



Regular Meeting Agenda
City Council

Rich Constantine - Mayor
Gino Borgioli - Mayor Pro Tem
John McKay - Council Member
Yvonne Martinez Beltran - Council Member
Rene Spring - Council Member

Wednesday, June 1, 2022 7:00 PM

Virtual Meeting
Link to join the meeting can be found below

VIRTUAL MEETING GUIDELINES AND PUBLIC COMMENT

In accordance with Executive Order N-25-20 and guidance from the California Department of Public Health on gatherings, remote public participation is allowed. Physical meetings will not be in the City Council Chamber until further notice. City Council meetings will be live-streamed on Channel 17, on the City's website, and on the City's Facebook page. Those members of the community that would like to participate in the meetings remotely may do so by joining the virtual meeting at: <https://bit.ly/MHCityCouncilMeeting> or by calling (669) 900-9128, then enter the webinar id: 873 3200 8380#.

Public comment may be provided in the following ways:

- Join the virtual City Council meeting via the link above, when public comment is opened, raise your virtual hand and be called upon to speak for up to 3 minutes (YOU MUST BE RUNNING THE MOST CURRENT VERSION OF ZOOM TO BE UNMUTED)
- Join the virtual meeting by calling the number above, dial *9 to raise your hand, and be called upon to speak for up to 3 minutes
- Send public comments in writing to the City Clerk at ccpubliccomment@morganhill.ca.gov

* Please note that comments made on Facebook are not considered public comment.

CALL TO ORDER

ROLL CALL ATTENDANCE

DECLARATION OF POSTING AGENDA

PROCLAMATIONS

Proclaiming the month of June 2022 as Pride Month

CITY COUNCIL REPORTS

Council Member Martinez Beltran

CITY MANAGER'S REPORT

Introduction of new Teammates

CITY ATTORNEY'S REPORT

OTHER REPORTS

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)

Public Comment Supplement

ADOPTION OF AGENDA

CONSENT CALENDAR

Items appearing on the Consent Calendar are considered routine and may be approved by one motion. Pursuant to City Council Policies and Procedures (CP 97-01), any member of the Council or public may request to have an item removed from the Consent Calendar for comment and action.

Time Estimate for Consent Calendar: 1 - 10 Minutes

1. **APPROVE FIRST AMENDMENT TO THE JOINT VENTURE SILICON VALLEY CONSULTANT AGREEMENT FOR THE COUNTYWIDE SOLID WASTE PROGRAM**

Recommendation:

1. Approve the first amendment to the consultant agreement with Joint Venture Silicon Valley to add Inspection Program services for \$100,000 and remove \$50,000 in extra services for a revised total contract amount of \$350,000; and
2. Authorize the City Manager to execute and administer the first amendment to the consultant agreement with Joint Venture Silicon Valley.

2. **APPROVE AMENDMENTS TO IMPACT FEE FREEZE POLICY**

Recommendation:

Accept Impact Fee Freeze Program update and amend the Impact Fee Freeze Policy to use the current fiscal year fee schedule at the time the agreement is executed.

3. **APPROVE THE FOURTH AMENDMENT TO THE LEASE AGREEMENT OF EL TORO BUILDING WITH COMMUNITY CHRISTIAN**

Recommendation:

Authorize the City Manager to execute a lease amendment with Community Christian for the use of the El Toro Building.

4. **APPROVE THE MAY 18, 2022 CITY COUNCIL MEETING MINUTES**

Recommendation:

Approve the May 18, 2022 City Council Meeting Minutes.

5. **AUTHORIZE THE CITY MANAGER TO EXECUTE MAINTENANCE AGREEMENTS WITH THE COUNTY OF SANTA CLARA FOR TRAFFIC SAFETY IMPROVEMENTS AT MIDDLE AVENUE AT THE WEST LITTLE LLAGAS CREEK TRAIL, WATSONVILLE ROAD AT THE WEST LITTLE LLAGAS CREEK TRAIL, AND DEWITT AVENUE/SPRING AVENUE INTERSECTION**

Recommendation:

Authorize the City Manager to execute Maintenance Agreements with the County of Santa Clara, following approval by the City Attorney, for traffic safety improvements at Middle Avenue at the West Little Llagas Creek Trail, Watsonville Road at the West Little Llagas Creek Trail, and DeWitt Avenue/Spring Avenue Intersection.

6. **AUTHORIZE THE PURCHASE OF VARIOUS FIRE DEPARTMENT EQUIPMENT INCLUDING ONGOING MAINTENANCE IN THE AMOUNT OF \$325,229**

Recommendation:

1. Approve the purchase of 25 Self Contained Breathing Apparatus (SCBA) systems, 33 additional SCBA cylinders, and 5 Rapid Intervention Team (RIT) packs, from AllStar Fire Equipment for \$201,553;
2. Approve the purchase of three LIFEPAK 15 V4 Monitor/Defibrillators with accessories and nine spare batteries from Stryker for \$104,031;
3. Approve a four-year service agreement with Stryker for the ongoing maintenance of three new LIFEPAK 15 V4 Monitor/Defibrillators for \$19,645; and
4. Authorize the City Manager to execute associated purchase documents.

7. **AWARD 2022 PAVEMENT REHABILITATION PROJECT TO A.TEICHERT & SON, INC. DBA TEICHERT CONSTRUCTION**

Recommendation:

1. Approve 2022 Pavement Rehabilitation Project plans and specifications;
2. Award contract to A. Teichert & Son, Inc. dba Teichert Construction for the 2022 Pavement Rehabilitation Project in the amount of \$3,879,053;
3. Authorize expenditure of construction contingency not to exceed \$387,906; and
4. Authorize the City Manager to execute and administer the construction contract with A. Teichert & Son, Inc. dba Teichert Construction contingent on the adoption of the Fiscal Year 2022-23 Budget.

8. **AWARD A TWO-YEAR TRAFFIC STRIPING, SIGNING, AND PAVEMENT MARKINGS MAINTENANCE AGREEMENT TO CHRISP COMPANY IN THE AMOUNT OF \$200,000**

Recommendation:

1. Award a two-year contract to Chrisp Company in the amount of \$200,000; and
2. Authorize the City Manager to execute and administer the Maintenance Service Agreement with Chrisp Company.

9. **RATIFY CITY POSITION ON PENDING LEGISLATION, ASSEMBLY BILL 2181 (BERMAN) SANTA CLARA VALLEY TRANSPORTATION AUTHORITY: BOARD OF DIRECTORS**

Recommendation:

Ratify the City's position on pending legislation, Assembly Bill 2181.

OTHER BUSINESS

10. **APPROVE THE HOTEL STRATEGY AND INCENTIVE POLICY TO SUPPORT NEW HOTEL DEVELOPMENT AND REHABILITATION OF EXISTING HOTELS**

Recommendation:

Approve the Hotel Strategy and Incentive Policy to support New Hotel Development and rehabilitation of Existing Hotels.

PUBLIC HEARINGS

11. **ADOPT RESOLUTION ORDERING ANNUAL ASSESSMENTS AND RELATED ACTIONS FOR CITY OF MORGAN HILL LANDSCAPE ASSESSMENT DISTRICT NUMBER 1**

Recommendation:

1. Open and close the Public Hearing; and
2. Adopt resolution confirming Fiscal Year (FY) 2022-23 annual assessments and ordering the levy of assessments for the District.

12. **HOLD PUBLIC HEARING REGARDING REVISIONS TO WATER RATE ADJUSTMENTS**

Recommendation:

1. Receive and adopt final 2022 Water Rate Study Report prepared by NBS;
2. Open public hearing and receive public comment;
3. Request submission or withdrawal of proposition 218 protest letters from the public/audience;
4. Suspend public hearing and allow City Clerk, or designee, to tabulate final Proposition 218 protest letter count;
5. Reconvene meeting and reopen public hearing;
6. Receive and accept verbal report from City Clerk, or designee, on ballot tabulation results;
7. Close public hearing; and
8. Adopt resolution approving water rate adjustments.

FUTURE COUNCIL INITIATED AGENDA ITEMS

Note: in accordance with Government Code Section 54954.2(a), there shall be no discussion, debate and/or action taken on any request other than providing direction to staff to place the matter of business on a future agenda.

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 plan an item on the agenda for a future City Council meeting. Should your comments require Council action, your request may be placed on the next appropriate agenda. 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.

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.

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
- 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
- Advancing Regional 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 the global pandemic, and we will continue to have equity, public health, and financial responsibility in mind.

June 1, 2022

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From: Christina Turner

Sent: Thursday, May 26, 2022 8:42 PM

To: Shraddha Chaugule <[REDACTED]>

Subject: RE: [EXTERNAL] Public comment - June City Council Meeting

Good evening – I wanted to share with you information regarding wild pigs:

The Police Department was contacted about this issue in September 2021. The original inquirer decided not to pursue this neighborhood's request for a depredation permit as he could not identify a safe location on site to dispatch the wild pigs.

Wild pigs are a reoccurring problem throughout the city especially for houses near open space. This problem is decades old as you can see with the newspaper articles from San Jose to Hollister below. San Jose Council also took up this issue, October 27, 2020, of allowing licensed trappers to take out groups of wild swine, also known as sounders, by crossbow and voted it down. In City limits, a local depredation permit is needed from the Chief of Police as well as a depredation permit from the California Department of Fish and Wildlife. Due to the safety concerns of issuing these types of permits in populated neighborhoods it is best practice to follow the guidelines set forth in the newspaper articles referenced below: such as erecting fences, using pesticides in laws, fastening chicken wire, or hiring a trapper. If this City were to get involved with hiring trappers for wild pigs, the City could quickly become overwhelmed with the number of communities requesting this service. The past practice has been for the homeowners to hire a trapper.

<https://morganhilltimes.com/piggin-out-on-morgan-hill-lawns/>
<https://morganhilltimes.com/wild-pigs-causing-problems-around-the-area/>
<https://abc7news.com/wild-boar-pigs-san-jose-feral/7408278/>
<https://gilroydispatch.com/problematic-pigs/>

I have some details regarding the Discharge Permit. A Discharge Permit can be granted to a person providing these steps are completed.

1. Obtain a California Department of Fish and Wildlife Depredation Permit for Wild Pigs or proof that permit is in process (appears the HOA may need to apply on behalf of the specific neighborhood/housing community or each homeowner if full HOA is not interested in the removal of the wild pigs would need to apply)
2. Provide a simple letter from the specific neighborhood/housing community HOA or from each homeowner (as stated above), the nature of the problem that would cause them to hire you to remove and discharge the wild pigs.
3. Provide a simple letter from you on your removal and discharge tactics along with the location of where the discharging of the pigs will take place.
4. Provide copy of Morgan Hill Business License
5. Provide proof of liability insurance in the amount of \$1,000,000.00 per occurrence, naming the city as the additional insured.
6. Pay Permit Fee of \$25.00 (1-year permit; permit payment will take place on-line)

Our municipal code also state that a hold harmless agreement is also needed but we will satisfy this requirement by having it listed as a condition of your permit.

I attached our municipal code and CA Department of Fish and Wildlife's Wild Pig Depredation section (Fish and Wildlife's Depredation Permit falls under this section).

<https://wildlife.ca.gov/Conservation/Mammals/Wild-Pig/Depredation>

<https://wildlife.ca.gov/Keep-Me-Wild/Wild-Pig>

<https://apps.wildlife.ca.gov/wir>

Also, specifically related to Borello Estates - In the past, we have received calls from community members who had general questions and we directed them to the Dept. of Fish and Game. We called Fish and Game and informed them of the pigs due to this being under their expertise. They continue to inform us that it is possible to get a depredation permit, but they need to know specifics (who will carry it out, when, how, and where, etc.); those details will determine if Fish and Game will issue a permit or deny a permit. We have told community members who have HOAs to bring this to their HOA's attention, so they can collectively split the cost.

Borello Estates hired Animal Damage Management (ADM) in October/ November 2020. According to ADM, Borello Estates should still have the depredation permit active. They have been in communication with board members of the HOA for Borello Estates. We have not received any recent calls from Borello regarding wild pigs.

Thank you,
Christina

CITY OF MORGAN HILL

Christina J. Turner, CPA
City Manager

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d 408.776.7382 | c 408.839.1705
e christina.turner@morganhill.ca.gov | www.morganhill.ca.gov
[Facebook](#) | [Twitter](#)

From: Shraddha Chaugule <[REDACTED]>
Sent: Saturday, May 21, 2022 10:56 PM
To: CC Public Comment <CCPublicComment@morganhill.ca.gov>
Subject: [EXTERNAL] Public comment - June City Council Meeting

Hello!

I am Dr. Shraddha Chaugule and I live in Borello estates at [REDACTED] in Morgan Hill. We moved to Morgan Hill in November of 2020 and were mortified to see wild pigs running amok in the community. Several of my neighbor's front yards have been destroyed in the last two years by these wild pigs causing a lot of material property damage. This week, a wild pig made a go at my husband and our dog while on a walk at 9am in the morning.

Not only this, but the USDA on their website say that these wild pigs carry harmful organisms and pathogens, which can infect humans causing diseases such as leptospirosis, toxoplasmosis, brucellosis, tularemia, trichinellosis, swine influenza, salmonella, hepatitis and pathogenic E. coli. As we know there are nation-wide Hepatitis cases in children at the moment and this is a very big health hazard.

As a concerned Morgan Hill resident, I believe these wild pigs pose a serious safety and health hazard to our community. We request the Morgan Hill city council to kindly a) Allow us to gate our community completely b) Employ hunters and get help from concerned wildlife dept. to eliminate this problem and if a) and b) are not possible, then allow c) the community members to build a temporary wire fencing around the community to protect these pigs from getting into the community while it is under the control of the builders.

I would like this issue to be brought up during this coming month's city council meeting.

Thank you.

sincerely,

Shraddha Chaugule, [B.Pharm.Sc](#), MS, PhD
[REDACTED], Morgan Hill, CA 95037

WARNING: This message is from an external user. Confidential information such as social security numbers, credit card numbers, bank routing numbers, gift card numbers, wire transfer information and other personally identifiable information should not be transmitted to this user. For question, please contact the Morgan Hill IT Department by opening a new helpdesk request online or call 408-909-0055.

Chapter 9.04 WEAPONS¹

9.04.010 Discharge—Permit required—Fee.

- A. No person shall discharge in the city, outside of a licensed shooting range, any instrument or device of any kind, character or description which discharges, propels or hurls bullets, missiles of any kind to any distance from such instrument or device by means of elastic force, air pressure, vacuum, explosive force, mechanical spring action or electrical charge, without first having applied for and obtained a written permit therefore from the chief of police.
- B. Subject to review by and as specifically directed by the council, the chief of police shall be the sole judge as to the desirability or necessity of such permit, which must be, in his judgment, necessary for the protection of the applicant or his property, or in the furtherance of the public welfare, and which necessity cannot be reasonably abated by other means.
- C. Applicants for such permit shall provide the following:
 - 1. An application in writing which states the purpose of such permit, the nature of the problem to be abated which necessitates the protection of the applicant, his property or the furtherance of the public welfare, and lists all other means which have been unsuccessfully employed to abate the problem;
 - 2. Proof of liability insurance in the amount of one million dollars per occurrence, obtained by the applicant and naming the city as additional insured, in a form and with companies approved by the city;
 - 3. A certificate of agreement holding the city harmless for any action by applicant under this chapter, in a form prescribed by the city.
- D. Upon approval, such permit may be issued upon payment of a fee of twenty-five dollars and shall be upon conditions and limitations and for such a length of time as the chief of police may determine.

(Ord. No. 2289 N.S., § 1, 11-28-2018)

9.04.020 Licensed dealers—Posting of regulations.

Any person or business establishment engaged in the business of offering for sale any instrument or device described in Section 9.04.010 of this chapter shall have posted in a conspicuous place in the place of sale, a copy of this chapter and shall deliver a copy of this chapter to any purchaser of such instrument or device.

(Ord. No. 2289 N.S., § 1, 11-28-2018)

¹Editor's note(s)—Ord. No. 2289 N.S., § 1, adopted Nov. 28, 2018, amended Ch. 9.04Editor's note(s)— in its entirety to read as herein set out. Former Ch. 9.04Editor's note(s)—, §§ 9.04.010Editor's note(s)— 9.04.040, pertained to similar subject matter and derived from Ord. 290 N.S., § A(part), adopted in 1970; Ord. 1198 N.S., § 1, adopted in 1994; Ord. 1226 N.S., § 2, adopted in 1995; Ord. 1693 N.S., § 2, adopted in 2004; and Ord. No. 2276 N.S., § 35, adopted May 2, 2018.

9.04.030 Duty to report theft or loss of firearms.

Any person who owns or possesses a firearm (as defined in Penal Code Section 16520 or as amended) shall report the theft or loss of the firearm to the Morgan Hill Police Department within forty-eight hours of the time he or she knew or reasonably should have known that the firearm had been stolen or lost, whenever: (1) the person resides in the city of Morgan Hill; or (2) the theft or loss of the firearm occurs in the city of Morgan Hill.

(Ord. No. 2289 N.S., § 1, 11-28-2018)

9.04.040 Safe storage of firearms.

No person shall leave a firearm (as defined in Penal Code Section 16520 or as amended) unattended in any residence owned or controlled by that person unless the firearm is stored in a locked container (as defined in Penal Code Section 16850 or as amended), or the firearm is disabled with a trigger lock that is listed on the California Department of Justice's list of approved firearms safety devices.

(Ord. No. 2289 N.S., § 1, 11-28-2018)

9.04.050 Possession of large-capacity ammunition magazines prohibited.

- A. No person may possess a large-capacity magazine in the city of Morgan Hill whether assembled or disassembled. For purposes of this section, "large-capacity magazine" means any detachable ammunition feeding device with the capacity to accept more than ten rounds, but shall not be construed to include any of the following:
 - 1. A feeding device that has been permanently altered so that it cannot accommodate more than ten rounds; or
 - 2. A .22 caliber tubular ammunition feeding device; or
 - 3. A tubular magazine that is contained in a lever-action firearm.
- B. Any person who, prior to the effective date of this section, was legally in possession of a large-capacity magazine shall have ninety days from such effective date to do either of the following without being subject to prosecution:
 - 1. Remove the large-capacity magazine from the city of Morgan Hill; or
 - 2. Surrender the large-capacity magazine to the Morgan Hill Police Department for destruction; or
 - 3. Lawfully sell or transfer the large-capacity magazine in accordance with Penal Code Section 12020.
- C. This section shall not apply to the following:
 - 1. Any federal, state, county, or city agency that is charged with the enforcement of any law, for use by agency employees in the discharge of their official duties;
 - 2. Any government officer, agent, or employee, member of the armed forces of the United States, or peace officer, to the extent that such person is otherwise authorized to possess a large-capacity magazine and does so while acting within the course and scope of his or her duties;
 - 3. A forensic laboratory or any authorized agent or employee thereof in the course and scope of his or her duties;

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4. Any entity that operates an armored vehicle business pursuant to the laws of the state, and an authorized employee of such entity, while in the course and scope of his or her employment for purposes that pertain to the entity's armored vehicle business;
 5. Any person who has been issued a license or permit by the California Department of Justice pursuant to Penal Code Sections 18900, 26500-26915, 31000, 32315, 32650, 32700-32720, or 33300, when the possession of a large-capacity magazine is in accordance with that license or permit;
 6. A licensed gunsmith for purposes of maintenance, repair or modification of the large-capacity magazine;
 7. Any person who finds a large-capacity magazine, if the person is not prohibited from possessing firearms or ammunition pursuant to federal or state law, and the person possesses the large-capacity magazine no longer than is reasonably necessary to deliver or transport the same to a law enforcement agency;
 8. Any person lawfully in possession of a firearm that the person obtained prior to January 1, 2000, if the person can show that the large capacity magazine was included with the purchase of the firearm or no magazine that holds fewer than ten rounds of ammunition is compatible with the firearm, and the person possesses the large-capacity magazine solely for use with such firearm.
 9. Any retired peace officer holding a valid, current Carry Concealed Weapons (CCW) permit issued pursuant to California Penal Code.

(Ord. No. 2289 N.S., § 1, 11-28-2018)

9.04.060 Confiscation—Authority—Conditions.

Any instrument, device or article used or possessed in violation of the provisions of this chapter is declared to be a public nuisance and may be confiscated and possessed by a police officer of the city and turned over to the chief of police under the conditions set forth in this section. If no complaint for violation of this chapter is filed within seventy-two hours of the taking, the instrument or device shall be returned to the person from whom it was taken. If a complaint for violation of this chapter is filed within seventy-two hours, the chief of police may return it to the person from whose possession it was taken upon such conditions as he deems desirable for the public welfare. If the person from whom it was taken is not convicted of a violation of this chapter, then the device or instrument shall be returned to him without any conditions. If there is a conviction and sixty days have expired since the date of conviction, the same may be destroyed by the chief of police or returned to the person from whom it was taken upon such conditions as the chief deems desirable for the public welfare.

(Ord. No. 2289 N.S., § 1, 11-28-2018)

9.04.070 Violation.

It is unlawful for any person to violate or cause or permit the violation of the provisions of any section of this chapter.

(Ord. No. 2289 N.S., § 1, 11-28-2018)

CITY COUNCIL STAFF REPORT

MEETING DATE: June 1, 2022

PREPARED BY:

Cynthia Iwanaga, Management Analyst

APPROVED BY: City Manager

APPROVE FIRST AMENDMENT TO THE JOINT VENTURE SILICON VALLEY CONSULTANT AGREEMENT FOR THE COUNTYWIDE SOLID WASTE PROGRAM

RECOMMENDATION(S)

1. Approve the first amendment to the consultant agreement with Joint Venture Silicon Valley to add Inspection Program services for \$100,000 and remove \$50,000 in extra services for a revised total contract amount of \$350,000; and
2. Authorize the City Manager to execute and administer the first amendment to the consultant agreement with Joint Venture Silicon Valley.

Estimated Time:

COUNCIL PRIORITIES, GOALS & STRATEGIES

City Council Ongoing Priorities

Protecting the Environment and Preserving Open Space and Agricultural Land

REPORT NARRATIVE:

The purpose of this report is to provide the City Council with an opportunity to consider a first amendment to the City's Consultant Agreement with Joint Venture Silicon Valley (JVSV) for the administration and implementation of Santa Clara County's Countywide SB 1383 Edible Food Recovery Program (EFRP) countywide activities.

Background on SB 1383: Senate Bill 1383 (SB 1383) was signed into law in September 2016 and establishes methane emission reduction targets in a statewide effort to address the impacts of climate change on human health and the environment. A major source of methane is from organic waste decomposing in landfills. Organic waste includes green waste, wood waste, food waste and fibers such as paper and cardboard. Organic waste is the largest waste stream in California and comprises two-thirds of the total waste stream. To reduce methane gasses generated by organic waste in landfills, SB 1383 contains provisions for organic waste recycling and edible food recovery, including a requirement that jurisdictions adopt ordinances and implement programs to ensure compliance by January 1, 2022. The City Council adopted ordinance 13.28

updating the City's Municipal Code to bring it into compliance with SB 1383 on November 17, 2021.

One requirement of the regulations specific to the solid waste sector is to launch a statewide effort to rescue 20% of edible food from landfills and redirect it to food insecure communities. Every jurisdiction in the state is required to establish and monitor food recovery programs, strengthen existing food recovery networks and ensure food donors arrange and recover the maximum amount of their edible food that would otherwise go to landfills.

In 2019, the Santa Clara County Recycling and Waste Reduction Commission (RWRC) voted to fund JVSV to develop, launch, and facilitate the Countywide Edible Food Recovery Program (EFRP) to comply with SB 1383 food recovery requirements. The Program is responsible for documentation to support participating jurisdictions with compliance, educating commercial edible food generators, increasing commercial edible food generators' access to food recovery organizations and food recovery services, monitoring commercial edible food generators' compliance, and increasing edible food recovery capacity if they do not have sufficient capacity.

In July 2021, City of Morgan Hill staff began providing Technical Advisory Committee (TAC) Administrator and Contracting Agent roles for administering the work of the RWRC as Countywide Solid Waste Services. As contracting agent, the City of Morgan Hill entered into an agreement with JVSV to administer and implement Santa Clara County's Countywide SB 1383 EFRP activities through June 30, 2023.

On December 15, 2021, the County RWRC voted to fund JVSV to implement Inspection Program services related to the Santa Clara County Countywide EFRP activities. Beginning on July 1, 2022, JVSV will assist in the coordination of centralized inspections and monitoring throughout the County as required by SB1383.

The EFRP Inspection Program scope of work will include verification of edible food recovery contracts, recordkeeping compliance, and confirmation of mandated donations of edible food that would otherwise be disposed of. The Inspection Program scope of work is being added to the JVSV Consultant Agreement with this proposed First Amendment. The cost of the inspection services will add \$100,000 to the contract for FY 2022-23. The current amount of JVSV's consultant agreement is \$300,000, which includes \$50,000 for extra services. JVSV will no longer utilize the \$50,000 for extra services, therefore the \$50,000 is being removed from the Schedule of Compensation. The resulting net addition to the agreement is \$50,000 for a new contract amount of \$350,000. The contract term remains unchanged with a completion date of June 30, 2023.

Staff recommends entering into the First Amendment with Joint Venture Silicon Valley to incorporate Inspection Program services for the Santa Clara County EFRP in the amount of \$100,000 for FY 2022-23 and removing the \$50,000 for extra services for a new contract amount of \$350,000.

COMMUNITY ENGAGEMENT:

Not Applicable

The subject of this staff report is entirely administrative in nature and does not impact services directly provided to the Morgan Hill community. Given this, no community engagement was conducted prior to this meeting.

ALTERNATIVE ACTIONS:

The City Council could decline to approve the amendment, which would result in the Santa Clara EFRP without a consultant to administer the inspection portion of the Program.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

The City Council has not taken prior action on this agreement. The amount of the original agreement was \$300,000, therefore it was approved via City Manager authority on June 30, 2021. Per Ordinance 2321, purchases up to \$300,000 can be made under the City Manager's purchasing authority if they were made exclusively with countywide funds for the administration of the integrated waste management program.

FISCAL AND RESOURCE IMPACT:

The funding for the addition of Inspection Program services to the Joint Venture Silicon Valley consultant agreement is included in the Fund 246 contract services line item of the Countywide Solid Waste Administration Services in the Recommended Budget for FY 2022-23.

CEQA (California Environmental Quality Act):

Not a Project

The activities associated with this item are administrative activities that will not result in direct changes to the physical environment.

FIRST AMENDMENT TO AGREEMENT JOINT VENTURE SILICON VALLEY

This FIRST AMENDMENT TO AGREEMENT is entered into and becomes effective on _____ (Effective Date), by THE CITY OF MORGAN HILL, a municipal corporation, in its capacity as contracting agent on behalf of the County of Santa Clara Reduction and Solid Waste Commission Implementation Committee ("CITY") and JOINT VENTURE SILICON VALLEY, a California non-profit corporation ("CONSULTANT").

RECITALS

The following recitals are a substantive part of this Agreement:

1. This First Amendment to Agreement is entered into pursuant to the action of the Morgan Hill City Council taken on _____, _____, 20____.
2. The CITY and CONSULTANT entered into that "Consultant Agreement" made as of June 30, 2021, for consultant services for a maximum compensation of Three Hundred Thousand Dollars (\$300,000.00) ("CONSULTANT AGREEMENT"). The CONSULTANT AGREEMENT is attached as Exhibit "1" to this Agreement.

AGREEMENT

THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. **Amendments:** All terms and conditions of the CONSULTANT AGREEMENT, as amended, as attached as Exhibit "1," shall remain in full force and effect; except that the following amendments shall be made as set forth below:

A. Paragraph 3 **Scope of Service** shall be amended by adding "Exhibit A Additions To Scope of Services as of July 1, 2022", attached hereto and incorporated herein by this reference.

B. Paragraph 4.1 is amended and replaced in its entirety by the following:

"4.1. Amount. Compensation under this Agreement shall not exceed THREE HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$350,000.00) and shall be billed based on the rate and basis set forth in "Exhibit B" and "Exhibit B Additions to Schedule of Compensation Rates as of July 1, 2022". If the City Manager extends the term of this Agreement for up to one year pursuant to the provisions of Section 2 above, the City Manager shall have the authority to increase the maximum compensation allowed to be paid to CONSULTANT, so long as City Council has appropriated sufficient funds therefor, the Parties mutually agree to such amount in a writing signed by both Parties to this Agreement and provided further that in no event shall such maximum compensation allowed for the term exceed the City Manager's authority pursuant to Chapter 3.04 of the Morgan Hill Municipal Code, unless otherwise authorized by City Council."

C. Paragraph 6 **Performance of Work** shall be amended by adding the "Exhibit C Additions to Schedule of Performance as of July 1, 2022", attached hereto and incorporated herein by this reference."

Signatures on the Next Page

2. **Conflicts.** In the event of a conflict between the terms and provisions of this First Amendment to Agreement and the terms and provisions of the CONSULTANT AGREEMENT, the terms of this First Amendment to Agreement shall govern and control.

TWO SIGNATURES ARE REQUIRED FOR CORPORATIONS:

- (1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; **AND**
(2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER, OR ASSISTANT TREASURER.

ATTEST:

CITY OF MORGAN HILL

Michelle Bigelow, City Clerk

Date: _____

APPROVED AS TO FORM:
Donald Larkin, City Attorney

By: _____

Date: _____

Christina Turner, City Manager

Date: _____

JOINT VENTURE SILICON VALLEY



By: Russell Hancock
Title: President & CEO

Print Name and Title of Signer.

If Corporate: Chairman, President or
Vice President

Date: May 10, 2022



By: Michael Greco
Title: CFO

Print Name and Title of Signer.

If Corporate: Secretary, Assistant
Secretary, Chief Financial Officer or
Assistant Treasurer

Date: May 10, 2022

EXHIBIT A
ADDITIONS TO SCOPE OF SERVICES
As of July 1, 2022

Santa Clara County Food Recovery Monitoring Program and Deliverables

Joint Venture Silicon Valley will expand the scope of services for the Consultant Agreement to administer and implement Santa Clara County's SB 1383 Food Recovery Program countywide activities to include a monitoring program and related deliverables for the additional cost of \$100,000 per the Revised Exhibit B-Schedule of Compensation.

Additional scope of work between Joint Venture Silicon Valley and Morgan Hill approved by Recycling and Waste Reduction Commission on December 15, 2021.

Monitoring Program and Deliverables

- Solicit, collect and synthesize Tier One and Food Recovery Organization and Services Food Recovery Program Reports for both the August 1, 2022 reporting date and the May 1, 2023 reporting date.
- Prioritize the Inspection Prioritization List, deciding which non-compliant entities should be inspected based on potential volume of recovered food
- Complete at least 10% of Tier One Entity in-person inspections, and at least 23 virtual inspections (these may be either first-time inspections, or follow up inspections to confirm compliance)
- Should any city receive a complaint about a regulated entity, Joint Venture will take all necessary steps, short of enforcement, to ensure compliance, in accordance with state law SB 1383
- Communicate with jurisdictions, in accordance with the Program Overview, Responsibilities Section, to monitor regulated entities as needed and refer them to the jurisdiction for enforcement if necessary.
- Design and send mailings necessary for the program: yearly educational notices, noncompliance notices, other notices as appropriate

EXHIBIT B
ADDITIONS TO SCHEDULE OF COMPENSATION RATES
As of July 1, 2022

Activity	FY 2022-23
Inspection Program support: Ipad, hotspot subscription, insurance, workers comp, trainings, travel, other tech support if needed	\$5,000
Inspector Staff time	\$30,000
Mailings -- yearly edu/enforcement notices and staff time to create/follow up	\$2,000
Staff time -- Program Director	\$26,000
Data collection tool, staff time building necessary add-ons, data strategy, and methodology	\$17,000
Overhead	\$20,000
Total	\$100,000

JVSV will no longer need the added \$50,000 initially allocated and specified in the original contract for undetermined additional scope of services (extra services). Total compensation for July 1 2021 through June 30, 2023 not to exceed \$350,000.

Summary of Revised Contract Amount Per First Amendment:

Description	Amount
Year 1 and Year 2: FYs21-22 and 22-23: Food Recovery Program Scope of Work #1 to #6	\$250,000
Year 1 and Year 2: \$50,000 Extra Services: Delete	\$0
Year 2: FY 22-23: Monitoring/Inspection Program	\$100,000
REVISED FIRST AMENDMENT AMOUNT	\$350,000

EXHIBIT C
ADDITIONS TO SCHEDULE OF PERFORMANCE
As of July 1, 2022

Additional Deliverables for Monitoring and Inspection Program to be delivered between July 1, 2022 and June 30, 2023.

- Solicit, collect and synthesize Tier One and Food Recovery Organization and Services Food Recovery Program Reports for both the August 1, 2022 reporting date and the May 1, 2023 reporting date.
- Prioritize the Inspection Prioritization List, deciding which non-compliant entities should be inspected based on potential volume of recovered food
- Complete at least 10% of Tier One Entity in-person inspections, and 23 virtual inspections (these may be either first-time inspections, or follow up inspections to confirm compliance)
- Should any city receive a complaint about a regulated entity, Joint Venture will take all necessary steps, short of enforcement, to ensure compliance, in accordance with state law SB 1383
- Communicate with jurisdictions, in accordance with the Program Overview, Responsibilities Section, to monitor regulated entities as needed and refer them to the jurisdiction for enforcement if necessary.
- Design and send mailings necessary for the program: yearly educational notices, noncompliance notices, other notices as appropriate

EXHIBIT 1

**CONSULTANT AGREEMENT
Joint Venture Silicon Valley**

THIS AGREEMENT is entered into and becomes effective on 6/30/2021 (Effective Date), by and between the CITY OF MORGAN HILL, a municipal corporation, in its capacity as contracting agent on behalf of the County of Santa Clara Reduction and Solid Waste Commission Implementation Committee ("CITY"), and Joint Venture Silicon Valley a California nonprofit corporation ("CONSULTANT") hereinafter referred to collectively as "Parties." In consideration of the promises and the mutual covenants contained in this Agreement, the Parties agree as follows:

1. **City Authority.** This Agreement is entered into pursuant to the authority of the City Manager pursuant to Chapter 3.04 of the Morgan Hill Municipal Code.
2. **Term of Agreement.** This Agreement shall cover services rendered from the Effective Date of this Agreement until June 30, 2023 at which time CONSULTANT'S services shall be completed. The City Manager is authorized to extend the term of this Agreement for a maximum period of one year. Any such extension shall be in writing and signed by both Parties to this Agreement.
3. **Scope of Service.** The services to be performed by CONSULTANT shall be administration and implementation of Santa Clara County SB 1383 Food Recovery Program countywide activities as further described in **Exhibit A**.
4. **Compensation.** CONSULTANT shall be compensated as follows:
 - 4.1. **Amount.** \$300,000.00. Total compensation to CONSULTANT under this Agreement during its initial term set forth in Section 2 above shall not exceed Three Hundred Thousand dollars and shall be billed based on the rate and basis set forth in **Exhibit B**. If the City Manager extends the term of this Agreement for up to one year pursuant to the provisions of Section 2 above, the City Manager shall have the authority to increase the maximum compensation allowed to be paid to CONSULTANT, so long as City Council has appropriated sufficient funds therefor, the Parties mutually agree to such amount in a writing signed by both Parties to this Agreement and provided further that in no event shall such maximum compensation allowed for the term exceed the City Manager's authority pursuant to Chapter 3.04 of the Morgan Hill Municipal Code, unless otherwise authorized by City Council.
 - 4.2. **Billing.** CONSULTANT shall provide CITY with an invoice containing the dated, detailed, and itemized descriptions of all services performed and expenses incurred (if such expenses are reimbursable pursuant to Exhibit B) by CONSULTANT on a monthly basis unless otherwise specified in Exhibit B. All invoices shall be sent to the CITY addressed to the department head or project manager identified below in Section 13 Notices. Any rate charged shall be prorated where services are interrupted or not provided for any rate period (for example, any monthly rate charge should be prorated when services were interrupted or provided for only part of the month). For services billed on an hourly rate, the minimum unit of billed time shall not exceed one tenth of one hour. CITY shall pay for services and expenses (if so provided in Exhibit B) up to the limit of compensation set forth above, that in the CITY's judgment were necessary and reasonable. Services for work performed and expenses incurred in excess of the total compensation set forth in paragraph 4.1 above shall be at no cost to CITY.
5. **Termination.** CITY or CONSULTANT shall have the right to terminate this Agreement, without cause, by giving thirty (30) days' written notice or less under urgent circumstances. Upon such termination, CONSULTANT shall submit to CITY an itemized statement of services performed for which compensation

has not been paid. CITY may require CONSULTANT to complete certain work product or documents and CONSULTANT shall deliver to CITY all documents in its possession without additional compensation to CONSULTANT. The City Manager of CITY is authorized to terminate this Agreement, in whole or in part, on behalf of CITY.

- 5.1. **Non-Appropriations.** Notwithstanding anything contained in this Agreement to the contrary, if insufficient funds are appropriated, or funds are otherwise unavailable in the budget for CITY for any reason whatsoever in any fiscal year, for payments due under this Agreement, CITY will immediately notify CONSULTANT of such occurrence, and this Agreement shall terminate after the last day during the fiscal year for which appropriations shall have been budgeted for CITY or are otherwise available for payments.

6. **Performance of Work.** CONSULTANT represents that it is qualified by virtue of experience, training, education, and expertise to accomplish these services. Services shall be performed by CONSULTANT in accordance with professional practices in a manner consistent with a level of care, competence and skill exercised by qualified members of the CONSULTANT'S profession. By delivery of completed work, CONSULTANT certifies that the work conforms to the requirements of this Agreement and all applicable federal, state and local laws. CONSULTANT shall perform all work and services under this Agreement in conformance with the time schedule set forth on Exhibit C, "Schedule of Performance," attached hereto and incorporated herein by this reference. CITY's City Manager is authorized on behalf of CITY to modify the timeframes set forth on the Schedule of Performance within the term of this Agreement. If CONSULTANT desires to leave or store any of CONSULTANT's equipment at a CITY site while CONSULTANT is performing work or service pursuant to this Agreement, CONSULTANT will first obtain the consent of CITY's City Manager, or his/her delegate, to do so, and any such storage shall occur only in the manner and location allowed by such CITY official and entirely at CONSULTANT's sole risk.

7. **Insurance Requirements.** CONSULTANT shall procure and provide proof of the insurance coverage required by this section in the form of certificates and endorsements. The required insurance must cover the activities of CONSULTANT, including its subcontractors, employees and agents, relating to or arising from the performance of any work or service under this Agreement, and must remain in full force and effect at all times during the period covered by this Agreement. The coverages may be arranged under a single policy for the full limits required or by a combination of underlying policies with the balance provided by excess or "umbrella" policies, provided each such policy complies with the requirements set forth herein. Any deductibles or self-insured retentions must be declared to and approved by City. CONSULTANT further understands that the CITY reserves the right to modify the insurance requirements set forth herein, with thirty (30) days' notice provided to CONSULTANT, at any time as deemed necessary to protect the interests of the CITY.

7.1. **Insurance Types and Amounts.**

7.1.1. **Commercial General Liability (CGL).** CONSULTANT shall maintain CGL against claims and liabilities for personal injury, death, or property damage providing protection in the minimum amount of: (i) one million dollars (\$1,000,000.00) combined single limit for any one accident or occurrence, or (ii) the maximum amount of such insurance available to CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

7.1.2. **Automobile Liability.** CONSULTANT shall maintain Automobile Liability covering all owned, non-owned and hired automobiles (if CONSULTANT does not own automobiles, then CONSULTANT shall maintain Hired/Non-owned Automobile Liability) against claims and liabilities for personal injury, death, or property damage

providing protection in the minimum amount of: (i) one million dollars (\$1,000,000.00) combined single limit for any one accident or occurrence, or (ii) the maximum amount of such insurance available to CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

7.1.3. Workers' Compensation Insurance and Employer's Liability. CONSULTANT shall maintain Workers Compensation coverage, as required by law, in the minimum amount of: (i) one million dollars (\$1,000,000.00) for any one accident or occurrence, or (ii) the maximum amount of such insurance available to CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater. If CONSULTANT is self-insured, CONSULTANT shall provide its Certificate of Permission to Self-Insure, duly authorized by the Department of Industrial Relations.

7.1.4. Pollution (Environmental) Liability. If the performance of CONSULTANT'S work or service under this Agreement involves hazardous materials, contaminated soil disposal, and/or a risk of accidental release of fuel oil, chemicals or other toxic gases or hazardous materials, CONSULTANT shall procure and maintain Pollution Liability covering the CONSULTANT'S liability for bodily injury, property damage and environmental damage resulting from pollution and related cleanup costs arising out of the work or services to be performed under this Agreement. Coverage shall be provided for both work performed on site, as well as during the transport of hazardous materials. Such coverage shall be in the minimum amount of: (i) one million dollars (\$1,000,000.00) for any one accident or occurrence, or (ii) the maximum amount of such insurance available to CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

7.1.5. Professional Liability.

7.1.5.1. If the performance of CONSULTANT's work or service under this Agreement involves professional and/or technical services (examples include, but are not limited to, architects, engineers, land surveyors, and appraisers), CONSULTANT shall procure and maintain either a claims made or occurrence Errors and Omission liability insurance in the minimum amount of: (i) one million dollars (\$1,000,000.00) each claim, or (ii) the maximum amount of such insurance available to CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater. Further, if CONSULTANT maintains a claims-made policy, CONSULTANT shall provide written evidence of such insurance to the CITY for at least five (5) years after the completion of work performed under this Agreement.

7.1.5.2. If the performance of CONSULTANT's work or service under this Agreement relates to Information Technology or related services (examples include, but are not limited to computer programmers, software designers, hardware engineers, or other systems consultants), CONSULTANT shall procure and maintain a claims made Errors and Omission liability insurance, including Cyber Liability and Data Breach, in the minimum amount of: (i) one million dollars (\$1,000,000.00) each claim, or (ii) the maximum amount of such insurance available to CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

- 7.1.6. **Sexual Abuse/Molestation Liability (SML)**: If the performance of CONSULTANT's work or service under this Agreement involves contact with minors, CONSULTANT shall procure and maintain Sexual Abuse and Molestation insurance in the minimum amount of: (i) two hundred thousand dollars (\$200,000.00) each claim, or (ii) the maximum amount of such insurance available to CONSULTANT under CONSULTANT's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.
- 7.2. **Endorsements**. CONSULTANT shall provide proof of the following endorsements, listed for each policy for which endorsements are required, as outlined below:
- 7.2.1. **General Liability and pollution liability (when pollution liability applies)**.
- 7.2.1.1. The City of Morgan Hill, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers are named as additional insureds;
- 7.2.1.2. The insurer waives the right of subrogation against the City of Morgan Hill and the CITY's elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers; and,
- 7.2.1.3. Insurance shall be primary non-contributing.
- 7.2.2. **Workers Compensation**.
- If the performance of CONSULTANT'S work or service under this Agreement involves access to or activity on any property or premises owned or occupied by the CITY, including, but not limited to, CONSULTANT'S presence during site visits and meetings, then insurer waives the right of subrogation against the City of Morgan Hill and the CITY's elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers.
- 7.3. **Qualification of Insurers**. All insurance required pursuant to this Agreement must be issued by a company licensed and admitted, or otherwise legally authorized to carry out insurance business in the State of California, and each insurer must have a current A.M. Best's financial strength rating of "A" or better and a financial size rating of "VII" or better.
- 7.4. **Certificates**. CONSULTANT shall furnish CITY of Morgan Hill with copies of all certificates as outlined herein, whether new or modified, promptly upon receipt. In the event of a claim or legal action, CONSULTANT shall promptly furnish CITY of Morgan Hill with copies of all policies outlined herein. No policy subject to the CONSULTANT's agreement with the CITY shall be canceled or materially changed except after thirty (30) days' notice by the insurer to CITY. A "material change" is a change that results in non-compliance with any insurance requirements in this section 7. Certificates, including renewal certificates, may be mailed electronically to riskmgmt@morganhill.ca.gov or delivered to the Certificate Holder address provided herein.

Certificate Holder address:
City of Morgan Hill
Attn: Risk Management
17575 Peak Avenue
Morgan Hill, CA 95037

8. **Non-Liability of Officials and Employees of the CITY.** No official or employee of CITY shall be personally liable for any default or liability under this Agreement.

9. **Compliance with Law.**

- 9.1. CONSULTANT and its officers, employees, agents, and subcontractors shall comply with all applicable laws, ordinances, administrative regulations, and permitting requirements in carrying out their obligations under this Agreement. CONSULTANT and its officers, employees, agents, and subcontractors covenant there shall be no discrimination based upon race, color, creed, religion, gender, marital status, age, sexual orientation, national origin, mental disability, physical disability, medical condition, or ancestry, in any activity pursuant to this Agreement.
- 9.2. Compliance with Wage and Hour Laws: Consultant, and any subcontractor it employs to complete work under this Agreement, shall comply with all applicable federal, state and local wage and hour laws. Applicable laws may include, but are not limited to, the Federal Fair Labor Standards Act and the California Labor Code.

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

Prior Judgments against CONSULTANT and/or its Subcontractors: BY SIGNING THIS AGREEMENT, CONSULTANT AFFIRMS THAT IT HAS DISCLOSED ANY FINAL JUDGMENTS, DECISIONS OR ORDERS FROM A COURT OR INVESTIGATORY GOVERNMENT AGENCY FINDING – IN THE FIVE (5) YEARS PRIOR TO EXECUTING THIS AGREEMENT – THAT CONSULTANT OR ITS SUBCONTRACTOR(S) HAS VIOLATED ANY APPLICABLE WAGE AND HOUR LAWS. CONSULTANT FURTHER AFFIRMS THAT IT OR ITS SUBCONTRACTOR(S) HAS SATISFIED AND COMPLIED WITH – OR HAS REACHED AGREEMENT WITH THE CITY REGARDING THE MANNER IN WHICH IT WILL SATISFY – ANY SUCH JUDGMENTS, DECISIONS OR ORDERS.

Judgments or Decisions During Term of Contract: If at any time during the term of this Agreement, a court or investigatory government agency issues a final judgment, decision or order finding that CONSULTANT or an subcontractor it employs to perform work under this Agreement has violated any applicable wage and hour law, or CONSULTANT learns of such a judgment, decision, or order that was not previously disclosed, CONSULTANT shall inform the City Attorney, no more than fifteen (15) days after the judgment, decision or order becomes final or of learning of the final judgment, decision or order. CONSULTANT and its subcontractors shall promptly satisfy and comply with any such judgment, decision, or order, and shall provide the City Attorney with documentary evidence of compliance with the final judgment, decision or order within five (5) days of satisfying the final judgment, decision or order. The City reserves the right to require CONSULTANT to enter into an agreement with the City regarding the manner in which any such final judgment, decision, or order will be satisfied.

City's Right to Withhold Payment: Where CONSULTANT or any subcontractor it employs to perform work under this Agreement has been found in violation of any applicable wage and hour law by a final judgment, decision or order of a court or government agency, the City reserves the right to withhold payment to CONSULTANT until such judgment, decision or order has been satisfied in full.

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

Notice to City Related to Wage Theft Prevention: Notice provided to the City Attorney as required under this Section shall be addressed to: City Attorney, City of Morgan Hill, 17575 Peak Avenue, Morgan Hill, CA 95037. The Notice provisions of this Section are separate from any other notice provisions in this Agreement and, accordingly, only notice provided to the above address satisfies the notice requirements in this Section.

10. **Independent Contractor.** CONSULTANT is an independent contractor and not an agent or employee of CITY.

11. **Confidentiality.** All data, documents, or other information received by CONSULTANT from CITY or prepared in connection with CONSULTANT'S services under this Agreement are deemed confidential and shall not be disclosed to any third party by CONSULTANT without prior written consent by CITY.

12. **Conflict of Interest and Reporting.** CONSULTANT shall at all times avoid conflict of interest or appearance of conflict of interest in performance of this Agreement.

13. **Notices.** All notices shall be personally delivered or mailed, via first class mail to the below listed address. These addresses shall be used for delivery of service of process. Notices shall be effective five (5) days after date of mailing, or upon date of personal delivery.

Address of CONSULTANT is as follows:

Joint Venture Silicon Valley
Robin Franz Martin, Executive Director, Silicon Valley Food Recovery
84 West Santa Clara Street, Ste. 800
San Jose, CA 95113

Address of CITY is as follows:

Environmental Services Mgnr.	with a copy to:
City of Morgan Hill	City Clerk
17575 Peak Avenue	City of Morgan Hill
Morgan Hill, CA 95037	17575 Peak Avenue
	Morgan Hill, CA 95037

14. **Licenses, Permits and Fees.** CONSULTANT shall obtain a City of Morgan Hill Business License, all permits and licenses to the extent required by ordinances, codes and regulations of the federal, state and local government.

15. **Consultant's Proposal.** If applicable, this Agreement shall include CONSULTANT'S proposal or bid which is incorporated herein. In the event of any inconsistency between the terms of the proposal and this Agreement, this Agreement shall govern.

16. **Maintenance of Records.**

16.1. **Maintenance.** CONSULTANT shall prepare, maintain, and preserve all reports and records that may be required by federal, state, and CITY rules and ordinances related to services provided under this Agreement. CONSULTANT shall maintain records for a period of at least 3 years after receipt of final payment under this Agreement. If any litigation, claim, negotiation, audit exception, or other action relating to this Agreement is pending at the end of the 3-year period, then CONSULTANT shall retain said records until such action is resolved.

16.2. **Access to and Audit of Records.** The CITY shall have the right to examine, monitor and audit all records, documents, conditions, and activities of the CONSULTANT and its subcontractors related to services under this Agreement. Pursuant to Government Code Section 8546.7, if this Agreement involves the expenditure of public funds in excess of \$10,000, the Parties to this Agreement may be subject, at the request of the CITY or as part of any audit of the CITY, to the examination and audit of the State Auditor pertaining to matters connected with the performance of this Agreement for a period of three years after final payment under the Agreement.

16.3. **Ownership of Work Product.** All documents or other information developed or received by CONSULTANT for work performed under this Agreement shall be the property of CITY. CONSULTANT shall provide CITY with copies of these items upon demand or upon termination of this Agreement.

17. **Familiarity with Work.** By executing this Agreement, CONSULTANT represents that: (1) it has investigated the work to be performed; (2) it has investigated the site of the work and is aware of all conditions there; and (3) it understands the difficulties and restrictions of the work under this Agreement. Should CONSULTANT discover any conditions materially differing from those inherent in the work or as represented by CITY, it shall immediately inform CITY and shall not proceed, except at CONSULTANT'S risk, until written instructions are received from CITY.

18. **Time of Essence.** Time is of the essence in the performance of this Agreement.

19. **No Assignment.** Neither this Agreement nor any portion shall be assigned by CONSULTANT, without prior written consent of CITY. Any attempted assignment not first approved by CITY shall be void and, at CITY's option, shall terminate this Agreement effective as of the date of such attempted assignment.

20. **Attorney Fees.** In any legal action, dispute or arbitration arising out of or relating to this Agreement, the prevailing party shall be entitled to an award of its reasonable attorney fees, costs and expenses incurred.

21. **Defense and Indemnification.**

21.1. **Defense and Indemnification.** CONSULTANT shall, to the fullest extent permitted by law, indemnify, defend and hold harmless CITY, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers ("INDEMNITEES") from and against any and all claims, liabilities, expenses, liens, or damages of any nature, including liability for bodily injury, property damage or personal injury, and including reasonable attorneys' fees and expenses, that arise out of, pertain to, or relate to the performance of this Agreement or the failure to comply with any obligations

contained in this Agreement by CONSULTANT, and/or its agents, officers, employees, subcontractors, or independent contractors ("CLAIM").

21.2. Exceptions. CONSULTANT is not required to indemnify INDEMNITEES against liability for bodily injury, property damage or personal injury, or any other loss, damage or expense arising from the sole negligence or willful misconduct of the CITY.

21.3. Not limited by insurance. The indemnity, defense and hold harmless provisions of this Agreement apply to all CLAIMS alleged against an INDEMNITEE, regardless of whether any insurance policies are applicable. Policy limits do not act as a limitation upon the amount of indemnification or defense to be provided by CONSULTANT.

21.4. Right to Offset. CITY shall have the right to offset against any compensation due CONSULTANT under this Agreement any amount due CITY from CONSULTANT as a result of CONSULTANT's failure to pay CITY promptly any indemnification arising under this Section (21) and any amount due CITY from CONSULTANT arising from CONSULTANT's failure either to (i) pay taxes on amounts received pursuant to this Agreement or (ii) comply with applicable workers' compensation laws.

21.5. Interpretation. This Section shall constitute an agreement or contract of indemnity, incorporating the interpretations under California Civil Code Section 2778. It is expressly understood and agreed that the obligation of the CONSULTANT to indemnify the INDEMNITEE shall be as broad and inclusive as permitted by the laws of the State of California and shall survive termination of this Agreement.

22. Entire Agreement; Modification; Conflicting Provisions. This Agreement constitutes the entire Agreement between the Parties and supersedes any previous agreements, oral or written. This Agreement may be modified or provisions waived only by a subsequent mutual written agreement executed by CITY and CONSULTANT. If the provisions contained in the main body of this Agreement conflict with any provision contained in an exhibit to this Agreement, the provisions of the main body of this Agreement shall govern and control over any provision contained in an exhibit to this Agreement.

23. Governing Law and Venue. This Agreement shall be construed in accordance with the laws of the State of California. This Agreement was entered into and is to be performed in the County of Santa Clara. Any action or dispute arising out of this Agreement shall only be brought in Santa Clara County.

24. Interpretation. This Agreement is a negotiated document and shall be deemed to have been drafted jointly by the Parties, and no rule of construction or interpretation shall apply against any particular Party based on a contention that the Agreement was drafted by one of the Parties including, but not limited to, California Civil Code § 1654, the provisions of which are hereby waived. This Agreement shall be construed and interpreted in a neutral manner.

25. Preservation of Agreement. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the rest of the Agreement shall remain in full force and effect and shall in no way be affected or invalidated.

26. Binding Agreement. Notwithstanding the provisions of Section 19 above, this Agreement shall bind any and all successors in interest, legal representatives and/or other permitted assignees or transferees of CONSULTANT in the same manner as if those successors in interest, legal representatives or other permitted assignees or transferees had entered into this Agreement originally.

27. ☐ **Data Sharing**. This Agreement requires access by CONSULTANT to CITY's Geographic Information System (GIS) DATA for CONSULTANT to perform the work. CITY agrees to provide the GIS DATA to CONSULTANT solely for the purpose of performance of contracted work with the CITY upon the terms and conditions specified in Exhibit D, incorporated herein by this reference.

[Signatures on Next Page]

28. **Authority to Execute.** Those individuals who are signing this Agreement on behalf of entities represent and warrant that they are, respectively, duly authorized to sign on behalf of the entities and to bind the entities fully to each and all of the obligations set forth in this Agreement.

IN WITNESS THEREOF, these Parties have executed this Agreement on the day and year shown below.

AS SET FORTH IN CA. CORP. CODE § 313, TWO SIGNATURES ARE REQUIRED FOR CALIFORNIA CORPORATIONS:

- (1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; AND
 (2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.

ATTEST:

DocuSigned by:

Michelle Bigelow

City Clerk/Deputy City Clerk

Michelle Bigelow

Print Name

Date: 6/30/2021

APPROVED AS TO FORM:

DocuSigned by:

Donald A. Larkin

City Attorney

Donald A. Larkin

Print Name

Date: 6/29/2021

CITY OF MORGAN HILL

DocuSigned by:

Christina Turner

City Manager

Christina J. Turner

Print Name

Date: 6/30/2021

JOINT VENTURE SILICON VALLEY

Russell Hancock

By:

Russell Hancock

President & CEO

Print Name and Title of Signer.

If Corporate: Chairman, President or Vice President

Date: June 25, 2021

By:

Michael Greco

Michael Greco, CFO

Print Name and Title of Signer.

If Corporate: Secretary, Assistant Secretary, Chief Financial Officer or Assistant Treasurer

Date: June 25, 2021

U:\Legal Forms\Consultant Agreements\City Standard Consultant Agreement.Docx

EXHIBIT A SCOPE OF SERVICES

1. Data Collection from Generators and Food Recovery Organizations

- Support Food Recovery Organizations and Commercial Edible Food Generators with compliance:
 - Contract support for standardized agreements required by SB 1383.
 - Technical assistance with County-wide reporting system.
- Create an online tool to collect reportable information from Food Recovery Organizations and Services as well as Tier 1 and 2 generators if reporting is a part of the final ordinances for Tier 1 and 2.
- Data collection tool will include all information decided upon in the local ordinances.
- Education of Generators and FROs. Work with jurisdictions or other entities doing education and outreach to clearly articulate data requirements for food recovery organizations and Tier 1 generators in preparation for SB 1383.
- Synthesize data, then distribute data with those jurisdictions with appropriate formatting for CalRecycle.

2. Education and Outreach

- Maintain a list of food recovery organizations and food recovery services operating within the county, and post that list on a shared, county-wide website.
- Maintain and continue to refine the content of a website for the Santa Clara County Food Recovery Program.
- Unified outreach and education, including managing support of the San Jose Conservation Corps to reach out to generators across cities with a survey and educational materials.

3. Capacity Building

- Based upon needs identified through the Santa Clara County Capacity Analysis, develop capacity building strategies to support increasing capacity County-wide
- Work with other entities to identify appropriate funding streams to fund these efforts, and support food recovery organizations in their efforts to request fee-for-service and other methods of paying for necessary capacity increases.
- Document potential plans to increase edible food recovery capacity if the analysis indicates that the jurisdictions in Santa Clara County do not have sufficient capacity to meet edible food recovery needs. To include options for increasing edible food recovery capacity, amounts of funding needed, and

suggestions for funding options.

4. Documentation

Joint Venture will offer each jurisdiction relevant documents supporting its compliance with the Implementation Record including:

- A description of the increases in commercial edible food generator access to food recovery organizations and food recovery services.
- A list of food recovery organizations and food recovery services in the jurisdiction and their edible food recovery capacity.
- Documentation of county-wide actions taken to increase edible food recovery capacity.
- Recommendations for future years: funding/time estimates to run the program, handbook for new entity, recommendations for funding streams, Recruitment Committee management, training of new staff.
- Any other Documentation required for implementation record/jurisdictional record-keeping.

5. Management

- Continue projects related to the previous contract Scope of Work:
- Manage the four (4) subcommittees of the Steering Committee relating to SB 1383 food recovery program tasks.
- Continue to support work on a unified ordinance approach. All ordinances must facilitate edible food standards, county-wide data collection and capacity increases, at a minimum.
- Continue to update the TAC on progress, and solicit input when necessary.
- Work with the contractor creating the Santa Clara County Capacity Analysis to ensure that next steps on increasing capacity are implemented county-wide, with multiple strategies employed.

6. Develop Monitoring and Inspection Strategy

- Implementation monitoring and feedback to TAC and the Commission.
- Develop Inspection and Monitoring Strategy in conjunction with input from the Monitoring and Enforcement Subcommittee as well as other stakeholders.
- Work towards the goal of all jurisdictions coordinating or approving a centralized, standardized approach.

EXHIBIT B
SCHEDULE OF COMPENSATION RATES

	Summary	Year 1	Year 2
Overhead		25,000	25,000
(1) Data Collection	Build data collection website, collect data, develop an incentive program to encourage participation if necessary. Staff time, build website- contractor time.	30,000	20,000
(2) Education & Outreach	Maintain website, Santa Clara County Food Recovery Organization list, Tier 2 ID, Manage San Jose Conservation Corps outreach, technical assistance.	25,000	15,000
(3) Capacity Building	Based upon needs identified through the Santa Clara County Capacity Analysis, develop capacity building strategies to support increasing capacity county-wide	10,000	10,000
(4) Documentation	Recommendations for future years: funding/time estimates to run the program, handbook for new entity, recommendations for funding streams, Recruitment Committee management, training of new staff. Documentation required for implementation record, jurisdictional record-keeping.	15,000	25,000
(5) Management	Work with subcommittees, TAC, Food System Alliance, and other groups to integrate SB 1383	5,000	5,000
(6) Develop Monitoring & Inspection Strategy	Develop, in conjunction with the Enforcement and Ordinance Subcommittee, a monitoring and inspection strategy, then assist in the coordination of centralized inspections and monitoring as needed.	15,000	25,000
Total		125,000	125,000

Monthly Invoice amount is \$10,416 (total yearly amount not to exceed \$125,000)

If City staff approves additional scope of work beyond stated scope of services in Exhibit A, the hourly rate will be \$120.00 per hour. The amount for additional scope of work activities shall not exceed fifty thousand dollars (\$50,000).

EXHIBIT C SCHEDULE OF PERFORMANCE

Deliverables:

August 31, 2021

Web site up and maintained with current information. Technical assistance provided to San Jose Conservation Corps and jurisdictions to complete outreach and education tasks, and all first-round education and outreach tasks completed. Tier 2 identified, and education process begun.

December 31, 2021

Interim report and presentation to TAC. Data collection tool designed, county-wide portions of the food recovery program ordinance complete, food recovery organizations and generator outreach and education complete. Monitoring and inspection strategy complete.

June 30, 2022

Input on Santa Clara County Capacity Analysis complete, with all items in Scope of Services on this topic accomplished. Recruitment Committee, for long-term program home, created.

August 31, 2022

Report to TAC on progress on all items within the Scope of Services. Items to jurisdictions for necessary reports. Data collection system fully functional and used for data collection.

December 31, 2022

Interim report to TAC. Permanent home identified, and all data collection tasks from Scope of Services completed. Long term home identified, draft handbook and transition materials created.

June 30, 2023

Final Report and presentation to TAC on all items within the Scope of Services.

CITY COUNCIL STAFF REPORT

MEETING DATE: June 1, 2022

PREPARED BY:

Matthew Mahood, Economic Development Director

APPROVED BY: City Manager

APPROVE AMENDMENTS TO IMPACT FEE FREEZE POLICY

RECOMMENDATION(S)

Accept Impact Fee Freeze Program update and amend the Impact Fee Freeze Policy to use the current fiscal year fee schedule at the time the agreement is executed.

Estimated Time:

COUNCIL PRIORITIES, GOALS & STRATEGIES

2022-2023 Strategic Priorities

Fiscal Sustainability

Economic Development

Guiding Documents

Economic Blueprint

Morgan Hill 2035 General Plan

REPORT NARRATIVE:

The proposed amendments to the Impact Fee Freeze Policy were introduced to the Community at the Budget Workshop on May 18, 2022.

Background

On June 21, 2017, the City Council approved an Impact Fee Freeze Pilot Program to promote economic development investment by locking impact fee schedules for commercial and industrial projects for a period of three years. This program is an economic development tool to attract commercial and industrial development by providing financial certainty to developers.

On July 15, 2020, the City Council formally adopted the Impact Fee Freeze Program and provided the City Manager the authority to approve agreements with a net impact of up to \$100,000 that meet Program requirements. The program freezes impact fees at the Fiscal Year 2017-18 fee schedule and requires developers to pull building permits within three years and the project is required to repay the savings created within 10

years.

Staff recommends amending the program to use the current fiscal year fee schedule at the time of the agreement instead of the FY 17-18 fee schedule. While this reduces the incentive to the development community, it still provides certainty that the fees will be locked in at the time of the agreement. This change will allow the City's impact fee fund to recover a greater amount and support the development of the City's infrastructure.

Background

Impact fees applied to new development allow the City to continue to plan for long-term infrastructure including water, sewer, roads, and public facilities. Developers are required to pay the impact fee associated with the projected impact caused by that development.

Impact fees in Morgan Hill are high due to the cost of green field development—or development in undeveloped land that requires the initial investment for infrastructure development. In addition to higher impact fees, Morgan Hill is disadvantaged by lower rents which previously had not justified the cost of new construction.

The original Impact Fee Freeze Program establishes and locks the City's Impact Fees using the FY 2016-17 rates for new industrial and commercial development provided the prospective development secures entitlements and submits for building permits within three years of the date of the agreement. In 2020, with a City Council update and review of this program, the base year was adjusted to FY 2017-18.

The savings afforded by the Impact Fee Freeze program are recovered through revenue generated by the project—a combination of taxes collected by each development that includes property taxes, retail sales taxes, business to business taxes, and/or transient occupancy taxes. The respective Impact Fee Funds get reimbursed from general tax revenues generated and collected by the development.

Analysis:

Since the approval of the Impact Fee Freeze Pilot Program in 2017, the City Council has approved nine (9) Impact Fee Freeze Agreements for eight developments. The table below provides a project description and the status of the project.

Previously approved Fee Freeze Projects

Project	Approved	Expiration	Status	Project
Healthworks Bakery	4/4/2018	6/30/2020	Applicant Withdrew	17,152 sq. ft industrial building, headquarters for new baking company
Bridge Group Investments (Shoe Palace)	10/17/2018	6/30/2020	Project in final construction phases	503,400 sq. ft industrial building, headquarters for Shoe Palace

Evergreen Development Company	10/17/2018 6/30/2021	Overall site construction underway, Individual projects under review	185,000 sq. ft proposed build out
Morgan Hill Real Estate (Towbin Dodge)	11/7/2018 6/30/2020	Project abandoned	36,652 sq. ft commercial building for new car dealership
TBI-Mission West II, LLC (SV Glass)	12/5/2018 6/30/2021	Project completed	31,172 sq. ft. industrial building
TBI-Mission West II, LLC Parcel K (Carpenter's Union)	1/23/2019 6/30/2021	Project completed	55,000 sq. ft. industrial building to be used as a training and education facility
TBI-Mission West II, LLC Parcel 1 (Madrone Plaza)	1/23/2019 6/30/2021	Proposed Project Cancelled	2 hotels, site is being marketed for other purposes
Applied Motion Products	6/3/2020 6/30/2022	Project completed	21,000 sq. ft industrial building, headquarters for a business-to-business operator
TSC Motors (Cardinale - Chrysler/Dodge/Ram/Jeep)	12/2/2020 12/31/2023	Project under construction	27,000 sq. ft new vehicle dealership

Staff recommends amending the program to use the current fiscal year fee schedule at the time of the agreement instead of the FY 17-18 fee schedule. While this reduces the incentive to the development community, it still provides certainty that the fees will be locked in at the time of the agreement. This change will allow the City's impact fee fund to recover a greater amount and support the development of the City's infrastructure.

The proposed Impact Fee Freeze Program Policy and eligibility criteria is in Attachment A.

The Impact Fee Freeze Incentive Program aligns with the Economic Blueprint Strategy #3 "Attract New Development," Action #5, "Explore Incentive Programs to Attract Industry Specific Development." Developers and end users are aware of the program.

COMMUNITY ENGAGEMENT:

The proposed amendments to Impact Fee Freeze Policy were introduced to the Community at the Budget Workshop on May 18, 2022. In addition, this staff report serves to inform the Community of the proposed amendments to the Impact Fee Freeze Policy.

ALTERNATIVE ACTIONS:

The City Council may provide alternative direction on the Impact Fee Freeze Program.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On June 21, 2017, City Council approved the Citywide Impact Fee Freeze Program establishing Fiscal Year 2016-17 Development Impact Fees as the basis for the three-year term for any new commercial/industrial development project that enters into a Development Agreement for an Impact Fee Freeze approved by City Council.

On February 21, 2018, City Council made a minor adjustment to the Impact Fee Freeze Program by changing the agreement structure to an Impact Fee Freeze Agreement from a Development Agreement.

On June 3, 2020, City Council approved an impact fee freeze agreement with Applied Motion products which also included directing staff to come back with an amended impact fee freeze program for June 17, 2020.

On June 17, 2020, City Council granted a 60-day extension to the current Fee Freeze Program for commercial and industrial projects and asked staff to bring back the proposed program at the next meeting and add an annual review of the program in the guidelines.

On July 15, 2020, the City Council formally adopted the Impact Fee Freeze Program (Attachment 1) as an ongoing City program and provided the City Manager the authority to approve agreements with a net impact of up to \$100,000 that meet Program requirements. The base year was adjusted to FY 2017-18.

FISCAL AND RESOURCE IMPACT:

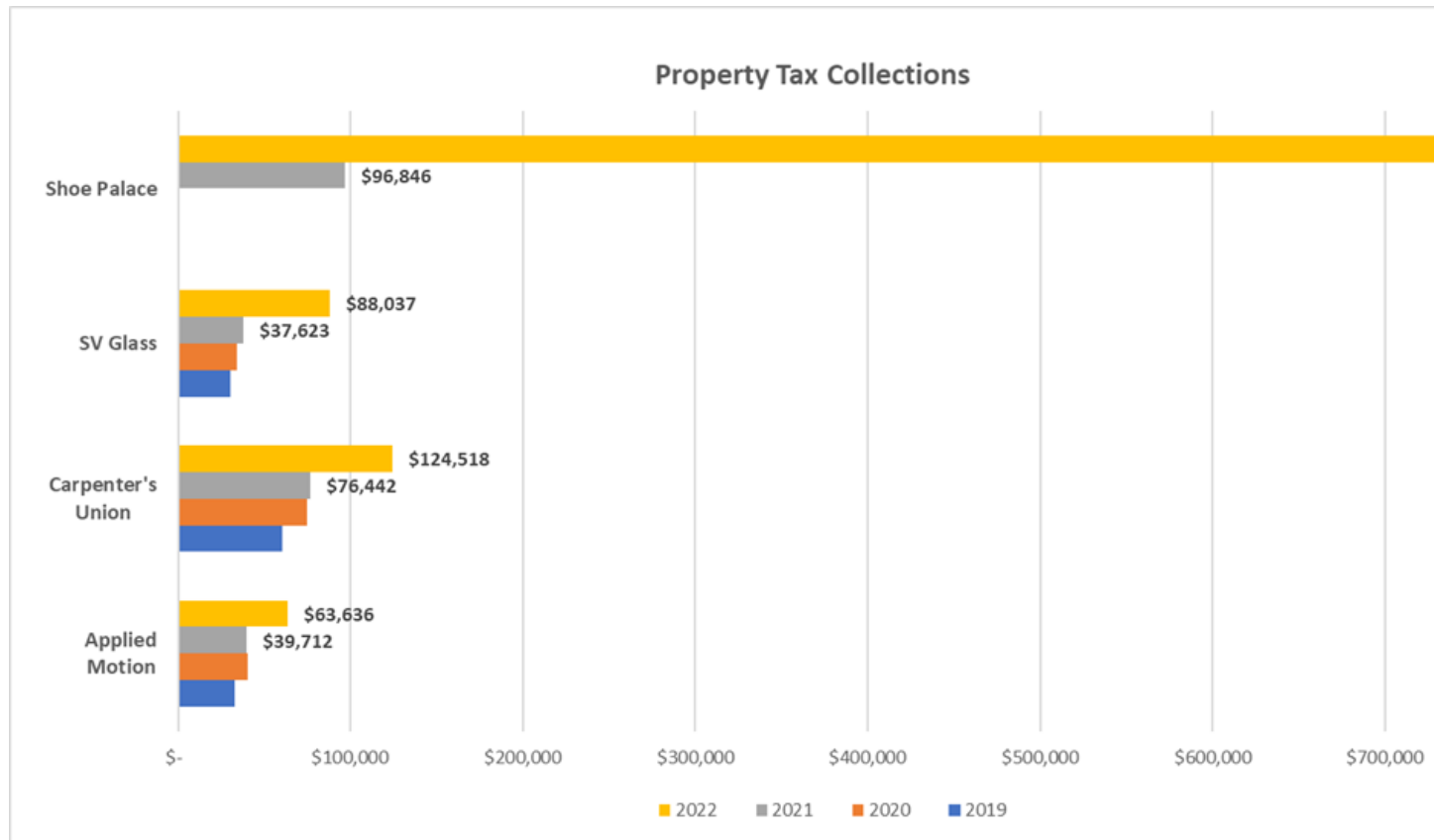
Each Impact Fee Freeze agreement is evaluated to determine the amount of savings a Fee Freeze agreement creates. In addition, an analysis of revenues is also determined to understand the payback period that it will take to replenish impact fees the project generates. Once individual projects become occupied, staff will be able to determine the amount of property tax, sales tax or other General Fund revenue generated.

Subsequently, a portion of those tax dollars will be set aside annually to pay back the impact fee funds. Estimated impacts will vary depending on how much impact fees grow over time. In addition, to create a uniform analysis, variable fees such as frontage fees and meters hookups are not included in the estimate.

The City receives new and/or additional General Fund revenue from new development in the form of increased property tax, sales tax and transient occupancy tax generation.

Due to the confidentiality of sales tax reporting, we are unable to share a specific business's increase in sales tax collection in this report. However, property tax assessments and associated collections have increased in the projects that are completed and/or are near completion. The graph below shows the increased property tax assessments on 4 of the Fee Freeze projects with new property tax assessments.

The City receives 10% of the property tax collected.



CEQA (California Environmental Quality Act):

Not a Project

An Environmental Impact Report (EIR) for the Morgan Hill 2035 Project, which included the General Plan Update, was prepared in accordance with the California Environmental Quality Act (CEQA) and certified by the Morgan Hill City Council on July 27, 2016. Commercial and industrial development as discussed above is consistent with the general plan policies for which the EIR was certified. There is no substantial evidence, in light of the whole record, that freezing of impact fees may have a significant effect on the environment beyond that already analyzed in the certified EIR; therefore, no further environmental analysis is required. Any development that occurs in the future will undergo an independent analysis pursuant to the requirements of CEQA.

City of Morgan Hill
Impact Fee Freeze Program Guidelines

~~June-May 2020~~₂

The Impact Fee Freeze Program establishes and locks City's Impact Fees ~~using the FY 2017-18 rates~~ at the time of the executed agreement for up to three years for

new industrial and commercial development provided the prospect development secures entitlements and submits for building permits within three years of the date of the agreement.

The Impact Fee Freeze Program is intended to support new commercial and industrial development that supports the City's long-term economic sustainability goals identified in the City's General Plan and Economic Blueprint by growing jobs, retaining and attracting new companies and generate positive tax revenue to the City caused by the development through new property, sales, and/or transient occupancy taxes.

Eligibility:

The Impact Fee Freeze Program is eligible for new commercial and industrial development within the City's limits, except for developments that only support uses such as Mini-Storage Units, Stand-Alone Carwashes, Assisted Living, Memory Care, and Congregate Care Facilities or similar uses that do not generate added revenue for the City of Morgan Hill. Applicants must be a fee title owner or be under contract to purchase land.

Program Requirements:

1. Program participants must submit a request in writing indicating interest in the Impact Fee Freeze Program and identify goals of the speculative development, including type, size, location, and general timeframe of development.
2. Applicant must enter into a Fee Freeze Financing Agreement with the City of Morgan Hill agreeing to secure entitlements and submit for building permits for prospect development within three years of the executed agreement.
3. Applicant must provide the City with estimates of construction valuation, projected number of jobs and revenue generated by the uses.
4. Project must be able to generate revenue to repay the 'savings' caused by the Fee Freeze

ATTACHMENT 6

Agreement within 10 years of receiving a completion of the project and receipt of Certificate of Occupancy.

Other:

1. Impact Fee Freeze Agreements generating net savings of up to \$100,000 can be approved by the City Manager; Impact Fee Freeze Agreements generating net savings more than \$100,000 must be approved by the City Council.

2. The City Manager has the authority to modify the Agreement provisions except for the maximum amount, which requires City Council approval.

3. The City Manager may suspend this program at any time if it is determined that the Impact Fee Funds are negatively affected by continuation of the program.

4. Impact Fee Freeze Agreements are assignable.

5. City Manager has the authority to amend Impact Fee Freeze Agreements for minor modifications and provide necessary extensions that do not exceed 24 months.

~~6. The City Manager shall provide an annual review and update of the program to the City Council.~~

6. Impact Fee Funds will be repaid with future tax revenue generated by the new development.

CITY COUNCIL STAFF REPORT

MEETING DATE: June 1, 2022

PREPARED BY:

Chris Ghione, Public Services Director

APPROVED BY: City Manager

APPROVE THE FOURTH AMENDMENT TO THE LEASE AGREEMENT OF EL TORO BUILDING WITH COMMUNITY CHRISTIAN

RECOMMENDATION(S)

Authorize the City Manager to execute a lease amendment with Community Christian for the use of the El Toro Building.

Estimated Time: na

COUNCIL PRIORITIES, GOALS & STRATEGIES

City Council Ongoing Priorities

Maintaining and Enhancing Infrastructure

Supporting our Youth, Seniors, and Entire Community

Enhancing Diversity and Inclusiveness

2022-2023 Strategic Priorities

Fiscal Sustainability

Guiding Documents

Bikeways, Trails, and Recreation Master Plan

REPORT NARRATIVE:

On February 7, 2018, the City Council authorized the lease of the El Toro Building to Community Christian. As part of this lease, Community Christian was to provide space at the facility for the Alcoholics Anonymous and Narcotics Anonymous groups previously housed at the Friendly Inn Non-profit Center. The current proposal is the extension of the lease agreement for an additional 5 years.

This lease agreement has worked successfully for the last 4 years. During that time, Community Christian has significantly renovated the building and helped to transform the area. Additionally, Community Christian has taken on all costs associated with operating and maintaining the building, while allowing significant use by the community supporting organizations. Currently, Alcoholics Anonymous is supporting 250 visits per month and Narcotics Anonymous is supporting over 1,200 visits per month, with the organizations holding dozens of meetings. Community Christian has also used the

office space in the building to support their efforts in partnering with Second Harvest to provide food distribution four times per month, which supports over 6,000 families annually.

The current lease agreement is scheduled to expire in June of 2023. Community Christian desires to continue to make long-term investments in the building, which this lease extension would support. The lease of the site is provided at the low cost of \$100 per month, as the lease requires a very significant amount of time to be provided to the community organizations using the site (at very low costs) and that all costs and liability for use of the site be transferred to the tenant. The agreement is viewed by City staff as a “win/win” scenario, in which the tenant is allowed to make significant repairs to a City facility for the City, while ensuring their investment and providing required support to other community organizations.

COMMUNITY ENGAGEMENT:

Not Applicable

This amendment was negotiated by City staff and the City’s tenant, Community Christian. This report serves to share the details of the amendment with the community.

ALTERNATIVE ACTIONS:

The City Council may choose to not approve the amendment and provide City staff with additional direction on use of the El Toro Building.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On February 7, 2018, the City Council authorized the lease of the El Toro Youth Center Building to Community Christian.

On December 5, 2018, the City authorized the First Amendment to the lease authorizing significant long-term improvements to the building to be made by Community Christian.

FISCAL AND RESOURCE IMPACT:

There is no direct fiscal impact related to this action. The lease supports receipt of \$1,200 annually. Should the City wish to take on management of the facility with continued use of the facility by the non-profit organizations currently using the site, it is anticipated that the City would need to appropriate \$20,000 annually to support ongoing maintenance and operations.

Improvements made to the facility by Community Christian over the last four years are valued at over \$100,000. Should the City request that Community Christian vacate the facility in the next six years, a limited payback to Community Christian of up to approximately \$15,000 would be required to reimburse the organization for some improvements that have been made.

CEQA (California Environmental Quality Act):

Categorical Exemption

The planned maintenance and management of city facilities falls within the CEQA categorical exemption of Class 1, Existing Facilities.



City of Morgan Hill

Public Services Department



CITY OF MORGAN HILL

LOCATION PLAN

El Toro Building - 17620 Crest Ave

Date: 5/3/22

Drwn by: AE

PAGE 1 OF 1

**FOURTH AMENDMENT
TO LEASE AGREEMENT BETWEEN
THE CITY OF MORGAN HILL AND COMMUNITY CHRISTIAN**

This FOURTH AMENDMENT (Fourth Amendment) to the LEASE AGREEMENT ("Lease Agreement") between the City of Morgan Hill, a municipal corporation ("City"), and Community Christian, a non-profit corporation ("User") formerly known as First Baptist Church Morgan Hill, sets forth the respective roles of City and User in regard to use of City facilities and is made and entered into as of _____, 2022 ("Effective Date"). Throughout this Agreement, City and User are referred to collectively as the "Parties" and individually as a "Party."

RECITALS

The following recitals are a substantive part of this Agreement:

1. This Fourth Amendment to Lease Agreement is entered into pursuant to the action of City Council taken on June 1, 2022.
2. Parties entered into that Lease Agreement made as of March 12, 2018, for the use of the City facilities described in that Lease Agreement.
3. On March 5, 2018, First Baptist Church of Morgan Hill formally changed its name to Community Christian.
4. Parties entered into a First Amendment to the Lease Agreement made as of December 20, 2018 ("First Amendment"), a Second Amendment to the Lease Agreement made as of April 25, 2019 ("Second Amendment"), and a Third Amendment to the Lease Agreement made as of November 4, 2020 ("Third Amendment").
5. The Lease Agreement and the First Amendment, Second Amendment and Third Amendment are attached as "Exhibit "1" to this Fourth Amendment and made part of and incorporated herein.

AMENDMENT

Now, therefore, for mutual consideration the receipt and sufficiency of which is hereby acknowledged by the Parties hereto, the Parties hereby agree, all terms and conditions of the Lease Agreement, as amended and attached as Exhibit "1" shall remain in full force and effect, except that the following amendment shall be made as set forth below:

- A. Paragraph 1. Term shall be amended and replaced in its entirety by the following:

1. TERM

The term of this Agreement is effective from the Effective Date to June 30, 2027 ("Termination Date"). The term of the Agreement may be extended for up to five years by mutual consent of the Parties, and City's City Manager is authorized to extend the

term of this Agreement upon the same other terms and conditions contained herein on the Effective Date on behalf of City.

B. **Signatures.** The individuals executing this Agreement represent and warrant that they have the legal capacity and authority to do so on behalf of their respective entities.

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Signatures on the Next Page

C. **Conflicts.** In the event of a conflict between the terms and provisions of this Fourth Amendment to Agreement and the terms and provisions of the Agreement or any earlier amendment, the terms of this Fourth Amendment to Agreement shall govern and control.

IN WITNESS THEREOF, these Parties have executed this Agreement on the day and year shown below.

AS SET FORTH IN CA. CORP. CODE § 313, TWO SIGNATURES ARE
REQUIRED FOR CALIFORNIA CORPORATIONS:
(1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT;
AND (2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER, OR
ASSISTANT TREASURER.

ATTEST:

CITY OF MORGAN HILL

City Clerk

City Manager

Michelle Bigelow
Print Name

Christina J. Turner
Print Name

Date: _____

Date: _____

APPROVED AS TO FORM:

COMMUNITY CHRISTIAN

City Attorney

By:

Donald A. Larkin
Print Name

Kyle Windsor, Senior Pastor
Print Name and Title of Signer.
If Corporate: Chairman, President, or
Vice President

Date: _____

Date: _____ March 22, 2022

By:

Kyle Windsor, Senior Pastor
Print Name and Title of Signer.
If Corporate: Secretary, Assistant
Secretary, Chief Financial Officer,, or
Assistant Treasurer

Date: _____ March 22, 2022

EXHIBIT 1

**THIRD AMENDMENT
TO LEASE AGREEMENT BETWEEN**

THE CITY OF MORGAN HILL AND COMMUNITY CHRISTIAN

This THIRD AMENDMENT (Third Amendment) to the LEASE AGREEMENT ("Lease Agreement") between the City of Morgan Hill, a municipal corporation ("City"), and Community Christian, a non-profit corporation formerly known as First Baptist Church Morgan Hill ("User"), sets forth the respective roles of City and User in regard to use of City facilities and is made and entered into as of ^{11/4/2020}, 2020 ("Effective Date"). Throughout this Amendment, City and User are referred to collectively as the "Parties" and individually as a "Party."

RECITALS

The following recitals are a substantive part of this Agreement:

1. This Third Amendment to Lease Agreement is entered into pursuant to the action of City Council taken on February 7, 2018.
2. Parties entered into that Lease Agreement made as of March 12, 2018, for the use of the City facilities described in that Lease Agreement.
3. On March 5, 2018, First Baptist Church of Morgan Hill formally changed its name to Community Christian.
4. Parties entered into a First Amendment to the Lease Agreement made as of December 20, 2018 ("First Amendment") and entered into a Second Amendment to the Lease Agreement made as of April 25, 2019 ("Second Amendment").
5. The Lease Agreement and the First and Second Amendments thereto are attached as Exhibit "1" to this Agreement and made part of and incorporated herein.

AGREEMENT

1. Amendments. All terms and conditions of the Lease Agreement, as amended, as attached as Exhibit "1," shall remain in full force and effect; except that the following amendments shall be made as set forth below:

A. Paragraph 1. Term shall be amended and replaced in its entirety by the following:

1. TERM

The term of this Agreement is effective from the Effective Date to June 30, 2023 ("Termination Date"). The term of the Agreement may be extended for up to one additional year by mutual consent of the Parties, and City's City Manager is authorized to extend the term of this Agreement upon the same other terms and conditions contained herein on the Effective Date on behalf of City. User understands that City is contemplating the sale of the Premises, which may affect the renewal term.

2. **Signatures.** The individuals executing this Third Amendment represent and warrant that they have the legal capacity and authority to do so on behalf of their respective entities.

3. **Conflicts.** In the event of a conflict between the terms and provisions of this Third Amendment to Agreement and the terms and provisions of the Agreement or any earlier amendment, the terms of this Third Amendment to Agreement shall govern and control.

IN WITNESS THEREOF, these Parties have executed this Third Amendment on the day and year shown below.

AS SET FORTH IN CA. CORP. CODE § 313, TWO SIGNATURES ARE REQUIRED FOR CALIFORNIA CORPORATIONS:

- (1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; AND
(2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.

ATTEST:

DocuSigned by:
Michelle Bigelow
City Clerk/Deputy City Clerk

Michelle Bigelow
Print Name

Date: 11/4/2020

APPROVED AS TO FORM:

DocuSigned by:
Donald A. Larkin
City Attorney

Donald A. Larkin
Print Name

Date: 10/29/2020

CITY OF MORGAN HILL

DocuSigned by:
Christina Turner
City Manager

Christina J. Turner
Print Name

Date: 11/4/2020

COMMUNITY CHRISTIAN

DocuSigned by:
Kyle Windsor
By: DE3ACCA64F6A4AD...

Kyle Windsor
Print Name and Title of Signer.
If Corporate: Chairman, President or
Vice President

Date: 11/12/2020

By: _____

Print Name and Title of Signer.
If Corporate: Secretary, Assistant
Secretary, Chief Financial Officer or
Assistant Treasurer

Date: _____

126-04-18-022

**SECOND AMENDMENT
TO LEASE AGREEMENT BETWEEN
THE CITY OF MORGAN HILL AND COMMUNITY CHRISTIAN**

This SECOND AMENDMENT (Second Amendment) to the LEASE AGREEMENT ("Agreement") between the City of Morgan Hill, a municipal corporation ("City"), and First Baptist Church Morgan Hill doing business as Community Christian, a non-profit corporation ("User"), sets forth the respective roles of City and User in regard to use of City facilities and is made and entered into as of April 25, 2019 ("Effective Date"). Throughout this Agreement, City and User are referred to collectively as the "Parties" and individually as a "Party."

The City and User entered into that Lease Agreement made as of March 12, 2018, for the use of the City facilities described in that Agreement. The City and User entered into a First Amendment as of December 20, 2018. The lease Agreement and the First Amendment are attached as "Exhibit 1" to this Second Amendment and made part of and incorporated herein.

1. AMENDMENT:

Now, therefore, for mutual consideration the receipt and sufficiency of which is hereby acknowledged by the Parties hereto, the Parties hereby agree, all terms and conditions of the Agreement, as amended and attached as Exhibit "1" shall remain in full force and effect, except that the following amendment shall be made as set forth below:

A. Paragraph 1. Term shall be amended and replaced in its entirety by the following:

1. TERM

The term of this Agreement is effective from the Effective Date to December 31, 2020 ("Termination Date"). The term of the Agreement may be extended for up to three and one-half years by mutual consent of the Parties, and City's City Manager is authorized to extend the term of this Agreement upon the same other terms and conditions contained herein on the Effective Date on behalf of City. User understands that City is contemplating the sale of the Premises, which may affect the renewal term.

B. SIGNATURES

The individuals executing this Agreement represent and warrant that they have the legal capacity and authority to do so on behalf of their respective entities.

C. **CONFLICTS.** In the event of a conflict between the terms and provisions of this Second Amendment to Agreement and the terms and provisions of the Agreement or any earlier amendment, the terms of this Second Amendment to Agreement shall govern and control.

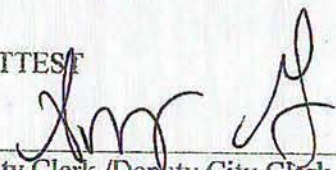
06
Second

IN WITNESS THEREOF, these Parties have executed this ~~First~~ Amendment on the day and year shown below.

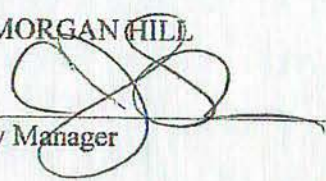
AS SET FORTH IN CA. CORP. CODE § 313, TWO SIGNATURES ARE REQUIRED FOR CALIFORNIA CORPORATIONS;

(1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT;
AND (2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.

ATTEST


City Clerk /Deputy City Clerk

CITY OF MORGAN HILL


City Manager

 Michelle Wilson
Print Name

Date: 5/17/19

Christina Turner
Print Name

Date: 4-25-19

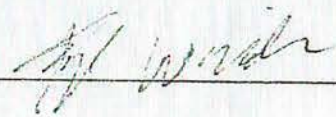
APPROVED AS TO FORM:


City Attorney

 Donald A Larkin
Print Name

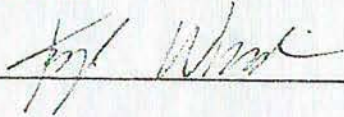
Date: 4-23-19

Community Christian

By: 

Kyle Windsor Senior, MSPK
Print Name and Title of Signer.

If Corporate: Chairman, President for
Vice President

By: 

Kyle Windsor Senior, MSPK
Print Name and Title of Signer.

If Corporate: Secretary, Assistant
Secretary, Chief Financial Officer or
Assistant Treasurer

Date: 4/15/19

126-04-18-022

**FIRST AMENDMENT TO THE LEASE AGREEMENT BETWEEN
THE CITY OF MORGAN HILL AND COMMUNITY CHRISTIAN**

This FIRST AMENDMENT TO AGREEMENT ("FIRST AMENDMENT") is made and entered into as of this 20 day of December, 2018 (the "EFFECTIVE DATE"), by and between the CITY OF MORGAN HILL, a municipal corporation ("CITY") and the FIRST BAPTIST CHURCH MORGAN HILL DOING BUSINESS AS COMMUNITY CHRISTIAN ("USER"), a California non-profit corporation.

RECITALS

The Parties intend that the following recitals are a substantive part of this FIRST AMENDMENT:

1. This FIRST AMENDMENT is entered into based upon City of Morgan Hill City Council action taken on December 5, 2018.
2. CITY and USER entered an Agreement for the lease of the El Toro Youth Center Building ("AGREEMENT"). The AGREEMENT is attached as Exhibit "B" to this FIRST AMENDMENT and incorporated herein by this reference.

AGREEMENT

FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED BY THE PARTIES HERETO, THE PARTIES FURTHER MUTUALLY AGREE AS FOLLOWS:

SECTION 1. Amendments: Pursuant to the provisions of Section 9 of the AGREEMENT, the Parties agree that all of the terms and conditions of the AGREEMENT attached hereto as Exhibit "B", shall remain in full force and effect except that the parties hereto agree that the following amendments shall be made and incorporated into the AGREEMENT, as amended to date, as follows:

A. SECTION 1.2 of the AGREEMENT, shall be amended to read in its entirety as follows:

1.2 Termination of Agreement This Agreement may be terminated by either Party hereto for any reason upon thirty (30) days written notice to the other Party. City's City Manager is authorized to terminate this Agreement on behalf of City.

1.2.1 Should the lease agreement be terminated prior to ten years from the Effective Date the City shall pay the User up to a maximum of \$20,000 for improvements made for by the User during the agreement term and specifically approved in Exhibit A, so long as the User has provided the City proof of payment for the improvements and improvements have been made in accordance with Section 2.6. This payment shall not be required should the agreement be terminated for sale of the Premises to the User.

IN WITNESS WHEREOF, the parties to this FIRST AMENDMENT have executed this AMENDMENT to be effective as of the EFFECTIVE DATE first set forth hereinabove.

ATTEST:

Michelle Wilson

Michelle Wilson, Deputy City Clerk

Date: 12/21/18

APPROVED AS TO FORM:

Donald Larkin

for Donald Larkin, City Attorney

Date: 12-20-18

CITY OF MORGAN HILL:

Christina Turner

Christina Turner, City Manager

Date: 12/20/18

FIRST BAPTIST CHURCH MORGAN HILL
DBA COMMUNITY CHRISTIAN:

Kyle Wind

By:

Title: SENIOR PASTOR

Print Name and Title of Signer.

If Corporate: Chairman, President or
Vice President

Date: Nov 18 2018

Kyle Wind

By:

Title: SENIOR PASTOR

Print Name and Title of Signer.

If Corporate: Secretary, Assistant
Secretary, Chief Financial Officer or
Assistant Treasurer

Date: Nov 18 2018

Exhibit A

List of Approved Improvements

1. Replacement of windows, window frames, and wall areas associated with windows.
2. Floor coverings.
3. Structural repairs, including relocating/replacement of walls, improvements to ceilings and attic areas.
4. Other improvements specifically intended to support the capital improvements intended to last for over 10 years, approved in writing by the City's Community Services Director.

EXHIBIT "1"

LEASE AGREEMENT
BETWEEN THE CITY OF MORGAN HILL AND
COMMUNITY CHRISTIAN

This LEASE AGREEMENT ("Agreement") between the City of Morgan Hill, a municipal corporation ("City"), and First Baptist Church Morgan Hill doing business as Community Christian, a non-profit corporation ("User"), sets forth the respective roles of City and User in regard to use of City facilities and is made and entered into as of March 12 2018 ("Effective Date"). Throughout this

Agreement, City and User are referred to collectively as the "Parties" and individually as a "Party."

NOW, THEREFORE, for mutual consideration the receipt and sufficiency of which is hereby acknowledged by the Parties hereto, the Parties hereby agree as follows:

1. TERM

The term of this Agreement is effective from the Effective Date to June 30, 2019 ("Termination Date"). The term of the Agreement may be extended for up to five years by mutual consent of the Parties, and City's City Manager is authorized to extend the term of this Agreement upon the same other terms and conditions contained herein on the Effective Date on behalf of City. User understands that City is contemplating the sale of the Premises, which may affect the renewal term.

1.1. Holding Over. If User or any assignee or sublessee thereof continues to occupy the Premises after the term of this Agreement has expired or terminated in any manner and City has not objected thereto, such holding over shall be deemed a month to month agreement terminable on thirty (30) days' notice given by either Party (the "Hold-Over Agreement") on the same terms and conditions as provided in this Agreement.

1.1.1 Notwithstanding the foregoing, nothing contained in this Agreement shall give User any right to occupy the Premises at any time after expiration of the term of this Agreement or its earlier termination. User acknowledges and agrees that upon such expiration or termination, it shall not be entitled to any relocation assistance or payment pursuant to the provisions of Title 1, Division 7, Chapter 16, of the Government Code of the State of California (Paragraphs 7260 et seq.) or pursuant to any other laws or regulations with respect to any relocation of its business or activities upon the expiration of the term of this Agreement, upon its earlier termination, or upon the termination of any holdover tenancy pursuant to this paragraph. User hereby waives and releases to City all rights, if any, to which User may be entitled under said provisions or other law or regulations.

1.1.2 If User or any assignee or sublessee thereof shall continue to occupy the Premises after the term of this Agreement has expired or is terminated in any manner and City has objected thereto, then City shall be entitled to reenter the Premises and enforce any other right available to it under the laws of California or the provisions of this Agreement.

1.2 Termination of Agreement. This Agreement may be terminated by either Party hereto for any reason upon thirty (30) days written notice to the other Party. City's City Manager is authorized to terminate this Agreement on behalf of City.

2. PROPERTY USE

2.1. The Premises. The Parties hereto acknowledge that City is the owner of The El Toro Youth Center facility located at 17620 Crest Avenue, Morgan Hill, CA 95037 ("Premises"). City desires to

use the Premises as a non-profit service center ("Center"). The Premises are further described in Exhibit A.

2.2. El Toro Youth Center Policy. The parties hereto acknowledge that a 2018 Policy Statement of City's City Council regarding the use of the El Toro Youth Center Facility at the Premises states: "The purpose of the El Toro Building is to enhance the quality of community life. It is the City's intent to provide subsidized space at the facility for non-profit organizations that strive to meet an identifiable, social service, community need. The El Toro Youth Center Building is not intended to serve as a rental, event, or recreation center that directly competes with existing City services. The City Council anticipates partnering with organization(s) that recognize the value in leveraging resources to provide service to the Community. Partner organization(s) shall support providing community-wide services and manage the facility in a manner that helps to support the adjacent Crest Street area. The City Council recognizes the fact that the future need for and use of the facility may need to evolve over time and intends to formally review the facility's purpose and tenants every five years." (the goals set forth by the City Council Policy Statement are collectively referred to herein as, the "Policy".)

2.3. Permitted Use. City agrees to permit User to use the Premises to provide services to the community ("Program"), for the purposes, in the locations and manner, and subject to the terms and conditions described in this Agreement in fulfillment of the Policy. User shall not use or permit the Premises to be used for any other purpose without City's prior written consent, which consent may be granted or withheld in City's sole discretion.

2.3.1 It is further the Intent of this lease to require the User to provide space to other tenants, as further described herein in this Agreement, who also provide services to the community (Subtenants). All subtenants must meet the eligibility criteria established in the El Toro Youth Center policy adopted by City's City Council in February 2018 to be considered for tenancy at the Premises. User managing and allowing non-profit uses for former Friendly Inn tenants is a specific consideration for the reduced rent provided for in this Agreement.

2.3.2 User shall accommodate use by other non-profits, including Alcoholics Anonymous (AA) and Narcotics Anonymous (NA).

User shall be allowed to charge NA and AA rent at a level equal to the current use fees paid by those organizations to the User.

- o Rent for NA shall be \$280 per month.
- o Rent for AA shall be \$300 per month.

2.3.2.1 AA and NA shall be provided at least the main conference room or an alternative space for the scheduled meetings currently occurring. Meeting schedule is attached as Attachment 1. Alternate locations to be approved by NA or AA. New meeting times or changes to meeting times to be approved by User.

2.3.2.2. AA and NA to be provided 50 square feet of locking storage space within the El Toro Youth Center.

2.3.2.3. User shall be allowed to sublease to other organizations with written approval from the City.

2.3.3 City shall be entitled to 20 use hours per year for meetings and programs at the facility during times not in use by User, NA or AA. City may utilize additional hours at established fees to be negotiated by the Parties.

2.3.4 User shall provide to City an annual report on operations. Report to include:

- Programs/activities offered
- Program costs for participation
- Financial assistance provided
- Demographic information including location of youth served (if possible)

2.3.5 Parking for the El Toro Youth Center is available at the adjacent Galvan Park public parking lot. Participants in programs offered out of the El Toro Youth Center shall be allowed to park in the parking lot, but will not have any priority over general members of the public utilizing the public parking.

2.3.6 Compliance with "No Smoking Law" (2003 Assembly Bill 846): User shall ensure that the Premises are in compliance with Government Code Title 1, Division 7, Chapter 32 (commencing with section 7596), as may be amended from time to time, and, if necessary, shall modify the Premises to comply with the law and the regulations promulgated to implement 2003 Assembly Bill 846, as well as Morgan Hill Municipal Code Chapter 8.44.

