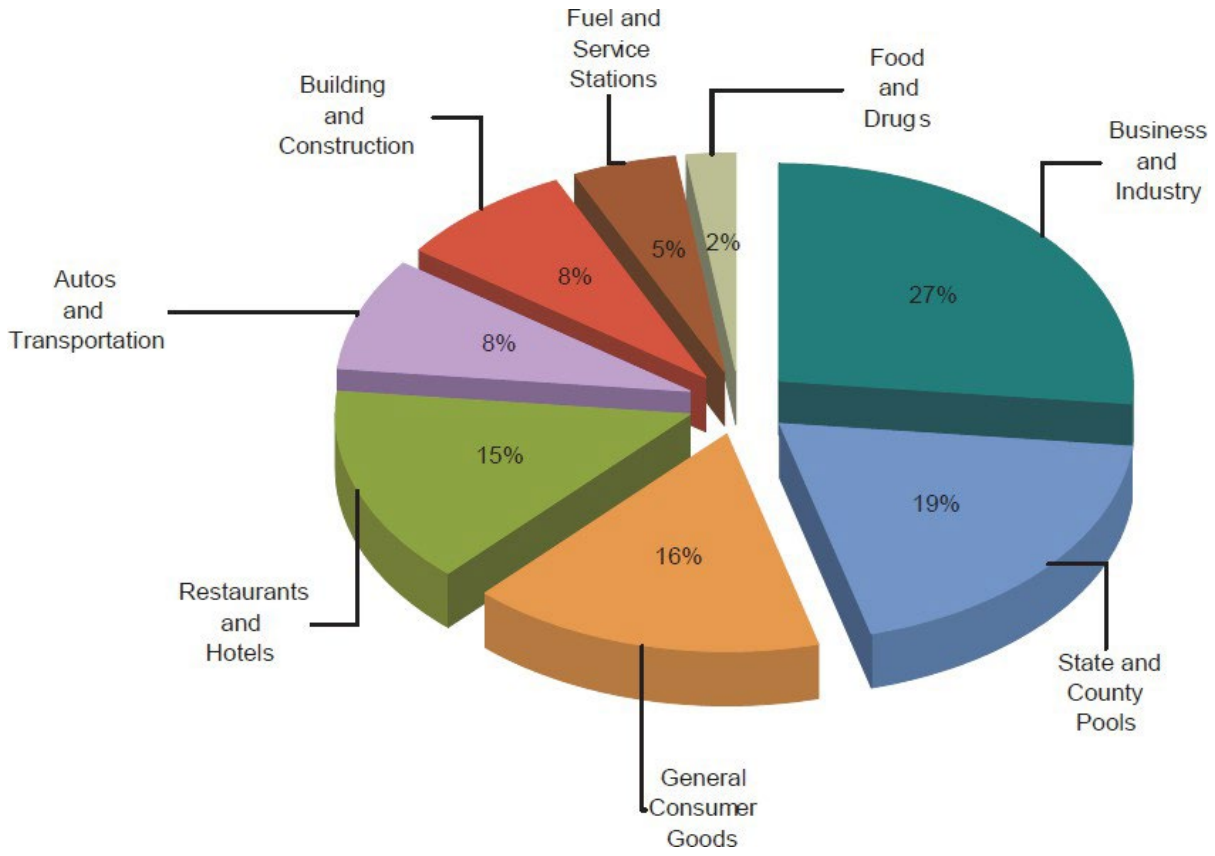


Source: The Conference Board

Top Eight Sales Tax Generators by Economic Segment

Financial markets continue to remain volatile and inflationary trends in the economy remain high. According to Urban-Brookings Tax Policy Center, total state tax revenue collections rose 3.0 percent in nominal terms and 0.6 percent in real terms in the first quarter of 2024, compared to the year prior. The chart below provides a snapshot of the City sales tax revenue by major industry groups. Total amount of sales tax revenue for the major industry groups generated about $35.8 million. Total sales tax receipts decreased by 6.9 percent from 2023 due to decreases in business and industry and building and construction sectors. By and large, the sales tax revenue generated from major industry groups such as Fuel and Service Stations, Restaurants and Hotels, General Consumer Goods, Business and Industry, Food and Drugs, and Autos and Transportation did not change significantly compared to the composition over a year ago.

City Sales Tax Revenue ($35.8 Million)
Major Industry Groups



Source: HDL FY2024 Major Business Categories

Major Development Activities in the City

General Plan Update – Considered the blueprint for future development, the City General Plan (Plan) defines a long-term vision for future growth, traffic circulation, economic development, health, housing and resource conservation. The Milpitas 2040 General Plan was unanimously adopted by the City Council on March 9, 2021, and this policy document will guide City decision-making and priorities over the next 20 years. The Plan identifies opportunity sites where changes to land use and development patterns are likely to occur, and prioritizes housing and economic growth in areas served by high-quality transit. The Plan also includes policies aimed at preserving the character of existing neighborhoods and protecting the City's hillsides and other natural resources. The City continues to implement General Plan policies and actions, which are summarized in annual progress reports to the California Department of Housing and Community

Development.

Milpitas Metro Specific Plan – The City adopted the Milpitas Metro Specific Plan (and the associated Environmental Impact Report) in February 2023 with updated policies and programs to further enhance existing neighborhoods and provide new opportunities for future housing, retail, office, and hotel uses in the planning area. The new Metro Plan envisions a network of landscaped open space, parks, and trails that connect housing and jobs to high-quality transit and provide opportunities for active and passive recreation as well as social interaction. The new Plan also envisions development of an employment-oriented Innovation District near the Milpitas Transit Center to foster economic development based on the City's excellent access to regional bus, light rail, and BART connections. The Office of Economic Development is currently partnering with a local public relations firm on the Innovation District Branding Initiative. The City is currently updating the Transit Area Development Impact Fee to fund the new public improvements identified in the new Plan.

Residential Development – The City continues to leverage public and private resources to support planning and development of new affordable housing. The City is recognized for its award-winning online resources and interactive tools that help residents navigate the development review process and find ADU designs that fit their property and needs. The City won an American Planning Association award at the regional and state levels in 2022 for Best Practices. For more information, visit www.milpitas.gov/adu/. The City also continues to host the popular Accessory Dwelling Units (ADU) "ADU Mondays" program, which brings staff from various departments together to provide direct assistance to residents who wish to pursue an ADU on their property. City staff has presented information about these programs in regional and statewide forums.

In FY 2023-24, the Planning Commission approved permits for several new housing development, including a 206-unit multifamily residential project at 1355 California Circle, a 43-unit (15% affordable) multi-family townhome development with 13 attached ADUs at 1905 Tarob Court, and a 118 below-market rate apartment units at 1300 S. Main Street. The City is continuing to utilize $300,000 in state grant funding to develop a Housing Opportunity Overlay Zone aimed at streamlining the review process for affordable housing and create new by-right housing regulations. In addition, the City received a $500,000 Priority Development Area (PDA) grant from Association of Bay Area Governments (ABAG) to help fund preparation of the Gateway/Main Street Specific Plan. The City also received $142,700 from ABAG's Regional Early Action Planning (REAP) grant program to help fund the preparation of the 2023-2031 Housing Element. Most recently, the City received an additional $600,000 in funding through ABAG's PDA grant program to prepare the Main Street Sense of Place Plan and Innovation District Parks and Trails Master Plan.

Non-residential Development – FY2023-24 was another busy year for commercial redevelopment and expansion. The Planning Commission approved a 6,245-square foot commercial pad building with a drive-thru at 125 N. Milpitas Blvd. and a time extension to develop a hotel at 1851 McCarthy Blvd. In addition, conditional use permits have been granted for a gas station remodel with alcohol sales at 27 S. Park Victoria Dr., alcohol sales within an existing supermarket at 777 E. Capitol Ave., a claw machines facility and an escape room in the Great Mall, a tobacco shop at 1125 Jacklin Rd., and a contractor's yard at 897 Ames Ave. Furthermore, the City Zoning Administrator approved several commercial and industrial building remodels and a new massage establishment. Lastly, the Milpitas City Council approved a new private high school with an office building and gym at 1323 Great Mall Dr. The project is providing $1,000,0000 in community benefit funds as part of the approved development agreement.

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 accounting system, to maintain the City internal accounting controls to adequately safeguard assets, and to provide reasonable assurances of proper recording of financial transactions. Budgetary control is directed by the City Council by resolution when the budget is adopted each year. Expenditures may not legally exceed appropriations at the department level by fund. The City utilizes the encumbrance system as a management control technique to assist in controlling expenditures. The City Manager has limited budget appropriation authority to transfer appropriations among departments and projects within any one fund, provided that the amount of the amended appropriation is $100,000 or less. Quarterly reports of revenue and expense are prepared and distributed to the City Council and City departments to monitor spending in relation to the adopted budget. At fiscal year-end, open encumbrances are reported under the “Assigned” fund balance classification. The City 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 Custodial Funds. The full accrual basis of accounting is used as explained in the Notes to the Financial Statements.

Financial Analysis

Generally Accepted Accounting Principles (GAAP) require 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 has adopted reserve policies that requires unassigned fund balance which is made up of the Contingency Reserve to be at least 16.67% of the annual operating expenditures, and the Budget Stabilization Reserve with a reserve target of 16.67% of the annual operating expenditures in the General Fund. Additional reserves are included in Note 12.

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 2023-24 Adopted Capital Improvement Program (CIP) Budget totaled $32.1 million. The CIP included improvements to City infrastructure which includes community improvements, parks, streets, water, sewer and storm drain utilities.

In addition, the City produces an annual ten-year General Fund Forecast. The General Fund Forecast allows the City Council and the community to assess the financial sustainability of City services in the long term. The projection also identifies the type of commitments and resource demands in the next ten years as known and points out areas of both opportunity and risk as the City navigates through fiscal cycles. This long-term forecast provides an invaluable planning tool and is an indication of sound fiscal planning and strategy.

Independent Audit

Each year the City requires an independent annual audit of the City's financial records, the results of its operations, and cash flows. This report includes the opinion of the City's independent auditors, Maze & Associates, for the basic financial statements of the City. In addition, the report also contains the auditors' report on Internal Control over Financial Reporting and on compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

Awards

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. 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-seven years.

Acknowledgments

We extend our appreciation to the entire staff of the Finance Department and other City 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,

DocuSigned by:
Ned Thomas
7DBDACFBBBA045D...
Ned Thomas
City Manager

Signed by:
Luz Cofresi-Howe
64DA3D9B5D1D40B...
Luz Cofresí-Howe
Finance Director

DIRECTORY OF OFFICIALS

June 30, 2024

City Council

Mayor	Carmen Montano
Vice-Mayor	Evelyn Chua
Councilmember	Anthony Phan
Councilmember	Hon Lien
Councilmember	Garry Barbadillo

City Manager

Ned Thomas

Assistant City Manager
Matt Cano

City Attorney
Michael Mutalipassi

City Clerk
Suzanne Guzzetta

Public Information Officer
Charmaine Angelo

Building Official
Bill Tott

Housing Official
Robert Musallam

Finance Director
Luz Cofresí-Howe

Human Resources Director
Kelli Parmley

Economic Development & Strategic Initiatives Director
Alex Andrade

Recreation & Community Services Director
Renee Lorentzen

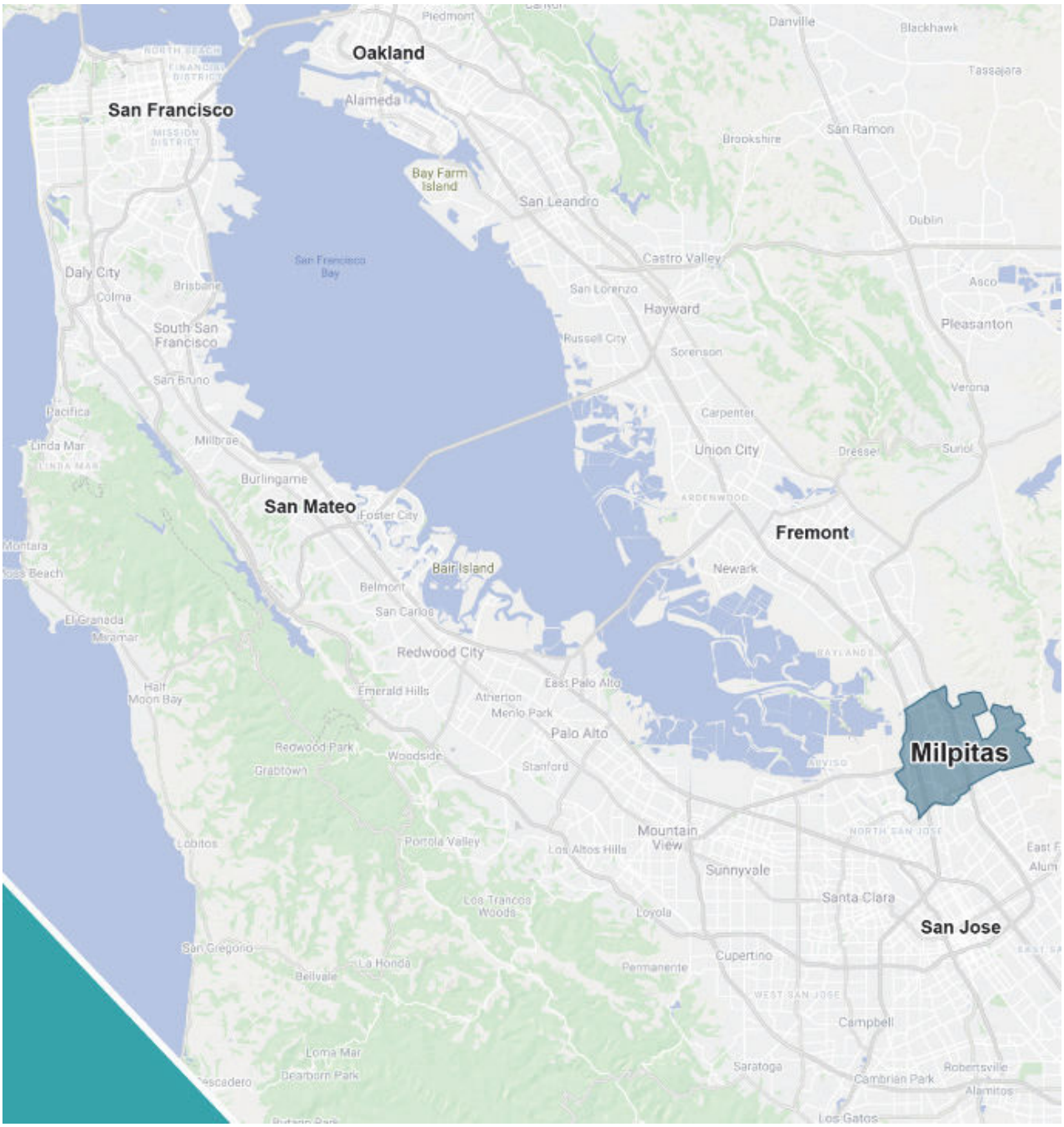
Fire Chief
Jason Schoonover

Police Chief
Jared Hernandez

Public Works Director
Christian Di Renzo

Information Technology Director
Daniel Nam

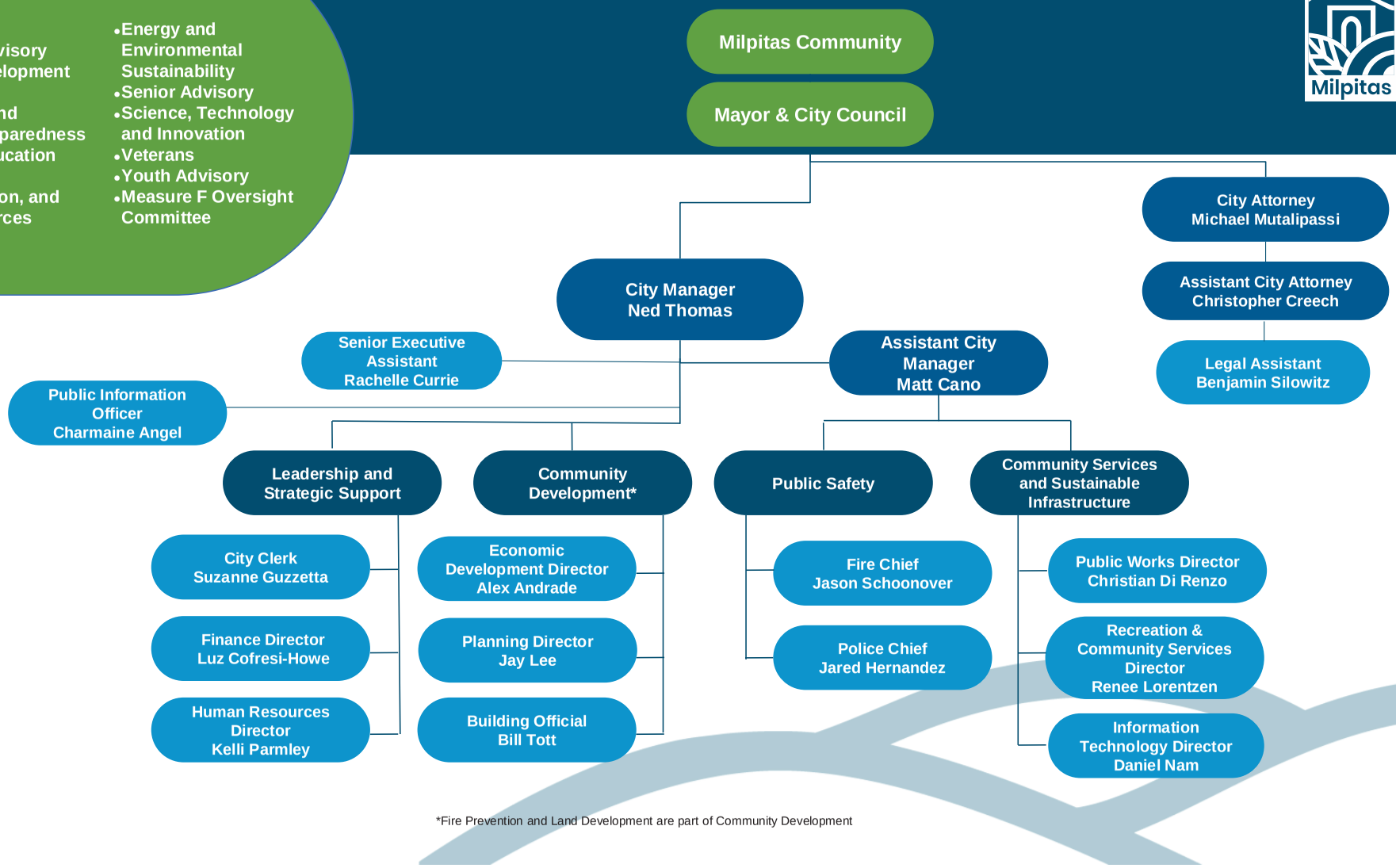
Planning Director
Jay Lee



The City of Milpitas is located near the southern tip of San Francisco Bay, forty-five miles south of San Francisco. Milpitas is often called the "Crossroads of Silicon Valley" with most of its 13.6 square miles of land situated between two major freeways (I-880 and I-680), State Route 237, and a county expressway. The light rail line opened for service in 2004 and an extension of BART, with a major multi-modal is now fully functional.

City Commissions

- Arts
- Community Advisory
- Economic Development and Trade
- Public Safety and Emergency Preparedness
- Library and Education Advisory
- Parks, Recreation, and Cultural Resources
- Planning
- Energy and Environmental Sustainability
- Senior Advisory
- Science, Technology and Innovation
- Veterans
- Youth Advisory
- Measure F Oversight Committee



*Fire Prevention and Land Development are part of Community Development

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Milpitas
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Executive Director/CEO

Milpitas

FINANCIAL SECTION

Milpitas

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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 (City), California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, 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, and the aggregate remaining fund information of the City as of June 30, 2024, and the respective changes in 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.

We did not audit the financial statements of the discretely presented component unit financial statements of Terrace Gardens, Inc. as of and for the year ended December 31, 2023, which represent 1.00%, 1.47%, and 1.08% of the assets, net position, and revenues, respectively, of the primary government. The financial statements of the Terrace Gardens, Inc. were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City, is based solely on the report of the other auditors.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section listed in the Table of Contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exits, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
September 30, 2024

Milpitas

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion provides readers of the City of Milpitas (City) financial statements a narrative overview and analysis of the financial activities of the City s for the fiscal year ended June 30, 2024. Please read this document in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FISCAL YEAR 2024 FINANCIAL HIGHLIGHTS

During Fiscal Year 2024, City revenues continued recovering gradually since the onset of the COVID-19 Pandemic (Pandemic) over four years ago. The unemployment rate in the San José-Sunnyvale-Santa Clara metropolitan area rose to 4.2%, up slightly from 3.7% in Fiscal Year 2023. General Fund revenues increased compared to the previous year, particularly in property tax, sales tax, investment income, and intergovernmental revenues. These gains were largely driven by investment income and property tax related to the Educational Revenue Augmentation Funds (ERAF), which are subject to audit and litigation. Conversely, revenues from licenses, permits, and fines have continued to decline in Fiscal Year 2024 compared to Fiscal Year 2023.

The rise in property taxes can be attributed to ongoing increases in secured and supplemental property tax, driven by higher property valuations. As travel has resumed following the Pandemic, hotel and motel tax revenues have shown signs of recovery, though they have not yet reached pre-Pandemic levels.

The economic impact of the COVID-19 pandemic remains uncertain and is influenced by factors such as the ongoing war in Ukraine, escalating conflict in the Middle East, a challenging real estate market, political uncertainty after the recent national elections, increasing income inequality, and continued layoffs in the tech sector. The pandemic's lasting effects on society continue to be felt, including reduced in-person commerce, a rise in online shopping, the normalization of remote work, and fewer conferences and leisure services. Although there are encouraging signs in the recovery of sales tax and transient occupancy (hotel) tax, we acknowledge that full recovery of these two sources of tax revenue may take several years.

Fiscal 2024 financial highlights include the following:

City-wide:

- The City's total net position was $685.2 million on June 30, 2024. Of this total, $439 million was Governmental and $246.2 million was business-type, a net increase of total $21.9 million from the prior year total of $663.3 million primarily due to an increase in cash and investments of $24 million.
- City-wide revenues include program revenues of $113 million, general revenues and transfers of $114.8 million, totaling $227.7 million, an increase of $16.6 million from the prior year total of $211.1 million, primarily due to an increase in operating and capital grants, contributions, and general revenues.
- Total City-wide expenses were $205.9 million, an increase of $11.3 million from the prior year's $194.6 million, primarily due to increases in governmental expenditures related to public safety and public works personnel costs and adjustments.

Fund Level:

- Governmental Fund balances were $264.4 million, a net increase of $18.4 million from Fiscal Year 2022-23, primarily due to revenues exceeding expenditures by $12.2 million in the General Fund and $5 million in the Transit Area Impact Fee fund.
- Governmental Fund revenues were $159 million in FY 2023-24, up $10.4 million from the prior year's $148.6 million, primarily due to the recognition of American Rescue Plan Act (ARPA) deferred revenue and a positive return in Use of Money and Property.
- Governmental Fund expenditures were $145.7 million compared to $144.3 million in Fiscal Year 2022-23 primarily due to an increase in General Fund expenditures, aligned with budget projections.
- General Fund revenues of $134.1 million represented an increase of $7.8 million from Fiscal Year 2022-23 revenues of $126.3 million caused primarily by recognition of ARPA deferred revenue and positive return in Use of Money and Property.

- Net other financing uses of the General Fund were $(0.4) million in FY 2023-24 while FY 2022-23 had a total of other financing uses of $(2.1) million. The variance was primarily due to use of reserves to fund General Government CIP projects. The General Fund balance of $85.3 million at fiscal 2024 was $11.8 million more than the fund balance at fiscal 2023.

OVERVIEW OF THE ANNUAL COMPREHENSIVE FINANCIAL REPORT

This Annual Comprehensive Financial Report consists of eight sections:

1) Introductory section, which includes the Transmittal Letter and general information;
2) Management's Discussion and Analysis (this section);
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; and
8) Other report(s).

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- and short-term.

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

The Fund Financial Statements report City operations in more detail than the City-wide statements and focus primarily on the short-term activities of the City 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 further 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 City financial statements and their balances are excluded from City 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 on pages 25-26 of this report.

All of the City's business-type activities include 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 an accrual basis, which means revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Fund Financial Statements

Governmental Fund financial statements are prepared on a 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 a 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 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 categorization of "Major Fund" from year to year, depending on City's activities.

The City has four other Major Governmental Funds in fiscal 2024 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 (Water Fund and Sewer Fund) 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 custodial 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 2023 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	
	2024	2023
Cash and investments	$276.4	$259.8
Restricted cash and investments	0.1	0.6
Other assets	75.0	74.8
Capital assets	387.4	386.3
Total assets	**$738.9**	**$721.5**
Deferred Outflows of Resources –Related to pensions and OPEB	**82.4**	**80.3**
Net Pension liabilities	254.9	241.5
Net OPEB liability	14.4	10.5
Total OPEB liability	29.3	26.0
Long-term debt outstanding	20.1	20.8
Other liabilities[1]	39.4	43.7
Total liabilities	**358.1**	**342.5**
Deferred Inflows of Resources _Related to leases	**12.5**	**12.9**
–Related to pensions and OPEB[2]	**11.7**	**16.1**
Net position:		
Net investment in capital assets	367.0	365.5
Restricted	188.0	179.0
Unrestricted	(116.0)	(114.2)
Total net position	**$439.0**	**$430.3**

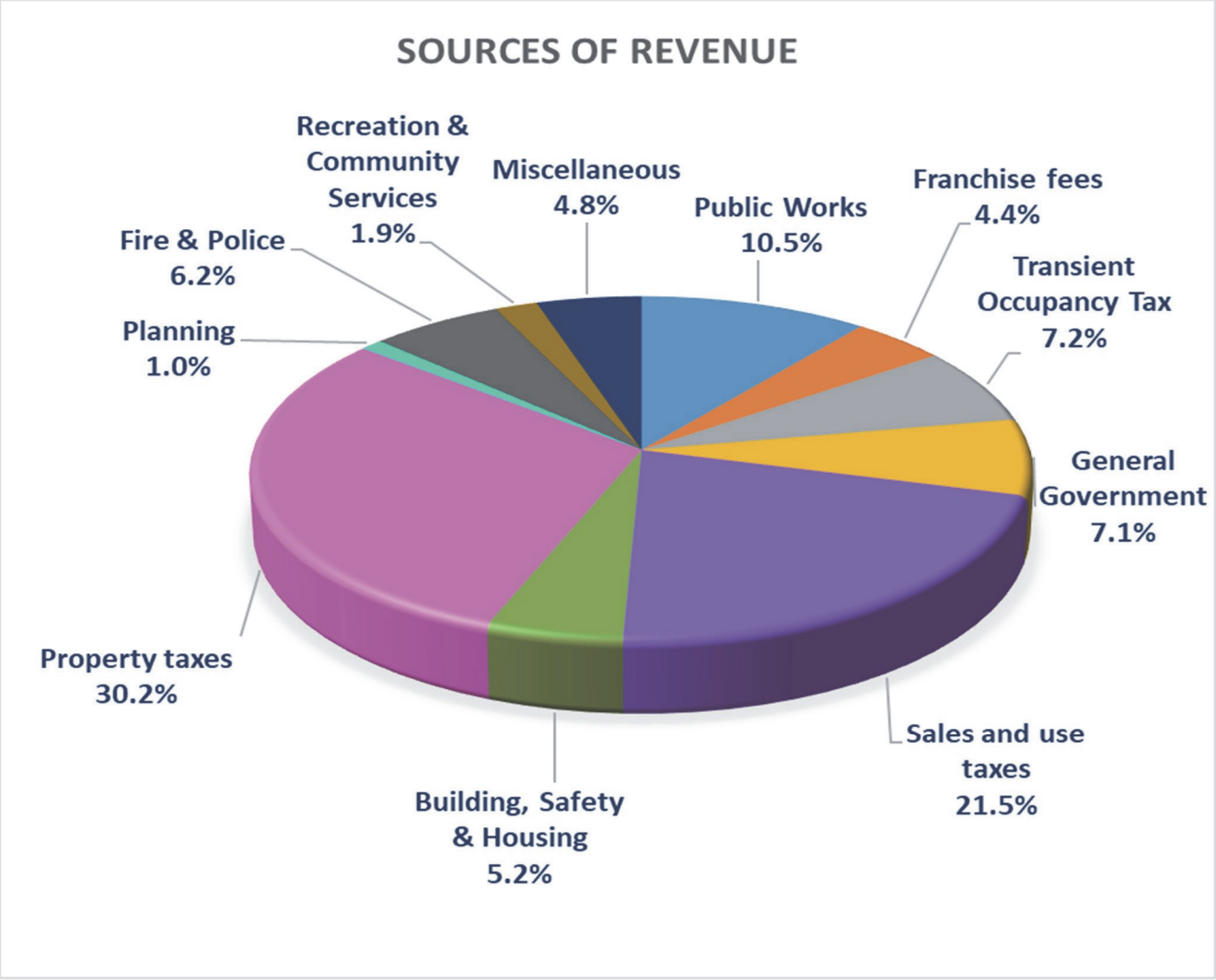
The City's governmental net position was $439 million on June 30, 2024, an increase of $8.7 million from 2023. This increase is reflected as Change in Net Position in the Governmental Activities column of the Statement of Activities and is also shown in Table 2 of this analysis:

[1] Other liabilities include Accounts Payable, Unearned Revenues and Compensated Absences incurred as of June 30, 2024

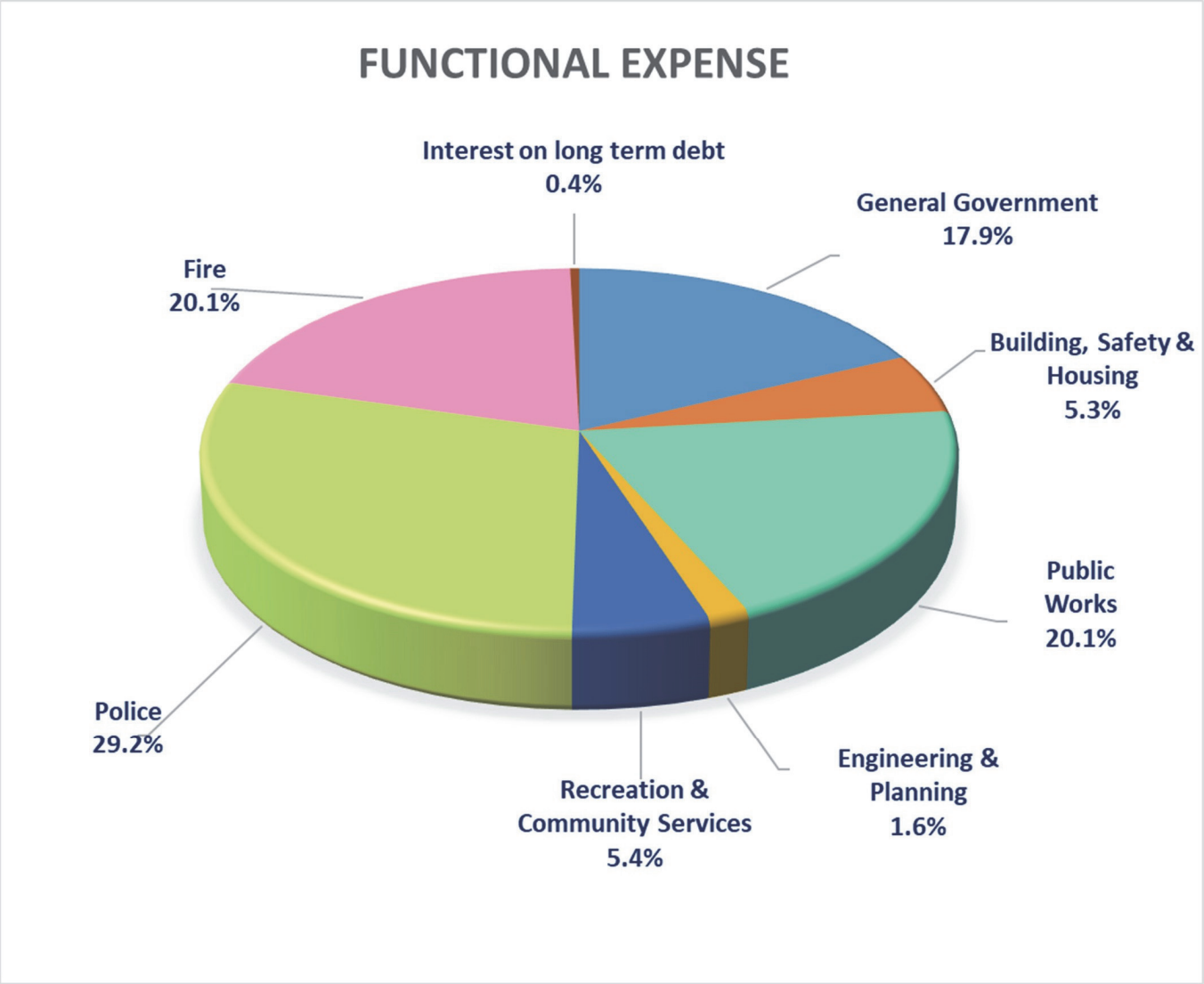
[2] Deferred Inflows of Resources – Related to pensions and OPEB refers to unrecognized liability changes due to plan experience which differs from what was assumed in the prior measurement period.

- Cash and investments increased $16.6 million principally due to the positive net operating result and net market gains from the City's investment portfolio.
- Restricted cash and investment decreased by $0.5 million primarily due to capital project activities and disbursement in bond funds.
- Other assets increased $0.2 million from last year due to the net activity between receivables and increase in prepaids, materials, supplies and deposits.
- Capital assets increased $1.1 million from last year, resulting from $14.5 million of depreciation, offset by $15.6 million in asset additions, net of retirements in fiscal 2024. The most significant increases were from street improvement projects.
- Deferred outflows of resources related to pension and Other Post-Employment Benefits (OPEB) increased $2.1 million from last year due to changes in actuarial results.

Fiscal Year 2024
Governmental Activities



As the Sources of Revenue Chart above shows, $48.6 million or 30% came from property taxes, while $34.6 million or 21% 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 2024 capital assets is shown in detail in 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)

	Governmental Activities	
	2024	2023
Expenses		
General Government	$28.3	$25.7
Building, Safety and Housing	8.4	7.9
Recreation and Community Services	8.5	8.4
Public Works	31.7	29.7
Planning	2.5	2.6
Police	46.1	39.6
Fire	31.8	31.8
Interest on long term debt	0.7	0.6
Total expenses	158.0	146.3
Revenues		
Program revenues:		
Charges for services	17.7	20.2
Operating contributions and grants	21.6	16.2
Capital Grants	12.3	7.9
Total Program Revenues	51.6	44.3
General revenues:		
Taxes:		
Property taxes	48.6	47.1
Sales and use taxes	34.6	37.3
Transient Occupancy taxes	11.5	11.2
Other taxes	0.8	0.7
Franchise fees	7.1	5.7
Investment earnings	5.6	1.9
Miscellaneous	1.4	0.9
Total General Revenues	109.6	104.8
Total Revenues	161.2	149.1
Surplus (Deficit) before transfers	3.2	2.8
Transfers in/(out), net	5.4	4.6
Changes in net position	8.7	7.4
Beginning net position	430.3	422.9
Ending net position	**$439.0**	**$430.3**

Table 2 compares fiscal 2024 expenses and revenues with those of fiscal 2023. Expenses increased by $11.7 million in fiscal 2024 due primarily to increases in pension liability in the updated GASB 68 report.

