



Regular Meeting Agenda

City Council

Rich Constantine - Mayor
Yvonne Martinez Beltran - Mayor Pro Tem
Larry Carr - Council Member
John McKay - Council Member
Rene Spring - Council Member

Wednesday, April 22, 2020 7:00 p.m.

Council Chamber
17555 Peak Avenue, Morgan Hill, CA 95037

PUBLIC MEETINGS DURING THE COVID-19 VIRUS EMERGENCY

Public Participation:

In accordance with Executive Orders N-25-20, N-29-20, and guidance from the California Department of Public Health on gatherings, remote public participation is allowed. The Order will be addressed in the following ways:

Members of the public may not physically attend meetings at the Morgan Hill City Council Chamber.

The City Council meeting will be live-streamed on Channel 17 and on the City's website. Members of the public may participate in the meeting remotely through an electronic meeting in the following ways; by either joining the electronic meeting at <https://bit.ly/04222020CCmeeting> and enter ID: 601 508 598 or by calling in (669) 900-9128 enter Meeting ID: 601 508 598#.

Public comment for City Council meetings will be accepted via email to ccpubliccomment@morganhill.ca.gov <<mailto:ccpubliccomment@morganhill.ca.gov>>. Members of the public participating in the electronic meeting wishing to speak may do so during public comment.

The City Council has adopted a policy that regular meetings shall not continue beyond 11:00 p.m. unless extended by a majority of the City Council.

CALL TO ORDER

Mayor Constantine

ROLL CALL ATTENDANCE

Minutes Clerk Angie Gonzalez

DECLARATION OF POSTING AGENDA

Per Government Code Section 54954.2

Minutes Clerk Angie Gonzalez

CITY MANAGER'S REPORT

City Manager Christina Turner

CITY ATTORNEY'S REPORT

City Attorney Donald Larkin

PUBLIC COMMENT

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. (See additional noticing at the end of this agenda)

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 PUBLIC IMPROVEMENT AGREEMENT WITH COCHRANE-MONUMENT LAND COMPANY FOR MONTEREY/COCHRANE ROAD IMPROVEMENTS (EA2019-0017) AND ADOPT MITIGATED NEGATIVE DECLARATION

Recommendation:

1. Adopt resolution approving Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program;
2. Approve and authorize the City Manager to execute and administer an Improvement Agreement with the Monument Land Company LLC; and
3. Adopt resolution amending the Fiscal Year 2019-20 budget to appropriate \$324,305 from the School Pedestrian and Traffic Safety Fund (Fund 355) for the Monterey Road and Cochrane Road intersection improvements.

OTHER BUSINESS

2. ACCEPT 2020 CITY INFRASTRUCTURE UPDATE REPORT

Recommendation:

Receive the updated 2020 Report on City Infrastructure.

Estimated Time: 20 Minutes

**3. ACCEPT MARCH 2020 FINANCIAL AND INVESTMENT AND CITY MANAGER
AUTHORITY REPORTS**

Recommendation:

Accept and file report.

Estimated Time: 10 Minutes

**4. INTRODUCTION TO THE RECOMMENDED FISCAL YEAR (FY) 2020-21 AND FY 2021-
22 BIENNIAL OPERATING AND FY 2020-21 THROUGH FY 2025-26 CAPITAL
IMPROVEMENT PROGRAM BUDGETS**

Recommendation:

Receive presentation.

Estimated Time: 60 Minutes

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 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

2020-2021 Strategic Priorities

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





CITY COUNCIL STAFF REPORT

MEETING DATE: April 22, 2020

PREPARED BY: Terry Linder, Senior Planner
APPROVED BY: City Manager

APPROVE PUBLIC IMPROVEMENT AGREEMENT WITH COCHRANE-MONUMENT LAND COMPANY FOR MONTEREY/COCHRANE ROAD IMPROVEMENTS (EA2019-0017) AND ADOPT MITIGATED NEGATIVE DECLARATION

RECOMMENDATION(S)

1. Adopt resolution approving Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program;
2. Approve and authorize the City Manager to execute and administer an Improvement Agreement with the Monument Land Company LLC; and
3. Adopt resolution amending the Fiscal Year 2019-20 budget to appropriate \$324,305 from the School Pedestrian and Traffic Safety Fund (Fund 355) for the Monterey Road and Cochrane Road intersection improvements.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety

2020-2021 Strategic Priorities

Economic Development
Transportation

GUIDING DOCUMENTS

General Plan/Housing Element

REPORT NARRATIVE:

In August 2019, the Planning Division received a Design Permit application for the construction of a two-story light industrial/office building with an equipment storage yard for the Techcon construction company (Attachment 1). The project site (see below Figure 1 – Site Map) consists of two parcels totaling approximately 3.34 acres located within the Sutter Industrial Park at 480 Cochrane Circle. The General Plan land use designation for the site is Industrial, and the zoning designation for the site is Light Industrial (IL).

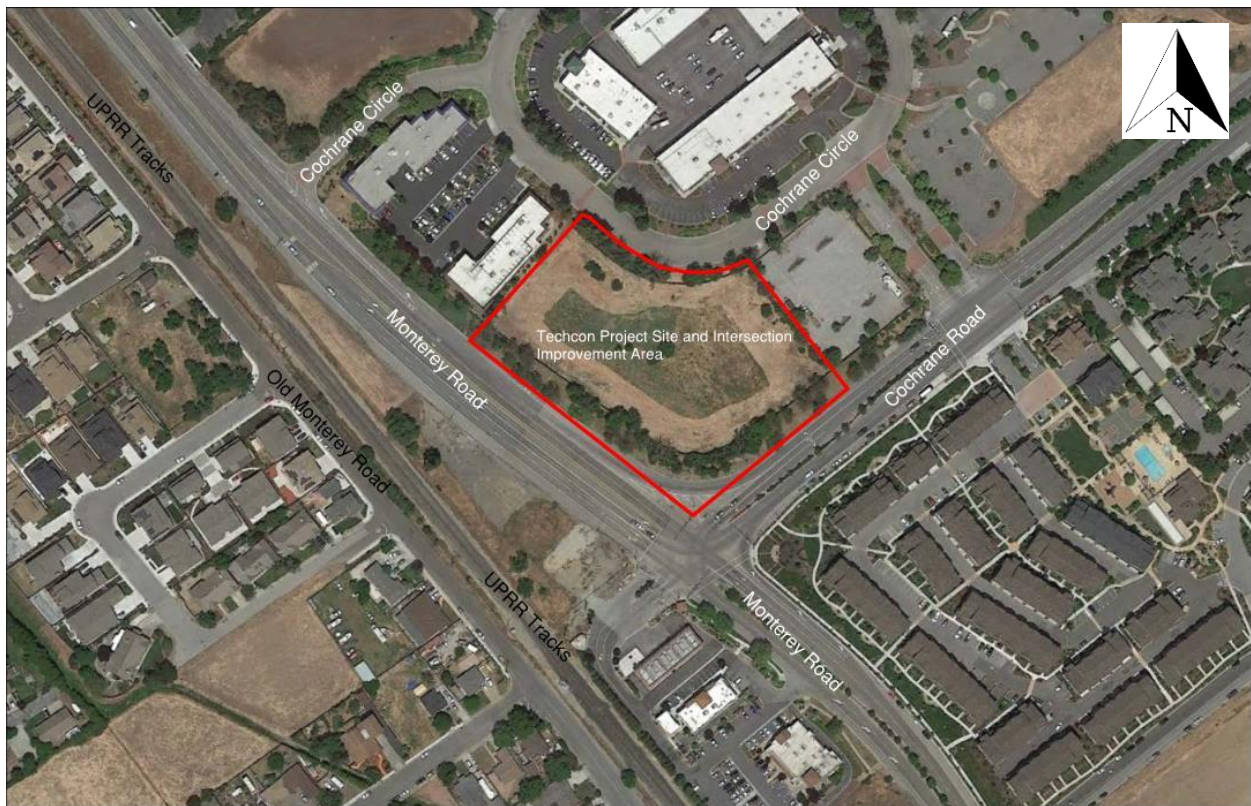


Figure 1
Site Map

The project site is adjacent to the northeast corner of the intersection of Monterey Road and Cochrane Road. The current configuration of the Monterey Road & Cochrane Road intersection allows westbound traffic on Cochrane Road to make a high-speed free right turn on to northbound Monterey Road. The intersection configuration is a holdover from a time when Monterey Road and Cochrane Road were part of the State highway system. At the time of the review, the staff began discussing reconstructing the northeast corner of Monterey Road and Cochrane to eliminate this high-speed right hand turn that facilitates dangerous cut through peak hour traffic and allows intersection operations contrary to the City's standards and objectives for Complete Streets and Vision Zero. In discussion with the developer, a public private partnership was explored to make these improvements at a time when the City could leverage the adjacent new development and the facilities/infrastructure impact fees from the project to redesign the corner and City Gateway.

In October 2019, the City Council considered a preliminary proposal for the elimination of the high-speed right turn at the northeast corner of the Monterey Road and Cochrane Road intersection. The reconfiguration proposal was prompted by the Design Permit application from the developer/owner, Monument Land Company LLC (Techcon) and the City's desire to eliminate the high-speed, free right turn. As part of the Design Permit, it would be a standard condition of the project approval to complete public improvements (including but not limited to curb, gutter, sidewalk) along the parcels' Monterey Road and Cochrane Road frontages. Rather than having the developer install

improvements consistent with the existing conditions, the City/Developer collaboration would result in a roadway built to City pedestrian compliant standards, following Complete Streets and Vision Zero guidance and utilize this opportunity to share the cost of the intersection design and modifications.

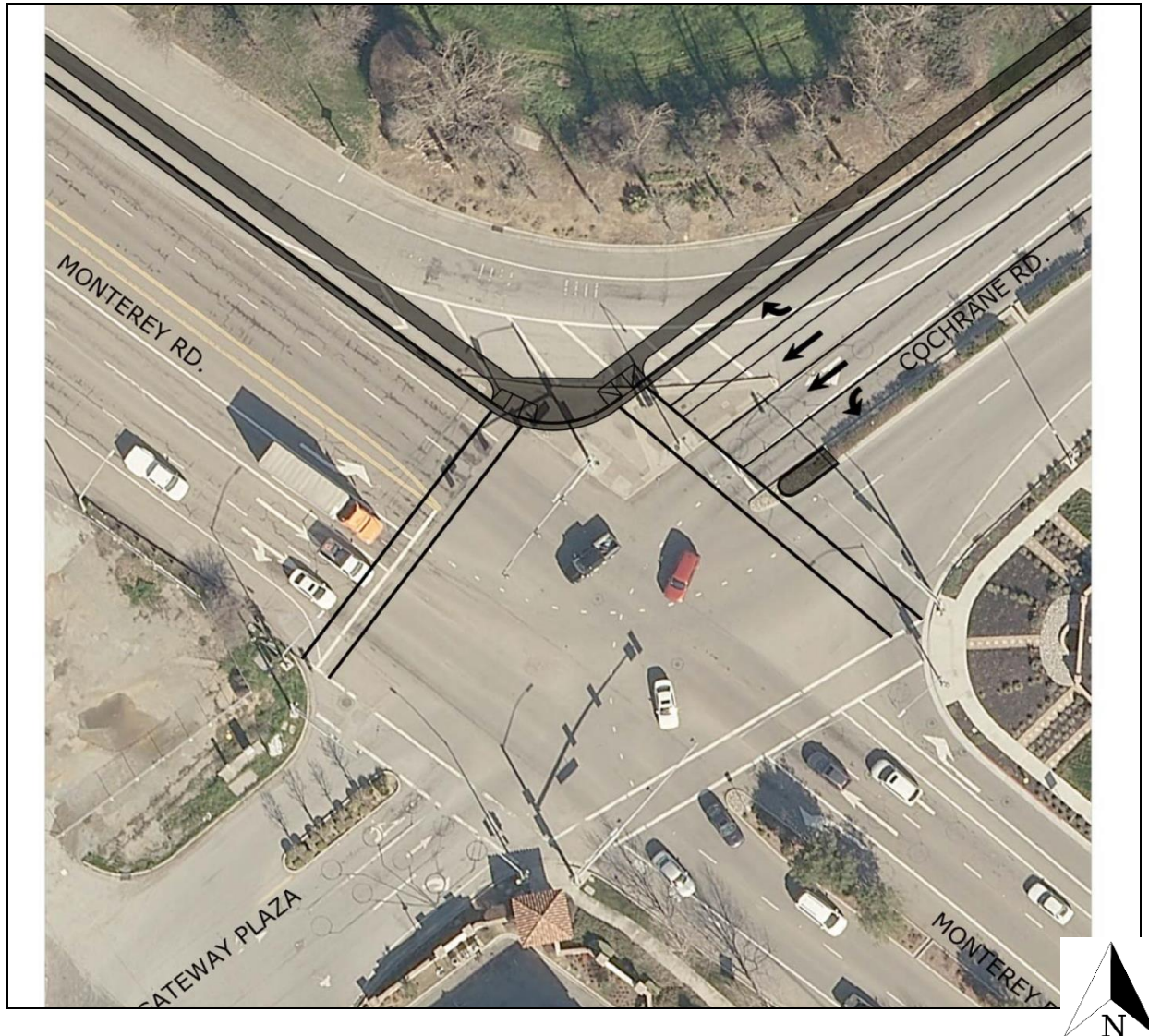


Figure 2

Preliminary Layout of the Monterey Road/Cochrane Road Intersection Improvements

If the high-speed free right turn is eliminated and reconfigured to a standard 35-foot radius intersection, the intersection would then operate with a conventional right turn, with vehicles coming to a full stop at a red light. The proposed intersection modifications would improve pedestrian safety by providing signalized crosswalks on all four legs of the intersection and will help to further the City goal of providing a safe walking route to Sobrato High School along Monterey Road. It will also improve the efficiency of the existing traffic signal by allowing it to operate in an 8-phase configuration rather than the

current 6-phase configuration.

In order to proceed with the Monterey Road/Cochrane Road intersection modifications and development of the Techcon office building and equipment yard facility, the following actions are required:

1. City Council approval of a Mitigated Negative Declaration (MND) and Mitigation Monitoring and Reporting Plan (MMRP) (Attachment 2 and 3).
2. City Council approval of the Improvement/Reimbursement Agreement (Attachment 4 - 6) and related budgetary appropriations (Attachment 7).
3. Development Services Director approval of the Techcon Design Permit application.

Mitigated Negative Declaration (MND)

An initial study (Attachment 3), resulting in a Mitigated Negative Declaration (MND), has been completed which analyzed all of the project components: Construction of two commercial office buildings, an equipment storage yard for the Techcon construction company, and the construction of the City-initiated improvements to the intersection of Monterey Road and Cochrane Road located adjacent to the Techcon project site.

The initial study identified the following mitigation measures to address potential project impacts:

- Provide a tree protection plan for trees to be retained
- Survey existing trees prior to construction or removal to identify potential nesting raptors
- Replacement ratio of 1:1 for trees to be removed
- Prepare a Construction Traffic Management Plan prior to initiation of construction activities to address truck staging, material storage, traffic control, construction hours and emergency access
- Noise generating construction activities will be limited to 7-8 on weekdays
- Construction equipment shall be equipped with mufflers
- Project site shall have speed limits and dust control
- Any compaction with 26 ft. of an existing structure shall be done with a drum roller

Along with the MND, the City Council is being asked to approve a Mitigation, Monitoring and Reporting Program (MMRP) for the project which also details the applicable mitigations and also assigns a timeline and responsible party for each of the proposed mitigations. The proposed MND and MMRP are attached to the resolution (Attachment 1).

Improvement Agreement

Improvement Agreement for the construction of the redesigned intersection is attached (Attachment 4) for City Council Consideration. The developer has furnished the City with the necessary documents to complete the processing of the Improvement Agreement by providing surety bonds and insurance for the Monterey Road/Cochrane Road intersection improvements and developer's required frontage improvements.

Staff recommends that the City Council approve and authorize the City Manager to sign the Improvement Agreement.

Once the intersection reconfiguration is completed, the area (approximately 14,044-sq. ft.) that was in use as the high-speed right turn lane would become excess right of way. The City Council has an option to convey the excess right-of-way (with or without compensation) by deed to the adjacent project parcels after the future vacation action by the Council.

COMMUNITY ENGAGEMENT: Inform

Notification of the Council's consideration of the Mitigated Negative Declaration were mailed out on March 13 to all property owners within 600 feet of the project boundaries and published in the paper on March 20. Notice of the City's intent to adopt the Initial Study and proposed Mitigated Negative Declaration were posted with the Santa Clara County Recorder's Office on January 23 and published in the newspaper on January 24. Notice of the posting of the environmental documents was also done through the "Notify Me" application available on the City webpage. No comments have been received.

ALTERNATIVE ACTIONS:

The City Council could decide to defer the Monterey Road/Cochrane Road intersection modifications. However, at the October 2, 2019 City Council meeting, direction was received to pursue the reconfiguration of the public right of way improvements consistent with Vision Zero and Complete Streets policies. If the Council chose to defer the modifications, the required frontage improvements to be completed by the Techcon project would then follow the current parcel configuration and their Design Permit site plan would have to be completely redesigned to reflect the current parcel boundaries. The entire cost of the intersection improvements, and no doubt, design costs borne by the developer, would become the 100% responsibility of the City of Morgan Hill.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On October 2, 2019, the Council was asked to provide preliminary feedback on whether the City should pursue the reconfiguration of the intersection. The Council consensus was to pursue the reconfiguration due to the safety benefit and cost saving benefit of partnering with the private development.

FISCAL AND RESOURCE IMPACT:

Application filing fees have been paid for the processing of the Design Permit and Environmental Assessment. The engineering review costs for processing the Improvement Agreement and associated Improvement Plans are paid from the development processing fees collected from the developer.

In addition, the development project is estimated to pay \$509,400 in impact fees and front footage assessment (Attachment 6).

As a function of the Improvements Agreement, the City will credit the storm drain, water and traffic impact fees, and front footage assessments due from the project in an

amount of \$475,695 against the cost of construction and actual design costs of the improvements.

Any amount of construction and design costs, estimated at \$800,000, minus the credit (\$475,695), for a net amount of approximately \$324,305, will be the obligation of the City and be reimbursed to the developer from the School Pedestrian and Traffic Safety Fund (355). Related budget amendment resolution and scorecard is included for Council adoption (Attachment 7).

CEQA (California Environmental Quality Act):

A mitigated negative declaration and a Mitigation Monitoring and Reporting Program are proposed for adoption as part of the attached Council Resolution (Attachment 1).

LINKS/ATTACHMENTS:

1. Cochrane - Monument Land Co. (Techcon) Project (weblink)
2. Mitigated Negative Declaration Resolution
3. Initial Study_Mitigated Negative Declaration with Appendices (weblink)
4. Final Techcon Improvement Agreement -4-16
5. Exhibit A to Improvement Agreement: Cost Estimate
6. Final Public Works Fees_Techcon
7. Budget Resolution

RESOLUTION NO. 20-**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ADOPTING THE MITIGATED NEGATIVE DECLARATION THAT WAS PREPARED IN ACCORDANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT AND ADOPTING A MITIGATION MONITORING AND REPORTING PROGRAM FOR THE MONUMENT LAND CO. DEVELOPMENT AND MONTEREY ROAD AND COCHRANE ROAD INTERSECTION IMPROVEMENT PROJECT**

WHEREAS, prior to the adoption of this Resolution, the Planning Division of the City of Morgan Hill prepared an Initial Study and a Mitigated Negative Declaration for the Cochrane-Monument Land Co. project (Planning File No. SR2019--0023) in accordance with the requirements of the California Environmental Quality Act of 1970, as amended (“CEQA”), and state and local guidelines implementing CEQA; and

WHEREAS, the Cochrane-Monument Land Co. (“Project”) analyzed under the Initial Study/Mitigated Negative Declaration consists of the request to develop approximately 55,000 sq. ft. of industrial and office space on two vacant parcels totaling 3.34 acres. The two lots, are zoned IL, Light Industrial, have an Industrial General Plan land-use designation and are located on the north-east quadrant of the intersection of Monterey Road and Cochrane Road: and

WHEREAS, the sidewalk and landscaping improvements required of the Monument Land Co. project presents the City with an opportunity to eliminate the high-speed right turn at the Cochrane Road and Monterey Road intersection. The redesign of the northeast corner will allow the intersection to convert to a conventional intersection allowing for sidewalks, crosswalk and bike lane.

WHEREAS, in connection with the approval of a project involving the preparation of an Initial Study/Mitigated Negative declaration that identifies one or more significant environmental effects, CEQA requires the decision-making body of the lead agency to incorporate feasible mitigation measures that would reduce those significant environment effects to a less-than-significant level; and

WHEREAS, whenever a lead agency approves a project requiring the implementation of measures to mitigate or avoid significant effects on the environment, CEQA also requires a lead agency to adopt a Mitigation Monitoring and Reporting Program to ensure compliance with the mitigation measures during project implementation; and

WHEREAS, the City of Morgan Hill is the lead agency on the Project, and the City Council is the decision-making body for intersection improvement plans, improvement agreement and vacation of the excess right-of-way; and

WHEREAS, the City of Morgan Hill is the lead agency on the Project, and the Community Development Director is the decision-making body for the Monument Land Co. project contingent upon the City Council's approval of the intersection improvement plans and improvement agreement; and

WHEREAS, the City Council has reviewed and considered the Initial Study/Mitigated Negative Declaration and related Mitigation Monitoring and Reporting Program for the Project; and

WHEREAS, the Initial Study/Mitigated Negative Declaration and the Mitigation Monitoring and Reporting Program for the Project are, by this reference, incorporated into this Resolution as if fully set forth herein; and

WHEREAS, the Project will not individually or cumulatively have an adverse effect on wildlife resources, as defined in Section 711.2 of the California Department of Fish and Game Code.

NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL AS FOLLOWS:

SECTION 1. THAT THE CITY COUNCIL does hereby make the following findings:

- 1) It has independently reviewed and analyzed the Initial Study/Mitigated Negative Declaration (Exhibit A) and other information in the record and has considered the information contained therein, prior to acting upon the project;
- 2) The Initial Study/Mitigated Negative Declaration prepared for the Project has been completed in compliance with CEQA and consistent with state and local guidelines implementing CEQA; and
- 3) The Initial Study/Mitigated Negative Declaration represents the independent judgment and analysis of the City as lead agency for the Project. The Community Development Director of the Community Development Department at 17575 Peak Avenue, Morgan Hill, California 95037, is the custodian of documents and records of proceedings on which this decision is based.

SECTION 2. THAT THE CITY COUNCIL does hereby adopt the Mitigation Monitoring and Reporting Program prepared for the Project (Exhibit B). The Initial Study/Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program are: (1) on file in the Community Development Department, Planning Division, located at 17575 Peak Avenue, Morgan Hill CA 95037 and (2) available for inspection by any interested person.

PASSED AND ADOPTED by the City Council of the City of Morgan Hill at its meeting held on this 22nd day of April 2020 by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

APPROVED:

ATTEST:

RICH CONSTANTINE, Mayor

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. 20-0XX adopted by the City Council at the meeting held on the 22nd day of April 2020.

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

DATE: _____

Irma Torrez, CITY CLERK

EXHIBIT A



PLANNING DIVISION

17575 Peak Avenue Morgan Hill CA 95037 (408) 778-6480 Fax (408) 779-7236
 Website Address: www.morgan-hill.ca.gov

MITIGATED NEGATIVE DECLARATION

I. DESCRIPTION OF PROJECT:

Date: April 22, 2020

Application: SR2019-0023: Cochrane-Monument Land Co.

APNs: 726-34-016 and -017

Project Title: Techcon Project and Monterey Road/Cochrane Road Intersection Improvements

Project Location: 480 Cochrane Circle, Morgan Hill, California, 95037

Monterey Road/Cochrane Road Intersection, Morgan Hill, California, 95037

Project Proponent: Techcon Construction
 16200 Vineyard Boulevard, Suite 100
 Morgan Hill, CA 95037

Project Description: The Initial Study evaluates two separate but related projects. The first project includes proposed commercial office buildings and an equipment yard for Techcon Construction, and the second consists of City-initiated improvements to the adjacent intersection of Cochrane Road and Monterey Road, located to the south of the Techcon project site. A discussion of the proposed development components and City-initiated intersection improvements is provided below.

Proposed Techcon Development

The proposed project would include development of a two-story commercial office building for Techcon Construction, as well as a yard, barn, and 148 surface parking stalls. Total building square footage would be approximately 55,000 square feet (sf). The main office building would be located in the central portion of the site and have a total height of approximately 50 feet. The first floor of the building would include 16,369 sf of manufacturing space, a reception area, a break room, office space, storage areas, two restroom areas, and an elevator and stairwell to allow access to the second floor. The second floor would include office space and restrooms, as well as a library, two conference rooms, an event room with an attached kitchen, and ample deck space.

The barn, located within the northwest portion of the site, would be developed with a mezzanine and approximately 2,599 sf of storage space. In addition, the barn would include 4,374 sf of area designated as workshop space. The yard would be located in the southwest portion of the site, south of the barn.

Water and sewer service for the proposed project would be provided by the City through connections to existing infrastructure located in the site vicinity. On-site stormwater runoff from impervious surfaces would be collected by a series of drain inlets along the internal parking areas, drive aisles, and paved walkways. The runoff would then be transported, through new underground piping, to a series of proposed landscape swales on the site perimeter. Stormwater would infiltrate underlying soil materials within the swales, which would provide for preliminary treatment of pollutants. Partially treated runoff would be captured by perforated underdrains that would route stormwater, by way of existing stormwater lines, to the existing stormwater detention basin located on the parcel north of the Monterey Road and Cochrane Circle intersection.

City-Initiated Cochrane and Monterey Road Intersection Improvements

Separately, the City is proposing to redesign the northeast corner of Cochrane Road and Monterey Road, directly south of the project site. The sidewalk and landscaping improvements required of the proposed Techcon project present the City with an opportunity to share the cost of the intersection modifications. The intersection would be redesigned to allow the street to be converted to a conventional intersection by vacating the 14,148-sf of excess right-of-way on Cochrane Road. By vacating the excess right-of-way, the operations at the intersection would improve and the high-speed right turn would be eliminated.

For the westbound direction, one through lane would be provided on Cochrane Road, as well as one right-turn-only lane, two left-turn-only lanes, and a bike lane. The two lanes that currently exist on northbound Monterey Road would not be altered with implementation of the intersection improvements. Additionally, two new eight-foot crosswalks would be installed along the north and east legs of the intersection to allow pedestrians to safely cross Monterey Road and Cochrane Road. The efficiency of the existing traffic signal would also improve by allowing the intersection to operate in an eight-phase configuration, rather than the current six-phase configuration. Construction activities associated with the intersection improvements would require demolition of approximately 22,454 sf of materials, as well as clearing and grubbing of the area.

Requested/Required Entitlements

The overall project requires the City's approval of the following entitlements:

- Adoption of the Initial Study/Mitigated Negative Declaration (IS/MND) and Mitigation Monitoring and Reporting Program;
- Design Review; and
- Street Vacation.

II. DETERMINATION

In accordance with the City of Morgan Hill procedures for compliance with the California Environmental Quality Act (CEQA), the City has completed an Initial Study to determine whether the

proposed project may have a significant adverse effect on the environment. On the basis of that study, the City makes the following determination:

- Although the project, as proposed, could have had a significant effect on the environment, there will not be a significant effect in this case because mitigation measures will be included in the project, and, therefore, this **MITIGATED NEGATIVE DECLARATION** has been prepared.

III. MITIGATION AND AVOIDANCE MEASURES

A. Biological Resources

- IV-1. *If construction is proposed during breeding season (February 1 to August 31), a pre-construction nesting survey for raptors and other protected migratory birds shall be conducted by a qualified biologist and submitted to the City of Morgan Hill Development Services Department for review no more than 14 days prior to the start of construction. Pre-construction surveys during the non-breeding season (September 1 to January 31) are not necessary for birds, including roosting raptors, as they are expected to abandon their roosts during construction. If these species are deemed absent from the area, construction may occur within 14 days following the survey during the early nesting season (February to May) and within 30 days following the survey during the late nesting season (June to August).*

If nesting raptors are detected on or adjacent to the site during the survey, a suitable construction-free buffer shall be established around all active nests. The precise dimension of the buffer (250-foot minimum for certain raptors) shall be determined by the qualified biologist at that time and may vary depending on location, topography, type of construction activity, and species. The buffer areas shall be enclosed with temporary fencing, and construction equipment and workers shall not enter the enclosed setback areas. Buffers shall remain in place for the duration of the breeding season or until it has been confirmed by a qualified biologist that all chicks have fledged and are independent of their parents.

- IV-2. *The project applicant shall mitigate for the removal of the trees located within the project site, as identified in the tree survey prepared for the proposed project, by providing an on-site replacement planting at a minimum 1:1 ratio with 15-gallon minimum size trees.*

For the Ordinance Sized Trees to be preserved as part of the project, the project applicant shall retain a certified arborist to prepare a tree protection plan, subject to review and approval by the Development Services Department. The plan shall demonstrate how any retained trees are to be protected during and after construction. The tree protection plan may include, but not be limited to, the following:

- *Locate structures, grade changes, etc. as far as feasible from the 'dripline' area of the tree.*
- *Avoid root damage through grading, trenching, compaction, etc., at least within an area 1.5 times the 'dripline' area of trees. Where root damage cannot be avoided, roots encountered (over one inch in diameter) should be exposed approximately 12 inches beyond the area to be disturbed (towards tree stem), by hand excavation, or with specialized hydraulic or pneumatic*

equipment, cut cleanly with hand pruners or power saw, and immediately back-filled with soil.

- Tearing, or otherwise disturbing the portion of the root(s) to remain, shall be avoided.
- A temporary fence shall be constructed as far from the tree stem (trunk) as possible, completely surrounding the tree, and six to eight feet in height. 'No parking or storage' signs shall be posted outside/on the fencing. Postings shall not be attached to the main stem of the tree.
- Vehicles, equipment, pedestrian traffic, building materials, debris storage, and/or disposal of toxic or other materials shall not be permitted inside of the fenced off area.
- The project applicant shall avoid pruning immediately before, during, or immediately after construction impact. Perform only that pruning which is unavoidable due to conflicts with proposed development. Aesthetic pruning should not be performed for at least one to two years following completion of construction.
- Trees that will be impacted by construction may benefit from fertilization, ideally performed in the fall, and preferably prior to any construction activities, with not more than six pounds of actual nitrogen per 1,000 square feet of accessible 'drip line' area or beyond.
- The 'rooting' area shall be mulched with an acidic, organic compost or mulch.
- The project applicant shall arrange for periodic (Biannual/Quarterly) inspection of tree's condition, and treatment of damaging conditions (insects, diseases, nutrient deficiencies, etc.) as such conditions occur, or as appropriate.
- Subject to the discretion of the Development Services Department, individual trees likely to suffer significant impacts may require specific, more extensive efforts and/or a more detailed specification than those contained within the above general guidelines.

B. Noise

XIII-1. Noise-generating construction activities associated with the proposed project and intersection improvements shall not occur within the hours identified in Municipal Code Section 8.28.040(D). The above language shall be included on final project improvement plans prior to approval by the City of Morgan Hill Development Services Department.

XIII-2. To the maximum extent practical, the following measures should be implemented during project construction:

- All noise-producing project equipment and vehicles using internal-combustion engines shall be equipped with manufacturers-recommended mufflers and be maintained in good working condition.

- All mobile or fixed noise-producing equipment used on the project site that are regulated for noise output by a federal, State, or local agency shall comply with such regulations while in the course of project construction;
- Electrically powered equipment shall be used instead of pneumatic or internal-combustion-powered equipment, where feasible;
- Material stockpiles and mobile equipment staging, parking, and maintenance areas shall be located as far as practicable from noise-sensitive receptors;
- Project area and site access road speed limits shall be established and enforced during the construction period; and
- Nearby residences shall be notified of construction schedules so that arrangements can be made, if desired, to limit their exposure to short-term increases in ambient noise levels.

The above requirements shall be included via notation on project grading plans, subject to review and approval by the Development Services Department.

XIII-3. During construction activities associated with the proposed project, any compaction required within 26 feet of existing structures adjacent to the project site shall be accomplished by using static drum rollers rather than vibratory compactors. The above requirement shall be included via notation on any grading plans approved for the project to the satisfaction of the City of Morgan Hill Development Services Department.

C. Transportation

XVII-1. Prior to initiation of construction activities, the project applicant shall prepare a Construction Traffic Management Plan for review and approval by the City of Morgan Hill. The plan shall include the following:

- A project staging plan to maximize on-site storage of materials and equipment;
- A set of comprehensive traffic control measures, including scheduling of major truck trips and deliveries to avoid peak hours; lane closure proceedings; signs, cones and other warning devices for drivers; and designation of construction access routes;
- Provisions for maintaining adequate emergency access to the project site;
- Permitted construction hours;
- Designated locations for construction staging areas;
- Identification of parking areas for construction employees, site visitors, and inspectors, including on-site locations; and

- *Provisions for street sweeping to remove construction-related debris on public streets.*

III. FINDING

The City of Morgan Hill hereby finds that the proposed project could have a significant effect on the environment; however, there would not be a significant effect in this case because mitigation measures summarized above and described in the initial study will reduce the impacts to a less-than-significant level.

Jennifer Carman, Development Services Director

Date

EXHIBIT B
**MITIGATION MONITORING AND REPORTING
PROGRAM TECHCON PROJECT
AND
MONTEREY ROAD/COCHRANE ROAD
INTERSECTION IMPROVEMENTS
MORGAN HILL, CALIFORNIA**

Prepared for the:



Development Services Department
17575 Peak Avenue
Morgan Hill, CA 95037
408.778.6480

Prepared by:



MARCH 2020

MITIGATION MONITORING AND REPORTING PROGRAM

INTRODUCTION

The City of Morgan Hill, as Lead Agency under the California Environmental Quality Act (CEQA) and State CEQA Guidelines, has prepared the Final Mitigated Negative Declaration (MND) for the Techcon Project and Monterey Road/Cochrane Road Intersection Improvements (proposed project). When a lead agency makes findings on significant effects identified in an MND, it must also adopt a program for reporting or monitoring mitigation measures that were adopted or made conditions of project approval (Public Resources Code [PRC] Section 21081.6[a]; State CEQA Guidelines Sections 15091[d], 15097).

This document represents the mitigation monitoring and reporting program (MMRP) prepared by the City of Morgan Hill for the proposed project. This MMRP includes all measures required to reduce potentially significant environmental impacts to a less-than-significant level. In addition, the MMRP identifies the timing of implementation; the agency responsible for implementing the mitigation; and the agency responsible for monitoring the mitigation. The mitigation measures, timing, and responsibility are summarized in Table 1, and the full text of the mitigation measures follows. The implementation and monitoring of the mitigation measures, in conjunction with the implementation of the City's Standard Measures required for such projects, will ensure the reduction of potentially significant environmental effects to less-than-significant levels.

This MMRP has been prepared by the City of Morgan Hill, with technical assistance from Raney Planning & Management, Inc., an environmental consulting firm. Questions should be directed to Terry Linder, Senior Planner, at the City of Morgan Hill.

Contact Information:

City of Morgan Hill
Development Services Department
17575 Peak Avenue
Morgan Hill, CA 95037
408.310.4655

TABLE 1. MITIGATION MONITORING AND REPORTING PROGRAM – SUMMARY OF MITIGATION MEASURES

Mitigation Measure	Implementation Responsibility	Monitoring Responsibility ¹	Timing of Implementation
Prior to Construction			
BIO-1 (IV-1): If construction is proposed during breeding season (February 1 to August 31), a pre-construction nesting survey for raptors and other protected migratory birds shall be conducted by a qualified biologist and submitted to the City of Morgan Hill Development Services Department for review no more than 14 days prior to the start of construction. Pre-construction surveys during the non-breeding season (September 1 to January 31) are not necessary for birds, including roosting raptors, as they are expected to abandon their roosts during construction. If these species are deemed absent from the area, construction may occur within 14 days following the survey during the early nesting season (February to May) and within 30 days following the survey during the late nesting season (June to August). If nesting raptors are detected on or adjacent to the site during the survey, a suitable construction-free buffer shall be established around all active nests. The precise dimension of the buffer (250-foot minimum for certain raptors) shall be determined by the qualified biologist at that time and may vary depending on location, topography, type of construction activity, and species. The buffer areas shall be enclosed with temporary fencing, and construction equipment and workers shall not enter the enclosed setback areas. Buffers shall remain in place for the duration of the breeding season or until it has been confirmed by a qualified biologist that all chicks have fledged and are independent of their parents.	Project Applicant with Project Contractor and Qualified Biologist	City of Morgan Hill – Development Services Department	If construction is proposed during breeding season (February 1 to August 31) and no more than 14 days prior to the start of construction.
BIO-2 (IV-2): The project applicant shall mitigate for the removal of the trees located within the project site, as identified in the tree survey prepared for the	Project Applicant with Certified Arborist and Project Contractor	City of Morgan Hill – Development Services Department	Prior to removal of any Ordinance Sized Trees.

TABLE 1. MITIGATION MONITORING AND REPORTING PROGRAM – SUMMARY OF MITIGATION MEASURES

Mitigation Measure	Implementation Responsibility	Monitoring Responsibility ¹	Timing of Implementation
proposed project, by providing an on-site replacement planting at a minimum 1:1 ratio with 15-gallon minimum size trees. For the Ordinance Sized Trees to be preserved as part of the project, the project applicant shall retain a certified arborist to prepare a tree protection plan, subject to review and approval by the Development Services Department. The plan shall demonstrate how any retained trees are to be protected during and after construction. The tree protection plan may include, but not be limited to, the following: • Locate structures, grade changes, etc. as far as feasible from the ‘dripline’ area of the tree. • Avoid root damage through grading, trenching, compaction, etc., at least within an area 1.5 times the ‘dripline’ area of trees. Where root damage cannot be avoided, roots encountered (over one inch in diameter) should be exposed approximately 12 inches beyond the area to be disturbed (towards tree stem), by hand excavation, or with specialized hydraulic or pneumatic equipment, cut cleanly with hand pruners or power saw, and immediately back-filled with soil. • Tearing, or otherwise disturbing the portion of the root(s) to remain, shall be avoided. • A temporary fence shall be constructed as far from the tree stem (trunk) as possible, completely surrounding the tree, and six to eight feet in height. ‘No parking or storage’ signs shall be posted outside/on the fencing. Postings shall not be attached to the main stem of the tree.			

TABLE 1. MITIGATION MONITORING AND REPORTING PROGRAM – SUMMARY OF MITIGATION MEASURES

Mitigation Measure	Implementation Responsibility	Monitoring Responsibility ¹	Timing of Implementation
- Vehicles, equipment, pedestrian traffic, building materials, debris storage, and/or disposal of toxic or other materials shall not be permitted inside of the fenced off area. - The project applicant shall avoid pruning immediately before, during, or immediately after construction impact. Perform only that pruning which is unavoidable due to conflicts with proposed development. Aesthetic pruning should not be performed for at least one to two years following completion of construction. - Trees that will be impacted by construction may benefit from fertilization, ideally performed in the fall, and preferably prior to any construction activities, with not more than six pounds of actual nitrogen per 1,000 square feet of accessible 'drip line' area or beyond. - The 'rooting' area shall be mulched with an acidic, organic compost or mulch. - The project applicant shall arrange for periodic (Biannual/Quarterly) inspection of tree's condition, and treatment of damaging conditions (insects, diseases, nutrient deficiencies, etc.) as such conditions occur, or as appropriate. - Subject to the discretion of the Development Services Department, individual trees likely to suffer significant impacts may require specific, more extensive efforts and/or a more detailed specification than those contained within the above general guidelines.			
TRA-1 (XVII-1): Prior to initiation of construction activities, the project applicant shall prepare a Construction Traffic Management Plan for review and	Project Applicant and Project Contractor	City of Morgan Hill – Development Services Department	Prior to initiation of construction activities.

TABLE 1. MITIGATION MONITORING AND REPORTING PROGRAM – SUMMARY OF MITIGATION MEASURES

Mitigation Measure	Implementation Responsibility	Monitoring Responsibility ¹	Timing of Implementation
approval by the City of Morgan Hill. The plan shall include the following:			
• A project staging plan to maximize on-site storage of materials and equipment; • A set of comprehensive traffic control measures, including scheduling of major truck trips and deliveries to avoid peak hours; lane closure proceedings; signs, cones and other warning devices for drivers; and designation of construction access routes; • Provisions for maintaining adequate emergency access to the project site; • Permitted construction hours; • Designated locations for construction staging areas; • Identification of parking areas for construction employees, site visitors, and inspectors, including on-site locations; and • Provisions for street sweeping to remove construction-related debris on public streets.			
During Construction			
See BIO-1 (IV-1) and BIO-2 (IV-2).			
NOI-1 (XIII-1): Noise-generating construction activities associated with the proposed project and intersection improvements shall not occur within the hours identified in Municipal Code Section 8.28.040(D). The above language shall be included on final project improvement plans prior to approval by the City of Morgan Hill Development Services Department.	Project Applicant with Project Contractor	City of Morgan Hill – Development Services Department	Included on grading plans and during construction activities.
NOI-2 (XIII-2): To the maximum extent practical, the following measures should be implemented during project construction:	Project Applicant with Project Contractor	City of Morgan Hill – Development Services Department	Included on grading plans and during construction activities.

