



City Council

Annual Goal Setting Workshop

Mark Turner - Mayor
Marilyn Librers - Mayor Pro Tem
Gino Borgioli - Council Member
Rene Spring - Council Member
Yvonne Martínez Beltrán - Council Member

Friday, February 2, 2024 9:00 AM

Saturday, February 3, 2024 9:00 AM

**Council Chamber Building
17555 Peak Avenue, Morgan Hill, CA 95037**

Morgan Hill City Council meetings are held in person with the option for the public to attend in-person or view by live stream on the City's website or Channel 17. Information on how the public may observe and participate in the meeting is located below.

PUBLIC COMMENT

Public comment may only be provided in the following ways:

- In-person at the City Council Meeting;
- In writing
 - o Via email to ccpubliccomment@morganhill.ca.gov; or
 - o Hard copy hand delivered or by mail to the City Clerk at 17575 Peak Avenue, Morgan Hill, CA 95037.

Please email your comments to the City Clerk no later than 1:00 p.m. on Thursday (the day before the City Council workshop) for your comments to be submitted to the members of the City Council with sufficient time to review the comments. You may continue to provide written comments throughout the workshop, although Council Members may not have sufficient time to review them.

Written comments WILL NOT be read aloud during the City Council Meeting. Please note that written comments are posted on the City's website. It is recommended that you do not include any personal information that you do not want to be posted on the web.

AMERICANS WITH DISABILITIES ACT (ADA)

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact the City Clerk's Office at (408)779-7259, (408)779-3117 (fax) or by email cityclerk@morganhill.ca.gov. Requests must be made as early as possible and at least two-full business days before the start of the meeting.

CALL TO ORDER

ROLL CALL ATTENDANCE

DECLARATION OF POSTING AGENDA

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

PUBLIC COMMENT

This opportunity for public comment is for items that are not on the agenda. If you would like to make comments on an item that is on the agenda, please wait until we get to that item to offer your comments. Members of the public are entitled to address the City Council concerning any item within the Morgan Hill City Council's subject matter jurisdiction. Public comments are limited to no more than three minutes. Except for certain specific exceptions, the City Council is prohibited from discussing or taking action on any item not appearing on the posted agenda. Public comment is intended for comments. Questions posed during public comment are not generally answered. If you have questions, please send them to the City Clerk at ccpubliccomment@morganhill.ca.gov to receive a response. (See additional noticing at the end of this agenda)

ADOPTION OF AGENDA

GOAL SETTING WORKSHOP - FRIDAY, FEBRUARY 2, 2024 9:00 A.M.

CITY COUNCIL GOAL SETTING WORKSHOP

1. Review and discuss:
 - a. 2023 Accomplishments
 - b. Sustainable Morgan Hill
 - c. 2022-2023 Strategic Priorities Work Plan
 - d. Future Council Initiated Agenda Items
 - e. Remote Public Comments and Public Videos
 - f. Financial Update
 - g. Development Services Fund and Housing Laws
 - h. Youth Sports and Recreation Tourism
 - i. Economic Development

ADJOURNMENT TO SATURDAY, FEBRUARY 3, 2024 9:00 A.M.

GOAL SETTING WORKSHOP - SATURDAY, FEBRUARY 3, 2024 9:00 A.M.

CONTINUATION OF THE FEBRUARY 2, 2024, CITY COUNCIL GOAL SETTING
WORKSHOP

PUBLIC COMMENT

ADJOURNMENT

NOTICE

Any documents produced by the City and distributed to the majority of the City Council less than 72 hours prior to an open meeting, will be made available for public inspection at the City Clerk's Counter at City Hall located at 17575 Peak Avenue, Morgan Hill, CA, 95037 and at the Morgan Hill Public Library located at 660 West Main Avenue, Morgan Hill, California, 95037 during normal business hours. (Pursuant to Government Code 54957.5)

PUBLIC COMMENT

Members of the Public are entitled to directly address the City Council concerning any item that is described in the notice of this meeting, before or during consideration of that item. If you wish to address the Council on any issue that is on this agenda, please complete a speaker request card located in the foyer of the Council Chambers and deliver it to the Minutes Clerk prior to discussion of the item. You are not required to give your name on the speaker card in order to speak to the Council, but it is very helpful. When you are called, proceed to the podium and the Mayor will recognize you. If you wish to address the City Council on any other item of interest to the public, you may do so during the public comment portion of the meeting following the same procedure described above. Please limit your comments to three (3) minutes or less.

Please submit written correspondence to the Minutes Clerk, who will distribute correspondence to the City Council.

Persons interested in proposing an item for the City Council agenda should contact a member of the City Council who may request an item on the agenda for a future City Council meeting. Council discussion or action may not be taken until your item appears on an agenda. This procedure is in compliance with the California Public Meeting Law (Brown Act) Government Code §54950.

City Council Policies and Procedures (CP 03-01) outlines the procedure for the conduct of public hearings. Notice is given, pursuant to Government Code Section 65009, that any challenge of Public Hearing Agenda items in court, may be limited to raising only those issues raised by you or on your behalf at the Public Hearing described in this notice, or in written correspondence delivered to the City Council at, or prior to the Public Hearing on these matters.

The time within which judicial review must be sought of the action by the City Council, which acted upon any matter appearing on this agenda is governed by the provisions of Section 1094.6 of the California Code of Civil Procedure.

For a copy of City Council Policies and Procedures CP 97-01, please contact the City Clerk's office (408) 779-7259, (408) 779-3117 (fax) or by email cityclerk@morganhill.ca.gov.

SUSTAINABLE MORGAN HILL



Vision

To sustain a safe, inclusive, socially responsible, environmentally conscious, and economically sound community.



Choose Morgan Hill

The City of Morgan Hill is the best community for people to live, work, visit, and operate their businesses.



City Council Ongoing Priorities

- Enhancing Public Safety and Quality of Life
- Protecting the Environment and Preserving Open Space and Agricultural Land
- Maintaining and Enhancing Infrastructure
- Supporting our Youth, Seniors, and Entire Community
- Fostering a Positive Organizational Culture
- Preserving and Cultivating Public Trust
- Preserving our Community History
- Enhancing Diversity and Inclusiveness
- Advocating for Local, Regional, and State Legislative Initiatives



2022-2023 Strategic Priorities

- Fiscal Sustainability
- Affordable Housing and Homelessness
- Community Outreach, Engagement, and Messaging
- Economic Development
- Transportation



These strategic priorities were established prior to the COVID-19 pandemic. In light of recent events, we recognize that all of these goals and priorities will be viewed through the lens of recovering from the global pandemic, and we will continue to have equity, public health, and financial responsibility in mind.





City Council Goal Setting Workshop – Day 1

FRIDAY, FEBRUARY 2, 2024

ATTACHED MATERIALS:

- 1) 2023 Accomplishments
- 2) 2022-2023 Sustainable Morgan Hill
- 3) 2022-2023 Strategic Priorities Workplan
- 4) Future Council Initiated Agenda Items
- 5) Remote Public Comments and Public Video
- 6) Financial and Investment Reports – December 31, 2023
- 7) Youth Sports and Recreation Tourism Background Documents
- 8) Economic Development Briefing
- 9) PowerPoint Presentation

Time	Topic	Presenter
9:00 AM-9:30 AM	1. Welcome	Mayor Turner
	1.1 Welcome	Mayor & Christina Turner
	1.2 Council and Leadership Team Introductions	City Council/Leadership Team
	1.3 Icebreaker	Christina Turner
	1.4 Purpose of Goal Setting Workshop, Preview Agenda, and Format	Christina Turner
	1.5 Review of 2023 Accomplishments	Christina Turner
	1.6 Public Comment	Mayor Turner
9:30 AM-11:45 AM	2. Sustainable Morgan Hill	Christina Turner
	2.1 Review of 2022-2023 Sustainable Morgan Hill	Christina Turner
	2.2 Review of 2022-2023 Strategic Priorities Workplan	Christina Turner
	2.3 Review Future Council Initiated Agenda Items	Christina Turner
	2.4 Discuss 2024-2025 Sustainable Morgan Hill	Mayor & Christina Turner

	2.5 Public Comment	Mayor Turner
11:45 AM-12:00 PM	3. Remote Public Comments and Public Video	Christina Turner
	3.1 Review and Discuss	Don Larkin/Michelle Bigelow
	3.2 Public Comment	Mayor Turner
12:00 PM-1:00 PM	Lunch Break	
1:00 PM-2:00 PM	4. Financial Update	Christina Turner
	4.1 Financial and Investment Reports	Dat Nguyen
	4.2 Budget Process and Outlook	Dat Nguyen
	4.3 Public Comment	Mayor Turner
2:00 PM-4:00 PM	5. Development Services and Housing Laws	Christina Turner
	5.1 Development Services Fund	Jennifer Carman
	5.2 Housing Laws Update	Jennifer Carman
	5.3 Public Comment	Mayor Turner



City Council Goal Setting Workshop – Day 2

SATURDAY, FEBRUARY 3, 2024

Time	Topic	Presenter
9:00 AM-9:30 AM	1. City Council Goal Setting Day 1	Christina Turner
	1.1 Recap of 2024-2025 Sustainable Morgan Hill	Christina Turner
	1.2 Public Comment	Mayor Turner
9:30 AM-10:15 AM	2. Youth Sports and Recreation Tourism	Christina Turner
	2.1 Youth Sports and Recreation Tourism Discussion	Chris Ghione
	2.2 Public Comment	Mayor Turner
10:15 AM-12:00 PM	3. Economic Development	Christina Turner
	3.1 Economic Blueprint Discussion	Matt Mahood
	3.2 Public Comment	Mayor Turner



ACCOMPLISHMENTS

JANUARY – DECEMBER 2023

ADMINISTRATIVE SERVICES

Council Services and Records Management

- Supported Communications and Engagement efforts and activities.
- Completed large records project pursuant to the Records Retention Schedule.
- Successfully implemented a Laserfiche public facing link included on our website.
- Successfully transitioned from virtual only City Council and Planning Commission meetings to hybrid in-person/virtual.

Finance/Budget/Utility Billing

- Successfully implemented Phase I of the Enterprise Resource Planning (ERP) system, Tyler Munis – Financials.
- Updated certain user fees including Business License Renewal Fee and Credit Card Service Fee to ensure 100% cost recovery and the City's long-term fiscal sustainability.
- On behalf of the City utilities customers, applied and received \$7,000 (an additional \$57,000 applied with payment pending) from the State Water Resources Control Board and the California Department of Community Services and Development to help with utilities costs. This is on top of approximately \$250,000 received in the prior years.
- Completed negotiations with all three bargaining groups with contracts that expired on December 31, 2023.

Human Resources

- Completed recruitments for 28 regular, benefitted positions, and onboarded 22 new teammates.
- Completed negotiations with all three bargaining groups with contracts that expired on December 31, 2023.
- Provided Harassment Prevention Training to City teammates.
- Prepared and completed Open Enrollment 2024.
- Conducted a citywide health fair event with various vendors.
- Continued to regularly follow and update COVID policies to follow CDC and County guidelines, rules, and regulations.
- Organized and hosted Teammate Service Awards.
- Hosted and participated in the Santa Clara County Leadership Academy.

CITY MANAGER

- Served as the City of Morgan Hill's Director of Emergency Services throughout local activations.
- Participated in regular meetings with Santa Clara County City Managers Association (SCCMA), County of Santa Clara, Morgan Hill Unified School District (MHUSD), Santa Clara Valley Transportation Agency (VTA),



ACCOMPLISHMENTS

JANUARY – DECEMBER 2023

Chamber of Commerce, Emergency Operational Area Council, Gilroy, South County Youth Task Force (SCYTF), and South County Regional Wastewater Authority (SCRWA).

- Attended and/or presented at the League of California Cities New Mayor's and Council Members Academy, City Managers Conference, and Annual Conference.
- Presented "City Revenues and Financial Responsibilities" sessions at a League Conference.
- Worked with NextGen of Silicon Valley and International City/County Management Association (ICMA) to develop the Emerging Leaders Talent Development Program.
- Supported the City's Diversity, Equity, and Inclusion (DEI) Taskforce efforts.
- Assisted with the Mayor's State of the City Address to the community, highlighting accomplishments, challenges, and opportunities for the coming year.
- Served on the Santa Clara Countywide Fire Service Review Technical Advisory Committee

Communications and Engagement

- Successfully led the coordination of Together at National Night Out 2023 with 28 community booths, 9 City booths, and over 1,500 community members in attendance.
- Successfully increased the City's number of followers on social media.
 - Facebook grew by 10% to 6,006 followers
 - Instagram grew by 33% to 3,002 followers
 - X (Twitter) grew by 11% to 1,894 followers
- Launched ongoing Internal Communicator's Monthly Meetings designed to connect teammates across varying departments and keep them informed on citywide events, campaigns, and initiatives.
- Hired new Communications Intern:
 - documenting social media campaigns
 - researching and drafting a Language Access Plan
 - updating Digital Media Guide
- Completed website refresh and update:
 - taking team and teammate photos for website (ties in with Morgan Hill Together and Communications, Outreach, and Engagement Workplan)
 - reorganizing the website to be user-centric and easier to navigate
- Supported multiple departments with their communications, outreach, and marketing campaigns:
 - Economic Development
 - Spring and Fall Sidewalk Saturdays
 - 4th Saturday Downtown Street Series
 - Citywide Events
 - State of the City Address
 - Pridefest



ACCOMPLISHMENTS

JANUARY – DECEMBER 2023

- National Night Out
- Provided translation and interpretation services and support:
 - interpretation for Housing Support services
 - translation of MoGo marketing materials, Housing documents and forms, various environmental services programs, Transportation Master Plan documents, and other engagement and marketing materials
- Implemented monthly Spanish email newsletter.
- Staffed a monthly booth at Sidewalk Saturdays increasing community engagement and building relationships.
- Onboarded and trained a Multimedia Coordinator backup to provide support and depth to the Multimedia Coordinator position such as photography and videography for City meetings.
- Implementing the Meet Morgan Hill campaign, highlighting teammates throughout the organization with videos and interviews.
- Provided services to the Transportation Master Plan (TMP) by hosting a meeting about the TMP to our Spanish speakers.
- Provided video and photo services to several departments.

PUBLIC SERVICES

Environmental Services

- Received an award for a \$2 million grant by the Department of Water Resources (DWR) for retrofit of the Butterfield Basin into a Multi-Benefit Basin that will help the City meet trash capture requirements and also increase groundwater infiltration.
- Utilized funds from the Silicon Valley Clean Energy (SVCE) grant to hire a new part-time teammate that has supported implementation of significant portions of the City's Climate Action Plan (CAP) including hosting the City's first Clean Air Week and partnering with the Library to run the Induction Cooktop Loaner Program.
- Complied with new State-mandated water conservation requirements by submitting our first annual Urban Water Use Objectives Report.
- Implemented the private sewer lateral inspection program which resulted in inspection and/or repairs of 222 laterals, reducing infiltration into the City's Wastewater System.

Engineering

- Received an award for a \$4 million grant by the Department of Water Resources (DWR) for construction of a new water reservoir on East Dunne Avenue.
- Completed First Phase of Hale Avenue Extension Project opening a new roadway and multi-use trail between Spring Avenue and West Dunne Avenue.
- Completed 2020 Inflow and Infiltration Sewer Project repairing or replacing 6,000 feet of sewer line across the City.



ACCOMPLISHMENTS

JANUARY – DECEMBER 2023

- Completed Fisher Basin Expansion Project, supporting future flood protection to residents in the northern part of the City.
- Completed Galvan Park Restroom Removal and Replacement Project, installing a new self-cleaning restroom facility that improves service to the Community and reduces maintenance staffing needs.
- Completed Water Main Replacement at portion of Oak View Circle and Hilltop Court replacing aging water lines at high risk of failing.
- Completed Rectangular Rapid Flashing Beacon (RRFB) and High-Intensity Activated crossWalk (HAWK) installation at La Crosse Dr., Watsonville Road, and West Middle Ave. allowing the opening of the West Little Llagas Creek Trail south of Watsonville Road to Silveira Lake.
- Completed significant landslide repairs caused by 2023 rain events at three major locations.
- Successfully completed the 2023 Pavement Rehabilitation Project rehabilitating significant roadways in the LaCrosse area, Main Avenue between Monterey and Butterfield and significant other areas.
- Continue to support the ongoing construction of Valley Water's Upper Llagas Creek Flood Protection Project, supporting the completion of Phase 2A, which will ultimately result in flood protection for thousands of Morgan Hill residents.
- Permitted and oversaw work for 319 encroachment permits within the City.
- Successfully designed, bid, and broke ground on the new Butterfield Fire Station.

Maintenance

- Transitioned all of hard-wired irrigation controllers to smart irrigation controllers, which will support reduced water use while more efficiently managing irrigation systems citywide.
- Transitioned the Heating, Ventilation, and Air Conditioning (HVAC) control systems at the Community Playhouse and Aquatics Center to a Building Management System to reduce energy costs and energy waste.
- Provided 24-hour emergency response during one of the most significant storm seasons Morgan Hill has experienced.
- Successfully went from contracted janitorial service Downtown to utilizing part-time Recreation teammates.
- Implemented a new location based 311 system for the community, SeeClickFix, that allows the public and staff to easily report maintenance and graffiti issues across the City.
- Fully took over graffiti abatement from the Police Department and abated 305 locations of graffiti in 6 months of operating the program.

Recreation and Community Services

- Centennial Recreation Center (CRC) Memberships: Continued to build back to a peak of 4,050 membership units in the summer, 81% of pre-COVID levels. This is an increase of 450 memberships from summer 2022's peak of 3,600 memberships.



ACCOMPLISHMENTS

JANUARY – DECEMBER 2023

- Provided financial assistance for program participation and membership and recreation programming, serving over 1,700 residents in need.
- Continued to offer online ticketing for Aquatics Center (AC) Day Use passes and the popular Summer Access Pass for CRC and AC seasonal membership, allowing for efficient customer service and improved cost recovery.
- Provided entry level and seasonal jobs to hundreds of youth and young adults at City Recreation facilities.
- Worked with new City volunteers to create a Pickleball Club with approximately 100 active members.
- Launched new adaptive programs for youth, adults, and teens, which includes multiple programs that are supported by volunteers, providing additional programming to students with disabilities.
- Hosted Far Westerns and Adult Masters swim meet at the AC, both regional events bringing tens of thousands of visitors into Morgan Hill, supporting economic development through Sports Tourism.
- Collaborated with Pony Baseball to rent field space at Community Park to help expand youth baseball programs and make improvements to the fields for the general community.
- Partnered with the Morgan Hill Outdoor Sports Center (MHOSC) to operate the Outdoor Sports Center (OSC) at no direct cost to the City, balancing cost recovery and community access, by providing approximately 5,000 hours of local community sports field rentals, while also supporting economic development by hosting 20 major events.
- Collaborated with the MHOSC to enhance field sustainability by contributing over \$160,000 to the facility's replacement fund and supported the installation of field lighting on one new field at no direct cost to the City.
- Partnered with the YMCA of Silicon Valley to support the Senior Nutrition program which continued to serve close to 100 meals a day.
- Coordinated transportation for hundreds of older adults at the Senior Center, supporting rides through MoGo, Sourcewise, VTA Paratransit, and the City's Volunteer Driver Program.
- Continued to partner and host VOICES school at the Community and Cultural Center (CCC) for a second full school year.

Utilities

- Ensured water service was safely provided to residents, installing, or repairing 182 backflow devices and repairing 122 water mains and service lines.
- Completed point repairs at Del Monte and Central and at Lift station K to improve sewer flow and prevent blockage.
- Graded easement roads in the Jackson Oaks area for better access to hard-to-reach areas.
- Secured four on-call consultants for Utility Planning and Engineering Services, two on-call Water and Sewer contractors, and two Hydro-Geo consultants for the City.



ACCOMPLISHMENTS

JANUARY – DECEMBER 2023

- Completed the transition to a new utility locating software system for improved utility locating services provided by the City.
- Completed the annual Consumer Confidence Report for the City's Water System.
- Completed an update to the City's Sanitary Sewer Management Plan.
- Successfully maintained and flushed the City wastewater main lines to ensure system reliability and reduce the risk of sanitary sewer overflows.
- Provided 24-hour emergency response to significant storms.

Geographic Information Systems (GIS)

- Locations of vulnerable populations including schools, pre-schools/daycare, senior-only housing, and more have been mapped for future Emergency Operations Center (EOC) use.
- The BOSS811 app that assists with locating utilities was integrated with GIS so that teammates can see City utilities mapped in relation to proposed dig locations.
- The utilities data catchup project to map missing utilities and improve existing mapping is nearly complete. Public water, wastewater, stormwater, and electric light facilities were mapped for 26 developments/CIP projects. 500 mapping corrections (redlines) were reviewed and completed for water facilities. Work on wastewater redlines has begun.

Public Services General

- Supported MoGo, the City's on-demand rideshare service operated in partnership with RideCo. Through December 2023, MoGo has provided 18,300+ passenger rides to 948 unique users since its September 2022 launch. As of the fourth quarter of 2023, MoGo is averaging 450+ passengers per week, 38% of rides are shared, and the service has an average rating of 4.8 out of 5.
- Hired and onboarded 135 new part-time teammates to operate the AC, CRC, and CCC, perform parks maintenance, and support grant programs.

DEVELOPMENT SERVICES

Building

- Issued 2,009 building permits.
- Performed 10,841 inspections.
- Issued 139 new residential permits.
- Coordinated with GIS team for update of the TrakIT permit system including GIS informational services.
- Developed application completion checklists for seven different permit types in accordance with AB2234.
- Received a \$40,000 grant to implement an automated Solar Permitting system.



ACCOMPLISHMENTS

JANUARY – DECEMBER 2023

Code Compliance

- Opened 666 code compliance cases in 2023.
- Closed 657 cases in 2023.
- Hired an additional Code Compliance Officer.

Economic Development

- Implemented 4th Saturday Downtown Street Series Activations in August, September, and October bringing thousands of visitors to Downtown Morgan Hill.
- Expanded Sidewalk Saturday Program to increase vendor participation and event footprint.
- Conducted a Legislative Business Roundtable with key stakeholders and businesses.
- Conducted the first Human Resources Roundtable Meeting with key employers.
- Received Council approval of Fee Freeze Agreement and Fee Financing Agreement for Cutina Group (Holiday Inn Express – Cochrane).
- Supported and received Council approval for 10-year renewal of the Tourism Business Improvement District.
- Received Council approval of Fee Freeze Agreement for multiple Mersho Investment industrial projects.
- Supported Chick-Fil-A Internal Review Process and Conditional Use Permit (CUP) Application.
- Received Council approval of a Vehicle Sales Overlay and Design Guidelines.
- Supported the start-up of the Downtown Morgan Hill Improvement District (DMHID), the non-profit which is managing the Downtown Property Based Improvement District (PBID). Conducted board meetings and initiated the first action item of sidewalk power washing.
- Supported Butterfield 5 leasing activity – secured first tenant: Pinnacle.
- Supported recruitment of The Silos Cocktail Lounge with SBA loan connection/support.
- Initiated the Morgan Hill Holiday Shopping Passport Program to promote Shop Local during the holiday season.
- Utilized SVBJ Advertising Campaign – Promoting Industrial Projects in key publications.
- Secured positive SVBJ Article – “The City Checks All the Boxes,” October 2023.
- Updated City of Morgan Hill marketing materials to use as sales collateral at International Council of Shopping Centers (ICSC) conferences, links on our website, and for City promotion purposes.
- Holiday Inn Express (Cochrane) paid fees and submitted architectural plans.
- Hotel MOHI is back under construction.
- Utilized Retail Concentration Strategy to support General Plan Amendments at Cochrane Commons II and The Gates.
- Support Rosewood Medical PD Amendment Process with bi-monthly meetings with applicant.



ACCOMPLISHMENTS

JANUARY – DECEMBER 2023

- Implemented the Outdoor Dining & Parklet Manual to improve the standards and to streamline the permitting process for restaurants who want to operate in the public right of way.
- Updated the Significant Projects PowerPoint to provide more detail and consistency.
- Updated California Statewide Communities Development Authority (CSCDA) Statewide Community Infrastructure Program (SCIP) and received Council approval.
- Managed Management Talent Exchange Program (MTEP) Fellow who focused on updating the Entertainment and Noise Ordinances including community outreach, developed the Smart City Memo provided to Council, and supported Economic Mobility Grant.
- Supported ICMA Economic Mobility Grant Project developing deliverables for 2024 and beyond.

Housing/Homelessness

- In coordination with the Planning Team, received 6th Cycle Housing Element Certification. Conducted all community outreach and engagement.
- Facilitated Housing outreach and engagement and led 40 Affordable Housing Program communication efforts in English and Spanish through presentations and tabling at resource fairs.
- Processed 211 referrals and connected with 184 households at risk of or currently experiencing homelessness by providing case management and supportive services through the City's Unhoused Specialist. Housed 28 households, of which 12 were homeless and 16 households were at risk of becoming homeless.
- Ongoing collaboration with Saint Vincent DePaul to identify funding for local Housing Problem Solving.
- Supported efforts to fundraise for local housing problem solving (County of Santa Clara Board of Supervisors committed \$120,000 for Homeless Prevention in Morgan Hill).
- Operated a 10-bed Inclement Cold Weather Shelter in partnership with Community Christian Church during inclement cold weather episodes, 42 nights.
- Continued to partner with the Morgan Hill Bible Church Safe Car Parking Program that operates year-round for 8 families (30 people max each night) where they are provided meals, showers, restrooms, washer and dryer, and case management by the South County Compassion Center. Permanently housed 22 program participants.
- The Destination Home capacity building grant has supported the Unhoused Specialist since December 2021. The second annual report was completed and accepted by Destination Home, and the City received the 2nd grant installment of \$150,000 to continue advancing local implementation of the Community Plan to End Homelessness.
- Continued to partner with HouseKeys to provide ongoing implementation of the Inclusionary Housing Ordinance Below Market Rate (BMR) Program, 93 ownership and 79 rental BMRs approved and in the development pipeline, plus an additional 177 ownership and 77 rentals and an additional 54 undecided (ownership or rental) units processing but not yet approved. 1,183 attendees at BMR workshops (orientations), 1,052 new potential applicants added to the database.



ACCOMPLISHMENTS

JANUARY – DECEMBER 2023

- In coordination with the Communications team, as part of the City’s Diversity, Equity, and Inclusion (DEI) efforts, launched “I BELONG, Morgan Hill,” a community outreach effort to discuss how local and global events impact our Community. Issued a survey in English and Spanish.

Planning

- Completed work on the Vehicle-Miles-Traveled (VMT) policy metric for transportation analysis under the California Environmental Quality Act (CEQA) for development projects.
- In coordination with Engineering, began work on the Transportation Master Plan.
- Completed three sets of revisions to 2023-2031 Housing Element based on HCD comments.
- Received Housing Element certification from HCD on November 29, 2023.
- Received final reimbursements for both the Local Early Action Planning (LEAP) grant of \$150,000 and Regional Early Action Planning (REAP) grant for approximately \$27,000.
- Completed and implemented a Form Based Code for Monterey Road.
- Completed annual Zoning Code Update.
- Continued to implement permit processing for SB330 including utilizing updated objective criteria.
- Created new guidance documents for AB2011 and SB6 (commercial land conversion to housing) application processing.
- Continued to create and improve resources for public information regarding development activity in the City.
- Continued to monitor state housing legislation and provide informational items to the public and Council on new laws.

FIRE

- Welcomed the new Fire Chief, Baraka Carter.
- Welcomed the new Assistant Fire Chief, Venmer Deocariza.
- Initiated construction on Butterfield Fire Station.
- Butterfield Fire Engine 59 approved and construction initiated.
- Initiated workorder for Mobile Data Computers (MDC) for all Fire resources. This will enhance dispatch efforts and provide greater response time data.
- Hired, onboarded, and trained 8 teammates: 6 Engineer Paramedics, 1 Engineer, and 1 Staff Services Analyst.
- Partnered with Red Cross to install smoke detectors in under resourced residences during the Sound the Alarm event.
- Participated in Santa Clara County Strike Team and Mutual Aid Deployment Exercise.



ACCOMPLISHMENTS

JANUARY – DECEMBER 2023

- Solidified partnership with Santa Clara County Justice Training Center, providing Advanced Life Support (ALS) standby during combat trainings.
- Engine crews continued to engage in Community events including 4th Saturday Downtown Street Series, Farmers Markets, Magical Bridge Playground one-year anniversary, National Night Out, and multiple school tours and educational events.
- Reviewed and provided comments on the Santa Clara County LAFCO Countywide Fire Service Review

POLICE

Administrative

- Transitioned to new report writing software, fleet monitoring system, and Axon Officer Safety Plan.
- Participating in the 30X30 Initiative to increase representation of women in policing.
- Police Chief holding Santa Clara County Police Chiefs' Association President position for Fiscal Year 2023-2024.
- Implemented Department's first carrying a concealed weapon program.
- Recruited, hired, and trained nine (9) teammates: 4 Police Officers, 2 Dispatchers, 2 Multi-Service Officers, and 1 Community Service Officer.
- Expanded Flock Safety License Plate Recognition system from 25 to 50 locations throughout the City.
- Re-implemented Community Police Academy in English and held first Community Police Academy in Spanish.
- First department in Santa Clara County to train officers in Active Bystandership for Law Enforcement (ABLE), a program in partnership with Georgetown University to prepare officers to successfully intervene to prevent harm and to create a law enforcement culture that supports peer intervention.
- The Department received Morgan Hill Chamber of Commerce's Special Merit Award for Community Service.
- Project management of Police Department expansion into adjacent building space.
- Supported Information Technology Team with citywide security, projects, and leadership.
- Hosted National Night Out event in conjunction with larger City hosted community event with 1,500 to 2,000 attendees.
- Presented First Annual Military Equipment Use Report.
- Re-implemented Police Explorer Volunteer Program.

Patrol Division

- Maintained response time to Priority One Calls for Service under 8 minutes; the average response time was 3 minutes and 41 seconds.
- Patrol responded to 36,384 calls for service.



ACCOMPLISHMENTS

JANUARY – DECEMBER 2023

- The Department generated 2,897 police reports and 1,780 supplemental police reports.
- Officers utilized Flock cameras as a crime reduction strategy from August 2021 to December 2023, which resulted in a decrease in property crimes and 246 arrests with 823 criminal offenses charged.
- The Department received two traffic grants for a total of \$70,000.
- Enhanced traffic safety measures and increased the Traffic Team by adding a Police Corporal, making it a team of 3.
- Traffic and Patrol Officers were assigned Downtown as a pilot program to reduce collisions, speed, and quality of life issues.
- Officers made 248 Driving Under the Influence arrests.
- Deployed the City's Community Emergency Response Team (CERT) during the 4th of July weekend to high fire locations to monitor and deter the use of illegal fireworks.
- Officers engaged in Community Policing activities to include, but not limited to, participating in events at Park Place, bicycle patrol Downtown, Outdoor Movie Series, Farmers' Market, and other community events.
- The Crime Prevention Unit participated in 34 community meetings on a variety of crime topics.
- Collaborated with the Santa Clara County's Mobile Crisis Response Team (MCRT) and addressed chronic persons who were in crisis or in need of resources.
- Utilized Homeland Security Grant for the purchase of 2 additional incursion barriers (now totaling 4). The barriers were used at special events such as Mushroom Mardi Gras and National Night Out.
- Officers completed their mandated POST training, along with DEI training (specifically, LGBTQ+, Harassment Prevention Training, and Autism Awareness training).
- Officers have been trained in the administration of NARCAN and carry Automated External Defibrillators (AED) in each patrol vehicle which has resulted in no less than 7 lives saved.
- Strengthened our partnership with County and faith-based organizations by applying best practices for our unhoused population.
- Attended a total of 7 Faith and Blue events for the annual National Faith and Blue event.
- Conducted activities as part of Vision Zero Morgan Hill effort:
 - Coordinated with MHUSD and American Medical Response (AMR) to offer driving under the influence programs at local high schools (e.g., Sober Graduation, Zero Tolerance)
 - Department had zero fatal collisions in 2023
 - Injuries collisions down 16% from 2022

Special Operations Division

- In the summer of 2023, the City experienced over 10 fires including the Hale Lumber construction site. The Special Operations team was able to identify and arrest the primary suspect. The primary suspect later admitted to setting 14 fires throughout the South County region.



ACCOMPLISHMENTS

JANUARY – DECEMBER 2023

- The Special Operations team identified and arrested a second arsons suspect who was responsible for lighting four fires during the same evening and four additional fires in the South County region.
- The Special Operations team conducted a several month surveillance operations resulting in the arrest of multiple suspects, closing out two unsolved homicides.
- Had a clearance rate of 74% for Crimes Against Persons (statewide average 41%).
- Had a clearance rate of 24% for Crimes Against Property (statewide average 7%).
- Provided community trainings related to fraud protection and cyber-crimes awareness.
- Implemented a Psychiatric Emergency Response Team (PERT) in partnership with County Behavioral Health Services, with one detective and a licensed mental health clinician.
- Conducted a multi-agency Active Shooter training based on the revised county-wide protocol.
- Council approved a Community Service Officer (CSO) to manage the Youth Diversion Program.
- Implemented Youth Restorative Justice Program diverting youth from the criminal justice system and continued our partnership with MHUSD on providing Restorative Justice Practices for our students.
- School Resource Officer and the Community Tobacco Enforcement Officer partnered with MHUSD to provide training to students and staff on the dangers surrounding vaping, tobacco use, and distracted driving.
- Conducted Run, Hide, Defend trainings at MHUSD schools, local private schools, and businesses.
- Conducted a majority of Graffiti Abatement within 48 hours of notification.
- Participated in the Regional Enforcement Allied Computer Team (REACT).
- Participated in Regional Auto Theft Task Force (RATTF).
- Actively used social media platforms to inform and educate the Community about police activity and public safety announcements.
- Actively participated in the South County Youth Task Force (SCYTF).

Support Services Division

- Answered 98.54% of 911 calls under 10 seconds.
- Handled 36,384 incidents (calls for service and officer-initiated activity), including 388 priority one calls and 117 felony car stops.
- Revitalized social media strategy and increased engagement with 40% more visits to the page, median posts/likes/shares to 271, and grew to an expanded reach of over 240K people.
- Property and evidence technician received 186 firearms as evidence or safekeeping.
- Submitted over 1,500 cases to the Santa Clara County District Attorney's Office for prosecution (47% increase from 2022; 68% increase from 2021).

Selected vendor for Next Generation 911 phone upgrade. This will provide emergency dispatchers with enhanced technology, including the ability to receive images and videos.



ACCOMPLISHMENTS

JANUARY – DECEMBER 2023

- Prepared to transition to Next Generation 911 once CalOES lifts statewide stop-clock.
- Participated in and implemented the Criminal Justice Information Control (CJIC) decommission and replacement solution.
- Expanded electronic transmission of records to DMV, Parking Citation Management, and Santa Clara County Court System.
- Received certification from the Department of Justice for compliance with California Incident Based Reporting System (CIBRS).
- Researched and selected Axon software as our new records management system. The purchase of the Axon RMS completes the technology ecosystem that integrates Taser, in-camera car cameras, body worn cameras, weapon sensors, digital evidence storage, records management, and computer aided dispatch.

Office of Emergency Services

- Gained approval for the Emergency Management Performance Grant to purchase Emergency Operations Center (EOC) equipment to enhance emergency readiness.
- Oversaw Santa Clara County Leadership Academy's Continuity of Operations Plan (COOP) project.
- Enhanced Emergency Sheltering Capabilities with City Disaster Service Workers including training, functional needs including inclusiveness, and adding additional shelter sites in the Community.
- Ran Community Emergency Response Team (CERT) training in person and virtually. Held the first private sector CERT training with Specialized Bicycle Components.
- Completed Listos Emergency Preparedness training program, now available to all Community members on the City's YouTube channel and available in person by request.

Information Technology (IT)

IT Security

- Expanded authentication offerings for Multi-Factor Authentication (MFA).
- Upgraded access control system.
- Isolated Heating, Ventilation, and Air Conditioning (HVAC) traffic to separate network.
- Created secure connection and monitored connections for vendor access.
- Deployed a more robust antivirus solution.
- Deployed new remote assistance tools to facilitate IT support for teammates.
- Deployed and secured new forensic workstation.
- Upgraded multiple systems to support levels, ensuring security and compliance.
- Conducted internal audit of accounts and computers.
- Leveraged JPA resources for cybersecurity auditing and compliance.



ACCOMPLISHMENTS

JANUARY – DECEMBER 2023

- Deployed additional email security enhancements.
- Procured and deployed new Firewalls.
- Created diverse, redundant and failover systems.
- Implemented best practices for server configurations.
- Deployed DMZ network to add an extra layer of protection from untrusted network traffic.
- Completed audits and removed legacy connections and configurations.
- Procured new network switches.
- Decommissioned legacy solutions.

IT Projects

- Completed procurement of equipment needed for datacenter refresh.
- Completed procurement of new backup and recovery storage solution.
- Deployed new wireless access points and switches to City Hall and Council Chamber Buildings.
- Citywide printer refresh with improved deployment and management.
- Upgraded Council Chamber West Conference room to provide hybrid meeting space.
- Installed and configured new datacenter equipment in Council Chamber.
- Stabilized Police Department uninterruptible power supplies (UPS), preventing system outages and disruption.
- Completed Cal Fire Automatic Vehicle Location (AVL) support:
 - New managed Apple IDs for iPads
 - Deployed custom app, Radio Mobile, using mobile device management (MDM) platform
- Installed and configured new data center in the Police Department.
- Installed new isolated and secure supervisory control and data acquisition (SCADA) system.
- Assisted with the implementation of phase 1 of the Enterprise Resource Planning (ERP) software.
- Completed AXON Cradlepoints and Fleet 3 installation in Police vehicles.
- Completed audit of cell phones.
- Procured and deployed ID printers for access control system.
- New rugged Mobile Data Terminal (MDT) deployment.
- Deployed new call logger.
- Migration to a single domain and decommissioned morgan-hill.ca.gov.
- Granite Project – consolidation of Frontier and Verizon telecommunications.



ACCOMPLISHMENTS

JANUARY – DECEMBER 2023

IT Helpdesk

- Deployed computer imaging – efficiency for standardizing computer deployment.
- Deployed new workstations in Dispatch, 12 new computers, 3 MDTs, 22 re-imaged computers, and 15 new monitors.

IT Leadership

- Partnered with GIS to implement best practices for modernizing and integrating with other applications.
- Partnered with the Police Department to implement new cloud-based software.
- Performed a citywide telecommunications analysis.

SUSTAINABLE MORGAN HILL



Vision

To sustain a safe, inclusive, socially responsible, environmentally conscious, and economically sound community.



Choose Morgan Hill

The City of Morgan Hill is the best community for people to live, work, visit, and operate their businesses.