Table 2 shows total governmental revenues increased $12.1 million in fiscal 2024. Program revenues increased $7.3 million, and general revenues increased $4.8 million. The increased in program revenues was primarily due to increase in operating contributions and grants, and capital grants.

General revenue increased $4.8 million from fiscal 2023, primarily due to an increase of investment earnings. The investment earnings increased by $3.7 million due primarily to increases in unrealized market gain.

Table 3 presents the net cost of each of the City's largest programs – general government, building safety and housing, recreation and community services, public works, planning, police, and fire. Net cost is defined as total program cost less the revenues generated by those specific activities. The net cost of providing such programs in fiscal year was $102.1 million.

Table 3
Governmental Activities
(in Millions)

	Net (Expenses) Revenue From Services	
	2024	2023
General Government	$(16.8)	$(20.0)
Building, Safety and Housing	0.0	2.4
Recreation and Community Services	(5.4)	(3.9)
Public Works	(14.7)	(17.1)
Planning	(0.9)	(0.8)
Police	(38.7)	(33.1)
Fire	(29.2)	(28.9)
Interest on long term debt	(0.7)	(0.6)
Totals	**$(106.4)**	**$(102.0)**

Business-type Activities

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

	Business-Type Activities	
	2024	2023
Cash and investments	$118.8	$111.5
Other assets	6.0	5.1
Capital assets	186.9	184.6
Total assets	**311.7**	**301.2**
Deferred Outflows of Resources – Related to Pensions and OPEB	**2.5**	**2.3**
Other liabilities	5.0	6.4
Net pension liabilities	4.9	4.5
Net OPEB liability	4.2	3.7
Long-term Debt	52.8	54.6
Total liabilities	**66.9**	**69.2**
Deferred Inflows of Resources – Related to Pensions and OPEB	**1.0**	**1.3**
Net position:		
Net investment in capital assets	135.0	131.0
Restricted	83.6	89.1
Unrestricted	27.6	12.8
Total net position	**$246.2**	**$232.9**

The net position of business-type activities was $246.2 million in fiscal 2024, an increase of $13.3 million from fiscal 2023. The increase in net position was due to increase in total assets of $10.5 million. The increase in total assets is primarily comprised of an increase of $2.3 million in capital assets and 7.3 million in cash & investment.

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

	Business-Type Activities	
	2024	2023
Expenses		
Water Utility	$30.0	$28.1
Sewer Utility	17.8	20.2
Total expenses	47.8	48.3
Revenues		
Program revenues:		
Charges for services	61.2	59.2
Operating grants	0.1	0.1
Capital grants	0.2	2.5
Total program revenues	61.4	61.8
General revenues:		
Investment earnings	5.1	0.6
Total general revenues	5.1	0.6
Total Revenues	66.5	62.4
Excess before transfers	18.7	14.1
Net Transfers	(5.4)	(4.6)
Changes in net position	13.3	9.4
Beginning net position	232.9	223.5
Ending net position	**$246.2**	**$232.9**

Table 5 compares fiscal 2024 expenses and revenues with those of fiscal year 2023. Total expenses decreased by $0.5 million in fiscal 2024 due to a decrease in sewer service and supplies. Total program revenues decreased by $0.4 million primarily due to a decrease in capital grants and contributions. Total general revenue increased $4.5 million from interest earnings primarily due to positive market returns on investment as of June 30, 2024. 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)

	2024	2023
Total assets	$298.9	$287.6
Total liabilities	22.0	28.7
Total deferred inflow of resources	12.5	12.9
Total fund balances	264.4	246.0
Total revenues	159.0	148.6
Total expenditures	145.7	144.3
Total other financing sources	5.1	3.5

At June 30, 2024, the City governmental funds reported combined fund balances of $264.4 million, an increase of $18.4 million from last year. The fund balances of Housing Authority, Transit Area Impact Fee, and General Government increased $0.7 million, $5.0 million, and $1.3 million respectively, while the Street Improvement and Other Governmental Funds decreased $0.2 million and $0.2 million respectively. The General Fund increased $11.7 million due to net operating surplus.

Revenues at the fund level totaled $159.0 million, a net increase of $10.4 million. Revenues received in General Fund, Housing Authority, and Transit Area Impact Fee Funds increased $7.8 million, $0.2 million, and $3.4 million respectively while the Street Improvement and General Government Capital Projects Funds has a decrease of the fund balance in fiscal year 2024.

Expenditures net increased $1.4 million this year to $145.7 million from last year's $144.3 million. The expenditures of the Other Government Funds, Street Improvement Fund and Transit Area Impact Fee Fund decreased $2.7 million, $1.6 million, and $1.2 million respectively, while General Fund and General Government Capital projects fund increased $4.5 million and 2.8 million respectively.

Analyses of Major Governmental Funds

General Fund

General Fund revenues (excluding transfers) increased to $134.1 million this fiscal year, up $7.8 million from the prior fiscal year. Intergovernmental Revenues were increased by $4.6 million from $6.2 million in fiscal year 2023 to $10.8 million in fiscal year 2024 with recognition of American Rescue Plan Act (ARPA) deferred revenue. Use of money and property were increased by $3.2 million from $0.7 million in fiscal year 2023 to $3.9 million in fiscal year 2024.

General Fund expenditures (excluding transfers) increased to $122 million without encumbrance this fiscal year, up $4.5 million from the prior fiscal year. The increase is due primarily to anticipated increases in personnel cost and contractual services.

Total Other Financing Sources is ($0.4) million net in fiscal 2024. Net Other Financing Sources increased by $1.7 million compared to fiscal year 2023 Net Other Financing Sources of (2.1) million. Transfers out were approximately $8.6 million in fiscal year 2024, as compared to Transfers out of $9.3 million in fiscal 2023.

For the City's General Fund, actual revenues of $134.1 million were $0.7 million more than the final budgeted revenues of $133.4 million. Use of money and property and Property taxes exceeded budget by $3.5 million and $2.7 million respectively, primarily due to higher investment yield and property tax related to Educational Revenue Augmentation Fund (ERAF). The City's intergovernmental revenue variance between original and final budget is due to recognition of ARPA deferred revenue.

At the end of the year, actual General Fund expenditures were $124.3 million including encumbrance, $7.4 million less than the final budget of $131.7 million. The favorable variance was primarily due to expenditure savings generated from staff vacancies.

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 million in fiscal 2024, comprised of interest, rental income, and repayment of housing loans. Total expenditures were $0.2 million for administration, management one commercial property with eight tenants.

Street Improvement Capital Project

This Street Improvement Capital Project Fund accounts for the majority of the street capital projects activity in the City. The Fund's revenues were $2 million in fiscal 2024, a decrease of $0.8 million from fiscal 2023. Fund expenditures were $4.5 million in fiscal 2024, a decrease of $1.6 million from fiscal 2023, due to decrease in capital outlay. Net transfers were $2.3 million in fiscal 2024, an increase of $2.2 million from fiscal 2023 due to increase funding in street projects from the Gas Tax Special Revenue Fund.

Transit Area Impact Fee

The Transit Area Impact Fee Fund was established in fiscal 2009 to account for impact fees revenue collected from developers and related capital expenditures in the Transit Area. In fiscal 2024, fund revenues were $4.8 million, primarily from fees collected from developers. Expenditures were $0.1 million, primarily consisting of capital improvement projects. The Fund also transferred $0.3 million in fiscal year 2024 to the General Government Fund for Capital Improvement Program (CIP) 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 2024, CIP project expenditures totaled $12.2 million. The transfers in of $12 million were primarily from the General Fund, Gas Tax Fund, Water Utility Enterprise Fund and Park Improvement Fund. General Government Capital Projects funds also received funding from Public Art Fund, Transit Area Fund, Sewer Fund, Light & Landscape Maintenance Fund and Community Planning Fund in an amount of approximately $1 million. The transfers out of $0.6 million were to the General Fund and Gas Tax Special Revenue Fund.

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 constraints. Further details on fund balance classifications can be found in Note 12.

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)

	2024	2023
General Fund		
Nonspendable	$5.0	$4.9
Committed	16.5	17.0
Assigned	7.5	6.9
Unassigned	56.3	44.7
Total	$85.3	73.5
Housing Authority Fund		
Restricted	$40.8	$40.1
Street Improvement Fund		
Restricted	$4.8	$5.0
Transit Area Impact Fee Fund		
Restricted	$65.8	$60.8
General Government Project Fund		
Assigned	$27.5	$25.5
Restricted	$0.0	$0.7
	$27.5	**$26.2**

On June 30, 2024, the fund balance of the General Fund was $85.3 million. $5 million was classified as non-spendable, comprised of $0.8 million for prepaid materials and supplies, and $4.2 million of property held for resale. $16.5 million was classified as committed, comprised of $8 million for PERS Rate Stabilization, $1.9 million for Artificial turf replacement, $0.4 million for Technology replacement and $6.2 million for Facilities replacement. $7.5 million was classified as Assigned, comprised of $2.9 million for uninsured claims, $2.2 million for other assigned and $2.3 million for encumbrances. $56.3 million was classified as unassigned, comprised of $20.8 million of contingency reserve, $20.8 million of budget stabilization reserve, $1.5 million of future deficit reserve, $3.6 million in ERAF reserve, $0.7 million in Strategic Property Acquisition Revenue, $7.2 million in Community Investment Programs and $1.8 million of unassigned.

The fund balance of the General Government Capital Project Fund was $27.5 million, classified as assigned due to Council's reserve policy.

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 are restricted for specific purposes.

Analyses of Major Proprietary Funds

Total operating revenues of major proprietary funds increased $2 million from last year, while operating expenses increased $0.2 million. Total operating revenues and total operating expenses were $61.2 million and $46.1 million, respectively. Total non-operating revenues were $3.4 million in fiscal 2024, an increase of $5.2 million from the prior year. Capital contributions decreased by $2.3 million and net transfers out decreased by $0.8 million.

Water Utility

Water Utility Fund revenues were $36.1 million in fiscal 2024, an increase of $1.9 million from prior year. The increase in revenues was primarily due to a 6% rate increase. Expenses were $29.4 million in fiscal 2024, an increase of $2.1 million from prior year, primarily due to an increase in wholesale water purchase rate. Net position of the Water Utility Fund increased $5.3 million in the current year to a total of $104.9 million. The increase is comprised of $36.1 million of operating revenues and $29.4 million of operating expenses, which resulted in $6.7 million operating income before accounting for unrealized market loss and transfer out expenses. The Water Utility Fund also received $0.1 million of grants, $0.1 million of capital contributions, net of interest income of $2.1 million and transfers of ($3.6) million, resulting in an increase in net position of $5.3 million. The net increase has been allocated per policy to infrastructure funding, rate stabilization, pension reserve and emergency reserve.

The Water Utility Fund's Net Position includes $49.6 million invested in capital assets, $44.5 million in restricted net position, and $10.8 million in unrestricted net position allocated per Council policy.

Sewer Utility

Sewer Utility Fund revenues were $25.1 million in fiscal 2024, up $0.1 million from the prior year due to an increase in usage as businesses re-opened post-Pandemic. Expenses were $16.7 million in fiscal 2024, a decrease of $1.9 million from the prior year. Non-operating revenues and expenses in fiscal year 2024 consisted of $1.4 million interest income. There was $25.1 million of operating revenues for the current year, $16.7 million of operating expenses, which resulted in $8.4 million operating income before accounting for unrealized market loss and transfer out expenses. The Sewer Utility Fund also received $2.5 million in interest income, net of interest expense of $1.1 million, $0.1 million of capital contributions and net of transfers of ($1.9) million.

The Sewer Utility Fund's Net Position includes $85.4 million invested in capital assets, $39.1 million in restricted net position, and $16.8 million in unrestricted net position, totaling $141.3 million in fiscal year 2024, allocated per Council policy.

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 2024, 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)

	2024	2023
Governmental Activities:		
Land	$97.4	$97.4
Construction in progress	77.4	75.4
Buildings and improvements	173.4	173.4
Other improvements	39.7	40.0
Machinery and equipment	53.2	48.8
Landscape system	31.3	30.2
Storm system	75.6	75.6
Street system	335.4	328.3
Traffic system	22.2	21.2
Intangible Right-to-use subscription asset	0.8	0.7
Less accumulated depreciation	(518.9)	(504.7)
Totals	**$387.4**	**$386.3**
Business-type Activities:		
Land	$1.1	$1.1
Construction in progress	36.6	33.7
Distribution facilities	81.2	81.2
Water Service lines	18.4	18.4
Sewer lines	88.5	88.0
Capacity rights	126.6	120.9
Less accumulated depreciation	(165.5)	(158.7)
Totals	**$186.9**	**$184.6**

The primary additions in fiscal 2024 were due to land and street improvement projects.

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 an allocable portion of the cost of the asset is borne by all users. Additional information on depreciable lives and current year activities may be found in Note 8.

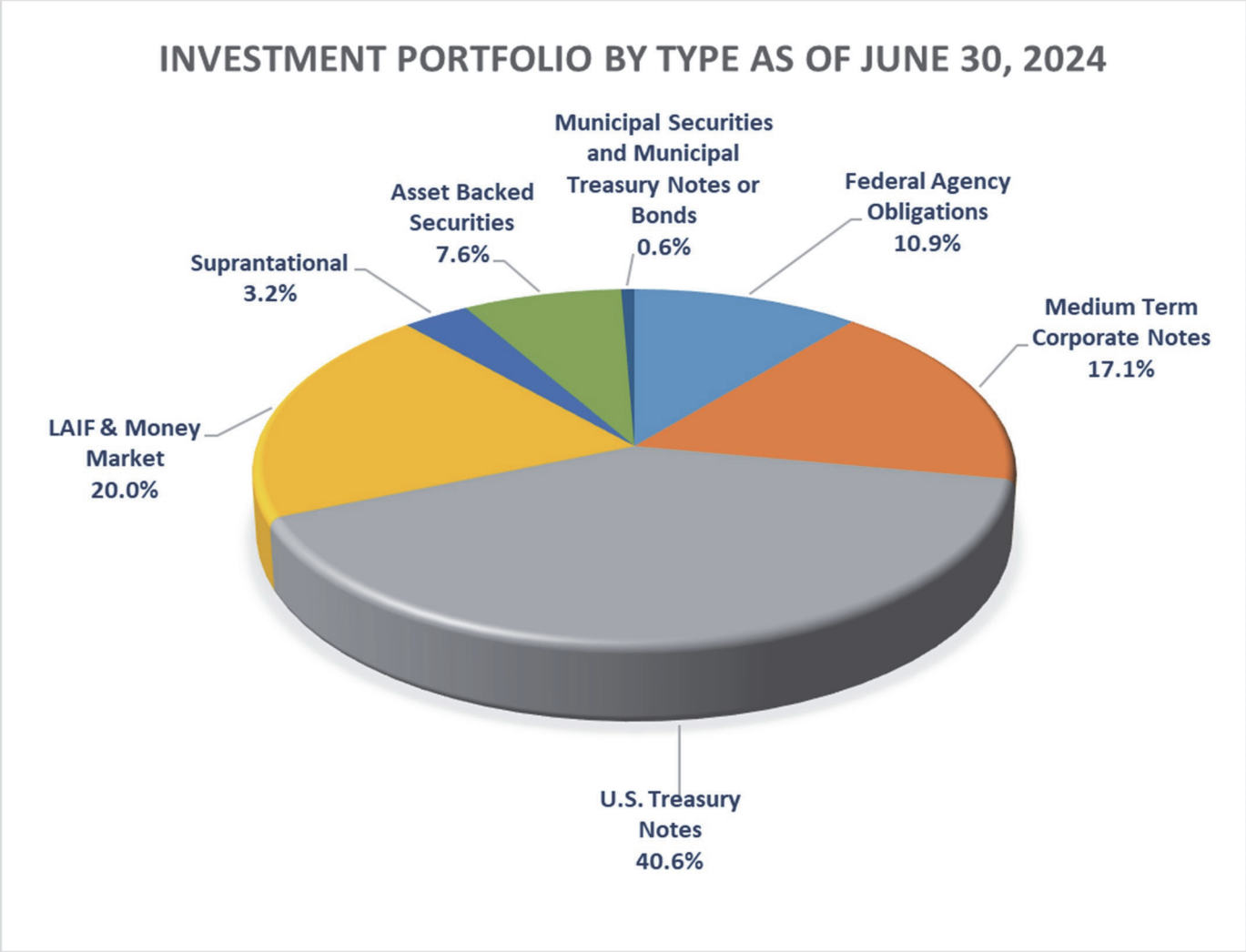
CASH AND INVESTMENTS

The City outsourced the management of the City's general investment pools to Chandler Asset Management effective June 1, 2020, and held in a custodial account with The Bank of New York. The City also established a Section 115 trust managed by PFM Asset Management. The managed portfolio consists of securities invested in accordance with respective City investment policies and California Government Code.

Total cash and investments increased $24 million from $370.4 million to $394.4 million. This increase was due to positive investment returns compared to the prior year's unrealized market loss. As the Federal Reserve continues to raise interest rates, the valuation of current City fixed income portfolio may decrease because they were purchased and locked in at a lower interest rate. However, this decrease in value is an unrealized market loss unless the City liquidates its investment holdings.

Total investment earnings for fiscal year 2024 was $3.5 million. The change in fair value for the portfolio for the fiscal year ending June 30, 2024 was an unrealized loss on investments of $1.9 million.

The following graphs depict the investment portfolio of $343.6 million cash and investments at June 30, 2024.



DEBT ADMINISTRATION

The City has issued debt in prior fiscal periods to finance several City CIP projects include Sewer infrastructure, Water infrastructure, energy improvement projects and the replacement of Fire Station No. 2.

In fiscal 2018, the City refunded the 2006 Sewer Bonds with the 2017 Wastewater Revenue Refunding Bonds to reduce all-in interest costs over the life of the bonds. The 2017 Bonds are supported by pledges of net revenues from the City sewer system. In fiscal 2020, the Milpitas Municipal Financing Authority issued Wastewater Revenue Bonds, Series 2019 in an amount of $29.8 million to fund certain improvements to the City wastewater system. The City also issued Water Revenue Bonds, Series 2019 in an amount of $17.1 million fund for Water system improvement projects.

In fiscal 2021, the Milpitas Municipal Financing Authority issued Lease Revenue Bonds in an amount of $18.4 million to finance a portion of the Fire Station No. 2 Replacement project and a variety of energy improvement projects. Each of the City debt issues are discussed in detail in Note 9 to the financial statements. At June 30, 2024, the City debt is comprised of:

Table 9
Outstanding Debt
(in Millions)

	Balance June 30, 2024	Balance June 30, 2023
Governmental Activity Debt:		
2020 General Fund Lease Revenue Bond		
4.0% due June 1, 2041	17.1	$17.7
Plus: Unamortized bond premium	3.0	3.1
Total Governmental-type Activity Debt	**$20.1**	**$20.8**
Business-type Activity Debt:		
Wastewater Revenue Refunding Bonds, 2017 Series		
2.0% - 5.0%, due November 1, 2026	1.8	2.3
Plus: Unamortized bond premium	0.2	0.3
Wastewater Revenue Bonds, 2019 Series		
4.0% - 5.0%, due November 1, 2049	27.9	28.4
Plus: Unamortized bond premium	4.6	4.8
Water Revenue, 2019 Series		
4.0% - 5.0%, due June 1, 2049	15.8	16.2
Plus: Unamortized bond premium	2.5	2.7
Total Business-type Activity Debt	**$52.8**	**$54.6**

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The economy of the City and its major initiatives for the coming year are discussed in the accompanying Transmittal Letter.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Annual Comprehensive Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this Report should be directed to the Finance Department, at 455 East Calaveras Boulevard, Milpitas, CA 95035-5479, email us at financecustomerservice@milpitas.gov or at the City's website at www.milpitas.gov.

Milpitas

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*.

Milpitas

CITY OF MILPITAS
STATEMENT OF NET POSITION
JUNE 30, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Terrace Gardens Inc. (As of December 31, 2023)
ASSETS				
Cash and investments available for operations (Note 3)	$276,444,226	$117,958,595	$394,402,821	$139,688
Restricted cash and investments (Note 3)	110,980	870,925	981,905	3,602,701
Receivables:				
Accounts	1,631,060	4,733,688	6,364,748	132,006
Due from other governments	11,293,598	211,114	11,504,712	
Interest	1,455,861	721,370	2,177,231	
Loans receivable (Note 5)	39,349,437		39,349,437	
Prepaids, materials, supplies and deposits (Note 1E)	1,883,815	268,626	2,152,441	20,968
Property held for resale (Note 6)	6,000,000		6,000,000	
Leases receivable (Note 10)	13,311,509		13,311,509	
Capital assets and capacity rights (Note 8):				
Land and construction in progress	174,796,340	37,733,469	212,529,809	1,565,277
Depreciable capital assets, net	212,624,855	149,206,677	361,831,532	5,032,097
Total assets	738,901,681	311,704,464	1,050,606,145	10,492,737
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions (Note 13D)	65,932,324	1,224,171	67,156,495	
Related to OPEB (Note 14E)	16,452,390	1,241,656	17,694,046	
Total deferred outflows of resources	82,384,714	2,465,827	84,850,541	
LIABILITIES				
Accounts payable	6,616,042	3,912,452	10,528,494	289,054
Accrued payroll	4,300,264	177,095	4,477,359	13,294
Accrued expenses				
Interest payable	57,267	281,404	338,671	
Refundable deposits	3,318,054	131,648	3,449,702	76,600
Unearned revenue	7,923,612	6,922	7,930,534	277
Uninsured claims payable (Note 15):				
Due within one year	1,748,408		1,748,408	
Due in more than one year	6,411,812		6,411,812	
Accrued vacation (Note 14F):				
Due within one year	2,958,364	427,236	3,385,600	20,267
Due in more than one year	4,241,542	55,538	4,297,080	
Sick leave payable (Note 14F):				
Due within one year	882,110		882,110	
Due in more than one year	461,483	108,026	569,509	
Subscription liability (Note 11):				
Due within one year	134,857		134,857	
Due in more than one year	278,269		278,269	
Net pension liabilities (Note 13C):				
Due in more than one year	254,944,296	4,854,175	259,798,471	
Net OPEB liability (Note 14C):				
Due in more than one year	14,429,678	1,636,440	16,066,118	
Total OPEB liability (Note 14D)				
Due in more than one year	29,299,537	2,542,125	31,841,662	
Long term debt (Note 9):				
Due within one year	570,000	1,460,000	2,030,000	
Due in more than one year	19,562,489	51,343,897	70,906,386	
Total liabilities	358,138,084	66,936,958	425,075,042	399,492
DEFERRED INFLOWS OF RESOURCES				
Related to leases (Note 10)	12,482,594		12,482,594	
Related to OPEB (Note 14E)	11,702,072	1,039,533	12,741,605	
Total deferred inflows of resources	24,184,666	1,039,533	25,224,199	
NET POSITION (Note 12)				
Net investment in capital assets and capacity rights	366,986,560	135,007,174	501,993,734	6,597,374
Restricted for:				
Capital projects	96,887,639	83,642,091	180,529,730	
Redevelopment and community development activities	53,182,542		53,182,542	
Pension expenses	36,369,174		36,369,174	
Other programs	1,578,175		1,578,175	
Total restricted net position	188,017,530	83,642,091	271,659,621	
Unrestricted	(116,040,445)	27,544,535	(88,495,910)	3,495,871
Total net position	$438,963,645	$246,193,800	$685,157,445	$10,093,245

See accompanying notes to financial statements

CITY OF MILPITAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities
Primary Government:						
Governmental Activities:						
General Government	$28,302,461	$1,299,172	$10,212,578		($16,790,711)	
Building, Safety and Housing	8,375,763	5,357,719	2,158,280	$846,793	(12,971)	
Recreation and Community Services	8,514,036	2,909,609	229,030		(5,375,397)	
Public Works	31,701,946	3,678,049	2,326,061	10,968,005	(14,729,831)	
Planning	2,544,694	565,817	645,546	455,025	(878,306)	
Police	46,096,478	1,513,176	5,853,486		(38,729,816)	
Fire	31,776,668	2,395,740	155,071		(29,225,857)	
Interest on long term debt	676,123				(676,123)	
Total Governmental Activities	157,988,169	17,719,282	21,580,052	12,269,823	(106,419,012)	
Business-type Activities:						
Water Utility	30,028,756	36,064,934	61,437	72,444		$6,170,059
Sewer Utility	17,839,076	25,109,874		101,232		7,372,030
Total Business-type Activities	47,867,832	61,174,808	61,437	173,676		13,542,089
Total Primary Government	$205,856,001	$78,894,090	$21,641,489	$12,443,499	(106,419,012)	13,542,089
Component Unit:						
Terrace Gardens Inc.	$2,521,341	$2,367,022	$173,641			
General revenues:						
Taxes:						
Property taxes					48,613,455	
Sales and use taxes					34,616,708	
Hotel/Motel taxes					11,537,075	
Other taxes					818,949	
Franchise fees, unrestricted					7,074,973	
Motor vehicle in-lieu, unrestricted					101,305	
Investment earnings					5,593,649	5,153,610
Miscellaneous					1,272,107	
Transfers (Note 4)					5,427,783	(5,427,783)
Total general revenues and transfers					115,056,004	(274,173)
Change in Net Position					8,636,992	13,267,916
Net position-Beginning					430,326,653	232,925,884
Net position-Ending					$438,963,645	$246,193,800

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Position	
Primary Government	Component Unit
Total	Terrace Gardens Inc. (year ended December 31, 2023)
($16,790,711)	
(12,971)	
(5,375,397)	
(14,729,831)	
(878,306)	
(38,729,816)	
(29,225,857)	
(676,123)	
(106,419,012)	
6,170,059	
7,372,030	
13,542,089	
(92,876,923)	
	$19,322
48,613,455	
34,616,708	
11,537,075	
818,949	
7,074,973	
101,305	
10,747,259	67,082
1,272,107	
114,781,831	67,082
21,904,908	86,404
663,252,537	10,006,841
$685,157,445	$10,093,245

Milpitas

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.

Milpitas

Milpitas

CITY OF MILPITAS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2024

	General	Housing Authority	Street Improvement	Transit Area Impact Fee
ASSETS				
Cash and investments available for operations (Note 3)	$84,403,475	$2,907,545	$5,123,029	$63,872,981
Restricted cash and investments (Note 3)	110,976			
Receivables:				
Accounts	1,625,374			
Due from other governments	7,825,577		51,987	1,655,688
Interest	538,808	17,838	32,631	385,592
Loans receivable, net (Note 5)		36,105,581		
Prepaids, materials, supplies and deposits (Note 1E)	770,086			
Property held for resale (Note 6)	4,200,000	1,800,000		
Leases receivable (Note 10)	13,311,509			
Total Assets	$112,785,805	$40,830,964	$5,207,647	$65,914,261
LIABILITIES				
Accounts payable	$2,038,061	$1,150	$447,266	$126,721
Accrued payroll	4,155,989		3,601	8,878
Refundable deposits	3,288,083	11,100		
Unearned revenue	5,571,018			
Total Liabilities	15,053,151	12,250	450,867	135,599
DEFERRED INFLOWS OF RESOURCES				
Leases related (Note 10)	12,482,594			
Total Deferred Inflows of Resources	12,482,594			
FUND BALANCES				
Fund balances (Note 12):				
Nonspendable	4,970,086			
Restricted		40,818,714	4,756,780	65,778,662
Committed	16,495,185			
Assigned	7,478,213			
Unassigned	56,306,576			
TOTAL FUND BALANCES	85,250,060	40,818,714	4,756,780	65,778,662
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$112,785,805	$40,830,964	$5,207,647	$65,914,261

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:
- Long-term debt
- Subscription liability
- Net pension liability and pension-related deferred outflows/inflows of resources
- OPEB liability and 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
$30,324,764	$38,428,121	$225,059,915
4		110,980
5,686		1,631,060
323,989	1,436,357	11,293,598
151,199	238,284	1,364,352
	3,243,856	39,349,437
	31,887	801,973
		6,000,000
		13,311,509
$30,805,642	$43,378,505	$298,922,824
$3,247,221	$630,681	$6,491,100
23,962	82,171	4,274,601
	18,859	3,318,042
	2,352,594	7,923,612
3,271,183	3,084,305	22,007,355
		12,482,594
		12,482,594
	31,887	5,001,973
4	39,274,566	150,628,726
		16,495,185
27,534,455	987,747	36,000,415
		56,306,576
27,534,459	40,294,200	264,432,875
$30,805,642	$43,378,505	
		376,801,378
		62,954,846
		(20,189,756)
		(413,126)
		(189,011,972)
		(38,978,897)
		(8,471,483)
		(8,160,220)
		$438,963,645

CITY OF MILPITAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024

	General	Housing Authority	Street Improvement	Transit Area Impact Fee
REVENUES				
Property taxes	$48,723,543			
Sales taxes	35,836,135			
Hotel /Motel taxes	11,529,102			
Franchise fees	6,185,057			
Other taxes	1,151,731			
Licenses and fines	7,662,528			
Use of money and property	3,880,404	$964,611	$96,614	$2,743,560
Intergovernmental	10,797,611		1,860,309	
Charges for services	7,146,777			
Developer contributions				2,093,717
Other	1,196,944			
Total Revenues	134,109,832	964,611	1,956,923	4,837,277
EXPENDITURES				
Current:				
General Government	23,320,703	222,365		2,736
Building, Safety and Housing	7,004,089			
Recreation and Community Services	6,950,182			
Public Works	14,123,213			1,958
Planning	1,917,232			
Police	38,870,164			
Fire	28,401,218			
Capital outlay			4,528,215	127,225
Debt service:				
Principal	652,441			
Interest and fees	719,091			
Total Expenditures	121,958,333	222,365	4,528,215	131,919
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,151,499	742,246	(2,571,292)	4,705,358
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	4,743			
Transfers in (Note 4A)	8,148,456		2,972,428	578,227
Transfers (out) (Note 4A)	(8,557,651)		(645,112)	(324,000)
Total Other Financing Sources (Uses)	(404,452)		2,327,316	254,227
NET CHANGE IN FUND BALANCES	11,747,047	742,246	(243,976)	4,959,585
Fund balances at beginning of year	73,503,013	40,076,468	5,000,756	60,819,077
FUND BALANCES AT END OF YEAR	$85,250,060	$40,818,714	$4,756,780	$65,778,662

See accompanying notes to financial statements

General Government Capital Projects	Other Governmental Funds	Total Governmental Funds
		$48,723,543
		35,836,135
		11,529,102
	$889,916	7,074,973
	5,989,299	7,141,030
		7,662,528
$1,102,875	1,148,898	9,936,962
976,344	6,444,436	20,078,700
48,322	223,040	7,418,139
	194,206	2,287,923
	117,674	1,314,618
2,127,541	15,007,469	159,003,653
	1,665,815	25,211,619
	596,684	7,600,773
	16,735	6,966,917
	2,852,065	16,977,236
	377,739	2,294,971
	402,617	39,272,781
		28,401,218
12,172,292	809,940	17,637,672
		652,441
		719,091
12,172,292	6,721,595	145,734,719
(10,044,751)	8,285,874	13,268,934
		4,743
12,010,869	730,702	24,440,682
(587,030)	(9,199,106)	(19,312,899)
11,423,839	(8,468,404)	5,132,526
1,379,088	(182,530)	18,401,460
26,155,371	40,476,730	246,031,415
$27,534,459	$40,294,200	$264,432,875

CITY OF MILPITAS
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES

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	$18,401,460
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
The capital expenditures are therefore added back to fund balance (Internal service fund additions of $2,139,230 have already been added to capital assets)	12,195,343
Retirements of capital assets are deducted from fund balance (Internal service fund retirements of $365,582 have already been deducted from capital assets)	(4,743)
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of $1,289,220 which has already been allocated to serviced funds.)"	(13,215,435)
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.	
repayment of debt principal and SBITA liabilities are added back to fund balance	693,676
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	1,733
Non-current portion of accrued vacation and sick leave	(889,476)
Non-current portion of uninsured claims payable	(1,807,475)
Subscription liability	151,052
Net pension liabilities and pension-related deferred outflows/inflows of resources	(14,088,940)
Net OPEB liabilities and OPEB-related deferred outflows/inflows of resources	(35,170)
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	7,234,967
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$8,636,992

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)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Budget Final Positive (Negative)
	Original	Final		
Revenues				
Property taxes	$46,023,851	$46,023,851	$48,723,543	$2,699,692
Sales taxes	35,868,560	36,168,560	35,836,135	(332,425)
Hotel /Motel taxes	11,811,236	11,811,236	11,529,102	(282,134)
Franchise fees	5,811,868	5,811,868	6,185,057	373,189
Other taxes	1,088,586	1,088,586	1,151,731	63,145
Licenses and fines	8,662,020	9,162,020	7,662,528	(1,499,492)
Use of money and property	414,000	414,000	3,880,404	3,466,404
Intergovernmental	820,572	14,645,047	10,797,611	(3,847,436)
Charges for services	8,111,025	7,917,130	7,146,777	(770,353)
Other	389,525	389,525	1,196,944	807,419
Total Revenues	119,001,243	133,431,823	134,109,832	678,009
Expenditures				
Current:				
General Government:				
City Manager	4,703,815	4,785,069	4,168,932	616,137
City Attorney	1,189,895	1,224,505	1,120,312	104,193
Finance	4,926,443	4,979,345	4,679,388	299,957
Human Resources	2,017,207	2,032,773	1,862,126	170,647
Information Services	4,911,128	4,734,730	4,468,114	266,616
Non-departmental	6,543,743	10,525,501	8,343,779	2,181,722
Building, Safety and Housing	6,385,627	7,155,071	7,073,647	81,424
Recreation and Community Services	6,775,931	7,046,882	7,044,471	2,411
Public Works	15,076,150	14,592,570	14,527,817	64,753
Planning	2,024,149	2,142,420	1,964,114	178,306
Police	41,213,199	41,088,494	39,080,138	2,008,356
Fire	29,293,563	30,134,892	28,594,214	1,540,678
Debt service:				
Principal	520,000	520,000	652,441	(132,441)
Interest	708,000	708,000	719,091	(11,091)
Total Expenditures	126,288,850	131,670,252	124,298,584	7,371,668
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(7,287,607)	1,761,571	9,811,248	8,049,677
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property			4,743	4,743
Proceeds from issuance of long term debt				
Transfers in	8,148,456	8,148,456	8,148,456	
Transfers (out)	(3,243,817)	(8,557,651)	(8,557,651)	
Total Other Financing Sources (Uses)	4,904,639	(409,195)	(404,452)	4,743
NET CHANGE IN FUND BALANCE	($2,382,968)	$1,352,376	9,406,796	$8,054,420
Adjustments to budgetary basis:				
Encumbrance expenditures			2,340,251	
Fund balance at beginning of year			73,503,013	
FUND BALANCE AT END OF YEAR			$85,250,060	

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)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Budget Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	$165,658	$165,658	$964,611	$798,953
Total Revenues	165,658	165,658	964,611	798,953
Expenditures				
Current:				
General Government:				
City Attorney	8,000	8,000		8,000
Non-departmental	423,639	431,898	222,365	209,533
Total Expenditures	431,639	439,898	222,365	217,533
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property				
NET CHANGE IN FUND BALANCE	($265,981)	($274,240)	742,246	$1,016,486
Fund balances at beginning of year			40,076,468	
FUND BALANCE AT END OF YEAR			$40,818,714	

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.