TABLE 1. MITIGATION MONITORING AND REPORTING PROGRAM – SUMMARY OF MITIGATION MEASURES

Mitigation Measure	Implementation Responsibility	Monitoring Responsibility¹	Timing of Implementation
• All noise-producing project equipment and vehicles using internal-combustion engines shall be equipped with manufacturers-recommended mufflers and be maintained in good working condition; • All mobile or fixed noise-producing equipment used on the project site that are regulated for noise output by a federal, State, or local agency shall comply with such regulations while in the course of project construction; • Electrically powered equipment shall be used instead of pneumatic or internal-combustion-powered equipment, where feasible; • Material stockpiles and mobile equipment staging, parking, and maintenance areas shall be located as far as practicable from noise-sensitive receptors; • Project area and site access road speed limits shall be established and enforced during the construction period; and • Nearby residences shall be notified of construction schedules so that arrangements can be made, if desired, to limit their exposure to short-term increases in ambient noise levels. The above requirements shall be included via notation on project grading plans, subject to review and approval by the Development Services Department.			
NOI-3 (XIII-3): During construction activities associated with the proposed project, any compaction required within 26 feet of existing structures adjacent to the project site shall be accomplished by using static	Project Applicant with Project Contractor	City of Morgan Hill – Development Services Department	Included on grading plans and during construction activities.

TABLE 1. MITIGATION MONITORING AND REPORTING PROGRAM – SUMMARY OF MITIGATION MEASURES

Mitigation Measure	Implementation Responsibility	Monitoring Responsibility ¹	Timing of Implementation
drum rollers rather than vibratory compactors. The above requirement shall be included via notation on any grading plans approved for the project to the satisfaction of the City of Morgan Hill Development Services Department.			
¹ The City of Morgan Hill may hire a qualified contractor to conduct mitigation monitoring.			

BIOLOGICAL RESOURCES

The project's construction-related activities, including site preparation and grading, could have potentially significant effects on nesting migratory birds and raptors protected by the MBTA. Furthermore, the proposed project includes the removal of trees that are protected by the City's Municipal Code, and would require tree replacement, as well as a tree protection plan. Implementation of the following measures would reduce such potentially significant effects to less-than-significant levels.

BIO-1: If construction is proposed during breeding season (February 1 to August 31), a pre-construction nesting survey for raptors and other protected migratory birds shall be conducted by a qualified biologist and submitted to the City of Morgan Hill Development Services Department for review no more than 14 days prior to the start of construction. Pre-construction surveys during the non-breeding season (September 1 to January 31) are not necessary for birds, including roosting raptors, as they are expected to abandon their roosts during construction. If these species are deemed absent from the area, construction may occur within 14 days following the survey during the early nesting season (February to May) and within 30 days following the survey during the late nesting season (June to August).

If nesting raptors are detected on or adjacent to the site during the survey, a suitable construction-free buffer shall be established around all active nests. The precise dimension of the buffer (250-foot minimum for certain raptors) shall be determined by the qualified biologist at that time and may vary depending on location, topography, type of construction activity, and species. The buffer areas shall be enclosed with temporary fencing, and construction equipment and workers shall not enter the enclosed setback areas. Buffers shall remain in place for the duration of the breeding season or until it has been confirmed by a qualified biologist that all chicks have fledged and are independent of their parents.

BIO-2: The project applicant shall mitigate for the removal of the trees located within the project site, as identified in the tree survey prepared for the proposed project, by providing an on-site replacement planting at a minimum 1:1 ratio with 15-gallon minimum size trees.

For the Ordinance Sized Trees to be preserved as part of the project, the project applicant shall retain a certified arborist to prepare a tree protection plan, subject to review and approval by the Development Services Department. The plan shall demonstrate how any retained trees are to be protected during and after construction. The tree protection plan may include, but not be limited to, the following:

- Locate structures, grade changes, etc. as far as feasible from the ‘dripline’ area of the tree.
- Avoid root damage through grading, trenching, compaction, etc., at least within an area 1.5 times the ‘dripline’ area of trees. Where root damage cannot be avoided, roots encountered (over one inch in diameter) should be exposed approximately 12 inches beyond the area to be disturbed (towards tree stem), by hand excavation, or with specialized hydraulic or pneumatic equipment, cut cleanly with hand pruners or power saw, and immediately back-filled with soil.
- Tearing, or otherwise disturbing the portion of the root(s) to remain, shall be avoided.
- A temporary fence shall be constructed as far from the tree stem (trunk) as possible, completely surrounding the tree, and six to eight feet in height. ‘No parking or storage’ signs shall be posted outside/on the fencing. Postings shall not be attached to the main stem of the tree.
- Vehicles, equipment, pedestrian traffic, building materials, debris storage, and/or disposal of toxic or other materials shall not be permitted inside of the fenced off area.
- The project applicant shall avoid pruning immediately before, during, or immediately after construction impact. Perform only that pruning which is unavoidable due to conflicts with proposed development. Aesthetic pruning should not be performed for at least one to two years following completion of construction.
- Trees that will be impacted by construction may benefit from fertilization, ideally performed in the fall, and preferably prior to any construction activities, with not more than six pounds of actual nitrogen per 1,000 square feet of accessible ‘drip line’ area or beyond.
- The ‘rooting’ area shall be mulched with an acidic, organic compost or mulch.
- The project applicant shall arrange for periodic (Biannual/Quarterly) inspection of tree's condition, and treatment of damaging conditions (insects, diseases, nutrient deficiencies, etc.) as such conditions occur, or as appropriate.
- Subject to the discretion of the Development Services Department, individual trees likely to suffer significant impacts may require specific, more extensive efforts and/or a more detailed specification than those contained within the above general guidelines.

NOISE

The proposed project would result in a temporary or periodic increase in ambient noise levels, as well as vibration levels, in the project vicinity during construction. Implementation of the following measures would reduce such potentially significant impacts to less-than-significant levels.

NOI-1: Noise-generating construction activities associated with the proposed project and intersection improvements shall not occur within the hours identified in Municipal Code Section 8.28.040(D). The above language shall be included on final project improvement plans prior to approval by the City of Morgan Hill Development Services Department.

NOI-2: To the maximum extent practical, the following measures should be implemented during project construction:

- All noise-producing project equipment and vehicles using internal-combustion engines shall be equipped with manufacturers-recommended mufflers and be maintained in good working condition;
- All mobile or fixed noise-producing equipment used on the project site that are regulated for noise output by a federal, State, or local agency shall comply with such regulations while in the course of project construction;
- Electrically powered equipment shall be used instead of pneumatic or internal-combustion-powered equipment, where feasible;
- Material stockpiles and mobile equipment staging, parking, and maintenance areas shall be located as far as practicable from noise-sensitive receptors;
- Project area and site access road speed limits shall be established and enforced during the construction period; and
- Nearby residences shall be notified of construction schedules so that arrangements can be made, if desired, to limit their exposure to short-term increases in ambient noise levels.

The above requirements shall be included via notation on project grading plans, subject to review and approval by the Development Services Department.

NOI-3: During construction activities associated with the proposed project, any compaction required within 26 feet of existing structures adjacent to the project site shall be accomplished by using static drum rollers rather than vibratory compactors. The above requirement shall be included via notation on any grading plans approved for the project to the satisfaction of the City of Morgan Hill Development Services Department.

TRANSPORTATION

Construction traffic associated with the proposed project and intersection improvements would include heavy-duty vehicles, as well as daily construction employee trips to and from the site that would share the area roadways with normal vehicle traffic, creating potential conflicts with other roadway users. Therefore, the proposed project could result in a potentially significant impact related to a temporary increase in hazards due to design features or introduction of incompatible uses and inadequate emergency access. Implementation of the following measure would reduce such potentially significant impacts to a less-than- significant level.

TRA-1: Prior to initiation of construction activities, the project applicant shall prepare a Construction Traffic Management Plan for review and approval by the City of Morgan Hill. The plan shall include the following:

- A project staging plan to maximize on-site storage of materials and equipment;
- A set of comprehensive traffic control measures, including scheduling of major truck trips and deliveries to avoid peak hours; lane closure proceedings; signs, cones and other warning devices for drivers; and designation of construction access routes;
- Provisions for maintaining adequate emergency access to the project site;
- Permitted construction hours;
- Designated locations for construction staging areas;
- Identification of parking areas for construction employees, site visitors, and inspectors, including on-site locations; and
- Provisions for street sweeping to remove construction-related debris on public streets.

FINDING

The City of Morgan Hill Development Services Director hereby finds that the proposed project could have a significant effect on the environment; however, there would not be a significant effect in this case because mitigation measures summarized above and described in the MND are included in the project.

Jennifer Carman

Development Services Director

Date: _____

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

CITY OF MORGAN HILL
17575 PEAK AVENUE
MORGAN HILL, CA 95037

(RECORD AT NO FEE PURSUANT TO GOVERNMENT
CODE SECTION 27383)

THE AREA ABOVE IS RESERVED FOR RECORDER'S USE

IMPROVEMENT AGREEMENT

Monument Land Company LLC, a California Limited Liability Company
440 & 480 Cochrane Circle
APNs: 726-34-016 & 726-34-017
Monterey Road / Cochrane Road Intersection Remodel

THIS AGREEMENT is made on this _____ day of April, 20____, by the CITY OF MORGAN HILL, a municipal corporation ("CITY"), and MONUMENT LAND COMPANY LLC, a California Limited Liability Company ("PROPERTY OWNER").

RECITALS

The following Recitals are a substantive part of this Agreement:

1. This Agreement is entered into pursuant to Morgan Hill Municipal Code Chapter 12.02. This is a public private partnership, with PROPERTY OWNER performing construction of improvements.
2. PROPERTY OWNER has filed a 2019 Development Application and supporting documents on the property with the address of **440 & 480 Cochrane Circle**, and the **APNs: 726-34-016 & 726-34-017** having the development name of **TechCon Construction, Inc. Commercial Office Development** ("Development"). CITY has desire to make long desired reconstructive modifications to the public improvements bordered by the project to meet the CITY objectives for Complete Streets and Vision Zero compliance.
3. CITY and PROPERTY OWNER mutually agree that as a condition of approval of the Development Permit, as described on said permit, that certain improvements be installed by PROPERTY OWNER as shown on the fully executed Development Improvement Plans entitled **Monterey Road / Cochrane Road Intersection Remodel** ("Improvements"), on file with CITY and incorporated herein by this reference.
4. PROPERTY OWNER is unable to complete, prior to the issuance of the Encroachment Permit and Development Permit, all of the Improvements required by CITY to the satisfaction of the City Engineer, as improvements include City right of way.

5. PROPERTY OWNER is required by the terms of the Morgan Hill Municipal Code to improve all streets, highways, or public areas which are part of the Development, including but not limited to necessary paving, curbs, sidewalks, catch basins, water mains, culverts, storm drains, and sanitary sewers, in accordance with the plans and specifications on file with the City Engineer.

6. To assure and create mutual reliance, CITY that PROPERTY OWNER will complete all the work and Improvements required for the Development, the parties have entered into this Agreement.

AGREEMENT

THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. **Term of Agreement.** This term of this Agreement shall be six (6) months from the date of issuance of the Development Permit (“Term”) unless extended by written agreement.
2. **Improvements.** PROPERTY OWNER agrees to construct the Improvements in a good and workmanlike manner in accordance with the plans and documents filed with and approved by CITY in conjunction with the Development, all of which are incorporated herein by reference. These items of the Improvements shall be completed, constructed and installed at PROPERTY OWNER's sole expense unless agreed to otherwise by CITY.
3. **Rights-of-Way.** Except as otherwise provided by this Agreement, CITY can hold without acceptance or recordation all lands, rights-of-way, and easements offered for dedication. All such offers shall, however, remain open, and shall constitute irrevocable offers of dedication in accordance with the Government Code. All such offers may be accepted and recorded by CITY in its sole discretion at any later date without further notice to PROPERTY OWNER as provided by law. By way of explanation only, it is the current intention of CITY to accept all or part of the irrevocable offers to dedicate upon acceptance of the Improvements called for in this Agreement.
4. **Improvements: Time Limits.** PROPERTY OWNER agrees to cause all Improvements to be made and constructed to comply with all requirements of Morgan Hill Municipal Code Chapter 12.02, according to the improvement plans for the Development approved by the City Engineer and including any changes or alteration in the Improvements required by the City Engineer. The Improvements shall be completed utilizing CITY standards and specifications. PROPERTY OWNER agrees to complete the Improvements prior to the expiration of this Agreement, or the issuance of the certificate of occupancy, whichever is earlier; provided however, the City Manager may extend the deadline for completion by not more than six (6) months at his or her reasonable discretion and determination that granting the extension will not be detrimental to the public welfare. No extension of this deadline for completion shall be made except upon the basis of a written application made by PROPERTY OWNER stating fully the ground for the application and the facts relied upon for an extension.

It is further agreed by and between PROPERTY OWNER and CITY that any extension granted shall in no way affect the validity of this Agreement or release the surety(ies) on any bond attached hereto or the financial institution guaranteeing the same. PROPERTY OWNER further agrees to maintain the securities described in Section 6 in full force and effect during the terms of this Agreement, including any extensions of time as may be granted, and until such time as the Improvements have been accepted for maintenance by CITY.

In the event that PROPERTY OWNER shall fail to complete the Improvements within the time provided by this Agreement, CITY may in its sole discretion and in addition to any other remedy provided in this Agreement or by law, enter upon the Development and complete the Improvements and recover the full cost and expense of construction from PROPERTY OWNER, PROPERTY OWNER's successors and assigns, PROPERTY OWNER's Performance/Labor & Material Bonds associated with this Development, or from the then owner of the Development, and/or place a lien upon the Development property for the cost and expense. Any and all CITY costs shall include but not be limited to administrative and attorney costs.

5. **Acquisition and Dedication of Easements or Rights-of-Way.** If any of the Improvements are to be constructed or installed on land not within the Development or already existing public right-of-way, no construction or installation shall be commenced before the irrevocable offer of dedication or conveyance to CITY of appropriate rights-of-way, easements or other interest in real property, and appropriate authorization from PROPERTY OWNER to allow construction or installation of the Improvements or work has been obtained and paid for by PROPERTY OWNER.

6. **Bond Requirements.** This is a public private partnership, with Property Owner performing construction of improvements that will be paid by the City via credit of Property Owner water, storm drain and transportation impacts fees and storm, sewer and water front footage fees in an amount not to exceed \$475,695 (the Property Owner Share), as well as City funds in an amount not to exceed \$324,305, for a total project cost not to exceed \$800,000. Consistent with timing of the public Private partnership negotiation and improvement design schedule and the City Council Fee Freeze policy, impact fees to be credited are those that were in effect as of July 1, 2019. To secure the performance of each Improvement required under this Agreement and to ensure full payment to all persons furnishing or supplying labor or materials for each Improvement required, PROPERTY OWNER shall provide to CITY concurrently with the execution of this Agreement, payment and performance bonds each in the amount of 100% of the total reimbursable cost of improvements required of the Property Owner share, as determined by the City Engineer. A performance bond to secure faithful performance of this Agreement as required by Section 12.02.160 of the Morgan Hill Municipal Code for performance shall be provided in substantially the form set forth in Exhibit B. A payment bond to secure full payment to all persons furnishing or supplying labor or materials as required by Section 12.02.160 of the Morgan Hill Municipal Code for labor and materials shall be provided in substantially the form set forth in Exhibit C. PROPERTY OWNER shall provide an additional guarantee and warranty security (in substantially the form set forth in Exhibit D) of fifty (50%) percent of the Property Owner share cost of construction of the Improvements to guarantee and warranty the Improvements for a period of one year following its completion and acceptance against any defective work or labor done, or defective materials furnished, as required by Section 12.02.170 of the Morgan Hill Municipal Code.

Improvements and the City Engineer's Estimated Costs of Improvements as of April 10, 2020 are attached hereto as Exhibit "A".

Any bonds submitted under this Agreement shall be executed by a surety company authorized to write the same in the State of California, and subject to the review and approval of the City's risk manager. All required securities shall be in a form approved by the City Attorney. The bonds shall be executed on CITY forms by a surety authorized to do business in the State of California and shall be approved by the City Attorney and the City Engineer. Submittal of the Performance/Labor & Material Bonds is a requirement prior to CITY's issuance of an encroachment permit to do work in CITY's right-of-way. Submittal of the Warranty Bond is a requirement prior to the City Engineer's consideration of acceptance of the public

improvements.

Note: If Cash Deposit Agreement Guaranteeing Improvements is utilized for security purposes, the Cash Deposit Agreement amount shall be two hundred (200%) percent of Property Owner share of the aforementioned City Engineer's Estimated Costs of Improvements. In lieu of the above, CITY will accept a certificate of deposit in CITY's name with escrow instructions acceptable to the City Engineer, subject to the approval of the City Attorney.

The release of any securities shall be governed by the provisions of Section 12.02.170 of the Morgan Hill Municipal Code.

7. **Irrevocability of Security.** The securities provided under this Agreement shall be irrevocable, shall not be limited as to time, and may be released only upon the written approval of the City Engineer and City Council.

8. **Duty to Warn.** PROPERTY OWNER shall give adequate warning to the public of each and every dangerous condition which may exist in the Improvements, and will take all reasonable actions to protect the public from any dangerous condition.

9. **Warranty.** PROPERTY OWNER guarantees and warrants the Improvements required by this Agreement and agrees to remedy any defects in the Improvements arising from faulty or defective materials or construction occurring within twelve (12) months after acceptance by CITY of said Improvements. Following notice, PROPERTY OWNER shall, without delay or cost to CITY, repair, replace, or reconstruct any defective or unsatisfactory portion of Improvements. CITY may, at its sole option, perform the repair or replacement itself if PROPERTY OWNER has failed to commence repair within twenty (20) days after CITY has mailed written notice to PROPERTY OWNER. In such event, PROPERTY OWNER agrees to pay the cost of repair and replacement, plus 15%, by CITY; and CITY may recover such costs as a lien against the Development. CITY may proceed immediately to make repairs should an emergency arise without waiving its rights of recovery against PROPERTY OWNER.

10. **Failure of Performance.** In addition to the other remedies provided by this Agreement, CITY shall have recourse to the security given. In the event that CITY seeks recourse against any security, CITY shall have recourse against PROPERTY OWNER for any and all amounts necessary to complete the obligation. All administrative costs, including attorneys' fees shall be a proper charge against the security and PROPERTY OWNER pursuant to Government Code. The right of CITY to draw upon or utilize the security is additional and not in lieu of any other remedy available to CITY at law or in equity. The parties agree that the estimated costs and security amounts may not reflect the actual cost of construction or installation of Improvements, and therefore, CITY damages for PROPERTY OWNER's default shall be measured by the cost of completing the required Improvements.

11. **Certificate of Occupancy.** PROPERTY OWNER understands that CITY will expect completion, to the satisfaction of CITY, of specific public improvements as well as private utility improvements prior to CITY Approval of a Certificate of Occupancy for any building on the Development property. The specific improvements shall include activation of all public utilities (water, sewer, storm drain); activation of all private utilities (electric, gas, phone) except for cable; street lights turn-on request filed with P G & E; and full street improvements (curb-gutter and paving with/without final lift) from existing public street to building under consideration for Certificate of Occupancy. PROPERTY OWNER, furthermore, agrees

to so inform successor in lot interest should lot be transferred to another party prior to CITY acceptance of public improvements.

12. **Final Toxic Report.** Where applicable, PROPERTY OWNER hereby agrees to furnish the City Attorney with a copy of the Final Toxic Report issued by the appropriate licensed consultant on the proposed Development. This report must be received prior to final acceptance of on-site improvements and issuance of certificate of occupancy.

13. **Public Improvements Fee Schedule.** PROPERTY OWNER shall pay the following sums in cash to CITY pursuant to the provisions of Resolution 1383 and any amendments. These sums shall be paid to CITY at the time of issuance of the Development Permit, and shall be in accordance with the attached Department of Public Works Fee Schedule attached hereto demonstrating a current Total Fee Obligation of **\$509,401** (less the reimbursable amount to be applied as credits to the PROPERTY OWNER'S Fee Obligation per Section 14 of this Agreement) due at issuance of Development Permit. All Fees are estimated and may be increased by CITY subject to current resolutions and ordinances. These fees are subject to a minimum annual revision. PROPERTY OWNER consents to increases in these fees. This Agreement shall not be construed to fix or freeze fees other than impact fees, in accordance with City Impact Fee Freeze policy, at any point prior to issuance of Development Permits.

All other development fees shall be those in effect at the time of the issuance of the Development Permit for this Development. This Agreement does not entitle the developer to any permit including a grading permit or encroachment permit. A separate application for a grading permit should be made to the Building Department.

14. **Reimbursements**

a) PROPERTY OWNER acknowledges and agrees that the CITY will reimburse the PROPERTY OWNER for the actual costs associated with the completion of the public improvements involving the reconfiguration of the Monterey Road and Cochrane Road intersection initiated by the CITY ("Reimbursable Improvements"). The PROPERTY OWNER shall be reimbursed the design/engineering consultant costs, bonding and insurance costs for constructing the following public improvements:

(1) Reconfiguration of the Monterey Road and Cochrane Road intersection, except for the frontage improvements attributable to the private development as defined in this Improvement Agreement which includes the public sidewalk, park strip landscaping and private bio-swale to be constructed in the vacated street right-of-way. The total credit/reimbursement amount shall not exceed \$800,0000.

b) The CITY shall reimburse the PROPERTY OWNER subject to the following terms and conditions:

(1) The CITY shall credit/reimburse the PROPERTY OWNER in an amount not to exceed the reimbursable total amount of \$800,000. The reimbursement shall be issued in the form of a credit against the PROPERTY OWNER'S project fee obligation which consists of Traffic, Storm Drain and Water Impact Fees as well as water, storm and sewer frontage charges in the amount of \$475,695. Once the fee credit reimbursement is expended CITY shall reimburse the PROPERTY OWNER in an amount not to exceed the agreed upon

construction estimate for the amount remaining, with payment in installments 30 days, or in lump sum at PROPERTY OWNER'S preference.

(2) The PROPERTY OWNER shall keep records with complete and correct entries of all construction costs related to the improvements, including cancelled checks or other proof of payment. These records shall be made available to the CITY for review prior to any reimbursement.

15. Other Agreements Associated with This Improvement Agreement: The following "checked off" Agreements are understood to be associated with this Agreement and have been fully executed prior to or concurrent with this Agreement:

☐ CITY "Streets" Reimbursement Agreement (CITY Ordinance 982)

PROPERTY OWNER acknowledges and agrees that the property is subject to a Reimbursement Agreement whereby PROPERTY OWNER must reimburse CITY for all costs associated with off-site improvements completed by the CITY and/or others or to be completed by CITY and/or others. PROPERTY OWNER agrees to pay CITY for all sums already incurred under the reimbursement agreement prior to issuance of any building permits. If the improvement has not been completed by CITY and/or others, then PROPERTY OWNER or successor-in-interest agrees to fully reimburse CITY for all costs incurred by CITY and/or others in constructing the improvements.

☐ CITY Public/Private Utility Reimbursement Agreement

☐ Landscape & Lighting Maintenance Assessment District Annexation

☐ Improvements Deferral Agreement

16. Insurance Requirements.

Commencement of Improvements. Before beginning construction of the improvements, PROPERTY OWNER is required to 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 PROPERTY OWNER and its subcontractors relating to or arising from the performance of work associated with the Improvements, and must remain in full force and effect at all times during the period covered by the Agreement, including any extensions of time as may be granted, and until such time as the Improvements have been accepted for maintenance by CITY. 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. Coverages may be provided by PROPERTY OWNER's General Contractor if PROPERTY OWNER is not directly insuring such exposures under an "Owners and Contractors Protective Liability Policy (OCP)" on which CITY would be an additional insured. If PROPERTY OWNER will utilize the services of a General Contractor to perform all of the work associated with the Improvements, then PROPERTY OWNER may opt to have all coverages provided by PROPERTY OWNER's General Contractor, provided that a written contract is executed between PROPERTY OWNER and the General Contractor whereby the written contract specifically required General Contractor to fulfill all of the City insurance requirements as outlined in this Agreement, including all endorsements in favor of the City. Verification of the written contract must be provided to City upon request. If PROPERTY OWNER fails to provide any of the required coverage in full compliance with the requirements outlined in this Agreement, CITY may, at its sole discretion, purchase such coverage at PROPERTY OWNER's expense and deduct the cost from payments due to PROPERTY

OWNER, assess payment against Development, or terminate the Agreement for default. PROPERTY OWNER further understands that CITY reserves the right to modify the insurance requirements set forth herein, with thirty (30) days' notice provided to PROPERTY OWNER, at any time as deemed necessary to protect the interests of CITY.

(a) Policies and Limits. The following insurance policies and limits are required for this Agreement:

(1) Commercial General Liability Insurance ("CGL"): PROPERTY OWNER shall maintain CGL and shall include coverage for liability arising from PROPERTY OWNER's or its subcontractor's acts or omissions in the performance of work associated with the Improvements against claims and liabilities for personal injury, death, or property damage providing protection in the minimum amount of: (i) five million dollars (\$5,000,000.00) combined single limit each occurrence and either a general aggregate limit of ten million dollars (\$10,000,000.00) or a general aggregate limit of five million dollars (\$5,000,000) as applied on a "per project" or "per location" basis, or (ii) the maximum amount of such insurance available to PROPERTY OWNER under PROPERTY OWNER's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

a. CGL policy may not exclude explosion, collapse, underground excavation hazard, or removal of lateral support.

b. CGL policy must include blanket contractual and completed operations.

c. CGL policy will apply as though separate policies have been issued to each insured ("separation of insureds").

(2) Workers' Compensation Insurance and Employer's Liability: PROPERTY OWNER shall maintain Workers Compensation coverage, as required by law. The policy must comply with the requirements of the California Workers' Compensation Insurance and Safety Act and provide protection 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 PROPERTY OWNER under PROPERTY OWNER's combined insurance policies (including any excess or "umbrella" policies), whichever is greater. If PROPERTY OWNER is self-insured, PROPERTY OWNER must provide its Certificate of Permission to Self-Insure, duly authorized by the Department of Industrial Relations.

(3) Automobile Liability: PROPERTY OWNER shall maintain Automobile Liability covering all owned, non-owned and hired automobiles (if PROPERTY OWNER does not own automobiles, then PROPERTY OWNER 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, or (ii) the maximum amount of such insurance available to PROPERTY OWNER under PROPERTY OWNER's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

(4) Pollution (Environmental) Liability: The performance of PROPERTY OWNER's work or service under this Agreement involves handling of hazardous materials,

contaminated soil disposal, and/or a risk of accidental release of fuel oil, chemicals or other toxic gases or hazardous materials. PROPERTY OWNER shall procure and maintain Pollution Liability covering PROPERTY OWNER'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 PROPERTY OWNER under PROPERTY OWNER's combined insurance policies (including any excess or "umbrella" policies), whichever is greater.

(b) Required Endorsements. PROPERTY OWNER shall provide proof of the following endorsements, listed for each policy for which endorsements are required, as outlined below:

(1) ALL Policies:

"Waiver of Subrogation" - Each required policy must include an endorsement providing that the carrier agrees to waive any right of subrogation it may have against CITY and CITY's elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers.

(2) ALL policies except Workers Compensation:

- a. "Additionally Insured" - The City of Morgan Hill, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers are named as additional insureds.
- b. "Primary and Non-Contributing" - Insurance shall be primary non-contributing.

(c) Subcontractors. PROPERTY OWNER must ensure that each subcontractor is required to maintain the same insurance coverage required under this Section 15, with respect to its performance of work associated with the Improvements, including those requirements related to the additional insureds and waiver of subrogation.

(d) 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.

(e) Certificates. PROPERTY OWNER shall furnish CITY with copies of all policies or certificates as outlined herein, whether new or modified, promptly upon receipt. No policy subject to the PROPERTY OWNER's agreement with CITY shall be reduced, canceled, allowed to expire, or materially changed except after thirty (30) days' notice by the insurer to CITY, unless due to non-payment of premiums, in which case ten days written notice must be made to CITY. 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

17. **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.
18. **Non-Discrimination.** PROPERTY OWNER covenants there shall be no discrimination based upon race, color, creed, religion, gender, marital status, age, disability, national origin, or ancestry, in any activity pursuant to this Agreement.
19. **Independent Contractor.** It is agreed to that PROPERTY OWNER shall act and be an independent contractor, and not an agent or employee of CITY.
20. **Compliance with Law.** PROPERTY OWNER shall comply with all applicable laws, ordinances, codes, and regulations of the federal, state, and local government.
21. **Right to Inspect and Inspection Fees.** PROPERTY OWNER shall at all times maintain proper facilities and provide safe access for inspection for CITY and its employees to all parts of the Improvements. PROPERTY OWNER shall pay and reimburse CITY for all expenses incurred by CITY for inspecting and checking all work to be performed under the provisions of the Municipal Code or this Agreement. CITY Engineering plan checking and field improvement inspection costs are included in the Department of Public Works Fee Schedule which may be revised from time to time.
22. **Conflict of Interest and Reporting.** PROPERTY OWNER shall at all times avoid conflict of interest or appearance of conflict of interest in performance of this Agreement.
23. **Notices.** All notices shall be personally delivered or mailed, via first class mail to the below listed addresses. 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.

- a. Address of PROPERTY OWNER is as follows:

MONUMENT LAND COMPANY LLC
16200 Vineyard Blvd., Suite 100
Morgan Hill CA 95037

- b. Address of CITY is as follows:

City Engineer
City of Morgan Hill
17575 Peak Avenue
Morgan Hill, CA 95037

With a copy to:

City Clerk
City of Morgan Hill
17575 Peak Avenue
Morgan Hill, CA 95037

24. **PROPERTY OWNER'S Representations.** This Agreement shall include application or items submitted by PROPERTY OWNER to CITY'S Planning Department, Building Department, Planning Commission, and City Council. In the event of any inconsistency between their representations and this Agreement, this Agreement shall govern.
25. **Licenses, Permits and Fees.** PROPERTY OWNER shall obtain a CITY Business License, all permits, and licenses as may be required by this Agreement.
26. **Familiarity with Improvements.** By executing this Agreement, PROPERTY OWNER warrants that: (1) it has investigated the work to be performed, (2) it has investigated the site of the Improvements and is aware of all conditions there; and (3) it understands the difficulties and restrictions of the Improvements under this Agreement. Should PROPERTY OWNER discover any conditions materially differing from those inherent in the Improvements or as represented by CITY, it shall immediately inform CITY and shall not proceed, except at PROPERTY OWNER'S risk, until written instructions are received from CITY.
27. **Time of Essence.** Time is of the essence in the performance of this Agreement.
28. **Limitations Upon Subcontracting and Assignment.** Neither this Agreement nor any portion shall be assigned by PROPERTY OWNER without prior written consent of CITY.
29. **Authority to Execute.** The persons executing this Agreement on behalf of the parties warrant that they are duly authorized to execute this Agreement.
30. **Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all such counterparts shall together constitute one and the same instrument.
31. **Indemnification.** PROPERTY OWNER agrees to protect, and hold harmless CITY and its elective or appointive boards, officers, agents, and employees from any and all claims, liabilities, expenses, or damages of any nature, including attorneys' fees, for injury or death of any person, or damage to property, or interference with use of property, arising out of, or in any way connected with performance of the Agreement by PROPERTY OWNER, PROPERTY OWNER'S agents, officers, employees, subcontractors, or independent contractors hired by PROPERTY OWNER. The only exception to PROPERTY OWNER'S responsibility to protect, defend, and hold harmless CITY, is due to the sole negligence of CITY. This hold harmless agreement shall apply to all liability regardless of whether any insurance policies are applicable. The policy limits do not act as a limitation upon the amount of indemnification to be provided by PROPERTY OWNER.
32. **Modification.** This Agreement constitutes the entire agreement between the parties and supersedes any previous agreements, oral or written. This Agreement may be modified on provisions waived only by subsequent mutual written agreement executed by CITY and PROPERTY OWNER.
33. **California Law.** This Agreement shall be construed in accordance with the laws of the State of California. Any action commenced about this Agreement shall be filed in the central branch of the Santa Clara County Superior Court.
34. **Interpretation.** This Agreement shall be interpreted as though prepared by both parties.

35. **Preservation of Agreement.** Should any provision of this Agreement be found invalid or unenforceable, the decision shall affect only the provision interpreted, and all remaining provisions shall remain enforceable.

36. **Agreement Runs With the Land.** This Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the parties. It shall be recorded in the Office of the Recorder of Santa Clara County concurrently with the issuance of the Development Permit and shall constitute a covenant running with the land and an equitable servitude upon the Development real property.

//

//

37. **Recording.** It shall be the responsibility of CITY to cause the executed Agreement to be recorded.

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

[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, Deputy City Clerk

Christina J. Turner, City Manager

Date: _____

Date: _____

APPROVED AS TO FORM:

“PROPERTY OWNER”

Donald A. Larkin, City Attorney

By:

Date: _____

Title: _____

Date: _____

By:

Title: _____

Date: _____

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 **Santa Clara**

On _____ 20____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person 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 OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

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 **Santa Clara**

On _____ 20____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person 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 OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

DRAFT

EXHIBIT "B"
FORM OF PERFORMANCE BOND
(100% of Engineer's Estimate)

Bond No.: _____
 Premium: _____

Whereas, the City Council of the City of Morgan Hill, State of California, and **Monument Land Company LLC, a California Limited Liability Company** (hereinafter designated as "principal") have entered into an Improvement Agreement:

Monument Land Company LLC, a California Limited Liability Company
APNs: 726-34-016 & 726-34-017
Monterey Road / Cochrane Road Intersection Remodel

whereby principal agrees to install and complete certain designated public improvements, which said agreement, dated _____, 20____, and identified as project **Monterey Road / Cochrane Road Intersection Remodel**, is hereby referred to and made a part hereof; and

Whereas, said principal is required under the terms of said agreement to furnish a bond for the faithful performance of said agreement.

Now, therefore, we, the principal and _____, as surety, are held and firmly bound unto the City of Morgan Hill, hereinafter called ("City"), in the penal sum of **Four Hundred Seventy Five Thousand Six Hundred Ninety Five & 00/100 dollars (\$475,695.00)** lawful money of the United States, for the payment of which sum well and truly to be made, we bind ourselves, our heirs, successors, executors and administrators, jointly and severally, firmly by these presents.

The Surety's office is located at _____,
 Telephone No. _____; the Surety is licensed to do business in the State of California; and the California Insurance Agent's License No., address, and telephone number are as follows:

License No.: _____
 Address: _____
 Telephone No.: _____

The non-resident agent for the Surety, if any, is a party to the transaction:

Name of non-resident agent: _____
 Non-resident agent's office address: _____
 Telephone No.: _____

The condition of this obligation is such that if the above bounded principal, his or its heirs,

Performance Bond
 Page 1 of 3
 Version: December 2017

executors, administrators, successors or assigns, shall in all things stand to and abide by, and well and truly keep and perform the covenants, conditions and provisions in the said agreement and any alteration thereof made as therein provided, on his or their part, to be kept and performed at the time and in the manner therein specified, and in all respects according to their true intent and meaning, and shall indemnify and save harmless City, its officers, agents and employees, as therein stipulated, then this obligation shall become null and void; otherwise it shall be and remain in full force and effect.

As a part of the obligation secured hereby and in addition to the face amount specified therefor, there shall be included costs and reasonable expenses and fees, including reasonable attorney's fees, incurred by City in successfully enforcing such obligation, all to be taxed as costs and included in any judgment rendered.

The surety hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the agreement or to the work to be performed thereunder or the specifications accompanying the same shall in anywise affect its obligations on this bond, and it does hereby waive notice of any such change, extension of time, alteration or addition to the terms of the agreement or to the work or to the specifications.

Executed this _____ day of _____ 20 ____ .
[form document – do not execute]

[form document – do not execute]

Principal

Principal

By: *[form document – do not execute]*

Surety

By: *[form document – do not execute]*

Attorney-in Fact

By: *[form document – do not execute]*

California Resident Agent

By: *[form document – do not execute]*

Non-resident Agent - Attorney-in-Fact

APPROVED:

[form document – do not execute]

Scott Creer, City Engineer

Date: _____

APPROVED AS TO FORM:

By: *[form document – do not execute]*

Donald A. Larkin, City Attorney

Date: _____

(Acknowledgment on following page.)

Performance Bond

Page 2 of 3

Version: December 2017

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 **Santa Clara**

On _____ 20____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person 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 OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

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 **Santa Clara**

On _____ 20____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person 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 OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

EXHIBIT "C"
FORM OF LABOR AND MATERIAL BOND
(100% of Engineer's Estimate)

Bond No.: _____
 Premium: _____

Whereas, the City Council of the City of Morgan Hill, State of California, and **Monument Land Company LLC, a California Limited Liability Company** (hereinafter designated as "the principal") have entered into an Improvement Agreement:

Monument Land Company LLC, a California Limited Liability Company
APNs: 726-34-016 & 726-34-017
Monterey Road / Cochrane Road Intersection Remodel

whereby the principal agrees to install and complete certain designated public improvements, which agreement, dated _____, 20____, and identified as **Monterey Road / Cochrane Road Intersection Remodel**, is hereby referred to and made a part hereof; and

Whereas, under the terms of the agreement, the principal is required before entering upon the performance of the work, to file a good and sufficient payment bond with the City of Morgan Hill, hereinafter called "City," to secure the claims to which reference is made in Title 3 (commencing with Section 9000) of Part 6 of Division 4 of the Civil Code of the State of California.

Now, therefore, the principal and the undersigned as corporate surety, and their successors and assigns are held firmly bound unto City and all contractors, subcontractors, laborers, materialmen, and other persons employed in the performance of the agreement and referred to in Title 3 (commencing with Section 9000) of Part 6 of Division 4 of the Civil Code in the sum of **Four Hundred Seventy Five Thousand Six Hundred Ninety Five & 00/100 dollars (\$475,695.00)**, for materials furnished or labor thereon of any kind, or for amounts due under the Unemployment Insurance Act with respect to this work or labor, that the surety will pay the same in an amount not exceeding the amount hereinabove set forth, and also in case suit is brought upon this bond, will pay, in addition to the face amount thereof, costs and reasonable expenses and fees, including reasonable attorney's fees, incurred by City in successfully enforcing this obligation, to be awarded and fixed by the court, and to be taxed as costs and to be included in the judgment therein rendered.

It is hereby expressly stipulated and agreed that this bond shall inure to the benefit of any and all persons, companies, and corporations entitled to file claims under Title 3 (commencing with Section 9000) of Part 6 of Division 4 of the Civil Code, so as to give a right of action to them or their assigns in any suit brought upon this bond.

Should the condition of this bond be fully performed, then this obligation shall become null and void, otherwise it shall be and remain in full force and effect.

The Surety's office is located at _____,

Labor and Material Bond
 Page 1 of 3
 Version: December 2017

Telephone No. _____; the Surety is licensed to do business in the State of California; and the California Insurance Agent's License No., address, and telephone number as follows:

License No.: _____
 Address: _____
 Telephone No.: _____

The following non-resident agent, if any, for the Surety is a party to the transaction:

Name of non-resident agent: _____
 Non-resident agent's office address: _____
 Telephone No.: _____

The surety hereby stipulates and agrees that no change, extension of time, alteration, or addition to the terms of the agreement or the specifications accompanying the same shall in any manner affect its obligations on this bond, and it does hereby waive notice of any such change, extension, alteration, or addition.

Executed this _____ day of _____ 20 ____ .

[form document – do not execute] *[form document – do not execute]*
 Principal Principal

By: _____
[form document – do not execute]
 Surety

By: _____
[form document – do not execute]
 Attorney-in Fact

By: _____
[form document – do not execute]
 California Resident Agent

By: _____
[form document – do not execute]
 Non-resident Agent - Attorney-in-Fact

APPROVED:

[form document – do not execute]
 Scott Creer, City Engineer
 Date: _____

APPROVED AS TO FORM:

By: _____
[form document – do not execute]
 Donald A. Larkin, City Attorney
 Date: _____

(Acknowledgment on following page.)

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 **Santa Clara**

On _____ 20____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person 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 OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

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 **Santa Clara**

On _____ 20____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person 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 OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

Labor and Material Bond

Page 3 of 3

Version: December 2017

**EXHIBIT “D”
FORM OF WARRANTY BOND
(50% of Cost of Construction)**

Bond No.: _____

Premium: _____

Whereas, the City Council of the City of Morgan Hill, State of California (hereinafter designated as “City”), and **Monument Land Company LLC, a California Limited Liability Company** (hereinafter designated as “Principal”) have entered into an Improvement Agreement (hereinafter “Agreement”):

**Monument Land Company LLC, a California Limited Liability Company
APNs: 726-34-016 & 726-34-017
Monterey Road / Cochrane Road Intersection Remodel**

whereby the Principal agrees to install and complete certain designated public improvements (hereinafter “Improvements”), which said Agreement, dated _____, 20____, and identified as project **Monterey Road / Cochrane Road Intersection Remodel**, is hereby referred to and made a part hereof; and

Whereas, under the terms of said Agreement, the Principal is required to furnish a bond to guarantee and warrant the work required by said Agreement for a period of one year following the completion and acceptance by the City of the Improvements, against any defective work or labor performed, or defective materials furnished by Principal.