City Council Ongoing Priorities

- Enhancing Public Safety and Quality of Life
- Protecting the Environment and Preserving Open Space and Agricultural Land
- Maintaining and Enhancing Infrastructure
- Supporting our Youth, Seniors, and Entire Community
- Fostering a Positive Organizational Culture
- Preserving and Cultivating Public Trust
- Preserving our Community History
- Enhancing Diversity and Inclusiveness
- Advocating for Local, Regional, and State Legislative Initiatives



2022-2023 Strategic Priorities

- Fiscal Sustainability
- Affordable Housing and Homelessness
- Community Outreach, Engagement, and Messaging
- Economic Development
- Transportation



These strategic priorities were established prior to the COVID-19 pandemic. In light of recent events, we recognize that all of these goals and priorities will be viewed through the lens of recovering from the global pandemic, and we will continue to have equity, public health, and financial responsibility in mind.



STRATEGIC PRIORITIES

Fiscal Sustainability

The City will continue to be financial stewards of its resources and assets to ensure longterm fiscal sustainability. Through the budget development process, the City, within the fiscal sustainability path,

will prudently carry out the City Council's priorities, while maintaining adequate fund balance reserves. The City will continue to explore new or expand existing revenue sources to ensure fiscal sustainability.



Affordable Housing and Homelessness

Morgan Hill will continue to improve, preserve, and develop new safe, quality, rental and ownership housing for residents at all income levels. To the extent possible, the City will respond to and reconcile new housing initiatives and legislative mandates. The City is guided by the vision of its General Plan, a long-term plan for the physical development of the community. The vision includes the preservation of agriculture, incentives to foster infill development, and new housing for families of various sizes, ages, and incomes. Like many other cities in the Bay Area, Morgan Hill is experiencing transformative growth and working to meet the housing needs of its current and future residents. The City's Housing Program project is grounded on five key pillars:

- Production of New Affordable Housing Units:** Morgan Hill will continue to improve, preserve, and develop new safe, quality, rental and ownership housing for residents at all income levels. City will seek partnerships that create new housing opportunities directly aligned with the City's "fair share" Regional Housing Needs Allocation (RHNA).
- Preservation of Existing Affordable Housing Inventory:** The City has a robust inventory of Below Market Rate housing units. Through the City's thoughtful planning, affordable housing has been integrated throughout the community and balanced throughout new developments. The City's Inclusionary Housing Ordinance further ensures future production of income restricted units. The City will coordinate the lease-up process of upcoming affordable developments to ensure residents are aware of and accessing upcoming housing opportunities.
- Promotion of Housing Program:** The City manages an inventory of Below Market Rate deed-restricted units and collaborates with the County of Santa Clara and local non-profits to connect residents to resources. Staff will focus on communications, engagement, and education of services with particular attention to Spanish-speaking residents.
- Prevention of Homelessness:** Implement the Countywide Community Plan to End Homelessness by continuing to identify barriers, solve housing problems at the local level, and advance efforts to increase coordination in South County among its service providers. The City will continue to employ a balanced approach, offering resources and referrals to services, partnering with the faith-based community and non-profits to create appropriate local service points, while also utilizing available resources to reduce encampments.
- Protection of Quality of Life for New and Existing Neighborhoods:** The City will continue to seek quality development and balance the needs of existing and new neighborhoods.

STRATEGIC PRIORITIES

Community Outreach, Engagement, and Messaging

The City's Communications, Outreach, and Engagement Plan defines the messages, priorities, strategies, and tools the City will use when communicating with the community. Through the Plan, the City will tell the Morgan Hill story and work to build trust with the community and ensure that we provide effective engagement. Through effective application of communication strategies, the Plan will ensure that all City Council Members, Commissioners, and teammates have the tools to provide accurate, timely, and relevant information to the community. The Plan aligns communication resources with the goals to set clear communications expectations for the community, ensuring that the City can continue providing excellent services that reflect the strength of the City's outreach initiatives while supporting the implementation of the City Council's strategic priorities.



Encourage community engagement through audience-appropriate two-way communication, and ensure opportunities for constructive feedback



Share accurate, non-biased information promptly through a variety of communication channels



Work directly with the Council, staff, and community partners to ensure communication and outreach efforts, objectives, and outcomes align with the strategic priorities and promote community understanding



Keep City teammates informed and involved in public dialogue to aid in telling the Morgan Hill story

Economic Development

The City's Economic Development efforts focus on implementing the Economic Blueprint strategies and actions to help build long-term fiscal sustainability and improve quality of life for residents. This will be achieved by attracting jobs and commercial investment which generate revenues to support essential City services and improve critical City infrastructure. The Economic Blueprint is focused on advancing economic prosperity and vitality by attracting investment, development, and jobs in four key industries:

- **Healthcare:** Grow and foster medical and diagnostic services by advancing and supporting the entitlement process for medical facilities. Promote and market Morgan Hill as a desired location for medical and diagnostic providers.
- **Retail:** Grow retail offerings and strengthen commercial nodes. Develop a retail incubator program and a retail concentration strategy. Utilize incentives and available tools to attract new investments that increase both jobs and revenue to the community.
- **Innovation and Advanced Manufacturing:** Grow existing companies, attract new industry, and grow high-quality jobs. Support and advance the entitlement and permit process of new developments. Promote and market Morgan Hill as a premier location for commercial and industrial investment.
- **Tourism:** Grow leisure, agriculture, wine country and recreational tourism. Continue to nurture Downtown's transformation as a community gathering place. Implement Property Based Improvement District and manage parking supply. Support additional lodging investments and partner with Visit Morgan Hill to implement activations that support tourism and vibrancy.

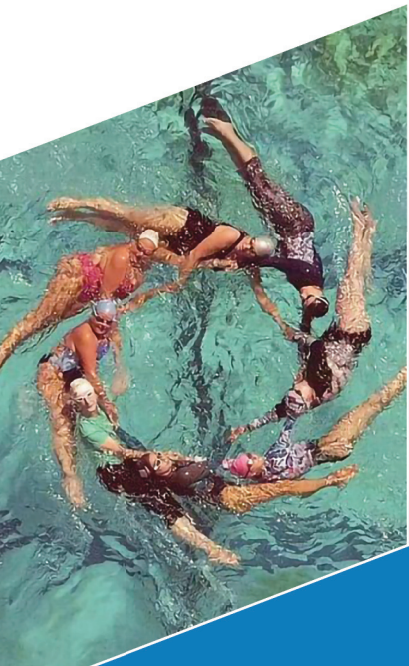


STRATEGIC PRIORITIES

Transportation

The City has clearly identified traffic and transportation issues facing Morgan Hill as regional in nature. Morgan Hill will continue to partner with the City of Gilroy to advocate for improvements and funding for the South Santa Clara County Transportation Corridor. The City will actively advocate on regional transportation planning issues. Locally, the City will prioritize funding for Vision Zero safety strategies over congestion management. The City will take actions to implement its goal to create a culture that prioritizes safety, creates livable streets, and seeks to eliminate traffic fatalities. Safety of pedestrians, bicyclists, drivers, and passengers is paramount.

- Complete construction of Hale Avenue Extension
- Advocacy will include:
 - Working with the Valley Transportation Authority (VTA), Caltrain, the County, the High-Speed Rail Authority (HSRA), and the State to enhance service, secure funding for transportation projects and road maintenance, and protect the community from negative impacts of regional projects
 - Expansion of Highway 101 between Morgan Hill and Gilroy to reduce pass-through traffic and improve commute traffic for South County residents
 - Electrification of commuter rail from San Francisco to Gilroy
 - Funding for priority projects in the South County
- Advocate for grade separations and the design of a Downtown station and emergency response design solutions for the HSRA project
- Advocate for the ongoing provision of funding of innovative local transit services that matches the needs of the Morgan Hill Community and supports paratransit needs.



morganhill.ca.gov

Strategic Priorities 2022-2023						
#	Activity Goals	Fiscal Sustainability	Affordable Housing & Homelessness	Community Engagement & Messaging	Economic Development	Transportation
City Manager						
1	Ensure Departments maintain focus on cost containment and continue to actively pursue County, State, and Federal funding	X				
2	Advocate with regional partners for the clearly identified traffic and transportation issues, including the High-Speed Rail, Hale Avenue extension, expansion of Highway 101, electrification of commuter rail, and funding for priority projects in South Santa Clara County	X				X
3	Represent the City's interests by regularly meeting with County of Santa Clara, MHUSD, Santa Clara Valley Transportation Agency (VTA), Chamber of Commerce, Emergency Operational Area Council, Gilroy, and South County Regional Wastewater Authority (SCRWA), and Cal Cities	X	X		X	X
4	Work with the City departments to implement a work plan for Diversity, Equity, and Inclusion		X	X	X	X
Communications and Engagement						
5	Continue outreach and bilingual communication		X	X		
6	Implement the Communications, Outreach, and Engagement Plan		X	X		
7	Implement Morgan Hill Together celebrating our diverse community through events and educational campaigns			X		
8	Perform Website refresh			X		
9	Develop and implement a customer service training program for teammates			X		
City Attorney						
10	Communicate with Council and the community regarding changes to the Housing Accountability Act and advocate for measures to mitigate potential impacts		X	X		
Human Resources						
11	Negotiate fiscally responsible labor agreements with the City's three bargaining groups, for contracts expiring in December 2023	X				
Council Services and Records Management						
12	Implement hybrid City Council and Planning Commission meetings			X		
Finance/Budget/Utility Billing						
13	Explore new or expand existing tax revenue sources to address City's unfunded needs	X			X	
14	Implement new Enterprise Resource Planning System to replace the outdated system			X		
15	Review and adjust certain impact and user fees to ensure the long-term sustainability of the City's critical infrastructure and services	X				
Public Services						
16	Support ongoing coordination with Visit Morgan Hill, MHOSC, the operator of the Outdoor Sports Center, and the team at the Aquatics Center to host regional sports events, while minimizing impact to the community	X		X	X	
17	Create and manage a volunteer program for the Magical Bridge Playground in Community Park			X		

Status	% Complete for In Process Activities	Estimated Completion By
Ongoing		
Ongoing		
Ongoing		
Ongoing		
Ongoing		
Ongoing		
In Process	50%	Fall 2024
Complete	100%	Winter 2023
In Process	20%	Spring/Summer 2024
Ongoing		
Complete	100%	December 2023
Complete	100%	Winter 2022
Ongoing		
In Process	40%	December 2024
Ongoing		
Ongoing		
Ongoing		

Strategic Priorities 2022-2023						
#	Activity Goals	Fiscal Sustainability	Affordable Housing & Homelessness	Community Engagement & Messaging	Economic Development	Transportation
18	Explore alternative options for management of the City's open space	X				
19	Continue to monitor and adjust water restrictions to meet local and state water conservation efforts			X		
20	Implement Climate Action Plan			X		
21	Establish new solid waste management franchise agreement for Gilroy and Morgan Hill	X				
22	Continue to implement the new and significant organic waste management regulations adopted by the State under SB 1383			X		
23	Continue participation with Valley Water and the City of Gilroy in working towards recycled water opportunities for the City of Morgan Hill			X		
24	Develop the City's first Transportation Master Plan in coordination with the update to the City's General Plan Transportation Element					X
25	Complete the Hale Avenue Extension Project					X
26	Initiate on-demand last mile transit service for the Morgan Hill Community					X
27	Collaborate with City of Gilroy and elected officials on advocacy for the South County Transportation Corridor; VTA, Caltrain, Highway 101 expansion, and electrification of commuter rail					X
28	Update Street and Sidewalk Development Code	X				
Fire						
29	Plan for the addition of a third fire station	X		X	X	
30	Negotiate Cooperative Agreement for Fire Protection with CAL FIRE	X				
Police and Information Technology						
31	Strengthen partnerships with County and faith-based organizations to apply best practices for the unhoused population		X			
32	Address quality of life issues in partnership with the City's Housing Department		X			
33	Present at least two Parent Project classes per year in English and Spanish in partnership with the Office of the District Attorney and/or Morgan Hill Unified School District			X		
34	Host Community Police Academy in Spanish			X		
35	Enhance Listos Program including recruitment of Listos Program Instructor, organize and deliver Spanish language community training			X		
36	Create criteria, train, and implement CERT Neighborhood Teams			X		
37	Continue to use social media to inform and educate the community of police activity and public safety announcements			X		
38	Re-implement the following Community Programs that were suspended because of COVID-19: Community Police Academy, Police Explorer Program, Parent Project, Crime Prevention meetings, Volunteers in Policing, and Cadet Program					
39	Implement IT processes that enhance productivity and increase efficiencies such as helpdesk system, disaster recovery plan, remote assistance tools, and mobile device management system	X				

Status	% Complete for In Process Activities	Estimated Completion By
In Process	50%	Fall 2024
Ongoing		
Ongoing		
Complete	100%	Summer 2022
Ongoing		
Ongoing		
In Process	35%	Winter 2024
In Process	90%	Fall 2023
Complete	100%	Fall 2022
Ongoing		
Deferred due to staffing resources and addressing State mandated regulatory programs		TBD
In Process	25%	Fall 2024
Complete	100%	Summer 2023
Ongoing		
Ongoing		
Ongoing		
Complete	100%	Fall 2023
Complete	100%	January 2024
Complete	100%	July 2023
Ongoing		
Complete	100%	Summer 2023
Ongoing		

Strategic Priorities 2022-2023						
#	Activity Goals	Fiscal Sustainability	Affordable Housing & Homelessness	Community Engagement & Messaging	Economic Development	Transportation
40	Implement a highly available and manageable network architecture to achieve sustainability, reduced complexity, regulatory compliance, security, and resiliency	X				
41	Complete management and installation of WAVE broadband connectivity to all City buildings	X		X		
Development Services						
42	Create and implement Citywide Outdoor Dining Manual	X		X	X	
43	Re-establish a PBID in Downtown	X			X	
44	Manage Auto Dealer and Fee Freeze Programs to attract new investment.	X			X	
45	Create Hotel Development Incentive strategy and policy	X	X		X	
46	Implement Economic Development Outreach Campaign to attract new advanced manufacturing, office, innovation, and medical users	X			X	
47	Create Retail Concentration Strategy	X			X	
48	Update Housing Element for 2023-2031 and respond to RHNA Goals		X	X		
49	Update Circulation, Infrastructure and Safety Element			X		X
50	Prepare Environmental Justice Element			X		
51	Prepare LOS-VMT Model and policy guide					X
52	Continue various housing and homelessness initiatives: implementation of the Housing Element, Safe Park Program, Inclement Weather Shelter Program, and Case Management		X			

Status	% Complete for In Process Activities	Estimated Completion By
Complete	100%	Winter 2023
Complete	100%	Winter 2022
Complete	100%	Winter 2022
Complete	100%	Summer 2023
Ongoing		
Complete	100%	Fall 2022
Ongoing		
Complete	100%	Fall 2023
Complete	100%	Fall 2023
Commencing Soon		Fall 2025
Commencing Soon		Fall 2024
In Process	90%	Spring 2024
Ongoing		

Future Council Initiated Agenda Items

revised 1.25.24

Meeting Date	Council Member	Request	Teammate	Estimated Completion
11/15/2023	Borgioli	Fines for property owners for vacant buildings	Mahood	February 2024 Goal Setting
11/1/2023	Martinez Beltran	Zoom public comment and displaying the names of Zoom participants	Bigelow	February 2024 Goal Setting
10/4/2023	Turner	Youth sports and recreation tourism	Ghione	February 2024 Goal Setting
10/4/2023	Martinez Beltran	Economic Blueprint and focus on tourism	Mahood	February 2024 Goal Setting
10/4/2023	Turner	Funding mechanism for public art	Ramirez	April 17, 2024
6/21/2023	Martinez Beltran	Ag policy to conserve land	Ramirez	May 15, 2024
6/7/2023	Turner	Fundraising or panhandling around medians	Larkin/Palsgrove	March 6, 2024
5/3/2023	Spring	Term limits for Council and Commissioners	Larkin/Bigelow	January 17, 2024 and February 21, 2024
4/5/2023	Borgioli	Ordinance prohibiting smoking in multi-unit properties	Larkin	February 21, 2024
2/16/22	Borgioli	Noise ordinance for Downtown	Larkin/Ramirez	November 15, 2023 and Spring 2024
10/2/19	Spring	CCC Parking Enforcement (will coordinate with Lumber Yard Development Project)	Ghione	Staff Memo upon completion of project



Memorandum

City Clerk's Office

Date: January 25, 2024

To: Christina Turner

From: Michelle Bigelow

Subject: Remote Public Comments and Public Video

At the October 4, 2023, City Council meeting, hateful and hostile comments were made by people participating on Zoom for public comment. This occurred in Morgan Hill and throughout the nation. In response, public comment on Zoom was no longer allowed. Several factors contributed to this decision:

- Promoting a safe and inclusive space: the City works to create an environment where everyone feels safe and respected during public meetings. Hate speech can create a hostile atmosphere that hinders meaningful public participation and disrupts the purpose of the meetings.
- Protection of vulnerable communities: hate speech often targets specific communities based on their characteristics, such as race, religion, gender, or sexual orientation. Taking steps to prevent hate speech protects these communities from harm and harassment. Further, as an employer, the City must take reasonable steps to prevent exposure to verbal conduct based on protected classifications (including race, religion, gender, and/or sexual orientation) that are objectively and subjectively offensive.
- Ensuring efficient meetings: the City's goal is to conduct productive and efficient meetings that allow for the exchange of diverse opinions and ideas. Hate speech can disrupt these meetings, making maintaining a respectful and constructive environment challenging.

Through this change, the City of Morgan Hill aimed to strike a balance between promoting free speech and protecting the safety and dignity of all participants in its public meetings.

The State's Brown Act, which governs public access to government meetings, only requires cities to offer the public a chance to comment at public sessions in person. Since the pandemic, many cities have allowed the public to comment by Zoom or phone. However, a growing number of cities in the Bay Area, including Morgan Hill, have moved to prohibit remote comments because of the increasing incidents of antisemitic callers.

A staff report was presented at the City Council meeting on December 6, 2023. The City Council directed staff to explore options to allow for public comment on Zoom requiring registration/authentication.

Staff is seeking direction from the City Council on:

- Does the Council wish to allow remote public comments?
 - If yes:
 1. Does the Council wish to put a registration and/or verification in place?
 2. Does the Council wish to show a list of names for all remote participants?
 3. Does the Council wish to allow or require meeting attendees to show their video?

Registration/Verification Options for Remote Public Comment

Should the City Council decide that it wants to allow remote public comment and to put measures in place to help protect employees and the Community from hostile verbal conduct, there are a few options to consider:

- Option 1: Require both registration and authentication on Zoom
 - Uses an existing available tool requiring no additional expenditures or staff management of another program during City Council meetings
 - Requires minimal additional staff time to verify/manage speakers
 - Authentication allows the host (the City) to restrict webinar attendees to sign-in users only, confirming that they have a legitimate email account
 - Registration allows the host to view and manage the registrants, be aware of how many will potentially join, and it ensures that attendees do not share their attendance link with others, ensuring that each person joining has to register with a unique email address
 - Scheduling a webinar with registration requires registrants to complete a brief form before receiving the link to join the webinar. This allows the agency to collect the names, email addresses, and other information from the registrants
 - It can be set not to allow attendees to change their name
- Option 2: Require registration through an online form
 - Requires speakers to sign up via an online form on the City website
 - Requires a cutoff time to allow staff review
 - Requires more staff time to manage speakers/requests
 - No added cost, as the form would be created through the City's website
 - Registration allows the host to view and manage the registrants, and be aware of how many will potentially join
- Option 3: CivicBell Virtual Speaker Card
 - This product is still in the beta testing phase and has no current agencies using it
 - Ensures the speaker is a real person and not a "bot"
 - Prevents participant from changing name
 - Cost \$2,000 annually
 - Requires an additional tool and additional staff time

* Important note: We cannot prohibit speakers from using assumed or false names. None of the options listed above stop workarounds, and we may still experience hate speech and use of vulgar names.

Meeting Attendee Video

Staff recommend against allowing remote meeting participants to show their video. We are seeking a balance between inclusion and protection. For in-person meetings, we leverage uniformed Police presence for physical protection. We protect online meetings by leveraging software restrictions such as not allowing video and requiring running the latest software version.

It was just four months ago when we experienced extremely disturbing hate speech in a meeting, amplifying the urgency of our security measures. Before that incident, we had inappropriate graphic images displayed on two separate occasions at City meetings.

"Zoom bombing" is so serious it is now considered a federal crime. The reality is that security is in direct conflict with convenience. However, convenience is no longer an acceptable reason to reject necessary security measures.

Staff believes the Council should consider the continuation of our existing practice, which permits public comments exclusively in person or in writing. This approach is not only a pragmatic response to the escalating threats we face but also a commitment to prioritizing the safety and integrity of our meetings.

CITY OF MORGAN HILL
Monthly Financial and Investment Reports
December 31, 2023 - 50% of Year Complete



CITY OF MORGAN HILL

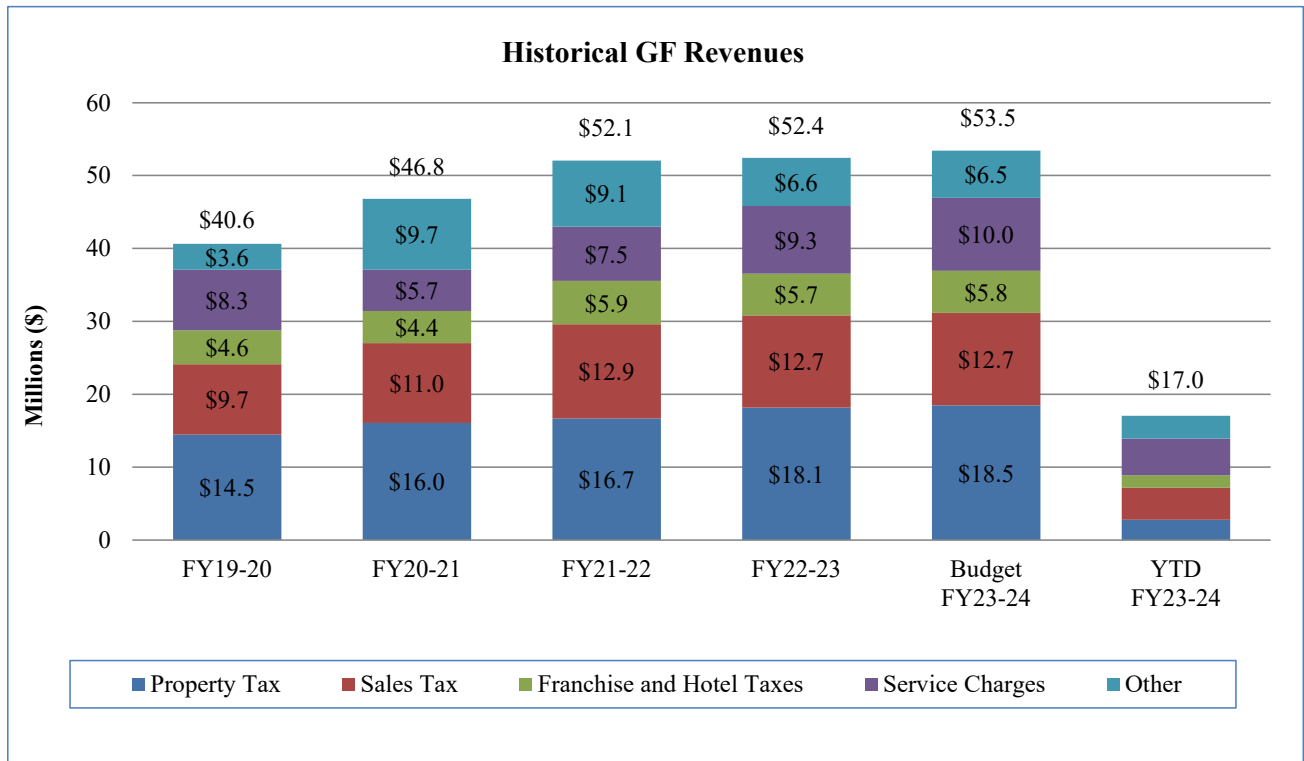
Prepared by:
FINANCE DEPARTMENT



CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2023-24
FOR THE MONTH ENDED DECEMBER 2023 – 50% OF YEAR COMPLETE

- **General Fund** – Revenues through December totaled \$17.0 million, or about 32% of the budgeted revenues as some of the major revenue categories such as property tax are received later in the fiscal year. With respect to the property tax revenue forecast, the County estimates the City will receive approximately \$19.0 million in property tax revenue for the current fiscal year, about \$0.5 million more than the budget of \$18.5 million. As for sales tax, HdL, the City's sales tax consultant revised the City's current fiscal year sales tax revenue estimate, before tax rebates, to \$12.6 million, a slight improvement from prior estimate but still below the current budget by about \$0.1 million, partially attributable to falling gas prices.

The chart below shows historical General Fund revenues by major revenue category from FY19-20 through FY22-23 Actual, FY23-24 Budget, and YTD as of December 31, 2023.



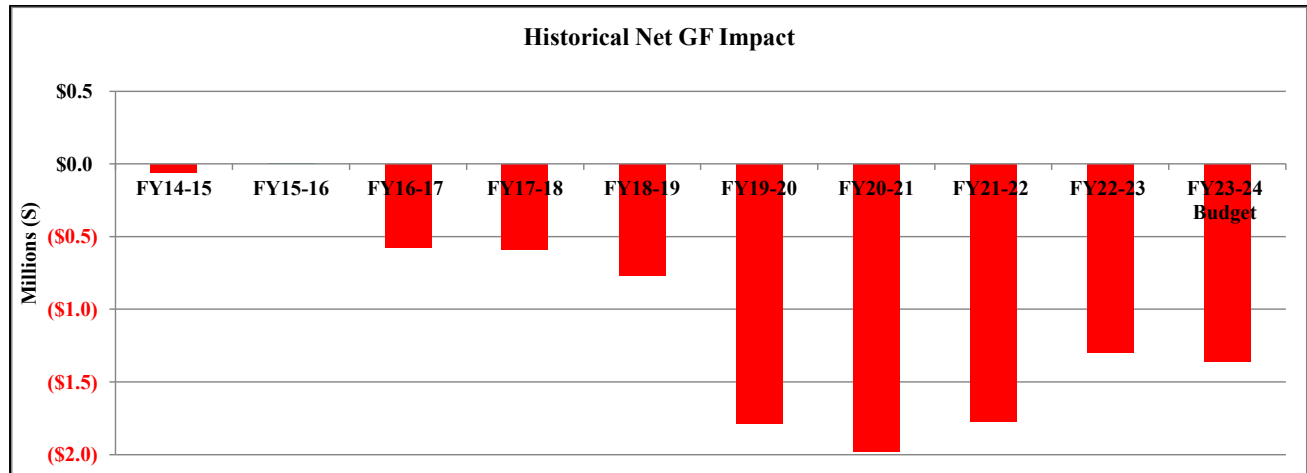
General Fund expenditures and encumbrances through December totaled \$30.7 million, of which approximately \$3.3 million is attributable to outstanding encumbrances, compared to prior year expenditures, including encumbrances, of \$29.7 million. This represents an increase of \$1.0 million, including encumbrances, compared to the prior year. Excluding the encumbrances, expenditures increased by about \$1.0 million mainly due to new programs such as Innovative Transit, continued recovery in Recreation Services, as well as overall cost increases.

- **Community Services** – The Community Services Department’s recreation operations, as reflected in the schedule presented on page 7 of the Monthly Financial and Investments Reports, shows a negative impact to the General Fund of approximately \$1.4 million as of December 31, 2023. Recreation Services revenues continue to recover from the pandemic and are on target with budget.



CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2023-24
FOR THE MONTH ENDED DECEMBER 2023 – 50% OF YEAR COMPLETE

The chart below shows the historical net impact of Recreation Operations to the general fund.



Due to longstanding governmental accounting and budgeting convention, the City's recreation operations are not charged for indirect costs (known in Morgan Hill as "General Fund Administration") from the central services departments of City Attorney, City Manager, and Administrative Services. The City's other governmental funds, such as Development Services, and the proprietary funds, such as Water and Wastewater, and the Information Services Fund, are assessed such charges through the City's indirect cost allocation plan, prepared in compliance with the guidelines set forth in the Code of Federal Regulations Title 2, Chapter II, Part 200 (formerly OMB Circular No. A-87), which mandates certain calculation and cost allocation practices that must be followed in order to qualify for Federal grant funding, but which also represents best practice for non-grant funded City operations like utilities and information services.

- **Development Services Fund** – Revenues through December totaled \$2.1 million compared to prior year to date amount of approximately \$3.5 million. Expenditures, including encumbrances, totaled \$2.9 million.
- **Debt Service Funds** – Expenditures through December totaled \$0.6 million. The debt service for the first half of the year includes both interest and principal, while the second half of the year will include interest only. Debt service payments were all scheduled when the bonds were issued and are budgeted for in the months delineated in the underlying bond documents. The General Fund's portion of the annual debt service payments is approximately \$200,000, less than one percent of the General Fund's budgeted revenues.



CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2023-24
FOR THE MONTH ENDED DECEMBER 2023 – 50% OF YEAR COMPLETE

- **Wastewater Operations** – Revenues through December 31, 2023 totaled \$6.4 million. Expenditures and outstanding encumbrances totaled \$6.9 million or 44% of the budget. The table below shows historical Wastewater Operations revenues and expenditures from FY19-20 through FY22-23 Actual, FY23-24 Budget, and YTD as of December 31, 2023.

(amount in millions)	FY19-20	FY20-21	FY21-22	FY22-23	Budget FY23-24	YTD FY23-24
Revenues	11.9	13.3	14.9	15.3	15.6	6.4
Expenditures	12.3	13.3	14.8	16.0	15.6	6.9
Operating Margin	(0.4)	-	0.1	(0.7)	-	(0.5)
Operating Margin without Encumbrances	(0.1)	-	0.1	(0.7)	-	(0.4)

- **Water Operations** – Water Operations includes Utility Billing, Water Conservation, and Water Operations. Revenues through December 31, 2023 totaled \$8.7 million. Water Operations expenditures, including outstanding encumbrances, totaled \$10.1 million. Morgan Hill residents consumed about the same amount of water through December compared to the prior three-year average. As such, no revenue stabilization water rate was implemented. The table below shows Water Operations revenues and expenditures from FY19-20 through FY22-23 Actual, FY23-24 Budget, and YTD as of December 31, 2023.

(amount in millions)	FY19-20	FY20-21	FY21-22	FY22-23	Budget FY23-24	YTD FY23-24
Revenues	15.3	16.5	16.0	18.1	19.8	8.7
Expenditures	16.4	16.5	15.2	18.0	20.3	10.1
Operating Margin	(1.1)	-	0.8	0.1	(0.5)	(1.4)
Operating Margin without Encumbrances	(0.1)	-	0.8	0.1	(0.5)	(0.6)

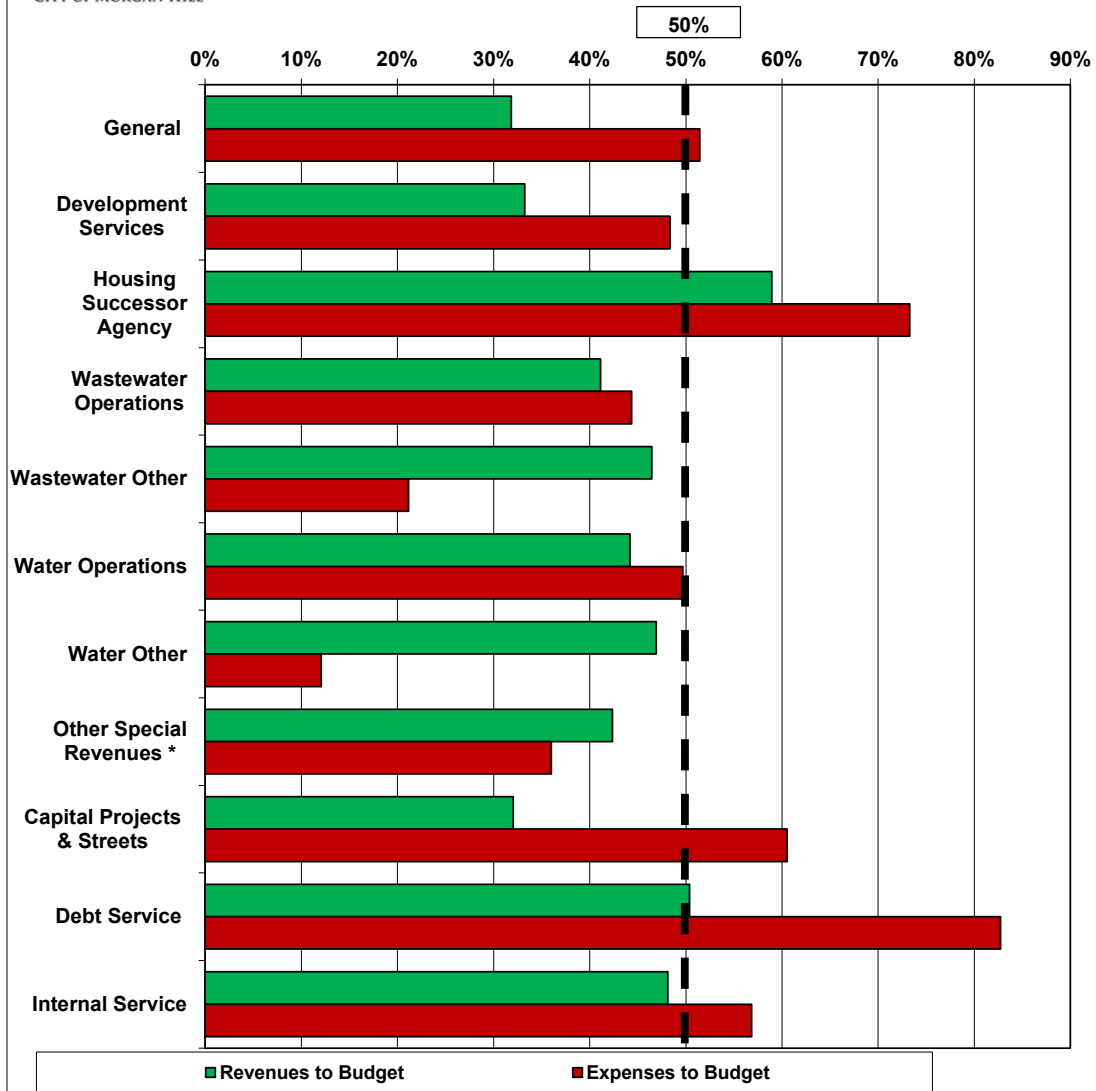
- **Investments** – Eight securities were called, and four new securities were purchased. Total interest earnings received on investments were \$454,000 during the month.



Morgan Hill YTD Revenue & Expense Summary

December 31, 2023 - 50% of Year Complete

Percentage of Actual to Budget



FUND NAME	REVENUES		EXPENSES	
	ACTUAL	% OF BUDGET	ACTUAL PLUS ENCUMBRANCES	% OF BUDGET
General	\$ 17,017,690	32%	\$ 30,731,548	51%
Development Services	2,103,661	33%	3,088,166	48%
Housing Successor Agency	140,942	59%	858,977	73%
Wastewater Operations	6,403,875	41%	6,903,972	44%
Wastewater Other	4,564,185	46%	9,248,937	21%
Water Operations	8,744,466	44%	10,098,897	50%
Water Other	4,082,035	47%	2,233,388	12%
Other Special Revenues *	3,544,772	42%	3,413,654	36%
Capital Projects & Streets	4,475,766	32%	26,072,435	61%
Debt Service	341,928	50%	561,384	83%
Internal Service	6,144,549	48%	7,751,515	57%
TOTAL FOR ALL FUNDS	\$ 57,563,868	38%	\$ 100,962,872	44%

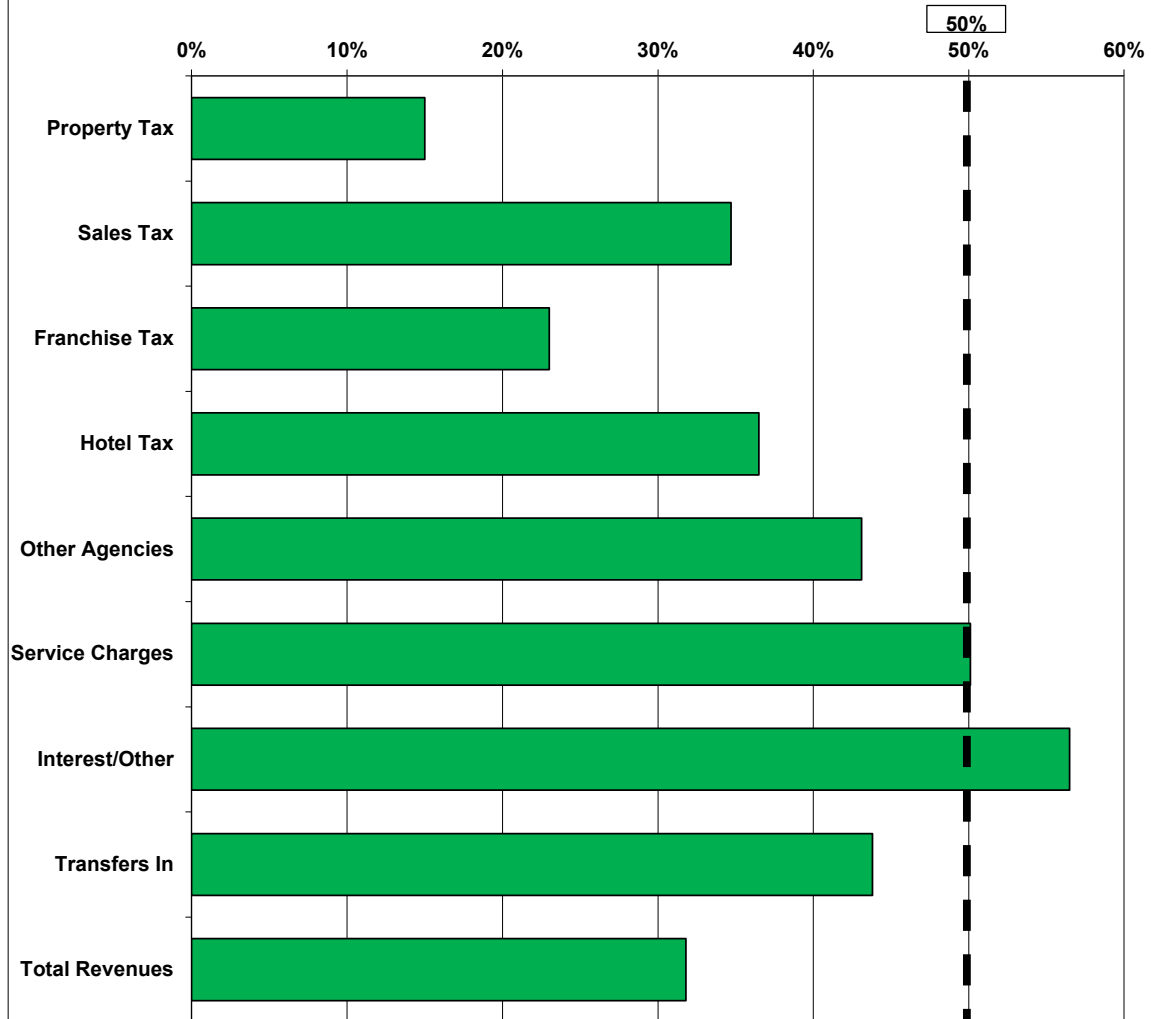
* Includes all Special Revenue Funds except Development Services Fund, Street Funds, and Housing Successor Agency.