2.5. "As Is" Condition. User accepts the Premises permitted for its use under the Agreement in its present condition, "as is" and subject to (1) all easements, covenants, conditions, restrictions, reservations, rights of way, liens, encumbrances, and other matters of record, (2) all matters discoverable by physical inspection of the Premises or that would be discovered by an accurate survey of the Premises, and (3) all matters known to User or of which User has notice, constructive or otherwise. The taking of possession of the Premises shall, in itself, constitute acknowledgment by User that the Premises is in a condition satisfactory for its use and that City has not agreed to undertake any modifications, alterations, or improvements to the Premises except as specifically provided in this Agreement. User specifically acknowledges that, except as otherwise may be expressly provided herein, City has made no representations concerning the condition of the Premises, the fitness of the Premises for User's intended use, or the compliance of the Premises with any federal, state, or local building codes or ordinances or with any laws, regulations, or guidelines regarding disabled or handicapped person, including, without limitation, the Americans with Disabilities Act of 1990.

2.6. Maintenance, Repairs, and Alterations. User shall, at its own cost, keep and maintain the interior and exterior of the Premises including, but not limited to, all fixtures, in good repair and lawful condition. Maintenance includes all exterior landscaping, all windows, the mechanical, plumbing, fire sprinklers, and electrical equipment serving the Premises, and the structure itself in reasonably good order and condition, excluding normal wear and tear, caused by User. Damage by User shall be repaired by User at User's expense. The standard of maintenance shall be equal to that of other City office buildings of a similar class in Morgan Hill. Proof of maintenance of systems must be submitted to the City quarterly, including but not limited to fire backflow, fire sprinklers, and fire alarm system.

2.6.1. City Inspections. A minimum of quarterly maintenance inspections of the Premises will be conducted by the City. User shall be responsible to address deficiencies outlined in the inspection reports in a timely manner. If after thirty (30) days written notice from City, User has failed to commence and diligently pursue completion of any and all maintenance, replacement, and repair which may be required to restore the Premises and any of its fixtures, equipment, and mechanical systems as a result of the neglect of or loss or damage caused by User or any of

its officers, employees, agents, invitees, or licensees or which otherwise results from User's use or occupancy of the Premises, then City shall have the right, but not the duty, to perform such maintenance, replacement, and repair at User's expense and User shall reimburse City for such costs promptly upon City's written demand. The performance of maintenance and repair by City shall, in no event, be construed as a waiver of User's duty to maintain and repair as herein provided. Unless City's written approval has been first obtained in each instance, User shall not alter the point of supply of any utilities in the Premises. User shall indemnify, defend, and hold harmless City against all actions, claims, and damages by reason of User's failure to comply with and perform the provisions of this section. Within one week of the effective date of this agreement an initial inspection shall be conducted of the premise and to identify the existing condition of the premises. Conditions outlined in the initial inspection shall not be noted as deficiencies in future inspection reports.

2.6.2 Alterations. User may make no alterations, additions or improvements to the Premises without prior written permission of City. Improvements must be approved by the City's Community Services Director. The Community Services Director shall respond to written requests for alterations, additions or improvements within 30 days. All required permit fees (Building Permits) are responsibility of User. User shall pay for all labor done and materials furnished in any repairs or any permitted alterations, additions, or improvements to the Premises. Upon User's completion of any improvements within the Premises, User shall furnish to City a set of reproducible, final "as built" drawings of any and all such alterations, additions, or improvements. User waives the right to make repairs at the expense of City or, in lieu thereof, to vacate the Premises, and waives the benefit of the provisions of Paragraph 1941 and 1942 of the California Civil Code or any successor statute thereto and any other similar law now or hereafter in effect.

2.6.3 Liens or Encumbrances. User shall keep the Premises free and clear of any liens or encumbrances of any kind whatsoever created by or through User. If any such liens or encumbrances are filed, User shall not be deemed to be in default if such liens or encumbrances have been removed of record within forty-five (45) days of the filing thereof. If User fails to do so, City shall have the right and option, but not the duty, to pay or otherwise discharge, stay or prevent the execution of any liens or encumbrances. In such event, City shall not be deemed to have waived City's right to declare User in default under this Agreement, and User shall reimburse City for all sums expended in connection with such liens or encumbrances, including City's reasonable attorney's fees and costs. Such reimbursement shall be due and payable ten (10) days after City's written demand for any such payments, fees, or costs.

2.6.4 Waste. User shall not commit, nor permit to be committed, any waste upon the Premises, or carry on any nuisances or illegal activities on the Premises.

2.6.5 User's Property. Any and all property belonging to or brought onto the Premises by User or any of its officers, employees, agents, invitees, or licensees shall be at the sole risk of User. User is hereby advised and understands that the personal property of User, and any of its tenants, is not insured by the City for either damage or loss, and the City assumes no liability for such loss. Subject to City's right of approval, User may place and install trade fixtures and other personal property in the Premises for use in connection with its operations hereunder and the same shall be and remain the property of User. User shall, however, be responsible for the cost of repairing any damage to the Premises or any other improvements of City which are caused by the removal of any such trade fixtures and personal property. Notwithstanding the foregoing, however, if User shall at any time be in default hereunder, then City shall have the benefit of

any statutory liens on User's property located in the Premises which are available to City under the laws of the State of California and User shall not remove or permit the removal of any of such property until all amounts secured by such liens have been paid and all other defaults under this Agreement have been cured.

2.6.6 City's Right to Enter. City and its designated agents shall have the right to enter any and all part or spaces on the Premises at any reasonable time for inspection, maintenance, repair, attending to emergencies or any other reasonable purpose.

2.7. Rules and Regulations. User covenants and agrees to observe and comply with all rules and regulations of City, including all safety, security and operations directives of the Manager, which now exist or may hereafter be promulgated from time to time governing conduct on and operations at the Premises and the use of facilities at the Center. User further covenants and agrees to observe and comply with any and all valid and applicable requirements of all duly-constituted public authorities and with all federal, state and local statutes, ordinances, and regulations applicable to User, the Premises or City. User agrees to pay or reimburse City for any fines which may be assessed against City as a result of the violation by User of any applicable security regulation at City, which payment shall be made by User within fifteen (15) days from receipt of City's invoice for such amount. Documentation showing that payment of such fine is User's responsibility hereunder.

2.8. Waiver of Damage. User hereby expressly waives and releases any cause of action or right of recovery for compensation for any and all loss or damage sustained by reason of any fire, defect, deficiency, or impairments of any of the services in or to the Premises or City, including, but not limited to, 1) electrical power, gas, telephone service, steam, heating, air conditioning, water supply, drainage, or sewage systems, 2) from wires leading to or inside of any space or structure, or 3) by reason of any loss resulting from the failure of any such system or facility, unless such loss or damage is due to the sole negligence or willful misconduct of City or its officers, agents, or employees.

2.9. End of Term. At the end of the term or upon the earlier termination of this Agreement, User shall deliver to City possession of the Premises and all of the fixtures and equipment of City in their original condition in all respects, reasonable use and wear excepted. User agrees to reimburse City for the cost of any alterations, replacement, repairs or cleaning required to restore the same to such condition provided, however, in the event User has caused any alterations, additions, or improvements to be made to the Premises, including, but not limited, to the addition, relocation, or removal of partitions and doorways (which such alterations or improvements shall be made at User's cost and only with the prior express written approval of City in each instance), City may elect, with respect to each such alteration, addition, or improvement, to accept it as it was at the time it was made or constructed, reasonable use and wear excepted, or to require the same to be restored to its original condition at User's expense.

2.10. Nondiscrimination. User covenants by and for itself, its heirs, executors, administrators, and assigns, and all persons claiming under or through them, that this Agreement is made and accepted upon and subject to the following conditions: there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, gender, sexual orientation, marital status, national origin, or ancestry, in the leasing, subleasing, transferring, use, occupancy, or enjoyment of the portion of the Premises herein leased nor shall User, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, invitees, permittees, subtenants, or vendees in the portion of the Premises herein leased.

2.11. Hazardous Materials. User shall not keep or maintain any Hazardous Substance on or in the Premises without City's prior written approval. User shall not keep or have on the Premises any article or thing of a dangerous, flammable, or explosive character that might unreasonably increase the danger of fire on the Premises. User shall promptly give notice to City of any Hazardous Substance dispersal, spill, or Hazardous Substance claim of which it is aware. User shall defend, with counsel acceptable to City, indemnify and hold City harmless from any and all claims, costs, damages, penalties, or liabilities arising out of the use or release of any Hazardous Substance at, in, or on the Premises dated from the time the User occupied the Premises. The term "Hazardous Substance" as used in this Agreement shall mean any products, substances, chemical, material, or waste whose presence, nature, quantity, and/or intensity of existence, use, manufacture, disposal, transportation, spill, release, or effect, either by itself or in combination with other materials expected to be on the Premises, is either (a) potentially injurious to the public health, safety, or welfare, the environmental, or the Premises, (b) regulated or monitored by any governmental authority, or (c) a basis for liability of City to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substance shall include, but is not be limited to, hydrocarbons, MTBE, petroleum, gasoline, crude oil, or any products, by-products, or fractions thereof.

2.12. City's Reserved Rights

2.12.1 City reserves the right for itself and others to utilize and maintain existing utility easements over, under, across and through the Premises and to run water, electrical, telephone, gas, drainage, communications and other lines over, under, across, and through the Premises and to grant necessary utility easements therefore.

2.12.2 City reserves the right (a) to further develop, improve, repair and alter the Premises and all facilities and buildings as it may see fit, free from any and all liability to User for loss of business or damages of any nature whatsoever to User occasioned during the making of such improvements, repairs, alterations, and additions, including, but not limited to, any damages resulting from negligence of City or its employees, agents or contractors, and (b) to establish such fees and charges for the use of the Premises.

2.13. Destruction of Premises. In the event the Premises are partially destroyed from any cause, City shall have the right to repair the Premises without providing any alternative space for User. If the repairs cannot be made within one hundred eighty (180) days, this Agreement may be terminated at the option of either Party by written notice given to the other Party. In the event the Premises suffer the destruction of more than twenty-five percent (25%) of the replacement cost or in the event insurance proceeds are not sufficient to cover at least ninety percent (90%) of the cost of repairs, City may elect to terminate this Agreement. City shall not be obligated to replace any of the User's personal property which may be damaged or destroyed.

3. FEES AND CHARGES

3.1. Rent. As consideration for User's use of Premises pursuant to the terms and conditions of this Agreement, User agrees to pay to City one hundred dollars (\$100.00) per month on the Effective Date and on the first of the month thereafter during such time as this Agreement continues to remain in effect.

3.2 Building Service Charges. User shall pay all Building Service Charges. "Building Service Charges" shall include charges and fees for utility charges (electricity, water and sewer), trash

collection, if any, property insurance premiums for the Premises, personal property taxes, reception services, operation of community rooms, and cost of on-site personnel employed by the User, if any, to implement maintenance or services. User shall be responsible for obtaining and paying for any other utilities (including, without limitation, telephone, cable, wireless internet service) as is necessary for User's use of the Premises.

4. INSURANCE REQUIREMENTS. User shall procure and provide proof of the insurance coverage required by this section in the form of certificates and endorsements. The required insurance must cover the activities of User, including liability for damage or injury to the property or person (including death) of any User or invitee of User or any other person entering upon or using the Premises, or any structure thereon, or any part thereof, and arising from User's use and occupancy thereof, and must remain in full force and effect at all times during the period covered by this Agreement. The coverages may be arranged under a single policy for the full limits required or by a combination of underlying policies with the balance provided by excess or "umbrella" policies, provided each such policy complies with the requirements set forth herein. User further understands that City reserves the right to modify the insurance requirements set forth herein, with thirty (30) days' notice provided to User, at any time as deemed necessary to protect the interests of City.

4.1. Insurance Types and Amounts.

4.1.1. Commercial General Liability (CGL). User shall maintain CGL against claims and liabilities for personal injury, death, or property damage providing protection in the minimum amount of: (i) one million dollars (\$1,000,000.00) for bodily injury or death to any one person for any one accident or occurrence and at least five hundred thousand dollars (\$500,000.00) for property damage, or (ii) the maximum amount of such insurance available to User under User's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

4.1.2. Automobile Liability. User shall maintain Automobile Liability covering all owned, non-owned and hired automobiles (if User does not own automobiles, then User shall maintain Hired/Non-owned Automobile Liability) against claims and liabilities for personal injury, death, or property damage providing protection in the minimum amount of: (i) one million dollars (\$1,000,000.00) for bodily injury or death to any one person for any one accident or occurrence and at least five hundred thousand dollars (\$500,000.00) for property damage, or (ii) the maximum amount of such insurance available to User under User's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

4.1.3. Workers' Compensation Insurance and Employer's Liability. User shall maintain Workers Compensation coverage, as required by law, in the minimum amount of: (i) one million dollars (\$1,000,000.00) for any one accident or occurrence, or (ii) the maximum amount of such insurance available to User under User's combined insurance policies (including any excess or "umbrella" policies), whichever is greater. If User is self-insured, User shall provide its Certificate of Permission to Self-Insure, duly authorized by the Department of Industrial Relations.

4.1.4. Other Liability Insurance. If the User's activity outlined in Section 2.3 (Permitted Use) involves contact with minors, User shall procure and maintain Sexual Abuse and Molestation insurance in the minimum amount of: (i) one million dollars (\$1,000,000.00) each claim, or (ii) the maximum amount of such insurance available to User under User combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

4.2. Endorsements. User shall provide proof of the following endorsements, listed for each policy for which endorsements are required, as outlined below:

4.2.1. General Liability.

4.2.1.1. The City of Morgan Hill, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers are named as additional insureds;

4.2.1.2. the insurer waives the right of subrogation against the City of Morgan Hill and the City's elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers; and,

4.2.1.3. insurance shall be primary non-contributing.

4.2.2. Workers Compensation.

The insurer waives the right of subrogation against the City of Morgan Hill and the City's elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers.

4.3. Qualification of Insurers. All insurance required pursuant to this Agreement must be issued by a company licensed and admitted, or otherwise legally authorized to carry out insurance business in the State of California, and each insurer must have a current A.M. Best's financial strength rating of "A" or better and a financial size rating of "VII" or better.

4.4. Certificates. User shall furnish City with copies of all policies or certificates as outlined herein, whether new or modified, promptly upon receipt. No policy subject to this Agreement shall be canceled or materially changed except after thirty (30) days' notice by the insurer to City. Certificates, including renewal certificates, may be mailed electronically to riskmgmt@morganhill.ca.gov or delivered to the Certificate Holder address as follows:

City of Morgan Hill
Attn: Risk Management
17575 Peak Avenue
Morgan Hill, CA 95037

5. INDEMNIFICATION

User agrees to indemnify, defend, and hold harmless City, its governing board (including, without limitation, members of the City Council), officers, employees, and agents, including the Manager in its function as the agent of City, from and against all liabilities, losses, suits, claims, demands, judgments, damages, fines, penalties, costs, and expenses (including attorney's fees and costs), which may be incurred by, charged to, or recovered from any of the foregoing (i) by reason or on account of damage to or destruction of any property of City, damage to any property of, injury to, or death of any person resulting from or arising out of the User's use, operation, occupancy, or maintenance of the Premises or any improvements thereto, or the acts or omissions of User's officers, agents, employees, contractors, subcontractors, invitees, subtenants, or licensees, regardless of where the damage, destruction, injury, or death occurred, unless such liability, loss, suit, claim, demand, judgment, damage, fine, penalty, cost, or expense was caused by City's sole negligence or willful misconduct, or (ii) arising out of the failure of User to keep, observe, or perform any of the covenants or agreements in this Agreement to be kept, observed, or performed by User. In carrying out its obligations hereunder, User shall use counsel reasonably acceptable to City's City Attorney. The provisions of this Paragraph shall survive the

expiration or earlier termination of the term of this Agreement with respect to any acts or omissions occurring during the term of this Agreement.

6. ACCESS DISCLOSURE

The Premises have not undergone an inspection by a Certified Access Specialist (CASP), and a disability access inspection certificate, as described in subdivision (e) of Section 55.53 of the California Civil Code, has not been issued for the Premises. In accordance with Section 1938 of the California Civil Code, Tenant is advised of the following: "A Certified Access Specialist (CASP) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises." Accordingly, the parties hereby agree that Tenant shall have the right, but not the obligation, to have a CASp inspect the Premises and determine whether the Premises complies with all of the applicable construction-related accessibility standards under state law. If it is determined that the Premises do not meet all applicable construction-related accessibility standards, then Tenant shall promptly make, as soon as reasonably possible, but subject to Section 10 hereof, any repairs necessary to correct violations of construction-related accessibility standards identified by such inspection, at Tenant's sole cost and expense.

7. DEFAULT

In the event that (a) User or any of its officers, employees, agents, invitees, subtenants or licensees violates any other term, covenant or condition of this Agreement and such violation continues beyond thirty (30) days after City has given written notice thereof to User, or if the nature of the cure of such term, covenant or condition reasonably requires more than thirty (30) days to remedy, if User does not commence the cure of such term, covenant or condition within such thirty (30) day period and diligently pursues such cure to completion thereafter, (b) User ceases to use the Premises or to operate its services as set forth in this Agreement beyond ten (10) days after City has given written notice to resume operation, or (c) if a trustee or receiver is appointed to take possession of substantially all of User's assets located in the Premises or of User's interest in this Agreement, where possession is not restored to User within thirty (30) days, then in any such event User will be in default under this Agreement. On the occurrence of any such default, City may elect to terminate this Agreement (which termination shall only be evidenced by a written notice of termination from City to User) and resume possession of the Premises, thereafter using the same for its own purposes without having to account to User therefore, and User shall immediately return to City all unexpended and unencumbered funds provided to User by City under this Agreement.

8. WAIVER

The waiver by either Party of a breach by the other Party of any agreement herein shall not be deemed to be a waiver by that Party of any covenant of this Agreement. Such waiver by either Party shall not constitute a waiver of any future breach by the other Party of the same or other covenants of this Agreement.

9. AMENDMENTS

Amendments to this Agreement may be made by written mutual agreement between the Parties.

10. ASSIGNMENT AND SUBLETTING

Except as otherwise provided herein, User may not assign this Agreement or any of the rights granted to it hereunder or sublet the Premises or any portion thereof without the prior written consent of the City. Subtenants must meet the eligibility criteria established in the Policy to be considered for tenancy at the El Toro Youth Center.

11. SUCCESSORS AND ASSIGNS.

This lease will extend to and be binding upon and inure to the benefit of the respective heirs, executors, administrators, successors, and assigns of User.

12. DOCUMENT REVIEW

User will, upon reasonable advance written notice from City, make books and other documents relating to the Program available for inspection to City.

13. NOTICES

Any notice or instrument required or permitted to be given hereunder shall be deemed received upon personal delivery or five (5) days after deposit in any United States mail depository, first class postage prepaid and addressed to the party for whom intended.

For City: City Manager
 City of Morgan Hill
 17575 Peak Avenue
 Morgan Hill, CA 95037

Copies to: City Attorney
 City of Morgan Hill
 17575 Peak Avenue
 Morgan Hill, CA 95037

For User: Community Christian
 305 W. Main Avenue
 Morgan Hill, CA 95037

Correspondence other than notices may be given by phone, regular mail, email or facsimile through the Community Services Director or his or her designee.

14. SEVERABILITY

The partial or total invalidity of one or more parts of this Agreement will not affect the intent or validity or remaining parts of this Agreement.

15. JURISDICTION; GOVERNING LAW

Jurisdiction over any disputes arising out of this Agreement shall be vested in the courts of the County of Santa Clara, State of California, and the provisions of this Agreement shall be interpreted under and according to the laws of the State of California.

16. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the Parties hereto with respect to the subject matter hereof, and any representation or statements heretofore or contemporaneously made with respect to such subject matter, whether oral or written, are merged herein.

17. COUNTERPARTS

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

18. SIGNATURES

The individuals executing this Agreement represent and warrant that they have the legal capacity and authority to do so on behalf of their respective entities.

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IN WITNESS THEREOF, these Parties have executed this Agreement on the day and year shown below.

AS SET FORTH IN CA. CORP. CODE § 313, TWO SIGNATURES ARE REQUIRED FOR CALIFORNIA CORPORATIONS:

- (1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; AND
- (2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.

ATTEST:

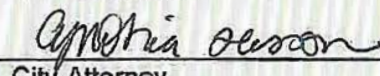

City Clerk/Deputy City Clerk

for Michelle Wilson
Print Name

Date:

3/13/18

APPROVED AS TO FORM:

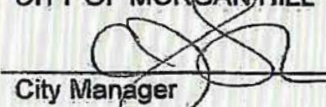

City Attorney

for Donald A. Larkin
Print Name

Date:

3-5-18

CITY OF MORGAN HILL


City Manager

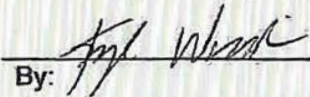
Christina Turner
Print Name

Date:

3/12/18

Community Christian

By:


Kyle Winder Senior Pastor
Print Name and Title of Signer.
If Corporate: Chairman, President or Vice President

Date:

2/12/18

By:


Kyle Winder Senior Pastor
Print Name and Title of Signer.
If Corporate: Secretary, Assistant Secretary, Chief Financial Officer or Assistant Treasurer

Date:

2/12/18

Exhibit A

Premises

Premises are located at 17666 Crest Avenue, Morgan Hill, California 95037

Attachment 1 – Alcoholics Anonymous and Narcotics Anonymous Weekly Meeting Schedule

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
7:30am AA	7am AA	7am AA	7am AA	7am AA	7am AA	
11am AA	12:30pm AA	12:30pm AA	12:30pm AA	12:30pm AA	12:30pm AA	12:30pm AA
6pm NA	5:30pm AA	6pm AA	5:30pm AA	6:30pm NA	6pm AA	6pm NA
7:30PM AA	7pm NA	8pm NA	7pm NA	8pm AA	7:30pm NA	8pm AA

20 AA meetings per week + 1 meeting second Sunday of every month

7 NA meetings per week + 1 meeting second Monday of every month and 1 meeting first Sunday of every month

CITY COUNCIL STAFF REPORT

MEETING DATE: June 1, 2022

PREPARED BY:

Angie Gonzalez, Council Services Assistant

APPROVED BY: City Manager

APPROVE THE MAY 18, 2022 CITY COUNCIL MEETING MINUTES

RECOMMENDATION(S)

Approve the May 18, 2022 City Council Meeting Minutes.

Estimated Time:

COUNCIL PRIORITIES, GOALS & STRATEGIES

REPORT NARRATIVE:

COMMUNITY ENGAGEMENT:

ALTERNATIVE ACTIONS:

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

FISCAL AND RESOURCE IMPACT:

CEQA (California Environmental Quality Act):



City Council

Meeting Minutes

Rich Constantine - Mayor
Gino Borgioli - Mayor Pro Tem
John McKay - Council Member
Yvonne Martinez Beltran - Council Member
Rene Spring - Council Member

Wednesday, May 18, 2022 6:00 PM

Virtual Meeting

Link to join the meeting can be found below

SPECIAL/REGULAR MEETING

A special meeting of the City Council was called at 6:00 p.m. for the purpose of conducting a closed session.

SPECIAL MEETING

6:00 p.m. Closed Session

CALL TO ORDER

Mayor Constantine called the City Council meeting to order at 6:00 p.m.

ROLL CALL ATTENDANCE

City Clerk Michelle Bigelow called the roll.

DECLARATION OF POSTING AGENDA

City Clerk Michelle Bigelow declared the posting of the agenda.

CLOSED SESSION

Outside Counsel Gary Baum announced the closed session item.

OPPORTUNITY FOR PUBLIC COMMENT

Public comment opened at 6:02 p.m.
Joe Baranowski was called to speak.
There being no further requests to speak, public comment closed.

ADJOURN TO CLOSED SESSION

Conference with Legal Counsel – Anticipated Litigation Significant exposure to litigation (Govt Code § 54956.9(b)): (One Case) Alleged violation of the California Voting Rights Act and the FAIR MAPS Act.

City Attorney Larkin announced that this matter is being brought forward pursuant to a court order. He withdrew from the litigation under rule 1.16B1.

The meeting adjourned to closed session at 6:05 p.m.

REGULAR MEETING

Outside Counsel Gary Baum announced that there was no reportable action from the closed session.

PROCLAMATIONS

Mayor Constantine announced the proclamations.

Proclaiming the week of May 15-21, 2022 as Public Works Week

Proclaiming the week of May 15-21, 2022 as Emergency Medical Services Week

Proclaiming Saturday, May 21, 2022 as Kids to Park Day

Proclaiming the Month of May 2022 as Older Americans Month

Proclaiming the Month of May 2022 as Asian American Pacific Islander Heritage Month

CITY COUNCIL REPORTS

Council Member John McKay shared an update on grants the City has received. He spoke about his work on the Housing and Community Development Advisory Committee and announced that the City received a Community Development Block Grant in the amount of \$300,000 to renovate the restrooms at Galvan Park and some funding for the El Toro Youth Center. He announced that the South County Regional Wastewater Authority facility was recognized by the Monterey Bay Region of the California Environment Association. They were awarded Plant of the Year, The Best Sewage Treatment Plant of the Year, Safety Plant of the Year, Sergio Villegas was awarded Operator of the Year, and Joshua Donald received the Gimmicks and Gadgets Award. He shared that he and the Mayor attended the Cal Cities Leader Summit where they were able to speak out to legislators. They asked for \$500 million for a private/public partnership to develop more housing and \$180 million to work on

environmental projects to focus mostly on recycling.

CITY MANAGER'S REPORT

City Manager Christina Turner shared that this week we have been honoring National Police Week and National Public Works Week and invited the community to honor the Public Works team at Community Park on Thursday, May 19th from 10:00 a.m.- Noon, where they will be displaying some of the machinery they use. She encouraged the community to stop by the energizer station for Bike to Wherever Day this Friday, May 20th between 11:30 a.m. and 4:00 p.m. She spoke regarding the Hygiene donation drive, Lend a Hand, that is being led by the Youth Action Council and the Edward Boss Prado Foundation. They are collecting full-sized items such as shampoos, toothpaste, deodorant, brushes, etc. You can drop off your donations at the CRC welcome desk. She concluded by inviting the community the Pride Flag raising ceremony on Saturday, May 21st at 9:00 a.m. at the Civic Center Plaza between the Council Chamber and City Hall.

The Youth Action Council presented May's Development Asset #35- Resistance Skills and the complimentary Asset #29- Honesty.

YAC Presentation- Asset #35 - Resistance Skills

CITY ATTORNEY'S REPORT

City Attorney Donald Larkin shared that he was absent from the last meeting because he was attending the City Attorney's Conference by the League of California Cities.

OTHER REPORTS

None.

PUBLIC COMMENT

Public comment opened at 7:23 p.m. There being no requests to speak, public comment closed.

Public Comment Supplements

ADOPTION OF AGENDA

MOTION:

Adopting the agenda as posted.

RESULT:	Passed
MOVER:	Council Member Spring

SECONDER:	Council Member McKay
AYES:	Mayor Constantine, Council Member Spring, Mayor Pro Tem Borgioli, Council Member McKay, Council Member Martinez Beltran
NAYS:	None
ABSTAIN:	None
ABSENT:	None

CONSENT CALENDAR

Items appearing on the Consent Calendar are considered routine and may be approved by one motion. Pursuant to City Council Policies and Procedures (CP 97-01), any member of the Council or public may request to have an item removed from the Consent Calendar for comment and action.

Time Estimate for Consent Calendar: 1 - 10 Minutes

MOTION:

Approving consent calendar items 1 through 5 and 8 through 10.

RESULT:	Passed
MOVER:	Mayor Pro Tem Borgioli
SECONDER:	Council Member Martinez Beltran
AYES:	Mayor Constantine, Council Member Spring, Mayor Pro Tem Borgioli, Council Member McKay, Council Member Martinez Beltran
NAYS:	None
ABSTAIN:	None
ABSENT:	None

1. ACCEPT RESIGNATION OF PLANNING COMMISSIONER LAURA GONZALEZ-ESCOTO

Recommendation:

1. Accept Laura Gonzalez-Escoto's resignation from the Planning Commission effective immediately; and
2. Direct the City Clerk to continue recruitment efforts to fill an unexpired term ending June 2025, on the Planning Commission.

2. ACCEPT BUTTERFIELD BOULEVARD LINEAR PARK EXTENSION PROJECT

Recommendation:

1. Accept as complete the Butterfield Boulevard Linear Park Extension Project;
2. Authorize the City Engineer to sign the Notice of Completion; and
3. Direct the City Clerk to file said Notice of Completion with the County

3. **ADOPT RESOLUTION DETERMINING THAT CONDUCTION OF IN-PERSON MEETINGS WOULD PRESENT A PUBLIC HEALTH RISK AND CONTINUING TELECONFERENCE MEETINGS**

Recommendation:

Adopt resolution to continue holding City Council and commission meetings by teleconference.

4. **ADOPT RESOLUTION DESIGNATING THE CITY'S ENFORCEMENT AGENCY FOR REGULATING SINGLE-USE FOODWARE AS REQUIRED BY ASSEMBLY BILL 1276**

Recommendation:

Adopt resolution designating the City's enforcement agency for regulating single-use foodware as required by Assembly Bill 1276.

5. **ADOPT ORDINANCE 2334, NEW SERIES, AUTHORIZING AN AMENDMENT TO THE CONTRACT BETWEEN THE CITY OF MORGAN HILL AND THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

Recommendation:

Waive the reading, adopt Ordinance No. 2334, New Series, and declare that said title, which appears on the agenda, shall be determined to have been read by title and further reading waived.

8. **APPROVE PARCEL MAP FOR SABINI COURT SUBDIVISION (APN: 773-32-013) AND RELATED SUBDIVISION IMPROVEMENTS AGREEMENT**

Recommendation:

1. Approve the Parcel Map;
2. Authorize the City Manager to execute the Subdivision Improvements Agreement with Strolata Properties, LLC; and
3. Authorize the recordation of the Parcel Map and Subdivision Improvements Agreement.

9. **APPROVE AN IMPROVEMENT AGREEMENT WITH THOMPSON & HARVEY BAY AREA, LLC (AU ENERGY LLC) FOR THE RAILROAD-GOYAL PROJECT (UP2019-0005)**

Recommendation:

1. Approve an Improvement Agreement with Thompson & Harvey Bay Area, LLC;

2. Authorize the City Manager to execute the Improvement Agreement; and
3. Authorize the recordation of the Improvement Agreement.

10. APPROVE THE MAY 4, 2022 CITY COUNCIL MEETING MINUTES

Recommendation:

Approve the May 4, 2022 City Council Meeting Minutes.

ITEMS PULLED FOR DISCUSSION

6. ADOPT RESOLUTION GRANTING DELEGATION OF AUTHORITY TO FIRE CHIEF

Recommendation:

Adopt resolution granting delegation of authority to Fire Chief George Huang to sign and submit State Surplus Property Program Eligibility Application.

Fire Chief George Huang provided a report and answered questions.

Public comment opened at 7:30 p.m. There being no requests to speak, public comment closed.

MOTION:

Approving the recommended action.

RESULT:	Passed
MOVER:	Council Member Martinez Beltran
SECONDER:	Council Member Spring
AYES:	Mayor Constantine, Council Member Spring, Mayor Pro Tem Borgioli, Council Member McKay, Council Member Martinez Beltran
NAYS:	None
ABSTAIN:	None
ABSENT:	None

7. AUTHORIZE THE CITY MANAGER TO ENTER INTO AN AGREEMENT WITH AXON IN THE AMOUNT OF \$778,400 FOR THE POLICE COMPUTER AIDED DISPATCH AND RECORDS MANAGEMENT SYSTEM UPGRADE

Recommendation:

Authorize the City Manager to execute and amend, when necessary, a 10-year

agreement with Axon for a Computer Aided Dispatch and Records Management System subject to approval as to form by the City Attorney.

Police Captain Mario Ramirez provided a report and answered questions.

Public comment opened at 7:41 p.m.

Peter Mandel was called to speak.

There being no further requests to speak, public comment closed.

MOTION:

Approve

RESULT:	Passed
MOVER:	Council Member Martinez Beltran
SECONDER:	Mayor Pro Tem Borgioli
AYES:	Mayor Constantine, Council Member Spring, Mayor Pro Tem Borgioli, Council Member McKay, Council Member Martinez Beltran
NAYS:	None
ABSTAIN:	None
ABSENT:	None

The meeting recessed at 7:47 p.m. and reconvened at 7:57 p.m.

PUBLIC HEARINGS

11. ADOPT CITY COUNCIL DISTRICT MAP "NDC GREEN" OR AN ALTERNATIVE LEGALLY ACCEPTABLE MAP

Recommendation:

1. Review and adopt an alternative redistricting map based upon the court order from May 9, 2022, directing the City Council to adopt a new legally acceptable district map; and
2. Approve an amended resolution identifying the alternative City Council District map.

City Attorney Larkin announced that this matter is being brought forward pursuant to a court order. He withdrew from the litigation under rule 1.16B1.

City Clerk/PIO Michelle Bigelow, along with Outside Counsel Gary Baum serving as City Attorney for this item, and Dr. Doug Johnson and Dr. Justin Levitt of National Demographics Corporation provided a presentation and report.

The public hearing opened at 8:44 p.m.

Joe Baranowski was called to speak.

There being no further requests to speak, public comment closed.

MOTION:

Adopting resolution identifying map NDC Green as the City Council District map.

RESULT:	Passed
MOVER:	Council Member McKay
SECONDER:	Mayor Pro Tem Borgioli
AYES:	Mayor Constantine, Mayor Pro Tem Borgioli, Council Member McKay, Council Member Martinez Beltran
NAYS:	None
ABSTAIN:	Council Member Spring
ABSENT:	None

OTHER BUSINESS

12. REVIEW CITY MANAGER'S RECOMMENDED FISCAL YEARS (FY) 2022-23 AND 2023-24 OPERATING BUDGET AND FY 2022-23 THROUGH 2027-28 CAPITAL IMPROVEMENT PROGRAM (CIP) BUDGET

Recommendation:

Review and discuss the Recommended Budget, including community funding requests and the Impact Fee Freeze Program.

City Manager Christina Turner provided the report and presentation.

The meeting recessed at 10:05 p.m. and reconvened at 10:08 p.m.

Public comment opened at 10:56 p.m.

Joe Baranowski was called to speak.

There being no further requests to speak, public comment closed.

MOTION:

Extending the meeting to 11:20 p.m.

RESULT:	Passed
MOVER:	Council Member Martinez Beltran
SECONDER:	Council Member Spring
AYES:	Mayor Constantine, Council Member Spring, Mayor Pro Tem Borgioli, Council Member McKay, Council Member Martinez Beltran

NAYS:	None
ABSTAIN:	None
ABSENT:	None

FUTURE COUNCIL INITIATED AGENDA ITEMS

Council Member Spring requested clarification on the Community Funding policy in regard to cultural diversity.

Mayor Pro Tem Borgioli requested a full accounting of attorney fees for the redistricting item

ADJOURNMENT

There being no further business, Mayor Constantine adjourned the meeting at 11:12 p.m.

Minutes Prepared by:

Michelle Bigelow, City Clerk

CITY COUNCIL STAFF REPORT

MEETING DATE: June 1, 2022

PREPARED BY:

Yat Cho, Senior Project Manager

APPROVED BY: City Manager

AUTHORIZE THE CITY MANAGER TO EXECUTE MAINTENANCE AGREEMENTS WITH THE COUNTY OF SANTA CLARA FOR TRAFFIC SAFETY IMPROVEMENTS AT MIDDLE AVENUE AT THE WEST LITTLE LLAGAS CREEK TRAIL, WATSONVILLE ROAD AT THE WEST LITTLE LLAGAS CREEK TRAIL, AND DEWITT AVENUE/SPRING AVENUE INTERSECTION

RECOMMENDATION(S)

Authorize the City Manager to execute Maintenance Agreements with the County of Santa Clara, following approval by the City Attorney, for traffic safety improvements at Middle Avenue at the West Little Llagas Creek Trail, Watsonville Road at the West Little Llagas Creek Trail, and DeWitt Avenue/Spring Avenue Intersection.

Estimated Time: NA

COUNCIL PRIORITIES, GOALS & STRATEGIES

City Council Ongoing Priorities

Enhancing Public Safety

Supporting our Youth, Seniors, and Entire Community

2022-2023 Strategic Priorities

Fiscal Sustainability

Transportation

Guiding Documents

Bikeways, Trails, and Recreation Master Plan

Morgan Hill 2035 General Plan

REPORT NARRATIVE:

The City of Morgan Hill is currently working on two projects that require the execution of maintenance agreements with the County of Santa Clara. The first project is the West Little Llagas Creek Project and includes the installation of a Rectangular Rapid Flashing Beacon (RRFB) with signage and striping and signage at Middle Avenue and a High-intensity Activated crossWalk Beacon (HAWK) with signage and striping at Watsonville Road. The second project is the installation of a full traffic signal with striping and

signage at DeWitt Avenue/Spring Avenue Intersection as part of the Hale Avenue Extension Project.

Since at least a portion of each of the three locations are located within the County of Santa Clara right of way, a maintenance agreement for each location is necessary to complete this work. Currently, staff have received the maintenance agreement for Middle Avenue RRFB (Exhibit A) and will receive separate maintenance agreements for the HAWK beacon at Watsonville Road and DeWitt Avenue/Spring Avenue traffic signal at a future date.

To expedite completion of the projects, City staff recommend providing authorization to the City Manager to execute these agreements when they are received and reviewed by City staff. The final two agreements will be in the same form as the initial agreement.

COMMUNITY ENGAGEMENT:

Inform

Prior to and during construction, both projects will have weekly updates on social media and City website. Additional outreach by contractor through letters and door hangers will also be provided.

ALTERNATIVE ACTIONS:

City Council may elect not to authorize the City Manager to execute the maintenance agreements with County of Santa Clara. This is not recommended as the West Little Llagas Creek Trail Project and the Hale Avenue Project are dependent on these agreements to move forward. Alternatively, the Council could wait to approve these final two agreements as they are received, but this could slightly delay project implementation for each of the associated projects.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

West Little Llagas Creek Trail Project

City Council approved the West Little Llagas Creek Trail as a project in the City's approved Capital Improvement Program. Furthermore, this is a project that has been supported by the City Council through the approval of the 2017 Master Bikeways, Trails, Parks, Facilities, and Recreation Master Plan.

September 27, 2017 - Grant Application to the State of California Habitat Conservation Fund (HCF) Program

October 4, 2017 - Grant Application to the Valley Water

December 6, 2017 - Grant Application to the Santa Clara Valley Open Space Authority

July 17, 2019 - Approve Design Agreement for West Little Llagas Creek Trail Project

September 15, 2020 - (Parks and Recreation Commission) West Little Llagas Creek Trail and Valley Water Cost Share

April 5, 2022 - (Library, Cultural and Arts Commission) Review and recommend to the City Council that the Steelhead Trout Sculpture proposed by Evelyn Davis be approved.

May 4, 2022 - Approve Sculpture Agreement with Evelyn Davis for Sculpture at West Little Llagas Creek Trail Project

Hale Avenue Expansion Project

- In 1969 the City Council added the Hale Avenue Extension Project to the City's General Plan
- The Hale Extension Project is first programmed into the Capital Improvement Program in 2010-11 fiscal year
- The City Council included the Roadway in the General Plan Circulation Element in February 2010
- The City Council meeting on community engagement and moving forward in February 2011
- The City Council community meeting for intersection design in August 2011
- Public Meeting on Draft EIR was held on June 8, 2016
- The City Council approved design contract with Mark Thomas on January 18, 2017
- The City Council certified the EIR and adopted a Plan Line on August 23, 2017
- The City Council approved Tran property purchase on December 6, 2017
- The City Council approved Giancola property purchase on December 6, 2017
- The City Council approved Howard property purchase on January 17, 2018
- The City Council approved a first amendment with Mark Thomas for design on April 18, 2018
- The City Council adopted the Fiscal Year 2018-19 through 2023-24 Capital Improvement Program Budget, including the Hale Avenue Extension Project
- The City Council approved Kerr property purchase on July 18, 2018
- The City Council approved a property conveyance with the County on August 22, 2018
- The City Council adopted a resolution of necessity to acquire property from PG&E on September 5, 2018
- The City Council approved Garcia property purchase on October 3, 2018
- The City Council adopted a relocation plan for the project on October 17, 2018
- The City Council approved Betpolice property purchase on February 20, 2019
- The City Council approved a second amendment with Mark Thomas on April 17, 2019
- The City Council approved a third amendment with Mark Thomas on December 18, 2019
- The City Council approved the funding agreement with the Valley Transportation Authority on June 17, 2020 for the Hale Avenue Extension project
- The City Council awarded project to DeSilva Gates Construction on November 18, 2020

FISCAL AND RESOURCE IMPACT:

There are no significant changes to the projects from a fiscal impact perspective as it

relates to the execution of these maintenance agreements. Maintenance of the facilities was anticipated within each of the projects.

CEQA (California Environmental Quality Act):

Not a Project

The maintenance agreements will have no impact on the physical environment. Each project went through appropriate environmental review.

RECORDING REQUESTED BY:
County of Santa Clara

WHEN RECORDED MAIL TO:
The County of Santa Clara
Roads and Airports Department
101 Skyport Drive
San Jose, CA 95110-1302
Attention: Real Property
File #: ENC21-0638

Space Above For Recorder's Use

MAINTENANCE AND INDEMNIFICATION AGREEMENT
Between County of Santa Clara and City of Morgan Hill for an area located at Middle Avenue
and West Little Llagas Creek Trail in the City of Morgan Hill, California

THIS MAINTENANCE AND INDEMNIFICATION AGREEMENT (“Agreement”) is made and entered into as of the date fully executed (“Execution Date”) by City of Morgan Hill, a California municipal corporation (“City”) and the County of Santa Clara, a political subdivision of the State of California (“County”), together with their respective successors and assigns, collectively referred to herein as the “Parties” and individually, a “Party”.

RECITALS

WHEREAS, the County has right-of-way along Middle Avenue in the City of Morgan Hill, the location of which is depicted in Exhibit A (“County ROW”), attached hereto and incorporated herein; and

WHEREAS, City applied for an encroachment permit (the “Encroachment Permit”) to install a flashing beacon assembly with signage and striping at the West Little Llagas Creek Trail crossing at Middle Avenue (“Improvements”) within the County ROW as shown on Exhibit B, attached hereto and incorporated herein; and

WHEREAS, as a condition precedent to the Encroachment Permit, City has agreed to retain all responsibility for the ordinary maintenance and repair of the Improvements within County ROW; and

WHEREAS, the Parties desire to memorialize such agreement in writing.

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

MAINTENANCE AND INDEMNIFICATION AGREEMENT
MIDDLE AVE AND WEST LITTLE LLAGAS CREEK FLASHING BEACON ASSEMBLY

1. Incorporation. The above Recitals are hereby incorporated herein and made a part hereof.
2. Installation, Maintenance and Repair. City shall install the Improvements in accordance with the approved encroachment permit ENC21-0638. City shall, at no cost or expense to County, at all times during the term hereof maintain, or cause to be maintained, the Improvements in good, clean and orderly condition.
 - a. Maintenance shall consist of the following (collectively, “Maintenance”):
 - i. Maintaining and repairing the beacon assembly including lamps, fixtures, signage, and any other feature associated with the beacon assembly;
 - ii. Maintaining and repairing signage including sign posts;
 - iii. Restriping asphalt pavement markings as needed for visibility and safety
 - b. Maintenance does not include maintaining, repairing, or replacing:
 - i. Roadway asphalt;
 - ii. Railing adjacent to the Improvements.
 - c. City agrees that any damages caused by Improvements (direct or indirect) to the County ROW, or any public structures within County ROW shall be restored to their original condition by City in its sole cost and expense. All work shall be conducted in accordance with the County’s standard specifications to the satisfaction of the Director of Roads and Airports Department.
3. Failure to Maintain. City shall complete or cause to be completed all Maintenance to be completed to the reasonable satisfaction of the County Director of Roads and Airports Department. County shall have the right to monitor or otherwise evaluate the Maintenance and all work performed in connection with the Improvements. City shall retain maintenance records and provide them to County upon request. If City fails to perform the Maintenance as required herein, County shall give City a 30 calendar-day notice to comply with City’s Maintenance obligations under this Agreement unless there is an immediate safety concern. In the event of an immediate safety concern, or after the 30 calendar-day notice, then County may, at its option, provide the Maintenance not performed by City and collect from City all costs reasonably incurred by County to perform the Maintenance not performed by City under the notice from County. Any action by the County shall not relieve City of its indemnification obligations under this Agreement.
4. Obligation to Remove. In the event the Director of Roads and Airports determines in his sole discretion that a necessary work of improvement requires that the Improvements or a portion thereof, must be removed from the County ROW, the County will give City a minimum of sixty (60) days notice to remove those portions of the Landscaping (the work required of City pursuant to this Section 4 being the “Restoration Work”) that prevent implementation of said

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work of improvement. If City is required to perform the Restoration Work, City shall submit its plans and specifications for the Restoration Work to the County not later than forty five (45) days after expiration of the sixty (60) day period described in this Section 4 above. In the event that City fails to remove those portions of the Improvements upon expiration of the time limit imposed by the County, the County may, at its option, remove those portions of the Improvements and collect all costs from City which costs will include administrative charges. Any action by the County does not affect or limit City's indemnification of County. Upon removal of the Improvements and the payment of all costs of removal charged by the County, the City will be deemed to be fully and completely released from obligations hereunder. The County will record a release from this Agreement upon the termination pursuant to this section.

5. Indemnification. The City shall indemnify, defend, and hold harmless the County, its officers, agents and employees from any claim, liability, loss, injury or damage arising out of, or in connection with the Encroachment Permit, the Improvements and/or breach of this Agreement by City and/or its agents, employees or sub-contractors, excepting only loss, injury or damage caused by the sole negligence or willful misconduct of the County, or its officers, agents, employees, or contractors. It is the intent of the Parties to provide the broadest possible coverage for the County. City shall reimburse the County for all reasonable costs, attorneys' fees, expenses and liabilities incurred with respect to any litigation in which the City contests its obligation to indemnify, defend and/or hold harmless the County under this Agreement and does not prevail in that contest. This section will survive termination of this Agreement.
6. Integrated Pest Management. The County has adopted Santa Clara County Ordinance Division B28, attached hereto as "Exhibit D", concerning integrated pest management and pesticide use, referred herein as the "IPM Ordinance" and incorporated into this Agreement by reference. City agrees to comply with the provisions of the IPM Ordinance, including as follows:
 - a. Prior to using any pesticide, City shall receive the written approval of the County IPM Coordinator. If pesticides must be used, City shall use only those pesticides on the list located at <http://Pesticides.CountyRoads.org>, which are designated as approved pesticides. The list of approved pesticides may change from time to time. Upon change, the list will be updated on the website. For an updated list, the City may also contact the County IPM Coordinator, as listed on the aforementioned website.
 - b. City shall not use any pesticides listed under Section B28-6 of the IPM Ordinance.
 - c. If pesticide must be used and they are listed as approved pesticides on the list located at <http://Pesticides.CountyRoads.org>, they shall be applied only by a licensed applicator in the appropriate category, licensed by the Structural Pest Control Board/Department of Pesticide Regulation, State of California.
 - d. Following approval to use a pesticide per Subsection 7(a), City shall provide County with seventy-two (72) hours notice of actual pesticide applications to be performed on the Property.

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- e. City shall maintain and provide County with pesticide use records. The pesticide use records shall include all the information listed in Section B28-8(a) of the Ordinance (in Exhibit D). The records shall be maintained by the City for three (3) years following the date of submission to the County.
- 7. Attorney's Fees. In the event a Party commences a legal proceeding to enforce any of the terms of this Agreement, the prevailing Party in such action shall have the right to recover reasonable attorneys' fees and costs from the other Party, to be fixed by the court in the same action. The term "legal proceedings" as used above shall be deemed to include appeals from a lower court judgment and it shall include proceedings in the Federal Bankruptcy Court, whether or not they are adversary proceedings or contested matters. The term "Prevailing Party" as used above in reference to proceedings in the Federal Bankruptcy Court shall be deemed to mean the prevailing Party in any adversary proceeding or contested matter, or any other actions taken by the non-bankrupt Party which are reasonably necessary to protect its rights under the terms of this Agreement.
- 8. Recordation. This Agreement shall be recorded in the Official Records of Santa Clara County, California by County within fifteen (15) days after it has been signed by County and City.
- 9. Term. This Agreement is effective upon the Execution Date. It shall remain effective unless terminated by (1) mutual agreement of the Parties in writing, (2) a default by City in its obligations under this Agreement beyond reasonable notice and cure periods, or (3) otherwise pursuant to the terms of this Agreement. City's responsibilities regarding indemnification and insurance shall remain in effect after the termination of this Agreement until the Restoration Work required to be performed by City as described in Section 4 above has been completed. Upon completion and acceptance by County, which shall not be unreasonably withheld, of the Restoration Work or, if applicable, the payment of all costs of removal charged by the County, the City shall be fully and completely released from obligations hereunder, and the County will record a release from this Agreement.
- 10. No Property Interest. City shall not acquire any interest or estate in County's property pursuant to this Agreement.
- 11. Notices. All notices, requests, demands, and other communications hereunder shall be in writing and shall be given (i) by Federal Express (or other established express delivery service which maintains delivery records), (ii) by hand delivery, or (iii) by certified or registered mail, postage prepaid, return receipt requested, to the Parties at the following addresses, or at such other address as the Parties may designate by written notice in the above manner.

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To the County:

Harry Freitas, Director
Roads and Airports Department
County of Santa Clara
101 Skyport Drive
San Jose, CA 95110

To the City:

Christina Turner, City Manager
City of Morgan Hill
17575 Peak Avenue
Morgan Hill, CA 95037

Such communications may also be given by facsimile transmission if facsimile information for the intended is set forth above, provided any such communication is concurrently given by one of the other above methods. Notices shall be deemed effective upon receipt, or upon attempted delivery thereof if delivery is refused by the intended recipient or if delivery is impossible because the intended recipient has failed to provide a reasonable means for accomplishing delivery (with the exception of facsimile information not included above or in change or address notices delivered hereafter).

12. Future Improvements. Additional improvements on the County ROW or changes to the Improvement plans as shown on Exhibit B are not allowed without approval by the County and an appropriate encroachment permit issued by the County Roads and Airports Department.
13. Law and Permits. The Parties shall comply with all applicable laws and regulations. City shall obtain all required permits including an encroachment permit from the County Roads and Airports Department prior to entry and construction on County ROW. City shall obtain an encroachment permit from the County Roads and Airports Department with an approved Traffic Control Plan to conduct any maintenance activities that affect the Middle Avenue travel way or shoulder.
14. Governing Law and Venue. This Agreement shall be construed and interpreted according to the laws of the State of California, excluding its conflict of law principles. Proper venue for legal actions will be exclusively vested in a state court in the County of Santa Clara, California. The Parties agree that subject matter and personal jurisdiction are proper in state court in the County of Santa Clara, California, and waive all venue objections.
15. Miscellaneous. This Agreement shall be interpreted and construed only by the contents hereof and there shall be no presumption or standard of construction in favor of or against either Party. This Agreement may be modified or amended only by a writing duly executed by County and City or their respective successors in interest. The invalidity or unenforceability of any provision of this Agreement or the applicability or inapplicability to either Party, as determined by a court, shall in no way affect the validity or enforceability of any of the remaining provisions hereof or their applicability to the other Party. Captions and section headings set forth in this Agreement are for convenience of reference only, and shall not be used to limit, extend or interpret the meaning of any part of this Agreement.

[Signatures begin on next page]

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IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the dates set forth below.

CITY OF MORGAN HILL

By: _____
Christina Turner
City Manager
[Attach Notary Form] _____
Date

APPROVED AS TO FORM:

By: _____
Donald A. Larkin
City Attorney
_____ Date

[Signatures continue on next page]

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COUNTY OF SANTA CLARA

By: _____
Harry Freitas
Director, Roads and Airports Department

Date

OFFICE OF THE COUNTY EXECUTIVE:

By: _____
Jeffrey V. Smith, M.D., J.D.
County Executive

Date

APPROVED AS TO FORM AND LEGALITY:

By: _____
John A. Castro
Deputy County Counsel

Date

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A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

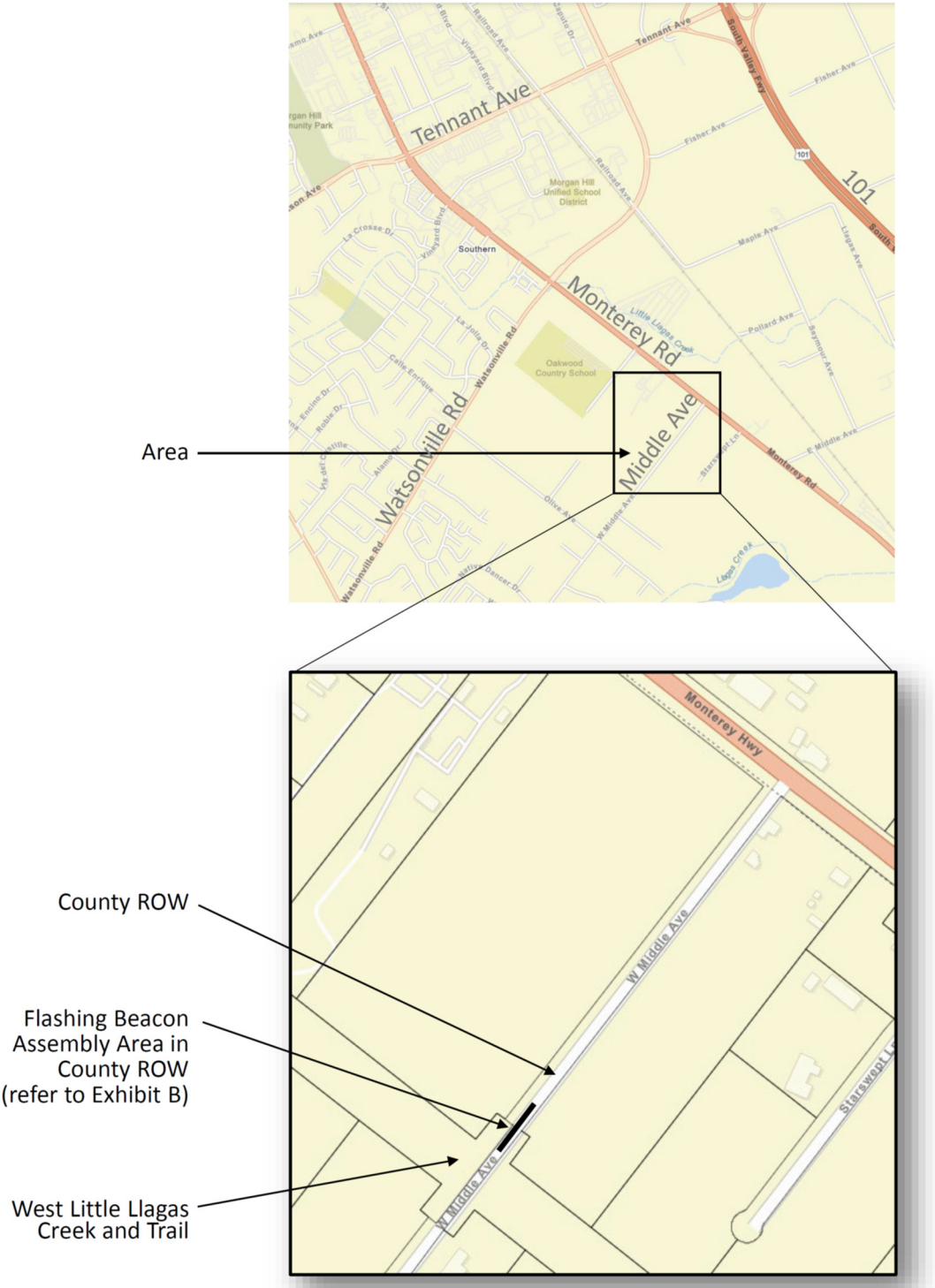
I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

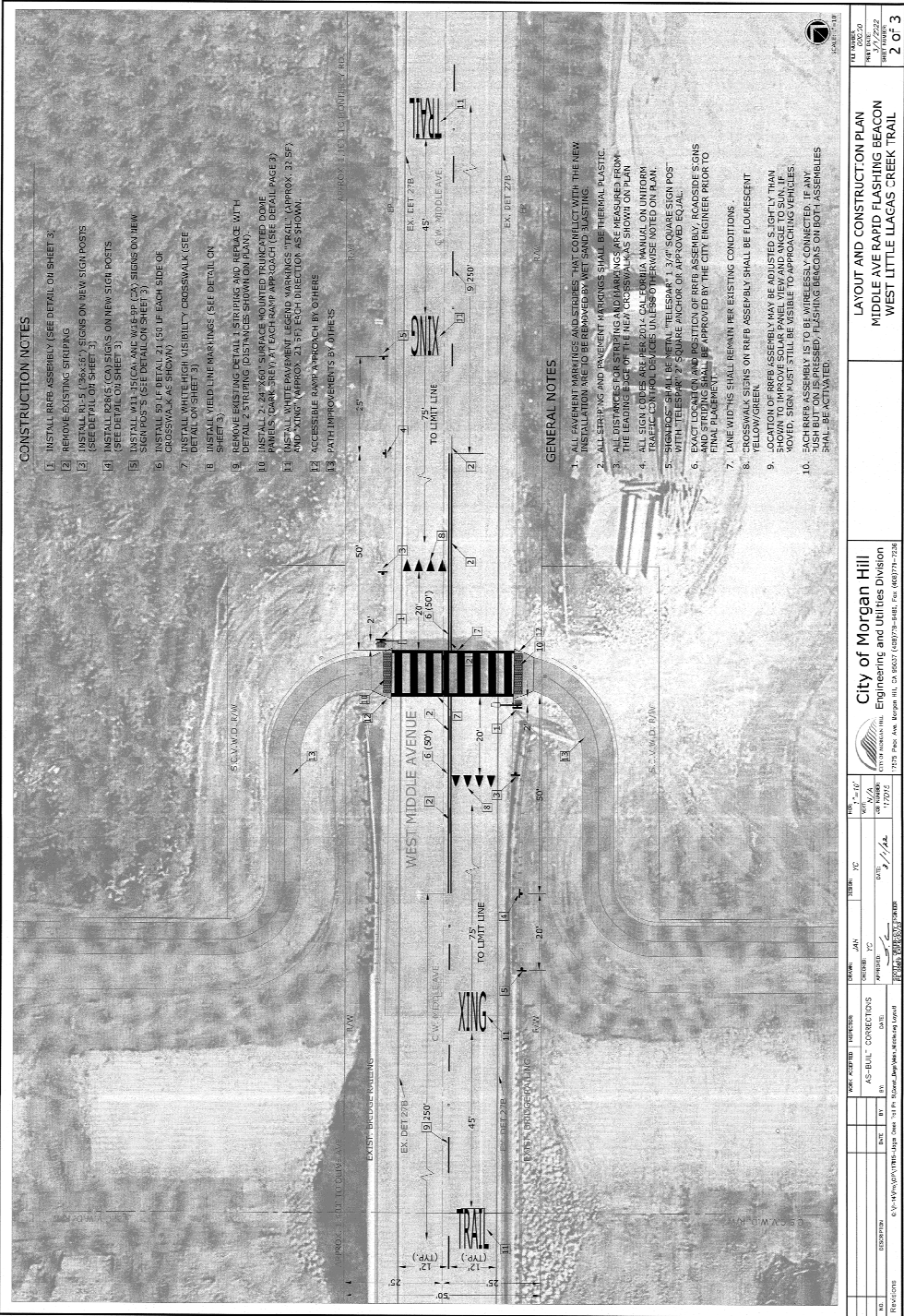
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**Exhibit A
MIDDLE AVENUE – COUNTY ROW**



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Exhibit B
IMPROVEMENTS AT MIDDLE AVE AND WEST LITTLE LLAGAS CREEK TRAIL



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**Exhibit C
INSURANCE REQUIREMENTS
FOR MAINTENANCE AND INDEMNIFICATION AGREEMENT**

Without limiting the City's indemnification of the County, the City shall provide and maintain at its own expense, during the term of the Agreement, insurance documentation. City shall provide their insurance broker/agent with a copy of these requirements and request that they provide Certificates of Insurance complete with copies of all required endorsements. **Endorsement language must support this text: "County of Santa Clara, and members of the Board of Supervisors of the County of Santa Clara, and the officers, agents, and employees of the County of Santa Clara, individually and collectively."**

It is understood and agreed that the insurance shall not terminate or be canceled without first giving 30 days written notice of the intention to terminate or to cancel said insurance to the County.

Insurance Requirements

1. Certificate of Insurance for Commercial General Liability Insurance with coverage as indicated:
\$1,000,000 per occurrence/ \$2,000,000 aggregate limits for bodily injury and property damage.
2. Additional Insured Endorsement
 - Endorsement must include reference to the Policy Number and the Insured as they appear on the Certificate.
 - Additional Covered Party: Name of Person or Organization: County of Santa Clara, and members of the Board of Supervisors of the County of Santa Clara, and the officers, agents, and employees of the County of Santa Clara, individually and collectively.
 - Primary Insurance: The endorsement must state that coverage afforded by this endorsement shall apply as Primary. Other insurance maintained by the County shall be excess only and not contributing with the insurance provided under this policy.
3. Cancellation Language:
The Certificate of Insurance MUST provide 30 days' notice of cancellation, except 10 days' notice for non-payment of premium.
4. Certificate Holders should be listed on certificate as follows:
County of Santa Clara
Roads and Airports Department
Attn: Land Development / MIA Agreements
101 Skyport Drive.
San Jose, CA 95110

Subcontractors

Contractor shall include all subcontractors as insured under its policies or shall furnish separate certificates and endorsements for each subcontractor, subject to the same requirements for the contractor.

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Exhibit D

Division B28 - INTEGRATED PEST MANAGEMENT AND PESTICIDE USE

CHAPTER I. - GENERAL PROVISIONS

Sec. B28-1. - Intent and purpose.

The County, in carrying out its operations, finds it necessary from time to time to use pesticides on County property. The intent of this division is to protect the health and safety of County employees and the general public, the environment, and water quality, as well as to provide sustainable solutions for pest control on County property. The Board of Supervisors hereby finds and declares that it shall be the policy of the County of Santa Clara to eliminate or reduce pesticide applications on County property to the maximum extent feasible. Preference shall be given to available non-pesticide alternatives, where feasible, before considering the use of pesticides on County property.

This division concerns the application of pesticides to property owned by the County of Santa Clara only, and does not concern the application of pesticides to property that is not owned by the County of Santa Clara.

(Ord. No. NS-517.70, 5-21-02)

Sec. B28-2. - Definitions.

Whenever used in this division, the following terms shall have the meanings set forth below:

- (a) *Antimicrobial pesticides* are pesticides, such as disinfectants and sanitizers, that are intended to disinfect, sanitize, reduce, or mitigate growth or development of microbiological organisms; or protect inanimate objects (for example floors and walls), industrial processes or systems, surfaces, water, or other chemical substances from contamination, fouling, or deterioration caused by bacteria, viruses, fungi, protozoa, algae, or slime.
- (b) *Approved list* is the list of pesticides authorized by the County IPM Coordinator for use on County property developed in accordance with Section B28-5.
- (c) *Carbamates* means esters on N-methyl carbamic acid, which inhibit cholinesterase.
- (d) *Contract* is a binding written agreement, including but not limited to a contract, permit, license or lease between a person, firm, corporation or other entity, including a governmental entity, and the County of Santa Clara which grants a right to use or occupy property of the County or which provides pest management services.
- (e) *County Executive* is the County Executive or his or her designee of the County of Santa Clara.
- (f) *Demonstration site* is a specific area or site designated by a department to evaluate the use of a pest management strategy.
- (g) *Department* is any agency or department of the County of Santa Clara. Department does not include the vector control district or any other local, state, or federal agency.
- (h) *Departmental IPM coordinator* is someone designated by a department head to coordinate the department's IPM program.
- (i) *County IPM Coordinator* is the person designated by the County Executive to implement and oversee the County of Santa Clara's IPM program.
- (j) *Feasible* means capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, social, and technological factors.
- (k) *Integrated pest management (IPM)* is a decision-making process for managing pests using monitoring to determine pest-caused injury levels and combining biological control, cultural practices, mechanical and physical tools, and chemicals to minimize pesticide usage. The method uses extensive knowledge about pests, such as infestation thresholds, life histories, environmental requirements, and natural enemies to complement and facilitate biological and

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other natural control of pests. The method uses the least hazardous pesticides only as a last resort for controlling pests.

- (l) *IPM technical advisory group (IPM TAG)* is the technical advisory group to the County for the IPM program and is further described in Section B28-9.
- (m) *Organophosphates* means organophosphorus esters, which inhibit cholinesterase.
- (n) *Pest* is any insect, rodent, nematode, fungus, weed, or any other form of terrestrial or aquatic plant or animal life or virus, bacteria, or other microorganism (except certain insects, viruses, bacteria, or other microorganism on or in living man or living animals).
- (o) *Pesticide* is any substance, or mixture of substances which is intended to be used for defoliating plants, regulating plant growth, or for preventing, destroying, repelling, or mitigating any pest, which may infest or be detrimental to vegetation, man, animals, or households, or be present in any agricultural or nonagricultural environment. Pesticide for purposes of this division does not include antimicrobial agents.
- (p) *Posting* is to place signs as identified in Section B28-7 to inform employees and the public of pesticide use at a given site.
- (q) *Signal words* are the words used on a pesticide label—Danger, Warning, Caution—to indicate level of toxicity.
- (r) *Toxicity Category I pesticide product* is any pesticide product that meets United States Environmental Protection Agency criteria for Toxicity Category I under Section 156.10 of Part 156 of Title 40 of the Code of Federal Regulations.
- (s) *Toxicity Category II pesticide product* is any pesticide product that meets United States Environmental Protection Agency criteria for Toxicity Category II under Section 156.10 of Part 156 of Title 40 of the Code of Federal Regulations.

(Ord. No. NS-517.70, 5-21-02)

Sec. B28-3. - General exemptions.

- (a) This division shall not apply to the use of any pesticide for the purpose of improving or maintaining water quality at any County owned or operated drinking water treatment plants, wastewater treatment plants, reservoirs, and related collection, distribution, and treatment facilities.
- (b) This division shall not apply to any use of pesticides on County property by any department when performing pest management or pesticide activities authorized by state or federal laws or regulations.
- (c) This division shall not apply to the use of pesticides by the vector control district.
- (d) This division shall not apply to antimicrobial pesticides or pesticides used to control pests in or on living humans or animals.
- (e) This division shall not apply to existing contracts except as provided in Section B28-10.
- (f) This division shall not apply to contracts under negotiation at the time this division becomes effective for a period of five years.

(Ord. No. NS-517.70, 5-21-02)

CHAPTER II. - PESTICIDE MANAGEMENT

Sec. B28-4. - County integrated pest management (IPM) program.

- (a) The County IPM Coordinator shall oversee and coordinate implementation of the IPM program.
- (b) The IPM program shall include, but not be limited to, the following:

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- (1) Identify staff member(s) responsible for program implementation;
 - (2) Acquaint County workers with the IPM approach and new pest management strategies, as they become known;
 - (3) Inform the public of the County's effort to reduce pesticide use;
 - (4) Respond to questions about the County's pest management program and practices;
 - (5) Conduct ongoing educational programs, where appropriate;
 - (6) Maintain records and evaluate program effectiveness;
 - (7) Develop and maintain the approved list of pesticides.
- (c) Departments shall implement the IPM program consistent with the IPM practices outlined below. Where feasible, departments shall consider a range of potential treatments for the pest problem and employ non-pesticide management tactics first, consider the use of chemicals only as a last resort, and select and use chemicals in accordance with the provisions of this division. The IPM practices shall include ways to:
- (1) Monitor pests to determine pest population size, occurrence, and natural enemy population, if present. Identify decisions and practices that could affect pest populations. Keep records of monitoring results;
 - (2) Set treatment levels for each pest at each site based on how much biological, aesthetic or economic damage the site can tolerate;
 - (3) Determine the most effective treatment time, based on pest biology and other variables, such as weather, seasonal changes in wildlife use and local conditions;
 - (4) Design construction and building remodels to reduce or eliminate pest habitats and improve efficiency in facility and landscape maintenance and sanitation;
 - (5) Reduce pest incidences by modifying management practices such as watering, mulching, fertilizer use, and pruning;
 - (6) Modify pest ecosystems, including waste management and food storage, to reduce pest food, living space, and access;
 - (7) Use physical controls such as hand-weeding, traps and barriers, heat and cold;
 - (8) Use biological controls such as introducing or enhancing pests' natural enemies;
 - (9) When indoors, use baits or least toxic methods of pest control rather than sprays;
 - (10) Monitor treatment to evaluate effectiveness;
 - (11) Maintain records as set forth in Section B28-8.

(Ord. No. NS-517.70, 5-21-02)

Sec. B28-5. - Pesticide use.

- (a) *Approved list.* The County IPM Coordinator shall develop the approved list using a set of criteria that will be developed with the review and input of the IPM TAG. The criteria will take into account environmental and human health hazards, principles of the IPM approach, and technically based methods, conditions, and specifications for pesticide use. The County IPM Coordinator shall maintain the list of approved pesticides that may be used on County property. The approved list shall be reviewed and updated at least annually. The IPM Coordinator may amend this list as needed at any time as long as the products are consistent with the established criteria. These amendments shall be communicated to the IPM TAG in writing at the quarterly meetings.
- (b) *Specific exemptions.* An exemption may be obtained from the County IPM Coordinator for use of a product not on the approved list as follows:

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- (1) One-year exemptions. The County IPM Coordinator may grant a specific exemption, with limited conditions for use, for a one-year period upon a written request showing that a department has:
 - a. Identified the need for use;
 - b. Made a good-faith effort to find alternatives to the pesticide;
 - c. Identified or demonstrated that effective economic alternatives to the pesticide do not exist for that particular use; and
 - d. Developed a reasonable plan for investigating alternatives to the pesticide during the exemption period.
 - (2) An exemption may be continued beyond the one-year period by filing a new request for exemption as required in Subsection (b)(i) above.
 - (3) The County Executive shall have the discretion to revoke any exemption.
- (c) *Emergency use of pesticides.*
- (1) A department responsible for maintenance of a site or facility may apply to the County IPM Coordinator for an emergency pesticide use exemption in the event that a pest outbreak poses an immediate threat to public health or may cause significant economic damage.
 - (2) If the County IPM Coordinator cannot respond to the application in a timely manner, the departmental IPM coordinator submitting the application may authorize the one-time emergency use of the required pesticide and provide notice of the emergency application to the County IPM Coordinator in writing within 48 hours.
 - (3) Posting of emergency use of pesticides shall be at the time of pesticide application and comply with all other posting requirements.
 - (4) Reporting of the exemption and pesticide use will comply with all other reporting requirements as stated in Section B28-8.

(Ord. No. NS-517.70, 5-21-02)

Sec. B28-6. - Restriction on the use of pesticides.

Except for the use of pesticides exempted pursuant to Section B28-3, pesticides granted an exemption pursuant to Section B28-5(b) or 5(c) or pesticides on the approved list per Section B28-5(a), no department shall use any of the following types of pesticides. A list of the pesticides and pesticide products identified in (b) through (g) below shall be on file with the County IPM Coordinator.

- (a) Toxicity Category I or II pesticide products.
- (b) Any pesticide containing a chemical identified by the State of California as a chemical known to the State to cause cancer or reproductive or developmental toxicity pursuant to the California Safe Drinking Water and Toxic Enforcement Act of 1986.
- (c) Pesticides identified by the State of California on the Groundwater Protection List (Food and Agricultural Code § 13145(d)).
- (d) Pesticides classified by active ingredient as organophosphate type pesticides as identified by the United States Environmental Protection Agency (Office of Pesticide Programs, Document 735-F-99-14, May 1999), or California Environmental Protection Agency, Department of Pesticide Regulation, Chemical Inquiries Database.
- (e) Pesticides containing carbamate-type chemicals (California Environmental Protection Agency, Department of Pesticide Regulation, Chemical Inquiries Database).
- (f) Any pesticide classified as a human carcinogen, probable human carcinogen or possible human carcinogen by the United States Environmental Protection Agency, under procedures

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established in "Proposed Guidelines for Carcinogen Risk Assessment," EPA/600/P-92/003C, April 1996, or equivalent documents.

- (g) Any pesticide group officially designated by the California Environmental Protection Agency Department of Pesticide Regulation or by the United States Environmental Protection Agency as posing significant hazard to human health or the environment.

(Ord. No. NS-517.70, 5-21-02)

Sec. B28-7. - Posting of pesticide use.

- (a) Except as provided for in Section B28-5(c) and Section B28-7(b), any department that uses or authorizes the use of a pesticide shall comply with the following posting procedures:
 - (1) Signs shall be posted at least three days before application of the pesticide and remain posted at least four days after application, except for baits and emergency use of pesticides, which are posted at the time of treatment in accordance with Section B28-5(c)(3) above and Subsection (b)(3) below;
 - (2) For buildings and/or landscaped areas adjacent to buildings, signs shall be posted at main entry points where the pesticide is applied;
 - (3) For open areas, signs shall be posted in highly visible locations around the perimeter of the area where the pesticide is applied;
 - (4) For vehicles used primarily by County staff, signs shall be posted at areas where vehicles are obtained or posting information shall be given to the primary drivers.
 - (5) Signs shall contain the:
 - a. Trade name and active ingredient of the pesticide product;
 - b. Target pest;
 - c. Date of posting;
 - d. Date(s) of anticipated pesticide use; the date(s) of actual pesticide use will be posted at the main entrance, park office, or designated site;
 - e. Signal word indicating the toxicity category of the pesticide product;
 - f. Date for re-entry of staff and the public to the area treated if applicable;
 - g. Name and contact number for the department responsible for the application.
 - (6) Signs shall have a standard design that is easily recognizable by the public and workers;
- (b) Exemptions to posting.
 - (1) Departments shall not be required to post signs in accordance with Section B28-7(a) in right-of-way locations and other areas that the general public does not use for recreational purposes.
 - a. Each department that uses pesticides in such locations shall provide a public access telephone number for information about pesticide applications. The public access telephone number shall be posted in a prominent location at the department's main office building. Information provided shall include all the items in Subsection (a)(5) above.
 - (2) Any pesticide granted an emergency exemption by the County IPM Coordinator shall not be required to be posted prior to treatment. However, all other requirements for posting as set forth in Section B28-7(a) shall be followed.
 - (3) Any pesticide bait placed in a container or trap, or applied as a gel or paste in a crack or crevice shall not be required to post signs prior to treatment. Baits, used indoors, shall be posted in the vicinity of application. Baits, used outdoors, shall be posted in the main office, park

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office, or a designated site. Signs shall be posted according to the requirements as set forth in Section B28-7(a).

- (4) The County IPM Coordinator may in his or her discretion grant necessary exemptions to the posting requirements.

(Ord. No. NS-517.70, 5-21-02)

Sec. B28-8. - Record keeping and reporting.

- (a) Each department that uses pesticides shall keep records of pest management activities, including information about demonstration sites and exemptions. A copy of this information shall be placed in a centralized record keeping area in each department. Where feasible, this information shall be kept in a notebook or electronic equivalent maintained in each occupied building. Each pest management activity such as pesticide application, trapping or inspection shall be recorded and, when applicable, include at least the following information:
 - (1) Target pest and extent of problem;
 - (2) Product name, active ingredients, EPA registration number, formulation, and quantity of pesticide used;
 - (3) Site of the pesticide application;
 - (4) Date of pesticide application;
 - (5) Name of person conducting pest management activity;
 - (6) Application equipment number, if applicable;
 - (7) Prevention and other non-chemical methods of control recommended or used, and;
 - (8) Evaluation of effectiveness.
- (b) The departmental IPM coordinator shall keep the following:
 - (1) Records of pesticide use;
 - (2) A copy of the label of all pesticides used; and,
 - (3) The material safety data sheet for each pesticide used.
- (c) Each department that uses pesticides shall submit a summary of pest management records required in Section B28-8(a) and (b) to the County IPM Coordinator at least quarterly.
- (d) Pest management records, including pesticide use records, are all public records.
- (e) Pesticide use records shall be kept indefinitely until an electronic database tracking system has been established.

(Ord. No. NS-517.70, 5-21-02)

CHAPTER III. - IPM IMPLEMENTATION

Sec. B28-9. - Implementation of County Integrated Pest Management Ordinance.

- (a) This division shall be phased-in over one to two years in order to provide adequate time for developing the approved list, documenting current IPM practices and/or reductions, and identifying and implementing alternate pest management measures. The County IPM Coordinator shall develop a timetable and format for departments to each submit a plan for implementing this division.
- (b) A technical advisory group (TAG) shall be formed and shall meet at least four times per year to review the County's IPM program and provide comments to the County Executive. The following representatives will be invited to participate on the TAG: two from Pesticide Alternatives of Santa Clara County; one from the Santa Clara Valley Water District; one from the County Agricultural

MAINTENANCE AND INDEMNIFICATION AGREEMENT MIDDLE AVE AND WEST LITTLE LLAGAS CREEK FLASHING BEACON ASSEMBLY

Commissioner; one from the Santa Clara County Pollution Prevention Committee; one County employee representing a labor organization; and one representative from each of the following Santa Clara County agencies and departments: Roads and Airports, Parks and Recreation, the General Services Agency, Valley Health and Hospital System, and Occupational Safety and Environmental Compliance. The Board of Supervisors may at their discretion make changes to the composition of the group as deemed necessary.

- (c) The IPM Coordinator shall provide a quarterly report to one or more Board-designated committees on the status of the IPM program including information about pest problems, pesticide use, list of exemptions, goals and progress, staff training and public education, and anticipated changes that may affect pesticide use.

(Ord. No. NS-517.70, 5-21-02)

Sec. B28-10. - County contracts and easements.

- (a) Except as provided in (i) below, when a department enters into a new contract (see Section B28-2(d)) or amends an existing contract to extend the term of the contract for more than six months beyond the current term and any optional extension periods, the contract shall require compliance with the provisions of this division including those relating to pesticide restrictions, record keeping, and reporting.
 - (1) The County Executive may grant an exemption for up to five years from contract compliance with all or part of the provisions of this division in the event compliance would negatively impact County revenues, prevent the highest and best use of an asset as determined by the County Executive, or where it is demonstrated that full compliance cannot be achieved. Notice of any exemption granted pursuant to this Subsection (1) shall be given to the applicant and to the IPM TAG. The notice shall state that any person dissatisfied with the decision of the County Executive may file an appeal with the Clerk of the Board within 15 calendar days of the date of the notice. The appeal will first be heard before the County's Housing, Land Use, Environment, and Transportation Committee, which Committee shall make a recommendation to the Board of Supervisors. The decision of the Board of Supervisors shall be final.
- (b) A contractor, or department on behalf of a contractor, may apply for exemptions authorized under Section B28-5(b) and (c), and this Section B28-10.
- (c) When a department enters into a new lease in which the County is occupying or using property not owned by the County (and thus not within the definition of contract in Section B28-2(d)), the County shall use reasonable efforts to negotiate the use of IPM practices as part of that lease.
- (d) In current leases in which the County is occupying or using property not owned by the County, the County shall encourage the use of IPM practices whenever practical.
- (e) When the County is granted an easement, the maintenance of the easement shall be in compliance with this division if consistent with the terms of the easement.
- (f) A process, which incorporates a request for qualifications, shall be used in the selection of all contractors for pest management services and shall be in compliance with County contracting policies and state law. The County IPM Coordinator and the TAG may participate in the process. All contractors applying for pest management services shall submit a pest management plan, which outlines how they will comply with the IPM Ordinance. The plan shall give preference to prevention and other non-pesticide or least toxic methods of pest control.

(Ord. No. NS-517.70, 5-21-02)

MAINTENANCE AND INDEMNIFICATION AGREEMENT MIDDLE AVE AND WEST LITTLE LLAGAS CREEK FLASHING BEACON ASSEMBLY

Sec. B28-11. - Pesticide purchases.

All pesticide products and pest control services that include pesticide applications shall comply with this division and be purchased through the County Procurement Department, not using the petty cash or direct pay methods.

(Ord. No. NS-517.70, 5-21-02)

Sec. B28-12. - Policy and guidelines.

The County Executive may recommend policy for Board approval and issue guidelines to implement this division.

(Ord. No. NS-517.70, 5-21-02)

Sec. B28-13. - No criminal penalties or sanctions.

The provisions of Section A1-28 of the Santa Clara County Ordinance Code shall not apply to this division; nor shall any person, or government official, board, commission, or agency be responsible for any criminal penalties for any violation of the division.

(Ord. No. NS-517.70, 5-21-02)

Sec. B28-14. - No civil liability for violations of this chapter.

This division and the provisions are directory, and are intended to set forth goals and program elements for management of pests and pesticide use. This chapter is not intended to create a standard of civil liability for the acts or failure to act of the County and its employees and contractors. No person, government official, board, commission, or agency shall be liable in any civil action or proceeding for damages for violation of any of the provisions of this division.

(Ord. No. NS-517.70, 5-21-02)



**Engineering and Utilities Department
CIP Engineering Division**

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WEST LITTLE LLAGAS CREEK TRAIL PROJECT



0 90 180 360 540 720

Feet

Page 107 of 119



County of Santa Clara, Sanborn



Engineering and Utilities Department
CIP Engineering Division

Document Path: G:\R-14\PROJ\Agustin\GIS\Hale Avenue Extension Project.mxd

HALE AVENUE EXTENSION PROJECT



0 40 80 160 240 320

Feet

CITY COUNCIL STAFF REPORT

MEETING DATE: June 1, 2022

PREPARED BY:

Dwight Good, Assistant Chief

APPROVED BY: City Manager

AUTHORIZE THE PURCHASE OF VARIOUS FIRE DEPARTMENT EQUIPMENT INCLUDING ONGOING MAINTENANCE IN THE AMOUNT OF \$325,229

RECOMMENDATION(S)

1. Approve the purchase of 25 Self Contained Breathing Apparatus (SCBA) systems, 33 additional SCBA cylinders, and 5 Rapid Intervention Team (RIT) packs, from AllStar Fire Equipment for \$201,553;
2. Approve the purchase of three LIFEPAK 15 V4 Monitor/Defibrillators with accessories and nine spare batteries from Stryker for \$104,031;
3. Approve a four-year service agreement with Stryker for the ongoing maintenance of three new LIFEPAK 15 V4 Monitor/Defibrillators for \$19,645; and
4. Authorize the City Manager to execute associated purchase documents.

Estimated Time: N/A

COUNCIL PRIORITIES, GOALS & STRATEGIES

City Council Ongoing Priorities

Enhancing Public Safety

Maintaining and Enhancing Infrastructure

Supporting our Youth, Seniors, and Entire Community

Fostering a Positive Organizational Culture

Preserving and Cultivating Public Trust

Advancing Regional Initiatives

2022-2023 Strategic Priorities

Fiscal Sustainability

Guiding Documents

Public Safety Master Plan

REPORT NARRATIVE:

The City's Fire Department is seeking to replace its aging and obsolete Respiratory

Protective Equipment used during fire suppression operations, and cardiac monitors/defibrillators used during Advanced Life Support (Paramedic) response. Current inventories are at or beyond defined service life intervals. Staff requests City Council approval for the purchase of:

- 25 SCBA, 33 additional SCBA cylinders, 5 RIT packs for the total amount of \$201,553;
- The purchase of three LIFEPAK 15 V4 Monitor/Defibrillator with accessories and nine spare batteries for the total amount of \$104,031; and
- A four-year service agreement for the ongoing maintenance of three new LIFEPAK 15 V4 Monitor/Defibrillator for the total amount of \$19,645.

AllStar Fire Equipment will be the vendor for the SCBAs using CAL FIRE's competitive bid pricing. Stryker is the only source for LIFEPAK monitor/defibrillator units. Morgan Hill Municipal Code Section 3.04150 allows the City Council to make a sole source determination where required supplies or services are available from a single source as determined by the City's Purchasing Officer; and the determination has been made by the Purchasing Officer that Stryker is the only source for the required supply and service based upon a review of available sources.

COMMUNITY ENGAGEMENT:

This staff report will serve to inform the public of equipment replacement purchases by the Fire Department.

ALTERNATIVE ACTIONS:

Council could elect not to approve these purchases. Without this replacement equipment, the Fire Department will be out of compliance with Occupational Health and Safety Standards for the replacement of Respiratory Protective Equipment at the end of their defined service life, and serving the public with unreliable/obsolete cardiac monitors/defibrillators.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

None

FISCAL AND RESOURCE IMPACT:

There is sufficient funding available in the FY21-22 adopted budget.

CEQA (California Environmental Quality Act):

Not a Project

Continuing administrative or maintenance activities, such as purchases for supplies, personnel-related actions, general policy and procedure making (except where the policies and procedures may result in a change to the physical environment).



Sales Quote

2552 Barrington Ct. * Hayward, California 94545 * Phone 510-887-6295 * Fax 510-887-6298

Date: May 6, 2022

To: Cal Fire SCU
 Attn: Dwight Good
 Phone: 408-472-1605
 E-Mail: dwight.good@fire.ca.gov

Quote#
 MHFD050322
 Morgan Hill FD

Per your request, we are pleased to quote on the following.

Qty	Unit	Description	Price	Extension
25	Pkg	Complete SCBA System. Per Cal Fire Requirements <u>System includes:</u> (1) Scott X3 PRO Air-pak. 4500psi with CGA Connection QD Regulator with Rectus Connector, Dual UEBSS (Buddy Breathing) , PASS w/Pak-tracker, E-Z Escape Belt Pro, Schedule A Option – (Jettison or Fixed). (1) 45 minute, Carbon Wrapped Cylinder with Valve, 4500psi Banded Identifier included @ No Charge. Please Note (90 Day Delay) (1) AV3000 HT Facepiece with Epic Voice Amp Bracket. (1) Epic Voice Amp	\$5,379.61	\$134,490.25
25	EA	Note: W/O Integrated E-Z Escape Belt, Deduct \$252.70 each Additional Scott AV3000 HT Facepiece with right side Voice Amp Bracket, Sizes: TBD	\$271.29	\$6,782.25
33	EA	Additional Carbon Wrapped Cylinder with Valve, 45 minute, 4500 psi	\$881.59	\$29,092.47
5	EA	Scott 200954-02 RIT III. Includes, EZ-Flo Regulator with 5 ft. RIC hose & RIT Facepiece. 6 ft. EBSS hose, Monitoring Console and Carry bag 4,500 psi, (Cylinder Not included) Will accept up to 60 minute 4500psig You can use your standard issue CGA, 45 minute Cylinder.	\$2,866.85	\$14,334.25
Terms: Net 30 FOB: Destination Delivery: Drop Ship				

Subtotal	\$184,699.22
9.125%	\$16,853.80
S & H	\$0.00
Total	\$201,553.02

Quoted by - Justin Eldridge

JustinE@AllstarFire.com



LP15 - AFG

Quote Number: 10525996

Remit to: **Stryker Medical**

P.O. Box 93308

Version: 1

Chicago, IL 60673-3308

Prepared For: MORGAN HILL FIRE DEPT

Rep: Antonella Bondi

Attn:

Email: antonella.bondi@stryker.com

Phone Number:

Quote Date: 05/02/2022

Expiration Date: 07/31/2022

Delivery Address

Name: MORGAN HILL FIRE DEPT

Account #: 1331507

Address: 18300 OLD MONTEREY RD

MORGAN HILL

California 95037-3013

End User - Shipping - Billing

Name: MORGAN HILL FIRE DEPT

Account #: 1331507

Address: 18300 OLD MONTEREY RD

MORGAN HILL

California 95037-3013

Bill To Account

Name: MORGAN HILL FIRE DEPT

Account #: 1331507

Address: 18300 OLD MONTEREY RD

MORGAN HILL

California 95037-3013

Equipment Products:

#	Product	Description	Qty	Sell Price	Total
1.0	99577-001957	LIFEPAK 15 V4 Monitor/Defib - Manual & AED, Trending, Noninvasive Pacing, SpO2, SpCO, NIBP, 12-Lead ECG, EtCO2, BT. Incl at N/C: 2 pr QC Electrodes (11996-000091) & 1 Test Load (21330-001365) per device, 1 Svc Manual CD (26500-003612) per order	3	\$33,405.85	\$100,217.55
2.0	41577-000288	Ship Kit -QUIK-COMBO Therapy Cable; 2 rolls100mm Paper; RC-4, Patient Cable, 4ft.; NIBP Hose, Coiled; NIBP Cuff, Reusable, adult; 12-Lead ECG Cable, 4-Wire Limb Leads, 5ft; 12-Lead ECG Cable, 6-Wire Precordial attachment	3	\$0.00	\$0.00
3.0	21330-001176	LP 15 Lithium-ion Battery 5.7 amp hrs	9	\$449.65	\$4,046.85
4.0	11141-000115	REDI-CHARGE Base (power cord not included)	3	\$1,459.45	\$4,378.35
5.0	11140-000015	AC power cord	3	\$75.65	\$226.95
6.0	11140-000052	LP15 REDI-CHARGE Adapter Tray	3	\$198.05	\$594.15
7.0	11171-000049	Masimo™Rainbow™ DCI Adult Reusable SpO2, SpCO, SpMet Sensor, 3 FT. For use with RC Patient Cable.	3	\$582.25	\$1,746.75
8.0	11171-000050	Masimo™Rainbow™ DCIP Pediatric Reusable SpO2, SpCO, SpMet Sensor, 3 FT. For use with RC Patient Cable.	3	\$640.90	\$1,922.70
9.0	11160-000011	NIBP Cuff-Reusable, Infant	3	\$21.25	\$63.75
10.0	11160-000013	NIBP Cuff-Reusable, Child	3	\$23.80	\$71.40
11.0	11160-000017	NIBP Cuff -Reusable, Large Adult	3	\$33.15	\$99.45
12.0	11160-000019	NIBP Cuff-Reusable, Adult X Large	3	\$46.75	\$140.25



LP15 - AFG

Quote Number: 10525996

Version: 1

Prepared For: MORGAN HILL FIRE DEPT

Attn:

Remit to:

Stryker Medical

P.O. Box 93308

Chicago, IL 60673-3308

Rep:

Antonella Bondi

Email:

antonella.bondi@stryker.com

Phone Number:

Quote Date: 05/02/2022

Expiration Date: 07/31/2022

#	Product	Description	Qty	Sell Price	Total
13.0	11577-000002	LIFEPAK 15 Basic carry case w/right & left pouches; shoulder strap (11577-000001) included at no additional charge when case ordered with a LIFEPAK 15 device	3	\$306.85	\$920.55
14.0	11220-000028	LIFEPAK 15 Carry case top pouch	3	\$55.25	\$165.75
15.0	11260-000039	LIFEPAK 15 Carry case back pouch	3	\$79.05	\$237.15
Equipment Total:					\$114,831.60

Trade In Credit:

Product	Description	Qty	Credit Ea.	Total Credit
TR-15V1V2-LP15	TRADE-IN-STRYKER LP15V1/V2 TOWARDS PURCHASE OF LIFEPAK 15	3	-\$6,500.00	-\$19,500.00

Price Totals:

Estimated Sales Tax (9.125%):	\$8,699.01
Freight/Shipping:	\$0.00
Grand Total:	\$104,030.61

Prices: In effect for 90 days

Terms: Net 30 Days

Contact your local Sales Representative for more information about our flexible payment options.

Capital Terms and Conditions:

Deal Consummation: This is a quote and not a commitment. This quote is subject to final credit, pricing, and documentation approval. Legal documentation must be signed before your equipment can be delivered. Documentation will be provided upon completion of our review process and your selection of a payment schedule. Confidentiality Notice: Recipient will not disclose to any third party the terms of this quote or any other information, including any pricing or discounts, offered to be provided by Stryker to Recipient in connection with this quote, without Stryker's prior written approval, except as may be requested by law or by lawful order of any applicable government agency. A copy of Stryker Medical's Acute Care capital terms and conditions can be found at https://techweb.stryker.com/Terms_Conditions/index.html. A copy of Stryker Medical's Emergency Care capital terms and conditions can be found at <https://www.strykeremergencycare.com/terms>.



LP15 - AFG

Quote Number: 10525996

Remit to: **Stryker Medical**

P.O. Box 93308

Version: 1

Chicago, IL 60673-3308

Prepared For: MORGAN HILL FIRE DEPT

Rep: Antonella Bondi

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Email: antonella.bondi@stryker.com

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Name: MORGAN HILL FIRE DEPT

Account #: 1331507

Address: 18300 OLD MONTEREY RD

MORGAN HILL

California 95037-3013

End User - Shipping - Billing

Name: MORGAN HILL FIRE DEPT

Account #: 1331507

Address: 18300 OLD MONTEREY RD

MORGAN HILL

California 95037-3013

Bill To Account

Name: MORGAN HILL FIRE DEPT

Account #: 1331507

Address: 18300 OLD MONTEREY RD

MORGAN HILL

California 95037-3013

ProCare Products:

#	Product	Description	Years	Qty	Sell Price	Total
17.1	78000639	ProCare LIFEPAK 15 Prevent Service: Annual onsite preventive maintenance inspection and unlimited repairs including parts, labor and travel with battery coverage for LIFEPAK 15 V4 Monitor/Defib - Manual & AED, Trending, Noninvasive Pacing, SpO2, SpCO, NIBP, 12-Lead ECG, EtCO2, BT. Incl at N/C: 2 pr QC Electrodes (11996-000091) & 1 Test Load (21330-001365) per device, 1 Svc Manual CD (26500-003612) per order	4	3	\$6,548.40	\$19,645.20
ProCare Total:						\$19,645.20

Price Totals:

Prices: In effect for 90 days

Terms: Net 30 Days

Contact your local Sales Representative for more information about our flexible payment options.

Capital Terms and Conditions:

Deal Consummation: This is a quote and not a commitment. This quote is subject to final credit, pricing, and documentation approval. Legal documentation must be signed before your equipment can be delivered. Documentation will be provided upon completion of our review process and your selection of a payment schedule. Confidentiality Notice: Recipient will not disclose to any third party the terms of this quote or any other information, including any pricing or discounts, offered to be provided by Stryker to Recipient in connection with this quote, without Stryker's prior written approval, except as may be requested by law or by lawful order of any applicable government agency. A copy of Stryker Medical's Acute Care capital terms and conditions can be found at https://techweb.stryker.com/Terms_Conditions/index.html. A copy of Stryker Medical's Emergency Care capital terms and conditions can be found at <https://www.strykeremergencycare.com/terms>.

CITY COUNCIL STAFF REPORT

MEETING DATE: June 1, 2022

PREPARED BY:

Yat Cho, Senior Project Manager

APPROVED BY: City Manager

AWARD 2022 PAVEMENT REHABILITATION PROJECT TO A.TEICHERT & SON, INC. DBA TEICHERT CONSTRUCTION

RECOMMENDATION(S)

1. Approve 2022 Pavement Rehabilitation Project plans and specifications;
2. Award contract to A. Teichert & Son, Inc. dba Teichert Construction for the 2022 Pavement Rehabilitation Project in the amount of \$3,879,053;
3. Authorize expenditure of construction contingency not to exceed \$387,906; and
4. Authorize the City Manager to execute and administer the construction contract with A. Teichert & Son, Inc. dba Teichert Construction contingent on the adoption of the Fiscal Year 2022-23 Budget.

Estimated Time:

COUNCIL PRIORITIES, GOALS & STRATEGIES

City Council Ongoing Priorities

Enhancing Public Safety

Maintaining and Enhancing Infrastructure

2022-2023 Strategic Priorities

Fiscal Sustainability

Transportation

Guiding Documents

Bikeways, Trails, and Recreation Master Plan

REPORT NARRATIVE:

Annually, the City conducts a significant pavement rehabilitation project to improve the pavement conditions within the City. The 2022 Pavement Rehabilitation Project includes the resurfacing of the following streets:

- Murphy Avenue (San Pedro Avenue to Barrett Avenue)
- Hill Road (East Dunne Avenue to San Pedro Avenue)
- East Dunne Avenue (Hill Road to Thomas Grade)

- Jackson Oaks Drive
- White Oak Court
- Oak Hill Court
- Oakwood Court
- Oak Canyon Drive
- Live Oak Court
- Oakridge Road
- Oakridge Court
- Ridgeview Court
- Rustling Oak Court (Rustling Oak Ln not included)
- Church Street (Approximately 231' N of San Pedro Avenue to Tennant Avenue)
- Mast Street (Vineyard Boulevard to Church Street)
- Vineyard Boulevard (Tennant Avenue to Mast Street)
- W Main Avenue (Dewitt Avenue to John Telfer Drive)
- Via Grande Court
- Hidalgo Court
- La Giralda Court
- Thomas Grade
- Jackson Oaks Court
- El Toro Court
- Lindo Lane

The Project's Scope of Work is described as follows, but not limited to: Pavement Milling, Hot Mix Asphalt Concrete Overlay, Full Depth Asphalt Concrete Pavement Repairs, Slurry Sealing, Cape Sealing, Crack Sealing, Replacement of all Existing Traffic Delineation and Markings, Utility Adjustments, Traffic Signal Loop Restorations, and all related work on various streets within the City Limits.

The bid opening was held on May 18, 2022 and the five (5) bids received are listed below:

A. Teichert & Son dba Teichert Construction	\$3,879,053.00
O'Grady Paving, Inc.	\$4,104,045.70
Granite Construction Company	\$4,173,726.00
McKim Corporation	\$4,390,669.84
Graniterock	\$4,397,252.00

The low bidder, A. Teichert & Son, Inc. dba Teichert Construction, is an experienced public contractor with many years of paving construction experience. A. Teichert & Son, Inc. dba Teichert Construction's bid amount of \$3,879,053, is approximately 21% over the engineer's estimate of \$3,200,000. Staff recommends the award of the contract to A. Teichert & Son, Inc dba Teichert Construction for \$3,879,053 and anticipates construction to commence in July 2022 and be completed by October 2022.

The plans and specifications are available for review on the City's web page under the Government tab and Community Projects site: <https://www.morgan-hill.ca.gov/1436/Project-Plans-Specifications-and-Bid-Res>.

COMMUNITY ENGAGEMENT:

City staff will be coordinating communication efforts prior to and during the project through citywide emails, social media posts, and routine updates on the website. Regular updates will be made frequently to inform the community of impacts, roadway closure, and other inconveniences that may arise due to construction. The contractor will provide written notifications to affected residents and businesses in advance of any construction activities.

ALTERNATIVE ACTIONS:

City Council may elect to reject all bids for this construction project and direct staff to re-bid the project. Rebidding the project would require Council award and approval in July for the work to occur in 2022. Alternatively, the Council could reject all bids and wait to bid until next summer. Staff does not recommend either of these alternatives as this project was competitively bid with 5 bids being received by the City. Furthermore, it will be unlikely to result in any savings and will delay the project for at least three months.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

- On July 17, 2020, the City Council adopted the FY2020-21 through 2025-26 Capital Improvement Project.
- On March 2, 2022, the City Council received an update regarding pavement rehabilitation planning for calendar years 2021 through 2024.
- On April 20, 2022, the City Council awarded the partially federal grant funded East Dunne Pavement Rehabilitation Project to Teichart Construction.