Now, therefore, we, the Principal and _____ as Surety, are held and firmly bound unto the City of Morgan Hill in the penal sum of **Two Hundred Thirty Seven Thousand Eight Hundred Forty Eight & 00/100 dollars (\$237,848.00)** for the payment of which sum well and truly to be made, we bind ourselves, our heirs, successors, executors and administrators, jointly and severally, firmly by these presents.

If Principal faithfully carries out and performs its guarantee and warranty under the Agreement, and, on due notice from City, repairs and make good at its sole expense any and all defects in materials and workmanship in the Project which are discovered during the Warranty Period, or if Principal promptly reimburses City for all loss and damage that City sustains because of Principal’s failure to makes such repairs in accordance with the Agreement requirements, then Surety’s obligations under this Bond will be null and void. Otherwise, Surety’s obligations will remain in full force and effect.

Surety waives the provisions of Civil Code Sections 2819 and 2845. Surety hereby stipulates and agrees that no change, extension of time, alteration, or addition to the terms of the agreement or the specifications accompanying the same shall in any manner affect its obligations on this

Warranty Bond
Page 1 of 3
Version: April 2019

bond, and it does hereby waive notice of any such change, extension, alteration, or addition.

Any notice to Surety may be given in the manner specified in the Agreement and delivered or transmitted to Surety as follows:

Attn: _____

Address: _____

City/State/Zip: _____

Phone: _____

Fax: _____

Email: _____

This Bond will be governed by California law, and the venue for any dispute pursuant to this Bond will be in the Superior Court of Santa Clara County, and no other place. Surety will be responsible for City's attorneys' fees and costs in any action to enforce the provisions of this Bond.

In witness whereof, this instrument has been duly executed by the principal and surety above named.

SURETY:

Principal:

Date: _____

Date: _____

[form document – do not execute]

[form document – do not execute]

s/ _____

s/ _____

Name: _____

Name: _____

Title: _____

Title: _____

(Attach Acknowledgment with Notary Seal and Power of Attorney)

APPROVED AS TO FORM:

[form document – do not execute]

By: _____

Date: _____

Donald A. Larkin, City Attorney

Warranty Bond
Page 2 of 3
Version: April 2019

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 **Santa Clara**

On _____ 20____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person 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 OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

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 **Santa Clara**

On _____ 20____, before me, _____ a Notary Public in and for said County and State, personally appeared _____ proved to me on the basis of satisfactory evidence to be the person 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 OF NOTARY PUBLIC

(ABOVE AREA FOR NOTARY SEAL)

Warranty Bond
Page 3 of 3
Version: April 2019

Client: **City of Morgan Hill****EXHIBIT A**Location: **Monterey and Cochrane Intersection**
0

Est. No. 2

Est. by: Paul Swing

Date: April 15, 2020

File: 0

Area (s.f.): 0

BUDGET
COST BREAKDOWN

CSI CODE	CSI CODE DESCRIPTION	COST	ITEM DESCRIPTION
DIRECT COSTS			
20100	SURVEY & LAYOUT	\$20,000.00	
20500	DEMOLITION	\$189,744.00	grind and offhaul or demo and remove. Nothing left on site
20700	CONCRETE SAWCUT	\$2,148.00	
20800	ASBESTOS REMOVAL	\$0.00	Existing pipe to remain in place, no abatement
21000	DEWATERING	\$0.00	No dewatering or lime treating included
22000	EARTHWORK	\$10,000.00	SWPPP only in this line item No grading figured
23000	A.C. PAVING AND STRIPING	\$83,265.00	6" on 12 base for new and 2" grind and overlay tie in
25000	SITE CONCRETE	\$15,180.00	curb and gutter only - no sidewalk figured. Sidewalk off project site is not part of scope
26000	STORM DRAINAGE	\$32,700.00	no bioswale included in project scope
130000	STREET LIGHT / SIGNAL CONSTRUCTION	\$178,000.00	Traffic control is 25k, relocate boxes 8k, signals 145k
153000	FIRE PROTECTION	\$0.00	Testing fees by city
154000	WATER MAIN	\$28,900.00	No fire hydrants, old main to stay in place, 2 new valves
160000	ELECTRICAL	\$0.00	No relocation of PGE utilities
167400	COMMUNICATION CABLING	\$0.00	No relocation of communication utilities.
	SUB-TOTAL	\$559,937.00	
GENERAL CONDITIONS			
11000	PROJECT SUPERINTENDENT	\$9,000.00	Super hours reduced Per City working direct with subs
11000	PROJECT MANAGER	\$12,000.00	PM hours reduced Per City working direct with subs
11000	PROJECT ENGINEER	\$7,200.00	Administrative expense
12000	TEMPORARY FACILITIES	\$800.00	toilet only - no temp fence (cost was eliminated per Scott)
14000	SUPPLIES & SERVICES	\$3,500.00	Special inspection, water test, no Asbestos abatement
15000	EQUIPMENT	\$6,000.00	small tools & supplies, fuel, misc. equipment rentals
17000	CLEAN UP	\$11,250.00	progressive & final clean up and dump fees
OTHER FEES			
18000	DESIGN FEES	\$81,300.00	MHE, RJA, Earth Systems (already under contract)
19000	CITY FEES	\$0.00	
19920	PERFORMANCE BOND to 400k	\$10,364.81	bonding to \$400,000
19930	GENERAL LIABILITY INSURANCE	\$10,520.28	excludes course of construction insurance
19940	CONSTRUCTION CONTINGENCY	\$71,187.21	10% Figured
19950	OVERHEAD & PROFIT	\$78,305.93	10% Figured
	TOTAL >>>>	\$881,365.22	
		\$790,178.01	

Attachment: Exhibit A to Improvement Agreement: Cost Estimate [Revision 2] (2690 : Cochrane-Monument Land Co - Techcon)



CITY OF MORGAN HILL PUBLIC WORKS DEPARTMENT

17575 Peak Avenue Morgan Hill CA 95037 - Office (408) 778-6480 Fax (408) 779-7236

FEE SCHEDULE: 01.15.2020

PROJECT INFO

TRACT # / APN: 726-34-016 & -017

ADDRESS / LOT: _____

PROJECT DESC: Commercial Office (TechCon Construction, Inc.)

APPLICANT INFO

APPLICANT NAME: Monument Land Company, LLC

MAILING ADDRESS: _____

CITY, STATE, ZIP: _____

PHONE NUMBER: _____

DATE PREPARED: 4/16/2020

EXPIRATION DATE: _____

CALCULATED BY: MBA

CHECKED BY: _____

BUILDING PERMIT #: N/A

BLD PERMIT ISS. DATE: N/A

SEWER IMPACT FEES WITHIN RDA BOUNDARY

CHECK APPLICABLE SCENARIO BELOW

• COMMERCIAL OR INDUSTRIAL WITHIN RDA BOUNDARY

SEWER IMPACT FOR COMMERCIAL & INDUSTRIAL PROJECTS
TEMPORARILY ADJUSTED TO \$0 EFFECTIVE 02/05/07 PER RES# 6082.

• RESIDENTIAL PROJECTS WITHIN RDCE DOWNTOWN AREA

SEWER IMPACT FOR SINGLE-FAMILY AND MULTI-FAMILY RESIDENTIAL
TEMPORARILY ADJUSTED TO \$0 EFFECTIVE 02/05/07.

• NOT IN RDA AREA BOUNDARY

** BOTH NORMAL FEES AND ADJUSTED FEES ARE SUBJECT
TO ANNUAL CPI INCREASES.

☐ COMMERCIAL OR INDUSTRIAL SHELL

☐ THIS FEE SCHEDULE IS ESTIMATE ONLY

MULTI-FAMILY IS DEFINED AS ANY UNIT WITH TWO BEDROOMS OR LESS.
SINGLE FAMILY IS DEFINED AS ANY UNIT WITH 3 BEDROOMS OR MORE.

1. METER DEPOSIT: 650-37672 Subtotal: TBD

1"	\$514	x	<u>0</u>	=	\$0
1 1/2"	\$1,600	x	<u>0</u>	=	\$0
2"	\$1,806	x	<u>0</u>	=	\$0
3" or larger-Time & Material + Meter Cost				=	\$0

METER CREDITS \$0 / x 0 / = \$0

2. BACKFLOW CONST. INSPECTION: 650-37859 Subtotal: \$0

\$68 x 0 Each = \$0

3a. WATER FRONTAGE CHARGE: 650-37663 Subtotal: \$40,680

1 Side	\$73	x	<u>0</u>	LF	= \$0
2 Sides	\$40	x	<u>1,017</u>	LF	= \$40,680

3b. SEWER FRONTAGE CHARGE: 640-37663 Subtotal: \$32,400

1 Side	\$73	x	<u>0</u>	LF	= \$0
2 Sides	\$40	x	<u>810</u>	LF	= \$32,400

3c. STORM FRONTAGE CHARGE: 304-37663 Subtotal: \$35,518

1 Side	\$120	x	<u>0</u>	LF	= \$0
2 Sides	\$59	x	<u>602</u>	LF	= \$35,518

3d. UNDERGROUNDING UTILITIES: 350-37649 Subtotal: \$0

1 Side	\$757	x	<u>0</u>	LF	= \$0
2 Sides	\$382	x	<u>0</u>	LF	= \$0

4. WATER IMPACT FEI (Fee shown below based on 7/1/2019 Fee Schedule per Improvement Agreement) **651-37648** Subtotal: **\$36,994**

Single Family	\$3,913	/DU	x	0	DU	=	\$0
Multi Family	\$3,531	/DU	x	0	DU	=	\$0
Senior/Downtown	\$3,531	/DU	x	0	DU	=	\$0
Commercial	\$11,109	/AC	x	0	AC	=	\$0
Industrial	\$11,109	/AC	x	0	AC	=	\$0
Office	\$11,076	/AC	x	3.34	AC	=	\$36,994
Auto Dealership	\$11,109	/AC	x	0	AC	=	\$0
Hotel	\$11,109	/AC	x	0	AC	=	\$0

WATER CREDITS \$0 / x 0 / = \$0

5. SEWER IMPACT FEI (Fee shown below based on 7/1/2019 Fee Schedule per Improvement Agreement) **641-37648** Subtotal: **\$0**

Single Family	\$15,315	/DU	x	0	DU	=	\$0
Multi Family	\$12,962	/DU	x	0	DU	=	\$0
Senior/Downtown	\$12,962	/DU	x	0	DU	=	\$0
Commercial	\$52.44	/GPD	x	0	GPD	=	\$0
Industrial	\$52.28	/GPD	x	1,553	GPD	=	\$81,191
Office	\$52.28	/GPD	x	3,063	GPD	=	\$160,134
Auto Dealership	\$50.43	/GPD	x	0	GPD	=	\$0
Hotel	\$50.43	/GPD	x	0	GPD	=	\$0

SEWER CREDITS \$0 /GPD x 0 /GPD = \$0

RDA SEWER CREDIT	Single Family	\$15,315	/DU	x	0	DU	=	\$0
	Multi Family	\$12,962	/DU	x	0	DU	=	\$0
	Commercial	\$52.44	/GPD	x	0	GPD	=	\$0
	Industrial	\$52.28	/GPD	x	1,553	GPD	=	-\$81,191
	Office	\$52.28	/GPD	x	3,063	GPD	=	-\$160,134
	Auto Dealership	\$50.43	/GPD	x	0	GPD	=	\$0
	Hotel	\$50.43	/GPD	x	0	GPD	=	\$0

6. STORM DRAIN IMPACT FEE: (Fee shown below based on 7/1/2019 Fee Schedule per Improv. Agr.) **303-37648** Subtotal: **\$150,654**

	Single Family	\$1,941	/DU	x	0	DU	=	\$0
>1,200 SF	Multi Family	\$1,105	/DU	x	0	DU	=	\$0
< 1,200 SF	Multi Family	\$514	/DU	x	0	DU	=	\$0
>1,200 SF	Senior/Downtown	\$1,105	/DU	x	0	DU	=	\$0
< 1,200 SF	Senior/Downtown	\$514	/DU	x	0	DU	=	\$0
	Commercial	\$21,018	/ACRE	x	0	AC	=	\$0
	Industrial	\$15,475	/ACRE	x	0	AC	=	\$0
	Office	\$45,106	/ACRE	x	3.34	AC	=	\$150,654
	Auto Dealership	\$12,018	/ACRE	x	0	AC	=	\$0
	Hotel	\$311	/ROOM	x	0	RM	=	\$0

STORM CREDITS \$0 /ACRE x 0 /AC = \$0

7. TRAFFIC IMPACT FEE: (Fee shown below based on 7/1/2019 Fee Schedule per Improv. Agr.) **309-37648** Subtotal: **\$179,448**

	Single Family	\$3,373	/DU	x	0	DU	=	\$0
>1,200 SF	Multi Family	\$2,090	/DU	x	0	DU	=	\$0
< 1,200 SF	Multi Family	\$1,316	/DU	x	0	DU	=	\$0
>1,200 SF	Senior/Downtown	\$2,090	/DU	x	0	DU	=	\$0
< 1,200 SF	Senior/Downtown	\$1,316	/DU	x	0	DU	=	\$0
	Secondary DU	TBD	/DU	x	0	DU	=	\$0
	Commercial	\$3,373	/PHT	x	0	PHT	=	\$0
	Industrial	\$2,005	/PHT	x	38.8	PHT	=	\$77,794
	Office	\$2,005	/PHT	x	50.7	PHT	=	\$101,654
	Auto Dealership	\$3,373	/PHT	x	0	PHT	=	\$0
	Hotel	\$3,373	/PHT	x	0	PHT	=	\$0

TRAFFIC CREDITS \$0 /PHT x 0 PHT = \$0

8. PARK IMPACT FEE: **301-37648** Subtotal: **\$0**

Subdivision:	Single Family	\$5,807	/DU	x	0	DU	=	\$0
	Multi Family	\$5,595	/DU	x	0	DU	=	\$0
	Senior/Downtown	\$3,832	/DU	x	0	DU	=	\$0
	Secondary DU	TBD	/DU	x	0	DU	=	\$0
No Subdivision	Single Family	\$4,222	/DU	x	0	DU	=	\$0
	Multi Family	\$4,072	/DU	x	0	DU	=	\$0
	Senior/Downtown	\$2,787	/DU	x	0	DU	=	\$0
	Secondary DU	TBD	/DU	x	0	DU	=	\$0

PARK CREDITS \$0 / x 0 / = \$0

8a. PARK MAINTENANCE DEV. FEE: **302-37649** Subtotal: \$0

\$0 / x 0 EAC = \$0

9. PUBLIC FACILITIES IMPACT FEE: *(Fee shown below based on 7/1/2019 Fee Schedule per Improv. Agr.)* **347-37648** Subtotal: \$4,820

Single Family	\$553	/DU	x	0	DU	=	\$0
Multi Family	\$532	/DU	x	0	DU	=	\$0
Senior/Downtown	\$365	/DU	x	0	DU	=	\$0
Secondary DU	TBD	/DU	x	0	DU	=	\$0
Commercial	\$1,218	/ACRE	x	0	AC	=	\$0
Industrial	\$1,705	/ACRE	x	0	AC	=	\$0
Office	\$1,443	/ACRE	x	3.34	AC	=	\$4,820
Auto Dealership	\$488	/ACRE	x	0	AC	=	\$0
Hotel	\$14	/ROOM	x	0	RM	=	\$0

PUBLIC FACILITIES CREDITS \$0 /ACRE x 0 /AC = \$0

10. LIBRARY IMPACT FEE: **348-37648** Subtotal: \$0

Single Family	\$2,132	/DU	x	0	DU	=	\$0
Multi Family	\$2,054	/DU	x	0	DU	=	\$0
Senior/Downtown/SDU	\$1,406	/DU	x	0	DU	=	\$0
Secondary DU	TBD	/DU	x	0	DU	=	\$0

LIBRARY CREDITS \$0 / x 0 / = \$0

11. COMMNTY/REC CNTRS IMPACT FEE: **360-37648** Subtotal: \$0

Single Family	\$3,955	/DU	x	0	DU	=	\$0
Multi Family	\$3,470	/DU	x	0	DU	=	\$0
Senior/Downtown	\$2,619	/DU	x	0	DU	=	\$0
Secondary DU	TBD	/DU	x	0	DU	=	\$0

COMMNTY/REC CNTRS CREDITS \$0 / x 0 / = \$0

12. POLICE & FIRE IMPACT FEES: *(Fee shown below based on 7/1/2019 Fee Schedule per Improv. Agr.)* **311-37648** Subtotal: \$13,918

POLICE:	Office	\$2,145	/ACRE	x	3.34	AC	=	\$7,164
FIRE:	Office	\$2,022	/ACRE	x	3.34	AC	=	\$6,753

POLICE & FIRE CREDITS \$0 /ACRE x 0 /AC = \$0

13. ENGINEERING & INSPECTION FEE: **206-38734** Subtotal: \$0

ENGR ESTIMATE:		13.3%	\$1	to	\$100,000	=	\$0
ENGR EST. DATE:		11.8%	\$100,001	to	\$200,000	=	\$0
		10.3%	\$200,001	to	\$500,000	=	\$0
		8.8%	OVER		\$500,000	=	\$0
DEPOSIT PAID						=	\$0

14. LONG RANGE PLANNING FEE: **207-37912** Subtotal: \$0

LONG RANGE PLANNING FEE (15% of E&I) = \$0

15. GIS FEE: **206-37913** Subtotal: \$0

GIS/TECHNOLOGY FEE (5% of E&I) = \$0

16. MAP CHECK FEE: **206-38716** Subtotal: \$5,752

PARCEL MAP:	\$5,752	=	\$5,752
TRACT MAP:	\$9,184	=	\$0

17. BURROWING OWL MITIGATION: **232-38145** Subtotal: **\$5,180**

Single Family	\$222	/DU	x	0	DU	=	\$0
Multi Family	\$222	/DU	x	0	DU	=	\$0
Secondary DU	TBD	/DU	x	0	DU	=	\$0
Commercial	\$1,551	/AC	x	3.34	AC	=	\$5,180
Industrial	\$1,551	/AC	x	0	AC	=	\$0

18. OTHER FEES: Subtotal: **\$4,037**

Certificate of Compliance	\$	3,734		206-38430	=	\$0
Lot Line Adjustment/Merger	\$	3,129		206-38712	=	\$0
Engineering Services	\$	202	/hr	206-38719	=	\$0
Public Easement Review	\$	2,523		206-38737	=	\$0
Street Vacation Review	\$	202	/hr	206-38737	=	\$0
Easement Abandonment	\$	4,440		206-38737	=	\$0
Plan Revision Review	\$	505	/hr	206-38737	=	\$0
Reimbursement Agreement	\$	2,187		206-38741	=	\$0
FEMA Compliance - Base Fee	\$	403		206-38725	=	\$0
FEMA Comp. w/ CLMOR/LOMR	\$	2,220		206-38725	=	\$0
FEMA Comp. w/ Pub. Outreach	\$	808		206-38725	=	\$0
Storm Water Runoff Mangnt Plan Review	\$	2,826		206-38734	=	\$2,826
SWPPP Document Review 1st	\$	1,211		232-37687	=	\$1,211
SWPPP Document Review 2nd	\$	751		232-37687	=	\$0
SWPPP Offsite Inspection - 6 month	\$	6,055		232-37688	=	\$0
SWPPP Offsite Inspection - 12 month	\$	12,110		232-37688	=	\$0
SWPPP Offsite Inspection - 24 month	\$	24,220		232-37688	=	\$0
RDCS School Pedestrian Safety	\$			355-37655	=	\$0
RDCS Public Facilities	\$			346-37649	=	\$0
RDCS Park Development	\$			302-37649	=	\$0
RDCS Public Facilities Circulation	\$			346-37649	=	\$0
RDCS LED Streetlight Fund	\$			010-37722	=	\$0

TOTAL FEES DUE: \$509,400

Notes & Comments:

THIS FEE SCHEDULE DOES NOT INCLUDE A METER DEPOSIT. APPLICABLE METER FEE TO BE DETERMINED AT BUILDING PERMIT STAGE
PORTIONS OF THE PUBLIC IMPROVEMENTS ASSOCIATED WITH THE REDESIGN OF THE MONTEREY ROAD AND COCHRANE ROAD INTERSECTION THAT WILL BE COMPLETED BY THE DEVELOPER SHALL BE REIMBURSED UNDER THE TERMS OF THIS PROJECT'S IMPROVEMENT AGREEMENT.
THE STREET VACATION REVIEW FEE (\$3,636) AND ENGINEERING & INSPECTION FEE (\$15,951) DUE FOR THIS PROJECT WILL BE CHARGED INTERNALLY TO THE APPLICABLE PW FUNDS.

Two new buildings on two adjacent vacant parcels.

Lot 1: APN: 726-34-016 **Lot 2:** APN: 726-34-017

Coefficients:

Commercial Office: traffic = 1.49 pht/1000 sf, sewer = 0.093 gpd/sf

Per E20 memo: Industrial shell: traffic = 1.30 pht/1000 sf, sewer = 0.060 gpd/sf

Traffic:

Lot 2: Industrial = (19,848 sf) (1.30 pht / 1000sf) = 25.8 PHT Office = (34,037 sf) (1.49 pht / 1000sf) = 50.7 PHT

Lot 1: Industrial = (10,028 sf)(1.30 pht / 1000sf) = 13 PHT total Ind: 25.8 + 13 = 38.8 PHT

Sewer:

Lot 2: Industrial = (16,352 sf) (0.060 gpd/sf) = 981 gpd Office = (32,936 sf) (0.093 gpd/sf) = 3,063 gpd

Lot 1: Industrial = (9,535 sf)(0.060 gpd/sf) = 572 gpd total Ind: 981 + 572 = 1,553 gpd

RESOLUTION NO.**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO THE CITY'S FISCAL YEAR 2019-20 BUDGET IN THE PUBLIC FACILITIES - NON AB1600 SCHOOL PEDESTRIAN AND SAFETY FUND (FUND NO. 355), TO APPROPRIATE \$324,305 FOR MONTEREY ROAD AND COCHRANE ROAD INTERSECTION IMPROVEMENTS**

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 enter into contracts and agreements for the benefit of the City; and

WHEREAS, the reasons supporting the entrance of the City into that certain Improvement Agreement described in, and that is the subject of, this Resolution are set forth in detail in that certain City Council Staff Report entitled "Approve Public Improvement Agreement with Cochrane-Monument Land Company for Monterey/Cochrane Road improvements (EA2019-0017)" submitted for City Council consideration at its meeting of April 22, 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, recommended amendments are needed and proposed to the City's previously adopted Budget for Fiscal Year 2019-20, as set forth on Exhibit A to this Resolution, to appropriate the requisite funds to implement the actions authorized by 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 because organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment are exempted from environmental review under Section 15061(b)(3) of the State CEQA Guidelines; 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 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 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 does further resolve, order and/or direct as follows:

- a. That the City's previously adopted Fiscal Year 2019-20 Budget, as the same has been amended to date, is hereby further amended in accordance with and as reflected on Exhibit A attached hereto and incorporated herein by this reference; and
- b. That the City Clerk is hereby authorized and directed to forward a copy of this Resolution to the City's Finance Director, who is hereby authorized and directed to take all actions necessary to implement the terms of this Resolution pertaining to the Fiscal Year 2019-20 Budget of City.

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 22nd day of April 2020 by the following vote:

AYES: **COUNCIL MEMBERS:**

NOES: **COUNCIL MEMBERS:**

ABSTAIN: **COUNCIL MEMBERS:**

ABSENT: **COUNCIL MEMBERS:**

APPROVED:

ATTEST:

RICH CONSTANTINE, Mayor

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. 20-0XX adopted by the City Council at the meeting held on the 22nd day of April 2020.

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

DATE: _____

Irma Torrez, CITY CLERK

EXHIBIT A

AGENDA BUDGET SCORECARD
FISCAL YEAR 2019-20
ADJUSTMENT #

024

FUND:
DEPARTMENT:
OBJECT:

355	School Ped & Traffic Safety
8068	School Pedestrian & Traffic Safety
86360	CONSTRUCTION

AGENDA DATE:

04/22/20 Reimbursement for Monterey Rd. and Cochrane Rd. Intersection Improvements
--

AGENDA ITEM TITLE:

	07/01/19		06/30/20	
	BEGINNING FUND BALANCE	ESTIMATED REVENUES	AMENDED APPROPRI- ATIONS	PROJECTED ENDING FUND BALANCE
ORIGINAL BUDGET	1,477,523	656,864	1,629,973	504,414
CUMULATIVE REVISIONS PRIOR TO RECOMMENDED ACTION	-	-	-	-
RECOMMENDED ACTION		-	324,305	(324,305)
RESULT OF RECOMMENDED ACTION	1,477,523	656,864	1,954,278	180,109



CITY COUNCIL STAFF REPORT

MEETING DATE: April 22, 2020

PREPARED BY: Chris Ghione, Public Services Director
APPROVED BY: City Manager

ACCEPT 2020 CITY INFRASTRUCTURE UPDATE REPORT

RECOMMENDATION(S)

Receive the updated 2020 Report on City Infrastructure.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Maintaining Infrastructure

2020-2021 Strategic Priorities

Financial Sustainability
Infrastructure

GUIDING DOCUMENTS

Bikeways
Trails
Parks and Recreation Masterplan
Sewer System Master Plan
Vision Zero
Water System Master Plan

POLICY CONSIDERATIONS:

This report is intended to provide an overview of the various challenges the City is facing in relation to maintaining the various areas of infrastructure for which the City is responsible. The report reviews service levels and funding considerations. The timing of the report is intended to provide the City Council an opportunity to receive information on these challenges ahead of the Budget Review for the Fiscal Year (FY) 2020-21 and 2020-22 biennial budget. The 2020 Report is included as Attachment 1.

COMMUNITY ENGAGEMENT: Inform

The purpose of this report is to inform the Council and community of the status of the City's Infrastructure as part of the Budget Development Process.

ALTERNATIVE ACTIONS:

This report is intended to provide information only, as such, there are no alternative actions.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

Previous Infrastructure Reports were provided to the City Council in November 2014, April 2018, and April 2019.

FISCAL AND RESOURCE IMPACT:

There is no fiscal impact associated with receiving this report. Preparation of this report is an annual activity for the Community Services Department and Engineering and Utilities Department.

CEQA (California Environmental Quality Act):

Categorical Exemption

Discussion of this report is exempt from CEQA under Public Resources Code § 21102, 21150 (Feasibility or planning studies for possible future actions that the agency has not approved, adopted, or funded).

LINKS/ATTACHMENTS:

1. 2020 Infrastructure Update Report Draft

2020 INFRASTRUCTURE UPDATE REPORT

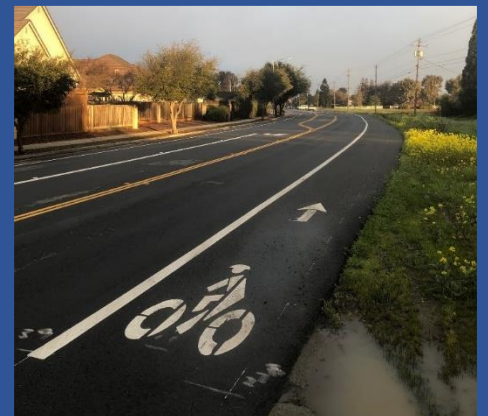
City of Morgan Hill

Contents

Introduction and Summary.....	2
Buildings and Facilities	5
Downtown.....	6
Landscape Assessment District.....	7
Parks, Trails and Open Space	8
Storm Water Collection System	10
Streets and Sidewalks	11
Wastewater System.....	13
Water System.....	14
Reference Documents	15

Acknowledgements

This report is developed annually “in-house” by teammates within the Community Services Department and the Engineering and Utilities Department.



Introduction

Purpose of the Report

The City of Morgan Hill's infrastructure is a very diverse system that supports a number of essential community needs and is utilized by both residents and visitors. Maintenance of this infrastructure is an expensive endeavor for the City, and one that is vital for public safety, economic development, and quality of life. Well-maintained infrastructure is a critical element for a "Sustainable Morgan Hill" that is safe, inclusive, socially responsible, environmentally conscious, and economically sound. This report is intended to provide an overview of the numerous issues the City is facing in relation to maintaining various areas of infrastructure. In particular, the service levels and funding considerations are reviewed. The report has been amended and updated from the 2019 report based on new/updated information, changes in funding, and changes in maintenance practices. However, the report format and material is very similar to the report provided in 2019. Major changes include:

- Additional information on the impacts of state legislation for specific areas
- Discussion on herbicide use in parks
- Updated Pavement Management Report Data

The timing of the report is intended to provide the City Council an opportunity to receive information on these issues ahead of the adoption of the FY 2020-21 and 2021-22 biennial budget.

Overview

The City of Morgan Hill has the responsibility of planning, constructing, and maintaining infrastructure to meet the needs of the community, which can be divided into two categories: 1) those needed to accommodate new growth; and 2) those needed to maintain the existing system. The City utilizes "development impact fees" charged to new development in order to mitigate the impacts of new growth on the existing infrastructure. This funding source can only be used to pay for projects to expand the City's infrastructure capacity and not for ongoing maintenance. To fund maintenance activities, the City primarily relies on General Fund revenues or customer charges. This report attempts to answer two foundational questions:

1. What are the City's existing infrastructure maintenance needs?
2. Are there existing funding gaps?

The City owns, operates, and maintains a variety of infrastructure assets. For the purpose of this report, the areas are broken down into the following areas:

- | | |
|---------------------------------|-------------------------------|
| • Buildings and Facilities | • Storm Water Drainage System |
| • Downtown | • Streets and Sidewalks |
| • Landscape Assessment District | • Wastewater System |
| • Parks, Trails and Open Spaces | • Water System |

For each of these areas, a section of this report has been established to focus on both funding associated with the day to day operations and the capital projects. Each section discusses conditions, developments, and opportunities associated with that specific area of infrastructure.

Summary of Current Infrastructure Needs and Funding Sources

The matrix on the next page outlines the primary funding and current status for each of the infrastructure areas. The current level of unfunded maintenance is at approximately \$1.4 million but is expected to grow by at least \$850,000 within 6 years due to increasing mandated requirements and the loss of current funding sources.

Areas of Infrastructure Summary Primary Funding Sources		Current Status
Buildings and Facilities		
• General Fund Non-Discretionary Revenue (Recreation Facilities) • General Fund Discretionary Revenue • Other funds based on percentage use of facilities • Recreation Center Impact Fees (expansion) • Quimby Fees		• Facilities are well maintained • Base Level Operations are fully funded • \$51,000 annually in unfunded future capital replacement costs
Downtown		
• General Fund Discretionary Revenue		• Facilities are well maintained • Base Level Operations are fully funded • There will be a need for additional maintenance resources as the Downtown continues to grow • \$15,000 annual funding needed for tree lights
Landscape Assessment District (LAD)		
• Property Tax Assessments for those within District		• Maintenance levels vary by subarea: 12 areas are well maintained, 4 areas are average, 3 areas maintained below average or poorly • \$23,000 in annual unfunded replacement needs
Parks, Trails and Open Spaces		
• General Fund Discretionary Revenue • Park Maintenance Fund - Developer Contributions No Future Revenue (spending down fund balance) • Quimby Fees – Future Park Renovations		• Facilities are maintained in average condition for safety • Additional annual investment of an undetermined amount would be necessary to maintain the parks in above average condition • Park Maintenance Fund balance will be depleted within 5-6 years, creating a \$700,000 annual funding need
Storm Water Drainage System		
• General Fund Discretionary Revenue • Storm Drain Fund - Developer Contributions No Future Revenue (spending down fund balance) • Storm Drain Impact Fees (expansion)		• Facilities are well maintained • No identified funding for future capital maintenance needs once RDCS funds for Storm Drainage are depleted (10 years) • Funding available (Impact fees) to connect to Water District Flood Control Project and construct new storm drain facilities • New State regulations may require millions in capital investment within the next 10 years, as well as thousands in ongoing maintenance
Streets and Sidewalks		
• Gas Tax (Including New SB1 Revenue) • VTA Passthrough of Vehicle Registration Fees • Grant Funds - Includes One Bay Area Grant • New VTA Measure B Sales Tax Revenue • General Fund Discretionary Revenue • School Pedestrian Safety Fund - Developer Contributions, No Future Revenue (spending down fund balance)		• City Streets and Sidewalks are well maintained • 2020 Citywide weighted average pavement condition "very good" with an overall weighted Pavement Condition Index of 73 • \$200,000 in annual revenue is needed to fully fund basic maintenance • \$1.11 million annually in unfunded capital street repair • RDCS Funds for sidewalk maintenance will be depleted within 5-6 years, creating a \$150,000 annual funding need
Wastewater System		
• Customer Charges • Sewer Impact Fees (expansion)		• System is fully funded • System is well managed, but in the process of significant capital rehabilitation work related to infiltration and inflow issues
Water System		
• Customer Charges • Water Impact Fees (expansion)		• System is fully funded • System is well maintained

Infrastructure Considerations

There are several considerations the City must continue to review as the City continues to develop its strategies to maintain its infrastructure. Some of the general considerations and factors are outlined below:

Decline in revenues – In light of the recent worldwide Covid-19 crisis, the City is anticipating significant losses in revenues that will impact the General Fund significantly. This follows the elimination of the City's Residential Development Control System (RDCS) by the State of California through recently adopted legislation (SB330). For many years, the RDCS competition resulted in significant funds to support maintenance and rehabilitation projects for City infrastructure. As the City slowed growth and updated the competition, contributions from developers began to decline significantly, however, that decline turned into a complete elimination of fees for all new development for at least 5 years. The significance of the loss of the City's Redevelopment Agency (RDA) through state legislation at the start of the last decade continues to impact the City's infrastructure maintenance. The RDA previously was able to expend dollars to offset impact fees and General Fund revenues in support of economic development, fund the construction of major infrastructure projects, and support the maintenance of the facilities it owned.

New Requirements – The City often must fulfill requirements developed by the State and other regulating entities. The City has commitments relating to future Wastewater System projects that must be completed in the next five years. The City will have increased requirements resulting in new projects for the Storm Water System in the coming years due to State mandates.

Impact Fees – The City recently approved updated impact fees. Adopted fees were lower than initially determined in some areas (Parks) due to State legislation related to housing development. At this time, impact fees for essential infrastructure services (Water, Wastewater, Roads and Public Safety) are all still at appropriate levels, but the importance of collecting full fees cannot be understated, as without these fees ratepayers or taxpayers must cover the cost.

Impact of Visitors – Visitors to Morgan Hill support economic development through increased sales tax and transient occupancy tax revenues. These same visitors impact City services and infrastructure. Maintaining the infrastructure of the City roadways and facilities is needed to support tourism through quality visitor experiences. Consideration of increased fees (facility fees at the OSC) or Transient Occupancy Tax (TOT) rate for those visiting be may an option.

Construction Costs of the Area – A major factor magnifying the infrastructure funding issue for several years is construction costs, which have increased nationwide, but have increased even more severely in the Bay Area. It is unknown how the recent crisis and economic changes will impact construction costs for the public sector.

New Revenues and Opportunities – Actions over the last five years have provided for new revenues, including approximately \$1.7 million in funding annually for pavement maintenance from the VTA Measure B sales tax increase and State Senate Bill 1 (SB1) increasing the gas tax. Until the recent passage of SB1, the real value of gas tax revenues dropped for decades, contributing to the backlog in pavement maintenance across the State of California. Recent reinstatement of the City's Quimby fee, which replaces the Park Impact Fee for new development that requires subdivision, will result in a funding source that can be used to renovate existing park and recreation facilities. Additionally, the City continues to monitor opportunities to potentially collect fees to support storm water management.

Buildings and Facilities

The City owns 13 facilities that are operated for a variety of public purposes including facilities operated and maintained by the City and others operated and maintained by partner organizations. These facilities include the two City Fire Stations, the Civic Center (Council Chamber Building, City Hall/Development Services Center and Library), Police Station, Corp Yard, Aquatics Center, Centennial Recreation Center, Community and Cultural Center, Friendly Inn, El Toro Youth Building, and Outdoor Sports Center.

Revenue Support

Maintenance of City facilities is funded via the fund that uses the facility. The City's Recreation Centers, although part of the General Fund, recover costs through user fees for operations, including facility maintenance. Other City facility maintenance funding is provided through the funds that fund the departments that use each of the facilities. For example, the maintenance of the Corporation Yard is funded through the Water Fund, Wastewater (Sewer) Fund, Park Maintenance Fund, and the General Fund.

Base Service Operations

Facility maintenance is managed by the Community Services Department. In some cases, facilities are maintained through agreements with partner organizations (CALFIRE, County Library, Boys & Girls Club and the MHOSC). The current base level maintenance services are fully funded and being provided at an adequate to high level throughout all the City facilities.

Capital Replacement

Each facility has a future replacement schedule that has been developed for the facility. For a significant period of time funding was not adequate to fully fund the replacement schedules for the City facilities, however, during the FY 2018-19 and 2019-20 Budget process, increases in funding were made. Additionally, the reenactment of the Quimby Fee has allowed for future renovations at recreation facilities to be accounted for with that funding, reducing the need to plan for replacement funding in some areas. Most of the City facilities are now fully funded for building replacement with the current budget recommendation with the exceptions of the Friendly Inn and Civic Center for which the unfunded amount totals approximately \$51,000 annually.

Infrastructure

6 Recreation Facilities

Police Station

2 Fire Stations

Library

City Hall/Development
Services Center

Council Chambers
Building

Corporation Yard

Facility Replacement	Fully Funded	Budget Recommendation	Funding Gap
Aquatics Center	\$ 164,040	\$ 164,040	\$ -
Centennial Recreation Center	\$ 196,642	\$ 196,642	\$ -
Community and Cultural Center	\$ 77,211	\$ 77,211	\$ -
Civic Center	\$ 78,000	\$ 40,000	\$ 38,000
Corporation Yard	\$ 26,811	\$ 26,811	\$ -
Friendly Inn	\$ 13,000	\$ -	\$ 13,000
El Toro Youth Center	\$ -	\$ -	\$ -
Police Department	\$ 108,661	\$ 108,661	\$ -
Outdoor Sports Center	\$ -	\$ -	\$ -
Fire Stations	\$ 26,667	\$ 26,667	\$ -
Downtown	\$ 18,596	\$ 18,596	\$ -
Total	\$ 709,628	\$ 658,628	\$ 51,000

Downtown

Maintenance of the Downtown includes a variety of public spaces, landscaping, medians, parks and parking areas. With the recent investments in the Downtown Area, the City has increased its investment in maintaining the area at a high level. The day to day lighting, janitorial and landscaping components are coordinated through ongoing maintenance contracts. City staff from the Community Services Maintenance team regularly repair damage, remove graffiti, and coordinate more complicated maintenance tasks.

Base Service Operations

Base level maintenance services are adequately funded through the General Fund at approximately \$320,000 per year. By using an integrated maintenance approach that includes use of limited full-time City staff, various contract services, and part-time temporary teammates, the Maintenance team is able to utilize this funding to provide for an adequate level of service for the Downtown. However, with continued increasing use and development anticipated it will be difficult to maintain current services levels without increased resources. There has been a desire expressed for increased litter cleanup and sidewalk cleaning throughout the Downtown area. This level of service is currently not possible, and the City would need increased funding to provide this additional level of service.

In FY 2018-19, the Council invested \$15,000 to match funding from the Downtown Association to install new “twinkle” tree lights through the Downtown areas and as anticipated the replacement is again needed in FY 2020-21. To make the lights a permanent fixture would require approximately \$15,000 annually in funding for the City, Downtown Association or other entity.

Capital Improvements

The major capital components that would require future capital replacement costs are the Downtown Parking Structure and the City’s parks’ play equipment components. Ongoing funding into a capital replacement fund for the parking garage major components has been included in the Downtown operating budget. Quimby Fees are anticipated to be utilized for future park renovations.

A small number of improvements in the Downtown are still planned and funded, including additional in-ground crosswalk lights and pedestrian safety fencing in the median between Second and Third Streets on Monterey Road. However, future funding for pedestrian safety enhancements are no longer available as those were primarily funded through the RDCS contributions. While these improvements do not factor into the overall infrastructure maintenance need, they are priorities for safety and critical to the City’s Vision Zero commitment.



Infrastructure

3 Downtown Parks

Public Restrooms

Parking Structure

Parking Lots

Public Art

Sidewalks

Medians

Landscaped Areas

Lighting

City owned retail space

Landscape Assessment District

The LAD is made up of 19 separate subareas that collect assessments from 757 properties located in the District boundaries. While the District is a single entity, each of the 19 subareas must be managed independently. Proper maintenance of the properties benefits the owners. Assessment charges are collected by the County on property tax rolls and remitted to the City. The District revenues and expenses total approximately \$171,000 annually. Of these 19 subareas, 7 contain parks. Each lot within a specific subarea is assessed the same amount to obtain the level of service desired by the subarea residents.