Morgan Hill YTD General Fund Revenues

December 31, 2023 - 50% of Year Complete

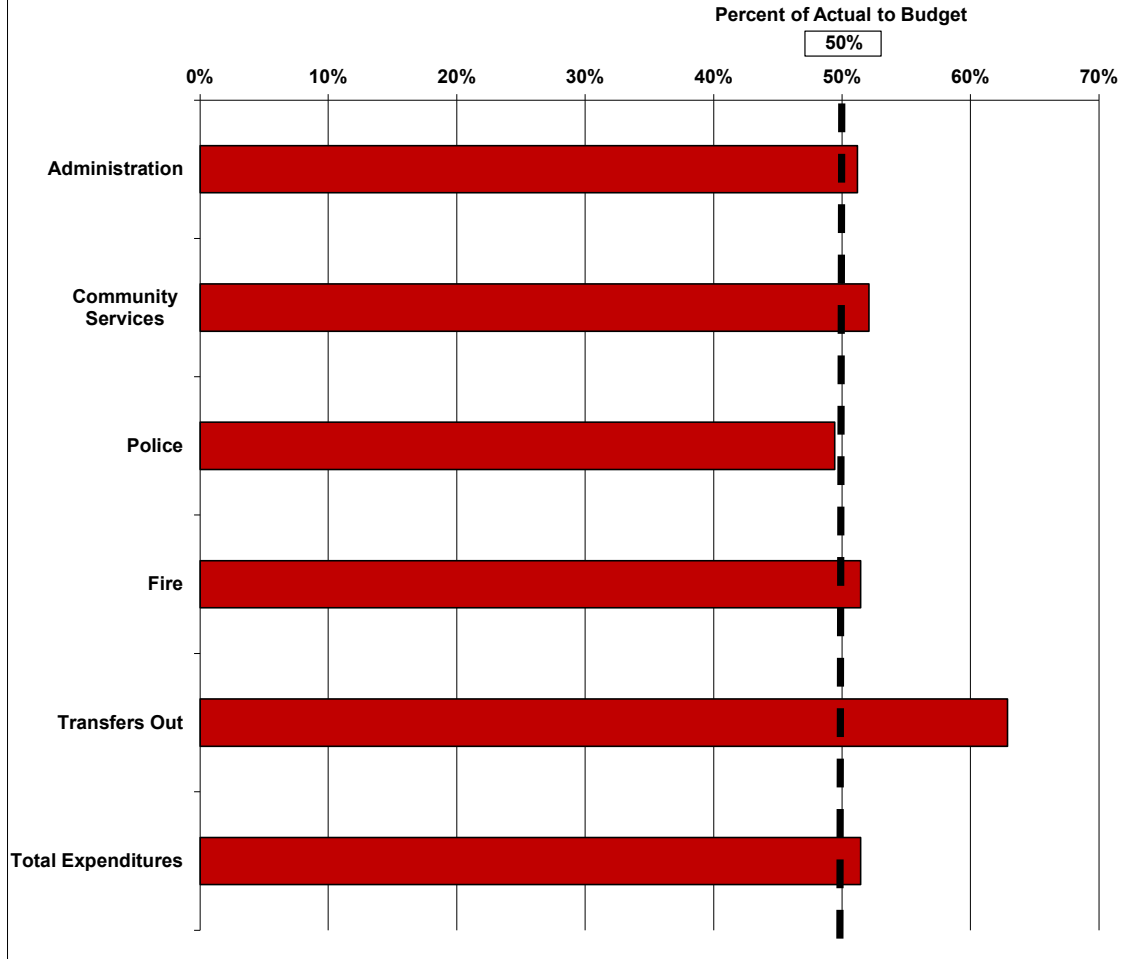
Percent of Actual to Budget



REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
Property Tax	\$ 18,472,000	\$ 2,774,146	15%	\$ 2,694,903	3%
Sales Tax	12,673,967	4,391,692	35%	4,458,146	-1%
Franchise Tax	2,983,800	687,037	23%	523,586	31%
Hotel Tax	2,800,000	1,023,294	37%	1,149,936	-11%
Other Agencies	1,011,233	435,995	43%	403,408	8%
Service Charges	10,036,079	5,031,285	50%	4,496,551	12%
Interest/Other	2,143,687	1,211,237	57%	807,705	50%
Transfers In	3,342,540	1,463,004	44%	1,413,239	4%
TOTAL REVENUES	\$ 53,463,306	\$ 17,017,690	32%	\$ 15,947,474	7%



Morgan Hill YTD General Fund Expenditures December 31, 2023 - 50% of Year Complete



EXPENDITURE CATEGORY	BUDGET	ACTUAL PLUS ENCUMBRANCES	% OF BUDGET	PRIOR YTD PLUS ENCUMBRANCES	% CHANGE FROM PRIOR YEAR
Administration	\$ 6,489,162	\$ 3,321,918	51%	\$ 3,328,071	0%
Community Services	17,780,940	9,262,341	52%	8,560,791	8%
Police	23,056,204	11,394,104	49%	10,360,731	10%
Fire	9,139,905	4,701,301	51%	4,451,755	6%
Transfers Out	3,263,767	2,051,884	63%	3,043,657	-33%
TOTAL EXPENDITURES	\$ 59,729,978	\$ 30,731,548	51%	\$ 29,745,005	3%

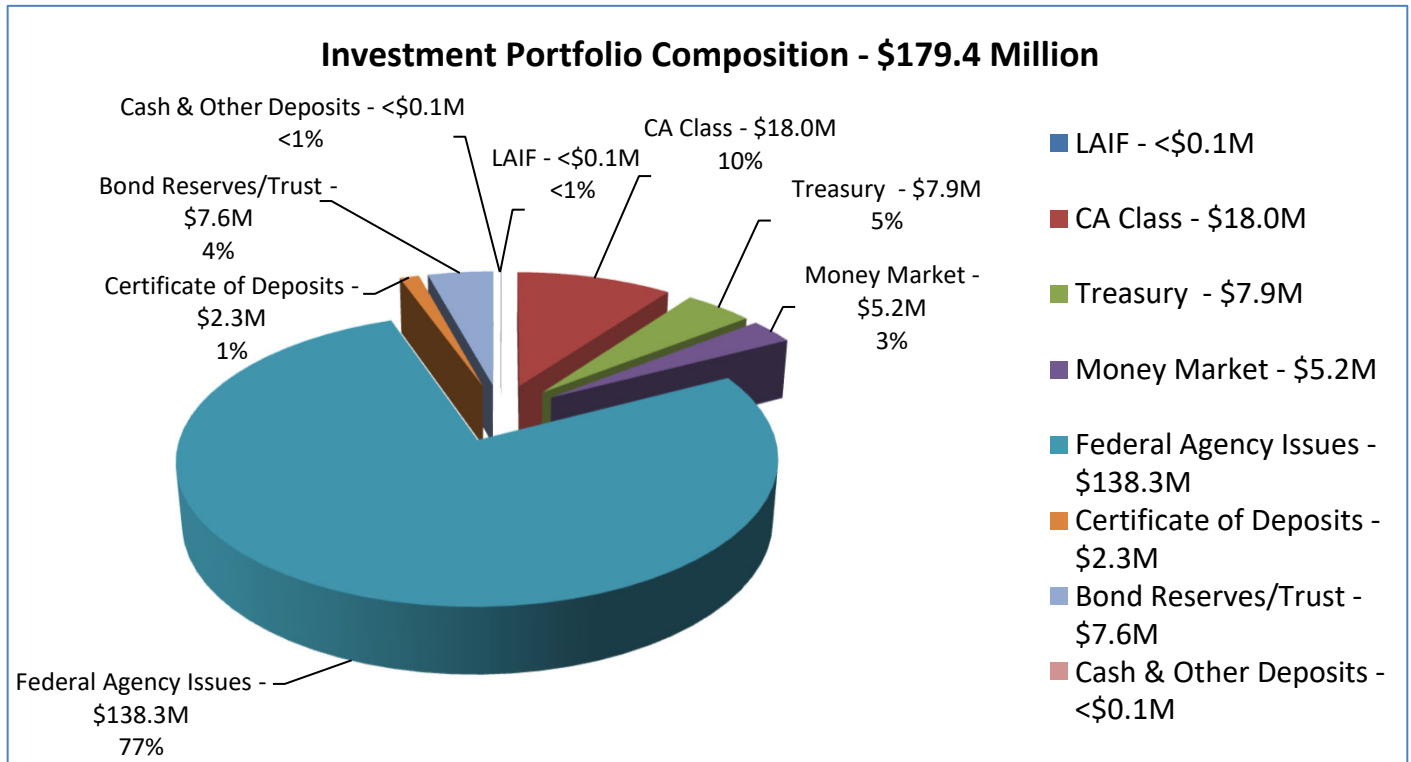


City of Morgan Hill
Recreation Report - Fiscal Year 2023-24
For the Month Ended December 31, 2023
50% of Year Complete

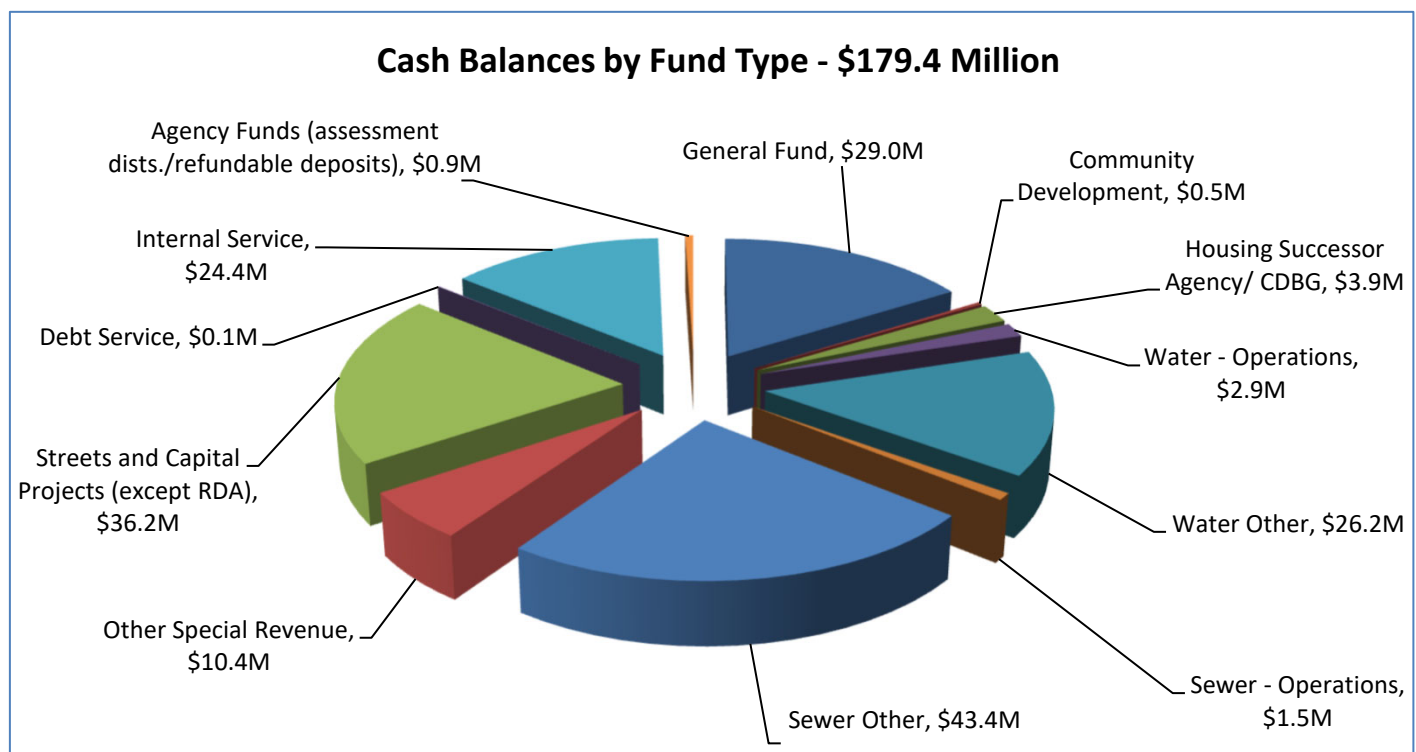
	<u>Budget</u>	<u>December 2023</u>	<u>YTD</u>	<u>% of Budget</u>
Revenues				
Membership Services & Rec Programs	\$ 5,656,265	\$ 406,231	\$ 2,948,027	
Facility Rentals	1,203,269	95,415	749,523	
Community Services	152,498	1,814	14,592	
Transfers in	75,000	6,250	37,500	
Total Revenues	<u>\$ 7,087,032</u>	<u>\$ 509,709</u>	<u>\$ 3,749,642</u>	53%
Less: Expenditures				
Membership & Program Services	\$ 7,268,962	\$ 817,937	\$ 3,477,849	
Facility Rentals	573,524	63,914	294,166	
Community Services	672,192	68,309	285,767	
Total Expenditures	<u>\$ 8,514,679</u>	<u>\$ 950,159</u>	<u>\$ 4,057,782</u>	48%
Net Impact without encumbrances	<u>\$ (1,427,647)</u>	<u>\$ (440,449)</u>	<u>\$ (308,141)</u>	
Encumbrances	-	-	1,073,150	
Net Impact with encumbrances	<u><u>\$ (1,427,647)</u></u>	<u><u>\$ (440,449)</u></u>	<u><u>\$(1,381,291)</u></u>	

City of Morgan Hill Monthly Investment Report - December 31, 2023

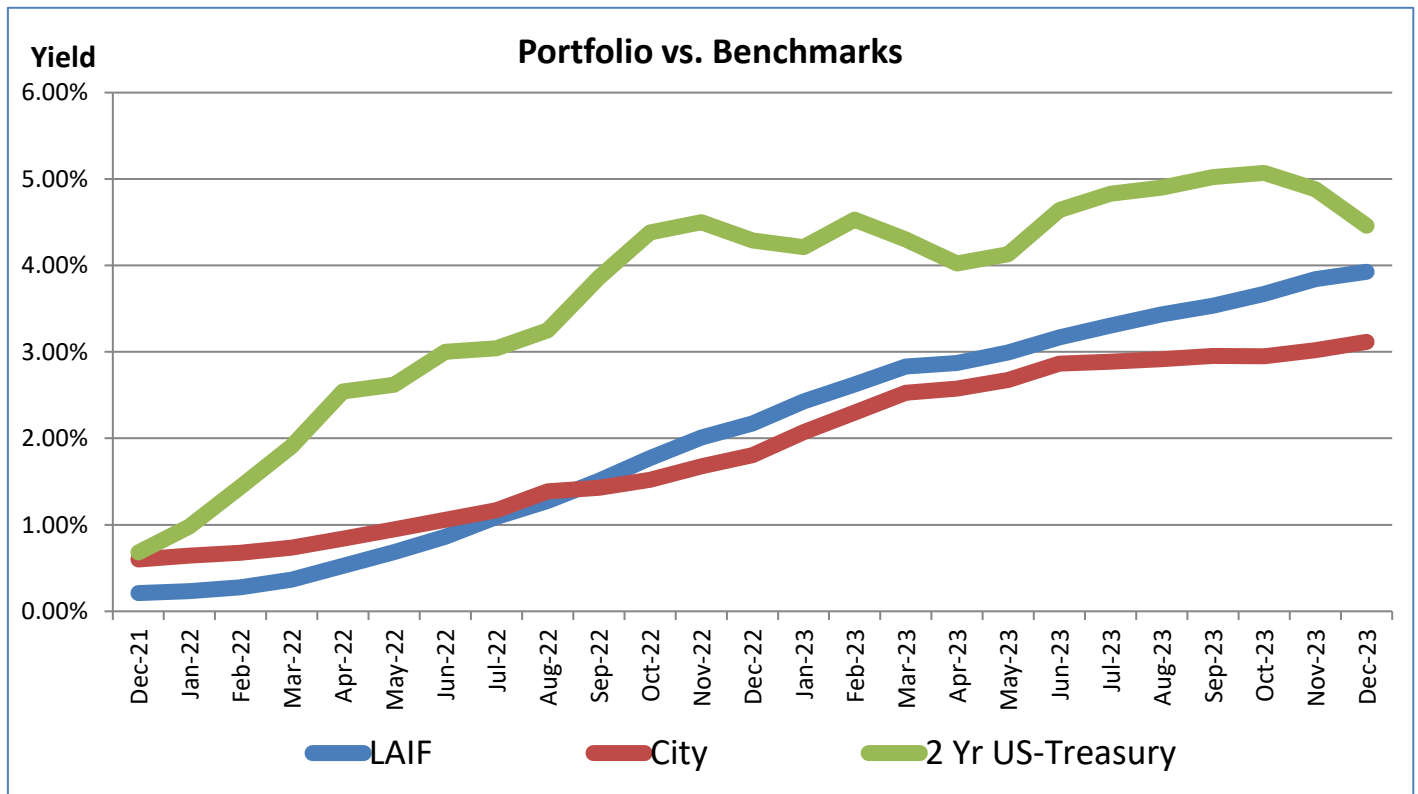
The following are the snapshots of City's investment portfolio as of December 31, 2023. The first chart shows the portfolio composition by investment type:



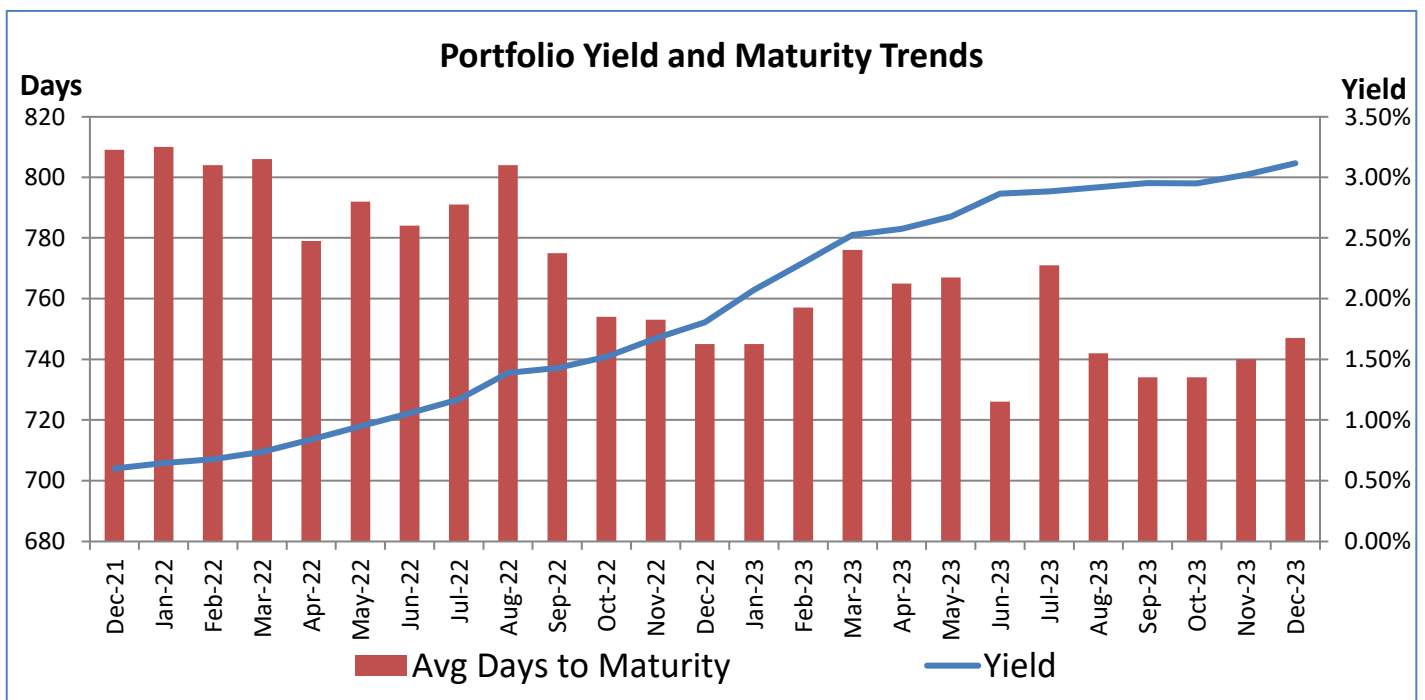
The chart below shows cash balances by fund type reconciled to City's financial system:



The following chart illustrates a yield comparison by month among the City's portfolio, LAIF and 2-Year US Treasury:



The chart below illustrates monthly average days to maturity of the City's portfolio along with the weighted average yield for the past two years:





City of Morgan Hill
Investment Portfolio Detail
As of December 31, 2023

Investment Type	CUSIP	Settlement Date	Cost Value	Book Value	% of Portfolio	Market Value	YTM at Cost	Next Call Date	Date of Maturity
L A I F			\$ 58,174	\$ 58,174	0.0%	\$ 57,377	3.93%		
California C L A S S			18,013,105	18,013,105	10.0%	\$ 18,013,105	5.54%		
US Bank - Portfolio of Securities									
Dreyfus Treasury Agency MM	261908107		4,218,140	4,218,140	2.4%	4,218,140	5.26%		
Treasury Note	91282CCZ2	10/8/2021	1,987,656	1,993,183	1.1%	1,836,960	1.00%	9/30/2026	9/30/2026
Treasury Note	91282CDV0	2/11/2022	1,977,969	1,999,050	1.1%	1,992,920	1.44%	1/31/2024	1/31/2024
Treasury Note	9128286R6	3/28/2022	1,996,320	1,999,417	1.1%	1,980,000	2.34%	4/30/2024	4/30/2024
Treasury Note	912828U24	6/13/2022	1,904,688	1,938,070	1.1%	1,890,780	3.16%	11/15/2026	11/15/2026
FFCB Bond	3133ELVX9	4/8/2020	2,000,000	2,000,000	1.1%	1,974,940	0.88%	4/8/2024	4/8/2024
FFCB Bond	3133ELC28	5/27/2020	2,000,000	2,000,000	1.1%	1,892,080	0.73%	5/27/2024	5/27/2025
FHLMC Bond	3134GVYN2	6/3/2020	2,000,000	2,000,000	1.1%	1,918,280	0.60%	6/3/2024	12/3/2024
FHLMC Bond	3134GWZG4	10/20/2020	2,000,000	2,000,000	1.1%	1,865,100	0.60%	4/20/2024	10/20/2025
FHLMC Bond	3134GW3X2	10/27/2020	2,000,000	2,000,000	1.1%	1,864,540	0.63%	4/27/2024	10/27/2025
FFCB Bond	3133EMFR8	11/3/2020	2,000,000	2,000,000	1.1%	1,860,020	0.54%	5/3/2024	11/3/2025
FNMA Bond	3135GA4P3	11/18/2020	2,000,000	2,000,000	1.1%	1,860,800	0.65%	5/18/2024	11/18/2025
FHLMC Bond	3134GXEJ9	11/24/2020	2,000,000	2,000,000	1.1%	1,859,240	0.64%	5/24/2024	11/24/2025
FFCB Bond	3133EMHF2	11/24/2020	1,000,000	1,000,000	0.6%	926,170	0.60%	5/24/2024	11/24/2025
FHLMC Bond	3134GXCS1	11/25/2020	3,000,000	3,000,000	1.7%	2,787,750	0.63%	5/25/2024	11/25/2025
FHLMC Bond	3134GXFA7	11/30/2020	2,000,000	2,000,000	1.1%	1,859,200	0.65%	5/26/2024	11/26/2025
FFCB Bond	3133EMLC4	12/22/2020	2,000,000	2,000,000	1.1%	1,846,880	0.47%	6/22/2024	12/22/2025
FHLB Bond	3130AKQ74	1/22/2021	2,000,000	2,000,000	1.1%	1,855,000	0.63%	1/22/2024	1/22/2026
FNMA Bond	3135G06R9	1/28/2021	2,000,000	2,000,000	1.1%	1,850,920	0.55%	1/28/2024	1/28/2026
FHLB Bond	3130AKRN8	1/28/2021	2,000,000	2,000,000	1.1%	1,854,840	0.65%	1/28/2024	1/28/2026
FHLB Bond	3130ALCV4	2/24/2021	2,000,000	2,000,000	1.1%	1,851,880	0.75%	2/24/2024	2/24/2026
FHLB Bond	3130ALDB7	2/25/2021	2,000,000	2,000,000	1.1%	1,849,320	0.66%	2/25/2024	2/25/2026
FHLB Bond	3130AKZ25	2/26/2021	2,000,000	2,000,000	1.1%	1,848,720	0.65%	2/26/2024	2/26/2026
FHLB Bond	3130ALGS7	3/10/2021	2,000,000	2,000,000	1.1%	1,853,860	0.85%	3/10/2024	3/10/2026
FHLB Bond	3130ALEP5	3/16/2021	2,000,000	2,000,000	1.1%	1,846,540	0.70%	3/16/2024	3/16/2026
FHLB Bond	3130ALDN1	3/16/2021	2,000,000	2,000,000	1.1%	1,850,700	0.80%	3/16/2024	3/16/2026
FHLB Bond	3130AMNH1	6/9/2021	2,000,000	2,000,000	1.1%	1,850,240	1.08%	6/9/2024	6/9/2026
FHLB Bond	3130AMYJ5	6/30/2021	2,000,000	2,000,000	1.1%	1,843,100	1.00%	6/30/2024	6/30/2026
FHLB Bond	3130AMYP1	7/15/2021	3,000,000	3,000,000	1.7%	2,769,750	1.13%	1/15/2024	7/15/2026
FHLB Bond	3130AMYS5	7/15/2021	2,000,000	2,000,000	1.1%	1,895,180	0.85%	1/15/2024	7/15/2025
FHLB Bond	3130ANJC5	8/26/2021	2,000,000	2,000,000	1.1%	1,824,140	0.80%	2/26/2024	8/26/2026
FHLB Bond	3130ANLW8	8/26/2021	3,000,000	3,000,000	1.7%	2,751,090	1.00%	2/26/2024	8/26/2026
FHLB Bond	3130ANLZ1	8/26/2021	2,000,000	2,000,000	1.1%	1,829,100	0.90%	2/26/2024	8/26/2026
FHLB Bond	3130A8XY4	9/13/2021	2,103,340	2,055,751	1.1%	1,888,720	0.82%	3/11/2024	9/11/2026
FFCB Bond	3133EM4X7	9/28/2021	1,982,960	1,990,734	1.1%	1,832,040	0.98%	3/10/2024	9/10/2026
FHLB Bond	3130APCH6	9/29/2021	3,000,000	3,000,000	1.7%	2,752,020	1.13%	3/29/2024	9/29/2026
FHLB Bond	3130ANZE3	9/30/2021	2,000,000	2,000,000	1.1%	1,836,160	0.88%	3/30/2024	9/30/2026
FHLB Bond	3130AP6N0	9/30/2021	3,000,000	3,000,000	1.7%	2,746,020	1.05%	3/30/2024	9/30/2026
FHLB Bond	3130AP6M2	9/30/2021	3,000,000	3,000,000	1.7%	2,743,710	1.02%	3/30/2024	9/30/2026
FHLB Bond	3130APCG8	10/19/2021	2,000,000	2,000,000	1.1%	1,825,340	1.00%	4/19/2024	10/19/2026
FHLB Bond	3130APNX9	11/18/2021	2,000,000	2,000,000	1.1%	1,835,740	1.30%	5/18/2024	11/18/2026
FHLB Bond	3130AQHU0	1/19/2022	2,000,000	2,000,000	1.1%	1,886,720	1.74%	1/19/2024	1/19/2027
FHLB Bond	3130AQKT9	1/25/2022	2,000,000	2,000,000	1.1%	1,919,380	1.51%	1/25/2024	7/25/2025
FHLB Bond	3130AR4F5	3/10/2022	2,000,000	2,000,000	1.1%	1,952,840	3.48%	3/10/2024	3/10/2027
FHLMC Bond	3134GXUZ5	6/15/2022	2,000,000	2,000,000	1.1%	1,967,660	3.28%	6/15/2024	12/15/2025
FHLB Bond	3130ASPE3	7/28/2022	2,000,000	2,000,000	1.1%	1,974,900	4.30%	1/28/2024	7/28/2027
FNMA Bond	3135GACZ2	11/25/2022	2,000,000	2,000,000	1.1%	1,995,380	5.40%	5/25/2024	11/25/2024
FHLMC Bond	3134GY4B5	11/28/2022	2,000,000	2,000,000	1.1%	1,993,500	5.00%	5/15/2024	8/26/2024
FHLB Bond	3130AUF76	1/27/2023	2,000,000	2,000,000	1.1%	1,996,580	5.43%	1/27/2024	1/27/2025
FHLB Bond	3130AUP32	1/27/2023	2,250,000	2,250,000	1.3%	2,240,550	5.98%	1/27/2024	1/27/2028
FHLMCMTN Bond	3134GYGB2	1/30/2023	2,000,000	2,000,000	1.1%	1,985,860	5.20%	1/26/2024	1/26/2028
FHLMCMTN Bond	3134GYG22	2/16/2023	3,000,000	3,000,000	1.7%	2,983,380	5.13%	2/16/2024	11/16/2026
FHLB Bond	3130AUTZ7	2/24/2023	2,000,000	2,000,000	1.1%	1,993,680	6.44%	2/24/2024	2/24/2028
FHLB Bond	3130AUZH0	3/6/2023	2,000,000	2,000,000	1.1%	1,997,560	6.33%	3/6/2024	3/6/2026
FHLB Bond	3130AVZ24	3/15/2023	2,000,000	2,000,000	1.1%	1,999,680	5.35%	3/15/2024	3/15/2024
FHLB Bond	3130AVK92	4/5/2023	3,000,000	3,000,000	1.7%	2,996,370	5.00%	4/5/2024	4/5/2024

Investment Type	CUSIP	Settlement Date	Cost Value	Book Value	% of Portfolio	Market Value	YTM at Cost	Next Call Date	Date of Maturity
FHLB Bond	3130AVL83	4/6/2023	2,000,000	2,000,000	1.1%	1,995,460	5.20%	1/7/2024	10/7/2024
FHLB Bond	3130AVQ96	4/17/2023	2,000,000	2,000,000	1.1%	1,997,660	5.15%	1/17/2024	4/17/2024
FHLB Bond	3130AVNT5	4/28/2023	1,000,000	1,000,000	0.6%	999,050	5.50%	11/25/2024	4/25/2025
FHLMCMTN Bond	3134GYQZ8	5/11/2023	3,000,000	3,000,000	1.7%	2,993,460	6.09%	2/11/2024	5/11/2026
FHLMCMTN Bond	3134GYSV5	5/25/2023	2,000,917	2,000,000	1.1%	1,999,020	5.50%	1/22/2024	06/18/2024
FHLB Bond	3130AWF62	6/13/2023	2,000,000	2,000,000	1.1%	1,996,960	5.50%	6/13/2024	12/13/2024
FHLB Bond	3130AWEB2	6/26/2023	2,000,000	2,000,000	1.1%	1,996,860	5.55%	3/26/2024	12/26/2024
FHLMCMTN Bond	3134GYUY6	7/12/2023	2,000,000	2,000,000	1.1%	1,995,320	6.29%	1/12/2024	7/12/2028
FHLMCMTN Bond	3134GYWC2	7/26/2023	2,000,000	2,000,000	1.1%	1,995,380	6.00%	1/26/2024	7/26/2028
FHLMCMTN Bond	3134H1HC0	10/30/2023	2,000,000	2,000,000	1.1%	1,999,800	6.38%	1/30/2024	10/30/2028
FHLB Bond	3130AXS82	11/30/2023	2,000,000	2,000,000	1.1%	1,996,720	6.10%	2/27/2024	11/27/2028
FHLB Bond	3130AXY36	12/18/2023	2,000,000	2,000,000	1.1%	2,004,700	5.88%	3/18/2024	12/18/2028
FHLMCMTN Bond	3134H1MK6	12/21/2023	2,000,000	2,000,000	1.1%	2,001,360	5.40%	6/21/2024	12/21/2026
FHLB Bond	3130AXX60	12/22/2023	1,000,000	1,000,000	0.6%	996,970	6.10%	1/12/2024	12/12/2028
FHLB Bond	3130AYAG1	12/28/2023	2,000,000	2,000,000	1.1%	2,001,740	5.50%	6/28/2024	12/28/2028
CD - Ally Bank	02007GM83	3/30/2023	250,000	250,000	0.1%	249,773	5.15%	3/28/2024	3/28/2024
CD - Western Alliance Bank	95763PLA7	3/30/2023	250,000	250,000	0.1%	249,998	5.30%	1/2/2024	1/2/2024
CD - Zions Bancorp	98970LC43	3/31/2023	250,000	250,000	0.1%	250,590	5.40%	9/27/2024	9/27/2024
CD - Pacific Western Bank	69506YYD5	4/5/2023	250,000	250,000	0.1%	250,540	5.65%	4/5/2028	4/5/2028
CD - US Bank	90354KBR8	5/17/2023	250,000	250,000	0.1%	249,725	5.10%	5/16/2024	5/16/2024
CD - Morgan Stanley Bank	61690DGT9	11/8/2023	250,000	250,000	0.1%	255,578	5.05%	11/8/2028	11/8/2028
CD - Morgan Stanley Private Bank	61768EE82	11/8/2023	250,000	250,000	0.1%	255,578	5.05%	11/8/2028	11/8/2028
CD - American Express	02589AF98	11/8/2023	250,000	250,000	0.1%	255,038	5.00%	11/8/2028	11/8/2028
CD - State Bank India	8562834U7	11/24/2023	250,000	250,000	0.1%	258,550	5.00%	11/24/2028	11/24/2028
Sub Total/Average			\$ 152,671,989	\$ 152,694,346	85.1%	\$ 146,447,798	2.82%		
WFB Money Market			\$ 1,021,130	\$ 1,021,130	0.6%	\$ 1,021,130	5.24%		
Total City Managed/Average			\$ 171,764,397	\$ 171,786,754	95.2%	\$ 165,539,409	3.12%		
Bond Reserve Accounts - Held By Trustees			\$ 375,665	\$ 375,665	0.2%	\$ 375,665			
Cash/Deposits			\$ 33,452	\$ 33,452	0.0%	\$ 33,452			
PARS and CALPERS CERBT Trust			\$ 7,187,404	\$ 7,187,404	4.0%	\$ 8,233,151			
GRAND TOTAL/AVERAGE			\$ 179,360,918	\$ 179,383,275	100.0%	\$ 174,181,677			



CITY OF MORGAN HILL CASH AND INVESTMENT REPORT
FOR THE MONTH OF DECEMBER 31, 2023
FOR THE FISCAL YEAR OF 2023-24

	Invested in Fund	Yield	Book Value End of Month	% of Total	Market Value
Investments					
State Treasurer LAIF - City	All Funds Pooled	3.93%	\$ 58,174	0.0%	\$ 57,377
California CLASS	All Funds Pooled	5.54%	18,013,105	10.0%	18,013,105
US Bank - Portfolio of Securities	All Funds Pooled	2.82%	152,694,346	85.1%	146,447,798
WFB MMA	All Funds Pooled	5.24%	1,021,130	0.6%	1,021,130
	SUBTOTAL		\$ 171,786,754	95.8%	\$ 165,539,409
Bond Reserve Accounts - held by trustees					
Zions Bank - Civic Center/Library Facility					
Blackrock Liq Fund	Debt Service	4.47%	539	0.0%	539
Zions Bank - MH Police Facility Lease Revenue Bonds					
Blackrock Liq Fund	Debt Service	4.47%	686	0.0%	686
BNY - RDA Bonds					
Dreyfus Cash Mgmt 521	Agency Fund	4.96%	104,607	0.1%	104,607
Zions Bank - Madrone Bus Park Taxable/ Tax Exempt 2015					
Blackrock Liquidity Temp Fund-2015	Agency Fund	4.47%	269,833	0.2%	269,833
	SUBTOTAL		375,665	0.2%	375,665
Other Cash/Deposits					
General Checking	All Funds		(12,398)	0.0%	(12,398)
Workers' Comp Administrators	Workers' Comp		30,000	0.0%	30,000
Petty Cash & Emergency Cash	General Fund		15,850	0.0%	15,850
CALPERS CERBT - OPEB Trust			4,887,404	2.7%	5,592,925
PARS - PENSION Trust			2,300,000	1.3%	2,640,226
	SUBTOTAL		7,220,856	4.0%	8,266,603
Total Cash and Investments			\$ 179,383,275	100.0%	\$ 174,181,677

CASH ACTIVITY SUMMARY
FY 2023-24

Fund Type	07/01/2023 Balance	Change in Cash Balance	12/31/2023 Balance
General Fund	\$ 32,352,753	\$ (3,320,042)	\$ 29,032,711
Community Development	1,831,559	(1,288,763)	542,797
Housing Successor Agency/ CDBG	4,202,736	(352,162)	3,850,574
Water - Operations	2,585,170	312,216	2,897,386
Water Other	23,673,105	2,531,302	26,204,406
Sewer - Operations	907,428	553,316	1,460,744
Sewer Other	44,135,046	(726,308)	43,408,738
Other Special Revenue	8,827,861	1,539,580	10,367,442
Streets and Capital Projects (except RDA)	40,486,238	(4,257,444)	36,228,795
Debt Service	342,534	(219,401)	123,133
Internal Service	25,139,787	(786,621)	24,353,165
Agency Funds (assessment dists./refundable deposits)	8,515,969	(7,602,585)	913,384
Total	\$ 193,000,187	\$ (13,616,912)	\$ 179,383,275

Note: See Investment Portfolio Detail for maturities of "Investments." Market values are obtained from the City's investment brokers' monthly reports.

I certify that information on the investment report has been reconciled to the general ledger and bank statements and that there are sufficient funds to meet the expenditure requirements of the City for the next six months. The portfolio is in compliance with the City of Morgan Hill Investment Policy and all State laws and regulations.