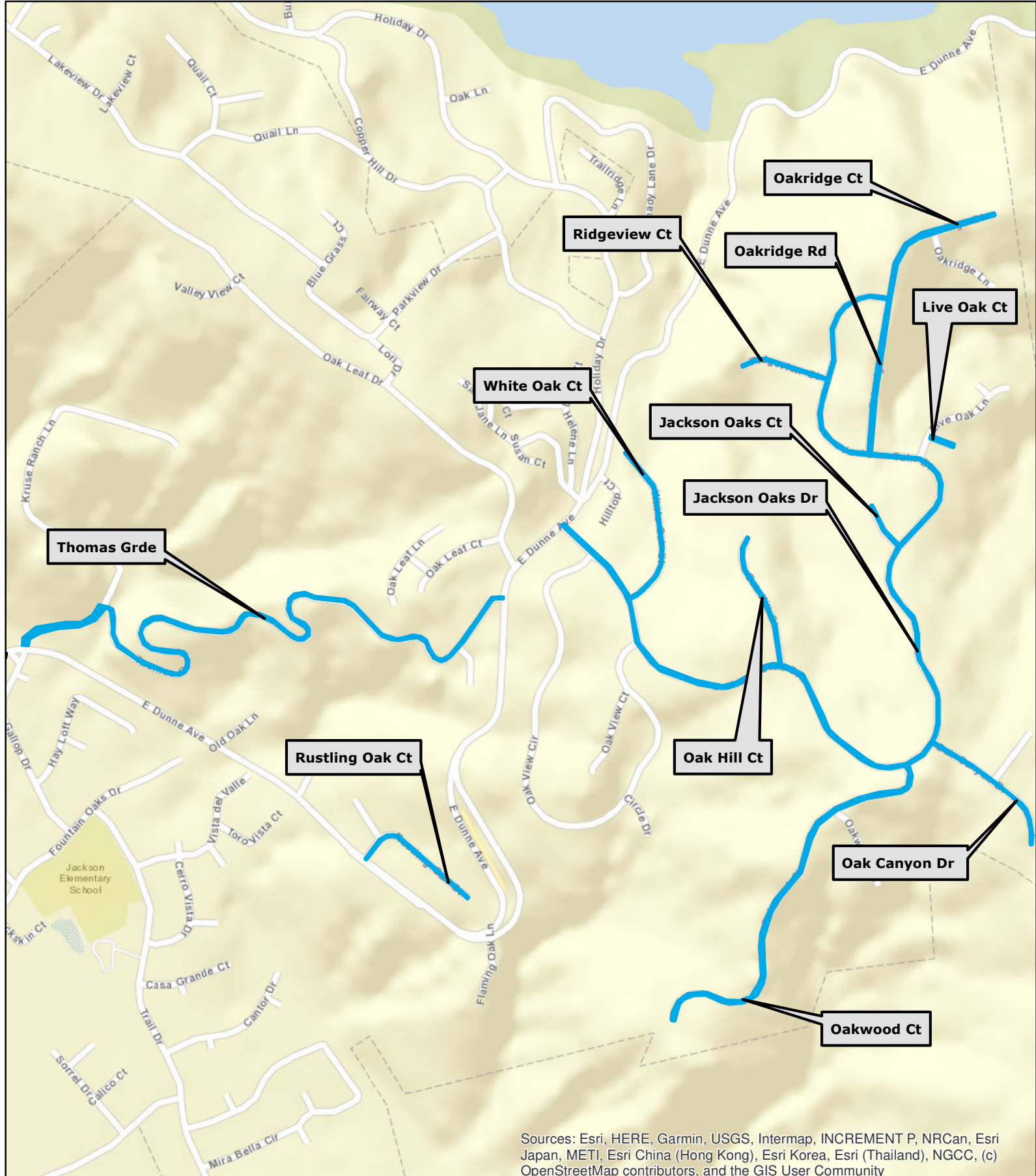
FISCAL AND RESOURCE IMPACT:

If approved, the total authorization for this project shall be \$4,266,959, which includes a 10% contingency of \$387,906. There are sufficient funds within the FY2022-23 Budget for this project, pending budget approval on June 15, 2022.

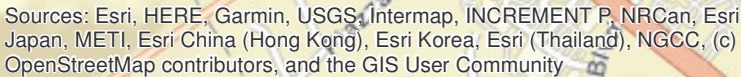
CEQA (California Environmental Quality Act):

Categorical Exemption

The activities described in this Staff Report are categorically exempt under CEQA, specifically pursuant to Section 15301 of the CEQA Guidelines (Existing Facilities), as the subject work involves the repair, maintenance, or minor alteration of existing City facilities involving negligible or no expansion of use of those facilities.



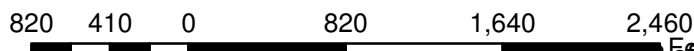
Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand), NGCC, (c) OpenStreetMap contributors, and the GIS User Community

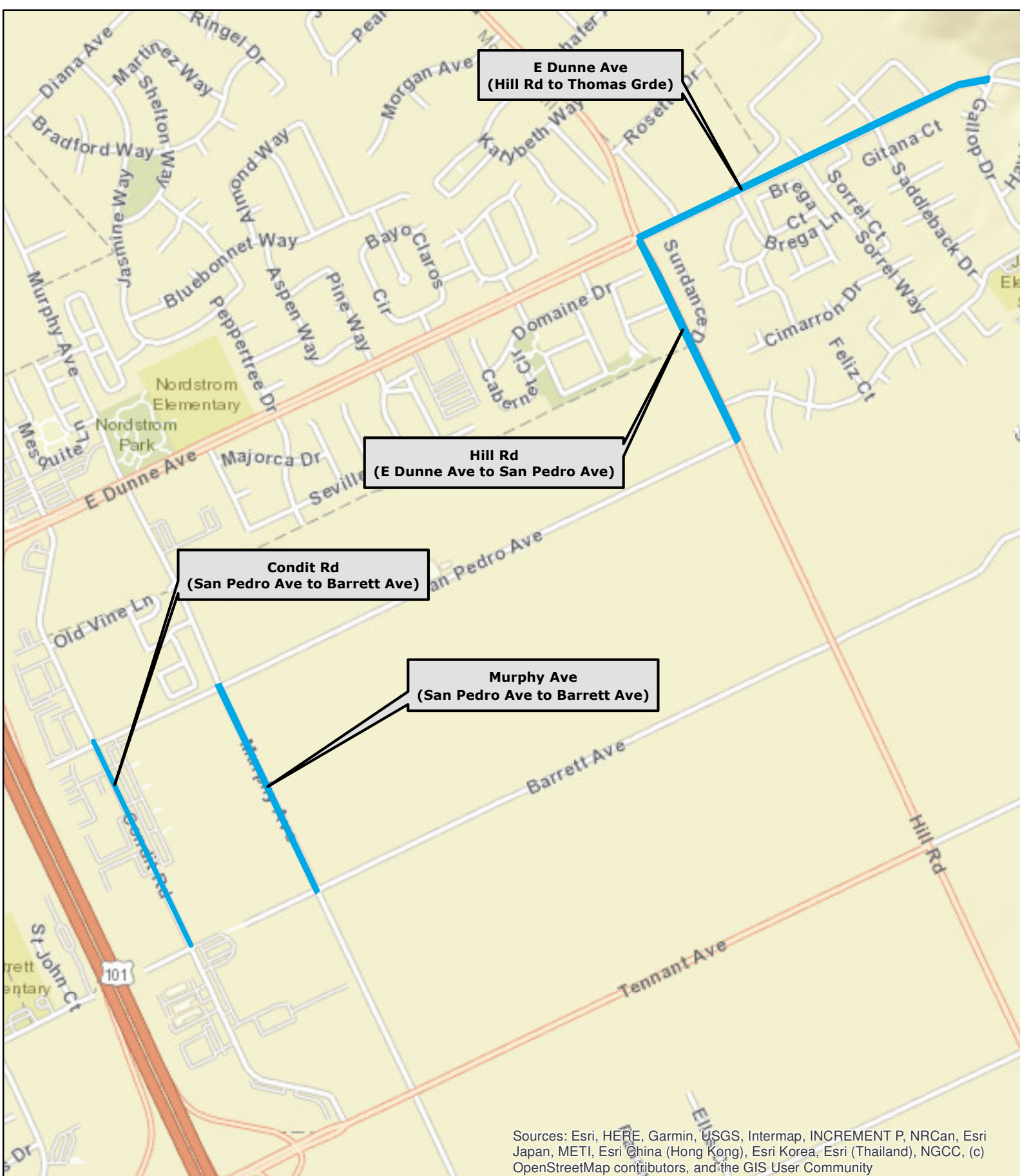


Engineering and Utilities Department
CIP Engineering Division

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2022 PAVEMENT REHABILITATION PROJECT





CITY COUNCIL STAFF REPORT

MEETING DATE: June 1, 2022

PREPARED BY:

Cynthia Iwanaga, Management Analyst

APPROVED BY: City Manager

AWARD A TWO-YEAR TRAFFIC STRIPING, SIGNING, AND PAVEMENT MARKINGS MAINTENANCE AGREEMENT TO CHRISP COMPANY IN THE AMOUNT OF \$200,000

RECOMMENDATION(S)

1. Award a two-year contract to Chrisp Company in the amount of \$200,000; and
2. Authorize the City Manager to execute and administer the Maintenance Service Agreement with Chrisp Company.

Estimated Time:

COUNCIL PRIORITIES, GOALS & STRATEGIES

City Council Ongoing Priorities

Enhancing Public Safety

Maintaining and Enhancing Infrastructure

2022-2023 Strategic Priorities

Fiscal Sustainability

REPORT NARRATIVE:

The City has contracted for traffic striping, signing, and pavement marking services for many years and does not have the staffing resources or equipment to perform the work internally. Services provided under this contract mostly include the replacement of thermoplastic legends on the streets, street marking paint, and consultation services. The City's current contract expires on June 30, 2022.

The purpose of this report is to summarize the results of the recent Request for Proposals (RFP) process and authorize the City Manager to enter into a new agreement for these needed services. The proposed term of the new maintenance service agreement is two years, starting on July 1, 2022, with an option to extend for three additional one-year terms.

The RFP was issued on March 28, 2022 and two proposals were received, from Chrisp Company and Statewide Safety Systems, on April 22, 2022. In soliciting proposals for this contract, the City advertised in the Morgan Hill Times and posted on the City website, the Public Purchase Online Plan Service, and the Builders' Exchange of Santa Clara County. Contractors registered on the City's Informal Bidders List with the required Contractor State Licensing Board (CSLB) licenses Class A (General Engineering) or Class C-32 (Parking and Highway Improvements) were also notified of the RFP.

After reviewing the two proposals, staff determined that Statewide Safety Systems' proposal was non-responsive due to it being an incomplete proposal. Chrisp Company has provided the City with traffic striping, signing, and pavement marking services for over 14 years and has over 44 years in the striping, signing, and pavement markings business. Maintenance staff have been satisfied with Chrisp Company's performance to date. Staff recommends entering into a maintenance service agreement with Chrisp Company to provide traffic striping, signing, and pavement marking services to the City for an initial term of two years at \$200,000 (\$100,00 per year). It is also recommended that the contract includes three one-year options to extend in amounts not to exceed 105% of the prior year's annual amount.

COMMUNITY ENGAGEMENT:

Not Applicable

As traffic signing, striping, and pavement marking services are expected to be performed on City streets, no community engagement was completed for the RFP process.

ALTERNATIVE ACTIONS:

The City Council could elect not to award this maintenance agreement and request that the services be rebid in hopes of obtaining more proposals. This action would require the extension of the current traffic signing and striping contract with Chrisp Company until December 31, 2022 in order to allow enough time to release another Request for Proposals. It is unlikely that a lower cost proposal could be obtained since Chrisp Company is one of the few firms engaged in these services.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

The Council has previously approved contracts for traffic signing, striping, and pavement marking services. The City's current agreement was approved by the City Council on June 6, 2018.

FISCAL AND RESOURCE IMPACT:

If approved, the funding authorization for the initial term of this agreement would be \$200,000. Funding for traffic signing, striping, and pavement marking services is budgeted in the General Fund in the Street Maintenance program.

CEQA (California Environmental Quality Act):

Categorical Exemption

The activities described in this Staff Report are categorically exempt under CEQA, specifically pursuant to Section 15301 of the CEQA Guidelines (Existing Facilities), as the subject work involves the repair, maintenance or minor alteration of existing City facilities involving negligible or no expansion of use of those facilities.

MAINTENANCE SERVICE AGREEMENT CHRISP COMPANY

THIS AGREEMENT is entered into and becomes effective on _____ (Effective Date), by and between the CITY OF MORGAN HILL, a municipal corporation, ("CITY"), and Crisp Company a California corporation ("SERVICE PROVIDER") hereinafter referred to collectively as "Parties." In consideration of the promises and the mutual covenants contained in this Agreement, the Parties agree as follows:

1. **City Authority.** This Agreement is entered into pursuant to the action of the Morgan Hill City Council taken on _____, _____, 20____.
2. **Term of Agreement.** This Agreement shall cover services rendered from the Effective Date of this Agreement until June 30, 2024 at which time SERVICE PROVIDER'S services shall be completed. The City Manager is authorized to extend the term of this Agreement for a maximum of three one-year extensions. Any such extension shall be in writing and signed by both Parties to this Agreement.
3. **Scope of Service.** The services to be performed by SERVICE PROVIDER shall be traffic striping, traffic signing and pavement markings as further described in **Exhibit A**.
4. **Compensation.** SERVICE PROVIDER shall be compensated as follows:
 - 4.1. **Amount.** \$200,000.00. Total compensation to SERVICE PROVIDER under this Agreement during its initial term set forth in Section 2 above shall not exceed Two Hundred Thousand Dollars and shall be billed based on the rate and basis set forth in **Exhibit B**. If the City Manager extends the term of this Agreement pursuant to the provisions of Section 2 above, the City Manager shall have the authority to increase the maximum compensation allowed to be paid to SERVICE PROVIDER during that extended term period, so long as City Council has appropriated sufficient funds therefor, the Parties mutually agree to such amount in a writing signed by both Parties to this Agreement and provided further that in no event shall such maximum compensation allowed for each subsequent extended one-year term exceed 105% of the maximum compensation allowed to be paid to SERVICE PROVIDER for one year of service during the immediately preceding prior year of service.
 - 4.2. **Billing.** SERVICE PROVIDER shall provide CITY with an invoice containing the dated, detailed, and itemized descriptions of all services performed and expenses incurred (if such expenses are reimbursable pursuant to Exhibit B) by SERVICE PROVIDER on a monthly basis unless otherwise specified in Exhibit B. All invoices shall be sent to the CITY addressed to the department head or project manager identified below in Section 14 Notices. Payment will be made to SERVICE PROVIDER within thirty (30) days of receipt of invoice by CITY. Any rate charged shall be prorated where services are interrupted or not provided for any rate period (for example, any monthly rate charge should be prorated when services were interrupted or provided for only part of the month). For services billed on an hourly rate, the minimum unit of billed time shall not exceed one tenth of one hour. CITY shall pay for services and expenses (if so provided in Exhibit B) up to the limit of compensation set forth above, that in the CITY'S judgment were necessary and reasonable. Services for work performed and expenses incurred in excess of the total compensation set forth in paragraph 4.1 above shall be at no cost to CITY.

5. **Termination.** CITY or SERVICE PROVIDER shall have the right to terminate this Agreement, without cause, by giving thirty (30) days' written notice or less under urgent circumstances. Upon such termination, SERVICE PROVIDER shall submit to CITY an itemized statement of services performed for which compensation has not been paid. CITY may require SERVICE PROVIDER to complete certain work product or documents and SERVICE PROVIDER shall deliver to CITY all documents in its possession without additional compensation to SERVICE PROVIDER. The City Manager is authorized to terminate this Agreement, in whole or in part, on behalf of CITY.

5.1. **Non-Appropriations.** Notwithstanding anything contained in this Agreement to the contrary, if insufficient funds are appropriated, or funds are otherwise unavailable in the budget for CITY for any reason whatsoever in any fiscal year, for payments due under this Agreement, CITY will immediately notify SERVICE PROVIDER of such occurrence, and this Agreement shall terminate after the last day during the fiscal year for which appropriations shall have been budgeted for CITY or are otherwise available for payments.

5.2. **Temporary Suspension of Services.** CITY'S need for services may be suspended due to unforeseeable or unavoidable circumstances beyond its control. Such circumstances include, but are not limited to, earthquake, fire, explosion, flood, or other natural catastrophe; governmental legislation, condemnation, acts, orders, or regulation; war or acts of terrorism; strikes or labor difficulties; and quarantine, epidemic, or pandemic. CITY shall provide a 5-days' written notice or less under urgent circumstances to temporarily suspend services at specific CITY facilities. CITY reserves the right to request which CITY facilities are to be serviced or not serviced due to unforeseeable or unavoidable circumstances; and the level of service at each CITY facility. Upon suspension, SERVICE PROVIDER shall submit to CITY an itemized statement of services performed for which compensation has not been paid up to the date of the suspension. No further payments will be made for services provided after the date of the suspension. CITY shall provide 5 days' written notice when the circumstances for the suspension of specific facilities' services are removed for SERVICE PROVIDER to commence providing services.

6. **Performance of Work.** SERVICE PROVIDER represents that it is qualified by virtue of experience, training, education, and expertise to accomplish these services. Services shall be performed by SERVICE PROVIDER in accordance with professional practices in a manner consistent with a level of care, competence and skill exercised by qualified members of SERVICE PROVIDER'S profession. By delivery of completed work, SERVICE PROVIDER certifies that the work conforms to the requirements of this Agreement and all applicable federal, state, and local laws. SERVICE PROVIDER is liable for any property damage caused by SERVICE PROVIDER or its Subcontractors during performance of the services and shall notify the CITY of damage within 24 hours of the occurrence. SERVICE PROVIDER must promptly repair or replace any real or personal property damage, and must promptly restore the property to its original or intended condition. CITY may repair or replace the real or personal property damage if SERVICE PROVIDER fails to do so, and the cost of the repairs or replacement may be deducted or offset from any compensation due to SERVICE PROVIDER.

6.1. **Schedule.** SERVICE PROVIDER shall perform all work and services under this Agreement in conformance with the time schedule set forth on **Exhibit C**, "Schedule of Performance," attached hereto and incorporated herein by this reference. The City Manager is authorized on behalf of CITY to modify the timeframes set forth on the Schedule of Performance within the term of this Agreement.

- 6.2. **Storage of Service Provider's Equipment.** If SERVICE PROVIDER desires to leave or store any of SERVICE PROVIDER'S equipment at a CITY site while SERVICE PROVIDER is performing work or service pursuant to this Agreement, SERVICE PROVIDER will first obtain the consent of the City Manager, or his/her delegate, to do so, and any such storage shall occur only in the manner and location allowed by such CITY official and entirely at SERVICE PROVIDER'S sole risk.

7. **Hazardous Materials.** Without limiting any other requirement or obligation of SERVICE PROVIDER under this Agreement, if SERVICE PROVIDER needs to use any material or chemical considered to be a hazardous material under any federal, state, or local law, regulation or policy, SERVICE PROVIDER agrees to fully and timely abide by and comply with all laws, regulations and policies pertaining to the use, transport, removal, handling, disposal, or other activity related to any and all such materials or chemicals. Prior to commencement of work or services under this Agreement, SERVICE PROVIDER shall provide CITY with a complete list of the hazardous materials SERVICE PROVIDER reasonably anticipates it may need to use to provide the services of SERVICE PROVIDER under this Agreement, together with the reasonably anticipated quantities thereof, if requested by CITY.

8. **Insurance Requirements.** SERVICE PROVIDER shall procure and provide proof of the insurance coverage required by this section in the form of certificates and endorsements. The required insurance must cover the activities of SERVICE PROVIDER, including its subcontractors, employees, and agents, relating to, or arising from, the performance of any work or service under this Agreement, and must remain in full force and effect at all times during the period covered by this Agreement. The coverages may be arranged under a single policy for the full limits required or by a combination of underlying policies with the balance provided by excess or "umbrella" policies, provided each such policy complies with the requirements set forth herein. Any deductibles or self-insured retentions must be declared to and approved by City. SERVICE PROVIDER further understands that CITY reserves the right to modify the insurance requirements set forth herein, with thirty (30) days' notice provided to SERVICE PROVIDER, at any time as deemed necessary to protect the interests of CITY.

8.1. **Insurance Types and Amounts.**

- 8.1.1. **Commercial General Liability (CGL).** SERVICE PROVIDER shall maintain CGL against claims and liabilities for personal injury, death, or property damage providing protection in the minimum amount of: (i) one million dollars (\$1,000,000.00) combined single limit for any one accident or occurrence, or (ii) the maximum amount of such insurance available to SERVICE PROVIDER under SERVICE PROVIDER'S combined insurance policies (including any excess or "umbrella" policies), whichever is greater.
- 8.1.2. **Automobile Liability.** SERVICE PROVIDER shall maintain Automobile Liability covering all owned, non-owned and hired automobiles (if SERVICE PROVIDER does not own automobiles, then SERVICE PROVIDER shall maintain Hired/Non-owned Automobile Liability) against claims and liabilities for personal injury, death, or property damage providing protection in the minimum amount of: (i) one million dollars (\$1,000,000.00) combined single limit for any one accident or occurrence, or (ii) the maximum amount of such insurance available to SERVICE PROVIDER under SERVICE PROVIDER'S combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

8.1.3. Workers' Compensation Insurance and Employer's Liability. SERVICE PROVIDER shall maintain Workers Compensation coverage, as required by law, in the minimum amount of: (i) one million dollars (\$1,000,000.00) for any one accident or occurrence, or (ii) the maximum amount of such insurance available to SERVICE PROVIDER under SERVICE PROVIDER'S combined insurance policies (including any excess or "umbrella" policies), whichever is greater. If SERVICE PROVIDER is self-insured, SERVICE PROVIDER shall provide its Certificate of Permission to Self-Insure, duly authorized by the Department of Industrial Relations.

8.1.4. Pollution (Environmental) Liability. If the performance of SERVICE PROVIDER'S work or service under this Agreement involves hazardous materials, contaminated soil disposal, and/or a risk of accidental release of fuel oil, chemicals or other toxic gases or hazardous materials, SERVICE PROVIDER shall procure and maintain Pollution Liability covering the SERVICE PROVIDER'S liability for bodily injury, property damage and environmental damage resulting from pollution and related cleanup costs arising out of the work or services to be performed under this Agreement. Coverage shall be provided for both work performed on site, as well as during the transport of hazardous materials. Such coverage shall be in the minimum amount of: (i) one million dollars (\$1,000,000.00) for any one accident or occurrence, or (ii) the maximum amount of such insurance available to SERVICE PROVIDER under SERVICE PROVIDER'S combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

8.1.5. Professional Liability.

8.1.5.1. If the performance of SERVICE PROVIDER'S work or service under this Agreement involves professional and/or technical services (examples include, but are not limited to, architects, engineers, land surveyors, and appraisers), SERVICE PROVIDER shall procure and maintain either a claims made or occurrence Errors and Omission liability insurance in the minimum amount of: (i) one million dollars (\$1,000,000.00) each claim, or (ii) the maximum amount of such insurance available to SERVICE PROVIDER under SERVICE PROVIDER'S combined insurance policies (including any excess or "umbrella" policies), whichever is greater. Further, if SERVICE PROVIDER maintains a claims-made policy, SERVICE PROVIDER shall provide written evidence of such insurance to CITY for at least five (5) years after the completion of work performed under this Agreement.

8.1.5.2. If the performance of SERVICE PROVIDER'S work or service under this Agreement relates to Information Technology or related services (examples include, but are not limited to computer programmers, software designers, hardware engineers, or other systems consultants), SERVICE PROVIDER shall procure and maintain a claims made Errors and Omission liability insurance, including Cyber Liability and Data Breach, in the minimum amount of: (i) one million dollars (\$1,000,000.00) each claim, or (ii) the maximum amount of such insurance available to SERVICE PROVIDER under SERVICE PROVIDER'S combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

- 8.1.6. Sexual Abuse/Molestation Liability (SML): If the performance of SERVICE PROVIDER'S work or service under this Agreement involves contact with minors, SERVICE PROVIDER shall procure and maintain Sexual Abuse and Molestation insurance in the minimum amount of: (i) two hundred thousand dollars (\$200,000.00) each claim, or (ii) the maximum amount of such insurance available to SERVICE PROVIDER under SERVICE PROVIDER'S combined insurance policies (including any excess or "umbrella" policies), whichever is greater.
- 8.2. **Endorsements**. SERVICE PROVIDER shall provide proof of the following endorsements, listed for each policy for which endorsements are required, as outlined below:
- 8.2.1. General Liability and pollution liability (when pollution liability applies).
- 8.2.1.1. "Additionally Insured" - The City of Morgan Hill, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers are named as additional insureds on a form at least as broad as ISO Form CG 20 10 for ongoing operations.
- 8.2.1.2. "Waiver of Rights of Subrogation" - The insurer waives the right of subrogation against the City of Morgan Hill and CITY'S elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers; and
- 8.2.1.3. "Primary and Non-Contributing" - Insurance shall be endorsed to be primary and non-contributory and will not seek contribution from the City's insurance or self-insurance and shall be at least as broad as ISO Form CG 20 01.
- 8.2.2. Workers Compensation.
- If the performance of SERVICE PROVIDER'S work or service under this Agreement involves access to or activity on any property or premises owned or occupied by the CITY, including, but not limited to, SERVICE PROVIDER'S presence during site visits and meetings, then insurer waives the right of subrogation against the City of Morgan Hill and the CITY'S elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers.
- 8.3. **Qualification of Insurers**. All insurance required pursuant to this Agreement must be issued by a company licensed and admitted, or otherwise legally authorized to carry out insurance business in the State of California, and each insurer must have a current A.M. Best's financial strength rating of "A" or better and a financial size rating of "VII" or better.
- 8.4. **Certificates**. SERVICE PROVIDER shall furnish CITY with copies of all certificates as outlined herein, whether new or modified, promptly upon receipt. In the event of a claim or legal action, SERVICE PROVIDER shall promptly furnish CITY of Morgan Hill with copies of all policies outlined herein. No policy subject to SERVICE PROVIDER'S agreement with CITY shall be canceled or materially changed except after thirty (30) days' notice by the insurer to CITY. A "material change" is a change that results in non-compliance with any insurance requirements in this section 8. Certificates, including

renewal certificates, may be mailed electronically to riskmgmt@morganhill.ca.gov or delivered to the Certificate Holder address provided herein.

Certificate Holder address:

City of Morgan Hill
Attn: Risk Management
17575 Peak Avenue
Morgan Hill, CA 95037

9. **Non-Liability of Officials and Employees of CITY.** No official or employee of CITY shall be personally liable for any default or liability under this Agreement.

10. **Compliance with Law.**

- 10.1. SERVICE PROVIDER and its officers, employees, agents, and subcontractors shall comply with all applicable laws, ordinances, administrative regulations, and permitting requirements in carrying out their obligations under this Agreement. SERVICE PROVIDER and its officers, employees, agents, and subcontractors covenant there shall be no discrimination based upon race, color, creed, religion, gender, marital status, age, sexual orientation, national origin, mental disability, physical disability, medical condition, or ancestry, in any activity pursuant to this Agreement.
- 10.2. Without limiting the provisions of Section 10.1 above, each worker performing work under this Agreement shall be paid at a rate not less than the prevailing wage as defined in Sections 1771 and 1774 of the Labor Code. The prevailing wage rates are available online at <http://www.dir.ca.gov/dlsr>. SERVICE PROVIDER shall post a copy of the applicable prevailing rates at the Worksite. Pursuant to Labor Code Section 1775, SERVICE PROVIDER and any Subcontractor shall forfeit to CITY as a penalty up to two hundred dollars (\$200.00) for each calendar day, or portion thereof, for each worker paid less than the applicable prevailing wage rate. SERVICE PROVIDER shall also pay each worker the difference between the applicable prevailing wage rate and the amount actually paid to that worker.
- 10.3. DIR Registration. CITY will not accept a Bid Proposal from or enter into a contract with a SERVICE PROVIDER, without first receiving proof to the satisfaction of CITY that SERVICE PROVIDER and its subcontractors are registered with the California Department of Industrial Relations to perform public work under Labor Code Section 1725.5, subject to limited legal exceptions. Under Labor Code section 1771.4, this Agreement is subject to compliance monitoring and enforcement by the California Department of Industrial Relations.
- 10.4. Compliance with Wage and Hour Laws: SERVICE PROVIDER, and any subcontractor it employs to complete work under this Agreement, shall comply with all applicable federal, state, and local wage and hour laws. Applicable laws may include, but are not limited to, the Federal Fair Labor Standards Act and the California Labor Code.

Final Judgments, Decisions, and Orders: For purposes of this Section, a “final judgment, decision, or order” refers to one for which all appeals have been exhausted or the time to appeal has expired. Relevant investigatory government agencies include: the federal Department of Labor, the California Division of Labor Standards Enforcement, or any

other governmental entity or division tasked with the investigation and enforcement of wage and hour laws.

Prior Judgments against SERVICE PROVIDER and/or its Subcontractors: BY SIGNING THIS AGREEMENT, SERVICE PROVIDER AFFIRMS THAT IT HAS DISCLOSED ANY FINAL JUDGMENTS, DECISIONS OR ORDERS FROM A COURT OR INVESTIGATORY GOVERNMENT AGENCY FINDING – IN THE FIVE (5) YEARS PRIOR TO EXECUTING THIS AGREEMENT – THAT SERVICE PROVIDER OR ITS SUBCONTRACTOR(S) HAS VIOLATED ANY APPLICABLE WAGE AND HOUR LAWS. SERVICE PROVIDER FURTHER AFFIRMS THAT IT OR ITS SUBCONTRACTOR(S) HAS SATISFIED AND COMPLIED WITH – OR HAS REACHED AGREEMENT WITH THE CITY REGARDING THE MANNER IN WHICH IT WILL SATISFY – ANY SUCH JUDGMENTS, DECISIONS OR ORDERS.

Judgments or Decisions During Term of Contract: If at any time during the term of this Agreement, a court or investigatory government agency issues a final judgment, decision or order finding that SERVICE PROVIDER or any subcontractor it employs to perform work under this Agreement has violated any applicable wage and hour law, or SERVICE PROVIDER learns of such a judgment, decision, or order that was not previously disclosed, SERVICE PROVIDER shall inform the City Attorney, no more than fifteen (15) days after the judgment, decision or order becomes final or of learning of the final judgment, decision or order. SERVICE PROVIDER and its subcontractors shall promptly satisfy and comply with any such judgment, decision, or order, and shall provide the City Attorney with documentary evidence of compliance with the final judgment, decision, or order within five (5) days of satisfying the final judgment, decision, or order. CITY reserves the right to require SERVICE PROVIDER to enter into an agreement with CITY regarding the manner in which any such final judgment, decision, or order will be satisfied.

City's Right to Withhold Payment: Where SERVICE PROVIDER or any subcontractor it employs to perform work under this Agreement has been found in violation of any applicable wage and hour law by a final judgment, decision or order of a court or government agency, CITY reserves the right to withhold payment to SERVICE PROVIDER until such judgment, decision or order has been satisfied in full.

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

Notice to City Related to Wage Theft Prevention: Notice provided to the City Attorney as required under this Section shall be addressed to: City Attorney, City of Morgan Hill, 17575 Peak Avenue, Morgan Hill, CA 95037. The Notice provisions of this Section are separate from any other notice provisions in this Agreement and, accordingly, only notice provided to the above address satisfies the notice requirements in this Section.

11. **Independent Contractor**. SERVICE PROVIDER is an independent contractor and not an agent or employee of CITY.

12. **Confidentiality**. All data, documents, or other information received by SERVICE PROVIDER from CITY or prepared in connection with SERVICE PROVIDER'S services under this Agreement are

deemed confidential and shall not be disclosed to any third party by SERVICE PROVIDER without prior written consent by CITY.

13. **Conflict of Interest and Reporting.** SERVICE PROVIDER shall at all times avoid conflict of interest or appearance of conflict of interest in performance of this Agreement.

14. **Notices.** All notices shall be personally delivered or mailed, via first class mail to the below listed address. These addresses shall be used for delivery of service of process. Notices shall be effective five (5) days after date of mailing, or upon date of personal delivery.

Address of SERVICE PROVIDER is as follows:

Chrisp Company
43650 Osgood Road
Fremont, CA 94538

Address of CITY is as follows:

Keri Russell, Maintenance Coordinator	with a copy to: City Clerk
City of Morgan Hill	City of Morgan Hill
17575 Peak Avenue	17575 Peak Avenue
Morgan Hill, CA 95037	Morgan Hill, CA 95037

15. **Licenses, Permits and Fees.** SERVICE PROVIDER shall obtain a City of Morgan Hill Business License, all permits and licenses to the extent required by ordinances, codes, and regulations of the federal, state, and local government.

16. **Service Provider's Proposal.** If applicable, this Agreement shall include SERVICE PROVIDER'S proposal or bid which is incorporated herein. In the event of any inconsistency between the terms of the proposal and this Agreement, this Agreement shall govern.

17. **Maintenance of Records.**

17.1. **Maintenance.** SERVICE PROVIDER shall prepare, maintain, and preserve all reports and records that may be required by federal, state, and CITY rules and ordinances related to services provided under this Agreement. SERVICE PROVIDER shall maintain records for a period of at least 3 years after receipt of final payment under this Agreement. If any litigation, claim, negotiation, audit exception, or other action relating to this Agreement is pending at the end of the 3-year period, then SERVICE PROVIDER shall retain said records until such action is resolved.

17.2. **Access to and Audit of Records.** CITY shall have the right to examine, monitor and audit all records, documents, conditions, and activities of SERVICE PROVIDER and its subcontractors related to services under this Agreement. Pursuant to Government Code Section 8546.7, if this Agreement involves the expenditure of public funds in excess of \$10,000, the Parties to this Agreement may be subject, at the request of CITY or as part of any audit of CITY, to the examination and audit of the State Auditor pertaining to matters connected with the performance of this Agreement for a period of three years after final payment under the Agreement.

17.3. **Ownership of Work Product.** All documents or other information developed or received by SERVICE PROVIDER for work performed under this Agreement shall be the property of CITY. SERVICE PROVIDER shall provide CITY with copies of these items upon demand or upon termination of this Agreement.

18. **Familiarity with Work.** By executing this Agreement, SERVICE PROVIDER represents that: (1) it has investigated the work to be performed; (2) it has investigated the site of the work and is aware of all conditions there; and (3) it understands the difficulties and restrictions of the work under this Agreement. Should SERVICE PROVIDER discover any conditions materially differing from those inherent in the work or as represented by CITY, it shall immediately inform CITY and shall not proceed, except at SERVICE PROVIDER'S risk, until written instructions are received from CITY.

19. **Time of Essence.** Time is of the essence in the performance of this Agreement.

20. **No Assignment.** Neither this Agreement nor any portion shall be assigned by SERVICE PROVIDER, without prior written consent of CITY. Any attempted assignment not first approved by CITY shall be void and, at CITY'S option, shall terminate this Agreement effective as of the date of such attempted assignment.

21. **Attorney Fees.** In any legal action, dispute or arbitration arising out of or relating to this Agreement, the prevailing party shall be entitled to an award of its reasonable attorney fees, costs and expenses incurred.

22. **Defense and Indemnification.**

22.1. **Defense and Indemnification.** SERVICE PROVIDER shall, to the fullest extent permitted by law, indemnify, defend and hold harmless CITY, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers ("INDEMNITEES") from and against any and all claims, liabilities, expenses, liens, or damages of any nature, including liability for bodily injury, property damage or personal injury, and including reasonable attorneys' fees and expenses, that arise out of, pertain to, or relate to the performance of this Agreement or the failure to comply with any obligations contained in this Agreement by SERVICE PROVIDER, and/or its agents, officers, employees, subcontractors, or independent contractors ("CLAIM").

22.2. **Exceptions.** SERVICE PROVIDER is not required to indemnify INDEMNITEES against liability for bodily injury, property damage or personal injury, or any other loss, damage or expense arising from the sole negligence or willful misconduct of CITY.

22.3. **Not limited by insurance.** The indemnity, defense and hold harmless provisions of this Agreement apply to all CLAIMS alleged against an INDEMNITEE, regardless of whether any insurance policies are applicable. Policy limits do not act as a limitation upon the amount of indemnification or defense to be provided by SERVICE PROVIDER.

22.4. **Right to Offset.** CITY shall have the right to offset against any compensation due SERVICE PROVIDER under this Agreement any amount due CITY from SERVICE PROVIDER as a result of SERVICE PROVIDER'S failure to pay CITY promptly any indemnification arising under this Section (22) and any amount due CITY from SERVICE PROVIDER arising from SERVICE PROVIDER'S failure either to (i) pay taxes on amounts received pursuant to this Agreement or (ii) comply with applicable workers' compensation laws.

22.5. **Interpretation.** This Section shall constitute an agreement or contract of indemnity, incorporating the interpretations under California Civil Code Section 2778. It is expressly understood and agreed that the obligation of SERVICE PROVIDER to indemnify the INDEMNITEE shall be as broad and inclusive as permitted by the laws of the State of California and shall survive termination of this Agreement.

23. **Entire Agreement; Modification; Conflicting Provisions.** This Agreement constitutes the entire Agreement between the Parties and supersedes any previous agreements, oral or written. This Agreement may be modified or provisions waived only by a subsequent mutual written agreement executed by CITY and SERVICE PROVIDER. If the provisions contained in the main body of this Agreement conflict with any provision contained in an exhibit to this Agreement, the provisions of the main body of this Agreement shall govern and control over any provision contained in an exhibit to this Agreement.

24. **Governing Law and Venue.** This Agreement shall be construed in accordance with the laws of the State of California. This Agreement was entered into and is to be performed in the County of Santa Clara. Any action or dispute arising out of this Agreement shall only be brought in Santa Clara County.

25. **Interpretation.** This Agreement is a negotiated document and shall be deemed to have been drafted jointly by the Parties, and no rule of construction or interpretation shall apply against any particular Party based on a contention that the Agreement was drafted by one of the Parties including, but not limited to, California Civil Code § 1654, the provisions of which are hereby waived. This Agreement shall be construed and interpreted in a neutral manner.

26. **Preservation of Agreement.** If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the rest of the Agreement shall remain in full force and effect and shall in no way be affected or invalidated.

27. **Binding Agreement.** Notwithstanding the provisions of Section 20 above, this Agreement shall bind any and all successors in interest, legal representatives and/or other permitted assignees or transferees of SERVICE PROVIDER in the same manner as if those successors in interest, legal representatives or other permitted assignees or transferees had entered into this Agreement originally.

Signatures are on the following page.

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28. **Authority to Execute.** Those individuals who are signing this Agreement on behalf of entities represent and warrant that they are, respectively, duly authorized to sign on behalf of the entities and to bind the entities fully to each and all of the obligations set forth in this Agreement.

IN WITNESS THEREOF, these Parties have executed this Agreement on the day and year shown below.

AS SET FORTH IN CA. CORP. CODE § 313, TWO SIGNATURES ARE REQUIRED FOR CALIFORNIA CORPORATIONS:

(1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; AND

(2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.

ATTEST:

CITY OF MORGAN HILL

City Clerk/Deputy City Clerk

City Manager

Michelle Bigelow
Print Name

Christina J. Turner
Print Name

Date: _____

Date: _____

APPROVED AS TO FORM:

CHRISP COMPANY

City Attorney


By:

Donald A. Larkin
Print Name

David L. Morris - Executive Vice President
Print Name and Title of Signer.
If Corporate: Chairman, President or
Vice President

Date: _____

Date: 5/5/2022


By:

Tammie Allison - Secretary
Print Name and Title of Signer.
If Corporate: Secretary, Assistant
Secretary, Chief Financial Officer or
Assistant Treasurer

Date: 5/5/2022

374600
Contractor's License Number(s) (if applicable)

1000000306
Contractor's DIR Registration Number(s) (if applicable)

Expiration Date(s) 05/31/2023

Expiration Date(s) 06/30/2022

EXHIBIT A SCOPE OF SERVICES

The Service Provider will provide traffic striping, signing and pavement marking services to the City of Morgan Hill. The general scope of work is to place new or replace existing traffic striping, signing and pavement markings at locations to be determined by the City of Morgan Hill staff.

The Contractor will provide the City of Morgan Hill with on-call and emergency services to perform the work as described herein.

1-1 SCOPE OF SERVICE:

The Contractor will furnish all tools, equipment, apparatus, facilities, labor, service and materials to perform all work necessary to provide traffic striping, signing and pavement markings services. All labor, services, materials and equipment shall be furnished and said work performed and completed by the Contractor as an independent contractor, subject to the inspection and approval of the Public Services Director of the City of Morgan Hill, or his representative.

A. Pavement Restriping and Pavement markings shall conform to the latest of the

State of California
Transportation Agency
Department of Transportation
California Manual on Uniform Traffic Control Devices (CMUTCD)
Chapter 6, Markings
(2014 Edition, updated 3/30/2021)

and is classified by patterns as described in:

Section 3A.06 Functions, Widths and Patterns of Longitudinal Pavement Markings
Standard:

The general functions of longitudinal lines shall be:

- A. A double line indicates maximum or special restrictions,
- B. A solid line discourages or prohibits crossing (depending on the specific application),
- C. A broken line indicates a permissive condition, and
- D. A dotted line provides guidance or warning of a downstream change in lane function

The widths and patterns of longitudinal lines shall be as follows:

- A. Normal line – 4 to 6 inches wide
- B. Wide line – at least twice the width of a normal line
- C. Double line – two parallel lines separated by a discernible space
- D. Broken line – normal line segments separated by gaps
- E. Dotted line – noticeably shorter line segments separated by shorter gaps than used for a broken line. The width of a dotted line extension shall be at least the same as the width of the line it extends.

All installed lines shall meet the appropriate specifications noted in the details under the sections related to the speeds as referred to within Part 3, as well as Part 9 (Traffic Control for Bicycle Facilities) for markings and signage related to bicycle lanes and devices.

1. **Single Traffic Line** Four (4) inch wide broken yellow line for center line; four (4) inch wide broken white line for lane line; solid four (4) inch yellow lead line.
2. **Double Solid Yellow Line** Double four (4) inch wide solid yellow line with a three (3) inch painted black line in between.
3. **Two-Way Left-Turn Lane** Double four (4) inch wide yellow line, one line broken and the other line solid, with a three (3) inch painted black line in between. (Note: This pattern is actually one-half of the entire pattern.)
4. **Edge Line**
 - a. **Single White** Solid four (4) inch wide white line is used on both streets and parking lots.
 - b. **Single Yellow Edge Line** Solid four (4) inch wide yellow line is used on streets and parking lots.
5. **Bike Lane Line** Solid six (6) inch wide white line, broken the last ninety-six (96) feet before each intersection (alternating four (4) feet of paint and eight (8) feet blank).
6. **Channelizing Line** Solid eight (8) inch wide white line.
7. **Lane Drop Line** Broken eight (8) inch wide white line.

All traffic stripes and pavement markings shall be consistent with these specifications and shall be painted by mechanical means. Stencils for legends shall conform to the latest **FEDERAL SPECIFICATIONS**. The City may furnish the stencil legends for use during the contract in order to match existing legends.

B. Bid Items

1. **Restriping.** These items shall be bid, measured and paid for on a per-linear-foot basis. Payment shall include full compensation for furnishing all labor, materials, tools and equipment, and for doing all related work involved in completing this item as required by these Specifications.
2. **Repainting legends.** This item shall be bid, measured and paid for on a per-each basis. Payment shall include full compensation for furnishing all labor, materials, tools and equipment, and for doing all related work involved in completing this item as required by these Specifications.

C. Materials

1. All materials specified by brand name or number represent a level of quality. A different product may be used if it is equal or superior in all ways and is approved in advance by the City Representative. Paint shall not be thinned or reduced. The Contractor must note any deviations on proposals submitted.

Paint for traffic stripes and pavement markings shall be waterborne paint conforming to the following specification:

Color Specifications

White, Yellow, Black

State Specification

No. PTWB-012R

SPECIFICATION FOR GLASS SPHERES (BEADS)

D. Methods of Application

- 1. Surface preparation:** All dirt, oil, grease and other foreign matter shall be removed from the area of the pavement to be painted with traffic paint. No paint shall be applied until the City Inspector confirms that the surface has been adequately prepared.
- 2. Surface Conditions:** Traffic paint shall not be applied when the air temperature is less than 40 Fahrenheit or when the pavement is appreciably wet or damp. No paint shall be applied until the City Inspector confirms that conditions are adequate.
- 3. Paint Application:** Paint shall be applied with an airless striping machine, approved by the City Inspector. Where required, the striping machine shall be equipped with separate thermostatically controlled heating devices for each paint and bead pot. The machine shall be capable of applying paint whereby the lines and markings have clear-cut edges, true and smooth alignment, and uniform thickness. Drips, overspread, improper markings and paint tracked by traffic shall be immediately removed from the pavement surface by methods approved by the City Representative. All such removal shall be at the Contractor's expense.
- 4. All paint, beads, and related products used must be guaranteed by the contractor to be free from manufacturers defects for one (1) full year from the date of application.**
- 5. Rates of Application:** Paint and beads shall be applied at the following rates:

Legends and Other Pavement Markings

Repainting:

**All traffic markings, in paint or thermoplastic, must meet reflective standards as noted in Section 84 of
State of California
California State Transportation Agency
Department of Transportation
2018 Standard Specifications**

A range is specified for some of the rates of application to allow for differences in texture of the pavement surface and in widths of lines. This does not imply that the rate of application can vary for a given classification or line.

- 6. Except where explicitly authorized by the City Representative, the painted lines shall exactly coincide with the original painting. A maximum 1/4" tolerance deviation is allowed.**

7. All completed lines and markings shall be clean and sharp as to dimensions ragged ends of segments, foggiess along the sides or dribbling of paint on unpainted areas will not be permitted and shall be removed by the Contractor if they do occur.
8. The finished paint shall have an opaque, well-painted appearance with no black or other discoloration showing through.
9. The contractor shall exercise all reasonable precautions to protect the paint, as applied, during drying time. The Contractor shall remove all objectionable tracking identified by the City Representative by sandblasting or using high-pressure water.
10. During the contract period, the City may select any of the contractors' paint products to be used in the City and send them to an independent laboratory for testing. If the test sample meets the specification required, the City will pay for the test. If the sample does not meet the specification required, the Contractor shall pay for the test and all related costs of the test as well as the costs of removing all paint that does not meet the specification. In addition, the Contractor may be liable for breach of contract.
11. **Raised Pavement Markers:** The contractor shall replace any markers he/she paints, damages or removes.
12. All methods of operation shall be in accordance with all applicable Cal-OSHA and Federal regulations.

E. Coordinating Work

1. The Contractor shall provide a work schedule approved by the City Representative prior to start of work.
2. The Contractor shall schedule his work, in advance, with the City Representative.
3. The Contractor shall post approved temporary "No Parking" signs anywhere necessary at least twenty-four (24) hours, but no more than forty-eight (48) hours, in advance of work. The signs shall indicate the dates and times that no parking will be in effect. The Contractor will not be awarded extra working days due to delays caused by inadequate notice of property owners, unless otherwise approved by the City Representative.
4. The Contractor shall coordinate his schedule with any other work that might interfere or be impacted, including street resurfacing, street trenching or repair efforts and garbage pickup.

F. Daily Log

1. The Contractor shall meet at the conclusion of every work day with the designated City Representative to present a written record of the units completed for that day for approval (utilizing a Daily Log) and to propose and receive approval for work to be performed the next working day. The log will include where the work was done, linear feet and type of striping, and the work location for the following day.

1-2. TERM OF SERVICE The term of the contract will be from July 1, 2022 through June 30, 2024. The contract may be canceled or any portion thereof at any time during the term of

service and such cancellations shall be effective upon giving thirty (30) days written notice. The City, at its option, may renew this contract for up to three additional one-year terms beginning on July 1, 2024. This option will be exercised only if the contractor has demonstrated superior performance in provision of traffic striping, signing and pavement markings services to the City.

1-3 WORK HOURS

The work hours for any, and all traffic striping, signing and pavement markings maintenance, replacement and new installation will be scheduled with City Maintenance Staff during regular business hours (7:00 a.m. to 6:00 p.m. Monday through Friday). Work of any type that may affect traffic on commute routes (arterial and collector streets) cannot be scheduled for work prior to 9:00AM or after 4:00PM. Contractor will be responsible to confirm with the City Maintenance Manager or designated representative if a street has these time restrictions prior to performing any work. Work scheduled on arterial roads and collectors must be approved by the City Maintenance Manager, or authorized delegate to assure no work is performed during commute hours that may impede the flow of traffic.

Deviation from the above will not be permitted except by written permission of the City Maintenance Manager or designated representative from the facility.

From time to time, the City may take on improvement projects or other construction. The Contractor shall cooperate with the City or its agents while said work is underway.

1-4 WORKMANSHIP AND QUALITY LEVEL

All work shall be performed by staff directly employed and supervised by the Contractor. The Contractor shall provide management and technical supervision through competent supervisors as required to provide the traffic striping, signing and pavement markings. The Contractor shall be responsible for the skills, methods and actions of all employees, subcontractors and for all work done.

The Contractor shall cooperate with the representative authorized by the City to enable them to determine the Contractor's conformity with these specifications and the adequacy of the work being performed. The Contractor shall give personal supervision to the work and will meet with the Maintenance Manager or designated City representative, as needed.

1-5. LOCATIONS

The locations will be within the City of Morgan Hill City limits and are to be determined.

1-6. ACTIVITY REPORT

The Contractor shall provide a computerized activity report to the City Maintenance Manager via e-mail with all invoices. No payment will be made without submittal of the report: The report shall include:

- i. Names of City staff who made the service call.
- ii. The number of hours spent for each service.
- iii. Materials used and quantities.

iv. Copies of all daily logs (Section 2F) initialed by designated City Representative or time stamped e-mail and a return receipt.

1-7. RESPONSE AND SERVICE

i. The Contractor shall provide response to service request within twenty-four (24) hours.

ii. Work shall be completed as soon as possible, and in all cases no less than fourteen (14) calendar days, unless extended in writing by the City and as agreed upon by City and Contractor.

iii. Failure to meet the response time requirements by the Contractor shall be sufficient cause for the City to authorize work to be completed by others and deduct the costs of said maintenance from payments due the Contractor. Repetitive failure shall be deemed sufficient cause for the City to terminate the contract.

1-8. SAFETY

The Contractor and staff shall follow all established safety procedures and shall take special care not to endanger the public in any way.

1-9. EMERGENCY SITUATIONS

For medical or public safety emergencies call 9-1-1. For all emergencies contact the Maintenance Manager or designated staff to report the issue immediately (24-hours/day)

**EXHIBIT B
SCHEDULE OF COMPENSATION RATES**

Please see attached Schedule of Compensation Rates

Pricing entries in Cost Schedule of proposal package apply to the period of July 1, 2022 to June 30, 2024. For services beginning on July 1, 2024, the Contractor may request a percentage adjustment to the pricing for all services equal to the Consumer Price Index (CPI) for the San Francisco Bay Area Counties. This request must be in writing ninety (90) days prior to July 1, 2024.

EXHIBIT B
Schedule of Compensation Rates

COST SCHEDULE

TRAFFIC SIGNING, STRIPING AND PAVEMENT MARKINGS MAINTENANCE

Name of Contrator: Chrisp Company

Total quantities per year cannot be estimated at this time. Please enter unit pricing for each item described below. The lowest bid for each bid item's "Paint Bid Unit Price," will receive a maximum of (1) point and the lowest bid for each bid item's "Thermoplastic Bid Unit Price," will receive a maximum of (1) point."

Item No.	Item Description	Paint Bid Unit Price	Thermoplastic Bid Unit Price
1	Paint Striping Detail 1	\$.45¢ /LF	\$ 1.00 /LF
2	Paint Striping Detail 2	\$.60¢ /LF	\$ 1.20 /LF
3	Paint Striping Detail 9	\$.60¢ /LF	\$ 1.20 /LF
4	Paint Striping Detail 12	\$.60¢ /LF	\$ 1.20 /LF
5	Paint Striping Detail 21	\$.72¢ /LF	\$ 3.00 /LF
6	Paint Striping Detail 22	\$.85¢ /LF	\$ 3.40 /LF
7	Paint Striping Detail 25	\$.60¢ /LF	\$ 2.50 /LF
8	Paint Striping Detail 28	\$ 1.45 /LF	\$ 5.80 /LF
9	Paint Striping Detail 38	\$.80¢ /LF	\$ 2.65 /LF
10	Paint Striping Detail 38A	\$.75¢ /LF	\$ 2.55 /LF
11	Paint Type IV Arrow	\$ 65.00 /ea	\$ 85.00 /ea
12	Paint Type VII Arrow	\$ 117.00 /ea	\$ 156.00 /ea

Item No.	Item Description	Paint Bid Unit Price	Thermoplastic Bid Unit Price
13	Paint Type VIII Arrow	\$ 155.00 /ea	\$ 208.00 /ea
14	Paint Basic Crosswalk	\$ 9.00 /LF	\$ 15.00 /LF
15	Paint Continental Crosswalk	\$ 22.00 /LF	\$ 46.00 /LF
16	Paint Ladder Crosswalk	\$ 40.00 /LF	\$ 81.00 /LF
17	Paint STOP legend & Limit Line	\$ 155.00 /ea	\$ 312.00 /ea
18	Paint Other Pavement Markings	\$ 275.00 /ea	\$ 585.00 /ea
19	Paint Curb	\$ 5.20 /LF	\$ 5.20 /LF
20	Install Small Sign Panel on Existing Post	\$ 195.00 /ea	\$ 195.00 /ea
21	Install Medium Sign Panel on Existing Post	\$ 225.00 /ea	\$ 225.00 /ea
22	Install Large Sign Panel on Existing Post	\$ 260.00 /ea	\$ 260.00 /ea
23	Install Small Sign Panel on New "Telespar" Post	\$ 512.00 /ea	\$ 512.00 /ea
24	Install Medium Sign Panel on New "Telespar" Post	\$ 575.00 /ea	\$ 575.00 /ea
25	Install Large Sign Panel on New "Telespar" Post	\$ 645.00 /ea	\$ 645.00 /ea
26	Install City-provided Small Sign Panel on New "Telespar" Post	\$ 360.00 /ea	\$ 360.00 /ea
27	Install City-provided Medium Sign Panel on New "Telespar" Post	\$ 360.00 /ea	\$ 360.00 /ea
28	Install City-provided Large Sign Panel on New "Telespar" Post	\$ 360.00 /ea	\$ 360.00 /ea

Notes:

- Detail and arrow numbers refer to Caltrans Standard Plan designation for striping and pavement markers.
- Payment for any pavement markers required per the Caltrans Standard Plans for a given striping detail shall be considered as included in the bid unit price per detail number.
- Small Sign Panels are R16 and R17 (No Turn Symbol), R32 Series (No Parking), Type N, Street Name Signs and other signs sized 24" X 24" or less.
 - Medium Sign Panels are R1 (Stop), R1-2 (Yield), R2 (Speed Limit), R10 (One Way), W56 (Double Head Arrow), and other signs larger than 24" X 24" and up to 48" X 36".
 - Large Sign Panels are 60" X 48" and other signs larger than 48" X 36".

All traffic stripes and pavement markings shall be consistent with these specifications and shall be painted by mechanical means. Stencils for legends shall conform to the latest Federal Highway Administration (FHA) Specifications. The City may furnish the stencil legends for use during the contract in order to match existing legends.

Item 29. MARK-UP PERCENTAGE ON MATERIALS FOR WORK NOT INCLUDED IN BID SCHEDULE

Bid Item No. 29 (Mark-Up Percentage) is a maximum of 4 points. The proposal with the lowest mark-up percentage will receive the maximum of 4 points. The remaining proposals receive points for this line item based on a comparison of their proposed mark-up percentage to the lowest bidder's mark-up percentage.

Contractor will charge City the actual invoice of materials used for additional work plus a mark-up fee percentage of:

15 % Percent

EXHIBIT C
SCHEDULE OF PERFORMANCE

The work hours for any, and all traffic signing, striping and pavement markings maintenance, replacement and new installation will be scheduled with City Maintenance staff during regular business hours: 7:00 a.m. to 6:00 p.m. , Monday through Friday. Deviation from the above days and hours will not be permitted except by written permission of the City Maintenance Manager, City Maintenance Coordinator or designed City representative.

Work of any type that may affect traffic on commute routes (arterial and collector streets) cannot be scheduled for work prior to 9:00AM or after 4:00PM. Contractor will be responsible to confirm with the City Maintenance Manager or designated representative if a street has these time restrictions prior to performing any work. Work scheduled on arterial roads and collectors must be approved by the City Maintenance Manager, or authorized delegate to assure no work is performed during commute hours that may impede the flow of traffic.

From time to time, the City may take on improvement projects or other construction. The Contractor shall cooperate with the City or its agents while said work is underway.

CITY COUNCIL STAFF REPORT

MEETING DATE: June 1, 2022

PREPARED BY:

Hilary Holeman, Administrative Analyst

APPROVED BY: City Manager

RATIFY CITY POSITION ON PENDING LEGISLATION, ASSEMBLY BILL 2181 (BERMAN) SANTA CLARA VALLEY TRANSPORTATION AUTHORITY: BOARD OF DIRECTORS

RECOMMENDATION(S)

Ratify the City's position on pending legislation, Assembly Bill 2181.

Estimated Time:

COUNCIL PRIORITIES, GOALS & STRATEGIES

City Council Ongoing Priorities

Supporting our Youth, Seniors, and Entire Community

Preserving and Cultivating Public Trust

Advancing Regional Initiatives

2022-2023 Strategic Priorities

Transportation

REPORT NARRATIVE:

Per Resolution No. 20-010 (Attachment 1), the City Council recognizes occasional situations arise where communication indicating support or opposition on pending State, County, or other regional boards' legislation or action that could be important and may occur prior to the next scheduled City Council meeting. Under these circumstances, the Mayor or City Manager is delegated the authority to prepare, execute and transmit written or verbal communications indicating a City's position when any of the following criteria are met: a) the League of California Cities, or a similar organization, has requested the City to comment or take a position, b) the timing to express a position occurs prior to the next scheduled Council meeting, and c) the pending State, County, or other regional boards' legislation or action clearly supports or clearly hinders the implementation or fulfillment of an adopted City Council Priority, Goal, or Strategy in a substantial manner such that it is in the best interest of the City to indicate its comment or position. When this occurs, a written report to the City Council for acceptance is required at the next possible meeting.

Assembly Bill 2181 (Attachment 2) authored by Assembly Member Berman, revises the membership of the board of directors of the Santa Clara Valley Transportation Authority (VTA). Specifically, this bill:

1) Revises the membership of the VTA board to instead consist of the following:

- a. Two county representatives who are community members and appointed by the president of the board of supervisors of Santa Clara County.
- b. Five representatives of the City of San Jose, including at least two city council members or the mayor and two community members, appointed by the mayor with city council approval.
- c. Five representatives of the other cities in the county, including at least two community members and two city council members or mayors of those cities, elected through a ranked choice voting process by the city councils of those cities, as specified.

2) Authorizes the VTA board to include ex officio nonvoting members from regional transportation or governmental bodies and increases the terms of the board members to four years.

On May 23, 2022, the Mayor communicated a letter opposing AB 2181 unless amended (Attachment 3) expressing concern about the representation of smaller cities in South Santa Clara County.

COMMUNITY ENGAGEMENT:

Inform

This report serves to inform the community on the City's position on pending legislation that directly impacts the City of Morgan Hill.

ALTERNATIVE ACTIONS:

The City Council could rescind the position taken.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

City Council periodically ratifies City positions on various pending State, County or other regional board legislations or actions that have a direct impact on the City of Morgan Hill.

FISCAL AND RESOURCE IMPACT:

Tracking legislation is an activity included in the annual workplan of the City Manager's Office.

CEQA (California Environmental Quality Act):

Not a Project - administrative action/activity without an impact.

RESOLUTION NO. 20-010

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AUTHORIZING THE MAYOR OR CITY MANAGER TO PREPARE, EXECUTE AND TRANSMIT COMMUNICATIONS INDICATING A POSITION ON PROPOSED STATE, COUNTY, OR OTHER REGIONAL BOARDS' LEGISLATION OR ACTION ON CERTAIN MATTERS THAT MAY HAVE IMPACTS UPON THE CITY IN CERTAIN CIRCUMSTANCES AND DIRECTING A REPORT BACK TO CITY COUNCIL ON ANY SUCH COMMUNICATIONS TRANSMITTED. (THIS RESOLUTION RESCINDS RESOLUTION NO. 6851)

WHEREAS, the City of Morgan Hill, a municipal corporation and general law city duly organized and existing under and pursuant to the Constitution and laws of the State of California ("City"), is authorized to indicate City's position on proposed legislation of the State of California and is sometimes requested to so indicate City's position on such legislation for the benefit of the City; and

WHEREAS, the reasons supporting the adoption of this Resolution are set forth in detail in that certain City Council Staff Report submitted for City Council consideration at its meeting of February 5, 2020, submitted to the City Council by the City Manager (the "Staff Report"), the contents of which Staff Report are incorporated herein by this reference; and

WHEREAS, the consideration by City Council of the adoption of this Resolution has been duly noticed pursuant to applicable laws and has been placed upon the City Council Meeting Agenda on the date set forth in the Staff Report, or to such date that the City Council may have continued or deferred consideration of this Resolution, and on such date the City Council conducted a duly noticed public meeting at which meeting the City Council provided members of the public an opportunity to comment and be heard and considered any and all testimony and other evidence provided in connection with the adoption of this Resolution; and

WHEREAS, the activities allowed under this Resolution do not constitute a project under the provisions of California Environmental Quality Act of 1970; and

WHEREAS, the City Council determines that adoption of this Resolution is in the public interest.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY FIND, DETERMINE, RESOLVE AND ORDER AS FOLLOWS:

Section 1. Recitals. The City Council does hereby find, determine and resolve that all of the foregoing recitals are true and correct.

Section 2. **Approval and Authorization.** The City Council prefers, whenever possible, that determinations on whether to take a position on pending State, County, or other regional boards' legislation or action be brought before the City Council as a whole for consideration and action. However, the City Council recognizes that occasional, limited situations arise where communications indicating support or opposition on pending State, County, or other regional boards' legislation or action that could be important to City are requested from cities within timeframes that have deadlines occurring prior to the next scheduled meeting of the City Council as a whole at which the City Council could consider and determine City's position on such pending legislation. For these reasons, the City Council does further resolve, order and/or direct as follows:

- a. That the Mayor and/or the City Manager is delegated authority to and is authorized to prepare, execute and transmit written or verbal communications indicating a City position on proposed pending State, County or other regional boards' legislation or action that may have impacts upon City when any of the following criteria are met:
 - i. The League of California Cities, or a successor or similar organization, has requested City comment or position on a piece of pending legislation or action, or the City has otherwise become aware of such pending legislation or action;
 - ii. A public hearing and an opportunity for City to comment or take a position upon such pending legislation or action is occurring in a timeframe and with a deadline to comment or express a position that occurs prior to the next scheduled meeting of the City Council at which the City Council could consider and determine City's comment or position on such pending legislation or action; or
 - iii. The pending legislation or action clearly supports or clearly hinders the implementation or fulfillment of an adopted City Council Priority, Goal or Strategy in a substantial manner such that it is in the best interests of City to indicate its comment or position on such pending legislation or action.
- b. That the Mayor and/or City Manager is hereby directed to provide a written report to the City Council for the Council's comment and acceptance at the City Council's next possible meeting whenever the Mayor or City Manager prepares, executes and transmits a communication indicating a comment or position on pending legislation or action pursuant to the authority delegated under this Resolution, which report shall include a copy of such pending legislation or action, and the comment or position transmitted.

Section 3. This Resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED by the City Council of the City of Morgan Hill at its meeting held on this 5th day of February 2020 by the following vote:

AYES:	COUNCIL MEMBERS:	Yvonne Martinez Beltran, Rene Spring, John McKay, Larry Carr, Rich Constantine
NOES:	COUNCIL MEMBERS:	None
ABSTAIN:	COUNCIL MEMBERS:	None
ABSENT:	COUNCIL MEMBERS:	None

APPROVED:



RICH CONSTANTINE, Mayor

ATTEST:



IRMA TORREZ, City Clerk

∞ CERTIFICATION ∞

I, Irma Torrez, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No. 20-010, adopted by the City Council at the meeting held on the 5th day of February 2020.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: 3/3/2020



Irma Torrez, CITY CLERK



AMENDED IN ASSEMBLY MAY 2, 2022

AMENDED IN ASSEMBLY APRIL 18, 2022

CALIFORNIA LEGISLATURE—2021–22 REGULAR SESSION

ASSEMBLY BILL

No. 2181

Introduced by Assembly Member Berman

February 15, 2022

An act to amend and repeal Section 100060.2 of, and to amend, repeal, and add Section 100060 of, the Public Utilities Code, relating to transportation.

LEGISLATIVE COUNSEL'S DIGEST

AB 2181, as amended, Berman. Santa Clara Valley Transportation Authority: board of directors.

Existing law creates the Santa Clara Valley Transportation Authority (VTA) with various powers and duties relative to transportation projects and services and the operation of public transit in the County of Santa Clara. Existing law vests the government of the VTA in a 12-member board of directors, which consists of 2 representatives of the County of Santa Clara who are members of, and appointed by, the county's board of supervisors, 5 representatives of the City of San Jose who are city council members or the mayor and appointed by the city council, and 5 representatives of the other cities in the county who are city council members or mayors of those cities as provided by agreements among those cities, whose terms of office are 2 years, as specified.

This bill, on and after July 1, 2023, would revise the membership of the board of directors to instead consist of 2 representatives of the county who are community members and appointed by the president of the board of supervisors with board of supervisors approval, 5

representatives of the City of San Jose, including at least 2 city council members or the mayor and 2 community members, appointed by the mayor with city council approval, and 5 representatives of the other cities in the county, including at least 2 community members and 2 city council members or mayors of those cities, elected through a ranked choice voting process by the city councils of those cities, as specified. *The bill would impose city or county residency requirements on the community members serving on the board of directors, as provided.* The bill would, on and after July 1, 2023, authorize the board of directors to include ex officio nonvoting members from regional transportation or governmental bodies and would increase the directors' terms of office to 4 years. To the extent this bill would mandate that a local government provide a new program or higher level of service, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 100060 of the Public Utilities Code is
2 amended to read:
3 100060. (a) The government of the VTA shall be vested in a
4 board of directors that shall consist of 12 members, as follows:
5 (1) Two representatives of the county and one alternate who
6 shall be members of the board of supervisors of the county,
7 appointed by the board of supervisors.
8 (2) Five representatives of the City of San Jose and one alternate
9 who shall be city council members or the mayor of the City of San
10 Jose, appointed by the city council.
11 (3) Five city council members or mayors selected from among
12 the city councils and mayors of all of the cities in the county, other
13 than the City of San Jose, as provided by agreements among those
14 cities. The agreements may provide for the appointment of

1 alternates, who shall be city council members or mayors, for those
2 city representatives.

3 (b) An alternate may vote in the place of a director represented
4 by that alternate if the director is absent.

5 (c) To the extent possible, the appointing powers shall appoint
6 individuals who have expertise, experience, or knowledge relative
7 to transportation issues.

8 (d) This section shall become inoperative on July 1, 2023, and,
9 as of January 1, 2024, is repealed.

10 SEC. 2. Section 100060 is added to the Public Utilities Code,
11 to read:

12 100060. (a) The government of the VTA shall be vested in a
13 board of directors that shall consist of 12 voting members, as
14 follows:

15 (1) Two representatives of the county, who shall be appointed
16 by the president of the board of supervisors with board of
17 supervisors approval by at least a four-fifths vote, consistent with
18 ~~both all of the following requirements:~~ *following:*

19 (A) One representative shall be a nonelected community member
20 with expertise in financing and accounting.

21 (B) One representative shall be a nonelected community member
22 with expertise in infrastructure management, construction
23 management, or project management.

24 (C) *The nonelected community members shall reside in the*
25 *county.*

26 (2) Five representatives of the City of San Jose, who shall be
27 appointed by the mayor of the City of San Jose with city council
28 approval, consistent with all of the following:

29 (A) At least two representatives shall be city council members
30 or the mayor of the City of San Jose.

31 (B) At least two representatives shall be nonelected community
32 members who, to the extent possible, have expertise, experience,
33 or knowledge relative to transportation issues.

34 (C) The mayor of the City of San Jose shall appoint at least one
35 representative pursuant to this paragraph who uses public transit
36 as their primary mode of transportation.

37 (D) *The nonelected community members shall reside in the City*
38 *of San Jose.*

1 (3) Five representatives of the cities in the county, other than
2 the City of San Jose, elected in a manner consistent with all of the
3 following:

4 (A) At least two representatives shall be nonelected community
5 members who, to the extent possible, have expertise, experience,
6 or knowledge relative to transportation issues.

7 (B) At least two representatives shall be city council members
8 or mayors of the cities in the county, other than the City of San
9 Jose.

10 (C) *The nonelected community members shall reside in one of*
11 *the cities in the county, other than the City of San Jose.*

12 ~~(C)~~

13 (D) To the extent possible, each regional group, as provided for
14 by agreements among the cities in the county, other than the City
15 of San Jose, shall be represented on the board of directors by a
16 representative elected pursuant to this paragraph.

17 ~~(D)~~

18 (E) The representatives shall be elected through the following
19 ranked choice voting process:

20 (i) VTA shall develop an application process.

21 (ii) In order to be eligible to be selected, a candidate shall
22 complete an application and submit the application to VTA.

23 (iii) VTA shall create one ranked choice ballot that includes
24 only those candidates that submitted complete applications.

25 (iv) The city council of each city in the county, other than the
26 City of San Jose, shall, in a public forum, rank those candidates
27 using the ranked choice ballot created pursuant to clause (iii) and
28 submit the ranked choice ballot to VTA by a date determined by
29 VTA.

30 (v) VTA shall count the ranked choice ballots submitted
31 pursuant to clause (iv).

32 ~~(E)~~

33 (F) (i) If a representative who is elected as a city council
34 member or mayor of a city in the county, other than the City of
35 San Jose, no longer serves in that capacity as a city council member
36 or mayor, the representative may continue to serve on the board
37 of directors until their term on the board of directors expires, except
38 as specified in clause (ii).

39 (ii) If a representative continuing to serve on the board of
40 directors pursuant to clause (i) would violate the requirements of

1 subparagraph (A) or (B), the representative shall not continue to
2 serve on the board and shall be replaced in a special election
3 conducted through the process described in subparagraph ~~(D)~~; (E).

4 (b) In addition to the 12 voting members described in
5 subdivision (a), VTA's board of directors may include ex officio
6 nonvoting members from regional transportation or governmental
7 bodies.

8 (c) VTA shall ensure that representatives of a single city do not
9 compose a majority of the board of directors.

10 (d) A representative appointed or elected pursuant to this section
11 shall serve a four-year term and may be reappointed without
12 limitation.

13 (e) VTA shall implement guidelines to provide for the removal
14 for cause of a representative appointed or elected pursuant to this
15 section.

16 (f) This section shall become operative on July 1, 2023.

17 SEC. 3. Section 100060.2 of the Public Utilities Code is
18 amended to read:

19 100060.2. (a) Except as otherwise provided, the term of office
20 for each director shall be two years and until the appointment and
21 qualification of their successor. A successor shall be appointed
22 not later than 30 days immediately upon the expiration of a
23 director's term. A vacancy exists whenever a director ceases to
24 hold office on the city council or board of supervisors from which
25 they were appointed. Any vacancy shall, within 60 days of its
26 occurrence, be filled for the balance of the term by the body that
27 made the original appointment.

28 (b) This section shall become inoperative on July 1, 2023, and,
29 as of January 1, 2024, is repealed.

30 SEC. 4. If the Commission on State Mandates determines that
31 this act contains costs mandated by the state, reimbursement to
32 local agencies and school districts for those costs shall be made
33 pursuant to Part 7 (commencing with Section 17500) of Division
34 4 of Title 2 of the Government Code.

O

May 23, 2022

Honorable Marc Berman
Assemblymember
State Capitol
Box 942849
Sacramento, CA 94249

Re: AB 2181 (Berman) Santa Clara Valley Transportation Authority: board of directors
Oppose Unless Amended

Dear Assemblymember Berman,

While the City of Morgan Hill is in favor of reforming Valley Transportation Authority's (VTA) governance structure, we have reservations about the smaller cities in South Santa Clara County representation as AB 2181 is written and are concerned about having an adequate voice. AB 2181 is a significant step that would have far reaching implications for the delivery of transit and transportation in Santa Clara County. The impact of these changes will have a long-lasting effect and seriously undermine the principle of regional representation balanced with population, as with the current VTA board structure.

The replacement of the Board with a hybrid structure, as proposed, will remove a major attribute of the current Board, which is the responsibility for transportation decisions being made by elected officials who understand and implement land use decisions. For Morgan Hill specifically, it will greatly reduce our ability to meaningfully represent the interests of our city within the context of regional needs.

We have the following concerns with the bill as written:

- Unnecessarily complex and cumbersome process to select the city representatives
- Lack of clarification on the definition of "financial experience" and "expertise relative to transportation"
- Timelines of terms for elected officials and how they correspond with cities terms
- Having non-elected candidates make a regional pitch beyond their city group
- Small cities making changes to city groupings as they please

While no organizational set up is perfect, VTA's representation has been examined and re-examined many times over the years. There can certainly be improvements and VTA's Board Enhancement Committee has gone a long way to address these issues. This bill as currently written is not the answer.

For the above reasons, the City of Morgan Hill cannot support AB 2181, unless amended. We encourage you to work with the small to mid-sized cities in our region to ensure that all residents of our County are represented on this important public agency.

Sincerely,



Rich Constantine, Mayor
City of Morgan Hill

Cc: County of Santa Clara Legislative Delegation
Santa Clara Valley Transportation Authority Board of Directors
Santa Clara Valley Transportation Authority Policy Advisory Council
Seth Miller, Regional Public Affairs Manager, League of California Cities, smiller@cacities.org
Meg Desmond, League of California Cities, cityletters@cacities.org

CITY COUNCIL STAFF REPORT

MEETING DATE: June 1, 2022

PREPARED BY:

Matthew Mahood, Economic Development Director

APPROVED BY: City Manager

APPROVE THE HOTEL STRATEGY AND INCENTIVE POLICY TO SUPPORT NEW HOTEL DEVELOPMENT AND REHABILITATION OF EXISTING HOTELS

RECOMMENDATION(S)

Approve the Hotel Strategy and Incentive Policy to support New Hotel Development and rehabilitation of Existing Hotels.

Estimated Time: 30 Minutes

COUNCIL PRIORITIES, GOALS & STRATEGIES

2022-2023 Strategic Priorities

Fiscal Sustainability

Economic Development

Guiding Documents

Economic Blueprint

Morgan Hill 2035 General Plan

REPORT NARRATIVE:

POLICY CONSIDERATION:

Should the City Council create an incentive program to encourage new hotel development and encourage reinvestment in existing hotels to improve the quality of hotels and Transient Occupancy Tax generation?

ISSUE AND BACKGROUND

Expanding sports, recreation and wine tourism is one of the City's goals. Over the years, Morgan Hill has invested heavily in its recreational facilities, such as the Aquatics Center, Outdoor Sports Center, and Centennial Recreation Center, making them premier destinations for both residents and visitors. In previous years, these facilities, along with the local festivals and events, attracted nearly 1 million visitors annually. According to the 2017 Morgan Hill Sports Market Business Strategy, a visitor that spends \$1.00 in South County recreation activities such as at the Aquatics Center,

generates \$1.80 in economic impact.

Morgan Hill's 2035 General Plan and 2017 Economic Blueprint identifies Tourism as a targeted industry and defines specific strategies and actions that should be taken to support, nurture, and advance this industry sector.

A critical factor in the success of this strategy are hotel rooms, both the quantity and quality. To support the continued growth of tourism in Morgan Hill, the City must ensure the availability of high-quality lodging to accommodate visitors. A 2015 Hotel Market Study conducted by Hotel Appraisers & Advisors, found that there is substantial unmet demand for additional hotel development in the City of Morgan Hill. A 2022 Hotel Market Study Update reinforces these findings and shows new hotel development north and south of Morgan Hill, while Morgan Hill's hotel development has remained stagnant.

The City collects 11% of Transient Occupancy Tax (TOT) which contributes approximately 5% of the total General Fund revenue.

Morgan Hill Hotel Market

Within the City of Morgan Hill there are currently 900 hotel rooms spread across 14 facilities. Of those 900 rooms, only 529 rooms are Upperscale/Upper-Midscale represented in 6 hotel properties. These six hotels generate approximately 76% of the City's TOT revenue. The remaining 8 hotels are considered economy class and many of them have reached or are approaching the end of their economic life, which means that they need to re-invest or may be required to downgrade or have already lost the brand/flag. This means that aging hotels need to consider reinvesting or transitioning these facilities to other uses. Alternatively, the life cycle of hotels without reinvestment means that these facilities begin a downward decline of brands/flags until they become 'independent' hotels with no attached brand and performance oversight.

In Morgan Hill, some of these aging hotels have a large percentage of over 30-day stays or in other words, function as defacto housing. This raises concerns for safety, State Building Code compliance, and local General Plan and Zoning conformance while generating very little or no TOT revenue.

Morgan Hill's most recent hotel development, La Quinta Inn & Suites, with 104 rooms, was built in 2016. The City of Morgan Hill has essentially missed the last two hotel development construction booms that took place between 2006 and 2015.

Four hotels have been approved in recent years. Two hotels were subject to a referendum after securing entitlements and were unable to get constructed. A hotel at the Evergreen Village Center secured entitlements in 2020 but development was impacted by the COVID 19 pandemic. Since 2020, a new investor has acquired the site and secured a Holiday Inn Express flag for this site. This hotel is currently being redesigned and is expected to be under construction in 2023. A 60-room boutique hotel in Downtown has also secured entitlements and began construction which was halted at the onset of the pandemic. This hotel is a specialty hotel that requires private financing. The concrete work in the first two floors, and all underground utility work has been

completed. The developer is in the process of securing the necessary financing to proceed with the hotel construction and has indicated that additional rooms may be necessary to make the hotel operationally functional. It is important to note that costs of construction for these facilities have significantly increased since entitlements were secured and shortage of labor and materials may impact their timely constructability.

The City's 2017 Economic Blueprint's Action #27 suggests identifying pre-zoned hotel lodging sites for future development. The intention behind this action is to remove barriers to entry to new hotel development and have locations pre-approved for the desired use. Hotel development is allowed in Highway Commercial Zoning and hotels that locate in these zones are not subject to a referendum. Currently, there are four parcels that can accommodate hotels in this zoning. One additional site may be added in the near future with pending zoning amendments in the Cochrane Commons development area.

Regional Hotel Competition

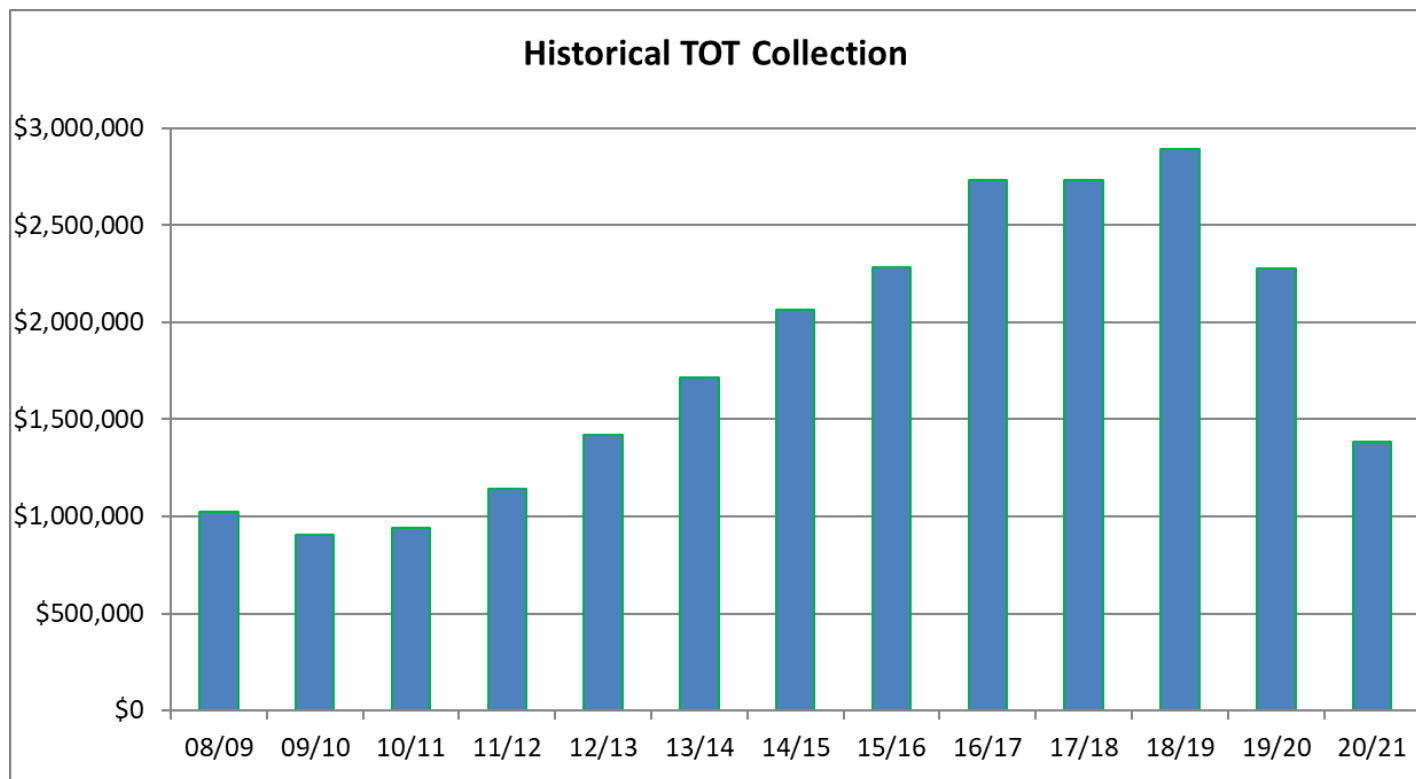
Hotel markets are regionally based. The City of Morgan Hill is in direct competition with the cities of San Jose and Gilroy for new hotel properties, each of which has recently approved new hotel developments. In the last two years, San Jose has built 2 hotels with a total of 290 rooms and Gilroy has built 1 hotel with 103 rooms. Currently, in 2022, San Jose is adding another 406 rooms across 3 hotel brands, Element, Holiday Inn Express, and Hilton Garden Inn. Gilroy is actively pursuing 3 hotel projects consisting of Hyatt Place (120 rooms), Springhill Suites (112 rooms), and Staybridge Suites (91 rooms).

Due to the regional nature of the hotel market, Morgan Hill could potentially miss the opportunity to secure key hotel brands if the City doesn't make new hotel development a priority.

Revenue Generation

Hotels generate General Fund revenue through the collection of Transient Occupancy Tax (TOT).

The graphic below details the collection of TOT since FY 2008/09. The collection of TOT has been increasing since FY2010/11, but the COVID-19 pandemic negatively impacted the hospitality and tourism industries, resulting in a significant loss of TOT collection since the spring of 2020. Hotels generate more revenue per acre than any other use in Morgan Hill. Prior to COVID-19, the larger three-diamond hotel properties in the City were generating approximately \$138,000 in TOT revenue per acre. This compares to auto dealers who average approximately \$86,000 in sales tax per acre.



Hotel Incentive Policies

A number of municipalities have shown that some public investment is often needed to augment the large private capital that is required to develop hotel and tourism facilities. Many cities have induced the development of hotel rooms through public financial participation in the project. The following table provides a quick summary of several jurisdictions that have successfully employed a hotel incentive program.

City	New	Existing	Funding Gap Analysis	Min Service Level*	Min Room Count**	Max Rebate Amount
Anaheim	X	X	X	X	X	
Catherdral City	X	X	X			
Dublin	X	X	X	X	120+	X
Fountain Valley	X		X	X	100+	X
Hollister	X	X		X		\$2M
Los Angeles	X	X	X	X	X	
Palm Springs	X	X	X	X	X	X
Placerville	X	X		X	100+	\$3.5M
Santa Ana	X		X	X	X	X

* Hotel must provide a minimum level of service, such as: meeting room space, room service, valet, concierge, pool, laundry, etc.

** Hotel must be of a minimum room count to be eligible for the hotel incentive program

Staff proposes the approval of a new **Hotel Incentive Policy (HIP)** to provide financial incentives to develop quality hotels and the rehabilitation of existing hotels to help improve the lodging inventory in Morgan Hill. This would enhance the tourist and travel experience, increase hospitality services for businesses and residents in the area, and assist the city in achieving its tourism goals and increase TOT receipts. The proposed program will be similar to the Auto Dealer Incentive Policy. The Hotel Incentive Policy (HIP) would provide rebate incentives to encourage the construction of new hotel development and the rehabilitation and upgrade of existing hotels. The City would provide a rebate of up to 50% of the value of City required off-site improvements for new hotel construction or up to 50% of costs associated with property improvements needed to obtain a higher quality standard that upgrades the hotel brand or increases TOT revenue for existing hotels. The City's contribution will be deducted from future TOT revenue generation after an established TOT baseline. The baseline will be equal to the corresponding chain scale hotel annual average revenue per guest room in Morgan Hill during the year 2019. The baseline would be updated every five years. The rebate ends after the City's 50% contribution has been financed or after 10 years, whichever is first. Only 50% of TOT generated above the baseline would be applied to the rebate, ensuring the City always gets a healthy TOT contribution. The proposed Hotel Incentive Policy is attached, and a summary of the parameters is detailed in the table below:

Proposed HIP	New Hotels	Existing Hotels
Eligibility	Location of new hotel development shall be in conformance with the City's General Plan and Existing Zoning.	Hotels that are currently branded as a chain must achieve an upgrade of at least one chain scale after renovations are completed. Participating hotels that are currently Independent may either (a) obtain a chain brand or (b) apply for a maximum rebate of \$100,000.
Rebate amount	50% of costs associated with offsite improvements	50% of costs associated with property improvements necessary to upgrade brand
Rebate Payment	City rebate equal to 50% of TOT revenue generated above the baseline	City rebate equal to 50% of TOT revenue generated above the baseline.
Baseline	Equal to the	Equal to hotel's average TOT

	corresponding chain scale hotel annual average revenue per guest room in Morgan Hill during the year 2019. Baseline to be updated every five years.	revenue generated in 2019.
Term	The rebate ends after the City's 50% contribution has been financed or after 10 years, whichever is first.	The rebate ends after the City's 50% contribution has been financed or after 10 years, whichever is first.
Approval	City Council shall approve Hotel Incentive agreements over \$100,000.	City Council shall approve Hotel Incentive agreements over \$100,000.

The Hotel Incentive Policy promotes economic development, supports business operations, and provides attractive and desirable experiences to enhance the City's economic sustainability. This incentive program is important as it will signal to the hotel development community that the City of Morgan Hill is open for business and interested in new hotel development. Equally important, this program conveys the City's support to existing operators and willingness to partner to help them improve their properties and protect their investment. The proposed program is in conformance with the City's General Plan Update 2035 and the 2017 Economic Development Blueprint which is further detailed in the attached Policy.

COMMUNITY ENGAGEMENT:

Inform

This report serves to inform the community of the proposed HIP. City staff has shared the proposed policy with Visit Morgan Hill and the Chamber of Commerce Board of Directors. City staff have individually shared the proposed policy with existing hotel operators for their feedback.

ALTERNATIVE ACTIONS:

The City Council may choose not to adopt the Hotel Incentive Program, or may modify the proposed program.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

In 2018, the City Council took action to form a Tourism Based Improvement District

(TBID) to help support and promote the tourism and hospitality industries.

FISCAL AND RESOURCE IMPACT:

If approved, on new participating hotel developments, the City would be sharing a portion of new incremental Transient Occupancy Tax (TOT) revenues generated above the baseline equal to no more than 50% of the cost of offsite improvements. For existing hotel projects, the City would be sharing a portion of incremental TOT revenues generated above the baseline amount.

CEQA (California Environmental Quality Act):

Not a Project

The Hotel Incentive Program is exempt from environmental review under Section 15061(b)(3) of the State CEQA Guidelines. The program is covered by the general rule that CEQA applies only to projects which have the potential to cause a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The program will not result in any direct impact upon the physical environment. Any development that occurs in the future will be subject to the development standards of the zoning district and will undergo an independent analysis pursuant to the requirements of CEQA.



Hotel Incentive Policy June 2022

Purpose

The Hotel Incentive Policy (HIP) provides rebate incentives to encourage the construction of new hotel development and the rehabilitation and upgrade of existing hotels to help enhance the tourism and travel experience and hospitality services for businesses and residents in the area. The intent of this program is to promote economic development, support business operations, and provide attractive and desirable visitor serving facilities and experiences to enhance the city's economic sustainability.

For new hotel development, the HIP provides cost-sharing of up to 50% of City required off-site improvements. The City's contribution will be deducted from future TOT revenue generation after an established TOT baseline.

For the renovation of existing hotel properties, the HIP provides cost-sharing of up to 50% of costs associated with property improvements needed to obtain a higher quality standard that upgrades the hotel brand*. The City's contribution will be deducted from future TOT revenue generation after an established TOT baseline.

Goals

1. The City supports hotel investment to support sports, recreation and wine tourism and support business development.
2. The City supports the development of unique and specialty lodging facilities such as full-service hotels with conference and restaurant facilities; boutique hotels, Bed and Breakfasts, Airbnb, VRBOs and other short-term lodging rental platforms to increase lodging diversity and promote the area as a tourism destination.
3. The City supports reinvestment into existing hotel properties that support the improvements required to upgrade the quality of hotel rooms and enhance hotel brand inventory.

The City's General Plan Update 2035 and the 2017 Economic Development Blueprint provides direction that support the Hotel Incentive Policy.

2035 General Plan. Policy ED 4-9

Overnight Accommodations. Support the construction of a full range of new lodging facilities to build the local tourism industry, enhancing the City's position as a hub for wine tourism and for visitors attracted to the City's sports facilities.

2035 General Plan. Policy ED 4-11

Tourism Support Services. Actively promote development of tourist-oriented commercial, industrial, and recreational uses and facilities, including such uses as lodging, meeting and conference centers, outdoor restaurants, wine and beer tasting, and farmers' markets.

2035 General Plan. Policy ED 4--A

Bed and Breakfast Establishments. Adopt zoning for bed and breakfast establishments where compatible with existing and planned land uses.

2017 Economic Development Blueprint. Tourism Strategy: Support Lodging.

Ensure General Plan and Zoning Code Address Bed & Breakfasts, Airbnb and Hotel Development (Action #25) to provide clear guidance regarding the rules that apply to short-term room or home rentals through Airbnb or other platforms.

2017 Economic Development Blueprint. Tourism Strategy: Support Lodging.

Develop Plan to Help Upgrade or Transition Aging Hotel Facilities (Action #26) to address safety, State Building Code compliance, and local General Plan and Zoning conformance issues.

2017 Economic Development Blueprint. Tourism Strategy: Support Lodging.

Identify Pre-Zoned Lodging Sites (Action #27) to support the vision of making Morgan Hill and South Silicon Valley a tourism destination and offering diversity among lodging amenities.

HIP Program Parameters & Eligibility**New Hotels**

1. Location of new hotel development shall be in conformance with the City's General Plan and Existing Zoning.
2. The City's contribution shall be up to 50% of the costs associated with off-site/public improvements such as: roadways, sidewalks, utility undergrounding and other offsite improvements required of a new hotel construction in a greenfield development.
3. The City's contribution will be in the form of a rebate deducted from future TOT revenue generation after an established TOT baseline and shall be paid within 10 years.
4. The rebate ends after the 50% contribution has been financed or after 10 years, whichever is first.
5. The baseline will be equal to the corresponding chain scale hotel annual average revenue per guest room in Morgan Hill during the year 2019. Baseline to be updated every five years.
6. Only up to 50% of TOT generated above the baseline will be applied to the rebate.
7. The City Council shall approve Hotel Incentive agreements over \$100,000.
8. The HIP does not limit hotel developments from accessing other local or regional incentive programs.

Existing Hotels

1. Existing hotels must be an established hotel located in Morgan Hill city limits.
2. Participating hotels that are currently branded as a chain must achieve an upgrade of at least one chain scale after renovations are completed. Participating hotels that are currently Independent may either (a) obtain a chain brand or (b) apply for a maximum rebate of \$100,000.
3. The City's contribution shall be up to 50% of the costs required to achieve the chain scale upgrade, as supported by the brand's Property Improvement Plan (PIP) document and receipts of completed items listed on the PIP.
4. Hotel upgrades must meet the California Building Code and must obtain required City permits. The City's contribution will be calculated based on the cost estimate submitted to the City for building permits.
5. The City's contribution will be in the form of a rebate deducted from future TOT revenue generation after an established TOT baseline and shall be paid within 10 years.
6. The rebate ends after the 50% contribution has been financed or after 10 years, whichever is first.
7. The baseline for established hotels will be based on the hotel's average TOT revenue generated in 2019.
8. Only up to 50% of TOT generated above the baseline will be applied to the rebate.
9. The City Council shall approve Hotel Incentive agreements over \$100,000.

*** Minimum Quality Standards**

Hotel facilities are evaluated based on STR's published industry U.S. Chain Scales. Chain Scales are determined by each brand's national, systemwide room rates. An independent hotel, regardless of average room rate, is included as a separate "Independent" category. The Chain Scales are: Luxury, Upper Upscale, Upscale, Upper Midscale, Midscale, Economy and Independent.

Hotel Market Research

Morgan Hill, California

PREPARED FOR: CITY OF MORGAN HILL

PREPARED BY: HA&A

7/9/2015

Executive Summary

Executive Summary

- How can existing hotels in Morgan Hill be classified?

Hotels are typically categorized by hotel brand affiliation and chain scale. In Morgan Hill, Marriott, Hilton, IHG, Choice, Wyndham, and Extended Stay America brands are represented, but not Hyatt and Starwood. In terms of chain scales, two hotels are categorized as upscale, three hotels are upper-midscale, and others belong to lower chain scales. Chain scales are defined and published by STR each year, based on system-wide average rates for each brand operating in the United States.

- How many more hotels can the Morgan Hill market support?

Developers typically begin to target a market for new hotel construction when top-performing existing hotels demonstrate occupancies in excess of 70% for multiple years, on an annual basis. Moreover, upscale hotel development is typically targeted when RevPAR levels can be expected to exceed approximately \$90 on an annual basis. Instead of trying to determine how many more hotels a market can support, hotel investors and developers typically ask a different question. They ask: Can we develop a new hotel that will compete favorably in this market? We expect to see continued interest in development so long as: (1) existing hotels demonstrate sustained strong performance levels; (2) popular national brands remain available; and (3) capital markets continue to provide debt and equity for hotel construction.



Executive Summary

- What is the impact from new supply on Transient Occupancy Tax (TOT)?
Supply growth generally has a positive impact on TOT, as additional inventory increases total room nights available to be accommodated in the market. Newer, higher-quality hotels can also increase the market's average rate, which typically leads to higher TOT revenues in markets that can support higher-rated hotels. In 2014, newer, upscale and upper midscale hotels in Morgan Hill made up 79% of total TOT.