Milpitas

CITY OF MILPITAS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2024

	Business-type Activities-Enterprise Funds			Governmental Activities-Internal Service Funds
	Water Utility	Sewer Utility	Totals	
ASSETS				
Current Assets				
Cash and investments available for operations (Note 3)	$60,206,518	$57,752,077	$117,958,595	$51,384,311
Restricted cash and investments (Note 3)	793,259	77,666	870,925	
Receivables:				
Accounts	2,718,283	2,015,405	4,733,688	
Due from other governments	163,960	47,154	211,114	
Interest	367,886	353,484	721,370	91,509
Prepaids, materials, supplies and deposits (Note 1E)	244,064	24,562	268,626	1,081,842
Total current assets	64,493,970	60,270,348	124,764,318	52,557,662
Noncurrent assets:				
Capital assets and capacity rights (Note 8):				
Land and construction in progress	34,917,989	2,815,480	37,733,469	
Depreciable capital assets, net	32,273,924	116,932,753	149,206,677	10,619,817
Total noncurrent assets	67,191,913	119,748,233	186,940,146	10,619,817
Total assets	131,685,883	180,018,581	311,704,464	63,177,479
DEFERRED OUTFLOWS OF RESOURCES				
Related to pensions (Note 13D)	697,420	526,751	1,224,171	
Related to OPEB (Note 14E)	695,559	546,097	1,241,656	
Total deferred outflows of resources	1,392,979	1,072,848	2,465,827	
LIABILITIES				
Current liabilities:				
Accounts payable	3,696,867	215,585	3,912,452	124,942
Accrued payroll	106,624	70,471	177,095	25,663
Interest payable	58,871	222,533	281,404	
Refundable deposits	131,648		131,648	12
Unearned revenue	3,461	3,461	6,922	
Accrued vacation (Note 14F)	213,618	213,618	427,236	49,472
Sick leave payable (Note 14F)				
Revenue Bonds (Note 9)	340,000	1,120,000	1,460,000	
Total current liabilities	4,551,089	1,845,668	6,396,757	200,089
Non-current liabilities:				
Accrued vacation (Note 14F)	27,568	27,970	55,538	15,047
Sick leave payable (Note 13F)	54,756	53,270	108,026	7,497
Net pension liabilities (Note 13C)	2,765,461	2,088,714	4,854,175	
Net OPEB liability (Note 14C)	822,664	813,776	1,636,440	
Total OPEB liability (Note 14D)	1,365,381	1,176,744	2,542,125	
Revenue Bonds (Note 9)	18,036,777	33,307,120	51,343,897	
Total non-current liabilities	23,072,607	37,467,594	60,540,201	22,544
Total liabilities	27,623,696	39,313,262	66,936,958	222,633
DEFERRED INFLOWS OF RESOURCES				
Related to OPEB (Note 14E)	558,945	480,588	1,039,533	
Total deferred inflows of resources	558,945	480,588	1,039,533	
NET POSITION (Note 12)				
Net investment in capital assets and capacity rights	49,608,395	85,398,779	135,007,174	10,619,817
Restricted for capital projects	44,502,395	39,139,696	83,642,091	
Restricted for pension expenses				36,369,174
Unrestricted	10,785,431	16,759,104	27,544,535	15,965,855
Total net position	$104,896,221	$141,297,579	$246,193,800	$62,954,846

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, 2024

	Business-type Activities-Enterprise Funds			Governmental Activities-Internal Service Funds
	Water Utility	Sewer Utility	Totals	
OPERATING REVENUES				
Charges for services	$35,658,335	$24,744,543	$60,402,878	$4,032,465
Other operating revenue	406,599	365,331	771,930	2,911,073
Total Operating Revenues	36,064,934	25,109,874	61,174,808	6,943,538
OPERATING EXPENSES				
Purchased water	20,713,649		20,713,649	
Sewer treatment services		6,558,317	6,558,317	
Personnel services	4,187,335	2,951,169	7,138,504	1,164,806
Services and supplies	2,772,169	1,923,249	4,695,418	738,639
Depreciation	1,579,352	5,276,562	6,855,914	1,289,220
Repairs and maintenance	118,888	15,721	134,609	157,489
Total Operating Expenses	29,371,393	16,725,018	46,096,411	3,350,154
Operating Income (Loss)	6,693,541	8,384,856	15,078,397	3,593,384
NONOPERATING REVENUES (EXPENSES)				
Interest income(loss)	2,682,505	2,471,105	5,153,610	1,694,802
Interest expense	(657,363)	(1,114,058)	(1,771,421)	
Subventions and grants	61,437		61,437	27,200
Total Nonoperating Revenues (Expenses)	2,086,579	1,357,047	3,443,626	1,722,002
Income (Loss) Before Contributions and Transfers	8,780,120	9,741,903	18,522,023	5,315,386
Capital contributions				1,619,581
Capital contributions - connection fees	72,444	101,232	173,676	
Transfers in (Note 4A)				300,000
Transfers (out) (Note 4A)	(3,576,468)	(1,851,315)	(5,427,783)	
Change in net position	5,276,096	7,991,820	13,267,916	7,234,967
Net position-beginning	99,620,125	133,305,759	232,925,884	55,719,879
Net position-ending	$104,896,221	$141,297,579	$246,193,800	$62,954,846

See accompanying notes to financial statements

CITY OF MILPITAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

	Business-type Activities-Enterprise Funds			Governmental Activities-Internal Service Funds
	Water Utility	Sewer Utility	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$35,615,025	$24,966,868	$60,581,893	$6,943,538
Payments to suppliers	(22,861,112)	(10,285,541)	(33,146,653)	(1,382,383)
Payments to employees for salaries and benefits	(4,145,559)	(2,642,434)	(6,787,993)	(1,297,733)
Net cash provided by operating activities	8,608,354	12,038,893	20,647,247	4,263,422
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Subventions and grants	61,437		61,437	
Transfers in				300,000
Transfers (out)	(3,576,468)	(1,851,315)	(5,427,783)	
Cash Flows from Noncapital Financing Activities	(3,515,031)	(1,851,315)	(5,366,346)	300,000
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Principal paid on long-term debt	(325,000)	(1,070,000)	(1,395,000)	
Interest paid	(821,521)	(1,615,988)	(2,437,509)	
Receipts from grants and subventions				27,200
Acquisition of capital assets	(2,873,354)	(6,351,314)	(9,224,668)	(1,808,869)
Capital contributions - connection fees	72,444	101,232	173,676	
Cash Flows from Capital and Related Financing Activities	(3,947,431)	(8,936,070)	(12,883,501)	(1,781,669)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	2,557,738	2,350,710	4,908,448	1,663,718
Cash Flows from Investing Activities	2,557,738	2,350,710	4,908,448	1,663,718
Net increase (decrease) in cash and cash equivalents	3,703,630	3,602,218	7,305,848	4,445,471
Cash and investments at beginning of period	57,296,147	54,227,525	111,523,672	46,938,840
Cash and investments at end of period	$60,999,777	$57,829,743	$118,829,520	$51,384,311
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	$6,693,541	$8,384,856	$15,078,397	$3,593,384
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	1,579,352	5,276,562	6,855,914	1,289,220
Change in assets and liabilities:				
Receivables, net	(450,190)	(143,006)	(593,196)	
Materials, supplies and deposits	(32,047)	(1,519)	(33,566)	(490,725)
Accrued payroll	(46,136)	(18,150)	(64,286)	
Accounts and other payables	719,253	(1,717,265)	(998,012)	(128,457)
Due to retirement system	143,231	256,407	399,638	
Due to OPEB	1,350	1,008	2,358	
Net cash provided by operating activities	$8,608,354	$12,038,893	$20,647,247	$4,263,422
NONCASH TRANSACTIONS:				
Contributions and transfers of capital assets				$1,619,581

See accompanying notes to financial statements

Milpitas

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.

Milpitas

CITY OF MILPITAS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2024

	Successor Agency to the Milpitas Redevelopment Agency Private-purpose Trust Fund
ASSETS	
Cash and investments (Note 3)	$17,311,541
Restricted cash and investments (Note 3)	708
Total Assets	17,312,249
LIABILITIES	
Accounts payable	7,077
Interest payable	1,074,250
Long-term obligations (Note 17C):	
Due in one year	8,595,000
Due in more than one year	66,181,670
Total Liabilities	75,857,997
NET POSITION (DEFICIT)	
Held in trust for other governments	($58,545,748)

See accompanying notes to financial statements

CITY OF MILPITAS
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

	Successor Agency to the Milpitas Redevelopment Agency Private-purpose Trust Fund
Additions:	
Property taxes	$16,632,252
Use of money and property	472,342
Total additions	17,104,594
Deductions:	
General and administrative	2,018,767
Debt service:	
Interest and fees	759,330
Total deductions	2,778,097
Net change in net position	14,326,497
Net position (deficit) - beginning	(72,872,245)
Net position (deficit) - ending	($58,545,748)

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

Milpitas

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Milpitas was incorporated as a general law city on January 26, 1954. The City operates under the Council-Manager form of government and provides the following services: public safety; fire and building inspection; engineering; public works; water; sewer; sanitation; recreation services; building and safety; planning and zoning; general administration services and economic development.

The financial statements and accounting policies of the City conform with generally accepted accounting principles applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

A. Reporting Entity

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, *blended* component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. Each discretely presented component unit, on the other hand, is reported in a separate column in the basic financial statements to emphasize it is legally separate from the government.

PRIMARY GOVERNMENT

The financial statements of the primary government of the City of Milpitas include the activities of the City as well as the Milpitas Public Financing Authority, the Milpitas Economic Development Corporation, the City of Milpitas Housing Authority and the Milpitas Municipal Financing Authority, all of which are controlled by and dependent on the City. While these are separate legal entities, their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed "blended") with those of the primary government of the City in the accompanying financial statements.

Blended Component Units

The Milpitas Public Financing Authority is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital improvements within the City. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the Sewer Utility Enterprise Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Milpitas Economic Development Corporation, (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 17, 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 housing City low and moderate income residents. The Housing Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Housing Authority. The Financial activities of the Housing Authority are included in the Housing Authority Special Revenue Fund.

The Milpitas Municipal Financing Authority, formed in March 2016, is a separate government entity whose purpose is to assist with the financing and refinancing of public programs, projects and capital improvements for the benefit of the City and the Housing Authority. The Municipal Financing Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Municipal Financing Authority is controlled by the City and the Housing Authority and has the same governing body as the City, which also performs all accounting and administrative functions for the Municipal Financing Authority. The Financial activities of the Municipal Financing Authority are included in the General Government Capital Projects Fund.

Separate financial statements are not issued for the Milpitas Public Financing Authority, Milpitas Economic Development Corporation, City of Milpitas Housing Authority and 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 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, 2023, are discretely presented in the Terrace Gardens Inc. Component Unit column of the Statement of Net Position and the Statement of Activities.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The City also reports the following fund types:

Internal Service Funds – The Equipment Management Internal Service Fund is used to finance and account for the replacement of equipment used by City departments and the maintenance of the online permit development system on a cost reimbursement basis. The Pension Section 115 Internal Service Fund is used to accumulate funds to pay down the City CalPERS Unfunded Accrued Liability.

Fiduciary Funds – Trust funds account for assets held by the City as an agent for various functions. The Successor Agency to the Milpitas Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. This fund accounts for winding down the affairs of the former Milpitas Redevelopment Agency and makes payments on the Enforceable Obligation Schedule and disposes of assets and property of the former Redevelopment Agency for the benefit of taxing agencies. The financial activities of this fund are excluded from the City-wide financial statements but is presented in separate Fiduciary Fund financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, including lease liabilities, 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, including entering into contracts giving the City the right to use leased assets, are reported as *expenditures* in governmental funds. Proceeds of general long-term debt, financing through leases and acquisitions under 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 assets 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 assets 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. In the government-wide financial statements the City reports deferred amounts related to leases and deferred amounts related to pension and OPEB.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

K. Subscription-Based Information Technology Arrangements (SBITAs) Accounting

A Subscription-Based Information Technology Arrangement (SBITA) is a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

At the commencement of a SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the contract term. Subsequently, the subscription liability is reduced by the principal portion of payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over shorter of the subscription term or the useful life of the underlying IT assets. The City recognizes SBITA liabilities with an initial, individual value of $500,000 or more for all funds, except for Capital Project Funds which the threshold is set lower at $300,000, based on the future SBITA payments remaining at the start of the contract.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments as follows:

- The City uses the interest rate charged by the IT vendor as the discount rate. When the interest rate charged by the IT vendor is not provided, the City uses its estimated incremental borrowing rate as the discount rate for subscription liabilities.

- The subscription term includes the noncancellable period of the subscription.

- Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with liabilities on the statement of net position.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

A. Budgets and Budgetary Accounting

The City adopts an annual operating budget on or before June 30 of the previous fiscal year, except for the General Government Projects, the Street Improvement, the Park Improvement and Storm Drain Capital Projects Funds which are budgeted on a project basis. The operating budget takes the form of a one-year financial plan which is adopted in its entirety by the City Council by resolution. As 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 to provide flexibility to meet changing needs and conditions. The City Manager's budget control remains at the level of department and/or project within any one fund. The City Manager may approve supplemental appropriations in the General Fund providing the total increase does not exceed 1% of the original total General Fund expenditure budget subject to the following: All additional appropriations that require the use of reserves must be approved by City Council. Expenditures cannot exceed the appropriated budget at the department level within each fund without City Council approval.

The City Manager is authorized to amend appropriations within the various departments and projects within a fund, provided that the amount of the amended appropriation is $100,000 or less. Interfund transfers or transfers of an appropriation amount within a fund in which any single instance exceeds $100,000 require prior approval of the City Council.

Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were amended.

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING (Continued)

B. Adjustments to GAAP Basis from Budgetary Basis

The City Manager budget control remains at the level of department and/or project within any one fund. The City Manager has discretion over an unanticipated reserve (approximately 1% of the General Fund operating budget), adopted by Council during the budget process. 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 the amount of the amended appropriation is $100,000 or less and does not affect the overall appropriations of a fund. Interfund transfers or transfers of an appropriation amount within a fund in which any single instance exceeds $100,000 require prior approval of the City Council.

NOTE 3 – CASH AND INVESTMENTS

The City pools cash from all sources and all funds except Cash and Investments held by Trustees, so that it can be invested at the maximum yield consistent with safety and liquidity, while individual funds can make expenditures at any time.

A. Policies

The City invests in individual investments, money market mutual funds, and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. To increase security, the City employs the Trust and Custody Department of a bank as the custodian of certain City managed investments, regardless of their form.

California Law requires banks and savings and loan institutions to pledge government securities with a fair value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a fair 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 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 their use is restricted under the terms of City debt instruments or other agreements.

Cash and investments available for operations	$394,402,821
Restricted Cash and Investments	981,905
Total Primary Government cash and investments	395,384,726
Cash and investments available for operations	139,688
Restricted Cash	3,602,701
Total Component Unit cash and investments	3,742,389
Cash and investments in Fiduciary Funds (separate statement)	17,311,541
Restricted Cash and Investments in Fiduciary Funds (separate account)	708
Total Fiduciary cash and investments	17,312,249
Total cash and investments	$416,439,364

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.

NOTE 3 – CASH AND INVESTMENTS (Continued)

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

The California Government Code and the City's Investment Policy, adopted in August 2023 and updated on an annual basis, and the California allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code or the City's Investment Policy where it is more restrictive:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality*	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U. S. Treasury Bonds, Notes and Bills	5 Years		100%	No Limit
Federal Agency Obligations	5 Years		100%	30%
Bankers Acceptances	180 Days		40%	5%
Commercial Paper – Pooled Funds	270 Days	A	40%	(A)
Commercial Paper – Non-Pooled Funds	270 Days	A	25%	(A)
Negotiable Certificates of Deposit	5 Years		30%	5%
Repurchase Agreements	1 Year		100%	No Limit
Time Certificates of Deposit – Banks or Savings and Loans (Non- negotiable)	5 Years		100%	No Limit
Medium-Term Corporate Notes	5 Years	A	30%	5%
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand		100%	No Limit
Money Market Funds of Government Securities	Upon Demand	Top Rating Category	20%	10%
Municipal Securities and Municipal Treasury Notes or Bonds	5 Years	A	30%	5%
Mortgage Pass-Through and Asset Backed Securities	5 Years	AA	20%	5%
Collateralized Bank Deposits	Upon Demand		100%	No Limit
Supranational Securities	5 Years	AA	30%	10%

(A) Eligible Commercial Paper may not represent more than 5% of outstanding paper of an issuing corporation.

*At time of purchase

NOTE 3 – CASH AND INVESTMENTS (Continued)

D. Investments Authorized by Debt Agreements and Trust Agreements

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality*	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U. S. Treasury Bonds, Notes and Bills	5 Years		100%	No Limit
Federal Agency Obligations	5 Years		100%	30%
Time Certificates of Deposit – Banks or Savings and Loans	5 Years		100%	No Limit
Bankers Acceptances	180 Days	A	20%	5%
Commercial Paper – Pooled Funds	270 Days	A	40%	(A)
Commercial Paper – Non-Pooled Funds	270 Days	A	25%	(A)
Negotiable Certificates of Deposit	5 Years		30%	No Limit
Repurchase Agreements	1 Year		100%	No Limit
Medium-Term Corporate Notes	5 Years	AA	30%	5%
State of California Local Agency Investment Fund (LAIF Pool)	Upon Demand		No Limit	No Limit
Money Market and Mutual Funds	Upon Demand	Aaa/AAm	20%	10%

(A) The combined total of commercial paper may not represent more than 10% of the outstanding paper and notes of an issuing corporation.

*At time of purchase

During the fiscal year ended June 30, 2022, the City also implemented investment guidelines for its Section 115 Pension Trust, which authorize investments in a diversified portfolio, including equities and mutual funds, to achieve a 3% to 6% investment earnings goal during the next 5 to 10 years.

E. Investments Authorized for Terrace Gardens Inc.

Terrace Gardens, Inc. investments conform with the California Government Code.

NOTE 3 – CASH AND INVESTMENTS (Continued)

F. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City generally manages its interest rate risk by holding investments to maturity.

Information about the sensitivity of the fair values of the City's investments (including investments held by trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity or earliest call date:

Investment Type	12 Months or less	13 to 36 Months	36 to 60 Months	Total	Percentage of Portfolio
City and Successor Agency:					
Federal Agency Obligations	$14,112,137	$16,773,949	$6,472,621	$37,358,707	8.97%
Medium-Term Corporate Notes	9,225,075	21,955,200	27,572,841	58,753,116	14.11%
U.S. Treasury Notes	35,273,287	40,852,598	63,304,170	139,430,055	33.48%
California Local Agency Investment Fund	68,021,905			68,021,905	16.33%
Supranationals			11,060,956	11,060,956	2.66%
Mutual Funds (U.S. Securities)	666,072			666,072	0.16%
Asset Backed Securities	2,086,963	9,579,384	14,473,360	26,139,707	6.28%
Municipal Securities and Municipal Treasury Notes or Bonds			2,132,478	2,132,478	0.51%
Terrace Gardens, Inc.:					
Nonnegotiable Certificates of Deposit	3,288,218			3,288,218	0.79%
Total Investments	$132,673,657	$89,161,131	$125,016,426	346,851,214	
Demand Deposits - City of Milpitas				69,133,979	16.60%
Demand Deposits - Terrace Gardens				454,171	0.11%
Total Cash and Investments				$416,439,364	100.00%

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Each regular LAIF account is permitted to have up to 15 transactions per month, with a minimum transaction amount of $5,000, no maximum transaction amount, and at least 24 hours advance notice for withdrawals of $10 million or more. Bond proceeds accounts are subject to a one-time deposit with no cap and are set up with a monthly draw down schedule. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2024 these investments matured in an average of 217 days.

Mutual funds are available for withdrawal on demand and at June 30, 2024 matured in an average of 44 days.

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, 2024 for each of the Primary Government's investment types as provided by Standard and Poor's investment rating system:

Investment Type	AAA/AAAm	AA+/AA/AA-	A+/A/A-	BBB+/BBB	Total
Federal Agency Obligations		$37,358,707			$37,358,707
Medium-Term Corporate Notes		14,013,611	$43,776,426	$963,079	58,753,116
Asset Backed Securities	$20,526,845				20,526,845
Supranational	11,060,956				11,060,956
Mutual Funds (U.S. Securities)	666,072				666,072
Municipal Securities and Municipal Treasury Notes or Bonds		2,132,478			2,132,478
Totals	$32,253,873	$53,504,796	$43,776,426	$963,079	$130,498,174
Not rated:					
California Local Agency Investment Fund				$68,021,905	$68,021,905
Asset Backed Securities				5,612,861	5,612,861
Terrace Gardens, Inc.:					
Nonnegotiable Certificates of Deposit					3,288,218
Exempt from credit rate disclosure:					
U.S. Treasury Notes				139,430,055	139,430,055
Total Investments				$213,064,821	$346,851,213

Terrace Gardens, Inc. invests only in Nonnegotiable Certificates of Deposit. At December 31, 2023, all of Terrace Gardens' Nonnegotiable Certificates of Deposit totaling $3,288,218 were fully insured by Federal Deposit Insurance.

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, 2024:

	Level 2	Total
Investments by Fair Value Level:		
Federal Agency Obligations	$37,358,707	$37,358,707
Medium-Term Corporate Notes	58,753,116	58,753,116
U.S. Treasury Notes	139,430,055	139,430,055
Supranational	11,060,956	11,060,956
Asset Backed Securites	26,139,707	26,139,707
Municipal Securities and Municipal Treasury Notes or Bonds	2,132,478	2,132,478
Subtotal	$272,742,541	274,875,019
Investments Measured at Amortized Cost:		
Mutual Funds (U.S. Securities)		666,072
Investments Measured at Cost:		
Terrace Gardens, Inc.		
Nonnegotiable Certificates of Deposit		3,288,218
Investments Exempt from Fair Value Hierarchy:		
California Local Agency Investment Fund		68,021,905
Total Investments		$346,851,214

Federal Agency Obligations totaling $37.4 million, Medium Term Corporate Notes of $58.8 million, U.S. Treasury Notes totaling $139.4 million, Supranational totaling $11.1 million, and Asset Backed Securities of $26.1 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.

NOTE 3 – CASH AND INVESTMENTS (Continued)

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, 2024:

Issuer	Investment Type	Amount
Federal National Mortgage Association	Federal Agency Obligations	$15,858,854
Federal Home Loan Mortgage Corporation	Federal Agency Obligations	7,069,824
Federal Home Loan Bank	Federal Agency Obligations	11,550,848

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 is to move resources from one fund to another. Less often, a transfer may be made to open or close a fund.

Transfers between funds during the fiscal year ended June 30, 2024 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred	
Governmental Funds:			
General Fund	General Government Capital Projects Fund	$467,030	(A), (C)
General Fund	Community Facilities District Special Revenue Fund	3,172,000	(A)
General Fund	Solid Waste Reduction and Services Special Revenue Fund	136,505	(A)
General Fund	Water Utility Enterprise Fund	2,869,298	(A)
General Fund	Sewer Utility Enterprise Fund	1,503,623	(A)
Street Improvement Capital Projects Fund	Gas Tax Special Revenue Fund	2,972,428	(B)
Transit Area Impact Fee Capital Projects Fund	Street Improvement Capital Projects Fund	578,227	(C)
General Government Capital Projects Fund	General Fund	7,713,834	(B)
General Government Capital Projects Fund	Transit Area Impact Fee Fund	324,000	(B)
General Government Capital Projects Fund	Water Utility Enterprise Fund	707,170	(B)
General Government Capital Projects Fund	Sewer Utility Enterprise Fund	347,692	(B)
General Government Capital Projects Fund	Gas Tax Special Revenue Fund	1,715,000	(B)
General Government Capital Projects Fund	Lighting & Landscape Maintenance District Special Revenue Fund	89,100	(B)
General Government Capital Projects Fund	Community Planning Special Revenue Fund	74,073	(B)
General Government Capital Projects Fund	Public Art Capital Projects Fund	140,000	(B)
General Government Capital Projects Fund	Park Improvement Capital Projects Fund	900,000	(B)
Gas Tax Special Revenue Fund	Street Improvement Capital Projects Fund	66,885	(C)
Gas Tax Special Revenue Fund	General Government Capital Projects Fund	120,000	(C)
Lighting & Landscape Maintenance District Special Revenue Fund	General Fund	43,817	(A)
Storm Drain Development Capital Projects Fund	General Fund	500,000	(A)
	Governmental Funds Subtotal	**24,440,682**	
Internal Service Funds:			
Equipment Management Internal Service Fund	General Fund	300,000	(A)
	Internal Service Funds Subtotal	**300,000**	
	Total Interfund Transfers	**$24,740,682**	

(A) To Transfer for Operating Cost
(B) To Fund Capital Project
(C) To Return Unexpended Project Funds

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 17, the City agreed to become the successor to the Redevelopment Agency's housing activities. 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, 2024:

Housing and Community Development Loans:	
Rehabilitation Loans	$3,243,856
Housing Authority Loans:	
Milpitas Housing Associates	3,235,141
Parc Metropolitan Housing Development	47,682
Parc North Associates LLC	494,685
Mid-Peninsula Milpitas Affordable Housing Associates	18,114,494
KB Home South Bay Inc.	1,222,900
Western Pacific Housing Inc.	1,780,005
Shapell Industries	750,000
MIL Aspen Associates, Ltd.	3,490,537
Sango Court, L.P.	6,970,137
Total Housing Authority Loans Receivable	36,105,581
Total Loans Receivable	$39,349,437

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. On June 30, 2024, the City had outstanding rehabilitation loans of $3,243,856 in its Housing and Community Development Special Revenue Fund. During the year ended June 30, 2024, the City did not receive any principal payment from all participants and accrued interest of $8,973.

NOTE 5 – LOANS RECEIVABLE (Continued)

B. Milpitas Housing Associates Loan

In fiscal 1997, the former Redevelopment Agency loaned the Milpitas Housing Associates, a partnership of Bridge Housing and a developer, $3,000,000 to assist in the financing of the construction of a 306-unit apartment complex. Fifty percent of the units were made available to very low and low income tenants. The Loan bore interest at the rate of 5.45% per year, compounded annually and is repayable in 2040, subject to certain conditions. The loan is secured by a subordinated deed of trust in the third position on the property. In January 2020, the City Council and the Housing Authority Commission approved a restructuring of the loan, which, 1) lowered the interest rate from 5.45% to a simple interest of 3.05% effective July 1, 2017, 2) forgave accrued interest of $1,541,074 through fiscal year 2017, and 3) approved the foregoing of residual receipts totaling $200,000 annually. As a result, fiscal year 2018 interest was recalculated to be $91,500 and accrued and the prior fiscal year 2018 accrued interest of $247,489 was written off. During fiscal year 2024, interest of $91,500 was accrued, and as of June 30, 2024, principal and accrued interest outstanding totaled $3,235,141.

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, 2024, the Housing Authority received principal payments of $2,308 and as of June 30, 2024, there were $47,682 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 2024, principal of $17,583 was paid and as of June 30, 2024, there were $494,685 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 2024, $138,917 and $288,789 was paid and accrued, respectively, and as of June 30, 2024, principal and accrued interest outstanding totaled $18,114,494.

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 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, 2024, there were $954,900 of loans to Parcel C households outstanding. As of June 30, 2024 subsidies totaling $1,222,900 had been provided.

G. Western Pacific Housing Inc., Loans

In August 2005, the former Redevelopment Agency entered into an Owner Participation Agreement with Fairfield Development, LLC for the development of a 464- unit residential apartment project called Centria, of which 93 units will be deed-restricted for very low- to moderate- income households. In November 2005, the project was purchased by Western Pacific Housing Inc. and obligations of the Owner Participation Agreement were assigned to Western Pacific Housing Inc. The former Redevelopment Agency will provide a grant of $379,480 for permits, fees, and infrastructure. The former Redevelopment Agency also will provide a total of $770,000 for silent-second down payment assistance loans for the 22 very-low income units. The loans are not due for 25 years or upon the sale, renting or leasing of the property. Interest will begin on the 61st month after the recordation of the Deed of Trust and continues until the loans are paid in full. Principal of $1,435 was repaid in fiscal year 2024 and as of June 30, 2024 there were $583,005 such loans outstanding.

In August 2008 the Owner Participation Agreement was amended to reduce the number of units to be constructed by Western Pacific Housing Inc. to 137 and provide for the conversion of 7 of the moderate-income units to low-income units. In addition, in August 2008, the 327 unconstructed units of the project were sold to Lyon Milpitas LLC and the Agency entered into a new Owner Participation Agreement with Lyon Milpitas LLC to complete the construction of the affordable housing units.

In September 2006, the former Redevelopment Agency entered into an Owner Participation Agreement with Western Pacific Housing, Inc. for the development of a 147-unit townhome project called Paragon that includes nine units deed-restricted to very low-income residents and twenty units deed-restricted to moderate income residents. The Agency will provide silent-second loans of $133,333 to each of the very low income households. Interest will begin on the date of the promissory note but will be forgiven on the fourth anniversary of the date the Deed of Trust recorded at a rate of 20% per year, and principal is due 45 years from the date the Deed of Trust was recorded. As of June 30, 2024, there were $1,197,000 of silent second loans outstanding.

NOTE 5 – LOANS RECEIVABLE (Continued)

H. Shapell Industries

In June 2004, the former Redevelopment Agency entered into an Agreement with Shapell Industries of Northern California for the development of a 65-unit townhome development, which will include twenty deed-restricted affordable housing units for very low- and moderate-income units. In August 2005 the Agency entered into an Owner Participation Agreement with the Developer that, in exchange for the development of housing units, the Agency will provide a total of $800,000 silent-second mortgages to sixteen moderate-income households. In addition, under the terms of the Agreement, the Agency assisted in the rehabilitation of four existing very low-income units in fiscal 2006. Interest will begin on the date of the promissory note, but will be forgiven on the fourth anniversary of the date the Deed of Trust recorded at a rate of 20% per year, and principal is due 45 years from the date the Deed of Trust was recorded. As of June 30, 2024, there were $750,000 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, 2024, interest of $166,650 was accrued, and as of June 30, 2024, principal and accrued interest totaled $3,490,537.

J. Sango Court, L.P.

In May 2019, the Housing Authority entered into a development loan agreement with Sango Court, L.P. for construction of affordable housing at 355 Sango Court Apartments of which 101 will be affordable and 1 will be an above moderate income (AMI) managers unit. Under the terms of the Agreement, during fiscal year 2022 the Agency provided a $6,500,000 loan to the Developer. The loan bears 3% interest compounded annually on outstanding principal balance and must be paid on the earlier of: (a) fifty-five (55) years from the date of conversion, or (b) December 31, 2079, or (c) by acceleration of the loan following a default. During the year ended June 30, 2024, interest of $470,137 was accrued, and as of June 30, 2024, principal and accrued interest totaled $6,970,137.

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, 2024, property totaling $4,200,000 is held by the General Fund.

NOTE 6 – PROPERTY HELD FOR RESALE OR REDEVELOPMENT (Continued)

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. 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. In fiscal year 2023, two units were sold with a book value of $305,095 and $227,924. The units were purchased to retain them as affordable housing units and are being held for future resale.

In February 2011, the Agency purchased additional property along South Main Street in the amount of $1,800,000 which is intended to be incorporated into the Midtown Specific Plan for housing development. The purchase of this property had been funded by a loan from the Housing Reserve Special Revenue Fund to the Redevelopment Capital Projects Fund, and with the dissolution of the Agency as of February 1, 2012, the State Department of Finance approved the property as a housing asset and the property was transferred to the Housing Authority as the successor housing agency.

As of June 30, 2024, property totaling $1,800,000 is held by the Housing Authority. The Housing Authority is required to develop or sell the properties on or before August 31, 2022.

As of the end of 2022, the Housing Authority has completed a Phase II Environmental Site Assessment Study, Asbestos, and Led-based-Paint Analysis, a property appraisal, and retained broker representation to prepare Parcel 1 for sale. In June 2023, the City Council directed the Office of Economic Development to pause the potential sale of Parcel 1 to explore the potential development of Parcels 1-3.

NOTE 7 – DEVELOPMENT AND TAX SHARING AGREEMENTS

The City and former Redevelopment Agency have entered into the development agreements below to provide incentives to develop new businesses, new tax revenues and affordable housing.

A. South Main Senior Lifestyles, LLC.

In August 2009, the former Redevelopment Agency entered into a Disposition and Development Agreement with the South Main Senior Lifestyles, LLC (SMSL) to develop 180 units of "Continuum of Care Senior Housing" (Phase 1 Parcel), of which 63 units will be for very low and low-income households, and 207 units of family housing (Phase 2 Parcel) which will be market rate units. In accordance with the terms of the Agreement, the Agency will acquire the properties and resell them in two phases to the developer prior to construction, subject to certain conditions in the Agreement. In November 2009, the Agency purchased the properties along South Main Street in the amount of $12,443,137. The sales price for the Phase 1 Parcel will be $5,022,129, and the sales price for the Phase 2 Parcel will equal the greater of the fair market value of the Phase 2 Parcel as defined in the Agreement or $7,377,871. In addition, the former Agency's Housing Reserve Special Revenue Fund was to provide a grant in the amount of $7.7 million to support the development and operation of the Phase 1 Parcel project.

In March 2011, the Economic Development Corporation assumed the obligations of the Disposition and Development Agreement and on October 18, 2011, a two-year extension to the Agreement was approved to include a more extensive high density residential development plan of sixty-three residential units available at affordable housing cost to income-qualified very low and low income households.

In November 2013, the Housing Authority amended the Disposition and Development Agreement. The amendment states the Authority will convey the properties with a carrying value of $12,443,137 to the developer as a grant after certain requirements are fulfilled. In addition, the amendment also eliminates the $7.7 million grant obligation included in the initial agreement. It further amended the number of affordable units from 63 to 48, all at the very low income level for seniors.

In June 2015, the Housing Authority amended the Disposition and Development Agreement to extend the deadline to convey the properties to the developer from November 19, 2015, to June 30, 2017. In April 2017, the Housing Authority amended the Disposition and Development Agreement to extend the deadline from June 30, 2017, to December 31, 2017. On April 5, 2018, the agreement was again amended to extend the deadline to the date on which the grant deed conveying the Phase 1 Parcel to the developer is recorded. In April 2018, the terms of the agreement were fulfilled and the properties were transferred to the developer.

In February 2018, the City entered into a reimbursement agreement with the developer to reimburse the developer for the full actual cost of the design and improvement to replace an existing 8-inch sanitary sewer pipe with a 12-inch pipe. As of June 30, 2024, the City has issued a total of $702,252 reimbursements to date.

B. Sales Tax Sharing Agreement

In June 2009, the City entered into a Sales Tax Sharing Agreement with a corporation that provides process control for the semiconductor and related industries. Under the terms of the Agreement, the City agreed to pay the corporation 50% of the calendar year sales and use tax revenues paid by the corporation and collected by the State Board of Equalization for the City that exceed the tax base. The tax base is defined in the Agreement as the average amount of annual sales tax increment received by the City from the corporation for calendar years 2006, 2007 and 2008. The agreement terminates in 2025. During the year ended June 30, 2024, the City issued $53,680 of sales tax to the corporation during fiscal year 2024.