Prepared by:


 Gina Nazareno, Senior Accountant

Approved by:


 Caitlin Jachimowicz, Treasurer

Reviewed by:


 Dat Nguyen, Finance Director



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2023-24
For the Month Ended December 31, 2023
50% of Year Complete

	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
010 GENERAL FUND							
TAXES							
Property Tax - Secured/Unsecured	\$ 15,245,000	15,745,000	\$ 2,690,913	17%	\$ 2,558,679	\$ 132,234	5%
Property Tax - RPTTF Residual Distribution	2,527,000	2,527,000	-	n/a	-	-	n/a
Property Tax - Supplemental Roll	200,000	200,000	83,233	42%	136,224	(52,991)	-39%
Sales Tax	12,218,967	12,218,967	4,244,260	35%	4,341,707	(97,446)	-2%
Public Safety Sales Tax	455,000	455,000	147,431	32%	116,439	30,992	27%
Transient Occupancy Taxes	2,800,000	2,800,000	1,023,294	37%	1,149,936	(126,642)	-11%
Franchise (Refuse ,Cable ,PG&E)	2,873,800	2,983,800	687,037	23%	523,586	163,452	31%
Property Transfer Tax	510,000	510,000	199,651	39%	172,990	26,661	15%
TOTAL TAXES	36,829,767	37,439,767	9,075,820	24%	8,999,560	76,260	1%
LICENSES/PERMITS							
Business License	170,000	170,000	160,095	94%	126,775	33,319	26%
Other Permits	53,975	53,975	22,852	42%	23,288	(436)	-2%
TOTAL LICENSES/PERMITS	223,975	223,975	182,947	82%	150,063	32,883	22%
FINES AND PENALTIES							
Parking Enforcement	3,019	3,019	5,061	168%	2,774	2,288	82%
Bails & Fines	47,875	47,875	23,665	49%	17,622	6,044	34%
Administrative Citations	20,000	20,000	17,802	89%	6,685	11,117	166%
TOTAL FINES AND PENALTIES	70,894	70,894	46,529	66%	27,080	19,448	72%
OTHER AGENCIES							
Motor Vehicle in-Lieu	40,800	40,800	-	n/a	-	-	n/a
Other Revenue - Other Agencies	971,089	1,011,233	435,995	43%	403,408	32,587	8%
TOTAL OTHER AGENCIES	1,011,889	1,052,033	435,995	41%	403,408	32,587	8%
CHARGES CURRENT SERVICES							
Police False Alarm Charge	33,248	33,248	17,129	52%	14,231	2,898	20%
Business License Application Review	53,000	83,000	69,006	83%	18,923	50,083	265%
Membership Services & Rec Programs	5,656,265	5,656,265	2,948,027	52%	2,552,173	395,854	16%
Facility Rentals	1,203,269	1,203,269	749,523	62%	526,512	223,011	42%
Community Services	152,498	152,498	14,592	10%	36,998	(22,406)	-61%
General Administration Overhead	1,822,869	1,822,869	881,185	48%	887,704	(6,519)	-1%
Other Charges Current Services	1,084,930	1,084,930	351,824	32%	460,010	(108,186)	-24%
TOTAL CURRENT SERVICES	10,006,079	10,036,079	5,031,285	50%	4,496,551	534,733	12%
OTHER REVENUE							
Use of money/property	583,850	683,850	651,895	95%	325,402	326,493	100%
Other Revenues	234,168	614,168	130,217	21%	132,169	(1,952)	-1%
TOTAL OTHER REVENUE	818,018	1,298,018	782,112	60%	457,571	324,540	71%
TRANSFERS IN							
One Time Transfer	180,000	180,000	90,000	50%	90,000	-	0%
Public Safety Facilities Fund	50,000	50,000	25,000	50%	25,000	-	0%
Supplemental Law Enforcement Fund	100,000	100,000	-	n/a	-	-	n/a
Countywide Solid Waste	373,000	468,680	186,500	40%	177,500	9,000	5%
Streets	949,760	949,760	364,454	38%	342,687	21,767	6%
Park Maintenance	650,000	650,000	325,000	50%	325,002	(2)	0%
Sewer Operations	394,000	394,000	197,000	50%	187,500	9,500	5%
Water Operations	394,000	394,000	197,000	50%	187,500	9,500	5%
Open Space	81,100	81,100	40,550	50%	40,550	-	n/a
Park Development	75,000	75,000	37,500	50%	37,500	-	n/a
TOTAL TRANSFERS IN	3,246,860	3,342,540	1,463,004	44%	1,413,239	49,765	4%
TOTAL GENERAL FUND	52,207,482	53,463,306	17,017,690	32%	15,947,474	1,070,216	7%
SPECIAL REVENUE FUNDS							
202 STREET MAINTENANCE							
Gas Tax 2105 - 2107.5	954,952	954,952	361,117	38%	342,687	18,430	5%
Interest / Other Revenue/Other Charges	78	78	3,337	4278%	1,342	1,995	149%
202 STREET MAINTENANCE	955,030	955,030	364,454	38%	344,029	20,426	6%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2023-24
For the Month Ended December 31, 2023
50% of Year Complete

	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
SPECIAL REVENUE FUNDS							
205 SUPPLEMENTAL LAW ENFORCEMENT FUND							
Interest Income	1,905	1,905	5,099	268%	1,446	3,653	253%
Police Grant/SLEF/JAG	100,000	100,000	111,159	111%	90,271	20,888	23%
205 SUPPLEMENTAL LAW ENFORCEMENT FUND	101,905	101,905	116,258	114%	91,717	24,541	27%
206 DEVELOPMENT SERVICES							
Building Fees	3,455,600	3,495,600	1,500,894	43%	2,052,248	(551,354)	-27%
Planning Fees	1,645,444	1,645,444	308,422	19%	404,839	(96,416)	-24%
Engineering Fees	1,190,852	1,190,852	183,044	15%	853,225	(670,181)	-79%
Other Revenue/Current Charges	-	-	111,300	n/a	205,364	(94,064)	-46%
206 DEVELOPMENT SERVICES	6,291,896	6,331,896	2,103,661	33%	3,515,676	(1,412,015)	-40%
207 LONG RANGE PLANNING	1,013,392	1,013,392	357,634	35%	536,264	(178,629)	-33%
215 and 216 HCD BLOCK GRANT							
Interest Income/Other Revenue	325	325	907	279%	338	569	169%
215 and 216 HCD BLOCK GRANT	325	325	907	279%	338	569	169%
225 ASSET SEIZURE	1,298	1,298	1,390	107%	537	853	159%
229 LIGHTING AND LANDSCAPE	200,028	200,028	2,604	1%	792	1,811	229%
230 COMMUNITY FACILITIES DISTRICT	37,914	37,914	2,036	5%	548	1,488	272%
232 ENVIRONMENTAL PROGRAMS	590,223	590,223	285,772	48%	269,488	16,284	6%
234 MOBILE HOME PARK RENT STAB.	584	584	2,576	441%	3,892	(1,316)	-34%
236 HOUSING MITIGATION	4,456,924	4,456,924	1,715,840	38%	415,623	1,300,218	313%
240 EMPLOYEE ASSISTANCE	20,889	20,889	4,260	20%	3,997	263	7%
246 COUNTYWIDE SOLID WASTE	1,645,138	1,944,000	1,053,585	54%	803,802	249,784	31%
247 ENVIRONMENT REMEDIATION	1,358	1,358	1,909	141%	714	1,196	167%
255 HOUSING SUCCESSOR AGENCY	239,202	239,202	140,942	59%	254,100	(113,158)	-45%
TOTAL SPECIAL REVENUE FUNDS	15,556,107	15,894,969	6,153,829	39%	6,241,517	(87,688)	-1%
CAPITAL PROJECTS FUNDS							
301 PARK DEVELOPMENT	1,673,505	1,673,505	234,402	14%	1,636,253	(1,401,851)	-86%
302 PARK MAINTENANCE	363,038	363,038	42,672	12%	502,166	(459,494)	-92%
303 LOCAL DRAINAGE	447,897	447,897	275,320	61%	900,452	(625,132)	-69%
304 LOCAL DRAINAGE/NON AB1600	30,901	30,901	18,766	61%	110,661	(91,894)	-83%
306 AGRICULTURE & OPEN SPACE PRESERVATION	4,036	4,036	110,082	2727%	47,538	62,544	132%
308 STREET CIP	4,486,656	4,486,656	1,221,141	27%	2,348,100	(1,126,958)	-48%
309 TRAFFIC IMPACT	1,276,925	1,276,925	346,647	27%	3,522,956	(3,176,309)	-90%
315 PUBLIC SAFETY FACILITIES IMPACT	801,703	801,703	213,657	27%	77,304	136,353	176%
346 PUBLIC FACILITIES NON-AB1600	822,102	822,102	175,285	21%	375,870	(200,586)	-53%
347 PUBLIC FACILITIES IMPACT	176,602	176,602	62,291	35%	22,412	39,879	178%
348 LIBRARY	657,457	657,457	201,419	31%	60,505	140,914	233%
350 UNDERGROUNDING	22,520	22,520	23,302	103%	8,706	14,597	168%
355 SCHOOL PEDESTRIAN/TRAFFIC SAFETY	492,717	492,717	30,983	6%	208,672	(177,689)	-85%
360 COMMUNITY/REC IMPACT FUND	1,142,697	1,142,697	351,944	31%	313,630	38,315	12%
375 QUIMBY FEE	610,860	610,860	803,399	132%	1,542,915	(739,516)	-48%
TOTAL CAPITAL PROJECTS FUNDS	13,009,616	13,009,616	4,111,312	32%	11,678,138	(7,566,826)	-65%
DEBT SERVICE FUNDS							
420 CIVIC CENTER DEBT	290,850	290,850	148,011	51%	147,137	874	1%
441 POLICE FACILITY BOND	387,792	387,792	193,917	50%	193,755	162	0%
TOTAL DEBT SERVICE FUNDS	678,642	678,642	341,928	50%	340,893	1,036	0%



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2023-24
For the Month Ended December 31, 2023
50% of Year Complete

	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
ENTERPRISE FUNDS							
640 WASTEWATER OPERATION							
Sewer Service Fees	15,200,000	15,200,000	6,232,069	41%	6,248,799	(16,731)	0%
Interest Income/Transfers	39,704	39,704	27,958	70%	15,844	12,114	76%
Other Revenue/Current Charges	329,403	329,403	143,848	44%	225,019	(81,170)	-36%
640 WASTEWATER OPERATION	15,569,107	15,569,107	6,403,875	41%	6,489,662	(85,787)	-1%
641 WASTEWATER EXPANSION							
Interest Income	40,173	40,173	304,183	757%	120,533	183,650	152%
Development Impact Fee	4,388,986	4,388,986	1,342,827	31%	489,322	853,505	174%
Transfer From-643 (Sewer Replacement)	-	-	-	n/a	3,748,942	(3,748,942)	-100%
641 WASTEWATER EXPANSION	4,429,159	4,429,159	1,647,010	37%	4,358,797	(2,711,787)	-62%
642 WASTEWATER RATE STABILIZATION	192,000	192,000	136,693	71%	39,742	96,951	244%
643 WASTEWATER CAPITAL PROJECT	5,204,512	5,204,512	2,780,482	53%	3,344,590	(564,108)	-17%
TOTAL SEWER FUNDS	25,394,778	25,394,778	10,968,059	43%	14,232,791	(3,264,731)	-23%
650 WATER OPERATION							
Water Sales	18,500,000	18,500,000	8,059,307	44%	7,538,635	520,672	7%
Meter Install & Service	50,000	50,000	46,949	94%	62,982	(16,033)	-25%
Transfers-In / Interest Income	606,318	606,318	337,974	56%	296,404	41,570	14%
Other Revenue/Current Charges	630,464	630,464	300,236	48%	399,502	(99,266)	-25%
650 WATER OPERATION	19,786,782	19,786,782	8,744,466	44%	8,297,522	446,943	5%
651 WATER EXPANSION							
Interest Income/Other Revenue/Transfer	28,855	28,855	42,638	148%	15,282	27,356	179%
Development Impact Fee	1,720,216	1,720,216	327,481	19%	136,412	191,069	140%
651 WATER EXPANSION	1,749,071	1,749,071	370,119	21%	151,694	218,425	144%
652 WATER RATE STABILIZATION	-	-	45,623	n/a	16,989	28,633	169%
653 WATER CAPITAL PROJECT	6,948,348	6,948,348	3,666,293	53%	2,586,996	1,079,296	42%
TOTAL WATER FUNDS	28,484,201	28,484,201	12,826,500	45%	11,053,202	1,773,298	16%
TOTAL ENTERPRISE FUNDS	53,878,979	53,878,979	23,794,560	44%	25,285,993	(1,491,433)	-6%
INTERNAL SERVICE FUNDS							
730 INFORMATION SYSTEMS	2,493,922	2,493,922	1,254,312	50%	1,120,107	134,205	12%
740 BUILDING MAINTENANCE	1,675,215	1,675,215	838,669	50%	827,873	10,796	1%
741 BUILDING REPLACEMENT	859,973	859,973	476,491	55%	425,100	51,391	12%
745 CIP ADMINISTRATION	2,059,092	2,059,092	902,935	44%	536,618	366,317	68%
760 UNEMPLOYMENT INSURANCE	2,940	2,940	3,909	133%	1,571	2,338	149%
770 WORKERS COMPENSATION	997,442	997,442	477,070	48%	441,117	35,953	8%
790 EQUIPMENT REPLACEMENT	1,725,990	1,725,990	709,808	41%	561,111	148,697	27%
791 EMPLOYEE BENEFITS	849,796	849,796	427,681	50%	405,102	22,580	6%
795 GENERAL LIABILITY INSURANCE	2,103,483	2,103,483	1,053,673	50%	992,030	61,643	6%
TOTAL INTERNAL SERVICE FUNDS	12,767,853	12,767,853	6,144,549	48%	5,310,629	833,920	16%
TOTAL FOR ALL FUNDS	\$ 148,098,679	\$ 149,693,365	\$ 57,563,868	38%	\$ 64,804,643	\$ (7,240,775)	-11%



City of Morgan Hill
Year to Date Expenses - Fiscal Year 2023-24
For the Month Ended December 31, 2023
50% of Year Complete

FUND NO.	FUND/ACTIVITY	CURRENT MONTH ACTUAL EXPENSES	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET	PRIOR YTD
010 GENERAL FUND								
I. ADMINISTRATION								
	CITY COUNCIL	\$ 17,837	\$ 435,652	\$ 179,392	\$ -	\$ 179,392	41%	\$ 234,340
	CITY ATTORNEY	92,527	1,081,241	432,081	113,474	545,555	50%	389,636
	CITY MANAGER	71,592	886,041	351,482	20,034	371,516	42%	309,449
	HUMAN RESOURCES	90,415	898,203	415,998	-	415,998	46%	414,067
	COUNCIL SVCS & RECORDS MGMT							
	Council Svcs & Records Mgmt	49,502	628,281	257,786	-	257,786	41%	268,251
	Elections	3,212	37,728	14,965	-	14,965	40%	9,750
	COUNCIL SVCS & RECORDS MGMT	52,714	666,009	272,751	-	272,751	41%	278,000
	FINANCE	200,084	2,522,016	969,225	567,482	1,536,706	61%	859,123
	TOTAL ADMINISTRATION	525,170	6,489,162	2,620,929	700,990	3,321,918	51%	2,484,615
II. COMMUNITY SERVICES								
	Membership Services & Rec. Programs	817,937	7,268,962	3,477,849	998,009	4,475,858	62%	3,115,590
	Recreation Facility Rentals	63,914	573,524	294,166	27,016	321,182	56%	253,296
	Innovative Transit	53,147	850,612	282,127	514,242	796,369	94%	194,155
	Community Services	68,309	672,192	285,767	48,126	333,893	50%	275,927
	Park Maintenance	113,362	1,567,049	542,717	61,320	604,038	39%	617,805
	Environmental Services	49,083	472,354	181,661	4,446	186,107	39%	111,061
	Countywide Solid Waste Program	47,418	907,406	199,320	-	199,320	22%	176,248
	Street Maintenance	224,379	3,025,578	1,117,173	192,235	1,309,408	43%	1,025,550
	Downtown Maintenance	30,910	345,237	132,582	22,092	154,674	45%	87,467
	Cable Television	8,071	74,940	44,794	-	44,794	60%	9,004
	COMMUNITY SERVICES	1,476,530	15,757,854	6,558,156	1,867,486	8,425,642	53%	5,866,103
	CODE COMPLIANCE	38,136	340,153	115,115	-	115,115	34%	85,386
	INFRASTRUCTURE PLANNING & CONGESTION MGMT	43,830	415,141	173,265	-	173,265	42%	155,820
	ECONOMIC DEVELOPMENT PROGRAMS	81,178	1,267,792	486,406	61,913	548,319	43%	403,160
	TOTAL COMMUNITY SERVICES	1,639,674	17,780,940	7,332,942	1,929,399	9,262,341	52%	6,510,469
III. PUBLIC SAFETY								
	POLICE							
	PD Administration	153,475	1,735,700	811,430	41,628	853,058	49%	782,697
	Field Operations	1,146,622	11,210,613	5,589,527	32,407	5,621,934	50%	5,007,658
	Support Services	246,122	3,586,324	1,379,414	583,800	1,963,214	55%	1,382,014
	Emergency Services/Haz Mat	26,109	222,865	109,905	-	109,905	49%	103,041
	Special Operations	375,307	4,098,765	1,853,008	-	1,853,008	45%	2,006,419
	Dispatch Services	201,755	2,201,937	992,985	-	992,985	45%	1,015,886
	POLICE	2,149,390	23,056,204	10,736,269	657,835	11,394,104	49%	10,297,716
	FIRE	921,742	9,139,905	4,647,017	54,284	4,701,301	51%	4,082,231
	TOTAL PUBLIC SAFETY	3,071,132	32,196,109	15,383,286	712,118	16,095,405	50%	14,379,947
IV. TRANSFERS								
	Other	108,647	3,263,767	2,051,884	-	2,051,884	63%	3,043,657
	TOTAL TRANSFERS	108,647	3,263,767	2,051,884	-	2,051,884	63%	3,043,657
	TOTAL GENERAL FUND	5,344,623	59,729,978	27,389,040	3,342,507	30,731,548	51%	26,418,688



City of Morgan Hill
Year to Date Expenses - Fiscal Year 2023-24
For the Month Ended December 31, 2023
50% of Year Complete

FUND NO.	FUND/ACTIVITY	CURRENT MONTH ACTUAL EXPENSES	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET	PRIOR YTD
SPECIAL REVENUE FUNDS								
202	STREET MAINTENANCE	433	954,952	367,050	-	367,050	38%	345,207
205	PUBLIC SAFETY/SUPP.LAW	107	101,289	645	-	645	1%	626
206	DEVELOPMENT SERVICES FUND							
	Planning	174,987	1,847,544	826,165	272	826,437	45%	796,181
	Building	250,802	2,563,441	1,171,008	100,396	1,271,405	50%	1,049,748
	Engineering	234,736	1,974,680	885,318	105,006	990,324	50%	803,145
206	DEVELOPMENT SERVICES FUND	660,525	6,385,665	2,882,491	205,674	3,088,166	48%	2,649,074
207	LONG RANGE PLANNING	77,861	1,581,133	407,948	18,178	426,126	27%	441,511
215/216	CDBG	7	83	42	-	42	50%	40
225	ASSET SEIZURE	65	782	391	-	391	50%	380
229	LIGHTING AND LANDSCAPE	12,689	234,554	68,837	3,429	72,266	31%	94,705
230	COMMUNITY FACILITIES DISTRICT	2,732	41,249	18,209	-	18,209	44%	17,582
232	ENVIRONMENT PROGRAMS	59,802	561,335	221,845	15,139	236,984	42%	244,524
234	MOBILE HOME PARK	76	907	454	-	454	50%	440
236	HOUSING MITIGATION	179,284	1,541,126	494,601	218,314	712,915	46%	395,814
240	EMPLOYEE ASSISTANCE	79	20,946	2,473	-	2,473	12%	4,390
246	COUNTYWIDE SOLID WASTE PROGRAM	419,872	2,078,493	713,374	1,229,775	1,943,149	93%	738,290
255	HOUSING SUCCESSOR AGENCY	107,122	1,172,110	629,810	229,167	858,977	73%	644,767
TOTAL SPECIAL REVENUE FUNDS		1,520,653	14,674,624	5,808,169	1,919,677	7,727,846	53%	5,595,343
CAPITAL PROJECT FUNDS								
301	PARK DEVELOPMENT	25,880	2,285,298	436,449	103,582	540,030	24%	680,608
302	PARK MAINTENANCE	339,063	660,850	761,061	-	761,061	115%	331,357
303	LOCAL DRAINAGE	2,312,416	7,119,361	2,784,473	1,486,523	4,270,996	60%	745,863
304	LOCAL DRAIN. NON-AB1600	1,386	410,006	166,152	21,516	187,668	46%	43,251
306	AGRICULTURE & OPEN SPACE PRESERVATION	8,133	247,600	48,800	-	48,800	20%	62,927
308	STREET CIP	390,559	5,499,004	4,266,504	596,132	4,862,637	88%	6,298,861
309	TRAFFIC IMPACT	319,853	5,827,301	536,948	3,745,157	4,282,104	73%	3,661,004
315	PUBLIC SAFETY FACILITIES IMPACT	334,689	10,717,603	1,255,547	8,462,903	9,718,450	91%	371,457
346	PUBLIC FAC. NON AB1600	382	1,321,382	56,362	13,711	70,073	5%	22,872
347	PUBLIC FACILITIES IMPACT	7,440	1,529,278	84,639	45,000	129,639	8%	14,577
348	LIBRARY IMPACT	18,529	222,349	111,175	-	111,175	50%	111,458
350	UNDERGROUNDING	98	1,194,738	588	-	588	0%	571
355	SCHOOL PEDESTRIAN & TRAFFIC SAFETY	1,711	916,562	21,161	3,428	24,588	3%	36,964
360	COMM/REC CENTER IMPACT	1,331	2,756,259	122,687	557,016	679,703	25%	587,400
375	QUIMBY FEE	1,190	1,403,605	17,872	-	17,872	1%	74,254
TOTAL CAPITAL PROJECTS FUNDS		3,762,659	42,111,196	10,670,417	15,034,967	25,705,385	61%	13,043,423
DEBT SERVICE FUNDS								
420	CIVIC CENTER DEBT	270	290,852	238,218	-	238,218	82%	235,073
441	POLICE FACILITY BOND DEBT	358	387,792	323,166	-	323,166	83%	316,576
TOTAL DEBT SERVICE FUNDS		628	678,644	561,384	-	561,384	83%	551,650



City of Morgan Hill
Year to Date Expenses - Fiscal Year 2023-24
For the Month Ended December 31, 2023
50% of Year Complete

FUND NO.	FUND/ACTIVITY	CURRENT MONTH ACTUAL EXPENSES	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET	PRIOR YTD
ENTERPRISE FUNDS								
SEWER								
640	WASTEWATER OPERATIONS	1,704,610	15,560,361	6,831,961	72,011	6,903,972	44%	8,018,018
641	WASTEWATER CAPITAL EXPANSION	3,307,344	26,223,607	3,898,788	422,783	4,321,571	16%	2,355,605
642	WASTEWATER RATE STABILIZATION	156	1,872	936	-	936	50%	909
643	WASTEWATER CAPITAL PROJECTS	701,708	17,522,286	2,229,373	2,697,057	4,926,430	28%	6,376,329
TOTAL SEWER FUND(S)		5,713,819	59,308,126	12,961,058	3,191,851	16,152,909	27%	16,750,861
WATER								
	Water Operations	1,716,678	18,485,381	8,645,556	686,187	9,331,743	50%	7,237,468
	Utility Billing	112,931	1,192,638	488,785	86,015	574,800	48%	443,329
	Water Conservation	29,460	644,730	183,574	8,780	192,354	30%	122,363
650	WATER OPERATIONS	1,859,070	20,322,749	9,317,915	780,982	10,098,897	50%	7,803,160
651	WATER CAPITAL EXPANSION	106,372	2,479,364	413,298	66,259	479,556	19%	357,801
652	WATER RATE STABILIZATION	117	1,403	702	-	702	50%	681
653	WATER-CAPITAL PROJECTS	146,855	16,010,730	1,259,676	493,454	1,753,130	11%	282,248
TOTAL WATER FUND(S)		2,112,414	38,814,246	10,991,590	1,340,695	12,332,285	32%	8,443,889
TOTAL ENTERPRISE FUNDS		7,826,233	98,122,372	23,952,649	4,532,545	28,485,194	29%	25,194,751
INTERNAL SERVICE FUNDS								
730	INFORMATION SYSTEMS	240,592	2,683,931	1,232,201	282,085	1,514,286	56%	1,056,420
740	BUILDING MAINTENANCE	146,811	1,781,790	704,463	77,586	782,049	44%	617,871
741	BUILDING REPLACEMENT	-	1,501,100	39,456	12,035	51,491	3%	68,526
745	CIP ADMINISTRATION	194,432	2,061,046	870,736	1,245	871,981	42%	911,694
760	UNEMPLOYMENT	-	15,000	11,826	-	11,826	79%	10,642
770	WORKERS COMPENSATION	16,257	1,048,265	646,937	-	646,937	62%	616,263
790	EQUIPMENT REPLACEMENT	33,018	1,245,240	110,400	1,067,656	1,178,056	95%	326,065
791	EMPLOYEE BENEFITS FUND	225,606	750,000	333,131	-	333,131	44%	423,040
795	GEN. LIABILITY INSURANCE	12,440	2,551,193	2,361,758	-	2,361,758	93%	1,688,179
TOTAL INTERNAL SERVICE FUNDS		869,156	13,637,565	6,310,908	1,440,607	7,751,515	57%	5,718,701
REPORT TOTAL		\$ 19,323,952	\$ 228,954,379	\$ 74,692,568	\$ 26,270,304	\$ 100,962,872	44%	\$ 76,522,555



City of Morgan Hill
Fund Activity Summary - Fiscal Year 2022-23
For the Month Ended December 31, 2023
50% of Year Complete

Fund No.	Fund Description	Beginning Fund Balance 07-01-23	Revenues		Expenses		Year to-Date Deficit or Carryover	Preliminary Ending Fund Balance	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved
010	GENERAL FUND	\$ 33,175,566	\$ 17,017,690	32%	\$ 27,389,040	46%	\$ (10,371,351)	\$ 3,342,507	\$ 19,461,708
TOTAL GENERAL FUND		\$ 33,175,566	\$ 17,017,690	32%	\$ 27,389,040	46%	\$ (10,371,351)	\$ 3,342,507	\$ 19,461,708
202	STREET MAINTENANCE	68,927	\$ 364,454	38%	\$ 367,050	46%	\$ (2,596)	\$ -	\$ 66,331
205	PUBLIC SAFETY/SUPPL. LAW	319,867	116,258	114%	645	45%	115,613	-	435,480
206	DEVELOPMENT SERVICES	(426,677)	2,103,661	33%	2,882,491	45%	(778,831)	205,674	(1,411,182)
207	LONG RANGE PLANNING	1,276,770	357,634	35%	407,948	26%	(50,313)	18,178	1,208,279
215 / 216	CDBG	30,767	907	279%	42	50%	865	-	31,632
225	ASSET SEIZURE	102,496	1,390	107%	391	50%	999	-	103,495
229	LIGHTING AND LANDSCAPE	191,949	2,604	1%	68,837	29%	(66,234)	3,429	122,286
230	COMMUNITY FACILITIES DISTRICT	150,651	2,036	5%	18,209	44%	(16,173)	-	134,478
232	ENVIRONMENTAL PROGRAMS	328,270	285,772	48%	221,845	40%	63,927	15,139	377,058
234	MOBILE HOME PK RENT STAB.	76,297	2,576	441%	454	50%	2,123	-	78,420
235	SENIOR HOUSING	239,361	-	n/a	-	n/a	-	-	239,361
236	HOUSING MITIGATION	5,698,654	1,715,840	38%	494,601	32%	1,221,239	218,314	6,701,579
240	EMPLOYEE ASSISTANCE	61,893	4,260	20%	2,473	12%	1,787	-	63,680
246	COUNTYWIDE SOLID WASTE	239,294	1,053,585	141%	713,374	34%	340,211	1,229,775	(650,270)
247	ENVIRONMENT REMEDIATION	140,690	1,909	141%	-	n/a	1,909	-	142,599
255	HOUSING SUCCESSOR AGENCY	4,001,427	140,942	59%	629,810	54%	(488,868)	229,167	3,283,392
TOTAL SPECIAL REVENUE FUNDS		\$ 12,500,636	\$ 6,153,829	39%	\$ 5,808,169	40%	\$ 345,660	\$ 1,919,677	\$ 10,926,619
301	PARK DEV. IMPACT FUND	\$ 1,426,990	\$ 234,402	14%	\$ 436,449	19%	\$ (202,047)	\$ 103,582	\$ 1,121,362
302	PARK MAINTENANCE	2,489,205	42,672	12%	761,061	115%	(718,389)	-	1,770,816
303	LOCAL DRAINAGE	11,817,863	275,320	61%	2,784,473	39%	(2,509,153)	1,486,523	7,822,188
304	LOCAL DRAINAGE/NON-AB1600	1,343,736	18,766	61%	166,152	41%	(147,386)	21,516	1,174,834
306	AG. AND OPEN SPACE PRESERVATION	541,496	110,082	2727%	48,800	20%	61,282	-	602,778
308	STREET CIP	4,078,203	1,221,141	27%	4,266,504	78%	(3,045,363)	596,132	436,707
309	TRAFFIC IMPACT FUND	3,727,580	346,647	27%	536,948	9%	(190,301)	3,745,157	(207,877)
315	PUBLIC SAFETY FACILITIES IMPACT	3,050,728	213,657	27%	1,255,547	12%	(1,041,891)	8,462,903	(6,454,066)
346	PUBLIC FACILITIES NON-AB1600	2,943,797	175,285	21%	56,362	4%	118,923	13,711	3,049,009
347	PUBLIC FACILITIES IMPACT FUND	1,099,809	62,291	35%	84,639	6%	(22,348)	45,000	1,032,461
348	LIBRARY IMPACT FUND	1,408,238	201,419	31%	111,175	50%	90,245	-	1,498,483
350	UNDERGROUNDING	1,626,301	23,302	103%	588	0%	22,715	-	1,649,016
355	SCHOOL PEDESTRIAN/TRAFFIC SFTY	92,077	30,983	6%	21,161	2%	9,823	3,428	98,472
360	COMM/REC CTR IMPACT FUND	992,228	351,944	31%	122,687	4%	229,257	557,016	664,469
375	QUIMBY FEE	1,621,885	803,399	132%	17,872	1%	785,527	-	2,407,412
TOTAL CAPITAL PROJECT FUNDS		\$ 38,260,136	\$ 4,111,312	32%	\$ 10,670,417	25%	\$ (6,559,106)	\$ 15,034,967	\$ 16,666,063
420	CIVIC CENTER DEBT	\$ 175,864	\$ 148,011	51%	\$ 238,218	82%	\$ (90,207)	\$ 76	\$ 85,581
441	POLICE FACILITY BOND DEBT	166,725	193,917	50%	323,166	83%	(129,249)	97	37,379
TOTAL DEBT SERVICE FUNDS		\$ 342,589	\$ 341,928	50%	\$ 561,384	83%	\$ (219,456)	\$ 173	\$ 122,960
640	WASTEWATER OPERATIONS	\$ 4,670,817	\$ 6,403,875	41%	\$ 6,831,961	44%	\$ (428,086)	72,011	4,170,720
641	WASTEWATER IMPACT FUND*	21,350,081	1,647,010	37%	3,898,788	15%	(2,251,778)	422,783	18,675,520
642	WASTEWATER RATE STABILIZATION	2,799,081	136,693	71%	936	50%	135,757	-	2,934,838
643	WASTEWATER CAPITAL PROJECTS	15,601,623	2,780,482	53%	2,229,373	13%	551,108	2,697,057	13,455,675
650	WATER OPERATIONS	4,444,824	8,744,466	44%	9,317,915	46%	(573,450)	780,982	3,090,392
651	WATER IMPACT FUND*	2,969,960	370,119	21%	413,298	17%	(43,178)	66,259	2,860,523
652	WATER RATE STABILIZATION	3,183,868	45,623	n/a	702	50%	44,921	-	3,228,789
653	WATER -CAPITAL PROJECT	15,548,298	3,666,293	53%	1,259,676	8%	2,406,617	493,454	17,461,460
TOTAL ENTERPRISE FUNDS		\$ 70,568,552	\$ 23,794,560	44%	\$ 23,952,649	24%	\$ (158,089)	\$ 4,532,545	\$ 65,877,917
730	INFORMATION SERVICES	\$ 793,101	\$ 1,254,312	50%	\$ 1,232,201	46%	\$ 22,111	\$ 282,085	\$ 533,127
740	BUILDING MAINTENANCE	7,256	838,669	50%	704,463	40%	134,206	77,586	63,877
741	BUILDING REPLACEMENT	4,309,501	476,491	55%	39,456	3%	437,036	12,035	4,734,501
745	CIP ENGINEERING	9,209	902,935	44%	870,736	42%	32,199	1,245	40,163
760	UNEMPLOYMENT	303,137	3,909	133%	11,826	79%	(7,917)	-	295,220
770	WORKERS COMPENSATION	2,152,498	477,070	48%	646,937	62%	(169,867)	30,000	1,952,631
790	EQUIPMENT REPLACEMENT	7,665,968	709,808	41%	110,400	9%	599,408	1,067,656	7,197,720
791	EMPLOYEE BENEFITS FUNDS	(124,893)	427,681	50%	333,131	44%	94,551	-	(30,342)
795	GEN. LIABILITY INSURANCE	932,477	1,053,673	50%	2,361,758	93%	(1,308,085)	-	(375,608)
TOTAL INTERNAL SERVICE FUNDS		\$ 16,048,254	\$ 6,144,549	48%	\$ 6,310,908	46%	\$ (166,359)	\$ 1,470,607	\$ 14,411,288

 CITY OF MORGAN HILL City of Morgan Hill Fund Activity Summary - Fiscal Year 2022-23 For the Month Ended December 31, 2023 50% of Year Complete								
Beginning Fund Balance 07-01-23	Revenues		Expenses		Year to-Date Deficit or Carryover	Preliminary Ending Fund Balance		
	YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved	

SUMMARY BY FUND TYPE

GENERAL FUND GROUP	\$ 33,175,566	\$ 17,017,690	32%	\$ 27,389,040	46%	\$ (10,371,351)	\$ 3,342,507	\$ 19,461,708
SPECIAL REVENUE GROUP	12,500,636	6,153,829	39%	5,808,169	40%	345,660	1,919,677	10,926,619
DEBT SERVICE GROUP	342,589	341,928	50%	561,384	83%	(219,456)	173	122,960
CAPITAL PROJECTS GROUP	38,260,136	4,111,312	32%	10,670,417	25%	(6,559,106)	15,034,967	16,666,063
ENTERPRISE GROUP	70,568,552	23,794,560	44%	23,952,649	24%	(158,089)	4,532,545	65,877,917
INTERNAL SERVICE GROUP	16,048,254	6,144,549	48%	6,310,908	46%	(166,359)	1,470,607	14,411,288
TOTAL ALL GROUPS	\$ 170,895,733	\$ 57,563,868	38%	\$ 74,692,568	33%	\$ (17,128,700)	\$ 26,300,476	\$ 127,466,556

For Enterprise Funds: Unrestricted fund balance = Fund balance net of fixed assets and long-term liabilities.

*Unreserved fund balance includes bond proceeds reserved for projects listed in bond documents.

¹ Amount restricted for encumbrances, fixed asset replacement, long-term receivables, and bond reserves.

City Manager's Signature Authority**Contracts and Agreements Between \$25,000 to \$60,000 Entered From 10/18/2023 to 1/23/2024**

Vendor Name	Description of Service	Begin Date	End Date	Department	Amount
Renne Public Law Group	Grant Support Contract	10/26/2023	6/30/2024	PS	\$50,000
South County Compassion Center	Morgan Hill Safe Parking "Focus" Program	4/25/2023	6/30/2024	DS	\$52,000
Boucher Law, PC	Provide Outside Council	1/15/2023	12/31/2024	CAO	\$30,000
Davis Farr, LP	TOT On-Call Audit Services	11/29/2023	12/31/2025	Fin	\$60,000
Urban Field Studio	Affordable Housing Project Design and Conceptual Arch services for Auto Dealer Development	12/12/2023	12/31/2024	DS	\$55,000
Tucker Construction, Inc.	City Hall Lobby Renovations	11/7/2023	2/17/2024	PS	\$58,754
Biggs Cardosa Associates, Inc.	Repair Concrete Spalling for UPRR Undercrossing on Monterey Road	11/26/2023	10/1/2025	PS	\$44,500
Burr Plumbing and Pumping, Inc.	El Toro Fire Station Sewer Repair Project	1/9/2024	3/11/2024	PS	\$47,415



Memorandum

Date: January 25, 2024
To: Christina Turner, City Manager
From: Chris Ghione, Public Services Director
Subject: Youth Sports and Recreation Tourism

In preparation for the Youth Sports and Recreation Tourism topic at the upcoming City Council Goal Setting Workshop on February 2 and 3, 2024, links to foundational documents are provided below:

City of Morgan Hill General Plan 2035

Areas of Focus: Goal ED-4 & HC-3

<https://www.morganhill.ca.gov/DocumentCenter/View/22839/MH2035-General-Plan---December-2017>

Bikeways, Trails, Parks and Recreation Master Plan

Area of Focus: Appendix D

<https://www.morganhill.ca.gov/1429/Master-Plan-for-Parks-Trails-and-Bikeway>

Park and Trail Planning

<https://www.morganhill.ca.gov/1489/Park-Open-Space-and-Trail-Planning>

Sand Volleyball Demand and Facility Analysis

https://www.morganhill.ca.gov/DocumentCenter/View/40375/3237001_MorganHillSandVolleyball_Final-Report?bidId=

Condit Road Sports Facilities Master Plan

Prior City Council Agenda Item Materials

[Staff Report](#)

[Master Plan](#)

[Community Survey Summary](#)

[Presentation](#)

ECONOMIC DEVELOPMENT BRIEFING

The [Economic Blueprint](#) is founded on guiding principles from the General Plan, Morgan Hill 2035, and incorporates feedback from over 400 residents, businesses, and community leaders engaged and invested in the future of Morgan Hill. The Blueprint is intended to further the Community's quality of life by attracting investment, development, and jobs that will ensure continued economic prosperity, which in turn generates revenues to support essential City services and improve critical City infrastructure. The Blueprint was developed over a 2-year collaborative process and adopted unanimously by the City Council in 2017.

The Blueprint has been focused on driving economic prosperity and vitality by advancing 13 strategies and 35 action items across the following four key industries:

Innovation and Advanced Manufacturing: Grow existing companies, attract new industry, and grow high-quality jobs. Support and advance the entitlement and permit process of new developments. Promote and market Morgan Hill as a premier location for commercial and industrial investment.

Retail: Grow retail offerings and strengthen commercial nodes. Develop a retail incubator program and a retail concentration strategy. Utilize incentives and available tools to attract new investments that increase both jobs and revenue to the Community.

Tourism: Grow leisure, agriculture, wine country and recreational tourism. Continue to nurture Downtown's transformation as a community gathering place. Implement Property Based Improvement District and manage parking supply. Support additional lodging investments and partner with Visit Morgan Hill to implement activations that support tourism and vibrancy.

Healthcare: Grow and foster medical and diagnostic services by advancing and supporting the entitlement process for medical facilities. Promote and market Morgan Hill as a desired location for medical and diagnostic providers.



Over the course of the last 6 years, City staff have completed over 85% of the action items identified in the Blueprint. Below is an overview of the key achievements of the action items identified in the Blueprint. A more detailed description and analysis of each action item is included in Attachment 1.