Market Analysis

S.W.O.T Summary

Strengths

- Expanding Economic Base
- Silicon Valley Location
- Proximity from/to San Jose
- Leisure attractions
- Major events (Taste of Morgan Hill, Freedom Fest, and Mushroom Mardi Gras)
- Sporting Recreation (Outdoor Sports Center and Aquatics Center)

Weaknesses

- Dependence on San Jose and Silicon Valley businesses
- Leisure demand appears to be highly seasonal with relatively weak weekend occupancies between November and February
- Cost of installing infrastructure
- Residential Control Growth Ordinance

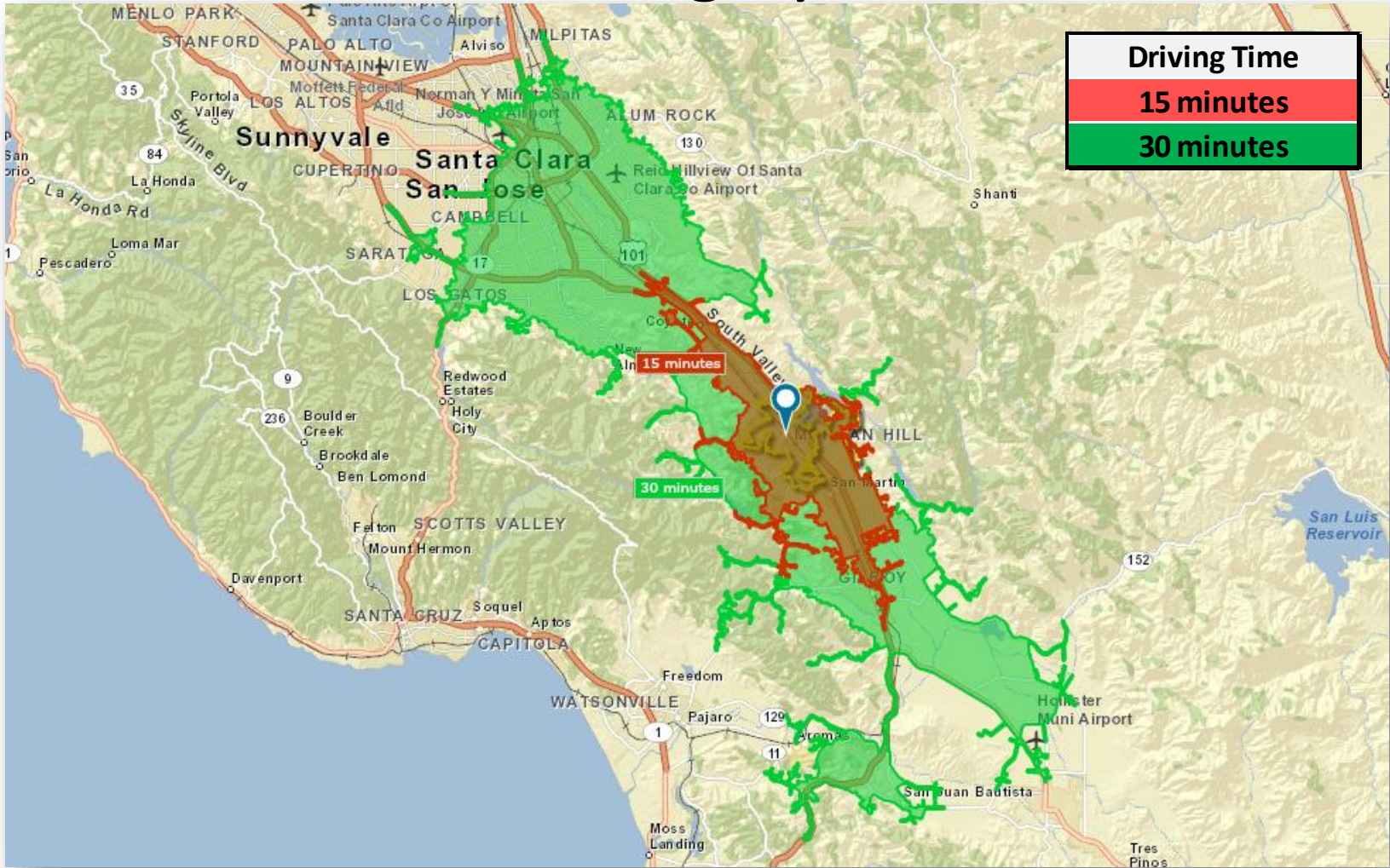
Opportunities

- Strong Occupancy and ADR Trend
- Substantial Unaccommodated Demand
- Missing Major Hotel Brands
- Potential to Grow Additional Demand Generators

Threats

- San Jose Supply Growth
- Economic Cycles

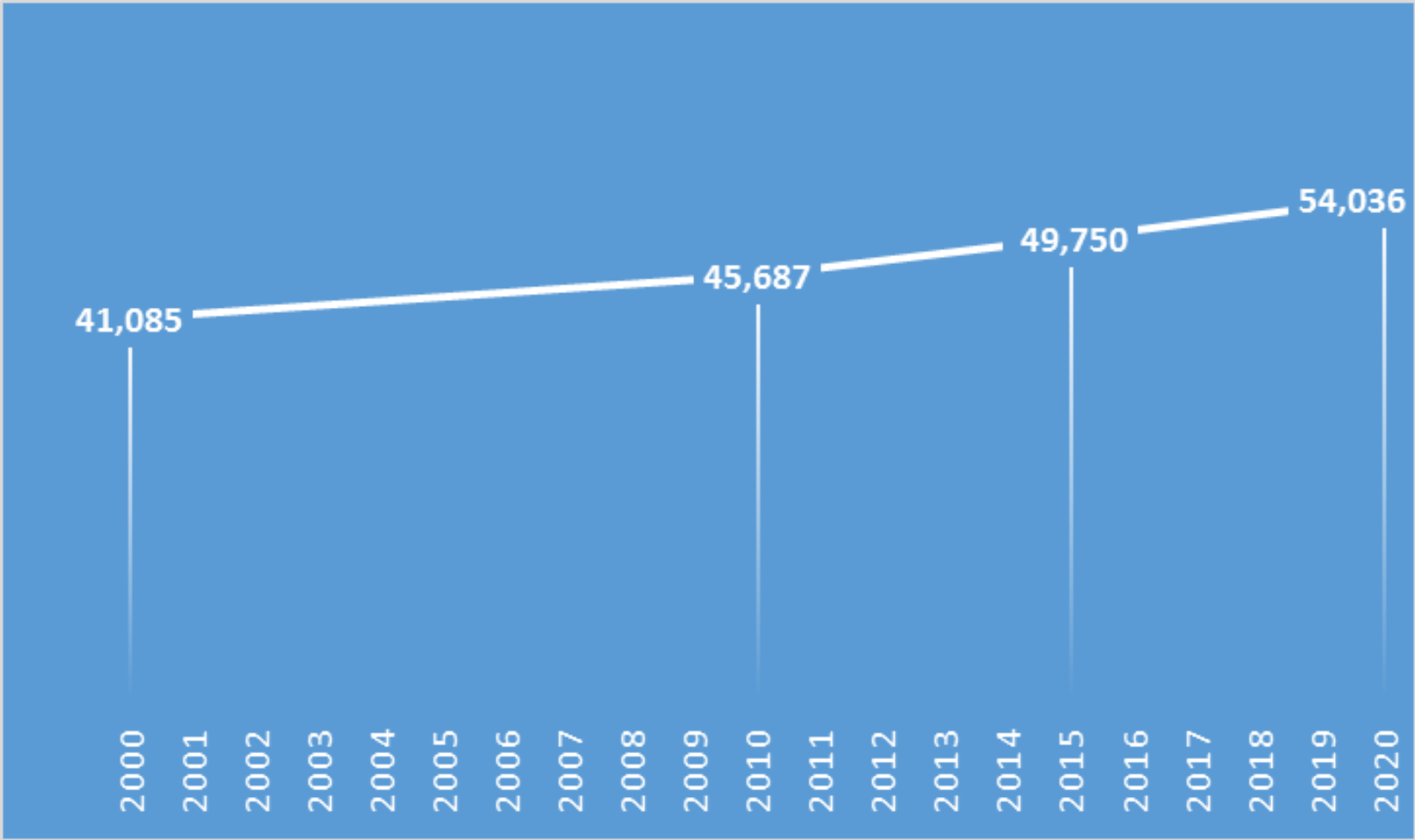
Conveniently located along U.S. Route 101...
... highly accessible from San Jose



Source: ESRI



Population is projected to continue to increase in Morgan Hill

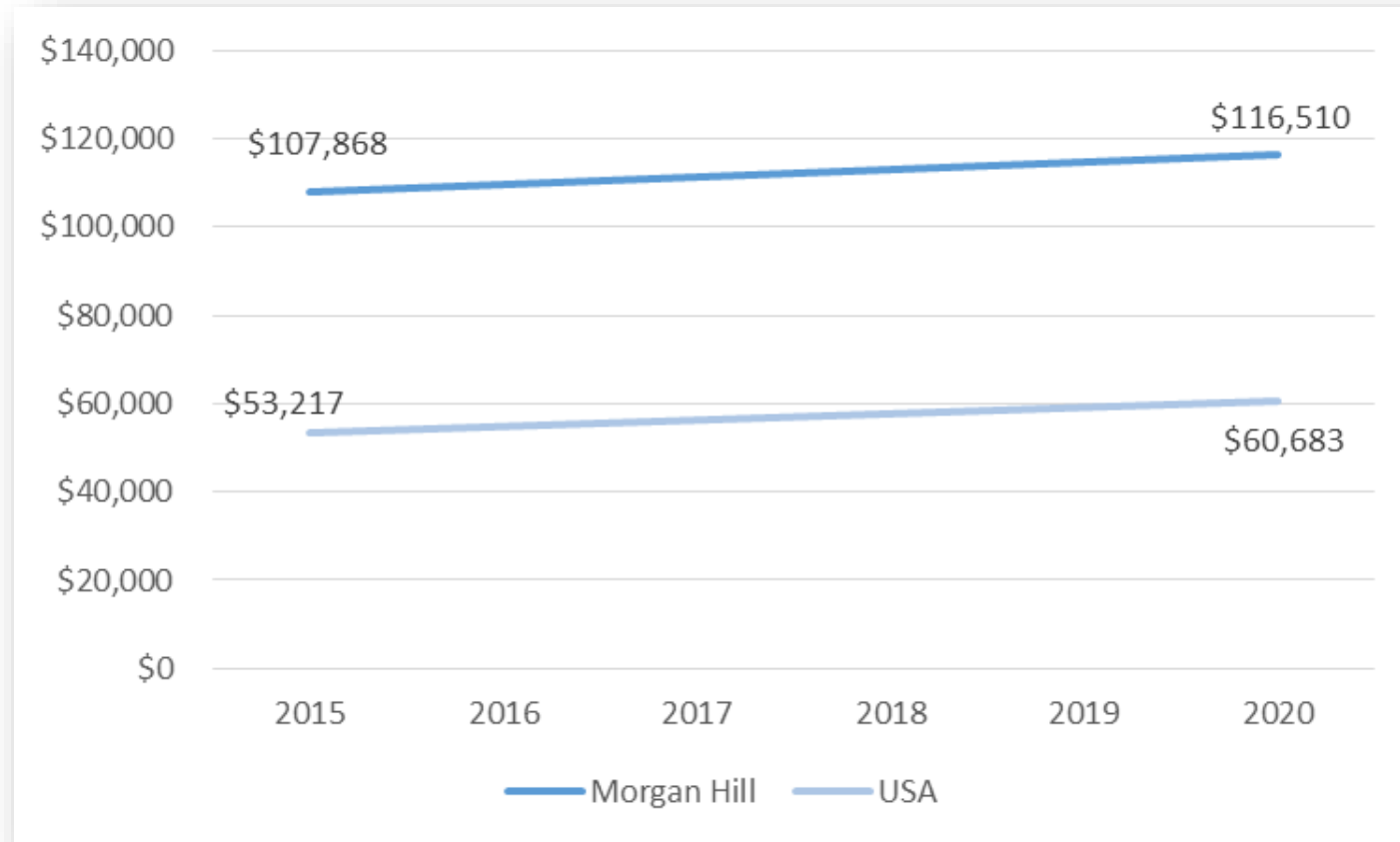


Source: ESRI



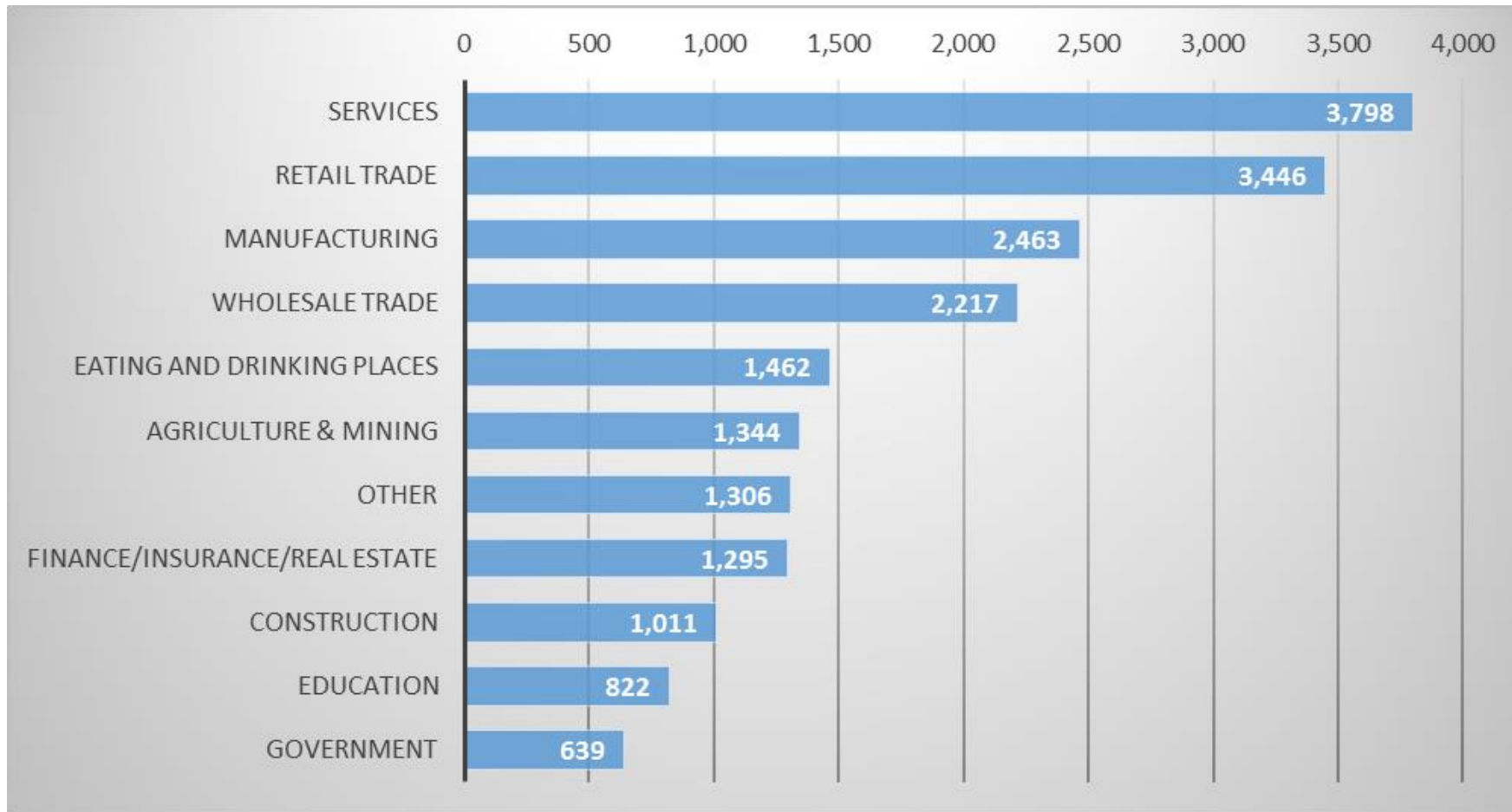
Median household incomes...

...much higher than the national average



Source: ESRI

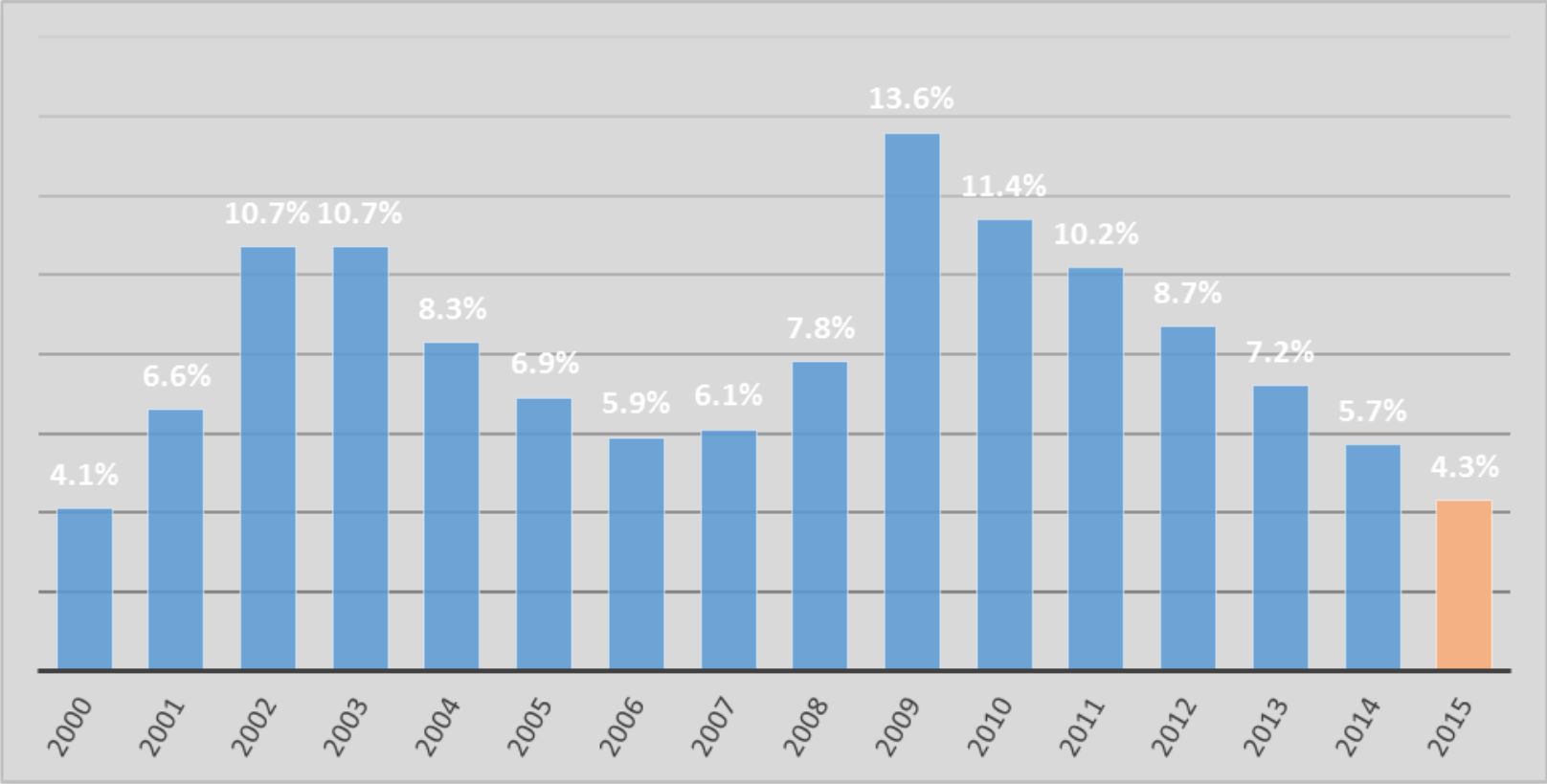
Somewhat Diverse Employment Base



Source: ESRI

Unemployment rate in Morgan Hill...

...near lowest level since Dot-com bubble



Source: Bureau of Labor Statistics



Market Analysis – Demand Generators

Commercial

- Anritsu
- Specialized Bicycles
- Anaerobe Systems
- Infineon Technologies
- Sakata Seeds
- ITT Corporation
- Paramit
- TenCate Advanced Composites
- Flextronics International
- San Jose Business

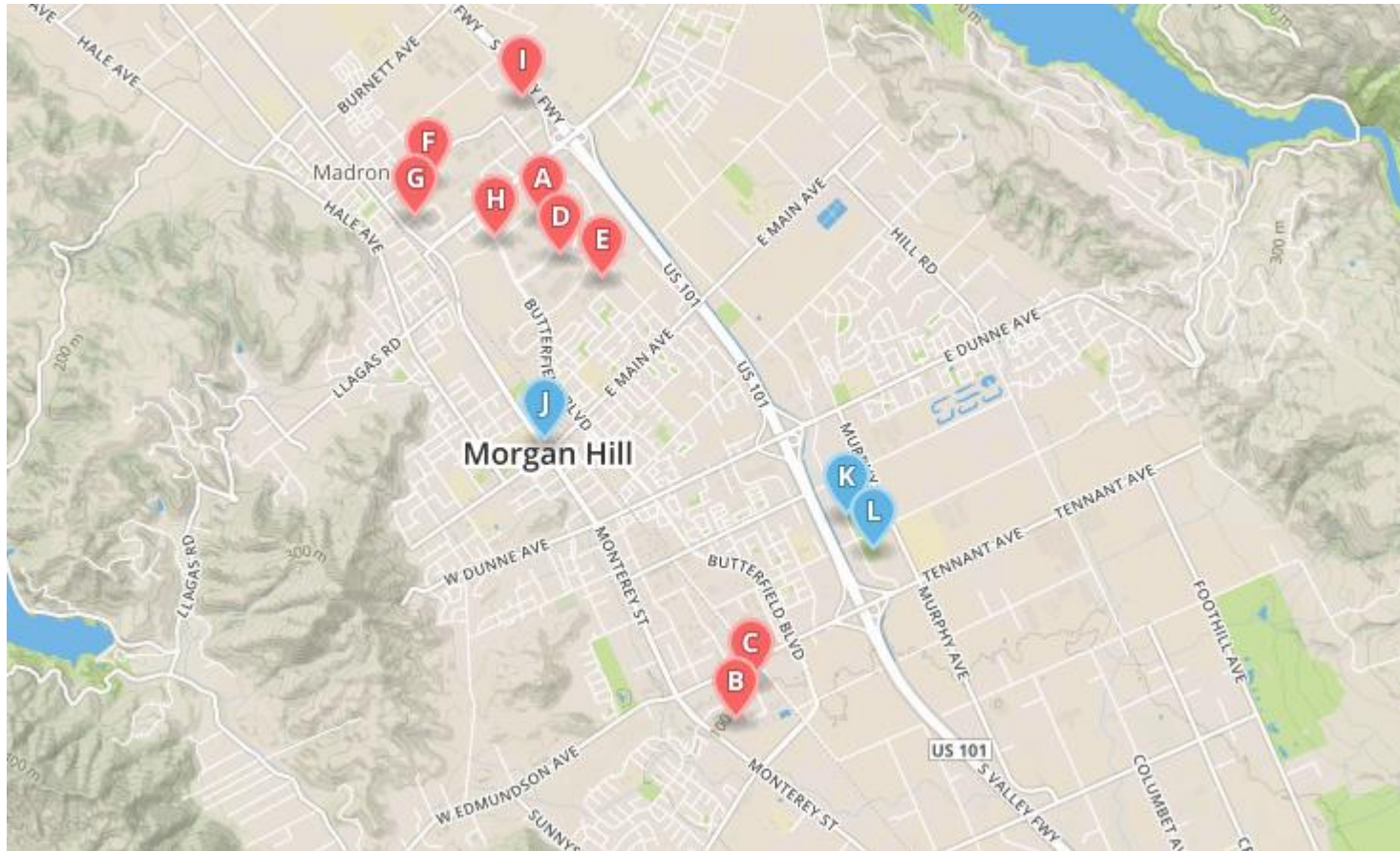
Leisure

- Amateur Sports
- Friends and Relatives
- 22 Wineries
- 7 Golf Courses
- Outdoor Activities
 - Lakes
 - Parks
 - Ranches
- Seasonal Festivals and Events
 - Downtown Wine Stroll
 - Mushroom Mardi Gras
 - Freedom Fest
 - Taste of Morgan Hill
 - Morgan Hill Marathon

Group

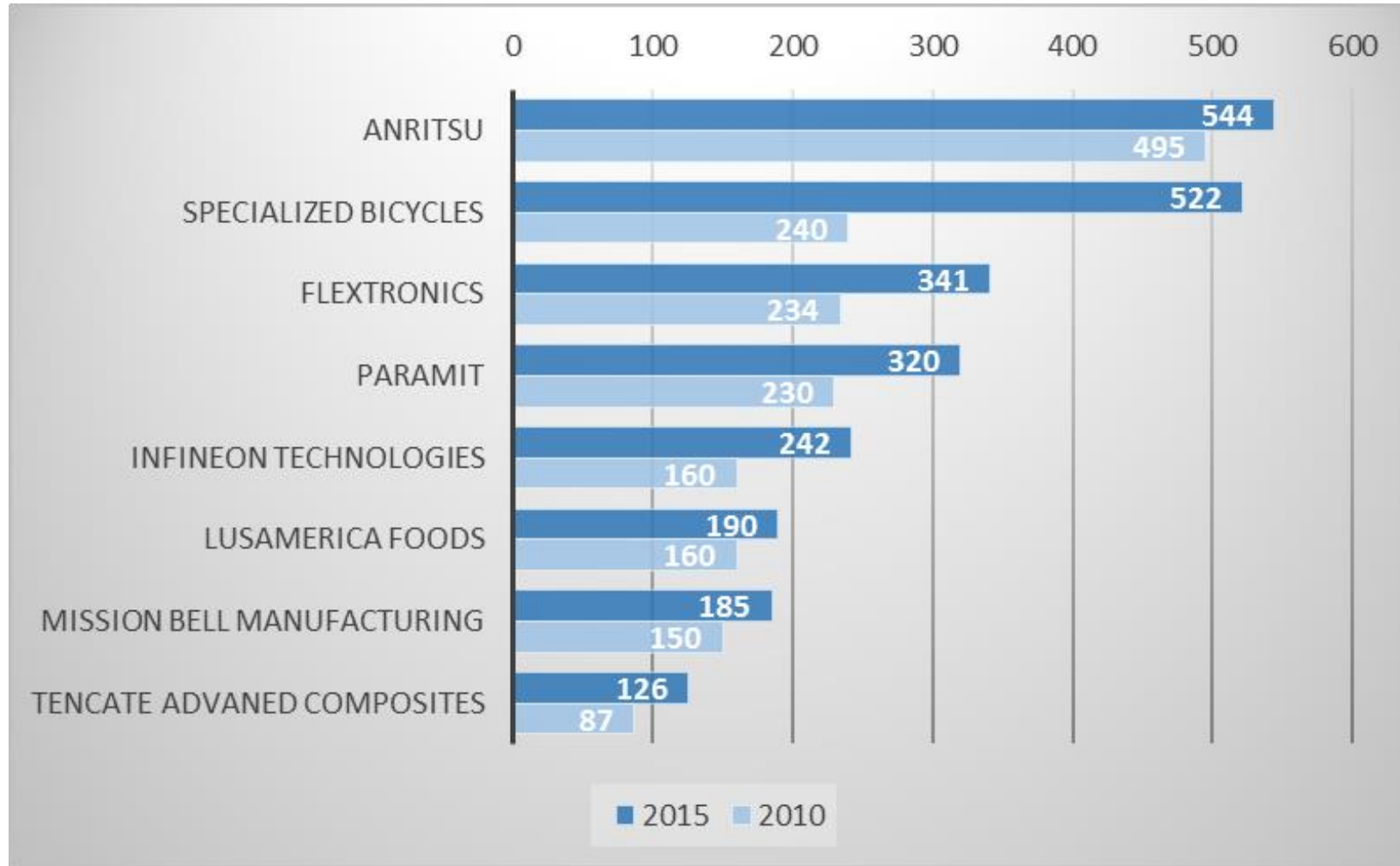
- Morgan Hill Aquatics Center
- Morgan Hill Outdoor Sports Center
- McEnery Convention Center (San Jose)
- Social
- Military
- Education
- Religious
- Fraternal

Demand Generators Map



A	Anritsu
B	Specialized Bicycles
C	Anaerobe Systems
D	Infineon Technologies
E	Sakata Seeds
F	ITT Corporation
G	Paramit
H	TenCate Advanced Composites
I	Flextronics International
J	Morgan Hill Downtown
K	Morgan Hill Aquatic Center
L	Morgan Hill Outdoor Sports Center

Top Employers Have Been Adding Jobs



Source: City of Morgan Hill

Leisure Attractions Map



Source: City of Morgan Hill

Morgan Hill 2015 – 2016 Events

Month	Events	Number of Attendees
July	Freedom Fest	64,500
September	British Falls Classic Car Show	500
September	Taste of Morgan Hill	20,000
October	Makos Meet	1,800
November	Morgan Hill Marathon	2,500
December	Makos Swim Meet	1,200
February	Quicksilver/Morgan Hill Splash	500
March	AAUW Wildflower Run	900
April	Far Westerns Meet	1,547
May	Specialized Spring Classic	1,000
May	Mushroom Mardi Gras	35,000
Total		129,447

Source: City of Morgan Hill Community Services Department

* The list only includes events which are expected to generate lodging demand by Community Services Department

Outdoor Sports Center Events

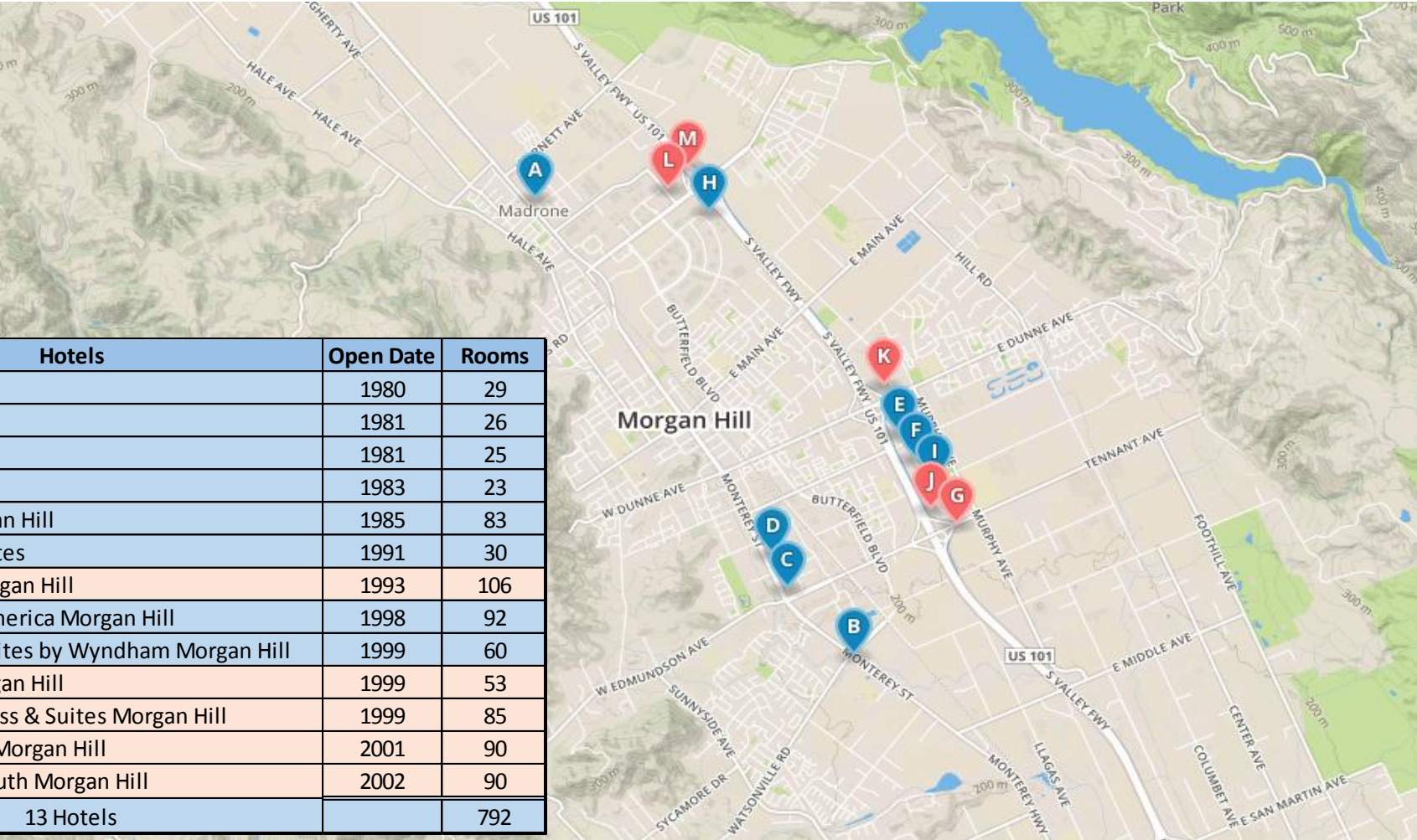
Year	Event Type	Number of Attendees
2015	Tournaments (28)	229,200 visitors
2015	Events (2)	30,000 attendees
2015	Camps (4)	1,000 players
Total		260,200

Source: City of Morgan Hill Community Services Department



Hotel Supply and Demand Analysis

There are 13 Hotels in Morgan Hill



* We have excluded the Paradise Motel, the Rancho Motel, and the Maple Leaf RV Park because these are not primarily considered as lodging facilities



High rated hotels entered the market...

...Older, economy hotels nearing end of economic life

	Hotels	Affiliation	Chain Scale	Affiliation Date	Open Date	Rooms
A	Budget Inn	Independent	Economy Class	-	1980	29
B	Economy Inn	Independent	Economy Class	-	1981	26
C	Holiday Motel	Independent	Economy Class	-	1981	25
D	Morgan Hill Inn	Independent	Economy Class	1996	1983	23
E	Quality Inn Morgan Hill	Choice Hotels	Midscale Class	2006	1985	83
F	Executive Inn Suites	Independent	Economy Class	1991	1991	30
G	Hampton Inn Morgan Hill	Hilton	Upper Midscale Class	2012	1993	106
H	Extended Stay America Morgan Hill	Extended Stay America	Economy Class	1998	1998	92
I	Microtel Inn & Suites by Wyndham Morgan Hill	Wyndham	Economy Class	1999	1999	60
J	Comfort Inn Morgan Hill	Choice Hotels	Upper Midscale Class	1999	1999	53
K	Holiday Inn Express & Suites Morgan Hill	IHG	Upper Midscale Class	1999	1999	85
L	Courtyard South Morgan Hill	Marriott	Upscale Class	2001	2001	90
M	Residence Inn South Morgan Hill	Marriott	Upscale Class	2002	2002	90
	13 Hotels					792

Source: STR, HA&A

* We have excluded the Paradise Motel, the Rancho Motel, and the Maple Leaf RV Park because these are not primarily considered as lodging facilities

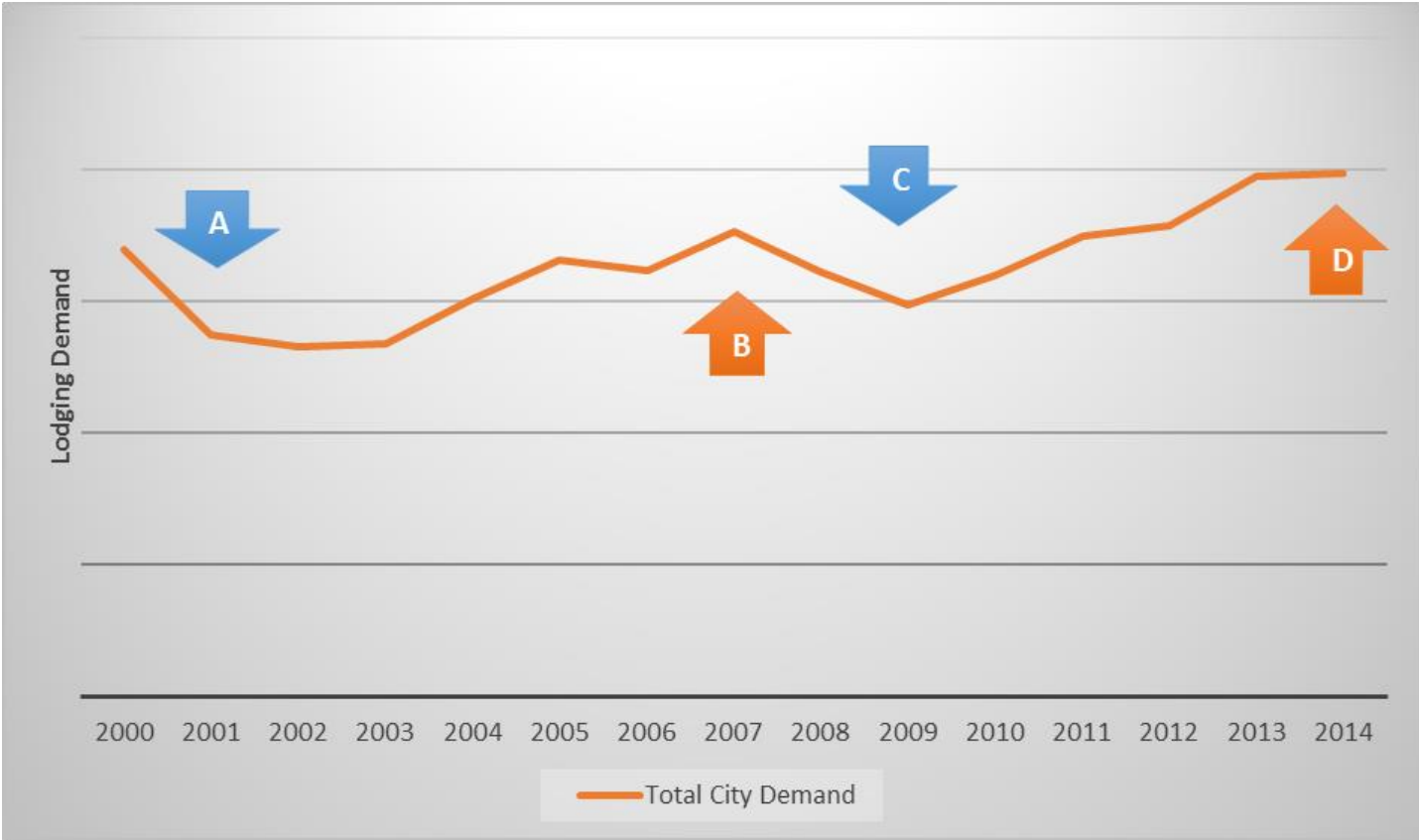


Strong Occupancy and ADR Recovery in Morgan Hill

Year	Room Supply	Room Night Supply	% Change	Room Night Demand	% Change	Occupancy	Average Rate	% Change	RevPAR	% Change
2000	606	221,190	--	169,323	--	76.6%	83.69	--	64.06	--
2001	629	229,470	3.7%	137,275	-18.9%	59.8%	88.08	5.2%	52.69	-17.8%
2002	786	286,890	25.0%	132,947	-3.2%	46.3%	78.26	-11.1%	36.27	-31.2%
2003	786	286,890	0.0%	134,011	0.8%	46.7%	75.05	-4.1%	35.06	-3.3%
2004	786	286,890	0.0%	151,043	12.7%	52.6%	71.31	-5.0%	37.55	7.1%
2005	786	286,890	0.0%	165,566	9.6%	57.7%	75.93	6.5%	43.82	16.7%
2006	786	286,890	0.0%	161,429	-2.5%	56.3%	78.35	3.2%	44.09	0.6%
2007	786	286,890	0.0%	176,136	9.1%	61.4%	81.79	4.4%	50.21	13.9%
2008	786	286,890	0.0%	161,184	-8.5%	56.2%	85.64	4.7%	48.12	-4.2%
2009	786	286,890	0.0%	148,412	-7.9%	51.7%	76.17	-11.1%	39.40	-18.1%
2010	786	286,890	0.0%	160,094	7.9%	55.8%	74.98	-1.6%	41.84	6.2%
2011	786	286,890	0.0%	174,602	9.1%	60.9%	77.85	3.8%	47.38	13.2%
2012	787	287,351	0.2%	178,479	2.2%	62.1%	86.80	11.5%	53.92	13.8%
2013	793	289,445	0.7%	197,210	10.5%	68.1%	99.57	14.7%	67.84	25.8%
2014	792	289,200	-0.1%	198,675	0.7%	68.7%	110.51	11.0%	75.92	11.9%
YTD 2014 thru April	793	95,160	--	58,879	--	61.9%	102.54	--	63.45	--
YTD 2015 thru April	792	95,040	-0.1%	66,383	12.7%	69.8%	120.00	17.0%	83.82	32.1%
Historical Annual Growth Rates			1.9%		1.1%			2.0%		1.2%
Sources: STR and HA&A										



Local Demand Generally Increasing



- A. Dot-com Bubble Bust and 9.11
- B. Pre-Recession Peak (61.4% @ \$81.79)
- C. National Recession
- D. Expansion Period (68.7% @ \$110.51)

Source: STR, HA&A



The 5 Highest-Rated Hotels in Morgan Hill...

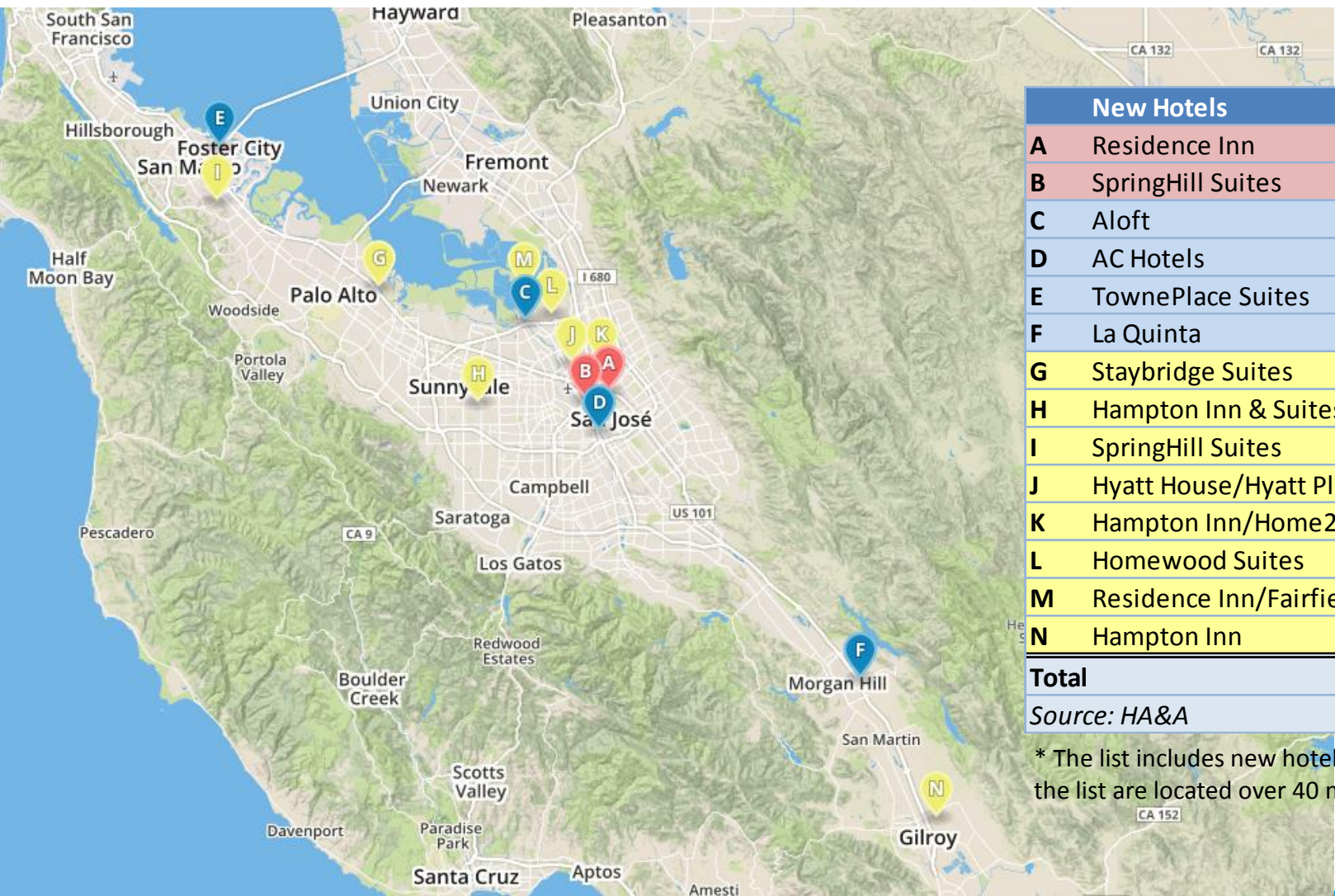
...Experiencing Strong Growth

Year	Room Supply	Room Night Supply	% Change	Room Night Demand	% Change	Occupancy	Average Rate	% Change	RevPAR	% Change
2009	418	152,570	--	81,062	--	53.1%	94.82	--	50.38	--
2010	418	152,570	0.0%	89,325	10.2%	58.5%	91.34	-3.7%	53.48	6.2%
2011	418	152,570	0.0%	98,869	10.7%	64.8%	94.87	3.9%	61.48	15.0%
2012	419	153,031	0.3%	99,117	0.3%	64.8%	105.39	11.1%	68.26	11.0%
2013	425	155,125	1.4%	108,614	9.6%	70.0%	123.02	16.7%	86.13	26.2%
2014	424	154,880	-0.2%	111,660	2.8%	72.1%	133.74	8.7%	96.42	11.9%
YTD 2014 thru April	425	51,000	--	34,395	--	67.4%	125.42	--	84.59	--
YTD 2015 thru April	424	50,880	-0.2%	37,354	8.6%	73.4%	146.05	16.5%	107.23	26.8%
Historical Annual Growth Rates			0.3%		6.6%			7.1%		13.9%

Sources: STR and HA&A

Significant Supply Growth Regionally...

...2,400 Rooms in Pipeline



	New Hotels	Location	Rooms	Status
A	Residence Inn	San Jose, CA	175	Opened in June
B	SpringHill Suites	San Jose, CA	146	Opened in June
C	Aloft	San Jose, CA	175	Under Construction
D	AC Hotels	San Jose, CA	210	Under Construction
E	TownePlace Suites	Foster City, CA	121	Under Construction
F	La Quinta	Morgan Hill, CA	104	Under Construction
G	Staybridge Suites	Palo Alto, CA	147	Application Pending
H	Hampton Inn & Suites	Sunnyvale, CA	166	Application Pending
I	SpringHill Suites	Belmont, CA	69	Application Pending
J	Hyatt House/Hyatt Place	San Jose, CA	355	Application Pending
K	Hampton Inn/Home2 Suites	San Jose, CA	285	Application Pending
L	Homewood Suites	San Jose, CA	145	Application Pending
M	Residence Inn/Fairfield Inn	San Jose, CA	261	Application Pending
N	Hampton Inn	Gilroy, CA	104	Application Pending

Total	2,463
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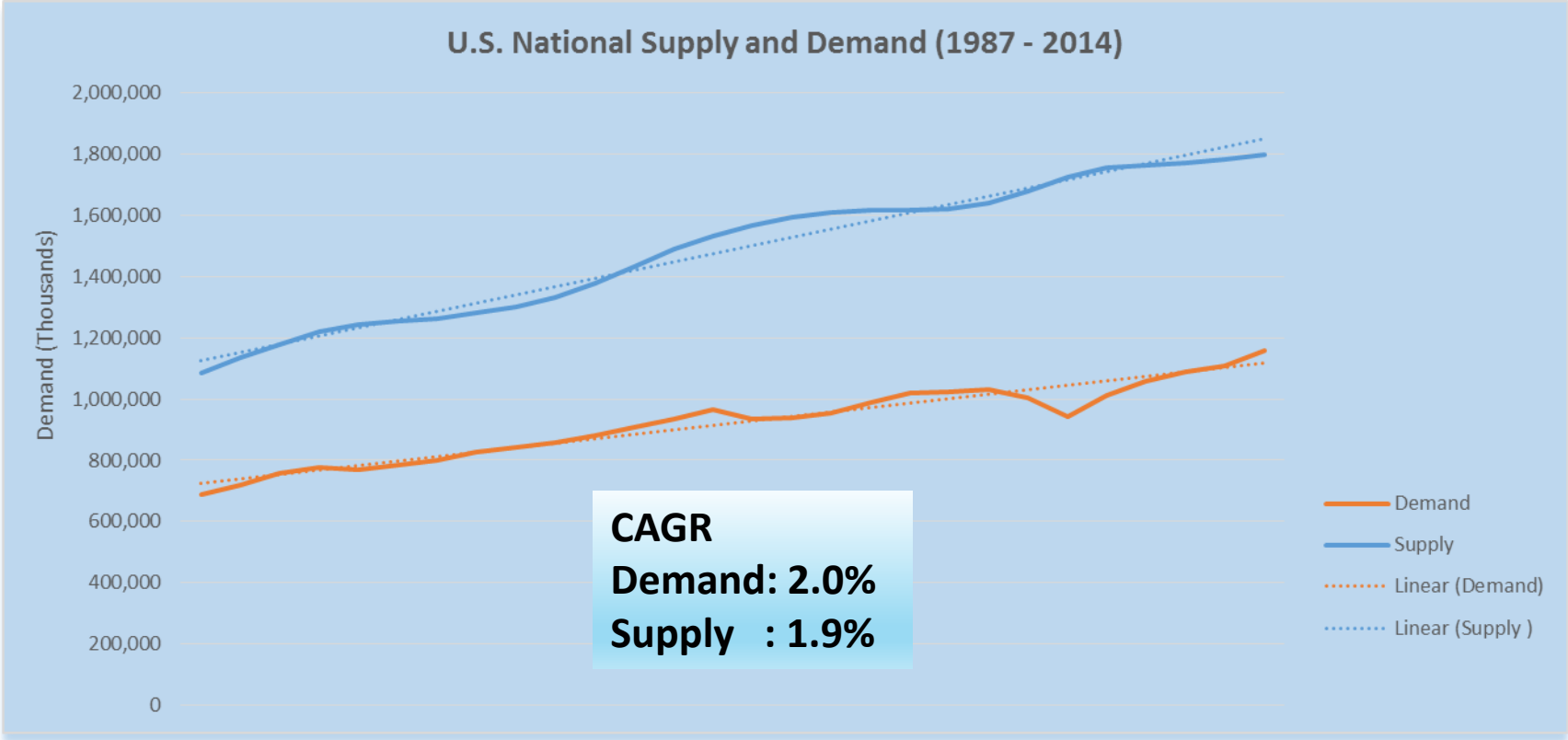
Source: HA&A

* The list includes new hotels in the San Jose market. Some hotels in the list are located over 40 miles from Morgan Hill.



Long-term National Supply and Demand...

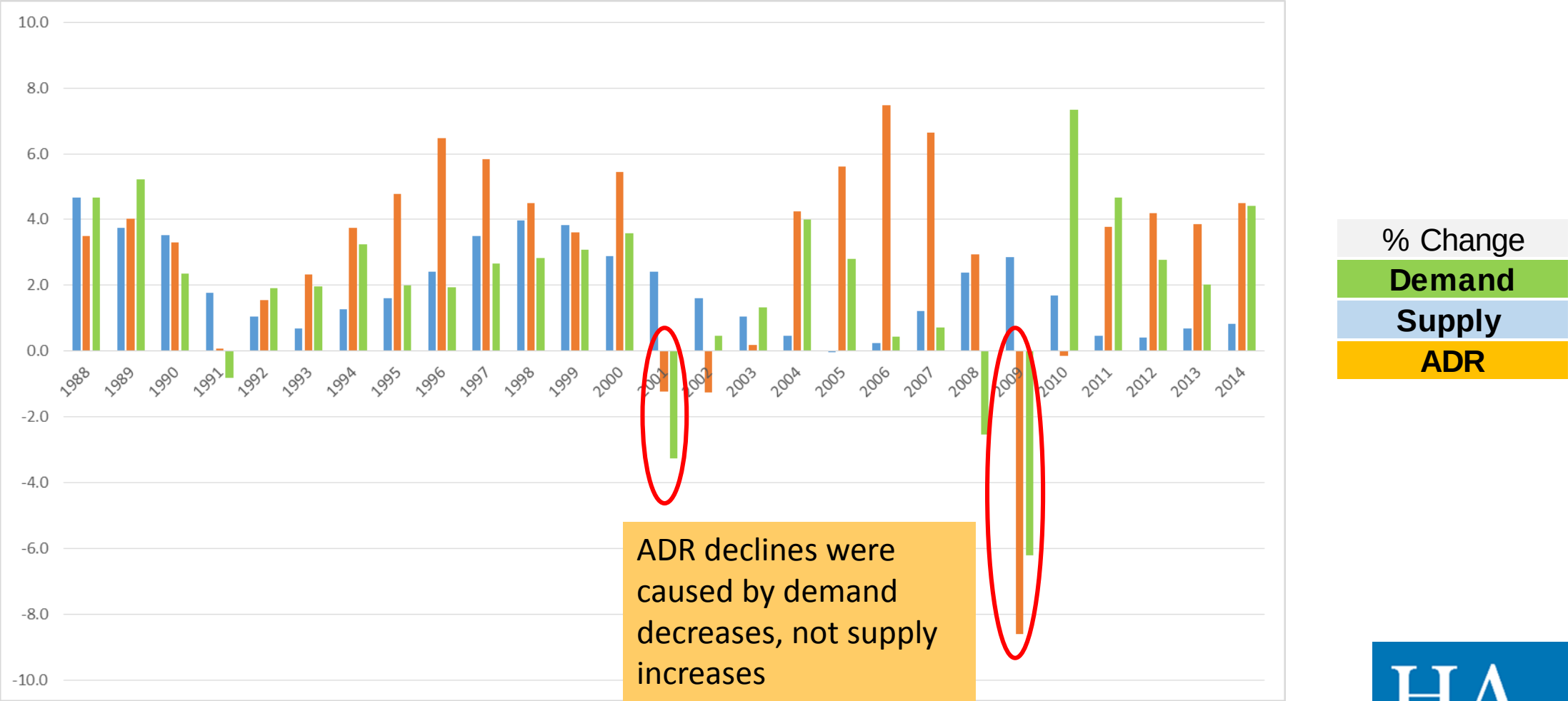
...Appear Closely Correlated



Source: STR, HA&A



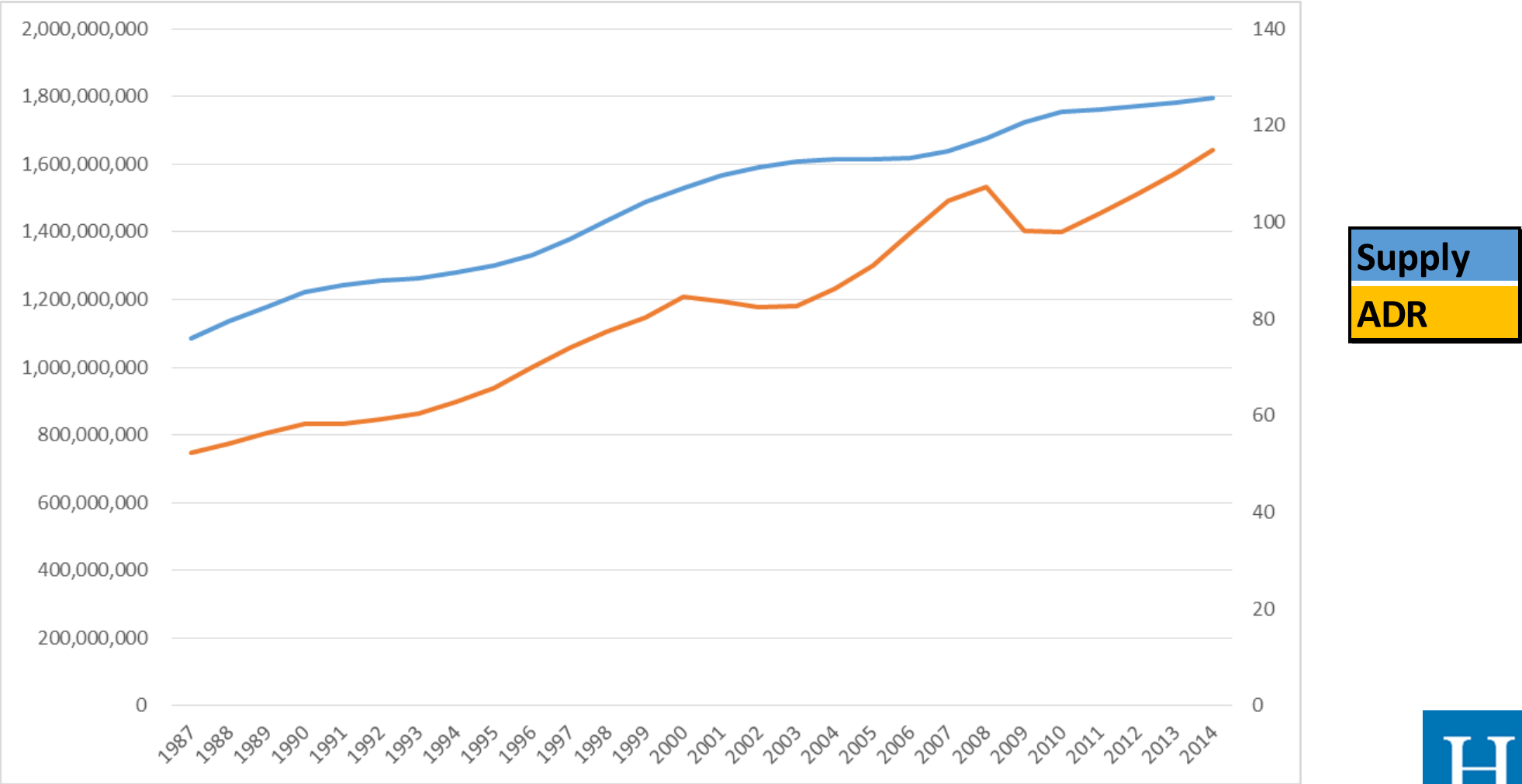
There are two periods when national ADR declined since 1988...
...ADR declines were caused by demand decreases, not supply increases



Source: STR, HA&A



Long-term national trend shows increases both in supply and ADR



Source: STR, HA&A



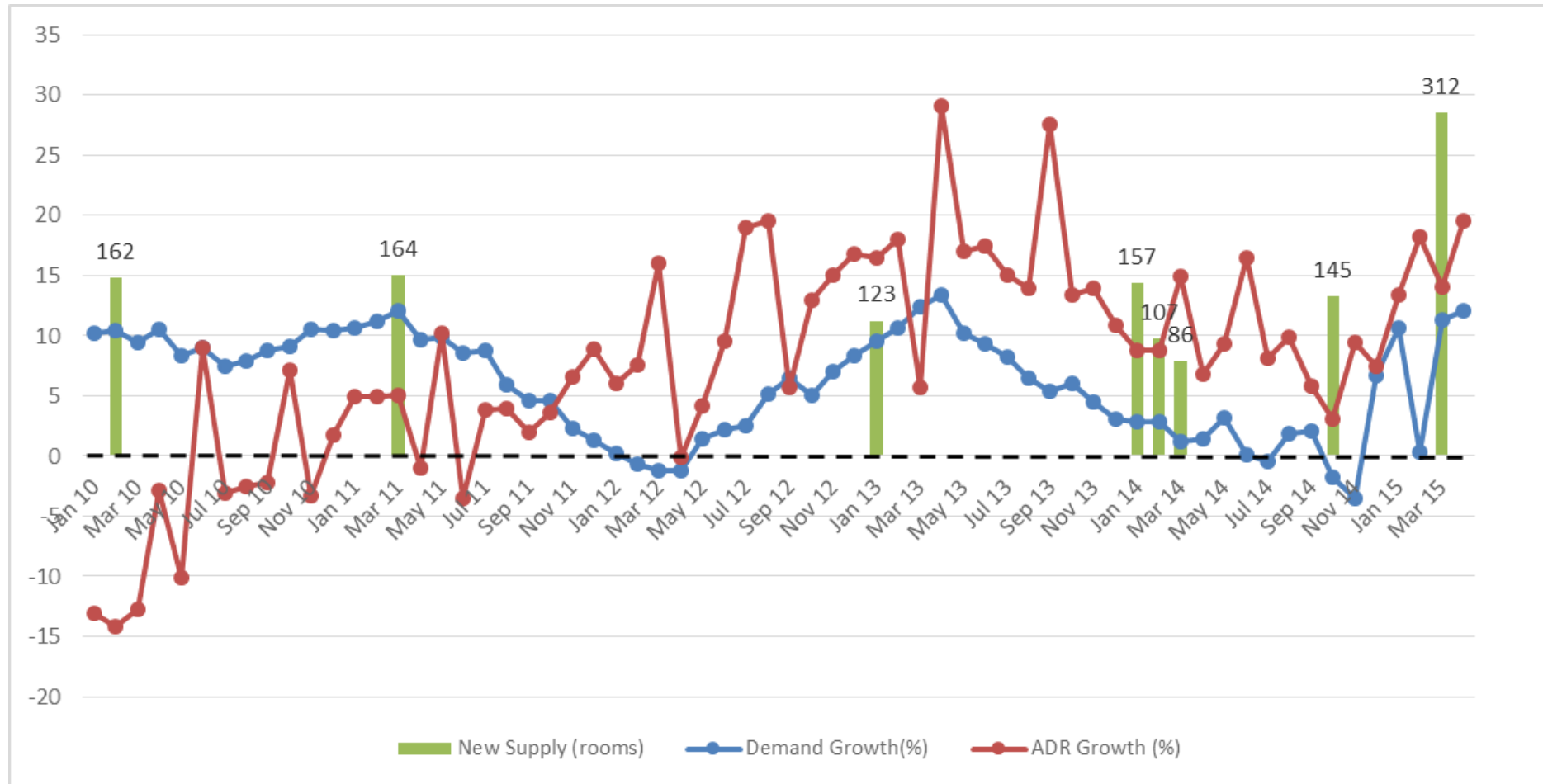
Nearly 1,400 rooms added to San Jose market since 2010

New Hotels	Location	Opening Date	Rooms
Courtyard by Marriott	Campbell, CA	Feb-10	162
Hyatt House	San Jose, CA	Mar-11	164
aloft Hotel Cupertino	Cupertino, CA	Jan-13	123
Courtyard by Marriott	San Jose, CA	Jan-14	157
TownePlace Suites by Marriott	Santa Clara, CA	Feb-14	107
Joie De Vivre The Epiphany	Palo Alto, CA	Mar-14	86
Courtyard by Marriott	Sunnyvale, CA	Oct-14	145
Homewood Suites by Hilton	Palo Alto, CA	Mar-15	138
Hilton Garden Inn	Palo Alto, CA	Mar-15	174
Residence Inn by Marriott	Menlo Park, CA	May-15	138
			1,394
<i>Source: STR, HA&A</i>			

* The list includes new hotels in the STR participation list of the San Jose market. Some hotels in the list are located over 40 miles from Morgan Hill.



...Yet Morgan Hill still has strong Demand and ADR growth



Source: STR, HA&A



Strong occupancy patterns...

...indicate substantial unaccommodated demand

Morgan Hill Top 5

	Sun	Mon	Tue	Wed	Thu	Fri	Sat
May - 14	53.2	65.9	85.8	86.6	64.9	64.3	86.7
Jun - 14	52.2	78.5	97.4	95.0	81.1	79.1	89.6
Jul - 14	56.4	82.8	88.9	87.7	75.1	87.1	86.3
Aug - 14	63.2	82.7	94.9	94.6	82.9	82.8	97.5
Sep - 14	52.2	72.1	87.4	86.3	68.9	65.8	82.6
Oct - 14	54.8	79.1	93.6	89.2	71.0	58.7	80.2
Nov - 14	41.4	73.2	84.7	84.6	68.8	52.9	67.2
Dec - 14	42.7	59.0	66.2	67.4	65.6	54.5	61.7
Jan - 15	47.0	77.0	89.6	91.3	65.3	47.5	59.8
Feb - 15	52.5	77.8	93.6	95.0	74.5	56.8	63.2
Mar - 15	47.3	78.0	91.3	89.9	70.6	62.7	84.6
Apr - 15	51.0	81.7	92.3	93.2	79.7	71.3	77.7

National

	Sun	Mon	Tue	Wed	Thu	Fri	Sat
May - 14	54.6	59.7	67.9	69.2	65.5	72.2	76.5
Jun - 14	55.4	68.3	75.3	75.8	72.5	78.0	81.1
Jul - 14	58.5	71.6	73.9	73.9	73.3	81.3	82.6
Aug - 14	58.7	69.5	73.9	73.5	68.9	75.9	81.1
Sep - 14	51.6	60.6	67.6	69.3	65.7	70.8	75.3
Oct - 14	53.3	65.1	70.3	69.8	65.6	71.9	79.3
Nov - 14	44.3	56.8	60.5	62.1	60.9	64.5	64.6
Dec - 14	43.0	51.1	52.7	55.4	50.9	55.6	58.9
Jan - 15	42.3	53.9	59.5	60.3	53.6	54.7	55.8
Feb - 15	48.0	58.2	64.4	65.7	61.2	66.7	71.5
Mar - 15	51.2	64.0	69.2	70.6	67.5	73.5	75.8
Apr - 15	49.4	64.0	69.9	69.7	66.7	73.6	74.0

Occupancy

Over 90%

Over 80%

Over 70%



Pent-up demand is for higher-rated hotels in Morgan Hill

Morgan Hill Top 5 (72%@\$134)

	Sun	Mon	Tue	Wed	Thu	Fri	Sat
May - 14	53.2	65.9	85.8	86.6	64.9	64.3	86.7
Jun - 14	52.2	78.5	97.4	95.0	81.1	79.1	89.6
Jul - 14	56.4	82.8	88.9	87.7	75.1	87.1	86.3
Aug - 14	63.2	82.7	94.9	94.6	82.9	82.8	97.5
Sep - 14	52.2	72.1	87.4	86.3	68.9	65.8	82.6
Oct - 14	54.8	79.1	93.6	89.2	71.0	58.7	80.2
Nov - 14	41.4	73.2	84.7	84.6	68.8	52.9	67.2
Dec - 14	42.7	59.0	66.2	67.4	65.6	54.5	61.7
Jan - 15	47.0	77.0	89.6	91.3	65.3	47.5	59.8
Feb - 15	52.5	77.8	93.6	95.0	74.5	56.8	63.2
Mar - 15	47.3	78.0	91.3	89.9	70.6	62.7	84.6
Apr - 15	51.0	81.7	92.3	93.2	79.7	71.3	77.7

Morgan Hill Others (65%@\$81)

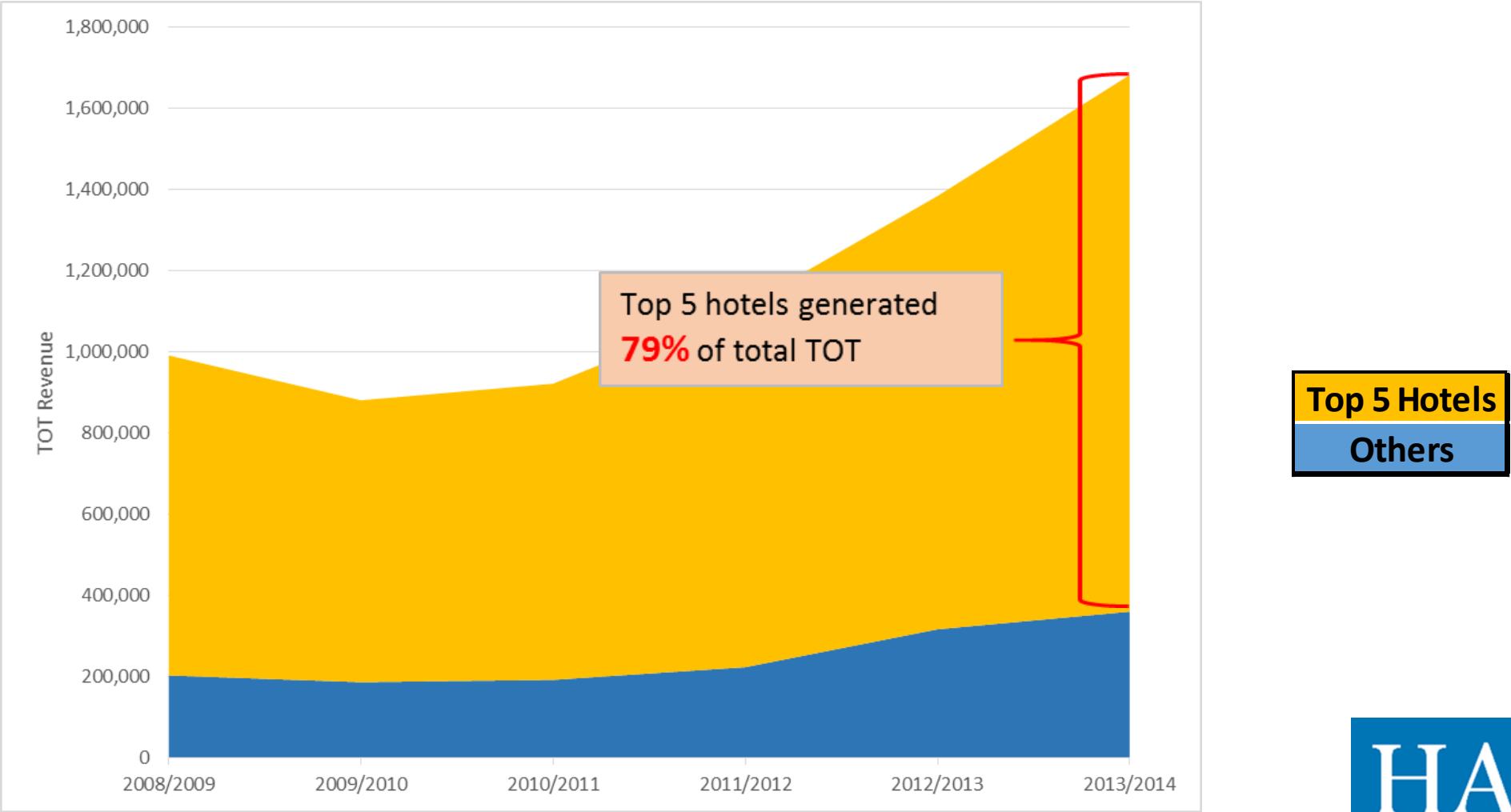
	Sun	Mon	Tue	Wed	Thu	Fri	Sat
May - 14	57.9	60.2	74.5	74.7	65.8	64.8	77.9
Jun - 14	54.5	70.0	87.2	83.2	79.8	79.2	88.4
Jul - 14	57.9	76.4	79.4	78.8	75.4	84.5	85.9
Aug - 14	62.1	70.7	79.6	78.7	75.1	79.4	89.2
Sep - 14	54.6	66.0	77.1	73.7	65.0	68.6	77.5
Oct - 14	56.3	68.0	78.0	75.9	68.9	65.8	75.7
Nov - 14	47.6	68.3	77.5	73.0	64.0	56.9	65.3
Dec - 14	42.4	54.3	58.0	56.6	55.5	53.3	54.9
Jan - 15	45.7	66.8	78.8	77.0	63.5	52.9	54.8
Feb - 15	47.8	64.0	75.3	75.1	63.3	49.1	57.4
Mar - 15	50.2	67.5	76.8	73.4	63.4	57.6	78.3
Apr - 15	51.8	69.8	81.6	82.5	73.9	68.0	75.3

Occupancy
Over 90%
Over 80%
Over 70%

HA&A

79% TOT Revenue is from Five Newer Upscale and Upper Midscale Hotels...

... Combination of Higher Occupancy and Average Daily Rate

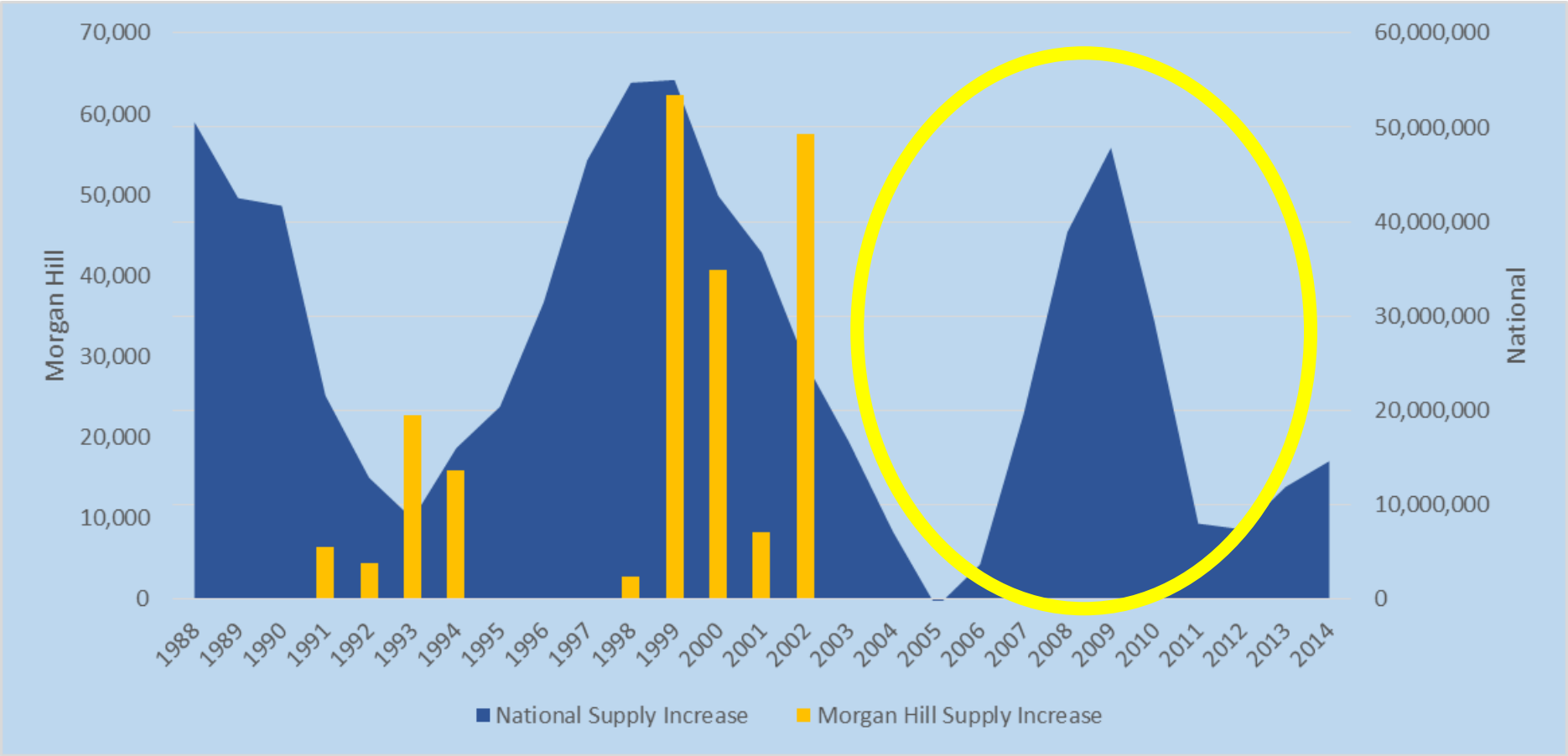


Source: City of Morgan Hill



Supply growth is cyclical...

...but Morgan Hill missed the last cycle

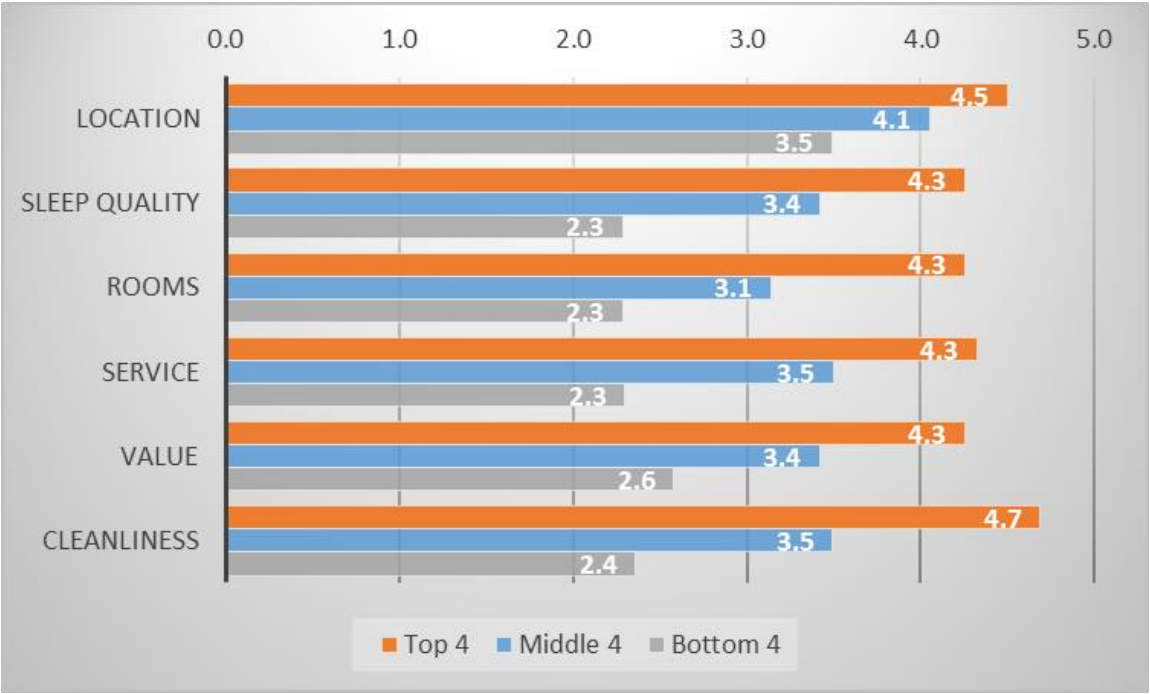
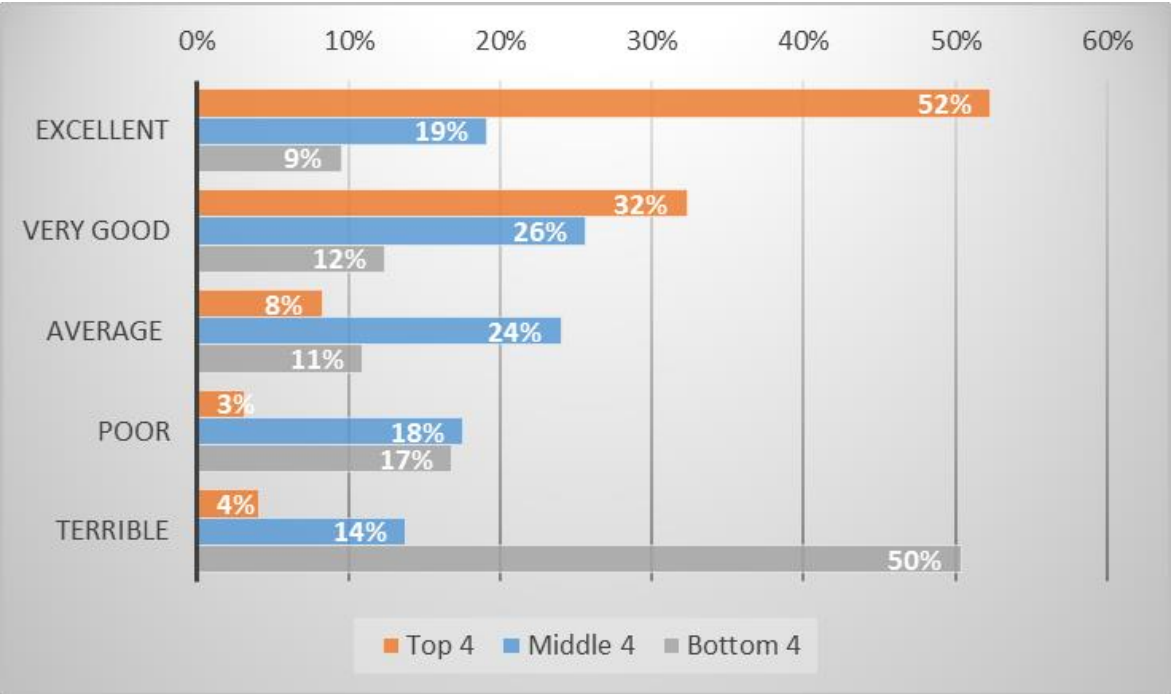


Source: STR, HA&A



Wide gaps in hotel review scores...

...newer properties receive best scores

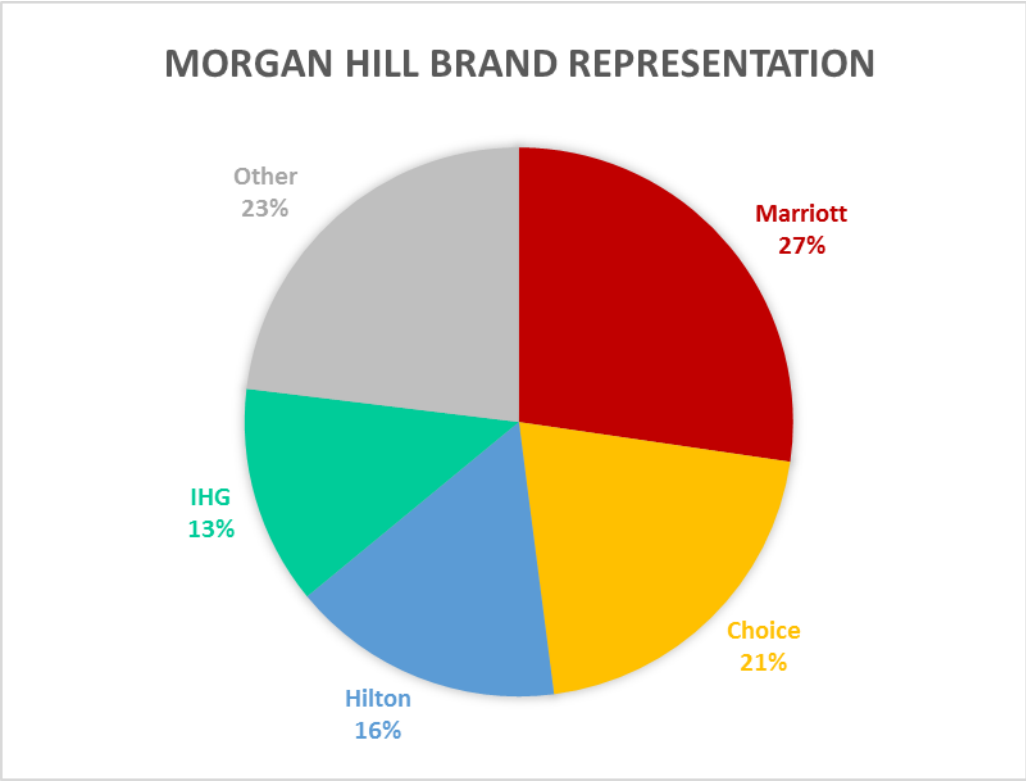
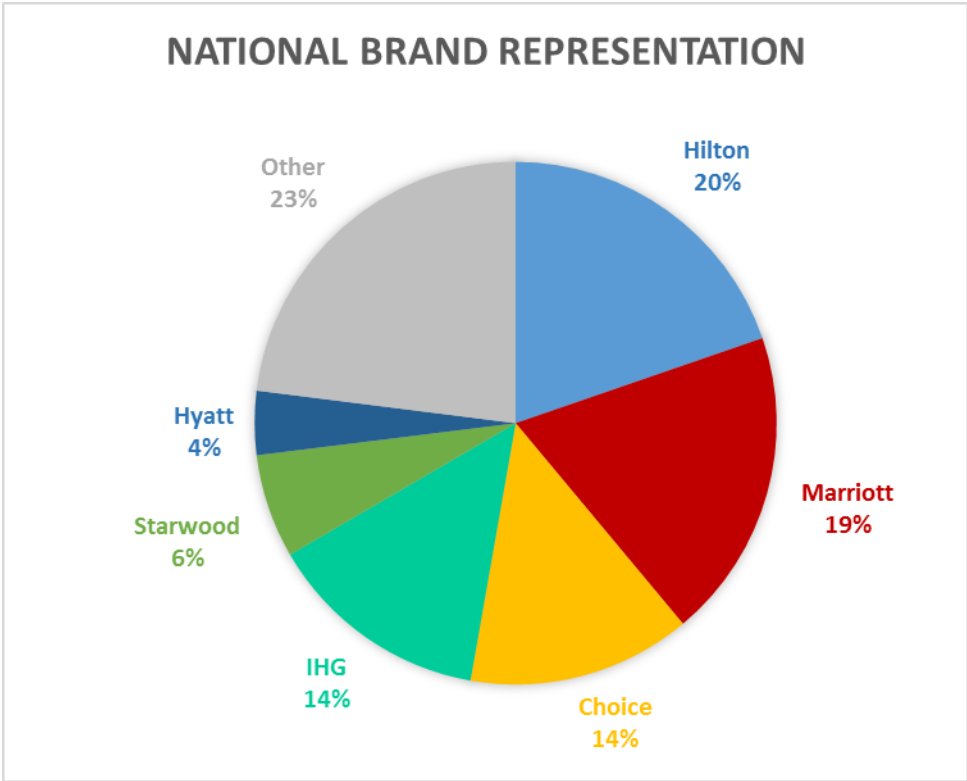


Source: TripAdvisor, HA&A

* The Holiday Motel was excluded from the ranking because there is no entry for the hotel on TripAdvisor



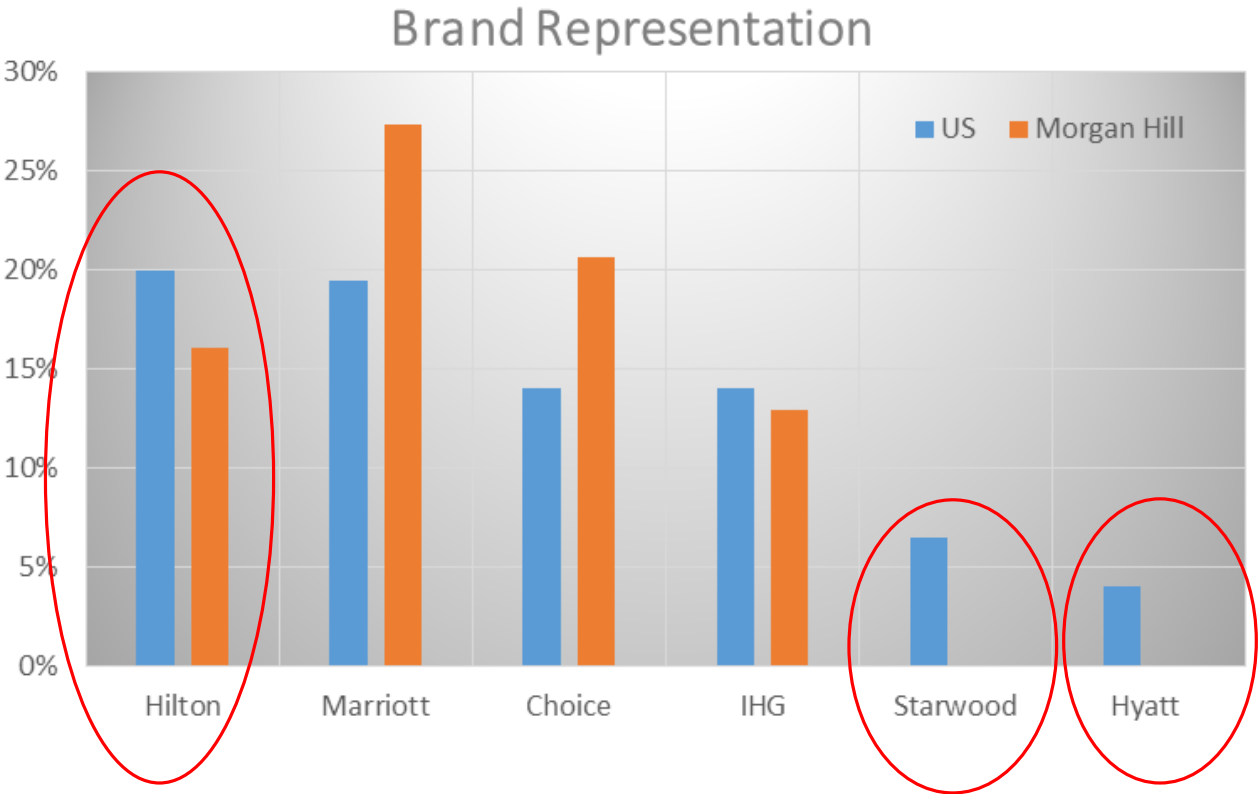
Some brands are under-represented in Morgan Hill...
...potential opportunity for Hilton, Starwood, Hyatt brands



Source: STR, HA&A Data Library



Hilton, Starwood, and Hyatt brands are underrepresented currently



Source: STR, HA&A Brand Library



Developers seek markets that can support...

...RevPARs above brand averages

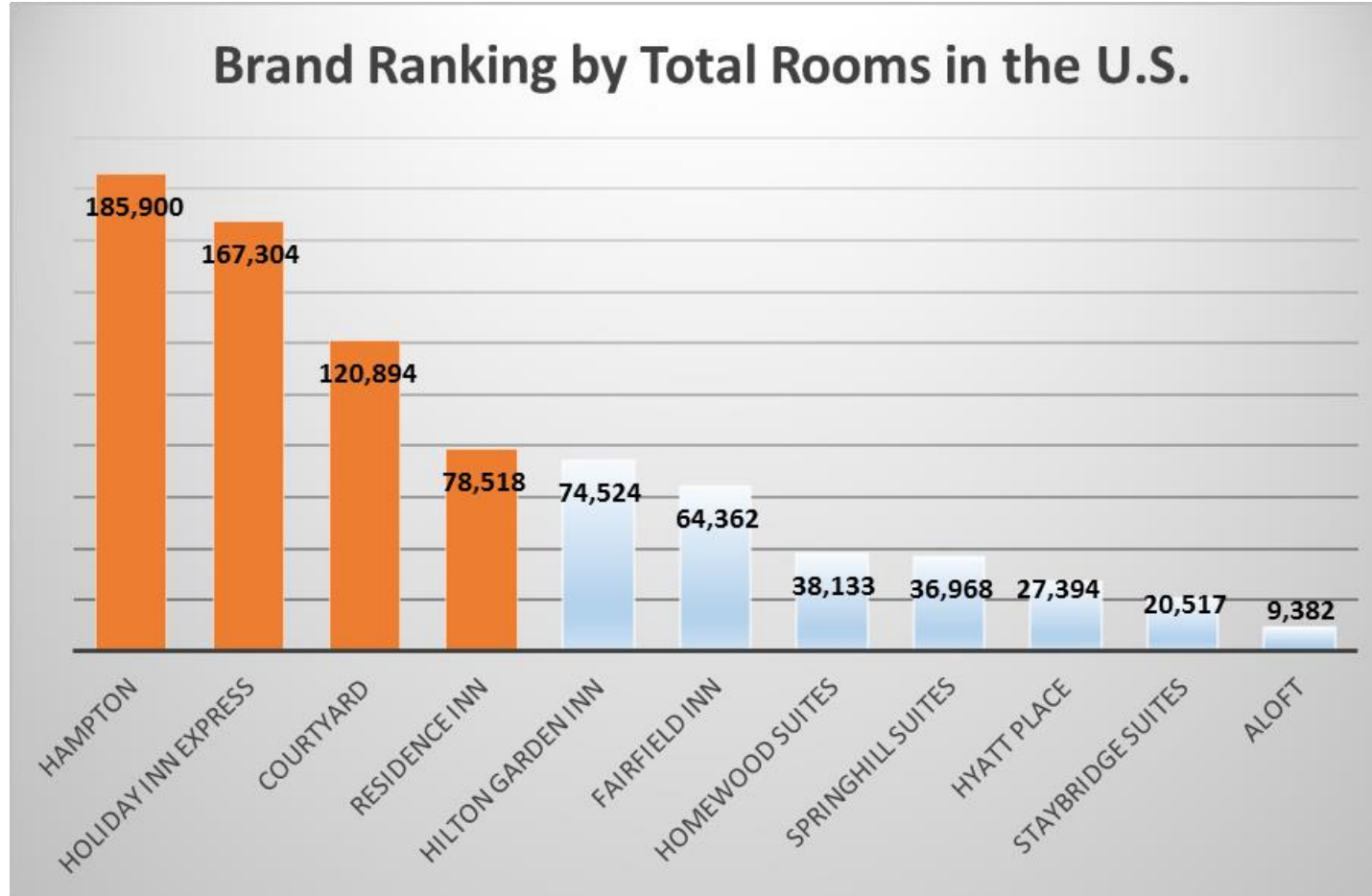
Brands	Occupancy	ADR	RevPAR
Hyatt House	79%	132.92	105.41
Hotel Indigo	73%	136.36	98.86
Homewood Suites	79%	125.13	98.73
Hilton Garden Inn	75%	126.08	94.94
Aloft	76%	123.32	93.48
Staybridge Suites	78%	111.34	86.73
Hyatt Place	76%	112.24	85.30
Home2 Suites	79%	106.9	84.45
SpringHill Suites	75%	112.16	83.67
TownePlace Suites	75%	96.84	72.34
Fairfield Inn	70%	102.8	72.06
Holiday Inn	66%	107.56	70.77



Top 5 RevPAR
(\$96.42)

Four top brands already exist in Morgan Hill...

...missing brands may present opportunities



Source: HA&A Data Library and Franchise Disclosure Documents



Thank you!

Addendum

1. Address market demand for our community – with clear understanding of our community dynamics, vision, challenges and opportunities.

Morgan Hill is experiencing a growth phase of an economic cycle, after a rapid recovery from the global recession. As shown on slide 20, Morgan Hill is in its 6th consecutive year of lodging demand growth. After the Dot Com bubble burst, it took Morgan Hill until 2007 to achieve a new peak level of demand. With the most recent recession, demand declined from the 2007 peak. Then a new peak was achieved in 2012. New demand peaks were set in 2013 and 2014. Year-to-date 2015 suggests another record-setting year.

2. Address the impact of more hotel rooms to the TOT, analyzing a long-term historical period of supply and demand in Morgan Hill to evaluate whether supply growth historically has been correlated with demand growth. Analyze a long-term STR trend to see whether this is also true in Morgan Hill historically. Demonstrate this correlation graphically. Order a national STR trend report as a control group to isolate what portion of demand growth is due to national economic growth versus local supply growth.

We estimate total rooms revenue of approximately \$41.6 million was added in Morgan Hill due to the addition of new supply (Courtyard and Residence Inn) between 2000 and 2014. In 2014, rooms revenues were about \$5 million higher than they would have been if this new supply had not been introduced to the market. This represents a significant positive impact for TOT.



- 3 Analyze supply and demand trends for the high-performing competitive set in Morgan Hill. Order a custom trend report from STR to evaluate how just the top 4-8 hotels are performing to see how new developers are looking at this market and whether they see development potential here.

The local market data indicate opportunities for potential hotel developments in Morgan Hill, as occupancy levels have exceeded 70% for top performers in recent years. Moreover, RevPAR levels have exceeded \$90 for top performers in recent years, suggesting potential for additional upscale hotel development. Please refer to slides 22.

4. Analyze whether “unaccommodated” demand or “pent up” demand exists in the Morgan Hill market, and demonstrate some ways to quantify this or at least discuss whether a significant volume exists in this market.

A substantial amount of unaccommodated is estimated to exist in the Morgan Hill market, which should moderate the impact from potential new supply. Please refer to slide 29 and 30.



5. Discuss what “new supply” circumstances can also bring “induced” demand in addition to unaccommodated demand.

When hotel brands which are new to the market are introduced, a new hotel can potentially induce demand due to its reservation system and sales team that was previously unrepresented in the local market. There are major brands missing from Morgan Hill, which present opportunities for potential hotel development. Please refer to slide 34, 35, 36, and 37.

6. Assess the local inventory of hotels and categorize Morgan Hill’s lodging inventory by Hotel Company, Brand, Chain Scale, and Age. Comment on what’s missing, if anything. Discuss general performance parameters required by those brands and chain scales that are currently missing. Compare these general performance parameters with Morgan Hill’s top-tier “competitive set” identified in #3 above.

Morgan Hill features three “upper midscale” brands currently. Some notable brands not represented in this chain scale include Fairfield Inn, TownePlace Suites, and Home2 Suites. Morgan Hill features two “upscale” brands currently. Some notable brands not represented in this chain scale include Hilton Garden Inn, Homewood Suites, Hotel Indigo, SpringHill Suites, Staybridge Suites, Hyatt Place, Aloft, and Cambria Hotel & Suites. Please refer to slides 34, 35, 36, and 37.



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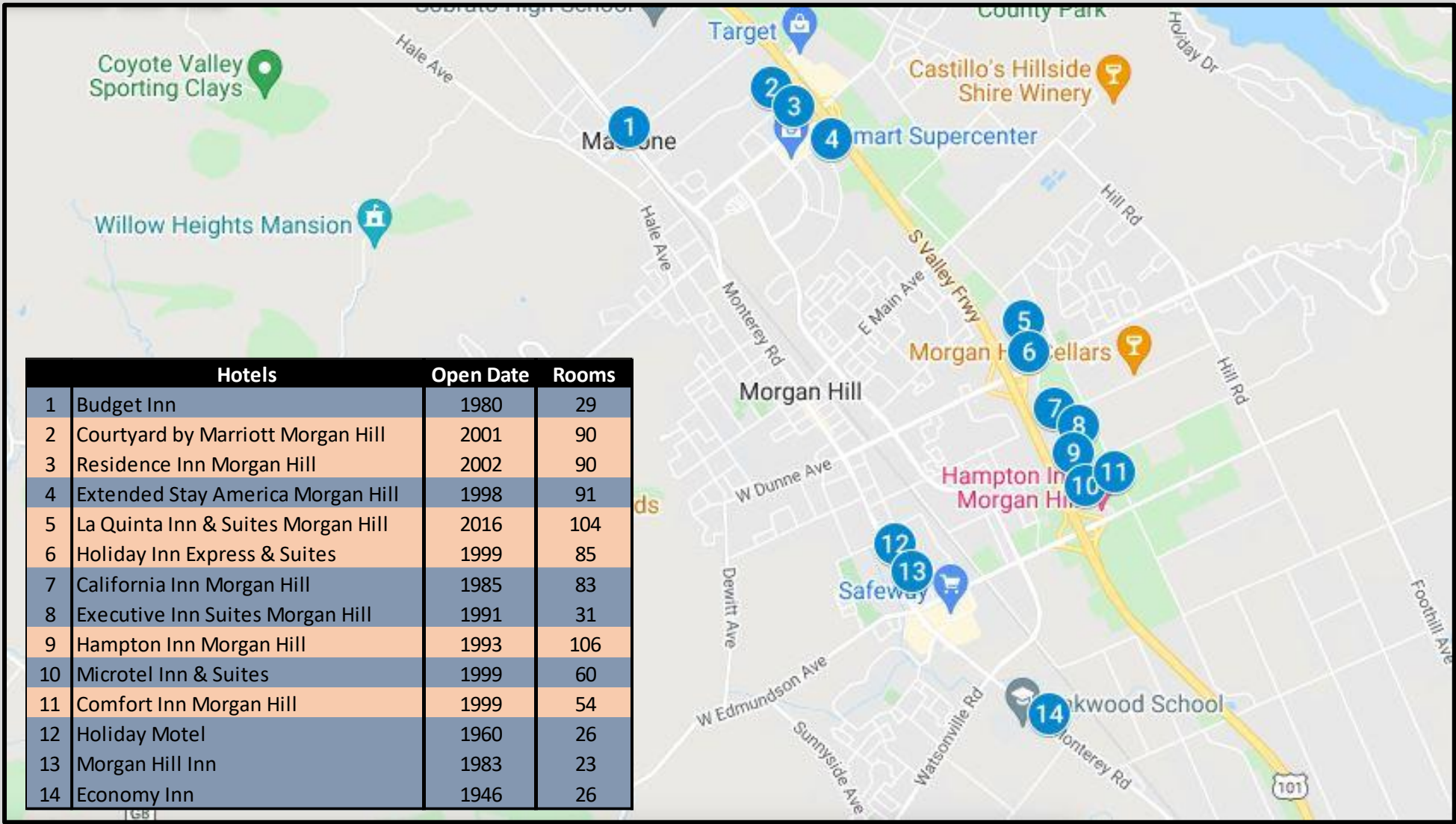


Hotel Market Summary

Proposed Hotel – Morgan Hill, California

Submitted to: City of Morgan Hill

April 29, 2022



Currently 14 Hotels in Morgan Hill

** Orange highlighting indicates top-rated hotels. We have excluded the Paradise Motel, the Rancho Motel, and the Maple Leaf RV Park because these are not primarily considered as lodging facilities.*



Six high-rated hotels lead the market in Morgan Hill...

...Older, economy hotels nearing end of economic life

	Hotels	Affiliation	Chainscale	Affiliation Date	Open Date	Rooms
1	Budget Inn	Independent	Economy Class	-	1980	29
2	Courtyard San Jose South Morgan Hill	Marriott	Upscale Class	2001	2001	90
3	Residence Inn Morgan Hill	Marriott	Upscale Class	2002	2002	90
4	Extended Stay America Morgan Hill	Extended Stay America	Economy Class	1998	1998	91
5	La Quinta Inns & Suites Morgan Hill	Wyndham	Upper Midscale Class	2016	2016	104
6	Holiday Inn Express & Suites Morgan Hill	IHG	Upper Midscale Class	1999	1999	85
7	California Inn	Independent	Midscale Class	2017	1985	83
8	Executive Inn Suites Morgan Hill	Independent	Midscale Class	1991	1991	31
9	Hampton Inn Morgan Hill	Hilton	Upper Midscale Class	2012	1993	106
10	Microtel Inn & Suites	Wyndham	Economy Class	1999	1999	60
11	Comfort Inn Morgan Hill	Choice	Upper Midscale Class	1999	1999	54
12	Holiday Motel	Independent	Economy Class	1960	1960	25
13	Morgan Hill Inn	Independent	Economy Class	1996	1996	23
14	Economy Inn	Independent	Economy Class	1946	1946	26
				Total Properties:	14	897

Sources: STR, HA&A



Strong Citywide Occupancies Pre-Covid

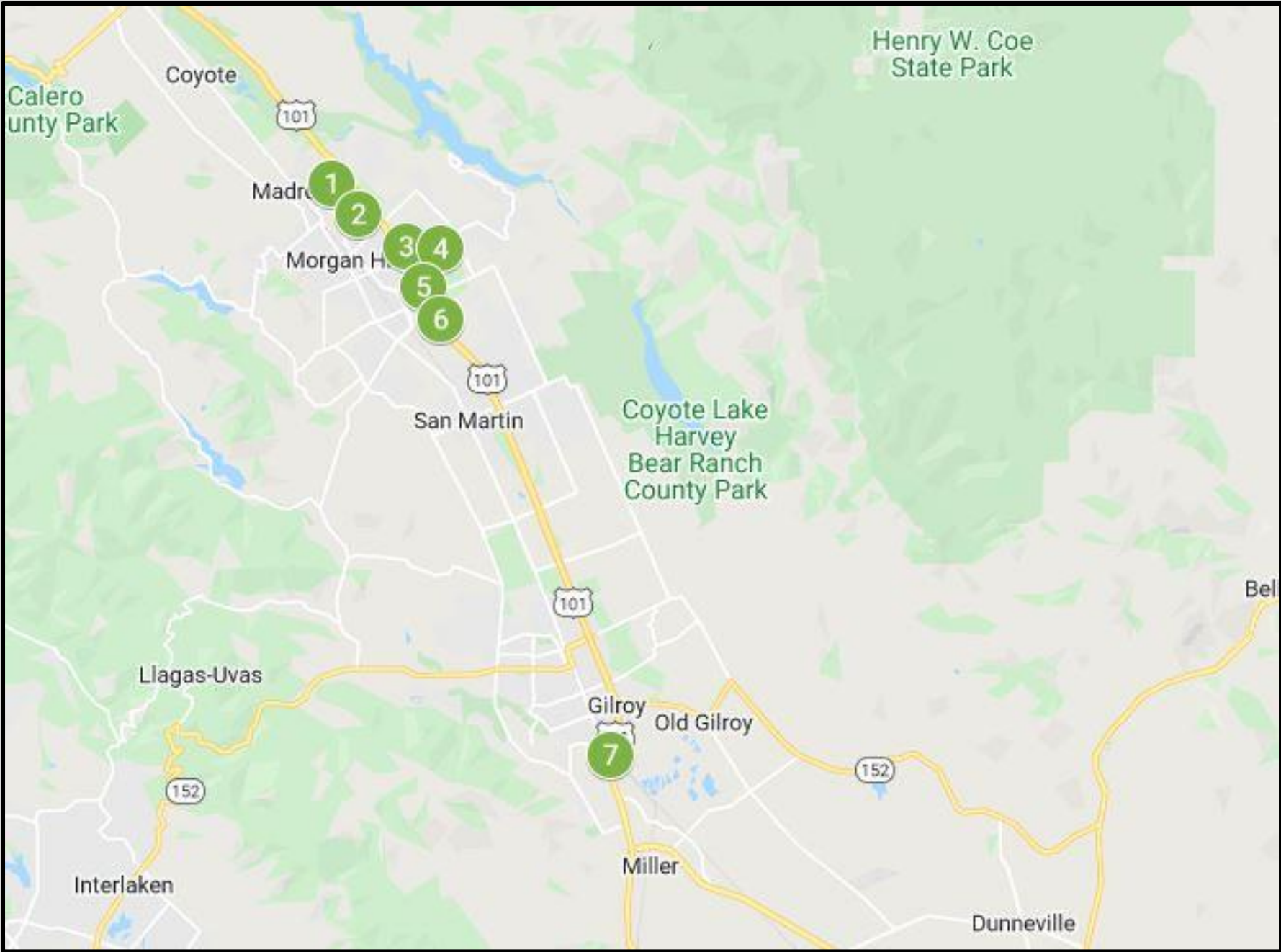
Year	Room Supply	Room Night Supply	% Change	Room Night Demand	% Change	Occupancy	Average Rate	% Change	RevPAR	% Change
2014	793	289,565	--	198,648	--	68.6%	110.69	--	75.93	--
2015	793	289,537	0.0%	214,379	7.9%	74.0%	125.95	13.8%	93.25	22.8%
2016	846	308,946	6.7%	222,923	4.0%	72.2%	130.12	3.3%	93.89	0.7%
2017	898	327,770	6.1%	240,038	7.7%	73.2%	131.63	1.2%	96.39	2.7%
2018	898	327,770	0.0%	242,639	1.1%	74.0%	141.36	7.4%	104.65	8.6%
2019	897	327,405	-0.1%	234,967	-3.2%	71.8%	140.35	-0.7%	100.72	-3.7%
2020	897	327,405	0.0%	168,837	-28.1%	51.6%	107.55	-23.4%	55.46	-44.9%
2021	897	327,405	0.0%	186,791	10.6%	57.1%	114.09	6.1%	65.09	17.4%
YTD 2021 thru Feb	897	52,923	--	20,647	--	39.0%	94.85	--	37.00	--
YTD 2022 thru Feb	897	52,923	0.0%	28,021	35.7%	52.9%	109.00	14.9%	57.71	56.0%
Historical Annual Growth Rates			1.8%		-0.9%			0.4%		-2.2%
<i>Sources: STR and HA&A</i>										

Long-Term Citywide Demand Growth Despite Shocks



A	Dot-com Bubble Bust and 9-11
B	Pre-Recession Peak
C	Great Recession
D	Pre-COVID Peak
E	COVID Pandemic
F	Post COVID Recovery

Source: STR, HA&A



Competitive Set (Local Area)

	Hotels	Open Date	Rooms
1	Courtyard by Marriott Morgan Hill	2001	90
2	Residence Inn Morgan Hill	2002	90
3	La Quinta Inn & Suites Morgan Hill	2016	104
4	Holiday Inn Express & Suites	1999	85
5	Comfort Inn Morgan Hill	1999	54
6	Hampton Inn Morgan Hill	1993	106
7	Hilton Garden Inn Gilroy	2001	137



The 7 Highest-Rated Hotels in Morgan Hill / Gilroy...