NOTE 7 – DEVELOPMENT AND TAX SHARING AGREEMENTS (Continued)

C. Piper Montague Infrastructure Payment Cost Sharing Agreement

In August 2009, the City entered into a four-party agreement with three developers in the Piper/Montague Subdistrict in which the developers agreed to share in the costs of infrastructure improvements, including street improvements, storm drain installation and a traffic signal, and certain storm water management facilities. Under the terms of the agreement, when one of the developers undertakes a project related to the shared infrastructure improvements or storm water facilities project, that developer receives TASP fee credits equal to the other two developers pro-rata share of the improvements. The other two developers are then to reimburse the City for those TASP fee credits through the payment of the Piper Montague Infrastructure Fee Payment (PMIP), when building permits are issued, as a surcharge to the TASP fee. In the event the developers do not pay the PMIP fees within seven years of the completion date of the improvements, then the City may levy assessments or collect Mello-Roos special taxes from the applicable properties for the applicable share of the improvements. The cost of the shared infrastructure improvements and storm water facilities project is estimated to total $9.8 million. If a developer's TASP fee credits resulting from the installation of the shared infrastructure exceed its aggregate TASP Fee obligations, the developer is not entitled to a cash payment from the City, but they may be entitled to a credit against other development fees.

The developers completed the shared infrastructure of $8,690,752 as of June 30, 2023.

D. Milpitas Station (San Jose) Venture, LLLP

In June 2014, the City entered into a Fee Credit Agreement with Milpitas Station (San Jose) Venture, LLLP, which requires the developer to pay TASP fees of $9,932,643 to defray all or a portion of the improvements and facilities costs associated with the Milpitas Station Project. Under the terms of the agreement, the developer will be entitled to reimbursements totaling $1,500,000 for construction costs for roadway improvements, pole relocation improvements, and railroad crossing improvements and a park land fee credit totaling $4,244,486 for the park land dedication to be applied against projected TASP fees. During the year ended June 30, 2024, there was a total of $242,000 in reimbursements that were issued, and total reimbursements of $5,744,486 have been issued to date.

E. Anton Milpitas 730 LLC and 750 LLC

In April 2018, the City entered into a Fee Reimbursement Agreement with Anton Milpitas 750 LLC and Anton Milpitas 730 LLC, which requires the developer to pay TASP fees of $19,351,735 to defray all or a portion of the improvements and facilities costs associated with the 730 E. Capitol and 750 E. Capitol apartment complexes. Under the terms of the agreement, the developer will be entitled to reimbursements totaling $7,443,619 for construction costs for parking and a variety of site improvements, including a public park. During the year ended June 30, 2024, the City did not issue park improvement credits; total fee credits of $7,220,719 have been issued to date.

F. LMC Milpitas Holdings I, LLC and Lennar Homes of California

In July 2017, the City entered into a Fee Reimbursement Agreement with LMC Milpitas Holdings I LLC and Lennar Homes of California, which requires the developer to pay TASP fees of $16,029,909 to defray all or a portion of the costs of public parks and public recycled water system. Under the terms of the agreement, the developer will be entitled to reimbursements totaling $4,689,574 for construction and design costs for Montague Expressway and East Penitencia Creek. During the year ended June 30, 2024, no reimbursements were issued, and total reimbursements of $4,030,688 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, except for intangible right to use lease assets, the measurement of which is discussed in **Note 10** below. 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 and the right to use leased assets 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.

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.

NOTE 8 – CAPITAL ASSETS (Continued)

A. Governmental Capital Asset Additions, Retirements and Balances

	Balance at June 30, 2023	Additions	Retirements	Transfers	Balance at June 30, 2024
Capital assets not being depreciated:					
Land	$97,439,105				$97,439,105
Construction in progress	75,393,146	$3,966,164		($2,002,075)	77,357,235
Total capital assets not being depreciated	172,832,251	3,966,164		(2,002,075)	174,796,340
Capital assets being depreciated:					
Buildings and improvements	173,371,133				173,371,133
Other improvements	39,689,988				39,689,988
Machinery and equipment	49,147,383	3,428,451	($365,582)	1,014,420	53,224,672
Landscape system	30,157,599	124,764		987,655	31,270,018
Storm system	75,570,189				75,570,189
Street system	328,300,356	7,107,531			335,407,887
Traffic system	21,193,844	1,010,751			22,204,595
Intangible Right-to-use subscription asset	842,113		(18,611)		823,502
Total capital assets being depreciated	718,272,605	11,671,497	(365,582)	2,002,075	731,561,984
Less accumulated depreciation for:					
Buildings and improvements	(104,275,870)	(4,555,150)			(108,831,020)
Other improvements	(25,476,012)	(1,100,931)			(26,576,943)
Machinery and equipment	(39,040,071)	(1,624,976)	365,582		(40,299,465)
Landscape system	(17,685,384)	(615,880)			(18,301,264)
Storm system	(73,378,577)	(207,401)			(73,585,978)
Street system	(227,694,441)	(5,801,362)			(233,495,803)
Traffic system	(17,099,093)	(456,915)			(17,556,008)
Intangible Right-to-use subscription asset	(148,608)	(142,040)			(290,648)
Total accumulated depreciation	(504,798,056)	(14,504,655)	365,582		(518,937,129)
Net capital assets being depreciated	213,474,549	(2,833,158)		2,002,075	212,624,855
Governmental activities capital assets, net	$386,306,800	$1,133,006			$387,421,195

In fiscal year 2023, the City implemented the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, which required the City to record an intangible right-to-use subscription asset. As a result, a right-to-use subscription asset was recorded in the amount of $842,113. As of June 30, 2024, the City has recorded a net intangible right-to use subscription asset amounting to $532,854, with accumulated amortization of $290,648. The subscription asset is offset with a subscription liability as discussed in Note 11.

NOTE 8 – CAPITAL ASSETS (Continued)

Governmental activities construction in progress comprised the following at June 30, 2024:

Project	Total Budget	Actual Costs	Unexpended Budget
Alviso Adobe Renovation	$8,359,272	$8,225,610	$133,662
McCandless Park	12,154,820	11,093,310	1,061,510
Sports Fields Turf Rehabilitation Program	776,000	162,120	613,880
Sandalwood Park Renovation	475,000	344,347	130,653
Minor Sports Courts Rehabilitation	1,070,000	641,389	428,611
Pickleball Improvement	100,000		100,000
McCarthy Blvd Landscape	1,098,756	714,265	384,491
Fire Station Improvements	1,850,000	1,137,128	712,872
City Building Improvement	5,290,000	3,846,827	1,443,173
Sinclair LMD Improvements	253,225	154,234	98,991
City Building, Exterior Painting	600,000	239,992	360,008
PD Communications	3,155,000	2,921,850	233,150
City Building Roofing	1,250,000	756,041	493,959
Police Records Management	1,099,721	988,777	110,944
Citywide Park Playground	2,653,497	1,913,595	739,902
Annual Sidewalk, Curb & Gutter Repair	3,286,840	2,522,765	764,075
Technology Projects	1,915,000	1,579,782	335,218
Midtown Street Light	300,000	264,037	35,963
2017-19 Finance System Upgrade	1,250,000	1,064,987	185,013
Annual Tree Replacement Program	544,000	341,466	202,534
Fire Station #2 Replacement	13,422,795	13,298,147	124,648
Fire Stations Security	157,000	156,194	806
Community and Senior Center Energy Resilience Project	5,107,597	4,435,225	672,372
Fire Station No. 1 Modular Building	1,000,000	21,717	978,283
Human Resources Information System	1,100,000	2,234	1,097,766
Cardoza Park Softball Fields Improvement	800,000	173,072	626,928
Financial System Enterprise Resource Planning	1,850,000	145,787	1,704,213
Median Conversion Project	300,000	21,239	278,761
Council Chamber AV System Replacement	800,000	622,090	177,910
Sport Center Football Bleacher Replacement	200,000	116,997	83,003
Gateway Signage	250,000	35,583	214,417
Dempsey Road Storm Drain	1,660,000	258,540	1,401,460
Bart Project-Storm Improvement	33,000	31,497	1,503
Flap Gate Replacement	500,000	28,899	471,101
Storm Drain System Rehab 17-19	2,616,410	1,153,476	1,462,934
Storm Supervisory Control & Data Acquisition	2,416,590	2,280,000	136,590
Light Rail Median Landscaping	5,996,000	3,946,346	2,049,654
Second SCVWD Water Reservoir & Pump Station	200,000	2,118	197,882
Lower Penitencia Creek	1,825,000	492,874	1,332,126
Montague Pedestrian Overcrossing at Piper Drive	8,750,000	6,189,979	2,560,021
SCVWD Second Water Supply Turnout #2	100,000	643	99,357
Metro Area Police Substation	310,000	47,398	262,602
(Rmb) TASP Linear Trails	3,270,000	499,261	2,770,739
(Rmb) Trade Zone/Montague Park - North	3,100,000	1,122,497	1,977,503
S. Milpitas Blvd. Veh. Bridge at Penitencia	6,400,000	1,246,417	5,153,583
Montague Ped. Overcrossing at Penitencia	3,500,000	2,080,251	1,419,749
(Rmb) TASP Recycled Water Distribution	605,000		605,000
SCVWD Zone 1 Pressure Red. Valve	100,000		100,000
Trade Zone/Montague Park - Central	600,000	36,232	563,768
Total construction in progress	$114,450,523	$77,357,235	$37,093,288

NOTE 8 – CAPITAL ASSETS (Continued)

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

	Balance at June 30, 2023	Additions	Transfer	Balance at June 30, 2024
Capital assets not being depreciated:				
Land	$1,133,079			$1,133,079
Construction in progress	33,710,800	$3,434,602	($545,012)	36,600,390
Total capital assets not being depreciated	34,843,879	3,434,602	(545,012)	37,733,469
Capital assets being depreciated:				
Distribution facilities	81,197,041			81,197,041
Water Service lines	18,382,724		44,777	18,427,501
Sewer lines	87,983,269		500,235	88,483,504
Capacity rights	120,855,760	5,790,066		126,645,826
Total capital assets being depreciated	308,418,794	5,790,066	545,012	314,753,872
Less accumulated depreciation for:				
Distribution facilities	(57,439,233)	(1,192,283)		(58,631,516)
Water Service lines	(8,332,032)	(387,069)		(8,719,101)
Sewer lines	(55,194,447)	(1,435,116)		(56,629,563)
Capacity rights	(37,725,569)	(3,841,446)		(41,567,015)
Total accumulated depreciation	(158,691,281)	(6,855,914)		(165,547,195)
Net capital assets being depreciated	149,727,513	(1,065,848)		149,206,677
Business-type activities capital assets, net	$184,571,392	$2,368,754		$186,940,146

Business-type activities construction in progress comprised the following at June 30, 2024:

Project	Total Budget	Actual Costs	Unexpended Budget
BART Project-Sewer Improvement	$243,323	$242,704	$619
Sewer Pump Station Rehabilitation Program	1,127,000	401,966	725,034
Minor Sewer Projects	263,000	144,501	118,499
Sanitary Supervisory Control & Data	316,600	285,000	31,600
Main Lift Station Odor Emissions Control	2,450,000	1,731,407	718,593
Sanitary Sewer CCTV I	533,000	8,404	524,596
Force Main A Project	2,000,000		2,000,000
Well Upgrade Program	14,490,000	6,783,851	7,706,149
Water System Seismic Improvement	4,382,781	977,069	3,405,712
Hydrant Replacement	656,360	649,275	7,085
Dempsey Road Water Line	7,857,772	1,701,410	6,156,362
Automated Water Meter	14,380,661	14,123,041	257,620
Water Conservation	2,503,920	2,376,188	127,732
Supervisory Control & Data	6,516,600	5,991,917	524,683
Minor Water Projects	3,446,000	865,845	2,580,155
Water Leak Detection	631,474	317,812	313,662
	$61,798,491	$36,600,390	$25,198,101

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, 2023:

	Balance December 31, 2022	Additions	Retirement	Balance December 31, 2023
Capital assets not being depreciated:				
Land	$1,607,192		($41,915)	$1,565,277
Total capital assets not being depreciated	1,607,192		(41,915)	1,565,277
Capital assets being depreciated:				
Buildings	12,107,935			12,107,935
Furniture	522,601	$270,479		793,080
Office equipment	72,216			72,216
Improvements	2,803,128			2,803,128
Total capital assets being depreciated	15,505,880	270,479		15,776,359
Less accumulated depreciation	(10,388,294)	(355,968)		(10,744,262)
Net capital assets being depreciated	5,117,586	(85,489)		5,032,097
Total capital assets, net	$6,724,778	($85,489)	($41,915)	$6,597,374

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:

General Government	$1,564,177
Public Works	7,579,904
Engineering	2,254,001
Recreation and Community Services	1,453,626
Police	56,428
Fire	307,299
Internal Service Fund	1,289,220
Total Governmental Activities	$14,504,655
Business-Type Activities:	
Water Utility	$1,579,352
Sewer Utility	5,276,562
Total Business-Type Activities	$6,855,914
Discretely Presented Component Unit:	
Terrace Gardens, Inc.	$355,968

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 $126,645,826. The operation and maintenance costs are calculated based upon actual sewage flow and strengths. In fiscal year 2024, the City's operation and maintenance share was approximately 5.687% 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, 2023	Retirements	Balance June 30, 2024	Current Portion
Governmental Activities Debt - Direct Borrowing:					
2020 General Fund Lease Revenue Bonds					
4.0%, due June 1, 2041	$18,445,000	$17,700,000	$520,000	$17,180,000	$570,000
Plus: Unamortized bond premium		3,126,165	173,676	2,952,489	
	$18,445,000	$20,826,165	$693,676	$20,132,489	$570,000
Business-type Activities Debt					
Wastewater Revenue Refunding Bonds, 2017 Series					
2.0% - 5.0%, due November 1, 2026	$4,725,000	$2,300,000	$535,000	$1,765,000	$560,000
Plus: Unamortized bond premium		283,423	70,856	212,567	
Wastewater Revenue Bonds, 2019 Series					
4.0% - 5.0%, due November 1, 2049	29,840,000	28,405,000	535,000	27,870,000	560,000
Plus: Unamortized bond premium		4,762,735	183,182	4,579,553	
Water Revenue Bonds, 2019 Series					
4.0% - 5.0%, due June 1, 2049	17,210,000	16,150,000	325,000	15,825,000	340,000
Plus: Unamortized bond premium		2,653,848	102,071	2,551,777	
Total Business-Type Activities	$51,775,000	$54,555,006	$1,751,109	$52,803,897	$1,460,000

B. 2020 General Fund Lease Revenue Bonds

On November 10, 2020, the Milpitas Municipal Financing Authority issued the 2020 Lease Revenue Bonds (Capital Projects) in the original principal amount of $18,445,000 to provide funds to finance a portion of the Fire Station No. 2 Replacement project and variety of energy improvement projects. The Bonds bear interest rates of 4.0 %. Interest is payable every June 1 and December 1 beginning on June 1, 2021. Principal on the bonds will be payable on June 1 beginning on June 1, 2022 through 2037, followed by a term bond which will be due June 1, 2041. The Bonds were structured with a par optional redemption date of June 1, 2030. Bonds maturing on June 1, 2041 are subject to mandatory redemption.

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 the Certificates of Participation (COP) 2006 Series A and to pay the cost of issuing the 2017 Bonds. The 2006 COPs were called in January 2018. Principal on the 2017 Bonds is payable annually and interest is payable semi-annually through 2027. The 2017 Bonds contain a provision that in an event of default, the Trustee may declare the principal of the bonds, together with all accrued interest at the date of default, immediately due and payable, or exercise any and all rights and remedies available to it under applicable law, including the right to enforce from the City all payments due on the 2017 Bonds, and the City will pay all reasonable fees and expenses incurred by the Trustee and those of its attorneys.

The 2017 Bonds are pledged by net revenues from the City Sewer System.

D. Wastewater Revenue Bonds, Series 2019

On October 22, 2019, the Milpitas Municipal Financing Authority issued Wastewater Revenue Bonds, Series 2019, in the original principal amount of $29,840,000 to provide funds for certain improvements to the City's wastewater system. The Bonds bear interest rates of 4.0% to 5.0%. Interest is payable every May 1 and November 1 beginning on May 1, 2020. Principal on the bonds will be payable on November 1 beginning on November 1, 2020 through 2039, followed by a term bond which will be due on November 1, 2049. The Bonds were structured with a par optional redemption date of May 1, 2029. Bonds maturing on May 1, 2049 are subject to mandatory redemption. The Bonds contain a provision that in an event of default, the Trustee may declare the principal of the bonds, together with all accrued interest at the date of default, immediately due and payable, or exercise any and all rights and remedies available to it under applicable law, including the right to enforce from the City all payments due on the Bonds, and the City will pay all reasonable fees and expenses incurred by the Trustee and those of its attorneys.

The 2019 Bonds are pledged by net revenues from the City's Wastewater System and are on parity with the 2017 Bonds. For the fiscal year 2024, net revenues amounted to $16,132,523 which represented coverage of 6.62 over the $2,431,950 debt service of both bond issues.

E. Water Revenue Bonds, Series 2019

On October 24, 2019, the Milpitas Municipal Financing Authority issued Water Revenue Bonds, Series 2019, in the original principal amount of $17,210,000 to provide funds to the City for certain improvements to the City's water system. The Bonds bear interest of 4.0% to 5.0% and interest is payable every June 1 and December 1 beginning on June 1, 2020. Principal on the bonds will be payable on June 1 beginning on June 1, 2020 through 2039, followed by term bonds that are due June 1, 2044 and June 1, 2049 respectively. The Bonds were structured with a par optional redemption date of June 1, 2029. Bonds maturing on June 1, 2044 and June 1, 2049 are subject to mandatory redemption.

NOTE 9 – LONG-TERM DEBT (Continued)

The Bonds contain a provision that in an event of default, the Trustee may declare the principal of the bonds, together with all accrued interest at the date of default, immediately due and payable, or exercise any and all rights and remedies available to it under applicable law, including the right to enforce from the City all payments due on the Bonds, and the City will pay all reasonable fees and expenses incurred by the Trustee and those of its attorneys.

The Bonds are collateralized by net revenues from the City's Water System. For fiscal year 2024, net revenues amounted to $11,016,835 which represented coverage of 10.55 over the $1,044,450 debt service.

F. Debt Service Requirements

Annual debt service requirements are shown below:

	Governmental Activities		Business-Type Activities	
	Revenue Bonds		Revenue Bonds	
Year Ending June 30	Total Principal	Total Interest	Total Principal	Total Interest
2025	$570,000	$687,200	$1,460,000	$2,013,650
2026	625,000	664,400	1,530,000	1,939,275
2027	735,000	639,400	1,605,000	1,861,400
2028	830,000	610,000	1,040,000	1,795,775
2029	870,000	576,800	1,095,000	1,742,900
2030-2034	4,880,000	2,334,800	6,345,000	7,823,500
2035-2039	5,950,000	1,276,800	8,090,000	6,044,250
2040-2044	2,720,000	164,200	10,170,000	3,957,500
2045-2049			12,390,000	1,717,500
2050			1,735,000	34,700
	17,180,000	$6,953,600	45,460,000	$28,930,450
Plus: Unamoritized bond premium	2,952,489		7,343,897	
	$20,132,489		$52,803,897	

NOTE 10 – LEASES

A. Policies

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. The City recognizes lease receivable or liabilities with an initial, individual value of $500,000 or more for all funds, except for Capital Project Funds which the threshold is set lower at $300,000, based on the future lease payments remaining at the start of the lease.

NOTE 10 – LEASES (Continued)

Lessor

The City is a lessor for noncancellable leases of buildings and facilities. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts as follows:

- The City uses bond interest rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lessee

The City is a lessee for miscellaneous leases. If the lease is over the threshold, the City will recognize a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments as follows:

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, City generally uses bond interest rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease.

- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that City is reasonably certain to exercise.

NOTE 10 – LEASES (Continued)

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

As of June 30, 2024, the City has no leases over the threshold subject to GASB 87 as a lessee.

B. Leases Receivable (City as Lessor)

The summary for the leases details and balances related to leases receivable and deferred inflows of resources recorded in the General Fund as of June 30, 2024 were:

Property Location	Original Lease Date	Original Term (Years)	Extension (Years)	Expiration Date Including Options	Monthly Revenue as of June 30, 2024	Lease Receivable Balance at June 30, 2024	Deferred Inflow of Resources at June 30, 2024
Fire Station No. 1 Grounds, 777 So. Main Street, Milpitas, CA 95035	6/6/2012	15	25	6/6/2052	$2,116	$845,004	$779,700
HWY680 on CALAVERAS	2/1/2019	5	20	2/1/2044	2,809	721,360	667,525
Freeway Sign on 950 Thompson	8/17/2010	10	30	8/17/2050	9,690	2,331,109	2,270,238
Advertising display on the property	7/30/2013	30	30	7/30/2073	14,722	9,414,036	8,765,131
				Total	$29,337	$13,311,509	$12,482,594

The future principal and interest lease receivables as of June 30, were as follows:

For the Year Ended June 30	Principal	Interest	Total
2025	$72,315	$282,847	$355,162
2026	80,333	281,229	361,562
2027	88,699	279,437	368,136
2028	97,425	277,463	374,888
2029	106,525	275,300	381,825
2030 - 2034	683,136	1,336,838	2,019,974
2035 - 2039	974,575	1,249,344	2,223,919
2040 - 2044	1,304,414	1,127,657	2,432,071
2045 - 2049	1,409,888	984,422	2,394,310
2050 – 2054	1,226,517	834,002	2,060,519
2055 – 2059	1,260,774	711,382	1,972,156
2060 – 2064	1,675,226	556,088	2,231,314
2065 – 2069	2,172,070	352,456	2,524,526
2070 - 2074	2,159,612	96,850	2,256,462
Totals	$13,311,509	$8,645,315	$21,956,824

NOTE 10 – LEASES (Continued)

Fire Station No. 1 grounds
As shown in the summary table, the City leases a portion of the Tower Leases Area at 777 South Main Street to Capital Telecom Acquisition LLC. The original lease terms were 15 years with a 25-year extension. As of June 30, 2024, the leases had 28 years remaining. The City recognized $6,599 in lease revenue and $18,076 in interest revenue during the current fiscal year related to these leases. Also, the City has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term.

HWY 680 on CALAVERAS
As shown in the summary table, the City leases a portion of the parcel at 1325 E. Calaveras Blvd. to American Tower. The original lease terms were five years with a 20-year extension. As of June 30, 2024, the leases had 20 years remaining. The City recognized $17,889 in lease revenue and $15,574 in interest revenue during the current fiscal year related to these leases. Also, the City has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term.

Freeway Sign on 950 Thompson
As shown in the summary table, the City leases the Piercey Toyota dealership site at 950 Thompson Street to Milpitas Auto Properties LLC. The original lease terms were 10 years with a 30-year extension. As of June 30, 2024, the leases had 26 years remaining. The City recognized $65,870 in lease revenue and $50,415 in interest revenue during the current fiscal year related to these leases. Also, the City has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term.

Advertising display
As shown in the summary table, the City leases parcels for purpose of advertising to be visible from the US interstate 880 to Clear Channel. The original lease terms were 30 years with a 30 year extension. As of June 30, 2024, the leases had 49 years remaining. The City recognized $174,509 in rental revenue related to these leases. Also, the City has deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term.

NOTE 11 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

A summary of subscription-based information technology arrangements (SBITA) transactions for the fiscal year ended June 30, 2024, are as follows:

	Balance June 30, 2023	Retirements	Balance June 30, 2024	Current Portion
Subscription Liability				
Microsoft 365	$564,178	($151,052)	$413,126	$134,857
Total	$564,178	($151,052)	$413,126	$134,857

In March 2022, the City entered into a three-year SBITA for the purchases of software and software services for Microsoft 365. An initial subscription liability was recorded in the amount of $842,113 during fiscal year 2023, at the time the subscription was placed into service. Implementation costs and prepayments made on the subscription were included in the measurement of the liability during the year ended June 30, 2023.

NOTE 11 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (Continued)

As of June 30, 2024, the value of the subscription liability was $413,126. The City is required to make annual principal and interest payments throughout the life of the subscription. The subscription has an interest rate of 2.08%. As part of the subscription, the City has recorded an intangible right to use subscription asset and accumulated amortization as disclosed in Note 8.

The future subscription and interest subscription payments as of June 30, 2024 follows:

For the Year Ended June 30	Principal	Interest	Total
2025	$134,857	$8,675	$143,532
2026	137,689	5,844	143,533
2027	140,580	2,952	143,532
Totals	$413,126	$17,471	$430,597

NOTE 12 – 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.

NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

The City fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Assets not expected to be converted to cash, such as prepaids, notes receivable, and property held for resale are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by resolution of the City Council which may be altered only by formal action of the City Council. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. Intent is expressed by the City Council and may be changed at the discretion of the City Council. This category includes encumbrances; nonspendables, when it is the City's intent to use proceeds or collections for a specific purpose; and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual General Fund balance and residual fund deficits, if any, of other governmental funds.

NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

Detailed classifications of the City's Fund Balances, as of June 30, 2024, are below:

Fund Balance Classifications	General Fund	Major Special Revenue Fund Housing Authority	Major Capital Projects Street Improvement Fund	Major Capital Projects Transit Area Impact Fee Fund	Major Capital Projects General Government Projects Fund	Other Governmental Funds	Total
Nonspendable:							
Loans receivable							
Prepaids, materials, supplies and deposits	$770,086					$31,887	$801,973
Property held for resale	4,200,000						4,200,000
Subtotal Nonspendable	4,970,086					31,887	5,001,973
Restricted for:							
Programs and Maintenance			$4,756,780			8,429,740	13,186,520
Housing and community development		$40,818,714				3,834,265	44,652,979
Law enforcement services						83,888	83,888
Solid waste reduction and services						2,439,934	2,439,934
Assessment district services						3,240,631	3,240,631
Hetch-Hetchy ground lease						1,494,287	1,494,287
Community planning						235,023	235,023
Community benefits						431,010	431,010
Affordable housing						4,633,286	4,633,286
Affordable housing unrestricted						3,222,709	3,222,709
Park improvement projects						4,381,486	4,381,486
Storm drain projects						6,848,307	6,848,307
General government projects					$4		4
Transit area capital projects				$65,778,662			65,778,662
Subtotal Restricted		40,818,714	4,756,780	65,778,662	4	39,274,566	150,628,726
Committed to:							
PERS stabilization	7,995,185						7,995,185
Artificial turf replacement	1,900,000						1,900,000
Technology replacement	400,000						400,000
Facilities replacement	6,200,000						6,200,000
Subtotal Committed	16,495,185						16,495,185
Assigned to:							
Uninsured claims payable	2,914,954						2,914,954
Public art projects						987,747	987,747
Contracts	2,340,251						2,340,251
General government capital projects					27,534,455		27,534,455
Other assigned	2,223,008						2,223,008
Subtotal Assigned	7,478,213				27,534,455	987,747	36,000,415
Unassigned:							
General Fund							
Contingency reserve	20,809,168						20,809,168
Budget stabilization	20,809,168						20,809,168
Future deficit	1,452,576						1,452,576
ERAF reserve	3,571,742						3,571,742
Strategic Property Acquisition Revenue	710,248						710,248
ARPA/GF Prog	7,185,440						7,185,440
Unassigned	1,768,234						1,768,234
Subtotal Unassigned	56,306,576						56,306,576
Total fund balances	$85,250,060	$40,818,714	$4,756,780	$65,778,662	$27,534,459	$40,294,200	$264,432,875

NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

C. Fund Balance Policies

The City's Fiscal Policies, which are annually approved as part of the adoption of the budget, prescribes the City's fund balance requirements and targets.

1) The City will fund the following reserves as follows with any General Fund audited year end operating surplus after the General Fund Contingency Reserve and General Fund Budget Stabilization Reserve requirements are met and pension budgetary surplus are allocated to the PERS Rate Stabilization Reserve:
   - **Part I**
     - Contingency Reserve (Policy Statement #41)
     - General Fund Budget Stabilization Reserve (Policy Statement #42)
   - **Part II (any remaining balance)**
     - Pension budgetary surplus allocated to the PERS Rate Stabilization Reserve (Policy Statement #43)
   - **Part III (any remaining balance)**
     - Artificial Turf Replacement ($230,000) (Policy Statement #54)
   - **Part IV (any remaining balance)**
     - 30% General Government Capital Improvement Fund
     - 20% Storm Drain Fund
     - 10% Affordable Housing
     - 10% Transportation/transit
     - 15% Technology Replacement
     - 10% SPAR (Strategic Property Acquisition Revenue) (Policy #57)
     - 5% Unassigned

2) The City will maintain a Contingency Reserve of at least 16.67% or two months of the annual operating expenditures in the General Fund to be used only in the case of dire need as a result of physical or financial emergencies and disasters as determined by the City Council. The City Council will set the reserve amount annually after the results of the prior fiscal year's Annual Comprehensive Financial Report (ACFR) are known. For the year ended June 30, 2024, the reserve is set at $20,809,168 and classified in the unassigned fund balance.

3) The City will maintain a General Fund Budget Stabilization Reserve with a target of 16.67%, or two months, of annual operating expenditures. The purpose of this reserve is to provide budget stability when there are fluctuations that result in lower than projected revenues and or higher than projected expenditures that cannot be rebalanced within existing budget resources in any given fiscal year. This reserve is intended to provide a buffer, or bridge funding, to protect against reducing service levels when these fluctuations occur. This reserve will be funded only after General Fund Contingency Reserve requirements have been met. The City Council will set the reserve amount annually after the results of the prior fiscal year's Annual Comprehensive Financial Report (ACFR) are known. For the year ended June 30, 2024, the reserve is set at $20,809,168 and classified in the unassigned fund balance.

NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

4) The City will maintain in the General Fund and the Water and Sewer Utility Enterprise Funds or in a Section 115 Trust a Public Employees Retirement (PERS) Rate Stabilization Reserve. The City actuary has determined that the General Fund portion of the Unfunded Actuarial Liability for the Miscellaneous Retirement Plan is 84.9%, and for the Water and Sewer Utility Enterprise Funds portion of the Unfunded Actuarial Liability for the Miscellaneous Retirement Plan is 8.5% and 6.6%, respectively. The contributions to the PERS Rate Stabilization Reserve from the Utility Funds shall be consistent with the General Fund contributions. If confirmed by City actuary that contributions are advised for that respective year, then any savings resulting from the pension budgeting methodologies shall be contributed to the PERS Rate Stabilization Reserve. However, the General Fund portion of any pension savings shall only be allocated to the PERS Rate Stabilization Reserve after the General Fund Contingency Reserve and the General Fund Budget Stabilization Reserve requirements have been met. The Utility Funds portion of any pension savings shall only be allocated to the PERS Rate Stabilization Reserve after the Capital Reserve and Rate Stabilization Reserve (RSR) requirements in the Water and Sewer utility funds have been met. If confirmed by City actuary that contributions are advised for that respective year, then additionally, 20% of any General Fund or Enterprise Funds annual operating surpluses shall be allocated to the PERS Rate Stabilization Reserve.

5) The City will maintain a capital reserve for artificial turf replacement with a target of $2 million and an annual set-aside amount of at least $230,000 until the target is reached. This reserve shall be used to accrue funding for the normal depreciation expense of the City's artificial turf fields over their useful life. Eligible uses of this reserve may include the replacement of the City's artificial turf fields to eliminate large spikes in capital expenses and normalize annual costs.

6) Annually, the City will endeavor to transfer $300,000 from the General Fund to the Technology Replacement Fund set aside in a reserve with a target of $5 million. This reserve shall be used to accrue funding for technology projects such as the major rehabilitation or replacement of the City's technology infrastructure or new technology initiatives.

7) The City will maintain a capital reserve for Facilities Replacement with a target of $10 million. This reserve shall be used to accrue funding for major rehabilitation or replacement of City facilities (buildings/structures). Eligible uses of this reserve may include both the direct funding of public facility improvements and the servicing of related debt.

8) The City will maintain a Storm Drain replacement reserve to replace and repair storm drain pump stations. The City will endeavor to transfer $500,000 annually from the General Fund to the Storm Drain Fund for this purpose.

9) The City will maintain a General Liability and Workers' Compensation Claims Reserve of $2 million in the General Fund, which will be reviewed for adjustments annually.

10) Other reserves designated in the General Fund for investment portfolio market gain and uninsured claims payable will be calculated adjusted annually at appropriate levels.

NOTE 12 – NET POSITION AND FUND BALANCES (Continued)

11) The City will maintain capital reserves in the Water and Sewer utility enterprise funds to provide for future capital projects and unanticipated emergencies, such as water main break repairs, pump station repairs. The City will attempt to maintain a capital reserve of approximately 30% of the annual operating and maintenance expenses for the Water utility fund and 25% of the annual operating and maintenance expenses for the Sewer utility fund. The City Council will set the reserve amounts annually after the results of the prior fiscal year's Annual Comprehensive Financial Report (ACFR) are known. For the year ended June 30, 2024, the capital reserve for the Water Operating Fund is set at $8,638,318 and for the Sewer Operating Fund at $3,805,577.

12) The City will maintain a Rate Stabilization Reserve (RSR) in the Water and Sewer utility enterprise funds with a goal of at least 16.67% or two months of the respective annual operating expenditures after the Capital Reserve requirements have been met. The RSR shall be used to mitigate the effects of occasional shortfalls in revenue or unanticipated expenditures that cannot be re-balanced within existing budgeted resources in any given fiscal year. Revenue shortfalls may result from a number of events such as weather factors (wet weather or drought events and natural disasters), increased water conservation, and poor regional economic conditions. The Rate Stabilization Reserves should be used to assist in smoothing out revenue variability resulting from these factors and ensure that adequate resources are available during such times that might otherwise require large rate increases to utility customers. The City Council will set the reserve amounts annually after the results of the prior fiscal year's Annual Comprehensive Financial Report (ACFR) are known. The RSR funding will be phased within five years, or sooner, as part of the fiscal year end closing process. Thereafter, the replenishment of these reserves may also be incorporated into the annual Adopted Operating Budget if resources are available to replenish the reserves.

13) The City will maintain $2 million infrastructure replacement funds in both the Water and Sewer Utility Enterprise Funds. The goal is to accumulate at least $2 million a year from each utility fund to set aside for replacement of infrastructure as the infrastructure reaches the end of its useful life.

14) The City will maintain a capital reserve in the Equipment Management Internal Service Fund to enable the timely replacement of vehicles and depreciable equipment as cost. The City will maintain a minimum fund balance of at least 30% of the replacement costs for equipment accounted for in this fund.

D. Net Investment In Capital Assets

The balances related to Net Investment in Capital Assets are comprised of the following as of June 30, 2024:

	Governmental Activities	Business-Type Activities	Total
Capital Asset, Net of Accumulated Depreciation	$387,421,195	$186,940,146	$574,361,341
Less Capital Debt	(20,545,615)	(52,803,897)	(73,349,512)
Plus Unspent Bond Proceeds	110,980	870,925	981,905
	$366,986,560	$135,007,174	$501,993,734

NOTE 13 – 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.