Innovation and Advanced Manufacturing

Over the course of the last five years, the City of Morgan Hill has been very deliberate within the Innovation and Advanced Manufacturing industry to encourage new investment and development. The City has enabled multiple Fee Freeze and Fee Financing Agreements with developers to encourage their investment in new projects. As a result, the City has grown its industrial inventory to approximately 7.7 million square feet with another 500,000+ square feet under construction and an additional 500,000~ square feet going through entitlement. When the Blueprint was adopted, the industrial vacancy rate ranged between 19% to 21%. In recent years, the industrial vacancy rate significantly decreased down to 3% to 6%, which essentially meant there was no available inventory which caused existing businesses to expand elsewhere. The recent addition of the new industrial buildings has brought the vacancy rate to approximately 11.1%. Today the City of Morgan Hill has new buildings to support expansion of existing companies and is well positioned to be the destination for the advanced manufacturing industry in Silicon Valley.

In 2021, the City enacted a new Industrial Preservation and Optimization Policy to protect industrial lands as employment lands while also encouraging medical uses.

To encourage continued investment and to foster an environment that supports business growth, the City has deployed the [ChooseMorganHill.com](https://www.choosemorganhill.com) website accompanied with a Permitting Portal ([OpenCounter](#)), conducted annual Manufacturing Day events to promote the industry, and actively marketed available/vacant industrial locations in key business publications. The City also helped co-produce two virtual webinars with the Silicon Valley Business Journal to highlight and promote the industrial and commercial investment opportunities in Morgan Hill.

The City of Morgan Hill has developed a significant competitive advantage with the development of new industrial properties to support the development and investment of innovation, advanced manufacturing, and research and development (R&D) users.

The main goal under the Innovation and Advanced Manufacturing pillar is to actively communicate with property owners and brokers to support the tenanting of the new industrial buildings. One key policy opportunity is to update the parking standards and minimums to capitalize on available land to maximize industrial investment and job creation. When the opportunity arises, the City should strengthen language in the General Plan to conform with the Economic Blueprint's strategies. Additionally, the City should work with property owners to amend restrictive Planned Developments (PD) and/or create Zoning Overlays to increase user flexibility, as well as explore incentives to encourage office and professional development.

Retail

The City of Morgan Hill has 1.3 MSF of developed retail/commercial space. Given Morgan Hill's relatively small population (currently approximately 45,000) and a shared retail trade area with South San Jose and Gilroy, the City is viewed as "over-retailed," making retail development challenging. While the retail vacancy rate is low at 5.1%, the City has experienced long-term vacancies for "Junior Tenant" spaces at Cochrane Plaza (25K SF) and Laurel Oaks (26K SF) and has been challenged to attract development in three fully entitled shopping centers: Madrone Village Phase II (4.4 acres), Cochrane Commons Phase II (135K SF), and Evergreen Village (10+ acres). Although there are a handful of buildings and large retail spaces that have experienced prolonged vacancies, there are no current blight issues associated with these buildings or locations. In fact, many small businesses struggle to find available space to locate or relocate within the commercial/retail space in the City of Morgan Hill. In December 2023, the City Council requested information regarding a Commercial

Vacancy Tax. In response to this request, City staff has prepared a memo to address the benefits and challenges of implementing a Commercial Vacancy Tax (Attachment 2).

In 2018, the City completed the Monterey Corridor Study which included a Retail Capacity Study that suggests that at full build out, Morgan Hill can only support an additional 1.3 MSF of new retail development, therefore, the City needs to be strategic to prevent allowing retail in areas that will not be successful and will ultimately compete and 'water down' the retail viability of premium retail centers. The Study narrowed the sites along the Monterey Corridor that could be viable for retail development. As a result, City staff have implemented a Retail Concentration Strategy to prioritize retail development areas so that the City does not undermine core retail hubs. With this in mind, staff provides land use recommendations to allow for modification of certain projects. Recent examples include Cochrane Commons II and The Gates on Monterey.

In late 2022, the City created a Downtown Property Business Improvement District (PBID) to enhance Downtown's safety and cleanliness, increase sales tax generation, and actively manage and market the Downtown District as a destination. The Downtown Morgan Hill Improvement District (DMHID) has begun managing the "Sidewalk Saturday" outdoor retail program and conducted a sidewalk power-washing program to help clean the Downtown sidewalks. In addition, DMHID is also underway publishing a Downtown business marketing brochure.

The Economic Development team actively engages with retail brokers and participates at the regional International Council of Shopping Center (ICSC) Conferences to stay abreast of market trends, learn from industry experts, meet with potential users, and build relationships. Additionally, staff regularly updates the City's retail marketing materials, maintains a blog, and issues an eNewsletter.

The Downtown District has seen significant growth mostly in food and beverage venues. Sales tax collection from this district has outpaced growth from other shopping centers. A challenge for Downtown is the limited available and modern retail space. Staff will work with property owners to support the rehabilitation of older buildings. It is unlikely that another mixed-use development will be developed in the next few years but in the meantime, staff will continue to create and promote programming for creative retailing like the outdoor retail market, Sidewalk Saturdays.

Lastly, with the State's passage of AB2011 and SB6 in 2023 along with the State's delay in approving the City's Housing Element, Commercial and Retail lands are under extreme pressure to either develop as commercial properties or potentially be developed as residential. The best strategy to prevent the conversion to residential, is to attract investment and develop those lands with sales tax and job generating uses. In alignment with the Economic Blueprint, City staff will continue to bring forward its recommendations on policies, incentives and zoning changes that best support the growth of sales tax, transient occupancy tax (TOT), and property tax to support the General Fund and long-term fiscal sustainability. In December 2023, the City Manager shared Morgan Hill's Commercial Preservation Strategy with the City Council (Attachment 3)

Tourism

In 2019, the City of Morgan Hill successfully implemented the Tourism Business Improvement District (TBID), Visit Morgan Hill, to support the marketing and promotion of Morgan Hill as a regional destination for recreation, agritourism and dining. Unfortunately, immediately after its launch and hiring of its second Executive Director (February 2020), the COVID-19 pandemic decimated the tourism and hospitality industry. While it was a rough start, Visit Morgan Hill has completed the following significant milestones:

- Completed a Destination Strategic Plan
- Completed a Tourism Branding and Launch Campaign

- Established Comprehensive, High-Performing Marketing Programs
- Established Processes and Benchmarks for Hotel Sales Leads
- Established Local and Regional Partnerships

Visit Morgan Hill's focus is to build recognition and develop partnerships that will generate new opportunities that will attract visitors to the area and generate spending and overnight stays, resulting in added Transient Occupancy Tax (TOT) and Sales Tax revenue to the City. In 2023, the City renewed the Tourism Business Improvement District (TBID) for an additional ten (10) years with the ability to increase its current 1.5% tax rate to up to 3% over the 10 years. This will allow Visit Morgan Hill to continue to actively promote and drive tourism initiatives for the City of Morgan Hill and capitalize on the post-pandemic economic cycle of improved tourism and hospitality.

Attracting visitors increases spending that supports the local economy while generating additional sales tax revenue for the City. In addition, a more direct and significant gain is when visitors spend the night at a local hotel and contribute to the City's Transient Occupancy Tax which represents 5% of the City's General Fund. Currently, the City has two Upscale class hotels, four Upper Mid-scale class hotels, and two new hotels in the pipeline. The other hotels are lower scale hotels and have long-term stays that do not significantly contribute to the City's TOT. Growing, improving, and diversifying the City's lodging options is a critical component to the tourism strategy and the City's economic sustainability. Hotel development is happening throughout the region and Morgan Hill has not always been able to capitalize on the hotel development cycles. In 2022, the City Council adopted a new Hotel Incentive Strategy and Policy to attract new hotels and support existing hotels' reinvestment in their facilities.

Lastly, it is important to note that both the Edes Art Gallery (to be completed June 2024) and Hotel MOHI (to be completed December 2025) are both under construction in the Downtown. When completed, these projects will be significant catalysts to attracting new investment and businesses to Downtown.

The most substantial impact the City can have on continuing to grow tourism is two-fold. First, the City needs to grow and diversify lodging options. There are four sites that currently allow hotel development by right in Morgan Hill. The City should encourage hotel development on these sites in addition to working with existing properties to update their facilities. Secondly, the City needs to advocate for the creation of new tourism assets, while also maintaining and growing the City's sports and recreation venues. In a separate report, the Council will receive an update on the plans to grow youth sports and other recreation facilities. City staff are currently working on updating the entertainment permitting process to support more live music and entertainment.

Healthcare

Morgan Hill residents have long expressed the desire to gain access to a full range of healthcare and medical services. In addition to providing expanded services for residents, growing the City's healthcare industry will help create high-quality jobs for residents, many of whom are employed in the medical industry.

Santa Clara County purchased the DePaul Health Center in 2018. In late 2023, the County completed significant renovations and will soon offer Primary Care, Urgent Care with extended hours and weekends, Pediatrics, Women's Health, Outpatient Pharmacy Services, Laboratory Services, and Imaging Services.

To grow medical services in Morgan Hill, the City updated the zoning code to allow medical services in almost all zoning designations in the City, including residential, commercial, and industrial areas. Staff have been actively promoting available locations for new medical uses and facilities.

In recent years, the City rezoned the southeast corner of Juan Hernandez Drive and Barrett Avenue for the future development of new healthcare and medical facilities. The City's Economic Development Team has worked with the property owner/developer to promote and market Morgan Hill as a desirable location for medical users. Staff have been working with the developer to increase existing capacity of medical at the site to meet market demand. A PD amendment is underway that could double the medical development on this site. The property owner/developer issued an RFP and has been in negotiations with a medical provider to purchase the site. City staff believes that a land acquisition of this site by a leading healthcare provider is imminent. Once the transaction is complete, the Economic Development Team will work internally to support the entitlement and permitting process to expedite construction of any new medical facilities.

Currently, the main focus for the healthcare segment is to support the entitlement of the Rosewood Medical Center and to continue to market and promote the area for medical services.

Other Notable Economic Development Highlights

In addition to the work program associated with the Economic Blueprint, it is important to note that many of the above action items were accomplished despite the considerable challenges and impacts caused by the COVID-19 pandemic, in 2020 to 2022. In an effort to minimize the negative impacts upon businesses, the City quickly pivoted to prioritize and implement the City's *Economic Development Business Recovery Plan* to support the recovery of the restaurant industry, retailers, and small businesses, to encourage tourism, and support new investment. Some of the most notable successes from the Recovery Plan include:

- Designed and facilitated the Sidewalk Saturdays Retail Program
- Co-directed and co-produced a Morgan Hill Tourism video with Visit Morgan Hill
- Created and Implemented Outdoor Dining Program and Manual

2024 Economic Development Workplan

The City's 2024 Economic Development efforts will continue to focus on the basic pillars of economic development while continuing to implement the Economic Blueprint with additional action items designed to address existing barriers to entry for commercial and industrial investment while leveraging the City's strengths and opportunities. The reduction and elimination of these barriers can assist in the attraction of new investment. Economic Development staff will continue to focus on the fundamental work of business retention and expansion, marketing and promotions, supporting development and investment, and the implementation of policies and programs. Below is an overview of that work:

Business Retention & Expansion

The most fundamental pillar of the City's economic development efforts are business retention and expansion. The team connects with new businesses, performing annual sites visits, and connects with the largest employers and sales tax revenue generators. The team then follows up on any needs the company may have expressed. These activities take an inordinate amount of time and effort as we are assisting businesses of all sizes and all industries with the information, tools, resources and support they need to thrive.

Marketing & Promotions

To maintain and attract investment, the team manages a wide range of marketing and promotional activities. These activities include updating and maintaining the ChooseMorganHill.com website, City Economic Development Website, blog, and social media platforms, as well as sharing information via the Choose Morgan Hill eNewsletter. City staff will continue to create advertorials and partner with business publications to advertise and promote the City. Staff also regularly attend regional conferences and events to meet with companies, developers, and brokers.

Development & Investment

Internally, the economic development team serves as the permitting and planning ombudsman for developers and businesses to help ensure a timely review of applications and plans.

Policies & Programs

The team constantly reviews City zoning, identifies industry best practices, identifies opportunities to reduce barriers, conducts research and market studies, and ultimately makes policy recommendations to the City Council for their review and adoption. The team manages a number of incentive and business support programs including the Fee Freeze, Fee Financing, Outdoor Dining, Auto Incentive, and now the Hotel Incentive Programs. In addition, the team also collaborates with partners such as utility providers and the State to share available incentive programs, tax credits, and to problem solve development issues.

In 2023, the City of Morgan Hill was selected as one of ten cities in the nation to participate in an Economic Mobility Cohort with the International City/County Management Association (ICMA) through a grant from the Gates Foundation. The City received a grant to explore local economic mobility strategies. This work and grant were timely as the City's Housing Element had identified the need for the City to connect Spanish-speaking residents to local housing and job opportunities. Through this process, the City has learned that one in four businesses in Morgan Hill are Hispanic owned, yet less than 5% of the COVID recovery loans issued to Morgan Hill businesses went to Hispanic-owned businesses. Staff recognizes the opportunity for workforce development and a shift to be more intentional in supporting all businesses.

Success Metrics

Overall, the Economic Blueprint has proven to be a very useful tool for the City to attract investment. Staff regularly tracks a number of metrics listed in the Economic Blueprint to monitor our progress on critical measures that impact the City's fiscal sustainability, quality of life, job growth and tourism goals. Below is a comparison on how these metrics have changed since 2017.

Success Metric Indicator		2017 Baseline	Jan-24
Maintain Quality Of Life	Unemployment Rate for Residents of Morgan Hill	4.1%	4.00%
	Jobs/Housing Ratio	1.42	1.54
	Number of Retail Businesses in Morgan Hill	112	103
Fiscal Sustainability And Resilancy	Amount of Annual Sales Tax Revenue (Millions)	\$9.49	\$12.60
	Amount of Annual Property Tax Revenue (Millions)	\$10.68	\$19.00
	Amount of Annual TOT (Millions)	\$2.74	\$2.60
	Commercial Vacancy Rate	5.2%	5.3%
Job Growth	Amount of Total Jobs in Morgan Hill	15,700	18,985
	Business to Business Revenue (Millions)	\$1.18	\$1.17
	Number of Medium Sized Companies	115	125
Tourism	Percentage of Residents That Work in Morgan Hill	28.0%	35.0%
	Number of Hotel Rooms Available for Occupancy	898	898
	Hotel Occupancy as Reported by Hoteliers	70.0%	65.3%

Much progress has been made on the action items listed in the Economic Blueprint and the City has benefited from this strategic and visionary document. The City has increased the number of jobs available to residents and has done fairly well with sales tax and property tax growth. As the City evaluates the future relevance and viability of the Blueprint, current market conditions and challenges should be considered, and the overall economic development goals should be reaffirmed.

Current Market Conditions

While the economy continues to feel sluggish after the COVID-19 pandemic and its long-lasting impacts, we find that the market in Morgan Hill is stronger than before. The City now has some of the newest industrial products available in the region. Downtown is thriving as a dining destination with additional investment underway. While the City's population decreased slightly, it benefited from the new work-from-home trend. The City's sales tax and property tax collection is at par or better than other cities. Today, the City has a TBID and a Downtown PBID, two economic engines that expand the City's capacity to attract tourism and support Downtown.

However, the City is still faced with the challenge that greenfield development is expensive. In addition, current high interest rates, lack of available workforce, delays in building materials, supply chain issues have all impacted many of the commercial and industrial sectors and development. Perhaps the biggest threat to the City's long term economic sustainability continues to be the loss of commercial and industrial properties to housing. The City is facing a number of Builders Remedy projects that threaten our job-generating and tax-generating lands. Additionally, City Hall is burdened by the growing State mandates and review timelines that impact our review process and place the commercial and industrial projects at a disadvantage.

The City has significant opportunities with the new industrial buildings to attract companies and jobs to our Community. The boutique hotel and the fine art gallery will continue to grow Downtown as a destination and support the City's tourism goals. The expansion of the DePaul medical center will soon provide much needed medical services to the Community and soon the Rosewood Medical Center will secure a medical provider who will provide additional jobs and needed services to the Community.

Conclusion:

The Economic Blueprint has helped improve the City's economic sustainability and quality of life. The four industries of Tourism, Retail, Healthcare, Manufacturing and Advanced Manufacturing remain relevant to Morgan Hill. While much progress has been made, several critical action items remain to be completed. Some key work ahead includes:

- Updating Floor Area Ratio (FAR) requirement for commercial and industrial development.
- Updating parking requirements for commercial/industrial developments.
- Updating restrictive Planned Developments (site-specific zoning) to promote commercial investment and development.
- Expanding Zoning Overlays to support additional retail, auto, and hotel uses.
- Updating City ordinances to encourage entertainment venues to support business vitality and promote tourism.
- Promoting workforce development and economic mobility activities.

During the Goal Setting Workshop, the Council should consider the following questions:

Questions:

1. Does the Council feel the Economic Blueprint remains a viable economic development strategy for the City of Morgan Hill?
2. Does the Council continue to prioritize and support Economic Development as a strategic priority for the City?
3. Does the Council want to support policies and programs to help the development of commercial and industrial lands?
4. Should concessions given to housing projects also be given to commercial and industrial development?

Attachments:

1. Economic Blueprint Action Items
2. Commercial Vacancy Tax Memo
3. Commercial Preservation Strategy Memo
4. Economic Development Advertisements
5. Silicon Valley Business Journal Articles
6. Marketing Materials

2017 Economic Blueprint Work Program

INDUSTRY	Action Item	STRATEGY & ACTION ITEMS	STATUS	COMMENTS
INNOVATION & ADVANCED MANUFACTURING	PRESERVE INDUSTRIAL LANDS			
	1	Adopt an Employment (Industrial) Land Preservation Policy	Complete	
	2	Strengthen General Plan language to prevent conversion of Industrial Lands		
	IMPROVE AND FACILITATE DEVELOPMENT OF CRITICAL INFRASTRUCTURE			
	3	Create a Telecommunications Master Plan (MP) to improve access to fiber	Complete	Shifted from MP to implement actions under the guidance of the Telecommunications Report
	ATTRACT DEVELOPMENT			
	4	Update Zoning Code and Parking Requirements to modernize Zoning Code and allow for new hybrid of developments that are considered "Class A" industrial or "Flex Space"		
	5	Explore incentive programs to attract industry-specific development	On-going	Consider incentive program for office development
	6	Allow greater intensification (FAR) and taller buildings to increase value of Employment Lands		Requires GP Amendment
	7	Complete the Monterey Corridor Flex-Zoning update and optimize development opportunity	Complete	
	8	Streamline permitting process by allowing Administrative Approvals as part of Zoning Code Update	Complete	
	FOSTER AN ENVIRONMENT THAT SUPPORTS BUSINESS GROWTH			
	9	Deploy Open-Counter Online Business Ombudsman Platform	Complete	
	10	Market Economic Blueprint vision, process & incentives to attract business investment	On-going	
	11	Formalize City's Expedited Process and market it	On-going	
	SUPPORT EDUCATIONAL FACILITIES & A LIFE LONG LEARNING ECOSYSTEM			
	12	Connect education assets to industry	On-going	Mfg Roundtable, Mfg Day, Employer Tours complete. Opportunity for additional workforce development/internship programs.

RETAIL	RETAIL FLEXIBILITY			
	13	Develop a Retail Concentration Strategy	Complete	
	14	Continually revisit retail industry trends & requirements	On-going	
	15	Pursue sports recreation uses as anchor tenants, increase permitted use allowance up to 15K sq. ft.	Complete	
	16	Re-evaluate and propose changes to shopping center - Site Specific Zoning Requirements	On-going	
	17	Update zoning to allow incidental wine, beer and alcohol tasting rooms and distilleries in Downtown and throughout the City in Commercial and Industrial Zoned Areas	Complete	i.e. Alara Cellars, Lightpost Winery
	18	Promote co-working in Commercial nodes	On-going	
	SUPPORT DOWNTOWN DEVELOPMENT			
	19	Identify parking management strategies	On-going	Implementing delivery/drop off zones, short-term parking
	20	Encourage housing development & office tenants	On-going	
	21	Create Business Improvement District (BID) to support Downtown improvements and programming	Complete	
	22	Terminate Administrative Permit Process for Morgan Hill Plaza Shopping Center	Complete	

TOURISM	ENHANCE FACILITY UTILIZATION AND GROW SPORTS/RECREATION FACILITIES			
	23	Upgrade the Outdoor Sports Center & Aquatics Center (infrastructure & amenities)	On-going	Master Plan Update completed, improved lighting and grass
	24	Develop a Financing Plan to construct and operate new sports/recreation facilities		
	SUPPORT LODGING			
	25	Ensure General Plan and Zoning Code address bed & breakfasts, Airbnb and hotel development		Amend Zoning Code to allow B&B in residential areas
	26	Develop plan to help upgrade or transition aging hotel facilities	On-going	Hotel Incentive Plan complete. Some redevelopment limited by FAR or Zoning.
	27	Identify pre-approved lodging sites	Complete	Only 4 sites allow hotels by right
	LEVERAGE RESOURCES THROUGH PROFESSIONAL LINKAGES AND PARTNERSHIPS			
	28	Work with hotels to develop a Tourism Based Improvement District (TBID) to help finance Capital Improvements to sports recreation facilities and to promote and market the region	Complete	TBID is not funding capital improvements
	29	Collaborate with regional partners to enhance branding, marketing and promotions or regional assets	On-going	
	SUPPORT A TOURISM ENVIRONMENT			
	30	Target retail attraction to sport recreation, entertainment, boutique and food retailers	On-going	
	31	Continue to create a lively Downtown with entertainment offerings	On-going	Updating Entertainment and Noise Ordinance
MEDICAL	EXPAND LOCATIONS OF WHERE MEDICAL USES ARE ALLOWED			
	32	Ensure General Plan & Zoning Code allow medical uses	Complete	
	ACTIVELY PROMOTE LOCATIONS FOR MEDICAL USES			
	33	Identify & market pre-approved medical sites	On-going	
	34	Increase outreach and engagement with medical service providers	On-going	
	35	Create & implement a targeted marketing campaign	On-going	



Memorandum Development Services

Date: January 19, 2024

To: Christina Turner, City Manager

From: Matt Mahood, Economic Development Director

Subject: Commercial Vacancy Tax

Summary: This memorandum is in response to a City Council request for information about the implementation of a Commercial Vacancy Tax. A Commercial Vacancy Tax is a policy instrument employed to combat the issue of extended vacancies in commercial real estate. This type of tax is imposed on owners of commercial properties that remain unoccupied for a specified period as a way to incentivize property owners to lease their properties and deter property owners from holding onto properties for speculative purposes.

While this strategy can aid in addressing urban blight, there are potential challenges associated with this tax, as its effectiveness can vary based on market conditions and the specifics of its implementation. Key considerations include setting an appropriate tax rate that is effective yet not overly burdensome, establishing clear criteria for assessing vacancies, providing exemptions or exceptions under certain circumstances such as economic downturns, and ensuring efficient administrative oversight for the assessment, collection, and enforcement of the tax. Overall, while a commercial vacancy tax aims to promote occupancy in commercial properties and invigorate local economies, it is not a common strategy as the unintended consequences could be more damaging to the City's goal to attract quality and long-term investment. Very few cities use this program and those that do are larger cities that suffer from extensive vacancies and struggle with resulting blight issues. Below are some recent implementation examples:

1. San Francisco: Implemented a vacancy tax in which property owners are charged a fee for spaces vacant for over six months. Revenue collected from the vacancy tax is applied towards affordable housing initiatives. San Francisco's Commercial Vacancy Tax, introduced in 2020, is a municipal initiative targeting long-standing vacancies in commercial properties. The tax was proposed largely in response to the practice of landlords intentionally keeping properties vacant, often holding out for higher-paying tenants. This policy applies specifically to ground floor, street-facing commercial

properties in 32 designated districts within the City. The tax rates start at \$250 per linear foot of storefront facing the street, escalating to \$500 in the second year and \$1,000 for each subsequent year. A key aspect of the policy is the requirement for every owner, lessee, and sublessee of a taxable commercial space to file a Commercial Vacancy Tax Return, irrespective of whether the space is vacant. This filing helps determine who is responsible for paying the tax, which generally falls on the party entitled to possession of the property. Enforcement and compliance of the tax fall under the purview of the San Francisco Office of the Treasurer and the Tax Collector. Its success and impact, however, continue to be subjects of debate, especially in the evolving landscape of urban commercial real estate.

https://codelibrary.amlegal.com/codes/san_francisco/latest/sf_business/0-0-0-48971

2. Oakland: Implemented Measure W in 2018, known as the Vacant Property Tax, imposes a tax on a range of properties, with rates varying based on the property type. Residential and non-residential properties are taxed at a rate ranging between \$3,000 to \$6,000 per parcel. The tax is also applicable to undeveloped parcels at a rate of \$6,000 per parcel. A property is deemed vacant if it is utilized for less than 50 days within a calendar year. Property owners are notified annually about the potential applicability of this tax and are provided with an opportunity to contest the vacancy status or apply for exemptions through the Oakland Vacant Property Tax Portal.
<https://cao-94612.s3.us-west-2.amazonaws.com/documents/Measure-W-City-of-Oakland.pdf>
<https://cao-94612.s3.us-west-2.amazonaws.com/documents/Vacant-Property-Tax-Ordinance-13571-CMS.pdf>
3. Berkley: Implemented Measure M in 2022, also known as the Vacancy Tax, to address real estate speculation and encourage the utilization of vacant residential properties. This tax only applies to residential units. This policy applies to residential units vacant for over six months within a year. Initially, the tax is set at \$3,000 for the first property and \$6,000 for each additional property. After the first year, these rates double, reaching \$6,000 to \$12,000 per unit, with adjustments for inflation. The measure primarily targets properties consistently vacant for extended periods, as identified in the Rent Registry. Exemptions are in place for specific scenarios such as nonprofits, low-income seniors, owner-occupied properties with fewer than four units, properties under construction, or in probate. The tax aims to deter speculative practices by corporate property owners and address the social issue of neighborhood blight due to long-term vacancies. However, some concerns have been raised regarding the tax's broad application and its potential effectiveness in Berkeley's unique rental market.

Administrative Challenges:

Implementing a vacancy tax necessitates the establishment of robust mechanisms for monitoring and verifying vacant properties, a process that can be resource-intensive and complex. This challenge has been evident even in a city as resource rich as San Francisco, which has encountered difficulties in administering such a tax. Municipalities must define clear criteria to determine what constitutes a 'vacant' property, considering factors like the duration of vacancy, reasons for vacancy, and the specific type of commercial property. This task is further complicated when dealing with properties that are only partially occupied or used intermittently. Furthermore, the potential for property owners to circumvent the tax, perhaps by falsely reporting occupancy or exploiting legislative loopholes, presents another layer of complexity. To counteract these challenges, municipalities must develop reliable systems for monitoring and reporting as well as stringent enforcement mechanisms. This could include conducting regular inspections and audits to ensure compliance.

Economic Considerations:

The economic considerations surrounding the implementation of a commercial vacancy tax are multifaceted, requiring a careful balance to ensure both effectiveness and fairness. At its core, the tax is designed to incentivize property owners to lease out persistent vacant commercial spaces, thereby reducing vacancy rates and stimulating local economic activity. However, the tax raises significant concerns about its broader economic impact. While it can generate additional revenue for local governments, which can be reinvested in community services or infrastructure improvements, there is a risk that property owners might transfer the cost of the tax to tenants through higher rents. Such an outcome could counteract the intended effect of the tax and place a greater financial burden on businesses. Moreover, the tax could negatively influence the overall investment in commercial properties. In areas with lower demand, the additional financial burden might deter investment, leading to unintended consequences such as decreased property values or reduced economic development. Implementing a progressive tax structure or providing exemptions for certain owners could help mitigate these concerns. Finally, the policy must be adaptable to changing market conditions. Economic downturns, shifts in commerce trends, and other market dynamics can significantly affect the demand for commercial space. Allowing flexibility in the policy, such as temporary suspensions or adjustments during economic downturns, could be crucial in mitigating negative impacts on property owners and the wider economy. While a commercial vacancy tax presents an opportunity to address urban challenges and stimulate economic activity, its success hinges on a nuanced understanding of its economic implications.

Alternative Approaches:

Alternative approaches to address prolonged commercial property vacancies beyond the implementation of a vacancy tax can encompass a variety of strategies. One such approach involves modifying zoning and land use regulations and simplifying the permitting process to allow a broader spectrum of uses within commercial zones. Financial incentives also serve as a compelling alternative. Rather than penalizing property owners for vacancies, cities can offer tax credits, reduced property taxes, or renovation subsidies to those who lease their vacant spaces. Public-Private Partnerships (PPPs) present an opportunity for joint initiatives to activate vacant spaces, potentially leading to community spaces or business incubators, with shared investment and benefits to the parties involved. Finally, encouraging temporary use of vacant spaces through pop-up shops, art installations, or event spaces can bring immediate life to areas with high vacancy rates.

For example, the City of Santa Cruz created “Downtown Pops” a Retail Pilot Program in which the City leased the ground floor directly from the private property owner and then provided a subsidized sublease of the space to retail startups as a way to create a pipeline of retailers that can eventually cover the full rent. Alternatively, the City can engage with community groups in repurposing vacant properties which can lead to innovative, and community-serving uses, such as gardens, markets, or cultural centers. In summary, there are several collaborative approaches that the City can use to encourage the occupancy of commercial properties that may be more effective than a punitive tax.

Fiscal Impacts

Because a Commercial Vacancy Tax is a new tax, in order to be implemented, it would require voter approval. The estimated staff time to prepare the ballot measure is approximately 15 hours. The cost for the ballot measure is approximately \$60,000 if placed on the ballot of a regular election in which there are also Council seats on the ballot.

Current Vacancy Rates

The most current vacancy rates in Morgan Hill are 11.1% for industrial and 5.1% for commercial/retail. Morgan Hill is considered to have a low vacancy rate. Historically, Morgan Hill has had a 2-3% vacancy rate in the industrial category, but with the completion of several projects over the last 12 months, the City’s vacancy rate has grown but so too has the City’s ability to retain businesses that need to grow and expand and increased the City’s ability to attract new businesses. Although there are a handful of buildings and large retail spaces that have experienced prolonged vacancies, there are no current blight issues associated with these buildings or locations. In fact, many small businesses struggle to find available space to locate or relocate within the commercial/retail space in the City of Morgan Hill.

Conclusion

After evaluating the potential implementation of a Commercial Vacancy Tax in Morgan Hill, staff have determined that this approach is not advisable. The potential administrative costs and the tax's possible deterrent effect on investment and development outweigh the uncertain gains. The broader economic impacts of a vacancy tax are also not entirely predictable at this point.



Memorandum Development Services

Date: January 10, 2024
To: Christina Turner, City Manager
From: Matthew Mahood, Economic Development Director
Subject: Morgan Hill Commercial Preservation Strategy

Summary: This memorandum is in response to a City Council request for information about the City of Morgan Hill's strategy to preserve and protect Commercial Zoned lands.

With the State's passage of Assembly Bill 2011 (AB2011) and Senate Bill 6 (SB6), which took effect on July 1, 2023, locally zoned Commercial or Retail lands are under extreme pressure to either develop as commercial properties or potentially be developed as residential. The specific standards that apply for AB2011 and SB6 are complicated, but the following [link](#) provides a technical overview of the provisions of AB2011 and SB6. The following is a brief summary of each law.

AB2011

AB2011 creates a CEQA-exempt, ministerial approval process for multifamily housing developments. The law provides for slightly different qualifying criteria (1) for 100-percent affordable projects and (2) for mixed-income projects located in "commercial corridors." AB 2011 projects must pay prevailing wages to construction workers, among other labor standards. AB 2011 contains significant locational/geographic criteria including no housing within 500 feet of a freeway.

SB6

SB6 does not create any new approval process. However, projects meeting SB 6 criteria may invoke SB 35 and the Housing Accountability Act. SB 6 projects may be either a 100-percent residential project or a mixed-use project where at least 50 percent of the square footage is dedicated to residential uses. SB 6 applications are not exempt from CEQA but need not provide any affordable housing. SB 6 projects are required to pay prevailing wages and utilize a "skilled and trained workforce." SB 6 does not apply to properties located on or adjoined to a site where more than one-third is dedicated to industrial use.

The two State laws not only apply to undeveloped greenfields, but also to existing Commercial or Retail properties that may be underperforming.

The City's Economic Development Department in partnership with the Planning Department has done an assessment of the vacant commercial property across the City. The City currently has approximately 120 acres of vacant commercial/retail land. Staff believes that approximately 95 acres are at high-risk of conversion and 25 acres are at a lower risk of conversion. It is believed that established Planned Development districts that include master plans could be exempt from AB2011 and SB6, but it is unknown whether that interpretation would be challenged. Staff is unable to assess which developed commercial/retail properties are at risk of conversion, but those commercial/retail sites that are struggling with high vacancy rates or those with businesses that are struggling will be at a higher risk than those that have higher performing retail users.

The Economic Development division's approach to the preservation and utilization of commercial properties has been driven by the goals and objectives outlined in the City's 2035 General Plan and 2017 Economic Blueprint (EBP).

Preserve Industrial Lands

EBP Action #1 – Adopt an Employment (Industrial) Land Preservation Policy

As vacant land becomes more constrained, pressure to convert industrial and commercial lands to residential will intensify to meet the growing housing demand and the new pressures from AB2011 and SB6. In March 2022, the City Council adopted the [Industrial Land Preservation and Optimization Policy](#) placing restrictions on non-employment generating uses while increasing the ability of a preferred use, medical office, to locate within the light industrial zones.

Attract Development

EBP Action #4 – Update the Zoning Code

The main tool the City has to regulate land development is the Zoning Code. To attract companies to locate or expand in Morgan Hill, the City should ensure the zoning regulations are modernized to support today's industry trends. Since the approval of the EBP, the City has implemented numerous zoning text amendments to support economic development. Recently the City Council approved the Vehicle Sales (-VS) Overlay increasing the amount of land available to attract potential auto dealers. Auto dealers are a preferred user of commercial lands since they generate significant general fund revenue. City staff will continue to look for opportunities to update the Zoning Code to attract preferred users.

EBP Action #5 – Explore Incentive Programs to Attract Industry-Specific Development

Often the cost of new development is cost prohibitive, especially during periods of high economic growth where the cost of construction is continuously increasing, interest rates are high, cost of land is high, and impact fees are high. The City can explore and utilize incentive programs to freeze fees, finance impact fees, and create incentive programs for preferred uses. The City Council has recently approved fee freeze agreements and fee financing agreements to support additional future commercial and industrial development, as well as approved the [Hotel Incentive Program](#) (October 2022). The City Council has previously used incentives to attract Vehicle Sales users to the City of Morgan Hill.

Retail Attraction

EBP Action 13 – Develop a Retail Concentration Strategy

In order to keep the key commercial corridors healthy, the City should consider eliminating retail/commercial requirements where retail is not going to succeed. The City has been generally supportive of the recent General Plan amendments that have occurred to rezone commercial properties located at:

- Cochrane Commons II by Browman Development – Originally proposed to include 350,000 square feet of retail, the site has been vacant for 16 years despite multiple proposals and tenant solicitations. The project was amended in November 2022 to include 498 residential units and maintain 135,000 square feet of retail space.
- The Gates by City Ventures – A 3.82-acre site along Monterey Road converted from commercial to mixed-use. Due to the site's location and natural features, this site was going to be very difficult to develop as a stand-alone retail/commercial site. The 2015 Lisa Wise Consulting retail report for the Monterey Corridor identified retail nodes that should be prioritized and protected. This site was not identified as an important retail site. Staff worked with and supported the housing development that maintained a very small retail footprint consistent with the goal to concentrate retail in areas that will help support that use.

EBP Action #14 – Continually Revisit Retail Industry Trends & Requirements

The retail industry is dynamic and constantly evolving. The Economic Development team engages in numerous activities related to retention and attraction, brand and marketing, and collaboration with brokers and developers. The following are a few examples areas where staff engages with the purpose to stay abreast of retail trends, promote retail opportunities, and develop relationships with retail brokers:

- International Council of Shopping Centers (ICSC) – Opportunity to meet with commercial users, developers, and commercial real estate brokers who are expanding.
- Silicon Valley Business Journal Publications and events.
- Silicon Valley Economic Development Alliance Annual Conference
- On-going communication with commercial real estate brokers.
- On-going communication with property owners and developers.
- On-going communication and retention/expansion visits to key sales tax generators.
- Quarterly HDL Sales Tax Report Review
- Regular webinars focused on retail trends and analysis.

Next Steps

The City Economic Development staff will continue to prioritize the retention and development of commercial retail users across the City to generate new and increased sales tax that is critical to the fiscal sustainability of the City. City staff continue to bring forward its recommendations on policies, incentives and zoning changes that best support the growth of sales tax, transient occupancy tax (TOT), and property tax to support the General Fund and long-term fiscal sustainability.

CHOOSE MORGAN HILL



850 Lightpost
3.39 acres
56,000 total sq. ft.
Divisible by 2 tenants



18635 Madrone
5.0 acres
99,300 total sq. ft.
Divisible by up to 3 tenants



Jarvis #1
2.32 acres
42,000 total sq. ft.
Divisible by up to 4 tenants



Jarvis #2
2.4 acres
46,000 total sq. ft.
Divisible by 2 tenants



760 Jarvis
2.65 acres
44,000 sq. ft.
Designed for 1 tenant



755 Jarvis
14.7 acres
260,000 sq. ft.
Existing Building, ready now



Jarvis #3
7.0 acres
129,000 sq. ft.
Divisible by 2 tenants

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Morgan Hill is a sophisticated Silicon Valley community that supports industry and innovation with over 6.5 million SF of industrial, R&D, and manufacturing space in three large business parks. With 150 acres of vacant industrial land and over 1 million SF of new Class A industrial buildings in the pipeline, Morgan Hill is ready for your company's relocation or expansion.

Morgan Hill has a significant employment base in advanced manufacturing and wholesale, with projected growth in health, education, finance, insurance, real estate, and information technology. The city's location in south Silicon Valley offers a reverse commute and access to our region's best amenities—providing an ideal balance between jobs, housing, recreation, and open spaces.

Companies located in Morgan Hill:

Anritsu, Specialized Bicycle Components, Toray Advanced Composites, Wolfspeed, Phoenix DeVentures, Paramit and Sakata Seeds.

Learn more at ChooseMorganHill.com



BY THE NUMBERS

20%
of jobs are in Manufacturing

150
acres of vacant industrial land available for job growth

1,500
businesses

18,000
employed residents

1
million square feet of new speculative Class A industrial development

6.5
million square feet of built industrial space

CHOOSE MORGAN HILL



760 Jarvis
44,000 SF
Entitled
Construction Ready



Butterfield 5 Tech Park
324,645 SF
4 Class A Industrial Buildings
Available Now



Cochrane Tech Center
501,314 Total SF
5 Class A Industrial Buildings
Under Construction



755 Jarvis
260,000 SF
High End Adv Mfg Building
Available Now

A FLOURISHING CENTER OF INDUSTRY

Morgan Hill is a sophisticated Silicon Valley community that supports industry and innovation with over 7.1 million SF of industrial, R&D, and manufacturing space in three large business parks. With 90 acres of vacant industrial land and over 1 million SF of new Class A industrial buildings in the pipeline, Morgan Hill is ready for your company's relocation or expansion.