Infrastructure Elements

19 Subareas

757 Assessed Properties

7 Parks

2 Tennis Courts

The requirement for independent financial management of each subarea requires extensive staff monitoring and management from both a contract management perspective and an accounting perspective. This work allows for each subarea to be evaluated financially. While funding issues at any subarea are difficult, LAD subareas with parks provide a unique challenge. The parks are open and available to use for the entire community but are paid for by a specific set of residents located in the LAD subarea. In essence, a small percent pays for amenities used by many. One example of this challenge is occurring at Diana Estates, which has a tennis court that needs significant funding to resurface and has insufficient replacement dollars. Many subareas are at the max assessment cap, which means an increase for funding would need to be approved by voters in that subarea. In the past, LAD residents have shown reluctance to increase their own assessments for increased maintenance, resulting in some subareas receiving the bare minimum maintenance services. Over the last six years, City staff has worked to develop relationships with residents of many subareas and discussed and implemented increases to assessments in several areas.

Base Service Operations

Base level maintenance services are provided based on each subarea's available funding. Many of these areas are funded and well maintained, while a few are limited to weed abatement only, due to lack of funding and property owners' unwillingness to increase assessments.

Capital Improvements

All capital funding for the facility replacement is allocated from each subarea's fund balance. Each subarea has an established fund balance reserve target based on the size, maintenance requirements, and amenities of the subarea. However, in the case of a limited number of the LAD subareas which contain parks, the fund balances maintained are not sufficient to replace major park components. Through City staff work with residents, the number of sub-areas in this situation have been reduced and the unfunded annual replacement totals are continuing to decrease.

Landscape Assessment Areas		
# of Areas	Category	Unfunded Annual Capital Replacement
12	Healthy with reserve funds for infrastructure.	\$ -
4	Stable with limited reserve funds	\$ 23,000
3	Unhealthy with no reserve funds or declining reserve	\$ -
19	Total for all subareas	\$ 23,000

Parks, Trails and Open Space

The City of Morgan Hill has parks, trails and open space totaling over 300 acres, of which, 60 are maintained. Parks in Morgan Hill are funded in one of three ways, that include:

1. City Parks and Trails – Owned by the City and funded through the Park Maintenance Fund and General Fund.
2. Home-Owners Association (HOA) Parks – Privately owned and funded by residents of the HOA.
3. Landscape Assessment District Parks – Owned by the City and funded by a limited number of residents within the assessment district for a specific park.

This section refers specifically to the maintenance of the first category, which includes parks, bicycle and walking trails, and open spaces. These areas include a wide variety of amenities, including: playgrounds, basketball courts, fields, tennis courts, picnic areas, lighting and many more.

Base Service Operations

Park Maintenance activities are managed by the Community Services Maintenance Team. Maintenance functions are performed by both in-house staff and via contract. It is estimated that base level City park and trail maintenance services are funded at an adequate level to be safely used and to protect the City's assets in these areas. The City's park maintenance is considered average at best in comparison to parks in other communities. Increased funding of base level services could improve aesthetics and user experience but would not considerably increase sustainability of park and trail infrastructure. It should be noted that the recently constructed Downtown Parks are being maintained in coordination with the other Downtown areas and are maintained at a higher level and the planned Magical Bridge Playground at Community Park will be maintained in a high-level condition. In both cases these facilities support revenue generation through economic development and in the case of the Magical Bridge will support picnic fee revenue.

The Park Maintenance Fund has relied on voluntary contributions through the City's RDCS in combination with General Fund support of \$350,000 to sustain the fund. It was previously anticipated that this strategy could be sustainable for at least another decade. This assumption has been turned upside down with the elimination of RDCS by the State and this burden has been shifted to the General Fund. The Park Maintenance Fund will no longer receive revenue and the remaining fund balance will be spent down over the next 5-6 years. The proposed General Fund contribution for the next two years is approximately \$500,000 annually. After the Park Maintenance Fund Balance is exhausted the future funding need is approximately \$700,000 annually.



In 2019, the City Council directed staff to look at eliminating the use of the herbicide Glyphosate in City parks. The trial run for alternate weed management was set to begin in the Spring of 2020, but the shelter-in-place orders placed by the County and the State did not allow for non-essential maintenance services and only weed abatement for fire protection has occurred. The trial will be rescheduled in the future. Results of the trial should provide indications on increased costs or reduced service levels. City staff will report out on the trial to the City Council once it is able to move forward. The current budget for Park Maintenance does not include higher funding levels to support maintaining service levels with the elimination of Glyphosate in parks.

Infrastructure

22 Parks

60+ acres of
Developed Park Land

250+ Acres of Open
Space

3 Maintained Trails

15+ Parks with Play
structures

10 Tennis Courts

5 Ball Fields

1 Duck Pond

The City maintenance of Open Space areas is primarily comprised of the functions of weed abatement and fire protection. In recent months, the City has received many comments from residents of the Jackson Oaks Area in relation to maintenance of the open space in that area. Typically, the City has contracted with the County for maintenance of brush abatement and disking for fire protection purposes. Maintenance staff are currently working on diversifying the maintenance to allow for use of private contractors and internal staff in some specific locations to support cost reduction and redundancy in maintenance options.

Capital Improvements

The City staff have identified over \$6 million in future replacement needs, stretching over the next 50 years. This was previously an unfunded need for the City. However, recent reinstatement of the City's Quimby fee, results in a new funding source that will be used to renovate existing park and recreation facilities in the future eliminating this funding issue at this time

The updated Bikeways, Trails, Parks and Recreation Master Plan sets ambitious goals for park development, including the planned construction of the new Magical Bridge Morgan Hill Playground. Additionally, the City has been very successful in obtaining grant funding for park and trail development. While new park facilities support many of the Council's priorities including economic development, additional park space may create additional funding needs, so alternate strategies for park development may need to be considered. This may include not accepting grants, land banking future park acreage, utilizing volunteers in a greater capacity to support maintenance, or other strategies. City staff will continue to evaluate new park development and provide recommendations to the City Council as opportunities arise.

Storm Water Collection System

The City is responsible for maintenance of the Storm Water Collection System that transfers rainwater from the developed areas of the City into our local creeks. Day to day maintenance is managed by the Community Services Maintenance Team in coordination with general street maintenance; the Engineering Division is responsible for improvement projects that expand or rehabilitate the System; and the Environmental Programs Division is responsible for managing the City's storm water pollution prevention programs.

Base Service Operations

Funding for the day to day operations management of our storm drain systems is primarily supported by the General Fund and has been adequate except for future replacement funding for storm drain pumps and funding for inspections. These funding issues are outlined in the Streets and Sidewalks Section of this report.

Capital Improvements

Capital projects that expand the City's system are funded through impact fees. The City has reserved several million dollars in the Storm Drain Impact Fund to support connection to the upcoming Upper Llagas Creek Flood Control Project. The Flood Control Project is managed and funded by the Valley Water, but once completed, the City plans to connect to the new system. This project will eliminate the majority of the flooding issues for the City.

Funding for capital improvements relating to rehabilitation to the storm drain system cannot be funded through impact fees. The City previously received RDCS contributions from developers for storm drain rehabilitation. There are no dedicated capital funding sources for rehabilitation and major rehab projects would need to identify funding on a project by project basis.

The City is regulated by the State Water Resources Control Board regarding storm water pollution prevention. In 2015, the Board adopted the Statewide Trash Provisions which will eventually require the City to install, operate, and maintain State-certified devices that capture all trash down to five millimeters in size from Priority Land Use areas including industrial, commercial, mixed-use, high-density residential and public transportation stations. The City will be required to implement these provisions by 2029. Although there is adequate time for implementation, planning is now beginning, and the Capital Improvement Program currently includes funding for this initial planning.

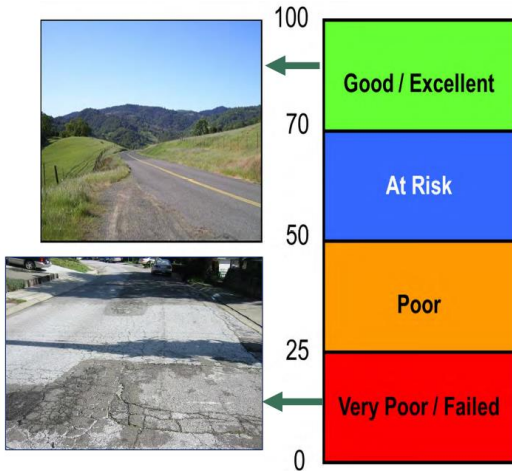
Future Implications

In addition to the capital cost of the trash capture devices, the cost for maintenance of the devices could be significant and will create another unfunded infrastructure need. The State of California recently passed State Senate Bill 231, which redefines "sewer" to include storm water, which in turn allows the charge of a fee for the management of the storm water systems. The intent of the legislation is to allow cities and counties to establish fees for storm water systems, versus having to pass ballot measures to establish a tax for this purpose. No cities have utilized the provision of the new law, but City staff continue to monitor this opportunity. If SB 231 stands up to legal scrutiny, it could be a viable option to fund the future needed capital improvements and potentially even operations.

Streets and Sidewalks

The City Council has identified the “Streets Infrastructure” as a vital community element and over the last several years has devoted significant amounts of General Fund reserves to pavement maintenance. The City has approximately 129 miles of local streets with a variety of attached ancillary elements including: street trees, traffic signals, signs, curb & gutter, streetlights, bridges, medians and planters, furnishings, guard rails, parking lots, and sidewalks. It should be noted that maintenance of the City’s Storm Drain System is not included in this section of the report and is discussed independently in the previous section. Management of the streets and sidewalk infrastructure is broken into two areas:

- Base Level Operations – Day to day routine operations
- Capital Repairs and Improvements – Large projects, including the pavement rehabilitation program

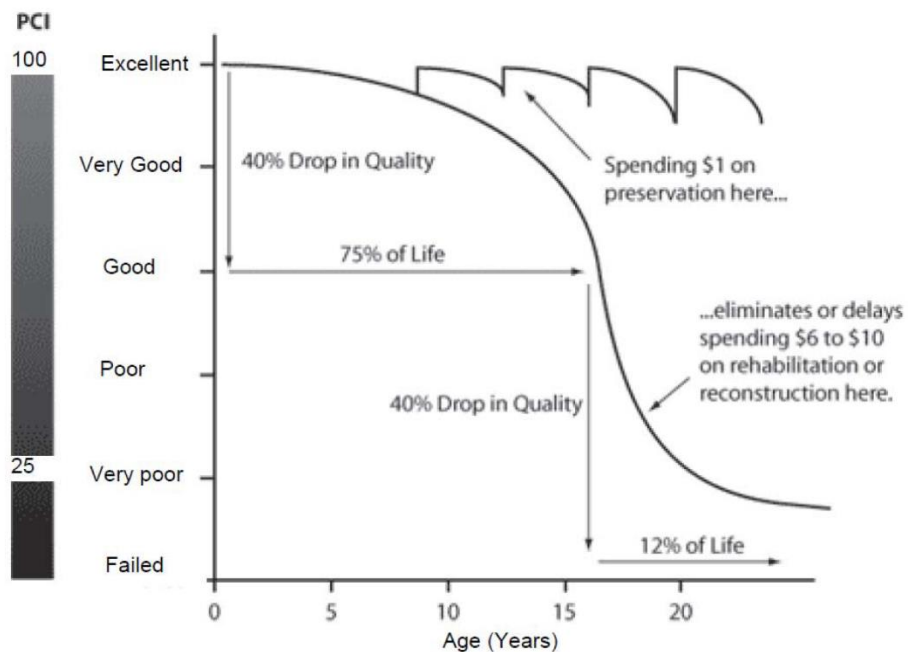


The greatest concern in the area of street maintenance continues to be the degradation of the streets themselves. Evaluating the condition of the City’s Streets is accomplished using the Pavement Condition Index (PCI). The City via grants from the Metropolitan Transportation Commission (MTC) has regularly received consultant generated Pavement Condition Reports every three years. The most recent draft report was just received and is still being reviewed by staff but is being included to provide timely information to the Council. In 2017, the last time a full report was conducted, the weighted PCI for the City’s roadway network was 72 and the current draft report shows the PCI at 73. The current backlog of street maintenance was estimated at \$23.2 million in 2017, and has increased to \$27.8 million.

While recent significant projects have helped to improve the PCI, with the current level of funding, the City’s weighted PCI will continue to fall. When it comes to pavement maintenance costs, the cost grows much faster as the PCI decreases (the chart to the right demonstrates this impact). Once a roadway deteriorates to the point of failure the only option is complete roadway replacement.

Funding

The City funds ongoing base service street maintenance activities through the General Fund and Gas Tax Revenue, while the capital pavement rehabilitation program is funded primarily through the streets fund which receives revenues from gas taxes, vehicle registration fees (via VTA), and the One Bay Area Grant. Over the last six years, the City has supplemented capital funds with significant dollars



Infrastructure

129 Miles of Streets
3,700 Street Lights
45 Traffic Signals
60 Acres of Maintained Parks
13 Public Facilities
18 Sports Fields
4 Swimming Pools

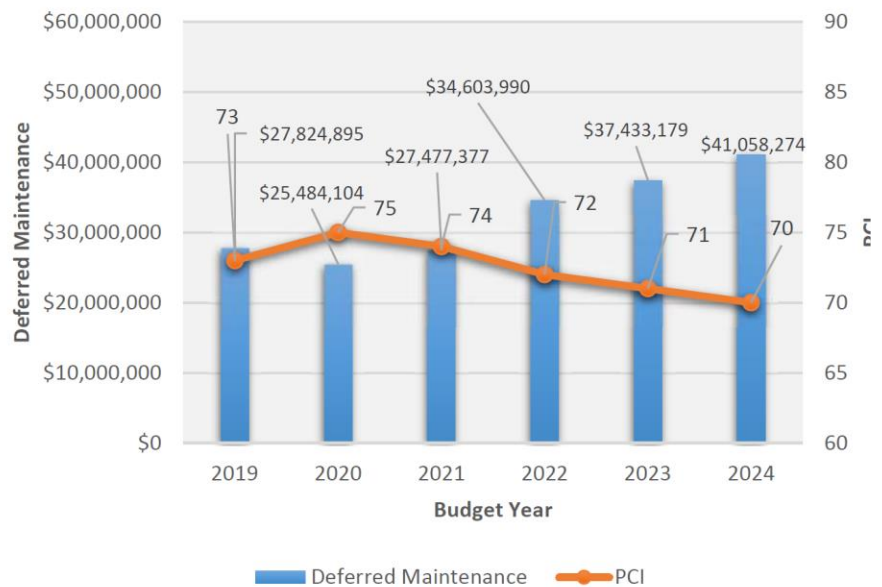
from the General Fund (\$1 million annually). However, the recommended budget has reduced the General Fund contribution to pavement maintenance to \$250,000 a year. Two new significant funding sources have been established over the last 5 years through the passage of VTA Measure B to increase the sales tax in Santa Clara County and SB 1 which increases the gas tax. New funding from these sources has increased funding for pavement rehabilitation projects and will contribute approximately \$1.7 million annually in the coming years.

Base Service Operations

The Community Services Maintenance Team is responsible for the day-to-day maintenance of streets and associated infrastructure for the City. A combination of City employees and contract services are used to perform regular street maintenance. During the great recession several service areas were reduced and many of these areas are still unfunded. This includes ongoing red curb painting, funding for storm pump replacement, median repairs and updates and other areas. This unfunded amount is estimated at approximately \$200,000 annually. Additional pressure comes from the required maintenance on new streets and related infrastructure, which continues to expand while staffing levels remain flat. The future degradation of City streets also reduces the ability for the City to respond to lower priority maintenance needs and reducing the ability to proactively address maintenance issues. In many areas of both street and park maintenance, City maintenance functions are reactive instead of proactive.

Capital Improvements

Capital improvements for street maintenance are managed by the Engineering Division through the City's Capital Improvement Program. Over the last five years, the City has invested significant one-time grant dollars augmented by General Fund dollars and the new funding from Measure B to perform significant pavement work. This work has supported maintaining the City's current weighted PCI, but the backlog of needed work has continued to climb. With the forced reduction in General Fund contribution, an estimated \$2.47 million in annual funding will be spent directly on pavement rehabilitation. The following chart identifies the anticipated change in the backlog for pavement rehabilitation as well as the anticipated change in PCI. To maintain the PCI at the current level an additional \$1.1 million would need to be spent annually.



The City has completed sidewalk repair projects annually for the last decade, primarily relying on funding from the RDCS contributions. With the elimination of the RDCS there are no new revenues coming forward for this purpose. The proposed budget plans spend down of previously accumulated RDCS funds over the next 5-6 years to continue to perform necessary sidewalk maintenance. After those funds are expended future funding of \$150,000 annually will be needed from an alternate funding source. The City Council may want to consider transferring the full or partial responsibility of sidewalk maintenance to adjacent property owners as many other cities across the State have done.

An additional impact of the loss of RDCS funding, greatly reduces the opportunity to fund pedestrian safety enhancements. While these improvements do not factor into the overall infrastructure maintenance need, they are priorities for safety and critical to the City's Vision Zero commitment.

Wastewater System

The City's Water and Wastewater systems are the critical components in ensuring health and safety of the Morgan Hill Community. The system is also critical to achieving the City's economic development priority, serving commercial and industrial users. The City provides sewer collection services to approximately 12,700 residential, commercial, industrial, and institutional accounts. The City's collection system consists of approximately 158 miles of up to 30-inch gravity sewer pipes, which includes part of the Morgan Hill-Gilroy Joint Sewer Trunk, that convey flows to the South County Regional Wastewater Authority (SCRWA) Wastewater Treatment Plant (WWTP), located southeast of the City of Gilroy.

The City's Utilities Division manages the day to day operations utilizing experienced and knowledgeable staff to manage the system. The day to day operations are guided by the Sanitary Sewer Management Plan. The Utilities Division coordinates with the Engineering Division and consultants to plan for major capital projects associated with repair, replacement and expansion of the system. In follow-up to the City's recent General Plan Update, the City Council adopted the 2017 Sewer System Master Plan.

Funding

Wastewater System Operations are funded through fees for service to users of the system. Capital projects associated with the expansion of the system are funded through Impact Fees to developers as new construction is connected to the system. A rate study was completed and approved by the City Council in 2019 updating customer rates to provide adequate funding for ongoing operations and needed capital projects associated with the repair of the existing system.

Base Service Operations

In operation of the Wastewater System, the Utilities must follow requirements outlined by the State Water Resources Control Board. The Sanitary Sewer Management Plan (SSMP) is required for operations. Wastewater operations have been traditionally funded at adequate levels and rates have been adjusted to meet the needs of operating the System.

"Infiltration and Inflow"

Inflow and infiltration or I & I are terms used to describe the ways that groundwater and stormwater enter into dedicated wastewater or sanitary sewer systems. Inflow is stormwater that enters into sanitary sewer systems at points of direct connection to the systems. Various sources contribute to the inflow, including footing/foundation drains, roof drains or leaders, downspouts, drains from window wells, outdoor basement stairwells, drains from driveways, groundwater/basement sump pumps, and even streams. These sources are typically improperly or illegally connected to sanitary sewer systems. Infiltration is groundwater that enters sanitary sewer systems through cracks and/or leaks in the sanitary sewer pipes. Cracks or leaks in sanitary sewer pipes or manholes may be caused by age related deterioration, loose joints, poor design, installation or maintenance errors, damage or root infiltration.

Capital Improvements

Aging infrastructure is an issue the City is facing in multiple areas; however, the City's wastewater system has been prioritized in recent years due to safety, regulatory requirements and identified deficiencies within the system. With much of the infrastructure out of sight, the ongoing planning and evaluation is critical. The current Master Plan calls for \$109 million in projects to be funded through 2035, including approximately \$52 million funded through ratepayers and \$57 million funded through impact fees.

The most urgent projects include Infiltration and Inflow repair projects, the completion of the Relief Trunk Line to the Treatment Plant, and the Treatment Plant. The Infiltration and Inflow capital projects have commenced and will continue annually for the next five years. These projects are funded through customer rates as they are repairing the existing wastewater system. The Relief Trunk Line and Treatment Plant Expansion are both in the design phase and are anticipated to commence within the next three years. These projects will be primarily funded by Developer Impact Fees.

Infrastructure

12,700 Connections
158 Miles of Sewer Lines
14 lift stations
3,284 manholes
2.9 miles of force mains
23 siphons

Water System

The City's municipal water system provides service to over 14,000 residential, commercial and industrial customers. The City's Water and Wastewater systems are the critical components in ensuring health and safety of the Morgan Hill community. The System also serves as the key component for fire response through the network of fire hydrants located throughout the City. The City's water system consists of approximately 165 miles of pipeline throughout the City.

The City's Utilities Division manages the day to day operations managing both water and wastewater system operations. The City's Finance Division manages the billing of both water and wastewater utilities. The Utilities Division works with the Engineering Division and consultants in planning for major Capital Improvement Projects. In follow-up to the City's recent General Plan Update, the City Council adopted the 2017 Water System Master Plan. This plan identifies significant expansion and some rehabilitation projects in the coming years.

Funding

Operation of the Water System is funded through an enterprise fund, receiving fees for service from users of the system. Capital projects that expand the system to accommodate growth are funded through Impact Fees charged to developers as new construction is connected to the system. A comprehensive rate study was completed and approved by the City Council in January 2016.

Base Service Operations

Similar to the City's wastewater system, funding for the water system operations has been adequate to address the day to day system management needs. Rates were adjusted to meet the needs of operating the System. The Utilities Division recently completed upgrades to its metering system bringing online fully deployed Advanced Metering Infrastructure. This deployment was completed with existing "in-house" staff over a four-year time period. Upgraded equipment and technology provides for increases in efficiency and has allowed existing staff within the Division to continue to manage the growing system without significant staffing increases.

Capital Improvements

The proposed Capital Improvement Program identifies several projects to support system maintenance and water supply resiliency. The most notable project in the coming years is the Holiday (East Dunne) Water Supply Improvement Project which includes a new reservoir, pump station, and pipelines. This project is needed to increase the capacity for future growth within the City, and to improve service to those in the east hills.

In total \$48.4 million in water system capital improvements have been identified in the Master Plan, \$16.8 million allocated for existing ratepayers and \$31.6 million to be funded through impact fees.

It should be noted that the City has not programmed dollars into its capital improvement program to specifically support the development of recycled water in the City. One ongoing policy question for City Council is should recycled water be added to the City's capital program or should the City continue to rely on Valley Water or grants to move the needle in this area? Cities of Morgan Hill and Gilroy recently partnered on the development of a South County Cities Sustainable Water Management Planning document, which has identified other policy questions relating to water supply to be considered by the City.

Infrastructure

18 Groundwater Wells

10.5 Million Gallons in Storage

20 Pressure Zones

12 Storage Tanks

9 Pumping Stations

165 Miles of Pipeline

Reference Documents

Bikeways, Trails, Parks & Recreation Master Plan (2017) –

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

Landscape Assessment District Engineers Report (2019) –

<http://morganhillca.igm2.com/Citizens/FileOpen.aspx?Type=4&ID=5328>

Storm System Master Plan (2019)– <http://www.morganhill.ca.gov/1646/Utilities-Master-Plans>

Storm Water Memo (2019) - <http://www.morganhill.ca.gov/DocumentCenter/View/22850>

Draft Pavement Condition Report (2020) – <https://www.morgan-hill.ca.gov/DocumentCenter/View/36576/Draft-Morgan-Hill-BOR-PTAP-20-04-15-220>

Wastewater System Master Plan (2017) - <http://www.morganhill.ca.gov/1646/Utilities-Master-Plans>

Sanitary Sewer Management Plan (2018) - <http://www.morganhill.ca.gov/589/Sewer-Division>

Wastewater Rate Study (2019)-

<https://www.morgan-hill.ca.gov/DocumentCenter/View/24328/2019-Wastewater-Rate-Study>

Water System Master Plan (2017) - <http://www.morganhill.ca.gov/1646/Utilities-Master-Plans>

Morgan Hill/Gilroy Sustainable Water Management Planning (2019) –

<http://www.morganhill.ca.gov/1646/Utilities-Master-Plans>



CITY COUNCIL STAFF REPORT

MEETING DATE: April 22, 2020

PREPARED BY: Dat Nguyen, Finance Director
APPROVED BY: City Manager

ACCEPT MARCH 2020 FINANCIAL AND INVESTMENT AND CITY MANAGER AUTHORITY REPORTS

RECOMMENDATION(S)

Accept and file report.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Maintaining Infrastructure
Preserving and Cultivating Public Trust

2020-2021 Strategic Priorities

Community Engagement and Messaging
Financial Sustainability

REPORT NARRATIVE:

As part of the City Council's expectation to maintain a high level of transparency and to be responsible stewards of public funds, attached are the Financial and Investment Reports for the Fiscal Year 2019-20 nine months ended March 31, 2020. Overall, the City received 63% of the budgeted revenues for all funds. The amount received year to date for all funds is approximately \$10.2 million or 11% lower than prior year at this time. The decrease was partially led by an overall decrease in Capital Projects Funds revenues of approximately \$5.5 million compared to prior year at this time, partially offset by an increase in Enterprise Funds revenues of about \$1.6 million.

General Fund revenues totaled \$26.2 million, a decrease of about \$0.8 million or 3% from a year ago at this time. Expenditures, including encumbrances amounted to \$32.8 million or 75% of the budget.

The General Fund is expecting to incur a significant reduction in revenue as a result of the COVID-19 pandemic. As reported by the City Manager on April 15, 2020 at the City Council meeting, the General Fund is projected to incur a \$3.4 million revenue loss for the current year led by sales tax of \$1.5 million, followed by transient occupancy tax of \$0.9 million, recreation services revenue of \$0.9 million, and a reduction of property tax of approximately \$0.1 million to account for a reduced supplemental tax revenue as the real estate activities have been halted due to the shelter-in-place order.

Development Services Fund revenues totaled \$3.5 million. Expenditures, including encumbrances, totaled \$4.7 million. The COVID-19 pandemic is expected to have a material and immediate impact to development services related revenue. The fund was originally budgeted to end the fiscal year with an operating deficit of approximately \$0.7 million, however, it is now expected to run out of cash before the fiscal year end and will

require a short-term loan from other sources. The net reduction in revenue for the current fiscal year is expected to amount to \$1.2 million or a 23% reduction from the original budget of \$5.3 million. The advent of the pandemic only heightened the urgency to address the fund's sustainability. Time is of the essence in addressing the fund's sustainability. A comprehensive development fee study was previously recommended and planned for the upcoming fiscal year. Staff intends to engage a consultant to conduct a comprehensive fee study once the shelter-in-place order is lifted.

Enterprise Funds revenues which comprised of Water and Sewer totaled \$28.4 million or 71% of the budget, an increase of \$1.6 million or 6% from a year ago at this time primarily due to higher sewer and water sales. Expenditures, including encumbrances amounted to \$29.8 million or 52% of the budget. The COVID-19 pandemic is also expected to have some fiscal impacts to the City's Enterprise Funds mostly as a result of the Governor's Executive Order that restricts water shutoffs to homes and small businesses during the pandemic. The magnitude of fiscal impact to the Enterprise Funds is unknown at this time and will dependent on the duration of the pandemic.

At the October 3, 2018 meeting, City Council directed staff to periodically report to the Council any contracts or agreements between \$25,000 to \$60,000 or the limit of the California Uniform Public Construction Cost Accounting Act (CUPCCAA) that were entered into by the City Manager. Staff drafted and presented a City Council Policy for consideration on November 7, 2018. The policy was approved and signed with the effective date of November 24, 2018. Staff has since developed a reporting mechanism that would report the requested information to the Council quarterly along with the financial and investment report. Page 17 of the attachment 2 lists the contracts and or agreements between \$25,000 to \$60,000 or the limit of the CUPCCAA entered into by the City Manager since the last report on February 6, 2020 through April 15, 2020.

COMMUNITY ENGAGEMENT: Inform

Finance staff prepares these financial reports to inform City officials, the Council, the community, and various lenders and stakeholders about the financial health of the organization, which assists each one of the interested parties in making sound financial and investment decisions.

ALTERNATIVE ACTIONS:

No alternative action is recommended, as this is a monthly financial report on City transactions which have already occurred.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

The City Council receives and files the financial and investment report for each month. At the September 16, 2015 meeting, City Council recommended monthly financial and investment reports be agendized under the Consent Agenda, and quarterly financial and investment reports be presented to City Council as an "Other Business" item.

FISCAL AND RESOURCE IMPACT:

The preparation of the report is a part of the Finance workplan.

CEQA (California Environmental Quality Act):
Not a Project.

This report is not a project, as defined in Section 15378 of the State CEQA Guidelines. Organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

LINKS/ATTACHMENTS:

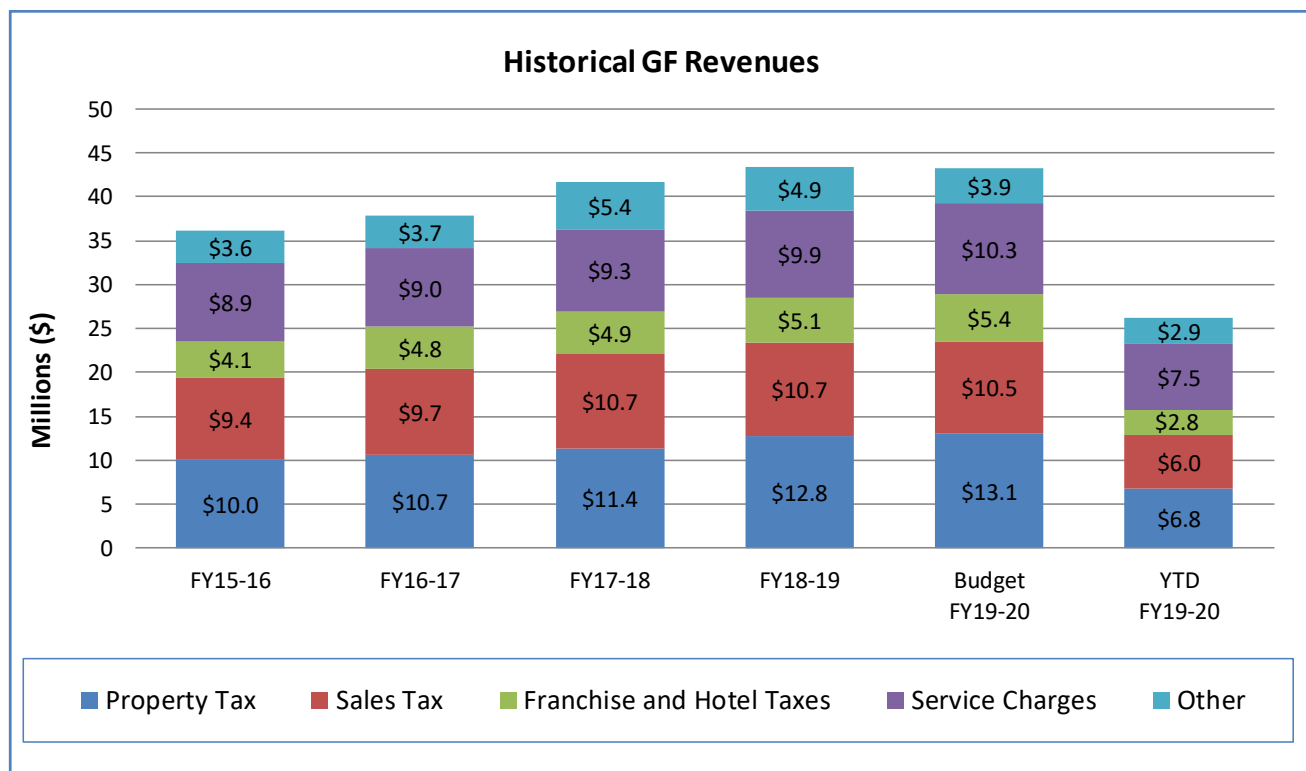
1. March 2020 Financial Statement Analysis
2. March 2020 Financial and Investment Report



CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2019-20
FOR THE MONTH ENDED MARCH 2020 – 75% OF YEAR COMPLETE

- **General Fund** – Revenues through the month of March totaled \$26.2 million, or 61% of the budgeted revenues as some of the major revenue categories such as property tax are received later in the fiscal year. With respect to the property tax revenue forecast, the County's most recent estimate projected Morgan Hill property tax revenue, excluding the property transfer tax, at \$14.1 million for the fiscal year 2019-20. The current projection is approximately \$1 million more than the revised budget, partially attributable to the higher excess Educational Revenue Augmentation Fund (ERAF) distribution and former Redevelopment Agency (RDA) residual apportionment. Excess ERAF is the money that is returned to the cities, counties, and special districts after schools reach their state-mandated thresholds. Former RDA residual apportionment is the residual amount paid to the taxing entities after sufficient funds had been set aside to pay for former RDA enforceable obligations. Property tax is the largest source of Morgan Hill's General Fund revenue. However, it accounts for only 30% of the approximately \$43.2 million General Fund revenue. Although property tax tends to be a more predictable revenue source, other major revenue categories such as sales tax and transient occupancy tax, which account for a large portion of the City's General Fund revenue, are more volatile and tend to fluctuate more with swings in the economy.

The chart below shows historical General Fund revenues by major revenue category from FY15-16 through FY18-19 Actual, FY19-20 Budget, and YTD as of March 31, 2020.

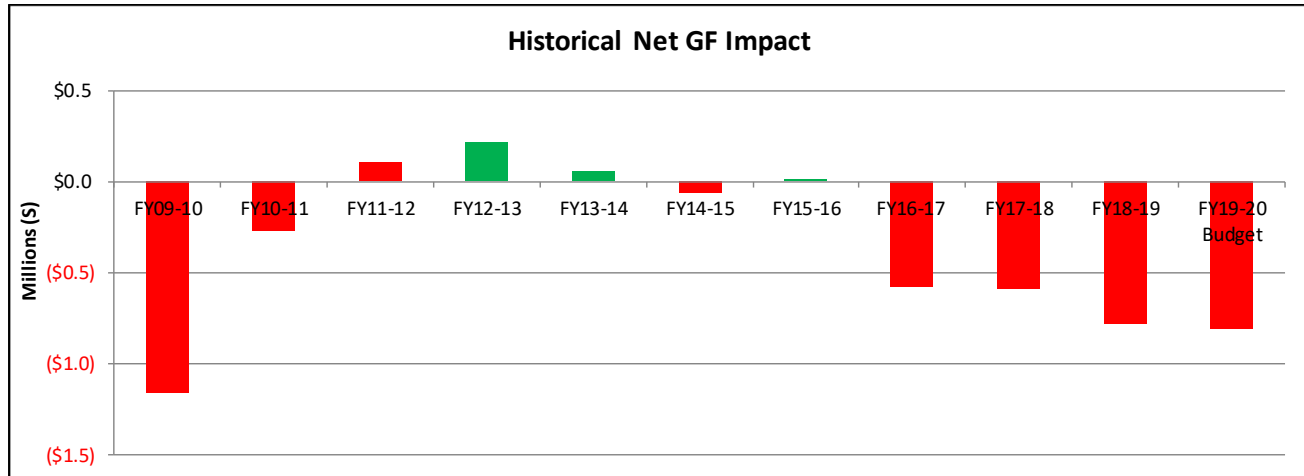


General Fund expenditures and encumbrances as of March 31, 2020 totaled \$32.8 million, of which approximately \$1.2 million is attributable to outstanding encumbrances.



CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2019-20
FOR THE MONTH ENDED MARCH 2020 – 75% OF YEAR COMPLETE

- **Community Services** - The Community Services Department's recreation operations, as reflected in the schedule presented on page 4 of the Monthly Financial and Investments Reports, shows a negative impact to the General Fund of approximately \$1.2 million through the month of March. Without the carry-over encumbrances, through the month of March operations resulted in a negative impact to the general fund of approximately \$546,000. Any net impact from the recreation operations increases (decreases) reserves in the General Fund.



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

- **Development Services Fund** – Revenues through March totaled \$3.5 million. Expenditures, including encumbrances, totaled \$4.7 million. Without the outstanding encumbrances, however, expenditures through the month of March amounted to \$4.1 million. The COVID-19 pandemic is expected to have a material and immediate impact to development services related revenue. The fund was originally budgeted to end the fiscal year with an operating deficit of approximately \$0.7 million, however, it is now expected to run out of cash before the fiscal year end and will require a short-term loan from other sources. The net reduction in revenue for the current fiscal year is expected to amount to \$1.2 million or 23% reduction from original budget of \$5.3 million. The advent of the pandemic only heightened the urgency to address the fund's sustainability. Time is of the essence in addressing the fund's sustainability. A comprehensive development fee study was previously recommended and planned for the upcoming fiscal year. Staff intends to engage a consultant to conduct a comprehensive fee study once the shelter in place order is lifted.
- **Debt Service Funds** – Expenditures through the month of March totaled \$0.5 million. The debt service for the first half of the year includes both interest and principal, while the second half of the year will include interest only. Debt service payments were all scheduled when the bonds were issued, and are



CITY OF MORGAN HILL, CALIFORNIA
FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2019-20
FOR THE MONTH ENDED MARCH 2020 – 75% OF YEAR COMPLETE

budgeted for in the months delineated in the underlying bond documents. The General Fund's portion of the annual debt service payments is approximately \$200,000, less than one percent of the General Fund's budgeted revenues.

- **Wastewater Operations** – Revenues from Sewer Operations through the month of March totaled \$8.2 million. Expenditures and outstanding encumbrances totaled \$8.2 million or approximately 68% of the budget. The table below shows historical Sewer Operations revenues and expenditures from FY15-16 through FY18-19 Actual, FY19-20 Budget, and YTD as of March 31, 2020.

(amount in millions)	FY15-16	FY16-17	FY17-18	FY18-19	Budget FY19-20	YTD FY19-20
Revenues	10.2	9.7	10.3	11.4	12.1	8.2
Expenditures	12.0	9.8	10.8	11.4	12.1	8.2
Operating Margin	(1.8)	(0.1)	(0.5)	-	-	-
Operating Margin without Encumbrances	(1.8)	(0.0)	(0.3)	0.4	-	0.2

- **Water Operations** – Water Operations includes Utility Billing, Water Conservation, and Water Operations. Revenues from Water Operations through the month of March totaled \$10.3 million. Water Operations expenditures, including outstanding encumbrances, totaled \$11.7 million for the year. Without the encumbrances, however, the expenditures amounted to \$10.4 million. The table below shows Water Operations revenues and expenditures from FY15-16 through FY18-19 Actual, FY19-20 Budget, and YTD as of March 31, 2020.

(amount in millions)	FY15-16	FY16-17	FY17-18	FY18-19	Budget FY19-20	YTD FY19-20
Revenues	8.5	10.9	13.0	14.2	14.8	10.3
Expenditures	9.7	11.2	12.1	14.3	15.2	11.7
Operating Margin	(1.2)	(0.3)	0.9	(0.1)	(0.4)	(1.4)
Operating Margin without Encumbrances	(1.2)	(0.1)	1.4	0.8	(0.4)	(0.1)

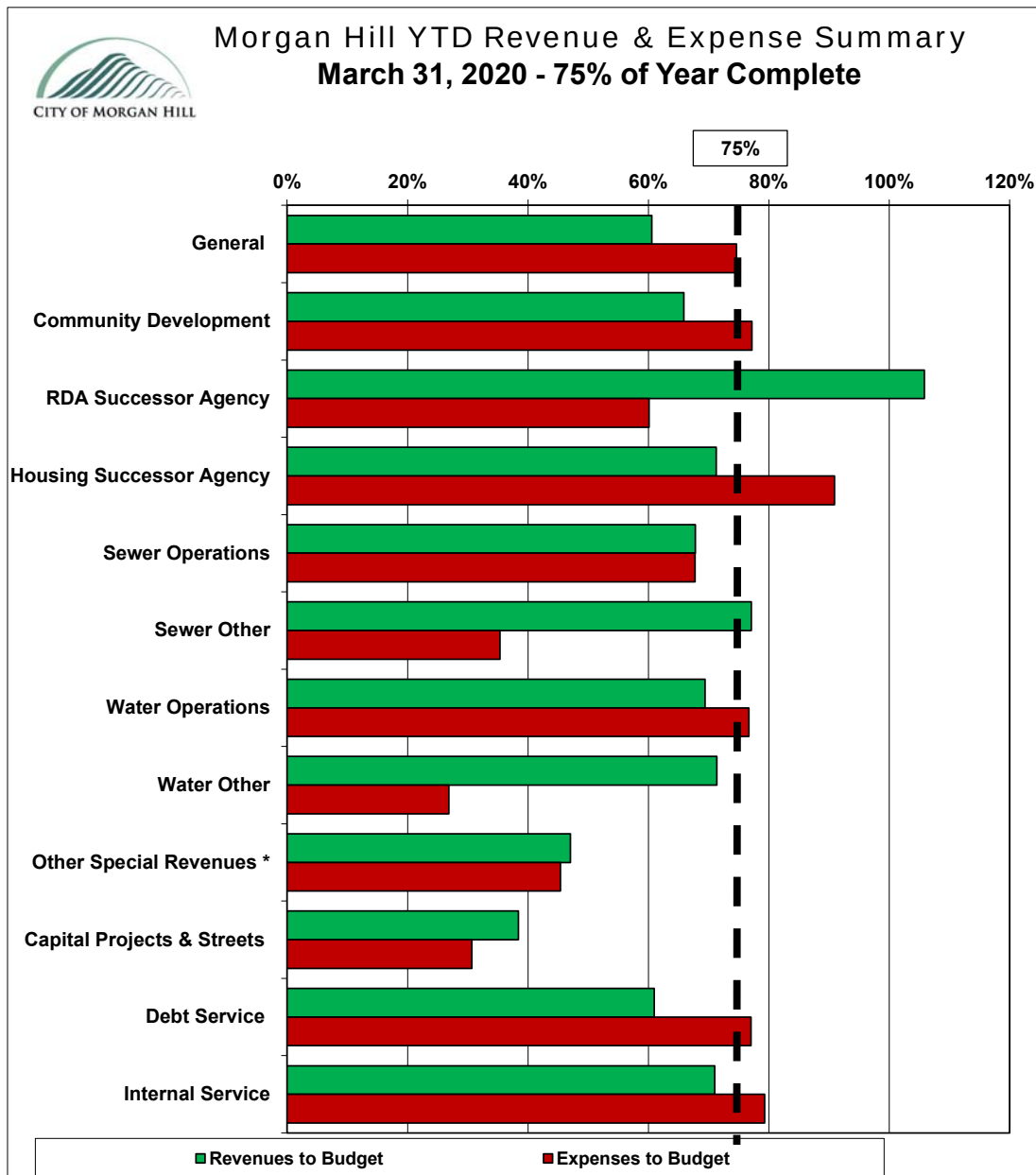
- **Investments** – Three securities were purchased, and five securities were called during the month of March 2020. Total interest earnings received on investments were \$124,000 during the month.