The Plans' provisions and benefits in effect at June 30, 2024, are summarized as follows:

	Miscellaneous		
	Classic Tier I	Classic Tier II	PEPRA
Hire date	Prior to October 9, 2011	After October 9, 2011	On or after January 1, 2013
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	8.0%	7.0%	7.5%
Required employer contribution rates	10.70%	10.70%	10.70%
Required Unfunded Actuarial Liability Contribution		$6,607,504	

	Safety		
	Classic Tier I	Classic Tier II	PEPRA
Hire date	Prior to April 8, 2012	After April 8, 2012	On or after January 1, 2013
Benefit formula	3% @ 50	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2.4% - 3%	2.0% - 2.7%
Required employee contribution rates	9%	9%	11.75%
Required employer contribution rates	20.55%	20.55%	20.55%
Required Unfunded Actuarial Liability Contribution		$11,031,175	

NOTE 13 – PENSION PLANS (Continued)

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts are billed on a monthly basis, or the City can elect a lump sum payment option. The City's required contributions for the unfunded liability in the Miscellaneous and Safety Plans for the year ended June 30, 2024, were $6,607,504 and $11,031,175, 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, 2022 and measurement date of June 30, 2023:

	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	458			266		
Inactive employees entitled to but not yet receiving benefits	370			26		
Active employees	87	11	136	74	9	79
Total	915	11	136	366	9	79

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. Employer contribution rates may change if plan contracts are amended. If the City made additional UAL payments in FY21, FY22 or FY23, CalPERS may have issued letters subsequent to the FY21 Actuarial Valuation to revise the required UAL payment amounts.

In May 2021, the City established a Section 115 irrevocable trust to set aside funds to meet the City's future pension contributions or unfunded liabilities. The Trust is owned and monitored by the City but externally managed by investment professionals. In June 2021, the City transferred $35.4 million to the Trust, and as of June 30, 2024, the City reported the account balance of the trust of $36,385,160. This amount has been reported as cash and investments in the Pension Section 115 Internal Service Fund.

B. Net Pension Liability

The City's net pension liability for each Plan is measured as the total pension liability less the pension plan's fiduciary net position. The net pension liability of each Plan is measured as of June 30, 2023, using an annual actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

NOTE 13 – PENSION PLANS (Continued)

Actuarial Assumptions – The total pension liabilities as of the June 30, 2023 measurement date were determined using the following actuarial assumptions:

	Miscellaneous and Safety (1)
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	(2)
Investment Rate of Return	6.90% (3)
Mortality	Derived using CalPERS Membership Data for all Funds (4)
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

(1) Actuarial assumptions are the same for all benefit tiers (Classic Tier I, Classic Tier II, and PEPRA)
(2) Depending on age, service and type of employment
(3) Net of pension plan investment expenses, including inflation
(4) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2022 valuation was based on the results of a November 2021 actuarial experience study for the period 2001 to 2019. Further details of the Experience Study can be found on the CalPERS website at www.calpers.ca.gov.

Discount Rate – The discount rate used to measure the total pension liability for each Plan was 6.90%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points.

NOTE 13 – PENSION PLANS (Continued)

The expected real rates of return by asset class are as follows:

Asset Class (1)	Assumed Asset Allocation	Real Return 1,2
Global Equity-Cap Weighted	30.0%	4.54%
Global Equity-Non-Cap Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100.00%	

(1) An expected inflation of 2.30% used for this period.
(2) Figures are based on the 2021 Asset Liability Management study.

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, 2022 (Measurement Date)	$285,089,419	$196,800,832	$88,288,587
Changes in the year:			
Service cost	4,745,953		4,745,953
Interest on the total pension liability	19,679,002		19,679,002
Differences between actual and expected experience	5,257,874		5,257,874
Changes of assumptions			
Changes in benefit terms	272,125		272,125
Contribution - employer		9,432,683	(9,432,683)
Contribution - employee		2,143,742	(2,143,742)
Net Plan to Plan Resource Movement			
Net investment income		12,287,794	(12,287,794)
Administrative expenses		(144,718)	144,718
Other Miscellaneous Income/(Expense)			
Benefit payments, including refunds of employee contributions	(15,578,919)	(15,578,919)	
Net changes	14,376,035	8,140,582	6,235,453
Balance at June 30, 2023 (Measurement Date)	$299,465,454	$204,941,414	$94,524,040

NOTE 13 – PENSION PLANS (Continued)

	Safety Plan		
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2022 (Measurement Date)	$423,312,664	$265,557,233	$157,755,431
Changes in the year:			
Service cost	7,938,634		7,938,634
Interest on the total pension liability	29,060,359		29,060,359
Differences between actual and expected experience	5,485,493		5,485,493
Changes of assumptions			
Changes in benefit terms	117,478		117,478
Contribution - employer		15,458,966	(15,458,966)
Contribution - employee		3,246,156	(3,246,156)
Net Plan to Plan Resource Movement			
Net investment income		16,573,120	(16,573,120)
Administrative expenses		(195,278)	195,278
Other Miscellaneous Income/(Expense)			
Benefit payments, including refunds of employee contributions	(23,440,654)	(23,440,654)	
Net changes	19,161,310	11,642,310	7,519,000
Balance at June 30, 2023 (Measurement Date)	$442,473,974	$277,199,543	$165,274,431
Grand Totals - Both Plans	**$741,939,428**	**$482,140,957**	**$259,798,471**

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 one percentage point lower or one percentage point higher than the current rate:

	Miscellaneous	Safety
1% Decrease	5.90%	5.90%
Net Pension Liability	$133,348,247	$224,158,773
Current Discount Rate	6.90%	6.90%
Net Pension Liability	$94,524,040	$165,274,431
1% Increase	7.90%	7.90%
Net Pension Liability	$62,441,875	$116,871,265

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

NOTE 13 – PENSION PLANS (Continued)

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

For the year ended June 30, 2024, the City recognized pension expense of $17,576,807 for the Miscellaneous Plan and $24,067,299 for the Safety Plan, for total pension expense of $41,644,106. On June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions after the measurement date	$10,017,840	
Differences between actual and expected experience	3,420,820	
Changes of assumptions	1,349,972	
Net differences between projected and actual earnings on plan investments	9,185,239	
Total	$23,973,871	$0

General Fund typically has been used in prior years to liquidate pension liabilities.

	Safety Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions after the measurement date	$16,708,481	
Differences between actual and expected experience	6,078,728	
Changes of assumptions	8,018,769	
Net differences between projected and actual earnings on plan investments	12,376,646	
Total	$43,182,624	$0
Grand Totals - Both Plans	**$67,156,495**	**$0**

$26,726,321 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended	Annual Amortization	
June 30	Miscellaneous	Safety
2024	$5,332,729	$7,460,803
2025	1,939,432	6,149,145
2026	6,455,894	11,731,698
2027	227,976	1,132,497
	$13,956,031	$26,474,143

NOTE 13 – PENSION PLANS (Continued)

E. Public Agency Retirement System

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

The City part-time, seasonal and temporary employees are covered under the Public Agency Retirement System (PARS), a defined contribution plan, which requires these employees to contribute 6% and the City to contribute 1.5% of the employees pay plus administration costs.

The City required contributions of $28,655 and the employee's required contributions of $114,615 were made during the fiscal year ending June 30, 2024.

NOTE 14 – 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 City property and not subject to City control, they are excluded from these financial statements.

B. Retiree Medical Benefits

The liability for explicit subsidy benefits for the dependents of City retirees were previously included together with other City plan OPEB liabilities. However, the City was also contributing directly toward the cost of these dependent benefits by making negotiated contributions determined as a percentage of payroll for active employees in each bargaining group, effectively contributing twice. Beginning with fiscal year 2020, the total OPEB liability for these dependent fund benefits is now being determined and reported separately. Further discussion is included in Note 13C and 13D.

The City provides postretirement health care benefits through its defined benefit Retiree Medical Benefits Agent Multiple-employers 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, 2024, there were 336 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.

NOTE 14 – EMPLOYEE BENEFITS (Continued)

To qualify for postemployment medical and dental benefits an employee must retire from the City and maintain enrollment in one of the City eligible health plans. In addition, there are eligibility rules and contribution requirements defined in the Memorandum of Understanding (MOU) with each employee group. In the MOUs, the Benefit Cap is defined as not more than the single medical premium rate paid by the City for active employees, and the Retiree Cap is 15% above the single Kaiser medical premium rate. The eligibility rules for each MOU are summarized below, starting with benefits for retirees, followed by benefits for dependents.

Medical Benefit for Retirees:

	Hire/Retirement Date	Date of Retirement	Eligibility Rule (Continuous Years of Service)	City Contribution Requirement
Professional / Technical (PROTECH)	Before July 1, 1995	Before June 30, 1989	n/a	PEMHCA Minimum Only
		After July 1, 1990 but before September 1, 2002	Less than 5	PEMHCA Minimum Only
			At least 5	Any employee only medical premium rate
		After August 31, 2002	Less than 5	PEMHCA Minimum Only
			At least 5	Benefit Cap
	After June 30, 1995	After August 31, 2002	Less than 5	PEMHCA Minimum Only
			5 but less than 9	Up to 25% of the Benefit cap
			9 but less than 14	Up to 50% of the Benefit Cap
			14 but less than 19	Up to 75% of the Benefit Cap
			At least 19	Up to 100% of the Benefit Cap
Mid-Management and Confidential (LIUNA) (Began 9/2003)	Before July 1, 1995	Any	Less than 5	PEMHCA Minimum Only
			At least 5	Benefit cap
	After June 30, 1995	Any	Less than 5	PEMHCA Minimum Only
			5 but less than 9	Up to 25% of the Benefit Cap
			9 but less than 14	Up to 50% of the Benefit Cap
			14 but less than 19	Up to 75% of the Benefit Cap
			At least 19	Up to 100% of the Benefit Cap
Unrepresented Miscellaneous and Fire*	Before July 1, 1995	Before January 1, 1989	n/a	PEMHCA Minimum Only
		After July 1, 1990 but before September 1, 2002	Less than 5	PEMHCA Minimum Only
			At least 5	Any employee only medical premium rate
		After August 31, 2002	Less than 5	PEMHCA Minimum Only
			At least 5	Benefit cap
	After June 30, 1995	Any	Less than 5	PEMHCA Minimum Only
			5 but less than 10	Up to 25% of the Benefit Cap
			10 but less than 15	Up to 50% of the Benefit Cap
			15 but less than 20	Up to 75% of the Benefit Cap
			At least 20	Up to 100% of the Benefit Cap

- In the grid above and on the following pages, "Benefit Cap" refers to the single medical premium rate paid by the City for active employees, currently Kaiser.
- "Retiree Cap" refers to 115% of the Benefit Cap.
- Upon reaching Medicare, the City contributes up to 100% of the employee only Medicare rates. "Vesting" percentages still apply.

NOTE 14 – EMPLOYEE BENEFITS (Continued)

Medical benefits for retirees (continued):

	Hire/Retirement Date	Date of Retirement	Eligibility Rule (Continuous Years of Service)	City Contribution Requirement
Unrepresented Police ONLY*	Before July 1, 1995	Before January 1, 1989	n/a	PEMHCA Minimum Only
		After December 31, 1988 but before July 1, 2003	Less than 5	PEMHCA Minimum Only
			At least 5	Any employee only medical premium rate
		After June 30, 2003	Less than 5	PEMHCA Minimum Only
			At least 5	Retiree Cap
	After June 30, 1995	Any	Less than 5	PEMHCA Minimum Only
			5 but less than 10	Up to 25% of the Retiree Cap
			10 but less than 15	Up to 50% of the Retiree Cap
			15 but less than 20	Up to 75% of the Retiree Cap
			At least 20	Up to 100% of the Retiree Cap
Fire Safety (IAFF)	Before January 1, 1995	Before January 1, 1990	n/a	PEMHCA Minimum Only
		After December 31, 1989 but before January 1, 1995	Less than 1	PEMHCA Minimum Only
			At least 1	Any employee only premium
		After December 31, 1994 but before February 21, 2007	Less than 1	PEMHCA Minimum Only
			1 but less than 10	50% of any employee only premium
			At least 10	100% of any employee only premium
		After February 20, 2007	Less than 1	PEMHCA Minimum Only
			1 but less than 10	Up to 50% of the lesser of the Retiree Cap and the premium rate
			At least 10	Up to 100% of the lesser of the Retiree Cap and the premium rate
	After December 31, 1994	Before February 21, 2007	Less than 1	PEMHCA Minimum Only
			1 but less than 10	Up to 25% of the Benefit Cap
			10 but less than 15	Up to 50% of the Benefit Cap
			15 but less than 20	Up to 75% of the Benefit Cap
			At least 20	Up to 100% of the Benefit Cap
		After February 20, 2007	Less than 1	PEMHCA Minimum Only
			1 but less than 10	25% of the lesser of the Retiree Cap and the premium rate
			10 but less than 15	50% of the lesser of the Retiree Cap and the premium rate
			15 but less than 20	75% of the lesser of the Retiree Cap and the premium rate
			At least 20	100% of the lesser of the Retiree Cap and the premium rate

NOTE 14 – EMPLOYEE BENEFITS (Continued)

Medical benefits for retirees (continued):

	Hire/Retirement Date	Date of Retirement	Eligibility Rule (Continuous Years of Service)	City Contribution Requirement
Police (MPOA)	Before January 1, 1996	Before January 1, 1989	n/a	PEMHCA Minimum Only
		After December 31, 1988 but before July 1, 2003	Less than 5	PEMHCA Minimum Only
			At least 5	Any employee only medical premium rate
		After June 30, 2003	Less than 5	PEMHCA Minimum Only
			At least 5	Up to the Retiree Cap
	After December 31, 1995	Before July 1, 2003	Less than 1	PEMHCA Minimum Only
			1 but less than 9	25% of any employee only premium
			9 but less than 14	50% of any employee only premium
			14 but less than 19	75% of any employee only premium
			At least 19	100% of any employee only premium
		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)	Before July 1, 1996	Before July 16, 1989	n/a	PEMHCA Minimum Only
		After July 17, 1989 but before March 19, 2003	Less than 5	PEMHCA Minimum Only
			At least 5	Any employee only medical premium rate
		After March 18, 2003	Less than 5	PEMHCA Minimum Only
			At least 5	Benefit Cap
	After June 30, 1996	Any	Less than 1	PEMHCA Minimum Only
			1 but less than 10	Up to 25% of the Benefit Cap
			10 but less than 15	Up to 50% of the Benefit Cap
			15 but less than 20	Up to 75% of the Benefit Cap
			At least 20	Up to 100% of the Benefit Cap
Supervisors (MSA) (Ended June, 30, 2012)	Before June 30, 1995	Before July 1, 1996	n/a	PEMHCA Minimum Only
		After June 30, 1996 and before November 27, 2007	Less than 5	PEMHCA Minimum Only
			At least 5	Any employee only medical premium rate
		After November 26, 2007	Less than 5	PEMHCA Minimum Only
			At least 5	Benefit Cap
	After June 29, 1995	After November 27, 2007	Less than 5	PEMHCA Minimum Only
			5 but less than 9	Up to 25% of the Benefit Cap
			9 but less than 14	Up to 50% of the Benefit Cap
			14 but less than 19	Up to 75% of the Benefit Cap
			At least 19	Up to 100% of the Benefit Cap

NOTE 14 – 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

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

[2] If the UNREP-Police fund is depleted, MPOA will provide funding for the dependent benefits. Effective September 1, 2019, MPOA will Administer dependent medical benefits for Unrep Police.

[3] The Fire Chief is ineligible for dependent fund benefits.

NOTE 14 – 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]
Unrepresented (UNREP-Misc)[5]	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
Fire Safety (IAFF)[4]	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
Employee Association (MEA)	Before June 30, 1996	After June 30, 2003	At least 5	100% of any family/dependent medical premiums
	After June 29, 1996		5 but less than 10	Up to 25% of the lowest family/dependent premium
			10 but less than 15	Up to 50% of the lowest family/dependent premium
			15 but less than 20	Up to 75% of the lowest family/dependent premium
			At least 20	Up to 100% of the lowest family/dependent premium

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

[4] 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

[5] The fire Chied is eligible for dependent fund benefits in Unrep Misc group.

C. Net OPEB Liability

Funding Policy and Contributions – The City 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, 2024, the City's contributions to the Plan were $2,123,941.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2023:

Active employees	393
Inactive employees or beneficiaries currently receiving benefit payments	336
Inactive employees entitled to but not yet receiving benefit payments	103
Total	832

NOTE 14 – EMPLOYEE BENEFITS (Continued)

Actuarial Methods and Assumptions – The City net OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2023, that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2024, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Discount Rate	6.15%
Inflation	2.50%
Salary Increase	3.00%
Investment Rate of Return	6.15%
Mortality Rate	MacLeod Watts Scale of 2022 applied generationally
Healthcare Trend Rate	6.5 in 2025, fluctuates until ultimate rate of 3.9% in 2075

The underlying mortality assumptions were based on the Macleod Watts Scale 2022, which is a two-dimensional mortality improvement scale reflecting both age and year of mortality improvement. The underlying base scale is Scale MP-2021 which has two segments: (1) historical improvement rates for the period 1951-2017 and (2) an estimate of future mortality improvement for years 2018-2020 using the Scale MP-2021 methodology but utilizing the assumptions obtained from Scale MP-2015. The Macleod Watts scale then transitions from the 2020 improvement rate to the Social Security Administration (SSA) Intermediate Scale linearly over the 10-year period 2021-2030. After this transition period, the Macleod Watts Scale uses the constant mortality improvement rate from the SSA Intermediate Scale from 2028-2042. The SSA's Intermediate Scale has a final step down in 2045 which is reflected in the Macleod Watts scale for years 2045 and thereafter. Over the ages 95 to 117, the SSA improvement rate is graded to zero.

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 is summarized in the following table:

Asset Class	Target Allocation
Global Equities	49.0%
Fixed Income	23.0%
Global Real Estate (REITs)	20.0%
Treasury Inflation Protected Securities	5.0%
Commodities	3.0%
Total	100.0%

NOTE 14 – EMPLOYEE BENEFITS (Continued)

Discount Rate

Explicit Subsidy Liability – The City expects the trust assets to yield 6.15 over the long term, based on information published by CalPERS as of the June 30, 2023 valuation date. Net contributions to the trust in recent years have been set at a level to prefund the explicit portion of benefits, with no advance funding of the implicit subsidy liability. Accordingly, the discount rate used for the City's explicit OPEB liability is 6.15%.

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 3.86%.

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

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability/(Asset) (a) - (b)**
Balance at June 30, 2023	$65,905,923	$54,008,340	$11,897,583
Changes Recognized for the Measurement Period:			
Service Cost	2,140,324		2,140,324
Interest on the total OPEB liability	4,070,218		4,070,218
Changes of assumptions	691,182		691,182
Contributions from the employer		2,267,207	(2,267,207)
Net investment income		3,401,636	(3,401,636)
Plan Experience	2,919,973		2,919,973
Administrative expenses		(15,681)	15,681
Benefit payments	(3,727,690)	(3,727,690)	
Net changes	6,094,007	1,925,472	4,168,535
Balance at June 30, 2024 (Measurement Date 6/30/23)	$71,999,930	$55,933,812	$16,066,118

The benefit payments and refunds include implied subsidy benefit payments in the amount of $2,494,961.

NOTE 14 – EMPLOYEE BENEFITS (Continued)

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 net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Net OPEB Liability/(Asset)		
	Discount Rate	
Discount Rate -1%	(6.15%)	Discount Rate +1%
$25,407,190	$16,066,118	$8,358,046

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

Net OPEB Liability/(Asset)		
	Healthcare Cost Trend Rates	
1% Decrease	(5.40%-4.00%)	1% Increase
$7,677,116	$16,066,118	$26,401,720

D. Dependent Fund Post Employment Benefit (OPEB) Plan (Total OPEB Liability)

Plan Description – The City provides continuation of medical coverage to its retiring employees and their eligible dependents, through its defined benefit Retiree Medical Benefits Agent Multiple-employers plan. Pursuant to various bargaining agreements with different employee groups, the City contributes a percent of total payroll toward the cost of medical coverage for the eligible dependents of retirees. The City does not define the eligibility for or amount of any such benefits paid, nor is it legally obligated to make any payments to these dependents. The extent of the City's obligation is to make the negotiated contributions to the funds. However, the City has determined that a liability for the projected cost of these benefits must be reported in its financial statements in accordance with current accounting standards. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2023:

Active employees	393
Inactive dependents of retirees currently receiving benefit payments	137
Inactive employees entitled to but not yet receiving benefit payments	31
Total	561

NOTE 14 – EMPLOYEE BENEFITS (Continued)

Actuarial Methods and Assumptions – The Union Dependent Funds' total OPEB liability was measured as of June 30, 2023 and the total OPEB liability was determined by an actuarial valuation dated June 30, 2023, that was rolled forward using standard update procedures to determine the total OPEB liability as of June 30, 2023 based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Actuarial Assumptions:	
Discount Rate	3.86% as of June 30, 2023
Inflation	2.50%
Salary Increase	3.00%
Investment Rate of Return	3.86%
Mortality Rate	MacLeod Watts Scale of 2022 applied generationally from 2015
Healthcare Trend Rate	6.5% in 2025 fluctuating to 3.9% for years 2076 and thereafter

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

	Increase (Decrease) Total OPEB Liability (a)
Balance at June 30, 2022	$28,327,780
Changes Recognized for the Measurement Period:	
Service Cost	1,183,959
Interest on the total OPEB liability	1,069,943
Changes in benefit terms	
Differences between expected and actual experience	
Changes of assumptions	(105,254)
Contributions from the employer	
Net investment income	
Other Expenses	
Plan Experience	2,397,223
Administrative expenses	
Benefit payments	(1,031,989)
Net changes	3,513,882
Balance at June 30, 2023 (Measurement Date)	$31,841,662

NOTE 14 – EMPLOYEE BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86%) or 1-percentage point higher (4.86%) than the current discount rate:

Net OPEB Liability/(Asset)		
	Discount Rate	
Discount Rate -1%	3.86%	Discount Rate +1%
$36,314,041	$31,841,662	$28,158,109

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

Net OPEB Liability/(Asset)		
	Healthcare Cost Trend Rates	
1% Decrease	(6.50% - 3.90%)	1% Increase
$27,962,251	$31,841,662	$36,679,439

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

For the year ended June 30, 2024, the City recognized Retiree Medical Benefits OPEB Plan and Dependent Fund OPEB Plan recognized expense of $1,166,650 and $2,153,202 respectively, for total OPEB expense of $3,319,852. At June 30, 2024, the Retiree Medical Benefits OPEB plan and Union Dependent Funds reported deferred outflows and inflows of resources related to OPEB from the following sources:

NOTE 14 – EMPLOYEE BENEFITS (Continued)

Retiree Medical Benefits OPEB Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	$2,123,941	
Differences between actual and expected experience	2,493,700	($3,771,407)
Changes of assumptions	3,291,584	(2,078,104)
Net differences between projected and actual earnings on plan investments	3,381,470	
Total	$11,290,695	($5,849,511)

Dependent Fund OPEB Plan

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	$1,158,383	
Differences between actual and expected experience	2,142,741	($949,777)
Changes of assumptions	3,102,227	(5,942,317)
Net differences between projected and actual earnings on plan investments		
Total	$6,403,351	($6,892,094)
Grand Total, Both Plans	**$17,694,046**	**($12,741,605)**

Deferred outflows of resources related to contributions after the measurement date, amounting to $3,282,324, will be recognized as a reduction of the OPEB liability in the subsequent fiscal year. 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	Annual Amortization	
Ended June 30	Retiree Medical Benefits Plan	Dependent Fund
2025	($1,583,612)	($100,700)
2026	38,730	(100,700)
2027	3,227,729	(100,700)
2028	659,116	(356,623)
2029	527,175	(520,241)
Thereafter	448,105	(468,162)
Total	**$3,317,243**	**($1,647,126)**

General Fund has been primarily used in prior years to liquidate OPEB liabilities.

NOTE 14 – EMPLOYEE BENEFITS (Continued)

F. Accrued Vacation and Sick Leave Liabilities

Employees accrue vacation up to certain maximums, based on employee classification. Employees may elect to be paid a portion of their vacation at various times according to the applicable memorandum of understanding. Sick leave may be accumulated without limit. Vested sick leave may be paid upon separation from service in good standing and is based on a vesting schedule determined by years of service.

The City measures and adjusts the liability for vacation and sick leave annually at its fiscal year end. During the year ended June 30, 2024, sick leave benefits payable increased by $61,443 and vacation benefits payable increased by $732,044. For all governmental funds, amounts expected to be paid out for permanent liquidation are recorded as fund liability; the long-term portion is recorded in the Statement of Net Position.

The changes of the Accrued Vacation and Sick Leave Liabilities and the allocation of each liability among the departments are as follows:

	Accrued Vacation		Sick Leave	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Balance as of June 30, 2023	$6,513,294	$437,342	$1,249,519	$140,657
Additions	4,009,166	302,116	2,107,125	118,567
Payments and adjustments	(3,322,554)	(256,684)	(2,013,051)	(151,198)
Balance as of June 30, 2024	$7,199,906	$482,774	$1,343,593	$108,026
General Government	$640,113		$2,947	
Building	251,735			
Public Works	495,086		251,125	
Engineering	240,721			
Planning	183,382			
Recreation	250,166		30,238	
Police	3,548,380		588,456	
Fire	1,525,804		463,330	
Water Utility		$241,186		$54,756
Sewer Utility		241,588		53,270
Internal Service	64,519		7,497	
Total	$7,199,906	$482,774	$1,343,593	$108,026
Long-Term Portion:				
Governmental activities	$4,241,542		$461,483	
Business-type activities		$55,538		$108,026
Total long term portions	$4,241,542	$55,538	$461,483	$108,026
Current Portion:				
Governmental activities	$2,958,364		$882,110	
Business-type activities		$427,236		
Total current portions	$2,958,364	$427,236	$882,110	

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.

NOTE 15 – 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.

PLAN JPA is governed by a Board of Directors consisting of representatives from member municipalities. The Board controls the operations of PLAN JPA, consisting of funding polices and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

The City's annual contributions to PLAN JPA are calculated based on the ratio of the City's payroll to the total payrolls of all entities participating in the program and the City's loss experience. Actual surpluses or losses are shared according to a formula developed from overall costs and spread to member entities on a percentage basis.

Financial statements may be obtained from PLAN JPA, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

B. Workers Compensation

The City has a commercial insurance policy which provides workers compensation coverage up to a maximum of $20,000,000. The City has a deductible or uninsured liability of up to $750,000 per claim for miscellaneous employees and $1,000,000 for public safety employees.

C. Dental

The City is self-insured for dental care for miscellaneous employees up to a maximum of $14,000 per family, based on years of service. Claims are funded on a pay-as-you-go basis. During the year ended June 30, 2024 the City paid $1,123,199 in dental claims and administrative fees. Public safety employees are insured under various dental care insurance plans.

NOTE 15 – 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:

	2024			
	Worker's Compensation	General Liability	Total	2023
Beginning balance	$5,613,220	$739,525	$6,352,745	$6,199,219
Liability for current fiscal year claims	1,478,098	876,905	2,355,003	2,554,560
Increase (decrease) in estimated liability for prior fiscal year claims and claims incurred but not reported (IBNR)	1,696,797	(602,125)	1,094,672	(264,883)
Claims paid	(1,687,411)	(164,101)	(1,851,512)	(2,136,151)
Ending balance	$7,100,704	$850,204	$7,950,908	$6,352,745
Due in one year	$1,451,854	$296,554	$1,748,408	$1,647,769

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

NOTE 16 – 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.

NOTE 16– 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 to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as assigned fund balance, 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, 2024 were as follows:

Major Governmental Funds:	
General Fund	2,340,251
Housing Authority Fund	46,574
Non-Major Governmental Funds	147,933
Total Encumbrances	$2,534,758

D. South Bay Water Recycling System Facility Replacement

As required by the Water Pollution Control Plant's National Pollutant Discharge Elimination System (NPDES) permit, the regional partner agencies are responsible for maintenance and operation of the South Bay Water Recycling System. The regional partner agencies, which includes the City of Milpitas, are also responsible for the planned $2 billion rehabilitation/replacement of the facility over the next thirty years. The City's share of the project is approximately 6.196% as discussed in Note 8E.

E. Bay Area Water Supply and Conservation Agency Revenue Bonds Surcharge

The City contracts with the City and County of San Francisco for the purchase of water from the Hetch Hetchy System operated by the San Francisco Public Utilities Commission (SFPUC). The City is also a member of the Bay Area Water Supply and Conservation Agency (BAWSCA) which represents the interests of all the 24 cities and water districts, as well as two private utilities, that purchase wholesale water from the SFPUC.

In 2009 the City entered into a new 25-year agreement with the SFPUC that includes a minimum water delivery level of 5.341MGD. One of the ways that the new agreement differs from the old is in how facilities constructed by the SFPUC that benefit the regional customers are treated from a rate and financial perspective. Under the old agreement, facilities were built, capitalized, and added to the rate base with a rate of return (interest), and then paid for over their useful lives through wholesale rates. Under the new agreement, the SFPUC issues revenue bonds and the debt service (which also includes an interest component) is paid for through rates over the life of the bonds.

During the transition from the old to the new contracts, one of the issues addressed was the $370 million in assets 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 provided a better interest rate given the favorable rate environment.

NOTE 16 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

BAWSCA issued Revenue Bonds in the principal amount of $335,780,000 in January 2013 to prepay the capital cost recovery payment obligation and fund a stabilization fund. The Bonds mature in October 2034 and are secured by surcharges to the monthly water purchase charges imposed upon the participating members. The Bonds are not a debt obligation of any member, and BAWSCA's failure to pay its Bonds would not constitute a default by any participating member.

Should any participating member fail to pay its share, BAWSCA will rely on the stabilization fund and will pursue all legal remedies to collect the shortfall from the delinquent member. In the interim, other participating members may have their portion adjusted to insure the continued payment of the debt service surcharge.

The risk of bearing the debt service expense of a defaulting member is not significantly different than the risk each member assumes currently for fluctuations in water purchase charges. Under the Bond indenture, BAWSCA maintains a stabilization fund. If surcharge revenues collected are less than needed (due to a member's failure to pay timely), BAWSCA uses the stabilization fund to fund the debt service deficiency and increases the surcharge in the subsequent year to make up for the prior year shortfall and reimburse the stabilization fund account. Also, given that each participating agency's governing body adopted a Resolution to participate in the Bond issue, Management believes that default is generally very unlikely.

The annual debt service surcharges are a fixed amount for each participant and 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 $619,012 during fiscal year 2024, which is included as a component of purchased water expenses in the Water Enterprise Fund. The surcharge for fiscal year 2025 is estimated to be $791,844.

F. 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.

NOTE 17 – 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 and certain housing assets were transferred to the City's Housing Authority Special Revenue Fund.

The City also elected to become the Successor Agency and on February 1, 2012 the Redevelopment Agency's remaining assets were distributed to and liabilities were assumed by the Successor Agency. ABx1 26 requires the establishment of an Oversight Board to oversee the activities of the Successor Agency and one was established on March 26, 2012. The activities of the Successor Agency were subject to review and approval of the Oversight Board, which was comprised of seven members, including one member of City Council and one former Redevelopment Agency employee appointed by the Mayor.

On July 1, 2018, the duties of the Milpitas Oversight Board transferred to a new Santa Clara Countywide Consolidated Oversight Board, which is now responsible for overseeing the winddown affairs of all Successor Agencies in Santa Clara County, including the Successor Agency to the Milpitas Redevelopment Agency.

The activities of the Housing Successor are reported in the Housing Authority Special Revenue Fund as the City has control of those assets, which may be used in accordance with the low and moderate income housing provisions of California Redevelopment Law.

The activities of the Successor Agency are reported in the Successor Agency to the Redevelopment Agency Private-Purpose Trust Fund as the activities are under the control of the County Oversight Board. The City provides administrative services to the Successor Agency to wind down the affairs of the former Redevelopment Agency.

Cash and investments of the Successor Agency as of June 30, 2024 are discussed in Note 3. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2024.

NOTE 17 – SUCCESSOR AGENCY ACTIVITIES (Continued)

B. Development Agreements

The Successor Agency assumed the obligations of the former Redevelopment Agency's Disposition and Development Agreements as follows:

Installment Purchase Agreement

The Redevelopment Agency agreed to purchase two parcels of land comprising thirty-five acres surrounding the County Correctional Facility for $57,750,000 in cash and $135,000,000 payable over eighteen years at no interest.

The Agency also agreed to re-sell this land to developers for a total of $57,750,000, of which $40,000,000 was received in fiscal 2005 and the remainder was received on the close of escrow on the second parcel in fiscal 2006. The Agency's intent in purchasing this land was to simultaneously re-sell it for development.

In addition, starting in 2024 the Agency is required to pay the County the greater of $2,000,000 or 50% of the sales tax revenue arising out of sales originating on certain properties that are in the Midtown Area, but not to exceed $5,000,000 annually, until the earlier of either June 30, 2038, the date that tax increment revenue allocated to the Agency has reached its limit or the termination of the Redevelopment Plan.

C. Long-Term Obligations

1. Current Year Transactions and Balances

The Successor Agency's debt issues and transactions are summarized below and discussed in detail thereafter.

	Balance June 30, 2023	Retirements	Balance June 30, 2024	Current Portion
2015 Tax Allocation Bonds				
2%-5%, due September 1, 2032	$72,640,000	$8,185,000	$64,455,000	$8,595,000
Plus: Unamortized bond premium	11,512,632	1,190,962	10,321,670	
Total	$84,152,632	$9,375,962	$74,776,670	$8,595,000

NOTE 17 – SUCCESSOR AGENCY ACTIVITIES (Continued)

2. 2015 Tax Allocation Refunding Bonds

In March 2015, the Successor Agency issued Tax Allocation Refunding Bonds in the original principal amount of $127,790,000. The proceeds of the Bonds were used to advance refund and defease the outstanding balance of the 2003 Tax Allocation Bonds, which were redeemed on March 23, 2015. The Bonds are secured by Redevelopment Property Tax Trust Fund (RPTTF) revenues. In lieu of a reserve fund, the 2015 Bonds are secured by a reserve insurance policy in the amount of $11,822,000, issued by Assured Guaranty Municipal Corp. Principal is payable annually and the interest is payable semi-annually through 2032. The 2015 Bonds contain a provision that in an event of default, the Trustee may declare the principal of the bonds, together with all accrued interest at the date of default, immediately due and payable, or (b) exercise any and all rights and remedies available to it under applicable law, including right to enforce from the Successor Agency all payments due on the Bonds, and the Successor Agency will pay all reasonable fees and expenses incurred by the Trustee and those of its attorneys. On August 27, 2021, S&P Global Ratings (formerly Standard & Poor's Financial Services, LLC) upgraded its Local Currency Long-Term Ratings on the Bonds from 'AA- to AA'.

3. Debt Service Requirements

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

	2015 Tax Allocation Bonds	
Year Ending June 30	Total Principal	Total Interest
2025	$8,595,000	$3,007,875
2026	9,025,000	2,567,375
2027	9,475,000	2,104,875
2028	9,950,000	1,619,250
2029	6,255,000	1,214,125
2030-2033	21,155,000	1,840,125
	64,455,000	$12,353,625
Plus: Unamortized bond premium	10,321,670	
	$74,776,670	

4. Defeased Bonds

During fiscal year 2023-24, the Agency paid off the debt in full for the Redevelopment Agency 1997 Tax Allocation Bonds.