Morgan Hill has a significant employment base in advanced manufacturing and wholesale, with projected growth in health, education, finance, insurance, real estate, and information technology. The city's location in south Silicon Valley offers a reverse commute and access to our region's best amenities—providing an ideal balance between jobs, housing, recreation, and open spaces.

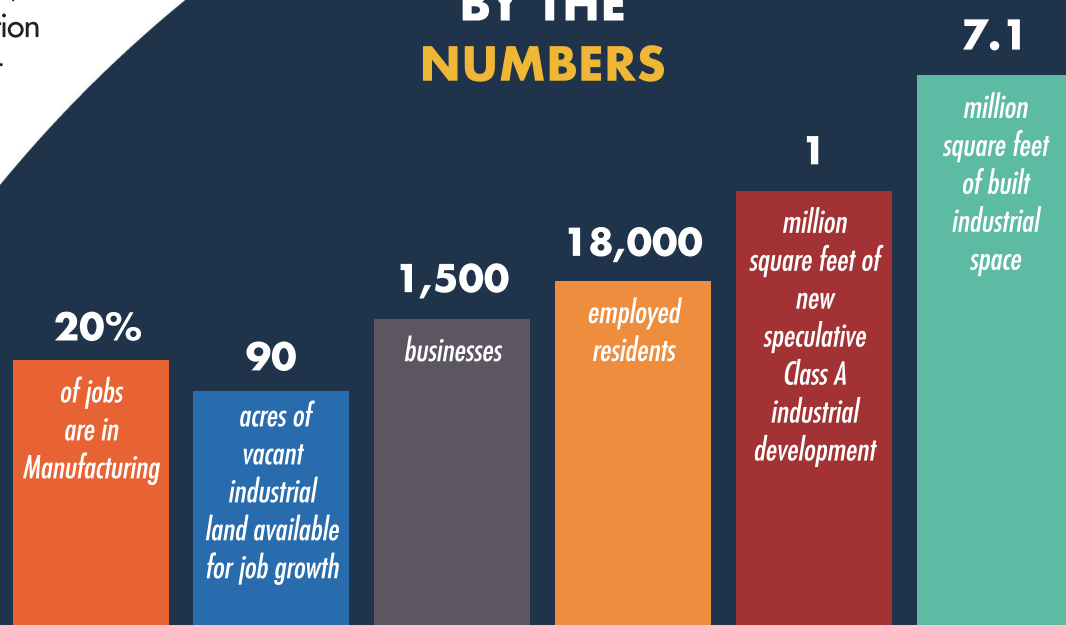
Companies located in Morgan Hill:

Anritsu, Specialized Bicycle, Toray Advanced Composites, Wolfspeed, Pinnacle Exhibits, Paramit, Shoe Palace, Sunbasket and Marki Microwave.

Learn more at ChooseMorganHill.com



BY THE NUMBERS





A true Silicon Valley
address with plenty
of room to grow.

MORGAN HILL

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Opportunity knocks.

Our growing community
has opportunities for
healthcare providers.

MORGAN HILL

Love where you work.

With a growing population, we're looking for urgent care and specialty clinics to open locations in Morgan Hill. If you haven't been to Morgan Hill lately, it's time to take a close look.

MORGAN HILL ECONOMIC DEVELOPMENT

"Priority zoning gives healthcare providers their choice of available land in 90% of our districts."

Edith Ramirez
Assistant City Manager

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- Community mindset toward healthy, active lifestyles
- Available workforce and housing, including affordable housing
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*Do you have a location in mind?
Use the Morgan Hill Permitting Portal
to check your proposed business for
zoning and use conformance,
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Scan the QR code to learn about
opportunities for new businesses.



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From the Silicon Valley Business Journal:

<https://www.bizjournals.com/sanjose/news/2022/07/29/morgan-hill-downtown-2022.html>

Here's what's new in Downtown Morgan Hill

Jul 29, 2022, 3:24pm PDT **Updated: Jul 29, 2022, 3:38pm PDT**

The Business Journal's List this week enumerates the biggest non-retail employers in Morgan Hill, largely a mix of manufacturers, construction firms and high-tech companies.

But this 45,000-resident city in southern Santa Clara Count also boasts a pedestrian-friendly, tourist-attracting downtown that has some buildings that are more than a century old. And that area appears to be thriving.

Morgan Hill's downtown strip — centered around Monterey Road between East Main Avenue and East Fifth Street — has added several new shops, eateries and a wine tasting room this year. At least one downtown establishment is planning to expand.

Here are some of the newer venues you can visit:



TOMAS OVALLE

Bartender Austin Gillespie pours a beer at The Running Shops and Hops, which used to be a running shoe store but morphed into a popular brewery in Morgan Hill.

Alara Cellars, 90 E. 3rd St., Suite 70: Janu Arasu began to explore wine making in 2013. Two years later, she produced her first vintage for Alara Cellars. She opened a tasting room elsewhere in 2017 but shut it down when the Covid-19 pandemic hit. Arasu opened its new downtown location in April. It's the only wine tasting room in Morgan Hill's center, she said.

"It feels great to reopen and it feels great to be a part of downtown Morgan Hill, especially now," she said. "It's just this next up-and-coming downtown area with a lot of new restaurants and new businesses. It feels good to be a part of it."

Colibri Gallery, 17505 Monterey Road: Longtime Morgan Hill residents Daniel and Kathy McCranie opened this art gallery and framing shop in Fall 2020. The business had its best month ever in April, gallery Director Ellie Honl said. She declined to say exactly how much revenue it made, but said it pulled in \$15,000 more than expected. With the wind at its back, Colibri, which has a focus on Bay Area artists, is getting ready to grow.

"We are going to be breaking ground this fall on a two-story, custom-designed building that will have an art gallery, wine bistro, event space and also space to hold art workshops," Honl said.

Urbn Ranch, 17270 Monterey Road, Suite 100: Erika Dellamaggiore opened this home and garden accessories store with her sister and mother in May. They wanted to create a shop where "people can come, chill out," said Dellamaggiore, a Morgan Hill resident for 32 years. The store has a vintage vibe with retro items, furniture, flowers and gifts.

"A lot of people say, 'I just want to hang out here.' That makes me happy," she said.

Tomas Ovalle

Staff Photographer

Silicon Valley Business Journal



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From the Silicon Valley Business Journal:

<https://www.bizjournals.com/sanjose/news/2022/08/04/morgan-hill-industrial-policy.html>

Morgan Hill carves industrial path to bring more advanced manufacturing to city (Video)

Aug 4, 2022, 7:00am PDT **Updated: Aug 4, 2022, 1:23pm PDT**

Editor's note: Join the Business Journal for a special virtual event Aug. 11 to hear more about Morgan Hill's approach to development. Register for the free event [here](#).

A few minutes north of Morgan Hill's downtown stand five new buildings in a 410,000-square-foot campus called the Butterfield 5 Tech Park.

It's everything the city of Morgan Hill wants: new industrial space for a region that's hungry for it, buildings that are suitable for advanced manufacturing and life-sciences uses with key amenities like numerous electric-vehicle charging stations. Plus, Butterfield 5 is something Morgan Hill's leaders definitely do not want it to be — a warehouse distribution center for the likes of Amazon.com Inc.



TOMAS OVALLE

The Butterfield 5 property at 18225 Butterfield Boulevard in Morgan Hill.

Trammell Crow, the Dallas-based commercial real estate developer, built Butterfield 5 before signing a tenant for the project. In June, as it finished construction, Trammell sold the development for \$111 million — more than \$291 a square foot — to Invesco Ltd., an Atlanta-based investment management company.

The addition of the industrial center wasn't just big for Morgan Hill, a city of 48,000 in the southern portion of Santa Clara County. It was the only new industrial development that came online in the second quarter in all of Silicon Valley at a time when demand for such space in the area outpaces available supply by millions of square feet.

"Morgan Hill is going to have attention for a good stretch," said Brian Matteoni, executive vice president of CBRE, which is handling leasing for Butterfield 5. "They have an existing base of occupiers, some blue-ribbon companies, that have already landed in the market over the years. So it's a proven sector of Silicon Valley."

The city has about 6.8 million existing square feet of industrial, R&D and warehouse space, according to the latest quarterly report from brokerage firm Colliers. That's about 2% of the entire industrial stock of Silicon Valley — in a city that's just under thirteen square miles in size.

With strong demand for industrial space in the region, real estate investors are being drawn to Morgan Hill, and the city government is augment its healthy retail sector with additional industrial employers.

"There's only so much retail that 48,000 people can support," said Matthew Mahood, the city's economic development director. He continued: "The more employers and employees that come into a city ... that's going to ultimately support additional commercial retail."

Manufacturing gets advanced

Located within the 380-acre Morgan Hill Ranch Business Park – the fifth largest business park in Silicon Valley – Butterfield 5 is just one of several recent industrial developments in the city. Among the others:

A 501,314-square-foot industrial development Trammel Crow is readying for construction on the eastern side of U.S. Highway 101, south of the Cochrane Road exit.

Silicon Valley Glass' 31,172-square-foot headquarters and manufacturing facility, which it completed last year.

Shoe Palace's newly built industrial and office building, which is nearly double the space of its previous headquarters next door. The shoe retailer sold that building — a 258,122-square-foot facility — in early June.

A joint venture of Ridge Capital Investors and Westbrook Partners paid about \$45 million, or \$174 a foot, for the Shoe Palace building, located at 755 Jarvis Dr. The purchase was the first in Morgan Hill for Ridge or Westbrook. The firms made the move to get closer to south Santa Clara County's manufacturing hub, said CBRE's Matteoni, who brokered the deal and is the property's leasing agent.

There's a lot of "truly organic growth" in advanced manufacturing happening in the area, said David Karol, Ridge's managing director. Companies that are already operating in Morgan Hill are continuing to expand there. That's helping spur demand for spaces like the former Shoe Palace headquarters, he said.

This momentum isn't by accident, city officials say. But it's starting to become self-sustaining. Investments by well known companies offers a signal to other businesses that the Morgan Hill market is maturing, said Edith Ramirez, who had Mahood's job before becoming assistant city manger.

"Our economic blueprint and our vision to support growth puts us in a position to attract investors like Trammell Crow," she said.

Ridge and Westbrook decided to buy an older property rather than developing a new one, because they could see a return more quickly, Karol said. Ridge Capital, Westbrook and the CBRE team are putting \$2 million into a renovation and expect to put it up for lease within a short window, he said.

But even as it stands, the property has a lot to like, Karol said. Originally constructed for Abbott Labs' manufacturing operations,

it has plenty of electrical capacity for cooling and to power operations and has copious amounts of parking for employees.

“Where can anyone get more than 200,000 square feet under one roof, with that sort of power, parking and cooling?” he said.

What the city doesn’t want

While Morgan Hill embraces its industrial sector, it’s saying no to warehouse distribution facilities.

“Morgan Hill has been more of a rural community for much of its history,” said Mahood. “The challenge that we have is protecting a very high quality of life that the residents have come to expect, while we also try to grow our employment base, and our revenue base.”

Mahood, who stepped into his job last summer after nine years as head of the Silicon Valley Organization, said that balancing act is what led to a “conversation about how we don’t want to be a distribution center city.”

In mid-March, the City Council adopted what it called an Industrial Preservation and Optimization Policy that would essentially eliminate the construction of any future large warehouse, distribution, or parcel sorting facilities in Morgan Hill. In November, city voters will decide if it stays.

The policy was part of a larger economic framework set up in 2017 to bolster advanced manufacturing — a natural goal given that 20% of Morgan Hill’s workforce already was in that sector, Ramirez said.

As the city matures, its industrial space is becoming more constrained and “severely” limited, said Nick Gaich, CEO of the Morgan Hill Chamber of Commerce.

“How we preserve that for our future economies is very important,” he said.

The city’s industrial policy imposes a number of restrictions — including new limits on dock door heights, door-to-square-foot-ratios and ceiling heights — as a way to guarantee that only new manufacturing and research-and-development projects get built.

“That really signals to the business development community that we’re going to prohibit future large distribution use,” Mahood said. “We are going to encourage advanced manufacturing uses.”

Part of that effort involves actively recruiting manufacturing companies to Morgan Hill, said Gaich, the founder of healthcare consulting firm Gaich and Associates, which is based in the city. Instead of Morgan Hill being seen as a “commuter town,” the policy aims to turn the city into a destination for employers and a potential home for their employees, he said.

“It’s a way to just memorialize the community’s intent with directly where we want to go,” said Gaich, who also co-owns Craft Roots, a vegan bar and grill in the city’s downtown.

“Preserving the industrial land that we have in front of us for advanced manufacturing, research, development, etc. is an important element of us continuing to grow and mature,” he said.

Supply and demand

Morgan Hill’s rise as an industrial hub comes as demand for such space throughout Silicon Valley keeps rising. Across the region, CBRE recently counted 44 potential tenants or companies shopping for space averaging at least 132,000 square feet. In total, demand for industrial space amounts to 5.8 million square feet, according to a CBRE report analyzing regional real estate in the second quarter. Yet there were only five properties with more than 100,000 square feet available for lease, the report stated.

Ridge Capital’s Karol expects demand to remain high. With dwindling land available for new ground-up development and rising construction costs, investors are trying to satisfy prospective tenants with existing industrial. “The supply is going to be a challenge in the near term,” Karol said.

Even existing industrial space is harder to find these days. In part that’s because of pressure to demolish and convert older industrial spaces to other “better and higher uses,” said Colin Yasukochi, CBRE’s executive director of the Tech Insights Center.

Industrial was previously considered a “lower value use” that many municipalities have not prioritized, because it’s low-density,

Yasukochi said. That perception is starting to change. “You could probably argue that these days, it’s the best performing property out there by far,” he said.

Rents are only expected to go higher because of the demand and supply imbalance, Yasukochi said.

At the end of the second quarter, Morgan Hill had both an 11.1% vacancy and availability rate, the second highest in the region. The only area to have more industrial space available was downtown San Jose, which has less than half of Morgan Hill’s overall industrial square footage.

While it’s one of the only cities left with industrial space, it’s also one of the cheapest places to lease such properties. The average rent there is \$1.25 per square foot, compared to \$1.43 a foot in North San Jose or \$1.63 a foot in Fremont, according to Jones Lang LaSalle Inc.

But these rents aren’t likely to stay low for long, said Karol. “We do see that the supply is not keeping up with demand – currently, historically, or going forward,” Karol said. “So we think [supply] will continue to cause upward pressure on rents as well.”

Even the economic uncertainty that’s hit many sectors of the economy isn’t enough to temper enthusiasm for Morgan Hill’s industrial market, Karol said. One reason for that is that manufacturing work has to be done on site. And having workers physically inside industrial facilities gives investors a more tangible idea of how these spaces are used, Karol said.

One of the final hurdles for Morgan Hill is a perception that the city is further away from the epicenter of Silicon Valley than it actually is, Ramirez said.

“For us, growing that connective tissue with the rest of Silicon Valley is interesting,” she said.

Chelsea Nguyen-Fleige

Reporter

Silicon Valley Business Journal



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From the Silicon Valley Business Journal:
<https://www.bizjournals.com/sanjose/news/2022/08/08/matthew-mahood-talks-morgan-hill.html>

Matthew Mahood reflects on a year spent as Morgan Hill's economic development director

Aug 8, 2022, 3:25pm PDT

Editor's note: Join the Business Journal for a special virtual event Aug. 11 to hear more about Morgan Hill's approach to development. Register for the free event [here](#).

Matthew Mahood has been leading Morgan Hill's economic development efforts for a little more than a year now.

In some ways, it was a big change from Mahood's last job. For nine years, he had been CEO of the Silicon Valley Organization, now known as the San Jose Chamber of Commerce. Mahood exited the SVO in October 2020 amid a controversy over a racist ad that was posted on the organization's website as part of its political action committee's campaign against a City Council candidate. *(Come back Tuesday for the second part*



TOMAS OVALLE

Matt Mahood, Morgan Hill's economic development director, is a big believer in the South County city.

of this interview, where Mahood talks about that incident and its aftermath.)

But in other ways, being Morgan Hill's economic development director is a kind of return to form for Mahood — the 56 year old has long been a business booster. That's largely what he did as head of the SVO and, for the nine years preceding that, as the CEO of the Sacramento Metropolitan Chamber of Commerce. In his latest role, he can also draw on his earlier business experiences; before his chamber days, Mahood was a top manager at Webvan Group Inc., BAX Global Inc. and FedEx Corp.

I chatted with Mahood earlier this month about his decision to take the Morgan Hill job and what the city is doing to encourage companies to do business there. The following excerpts were edited for length and clarity.

Before you took this job, what was your interaction with the city of Morgan Hill?

I'd had a long-standing relationship with the city and Edith Ramirez in the Office of Economic Development, because we had worked collaboratively on several projects. And I had met with several of their companies during my time with the (San Jose) Chamber of Commerce, coming down and meeting with their businesses.

When Morgan Hill put together their economic development blueprint, Edith actually came to me as a leader in the business community and said, "Hey, can I get some of your input on this process? And, what do you think should be some of Morgan Hill's priorities in economic development?"

I also spent some time coming down to Morgan Hill, as my wife and I liked to hike and get out and do things on the weekend. We had really kind of discovered downtown Morgan Hill several years ago. So, I kind of knew the community. I didn't know it in depth, but I knew the momentum and the energy that was developing in Morgan Hill.

How did the job come about?

It was probably, six, seven months after I left the SVO. I was doing a job search, and I saw a posting for an economic development

manager/director position in (the) city of Morgan Hill. I reached out to Edith and said, "Hey, what do you think? Do you think I'm a potential fit for this job?" I think her response was, "Are you kidding?" And I said, "No, I'm not kidding." And so, then she says, "Yeah, but there's a process." And I'm like, "OK."

Before I'd even applied for the job, we started having a conversation about me doing some consulting on a project that they were working on — their industrial preservation policy, where they needed some help. After that, I threw my name in the hat, and then went through their interview process, which was rigorous.

Was there a learning curve for you, shifting from a chamber of commerce to city work?

One year later, I'm still learning. I spent 32 years in the private sector, doing economic development and problem solving, always from an employer perspective or from a business perspective. Then to jump to the public side, seeing the processes and the policies, and understanding why those are in place, navigating that process from a city perspective, it's very different.

I think that's in part why they hired me, to bring this private-sector perspective. Morgan Hill is viewed as being business friendly, but how do you make it even more business friendly? How do you make it even more responsive? How do you look at processes to make them better and streamline them and kind of give it a private-sector perspective? But at the same time, you need to protect the interests of the city and the community.

How do you go about doing that, making Morgan Hill more business friendly?

As an organization, what's interesting is we're talking about our values. What's our belief system? We say we're business friendly, but what does that really mean? How quickly can we react when somebody brings in a plan for a building? Do we just check the boxes and give them the plan back and say, "Thanks, but this is what you need to go fix?" Or do we walk them through the process and help them solve for the problems that they might have in their development proposal?

I often use the example of a gentleman who I helped recruit when I was at the Sacramento Metro Chamber a long time ago. He had this mantra, "get the customer to success." So ultimately, what I want our mantra to be within City Hall is, "The business community, they are our customers. The developers, they are our customers. They're paying for services. They're paying for plan reviews and reports. How do we help them get to success?"

How do you encourage more industrial projects to move to Morgan Hill?

Unlike our neighbors to the north, we do have available land, and we actually do have some pretty large available properties now. There's a 260,000 square-foot-advanced manufacturing facility that's available now. You have 410,000 square feet at Butterfield 5 (Tech Park) where the shelves are built but they need some tenant improvements. But within six months with tenant improvements, boom, you're ready. That's not the case to the north. And the rents (here) are lower. And, look, it's 20 miles down the 101 to Morgan Hill, so it's a pretty quick drive. The business parks are right off the freeway, with easy access, and access to a workforce that's based in Morgan Hill.

Beyond industrial, how do you go about bolstering the city's hospitality industry?

Morgan Hill has some unique assets. We obviously are part of the Santa Clara County wine region. We have some amazing wineries and our first downtown tasting room. Also, Morgan Hill has a burgeoning and growing wedding venue industry and a downtown hotel that's getting back under construction later this fall. We are the home of Specialized Bicycle (Components), so we're building a brand around being a great place to come and bicycle.

And the last piece, I think, is the Sports Center in Morgan Hill. It's an outdoor recreational facility. It's got 10 full-size athletic fields for soccer. It has an aquatic center that's known for being very fast and a lot of records have been set there. The hosting of regional sporting events in Morgan Hill helps bring a lot of weekend stays into the community as well. And those folks like to go out and eat. They like to go do other activities.

Longer term, we're looking at how do we develop other recreational activities and utilize some of our other assets to build upon the agricultural roots of Morgan Hill to make it kind of a destination place to come visit.

J. Jennings Moss

Editor-in-Chief and General Manager
Silicon Valley Business Journal



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<https://www.bizjournals.com/sanjose/news/2023/10/13/morgan-hill-2023-real-estate-snapshot-special.html>

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'THE CITY CHECKS ALL OF THE BOXES'

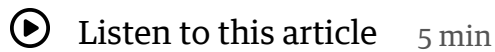
Morgan Hill is growing up but wants to maintain its small-town charm.

A woman walks down Monterey Rd. where many of the restaurants are situated in Morgan Hill.

TOMAS OVALLE / SILICON VALLEY BUSINESS JOURNAL



By [Kevin V. Nguyen](#) – Reporter, Silicon Valley Business Journal
Oct 13, 2023



Morgan Hill has been operating with the same economic blueprint since 2017.

The city has long been known as an emerging rural town with land and open space available for development. In recent years, city officials have focused on providing opportunities for its residents, old and new, to be able to work in town.

According to the city's office of economic development, more than 75% of Morgan Hill's nearly 50,000 residents leave the city to go to their jobs, usually heading north. In order to make the city less of a bedroom community, officials are focused on growing and providing space for four industries within its borders: industrial and advanced manufacturing, hospitality, retail, and health care.

"Morgan Hill has benefitted from having a clear economic plan," said Edith Ramirez, the city's assistant manager for community development. "That provided a clear path to advance zoning for sectors that the city wanted to support."

The fruits of that labor have appeared in the following:

- **Butterfield 5 Technology Park:** A recently completed five-building industrial campus, developed by Trammell Crow/CBRE and sold to Atlanta-based Invesco Ltd. last year for \$119 million.
- **Cochrane Tech at 101:** Another Trammell Crow/CBRE development that broke ground late last year and will contain more than 500,000 square feet of industrial space.
- **Hotel MOHI:** A five-story luxury boutique hotel to be located in the city's popular downtown. Paused during the pandemic, the project has recently gotten approvals and financing to expand from 60 to 73 guest rooms. Construction has resumed and is expected to be complete by December 2025.
- **Shoe Palace:** Sold its 258,122-square-foot headquarters and warehouse for \$45 million and moved into a brand new facility next door that's twice the size.

While Morgan Hill continues to enjoy steady population growth, it hasn't been immune from the recent economic slowdown that's affected the broader Silicon Valley region,

said Matthew Mahood, the city's economic development director. He pointed to the temporarily paused Hotel MOHI project.

"People with expansion plans started to move back on them," Mahood said.



Edith Ramirez is the City of Morgan Hill's Assistant City Manager for Development Services, overseeing the Development Services Department in Morgan Hill and Matt Mahood, Economic Development Director, City of Morgan Hill.

TOMAS OVALLE

The vacancy rate for industrial space in Silicon Valley held steady at below 3% in the third quarter, according to CBRE. But with the recent completion of Butterfield 5 with tenant signed yet and Shoe Palace's old headquarters now vacant and available for lease, that number has spiked to near 14% in Morgan Hill, Mahood said.

"We have the room for people to move into," he said. "Now, we just need them to do it."

Morgan Hill has enlisted CBRE to market those properties. The city's fundamental selling points remain strong, said Rob Shannon, an executive vice president at the brokerage. Shannon's team has been selling prospective companies located north on U.S. Highway 101 on the idea of relocating, he said.

“A space like (Butterfield 5) is huge for anyone that wants to scale or consolidate multiple operations,” Shannon told The Business Journal. He continued: “Morgan Hill (now) has the Class A space that can accommodate those demands.”

Among the things the city can accommodate are manufacturing of products related to artificial intelligence, data servers or electric car batteries, Shannon said.

“The city checks all of the boxes,” he said. “The average household income is high and the population is technical, which means a lot of smart people are choosing this place.”

Growth for whom?

More money making its way down south is good for business. But Morgan Hill can’t just focus on catering to the already affluent, said Mahood, who previously served as the CEO of San Jose’s Chamber of Commerce.

“We need affordable housing for our teachers and service workers, not just CEOs,” Mahood said.

If the city doesn’t make good on that commitment, state law may interfere with Morgan Hill’s carefully laid-out commercial plans.

Like San Jose to its north, Morgan Hill hasn’t yet gotten the state Department of Housing and Community Development to sign off on its blueprint for housing development for the next eight years. The state has directed the city to build 1,037 new homes by 2031. Morgan Hill has until the end of the year to get the state to approve its plan for developing those residences.

While it awaits that approval, it is subject to the so-called builder’s remedy, a process that limits cities’ ability to block residential projects as long as those developments include a certain amount of affordable housing. The builder’s remedy can be used to get around cities’ zoning rules or general plans.

Morgan Hill has already seen several proposals made under the provision, Mahood said.

“That is concerning,” Mahood said.

Still, he’s optimistic overall.

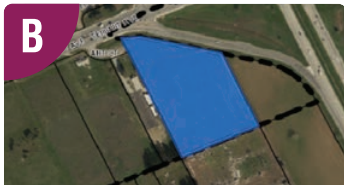
CHOOSE MORGAN HILL



4 HIGHWAY COMMERCIAL RETAIL SITES



A
Tennant & Butterfield
11.26 Acres
Highway Commercial - PUD
Owner: Bridge Group



B
Tennant & Hwy 101
5.97 Acres
Commercial/Industrial - PUD
Owners: Bridge Group



E
Cochrane & Hwy 101
29 Acres
Highway Commercial/
Commercial Office
Owner: Trammell Crow



F
Tennant & Juan Hernandez
6.8 Acres
Highway Commercial
Owner: D&D Ranch

CURRENT OPPORTUNITIES INCLUDE:

- **Cochrane Commons:**
Phase I: 11,512 SF • 10,000 SF • AVAILABLE NOW
Phase II Available Soon: 5,000 SF • 17,500 SF • 23,000 SF
- **Cochrane Plaza:**
25,580 SF • AVAILABLE NOW
- **Evergreen Village:**
39,914 SF • 52,267 SF • 68,410 SF • AVAILABLE NOW
- **Lawrence Oaks:**
26,324 SF • AVAILABLE NOW



Matt Mahood
Economic Development Director
matt.mahood@morganhill.ca.gov



Brittney Sherman
Economic Development Coordinator
brittney.sherman@morganhill.ca.gov

With a rapidly growing population, strong employment base, and over 1 million SF of new speculative Class A industrial development, Morgan Hill offers the ideal balance of jobs, housing, recreation and open space.

Learn more about other properties at **ChooseMorganHill.com**

17575 PEAK AVE • MORGAN HILL, CA 95037 • 408-310-4652



CHOOSE MORGAN HILL

A Silicon Valley Hot Spot

Morgan Hill is one of the fastest growing cities in Santa Clara! The Silicon Valley Business Journal has repeatedly reported on the City's rapid residential growth, thriving Downtown District, and booming industrial development. Dubbed a "hot spot" for residential development, Morgan Hill has more than 2,900 housing units currently approved for construction over the next two years. With a household income of \$163,972, more than 48-percent of residents holding a college degree, and a median home price of \$1.1M, Morgan Hill is the preferred place in Southern Silicon Valley to live, work, play and raise a family.

Morgan Hill's Downtown renaissance continues with the addition of new, unique, and award-winning restaurants and retailers. Downtown Morgan Hill will soon be adding

the EDES Fine Art Gallery and a 73-room full-service boutique hotel. While many downtowns struggled during the pandemic, Morgan Hill has flourished.

With a historically low industrial vacancy rate, the development of industrial zoned green space has intensified in Morgan Hill. Recent additions to Morgan Hill's industrial portfolio include the new 503,400 SF Shoe Place headquarters and the 410,000 sq ft Butterfield 5 Industrial Park. In addition, the City is processing permits for an additional 1M square feet of new Industrial development. All this means more jobs, more employees, and more residents citywide.

The future of Morgan Hill is bright. Come take a look and see why retailers, businesses and residents alike continue to "Choose Morgan Hill!"

PSYCHOGRAPHICS



Solid Prestige
10.9%



Top Wealth
24.1%



Affluent Households
24.8%

BY THE NUMBERS

- 2,900 housing units approved in the pipeline over the next two years
- 46,000 residents with consistent 2% annual growth
- \$163,172 Average Household Income
- 1 million visitors per year and dedicated tourism agency VISIT Morgan Hill
- Share trade areas with South San Jose, Gilroy, and Hollister

AVAILABLE VACANT LAND

LARGE RETAIL CENTERS

NEW HOUSING PROJECTS

- 1

Cochrane Commons Phase II - 498 Units
- 2

Butterfield Village - 389 Units
- 3

New Horizons - 284 Units
- 4

Crosswinds - 269 Units
- 5

Village at Madrone - 249 Units
- 6

Borello Ranch - 139 Units
- 7

Rosewood - 120 Units
- 8

Jasper - 101 Units
- 9

DeNova Homes - 93 Units
- 10

Morgan Hill Senior Housing - 82 Units
- 11

Royal Oak Village - 73 Units
- 12

Manzanita Park - 67 Units
- 13

The Magnolias - 66 Units
- 14

Latala - 49 Units
- 15

Andalusia - 46 Units

NEW PROJECTS

- 20

Golden State Assembly
Expansion 40,000 SF. Under Construction.
- 21

Cochrane Commons Phase II
Mixed-Use Project. Repositioning as Lifestyle center. Environmental Underway.
- 22

Techcon
45,000 SF of Manufacturing & Office. Approved.
- 23

B5 by Trammell Crow
410,000 SF New Industrial Park. Completed.
- 24

Evergreen Shopping Center
20 Acres, Holiday Inn Express Hotel, 7-11 Gas Station, Tenfold Senior Living, Starbucks & Taco Bell. Construction Underway.
- 25

Carpenters Training Center
55,000 SF. Completed 2022.
- 26

Shoe Palace HQ
Expansion, 500,000 SF. Completed 2022.
- 27

Applied Motion HQ
24,000 SF. Phase I Completed 2022.
- 28

Silicon Valley Glass
Expansion 31,000 SF. Completed 2022.
- 29

Redwood Tech by Trammell Crow
500,000 SF New Industrial Park. Under Construction.
- 30

Fine Art Gallery
6,600 SF. Under Construction.
- 31

Granada Hotel
73-room Boutique Hotel. Under Construction.
- 32

Level 10 Construction
79,000 SF Office & Warehouse. Completed.
- 33

Au Energy LLC
22,400 SF Industrial Buildings. Approved.
- 34

360,000 SF
(5) New Spec Light Industrial Buildings
- 35

Rosewood
120,000 SF Medical/Hospital Site and 120 Residential Units. Approved.



DOWNTOWN MORGAN HILL

RESTAURANT AND RETAIL



The City of Morgan Hill is committed to ensuring its current and future residents are provided access to diverse housing options.

The City’s housing mission is to improve, preserve, and create safe, quality housing for residents at all income levels and provide both rental and ownership opportunities.

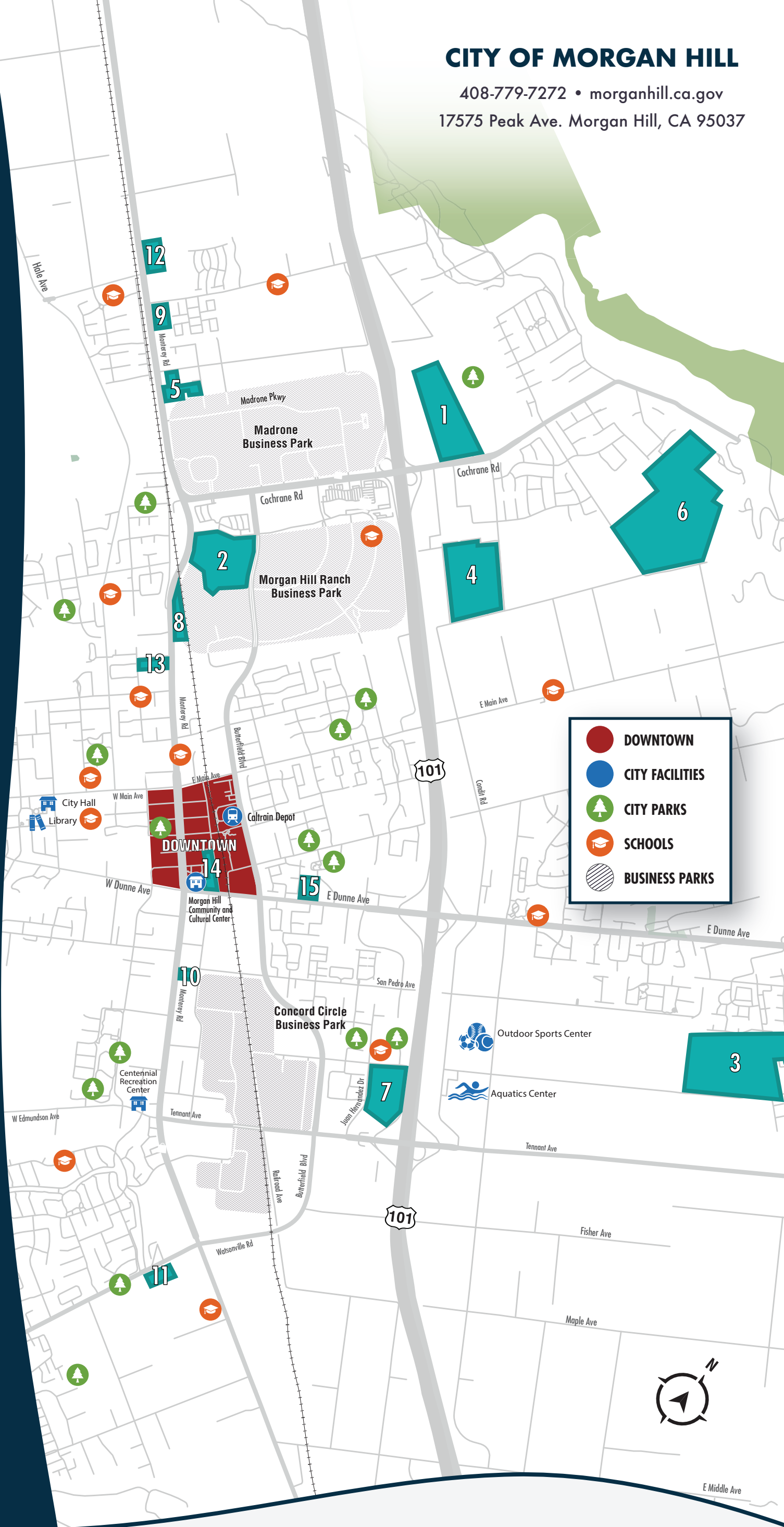
Morgan Hill is a community of approximately 47,000 residents. There are 15,233 housing units in the community of which 2,429 are rentals. The City manages a robust Below Market Rate inventory of 615 units. There are approximately 835 units processing entitlements with a total of 2,900 units in the pipeline.

HOUSING PROJECTS

- 1 Cochrane Commons Phase II - 498 Units
- 2 Vida - 398 Units
- 3 New Horizons - 320 Units
- 4 Crosswinds - 269 Units
- 5 Jemcor - 249 Units
- 6 Borello Ranch Estates - 243 Units
- 7 Rosewood - 120 Units
- 8 Jasper - 101 Units
- 9 DeNova Homes - 93 Units
- 10 Morgan Hill Senior Housing - 82 Units
- 11 Royal Oak Village - 73 Units
- 12 Manzanita Park - 67 Units
- 13 The Magnolias - 66 Units
- 14 The Lumberyard - 49 Units
- 15 Andalusia - 46 Units

THE 5 PILLARS OF HOUSING

-  Production of New Affordable Housing Units
-  Preservation of Existing Affordable Housing Inventory
-  Promotion of Housing Programs
-  Prevention of Homelessness
-  Protection of Quality of Life for New and Existing Neighborhoods



2,900
Housing Units
in the Pipeline

835
Processing
Entitlements

615
Affordable Units
(includes extremely low, very
low, and low-income units).

HOUSING PROJECTS

KEY WITH DEFINITIONS

Processing Entitlements: The project is in the process to seek City approval for its proposed development.

Processing Building Permits: The project is in the process of obtaining construction documents/permits.

Approved: The project has acquired all permits required to start construction.

1

Cochrane Commons Phase II
by Browman Development

Description: Mixed-use project with up to 498 multi-family and rental units (75 affordable), and up to 135,000 SF of commercial.

Status: Processing Entitlements

2

Vida
by MBK Rental Living

Description: 398 Rental units (78 affordable), located between Monterey Road & Butterfield Boulevard.

Status: Under Construction

3

New Horizons
by Morgan Hill Devco

Description: Mixture of 320 single-family units (46 affordable), located on Hill Road & Barrett Avenue.

Status: Processing Entitlements

4

Crosswinds
by Dividend Homes

Description: 269 Multi-family units (40 affordable), located by Half Road to the east.

Status: Processing Entitlements

5

Jemcor
by Jemcor Development Partners

Description: 249 Rental units (100% affordable), located along Monterey Road at Madrone Parkway.

Status: Under Construction

6

Borello Ranch Estates
by Toll Brothers

Description: 243 Single-family units, located south of Cochrane Road between Peet Road and Half Road.

Status: Approved

7

Rosewood
by Brookfield

Description: 120 Multi-family units (9 affordable), located on the southeast quadrant of Juan Hernandez & Barrett Avenue.

Status: Processing Building Permits

8

Jasper
by Trumark Properties

Description: 101 Multi-family units (15 affordable) and 2,900 SF of commercial retail, located at 18110 Monterey Road.

Status: Under Construction

9

DeNova Homes
by DeNova Homes

Description: 93 Multi-family units (14 affordable), located at 19380 Monterey Road.

Status: Approved

10

Morgan Hill Senior Housing
by Beacon

Description: 82 Age-restricted rental units (100% affordable), located on Monterey Road & San Pedro Avenue.

Status: Under Construction

11

Royal Oak Village
by UHC

Description: 73 Rental units (100% affordable, 36 units dedicated to farm worker housing) located along Watsonville Road, south of Monterey Road.

Status: Under Construction

12

Manzanita Park
by North Corridor Investors

Description: 67 Multi-family units (10 affordable), located on Monterey Road & Tilton Avenue.

Status: Approved

13

The Magnolias
by First Community Housing

Description: 66 Rental units (100% affordable), located at 17965 Monterey Road.

Status: Approved

14

The Lumberyrd
by Van Daele

Description: 49 Multi-family units and 3,076 SF office space in conjunction with the realignment of Depot Street, located on the East side of Depot Street.

Status: Under Construction

15

Andalusia
by Dividend Homes

Description: 46 Single-family residential units (4 affordable).