CITY OF MORGAN HILL
Monthly Financial and Investment Reports
March 31, 2020 - 75% of Year Complete



CITY OF MORGAN HILL

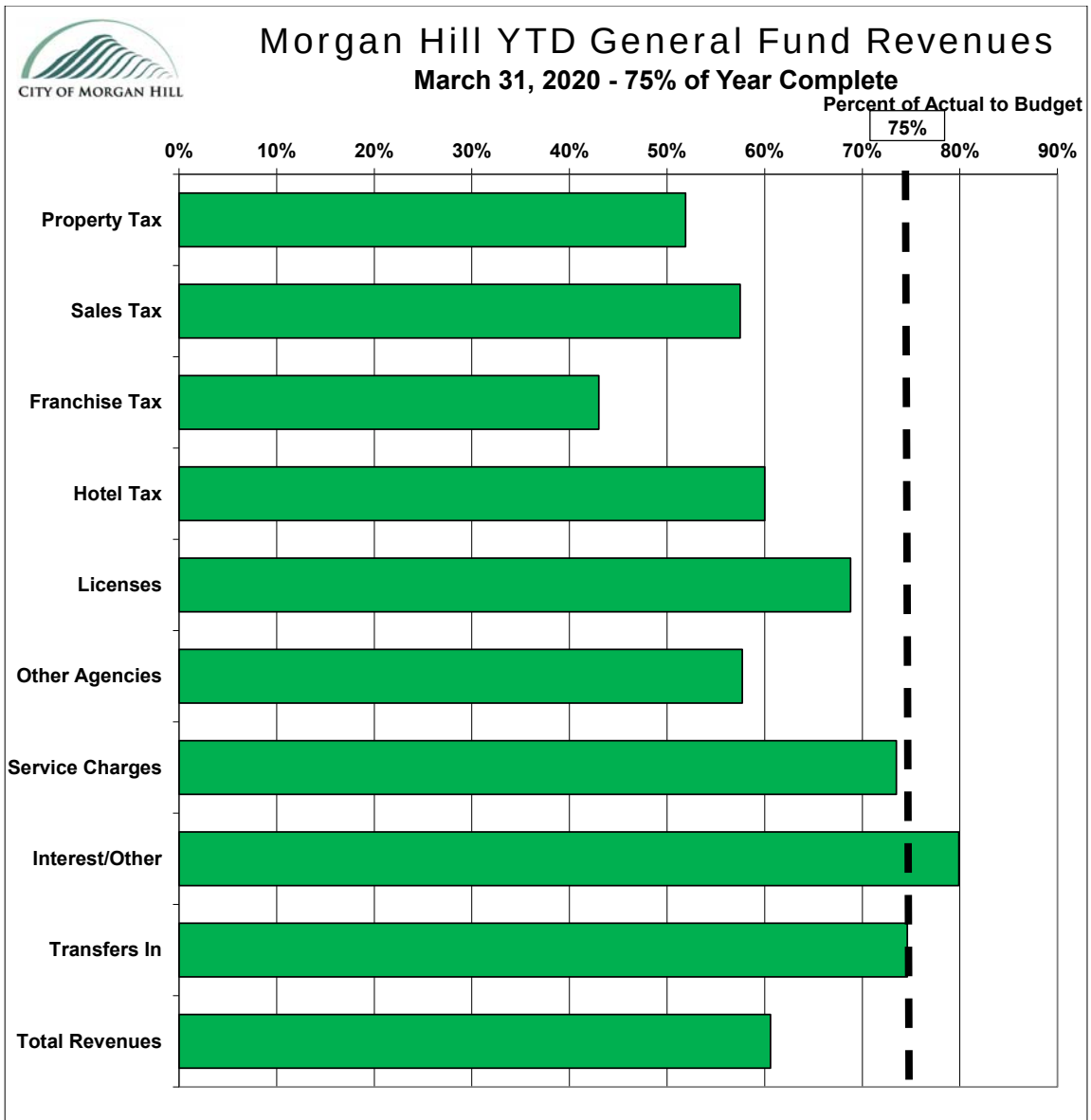
Prepared by:
FINANCE DIVISION



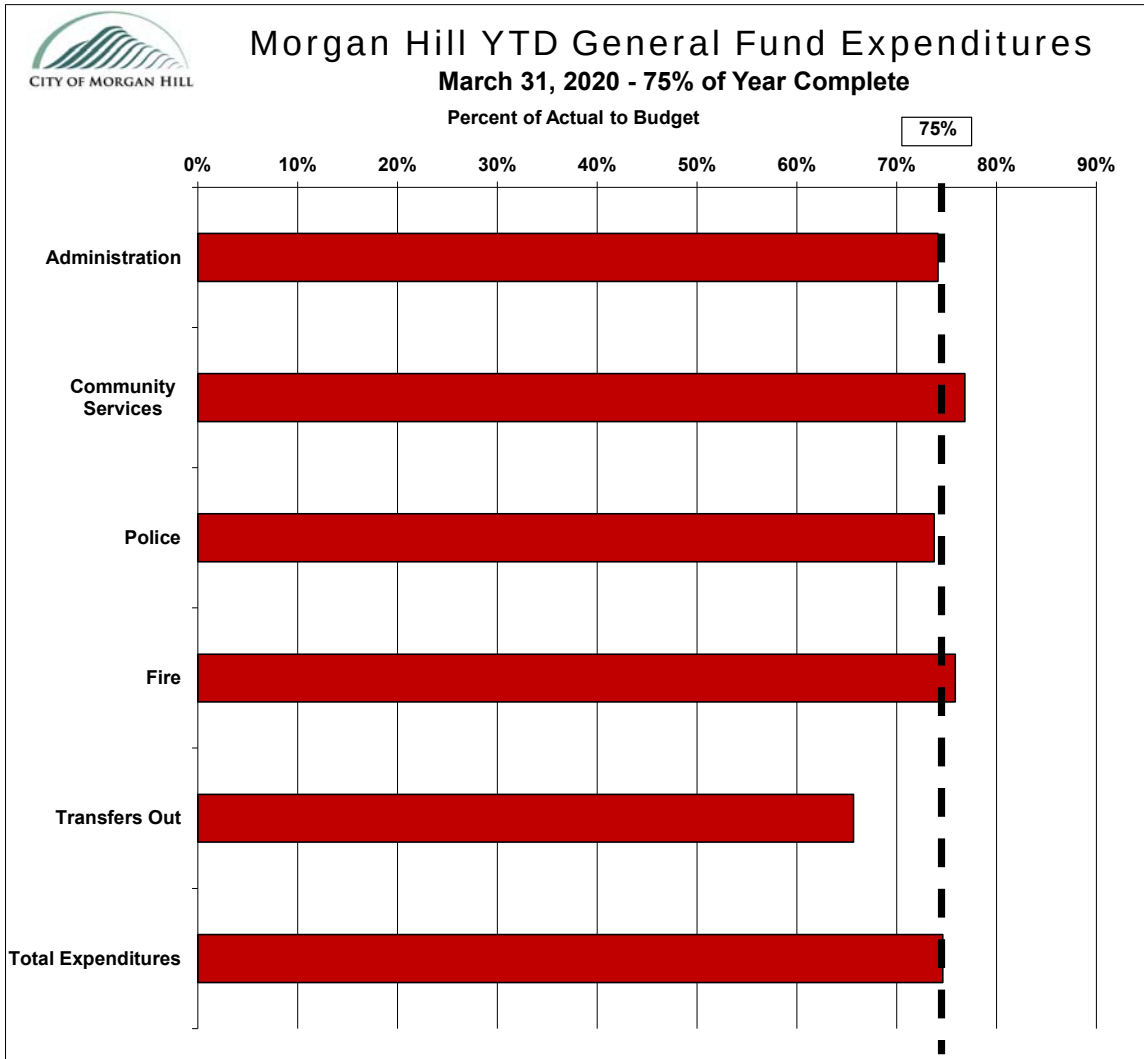
FUND NAME	REVENUES		EXPENSES	
	ACTUAL	% OF BUDGET	ACTUAL PLUS ENCUMBRANCES	% OF BUDGET
General	\$ 26,151,177	61%	\$ 32,844,948	75%
Community Development	3,468,147	66%	4,694,852	77%
RDA Successor Agency	7,341,300	106%	4,190,979	60%
Housing Successor Agency	394,555	71%	850,693	91%
Sewer Operations	8,217,755	68%	8,189,893	68%
Sewer Other	6,135,567	77%	8,382,352	35%
Water Operations	10,255,906	69%	11,653,591	77%
Water Other	3,818,773	71%	1,615,177	27%
Other Special Revenues *	1,891,871	47%	1,921,062	45%
Capital Projects & Streets	9,209,334	38%	19,897,817	31%
Debt Service	413,235	61%	533,425	77%
Internal Service	8,501,272	71%	9,174,564	79%
TOTAL FOR ALL FUNDS	\$ 85,798,891	63%	\$ 103,949,353	53%

* Includes all Special Revenue Funds except Community Development, Street Funds, and RDA and Housing Successor Agencies.

Attachment: March 2020 Financial and Investment Report [Revision 2] (2719 : Accept March 2020 Financial and Investment Report)



REVENUE CATEGORY	BUDGET	ACTUAL	% OF BUDGET	PRIOR YEAR TO DATE	% CHANGE FROM PRIOR YEAR
Property Tax	\$ 13,082,377	\$ 6,795,277	52%	\$ 6,726,120	1%
Sales Tax	10,476,000	6,027,850	58%	6,638,054	-9%
Franchise Tax	2,319,566	997,324	43%	955,035	4%
Hotel Tax	3,080,880	1,849,056	60%	1,839,181	1%
Licenses	206,940	142,446	69%	204,718	-30%
Other Agencies	417,789	240,964	58%	886,182	-73%
Service Charges	10,267,724	7,543,432	74%	7,278,332	4%
Interest/Other	1,471,324	1,176,092	80%	1,246,793	-6%
Transfers In	1,847,658	1,378,737	75%	1,211,217	14%
TOTAL REVENUES	\$ 43,170,258	\$ 26,151,177	61%	\$ 26,985,630	-3%



EXPENDITURE CATEGORY	BUDGET	ACTUAL PLUS ENCUMBRANCES	% OF BUDGET	PRIOR YTD PLUS ENCUMBRANCES	% CHANGE FROM PRIOR YEAR
Administration	\$ 4,835,112	\$ 3,585,397	74%	\$ 3,660,689	-2%
Community Services	12,689,427	9,748,095	77%	9,027,417	8%
Police	17,387,361	12,822,632	74%	12,311,595	4%
Fire	6,961,396	5,281,826	76%	5,126,963	3%
Transfers Out	2,142,463	1,406,997	66%	1,365,777	3%
TOTAL EXPENDITURES	\$ 44,015,759	\$ 32,844,948	75%	\$ 31,492,441	4%

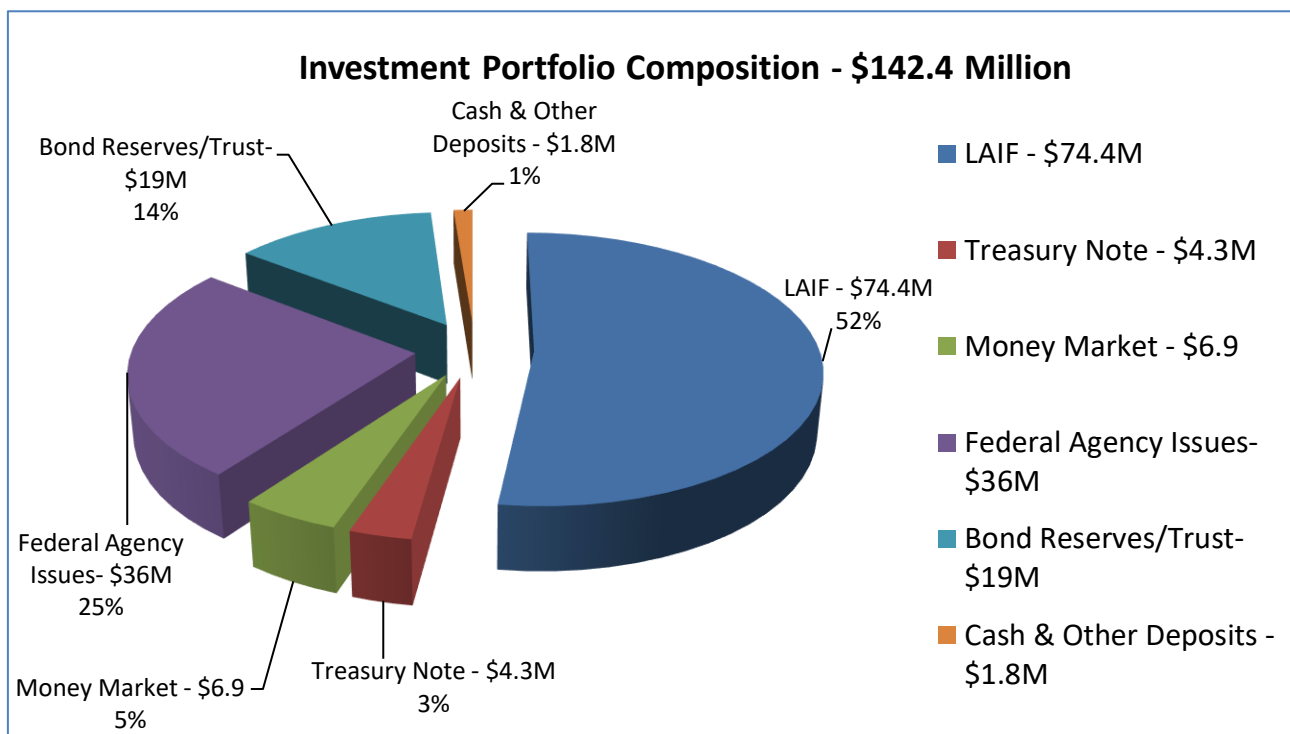


**City of Morgan Hill
Recreation Report - Fiscal Year 2019-20
For the Month and Nine Months Ended March 31, 2020
75% of Year Complete**

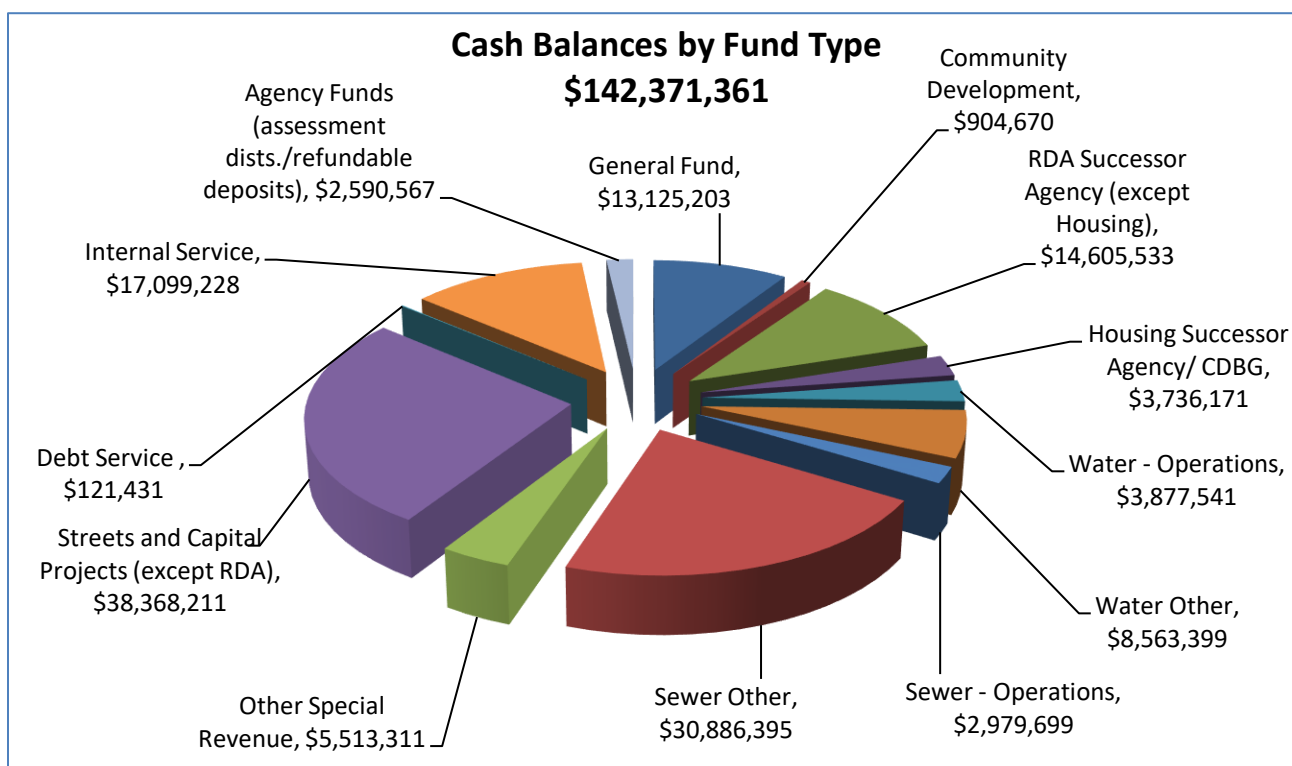
	<u>Budget</u>	<u>March 2020</u>	<u>YTD</u>	<u>% of Budget</u>
Revenues				
Membership Services & Rec Programs	\$ 6,426,631	\$ 422,962	\$ 4,667,703	
Facility Rentals	915,330	38,992	711,542	
Community Services	149,705	4,641	77,002	
Transfers in	75,000	6,250	56,250	
Total Revenues	<u>\$ 7,566,666</u>	<u>\$ 472,845</u>	<u>\$ 5,512,497</u>	73%
Less: Expenditures				
Membership & Program Services	\$ 6,371,297	\$ 755,633	\$ 4,609,109	
Facility Rentals	1,356,318	99,998	989,799	
Community Services	648,407	57,198	459,697	
Total Expenditures	<u>\$ 8,376,023</u>	<u>\$ 912,828</u>	<u>\$ 6,058,605</u>	72%
Net Impact without encumbrances	<u>\$ (809,357)</u>	<u>\$ (439,983)</u>	<u>\$ (546,108)</u>	
Encumbrances	-	-	620,645	
Net Impact with encumbrances	<u>\$ (809,357)</u>	<u>\$ (439,983)</u>	<u>\$ (1,166,753)</u>	

City of Morgan Hill Monthly Investment Report - March 31, 2020

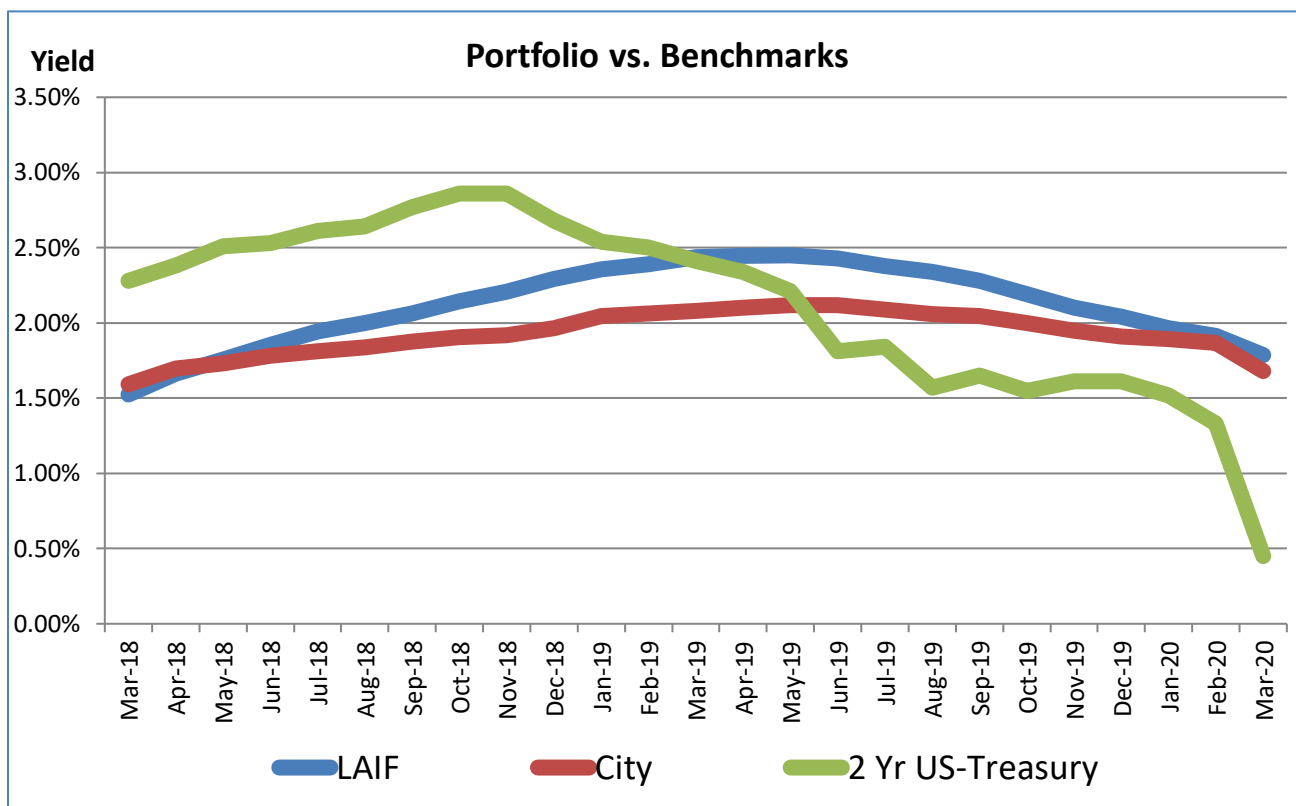
The following are the snapshots of City's investment portfolio as of March 31, 2020. The first chart shows the portfolio composition by investment type:



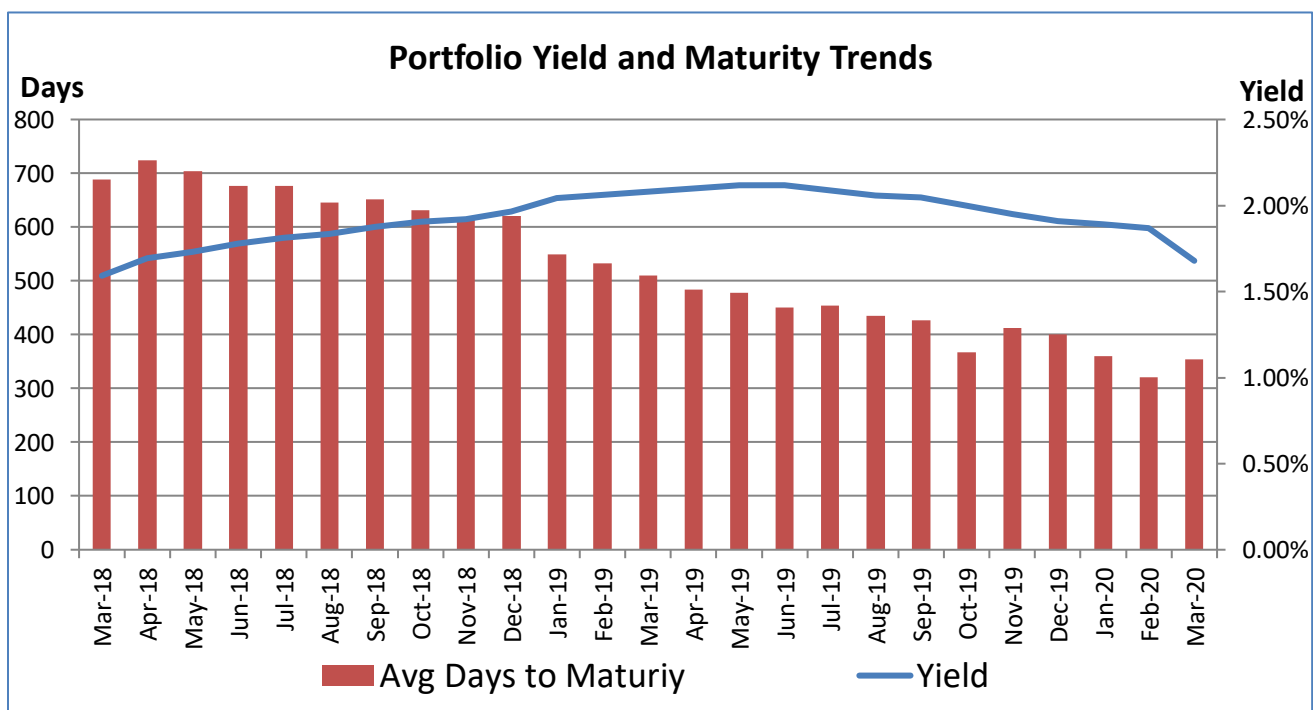
The chart below shows cash balances by fund type reconciled to City's financial system:



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



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





City of Morgan Hill
Investment Portfolio Detail
As of March 31, 2020

Investment Type	Settlement Date	Book Value	% of Portfolio	Market Value	YTM at Cost	Next Call Date	Date of Maturity
L A I F		\$ 74,340,762	52.22%	\$ 74,896,906	1.79%		
City Managed							
Fed Natn'l Mortgage Assn	8/25/2016	4,000,000	2.81%	4,044,480	1.40%	8/25/2020	8/25/2021
Fed Home Loan Mortgage	10/27/2016	4,000,000	2.81%	4,003,400	1.60%	4/27/2020	10/27/2021
Fed Natn'l Mortgage Assn	10/28/2016	4,000,000	2.81%	4,003,480	1.55%	4/28/2020	10/28/2021
Fed Home Loan Mortgage	10/28/2016	2,000,000	1.40%	2,001,780	1.65%	4/28/2020	10/28/2021
Fed Home Loan Mortgage	11/23/2016	4,000,000	2.81%	4,006,760	1.63%	5/23/2020	11/23/2021
Treasury Note	4/30/2018	4,345,673	3.28%	4,663,125	2.73%	3/31/2023	3/31/2023
Fed Home Loan Mortgage	7/10/2019	3,000,000	2.11%	3,011,070	2.15%	7/2/2020	7/2/2024
Fed Farm Credit BKS	11/5/2019	3,000,000	2.11%	3,022,380	2.00%	11/5/2020	11/5/2024
Fed Farm Credit BKS	12/13/2019	2,998,591	2.11%	3,026,790	1.90%	12/27/2020	11/27/2024
Fed Farm Credit BKS	3/17/2020	3,000,000	2.11%	3,006,690	1.13%	3/17/2021	3/17/2025
Fed Farm Credit BKS	3/24/2020	2,000,000	1.40%	2,007,140	1.00%	3/24/2021	3/24/2023
Fed Farm Credit BKS	3/25/2020	3,000,000	2.11%	2,994,390	1.20%	3/25/2021	3/25/2025
Fed Home Loan Mortgage	1/18/2019	999,948	0.70%	1,001,300	2.59%	4/23/2020	4/23/2020
Sub Total/Average		\$ 40,344,211	28.56%	\$ 40,792,785	1.64%		
Money Market		\$ 6,944,493	4.88%	\$ 6,944,493	0.23%		
Total City Managed/Average		\$ 121,629,466	85.66%	\$ 122,634,184	1.65%		
Bond Reserve Accounts - Held By Trustees		\$ 15,580,666	10.94%	\$ 15,580,666			
Cash/Deposits		\$ 1,773,825	1.25%	\$ 1,773,825			
PARS Trust		\$ 3,387,404	2.38%	\$ 3,465,231			
GRAND TOTAL/AVERAGE		\$ 142,371,361	100%	\$ 143,453,906			

Attachment: March 2020 Financial and Investment Report [Revision 2] (2719 : Accept March 2020 Financial and Investment Report)



CITY OF MORGAN HILL CASH AND INVESTMENT REPORT
FOR THE MONTH OF MARCH 31, 2020
FOR THE FISCAL YEAR OF 2019-20

	Invested in Fund	Yield	Book Value End of Month	% of Total	Market Value
Investments					
State Treasurer LAIF - City	All Funds Pooled	1.79%	\$ 71,808,462	50.44%	\$ 72,345,663
2015 Wastewater Rev Bonds - CIP	Wastewater Fund	1.79%	2,532,299	1.78%	2,551,243
Federal Issues	All Funds Pooled	1.58%	35,998,539	25.28%	36,129,660
US Treasury Notes	All Funds Pooled	2.73%	4,345,673	3.05%	4,663,125
Dreyfus Treas Cash Management Acct	All Funds Pooled	0.23%	6,944,493	4.88%	6,944,493
	SUBTOTAL		\$ 121,629,466	85.43%	\$ 122,634,184
Bond Reserve Accounts - held by trustees					
Zions Bank - Civic Center/Library Facility					
Blackrock Liq Fund	Debt Service	0.12%	200	0.00%	200
Zions Bank - MH Police Facility Lease Revenue Bonds					
Blackrock Liq Fund	Debt Service	0.12%	255	0.00%	255
BNY - RDA Bonds					
Dreyfus Cash Mgmt 521	Successor Fund	1.46%	14,414,199	10.12%	14,414,199
Zions Bank - MH Ranch 2015					
Blackrock Liq Funds Fed Fund -DI -2015	Agency Fund	0.12%	586,485	0.41%	586,485
Zions Bank - Madrone Bus Park Taxable/ Tax Exempt 2015					
Blackrock Liquidity Temp Fund-2015	Agency Fund	0.12%	579,527	0.41%	579,527
	SUBTOTAL		15,580,666	10.94%	15,580,666
Other Cash/Deposits					
General Checking	All Funds		1,736,713	1.22%	1,736,713
Workers' Comp Administrators	Workers' Comp		30,000	0.02%	30,000
Petty Cash & Emergency Cash	General Fund		7,112	0.00%	7,112
PARS - OPEB Trust			2,187,404	1.54%	2,219,030
PARS - PENSION Trust			1,200,000	0.84%	1,246,202
	SUBTOTAL		5,161,229	3.63%	5,239,056
Total Cash and Investments			\$ 142,371,361	100.00%	\$ 143,453,906

CASH ACTIVITY SUMMARY
FY 2019-20

Fund Type	07/1/19 Balance	Change in Cash Balance	3/31/2020 Balance
General Fund	\$ 16,094,062	\$ (2,968,859)	\$ 13,125,203
Community Development	2,835,370	(1,930,700)	904,670
RDA Successor Agency (except Housing)	10,774,671	3,830,862	14,605,533
Housing Successor Agency/ CDBG	4,065,899	(329,728)	3,736,171
Water - Operations	2,862,753	1,014,788	3,877,541
Water Other	6,212,393	2,351,007	8,563,399
Sewer - Operations	1,677,931	1,301,768	2,979,699
Sewer Other	31,500,213	(613,818)	30,886,395
Other Special Revenue	5,130,146	383,166	5,513,311
Streets and Capital Projects (except RDA)	43,758,217	(5,390,006)	38,368,211
Debt Service	240,894	(119,463)	121,431
Internal Service	15,531,375	1,567,853	17,099,228
Agency Funds (assessment dists./refundable deposits)	4,307,504	(1,716,937)	2,590,567
Total	\$ 144,991,427	\$ (2,620,066)	\$ 142,371,361

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

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

Prepared by: 
 Gina Nazareno, Senior Accountant

Approved by:

Reviewed by: 
 Dat Nguyen, Finance Director

David Clink, Treasurer



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2019-20
For the Nine Months Ended March 31, 2020
75% of Year Complete

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
010 GENERAL FUND							
TAXES							
Property Tax - Secured/Unsecured	\$ 11,189,507	\$ 11,189,507	\$ 6,014,011	54%	\$ 5,835,800	\$ 178,211	3%
Property Tax - RPTTF Residual Distribution	1,573,610	1,573,610	673,465	43%	704,304	(30,839)	-4%
Property Tax - Supplemental Roll	319,260	319,260	107,801	34%	186,016	(78,214)	-42%
Sales Tax	10,091,000	10,091,000	5,802,380	58%	6,382,219	(579,840)	-9%
Public Safety Sales Tax	385,000	385,000	225,470	59%	255,835	(30,364)	-12%
Transient Occupancy Taxes	3,080,880	3,080,880	1,849,056	60%	1,839,181	9,875	1%
Franchise (Refuse, Cable, PG&E)	2,319,566	2,319,566	997,324	43%	955,035	42,289	4%
Property Transfer Tax	515,000	515,000	334,086	65%	345,464	(11,378)	-3%
TOTAL TAXES	29,473,823	29,473,823	16,003,592	54%	16,503,853	(500,261)	-3%
LICENSES/PERMITS							
Business License	202,000	202,000	136,510	68%	199,762	(63,253)	-32%
Other Permits	4,940	4,940	5,936	120%	4,956	980	20%
TOTAL LICENSES/PERMITS	206,940	206,940	142,446	69%	204,718	(62,272)	-30%
FINES AND PENALTIES							
Parking Enforcement	8,500	8,500	2,756	32%	7,316	(4,560)	-62%
Bails & Fines	73,645	73,645	36,341	49%	65,636	(29,295)	-45%
Administrative Citations	9,785	9,785	95,106	972%	40,563	54,543	134%
TOTAL FINES AND PENALTIES	91,930	91,930	134,203	146%	113,515	20,688	18%
OTHER AGENCIES							
Motor Vehicle in-Lieu	24,652	24,652	36,203	147%	21,366	14,836	69%
Other Revenue - Other Agencies	403,389	417,789	240,964	58%	886,182	(645,218)	-73%
TOTAL OTHER AGENCIES	428,041	442,441	277,167	63%	907,548	(630,381)	-69%
CHARGES CURRENT SERVICES							
Police False Alarm Charge	33,990	33,990	19,937	59%	27,845	(7,907)	-28%
Business License Application Review	36,000	36,000	29,538	82%	34,714	(5,176)	-15%
Membership Services & Rec Programs	6,426,631	6,426,631	4,667,703	73%	4,721,784	(54,081)	-1%
Facility Rentals	915,330	915,330	711,542	78%	722,737	(11,195)	-2%
Community Services	149,705	149,705	77,002	51%	81,591	(4,589)	-6%
General Administration Overhead	1,795,198	1,795,198	1,343,565	75%	1,279,584	63,981	5%
Other Charges Current Services	910,870	910,870	694,144	76%	410,077	284,067	69%
TOTAL CURRENT SERVICES	10,267,724	10,267,724	7,543,432	73%	7,278,332	265,100	4%
OTHER REVENUE							
Use of money/property	517,900	517,900	375,105	72%	302,299	72,806	24%
Other Revenues	311,842	321,842	296,496	92%	464,149	(167,653)	-36%
TOTAL OTHER REVENUE	829,742	839,742	671,601	80%	766,448	(94,847)	-12%
TRANSFERS IN							
One Time Transfer	180,000	180,000	134,991	75%	-	134,991	0%
Public Safety	100,000	100,000	100,000	100%	100,000	-	0%
Fire Impact	-	25,000	25,000	100%	-	25,000	0%
Streets	738,968	738,968	515,971	70%	512,150	3,822	1%
Police Impact	25,000	25,000	18,747	75%	18,747	-	n/a
Sewer Operations	351,845	351,845	263,889	75%	262,035	1,854	1%
Water Operations	351,845	351,845	263,889	75%	262,035	1,854	1%
Park Development	75,000	75,000	56,250	75%	56,250	-	n/a
TOTAL TRANSFERS IN	1,822,658	1,847,658	1,378,737	75%	1,211,217	167,521	14%
TOTAL GENERAL FUND	43,120,858	43,170,258	26,151,177	61%	26,985,630	(834,453)	-3%
SPECIAL REVENUE FUNDS							
202 STREET MAINTENANCE							
Gas Tax 2105 - 2107.5	738,968	738,968	479,489	65%	454,711	24,778	5%
Interest / Other Revenue/Other Charges	-	-	2,229	n/a	1,913	316	17%
202 STREET MAINTENANCE	738,968	738,968	481,719	65%	456,624	25,094	5%

Attachment: March 2020 Financial and Investment Report [Revision 2] (2719 : Accept March 2020 Financial and Investment Report)



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2019-20
For the Nine Months Ended March 31, 2020
75% of Year Complete

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
SPECIAL REVENUE FUNDS							
205 PUBLIC SAFETY TRUST							
Interest Income	135	135	1,146	849%	729	416	57%
Police Grant/SLEF/JAG	100,000	100,000	105,948	106%	98,747	7,201	7%
205 PUBLIC SAFETY TRUST	100,135	100,135	107,093	107%	99,476	7,618	8%
206 DEVELOPMENT SERVICES							
Building Fees	3,275,864	3,275,864	2,076,302	63%	1,988,167	88,135	4%
Planning Fees	1,476,912	1,476,912	928,341	63%	1,558,696	(630,355)	-40%
Engineering Fees	495,977	495,977	420,370	85%	385,813	34,557	9%
Other Revenue/Current Charges	14,682	14,682	43,134	294%	35,887	7,247	20%
206 DEVELOPMENT SERVICES	5,263,435	5,263,435	3,468,147	66%	3,968,562	(500,415)	-13%
207 LONG RANGE PLANNING	736,371	896,371	511,399	57%	536,083	(24,683)	-5%
215 and 216 HCD BLOCK GRANT							
Interest Income/Other Revenue	3,660	3,660	779	21%	712	67	9%
215 and 216 HCD BLOCK GRANT	3,660	3,660	779	21%	712	67	9%
225 ASSET SEIZURE	2,227	2,227	17,523	787%	32,776	(15,253)	-47%
229 LIGHTING AND LANDSCAPE	189,158	189,158	97,564	52%	99,401	(1,837)	-2%
230 COMMUNITY FACILITIES DISTRICT	44,504	44,504	24,897	56%	34,302	(9,405)	-27%
232 ENVIRONMENTAL PROGRAMS	409,843	409,843	324,981	79%	336,692	(11,712)	-3%
234 MOBILE HOME PARK RENT STAB.	873	873	6,324	724%	9,039	(2,715)	-30%
235 SENIOR HOUSING	4,462	4,462	2,801	63%	2,343	457	20%
236 HOUSING MITIGATION	2,336,690	2,336,690	780,468	33%	1,150,096	(369,628)	-32%
240 EMPLOYEE ASSISTANCE	29,256	29,256	15,147	52%	17,130	(1,983)	-12%
247 ENVIRONMENT REMEDIATION	2,824	2,824	2,896	103%	1,413	1,483	105%
250 COMH-SUCCESSOR AGENCY-MHRDA	6,935,750	6,935,750	7,341,300	106%	11,982,742	(4,641,443)	-39%
255 HOUSING SUCCESSOR AGENCY	553,622	553,622	394,555	71%	213,139	181,416	85%
TOTAL SPECIAL REVENUE FUNDS	17,351,779	17,511,779	13,577,592	78%	18,940,530	(5,362,938)	-28%
CAPITAL PROJECTS FUNDS							
301 PARK DEVELOPMENT	2,647,562	5,749,222	1,086,439	19%	1,634,501	(548,062)	-34%
302 PARK MAINTENANCE	1,371,696	1,371,696	349,893	26%	748,719	(398,826)	-53%
303 LOCAL DRAINAGE	1,652,576	1,652,576	714,757	43%	631,995	82,762	13%
304 LOCAL DRAINAGE/NON AB1600	83,498	83,498	19,000	23%	142,335	(123,335)	-87%
306 AGRICULTURE & OPEN SPACE PRESERVATION	3,420,324	3,420,324	845,927	25%	2,005,887	(1,159,961)	-58%
308 STREET CIP	5,068,938	5,068,938	2,968,142	59%	2,191,580	776,562	35%
309 TRAFFIC IMPACT	1,283,196	1,283,196	911,274	71%	4,349,952	(3,438,678)	-79%
311 POLICE IMPACT	295,109	295,109	181,847	62%	242,280	(60,433)	-25%
313 FIRE IMPACT	469,220	469,220	98,712	21%	267,956	(169,244)	-63%
346 PUBLIC FACILITIES NON-AB1600	630,420	630,420	177,100	28%	135,104	41,996	31%
347 PUBLIC FACILITIES IMPACT	221,932	221,932	181,515	82%	172,211	9,304	5%
348 LIBRARY	936,224	936,224	399,098	43%	657,683	(258,586)	-39%
350 UNDERGROUNDING	50,079	50,079	10,557	21%	141,905	(131,348)	-93%
355 SCHOOL PEDESTRIAN/TRAFFIC SAFETY	656,864	656,864	87,472	13%	35,649	51,823	145%
360 COMMUNITY/REC IMPACT FUND	1,359,693	1,359,693	695,883	51%	882,921	(187,038)	-21%
TOTAL CAPITAL PROJECTS FUNDS	20,147,331	23,248,991	8,727,615	38%	14,240,679	(5,513,063)	-39%
DEBT SERVICE FUNDS							
420 CIVIC CENTER DEBT	301,874	301,874	226,022	75%	223,813	2,209	1%
441 POLICE FACILITY BOND	376,090	376,090	187,214	50%	374,577	(187,364)	-50%
TOTAL DEBT SERVICE FUNDS	677,964	677,964	413,235	61%	598,390	(185,155)	-31%