NOTE 17 – SUCCESSOR AGENCY ACTIVITIES (Continued)

D. Commitments and Contingencies

State Approval of Enforceable Obligations

The Successor Agency prepares a Recognized Obligation Payment Schedule (ROPS) semi-annually that contains all proposed expenditures for the subsequent six-month period. The ROPS is subject to the review and approval of the County Oversight Board as well as the State Department of Finance. Although the State Department of Finance may not question items included on the ROPS in one period, they may question the same items in a future period and disallow associated activities. The amount, if any, of current obligations that may be denied by the State Department of Finance cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

Milpitas

REQUIRED SUPPLEMENTARY INFORMATION

Milpitas

City of Milpitas
Required Supplementary Information

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
Agent Multiple-Employer Retiree Medical Benefits (OPEB) Plan
Last 10 fiscal years*

Measurement Date	**6/30/2017**	**6/30/2018**	**6/30/2019**	**6/30/2020**	**6/30/2021**	**6/30/22**	**6/30/23**
Total OPEB Liability							
Service Cost	$2,386,392	$2,356,491	$2,423,566	$1,958,563	$1,503,917	$2,077,984	$2,140,324
Interest	4,794,071	5,155,080	5,462,138	3,581,088	4,100,155	3,916,381	4,070,218
Changes in benefit terms			(17,098,878)				
Differences between expected and actual experience			(11,594,216)		(3,161,213)		
Changes of assumptions	(1,263,847)	(113,934)	(1,624,371)	(5,621,298)	4,971,305		691,182
Plan experience							2,919,973
Benefit payments	(3,325,081)	(2,994,247)	(3,183,858)	(3,122,284)	(3,221,642)	(3,382,910)	(3,727,690)
Net change in total OPEB liability	2,591,535	4,403,390	(25,615,619)	(3,203,931)	4,192,522	2,611,455	6,094,007
Total OPEB liability - beginning	80,926,571	83,518,106	87,921,496	62,305,877	59,101,946	63,294,468	65,905,923
Total OPEB liability - ending (a)	$83,518,106	$87,921,496	$62,305,877	$59,101,946	$63,294,468	$65,905,923	$71,999,930
Plan fiduciary net position							
Contributions - employer	$4,959,756	$4,803,893	$4,651,743	$4,528,174	$1,743,593	$1,757,265	$2,267,207
Contributions - employee							
Net investment income	3,708,342	3,175,844	2,834,217	1,745,028	14,164,474	(8,452,324)	3,401,636
Administrative expense	(18,732)	(21,490)	(9,742)	(24,292)	(19,480)	(16,234)	(15,681)
Benefit payments	(3,325,081)	(2,994,247)	(3,183,858)	(3,122,284)	(3,221,642)	(3,382,910)	(3,727,690)
Other Expenses		(51,721)					
Net change in plan fiduciary net position	5,324,285	4,912,279	4,292,360	3,126,626	12,666,945	(10,094,203)	1,925,472
Plan fiduciary net position - beginning	33,780,048	39,104,333	44,016,612	48,308,972	51,435,598	64,102,543	54,008,340
Plan fiduciary net position - ending (b)	$39,104,333	$44,016,612	$48,308,972	$51,435,598	$64,102,543	$54,008,340	$55,933,812
Net OPEB liability (asset) - ending (a)-(b)	$44,413,773	$43,904,884	$13,996,905	$7,666,348	($808,075)	$11,897,583	$16,066,118
Plan fiduciary net position as a percentage of the total OPEB liability	46.82%	50.06%	77.54%	87.03%	101.28%	81.95%	77.69%
Covered-employee payroll	$42,017,236	$43,375,678	$48,788,854	$52,202,907	$59,134,552	$59,298,425	$63,840,691
Net OPEB liability as a percentage of covered-employee payroll	105.70%	101.22%	28.69%	14.69%	-1.36%	20.06%	25.17%

* Fiscal year 2018 was the first year of implementation.

City of Milpitas
Required Supplementary Information

SCHEDULE OF CONTRIBUTIONS

Agent Multiple-Employer Retiree Medical Benefits (OPEB) Plan

Last 10 fiscal years*

Fiscal Year Ended June 30,	2018			2019			2020		
	Explicit	Implicit	Total	Explicit	Implicit	Total	Explicit	Implicit	Total
Actuarially determined contribution	$3,387,020	($219,104)	$3,167,916	$3,492,808	($546,593)	$2,946,215	$788,831	$1,545,113	$2,333,944
Contributions in relation to the actuarially determined contribution	3,387,020	1,416,873	4,803,893	3,492,808	1,158,935	4,651,743	3,478,018	1,050,156	4,528,174
Contribution deficiency (excess)	$0	($1,635,977)	($1,635,977)	$0	($1,705,528)	($1,705,528)	($2,689,187)	$494,957	($2,194,230)
Covered-employee payroll	$43,375,678	$43,375,678	$43,375,678	$48,788,854	$48,788,854	$48,788,854	$52,202,907	$52,202,907	$52,202,907
Contributions as a percentage of covered-employee payroll	7.81%	3.27%	11.08%	7.16%	2.38%	9.53%	6.66%	2.01%	8.67%

Fiscal Year Ended June 30,	2021			2022			2023		
	Explicit	Implicit	Total	Explicit	Implicit	Total	Explicit	Implicit	Total
Actuarially determined contribution	$655,377	$1,552,190	$2,207,567	$655,377	$1,611,861	$2,267,238	$1,723,519	$1,232,729	$2,956,248
Contributions in relation to the actuarially determined contribution	655,377	1,088,216	1,743,593	682,866	1,074,399	1,757,265	1,034,478	1,232,729	2,267,207
Contribution deficiency (excess)	$0	$463,974	$463,974	($27,489)	$537,462	$509,973	$689,041	$0	$689,041
Covered-employee payroll	$59,134,552	$59,134,552	$59,134,552	$59,298,425	$59,298,425	$59,298,425	$59,298,425	$59,298,425	$59,298,425
Contributions as a percentage of covered-employee payroll	1.11%	1.84%	2.95%	1.15%	1.81%	2.96%	1.74%	2.08%	3.82%

Fiscal Year Ended June 30,	2024		
	Explicit	Implicit	Total
Actuarially determined contribution	$1,660,923	$1,208,956	$2,869,879
Contributions in relation to the actuarially determined contribution	885,985	1,237,956	2,123,941
Contribution deficiency (excess)	$774,938	($29,000)	$745,938
Covered-employee payroll	$63,840,691	$63,840,691	$63,840,691
Contributions as a percentage of covered-employee payroll	1.39%	1.94%	3.33%

Notes to Schedule

Valuation date:

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2023
Actuarial Assumptions:	
Discount Rate	6.15%
Inflation	2.50%
Salary Increase	3.00%
Investment Rate of Return	6.15%
Mortality Rate	MacLeod Watts Scale of 2022 applied generationally
Healthcare Trend Rate	5.8% grading down to 3.9% for years 2076 and thereafter

* Fiscal year 2018 was the first year of implementation.

City of Milpitas
Required Supplementary Information

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
Dependent Fund (OPEB) Plan
Last 10 fiscal years*

Measurement Date	**6/30/2019**	**6/30/20**	**6/30/21**	**6/30/22**	**6/30/23**
Total OPEB Liability					
Service Cost		$1,139,508	$1,402,597	$1,767,339	$1,183,959
Interest		905,377	810,987	687,094	1,069,943
Changes in benefit terms	$28,504,872				
Differences between expected and actual experience			(1,465,027)		2,397,223
Changes of assumptions		3,100,405	2,591,371	(7,639,426)	(105,254)
Benefit payments		(1,437,201)	(1,028,064)	(1,012,052)	(1,031,989)
Net change in total OPEB liability	28,504,872	3,708,089	2,311,864	(6,197,045)	3,513,882
Total OPEB liability - beginning		28,504,872	32,212,961	34,524,825	28,327,780
Total OPEB liability - ending (a)	$28,504,872	$32,212,961	$34,524,825	$28,327,780	$31,841,662
Plan fiduciary net position					
Contributions - employer		$1,437,201		$1,012,052	$1,031,989
Contributions - employee					
Net investment income					
Administrative expense					
Benefit payments		(1,437,201)		(1,012,052)	(1,031,989)
Other Expenses					
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning					
Plan fiduciary net position - ending (b)	$0	$0	$0	$0	$0
Net OPEB liability - ending (a)-(b)	$28,504,872	$32,212,961	$34,524,825	$28,327,780	$31,841,662
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	$48,788,854	$52,202,907	$59,134,552	$59,298,425	$62,201,383
Net OPEB liability as a percentage of covered-employee payroll	58.42%	61.71%	58.38%	47.77%	51.19%

*The liability of this Plan had been previously included together with other City plan OPEB Liabilities.
Beginning with fiscal year 2020, the City began to report the liability of this plan seperately.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

City of Milpitas
Required Supplementary Information

SCHEDULE OF CONTRIBUTIONS

Dependent Fund (OPEB) Plan
Last 10 fiscal years*

Fiscal Year Ended June 30,	2020	2021	2022	2023	2024
	Explicit	Explicit	Explicit	Explicit	Explicit
Actuarially required contribution	N/A (a)	N/A (a)	N/A (a)	N/A (a)	N/A (a)
Contributions in relation to the actuarially required contributions	$1,028,064	$0	$1,012,052	$1,158,383	$0
Contribution deficiency (excess)	N/A (a)	N/A (a)	N/A (a)	N/A (a)	N/A (a)
Covered-employee payroll	$48,788,854	$52,202,907	$59,298,425	$59,298,425	$62,201,383
Contributions as a percentage of covered-employee payroll	N/A (a)	N/A (a)	N/A (a)	N/A (a)	N/A (a)

*No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.
(a) Due to the nature of the Plan, actuarially required contribution is not available.
See Note 12D for contribution requirements.

Milpitas

City of Milpitas
Required Supplementary Information

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Miscellaneous Plan - Agent Multiple-Employer Defined Pension Plan
Last 10 Years*

Measurement Period	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Total Pension Liability				
Service Cost	$2,652,510	$2,664,628	$2,666,665	$3,008,973
Interest	13,600,615	14,114,152	14,689,192	15,078,047
Differences between expected and actual experience		(982,598)	(18,301)	(1,238,427)
Changes of assumptions		(3,463,459)		12,475,424
Changes in benefits				
Benefit payments, including refunds of employee contributions	(8,381,334)	(8,930,516)	(9,558,779)	(10,236,837)
Net change in total pension liability	7,871,791	3,402,207	7,778,777	19,087,180
Total pension liability - beginning	184,205,937	192,077,728	195,479,935	203,258,712
Total pension liability - ending (a)	$192,077,728	$195,479,935	$203,258,712	$222,345,892
Plan fiduciary net position				
Contributions - employer	$3,356,909	$4,076,975	$4,519,744	$5,048,143
Contributions - employee	1,439,932	1,326,989	1,333,019	1,266,956
Net investment income	22,034,637	3,281,429	775,183	16,109,364
Administrative expense		(164,523)	(89,109)	(211,414)
Benefit payments, including refunds of employee contributions	(8,381,334)	(8,930,516)	(9,558,779)	(10,236,837)
Other Miscellaneous Income/Expense				
Net Plan to Plan Resource Movement			(370)	(370)
Net change in plan fiduciary net position	18,450,144	(409,646)	(3,020,312)	11,975,842
Plan fiduciary net position - beginning	128,172,005	146,622,149	146,212,503	143,192,191
Plan fiduciary net position - ending (b)	$146,622,149	$146,212,503	$143,192,191	$155,168,033
Net pension liability - ending (a)-(b)	$45,455,579	$49,267,432	$60,066,521	$67,177,859
Plan fiduciary net position as a percentage of the total pension liability	76.33%	74.80%	70.45%	69.79%
Covered payroll	$15,682,538	$16,009,660	$16,161,589	$16,418,123
Net pension liability as percentage of covered payroll	289.85%	307.74%	371.66%	409.17%

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. In 2022, the accounting discount rate reduced from 7.15% to 6.90%. In 2016, 2018, 2019, 2020, 2021 and 2023, there were no changes. In 2022, the accounting discount rate reduced from 7.15% to 6.90%. 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.

2017-18	2018-19	2019-20	2021-22	2022-23	2023-24
$3,042,853	$3,361,140	$3,777,335	$4,262,309	$4,859,903	$4,745,953
15,647,110	16,517,342	17,295,222	18,046,275	18,711,899	19,679,002
1,831,444	4,569,776	2,592,349	1,466,976	1,596,580	5,257,874
(1,404,854)				8,099,828	
					272,125
(10,906,398)	(11,589,225)	(12,009,750)	(12,545,846)	(14,478,741)	(15,578,919)
8,210,155	12,859,033	11,655,156	11,229,714	18,789,469	14,376,035
222,345,892	230,556,047	243,415,080	255,070,236	266,299,950	285,089,419
$230,556,047	$243,415,080	$255,070,236	$266,299,950	$285,089,419	$299,465,454
$5,762,448	$6,864,376	$7,965,270	$8,925,250	$9,800,794	$9,432,683
1,473,732	1,569,027	1,772,996	1,998,174	1,861,769	2,143,742
13,123,448	10,774,536	8,527,794	40,453,566	(16,338,954)	12,287,794
(241,795)	(116,977)	(241,663)	(177,248)	(134,612)	(144,718)
(10,906,398)	(11,589,225)	(12,009,750)	(12,545,846)	(14,478,741)	(15,578,919)
(459,172)	381				
(381)					
8,751,882	7,502,118	6,014,647	38,653,896	(19,289,744)	8,140,582
155,168,033	163,919,915	171,422,033	177,436,680	216,090,576	196,800,832
$163,919,915	$171,422,033	$177,436,680	$216,090,576	$196,800,832	$204,941,414
$66,636,132	$71,993,047	$77,633,556	$50,209,374	$88,288,587	$94,524,040
71.10%	71.10%	69.56%	81.15%	69.03%	68.44%
$18,846,066	$22,079,190	$19,463,309	$25,754,131	$27,165,471	$27,088,772
382.47%	382.47%	398.87%	194.96%	325.00%	348.94%

City of Milpitas
Required Supplementary Information

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

Fiscal Year Ended June 30	2015	2016	2017	2018
Actuarially determined contribution	$3,252,668	$4,236,931	$5,082,638	$6,243,904
Contributions in relation to the actuarially determined contributions	3,252,668	4,236,931	5,082,638	6,243,904
Contribution deficiency (excess)	$0	$0	$0	$0
Covered payroll	$16,009,660	$16,161,589	$16,418,123	$18,846,066
Contributions as a percentage of covered payroll	20.32%	26.22%	30.96%	33.13%
Notes to Schedule				
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percentage of payroll
Asset valuation method	Fair Value of Assets.
Inflation	2.75% for 2015 to 2019, 2.625% for 2020, 2.50% for 2021 and 2022, and 2.30% for 2023 and 2024.
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.5% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, 7.00% for 2021 and 2022, and 6.80% for 2023 and 2024, net of administrative expenses, including inflation.
Retirement age	The probabilities of Retirement are base on the CalPERS Experience Study.
Mortality	The probabilities of mortality are based on the CalPERS Experience Study. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale AA published by the Society of Actuaries for 2015 to 2018. For 2019, 2020, 2021 and 2022, pre-retirement and post-retirement mortality rates include 15 years of projected mortality using 90% of Scale MP-2016 published by the Society of Actuaries. For 2023 and 2024, pre-retirement and post-retirement mortality rates include generational mortality using 80% of Scale MP-2020 published by the Society of Actuaries.

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

2019	2020	2021	2022	2023	2024
$6,863,508	$8,337,504	$8,916,157	$9,799,723	$9,421,792	$10,017,840
6,863,508	8,337,504	8,916,157	9,799,723	9,421,792	10,017,840
$0	$0	$0	$0	$0	$0
$22,079,190	$19,463,309	$21,793,252	$25,754,131	$27,165,471	$27,088,772
31.09%	42.84%	40.91%	38.05%	34.68%	36.98%
6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2021	6/30/2022

City of Milpitas
Required Supplementary Information

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Safety Plan - Agent Multiple-Employer Defined Pension Plan
Last 10 Years*

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

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. In 2017, the accounting discount rate reduced from 7.65% to 7.15%. In 2016, 2018, 2019, 2020, 2021 and 2023, there were no changes. In 2022, the accounting discount rate reduced from 7.15% to 6.90%. 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.

2017-18	2018-19	2019-20	2021-22	2022-23	2023-24
$5,975,378	$6,211,449	$6,711,730	$7,266,789	$7,801,769	$7,938,634
23,331,989	24,560,414	25,568,359	26,671,979	27,775,910	29,060,359
626,935	4,563,968	981,131	2,106,663	1,878,012	5,485,493
(986,630)				14,433,785	
					117,478
(16,083,729)	(17,533,455)	(18,278,539)	(20,179,552)	(21,827,081)	(23,440,654)
12,863,943	17,802,376	14,982,681	15,865,879	30,062,395	19,161,310
331,735,390	344,599,333	362,401,709	377,384,390	393,250,269	423,312,664
$344,599,333	$362,401,709	$377,384,390	$393,250,269	$423,312,664	$442,473,974
$8,866,550	$10,288,856	$12,104,306	$13,294,083	$14,258,505	$15,458,966
2,240,962	2,441,763	2,748,961	2,834,054	2,853,307	3,246,156
17,931,642	14,733,700	11,689,024	55,066,837	(22,163,861)	16,573,120
(330,577)	(159,951)	(329,757)	(241,588)	(182,284)	(195,278)
(521)					
(627,771)	521				
(16,083,729)	(17,533,455)	(18,278,539)	(20,179,552)	(21,827,081)	(23,440,654)
11,996,556	9,771,434	7,933,995	50,773,834	(27,061,414)	11,642,310
212,142,828	224,139,384	233,910,818	241,844,813	292,618,647	265,557,233
$224,139,384	$233,910,818	$241,844,813	$292,618,647	$265,557,233	$277,199,543
$120,459,949	$128,490,891	$135,539,577	$100,631,622	$157,755,431	$165,274,431
65.04%	64.54%	64.08%	74.41%	62.73%	62.65%
$20,840,464	$21,681,207	$23,703,982	$26,167,767	$26,110,338	$26,756,435
578.01%	592.64%	571.80%	384.56%	604.19%	617.70%

SCHEDULE OF CONTRIBUTIONS

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

Fiscal Year Ended June 30	2015	2016	2017	2018
Actuarially determined contribution	$5,856,270	$7,230,399	$7,887,539	$8,866,550
Contributions in relation to the actuarially determined contributions	5,904,019	7,346,983	7,887,539	8,866,550
Contribution deficiency (excess)	($47,749)	($116,584)	$0	$0
Covered payroll	$18,810,920	$20,170,400	$21,078,669	$21,698,152
Contributions as a percentage of covered payroll	31.39%	36.42%	37.42%	40.86%
Notes to Schedule				
Valuation date:	6/30/2012	6/30/2013	6/30/2014	6/30/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percentage of payroll
Asset valuation method	Fair Value of Assets.
Inflation	2.75% for 2015 to 2019, 2.625% for 2020, 2.50% for 2021 and 2022, and 2.30% for 2023 and 2024.
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.5% for 2015 to 2018, 7.375% for 2019, 7.25% for 2020, 7.00% for 2021 and 2022, and 6.80% for 2023 and 2024, net of administrative expenses, including inflation.
Retirement age	The probabilities of Retirement are base on the CalPERS Experience Study.
Mortality	The probabilities of mortality are based on the CalPERS Experience Study. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale AA published by the Society of Actuaries for 2015 to 2018. For 2019, 2020, 2021 and 2022, pre-retirement and post-retirement mortality rates include 15 years of projected mortality using 90% of Scale MP-2016 published by the Society of Actuaries. For 2023 and 2024, pre-retirement and post-retirement mortality rates include generational mortality using 80% of Scale MP-2020 published by the Society of Actuaries.

2019	2020	2021	2022	2023	2024
$10,288,856	$12,104,306	$13,294,083	$14,258,505	$15,469,857	$16,708,481
10,288,856	12,104,306	13,294,083	14,258,505	15,469,857	16,708,481
$0	$0	$0	$0	$0	$0
$20,840,464	$21,681,207	$23,707,982	$26,167,767	$26,110,338	$26,756,435
49.37%	55.83%	56.07%	54.49%	59.25%	62.45%
6/30/2016	6/30/2017	6/30/2018	6/30/2018	6/30/2021	6/30/2022

Milpitas

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

GAS TAX FUND

Established to account for the City's share of state gasoline taxes which are restricted for use on construction and maintenance of the street system in Milpitas.

HOUSING AND COMMUNITY DEVELOPMENT FUND

Established to account for community development block grants and expenditures.

LAW ENFORCEMENT SERVICES FUND

Established to account for the proceeds from Federal and State asset seizures. This fund also accounts for the Supplemental Law Enforcement Services grant, Local Law Enforcement Block grant, Justice Assistance grant and expenditures. These funds must be used only for specified law enforcement purposes.

SOLID WASTE REDUCTION AND SERVICES FUND

Established to account for landfill tipping fees allocated by Santa Clara County. The County allocates a fee of $1 per ton to each City to be used in relation to the State of California Waste Reduction Act. Revenue is used for the implementation of waste reduction programs to meet the State required landfill deposits percentage reduction. The fund also accounts for special charges built into garbage rates specifically for community promotions and household hazardous waste activities.

LIGHTING AND LANDSCAPE MAINTENANCE DISTRICT FUND

Established to account for assessments collected within the district. Revenue is used for servicing and maintaining the public landscaping and additional lighting for the district.

COMMUNITY FACILITIES DISTRICT FUND

Established to account for assessments collected within the district. Revenue is used for providing City services for the district.

HETCH-HETCHY GROUND LEASE FUND

Established to account for the lease payment to the City and County of San Francisco for the permitted use of the Hetch-Hetchy land.

COMMUNITY PLANNING FUND

Established to account for fees collected to fund the General Plan update, zoning ordinance update and other long range planning documents.

COMMUNITY BENEFITS FUND

Established to account for fees collected from developers to fund Public Benefits for the Community.

AFFORDABLE HOUSING FUND

Established to account for fees collected from developers to fund Affordable Housing activities.

AFFORDABLE HOUSING UNRESTRICTED FUND

Established to account for Affordable Housing unrestricted activities funded by General Fund Surplus.

CAPITAL PROJECTS FUNDS:

PUBLIC ART FUND

Established to account for the acquisition and installation of public art. Financing provided by a percentage of eligible project expenditures within the City's Annual Capital Improvement Program.

PARK IMPROVEMENT FUND

Established to account for the construction and maintenance of City parks. A special park improvement fee is imposed on developments to provide financing.

STORM DRAIN DEVELOPMENT FUND

Established to account for the construction and maintenance of storm drain projects. A special storm drain fee is imposed on developments to provide financing.

Milpitas

Milpitas

CITY OF MILPITAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2024

	SPECIAL REVENUE FUNDS					
	Gas Tax	Housing and Community Development	Law Enforcement Services	Solid Waste Reduction and Services	Lighting and Landscape Maintenance District	Community Facilities District
ASSETS						
Cash and investments available for operations	$7,819,954	$34,998	$700,396	$2,697,740	$416,074	$2,826,947
Receivables:						
Accounts						
Due from other governments	561,088	761,406	80,996	22,976		9,891
Interest	48,698		250	16,515	3,050	36,912
Loans receivable		3,243,856				
Prepaids, materials, supplies and deposits		986		4,816	2,122	17,411
Total Assets	$8,429,740	$4,041,246	$781,642	$2,742,047	$421,246	$2,891,161
LIABILITIES						
Accounts payable		$205,995	$54,592	$4,039	$1,252	$7,583
Accrued payroll				16,005	8,862	34,546
Unearned revenue			643,162	258,410		
Refundable deposits				18,843		
Total Liabilities		205,995	697,754	297,297	10,114	42,129
FUND BALANCE						
Fund Balances:						
Nonspendable		986		4,816	2,122	17,411
Restricted	$8,429,740	3,834,265	83,888	2,439,934	409,010	2,831,621
Assigned						
Total Fund Balances	8,429,740	3,835,251	83,888	2,444,750	411,132	2,849,032
Total Liabilities and Fund Balances	$8,429,740	$4,041,246	$781,642	$2,742,047	$421,246	$2,891,161

SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUNDS			
Hetch-Hetchy Ground Lease	Community Planning	Community Benefits	Affordable Housing	Affordable Housing Unrestricted	Public Art	Park Improvement	Storm Drain Development	Total Nonmajor Governmental Funds
$1,485,347	$238,760	$431,010	$6,072,119	$3,203,329	$982,315	$4,589,744	$6,929,388	$38,428,121
								1,436,357
8,940	3,879		26,693	19,380	5,870	25,554	42,543	238,284
								3,243,856
	2,911		3,638		3			31,887
$1,494,287	$245,550	$431,010	$6,102,450	$3,222,709	$988,188	$4,615,298	$6,971,931	$43,378,505
						$233,596	$123,624	$630,681
	$7,600		$14,504		$438	216		82,171
			1,451,022					2,352,594
	16							18,859
	7,616		1,465,526		438	233,812	123,624	3,084,305
	2,911		3,638		3			31,887
$1,494,287	235,023	$431,010	4,633,286	$3,222,709		4,381,486	6,848,307	39,274,566
					987,747			987,747
1,494,287	237,934	431,010	4,636,924	3,222,709	987,750	4,381,486	6,848,307	40,294,200
$1,494,287	$245,550	$431,010	$6,102,450	$3,222,709	$988,188	$4,615,298	$6,971,931	$43,378,505

CITY OF MILPITAS
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024

	SPECIAL REVENUE FUNDS					
	Gas Tax	Housing & Community Development	Law Enforcement Services	Solid Waste Reduction and Services	Lighting and Landscape Maintenance District	Community Facilities District
REVENUES:						
Other taxes					$476,728	$5,512,571
Franchise Fees				$889,916		
Use of money and property	$178,435	$8,976	$16,488	57,150	9,641	85,150
Intergovernmental	4,338,639	1,492,969	392,660	142,850		
Charges for services				384		
Developer contributions						
Other						
Total Revenues	4,517,074	1,501,945	409,148	1,090,300	486,369	5,597,721
EXPENDITURES:						
Current:						
General Government		1,492,970		4,124		9,157
Building, Safety and Housing						
Recreation and Community Services						
Public Works				792,112	373,595	1,686,358
Planning						
Police			402,617			
Fire						
Capital outlay			39,522			
Total Expenditures		1,492,970	442,139	796,236	373,595	1,695,515
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,517,074	8,975	(32,991)	294,064	112,774	3,902,206
OTHER FINANCING SOURCES (USES)						
Transfers in	186,885				43,817	
Transfers (out)	(4,687,428)			(136,505)	(89,100)	(3,172,000)
Total Other Financing Sources (Uses)	(4,500,543)			(136,505)	(45,283)	(3,172,000)
NET CHANGE IN FUND BALANCES	16,531	8,975	(32,991)	157,559	67,491	730,206
Fund balances at beginning of year	8,413,209	3,826,276	116,879	2,287,191	343,641	2,118,826
FUND BALANCES AT END OF YEAR	$8,429,740	$3,835,251	$83,888	$2,444,750	$411,132	$2,849,032

SPECIAL REVENUE FUNDS					CAPITAL PROJECTS FUNDS			
Hetch-Hetchy Ground Lease	Community Planning	Community Benefits	Affordable Housing	Affordable Housing Unrestricted	Public Art	Park Improvement	Storm Drain Development	Total Nonmajor Governmental Funds
								$5,989,299
								889,916
$66,188	$6,110	$8,188	$144,506	$69,509	$44,929	$209,893	$243,735	1,148,898
			77,318					6,444,436
	222,656							223,040
			161,503				32,703	194,206
					81,881	35,793		117,674
66,188	228,766	8,188	383,327	69,509	126,810	245,686	276,438	15,007,469
40,766			101,956	16,842				1,665,815
			596,684					596,684
					16,735			16,735
								2,852,065
	237,382		140,357					377,739
								402,617
						415,227	355,191	809,940
40,766	237,382		838,997	16,842	16,735	415,227	355,191	6,721,595
25,422	(8,616)	8,188	(455,670)	52,667	110,075	(169,541)	(78,753)	8,285,874
							500,000	730,702
	(74,073)				(140,000)	(900,000)		(9,199,106)
	(74,073)				(140,000)	(900,000)	500,000	(8,468,404)
25,422	(82,689)	8,188	(455,670)	52,667	(29,925)	(1,069,541)	421,247	(182,530)
1,468,865	320,623	422,822	5,092,594	3,170,042	1,017,675	5,451,027	6,427,060	40,476,730
$1,494,287	$237,934	$431,010	$4,636,924	$3,222,709	$987,750	$4,381,486	$6,848,307	$40,294,200

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, 2024

	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						
Franchise Fees						
Use of money and property	$77,647	$178,435	$100,788		$8,976	$8,976
Intergovernmental	4,350,035	4,338,639	(11,396)	$1,453,029	1,492,969	39,940
Charges for services						
Developer contributions						
Total Revenues	4,427,682	4,517,074	89,392	1,453,029	1,501,945	48,916
EXPENDITURES						
Current:						
General Government:						
City Manager						
City Attorney						
Finance						
Non-departmental				1,472,201	1,492,970	(20,769)
Building, Safety and Housing						
Recreation and Community Services						
Public Works						
Engineering						
Planning						
Police						
Fire						
Total Expenditures				1,472,201	1,492,970	(20,769)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,427,682	4,517,074	89,392	(19,172)	8,975	28,147
OTHER FINANCING SOURCES (USES)						
Transfers in	186,885	186,885				
Transfers (out)	(4,905,126)	(4,687,428)	217,698			
Total Other Financing Sources (Uses)	(4,718,241)	(4,500,543)	217,698			
NET CHANGE IN FUND BALANCES	($290,559)	16,531	$307,090	($19,172)	8,975	$28,147
ADJUSTMENT TO BUDGETARY BASIS:						
Expenditures capitalized for GAAP purposes						
Capital Outlay						
Encumbrance adjustments						
Fund balances at beginning of year		8,413,209			3,826,276	
Fund balances at end of year		$8,429,740			$3,835,251	

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)
						$481,514	$476,728	($4,786)
				$889,916	$889,916			
$21,027	$16,488	($4,539)	$26,517	57,150	$30,633	22,439	9,641	(12,798)
547,040	392,660	(154,380)	201,483	142,850	(58,633)			
				384	384			
568,067	409,148	(158,919)	228,000	1,090,300	862,300	503,953	486,369	(17,584)
			9,166	4,124	5,042			
			884,769	913,084	(28,315)	330,600	280,183	50,417
				2,700	(2,700)	101,199	97,732	3,467
576,954	448,923	128,031						
576,954	448,923	128,031	893,935	919,908	(25,973)	431,799	377,915	53,884
(8,887)	(39,775)	(30,888)	(665,935)	170,392	836,327	72,154	108,454	36,300
						43,817	43,817	
			(136,505)	(136,505)		(89,100)	(89,100)	
			(136,505)	(136,505)		(45,283)	(45,283)	
($8,887)	(39,775)	($30,888)	($802,440)	33,887	$836,327	$26,871	63,171	$36,300
	(39,522)							
	46,306			123,672			4,320	
	116,879			2,287,191			343,641	
	$83,888			$2,444,750			$411,132	

(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, 2024

	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	$4,472,000	$5,512,571	$1,040,571			
Franchise Fees						
Use of money and property	44,670	85,150	40,480	$41,727	$66,188	$24,461
Intergovernmental						
Charges for services						
Developer contributions						
Total Revenues	4,516,670	5,597,721	1,081,051	41,727	66,188	24,461
EXPENDITURES						
Current:						
General Government:						
City Manager						
City Attorney						
Finance						
Non-departmental	11,500	10,662	838	39,000	40,766	(1,766)
Building, Safety and Housing						
Recreation and Community Services						
Public Works	1,823,904	1,686,358	137,546			
Engineering						
Planning						
Police						
Total Expenditures	1,835,404	1,697,020	138,384	39,000	40,766	(1,766)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,681,266	3,900,701	1,219,435	2,727	25,422	22,695
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(3,172,000)	(3,172,000)				
Total Other Financing Sources (Uses)	(3,172,000)	(3,172,000)				
NET CHANGE IN FUND BALANCES	($490,734)	728,701	$1,219,435	$2,727	25,422	$22,695
ADJUSTMENT TO BUDGETARY BASIS:						
Expenditures capitalized for GAAP purposes						
Capital Outlay						
Encumbrance adjustments		1,505				
Fund balances at beginning of year		2,118,826			1,468,865	
Fund balances at end of year		$2,849,032			$1,494,287	

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)
$12,700	$6,110	($6,590)	$10,608	$8,188	($2,420)	$148,231	$144,506	($3,725)
						77,318	77,318	
325,000	222,656	(102,344)						
							161,503	161,503
337,700	228,766	(108,934)	10,608	8,188	(2,420)	225,549	383,327	157,778
						$144,200	42,090	102,110
						21,000		21,000
						100,964	59,866	41,098
						1,083,843	596,684	487,159
265,175	237,382	27,793				96,012	140,357	(44,345)
265,175	237,382	27,793				1,446,019	838,997	607,022
72,525	(8,616)	(81,141)	10,608	8,188	(2,420)	(1,220,470)	(455,670)	764,800
(74,073)	(74,073)							
(74,073)	(74,073)							
($1,548)	(82,689)	($81,141)	$10,608	8,188	($2,420)	($1,220,470)	(455,670)	$764,800
	320,623			422,822			5,092,594	
	$237,934			$431,010			$4,636,924	

(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, 2024

	AFFORDABLE HOUSING UNRESTRICTED			PUBLIC ART		
	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)	Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
REVENUES						
Other taxes						
Franchise Fees						
Use of money and property	$69,033	$69,509	$476	$31,027	$44,929	$13,902
Intergovernmental						
Charges for services						
Developer contributions					81,881	81,881
Total Revenues	69,033	69,509	476	31,027	126,810	95,783
EXPENDITURES						
Current:						
General Government:						
City Manager						
City Attorney						
Finance						
Non-departmental		16,842	(16,842)			
Building, Safety and Housing						
Recreation and Community Services					16,735	(16,735)
Public Works						
Engineering						
Planning						
Police						
Total Expenditures		16,842	(16,842)		16,735	(16,735)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	69,033	52,667	(16,366)	31,027	110,075	79,048
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)				(140,000)	(140,000)	
Total Other Financing Sources (Uses)				(140,000)	(140,000)	
NET CHANGE IN FUND BALANCES	$69,033	52,667	($16,366)	($108,973)	(29,925)	$79,048
ADJUSTMENT TO BUDGETARY BASIS:						
Expenditures capitalized for GAAP purposes						
Capital Outlay						
Encumbrance adjustments						
Fund balances at beginning of year		3,170,042			1,017,675	
Fund balances at end of year		$3,222,709			$987,750	

TOTALS		
Budget	Actual Amounts Budgetary Basis	Variance Positive (Negative)
$4,953,514	$5,989,299	$1,035,785
	889,916	889,916
505,626	695,270	189,644
6,628,905	6,444,436	(184,469)
325,000	223,040	(101,960)
	243,384	243,384
12,413,045	14,485,345	2,072,300
153,366	46,214	107,152
21,000		21,000
1,623,665	1,621,106	2,559
1,083,843	596,684	487,159
	16,735	(16,735)
3,039,273	2,879,625	159,648
101,199	100,432	767
361,187	377,739	(16,552)
576,954	448,923	128,031
6,960,487	6,087,458	873,029
5,452,558	8,397,887	2,945,329
230,702	230,702	
(8,516,804)	(8,299,106)	217,698
(8,286,102)	(8,068,404)	217,698
($2,833,544)	329,483	$3,163,027
	(39,522)	
	175,803	
	28,598,643	
	$29,064,407	

Milpitas

INTERNAL SERVICE FUNDS

Internal Service Funds report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its components units, or to other governments, on a cost reimbursement basis. These funds include the following:

EQUIPMENT MANAGEMENT INTERNAL SERVICE FUND

The Equipment Management Internal Service Fund is used to finance and account for the replacement of equipment used by City departments and the maintenance of computer systems on a cost reimbursement basis.