Status: Processing Building Permits



2024 City Council Annual Goal Setting Workshop



February 2 and 3, 2024

WELCOME



ICE BREAKER



Workshop Agenda



Friday, February 2nd – Day 1

- 2023 Accomplishments
- 2022-2023 Sustainable Morgan Hill
- 2022-2023 Strategic Priorities Workplan
- Future Council Initiated Agenda Items
- Remote Public Comments and Public Video
- Financial Update
- Development Services Fund and Housing Laws

Workshop Agenda



Saturday, February 3rd – Day 2

- Recap of City Council Goal Setting – Day 1
- 2024-2025 Sustainable Morgan Hill
- Youth Sports and Recreation Tourism
- Economic Development



SUSTAINABLE MORGAN HILL



Vision

To sustain a safe, inclusive, socially responsible, environmentally conscious, and economically sound community.



Choose Morgan Hill

The City of Morgan Hill is the best community for people to live, work, visit, and operate their businesses.



City Council Ongoing Priorities

- * Enhancing Public Safety and Quality of Life
- * Protecting the Environment and Preserving Open Space and Agricultural Land
- * Maintaining and Enhancing Infrastructure
- * Supporting our Youth, Seniors, and Entire Community

- * Fostering a Positive Organizational Culture
- * Preserving and Cultivating Public Trust
- * Preserving our Community History
- * Enhancing Diversity and Inclusiveness
- * Advocating for Local, Regional, and State Legislative Initiatives



2022-2023 Strategic Priorities

- * Fiscal Sustainability
- * Affordable Housing and Homelessness
- * Community Outreach, Engagement, and Messaging

- * Economic Development
- * Transportation



These strategic priorities were established prior to the COVID-19 pandemic. In light of recent events, we recognize that all of these goals and priorities will be viewed through the lens of recovering from the global pandemic, and we will continue to have equity, public health, and financial responsibility in mind.



Sustainable Morgan Hill



City Council Ongoing Priorities

- Enhancing Public Safety and Quality of Life
- Protecting the Environment and Preserving Open Space and Agricultural Land
- Maintaining and Enhancing Infrastructure
- Supporting our Youth, Seniors, and Entire Community
- Fostering a Positive Organizational Culture
- Preserving and Cultivating Public Trust
- Preserving our Community History
- Enhancing Diversity and Inclusiveness
- Advocating for Local, Regional, and State Legislative Initiatives

Sustainable Morgan Hill (Cont'd)



2022-2023 Strategic Priorities

- Fiscal Sustainability
- Affordable Housing and Homelessness
- Community Outreach, Engagement, and Messaging
- Economic Development
- Transportation

League of California Cities 2024 Advocacy Priorities



1. Safeguard local revenues and bolster local economic development.
2. Strengthen climate change resiliency and disaster preparedness.
3. Improve public safety in California communities.
4. Expand investments to prevent and reduce homelessness and increase the supply of affordable housing.

Cities Association of Santa Clara County



- Public Safety
- Sustainability and Resiliency/Climate Change
- Housing and Homelessness
- Mental Health
- Older Adults

Review of 2022-2023 Strategic Priorities Workplan



City of Morgan Hill Strategic Priorities Workplan 2022-2023

Strategic Priorities 2022-2023							Status	Complete for In Process Act
#	Activity Goals	Fiscal Sustainability	Affordable Housing & Resilience	Community Engagement & Access	Economic Development	Transportation		
40	Implement a highly available and manageable network architecture to achieve sustainability, reduced complexity, regulatory compliance, security, and resiliency	X					Complete	100%
41	Complete management and installation of WAVE broadband connectivity to all City buildings	X		X			Complete	100%
Development Services								
42	Create and implement Citywide Outdoor Dining Manual	X		X	X		Complete	100%
43	Re-establish a PBID in Downtown	X			X		Complete	100%
44	Manage Auto Dealer and Fee Freeze Programs to attract new investment	X			X		Ongoing	
45	Create Hotel Development Incentive strategy and policy	X	X		X		Complete	100%
46	Implement Economic Development Outreach Campaign to attract new advanced manufacturing, office, innovation, and medical users	X			X		Ongoing	
47	Create Retail Concentration Strategy	X			X		Complete	100%
48	Update Housing Element for 2023-2031 and respond to RHNA Goals		X	X			Complete	100%
49	Update Circulation, Infrastructure and Safety Element			X		X	Commencing Soon	
50	Prepare Environmental Justice Element			X			Commencing Soon	
51	Prepare I/O-S-VMT Model and policy guide					X	In Process	90%

2022-2023 Strategic Priorities Workplan

Review Future Council Initiated Agenda Items



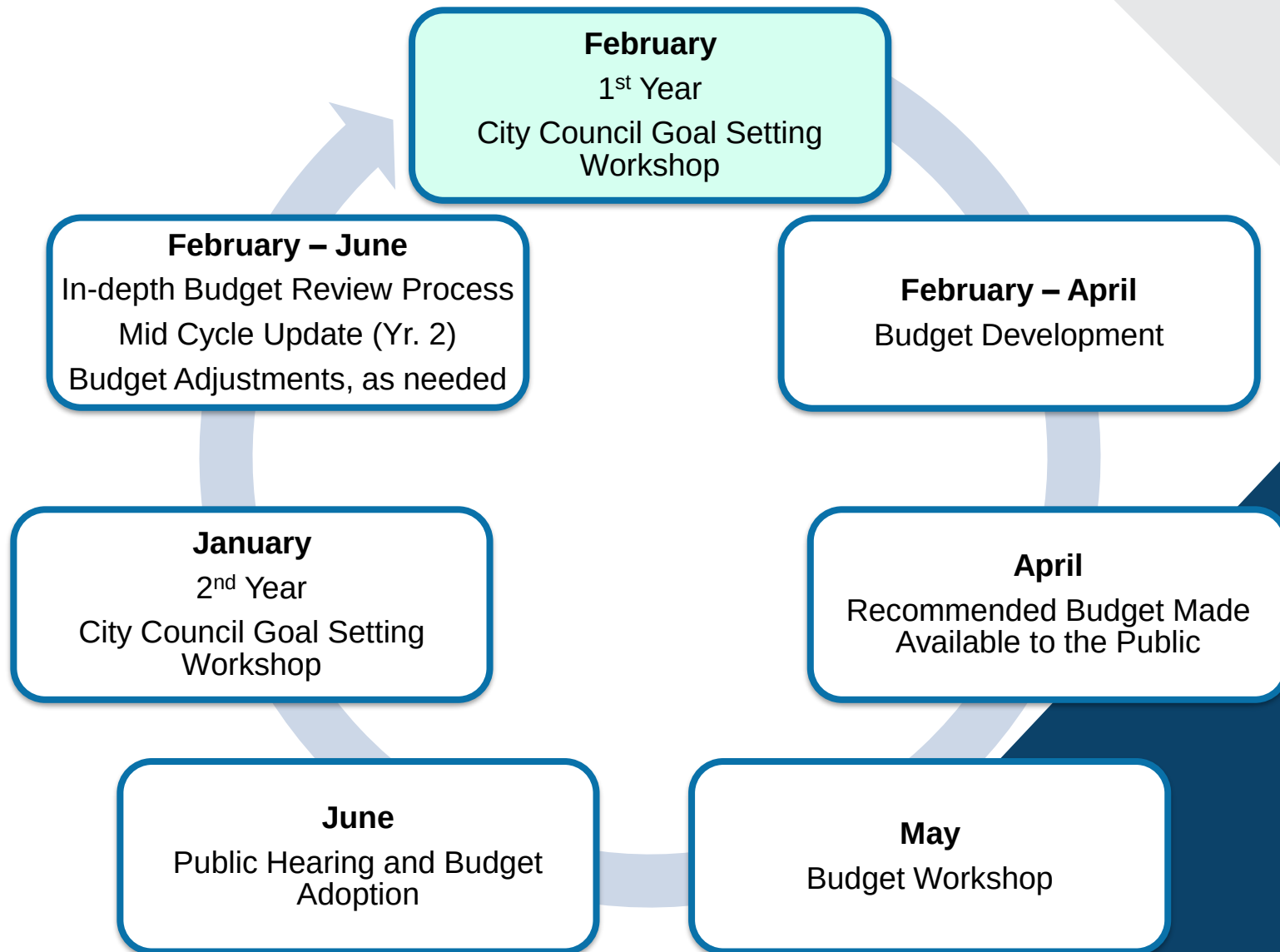
Remote Public Comments & Public Video



Fiscal Years 2024-2026 Budget Planning



2 Year Budget Process



Key Budget Dates



- City Council Goal Setting – February 2 and 3
- Budget Community Townhall – March 18 or 25
- Planning Commission Meeting – Review of CIP – conformance with General Plan – April 9
- Parks and Recreation Commission Meeting – Review of CIP – April 16
- Recommended Budget to City Council and Community – April 26
- Recommended Budget Presented to City Council – May 1
- Budget Community Townhall – May 11 or 18
- City Council Budget Workshop – May 22
- City Council Budget Public Hearing – June 19

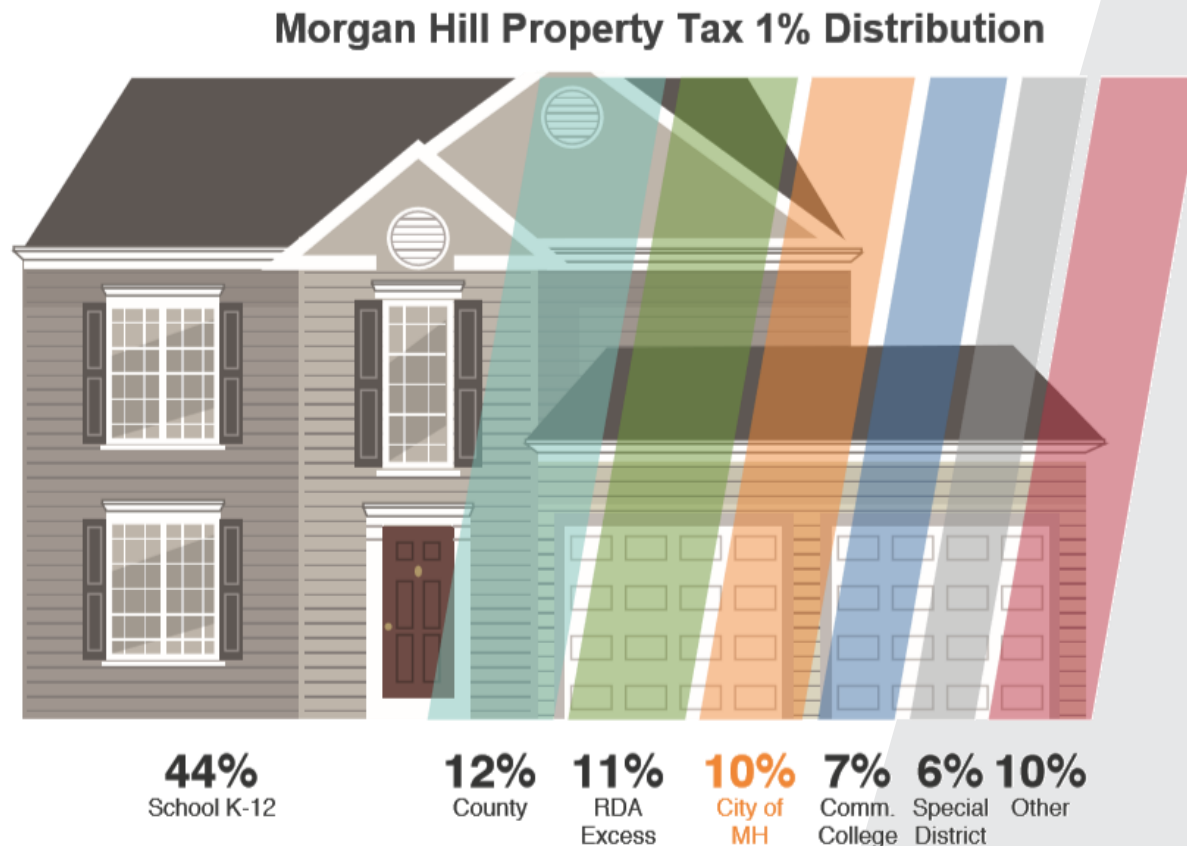
General Fund Budget – Big Picture



- Tax revenue growth rate is decreasing
- Recreation revenue gradually restoring to pre-COVID levels albeit slower than expected
- Expenses increasing due to inflation, contractual increases, and new MOUs
- Continued conservative spending

General Fund – Property Tax

FY 2023-24 = ~~\$18.8M~~ **\$19.0M**, 35% of GF



General Fund – Property Tax (cont.)

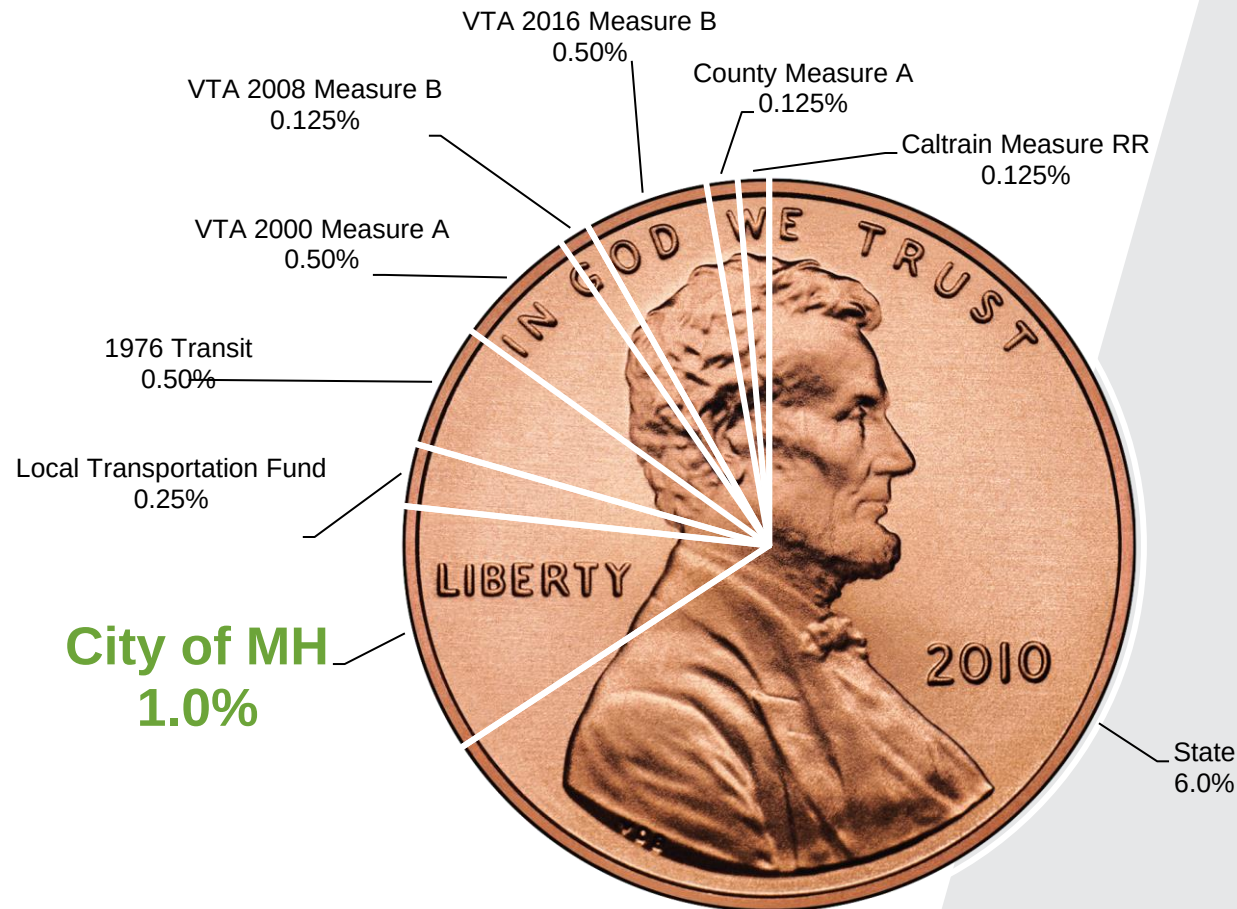


- Includes excess ERAF of \$2.4 million
- Potential negative impact from the Governor's latest budget of about 8% or \$200K/year
- Potential negative impact from SCO audit (current and retroactive) adjustment to excess ERAF of about \$2.0 million

General Fund – Sales Tax

FY 2023-24 = ~~\$12.7M~~ **\$12.6M**, 24% of GF

Allocation of Sales Tax Rate (Current Sales Tax Rate 9.125%)



General Fund – Recreation Services

FY 2023-24 = ~~\$7.1M~~ **\$7.0M**, 13% of GF

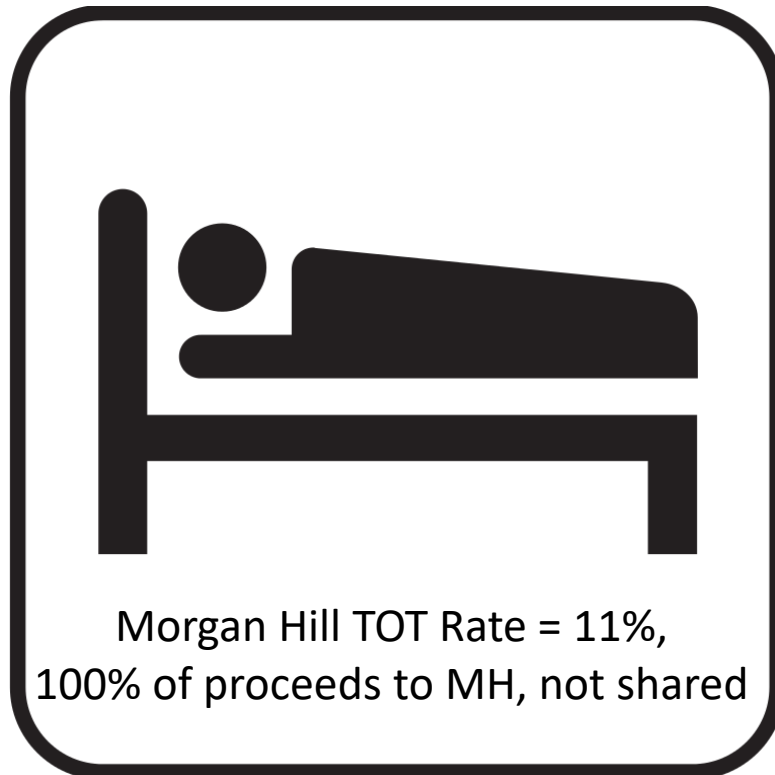
Recreation

- Facility Rental Fees
- Recreation Membership Fees
- Classes



General Fund – Transient Occupancy Tax

FY 2023-24 = ~~\$2.8M~~ **\$2.6M**, 5% of GF

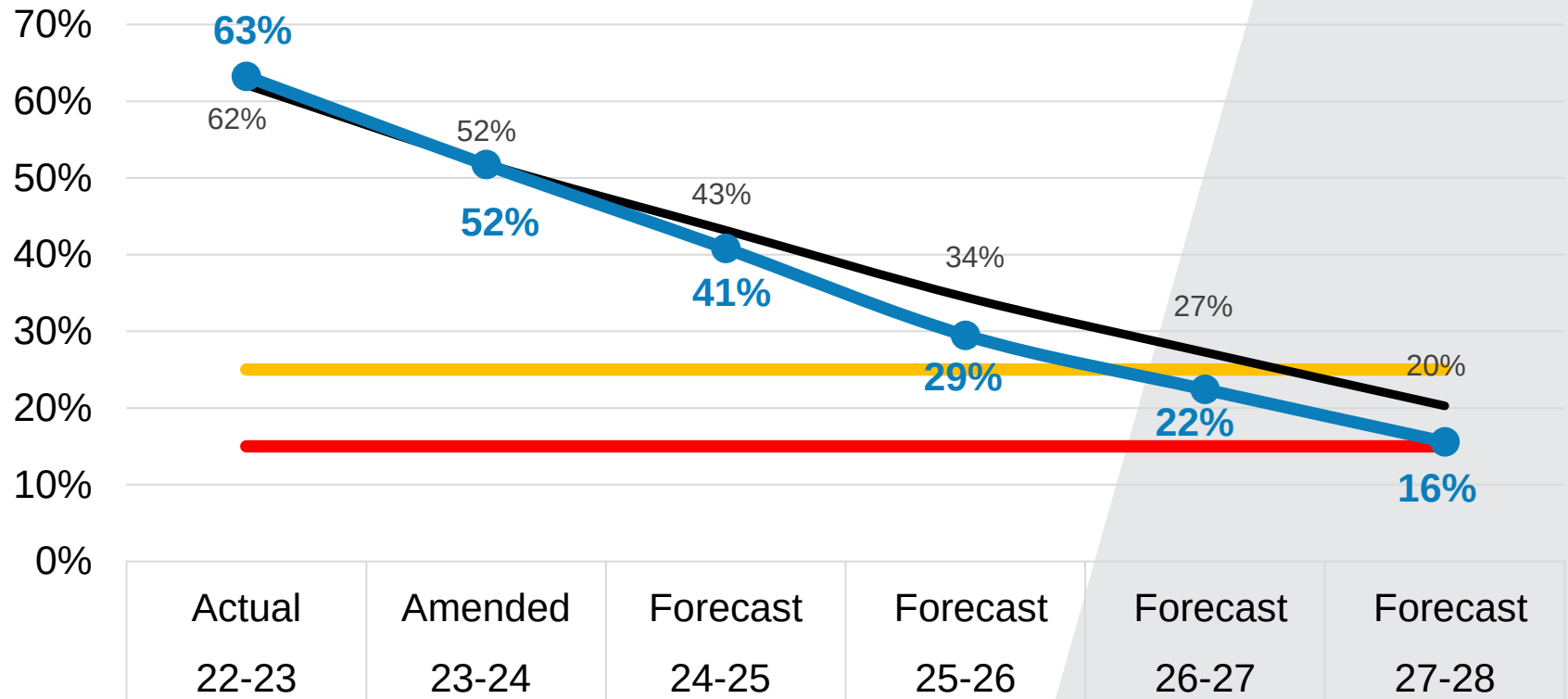


Enterprise Funds Update



- Both Water and Sewer operations revenue are tracking budget
- Finalizing sewer rate study

Updated General Fund Forecast



— Fund Balance Min. Level 15% of Revenues

— Fund Balance Goal 25% of Revenues

— GF Forecast at August 23, 2023

●— GF Forecast at January 8, 2024

Discretionary Revenues



Definition: Discretionary Revenues



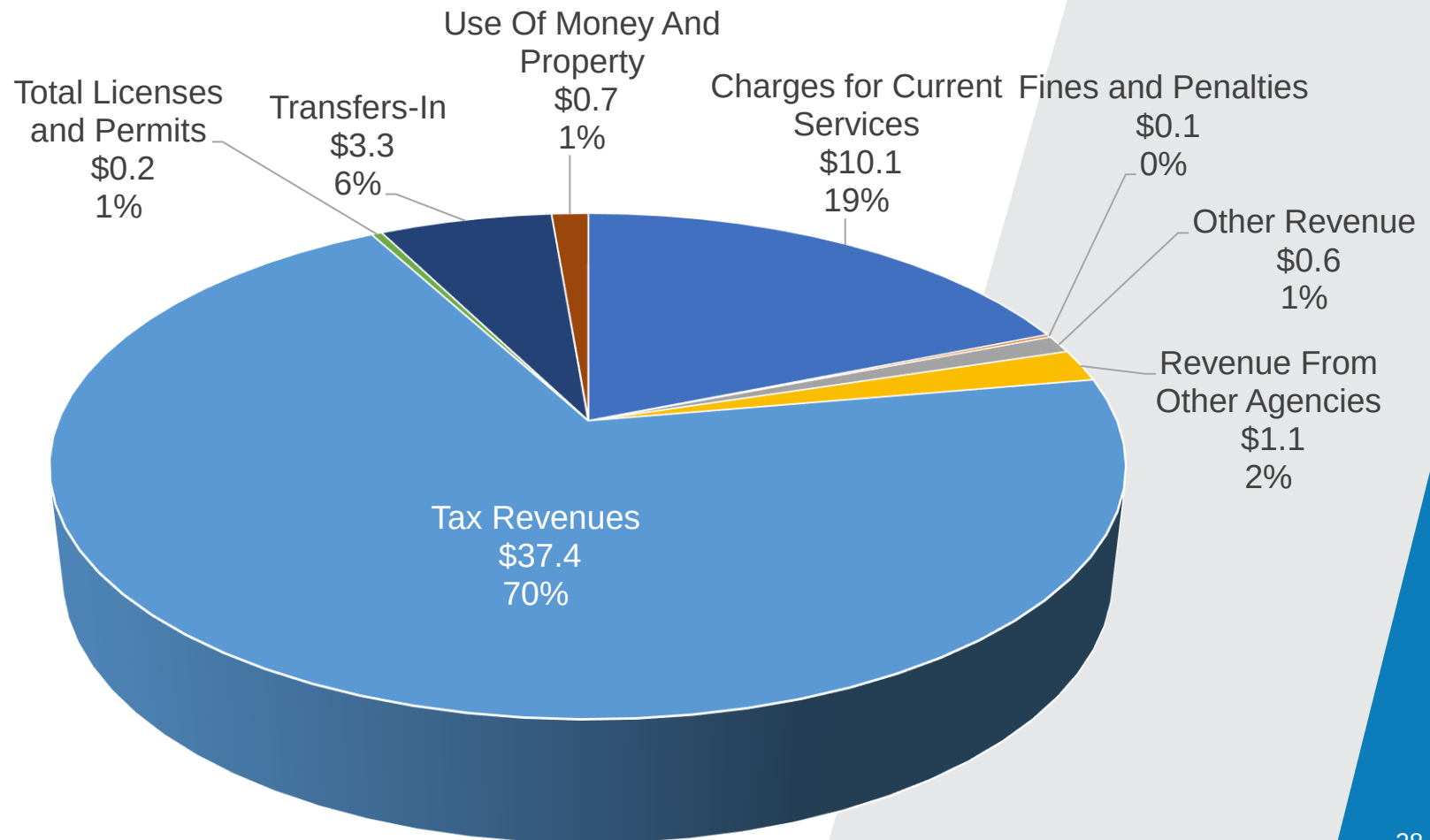
Resources that are not legally restricted for certain uses and can be allocated based on City Council priorities. This generally includes tax revenue such as property, sales, hotel, and business license, and the General Fund's unrestricted fund balance.

This is revenue that the City Council can allocate as it desires to fund local priorities.

General Fund: Discretionary Revenues



FY 2023-24 GF Amended Budget: \$53.5M



Local Government Priorities



City

- Municipal Services: police, fire, animal control, parks, public works, water, wastewater, solid waste, community services and general governance.
- Regulations: Land use, building, codes, etc.

County

- Welfare & Social Services
- Courts and Criminal Justice System
- Municipal Services & Regulations for the unincorporated areas

Funding for Municipal Services



Primary Funding Sources:

- Police – City General Fund (Taxes)
- Fire – City General Fund (Taxes)
- Pavement Rehab – Statewide Gas Tax, Regional Sales Tax, City General Fund (Taxes)
- Street Maintenance – Statewide Gas Tax, City General Fund (Taxes)
- Park Maintenance – City General Fund (Taxes)
- Downtown Maintenance – City General Fund (Taxes)
- Water/Wastewater – (Fees)
- Solid Waste – Franchise (Fees)

Unfunded General Fund Needs



- Additional staffing to keep up with growth
- Public Safety equipment replacement
- Revenue loss from RDCS suspension

Funding for Municipal Services



Other Services Funded from the General Fund

- Economic Development
- Recreation – Non-Cost Recovery (Senior Center and Teen Center)
- Environmental Services
- Community Promotions/Partner Organizations

Fiscal Sustainability Briefing



Sustainable Morgan Hill

Fiscal Sustainability Definition

The City will continue to be financial stewards of its resources and assets to ensure long-term fiscal sustainability. Through the budget development process, the City, within the fiscal sustainability path, will prudently carry out the City Council's priorities, while maintaining adequate fund balance reserves. The City will continue to explore new or expand existing revenue sources to ensure fiscal sustainability.

Steps Taken



- Updated Budget Policy to set aside budget savings
- Formed the PBID to help support the growing needs of Downtown
- Regularly review and update fees as necessary to catch up with costs and needs

Opportunities and Challenges

- Ongoing inflation pressures
- Slow to outright recession forecast in the near term
- The City's need for services increases as the City continues to grow

Ongoing Workplan



- Continue to seek grant funding opportunities
- Identify new revenue sources to fund City services in the medium to long-term
- Maintain focus on cost containment
- Negotiate fiscally responsible labor agreements
- Prioritize Economic Development opportunities that create jobs, revenue, and enhance quality of life

Questions?



CITY OF MORGAN HILL

Development Services Fund



Phases of Development Process



Phases of Development Process

- Project timelines typically range between 2-5 Years
- 206 Fund supports planning, building, land use engineering
- Funds received at 3 stages of development process only
- Not all services are cost recovery

Development Fund Challenges



Structural

- 206 Fund inherently designed with peaks and lows in budget due to timing of projects
- Many services not funded or adjusted
 - pre-development
 - certain fees
 - appeals
 - counter service
 - public information
 - non-project related work
- Fee schedules lag behind actual costs
- Legislative mandates & review schedules

Economy

- Development is cyclical and unpredictable
- Bigger and more complex projects
- High interest rates
- Lack of materials, workforce and overall high construction costs
- Slow down of home repair projects

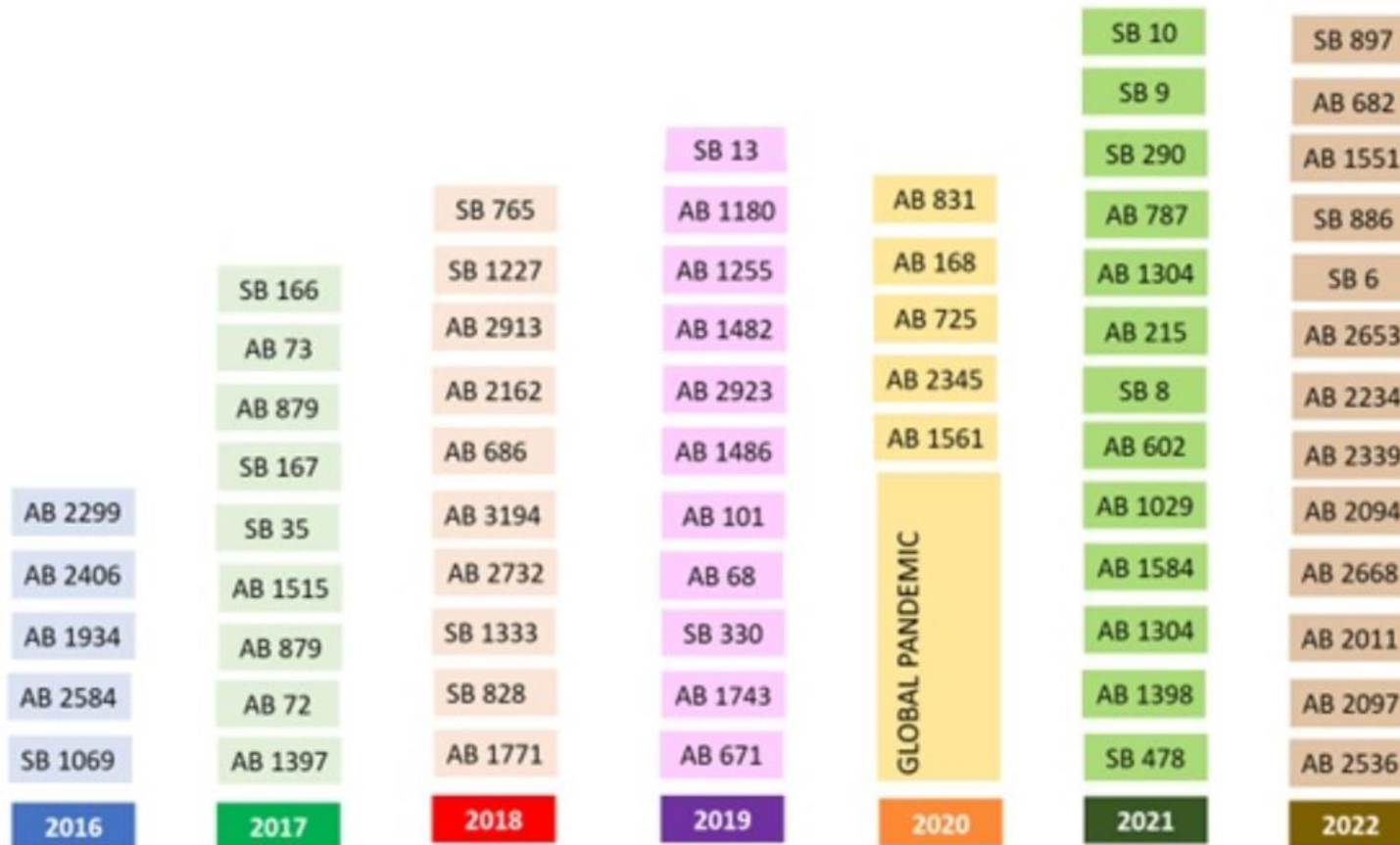
Questions?



Housing Laws Update



New Housing Laws



2023

56 new laws signed!

SB423 - SB 35 Update



- Extends SB35 to 2036
- Expands to localities where HCD has not approved housing element for the 6th and 7th cycles
- Revises fire hazard area exclusions and specifies mitigation measures
- Rental projects required to:
 - Provide at least 10% of units at 50% AMI
 - Comply with local inclusionary that requires greater than 10% at 50% AMI
- Eliminates authority to conduct public oversight over project
- Requires local agency to hold public comment meeting before project application in moderate- or low-resource areas or areas of high segregation and poverty
- Authorizes CA Department of General Services to determine SB 35 compliance and eligibility for developments on land owned by or leased to state

AB 1218 - Replacement Housing



- Requires a project that will require the demolition of occupied or vacant protected units to:
 - Replace all existing or demolished protected units,
 - Include a minimum amount of residential units,
 - Allow existing occupants to occupy their units until 6 months before the start of construction activities, and
 - Provide relocation benefits to the existing occupants of any protected units that are lower income households
- Right of first refusal for a comparable unit available in the new housing development to the existing occupants of any protected units that are lower income households
- Must develop replacement housing prior to or concurrent with development project and in same jurisdiction
- May contract with another entity to develop replacement housing

SB 684 - Subdivisions for Up to 10 Lots/Units



Ministerially consider, without discretion or review hearing, subdivision map that meets 12 criteria

Key points:

- Results in ≤ 10 lots or housing units
- Multifamily zone
- Not larger than 5 acres
- New lots not smaller than 600 sq ft
- May impose objective zoning, subdivision or design standards, unless project cannot achieve 30 units/acre
- Must issue building permit based on subdivision map without a final map. May require that certificate of occupancy will not be issued unless final map recorded
- Must approve or deny an application within 60 days of complete application, no action = deemed approved

EFFECTIVE JULY 1, 2024

SB 4 - Affordable Housing on Faith and Higher Education Land



- Housing project to be a “use by right” on land owned by independent institutions of higher education or religious institutions
- Property must be owned before 1/1/2024
- 100% Affordability Requirements - up to 20% moderate income
- Permitted ancillary uses on ground floor depending on zone type
- Allowed Density – 30 units/acre in residential zone, 40 units/acre in non-residential zone
- One story above max height allowed on parcel or if adjacent parcel allows taller, the taller height
- Time constraints for consistency and approval or deemed approved
- Bill sunsets 1/1/2036

AB1490 - Extremely Affordable Adaptive Reuse



- Allows conversion of motels, hotels, transient lodging, etc. to extremely low-income housing
- Must meet following criteria:
 - Restrict 100% of units to lower-income and at least 50% to very low-income (subject to recorded deed restriction)
 - Not on or adjoined to site with industrial use
 - If ≥ 50 units must provide onsite management services
 - Does not eliminate any existing open space on parcel
- Must provide disapproval determinations within:
 - 60 days for projects ≤ 150 units
 - 90 days for projects > 150 units
- May impose objective design standards except:
 - Any maximum density or maximum floor area ratio requirements
 - Any requirement to add additional parking or open space

CEQA and Housing



AB 1449 – Affordable Housing Exemption

- Exempts affordable housing projects from CEQA (financing, lease or sale of property, etc.) - even legislative actions
- Qualifying project must meet 10 criteria, including
 - 100% affordable to lower income households, except for managers' units

AB1633 - CEQA Violations treated as Housing Accountability Act (HAA) Violations

- Defines “disapprove the housing development project” as also including any instance in which a local agency fails to make a determination of whether the project is exempt from CEQA or fails to adopt a negative declaration or addendum for the project, to certify an environmental impact report for the project, or to approve another comparable environmental document, if certain conditions are satisfied

AB 1287 Density Bonus Law changes: Increased Density and Incentives

Creates a new stackable density bonus (bonus on top of bonus) specifically designed to facilitate construction of middle-income housing and additional very low-income housing

- Provides the first opportunity to receive a density bonus for moderate income rental units
- Project must propose to construct sufficient very low-income, low-income, or moderate-income units to achieve a 50% base density bonus (i.e., 15% very low-income, or 24% low-income, or 44% moderate-income)
- Option to commit to constructing additional very low-income or moderate-income units as part of the project and receive an additional density bonus at specified percentages
- Project could obtain a 100% density bonus if providing the required percentage of affordable units

AB 713 - Revised Definitions of Maximum Density and Development Standard

- “Maximum allowable residential density” or “base density” means the greatest number of units allowed under the zoning ordinance, specific plan, or land use element of the general plan
- “Development standard” includes a development standard adopted by local initiative or by referendum

AB1332 – Pre-Approved Accessory Dwelling Units



- Local agencies must adopt a preapproval program for accessory dwelling units by 1/1/2025
- Program must
 - Accept plan submissions for preapproval without restricting who may submit plans
 - Review based on the standards in Government Code Section 65852.2
 - May charge applicant for the preapproval of plans same fees as an applicant seeking approval of an ADU
 - Must post the preapproved plans and applicant contact information on agency's website, plans must be removed from website within 30 days of receiving a request from applicant
- 30-day review period for detached accessory dwelling unit application using preapproved plans

Accessory Dwelling Units



AB 976

- Owner occupancy prohibition made permanent

AB 1033

- Separate sale - local agencies can adopt an ordinance to permit the separate conveyance of an accessory dwelling unit from the primary dwelling unit
- The ordinance must include 5 requirements defined in the statute

Parking

AB894 – Shared Parking

- Property owner can enter into shared parking agreements with others and shared parking counts towards development's required parking
- Requirements:
 - At least 20% of a development's parking is not occupied
 - Contiguous, within 2,000 feet (walking route), or shuttle
 - Noticing/meeting requirements – unless City passes process ordinance
 - Can require recordation

AB1317 Unbundled Parking

- Residential developments with 16+ units must “unbundle” parking from the lease of a residential unit
- Applicable to residential developments issued a certificate of occupancy after 1/1/2025
- Applicable in several counties, but only in Alameda and Santa Clara Counties in Bay Area

Questions



CITY OF MORGAN HILL

City Council Goal Setting Workshop Day 2



SUSTAINABLE MORGAN HILL



EDITS?