Attachment: March 2020 Financial and Investment Report [Revision 2] (2719 : Accept March 2020 Financial and Investment Report)



City of Morgan Hill
Year to Date Revenues - Fiscal Year 2019-20
For the Nine Months Ended March 31, 2020
75% of Year Complete

FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% CHANGE
ENTERPRISE FUNDS							
640 SEWER OPERATION							
Sewer Service Fees	11,746,083	11,746,083	7,443,501	63%	6,924,823	518,678	7%
Interest Income/Transfers	43,166	43,166	44,670	103%	21,657	23,012	106%
Other Revenue/Current Charges	328,660	328,660	729,584	222%	761,978	(32,394)	-4%
640 SEWER OPERATION	12,117,909	12,117,909	8,217,755	68%	7,708,458	509,296	7%
641 SEWER EXPANSION							
Interest Income	253,972	253,972	243,261	96%	184,919	58,343	32%
Development Impact Fee	4,801,041	4,801,041	3,573,800	74%	4,030,261	(456,461)	-11%
Transfers/Other	-	-	-	n/a	-	-	0%
641 SEWER EXPANSION	5,055,013	5,055,013	3,817,061	76%	4,215,180	(398,118)	-9%
642 SEWER RATE STABILIZATION	52,262	52,262	32,164	62%	26,924	5,240	19%
643 SEWER-CAPITAL PROJECT	2,853,531	2,853,531	2,286,342	80%	2,158,394	127,948	6%
TOTAL SEWER FUNDS	20,078,715	20,078,715	14,353,321	71%	14,108,956	244,366	2%
650 WATER OPERATION							
Water Sales	13,400,000	13,400,000	9,204,291	69%	8,384,712	819,579	10%
Meter Install & Service	125,500	125,500	11,928	10%	114,741	(102,813)	-90%
Transfers-In / Interest Income	478,039	478,039	362,966	76%	335,508	27,458	8%
Other Revenue/Current Charges	776,961	776,961	676,720	87%	718,748	(42,028)	-6%
650 WATER OPERATION	14,780,500	14,780,500	10,255,906	69%	9,553,709	702,197	7%
651 WATER EXPANSION							
Interest Income/Other Revenue/Transfer	73,821	73,821	31,423	43%	30,072	1,351	4%
Development Impact Fee	1,452,925	1,452,925	889,540	61%	1,219,271	(329,731)	-27%
651 WATER EXPANSION	1,526,746	1,526,746	920,964	60%	1,249,343	(328,379)	-26%
652 Water Rate Stabilization	11,107	11,107	21,586	194%	5,760	15,827	275%
653 Water Capital Project	3,812,288	3,812,288	2,876,223	75%	1,910,648	965,576	51%
TOTAL WATER FUNDS	20,130,641	20,130,641	14,074,679	70%	12,719,459	1,355,220	11%
TOTAL ENTERPRISE FUNDS	40,209,356	40,209,356	28,428,000	71%	26,828,415	1,599,585	6%
INTERNAL SERVICE FUNDS							
730 INFORMATION SYSTEMS	1,783,719	1,783,719	1,357,548	76%	1,417,158	(59,610)	-4%
740 BUILDING MAINTENANCE	3,258,548	3,258,548	2,413,502	74%	2,528,471	(114,968)	-5%
741 BUILDING REPLACEMENT	831,677	831,677	599,106	72%	573,326	25,780	4%
745 CIP ADMINISTRATION	1,871,909	1,871,909	1,240,478	66%	1,020,491	219,987	22%
760 UNEMPLOYMENT INSURANCE	2,898	2,898	1,691	58%	1,641	50	3%
770 WORKERS COMPENSATION	800,422	800,422	609,853	76%	617,346	(7,493)	-1%
790 EQUIPMENT REPLACEMENT	1,052,269	1,119,217	881,585	79%	885,064	(3,479)	0%
791 EMPLOYEE BENEFITS	1,229,852	1,229,852	593,240	48%	568,473	24,766	4%
795 GENERAL LIABILITY INSURANCE	1,076,586	1,076,586	804,269	75%	764,504	39,765	5%
TOTAL INTERNAL SERVICE FUNDS	11,907,880	11,974,828	8,501,272	71%	8,376,475	124,797	1%
TOTAL FOR ALL FUNDS	\$ 133,415,168	\$ 136,793,176	\$ 85,798,891	63%	\$ 95,970,119	\$ (10,171,228)	-11%

Attachment: March 2020 Financial and Investment Report [Revision 2] (2719 : Accept March 2020 Financial and Investment Report)



City of Morgan Hill
Year to Date Expenses - Fiscal Year 2019-20
For the Month and Nine Months Ended March 31, 2020
75% of Year Complete

FUND NO.	FUND/ACTIVITY	CURRENT MONTH ACTUAL EXPENSES	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET	PRIOR YTD
010 GENERAL FUND								
I. ADMINISTRATION								
	CITY COUNCIL	\$ 7,688	\$ 336,684	\$ 337,765	\$ 25,000	\$ 362,765	108%	\$ 25,000
	CITY ATTORNEY	59,638	763,698	557,325	65,620	622,944	82%	46,000
	CITY MANAGER	42,963	580,167	355,761	61,027	416,788	72%	30,000
	HUMAN RESOURCES	48,882	751,908	527,352	-	527,352	70%	60,000
	COUNCIL SVCS & RECORDS MGMT							
	Council Svcs & Records Mgmt	43,763	601,560	452,294	6,131	458,425	76%	42,000
	Elections	1,808	178,037	53,131	-	53,131	30%	13,000
	COUNCIL SVCS & RECORDS MGMT	45,571	779,597	505,425	6,131	511,556	66%	55,000
	FINANCE	68,288	1,623,059	1,132,196	11,797	1,143,993	70%	1,200,000
	TOTAL ADMINISTRATION	273,031	4,835,112	3,415,823	169,574	3,585,397	74%	3,390,000
II. COMMUNITY SERVICES								
	Membership Services & Rec. Programs	755,633	6,371,297	4,609,109	530,764	5,139,873	81%	4,530,000
	Recreation Facility Rentals	99,998	1,356,318	989,799	16,458	1,006,257	74%	99,000
	Community Services	57,198	648,407	459,697	73,424	533,120	82%	44,000
	Environmental Services	19,777	293,918	168,995	-	168,995	57%	16,000
	Street Maintenance	240,267	2,386,836	1,680,270	19,465	1,699,735	71%	1,740,000
	Downtown Maintenance	34,955	321,475	237,658	28,837	266,495	83%	24,000
	Cable Television	1,740	22,594	16,576	-	16,576	73%	1,000
	COMMUNITY SERVICES	1,209,567	11,400,845	8,162,104	668,947	8,831,051	77%	8,130,000
	CODE COMPLIANCE	12,355	160,943	117,019	-	117,019	73%	11,000
	INFRASTRUCTURE PLANNING & CONGESTION MGMT	21,480	318,537	233,285	-	233,285	73%	4,000
	ECONOMIC DEVELOPMENT PROGRAMS	55,412	809,102	502,745	63,995	566,740	70%	53,000
	TOTAL COMMUNITY SERVICES	1,298,815	12,689,427	9,015,153	732,942	9,748,095	77%	8,810,000
III. PUBLIC SAFETY								
	POLICE							
	PD Administration	89,681	1,300,288	952,253	192	952,445	73%	1,020,000
	Field Operations	667,000	9,094,915	6,587,778	125,644	6,713,421	74%	6,450,000
	Support Services	174,912	2,318,572	1,662,183	-	1,662,183	72%	1,640,000
	Emergency Services/Haz Mat	12,665	210,041	139,505	-	139,505	66%	12,000
	Special Operations	194,708	2,747,543	1,948,616	62,348	2,010,964	73%	1,630,000
	Dispatch Services	132,304	1,716,002	1,344,115	-	1,344,115	78%	1,200,000
	POLICE	1,271,270	17,387,361	12,634,449	188,183	12,822,632	74%	12,070,000
	FIRE	510,259	6,961,396	5,206,646	75,180	5,281,826	76%	5,020,000
	TOTAL PUBLIC SAFETY	1,781,529	24,348,758	17,841,095	263,363	18,104,458	74%	17,100,000
IV. TRANSFERS								
	Other	156,333	2,142,463	1,406,997	-	1,406,997	66%	1,360,000
	TOTAL TRANSFERS	156,333	2,142,463	1,406,997	-	1,406,997	66%	1,360,000
	TOTAL GENERAL FUND	3,509,707	44,015,759	31,679,068	1,165,880	32,844,948	75%	30,680,000

Attachment: March 2020 Financial and Investment Report [Revision 2] (2719 : Accept March 2020 Financial and Investment Report)



City of Morgan Hill
Year to Date Expenses - Fiscal Year 2019-20
For the Month and Nine Months Ended March 31, 2020
75% of Year Complete

FUND NO.	FUND/ACTIVITY	CURRENT MONTH ACTUAL EXPENSES	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET	PRIOR YTD
SPECIAL REVENUE FUNDS								
202	STREET MAINTENANCE	377,319	743,072	519,049	-	519,049	70%	71%
205	PUBLIC SAFETY/SUPP.LAW	8,157	106,863	105,148	-	105,148	98%	10%
206	DEVELOPMENT SERVICES FUND							
	Planning	170,039	2,516,024	1,587,179	94,746	1,681,925	67%	1,62%
	Building	168,431	2,098,505	1,452,405	157,238	1,609,642	77%	1,35%
	Engineering	120,193	1,469,242	1,096,007	307,278	1,403,285	96%	98%
206	DEVELOPMENT SERVICES FUND	458,662	6,083,771	4,135,591	559,261	4,694,852	77%	3,96%
207	LONG RANGE PLANNING	73,466	1,106,774	399,517	272,924	672,441	61%	47%
215/216	CDBG	434	5,209	3,906	-	3,906	75%	-
225	ASSET SEIZURE	-	-	5,000	-	5,000	n/a	-
229	LIGHTING AND LANDSCAPE	10,906	206,031	125,198	22,980	148,178	72%	13%
230	COMMUNITY FACILITIES DISTRICT	1,275	46,979	24,092	-	24,092	51%	1%
232	ENVIRONMENT PROGRAMS	27,818	439,095	291,727	21,962	313,689	71%	28%
234	MOBILE HOME PARK	35	425	315	-	315	74%	-
236	HOUSING MITIGATION	(427,634)	2,285,207	483,306	141,413	624,719	27%	1,65%
240	EMPLOYEE ASSISTANCE	81	28,477	21,258	-	21,258	75%	-
247	ENVIRONMENTAL REMEDIATION	112	-	2,317	-	2,317	n/a	-
250	COMH-SUCCESSOR AGENCY-MHRDA	2,562	6,973,161	4,190,979	-	4,190,979	60%	11,29%
255	HOUSING SUCCESSOR AGENCY	71,215	935,845	742,360	108,333	850,693	91%	3,73%
TOTAL SPECIAL REVENUE FUNDS		604,408	18,960,909	11,049,762	1,126,873	12,176,635	64%	22,39%
CAPITAL PROJECT FUNDS								
301	PARK DEVELOPMENT	103,277	14,875,933	1,872,800	367,520	2,240,320	15%	36%
302	PARK MAINTENANCE	81,084	1,227,852	861,124	85,489	946,613	77%	81%
303	LOCAL DRAINAGE	66,802	2,924,734	306,619	239,939	546,557	19%	2,33%
304	LOCAL DRAIN. NON-AB1600	52,156	486,660	106,725	56,376	163,100	34%	-
306	AGRICULTURE & OPEN SPACE PRESERVATION	2,203	6,695,683	3,175,355	35,956	3,211,311	48%	2,85%
308	STREET CIP	31,616	8,456,398	4,570,906	284,507	4,855,413	57%	1,73%
309	TRAFFIC IMPACT	140,012	18,536,119	917,385	147,599	1,064,984	6%	5,03%
311	POLICE IMPACT	2,428	226,130	120,726	-	120,726	53%	22%
313	FIRE IMPACT	280	53,425	27,794	9,462	37,256	70%	3%
346	PUBLIC FAC.NON AB1600	614	930,930	87,283	165,721	253,004	27%	13%
347	PUBLIC FACILITIES IMPACT	2,330	177,688	101,659	11,418	113,077	64%	-
348	LIBRARY IMPACT	178,691	3,849,389	1,208,362	1,307,772	2,516,134	65%	47%
350	UNDERGROUNDING	90	1,075	810	-	810	75%	-
355	SCHOOL PEDESTRIAN & TRAFFIC SAFETY	9,885	2,190,266	273,377	22,786	296,163	14%	9%
360	COMM/REC CENTER IMPACT	319,780	3,521,478	865,218	2,148,081	3,013,299	86%	7%
TOTAL CAPITAL PROJECTS FUNDS		991,249	64,153,761	14,496,143	4,882,625	19,378,768	30%	14,18%
DEBT SERVICE FUNDS								
420	CIVIC CENTER DEBT	839	311,636	231,101	-	231,101	74%	22%
441	POLICE FACILITY BOND DEBT	320	380,552	302,324	-	302,324	79%	29%
TOTAL DEBT SERVICE FUNDS		1,159	692,188	533,425	-	533,425	77%	52%

Attachment: March 2020 Financial and Investment Report [Revision 2] (2719 : Accept March 2020 Financial and Investment Report)



City of Morgan Hill
 Year to Date Expenses - Fiscal Year 2019-20
 For the Month and Nine Months Ended March 31, 2020
 75% of Year Complete

FUND NO.	FUND/ACTIVITY	CURRENT MONTH ACTUAL EXPENSES	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT OF TOTAL TO BUDGET	PRIOR YTD
ENTERPRISE FUNDS								
SEWER								
640	SEWER OPERATIONS	1,103,022	12,087,541	8,037,144	152,750	8,189,893	68%	7,00
641	SEWER CAPITAL EXPANSION	41,948	13,399,255	1,212,149	984,150	2,196,299	16%	1,04
642	SEWER RATE STABILIZATION	90	1,078	810	-	810	75%	
643	SEWER-CAPITAL PROJECTS	353,321	10,335,505	4,647,455	1,537,788	6,185,243	60%	4,25
TOTAL SEWER FUND(S)		1,498,380	35,823,378	13,897,558	2,674,687	16,572,245	46%	12,30
WATER								
	Water Operations	1,159,759	14,203,740	9,744,048	1,105,507	10,849,555	76%	7,63
	Utility Billing	106,005	789,099	645,080	13,870	658,950	84%	58
	Water Conservation	5,461	198,464	49,686	95,400	145,086	73%	6
650	WATER OPERATIONS	1,271,226	15,191,302	10,438,814	1,214,777	11,653,591	77%	8,28
651	WATER CAPITAL EXPANSION	64,359	2,281,224	977,865	185,339	1,163,204	51%	1,51
652	WATER RATE STABILIZATION	29	352	261	-	261	74%	
653	WATER-CAPITAL PROJECTS	12,549	3,731,255	400,744	50,968	451,712	12%	73
TOTAL WATER FUND(S)		1,348,162	21,204,133	11,817,684	1,451,084	13,268,768	63%	10,54
TOTAL ENTERPRISE FUNDS		2,846,543	57,027,512	25,715,242	4,125,771	29,841,013	52%	22,84
INTERNAL SERVICE FUNDS								
730	INFORMATION SYSTEMS	393,047	2,494,467	1,575,919	235,151	1,811,071	73%	1,15
740	BUILDING MAINTENANCE	299,429	3,338,819	2,304,201	196,667	2,500,868	75%	2,25
741	BUILDING REPLACEMENT	5,308	278,950	187,117	43,830	230,948	83%	23
745	CIP ADMINISTRATION	131,724	1,619,521	1,240,453	9,237	1,249,690	77%	1,10
760	UNEMPLOYMENT	-	10,000	11,990	-	11,990	120%	
770	WORKERS COMPENSATION	8,232	952,045	824,181	-	824,181	87%	51
790	EQUIPMENT REPLACEMENT	50,349	1,213,015	552,713	620,379	1,173,092	97%	24
791	EMPLOYEE BENEFITS FUND	28,439	615,000	424,003	-	424,003	69%	41
795	GEN. LIABILITY INSURANCE	94,501	1,044,568	948,722	-	948,722	91%	85
TOTAL INTERNAL SERVICE FUNDS		1,011,030	11,566,384	8,069,300	1,105,265	9,174,564	79%	6,77
REPORT TOTAL		\$ 8,964,096	\$ 196,416,513	\$ 91,542,939	\$ 12,406,413	\$ 103,949,353	53%	\$ 97,41

Attachment: March 2020 Financial and Investment Report [Revision 2] (2719 : Accept March 2020 Financial and Investment Report)

		 City of Morgan Hill Fund Activity Summary - Fiscal Year 2019-20 For the Nine Months Ended March 31, 2020 75% of Year Complete							
Fund No.	Fund	Fund Balance 06-30-19	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved
010	GENERAL FUND	\$ 17,924,089	\$ 26,151,177	61%	\$ 31,679,068	72%	\$ (5,527,891)	\$ 1,165,880	\$ 11,230,319
TOTAL GENERAL FUND		\$ 17,924,089	\$ 26,151,177	61%	\$ 31,679,068	72%	\$ (5,527,891)	\$ 1,165,880	\$ 11,230,319
202	STREET MAINTENANCE	37,376	\$ 481,719	65%	\$ 519,049	69%	\$ (37,331)	\$ -	\$ 45
205	PUBLIC SAFETY/SUPPL. LAW	93,997	107,093	107%	105,148	75%	1,945	-	95,942
206	DEVELOPMENT SERVICES	1,329,077	3,468,147	66%	4,135,591	68%	(667,443)	559,261	102,372
207	LONG RANGE PLANNING	1,248,188	511,399	57%	399,517	36%	111,883	272,924	1,087,147
215 / 216	CDBG	57,072	779	21%	3,906	75%	(3,127)	-	53,945
225	ASSET SEIZURE	130,210	17,523	787%	5,000	n/a	12,523	-	142,733
229	LIGHTING AND LANDSCAPE	158,268	97,564	52%	125,198	61%	(27,635)	22,980	107,654
230	COMMUNITY FACILITIES DISTRICT	112,386	24,897	56%	24,092	51%	805	-	113,191
232	ENVIRONMENTAL PROGRAMS	335,097	324,981	79%	291,727	66%	33,253	21,962	346,388
234	MOBILE HOME PK RENT STAB.	52,468	6,324	724%	315	74%	6,009	-	58,477
235	SENIOR HOUSING	228,559	2,801	63%	-	n/a	2,801	-	231,360
236	HOUSING MITIGATION	2,520,285	780,468	33%	483,306	21%	297,162	141,413	2,676,034
240	EMPLOYEE ASSISTANCE	63,226	15,147	52%	21,258	75%	(6,111)	-	57,115
247	ENVIRONMENT REMEDIATION	135,636	2,896	103%	2,317	n/a	579	-	136,215
250	COMH-SUCCESSOR AGENCY-MHRDA	(500,829)	7,341,300	106%	4,190,979	60%	3,150,320	2,644,902	4,589
255	HOUSING SUCCESSOR AGENCY	3,976,695	394,555	71%	742,360	79%	(347,805)	108,333	3,520,557
260	PUBLIC ART	185	-	n/a	-	-	-	-	185
TOTAL SPECIAL REVENUE FUNDS		\$ 9,977,896	\$ 13,577,592	78%	\$ 11,049,762	58%	\$ 2,527,829	\$ 3,771,775	\$ 8,733,950
301	PARK DEV. IMPACT FUND	\$ 4,116,066	\$ 1,086,439	19%	\$ 1,872,800	13%	\$ (786,361)	\$ 367,520	\$ 2,962,185
302	PARK MAINTENANCE	4,078,868	349,893	26%	861,124	70%	(511,231)	85,489	3,482,148
303	LOCAL DRAINAGE	12,117,049	714,757	43%	306,619	10%	408,138	239,939	12,285,249
304	LOCAL DRAINAGE/NON-AB1600	1,563,382	19,000	23%	106,725	22%	(87,724)	56,376	1,419,282
306	AGRICULTURE AND OPEN SPACE PRESERV	7,951,064	845,927	25%	3,175,355	47%	(2,329,428)	35,956	5,585,679
308	STREET CIP	3,299,044	2,968,142	59%	4,570,906	54%	(1,602,763)	284,507	1,411,774
309	TRAFFIC IMPACT FUND	(1,263,866)	911,274	71%	917,385	5%	(6,111)	147,599	(1,417,576)
311	POLICE IMPACT FUND	(640,897)	181,847	62%	120,726	53%	61,120	-	(579,777)
313	FIRE IMPACT FUND	3,873,198	98,712	21%	27,794	52%	70,918	9,462	3,934,654
346	PUBLIC FACILITIES NON-AB1600	(178,488)	177,100	28%	87,283	9%	89,816	165,721	(254,393)
347	PUBLIC FACILITIES IMPACT FUND	688,851	181,515	82%	101,659	57%	79,856	11,418	757,289
348	LIBRARY IMPACT FUND	2,987,436	399,098	43%	1,208,362	31%	(809,264)	1,307,772	870,400
350	UNDERGROUNDING	861,895	10,557	21%	810	75%	9,747	-	871,642
355	SCHOOL PEDESTRIAN/TRAFFIC SFTY	1,477,523	87,472	13%	273,377	12%	(185,904)	22,786	1,268,832
360	COMM/REC CTR IMPACT FUND	2,122,228	695,883	51%	865,218	25%	(169,335)	2,148,081	(195,188)
TOTAL CAPITAL PROJECT FUNDS		\$ 43,053,353	\$ 8,727,615	38%	\$ 14,496,143	23%	\$ (5,768,528)	\$ 4,882,625	\$ 32,402,201
420	CIVIC CENTER DEBT	\$ 171,351	\$ 226,022	75%	\$ 231,101	74%	\$ (5,079)	\$ 200	\$ 166,072
441	POLICE FACILITY BOND DEBT	70,213	187,214	50%	302,324	79%	(115,110)	255	(45,152)
TOTAL DEBT SERVICE FUNDS		\$ 241,564	\$ 413,235	61%	\$ 533,425	77%	\$ (120,189)	\$ 455	\$ 120,920

		 City of Morgan Hill Fund Activity Summary - Fiscal Year 2019-20 For the Nine Months Ended March 31, 2020 75% of Year Complete							
Fund No.	Fund	Fund Balance 06-30-19	Revenues		Expenses		Year to-Date Deficit or Carryover	Ending Fund Balance	
			YTD Actual	% of Budget	YTD Actual	% of Budget		Reserved ¹	Unreserved
640	SEWER OPERATIONS	\$ 3,235,529	\$ 8,217,755	68%	\$ 8,037,144	66%	\$ 180,611	152,750	3,263,391
641	SEWER IMPACT FUND*	18,119,442	3,817,061	76%	1,212,149	9%	2,604,912	984,150	19,740,204
642	SEWER RATE STABILIZATION	2,625,280	32,164	62%	810	75%	31,354	-	2,656,634
643	SEWER-CAPITAL PROJECTS	9,791,525	2,286,342	80%	4,647,455	45%	(2,361,114)	1,537,788	5,892,624
650	WATER OPERATIONS	4,010,886	10,255,906	69%	10,438,814	69%	(182,909)	1,214,777	2,613,201
651	WATER IMPACT FUND*	2,507,584	920,964	60%	977,865	43%	(56,901)	185,339	2,265,344
652	WATER RATE STABILIZATION	1,761,549	21,586	194%	261	74%	21,325	-	1,782,874
653	WATER -CAPITAL PROJECT	1,685,295	2,876,223	75%	400,744	11%	2,475,479	50,968	4,109,806
TOTAL ENTERPRISE FUNDS		\$ 43,737,090	\$ 28,428,000	71%	\$ 25,715,242	45%	\$ 2,712,758	\$ 4,125,771	\$ 42,324,077
730	INFORMATION SERVICES	\$ 902,325	\$ 1,357,548	76%	\$ 1,575,919	63%	\$ (218,371)	\$ 235,151	\$ 448,802
740	BUILDING MAINTENANCE	64,490	2,413,502	74%	2,304,201	69%	109,302	196,667	(22,876)
741	BUILDING REPLACEMENT	2,515,067	599,106	72%	187,117	67%	411,989	43,830	2,883,225
745	CIP ENGINEERING	62,517	1,240,478	66%	1,240,453	77%	25	9,237	53,305
760	UNEMPLOYMENT	142,515	1,691	58%	11,990	120%	(10,299)	-	132,216
770	WORKERS COMPENSATION	2,015,978	609,853	76%	824,181	87%	(214,327)	30,000	1,771,651
790	EQUIPMENT REPLACEMENT	5,238,985	881,585	79%	552,713	46%	328,872	620,379	4,947,478
791	EMPLOYEE BENEFITS FUNDS	(233,198)	593,240	48%	424,003	69%	169,236	-	(63,962)
795	GEN. LIABILITY INSURANCE	1,379,596	804,269	75%	948,722	91%	(144,453)	-	1,235,143
TOTAL INTERNAL SERVICE FUNDS		\$ 12,088,275	\$ 8,501,272	71%	\$ 8,069,300	70%	\$ 431,972	\$ 1,135,265	\$ 11,384,982
SUMMARY BY FUND TYPE									
GENERAL FUND GROUP		\$ 17,924,089	\$ 26,151,177	61%	\$ 31,679,068	72%	\$ (5,527,891)	\$ 1,165,880	\$ 11,230,319
SPECIAL REVENUE GROUP		9,977,896	13,577,592	78%	11,049,762	58%	2,527,829	3,771,775	8,733,950
DEBT SERVICE GROUP		241,564	413,235	61%	533,425	77%	(120,189)	455	120,920
CAPITAL PROJECTS GROUP		43,053,353	8,727,615	38%	14,496,143	23%	(5,768,528)	4,882,625	32,402,201
ENTERPRISE GROUP		43,737,090	28,428,000	71%	25,715,242	45%	2,712,758	4,125,771	42,324,077
INTERNAL SERVICE GROUP		12,088,275	8,501,272	71%	8,069,300	70%	431,972	1,135,265	11,384,982
TOTAL ALL GROUPS		\$ 127,022,269	\$ 85,798,891	63%	\$ 91,542,939	47%	\$ (5,744,048)	\$ 15,081,770	\$ 106,196,449

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

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

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

² Amount restricted for debt service payments and AB1600 capital expansion projects as detailed in the City's five year CIP Plan and bond agreements.

City Manager's Signature Authority

Contracts and Agreements Between \$25,000 to \$60,000 Entered Since 2/6/2020 to 4/15/2020

Vendor Name	Description of Service	Begin Date	End Date	Department	Amount
Silicon Valley Community Foundation	Census 2020 Grant Agreement	2/5/2020	8/31/2020	CS	\$34,000
Randazzo Enterprises, Inc	Hale Avenue Extension Project	2/15/2020	3/20/2020	E&U	\$33,302
NHA Advisors, LLC.	Financial Consulting and Municipal Advisory Services	3/6/2020	6/30/2022	CM	\$25,000
Ruggeri-Jensen-Azar	Traffic Warrant Analysis at Monterey/Central	3/6/2020	2/20/2021	E&U	\$53,370
Leone & Alberts, APC	Consultant Agreement for Legal Services	3/16/2020	2/12/2021	CAO	\$25,000
Mission Linen Supply	Police Dept - Mats and Linen Services	4/1/2020	12/31/2022	CSD	\$40,000
County of Santa Clara	Funding Agreement for EMS Data System Hardware and CPR Devices	4/1/2020	12/31/2020	Fire	\$35,668
Silicon Valley Demolition	On-call decontamination services	3/25/2020	6/30/2023	CSD	\$60,000
Geo-Logic Associates, Inc	Service Agreement for material testing, inspection services, geotechnical reports	2/13/2020	1/31/2022	E&U	\$50,000
Kleinfelder, Inc	Review of Fisher Basin Expansion	2/13/2020	6/30/2020	E&U	\$58,200
Unifirst Corporation	CCC, CRC, Corp Yard - Mat and Linen Services	2/25/2020	12/31/2022	CSD	\$60,000
Santa Clara Valley VTA	Madrone Channel Trail Improvements TFCA Grant Agreement	3/6/2020	6/30/2021	CSD	\$33,400

Attachment: March 2020 Financial and Investment Report [Revision 2] (2719 : Accept March 2020 Financial and Investment Report)



CITY COUNCIL STAFF REPORT

MEETING DATE: April 22, 2020

PREPARED BY: Christina Turner, City Manager
APPROVED BY: City Manager

INTRODUCTION TO THE RECOMMENDED FISCAL YEAR (FY) 2020-21 AND FY 2021-22 BIENNIAL OPERATING AND FY 2020-21 THROUGH FY 2025-26 CAPITAL IMPROVEMENT PROGRAM BUDGETS

RECOMMENDATION(S)

Receive presentation.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety
Protecting the Environment and Preserving
Open Space and Agricultural Land
Maintaining 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

2020-2021 Strategic Priorities

Community Engagement and Messaging
Economic Development
Financial Sustainability
Affordable Housing and Homelessness
Transportation

GUIDING DOCUMENTS

Bikeways
Trails
Parks and Recreation Masterplan
Downtown Specific Plan
Economic Blueprint
General Plan/Housing Element
Public Safety Master Plan
Sewer System Master Plan
Station Area Master Plan
Vision Zero
Water System Master Plan
Storm Drainage Master Plan

REPORT NARRATIVE:

On Friday, April 17, the Recommended FY 2020-21 and FY 2021-22 Operating and FY 2020-21 through FY 2025-26 Capital Improvement Program (CIP) Budgets were

distributed to the City Council and made available for public review.

The recommended budget reflects the ongoing realities of the impact of the COVID-19 pandemic as the City is expecting significant revenue loss. The pandemic's impact on the global and local economy, coupled with existing unfunded needs and the loss of revenues from the City's Residential Development Control System (RDCS), has negatively impacted the City's budgetary outlook in a substantial way, and a lot sooner than originally projected. As a result, requests for decision packages and service enhancements are not included in the recommended biennial budget.

Furthermore, the recommended budget includes deferment of some building maintenance projects, reduced contractual services, and a draw down on fund balances. Staff will continue to monitor and analyze the impact to City finances from the COVID-19 pandemic and will bring to Council additional proposals and adjustments to the budget to ensure the City's fiscal sustainability.

The total recommended budget is \$162.3 million in FY 2020-21 and \$144.3 million in FY 2021-22. FY 2020-21 budget includes \$46.2 million for General Fund expenditures, \$50.4 million for Capital Improvement Program (CIP), and \$65.7 million for non-General Fund expenditures. For FY 2021-22, the recommended budget includes \$47.7 million for General Fund expenditures, \$28.6 million for CIP, and \$68.0 million for non-General Fund expenditures.

These documents, and the forthcoming proposals and adjustments, are the team's commitment to carrying out a financial plan which aligns resources with service level delivery recommendations that are consistent with the City Council's goals and priorities, while adhering to the sustainable budget principles.

COMMUNITY ENGAGEMENT: Inform, Consult, and Involve.

In addition to introducing the recommended budget on April 22, staff will be hosting a virtual community budget meeting on April 30, and the community is invited to participate in the City Council budget workshop which is scheduled for May 15.

ALTERNATIVE ACTIONS:

Not Applicable.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

The City Council received the last recommended biennial operating and CIP budgets in May 2018 which was subsequently adopted in June of 2018.

FISCAL AND RESOURCE IMPACT:

The budget documents are the product of many employees working in a collaborative manner to strive to attain the Council's and Community's priorities in a cost-effective manner while maintaining the City's goal of fiscal sustainability.

The fiscal and resource impacts are included in the current year's budget and workplan for all departments.

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.

LINKS/ATTACHMENTS:

1. Recommended Operating and CIP Budget (weblink)



Morgan Hill City Council Meeting – April 22, 2020

Infrastructure Report

Agenda Item: 2



Purpose of the Report



1. Identify infrastructure maintenance needs.
2. Report on funding issues relating to infrastructure.

Updates from 2019

- Additional Impacts of State Legislation
- Herbicide Use Discussions
- Updated Pavement Management Data
- Our unfunded needs have decreased in many areas

Streets and Sidewalks

- City Streets and Sidewalks are well maintained
- 2020 Citywide weighted average pavement condition "very good" with an overall weighted **Pavement Condition Index of 73**
- \$200,000 in annual revenue is needed to fully fund basic maintenance
- \$1.11 million annually in unfunded capital street repair
- RDCS Funds for sidewalk maintenance will be depleted within 5-6 years, creating a \$150,000 annual funding need

Downtown

- Facilities are well maintained
- There will be a need for additional maintenance resources as the Downtown continues to grow
- **\$15,000 annual funding needed for tree lights**

Storm Drain System

- Facilities are well maintained
- No identified funding for future capital maintenance needs once RDCS funds for Storm Drainage are depleted (10 years)
- New State regulations may require millions in capital investment within the next 10 years, as well as thousands in ongoing maintenance

Buildings and Facilities

- Facilities are well maintained
- Base Level Operations are fully funded
- \$51,000 annually in unfunded future capital replacement costs
- Use of Quimby Fees for Future Renovation

Parks, Trails and Open Spaces

- Facilities are maintained in average condition for safety
- Additional annual investment of an undetermined amount would be necessary to maintain the parks in above average condition
- Park Maintenance Fund balance will be depleted within 5-6 years, creating a \$700,000 annual funding need
- Use of Quimby Fees for Future Renovation
- Alternative Herbicide testing unable to occur in Spring 2020

Landscape Assessment District (LAD)

- Maintenance levels vary by subarea: 12 areas are well maintained, 4 areas are average, 3 areas maintained below average or poorly
- \$23,000 in annual unfunded replacement needs

Utility System – Water and Wastewater

- Systems are fully funded and well maintained
- Wastewater System in the process of significant capital rehabilitation work related to infiltration and inflow issues
- Projects to support increased growth are funded through impact fees.

Purpose of the Report



- The current level of unfunded maintenance is at approximately \$1.4 million
- Anticipated growth in unfunded needs of at least \$850,000 within 6 years due to increasing mandated requirements and the loss of current RDCS funding source.

Questions?



Introduction to the Recommended Fiscal Year (FY) 2020-21 and FY 2021-22 Biennial Operating and FY 2020-21 through FY 2025-26 Capital Improvement Program Budgets



April 22, 2020

Presentation Outline



- Sustainable Morgan Hill and Council Priorities
- Budget Process and Foundation
- Quarterly Financial Update (March 31, 2020)
- Recommended Budget
- COVID-19 Fiscal Impacts
- Capital Improvement Program Strategy
- Strategies to Address Revenue Impacts
- Principles to Guide the Sustainable Budget Strategy
- Next Steps

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's Ongoing Priorities



- Enhancing Public Safety
- Protecting the Environment and Preserving Open Space and Agricultural Land
- Maintaining Fiscal Responsibility
- Supporting our Youth, Seniors, and Entire Community
- Fostering a Positive Organizational Culture

City Council's Ongoing Priorities

(cont.)