...Achieved RevPARs above \$110 Pre-Covid

Year	Room Supply	Room Night Supply	% Change	Room Night Demand	% Change	Occupancy	Average Rate	% Change	RevPAR	% Change
2014	561	204,885	--	144,896	--	70.7%	134.50	--	95.12	--
2015	561	204,857	0.0%	156,851	8.3%	76.6%	149.72	11.3%	114.63	20.5%
2016	614	224,266	9.5%	159,877	1.9%	71.3%	157.02	4.9%	111.94	-2.4%
2017	666	243,090	8.4%	178,356	11.6%	73.4%	154.46	-1.6%	113.33	1.2%
2018	666	243,090	0.0%	178,765	0.2%	73.5%	160.24	3.7%	117.84	4.0%
2019	666	243,090	0.0%	170,079	-4.9%	70.0%	159.76	-0.3%	111.78	-5.1%
2020	666	243,090	0.0%	113,815	-33.1%	46.8%	119.99	-24.9%	56.18	-49.7%
2021	666	243,090	0.0%	139,393	22.5%	57.3%	121.48	1.2%	69.66	24.0%
YTD 2021 thru Feb	666	39,294	--	14,643	--	37.3%	99.30	--	37.00	--
YTD 2022 thru Feb	666	39,294	0.0%	21,001	43.4%	53.4%	117.26	18.1%	62.67	69.4%
Historical Annual Growth Rates			2.5%		-0.6%			-1.4%		-4.4%
<i>Sources: STR and HA&A</i>										

Strong occupancy patterns indicate... ...substantial unaccommodated demand

Morgan Hill/Gilroy Top 7

	2014	2015	2016	2017	2018	2019	2020	2021
Jan	59.2	68.6	61.9	56.9	64.5	56.2	54.0	35.3
Feb	69.6	73.3	66.9	68.5	71.0	63.2	64.8	39.5
Mar	64.1	73.8	63.9	70.0	72.8	70.3	34.8	47.1
Apr	70.6	78.2	78.7	68.5	74.9	61.9	22.0	57.1
May	72.0	76.9	73.9	79.2	75.9	73.7	33.1	63.0
June	78.6	85.2	78.1	86.9	80.1	81.3	40.1	65.6
Jul	81.2	87.3	79.2	81.5	78.5	79.2	44.9	70.8
Aug	82.7	83.0	77.9	84.1	82.3	80.6	64.5	68.6
Sep	72.4	82.1	73.0	82.7	81.2	78.1	62.1	66.7
Oct	74.2	82.8	74.7	78.6	83.4	74.9	61.4	61.7
Nov	66.5	69.4	66.9	68.2	65.5	66.6	47.5	57.7
Dec	57.7	58.2	59.7	55.2	52.5	53.2	33.8	53.9

National

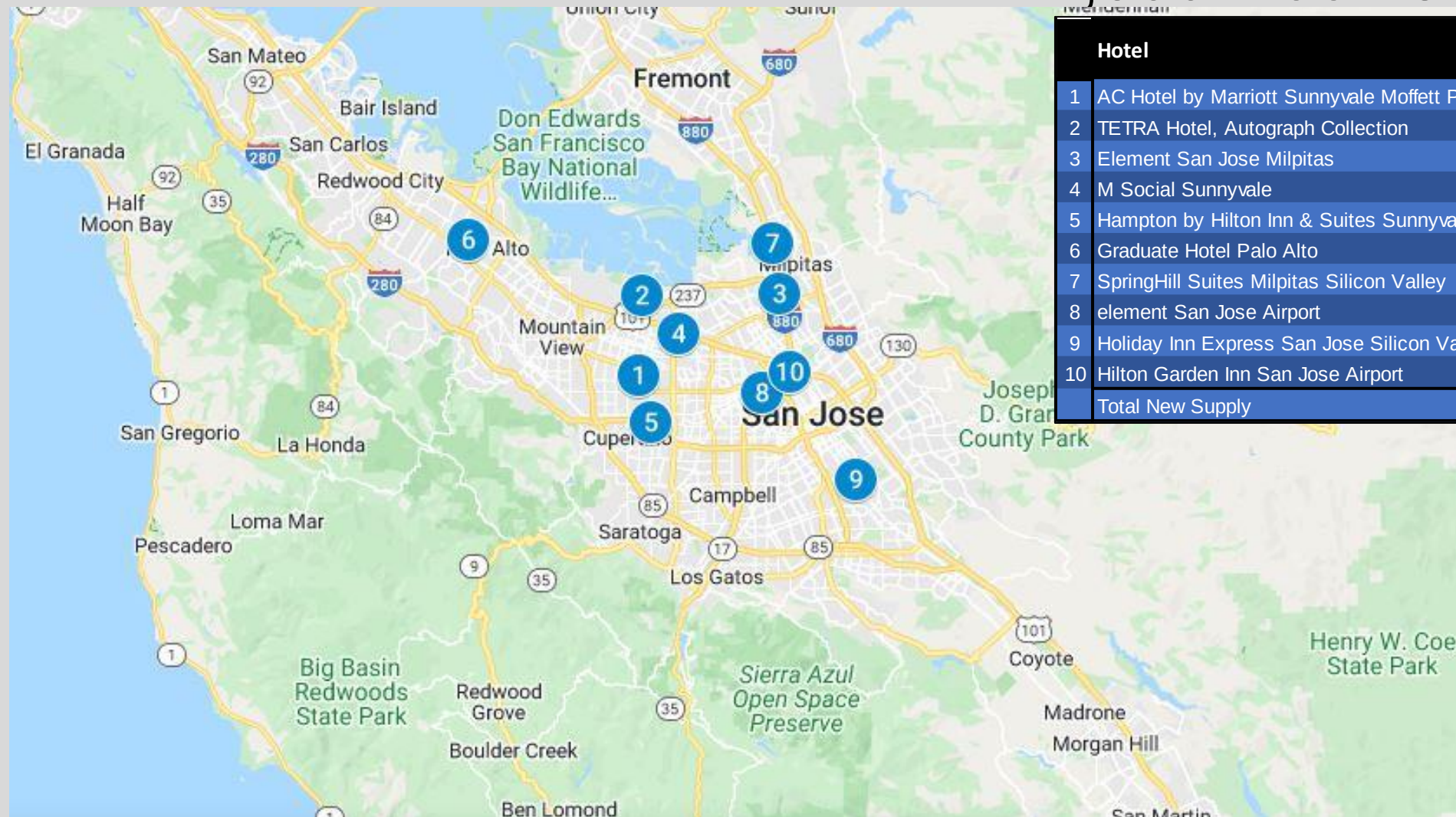
	2014	2015	2016	2017	2018	2019	2020	2021
Jan	52.1	54.1	53.8	53.9	54.3	54.6	54.8	39.0
Feb	60.3	62.0	61.9	61.0	61.6	62.0	61.7	45.2
Mar	65.2	66.6	66.2	67.8	68.3	68.2	38.9	54.4
Apr	65.5	66.5	67.8	67.2	67.7	67.8	24.3	57.4
May	66.8	67.2	66.7	67.6	68.0	68.5	33.2	59.2
June	71.4	72.7	72.8	73.1	74.4	73.3	42.2	66.0
Jul	73.5	75.0	74.2	73.6	73.4	73.6	47.1	69.5
Aug	71.6	70.4	70.1	70.6	71.3	71.2	48.7	63.2
Sep	65.6	67.6	68.7	69.4	67.9	67.1	48.3	61.5
Oct	67.8	68.7	68.4	69.2	69.7	68.9	48.4	62.8
Nov	58.7	59.1	60.5	61.4	61.5	61.4	40.3	57.5
Dec	52.5	52.9	52.8	54.0	54.0	54.1	36.4	53.3

Occupancy
Over 70%
Over 80%
Over 90%

HA&A

Significant Supply Growth Regionally...

...1,599 Rooms in Pipeline



	Hotel	Location	Opening Date	Rooms
1	AC Hotel by Marriott Sunnyvale Moffett Park	Sunnyvale	Feb 2022	164
2	TETRA Hotel, Autograph Collection	Sunnyvale	Feb 2022	186
3	Element San Jose Milpitas	Milpitas	Mar 2022	194
4	M Social Sunnyvale	Sunnyvale	U/C	263
5	Hampton by Hilton Inn & Suites Sunnyvale Silicon Valley	Sunnyvale	U/C	162
6	Graduate Hotel Palo Alto	Palo Alto	U/C	100
7	SpringHill Suites Milpitas Silicon Valley	Milpitas	U/C	124
8	element San Jose Airport	San Jose	U/C	175
9	Holiday Inn Express San Jose Silicon Valley	San Jose	U/C	81
10	Hilton Garden Inn San Jose Airport	San Jose	U/C	150
	Total New Supply			1,599

* The list includes new hotels in Santa Clara County. Some hotels in the list are located over 40 miles from Morgan Hill.

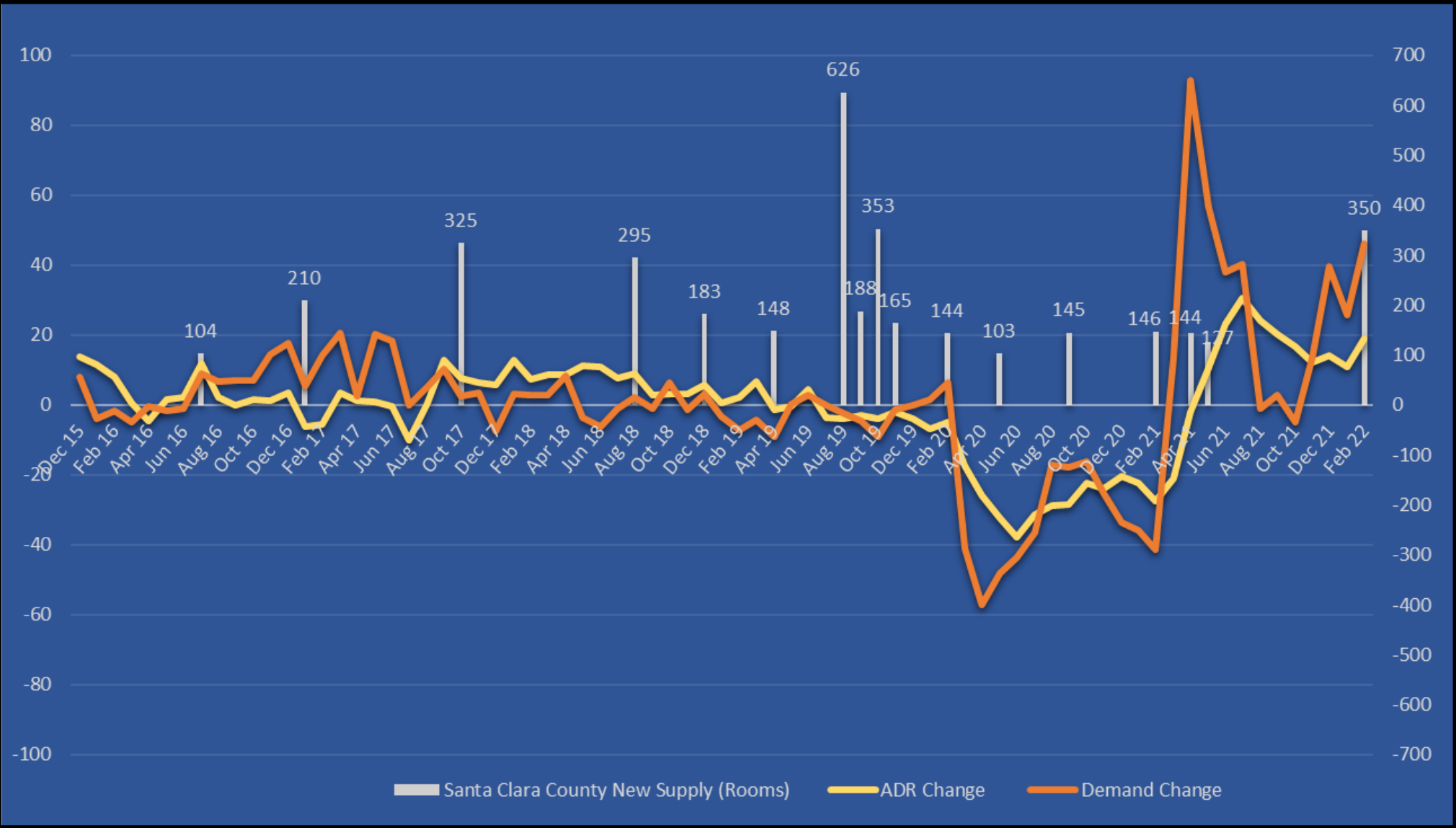
Hotel	Location	Opening Date	Rooms
Courtyard San Jose Campbell	Campbell, CA	Feb 2010	162
Courtyard San Jose North Silicon Valley	San Jose, CA	Jan 2014	157
TownePlace Suites San Jose Santa Clara	Santa Clara, CA	Feb 2014	107
Courtyard Sunnyvale Mountain View	Sunnyvale, CA	Oct 2014	145
Hilton Garden Inn Palo Alto	Palo Alto, CA	Mar 2015	174
Homewood Suites by Hilton Palo Alto	Palo Alto, CA	Mar 2015	138
SpringHill Suites San Jose Airport	San Jose, CA	Jun 2015	145
Residence Inn San Jose Airport	San Jose, CA	Jun 2015	176
aloft Hotel Santa Clara	San Jose, CA	Sep 2015	175
La Quinta Inns & Suites Morgan Hill - San Jose South	Morgan Hill, CA	Jul 2016	104
AC Hotels by Marriott San Jose Downtown	San Jose, CA	Jan 2017	210
Residence Inn San Jose Cupertino	Cupertino, CA	Oct 2017	180
Homewood Suites by Hilton San Jose North	San Jose, CA	Oct 2017	145
AC Hotels by Marriott Sunnyvale Cupertino	Sunnyvale, CA	Dec 2018	183
Hyatt House San Jose Cupertino	Cupertino, CA	Apr 2019	148
Hyatt Centric Mountain View	Mountain View, CA	Jul 2019	167
Holiday Inn & Suites Silicon Valley - Milpitas	Milpitas, CA	Jul 2019	128
Residence Inn San Jose North/Silicon Valley	San Jose, CA	Aug 2019	147
Fairfield Inn & Suites San Jose North/Silicon Valley	Alviso, CA	Aug 2019	114
element Santa Clara	Santa Clara, CA	Aug 2019	175
AC Hotels by Marriott San Jose Santa Clara	Santa Clara, CA	Sep 2019	188
Hilton Garden Inn Sunnyvale	Sunnyvale, CA	Oct 2019	238
Wingate by Wyndham San Jose	San Jose, CA	Oct 2019	115
Hyatt House San Jose Airport	San Jose, CA	Nov 2019	165
Hampton by Hilton Inn & Suites San Jose Airport	San Jose, CA	Feb 2020	144
Hampton Inn & Suites Gilroy	Gilroy, CA	May 2020	103
Holiday Inn Express & Suites San Jose Airport	San Jose, CA	Feb 2021	146
Hyatt Place San Jose Airport	San Jose, CA	Aug 2019	190
AC Hotels by Marriott Palo Alto	Palo Alto, CA	Apr 2021	144
Homewood Suites by Hilton Sunnyvale-Silicon Valley	Sunnyvale, CA	May 2021	127
AC Hotel by Marriott Sunnyvale Moffett Park	Sunnyvale, CA	Feb 2022	164
TETRA Hotel, Autograph Collection	Sunnyvale, CA	Feb 2022	186
Element San Jose Milpitas	Milpitas, CA	Mar 2022	194
Total			5,184

Nearly 5,200 rooms
have been added in
Santa Clara County
since 2010

ADR & Demand Rebounding Strongly Post-Covid Citywide

Source: STR, HA&A

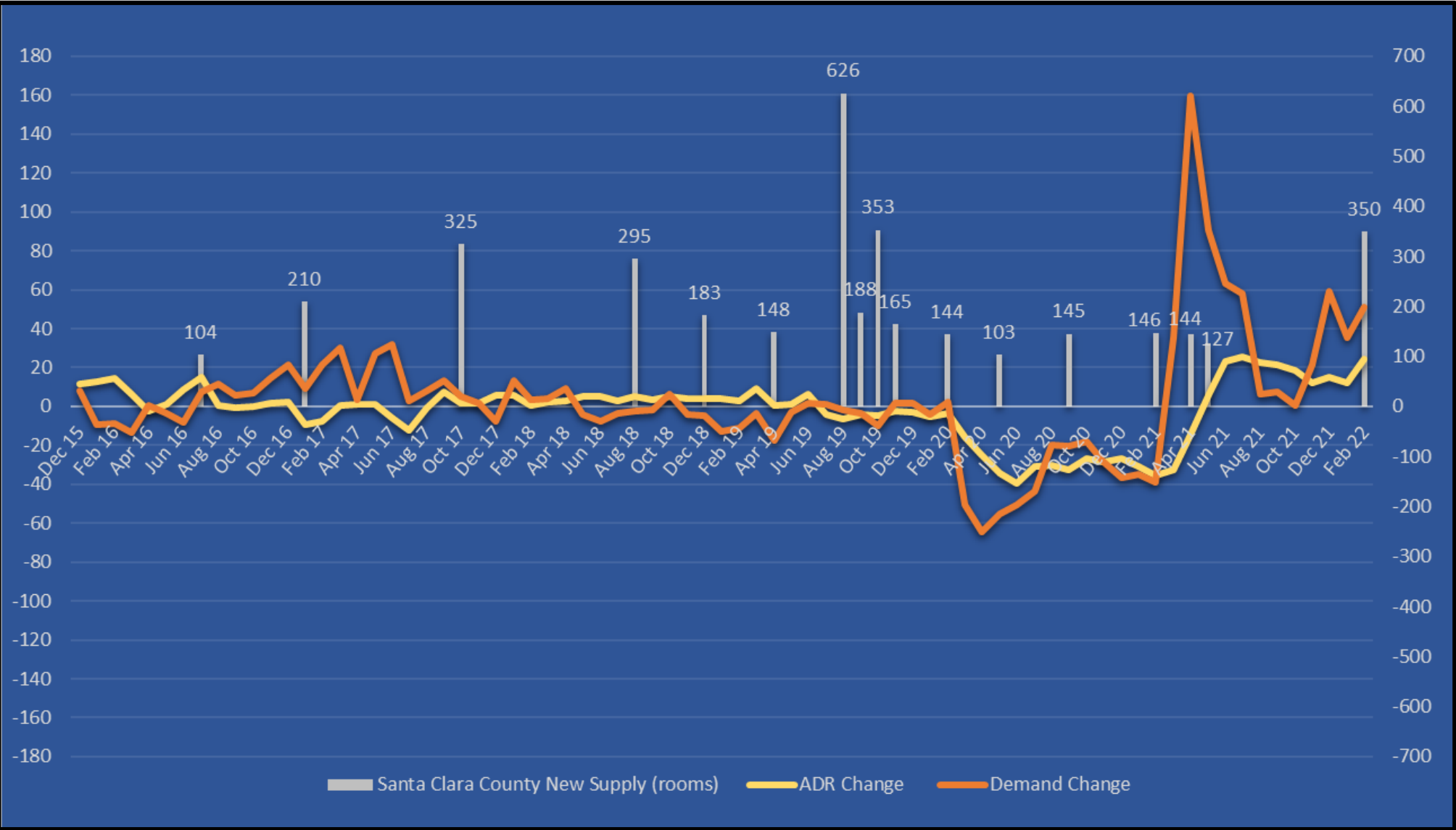
New Supply (right axis)
ADR % Change (left axis)
Demand % Change (left axis)



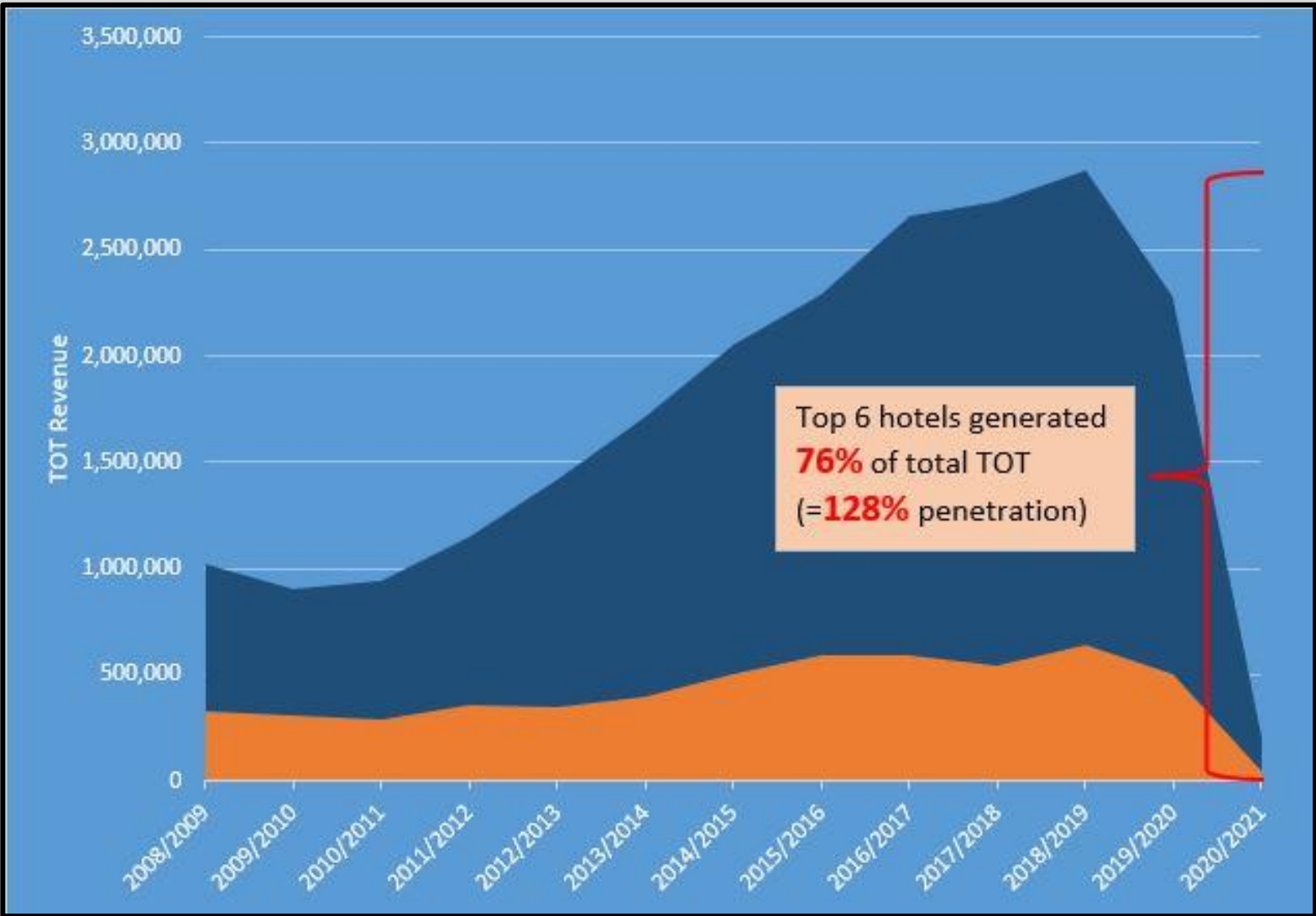
ADR & Demand Rebounding for the 7 top hotels in Morgan Hill/Gilroy

Source: STR, HA&A

New Supply (right axis)
ADR % Change (left axis)
Demand % Change (left axis)



76% of Local TOT Revenue From 6 Highest-Rated Hotels



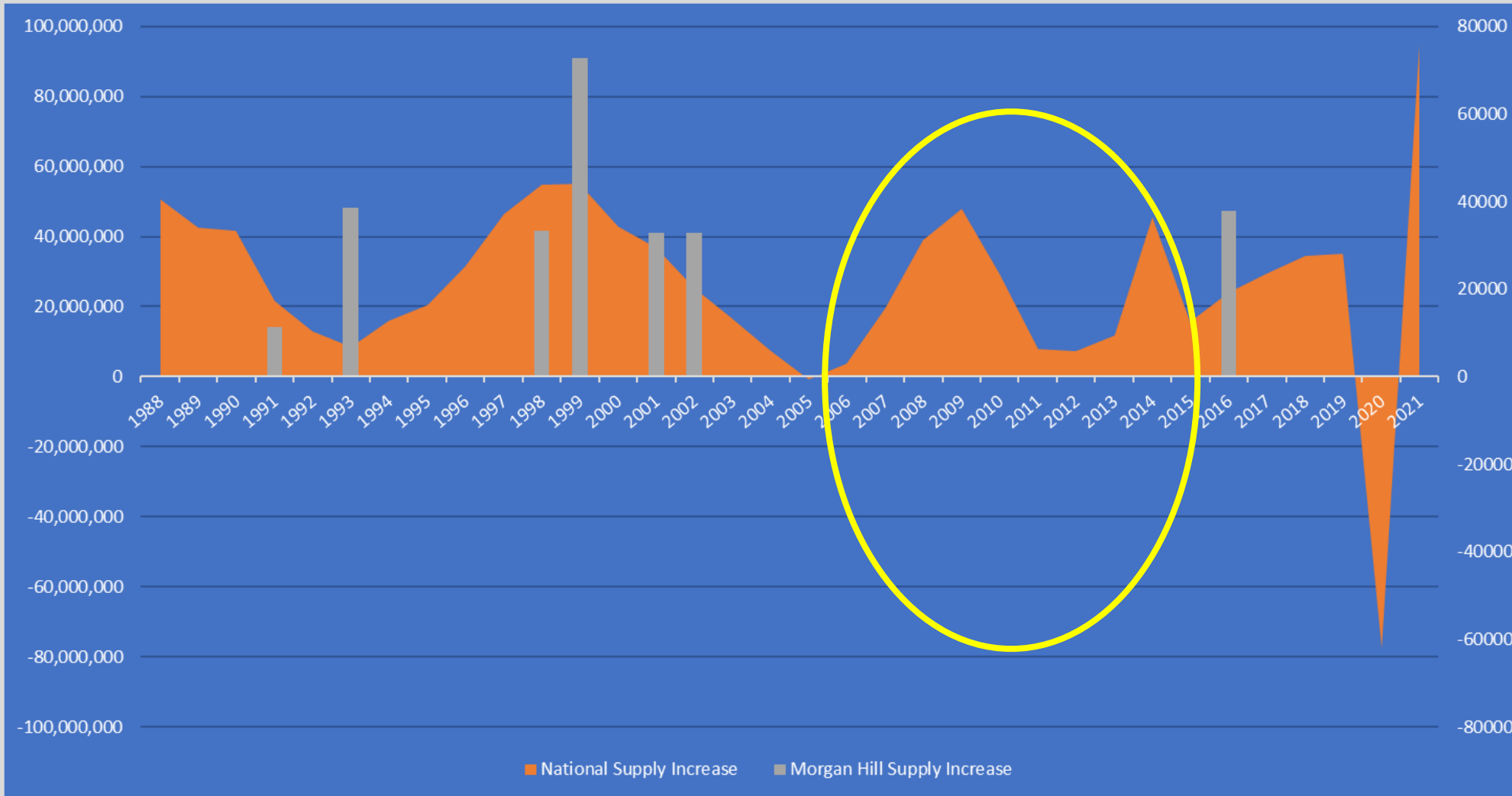
In the most recent complete fiscal year (2020/2021), just 59% of Morgan Hill's hotel rooms produced 79% of Morgan Hill's Transient Occupancy Tax revenues.

Top 6 Hotels
Others

Source: City of Morgan Hill



Morgan Hill experienced limited supply growth... ...Despite national supply cycles



Source: STR, HA&A

HA&A

Disclaimers & Disclosures

1. This analysis is for informational purposes only and is not intended as an offer or solicitation.
2. This report is intended to be presented in whole, and not in part.
3. This is not an appraisal and the consultants who contributed to this report were not acting as appraisers in the preparation of this analysis.
4. The projections included in this document are based on various factors, including the historical performance of certain hotels, comparative hotels' actual financials, current market conditions, as well as HA&A's judgement. There is no guarantee that any of these projections will be attained. Actual results will vary from the projections described in this document and may be material.
5. Prospective investors should not construe the contents of this document as legal or investment advice. Each investor should consult his/her own counsel, accountant and/or business advisor as to all matters concerning any investment described in this document.
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CITY COUNCIL STAFF REPORT

MEETING DATE: June 1, 2022

PREPARED BY:

Keri Russell, Maintenance Coordinator

APPROVED BY: City Manager

ADOPT RESOLUTION ORDERING ANNUAL ASSESSMENTS AND RELATED ACTIONS FOR CITY OF MORGAN HILL LANDSCAPE ASSESSMENT DISTRICT NUMBER 1

RECOMMENDATION(S)

1. Open and close the Public Hearing; and
2. Adopt resolution confirming Fiscal Year (FY) 2022-23 annual assessments and ordering the levy of assessments for the District.

Estimated Time: 5 Minutes

COUNCIL PRIORITIES, GOALS & STRATEGIES

City Council Ongoing Priorities

Maintaining and Enhancing Infrastructure

2022-2023 Strategic Priorities

Fiscal Sustainability

REPORT NARRATIVE:

The City of Morgan Hill Landscape Assessment District No. 1 (District) was created to pay for the maintenance of the parks and common landscaping in neighborhoods benefiting from the open space within the District. The purpose of this item is to:

- A) Provide an opportunity for public input;
- B) Confirm the FY 2022-23 Assessments; and
- C) Order the levy of the Assessments.

Per California Streets and Highways Code Sections 22623 to 22631, the Annual Report (Attachment 1) is required to set the annual assessments in the District. In addition to approving the report on May 4, 2022, the Council declared its intent to levy assessments in the District and established June 1, 2022 as the date of the official public hearing.

COMMUNITY ENGAGEMENT:

Ongoing resident outreach is occurring in several of the subareas and City staff are striving to increase resident outreach to others. Some areas have more active homeowners groups that work with City staff in planning maintenance projects for their subareas, while residents of other subareas are less engaged. In recent years, City staff have successfully developed relationships with resident groups in several areas. Staff are closely working with active districts on the ongoing maintenance and budgets for their district. Although outreach with residents is typically positive, not all residents are satisfied with the service being provided within their subarea. This dissatisfaction is often due to the limitations of funding available to the subarea without an associated increase in assessment.

Staff is recommending increases to the assessments for the Oak Creek and Sparhawk sub areas as well as a decrease for Belle Estates. Staff have had resident meetings with both Oak Creek and Sparhawk. The Oak Creek increase is to help with enhancements in the area, whereas, the Sparhawk increase is to maintain the current level of service as costs increase.

ALTERNATIVE ACTIONS:

There is no other practical alternative action. The City Council could choose to provide staff with further direction on management of the District.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

In 1991, the City Council, under the Landscaping and Lighting Act of 1972, created the Fox Hollow/Murphy Springs Landscape Assessment District, and in 2010 chose to rename it to the City of Morgan Hill Landscape Assessment District No. 1.

On May 4, 2022, the City Council initiated the annual assessment process and approved the Engineer's Annual Report, for FY 2022-23.

FISCAL AND RESOURCE IMPACT:

The cost for preparation of the Engineer's Annual Report will be paid for by the Assessment District. It is anticipated that the District will generate \$198,650.38 in revenues in Fiscal Year 2022-23. Expenses are budgeted at \$203,010 meaning that overall, the District's reserves are projected to be reduced by \$4,359.62 in the upcoming fiscal year. Providing administrative oversight to the District is a core activity of the Community Services Department's work program.

CEQA (California Environmental Quality Act):

Categorical Exemption

The planned maintenance and management of the sub-areas within the lighting and landscape assessment district fall within the CEQA categorical exemption of Class 1, Existing Facilities.

CITY OF MORGAN HILL

Fiscal Year 2022/23 Engineer's Report For:

Landscape Assessment District No. 1

May 2022

Prepared by:



Corporate Headquarters
32605 Temecula Parkway, Suite 100
Temecula, CA 92592
Toll free: 800.676.7516

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17575 Peak Avenue
Morgan Hill, CA 95037-4128
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Rich Constantine, Mayor

Gino Borgioli, Mayor Pro Tem

John K. McKay, Council Member

Yvonne Martinez Beltran, Council Member

Rene Spring, Council Member

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Chris Ghione, Public Services Director

Keri Russell, Maintenance Coordinator

Mariah Dabel, Financial & Policy Analyst

NBS

Adina McCargo, Project Manager

Greg Davidson, Client Service Director

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1. ENGINEER'S LETTER

WHEREAS, the City Council of the City of Morgan Hill (the "City"), State of California, directed NBS to prepare and file a report, in accordance with Chapter 1, Article 4 of the Landscaping and Lighting Act of 1972 (the "Act"), presenting the plans and specifications describing the general nature, location and extent of the improvements to be maintained, an estimate of the costs of the maintenance, operations and servicing of the improvements for the City's Landscape Assessment District No. 1 (the "District") for Fiscal Year 2022/23. The report includes a diagram for the District, showing the area and properties proposed to be assessed, an assessment of the estimated costs of the maintenance, operations and servicing the improvements, and the net amount upon all assessable lots and/or parcels within the District in proportion to the special benefit received and;

WHEREAS, the assessment for each parcel is in compliance with the Proposition 218 Omnibus Implementation Act and Section 4 of Article XIII D of the California Constitution. The proposed assessments are not proposed to increase by more than the approved maximum allowable increases.

NOW THEREFORE, assessments have been levied in accordance with the assessment methodology adopted and approved by the City Council at the time of District formation, and are made to cover the portion of the estimated costs of maintenance, operation, and servicing of the improvements, to be paid by the assessable real property within the District in proportion to the special benefit received:

Zone	Units	FY 2022/23 Maximum Assessment Rate	FY 2022/23 Actual Assessment Rate	Total Assessment ⁽¹⁾
Belle Estates	36	\$502.22	\$310.00	\$11,160.00
Chang/Bertelone	8	1,215.00	550.00	4,400.00
Conte Gardens	11	477.82	365.00	4,015.00
Diana Estates	64	139.39	139.39	8,920.96
Fox Hollow ⁽²⁾	75	233.21	173.53	13,014.75
Hamilton Square	38	425.54	325.00	12,350.00
Jackson Meadows #6	70	108.10	108.00	7,560.00
Jackson Meadows #7	10	314.58	100.00	1,000.00
La Grande Estates	32	88.00	88.00	2,816.00
Lacrosse/Gera	24	142.99	50.00	1,200.00
Llagas Creek ⁽²⁾	71	314.04	233.67	16,590.57
Llagas/Obata	5	629.16	400.00	2,000.00
Mill Creek ^(2,4)	84	302.35	285.00	23,940.00
Oak Creek I, II, III	119	453.82	425.00	50,575.00
Parsons Corner ⁽³⁾	NOT APPLICABLE			
Rose Haven	27	488.47	400.00	10,800.00
Sandalwood ⁽⁴⁾	11	450.00	450.00	4,950.00
Sparhawk ⁽²⁾	18	334.40	334.00	6,012.00
Stone Creek ⁽²⁾	35	522.05	388.46	13,596.10
Sunnyside/Stonegate ⁽²⁾	10	765.07	375.00	3,750.00
Totals:	748			\$198,650.38

⁽¹⁾ Actual amount placed on secured tax roll may be less due to Santa Clara County submittal requirements. Amounts placed on the tax roll must be rounded down to an even number.

⁽²⁾ Maximum Assessment Rate increases by 3% annually.

⁽³⁾ Detachment of Parsons Corner Zone was approved in April 2019.

⁽⁴⁾ Includes increased maximum assessment rate approved by property owners.

2. OVERVIEW

2.1 Introduction

In 1991, the City Council created the Fox Hollow/Murphy Springs Landscape Assessment District, under the Act, and in 2010 chose to rename it to the City of Morgan Hill Landscape Assessment District No. 1. The District was formed in order to provide for the continued maintenance, operation, and administration of various improvements within the boundaries of the District. Following the initial formation, additional territory was annexed to the District as separate Zones. Currently, the District is comprised of 19 Zones (which decreased from 20 as a result of property owners within Parsons Corner electing to detach from the District in April 2019).

The District provides for and ensures the continued maintenance, servicing, administration, and operation of various landscaping improvements and associated appurtenances located within the public right-of-way and dedicated easements within the boundaries of the District.

2.2 Description of Boundaries

Exhibits from the Engineer's Report at the formation of the District define the boundaries and maintenance areas of each Zone within the District. These exhibits are on file and available for review at the Office of the City Engineer and, in conjunction with the County of Santa Clara (the "County") Assessor's maps of the areas annexed, comprise the assessment diagrams for the respective annexations. The Assessor's maps are on file in the office of the County Assessor and are, by reference, made a part of this Report.

2.3 Description of Improvements and Services

The improvements include the construction, operation, maintenance, and servicing of landscaping and appurtenant facilities; including, but not limited to, personnel, electrical energy, utilities such as water and gas, materials, contracting services, and other items necessary for the satisfactory operation of the following services:

"Landscape improvements provided within the District may include, but are not limited to: ground cover, shrubs, plants and trees, irrigation and drainage systems, graffiti removal, entry monuments, and associated appurtenant facilities. Services provided include all necessary service, operations, administration, and maintenance required to keep the above-mentioned improvements in a healthy, vigorous, and satisfactory condition."

Reference is made to the Plans and Specifications for the improvements, which is on file with the City.

3. ESTIMATE OF COSTS

3.1 Definitions of Budget Items

The following definitions describe some of the services and costs that may be included in the Zone Budgets:

Direct Expenses

Maintenance: Includes all regularly scheduled labor, material (i.e. pipe, fertilizer, insecticides, paint, etc.) and equipment required to properly maintain and ensure the satisfactory condition of all landscaping, irrigation and drainage systems, and appurtenant facilities.

Extra Contract Costs: Includes all labor, equipment, and material costs associated with unscheduled repairs and improvements needed to ensure the satisfactory condition of all landscaping, irrigation and drainage systems, and appurtenant facilities.

Water/Sewer: Includes the furnishing of water required for the operation and maintenance of the landscaping facilities.

Electricity Costs: Includes the furnishing of electricity required for irrigation systems for the operation and maintenance of the landscaping facilities.

Other Supplies: Includes costs that are generally unforeseen and not normally included in the yearly maintenance contract costs. This may include repair of damaged amenities due to vandalism, storms, heavy frost, etc. Also included may be planned upgrades that provide a direct benefit to the District. These upgrades could include replacing plant materials and/or renovation of irrigation systems.

Administrative Expenses

Salaries: Includes the cost to particular departments and staff of the City to provide the coordination of District services, operations, and maintenance of the improvements, response to public concerns and education, and procedures associated with the levy and collection of assessments.

Postage/Advertising: Includes the cost of providing any mailed notice to the property owners and publishing and posting the Resolution of Intention as required by the Act.

Internal Services: Includes overhead costs allocated to the District for various City staff services.

Administrative/Engineering Contract: Includes the costs associated with contracting with professionals to provide services specific to the administration of the levy.

Contingency/Capital Replacement Fund Balance (Reduction)/Reserve

Positive amounts are collected for various reasons that include, but are not limited to, any or all of the following:

- To maintain reserves which enable the City to pay for costs associated with the District during the first six months of the fiscal year,

Contingency/Capital Replacement Fund Balance (Reduction)/Reserve (continued)

- To reduce the current fund balance deficit (if any) that exists as of the beginning of the fiscal year, and
- To plan for the replacement of capital improvements in the future.

3.2 Zone Budgets

The estimated costs of servicing, maintaining, repairing, and replacing the actual improvements for each Zone for Fiscal Year 2022/23 are shown on the following pages.

City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	<u>Belle Estates</u>
DIRECT EXPENSES	
Maintenance	\$3,862.00
Extra Contract Costs	2,000.00
Water/Sewer	2,750.00
Electricity Costs	0.00
Other Supplies	525.00
Subtotal Direct Expenses	<u>\$9,137.00</u>
ADMINISTRATIVE EXPENSES	
Salaries	\$1,089.27
Postage/Advertising	10.03
Internal Services	796.35
Administrative/Engineering Contract	370.61
Subtotal Administrative Expenses	<u>\$2,266.27</u>
SUBTOTAL ZONE COST	\$11,403.27
Fund Balance (Reduction)/Reserve	(243.27)
TOTAL BALANCE TO LEVY	<u>\$11,160.00</u>
Number of Assessable Units	36
Assessment Rate per Unit	\$310.00
Estimated Beginning Fund Balance July 1, 2022	\$15,231.33
Fund Balance Change	<u>(243.27)</u>
Estimated Ending Fund Balance June 30, 2023	\$14,988.06



City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	Chang / Bertelone
DIRECT EXPENSES	
Maintenance	\$2,218.00
Extra Contract Costs	0.00
Water/Sewer	1,000.00
Electricity Costs	0.00
Other Supplies	400.00
Subtotal Direct Expenses	\$3,618.00
ADMINISTRATIVE EXPENSES	
Salaries	\$242.06
Postage/Advertising	2.23
Internal Services	176.97
Administrative/Engineering Contract	82.36
Subtotal Administrative Expenses	\$503.62
SUBTOTAL ZONE COST	\$4,121.62
Fund Balance (Reduction)/Reserve	278.38
TOTAL BALANCE TO LEVY	\$4,400.00
Number of Assessable Units	8
Assessment Rate per Unit	\$550.00
Estimated Beginning Fund Balance July 1, 2022	\$11,288.45
Fund Balance Change	278.38
Estimated Ending Fund Balance June 30, 2023	\$11,566.84



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Budget Page 2 of 20

City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	<u>Conte Gardens</u>
DIRECT EXPENSES	
Maintenance	\$0.00
Extra Contract Costs	1,000.00
Water/Sewer	1,600.00
Electricity Costs	240.00
Other Supplies	500.00
Subtotal Direct Expenses	<u>\$3,340.00</u>
ADMINISTRATIVE EXPENSES	
Salaries	\$332.83
Postage/Advertising	3.06
Internal Services	243.33
Administrative/Engineering Contract	113.24
Subtotal Administrative Expenses	<u>\$692.47</u>
SUBTOTAL ZONE COST	\$4,032.47
Fund Balance (Reduction)/Reserve	(17.47)
TOTAL BALANCE TO LEVY	<u>\$4,015.00</u>
Number of Assessable Units	11
Assessment Rate per Unit	\$365.00
Estimated Beginning Fund Balance July 1, 2022	\$14,009.82
Fund Balance Change	<u>(17.47)</u>
Estimated Ending Fund Balance June 30, 2023	\$13,992.35



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City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	<u>Diana Estates</u>
DIRECT EXPENSES	
Maintenance	\$3,850.00
Extra Contract Costs	500.00
Water/Sewer	850.00
Electricity Costs	0.00
Other Supplies	0.00
Subtotal Direct Expenses	<u>\$5,200.00</u>
ADMINISTRATIVE EXPENSES	
Salaries	\$1,936.49
Postage/Advertising	17.83
Internal Services	1,415.74
Administrative/Engineering Contract	658.87
Subtotal Administrative Expenses	<u>\$4,028.92</u>
SUBTOTAL ZONE COST	\$9,228.92
Fund Balance (Reduction)/Reserve	(307.96)
TOTAL BALANCE TO LEVY	<u>\$8,920.96</u>
Number of Assessable Units	64
Assessment Rate per Unit	\$139.39
Estimated Beginning Fund Balance July 1, 2022	\$8,311.50
Fund Balance Change	<u>(307.96)</u>
Estimated Ending Fund Balance June 30, 2023	\$8,003.54



City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	Fox Hollow
DIRECT EXPENSES	
Maintenance	\$2,218.00
Extra Contract Costs	1,500.00
Water/Sewer	5,100.00
Electricity Costs	0.00
Other Supplies	500.00
Subtotal Direct Expenses	\$9,318.00
ADMINISTRATIVE EXPENSES	
Salaries	\$2,269.32
Postage/Advertising	20.89
Internal Services	1,659.07
Administrative/Engineering Contract	772.11
Subtotal Administrative Expenses	\$4,721.39
SUBTOTAL ZONE COST	\$14,039.39
Fund Balance (Reduction)/Reserve	(1,024.64)
TOTAL BALANCE TO LEVY	\$13,014.75
Number of Assessable Units	75
Assessment Rate per Unit	\$173.53
Estimated Beginning Fund Balance July 1, 2022	\$14,506.36
Fund Balance Change	(1,024.64)
Estimated Ending Fund Balance June 30, 2023	\$13,481.72



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City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	<u>Hamilton Square</u>
DIRECT EXPENSES	
Maintenance	\$8,285.17
Extra Contract Costs	0.00
Water/Sewer	4,500.00
Electricity Costs	318.00
Other Supplies	1,000.00
Subtotal Direct Expenses	<u>\$14,103.17</u>
ADMINISTRATIVE EXPENSES	
Salaries	\$1,149.79
Postage/Advertising	10.58
Internal Services	840.60
Administrative/Engineering Contract	391.20
Subtotal Administrative Expenses	<u>\$2,392.17</u>
SUBTOTAL ZONE COST	\$16,495.34
Fund Balance (Reduction)/Reserve	(4,145.34)
TOTAL BALANCE TO LEVY	<u>\$12,350.00</u>
Number of Assessable Units	38
Assessment Rate per Unit	\$325.00
Estimated Beginning Fund Balance July 1, 2022	\$13,343.41
Fund Balance Change	<u>(4,145.34)</u>
Estimated Ending Fund Balance June 30, 2023	\$9,198.08



City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	Jackson Meadows #6
DIRECT EXPENSES	
Maintenance	\$920.57
Extra Contract Costs	1,350.00
Water/Sewer	0.00
Electricity Costs	456.00
Other Supplies	0.00
Subtotal Direct Expenses	\$2,726.57
ADMINISTRATIVE EXPENSES	
Salaries	\$2,118.03
Postage/Advertising	19.50
Internal Services	1,548.46
Administrative/Engineering Contract	720.64
Subtotal Administrative Expenses	\$4,406.63
SUBTOTAL ZONE COST	\$7,133.21
Fund Balance (Reduction)/Reserve	426.79
TOTAL BALANCE TO LEVY	\$7,560.00
Number of Assessable Units	70
Assessment Rate per Unit	\$108.00
Estimated Beginning Fund Balance July 1, 2022	\$1,498.26
Fund Balance Change	426.79
Estimated Ending Fund Balance June 30, 2023	\$1,925.05



City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	Jackson Meadows #7
DIRECT EXPENSES	
Maintenance	\$1,092.00
Extra Contract Costs	0.00
Water/Sewer	0.00
Electricity Costs	0.00
Other Supplies	0.00
Subtotal Direct Expenses	\$1,092.00
ADMINISTRATIVE EXPENSES	
Salaries	\$302.58
Postage/Advertising	2.79
Internal Services	221.21
Administrative/Engineering Contract	102.95
Subtotal Administrative Expenses	\$629.52
SUBTOTAL ZONE COST	\$1,721.52
Fund Balance (Reduction)/Reserve	(721.52)
TOTAL BALANCE TO LEVY	\$1,000.00
Number of Assessable Units	10
Assessment Rate per Unit	\$100.00
Estimated Beginning Fund Balance July 1, 2022	\$5,680.88
Fund Balance Change	(721.52)
Estimated Ending Fund Balance June 30, 2023	\$4,959.36



City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	<u>La Grande Estates</u>
DIRECT EXPENSES	
Maintenance	\$0.00
Extra Contract Costs	0.00
Water/Sewer	0.00
Electricity Costs	0.00
Other Supplies	0.00
Subtotal Direct Expenses	<u>\$0.00</u>
ADMINISTRATIVE EXPENSES	
Salaries	\$968.24
Postage/Advertising	8.91
Internal Services	707.87
Administrative/Engineering Contract	329.43
Subtotal Administrative Expenses	<u>\$2,014.46</u>
SUBTOTAL ZONE COST	\$2,014.46
Fund Balance (Reduction)/Reserve	801.54
TOTAL BALANCE TO LEVY	<u>\$2,816.00</u>
Number of Assessable Units	32
Assessment Rate per Unit	\$88.00
Estimated Beginning Fund Balance July 1, 2022	(\$8,442.17)
Fund Balance Change	801.54
Estimated Ending Fund Balance June 30, 2023	<u>(\$7,640.63)</u>



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City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	<u>Lacrosse/Gera</u>
DIRECT EXPENSES	
Maintenance	\$1,092.00
Extra Contract Costs	0.00
Water/Sewer	0.00
Electricity Costs	0.00
Other Supplies	0.00
Subtotal Direct Expenses	<u>\$1,092.00</u>
ADMINISTRATIVE EXPENSES	
Salaries	\$363.09
Postage/Advertising	3.34
Internal Services	265.45
Administrative/Engineering Contract	123.54
Subtotal Administrative Expenses	<u>\$755.42</u>
SUBTOTAL ZONE COST	\$1,847.42
Fund Balance (Reduction)/Reserve	(647.42)
TOTAL BALANCE TO LEVY	<u>\$1,200.00</u>
Number of Assessable Units	24
Assessment Rate per Unit	\$50.00
Estimated Beginning Fund Balance July 1, 2022	\$2,704.14
Fund Balance Change	<u>(647.42)</u>
Estimated Ending Fund Balance June 30, 2023	\$2,056.72



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City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	<u>Llagas Creek</u>
DIRECT EXPENSES	
Maintenance	\$6,198.00
Extra Contract Costs	1,000.00
Water/Sewer	5,100.00
Electricity Costs	0.00
Other Supplies	0.00
Subtotal Direct Expenses	<u>\$12,298.00</u>
ADMINISTRATIVE EXPENSES	
Salaries	\$2,148.29
Postage/Advertising	19.78
Internal Services	1,570.59
Administrative/Engineering Contract	730.93
Subtotal Administrative Expenses	<u>\$4,469.59</u>
SUBTOTAL ZONE COST	\$16,767.59
Fund Balance (Reduction)/Reserve	(177.02)
TOTAL BALANCE TO LEVY	<u>\$16,590.57</u>
Number of Assessable Units	71
Assessment Rate per Unit	\$233.67
Estimated Beginning Fund Balance July 1, 2022	\$8,134.94
Fund Balance Change	<u>(177.02)</u>
Estimated Ending Fund Balance June 30, 2023	\$7,957.92



City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	<u>Llagas/Obata</u>
DIRECT EXPENSES	
Maintenance	\$1,305.00
Extra Contract Costs	0.00
Water/Sewer	320.00
Electricity Costs	0.00
Other Supplies	0.00
Subtotal Direct Expenses	\$1,625.00
ADMINISTRATIVE EXPENSES	
Salaries	\$151.29
Postage/Advertising	1.39
Internal Services	110.60
Administrative/Engineering Contract	51.47
Subtotal Administrative Expenses	\$314.76
SUBTOTAL ZONE COST	\$1,939.76
Fund Balance (Reduction)/Reserve	60.24
TOTAL BALANCE TO LEVY	\$2,000.00
Number of Assessable Units	5
Assessment Rate per Unit	\$400.00
Estimated Beginning Fund Balance July 1, 2022	\$673.98
Fund Balance Change	60.24
Estimated Ending Fund Balance June 30, 2023	\$734.22



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City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	<u>Mill Creek</u>
DIRECT EXPENSES	
Maintenance	\$9,205.74
Extra Contract Costs	500.00
Water/Sewer	4,280.00
Electricity Costs	240.00
Other Supplies	1,500.00
Subtotal Direct Expenses	<u>\$15,725.74</u>
ADMINISTRATIVE EXPENSES	
Salaries	\$2,541.64
Postage/Advertising	23.40
Internal Services	1,858.16
Administrative/Engineering Contract	864.77
Subtotal Administrative Expenses	<u>\$5,287.96</u>
SUBTOTAL ZONE COST	\$21,013.70
Fund Balance (Reduction)/Reserve	2,926.30
TOTAL BALANCE TO LEVY	<u>\$23,940.00</u>
Number of Assessable Units	84
Assessment Rate per Unit	\$285.00
Estimated Beginning Fund Balance July 1, 2022	\$11,289.64
Fund Balance Change	<u>2,926.30</u>
Estimated Ending Fund Balance June 30, 2023	\$14,215.94

City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	<u>Oak Creek I, II, III</u>
DIRECT EXPENSES	
Maintenance	\$24,229.18
Extra Contract Costs	7,500.00
Water/Sewer	10,700.00
Electricity Costs	3,575.00
Other Supplies	2,500.00
Subtotal Direct Expenses	\$48,504.18
ADMINISTRATIVE EXPENSES	
Salaries	\$3,600.66
Postage/Advertising	33.15
Internal Services	2,632.39
Administrative/Engineering Contract	1,225.09
Subtotal Administrative Expenses	\$7,491.28
SUBTOTAL ZONE COST	\$55,995.46
Fund Balance (Reduction)/Reserve	(5,420.46)
TOTAL BALANCE TO LEVY	\$50,575.00
Number of Assessable Units	119
Assessment Rate per Unit	\$425.00
Estimated Beginning Fund Balance July 1, 2022	\$39,392.00
Fund Balance Change	(5,420.46)
Estimated Ending Fund Balance June 30, 2023	\$33,971.54



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City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	<u>Rose Haven</u>
DIRECT EXPENSES	
Maintenance	\$7,364.59
Extra Contract Costs	500.00
Water/Sewer	1,100.00
Electricity Costs	258.00
Other Supplies	400.00
Subtotal Direct Expenses	<u>\$9,622.59</u>
ADMINISTRATIVE EXPENSES	
Salaries	\$816.96
Postage/Advertising	7.52
Internal Services	597.26
Administrative/Engineering Contract	277.96
Subtotal Administrative Expenses	<u>\$1,699.70</u>
SUBTOTAL ZONE COST	\$11,322.29
Fund Balance (Reduction)/Reserve	(522.29)
TOTAL BALANCE TO LEVY	<u>\$10,800.00</u>
Number of Assessable Units	27
Assessment Rate per Unit	\$400.00
Estimated Beginning Fund Balance July 1, 2022	\$22,389.43
Fund Balance Change	<u>(522.29)</u>
Estimated Ending Fund Balance June 30, 2023	\$21,867.14



City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	<u>Sandalwood</u>
DIRECT EXPENSES	
Maintenance	\$326.00
Extra Contract Costs	0.00
Water/Sewer	0.00
Electricity Costs	0.00
Other Supplies	0.00
Subtotal Direct Expenses	<u>\$326.00</u>
ADMINISTRATIVE EXPENSES	
Salaries	\$332.83
Postage/Advertising	3.06
Internal Services	243.33
Administrative/Engineering Contract	113.24
Subtotal Administrative Expenses	<u>\$692.47</u>
SUBTOTAL ZONE COST	\$1,018.47
Fund Balance (Reduction)/Reserve	3,931.53
TOTAL BALANCE TO LEVY	<u>\$4,950.00</u>
Number of Assessable Units	11
Assessment Rate per Unit	\$450.00
Estimated Beginning Fund Balance July 1, 2022	\$8,979.46
Fund Balance Change	<u>3,931.53</u>
Estimated Ending Fund Balance June 30, 2023	\$12,910.99



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City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	<u>Sparhawk</u>
DIRECT EXPENSES	
Maintenance	\$2,218.00
Extra Contract Costs	1,000.00
Water/Sewer	1,875.00
Electricity Costs	0.00
Other Supplies	0.00
Subtotal Direct Expenses	<u>\$5,093.00</u>
ADMINISTRATIVE EXPENSES	
Salaries	\$544.64
Postage/Advertising	5.01
Internal Services	398.18
Administrative/Engineering Contract	185.31
Subtotal Administrative Expenses	<u>\$1,133.13</u>
SUBTOTAL ZONE COST	\$6,226.13
Fund Balance (Reduction)/Reserve	(214.13)
TOTAL BALANCE TO LEVY	<u>\$6,012.00</u>
Number of Assessable Units	18
Assessment Rate per Unit	\$334.00
Estimated Beginning Fund Balance July 1, 2022	\$589.62
Fund Balance Change	<u>(214.13)</u>
Estimated Ending Fund Balance June 30, 2023	\$375.49



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City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	<u>Stone Creek</u>
DIRECT EXPENSES	
Maintenance	\$5,970.00
Extra Contract Costs	1,500.00
Water/Sewer	3,210.00
Electricity Costs	0.00
Other Supplies	0.00
Subtotal Direct Expenses	<u>\$10,680.00</u>
ADMINISTRATIVE EXPENSES	
Salaries	\$1,059.02
Postage/Advertising	9.75
Internal Services	774.23
Administrative/Engineering Contract	360.32
Subtotal Administrative Expenses	<u>\$2,203.32</u>
SUBTOTAL ZONE COST	\$12,883.32
 Fund Balance (Reduction)/Reserve	 712.78
TOTAL BALANCE TO LEVY	<u>\$13,596.10</u>
 Number of Assessable Units	 35
 Assessment Rate per Unit	 \$388.46
 Estimated Beginning Fund Balance July 1, 2022	 \$4,281.46
Fund Balance Change	712.78
Estimated Ending Fund Balance June 30, 2023	<u>\$4,994.24</u>



City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	<u>Sunnyside / Stone Gate</u>
DIRECT EXPENSES	
Maintenance	\$1,841.15
Extra Contract Costs	400.00
Water/Sewer	535.00
Electricity Costs	0.00
Other Supplies	400.00
Subtotal Direct Expenses	<u>\$3,176.15</u>
ADMINISTRATIVE EXPENSES	
Salaries	\$302.58
Postage/Advertising	2.79
Internal Services	221.21
Administrative/Engineering Contract	102.95
Subtotal Administrative Expenses	<u>\$629.52</u>
SUBTOTAL ZONE COST	\$3,805.67
Fund Balance (Reduction)/Reserve	(55.67)
TOTAL BALANCE TO LEVY	<u>\$3,750.00</u>
Number of Assessable Units	10
Assessment Rate per Unit	\$375.00
Estimated Beginning Fund Balance July 1, 2022	\$14,767.02
Fund Balance Change	<u>(55.67)</u>
Estimated Ending Fund Balance June 30, 2023	\$14,711.36



City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23 Budget by Zone

	<u>Total of all Zones</u>
DIRECT EXPENSES	
Maintenance	\$82,195.40
Extra Contract Costs	18,750.00
Water/Sewer	42,920.00
Electricity Costs	5,087.00
Other Supplies	7,725.00
Subtotal Direct Expenses	<u>\$156,677.40</u>
ADMINISTRATIVE EXPENSES	
Salaries	\$22,269.60
Postage/Advertising	205.00
Internal Services	16,281.00
Administrative/Engineering Contract	7,577.00
Subtotal Administrative Expenses	<u>\$46,332.60</u>
SUBTOTAL ZONE COST	\$203,010.00
Fund Balance (Reduction)/Reserve	(4,359.62)
TOTAL BALANCE TO LEVY	<u>\$198,650.38</u>
Number of Assessable Units	748
Assessment Rate per Unit	N/A
Estimated Beginning Fund Balance July 1, 2022	\$188,629.55
Fund Balance Change	<u>(4,359.62)</u>
Estimated Ending Fund Balance June 30, 2023	\$184,269.93



4. ASSESSMENTS

The amount of the actual assessment for the Fiscal Year 2022/23 apportioned to each parcel, as shown on the latest equalized roll at the County Assessor's office, is listed in Section 6 of this Report. The description of each lot or parcel is part of the records of the County Assessor and such records are, by reference, made part of this Report.

4.1 Method of Apportionment

The assessments are levied in accordance with the assessment methodology adopted and approved by the City Council at the time of District formation.

Pursuant to the Act and Article XIII D of the Constitution of the State of California, all parcels that have special benefit conferred upon them as a result of the maintenance and operation of improvements shall be identified and the proportionate special benefit derived by each identified parcel shall be determined in relation to the entire cost of the maintenance and operation of the improvements. Only parcels that receive direct special benefit are assessed, and each parcel is assessed in proportion to the estimated benefit received.

Several Zones have been annexed into the District and it has been determined that by reason of variations in the nature, location, and extent of the improvements, those areas will receive differing degrees of benefit from the improvements.

Within the Zones, each parcel is allocated a number of units, where each such unit is deemed to receive the same proportional special benefit from the maintenance and operation of the improvements within that Zone. The typical parcel, with a single-family residential use, will have one unit assigned. If the use or nature of a parcel confers special benefit in a greater or lesser degree than that typical use, that parcel may have greater than or less than one unit assigned.

4.2 Belle Estates Zone

The assessment rate originally approved at the time of annexing this Zone into the District was \$502.22 per unit. There is currently no inflator associated with the Belle Estates Zone assessments.

There are currently 36 parcels within this Zone, and the total Zone costs are spread to each of the 36 units as follows:

Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$11,160.00
Total Units	36
Fiscal Year 2022/23 Actual Assessment Per Unit	\$310.00
Fiscal Year 2022/23 Maximum Assessment Per Unit	\$502.22

Any change in the assessment rate from the previous fiscal year is identified below:

Fiscal Year 2021/22 Actual Assessment Per Unit	\$320.00
Fiscal Year 2022/23 Actual Assessment Per Unit	\$310.00
Change in the Actual Assessment Rate	(\$10.00)

4.3 Chang/Bertelone Zone

The assessment rate originally approved at the time of annexing this Zone into the District was \$1,215.00 per unit. There is currently no inflator associated with the Chang/Bertelone Zone assessments.

There are currently eight (8) parcels within this Zone, and the total Zone costs are spread to each of the eight (8) units as follows:

Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$4,400.00
Total Units	8
Fiscal Year 2022/23 Actual Assessment Per Unit	\$550.00
Fiscal Year 2022/23 Maximum Assessment Per Unit	\$1,215.00

Any change in the assessment rate from the previous fiscal year is identified below:

Fiscal Year 2021/22 Actual Assessment Per Unit	\$550.00
Fiscal Year 2022/23 Actual Assessment Per Unit	\$550.00
Change in the Actual Assessment Rate	\$0.00

4.4 Conte Gardens Zone

The assessment rate originally approved at the time of annexing this Zone into the District was \$477.82 per unit. There is currently no inflator associated with the Conte Gardens Zone assessments.

There are currently 11 parcels within this Zone, and the total Zone costs are spread to each of the 11 units as follows:

Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$4,015.00
Total Units	11
Fiscal Year 2022/23 Actual Assessment Per Unit	\$365.00
Fiscal Year 2022/23 Maximum Assessment Per Unit	\$477.82

Any change in the assessment rate from the previous fiscal year is identified below:

Fiscal Year 2021/22 Actual Assessment Per Unit	\$365.00
Fiscal Year 2022/23 Actual Assessment Per Unit	\$365.00
Change in the Actual Assessment Rate	\$0.00

4.5 Diana Estates Zone

The assessment rate originally approved at the time of annexing this Zone into the District was \$139.39 per unit. There is currently no inflator associated with the Diana Estates Zone assessments.

There are currently 64 parcels within this Zone, and the total Zone costs are spread to each of the 64 units as follows:

Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$8,920.96
Total Units	64
Fiscal Year 2022/23 Actual Assessment Per Unit ⁽¹⁾	\$139.39
Fiscal Year 2022/23 Maximum Assessment Per Unit	\$139.39

(1) May be rounded down to even cents per parcel for County Tax Roll purposes.

Any change in the assessment rate from the previous fiscal year is identified below:

Fiscal Year 2021/22 Actual Assessment Per Unit	\$139.39
Fiscal Year 2022/23 Actual Assessment Per Unit	\$139.39
Change in the Actual Assessment Rate	\$0.00

4.6 Fox Hollow/Murphy Springs Zone

The assessment rate originally approved at the time of District formation was \$106.15 per unit. In July 2005, the City conducted Proposition 218 proceedings to increase the maximum assessment rate and add an annual inflator of 3% for the Zone. Property owners approved the rate increase and the inflator. Each year the maximum assessment rate is increased by 3% over the previous year's maximum assessment rate. The rate increase took effect in Fiscal Year 2005/06 and the 3% inflator took effect in Fiscal Year 2006/07.

There are currently 75 parcels within this Zone, and the total Zone costs are spread to each of the 75 units as follows:

Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$13,014.75
Total Units	75
Fiscal Year 2022/23 Actual Assessment Per Unit ⁽¹⁾	\$173.53
Fiscal Year 2022/23 Maximum Assessment Per Unit	\$233.21

(1) May be rounded down to even cents per parcel for County Tax Roll purposes.

Any change in the assessment rate from the previous fiscal year is identified below:

Fiscal Year 2021/22 Actual Assessment Per Unit	\$173.53
Fiscal Year 2022/23 Actual Assessment Per Unit	\$173.53
Change in the Actual Assessment Rate	\$0.00

4.7 Hamilton Square Zone

The assessment rate originally approved at the time of annexing this Zone into the District was \$425.54 per unit. There is currently no inflator associated with the Hamilton Square Zone assessments.

There are currently 38 parcels within this Zone, and the total Zone costs are spread to each of the 38 units as follows:

Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$12,350.00
Total Units	38
Fiscal Year 2022/23 Actual Assessment Per Unit	\$325.00
Fiscal Year 2022/23 Maximum Assessment Per Unit	\$425.54

Any change in the assessment rate from the previous fiscal year is identified below:

Fiscal Year 2021/22 Actual Assessment Per Unit	\$325.00
Fiscal Year 2022/23 Actual Assessment Per Unit	\$325.00
Change in the Actual Assessment Rate	\$0.00

4.8 Jackson Meadows 6A/6B Zone

The assessment rate originally approved at the time of annexing this Zone into the District was \$108.10 per unit. There is currently no inflator associated with the Jackson Meadows 6A/6B Zone assessments.

There are currently 70 parcels within this Zone, and the total Zone costs are spread to each of the 70 units as follows:

Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$7,560.00
Total Units	70
Fiscal Year 2022/23 Actual Assessment Per Unit	\$108.00
Fiscal Year 2022/23 Maximum Assessment Per Unit	\$108.10

Any change in the assessment rate from the previous fiscal year is identified below:

Fiscal Year 2021/22 Actual Assessment Per Unit	\$108.00
Fiscal Year 2022/23 Actual Assessment Per Unit	\$108.00
Change in the Actual Assessment Rate	\$0.00

4.9 Jackson Meadows Number 7 Zone

The assessment rate originally approved at the time of annexing this Zone into the District was \$314.58 per unit. There is currently no inflator associated with the Jackson Meadows Number 7 Zone assessments.

There are currently 10 parcels within this Zone, and the total Zone costs are spread to each of the 10 units as follows:

Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$1,000.00
Total Units	10
Fiscal Year 2022/23 Actual Assessment Per Unit	\$100.00
Fiscal Year 2022/23 Maximum Assessment Per Unit	\$314.58

Any change in the assessment rate from the previous fiscal year is identified below:

Fiscal Year 2021/22 Actual Assessment Per Unit	\$100.00
Fiscal Year 2022/23 Actual Assessment Per Unit	\$100.00
Change in the Actual Assessment Rate	\$0.00

4.10 La Grande Estates Zone

The assessment rate originally approved at the time of annexing this Zone into the District was \$88.00 per unit. There is currently no inflator associated with the La Grande Estates Zone assessments.

There are currently 32 parcels within this Zone, and the total Zone costs are spread to each of the 32 units as follows:

Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$2,816.00
Total Units	32
Fiscal Year 2022/23 Actual Assessment Per Unit	\$88.00
Fiscal Year 2022/23 Maximum Assessment Per Unit	\$88.00

Any change in the assessment rate from the previous fiscal year is identified below:

Fiscal Year 2021/22 Actual Assessment Per Unit	\$88.00
Fiscal Year 2022/23 Actual Assessment Per Unit	\$88.00
Change in the Actual Assessment Rate	\$0.00

4.11 Lacrosse/Gera Zone

The assessment rate originally approved at the time of annexing this Zone into the District was \$142.99 per unit. There is currently no inflator associated with the Lacrosse/Gera Zone assessments.

There are currently 24 parcels within this Zone, and the total Zone costs are spread to each of the 24 units as follows:

Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$1,200.00
Total Units	24
Fiscal Year 2022/23 Actual Assessment Per Unit	\$50.00
Fiscal Year 2022/23 Maximum Assessment Per Unit	\$142.99

Any change in the assessment rate from the previous fiscal year is identified below:

Fiscal Year 2021/22 Actual Assessment Per Unit	\$50.00
Fiscal Year 2022/23 Actual Assessment Per Unit	\$50.00
Change in the Actual Assessment Rate	\$0.00

4.12 Llagas Creek Estates Zone

The assessment rate originally approved at the time of annexing this Zone into the District was \$140.84 per unit. In July 2005, the City conducted Proposition 218 proceedings to increase the maximum assessment rate and add an annual inflator of 3% for the Zone. Property owners approved the rate increase and the inflator. Each year the maximum assessment rate is increased by 3% over the previous year's maximum assessment rate. The rate increase took effect in Fiscal Year 2005/06 and the 3% inflator took effect in Fiscal Year 2006/07.

There are currently 71 parcels within this Zone, and the total Zone costs are spread to each of the 71 units as follows:

Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$16,590.57
Total Units	71
Fiscal Year 2022/23 Actual Assessment Per Unit ⁽¹⁾	\$233.67
Fiscal Year 2022/23 Maximum Assessment Per Unit	\$314.04

(1) May be rounded down to even cents per parcel for County Tax Roll purposes.

Any change in the assessment rate from the previous fiscal year is identified below:

Fiscal Year 2021/22 Actual Assessment Per Unit	\$233.67
Fiscal Year 2022/23 Actual Assessment Per Unit	\$233.67
Change in the Actual Assessment Rate	\$0.00

4.13 Llagas/Obata Zone

The assessment rate originally approved at the time of annexing this Zone into the District was \$629.16 per unit. There is currently no inflator associated with the Llagas/Obata Zone assessments.

There are currently five (5) parcels within this Zone, and the total Zone costs are spread to each of the five (5) units as follows:

Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$2,000.00
Total Units	5
Fiscal Year 2022/23 Actual Assessment Per Unit	\$400.00
Fiscal Year 2022/23 Maximum Assessment Per Unit	\$629.16

Any change in the assessment rate from the previous fiscal year is identified below:

Fiscal Year 2021/22 Actual Assessment Per Unit	\$400.00
Fiscal Year 2022/23 Actual Assessment Per Unit	\$400.00
Change in the Actual Assessment Rate	\$0.00

4.14 Mill Creek Zone

The assessment rate originally approved at the time of annexing this Zone into the District was \$186.82 per unit. In February 2020, the City conducted Proposition 218 proceedings to increase the maximum assessment rate and add an annual inflator of 3% for the Zone. Property owners approved the assessment rate increase to \$285.00 per unit and the inflator. The rate increase took effect in Fiscal Year 2020/21 and the 3% inflator takes effect in Fiscal Year 2021/22.

There are currently 84 parcels within this Zone, and the total Zone costs are spread to each of the 84 units as follows:

Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$23,940.00
Total Units	84
Fiscal Year 2022/23 Actual Assessment Per Unit	\$285.00
Fiscal Year 2022/23 Maximum Assessment Per Unit ⁽¹⁾	\$302.35

(1) Assessment Rate increase approved by property owners in February 2020.

Any change in the assessment rate from the previous fiscal year is identified below:

Fiscal Year 2021/22 Actual Assessment Per Unit	\$285.00
Fiscal Year 2022/23 Actual Assessment Per Unit	\$285.00
Change in the Actual Assessment Rate	\$0.00

4.15 Oak Creek I, II, III

The assessment rate originally approved at the time of annexing this Zone into the District was \$453.82 per unit. There is currently no inflator associated with the Oak Creek I, II, III Zone assessments.

There are currently 119 parcels within this Zone, and the total Zone costs are spread to each of the 119 units as follows:

Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$50,575.00
Total Units	119
Fiscal Year 2022/23 Actual Assessment Per Unit	\$425.00
Fiscal Year 2022/23 Maximum Assessment Per Unit	\$453.82

Any change in the assessment rate from the previous fiscal year is identified below:

Fiscal Year 2021/22 Actual Assessment Per Unit	\$350.00
Fiscal Year 2022/23 Actual Assessment Per Unit	\$425.00
Change in the Actual Assessment Rate	\$75.00

4.16 Parsons Corner Zone

In April 2019, property owners in the Parsons Corner Zone voted to detach from the District. Therefore, there is no assessment for the Parsons Corner Zone.

4.17 Rose Haven Zone

The assessment rate originally approved at the time of annexing this Zone into the District was \$488.47 per unit. There is currently no inflator associated with the Rose Haven Zone assessments.

There are currently 24 parcels with a total of 27 units within this Zone, and the total Zone costs are spread to each of the 27 units as follows:

Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$10,800.00
Total Units	27
Fiscal Year 2022/23 Actual Assessment Per Unit	\$400.00
Fiscal Year 2022/23 Maximum Assessment Per Unit	\$488.47

Any change in the assessment rate from the previous fiscal year is identified below:

Fiscal Year 2021/22 Actual Assessment Per Unit	\$400.00
Fiscal Year 2022/23 Actual Assessment Per Unit	\$400.00
Change in the Actual Assessment Rate	\$0.00

4.18 Sandalwood Zone

The assessment rate originally approved at the time of annexing this Zone into the District was \$192.39 per unit. In April 2018, property owners approved the assessment rate increase to \$450.00 per unit. There is currently no inflator associated with the Sandalwood Zone assessments.

There are currently 11 parcels within this Zone, and the total Zone costs are spread to each of the 11 units as follows:

Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$4,950.00
Total Units	11
Fiscal Year 2022/23 Actual Assessment Per Unit	\$450.00
Fiscal Year 2022/23 Maximum Assessment Per Unit ⁽¹⁾	\$450.00

(1) Assessment Rate increase approved by property owners in April 2018.

Any change in the assessment rate from the previous fiscal year is identified below:

Fiscal Year 2021/22 Actual Assessment Per Unit	\$450.00
Fiscal Year 2022/23 Actual Assessment Per Unit	\$450.00
Change in the Actual Assessment Rate	\$0.00

4.19 Sparhawk Zone

The assessment rate originally approved at the time of annexing this Zone into the District was \$174.77 per unit. In July 2005, the City conducted Proposition 218 proceedings to increase the maximum assessment rate and add an annual inflator of 3% for the Zone. Property owners approved the rate increase and the inflator. Each year the maximum assessment rate is increased by 3% over the previous year's maximum assessment rate. The rate increase took effect in Fiscal Year 2005/06 and the 3% inflator took effect in Fiscal Year 2006/07.

There are currently 18 parcels within this Zone, and the total Zone costs are spread to each of the 18 units as follows:

Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$6,012.00
Total Units	18
Fiscal Year 2022/23 Actual Assessment Per Unit	\$334.00
Fiscal Year 2022/23 Maximum Assessment Per Unit	\$334.40

Any change in the assessment rate from the previous fiscal year is identified below:

Fiscal Year 2021/22 Actual Assessment Per Unit	\$248.82
Fiscal Year 2022/23 Actual Assessment Per Unit	\$334.00
Change in the Actual Assessment Rate	\$85.18

4.20 Stone Creek Zone

The assessment rate originally approved at the time of annexing this Zone into the District was \$306.66 per unit. In July 2005, the City conducted Proposition 218 proceedings to add an annual inflator of 3% for the

Zone. Property owners approved the inflator. Each year the maximum assessment rate is increased by 3% over the previous year's maximum assessment rate. The inflator took effect in Fiscal Year 2005/06.

There are currently 35 parcels within this Zone, and the total Zone costs are spread to each of the 35 units as follows:

Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$13,596.10
Total Units	35
Fiscal Year 2022/23 Actual Assessment Per Unit	\$388.46
Fiscal Year 2022/23 Maximum Assessment Per Unit	\$522.05

Any change in the assessment rate from the previous fiscal year is identified below:

Fiscal Year 2021/22 Actual Assessment Per Unit	\$388.46
Fiscal Year 2022/23 Actual Assessment Per Unit	\$388.46
Change in the Actual Assessment Rate	\$0.00

4.21 Sunnyside/Stone Gate Zone

The assessment rate originally approved at the time of annexing this Zone into the District was \$449.40 per unit. In July 2005, the City conducted Proposition 218 proceedings to add an annual inflator of 3% for the Zone. Property owners approved the inflator. Each year the maximum assessment rate is increased by 3% over the previous year's maximum assessment rate. The inflator took effect in Fiscal Year 2005/06.

There are currently 10 parcels within this Zone, and the total Zone costs are spread to each of the 10 units as follows:

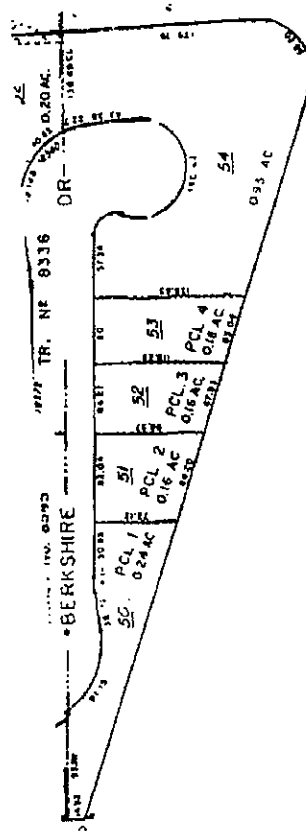
Estimated Fiscal Year 2022/23 Costs and Fund Adjustment	\$3,750.00
Total Units	10
Fiscal Year 2022/23 Actual Assessment Per Unit	\$375.00
Fiscal Year 2022/23 Maximum Assessment Per Unit	\$765.07

Any change in the assessment rate from the previous fiscal year is identified below:

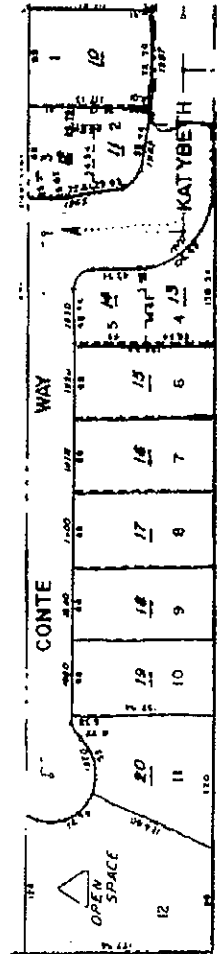
Fiscal Year 2021/22 Actual Assessment Per Unit	\$375.00
Fiscal Year 2022/23 Actual Assessment Per Unit	\$375.00
Change in the Actual Assessment Rate	\$0.00

5. ASSESSMENT DIAGRAMS

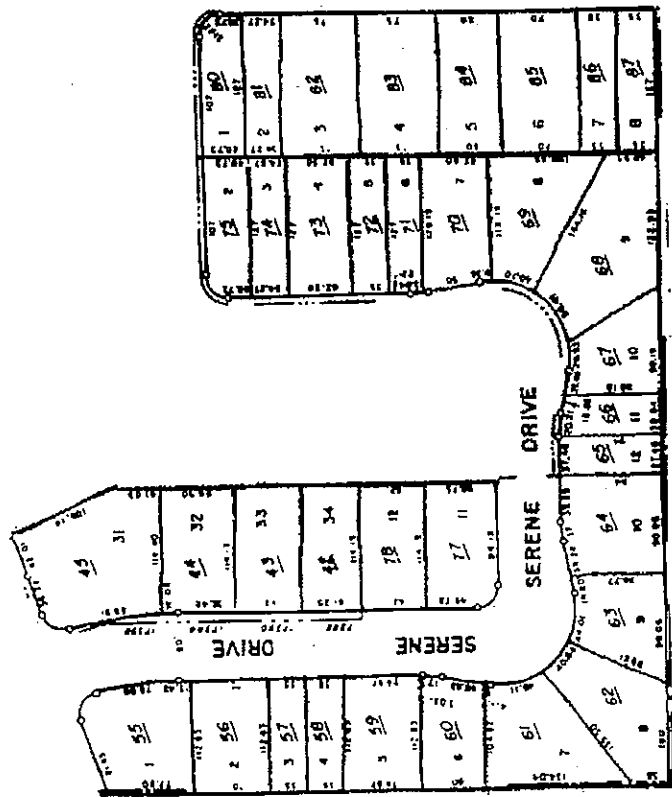
The Assessment Diagrams for each Zone in the District have been submitted to the City Clerk in the format required under the provisions of the Act. Copies of the diagrams are included herein. The lines and dimensions shown on maps of the County Assessor for the current year are, by reference, made part of this Report as well.