PENSION SECTION 115 INTERNAL SERVICE FUND

The Pension Section 115 Internal Service Fund is used to accumulate funds which may be used to fund either the annual actuarially determined pension contribution amounts, pay down unfunded pension liabilities with CalPERS, or reduce the length of pension cost amortization schedules with CalPERS.

Milpitas

CITY OF MILPITAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2024

	Equipment Management	Pension Section 115	Totals
ASSETS			
Current Assets			
Cash and investments	$14,999,151	$36,385,160	$51,384,311
Interest receivable	91,509		91,509
Materials, supplies and deposits	1,081,842		1,081,842
Total current assets	16,172,502	36,385,160	52,557,662
Noncurrent Assets			
Capital assets (net of accumulated depreciation)	10,619,817		10,619,817
Total noncurrent assets	10,619,817		10,619,817
Total Assets	26,792,319	36,385,160	63,177,479
LIABILITIES			
Current Liabilities			
Accounts payable	108,956	15,986	124,942
Refundable deposit	12		12
Accrued payroll	25,663		25,663
Accrued vacation	49,472		49,472
Noncurrent Liabilities			
Accrued vacation	15,047		15,047
Sick leave payable	7,497		7,497
Total Liabilities	206,647	15,986	222,633
NET POSITION			
Invested in capital assets	10,619,817		10,619,817
Restricted for pension expenses		36,369,174	36,369,174
Unrestricted	15,965,855		15,965,855
Total Net Position	$26,585,672	$36,369,174	$62,954,846

CITY OF MILPITAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

	Equipment Management	Pension Section 115	Totals
OPERATING REVENUES			
Charges for services	$4,032,465		$4,032,465
Other	173,479	$2,737,594	2,911,073
Total Operating Revenues	4,205,944	2,737,594	6,943,538
OPERATING EXPENSES			
Personal services	1,164,806		1,164,806
Services and supplies	634,492	104,147	738,639
Depreciation and amortization	1,289,220		1,289,220
Maintenance and repairs	157,489		157,489
Total Operating Expenses	3,246,007	104,147	3,350,154
Operating Income (Loss)	959,937	2,633,447	3,593,384
NONOPERATING REVENUES (EXPENSES)			
Interest income(loss)	622,135	1,072,667	1,694,802
Subventions and grants	27,200		27,200
Total Nonoperating Revenues (Expenses)	649,335	1,072,667	1,722,002
Income (Loss) Before Contributions and Transfers	1,609,272	3,706,114	5,315,386
Contributions	1,619,581		1,619,581
Transfer in	300,000		300,000
Change in net position	3,528,853	3,706,114	7,234,967
Net position-beginning	23,056,819	32,663,060	55,719,879
Net position-ending	$26,585,672	$36,369,174	$62,954,846

CITY OF MILPITAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

	Equipment Management	Pension Section 115	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$4,205,944	$2,737,594	$6,943,538
Payments to suppliers	(1,285,769)	(96,614)	(1,382,383)
Payments to employees	(1,297,733)		(1,297,733)
Net cash provided by operating activities	1,622,442	2,640,980	4,263,422
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	300,000		300,000
Cash Flows from Noncapital Financing Activities	300,000		300,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(1,808,869)		(1,808,869)
Receipts from grants and subventions	27,200		27,200
Cash Flows from Capital and Related Financing Activities	(1,781,669)		(1,781,669)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	591,051	1,072,667	1,663,718
Cash Flows from Investing Activities	591,051	1,072,667	1,663,718
Net increase (decrease) in cash and cash equivalents	731,824	3,713,647	4,445,471
Cash and investments at beginning of period	14,267,327	32,671,513	46,938,840
Cash and investments at end of period	$14,999,151	$36,385,160	$51,384,311
NONCASH TRANSACTIONS:			
Contributions and transfers of capital assets, net	$1,619,581		$1,619,581
Retirement of capital assets, net			
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	959,937	$2,633,447	3,593,384
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,289,220		1,289,220
Change in assets and liabilities:			
Receivables, net			
Materials, supplies and deposits	(490,725)		(490,725)
Accounts and other payables	(135,990)	7,533	(128,457)
Net cash provided by operating activities	$1,622,442	$2,640,980	$4,263,422

Milpitas

STATISTICAL SECTION

This part of the City's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends
These schedules contain trend information to help the reader understand how the City's financial performance and wellbeing have changed over time:

Net Position – Schedule 1
Changes in Net Position – Schedule 2
Fund Balances, Governmental Funds – Schedule 3
Changes in Fund Balance, Governmental Funds – Schedule 4

Revenue Capacity
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

Assessed Value and Actual Value of Taxable Property – Schedule 5
Direct and Overlapping Property Taxes Rates – Schedule 6
Principal Property Taxpayers – Schedule 7
Property Tax Levies and Collections – Schedule 8
Taxable Sales by Category – Schedule 9
Direct and Overlapping Sales Tax Rates – Schedule 10
Principal Sales Tax Payers – Schedule 11

Debt Capacity
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

Ratios of Outstanding Debt by Type – Schedule 12
Bonded Debt Pledged Revenue Coverage, Redevelopment Agency Tax Allocation Bonds – Schedule 13
Computation of Direct and Overlapping Debt – Schedule 14
Legal Debt Margin Information – Schedule 15
Installment Payment Coverage, Sewer Certificates of Participation and Waste Water Revenue Refunding Bonds – Schedule 16
Installment Payment Coverage, Water Revenue Bonds – Schedule 17

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

Bimonthly Sewer Rates by Customer Class – Schedule 18
Bimonthly Water Rates by Customer Class – Schedule 19
Demographic and Economic Statistics – Schedule 20
Principal Employers – Schedule 21

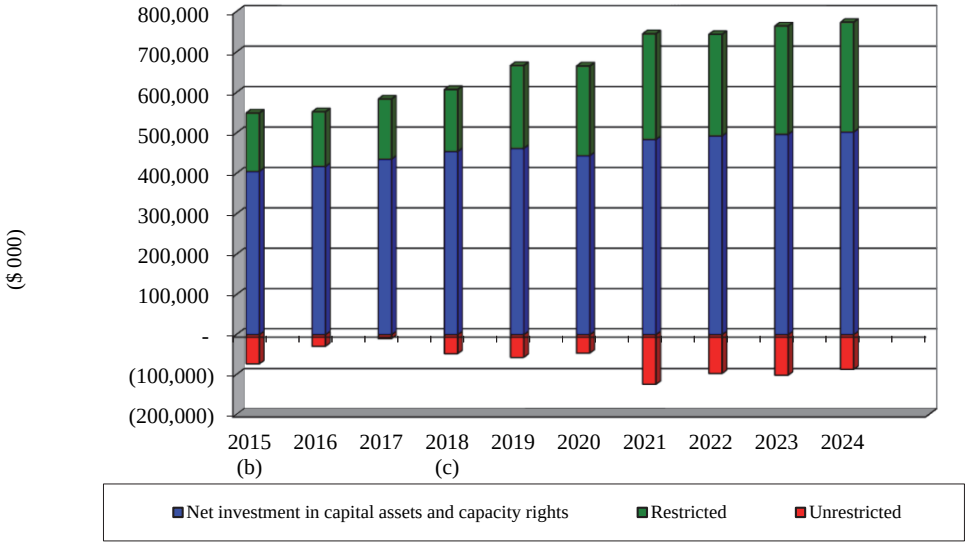
Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

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

Sources
Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

Milpitas

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



	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	$310,731	$354,280	$390,677	$369,560	$406,748
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	$165,685	$168,979	$183,502	$190,354	$203,169
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	$476,416	$523,259	$574,179	$559,914	$609,917

	Fiscal Year Ended June 30				
	2020	2021	2022	2023	2024
Governmental activities					
Net investment in capital assets and capacity rights	$344,471	$358,445	$365,009	$365,509	$366,987
Restricted	158,716	189,030	176,451	179,036	188,018
Unrestricted	(93,911)	(142,708)	(118,570)	(114,218)	(116,040)
Total governmental activities net position	$409,276	$404,767	$422,890	$430,327	$438,965
Business-type activities					
Net investment in capital assets and capacity rights	$99,331	$125,206	$127,204	$130,978	$135,007
Restricted	63,084	72,629	75,083	89,091	83,642
Unrestricted	47,967	18,483	21,208	12,857	27,545
Total business-type activities net position	$210,382	$216,318	$223,495	$232,926	$246,194
Primary government					
Net investment in capital assets and capacity rights	$443,802	$483,651	$492,213	$496,487	$501,994
Restricted	221,800	261,659	251,534	268,127	271,660
Unrestricted	(45,944)	(124,225)	(97,362)	(101,361)	(88,495)
Total primary government net position	$619,658	$621,085	$646,385	$663,253	$685,159

(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,			
	2015	2016	2017	2018
Expenses				
Governmental activities				
General Government	$18,118	$18,614	$21,174	$19,111
Building and Safety	2,617	2,513	3,389	4,148
Building, Housing and Safety				(e)
Recreation and Community Services				5,890
Public Works	17,509	12,761	16,266	15,903
Engineering		5,790 (d)	6,249 (d)	5,712 (d)
Planning and Neighborhood Services	2,372	2,649 (d)	3,103 (d)	3,586 (d)
Planning				
Parks and Recreation	3,098	4,090	4,949	
Police	24,699	24,556	30,270	33,840
Fire	16,301	16,400	20,499	24,194
Interest on Long Term Debt	67	56	48	
Total governmental activities expenses	84,781	87,429	105,947	112,384
Business-type activities				
Water Utility	18,344	19,743	20,666	23,742
Recycled Water Utility	(c)	(c)	(c)	(c)
Sewer Utility	10,426	10,872	9,969	12,715
Total business-type activities expenses	28,770	30,615	30,635	36,457
Total primary government expenses	$113,551	$118,044	$136,582	$148,841
Program Revenues				
Governmental activities:				
Charges for services:				
General Government	$1,063	$2,065	$1,970	$2,088
Building and Safety	5,128	5,963	7,814	10,093
Building, Housing and Safety				
Recreation and Community Services				2,559
Public Works	2,644	(d)	(d)	(d)
Engineering		2,863 (d)	2,720 (d)	2,465 (d)
Planning and Neighborhood Services	700	747	292	418
Planning				
Parks and Recreation	2,060	1,981	2,301	
Police	1,151	1,138	1,184	1,089
Fire	1,885	2,440	3,224	3,326
Operating grants and contributions	6,201	7,320	7,880	6,521
Capital grants and contributions	14,711	35,195	32,256	34,003
Total government activities program revenues	35,543	59,712	59,641	62,562
Business-type activities				
Charges for services:				
Water Utility	21,136	18,709	26,318	29,667
Recycled Water Utility	(c)	(c)	(c)	(c)
Sewer Utility	14,453	15,964	16,803	17,139
Operating grants and contributions	127	63	89	124
Capital grants and contributions	710	1,103	4,937	2,507
Total business-type activities program revenue	36,426	35,839	48,147	49,437
Total primary government program revenues	$71,969	$95,551	$107,788	$111,999
Net (Expense)/Revenue				
Governmental activities	($49,238)	($27,717)	($46,306)	($49,822)
Business-type activities	7,656	5,224	17,512	12,980
Total primary government net expense	($41,582)	($22,493)	($28,794)	($36,842)

(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 parks division is part of the Public Works department beginning in fiscal year 2013.

(c) Beginning in fiscal year 2013, the Recycled Water Utility is part of the Water Utility.

(d) Public Works and Engineering are separate departments beginning in fiscal year 2016.

(e) Neighborhood Services is a component of Building, Housing and Safety, and Planning is a separate department beginning in fiscal year 2019.

(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.

2019	2020	2021	2022	2023	2024
$25,281 (e)	$24,050 (e)	$25,247 (e)	$25,213 (e)	$25,711 (e)	$28,302 (e)
5,449	7,418	6,705	4,943	7,940	8,376
7,020	7,095	5,174	6,114	8,410	8,514
20,053	20,342	20,219	22,063	23,657	31,702
6,459 (d) (e)	7,314 (d) (e)	6,826 (d) (e)	5,047 (d) (e)	6,006 (d) (e)	(d) (e)
1,851	2,741	2,489	1,851	2,638	2,545
35,868	43,505	38,919	29,468	39,545	46,096
26,535	31,472	31,859	29,040	31,799	31,777
17	37	785	838	565	676
128,533	143,974	138,223	124,577	146,271	157,988
25,232 (c)	28,750 (c)	28,959 (c)	26,898 (c)	28,070 (c)	30,029 (c)
12,231	15,240	15,982	15,622	20,226	17,839
37,463	43,990	44,941	42,520	48,296	47,868
$165,996	$187,964	$183,164	$167,097	$194,567	$205,856
$2,347 (e)	$1,809 (e)	$1,710 (e)	$1,931 (e)	$1,400 (e)	$1,299 (e)
9,718	6,621	8,629	8,815	7,815	5,358
2,655 (d)	1,145 (d)	762 (d)	2,360 (d)	3,328 (d)	2,910 (d)
2,379 (d) (e)	2,132 (d) (e)	1,792 (d) (e)	1,096 (d) (e)	2,960 (d) (e)	3,678 (d) (e)
226	452	408	474	505	566
1,130	1,087	1,055	1,421	1,565	1,513
2,172	2,402	2,553	2,582	2,498	2,396
8,277	10,643	14,986	15,335	16,230	21,580
47,194	33,423	18,997	19,924	7,901	12,270
76,098	59,714	50,892	53,938	44,283	51,570
29,355 (c)	32,792 (c)	34,658 (c)	34,374 (c)	34,242 (c)	36,065 (c)
17,830	19,566	20,152	21,593	24,953	25,110
114	171	125	306	59	61
2,755	601	1,434	1,026	2,509	174
50,054	53,130	56,369	57,299	61,763	61,410
$126,152	$112,844	$107,261	$111,237	$106,046	$112,980
($52,435)	($84,260)	($87,331)	($70,639)	($101,988)	($106,418)
12,591	9,140	11,428	14,779	13,467	13,542
($39,844)	($75,120)	($75,903)	($55,860)	($88,521)	($92,876)

(Continued)

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

	Fiscal Year Ended June 30,			
	2015	2016	2017	2018
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes:				
Property taxes	$24,927	$27,068	$30,262	$31,893
Sales and use taxes	18,779	23,924	25,392	26,991
Hotel/Motel taxes	10,917	11,757	11,858	12,122
Other taxes	664	822	803	814
Franchise fees	3,659	3,841	3,871	4,678
Motor vehicle in lieu	29	29	34	39
Investment earnings	379	913	118	301
Gain on sale of capital assets/property			7,324	
Miscellaneous	333	287	118	186
Transfers	1,627	2,625	2,923	2,511
Extraordinary item				
Special Item				(12,432) (f)
Total government activities	61,314	71,266	82,703	67,103
Business-type activities				
Investment earnings	383	695	(65)	171
Transfers	(1,627)	(2,625)	(2,923)	(2,511)
Total business-type activities	(1,244)	(1,930)	(2,988)	(2,340)
Total primary government	$60,070	$69,336	$79,715	$64,763
Change in net position				
Governmental activities	$12,076	$43,549	$36,397	$17,281
Business-type activities	6,412	3,294	14,524	10,640
Total primary government	$18,488	$46,843	$50,921	$27,921

(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 parks division is part of the Public Works department beginning in fiscal year 2013.

(c) Beginning in fiscal year 2013, the Recycled Water Utility is part of the Water Utility.

(d) Public Works and Engineering are separate departments beginning in fiscal year 2016.

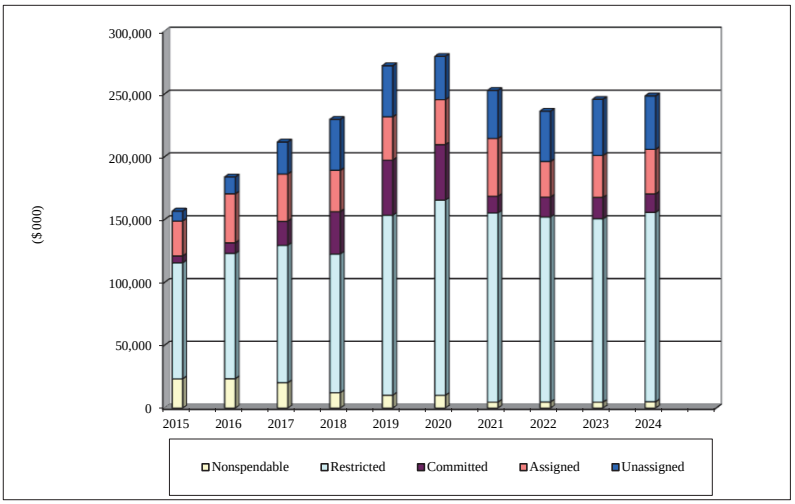
(e) Neighborhood Services is a component of Building, Housing and Safety, and Planning is a separate department beginning in fiscal year 2019.

(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.

2019	2020	2021	2022	2023	2024
$33,811	$37,684	$40,979	$42,646	$47,100	$48,613
27,983	24,173	24,170	33,210	37,344	34,617
14,503	11,377	4,213	8,013	11,190	11,537
808	836	791	1,070	737	819
5,127	5,173	5,036	5,188	5,690	7,075
36	60	57	87	84	101
4,474	2,808	965	(7,560)	1,864	5,594
4	43	28	198	34	
390	446	503	1,554	765	1,272
2,489	4,187	6,079	4,357	4,616	5,428
89,625	86,787	82,821	88,763	109,424	115,056
2,712	2,261	588	(3,246)	580	5,154
(2,489)	(4,187)	(6,079)	(4,357)	(4,616)	(5,428)
223	(1,926)	(5,491)	(7,603)	(4,036)	(274)
$89,848	$84,861	$77,330	$81,160	$105,388	$114,782
$37,190	$2,527	($4,510)	$18,124	$7,436	$8,638
12,814	7,214	5,937	7,176	9,431	13,268
$50,004	$9,741	$1,427	$25,300	$16,867	$21,906

Milpitas

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



	Fiscal Year Ended June 30,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General Fund										
Nonspendable	$23,265	$23,387	$20,209	$10,043	$10,234	$10,189	$4,783	$4,866	$4,924	$4,970
Restricted	0	0	0	0	0	0	0	0	0	0
Committed	5,433	8,440	19,026	33,643	43,852	44,082	13,266	15,766	16,972	16,495
Assigned	7,013	9,052	8,067	8,629	5,916	6,118	6,543	6,114	6,921	7,478
Unassigned	13,864	13,410	25,440	40,496	40,655	34,387	38,128	40,038	44,685	56,307
Total General Fund	$49,575	$54,289	$72,742	$92,811	$100,657	$94,776	$62,720	$66,784	$73,502	$85,250 (a)
All Other Governmental Funds										
Nonspendable	$11	$13	$15	$2,229	$85	$20	$28	$27	$150	$32
Restricted	92,347	99,701	109,416	110,418	143,232	155,359	150,544	147,231	145,894	150,629
Assigned	20,806	29,956	29,635	24,284	28,532	29,768	39,508	22,250	26,485	28,522
Unassigned	(5,932)	0	0	0	0	0	0	0	0	0
Total all other governmental funds	$107,232	$129,670	$139,066	$136,931	$171,849	$185,147	$190,080	$169,508	$172,529	$179,183 (a)

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

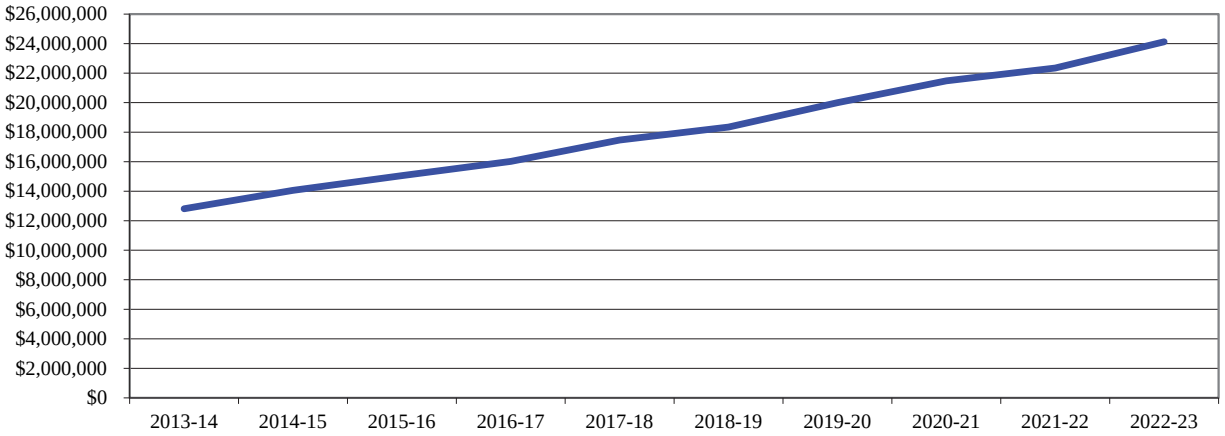
CITY OF MILPITAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year Ended June 30,				
	2015	2016	2017	2018	2019
Revenues					
Property taxes	$24,927	$27,068	$30,261	$31,893	$33,811
Sales taxes	19,572	24,719	26,214	27,854	28,890
Hotel/Motel taxes					
Franchise fees					
Other taxes	17,505	18,737	19,349	20,429	23,386
Licenses and fines	6,971	8,051	10,497	12,758	11,757
Use of money and property	2,032	3,037	2,180	2,719	8,452
Intergovernmental	5,482	6,104	4,696	6,228	6,019
Charges for services	6,449	7,196	7,238	6,981	6,969
Developer contributions	11,614	29,410	25,637	29,065	41,153
Other	205	113	310	568	926
Total Revenues	94,757	124,435	126,382	138,495	161,363
Expenditures					
Current:					
General Government	12,814	13,771	17,089	15,397	21,352
Building and Safety	2,706	2,885	3,148	3,633	(c)
Building, Housing and Safety					5,038
Recreation and Community Services		3,383	3,876	4,497	5,144
Human Resources and Recreation	3,329	(b)	(b)	(b)	(b)
Parks and Recreation	(a)	(a)	(a)	(a)	(a)
Public Works	9,199	6,020	6,839	6,983	8,151
Engineering		3,257	3,527	3,103	3,201
Planning and Neighborhood Services	2,570	2,805	2,978	3,153	(c)
Planning					1,648
Police	24,193	26,124	27,247	27,880	30,389
Fire	15,605	17,470	18,456	21,034	23,225
Capital outlay	14,376	24,811	26,151	27,243	23,435
Debt service:					
Principal	6,000				199
Interest and fees	61	54	48	69	104
Total Expenditures	90,853	100,580	109,359	112,992	121,886
Excess (deficiency) of revenues over (under) expenditures	3,904	23,855	17,023	25,503	39,477
Other Financing Sources (Uses)					
Proceeds from debt issuance					952
Payments to refunded debt escrow agent					
Proceeds/gain from sale of properties	4	160	7,324		1
Loss from sale/conveyance of property				(12,437)	(152)
Transfers in	25,558	23,001	18,405	19,505	37,936
Transfers (out)	(19,305)	(19,864)	(14,903)	(14,637)	(35,449)
Total other financing sources (uses)	6,257	3,297	10,826	(7,569)	3,288
Extraordinary Items					
Assets transferred to Housing Successor					
Assets transferred to/liabilities assumed by Successor Agency/Housing Successor					
Special Item					
Assets transferred to/from Successor Agency and County					
Net Change in fund balances	$10,161	$27,152	$27,849	$17,934	$42,765
Debt service as a percentage of noncapital expenditures	7.4%	0.1%	0.1%	0.1%	0.3%

(a) 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
(b) Human Resources is a component of General Government and Recreation is a separate department beginning in fiscal year 2016.
(c) Neighborhood Services is a component of Building, Housing and Safety, and Planning is a separate department beginning in fiscal year 2019.
(d) Transient occupancy taxes and Franchise fees were reported separately from Other taxes beginning in fiscal year 2020.

Fiscal Year Ended June 30,				
2020	2021	2022	2023	2024
$37,799	$41,093	$42,759	$47,210	$48,724
25,058	25,114	34,364	38,476	35,836
11,377 (d)	4,213 (d)	8,012 (d)	11,189 (d)	11,529 (d)
5,173 (d)	5,036 (d)	5,188 (d)	5,690 (d)	7,075 (d)
4,632 (d)	4,889 (d)	5,940 (d)	6,154 (d)	7,141 (d)
9,039	10,993	11,287	10,147	7,663
8,092	1,505	(5,980)	3,432	9,937
9,089	12,576	15,403	16,062	20,079
5,228	4,816	6,114	6,908	7,418
24,684	15,880	9,331	2,399	2,288
983	642	621	935	1,315
141,154	126,757	133,039	148,602	159,005
19,146	22,902	24,657	22,390	25,212
(c)	(c)			
5,784	6,088	5,853	7,635	7,601
5,227	3,662	5,041	6,640	6,967
(b)	(b)			
(a)	(a)			
9,588	10,671	10,850	12,053	16,977
3,559	3,846	3,474	3,539	
(c)	(c)			
2,116	2,293	2,142	2,484	2,295
34,301	34,803	35,023	37,656	39,273
26,416	28,200	29,483	29,227	28,401
32,106	33,648	33,828	21,196	17,638
728		275	748	652
155	449	737	740	719
139,126	146,562	151,363	144,308	145,735
2,028	(19,805)	(18,324)	4,294	13,270
	21,919			
	3	118	65	5
27,164	21,486	16,902	23,531	24,441
(21,777)	(50,724)	(13,225)	(20,131)	(19,313)
5,387	(7,316)	3,795	3,465	5,133
$7,415	($27,121)	($14,529)	$7,759	$18,403
0.7%	0.3%	0.7%	1.16%	1.08%

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



Fiscal Year	Real Property: Residential Property	Real Property: Commercial Property	Real Property: Industrial Property	Real Property: Other (c)	Unsecured	Less: Tax-Exempt Property (c)	Total Taxable Assessed Value (a)	Total Direct Tax Rate (b)
2013-14	6,793,845	1,388,236	2,622,328	540,230	1,764,760	(296,041)	12,813,358	1%
2014-15	7,728,283	1,427,474	2,628,858	654,879	1,887,428	(266,136)	14,060,786	1%
2015-16	8,629,667	1,445,665	2,788,984	649,712	1,844,591	(299,860)	15,058,759	1%
2016-17	9,386,926	1,493,922	3,248,012	675,017	1,529,223	(314,291)	16,018,809	1%
2017-18	10,143,815	1,581,140	3,563,327	782,718	1,710,357	(315,999)	17,465,358	1%
2018-19	10,997,080	1,619,668	3,504,633	790,143	1,761,094	(328,719)	18,343,899	1%
2019-20	12,311,913	1,684,889	3,752,681	665,325	1,917,745	(333,527)	19,999,026	1%
2020-21	13,398,580	1,792,792	4,048,447	534,924	1,890,212	(186,858)	21,478,097	1%
2021-22	14,045,849	1,861,634	4,231,585	463,153	1,922,357	(178,163)	22,346,415	1%
2022-23	15,166,680	1,890,500	4,568,761	496,705	2,196,227	(193,979)	24,124,894	1%
2023-24	15,901,041	1,986,166	5,068,816	548,661	2,072,285	(307,593)	25,269,376	1%

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

Notes:

(a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.

(b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation, to all the taxing entities within a tax rate area.

(c) Corrections were made for Fiscal Years 2013-14 through 2018-19 to correct the amounts for Other and Tax-Exempt Property. Total assessed value was unchanged.

CITY OF MILPITAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate per $100 of assessed value)

	City Direct Rates		Overlapping Rates (a)		
Fiscal Year	Basic Rate (b)	Total Direct	County of Santa Clara (c)	School Districts	Special Districts
2013-14	1.00	1.00	0.0437	0.0961	0.0070
2014-15	1.00	1.00	0.0503	0.0750	0.0065
2015-16	1.00	1.00	0.0503	0.0817	0.0057
2016-17	1.00	1.00	0.0498	0.0734	0.0086
2017-18	1.00	1.00	0.0621	0.0880	0.0062
2018-19	1.00	1.00	0.0589	0.0850	0.0042
2019-20	1.00	1.00	0.0581	0.1245	0.0410
2020-21	1.00	1.00	0.0412	0.1255	0.0037
2021-22	1.00	1.00	0.0412	0.1210	0.0051
2022-23	1.00	1.00	0.0412	0.1172	0.0044
2023-24	1.00	1.00	0.0412	0.1017	0.0041

Source: County of Santa Clara, Tax Rates & Information

Notes:

(a) Overlapping rates are those of local and county governments that apply to property owners within the City of Milpitas. Not all overlapping rates apply to all Milpitas property owners. These are voter approved levies in addition to the 1% State levy.

(b) The City's basic property tax rate can only be increased by a 2/3 vote of the City's residents.

(c) The overlapping rates for the County of Santa Clara were corrected in prior years to include amounts that were previously omitted by mistake.

CITY OF MILPITAS
PRINCIPAL PROPERTY TAXPAYERS
FISCAL YEARS 2023-24 and 2014-15

	2023-2024			2014-2015		
Taxpayer	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.	825,473,412.00	1	3.27%	$985,547,362	1	7.01%
Headway Technologies Inc	611,730,024	2	2.42%	111,314,729	7	0.79%
KLA Tencor Corporation	565,688,668	3	2.24%	244,697,337	3	1.74%
Milpitas-District 1 Owner LLC	461,776,784	4	1.83%			
Milpitas Mills LP	360,394,095	5	1.43%	304,166,632	2	2.16%
Anton Milpitas	241,001,399	6	0.95%			
McCarthy Center Holding LLC	214,696,475	7	0.85%			
MG Eleanor Apartments	192,150,000	8	0.76%			
WH Silicon Valley VI LP	183,321,200	9	0.73%			
Amalfi Milpitas LLC	179,562,301	10	0.71%			
California Diversified LLC				160,198,610	4	1.14%
Essex Portfolio LP				131,424,789	5	0.93%
Hudson Campus Center LLC				121,691,718	6	0.87%
Linear Technology Corporation				107,602,501	8	0.77%
Fairfield Murphy RD LLC				105,345,742	9	0.75%
SPUS6 Murphy Crossing				95,431,300	10	0.68%
Subtotal	$3,835,794,358		15.18%	$2,367,420,720		16.84%

Fiscal Year 2023-2024 Total Net Assessed Valuation	$25,269,376,274
Fiscal Year 2014-2015 Total Net Assessed Valuation	$14,060,786,369

Source: Hdl, Coren & Cone, Santa Clara County Assessor 2022/23 Combined Tax Rolls

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

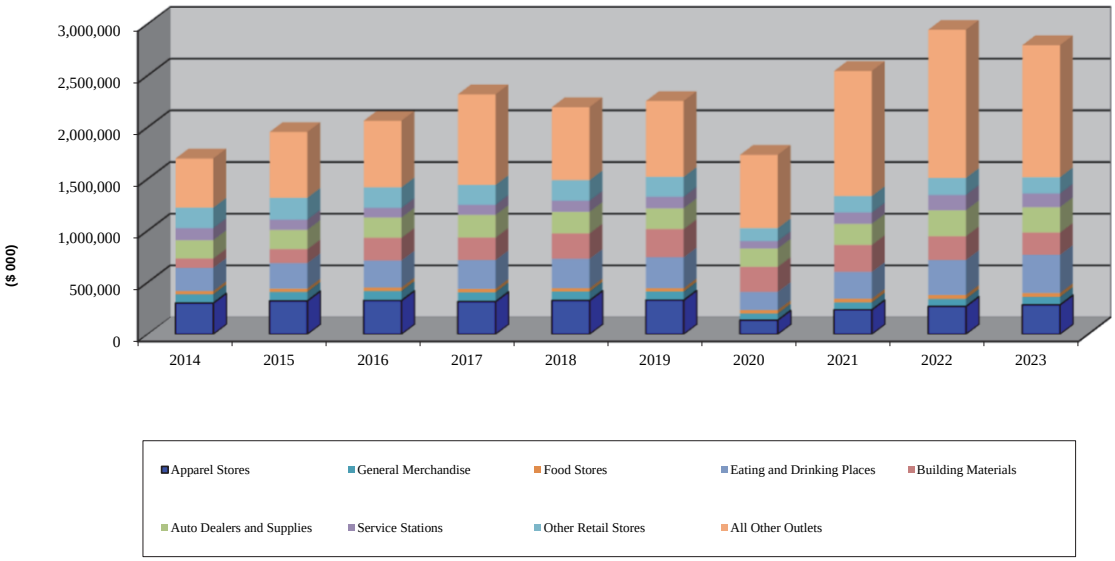
Fiscal Year	Taxes Levied (a)	Current Collections (a)	Percent of Levy Collected	Delinquent Tax Collections	Total Taxes Collected (a)	Percent of Levy
2014-15	24,927	24,927	100.00%	0	24,927	100.00%
2015-16	27,068	27,068	100.00%	0	27,068	100.00%
2016-17	30,262	30,262	100.00%	0	30,262	100.00%
2017-18	31,893	31,893	100.00%	0	31,893	100.00%
2018-19	33,811	33,811	100.00%	0	33,811	100.00%
2019-20	37,684	37,684	100.00%	0	37,684	100.00%
2020-21	41,093	41,093	100.00%	0	41,093	100.00%
2021-22	42,759	42,759	100.00%	0	42,759	100.00%
2022-23	47,210	47,210	100.00%	0	47,210	100.00%
2023-24	48,578	48,578	100.00%	0	48,578	100.00%

(a) The City elected to participate in the "Teeter" plan offered by the County whereby cities receive 100% of the taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes.

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

Source: City of Milpitas

CITY OF MILPITAS
TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS
(Dollars in Thousands)
Adjusted for Economic Data (a)



	CALENDAR YEARS									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Apparel Stores	300,449	321,992	324,754	314,471	325,502	328,545	135,733	235,718	267,979	283,257
General Merchandise	85,048	86,475	92,857	90,725	86,646	83,356	63,773	70,904	73,663	77,461
Food Stores	30,876	32,076	32,093	32,541	31,105	31,622	33,133	35,305	37,683	36,134
Eating and Drinking Places	225,234	246,653	262,560	278,180	285,726	299,484	176,508	260,109	337,908	370,420
Building Materials	90,386	134,128	219,504	217,800	245,999	273,634	241,873	261,114	230,481	215,126
Auto Dealers and Supplies	177,278	186,944	195,626	218,899	208,229	201,342	176,691	204,344	249,917	245,884
Service Stations	115,955	98,981	93,188	97,579	107,423	110,121	72,722	108,410	148,616	131,711
Other Retail Stores	197,600	211,323	198,233	191,621	198,054	192,134	123,956	158,486	163,503	157,502
All Other Outlets	476,482	636,541	645,440	877,058	706,636	734,758	709,740	1,211,268	1,433,583	1,276,906
Total	$1,699,308	$1,955,113	$2,064,255	$2,318,874	$2,195,320	$2,254,996	$1,734,129	$2,545,658	$2,943,333	$2,794,401

Source: State Board of Equalization, California Department of Taxes and Fees Administration, State Controller's Office, The HdL Companies

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources ot the City's revenue.