Vision

To sustain a safe, inclusive, socially responsible, environmentally conscious, and economically sound community.



City Council Ongoing Priorities

- * Enhancing Public Safety and Quality of Life
- * Protecting the Environment and Preserving Open Space and Agricultural Land
- * Maintaining and Enhancing Infrastructure
- * Supporting our Youth, Seniors, and Entire Community



2022-2023 Strategic Priorities

- * Fiscal Sustainability
- * Affordable Housing and Homelessness
- * Community Outreach, Engagement, and Messaging



These strategic priorities were established prior to the COVID-19 pandemic. In light of recent events, we recognize that all of these goals and priorities will be viewed through the lens of recovering from the global pandemic, and we will continue to have equity, public health, and financial responsibility in mind.



Choose Morgan Hill

The City of Morgan Hill is the best community for people to live, work, visit, and operate their businesses.

- * Fostering a Positive Organizational Culture
- * Preserving and Cultivating Public Trust
- * Preserving our Community History
- * Enhancing Diversity and Inclusiveness
- * Advocating for Local, Regional, and State Legislative Initiatives

- * Economic Development
- * Transportation



Sustainable Morgan Hill



City Council Ongoing Priorities

- Enhancing Public Safety and Quality of Life
- Protecting the Environment and Preserving Open Space and Agricultural Land
- Maintaining and Enhancing Infrastructure
- Supporting our Youth, Seniors, and Entire Community
- Fostering a Positive Organizational Culture
- Preserving and Cultivating Public Trust
- Preserving our Community History
- Enhancing Diversity and Inclusiveness
- Advocating for Local, Regional, and State Legislative Initiatives

Sustainable Morgan Hill (Cont'd)



2022-2023 Strategic Priorities

- Fiscal Sustainability
- Affordable Housing and Homelessness
- Community Outreach, Engagement, and Messaging
- Economic Development
- Transportation

Youth Sports & Recreation Tourism Outlook





CITY COUNCIL GOAL STUDY SESSION

Economic Development Strategy

February 3, 2024

Page 167 of 233

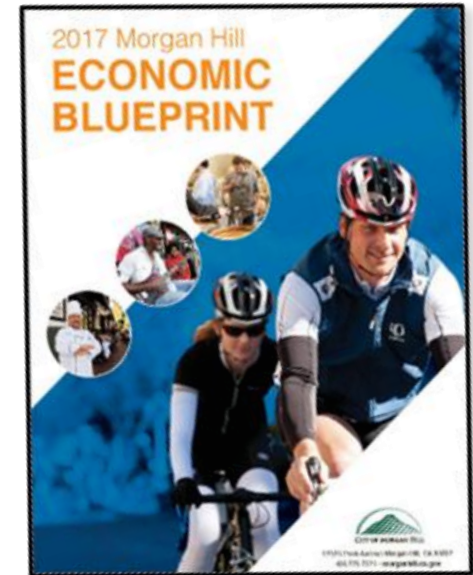
| Economic Development

The City's Economic Development efforts focus on implementing the 2017 Economic Blueprint strategies and actions to help build long-term fiscal sustainability and improve quality of life for residents. This will be achieved by attracting jobs and commercial investment which generate revenues to support essential City services and improve critical City infrastructure.

| 2017 Economic Blueprint

The Blueprint is founded on guiding principles from the General Plan, Morgan Hill 2035, and incorporates feedback from over 400 residents, businesses, and community leaders over a 2-year long collaborative process.

The Blueprint is intended to further the Community's quality of life by attracting investment, development, and jobs that will ensure continued economic prosperity.



A CLEAR VISION



SPECIFIC STRATEGIES AND ACTIONS

- Four Industries
- 13 Strategies
- 35 Action Items
- ✓ 85% Complete

INDUSTRY	Action Item	STRATEGY & ACTION ITEMS	STATUS	COMMENTS
INNOVATION & ADVANCED MANUFACTURING		PRESERVE INDUSTRIAL LANDS		
	1	Adopt an Employment (Industrial) Land Preservation Policy	Complete	
	2	Strengthen General Plan Language to Prevent Conversion of Industrial Lands		
		IMPROVE AND FACILITATE DEVELOPMENT OF CRITICAL INFRASTRUCTURE		
	3	Create a Telecommunications Master Plan to Improve Access to Fiber	Complete	Shifted from MP to implement actions under the guidance of the Telecommunication Report.
		ATTRACT DEVELOPMENT		
	4	Update Zoning Code and Parking Requirements to Modernize		
		RETAIL FLEXIBILITY		
	13	Develop a Retail Concentration Strategy	Complete	
	14	Continually Revisit Retail Industry Trends & Requirements	On-going	
	15	Pursue Sports Recreation Uses as Anchor Tenants, increase Permitted Use Allowance up to 15k sq. ft.	Complete	
	16	Re-evaluate and Propose Changes to Shopping Center - Site Specific Zoning Requirements	On-going	
RETAIL	17	Update Zoning to Allow Incidental Wine, Beer and Alcohol Tasting		
		FOSTER AND SUPPORT DEVELOPMENT		
	18	Upgrade the Outdoor Sports Center & Aquatics Center (Infrastructure & Amenities)	On-going	Master Plan Update completed, improved lighting and grass.
	19	Develop a Financing Plan to Construct and Operate New Sports/Recreation Facilities		
		SUPPORT LODGING		
	20	Ensure General Plan and Zoning Code Address Bed & Breakfasts, Airbnb and Hotel Development		Amend Zoning Code to allow B&B in residential areas.
	21	Develop Plan to Help Upgrade or Transition Aging Hotel Facilities	On-going	Hotel Incentive Plan complete. Some redevelopment limited by FAR or Zoning.
	22	Identify Pre-Approved Lodging Sites	Complete	Only 4 sites allow hotels by right.
		LEVERAGE RESOURCES THROUGH PROFESSIONAL LINKAGES AND PARTNERSHIPS		
	23	Work with Hotels to Develop a Tourism Based Improvement District (TBID) to help Finance Capital Improvements to Sports Recreation Facilities and to Promote and Market the Region	Complete	TBID is not funding capital improvements
	24	Collaborate with Regional Partners to Enhance Branding, Marketing and Promotions or Regional Assets	On-going	
		SUPPORT A TOURISM ENVIRONMENT		
TOURISM	25	Target Retail Attraction to Sport Recreation, Entertainment, Boutique and Food Retailers	On-going	
	26	Continue to Create A Lively Downtown with Entertainment Offerings	On-going	Updating Entertainment and Noise Ordinance
		EXPAND LOCATIONS OF WHERE MEDICAL USES ARE ALLOWED		
	27	Ensure General Plan & Zoning Code Allow Medical Uses	Complete	
		ACTIVELY PROMOTE LOCATIONS FOR MEDICAL USES		
	28	Identify & Market Pre-Approved Medical Sites	On-going	
	29	Increase Outreach and Engagement with Medical Service Providers	On-going	On-going activity
	30	Create & Implement a Targeted Marketing Campaign	On-going	
		FOSTER AND SUPPORT DEVELOPMENT		
	31	Upgrade the Outdoor Sports Center & Aquatics Center (Infrastructure & Amenities)	On-going	Master Plan Update completed, improved lighting and grass.
	32	Develop a Financing Plan to Construct and Operate New Sports/Recreation Facilities		
	33	Ensure General Plan and Zoning Code Address Bed & Breakfasts, Airbnb and Hotel Development		Amend Zoning Code to allow B&B in residential areas.

TANGIBLE PERFORMANCE METRICS

	Success Metric Indicator	2017 Baseline	Jan-24
Maintain Quality Of Life	Unemployment Rate for Residents of Morgan Hill	4.1%	4.00%
	Jobs/Housing Ratio	1.42	1.54
	Number of Retail Businesses in Morgan Hill	112	103
Fiscal Sustainability And Resilancy	Amount of Annual Sales Tax Revenue (Millions)	\$9.49	\$12.60
	Amount of Annual Property Tax Revenue (Millions)	\$10.68	\$19.00
	Amount of Annual TOT (Millions)	\$2.74	\$2.60
	Commercial Vacancy Rate	5.2%	5.3%
Job Growth	Amount of Total Jobs in Morgan Hill	15,700	18,985
	Business to Business Revenue (Millions)	\$1.18	\$1.17
	Number of Medium Sized Companies	115	125
Tourism	Percentage of Residents That Work in Morgan Hill	28.0%	35.0%
	Number of Hotel Rooms Available for Occupancy	898	898
	Hotel Occupancy as Reported by Hoteliers	70.0%	65.3%

- Sales Tax increased by 32.8%
- Property Tax increased by 77.9%
- Local jobs grew by 20.9%



CHOOSE **MORGAN HILL**

BLUEPRINT HIGHLIGHTS

INNOVATION & ADVANCED MANUFACTURING

- 1M SF of new built Industrial space
- 500K SF under Construction
- 500K SF in Entitlement Process
- Local companies expanding: GSA, Lin Engineering, Marki Microwave, Paramit, Pinnacle, Techcon Construction, Silicon Valley Glass, Sunbasket, Toray Advanced Composite
- New companies: Applied Motion, Duke Empirical, HCT, Level10 Construction, Medius, Micro-Mechanics
- Adopted an Industrial Preservation & Optimization Policy
- Multiple Fee Freeze & Fee Financing Agreements

INNOVATION & ADVANCED MANUFACTURING



INNOVATION & ADVANCED MANUFACTURING FOCUS

- Attract innovation & advanced manufacturing companies
- Support entitlement and permitting process of expanding businesses
- Support entitlement of pipeline development
- Protect remaining industrial land



| RETAIL

- Completed Monterey Corridor Study Including Retail Capacity—informs Retail Concentration
- COVID-19 Business Recovery
- Outdoor Dining Program
- Consideration of Downtown Lane Reduction & Beautification
- Outdoor Retail Market—Sidewalk Saturdays
- Created Downtown Property Based Improvement District (PBID)
- Downtown Activations
- Supported a number of new retail tenant attractions



MORGAN HILL al FRESCO

Guide for Temporary Outdoor Dining & Retail Activation



| RETAIL



| RETAIL FOCUS

- Identify and recruit new retail
- Focus on auto dealers and hotel development
- Downtown Improvements with PBID
- Continue retail incubation activities



| HEALTHCARE

- Renovation of DePaul Medical Center
- Updated Zoning Code
- Expanded medical uses in Light Industrial
- Approved 150K SF for new medical

Focus:

- Support the Rosewood Medical Center
- Continue marketing and attraction of medical users



DePaul Medical Center



Rosewood Medical Center

| TOURISM

- Created & renewed Tourism Business Improvement District (TBID)
- Completed draft of Condit Road Sports Facilities Master Plan
- Collecting TOT from Short Term Rentals
- Co-produced award-winning Tourism video
- Supported VMH strategic planning and marketing
- Approved additional room inventory for Downtown boutique hotel
- Created Hotel Incentive Program (HIP)
- New Holiday Inn Express on Cochrane Rd. under entitlement



| TOURISM FOCUS

- Grow and diversify hotel/lodging room inventory
- Explore opportunity for Bed and Breakfast
- Encourage & incentivize hotel development
- Promote music & entertainment
- Support the investment of sport and recreation facilities
- Support completion of Downtown boutique hotel and fine-art gallery



| SWOT ANALYSIS

Strengths

- Destination for Industry with Available Industrial Inventory
- Economic Engines: TBID and PBID
- Thriving and Active Downtown
- Available Commercial Properties
- Economic Development Vision/Strategy

Weaknesses

- High Cost of Impact Fees on Greenfield Development
- Lack of Available Space in Downtown
- Population under 50,000
- Current Market and Economic Conditions
- Expensive to Build (Cost of Construction, High Interest Rates)

Threats

- Loss of Job and Revenue-Generating Lands
- Impacted City Review Process
- Business Unfriendly Image

Opportunities

- Downtown Hotel & Gallery
- Newest Industrial Buildings in Region
- DePaul Renovation & Rosewood Medical
- Hotel Incentive Program
- Auto Overlay Zone & Incentives
- Place-Branding Activities to support Tourism (music, entertainment, maker's retail, outdoor living, art, sports-recreation, etc.)
- ELEVATE Morgan Hill - Economic Mobility

| ECONOMIC DEVELOPMENT ON-GOING WORK PROGRAM

Business Retention & Expansion

- Business Support, Tools, Resources & Information
- Businesses of all sizes and all industries

Marketing & Promotion

- Website, Blogs, Social Media, eNewsletter, Advertising, Conferences, Events, Presentations, & Community meetings

Support Development & Investment

- Ombudsman, Grants, Tax Programs, Broker Communication

Policy & Programs

- Incentives, Zoning, Research & Studies

Strategic Efforts

- 
-
- Updating Floor Area Ratio (FAR)
 - Updating parking requirements
 - Updating PDs
 - Expanding Zoning Overlays
 - Updating Entertainment & Noise regulations
 - Promoting workforce development and economic mobility activities

| POLICY CONSIDERATIONS

1. Does the Council feel the Economic Blueprint remains a relevant & viable economic development strategy for the City of Morgan Hill?
2. Does the Council continue to prioritize and support Economic Development as a strategic priority for the City?
3. Does the Council want to support policies and programs to help the development of commercial and industrial lands?
4. Should concessions given to housing projects also be given to commercial and industrial development?



CHOOSE **MORGAN HILL**

QUESTIONS?



Significant Project Updates



Phases of Development Projects

- **Processing Entitlements-** The project is in the process to seek City approval for its proposed development.
- **Processing Building Permits-** The project is in the process of obtaining construction documents/permits.
- **Approved-** The project has acquired all permits required to start construction.
- **Under Construction-** The project is under construction.
- **Complete-** Project construction is finalized and ready for occupancy or is occupied.

Development Projects



[Link to Morgan Hill's Development Projects](#)

Residential Projects

Commercial Projects

Industrial Projects

Other Projects

Residential Projects



Vida (Butterfield Village Apartments)

Description:

- 398 Rental units (78 affordable)

Location:

- 25 Acres, located between Monterey Road & Butterfield Boulevard, South of Jarvis Drive & North of Digital Drive

Status:

- Under Construction



Jemcor (Monterey-Miner)

Description:

- 249 Rental units (100% affordable)

Location:

- 7.5 Acres, located along Monterey Road at Madrone Parkway

Status:

- Under Construction



Borello Ranch Estates (Cochrane-Toll Brothers)

Description:

- 243 Single-family residential units

Location:

- 122 Acres, located South of Cochrane Road between Peet Road and Half Road

Status:

- Under Construction



Rosewood- Residential (Lillian Commons)

Description:

- 120 Multi-family units
(9 affordable)

Location:

- 19.67 Acres, located on the Southeast quadrant of Juan Hernandez and Barrett Avenue

Status:

- Under Construction



Monterey-Jasper Trumark

Description:

- 101 Multi-family units (15 affordable) and 2,900 SF of commercial retail

Location:

- 5.67 Acres, located on 18110 Monterey Road, adjacent to the intersection of Monterey and Old Monterey Roads

Status:

- Under Construction



Morgan Hill Senior Housing

Description:

- 82 Age-restricted rental units (100% affordable)

Location:

- 2 Acres, located by Monterey Road, San Pedro Avenue, and Church Street

Status:

- Under Construction



Royal Oak Village (Watsonville Hordness)

Description:

- 73 Rental units (100% affordable, 36 units dedicated to farm worker housing)

Location:

- 7.64 Acres, located along Watsonville Road, South of Monterey Road

Status:

- Under Construction



The Lumberyard (Depot-Latala)

Description:

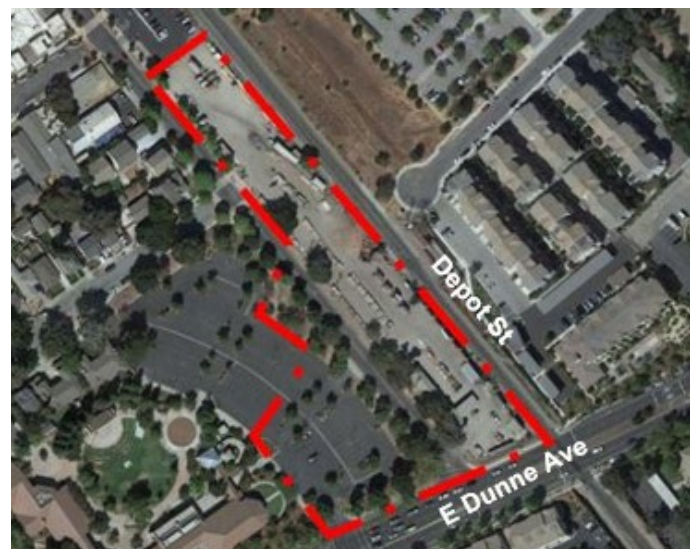
- 49 Multi-family units and 3,076 SF office in conjunction with realignment of Depot Street

Location:

- East side of Depot Street, north of East Dunne Avenue

Status:

- Under Construction



Crosswinds (Half-Dividend)

Description:

- 269 Multi-family units (40 affordable)

Location:

- 31 Acres, located by Half Road to the East, Mission Boulevard and De Paul Drive

Status:

- Processing Building Permits



Denova Homes (Monterey-Kerley)

Description:

- 93 Multi-family units (14 affordable)

Location:

- 4.6 Acres, located at 19380 Monterey Road

Status:

- Processing Building Permits



Spring-Giancola

Description:

- 23 Single-family units (3 affordable)

Location:

- 2.7 Acres, located on Spring Avenue and Lone Hill Drives, 335 Spring Avenue

Status:

- Processing Building Permits



Manzanita Park

Description:

- 67 Multi-family units (10 affordable)

Location:

- 5.8 Acres, located by Monterey Road and Tilton Avenue

Status:

- Processing Building Permits



Tennant Square (Tennant-Osito)

Description:

- 16 Multi-family units (2 affordable)

Location:

- 0.99 Acres, located on Tennant Avenue, between Church Street and Vineyard Boulevard

Status:

- Processing Building Permits



Cochrane Commons (Phase 2)

Description:

- Master-planned Mixed-Use Project with up to 498 multi-family units and rental units (75 affordable) and up to 135,000 SF of commercial

Location:

- 33.5 Acres, located on the North-West corner of highway 101 & Cochrane Road

Status:

- Phase 2 Planned Development Entitlements complete
- 108-unit residential project processing entitlements



Magnolias (Monterey-First Community Housing)

Description:

- 66 Rental units (100% affordable)

Location:

- 1.5 Acres, located at 17965 Monterey Road, near Wright Avenue

Status:

- Entitlements Approved



The Gates (Monterey-City Ventures)

Description:

- Mixed-use Project consisting of 49 multi-family units (7 affordable) and 5 commercial flex units

Location:

- 3.8 Acres, located on the southwest quadrant of Monterey Road and Cochrane Road

Status:

- Entitlements Approved



New Horizons (Hill, Morgan Hill Devco, LLC)

Description:

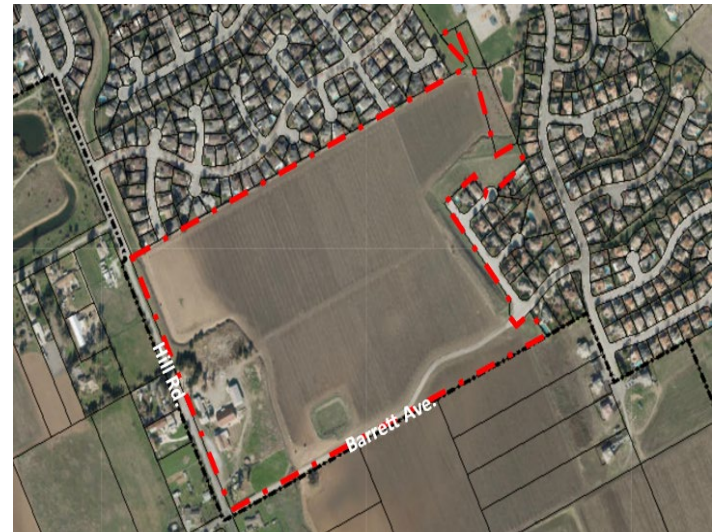
- 338 Multi-family units, including 76 age-restricted units (51 affordable)

Location:

- 69.43 Acres, located Northeast quadrant of Hill Road and Barrett Avenue

Status:

- Processing Entitlements



Commercial Projects



Edes Gallery (Monterey-McCranie)

Description:

- 6,600 SF Building for a Fine-art Gallery

Location:

- 0.115 Acres, located on the Southwest corner of Monterey Road and 2nd Street in Downtown

Status:

- Under Construction



Hotel MOHI

Description:

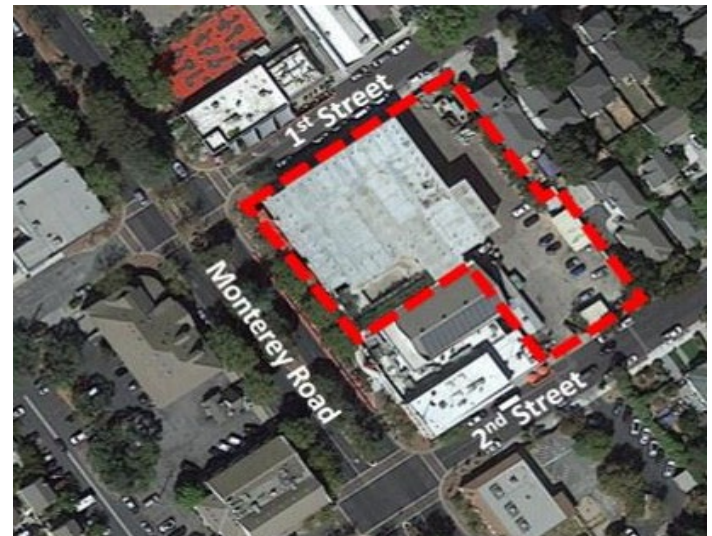
- 73-Room Boutique Hotel

Location:

- 1.09 Acres, located on East of Monterey Road between 1st and 2nd Street

Status:

- Under Construction



East Dunne-Au Energy

Description:

- A request for a CUP to remodel the existing gas station to include a larger convenience store with additional pump stations

Location:

- Southeast corner of East Dunne and Walnut Grove, 810 East Dunne Ave

Status:

- Processing Building Permits



Catalyst Kids

Description:

- 8,420 SF Child- Care Facility

Location:

- .57 Acres, located on the Northwest corner of Barrett Avenue & Butterfield Boulevard

Status:

- Processing Building Permits



Luxe at Monterey Road

Description:

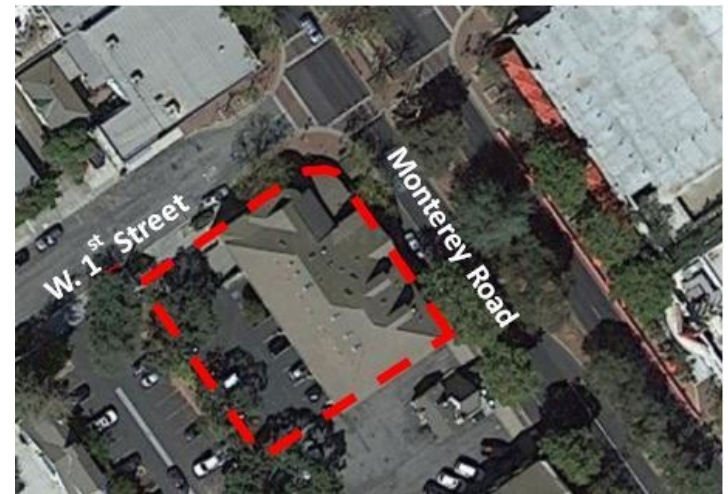
- Design Review for a remodel of the exterior façade of the existing building and add outdoor seating along Monterey Road and West 1st Street

Location:

- Southwest corner of Monterey Road and West 1st Street

Status:

- Processing Building Permits



Holiday Inn Express

Description:

- New 114 room hotel in Evergreen Village commercial center

Location:

- 2.2 Acres, located on Cochrane Road in the northeast corner of Evergreen Village.

Status:

- Processing Building Permits



Chick-fil-A

Description:

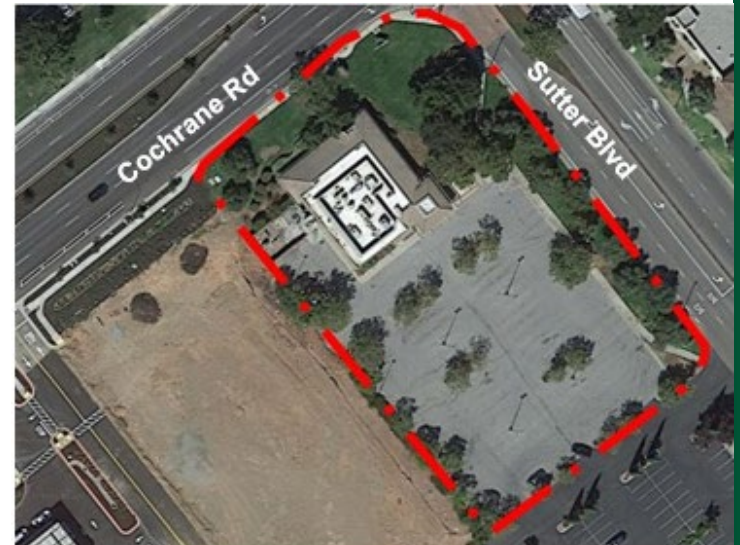
- CUP and design permit for Chick-fil-A restaurant with drive-through

Location:

- 1.63 Acres, at the Southwest corner of Cochrane Road and Sutter Blvd, 18599 Sutter Blvd

Status:

- Entitlements Approved



Peak-Amas

Description:

- Residential care facility with 48 units

Location:

- 1.94 Acres, located on Peak Avenue and West Dunne Avenue, 17090 Peak Avenue

Status:

- Entitlements Approved



World Oil

Description:

- Reconstruction of existing gas station

Location:

- .48 Acres, located on 16720 Monterey Road

Status:

- Entitlements Approved



Rosewood-Medical (Lillian Commons)

Description:

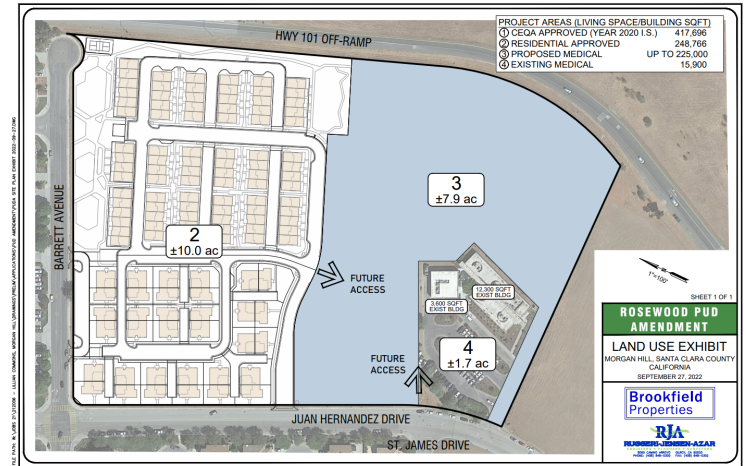
- Entitlements approved for a 124,500 square foot medical/commercial development. Application is for an additional 150,000 square feet of capacity to expand medical footprint.

Location:

- 10.07 Acres, located at the southeast corner of Juan Hernandez Drive and Barrett Avenue

Status:

- Processing Entitlements



Industrial Projects



Techcon

Description:

- 55,000 SF of Office, warehouse, and manufacturing space in two buildings, 45,000 square feet and 10,000 square feet, on two parcels

Location:

- 3.34 Acres, located at 480 Cochrane Circle, North of the intersection of Cochrane Road and Monterey Road

Status:

- 10,000 square foot building Under Construction (as pictured)



Cochrane Tech (Redwood Tech)

Description:

- 501,314 SF of Industrial space spread across 5 separate buildings and 4 legal lots

Location:

- 29 Acres, located West of DePaul Road, South of Cochrane Road

Status:

- Under Construction



Anaerobe Systems (Concord-Cox)

Description:

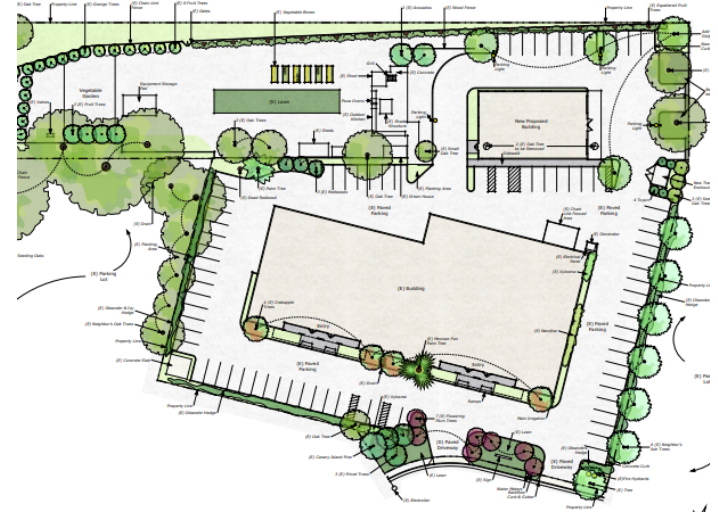
- 4,500 SF Fermentation research facility

Location:

- 1.41 Acres, located on the Southwest quadrant of Tennant and Railroad Avenue, at 15906 Concord Circle

Status:

- Processing Building Permits



Railroad-Goyal

Description:

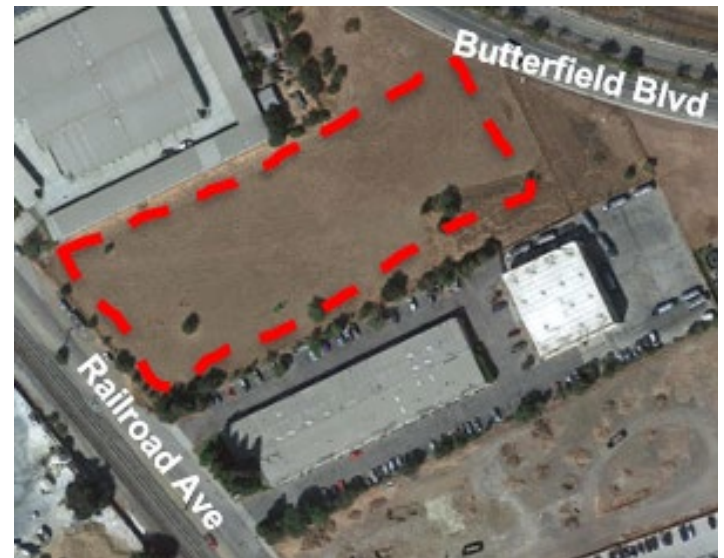
- 21,000 SF of Industrial development and freight terminal

Location:

- 2.66 Acres, located on the East side of Railroad Avenue, 16500 Railroad Avenue

Status:

- Processing Building Permits



Mersho Investments

Description:

- Six separate industrial buildings totalling 420,000 square feet.

Location:

- Six sites totalling 22.76 Acres, located throughout Madrone Parkway and Jarvis Drive

Status:

- 5 sites - Processing Entitlements
- 760 Jarvis - Processing Building Permits



Other Projects



Voices Charter School

Description:

- 28,230 SF Public charter school (Development of K-8)

Location:

- 2.02 Acres, located North of Cosmo Avenue and West of Monterey Road

Status:

- Under Construction



West Hills Community Church

Description:

- Remodel and expansion of an existing religious facility

Location:

- 5.75 Acres, located on 16695 De Witt Avenue

Status:

- Processing Entitlements



Public Comment

From: [Joe Baranowski](#)
To: [Christina Turner](#); [Mark Turner](#); [Rene Spring](#); [Yvonne Martinez Beltran](#); [Marilyn Librers](#); [Donald Larkin](#); [Edith Ramirez](#); [Matt Mahood](#); [Jennifer Carman](#); [Chris Ghione](#); [Firechief](#)
Cc: [Michelle Bigelow](#)
Subject: [EXTERNAL] Goal Setting Workshops, February 2nd & 3rd, 2024 - Non-Agenda Public Comment
Date: Monday, January 22, 2024 6:18:20 PM

Re: 2024 Goal Setting Workshops - will there be any Goals?

Hello all,

I noticed the invitation to join the City Council Goal Setting Workshops in last week's 411 newsletter which prompted me to offer the following thoughts in advance of the meeting after having attended these events for the past three years.

Mr. Turner recently commented that he would barf if there was any discussion on 'council norms' during the upcoming 2024 Goal Setting Workshop, and (paraphrasing) that his desire was to focus on economic / fiscal issues.

HOORAY, that's a step in the right direction!

If 'council norms' do get left off the agenda, the barfable amount of time that has been spent talking about how to run a meeting every year can be repurposed for discussing some of the impending fiscal issues which the City faces. But what about, ya know, **goals**?

Among an almost unlimited number of ways to think about goals, the SMART goal methodology first outlined by George Doran [1] has gained a broad following. In his article, Doran noted that for goals to have a **meaningful impact**, they can't be amorphous and inarticulate but must be **measurable** and achievable.

Leaving out some important aspects for the sake of brevity, a condensed summary of SMART goals could be stated like this:

Specific: Well defined, clear, and unambiguous. Generally, the narrower and more specific a goal is, the clearer the steps to achieving it will be. What is to be accomplished and why is achieving the goal important?

Measurable: Specific criteria defined that allows [2] progress toward accomplishing the goal to be tracked and monitored.

Achievable: Ensuring the goal is realistic and possible to complete within a set time frame. (Implies that resources including money and people have to be given proper consideration.)

Relevant: Making sure the goal aligns with the values and long-term needs and objectives. (In this case alignment should always mean with respect to Public Interest, what is best for most residents and businesses in Morgan Hill and our surrounding communities.)

Timely: With a clearly defined timeline, including a starting date and a target date.

Given the twice-yearly Goal Setting Workshops are a significant investment in time for the staff, the City Council and anyone who participates, one would assume that looking through the meeting presentations, agenda packets, or video archive of past meetings would reveal easily identifiable goals, whether they conform exactly to the SMART framework or not.

However, that is not the case. Go ahead and look. There *are* many pages of slides, tables and lists that contain statements like this:

- Attract Innovation, Advanced Manufacturing, and R&D companies
- Market and promote Morgan Hill
- Identify new revenue sources to fund City services in the medium to long-term
- Advocate for Expansion of Highway 101 between Morgan Hill and Gilroy to reduce pass-through traffic and improve
- Vehicles Miles Traveled (VMT) policy and thresholds to streamline the CEQA process

These statements are sometimes explicitly called ‘goals’ but are also mixed in with, or restated as ‘priorities’ in what are given various names such as (departmental) ‘workplans’. Not much needs to be said why these lists, however useful, do not convey the information that is expected of well articulated goals. They are not specific, give **no** indication of what metrics will be used to measure progress, and define no timeline. Whether they are relevant and achievable is either left to purely speculative guesswork or impossible to tell.

It may be the case that what has been presented in the Goal Setting Workshops is supposed to be understood as some sort of ‘short form’ version of goals which are documented in a meaningful goal setting methodology that has purposely not been made visible to the public. If that is an accurate assumption, I would suggest changing the name of these meetings to “*Stuff the Staff is going to spend time working on workshops*”. And, providing a link to documents which the public may review to understand what the goals actually are.

It is recognized that it requires **far** more time, attention, and effort to write and/or discuss goals verse lists of stuff the staff is going to work on. However, because of the consequences of my observation that follows, I would **much** rather have an actual Goal Setting Workshop even if time only allows for the most important five or so goals to be presented, discussed, modified and agreed upon.

My observation is, I think, a self-evident corollary to Doran’s view that goals must be

specific, measurable, achievable, relevant and timely if they are to have meaningful impact: If the stuff our government is spending time working on isn't having a meaningful impact, it's a waste of taxpayer money and will not lead to a sustainable Morgan Hill - no matter how noble the workplans are or how hard the staff works on them.

Regards,

Joe Baranowski

[1] "There's a S.M.A.R.T. Way to Write Management's Goals and Objectives", *Management Review*, 1981, volume 70, issue 11

[2] On Tracking Goals

Allowing goals to be tracked by identifying specific, measurable, progress metrics in the goal definition doesn't really do any good unless the goals are *actually* tracked.

Of course, tracking progress towards agreed upon goals implies accountability and if there isn't going to be any accountability, why bother with setting goals in the first place?

The implications can be seen by example.

The **one** instance that I recall an identifiable goal being discussed in a MH city council goal setting workshop was in January 2020. Former Fire Chief Hess told the council and the community that one of his goals was to have the City **adopt** the recommended Emergency Response time performance objectives.

Specific: The recommendation came directly from a comprehensive Standards of Coverage Assessment study that was completed in 2019 which had been presented to the council in December 2019 and unanimously accepted.

- 7 min 30 secs for first due engine company (3 FF's)

- 11 min 30 secs for first alarm assignment (14 FF's)

Why is achieving the goal (adopting performance objectives) important?

"We need to have a target in order to achieve a goal of providing excellent public safety."

"We're not going to be able to get there overnight, but we need to have a goal that we are shooting for. We need a target in order to achieve our goal."

"Establishing performance objectives will ensure we do not decrease our level of

service as the City grows."

Measurable: Self-evident. Write staff report, write formal resolution, schedule item for agenda, City Council pass the resolution that defines emergency response time performance goals.

Achievable: City Council had already accepted the findings of the Assessment of Coverage report and all the author's (Citygate) recommendations. Chief Hess made it clear (see above) the important "next step" he was asking for was *not* meeting the performance objectives which would take time but 'just' to formally adopt the recommendations!

Relevant: This *should* be self-evident to anyone who says that Public Safety is a priority but given that nothing has happened in four years, the community has every reason to wonder if the council and staff didn't agree with the Citygate's and the Chief's stated relevance or whether public safety is simply not really a priority

Timely: No specific timeline was stated. However, the recency of the performance recommendations, the fact that the council had accepted the report and recommendations just one month earlier and the very limited scope of what was required to accomplish the goal implied that the Chief's desire was to have the performance objectives adopted as a 'next step', i.e. in a matter of months.

Chief's Hess confidence that having the City formally adopt Fire & EMS response times objectives would "ensure we do not **decrease** our level of service as the City grows" may have not been realized even if his January 2020 SMART Goal hadn't just completely disappeared. However, what is clear, in my opinion, is that approving projects that were never planned for or considered in the 2035 General Plan EIR which will throw many tens of thousands of additional vehicle trips on an "assumed complete" Transportation Network that was identified as being needed to support 'just' the development that was planned, but which has largely been ignored, has an extremely high probability of doing exactly what the Chief's goal was intended to prevent: the level of Fire & EMS service which the 2019 Assessment of Coverage study showed was already far below generally accepted standards, will decrease even further. Especially in the north-east quadrant.

The Morgan Hill community deserves to understand what the City is doing, **specifically**, to try and make Morgan Hill an economically sustainable place to live. It's time to define Goals that are specific, relevant, and measurable and to track the progress of those goals.

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