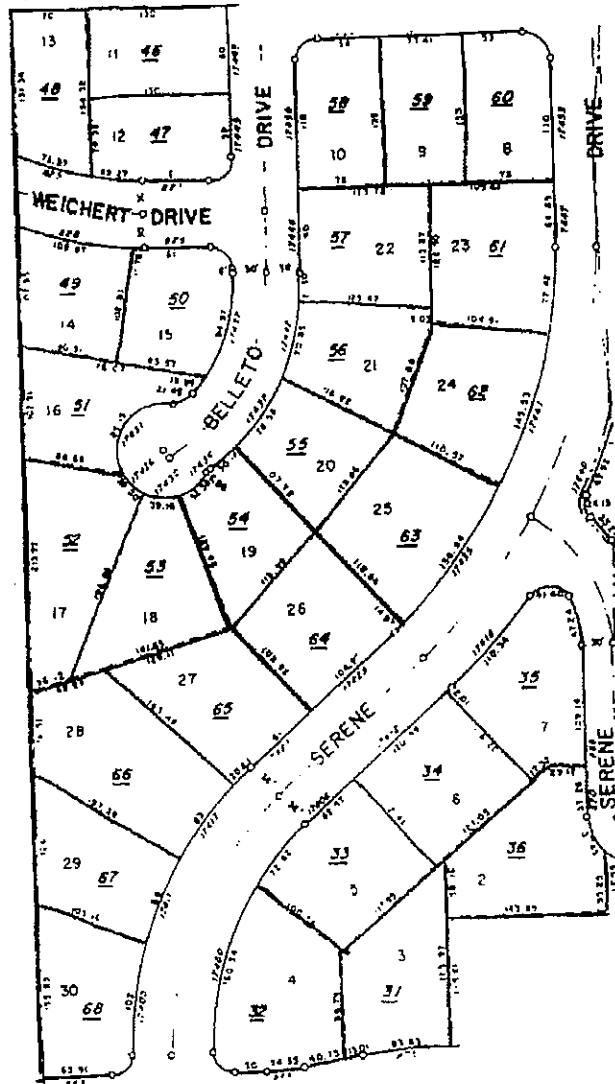
CHIANG/BERTELOONE ZONE



CONTE GARDENS ZONE

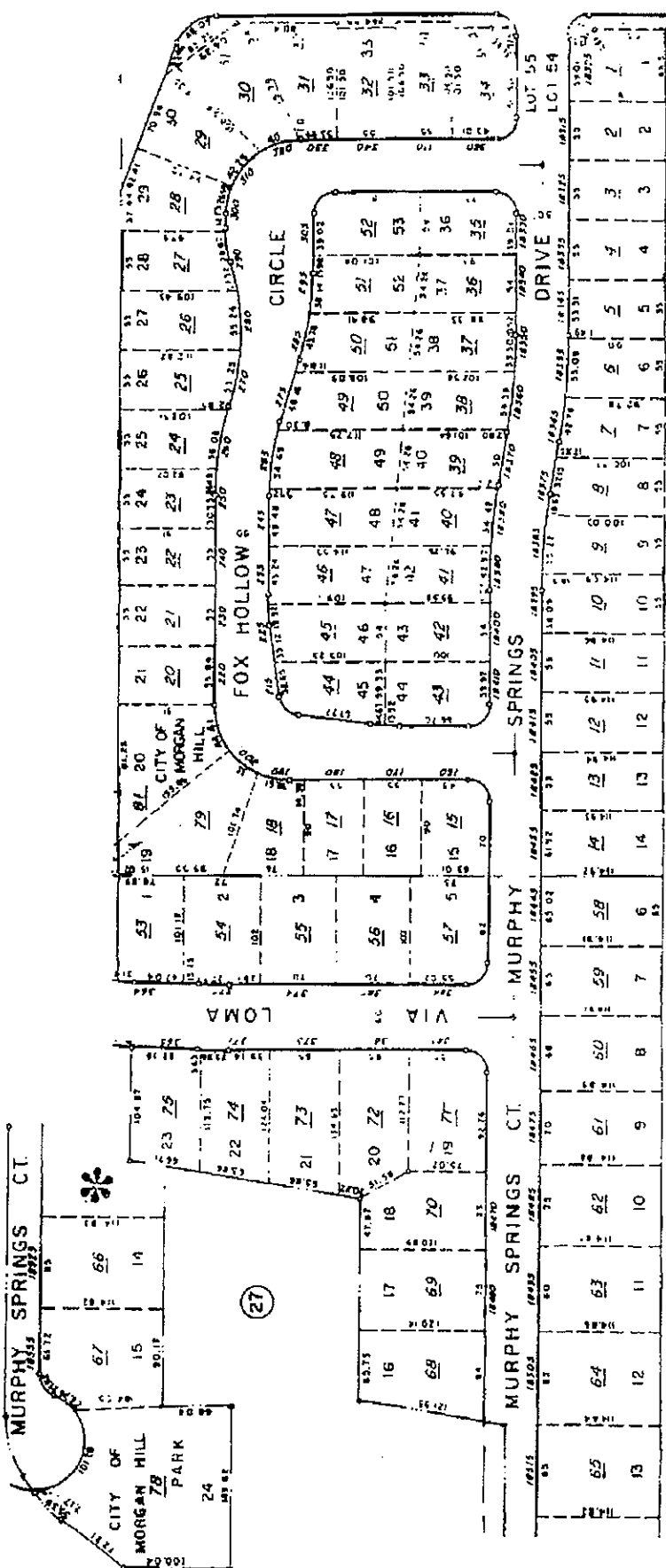


DIANA ESTATES ZONE SHEET 1

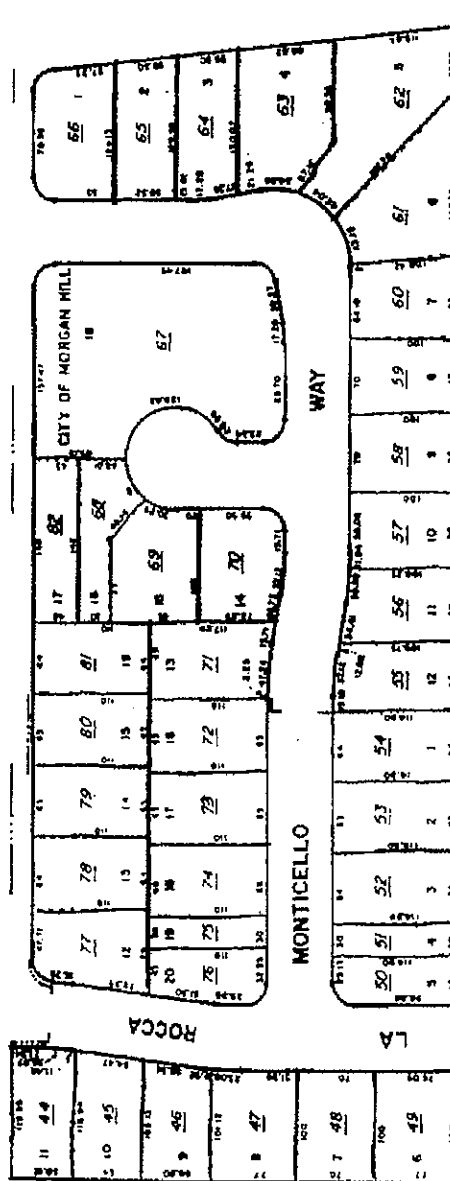


SHEET 2

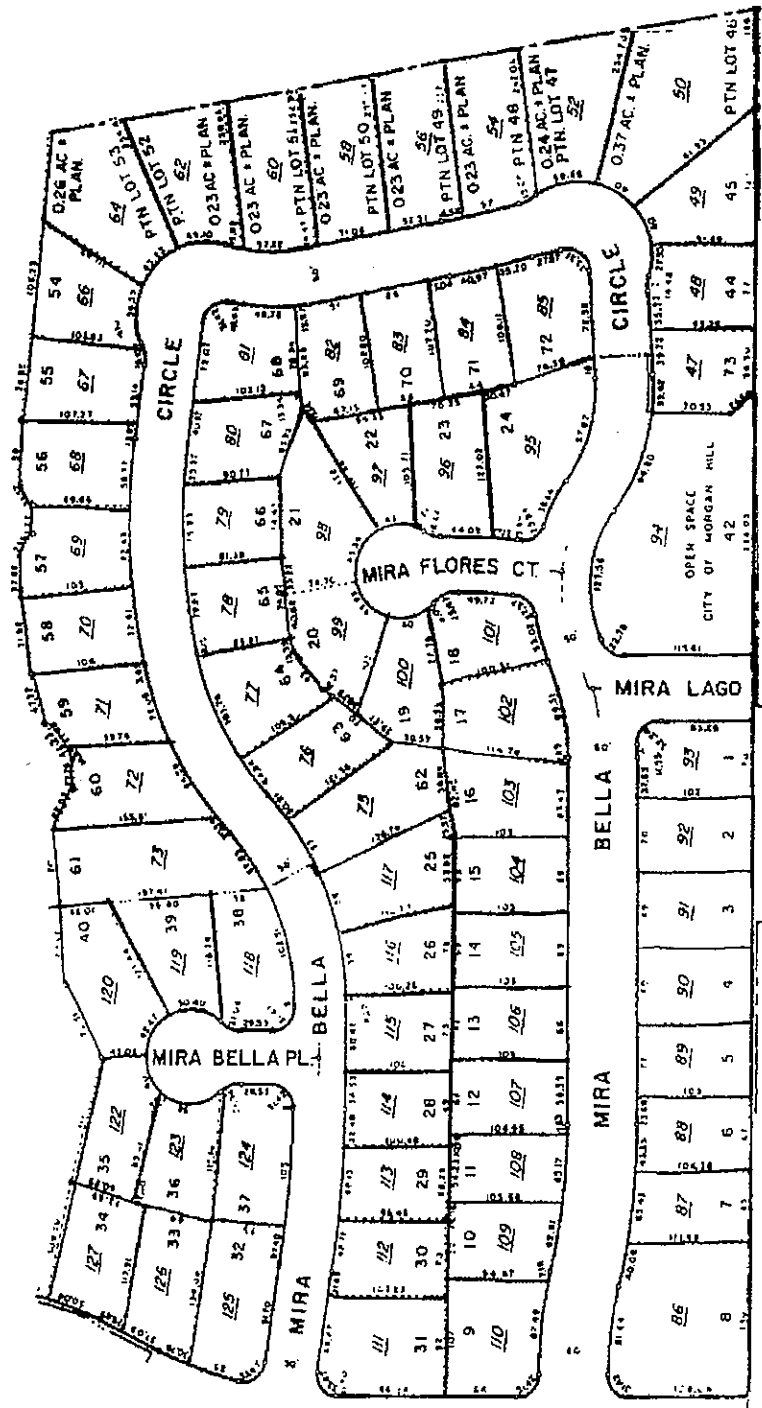
DIANA ESTATES ZONE



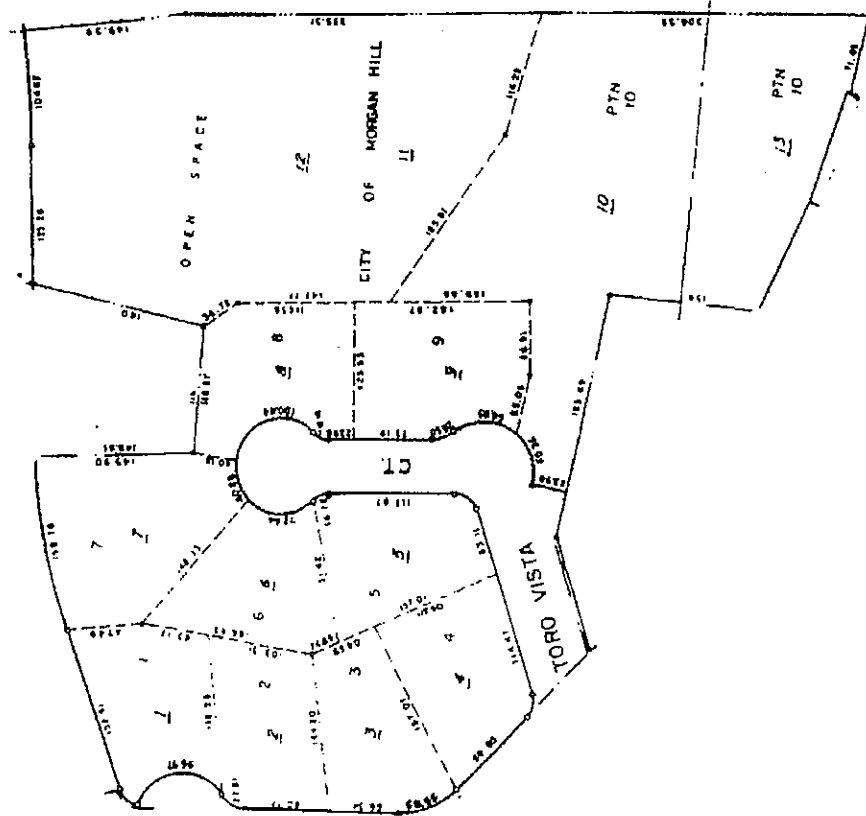
FOX HOLLOW/MURPHY SPRINGS ZONE



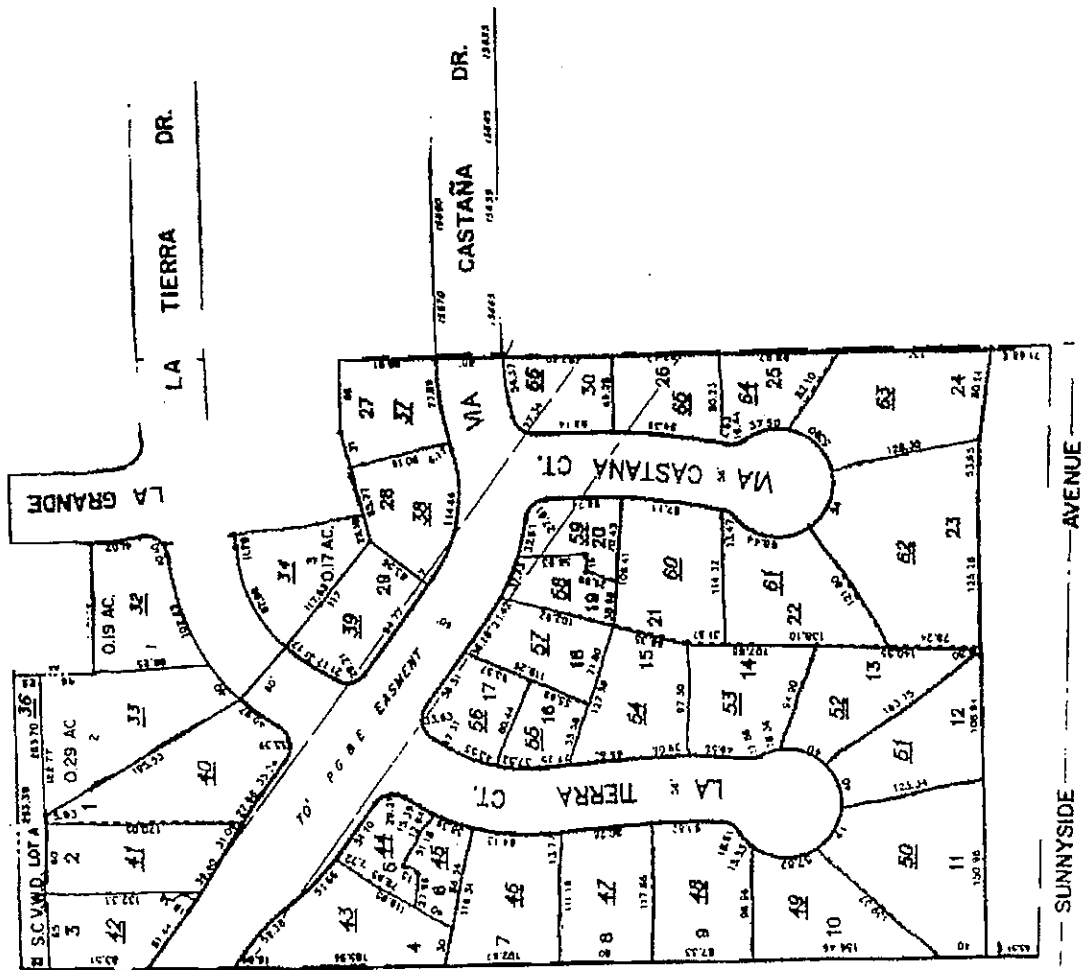
HAMILTON SQUARE ZONE



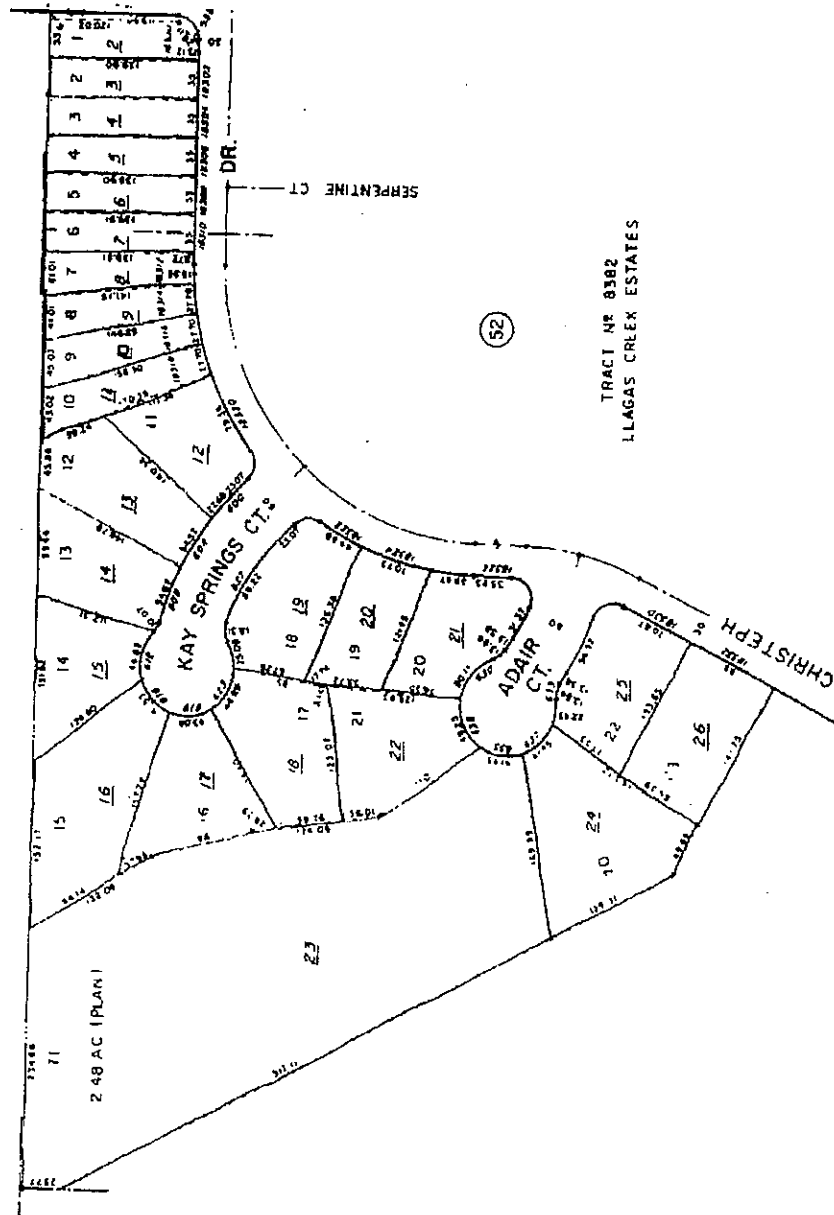
JACKSON MEADOWS #6 ZONE

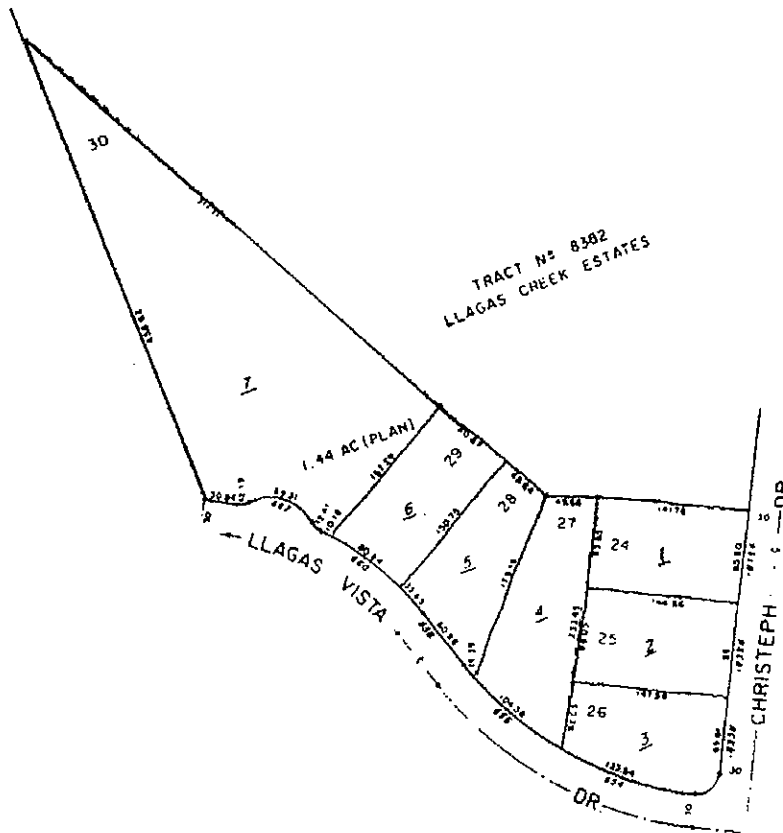


JACKSON MEADOWS #7 ZONE



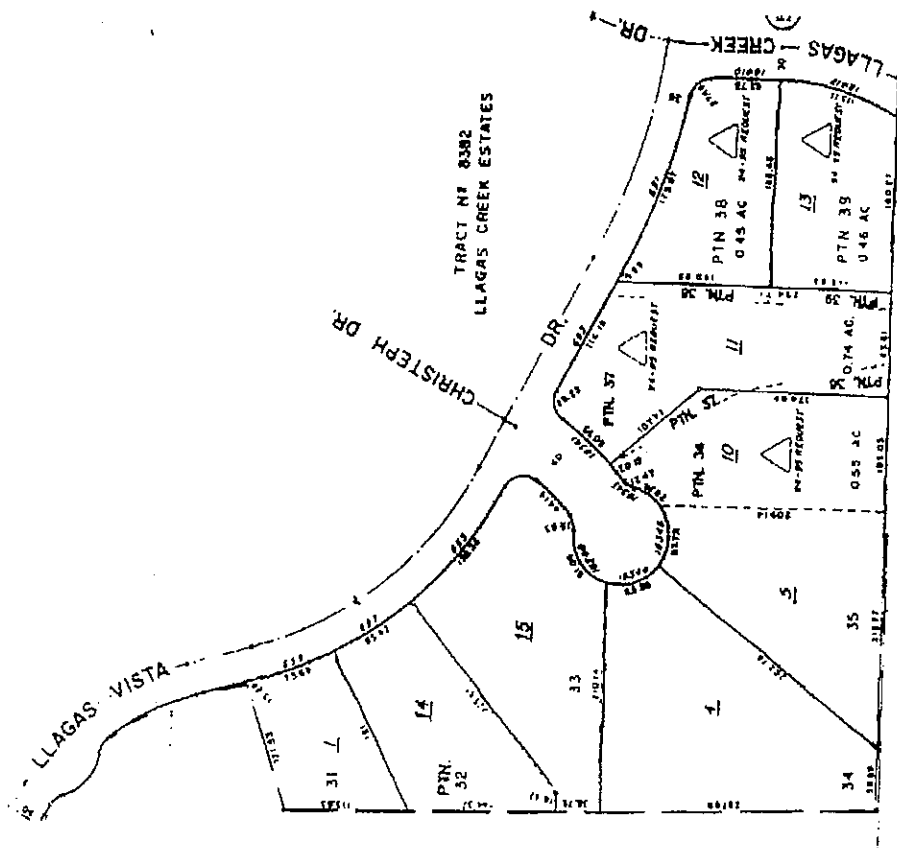
LA GRANDE ESTATES ZONE



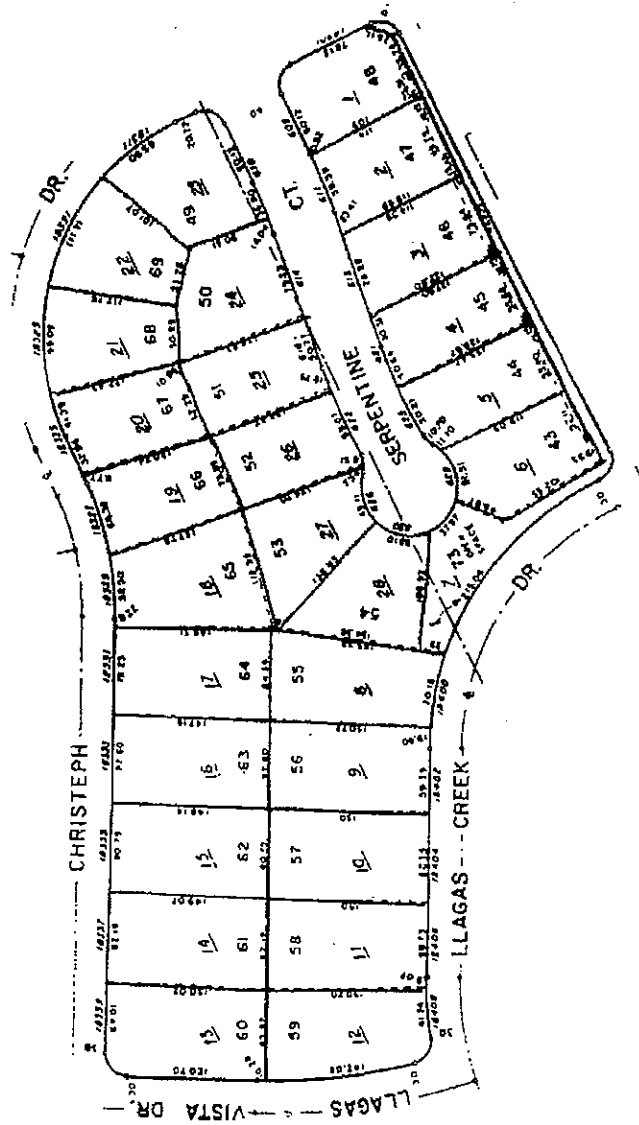


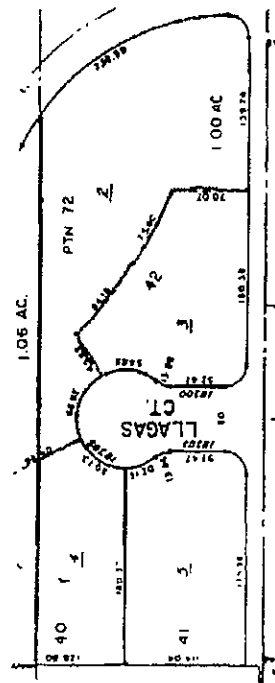
SHEET 2

LLAGAS CREEK ESTATES ZONE



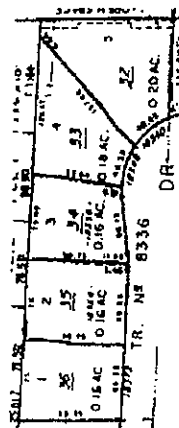
LLAGAS CREEK ESTATES ZONE SHEET 3



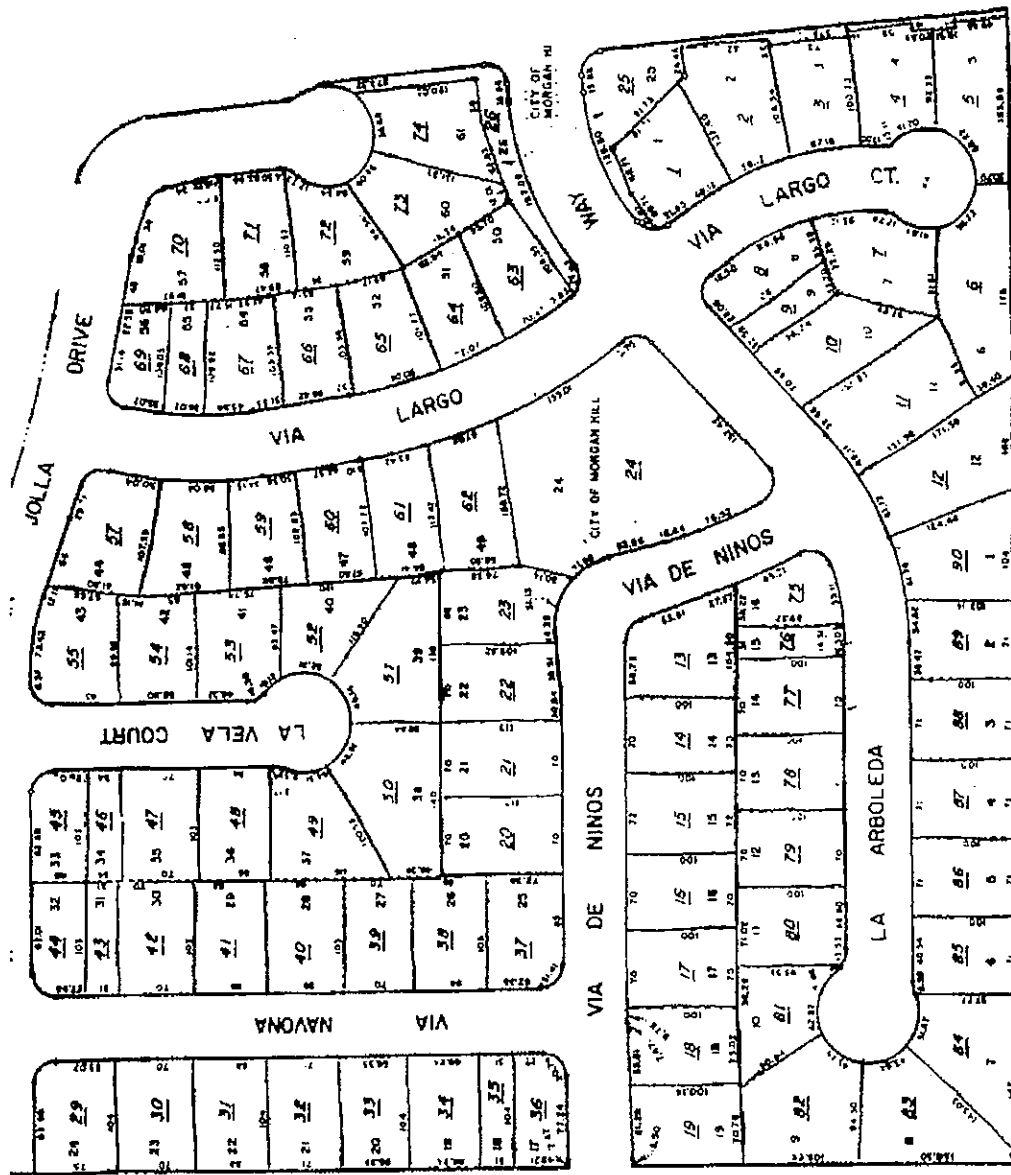


SHEET 5

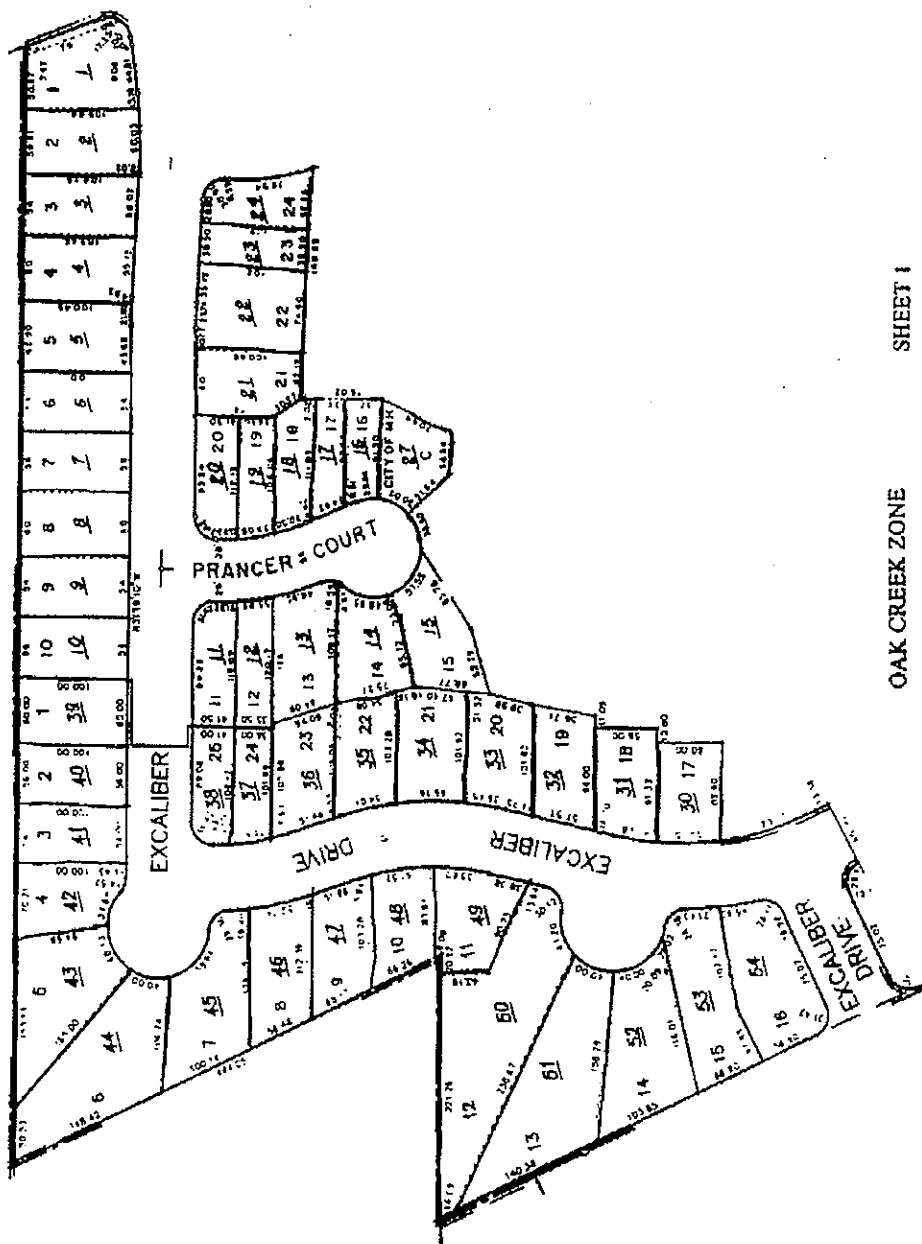
LLAGAS CREEK ESTATES ZONE



LLAGAS/OBATA ZONE

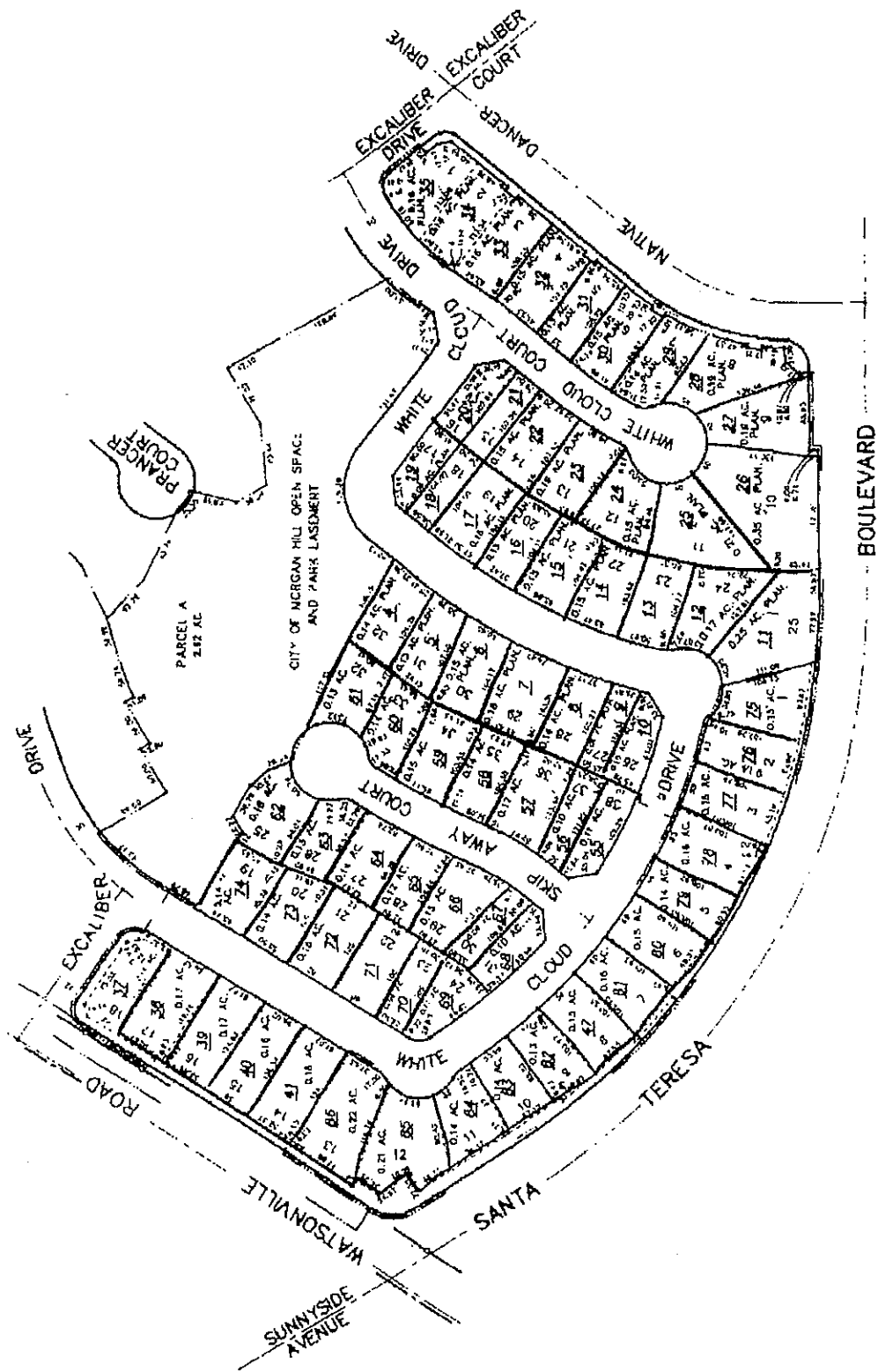


MILL CREEK ZONE

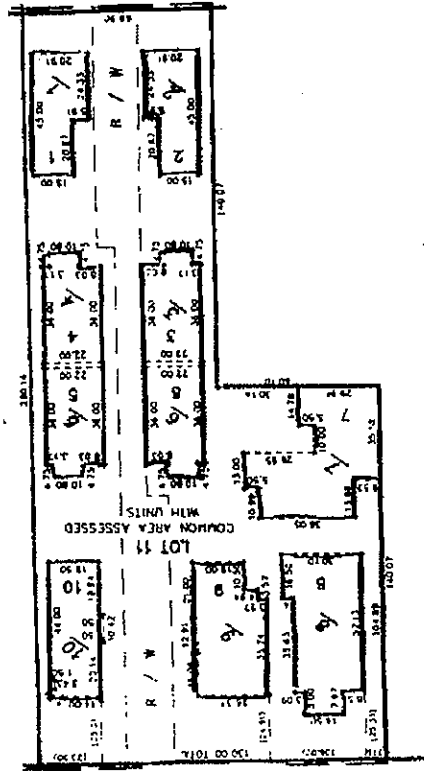


SHEET 1

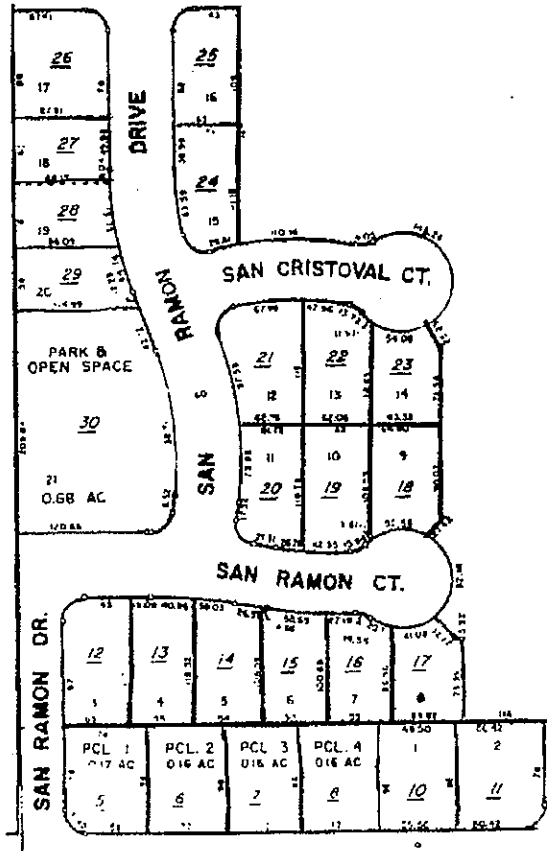
OAK CREEK ZONE



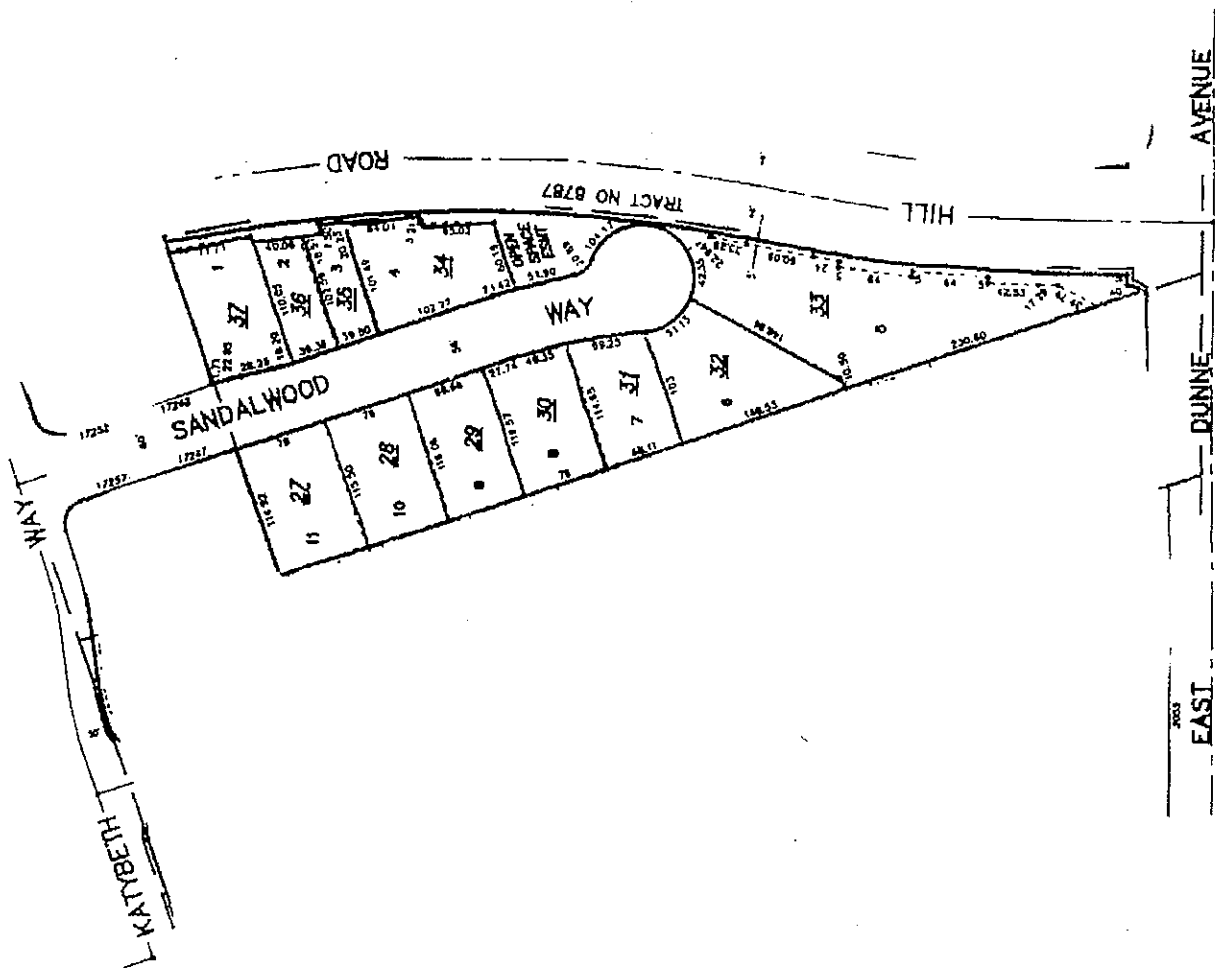
OAK CREEK ZONE SHEET 2



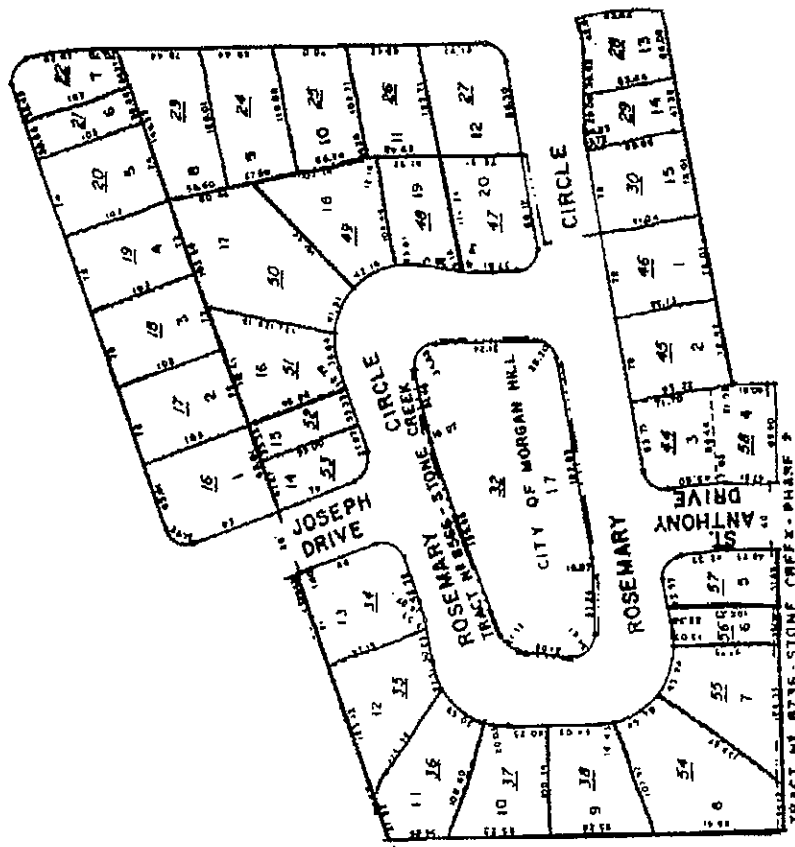
PARSONS CORNER ZONE



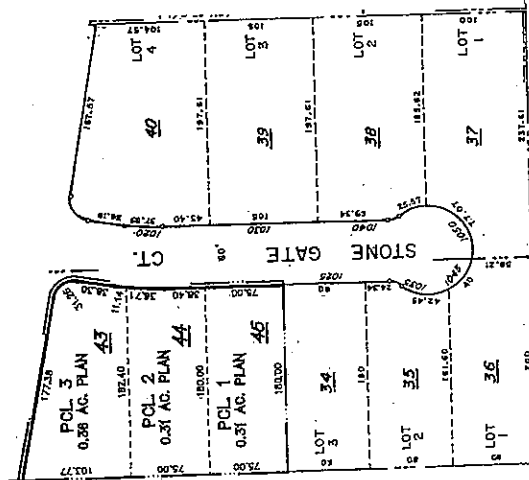
ROSEHAVEN ZONE



SANDALWOOD ZONE



STONE CREEK ZONE



SUNNYSIDE/STONEGATE ZONE

6. ASSESSMENT ROLL

The listing of Fiscal Year 2022/23 assessments is provided per Zone on the following pages. The description of each lot or parcel as part of the records of the County Assessor are, by reference, made part of this Report as well.

City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23
Assessment Roll

Zone	APN	Rate Per Unit	Units	Rounding Adjustment	2022/23 Assessment ⁽¹⁾
Belle Estates	726-16-043	\$310.00	1.00	\$0.00	\$310.00
Belle Estates	726-16-044	310.00	1.00	0.00	310.00
Belle Estates	726-16-045	310.00	1.00	0.00	310.00
Belle Estates	726-16-046	310.00	1.00	0.00	310.00
Belle Estates	726-16-048	310.00	1.00	0.00	310.00
Belle Estates	726-16-050	310.00	1.00	0.00	310.00
Belle Estates	726-16-051	310.00	1.00	0.00	310.00
Belle Estates	726-16-052	310.00	1.00	0.00	310.00
Belle Estates	726-16-053	310.00	1.00	0.00	310.00
Belle Estates	726-16-054	310.00	1.00	0.00	310.00
Belle Estates	726-16-055	310.00	1.00	0.00	310.00
Belle Estates	726-16-056	310.00	1.00	0.00	310.00
Belle Estates	726-16-057	310.00	1.00	0.00	310.00
Belle Estates	726-16-058	310.00	1.00	0.00	310.00
Belle Estates	726-16-059	310.00	1.00	0.00	310.00
Belle Estates	726-16-060	310.00	1.00	0.00	310.00
Belle Estates	726-16-061	310.00	1.00	0.00	310.00
Belle Estates	726-16-062	310.00	1.00	0.00	310.00
Belle Estates	726-16-063	310.00	1.00	0.00	310.00
Belle Estates	726-16-064	310.00	1.00	0.00	310.00
Belle Estates	726-16-065	310.00	1.00	0.00	310.00
Belle Estates	726-16-066	310.00	1.00	0.00	310.00
Belle Estates	726-16-068	310.00	1.00	0.00	310.00
Belle Estates	726-16-069	310.00	1.00	0.00	310.00
Belle Estates	726-16-070	310.00	1.00	0.00	310.00
Belle Estates	726-16-071	310.00	1.00	0.00	310.00
Belle Estates	726-16-072	310.00	1.00	0.00	310.00
Belle Estates	726-16-074	310.00	1.00	0.00	310.00
Belle Estates	726-16-075	310.00	1.00	0.00	310.00
Belle Estates	726-16-076	310.00	1.00	0.00	310.00
Belle Estates	726-16-077	310.00	1.00	0.00	310.00
Belle Estates	726-16-078	310.00	1.00	0.00	310.00
Belle Estates	726-16-079	310.00	1.00	0.00	310.00
Belle Estates	726-16-080	310.00	1.00	0.00	310.00
Belle Estates	726-16-081	310.00	1.00	0.00	310.00
Belle Estates	726-16-082	310.00	1.00	0.00	310.00
Chang/Bertelone	764-23-050	550.00	1.00	0.00	550.00
Chang/Bertelone	764-23-051	550.00	1.00	0.00	550.00
Chang/Bertelone	764-23-052	550.00	1.00	0.00	550.00
Chang/Bertelone	764-23-053	550.00	1.00	0.00	550.00
Chang/Bertelone	764-23-057	550.00	1.00	0.00	550.00
Chang/Bertelone	764-23-058	550.00	1.00	0.00	550.00
Chang/Bertelone	764-23-059	550.00	1.00	0.00	550.00

City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23
Assessment Roll

Zone	APN	Rate Per Unit	Units	Rounding Adjustment	2022/23 Assessment ⁽¹⁾
Chang/Bertelone	764-23-060	550.00	1.00	0.00	550.00
Conte Gardens	728-10-010	365.00	1.00	0.00	365.00
Conte Gardens	728-10-011	365.00	1.00	0.00	365.00
Conte Gardens	728-10-012	365.00	1.00	0.00	365.00
Conte Gardens	728-10-013	365.00	1.00	0.00	365.00
Conte Gardens	728-10-014	365.00	1.00	0.00	365.00
Conte Gardens	728-10-015	365.00	1.00	0.00	365.00
Conte Gardens	728-10-016	365.00	1.00	0.00	365.00
Conte Gardens	728-10-017	365.00	1.00	0.00	365.00
Conte Gardens	728-10-018	365.00	1.00	0.00	365.00
Conte Gardens	728-10-019	365.00	1.00	0.00	365.00
Conte Gardens	728-10-020	365.00	1.00	0.00	365.00
Diana Estates	726-07-042	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-043	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-044	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-045	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-055	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-056	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-057	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-058	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-059	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-060	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-061	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-062	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-063	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-064	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-065	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-066	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-067	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-068	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-069	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-070	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-071	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-072	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-073	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-074	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-075	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-077	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-078	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-080	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-081	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-082	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-083	139.39	1.00	(0.01)	139.38

City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23
Assessment Roll

Zone	APN	Rate Per Unit	Units	Rounding Adjustment	2022/23 Assessment ⁽¹⁾
Diana Estates	726-07-084	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-085	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-086	139.39	1.00	(0.01)	139.38
Diana Estates	726-07-087	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-031	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-032	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-033	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-034	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-035	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-036	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-046	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-047	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-048	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-049	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-050	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-051	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-052	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-053	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-054	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-055	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-056	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-057	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-058	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-059	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-060	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-061	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-062	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-063	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-064	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-065	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-066	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-067	139.39	1.00	(0.01)	139.38
Diana Estates	726-08-068	139.39	1.00	(0.01)	139.38
Fox Hollow	764-47-001	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-002	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-003	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-004	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-005	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-006	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-007	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-008	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-009	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-010	173.53	1.00	(0.01)	173.52

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Zone	APN	Rate Per Unit	Units	Rounding Adjustment	2022/23 Assessment ⁽¹⁾
Fox Hollow	764-47-011	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-012	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-013	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-014	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-015	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-016	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-017	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-018	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-020	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-021	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-022	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-023	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-024	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-025	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-026	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-027	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-028	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-029	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-030	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-031	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-032	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-033	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-034	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-035	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-036	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-037	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-038	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-039	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-040	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-041	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-042	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-043	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-044	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-045	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-046	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-047	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-048	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-049	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-050	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-051	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-052	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-053	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-054	173.53	1.00	(0.01)	173.52

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Zone	APN	Rate Per Unit	Units	Rounding Adjustment	2022/23 Assessment ⁽¹⁾
Fox Hollow	764-47-055	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-056	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-057	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-058	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-059	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-060	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-061	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-062	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-063	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-064	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-065	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-066	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-067	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-068	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-069	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-070	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-071	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-072	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-073	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-074	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-075	173.53	1.00	(0.01)	173.52
Fox Hollow	764-47-079	173.53	1.00	(0.01)	173.52
Hamilton Square	767-36-044	325.00	1.00	0.00	325.00
Hamilton Square	767-36-045	325.00	1.00	0.00	325.00
Hamilton Square	767-36-046	325.00	1.00	0.00	325.00
Hamilton Square	767-36-047	325.00	1.00	0.00	325.00
Hamilton Square	767-36-048	325.00	1.00	0.00	325.00
Hamilton Square	767-36-049	325.00	1.00	0.00	325.00
Hamilton Square	767-36-050	325.00	1.00	0.00	325.00
Hamilton Square	767-36-051	325.00	1.00	0.00	325.00
Hamilton Square	767-36-052	325.00	1.00	0.00	325.00
Hamilton Square	767-36-053	325.00	1.00	0.00	325.00
Hamilton Square	767-36-054	325.00	1.00	0.00	325.00
Hamilton Square	767-36-055	325.00	1.00	0.00	325.00
Hamilton Square	767-36-056	325.00	1.00	0.00	325.00
Hamilton Square	767-36-057	325.00	1.00	0.00	325.00
Hamilton Square	767-36-058	325.00	1.00	0.00	325.00
Hamilton Square	767-36-059	325.00	1.00	0.00	325.00
Hamilton Square	767-36-060	325.00	1.00	0.00	325.00
Hamilton Square	767-36-061	325.00	1.00	0.00	325.00
Hamilton Square	767-36-062	325.00	1.00	0.00	325.00
Hamilton Square	767-36-063	325.00	1.00	0.00	325.00
Hamilton Square	767-36-064	325.00	1.00	0.00	325.00

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Zone	APN	Rate Per Unit	Units	Rounding Adjustment	2022/23 Assessment ⁽¹⁾
Hamilton Square	767-36-065	325.00	1.00	0.00	325.00
Hamilton Square	767-36-066	325.00	1.00	0.00	325.00
Hamilton Square	767-36-068	325.00	1.00	0.00	325.00
Hamilton Square	767-36-069	325.00	1.00	0.00	325.00
Hamilton Square	767-36-070	325.00	1.00	0.00	325.00
Hamilton Square	767-36-071	325.00	1.00	0.00	325.00
Hamilton Square	767-36-072	325.00	1.00	0.00	325.00
Hamilton Square	767-36-073	325.00	1.00	0.00	325.00
Hamilton Square	767-36-074	325.00	1.00	0.00	325.00
Hamilton Square	767-36-075	325.00	1.00	0.00	325.00
Hamilton Square	767-36-076	325.00	1.00	0.00	325.00
Hamilton Square	767-36-077	325.00	1.00	0.00	325.00
Hamilton Square	767-36-078	325.00	1.00	0.00	325.00
Hamilton Square	767-36-079	325.00	1.00	0.00	325.00
Hamilton Square	767-36-080	325.00	1.00	0.00	325.00
Hamilton Square	767-36-081	325.00	1.00	0.00	325.00
Hamilton Square	767-36-082	325.00	1.00	0.00	325.00
Jackson Meadows #6	817-26-047	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-048	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-049	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-066	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-067	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-068	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-069	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-070	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-071	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-072	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-073	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-075	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-076	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-077	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-078	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-079	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-080	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-081	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-082	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-083	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-084	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-085	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-086	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-087	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-088	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-089	108.00	1.00	0.00	108.00

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Zone	APN	Rate Per Unit	Units	Rounding Adjustment	2022/23 Assessment ⁽¹⁾
Jackson Meadows #6	817-26-090	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-091	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-092	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-093	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-095	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-096	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-097	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-098	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-099	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-100	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-101	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-102	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-103	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-104	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-105	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-106	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-107	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-108	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-109	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-110	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-111	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-112	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-113	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-114	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-115	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-116	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-117	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-118	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-119	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-120	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-122	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-123	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-124	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-125	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-126	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-127	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-129	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-130	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-131	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-132	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-133	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-134	108.00	1.00	0.00	108.00
Jackson Meadows #6	817-26-135	108.00	1.00	0.00	108.00

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Zone	APN	Rate Per Unit	Units	Rounding Adjustment	2022/23 Assessment ⁽¹⁾
Jackson Meadows #6	817-26-136	108.00	1.00	0.00	108.00
Jackson Meadows #7	817-70-001	100.00	1.00	0.00	100.00
Jackson Meadows #7	817-70-002	100.00	1.00	0.00	100.00
Jackson Meadows #7	817-70-003	100.00	1.00	0.00	100.00
Jackson Meadows #7	817-70-004	100.00	1.00	0.00	100.00
Jackson Meadows #7	817-70-005	100.00	1.00	0.00	100.00
Jackson Meadows #7	817-70-006	100.00	1.00	0.00	100.00
Jackson Meadows #7	817-70-007	100.00	1.00	0.00	100.00
Jackson Meadows #7	817-70-008	100.00	1.00	0.00	100.00
Jackson Meadows #7	817-70-009	100.00	1.00	0.00	100.00
Jackson Meadows #7	817-70-017	100.00	1.00	0.00	100.00
La Grande Estates	767-45-032	88.00	1.00	0.00	88.00
La Grande Estates	767-45-033	88.00	1.00	0.00	88.00
La Grande Estates	767-45-034	88.00	1.00	0.00	88.00
La Grande Estates	767-45-037	88.00	1.00	0.00	88.00
La Grande Estates	767-45-038	88.00	1.00	0.00	88.00
La Grande Estates	767-45-039	88.00	1.00	0.00	88.00
La Grande Estates	767-45-040	88.00	1.00	0.00	88.00
La Grande Estates	767-45-041	88.00	1.00	0.00	88.00
La Grande Estates	767-45-042	88.00	1.00	0.00	88.00
La Grande Estates	767-45-043	88.00	1.00	0.00	88.00
La Grande Estates	767-45-044	88.00	1.00	0.00	88.00
La Grande Estates	767-45-045	88.00	1.00	0.00	88.00
La Grande Estates	767-45-046	88.00	1.00	0.00	88.00
La Grande Estates	767-45-047	88.00	1.00	0.00	88.00
La Grande Estates	767-45-048	88.00	1.00	0.00	88.00
La Grande Estates	767-45-049	88.00	1.00	0.00	88.00
La Grande Estates	767-45-050	88.00	1.00	0.00	88.00
La Grande Estates	767-45-051	88.00	1.00	0.00	88.00
La Grande Estates	767-45-052	88.00	1.00	0.00	88.00
La Grande Estates	767-45-053	88.00	1.00	0.00	88.00
La Grande Estates	767-45-054	88.00	1.00	0.00	88.00
La Grande Estates	767-45-055	88.00	1.00	0.00	88.00
La Grande Estates	767-45-056	88.00	1.00	0.00	88.00
La Grande Estates	767-45-057	88.00	1.00	0.00	88.00
La Grande Estates	767-45-058	88.00	1.00	0.00	88.00
La Grande Estates	767-45-059	88.00	1.00	0.00	88.00
La Grande Estates	767-45-060	88.00	1.00	0.00	88.00
La Grande Estates	767-45-061	88.00	1.00	0.00	88.00
La Grande Estates	767-45-062	88.00	1.00	0.00	88.00
La Grande Estates	767-45-063	88.00	1.00	0.00	88.00
La Grande Estates	767-45-064	88.00	1.00	0.00	88.00
La Grande Estates	767-45-065	88.00	1.00	0.00	88.00

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Zone	APN	Rate Per Unit	Units	Rounding Adjustment	2022/23 Assessment ⁽¹⁾
Lacrosse/Gera	767-46-001	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-002	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-003	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-004	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-005	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-006	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-007	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-008	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-009	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-010	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-011	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-012	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-013	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-014	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-015	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-018	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-019	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-020	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-021	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-022	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-023	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-024	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-025	50.00	1.00	0.00	50.00
Lacrosse/Gera	767-46-026	50.00	1.00	0.00	50.00
Llagas Creek	764-49-002	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-003	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-004	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-005	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-006	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-007	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-008	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-009	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-010	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-011	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-012	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-013	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-014	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-015	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-016	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-017	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-018	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-019	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-020	233.67	1.00	(0.01)	233.66

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Zone	APN	Rate Per Unit	Units	Rounding Adjustment	2022/23 Assessment ⁽¹⁾
Llagas Creek	764-49-021	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-022	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-023	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-024	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-025	233.67	1.00	(0.01)	233.66
Llagas Creek	764-49-026	233.67	1.00	(0.01)	233.66
Llagas Creek	764-50-001	233.67	1.00	(0.01)	233.66
Llagas Creek	764-50-002	233.67	1.00	(0.01)	233.66
Llagas Creek	764-50-003	233.67	1.00	(0.01)	233.66
Llagas Creek	764-50-004	233.67	1.00	(0.01)	233.66
Llagas Creek	764-50-005	233.67	1.00	(0.01)	233.66
Llagas Creek	764-50-006	233.67	1.00	(0.01)	233.66
Llagas Creek	764-50-007	233.67	1.00	(0.01)	233.66
Llagas Creek	764-51-001	233.67	1.00	(0.01)	233.66
Llagas Creek	764-51-004	233.67	1.00	(0.01)	233.66
Llagas Creek	764-51-005	233.67	1.00	(0.01)	233.66
Llagas Creek	764-51-010	233.67	1.00	(0.01)	233.66
Llagas Creek	764-51-011	233.67	1.00	(0.01)	233.66
Llagas Creek	764-51-012	233.67	1.00	(0.01)	233.66
Llagas Creek	764-51-013	233.67	1.00	(0.01)	233.66
Llagas Creek	764-51-014	233.67	1.00	(0.01)	233.66
Llagas Creek	764-51-015	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-001	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-002	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-003	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-004	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-005	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-006	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-008	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-009	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-010	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-011	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-012	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-013	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-014	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-015	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-016	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-017	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-018	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-019	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-020	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-021	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-022	233.67	1.00	(0.01)	233.66

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Zone	APN	Rate Per Unit	Units	Rounding Adjustment	2022/23 Assessment ⁽¹⁾
Llagas Creek	764-52-023	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-024	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-025	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-026	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-027	233.67	1.00	(0.01)	233.66
Llagas Creek	764-52-028	233.67	1.00	(0.01)	233.66
Llagas Creek	764-53-003	233.67	1.00	(0.01)	233.66
Llagas Creek	764-53-004	233.67	1.00	(0.01)	233.66
Llagas Creek	764-53-005	233.67	1.00	(0.01)	233.66
Llagas/Obata	764-23-032	400.00	1.00	0.00	400.00
Llagas/Obata	764-23-033	400.00	1.00	0.00	400.00
Llagas/Obata	764-23-034	400.00	1.00	0.00	400.00
Llagas/Obata	764-23-035	400.00	1.00	0.00	400.00
Llagas/Obata	764-23-036	400.00	1.00	0.00	400.00
Mill Creek	767-47-001	285.00	1.00	0.00	285.00
Mill Creek	767-47-002	285.00	1.00	0.00	285.00
Mill Creek	767-47-003	285.00	1.00	0.00	285.00
Mill Creek	767-47-004	285.00	1.00	0.00	285.00
Mill Creek	767-47-005	285.00	1.00	0.00	285.00
Mill Creek	767-47-006	285.00	1.00	0.00	285.00
Mill Creek	767-47-007	285.00	1.00	0.00	285.00
Mill Creek	767-47-008	285.00	1.00	0.00	285.00
Mill Creek	767-47-009	285.00	1.00	0.00	285.00
Mill Creek	767-47-010	285.00	1.00	0.00	285.00
Mill Creek	767-47-011	285.00	1.00	0.00	285.00
Mill Creek	767-47-012	285.00	1.00	0.00	285.00
Mill Creek	767-47-013	285.00	1.00	0.00	285.00
Mill Creek	767-47-014	285.00	1.00	0.00	285.00
Mill Creek	767-47-015	285.00	1.00	0.00	285.00
Mill Creek	767-47-016	285.00	1.00	0.00	285.00
Mill Creek	767-47-017	285.00	1.00	0.00	285.00
Mill Creek	767-47-018	285.00	1.00	0.00	285.00
Mill Creek	767-47-019	285.00	1.00	0.00	285.00
Mill Creek	767-47-020	285.00	1.00	0.00	285.00
Mill Creek	767-47-021	285.00	1.00	0.00	285.00
Mill Creek	767-47-022	285.00	1.00	0.00	285.00
Mill Creek	767-47-023	285.00	1.00	0.00	285.00
Mill Creek	767-47-029	285.00	1.00	0.00	285.00
Mill Creek	767-47-030	285.00	1.00	0.00	285.00
Mill Creek	767-47-031	285.00	1.00	0.00	285.00
Mill Creek	767-47-032	285.00	1.00	0.00	285.00
Mill Creek	767-47-033	285.00	1.00	0.00	285.00
Mill Creek	767-47-034	285.00	1.00	0.00	285.00

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Zone	APN	Rate Per Unit	Units	Rounding Adjustment	2022/23 Assessment ⁽¹⁾
Mill Creek	767-47-035	285.00	1.00	0.00	285.00
Mill Creek	767-47-036	285.00	1.00	0.00	285.00
Mill Creek	767-47-037	285.00	1.00	0.00	285.00
Mill Creek	767-47-038	285.00	1.00	0.00	285.00
Mill Creek	767-47-039	285.00	1.00	0.00	285.00
Mill Creek	767-47-040	285.00	1.00	0.00	285.00
Mill Creek	767-47-041	285.00	1.00	0.00	285.00
Mill Creek	767-47-042	285.00	1.00	0.00	285.00
Mill Creek	767-47-043	285.00	1.00	0.00	285.00
Mill Creek	767-47-044	285.00	1.00	0.00	285.00
Mill Creek	767-47-045	285.00	1.00	0.00	285.00
Mill Creek	767-47-046	285.00	1.00	0.00	285.00
Mill Creek	767-47-047	285.00	1.00	0.00	285.00
Mill Creek	767-47-048	285.00	1.00	0.00	285.00
Mill Creek	767-47-049	285.00	1.00	0.00	285.00
Mill Creek	767-47-050	285.00	1.00	0.00	285.00
Mill Creek	767-47-051	285.00	1.00	0.00	285.00
Mill Creek	767-47-052	285.00	1.00	0.00	285.00
Mill Creek	767-47-053	285.00	1.00	0.00	285.00
Mill Creek	767-47-054	285.00	1.00	0.00	285.00
Mill Creek	767-47-055	285.00	1.00	0.00	285.00
Mill Creek	767-47-057	285.00	1.00	0.00	285.00
Mill Creek	767-47-058	285.00	1.00	0.00	285.00
Mill Creek	767-47-059	285.00	1.00	0.00	285.00
Mill Creek	767-47-060	285.00	1.00	0.00	285.00
Mill Creek	767-47-061	285.00	1.00	0.00	285.00
Mill Creek	767-47-062	285.00	1.00	0.00	285.00
Mill Creek	767-47-063	285.00	1.00	0.00	285.00
Mill Creek	767-47-064	285.00	1.00	0.00	285.00
Mill Creek	767-47-065	285.00	1.00	0.00	285.00
Mill Creek	767-47-066	285.00	1.00	0.00	285.00
Mill Creek	767-47-067	285.00	1.00	0.00	285.00
Mill Creek	767-47-068	285.00	1.00	0.00	285.00
Mill Creek	767-47-069	285.00	1.00	0.00	285.00
Mill Creek	767-47-070	285.00	1.00	0.00	285.00
Mill Creek	767-47-071	285.00	1.00	0.00	285.00
Mill Creek	767-47-072	285.00	1.00	0.00	285.00
Mill Creek	767-47-073	285.00	1.00	0.00	285.00
Mill Creek	767-47-074	285.00	1.00	0.00	285.00
Mill Creek	767-47-075	285.00	1.00	0.00	285.00
Mill Creek	767-47-076	285.00	1.00	0.00	285.00
Mill Creek	767-47-077	285.00	1.00	0.00	285.00
Mill Creek	767-47-078	285.00	1.00	0.00	285.00

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Zone	APN	Rate Per Unit	Units	Rounding Adjustment	2022/23 Assessment ⁽¹⁾
Mill Creek	767-47-079	285.00	1.00	0.00	285.00
Mill Creek	767-47-080	285.00	1.00	0.00	285.00
Mill Creek	767-47-081	285.00	1.00	0.00	285.00
Mill Creek	767-47-082	285.00	1.00	0.00	285.00
Mill Creek	767-47-083	285.00	1.00	0.00	285.00
Mill Creek	767-47-084	285.00	1.00	0.00	285.00
Mill Creek	767-47-085	285.00	1.00	0.00	285.00
Mill Creek	767-47-086	285.00	1.00	0.00	285.00
Mill Creek	767-47-087	285.00	1.00	0.00	285.00
Mill Creek	767-47-088	285.00	1.00	0.00	285.00
Mill Creek	767-47-089	285.00	1.00	0.00	285.00
Mill Creek	767-47-090	285.00	1.00	0.00	285.00
Oak Creek I, II, III	779-51-001	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-002	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-003	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-004	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-005	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-006	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-007	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-008	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-009	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-010	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-011	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-012	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-013	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-014	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-015	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-016	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-017	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-018	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-019	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-020	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-021	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-022	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-023	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-024	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-030	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-031	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-032	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-033	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-034	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-035	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-036	425.00	1.00	0.00	425.00

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Zone	APN	Rate Per Unit	Units	Rounding Adjustment	2022/23 Assessment ⁽¹⁾
Oak Creek I, II, III	779-51-037	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-038	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-039	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-040	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-041	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-042	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-043	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-044	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-045	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-046	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-047	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-048	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-049	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-050	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-051	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-052	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-053	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-51-054	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-004	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-005	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-006	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-007	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-008	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-009	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-010	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-011	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-012	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-013	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-014	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-015	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-016	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-017	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-018	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-019	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-020	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-021	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-022	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-023	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-024	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-025	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-026	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-027	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-028	425.00	1.00	0.00	425.00

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Zone	APN	Rate Per Unit	Units	Rounding Adjustment	2022/23 Assessment ⁽¹⁾
Oak Creek I, II, III	779-52-029	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-030	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-031	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-032	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-033	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-034	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-035	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-037	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-038	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-039	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-040	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-041	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-047	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-055	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-056	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-057	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-058	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-059	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-060	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-061	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-062	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-063	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-064	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-065	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-066	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-067	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-068	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-069	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-070	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-071	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-072	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-073	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-074	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-075	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-076	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-077	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-078	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-079	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-080	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-081	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-082	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-083	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-084	425.00	1.00	0.00	425.00

City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23
Assessment Roll

Zone	APN	Rate Per Unit	Units	Rounding Adjustment	2022/23 Assessment ⁽¹⁾
Oak Creek I, II, III	779-52-085	425.00	1.00	0.00	425.00
Oak Creek I, II, III	779-52-086	425.00	1.00	0.00	425.00
Rosehaven	817-10-005	400.00	1.00	0.00	400.00
Rosehaven	817-10-006	400.00	1.00	0.00	400.00
Rosehaven	817-10-007	400.00	1.00	0.00	400.00
Rosehaven	817-10-008	400.00	1.00	0.00	400.00
Rosehaven	817-10-010	400.00	1.00	0.00	400.00
Rosehaven	817-10-011	400.00	2.00	0.00	800.00
Rosehaven	817-10-012	400.00	1.00	0.00	400.00
Rosehaven	817-10-013	400.00	1.00	0.00	400.00
Rosehaven	817-10-014	400.00	1.00	0.00	400.00
Rosehaven	817-10-015	400.00	1.00	0.00	400.00
Rosehaven	817-10-016	400.00	1.00	0.00	400.00
Rosehaven	817-10-017	400.00	1.00	0.00	400.00
Rosehaven	817-10-018	400.00	1.00	0.00	400.00
Rosehaven	817-10-019	400.00	1.00	0.00	400.00
Rosehaven	817-10-020	400.00	1.00	0.00	400.00
Rosehaven	817-10-021	400.00	2.00	0.00	800.00
Rosehaven	817-10-022	400.00	1.00	0.00	400.00
Rosehaven	817-10-023	400.00	1.00	0.00	400.00
Rosehaven	817-10-024	400.00	1.00	0.00	400.00
Rosehaven	817-10-025	400.00	1.00	0.00	400.00
Rosehaven	817-10-026	400.00	2.00	0.00	800.00
Rosehaven	817-10-027	400.00	1.00	0.00	400.00
Rosehaven	817-10-028	400.00	1.00	0.00	400.00
Rosehaven	817-10-029	400.00	1.00	0.00	400.00
Sandalwood	728-11-027	450.00	1.00	0.00	450.00
Sandalwood	728-11-028	450.00	1.00	0.00	450.00
Sandalwood	728-11-029	450.00	1.00	0.00	450.00
Sandalwood	728-11-030	450.00	1.00	0.00	450.00
Sandalwood	728-11-031	450.00	1.00	0.00	450.00
Sandalwood	728-11-032	450.00	1.00	0.00	450.00
Sandalwood	728-11-033	450.00	1.00	0.00	450.00
Sandalwood	728-11-034	450.00	1.00	0.00	450.00
Sandalwood	728-11-035	450.00	1.00	0.00	450.00
Sandalwood	728-11-036	450.00	1.00	0.00	450.00
Sandalwood	728-11-037	450.00	1.00	0.00	450.00
Sparhawk	764-31-025	334.00	1.00	0.00	334.00
Sparhawk	764-31-026	334.00	1.00	0.00	334.00
Sparhawk	764-31-027	334.00	1.00	0.00	334.00
Sparhawk	764-31-028	334.00	1.00	0.00	334.00
Sparhawk	764-31-029	334.00	1.00	0.00	334.00
Sparhawk	764-31-030	334.00	1.00	0.00	334.00

City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23
Assessment Roll

Zone	APN	Rate Per Unit	Units	Rounding Adjustment	2022/23 Assessment ⁽¹⁾
Sparhawk	764-31-031	334.00	1.00	0.00	334.00
Sparhawk	764-31-032	334.00	1.00	0.00	334.00
Sparhawk	764-31-033	334.00	1.00	0.00	334.00
Sparhawk	764-31-034	334.00	1.00	0.00	334.00
Sparhawk	764-31-035	334.00	1.00	0.00	334.00
Sparhawk	764-31-036	334.00	1.00	0.00	334.00
Sparhawk	764-31-037	334.00	1.00	0.00	334.00
Sparhawk	764-31-038	334.00	1.00	0.00	334.00
Sparhawk	764-31-039	334.00	1.00	0.00	334.00
Sparhawk	764-31-040	334.00	1.00	0.00	334.00
Sparhawk	764-31-041	334.00	1.00	0.00	334.00
Sparhawk	764-31-042	334.00	1.00	0.00	334.00
Stone Creek	726-06-016	388.46	1.00	0.00	388.46
Stone Creek	726-06-017	388.46	1.00	0.00	388.46
Stone Creek	726-06-018	388.46	1.00	0.00	388.46
Stone Creek	726-06-019	388.46	1.00	0.00	388.46
Stone Creek	726-06-020	388.46	1.00	0.00	388.46
Stone Creek	726-06-021	388.46	1.00	0.00	388.46
Stone Creek	726-06-022	388.46	1.00	0.00	388.46
Stone Creek	726-06-023	388.46	1.00	0.00	388.46
Stone Creek	726-06-024	388.46	1.00	0.00	388.46
Stone Creek	726-06-025	388.46	1.00	0.00	388.46
Stone Creek	726-06-026	388.46	1.00	0.00	388.46
Stone Creek	726-06-027	388.46	1.00	0.00	388.46
Stone Creek	726-06-028	388.46	1.00	0.00	388.46
Stone Creek	726-06-029	388.46	1.00	0.00	388.46
Stone Creek	726-06-030	388.46	1.00	0.00	388.46
Stone Creek	726-06-034	388.46	1.00	0.00	388.46
Stone Creek	726-06-035	388.46	1.00	0.00	388.46
Stone Creek	726-06-036	388.46	1.00	0.00	388.46
Stone Creek	726-06-037	388.46	1.00	0.00	388.46
Stone Creek	726-06-038	388.46	1.00	0.00	388.46
Stone Creek	726-06-044	388.46	1.00	0.00	388.46
Stone Creek	726-06-045	388.46	1.00	0.00	388.46
Stone Creek	726-06-046	388.46	1.00	0.00	388.46
Stone Creek	726-06-047	388.46	1.00	0.00	388.46
Stone Creek	726-06-048	388.46	1.00	0.00	388.46
Stone Creek	726-06-049	388.46	1.00	0.00	388.46
Stone Creek	726-06-050	388.46	1.00	0.00	388.46
Stone Creek	726-06-051	388.46	1.00	0.00	388.46
Stone Creek	726-06-052	388.46	1.00	0.00	388.46
Stone Creek	726-06-053	388.46	1.00	0.00	388.46
Stone Creek	726-06-054	388.46	1.00	0.00	388.46

City of Morgan Hill
Landscape Assessment District No. 1
Fiscal Year 2022/23
Assessment Roll

Zone	APN	Rate Per Unit	Units	Rounding Adjustment	2022/23 Assessment ⁽¹⁾
Stone Creek	726-06-055	388.46	1.00	0.00	388.46
Stone Creek	726-06-056	388.46	1.00	0.00	388.46
Stone Creek	726-06-057	388.46	1.00	0.00	388.46
Stone Creek	726-06-058	388.46	1.00	0.00	388.46
Sunnyside/Stonegate	773-31-034	375.00	1.00	0.00	375.00
Sunnyside/Stonegate	773-31-035	375.00	1.00	0.00	375.00
Sunnyside/Stonegate	773-31-036	375.00	1.00	0.00	375.00
Sunnyside/Stonegate	773-31-037	375.00	1.00	0.00	375.00
Sunnyside/Stonegate	773-31-038	375.00	1.00	0.00	375.00
Sunnyside/Stonegate	773-31-039	375.00	1.00	0.00	375.00
Sunnyside/Stonegate	773-31-040	375.00	1.00	0.00	375.00
Sunnyside/Stonegate	773-31-043	375.00	1.00	0.00	375.00
Sunnyside/Stonegate	773-31-044	375.00	1.00	0.00	375.00
Sunnyside/Stonegate	773-31-045	375.00	1.00	0.00	375.00
Totals:			748.00	(\$2.10)	\$198,648.28

(1) Amounts placed on the tax roll must be rounded down to an even number. The Assessment includes the rounding adjustment.

7. HISTORICAL ASSESSMENT RATES

The historical assessment rates per Zone are identified on the following pages.

City of Morgan Hill
Landscape Assessment District No. 1
Actual Historical Assessment Rates Per Zone

Zone	Belle Estates	Chang/Bertelone	Conte Gardens	Diana Estates	Fox Hollow / Murphy Sp.	Hamilton Square	Jackson Meadows #6	Jackson Meadows #7	La Grande Estates	Lacrosse/Gera
Annexation Number	93-03	93-05	92-10	94-01	Original	94-03	93-06	91-03	95-03	91-04
Original Rate	\$502.22	\$1,215.00	\$477.82	\$139.39	\$106.15	\$425.54	\$108.10	\$314.58	\$88.00	\$142.99
Unit Count	36	8	11	64	75	38	70	10	32	24
1991/92	-	-	-	\$139.39	-	-	-	\$314.58	-	\$142.99
1992/93	-	-	-	-	-	-	-	-	-	-
1993/94	-	-	-	69.80	-	-	-	77.35	-	8.93
1994/95	-	-	-	69.80	\$106.15	-	-	77.35	-	8.93
1995/96	\$502.00	\$1,215.00	\$285.98	54.14	79.92	\$425.54	\$108.10	88.66	-	8.93
1996/97	71.00	8.93	477.82	21.94	49.11	214.08	76.04	194.70	-	8.93
1997/98	71.00	8.93	477.82	21.94	49.11	214.08	76.04	194.70	-	8.93
1998/99	71.00	8.93	477.82	21.94	49.11	214.08	76.04	194.70	-	8.93
1999/00	147.81	8.93	477.82	81.03	49.11	399.71	108.10	314.50	\$88.00	8.93
2000/01	147.81	8.93	477.82	81.03	49.11	399.71	108.10	314.50	88.00	8.93
2001/02	147.80	8.92	477.82	54.80	49.10	399.70	86.38	314.50	88.00	8.92
2002/03	147.80	8.92	477.82	70.00	101.10	399.70	104.18	314.50	88.00	8.92
2003/04	175.00	8.92	477.82	80.00	101.10	399.70	104.18	314.50	88.00	8.92
2004/05	180.00	8.92	477.82	80.00	101.10	399.70	108.10	314.50	88.00	8.92
2005/06	180.00	94.92	477.82	105.00	141.10	399.70	108.10	314.50	88.00	8.92
2006/07	180.00	94.92	477.82	105.00	141.10	399.70	108.10	314.50	88.00	8.92
2007/08	194.00	94.92	477.82	135.00	141.10	399.70	108.10	314.50	88.00	8.92
2008/09	234.00	94.92	477.82	139.39	149.69	425.54	108.10	314.50	88.00	130.00
2009/10	234.00	200.00	477.82	139.39	149.69	425.54	108.10	314.50	88.00	130.00
2010/11	234.00	300.00	477.82	139.39	149.69	425.54	108.10	314.50	88.00	130.00
2011/12	282.00	400.00	477.82	139.39	168.48	425.54	108.10	314.50	88.00	50.00
2012/13	282.00	400.00	477.82	139.39	173.53	425.54	98.10	140.00	88.00	50.00
2013/14	320.00	500.00	477.82	139.39	173.53	425.54	98.10	140.00	88.00	50.00
2014/15	320.00	500.00	477.82	139.39	173.53	425.54	98.10	140.00	88.00	50.00
2015/16	320.00	550.00	400.00	139.39	173.53	425.54	108.00	140.00	88.00	50.00
2016/17	320.00	550.00	400.00	139.39	173.53	425.54	108.00	100.00	88.00	50.00
2017/18	320.00	550.00	400.00	139.39	173.53	325.00	108.00	100.00	88.00	50.00
2018/19	320.00	550.00	365.00	139.39	173.53	325.00	108.00	100.00	88.00	50.00
2019/20	320.00	550.00	365.00	139.39	173.53	325.00	108.00	100.00	88.00	50.00
2020/21	320.00	550.00	365.00	139.39	173.53	325.00	108.00	100.00	88.00	50.00
2021/22	320.00	550.00	365.00	139.39	173.53	325.00	108.00	100.00	88.00	50.00
2022/23	310.00	550.00	365.00	139.39	173.53	325.00	108.00	100.00	88.00	50.00

City of Morgan Hill
Landscape Assessment District No. 1
Actual Historical Assessment Rates Per Zone

Zone	Llajas Creek Estates	Llajas/Obata	Mill Creek	Oak Creek	Parsons Corner	Rose Haven	Sandalwood	Sparhawk	Stone Creek	Sunnyside / Stone Gate
Annexation Number	91-05	91-07	93-01	94-04	95-02	95-01	96-01	91-06	94-02	91-01
Original Rate	\$140.84	\$629.16	\$186.82	\$453.82	\$568.32	\$488.47	\$192.39	\$174.77	\$306.66	\$449.40
Unit Count	71	5	84	119	10	27	11	18	35	10
1991/92	\$140.85	\$629.16	-	-	-	-	-	\$174.77	-	\$449.40
1992/93	-	-	-	-	-	-	-	-	-	-
1993/94	19.13	335.37	-	-	-	-	-	93.03	-	15.05
1994/95	19.13	15.05	-	-	-	-	-	308.84	-	15.04
1995/96	76.60	15.05	\$186.82	\$453.82	-	-	-	226.46	\$306.66	15.04
1996/97	59.54	8.93	64.57	47.67	\$568.32	\$488.47	-	147.33	146.66	8.93
1997/98	59.54	8.93	64.57	47.67	457.40	189.73	-	147.33	146.66	8.93
1998/99	59.54	8.93	64.57	337.09	457.40	189.73	-	147.33	146.66	8.93
1999/00	140.85	8.93	95.83	320.52	457.40	189.73	\$192.36	147.33	275.00	8.93
2000/01	140.85	8.93	158.64	245.16	457.40	189.73	192.36	147.33	275.00	8.93
2001/02	105.86	8.92	158.64	150.00	457.40	189.72	192.36	147.32	275.00	8.92
2002/03	140.00	8.92	182.64	250.00	300.00	300.00	192.36	147.32	275.00	275.00
2003/04	140.00	8.92	120.00	300.00	300.00	300.00	192.36	147.32	275.00	192.50
2004/05	140.00	8.92	120.00	300.00	300.00	300.00	192.36	147.32	306.66	192.50
2005/06	190.00	53.92	138.00	300.00	430.00	300.00	192.36	202.32	306.66	332.50
2006/07	190.00	53.92	138.00	300.00	430.00	300.00	192.36	202.32	306.66	332.50
2007/08	190.00	53.92	168.00	300.00	460.00	330.00	192.36	208.38	306.66	332.50
2008/09	195.70	53.92	186.82	300.00	460.00	370.00	192.36	214.64	306.66	332.50
2009/10	195.70	53.92	186.82	300.00	460.00	370.00	192.36	214.64	306.66	332.50
2010/11	195.70	53.92	186.82	300.00	460.00	370.00	192.36	214.64	306.66	332.50
2011/12	195.70	53.92	186.82	350.00	250.00	450.00	192.36	241.58	306.66	332.50
2012/13	195.70	53.92	186.82	350.00	250.00	450.00	192.36	248.82	388.46	332.50
2013/14	233.67	53.92	186.82	350.00	250.00	450.00	192.36	248.82	388.46	412.50
2014/15	233.67	53.92	186.82	350.00	250.00	450.00	192.36	248.82	388.46	412.50
2015/16	233.67	143.92	186.82	350.00	250.00	450.00	192.36	248.82	388.46	375.00
2016/17	233.67	143.92	186.82	350.00	250.00	488.00	192.36	248.82	388.46	375.00
2017/18	233.67	143.92	186.82	350.00	250.00	488.00	192.36	248.82	388.46	375.00
2018/19	233.67	400.00	186.82	350.00	250.00	400.00	450.00	248.82	388.46	375.00
2019/20	233.67	400.00	186.82	350.00	0.00	400.00	450.00	248.82	388.46	375.00
2020/21	233.67	400.00	285.00	350.00	0.00	400.00	450.00	248.82	388.46	375.00
2021/22	233.67	400.00	285.00	350.00	0.00	400.00	450.00	248.82	388.46	375.00
2022/23	233.67	400.00	285.00	425.00	0.00	400.00	450.00	334.00	388.46	375.00

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF MORGAN HILL, CALIFORNIA, CONFIRMING THE
ASSESSMENT AND ORDERING THE LEVY FOR THE CITY
OF MORGAN HILL LANDSCAPE ASSESSMENT DISTRICT
NO. 1 FOR FISCAL YEAR 2022/23**

WHEREAS, the City Council of the City of Morgan Hill (hereafter referred to as the “City Council”) previously completed its proceedings in accordance with and pursuant to the Landscaping and Lighting Act of 1972, Part 2, Division 15 of the California Streets and Highways Code (commencing with Section 22500) (the “Act”) to establish the City of Morgan Hill (the “City”) Fox Hollow/Murphy Springs Landscape Assessment District and has by previous resolution changed the name of said district to the City of Morgan Hill Landscape Assessment District No. 1 (the “Assessment District”); and,

WHEREAS, the City has retained NBS for the purposes of assisting with the annual levy of the Assessment District, and the preparation and filing of an Annual Report; and

WHEREAS, NBS has not been required to update the Annual Report since the City Council’s preliminary approval on May 4, 2022; and

WHEREAS, the City Council has, by previous resolution, declared its intention to hold a Public Hearing concerning the levy and collection of assessments within the Assessment District; and

WHEREAS, notice of such Public Hearing was duly given in accordance with Section 22626 of the Act; and

WHEREAS, at the time and place specified in the aforementioned notice the City Council held and conducted such Public Hearing, and considered all objections to the assessment.

NOW, THEREFORE BE IT RESOLVED, DETERMINED, AND ORDERED BY THE COUNCIL, AS FOLLOWS:

- 1. Final Approval of Report:** The City Council approves the Annual Report concerning the levy of assessments for the fiscal year commencing July 1, 2022 and ending June 30, 2023.
- 2. Confirmation of Assessment and Diagram:** The City Council hereby confirms the assessment and the diagram as is described in full detail in the Annual Report on file with the City Clerk.

3. **Levy of Assessment:** Pursuant to Section 22631 of the Act, the adoption of this resolution shall constitute the levy of an assessment for the fiscal year commencing July 1, 2022 and ending June 30, 2023.
4. **Ordering of the Levy:** The City Council hereby orders NBS to prepare and submit the levy of assessments to Santa Clara County for placement on the Fiscal Year 2022/23 secured property tax roll.

PASSED, APPROVED AND ADOPTED by the City Council of Morgan Hill at a regular meeting held on the 1st day of June 2022.

AYES: **COUNCIL MEMBERS:**
NOES: **COUNCIL MEMBERS:**
ABSTAIN: **COUNCIL MEMBERS:**
ABSENT: **COUNCIL MEMBERS:**

APPROVED:

ATTEST:

RICH CONSTANTINE, Mayor

MICHELLE BIGELOW, City Clerk

CERTIFICATION

I, Michelle Bigelow, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No. ____, adopted by the City Council at the meeting held on June 1, 2022.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

Michelle Bigelow, CITY CLERK

CITY COUNCIL STAFF REPORT

MEETING DATE: June 1, 2022

PREPARED BY:

Dat Nguyen, Finance Director

APPROVED BY: City Manager

HOLD PUBLIC HEARING REGARDING REVISIONS TO WATER RATE ADJUSTMENTS

RECOMMENDATION(S)

1. Receive and adopt final 2022 Water Rate Study Report prepared by NBS;
2. Open public hearing and receive public comment;
3. Request submission or withdrawal of proposition 218 protest letters from the public/audience;
4. Suspend public hearing and allow City Clerk, or designee, to tabulate final Proposition 218 protest letter count;
5. Reconvene meeting and reopen public hearing;
6. Receive and accept verbal report from City Clerk, or designee, on ballot tabulation results;
7. Close public hearing; and
8. Adopt resolution approving water rate adjustments.

Estimated Time: 30 Minutes

COUNCIL PRIORITIES, GOALS & STRATEGIES

City Council Ongoing Priorities

Enhancing Public Safety

Protecting the Environment and Preserving Open Space and Agricultural Land

Maintaining and Enhancing Infrastructure

2022-2023 Strategic Priorities

Fiscal Sustainability

Guiding Documents

Water System Master Plan

REPORT NARRATIVE:

The City owns and operates the Water Distribution System within the Engineering and Utilities Department. The system consists of 16 active groundwater wells, a total of 10.5 million gallons in storage, distribution mains, and fire hydrants. One of Morgan Hill's key

elements of the City's highest priority for public safety, is to ensure that the City's water system infrastructure is adequate at supplying its residents with safe clean drinking water needs, as a core service for its residents.

On December 15, 2021, the City Council approved a Water System Master Plan for future repairs and improvements to the City's water system. The Master Plan identified \$108 million in total capital improvement and expansion projects, with 55% of that amount to be paid for by future users through development impact fees, and \$49 million or 45% of the total of \$108 million to be paid by the ratepayers. The costs identified in the Master Plan are heavily impacted by inflationary costs, which have been seen across the country but are especially prevalent in the Bay Area. Additionally, operational costs have seen large inflationary cost increases in supplies and services, high increases in electricity costs, and continued increases in groundwater charges assessed by Valley Water. Without a rate adjustment, there would be a significant shortage in funding to make the necessary repairs and improvements to the existing system, which was the primary factor in moving forward with a rate study.

Updated Zonal Elevation Surcharge

While most of the City's water customers are located within normal elevation zones, some customers are in higher elevation zones that cost more to pump water to them. These elevation surcharges are part of the current rate structure and this Water Rate Study evaluated the annual costs of power in providing the water service for these customers.

Updated Rates

On March 11, 2022, the 2022 Water Rate Study (Attachment No. 1), prepared by NBS Government Finance Group, was released to the community via eblast along with the posting on City's website.

The proposed adjustment to the rates and zonal elevation surcharge per water unit in hundred cubic feet (hcf) are as follows:

	7/1/22	7/1/23	7/1/24	7/1/25	7/1/26
Water rates % increase	9%	9%	7%	7%	3%
Water zonal elevation surcharge per hcf	\$0.36	\$0.37	\$0.39	\$0.41	\$0.43

In addition, the proposed low income subsidy adjustment is as follows:

	Current	7/1/22	7/1/23	7/1/24	7/1/25	7/1/26
Subsidy amount	\$5.85	\$6.44	\$7.08	\$7.57	\$8.10	\$8.35
Percentage		10%	10%	7%	7%	3%

Water Revenue Stabilization Rate

As California enters its third consecutive dry year and water conservation is becoming more vital, it is important for the City to have the means necessary to respond to revenue losses related to various drought stages to ensure the safety of the City's water system as well as its ability to continue to supply residents with safe, and clean drinking water needs. Revenue stabilization rates are the necessary tools needed to offset such revenue losses.

The table below shows the proposed volumetric charges per water unit (hcf) with revenue-stabilization rates for FY 2022/23 through FY 2026/27 at various water consumption levels below forecast:

Water Consumption Level Below						
Forecast		FY22/23	FY23/24	FY24/25	FY25/26	FY26/27
10%		\$3.21	\$3.50	\$3.82	\$4.09	\$4.38
15%		\$3.40	\$3.71	\$4.04	\$4.32	\$4.62
20%		\$3.61	\$3.93	\$4.28	\$4.58	\$4.90
25%		\$3.85	\$4.20	\$4.58	\$4.90	\$5.24
30%		\$4.12	\$4.49	\$4.89	\$5.23	\$5.60

Water Revenue Stabilization Rate Trigger and Implementation Process

If staff determines that annual water sales revenue to date is more than 10% below expected year-to-date levels (based on monthly averages over the previous three years) and expense reduction measures have been reviewed and considered, staff will implement the revenue-stabilization rates. Staff will inform the City Council of the revenue-stabilization rates implementation at the earliest financial update. Staff will also update the Council on current reserve levels and provide an analysis of why the revenue losses are occurring, along with a six-month projection of anticipated water sales.

Once staff has informed the City Council of implementation, the Council may:

- Act to implement less than 100% of the revenue stabilization rates at the earliest billing cycle;
- Utilize reserves to meet all or part of the revenue gap; or
- Take no action, which results in implementation of revenue stabilization rates from the revenue-stabilization rate schedule

Once the volumetric water sales revenue has returned to expected levels, staff will rescind the revenue-stabilization rates and previously adopted uniform volumetric rates are (again) in effect. In addition, City staff will inform the Council of such action at the earliest financial update.

Public Hearing

This Public Hearing regarding water rate adjustments is a requirement of the

Proposition 218 process. It is being held after a minimum of 45 days have passed since the mailing of the official notification of the proposed rate adjustments to all affected property owners. The Proposition 218 official notice (Attachment No. 2) includes a description of proposed rates and information detailing the protest process requirements. To meet legal requirements, protests submitted by email or other electronic means cannot be accepted. Per statute, only one written protest will be counted per identified parcel. However, the City had, in the past, counted all written protests received whether they came from the property owners or account holders and will continue to do so with tonight's count. All written protests must be received (not postmarked) before the close of the Public Hearing. The Council shall accept all protest votes received up to and including the time of the public hearing. If a majority (50% plus one) of customers oppose the proposed rate adjustments, City Council cannot implement the proposed adjustment. If a majority protest is not received and the City Council elects to approve the recommended water rate adjustments by adopting the resolution (Attachment No. 3), the first of the approved increases would become effective for water consumption beginning July 1, 2022.

COMMUNITY ENGAGEMENT:

March 24, 2022 - A virtual townhall meeting for community members was held.

All rate payers in Morgan Hill were mailed a Proposition 218 notice detailing the proposed rate adjustments. Those wishing to protest the proposed adjustments have provided written communication stating their opposition. The City has maintained a voting box in the City Hall lobby to accommodate anyone wishing to drop off a protest.

The public hearing was noticed in the local newspaper 10 days prior to today's public hearing.

ALTERNATIVE ACTIONS:

City Council could approve a lower rate adjustment than presented.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On December 15, 2021, the City Council adopted the Water System Master Plan.

On April 6, 2022, the water rate study was introduced to the City Council and the Community and the City Council adopted a resolution of intent to adjust water rates, authorized commencement of proposition 218 noticing, and set the date of public hearing and adoption of new water rates.

FISCAL AND RESOURCE IMPACT:

The fiscal impact of preparing this report is included in the staff's annual workplan. The cost for the water rate study, was budgeted in the Water Operations Fund (650) in the current fiscal year.

If the Proposition 218 majority protest process is concluded without majority protest, and the water rate adjustments are adopted as presented, the new rate increases could generate an average of \$4.3 million annually, for the next five years, to assist in recovery of costs to provide and maintain infrastructure and services.

CEQA (California Environmental Quality Act):

Not a Project.

Organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

View of City of Morgan Hill
via Google Earth



City of Morgan Hill

FINAL REPORT

WATER RATE STUDY

March 2022

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SECTION 1. PURPOSE AND OVERVIEW OF THE STUDY

PURPOSE

The City of Morgan Hill ("City") retained NBS in May 2021 to conduct an updated comprehensive water rate study for a number of reasons, including meeting long-term revenue requirements, ensuring revenue stability in water rates, providing adequate funding for capital improvements, and ensuring rates comply with applicable laws, including Proposition 218. The rates developed in this study meet Proposition 218 (Prop 218) requirements and were developed based on industry standards. This report is provided with the intent of assisting the City in maintaining the financial health of its water utility, transparently communicating with the residents and businesses it serves, and documenting the rate study analysis.

CITY OF MORGAN HILL BACKGROUND

The City of Morgan Hill is a general law city with a council-manager form of government, located in southern Santa Clara Valley, approximately 12 miles south of San Jose, 10 miles north of Gilroy, and 15 miles inland from the Pacific Coast. The Valley is approximately 4 miles wide and is surrounded by the Santa Cruz mountain range to the west, and the Diablo mountain range to the east.

The City of Morgan Hill provides water service to approximately 15,000 metered customers, including about 308 customers outside the city limits. The majority (about 87%) of the water utility's customers are single and multi-family residential users. Most recent records indicate these residential households use approximately 70% of total water sold; businesses, commercial, industrial, government, institutional, and landscape customers use the remaining 30%.

The City's municipal water source is 100% from ground water and sustaining the groundwater supply is dependent upon the overall groundwater management program administered by the Santa Clara Valley Water District (SCVWD). SCVWD imports water from the Sacramento/San Joaquin Delta through a series of channels, reservoirs, pipes and pumps and re-charges the groundwater table by pumping water into strategically located re-charge basins.

OVERVIEW OF THE STUDY

Key Issues Addressed – In addition to ensuring that water rates collect revenue sufficient to meet the annual operating and capital improvement plans, there are a number of key issues that were specifically addressed in this study, including:

- **Statewide Conservation** – The State of California has experienced drought-related cutbacks over the past several years and the City of Morgan Hill was mandated to reduce water consumption. Because of this, current and projected future consumption levels were closely evaluated in this study.
- **Long-Term Conservation** – The assumptions and recommendations contained in this study are not a short-term response to the drought. They assume that water supplies will continue to be limited in the future.
- **Rate Design** – The current rate design includes a fixed monthly charge that collects about 46% of the rate revenue and a uniform volumetric rate based on monthly water consumption that collect the remainder of the rate revenue. Because the current rate design is covering all the City's expenses, NBS is recommending keeping the current rate design and updating the cost of service.
- **Financial Planning** – Long-range financial plans for the water utility were closely examined to ensure they meet annual operating expenses, debt covenants, capital improvement costs and broader financial management concerns.

Recommendations – NBS recommends the City take the following actions:

- Adopt the long-range financial plan that NBS developed, including the projected revenues, expenditures, and annual net revenue requirements.
- Based on this plan, annual increases in total rate revenue of 9% for fiscal years 2022/23-2023/24, 7% for 2024/25-2025/26, and 3% in 2026/27 are needed over the next five years to fund the majority of the capital improvement program proposed in the Water Systems Master Plan of 2021.
- Continue to use a rate design that collects approximately 46% of rate revenue from fixed charges and 54% from volumetric charges.
- Adopt the water rates proposed in this report that follows this rate design with updates to the cost of service.
- Adopt the updated zonal surcharges, which allocate the additional costs that customers in the three elevation zones that incur additional costs to provide service to these customers.
- Adopt the revenue stabilization rates that would implement small, temporary rate increases whenever rate revenues drop by 10 percent or more in any given month.
- Retain recommended reserve fund targets.
- Provide the normal legal review of the recommended rates by a qualified attorney.
- Proceed with Proposition 218 noticing requirements necessary for legal adoption and implementation of the proposed rates, zonal surcharges, and revenue stabilization mechanism.

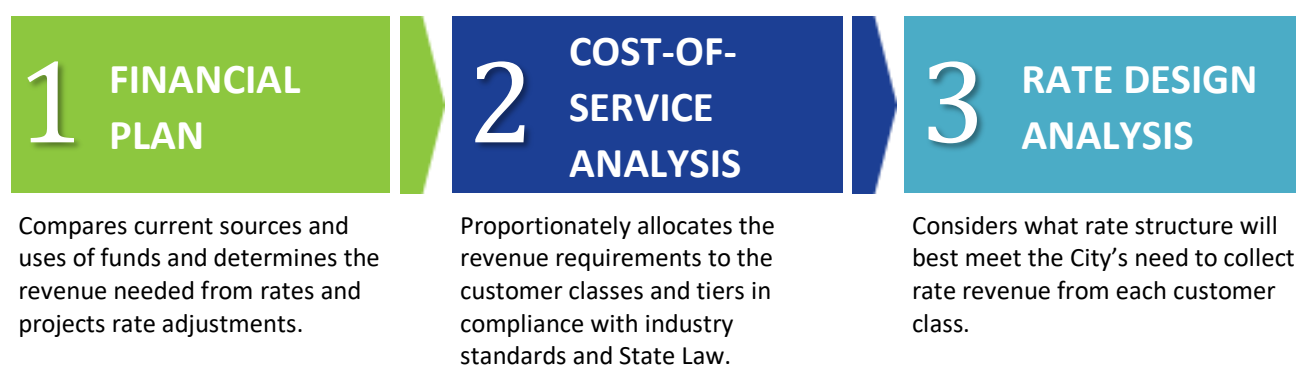
RATE STUDY METHODOLOGY

Components of the Rate Study Methodology – A comprehensive utility rate study typically encompasses three major components: (1) preparation of a financial plan which identifies the net revenue requirements for the utility; (2) analysis of the cost to serve each customer class, and; (3) the rate structure design.

These three steps, which are shown in **Figure 1**, are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in the American Water Works Association (AWWA) Principles of Water Rates, Fees, and Charges¹, also referred to as the Manual M1. These steps address general requirements for equity and fairness. They also address requirements under California Constitution article XIII D, Section 6 (commonly referred to as Proposition 218) that rates not exceed the cost of providing the service and be proportionate to the cost of service for all customers. In terms of the chronology of the study, these three steps represent the order they were performed in this study.

As a part of this rate study, NBS projected revenues, expenditures, developed net revenue requirements, performed cost-of-service rate analyses, and prepared new water rates. The following sections in this report present an overview of the methodologies, assumptions, and data used along with the financial plans and rates developed during this study.

Figure 1. Primary Components of a Rate Study



Rate Design Criteria – Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been documented in a number of rate-setting manuals, such as the AWWA Manual M1. The foundation for evaluating rate structures is generally credited to James C. Bonbright in the *Principles of Public Utility Rates*² which outlines pricing policies, theories, and economic concepts along with various rate designs. The following is a simplified list of the attributes of a sound rate structure:

- Rates should be easy to understand from the customer's perspective.
- Rates should be easy to administer from the utility's perspective.

¹ *Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, M1*, AWWA, seventh edition, 2017.

² James C. Bonbright; Albert L. Danielsen and David R. Kamerschen, *Principles of Public Utility Rates*, (Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988), p. 383-384.

- Rates should promote the efficient allocation of the resource.
- Rates should be equitable and non-discriminating (i.e., cost based).
- There should be continuity in the rate making philosophy over time.
- Addressing other utility policies (e.g., encouraging conservation & economic development).
- Rates should provide month-to-month and year-to-year revenue stability.

The following section covers basic rate design criteria that NBS and City staff considered as a part of their review of the rate structure.

Rate Structure Considerations – The fundamental starting point in considering rate structures is the relationship between fixed costs and variable costs. Fixed costs typically do not vary with the amount of water consumed. Debt service and City personnel are examples of a fixed cost. In contrast, variable costs such as the cost of purchased water, chemicals and electricity tend to change with the quantity of water sold. The vast majority of rate structures contain a fixed or minimum charge in combination with a volumetric charge.

Key Financial Assumptions – Following are the key assumptions used in the water rate analyses:

- **Funding of Capital Projects** – After the City’s extensive review of the planned capital improvement projects (CIP) and funding requirements, the City has decided that the water utility will fund the currently planned CIP, as shown in detail in the Appendix to this report. The capital improvement projects included in the rate program are designed to keep existing infrastructure in good repair and maintain current service levels. There is about a \$2 million deficiency in fiscal years 2024-2027 in which the proposed rates in this report are not expected to fund.
- **Reserve Targets** – Target reserves for operations and maintenance (O&M) and capital system replacement, which essentially follow industry standards for utility fund management, are set at the following levels for the water utilities:
 - ✓ Operating Reserve (Fund 650) – 90-days of O&M expenses.
 - ✓ System Replacement Reserve (Fund 653) – approximately 6.0% of net assets value (i.e., net of depreciation).
 - ✓ Rate Stabilization Reserve (Fund 652) – equal to 20% of current level of rate revenue.
- **Inflation and Growth Projections:**
 - ✓ Customer growth is estimated at 2.1% annually based on historical growth.
 - ✓ General costs (such as professional and contractual services, fuel, vehicle maintenance, etc.) are estimated at 3% annually.
 - ✓ Ground water production costs are estimated at 6.6% annually based on average annual increases.
 - ✓ Labor costs are estimated at 5% annually and include health and retirement benefits for both utilities.
 - ✓ Energy expenses are estimated to increase at a rate of 20% in FY 2022/23 and 5% annually thereafter.

- ✓ No inflation is added to other budget items, such as late fee revenue, lease income, and miscellaneous fees.
- **Revenue Stabilization Rates** – New revenue stabilization rates were developed as part of the study with the intent of stabilizing the City’s variable rate revenue that may be affected by low water sales due to conservation or unusual weather patterns (i.e., not just declared drought stages).
 - ✓ Once adopted through Prop 218, these rates can be implemented when volumetric revenue drop by 10%, 15%, 20%, 25% and 30%.
 - ✓ Revenue Stabilization rates are revocable; when volumetric revenue losses subside, revenue stabilization rates would be rescinded and the current proposed volumetric rate would be used. Commodity or volumetric rates are charged per unit of water, or hundred cubic feet (hcf), or 748 gallons.
 - ✓ The City will provide adequate notice prior to implementation and rescission.
 - ✓ Although details are yet to be finalized, a key qualification for revenue stabilization rates to be implemented is the period and level of volumetric rate revenue losses (i.e., revenues below the expected revenue level³). Higher volumetric rates, beginning with 10 percent increase would be implemented and, depending on the level of revenue losses, can be increased by additional increments of five percent but capped at 30 percent.

³ Expected volumetric rate revenue could be based on the average month-to-month consumption (calculated as a percentage of the annual consumption over the prior three years, times the projected annual consumption).

SECTION 2. WATER RATE STUDY

KEY WATER RATE STUDY ISSUES

The water rate analysis was undertaken with a few specific objectives, including:

- Generating sufficient revenue to meet projected funding requirements.
- Analyzing the impacts from drought levels and COVID-19 impacts to customer consumption.
- Meeting target reserve fund levels and minimizing customer bill impact on rate payers.

The fixed and volume-based charges calculated were based on the net revenue requirements, number of customer accounts, water consumption, and other City-provided information. The following are the basic components included in this analysis:

- **Developing Unit Costs:** The water revenue requirements were “functionalized” into five categories: (1) customer service costs; (2) fixed capacity costs; (3) commodity (or volume-based) costs; (4) fire protection costs; and (5) zonal-specific costs. Unit costs for each of these functions were determined based on allocations to functional areas, which reflect water consumption, peaking factors, number of accounts by meter size, and customer class.
- **Determining Revenue Requirements by Customer Class:** The total revenue that should be collected from each customer class was determined using the unit costs and the total units belonging to each class. For example, customer costs are allocated based on number of meters, while volume-related costs are allocated based on the water consumption for each class. Once the costs are allocated and the revenue requirement for each customer class is determined, collecting these revenue requirements from each customer class is addressed in the rate design task.
- **Rate Design and Fixed vs. Variable Costs:** The revenue requirements for each customer class are collected from both fixed service charges and volumetric (commodity) charges. The cost-of-service analysis indicated that approximately 46% of the City’s costs are fixed and 54% are variable. Although state regulatory agencies, such as the California Water Efficiency Partnership (formerly the California Urban Water Conservation Council), has historically recommended that water utilities collect at least 70% of rate revenue from volumetric rates to encourage conservation, this has resulted in many water agencies collecting less than the necessary revenues during mandated conservation periods. Because of this, many utilities have chosen to collect less than 70% from volumetric rates. NBS recommends the City adopt the rates proposed in this report using approximately 46/54 fixed/volumetric rate design that better represents the utility’s true cost structure and provides greater revenue stability compared to one that collects more revenue from volumetric rates.

WATER UTILITY REVENUE REQUIREMENTS

It is important for municipal utilities to maintain reasonable reserves in order to handle minor emergencies, fund working capital, maintain a good credit rating, and generally follow sound financial management practices. Rate increases are governed by the need to meet operating and capital costs,

maintain adequate debt coverage, and maintain sufficient reserve funds. The current condition of the City's water utility, with regard to these objectives is as follows:

- **Meeting Net Revenue Requirements:** The City's water utility is currently running a structural surplus (i.e., for Fiscal Year 2021/22). For Fiscal Year 2022/23 through 2026/27, the projected annual net revenue requirement (i.e., total annual expenses plus rate-funded capital costs, less non-rate revenues) is approximately \$19.6 million. This average revenue requirement assumes that most of the planned capital improvement projects will be funded over the next five years with both reserve funds and rate revenue. During fiscal years 2023/24-2026/27, there is a \$2 million deficiency for the planned capital improvement program. NBS is recommending the following rate increases:
 - 9% in fiscal year 2022/23
 - 9% in fiscal year 2023/24
 - 7% in fiscal year 2024/25
 - 7% in fiscal year 2025/26
 - 3% in fiscal year 2026/27
- **Building and Maintaining Reserve Funds:** The City should maintain sufficient reserves for the Water Utility. NBS recommends that the City maintain reserve levels in order to meet the following reserve fund target balances:
 - ✓ **Operating Reserve (Fund 650)** should normally equal 90 days of the Utility's budgeted annual operating expenses, which is equal to a three-month (or 25%) cash reserve for normal operations. An Operating Reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures, such as those caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (e.g., volumetric charges), and – particularly in periods of economic distress – changes or trends in age of receivables.
 - ✓ **Rate Stabilization Fund (Fund 652)** has a target ending balance of 20% of estimated rate revenue, as set by current City policy. This reserve is to further promote financial stability in the event of short-term reductions in rate revenues.
 - ✓ **Capital System Replacement Reserve (Fund 653)** should typically be equal to a minimum of 6% of net depreciable capital assets. This target serves simply as a starting point for addressing long-term capital system replacement needs.

No debt reserve is recommended in this study, due to the fact that the 2014 Water Refunding & CIP Revenue Bonds do not require funds to be held in reserve. If at some point the City issues additional debt, this policy should be revised to reflect the requirements at that time.

Figure 2 summarizes the sources and uses of funds and net revenue requirements for the next five years, assuming the City funds 100% of the planned CIP projects over this period.

Figure 2. Summary of Water Revenue Requirements

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget	5-Year Rate Adoption Period				
	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Sources of Water Funds						
Rate Revenue Under Prevailing Rates	\$ 15,179,148	\$ 15,497,910	\$ 15,823,366	\$ 16,155,656	\$ 16,494,925	\$ 16,841,319
Non-Rate Revenues	1,098,954	1,106,147	1,113,492	1,120,991	1,128,647	1,136,465
Interest Earnings	180,121	176,388	164,908	110,214	94,864	79,547
Total Sources of Funds	\$ 16,458,222	\$ 16,780,445	\$ 17,101,766	\$ 17,386,862	\$ 17,718,436	\$ 18,057,331
Uses of Water Funds						
Operating Expenses	\$ 11,785,202	\$ 13,027,679	\$ 13,665,520	\$ 14,337,001	\$ 15,043,999	\$ 15,788,501
Rate-Funded Capital Expenses	-	890,787	6,412,621	7,432,357	8,616,828	9,023,266
Total Use of Funds	\$ 11,785,202	\$ 13,918,466	\$ 20,078,141	\$ 21,769,358	\$ 23,660,827	\$ 24,811,767
Surplus (Deficiency) before Rate Increase	\$ 4,673,020	\$ 2,861,978	\$ (2,976,375)	\$ (4,382,496)	\$ (5,942,391)	\$ (6,754,436)
Additional Revenue from Rate Increases	-	1,394,812	2,976,375	4,382,496	5,942,391	6,754,436
Surplus (Deficiency) after Rate Increase	\$ 4,673,020	\$ 4,256,790	\$ -	\$ -	\$ -	\$ -
Projected Annual Rate Increase	0.00%	9.00%	9.00%	7.00%	7.00%	3.00%
Net Revenue Requirement¹	\$ 10,506,128	\$ 12,635,931	\$ 18,799,741	\$ 20,538,153	\$ 22,437,316	\$ 23,595,754

1. Total Use of Funds less non-rate revenues and interest earnings. This is the annual amount needed from water rates.

Figure 3 summarizes the projected reserve fund balances and reserve targets for the next five years. Because of the capital projects needed over the next five fiscal years, the City will dip below target reserve levels until fiscal year 2030/31, when the water system replacement fund can catch up to target levels. Detail of the water utility's proposed 5-year financial plan are included in the Appendix of this report. These tables include revenue requirements, reserve funds, capital improvement detail, revenue sources and proposed rate increases for the 5-year period.