(a) Adjusted for Economic Data - reflects adjustments for prior periods taxable sales in the appropriate quarters.

CITY OF MILPITAS
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rate	Santa Clara County (e)	State of California	
2014-15	1.00	1.50	6.25	
2015-16	1.00	1.50	6.25	
2016-17	1.00	2.00	6.00	
2017-18	1.00	2.00	6.00	(d)
2018-19	1.00	2.00	6.00	
2019-20	1.00	2.00	6.00	
2020-21	1.25	2.00	6.00	
2021-22	1.25	2.13	6.00	
2022-23	1.25	2.13	6.00	
2023-24	1.25	2.13	6.00	

Source: California State Board of Equalization

(a) July 1, 2011 the State decreased the State Rate 1%

(b) April 1, 2013 the County increased the rate 0.25%

(c) On both July 1, 2012 and April 1, 2013 the State increased the State Rate 0.125%

(d) On April 1, 2017, the County increased the rate 0.50% and on January 1, 2017 the State decreased the rate 0.25%.

(e) Corrections were made to the County and State rates in all years. 0.25% that is part of the County Transportation Fund was being counted as State rate in error.

Note: The City sales tax rate may be changed only with approval of the State Legislature.

CITY OF MILPITAS
PRINCIPAL SALES TAXPAYERS
FISCAL YEARS 2023-24 and 2014-15
IN ALPHABETICAL ORDER

Fiscal Year 2023-2024	Fiscal Year 2014-2015
Arco	Best Buy
Best Buy	Burlington
Burlington	Chevron
Cisco Systems	Chevron
Coach	Cisco Systems
Consolidated Electrical Distributors	Coach
Envision Honda of Milpitas	Consolidated Electrical Distributors
Envision Toyota of Milpitas	Dave & Busters
Eplus Technology	Eplus Technology
Flextronics	Flextronics
Floor & Decor	Home Depot
Home Depot	Jacklin Shell
Hoya Corporation Usa	KLA Tencor
Inspur Systems	Kohls
Jacklin Shell	Linear Technology
KLA Tencor	Marshalls
Kz Kitchen Cabinet & Stone	Milpitas Fast Fill Market
Lennox Industries	Milpitas Materials Company
Marshalls	Nanometrics
Milpitas Materials Company	Nike Factory Store
Teledyne Lecroy	Piercey Toyota
Uniqlo	Shell
United Rentals	South Bay Honda
Veeco Process Equipment Inc	Tommy Hilfiger
Walmart Supercenter	Walmart Supercenter

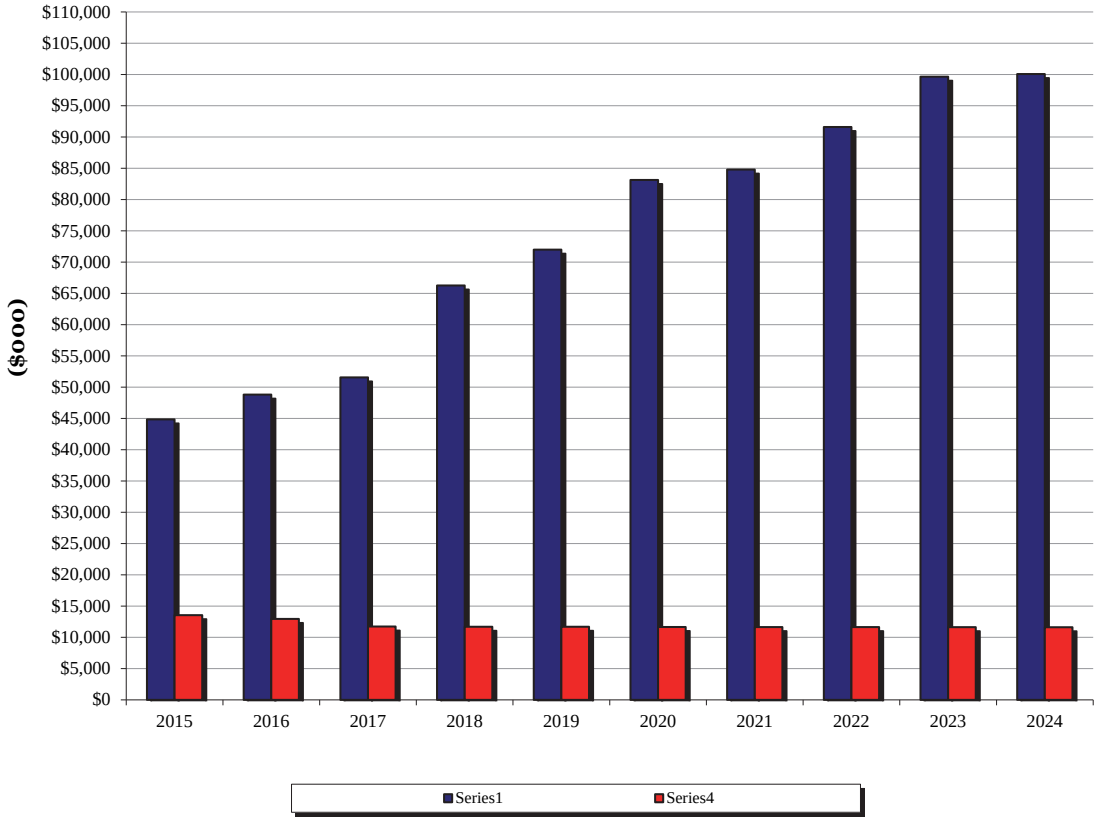
Source: HDL Coren & Cone

CITY OF MILPITAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Dollars in thousands, except per capita)

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	Lease Revenue Bonds	Purchase Agreement	Capital Lease	Certificates of Participation	Revenue Bonds (d)			
2012-13	0	9,828	360	7,315	0	$17,503	0.82%	258
2013-14	0	6,000	274	6,910	0	13,184	0.59%	188
2014-15	0	0	186	6,490	0	6,676	0.29%	96
2015-16	0	0	94	6,055	0	6,149	0.26%	81
2016-17	0	0	0	5,605	0	5,605	0.22%	74
2017-18	0	0	0	0	5,363	5,363	0.20%	71
2018-19	0	0	728	0	4,812	5,540	0.19% (b)	73
2019-20	0	0	0	0	59,448	59,448	1.76%	763
2020-21	21,919	0	0	0	57,882	79,801	2.11%	1,116
2021-22	21,470	0	0	0	56,246	77,716	1.59%	950

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
(a) See Schedule 20 for personal income and population data.
(b) The Redevelopment Agency was dissolved as of January 31, 2012 and its debt was assumed by a Successor Agency.
(c) Data for fiscal year 2018-19 not available until May of 2020.
(d) Balance of Revenue Bonds includes unamortized Bond Premium

CITY OF MILPITAS
BONDED DEBT PLEDGED REVENUE COVERAGE
REDEVELOPMENT AGENCY TAX ALLOCATION BONDS
LAST TEN FISCAL YEARS



Fiscal Year Ended June 30	Redevelopment Agency Property Tax Increments (a)	Less Housing Reserve Fund	Net Tax Increment Revenue	Debt Service Requirements Principal	Interest	Total	Coverage
2015	44,843,881 (d)	0 (b)	44,843,881	6,120,000 (d)	7,414,608 (d)	13,534,608	3.31
2016	48,810,216 (d)	0 (b)	48,810,216	7,375,000 (d)	5,567,028 (d)	12,942,028	3.77
2017	51,563,292 (d)	0 (b)	51,563,292	6,045,000 (d)	5,682,175 (d)	11,727,175	4.40
2018	66,266,187 (d)	0 (b)	66,266,187	6,225,000 (d)	5,467,000 (d)	11,692,000	5.67
2019	71,988,412 (d)	0 (b)	71,988,412	6,475,000 (d)	5,213,000 (d)	11,688,000	6.16
2020	83,139,471	0 (b)	83,139,471	6,735,000 (d)	4,915,125 (d)	11,650,125	7.14
2021	84,805,793	0 (b)	84,805,793	7,070,000 (d)	4,570,000 (d)	11,640,000	7.29
2022	91,606,749	0 (b)	91,606,749	7,425,000 (d)	4,207,625 (d)	11,632,625	7.87
2023	99,657,121	0 (b)	99,657,121	7,800,000 (d)	3,827,000 (d)	11,627,000	8.57
2024	100,075,599	0 (b)	100,075,599	8,185,000 (d)	3,427,375 (d)	11,612,375	8.62

(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, 2024

JURISDICTION	PERCENTAGE APPLICABLE TO CITY OF MILPITAS (1)	AMOUNT APPLICABLE TO CITY OF MILPITAS
2023-24 Assessed Valuation, Direct and Overlapping Debt		$25,269,350,900
OVERLAPPING TAX AND ASSESSMENT DEBT:		
Santa Clara County		$36,625,156
San Jose- Evergreen Community College District		121,057,911
Milpitas Unified School District		310,694,984
East Side Union High School District		10,257,109
Berryessa Union School District		10,530,885
Santa Clara Valley Water District Benefits Assessment District		1,119,116
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		490,285,161
DIRECT AND OVERLAPPING GENERAL FUND DEBT		
Santa Clara County General Fund Obligations		$40,489,117
Santa Clara County Pension Obligation Bonds		12,392,522
Santa Clara County Board of Education Certificates of Participation		462,158
San Jose-Evergreen Community College District OPEB Bonds		5,790,139
Milpitas Unified School District General Fund Obligations		8,171,793
East Side Union High School District OPEB Bonds		236,227
Berryessa Union School District General Fund Obligations		125,654
City of Milpitas General Fund Obligations	**100%**	**17,180,000**
Santa Clara County Vector District Certifications of Participations		36,175
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		84,883,785
Less: Santa Clara County supported obligations		101,825
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$84,781,960
OVERLAPPING TAX INCREMENT DEBT (Successor Agency)	100%	$64,455,000
TOTAL DIRECT DEBT		**$17,180,000**
TOTAL GROSS OVERLAPPING DEBT		$622,443,946
TOTAL NET OVERLAPPING DEBT		$622,342,121
GROSS COMBINED TOTAL DEBT		$639,623,946 (2)
NET COMBINED TOTAL DEBT		$639,522,121

(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 lease obligations.

Ratios to 2023-24 Assessed Valuation:	
Total Overlapping Tax and Assessment Debt	1.94%
Ratios to Assessed Valuation:	
Direct Debt %	0.07%
Total Gross Debt %	2.53%

Source: Avenu Insights & Analytics, California Municipal Statistics, Inc.

CITY OF MILPITAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2023-24

Assessed value (net) - June 30, 2024	$25,269,350,900	
Debt limit: 3.75% of assessed value (a)		$947,600,659
Debt applicable to limit		
Total Bonded Debt		
Less: Tax Allocation Bonds not subject to limit		
Amount of Debt subject to limit		0
Legal debt margin		$947,600,659

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
2014-15	527,280	0	$527,280	0.0%
2015-16	564,703	0	$564,703	0.0%
2016-17	600,705	0	$600,705	0.0%
2017-18	654,951	0	$654,951	0.0%
2018-19	687,896	0	$687,896	0.0%
2019-20	749,963	0	$749,963	0.0%
2020-21	805,429	0	$805,429	0.0%
2021-22	837,991	0	$837,991	0.0%
2022-23	904,669	0	$904,669	0.0%
2022-23	947,601	0	$947,601	0.0%

(a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in being assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

Source: City of Milpitas Finance Department
Santa Clara County Tax Assessor's Office

CITY OF MILPITAS
INSTALLMENT PAYMENT COVERAGE
SEWER CERTIFICATES OF PARTICIPATION AND
WASTEWATER REVENUE REFUNDING BONDS
LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Installment Payments			Coverage
				Principal	Interest	Total	
2012-13	12,785,567	6,356,621	6,428,946	395,000	292,966	687,966	9.34
2013-14	13,235,908	7,834,220	5,401,688	405,000	278,965	683,965	7.90
2014-15	14,664,759	7,263,553	7,401,206	420,000	264,528	684,528	10.81
2015-16	16,408,718	7,687,848	8,720,870	435,000	249,348	684,348	12.74
2016-17	16,803,344	6,657,757	10,145,587	450,000	233,193	683,193	14.85
2017-18	17,245,001	9,031,729	8,213,272	470,000	216,055	686,055	11.97
2018-19	19,163,495	8,427,888	10,735,607	480,000	170,273	650,273	16.51
2019-20	20,664,951	10,235,463	10,429,488	460,000	808,477	1,268,477	8.22
2020-21	20,499,033	11,425,234	9,073,799	920,000	1,498,525	2,418,525	3.75
2021-22	21,592,843	9,373,484	12,219,359	980,000	1,455,875	2,435,875	5.02

NOTE: The Certificates of Participation were issued on November 28, 2006 and called on January 5, 2018.
The 2017 Wastewater Revenue Refunding Bonds were issued on December 4, 2017.
The 2019 Wastewater Revenue Bonds were issued on October 22, 2019.

(1) Gross Revenues include sewer service charges, other operating revenues, and interest income.
Gross Revenues exclude connection fees and capital contributions.

(2) Operating Expenses include sewer treatment services, personnel services, services and supplies, and repairs and maintenance expenses.
Operating Expenses exclude depreciation and amortization expenses.

CITY OF MILPITAS
INSTALLMENT PAYMENT COVERAGE
WATER REVENUE FUNDS
LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Installment Payments			Coverage
				Principal	Interest	Total	
2012-13							
2013-14							
2014-15							
2015-16							
2016-17							
2017-18							
2018-19							
2019-20	$33,954,254	$26,919,455	$7,034,799	$155,000	$419,018	$574,018	12.26
2020-21	$35,023,092	$27,314,613	$7,708,479	$290,000	$755,650	1,045,650	7.37
2021-22	$32,732,692	$24,593,074	$8,139,618	$300,000	$744,050	1,044,050	7.80

NOTE: The Water Revenue Bonds were issued on October 24, 2019.

(1) Gross Revenues include water service charges, other operating revenues, and interest income.
Gross Revenues exclude connection fees and capital contributions.

(2) Operating Expenses include wholesale water purchases, personnel services, services and supplies, and repairs and maintenance expenses.
Operating Expenses exclude depreciation and amortization expenses.

CITY OF MILPITAS
BIMONTHLY SEWER RATES BY CUSTOMER CLASS
LAST TEN FISCAL YEARS

	Residential			Commercial	
Fiscal Year	Single Family Per Dwelling Unit	Multi-Family Per Dwelling Unit	Mobile Home Parks Per Dwelling Unit	Flat Rate	Quantity Charges (a)
2014-15	86.93	52.22	38.20	14.68	2.73 - 8.00
2015-16	90.27	69.32	56.97	14.97	3.94 - 8.34
2016-17	90.27	69.32	56.97	14.97	3.94 - 8.34
2017-18	90.27	69.32	56.97	14.97	3.94 - 8.34
2018-19	102.52	78.73	64.70	24.30	4.21 - 9.63
2019-20	111.07	85.30	70.08	25.78	4.54 - 10.65
2020-21	118.34	90.88	74.66	26.55	4.91 - 11.48
2021-22	124.14	95.34	78.28	27.35	5.31-12.09
2022-23	128.44	97.96	84.42	29.25	4.95 - 11.58
2023-24	133.58	101.88	91.05	30.43	5.15 - 12.04

Source: City of Milpitas, Ordinance 208.53

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

CITY OF MILPITAS
BIMONTHLY WATER RATES BY CUSTOMER CLASS
LAST TEN FISCAL YEARS

	Single Family Residential			Commercial	
Fiscal Year	Potable Residential	Capital Surcharge	5/8 inch Meter Charge	Potable Commercial Industrial Institutional Construction	5/8 to 10 inch Meter Charge
2014-15	2.62 - 5.29*		27.36	5.29	27.36 - 667.31
2015-16	4.75		18.00	4.75	18.00 - 900.00
2016-17	5.13	1.30	19.44	5.13	19.44 - 972.00
2017-18	5.13	1.30	19.44	5.13	19.44 - 972.00
2018-19**	5.13 - 5.31	1.30 - 1.08	19.44 - 27.01	5.13 - 5.31	19.44 - 1,350.33
2019-20	5.63	1.08	28.63	5.63	26.83 - 1,431.35
2020-21	6.32	1.08	32.17	6.32	32.17-1608.26
2021-22	6.70	1.08	34.10	6.70	34.10-1704.76
2022-23	7.17	1.14	35.87	7.17	35.87-4700.56
2023-24	7.64	1.20	38.21	7.64	38.21-5006.10

Source: City of Milpitas, Ordinance 120.50

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

**Rate effective Service Period April 1, 2019 to June 30, 2019 implemented on bill dated June 17, 2019. July 2018 rate listed first, and April rate listed second.

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

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

Calendar Year	Population	Population Density (Sq. Mile)	Total Personal Income	Per Capita Personal Income	School Enrollment	Unemployment Rate (%)	Land Area (Sq. Mile)
2014	69,903	5,117	2,287,366	32,722	10,281	4.90%	13.66
2015	75,521	5,529	2,374,221	31,437	10,291	3.90%	13.66
2016	75,410	5,520	2,528,663	33,532	10,260	3.50%	13.66
2017	75,410	5,520	2,721,275	36,086	10,318	3.60%	13.66
2018	76,231	5,581	2,966,362	38,912	10,172	2.80%	13.66
2019	77,961	5,707	3,373,340	43,269	10,308	2.70%	13.66
2020	75,663	5,539	3,787,034	50,051	10,413	7.50%	13.66
2021	80,839	5,918	3,744,971	46,326	10,072	5.30%	13.66
2022	81,067	5,935	4,289,458	52,912	9,967	2.70%	13.66
2023	81,773	5,986	4,889,914	59,798	10,199	3.90%	13.66

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

CITY OF MILPITAS
PRINCIPAL EMPLOYERS
FISCAL YEARS 2023-24 and 2014-15

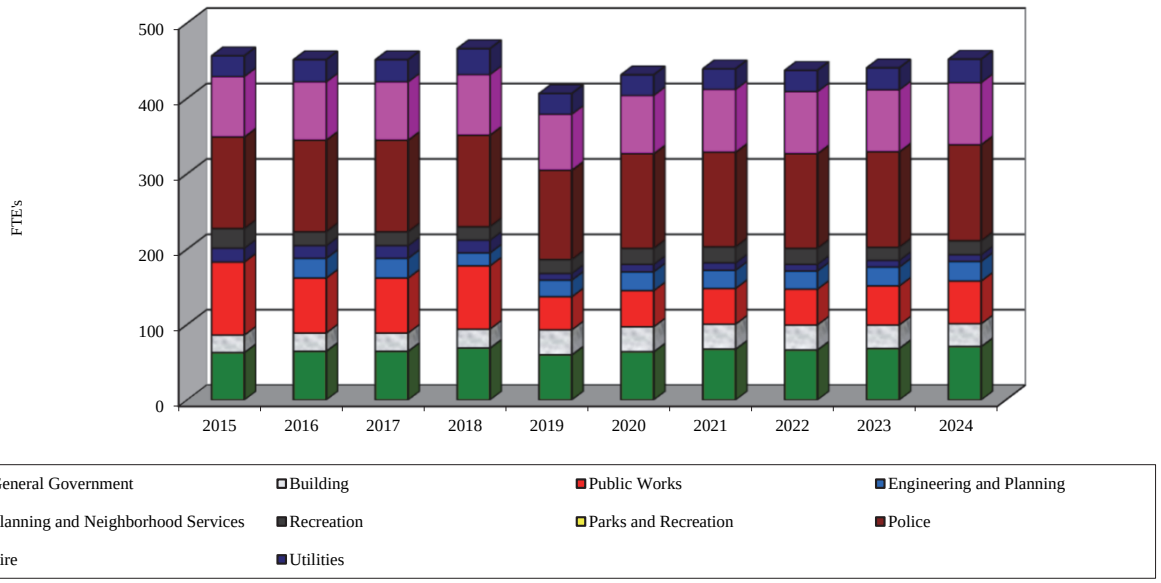
	2023-24			2014-15		
Employer	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Cisco Systems, Inc.	3,600	1	8.930%	3,816		10.15%
KLA-Tencor Corporation	2,760	2	6.850%	2,214		5.89%
Western Digital Tech (SanDisk Corporation)	1,700	3	4.220%	1,928		5.13%
Flextronics International (aka Vista Point Technologies)	1,039	4	2.580%	1,275		3.39%
Milpitas Unified School District	836	5	2.070%	840		2.23%
Headway Technologies Inc. (2 Locations)	732	6	1.820%	638		1.70%
City of Milpitas	416	7	1.030%			
Amazon Delivery	404	8	1.000%			
Walmart Supercenter	332	9	0.820%	530		1.14%
Kaiser Permanente Medical Offices	246	10		320		0.85%
Analog Devices (Linear Technology Corporation)			0.00%	1,230		3.27%
FireEye, Inc				852		2.27%
Subtotal	12,065		29.3200%	13,643		36.2900%
Total Labor Force	40,300			37,600		

Source: California Municipal Statistics, Inc.

CITY OF MILPITAS

AUTHORIZED FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS



	Fiscal Year Ended June 30									
	2015	2016	2017	2018	2019 (d)	2020	2021	2022	2023	2024
Function										
General Government	63.0	64.8	64.8	69.0	60.0	64.0	67.5	66.5	68.5	71.0
Building, Housing and Safety	23.0	24.0	24.0	25.0	33.0 (b)	33.0	33.0	33.0	31.0	**30.0**
Public Works	97.0	73.0 (a)	73.0	84.0	44.0	48.0	47.5	47.6	51.8	**56.8** (e)
Engineering		26.0 (a)	26.0	17.0	22.0	25.0	24.0	24.0	25.0	**26.0** (e)
Planning	18.5	17.0	17.0	17.0	9.0 (b)	10.0	10.0	9.0	9.0	**9.0**
Recreation	25.5	18.0	18.0	17.5	18.0	20.75	20.75	20.75	17.00	**18.00**
Parks and Recreation										
Police:										
Sworn Police	92.0	92.0	93.0	93.0	90.0	93.0	93.0	93.0	93.0	**94.0**
Civilians	30.0	30.0	29.0	29.0	29.0	33.0	33.0	33.0	34.0	**34.0**
Fire:										
Firefighters and Safety Officers	68.0	66.0	66.0	68.0	71.0	73.0	79.0	78.0	78.0	78.0
Civilians	12.0	11.0	11.0	12.0	3.0	4.0	4.0	4.0	4.0	4.0
Utilities (c)	27.5	29.5	29.5	34.5	27.5	27.5	27.5	28.4	29.2	**31.2**
Total	456.5	451.3	451.3	466.0	406.5	431.3	439.3	437.3	440.5	452.0

(a) Beginning in fiscal year 2016, Public Works and Engineering are separate departments.
(b) Neighborhood Services is a component of Building, Housing and Safety, and Planning is a separate department beginning in fiscal year 2019.
(c) Utilities is comprised of employees from Public Works and Finance.
(d) In Fiscal Year 2019, the City removed unfunded authorized positions.
(e) As of December 2023, the Engineering and Public Works Departments were realigned into one department named Public Works Department.

Source: City of Milpitas, final budget

CITY OF MILPITAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30				
	2015	2016	2017	2018	2019
Function/Program					
Building Safety & Housing					
Building permits issued	4,300	4,200	4,090	4,200	4,300
Plan review performed	1,400	1,500	1,610	1,700	1,600
Code Customer Service Requests / Violations abated	755	755	800	714	784
Public Works					
Street miles maintained	139	139	139	298	298
Customer Service Requests	2,800	2,794	2,800	3,000	2,384
Development projects reviewed	190	178	158	160	225
Planning					
Applications to Planning Commission	236	92	92	100	419
Recreation					
Sports Center members	1,504	1,600	1,325	1,450	1,575
Senior nutrition meals served	21,231	20,158	18,678	17,206	18,322
Police					
Avg response time to emergency calls (minutes)	2:32	2:40	2:44	2:57	2:41
Number of anti-terrorist patrol checks	2,300	2,400	2,200	2,200	1,949
Crime prevention presentations	200	125	70	56	104
Number of vehicle citations issued	3,600	5,900	5,720	5,900	5,895
Fire					
Emergency calls for service	4,950	5,000	5,000	5,200	5,640
Public education events	80	100	112	200	223
Permits Inspections	4,666	7,600	7,322	7,577	7,824
Plan Review	983	1,200	1,550	1,700	1,600
Utility					
Clean sewer lines (feet)	500,000	500,000	500,000	491,244	528,051
Repair, replace or set water meters	279	189	152	115	147
Average daily consumption (thousands of gallons)	9,300	7,800	5,800	6,590	8,394

Source: City of Milpitas, final budget

Footnote: Statistic for DARE presentations: schools/students is removed from this schedule in 2022 due to no activity since 2013.

Fiscal Year Ended June 30				
2020	2021	2022	2023	2024
4,000	3,000	3,000	3,800	4,300
4,800	4,900	4,900	5,200	5,700
600	600	600	600	1,054
298	303	303	308	308
4,468	3,353	4,652	5,176	6,000
134	48	24	15	10
37	31	60	60	50
1,877	506	1,024	1,104	1,104
20,145	39,783	28,699	21,112	21,112
2:36	2:40	2:49	2:55	2:49
1,479	958	490	233	544
110	105	47	28	45
6,000	6,300	4,230	3,829	3,838
5,600	5,390	6,164	6,782	6,782
134	0	2,082	5,079	5,079
7,772	2,949	1,652	1,668	1,668
1,575	1,884	1,401	1,448	1,448
432,022	636,681	331,232	234,040	234,040
219	113	25	18	18
8,410	7,440	6,895	6,490	6,490

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

	Fiscal Year Ended June 30				
	2015	2016	2017	2018	2019
Function/Program					
Public Works					
Miles of streets	298	298	298	298	298
Street lights	4,577	4,577	4,581	5,119	5,141
Square feet of buildings maintained (in thousands)	376	376	376	322	473
City vehicles	260	264	264	269	271
Signs	5,700	5,700	6,000	10,000	10,000
Signal lights	70	71	72	72	74
City Parks	34	33	32	32	32
Acres of Parkland	180	180	195	195	195
Playgrounds	34	34	33	30	33
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	2	2	1
Swimming pools	3	3	3	3	3
Tennis courts	21	21	21	21	21
Football field	1	1	1	1	1
Baseball/softball fields	9	9	7	7	9
Soccer fields	12	13	13	13	8
Basketball courts	7	9	10	10	10
Volleyball courts / Horse Shoe Pits / Bocce Ball / Cricket Field / Par Course	7	10	13	12	10
Handball courts	5	5	6	6	6
Skate Park					
Joint use:					
Russell Bobbysocks Fields	0	0	3	3	3
Soccer fields	0	0	2	2	8
Open Space - Number of School Sites	0	0	0	0	0
Police					
Police stations	2	2	2	2	2
Police patrol vehicles	28	34	29	29	29
Fire					
Fire stations	4	4	4	4	4
Fire Apparatus	19	13	11	11	12
Fire hydrants	2,033	2,033	2,039	2,039	2,039
Utility					
Miles of water mains	213	203	203	206	206
Water Tank Storage capacity (million of gallons)	16	16	16	16	16
Miles of sanitary sewers	179	173	173	175	173
Miles of storm drain	110	99	99	105	99
Miles of recycled water main	23	23	21	23	26

Source: City of Milpitas, final budget

Fiscal Year Ended June 30				
2020	2021	2022	2023	2024
298	303	303	308	308
4,418	4,494	4,494	4,516	4,584
473	473	455	455	455
258	268	256	302	302
6,000	6,000	6,000	6,000	6,100
78	83	83	83	79
36	36	36	36	37
154	154	154	154	165
33	33	33	33	35
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
2	1	1	1	1
3	3	3	3	3
21	21	21	21	25
1	1	1	1	1
9	9	11	11	11
8	8	8	8	8
10	10	10	10	18
10	10	10	10	21
6	6	6	6	2
		1	1	1
3	3	0	0	0
2	2	0	0	0
0	0	13	13	13
2	2	2	2	2
29	30	30	30	30
4	4	4	4	4
13	13	13	13	13
2,308	2,308	2,308	2,308	2,308
206	206	206	206	183
16	16	16	16	16
173	173	173	160	160
99	99	99	99	112
26	26	24	24	24

Milpitas

OTHER AUDIT REPORT

Milpitas

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, 2024, and have issued our report thereon dated September 30, 2024. 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.

Report on 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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness or significant deficiencies may exist that have not been identified.

Report on 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated September 30, 2024 which is an integrate part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze & Associates

Pleasant Hill, California
September 30, 2024

CITY OF MILPITAS
MEMORANDUM ON INTERNAL CONTROL

FOR THE YEAR ENDED JUNE 30, 2024

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CITY OF MILPITAS
MEMORANDUM ON INTERNAL CONTROL

For the Year Ended June 30, 2024

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MAZE & ASSOCIATES

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 for the year ended June 30, 2024, and have issued our report thereon dated September 30, 2024. 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 of Milpitas as of and for the year ended June 30, 2024, 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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. 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.

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's written 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.

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Other Matters. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Maze & Associates

Pleasant Hill, California
September 30, 2024

Accountancy Corporation
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MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

2024-01 Timeliness of Journal Entries

Criteria: In order, for the general ledger to be accurate and effective, journal entries should be prepared, reviewed, and posted timely, ideally within 30 days of the journal entries' transaction date.

Condition:

a. During our testing of journal entries, we noted that one entry was prepared and reviewed more than one year after the date the activity occurred.

b. We also noted six journal entries were reviewed more than 30 days past the prepared date.

Cause: According to the Finance Manager, the delays are due to the City taking time to research and communicate with other departments and the customer.

Potential Effect: When journal entries are not posted timely, there is an increased risk that transactions are not posted in the correct period and that accounting errors, misstatements, or unauthorized transactions may not be identified or corrected in a timely manner.

Recommendation: We recommend Finance prioritize journal entry processing and establish procedures to ensure monthly journal entries are prepared, reviewed, and posted timely.

Management Responses:

We acknowledge the findings and agree with the importance of ensuring that journal entries are prepared, reviewed, and posted in a timely manner. The delays identified were primarily due to the time required for research and coordination with other departments and external stakeholders. While we understand the necessity of gathering accurate information, we recognize the need to improve the timeliness of this process.

While we already have a tracking system via Smartsheet in place to monitor the status of journal entries, we believe that more emphasis is needed on prioritizing this task to ensure it remains on track. To address the delays, we will enhance our procedures by focusing on improving the efficiency of the coordination process. This includes setting clearer timelines and communication expectations with the departments involved and streamlining the exchange of information. We will also reinforce the importance of adhering to established timelines through staff training and management oversight.

In addition, we will continue to use our existing tracking system and starting on July 1, we will set up a workflow for the journal entry approval process in Tyler ERP. The approver will receive a reminder to review, approve, and post JEs. This will ensure timely approval and streamline the JE approval process. This will help ensure that all journal entries are prepared, reviewed, and posted within the required 30-day window. These actions will minimize the risk of misstatements, ensure more timely financial reporting, and improve overall accuracy in the general ledger

CURRENT AND UPCOMING GASB PRONOUNCEMENTS

The following comment represents new pronouncements taking affect in the next few fiscal years. We cite them here to keep you informed of developments:

EFFECTIVE FISCAL YEAR 2024/25:

GASB 101 – Compensated Absences

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Recognition And Measurement

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

GASB 101 – Compensated Absences (Continued)

Notes To Financial Statements

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

How the Changes in this Statement Will Improve Financial Reporting

The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

GASB 102 – Certain Risk Disclosures

State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

GASB 102 – Certain Risk Disclosures (Continued)

- The concentration or constraint.
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements.
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

EFFECTIVE FISCAL YEAR 2025/26:

GASB 103 – Financial Reporting Model Improvements

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

Management's Discussion and Analysis - This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions and presents comparisons between the current year and the prior year. This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

Unusual or Infrequent Items - This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

GASB 103 – Financial Reporting Model Improvements (Continued)

Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position - This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.

In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

Major Component Unit Information - This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

Budgetary Comparison Information - This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

How the Changes in This Statement Will Improve Financial Reporting

The requirements for MD&A will improve the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. They also will provide clarity regarding what information should be presented in MD&A.

The requirements for the separate presentation of unusual or infrequent items will provide clarity regarding which items should be reported separately from other inflows and outflows of resources.

The definitions of operating revenues and expenses and of nonoperating revenues and expenses will replace accounting policies that vary from government to government, thereby improving comparability. The addition of a subtotal for operating income (loss) and noncapital subsidies will improve the relevance of information provided in the proprietary fund statement of revenues, expenses, and changes in fund net position.

The requirement for presentation of major component unit information will improve comparability.

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CITY OF MILPITAS

REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED
JUNE 30, 2024

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CITY OF MILPITAS

REQUIRED COMMUNICATIONS

For the Year Ended June 30, 2024

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MAZE & ASSOCIATES

REQUIRED COMMUNICATIONS

To the City Council of
the City of Milpitas, California

We have audited the basic financial statements of the City of Milpitas (City) for the year ended June 30, 2024. We did not audit the financial statements of Terrace Gardens, Inc. as of and for the year ended December 31, 2023, which represent 1.00%, 1.47%, and 1.08% 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.

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated April 15, 2024.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Accounting Policies - Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the 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:

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 99 – *Omnibus 2022, paragraphs 4-10*
GASB 100 – *Accounting for Changes and Error Corrections*

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:

Estimated Fair Value of Investments: As of June 30, 2024, the City held approximately $416.4 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, 2024. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2024.

Estimate of 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 in determining that it is reasonable in relation to the basic financial statements taken as a whole.

Estimate of 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 as disclosed in Note 14F to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences in determining 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 15 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 in determining 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 13 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 in determining that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net OPEB Liability and Pension-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net OPEB liability is disclosed in Note 14 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 in determining 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 clearly 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 September 30, 2024.

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 Matters

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 that accompanies the financial statements, but is 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.

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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.

Pleasant Hill, California
September 30, 2024

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES FOR COMPLIANCE WITH THE PROPOSITION 111 2023-2024 APPROPRIATIONS LIMIT INCREMENT

Honorable Mayor and Members of the City Council
City of Milpitas, California

We have performed the procedures enumerated below on the Appropriations Limit Worksheet (Worksheet) of the City of Milpitas, California, for the year ended June 30, 2024. The City's management is responsible for the Worksheet.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of these procedures, which were suggested by the League of California Cities and presented in their Article XIIIB Appropriations Limitation Uniform Guidelines, were performed solely to assist you in meeting the requirements of Section 1.5 of Article XIIIB of the California Constitution. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

A. We obtained the Worksheet and determined that the 2023-2024 Appropriations Limit of $135,124,537 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 2023-2024 Appropriations Limit by multiplying the 2022-2023 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 Factor and County Population Factor to California State Department of Finance Worksheets.

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement 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 engagement, 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.

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We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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.

Pleasant Hill, California
September 30, 2024