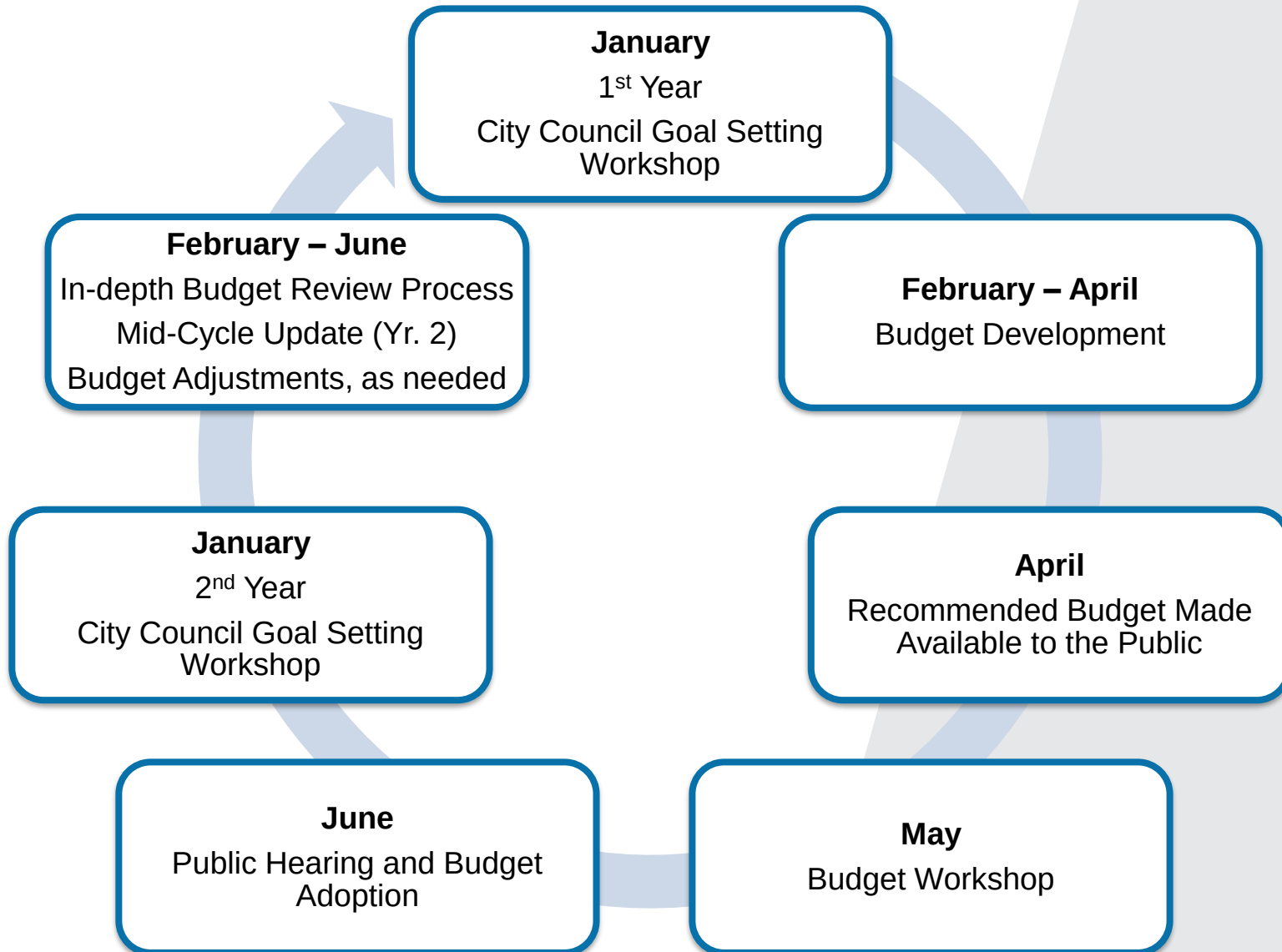
- Preserving and Cultivating Public Trust
- Preserving our Community History
- Enhancing Diversity and Inclusiveness
- Advancing Regional Initiatives

City Council's 2020-21 Strategic Priorities



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

Biennial Budget Process



FY 2019-20
Quarterly Financials
Month ended March 31, 2020



General Fund

- Revenues are projected to come in less than budget
- Key GF revenues:

Category	Budget	YTD Actual	Prior YTD	YEP
Property Tax	\$13.1	\$6.8	\$6.7	\$14.1
Sales Tax	10.5	6.0	6.6	9.0
Svc Charges	10.3	7.5	7.3	9.4
Hotel Tax	3.1	1.8	1.8	2.2

- Expenditures including encumbrances:

Total Exp.	\$44.0	\$32.8	\$31.5	\$43.8
------------	--------	--------	--------	--------

Development Services Fund



- Revenues are expected to come in below budget

Category	Budget	YTD Actual	Prior YTD	YEP
Revenues	\$5.3	\$3.5	\$4.0	\$3.7
Expenditures	6.0	4.7	5.2	5.5
Net	(\$0.7)	(\$0.8)	(\$1.2)	(\$1.8)

Enterprise Funds

- Wastewater Operations

Category	Budget	YTD Actual	Prior YTD	YEP
Revenues	\$12.1	\$8.2	\$7.7	\$12.6
Expenditures	12.1	\$8.2	\$7.2	\$12.7
Net	\$0	\$0	(\$0.5)	(\$0.1)

- Water Operations

Category	Budget	YTD Actual	Prior YTD	YEP
Revenues	\$14.8	\$10.3	\$9.6	\$15.4
Expenditures	15.2	11.7	10.0	\$15.5
Net	(\$0.4)	(\$1.4)	(\$0.4)	(\$0.1)



FISCAL YEARS 2020-2022

RECOMMENDED OPERATING AND CIP BUDGET

morganhill.ca.gov/budget

Citywide Recommended Budget



Citywide Recommended Budget Summary



(In Millions)

	FY 2020-21	FY 2021-22
Operating Budget	\$113.4	\$115.7
Capital Improvement Program	48.9	28.6
Total Recommended Budget	\$162.3	\$144.3

Citywide Sources/Uses by Fund Type (Revenues/Expenditures)

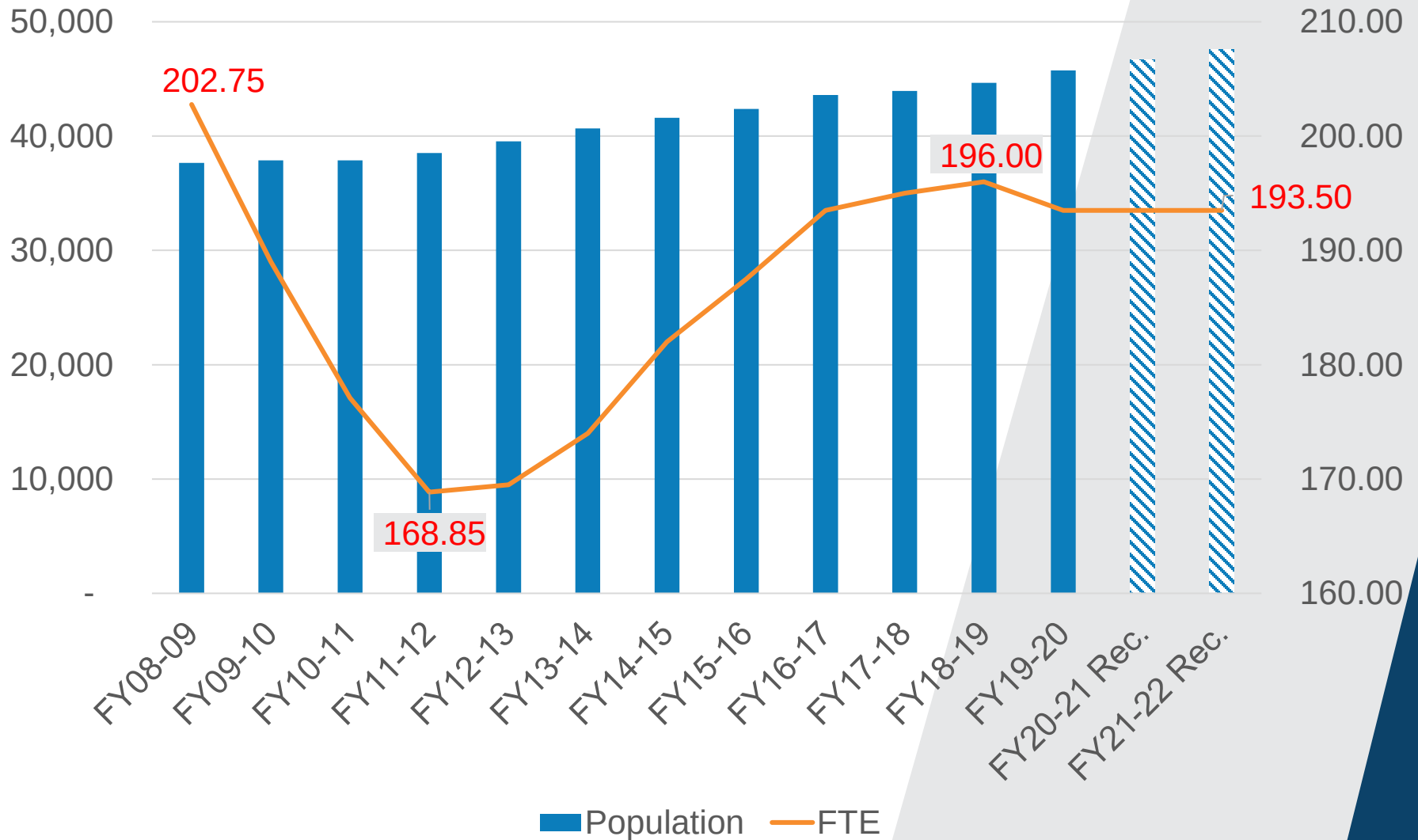


(In Millions)

Fund Description	FY 2020-21			FY 2021-22			FTE*
	Sources	Uses	Variance	Sources	Uses	Variance	
General Fund	\$42.4	\$46.2	\$(3.8)	\$44.3	\$47.7	\$(3.5)	112.60
Development Services Fund	5.6	5.6	\$(0.0)	6.2	6.2	0.0	0.0
Special Revenue Funds	11.8	13.2	\$(1.4)	11.9	11.1	0.7	25.88
Capital Project Funds	32.1	29.3	2.7	15.8	12.5	3.3	0.0
Debt Service Funds	0.7	0.7	0.0	0.7	0.7	0.0	0.0
Enterprise Funds	49.2	54.7	\$(5.5)	49.5	53.2	\$(3.7)	35.82
Internal Service Funds	11.8	11.1	0.8	12.5	11.4	1.2	19.20
Agency Funds	1.7	1.5	0.2	1.7	1.5	0.2	0.0
Subtotal	\$155.3	\$162.3	\$(7.0)	\$142.6	\$144.3	\$(1.7)	193.50
Use of Reserves/ Fund Balance	7.0			1.7			
TOTAL CITYWIDE	\$162.3	\$162.3	\$(7.0)	\$144.3	\$144.3	\$(1.7)	193.50

*Full Time Equivalent

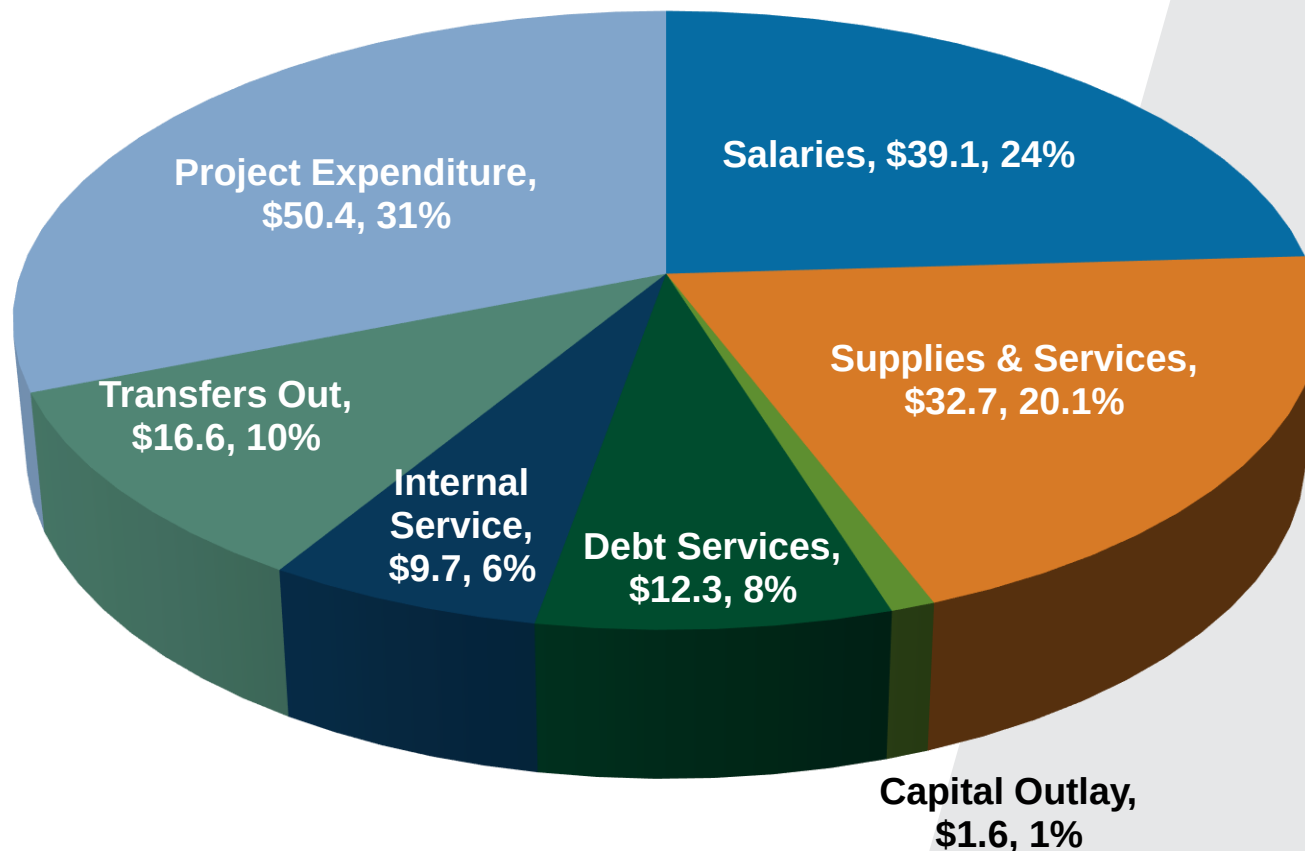
History of Full-Time Equivalent (FTE)



FY2020-21 and FY2021-22 assume 2% population growth (10 yr. avg.)

Citywide Expenditures by Category FY 2020-21

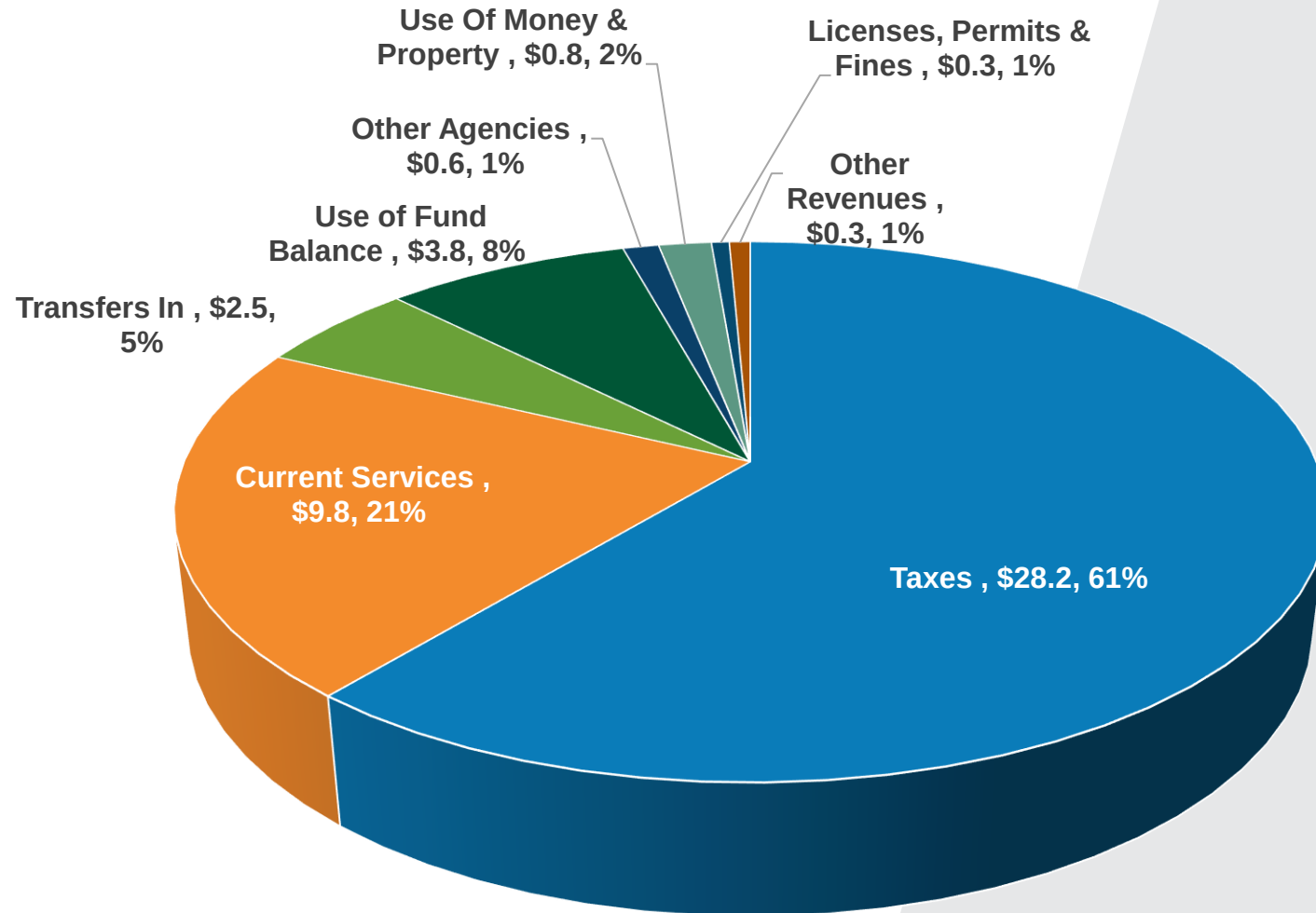
(In Millions)



General Fund

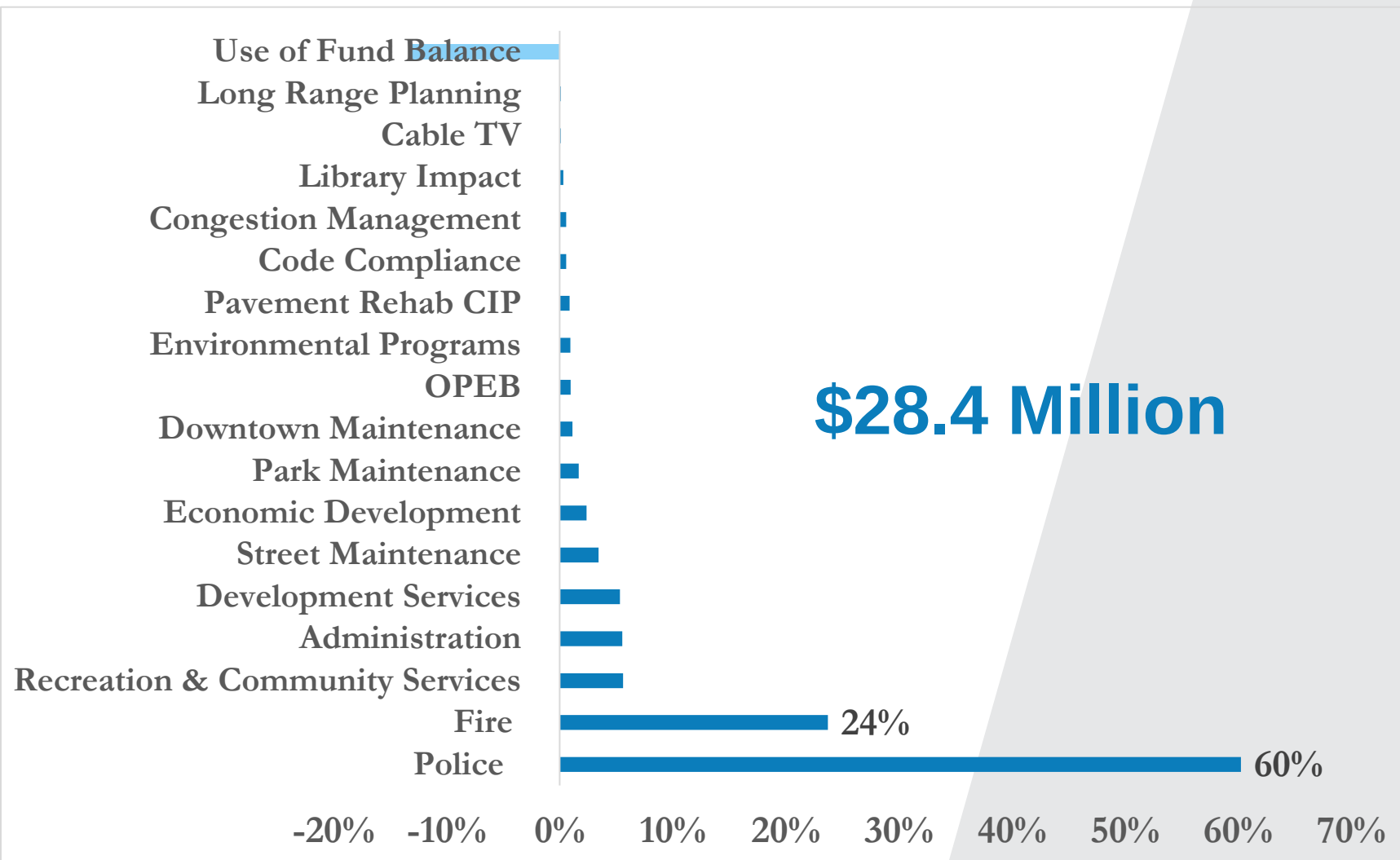


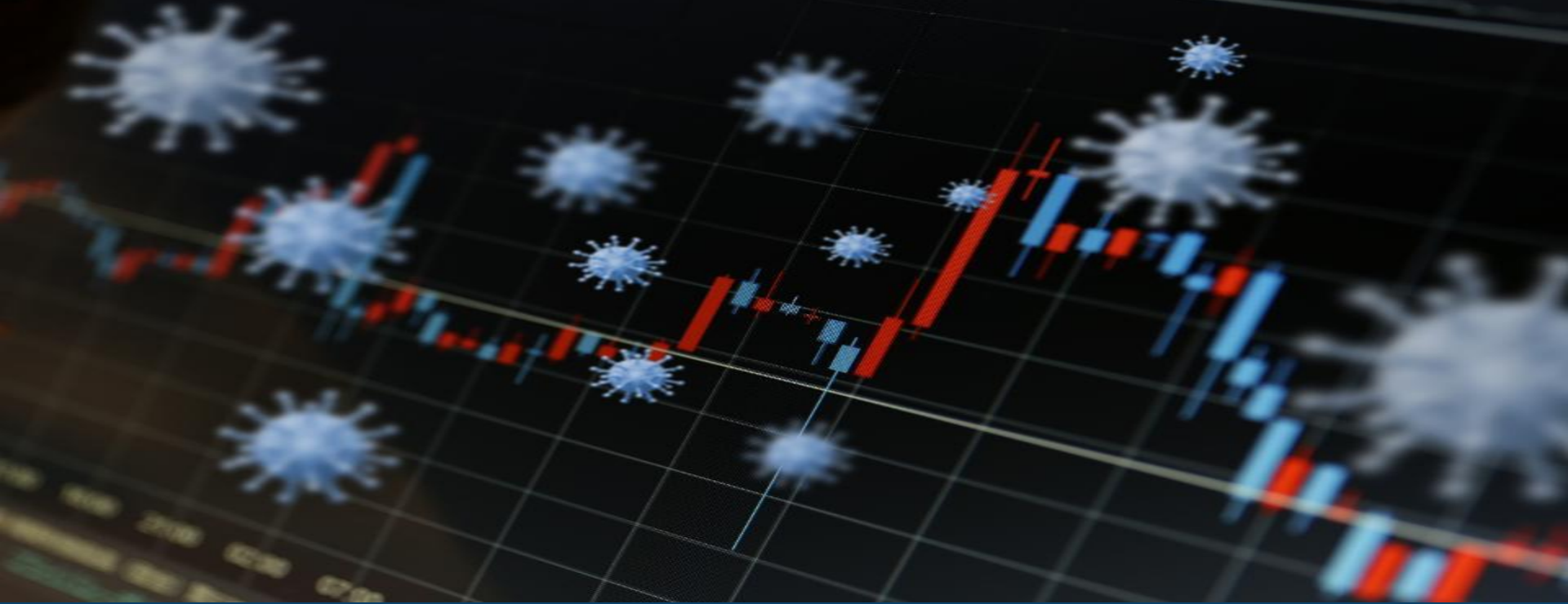
General Fund Resources by Category FY2020-21: \$46.2 Million



(In Millions)

General Fund Discretionary Expenditures FY 2020-21





COVID-19 Fiscal Impacts



CITY OF MORGAN HILL

COVID-19 Economic Recovery Assumptions



- Shelter-in-place ends early summer
- Phase back in services and programs
- Reduced revenues/increased expenditures
- Similar fiscal impacts as the Great Recession or more

Fiscal Impacts of COVID-19 on Major Revenue Sources

- General Fund (Included)
 - Property Tax
 - Sales Tax
 - Recreation Services
 - Hotel Tax (TOT)
- Development Services Fund (Included)
- Special Revenue and Capital Funds (Not yet included)
 - Gas Tax, VTA Measure B, SB1

Fiscal Impacts of COVID-19 on Major Revenue Sources (cont.)

Property Tax **Loss** Over 3 Fiscal Years

FY2019-20	FY2020-21	FY2021-22	TOTAL
\$0.1M	\$0.1M	\$0.6M	\$0.8M

Assumptions:

- Lag effect
- FY2019-20 higher than budgeted
- 0% growth rate in forecast



Fiscal Impacts of COVID-19 on Major Revenue Sources (cont.)

Sales Tax **Loss** Over 3 Fiscal Years

FY2019-20	FY2020-21	FY2021-22	TOTAL
\$1.5M	\$1.8M	\$1.5M	\$4.8M

Assumptions:

- Based on City's sales tax consultant (HdL)
- Excludes Governor's delay/defer assistance programs

Fiscal Impacts of COVID-19 on Major Revenue Sources (cont.)

Recreation Services Loss Over 3 Fiscal Years

FY2019-20	FY2020-21	FY2021-22	TOTAL
\$0.9M	\$0.8M	\$0.4M	\$2.1M



Assumptions:

- Facilities reopen in phases with reduced hours
- Decrease in membership and registrants

Fiscal Impacts of COVID-19 on Major Revenue Sources (cont.)



Hotel Tax **Loss** Over 3 Fiscal Years

FY2019-20	FY2020-21	FY2021-22	TOTAL
\$0.9M	\$0.6M	\$0.2M	\$1.7M

Assumptions:

- Occupancy rate of approximately 20% with gradual return to normalcy

Fiscal Impacts of COVID-19 on Major Revenue Sources (cont.)



Development (Fund 206) **Loss** Over 3 Fiscal Years

FY2019-20	FY2020-21	FY2021-22	TOTAL
\$1.2M	\$1.3M	\$0.3M	\$2.8M

Assumptions:

- 23% reduction in FY 2019-20
- 25% reduction in projects and associated revenues in FY 2020-21

Fiscal Impacts of COVID-19 on Major Revenue Sources (cont.)



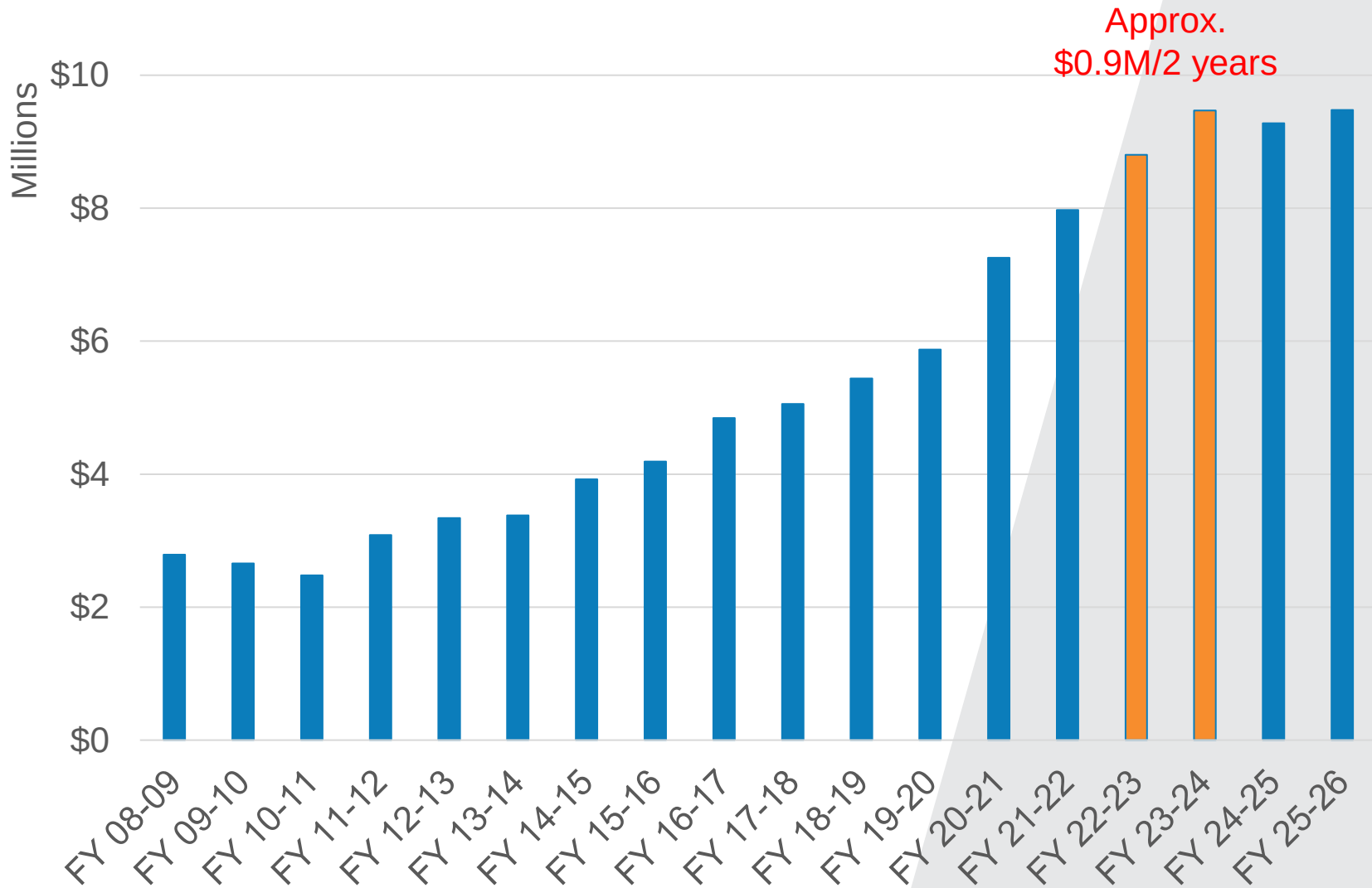
Total Revenue Loss by Major Revenue Categories Over 3 Fiscal Years

Revenue Type	FY2019-20	FY2020-21	FY2021-22	TOTAL
Property Tax	\$0.1M	\$0.1M	\$0.6M	\$0.8M
Sales Tax	\$1.5M	\$1.8M	\$1.5M	\$4.8M
Recreation	\$0.9M	\$0.8M	\$0.4M	\$2.1M
Hotel Tax	\$0.9M	\$0.6M	\$0.2M	\$1.7M
Fund 206	\$1.2M	\$1.3M	\$0.3M	\$2.8M
TOTAL	\$4.6M	\$4.6M	\$3.0M	\$12.2M

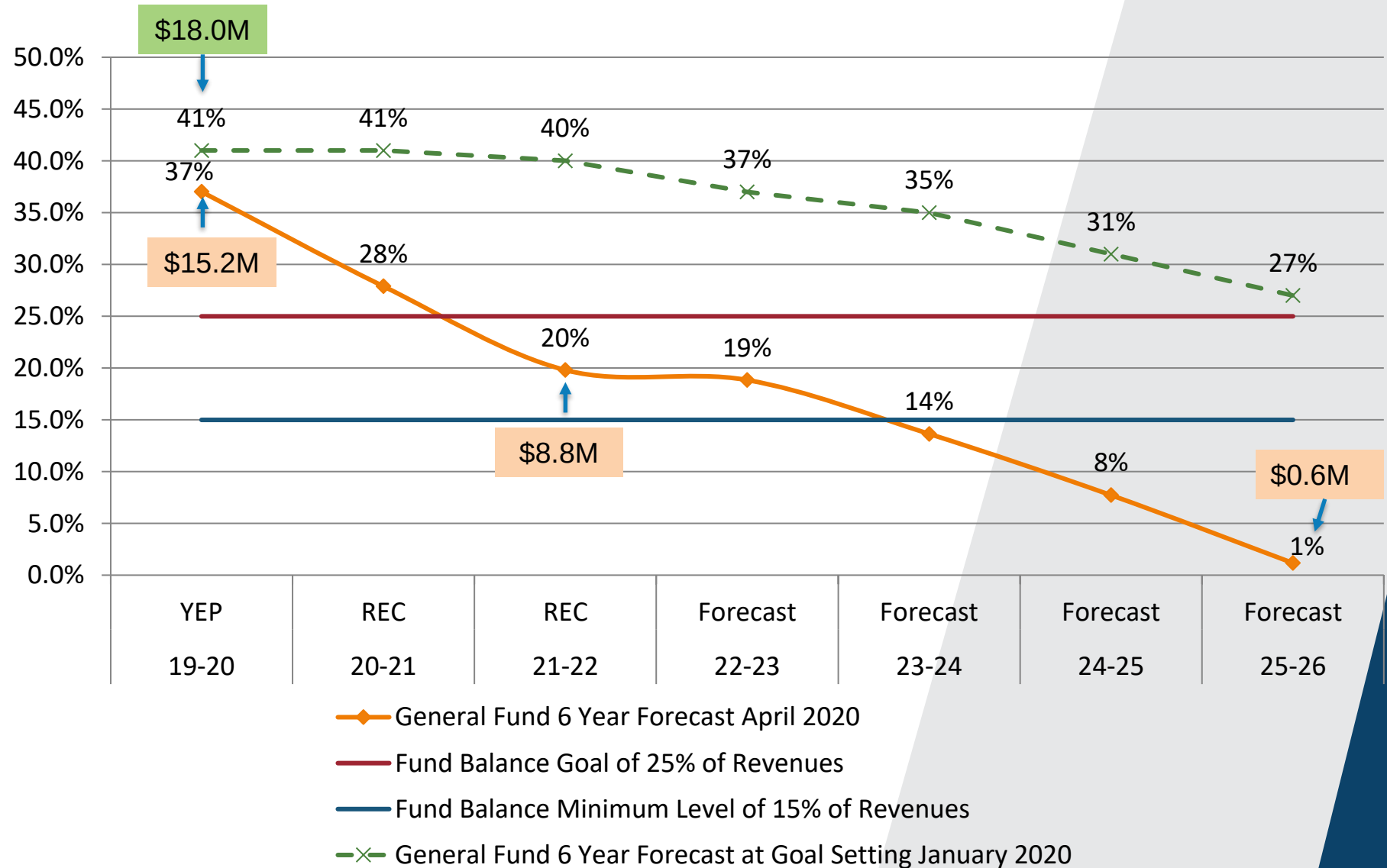
Expenditure Adjustments Included

- **Recreation facility closures**
- **Hiring freeze**
- **Recreation cost reductions based on gradual reopening**
- **Election contract services**
- **Drawdown on General Liability Insurance reserve**
- **Building maintenance projects**

COVID-19 Impact: Pension Cost



General Fund Six Year Forecast



General Fund Balance Comparison

Recommended Budget	YEP	20-21	21-22
Beginning Balance	\$17.9	\$15.3	\$11.9
Revenues	41.2	42.4	44.3
Expenses	(43.8)	(45.8)	(47.3)
<i>Surplus/(Deficit)</i>	<i>(\$2.6)</i>	<i>(\$3.4)</i>	<i>(\$3.0)</i>
Ending Balance	\$15.3	\$11.9	\$8.9

Goal Setting (Jan. 2020)	YEP	20-21	21-22
Beginning Balance	\$17.9	\$18.0	\$18.4
Revenues	44.1	44.5	45.5
Expenses	(44.0)	(44.1)	(45.5)
<i>Surplus/(Deficit)</i>	<i>\$0.1</i>	<i>\$0.4</i>	<i>\$0.0</i>
Ending Balance	\$18.0	\$18.4	\$18.4

Existing Unfunded Needs



Unfunded General Fund Needs



Total Annual Unfunded General Fund Needs = **\$6M**

- Police \$1.3M
- Fire \$2.3M
- Building Maintenance and LAD **\$0.1M Updated**
- Pavement Rehabilitation **\$1.1M Updated**
- Street Maintenance \$0.2M
- ~~Park Maintenance \$0.7M~~ ← **Addressed via Quimby Fee**
- **Operational loss due to RDCS Suspension \$1.0M**

Development Services Fund



Development Services Fund (206)



FY 19-20

- Projected loss of most 4th quarter of revenue, mostly due to the shelter-in-place order
- Realized some expenditure reductions, mostly in contract services and conferences and meetings
- \$425,000 Projected loan from the General Fund

FY 20-21

- Assuming a reduction in projects, resulting in a 25 percent reduction in revenue and key expenditures, such as part-time temporary staffing and contract services
- Perform in-depth Fee Study when shelter-in-place order is lifted (Summer/Fall 2020)
- \$1,512,000 Projected loan from the General Fund

Development Services Fund (206)

(cont.)



FY 21-22

\$913,000 Projected loan from the General Fund

FY 22-23 onwards

Projected repayment of the General Fund loan
\$2,850,000

Enterprise Funds



Enterprise Funds



Water

- No significant adjustments included at this time
- Anticipate reduced consumption in commercial/industrial, and increased consumption in residential consumption due to shelter-in-place

Wastewater

- No significant adjustments included at this time
- Anticipate reduced consumption in commercial/industrial. No impact of increased residential consumption anticipated as it is based on fixed monthly charge adjusted annually

Capital Improvement Program



FISCAL YEARS
2021-22 through 2025-26

Recommended Capital Improvement Budget



CITY OF MORGAN HILL

morganhill.ca.gov/budget

Capital Improvement Program



Category	20-21	21-22	22-23	23-24	24-25	25-26	Total
Parks and Recreation	\$2.2	\$3.6	\$5.7	\$2.9	\$1.6	\$1.6	\$17.5
Public Facilities	0.1	0.2	5.5	0.2	0.5	0.0	6.6
Storm Drainage	5.5	2.4	2.7	0.4	2.7	0.4	13.9
Streets and Roads	19.2	4.0	4.7	4.2	4.2	4.2	40.3
Wastewater	19.1	13.7	27.5	24.8	6.3	2.4	93.8
Water	2.8	4.7	6.7	2.7	1.3	0.4	18.7
Total	\$48.9	\$28.6	\$52.7	\$35.1	\$16.5	\$8.9	\$190.7

Capital Improvement Program

Top 8 Projects FY 2020-21 & FY 2021-22



1. Hale Avenue Extension - \$16.8M
2. Sewer System Repair and Replacements - \$13.1M
3. Sewer Plant Expansion - \$11.8M
4. Pavement Rehabilitation Program - \$6.1M
5. Llagas Flood Control - \$4.5M
6. Water Supply Facility and Water Pipeline Repair and Replacement - \$3.1M
7. Storm System Expansion - \$2.7M
8. Borello School/Park - \$2.0M

Capital Improvement Program Funding Sources

Top 5 Funding Sources:

Source	FY 2020-21
309 - Traffic Impact: Streets & Roads	\$14.5M
643 - Sewer Capital Project: Wastewater	12.7M
641 - Sewer Impact: Wastewater	6.4M
303 - Local Drainage Impact: Storm Drainage	5.0M
658 - Water Capital Project: Water	2.6M

- There are 16 types of funding sources that can be used to fund a CIP project
- FY 2020-21 Total = \$48.9M

Capital Improvement Program Strategy



- Projects that have impacted revenue sources, such as sales tax, will be closely evaluated for delay or deferral based on forecasted conditions
- Leveraging of external funding and City priorities
- Certainty of external funding being secured and risk of non-appropriation
- Ability to positively impact the local economy

Capital Improvement Program Strategy (cont.)



Proceeding with capital projects with secure funding at this time is important because:

- Capital project funding is often restricted and cannot offset operating reductions
- Assists construction sector in minimizing additional lost economic activity
- Potential for more favorable bidding climate
- External funding targeted at construction may be provided as part of a broader federal or state effort to stimulate the economy
- “Shovel ready” projects will help in securing external funding

Strategies to Address Revenue Impacts



Multiple Ways to Address Revenue Impacts

- Use of reserves/fund balance
- Reduce expenditures
- Seek COVID-19 State and Federal Funds as available
- New revenue sources including ballot measures

Principles that Guide the Sustainable Budget Strategy



Principles that Guide the Sustainable Budget Strategy

- A. Critical services should be maintained to the greatest extent possible
- B. Resources should be allocated to the highest priority services
- C. No city services or functions should be exempt from evaluation
- D. “Across the Board” approaches shall be avoided because they are not aligned with the Council’s and community’s priorities

Principles that Guide the Sustainable Budget Strategy (cont.)



- E. Reductions in service should position the City to take advantage of economic recovery
- F. Budget reductions should be ongoing and not simply “one time only”
- G. Council should commit to support employees during the transition and assist those who may be adversely impacted.
- H. Employees and their recognized bargaining units should be actively involved in developing options and implementing the transition.

Principles that Guide the Sustainable Budget Strategy (cont.)

- I. The City should continue to invest in building organizational capacity by supporting training and employee development.
- J. Community wide tax resources should be allocated first to support community wide services.
- K. Special services designed for only a few should be paid for by user charges and fees.
- L. Administrative and operational efficiencies should be maximized before pursuing new tax revenue.

Principles that Guide the Sustainable Budget Strategy (cont.)



- M. Reserves and one-time revenues should be used first to invest in capital outlay items that could reduce long range operating costs and, thereafter, fund transition expenses.
- N. New services should not be added, nor existing services expanded unless they are highly valued by the community and there is a willingness to pay for them.
- O. There should be regular monitoring of financial performance and opportunities to make mid-course corrections as warranted.
- P. City policies that may inhibit economic development, especially new retail development, should be reviewed regularly and modified.

Summary

- Current estimated revenue loss to General Fund and Development Services = \$12.2M
- Total identified expenditure adjustments to address revenue loss = \$2.5M
- Working to address the shortfall with minimal impact to the community

Next Steps



Next Steps

- Submit feedback or comments on the recommended budget to:
Budget@Morganhill.ca.gov
- May 15th City Council Budget Workshop:
 - Will provide additional strategies to address revenue impact
 - Receive input from Council and community

Upcoming Important Dates



Time	Date	Event	Location
5:30pm	Thursday, April 30 th	Community Budget Meeting	Virtual Zoom
9am	Friday, May 15 th	City Council Budget Workshop	Virtual Zoom
7pm	Wednesday, June 17 th	City Council Budget Hearing/Adoption	TBD

From: [D. Muirhead](#)
To: [CC Public Comment](#)
Subject: Comment Morgan Hill City Council Wed April 22 #4: Bi-annual budget 2020-22
Date: Monday, April 20, 2020 9:20:56 AM

Comment Morgan Hill City Council Wed April 22 #4: Bi-annual budget 2020-22

I received notice of the 15-page 2020 Infrastructure Update Report, the 326-page bi-annual Recommended Operating Budget, and the 126-page 6-year Recommended Capital Improvement Budget at 7PM Friday April 17.

If you were expecting, as I was, that the budget document would be the platform to engage with the community on policy priorities and program adaptations to these challenging times, then you, as I, were disappointed.

So here are two suggestions for Council direction to Staff.

I prefer "Plan/Prepare" rather than "React".

The City Administration says "The City is expecting significant revenue losses" and "Staff will bring additional proposals and adjustments to the budget to ensure the City's fiscal sustainability."

I would instead like to see the approach used for Plan Bay Area 2050 where multiple future scenarios (grim, old/new normal, rosy) are presented, each with its associated impacts and responses.

Except for a few statements about anticipated revenue loss, this budget document is nearly indistinguishable from the previous one. This is especially true in the Department sections, where the wording is often identical with the previous 2-year except for minor changes for accomplishments and some so-called action goals.

The City Administration says "The budget aligns resources consistent with the City Council's and Community's priorities, while maintaining fiscal responsibility." While I am sure that Staff did many cost/benefit analyses, we do not see the inputs and outputs. Nor do we know if this was a City-wide holistic review or just department by department silos. Perhaps a forensic accountant could read the Budget Summary tables and deduce that, but I cannot.