Figure 3. Summary of Water Reserve Funds

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget	5-Year Rate Adoption Period				
	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Water Operations Fund (650)	\$ 2,946,301	\$ 3,256,920	\$ 3,256,920	\$ 3,256,920	\$ 3,256,920	\$ 3,256,920
<i>Recommended Minimum Target</i>	<i>2,946,301</i>	<i>3,256,920</i>	<i>3,416,380</i>	<i>3,584,250</i>	<i>3,761,000</i>	<i>3,947,125</i>
Water System Replacement Fund (653)	\$ 8,288,597	\$ 7,246,771	\$ 3,763,100	\$ 2,785,359	\$ 1,809,794	\$ 834,340
<i>Recommended Minimum Target</i>	<i>2,953,600</i>	<i>3,300,600</i>	<i>3,763,100</i>	<i>4,236,000</i>	<i>4,757,700</i>	<i>5,194,200</i>
Rate Stabilization Fund (652)	\$ 3,035,830	\$ 3,083,492	\$ 3,131,903	\$ 3,181,074	\$ 3,231,017	\$ 3,281,744
<i>Recommended Minimum Target</i>	<i>3,035,830</i>	<i>3,099,582</i>	<i>3,164,673</i>	<i>3,231,131</i>	<i>3,298,985</i>	<i>3,368,264</i>
Total Ending Balance	\$ 14,270,727	\$ 13,587,183	\$ 10,151,923	\$ 9,223,353	\$ 8,297,731	\$ 7,373,003
<i>Total Recommended Minimum Target</i>	<i>\$ 8,935,730</i>	<i>\$ 9,657,102</i>	<i>\$ 10,344,153</i>	<i>\$ 11,051,382</i>	<i>\$ 11,817,685</i>	<i>\$ 12,509,589</i>

CHARACTERISTICS OF WATER CUSTOMERS BY CLASS

The amount of consumption, the peaking factors, and the number of meters by customer class are all used in allocating costs as a part of the cost-of-service analysis. The City's most recent consumption data is summarized in Figure 4, peaking factors by customer class are summarized in Figure 5, and Figure 6 compares the total number of meters by customer class.

Figure 4. Water Consumption by Customer Class

Customer Class	FY 2020/21 Volume (hcf) ¹	Percent of Total Volume
Single Family - Inside	1,773,378	57.7%
Single Family - Outside	52,931	1.7%
Multi-Family	319,696	10.4%
Commercial	929,760	30.2%
Grand Total	3,075,765	100.0%
Fire	565	0.02%

1. Consumption data source: *Morgan Hill_2018-2021 Consumption Billing Data.xlsx*

Figure 5. Peaking Factors by Customer Class

Customer Class	Average Monthly Use (hcf)	Peak Monthly Use (hcf) ¹	Peak Month Factor	Max Month Capacity Factor
Single Family - Inside	147,782	217,683	1.47	58.2%
Single Family - Outside	4,411	6,725	1.52	1.8%
Multi-Family	26,641	31,378	1.18	8.4%
Commercial	77,480	118,489	1.53	31.7%
Grand Total	256,314	374,275	1.46	100.0%
Fire	47	261	5.54	0.1%

1. Based on peak monthly data (peak day data not available).

Figure 6. Number of Meters by Customer Class

Customer Class	Number of Meters ¹	Percent of Total
Single Family - Inside	10,502	69.9%
Single Family - Outside	308	2.1%
Multi-Family	2,284	15.2%
Commercial	1,663	11.1%
Fire	263	1.75%
Grand Total	15,020	100.0%

1. Number of meters is from source: *Morgan Hill_2018-2021 Consumption Billing Data.xlsx*

COST OF SERVICE ANALYSIS

Once the revenue requirements for the water utility are determined, the cost-of-service analysis distributes those revenue requirements to each of the customer classes. The cost-of-service analysis consists of two major components: (1) the functionalization and classification of expenses, and (2) the allocation of costs to customer classes. This process is described as follows:

Functionalization, Classification and Allocations

Most costs are not typically allocated 100% to fixed or variable categories and, therefore, are allocated to multiple functions of water service. The classification (i.e., functionalization) of costs provides the basis for allocating the classified costs to the following cost-causation components:

- **Commodity** related costs are those costs associated with the total consumption of water over a specified period of time (e.g., annual).
- **Capacity** related costs are those costs associated the maximum-month demand and the design capacity of facilities required to meet this demand.
- **Customer** related costs are costs associated with having a customer on the water system, such as meter reading, postage and billing.
- **Fire Protection** costs are associated with providing sufficient capacity in the system for fire meters and other operations and maintenance costs of providing water to properties for private fire service protection.
- **Zonal** related costs are costs that are directly allocated to the zonal elevation surcharges that include the cost of electricity needed to pump water to higher elevation zones. These surcharges are discussed in Section 4 of this report.

Once costs have been organized in the City's functional budget categories, they are allocated to these cost causation components that are used as the basis for establishing new water rates and translate to fixed and variable charges. The tables in the Appendix show how the City's expenses were classified and allocated to these cost causation components and then into fixed and variable costs in more detail.

Fixed costs generally consist of costs that a utility incurs to serve customers irrespective of the amount of water they use. These include (1) the infrastructure (capacity-related facilities) required to provide service to customers, (2) costs associated with the peaking requirements, or maximum demand which affects the maximum size of water supply, treatment and delivery system, and (3) administrative and billing costs associated with meter reading, postage and billing.

Variable costs are those that change as the volume of water produced and delivered changes. These commonly include the costs of chemicals used in the treatment process, energy related to pumping for transmission and distribution, and source of supply.

Ideally, utilities should recover all of their fixed costs from fixed charges and all of their variable costs from volumetric charges; when this is the case, fluctuations in water sales revenues would be directly offset by reductions or increases in variable expenses. Because of this, this rate design provides greater revenue stability. However, other factors are often considered when designing water rates such as community values, water conservation goals, ease of understanding, and ease of administration.

NBS allocated the functionalization of costs into categories that can be more generally grouped into the fixed and variable costs discussed above. This analysis resulted in a cost distribution that is about 50% fixed and 50% variable (volumetric). **Figure 7** summarizes how costs are allocated to each cost component and used to establish new water rates. As a result, 52.6% of revenue will be collected from commodity rates, 41.3% will be collected from fixed capacity-related charges, 3.7% from fixed customer-related charges, 0.94% will be collected from fire-protection fixed charges and 1.5% will be collected from zonal elevation surcharges.

Figure 7. Allocated Net Revenue Requirements

Classification Components	Proposed Rate Adjusted Net Revenue Requirements	
Commodity-Related Costs	\$ 8,879,127	52.6%
Capacity-Related Costs (Fixed)	6,978,331	41.3%
Customer-Related Costs	625,855	3.7%
Fire Protection-Related Costs	158,592	0.94%
Subtotal Revenue Requirement	\$ 16,641,905	98.5%
Zonal-Related Costs	\$ 250,817	1.5%
Net Total Revenue Requirement	\$ 16,892,721	100%

1. Zonal Related Costs are recovered via the zonal charge and are not included in this rate revenue calculation.

Costs Allocated to Customer Classes

Customer classes are typically determined by grouping customers with similar demand characteristics into categories that reflect the cost differentials to serve each type of customer. The new rates will remain in the same structure as current rates and will continue to be distinguished between residential and non-residential customer classes. These two groups of customers will have different fixed charges by meter size that reflects the different costs incurred to serve residential vs. non-residential classes of customers. **Figure 8** shows how costs are distributed to each customer class (except zonal related costs).

Figure 8. Distribution of Costs to Each Customer Class

Customer Class	Cost Classification Components				Cost of Service Net Revenue Req'ts	% of COS Net Revenue Req'ts
	Commodity	Capacity	Customer	Fire Protection		
Residential (Single & Multi-Family)	\$ 6,195,093	\$ 4,769,112	\$ 545,602	\$ -	\$ 11,509,807	69.2%
Non-Residential (Commercial)	\$ 2,684,034	\$ 2,209,219	\$ 69,294	\$ -	\$ 4,962,547	29.8%
Fire	\$ -	\$ -	\$ 10,959	\$ 158,592	\$ 169,550	1.0%
Grand Total	\$ 8,879,127	\$ 6,978,331	\$ 625,855	\$ 158,592	\$ 16,641,905	100%

Commodity related costs are distributed to each customer class based on the percentage of water consumed (previously shown in Figure 4). Capacity related costs are distributed to each customer class based on the peaking factors (previously shown in Figure 5). Customer related costs are distributed to each customer class based on the number of customers in each customer class (previously shown in Figure 6). A direct allocation is made in the functionalization and classification process to commercial fire which reflects their share of system-wide costs.

CURRENT VS. PROPOSED WATER RATE STRUCTURES

The process of evaluating the water rate structure provides the opportunity to incorporate a number of rate-design objectives and policies, including revenue stability, equity among customer classes, and water conservation. One of the City's main objectives in this study was to develop a rate structure that would provide the utility with continual revenue stability and promote conservation.

Fixed Charges

Meter sizes have different fixed charges based on the capacity requirements of each size meter connected to the system. This is because larger meters have the potential to use more of the system's capacity, or said differently, they have higher peaking factors compared to smaller meters. The potential capacity demanded (peaking) is proportional to the maximum hydraulic flow through each meter size as established by the AWWA hydraulic capacity ratios⁴. As an example, a 2-inch meter has a greater capacity, or potential peak demand than a 3/4-inch meter; therefore, the fixed charge for a 2-inch meter is larger than a 3/4-inch meter based on their proportionate capacity requirements⁵. A "hydraulic capacity factor" is calculated by dividing the maximum capacity or flow of large meters by the capacity of the base meter size, which is typically the most common residential meter size (in this case a 1-inch meter).

The actual number of meters by size is multiplied by the corresponding capacity ratios to calculate the total number of equivalent meters. The number of equivalent meters is used as a proxy for the potential demand that each customer can place on the water system (which dictates the sizing of the system's maximum capacity). A significant portion of a water system's peak capacity, and in turn, the utility's fixed operating and capital costs, are related to meeting system capacity requirements.

Currently, the City charges all customer classes a fixed monthly charge based on meter size and customer class. NBS recommends maintaining the current fixed rate structure. Not uncommon in industry practice, 5/8-inch and 3/4-inch meters are set to be equivalent to the 1-inch base meter.

Fire service customers will still be subject to a different set of fixed charges than the other customer classes. Fire service customers differ from other water service customers because their service is more of a standby service, where a readiness-to-serve charge is appropriate. Except in the event of a fire, these users are not intended to use water on a regular basis (as shown previously in Figure 4). However, the City still needs to provide sufficient capacity for fire meters and recover other operations and maintenance costs of providing water to such properties for private fire service protection. Based on the cost-of-service analysis and the standby nature of fire meters, the overall cost to serve these users is less than that of a standard service; therefore, the fixed charges are less.

Figures 9, 10 and 11 show how fixed meter charges were calculated for each customer class. The customer component of the rate is \$3.47 per meter and does not vary by meter size because it represents costs to the utility for having connections to the water system. Capacity costs vary by meter size and are based on their hydraulic capacity, but customer costs remain consistent across all customers.

⁴ See: American Water Works Association, *Principles of Water Rates, Fees and Charges: Manual of Water Supply Practices M1*, 386, (7th ed. 2017) and American Water Works Association, *Water Meters – Selection, Installation, Testing and Maintenance M6*, 65 (5th ed. 2012).

⁵ This is reflected in the fixed charge calculations by using the AWWA hydraulic capacity factors to represent the maximum volume each meter size is capable of delivering.

Figure 9. Calculation of FY 2022/23 Residential Fixed Meter Charges

Residential Meter Size	Hydraulic Capacity Factor	Number of Meters	Total Equivalent Meters	Fixed Meter Charge		Total Monthly Fixed Meter Charge	Estimated Revenue from Fixed Charges
				Customer Component	Capacity Component		
5/8-1 inch	1.00	12,981	12,981	\$3.47	\$29.63	\$33.10	\$ 5,155,716
1.5 inch	2.00	41	82	\$3.47	\$59.25	\$62.72	\$ 30,860
2 inch	3.20	60	192	\$3.47	\$94.80	\$98.27	\$ 70,757
3 inch	6.40	-	-	\$3.47	\$189.60	\$193.08	\$ -
4 inch	10.00	8	80	\$3.47	\$296.25	\$299.73	\$ 28,774
6 inch	20.00	4	80	\$3.47	\$592.51	\$595.98	\$ 28,607
Total (Residential Customers)		13,094	13,415				\$ 5,314,714

Figure 10. Calculation of FY 2022/23 Non-Residential Fixed Meter Charges

Non-Residential Meter Size	Hydraulic Capacity Factor	Number of Meters	Total Equivalent Meters	Fixed Meter Charge		Total Monthly Fixed Meter Charge	Estimated Revenue from Fixed Charges
				Customer Component	Capacity Component		
5/8-1 inch	1.00	703	703	\$3.47	\$50.14	\$53.62	\$ 452,314
1.5 inch	2.00	360	720	\$3.47	\$100.29	\$103.76	\$ 448,252
2 inch	3.20	549	1,757	\$3.47	\$160.46	\$163.94	\$ 1,080,008
3 inch	6.40	14	90	\$3.47	\$320.93	\$324.40	\$ 54,499
4 inch	10.00	35	350	\$3.47	\$501.45	\$504.92	\$ 212,067
6 inch	20.00	1	20	\$3.47	\$1,002.90	\$1,006.37	\$ 12,076
8 inch	32.00	1	32	\$3.47	\$1,604.63	\$1,608.11	\$ 19,297
10 inch	84.00	-	-	\$3.47	\$4,212.16	\$4,215.63	\$ -
Total (Non-Residential Customers)		1,663	3,671				\$ 2,278,513

Figure 11. Calculation of FY 2022/23 Private Fire Protection Fixed Meter Charges

Fire Meter Size	Hydraulic Capacity Factor	Number of Meters	Total Equivalent Meters	Fixed Meter Charge		Total Monthly Fixed Meter Charge	Estimated Revenue from Fixed Charges
				Customer Component	Capacity Component		
2 inch	3.20	1	3	\$3.47	\$4.64	\$8.11	\$ 97
3 inch	7.00	-	-	\$3.47	\$10.14	\$13.61	\$ -
4 inch	14.00	64	896	\$3.47	\$20.28	\$23.75	\$ 18,242
6 inch	32.00	126	4,032	\$3.47	\$46.36	\$49.83	\$ 75,340
8 inch	56.00	67	3,752	\$3.47	\$81.12	\$84.59	\$ 68,014
10 inch	88.00	5	440	\$3.47	\$127.48	\$130.95	\$ 7,857
Total (Fire Customers)		263	9,123				\$ 169,550

Volumetric Rates

Currently, the City charges all customers a uniform commodity rate for all water consumed (commodity or volumetric rates are charged per unit of water, or hundred cubic feet (hcf), or 748 gallons). NBS recommends maintaining the uniform, or single-tier, volumetric rate for all customers. It is easier to demonstrate that the use of a uniform volumetric rate meets the requirements of Proposition 218.

In addition, because of the significant differences in typical water use of commercial customers (e.g., laundromat vs. restaurants vs. office space), uniform commodity charges are a commonly used rate structure for these types of customers and is the primary reason why tiered rates typically aren't used for commercial customers. **Figure 12** shows water consumption, commodity related costs, and the uniform volumetric rate that will apply to all customer classes.

Figure 12. Calculation of FY 2022/23 Uniform Volumetric Rates

	Number of Meters ¹	Water Consumption (hcf/yr.) ²	Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/hcf)	Proposed Rate Structure
Residential	13,094	2,146,005	\$ 6,195,093	36.7%	\$2.89	Uniform
Non-Residential	1,663	929,760	\$ 2,684,034	15.9%		
Subtotal	14,757	3,075,765	\$ 8,879,127	53%		
Fire	263	565	\$ -	0.00%	\$2.89	Uniform
Grand Total	15,020	3,076,330	\$ 8,879,127	53%		

1. Number of meters and consumption by size and class is per the City of Morgan Hill's utility billing data as of May 2021 in the Billed Consumption Report by Month spreadsheets.

Current and Proposed Water Rates

Figure 13 compares the current and proposed rates for Fiscal Year 2022/23 through 2026/27.

Figure 13. Current and Proposed Water Rates for FY 2022/23 through 2026/27

Water Rate Schedule	Current Monthly Rates	Proposed Monthly Water Rates				
		FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Fixed Service Charges						
<u>Single- and Multi-Family Residential:</u>						
5/8 inch	\$31.14	\$33.10	\$36.08	\$38.60	\$41.30	\$42.54
3/4 inch	\$31.14	\$33.10	\$36.08	\$38.60	\$41.30	\$42.54
1 inch	\$31.14	\$33.10	\$36.08	\$38.60	\$41.30	\$42.54
1.5 inch	\$58.72	\$62.72	\$68.37	\$73.15	\$78.28	\$80.62
2 inch	\$91.81	\$98.27	\$107.12	\$114.62	\$122.64	\$126.32
4 inch	\$279.36	\$299.73	\$326.70	\$349.57	\$374.04	\$385.26
6 inch	\$555.17	\$595.98	\$649.62	\$695.09	\$743.75	\$766.06
<u>Non-Residential:</u>						
5/8 inch	\$47.23	\$53.62	\$58.44	\$62.53	\$66.91	\$68.92
3/4 inch	\$47.23	\$53.62	\$58.44	\$62.53	\$66.91	\$68.92
1 inch	\$47.23	\$53.62	\$58.44	\$62.53	\$66.91	\$68.92
1.5 inch	\$90.90	\$103.76	\$113.10	\$121.02	\$129.49	\$133.37
2 inch	\$143.31	\$163.94	\$178.69	\$191.20	\$204.58	\$210.72
3 inch	\$283.06	\$324.40	\$353.59	\$378.35	\$404.83	\$416.98
4 inch	\$440.28	\$504.92	\$550.36	\$588.89	\$630.11	\$649.01
6 inch	\$877.00	\$1,006.37	\$1,096.94	\$1,173.73	\$1,255.89	\$1,293.56
8 inch	\$1,401.07	\$1,608.11	\$1,752.84	\$1,875.53	\$2,006.82	\$2,067.03
<u>Fire Service:</u>						
5/8 inch	\$4.02	\$4.05	\$4.42	\$4.73	\$5.06	\$5.21
3/4 inch	\$4.25	\$4.34	\$4.73	\$5.06	\$5.42	\$5.58
1 inch	\$4.71	\$4.92	\$5.36	\$5.74	\$6.14	\$6.33
1.5 inch	\$5.86	\$6.37	\$6.94	\$7.43	\$7.95	\$8.19
2 inch	\$7.24	\$8.11	\$8.84	\$9.46	\$10.12	\$10.42
3 inch	\$11.61	\$13.61	\$14.84	\$15.88	\$16.99	\$17.50
4 inch	\$19.66	\$23.75	\$25.89	\$27.70	\$29.64	\$30.53
6 inch	\$40.37	\$49.83	\$54.31	\$58.11	\$62.18	\$64.05
8 inch	\$67.98	\$84.59	\$92.21	\$98.66	\$105.57	\$108.74
10 inch	\$104.79	\$130.95	\$142.74	\$152.73	\$163.42	\$168.32
Volumetric Charges						
Uniform Rate, All Customers	\$2.57	\$2.89	\$3.15	\$3.37	\$3.60	\$3.71

1. The FY 2022/23 rate increase will be effective July 1, 2022; subsequent rate increases will be effective on July 1st each year.

Figures 14 and 15 compare monthly bills for single-family and multi-family residential customers under current and proposed rates at varying levels of water consumption. **Figure 16** compares monthly bills for commercial customers under current and proposed rates at varying levels of water consumption. The recommended rates and monthly bills shown in these Figures differ from existing rates due to both the rate increases and changes in the allocation factors (water consumption, peaking factors, etc.), which change over time. The City’s current policy is to charge 5/8” – 1” meters the same rate; this practice has been maintained in the proposed rates shown in Figure 13, per direction from City Staff.

Figure 14. Comparison of Monthly Water Bills for Single-Family Residential Customers

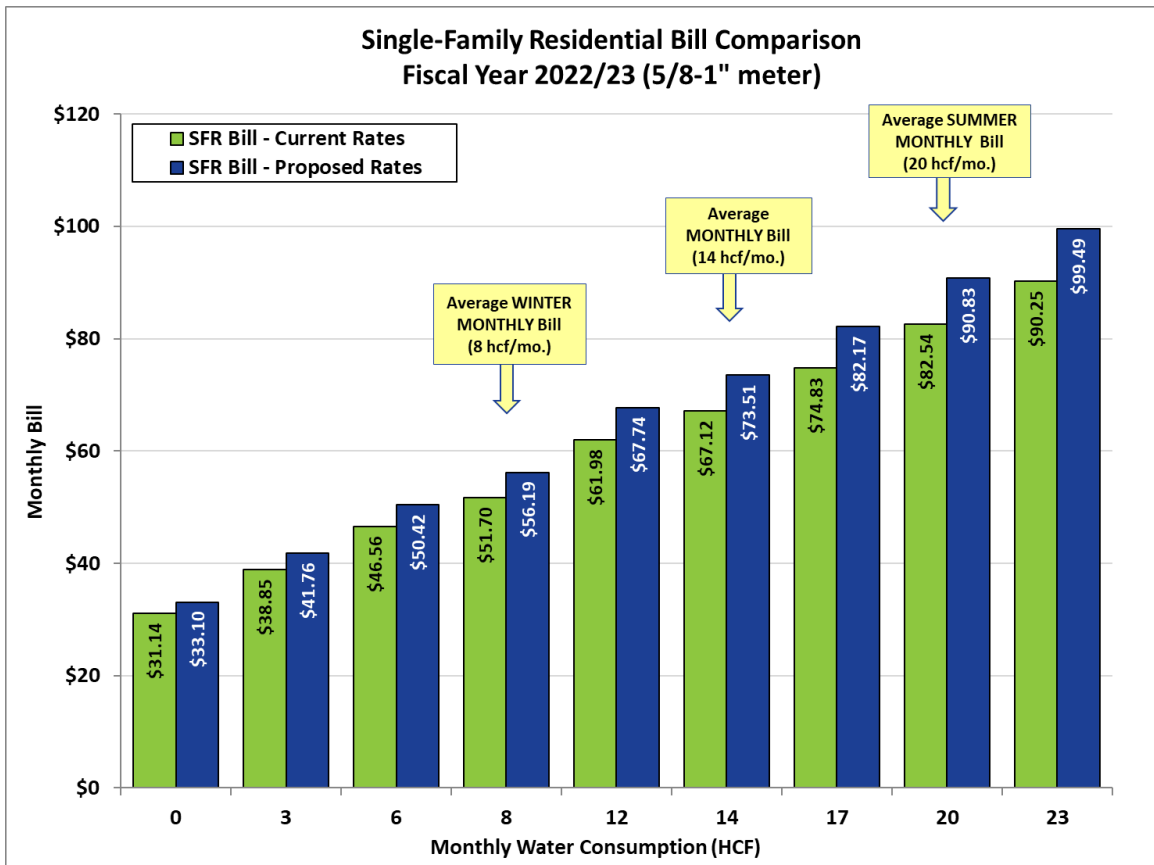


Figure 15. Comparison of Monthly Water Bills for Multi-Family Residential Customers

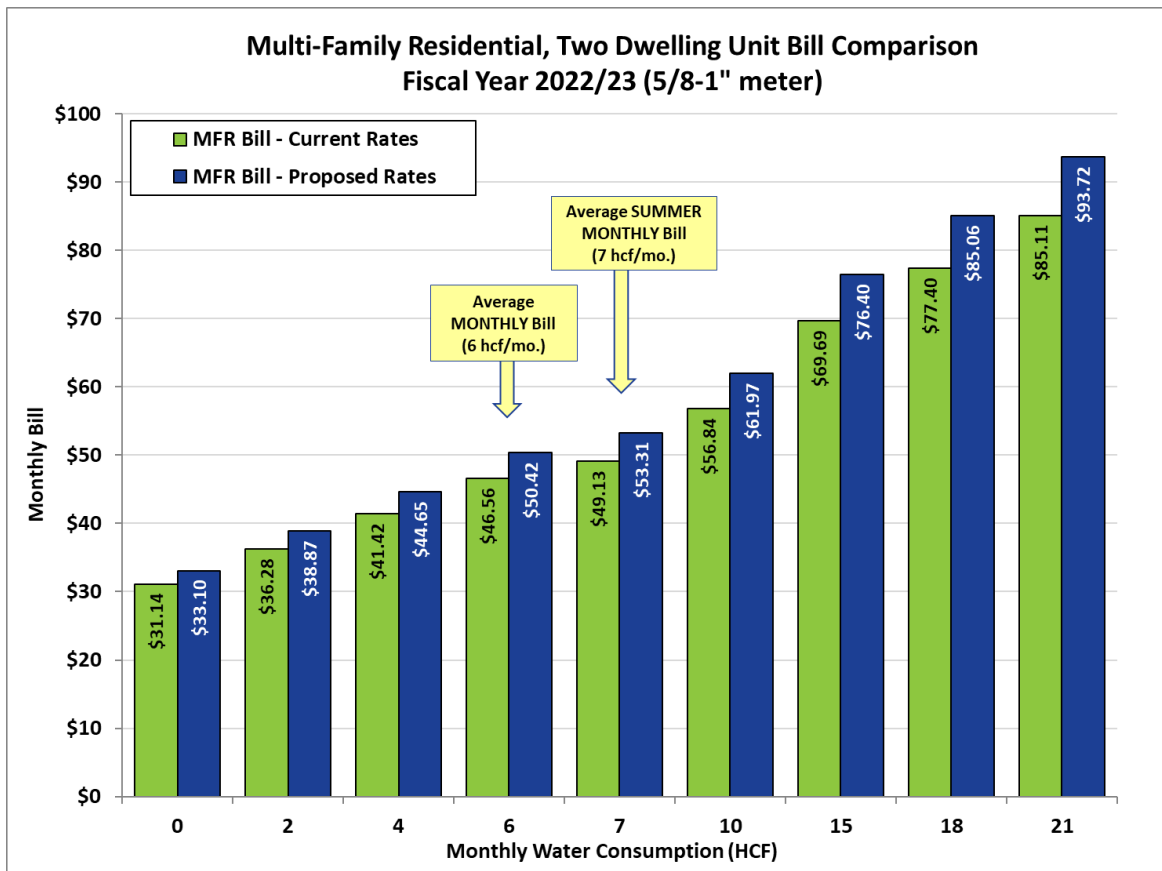
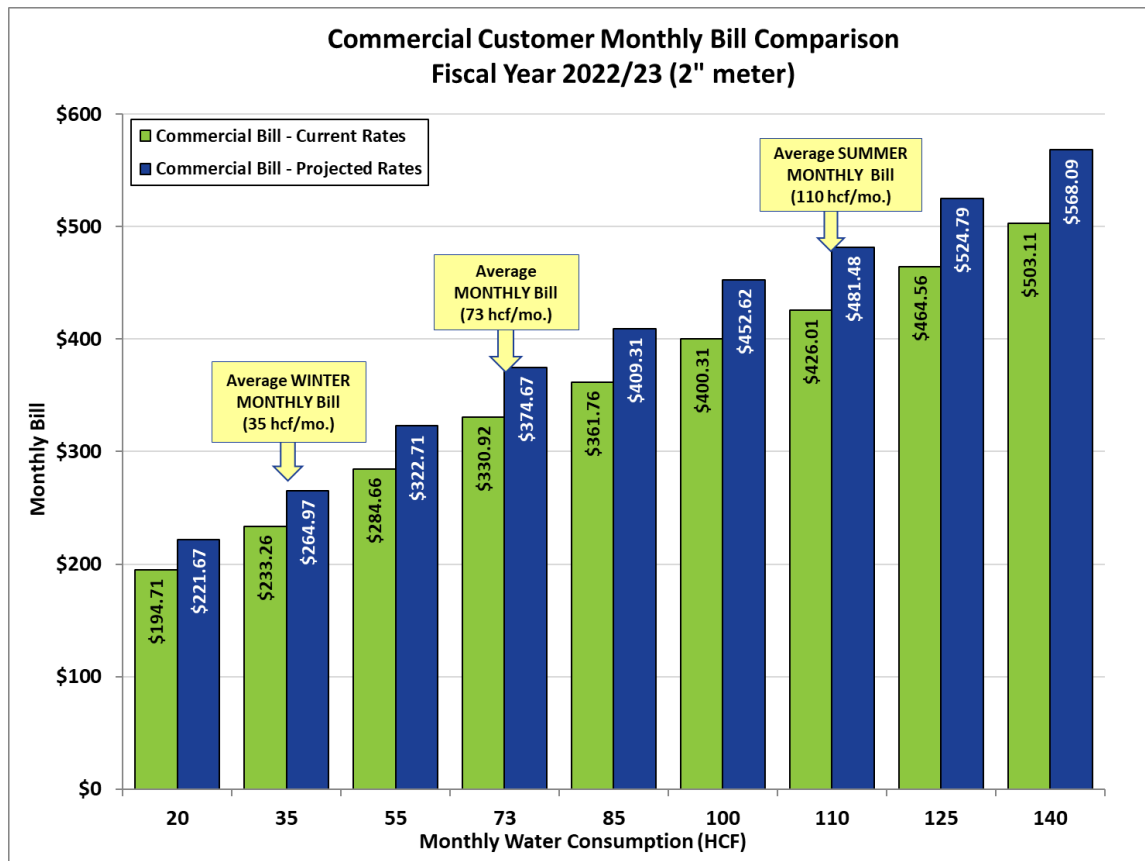


Figure 16. Comparison of Monthly Water Bills for Commercial Customers



SECTION 3. REVENUE STABILIZATION RATE ANALYSIS

If revenue from volumetric rates fall below the levels currently expected, the City is still obligated to meet its annual net revenue requirements. In contrast to drought rates, which are specifically intended to respond to revenue losses related to various drought stages, revenue stabilization rates are intended to offset revenue losses for any reason. For example, revenue losses could be related to conservation, unusual weather conditions, catastrophic loss of system infrastructure, or similar emergencies. To this end, revenue stabilization rates have been developed so that the water utility would still be kept financially whole under these conditions.

CALCULATION OF REVENUE STABILIZATION RATES

The intent of revenue stabilization rates is to offset the revenue losses that may be due to a variety of reasons and thereby decoupling this process from specific drought rates, drought stages, and/or State-mandated conservation. Revenue stabilization rates are the expected volumetric rate revenue divided by the reduced levels of water sales.

Figure 17 shows the estimated water consumption by customer class at various levels of reduction, up to 30%. **Figure 18** shows the calculation of the revenue stabilization rates for FY 2022/23. **Figure 19** shows the whole proposed rate schedule for revenue stabilization rates through FY 2026/27.

Figure 17. Average Monthly Consumption at Various Levels of Conservation

Customer Class	Water Consumption ¹ (hcf/yr.)	Annual Consumption at Various Levels of Reduction				
		10%	15%	20%	25%	30%
Single Family - Inside	1,773,378	1,596,040	1,507,371	1,418,702	1,330,034	1,241,365
Single Family - Outside	52,931	47,638	44,991	42,345	39,698	37,052
Multi-Family	319,696	287,726	271,742	255,757	239,772	223,787
Commercial	929,760	836,784	790,296	743,808	697,320	650,832
Total	3,075,765	2,768,189	2,614,400	2,460,612	2,306,824	2,153,036

1. Consumption data source: *Morgan Hill_2018-2021 Consumption Billing Data.xlsx*

Figure 18. Proposed Revenue Stabilization Rates for FY 2022/23

Customer Class	Total Target Rev. Req't from Vol. Charges	10%	15%	20%	25%	30%
Residential (Single & Multi-Family)	\$ 6,195,093					
Non-Residential (Commercial)	\$ 2,684,034	\$3.21	\$3.40	\$3.61	\$3.85	\$4.12
Fire	\$ -					
Grand Total	\$ 8,879,127					

Figure 19. Proposed Revenue Stabilization Rates FY 2022/23 through FY 2026/27

	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
10% Revenue Stabilization Rate*	\$3.21	\$3.50	\$3.82	\$4.09	\$4.38
15% Revenue Stabilization Rate*	\$3.40	\$3.71	\$4.04	\$4.32	\$4.62
20% Revenue Stabilization Rate*	\$3.61	\$3.93	\$4.28	\$4.58	\$4.90
25% Revenue Stabilization Rate*	\$3.85	\$4.20	\$4.58	\$4.90	\$5.24
30% Revenue Stabilization Rate*	\$4.12	\$4.49	\$4.89	\$5.23	\$5.60

* Revenue Stabilization Rates would be implemented if current revenue from water sales are below the percentages indicated.

REVENUE-STABILIZATION RATE TRIGGER AND COUNCIL NOTIFICATION

For background/informational purposes, City Staff (staff) will provide the City Council with the average units of water sales (for each month) for the rolling previous three years at the periodic financial update, which will serve as the “baseline” against which current annual sales to date will be compared. The City will include a revenue stabilization rate schedule in each budget year (and Proposition 218 Notices) indicating the volumetric rate for increases of 10%, 15%, 20%, 25% and 30%. This information will be provided as a part of the budget package each year.

If staff determines that annual water sales revenue to date is more than 10% below expected year-to-date levels (based on monthly averages over the previous three-years) and expense reduction measures have been reviewed and considered, staff will implement the revenue-stabilization rates. Staff will inform the Council of the revenue-stabilization rates implementation at the earliest financial update. Staff will also update the Council on current reserve levels and provide an analysis of why the revenue losses are occurring, along with a six-month projection of anticipated water sales.

Implementing Revenue Stabilization Rates: Once City staff has informed the Council of implementation, the Council may:

- Act to implement less than 100% of the revenue stabilization rates at the earliest billing cycle.
- Utilize reserves to meet all or part of the revenue gap.
- Take no action, which results in implementation of revenue stabilization rates from the revenue-stabilization rate schedule⁶.

Rescinding Revenue Stabilization Rates: Once the volumetric water sales revenue has returned to expected levels⁷, City staff will rescind the revenue-stabilization rates and previously adopted uniform volumetric rate are (again) in effect. In addition, City staff will inform the Council of such action at the earliest financial update.

⁶ The Revenue-Stabilization rate schedule will be the current uniform volumetric rate that correspond to water sales reductions of 10%, 15%, 20%, 25% and 30%.

⁷ The expected year-to-date volumetric rate revenue is the three-year rolling average monthly water sales (in units) times the currently adopted uniform volumetric water rate.

SECTION 4. ZONAL ELEVATION SURCHARGES

OVERVIEW OF ZONAL ELEVATION SURCHARGES

While most of the City's water customers are located within normal elevation zones (those not requiring significant additional infrastructure to get water to the higher elevations), some customers are in higher elevation zones that costs more to pump water to them. These elevation surcharges are part of the current rate structure and NBS evaluated the current cost of service for these customers.

Although this analysis could have included the annual costs of power as well as pumping facility maintenance and replacement costs, the calculated surcharges only included annual power costs. The City decided to only recover power costs at least partly because the fixed assets of the water system are sized to provide fire protection, not just water service, and fire protection is a community-wide issue for which the costs are shared community-wide. Also, surcharges for all three zones were calculated as a single volumetric rate based on the annual flows through these three zones.

NBS is proposing a single volumetrically based zonal elevation surcharge since energy is a variable cost. **Figure 20** shows the proposed water zonal elevation surcharges.

Figure 20. Water Zonal Elevation Surcharges

	Surcharge Costs	VOLUMETRIC SURCHARGES (for 100% of Power Costs)			Total Revenue
Elevation Zones	Annual Power Costs	Annual Flow (hcf)	Costs to Recover in Volumetric Surcharge	Volumetric Surcharges (\$/hcf)	Fixed + Volumetric Revenue from Surcharges
All Zones	\$ 267,520	752,540	\$ 267,520	\$0.36	\$ 267,520
Total	\$ 267,520	752,540	\$ 267,520	--	\$ 267,520

A five-year projection of costs was prepared as part of the zonal elevation surcharge analysis, in order to provide a five-year schedule of surcharges that is consistent with the rate schedules prepared in this study. **Figure 21** show the five-year schedules of zonal elevation surcharge options. Refer to the Appendix of this report, which show the detail of how the surcharges were calculated.

Figure 21. Five-Year Schedule of Water Zonal Elevation Surcharges

Water Enterprise Zonal Elevation Surcharges: Volumetric Surcharges						
Elevation Zones	Current	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Volumetric Surcharges (\$/hcf)	\$0.11	\$0.36	\$0.37	\$0.39	\$0.41	\$0.43

1. The Annual % increase is due to inflation of energy costs.

SECTION 5. RECOMMENDATIONS AND NEXT STEPS

CONSULTANT RECOMMENDATIONS

NBS recommends the City take the following actions for the water and wastewater rates:

- **Approve and Accept This Study Report:** NBS recommends that the City Council formally approve and adopt this report and its recommendations. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Maintain Reserve Fund Targets:** The City should periodically evaluate reserve fund levels and make it a long-term goal to achieve these levels for the Operating, Capital, and Rate Stabilization Reserves.
- **Implement Recommended Levels of Rate Increases and Proposed Rates:** Based on the analysis presented in this report, the City Council should implement the proposed water rates recommended in this report for the next five years as shown in Figure 13 in Section 2 of this report.
- **Adopt Revenue Stabilization Rates:** Adopt the revenue stabilization rates shown in Figure 19 in Section 3 of this report.
- **Adopt Elevation Zone Surcharges:** Adopt the zonal surcharges shown in Figures 21 in Section 4 of this report.
- **Complete a Legal Review:** This rate study outlines proposed new rates, including new revenue stabilization rates, updated zonal elevation surcharges, and the continued use of outside surcharges. Particularly in light of changing legal requirements, these rates should be reviewed by competent legal counsel with respect to compliance with Proposition 218 and related State laws prior to adoption, including language for new resolutions and public notices required to implement these rates.

NEXT STEPS

- **Annually Review Rates and Revenue** – Any time an Agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Changing economic and drought-related water consumption patterns underscore the need for this review, as well as potential and unseen changing revenue requirements, particularly those related to environmental regulations that can significantly affect capital improvements and repair and replacement costs.

Note: The attached Technical Appendices provide detailed information on the analysis of the water revenue requirements, cost of service and rate design analyses that have been summarized in this report.

PRINCIPAL ASSUMPTIONS AND CONSIDERATIONS

In preparing this report and the recommendations included herein, NBS has relied on a number of principal assumptions and considerations with regard to financial matters, number of customer accounts, conditions and events that may occur in the future. This information and assumptions, including the City's budgets and customer account information from City staff, were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein or may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

APPENDIX - WATER RATE ANALYSIS

TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY			Budget		5-Year Rate Adoption Period					Projected		
		FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
Sources of Water Funds												
Rate Revenue:	Current Rate Revenue	\$ 15,179,148	\$ 15,497,910	\$ 15,823,366	\$ 16,155,656	\$ 16,494,925	\$ 16,841,319	\$ 17,194,986	\$ 17,556,081	\$ 17,924,759	\$ 18,301,179	
	Non-Rate Revenue in Operations & System Replacement Funds:											
	Interest Income ¹	180,121	176,388	164,908	110,214	94,864	79,547	64,233	84,685	104,494	149,683	
	Other, Non-Rate Revenues	1,098,954	1,106,147	1,113,492	1,120,991	1,128,647	1,136,465	1,144,446	1,152,595	1,160,915	1,169,410	
	Total Sources of Funds	\$ 16,458,222	\$ 16,780,445	\$ 17,101,766	\$ 17,386,862	\$ 17,718,436	\$ 18,057,331	\$ 18,403,665	\$ 18,793,361	\$ 19,190,168	\$ 19,620,272	
Uses of Water Funds												
Operating Expenses ²	Water Operations	\$ 9,785,473	\$ 10,785,807	\$ 11,339,535	\$ 11,923,538	\$ 12,539,549	\$ 13,189,404	\$ 13,875,048	\$ 14,598,542	\$ 15,362,070	\$ 16,167,943	
	Water Operations - Capital Expenses	860,985	886,815	913,419	940,822	969,046	998,118	1,028,061	1,058,903	1,090,670	1,123,390	
	Utility Billing	957,802	998,262	1,040,523	1,084,667	1,130,781	1,178,958	1,229,293	1,281,886	1,336,843	1,394,273	
	Water Conservation	157,393	332,540	347,059	362,242	378,118	394,721	412,085	430,246	449,242	469,112	
	Water Rate Stabilization Fund Admin.	371	383	394	406	418	431	443	457	470	485	
	Water System Replacement Fund	23,178	23,874	24,590	25,328	26,088	26,870	27,676	28,507	29,362	30,243	
	Subtotal: Operating Expenses	\$ 11,785,202	\$ 13,027,679	\$ 13,665,520	\$ 14,337,001	\$ 15,043,999	\$ 15,788,501	\$ 16,572,607	\$ 17,398,541	\$ 18,268,656	\$ 19,185,446	
Other Expenditures:												
	Rate-Funded Capital Expenses	\$ -	\$ 890,787	\$ 6,412,621	\$ 7,432,357	\$ 8,616,828	\$ 9,023,266	\$ 6,688,244	\$ 6,690,613	\$ 5,015,485	\$ 5,610,429	
	Subtotal: Other Expenditures	\$ -	\$ 890,787	\$ 6,412,621	\$ 7,432,357	\$ 8,616,828	\$ 9,023,266	\$ 6,688,244	\$ 6,690,613	\$ 5,015,485	\$ 5,610,429	
	Total Uses of Water Funds	\$ 11,785,202	\$ 13,918,466	\$ 20,078,141	\$ 21,769,358	\$ 23,660,827	\$ 24,811,767	\$ 23,260,850	\$ 24,089,153	\$ 23,284,141	\$ 24,795,875	
	plus: Revenue from Rate Increases ³		1,394,812	2,976,375	4,382,496	5,942,391	6,754,436	7,137,192	7,535,504	7,949,935	8,381,064	
	Increase/Decrease to Reserves	\$ 4,673,020	\$ 4,256,790	\$ -	\$ -	\$ -	\$ -	\$ 2,280,007	\$ 2,239,712	\$ 3,855,961	\$ 3,205,461	
Net Revenue Req. (Total Uses less Non-Rate Revenue)		\$ 10,506,128	\$ 12,635,931	\$ 18,799,741	\$ 20,538,153	\$ 22,437,316	\$ 23,595,754	\$ 22,052,171	\$ 22,851,873	\$ 22,018,732	\$ 23,476,782	
Total Rate Revenue After Rate Increases		\$ 15,179,148	\$ 16,892,721	\$ 18,799,741	\$ 20,538,153	\$ 22,437,316	\$ 23,595,754	\$ 24,332,178	\$ 25,091,585	\$ 25,874,694	\$ 26,682,243	
Projected Annual Rate Revenue Increase		0.00%	9.00%	9.00%	7.00%	7.00%	3.00%	1.00%	1.00%	1.00%	1.00%	
Cumulative Increase from Annual Revenue Increases		0.00%	9.00%	18.81%	27.13%	36.03%	40.11%	41.51%	42.92%	44.35%	45.80%	
Debt Coverage After Rate Increase ⁴		4.45	4.22	5.12	6.63	6.84	6.84	6.68	6.67	6.66	6.66	
Target Debt Coverage		1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	

1. Interest earnings for FY 2021/22 are per the City's budget projections. For all future years, interest earnings are calculated here based on historical LAIF returns and projected cash balances.

2. The FY 2021/22 operating expenses are per the City's budget projections. Inflationary factors are applied to these expenses to project costs in FY 2022/23 and beyond.

3. Revenue from rate increases are implemented on January 1, 2022, so the City will collect 6 months of the increased rate revenue for the first year of the adjustment. The rate increase for future years through 2026 will occur on January 1 annually.

4. Per the Installment Loan Agreement for the 2014 Revenue Bonds, the City is required to maintain a debt coverage ratio of 1.20 for these bond issues and all other party debt. Connection fee revenue and interest earnings in that fund are figured into this calculation.

CITY OF MORGAN HILL
WATER RATE STUDY
Financial Plan and Reserve Projections

TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	Budget	5-Year Rate Adoption Period					Projected			
	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Total Beginning Cash ¹	\$ 14,627,203									
Water Operations Fund (650)										
Beginning Reserve Balance ¹	\$ 2,958,793	\$ 2,946,301	\$ 3,256,920	\$ 3,256,920	\$ 3,256,920	\$ 3,256,920	\$ 3,256,920	\$ 4,143,152	\$ 4,349,635	\$ 4,567,164
Plus: Net Cash Flow (After Rate Increases)	4,673,020	4,256,790	-	-	-	-	2,280,007	2,239,712	3,855,961	3,205,461
Plus: Transfer of Debt Reserve Surplus	-	-	-	-	-	-	-	-	-	-
Plus: Transfer of Rate Stabilization Reserve Surplus	134,930	-	-	-	-	-	-	-	-	-
Less: Transfer Out to Water System Replacement Reserve	(4,820,442)	(3,946,171)	-	-	-	-	(1,393,775)	(2,033,229)	(3,638,432)	(2,976,264)
Less: Transfer Out to Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	-
Ending Operating Reserve Balance	\$ 2,946,301	\$ 3,256,920	\$ 3,256,920	\$ 3,256,920	\$ 3,256,920	\$ 3,256,920	\$ 4,143,152	\$ 4,349,635	\$ 4,567,164	\$ 4,796,361
Target Ending Balance (90-days of O&M) ²	\$ 2,946,301	\$ 3,256,920	\$ 3,416,380	\$ 3,584,250	\$ 3,761,000	\$ 3,947,125	\$ 4,143,152	\$ 4,349,635	\$ 4,567,164	\$ 4,796,361
Water System Replacement Fund (653)										
Beginning Reserve Balance ¹	\$ 8,513,872	\$ 8,288,597	\$ 7,246,771	\$ 3,763,100	\$ 2,785,359	\$ 1,809,794	\$ 834,340	\$ 1,250,817	\$ 2,306,010	\$ 4,966,775
Plus: Grant Proceeds	-	-	-	-	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surplus	4,820,442	3,946,171	-	-	-	-	1,393,775	2,033,229	3,638,432	2,976,264
Less: Existing Debt Service	(978,736)	(976,266)	(975,971)	(977,741)	(975,565)	(975,454)	(977,298)	(978,036)	(977,667)	(976,192)
(Replacement Fund Allocation of 59%) ³										
Less: Use of Reserves for Capital Projects	(4,066,982)	(4,011,731)	(2,507,700)	-	-	-	-	-	-	-
Ending System Replacement Reserve Bal.	\$ 8,288,597	\$ 7,246,771	\$ 3,763,100	\$ 2,785,359	\$ 1,809,794	\$ 834,340	\$ 1,250,817	\$ 2,306,010	\$ 4,966,775	\$ 6,966,847
Target Ending Balance (6% of Assets) ^{2,4}	\$ 2,953,600	\$ 3,300,600	\$ 3,763,100	\$ 4,236,000	\$ 4,757,700	\$ 5,194,200	\$ 5,460,800	\$ 5,719,500	\$ 5,872,800	\$ 6,056,000
Rate Stabilization Fund (652)										
Beginning Reserve Balance ¹	\$ 3,154,538	\$ 3,035,830	\$ 3,083,492	\$ 3,131,903	\$ 3,181,074	\$ 3,231,017	\$ 3,281,744	\$ 3,333,267	\$ 3,385,599	\$ 3,438,753
Plus: Contributions to Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	-
Plus: Interest Earnings ⁵	16,222	47,663	48,411	49,171	49,943	50,727	51,523	52,332	53,154	53,988
Less: Transfer of Surplus to Operating Reserve	(134,930)	-	-	-	-	-	-	-	-	-
Ending Rate Stabilization Balance	\$ 3,035,830	\$ 3,083,492	\$ 3,131,903	\$ 3,181,074	\$ 3,231,017	\$ 3,281,744	\$ 3,333,267	\$ 3,385,599	\$ 3,438,753	\$ 3,492,742
Target Ending Balance (20% of Estimated Revenue) ²	\$ 3,035,830	\$ 3,099,582	\$ 3,164,673	\$ 3,231,131	\$ 3,298,985	\$ 3,368,264	\$ 3,438,997	\$ 3,511,216	\$ 3,584,952	\$ 3,660,236
Ending Balance - Excludes Debt Reserve	\$ 14,270,727	\$ 13,587,183	\$ 10,151,923	\$ 9,223,353	\$ 8,297,731	\$ 7,373,003	\$ 8,727,235	\$ 10,041,244	\$ 12,972,693	\$ 15,255,950
Minimum Target Ending Balance - Excludes Debt Reserve	\$ 8,935,730	\$ 9,657,102	\$ 10,344,153	\$ 11,051,382	\$ 11,817,685	\$ 12,509,589	\$ 13,042,949	\$ 13,580,351	\$ 14,024,916	\$ 14,512,597
Ending Surplus/(Deficit) Compared to Reserve Targets	\$ 5,334,997	\$ 3,930,081	\$ (192,230)	\$ (1,828,029)	\$ (3,519,954)	\$ (5,136,586)	\$ (4,315,714)	\$ (3,539,107)	\$ (1,052,223)	\$ 743,353
Days Cash on Hand for Unrestricted Funds ⁶	483	412	293	252	216	182	205	224	274	306
City's Minimum DCOH (per City Fiscal Policies)	202	193	189	186	183	180	177	175	172	170

1. Total beginning cash is the sum of the projected cash balances in Funds 650, 651, 652, and 653 as of 07.01.21. Source file: *balance sheet.pdf*.

2. Reserve targets are set according to existing City policy.

3. Per email provided by Staff on 10.07.15, the debt service payment for the 2014 Water Revenue Bonds is split as follows: 41% to the Water Impact Fund (651) and 59% to the Water System Replacement Fund (653).

4. The Water System Replacement reserve target is set to 6% of net assets.

5. Interest earnings for FY 2021/22 are per the City's budget projections. For all future years, interest earnings are calculated here based on historical LAIF returns and projected cash balances per the California Treasurer's Office website Source: <https://www.treasurer.ca.gov/pmia-laif/historical/annual.asp>.

6. Days cash on hand represents the number of days cash the City has available to cover operating expenses and debt service payments.

TABLE 3 : RESERVE FUND SUMMARY, CONTINUED

SUMMARY OF CASH ACTIVITY, continued	Budget	5-Year Rate Adoption Period					Projected				
	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
Restricted Reserves:											
Impact Fund (651)											
Beginning Reserve Balance ¹	\$ 3,397,655	\$ 2,123,277	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Plus: Interest Earnings ⁵	64,003	33,335	-	-	-	-	-	-	-	-	
Plus: Impact Fee Revenue ⁷	1,782,143	918,214	1,146,810	2,608,188	1,722,220	1,287,082	1,072,302	1,072,302	1,072,302	1,072,302	
Less: Annual Operating Expenditures	(51,830)	(53,385)	(54,986)	(56,636)	(58,335)	(60,085)	(61,888)	(63,744)	(65,657)	(67,626)	
Less: Debt Service (Impact Fund Allocation of 41%) ³	(680,139)	(678,422)	(678,217)	(679,447)	(677,935)	(677,858)	(679,139)	(679,652)	(679,396)	(678,371)	
Less: Use of Reserves for Capital Projects	(2,388,555)	(2,343,019)	(413,607)	(1,872,105)	(985,950)	(549,139)	(331,275)	(328,906)	(327,250)	(326,305)	
Ending Connection Fee Fund Balance	\$ 2,123,277	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Annual Interest Earnings Rate ⁵	1.57%	1.57%	1.57%	1.57%	1.57%	1.57%	1.57%	1.57%	1.57%	1.57%	

1. Total beginning cash is the sum of the projected cash balances in Funds 650, 651, 652, and 653 as of 07.01.21. Source file: *balance sheet.pdf*.

2. Reserve targets are set according to existing City policy.

3. Per email provided by Staff on 10.07.15, the debt service payment for the 2014 Water Revenue Bonds is split as follows: 41% to the Water Impact Fund (651) and 59% to the Water System Replacement Fund (653).

4. The Water System Replacement reserve target is set to 6% of net assets.

5. Interest earnings for FY 2021/22 are per the City's budget projections. For all future years, interest earnings are calculated here based on historical LAIF returns and projected cash balances per the California Treasurer's Office website Source: <https://www.treasurer.ca.gov/jpmia-laif/historical/annual.asp>.

6. Days cash on hand represents the number of days cash the City has available to cover operating expenses and debt service payments.

7. Impact fee revenue projections are from the following file: *Budget.xlsx* and updated per City staff via email March 9, 2022.

CHART 1

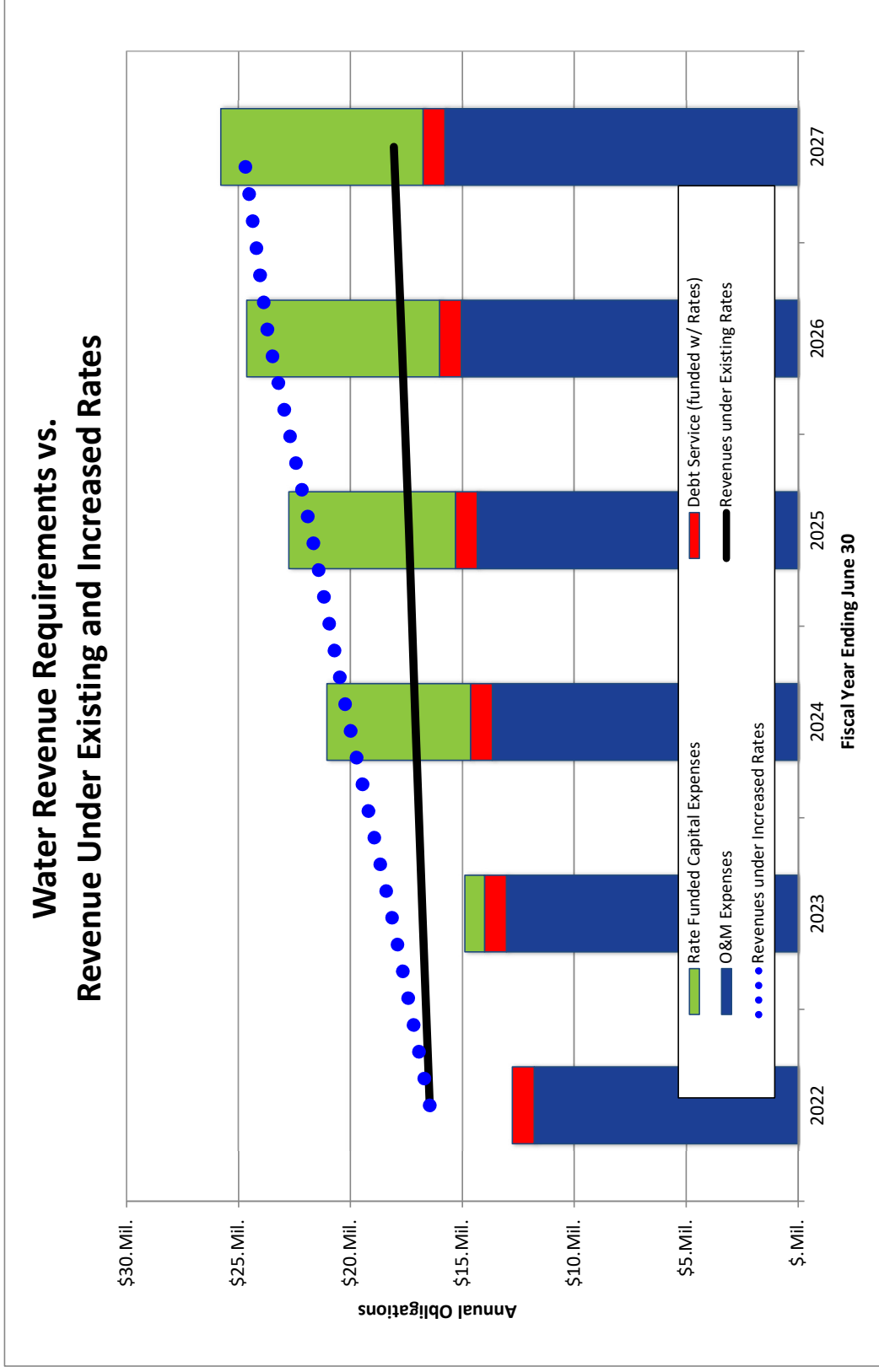


CHART 2

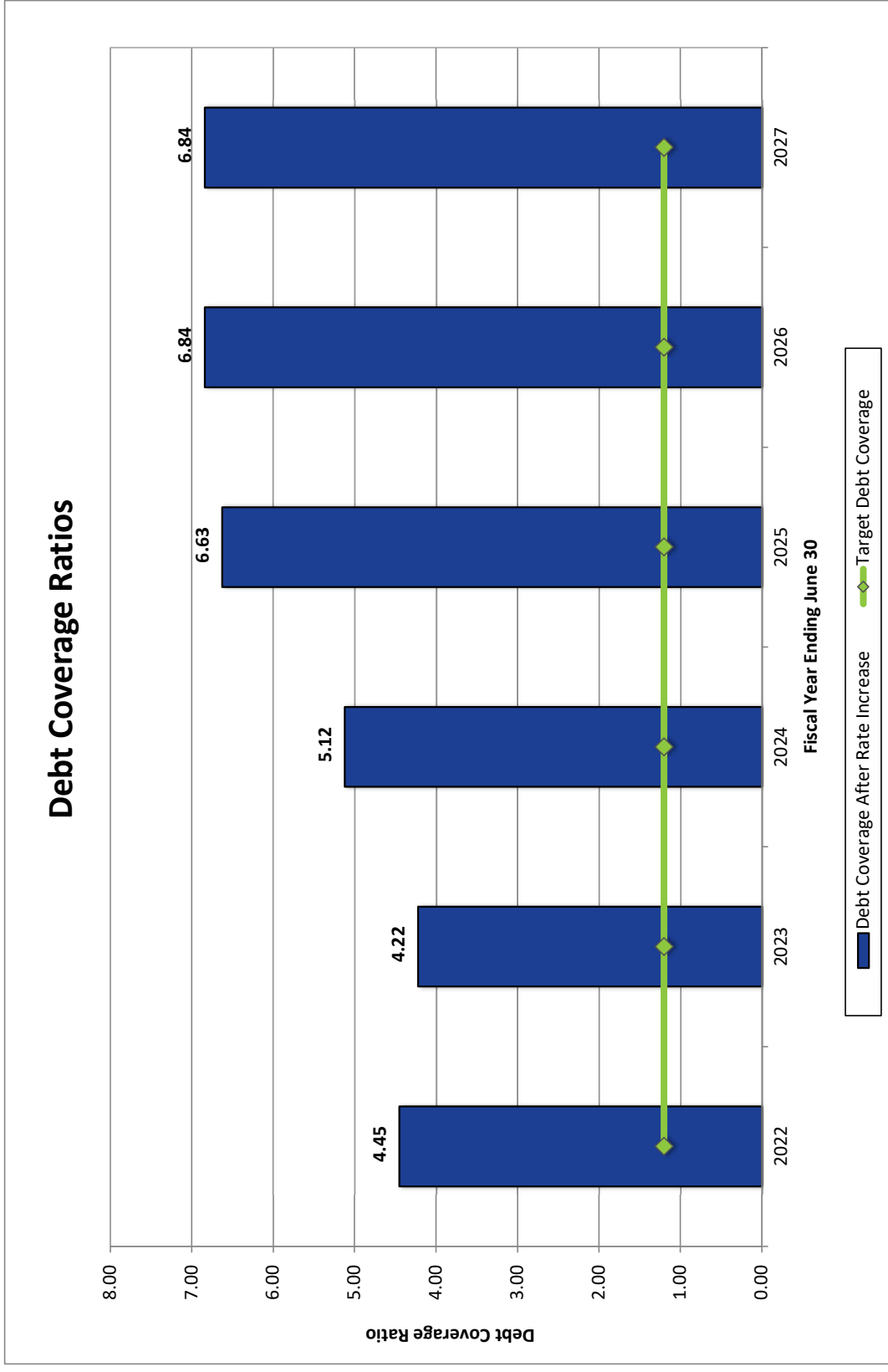
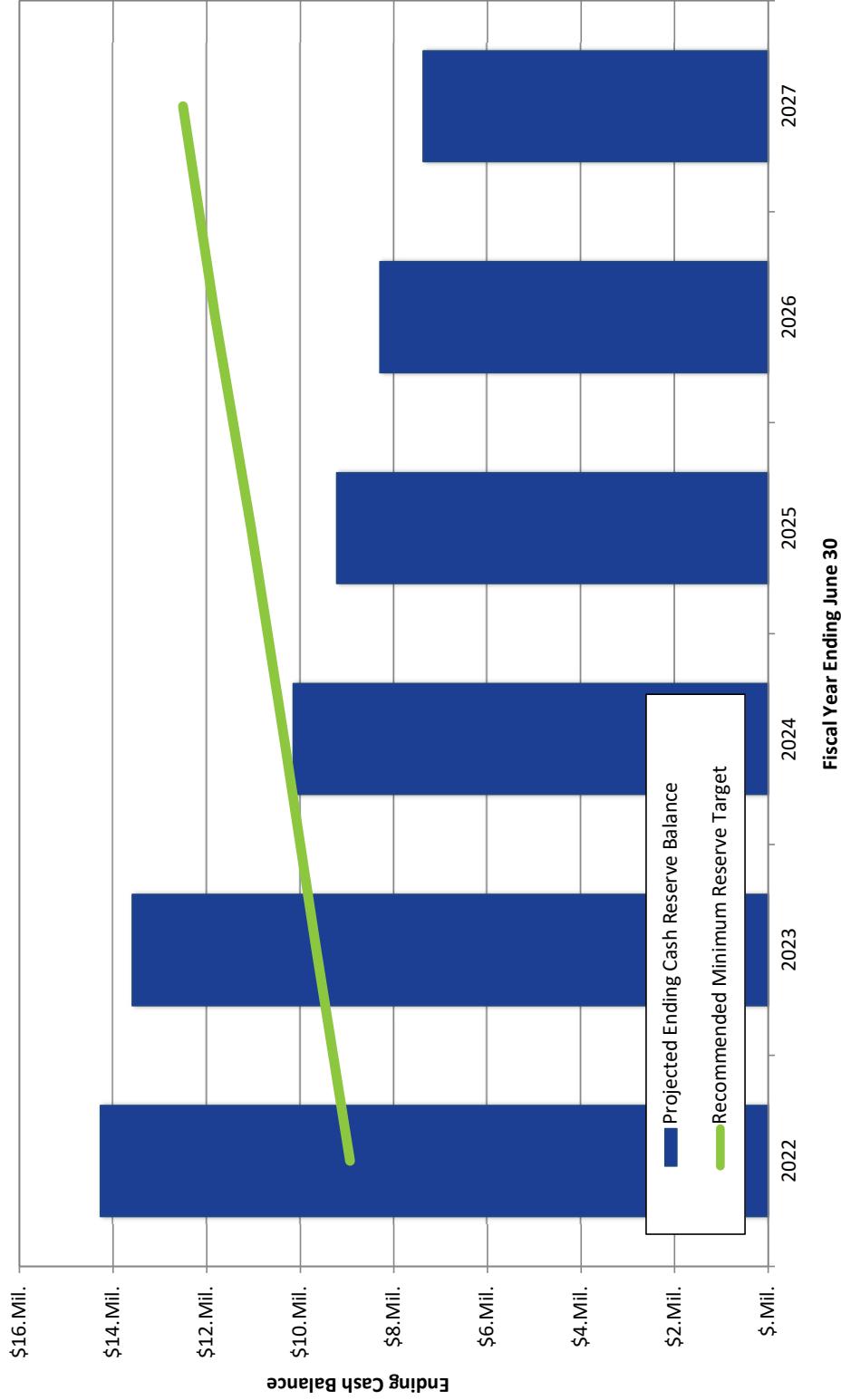


CHART 3

Ending Cash Balances vs. Recommended Reserve Targets



CITY OF MORGAN HILL
WATER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1

TABLE 4 : REVENUE FORECAST¹

WATER OPERATIONS		Basis	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Water Operations Fund (650)												
INTEREST INCOME ²		See FP	\$ 58,595	\$ 54,097	\$ 54,097	\$ 54,097	\$ 54,097	\$ 54,097	\$ 54,097	\$ 54,097	\$ 54,097	\$ 54,097
RENT & CONCESSIONS		6	54,097	54,097	54,097	54,097	54,097	54,097	54,097	54,097	54,097	54,097
WATER SALES		1	15,179,148	15,497,910	15,823,366	16,155,656	16,494,925	16,841,319	17,194,986	17,556,081	17,924,759	18,301,179
BOOSTER STATION CHARGES		6	147,088	147,088	147,088	147,088	147,088	147,088	147,088	147,088	147,088	147,088
UB COLLECTIONS		6	2,806	2,806	2,806	2,806	2,806	2,806	2,806	2,806	2,806	2,806
METER INSTALL & SERVICE		1	25,215	25,745	26,285	26,837	27,401	27,976	28,564	29,163	29,776	30,401
REIMBURSEMENT OF EXPENSES		6	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
MISC. SALES		6	5,253	5,253	5,253	5,253	5,253	5,253	5,253	5,253	5,253	5,253
ANNUAL BACKFLOW TESTING ADMINISTRATION		6	13,432	13,432	13,432	13,432	13,432	13,432	13,432	13,432	13,432	13,432
ANNUAL BACKFLOW INSPECTION		6	3,263	3,263	3,263	3,263	3,263	3,263	3,263	3,263	3,263	3,263
UTILITY ACCOUNT SET-UP		1	81,423	83,133	84,879	86,662	88,481	90,340	92,237	94,174	96,151	98,171
CONSTRUCTION BACKFLOW INSPECTION		6	2,101	2,101	2,101	2,101	2,101	2,101	2,101	2,101	2,101	2,101
UTILITY BILL DELINQ CHR		1	28,104	28,694	29,297	29,912	30,540	31,182	31,837	32,505	33,188	33,885
DELINQUENT BILL CHARGE		1	130,278	133,013	135,807	138,659	141,570	144,543	147,579	150,678	153,842	157,073
UTILITY SERVICE CALL		1	77,536	79,164	80,827	82,524	84,257	86,027	87,833	89,678	91,561	93,484
TRANSFER FROM-640 (SEWER OPS)		6	488,357	488,357	488,357	488,357	488,357	488,357	488,357	488,357	488,357	488,357
Water Impact Fund (651)												
INTEREST INCOME ²		See FP	64,003	-	-	-	-	-	-	-	-	-
DEVELOPMENT IMPACT FEES (AB1600)		6	1,782,143	918,214	1,146,810	2,608,188	1,722,220	1,287,082	1,072,302	1,072,302	1,072,302	1,072,302
Water Rate Stabilization Fund (652)												
INTEREST INCOME ²		See FP	16,222	-	-	-	-	-	-	-	-	-
Water System Replacement Fund (653)												
INTEREST INCOME ²		See FP	17,211	-	-	-	-	-	-	-	-	-
TOTAL REVENUE			\$18,216,275	\$17,522,271	\$18,083,668	\$19,884,835	\$19,345,793	\$19,264,865	\$19,411,734	\$19,780,978	\$20,157,976	\$20,542,891

TABLE 5 : REVENUE SUMMARY, CONT.

WATER OPERATIONS	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Water Operations Fund (650)										
WATER RATE REVENUE	\$ 15,179,148	\$ 15,497,910	\$ 15,823,366	\$ 16,155,656	\$ 16,494,925	\$ 16,841,319	\$ 17,194,986	\$ 17,556,081	\$ 17,924,759	\$ 18,301,179
INTEREST INCOME ²	58,595	-	-	-	-	-	-	-	-	-
OTHER REVENUE	1,098,954	1,106,147	1,113,492	1,120,991	1,128,647	1,136,465	1,144,446	1,152,595	1,160,915	1,169,410
Water Impact Fund (651)										
IMPACT FEE REVENUE	1,782,143	918,214	1,146,810	2,608,188	1,722,220	1,287,082	1,072,302	1,072,302	1,072,302	1,072,302
INTEREST INCOME ²	64,003	-	-	-	-	-	-	-	-	-
Water Rate Stabilization Fund (652)										
RATE STABILIZATION REVENUE	-	-	-	-	-	-	-	-	-	-
INTEREST INCOME ²	16,222	-	-	-	-	-	-	-	-	-
Water System Replacement Fund (653)										
SYSTEM REPLACEMENT REVENUE	-	-	-	-	-	-	-	-	-	-
INTEREST INCOME ²	17,211	-	-	-	-	-	-	-	-	-
TOTAL REVENUE	\$ 18,216,275	\$ 17,522,271	\$ 18,083,668	\$ 19,884,835	\$ 19,345,793	\$ 19,264,865	\$ 19,411,734	\$ 19,780,978	\$ 20,157,976	\$ 20,542,891

1. Data source for the FY 2020/21-2021/22 budget is from the following file: Budget.xlsx. Inflationary factors are applied to project revenue and expenses in all future years.

Impact fee revenue updated per City staff via email March 9, 2022.

2. Interest earnings beyond 2021/22 and internal transfers are calculated in the Financial Plan and Reserve Fund Summary of this model.

TABLE 6 : OPERATING EXPENSE FORECAST¹

WATER OPERATIONS FUND - Operations		Basis	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
SALARIES												
SALARIES - GENERAL*		4	\$ 1,862,956	\$ 2,275,547	\$ 2,389,325	\$ 2,508,791	\$ 2,634,230	\$ 2,765,942	\$ 2,904,239	\$ 3,049,451	\$ 3,201,923	\$ 3,362,020
SALARIES - PART-TIME TEMP		4	13,792	14,482	15,206	15,966	16,764	17,602	18,483	19,407	20,377	21,396
EARNED LEAVE LIABILITY		4	44,788	47,027	49,378	51,847	54,440	57,162	60,020	63,021	66,172	69,480
OVERTIME - GENERAL		4	77,780	81,669	85,752	90,040	94,542	99,269	104,233	109,444	114,916	120,662
RETIREMENT - GENERAL		4	396,929	416,775	437,614	459,495	482,470	506,593	531,923	558,519	586,445	615,767
DEFERRED COMPENSATION		4	24,860	26,103	27,408	28,779	30,217	31,728	33,315	34,981	36,730	38,566
GROUP INSURANCE		4	330,233	346,745	364,082	382,286	401,400	421,470	442,544	464,671	487,905	512,300
MEDICARE		4	26,706	28,041	29,443	30,916	32,461	34,084	35,789	37,578	39,457	41,430
MEDICARE PTT AND OT		4	1,328	1,394	1,464	1,537	1,614	1,695	1,779	1,868	1,962	2,060
INCOME PROTECTION INS		4	11,926	12,522	13,148	13,806	14,496	15,221	15,982	16,781	17,620	18,501
WORKERS COMP		4	45,762	48,050	50,453	52,975	55,624	58,405	61,325	64,392	67,611	70,992
WORKERS COMP PTT AND OT		4	2,289	2,404	2,524	2,650	2,783	2,922	3,068	3,221	3,382	3,551
BENEFITS		4	7,097	7,452	7,824	8,216	8,626	9,058	9,511	9,986	10,486	11,010
UNIFORM		4	3,500	3,675	3,859	4,052	4,254	4,467	4,690	4,925	5,171	5,430
SUPPLIES												
TAXES		6	535	535	535	535	535	535	535	535	535	535
ELECTRIC		5	1,197,082	1,436,499	1,508,324	1,583,740	1,662,927	1,746,073	1,833,377	1,925,046	2,021,298	2,122,363
GROUNDWATER PRODUCTION		3	3,508,289	3,739,836	3,986,666	4,249,785	4,530,271	4,829,269	5,148,001	5,487,769	5,849,962	6,236,059
WATER/SEWER		2	12,731	13,113	13,506	13,911	14,329	14,758	15,201	15,657	16,127	16,611
TELEPHONE		2	24,110	24,833	25,578	26,346	27,136	27,950	28,789	29,652	30,542	31,458
GASOLINE & OIL		2	36,771	37,874	39,010	40,181	41,386	42,628	43,906	45,224	46,580	47,978
CONTRACT SERVICES		2	346,470	356,864	367,570	378,597	389,955	401,654	413,703	426,114	438,898	452,065
BANK CARD SERVICE FEES		2	580	597	615	634	653	672	693	713	735	757
RENTALS - OUTSIDE		2	2,630	2,709	2,790	2,874	2,960	3,049	3,140	3,235	3,332	3,432
STATIONERY & OFFICE SUPPLIES		2	3,250	3,348	3,448	3,551	3,658	3,768	3,881	3,997	4,117	4,241
COMPUTER HARDWARE-NON CAPITAL		2	5,780	5,953	6,132	6,316	6,505	6,701	6,902	7,109	7,322	7,542
COMPUTER SOFTWARE-NON CAPITAL		2	2,630	2,709	2,790	2,874	2,960	3,049	3,140	3,235	3,332	3,432
OTHER SUPPLIES		2	225,710	232,481	239,456	246,639	254,039	261,660	269,510	277,595	285,923	294,500
ADVERTISING		2	3,250	3,348	3,448	3,551	3,658	3,768	3,881	3,997	4,117	4,241
PHOTOCOPYING		2	810	834	859	885	912	939	967	996	1,026	1,057
POSTAGE & FREIGHT		2	2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534	2,610
PRINTING		2	2,360	2,431	2,504	2,579	2,656	2,736	2,818	2,903	2,990	3,079
AUTO MILEAGE		2	290	299	308	317	326	336	346	357	367	378
CHEMICALS		2	31,827	32,782	33,765	34,778	35,822	36,896	38,003	39,143	40,317	41,527
WATER/SEWER MAINTENANCE SVS		2	53,045	54,636	56,275	57,964	59,703	61,494	63,339	65,239	67,196	69,212
SMALL TOOLS		2	11,820	12,175	12,540	12,916	13,304	13,703	14,114	14,537	14,973	15,422
OTHER EXPENSE		2	61,800	63,654	65,564	67,531	69,556	71,643	73,792	76,006	78,286	80,635
TRAINING & EDUCATION		2	12,600	12,978	13,367	13,768	14,181	14,607	15,045	15,496	15,961	16,440
CONFERENCE & MEETINGS		2	6,000	6,180	6,365	6,556	6,753	6,956	7,164	7,379	7,601	7,829
MEMBERSHIP & DUES		2	12,995	13,385	13,786	14,200	14,626	15,065	15,517	15,982	16,462	16,956
SUBSCRIPTION & PUBLICATIONS		2	225	232	239	246	253	261	269	277	285	294
MAINT - BLDGS/IMPROVEMENTS		2	43,290	44,589	45,926	47,304	48,723	50,185	51,691	53,241	54,838	56,484
MAINT - MACHINE/EQUIPMENT		2	32,460	33,434	34,437	35,470	36,534	37,630	38,759	39,922	41,119	42,353
MAINT - AUTO/TRUCKS		2	30,300	31,209	32,145	33,110	34,103	35,126	36,180	37,265	38,383	39,535
SUB-TOTAL: WATER OPERATIONS FUND - Operations			8,521,586	9,483,462	9,997,552	10,540,699	11,114,598	11,721,046	12,361,949	13,039,325	13,755,314	14,512,186

1. Data source for the FY 2020/21-2021/22 budget is from the following file: Budget.xlsx. Inflationary factors are applied to project revenue and expenses in all future years.

* Some salary costs are adjusted per City email on February 2, 2022.

TABLE 7 : OPERATING EXPENSE FORECAST, CONT.¹

WATER OPERATIONS FUND - Operations, cont.		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
CAPITAL	COMPUTER EQUIPMENT	2	105,000	111,395	114,736	118,178	121,724	125,375	129,137	133,011	137,001
	METERS	2	450,000	477,405	491,727	506,479	521,673	537,324	553,443	570,047	587,148
INTERNAL SERVICES											
	GENERAL LIABILITY INSURANCE	2	146,604	155,532	160,198	165,004	169,954	175,053	180,304	185,714	191,285
	BUILDING MAINT - CURRENT SERVICES	2	79,674	84,526	87,062	89,674	92,364	95,135	97,989	100,929	103,957
	BUILDING MAINT - FUTURE REPLACEMENT	2	14,039	14,894	15,341	15,801	16,275	16,763	17,266	17,784	18,317
	FLEET REPLACEMENT	2	305,985	324,619	334,358	344,389	354,720	365,362	376,323	387,613	399,241
	GIS	2	27,969	29,673	30,563	31,480	32,424	33,397	34,399	35,431	36,493
	INFO SYSTEM SERVICES	2	162,903	172,824	178,009	183,349	188,850	194,515	200,350	206,361	212,552
	GF ADMIN	2	340,207	360,925	371,753	382,906	394,393	406,225	418,411	430,964	443,893
TRANSFERS											
	TRANSFER OUT-010 (GENERAL FUND)	2	357,159	378,910	390,277	401,986	414,045	426,467	439,261	452,439	466,012
	TRANSFER OUT-232 (ENVIRONMENTAL PROGRAMS)	2	108,269	114,863	118,308	121,858	125,513	129,279	133,157	137,152	141,266
	TRANSFER OUT - EMPLOYEE BENEFITS FUND	4	27,062	29,836	31,328	32,894	34,539	36,266	38,079	39,983	41,982
SUB-TOTAL: WATER OPERATIONS FUND - Operations			2,124,871	2,255,402	2,323,661	2,395,997	2,466,475	2,541,160	2,618,120	2,697,425	2,779,148
TOTAL: WATER OPERATIONS FUND, Operations			10,646,458	12,252,954	12,864,359	13,508,595	14,187,521	14,903,109	15,657,445	16,452,740	17,291,333

1. Data source for the FY 2020/21-2021/22 budget is from the following file: Budget.xlsx. Inflationary factors are applied to project revenue and expenses in all future years.

TABLE 8 : OPERATING EXPENSE FORECAST, CONT.¹

WATER OPERATIONS FUND - Utility Billing		Basis	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
SALARIES												
	4	\$	418,147	\$ 439,054	\$ 461,007	\$ 484,057	\$ 508,260	\$ 533,673	\$ 560,357	\$ 588,375	\$ 617,794	\$ 648,683
SALARIES - GENERAL	4		-	-	-	-	-	-	-	-	-	-
SALARIES - PART-TIME TEMP	4		7,893	8,288	8,702	9,137	9,594	10,074	10,578	11,106	11,662	12,245
EARNED LEAVE LIABILITY	4		72,607	76,237	80,049	84,052	88,254	92,667	97,300	102,165	107,274	112,637
RETIREMENT - GENERAL	4		5,436	5,708	5,993	6,293	6,607	6,938	7,285	7,649	8,031	8,433
DEFERRED COMPENSATION	4		58,432	61,354	64,421	67,642	71,024	74,576	78,304	82,220	86,331	90,647
GROUP INSURANCE	4		4,830	5,072	5,325	5,591	5,871	6,164	6,473	6,796	7,136	7,493
MEDICARE	4		-	-	-	-	-	-	-	-	-	-
MEDICARE PTT AND OT	4		-	-	-	-	-	-	-	-	-	-
INCOME PROTECTION INS	4		2,544	2,671	2,805	2,945	3,092	3,247	3,409	3,580	3,759	3,947
WORKERS COMP	4		8,392	8,812	9,252	9,715	10,201	10,711	11,246	11,808	12,399	13,019
WORKERS COMP PTT AND OT	4		-	-	-	-	-	-	-	-	-	-
BENEFITS	4		2,694	2,829	2,970	3,119	3,275	3,438	3,610	3,791	3,980	4,179
SUPPLIES												
TELEPHONE	2		1,600	1,648	1,697	1,748	1,801	1,855	1,910	1,968	2,027	2,088
CONTRACT SERVICES	2		67,272	69,290	71,369	73,510	75,715	77,987	80,326	82,736	85,218	87,775
BANK CARD SERVICE FEES	2		120,000	123,600	127,308	131,127	135,061	139,113	143,286	147,585	152,012	156,573
STATIONERY & OFFICE SUPPLIES	2		3,200	3,296	3,395	3,497	3,602	3,710	3,821	3,936	4,054	4,175
COMPUTER HARDWARE-NON CAPITAL	2		-	-	-	-	-	-	-	-	-	-
OTHER SUPPLIES	2		500	515	530	546	563	580	597	615	633	652
ADVERTISING	2		500	515	530	546	563	580	597	615	633	652
POSTAGE & FREIGHT	2		48,500	49,955	51,454	52,997	54,587	56,225	57,912	59,649	61,438	63,281
PRINTING	2		1,000	1,030	1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305
TRAINING & EDUCATION	2		1,500	1,545	1,591	1,639	1,688	1,739	1,791	1,845	1,900	1,957
INTERNAL SERVICES												
GENERAL LIABILITY INSURANCE	2		20,037	20,638	21,257	21,895	22,552	23,228	23,925	24,643	25,382	26,144
BUILDING MAINT - CURRENT SERVICES	2		33,426	34,429	35,462	36,526	37,622	38,750	39,913	41,110	42,343	43,614
BUILDING MAINT - FUTURE REPLACEMENT	2		1,883	1,939	1,998	2,058	2,119	2,183	2,248	2,316	2,385	2,457
INFO SYSTEM SERVICES	2		33,223	34,220	35,246	36,304	37,393	38,515	39,670	40,860	42,086	43,349
GF ADMIN	2		38,846	40,012	41,212	42,449	43,722	45,034	46,385	47,776	49,210	50,686
TRANSFERS												
TRANSFER OUT - EMPLOYEE BENEFITS FUND	4		5,339	5,606	5,886	6,181	6,490	6,814	7,155	7,513	7,888	8,283
TOTAL: WATER OPERATIONS FUND - Utility Billing			957,802	998,262	1,040,523	1,084,667	1,130,781	1,178,958	1,229,293	1,281,886	1,336,843	1,394,273

1. Data source for the FY 2020/21-2021/22 budget is from the following file: Budget.xlsx. Inflationary factors are applied to project revenue and expenses in all future years.

CITY OF MORGAN HILL
WATER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1

TABLE 9 : OPERATING EXPENSE FORECAST, CONT.¹

	Basis	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
WATER OPERATIONS FUND - Water Conservation											
SALARIES											
SALARIES - GENERAL*	4	\$ 23,007	\$ 140,908	\$ 147,954	\$ 155,352	\$ 163,119	\$ 171,275	\$ 179,839	\$ 188,831	\$ 198,272	\$ 208,186
SALARIES - PART-TIME TEMP	4	19,680	20,664	21,697	22,782	23,921	25,117	26,373	27,692	29,076	30,530
EARNED LEAVE LIABILITY	4	1,701	1,786	1,876	1,969	2,068	2,171	2,280	2,394	2,513	2,639
RETIREMENT - GENERAL*	4	4,977	49,669	52,153	54,760	57,498	60,373	63,392	66,562	69,890	73,384
DEFERRED COMPENSATION	4	452	475	498	523	549	577	606	636	668	701
GROUP INSURANCE*	4	2,703	5,943	6,240	6,552	6,880	7,224	7,585	7,964	8,363	8,781
MEDICARE*	4	333	2,032	2,134	2,240	2,352	2,470	2,593	2,723	2,859	3,002
MEDICARE PTT AND OT	4	285	300	315	330	347	364	382	402	422	443
INCOME PROTECTION INS	4	151	159	166	175	184	193	202	212	223	234
WORKERS COMP*	4	575	3,523	3,699	3,884	4,078	4,282	4,496	4,720	4,957	5,204
WORKERS COMP PTT AND OT	4	492	517	542	570	598	628	659	692	727	763
BENEFITS*	4	458	903	949	996	1,046	1,098	1,153	1,211	1,271	1,335
SUPPLIES											
CONTRACT SERVICES	2	10,506	10,821	11,146	11,480	11,825	12,179	12,545	12,921	13,309	13,708
STATIONERY & OFFICE SUPPLIES	2	-	-	-	-	-	-	-	-	-	-
OTHER SUPPLIES	2	2,227	2,294	2,363	2,434	2,507	2,582	2,659	2,739	2,821	2,906
POSTAGE & FREIGHT	2	1,114	1,147	1,182	1,217	1,254	1,291	1,330	1,370	1,411	1,454
PRINTING	2	8,930	9,198	9,474	9,758	10,051	10,352	10,663	10,983	11,312	11,652
OTHER EXPENSE	2	52,531	54,107	55,730	57,402	59,124	60,898	62,725	64,607	66,545	68,541
INTERNAL SERVICES											
GENERAL LIABILITY INSURANCE	2	831	856	882	908	935	963	992	1,022	1,053	1,084
BUILDING MAINT - CURRENT SERVICES	2	1,424	1,467	1,511	1,556	1,603	1,651	1,701	1,752	1,804	1,859
BUILDING MAINT - FUTURE REPLACEMENT	2	112	115	119	122	126	130	133	137	142	146
INFO SYSTEM SERVICES	2	1,377	1,418	1,460	1,504	1,549	1,596	1,644	1,693	1,744	1,796
GF ADMIN	2	23,250	23,948	24,666	25,406	26,169	26,954	27,762	28,595	29,453	30,337
TRANSFERS											
TRANSFER OUT - EMPLOYEE BENEFITS FUND	4	276	290	304	320	335	352	370	388	408	428
TOTAL: WATER OPERATIONS FUND - Water Conservation		\$ 157,393	\$ 332,540	\$ 347,059	\$ 362,242	\$ 378,118	\$ 394,721	\$ 412,085	\$ 430,246	\$ 449,242	\$ 469,112
TOTAL: WATER OPERATIONS FUND (650) EXPENSES		\$11,761,652	\$13,003,423	\$13,640,536	\$14,311,268	\$15,017,494	\$15,761,200	\$16,544,487	\$17,369,577	\$18,238,824	\$19,154,718

1. Data source for the FY 2020/21-2021/22 budget is from the following file: Budget.xlsx. Inflationary factors are applied to project revenue and expenses in all future years.

* Some salary costs are adjusted per City email on February 2, 2022.

TABLE 10 : OPERATING EXPENSE FORECAST, CONT.¹

WATER IMPACT FUND	Basis	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
INTERNAL SERVICES											
GF ADMIN	2	19,130	19,704	20,295	20,904	21,531	22,177	22,842	23,528	24,233	24,960
TRANSFERS											
TRANSFER OUT-010 (GENERAL FUND)	2	25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619
TRANSFER OUT-207 (GENL PLAN UPDATE)	2	7,700	7,931	8,169	8,414	8,666	8,926	9,194	9,470	9,754	10,047
PROJECTS											
TOTAL: WATER IMPACT FUND (651) EXPENSES		\$ 51,830	\$ 53,385	\$ 54,986	\$ 56,636	\$ 58,335	\$ 60,085	\$ 61,888	\$ 63,744	\$ 65,657	\$ 67,626

1. Data source for the FY 2020/21-2021/22 budget is from the following file: Budget.xlsx. Inflationary factors are applied to project revenue and expenses in all future years.

TABLE 11 : OPERATING EXPENSE FORECAST, CONT.¹

WATER RATE STABILIZATION FUND	Basis	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
INTERNAL SERVICES											
GF ADMIN	2	371	383	394	406	418	431	443	457	470	485
TOTAL: WATER RATE STABILIZATION FUND (652) EXPENSES		\$ 371	\$ 383	\$ 394	\$ 406	\$ 418	\$ 431	\$ 443	\$ 457	\$ 470	\$ 485

1. Data source for the FY 2020/21-2021/22 budget is from the following file: Budget.xlsx. Inflationary factors are applied to project revenue and expenses in all future years.

TABLE 12 : OPERATING EXPENSE FORECAST, CONT.¹

WATER SYSTEM REPLACEMENT FUND	Basis	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
INTERNAL SERVICES											
GF ADMIN	2	23,178	23,874	24,590	25,328	26,088	26,870	27,676	28,507	29,362	30,243
TOTAL: WATER SYSTEM REPLACEMENT FUND (653) EXPENSES		\$ 23,178	\$ 23,874	\$ 24,590	\$ 25,328	\$ 26,088	\$ 26,870	\$ 27,676	\$ 28,507	\$ 29,362	\$ 30,243
Grand Total: Operating Expenses		\$11,837,032	\$13,081,064	\$13,720,506	\$14,393,637	\$15,102,335	\$15,848,586	\$16,634,494	\$17,462,285	\$18,334,313	\$19,253,072
Grand Total: Operating Expenses (Exc. Impact Fund Expenses)		\$11,785,202	\$13,027,679	\$13,665,520	\$14,337,001	\$15,043,999	\$15,788,501	\$16,572,607	\$17,398,541	\$18,268,656	\$19,185,446

1. Data source for the FY 2020/21-2021/22 budget is from the following file: Budget.xlsx. Inflationary factors are applied to project revenue and expenses in all future years.

CITY OF MORGAN HILL
WATER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1

Excluded from Analysis: ³												
Revenues:		Basis	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Water System Replacement Fund												
TRANSFER FROM-650 (WATER OPS)			6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenue Excluded from Analysis:				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses:		Basis	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Water Operations Fund												
Operations												
TRANSFERS												
TRANSFER OUT-653 (WATER REPLACE)			6	\$ 4,350,000	\$ 4,350,000	\$ 4,350,000	\$ 4,350,000	\$ 4,350,000	\$ 4,350,000	\$ 4,350,000	\$ 4,350,000	\$ 4,350,000
TRANSFER OUT-652 (WATER RATE STABILIZATION)			6	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Utility Billing												
TRANSFERS												
TRANSFER OUT-BOND/DEBT			6	5,420	5,420	5,420	5,420	5,420	5,420	5,420	5,420	5,420
Water Impact Fund												
PROJECTS												
CONSTRUCTION ⁴			2	1,360,772	1,401,595	1,443,643	1,486,952	1,531,561	1,577,508	1,673,578	1,723,785	1,775,499
TRANSFERS												
TRANSFER OUT-653 (WATER REPLACE)			6	680,139								
Water System Replacement Fund												
DEBT												
PRINCIPAL			6	1,045,000	1,045,000	1,045,000	1,045,000	1,045,000	1,045,000	1,045,000	1,045,000	1,045,000
INTEREST			6	613,875	613,875	613,875	613,875	613,875	613,875	613,875	613,875	613,875
ISSUANCE COST			6	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
PROJECTS												
CONSTRUCTION ⁴			6	3,383,141	3,383,141	3,383,141	3,383,141	3,383,141	3,383,141	3,383,141	3,383,141	3,383,141
Total Expenses Excluded from Analysis:				\$11,564,347	\$10,925,031	\$10,967,079	\$11,010,388	\$11,054,997	\$11,100,944	\$11,148,269	\$11,197,014	\$11,247,221
												\$11,298,935

3. The following revenues and expenses have been excluded from this analysis since they do not represent actual cash expenses or are handled in the model elsewhere (i.e., Exhibit 3 (Debt)).

4. Construction expenses are excluded from this analysis and are handled in Exhibit 2 (CIP).

TABLE 13 : FORECASTING ASSUMPTIONS

INFLATION FACTORS		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
1	Customer Growth ⁵	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%	2.10%
2	General Cost Inflation	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
3	Ground Water Production Inflation	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%	6.60%
4	Labor Cost Inflation ⁷	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
5	Energy Cost Inflation ⁷	5.00%	20.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
6	No Escalation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

5. Customer growth is based on the historical population growth.

6. Ground water projection cost estimated from average annual increase per City staff from email on February 2, 2022.

7. Labor and energy cost inflation is set to 5% per City Staff.

Per City, energy costs escalated 20% during 2022. Using a one-time escalation then back to assumed 5% in 2023/24.

CITY OF MORGAN HILL
WATER RATE STUDY
Capital Improvement Plan Expenditures

EXHIBIT 2

TABLE 14 : CAPITAL PROJECT FUNDING SUMMARY

CAPITAL FUNDING FORECAST										
Funding Sources:	Budget	5-Year Rate Adoption Period					Projected			
	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Use of Impact Fee Reserves ¹	\$ 2,388,555	\$ 2,343,019	\$ 413,607	\$ 1,872,105	\$ 985,950	\$ 549,139	\$ 331,275	\$ 328,906	\$ 327,250	\$ 326,305
Use of Capital Rehabilitation & Replacement Reserve	4,066,982	4,011,731	2,507,700	-	-	-	-	-	-	-
Rate Revenue	-	890,787	6,412,621	7,432,357	8,616,828	9,023,266	6,688,244	6,690,613	5,015,485	5,610,429
Total Sources of Capital Funds	\$ 6,455,537	\$ 7,245,537	\$ 9,333,928	\$ 9,304,462	\$ 9,602,777	\$ 9,572,404	\$ 7,019,518	\$ 7,019,518	\$ 5,342,734	\$ 5,936,734
Uses of Capital Funds:										
Total Project Costs	\$ 6,455,537	\$ 7,245,537	\$ 9,408,037	\$ 9,826,114	\$10,908,864	\$ 9,712,364	\$ 7,019,518	\$ 7,019,518	\$ 5,342,734	\$ 5,936,734
Capital Funding Surplus (Deficiency)	\$ -	\$ -	\$ (74,109)	\$ (521,652)	\$ (1,306,087)	\$ (139,960)	\$ -	\$ -	\$ -	\$ -

1. The use of the impact fee reserves uses all available funds annually to contribute to future growth projects.

TABLE 15 : CAPITAL IMPROVEMENT PROGRAM COSTS (in Future-Year Dollars)

	Fund	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Capital Improvement Program Projects¹											
Pipeline Capacity Improvements											
<i>Boy's Ranch Pressure Zone</i>											
BR-P1 Cochrane Rd. to Half Rd.	651									142,987	142,987
BR-P2 Half Rd. to approx. 1,700' n/o Half Rd.	651									151,924	151,924
BR-P3 Mission View Dr. to Peet Rd.	651									310,485	310,485
BR-P4 Between Cochrane Rd. and 2,100' nw/o Cochrane Rd.	653	67,025	67,025	67,025							
BR-P5 Half Rd. to 2,100' nw/o Half Rd.	651										
BR-P6 Serene Dr. to Conduit Rd.	651										
<i>Nob Hill Pressure Zone</i>											
NH-P1 Del Monte Ave. to Monterey Rd.	653	122,770	122,770	122,770							
NH-P2 Butterfield Blvd. to Railroad Ave.	653				65,415	65,415	65,415	65,415	65,415		
NH-P3 San Pedro Ave. to approx. 600' n/o Mast St.	651				41,628	41,628	41,628	41,628	41,628		
NH-P4 Approx. 600' n/o Mast St. to Mast St.	651				71,362	71,362	71,362	71,362	71,362		
NH-P5 1,100' ne/o Murphy Ave. to Hill Rd.	651										
NH-P6 San Pedro Ave. to Tennant Ave.	651										
NH-P7 Hill Rd. to Condit Rd.	651										
NH-P8 John Wilson Wat to E Middle Ave.	651										
NH-P9 Monterey Rd. to Olive Ave.	651										
<i>Holiday Pressure Zone</i>											
HL-P1 Flaming Oak Ln. to Proposed E Dunne Tank	651/653	109,026	109,026	109,026							
HL-P2 Proposed E Dunne Tank to Flaming Oak Ln.	651/653	90,353	90,353	90,353							
HL-P3 Proposed E Dunne Tank to Lori Ln.	651				241,488	241,488	241,488	241,488	241,488		
HL-P4 Lori Ln. to 650' nw/o Lori Ln.	651				226,703	226,703	226,703	226,703	226,703		
Storage Reservoir Capacity Improvements											
BR-T1 Replace Boy's Ranch 0.55 MG Tank with 1.20 MG Tank	651/653									888,861	888,861
GA-T1 Replace Glen Ayre 0.10 MG Tank with 0.25 MG Tank	651/653									833,307	833,307
ED-T1 Existing Edmondson Tank Site	651										
LI-T1 Existing Liagas Tank Site	651/653										
JO-T1 Existing Jackson Tank Site	653										
WD-T1 Replace Woodland 0.03 MG Tank with 0.25 MG Tank	651/653										
HL-T1 Dunne Ave. approx. 500' ne/o Flaming Oak Ln.	651/653	1,311,688	1,311,688	1,311,688							
Groundwater Well Capacity Improvements											
BR-W1 Burnett Ave. Approx. 6,000' ne/o Monterey Ave.	651				1,008,008	1,008,008	1,008,008	1,008,008	1,008,008		
BR-W2 Burnett Ave. Approx. 5,000' ne/o Monterey Ave.	651										
NH-W1* Butterfield Blvd. 400' E of Railroad Ave. and Fisher Ave.	653				1,680,013	1,680,013	1,680,013	1,680,013	1,680,013		
NH-W2 Butterfield Blvd. and Tennant Ave.	651/653	1,680,013	1,680,013	1,680,013							
NH-W3 Well Site to determined at later date	651										
NH-W4 Well Site to determined at later date	651										
Pump Station Capacity Improvements											
										1,008,008	1,008,008

EXHIBIT 2

1. Capital Improvement Program projects from Water Supply Management Plan projects found in source file: 2021_WSMPIUpdate_Report_FinalDraft_120321.pdf

* Some projects postponed 2 years from Water Supply Management Plan. Source file: *Water CIP from MP revised.pdf*

2. Estimated future expenditures for FY 2026/27 through 2040/41 are calculated based on the City's 5-year average.

TABLE 17 : EXISTING DEBT OBLIGATIONS

Annual Repayment Schedules	Budget FY 2021/22	5-Year Rate Adoption Period										Projected	
		FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31			
2014 Water Refunding & CIP Revenue Bonds, \$21,975,000^{1,2}													
Principal Payment	\$ 1,045,000	\$ 1,080,000	\$ 1,120,000	\$ 1,165,000	\$ 1,205,000	\$ 1,250,000	\$ 1,300,000	\$ 1,350,000	\$ 1,400,000	\$ 1,450,000			
Interest Payment	613,875	574,688	534,188	492,188	448,500	403,313	356,438	307,688	257,063	204,563			
Subtotal: Annual Debt Service	\$ 1,658,875	\$ 1,654,688	\$ 1,654,188	\$ 1,657,188	\$ 1,653,500	\$ 1,653,313	\$ 1,656,438	\$ 1,657,688	\$ 1,657,063	\$ 1,654,563			
Coverage Requirement(% above annual payment) ²	120%	120%	120%	120%	120%	120%	120%	120%	120%	120%			
Reserve Requirement ³	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Grand Total: Existing Annual Debt Service	\$ 1,658,875	\$ 1,654,688	\$ 1,654,188	\$ 1,657,188	\$ 1,653,500	\$ 1,653,313	\$ 1,656,438	\$ 1,657,688	\$ 1,657,063	\$ 1,654,563			
Grand Total: Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			

TABLE 18 : FUNDING SOURCES FOR EXISTING DEBT OBLIGATIONS

Allocation of Debt Service Payments to Funding Sources ⁴	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31			
Fund 651 - Impact Fund (41%)	\$ 680,139	\$ 678,422	\$ 678,217	\$ 679,447	\$ 677,935	\$ 677,858	\$ 679,139	\$ 679,652	\$ 679,396	\$ 678,371			
Fund 653 - Water System Replacement Fund (59%)	\$ 978,736	\$ 976,266	\$ 975,971	\$ 977,741	\$ 975,565	\$ 975,454	\$ 977,298	\$ 978,036	\$ 977,667	\$ 976,192			

- Source file: 2014 water bonds debt service schedule.pdf.
1. The 2014 Water Revenue Bonds were issued to: (1) finance 2014 Projects; (2) refinance 1999 Projects and refund the Series 1999 COPs; (3) refinance 2004 Projects and refund the Series 2004 Bonds; and, (4) to pay certain costs of issuance.
 2. Per the Installment Sales Agreement for the 2014 Revenue Bonds, the City is required to maintain a debt coverage ratio of 1.20 of the maximum annual debt service for these bond issues and all other parity debt. Source files/Installment Sales Agreement , page 14 & 6a. Bond Document - Morgan Hill Water Series 2014.pdf, page 74.
 3. There is no reserve requirement for this bond issue.
 4. Per email provided by Staff on 10.07.15, the debt service payment for the 2014 Water Revenue Bonds is split as follows: 41% to the Water Impact Fund (651) and 59% to the Water System Replacement Fund (653).

CITY OF MORGAN HILL
WATER RATE STUDY
Existing Water Rate Schedule

TABLE 19 : CURRENT RATES

Existing Water Rate Schedule		Jan. 1, 2020
Single- & Multi-Family Residential Fixed Monthly Service Charge		
5/8 inch		\$31.14
3/4 inch		\$31.14
1 inch		\$31.14
1.5 inch		\$58.72
2 inch		\$91.81
3 inch		\$180.07
4 inch		\$279.36
6 inch		\$555.17
8 inch		\$886.14
10 inch		\$2,320.33
Non-Residential Fixed Monthly Service Charge		
5/8 inch		\$47.23
3/4 inch		\$47.23
1 inch		\$47.23
1.5 inch		\$90.90
2 inch		\$143.31
3 inch		\$283.06
4 inch		\$440.28
6 inch		\$877.00
8 inch		\$1,401.07
10 inch		\$3,672.04
Fire Fixed Monthly Service Charge		
5/8 inch		\$4.02
3/4 inch		\$4.25
1 inch		\$4.71
1.5 inch		\$5.86
2 inch		\$7.24
3 inch		\$11.61
4 inch		\$19.66
6 inch		\$40.37
8 inch		\$67.98
10 inch		\$104.79
Variable Consumption Charge		
Water Rates Per HCF:		
<u>All customers</u>		\$2.57
<i>Out of City water customers add 25% to the rate schedule.</i>		

TABLE 20 : CLASSIFICATION OF EXPENSES

Budget Categories		Total Revenue Requirements FY 2022/23	Commodity (COM)	Capacity (CAP)	Customer (CA)	Fire Protection (FP)	Direct Alloc. Zonal Elev. (ZON)	Basis of Classification				
			(COM)	(CAP)	(CA)	(FP)	(ZON)	(COM)	(CA)	(FP)	(ZON)	
OPERATING EXPENSES												
WATER OPERATIONS FUND - Operations												
SALARIES												
SALARIES - GENERAL *	\$ 2,275,547	\$ 682,664	\$ 1,456,350	\$ 113,777	\$ 22,755	\$ -	\$ -	30%	64%	5%	0%	0%
SALARIES - PART-TIME TEMP	\$ 4,344	\$ 9,268	\$ 9,268	\$ 724	\$ 145	\$ -	\$ -	30%	64%	5%	1%	0%
EARNED LEAVE LIABILITY	\$ 47,027	\$ 14,108	\$ 30,097	\$ 2,351	\$ 470	\$ -	\$ -	30%	64%	5%	1%	0%
OVERTIME - GENERAL	\$ 81,669	\$ 24,501	\$ 52,268	\$ 4,083	\$ 817	\$ -	\$ -	30%	64%	5%	1%	0%
RETIREMENT - GENERAL	\$ 416,775	\$ 125,033	\$ 266,736	\$ 20,839	\$ 4,168	\$ -	\$ -	30%	64%	5%	1%	0%
DEFERRED COMPENSATION	\$ 26,103	\$ 7,831	\$ 16,706	\$ 1,305	\$ 261	\$ -	\$ -	30%	64%	5%	1%	0%
GROUP INSURANCE	\$ 346,745	\$ 104,023	\$ 221,917	\$ 17,337	\$ 3,467	\$ -	\$ -	30%	64%	5%	1%	0%
MEDICARE	\$ 28,041	\$ 8,412	\$ 17,946	\$ 1,402	\$ 280	\$ -	\$ -	30%	64%	5%	1%	0%
MEDICARE PTT AND OT	\$ 1,394	\$ 418	\$ 892	\$ 70	\$ 14	\$ -	\$ -	30%	64%	5%	1%	0%
INCOME PROTECTION INS	\$ 12,522	\$ 3,757	\$ 8,014	\$ 626	\$ 125	\$ -	\$ -	30%	64%	5%	1%	0%
WORKERS COMP	\$ 48,050	\$ 14,415	\$ 30,752	\$ 2,403	\$ 481	\$ -	\$ -	30%	64%	5%	1%	0%
WORKERS COMP PTT AND OT	\$ 2,404	\$ 721	\$ 1,538	\$ 120	\$ 24	\$ -	\$ -	30%	64%	5%	1%	0%
BENEFITS	\$ 7,452	\$ 2,236	\$ 4,769	\$ 373	\$ 75	\$ -	\$ -	30%	64%	5%	1%	0%
UNIFORM	\$ 3,675	\$ 1,103	\$ 2,352	\$ 184	\$ 37	\$ -	\$ -	30%	64%	5%	1%	0%
SUPPLIES												
TAXES	\$ 535	\$ -	\$ 535	\$ -	\$ -	\$ -	\$ -	0%	100%	0%	0%	0%
ELECTRIC	\$ 1,436,499	\$ 1,168,979	\$ -	\$ -	\$ -	\$ -	\$ 267,520	81%	0%	0%	0%	19%
GROUNDWATER PRODUCTION	\$ 3,739,836	\$ 3,702,438	\$ -	\$ -	\$ 37,398	\$ -	\$ -	99%	0%	0%	1%	0%
WATER/SEWER	\$ 13,113	\$ 3,934	\$ 8,392	\$ 656	\$ 131	\$ -	\$ -	30%	64%	5%	1%	0%
TELEPHONE	\$ 24,833	\$ 7,450	\$ 15,893	\$ 1,242	\$ 248	\$ -	\$ -	30%	64%	5%	1%	0%
GASOLINE & OIL	\$ 37,874	\$ 11,362	\$ 24,239	\$ 1,894	\$ 379	\$ -	\$ -	30%	64%	5%	1%	0%
CONTRACT SERVICES	\$ 356,864	\$ 107,059	\$ 228,393	\$ 17,843	\$ 3,569	\$ -	\$ -	30%	64%	5%	1%	0%
BANK CARD SERVICE FEES	\$ 597	\$ -	\$ -	\$ 597	\$ -	\$ -	\$ -	0%	100%	0%	0%	0%
RENTALS - OUTSIDE	\$ 2,709	\$ 813	\$ 1,734	\$ 135	\$ 27	\$ -	\$ -	30%	64%	5%	1%	0%
STATIONERY & OFFICE SUPPLIES	\$ 3,348	\$ 1,004	\$ 2,142	\$ 167	\$ 33	\$ -	\$ -	30%	64%	5%	1%	0%
COMPUTER HARDWARE-NON CAPITAL	\$ 5,953	\$ 1,786	\$ 3,810	\$ 298	\$ 60	\$ -	\$ -	30%	64%	5%	1%	0%
COMPUTER SOFTWARE-NON CAPITAL	\$ 2,709	\$ 813	\$ 1,734	\$ 135	\$ 27	\$ -	\$ -	30%	64%	5%	1%	0%
OTHER SUPPLIES	\$ 232,481	\$ 69,744	\$ 148,788	\$ 11,624	\$ 2,325	\$ -	\$ -	30%	64%	5%	1%	0%
ADVERTISING	\$ 3,348	\$ 1,004	\$ 2,142	\$ 167	\$ 33	\$ -	\$ -	30%	64%	5%	1%	0%
PHOTOCOPYING	\$ 834	\$ 250	\$ 534	\$ 42	\$ 8	\$ -	\$ -	30%	64%	5%	1%	0%
POSTAGE & FREIGHT	\$ 2,060	\$ -	\$ -	\$ 2,060	\$ -	\$ -	\$ -	0%	100%	0%	0%	0%
PRINTING	\$ 2,431	\$ -	\$ -	\$ 2,431	\$ -	\$ -	\$ -	0%	100%	0%	0%	0%
AUTO MILEAGE	\$ 299	\$ 90	\$ 191	\$ 15	\$ 3	\$ -	\$ -	30%	64%	5%	1%	0%
CHEMICALS	\$ 32,782	\$ 9,835	\$ 20,980	\$ 1,639	\$ 328	\$ -	\$ -	30%	64%	5%	1%	0%
WATER/SEWER MAINTENANCE SVS	\$ 54,636	\$ 16,391	\$ 34,967	\$ 2,732	\$ 546	\$ -	\$ -	30%	64%	5%	1%	0%
SMALL TOOLS	\$ 12,175	\$ 3,652	\$ 7,792	\$ 609	\$ 122	\$ -	\$ -	30%	64%	5%	1%	0%
OTHER EXPENSE	\$ 63,654	\$ 19,096	\$ 40,739	\$ 3,183	\$ 637	\$ -	\$ -	30%	64%	5%	1%	0%
TRAINING & EDUCATION	\$ 12,978	\$ 3,893	\$ 8,306	\$ 649	\$ 130	\$ -	\$ -	30%	64%	5%	1%	0%
CONFERENCE & MEETINGS	\$ 6,180	\$ 1,854	\$ 3,955	\$ 309	\$ 62	\$ -	\$ -	30%	64%	5%	1%	0%
MEMBERSHIP & DUES	\$ 13,385	\$ 4,015	\$ 8,566	\$ 669	\$ 134	\$ -	\$ -	30%	64%	5%	1%	0%
SUBSCRIPTION & PUBLICATIONS	\$ 232	\$ 70	\$ 148	\$ 12	\$ 2	\$ -	\$ -	30%	64%	5%	1%	0%
MAINT - BLDGS/IMPROVEMENTS	\$ 44,589	\$ 13,377	\$ 28,537	\$ 2,229	\$ 446	\$ -	\$ -	30%	64%	5%	1%	0%
MAINT - MACHINE/EQUIPMENT	\$ 33,434	\$ 10,030	\$ 21,398	\$ 1,672	\$ 334	\$ -	\$ -	30%	64%	5%	1%	0%
MAINT - AUTO/TRUCKS	\$ 31,209	\$ 9,363	\$ 19,974	\$ 1,560	\$ 312	\$ -	\$ -	30%	64%	5%	1%	0%
SUB-TOTAL WATER OPERATIONS FUND - Operations	\$ 9,483,462	\$ 6,161,868	\$ 2,753,498	\$ 220,163	\$ 80,413	\$ 267,520	\$ 267,520	65%	29%	2%	0.85%	3%

TABLE 21 : CLASSIFICATION OF EXPENSES, CONTINUED

Budget Categories		Total Revenue Requirements	Commodity	Capacity	Customer	Fire Protection	Zonal	Basis of Classification				
		FY 2022/23	(COM)	(CAP)	(CA)	(FP)	(ZON)	(COM)	(CAP)	(CA)	(FP)	(ZON)
OPERATING EXPENSES												
WATER OPERATIONS FUND - Operations, cont.												
CAPITAL												
MACHINERY/EQUIPMENT COMPUTER EQUIPMENT COMPUTER SOFTWARE METERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	0%	99%	0%	1%	0%
	\$ 108,150	\$ -	\$ 107,069	\$ -	\$ 1,082	\$ -	-	0%	99%	0%	1%	0%
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	0%	99%	0%	1%	0%
	\$ 463,500	\$ 107,759	\$ 231,750	\$ 115,875	\$ 8,116	\$ -	-	23%	50%	25%	1.75%	0%
INTERNAL SERVICES												
GENERAL LIABILITY INSURANCE BUILDING MAINT - CURRENT SERVICES BUILDING MAINT - FUTURE REPLACEMENT FLEET REPLACEMENT GIS INFO SYSTEM SERVICES GF ADMIN	\$ 151,002	\$ 45,301	\$ 96,641	\$ 7,550	\$ 1,510	\$ -	-	30%	64%	5%	1%	0%
	\$ 82,064	\$ 24,619	\$ 52,521	\$ 4,103	\$ 821	\$ -	-	30%	64%	5%	1%	0%
	\$ 14,460	\$ 4,338	\$ 9,254	\$ 723	\$ 145	\$ -	-	30%	64%	5%	1%	0%
	\$ 315,165	\$ 94,549	\$ 201,705	\$ 15,758	\$ 3,152	\$ -	-	30%	64%	5%	1%	0%
	\$ 28,808	\$ 8,642	\$ 18,437	\$ 1,440	\$ 288	\$ -	-	30%	64%	5%	1%	0%
	\$ 167,790	\$ 50,337	\$ 107,386	\$ 8,390	\$ 1,678	\$ -	-	30%	64%	5%	1%	0%
TRANSFERS TRANSFER OUT-010 (GENERAL FUND) TRANSFER OUT-232 (ENVIRONMENTAL PROGRAMS) TRANSFER OUT-207 (GENL PLAN UPDATE) TRANSFER OUT - EMPLOYEE BENEFITS FUND	\$ 350,413	\$ 105,124	\$ 224,264	\$ 17,521	\$ 3,504	\$ -	-	30%	64%	5%	1%	0%
	\$ 367,874	\$ -	\$ 364,195	\$ -	\$ 3,679	\$ -	-	0%	99%	0%	1%	0%
	\$ 111,517	\$ -	\$ 110,402	\$ -	\$ 1,115	\$ -	-	0%	99%	0%	1%	0%
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	0%	99%	0%	1%	0%
	\$ 28,415	\$ -	\$ 28,131	\$ -	\$ 284	\$ -	-	0%	99%	0%	1%	0%
SUB-TOTAL: WATER OPERATIONS FUND - Operations		\$ 2,189,159	\$ 440,670	\$ 1,551,756	\$ 171,360	\$ 25,372	\$ -	20%	71%	8%	1.16%	0%

TABLE 22 : CLASSIFICATION OF EXPENSES, CONTINUED

Budget Categories		Total Revenue Requirements		Commodity	Capacity	Customer	Fire Protection	Direct Alloc. Zonal Elev.	Basis of Classification					
		FY 2022/23	(COM)						(CAP)	(CA)	(FP)	(ZON)	(COM)	(CAP)
OPERATING EXPENSES, continued														
WATER OPERATIONS FUND - Utility Billing														
SALARIES	SALARIES - GENERAL	\$ 439,054	\$ 131,716	\$ 83,420	\$ 219,527	\$ 4,391	\$ -	-	30%	19%	50%	1%	0%	
	SALARIES - PART-TIME TEMP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	30%	19%	50%	1%	0%	
	EARNED LEAVE LIABILITY	\$ 8,288	\$ 2,486	\$ 1,575	\$ 4,144	\$ 83	\$ -	-	30%	19%	50%	1%	0%	
	OVERTIME - GENERAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	30%	19%	50%	1%	0%	
	RETIREMENT - GENERAL	\$ 76,237	\$ 22,871	\$ 14,485	\$ 38,119	\$ 762	\$ -	-	30%	19%	50%	1%	0%	
	DEFERRED COMPENSATION	\$ 5,708	\$ 1,712	\$ 1,084	\$ 2,854	\$ 57	\$ -	-	30%	19%	50%	1%	0%	
	GROUP INSURANCE	\$ 61,354	\$ 18,406	\$ 11,657	\$ 30,677	\$ 614	\$ -	-	30%	19%	50%	1%	0%	
	MEDICARE	\$ 5,072	\$ 1,521	\$ 964	\$ 2,536	\$ 51	\$ -	-	30%	19%	50%	1%	0%	
	MEDICARE PTT AND OT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	30%	19%	50%	1%	0%	
	OTHER POST EMPLOYMENT BENEFITS (OPEB)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	30%	19%	50%	1%	0%	
	INCOME PROTECTION INS	\$ 2,671	\$ 801	\$ 508	\$ 1,336	\$ 27	\$ -	-	30%	19%	50%	1%	0%	
	WORKERS COMP	\$ 8,812	\$ 2,643	\$ 1,674	\$ 4,406	\$ 88	\$ -	-	30%	19%	50%	1%	0%	
	WORKERS COMP PTT AND OT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	30%	19%	50%	1%	0%	
	BENEFITS	\$ 2,829	\$ 849	\$ 537	\$ 1,414	\$ 28	\$ -	-	30%	19%	50%	1%	0%	
	SUPPLIES	TELEPHONE	\$ 1,648	\$ 494	\$ 313	\$ 824	\$ 16	\$ -	-	30%	19%	50%	1%	0%
		CONTRACT SERVICES	\$ 69,290	\$ 20,787	\$ 13,165	\$ 34,645	\$ 693	\$ -	-	30%	19%	50%	1%	0%
		BANK CARD SERVICE FEES	\$ 123,600	\$ 37,080	\$ 23,484	\$ 61,800	\$ 1,236	\$ -	-	30%	19%	50%	1%	0%
		STATIONERY & OFFICE SUPPLIES	\$ 3,296	\$ 989	\$ 626	\$ 1,648	\$ 33	\$ -	-	30%	19%	50%	1%	0%
		COMPUTER HARDWARE-NON CAPITAL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	30%	19%	50%	1%	0%
		OTHER SUPPLIES	\$ 515	\$ 155	\$ 98	\$ 258	\$ 5	\$ -	-	30%	19%	50%	1%	0%
ADVERTISING		\$ 515	\$ 155	\$ 98	\$ 258	\$ 5	\$ -	-	30%	19%	50%	1%	0%	
PHOTOCOPYING		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	30%	19%	50%	1%	0%	
POSTAGE & FREIGHT		\$ 49,955	\$ 14,987	\$ 9,491	\$ 24,978	\$ 500	\$ -	-	30%	19%	50%	1%	0%	
PRINTING		\$ 1,030	\$ 309	\$ 196	\$ 515	\$ 10	\$ -	-	30%	19%	50%	1%	0%	
AUTO MILEAGE		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	30%	19%	50%	1%	0%	
TRAINING & EDUCATION		\$ 1,545	\$ 464	\$ 294	\$ 773	\$ 15	\$ -	-	30%	19%	50%	1%	0%	
SUBSCRIPTION & PUBLICATIONS		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	30%	19%	50%	1%	0%	
INTERNAL SERVICES		GENERAL LIABILITY INSURANCE	\$ 20,638	\$ 6,191	\$ 3,921	\$ 10,319	\$ 206	\$ -	-	30%	19%	50%	1%	0%
		BUILDING MAINT - CURRENT SERVICES	\$ 34,429	\$ 10,329	\$ 6,542	\$ 17,215	\$ 344	\$ -	-	30%	19%	50%	1%	0%
	BUILDING MAINT - FUTURE REPLACEMENT	\$ 1,939	\$ 582	\$ 368	\$ 970	\$ 19	\$ -	-	30%	19%	50%	1%	0%	
	INFO SYSTEM SERVICES	\$ 34,220	\$ 10,266	\$ 6,502	\$ 17,110	\$ 342	\$ -	-	30%	19%	50%	1%	0%	
	GF ADMIN	\$ 40,012	\$ 12,004	\$ 7,602	\$ 20,006	\$ 400	\$ -	-	30%	19%	50%	1%	0%	
TRANSFERS														
TRANSFER OUT - EMPLOYEE BENEFITS FUND	\$ 5,606	\$ -	\$ 5,550	\$ -	\$ 56	\$ -	-	0%	99%	0%	1%	0%		
TOTAL: WATER OPERATIONS FUND - Utility Billing		\$ 998,262	\$ 297,797	\$ 194,155	\$ 496,328	\$ 9,983	\$ -	-	30%	19%	50%	1%	0%	

TABLE 23 : CLASSIFICATION OF EXPENSES, CONTINUED

Budget Categories			Total Revenue Requirements	Commodity	Capacity	Customer	Fire Protection	Zonal	Basis of Classification					
			FY 2022/23	(COM)	(CAP)	(CA)	(FP)	(ZON)	(COM)	(CAP)	(CA)	(FP)	(ZON)	
OPERATING EXPENSES, continued														
WATER OPERATIONS FUND - Water Conservation														
SALARIES														
SALARIES - GENERAL *	\$	140,908	\$	139,499	\$	-	\$	1,409	\$	-	99%	0%	1%	0%
SALARIES - PART-TIME TEMP	\$	20,664	\$	20,457	\$	-	\$	207	\$	-	99%	0%	1%	0%
EARNED LEAVE LIABILITY	\$	1,786	\$	1,768	\$	-	\$	18	\$	-	99%	0%	1%	0%
RETIREMENT - GENERAL*	\$	49,669	\$	49,173	\$	-	\$	497	\$	-	99%	0%	1%	0%
DEFERRED COMPENSATION	\$	475	\$	470	\$	-	\$	5	\$	-	99%	0%	1%	0%
GROUP INSURANCE*	\$	5,943	\$	5,884	\$	-	\$	59	\$	-	99%	0%	1%	0%
MEDICARE*	\$	2,032	\$	2,012	\$	-	\$	20	\$	-	99%	0%	1%	0%
MEDICARE PTT AND OT	\$	300	\$	297	\$	-	\$	3	\$	-	99%	0%	1%	0%
OTHER POST EMPLOYMENT BENEFITS (OPEB)	\$	-	\$	-	\$	-	\$	-	\$	-	99%	0%	1%	0%
INCOME PROTECTION INS	\$	159	\$	157	\$	-	\$	2	\$	-	99%	0%	1%	0%
WORKERS COMP*	\$	3,523	\$	3,487	\$	-	\$	35	\$	-	99%	0%	1%	0%
WORKERS COMP PTT AND OT	\$	517	\$	511	\$	-	\$	5	\$	-	99%	0%	1%	0%
BENEFITS*	\$	903	\$	894	\$	-	\$	9	\$	-	99%	0%	1%	0%
SUPPLIES														
GASOLINE & OIL	\$	-	\$	-	\$	-	\$	-	\$	-	99%	0%	1%	0%
CONTRACT SERVICES	\$	10,821	\$	10,713	\$	-	\$	108	\$	-	99%	0%	1%	0%
STATIONERY & OFFICE SUPPLIES	\$	-	\$	-	\$	-	\$	-	\$	-	99%	0%	1%	0%
OTHER SUPPLIES	\$	2,294	\$	2,271	\$	-	\$	23	\$	-	99%	0%	1%	0%
ADVERTISING	\$	-	\$	-	\$	-	\$	-	\$	-	99%	0%	1%	0%
POSTAGE & FREIGHT	\$	1,147	\$	1,136	\$	-	\$	11	\$	-	99%	0%	1%	0%
PRINTING	\$	9,198	\$	9,106	\$	-	\$	92	\$	-	99%	0%	1%	0%
OTHER EXPENSE	\$	54,107	\$	53,566	\$	-	\$	541	\$	-	99%	0%	1%	0%
TRAINING & EDUCATION	\$	-	\$	-	\$	-	\$	-	\$	-	99%	0%	1%	0%
CONFERENCE & MEETINGS	\$	-	\$	-	\$	-	\$	-	\$	-	99%	0%	1%	0%
INTERNAL SERVICES														
GENERAL LIABILITY INSURANCE	\$	856	\$	847	\$	-	\$	9	\$	-	99%	0%	1%	0%
BUILDING MAINT - CURRENT SERVICES	\$	1,467	\$	1,452	\$	-	\$	15	\$	-	99%	0%	1%	0%
BUILDING MAINT - FUTURE REPLACEMENT	\$	115	\$	114	\$	-	\$	1	\$	-	99%	0%	1%	0%
INFO SYSTEM SERVICES	\$	1,418	\$	1,404	\$	-	\$	14	\$	-	99%	0%	1%	0%
GF ADMIN	\$	23,948	\$	23,708	\$	-	\$	239	\$	-	99%	0%	1%	0%
TRANSFERS	\$	-	\$	-	\$	-	\$	-	\$	-	99%	0%	1%	0%
TRANSFER OUT - EMPLOYEE BENEFITS FUND	\$	290	\$	287	\$	-	\$	3	\$	-	99%	0%	1%	0%
TOTAL: WATER OPERATIONS FUND - Water Conservation	\$	332,540	\$	329,214	\$	-	\$	3,325	\$	-	99%	0%	1%	0%

TABLE 24 : CLASSIFICATION OF EXPENSES, CONTINUED

Budget Categories	Total Revenue Requirements	Commodity	Capacity	Customer	Fire Protection	Zonal	Basis of Classification				
	FY 2022/23	(COM)	(CAP)	(CA)	(FP)	(ZON)	(COM)	(CAP)	(CA)	(FP)	(ZON)
OPERATING EXPENSES, continued											
WATER IMPACT FUND											
SUPPLIES											
CONTRACT SERVICES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	24%	70%	5%	1%	0%
BANK CARD SERVICE FEES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	24%	70%	5%	1%	0%
DEBT											
SERVICE FEES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	24%	70%	5%	1%	0%
INTERNAL SERVICES											
GF ADMIN	\$ 19,704	\$ 4,729	\$ 13,793	\$ 985	\$ 197	\$ -	24%	70%	5%	1%	0%
TRANSFERS											
TRANSFER OUT-010 (GENERAL FUND)	\$ 25,750	\$ 6,180	\$ 18,025	\$ 1,288	\$ 258	\$ -	24%	70%	5%	1%	0%
TRANSFER OUT-207 (GENL PLAN UPDATE)	\$ 7,931	\$ 1,903	\$ 5,552	\$ 397	\$ 79	\$ -	24%	70%	5%	1%	0%
PROJECTS											
TOTAL: WATER IMPACT FUND (651) EXPENSES	\$ 53,385	\$ 12,812	\$ 37,369	\$ 2,669	\$ 534	\$ -	24%	70%	5%	1%	0%

TABLE 25 : CLASSIFICATION OF EXPENSES, CONTINUED

Classification of Expenses	Classification of Expenses										
	Total Revenue Requirements	Commodity	Capacity	Customer	Fire Protection	Direct Alloc. Zonal Elev.	Basis of Classification				
Budget Categories	FY 2022/23	(COM)	(CAP)	(CA)	(FP)	(ZON)	(COM)	(CAP)	(CA)	(FP)	(ZON)
OPERATING EXPENSES, continued											
WATER RATE STABILIZATION FUND											
SUPPLIES											
CONTRACT SERVICES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30%	64%	5%	1%	0%
INTERNAL SERVICES											
GF ADMIN	\$ 383	\$ 115	\$ 245	\$ 19	\$ 4	\$ -	30%	64%	5%	1%	0%
TOTAL: WATER RATE STABILIZATION FUND (652) EXPENSES	\$ 383	\$ 115	\$ 245	\$ 19	\$ 4	\$ -	30%	64%	5%	1%	0%

TABLE 26 : CLASSIFICATION OF EXPENSES, CONTINUED

Classification of Expenses	Classification of Expenses										
	Total Revenue Requirements	Commodity	Capacity	Customer	Fire Protection	Direct Alloc. Zonal Elev.	Basis of Classification				
Budget Categories	FY 2022/23	(COM)	(CAP)	(CA)	(FP)	(ZON)	(COM)	(CAP)	(CA)	(FP)	(ZON)
OPERATING EXPENSES, continued											
WATER SYSTEM REPLACEMENT FUND											
SUPPLIES											
CONTRACT SERVICES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30%	64%	5%	1%	0%
DEBT											
SERVICE FEES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30%	64%	5%	1%	0%
INTERNAL SERVICES											
GF ADMIN	\$ 23,874	\$ 7,162	\$ 15,279	\$ 1,194	\$ 239	\$ -	30%	64%	5%	1%	0%
TOTAL: WATER SYSTEM REPLACEMENT FUND (653) EXPENSES	\$ 23,874	\$ 7,162	\$ 15,279	\$ 1,194	\$ 239	\$ -	30%	64%	5%	1%	0%
Grand Total: Operating Expenses	\$ 13,027,679	\$ 7,236,826	\$ 4,514,932	\$ 889,064	\$ 119,336	\$ 267,520	56%	35%	7%	1%	2%

TABLE 27 : CLASSIFICATION OF EXPENSES, CONTINUED

Classification of Expenses, continued										
Budget Categories	Total Revenue Requirements FY 2022/23	Commodity (COM)	Capacity (CAP)	Customer (CA)	Fire Protection (FP)	Direct Alloc. Zonal Elev. (ZON)	Basis of Classification			
							(COM)	(CAP)	(CA)	(FP)
DEBT SERVICE PAYMENTS										
2014 Water Refunding & CIP Revenue Bonds, \$21,975,000	\$ 976,266	\$ -	\$ 976,266	\$ -	\$ -	\$ -	0%	100%	0%	0%
New Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0%	100%	0%	0%
TOTAL: DEBT SERVICE PAYMENTS	\$ 976,266	\$ -	\$ 976,266	\$ -	\$ -	\$ -	0%	100%	0%	0%
Capital Expenditures										
Rate Funded Capital Expenses	\$ 890,787	\$ 400,854	\$ 481,025	\$ -	\$ 8,908	\$ -	45%	54%	0%	1%
TOTAL REVENUE REQUIREMENTS	\$ 14,894,732	\$ 7,637,680	\$ 5,972,223	\$ 889,064	\$ 128,244	\$ 267,520	51%	40%	6%	0.86%
Less: Non-Rate Revenues										
INTEREST INCOME2	\$ (176,388)	\$ (90,448)	\$ (72,244)	\$ (10,529)	\$ -	\$ (3,168)	51%	41%	6%	0%
RENT & CONCESSIONS	\$ (54,097)	\$ (27,740)	\$ (22,156)	\$ (3,229)	\$ -	\$ (972)	51%	41%	6%	0%
WATER SALES										
BOOSTER STATION CHARGES	\$ (147,088)	\$ (75,423)	\$ (60,243)	\$ (8,780)	\$ -	\$ (2,642)	51%	41%	6%	0%
FRONT FOOTAGE/OFFSITE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	51%	41%	6%	0%
PERCHLORATE SURCHARGE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	51%	41%	6%	0%
UB COLLECTIONS	\$ (2,806)	\$ -	\$ -	\$ (2,806)	\$ -	\$ -	0%	0%	100%	0%
METER INSTALL & SERVICE	\$ (25,745)	\$ (5,985)	\$ (12,872)	\$ (6,436)	\$ (451)	\$ -	23%	50%	25%	1.75%
FIRE HYDRANT CHARGE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	51%	41%	6%	0%
OTHER REVENUE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	51%	41%	6%	0%
REIMBURSEMENT OF EXPENSES	\$ (40,000)	\$ (20,511)	\$ (16,383)	\$ (2,388)	\$ -	\$ (718)	51%	41%	6%	0%
MISC. SALES	\$ (5,253)	\$ (2,694)	\$ (2,152)	\$ (314)	\$ -	\$ (94)	51%	41%	6%	0%
SURPLUS SALES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	51%	41%	6%	0%
MISC. REVENUE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	51%	41%	6%	0%
ANNUAL BACKFLOW TESTING ADMINISTRATION	\$ (13,432)	\$ (6,888)	\$ (5,501)	\$ (802)	\$ -	\$ (241)	51%	41%	6%	0%
ANNUAL BACKFLOW INSPECTION	\$ (3,263)	\$ (1,673)	\$ (1,337)	\$ (195)	\$ -	\$ (59)	51%	41%	6%	0%
UTILITY ACCOUNT SET-UP	\$ (83,133)	\$ -	\$ -	\$ (83,133)	\$ -	\$ -	0%	0%	100%	0%
CONSTRUCTION BACKFLOW INSPECTION	\$ (2,101)	\$ (1,077)	\$ (861)	\$ (125)	\$ -	\$ (38)	51%	41%	6%	0%
CONST.INSPECT.-BACKFLOW	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	51%	41%	6%	0%
UTILITY BILL DELINQ. CHR	\$ (28,694)	\$ -	\$ -	\$ (28,694)	\$ -	\$ -	0%	0%	100%	0%
DELINQUENT BILL CHARGE	\$ (133,013)	\$ -	\$ -	\$ (133,013)	\$ -	\$ -	0%	0%	100%	0%
UTILITY SERVICE CALL	\$ (79,164)	\$ -	\$ -	\$ (79,164)	\$ -	\$ -	0%	0%	100%	0%
CHGS-CURR/PLANS & SPECS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	51%	41%	6%	0%
TRANSFER FROM-640 (SEWER OPS)	\$ (488,357)	\$ (250,418)	\$ (200,017)	\$ (29,150)	\$ -	\$ (8,771)	51%	41%	6%	0%
TRANSFER FROM-653 (WATER CIP)2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	51%	41%	6%	0%
TRANSFER FROM-652 (WATER STABL)2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	51%	41%	6%	0%
Water System Replacement Fund (653)										
INTEREST INCOME2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	51%	41%	6%	0%
OTHER REVENUE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	51%	41%	6%	0%
BOND PROCEEDS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	51%	41%	6%	0%
CAPITAL CONTRIBUTIONS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	51%	41%	6%	0%
CHGS-CURR/PLANS & SPECS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	51%	41%	6%	0%
TRANSFER FROM-650 (WATER OPS)2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	51%	41%	6%	0%
TRANSFER FROM-651 (WATER IMPACT)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	51%	41%	6%	0%
NET REVENUE REQUIREMENTS	\$ 13,612,197	\$ 7,154,823	\$ 5,578,457	\$ 500,306	\$ 127,794	\$ 250,817				
Allocation of Revenue Requirements	100.0%	52.6%	41.0%	3.7%	0.94%	1.8%				

CITY OF MORGAN HILL
WATER RATE STUDY
Cost of Service Analysis

Classification of Expenses, continued									
Adjustments to Classification of Expenses									
Adjustment for Current Rate Level:		Total	(COM)	(CAP)	(CA)	(FP)	(ZON)		
Test Year Target Rate Rev. After Rate Increases		\$16,892,721							
Projected Rate Revenue at Current Rates		\$15,497,910							
Test Year Projected Rate Adjustment		9%							
Net Revenue Requirements		\$ 16,892,721	\$ 8,879,127	\$ 6,978,331	\$ 625,855	\$ 158,592	\$ 250,817		
Percent of Revenue		100.0%	52.6%	41.3%	3.7%	0.94%	1.5%		

Cost-of-Service Allocation to Fixed vs. Variable Charges	
Fixed Charges	47%
Variable Charges	53%

CITY OF MORGAN HILL
WATER RATE STUDY
Water Cost of Service Analysis

TABLE 28 : DEVELOPMENT OF THE BASE COMMODITY ALLOCATION FACTOR

Development of the BASE COMMODITY Allocation Factor			Average Monthly Consumption Per meter and % of SFR average
Customer Class	FY 2020/21 Volume (hcf) ¹	Percent of Total Volume	
Single Family - Inside	1,773,378	57.7%	14.1
Single Family - Outside	52,931	1.7%	14.3
Multi-Family	319,696	10.4%	11.7
Commercial	929,760	30.2%	46.6
Grand Total	3,075,765	100.0%	
Fire	565	0.02%	0.2

1. Consumption data source: Morgan Hill_2018-2021 Consumption Billing Data.xlsx

Commodity Related Costs: These costs are associated with the total consumption (flow) of water over a specified period of time (e.g. annual).

TABLE 29 : DEVELOPMENT OF THE PEAK CAPACITY ALLOCATION FACTOR

Development of the CAPACITY (MAX MONTH) Allocation Factors				2020	2015
Customer Class	Average Monthly Use (hcf)	Peak Monthly Use (hcf) ¹	Peak Month Factor	Max Month Capacity Factor	Peaking Factor as % of SFR
Single Family - Inside	147,782	217,683	1.47	58.2%	100%
Single Family - Outside	4,411	6,725	1.52	1.8%	89%
Multi-Family	26,641	31,378	1.18	8.4%	90%
Commercial	77,480	118,489	1.53	31.7%	100%
Grand Total	256,314	374,275	1.46	100.0%	
Fire	47	261	5.54	0.1%	

1. Based on peak monthly data (peak day data not available).

Capacity Related Costs: Costs associated with the maximum demand required at one point in time or the maximum size of facilities required to meet this demand.

TABLE 30 : DEVELOPMENT OF THE CUSTOMER ALLOCATION FACTOR

Development of the Customer Allocation Factor		
Customer Class	Number of Meters ¹	Percent of Total
Single Family - Inside	10,502	69.9%
Single Family - Outside	308	2.1%
Multi-Family	2,284	15.2%
Commercial	1,663	11.1%
Fire	263	1.75%
Grand Total	15,020	100.0%

1. Number of meters is from source: Morgan Hill_2018-2021 Consumption Billing Data.xlsx

Customer Related Costs : Costs associated with having a customer on the water system. These costs vary with the addition or deletion of customers on the system. Examples: Meter-reading, Postage and billing.

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WATER RATE STUDY
Water Cost of Service Analysis/Rate Design

TABLE 31 : HYDRAULIC CAPACITY FACTORS

Meter Size	Standard Meters		Fire Service Meters	
	Meter Capacity (gpm) ¹	Equivalency to 1-inch ²	Meter Capacity (gpm) ³	Equivalency to 1-inch
	Displacement Meters		Displacement Meters	
5/8 inch	20	1.00	20	0.40
3/4 inch	30	1.00	30	0.60
1 inch	50	1.00	50	1.00
1.5 inch	100	2.00	100	2.00
2 inch	160	3.20	160	3.20
Compound Class I Meters				
3 inch	320	6.40	350	7.00
4 inch	500	10.00	700	14.00
6 inch	1,000	20.00	1,600	32.00
8 inch	1,600	32.00	2,800	56.00
Turbine Class II Meters				
10 inch	4,200	84.00	4,400	88.00

1. Per AWWA M-1, Table B-1.
2. Residential meters 5/8" - 1" are all set to an equivalency factor of 1.0, per direction from City Staff.
3. Per AWWA M-6, Table 5-3. Base meter of 1 inch for Fire Meters.

TABLE 32 : ALLOCATION OF WATER REVENUE REQUIREMENTS

Classification Components	Cost-of-Service Net Revenue Requirements	Proposed Rate Adjusted Net Revenue Requirements	Totals
Commodity-Related Costs	\$ 8,879,127	\$ 8,879,127	52.6%
Capacity-Related Costs (Fixed)	6,978,331	6,978,331	41.3%
Customer-Related Costs	625,855	625,855	3.7%
Fire Protection-Related Costs	158,592	158,592	0.94%
Subtotal Revenue Requirement	\$16,641,905	\$16,641,905	98.5%
Zonal-Related Costs	\$ 250,817	\$ 250,817	1.5%
Net Total Revenue Requirement	\$16,892,721	\$16,892,721	100%

Variable
Fixed

1. Zonal Related Costs are recovered via the zonal charge and are not included in this rate revenue calculation.

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WATER RATE STUDY
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TABLE 33 : ALLOCATION OF FY 2021/22 ADJUSTED NET REVENUE REQUIREMENTS

Customer Class	Cost Classification Components				Cost of Service Net Revenue Req'ts	% of COS Net Revenue Req'ts
	Commodity	Capacity	Customer	Fire Protection		
Residential (Single & Multi-Family)	\$ 6,195,093	\$ 4,769,112	\$ 545,602	\$ -	\$ 11,509,807	69.2%
Non-Residential (Commercial)	\$ 2,684,034	\$ 2,209,219	\$ 69,294	\$ -	\$ 4,962,547	29.8%
Fire	\$ -	\$ -	\$ 10,959	\$ 158,592	\$ 169,550	1.0%
Grand Total	\$ 8,879,127	\$ 6,978,331	\$ 625,855	\$ 158,592	\$ 16,641,905	100%
	53%		47%			

TABLE 34 : CALCULATION OF MONTHLY RESIDENTIAL FIXED METER SERVICE CHARGES

Number of Meters by Class and Size ¹	FY2022-23								Total
	5/8-1 inch	1.5 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch	
Residential	12,981	41	60	-	8	4	-	-	13,094
<i>Hydraulic Capacity Factor²</i>	1.00	2.00	3.20	6.40	10.00	20.00	32.00	84.00	
Total Equivalent Meters	12,981	82	192	-	80	80	-	-	13,415
Monthly Fixed Service Charges									
Customer Costs (\$/Acct/mo.) ³	\$ 3.47	\$ 3.47	\$ 3.47	\$ 3.47	\$ 3.47	\$ 3.47	\$ 3.47	\$ 3.47	
Capacity Costs (\$/Acct/mo.) ⁴	\$ 29.63	\$ 59.25	\$ 94.80	\$ 189.60	\$ 296.25	\$ 592.51	\$ 948.02	\$ 2,488.54	
Total Monthly Meter Charge	\$ 33.10	\$ 62.72	\$ 98.27	\$ 193.08	\$ 299.73	\$ 595.98	\$ 951.49	\$ 2,492.01	
Annual Fixed Costs Allocated to Monthly Meter Charges									
Customer Costs	\$ 545,602								
Capacity Costs	\$ 4,769,112								
Total Fixed Meter Costs	\$ 5,314,714								
Annual Revenue from Monthly Meter Charges									
Customer Charges	\$ 540,893	\$ 1,708	\$ 2,500	\$ -	\$ 333	\$ 167	\$ -	\$ -	\$ 545,602
Capacity Charges	4,614,822	29,151	68,257	-	28,440	28,440	-	-	4,769,112
Total Revenue from Mo. Meter Charges	\$ 5,155,716	\$ 30,860	\$ 70,757	\$ -	\$ 28,774	\$ 28,607	\$ -	\$ -	\$ 5,314,714

CITY OF MORGAN HILL
WATER RATE STUDY
Water Cost of Service Analysis/Rate Design

TABLE 35 : CALCULATION OF MONTHLY NON-RESIDENTIAL FIXED METER SERVICE CHARGES

Number of Meters by Class and Size ¹		FY2022-23									Total
		5/8-1 inch	1.5 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch		
Non - Residential		703	360	549	14	35	1	1	-	1,663	
Hydraulic Capacity Factor ²											
Total Equivalent Meters		1.00	2.00	3.20	6.40	10.00	20.00	32.00	84.00	3,671	
Monthly Fixed Service Charges			720	1,757	90	350	20	32	-		
Customer Costs (\$/Acct./mo.) ³		\$ 3.47	\$ 3.47	\$ 3.47	\$ 3.47	\$ 3.47	\$ 3.47	\$ 3.47	\$ 3.47		
Capacity Costs (\$/Acct./mo.) ⁴		\$ 50.14	\$ 100.29	\$ 160.46	\$ 320.93	\$ 501.45	\$ 1,002.90	\$ 1,604.63	\$ 4,212.16		
Total Monthly Meter Charge		\$ 53.62	\$ 103.76	\$ 163.94	\$ 324.40	\$ 504.92	\$ 1,006.37	\$ 1,608.11	\$ 4,215.63		
Annual Fixed Costs Allocated to Monthly Meter Charges											
Customer Costs		\$ 69,294									
Capacity Costs		\$ 2,209,219									
Total Fixed Meter Costs		\$ 2,278,513									
Annual Revenue from Monthly Meter Charges											
Customer Charges		\$ 29,293	\$ 15,001	\$ 22,876	\$ 583	\$ 1,458	\$ 42	\$ 42	\$ -	\$ 69,294	
Capacity Charges		423,021	433,251	1,057,132	53,916	210,608	12,035	19,256	-	\$ 2,209,219	
Total Revenue from Mo. Meter Charges		\$ 452,314	\$ 448,252	\$ 1,080,008	\$ 54,499	\$ 212,067	\$ 12,076	\$ 19,297	\$ -	\$ 2,278,513	

1. Number of meters by size and class is per the City of Morgan Hill's utility billing data as of May 2021 in the Billed Consumption Report by Month spreadsheets.
2. Source: AWWA Manual M1, "Principles of Water Rates, Fees, and Charges", Table B-1. Assumes displacement meters for 5/8 - 2 inch meters, Compound Class I for 3 - 8 inch meters, and Turbine Class II for 10 inch meters.
3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.
4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

TABLE 36 : CALCULATION OF MONTHLY FIXED METER SERVICE CHARGES COMMERCIAL FIRE METERS

Number of Meters by Class and Size ¹		FY2022-23											Total
		5/8 inch	3/4 inch	1 inch	1.5 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch		
Fire Meters		-	-	-	-	-	1	64	126	67	5		263
Customer Costs (\$/Acct/mo.) ³	\$	3.47	3.47	3.47	3.47	3.47	3.47	3.47	3.47	3.47	3.47		
Fire Protection Costs (\$/Acct/mo.) ⁴	\$	0.58	0.87	1.45	2.90	4.64	10.14	20.28	46.36	81.12	127.48		
Total Monthly Meter Charge	\$	4.05	4.34	4.92	6.37	8.11	13.61	23.75	49.83	84.59	130.95		
Annual Fixed Costs Allocated to Monthly Meter Charges													
Customer Costs	\$	10,959											
Fire Protection Costs	\$	158,592											
Total Fixed Meter Costs	\$	158,592											
Annual Revenue from Monthly Meter Charges													
Customer Charges	\$	-	-	-	-	-	42	2,667	5,250	2,792	208		\$ 10,959
Fire Protection Costs	\$	-	-	-	-	-	56	15,575	70,090	65,222	7,649		158,592
Total Revenue from Mo. Meter Charges	\$	-	-	-	-	-	97	18,242	75,340	68,014	7,857		\$ 169,550

1. Number of meters by size and class is per the City of Morgan Hill's utility billing data as of May 2021 in the Billed Consumption Report by Month spreadsheets.
2. Source: AWWA Manual M6, "Water Meters - Selection, Installation, Testing and Maintenance", Table 5-3. Assumes Displacement Meters for 5/8 - 2 inch meters and Fire Service Type I & II for 3 - 10 inch meters.
3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.
4. Fire Protection costs are allocated by meter size and the hydraulic capacity of the meter.

TABLE 37 : PROJECTED REVENUE FROM FIXED CHARGES BY CUSTOMER CLASS

Number of Meters by Class and Size ¹	FY2022-23								Total
	5/8-1 inch	1.5 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch	
Residential (Single & Multi-Family)	12,981	41	60	-	8	4	-	-	13,094
Non-Residential (Commercial)	703	360	549	14	35	1	1	-	1,663
Fire Meters	-	-	1	-	64	126	67	5	263
Total Meters/Accounts	13,684	401	610	14	107	131	68	5	15,020
Residential Fixed Charges by Meter Size	\$ 33.10	\$ 62.72	\$ 98.27	\$ 193.08	\$ 299.73	\$ 595.98	\$ 951.49	\$ 2,492.01	
Non-Residential Fixed Charges by Meter Size	\$ 53.62	\$ 103.76	\$ 163.94	\$ 324.40	\$ 504.92	\$ 1,006.37	\$ 1,608.11	\$ 4,215.63	
Fixed Charges - Fire Meters Only	\$ 4.92	\$ 6.37	\$ 8.11	\$ 13.61	\$ 23.75	\$ 49.83	\$ 84.59	\$ 130.95	
Revenue from Fixed Charges									
Residential (Single & Multi-Family)	\$ 5,155,716	\$ 30,860	\$ 70,757	\$ -	\$ 28,774	\$ 28,607	\$ -	\$ -	\$ 5,314,714
Non-Residential (Commercial)	\$ 452,314	\$ 448,252	\$ 1,080,008	\$ 54,499	\$ 212,067	\$ 12,076	\$ 19,297	\$ -	\$ 2,278,513
Fire	\$ -	\$ -	\$ 97	\$ -	\$ 18,242	\$ 75,340	\$ 68,014	\$ 7,857	\$ 169,550
Total Revenue - Fixed Charges									
									\$ 7,762,777

TABLE 38 : PROPOSED VOLUMETRIC RATES

	Number of Meters ¹	Water Consumption (hcf/yr.) ²	Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/hcf)	Proposed Rate Structure
Residential	13,094	2,146,005	\$ 6,195,093	36.7%	\$2.89	Uniform
Non-Residential	1,663	929,760	\$ 2,684,034	15.9%		
Subtotal	14,757	3,075,765	\$ 8,879,127	53%		
Fire	263	565	\$ -	0.00%	\$2.89	Uniform
Grand Total	15,020	3,076,330	\$ 8,879,127	53%		

1. Number of meters and consumption by size and class is per the City of Morgan Hill's utility billing data as of May 2021 in the Billed Consumption Report by Month spreadsheets.

TABLE 39 : CURRENT VS. PROPOSED WATER RATES

Water Rate Schedule		Current Monthly Rates	Proposed Monthly Water Rates				
			FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Fixed Service Charges							
<u>Single- and Multi-Family Residential:</u>							
5/8 inch		\$31.14	\$33.10	\$36.08	\$38.60	\$41.30	\$42.54
3/4 inch		\$31.14	\$33.10	\$36.08	\$38.60	\$41.30	\$42.54
1 inch		\$31.14	\$33.10	\$36.08	\$38.60	\$41.30	\$42.54
1.5 inch		\$58.72	\$62.72	\$68.37	\$73.15	\$78.28	\$80.62
2 inch		\$91.81	\$98.27	\$107.12	\$114.62	\$122.64	\$126.32
4 inch		\$279.36	\$299.73	\$326.70	\$349.57	\$374.04	\$385.26
6 inch		\$555.17	\$595.98	\$649.62	\$695.09	\$743.75	\$766.06
<u>Non-Residential:</u>							
5/8 inch		\$47.23	\$53.62	\$58.44	\$62.53	\$66.91	\$68.92
3/4 inch		\$47.23	\$53.62	\$58.44	\$62.53	\$66.91	\$68.92
1 inch		\$47.23	\$53.62	\$58.44	\$62.53	\$66.91	\$68.92
1.5 inch		\$90.90	\$103.76	\$113.10	\$121.02	\$129.49	\$133.37
2 inch		\$143.31	\$163.94	\$178.69	\$191.20	\$204.58	\$210.72
3 inch		\$283.06	\$324.40	\$353.59	\$378.35	\$404.83	\$416.98
4 inch		\$440.28	\$504.92	\$550.36	\$588.89	\$630.11	\$649.01
6 inch		\$877.00	\$1,006.37	\$1,096.94	\$1,173.73	\$1,255.89	\$1,293.56
8 inch		\$1,401.07	\$1,608.11	\$1,752.84	\$1,875.53	\$2,006.82	\$2,067.03
<u>Fire Service:</u>							
5/8 inch		\$4.02	\$4.05	\$4.42	\$4.73	\$5.06	\$5.21
3/4 inch		\$4.25	\$4.34	\$4.73	\$5.06	\$5.42	\$5.58
1 inch		\$4.71	\$4.92	\$5.36	\$5.74	\$6.14	\$6.33
1.5 inch		\$5.86	\$6.37	\$6.94	\$7.43	\$7.95	\$8.19
2 inch		\$7.24	\$8.11	\$8.84	\$9.46	\$10.12	\$10.42
3 inch		\$11.61	\$13.61	\$14.84	\$15.88	\$16.99	\$17.50
4 inch		\$19.66	\$23.75	\$25.89	\$27.70	\$29.64	\$30.53
6 inch		\$40.37	\$49.83	\$54.31	\$58.11	\$62.18	\$64.05
8 inch		\$67.98	\$84.59	\$92.21	\$98.66	\$105.57	\$108.74
10 inch		\$104.79	\$130.95	\$142.74	\$152.73	\$163.42	\$168.32
Volumetric Charges							
<u>Uniform Rate, All Customers</u>		\$2.57	\$2.89	\$3.15	\$3.37	\$3.60	\$3.71

1. The FY 2022/23 rate increase will be effective July 1, 2022; subsequent rate increases will be effective on July 1st each year.

CITY OF MORGAN HILL
WATER RATE STUDY
Water Revenue Stabilization Rates

TABLE 40 : ALLOCATION OF WATER COST REQUIREMENTS

Classification Components	Adjusted Net Revenue Requirements (2021/22)
Commodity-Related Costs	\$ 8,879,127 52.6%
Capacity-Related Costs (Fixed)	\$ 6,978,331 41.3%
Customer-Related Costs	\$ 625,855 3.7%
Fire Protection-Related Costs	\$ 158,592 0.9%
Subtotal Revenue Requirement	\$ 16,641,905 98.5%
Zonal-Related Costs	\$ 250,817 1.5%
Net Total Revenue Requirement	\$ 16,892,721 100%

TABLE 41 : AVERAGE MONTHLY CONSUMPTION AT VARIOUS LEVELS OF CONSERVATION

Customer Class	Water Consumption ¹ (hcf/yr.)	Annual Consumption at Various Levels of Reduction				
		10%	15%	20%	25%	30%
Single Family - Inside	1,773,378	1,596,040	1,507,371	1,418,702	1,330,034	1,241,365
Single Family - Outside	52,931	47,638	44,991	42,345	39,698	37,052
Multi-Family	319,696	287,726	271,742	255,757	239,772	223,787
Commercial	929,760	836,784	790,296	743,808	697,320	650,832
Total	3,075,765	2,768,189	2,614,400	2,460,612	2,306,824	2,153,036

1. Consumption data source: Morgan Hill_2018-2021 Consumption Billing Data.xlsx

TABLE 42 : ALLOCATION OF NET REVENUE REQUIREMENTS

Customer Class	Cost Classification Components				Total Cost of Service Net Revenue Req'ts	% of COS Net Revenue Req'ts
	Commodity	Capacity	Customer	Fire Protection		
Residential (Single & Multi-Family)	\$ 6,195,093	\$ 4,769,112	\$ 545,602	\$ -	\$ 11,509,807	69.2%
Non-Residential (Commercial)	\$ 2,684,034	\$ 2,209,219	\$ 69,294	\$ -	\$ 4,962,547	29.8%
Fire	\$ -	\$ -	\$ 10,959	\$ 158,592	\$ 169,550	1.0%
Grand Total	\$ 8,879,127	\$ 6,978,331	\$ 625,855	\$ 158,592	\$ 16,641,905	100%

CITY OF MORGAN HILL
WATER RATE STUDY
Water Revenue Stabilization Rates

TABLE 43 : PROPOSED RATE STABILIZATION VOLUMETRIC CHARGES FOR FY 2022/23

Customer Class	Total Target Rev. Req't from Vol. Charges	10%	15%	20%	25%	30%
Residential (Single & Multi-Family)	\$ 6,195,093					
Non-Residential (Commercial)	\$ 2,684,034	\$3.21	\$3.40	\$3.61	\$3.85	\$4.12
Fire	\$ -					
Grand Total	\$ 8,879,127					

TABLE 44 : PROPOSED RATE STABILIZATION VOLUMETRIC CHARGES THROUGH FY 2025/26

	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
<i>Proposed Rates (Unadjusted)</i>	\$2.89	\$3.15	\$3.37	\$3.60	\$3.71
10% Revenue Stabilization Rate*	\$3.21	\$3.50	\$3.82	\$4.09	\$4.38
15% Revenue Stabilization Rate*	\$3.40	\$3.71	\$4.04	\$4.32	\$4.62
20% Revenue Stabilization Rate*	\$3.61	\$3.93	\$4.28	\$4.58	\$4.90
25% Revenue Stabilization Rate*	\$3.85	\$4.20	\$4.58	\$4.90	\$5.24
30% Revenue Stabilization Rate*	\$4.12	\$4.49	\$4.89	\$5.23	\$5.60

* Revenue Stabilization Rates would be implemented if current revenue from water sales are below the percentages indicated.

CITY OF MORGAN HILL
WATER AND WASTEWATER RATE STUDY
Zonal Elevation Surcharges

TABLE 45 : WATER ZONAL SURCHARGES SUMMARY OF CUSTOMER STATS AND POWER COSTS

Water Enterprise				
Elevation Zones	Customer Statistics			Surcharge Costs
	Number of Customers	Annual Flow (gal.)	Annual Flow (hcf)	Annual Power Costs
Zone 1 Booster Stations	2,023	427,400,000	571,390	\$ 202,520
Zone 2 Booster Stations	757	118,500,000	158,422	\$ 57,000
Zone 3 Booster Stations	106	17,000,000	22,727	\$ 8,000
Total	2,886	562,900,000	752,540	\$ 267,520

TABLE 46 : WATER ZONAL SURCHARGES SUMMARY - VOLUMETRIC ONLY

Water Enterprise Zonal Surcharges				
Elevation Zones	Surcharge Costs	VOLUMETRIC SURCHARGES (for 100% of Power Costs)		Total Revenue
	Annual Power Costs	Annual Flow (hcf)	Costs to Recover in Volumetric Surcharge	Volumetric Revenue from Surcharges
All Zones	\$ 267,520	752,540	\$ 267,520	\$ 267,520
Total	\$ 267,520	752,540	\$ 267,520	\$ 267,520

CITY OF MORGAN HILL
WATER AND WASTEWATER RATE STUDY
5-Year Schedule of Zonal Elevation Surcharges

TABLE 47 : WATER ZONAL SURCHARGES SUMMARY OF COSTS

Water Enterprise Calculation of Zonal Elevation Cost Increases over 5-year Period						
Cost Category	CPI Factor	2021/22	2022/23	2023/24	2024/25	2025/26
Power	5.00%	\$ 267,520	\$ 280,896	\$ 294,941	\$ 309,688	\$ 325,172
Total		\$ 267,520	\$ 280,896	\$ 294,941	\$ 309,688	\$ 325,172
Overall Cost Increase		--	5.0%	5.0%	5.0%	5.0%

Inflation Factors Used in Rate Analysis & Applied to Zone Costs	
Energy/Power ¹	5.00%
Labor ¹	5.00%
Capital ²	2.87%

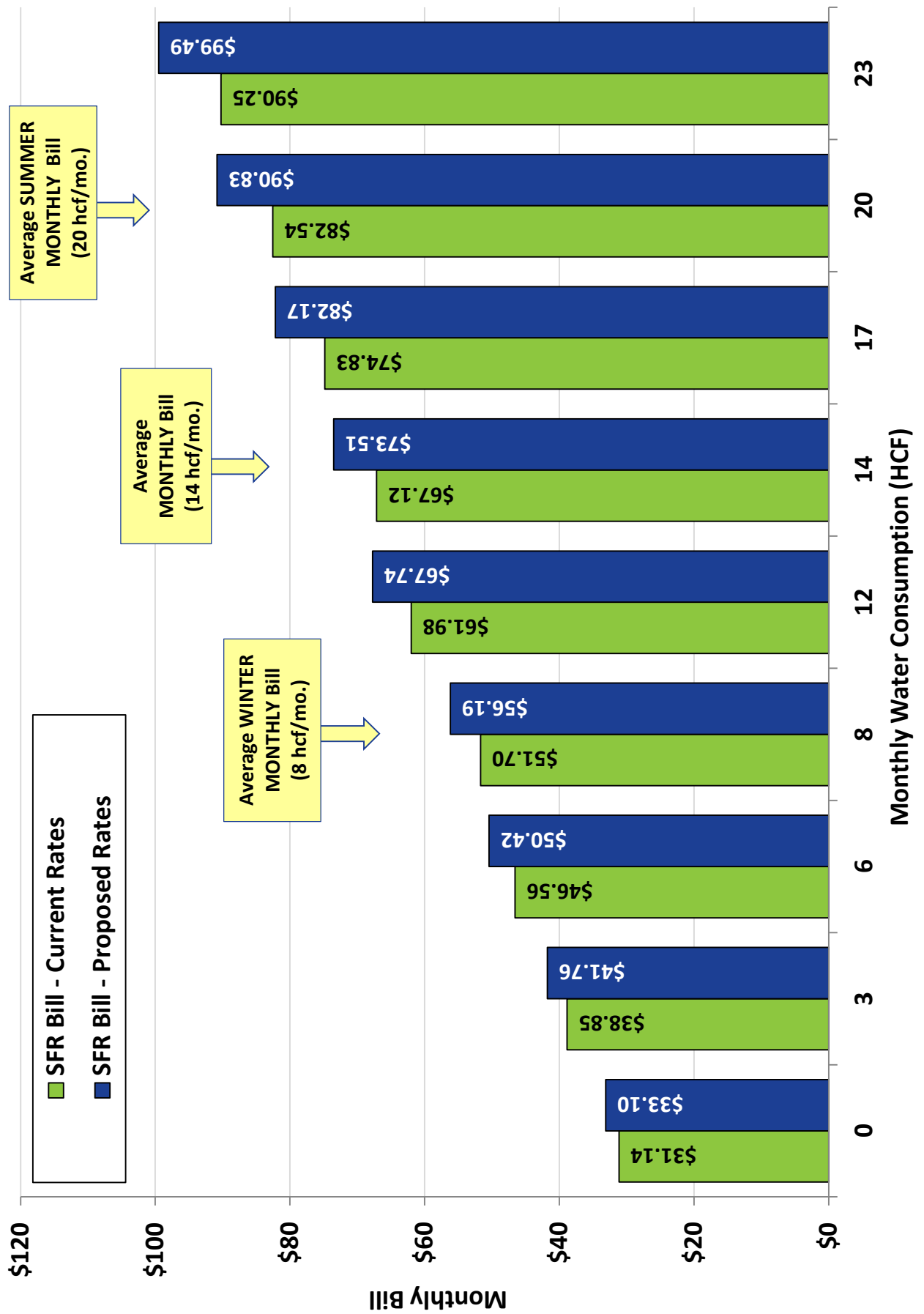
1. Inflation factor provided by City Staff.
2. For reference purposes, the annual Construction Cost Inflation percentage is the 10 year average change in the Construction Cost Index for 2011-20.
Source: *Engineering News Record website* (<http://enr.construction.com>).

TABLE 48 : WATER ZONAL SURCHARGES SUMMARY OF VOLUMETRIC SURCHARGES

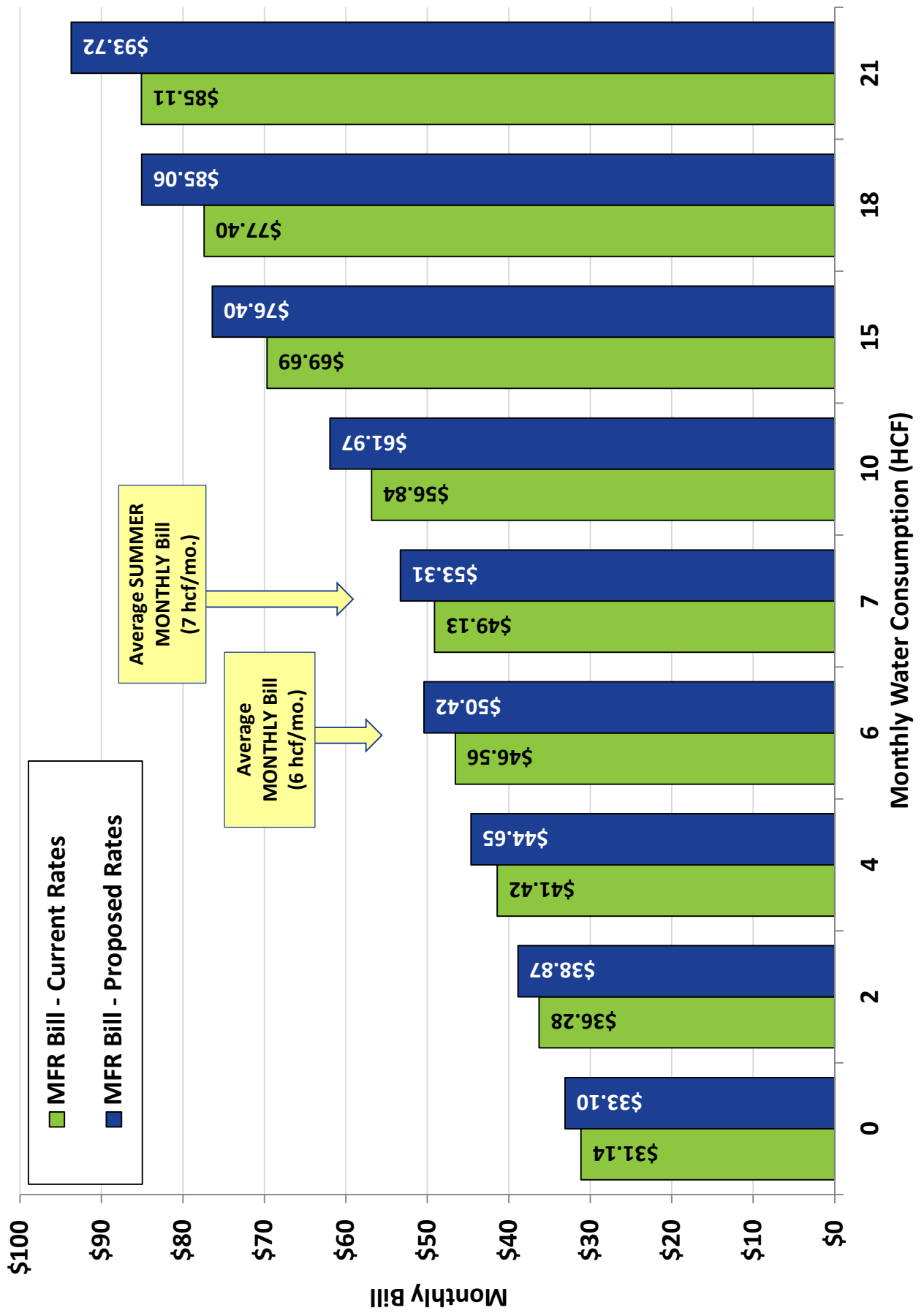
Water Enterprise Zonal Elevation Surcharges: Volumetric Surcharges						
Elevation Zones	Current	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26
Volumetric Surcharges (\$/hcf)	\$0.11	\$0.36	\$0.37	\$0.39	\$0.41	\$0.43

1. The Annual % increase is due to inflation of energy costs.

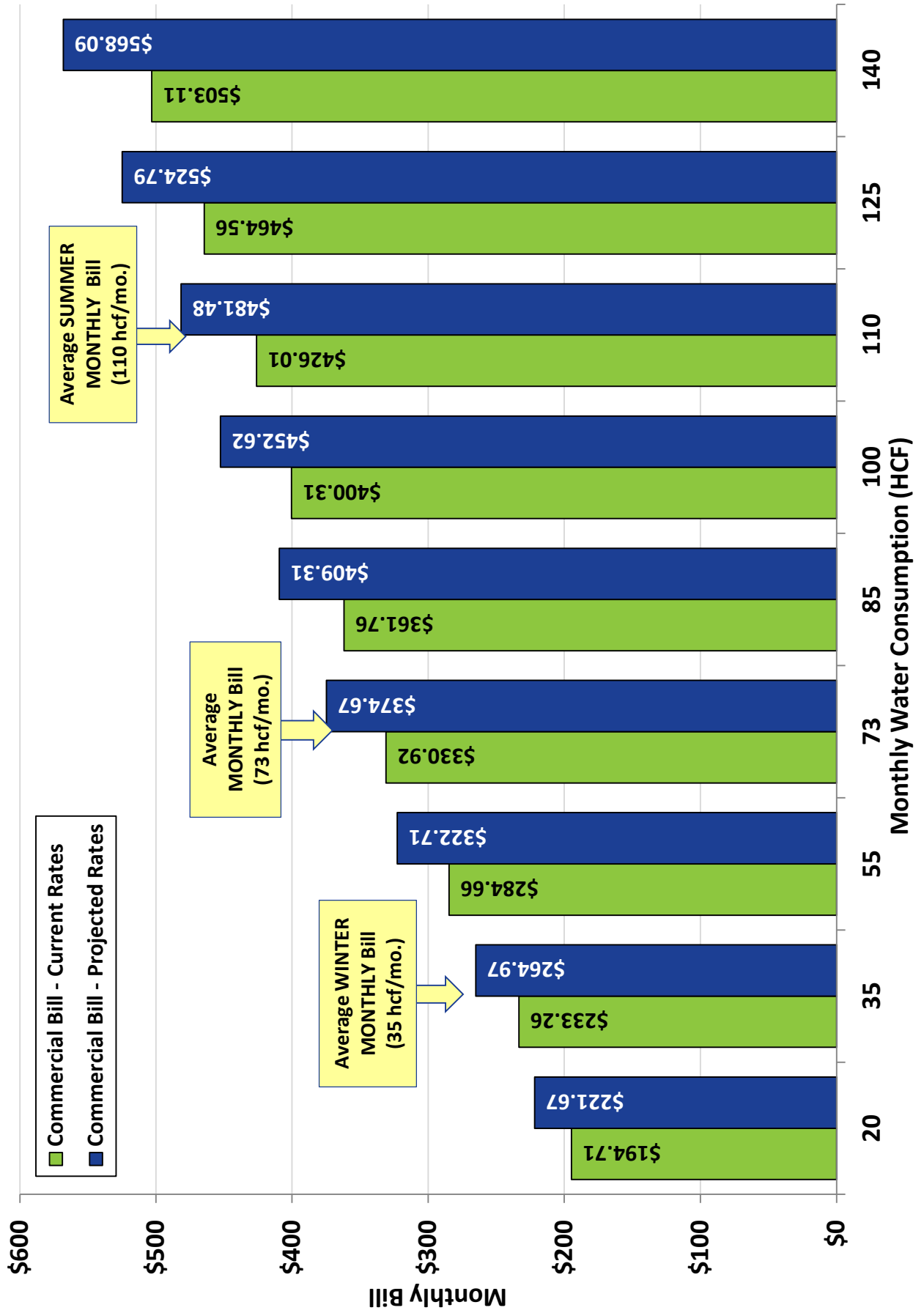
Single-Family Residential Bill Comparison Fiscal Year 2022/23 (5/8-1" meter)



Multi-Family Residential, Two Dwelling Unit Bill Comparison Fiscal Year 2022/23 (5/8-1" meter)



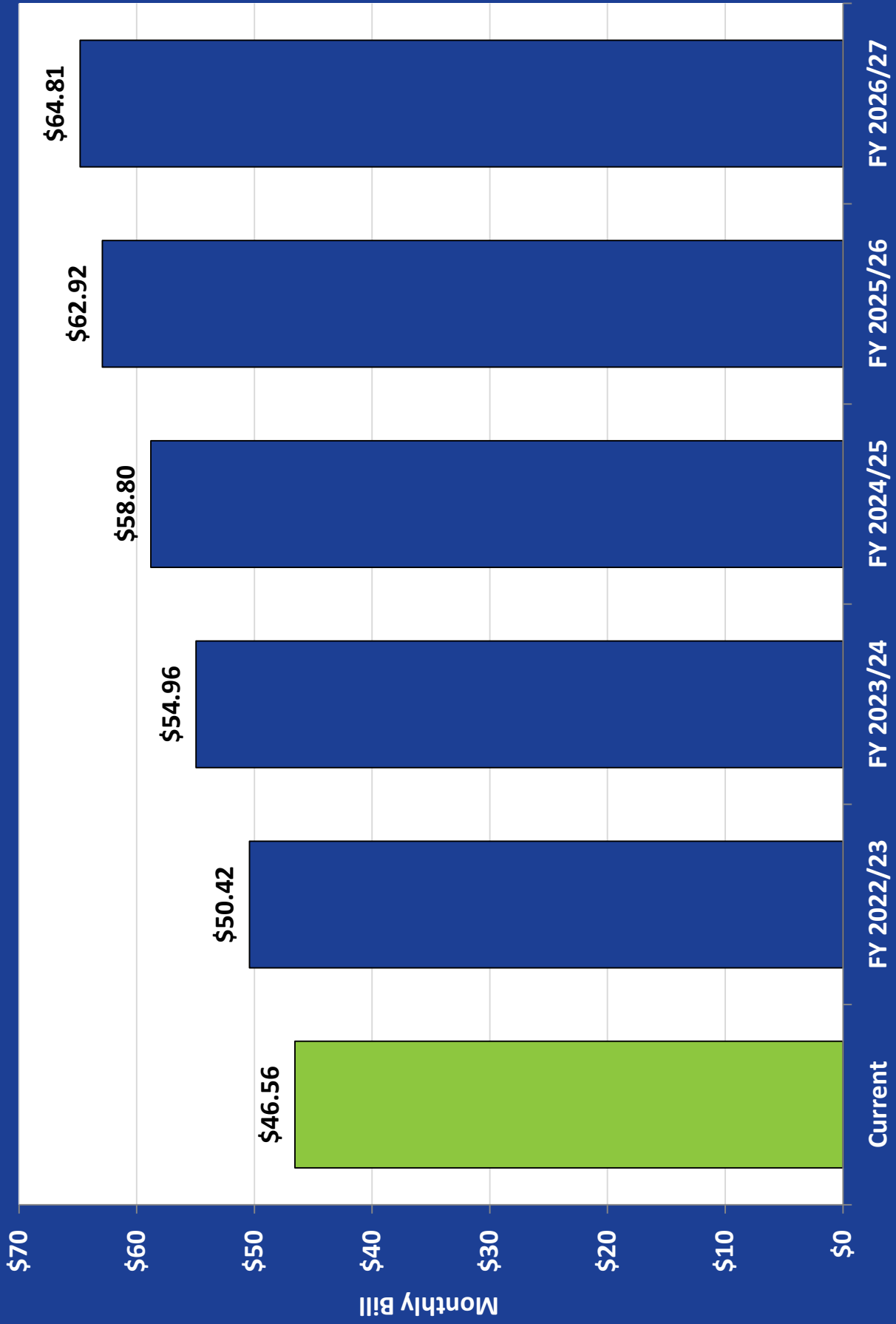
Commercial Customer Monthly Bill Comparison Fiscal Year 2022/23 (2" meter)



Single-Family Residential Bill Comparison (1" meter with 14 hcf)



Multi-Family Residential, Per Unit Bill Comparison (1" meter and 6 hcf)



Commercial Customer Monthly Bill Comparison (2" meter with 73 hcf)





Proposition 218 Notification

Notice of Public Hearing On Water Rate Adjustments

17555 PEAK AVENUE
MORGAN HILL, CA 95037-4128
WWW.MORGANHILL.CA.GOV

Hearing Date and Time: June 1, 2022, at 7:00 pm or as soon thereafter as possible
Hearing Location: City Council Chambers • 17555 Peak Avenue • Morgan Hill, CA 95037-4128
If held virtually: Join the meeting at <https://bit.ly/MHCityCouncilMeeting>
or by calling 669-900-9128, then enter the webinar id: 873 3200 8380

The City of Morgan Hill is proposing a five-year water rate program adjustment for all customers. The proposal will be considered by the City Council at a Public Hearing on **June 1, 2022**. If approved, the water rate adjustments will commence with service period containing July 1, 2022 and adjusted annually thereafter. You are receiving this notification in compliance with California Constitution Article XIII D Section 6 (Proposition 218) requirements that all impacted property owners are mailed notice of proposed rate changes at least 45 days prior to a public hearing. In addition, Section 53755 of the Government Code authorizes those notices be mailed to customers who are billed for the service. Proposition 218 also establishes a protest process for the public to follow if they wish to oppose the proposed rates.

BASIS OF PROPOSED RATES

The City is required by State law and City policy to collect revenues sufficient to cover the costs of operating the water system. These revenues allow the City to ensure the City's water supply needs are continually met and that water quality meets or exceeds all public health and environmental standards. Costs that must be recovered through rate revenue include groundwater production, electricity, equipment, supplies and services, debt service, and salaries and benefits. Additionally, revenues generated from water rates will be used to finance the repair and renovation of aging water infrastructure and maintain reserve funds. The rates proposed herein were developed through a Water Rate Study designed to meet all legal requirements and fairly and equitably recover the required revenue from all customer classes. The Rate Study is available for review at <https://www.morgan-hill.ca.gov/DocumentCenter/View/40685/2022-Rate-Study-PDF>.

WHAT DO WATER RATES FUND?

The City provides water utility services to residential and commercial customers. All revenue generated from customer water bills is used to pay for the ongoing operation, maintenance, repair and replacement of the City's existing water system. The cost of system expansions, to serve new development, is recovered through connection or impact fees imposed on the developer requesting City services. By State law, the City may not collect more revenue than is necessary to recover the costs of providing services.

PROPOSED WATER RATES

The City currently charges residential and non-residential customers a monthly fixed water charge based on meter size. In addition to a fixed monthly charge, all customers pay a uniform commodity rate for all water consumed (commodity or volumetric rates are charged per unit of water, or hundred cubic feet (hcf), or 748 gallons. The proposed water rate charges for the next five years are presented in detail on **Table 1: Current and Proposed Water Rates for FY2022/23 through 2026/27**.

Table 1. Current and Proposed Water Rates for FY 2022/23 through 2026/27

Water Rate Schedule	Current Monthly Rates	Proposed Monthly Water Rates				
		FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Fixed Service Charges						
Single- and Multi-Family Residential:						
5/8 inch	\$31.14	\$33.10	\$36.08	\$38.60	\$41.30	\$42.54
3/4 inch	\$31.14	\$33.10	\$36.08	\$38.60	\$41.30	\$42.54
1 inch	\$31.14	\$33.10	\$36.08	\$38.60	\$41.30	\$42.54
1.5 inch	\$58.72	\$62.72	\$68.37	\$73.15	\$78.28	\$80.62
2 inch	\$91.81	\$98.27	\$107.12	\$114.62	\$122.64	\$126.32
4 inch	\$279.36	\$299.73	\$326.70	\$349.57	\$374.04	\$385.26
6 inch	\$555.17	\$595.98	\$649.62	\$695.09	\$743.75	\$766.06
Non-Residential:						
5/8 inch	\$47.23	\$53.62	\$58.44	\$62.53	\$66.91	\$68.92
3/4 inch	\$47.23	\$53.62	\$58.44	\$62.53	\$66.91	\$68.92
1 inch	\$47.23	\$53.62	\$58.44	\$62.53	\$66.91	\$68.92
1.5 inch	\$90.90	\$103.76	\$113.10	\$121.02	\$129.49	\$133.37
2 inch	\$143.31	\$163.94	\$178.69	\$191.20	\$204.58	\$210.72
3 inch	\$283.06	\$324.40	\$353.59	\$378.35	\$404.83	\$416.98
4 inch	\$440.28	\$504.92	\$550.36	\$588.89	\$630.11	\$649.01
6 inch	\$877.00	\$1,006.37	\$1,096.94	\$1,173.73	\$1,255.89	\$1,293.56
8 inch	\$1,401.07	\$1,608.11	\$1,752.84	\$1,875.53	\$2,006.82	\$2,067.03
Fire Service:						
5/8 inch	\$4.02	\$4.05	\$4.42	\$4.73	\$5.06	\$5.21
3/4 inch	\$4.25	\$4.34	\$4.73	\$5.06	\$5.42	\$5.58
1 inch	\$4.71	\$4.92	\$5.36	\$5.74	\$6.14	\$6.33
1.5 inch	\$5.86	\$6.37	\$6.94	\$7.43	\$7.95	\$8.19
2 inch	\$7.24	\$8.11	\$8.84	\$9.46	\$10.12	\$10.42
3 inch	\$11.61	\$13.61	\$14.84	\$15.88	\$16.99	\$17.50
4 inch	\$19.66	\$23.75	\$25.89	\$27.70	\$29.64	\$30.53
6 inch	\$40.37	\$49.83	\$54.31	\$58.11	\$62.18	\$64.05
8 inch	\$67.98	\$84.59	\$92.21	\$98.66	\$105.57	\$108.74
10 inch	\$104.79	\$130.95	\$142.74	\$152.73	\$163.42	\$168.32
Volumetric Charges						
Uniform Rate, All Customers	\$2.57	\$2.89	\$3.15	\$3.37	\$3.60	\$3.71

ZONAL WATER RATES

While most of the City's water customers are located within normal elevation zones (those not requiring significant additional infrastructure to get water to the higher elevations), some customers are in higher elevation zones that cost more to pump water to them. These elevation surcharges are part of the current rate structure and the Water Rate Study evaluated the current cost of service for these customers. **Table 2** shows the five-year schedule of water zonal elevation surcharges.

Table 2. Five-Year Schedule of Water Zonal Elevation Surcharges

Water Enterprise Zonal Elevation Surcharges: <i>Volumetric Surcharges</i>						
Elevation Zones	Current*	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Volumetric Surcharges (\$/hcf)	\$0.11	\$0.36	\$0.37	\$0.39	\$0.41	\$0.43

*Current rates include monthly fixed charge of \$2.56/month.

A map that allows customers to determine if they fall within a zonal area is available for review at <http://www.morgan-hill.ca.gov/2292/Proposed-Water-Rate-Adjustment>.

REVENUE STABILIZATION RATES

If revenue from volumetric rates falls below the levels currently expected, the City is still obligated to meet its annual net revenue requirements. The intent of revenue stabilization rates is to offset the revenue losses that may be due to a variety of reasons and thereby decoupling this process from specific drought rates, drought stages, and/or State-mandated conservation. Revenue stabilization rates are the expected volumetric rate revenue divided by the reduced levels of water sales. The proposed volumetric charges per water unit (hcf) with Revenue Stabilization Rates for the next five years are presented in detail on **Table 3: Proposed Volumetric Charges per Water Unit (hcf) with Revenue Stabilization Rates for FY 2022/23 through FY 2026/27.**

Table 3. Proposed Volumetric Charges per Water Unit (hcf) with Revenue Stabilization Rates for FY 2022/23 through FY 2026/27

	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
10% Revenue Stabilization Rate*	\$3.21	\$3.50	\$3.82	\$4.09	\$4.38
15% Revenue Stabilization Rate*	\$3.40	\$3.71	\$4.04	\$4.32	\$4.62
20% Revenue Stabilization Rate*	\$3.61	\$3.93	\$4.28	\$4.58	\$4.90
25% Revenue Stabilization Rate*	\$3.85	\$4.20	\$4.58	\$4.90	\$5.24
30% Revenue Stabilization Rate*	\$4.12	\$4.49	\$4.89	\$5.23	\$5.60

* Revenue Stabilization Rates would be implemented if current revenue from water sales are below the percentages indicated.

IMPACT TO WATER CHARGE ON THE BILL

If approved, water rate increases would commence with water consumption period containing July 1, 2022 and adjust annually for the water consumption period containing July 1 thereafter.

LOW INCOME DISCOUNT

Low-income customers that are enrolled in the PG&E CARE program can receive a discount on their water bill. Please contact our Utility Services & Billing at (408) 779-7221 or email utilitybilling@morganhill.ca.gov for more information.

HOW TO PROTEST THE PROPOSED RATE ADJUSTMENTS

As the owner or customer of record of a parcel subject to the imposition of the proposed rate adjustments, you may submit a written protest against the proposed rate changes. If the City receives written protests against proposed water rates by a majority of the affected property owners or tenants or utility customers on record prior to the end of the hearing, the Council will not approve the change. Only one written protest will be counted per identified parcel.

You have the right to withdraw a written protest that you previously submitted prior to the conclusion of the public hearing. The City Council will count all written protests received (not postmarked) prior to the conclusion of the public hearing. The City Council will not count written protests submitted after the conclusion of the public hearing.

A written protest must include (1) your name; (2) identification of the parcel by address or assessor's parcel number; (3) whether you are the owner of the parcel or the person receiving the service for which the fee is charged; (4) your statement of the specific rate changes for which you protest the increase in the fee; and (5) your original signature. Written protests will not be accepted by e-mail or by fax. Verbal protests will not be counted. Written protests may be submitted by mail or in person to:

**City of Morgan Hill
Attn: Water Rate Protest
17575 Peak Avenue
Morgan Hill, CA 95037-4128**

For more information, visit <https://www.morgan-hill.ca.gov/2292/Proposed-Water-Rate-Adjustment>

This material is available in alternative formats upon request to accommodate persons with disabilities or non-English speakers. To order information in an alternative format, or to arrange for a sign language or oral interpreter at the June 1, 2022 hearing, please call or email the Clerk's office by 5 pm on Thursday, May 26, 2022. City Clerk: (408) 779-7259, cityclerk@morganhill.ca.gov

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF MORGAN HILL ADJUSTING WATER SYSTEM
SERVICE FEES**

WHEREAS, Chapter 13.04 of the Municipal Code of the City of Morgan Hill (“Municipal Code”) established Water Service Fees;

WHEREAS, Pursuant to Municipal Code section 13.04.210, the City Council of the City of Morgan Hill (“City Council”) has the authority to set, adjust and collect fees for water system service by resolution;

WHEREAS, the City Council has received and duly considered the report entitled “City of Morgan Hill Final Report Water Rate Study Report” dated March 2022, authored by NBS;

WHEREAS, the fees calculated by the NBS report do not exceed the cost of providing water system services and proportionally distribute these costs to different geographic zone’s users;

WHEREAS, the NBS report, as well as all material supplementary thereto, and all background data referenced in the report, was available for public inspection and review at the Finance Department of the City of Morgan Hill;

WHEREAS, the California Constitution article XIII D (Proposition 218) specifically authorizes a water system service provider to adopt water system service fees for its customers that do not exceed the cost of providing the service and are proportionate to the cost of service for all customers;

WHEREAS, pursuant to Article XIID of the California Constitution, the City has properly notified all owners of record about proposed water system service fee adjustments, and about their right to protest the proposed adjustments, at least 45 days prior to the public hearing held on June 1, 2022 (“Hearing”), for this purpose;

WHEREAS, such mailing was completed on April 15, 2022;

WHEREAS, instructions on the proper method for submitting a protest were included in the notice;

WHEREAS, the City Council has previously set June 1, 2022 as the date for the Hearing for consideration of an adjusted schedule of water system service fees (including automatic adjustments to become effective each year through fiscal year 2026-27) for the City water service;

WHEREAS, the City Council has received and duly considered all written and verbal comments provided to it by staff and the public, which comments are hereby incorporated into the record on this matter;

WHEREAS, the NBS report recommends that the water service system reserve funds maintain the target level of reserves designated therein as the Reserve Funds 650 (Operating Reserve Fund), 652 (Rate Stabilization Fund), and 653 (Capital System Replacement Reserve Fund). These reserve funds are necessary for the financial stability of the water system service as well as for emergency operation and capital needs;

WHEREAS, the City Council finds that revenues derived from the proposed fees, (a) do not exceed the cost of water system service including basic costs, incremental costs and allocated costs and, (b) do not exceed the proportional cost of service attributable to the customer's parcel, as determined by giving considerations to the factors set forth in the NBS report;

WHEREAS, the Hearing on adoption of this resolution and the fees outlined in Exhibit “A” attached hereto was noticed pursuant to and in compliance with Government Code section 6062a, and set as part of a regular City Council meeting and Hearing held on June 1, 2022, held virtually at <https://bit.ly/MHCityCouncilMeeting>; and

WHEREAS, the number of protests compared to the number of parcels currently receiving water system service from the City is less than 50%.

NOW, THEREFORE, the City Council, based upon all documents, statements and facts known to the City, does hereby resolve:

SECTION 1. Findings: The City Council hereby finds as follows:

- A. All provisions set forth above are true and correct, and are hereby incorporated herein as findings of this City Council by reference.
- B. The purposes of the fees and reserves set forth herein are to finance the water system service costs.
- C. There is a need for water system services to protect the public’s health, safety, and welfare.
- D. The facts and evidence presented to the City Council establish that the cost determinations set forth are reasonable and proportional, and the fees expected to be generated will not exceed those reasonable and proportional costs.

SECTION 2. Adoption of Fees, Reserves and the NBS report. Therefore, the City Council hereby adopts the adjusted water system service fees, the reserve fund targets, and the NBS report. The fees are shown in Exhibit “A”, which is attached hereto and incorporated by reference.

SECTION 3. Implementation Dates. The City Council hereby orders that the adjustments to water system service rates be effective for each monthly consumption cycle beginning on or after July 1, 2022, July 1, 2023, July 1, 2024, July 1, 2025, and July 1, 2026, as described in Exhibit “A”.

SECTION 4. Challenges to Resolution. Any judicial action or proceeding to attack, review, set aside or annul this resolution or any provision thereof shall be brought within the time periods prescribed in Government Code section 66022 and Municipal Code section 3.08, et seq.

SECTION 5. Exemption from CEQA. The City Council finds that this resolution is for the establishment, modification, structuring, restructuring, or approval of fees for the purpose of: (1) meeting operating expenses, including employee wages and fringe benefits, (2) purchasing or leasing supplies, equipment, or materials, (3) meeting financial reserve needs and requirements, (4) obtaining funds for capital projects, necessary to maintain water system service within existing service areas, and therefore is exempt from the California Environmental Quality Act Pursuant to Title 14, California Code of regulations, Sections 15061(b) and 15273(a).

SECTION 6. Severability. If any portion of this resolution is declared invalid by a court of competent jurisdiction, then it is the intent of the City Council that all other provisions of the resolution shall be severed and remain in full force and effect.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 1st day of June 2022 by the following vote:

AYES: COUNCIL MEMBERS:
NOES: COUNCIL MEMBERS:
ABSTAIN: COUNCIL MEMBERS:
ABSENT: COUNCIL MEMBERS:

DATE: _____
Rich Constantine, MAYOR

∞ CERTIFICATION ∞

I, Michelle Bigelow, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No. _____, adopted by the City Council at the meeting held on June 1, 2022.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____
Michelle Bigelow, CITY CLERK

Exhibit “A”

Water Rate Adjustment Schedule 2022-23 through 2026-27

Water Rate Schedule	Current Monthly Rates	Proposed Monthly Water Rates				
		FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Fixed Service Charges						
Single- and Multi-Family Residential:						
5/8 inch	\$31.14	\$33.10	\$36.08	\$38.60	\$41.30	\$42.54
3/4 inch	\$31.14	\$33.10	\$36.08	\$38.60	\$41.30	\$42.54
1 inch	\$31.14	\$33.10	\$36.08	\$38.60	\$41.30	\$42.54
1.5 inch	\$58.72	\$62.72	\$68.37	\$73.15	\$78.28	\$80.62
2 inch	\$91.81	\$98.27	\$107.12	\$114.62	\$122.64	\$126.32
4 inch	\$279.36	\$299.73	\$326.70	\$349.57	\$374.04	\$385.26
6 inch	\$555.17	\$595.98	\$649.62	\$695.09	\$743.75	\$766.06
Non-Residential:						
5/8 inch	\$47.23	\$53.62	\$58.44	\$62.53	\$66.91	\$68.92
3/4 inch	\$47.23	\$53.62	\$58.44	\$62.53	\$66.91	\$68.92
1 inch	\$47.23	\$53.62	\$58.44	\$62.53	\$66.91	\$68.92
1.5 inch	\$90.90	\$103.76	\$113.10	\$121.02	\$129.49	\$133.37
2 inch	\$143.31	\$163.94	\$178.69	\$191.20	\$204.58	\$210.72
3 inch	\$283.06	\$324.40	\$353.59	\$378.35	\$404.83	\$416.98
4 inch	\$440.28	\$504.92	\$550.36	\$588.89	\$630.11	\$649.01
6 inch	\$877.00	\$1,006.37	\$1,096.94	\$1,173.73	\$1,255.89	\$1,293.56
8 inch	\$1,401.07	\$1,608.11	\$1,752.84	\$1,875.53	\$2,006.82	\$2,067.03
Fire Service:						
5/8 inch	\$4.02	\$4.05	\$4.42	\$4.73	\$5.06	\$5.21
3/4 inch	\$4.25	\$4.34	\$4.73	\$5.06	\$5.42	\$5.58
1 inch	\$4.71	\$4.92	\$5.36	\$5.74	\$6.14	\$6.33
1.5 inch	\$5.86	\$6.37	\$6.94	\$7.43	\$7.95	\$8.19
2 inch	\$7.24	\$8.11	\$8.84	\$9.46	\$10.12	\$10.42
3 inch	\$11.61	\$13.61	\$14.84	\$15.88	\$16.99	\$17.50
4 inch	\$19.66	\$23.75	\$25.89	\$27.70	\$29.64	\$30.53
6 inch	\$40.37	\$49.83	\$54.31	\$58.11	\$62.18	\$64.05
8 inch	\$67.98	\$84.59	\$92.21	\$98.66	\$105.57	\$108.74
10 inch	\$104.79	\$130.95	\$142.74	\$152.73	\$163.42	\$168.32
Volumetric Charges						
Uniform Rate, All Customers	\$2.57	\$2.89	\$3.15	\$3.37	\$3.60	\$3.71

Proposed Water Zonal Elevation Surcharges

Water Enterprise Zonal Elevation Surcharges: <i>Volumetric Surcharges</i>						
Elevation Zones	Current*	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Volumetric Surcharges (\$/hcf)	\$0.11	\$0.36	\$0.37	\$0.39	\$0.41	\$0.43

Proposed Volumetric Charges per Water Unit (hcf) with Revenue Stabilization Rates for FY 2022/23 through FY 2026/27

	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
10% Revenue Stabilization Rate*	\$3.21	\$3.50	\$3.82	\$4.09	\$4.38
15% Revenue Stabilization Rate*	\$3.40	\$3.71	\$4.04	\$4.32	\$4.62
20% Revenue Stabilization Rate*	\$3.61	\$3.93	\$4.28	\$4.58	\$4.90
25% Revenue Stabilization Rate*	\$3.85	\$4.20	\$4.58	\$4.90	\$5.24
30% Revenue Stabilization Rate*	\$4.12	\$4.49	\$4.89	\$5.23	\$5.60



Water Rates Adjustment Public Hearing



Overview



- Background
- Process to Date
- Recommendations

Background



- 2015 Rate Study
 - Prior rate adjustment - January 2020
- 2021 Water System Master Plan
 - \$108 million in Total Improvement Costs
 - \$59 million to be paid by future users (impact fee)
 - \$49 million to be paid by existing users
- 2022 Water Rate Study

Process to Date



- December 15, 2021 – Water System Master Plan adopted
- March 11, 2022 – Water Rate Study made available
- March 24, 2022 – Community Townhall Meeting
- April 6, 2022 – Declared Intent, Commenced Noticing, and set June 1, 2022 as Public Hearing

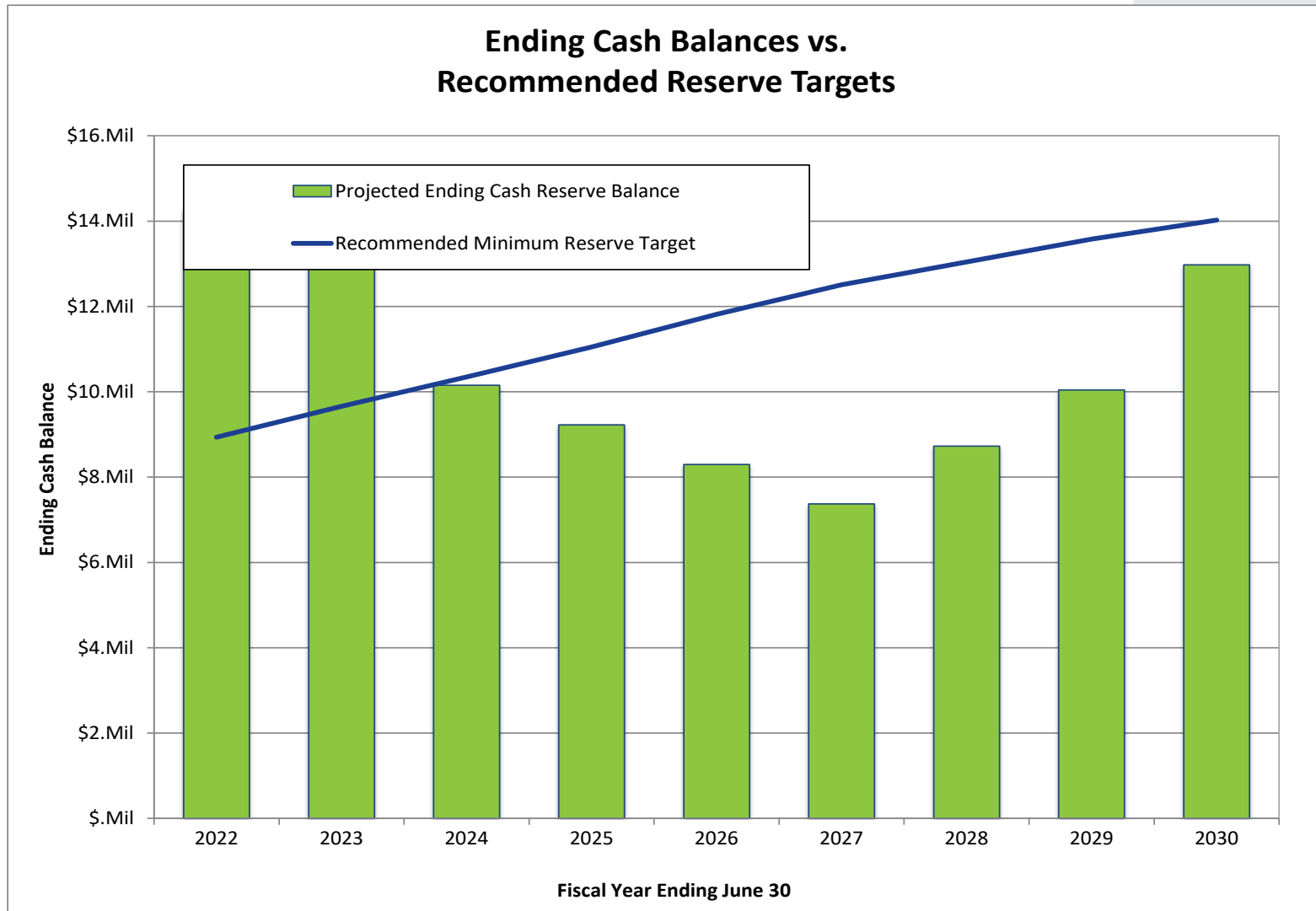
Proposed Annual Rate Adjustment



Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget	5-Year Rate Adoption Period				
	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Sources of Water Funds						
Rate Revenue Under Prevailing Rates	\$ 15,179,148	\$ 15,497,910	\$ 15,823,366	\$ 16,155,656	\$ 16,494,925	\$ 16,841,319
Non-Rate Revenues	1,098,954	1,106,147	1,113,492	1,120,991	1,128,647	1,136,465
Interest Earnings	180,121	176,388	164,908	110,214	94,864	79,547
Total Sources of Funds	\$ 16,458,222	\$ 16,780,445	\$ 17,101,766	\$ 17,386,862	\$ 17,718,436	\$ 18,057,331
Uses of Water Funds						
Operating Expenses	\$ 11,785,202	\$ 13,027,679	\$ 13,665,520	\$ 14,337,001	\$ 15,043,999	\$ 15,788,501
Rate-Funded Capital Expenses	-	890,787	6,412,621	7,432,357	8,616,828	9,023,266
Total Use of Funds	\$ 11,785,202	\$ 13,918,466	\$ 20,078,141	\$ 21,769,358	\$ 23,660,827	\$ 24,811,767
Surplus (Deficiency) before Rate Increase	\$ 4,673,020	\$ 2,861,978	\$ (2,976,375)	\$ (4,382,496)	\$ (5,942,391)	\$ (6,754,436)
Additional Revenue from Rate Increases	-	1,394,812	2,976,375	4,382,496	5,942,391	6,754,436
Surplus (Deficiency) after Rate Increase	\$ 4,673,020	\$ 4,256,790	\$ -	\$ -	\$ -	\$ -
Projected Annual Rate Increase¹	0.00%	9.00%	9.00%	7.00%	7.00%	3.00%
Net Revenue Requirement²	\$ 10,506,128	\$ 12,635,931	\$ 18,799,741	\$ 20,538,153	\$ 22,437,316	\$ 23,595,754

1. Annual % "rate increase" is for the total rate revenue; individual rates will vary from this %.
2. Total Use of Funds less non-rate revenues and interest earnings. This is the annual amount needed from water rates.

Cash Balances and Reserve



Zonal Elevation Surcharges



- Energy costs to pump water
- Annual % increase is due to inflation of energy costs
- About 2,900 accounts out of 14,700

Zonal Elevation Surcharges	Current Rates ¹	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
Per Water Unit (\$/hcf)	\$0.11	\$0.36	\$0.37	\$0.39	\$0.41	\$0.43

1. Current rates include monthly fixed charge of \$2.56/month.

Revenue Stabilization Rate



- Intended to offset revenue loss
- Based on monthly volumetric consumption (3 years average consumption)
- Starting at 10%, with 5% increment, up to 30%

Revenue Stabilization Rate (cont'd)

Volumetric rate per water unit (hcf) with Revenue Stabilization Rate

	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
<i>Proposed Rates</i>	\$2.89	\$3.15	\$3.37	\$3.60	\$3.71
10%	\$3.21	\$3.50	\$3.82	\$4.09	\$4.38
15%	\$3.40	\$3.71	\$4.04	\$4.32	\$4.62
20%	\$3.61	\$3.93	\$4.28	\$4.58	\$4.90
25%	\$3.85	\$4.20	\$4.58	\$4.90	\$5.24
30%	\$4.12	\$4.49	\$4.89	\$5.23	\$5.60

Low Income Subsidy

	Current	7/1/22	7/1/23	7/1/24	7/1/25	7/1/26
Subsidy Amount	\$5.85	\$6.44	\$7.08	\$7.57	\$8.10	\$8.35
Percentage Increase	N/A	10%	10%	7%	7%	3%

- Those in PG&E Care Program
- Currently 273 customers
- Using “general” revenues, not from water rates

Recommendations



- Conduct Public Hearing
- Tabulate Final Proposition 218 protest letter count (City Clerk or Designee)
- If no majority protest letter received, approve the recommended rates by adopting resolution

Questions and Answers