The City Manager gave you an extremely informative report of actions each department had taken as a Teammates supplement at the last Council meeting and the PIO re-broadcast it as a MH411/Covid email blast. I would have the City Manager use that as a basis to explain many cost/benefit discussions. Which actions were part of an existing department work plan? Which were reactions to newly-identified needs? Did you do the "low-hanging fruit" because they were easy or did you look for maximum impact even if they required more resources which took away from other desirable actions?

Then repeat this for possible actions in the next 2-year budget. "Discussion Packages" rather than "Decision Packages". If you want the community to help with charting a path forward, I believe that you must first consider policy priorities and then expose the cost/benefit considerations of program choices. Future operations would be based on measurable Program Deliverables, not aspirational Action Goals.

Thank you for your consideration,
Doug Muirhead, 15-year resident of Morgan Hill

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.

Item # 04

AGENDA DATE: 04/22/2020
SUPPLEMENT # 2

From: [Christina Turner](#)
To: [Angie Gonzalez](#)
Cc: [Monica Delgado](#); [Dat Nguyen](#); [Harjot Sangha](#); [Michelle Bigelow](#)
Subject: FW: comments on budget
Date: Wednesday, April 22, 2020 5:41:36 PM

Please supplement.

From: Monica Delgado <Monica.Delgado@morganhill.ca.gov>
Sent: Wednesday, April 22, 2020 5:41 PM
To: D. Muirhead <doug.muirhead@stanfordalumni.org>
Cc: Christina Turner <Christina.Turner@morganhill.ca.gov>
Subject: RE: comments on budget

Mr. Muirhead,
Thank you for your comments on the Recommended Budget. Please find responses to your comments below, in red text. If you have any questions, feel free to contact me.
Thank you,
Monica Delgado

Hello Morgan Hill Budget Manager Delgado,

I received notice of the 15-page 2020 Infrastructure Update Report, the 326-page bi-annual Recommended Operating Budget, and the 126-page 6-year Recommended Capital Improvement Budget at 7PM Friday April 17.

I will not be offering a lengthy comment letter this year.
But I do have several issues I want to bring to your attention.
Doug Muirhead, Morgan Hill resident

Wednesday, April 22 City Council Meeting
Saturday, April 25 Engage Morgan Hill Community Advisory Group
Thursday, April 30 Community Budget Meeting
Friday, May 15 ^ City Council Budget Workshop
Wednesday, June 17 City Council Budget Hearing/Budget Adoption

-----+-----+-----+-----+-----+-----+-----+-----+-----+

Street Improvements [pg 21]

[text] City uses industry standard Pavement Condition Index (PCI)
with a goal of PCI=70+; current PCI is 73

[comment] The City continues to use one figure which is the average of all street segments, which fails to disclose that many streets are in poor condition while the arterials are continually refreshed and contribute high PCI numbers to the average. You should at least list PCI by street classification (arterial, collector, residential/local).

City staff just recently received the pavement management update and have noted it is in draft form. The City will release the data PCI for street classifications and the individual street segments within the next month. It is a true statement that many residential streets are in very poor condition as the City's strategy is to maintain the arterial streets first based on use and safety considerations.

Street Improvements [pg 21]

[text] In addition to \$250,000 from General Fund, funding for the pavement rehabilitation program includes new revenues from VTA's Measure B, State's SB1, and OBAGII Grant Funds.

SB1 taxes and fees: City estimated to receive \$12 million over ten-year period. Measure B sales tax: City expected to receive \$800,000 annually for City's street improvement

[comment] Just as the City is expecting significant revenue loss of sales tax, so will VTA from Measure B and the State SB1 from vehicle taxes and fees. In my opinion, it is misleading to use "expected to receive" numbers from earlier in the year.

Yes, we anticipate potential future lower revenues from both funding sources but have not yet received updated numbers. We will update our revenue projections when have updated information in this area. It will undoubtedly reduce funding available in future years, but to what extent we do not yet know.

Funding Gap for Infrastructure and Services and Unfunded Needs [pg 22]

[text] not in financial position to fully address its aging public infrastructure (streets, facilities, parks) and the unfunded needs in public safety.

[comment] I continue to object to this bifurcation where "public safety" is just police and fire services. Safety of the Public includes our physical and mental health, be it not trip and fall on cracked sidewalks, vehicle/bike collisions on City streets, or absence of usable public spaces such as meeting rooms at CCC or computer facilities at CSC.

Noted

Personnel [pg 24]

[text] during the current fiscal year, the City eliminated 5.5 FTEs

[comment] As I recall, two of those FTEs were actually abandoned positions due to incorporation into a Public Services Director position.

All 5.5 FTE were positions that were eliminated.

Human Resources Accomplishments [pg 140]

[text] Organized annual Employee Recognition Event

[comment] I mentioned to a member of your leadership team after the

last awards were announced at a Council meeting that it was nice for the employees to be recognized. But it was meaningless to the community since we do not know those people nor what jobs they do nor how our residents benefit from those contributions.

Noted.

Community Services Centennial Senior Center and Older Adult Programs [pg 167]

[text] The Senior Center has evolved in recent years to include more comprehensive Older Adult Programs and Services.

This budget reflects continued effort in improving communication, establishing partnerships and collaborations, and removing transportation barriers by identifying potential solutions and transportation alternatives.

[comment] I think you over-state the priority of and support for Older Adult Programs and Services. In spite of well-understood demographic changes showing significant increases in number of older residents, you continue to have one full-time and one part-time staff who fortunately find much support from many volunteers and have had to go out and seek to build an endowment fund to provide needed services. This is one area where your words do not match your actions. I pay much less attention to what government says and instead watch what they do and this one in particular makes me angry.

The City has increased funding for Senior Services for several years. There are three part-time City staff members, and other staff members that currently provide varying levels of support for operations at the Center. Additionally, the YMCA has several staff members that run the Senior Nutrition Program at the Senior Center. Given our new fiscal reality, funding Senior Services at higher levels than are included in the budget is not recommended. The City does rely on volunteers and donated resources to provide the current level of services in this area and hope we are able to continue to do so as we move into uncertain fiscal times.

Membership and Program Services Activity Goals [pg 161]

[text] Promote membership financial assistance program for residents that cannot afford to pay fees

[comment] I would really like to see a section in the budget that specifically discusses how we address issues of equity.

The recommendation for future budgets will be noted. The City does provide financial assistance for Morgan Hill residents in recreation memberships and programs. For the last full fiscal year this totaled about \$220,000 worth of assistance, which extended with additional support of approximately \$3,000 by the Kiwanis Foundation and Aquatics Foundation. The YMCA funded \$25,000 in financial assistance at the CRC through their annual giving campaign.

Community Services Accomplishments [pg 168]

[text] Facilitated monthly Community Asset Builder (CAB) meetings to engage community-based organizations.

[comment] You do good things then complain that we do not appreciate them but you do not tell us about them. Not the first time that I have expressed this frustration since it could increase support from our residents for certain other City actions.

We will continue to work to improve on sharing utilizing our limited resources for communication.

Cable Services Financial Comments [pg 171]

[text] Payments for access television support received from Charter Cable of approximately \$50,000 will be dedicated for governmental access purposes and will now contribute rental fees associated with the cablecasting of City meetings.

[comment] I hope this is just mis-worded. It would be a violation of State law to use PEG funds for non-capital purposes.

City Municipal Code 5.21.030 - PEG support fees.

Any state video franchise holder operating within the boundaries of the city shall pay a PEG fee to the city or the city's designee for capital support of Public, Educational, and/or Governmental (PEG) purposes that are consistent with state and federal law...

We would be happy to discuss the legality of use of PEG fees for facility rental and leased space as that has been tested and is approved under current law. The funds are used for replacement of equipment at the Council Chambers.

Police Support Services FY 2018-19 and 2019-20 Accomplishments [pg 216]

[text] Completed interface with Crossroads Electronic citation and collision reporting system with Records Management System

Police Administration FY 2020-21 and 2021-22 Activity Goals [pg 209]

[text] Replace Mobizent eCite-electronic citations and traffic collision reporting platform to Crossroads to improve reliability, efficiencies and environmental footprint and ensure alignment of traffic enforcement with high collision areas.

Police Field Operations FY 2020-21 and 2021-22 Activity Goals [pg 213]

[text] Replace Mobizent eCite-electronic citations and traffic collision reporting platform to Crossroads to improve reliability, efficiencies and environmental footprint and ensure alignment of traffic enforcement with high collision areas.

[comment] We worked for several years to get the City to join with other County jurisdictions to use the County-supported County-wide real-time collision reporting database known as Crossroads. So are you "Replac[ing] reporting platform to Crossroads" with something else or replacing the County Crossroads system with something else?

Mobizent was the company providing the software program for an electronic citation (eCite). We are going to use the software program from Crossroads for the eCites because Mobizent was not reliable. We are keeping Crossroads.

Police Special Operations [pg 221]

[from previous 2-year budget] FY 2016-17 and 2017-18 Accomplishments

Graffiti abatement totaled clean-up of 931 incidents of graffiti

in 2017 and we achieved our graffiti abatement goal of cleaning up

all graffiti within 48 hours

[from previous 2-year budget] FY 2018-19 and 2019-20 Activity Goals

Graffiti abatement within 48 hours of notification

[text] FY 2018-19 and 2019-20 Accomplishments

[comment] no mention of graffiti

Abating graffiti within 48 hours of notification will continue to be the priority of our graffiti abatement officer and detective who oversees the graffiti abatement position. This year the graffiti position has been vacant for a couple of weeks at a time between the selection and hiring of new employees. This also affected our ability to clean up graffiti within 48 hours on several occasions. During the transitions we also learned there was a lack of tracking that was corrected. The total graffiti incidents below reflect what we have documented, however we believe the incidents of graffiti last year exceeded 1,000.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
78	34	16	27	68	66	141	94	108	70	126	138	966

[text] FY 2020-21 and 2021-22 Activity Goals

Abate graffiti within 48 hours of notification

[comment] Given the constant turnover in the graffiti position, which

we never are told about (the online staff directory is not reliably

updated), and my own observations, I seriously doubt that the Department

is meeting the 48-hour goal.

Just as the Department offers an on-line map of crime activity,

and Crossroads offers one for collisions, why not add a GIS layer

that shows graffiti activity.

I will consult with our team to determine if this is something we can do and or what it will take to accomplish. As for the graffiti GIS layer...crimemapping.com does have the ability to display vandalism, which is typically graffiti, but we have not requested "graffiti only" display. However, only events entered into CAD are displayed. This would mean we'd have to enter each graffiti incident that we abate into CAD which would be double the effort and additional work for dispatchers.

Current graffiti abatement worker is red.diokno@morganhill.ca.gov due to this position being a part time unbenefited temporary position it has high turnover so we no longer add the employee's name

only hotline phone number and general email link to his email.

Development Services Building Division [pg 244]

[text] FY 2018-19 and 2019-20 Accomplishments

Focused on training in order to increase the City's ISO rating.

... enabled the City to regain a point in the preliminary ISO rating of 5 to a final rating of 4.

[text] FY 2020-21 and 2021-22 Activity Goals

Continue with staff training efforts to ensure future ISO rating increases

[comment] I doubt ISO stands for International Standards Organization.

What is it and why should we care? What is the rating scale and what is a meaning of 4 and of 5?

The Insurance Services Office, Inc. (ISO) is an insurer-supported organization with the primary mission of providing advisory insurance underwriting and rating information to insurers. ISO collects information on a community's building-code adoption, Building Department staff, and enforcement services, analyzes the data, and then assigns a Building Code Effectiveness Classification from 1 to 10. One is best; 10 is worst rating. The evaluation is based on the principal that municipalities with well-staffed, educated/trained personnel with up-to-date code adoption practices demonstrate better loss experience.

ISO audits of City Building organizations are conducted every 3-5 years. The reason the City cares about its rating is that there is a direct relationship between ISO ratings and insurance ratings, hence premiums for insurance for City residents and businesses. So, maintaining a good score is important and is a significant service to the community.

A better rating would be very hard for Morgan Hill to achieve with its current budget. In order to increase Morgan Hill's score, additional employees would be needed. The City assigns too many inspections per Inspector and too many plan reviews per plan reviewer and would also need at least one Professional Engineer on Building staff to better Morgan Hill's standing. In addition, training hours and expenditures on training as a % of the overall Building Department budget would need to be increased.

Infrastructure Planning and Traffic Congestion Management Division [pg 266]

[text] In FY 2019-20, the Congestion Management Division was replaced

by the Infrastructure Planning and Traffic Congestion Management Division.

[comment] I did not get that memo.

This Division was established during last year's mid-cycle budget update.

Water Operations [pg 273]

[text] FY 2018-19 and 2019-20 Accomplishments

Exercised 1,100 system valves in the water distribution system (annually)

Tested 300 large water meters (greater than 1½ inches) to ensure accuracy

for the largest water customers
[text] FY 2020-21 and 2021-22 Activity Goals
Exercise 2,000 system valves in the water distribution system
Test 800 large water meters (greater than 1½ inches) to ensure accuracy
[comment] 1,100 and 2,000 system valves are what percent of total? Asked
another way, how many years to do a full cycle?
Same question for the 300 and 800 large water meters.

The goal is to exercise 1,100 (20%) valves annually, test 100% of meters > 3" annually, and 33% of 1-1/2" through 2" annually.

Geographic Information Systems (GIS) [pg 287]
[text] FY 2018-19 and 2019-20 Activity Goals
Make appropriate data available to the public
[text] FY 2018-19 and 2019-20 Accomplishments
Contracted with County consortium to acquire new aerial imagery
and LiDAR for the City
[text] FY 2020-21 and 2021-22 Activity Goals
Implement Open Data (public data portal)
[comment] Each year GIS has a goal (not a commitment) for the public
portal but which does not happen. A nice first step would be access
to the aerial imagery.

Acquisition of the new aerial imagery is being managed by the County through a consortium. The County negotiated a multi-year agreement with the vendor and acquired a USGS grant which has delayed the project but has provided significant cost savings. Prior to covid-19, the aerial imagery was scheduled to be completed by late Fall 2020, so this schedule may change.

Implementation of the Open Data public portal is one of many GIS tasks that are committed to and have been funded and contracted. Tasks that are necessary to establish the infrastructure needed to host/support the other tasks or are more urgent, such as the MHMaps replacement, address database, and business system integration, have been prioritized. The project schedule will be re-assessed when the shelter-in-place has been lifted and City and partner resources can be reviewed.

Human Resources

[text] General Fund - Expenditures [pg 17]
scheduled pay increases per the City's Memorandums of Understanding (MOU) with the three bargaining groups, health benefits, and pension increases. For FY 2021-22, salaries and benefits increase 5 percent or \$1.3 million compared to the FY 2020-21 Recommended amount
[text] Fiscal Policies Reserves & Designations Policy [pg 41]
Spending cuts prompted by the need to achieve structural budget balance and/or rebuild General Fund reserves will consist of

service-level reductions, mitigated as much as possible by changes to employee work schedules. Service-level reductions almost certainly will require layoffs and/or renegotiation of current labor costs.

City Manager

[text] FY 2018-19 and 2019-20 Accomplishments [pg 127]

Successfully negotiated Memorandum of Understanding (MOUs) with the three bargaining units, for three-year term

[text] FY 2020-21 and 2021-22 Activity Goals [pg 129]

Successfully negotiate all three Memorandum of Understandings (MOUs) with bargaining units by December 2021 guided by Council's adopted compensation guidelines

[text] FY 2018-19 and FY 2019-20 Accomplishments Labor Relations [pg 140]

Successfully negotiated fiscally responsible labor agreements with the City's three bargaining groups

[text] FY 2020-21 and 2021-22 Activity Goals [pg 141]

Negotiate fiscally responsible labor agreements with the City's three bargaining groups

[comment] I do not consider locking in 5% salary increases for 3 years without an escape clause to deal with unexpected disruptions to be "fiscally responsible", although I was thinking of economic downturn rather than cessation of all life activities due to pandemic.

I question how much control you have with your Fiscal Policies given that the only adaptation in the actual MOUs has to do with (what I consider an archaic process of) layoffs based on seniority.

We believe the City entered into very successful and fiscally responsible labor agreements with moderate salary increases for all groups, ranging from 3.25% to 3.5% for non-sworn and 4.0% for sworn as compared to similar cities in the Bay Area, which have higher scheduled increases. In addition, our teammates continue to help pay the employer's pension cost increases. As for "an escape clause" to deal with unexpected disruption, this would not be feasible and City's insistence as such, would not result in an agreement. That being said, the MOUs do not prevent the City from calling our union groups to the table to renegotiate specific terms of the contracts. The City has been keeping our teammates and their respective union groups leaders apprised of the fiscal impacts to the City's finances from the COVID-19 pandemic and that we are all in this together to solve the fiscal issues facing us.

Budget Overview Legal Debt Limit [pg 36]

Fiscal Policies Debt Capacity [pg 46]

[comment] Early in the Engage process, I mentioned a SEPTEMBER 17, 2014, Council agenda item on POLICY ON GENERAL PURPOSE DEBT CAPACITY which questioned the "General Fund annual debt service payments should generally not exceed 5% of the General Fund currently budgeted revenue, excluding transfers in." and then the staff report described that "Many communities across the country feel comfortable with a debt service share of up to twice that level (10%) of general fund revenues. Much higher than 10%

and the rating agencies begin to express concern..."

The City has been very conservative on incurring debt as we believe it would take away our flexibility to budget. The City's current General Fund annual debt is approximately less than ½ of 1% of General Fund budgeted revenue.

Budget Message

Wastewater Fund [pg 19]

[text] Treatment Plant expansion in the six-year CIP

are expected to be funded by impact fees and/or financed through bonding against future impact fees.

Capital Improvement Program (CIP) [pg 20]

[text] Sewer Plant Expansion Project (\$11.8 million): City's 41.9 percent

share of expansion costs at the South County Regional Wastewater Authority (SCRWA) treatment plant co-owned with the City of Gilroy.

[comment] I have objected to our City council and to the SCRWA Board about lack of transparency of design assumptions leading to this large expansion at this time. SCRWA has not made public a flow study to answer how much input and uses for output in face of State "conservation new way of life". Nor are we hearing from Morgan Hill and Gilroy Project Partners Group advising Water District on County Water Reuse Plan and those needs.

I think the City is being fiscally irresponsible by its silence.

The City has had the expansion in its plan for several years. The most recent update on the project to the Board of SCRWA occurred in October of 2019. You can review this report here:

<http://www.cityofgilroy.org/AgendaCenter/ViewFile/Item/3442?fileID=9814>

The assumptions are included in the update. As the report notes, the flow projections were based on 2017 data. However, the report specifically notes the issue of expansion is just as much based on the organic loading versus the report. The SCRWA Board has not approved the expansion project as it is in the design phase and will return to the SCRWA Board for approval. The City has been collecting impact fees specifically to fund this project which will be necessary to ensure safety as additional growth occurs.

General Fund - Discretionary Expenditures [pg 16]

[chart] bar chart of distribution of GF spending

[comment] You should use this instead of pie chart

Noted

[text] Council has discretion on how to spend approximately \$28.4 million of the \$42.4 million in General Fund revenue.

Council allocate discretionary funds: 84 percent for Police and Fire; remaining 16 percent of discretionary revenue for Economic Development,

Finance, Human Resources, City Clerk, Recreation and Community Services, Environmental Services, Streets, Parks, Public Facilities, Downtown Maintenance, City Attorney, and City Manager services.

[comment] I strongly believe that very few residents understand at a "gut level" how few resources we have to do so much that is important to so many after you carve out the monies that go to police and fire.

Noted

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.

-----Original Message-----

From: D. Muirhead <doug.muirhead@stanfordalumni.org>
Sent: Monday, April 20, 2020 2:31 PM
To: Monica Delgado <Monica.Delgado@morganhill.ca.gov>
Subject: comments on budget

Hello Morgan Hill Budget Manager Delgado,

I received notice of the 15-page 2020 Infrastructure Update Report, the 326-page bi-annual Recommended Operating Budget, and the 126-page 6-year Recommended Capital Improvement Budget at 7PM Friday April 17.

I will not be offering a lengthy comment letter this year.
But I do have several issues I want to bring to your attention.
Doug Muirhead, Morgan Hill resident

Wednesday, April 22	City Council Meeting
Saturday, April 25	Engage Morgan Hill Community Advisory Group
Thursday, April 30	Community Budget Meeting
Friday, May 15 ^	City Council Budget Workshop
Wednesday, June 17	City Council Budget Hearing/Budget Adoption

-----+-----+-----+-----+-----+-----+-----+-----+-----+

Street Improvements [pg 21]

[text] City uses industry standard Pavement Condition Index (PCI)
with a goal of PCI=70+; current PCI is 73

[comment] The City continues to use one figure which is at the verge of all street segments, which fails to disclose that many streets are in poor condition while the arterials are continually refreshed and

contribute high PCI numbers to the average. You should at least list PCI by street classification (arterial, collector, residential/local).

Street Improvements [pg 21]

[text] In addition to \$250,000 from General Fund, funding for the pavement rehabilitation program includes new revenues from VTA's Measure B, State's SB1, and OBAGII Grant Funds.

SB1 taxes and fees: City estimated to receive \$12 million over ten-year period. Measure B sales tax: City expected to receive \$800,000 annually for City's street improvement

[comment] Just as the City is expecting significant revenue loss of sales tax, so will VTA from Measure B and the State SB1 from vehicle taxes and fees. In my opinion, it is misleading to use "expected to receive" numbers from earlier in the year.

Funding Gap for Infrastructure and Services and Unfunded Needs [pg 22]

[text] not in financial position to fully address its aging public infrastructure (streets, facilities, parks) and the unfunded needs in public safety.

[comment] I continue to object to this bifurcation where "public safety" is just police and fire services. Safety of the Public includes our physical and mental health, be it not trip and fall on cracked sidewalks, vehicle/bike collisions on City streets, or absence of usable public spaces such as meeting rooms at CCC or computer facilities at CSC.

Personnel [pg 24]

[text] during the current fiscal year, the City eliminated 5.5 FTEs

[comment] As I recall, two of those FTEs were actually abandoned positions due to incorporation into a Public Services Director position.

Human Resources Accomplishments [pg 140]

[text] Organized annual Employee Recognition Event

[comment] I mentioned to a member of your leadership team after the last awards were announced at a Council meeting that it was nice for the employees to be recognized. But it was meaningless to the community since we do not know those people nor what jobs they do nor how our residents benefit from those contributions.

Community Services Centennial Senior Center and Older Adult Programs [pg 167]

[text] The Senior Center has evolved in recent years to include more comprehensive Older Adult Programs and Services.

This budget reflects continued effort in improving communication, establishing partnerships and collaborations, and removing transportation barriers by identifying potential solutions and transportation alternatives.

[comment] I think you over-state the priority of and support for Older Adult

Programs and Services. In spite of well-understood demographic changes showing significant increases in number of older residents, you continue to have one full-time and one part-time staff who fortunately find much support from many volunteers and have had to go out and seek to build an endowment fund to provide needed services. This is one area where your words do not match your actions. I pay much less attention to what government says and instead watch what they do and this one in particular makes me angry.

Membership and Program Services Activity Goals [pg 161]

[text] Promote membership financial assistance program for residents that cannot afford to pay fees

[comment] I would really like to see a section in the budget that specifically discusses how we address issues of equity.

Community Services Accomplishments [pg 168]

[text] Facilitated monthly Community Asset Builder (CAB) meetings to engage community-based organizations.

[comment] You do good things then complain that we do not appreciate them but you do not tell us about them. Not the first time that I have expressed this frustration since it could increase support from our residents for certain other City actions.

Cable Services Financial Comments [pg 171]

[text] Payments for access television support received from Charter Cable of approximately \$50,000 will be dedicated for governmental access purposes and will now contribute rental fees associated with the cablecasting of City meetings.

[comment] I hope this is just mis-worded. It would be a violation of State law to use PEG funds for non-capital purposes.

City Municipal Code 5.21.030 - PEG support fees.

Any state video franchise holder operating within the boundaries of the city shall pay a PEG fee to the city or the city's designee for capital support of Public, Educational, and/or Governmental (PEG) purposes that are consistent with state and federal law...

Police Support Services FY 2018-19 and 2019-20 Accomplishments [pg 216]

[text] Completed interface with Crossroads Electronic citation and collision reporting system with Records Management System Police Administration FY 2020-21 and 2021-22 Activity Goals [pg 209]

[text] Replace Mobizent eCite-electronic citations and traffic collision reporting platform to Crossroads to improve reliability, efficiencies and environmental footprint and ensure alignment of traffic enforcement with high collision areas.

Police Field Operations FY 2020-21 and 2021-22 Activity Goals [pg 213]

[text] Replace Mobizent eCite-electronic citations and traffic collision reporting platform to Crossroads to improve reliability, efficiencies and environmental footprint and ensure alignment of traffic enforcement with high collision areas.

[comment] We worked for several years to get the City to join with other County jurisdictions to use the County-supported County-wide real-time collision reporting database known as Crossroads. So are you "Replac[ing] reporting platform to Crossroads" with something else or replacing the County Crossroads system with something else?

Police Special Operations [pg 221]

[from previous 2-year budget] FY 2016-17 and 2017-18 Accomplishments
Graffiti abatement totaled clean-up of 931 incidents of graffiti in 2017 and we achieved our graffiti abatement goal of cleaning up all graffiti within 48 hours

[from previous 2-year budget] FY 2018-19 and 2019-20 Activity Goals
Graffiti abatement within 48 hours of notification

[text] FY 2018-19 and 2019-20 Accomplishments

[comment] no mention of graffiti

[text] FY 2020-21 and 2021-22 Activity Goals

Abate graffiti within 48 hours of notification

[comment] Given the constant turnover in the graffiti position, which we never are told about (the online staff directory is not reliably updated), and my own observations, I seriously doubt that the Department is meeting the 48-hour goal.

Just as the Department offers an on-line map of crime activity, and Crossroads offers one for collisions, why not add a GIS layer that shows graffiti activity.

Development Services Building Division [pg 244]

[text] FY 2018-19 and 2019-20 Accomplishments

Focused on training in order to increase the City's ISO rating.
... enabled the City to regain a point in the preliminary ISO rating of 5 to a final rating of 4.

[text] FY 2020-21 and 2021-22 Activity Goals

Continue with staff training efforts to ensure future ISO rating increases

[comment] I doubt ISO stands for International Standards Organization.

What is it and why should we care? What is the rating scale and what is a meaning of 4 and of 5?

Infrastructure Planning and Traffic Congestion Management Division [pg 266]

[text] In FY 2019-20, the Congestion Management Division was replaced by the Infrastructure Planning and Traffic Congestion Management Division.

[comment] I did not get that memo.

Water Operations [pg 273]

[text] FY 2018-19 and 2019-20 Accomplishments

Exercised 1,100 system valves in the water distribution system (annually)

Tested 300 large water meters (greater than 1½ inches) to ensure accuracy for the largest water customers

[text] FY 2020-21 and 2021-22 Activity Goals

Exercise 2,000 system valves in the water distribution system

Test 800 large water meters (greater than 1½ inches) to ensure accuracy

[comment] 1,100 and 2,000 system valves are what percent of total? Asked another way, how many years to do a full cycle?

Same question for the 300 and 800 large water meters.

Geographic Information Systems (GIS) [pg 287]

[text] FY 2018-19 and 2019-20 Activity Goals

Make appropriate data available to the public

[text] FY 2018-19 and 2019-20 Accomplishments

Contracted with County consortium to acquire new aerial imagery and LiDAR for the City

[text] FY 2020-21 and 2021-22 Activity Goals

Implement Open Data (public data portal)

[comment] Each year GIS has a goal (not a commitment) for the public portal but which does not happen. A nice first step would be access to the aerial imagery.

Human Resources

[text] General Fund - Expenditures [pg 17]

scheduled pay increases per the City's Memorandums of Understanding (MOU) with the three bargaining groups, health benefits, and pension increases. For FY 2021-22, salaries and benefits increase 5 percent or \$1.3 million compared to the FY 2020-21 Recommended amount

[text] Fiscal Policies Reserves & Designations Policy [pg 41]

Spending cuts prompted by the need to achieve structural budget balance and/or rebuild General Fund reserves will consist of service-level reductions, mitigated as much as possible by changes to employee work schedules. Service-level reductions almost certainly will require layoffs and/or renegotiation of current labor costs.

City Manager

[text] FY 2018-19 and 2019-20 Accomplishments [pg 127]

Successfully negotiated Memorandum of Understanding (MOUs) with the three bargaining units, for three-year term

[text] FY 2020-21 and 2021-22 Activity Goals [pg 129]

Successfully negotiate all three Memorandum of Understandings (MOUs) with bargaining units by December 2021 guided by Council's adopted compensation guidelines

[text] FY 2018-19 and FY 2019-20 Accomplishments Labor Relations [pg 140]

Successfully negotiated fiscally responsible labor agreements with the City's three bargaining groups

[text] FY 2020-21 and 2021-22 Activity Goals [pg 141]

Negotiate fiscally responsible labor agreements with the City's three bargaining groups

[comment] I do not consider locking in 5% salary increases for 3 years without an escape clause to deal with unexpected disruptions to be "fiscally responsible", although I was thinking of economic downturn rather than cessation of all life activities due to pandemic.

I question how much control you have with your Fiscal Policies given that the only adaptation in the actual MOUs has to do with (what I consider an archaic process of) layoffs based on seniority.

Budget Overview Legal Debt Limit [pg 36] Fiscal Policies Debt Capacity [pg 46]

[comment] Early in the Engage process, I mentioned a SEPTEMBER 17, 2014, Council agenda item on POLICY ON GENERAL PURPOSE DEBT CAPACITY which questioned the "General Fund annual debt service payments should generally not exceed 5% of the General Fund currently budgeted revenue, excluding transfers in." and then the staff report described that "Many communities across the country feel comfortable with a debt service share of up to twice that level (10%) of general fund revenues. Much higher than 10% and the rating agencies begin to express concern..."

Budget Message

Wastewater Fund [pg 19]

[text] Treatment Plant expansion in the six-year CIP

are expected to be funded by impact fees and/or financed through bonding against future impact fees.

Capital Improvement Program (CIP) [pg 20]

[text] Sewer Plant Expansion Project (\$11.8 million): City's 41.9 percent share of expansion costs at the South County Regional Wastewater Authority (SCRWA) treatment plant co-owned with the City of Gilroy.

[comment] I have objected to our City council and to the SCRWA Board about lack of transparency of design assumptions leading to this large expansion at this time. SCRWA has not made public a flow study to answer how much input and uses for output in face of State "conservation new way of life". Nor are we hearing from Morgan Hill and Gilroy Project Partners Group advising Water District on County Water Reuse Plan and those needs.

I think the City is being fiscally irresponsible by its silence.

General Fund - Discretionary Expenditures [pg 16]

[chart] bar chart of distribution of GF spending

[comment] You should use this instead of pie chart

[text] Council has discretion on how to spend approximately \$28.4 million

of the \$42.4 million in General Fund revenue.

Council allocate discretionary funds: 84 percent for Police and Fire; remaining 16 percent of discretionary revenue for Economic Development, Finance, Human Resources, City Clerk, Recreation and Community Services, Environmental Services, Streets, Parks, Public Facilities, Downtown Maintenance, City Attorney, and City Manager services.

[comment] I strongly believe that very few residents understand at a "gut level" how few resources we have to do so much that is important to so many after you carve out the monies that go to police and fire.

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.

Item # 04

AGENDA DATE: 04/22/2020
SUPPLEMENT # 3

From: [Christina Turner](#)
To: [Angie Gonzalez](#)
Cc: [Michelle Bigelow](#)
Subject: FW: RE: Comment Morgan Hill City Council Wed April 22 #4: Bi-annual budget 2020-22
Date: Wednesday, April 22, 2020 5:48:56 PM

Please supplement.

From: Christina Turner
Sent: Wednesday, April 22, 2020 5:48 PM
To: D. Muirhead <doug.muirhead@stanfordalumni.org>
Cc: Monica Delgado <Monica.Delgado@morganhill.ca.gov>
Subject: FW: RE: Comment Morgan Hill City Council Wed April 22 #4: Bi-annual budget 2020-22

Hi Doug -

Thank you for your comments and feedback on item #4: Introduction to recommended biennial operating and six-year CIP budget. Please see responses below.

I believe you've referenced having large documents/reports available for Council and public to provide adequate time for review at least 10 days prior to Council action, as staff has committed to. Council is scheduled to adopt the City's biennial budget, with any subsequent adjustments on June 17th, or about two months after the recommended budget release. Thank you for submitting your comments/feedback to our Budget Manager.

Due to the fluid and ongoing nature of the COVID-19 pandemic, the actual impacts are still unknown. However, we have begun work to address the current known impacts of revenue losses and plan to present potential budget adjustments with associated impacts. There are no scenarios presented or included in the just recently released budget as we want to be thorough and comprehensive in our analysis and the potential impacts to the community as we try to align our expenditures with reduced revenue. As indicated in the transmittal, there are no decision packages or service enhancements included in the budget. The budget maintains existing service levels for the most part, with certain adjustments already mentioned in the budget; such as temporarily reducing building maintenance projects and a hiring freeze. The overall services provided by each of our operational divisions/departments remain consistent year-over-year, therefore the division/department description tends to be similar, with activities highlighted which further Council's ongoing or strategic priorities. Keep in mind, many of the foundational priorities are ongoing in nature. Any changes to division or department operations since the recommended budget will be accurately reflected in the final adopted budget document.

Again, thank you for the feedback and comments. I look forward to your participation in the upcoming community meeting scheduled for April 30th at 5:30 pm, and the budget workshop on May 15th at 9am, for further discussion on the budget.

Thank you,
Christina

CITY OF MORGAN HILL

Christina J. Turner, CPA
City Manager

17575 Peak Avenue, Morgan Hill, California, USA 95037

d 408.776.7382 | **c** 408.839.1705

e christina.turner@morganhill.ca.gov | www.morganhill.ca.gov

[Facebook](#) | [Twitter](#)

-----Original Message-----

From: D. Muirhead <doug.muirhead@stanfordalumni.org>

Sent: Monday, April 20, 2020 9:21 AM

To: CC Public Comment <CCPublicComment@morganhill.ca.gov>

Subject: Comment Morgan Hill City Council Wed April 22 #4: Bi-annual budget 2020-22

Comment Morgan Hill City Council Wed April 22 #4: Bi-annual budget 2020-22

I received notice of the 15-page 2020 Infrastructure Update Report, the 326-page bi-annual Recommended Operating Budget, and the 126-page 6-year Recommended Capital Improvement Budget at 7PM Friday April 17.

If you were expecting, as I was, that the budget document would be the platform to engage with the community on policy priorities and program adaptations to these challenging times, then you, as I, were disappointed.

So here are two suggestions for Council direction to Staff.

I prefer "Plan/Prepare" rather than "React".

The City Administration says "The City is expecting significant revenue losses" and "Staff will bring additional proposals and adjustments to the budget to ensure the City's fiscal sustainability."

I would instead like to see the approach used for Plan Bay Area 2050 where multiple future scenarios (grim, old/new normal, rosy) are presented, each with its associated impacts and responses.

Except for a few statements about anticipated revenue loss, this budget document is nearly indistinguishable from the previous one. This is especially true in the Department sections, where the wording is often identical with the previous 2-year except for minor changes for accomplishments and some so-called action goals.

The City Administration says "The budget aligns resources consistent with the City Council's and Community's priorities, while maintaining fiscal responsibility." While I am sure that Staff did many cost/benefit analyses, we do not see the inputs and outputs. Nor do we know if this was a City-wide holistic review or just department by department silos. Perhaps a forensic accountant could read the Budget Summary tables and deduce that, but I cannot.

The City Manager gave you an extremely informative report of actions each department had taken as a Teammates supplement at the last Council meeting and the PIO re-broadcast it as a MH411/Covid email blast. I would have the City Manager use that as a basis to explain many cost/benefit discussions.

Which actions were part of an existing department work plan?

Which were reactions to newly-identified needs?

Did you do the "low-hanging fruit" because they were easy or did you look for maximum impact even if they required more resources which took away from other desirable actions?

Then repeat this for possible actions in the next 2-year budget.

"Discussion Packages" rather than "Decision Packages". If you want the community to help with charting a path forward, I believe that you must first consider policy priorities and then expose the cost/benefit considerations of program choices. Future operations would be based on measurable Program Deliverables, not aspirational Action Goals.

Thank you for your consideration,

Doug Muirhead, 15-year resident of Morgan Hill

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.



Regular Meeting Agenda

City Council

Rich Constantine - Mayor
Yvonne Martinez Beltran - Mayor Pro Tem
Larry Carr - Council Member
John McKay - Council Member
Rene Spring - Council Member

Wednesday, April 22, 2020 7:00 p.m.

Council Chamber
17555 Peak Avenue, Morgan Hill, CA 95037

PUBLIC MEETINGS DURING THE COVID-19 VIRUS EMERGENCY

Public Participation:

In accordance with Executive Orders N-25-20, N-29-20, and guidance from the California Department of Public Health on gatherings, remote public participation is allowed. The Order will be addressed in the following ways:

Members of the public may not physically attend meetings at the Morgan Hill City Council Chamber.

The City Council meeting will be live-streamed on Channel 17 and on the City's website. Members of the public may participate in the meeting remotely through an electronic meeting in the following ways; by either joining the electronic meeting at <https://bit.ly/04222020CCmeeting> and enter ID: 601 508 598 or by calling in (669) 900-9128 enter Meeting ID: 601 508 598#.

Public comment for City Council meetings will be accepted via email to ccpubliccomment@morganhill.ca.gov <mailto:ccpubliccomment@morganhill.ca.gov>. Members of the public participating in the electronic meeting wishing to speak may do so during public comment.

The City Council has adopted a policy that regular meetings shall not continue beyond 11:00 p.m. unless extended by a majority of the City Council.

CALL TO ORDER

Mayor Constantine

ROLL CALL ATTENDANCE

Minutes Clerk Angie Gonzalez

DECLARATION OF POSTING AGENDA

Per Government Code Section 54954.2

Minutes Clerk Angie Gonzalez

CITY MANAGER'S REPORT

City Manager Christina Turner

CITY ATTORNEY'S REPORT

City Attorney Donald Larkin

PUBLIC COMMENT

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. (See additional noticing at the end of this agenda)

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 PUBLIC IMPROVEMENT AGREEMENT WITH COCHRANE-MONUMENT LAND COMPANY FOR MONTEREY/COCHRANE ROAD IMPROVEMENTS (EA2019-0017) AND ADOPT MITIGATED NEGATIVE DECLARATION

Recommendation:

1. Adopt resolution approving Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program;
2. Approve and authorize the City Manager to execute and administer an Improvement Agreement with the Monument Land Company LLC; and
3. Adopt resolution amending the Fiscal Year 2019-20 budget to appropriate \$324,305 from the School Pedestrian and Traffic Safety Fund (Fund 355) for the Monterey Road and Cochrane Road intersection improvements.

OTHER BUSINESS

2. ACCEPT 2020 CITY INFRASTRUCTURE UPDATE REPORT

Recommendation:

Receive the updated 2020 Report on City Infrastructure.

Estimated Time: 20 Minutes

**3. ACCEPT MARCH 2020 FINANCIAL AND INVESTMENT AND CITY MANAGER
AUTHORITY REPORTS**

Recommendation:

Accept and file report.

Estimated Time: 10 Minutes

**4. INTRODUCTION TO THE RECOMMENDED FISCAL YEAR (FY) 2020-21 AND FY 2021-
22 BIENNIAL OPERATING AND FY 2020-21 THROUGH FY 2025-26 CAPITAL
IMPROVEMENT PROGRAM BUDGETS**

Recommendation:

Receive presentation.

Estimated Time: 60 Minutes

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 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

2020-2021 Strategic Priorities

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

Public Comment
AGENDA DATE: 04/22/2020
SUPPLEMENT # 1

From: [Zachary Hilton](#)
To: [CC Public Comment](#)
Subject: Public Comments for Items Not on Agenda For Wednesday April 22
Date: Tuesday, April 21, 2020 5:06:17 PM

Below is my public comment for items not on the agenda. Thanks.

Comments as Zachary Hilton, South County Bike Advocate- "Good evening Mayor, City Council, Staff and the Public. I created a program that I would like to share. Bicycles are essential transportation for many who need to get around during the corona virus outbreak. This might include traveling to essential jobs, running crucial errands, or participating in mutual aid for vulnerable people who cannot leave their homes. I am connecting Gilroy & Morgan Hill residents who have an extra bicycle to residents who need one. Whether you have a bike or need a bike, fill out the online form, and we will match you. If your bike needs a little TLC before it's ready for a new home, please consider reaching out to a local bike shop to service it. As of Tuesday I matched 12 bikes, and trying to match several more. The online form is at <https://bit.ly/BikeMatch>, or search #GilroyBPAC. Thank you for your time."

Zachary Hilton
Hoseman.blogspot.com
Sent from my iPhone

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.